

Türkiye Vakıflar Bankası
Annual Report

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Türkiye Vakıflar Bankası T.A.O.

The Agenda of General Assembly on March 30, 2007

- 1) Opening ceremony and the formation of Presidency Council.
- 2) Authorization of the President and Vote Collectors for signing General Assembly Minutes.
- 3) Presentation and discussion of the reports of the Board of Directors, Auditors, Superior Supervisory Board on 2006 financials.
- 4) Reading, discussion and approval of audited financial reports for year 2006.
- 5) Discharge of the Members of the Board of Directors and the Auditors regarding 2006 financials.
- 6) Determination of a resolution on dividend policy for 2006 financial year profit.
- 7) The renewal of elections for the Board of Directors.
- 8) The renewal of elections for the Auditors.
- 9) Determination on the compensation of the Chairman, the Board of Directors and the Auditors.
- 10) The Approval of the independent auditors, in accordance with the Capital Markets Board regulation
- 11) Determination on the cancellation of the stocks arrangement 1,2,4-11.
- 12) The presentation of reports on donations made during year2006.
- 13) Wishes and requests.
- 14) Closing.

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General Information About The Bank

Bank's Profile

Date of Foundation	: April 13, 1954
Head Office of the Bank	: Ankara
Paid-in Capital	: TRY 2.500.000.000
Number of Employees	: 7.679
Number of Domestic Branches	: 427 (311 branches and 116 affiliated offices)
Number of International Branches	: 2 (New York Branch, Bahrain Branch)
Independent Audit Institution	: KAPİTAL BAĞIMSIZ DENETİM VE YEMİNLİ MALİ MÜŞAVİRLİK A.Ş. (KAPİTAL INDEPENDENT AUDIT AND CERTIFIED PUBLIC ACCOUNTANCY, INC.)
Address	: Türkiye Vakıflar Bankası T.A.O. Genel Müdürlüğü Atatürk Bulvarı No: 207 06683 Kavaklıdere/ANKARA
Tel.	: (+90312) 455 75 75
Fax	: (+90312) 455 76 90-91-92
Telex	: 44428(Vbum-Tr), 44429(Vkfb-Tr)
Web-site	: http://www.vakifbank.com.tr

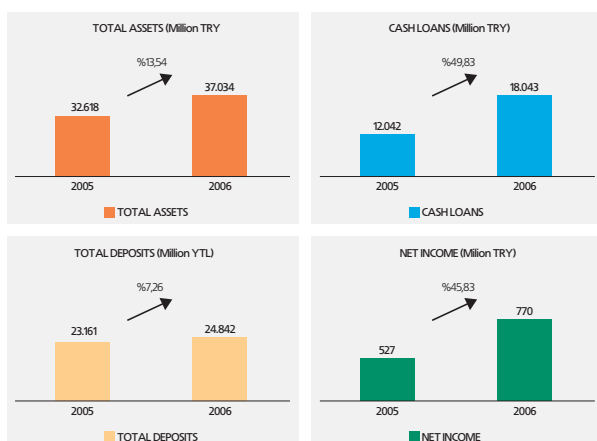
I-Summary Financial Information About 2006 Financials

Key Financial Highlights

31.12.2006 (Unconsolidated, Million TRY)

TOTAL ASSETS	37.034
SECURITIES PORTFOLIO	10.432
LOANS (CASH)	18.043
DEPOSITS	24.842
LOANS RECEIVED	4.997
EQUITY	4.487
PAID-IN CAPITAL	2.500
NET INCOME	770

NOTE: Information given in this Section are taken from the Financial Statements arranged in Accordance with TMS (Turkish Accounting Standards) Legislation published on February 10, 2007.



II- History Of The Bank, The Amendments In The Articles Of Association Made In The Related Period And The Reasons Of Such Changes

History Of The Bank

Vakıfbank was established with a special law and put into operation in 1954 for the purposes of best utilizing the Foundational incomes with an understanding meeting the requirements of modern banking, contributing to the savings of the country and protecting the collected savings and utilizing them according to the requirements of the economic development.

Besides being one of the most profitable banks of the recent years, our Bank has displayed a rapid and healthy growth and succeeded in covering the distance with the large-scale banks and strengthened its position.

The most important activity performed in this process was the public offering of Vakıfbank. Within the framework of the stand-by agreement concluded between government and IMF, the public offering of our Bank was planned with the purpose of increasing the share of our Bank in the private sector as stated in the letters of intent and it was performed successfully in the environment of positive conditions resulting from the political and economic stability.

The public offering was realized through the sales in and out of the country of the new shares issued upon increase of capital rather than the sales of the existing shares of the shareholders; and thus, new resources exceeding USD12 Billion were provided both for our Bank, and for the Turkish economy.

Since the companies with the public offering ratio over 25% are included within various indexes in foreign countries, the public offering model was created considering that the public offering of our Bank would exceed the rate of 25%; and thus, it provided great contribution through raising international awareness about the bank.

After public offering, the share of General Directorate of Foundations in our Bank decreased to 58.45% and the share of the Bank's Pension Fund decreased to 16.10% and the publicly traded shares constituted 25.18% of the Bank's capital.

CAPITAL STRUCTURE BEFORE AND AFTER PUBLIC OFFERING		
Shareholders	Pre IPO (%)	Post IPO(%)
Vakıflar Genel Müdürlüğü (General Directorate of Foundations)	74.76	58.45
Vakıfbank Emekli Sandığı (Vakıfbank Pension Fund)	24.89	16.10
Others	00.35	0.27
Free Float	-	25.18

The biggest public offering consortium of Turkey was created with the participation of 46 Banks and intermediary institutions for the realization of the public offering.

The public offering model implemented has been an important turning point both for our bank and for the Turkish Capital Markets. Demand amounting TRY 9 billion and TRY 755 million (USD 7 billion and 150) in total was collected from 35.119 persons in the second biggest public offering of Turkey following Turkcell. 93% of this demand was received from foreign institutional investors (6.7 billion dollars) while 7% of was received from domestic investors. The total demand received from our investors was exactly 5.6 fold of the shares offered to public and the record of all times was broken in respect of demands collected. The demand from foreign investors reached 7.9 fold of the shares reserved for foreign investors and this constituted the second record-breaking achievement. In general, only 19.6% of the investors' demands could be met in the public offering.

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The Amendments Made In The Articles Of Association In The 52nd Meeting Of The General Assembly

In the 52nd Ordinary Meeting of the General Assembly held on the date of 31st.03.2006, the authorized capital of the Bank was increased to TRY 5 Billion and the paid-in capital was increased from TRY 1 Billion to TRY 1279 Million and the articles 7, 8, and 11 included within the articles of incorporation were amended as follows:

AMENDMENT IN THE ARTICLES OF INCORPORATION

FORMER TEXT

Capital

Article 7- (as amended with the resolution of Extraordinary General Assembly dated 24th.10.2005) The Bank adopted the authorized capital system according to the provisions of the Capital Market Law No. 2499 and passed to the authorized capital system with the permission of the Capital Market Board dated 15th/09/2005 and numbered 37/1122; accordingly, the Bank's authorized capital was determined as 1300.000.000 (One billion and three hundred million) New Turkish Liras.

The issued capital of the Bank is composed of 1.000.000.000 (one billion) New Turkish Liras fully paid-up which is divided into 100 billion shares, each with the nominal value of 1 New Kurush; and its portion of 550.000.000 (five hundred and fifty million) New Turkish Liras is composed of 55.000.000.000 (fifty five billion) units of Class (A) shares; the portion of 200.000.000 (two hundred million) New Turkish Liras is composed of 20.000.000.000 (twenty billions) units of Class (B) shares and the portion of 250.000.000 (two hundred and fifty million) New Turkish Liras is composed of 25.000.000.000 (twenty-five billion) units of Class (C) shares; all of these shares are registered.

Share Certificates

Article 8- (as amended with the resolution of Extraordinary General Assembly dated 24th.10.2005) The share certificates are divided into Class (A), (B), (C) and (D) shares and all of them are registered shares. Of the issued capital amounting to TRY 1.000.000.000, 55% is composed of Class A shares, 20% is composed of Class B shares and 25% is composed of Class C shares.

The Board of Directors is authorized to increase the issued capital through issuing registered shares up to the maximum authorized capital amount at any times required and in accordance with the provisions of the Capital Market Law and the related legislation.

However, new share certificates cannot be issued unless all of the issued shares are sold and the related values are collected.

The Board of Directors is authorized to issue shares exceeding their nominal values, to distribute the shares to be issued among the shareholders in proportion with their shares, or to issue only Class D shares through totally or partially limiting the pre-emptive rights of the shareholders and to place them for public offering in accordance with the legislation, and to transform the shares of existing classes to Class D shares provided that it is demanded by the shareholders.

The Board of Directors is authorized to issue, arrange and combine shares representing a specific number of shares without making any changes in the nominal values in accordance with the capital market legislation. The shares include the records required by the legislation. The dividend coupons of the shares pertain to the bearers and the related coupons shall be paid upon sight.

Provisions for the Shares of Foundations and Persons

Article 11- (as amended with the Resolution of the Extraordinary General Assembly dated 24th.10.2005)

The issued capital amounting to TRY 1.000.000.000. (one billion) is fully paid-up.

NEW TEXT

Capital

Article 7- The Bank adopted the authorized capital system according to the provisions of the Capital Market Law No. 2499 and passed to the authorized capital system with the permission of the Capital Market Board dated 15th/09/2005 and numbered 37/1122; and with the permission dated 03rd.03.2006 and numbered 10/242, the Bank's authorized capital was determined as TRY 5.000.000.000 (Five billion New Turkish Liras).

The issued capital of the Bank is composed of 1279.000.000 (one billion and two hundred and seventy-nine million) New Turkish Liras fully paid-up which is divided into 127,9 billion shares, each with the nominal value of 1 New Kurush; and its portion of 550.000.000 (five hundred and fifty million) New Turkish Liras is composed of 55.000.000.000 (fifty five billion) units of Class (A) shares; the portion of 200.000.000 (two hundred million) New Turkish Liras is composed of 20.000.000.000 (twenty billion) units of Class (B) shares; the portion of 207.000.000 (Two hundred and seven million) New Turkish Liras is composed of 20.700.000.000 (twenty billion and seven hundred million) units of Class (C) shares; and the portion of 322.000.000 (three hundred and twenty-two million) New Turkish Liras is composed of 322.000.000.000 (Thirty-two billion and two hundred million) units of Class (D) shares; all of these shares are registered.

Shares

Article 8- The shares are divided into Class (A), (B), (C) and (D) shares and all of them are registered. Of the issued capital amounting to TRY 1279.000.000, 43,0023% is composed of Class A shares, 15,6372% is composed of Class B shares, 16,1845% is composed of Class C shares, and 25,1760% is composed of Class D.

The Board of Directors is authorized to increase the issued capital through issuing registered shares up to the maximum authorized capital amount at any times required and in accordance with the provisions of the Capital Market Law and the related legislation.

However, new share certificates cannot be issued unless all of the issued shares are sold and the related values are collected.

The Board of Directors is authorized to issue shares exceeding their nominal values, to distribute the shares to be issued among the shareholders in proportion with their shares, or to issue only Class D shares through totally or partially limiting the pre-emptive rights of the shareholders and to place them for public offering in accordance with the legislation, and to transform the shares of existing classes to Class D shares provided that it is demanded by the shareholders.

The Board of Directors is authorized to issue, arrange and combine shares representing a specific number of shares without making any changes in the nominal values in accordance with the capital market legislation. The shares include the records required by the legislation. The dividend coupons of the shares pertain to the bearers and the related coupons shall be paid upon sight.

The shares representing the capital are followed in accordance with the book entry principles. The Board of Directors is authorized to manage the transactions related with this issue.

Provisions for the Shares of Foundations and Persons

Article 11- The issued capital amounting to TRY 1279.000.000. (one billion and two hundred and seventy-nine million) is fully paid-up.

III- The Shareholder Structure Of The Bank, Changes In The Capital And Shareholder Structure Of The Bank Within The Period And Information About The Titles And Shares Of The Individuals And Legal Entities Having Qualified Shares In The Bank

While the authorized capital amount was increased to TRY 5 Billion in the 52nd Ordinary Meeting of the General Assembly, the paid-in capital of the Bank was increased from TRY 1 Billion to TRY 1279 million; with the resolution taken by the Board of Directors on the date of 01st.12.2006, it was resolved that it would be increased to TRY 2500 Million and it was approved with the resolution of BDDK (Banking Regulation and Supervising Agency) dated 18th.12.2006 and entered into the records on the date of 19th.12.2006. Accordingly, the capital structure is as follows.

CLASS	SHAREHOLDER'S NAME	CAPITAL TRY 2.500.000.000	PERCENTAGE %	Number of Persons
A	VAKIFLAR GENEL MÜDÜRLÜĞÜ (GENERAL DIRECTORATE OF FOUNDATIONS)	1.075.058.639,56	43,0023	1
B	VAKIFLAR GENEL MÜDÜRLÜĞÜ (GENERAL DIRECTORATE OF FOUNDATIONS)	386.224.345,64	15,4490	1
B	TOTAL OF AFFILIATED and NON-AFFILIATED FOUNDATIONS	4.686.096,87	0,1874	486
C	VAKIFBANK EMPLOYEES PENSION FUND	402.552.666,09	16,1021	1
C	GRAND TOTAL OF INDIVIDUALS and LEGAL ENTITIES	1.896.764,09	0,0759	474
D	FREE FLOAT	629.581.487,74	25,1833	-
TOPLAM		2.500.000.000,00	100	963

IV-Explanations About The Shares Owned By The Chairman And Members Of The Board Of Directors, The General Manager And The Assistant General Managers Of The Bank

Hasan ÖZER, the member of the Bank's Board of Directors has TRY 0,31 CLASS C shares. (0,00000002)

A. Atif MEYDAN, the Assistant to the General Manager of the Bank has TRY 0,31 CLASS C shares in. (0,00000002)

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V- Message From The Chairman Of The Board Of Directors

Dear shareholders,

VakıfBank is proud to accomplish its social banking mission recorded among its foundational purposes in an efficient manner thanks to its new movements, its activities towards improving modern banking and its healthy growth displayed in 2006.

As you closely follow, VakıfBank, as a publicly held bank has been included in ISE - 30 index covering the biggest companies in the capital market in its 52nd operational year. The great efforts of the customers and diligent employees of VakıfBank ensured that our Bank with its gradually increasing market value has had significant contributions in the development of both the economy and the corporate culture. These results taken make us more determined as the Board of Directors of our Bank.

Acting with the awareness of economic, social and cultural importance of our Bank and with the culture of change, our Board of Directors has given priority to the activities increasing performance and important progress has been recorded in 2006 towards restructuring and improving the technological infrastructure. To this effect, the image of all of our branches was renewed, organisation structures were changed and the new service understanding was established. Supporting these changes through strengthening its technological infrastructure, our Bank has gained power to increase its competitive advantage in the forthcoming years.

Besides these activities, our Bank has kept up with the sector growing in the year of 2006 and maintained its market shares. With the effect of the economic stability established after 2002, VakıfBank increased its assets by two times and its equity by five times and the share of loans to total assets was increased from 22,9% to 48,7%; and it has accomplished this important function of banking in the best manner through increasing the loans to deposits ratio from 30,8% to 72,6%.

As the Board of Directors, we are confident saying that "It is Your Place" with the corporate management understanding and style in an environment in which the foreign banks' shares are increasing and the competition is recognized in a much more obvious manner.

I would like to thank to you, our dear shareholders for your confidence and support to our Bank;
to our dear customers who have met with our Bank and preferred our Bank; and
to our dear employees keeping alive the "Corporate Culture" in our Bank.

Yours sincerely,


Yusuf BEYAZIT
Chairman of the Board of Directors

VI- Message From The General Manager

Dear shareholders, customers and colleagues,

Having contributed with its performance to the Turkish economy that has displayed a continuous and significant rate of growth since 2002, Vakıfbank ended its 53rd operational year with success.

For Vakıfbank, the year of 2006 was a year in which it continued its healthy growth through increasing the quality of its assets and giving priority to the applications towards decreasing the costs of resources and increasing the productivity; and took measures towards improving service quality and customer satisfaction by means of the restructuring activities started to this effect. The year of 2006 in which Vakıfbank started to implement the policies constituting the basis of realization of its vision would be considered as an important year in our corporate history.

Our targets determined for the year were mostly achieved despite the fluctuations experienced in May and June. Our Bank became the sixth largest Bank of Turkey in terms of total assets as a result of the fierce competition in the banking sector and the mergers throughout 2006. Vakıfbank has displayed a significantly high performance in lending in 2006 and increased its loans by 49,8% and its share in the assets from 37,0% to 48,7%. Commercial loans represent 72% of our loan portfolio and 28% of the portfolio is composed by retail loans, where housing loans and consumer loans have been the drivers of growth.

Loans to deposits ratio, which was 52% in 2005 increased to 72,6% in 2006.

Despite our strategy not to follow a competitive interest rate policy in deposits in 2006, the increase in our deposits continued thanks to the growing confidence in our Bank. Our total deposits, which was TRY 32,2 billion by the end of 2005 increased by 7,3% and reached to TRY 24,8 billion by the end of 2006.

In July 2006, Vakıfbank borrowed USD 700 million with a maturity of 1 year through a syndicated loan with the participation of 23 international banks. In December 2006, Vakıfbank borrowed another syndicated loan of USD 700 million with a maturity of 1-2 and 3 years, increasing the maturity of its syndicated term loans over 1 year for the first time.

The securitisation loan of USD 750 million arranged by 2 international banks in 2005 was sold in the international capital markets through bond issuance in June 2006 and the amount of the loan was increased to USD 915 million due to the high demand. This loan was the biggest bond issuance by a Turkish bank performed through a securitisation program to international capital markets and Vakıfbank became the 4th Turkish Bank to have the monoline insurance in its securitisation borrowing program.

While our shareholders' equity increased to TRY 4.5 billion as a result of the increase in profitability, Vakıfbank increased its paid-in capital, through covering from internal resources composed of capital and profit reserves, by 95,47% from TRY 1.279 billion to TRY 2.500 billion by the end of 2006.

The fluctuations resulting from the international markets and influencing the financial markets in May - June 2006, led to a decrease in the capital adequacy ratios in the sector. Although Vakıfbank was influenced by these events like the other banks, it exceeded the legal bottomline of 8% and was over the average

of the deposit banks with its Capital Adequacy Ratio of 19,72%.

Within the framework of our progress and development plans, 9 branch offices were opened in 2006 and the number of our branches reached 311 compared to 302 by the end of 2005. Providing services with 2 foreign branches located in New York and Bahrain and 116 affiliated branches as well as its domestic branches, Vakıfbank is continuing its contributions to the local economy with its 27 subsidiaries operating in various sectors in addition to its modern banking services.

I would like to reiterate the determination of Vakıfbank towards achieving new accomplishments through displaying a growth by attaching importance to the quality of assets in the year of 2007, which involves some risks both from domestic and international markets, implementing policies decreasing the costs and improving the service quality and improving its branch network. I would like to present our gratitude to our shareholders and customers for their supports and trusts and our personnel for their diligent works and efforts contributing to the achievement of the current strong position of Vakıfbank.

With the best wishes towards adding greater accomplishments to the annual report of Vakıfbank for 2007.

Yours sincerely,


Bilal KARAMAN
General Manager

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VII- Summary Of The Board Of Directors' Report Submitted To The General Assembly

The implementation of strict monetary policies due to increasing inflation in developed economies in 2006 led to fluctuations in the global financial markets and fund outflows from the developing economies were experienced. The fluctuation period experienced with sharp decreases in the stock exchange markets and foreign exchange rates did not turn into international crisis due to the relative robustness of financial sectors and the signals of stability were received and the decreases in the prices of energy and goods led to suspension of increases in interests.

The fluctuation in the international markets resulting from the reaction in the form of avoiding risks observed in the global markets in the beginning of May 2006 was experienced quite rigorously in Turkey; but its effects were limited due to the shortness of fluctuation and the stronger structure of Turkish economy.

The Turkish economy, continuously displaying high growth rates since 2002 grew by 5,6% despite the deceleration in the first 9-month period of 2006; and the inflation was 9,6% exceeding the targeted value as a result of the impact of the increase in the foreign exchange rates and the deteriorations in the expectations.

As a result of the impairment in the balance of services and the expansion by 19,8% in the foreign trade deficit resulting from the increase in the imports due to encouragement of importation by the appreciation in TRY and the price increases in the international energy and commodity prices, the current accounts deficit was realized far beyond the expectations and continued to be the most significant risk related to economy. However, it is anticipated that the direct investments towards our country would be high, but not as much as the level reached in the previous year and cover a significant part of the current deficit.

The fact that the ratio of budget deficit to GNP dropped to 0,7%, which was below the Maastricht criterion of 3% in 2006, indicates a positive performance in respect of finance policy.

Having been equipped with a robust and competitive structure with the latest arrangements, the Turkish banking sector displayed a successful performance in 2006 despite the fluctuations experienced in the months of May - June.

In the sector, where foreign investors' interests remained high and the foreign shares reached to 20%, the loan volume continued to increase and the shares of securities portfolio in the banking sector decreased.

The deposits continued to be the most important liability in the sector in 2006 and the share of FX deposits in the total deposits increased. Moreover, the syndication and securitisation loans extended by the international markets continued to increase.

The fluctuations in international markets gave a rise to interest rates; and adversely affected securities portfolio and incurred exchange losses which in turn limited higher returns and increased shareholders equity.

In 2007, the most important item that will ensure the growth will be the increase in the loan portfolio like in 2006; and the retail

loans and SME loans will constitute the most important areas on which the banks will focus again. The foreigners' interest in the sector and the funding opportunities from international markets with favourable conditions will continue. However, the profitability of the sector is not expected to display a greater increase compared to 2006.

Providing services with 311 branches all around the country, 2 foreign branches located in New York and Bahrain and 116 affiliated branches, Vakıfbank is continuing its contributions in the local economy with its 27 subsidiaries operating in various sectors in addition to the modern banking services.

With the positive performance displayed in 2006, our Bank increased its assets to TRY 37.034 million, its cash loans amounting TRY 18.043 million, securities portfolio TRY 10.432 million, equity TRY 4.487 million, and its deposits amounting TRY 24.842 million; and as a result of these activities, increased its net income by 45,8% reaching to TRY 770 million

Our Bank, ranking as the 6th largest bank in terms of assets with an approximate market share of 8% among 47 banks operating in the Turkish banking sector, targets to climb up to the higher ranks. Our market share in terms of loans, deposits and securities were 8,26%, 7,98% and 6,16% respectively in 2006.

We as Vakıfbank, are targeting to be among the top three banks of Turkey in medium to long term with our modern banking approach and we will try hard as best as we can within the framework of restructuring activities planned step by step for a prudent growth without sacrificing our service quality.

Yours sincerely,

Türkiye Vakıflar Bankası T.A.O.
Board of Directors

VIII- Descriptions About The Employees, Number Of Branches, Type Of Services And Line Of Business Of The Bank And The Bank's Position In The Sector Based On Such Factors, World And Turkish Economies

World Economy

The year of 2006 was a year experienced with a trend of increase in the interest rates as a result of increase in the inflationist pressures in the world economy; and differences in interests rates between the developed economies and emerging economies started to disappear. This situation led to an increase in the risk recognition of emerging markets in May and resulted in outflows of funds from these countries. This fluctuation experienced in the financial markets came to an end with the suspension of increase of interest rates in USA; however, it continued to lead to restlessness and discontent in respect of emerging markets in the second half of the year.

In order to prevent the increases in inflation, the Central Bank of the United States (FED), raising interests since June 2004, held the interests steady for preventing the deceleration of the economy. Still holding the interest rate at 5,25%, FED is expected to decrease interests after the first half of 2007 and drop the interest rate to 4,75% by the end of the year.

In 2006, the Euro Zone displayed a strong economic performance under the effect of the revival in the consumption and investment expenditures. In this region in which the inflation rate and the growth rate were expected to be 1,9% and 2,6%, respectively in 2006, the inflation rate and the growth rate in the year of 2007 are expected to be 2,1%-2,5% and 2,2% respectively.

The year of 2006 was a year of revival in consumption for Japan struggling with deflation for the last 10 years; and the Central Bank of Japan (BOJ) discontinued its zero interest policy in May and increased the interest rate to 0,25% in July. It is estimated that in Japan, the inflation rate for 2006 will be 0,3% and 1% in 2007 and that the growth rate for 2006 will be 2,1% and 1,8% in 2007.

China that became the 4th biggest economy due to its export-driven growth continued its strong growth in 2006 and helped economic boom both in the economies of the Asian region and in the global scale. China, braking records of growth and foreign trade surplus in the last five years displayed a growth by 10,7% in 2006 and is expected to grow nearly by 10% in 2007.

In 2006, the developing countries displayed a successful performance in respect of general growth; and whereas they were negatively affected by the fluctuations experienced in the months of May-June, it was observed that their resistance against such type of fluctuations was increased due to the improvement in the macroeconomic basis in the last 4 years.

The 7% average increase in commodity prices in 2006 was the actuating power of growth for most developing countries. In 2007, the growth is expected to occur by 6% with the anticipation of a slowdown in the global economic growth. The performance of the US economy is expected to be determinant on the

performance of developing countries in 2007. The most important risks that would jeopardize growth in the developing countries are considered as the decrease in the prices of goods, impairment in the financial conditions and the geopolitical risks.

In 2006, the US dollar lost significant value against Euro and the parity that floated within the band of 1:18-120 in the first quarter of the year increased up to 1.32 in the last quarter and dropped again to the levels of 1.29 in January 2007. Euro is likely to appreciate also in 2007.

The oil prices that displayed a floating progress and reached to the highest levels of all times due to the supply-demand imbalance dropped to the levels of 50 dollars per barrel in the last months of 2006. In 2007, oil and other commodity prices will be determined by the progress in the world economic growth and the developments in the demand and oil prices are expected to decrease in case of a decrease in the oil demand due to a slowdown in the global growth. Gold, that gained value by 20% in 2006 compared to the previous year is expected to further gain value in 2007.

The global growth that displayed a strong performance by 5,1% in 2006 is expected to drop to 4,5% in 2007. The year of 2007 is expected to be a year in which the inflationist pressures would continue for the developed countries, the growth would slow down compared to 2006 and the developing countries would increase their shares in the global economy despite the weaker growth performances. Furthermore, the inflow of capital that was realized at the amount of 502 billion dollars in the developing countries in 2006 is expected to decrease to 470 billion dollars in 2007.

Turkish Economy

The macroeconomic stability established in the recent years was maintained with the great contributions of the short-term funds coming into Turkey and the direct investments as a result of the initiation of full membership negotiations between Turkey and EU, non-stop implementation of the economic program carried out with the support of IMF, and the global liquidity conditions in favour of the developing countries.

However, the expectations that the USA would continue to increase the interest rates, that the Euro Zone would continue its aggressive interest rate policy and that Japan, coming out of deflation, would display a similar attitude led to a risk aversion in the global markets in the beginning of May 2006 and this resulted in fluctuations in the international markets. While the reflection of these fluctuations in Turkey was quite rigorous, its final effects were limited due to the shortness of fluctuations and the much stronger structure established in the Turkish economy.

Displaying uninterrupted and high growth rates since 2002, the Turkish Economy continued to grow in the first half of 2006 with a biannual average growth rate of 7,0%. However, the growth rate that realized lower than expectations in the third quarter after fluctuations in the markets in May and June led to a decrease in GNP growth rate, which remained at 5,6% in the first nine-month of 2006. It is anticipated that the slowdown in the second half of 2006 will continue in the first half of 2007 and the growth throughout the year will be 4-4,5%.

In the first year of open inflation targeting a significant deviation from the targeted inflation path was observed due to the increase in the foreign exchange rates and the impairment in the expectations. By the end of 2006, the inflation was 9,6%, far beyond the targeted rate of 5%. While the inflation target of 4% is maintained for the year of 2007, it seems difficult to reach this target.

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While Turkey's exports increased by 15,9% compared to 2005 and reached to USD 85.1 billion in 2006, the imports increased by 17,3% and reached to USD 137 billion and the foreign trade deficit widened by 19,8% compared to 2005 and reached to USD 51.9 billion.

As a result of the expansion in the foreign trade deficit and the impairment in the balance of services, the current accounts deficit amounting to 31.3 billion dollars was realized far beyond the expectations in 2006 and continued to be the most significant risk for the Turkish economy. Despite the increase in the current accounts deficit, record-breaking level of direct investments in 2006 increased the financing quality. The fact that the purchase of securities by the foreign investors increased again after the months of May and June availed a capital inflow far above the foreign exchange deficit. In 2007, the possible slowdown in the economic growth and the relative decrease in the oil prices are expected to decrease the rate of increase in the current accounts deficit. It is anticipated that the direct investments would be high, but not as much as the level reached in the previous year and cover a significant part of the financing of the current deficit.

The budget realizations related to finance policy and the non-interest surplus figures indicate a positive performance in 2006. The lowest budget deficit since 1976 was attained with TRY 3.9 billion in 2006; and the ratio of budget deficit to GNP dropped to 0,7%; and the non-interest surplus became TRY 41.9 billion. However, the fluctuation in the markets in May - June will significantly increase the interest costs in 2007 with the increase in the borrowing interests and due to the determination of high non-interest expenses resulting from being a year of election, the ratio of budget deficit to GNP can increase to 2,7% in 2007.

The compound rate of returns of the benchmark DIBS (government debt securities) that was at 13,5% in the beginning of 2006 increased to 20% levels as a result of the outflows of foreign investors from the bond market after the fluctuation in May and became 21,16% by the end of the year. This situation led to an increase in the domestic borrowing costs. Nevertheless, the positive budget performance displayed in 2006 led to a decrease in the public debt stock. The Central Government total debt stock that was USD 247.1 billion by the end of 2005 decreased to USD 245.3 billion in 2006 and displayed a decrease for the first time after 1994. The ratio of public net debt stock to GNP decreased significantly to 50% in 2006 from 90,5% of 2001.

Similarly, the real interest rates that dropped to 8% as a result of the decrease in the Treasury borrowing interest rates in early 2006 increased to 12% after the fluctuation in May. The real interests that reached to the highest level with the rate of 13,65% in September dropped a little in the last months of the year. The increase in the foreign financing requirement due to the high current accounts deficit in 2006 led to an increase in real interest rates.

During the fluctuation in May and June, TRY lost value over 20% but started to recover with the measures of policy taken and the reoccurring trend of the international conjuncture in favour of the developing countries. By the end of 2006, TRY lost value against Dollar by 5% and against Euro by 14% and the Dollar/TRY rate was 1.4124 and the Euro rate was 1.8604 by the end of 2006. Due to the tight monetary policy applied in an environment where the rates are mostly determined by the capital flows, it is expected that the real appreciation of TRY that will maintain its interest advantage will continue in 2007.

As a conclusion, although especially USA-based global anxieties in 2006 were alleviated with the recent data of positive growth, inflation and labour market received from USA, the global imbalances and the related possible risks will cause restlessness and discontent for the year of 2007. The fluctuations that may occur in the global

economy can lead to the same effects like those observed in 2006 in emerging markets that are highly sensitive to sudden fund outflows. Turkey is considered as one of the first countries that will be mostly affected by the fund outflows due to the ambiguity resulting from high rate of current deficit and being in a year of elections.

Banking Sector

Having been equipped with a robust and competitive structure with the latest arrangements, the Turkish banking sector grew stronger as a result of more efficient risk management and the important steps taken towards harmonisation with Basel II that will be put into effect in 2008 and displayed a successful performance in 2006.

Like 2005, the year of 2006 was a year in which the foreign investors' interests in the banking sector continued to increase gradually. The high growth potential in the sector and the real interests that were still relatively high supported this interest. The foreign ownership of the Turkish Banking Industry that was 3,4% in 2004 increased to 14,1% in 2005 and reached to the levels of 20% in 2006.

In the banking sector where 46 banks are operating by the end of 2006 after the merger of Yapı ve Kredi Bank and Koçbank, the total assets displayed a growth by 18,5% compared to the end of 2005 and reached to TRY 499.7 billion in 2006. The ratio of total assets to GNP, which was 82% in 2005, increased to 84% by September 2006.

The positive developments in the sector, the maintenance of the budgetary discipline and the increase in the funding resources continued to increase the share of loan volume in the total assets. However, the increase in the interest rates after the second half of the year limited further increase in the loan portfolio. The ratio of loan volume to the total assets that was 37,7% by the end of 2005 reached to 43,8% in 2006. The loan volume of the sector increased by 40% in 2006 and was realized as TRY 218.9. The NPL ratio that was 5% by the end of 2005 dropped to 3,8% by the year of 2006.

The continuous decrease in the public sector borrowing requirement depending on the maintenance of budget discipline within the framework of the tight fiscal policy decreased the share of securities portfolio within the banking sector. The share of the securities portfolio within the total assets that was 36% by the end of 2005 decreased to 31,8% by the year of 2006.

While the total deposits reached to TRY 307.6 billion with an increase by 22,3% in the year of 2006, the share of TRY deposits in the total deposits that showed an increase since 2002 continued to increase until the month of April. However, the fluctuation experienced in the months of May and June reversed this process and the share of FX deposits in the total deposits increased. The share of FX deposits in the total deposits that decreased to 34,4% by the month of April increased up to 39% after the said fluctuation.

The rate of increase in the syndication and securitisation loans received from the international markets in 2006 was realized as 30,9% with a decrease compared to 2005 and a loan amount of 22,9 billion dollars was received in 2006.

The banking sector shareholders' equity increased by 8,9% and reached to TRY 59,5 billion in 2006. The losses in the securities portfolio and the foreign exchange losses resulting from the increasing interests after the fluctuation observed in the international markets had negative impacts on the increase of profitability and limited the increase in the total equity.

The net profit of the period achieved in the sector in 2006 increased by 92,5% compared to the end of 2005 and reached to TRY 11,482 million as a result of the effect of the reduction in the corporate tax. ROA of the banking sector was 2,3% and ROE 19,3%.

In 2007, the most important item that will ensure the growth in the balance sheet will be the increase in the loan volume like it was in 2006. However, the growth rate is not expected to be as high as the rates of 2005 and 2006. The expectation of a decrease in the GDP growth rate in 2007, the regression in the domestic demand, the high rate of interests and uncertainties associated with the Economy are among the factors that will lead the rate of increase in the loan volumes to remain below the rate of 2006. The Banks will continue to focus on retail loans and SME loans. The foreigners' interest in the sector and favourable funding opportunities from international markets under favourable conditions will continue. However the profitability of the sector is not expected to display a greater increase compared to 2006.

OUR BANK'S ACTIVITIES

Treasury Management

Liquidity Management

Maintaining its active role in the market successfully due to its dynamic and quick decision-taking property in respect of treasury management and strong capital structure, Vakıfbank has protected its high liquidity against the internal and external shocks experienced in 2006 and deeply affecting all of the markets.

The bank's portfolio structure was adjusted according to the market conditions and its productivity was increased with the decisions taken duly during the fluctuations that occurred in the securities markets in the period of May - June.

In 2006, our Bank targeted a net interest margin-based growth within the scope of treasury management strategies and displayed significant improvement in this field.

High Volume of Transactions in Primary Dealing

Like in the previous years, Türkiye Vakıflar Bankası T.A.O. has assumed a determinant role in the market due to its dynamic, but controlled pricing policy in the pricing of Government Bonds, Treasury Bills and Eurobonds. Converting the advantages and liabilities of being one of 12 members of the Primary Dealer System established by the Undersecretariat of Treasury of the Republic of Turkey into high volume of transactions in the secondary market, our Bank has maintained its position among the first ranks in respect of volume of transactions in ISE Bond Market. The domestic and foreign market developments and the risk parameters were evaluated systematically and on a continuous basis during the performance of these transactions.

By 29th December 2006, the structure of the Securities Portfolio of the Bank's Treasury is composed of fixed rate securities by 54,24% and floating rate securities by 45,76%.

Being included among 14 banks quoting in TRYLIBOR Market, our Bank has preserved its high liquidity and achieved maximum benefits from this funding function. On the other hand, considering the foreign exchange market, the volume of transactions of our Bank reached approximately to USD 50 billion in 2006.

Resource Management

Within the framework of an efficient resource management policy in 2006, our Bank's Total Deposits increased by 7,3%, FX Demand Deposits increased by 68% and TRY Saving Deposits increased by 62% compared to 2005 in accordance with a widely-based, low-cost resource management strategy.

In July 2006, Vakıfbank borrowed USD 700 million with a maturity of 1 year through a syndicated loan with the participation of 23 international banks. In December 2006, Vakıfbank borrowed another syndicated loan of USD 700 million with a maturity of 1-2 and 3 years, increasing the maturity of its syndicated term loans over 1 year for the first time.

The securitisation loan of USD 750 million arranged by 2 international banks in 2005 was sold in the international capital markets through bond issuance in June 2006 and the amount of the loan was increased to USD 915 million due to the high demand. This loan was the biggest bond issuance by a Turkish bank performed through a securitisation program to international capital markets and Vakıfbank became the 4th Turkish Bank to have the credit insurance companies in its securitisation borrowing program.

Trade Finance and Correspondent Banking

Our Bank's volume of foreign trade transactions increased in 2006 and as per November-2006, our Bank realized the 96% of the volume of foreign trade of Turkey. In a period in which the foreign investments increased rapidly, Vakıfbank immediately evaluated the demands for letters of guarantee received from the correspondent banks for international tenders and increased its activities in this field. Correspondent bank agreements were concluded with 1125 banks from 93 countries for the activities in this field and the best services were provided in the name of Vakıfbank.

Corporate And Commercial Banking

Structuring

Within the scope of the Restructuring Program initiated in our Bank in February 2005, an organisation structure was created in 2006 in order to increase the customer-oriented service quality following all of the requirements of the client group (corporate, commercial - small-scale enterprise), performing the pricing of all products within its own structures in accordance with the productivity and credit risk degrees of the customers in order to ensure answering of the demands as soon as possible, and providing rapid and solution-oriented services; and thus, the Bank was equipped with a structure offering to its customers the modern banking applications and products at the highest level.

To this effect, Corporate Banking and Commercial Banking Departments were established within the Head Office ; the operational activities were taken over from these departments, a resolution was taken for opening Corporate Service Centres to provide special service to the corporate customers and the Anatolian Istanbul Corporate Service Centre was established firstly within this scope and put into operation.

Marketing

Commercial Banking Department was established in January 2006 within the scope of the restructuring program Our Department performed its duties that it assumed in 2006 successfully within the limits of the tasks specified with the new service model. The

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activities towards increasing the client portfolio and the market share of our Bank were carried out through providing new product types and the activation of products found to be productive, the follow-up of such products on the basis of branches until the end of campaigns and the determination of the interest rates that are competitive in the market conditions.

To this effect, Bağ-Kur Pensioners Operating Loan (Bağ-Kur Emeklilik İşletme Kredisi) was put into application in accordance with the principle of diversification of our loan portfolio and the expansion of the risks on a wide basis; and Bağ-Kur Pensioners Operating Loan amounting to TRY 31,3 Million was extended to 2,944 customers in April-June 2006.

Loan of Gesture (Jest Kredisi) amounting to TRY 180,7 Million was extended to 4,749 customers with reference to their personal commitments between July 18 - August 18 2006 in order to increase our existing bond and joint activities with our SME customers. One of the most important data indicating the share of the Banks in the commercial market is the number of cheques of the related bank in circulation. To this effect, the Gold Cheque (Altın Çek) application was started and firstly, gold cheques were distributed to 1,402 clients that did not previously use our Bank's cheques.

As for the foreign trade products, the market was closely followed and it was targeted to establish coordinated working environment with the regions and branches towards quoting more competitive prices and performing efficient sales and marketing of these products and services. The transactions of export amounting to nearly USD 5,45 Billion and the transactions of import amounting to USD 14,21 Billion were realized by our Bank in 2006.

Cash Management System applications oriented towards the companies were accelerated and Distributor Collection System was established with TOFAŞ. With this system, more active liaison was targeted between our branches and Tofaş distributors.

With the "SME Finance Package" prepared for SMEs in the portfolio of our Bank, it was targeted to strengthen our cooperation with the existing customers and a loan amount of TRY 85,7 Million was extended to 767 companies within the scope of the campaign by 31st 12 2006.

Pharmacist/Physician Urgent Finance Package specially prepared for the pharmacists owning their own pharmacies and doctors owning their own offices was put into application for offering sectoral solutions to SMEs.

Our 100 branches located in the cities where SMEs are found abundant were determined and training was given to 247 Commercial Portfolio Managers working in these branches in accordance with the client-based marketing strategy.

Credit Assessment

Within 2006, our Bank has continued its activities within the framework of both the General Legislation and Our Bank's internal procedures towards meeting the demands of the companies having credibility, contributing in the national economy with their investments and needing long-term foreign resources as well as their existing equity to make capacity increase investments, modernisation, renovation, quality improvement, debottlenecking, completion, integration, product diversification and for carrying out their activities without incurring any financing difficulties.

Our Bank has developed new policies in order to improve the quality of our loan portfolio, to increase and widen our commercial loans, and perform the operations in a productive and profitable manner. Within the framework of these policies, risk avoidance methods were developed through taking into consideration the suitability of the maturity periods, interests, exchange rates and market risks during the extension of loans and analysing these risks regularly.

In 2006, our Bank has carried out its operations and activities within the framework of the strategies determined by the competent committees and in accordance with the Banking Law, the Regulation

regarding the Credit Operations of the Banks and the Regulation regarding the Establishment and Operation of Banks and the circulars issued in respect thereof, the resolutions regarding the Protection of the Value of the Turkish Currency, the Circular of the Central Bank of the Republic of Turkey regarding Capital Movements and the Bank's Regulations.

Utilisation

Commercial Loans

After the determination of the extension and draw-down conditions of short-term commercial credits, the following loans have been assessed and extended to 2809 companies:

CASH	TRY 3.133.165.002
	USD 1.166.084.170
	EUR 229.643.708
NON-CASH	TRY 682.038.731
	USD 1.312.155.269
	EUR 121.421.564

Furthermore, for the letters of reference constituting the basis for the assessment of creditability and the capability of performing the tender works about the companies participating in the tenders, the following loans have been assessed in return for Cash and/or Deposits;

CASH	TRY 124.250.000
	USD 2.500.000
	EUR 5.000.000
NON-CASH	TRY 81.850.000
	EUR 5.000.000

Furthermore, our Bank continued to extend Pre-Export Turkish Lira and Foreign Exchange Export Credits against export commitments of the exporting companies bearing the exporter or importer qualifications and the manufacturing companies producing export-related goods for supporting the export-oriented sectors, increasing their competitive powers in the international markets and meeting the financing needs in the stage of preparation to export.

To this effect, within the limits allocated to our Bank by Turk Eximbank, the following credits were extended in total: Pre-Export TL Export Credit with the amount of TRY 78.605.885 extended to 248 companies;

Pre-Export Foreign Exchange Credits with the following amounts:

Credit with the amount of EUR 27.512.500 extended to 113 companies;

Credit with the amount of USD 28.835.667 extended to 138 companies; and

Credit with the amount of GBP 32.000 extended to 1 company.

As a security for the credits extended by T. Eximbank, the letters of guarantee with the following total amounts addressing to T. Eximbank were submitted:

The amount of TRY 9.510.500 given for 23 companies;

The amount of USD 13.525.000 given for 22 companies;

The amount of EUR 4.885.000 given for 13 companies.

In 2006, our Bank continued to extend spot credits in parallel to the fund flow of our Bank and according to the general economic situation for meeting the short-term cash needs of the companies with credit worthiness in order to increase the transaction volume of our Bank and to augment the profitability of our Bank through activation of inactive TRY funds.

In 2006, the policies determined within the process of our Bank's transition to risk management system were put into application in accordance with the principles of the "Regulation on the Banks' Internal Audit and Risk Management Systems" and credit requests were taken into examination and evaluation through considering our Bank's investment placing opportunities.

Project finance

The companies need long-term funding in addition to their existing equities for making investments towards capacity increase, modernisation, renovation, quality improvement, debottlenecking, completion, integration, and product diversification investments and for carrying out the activities without experiencing any financing difficulties.

In 2006, our Bank offered and extended to the investors the loans such as Loans Sourced by our Bank, EIB (European Investment Bank) SME Loans and EIB Loans for the Prevention of Industrial Pollution, ECDB (European Council Development Bank) Loan, and the Foreign Bank Sourced Loans such as Union Bank Of Switzerland (UBS AG), Dresdner Bank, Credit Suisse, Banco Bilbao Vizcaya Argentaria, Commerzbank, Deutschebank, Bank Brussels Lambert S. A. (BBL), Bayerische Landesbank ,etc.

Our Bank participated at various quantities in syndication loans arranged under the leadership of various foreign banks and/or our Bank for significant public tenders and privatisations based on projects (investments subject to significant public tenders and privatisations such as dam, highway, railway, energy, airport, etc.). Within this scope, our Bank has signed 12 syndication loan agreements in 2006 in addition to the existing syndication loans. The total amount of the syndication loan agreements is USD 5.275.551.607 and EUR 373.437.500 and the Bank has participated in these syndications for an amount of USD 707.469.602 and EUR 13.500.000.

Cash loans with the amount of EUR 1.673.683.362 have been allocated for 73 companies in the year of 2006; and the total risk of the cash and non-cash project loans extended by 30th:12:2006 has been determined as TRY 4.069.792.879.

The distribution of the project loans by their sources and the related risks by 30th:12:2006 are as follows.

Bank Sourced	: TRY	1.243.072.338
ECDB Sourced	: TRY	117.395.263
Exim Credits	: TRY	32.484.415
EIB Credits	: TRY	615.741.794
Syndication Loans	: TRY	50.173.394
Total of Cash Loans	: TRY	3.817.178.542
Total of Non-Cash Loans	: TRY	252.614.337
GRAND TOTAL	: TRY	4.069.792.879

SME Loans (Small and Medium Sized Enterprises)

In 2006, Vakıfbank continued to provide services to the Small and Medium Sized Enterprises constituting the building stone of Turkish economy with its different product types and wide product range. The credit products specially developed for the sectors and the requirements of the companies and providing the most suitable payment plan for the enterprises through consideration and analysis of the cash balance of the sectors were put into application. Among these products, loans with quite suitable interest rates were extended within the SME Finance Package

Despite the fluctuations observed in the interest rates in 2006, no change was seen in the loan demand of SMEs operating in various sectors. The loans extended to these customers and especially the commercial loans on instalments attracted great interest.

Furthermore, Vakıfbank continued to extend loans supported by the Small and Medium Industry Development Organisation (KOSGEB) in order to meet the financing needs of the companies qualified as SMEs throughout the year of 2006.

In order to encourage export by SMEs and to support

investments in this field, the loans with the amount of USD 133 Million were extended to 1429 companies within the scope of the "Export Loan with Zero interest" project having an upper limit of USD 100.000 interest of which was to be paid by KOSGEB.

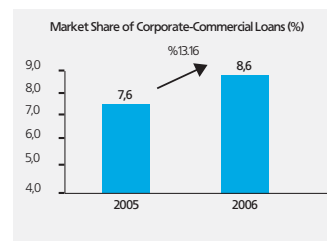
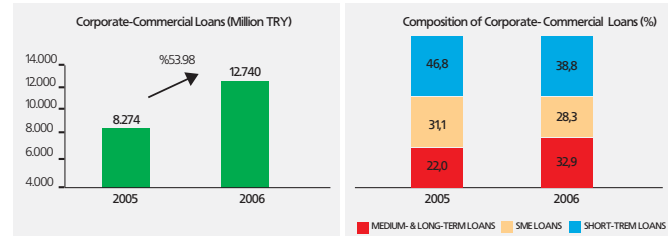
In order to encourage the employment of registered labour and personnel by SMEs, "Employment Support Credit with zero interest" having an upper limit of TRY 100.000 has been made available for the new employees to be employed by SMEs via İŞKUR for which they are obliged to submit SSK Declarations; and the total amount of the loans extended within this scope to 1058 companies is TRY 85 Million. Furthermore, employment opportunity was provided to 3528 people within this scope.

In 2006, Vakıfbank added 1 project to the projects carried out within this scope. A protocol was signed with KOSGEB on the date of November 14, 2006 and it was decided to extend E-KOBI Information Processing Loan; and it will be put into application in January 2007. Within this scope, loans with "0 interest" for a maturity period of 24 months will be extended to 57.000 SMEs for financing the purchase of computers towards improving their information processing infrastructure.

Furthermore, as a result of the meetings carried out in October 2006 with an independent consultancy company with the target of answering the credit requests of such enterprises in the most suitable and quickest manner, it was decided to form "SME Loan Score Cards".

Vakıfbank is targeting to increase its activities and services provided to the clients in this segment and to expand its market share in 2007.

CORPORATE AND COMMERCIAL LOANS (Million TRY)	2005	2006
MEDIUM- & LONG-TERM LOANS	1.822	4.197
SME LOANS	2.577	3.601
SHORT-TERM LOANS	3.875	4.942
	8.274	12.740



SEKTÖR	SHARE IN TOTAL (%)
Manufacturing	34
Construction	15
Wholesale and Retail Trading	9
Transportation, Storage and Communication	17
Elect, Gas and Water + Finan. Inter.+ Real Estate	5
Other Public, Social and Personal Services	3
Public Administration	3
Other	14
TOTAL	100

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Retail Banking

Marketing

Our Bank has expanded both our customer portfolio and our volume of retail loans through introducing competitive retail loans and campaigns oriented towards both the existing clients and the targeted customer groups.

Various campaigns carried out with automobile companies were renewed throughout the year; and we tried to expand our volume of auto loan by introducing new campaigns opened.

In addition to the loan types and campaigns put into application, activities were performed for organising joint campaigns with the cooperation between our Bank and the companies operating in various business fields on regional or branch basis and for increasing our volume of retail loans

Furthermore, retail loans were made available to the personnel of the related institutions in accordance with the protocols concluded with various public authorities, institutions, and the banks. **V.I.P. Loan:** V.I.P. Loan with attractive interest rate extended to the top-level managers of the public, autonomous and private entities or institutions and the highest civilian authorities of a province or district in which our Bank operates regardless of whether or not they bank with our Bank.

Credit Card Debt Transfer Loan: The Credit Card Debt Balance Transfer Loan towards redemption of the credit card debts owed to the other banks with the use of consumer loans on instalments.

Commercial Real Estate Loan: Commercial Real Estate Loan for financing the purchase of complete real estates (on turnkey basis) such as workplace, office, doctor's office, shop, store, depot, etc. extended to the civil servants, employees, private sector employees on payroll, instructors at universities, the pensioners of our Bank and the other pensioners (Pension Fund, SSK, Bağ-Kur).

Anniversary Loan: 52nd Year Loan with special interest rate extended to the employees and pensioners since the date of April 13, 2006 is the 52nd anniversary of our Bank's foundation.

Holiday Loan: Holiday Loan extended by our Bank to civil servants, employees and the private sector employees on payrolls taking into consideration the summer holiday period.

Pensioners' Loan: The Pensioners' Loan towards the pensioners of Pension Fund, Bağ-Kur and SSK receiving their pensions from our Bank.

Education Loan: Education Loan extended to the parents of the students receiving education at the Private Schools, Universities, the courses approved by the Ministry of National Education (Preparation to Universities and High Schools, Painting, Dancing, Folklore, Music, Foreign Language courses, etc.), Sport institutions and similar institutions providing education and culture services taking into consideration the start of new education season.

Religious Holiday Loan: Religious Holiday Loan extended to the employees of public entities and institutions, private sector employees on payroll and the pensioners of the Pension Fund, SSK, Bağ-Kur and our Bank for enabling them to make their shopping for the religious holidays without impairing their budgets or to spend their holidays in the touristic resorts and lodgings, etc.

Teachers' Day Loan: Teachers' Day Loan extended to the teachers of the primary, secondary, high schools and the equivalent schools, the teachers of the private schools, all of the instructors in the universities, military schools, and police academies (academic personnel), teachers of private education institutions, teachers of kindergartens and nursery schools, and the retired teachers of the said institutions.

Thanks Campaign: Thanks Campaign covering Consumer Loans on Instalments, Auto Loans for Brand New and Second Hand Automobiles, Housing Loans, and Bankomat Credits extended with low interest loan advantages made available to all of the employees of public institutions and private sector and the pensioners of the

Pension Fund, Bağ-Kur, SSK and our Bank receiving their wages or pensions from our Bank.

Reason and Logic Campaign: The housing loan extended under very suitable conditions within the scope of the cooperation campaign between our Bank and TOKI and specific construction companies based on the Reason and Logic (Akil var mantık var) project.

We're on the Highway Campaign: In this campaign, all of our branches were matched with the distributors of the leading brands of the vehicle sector. This is called as "We're on the Highway Campaign" targeting the creation of a cooperation environment between our Branches and the distributors that they are matched to at the maximum level and directing more clients to our Bank with the competitive loan interest rates.

Floating Down Interest Rate Program: Decreasing interest program developed for consumers and postponing the draw-down of the loan as a result of the increase in interests and directing towards debt transfer in case of decrease in interests and functioning in favour of the consumers undertaking to reflect any rate of decrease in the loan interest of banking sector to the consumers at a specific rate.

Utilisation

Total Retail Loans

By the end of 2006, the total of our retail loans increased by 38,2% compared to 2005 and reached to TRY 5.018 Million excluding rediscounts. Our retail loans excluding rediscounts include housing loans representing 39,5%, consumer loans on instalments representing 43,9%, vehicle loans representing 4,3%, and credit cards representing 12,3% of the total loans. The share of our Bank in the sector was 7,39% in this period.

Consumer Loans (including Bankomat Credits)

The continuation of the decrease in the interest rates in the first quarter of 2006 resulted in a much higher increase in the demand for retail loans that displayed an increasing trend and a rapid increase was observed in the extension of consumer loans in this period. The related volume increased by 29,5% and reached to TRY 2.205 Million in 2006 and our market share was 12,49%.

Housing Loans

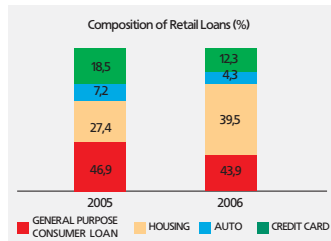
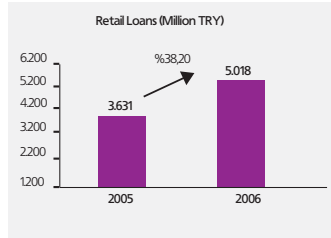
There has been a significant increase in the housing demand resulting from the low interest rates observed since 2005. This increase in the demand oriented the construction companies to project-based housing and in parallel; our Bank extended housing loans to 6.243 people within the scope of 33 housing projects in 2006. The ratio of the housing loans extended on project basis to our total housing loans was 48,21% in the said period; while the total housing loans increased by 99% and reached to TRY 1.980 Million. Our market share was determined as 8,93%.

Furthermore, the activities performed between the Prime Ministry Housing Development Administration and our Bank were first started with a protocol signed in 1988; and they have been continued on the basis of the protocols signed in the following years. The protocols are based on the principle of extending housing completion loans to the housing constructors (cooperatives, cooperative societies, social aid institutions and municipalities) from the Housing Development Fund Source by means of our Bank. Our Bank receives commission from the extension of such loans and the related repayments guaranteed by our Bank in consideration for the technical and banking services provided by our Bank. Within this scope, loans were extended to 819 units of co-ops in total and the number of total housing units for which loans were extended is 105.878.

RETAIL LOANS (Million TRY)	2005	2006
GENERAL PURPOSE CONSUMER LOAN(*)	1.703	2.205
HOUSING (*)	995	1.980
AUTO	262	218
CREDIT CARD	671	615
	3.631	5.018

(*) Including Bankomat Credit

(*) Including Housing Development Fund-backed Loans



Credit Cards

Structuring and Improvements

Our Bank made important changes and improvements in respect of credit cards throughout the year of 2006; and thus, the quality of the services provided to the customers was increased and the operational activities of the branches were facilitated.

Card and Member Businesses Marketing and Product Development Directorate was established for following the credit cards market, tracing the changes and innovations, creating new products and increasing the Market Share.

Our Bank concluded agreements with the important companies of various sectors and organised campaigns to increase the activity of its credit cards. These activities led to significant increases in the turnover from shopping on instalments made via credit cards.

A protocol was signed for issuing Rails & Miles Credit Cards bearing the brands of both our Bank and TCDD and including a special application to be used in the rapid train project started by TCDD between Istanbul - Ankara and planned to be expanded on the other lines; it is targeted to put it into application in the second quarter of 2007.

As a result of the changes in the sector, EMV (Chip & Pin) versions were downloaded onto POS devices, EMV compatible cards (with chips) were printed and delivered to the card owners together with their passwords.

In order to increase the speed of transaction in the client operations, a portal was created in the Information System, the intranet application within our Bank for managing the relations between our Head Office and our Branches, announcing all of the changes related with the credit cards and giving information to these units; and this portal was put into application actively by our Branches.

Innovations were also made in our Internet Branch in 2006; and within this scope, the card owners were provided with the opportunity to set their credit card passwords by means of our Internet Branch. Furthermore, a new menu was created under the Credit Cards menu for enabling the cardholders to view their expenditures within the related periods.

For the Fan Cards that are of great importance for our Bank, a Fan Card menu was created under the Credit Cards Menu of Call Center - 444 0 724.

As a bank that has adopted the principle of customer satisfaction, Vakıfbank has received support services from the companies out of our Bank and ensured the provision of its services to its clients in the best manner in addition to the activities enabling the credit card holders and POS users to perform all of their transactions as soon and accurate as possible.

In this period, the number of our credit cards was 1.882.658, the number of Member Businesses was 79.897, and the turnover from the credit cards amounted to TRY 3.303 Billion.

'06

Alternative Distribution Channels

Branch Network

Vakıfbank that continued to grow in parallel to the positive developments in the economy opened 9 branches in 2006 including the branches located in Demirciler Sitesi-Topkapı/İSTANBUL, Büsan Organize Sanayi/KONYA, Yıldırım/BURSA, Pınarbaşı/İZMİR, Balçova/İZMİR, Yavuz Selim Bulvarı/TRABZON, Gölbaşı/ANKARA, Kışla Caddesi/MALATYA and İstanbul Anatolian Corporate Banking Branch and the total number of branches of our Bank reached to 311. It is targeted to open 49 branches in 2007.

The names of our Offices working in connection with our branches were changed as Affiliated Branch in 2006. By 31st.12.2006, we had 116 Affiliated Branches all over Turkey.

New Service Model firstly started in our branches was put into application in 250 branches out of 311 branches in total within the framework of the Restructuring Project

The principles of determination of the branch norm permanent staff numbers were changed and equipped with a structure supporting the new service model. Accordingly, the branch norm staff numbers will be determined as sales group personnel and operation group personnel considering the number of clients and the segment as the basis.

ATM

Vakıfbank established 333 new ATMs, moved 129 ATMs to different locations and completely removed 285 ATMs due to the expiry of their economic life in 2006. The total number of ATMs that was 1820 by the end of 2005 increased to 1868 by the end of 2006. For the said ATMs, Vakıfbank installed 228 new ATM cabins and put them into application including 93 lobby-type cabins, 128 units of wall-type cabins and 7 dual cabins. Furthermore, Vakıfbank transformed 985 ATMs into EMV-compatible ATM machines and put them into service properly.

Bankomat 7/24

The number of our customers that was 10.379.551 by the end of 2005 has reached to 11.202.433 by the end of 2006. Our Bankomat deposits increased by TRY 418,3 million compared to the end of 2005 and reached to TRY 1,262 million by the end of 2006.

1.230.419 units of Bankomat 7/24 accounts are credited accounts; and the total of placement invested has amounted to TRY 457,8 million by the end of 2006. Our income from credited Bankomat interests is determined as TRY 217,7 million. 14,5% of these placements have been extended to commercial customers and 85,5% of them have been presented to retail customers.

Utility Payments

The number of bills registered under the utility payments system has increased by 82.688 compared to the previous year and reached to 2.080.493. The number of customers using this system is 853.540

Card Pass System

The KGS cards put into the market by our Bank in relation with the "Card Pass System" put into application by the General Directorate of Highways of the Republic of Turkey were developed in 2 types such as Credited and Cash KGS. 26.342 KGS Cards were sold in 2006.

Golden Point

Upon the addition of Yapı Kredi Bank among the Banks under the structure of Golden Point, the activities in the field of common use with ATM machines of Golden Point (Garanti Bank, Akbank, Yapı Kredi and Fortis Bank) and Ziraat Bank were continued. 185.605 transactions were performed with WAP(GPRS) 724 service provided to our customers using mobile phones and the total amount of these transactions reached to TRY 3.099.390.

Call Center

In our Call Centre providing services via the telephone number of 444 0 724, 1.767.052 calls of the customers were answered in total and 261.905 units of monetary transactions were performed by the end of 2006. The amount of transactions performed via our Call Center in 2006 reached to TRY 269.849.333.

Internet Banking

The number of the customers using our Internet-724 branch that was put into service in 2000 increased by 15,8% compared to 2005 and reached to 831.725 customers in total including 811.863 retail and 19.862 corporate customers. 27.765.609 transactions were performed via the Internet-724 branch and the total amount of these transactions reached to TRY 21,7 billion.

WAP Banking

185.605 transactions were performed with WAP (GPRS) 724 service provided to our customers using mobile phones and the amount of these transactions reached to TRY 3.099.390.

Collection-724 Banking

199.266 transactions were performed via the Collection-724 branch offering invoice payment services via Internet to our customers holding a Bankomat account card, but are not customers of Telephone and Internet Banking; and the amount of these transactions was determined as 719.972 TRY.

Investment Banking

The investment account customers of our Bank enjoy various investment banking services such as share certificates, treasury bills, mutual funds, eurobond, foreign exchange bonds, purchase and sale of gold, transactions at Istanbul Gold Exchange, repurchase transactions, etc. by means of the branches, the Securities and Corporate Investments Directorate, Infobank and Internet. Furthermore, upon their request, the Bank customers are provided with research and information services. On the other hand, the public offering of companies, capital increase, dividend payments and company market price evaluations are performed.

Trading of Share Certificates

Our Bank intermediates as an agency in public offerings and in trading of shares in ISE. The purchase and sale of shares can be actively performed within the session by means of all branches, the Securities and Corporate Investments Directorate, Internet and Call centres. 12 orders per second can be transmitted by means of the Remote Access Project. With this application, direct and more rapid transactions can be performed from our central offices.

Corporate Finance

The collection of requests in public offerings and the selling transactions can be performed by means of telephone, Internet and WAP systems as well as all of our branches, and the Securities and Corporate Investments Directorate. Our Bank also provides services with its expert staff in respect of Investment Banking, company market price assessments and pricing transactions. The market values of 11 companies were assessed in 2006. Furthermore, several participations of our Bank were subjected to valuation assessment in this year.

Public Borrowing Instruments

The Treasury Bills and Government Bonds, Eurobond and Foreign Exchange Bonds units works in coordination with the Treasury and Foreign Operations Department and the purchase and sale of these instruments are performed actively on a 24-hour basis by means of branches and non-branch alternative channels.

Mutual Funds

Our Bank is one of the institutions establishing the first mutual fund in Turkey and it has a wide expertise in the field of risk and portfolio management in respect of mutual funds. Our Bank has 4 units of Type A and 6 units of Type B mutual funds. The mutual funds can be purchased and sold by means of all of the branches and the alternative distribution channels such as Internet, telephone banking, ATMs, etc. without any limitation of quantity. Our Market share in the mutual funds that are managed in the most productive manner in accordance with the customers' requirements is nearly 5%.

Precious Metals

Our country is considered among the countries with the highest demand for gold all over the world due to its importation of gold varying between 100 and 200 tons. Our Bank is a member of Istanbul Gold Exchange; and Istanbul Gold Exchange is planned to be transformed into a precious metals exchange rather than being limited to transactions of gold. In addition, 995 and 999 fineness bullions, and GAP, Sinan and Ottoman souvenir gold of 2, 5, 10, 50, and 100 grams with the value of 1 ounce are offered to the investors at the bank's cash desks.

Futures Exchange

Vakıfbank received an operation licence for Intermediation in Trading of Derivative Products and thus, it has been entitled with the authority to perform transactions in Futures and Option Exchange.

Our Bank became a member of Central Registry Agency under its capacity as both the intermediary institution and the issuer for intermediation in the registration of capital market instruments. Our Bank's 10 units of Type A and B mutual funds were registered upon the start of registration application. 90% of the investment accounts were registered at the end of 2006 and the final target is to register 100% of the investment accounts.

Planning - Performance

The bank's targets and strategies were determined in 2006 and the monthly achievement status of the targets was followed, assessed and the required administrative measures were taken to ensure the achievement of the targets in the operations performed. By the end of 2006, our target of assets was achieved by 94,83%, the target of loans was achieved by 96%, the target of deposits was achieved by 94,4% and the target of profit was achieved by 91,4%.

The Commercial Banking Directorate, Retail Banking Directorate, Ankara Regional Credits Directorate, Performance Management Department, Tax and Financial Legislation Management Department, Control Directorate, Treasury Operations Directorate, EFT (Electronic Funds Transfer) and Cheque Operations Department, Procurement Department, Banking Operations Directorate and Telephone and Internet Banking Operations Department under the structure of Banking Operations Directorate, ATM Operations Department, Credit, Account and Card Operations Department, Retail Banking Development Department and Business Development Directorate, Performance Assessment and Career Planning Department and Distribution Channel Departments were established in 2006 within the framework of the Restructuring Project started for establishing an efficient and transparent structure that would improve the permanent competitive power of our Bank, increase its productivity in the short run and ensure a profitable growth besides decreasing the operational costs, finalizing the clients' transactions in a more efficient and quicker manner in the banking sector subject to high competition, offering better services of higher quality, increasing productivity, decreasing the costs, ensuring the service continuity and performing the modern banking services. 6 units of Regional Directorates including Ankara, Istanbul 2nd Regional (Anatolian Side), Central Anatolia, Marmara, Black Sea and Eastern Anatolia directorates were established in order to boost marketing & sales effort of the branches. Within this framework, 6 units were closed down.

Throughout the year, a system based on performance measurement was established, the performance and profitability analyses of the Head Office Departments, regional directorates, branches and the marketing personnel were performed, targeting on the basis of work plan and budget activities was performed and finalized, the performances were followed up and reported on the basis of targets and rewarded in proportion with the performance measurements in accordance with the incentive system bonus principles established.

'06

Communications-Culture-Art

Internal and external communication targets were determined in accordance with the work targets determined in parallel to the change and progress environment in which our Bank operates and accordingly, a Strategic Communication Plan was prepared. This Plan was composed of three main items such as horizontal and vertical integration, social shareholder approach and creative, continuous and consistent communication.

Our Slogan, “ Feel at Home ”

Our retail and commercial products and services produced were shared with our customers by means of the advertisements in the television, newspapers, magazines, radios, movie theatres, web sites and outdoor areas published with the slogan of “Feel at Home”. The public was informed about our products and services by means of press conferences, press releases and interviews.

Social Responsibility

Our Bank has provided support and assistance for sports and sportsmen/sportswomen, various social aid and solidarity foundations and the organisations that will contribute in the financial and technologic development of our country within the framework of its social responsibility understanding that it has assumed. Furthermore, in addition to sponsoring activities carried out for years in the field of culture and art with an understanding of “serving for art and supporting the artists”, any kind of support was given to our artists by means of the art galleries located in Ankara and Istanbul and modern and traditional works of art were brought together for meeting with the art-lovers in a distinguished environment.

Disclosure

Various organisations, meetings and opening ceremonies were organized towards our employees and social shareholders representing the process of change in our Bank. Thus, internal and external disclosure of activities related with restructuring operations was performed duly.

Subsidiaries

Vakıfbank has continued its contributions in the national economy through its subsidiaries operating in various sectors in addition to its modern banking services and the number of its subsidiaries that was 28 by the end of 2005 decreased to 27 upon selling of 2 subsidiaries and participating in 1 company by the end of 2006.

The number of the Bank's subsidiaries by their sectors in which they operate are 5 in banking, 2 in insurance, 17 in finance sector including 10 other financial partnerships; 1 in energy, 3 in tourism, 2 in manufacture, and 10 in non-financial sector including 4 in other commercial sectors.

By the end of 2006, the total subscription in these participations has increased by 18.06% compared to the previous year and reached to TRY 325.952 thousand in total. Of this, the amount of TRY 290.810 thousand is subscribed and undertaken in cash while the amount of TRY 35.142 thousand is in the form of bonus issues.

Vakıfbank Financial Services Group

VAKIFBANK INTERNATIONAL A.G.

Vakıfbank International A.G. was established in 1999 to enhance Vakıfbank's foreign activities in line with its geographic expansion strategy. Vakıfbank owns 90% of Vakıfbank International AG's share capital of 20 million Euros.

WORLD VAKIF OFFSHORE BANKING LTD.

It was established in 1993 with a capital of USD 500.000 in the Turkish Republic of Northern Cyprus to offer offshore banking services as well as to help Turkey to expand into international markets and to develop its foreign economic relations. Our Bank owns 82% of the share capital of World Vakıf Offshore Banking Ltd.

KIBRIS VAKIFLAR BANKASI LTD.

It was established to promote the utilisation of Visa and MasterCard/Eurocard credit cards issued by Vakıfbank and to increase the foreign currency inflows. Vakıfbank has a shareholding of 15% in the capital of Kıbrıs Vakıflar Bankası Ltd. amounting to TRY 17.000.000,00.

GÜNEŞ SİGORTA A.Ş.

It was established by Vakıfbank in 1957 to offer insurance services under the leadership of Vakıfbank. Güneş Sigorta has a capital of TRY 75.000.000,00, 36.35% of which is owned by the Bank. The Company was the first insurance company that was awarded with TS-EN ISO 9002 Quality Certificate.

VAKIF EMEKLİLİK A.Ş.

Vakıf Emeklilik A.Ş. was established under the leadership of Güneş Sigorta A.Ş. in 1991. With respect to the Law on Private Pension Savings and Investment System No. 4632, the Company acquired its operation licence on 1st August 2003 and its licence for establishing funds on 5th September 2003, after which it started offering private pension fund services. Vakıfbank has a share of 53.90% in the capital of the Company with the amount of TRY 26.500.000,00.

VAKIF FİNANSAL KİRALAMA A.Ş.

Established in 1988, Vakıf Finansal Kiralama A.Ş. was selected as one of the top 100 leasing companies in Europe in the year of its foundation. Vakıfbank holds 58.71% share in the Company's capital of TRY 20.000.000,00.

VAKIF DENİZ FİNANSAL KİRALAMA A.Ş.

Established in 1993 under the leadership of Vakıfbank to provide leasing services to maritime industry through the acquisition of marine cargo and ro-ro vessels, etc., Vakıf Deniz Finansal Kiralama A.Ş. has a capital of TRY 24.950.000,00, 68.55% of which is owned by Vakıfbank. The Company received TS ISO 9002 Quality Assurance Certificate in 1995 and renewed it in 1998. This company was the first company to be awarded with this certificate in the financial sector.

VAKIF MENKUL KIYMETLER YATIRIM ORTAKLIĞI A.Ş.

Established as a publicly-traded company in 1991 to enable professional utilisation of the savings of small-scale and personal investors in the stock exchange, to gain profit through brokerage and trading of securities and to ensure the most effective utilisation of the portfolio through close follow-up of the developments in the foreign exchange and monetary markets, Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. has a capital of TRY 5.000.000,00, 11.75% of which is owned by Vakıfbank.

VAKIF GAYRİMENKUL YATIRIM ORTAKLIĞI A.Ş.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. was established by Vakıfbank as the first real estate investment trust in Turkey with initial paid-in capital of TRY 250 billion. This company, which was established for the purpose of developing and managing a real estate portfolio and real estate-based capital market instruments and making changes in case of necessities, has a capital of TRY 16.800.000,00, 27.63% of which is owned by Vakıfbank.

VAKIF FİNANS FACTORING HİZMETLERİ A.Ş.

Established in 1998 to provide factoring services oriented towards any kind of domestic and international commercial transactions, Vakıf Finans Factoring Hizmetleri A.Ş. has a capital of TRY 22.400.000,00, 78.39% of which is owned by Vakıfbank.

VAKIF GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI A.Ş.

Established by Vakıfbank to provide financing to entrepreneurs through various types of credits, to contribute in the technological development in Turkey and to extend funds to small and medium-sized enterprises, Vakıf Girişim Sermayesi Yatırım Ortaklığı A.Ş. has a capital of TRY 900.000,00, 31,00% of which is owned by the Bank.

VAKIF YATIRIM MENKUL DEĞERLER A.Ş.

Established initially under the trade-name of Vakıf Yatırım A.Ş. to perform capital market activities within the scope of the Capital Market Board's policy decisions dated 15th August 1996, the Company has a capital of TRY 35.000.000,00, 99% of which is owned by the Bank. The Company's trade-name was subsequently changed as Vakıf Yatırım Menkul Değerler A.Ş. in 1998.

In addition to brokerage activities, Vakıf Yatırım Menkul Değerler A.Ş. also conducts trading of securities under repurchase and reverse repurchase agreements, investment advisory services, and portfolio management activities, etc.

'06

Vakıfbank Non-Financial Services Group

TAKSİM OTELCİLİK A.Ş.

This Company, established in 1966 with the purpose of constructing or contracting the construction of, or operating tourism facilities, hotels and motels of high quality and value for attracting the foreign tourism potential into Turkey has a capital of TRY 93.000.000,00, 51% of which is owned by Vakıfbank.

VAKIF SİSTEM PAZARLAMA YAZILIM SERVİS GÜVENLİK TEMİZLİK TİC. VE SANAYİ A.Ş.

This Company, established under the leadership of Vakıfbank in 1989 with the purpose of installing, importing and exporting electronic devices, equipment and systems and marketing stationery materials has a capital of TRY 3.000.000,00, 73% of which is owned by our Bank.

VAKIF GAYRİMENKUL EKSPERTİZ VE DEĞERLENDİRME A.Ş.

This company, established to provide expert services oriented towards Real Estate Mutual Funds and Trusts the establishment of which was approved with the amendments in the Capital Markets Law has a capital of TRY 2.000.000,00, 20% of which is owned by Vakıfbank. The Company provides expert services to various banks and particularly to VakıfBank, leasing companies and private sector.

ORTA DOĞU YAZILIM HİZMETLERİ A.Ş.

This company, which is one of the most important service providers of Internet sector in our country, has a capital of TRY 10.000.000,00, 9% of which is owned by Vakıfbank.

VAKIF ENERJİ VE MADENCİLİK A.Ş.

This Company was established under the leadership of Vakıfbank with the purpose of establishing plants and facilities capable of generating electric energy and heat energy, generating electricity and heat, and selling the electricity and heat energy generated in accordance with the existing laws, decrees and regulations; and the Bank participated in it in January / 2001. The Company has a capital of TRY 85.000.000,00, 65,50% of which is owned by Vakıfbank.

ROKETSAN ROKET SANAYİ VE TİCARET A.Ş.

The Bank participated by 10% in the capital of this Company amounting to TRY 146.000.000,00 in June/2006. The Company operates in the fields of manufacturing, production and sales of any kind of missiles, rockets, bazookas, rocket fuels and the related engines.

Table Of Vakıfbank's Participations By Sectors As Of 31st.12.2006

	CAPITAL OF THE COMPANY (TRY)	VAKIFBANK'S SHARE IN CAPITAL (%)
I-BANKS		
IMKB Takas ve Saklama Bankası A.Ş.	60.000.000	4.86
Kıbrıs Vakıflar Bankası Ltd.	17.000.000	15.00
T.Sinai Kalkınma Bankası A.Ş.	300.000.000	8.38
World Vakıf Offshore Banking Ltd.	500.000 \$	82.00
Vakıfbank International A.G.	20.000.000 EURO	90.00
II- INSURANCE AFFILIATES		
Güneş Sigorta A.Ş.	75.000.000	36.35
Vakıf Emeklilik A.Ş.	26.500.000	53.90
III-MANUFACTURING INDUSTRY AFFILIATES		
İşkur İşçi Adamı Kimya San. Kur. A.Ş.	400	25.00
Roketsan Roket Sanayii ve Tic. A.Ş.	146.000.000	10.00
IV- TOURISM AFFILIATES		
İzmir Enternasyonal Otelcilik A.Ş.	120.000	5.00
Ataköy Mağazacılık Tic. A.Ş.	150.000	45.79
Taksim Otelcilik A.Ş.	93.000.000	51.00
V- OTHER FINANCIAL AFFILIATES		
Bankalararası Kart Merkezi A.Ş.	4.000.000	9.70
Kredi Kayıt Bürosu A.Ş.	7.425.000	9.09
Vakıf Finansal Kiralama A.Ş.	20.000.000	58.71
Vakıf Deniz Finansal Kiralama A.Ş.	24.950.000	68.55
Vakıf Menkul Kıymetler Yatırım Ort. A.Ş.	5.000.000	11.75
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	16.800.000	27.63
Vakıf Girişim Sermayesi Yatırım Ort. A.Ş.	900.000	31.00
Vakıf Yatırım Menkul Değerler A.Ş.	35.000.000	99.00
Vakıf Finans Factoring Hizmetleri A.Ş.	22.400.000	78.39
EGS Gayrimenkul Yatırım Ort.A.Ş.	50.000.000	0.73
VI- OTHER COMMERCIAL AFFILIATES		
Güçbirliği Holding A.Ş.	30.000.000	0.07
Vakıf Sistem Paz. Yaz. Ser. Tic. San. A.Ş.	3.000.000	73.00
Vakıf Gayrimenkul Ekspertiz ve Değ. A.Ş.	2.000.000	20.00
Orta Doğu Yazılım Hizmetleri A.Ş.	10.000.000	9.00
VII- ENERGY AFFILIATES		
Vakıf Enerji ve Madencilik A.Ş.	85.000.000	65.50

'06

Tokat Whirling Dervish Hall, 1994



Tokat Whirling Dervish Hall, 2007

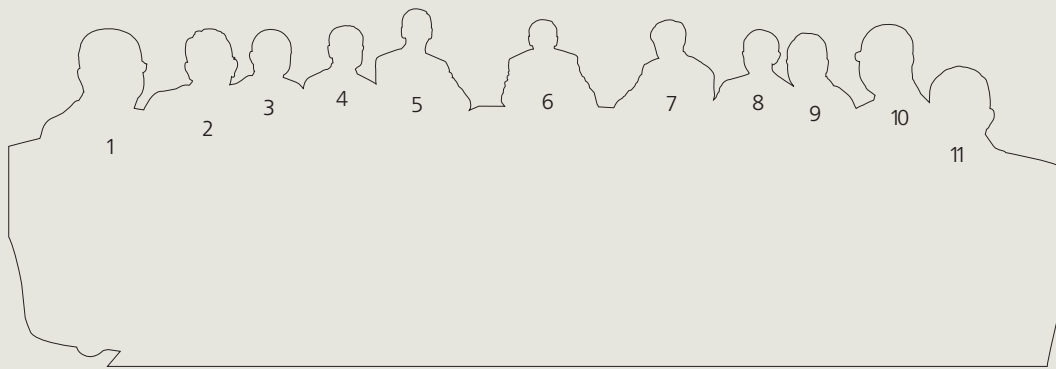
Vakıfbank cares the history of our country as well as its present day and supports restoration projects undertaken by the General Directorate of Foundations, main shareholder.

Vakıfbank is proud to support the projects of renovation of historical monuments all around Turkey, restoration of them truly to the original and carrying this cultural heritage to the coming generations.

Information About Management And Corporate Governance Applications

'06

I- Names & Surnames, Terms Of Office, Lines Of Responsibility, Levels Of Education And Professional Experiences Of The Chairman And The Members Of The Board Of Directors, The Members Of The Board Of Auditors, The General Manager And Assistant General Managers, And The Managers Of The Departments Under The Internal Systems



(6) Yusuf BEYAZIT

Chairman of the Board of Directors

Having served as the member and Vice-Chairman of the Board of Directors as of the date of 21st.03.2003, Yusuf BEYAZIT was elected as the Chairman of the Board of Directors on the date of 30th.04.2004. Yusuf BEYAZIT is also the General Director of the General Directorate of Foundations of the Republic of Turkey (T.C Vakıflar Genel Müdürlüğü) and the Consultant of Prime Minister at the Prime Ministry of the Republic of Turkey. He is a graduate of the Faculty of Law at Ankara University and has a master degree in Public Administration.

(5) Bilal KARAMAN

Member of the Board of Directors, General Manager

Having started to work for Vakıfbank in 1977, Bilal KARAMAN assumed several positions at various departments of the Bank until his retirement in 2002. Then, Bilal KARAMAN assumed the responsibility as the Member of the Board of Directors at Vakıfbank between the dates of 30th.04.2004 - 22nd.06.2005 and he was appointed as the General Manager and Natural Member of the Board of Directors on 22nd.06.2005. He is a graduate of Marmara University, Faculty of Economics and Administrative Sciences.

(9) Ahmet Müfit CENGİZ

Member of the Board of Directors

A. Müfit CENGİZ has been a member of the Board of Directors in the Bank since 31st.12.2003; he is at the same time the Consultant to the Constitutional Committee of the TBMM (Turkish Grand National Assembly). Previously, he worked as an independent consultant and advisor. Ahmet Müfit CENGİZ who is a graduate of the Department of Business Administration of Anadolu University is the deputy member of our Bank's Credit Committee.

(8) Selahattin TORAMAN

Member of the Board of Directors

Selahattin Toraman who started to work for Vakıfbank as an intern officer in 1977 worked at various positions within the Bank until he retired in 2000. He was assigned as a Member of the Board of Directors on 31st.12.2003. Selahattin Toraman is a member of our Bank's Corporate Governance and Nominating Committee and at the same time he is a Consultant to the Minister of State and the Deputy Prime Minister (Mr. Mehmet Ali ŞAHİN). He is a graduate of the Department of Social Sciences at Çorum Vocational High School.

(4) Hasan ÖZER

Member of the Board of Directors

Having started to serve as an Assistant Auditor at Vakıfbank in 1984, Hasan ÖZER worked at different positions until his retirement in 1999. He was then appointed as a Member of the Board of Directors on 07th.02.2003. He is a graduate of the Banking Department at A.İ.T.İ.A. Banking and Insurance High School. He is at the same time a senior member of the Credit Committee.

(3) Mehmet Zeki AKILLIOĞLU

Member of the Board of Directors

Serving as the Member of the Board of Directors since 14th.05.2004, M. Zeki AKILLIOĞLU is at the same time the Chairman of the Board of Directors of Omni Finansal Danışmanlık A.Ş. He started his career at Aka A.Ş. as Assistant Director and he served at top-level management positions in the corporations such as Interbank, BNP Ak Dresdner

Finansal Kiralama A.Ş., Dış Finansal Kiralama A.Ş., Etibank Bankacılık Anonim Ortaklığı and Alemdar Kimya A.Ş. He is a graduate of Faculty of Business Administration at İÜ. (Istanbul University). He is at the same time a member of the Auditing Committee.

(2) Cem DEMİRAĞ

Member of the Board of Directors

Cem Demirağ served as the Chief Advisor of the BDDK (Banking Regulation and Supervision Agency) between in the period of January 2004 - April 2005. He was appointed to the Board of Directors of Vakıfbank on 04th.04.2005. He worked at managerial positions for Garanti Bankası A.Ş., EGS Bank A.Ş., Denizbank A.Ş. and Halk Bank. Cem Demirağ is a graduate of the Department of Public Administration in the Faculty of Economics and Administrative Sciences at ODTU. He is also a member of the Auditing Committee.

(7) Ragıp DOĞU

Member of the Board of Directors

Ragıp Doğu has been in service as a Member of the Board of Directors of the Bank since 06th.04.2005 and the Vice-Chairman of the Board of Directors since 31st.03.2006. He is at the same time Advisor of the Director General of Hızıroğlu Holding A.Ş. He is a graduate of the Academy of Economics and Administrative Sciences at A.Ü. and he is at the same time a senior member of Credit Committee.

(10) Erkan TOPAL

Member of the Board of Directors

Erkan TOPAL has been in service as the Member of the Board of Directors of Vakıfbank since the date of 04th.04.2006 and he is at the same time an Instructor in the Department of Industrial Engineering at Fatih University. He had previously worked in various foreign and domestic companies as a General Manager and a Member of the Board of Directors. He is a graduate of İBF (Faculty of Economics) at Erciyes University. He has received a doctorate degree in Industrial Engineering at USA R.P.I. He is at the same time a member of the Corporate Governance and Nominating Committee.

II- Auditors' Terms Of Office And Work Experiences

(1) Ahmet TANYOLAÇ

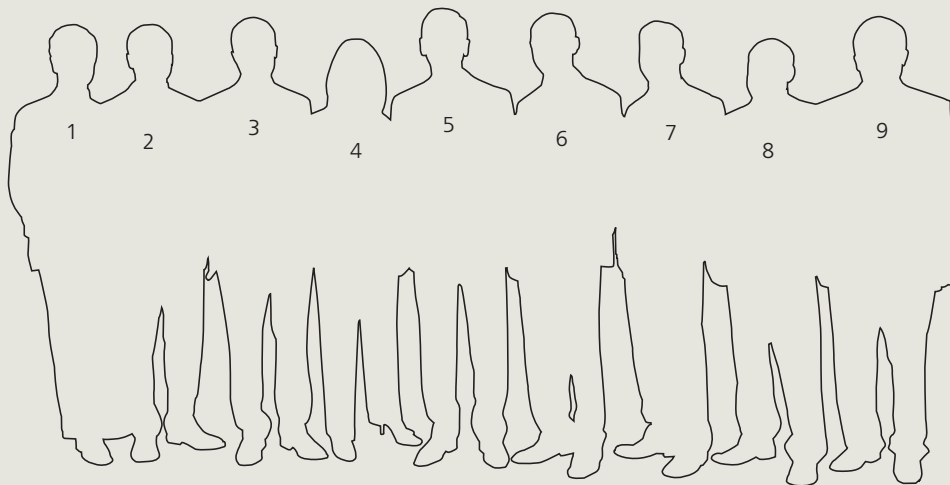
Having previously worked as an independent architect and Deputy Mayor, Ahmet Tanyolaç worked in several positions under the structure of the Foundations General Directorate since his first appointment in 1989; then, he was assigned as the Assistant General Manager on the date of 12th.06.2000 and has been in service of this office since then. Ahmet Tanyolaç has also been in office as the auditor of the Bank since the date of 21st.03.2003.

(11) Faruk EROĞLU

Having previously worked as an independent fiscal advisor, Senior Auditor of Court of Auditors, and the Head of the Financial Affairs Department at Yem Sanayi T.A.Ş., Faruk Eroğlu worked as the auditor of the Bank between the dates of 10th.03.1998 - 05th.09.2000. Faruk Eroğlu continues to serve as the auditor of the Bank since the date of 21st.03.2003

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Assistants to General Manager



(2) Tanju YÜKSEL

Assistant General Manager

Field of Office: (International Banking and Investor Relations)

Having started to work for Vakıfbank as an Assistant General Manager on 01st.05.2000, Tanju YÜKSEL had worked for Citibank in various positions before joining the Bank. He is a graduate of ODTU (Middle East Technical University), Faculty of Economics and Administrative Sciences. He knows English.

(6) A. Atif MEYDAN

Assistant General Manager

Field of Office: (Treasury and Foreign Operations - Banking Operations - Credit Cards)

Having started to work as the Assistant Auditor in 1990, A. Atif MEYDAN served as Head of the Personal Banking Department and the Head of the Commercial Banking Department before his appointment as an Assistant General Manager in 2003. He is a graduate of Gazi University, Faculty of Economics and Administrative Sciences.

(3) Aydın DELİKTAŞLI

Assistant General Manager

Field of Office: (Corporate Banking - Support Services - Human Resources - Communications and Press Relations - Ankara Corporate Center - all of Public Corporate Clients excluding Istanbul)

Aydın DELİKTAŞLI joined Vakıfbank as an intern officer in 1978. He had worked as the Regional Manager before his appointment as the Assistant General Manager in 2004. He is a graduate of Hacettepe University, Faculty of Social and Administrative Sciences. He knows French.

(9) Şahin UĞUR

Assistant General Manager

Field of Office: (Investment Planning - Participations)

Having started to work at Vakıfbank as a foreign exchange officer in 1984, Şahin UĞUR had assumed offices in various positions before his appointment as the Assistant General Manager in 2004. He is a graduate of Erzurum University, Faculty of Economics and Administrative Sciences. He knows English and Arabic.

(8) Feyzi ÖZCAN

Assistant General Manager

Field of Office: (Commercial Banking - Electronic Data Processing System - Pension and Health Benefits Fund - Personal Loans - Personal Banking - Retail Banking Development - Distribution Channels - Regional Directorate)

Having joined Vakıfbank as an Assistant Auditor in 1989, Feyzi ÖZCAN worked as the Branch Manager, Deputy Chairman of the Audit Board and Head of the Planning and Economic Researches Department before his appointment as the Assistant General Manager in 2005. He is a graduate of Gazi University, Faculty of Economics and Administrative Sciences. He knows English.

(1) Doğan PENÇE

Assistant General Manager

Field of Office: (Commercial Loans - Follow-up Affairs - Legal Affairs - Istanbul Europe and Anatolian Corporate Centres - All of the Private Corporate Clients and Public Corporate Clients in Istanbul - Correspondence Directorates)

Having joined Vakıfbank as an Assistant Auditor in 1991, Doğan PENÇE

worked as the Branch Manager, Group Manager and Head of Department and he was the Head of Commercial Loans at the latest position before his appointment as the Assistant General Manager in 2006. He is a graduate of Istanbul University, Faculty of Political Sciences.

(7) Dr. Metin Recep ZAFER

Assistant General Manager

Field of Office: (General Accounting and Financial Affairs - Planning and Performance)

Having joined Vakıfbank as an Assistant General Manager on 13th.06.2006, Dr. Metin Recep ZAFER worked in various positions at various banks and lately, he was the Director of the Financial Management Department at T.C. Ziraat Bankası AŞ. He is a graduate of the Department of Economics in the Faculty of Economics and Administrative Sciences at Marmara University. He received a doctorate degree in the department of Banking and Insurance at Marmara University. He knows English.

(4) Birgül DENLİ

Assistant General Manager

Field of Office: (Treasury)

Having joined Vakıfbank as the Head of Correspondent Banking and International Finance Department at Vakıfbank International AG/Vienna in November 2003, Birgül DENLİ was appointed as an Assistant General Manager on 03rd.07.2006. She had worked in various positions at various domestic and foreign banks and corporations and lately, she was a Member of the Board of Directors at Vakıfbank International AG/Vienna. She is a graduate of Department of Statistics at ODTU. She received her master degree in the field of Financial Markets and Derivatives at London Metropolitan University. She knows English, German and French.

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Managers Of Internal Systems Units

Mehmet Turgut DEDEOĞLU

Head of the Audit Board

He started to work as an Assistant Auditor for the Audit Board on 20th.03.1989. He worked as a Manager in various branches of our Bank and was appointed as the Head of the Audit Board on 08th.07.2004. M.Turgut Dedeoğlu is still the Head of the said Board. He is a graduate of Bolu Administrative Sciences High School, Faculty of Economics and Administrative Sciences at Gazi University.

Zafer ÖZTÜRK

Head of the Internal Control Centre

He started to work as an Assistant Auditor for the Audit Board on 01st.09.1982. He worked as a Manager, Group Manager and Director in various departments within the General Directorate. He was appointed as the Head of the Internal Control Centre on the date of 02nd.08.2004. He is still in the same position. He is a graduate of the Department of Banking at A.İ.T.İ.A. Banking and Insurance High School. He knows English.

Serdar EROL

Head of the Risk Management

He started to work as an Assistant Auditor for the Audit Board on 01st.09.1982. He worked as a Manager and Head in various units of our Bank and was appointed as the Head of the Risk Management on the date of 03rd.09.2003. He is a graduate of the Department of Finance at A.İ.T.İ.A. He retired on the date of 17th.01.2007. He knows English.

II- Information About The Credit Committee, The Activities Of The Committees Established Within The Framework Of The Risk Management Systems, And The Names & Surnames And The Main Duties Of The Chairmen And Members Assigned In These Committees

Audit Committee

The Independent Members of the Board of Directors, Mehmet Zeki Akillođlu and Cem Demirađ were elected to the Audit Committee established to assist the performance of auditing and surveillance activities of the Board of Directors of Vakıfbank.

The Audit Committee has assumed the following tasks and duties:

Monitoring the efficiency and adequacy of the internal control systems of the Bank on behalf of the Board of Directors and to follow the functioning of these systems and the accounting and reporting systems in accordance with the laws and the related regulations and the integrity of the information produced.

Performing the pre-qualification assessments required for the selection of independent audit institutions by the Board of Directors.

Monitoring regularly the activities performed by the independent audit institutions selected by the Board of Directors.

Ensuring the consolidated maintenance and coordinated management of the internal audit functions of the institutions subject to consolidated audit.

Preparing reports about the functioning of internal audit and risk management system for the annual report.

Credit Committee

The Credit Committee of Vakıfbank is composed of the Ragıp DOĐU and Hasan ÖZER, the Full Members and Yusuf BEYAZIT and A.Müfit CENGİZ, the Deputy Members of the Board of Directors. The tasks and duties of the Credit Committee are presented below:

Performing the tasks stipulated in the Banking Law in accordance with the principles to be determined by the Board of Directors;

Obtaining the written recommendation of the General Directorate in opening credits, and to provide the financial analysis and news and intelligence reports about those requesting loans in respect of recommendations about the credits that require the obtainment of account status document;

Giving any kind of information that may be requested by any of the members of the Board of Directors about the Committee's activities and to provide help in the performance of any checks and controls since the Board of Directors audits the Committee's activities;

Recording all of the resolutions of the Credit Committee into the report of resolutions daily and to have them signed by the Committee members.

Corporate Governance and Assignment Committee

The Corporate Governance and Assignment Committee is responsible for monitoring the compliance with the corporate

governance principles. Erkan Topal and Selahattin Toraman, the Members of the Board of Directors have been elected as the members of this Committee.

The tasks and duties assumed by this Committee are presented below:

Monitoring the degree of compliance with the corporate governance principles in the Bank and to determine the reasons in case of non-compliance, to determine the negative impacts resulting from incomplete application of such principles and to recommend the corrective actions to be taken in respect thereof;

Determining the methods that will provide transparency in the election of the candidates for the membership in the Board of Directors;

Performing the related works and develop recommendations about the number of executives in the top management levels;

Developing and monitoring the implementation of the recommendations about the principles and applications in respect of performance evaluation and remuneration of members of the Board of Directors and the executives;

Submitting recommendations to the Board of Directors about the persons to be assigned to top management levels including the assistant to the general manager of the Bank or the equivalent competent authorities;

Investigating the independency of the members of the Board of Directors and to reveal, if any, the conflicts of interest among them;

Performing evaluations about the structure and functioning of the committees reporting to the Board of Directors;

Preparing the Corporate Governance Principles Compliance Report for the arrangement of annual report;

Informing about the activities of the Corporate Governance and Nominating Committee within the scope of the Board of Auditors' Annual Report.

Asset and Liability Management Committee

This committee, established for evaluating the impacts on the balance sheet resulting from the risks and opportunities caused by the events in the markets and taking decisions about tactics is chaired by the General Manager and convenes monthly. The Assistant General Managers responsible for Treasury, Credits and Investments and the Head of the Risk Management participate in the weekly meetings of the committee and all of the Assistant General Managers and the Head of the Risk Management participate in the monthly meetings of the Committee.

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III- Attendance Of Board Of Directors Committee Members To The Subject Meetings In The Fiscal Period

Board of Directors: It convenes every 15 days and more frequent in case of emergencies. In 2006 Board of Directors convened in a total of 35 meetings, 18 of which held with full participation and 17 with majority participation .

Auditing Committee: The Auditing Committee convened on December 12,2006.

Credit Committee: In 2006 it convened in 60 meetings

Asset and Liability Management Committee: In 2006 it convened in 26 meetings.

IV- Information On Human Resources Activities

Our Bank's 'Human Resources Policy' is explained under the Article III titled as Corporate Governance Principles Compliance Report provided under the Section II; and our human resources related activities performed in 2006 are explained in the following section..

In total, 816 staff members were employed to meet the personnel requirement resulting from the regional directorates, newly established departments and branches in 2006 within the scope of the Restructuring Project. 301 of the staff's relations with the bank is terminated due to retirement, resignation and other reasons. The number of personnel, which was 7164 as of 31.12.2005 increased by 7,18% and reached to 7679.

Within the efforts of increasing the personnel's education level, Bank continued to reimburse the tuition fees to the personnel that were successful in their classes that are registered to the Open Education Faculty.

The ratio of personnel with a vocational or secondary school diploma to the rest of the personnel was increased to 58% compared to 53% in 2006

In 2006, 848 of the personnel including the group of professional officers having the required term, clean record, and other qualifications were registered to promotion training and 740 of those that succeeded in the examination were promoted to an higher positions.

Within the scope of the restructuring project the roles of the personnel working in the branches were defined and the performance of the personnel that assumed TPY and BPY roles and the performance of the branches, regions, and General Directorate were measured and the application of performance-based premium payment started for the bank's personnel.

The activities towards establishing an appraisal of record model were started for measuring the performance of the personnel according to the objective criteria, determining their qualifications and the fields in which they can be productive and evaluating their productivity by the fields in which they work.

The Bank started to perform planning and implementation activities towards determining the processes of career development of the personnel within the scope of the Restructuring Project and to promote the personnel earlier than the normal practice who are identified as exceptional.

The training programs determined based on the training requirement analyses were also organized to meet the requirements of the personnel. In total, 3862 personnel participated in the training programs in 2006. The number of participants in the training programs was determined as 7238 since some of them took several training courses. Of the trainings organised in 135 different fields in total, 220 were based on development training given within the Bank and 120 were based on training received from the institutions out of the Bank.

V-Information About The Support Services Received By The Bank And The Persons And Institutions Such Services Are Received From

Vakıfbank has been receiving support services from various parties to improve its service quality and exceed customer satisfaction.

Teknoser	: POS connection, breakdown, repair, maintenance, replacement, version update	Software AG	: Central System Natural/Adabas Database Management System Maintenance & Repair
Verifone	: POS connection, breakdown, repair, maintenance, replacement, version update	Eastern Networks	: Fund Management Swift System Support Service
Mavi Kurye	: Distribution of credit cards	Oracle	: Pension Fund Drug Control System Maintenance and Repair Service
Türkpost	: Distribution of credit cards	Biznet	: Our Bank's Internet Firewall Maintenance and Repair Service
Aktif Dağıtım	: Distribution of credit cards	SPSS Yazılım	: SPSS Statistics Package Use Service
PTT	: Distribution of credit cards	Grosa Makina	: EBİS Head Office Building Generator Maintenance & Repair
Gemalto	: Provision of plastic cards	İnşaat Elekt. San.Tic.Ltd	
Meteksan	: Maintenance and Repair Service for Computer Devices (Central System Peripherals, Branch Systems, ATM Devices, IEN POS Access Devices, PC, Account Book Printer, Laser Printer, Dot Matrix Printer), Maintenance and Repair Service for Wide Area Communication Network (CISCO Products), Maintenance and Repair Service for Uninterrupted Power Supplies and Batteries, Maintenance and Repair Service for ITN POS Network Access Products,	Foreks	: ISE Stock Exchange, Bonds, Bills, Foreign Exchange Market Data Spontaneous and Permanent Use Services
IBM	: Central System IBM Licence Fee	SOTHIS Yazılım (Bridging)	: ASG Tmon/Cics Tmon/Mvs,Tmon/Vtam Maintenance Service
EC Telekom	: Maintenance and Repair Service for X.25 Node and X.25 Access Devices	ITD İletişim	: IVR Annual Maintenance Service
Koç Sistem	: Hardware, Maintenance and Repair Service for Reuters Corridor System Servers	Natek	: Communication Network On-Line Monitoring Service
Data Telekom	: Maintenance Service for Istanbul Region Branches Data Line	3D Bilişim	: Nice Voice Recorder Maintenance Service
Bell Elektronik	: Maintenance Service for Ankara Branches and Urban Branches Data Line		
Plato	: Maintenance and Repair Service for Fund Management EUROLINE		
BT Yazılım	: Technical Support, Maintenance & Repair Service for Informix Database Management System		
Reuters	: Monetary Markets, ISE Shares Market Data, News, Inter-Bank Fund Exchange, Quotation Entries, Parity Data, And International Market Data Utilization Service		
Equant	: IP Swift Net Network Access Service		
NCR	: Call Center Maintenance and Repair Service		
Verisoft	: GATEWAY Software Support Service		
Schindler	: EBİS Head Office Building Lift Maintenance and Repair Service		
TR-NET	: Our Bank's Internet Use Service		
Innova	: Central Collection: (Telekom, Turkcell, Telsim, Avea) System Maintenance and Repair Service		
Sea	: Central System Licence Use Service (Tape 2000 - ODDS)		

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VI- Corporate Governance Principles Compliance Report

As required by the resolution taken in the Non-regular Meeting of our General Assembly on the date of 24.10.2005, the compliance with Corporate Governance Principles was undertaken with the article (Article 75) added to our Articles of Incorporation.

As per the resolution taken in the meeting of our Bank's Board of Directors held on the date of 31.3.2006, the Corporate Governance and Nominating Committee was established and the Independent Member, Erkan TOPAL and Selahattin TORAMAN were elected as the members of Corporate Governance and Nominating Committee. Since his independent membership status, Erkan TOPAL was appointed as the chairman of this committee.

The Corporate Governance Principles Compliance Report of Türkiye Vakıflar Bankası T.A.O. was prepared within the framework of the Corporate Governance Principles published by the Capital Markets Board taking into consideration the issues stipulated to be included within the Corporate Governance Principles in the annual reports of the publicly-held companies, the international principles and the practices in the sector.

I- Shareholders

Shareholders Relations Department

To ensure the efficiency of the services, investor relations were organised in two different groups covering both domestic and international investors.

Shareholders relations are managed by a separate group within the General Directorate department responsible for Investment Banking. The names and the contact information of the personnel working in the Shareholders Relations Group operating and reporting to Birgül Denli, Assistant General Manager responsible for Investment Banking of Türkiye Vakıflar Bank are as follows.

Dr. Adnan Güzel

Head
0312 - 455 95 20
adnan.guzel@vakifbank.com.tr

Nurullah Censur

Manager
0312 - 455 95 10
nurullah.censur@vakifbank.com.tr

Hasan Coşkuner

Assistant Manager
0312 - 455 95 30
hasan.coskuner@vakifbank.com.tr

Deniz Varan

Assistant Manager
0312 - 455 95 07
deniz.varan@vakifbank.com.tr

Vedat Paslı

Assistant Manager
0312 - 455 95 06
vedat.pasli@vakifbank.com.tr

Kübra Sağlam

Expert Assistant
0312 - 455 95 14
kubrasaglam@vakifbank.com.tr

The Shareholders Relations Group also manages the domestic investor relations.

Main activities performed by the Shareholders Relations group include the following:

- Providing precise and complete information to the shareholders and investors excluding the information classified under confidential and trade secrets;
- Organizing periodic meetings to inform Bank's shareholders and investors with the participation of the Bank Management;
- Ensure the compliance of General Assembly meetings to the accordance with the legislation, articles of incorporation and the in-house regulations of the bank;
- Preparing documentation for General Assembly meetings and delivery of subject documentation to the shareholders;
- Taking necessary actions and precautions that may be required to ensure the investors' satisfaction with Bank's services;
- Performing the Bank's capital raises and dividend payments while ensuring the registration of the existing shares and the doing the follow-up within the registered book entry system;
- Announcing and notifying the special case statements and other news about Türkiye Vakıflar Bankası to the investors and Istanbul Stock Exchange via Bank's web site;
- Transferring the information and documentation to the investors, shareholders and the other related parties via the "Investor Relations" site of Turkish content provided in the address of <http://www.vakifbank.com.tr> and ensuring the update of the content of the Internet site.

The requests for information received from our international shareholders and investors are answered by the general directorate responsible for international and investor relations. The names and contact information of the personnel in the International and Investor Relations Department operating under the management of Tanju Yüksel, Assistant General Manager are as follows.

Selçuk Gözüak

Head
0212 - 316 71 20
selcuk.gozuak@vakifbank.com.tr

Yunus Oğuzhan Aloğlu

Assistant Manager
0212 - 316 71 21
yunusoguzhan.aloglu@vakifbank.com.tr

Main activities carried out in this field by the International and Investor Relations include the following.

- Answering the requests for information not included within the scope of bank's and client secrets received from the existing and potential investors residing abroad, the rating agencies and the related parties in international borrowings;
- Ensure the participation in representation of Türkiye Vakıflar Bankası in the meetings held in and out of the country;
- Making presentations about Türkiye Vakıflar Bankası to the investors and other related institutions residing abroad;
- Transferring the required information and documents to the investors, shareholders and the other related parties via the "Investor Relations" Internet site with English content provided in the address of <http://www.vakifbank.com.tr> and to ensure the updating of the content of the Internet site.

Furthermore, yatirimciliskileri@vakifbank.com.tr and investor.relations@vakifbank.com.tr mail addresses were created for enabling the investors to access to our bank.

The requests for information received via e-mails are replied by Assistant General Manager Tanju Yüksel, Assistant General Manager Birgül Denli and Head of the Investment Banking and Subsidiaries, Dr. Adnan Güzel.

The Shareholders Relations Group held the Ordinary, Extraordinary and Preferred Shares General Assembly meetings within the related period; dividend payments were made on the date of May 31, 2005; the shares representing all of the Bank's capital were registered; and the upper limit of the Bank's authorized capital was increased to TRY 5.000.000.000, and the transactions for increasing its issued capital from TRY 1279.000.000 to TRY 2500.000.000 were completed. The Bank completed the transformation of shares of Class B and C into Class D shares, the publicly held group in accordance with the requests of our shareholders.

The "Shareholders Relations Group" received 105 inquiries for information in 2006 and all of these inquiries were answered by the fastest means of communication.

Furthermore, the "International and Investor Relations Group" answered all of 381 requests for information sent by the foreign investors.

In 2006, The Bank participated in 16 investor information conferences in total, including 11 held within the country and 5 held abroad for giving information to the corporate investors. In addition, two roadshows, one in USA and the other in Frankfurt, Vienna and Stockholm were organized. In one-to-one and group meetings held in these conferences and roadshows and in one-to-one and group meetings held in the Bank with the investors visiting Turkey, the questions of the investors about the Bank were answered and the current developments and events about our Bank were disclosed to the investors. 320 one-to-one and group meetings were held with 346 fund managers/analysts working in 200 International Corporate Investor companies throughout the year of 2006.

Exercise of Shareholders' Rights to Obtain Information

The requests for information about various issues received by the Bank from the shareholders are answered with the use of the most efficient and the fastest means of communication. In total, 486 requests for information received from the shareholders by the Shareholders Relations Group and the International and Investor Relations Group were answered in 2006. The information and events about our Bank such as the dates of the General Assembly meetings, the minutes of the General Assembly meetings, financial reports, special case statements, etc that attract the shareholders' interest are notified to the related companies regularly by means of the Internet site, newspaper ads, mail and telephone. On the other hand, the International and Investor Relations Group also notifies the said developments and events to our investors residing abroad via e-mails.

The information and announcements about The Bank's capacity increase and the dividend payments are notified via special case statements after the decision of the Board of Directors and through the Bank's Internet site only after completion of the related legal permits.

The capital increases and the announcements about the General Assembly meetings are disclosed to the shareholders by means of press in accordance with the provisions of Turkish Commercial Law and Capital Market Law.

The agenda of and the letter of invitation for the General Assembly meeting are notified via mail to the shareholders that have their addresses in the bank's records at least 15 days before the actual date of the General Assembly Meeting.

The required announcements are made via the Bank's Website before the start of capital increase of Türkiye Vakıflar Bankası; and the related texts of announcement are kept and published on the website until the completion of the related capital increase transactions.

As for the profit distribution activities, the profits are distributed by the Bank to prevent any loss of interest or right likely to be incurred by the shareholders; and the dividends of our shareholders that are not publicly held are invested to the deposit accounts opened in the Bank under their names and used in Type B Liquid Investment Fund of Türkiye Vakıflar Bankası until the application of the related shareholders.

Throughout the period, the shareholders' requests for transformation of shares of Class B or C into Class D shares and the transfer of the shares to the heirs as a result of inheritance from Class C were performed, and the related transactions were recorded into the stock register book, registered in the central registry agency and informed to our shareholders.

The activities towards improving the concept of "Investor Relations" established on The Bank's web site in order to facilitate the exercise of shareholders' rights to obtain information and the other shareholding rights are continued and the information itemized below as given on the bank's web site are provided to our investors.

- Summarized information about Vakıfbank,
- Shareholding Structure,
- Information about the Board of Directors and the Top Management,
- Act of Foundation and the Articles of Incorporation of Vakıflar Bank,
- The announcements about the General Assembly meetings, the agenda of the General Assembly and the minutes of the meetings,
- Financial data,
- Ratings information,
- Audit Reports,
- Annual Reports,
- Presentations about Vakıfbank,
- Special case statements,
- Press Bulletins,

The information and documents specified above are updated regularly.

The Bank is regularly audited by independent external audit companies, the Prime Ministry Supreme Audit Board, Banking Regulation and Supervision Agency and 2 auditors appointed as per the Articles of Incorporation within the framework of the provisions of the Banking Law, Turkish Commercial Law and its own Act of Foundation.

As per the article 24 of the Banking Law and the article 73 of the Articles of Incorporation of Türkiye Vakıflar Bankası, an Auditing Committee composed of MZeki Akilloğlu and Cem Demirağ, the members of the Bank's Board of Directors was established and assumed the task of performing the functions specified in the said law and the articles of incorporation.

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Information about the General Assembly:

Within the year of 2006, the Bank's 52nd Ordinary Meeting of the General Assembly was held on March 31, 2006 and the Non-regular Meeting of the General Assembly was held on June 26, 2006. The arrangements about the meetings of the Bank's General Assembly are specified in the Act of Foundation and the Articles of Incorporation of Türkiye Vakıflar Bankası T.A.O. presented on the Bank's Internet site that is open to public.

In order to inform the shareholders before the meetings of the General Assembly, the announcements about the General Assembly Meetings are published in the newspaper specified in the article 37 of the Turkish Commercial Law and in at least two newspapers circulated all around Turkey as determined by the Board of Directors not later than 15 days before the actual date of meeting excluding the dates of announcement and meeting. The information about the General Assembly meetings, the letters of invitation and the copy of proxy statements are published on the Internet site. Furthermore, they are posted to the shareholders with their address information entered and updated in the bank's records.

The Annual Report arranged for submission to the General Assembly is presented to the information and examination of the Bank's shareholders before the date of General Assembly meeting. Furthermore, the Bank's balance sheet and the profit and loss statements, the agenda of the General Assembly, and the copy of proxy statements are kept ready for informing the shareholders in all of the branches of Türkiye Vakıflar Bankası. All of the shareholders having the right to participate in the General Assembly meetings and performed the required procedures for participation can participate in the meetings of the General Assembly.

In the announcements and letters of invitation published before the General Assembly meetings, the following information is notified to the shareholders:

- Date, hour and place of meeting,
- Agenda of Meeting,
- The organs inviting the General Assembly for a meeting (The Bank's Board of Directors),
- The addresses in which the Annual report, balance sheet and the profit and loss statements will be presented to the examination of the shareholders in case of ordinary meeting announcements (General Directorate and our branches),
- Copy of Proxy statements for the shareholders that cannot participate in the meeting in person.

The Annual Report prepared include information such as the activities and operations of the Bank performed in 2006, information about top management, bank's balance sheets, footnotes to the balance sheet, the independent audit report, the auditors' report, the profit distribution proposal of the Board of Directors, etc. The shareholders may receive from the Investment Banking Shareholders Relations Group the annual report before or after the meeting of the General Assembly upon request.

In both the ordinary and extraordinary meetings of the Bank's General Assembly, all of the shareholders have the right to speak, declare opinions and ask questions about the agenda regardless of the proportion of their shares. The shareholders can give proposals about the issues in the agenda of the General Assembly, and these proposals are voted and finalized under the procedure in accordance with the legislation and the bank's articles of incorporation.

The minutes of the General Assembly meetings are published in the Trade Registry Gazette of Turkey. The Investment Banking Shareholders Relations Group can send the minutes of the General Assembly meetings to the shareholders upon request.

The agenda, place, hour and minutes of the General Assembly meetings and the resolutions taken are disclosed to the public and the shareholders by way of "Special Case Statement" after the meeting of the General Assembly.

Voting Rights and Minority Rights:

Türkiye Vakıflar Bankası shares are classified into four different categories of shares Class (A), (B), (C) and (D) group shares. The nominal values and the voting rights of the share certificates of all classes are equal. The Class (D) shares are composed of publicly held shares.

The shareholder that holds ten shares or representing this amount of shares has one voting right per ten shares during the General Assembly meetings. Those having more than ten shares have voting rights in the number to be determined in proportion with the aforementioned number of shares without any limitation.

The Bank's Board of Directors is composed of nine members including the General Manager. One of the members of the Class (A) is elected by the Prime Minister to represent the General Directorate of Foundations; the other three members of Class (A) and one member of Class (B) and two members of Class (C) are elected by the General Assembly among the candidates nominated by the majority of their own groups and one member is elected amongst the members nominated by the shareholders; the latter member is determined taking into consideration the preferences of Class (D) group.

1 member elected to the Board of Directors by the General Assembly and 1 member per each of Class (A) and Class (C) groups are independent members. There is no member in the Board of Directors that was elected by the minority votes.

In case of absence of the Bank's General Manager, his deputy is the natural member of the Board of Directors. The same person cannot assume the duties of the Bank's General Manager and the Chairman of the Board of Directors.

Dividend Distribution Policy and Dividend Distribution Time Schedule

Bank's principles on profit distribution are outlined in details under the articles of incorporation of the Bank. The articles of incorporation of our Bank are available on the website of Türkiye Vakıflar Bankası for information and examination of the public and shareholders.

The Board of Directors of Türkiye Vakıflar Bankası presents its proposal of dividend distribution to the General Assembly and for information to the shareholders by means of annual report prior to the General Assembly meeting every year. The dividend distribution proposal of the Board of Directors is discussed and resolved in the meeting of the General Assembly of Türkiye Vakıflar Bankası.

The dividend distribution approved by the General Assembly of Türkiye Vakıflar Bankası is performed within the legal terms specified.

Transfer of Shares:

The shares are classified as Class (A), (B), (C), and (D) groups and all of which are registered shares.

The Board of Directors is authorized to sell and to determine the procedures and principles about the sales of Class (A) shares of the Bank and the shares of Class (B) pertaining to the General Directorate of Foundations.

No provision exists in the Articles of Incorporation of Türkiye Vakıflar Bankası limiting the transfer of shares representing the shares of Class (B) that are not owned by the General Directorate of Foundations, but owned by recorded and added foundations and the shares representing Class (C) and (D) groups.

However, the Board of Directors of Türkiye Vakıflar Bankası is authorized to transform the Class (B) shares owned by recorded and added foundations and the shares of Class (C) into Class (D) shares upon the demand of the shareholders.

Public Disclosure And Transparency

Company's Information Policy:

Türkiye Vakıflar Bankası has assigned the Investment Banking, International and Investor Relations and Accounting and Financial Affairs Department for disclosing information to the public in time and ensuring that the information disclosed is accurate, complete, reliable, comprehensible, and interpretable. The following is disclosed to the public within the scope of the information policy of the Investor Relations group: disclosure of our dividend policy in ISE and Internet site, preparation of press releases about the financial statements by quarters and independent audit reports and the public disclosure of them regularly via e-mails or Internet, public disclosure of the investor presentations prepared in relation with the financial statements regularly via e-mails, public disclosure of issues to be discussed in the General Assembly meeting of the via press and Internet, public disclosure of the Bank's shareholding structure via Internet and Annual Report and public disclosure of the Annual Report via Internet and mails.

Special Case Statements

As per the Communiqué on the Principles Regarding the Public Disclosure of Special Cases, 74 special case statements were presented in 2006 in regards with the issues affecting the Bank and the Bank's operations. Istanbul Securities Exchange, only for one of the special case statements requested additional clarification.

The International and Investor Relations group notifies the special case statements that are disclosed by the Investment Banking Group regularly via e-mails to the fund managers, corporate investors and other investors residing abroad.

The Capital Markets Board did not impose any sanctions for non-compliance regarding the Special Case Statements .

Company's Internet Site and Its Content

The Bank's website is "http://www.vakifbank.com.tr".

The website of Türkiye Vakıflar Bankası includes the Bank's Act of Foundation, articles of incorporation, the announcements, agenda and the General Assembly minutes of meetings, financial data, rating scores, audit reports, special case statements, press bulletins, and the shareholding structure of the bank.

Disclosure of Real Names of Ultimate Controlling Shareholder(s):

No real person or entity is in the possession of the ultimate controlling shares in the bank. We do not have any shareholder among the real person shareholders having shares of exceeding 5%.

The shareholding structure of the Bank is published in the annual reports and the Internet site.

Public Disclosure of Insiders capable of obtaining information:

As per the article 73 of the Banking Law, the Members of the Board of Directors, the persons and those assigned to act on behalf of them cannot disclose the secrets about the banks and the clients that they learn as a result of their capacities and duties to any parties other than the competent persons clearly and legally authorized in this respect.

A separate list of insiders capable of obtaining information is not provided. The members of the Board of Directors and the top-level managers that can be in such a position are given in the Annual Reports and the Internet Site.

Shareholders

Disclosure of Information to Shareholders:

The shareholders and investors of Türkiye Vakıflar Bankası are informed in accordance with the public disclosure principles.

The requests for information, wishes and complaints and the customer problems on the services and products of our bank received from the Bank's clients are answered and resolved by all departments of our Bank in the most effective manner.

A distinguished Information System Portal was established to inform the employees. All of the announcements were transferred to the system by means of this portal, the information exchange system within the institution. Since access to all information within the institution is available over the system, the employees can reach to any information required from different points at any time and in the most efficient manner. Thus, both the satisfaction of the employees is increased and the loss of time and labour is prevented. Saving of costs and fast communication were targeted with this portal.

Shareholders' Participation in the Management:

The representation of our shareholders in the Bank's management is specified in the Articles of Incorporation of our Bank as specified below:

The Bank's Board of Directors is composed of 9 members including the General Manager. One of the members of the Class (A) is elected by the Prime Minister to represent the General Directorate of Foundations; the other three members of Class (A) and one member of Class (B) and two members of Class (C) are elected by the General Assembly among the candidates nominated by the majority of their own groups and one member is elected among the members nominated by the shareholders. The latter member is determined taking into consideration the preferences of Class (D) group. Three of nine members of the Board of Directors are elected as independent members of the Board of Directors.

The employees and pensioners of Türkiye Vakıflar Bankası and the Officials and Servants of Türkiye Vakıflar Bankası T.A.O. having 16.10% of the Bank's capital participate in the management by means of the Pensioners' and Health Benefits Fund foundation.

Activities towards increasing the communications within the institutions are carried out with the purpose of establishing efficient and productive work relations and creating team spirit among the employees. Participation in the management is always encouraged and the personnel is provided with the opportunities to have access to the top management and to express their wishes and recommendations to the top management.

Human Resources Policy:

The Bank's Human Resources policy is outlined below. Aware of the fact that the success of the growth strategy adopted in the recent years by the Bank and the restructuring project still being continued and the achievement of the predetermined targets are mostly dependent on the human resources, the Bank is performing continuous improvement activities in the employment, promotion, performance evaluation, career planning and training processes.

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New personnel are being employed in order to meet the personnel requirement resulting from the regional directorates, departments and branches newly opened and established within the scope of the restructuring project in the Bank and the applicants that are graduates of four-year higher education institutions in the field of Banking and having the best qualifications in respect of school of graduation, master degree, KPSS score and foreign language knowledge, etc. are being selected and separate examinations are placed for the employment of personnel for the positions such as inspector, financial analyst, expert, etc. requiring specialization in their fields. The functioning of the process of personnel employment in the Bank and the required qualifications are clearly specified in the personnel regulation.

The personnel working in the Bank have career development plans and the career steps and the required qualifications are specified in the personnel regulation. The promotion of the personnel is performed in accordance with these predetermined plans.

The roles of the personnel working in the branches within the scope of the restructuring project are defined and the performances of the personnel that assumed TPY and BPY roles and also, the performances of the branches, regions and General Directorate are separately measured and the performance-based premium payment is applied for all of the bank's personnel.

Furthermore, an appraisal of record model is being established for measuring the performance of the personnel according to the objective criteria, determining their qualifications and the fields in which they can be productive and evaluating their productivity by the fields in which they work and it is targeted to assess the personnel from every aspect.

The training requirements of the personnel are analysed and training programs that will meet the training needs and training requests of all of the personnel are being developed and executed.

The Bank's personnel work in accordance with private law provisions; and they are employed in accordance with the provisions of the Labour Law No. 4857 which is still in force. The Bank's personnel are members of trade union and they are connected to the Union of Banks and Insurance Workers (BASS). The working conditions of the personnel are determined with the Collective Bargain Agreements (TİS) concluded between the Bank and the said union. 17th Period TİS, which is effective between the dates of 01.05.2005 and 31.04.2007, is still in force.

The Relations between the Employees and the Employer are carried out by means of the managers and representatives of the said union.

The wishes and complaints of the Bank's employees in respect of issues such as working conditions, personal rights, duties and responsibilities, etc. are notified to the employer and followed up by the competent authorities of the related union.

Relations with Customers and Suppliers:

Customer Problems Solution Centre was established under the structure of the Bank in order to ensure customer satisfaction. This unit can be accessed via Internet and any kind of requests, critics or satisfactions about the Bank's products and services can be forwarded to the related unit via e-mails. Furthermore, the clients can resolve all of their banking transactions with a call through connecting to Vakıfbank-724 branch via the phone number of 444 0 724. All applications related with the suppliers are carried out in accordance with the Labour Law and the other legislation. The employment, promotion and dismissal policies are stated in writing within the Personnel Regulation.

Social Responsibility:

Having become the rising star of Turkish banking through great steps in the recent years, Vakıfbank has attached a special

importance to the support of culture, art, education and sports since the very first day of its foundation acting aware of its social responsibilities as well as its banking activities.

In addition to its sponsoring activities carried out in the field of culture/art with the motto of "Serving to the art and supporting the artist", Vakıfbank provides services to our artists with 2 art galleries located in Ankara and Istanbul. Opening more than 50 exhibitions in every year in these galleries, Vakıfbank has assumed the task of providing a main structure for the artistic branches such as painting, photography, ceramics, sculpture, arts and crafts items, etc.

The Bank continues its support that it provides for our artists also in respect of financial terms through assuming various expenses including letter of invitation and cocktail costs incurred during the exhibition activities carried out in its own galleries.

Playing an important role in supporting sport and sportsmen/sportswomen in our country, Vakıfbank has achieved important accomplishments with the girls' volleyball team formed together with Güneş Sigorta. The Vakıfbank-Güneş Sigorta Volleyball team is considered among the leading teams that brought great accomplishments to our country including European Championship achieved in the last years.

Vakıfbank is continuing to support other sport fields with various sponsoring activities in addition to volleyball and it has great contributions in the development of Turkish wrestling through assuming the sponsorship of the 1st and 2nd Wrestling League and the National team of Wrestling in nearly all of the international competitions.

Furthermore, Vakıfbank has transferred an amount of TRY 3,5 million so far to the sport clubs with its application of Club Supporter Card put into application for the last three years. The Club Supporter Card offers great advantages to the card holders with VakıfPara features and at the same time, provide a resource for the related teams.

Today, Vakıfbank fulfils completely the understanding of modern banking through making investments not only in economic fields, but also in social fields as required by the Foundation concept specified in its foundation philosophy and the understanding of social responsibility. The subject that Vakıfbank emphasizes most is the education of children that will build our future. The number of schools constructed to this effect and donated to the Turkish National Education has reached to 37.

Of these schools, the school named as Umut Çocukları İlköğretim Okulu (Children of Hope Primary Education School) has been the most important school to which Vakıfbank proudly attached great priority. This school that was oriented towards the education and training of street boys and urchins is managed in a coordinated manner by the Ministry of National Education and Umut Çocukları Vakfı (Children of Hope Foundation) and all of the costs and expenses including the personnel wages are covered by Vakıfbank.

With its understanding of foundation covering the best use of foundation incomes, the repair and maintenance of works of foundation, etc., Vakıfbank has transferred a dividend amount of TRY 234 million to the General Directorate of Foundation representing the majority of the capital of Vakıfbank in 2006.

The number of ancient works of art repaired and restored by the General Directorate of Foundations in the last 3 years has reached to 1113. The target of the General Directorate of Foundations only for 2007 is to repair 750 ancient works of art.

In addition, Vakıfbank is continuing to provide any contributions through offering sponsorship support for various cultural and artistic activities and periodical and non-periodical publications (books, magazines, newspapers, catalogues, etc.) for the development of Turkish publishing life.

Board Of Directors

Structure, Composition and Independent Members of the Board of Directors:

Name & Surname	Position	Start of Service	Line of Responsibility
Yusuf BEYAZIT	Chairman of the Board of Directors (A)	30.04.2004 (21.03.2003)*	(Credit Committee DEPUTY Member)
Ragıp DOĞU	Vice Chairman of the Board of Directors (A)	31.03.2006 (06.04.2005)*	(Credit Committee FULL Member)
Bilal KARAMAN	General Manager	22.06.2005 (30.04.2004)*	
A.Müfit CENGİZ	Member of the Board of Directors (A)	31.03.2006 (31.12.2003)*	(Credit Committee DEPUTY Member)
M.Zeki AKILLIOĞLU	Member of the Board of Directors(A) -Independent	31.03.2006 (14.05.2004)*	(Auditing Committee)
Selahattin TORAMAN	Member of the Board of Directors (B)	31.03.2006 (31.12.2003)*	(Corporate Governance and Nominating Committee)
Hasan ÖZER	Member of the Board of Directors (C)	30.04.2004 (07.02.2003)*	(Credit Committee FULL Member)
Cem DEMİRAG	Member of the Board of Directors (C) -Independent	31.03.2006 (04.04.2005)*	(Auditing Committee)
Erkan TOPAL	Member of the Board of Directors (D) -Independent	04.04.2006	(Corporate Governance and Nominating Committee)

* The first date of appointment to the membership of the Board of Directors.

Qualifications of the Members of the Board of Directors:

The minimum qualifications required in the election of members of our Bank's Board of Directors are in compliance with the requirements specified in the articles 3.11, 3.12 and 3.15 of the Section IV of Corporate Governance Principles of SPK (Capital Market Board).

Mission, Vision and Strategic Targets of the Company:

Mission:

Its mission is to take modern banking forward through new leaps, considering people and information as its most significant capital in parallel to the Social Banking understanding.

Vision:

* To become one of the top three banks of Turkey.

Targets:

- To increase our market share through creating difference with the Restructuring Program,
- To ensure healthy growth and progress,
- To ensure unconditional customer satisfaction,
- To meet any financing needs,
- To follow a widespread deposit policy,
- To develop and implement new products and services,
- To increase non-interest incomes,
- To decrease costs,

To ensure the continual improvement and motivation of our personnel constituting our most powerful capital in achieving all of these targets.

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Risk Management and Internal Control Mechanism:

Risk Management

As per the article 29 of the Banking Law, the banks are liable to establish and operate a satisfactory and effective internal control, risk management and internal audit system covering all of the branches and the shareholders subject to consolidation and compatible with the scope and structure of its activities and suitable for the changing conditions for monitoring and controlling the risks that the banks are exposed to.

As per the article 31 of the Banking Law, the banks are obliged to establish, implement and report their risk policies within the framework of the principles determined by BDDK within the scope of risk management system. Risk management activities are carried out by the risk management department and personnel that report to the board of directors.

The Regulation on the Banks' Internal Systems regulating the procedures and principles about the internal control, internal audit and risk management systems to be established by the Banks and their functioning was published in the Official Gazette dated November 1, 2006 and numbered 26333.

In our bank, the Risk Management Department operates in connection with the member of the Auditing Committee responsible for the risk management. Our risk management policy is based on the evaluation, measurement, analysis and control of the risks that the bank is exposed to as a result of the banking operations in accordance with the risk management principles and the establishment of a corporate risk culture. To this effect, activities are being continued for the establishment of an efficient risk management through taking into consideration the international arrangements, standards and local legislation requirements. Risk management policies were established within the process of risk management organized in accordance with the statutory legislation; and the related activities are performed for defining, measuring, analysing, monitoring, reporting and auditing of risks in accordance with the risk management policies.

Internal Control Mechanism

Internal Control Centre Department was established on the date of 29th.06.2001 and put into operation in 2002.

The application was started in 15 branches with 19 internal control personnel on the date of 20th.11.2002; the number of branches within the scope of internal control was increased in parallel to the increase in the number of personnel by years.

Internal control activities are being continued in 116 branches and 6 General Directorate Departments by 39 Managing Controllers and 12 Controllers working under the structure of Internal Control Centre Department by the date of 31st.12.2006.

The control areas were determined considering the main field of banking activities and the products and services and the internal control activities performed in 82 branches within this scope by December 2005 were expanded and became widespread all around 34 branches in 2006. By December 2006, internal control activities are performed in relation with all operations in 68 of 116 branches within the scope of internal control; and in the remaining 48 branches, internal control process is applied for credit transactions

(commercial, retail loans and credit cards) and TRY and cash counting and confirmation in the cash-desks of the Branches and the ATMs connected to these Branches.

Furthermore, internal control activities are being carried out in 6 General Directorate Departments in total, including the continuous activities performed in the General Accounting and Financial Affairs Department and the periodical activities performed in the Investment Banking Department, Personal Loans Department, Treasury Department and the Treasury Operations Directorate and Cash, EFT and Cheque Operations Directorate under the structure of Treasury and Foreign Operations Department. The activities towards expanding internal control processes in the other branches and departments are being continued.

Although all of the activities and departments of the Bank are not covered within the scope of the internal control, importance is given in the selection of the branches subject to internal control to cover a significant part of the Bank's operations. Taking into consideration the figures for September 2006 pertaining to 116 branches in which internal control activities are continued, it is observed that the Bank resources are controlled by 57.99%, the cash loans are controlled by 72.68% and the non-cash loans are controlled by 92.74%. The audit procedures are also being continued in the branches and departments whether or not they are subject to internal control.

The internal control findings determined as a result of the internal control activities carried out in our branches with ongoing internal control procedures are firstly notified to the personnel of the related branch verbally; and in case of failure in receiving results, Control Results Notification Form is completed and delivered to the management of the related branch. The forms including the final opinions of the controller completed after receiving written reply from the branch management are forwarded to the related Head Office Department. The branch's actions carried out after the notification by the related Head Office Department to the related branch are followed-up on site by the Controller.

A process similar to the branches is followed for the defective or missing issues determined during the internal control activities performed in the Head Office Department within the scope of internal control; but differently, the reports arranged for the departments are forwarded to the Assistant General Manager responsible for the related department.

The internal control findings are consolidated by times and the evaluation reports arranged in quarters by the Internal Control Centre Department are forwarded to the Person Responsible for Internal Systems and to the Auditing Committee, Members of the Board of Directors, Chairman of the Audit Board and Top Level Management. Furthermore, the annual report including the operations performed in one year is submitted to the information of the Person Responsible for Internal Systems, the Auditing Committee, the Chairman of the Audit Board and the Top Level Management and to the approval of the Board of Directors.

The issues determined or concluded to include fraud and misconduct as a result of internal control activities are notified immediately to the Chairman of the Audit Board together with the data supporting this opinion.

Furthermore, the deficiencies and faults that cannot be corrected by the branch management and that are considered general in respect of internal control process are notified to the related Head Office Department within the scope of early warning function and for taking necessary measures as soon as possible.

Authorities and Liabilities of the Members of the Board and the Executives

The duties, authorities and liabilities of the members of our Bank's Board of Directors are specified in the article 56 and 59 of our Articles of Incorporation in accordance with the principles determined as per the provisions of the Turkish Commercial Law and the Banking Law.

Fundamental Functions of the Board of Directors

Our Bank's Board of Directors is obliged to convene at least twice in a month upon the invitation of the Chairman or the request of at least two members depending on the necessity. However, in case that there is not any issue to be discussed in the agenda, the meeting can be adjourned for once upon the approval of the Chairman (article 53 of the Articles of Incorporation).

The meeting agendas are arranged according to the memorandums received from the General Directorate departments; and various reports requested by the Board of Directors from the executives and different issues received from the Members of the Board are discussed during the meetings. The agenda and the related files are distributed among the members before the meeting.

The information and communication towards the Members of our Bank's Board of Directors are carried out by the Directorate of Board of Directors'.

35 meetings of the Board of Directors were held in 2006. All of the opinions and objections expressed by the members during the Meetings of the Board of Directors are recorded into the minutes. The members participate in person in the meetings related with the issues specified in the article 2.17.4 of the Section IV of Corporate Governance Principles published by the Capital Markets Board.

Prohibition from Engaging in Transactions and Competing with the Company

As per the article 60 of our Bank's articles of incorporation, the Members of the Board of Directors cannot be engaged in any operations with the bank directly or indirectly for themselves or on behalf of others and become a delegate member in any other company or institution transacting with the bank without taking permission from our Bank's General Assembly.

Ethical Rules

Embracing the principles of preventing unfair competition and maintaining the stability and confidence in the banking sector, increasing the service quality, and maintaining the existing distinguished image of banking profession in the society, our Board of Directors has adopted our Bank's Banking Ethical Rules determined by the Banks Association of Turkey upon the resolution dated 16th.02.2006 and numbered 74205 and undertaken to act in accordance with these principles. The related resolution was submitted to the approval of the General Assembly and approved in the meeting held on the date of 31st.03.2006.

Number, Structure and Independence of the Committees established by the Board of Directors

Auditing Committee, Credit Committee and Corporate Governance and Nominating Committee were established by the members of the Board of Directors in accordance with the Banking Law No. 5411, the Regulation on the Banks' Corporate Governance Principles issued by BDDK (Banking Regulation and Supervising Agency), the Corporate Governance Principles issued by SPK (Capital Markets Board) and our Bank's Articles of Incorporation.

The Auditing Committee is composed of Cem Demirağ and M. Zeki Akilloğlu assigned on the date of 31st.03.2006 that are at the same time independent members. The Auditing Committee generally convenes at the times specified by the Chairman of the Auditing Committee at least biannually providing not to exceed quarterly or biannual periods.

Credit Committee is composed of 2 full and 2 deputy members. Ragıp Doğu and Hasan Özer are the full members and Yusuf Beyazıt and A. Müfit Cengiz are the deputy members. The Credit Committee convenes in every 15 days in general and holds extraordinary meetings in case of emergencies. The date of meeting is determined by the General Manager according to the number and the urgency of the items on the agenda received by the secretariat of the meeting.

The Corporate Governance and Nominating Committee is composed of Selahattin Toraman and the independent member, Erkan Topal. The Corporate Governance and Nominating Committee generally convenes at the times specified by the Chairman of the Committee at least biannually providing not to exceed quarterly or biannual periods.

Remuneration to the Board of Directors

The Chairman, Vice-Chairman and the members of the Board of Directors receive an attendance fee determined by the General Assembly every year.

Yours sincerely,


Selahattin TORAMAN
Member of the Corporate
Governance and Nominating
Committee


Erkan TOPAL
Member of the Corporate
Governance and Nominating
Committee

VII- The Risk Group In Which The Bank Is Included And The Related Party Transactions

The details and the related descriptions about the risk group in which our Bank is included and the related party transactions within the year of 2006 have been presented in the footnote no. VII in the Fifth Section under the footnotes to the financial table provided within the scope of the annual report.

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Adana Central Yag Mosque,2005



Adana Central Yag Mosque,2007

Vakıfbank cares the history of our country as well as its present day and supports restoration projects undertaken by the General Directorate of Foundations, main shareholder.

Vakıfbank is proud to support the projects of renovation of historical monuments all around Turkey, restoration of them truly to the original and carrying this cultural heritage to the coming generations..

Evaluation Of Financial Data And Risk Management

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I - Evaluations Of The Auditing Committee About The Internal Control, Internal Audit And Risk Management Systems And Information About The Activities Performed In The Related Fiscal Period

Our Bank's Internal Audit, Internal Control and Risk Management Departments continued their activities in accordance with the Regulation on the Banks' Internal Systems throughout 2006. Within this scope:

Within the scope of the internal audit carried out for the purposes of the maintenance of the Bank's assets, the performance of the activities in an efficient and productive manner and in compliance with the Law and the related legislation, the bank's in-house policies and rules and the banking practices, and the preparation and maintenance of the accounting and financial reporting system in a reliable, integral and timely manner, all of the activities and operations of our Bank's domestic and foreign branches, general directorate departments and the affiliates subject to consolidation were audited.

Efforts were endeavoured in order to correct the deficiencies determined during these audits, and to compensate or receive securities for the current and potential losses of the Bank incurred due to the acts and behaviours of the personnel considered as faults or offences; the required investigation-survey reports were arranged about the responsible parties and submitted to the information of the top management together with the recommendations to prevent similar risk-bearing activities; and joint activities were commenced with the related departments in order to prevent such events.

In order to determine our personnel that lead to a loss incurred by the Bank as a result of their improper activities and to prevent any more losses incurred by our bank, a communication channel was established under the structure of the Audit Board Presidency to enable our personnel to notify directly to the Members of the Auditing Committee or the Internal Audit Departments or our Auditors any issues that they consider as improper or suspicious according to the ordinary practices and this event was announced to the organisation of our Bank with a notification published in December/2006.

Very positive achievements were accomplished in the activities started in the beginning of 2006 in respect of activities for compliance of all of the auditing activities with international standards and centralized auditing activities including the Audit of Information Processing Systems (IT Audit); detailed Centralized Audit Manual was prepared in relation with the scope of the centralized audit, the manner and procedure of the application and the related control points; and reporting was started since November 2006 through the examination of the interrogations generated daily and the determination of risk degrees of suspected transactions.

In 2006, internal control activities were carried out with 4 internal control members in the General Directorate Departments and 46 staff members in 116 branches. 4 Managing Controllers and 1 Controller that started to take office in the Internal Centre Department in October/2006 and that are still in training period will actively start the internal control activities within the year of 2007; and it is planned to increase the number of branches subject to audit in parallel to the increase in the number of staff members.

The deficient or faulty applications detected as a result of the internal control activities carried out by the internal control personnel working in our branches and departments were notified by the Internal Control Department to the related Head Office Department

or the Assistants to the General Manager for information and necessary action and the results of them were monitored.

The internal control findings obtained from the branches considered by the Internal Control Centre Department to have high level of risk were shared with the Audit Board Presidency and any control findings including malpractice were notified to the Audit Board Presidency together with the information and documents received.

Efforts were made to determine the general application faults and the areas not controlled at a satisfactory level through evaluating the internal control findings and the possible improvements in the related work processes were recommended to the related Head Office Department.

The internal control findings were consolidated by their types and the evaluation reports arranged quarterly were submitted to the Auditing Committee, Members of the Board of Directors, Audit Board Presidency and the Top Level Management. Furthermore, the annual report including one-year activities of the Internal Control Centre Department was submitted for information to the Auditing Committee, Audit Board Presidency and the Top Level Management and for approval to the Board of Directors.

Our Bank's risk management policy is based on the evaluation, measurement, analysis and control of the risks that the bank is exposed to as a result of the banking activities in accordance with the risk management principles and the establishment of a corporate risk culture. To this effect, the activities towards the establishment of an efficient risk management were also continued in the year of 2006 taking into consideration the requirements of the international arrangements, standards (Basel Criteria, EU Capital Adequacy Directive) and the local legislation.

Within the process of risk management organised in accordance with the local legislation, the activities such as the identification, measurement, analysis, monitoring, reporting and auditing of the risks in compliance with the risk management principles were performed. The credit, market and operational risks considered among the fundamental risks, which the Bank is exposed to, are managed in accordance with the policies approved by the Board of Directors.

The risk concentration limits related to credit types, sectors and regions and the limits of the fixed-floating rates of personal loans were determined within the scope of Credit Risk Management. The activities towards reorganisation of the credit rating system for harmonisation with the credit scores of the foreign rating agencies in parallel to the Basel II applications were completed.

The scoring system created for the personal loans (including the Bankomat credits and credit cards) is implemented in a successful manner in the credit placement process in our bank. It is targeted that the scoring model for small and medium-scale enterprises (SMEs) will be put into application in 2007. Analyses about the default possibility of our credits and determination of the potential loss amounts in case of defaults are still ongoing.

The position, product and transaction limits determined for providing risk control within the scope of Market Risk were reviewed on daily basis and it was observed that the said limits determined were not exceeded.

The activities are still continued towards developing the models created for the calculation of daily VAR (Value At Risk) values by means of advanced models and the harmonisation of the models with the Regulation Regarding the Calculation of Market Risk with Risk Measurement Models and the Evaluation of Risk Measurement Models issued by BDDK. Studies were performed for the determination of the duration of our Bank's assets and liabilities and the optimal liquidity level in relation with the Asset & Liability Management.

6-year operational loss data that will constitute the operational risk database have been collected and the operational risk analysis report has been arranged. The operational loss data have been analysed and the studies were performed for the determination of risk factors; subsequently, the related findings were presented to the attention of the Management levels of our Bank.

The activities started for the establishment of risk management system in the Bank's affiliates and the creation of a consolidated risk management system are still being continued.

The activities are performed in accordance with our Bank's Basel II Road Map prepared by Basel II Project Group formed in relation with transition to Basel II applications and approved by the Board of Directors. Within this scope, the studies towards the Bank's database are continued for calculating the credit and operational risks in accordance with Basel II provisions.

Yours sincerely,


M. Zeki AKILLIOGLU
Member of Auditing
Committee


Cem DEMİRAG
Member of Auditing
Committee

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II- Risk Management Policies By The Risk Types

Credit Risk Policy

The Credit Risk Management in our Bank is a process composed of the identification, measurement, analysis, follow-up, reporting, investigation, and confirmation and auditing of the risks. The credit risk is managed by way of reviewing regularly the credit limits determined under the structure of the bank and determining new limits, taking into consideration the scenario analysis and the credit limits determined and observing the credit risk amounts that the bank is exposed to.

As required by the credit risk policy, the scoring model for personal loans including credit cards was put into application in order to make the crediting process objective; activities were performed toward the establishment of a scoring system for SME loans; a balanced credits portfolio was created and the risk concentration limits by credit type, sector, and geographical region were determined in order to minimize the risks.

The credits and credit risks are examined in all aspects by the Risk Management Department and the findings determined as a result of the analyses are submitted for information to the Bank's Top Management together with the monthly reports and separate reports.

Market Risk Policy

The Market Risk refers to the interest rate risk, securities position risk, foreign exchange rate risk and the loss risk related with specific risk positions that may result from the fluctuations in the interest rates, securities prices and foreign exchange rates in relation with the value of the positions about the items stated below:

- Financial instruments representing the borrowing and lending, the earnings of which are associated with interest rates;
- Share certificates,
- Other securities,
- All of the foreign currency assets and liabilities of the Bank in different foreign currencies included within the balance sheet or off-balance sheet items of the Bank, and
- the derivative contracts based on the instruments mentioned above.

With the Market Risk Management Policy, the procedures and principles about the measurement, reporting and management of market risk resulting from the Bank's trading operations, all of the foreign currency assets and liabilities and the investment positions were determined.

The positions and units included within the process of market risk management and their authorities and line of responsibilities were determined for the performance of an effective Market Risk Management under the structure of the Bank and the widespread expansion of the risk culture; and the limits related to the market risk and the approval process were determined.

The market risk that the Bank is exposed to is measured, monitored and reported applying the Standard Method within the framework of the statutory legislation. The market risk measurement results calculated by the end of months with the use of the Standard Method and the foreign exchange rate risk measurements calculated weekly are reported to the Bank's Top Management and BDDK.

The position, product and transaction limits determined for providing risk control within the scope of Market Risk are followed up on daily basis.

Data are collected through the calculation of daily VaR (Value

at Risk) with the use of advanced models- Historical Simulation and Monte Carlo Simulation-, VaR values are submitted for information to the Top Level Risk Committee and the Bank's Top Management at Asset and Liability Committee; however, VaR (Value at Risk)-based limits are not applied yet.

Furthermore, various stress tests and scenario analyses are performed within the scope of the market risk management and submitted to the Bank's Top Management. The activities towards determining the duration of the Bank's assets and liabilities and the optimal liquidity level are performed in relation with the Asset & Liability management.

Operational Risk Policy

The Bank's Operational Risk is defined as the possibility of incurring financial loss or the prevention of the achievement of corporate targets and strategies as a result of the factors such as the failure of the Bank's management and personnel to act timely and in accordance with the conditions, the faults in the bank's management, the procedural faults, computer and network problems, low quality of services or products, malpractice, non-compliance with the laws and legislation, acts of God, political instability, etc.

Operational Risk Management is a process composed of the stages such as the identification, measurement, analysis, monitoring, and reporting of the risks, the follow-up of the developments about the operational risk management, and the improvement of the techniques and methods implemented.

The main purpose of the operational risk management is to determine the risks before their occurrence, to evaluate them regularly and in accordance with specific principles and rules, and to avoid the negative results of the operational faults / risks within a continuous process focused on taking measures.

The main principles and standards followed by the Bank in the management of operational risk are:

- The purpose is to manage all of the risks in a controlled manner, rather than avoid all risks, taking into consideration the impact of the risks on the bank's activities and the cost of avoidance of risks.
- During the performance of the risk evaluation function, the risks related to all of the products and activities and the relations between the risks are taken into consideration and the factors within the Bank and out of the Bank are determined and all of the possible risks are assessed.
- In respect of providing efficiency in the risk management, importance is given firstly to the control and management of the risks likely to occur with high possibility of severely damaging the bank.
- The required measures are taken for reporting the risk information to the right person at the right time in order to use the analyses performed for risk management in the process of taking strategic decisions about the Bank's operations.
- The risks are reviewed both regularly and in case of important changes.

The operational loss data incurred during the operations are collected by the Risk Management Department from the related departments, analysed regularly and reported to the Board of Directors and the Top Management. Risk factors are determined through the analyses of the operational loss data and the findings are submitted to the related levels of the Bank's Management.

A "Contingency plan" including all of the activities and departments of the Bank was prepared and approved by the Board of Directors.

III - Auditors' Report

To the Shareholders General Assembly of Türkiye Vakıflar Bankası T.A.O.;

The 2006 financials pertaining to Türkiye Vakıflar Bankası T.A.O. have been audited in accordance with the provisions and practices specified in the Act of Foundation, the Articles of Incorporation, the Banking Law, and the Turkish Commercial Law.

While the paid-in capital of the Bank was TRY 1.279.000 thousand in the previous year, the paid-in capital was increased by TRY 1.221.000 Thousand and reached to TRY 2.500.000 Thousand, totally covered from internal resources providing to be limited with the authorized capital limit of TRY 5.000.000 Thousand.

It has been observed that the Bank fulfilled the requirements of the amendments in the legislation made in November 2006 and the Accounting Standards of Turkey; and prepared its financial statements in accordance with the new standards. The Bank gained a previous year profit amounting to TRY 39.229 Thousand due to the changes in the accounting policy.

The sole capital adequacy ratio, which was 25,39% in 2005 was determined as 19,72% by the end of 2006. The Bank has increased its equity by 6,81% in the year of 2006 like in 2005 without any capital inflow from its partners or shareholders.

The Bank continued and gradually developed on an increasing basis its activities in all fields including Personal Banking, ATM, Housing, Marketing, Credit Cards, Fund Management and Treasury Operations, Investment Banking and Capital Market, International Banking, Electronic Banking, Participations, etc.

It was observed that the Bank adapted itself to the market conditions in the fields of high volume of transactions and all of the required decisions were taken accordingly and any adjustments required were made timely by following a flexible policy in practices.

The customer-oriented and productivity-based activities started in 2005 within the scope of reengineering and restructuring project were continued in 2006. The Bank achieved positive results from the new structuring; within this framework, 9 branches and 15 affiliated offices were opened in the country and the number of branches in the domestic branch network reached to 427 together with the Bank's affiliated offices. Great benefits were received in respect of productive works and customer satisfaction through the use of advanced technology in all of the transactions and operations together with 2 branches operating abroad.

As required by the personnel policy, applications towards saving and productivity were implemented, and it was observed that the required administrative and judicial proceedings were started immediately about the persons found to be non-productive or damaging the bank as determined with the audit reports. 809 new personnel were employed in the Bank in 2006; and it was observed that the personnel had the opportunities to participate in the training programs organized by external non-bank institutions as well as the in-service training provided within the scope of continuous training principle.

Compared to the year of 2005, loan portfolio increased by 49,8% and the total deposits increased by 7,3%.

The existing risk balances are followed and the required measures are taken for monitoring the risks identified by the Bank and preventing any problems in the collection and redemption processes. Within this scope, it was observed that the required activities were performed for the collection of short, medium and long-term commercial loans, the collection and redemption of which became due legally in 2006 and the redemption of all loans resulting from retail loans; and that 100% provisions were reserved for all of the risks in the follow-up; and that important transactions were carried out for converting into cash the movable and immovable assets acquired by the Bank as a result of collections taking into consideration their market values. With the healthy growth in the assets of the Bank, the share of the receivables to be discharged in the total of assets, which was 3,1% in 2005 decreased to 2,7% in 2006.

The Bank established Regional Follow-up Directorates towards the discharge of credits followed in the doubtful credit accounts in 2006 and more effective follow-up and collection processes were put into application.

The Bank's records and documents were arranged in accordance with the laws and legislation; therefore, you are kindly requested to take necessary action for the approval of the balance sheet and the profit and loss accounts for the previous year of 2006 passed from Independent Audit and the discharge of the Board of Directors.

Yours sincerely;

Auditors

Ahmet TANYOLAÇ
Auditor of Class (A) Group

Faruk EROĞLU
Auditor of Class (C) Group

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IV - Independent Auditors' Report For The Period Between January 01-December 31, 2006

We have audited the accompanying unconsolidated financial statements of Türkiye Vakıflar Bankası T.A.O. ('the Bank'), which comprise the balance sheet as at 31 December 2006 and the statement of income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Disclosure for the responsibility of the Bank's Board of Directors

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no: 26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the statements and guidances published by the Banking Regulation and Supervision Agency (BRSA) on accounting and financial reporting principles.

Disclosure for the responsibility of the Authorized Audit Firm


Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

Independent Auditors' Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası T.A.O. as of 31 December 2006 and the results of operations and cash flows for the year then ended in accordance with the accounting principles and standards set forth by the regulations in effect as per Article 37 of the Banking Law No 5411.

Istanbul, March 08, 2007

KAPİTAL BAĞIMSIZ DENETİM VE
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.
Correspondent Firm of RSM International


N. Lokman Keteneci
Partner in charge

Türkiye Vakıflar Bankası T.A.O.

Unconsolidated Financial Report As Of December 31, 2006

The Bank's;
Address of the head office
Atatürk Bulvarı No: 207 Kavaklıdere/ANKARA

Phone number : (0 312) 455 75 75

Facsimile number : (0 312) 455 76 92

Web page : www.vakifbank.com.tr

E-mail address : posta@vakifbank.com.tr

The Reporting Package, prepared in accordance with "Financial Statements and Related Disclosures and Notes to be Announced to the Public by Banks" designed by the Banking Regulation and Supervision Agency, consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS
- ACCOUNTING POLICIES
- FINANCIAL STRUCTURE OF THE BANK
- DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND NOTES
- INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and related notes and disclosures which are subject to independent audit, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances in compliance with financial records of our Bank. Unless stated otherwise, the accompanying unconsolidated financial statements are presented in thousands of New Turkish Lira (YTL).



Yusuf BEYAZIT
Chairman of Board of Directors



Cem DEMİRAG
Member of Board of Directors
and Audit Committee



M. Zeki AKILLIOĞLU
Member of Board of Directors
and Audit Committee



Bilal KARAMAN
Chief Executive Officer



Dr. Metin Recep ZAFER
Deputy Chief Executive Officer



Ş. Mehmet BOZ
Manager of Accounting Department

Information on the authorized personnel to whom questions may be directed related to this financial report.

A. Sonat ŞEN
Manager
Tel No: (0 312) 455 75 66

Ender ODABAŞ
Deputy Manager
Tel No: (0 312) 455 75 78

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General Information about the Bank

- I. History of the Bank including its incorporation date, initial legal status, amendments to legal status
- II. The Bank's shareholder structure, management and internal audit, direct and indirect shareholders, change in shareholder structure during the year and information on Bank's risk group
- III. Information on the Bank's board of directors chairman and members, audit committee members, chief executive officer, executive vice presidents and their shareholdings in the Bank
- IV. Information on the Bank's qualified shareholders
- V. Summary Information on the Bank's activities and services

Unconsolidated Financial Statements

- I. Balance Sheets
- II. Statement of Off Balance Sheet Contingencies and Commitments
- III. Statement of Income
- IV. Statements of Shareholders' Equity
- V. Statements of Cash Flow
- VI. Statement of Profit Distribution

Accounting Policies

- I. Basis of Presentation
- II. Strategy for the use of financial instruments and the foreign currency operations
- III. Forward, options and other derivative transactions
- IV. Interest income and expenses
- V. Fees and commissions
- VI. Financial assets
- VII. Impairment of financial assets
- VIII. Offsetting financial instruments
- IX. Repurchase and Reserve Repurchase Agreements and Securities Lending
- X. Assets Held for Sale and Discounted Operations
- XI. Goodwill and Other Intangible Assets
- XII. Tangible Assets
- XIII. Leasing Transactions
- XIV. Provisions and Contingent Liabilities
- XV. Obligation of the Bank Concerning Employee Rights
- XVI. Taxation
- XVII. Borrowings
- XVIII. Shares and Share Issuances
- XIX. Confirmed Bills of Exchange and Acceptances
- XX. Government Incentives
- XXI. Other Disclosures

Financial Structure of the Bank

- I. Capital Adequacy Standard Ratio
- II. Credit Risk
- III. Market Risk
- IV. Currency Risk
- V. Interest Rate Risk
- VI. Liquidity Risk
- VII. Fair Values of Financial Assets and Liabilities
- VIII. Transactions Carried Out on Behalf of Customers, Items Held in Trust

Disclosures and Notes on Unconsolidated Financial Statements

- I. Assets
- II. Liabilities
- III. Off-Balance Sheet Items
- IV. Income and Expense Items
- V. Shareholders' Equity Items
- VI. Cash Flow Items
- VII. Risk Group of the Bank
- VIII. Domestic, Foreign and Off-Shore Branches and Foreign Representatives

Other Disclosures and Notes

- I. Other Operations of the Bank

Independent Auditors' Report

- I. Information On The Independent Auditors' Report
- II. Disclosures and Notes Prepared by the Independent Auditors

General Information About The Bank

I- History Of The Bank Including Its Incorporation Date, Initial Legal Status, Amendments To Legal Status

Türkiye Vakıflar Bankası T.A.O. was established under the authorization of Special Law No: 6219 dated January 11, 1954 within the framework of the authority granted to The General Directorate of Foundations (Vakıflar Genel Müdürlüğü). The Bank provides banking services as explained on "V. Summary information on the Bank' activities and services".

II- The Bank's Shareholder Structure, Management And Internal Audit, Direct And Indirect Shareholders, Change In Shareholder Structure During The Year And Information On Bank's Risk Group

The largest shareholder of the Bank is Republic of Turkey General Directorate of Foundations which has direct or indirect control over the shares of the Bank.

25,18% of shares of the Bank are quoted at Istanbul Stock Exchange as of 31 December 2006. Paid-in capital of the Bank was increased to YTL 2500.000 thousand from 1279.000 thousand as of 19 December 2006.

III- Information On The Bank's Board Of Directors Chairman And Members, Audit Committee Members, Chief Executive Officer, Executive Vice Presidents And Their Shareholdings In The Bank

Board of Directors Chairman and Members and Auditors:

Name Surname	Administrative Function	Appointment Date	Education	Experience in Banking and Business Administration
Yusuf Beyazıt	Chairman	30.04.2004	Master	8 years
Ragıp Doğu (*)	Vice Chairman	06.04.2005	University	31 years
Bilal Karaman(**)	Member and CEO	22.06.2005	University	27 years
Ahmet Müfit Cengiz	Member	31.12.2003	University	3 years
Mehmet Zeki Akıllıoğlu	Member	14.05.2004	Master	21 years
Hasan Özer	Member	07.02.2003	University	20 years
Erkan Topal	Member	04.04.2006	University	8 months
Selahattin Toraman	Member	31.12.2003	University	24 years
Cem Demirağ	Member	04.04.2005	University	15 years
Ahmet Tanyolaç	Auditor	21.03.2003	University	3 years
Faruk Eroğlu	Auditor	21.03.2003	University	5 years

(*) Ragıp Doğu has been appointed as vice chairman as of 31 March 2006.

(**) Bilal Karaman has been appointed as chief executive officer as of 21 June 2005.

CEO and Executive Vice Presidents

Name Surname	Administrative Function	Appointment Date	Education	Experience in Banking and Business Administration
Bilal Karaman	Chief Executive Officer	22.06.2005	University	27 years
Tanju Yüksel	Executive Vice President	01.05.2000	University	20 years
Ahmet Atif Meydan	Executive Vice President	29.01.2003	University	17 years
Aydın Deliktaşlı	Executive Vice President	09.08.2004	University	26 years
Şahin Uğur	Executive Vice President	09.08.2004	University	20 years
Feyzi Özcan	Executive Vice President	20.09.2005	University	18 years
Dr.Metin Recep Zafer	Executive Vice President	13.06.2006	PhD	11 years
Dr.Önder Halisdemir (*)	Executive Vice President	21.06.2006	PhD	11 years
Birgül Denli	Executive Vice President	03.07.2006	Master	13 years
Doğan Pençe	Executive Vice President	07.06.2006	University	15 years

(*) Önder Halisdemir has resigned from his position as of 23 February 2007.

The top management listed above does not hold any unquoted shares of the Bank.

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IV- Information On The Bank's Qualified Shareholders

The largest shareholder of the Bank is Republic of Turkey General Directorate of Foundations which has direct or indirect control over the shares of the Bank.

Title	Shares	Ownership (%)	Paid-in Capital	Unpaid Portion
Vakıflar Genel Müdürlüğü (A Group)	1,075,059	43.00	1,075,059	-
Vakıflar Genel Müdürlüğü (B Group)	386,224	15.45	386,224	-
T Vakıflar Bankası T.A.O Emekli ve Sağlık Yardım Sandığı Başk. (C Group)	402,553	16.10	402,553	-

Paid-in capital of the Bank was increased to YTL 2,500,000 thousand from 1,279,000 thousand as of 19 December 2006.

V- Summary Information On The Bank's Activities And Services

Activities of the Bank in line with the related legislation and the principles stated in Vakıfbank's Articles of Incorporation are as follows:

- Providing retail, commercial, corporate, private and international banking services.
- Establishing or participating in all kinds of financial and industrial sector corporations.
- Trading real estates.
- Providing all banking operations and services.
- Operating real estates and corporations handed over by Republic of Turkey General Directorate of Foundations and Mazbut ve Mülhak Vakıflar in line with conditions stipulated by agreements if signed.
- Rendering banking services of Mazbut ve Mülhak Vakıflar and carrying out cashier transactions of Republic of Turkey General Directorate of Foundations in compliance with agreements if signed.

The Bank has 429 branches (427-domestic and 2-foreign) as of 31 December 2006 (31 December 2005: 302-domestic and 2-foreign). Number of personnel of the Bank is 7,679 as of 31 December 2006 (31 December 2005: 7,164).

Unconsolidated Financials

T. Vakıflar Bankası T.A.O.

Unconsolidated Balance Sheet as of 31 December 2006

BALANCE SHEET	Notes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD 31/12/2006			PIOR PERIOD 31/12/2005		
		YTL	FC	Total	YTL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK	(1)	1,652,164	1,131,019	2,783,183	1,397,142	946,178	2,343,320
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	(2)	8,392	462,091	470,483	365,904	713,631	1,079,535
2.1 Financial assets held for trading		8,392	462,055	470,447	365,901	713,631	1,079,532
2.11 Government debt securities		-	-	-	340,291	671	340,962
2.12 Share certificates		8,392	-	8,392	25,610	-	25,610
2.13 Other securities		-	462,055	462,055	-	712,960	712,960
2.2 Financial assets designated at fair value		-	-	-	-	-	-
2.2.1 Government debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Other securities		-	-	-	-	-	-
2.3 Derivative financial assets held for trading		-	36	36	3	-	3
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	(3)	512,809	2,550,682	3,063,491	579,496	1,547,333	2,126,829
IV. INTERBANK MONEY MARKETS		871,800	-	871,800	2,651,080	-	2,651,080
4.1 Interbank money market placements		751,093	-	751,093	1,501,125	-	1,501,125
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		120,707	-	120,707	1,149,955	-	1,149,955
V. INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)	(4)	6,483,350	3,430,188	9,913,538	6,688,020	3,220,036	9,908,056
5.1 Share certificates		99,142	-	99,142	94,067	-	94,067
5.2 Government debt securities		6,384,208	2,114,569	8,498,777	6,593,953	2,136,947	8,730,900
5.3 Other securities		-	1,315,619	1,315,619	-	1,083,089	1,083,089
VI. LOANS	(5)	12,366,263	5,676,977	18,043,240	8,756,062	3,286,330	12,042,392
6.1 Performing loans		12,366,263	5,676,977	18,043,240	8,756,062	3,286,330	12,042,392
6.2 Loans under follow-up		1,002,047	-	1,002,047	998,927	-	998,927
6.3 Specific provisions (-)		1,002,047	-	1,002,047	998,927	-	998,927
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENT SECURITIES HELD-TO-MATURITY (Net)	(6)	-	48,391	48,391	340,647	30,927	371,574
8.1 Government debt securities		-	-	-	340,647	5,998	346,645
8.2 Other securities		-	48,391	48,391	-	24,929	24,929
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	19,526	-	19,526	20,861	6,326	27,187
9.1 Financial investments in associates		17,548	-	17,548	19,338	6,326	25,664
9.2 Non-financial investments in associates		1,978	-	1,978	1,523	-	1,523
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	355,882	33,187	389,069	535,124	50,158	585,282
10.1 Financial investments in subsidiaries		232,561	33,187	265,748	273,627	50,158	323,785
10.2 Non-financial investments in subsidiaries		123,321	-	123,321	261,497	-	261,497
XI. INVESTMENTS IN JOINT-VENTURES (Net)	(9)	-	-	-	-	-	-
11.1 Financial investments in joint-ventures		-	-	-	-	-	-
11.2 Non-financial investments in joint-ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(10)	-	-	-	-	-	-
12.1 Financial lease receivables		-	-	-	-	-	-
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. HEDGING PURPOSE DERIVATIVES	(11)	9,969	24	9,993	-	-	-
13.1 Fair value hedge		9,969	24	9,993	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of a net investment in a foreign entity		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	861,917	190	862,107	1,006,763	155	1,006,918
XV. INTANGIBLE ASSETS (Net)	(13)	32,901	394	33,295	22,588	412	23,000
15.1 Goodwill		30	-	30	40	-	40
15.2 Other intangibles		32,871	394	33,265	22,548	412	22,960
XVI. TAX ASSETS	(14)	89,805	-	89,805	100,185	-	100,185
16.1 Current tax assets		-	-	-	-	-	-
16.2 Deferred tax assets		89,805	-	89,805	100,185	-	100,185
XVII. ASSETS HELD FOR SALE	(15)	-	-	-	-	-	-
XVIII. OTHER ASSETS	(16)	203,660	232,382	436,042	260,674	92,393	353,067
TOTAL ASSETS		23,468,438	13,565,525	37,033,963	22,724,546	9,893,879	32,618,425

Yusuf BEYAZIT
Chairman of Board of
Directors

Cem DEMİRAĞ
Member of Board of
Directors and Audit
Committee

M. Zeki AKILIOĞLU
Member of Board of
Directors and Audit
Committee

Bilal KARAMAN
Chief Executive Officer

Dr. Metin Recep ZAFER
Deputy Chief Executive
Officer

Ş. Mehmet BOZ
Manager of Accounting
Department

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T. Vakıflar Bankası T.A.O.
Unconsolidated Balance Sheet as of 31 December 2006

BALANCE SHEET	Notes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD 31/12/2006			PIOR PERIOD 31/12/2005		
		YTL	FC	Total	YTL	FC	Total
I. DEPOSITS	(1)	17,562,632	7,279,428	24,842,060	16,552,824	6,608,267	23,161,091
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	-	35	35	-	-	-
III. FUNDS BORROWED	(3)	61,991	4,935,145	4,997,136	38,999	3,493,833	3,532,832
IV. INTERBANK MONEY MARKETS		909	1,369,185	1,370,094	20,376	87,838	108,214
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements		909	1,369,185	1,370,094	20,376	87,838	108,214
V. SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		139,922	-	139,922	151,597	-	151,597
VII. MISCELLANEOUS PAYABLES		310,497	7,863	318,360	262,368	11,084	273,452
VIII. OTHER EXTERNAL SOURCES PAYABLE	(4)	51,279	153,999	205,278	67,127	174,593	241,720
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	(5)	-	12,494	12,494	-	23,111	23,111
10.1 Financial lease payables		-	13,422	13,422	-	25,395	25,395
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		-	928	928	-	2,284	2,284
XI. HEDGING PURPOSE DERIVATIVES	(6)	-	3,707	3,707	-	-	-
11.1 Fair value hedge		-	3,707	3,707	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of a net investment in a foreign entity		-	-	-	-	-	-
XII. PROVISIONS	(7)	372,354	4,508	376,862	413,527	3,107	416,634
12.1 General provisions		125,955	4,508	130,463	83,955	3,107	87,062
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee termination benefits		113,687	-	113,687	98,686	-	98,686
12.4 Insurance technical provisions (Net)		-	-	-	-	-	-
12.5 Other provisions		132,712	-	132,712	230,886	-	230,886
XIV. TAX LIABILITIES	(9)	247,697	32,889	280,586	298,516	43,887	342,403
14.1 Current tax liabilities		247,697	975	248,672	298,516	201	298,717
14.2 Deferred tax liabilities		-	31,914	31,914	-	43,686	43,686
XV. PAYABLES FOR ASSETS HELD FOR SALE	(10)	-	-	-	-	-	-
XIII. SUBORDINATED DEBTS		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(11)	4,431,608	55,821	4,487,429	4,277,785	89,586	4,367,371
16.1 Paid-in capital		2,500,000	-	2,500,000	1,279,000	-	1,279,000
16.2 Capital reserves		858,017	55,821	913,838	2,097,416	89,586	2,187,002
16.2.1 Share premium		723,918	-	723,918	1,172,347	-	1,172,347
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		98,957	55,821	154,778	309,740	89,586	399,326
16.2.4 Revaluation surplus on tangible assets		-	-	-	5,898	-	5,898
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Bonus shares of associates, subsidiaries and joint-ventures		35,142	-	35,142	3,668	-	3,668
16.2.7 Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.8 Revaluation surplus on assets held for sale		-	-	-	-	-	-
16.2.9 Other capital reserves		-	-	-	605,763	-	605,763
16.3 Profit reserves		264,632	-	264,632	326,970	-	326,970
16.3.1 Legal reserves		102,658	-	102,658	52,868	-	52,868
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		-	-	-	146,750	-	146,750
16.3.4 Other profit reserves		161,974	-	161,974	127,352	-	127,352
16.4 Profit or loss		808,959	-	808,959	574,399	-	574,399
16.4.1 Prior periods profit/(loss)		39,229	-	39,229	46,826	-	46,826
16.4.2 Current period profit/(loss)		769,730	-	769,730	527,573	-	527,573
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		23,178,889	13,855,074	37,033,963	22,083,119	10,535,306	32,618,425

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Chief Executive Officer

Dr. Metin Recep ZAFER
Deputy Chief Executive
Officer

Ş. Mehmet BOZ
Manager of Accounting
Department

T. Vakıflar Bankası T.A.O.
Unconsolidated Income Statement as of 31 December 2006

INCOME AND EXPENSE ITEMS	Notes	THOUSANDS OF NEW TURKISH LIRA (YTL)	
		CURRENT PERIOD 31/12/2006	PIOR PERIOD 31/12/2005
I. INTEREST INCOME	(1)	4,408,988	3,592,256
11 Interest income from loans		2,486,747	1,878,701
12 Interest income from reserve deposits		124,223	90,181
13 Interest income from banks		118,961	56,922
14 Interest income from money market transactions		264,531	249,576
15 Interest income from securities portfolio		1,414,526	1,316,839
15.1 Financial assets held for trading		131,400	235,800
15.2 Financial assets designated at fair value		-	-
15.3 Investment securities available-for-sale		1,270,981	1,061,926
15.4 Investments securities held-to-maturity		12,145	19,113
16 Financial lease income		-	-
17 Other interest income		-	37
II. INTEREST EXPENSE	(2)	2,823,738	2,272,865
21 Interest on deposits		2,559,896	2,131,012
22 Interest on funds borrowed		203,486	115,517
23 Interest on money market transactions		57,705	23,495
24 Interest on securities issued		-	-
25 Other interest expenses		2,651	2,841
III. NET INTEREST INCOME (I - II)		1,585,250	1,319,391
IV. NET FEES AND COMMISSIONS INCOME		288,374	293,672
4.1 Fees and commissions received		413,628	388,684
4.1.1 Cash loans		36,479	24,991
4.1.2 Non-cash loans		46,529	37,727
4.1.3 Others		330,620	325,966
4.2 Fees and commissions paid		125,254	95,012
4.2.1 Cash loans		10,690	3,904
4.2.2 Non-cash loans		2	3
4.2.3 Others		114,562	91,105
V. DIVIDEND INCOME		16,557	10,278
VI. NET TRADING INCOME/LOSSES		47,782	175,670
6.1 Trading account income/losses (Net)		45,490	130,783
6.2 Foreign exchange gains/losses (Net)		2,292	44,887
VII. OTHER OPERATING INCOME	(3)	343,326	129,026
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		2,281,289	1,928,037
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(4)	323,361	444,885
X. OTHER OPERATING EXPENSES (-)	(5)	935,331	731,661
XI. NET OPERATING PROFIT/(LOSS) (VIII-X-X)		1,022,597	751,491
XII. INCOME RESULTING FROM MERGERS		-	-
XIII. INCOME/(LOSS) FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV. GAIN/(LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(6)	1,022,597	751,491
XVI. PROVISION FOR TAXES	(7)	252,867	223,917
16.1 Current tax charge		180,612	263,095
16.2 Deferred tax charge/(credit)		72,255	(39,178)
XVII. NET OPERATING PROFIT/(LOSS) AFTER TAXES (XV-XVI)	(8)	-	(1)
17.1 Discontinued operations		-	-
17.2 Others		-	(1)
XVIII. NET PROFIT/(LOSS) (XV-XVI)	(9)	769,730	527,573
Earnings per share		0.003	0.004

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Department

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T. Vakıflar Bankası T.A.O.
Unconsolidated Off Balance Sheet Items as of 31 December 2006

	Dipnot	BİN YENİ TÜRK LİRASI					
		CARİ DÖNEM 31/12/2006			ÖNCEKİ DÖNEM 31/12/2005		
		TP	YP	Toplam	TP	YP	Toplam
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		4,814,855	3,380,234	8,195,089	4,547,852	3,070,884	7,618,736
I. GUARANTEES AND SURETIES	(1), (3)	1,796,182	3,014,367	4,810,549	1,618,173	3,020,187	4,638,360
11. Letters of guarantee		1,796,088	1,423,832	3,219,920	1,618,057	1,353,075	2,971,132
111. Guarantees subject to State Tender Law		467,716	139,991	607,707	467,681	86,715	554,396
112. Guarantees given for foreign trade operations		1	189	190	97,272	119	97,391
113. Other letters of guarantee		1,328,371	1,283,652	2,612,023	1,053,104	1,266,241	2,319,345
12. Bank acceptances		-	354,923	354,923	-	312,486	312,486
121. Import letter of acceptance		-	43,988	43,988	-	44,524	44,524
122. Other bank acceptances		-	310,935	310,935	-	267,962	267,962
13. Letters of credit		-	1,225,892	1,225,892	-	1,343,999	1,343,999
131. Documentary letters of credit		-	1,225,892	1,225,892	-	1,343,999	1,343,999
132. Other letters of credit		-	-	-	-	-	-
14. Guaranteed prefinancings		-	2,957	2,957	-	2,656	2,656
15. Endorsements		-	-	-	-	-	-
15.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
152. Other endorsements		-	-	-	-	-	-
16. Underwriting commitments		-	-	-	-	-	-
17. Factoring related guarantees		-	-	-	-	-	-
18. Other guarantees		94	6,763	6,857	116	6,334	6,450
19. Other sureties		-	-	-	-	1,637	1,637
II. COMMITMENTS	(1), (3)	2,935,513	64,059	2,999,572	2,929,679	41,173	2,970,852
21. Irrevocable commitments		2,927,418	11,826	2,939,244	2,913,721	13,924	2,927,645
211. Asset purchase commitments		-	-	-	-	-	-
212. Deposit purchase and sales commitments		-	-	-	-	-	-
213. Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
214. Loan granting commitments		547	11,826	12,373	548	13,924	14,472
215. Securities issuance brokerage commitments		-	-	-	-	-	-
216. Commitments for reserve deposit requirements		-	-	-	-	-	-
217. Commitments for cheque payments		1,305,070	-	1,305,070	1,045,955	-	1,045,955
218. Tax and fund obligations on export commitments		-	-	-	-	-	-
219. Commitments for credit card limits		1,611,354	-	1,611,354	1,867,218	-	1,867,218
2110. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2111. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2112. Other irrevocable commitments		10,447	-	10,447	-	-	-
22. Revocable commitments		8,095	52,233	60,328	15,958	27,249	43,207
221. Revocable loan granting commitments		8,095	198	8,293	15,958	190	16,148
222. Other revocable commitments		-	52,035	52,035	-	27,059	27,059
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	83,160	301,808	384,968	-	9,524	9,524
31. Hedging Purpose Derivatives		83,160	291,971	375,131	-	-	-
311. Fair value hedges		83,160	291,971	375,131	-	-	-
312. Cash flow hedges		-	-	-	-	-	-
313. Hedge of a net investment in a foreign entity		-	-	-	-	-	-
32. Derivatives held for trading		-	9,837	9,837	-	9,524	9,524
321. Forward foreign currency purchases/sales		-	9,837	9,837	-	9,524	9,524
3211. Forward foreign currency purchases		-	4,919	4,919	-	4,763	4,763
3212. Forward foreign currency sales		-	4,918	4,918	-	4,761	4,761
322. Currency and interest rate swaps		-	-	-	-	-	-
3221. Currency swaps-purchases		-	-	-	-	-	-
3222. Currency swaps-sales		-	-	-	-	-	-
3223. Interest rate swaps-purchases		-	-	-	-	-	-
3224. Interest rate swaps-sales		-	-	-	-	-	-
323. Currency, interest rate and security options		-	-	-	-	-	-
3231. Currency call options		-	-	-	-	-	-
3232. Currency put options		-	-	-	-	-	-
3233. Interest rate call options		-	-	-	-	-	-
3234. Interest rate put options		-	-	-	-	-	-
3235. Security call options		-	-	-	-	-	-
3236. Security put options		-	-	-	-	-	-
324. Currency futures		-	-	-	-	-	-
3241. Currency futures-purchases		-	-	-	-	-	-
3242. Currency futures-sales		-	-	-	-	-	-
325. Interest rate futures		-	-	-	-	-	-
325.1. Interest rate futures-purchases		-	-	-	-	-	-
325.2. Interest rate futures-sales		-	-	-	-	-	-
326. Others		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		33,320,788	7,229,953	40,550,741	26,001,902	5,829,965	31,831,867
IV. ITEMS HELD IN CUSTODY		11,734,986	485,078	12,220,064	9,842,134	463,897	10,306,031
4.1. Customers' securities held		-	13,618	13,618	-	13,083	13,083
4.2. Investment securities held in custody		11,109,692	30,674	11,140,366	9,408,307	31,323	9,439,630
4.3. Checks received for collection		223,854	116,902	340,756	122,567	41,730	164,297
4.4. Commercial notes received for collection		111,527	125,522	237,049	71,024	93,047	164,071
4.5. Other assets received for collection		6,545	478	7,023	2,757	126	2,883
4.6. Assets received through public offering		-	116	116	-	108	108
4.7. Other items under custody		171,691	5,600	177,291	182,651	5,380	188,031
4.8. Custodians		111,677	192,168	303,845	54,828	279,100	333,928
V. PLEDGED ITEMS		21,585,802	6,744,875	28,330,677	16,159,768	5,366,068	21,525,836
5.1. Securities		928,482	35,278	963,760	1,055,088	29,440	1,084,528
5.2. Guarantee notes		294,585	320,358	614,943	269,691	291,610	561,301
5.3. Commodities		5,932,412	-	5,932,412	3,494,323	-	3,494,323
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		14,139,270	5,703,996	19,843,266	11,199,470	4,394,205	15,593,675
5.6. Other pledged items		60,780	670,661	731,441	61,667	644,522	706,189
5.7. Pledged items-depository		140,273	14,582	154,855	79,529	6,291	85,820
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		38,135,643	10,610,187	48,745,830	30,549,754	8,900,849	39,450,603

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T. Vakıflar Bankası T.A.O.
Unconsolidated Changes In Shareholders' Equity Statement as of 31 December 2006

THOUSANDS OF NEW TURKISH LIRA (TL)																	
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Notes	Paid-in Capital	Inflation Adjustment to Paid-in Capital	Share Premium	Share Cancellation Profit	Legal Reserves	Status reserves	Extraordinary Reserves	Other Reserves	Current Period Profit/Loss	Pre-Period Profit/Loss	Revaluation Fund	Revaluation Surplus	Securities Value Increase Fund	Shareholders' Equity Excluding Minority Shares	Minority Shares	Total Shareholders' Equity
PRIOR PERIOD 31/12/2005																	
I	Balances at beginning of the period	420,145	605,763	-	-	-	-	-	32,107	-	855,917	18,801	-	79,470	2,102,203	-	2,102,203
II	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	46,826	-	-	43,109	89,955	-	89,955
21	Effect of corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
22	Adjusted balances at beginning of the period (I+II)	420,145	605,763	-	-	-	-	-	32,107	-	902,743	18,801	-	122,579	2,102,158	-	2,102,158
III	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV	Investment securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V	Hedging purpose derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI	Net cash flow/hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	Net cash flow/hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62	Hedge of a net investment in a foreign entity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII	Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII	Investment securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII	Hedging purpose derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
81	Net cash flow/hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
82	Hedge of a net investment in a foreign entity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX	Current period net profit	-	-	-	-	-	-	-	-	52,753	-	-	-	-	52,753	-	52,753
X	Profit distribution	-	-	-	-	52,868	-	146,750	95,245	-	855,917	56,1054	-	-	-	-	-
X01	Dividends	-	-	-	-	52,868	-	146,750	95,245	-	855,917	56,1054	-	-	-	-	-
X02	Transferred to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X03	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI	Capital increase	-	-	112,347	-	-	-	-	-	-	-	-	-	-	1470,148	-	1470,148
XI1	Cash	-	-	112,347	-	-	-	-	-	-	-	-	-	-	-	-	-
XI2	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI3	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI4	Securities value increase fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI5	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI6	Source of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI7	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI8	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI9	Changes resulting from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI10	Changes resulting from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI11	Primary subordinated debits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI12	Secondary subordinated debits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI13	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI14	Balances at end of the period (III+IV+...+XIV+XV+XVI)	1,279,000	605,763	112,347	-	52,868	-	146,750	127,352	52,753	46,826	5,888	3668	399,326	4,367,371	-	4,367,371
XI15	Balances at beginning of the period	1,279,000	605,763	112,347	-	52,868	-	146,750	127,352	-	574,399	5,888	3668	399,326	4,367,371	-	4,367,371
XI16	Changes during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III	Investment securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV	Hedging purpose derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	Net cash flow/hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	Hedge of a net investment in a foreign entity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V	Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI	Investment securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI1	Hedging purpose derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	Net cash flow/hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62	Hedge of a net investment in a foreign entity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII	Current period net profit	-	-	-	-	-	-	-	-	769,730	-	-	-	-	769,730	-	769,730
VII1	Profit distribution	-	-	-	-	49,790	-	7,750	39,360	-	535,170	-	-	-	4,382,270	-	4,382,270
81	Dividends	-	-	-	-	49,790	-	7,750	39,360	-	440,350	-	-	-	4,403,550	-	4,403,550
82	Transferred to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
83	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
84	Capital increase	-	-	448,429	-	-	-	-	-	-	-	-	-	-	2,081	-	2,081
91	Cash	-	-	448,429	-	-	-	-	-	-	-	-	-	-	2,081	-	2,081
92	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
93	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
94	Securities value increase fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
95	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96	Source of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
98	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X	Changes resulting from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X1	Changes resulting from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI	Primary subordinated debits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI1	Secondary subordinated debits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI2	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV	Balances at end of the period (I+II+III+...+XI+XII+XIV)	2,500,000	-	723,918	-	102,658	-	-	161,974	769,730	39,229	-	35,142	64,178	4,487,429	-	4,487,429

Yusuf BEYAZIT Chairman of Board of Directors Cem DEMİRBAĞ Member of Board of Directors and Audit Committee M. Zeki AKILIOĞLU Member of Board of Directors and Audit Committee Dr. Metin RECEP ZAFER Deputy Chief Executive Officer Ş. Mehmet BOZ Manager of Accounting Department

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T. Vakıflar Bankası T.A.O.
Unconsolidated Cash Flow Statement as of 31 December 2006

	Notes	THOUSANDS OF NEW TURKISH LIRAS (YTL)	
		CURRENT PERIOD 31/12/2006	PRIOR PERIOD 31/12/2005
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		428,860	562,957
1.1.1 Interests received		4,216,355	3,590,525
1.1.2 Interests paid		2,750,757	2,272,865
1.1.3 Dividend received		16,557	10,277
1.1.4 Fees and commissions received		413,628	388,684
1.1.5 Other income		390,385	304,696
1.1.6 Collections from previously written-off loans and other receivables		234,351	382,602
1.1.7 Payments to personnel and service suppliers		363,621	324,367
1.1.8 Taxes paid		681,701	30,448
1.1.9 Others	(1)	(1,046,337)	(1,486,147)
1.2 Changes in operating assets and liabilities		(1,260,947)	4,578,703
1.2.1 Net (increase) decrease in financial assets held for trading		517,436	1,799,391
1.2.2 Net (increase) decrease in financial assets designated at fair value		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		43,713	78,586
1.2.4 Net (increase) decrease in loans		(5,856,505)	(3,460,412)
1.2.5 Net (increase) decrease in other assets		(358,964)	(124,893)
1.2.6 Net increase (decrease) in bank deposits		1,171,303	(272,430)
1.2.7 Net increase (decrease) in other deposits		1,720,606	5,633,628
1.2.8 Net increase (decrease) in funds borrowed		1,450,155	966,876
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	51,309	(42,043)
I. Net cash flow from banking operations		(832,087)	5,141,660
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		642,228	(4,465,250)
2.1 Cash paid for acquisition of associates, subsidiaries and joint-ventures		7,690	7,408
2.2 Cash obtained from disposal of associates, subsidiaries and joint-ventures		6,599	1,143
2.3 Acquisition of tangible assets		66,838	(69,620)
2.4 Disposal of tangible assets		296,031	166,652
2.5 Cash paid for purchase of investment securities available-for-sale		103,228	3,910,702
2.6 Cash obtained from disposal of investment securities available-for-sale		-	-
2.7 Cash paid for purchase of investment securities held-to-maturity		446,324	191,140
2.8 Cash obtained from disposal of investment securities held-to-maturity		758,713	-
2.9 Others	(1)	204,965	(593,415)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		(402,088)	1,664,691
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	(213,344)
3.3 Equity instruments issued		-	1,451,347
3.4 Dividends paid		440,352	-
3.5 Payments for financial leases		10,617	-
3.6 Others	(1)	48,881	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	94,082	215
V. Net (decrease)/increase in cash and cash equivalents (I+II+III+IV)		(497,865)	2,341,316
VI. Cash and cash equivalents at beginning of period		6,386,863	4,045,547
VII. Cash and cash equivalents at end of period (V+VI)		5,888,998	6,386,863

Yusuf BEYAZIT
Chairman of Board of
Directors

Cem DEMİRAG
Member of Board of
Directors and Audit Committee

M. Zeki AKILLIOĞLU
Member of Board of
Directors and Audit Committee

Bilal KARAMAN
Chief Executive Officer

Dr. Metin Recep ZAFER
Deputy Chief Executive
Officer

Ş. Mehmet BOZ
Manager of Accounting
Department

T. Vakıflar Bankası T.A.O.

Unconsolidated Profit Distribution Statement as of 31 December 2006

	THOUSANDS OF NEW TURKISH LIRAS (YTL)	
	CURRENT PERIOD 31/12/2006(*)	PRIOR PERIOD 31/12/2005
I. DISTRIBUTION OF CURRENT YEAR PROFIT		
11 CURRENT PERIOD PROFIT	1,022,597	751,491
12 TAXES AND LEGAL DUTIES PAYABLE (-)	252,867	223,917
121 Corporate tax (income tax)	180,612	263,095
122 Withholding tax	-	-
123 Other taxes and duties	72,255	(39,178)
A. NET PROFIT FOR THE PERIOD (11-12)	769,730	527,574
13 ACCUMULATED LOSSES (-)	-	-
14 FIRST LEGAL RESERVES (-)	38,487	24,895
15 OTHER STATUTORY RESERVES (-)	38,486	24,894
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(13+14+15)]	692,757	477,785
16 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	399,352
16.1 To owners of ordinary shares	-	399,352
16.2 To owners of privileged shares	-	-
16.3 To owners of redeemed shares	-	-
16.4 To profit sharing bonds	-	-
16.5 To holders of profit and loss sharing certificates	-	-
17 DIVIDENDS TO PERSONNEL (-)	-	41,000
18 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
19 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
19.1 To owners of ordinary shares	-	-
19.2 To owners of privileged shares	-	-
19.3 To owners of redeemed shares	-	-
19.4 To profit sharing bonds	-	-
19.5 To holders of profit and loss sharing certificates	-	-
110 SECOND LEGAL RESERVES (-)	-	-
111 STATUS RESERVES (-)	-	-
112 EXTRAORDINARY RESERVES	-	37,433
113 OTHER RESERVES	-	-
114 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
21 APPROPRIATED RESERVES	-	-
22 SECOND LEGAL RESERVES (-)	-	-
23 DIVIDENDS TO SHAREHOLDERS (-)	-	-
23.1 To owners of ordinary shares	-	-
23.2 To owners of privileged shares	-	-
23.3 To owners of redeemed shares	-	-
23.4 To profit sharing bonds	-	-
23.5 To holders of profit and loss sharing certificates	-	-
24 DIVIDENDS TO PERSONNEL (-)	-	-
25 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF ORDINARY SHARES	0.003	0.004
3.2 TO OWNERS OF ORDINARY SHARES (%)	0.3	0.4
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*)Since General Assembly has not been hold as of the report date, profit distribution for the current period is not presented.

Yusuf BEYAZIT Chairman of Board of Directors	Cem DEMİR AÇI Member of Board of Directors and Audit Committee	M. Zeki AKILLIOĞLU Member of Board of Directors and Audit Committee	Bilal KARAMAN Chief Executive Officer	Dr. Metin Recep ZAFER Deputy Chief Executive Officer	Ş. Mehmet BOZ Manager of Accounting Department
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Accounting Policies

II. Basis Of Presentation

1- Preparation and presentation of the unconsolidated financial statements and related notes and disclosures in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents:

As per the Article 37 of "Accounting and Recording Rules" of the Turkish Banking Law No 5411 published on the Official Gazette no.26333 dated 1 November 2006 and became effective, the Bank keeps its accounting records and prepares its unconsolidated financial statements and the related notes in accordance with accounting and valuation standards described in "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulation and Supervision Agency (BRSA) and in effect since 1 November 2006, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and the related statements and guidances.

2- Disclosures for the first-time adoption of Turkish Accounting Standards:

The Bank has prepared its financial statements in accordance with TAS standards for the first time at 31 December 2006. The accounting principles and valuation methods used in the preparation of financial statements as of 31 December 2005 and 01 January 2005 are revised in compliance with Turkish Accounting Standards and Turkish Financial Reporting Standards as per the communiqué no.1 "Frame for Preparation and Presentation of Financial Statements" of the Turkish Accounting Standards Board published on the Official Gazette no.25702 dated 16 January 2005. In compliance with the Turkish Accounting Standard 8 (TAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors", the adjustments made to the financial statements of the prior period have been reflected to Prior Periods Profit/(Loss) account under shareholders' equity.

- Effect of Adjustments on Prior Period Profit:

	31 December 2005
Prior Period Profit before TAS Adjustments	535,170
Reserve for Employee Termination Benefits	(11,227)
Valuation Differences on Financial Assets	1,731
Deferred Tax Differences	1,899
Total Adjustments	(7,597)
Prior Period Profit after TAS Adjustments	527,573

- Disclosures for the first-time adoption of Turkish Accounting Standards: (continued)

Effect of Adjustments on Shareholders' Equity:

	31 December 2005	1 January 2005
Shareholders' Equity before TAS Adjustments	4,261,408	2,012,203
Reserve for Employee Termination Benefits	(85,976)	(74,749)
Valuation Differences on Financial Assets	218,431	187,193
Deferred Tax Differences	(26,492)	(22,489)
Total Adjustments	105,963	89,955
Shareholders' Equity after TAS Adjustments	4,367,371	2,102,158

3- Accounting principles and valuation methods used in the preparation of financial statements:

Accounting principles and valuation methods used in preparation of financial statements are applied in accordance with principles of Turkish Accounting Standards and regulations of Banking Regulation and Supervision Agency. For the purpose of comparison, financial statements of the prior period have been revised in accordance with principles of TAS and related effects of adjustments on financial statements have been explained on section I2).

Associates and Subsidiaries

Associates, subsidiaries and share certificates accounted for under investment securities held-for-sale denominated in YTL are recorded at their cost of acquisition. Valuation increases on those assets are booked in "Securities Value Increase Fund" under shareholders' equity.

Associates, subsidiaries and share certificates accounted for under investment securities held-for-sale denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date.

Associates and subsidiaries quoted at the Stock Exchange and regulated markets are stated at fair values.

In cases where there is evidence of permanent impairment in value of the participations and subsidiaries, the values of such associates and subsidiaries are reduced to net realizable value or to fair value if exists.

4- Preparation of financial statements according to the purchasing power of New Turkish Lira (YTL):

Financial statements of the Bank were held to subject to inflation adjustment on 31 December 2004 in accordance with TAS 29 "Financial Reporting in Hyperinflationary Economies". With the decision taken on 28 April 2005, BRSA has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required due to cessation of hyperinflation indicators.

II- Strategies For The Use Of Financial Instruments And Foreign Currency Transactions:

The Bank operates in the fields of retail banking, corporate banking, private banking, international banking, foreign exchange operations, money market operations and marketable security transactions. The main funding source of the Bank is composed of deposits with different maturities which are invested in assets realizing higher returns. In addition to deposits, the Bank has access to medium- and long-term borrowings via the foreign currency borrowings from abroad. The Bank pursues an effective asset-liability management strategy by securing balance between funding resources and investments so as to reduce risks and increase returns. Accordingly, the Bank attaches great significance to long-term investments bearing higher interest rates. Liquidity management is based on maturity structure of assets and liabilities in order to enhance profitability and strengthen shareholders' equity by way of holding credit risk, liquidity risk, interest rate risk and exchange rate risk within reasonable limits.

Investment securities and loans generate gains higher than average rate of returns on the basis of maturity structures and market conditions. Banking placements have short-term nature bearing lower rate of return in terms of liquidity management.

The Bank takes position against short-term exchange rate and interest rate fluctuations on money and capital markets within specified limits according to market conditions. The foreign exchange position is controlled by the equilibrium of a currency basket such as derivative instruments to eliminate foreign exchange risk.

The Bank follows interest rate risk management strategy by balancing assets and liabilities bearing fixed and variable interest rates with maturity structures taken into account.

III- Forward, Options And Other Derivative Transactions

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contacts.

According to the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement"; forward foreign currency purchases/sales, swaps, options and futures are classified "hedging purposes" and "trading purposes". Derivatives are initially recorded in off-balance sheet accounts at their purchase costs including the transaction costs. Subsequently, the derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets" or "derivative financial liabilities", respectively. The subsequent fair value changes are recorded under the income statement for trading derivatives and under the shareholders' equity for hedging derivatives. Fair value of the derivatives is determined by market prices or by using discounted cash flow techniques.

The spot legs of currency swap transactions are recorded on the balance sheet and the forward legs in the off-balance sheet accounts.

IV- Interest Income And Expenses

Interest income and expenses are accounted for on accrual

basis. The accrued interest income on non-performing loans are reversed when classified as loans under follow-up and subsequently recognized as interest income only when collected.

V- Fees And Commissions

Fees and commissions received and paid are recorded on accrual basis excepting those related to some banking transactions which are recognized as income when collected. Fees and commissions paid to financial institutions are considered integral part of related interest expenses of the borrowings. Commission derived from agreements and asset purchases from third parties are recognized as income when realized.

VI- Financial Assets

- Financial assets at fair value through profit or loss:

These assets are classified under two categories: Financial assets held for trading and financial assets designated at fair value.

Financial assets held for trading are those acquired for the purpose of gaining profit from short term market fluctuations in prices or similar elements, or securities which are part of a portfolio set up to realize profit in a short period of time, regardless of the purpose of acquisition.

Financial assets held for trading are recorded at their purchase costs including the transaction costs and carried at fair value. In conditions where price formation which is the basis of fair value fails to realize in active market conditions, it is accepted that the fair value is not determined in a reliable fashion and a "discounted value", calculated by using the internal rate of return method, is taken into account as the fair value. Any gains or losses resulting from evaluation are recorded in the profit and loss accounts. Interest income resulting from the retention of financial assets held for trading is shown as part of interest income in the profit/loss statement and dividends are shown within dividend income. Any profit or loss resulting from the disposal of the said assets before their maturity date is booked under the accounts of "Interest Income/Expense" and "Profit/Losses on Financial Assets Held for Trading", as per the Turkish Accounting Standards, and shown in the income statement. Financial assets held for trading denominated in foreign currency, previously measured by using the internal rate of return method in the prior period financial statements, have been remeasured at fair values in accordance with TAS 39 "Financial Instruments: Recognition and Measurement" by using quoted market prices received from Reuters in the current period. For the purpose of comparison, financial assets held for trading denominated in foreign currency as of 31 December 2005 have been remeasured at fair values in the current period and related measurement effects have been reflected to financial statements. Although remeasurement effects on above-mentioned foreign currency denominated financial assets as of 31 December 2005 and 2004 have been converted into New Turkish Lira (YTL) by using year-end buying rate of 31 December 2006 rather than exchange rates of relevant periods, no correction has been made the financial statements due to immateriality.

There have been no financial assets designated at fair value of the Bank as of 31 December 2006.

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- Investment securities available for sale:

Securities available-for-sale, are financial assets other than assets held for trading purposes, investments securities held-to-maturity and originated loans and receivables.

Financial assets available-for-sale are recorded at their purchase costs including the transaction costs and measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued using discounting method with internal rate of return. Unrecognized gain/losses derived from the difference between their fair value and the discounted values are recorded in "securities value increase fund" under the shareholders' equity. In case of sales, the realized gain/losses are recognized directly in the income statement. For the purpose of comparison, financial assets available for sale denominated in foreign currency as of 31 December 2005 have been remeasured at fair values in the current period and related measurement effects have been reflected to financial statements. Although remeasurement effects on above-mentioned foreign currency denominated financial assets as of 31 December 2005 and 2004 have been converted into New Turkish Lira (YTL) by using year-end buying rate of 31 December 2006 rather than exchange rates of relevant periods, there has been no correction made the financial statements due to immateriality.

- Investment securities held to maturity:

Financial assets held-to-maturity mean those non-derivative financial assets, other than loans and receivables originating from the Bank, which are held with the intention of being retained until the maturity date, and for which the required conditions, including the capability of being funded, have been secured for the purpose of such retention until maturity date, those which have fixed maturity date or a maturity date that can be deemed fixed due to its determinable payments. Investments held-to-maturity, whose initial accountings are done at fair value, including the cost of transaction, are valued with their discounted acquisition cost calculated with the internal rate of return method after the deduction of the provision for impairment, if there is any. Interest income generated from investments held-to-maturity is booked as interest income on the profit/loss account.

There is no financial asset which has been classified by The Bank as an investment held-to-maturity, but shall not be subject to such classification for a period of two years, as a result of non-adherence to classification rules.

- Loans and receivables:

Loans and receivables are those financial assets, which are generated by way of providing funds, good or services to the debtor, which have fixed or determinable repayments and which are not traded in an active market. The initial recognition of loans and receivables are made at the cost of acquisition and subsequent valuation is made through their discounted values calculated using the simple interest method. Tough loans must be valued using discounted method with internal rate of return, these assets are recognized through above-mentioned method owing to immaterial impact of difference between these methods.

The duties paid, transaction expenditures and other similar expenses on assets received against such risks are considered a part of transaction cost and charged to customers.

Loans considered as non-performing are classified in accordance with the "Regulation on Identification of and Provision

against Non-Performing Loans and Other Receivables", published on the Official Gazette nr.26333 dated 1 November 2006, and specific and general provisions are set aside for them. The general provision rates are 1 % for cash loans and 0.2 % for non-cash loans.

Specific provisions are transferred to the "Provisions and Impairment Losses-Specific Provision Expenses Account". The provisions released in the same year are accounted by being credited to the Provision Expenses Account and the released parts of the previous years' provisions are recorded to the Other Operating Income account. Uncollectible loans and receivables are eliminated from accounts after completion of legal procedures.

VII- Impairment Of Financial Assets

Financial asset or group of financial assets is reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Bank estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. Provisions for impairment of financial assets resulting from those loss events are set aside and reflected to related expense accounts.

VIII- Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

IX- Repurchase And Reverse Repurchase Agreements And Securities Lending

Securities subject to repo (repurchase agreements), retained in the Bank's portfolio are classified according to their purpose of holding, within the security portfolios "At Fair Value Through Profit and Loss" or "Available-for-Sale" and evaluated within the principles of the relevant portfolio since 1 February 2002.

Funds obtained from repurchase agreements are followed under "Obligations under Repurchase Agreements" account in liabilities, and income rediscount is calculated according to the internal rate of return method on the difference between the purchase and resale prices corresponding to the period designated by a repurchase agreement.

Reverse repo transactions are booked in the "Receivables from Reverse Repurchase Agreements" account. Income rediscount is calculated according to the internal rate of return method on the difference between the purchase and resale prices corresponding to the period designated by a reverse repo agreement.

There have been no securities lending of the Bank as of 31 December 2006.

X- Assets Held For Sale And Discontinued Operations

There have been no assets held for sale and discontinued operations of the Bank as of 31 December 2006.

XI- Goodwill And Other Intangible Assets

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated depreciation and the provision for value decreases.

Intangibles are amortized over five years (their estimated useful lives) using the straight-line method. The useful life of the asset is determined by assessing the expected useful time of the asset, technical, technological and other kinds of wear and tear and all required maintenance expenses necessary to utilize the economic benefit from the asset.

XII- Tangible Assets

- Tangible assets is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, assets carried at cost less accumulated depreciation and provision for value decrease.

Depreciation is calculated over the cost of tangible assets using the straight-line method over estimated useful lives. The estimated useful lives are stated below:

Buildings	50 years
Machinery, furniture, fixtures and vehicles	5-15 years
Assets acquired through financial lease	8-10 years
Lease improvements	5 years or contract period

- Gains/losses arising from the disposal of tangible fixed assets or the inactivation of a tangible fixed asset, are included in the income statement by calculating the difference between the net book value and the net sales revenue or added to the shareholders' equity.

- Expenditures for the repair and renewal of tangible assets are recognized as expense. The capital expenditures incurred in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalized on the cost of the tangible asset. Capital expenditures include the cost components that increase the useful life, or the capacity of the asset, increase the quality of the product or decrease the costs.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

- There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

XIII- Leasing Transactions

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the "lower of the fair value of the leased asset or the present value of the lease installments that are going to be paid for the leased asset". Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a "provision for value decrease" is recognized.

Liabilities arising from the leasing transactions are included in "Finance Lease Payables" in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement.

The Bank does not provide financial leasing services as a "Lessor".

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

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XIV- Provisions And Contingent Liabilities

Provisions and contingent liabilities are accounted in accordance with, TAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the matching principle. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

XV- Obligation Of The Bank Concerning Employee Rights

Obligations related to employment termination and vacation rights are accounted for in accordance with TAS 19 "Employee Rights".

- The Bank sets aside provisions for employee benefits by way of estimating the current value of the probable future liabilities based on a discount rate compatible with estimated inflation rate in accordance with TAS 19. The discount rate for the current period is 5.71 per cent.

Total effect of changes in accounting policies on the financial statements has been YTL 100,000 thousand for employee termination benefits and leave of absence allowance (31.12.2006- YTL 14,024 thousand, 31.12.2005- YTL 85,976 thousand).

- There are no employees of the Bank whose contract period will expire in 12 months as of reporting date .

- T.Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı (Vakıfbank Pension Fund), of which each Bank employee is a member, has been established according to the provisional Article 20 of the Social Security Law No. 506 so as to provide employees with retirement benefits. This pension fund is a benefit plan to which the Bank contributes fixed and additional payments. Actuary audit is being carried for Vakıfbank Pension Fund. The Fund does not carry actuary deficit based on the calculations by using the 10.24% technical interest rate.

XVI- Taxation

On 21 June 2006, "Corporate Tax Law" No. 5520 ("New Tax Law") was published in the Official Gazette, No. 26205. According to New Tax Law, the corporate tax rate is 20% beginning from 1 January 2006 (for the year 2005: 30%). Estimated corporate tax liability amounting to YTL 179,254 thousands for the current period is recognized under "Current tax Liability".

The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12 "Income Taxes". In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable

profit will be available against which the deferred tax assets can be utilized. The calculated deferred tax assets and deferred tax liabilities are presented on a net basis in these financial statements. Deferred tax assets and YTL and FC denominated deferred tax liabilities of the Bank are YTL 89,805 thousand and YTL 31,914 thousand respectively as of 31 December 2006. As a result of revision to financial statements in accordance with TAS standards, YTL 17,195 thousands deferred tax assets and YTL 43,686 thousands deferred tax liabilities have been additionally reflected to the financial statements. However, the Bank used current corporate tax rate of 20 % for adjustments to the financial statements of 31 December 2005 and opening balances of 01 January 2005 in compliance with TAS standards. Additionally, the Bank converted deferred tax differences related to revaluation of financial assets denominated in FC into YTL using the rates effective as of 31 December 2006 in the above-mentioned financial statements. There have been no corrections booked in the financial statements due to immateriality.

XVII- Borrowings

The bank resorts to obtaining funds from domestic or foreign institutions, as may be required. Trading financial liabilities and derivative instruments are carried at their fair values and other financial liabilities are carried at amortized cost using the simple interest method. Effective yield method has not been applied due to immaterial effect of difference between these two methods.

The Bank pursues strategies to protect itself against liquidity risk, interest rate risk and exchange rate risk regarding these financial liabilities.

XVIII- Shares And Share Issuances

Transaction costs related to share issue are deducted from shareholders' equity.

XIX- Confirmed Bills Of Exchange And Acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

XX- Government Incentives

As of 31 December 2006, the Bank does not have any government incentives or aids.

XXI- Other Disclosures

None.

Financial Structure Of The Bank

I- Capital Adequacy Standard Ratio:

- The Bank's capital adequacy ratio is 19.72 % as of 31 December 2006.
- Capital adequacy ratio is calculated within the scope of the "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no.26333 dated 1 November 2006.

Amount subject to market risk related to capital adequacy ratio is calculated by using Standard Method.

The items deducted from the capital base are not included in the calculation of risk weighted assets. In calculation of risk weighted assets, impairments, depreciation and amortization, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

In the calculation of the risk based values of the derivative financial instruments, such instruments are weighted and classified according to the related risk groups after being multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

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• Information related to capital adequacy ratio:

Value at Credit Risk	Bank			
	0%	20%	50%	100%
Balance Sheet Items (Net)	13,753,195	2,398,103	4,328,621	15,820,661
Cash	409,444	293	-	-
Securities in Redemption	-	-	-	-
Balances with the Central Bank of Turkey	1,549,486	-	-	-
Domestic and Foreign Banks, Foreign Head offices and Branches	-	2,315,464	-	743,811
Interbank Money Market Placements	750,000	-	-	-
Receivables from Reserve Repurchase Agreements	120,500	-	-	-
Reserve Deposits	786,753	-	-	-
Loans	127,607	325	4,260,297	13,370,212
Loans under Follow-Up (Net)	-	-	-	-
Lease Receivables	-	-	-	-
Financial Assets Available-for-Sale	9,279,368	77,607	-	21,535
Investment Securities Held-to-Maturity	5,900	-	-	41,999
Receivables from Term Sale of Assets	-	-	-	168,056
Miscellaneous Receivables	-	-	-	58,733
Accrued Interest and Income	566,963	4,414	68,324	223,341
Investment in Associates, Subsidiaries and Joint-Ventures (Net)	-	-	-	404,302
Tangible Assets	-	-	-	727,435
Other Assets	157,174	-	-	61,237
Off- Balance Sheet Items	85,160	1,337,674	292,655	1,744,648
Non-Cash Loans and Commitments	85,160	1,310,992	292,655	1,744,648
Derivative Financial Instruments	-	26,682	-	-
Non-Risk-Weighted Accounts	-	-	-	-
Total Risk-Weighted Assets	13,838,355	3,735,777	4,621,276	17,565,309

• Summary information related to capital adequacy ratio:

	Bank Current Period
Value at Credit Risk (VaCR)	20,623,102
Value at Market Risk (VaMR)	1,349,250
Shareholders' Equity	4,332,771
Shareholders' Equity/(VaCR+VaMR)*100 (*)	19.72

• Information related to shareholders' equity items:

	Current Period 31 December 2006
CORE CAPITAL	
Paid-in Capital	2,500,000
Nominal Capital	2,500,000
Capital Commitments (-)	-
Capital reserves due to Inflation Adjustment of Paid-in Capital	-
Share Premium	723,918
Share Cancellation Profits	-
Legal Reserves	102,658
First Legal Reserve (Turkish Commercial Code 466/1)	51,329
Second Legal Reserve (Turkish Commercial Code 466/2)	-
Reserves Allocated due to Special Laws	51,329
Status Reserves	-
Extraordinary Reserves	161,974
Reserve Allocated as per the Decision Held by the General Assembly	-
Retained Earnings	161,974
Accumulated Loss	-
Exchange Rate Differences on Foreign Currency Capital	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-
Profit	904,742
Current Period Profit	769,730
Prior Periods Profit	135,012
Provision for Possible Losses (up to 25% of Core Capital)	21,000
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	-
Primary Subordinated Debt (up to 15% of Core Capital)	-
Loss in excess of Reserves (-)	95,783
Current Period Loss	-
Prior Period Loss	95,783
Leasehold Improvements (-)	28,320
Prepaid Expenses (-)	48,733
Intangible Assets (-)	4,975
Deferred Tax Assets in excess of 10% of Core Capital (-)	-
Limit excesses as per the 3rd Paragraph of the Article 56 of Banking Law (-)	-

Total Core Capital	4,318,509
SUPPLEMENTARY CAPITAL	
General Provisions	130,463
45% of Revaluation Surplus on Movables	-
45% of Revaluation Surplus on Immovables	-
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	35,142
Primary Subordinated Debt excluding the Portion included in Core Capital	-
Secondary Subordinated Debt	-
45 % of Securities Value Increase Fund	69,650
Associates and Subsidiaries	45,767
Investment Securities Available for Sale	23,883
Inflation adjustment differences on Capital Reserves and Prior Period Profit/(Loss) (Excepting Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-
Total Supplementary Capital	235,255
TIER II CAPITAL	-
CAPITAL	4,553,764
DEDUCTIONS FROM THE CAPITAL	
Investments in Unconsolidated Financial Institutions (Domestic, Foreign) and Banks in which 10% or More Equity Interest Exercised	4,293
Total of investments in Financial Institutions (Domestic, Foreign) and Banks, in Which Less than 10% of Equity Interest is Exercised and That Exceeds the 10% And More of the Total Core and supplementary Capital of the Bank	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the from of Secondary Subordinated Debts and Debt Instruments purchased from such parties qualified as Primary or Secondary Subordinated Debts	-
Loan granted to Customer Against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables exceeding 50 % of the Capital and of Asset Acquired Against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained more than five years	134,672
Others	-
Total Shareholders' Equity	4,332,771

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II- Credit Risk:

- Credit risk means risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

The credit risk limits of customers are determined in strict compliance with the relevant banking legislation. These limits are followed and may be changed, depending on the financial situation and loan requirements of the borrowers, or as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, providing that each period does not extend a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall placement are subject to risk limits in order to provide further minimization of potential risk. The geographical distribution of borrowers is consistent with the concentration of industrial and commercial activities in Turkey. The distribution of borrowers by sector is monitored closely for each period and sectoral risk limits have been determined to prevent concentration of risk in sectoral sense. The credit-worthiness of customers is regularly monitored in line with the relevant regulations, by using company rating and scoring models specially developed for this purpose, and the audit of statements of account received is assured to have been made in accordance with the provisions as stipulated by the relevant legislation.

Care is taken to ensure that loans are furnished with collateral. Most of the loans extended have been authorized by taking real estate, movable or commercial enterprise under pledge, promissory notes and other liquid assets as collateral, or by acceptance of bank letters of guarantee and individual or corporate guarantors, depending on the financial status of the company and the type of the loan extended.

- There are risk control limits set for the market risks and credit risks arising from forward and option agreements and other similar agreements.
- When necessary, derivative instruments are exercised to control and to offset credit risks that can especially originate from foreign exchange and interest rate fluctuations.
- Non-cash loans turned into cash loans are included in the same risk group as cash loans which are not collected upon maturity. Credit risk management is applied for all positions involving counterparty risk.

Rescheduled or restructured loans are followed in their relevant groups until all receivables from the loans are collected. Monitoring also continues until the receivables from the loans are completely collected.

The Bank considers that long-term commitments are more exposed to credit risk than short-term commitments, and points such as defining risk limits for long-term risks and obtaining collateral are treated in a wider extent than short-term risks.

1- The proportion of the Bank's top 100 cash loan balances in total cash loans is 37.31%.

The proportion of the Bank's top 100 non-cash loan balances

in total non-cash loans is 66.15%.

The proportion of the Bank's cash and non-cash loan balances with the first 100 customers is equal to 20.85% of total cash loans and non-cash loans.

2- The Bank provided a general provision amounting to YTL130,463 thousand.

• Geographical concentration:

	Assets	Liabilities	Non-cash Loans	Net Profit
Current Period				
Domestic	31,922,839	30,831,167	2,401,245	769,730
European Union (EU) Countries	3,831,039	5,122,866	1,119,345	-
OECD Countries (*)	265,622	175,488	311,922	-
Off-Shore Banking Regions	248,877	29,646	-	-
USA, Canada	349,391	578,437	346,434	-
Other Countries	7,600	296,359	692,976	-
Associates, Subsidiaries and Joint-Ventures	408,595	-	----	-
Unallocated Assets/Liabilities(**)	-	-	----	-
Total	37,033,963	37,033,963	4,871,922	769,730
Prior Period (***)				
Domestic	28,269,002	29,133,921	2,562,673	527,573
European Union (EU) Countries	2,260,044	2,300,254	797,421	-
OECD Countries (*)	11,314	9,432	279,329	-
Off-Shore Banking Regions	113,988	685,500	86,954	-
USA, Canada	1,344,569	489,318	168,372	-
Other Countries	7,039	-	743,611	-
Associates, Subsidiaries and Joint-Ventures	612,469	-	-	-
Unallocated Assets/Liabilities(**)	-	-	-	-
Total	32,618,425	32,618,425	4,638,360	527,573

(*) OECD Countries other than EU countries, USA and Canada

(**) Unallocated assets / liabilities which could not be distributed according to a consistent principle.

(***) Revised in accordance with TAS .

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• Sectoral concentration of cash loans: (*)

	Current Period		Prior Period		YTL	FC	YTL	FC
	YTL	(%)	FC	(%)				
Agriculture	111,833	0.92	58,941	1.05	63,907	0.74	39,327	1.21
Farming and Stockbreeding	97,983	0.81	15,703	0.28	54,222	0.63	12,518	0.38
Forestry	11,551	0.10	28,576	0.51	9,074	0.10	20,689	0.64
Fishery	2,299	0.02	14,662	0.26	611	0.01	6,120	0.19
Manufacturing	1,214,698	9.99	2,709,674	48.38	847,951	9.80	1,375,914	42.30
Mining	347,039	2.85	60,608	1.08	66,985	0.77	74,175	2.28
Production	822,787	6.77	2,586,265	46.18	770,850	8.91	1,208,736	37.16
Electricity, Gas, Water	44,872	0.37	62,801	1.12	10,116	0.12	93,003	2.86
Construction	503,619	4.14	951,801	16.99	225,548	2.61	457,001	14.05
Services	2,341,439	19.26	1,682,032	30.02	1,048,449	12.12	1,209,566	37.18
Wholesale and Retail Trade	771,548	6.35	434,121	7.75	482,961	5.58	408,829	12.57
Hotel, Food and Beverage Services	99,108	0.82	306,569	5.47	74,418	0.86	213,504	6.56
Transportation and Telecommunication	1,198,563	9.86	620,196	11.07	373,276	4.31	418,642	12.87
Financial Institutions	202,970	1.67	118,393	2.11	78,199	0.90	148,064	4.55
Real Estate and Renting Services	4,751	0.04	-	-	2,528	0.03	-	-
"Self-Employment" Type Services	-	-	-	-	-	-	-	-
Education Services	8,065	0.07	15,187	0.27	4,576	0.05	12,604	0.39
Health and Social Services	56,434	0.46	187,566	3.35	32,491	0.38	7,923	0.24
Other	7,985,902	65.69	198,502	3.54	6,466,136	74.74	171,257	5.26
Total	12,157,491	100.00	5,600,950	100.00	8,651,991	100.00	3,253,065	100.00

(*) Accrued interests summarized as below have not been included in cash loans:

Current Period: YTL 208,772 thousands (denominated in YTL)
YTL 76,027 thousands (denominated in FC)

Prior Period: YTL 104,071 thousands (denominated in YTL)
YTL 33,265 thousands (denominated in FC)

III- Market Risk:

The market risk carried by the Bank is measured in accordance with national regulations, which are in parallel with internationally accepted practices, and, by two separate methods known respectively as the Standard Method and the Value at Risk Method. In this context, interest rate risk emerges as the most important component forming the market risk.

The market risk measurements, which are carried out by applying the Standard Method at the end of each month and weekly measurements of exchange rate risk are reported to the Bank's top management in addition to being included in legally mandatory reports.

Another alternative used for measuring and monitoring market risk is the Value at Risk Method (VAR). Using this method the market risk is measured on a daily basis to differentiate between interest rate risk, exchange rate risk and equity share risk and is the subject of daily internal reporting in the Bank. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR method, which is used to estimate the largest possible loss of the following day.

Scenario analyses are made, which support the VAR method used to measure the value losses that may occur in the ordinary market conditions; the possible impact of the optimistic, base and worst case scenarios developed according to the future predictions and the crises in the past, on the value of the Bank's portfolio is determined and the results are reported to the Top Executive Management. VAR calculations are made by the financial participations within the frame determined by the Bank and the results are reported to the Top Executive Management.

The limits set for the market risk management within the framework of the Bank's market risk policy, are monitored by the Risk Committee and reviewed in accordance with the market conditions. The following table shows details of the market risk calculations carried out with the "Standard Method for Market Risk Measurement" and within the context of "Regulation for Evaluating and Measuring the Adequacy of the Bank's Capitalization" as of 31 December 2006.

• Information on the market risk:

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	102,915
(II) Capital Obligation against Specific Risks -Standard Method	336
(III) Capital Obligation against Currency Risk- Standard Method	4,689
(IV) Capital Obligation against Stocks Risks - Standard Method	-
(V) Capital Obligation against Exchange Risks - Standard Method	-
(VI) Capital Obligation against Market Risks of Options - Standard Method	-
(VII) Capital Obligation against Market Risks of Banks applying Risk Measurements Models	-
(VIII) Total Capital Obligation against Market Risks (I+II+III+IV+V+VI)	107,940
(IX) Value-at-Market Risk (125 x VIII) or (125 x VII)	1,349,250

• Table of the average market risk related to the market risk calculated at the end of month during the period:

	Current Period			Prior Period		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest Rate Risk	1,298,725	1,409,462	1,278,050	1,379,662	1,478,712	1,253,613
Common Share Risk	29,100	45,100	12,588	38,600	42,400	28,225
Currency Risk	202,300	248,963	58,612	60,962	99,925	63,662
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Total Value at Risk	1,530,125	1,703,525	1,349,250	1,479,224	1,621,037	1,345,500

IV- Currency Risk:

In measuring exchange rate risk, Standard Method is used as in legally required reports. Measurements made within the scope of the Standard Method are carried out on a weekly basis and form the basis of determining the capital requirement for protection against exchange rate risk.

Derivative financial instruments like forward foreign exchange contracts and currency swaps are used as tools for foreign exchange exposure management.

The Bank's foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date are presented below:

	US \$	Euro	Yen
Balance Sheet Evaluation Rate	1,4000 YTL	1,8437 YTL	0,0118 YTL
Day 1	1,3800 YTL	1,8114 YTL	0,0116 YTL
Day 2	1,3700 YTL	1,8029 YTL	0,0115 YTL
Day 3	1,3700 YTL	1,7985 YTL	0,0115 YTL
Day 4	1,3800 YTL	1,8111 YTL	0,0116 YTL
Day 5	1,3800 YTL	1,8209 YTL	0,0117 YTL

The simple arithmetic averages of the Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are presented below:

US\$: 1,3910 YTL
Euro : 1,8289 YTL
Yen : 0,0119 YTL

The table below summarizes the Bank's exposure to foreign currency exchange rate risk, categorized by currency. Foreign currency indexed assets, classified as Turkish lira assets according to the Turkish Accounting Standards, are considered as foreign currency assets for the calculation of Net Foreign Currency Position. Therefore, the difference between the sum of the foreign currency assets in the following table and in the balance sheet is equal to the sum of foreign currency indexed assets. The Banks' real position, both in financial and economic terms, is presented in the table below:

Information on currency risk:

	EURO	US\$	Yen	Other FC	Total
Current Period					
Assets					
Cash and Balances with the Central Bank of Turkey	1,101,050	23,884	16	1,783	1,126,733
Banks and Other Financial Institutions	308,687	2,211,966	2,203	24,419	2,547,275
Financial Assets at Fair Value through Profit/Loss	127,093	226,485	-	-	353,578
Interbank Money Market Placements	-	-	-	-	-
Investments Available-for-Sale (net)	549,087	2,721,187	-	-	3,270,274
Loans (*)	1,451,883	4,535,050	-	39,153	6,026,086
Associates, Subsidiaries and Joint-Ventures	33,187	-	-	-	33,187
Investments Held-to-Maturity (net)	-	47,899	-	-	47,899
Hedging Purpose Derivatives	24	-	-	-	24
Tangible Assets (net)	-	190	-	-	190
Intangible Assets (net)	-	394	-	-	394
Other Assets (**) (***)	88,682	499,280	-	9,490	597,452
Total Assets	3,659,693	10,266,335	2,219	74,845	14,003,092
Liabilities					
Bank Deposits	104	141,623	-	47	141,774
Foreign Currency Deposits	2,694,774	4,368,463	2,897	35,343	7,101,477
Interbank Money Market Takings	-	1,347,968	-	-	1,347,968
Funds Borrowed	808,369	4,071,113	-	22,849	4,902,331
Securities Issued (net)	-	-	-	-	-
Miscellaneous Payables	1,771	5,791	1	300	7,863
Hedging Purpose Derivatives	317	3,390	-	-	3,707
Other Liabilities (***)	107,120	232,243	3	10,588	349,954
Total Liabilities	3,612,455	10,170,591	2,901	69,127	13,855,074
Net 'On Balance Sheet' Position	47,238	95,744	(682)	5,718	148,018
Net 'Off-Balance Sheet' Position	1,245	(79,772)	-	1	(78,526)
Derivative Assets	30,744	78,414	-	2,483	111,641
Derivative Liabilities	29,499	158,186	-	2,482	190,167
Non-Cash Loans	1,039,545	1,859,327	24,241	91,254	3,014,367
Prior Period					
Total Assets	3,372,033	7,185,810	1,886	52,823	10,612,552
Total Liabilities	3,246,090	7,234,066	8,353	46,797	10,535,306
Net 'On Balance Sheet' Position	125,943	(48,256)	(6,467)	6,026	77,246
Net 'Off-Balance Sheet' Position (****)	(1)	3	-	-	2
Derivative Assets	2,379	2,384	-	-	4,763
Derivative Liabilities	2,380	2,381	-	-	4,761
Non-Cash Loans	762,558	2,147,246	51,759	58,624	3,020,187

(*) Includes foreign exchange indexed loans amounting to YTL 425,136 thousands.

(**) Includes accrued interests of foreign exchange indexed assets amounting to YTL 12,431 thousand.

(***) Interest accruals are presented in "Other Assets".

(****) Presents the net balance of receivables and payables from derivatives.

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V- Interest Rate Risk:

Interest rate risk is defined as the increases or decreases that can arise in the value of interest sensitive assets and liabilities of the Bank as a result of interest rate fluctuations. Measurement of interest rate risk is conducted through the Standard Method and carried out monthly using the maturity ladder table.

- Interest rate sensitivity of assets , liabilities and off-balance sheet items
(Based on repricing period):

Current Period	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Interest Free	Total
Assets							
Cash and Balances with the Central Bank of Turkey	2,336,239	-	-	-	-	409,737	2,745,976
Banks and Other Financial Institutions	2,943,540	-	-	-	-	115,735	3,059,275
Financial Assets at Fair Value through Profit/Loss	110,303	-	7,035	68,927	166,863	8,842	361,970
Interbank Money Market Placements	870,500	-	-	-	-	-	870,500
Investments Available-for-Sale (net)	1,482,370	2,664,236	2,643,979	926,168	1,562,615	99,142	9,378,510
Loans (*)	8,991,137	3,506,291	1,262,307	489,812	3,508,894	-	17,758,441
Investments Held-to-Maturity (net)	43,532	4,367	-	-	-	-	47,899
Other Assets (*)(***)	291,328	251,631	153,727	95,091	189,771	1,829,844	2,811,392
Total Assets	17,068,949	6,426,525	4,067,048	1,579,998	5,428,143	2,463,300	37,033,963
Liabilities							
Bank Deposits	419,678	130,000	-	-	-	3,131	552,809
Other Deposits	3,354,273	13,259,598	2,170,299	314,417	652,194	4,293,180	24,043,961
Interbank Money Market Takings (**)	240,298	156,440	375,872	312,313	263,953	-	1,348,876
Miscellaneous Payables	-	-	-	-	-	318,360	318,360
Securities Issued	-	-	-	-	-	-	-
Funds Borrowed	1,165,389	2,566,622	1,207,522	23,446	-	-	4,962,979
Other Liabilities (*)	334,220	5,201	7,878	15,546	108,689	5,335,444	5,806,978
Total Liabilities	5,513,858	16,117,861	3,761,571	665,722	1,024,836	9,950,115	37,033,963
On Balance Sheet Long Position	11,555,091	-	305,477	914,276	4,403,307	-	17,178,151
On Balance Sheet Short Position	-	(9,691,336)	-	-	-	(7,486,815)	(17,178,151)
Off Balance Sheet Long Position (****)	-	1	-	-	4,633	-	4,634
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	11,555,091	(9,691,335)	305,477	914,276	4,407,940	(7,486,815)	4,634

(*) Interest accruals are presented in "Other Assets".

(**) Obligations under repurchase agreements are presented in "Interbank Money Market Takings".

(***) Associates, Subsidiaries, tangible and intangible fixed assets are shown in "Interest Free" column to secure balance between total assets and total liabilities.

(****) Differences between buying and selling of derivative transactions on maturity basis.

Prior Period	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Interest Free	Total
Assets							
Cash and Balances with the Central Bank of Turkey	943,604	-	-	-	-	1,375,075	2,318,679
Banks and Other Financial Institutions	2,059,565	1,376	-	-	-	64,958	2,125,899
Financial Assets at Fair Value through Profit/Loss	6,075	168,051	130,219	53,995	500,967	25,975	885,282
Interbank Money Market Placements	2,649,000	-	-	-	-	-	2,649,000
Investments Available-for-Sale (net)	343,639	3,003,427	2,752,003	1,208,862	1,880,876	94,067	9,282,874
Loans	4,892,903	3,864,345	717,472	322,342	2,107,994	-	11,905,056
Investments Held-to-Maturity (net)	26,371	4,333	330,063	-	-	-	360,767
Other Assets	260,073	193,296	269,394	84,163	188,303	2,095,639	3,090,868
Total Assets	11,181,230	7,234,828	4,199,151	1,669,362	4,678,140	3,655,714	32,618,425
Liabilities							
Bank Deposits	445,687	43,744	123,740	8,000	-	1,165	622,336
Other Deposits	3,318,399	10,786,788	3,349,621	450,391	810,442	3,607,714	22,323,355
Interbank Money Market Takings	20,358	87,688	-	-	-	-	108,046
Miscellaneous Payables	-	-	-	-	-	273,452	273,452
Securities Issued	-	-	-	-	-	-	-
Funds Borrowed	1,028,602	2,101,347	382,875	-	-	-	3,512,824
Other Liabilities	273,572	4,248	6,498	12,996	125,605	5,355,493	5,778,412
Total Liabilities	5,086,618	13,023,815	3,862,734	471,387	936,047	9,237,824	32,618,425
On Balance Sheet Long Position	6,094,612	-	336,417	1,197,975	3,742,093	-	11,371,097
On Balance Sheet Short Position	-	(5,788,987)	-	-	-	(5,582,110)	(11,371,097)
Off Balance Sheet Long Position	2	-	-	-	-	-	2
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	6,094,614	(5,788,987)	336,417	1,197,975	3,742,093	(5,582,110)	2

Average interest rates in the following table are the weighted average rates of the related balance sheet items.

- Average interest rates on monetary financial instruments:

Current Period	EURO %	US\$ %	Yen %	YTL %
Assets				
Cash and Balances with the Central Bank of Turkey	1.73	2.52	-	13.12
Banks and Other Financial Institutions	3.63	5.26	-	18.97
Financial Assets at Fair Value through Profit/Loss	9.03	11.44	-	-
Interbank Money Market Placements	-	-	-	17.62
Investments Available-for-Sale (net)	6.03	7.21	-	21.03
Loans	5.44	7.59	-	20.59
Investments Held-to-Maturity	-	5.80	-	-
Liabilities				
Bank Deposits	-	5.50	-	21.05
Other Deposits	2.87	3.82	-	15.57
Interbank Money Market Takings	-	5.46	-	11.65
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed	3.43	5.76	-	15.22
Prior Period				
Prior Period	EURO %	US\$ %	Yen %	YTL %
Assets				
Cash and Balances with the Central Bank of Turkey.	1.14	2.03	-	10.25
Banks and Other Financial Institutions	2.40	3.90	-	14.98
Financial Assets at Fair Value through Profit/Loss	8.87	10.97	-	16.96
Interbank Money Market Placements	-	-	-	14.22
Investments Available-for-Sale (net)	6.27	6.55	-	16.34
Loans	4.10	6.86	-	23.04
Investments Held-to-Maturity	-	9.26	-	0.00
Liabilities				
Bank Deposits	-	5.17	-	14.42
Other Deposits	3.30	3.61	-	14.48
Interbank Money Market Takings	-	1.34	-	11.24
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed	2.45	5.21	-	12.99

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VI- Liquidity Risk:

Liquidity risk arises from the mismatching of maturities of assets and liabilities. The Bank balances maturities of the related assets and liabilities according to specific criteria and keeps the mismatching of maturities under control. A major objective of the Bank's asset and liability management is to ensure that sufficient liquidity is available to meet the Bank's commitments to customers and to satisfy the Bank's liquidity needs. For this objective, the Bank holds a sufficient amount of short-term funds. Liquidity risk is measured and reported on a weekly basis. The Bank also analyses its liquidity risk on a daily and transaction basis, if there are significant market fluctuations. In the case of high market fluctuations, daily reporting and analyses on transaction basis are made.

The most important funding resources of the Bank are the shareholders' equity, the diversified and steady deposit base and the long-term funds borrowed from international institutions which are mainly placed in interest earning assets. In spite of a substantial portion of deposits from individuals being short-term, deposits are diversified by number and type, and maturities of a large portion of deposits are renewed, which indicates that these deposits will provide a long-term and stable source of funding for the Bank.

Breakdown of assets and liabilities according to their remaining maturities:

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Undistributed(*)	Total
Current Period								
Assets								
Cash and Balances with the								
Central Bank of Turkey	1,959,223	786,753	-	-	-	-	-	2,745,976
Banks and Other Financial Institutions	115,735	2,943,540	-	-	-	-	-	3,059,275
Financial Assets at Fair Value								
through Profit/Loss	8,842	-	-	7,035	68,926	277,167	-	361,970
Interbank Money Market Placements	-	870,500	-	-	-	-	-	870,500
Investments Available-for-Sale (net)	99,142	40,865	316,544	1,097,049	1,850,951	5,973,959	-	9,378,510
Loans	-	2,843,211	1,078,842	913,178	2,596,591	10,326,619	-	17,758,441
Investments Held-to-Maturity (net)	-	42,000	-	-	-	5,899	-	47,899
Other Assets (**)	-	201,223	121,323	114,204	128,977	415,821	1,829,844	2,811,392
Total Assets	2,182,942	7,728,092	1,516,709	2,131,466	4,645,445	16,999,465	1,829,844	37,033,963
Liabilities								
Bank Deposits	3,131	419,678	130,000	-	-	-	-	552,809
Other Deposits	4,293,179	12,838,006	5,386,548	838,321	104,213	583,694	-	24,043,961
Funds Borrowed	-	71,714	210,900	383,453	1,588,064	2,708,848	-	4,962,979
Interbank Money Market Takings	-	240,298	156,440	375,872	312,313	263,953	-	1,348,876
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	318,360	318,360
Other Liabilities (***)	-	403,638	5,201	7,878	15,546	108,688	5,266,027	5,806,978
Total Liabilities	4,296,310	13,973,334	5,889,089	1,605,524	2,020,136	3,665,183	5,584,387	37,033,963
Liquidity Gap	(2,113,368)	(6,245,242)	(4,372,380)	525,942	2,625,309	13,334,282	(3,754,543)	-
Prior Period								
Total Assets	1,746,610	8,053,127	1,007,999	2,814,317	4,519,203	12,381,530	2,095,639	32,618,425
Total Liabilities	3,608,879	4,111,864	10,966,110	3,587,468	2,219,033	2,814,317	5,310,754	32,618,425
Liquidity Gap	(1,862,269)	3,941,263	(9,958,111)	(773,151)	2,300,170	9,567,213	(3,215,115)	-

(*) Tangible assets, associates, subsidiaries, prepaid expenses, receivables under follow-up and office supply inventories which are not converted into cash in short period of time are presented in "undistributed" column.

(**) Associates, subsidiaries, reserve deposits, miscellaneous receivables, tangible assets, intangible assets, deferred tax assets and others are presented in "Other Assets".

(***) Interest accruals are presented in "Other Assets" and "Other Liabilities".

VII- Fair Values Of Financial Assets And Liabilities:

Fair values of financial assets are derived from market prices or in case of absence of such prices, the expected fair value of such assets are determined by calculating the discounted cash flow using the interest rates for Government debt securities announced by Central Bank of Turkey in Official Gazette.

The expected fair value of the demand deposits represents the amount to be paid upon request. The fair value of the overnight deposits represents the carrying value. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the market interest rates of similar liabilities and loans.

The total fair value of securities issued is calculated based on quoted market prices. When the market price cannot be found, a discounted cash flow model based on current yield is used for the remaining term.

Fair values of loans are represented by the total of acquisition costs and accrued interest income.

The following table summarizes the carrying values and fair values of financial assets and liabilities of the Bank. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	31,114,625	26,316,004	31,940,460	27,099,931
Interbank Money Market Placements	870,500	2,649,000	871,800	2,651,080
Banks and Other Financial Institutions	3,059,275	2,125,899	3,063,491	2,126,829
Investments Available-for-Sale	9,378,510	9,275,282	9,913,538	9,908,056
Investments Held-to-Maturity	47,899	360,767	48,391	371,574
Loans	17,758,441	11,905,056	18,043,240	12,042,392
Financial Liability	29,878,109	26,731,967	30,157,556	26,969,129
Bank Deposits	552,809	622,336	560,348	624,090
Other Deposits	24,043,961	22,323,355	24,281,712	22,538,755
Funds Borrowed	4,962,979	3,512,824	4,997,136	3,532,832
Securities Issued	-	-	-	-
Miscellaneous Payables	318,360	273,452	318,360	273,452

VIII- Transactions Carried Out On Behalf Of Customers, Items Held In Trust:

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. The Bank has no trust transactions.

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Section Five : Disclosures And Notes On Unconsolidated Financial Statements

I- Assets Cash and Balances with Central Bank:

- Information on cash and balances with Central Bank:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Cash in YTL/Foreign Currency	365,660	43,764	248,913	31,125
Central Bank of Turkey	1,286,484	1,086,962	1,148,209	914,509
Other	20	293	20	544
Total	1,652,164	1,131,019	1,397,142	946,178

- Balances with Central Bank:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Unrestricted Demand Deposit	1,253,563	295,923	1,126,000	249,075
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Reserve Deposits	32,921	791,039	22,209	665,434
Total	1,286,484	1,086,962	1,148,209	914,509

- Financial Assets at Fair Value Through Profit or Loss:

- There are no financial assets held for trading given as collateral/blocked in current period. In the prior period, financial assets held given as collateral amount to YTL 22,913 thousand.

Financial assets held for trading subject to repo transactions amount to YTL 198,472 thousand in the current period and YTL 106,797 thousand in the prior period.

- Derivative financial assets held for trading:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward Transactions	-	36	3	-
Swap Transactions	-	-	-	-
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	36	3	-

- Banks and Other Financial Institutions:

- Information on banks and other financial institutions:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	512,809	2,550,682	579,496	1,547,333
Domestic banks	283,945	14,006	555,472	95,204
Foreign Banks	228,864	2,536,676	24,024	1,452,129
Foreign Head offices and Branches	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	512,809	2,550,682	579,496	1,547,333

- Due from foreign banks:

	Unrestricted Balances		Restricted Balances (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	2,087,554	675,007	44,702	-
USA, Canada	286,393	713,621	-	-
OECD Countries (*)	265,711	17,353	-	-
Off-shore Banking Regions	80,579	63,133	-	-
Other	600	7,039	-	-
Total	2,720,837	1,476,153	44,702	-

(*) OECD countries excluding USA,EU countries and Canada.

(**) The restricted amounts are held as collateral or for the interest payments of funds borrowed from foreign institutions.

- Investment Securities Available for Sale:

- Information on investment securities available for sale given as collateral/blocked and subject to repo transactions:

Securities given as collateral comprise government bonds and other government debt securities. Investment securities given as collateral or blocked amount to YTL 2,454,116 thousand in the current period and YTL 1,625,292 thousand in the prior period.

Securities subject to repo transactions amount to YTL 1,565,980 thousand (YTL 1,115,533 thousand of government bonds and YTL 450,447 thousands of other government debt securities) in the current period and YTL 20,368 thousand in the prior period.

- Information on investment securities available for sale:

	Current Period	Prior Period
Debt Securities	9,864,051	9,826,359
Quoted at Stock Exchange	8,539,422	6,593,970
Unquoted	1,324,629	3,232,389
Share Certificates	99,322	94,223
Quoted at Stock Exchange	65,770	75,739
Unquoted	33,552	18,484
Impairment Losses (-)	49,835	12,526
Total	9,913,538	9,908,056

- Loans:

- Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	-	451	-	866
Corporates	-	451	-	866
Individuals	-	-	-	-
Indirect Lendings to Shareholders	-	117	-	84
Loans to Employees	25,163	-	15,801	-
Total (*)	25,163	568	15,801	950

(*) Excluding interest accruals.

- Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:

	Performing Loans and Other Receivables (Group I)		Loans Under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Cash Loans				
Loans				
Discounted Bills	16,735,413	-	645,138	254,212
Export Loans	1,424	-	-	-
Import Loans	1,174,686	-	45,966	179,857
Loans to Financial Sector	-	-	-	-
Foreign Loans	317,315	-	-	-
Consumer Loans	823	-	-	-
Credit Cards	3,771,592	-	115,712	786
Precious Metals Loans	599,897	-	39,447	2,294
Other (*)	-	-	-	-
Specialization Loans	10,869,676	-	444,013	71,275
Other Receivables	123,678	-	-	-
Total(**)	-	-	-	-
	16,859,091	-	645,138	254,212

(*) Includes commercial loans amounting to YTL 10,867,066 thousand.

(**) Excluding interest accruals amounting to YTL 284,799 thousand.

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• Loans according to their maturity structure: (**)

	Performing Loans and Other Receivables (Group I)		Loans Under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Short term loans	7,585,368	-	325,783	216,363
Loans	7,585,368	-	325,783	216,363
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium or Long-Term Loans (*)	9,273,723	-	319,355	37,849
Loans	9,150,045	-	319,355	37,849
Specialization Loans	123,678	-	-	-
Other Receivables	-	-	-	-

(*) Loans with original maturities exceeding one year.

(**) Excluding interest accruals amounting to YTL 284,799 thousands

• Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium or Long-Term	Interest and Income Accruals	Total
Consumer Loans- YTL	959,954	2,911,844	32,099	3,903,897
Housing Loans	43,502	1,813,079	13,730	1,870,311
Automobile Loans	33,500	184,493	2,594	220,587
General Purpose Loans	680,925	914,272	14,234	1,609,431
Other	202,027	-	1,541	203,568
Consumer Loans- FC Indexed	-	-	-	-
Consumer Loans- FC	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
General Purpose Loans	-	-	-	-
Other -	-	-	-	-
Retail Credit Cards-YTL	604,441	-	-	604,441
With Installment	96,949	-	-	96,949
Without Installment	507,492	-	-	507,492
Retail Credit Cards-FC	1,634	-	-	1,634
With Installment	-	-	-	-
Without Installment	1,634	-	-	1,634
Personnel Loans-YTL	504	15,788	-	16,292
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
General Purpose Loans	504	15,788	-	16,292
Other -	-	-	-	-
Personnel Loans- FC Indexed	-	-	-	-
Personnel Loans- FC	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
General Purpose Loans	-	-	-	-
Other -	-	-	-	-
Personnel Credit Cards-YTL	8,853	-	-	8,853
With Installment	1,163	-	-	1,163
Without Installment	7,690	-	-	7,690
Personnel Credit Cards-FC	18	-	-	18
With Installment	-	-	-	-
Without Installment	18	-	-	18
Deposit Accounts-YTL (Real Persons)	391,484	-	-	391,484
Deposit Accounts-FC (Real Persons)	-	-	-	-
Total	1,966,888	2,927,632	32,099	4,926,619

• Installment based commercial loans and corporate credit cards:

	Short-Term	Medium or Long-Term	Interest and Income Accruals	Total
Installment Based Commercial Loans-YTL	1,125,420	2,340,958	63,448	3,529,826
Real Estate Loans	1,915	98,433	1,966	102,314
Automobile Loans	194,779	763,889	15,844	974,512
General Purpose Loans	928,726	1,478,636	45,638	2,453,000
Other -	-	-	-	-
Installment Based Commercial Loans-FC Indexed	-	-	-	-
Installment Based Commercial Loans-FC	-	41,620	148	41,768
Real Estate Loans	-	-	-	-
Automobile Loans	-	-	-	-
General Purpose Loans	-	-	-	-
Other -	41,620	148	41,768	-
Corporate Credit Cards- YTL	26,479	-	-	26,479
With Installment	1,806	-	-	1,806
Without Installment (*)	24,673	-	-	24,673
Corporate Credit Cards- FC	213	-	-	213
With Installment	-	-	-	-
Without Installment (*)	213	-	-	213
Deposit Accounts-YTL (Corporate)	66,405	-	-	66,405
Deposit Accounts-FC (Corporate)	-	-	-	-
Total	1,218,517	2,382,578	63,596	3,664,691

• Allocation of loans according to customers:

	Current Period	Prior Period
Public Sector	1,955,377	1,292,010
Private Sector	15,803,064	10,613,046
Total (*)	17,758,441	11,905,056

(*) Excluding interest accruals amounting to YTL 284,799 thousand in the current period and YTL 137,336 thousand in the prior period.

• Allocation of foreign and domestic loans:

	Current Period	Prior Period
Domestic Loans	17,666,260	11,900,661
Foreign Loans	92,181	4,395
Total (*)	17,758,441	11,905,056

(*) Excluding interest accruals amounting to YTL 284,799 thousand in the current period and YTL 137,336 thousand in the prior period.

• Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct Loans Granted to Associates and Subsidiaries	12,752	16,964
Indirect Loans Granted to Associates and Subsidiaries	10,136	11,098
Total (*)	22,888	28,062

(*) Excluding interest accruals.

• Specific provisions for loans:

	Current Period	Prior Period
Substandard Loans and Receivables- Limited Collectibility	196,943	92,370
Doubtful Loans and Receivables	30,429	22,008
Uncollectible Loans and Receivables	774,675	884,549
Total	1,002,047	998,927

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- Non-performing loans:

- Non-performing loans and receivables restructured or rescheduled:

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Current Period (Gross Amount Before Specific Provisions)	22	-	170,431
Restructured Loans and Receivables	-	-	-
Rescheduled Loans and Other Receivables	22	-	170,431
Prior Period (Gross Amount Before Specific Provisions)	294	-	277,659
Restructured Loans and Receivables	-	-	-
Rescheduled Loans and Other Receivables	294	-	277,659

- Information on movements of non-performing loans:

	Group III	Group IV	Group V
	Substandard Loans and Receivables	Doubtful Loans and Receivables	Uncollectible Loans and Receivables
Prior Period End Balance	92,370	22,008	884,549
Additions (+)	226,706	4,899	91,566
Transfers From Other Categories of Loans Under Follow-up (+)	-	25,212	15,988
Transfers To Other Categories of Loans Under Follow-up (-)	9,900	13,133	103,826
Collections (-)	112,233	8,557	113,561
Write-Offs (-)	-	-	41
Current Period End Balance	196,943	30,429	774,675
Specific Provisions (-)	196,943	30,429	774,675
Net Balance on Balance Sheet	-	-	-

- Non-performing loans in foreign currencies:

None.

- Liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables are collected through legal follow-up and conversion of collaterals into cash.

- Investment Securities Held to Maturity:

- Information on investment securities held to maturity subject to repo transactions and given as collateral/blocked:

There are no securities held to maturity given as collateral or subject to repo transactions in the current period.

In the prior period, securities given as collateral amount to YTL 340,647 thousand (government bond). There are no securities held to maturity subject to repo transactions.

• Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	-	340,647
Treasury Bills	-	-
Other Government Securities	48,391	5,998
Total	48,391	346,645

• Information on investment securities held to maturity:

	Current Period	Prior Period
Debt Securities	48,870	371,878
Quoted at a Stock Exchange	-	-
Not Quoted	48,870	371,878
Impairment Provisions (-)	479	304
Total	48,391	371,574

• Information on movements in investment securities held to maturity:

	Current Period	Prior Period
Beginning Balance	360,767	551,907
Foreign Currency Differences on Monetary Assets	(22,693)	-
Purchases During the Period (*)	446,324	31,008
Disposals through Sales and Redemption	(736,020)	(221,844)
Impairment Losses (-)	479	304
Balance at the end of the Period	47,899	360,767

(*) Interest accruals on investment securities held to maturity amount to YTL 492 thousand in the current period and YTL 10,807 thousand in

• Investments in Associates:

• Information on Associates:

Associates	Address (City/Country)	Bank's Shareholding Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Shareholding Percentage (%)
Kıbrıs Vakıflar Bankası Ltd.	Cyprus	15.00	15.00
İşkur İşçi İşadamı Kimya Kuruluşları A.Ş.	Bankrupt	25.00	25.13
Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	11.75	21.63
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	Ankara/Turkey	27.63	29.45
Vakıf Gayrimenkul Ekspertiz ve Değ.A.Ş.	Ankara/Turkey	20.00	27.44
Orta Doğu Yazılım Hizmetleri A.Ş.	Ankara/Turkey	9.00	34.04

Information on financial statements of associates:

Associate	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value
Kıbrıs Vakıflar Bankası Ltd. (*)	568,235	27,830	3,001	63,755	7,936	3,328	-	4,174
İşkur İşçi İşadamı Kimya Kuruluşları A.Ş.	-	-	-	-	-	-	-	-
Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.	12,131	11,876	60	-	-	(274)	421	1,003
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	57,904	57,420	39,794	2,390	2,390	4,510	(72)	12,371
Vakıf Gayrimenkul Ekspertiz ve Değ.A.Ş.	7,099	5,488	204	403	52	2,355	-	1,226
Orta Doğu Yazılım Hizmetleri A.Ş.	10,693	9,999	289	1,347	72	739	(24,848)	752

(*) As of 30 September 2006.

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- Information on movements in associates:

	Current Period	Prior Period
Balance at Beginning of the Period	27,187	17,363
Movements during the Period	(7,661)	9,824
Purchases	915	1,350
Bonus Share Acquired	170	-
Dividend received from the current year profit	-	-
Sales	6,326	1,143
Revaluation Surplus	1,112	10,503
Impairment Provisions	3,532	886
Balance at the End of the Period	19,526	27,187
Capital Commitments	-	-
Shareholding Percentage at the End of the Period (%)	0.00	0.00

- Information on sectoral concentration of associates:

Investments in Associates	Current Period	Prior Period
Banks	4,174	9,618
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	13,374	16,046

- Information on quoted associates:

	Current Period	Prior Period
Quoted at Domestic Stock Exchanges	13,374	16,046
Quoted at International Stock Exchanges	-	-

- Investments in Subsidiaries:

- Information on investments in subsidiaries:

Subsidiary	Address(City/ Country)	Bank's Shareholding Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Shareholding Percentage (%)
Güneş Sigorta A.Ş.	İstanbul/Turkey	36.35	36.35
Vakıf Emeklilik A.Ş.	İstanbul/Turkey	53.90	74.93
Vakıf Enerji ve Madencilik A.Ş.	Ankara/Turkey	65.50	84.87
Ataköy Mağazacılık Ticaret A.Ş.	Bankrupt	45.79	45.79
Taksim Otelcilik A.Ş.	İstanbul/Turkey	51.00	51.51
Vakıf Finans Factoring Hizmetleri A.Ş.	İstanbul/Turkey	78.39	86.53
Vakıf Finansal Kiralama A.Ş.	İstanbul/Turkey	58.71	64.24
Vakıf Deniz Finansal Kiralama A.Ş.	İstanbul/Turkey	68.55	73.85
Vakıf Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Ankara/Turkey	31.00	31.09
Vakıf Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	99.00	99.42
Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret A.Ş.	Ankara/Turkey	73.00	79.75
Vakıfbank International AG	Wien/Austria	90.00	90.00
World Vakıf Offshore Banking Ltd.	Cyprus	82.00	84.92

• Information on financial statements of subsidiaries:

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Current Period Securities Portfolio	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Fair Value
Subsidiaries								
Güneş Sigorta A.Ş.	422,400	185,449	69,769	10,752	10,087	1,123	4,545	68,046
Vakıf Emeklilik A.Ş. (*)	552,752	71,973	21,900	32,222	31,384	12,714	20,527	73,223
Vakıf Enerji ve Madencilik A.Ş.	299,062	284,006	85	1,041	-	38,262	1,061	21,722
Ataköy Mağazacılık Ticaret A.Ş.	-	-	-	-	-	-	-	-
Taksim Otelcilik A.Ş.	211,947	213,308	68,548	6,326	-	5,001	(102,932)	96,255
Vakıf Finans Factoring Hizmetleri A.Ş.	97,492	75,214	160	8,452	-	1,151	4,964	24,301
Vakıf Finansal Kiralama A.Ş.	161,629	36,492	4,074	17,199	-	6,643	9,207	23,555
Vakıf Deniz Finansal Kiralama A.Ş.	186,775	10,423	58	-	54	1,246	(121,424)	-
Vakıf Girişim Sermayesi Yatırım Ortaklığı A.Ş. (*)	10,862	10,715	2	277	17	(57)	(999)	3,290
Vakıf Yatırım Menkul Değerler A.Ş.	44,637	41,920	412	5,205	-	4,545	1,114	40,146
Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret A.Ş. 11,867		8,226	351	322	160	1,979	-	5,344
Vakıfbank International AG (*)	674,775	74,323	1,368	27,665	11,101	8,010	28,601	33,187
World Vakıf Offshore Banking Ltd.	68,265	5,401	-	6,413	-	2,529	(437)	-

(*) As of 30 September 2006.

• Information on movement in subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	585,282	465,170
Movement in the Period	(196,213)	120,112
Purchases	6,775	-
Bonus Shares Acquired	27,533	-
Dividends Received from the Current Year Profit	-	-
Sales	273	-
Revaluation Surplus	30,996	115,931
Impairment Provisions	261,244	(4,181)
Balance at the End of the Period	389,069	585,282
Capital Commitments	-	-
Shareholding Percentage at the End of the Period (%)	-	-

• Information on sectoral concentration of subsidiaries:

	Current Period	Prior Period
Banks	33,187	50,157
Insurance Companies	141,269	129,477
Factoring Companies	24,301	56,094
Leasing Companies	23,555	46,429
Finance Companies	-	-
Other Financial Subsidiaries	43,436	41,628

• Information on quoted subsidiaries:

	Current Period	Prior Period
Quoted at Domestic Stock Exchanges	94,891	134,146
Quoted at International Stock Exchanges	-	-

• Investments in Joint-Ventures:

None,

• Lease Receivables:

None,

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- Hedging Purpose Derivatives:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Fair Value Hedges	9,969	24	-	-
Cash Flow Hedges	-	-	-	-
Hedge of a Net Investment in a Foreign Entity	-	-	-	-
Total	9,969	24	-	-

- Tangible Assets:

Disclosures about tangible assets are made on section three "Accounting Policies".

There is no any impairment on tangible assets recognized or cancelled in the current period.

- Intangible Assets:

Intangible assets of the Bank comprise software programs. Intangible assets are amortized by the straight line method over useful life of five years.

There is no any intangible asset having a significant impact on the financial statements as a whole. Additionally, the Bank has no any intangible asset acquired through government incentives, restricted, pledged or recognized in fair value when acquired.

The Bank has not made any commitment in order to acquire any intangible asset. There is no research and development cost recognized in the current period.

- Deferred Tax Assets:

The Bank has YTL 89,805 thousand deferred tax asset as of 31 December 2006. Related deferred tax asset is calculated in accordance with Turkish Accounting Standards 12 "Income Taxes" by the temporary differences between the book value of the Bank's assets and liabilities and their taxable values calculated as per the tax regulation.

Deferred tax asset of YTL 17,195 thousand stems from adjustments to financial statements of the prior period in accordance with TAS standards.

There are no provisions for impairments and cancellations of those provisions regarding deferred taxes in the current period.

- Assets Held for Sale:

None.

- Other Asset s:

- Prepaid expenses amounting to YTL 48,732 thousand comprise prepaid fees and commissions, rent, insurance expenses, advertising expenses and other miscellaneous expenses. Total prepaid taxes amount to YTL 93,614 thousand.

- The "Other Assets" item of the balance sheet amounting to YTL 436,042 thousand does not exceed 10 % of total assets.

II- liabilities:

- Deposits:
- Information on maturity structure of deposits:

(i). Current period:

	Demand	With 7 Days Maturity	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Longer	Total
Saving Deposits	729,350	-	151,730	4,476,272	512,142	28,045	31,591	5,929,130
Foreign Currency Deposits	1,306,176	-	1,727,961	2,848,815	570,677	64,157	583,691	7,101,477
Residents In Turkey	1,276,877	-	1,715,066	2,730,369	558,520	62,540	547,184	6,890,556
Residents Abroad	29,299	-	12,895	118,446	12,157	1,617	36,507	210,921
Public Sector Deposits	1,037,666	-	362,228	1,237,838	53,304	362	3,134	2,694,532
Commercial Deposits	666,345	-	739,475	1,801,182	269,020	143,832	2,620	3,622,474
Other Institutions Deposits	553,642	-	372,880	2,895,491	765,156	78,022	31,157	4,696,348
Precious Metals Deposits	-	-	-	-	-	-	-	-
Interbank Deposits	3,129	-	419,680	130,000	-	-	-	552,809
Central Bank	480	-	-	-	-	-	-	480
Domestic Banks	347	-	417,138	130,000	-	-	-	547,485
Foreign Banks	1,425	-	2,541	-	-	-	-	3,966
Special Financial Institutions	-	-	-	-	-	-	-	-
Other	877	-	1	-	-	-	-	878
Total (*)	4,296,308	-	3,773,954	13,389,598	2,170,299	314,418	652,193	24,596,770

(*) Excluding interest accruals amounting to YTL 245,290 thousand.

(ii). Prior period:

	Demand	With 7 Days Maturity	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Longer	Total
Saving Deposits	547,815	-	72,141	2,087,506	780,147	103,296	72,732	3,663,637
Foreign Currency Deposits	778,045	-	1,795,816	2,419,862	873,245	72,722	457,882	6,397,572
Residents In Turkey	741,867	-	1,783,076	2,296,717	861,078	71,584	424,954	6,179,276
Residents Abroad	36,178	-	12,740	123,145	12,167	1,138	32,928	218,296
Public Sector Deposits	611,851	-	184,627	1,713,259	70,170	147,478	34,419	2,761,804
Commercial Deposits	1,060,502	-	1,015,703	2,290,415	632,260	9,448	2,023	5,010,351
Other Institutions Deposits	609,501	-	250,113	2,275,745	993,799	117,447	243,386	4,489,991
Precious Metals Deposits	-	-	-	-	-	-	-	-
Interbank Deposits	1,165	-	445,687	43,744	123,740	8,000	-	622,336
Central Bank	225	-	-	-	-	-	-	225
Domestic Banks	223	-	434,884	25,000	-	-	-	460,107
Foreign Banks	428	-	10,802	18,744	123,740	8,000	-	161,714
Special Purpose Financial Institutions	-	-	-	-	-	-	-	-
Other	289	-	1	-	-	-	-	290
Total (*)	3,608,879	-	3,764,087	10,830,531	3,473,361	458,391	810,442	22,945,691

(*) Excluding interest accruals amounting to YTL 215,400 thousand.

- Information on saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund:
- Saving deposits covered by deposit insurance and total amount of deposits exceeding insurance coverage limit:

Savings Deposits	Under The Guarantee of Savings Deposits Insurance Fund		Exceeding The Limit of Savings Deposits Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Savings Deposits	3,100,191	2,101,544	2,828,939	1,562,093
Foreign Currency Savings Deposits	1,298,659	1,228,691	2,144,796	1,847,024
Other Deposits In the Form of Savings Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-Shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-

- The Bank's head office is located in Turkey and accordingly within the scope of savings deposit insurance fund.

- Saving deposits under the coverage of foreign insurance:

	Current Period	Prior Period
Foreign Branches Deposits Under Foreign Authorities' Insurance (*)	133	2,084
Off-Shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-

(*) Foreign currency deposits at New York Branch.

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- Derivative Financial Liabilities Held for Trading:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward Deals	-	35	-	-
Swaps	-	-	-	-
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	35	-	-

- Funds Borrowed:

- Information on banks and other financial institutions:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	60,648	308,471	38,383	285,420
Foreign Banks, Institutions and Funds	-	4,593,860	-	3,189,021
Interest and Expense Accruals	1,343	32,814	616	19,392
Total	61,991	4,935,145	38,999	3,493,833

- Information on maturity structure of funds borrowed:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short Term	60,648	1,788,647	38,383	1,835,331
Medium and Long Term	-	3,113,684	-	1,639,110
Interest and Expense Accruals	1,343	32,814	616	19,392
Total	61,991	4,935,145	38,999	3,493,833

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 15.35 % of the Bank's liabilities. There is no risk concentration on funding sources of the Bank.

The Bank has obtained foreign lending in the amount of USD 915 million under the organization of Standard Chartered and West LB AG by securitization programme based on diversified payment rights. In accordance with the securitization programme, the Bank has transferred its diversified payment rights to VB DPR Finance Company. As of 31 December 2006, unpaid balance of the notes issued in 5 tranches by VB DPR Finance Company is USD 915 million.

- Information on concentration areas of the Bank's liabilities:

Bank's funding sources making up the liabilities comprise deposits and funds borrowed which account for 76.33 % of total liabilities of the Bank. Deposits are distributed among a large variety of customers with stable structure and do not hold risk concentration.

- Other External Sources Payable:

Other external sources amount to YTL 205,278 thousands and do not exceed 10 % of the total liabilities.

- Lease Payables:

Lease payables amount to YTL 12,494 thousand with maturities of 1-4 years. Installment payments are based on cost of goods, current interest rates and maturities.

There are no conditions placing any significant burden on the Bank. There has not been any change in financial lease contracts during the current period. The Bank has not undertaken any operational lease transactions and sale and lease-back transactions.

- Hedging Purpose Derivatives:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Total	-	3,707	-	-
Fair Value Hedges	-	3,707	-	-
Cash Flow Hedges	-	-	-	-
Hedge of a Net Investment in a Foreign Entity	-	-	-	-

- Provisions:

- General information on provisions:

	Current Period	Prior Period
General Provision for	130,463	87,062
Loans and Receivables in Group I	118,857	76,956
Loans and Receivables in Group II	2,000	2,000
Non-cash Loans	9,606	8,106
Other	-	-

- Information on provisions for foreign exchange differences on foreign currency indexed loans and financial lease receivables:

None.

- Provisions for non-cash loans that are not indemnified or converted into cash amount to YTL 98,860 thousand.

- Information on other provisions:

- Information on general reserves for possible risks:

The Bank handed over 45 % shares in Güney Ege Enerji İşletmeleri Limited Şirketi (Güney Enerji) purchased from Bayındır Group for USD 103,500,000 to its subsidiary Vakıf Enerji ve Madencilik A.Ş. (Vakıf Enerji) for the same amount. Vakıf Enerji had been unable to operate Yatağan, Yeniköy and Kemerköy Thermal Power Plants which are in the process of privatisation. Accordingly, other shareholders of Güney Enerji and Vakıf Enerji petitioned to International Arbitration Tribunal to compensate for unrealized profits and other expenses from Turkish Ministry of Energy at 10 July 2003. The arbitration process finalized at 21 October 2004 in favor of Güney Enerji for a compensation amounting to USD 90,000,000. Güney Enerji has paid compensation to Vakıf Enerji according to its 45 % shareholding after deduction of taxes in the current period.

The carrying value of Vakıf Enerji in which the Bank has 65.50 % shareholding is YTL 161,427 thousands (in gross) as of 31 December 2006. However, market value of Vakıf Enerji has been determined at YTL 33,164 thousands according to due diligence report prepared in 2006. The provision of YTL 90,000 thousands for possible losses related to compensation and interest expenses have been transferred to the account of "Impairment on Subsidiaries" as of November, 2006. The Bank has set aside additional provision of YTL 49,705 thousands for impairment. As a result, the net carrying value of Vakıf Enerji is YTL 21,722 thousands as of 31 December 2006.

- Information on general reserves for possible risks: (continued)

Additionally, a provision of thousand YTL 21,000 provision has been provided for loans and other receivables in the event of delay in or doubt about collectibility as of 31 December 2006.

	Current Period	Prior Period
General Reserves for Possible Risks	21,000	111,000

- Other provisions exceeding 10 % of total provisions:

YTL 98,860 thousands of other provisions is provisions for non- indemnified non-cash loans, YTL 12,852 thousands is provisions for Credit Cards and Banking Services Promotion Practices and YTL 21,000 thousands is general provisions for possible risks as explained above.

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- Tax Liabilities:

- Information on current tax liabilities:

- Tax provision:

The Bank provided YTL 179,254 thousand for corporate and income taxes.

- Taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	-	-
Taxation on Securities Income	41,138	20,911
Taxation on Real Estates Income	380	1,053
Banking Insurance Transaction Tax	16,455	13,126
Foreign Exchange Transaction Tax	2,463	1,186
Value Added Tax Payable	437	521
Other	7,944	7,478
Total	68,817	44,275

- Premiums:

	Current Period	Prior Period
Social Security Premiums-Employees	-	-
Social Security Premiums-Employer	-	-
Bank Pension Fund Premium-Employees	-	-
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions- Employees	-	-
Pension Fund Membership Fees and Provisions- Employer	-	-
Unemployment Insurance- Employees	222	175
Unemployment Insurance- Employer	379	284
Other	-	5
Total	601	464

- Deferred tax liabilities:

Deferred tax liability of the Bank is YTL 31,914 thousands including additional liabilities arising from TAS adjustments as of 31 Deember 2006 (YTL 43,686 thousands as of 31 December 2005).

- Payables for Assets Held for Sale:

None.

- Subordinated Debts:

None.

- Shareholders' equity:

- Information on paid-in capital:

	Current Period	Prior Period
Common Shares	2,500,000	1,279,000
Preference Shares	-	-

- Information on registered share capital system:

Capital System	Paid-In Capital	Ceiling
Registered Capital System	2,500,000	5,000,000

The Bank had adopted registered capital system under permission no: 37/112 dated 15.09.2005 of Capital Market Board (CMB) of Turkey in accordance with Capital Market Law no: 2499 and determined registered capital ceiling at thousand YTL 1,300,000 in conformity with Decision no: 73727 dated 02.11.2005 of Board of Directors. The registered capital ceiling was increased to thousand YTL 5,000,000 in accordance with Ordinary General Assembly dated 31.03.2006 under permission no: 10/242 dated 03.03.2006 of CMB.

• Information on capital increases:

Date	Increase Amount	Cash	Provided from Profit reserves	Provided from Capital Reserves
19.12.2006	1,221,000	-	159,237	1,061,763

The paid-in capital of the Bank has been increased to YTL 2,500,000 thousands by YTL 1,221,000 thousand from YTL 1,279,000 thousand as of 19 December 2006. YTL 7,795 thousands of the total increase was provided from revaluation fund, YTL 154,500 thousands from extraordinary reserves, YTL 605,763 thousands from other capital reserves, YTL 4,737 thousands from other profit reserves and YTL 448,205 thousands from share premiums.

• Information on capital increases provided from capital reserves:

Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares from Associates, Subsidiaries and Joint-Ventures	Diğer
-	7.795	-	1.053.968

• Information on capital commitments for current year and future financial periods:

None.

• Information on possible effect of estimations made for the parent bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:

None.

• Information on privileges given to stocks representing the capital:

None.

• Information on securities value increase fund:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	101,704	-	136,686	22,852
Valuation Differences	(2,747)	55,821	173,054	66,734
Exchange Rate Differences	-	-	-	-
Total	98,957	55,821	309,740	89,586

Information on the part of the securities value increase fund related to foreign currency marketable securities: The part of value increase fund related to foreign currency marketable securities is the difference between the fair values and amortized costs, calculated in accordance with "effective yield method" of government bonds classified as investment securities available-for-sale.

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III- Off-Balance Sheet Items:

- Off-Balance Sheet Commitments and Contingencies:

- Information on types and amounts of irrevocable loan commitments:

There is a standing commitment of YTL 12,373 thousand for the guaranteed loan extension, a standing commitment of YTL 1,611,354 thousands for credit card expenditure limits and commitment of YTL 1,305,070 thousand for cheque payments.

- Information on possible losses and commitments resulting from off-balance sheet items:

- Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

Bank Acceptances	354,923
Letters of Credit	1,225,892
Other Guarantees	6,857
Total	1,587,672

- Definite guarantees, provisional guarantees, sureties and similar transactions:

Provisional Letters of Guarantee	78,522
Definite Letters of Guarantee	2,700,200
Advance Letters of Guarantee	301,306
Letters of Guarantee Addressed to Customs	60,465
Other Letters of Guarantee	140,800
Total	3,281,293

- Total non-cash loans:

	Current Period	Prior Period
Non-cash Loans Provided for Utilization of Cash Loans	444,043	427,771
With Maturity of 1 year or less than 1 year	154,617	194,829
With Maturity of more than 1 year	289,426	232,942
Other Non-Cash Loans	4,427,879	4,210,589
Total	4,871,922	4,638,360

- Sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agriculture	21,224	1.14	7,652	0.25	22,243	1.37	6,032	0.20
Farming and Stockbreeding	17,295	0.93	4,918	0.16	19,940	1.23	5,239	0.17
Forestry	3,316	0.18	-	-	2,213	0.14	-	-
Fishery	613	0.03	2,734	0.09	90	0.01	793	0.03
Manufacturing	722,417	38.89	1,300,730	43.15	688,547	42.55	1,349,669	44.69
Mining	23,407	1.26	65,849	2.18	15,972	0.99	5,312	0.18
Production	567,105	30.53	1,073,679	35.62	587,662	36.32	1,220,420	40.41
Electricity, Gas, Water	131,905	7.10	161,202	5.35	84,913	5.25	123,937	4.10
Construction	259,075	13.95	510,489	16.94	225,876	13.96	392,895	13.01
Services	570,590	30.72	552,833	18.34	430,919	26.63	565,732	18.73
Wholesale and Retail Trade	265,392	14.29	129,123	4.28	208,550	12.89	72,239	2.39
Hotel, Food and Beverage Services	26,555	1.43	1,877	0.06	19,019	1.18	2,881	0.10
Transportation and Telecommunication	116,618	6.28	196,338	6.51	104,168	6.44	265,359	8.79
Financial Instantiations	141,936	7.64	201,496	6.68	85,559	5.29	203,103	6.72
Real Estate and Renting Services	1,189	0.06	-	-	680	0.04	-	-
"Self-Employment" Type Services	-	-	-	-	-	-	-	-
Education Services	2,122	0.11	10,279	0.34	3,972	0.25	9,520	0.32
Health and Social Services	16,778	0.90	13,720	0.46	8,971	0.55	12,630	0.42
Other	284,249	15.30	642,663	21.32	250,588	15.49	705,859	23.37
Total	1,857,555	100.00	3,014,367	100.00	1,618,173	100.00	3,020,187	100.00

- Non-cash loans classified under Group I and Group II:

	Group I		Group II	
	YTL	FC	YTL	FC
Non-cash Loans	1,765,718	2,881,911	44,049	81,384
Letters of Guarantee	1,765,624	1,344,886	44,049	29,450
Bills of Exchange and Banks Acceptances	-	340,768	-	12,579
Letters of Credit	-	1,186,537	-	39,355
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Securities	94	9,720	-	-

- Derivative Financial Instruments:

Hedging purpose derivatives of the Bank amount to YTL 375,131 thousand. Forward foreign currency purchases and sales amount to YTL 9,837 thousand recorded under derivative financial assets held for trading.

The Bank undertakes foreign currency forward and swap transactions so as to protect short-term assets and liabilities against foreign exchange fluctuations and to keep foreign exchange cash flows under control. Hedging purpose derivative transactions are made at Bahrain Branch of the Bank.

- Contingent Assets and Liabilities:

The Bank does not have any contingent liabilities other than lawsuits filed.

There are 1,273 lawsuits in total amounting to YTL 161,894 thousand, USD 14,782,375, EURO 2,919 and FF 5,146 filed against the Bank according to the information received from law department of the Bank as of the balance sheet date.

- Services Rendered on Behalf of Third Parties:

None.

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IV- Income And Expense Items:

- Interest Income:
- Information on interest income from loans:

	Group I		YTL	Group II (*)	
	YTL	FC		FC	
Interest Income from Loans	2,140,675	346,072			
Short-Term Loans	1,327,595	153,682			
Medium or Long-Term Loans	764,423	192,390			
Loans Under Follow-Up	48,657	-			
Premiums Received from Resource Utilization Support Fund	-	-			

(*) All interest income from loans is presented under Group 1 due to difficulty in terms of classification.

- Information on interest income from banks:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	3,818	-	3,490
Domestic Banks	25,281	2,651	18,473	234
Foreign Banks	10,709	76,502	1,329	33,396
Foreign Head offices and Branches	-	-	-	-
Total	35,990	82,971	19,802	37,120

- Information on interest income from securities portfolio:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Financial Assets Held-for-Trading	14,772	116,628	165,651	70,149
Financial Assets Valued at Fair Value	-	-	-	-
Investments Available-for-Sale	1,045,613	225,368	883,803	178,123
Investments Held-to-Maturity	11,833	312	18,890	223
Total	1,072,218	342,308	1,068,344	248,495

- Information on interest from investments in associates and subsidiaries:

	Current Period	Prior Period
Interest Income from Investments in Associates and Subsidiaries	451	93

- Interest Expense:
- Information on interest on funds borrowed:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	5,156	198,241	7,465	102,775
Central Bank of Turkey	-	-	-	-
Domestic Banks	4,775	3,139	6,392	2,869
Foreign Banks	381	195,102	1,073	99,906
Foreign Head offices and Branches	-	-	-	-
Other Institutions	-	89	5,206	71
Total	5,156	198,330	12,671	102,846

- Information on interest paid to associates and subsidiaries:

Unable to disclose.

- Information on interest on securities issued:

None.

• Information on interest on deposits:

Account Description	Demand Deposit	Up to 1 Month	Time Deposit			1 Yılda Month	1 Year and over	Total
			1-3 Month	3-6 Month	6-12 Month			
Turkish Liras								
Bank Deposits	-	16,096	-	-	-	-	-	16,096
Saving Deposits	13,397	20,853	563,150	97,196	17,733	9,198	-	721,527
Public Sector Deposits	1,258	57,151	260,854	11,078	10,031	1,768	-	342,140
Commercial Deposits	14,175	42,461	218,770	95,262	12,057	657	-	383,382
Other Deposits	4,662	123,690	508,356	131,146	12,421	32,907	-	813,182
'7 Days Notice' Deposits	-	-	-	-	-	-	-	-
Total	33,492	260,251	1,551,130	334,682	52,242	44,530	-	2,276,327
Foreign Currency								
Foreign Currency Deposits	29,904	51,737	107,517	30,459	9,666	21,143	-	250,426
Bank Deposits	-	33,143	-	-	-	-	-	33,143
'7 Days Notice' Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	29,904	84,880	107,517	30,459	9,666	21,143	-	283,569
Grand Total	63,396	345,131	1,658,647	365,141	61,908	65,673	-	2,559,896

• Dividend Income:

	Current Period	Prior Period
Financial Assets Held-for-Trading	-	50
Financial Assets Valued at Fair Value	-	-
Investment Securities Available-for-Sale	6,376	3,322
Other	10,181	6,906
Total	16,557	10,278

• Trading Income / (Loss) (Net):

	Current Period	Prior Period
Income	991,502	443,722
Trading Account Income	105,927	138,600
Derivative Financial Instruments	15,494	3
Other	90,433	138,597
Foreign Exchange Gains	885,575	305,122
Losses (-)	943,720	268,052
Trading Account Losses	60,437	7,817
Derivative Financial Instruments	12,631	-
Other	47,806	7,817
Foreign Exchange Losses	883,283	260,235

• Other Operating Income:

There is not any operating income that has a significant impact on total income of the Bank.

• Provision for Losses on Loans and Other Receivables:

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	161,144	261,726
Loans and Receivables in Group III	122,754	74,205
Loans and Receivables in Group IV	23,864	19,029
Loans and Receivables in Group V	14,526	168,492
General Provisions	42,000	24,000
Provisions for Possible Risks	-	61,000
Impairment Losses on Securities	7,781	15,295
Financial Assets Valued at Fair Value through Profit or Loss	1,047	5,012
Investment Securities Available-for-Sale	6,734	10,283
Impairment Losses on Associates, Subsidiaries and Investment Securities		
Held-to- Maturity	74,062	2,674
Associates	75	886
Subsidiaries	73,508	1,484
Investment Securities Held-to- Maturity	479	304
Other	38,374	80,190
Total	323,361	444,885

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- Other Operating Expenses:

	Current Period	Prior Period
Personnel Costs	363,621	324,367
Reserve For Employee Termination Benefits	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	55,306	53,079
Impairment Losses on Intangible Assets	-	-
Impairment of Goodwill	-	-
Depreciation Expenses of Intangible Assets	8,512	6,439
Impairment Losses on Assets to be Sold	-	-
Depreciation Expenses of Assets to be Sold	-	-
Impairment Losses on Assets Held-for-Sale	-	-
Other Operating Expenses	288,265	263,446
Operational Lease Related Expenses	40,674	34,835
Repair and Maintenance Expenses	9,878	6,873
Advertisement Expenses	32,124	34,224
Other Expenses	205,589	187,514
Losses on Sale of Assets	8,646	15,643
Other	210,981	68,687
Total	935,331	731,661

- Profit / (Loss) Before Taxes:

Profit before taxes of the Bank amounts to YTL 1,022,597 thousand.

- Provision for Taxes:

Current tax charge of the Bank amounts to YTL 180,612 thousand.
Deferred tax charge related to recording or canceling taxable temporary differences amounts to YTL 72,255 thousand.

- Net Operating Profit / (Loss) After Taxes:

Operating profit after taxes of the Bank amounts to YTL 769,730 thousands.

- Net Profit / (Loss):

- Information on income and expenses resulting from regular banking activities:

There is no point requiring explanations.

- Information on any changes in estimations that might have a material effect on current and subsequent period results

There is no point requiring explanations.

- Other Income and Expense Items Exceeding 10 % of Total Income and Expenses:

81.7 % of other operating income comprises provisions for communication expenses, provisions for written-off receivables, rent income and income from sales of assets. 76.5 % of other operating expenses consist of personnel expenses, operating expenses and depreciation and amortization expenses.

V- Shareholders' Equity Items:

- Inflation Adjustment Differences on Shareholders' Equity Items:

In accordance with the declaration of Banking Regulation and Supervision Agency (BRSA) numbered 1623 and dated April 21, 2005, banks are not required to apply inflation accounting in their financial statements since the indicators defined in Article 5 of the Communiqué are not deemed to be applicable. According to this decree, the "Inflation adjustment difference on paid-in capital" amounting to YTL 605,763 thousand accumulated until 31 December 2005 has been transferred to "Other Capital Reserves" account. This amount was added to paid-in capital as capital increase as of 19 December 2006.

- Distribution of Profit:

The Ordinary General Assembly of the Bank was held on 31 March 2006. In the Ordinary General Assembly, it was resolved to distribute YTL 535,170 thousands cash dividend to shareholders (YTL 399,352 thousands) and personnel (YTL 40,999 thousands) on 2005 operations, before the effects of TAS adjustments as explained on Note I of Section Three. Transfers to Legal Reserves, Extraordinary Reserves and Other Profit Reserves from prior year profit amounted to YTL 49,790 thousands, YTL 7,750 thousands and YTL 37,279 thousands respectively.

Profit distribution is carried out after General Assembly meeting which has not been made as of reporting date.

- Investment Securities Available-for-Sale:

"Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statements; they are recognized in the "Securities Value Increase Fund" account under Shareholders' Equity, until the financial assets are sold, disposed or impaired. Additional YTL 66,734 thousand was recorded in "Securities Value Increase Fund" in the prior period financial statements due to TAS adjustments.

VI- Cash Flow Items:

- Other Cash Flow Items and The Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents:

The "Other" item under "Operating Profit Before Changes in Operating Assets and Liabilities" amounting to YTL 1,046,337 thousand consists mainly of items such as other operating expenses (YTL 935,331 thousand), provisions for losses on loans and other receivables (YTL 323,361 thousand) and fees and commissions paid (YTL 125,254 thousand). The "Other" item under "changes in Operating Assets and Liabilities" amounting to YTL 51,309 thousand consists mainly of changes in funds (YTL 11,675 thousands).

- Cash Outflows from Acquisition of Associates, Subsidiaries and Joint Ventures:

Cash outflows due to investments in associates and subsidiaries amount to YTL 7,690 thousand as of 31 December 2006.

- Cash Inflows from Sale of Associates, Subsidiaries and Joint Ventures:

Cash inflows due to sale of some associates and subsidiaries amount to YTL 6,599 thousand as of 31 December 2006.

- Cash and Cash Equivalents at the Beginning and End of the Period:

- Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency together with demand deposits at banks including the Central Bank are defined as "Cash"; interbank money market placements and time deposits in banks with original maturities less than three months are defined as "Cash Equivalents".

- Cash and Cash Equivalents at the Beginning and End of the Period: (continued)

- Reconciliation of the items making up the cash and cash equivalents with respect to the amount of such balances included in the cash flow statement with those included in the balance sheet:

Cash and cash equivalents at the beginning of the period:

	Current Period 31.12.2005	Prior Period 31.12.2004
Cash	1,720,635	578,094
Cash, Foreign Exchange and Others	280,602	180,266
Demand Deposits at Banks	1,440,033	397,828
Cash Equivalents	4,666,228	3,467,453
Money Market Transactions	2,649,000	1,100,000
Time Deposits at Banks	2,017,228	2,367,453
Total Cash and Cash Equivalents	6,386,863	4,045,547

Cash and cash equivalents at the end of the period:

	Current Period 31.12.2006	Prior Period 31.12.2005
Cash	2,074,958	1,720,635
Cash, Foreign Exchange and Others	409,737	280,602
Demand Deposits at Banks	1,665,221	1,440,033
Cash Equivalents	3,814,040	4,666,228
Money Market Transactions	870,500	2,649,000
Time Deposits at Banks	2,943,540	2,017,228
Total Cash and Cash Equivalents	5,888,998	6,386,863

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VII- Risk Group Of The Bank:

• Information on the volume of transactions relating to the Bank's risk group, outstanding loan and deposit transactions and profit and loss of the period:

• Current period:

Bank's Risk Group	Associates and Subsidiaries		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the Beginning of the Period	28,062	189,533	-	950	-	-
Balance at the End of the Period	22,888	219,239	-	568	-	-
Interest and Commissions Income Received	17	83	-	-	-	-

• Previous period:

Bank's Risk Group	Associates and Subsidiaries		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the Beginning of the Period	12,063	240,074	-	382	-	-
Balance at the End of the Period	28,062	189,533	-	950	-	-
Interest and Commissions Income Received	26	30	-	-	-	-

• Deposits of the Risk Group:

Bank's Risk Group	Associates and Subsidiaries		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	86,210	108,553	-	-	-	-
Balance at the End of the Period	120,261	86,210	-	-	-	-
Interest on Deposits (*)	-	-	-	-	-	-

(*) Unable to disclose.

• Derivative Transactions with Risk Group:

None.

VIII- Domestic, Foreign And Off-Shore Branches And Foreign Representatives:

	Number of Branches	Number of Employees	Country		Total Assets	Legal Capital
Domestic Branches (*)	427	7,663				
Foreign Representative Offices			1-			
			2-			
			3-			
Foreign Branches	2	16	1-USA	887,142	23,100	
			2-Bahrain	3,952,547		
			3-			
Off-Shore Branches			1-			
			2-			
			3-			

(*) Includes free trade zone branches.

• Opening or Closing Domestic and Foreign Branches and Foreign Representatives and Significant Changes in Organizational Structure:

None.

Other Disclosures And Notes

Other Operations Of The Bank:

None.

Independent Auditors' Report

The Bank's unconsolidated financial statements prepared as of 31 December 2006 have been audited by Kapital Bağımsız Denetim ve Yeminli Mali Müşavirlik Anonim Şirketi (A correspondent firm of RSM International) and an unqualified opinion has been issued in independent auditors' report dated 8 March 2007 and presented prior to the unconsolidated financial statements.

Disclosures And Notes Prepared By Independent Auditors:

None.

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V- Independent Audit Report - Consolidated Türkiye Vakıflar Bankası T.A.O. And Its Subsidiaries Independent Auditors' Report For The Period Between January 01- December 31, 2006

We have audited the accompanying consolidated financial statements of Türkiye Vakıflar Bankası T.A.O. ('the Bank'), which comprise the consolidated balance sheet as at 31 December 2006 and the consolidated income statement, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Disclosure for the responsibility of the Bank's Board of Directors

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the consolidated financial statements; and for adopting sound accounting policies in compliance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette no: 26333 dated 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the statements and guidance's published by the Banking Regulation and Supervision Agency (BRSA) on accounting and financial reporting principles.

Disclosure for the responsibility of the Authorized Audit Firm

Our responsibility, as independent auditors, is to express an opinion on the consolidated financial statements based on our audit. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. We believe that our audit provides a reasonable basis for our opinion.

Independent Auditors' Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası T.A.O. and its consolidated subsidiaries of December 31, 2006 and the results of operations and cash flows for the year then ended in accordance with the accounting principles and standards set forth by the regulations in effect as per Article 37 of the Banking Law No 5411.

Istanbul, April 12, 2007

KAPİTAL BAĞIMSIZ DENETİM VE
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.
Correspondent Firm of RSM International



N. Lokman Ketenci
Partner in charge

Additional paragraph for English translation

(The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices accepted in countries and jurisdictions other than those in Turkey. The standards, procedures and practices to audit the accompanying financial statements are those generally accepted and applied in Turkey)

Türkiye Vakıflar Bankası T.A.O. And Its Subsidiaries Consolidated Financial Report As Of December 31, 2006

The Bank's;
Address of the head office:
Atatürk Bulvarı No: 207 Kavaklıdere/ANKARA

Phone number: (0312) 455 75 75
Facsimile number: (0 312) 455 76 92
Web Page : www.vakifbank.com.tr
E-mail Address : posta@vakifbank.com.tr

The Reporting Package, prepared in accordance with "Financial Statements and Related Disclosures and Notes to be Announced to the Public by Banks" designed by the Banking Regulation and Supervision Agency, consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BANK
- CONSOLIDATED FINANCIAL STATEMENTS
- ACCOUNTING POLICIES
- FINANCIAL STRUCTURE OF THE CONSOLIDATED GROUP
- DISCLOSURES AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES AND NOTES
- INDEPENDENT AUDITOR'S REPORT

The subsidiaries, associates and jointly controlled companies included in the annual consolidated financial report are as follows:

SUBSIDIARIES

World Vakıf Off Shore Banking Ltd.
Vakıfbank International AG
Vakıf Finansal Kiralama A.Ş.
Vakıf Deniz Finansal Kiralama A.Ş.
Vakıf Yatırım Menkul Değerler A.Ş.
Güneş Sigorta A.Ş.
Vakıf Finans Factoring A.Ş.
Vakıf Emeklilik A.Ş.

ASSOCIATES

Vakıf Menkul Kıymetler Yat.Ort.A.Ş.
Vakıf Gayrimenkul Yatırım Ort. A.Ş.
Kıbrıs Vakıflar Bankası Ltd.Şti.

The consolidated financial statements and related notes and disclosures which are subject to independent audit, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances in compliance with financial records of our Bank. Unless stated otherwise, the accompanying unconsolidated financial statements are presented in thousands of New Turkish Lira (YTL).


Yusuf BEYAZIT
Chairman of Board of Directors


Cem DEMİRAG
Member of Board of Directors
and Audit Committee


M. Zeki AKILLIOĞLU
Member of Board of Directors
and Audit Committee


Bilal KARAMAN
Chief Executive Officer


Dr. Metin Recep ZAFER
Deputy Chief Executive Officer


Mehmet BOZ
Manager of Accounting Department

Information on the authorized personnel to whom questions may be directed related to this financial report:

A. Sonat ŞEN
Manager
Phone: (0 312) 455 75 66

Ender ODABAŞ
Deputy Manager
Phone: (0 312) 455 75 78

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General Information about Parent Bank

- I. History of Parent Bank Including Its Incorporation Date, Initial Legal Status, Amendments to Legal Status
- II. Parent Bank's Shareholder Structure, Management And Internal Audit, Direct And Indirect Shareholders, Change In Shareholder Structure During The Year And Information On Bank's Risk Group
- III. Information On Parent Bank's Board Of Directors Chairman And Members, Audit Committee Members, Chief Executive Officer, Executive Vice Presidents And Their Shareholdings In The Bank.
- IV. Information On The Bank's Qualified Shareholders
- IV. Summary Information On Parent Bank's Activities And Services

Consolidated Financial Statements

- I. Consolidated Balance Sheets
- II. Consolidated Statements Off Balance Sheet Contingencies and Commitments
- III. Consolidated Statements of Income
- IV. Consolidated Statements of Changes in Shareholders' Equity
- V. Consolidated Statements Of Cash Flow

Accounting Policies

- I. Basis Of Presentation
- II. Strategy For The Use Of Financial Instruments And The Foreign Currency Operations
- III. Presentation Of Information Regarding The Bank And Consolidated Subsidiaries
- IV. Forward Transactions, Options and Derivative Instruments
- V. Interest Income and Expenses
- VI. Fees and Commissions
- VII. Financial Assets
- VIII. Impairment Of Financial Assets

- IX. Offsetting Financial Instruments
- X. Repurchase and Reserve Repurchase Agreements and Securities Lending
- XI. Assets Held For Sale and Discounted Operations
- XII. Goodwill and Other Intangible Assets
- XIII. Tangible Assets
- XIV. Leasing Transactions
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- XVI. Obligation of Parent Bank Concerning Employee Rights
- XVII. Taxation
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Financial Structure of the Group

- I. Consolidated Capital Adequacy Ratio
- II. Consolidated Credit Risk
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- I. Consolidated Assets
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- VI. Consolidated Cash Flow Items
- VII. Risk Group of the Bank
- VIII. Domestic, Foreign and Off-Shore Branches and Foreign Representatives

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- I. Other Operations of the Bank

Independent Auditors' Report

- I. Information On The Independent Auditors' Report
- II. Disclosures and Notes Prepared By The Independent Auditors

General Information About Parent Bank

I. History Of Parent Bank Including Its Incorporation Date, Initial Legal Status, Amendments To Legal Status

Türkiye Vakıflar Bankası T.A.O. ("Bank" or "Vakıfbank"), was established under the authorization of Special Law No: 6219 dated January 11, 1954 within the framework of the authority granted to The General Directorate of Foundations (Vakıflar Genel Müdürlüğü). The Bank provides banking services as explained on "V. Summary information on Parent Bank's Activities and Services".

II. Parent Bank's Shareholder Structure, Management And Internal Audit, Direct And Indirect Shareholders, Change In Shareholder Structure During The Year And Information On Bank's Risk Group :

The largest shareholder of the Bank is Republic of Turkey General Directorate of Foundations which has direct or indirect control over the shares of the Bank.

25.18 % of shares of the Bank are quoted at Istanbul Stock Exchange as of 31 December 2006. Paid-in capital of the Bank was increased to YTL 2,500,000 thousand from 1,279,000 thousand as of 19 December 2006.

III. Information On Parent Bank's Board Of Directors Chairman And Members, Audit Committee Members, Chief Executive Officer, Executive Vice Presidents And Their Shareholdings In The Bank

Board of Directors Chairman and Members and Auditors:

Name Surname	Administrative Function	Appointment Date	Education	Experience in Banking and Business Administration
Yusuf Beyazıt	Chairman	30.04.2004	Master	8 years
Ragıp Doğu (*)	Vice Chairman	06.04.2005	University	31 years
Bilal Karaman(**)	Member and CEO	22.06.2005	University	27 years
Ahmet Müfit Cengiz	Member	31.12.2003	University	3 years
Mehmet Zeki Akilloğlu	Member	14.05.2004	Master	21 years
Hasan Özer	Member	07.02.2003	University	20 years
Erkan Topal	Member	04.04.2006	University	8 months
Selahattin Toraman	Member	31.12.2003	University	24 years
Cem Demirağ	Member	04.04.2005	University	15 years
Ahmet Tanyolaç	Auditor	21.03.2003	University	3 years
Faruk Eroğlu	Auditor	21.03.2003	University	5 years

(*) Ragıp Doğu has been appointed as vice chairman as of 31 March 2006.

(**) Bilal Karaman has been appointed as chief executive officer as of 21 June 2005.

CEO and Executive Vice Presidents:

Name Surname	Administrative Function	Appointment Date	Education	Experience in Banking and Business Administration
Bilal Karaman	Chief Executive Officer	22.06.2005	University	27 years
Tanju Yüksel	Executive Vice President	01.05.2000	University	20 years
Ahmet Atif Meydan	Executive Vice President	29.01.2003	University	17 years
Aydın Deliktaşlı	Executive Vice President	09.08.2004	University	26 years
Şahin Uğur	Executive Vice President	09.08.2004	University	20 years
Feyzi Özcan	Executive Vice President	20.09.2005	University	18 years
Dr.Metin Recep Zafer	Executive Vice President	13.06.2006	PhD	11 years
Dr.Önder Halisdemir (*)	Executive Vice President	21.06.2006	PhD	11 years
Birgül Denli	Executive Vice President	03.07.2006	Master	13 years
Doğan Pençe	Executive Vice President	07.06.2006	University	15 years

(*) Önder Hasdemir has resigned from his position as of 23 February 2007.

The top management listed above does not hold any unquoted shares of the Bank.

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IV. Information On The Bank's Qualified Shareholders

The largest shareholder of the Bank is Republic of Turkey General Directorate of Foundations which has direct or indirect control over the shares of the Bank.

Title	Shares	Ownership	Paid-in Capital	Unpaid Portion
Vakıflar Genel Müdürlüğü (Group A)	1,075,059	43.00	1,075,059	-
Vakıflar Genel Müdürlüğü (Group B)	386,224	15.45	386,224	-
T Vakıflar Bankası T.A.O Emekli ve Sağlık Yardım Sandığı Vakfı (Group C)	402,553	16.10	402,553	-

Paid-in capital of the Bank was increased to YTL 2,500,000 thousand from 1,279,000 thousand as of 19 December 2006.

V. Summary Information On Parent Bank's Activities And Services

Activities of the Bank in line with the related legislation and the principles stated in Vakıfbank's Articles of Incorporation are as follows:

- Providing retail, commercial, corporate, private and international banking services.
- Establishing or participating in all kinds of financial and industrial sector corporations.
- Trading real estates.
- Providing all banking operations and services.
- Operating real estates and corporations handed over by Republic of Turkey General Directorate of Foundations and Mazbut ve Mülhak Vakıflar in line with conditions stipulated by agreements if signed.
- Rendering banking services of Mazbut ve Mülhak Vakıflar and carrying out cashier transactions of Republic of Turkey General Directorate of Foundations in compliance with agreements if signed.

The Bank has 429 branches (427-domestic and 2-foreign) as of 31 December 2006 (31 December 2005: 302-domestic and 2-foreign). Number of personnel of the Bank is 7,679 as of 31 December 2006 (31 December 2005: 7,164).

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Consolidated Financial Statements

T. Vakıflar Bankası T.A.O.

Consolidated Balance Sheet as of 31 December 2006

BALANCE SHEET	Notes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD 31/12/2006			PIOR PERIOD 31/12/2005		
		YTL	FC	Total	YTL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	(1)	1,679,959	1,132,435	2,812,394	1,419,422	946,883	2,366,305
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	(2)	107,802	462,091	569,893	416,891	713,631	1,130,522
21 Financial assets held for trading		107,802	462,055	569,857	416,888	713,631	1,130,519
211 Government debt securities		97,798	-	97,798	388,874	671	389,545
212 Share certificates		8,392	-	8,392	25,610	-	25,610
213 Other securities		1,612	462,055	463,667	2,404	712,960	715,364
22 Financial assets designated at fair value		-	-	-	-	-	-
221 Government debt securities		-	-	-	-	-	-
222 Share certificates		-	-	-	-	-	-
223 Other securities		-	-	-	-	-	-
23 Derivative financial assets held for trading		-	36	36	3	-	3
III. BANKS AND OTHER FINANCIAL INSTITUTIONS	(3)	527,084	2,607,017	3,134,101	581,158	1,518,021	2,099,179
IV. INTERBANK MONEY MARKETS		873,277	-	873,277	2,651,144	-	2,651,144
41 Interbank money market placements		751,093	-	751,093	1,501,125	-	1,501,125
42 Istanbul Stock Exchange money market placements		1262	-	1262	-	-	-
43 Receivables from reverse repurchase agreements		120,922	-	120,922	1,150,019	-	1,150,019
V. INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)	(4)	6,796,967	3,551,701	10,348,668	7,058,151	3,381,568	10,439,719
5.1 Share certificates		158,169	2,144	160,313	157,562	1,192	158,754
5.2 Government debt securities		6,638,798	2,174,477	8,810,275	6,900,589	2,196,768	9,097,357
5.3 Other securities		-	1,378,080	1,378,080	-	1,183,608	1,183,608
VI. LOANS	(5)	12,361,039	6,055,029	18,416,068	8,762,175	3,531,781	12,293,956
6.1 Performing loans		12,361,039	6,054,813	18,415,852	8,762,175	3,531,714	12,293,889
6.2 Loans under follow-up		1,002,047	57,239	1,059,286	998,927	54,364	1,053,291
6.3 Specific provisions (-)		1,002,047	57,023	1,059,070	998,927	54,297	1,053,224
VII. FACTORING RECEIVABLES		40,546	4,051	44,597	35,476	2,337	37,813
VIII. INVESTMENT SECURITIES HELD-TO-MATURITY (Net)	(6)	92,322	188,129	280,451	415,057	171,415	586,472
8.1 Government debt securities		92,311	122,149	214,460	415,048	116,995	532,043
8.2 Other securities		11	65,980	65,991	9	54,420	54,429
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	41,779	4	41,783	40,121	7,619	47,740
9.1 Equity method associates		8,837	-	8,837	7,638	7,616	15,254
9.2 Unconsolidated investments		32,942	4	32,946	32,483	3	32,486
9.2.1 Financial investments		2,822	-	2,822	2,855	-	2,855
9.2.2 Non-Financial investments		30,120	4	30,124	29,628	3	29,631
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	127,788	-	127,788	262,940	-	262,940
10.1 Unconsolidated financial investments		4,467	-	4,467	1,443	-	1,443
10.2 Unconsolidated non-financial investments		123,321	-	123,321	261,497	-	261,497
XI. INVESTMENTS IN JOINT-VENTURES (Net)	(9)	-	-	-	-	-	-
11.1 Equity method joint ventures		-	-	-	-	-	-
11.2 Unconsolidated investments		-	-	-	-	-	-
11.2.1 Financial investments		-	-	-	-	-	-
11.2.2 Non-Financial investments		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(10)	31,870	222,308	254,178	18,257	172,387	190,644
12.1 Financial lease receivables		38,724	262,653	301,377	21,215	198,745	219,960
12.2 Operational lease receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		6,854	40,345	47,199	2,958	26,358	29,316
XIII. HEDGING PURPOSE DERIVATIVES	(11)	9,969	24	9,993	-	-	-
13.1 Fair value hedge		9,969	24	9,993	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of a net investment in a foreign entity		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(12)	1,013,864	1,588	1,015,452	1,141,157	1,420	1,142,577
XV. INTANGIBLE ASSETS (Net)	(13)	33,791	589	34,380	23,622	617	24,239
15.1 Goodwill		175	-	175	185	-	185
15.2 Other intangibles		33,616	589	34,205	23,437	617	24,054
XVI. TAX ASSETS	(14)	94,071	-	94,071	105,581	-	105,581
16.1 Current tax assets		-	-	-	-	-	-
16.2 Deferred tax assets		94,071	-	94,071	105,581	-	105,581
XVII. ASSETS HELD FOR SALE	(15)	1,963	-	1,963	4,367	-	4,367
XVIII. OTHER ASSETS	(16)	525,037	280,031	805,068	467,202	102,000	569,202
TOTAL ASSETS		24,359,128	14,504,997	38,864,125	23,402,721	10,549,679	33,952,400

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Manager of Accounting
Department

T. Vakıflar Bankası T.A.O.
Consolidated Balance Sheet as of 31 December 2006

BALANCE SHEET	Notes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD 31/12/2006			PIOR PERIOD 31/12/2005		
		YTL	FC	Total	YTL	FC	Total
I. DEPOSITS	(1)	17,556,811	7,606,967	25,163,778	16,549,192	6,865,721	23,414,913
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(2)	-	58	58	-	-	-
III. FUNDS BORROWED	(3)	52,243	5,333,484	5,385,727	44,638	3,765,093	3,809,731
IV. INTERBANK MONEY MARKETS		82	1,487,339	1,487,421	22,021	192,730	214,751
4.1 Interbank money market takings		-	-	-	1,645	-	1,645
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements		82	1,487,339	1,487,421	20,376	192,730	213,106
V. SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		139,922	-	139,922	151,597	-	151,597
VII. MISCELLANEOUS PAYABLES		525,319	74,779	600,098	364,103	38,665	402,768
VIII. OTHER EXTERNAL RESOURCES PAYABLE	(4)	51,279	154,837	206,116	67,379	175,347	242,726
IX. FACTORING PAYABLES		1,021	2,392	3,413	2,346	1,282	3,628
X. LEASE PAYABLES (Net)	(5)	-	-	-	-	-	-
10.1 Financial lease payables		-	-	-	-	-	-
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		-	-	-	-	-	-
XI. HEDGING PURPOSE DERIVATIVES	(6)	-	3,707	3,707	-	-	-
11.1 Fair value hedge		-	3,707	3,707	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of a net investment in a foreign entity		-	-	-	-	-	-
XII. PROVISIONS	(7)	846,953	18,786	865,739	866,967	15,578	882,545
12.1 General provisions		125,955	4,508	130,463	83,955	3,107	87,062
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee termination benefits		119,029	116	119,145	103,370	105	103,475
12.4 Insurance technical provisions (Net)		465,286	12,623	477,909	445,782	10,684	456,466
12.5 Other provisions		136,683	1,539	138,222	233,860	1,682	235,542
XIV. TAX LIABILITIES	(9)	264,760	32,932	297,692	318,880	44,603	363,483
14.1 Current tax liabilities		258,743	1,018	259,761	314,668	917	315,585
14.2 Deferred tax liabilities		6,017	31,914	37,931	4,212	43,686	47,898
XV. PAYABLES FOR ASSETS HELD FOR SALE	(10)	-	-	-	-	-	-
XIII. SUBORDINATED DEBTS		-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	(11)	4,607,143	103,311	4,710,454	4,345,347	120,911	4,466,258
16.1 Paid-in capital		2,500,000	-	2,500,000	1,279,000	-	1,279,000
16.2 Capital reserves		795,960	30,297	826,257	1,975,365	67,868	2,043,233
16.2.1 Share premium		726,687	-	726,687	1,175,112	-	1,175,112
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		16,691	30,297	46,988	181,150	67,868	249,018
16.2.4 Revaluation surplus on tangible assets		12,756	-	12,756	5,898	-	5,898
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Bonus shares of associates, subsidiaries and joint-ventures		37,586	-	37,586	6,021	-	6,021
16.2.7 Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.8 Revaluation surplus on assets held for sale		-	-	-	-	-	-
16.2.9 Other capital reserves		2,240	-	2,240	607,184	-	607,184
16.3 Profit reserves		307,949	22,200	330,149	373,518	20,752	394,270
16.3.1 Legal reserves		126,426	6,270	132,696	81,855	7,045	88,900
16.3.2 Status reserves		3	-	3	-	-	-
16.3.3 Extraordinary reserves		19,546	-	19,546	164,205	-	164,205
16.3.4 Other profit reserves		161,974	15,930	177,904	127,458	13,707	141,165
16.4 Profit or loss		823,809	42,149	865,958	553,518	25,900	579,418
16.4.1 Prior periods profit/(loss)		31,902	30,695	62,597	(9,544)	(5,912)	(15,456)
16.4.2 Current period profit/(loss)		791,907	11,454	803,361	563,062	31,812	594,874
16.5 Minority Shares		179,425	8,665	188,090	163,946	6,391	170,337
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		24,045,533	14,818,592	38,864,125	22,732,470	11,219,930	33,952,400

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Department

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T. Vakıflar Bankası T.A.O.
Consolidated Off-Balance Sheet Items as of 31 December 2006

	Dipnot	BIN YENİ TÜRK LİRASI					
		CARI DÖNEM 31/12/2006			ÖNCEKİ DÖNEM 31/12/2005		
		TP	YP	Toplam	TP	YP	Toplam
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		4,867,708	3,398,433	8,266,141	4,609,760	2,996,480	7,606,240
I. GUARANTEES AND SURETIES	(1), (3)	1,847,368	2,943,255	4,790,623	1,680,081	2,913,095	4,593,176
11. Letters of guarantee		1,847,274	1,553,605	3,400,879	1,651,377	1,489,903	3,141,280
11.1. Guarantees subject to State Tender Law		467,716	139,991	607,707	470,420	86,872	557,292
11.2. Guarantees given for foreign trade operations		61,374	189	61,563	97,272	119	97,391
11.3. Other letters of guarantee		1,318,184	1,413,425	2,731,609	1,083,685	1,402,912	2,486,597
12. Bank acceptances		-	152,842	152,842	-	62,258	62,258
12.1. Import letter of acceptance		-	43,988	43,988	-	44,524	44,524
12.2. Other bank acceptances		-	108,854	108,854	-	17,734	17,734
13. Letters of credit		-	1,227,088	1,227,088	-	1,350,307	1,350,307
13.1. Documentary letters of credit		-	1,227,088	1,227,088	-	1,345,237	1,345,237
13.2. Other letters of credit		-	-	-	-	5,070	5,070
14. Guaranteed prefinancings		-	2,957	2,957	-	2,656	2,656
15. Endorsements		-	-	-	-	-	-
15.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
15.2. Other endorsements		-	-	-	-	-	-
16. Underwriting commitments		-	-	-	-	-	-
17. Factoring related guarantees		-	-	-	-	-	-
18. Other guarantees		94	6,763	6,857	28,704	6,334	35,038
19. Other sureties		-	-	-	-	1,637	1,637
II. COMMITMENTS	(1), (3)	2,937,180	65,949	3,003,129	2,929,679	50,076	2,979,755
21. Irrevocable commitments		2,929,085	13,716	2,942,801	2,913,721	22,827	2,936,548
21.1. Asset purchase commitments		-	-	-	-	-	-
21.2. Deposit purchase and sales commitments		-	-	-	-	-	-
21.3. Share capital commitments to associates and subsidiaries		-	-	-	-	-	-
21.4. Loan granting commitments		547	13,592	14,139	548	22,690	23,238
21.5. Securities issuance brokerage commitments		-	-	-	-	-	-
21.6. Commitments for reserve deposit requirements		-	124	124	-	137	137
21.7. Commitments for cheque payments		1,305,070	-	1,305,070	1,045,955	-	1,045,955
21.8. Tax and fund obligations on export commitments		-	-	-	-	-	-
21.9. Commitments for credit card limits		1,611,354	-	1,611,354	1,867,218	-	1,867,218
21.10. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
21.11. Payables from "short" sale commitments on securities		-	-	-	-	-	-
21.12. Other irrevocable commitments		12,114	-	12,114	-	-	-
22. Revocable commitments		8,095	52,233	60,328	15,958	27,249	43,207
22.1. Revocable loan granting commitments		8,095	198	8,293	15,958	190	16,148
22.2. Other revocable commitments		-	52,035	52,035	-	27,059	27,059
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	83,160	389,229	472,389	-	33,309	33,309
31. Hedging Purpose Derivatives		83,160	291,971	375,131	-	-	-
31.1. Fair value hedges		83,160	291,971	375,131	-	-	-
31.2. Cash flow hedges		-	-	-	-	-	-
31.3. Hedge of a net investment in a foreign entity		-	-	-	-	-	-
32. Derivatives held for trading		-	97,258	97,258	-	33,309	33,309
32.1. Forward foreign currency purchases/sales		-	9,837	9,837	-	9,524	9,524
32.1.1. Forward foreign currency purchases		-	4,919	4,919	-	4,763	4,763
32.1.2. Forward foreign currency sales		-	4,918	4,918	-	4,761	4,761
32.2. Currency and interest rate swaps		-	87,419	87,419	-	23,784	23,784
32.2.1. Currency swaps-purchases		-	36,958	36,958	-	5,993	5,993
32.2.2. Currency swaps-sales		-	36,817	36,817	-	6,051	6,051
32.2.3. Interest rate swaps-purchases		-	6,822	6,822	-	5,870	5,870
32.2.4. Interest rate swaps-sales		-	6,822	6,822	-	5,870	5,870
32.3. Currency, interest rate and security options		-	2	2	-	1	1
32.3.1. Currency call options		-	-	-	-	-	-
32.3.2. Currency put options		-	-	-	-	-	-
32.3.3. Interest rate call options		-	-	-	-	-	-
32.3.4. Interest rate put options		-	-	-	-	-	-
32.3.5. Security call options		-	2	2	-	1	1
32.3.6. Security put options		-	-	-	-	-	-
32.4. Currency futures		-	-	-	-	-	-
32.4.1. Currency futures-purchases		-	-	-	-	-	-
32.4.2. Currency futures-sales		-	-	-	-	-	-
32.5. Interest rate futures		-	-	-	-	-	-
32.5.1. Interest rate futures-purchases		-	-	-	-	-	-
32.5.2. Interest rate futures-sales		-	-	-	-	-	-
32.6. Others		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		34,138,080	7,245,522	41,383,602	26,617,214	5,835,653	32,452,867
IV. ITEMS HELD IN CUSTODY		12,093,198	487,026	12,580,224	10,010,885	463,897	10,474,782
4.1. Customers' securities held		259,339	13,618	272,957	19,535	13,083	32,618
4.2. Investment securities held in custody		11,115,556	30,674	11,146,230	9,430,100	31,323	9,461,423
4.3. Checks received for collection		271,145	117,929	389,074	122,591	41,730	164,321
4.4. Commercial notes received for collection		115,230	126,443	241,673	76,940	93,047	169,987
4.5. Other assets received for collection		39,182	478	39,660	3,518	126	3,644
4.6. Assets received through public offering		-	116	116	-	108	108
4.7. Other items under custody		181,069	5,600	186,669	303,373	5,380	308,753
4.8. Custodians		111,677	192,168	303,845	54,828	279,100	333,928
V. PLEDGED ITEMS		22,044,882	6,758,496	28,803,378	16,606,329	5,371,756	21,978,085
5.1. Securities		1,312,348	46,826	1,359,174	1,465,945	35,128	1,501,073
5.2. Guarantee notes		310,195	322,431	632,626	269,691	291,610	561,301
5.3. Commodities		5,932,412	-	5,932,412	3,494,323	-	3,494,323
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		14,193,982	5,703,996	19,897,978	11,222,183	4,394,205	15,616,388
5.6. Other pledged items		155,672	670,661	826,333	74,658	644,522	719,180
5.7. Pledged items-depository		140,273	14,582	154,855	79,529	6,291	85,820
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		39,005,788	10,643,955	49,649,743	31,226,974	8,832,133	40,059,107

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T. Vakıflar Bankası T.A.O.
Consolidated Income Statement as of 31 December 2006

CONSOLIDATED INCOME STATEMENT	Notes	THOUSANDS OF NEW TURKISH LIRA (YTL)	
		CURRENT PERIOD 31/12/2006	PIOR PERIOD 31/12/2005
I. INTEREST INCOME	(1)	4,518,111	3,679,616
11 Interest income from loans		2,508,767	1,887,690
12 Interest income from reserve deposits		124,223	90,181
13 Interest income from banks		119,820	58,390
14 Interest income from money market transactions		264,569	249,577
15 Interest income from securities portfolio		1,461,475	1,355,763
15.1 Financial assets held for trading		138,378	239,889
15.2 Financial assets designated at fair value		-	-
15.3 Investment securities available-for-sale		1,291,758	1,077,540
15.4 Investments securities held-to-maturity		31,339	38,334
16 Financial lease income		24,215	26,143
17 Other interest income		15,042	11,872
II. INTEREST EXPENSE	(2)	2,857,299	2,297,335
21 Interest on deposits		2,569,692	2,142,277
22 Interest on funds borrowed		222,860	128,078
23 Interest on money market transactions		61,823	24,051
24 Interest on securities issued		-	-
25 Other interest expenses		2,924	2,929
III. NET INTEREST INCOME (I - II)		1,660,812	1,382,281
IV. NET FEES AND COMMISSIONS INCOME		289,553	296,532
4.1 Fees and commissions received		420,908	389,085
4.1.1 Cash loans		36,479	24,991
4.1.2 Non-cash loans		46,529	37,727
4.1.3 Others		337,900	326,367
4.2 Fees and commissions paid		131,355	92,553
4.2.1 Cash loans		10,690	4,586
4.2.2 Non-cash loans		630	639
4.2.3 Others		120,035	87,328
V. DIVIDEND INCOME		16,765	12,240
VI. NET TRADING INCOME/LOSSES		78,573	208,015
6.1 Trading account income/losses (Net)		74,721	162,235
6.2 Foreign exchange gains/losses (Net)		3,852	45,780
VII. OTHER OPERATING INCOME	(3)	964,367	732,126
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		3,010,070	2,631,194
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(4)	324,963	448,326
X. OTHER OPERATING EXPENSES (-)	(5)	1,612,425	1,332,972
XI. NET OPERATING PROFIT/(LOSS) (VIII-IX-X)		1,072,682	849,896
XII. INCOME RESULTING FROM MERGERS		-	-
XIII. INCOME/(LOSS) FROM INVESTMENTS UNDER EQUITY ACCOUNTING		563	1,065
XIV. GAIN/(LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)	(6)	1,073,245	850,961
XVI. PROVISION FOR TAXES	(7)	258,713	233,841
16.1 Current tax charge		187,511	276,578
16.2 Deferred tax charge/(credit)		71,202	(42,737)
XVII. NET OPERATING PROFIT/(LOSS) AFTER TAXES (XV-XVI)	(8)	-	-
17.1 Discontinued operations		-	-
17.2 Others		-	-
XVIII. NET PROFIT/(LOSS) (XV-XVI)	(9)	814,532	617,120
18.1 Group's Profit / (Loss)		803,361	594,874
18.2 Minority Shares		11,171	22,246
Earnings per share		0.003	0.005

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T. Vakıflar Bankası T.A.O.
Consolidated Changes In Shareholders' Equity Statement as of 31 December 2006

THOUSANDS OF NEW TURKISH LIRA (TL)																	
	Notes	Paid-in Capital	Inflation Adjustment to Paid-in Capital	Share Premium	Share Cancellation Profit	Legal Reserves	Status reserves	Extraordinary Reserves	Other Reserves	Current Period Profit/(Loss)	Prior Period Profit/(Loss)	Revaluation Fund	Revaluation Surplus	Securities Value Increase Fund	Shareholders' Equity Excluding Minority Shares	Minority Shares	Total Shareholders' Equity
I	CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																
	PERIOD 31/12/2006																
I	Balances at beginning of the period	420,145	652,763	2,860	-	44,192	-	20,977	43,327	-	796,961	18,801	-	52,661	2,005,687	14,161	2,146,648
II	Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	42,081	-	-	43,129	85,210	-	85,210
21	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	42,081	-	-	43,129	85,210	-	85,210
22	Adjusted balances at beginning of the period (I+II)	420,145	652,763	2,860	-	44,192	-	20,977	43,327	-	839,042	18,801	-	95,790	2,090,897	14,161	2,223,058
IV	Changes during the period																
V	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI	Investment securities available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI	Hedging purpose derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62	Hedge of a net investment in a foreign entity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII	Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII	Investment securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII	Hedging purpose derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
81	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
82	Hedge of a net investment in a foreign entity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX	Current period net profit:																
X	Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
101	Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
102	Transferred to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
103	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI	Capital increase	658,855	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Cash	-	-	1,172,362	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Cash	-	-	5	-	-	-	-	-	-	-	-	-	-	-	-	-
112	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
113	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
114	Securities value increase fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
115	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
116	Issuance of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
117	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
118	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII	Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV	Primary subordinated debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV	Secondary subordinated debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI)	1,279,000	607,184	1,175,112	-	88,900	-	164,205	141,185	594,874	-5,456	5,898	6,021	249,018	4,255,921	170,337	4,466,258
	CURRENT PERIOD																
	PERIOD (I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV)																
I	Balances at beginning of the period	1,279,000	607,184	1,175,112	-	88,900	-	164,205	141,185	-	579,418	5,898	6,021	249,018	4,255,921	170,337	4,466,258
II	Changes during the period																
III	Mergers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III	Investment securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV	Hedging purpose derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	Hedge of a net investment in a foreign entity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V	Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V	Investment securities available-for-sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI	Hedging purpose derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
61	Net cash flow hedges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62	Hedge of a net investment in a foreign entity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII	Current period net profit																
VII	Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
81	Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
82	Transferred to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
83	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX	Capital increase	1,271,000	605,763	4,448,425	-	4,802	3	154,500	0,620	803,361	865	4,962	-	42,518	5,232	-	5,232
91	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
92	Revaluation surplus on tangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
93	Bonus shares of associates, subsidiaries and joint-ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
94	Securities value increase fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
95	Capital reserves from inflation adjustments to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
96	Issuance of share certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
97	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
98	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X	Changes resulted from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X	Changes resulted from reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI	Primary subordinated debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII	Secondary subordinated debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV	Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV)	2,550,000	2,240	726,687	-	92,696	3	195,46	177,904	803,361	62,597	12,756	37,586	46,988	4,521,364	880,990	4,740,454

Chairman of Board of Directors Cem DEMİRBAĞ Member of Board of Directors and Audit Committee M. Zeki AKILIOĞLU Member of Board of Directors and Audit Committee Bilal KARAMAN Chief Executive Officer Dr. Metin Recep ZAFER Deputy Chief Executive Officer Ş. Mehmet BOZ Manager of Accounting Department

T. Vakıflar Bankası T.A.O.
Consolidated Cash Flow Statement as of 31 December 2006

	Notes	THOUSANDS OF NEW TURKISH LIRAS (YTL)	
		CURRENT PERIOD 31/12/2006	PRIOR PERIOD 31/12/2005
A. CASH FLOWS FROM BANKING OPERATIONS			
11. Operating profit before changes in operating assets and liabilities		1,305,643	1,263,791
1.11. Interests received (+)		4,518,112	3,678,832
1.12. Interests paid (-)		2,857,299	2,298,509
1.13. Dividend received (+)		16,765	5,586
1.14. Fees and commissions received (+)		420,908	389,085
1.15. Other income (+)		1,042,940	734,415
1.16. Collections from previously written-off loans and other receivables (+)		234,624	382,757
1.17. Payments to personnel and service suppliers (-)		407,179	362,373
1.18. Taxes paid (-)		32,604	276,578
1.19. Other (+/-)	1	(1,630,624)	(989,424)
12. Changes in operating assets and liabilities		(1,868,700)	3,816,980
12.1. Net (increase) decrease in financial assets held for trading (+/-)		560,629	2,057,221
12.2. Net (increase) decrease in financial assets designated at fair value (+/-)		-	-
12.3. Net (increase) decrease in due from banks and other financial institution (+/-)		43,967	89,599
12.4. Net (increase) decrease in loans (+/-)		(6,122,112)	(4,318,066)
12.5. Net (increase) decrease in other assets (+/-)		235,866	(193,022)
12.6. Net increase (decrease) in bank deposits (+/-)		(66,533)	(328,482)
12.7. Net increase (decrease) in other deposits (+/-)		1,815,398	5,689,162
12.8. Net increase (decrease) in funds borrowed (+/-)		1,575,996	959,009
12.9. Net increase (decrease) in matured payables (+/-)		-	-
12.10. Net increase (decrease) in other liabilities (+/-)	1	88,089	(138,441)
I. Net cash flow from banking operations (+/-)		(563,057)	5,080,771
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities (+/-)		491,307	(4,195,195)
21. Cash paid for acquisition of associates, subsidiaries and joint-ventures (-)	2	7,391	51,468
22. Cash obtained from disposal of associates, subsidiaries and joint-ventures (+)	3	6,949	-
23. Acquisition of tangible assets (-)		56,543	280,638
24. Disposal of tangible assets(+)		151,220	169,993
25. Cash paid for purchase of investment securities available-for-sale (-)		-	4,205,899
26. Cash obtained from disposal of investment securities available-for-sale (+)		91,051	-
27. Cash paid for purchase of investment securities held-to-maturity (-)		-	408,802
28. Cash obtained from disposal of investment securities held-to-maturity (+)		306,021	-
29. Other (+/-)		-	581,619
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities (+/-)		(441,868)	1,673,504
3.1. Cash obtained from funds borrowed and securities issued (+)		-	-
3.2. Cash used for repayment of funds borrowed and securities issued (-)		-	(213,344)
3.3. Equity instruments issued (+)		-	1,451,252
3.4. Dividends paid (-)		441,868	(8,908)
3.5. Payments for financial leases (-)		-	-
3.6. Other (+/-)	1	-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents (+/-)	1	123,851	216
V. Net (decrease)/increase in cash and cash equivalents (I+II+III+IV)		(389,767)	2,559,296
VI. Cash and cash equivalents at beginning of period (+)	4	6,380,804	3,821,508
VII. Cash and cash equivalents at end of period (V+VI)	5	5,991,037	6,380,804

Yusuf BEYAZIT
Chairman of Board of
Directors

Cem DEMİRRAĞ
Member of Board of
Directors and Audit Committee

M. Zeki AKILLIOĞLU
Member of Board of
Directors and Audit Committee

Bilal KARAMAN
Chief Executive Officer

Dr. Metin Recep ZAFER
Deputy Chief Executive
Officer

Ş. Mehmet BOZ
Manager of Accounting
Department

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Accounting Policies

I. Basis Of Presentation:

1- Preparation and presentation of the consolidated financial statements and related notes and disclosures in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents:

As per the Article 37 of "Accounting and Recording Rules" of the Turkish Banking Law No 5411 published on the Official Gazette no. 26333 dated 1 November 2006 and became effective, the Bank keeps its accounting records and prepares its consolidated financial statements and the related notes in accordance with accounting and valuation standards described in "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published by the Banking Regulation and Supervision Agency (BRSA) and in effect since 1 November 2006, Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS) and the related statements and guidances.

2- Disclosures for the first-time adoption of Turkish Accounting Standards:

The Parent Bank has prepared its consolidated financial statements in accordance with TAS standards for the first time at 31 December 2006. The accounting principles and valuation methods used in the preparation of financial statements as of 31 December 2005 and 01 January 2005 are revised in compliance with Turkish Accounting Standards and Turkish Financial Reporting Standards as per the communiqué no.1 "Frame for Preparation and Presentation of Financial Statements" of the Turkish Accounting Standards Board published on the Official Gazette no.25702 dated 16 January 2005. In compliance with the Turkish Accounting Standard 8 (TAS 8) "Accounting Policies, Changes in Accounting Estimates and Errors", the adjustments made to the financial statements of the prior period have been reflected to Prior Periods Profit/(Loss) account under shareholders' equity.

3- Accounting Principles and Valuation Methods Used in the Preparation of Consolidated Financial Statements:

Accounting principles and valuation methods used in preparation of consolidated financial statements are applied in accordance with principles of Turkish Accounting Standards and regulations of Banking Regulation and Supervision Agency. For the purpose of comparison, financial statements of the prior period have been revised in accordance with principles of TAS and related effects of adjustments on financial statements have been explained on section II and XXI.

Associates and Subsidiaries

Associates, subsidiaries and share certificates accounted for under investment securities held-for-sale denominated in YTL are recorded at their cost of acquisition. Valuation increases on those assets are transferred to "Securities Value Increase Fund" under shareholders' equity.

Associates, subsidiaries and share certificates accounted for under investment securities held-for-sale denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date.

Associates and subsidiaries quoted at the Stock Exchange and regulated markets are stated at fair values.

In cases where there is evidence of permanent impairment in value of the participations and subsidiaries, the values of such associates and subsidiaries are reduced to net realizable value or to fair value if exists.

4- Preparation of financial statements according to the purchasing power of New Turkish Lira (YTL):

Financial statements of the Group were subject to inflation adjustment on 31 December 2004 in accordance with TAS 29 "Financial Reporting in Hyperinflationary Economies". With the decision taken on 28 April 2005, BRSA has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required due to cessation of hyperinflation indicators.

II. Strategies For The Use Of Financial Instruments And Foreign Currency Transactions:

The Parent Bank operates in the fields of retail banking, corporate banking, private banking, international banking, foreign exchange operations, money market operations and marketable security transactions. The main funding source of Parent Bank is composed of deposits with different maturities which are invested in assets realizing higher returns. In addition to deposits, Parent Bank has access to medium- and long-term borrowings via the foreign currency borrowings from abroad. Parent Bank pursues an effective asset-liability management strategy by securing balance between funding resources and investments so as to reduce risks and increase returns. Accordingly, Parent Bank attaches great significance to long-term investments bearing higher interest rates. Liquidity management is based on maturity structure of assets and liabilities in order to enhance profitability and strengthen shareholders' equity by way of holding credit risk, liquidity risk, interest rate risk and exchange rate risk within reasonable limits.

Investment securities and loans generate gains higher than average rate of returns on the basis of maturity structures and market conditions. Banking placements have short-term nature bearing lower rate of return in terms of liquidity management.

The Bank takes position against short-term exchange rate and interest rate fluctuations on money and capital markets within specified limits according to market conditions. The foreign exchange position is controlled by the equilibrium of a currency basket such as derivative instruments to eliminate foreign exchange risk.

The Bank follows interest rate risk management strategy by balancing assets and liabilities bearing fixed and variable interest rates with maturity structures taken into account. Parent Bank's policies about risk management have been explained on Section Four by the notes II through VI.

III. Presentation Of Information Regarding The Bank And Consolidated Subsidiaries

The subsidiaries included in consolidation are Vakıf International AG, World Vakıf Offshore Banking Ltd., Vakıf Finansal Kiralama A.Ş., Vakıf Deniz Finansal Kiralama A.Ş., Güneş Sigorta A.Ş., Vakıf Emeklilik A.Ş., Vakıf Finans Faktoring Hizm. A.Ş., Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş., Vakıf Yatırım Menkul Değerler A.Ş., Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. and Kıbrıs Vakıflar Bankası Ltd. Şti.

Vakıf International AG was established in 1999 to augment VakıfBank's international activities in line with the Bank's geographical expansion strategy.

World Vakıf OffShore Banking Ltd, was established in 1993 in the Turkish Republic of Northern Cyprus to offer offshore banking services, as well as to help Turkey expand into international markets and enhance international activities.

Vakıf Finansal Kiralama A.Ş., was established in 1988, to provide leasing services, predominantly for transportation services, machinery and equipment, medical equipment, tourism equipment and office equipment. The firm acquires equipment and provides domestic and foreign financial leasing transactions.

Vakıf Deniz Finansal Kiralama A.Ş. was established in 1993 to

provide leasing services to the maritime industry for dry cargo and ro-ro vessels. As one of the market leaders in the industry with a high operational volume and multi-choice leasing policy, Vakıf Deniz Finansal Kiralama A.Ş. obtained the TS ISO 9002 Quality Assurance Certificate in 1995 and updated it in 1998. Vakıf Deniz Finansal Kiralama A.Ş. was the first financial service company to obtain this certificate. Head office of the Company is in İstanbul.

Güneş Sigorta A.Ş. was established by Vakıf Bank in 1957 to offer insurance services, including fire, accident, engineering, legal and life insurance services under the leadership of VakıfBank. Güneş Hayat Sigorta A.Ş.(Vakıf Emeklilik A.Ş.), founded by Güneş Sigorta A.Ş. in 1992, provides life insurance services. Head office of the Company is in İstanbul.

Vakıf Emeklilik A.Ş. was established under the leadership of Güneş Sigorta A.Ş. in 1991 after obtaining the required permit from the Undersecretariat of Treasury. With respect to the Law on Private Pension Savings and Investment System No. 4632, the Company acquired its operations license on the date of 1st August 2003 and its license for establishing funds on the date of 5th September 2003, after which it started offering private pension fund services. Head office of the Company is in İstanbul.

Vakıf Finans Faktoring Hizm. A.Ş. was established in 1998 to provide domestic and foreign commercial transactions, specifically focusing on the textile, food and forest product industries. Head office of the Company is in İstanbul.

Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. was established by VakıfBank as the first real estate investment partnership in Turkey in 1996. This company was established for the purpose of developing and managing a real estate portfolio and real estate-based capital market instruments and making changes in case of necessities. Head office of the Company is in Ankara.

Vakıf Yatırım Menkul Değerler A.Ş. was established initially with the name of Vakıf Yatırım A.Ş. to perform capital market activities within the scope of the Capital Markets Board's policy decisions dated August 15,1996. The Company's name was subsequently changed to Vakıf Yatırım Menkul Değerler A.Ş. in 1998.

Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş. was established as a publicly-traded company in 1991 to enable professional utilisation of the savings of small-scale and personal investors in the stock exchange, to gain profit through brokerage and trading of securities and to ensure the most effective utilization of the portfolio through close follow-up of the developments in the foreign exchange and monetary markets.

Kıbrıs Vakıflar Bankası Ltd. Şti. was established in 1982 to promote the utilization of Visa and MasterCard/EuroCard international credit cards and increase foreign currency earnings. Head office of the bank is in Cyprus.

"Full Consolidation" method has been applied in consolidating the financial statements of the Bank with the financial statements of its subsidiaries. According to this method, the financial statements of the Bank and its subsidiaries are combined on a line-by-line basis by adding together like items of assets, liabilities, income, expenses and off-balance sheet items, in preparing consolidated financial statements. Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş. has been consolidated using the full consolidation method due to control power of the Bank. "Equity method" has been applied in consolidating the financial statements of the Bank with the financial statements of Kıbrıs Vakıflar Bankası Ltd. Şti and Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.

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IV. Forward Transactions, Options And Derivative Instruments

The derivative transactions mainly consist of foreign currency and interest rate swaps, foreign currency options and forward foreign currency purchase/sale contracts.

According to the Turkish Accounting Standard 39 (TAS 39) "Financial Instruments: Recognition and Measurement"; forward foreign currency purchases/sales, swaps, options and futures are classified "hedging purposes" and "trading purposes". Derivatives are initially recorded in off-balance sheet accounts at their purchase costs including the transaction costs. Subsequently, the derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets" or "derivative financial liabilities", respectively. The subsequent fair value changes are recorded under the income statement for trading derivatives and under the shareholders' equity for hedging derivatives. Fair value of the derivatives is determined by market prices or by using discounted cash flow techniques.

The spot legs of currency swap transactions are recorded on the balance sheet and the forward legs in the off-balance sheet accounts.

V. Interest Income And Expenses

General

Interest income and expenses are accounted for on accrual basis. The accrued interest income on non-performing loans are reversed when classified as loans under follow-up and subsequently recognized as interest income only when collected.

Insurance Income and Expenses

Insurance Premiums: Insurance Premiums are allocated to income over the period of the relevant insurance contract. The unearned portion of insurance premiums at the each year end is carried forward as a liability.

Unearned premiums provision: In accordance with the Insurance Law numbered 7397, after the deduction of commissions, the unearned portion of the premiums accrued at each year end is carried forward as a liability.

Life insurance provision: Mathematical reserves are the difference between the net present values of premiums written in return of the risk covered by the Company and the liabilities to policyholders. In policies where the accumulation premium is written additionally, life insurance provision is the sum of the remainder of collected premiums and accumulated life insurance provision. Mathematical reserves are computed on the basis of actuarial mortality assumptions as approved by the Treasury Department, which are applicable for Turkish Insurance Companies.

Outstanding claim provision: Claim provision is provided for all claims received but not yet paid as of period end. The provision is based on the expert report.

Financial Leases

Asset subject to financial lease is recorded as a receivable equal to net investment in the asset. Financing income related to financial lease is determined to provide a constant periodic return on the net investment of the related asset. The principal amount of rent payments received are deducted from gross rent investment and the interest portion is recorded as interest income.

Unearned income represents the difference between the gross rent investment and the present value of the gross investment calculated with the interest rate in the lease.

VI. Fees And Commissions

Fees and commissions received and paid are recorded on accrual basis excepting those related to some banking transactions which are recognized as income when collected. Fees and commissions paid to financial institutions are considered integral part of related interest expenses of the borrowings. Commission derived from agreements and asset purchases from third parties are recognized as income when realized.

VII. Financial Assets

- Financial assets at fair value through profit or loss:

These assets are classified under two categories: Financial assets held for trading and financial assets designated at fair value.

Financial assets held for trading are those acquired for the purpose of gaining profit from short term market fluctuations in prices or similar elements, or securities which are part of a portfolio set up to realize profit in a short period of time, regardless of the purpose of acquisition.

Financial assets held for trading are recorded at their purchase costs including the transaction costs and carried at fair value. In conditions where price formation which is the basis of fair value fails to realize in active market conditions, it is accepted that the fair value is not determined in a reliable fashion and a "discounted value", calculated by using the internal rate of return method, is taken into account as the fair value. Any gains or losses resulting from evaluation are recorded in the profit and loss accounts. Interest income resulting from the retention of financial assets held for trading is shown as part of interest income in the profit/loss statement and dividends are shown within dividend income. Any profit or loss resulting from the disposal of the said assets before their maturity date is booked under the accounts of "Interest Income/Expense" and "Profit/Losses on Financial Assets Held for Trading", as per the Turkish Accounting Standards, and shown in the income statement. Financial assets held for trading denominated in foreign currency, previously measured by using the internal rate of return method in the prior period financial statements, have been remeasured at fair values in accordance with TAS 39 "Financial Instruments: Recognition and Measurement" by using quoted market prices received from Reuters in the current period. For the purpose of comparison, financial assets held for trading denominated in foreign currency as of 31 December 2005 have been remeasured at fair values in the current period and related measurement effects have been reflected to financial statements. Although remeasurement effects on above-mentioned foreign currency denominated financial assets as of 31 December 2005 and 2004 have been converted into New Turkish Lira (YTL) by using year-end buying rate of 31 December 2006 rather than exchange rates of relevant periods, there has been no correction made the financial statements due to immateriality.

There have been no financial assets designated at fair value of the Bank as of 31 December 2006.

- Investment securities available for sale:

Securities available-for-sale, are financial assets other than assets held for trading purposes, investments securities held-to-maturity and originated loans and receivables.

Financial assets available-for-sale are recorded at their purchase costs including the transaction costs and measured at their fair values subsequently. However, assets for which fair values could not be determined reliably are valued using discounting method with internal rate of return for the ones with a fixed maturity; and using valuation models or discounted cash flow techniques for the ones which do not have a fixed maturity. Unrecognized gain/losses derived from the difference between their fair value and the discounted values are recorded in "securities value increase fund" under the shareholders' equity. In case of sales, the realized gain/losses are recognized directly in the income statement. For the purpose of comparison, financial assets available for sale denominated in foreign currency as of 31 December 2005 have been remeasured at fair values in the current period and related measurement effects have been reflected to financial statements. Although remeasurement effects on above-mentioned foreign currency denominated financial assets as of 31 December 2005 and 2004 have been converted into New Turkish Lira (YTL) by using year-end buying rate of 31 December 2006 rather than exchange rates of relevant periods, there has been no correction made the financial statements due to immateriality.

- Investment securities held to maturity:

Financial assets held-to-maturity mean those non-derivative financial assets, other than loans and receivables originating from bank, which are held with the intention of being retained until the maturity date, and for which the required conditions, including the capability of being funded, have been secured for the purpose of

such retention until maturity date, those which have fixed maturity date or a maturity date that can be deemed fixed due to its determinable payments. Investments held-to-maturity, whose initial accountings are done at fair value, including the cost of transaction, are valued with their discounted acquisition cost calculated with the internal rate of return method after the deduction of the provision for impairment, if there is any. Interest income generated from investments held-to-maturity is booked as interest income on the profit/loss account.

There is no financial asset which has been classified as an investment held-to-maturity, but shall not be subject to such classification for a period of two years, as a result of non-adherence to classification rules.

- Loans and receivables:

Loans and receivables are those financial assets, which are generated by way of providing funds, good or services to the debtor, which have fixed or determinable repayments and which are not traded in an active market. The initial recognition of loans and receivables are made at the cost of acquisition and subsequent valuation is made through their discounted values calculated using the simple interest method. Tough loans must be valued using discounted method with internal rate of return, these assets are recognized through above-mentioned method owing to immaterial impact of difference between these methods.

The duties paid, transaction expenditures and other similar expenses on assets received against such risks are considered a part of transaction cost and charged to customers.

Loans considered as non-performing are classified in accordance with the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables", published on the Official Gazette nr. 26333 dated 1 November 2006, and specific and general provisions are set aside for them. The general provision rates are 1% for cash loans and 0.2% for non-cash loans.

Specific provisions are transferred to the "Provisions and Impairment Losses-Specific Provision Expenses Account". The provisions released in the same year are accounted by being credited to the Provision Expenses Account and the released parts of the previous years' provisions are recorded to the Other Operating Income account. Uncollectible loans and receivables are eliminated from accounts after completion of legal procedures.

VIII. Impairment Of Financial Assets

Financial asset or group of financial assets is reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Bank estimates the amount of impairment. Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) ("loss event(s)") incurred subsequent to recognition. Provisions for impairment of financial assets resulting from those loss events are set aside and reflected to related expense accounts.

IX. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

X. Repurchase And Reverse Repurchase Agreements And Securities Lending:

Securities subject to repo (repurchase agreements), retained in the Group's portfolio are classified according to their purpose of holding, within the security portfolios "At Fair Value Through Profit and Loss" or "Available-for-Sale" and evaluated within the principles of the relevant portfolio since 1 February 2002.

Funds obtained from repurchase agreements are followed under "Obligations under Repurchase Agreements" account in liabilities, and income discount is calculated according to the internal rate of return method on the difference between the purchase and resale prices corresponding to the period designated by a repurchase agreement.

Reverse repo transactions are entered in the "Receivables from Reverse Repurchase Agreements" account. Income discount is calculated according to the internal rate of return method on the difference between the purchase and resale prices corresponding to the period designated by a reverse repo agreement.

There have been no securities lending of the Group as of 31 December 2006.

XI. Assets Held For Sale And Discontinued Operations

Assets held for sale are valued at the lower of book value or fair value, net off sales cost. For an asset to be classified as held for sale, the asset shall be available for sale in a short period of time and the probability of selling should be high. For the probability of selling to be high, there should be a plan to sell the asset and an active selling programme shall be activated. In addition, the selling price of the asset shall be in compliance with the fair value of the related asset.

XII. Goodwill And Other Intangible Assets

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated depreciation and the provision for value decreases.

Intangibles are amortized over five years (their estimated useful lives) using the straight-line method. The useful life of the asset is determined by assessing the expected useful time of the asset, technical, technological and other kinds of wear and tear and all required maintenance expenses necessary to utilize the economic benefit from the asset.

XIII. Tangible Assets

Tangible assets is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, assets carried at cost less accumulated depreciation and provision for value decrease.

Depreciation is calculated over the cost of tangible assets using the straight-line method over estimated useful lives. The estimated useful lives are stated below:

Buildings	50 years
Machinery, furniture, fixtures and vehicles	5-15 years
Assets acquired through financial lease	8-10 years
Lease improvements	5 years or contract period

Gains/losses arising from the disposal of tangible fixed assets or the inactivation of a tangible fixed asset, are included in the income statement by calculating the difference between the net book value and the net sales revenue or added to the share capital.

Expenditures for the repair and renewal of tangible assets are recognized as expense. The capital expenditures incurred in order to increase the capacity of the tangible asset or to increase the future benefit of the asset are capitalized on the cost of the tangible asset. Capital expenditures include the cost components that increase the useful life, or the capacity of the asset, increase the quality of the product or decrease the costs.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

XIV. Leasing Transactions

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the "lower of the fair value of the leased asset or the present value of the lease installments that are going to be paid for the leased asset". Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of the asset. If there is any diminution in value of the leased asset, a "provision for value decrease" is recognized.

Liabilities arising from the leasing transactions are included in "Finance Lease Payables" in the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement.

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

XV. Provisions And Contingent Liabilities

Provisions and contingent liabilities are accounted in accordance with, TAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the matching principle. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Group, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

XVI. Obligation Of Parent Bank Concerning Employee Rights

Obligations related to employment termination and vacation rights are accounted for in accordance with TAS 19 "Employee Rights".

- The Group sets aside provisions for employee benefits by way of estimating the current value of the probable future liabilities based on a discount rate compatible with estimated inflation rate in accordance with TAS 19. The discount rate for the current period is 5.71 per cent.
- There are no employees of the Bank whose contract period will expire in 12 months as of reporting date
- T.Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı (Vakıfbank Pension Fund), of which each Bank employee is a member, has been established according to the provisional Article 20 of the Social Security Law No. 506 so as to provide employees with retirement benefits. This pension fund is a benefit plan to which the Bank contributes fixed and additional payments. Actuary audit is being carried for Vakıfbank Pension Fund.. The Fund does not carry actuary deficit based on the calculations by using the 10.24 % technical interest rate.

XVII. Taxation

On 21 June 2006, "Corporate Tax Law" No. 5520 ("New Tax Law") was published in the Official Gazette, No. 26205. According to New Tax Law, the corporate tax rate is 20% beginning from 1 January 2006 (for the year 2005: 30%). Estimated corporate tax liability for the current period is recognized under "Current Tax Liability".

Parent Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with TAS 12 "Income Taxes". In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date. Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. The calculated deferred tax assets and deferred tax liabilities are presented on a net basis in these financial statements.

Parent Bank used current corporate tax rate of 20 % for adjustments to the financial statements of 31 December 2005 and opening balances of 01 January 2005 in compliance with TAS . Additionally, the Parent Bank also converted deferred tax differences related to revaluation of financial assets denominated in FC into YTL in the above-mentioned financial statements. There have been no corrections made those financial statements due to immateriality.

XVIII. Borrowings

The Parent Bank resorts to obtaining funds from domestic or foreign institutions, as may be required. Trading financial liabilities and derivative instruments are carried at their fair values and other financial liabilities are carried at amortized cost using the simple interest method. Effective yield method has not been applied due to immaterial effect of difference between these two methods.

The Parent Bank pursues strategies to protect itself against liquidity risk, interest rate risk and exchange rate risk regarding these financial liabilities.

XIX. Shares And Share Issuances

Transaction costs related to share issue are deducted from shareholders' equity.

XX. Confirmed Bills Of Exchange And Acceptances

Confirmed bills of exchange and acceptances are realized simultaneously with the customer payments and recorded in off-balance sheet accounts as possible debt and commitment, if any.

XXI. Government Incentives

As of 31 December 2006, the Group does not have any government incentives or aids.

XXII. Other Disclosures

None.

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Capital Adequacy Standard Ratio

I. Consolidated Capital Adequacy Ratio

- Parent Bank's consolidated capital adequacy ratio is 21.16% as of 31 December 2006.

- Capital adequacy ratio is calculated within the scope of the "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks" published in Official Gazette no. 26333 dated 1 November 2006;

Amount subject to market risk related to capital adequacy ratio is calculated by using Standard Method.

The items deducted from the capital base are not included in the calculation of risk weighted assets. In calculation of risk weighted assets, impairments, depreciation and amortization, and provisions are considered as deduction items.

In the calculation of their risk-based values, non-cash loans are weighted after netting with specific provisions that are classified under liabilities and calculated based on the "Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables". The net amounts are then multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks"

In the calculation of the risk based values of the derivative financial instruments, such instruments are weighted and classified according to the related risk groups after being multiplied by the rates stated in the Article 5 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks".

Information related to consolidated capital adequacy ratio: Thousand YTL,%

	Consolidated 0%	20%	50%	100%
Value at Credit Risk				
Balance Sheet Items (Net)	14,306,664	2,821,839	4,333,010	16,498,882
Cash on Hold	412,449	26,499	-	-
Securities in Redemption	-	-	-	-
Balances with the Central Bank of Turkey	1,586,693	-	-	-
Domestic and Foreign Banks, Foreign Head offices and Branches	-	2,449,867	-	684,234
Interbank Money Market Placements	752,355	-	-	-
Receivables from Reserve Repurchase Agreements	120,922	-	-	-
Reserve Deposits	786,753	-	-	-
Loans	127,607	5,203	4,260,821	13,728,341
Loans under Follow-Up (Net)	-	-	-	216
Lease Receivables	-	254,178	-	-
Financial Assets Available-for-Sale	9,584,490	81272	-	116,578
Investments Held-to-Maturity	220,360	-	-	60,091
Receivables from Term Sale of Assets	-	-	-	168,056
Miscellaneous Receivables	-	-	-	409,560
Accrued Interest and Income	554,612	4,820	72,189	238,580
Investment in Associates, Subsidiaries and Joint-Ventures (Net)	-	-	-	160,101
Tangible Assets	-	-	-	859,232
Other Assets	160,423	-	-	73,893
Off- Balance Sheet Items	85,160	1,337,890	293,253	1,602,360
Non-Cash Loans and Commitments	85,160	1,310,992	293,253	1,602,360
Derivative Financial Instruments	-	26,898	-	-
Non-Risk-Weighted Accounts	-	-	-	44,597
Total Risk-Weighted Assets	14,391,824	4,159,729	4,626,263	18,145,839

Summary information related to consolidated capital adequacy ratio:

	Consolidated Current Period
Value at Credit Risk (VaCR)	21,290,916
Value at Market Risk (VaMR)	353,200
Shareholders' Equity	4,579,911
Shareholders' Equity/(VaCR+VaMR)*100 (*)	21.16

Information related to shareholders' equity items

	Current Period 31 December 2006
CORE CAPITAL	
Paid-in Capital	2,650,571
Nominal Capital	2,650,571
Capital Commitments (-)	-
Capital reserves due to Inflation Adjustment of Paid-in Capital	2,240
Share Premium	733,307
Share Cancellation Profits	-
Legal Reserves	156,410
First Legal Reserve (Turkish Commercial Code 466/1)	156,410
Second Legal Reserve (Turkish Commercial Code 466/2)	-
Reserves Allocated due to Special Laws	-
Status Reserves	3
Extraordinary Reserves	208,480
Reserve Allocated as per the Decision Held by the General Assembly	28,806
Retained Earnings	179,674
Accumulated Loss	-
Exchange Rate Differences on Foreign Currency Capital	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-
Profit	857,958
Current Period Profit	814,532
Prior Periods Profit	43,426
Provision for Possible Losses (up to 25% of Core Capital)	23,525
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	-
Primary Subordinated Debt (up to 15% of Core Capital)	-
Loss excess of Reserves (-)	-
Current Period Loss	-
Prior Period Loss	-
Leasehold Improvements (-)	29,496
Prepaid Expenses (-)	49,275
Intangible Assets (-)	4,884
Deferred Tax Assets excess of 10 % of Core Capital (-)	-
Limit excesses as per the 3rd Paragraph of the Article 56 of Banking Law (-)	-
Goodwill (Net) (-)	-
Total Core Capital	4,632,494

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SUPPLEMENTARY CAPITAL	
General Provisions	130,463
45% of Revaluation Surplus on Movable	-
45% of Revaluation Surplus on Immovable	7,569
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	37,586
Primary Subordinated Debt excluding the Portion included in Core Capital	-
Secondary Subordinated Debt	-
45 % of Securities Value Increase Fund	21,144
Associates and Subsidiaries	-
Investment Securities Available for Sale	21,144
Inflation adjustment differences on Capital Reserves and Prior Period Profit/Loss (Excepting Legal Reserves, Statutory Reserves and Extraordinary Reserves)	-
Total Supplementary Capital	196,762
TIER II CAPITAL	-
CAPITAL	4,829,256
DEDUCTIONS FROM THE CAPITAL	249,345
Unconsolidated Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at 10 % or more	4,293
Investments in Entities (domestic/foreign) operating in Banking and Financial Sectors at less than 10 % Exceeding 10 % or more of the total Core and Supplementary Capitals	-
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the from of Secondary Subordinated Debts and Debt Instruments purchased from such parties qualified as Primary or Secondary Subordinated Debts	5,177
Loan granted to Customer Against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Immovables exceeding 50 % of the Capital and of Asset Acquired Against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained more than five years	156,220
Others	-
Total Shareholders' Equity	4,579,911

II. Consolidated Credit Risk

- Credit risk means risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set. In compliance with the legislation, the credit limits are set for the financial position and credit requirements of customers within the authorization limits assigned for Branches, Lending Departments, Executive Vice President responsible of Lending, General Manager, Credit Committee and Board of Directors. The limits are subject to revision if necessary.

The credit risk limits of customers are determined in strict compliance with the relevant banking legislation. These limits are followed and may be changed, depending on the financial situation and loan requirements of the borrowers, or as may be deemed necessary. Moreover, all commercial credit limits are revised periodically, providing that each period does not extend a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall placement are subject to risk limits in order to provide further minimization of potential risk. The geographical distribution of borrowers is consistent with the concentration of industrial and commercial activities in Turkey. The distribution of borrowers by sector is monitored closely for each period and sectoral risk limits have been determined to prevent concentration of risk in sectoral sense. The credit-worthiness of our customers is regularly monitored in line with the relevant regulations, by using company rating and scoring models specially developed for this purpose, and the audit of statements of account received is assured to have been made in accordance with the provisions as stipulated by the relevant legislation.

Care is taken to ensure that loans are furnished with collateral. Most of the loans extended have been authorized by taking real estate, movable or commercial enterprise under pledge, promissory notes and other liquid assets as collateral, or by acceptance of bank letters of guarantee and individual or corporate guarantors, depending on the financial status of the company and the type of the loan extended.

- There are risk control limits set for the market risks and credit risks arise from forward and option agreements and other similar agreements.

- When necessary, derivative instruments are exercised to control and to offset credit risks that can especially originate from foreign exchange and interest rate fluctuations.

- Non-cash loans turned into cash loans are included in the same risk group as cash loans which are not collected upon maturity. Credit risk management is applied for all positions involving counterparty risk.

Rescheduled or restructured loans are followed in their relevant groups until all receivables from the loans are collected. Monitoring also continues until the receivables from the loans are completely collected.

Parent Bank considers that long-term commitments are more exposed to credit risk than short-term commitments, and points such as defining risk limits for long-term risks and obtaining collateral are treated in a wider extent than short-term risks.

- Parent Bank's banking activities in foreign countries and credit transactions do not constitute an important risk in terms of the related countries' economic conditions and activities of customers and companies.

- The proportion of Parent Bank's top 100 cash loan balances in total cash loans is 37.31%.

The proportion of Parent Bank's top 100 non-cash loan balances in total non-cash loans is 66.15%.

The proportion of Parent Bank's cash and non-cash loan balances with the first 100 customers is equal to 20.85% of total cash loans and non-cash loans.

- Parent Bank provided a general provision amounting to YTL 130,463 thousand.

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Geographical concentration:

	Assets	Liabilities	Non-cash Loans	Net Profit
Current Period				
Domestic	33,218,948	31,986,291	2,319,334	801,662
European Union (EU) Countries	4,112,758	5,666,366	1,119,957	10,341
OECD Countries (*)	348,522	243,754	311,922	2,529
Off-Shore Banking Regions	248,877	70,031	-	-
USA, Canada	349,698	587,656	346,434	-
Other Countries	70,419	310,027	692,976	-
Associates, Subsidiaries and Joint-Ventures	498,451	-	-	-
Unallocated Assets/Liabilities(**)	16,452	-	-	-
Total	38,864,125	38,864,125	4,790,623	814,532
Prior Period (***)				
Domestic	29,162,362	29,661,292	2,510,481	580,084
European Union (EU) Countries	2,474,429	2,977,953	797,897	6,331
OECD Countries (*)	116,632	114,686	285,919	30,705
Off-Shore Banking Regions	113,988	685,500	86,954	-
USA, Canada	1,345,296	497,924	168,314	-
Other Countries	37,619	15,045	743,611	-
Associates, Subsidiaries and Joint-Ventures	702,074	-	-	-
Unallocated Assets/Liabilities(**)	-	-	-	-
Total	33,952,400	33,952,400	4,593,176	617,120

(*) OECD Countries other than EU countries, USA and Canada.

(**) Unallocated assets / liabilities which could not be distributed according to a consistent principle.

(***) Revised in accordance with TAS.

Sectoral concentration of cash loans: (*)

	Current Period				Prior Period			
	YTL	(%)	YTL	(%)	YTL	(%)	YTL	(%)
Agriculture	111,833	0.92	63,294	1.06	63,907	0.74	44,867	1.28
Farming and Stockbreeding	97,983	0.81	18,328	0.31	54,222	0.63	15,880	0.45
Forestry	11,551	0.10	28,576	0.48	9,074	0.10	22,074	0.63
Fishery	2,299	0.02	16,390	0.27	611	0.01	6,913	0.20
Manufacturing	1,214,698	10.00	2,786,922	46.61	847,951	9.79	1,432,962	40.96
Mining	347,039	2.86	64,290	1.08	66,985	0.77	79,941	2.29
Production	822,787	6.77	2,656,715	44.44	770,850	8.90	1,258,511	35.97
Electricity, Gas, Water	44,872	0.37	65,917	1.10	10,116	0.12	94,510	2.70
Construction	503,619	4.14	968,861	16.20	225,548	2.61	468,340	13.39
Services	2,341,439	19.27	1,764,914	29.52	1,048,449	12.11	1,257,651	35.95
Wholesale and Retail Trade	771,548	6.35	448,973	7.51	482,961	5.58	429,452	12.28
Hotel, Food and Beverage Services	99,108	0.82	307,817	5.15	74,418	0.86	214,684	6.14
Transportation and Telecommunication	1,198,563	9.86	620,880	10.38	373,276	4.31	419,446	11.99
Financial Institutions	202,970	1.67	179,538	3.00	78,199	0.90	165,486	4.73
Real Estate and Renting Services	4,751	0.04	307	0.01	2,528	0.03	1,617	0.05
"Self-Employment" Type Services	-	-	-	-	-	-	-	-
Education Services	8,065	0.07	19,833	0.33	4,576	0.05	19,043	0.54
Health and Social Services	56,434	0.46	187,566	3.14	32,491	0.38	7,923	0.23
Other	7,980,678	65.67	394,795	6.60	6,472,249	74.75	294,629	8.42
Total	12,152,267	100.00	5,978,786	100.00	8,658,104	100.00	3,498,449	100.00

(*) Accrued interests summarized as below have not been included in cash loans.

Current Period: YTL 208,772 thousands (denominated in YTL)
YTL 76,027 thousands (denominated in FC)

Prior Period: YTL 104,071 thousands (denominated in YTL)
YTL 33,265 thousands (denominated in FC)

III- Consolidated Market Risk

The market risk carried by the Parent Bank is measured in accordance with national regulations, which are in parallel with internationally accepted practices, and, by two separate methods known respectively as the Standard Method and the Value at Risk Method. In this context, interest rate risk emerges as the most important component forming the market risk.

The market risk measurements, which are carried out by applying the Standard Method at the end of each month and weekly measurements of exchange rate risk are reported to the Bank's top management in addition to being included in legally mandatory reports.

Another alternative used for measuring and monitoring market risk is the Value at Risk Method (VAR). Using this method the market risk is measured on a daily basis to differentiate between interest rate risk, exchange rate risk and equity share risk and is the subject of daily internal reporting in the Parent Bank. Further retrospective testing (back-testing) is carried out on a daily basis to determine the reliability of the daily risk calculation by the VAR method, which is used to estimate the largest possible loss of the following day.

Scenario analyses are made, which support the VAR method used to measure the value losses that may occur in the ordinary market conditions; the possible impact of the optimistic, base and worst case scenarios developed according to the future predictions and the crises in the past, on the value of the Bank's portfolio is determined and the results are reported to the Top Executive Management. VAR calculations are made by the financial participations within the frame determined by the Bank and the results are reported to the Top Executive Management.

The limits set for the market risk management within the framework of the Parent Bank's market risk policy, are monitored by the Risk Committee and reviewed in accordance with the market conditions. The following table shows details of the market risk calculations carried out with the "Standard Method for Market Risk Measurement" and within the context of "Regulation for Evaluating and Measuring the Adequacy of the Bank's Capitalization" as of 31 December 2006.

Information on the consolidated market risk:

	Amount
(I) Capital Obligation against General Market Risk - Standard Method	10,387
(II) Capital Obligation against Specific Risks - Standard Method	480
(III) Capital Obligation against Currency Risk - Standard Method	17,389
(IV) Capital Obligation against Stocks Risks - Standard Method	-
(V) Capital Obligation against Exchange Risks - Standard Method	-
(VI) Capital Obligation against Market Risks of Options - Standard Method	-
(VII) Capital Obligation against Market Risks of Banks applying Risk Measurements Models	-
(VIII) Total Capital Obligation against Market Risks (I+II+III+IV+V+VI)	28,256
(IX) Value-at-Market Risk (12,5 x VIII) or (12,5 x VII)	353,200

Table of the average market risk related to the market risk calculated at the end of month during the period:

	Current Period		Prior Period	
	Average	Highest	Average	Highest
Interest Rate Risk	1,073,022	1,418,750	119,000	1,535,431
Common Share Risk	32,372	36,950	16,837	37,184
Currency Risk	228,340	312,450	217,363	151,382
Stock Risk	-	-	-	-
Exchange Risk	-	-	-	-
Option Risk	-	-	-	-
Total Value at Risk	1,333,734	1,768,150	353,200	1,723,997

IV- Consolidated Currency Risk

In measuring exchange rate risk, Standard Method is used as in legally required reports. Measurements made within the scope of the Standard Method are carried out on a weekly basis and form the basis of determining the capital requirement for protection against exchange rate risk.

Derivative financial instruments like forward foreign exchange contracts and currency swaps are used as tools for foreign exchange exposure management.

Parent Bank's foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date are presented below.

	US \$	Euro	Yen
Balance Sheet Evaluation Rate	1,4000 YTL	1,8437 YTL	0,0118 YTL

Foreign currency rates for the days before balance sheet date:

	US \$	Euro	Yen
Day 1	1,3800 YTL	1,8114 YTL	0,0116 YTL
Day 2	1,3700 YTL	1,8029 YTL	0,0115 YTL
Day 3	1,3700 YTL	1,7985 YTL	0,0115 YTL
Day 4	1,3800 YTL	1,8111 YTL	0,0116 YTL
Day 5	1,3800 YTL	1,8209 YTL	0,0117 YTL

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The simple arithmetic averages of Parent Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are presented in the table below:

USD	: 1,3910 YTL
Euro	: 1,8289 YTL
Yen	: 0,0119 YTL

Information on consolidated currency risk:

The table below summarizes the Group's exposure to foreign currency exchange rate risk, categorized by currency. Foreign currency indexed assets, classified as Turkish lira assets according to the Turkish Accounting Standards, are considered as foreign currency assets for the calculation of Net Foreign Currency Position. Therefore, the difference between the sum of the foreign currency assets in the following table and in the balance sheet is equal to the sum of foreign currency indexed assets. The Group's real position, both in financial and economic terms, is presented in the table below:

Information on consolidated currency risk -thousand YTL

	EURO	US \$	YEN	Other FC	Total
Current Period					
Assets					
Cash (Cash in Vault, Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,102,408	23,929	17	1,795	1,128,149
Banks and Other Financial Institutions	402,548	2,173,290	2,203	25,569	2,603,610
Financial Assets at Fair Value through Profit/Loss	127,093	226,485	-	-	353,578
Interbank Money Market Placements	-	-	-	-	-
Financial Assets Available-for-Sale (net)	655,683	2,736,105	-	-	3,391,788
Loans (*)	1,661,161	4,703,608	-	39,153	6,403,922
Associates, Subsidiaries and Joint-Ventures	4	-	-	-	4
Investments Held-to-Maturity (net)	135,551	52,086	-	-	187,637
Derivative Financial Assets Held for Risk Management	24	-	-	-	24
Tangible Assets (net)	1,398	190	-	-	1,588
Intangible Assets (net)	195	394	-	-	589
Other Assets (**) (***)	272,006	583,220	1	16,448	871,675
Total Assets	4,358,071	10,499,307	2,221	82,965	14,942,564
Liabilities					
Bank Deposits	104	182,470	-	47	182,621
Foreign Currency Deposits	3,019,910	4,330,017	2,897	35,345	7,388,169
Interbank Money Market Takings	83,156	1,382,966	-	-	1,466,122
Funds Borrowed	1,039,200	4,234,562	-	26,908	5,300,670
Securities Issued (net)	-	-	-	-	-
Miscellaneous Payables	46,761	27,669	1	348	74,779
Derivative Financial Liabilities Held for Risk Management	317	3,390	-	-	3,707
Other Liabilities (***)	157,593	234,173	3	10,755	402,524
Total Liabilities	4,347,041	10,395,247	2,901	73,403	14,818,592
Net 'On Balance Sheet' Position	11,030	104,060	(680)	9,562	123,972
Net 'Off-Balance Sheet' Position	44,884	(123,552)	-	1	(78,667)
Derivative Assets	74,383	78,414	-	2,484	155,281
Derivative Liabilities	29,499	201,966	-	2,483	233,948
Non-Cash Loans	1,121,905	1,699,218	24,241	97,891	2,943,255
Prior Period					
Total Assets	3,876,114	7,328,667	1,887	61,684	11,268,352
Total Liabilities	3,762,835	7,397,669	8,353	51,073	11,219,930
Net 'On Balance Sheet' Position	113,279	(69,002)	(6,466)	10,611	48,422
Net 'Off-Balance Sheet' Position (****)	11,920	(11,859)	-	-	61
Derivative Assets	14,300	2,385	-	-	16,685
Derivative Liabilities	2,380	14,244	-	-	16,624
Non-Cash Loans	859,698	1,938,765	51,759	62,873	2,913,095

(*) Includes foreign exchange indexed loans amounting to YTL 425,136 thousand.

(**) Includes accrued interests of foreign exchange indexed assets amounting to YTL 12,431 thousand.

(***) Interest income accruals are presented in "Other Assets", interest expense accruals are presented in "Other Liabilities"

(****) Presents the net balance of receivables and payables from derivatives.

V- Consolidated Interest Rate Risk

Interest rate risk is defined as the increases or decreases that can arise in the value of interest sensitive assets and liabilities of the bank as a result of interest rate fluctuations. Measurement of interest rate risk is conducted through the Standard Method and carried out monthly using the maturity ladder table.

Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing period):

Current Period	Up to 1Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Interest Free	Total
Assets							
Cash and Balances with the Central Bank of Turkey	2,336,240	-	-	-	-	438,947	2,775,187
Banks and Other Financial Institutions	3,026,116	2,500	330	228	-	100,710	3,129,884
Financial Assets at Fair Value through Profit/Loss	11,886	460	9,731	146,004	184,457	8,842	461,380
Interbank Money Market Placements	871,977	-	-	-	-	-	871,977
Financial Assets Available-for-Sale (net)	1,493,710	2,734,775	2,818,199	977,538	1,631,249	158,170	9,813,641
Loans (*)	9,040,122	3,622,005	1,344,163	569,555	3,547,680	7,528	18,131,053
Investments Held-to-Maturity (net)	52,437	14,910	92,163	24,647	95,792	11	279,960
Other Assets (*)(***)	297,851	262,946	169,854	123,591	367,187	2,179,614	3,401,043
Total Assets	17,230,339	6,637,596	4,434,440	1,841,563	5,826,365	2,893,822	38,864,125
Liabilities							
Bank Deposits	422,639	130,000	-	-	-	3,131	555,770
Other Deposits	3,361,322	13,276,693	2,222,262	359,066	805,375	4,338,001	24,362,719
Interbank Money Market Takings (**)	258,924	255,968	375,045	312,313	263,953	-	1,466,203
Miscellaneous Payables	2,258	-	-	-	5,427	592,411	600,096
Securities Issued	-	-	-	-	-	-	-
Funds Borrowed	1,268,828	2,538,038	1,212,400	95,134	207,336	29,834	5,351,570
Other Liabilities (*)	334,283	5,293	7,951	15,631	95,882	6,068,727	6,527,767
Total Liabilities	5,648,254	16,205,992	3,817,658	782,144	1,377,973	11,032,104	38,864,125
On Balance Sheet Long Position	11,582,085	-	616,782	1,059,419	4,448,392	-	17,706,678
On Balance Sheet Short Position	-	(9,568,396)	-	-	-	(8,138,282)	(17,706,678)
Off Balance Sheet Long Position (****)	-	1	-	-	4,633	-	4,634
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	11,582,085	(9,568,395)	616,782	1,059,419	4,453,025	(8,138,282)	4,634

(*) Interest income accruals are presented in "Other Assets", interest expense accruals are presented in "Other Liabilities".

(**) Obligations under repurchase agreements are presented in "Interbank Money Market Takings".

(***) Associates, Subsidiaries, tangible and intangible fixed assets are shown in "Interest Free" column to secure balance between total assets and total liabilities.

(****) Differences between buying and selling of derivative transactions on maturity basis

Prior Period	Up to 1Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Interest Free	Total
Assets							
Cash and Balances with the Central Bank of Turkey	943,607	-	-	-	-	1,398,057	2,341,664
Banks and Other Financial Institutions	2,018,706	3,806	16	812	-	74,910	2,098,250
Financial Assets at Fair Value through Profit/Loss	8,638	170,221	139,029	68,664	523,607	26,110	936,269
Interbank Money Market Placements	2,649,064	-	-	-	-	-	2,649,064
Financial Assets Available-for-Sale (net)	370,732	3,045,953	2,765,056	1,359,899	2,115,326	157,572	9,814,538
Loans	4,897,249	4,000,256	764,366	325,071	2,162,250	7,361	12,156,553
Investments Held-to-Maturity (net)	33,100	7,528	399,381	18,782	116,863	10	575,664
Other Assets	272,327	204,235	285,105	111,303	309,641	2,197,787	3,380,398
Total Assets	11,193,423	7,431,999	4,352,953	1,884,531	5,227,687	3,861,807	33,952,400
Liabilities							
Bank Deposits	445,661	43,744	123,740	8,000	-	1,165	622,310
Other Deposits	3,332,103	10,798,234	3,364,184	493,931	948,871	3,639,880	22,577,203
Interbank Money Market Takings	74,975	139,608	-	-	-	-	214,583
Miscellaneous Payables	1,625	-	-	-	9	401,135	402,769
Securities Issued	-	-	-	-	-	-	-
Funds Borrowed	1,153,403	2,050,448	397,931	60,222	113,952	13,767	3,789,723
Other Liabilities	273,630	4,366	6,678	13,074	101,572	5,946,492	6,345,812
Total Liabilities	5,281,397	13,036,400	3,892,533	575,227	1,164,404	10,002,439	33,952,400
On Balance Sheet Long Position	5,912,026	-	460,420	1,309,304	4,063,283	-	11,745,033
On Balance Sheet Short Position	-	(5,604,401)	-	-	-	(6,140,632)	(11,745,033)
Off Balance Sheet Long Position	2	-	-	-	-	-	2
Off Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	5,912,028	(5,604,401)	460,420	1,309,304	4,063,283	(6,140,632)	2

(*) Interest income and expense accruals of the Bank are included in other assets and other liabilities. Interest income and expense accruals of consolidated subsidiaries are included in the related accounts.

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Average interest rates on monetary financial instruments:

Current Period	EURO	USD	Yen	YTL
	%	%	%	%
Assets				
Cash and Balances with the Central Bank of Turkey	1.73	2.52	-	13.12
Banks and Other Financial Institutions	3.10-3.86	4.18-5.26	-	15.00-20.27
Financial Assets at Fair Value through Profit/Loss	9.03	11.44	-	17.00-21.00
Interbank Money Market Placements	-	-	-	17.62
Financial Assets Available-for-Sale (net)	3.86-6.56	7.21-10.62	-	16.47-21.03
Loans	5.44-7.04	7.00-7.59	-	20.59-32.25
Investments Held-to-Maturity	6.23	5.8-8.32	-	17.00-22.00
Liabilities				
Bank Deposits	-	5.34-5.5	-	21.05
Other Deposits	2.87-3.60	3.68-4.93	-	15.57
Interbank Money Market Takings (**)	3.70	5.46-5.75	-	11.65
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed	3.43-5	5.55-6.00	-	13.00-15.22
Prior Period				
Assets				
Cash and Balances with the Central Bank of Turkey	1.14	2.03	-	10.25
Banks and Other Financial Institutions	2.20-6.50	3.85-7.50	-	10.50-17.00
Financial Assets at Fair Value through Profit/Loss	8.87	10.97	-	14.08-17.00
Interbank Money Market Placements	-	-	-	14.22
Financial Assets Available-for-Sale (net)	3.75-8.13	6.55-11.08	-	15.62-16.34
Loans	4.10-6.29	6.00-7.33	-	23.04
Investments Held-to-Maturity	6.13	7.72-9.26	-	16.00
Liabilities				
Bank Deposits	3.40	4.38-5.17	-	14.42
Other Deposits	3.30-3.46	3.35-3.61	-	14.48
Interbank Money Market Takings	2.47	1.34	-	11.24
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed	2.40-4.50	4.93-10.00	-	12.99-14.00

VI- Consolidated Liquidity Risk

Liquidity risk arises from the mismatching of maturities of assets and liabilities. The Parent Bank balances maturities of the related assets and liabilities according to specific criteria and keeps the mismatching of maturities under control. A major objective of Parent Bank's asset and liability management is to ensure that sufficient liquidity is available to meet Parent Bank's commitments to customers and to satisfy Parent Bank's own liquidity needs. For this objective, Parent Bank holds a sufficient amount of short-term funds. Liquidity risk is measured and reported on a weekly basis. Parent Bank also analyses its liquidity risk on a daily and transaction basis, if there are significant market fluctuations. In the case of high market fluctuations, daily reporting and analyses on transaction basis are made.

The most important funding resources of Parent Bank are the shareholders' equity, the diversified and steady deposit base and the long-term funds borrowed from international institutions which are mainly placed in interest earning assets. In spite of a substantial portion of deposits from individuals being short-term, deposits are diversified by number and type, and maturities of a large portion of deposits are renewed, which indicates that these deposits will provide a long-term and stable source of funding for Parent Bank.

Breakdown of assets and liabilities according to their remaining maturities:

	Demand	Up to 1Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Undistributed*	Total
Current Period								
Assets								
Cash and Balances with the Central Bank of Turkey	1,962,244	812,943	-	-	-	-	-	2,775,187
Banks and Other Financial Institutions	154,909	2,971,917	2,500	330	228	-	-	3,129,884
Financial Assets at Fair Value through Profit/Loss	8,842	2,904	460	9,731	145,509	293,934	-	461,380
Interbank Money Market Placements	-	871,977	-	-	-	-	-	871,977
Financial Assets Available-for-Sale (net)	103,509	43,009	360,405	1,265,698	1,902,322	6,089,281	49,417	9,813,641
Loans (*)	23,800	2,862,521	1,113,265	928,272	2,664,125	10,539,070	-	18,131,053
Investments Held-to-Maturity (net)	7,062	42,000	10,543	92,163	24,647	103,533	11	279,959
Other Assets (**)(***)	54,212	238,222	173,423	204,652	176,961	567,435	1,986,139	3,401,044
Total Assets	2,314,578	7,845,493	1,660,596	2,500,846	4,913,792	17,593,253	2,035,567	38,864,125
Liabilities								
Bank Deposits	3,131	460,525	92,114	-	-	-	-	555,770
Other Deposits	4,338,001	12,829,852	5,418,845	890,284	148,862	736,875	-	24,362,719
Funds Borrowed	29,366	176,021	230,387	415,372	1,649,842	2,850,582	-	5,351,570
Interbank Money Market Takings	189	258,735	255,968	375,045	312,313	263,953	-	1,466,203
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	52,474	5,846	12,535	11,541	7,271	5,425	505,004	600,096
Other Liabilities (***)	75,626	403,790	6,526	10,403	15,631	95,882	5,919,909	6,527,767
Total Liabilities	4,498,787	14,134,769	6,016,375	1,702,645	2,133,919	3,952,717	6,424,913	38,864,125
Liquidity Gap	(2,184,209)	(6,289,276)	(4,355,779)	798,201	2,779,873	13,640,536	(4,389,346)	-
Prior Period								
Total Assets	2,037,592	8,038,410	1,088,488	3,119,015	4,815,906	12,900,657	1,952,332	33,952,400
Total Liabilities	3,793,416	4,309,244	10,980,508	3,647,223	2,435,139	2,943,790	5,843,080	33,952,400
Liquidity Gap	(1,755,824)	3,729,166	(9,892,020)	(528,208)	2,380,767	9,956,867	(3,890,748)	-

(*) Tangible assets, associates, subsidiaries, prepaid expenses, receivables under follow-up and office supply inventories which are not converted into cash in short period of time are presented in "undistributed" column.

(**) Associates, subsidiaries, reserve deposits, miscellaneous receivables, tangible assets, intangible assets, deferred tax assets and others are presented in "Other Assets".

(***) Interest income accruals of the Parent Bank are presented in "Other Assets" and Interest expense accruals of the Parent Bank are presented in "Other Liabilities"

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VII- Fair Values Of Financial Assets And Liabilities

Fair values of financial assets are derived from market prices or in case of absence of such prices, the expected fair value of such assets are determined by calculating the discounted cash flow using the interest rates for Government debt securities announced by Central Bank of Turkey in Official Gazette.

The expected fair value of the demand deposits represents the amount to be paid upon request. The fair value of the overnight deposits represents the carrying value. The expected fair value of the fixed rate deposits is determined by calculating the discounted cash flow using the market interest rates of similar liabilities and loans.

The total fair value of securities issued is calculated based on quoted market prices. When the market price cannot be found, a discounted cash flow model based on current yield is used for the remaining term.

Fair values of loans are represented by the total of acquisition costs and accrued interest income.

The following table summarizes the carrying values and fair values of financial assets and liabilities of the Bank. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	32,203,205	27,247,038	33,052,349	28,070,403
Interbank Money Market Placements	871,977	2,649,064	873,277	2,651,144
Banks and Other Financial Institutions	3,129,788	2,098,048	3,134,101	2,099,179
Financial Assets Available-for-Sale	9,800,457	9,778,621	10,348,668	10,439,719
Investments Held-to-Maturity	272,597	569,928	280,451	586,472
Loans	18,128,386	12,151,377	18,415,852	12,293,889
Financial Liability	30,866,252	27,389,311	31,149,603	27,629,166
Bank Deposits	555,579	622,220	563,309	624,064
Other Deposits	24,362,570	22,577,035	24,600,469	22,792,603
Funds Borrowed	5,348,008	3,787,288	5,385,727	3,809,731
Securities Issued	-	-	-	-
Miscellaneous Payables	600,095	402,768	600,098	402,768

VIII- Transactions Carried Out On Behalf Of Customers, Items Held In Trust

Parent Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. Parent Bank has no trust transactions.

Consolidated Assets

I. Cash and Balances with Central Bank:

- Information on cash and balances with Central Bank:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Cash in YTL/Foreign Currency	367,249	45,180	249,686	31,830
Central Bank of Turkey	1,286,484	1,086,962	1,148,209	914,509
Other	26,226	293	21,527	544
Total	1,679,959	1,132,435	1,419,422	946,883

- Balances with Central Bank:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Unrestricted Demand Deposit	1,253,563	295,923	1,126,000	249,075
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Reserve Deposit	32,921	791,039	22,209	665,434
Total	1,286,484	1,086,962	1,148,209	914,509

- Financial Assets at Fair Value through Profit or Loss:

- Financial assets held for trading given as collateral/blocked amount to YTL 72,465 thousand in current period. In the prior period, government bonds held given as collateral amount to YTL 39,033 thousand.

Financial assets held for trading subject to repo transactions amount to YTL 198,687 thousand in the current period other government debt securities amount to YTL 106,968 thousand and government bonds amount to YTL 1,289 thousand in the prior period

- Derivative financial assets held for trading:

Trading Derivative Instruments	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward Transactions	-	36	3	-
Swap Transactions	-	-	-	-
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	36	3	-

- Banks and Other Financial Institutions:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	527,084	2,607,017	581,158	1,518,021
Domestic banks	297,044	18,334	556,213	96,686
Foreign Banks	230,040	2,588,683	24,945	1,421,335
Foreign Head offices and Branches	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	527,084	2,607,017	581,158	1,518,021

Due from foreign banks:

	Unrestricted Balances		Restricted Balances (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	2,175,616	694,722	44,702	-
USA, Canada	286,700	714,187	-	-
OECD Countries (*)	265,835	17,417	-	-
Off-shore Banking Regions	42,867	-	-	-
Other	2,415	19,143	588	811
Total	2,773,433	1,445,469	45,290	811

(*) OECD countries excluding USA, EU countries and Canada.

(**) The restricted amounts are held as collateral or for the interest payments of funds borrowed from foreign institutions.

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- Investment Securities Available for Sale:

- Information related to Receivables from Reverse Repurchase Agreements:

Securities given as collateral comprise government bonds and other government debt securities. Investment securities given as collateral or blocked amount to YTL 2,721,513 thousand in the current period and YTL 1,910,471 thousand in the prior period.

Securities subject to repo transactions amount to YTL 1,618,248 thousand (YTL 1,136,362 thousand from government bonds, YTL 31,439 thousand from bank bonds or bank guaranteed bonds and YTL 450,447 thousand from other government debt securities) in the current period and YTL 72,533 thousand (YTL 33,396 thousands from government bonds and YTL 39,137 thousand from bank bonds or bank guaranteed bonds) in the prior period.

- Information related to Investment Securities Available for Sale:

	Current Period	Prior Period
Debt Securities	10,235,341	10,294,517
Quoted at Stock Exchange	8,910,712	7,015,345
Unquoted	1,324,629	3,279,172
Share Certificates	163,162	157,728
Quoted at Stock Exchange	65,779	75,748
Unquoted	97,383	81,980
Impairment Losses (-)	49,835	12,526
Total	10,348,668	10,439,719

- Information on Loans:

- Information on all types of loans and advances given to shareholders and employees of Parent Bank:

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders		451	-	866
Corporates	-	451	-	866
Individuals	-	-	-	-
Indirect Lendings to Shareholders (**)	-	117	-	84
Loans to Employees	25,364	-	15,978	-
Total (*)	25,364	568	15,978	950

(*) Excluding interest accruals.

(**) Comprises loans to subsidiaries, associates and others included in the risk group .

- Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:

	Performing Loans and Other Receivables (Group I)		Loans Under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Cash Loans				
Loans	17.100.497	-	645.138	254.212
Discounted Bills	75.628	-	-	-
Export Loans	1.174.686	-	45.966	179.857
Import Loans	-	-	-	-
Loans to Financial Sector	356.843	-	-	-
Foreign Loans	111.788	-	-	-
Consumer Loans	3.775.531	-	115.712	786
Credit Cards	599.897	-	39.447	2.294
Precious Metals Loans	-	-	-	-
Other (*)	11.006.124	-	444.013	71.275
Specialization Loans	123.678	-	-	-
Other Receivables	7.528	-	-	-
Total (**)	17.231.703	-	645.138	254.212

(*) Includes commercial loans amounting to thousand YTL 10,867,066 thousand.

(**) Excluding interest accruals of the Parent Bank amounting to YTL 284,799 thousand.

- The breakdown of loans according to maturity structure:

	Performing Loans and Other Receivables (Group I)		Loans Under Follow-Up and Other Receivables (Group II)	
	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured or Rescheduled Loans and Other Receivables
Short term loans	7.744.610	-	325.783	216.363
Loans	7.668.784	-	325.783	216.363
Specialization Loans	-	-	-	-
Other Receivables	75.826	-	-	-
Medium or Long-Term Loans (*)	9.487.093	-	319.355	37.849
Loans	9.351.096	-	319.355	37.849
Specialization Loans	123.678	-	-	-
Other Receivables	12.319	-	-	-

(*) Loans with original maturities exceeding one year.

(**) Excluding interest accruals of the Parent Bank amounting to YTL 284,799 thousand.

- Information on consumer loans, retail credit cards, personnel loans and personnel credit cards:

	Short-Term	Medium or Long-Term	Interest and Income Accruals	Total
Consumer Loans- YTL	959,954	2,911,844	32,099	3,903,897
Housing Loans	43,502	1,813,079	13,730	1,870,311
Automobile Loans	33,500	184,493	2,594	220,587
General Purpose Loans	680,925	914,272	14,234	1,609,431
Other	202,027	-	1,541	203,568
Consumer Loans- FC Indexed	404	3,334	-	3,738
Housing Loans	-	490	-	490
Automobile Loans	-	-	-	-
General Purpose Loans	-	-	-	-
Other	404	2,844	-	3,248
Consumer Loans- FC	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
General Purpose Loans	-	-	-	-
Other	-	-	-	-
Retail Credit Cards-YTL	604,441	-	-	604,441
With Installment	96,949	-	-	96,949
Without Installment	507,492	-	-	507,492
Retail Credit Cards-FC	1,634	-	-	1,634
With Installment	-	-	-	-
Without Installment	1,634	-	-	1,634
Personnel Loans-YTL	504	15,788	-	16,292
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
General Purpose Loans	504	15,788	-	16,292
Other	-	-	-	-
Personnel Loans- FC Indexed	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
General Purpose Loans	-	-	-	-
Other	-	-	-	-
Personnel Loans- FC	201	-	-	201
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
General Purpose Loans	-	-	-	-
Other	201	-	-	201
Personnel Credit Cards-YTL	8,853	-	-	8,853
With Installment	1,163	-	-	1,163
Without Installment	7,690	-	-	7,690
Personnel Credit Cards-FC	18	-	-	18
With Installment	-	-	-	-
Without Installment	18	-	-	18
Deposit Accounts-YTL (Real Persons)	391,484	-	-	391,484
Deposit Accounts-FC (Real Persons)	-	-	-	-
Total	1,967,493	2,930,966	32,099	4,930,558

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- Installment based commercial loans and corporate credit cards:

	Short-Term	Medium or Long-Term	Interest and Income Accruals	Total
Installment Based Commercial Loans-YTL	1,125,420	2,340,958	63,448	3,529,826
Real Estate Loans	1,915	98,433	1,966	102,314
Automobile Loans	194,779	763,889	15,844	974,512
General Purpose Loans	928,726	1,478,636	45,638	2,453,000
Other	-	-	-	-
Installment Based Commercial Loans-FC Indexed	-	-	-	-
Real Estate Loans	-	-	-	-
Automobile Loans	-	-	-	-
General Purpose Loans	-	-	-	-
Other	-	-	-	-
Installment Based Commercial Loans-FC	-	41,620	148	41,768
Real Estate Loans	-	-	-	-
Automobile Loans	-	-	-	-
General Purpose Loans	-	-	-	-
Other	-	41,620	148	41,768
Corporate Credit Cards- YTL	26,479	-	-	26,479
With Installment	1,806	-	-	1,806
Without Installment	24,673	-	-	24,673
Corporate Credit Cards- FC	213	-	-	213
With Installment	-	-	-	-
Without Installment	213	-	-	213
Deposit Accounts-YTL (Corporate)	66,405	-	-	66,405
Deposit Accounts-FC (Corporate)	-	-	-	-
Total	1,218,517	2,382,578	63,596	3,664,691

- The breakdown of loans according to customers:

	Current Period	Prior Period
Public Sector	1,970,652	1,303,415
Private Sector	16,160,401	10,853,138
Total (*)	18,131,053	12,156,553

(*) Excluding interest accruals of the Parent Bank amounting to YTL 284,799 thousand in the current period and YTL 137,336 thousand in the prior period.

- Allocation of loans according to customers:

	Current Period	Prior Period
Domestic Loans	17,846,013	12,028,632
Foreign Loans	285,040	127,921
Total (*)	18,131,053	12,156,553

(*) Excluding interest accruals of the Parent Bank amounting to YTL 284,799 thousand in the current period and YTL 137,336 thousand in the prior period.

- Loans granted to associates and subsidiaries:

	Current Period	Prior Period
Direct Loans Granted to Associates and Subsidiaries	-	15,716
Indirect Loans Granted to Associates and Subsidiaries	10,046	4,389
Total (*)	10,046	20,105

(*) Excluding interest accruals of the Parent Bank.

- Specific provisions for loans:

	Current Period	Prior Period
Substandard Loans and Receivables- Limited Collectibility	252,161	145,076
Doubtful Loans and Receivables	32,234	23,599
Uncollectible Loans and Receivables	774,675	884,549
Total	1,059,070	1,053,224

- Non-performing loans (Net):

- Non-performing loans and receivables restructured or rescheduled:

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Current Period	55,240	-	170,431
(Gross Amount Before Specific Provisions)	-	-	-
Restructured Loans and Receivables	55,218	-	-
Rescheduled Loans and Other Receivables	22	-	170,431
Prior Period	53,000	-	277,659
(Gross Amount Before Specific Provisions)	-	-	-
Restructured Loans and Receivables	52,706	-	-
Rescheduled Loans and Other Receivables	294	-	277,659

- Information on movements in non-performing loans:

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Prior Period End Balance	145,075	23,666	884,549
Additions (+)	226,707	5,129	91,566
Transfers From Other Categories of Loans Under Follow-up (+)	664	25,349	15,988
Transfers To Other Categories of Loans Under Follow-up (-)	8,052	12,864	103,826
Collections (-)	112,233	8,830	113,561
Write-Offs (-)	-	-	41
Current Period End Balance	252,161	32,450	774,675
Specific Provisions (-)	252,161	32,234	774,675
Net Balance on Balance Sheet	-	216	-

- Non-performing loans in foreign currencies:

	Group III Substandard Loans and Receivables	Group IV Doubtful Loans and Receivables	Group V Uncollectible Loans and Receivables
Current Period			
Current Period End Balance	55,218	2,021	-
Specific Provisions (-)	55,218	1,805	-
Net Balance on Balance Sheet	-	216	-
Prior Period			
Prior Period End Balance	52,706	1,658	-
Specific Provisions (-)	52,706	1,591	-
Net Balance on Balance Sheet	-	67	-

- Liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables are settled by converting collaterals into cash.

- Information on investment securities held-to-maturity (Net):

- Investment securities held-to-maturity, which have been given as collateral or blocked (net):

In the current period, securities held to maturity given as collateral amounts to YTL 47,253 thousand and securities given as subject to repo transactions amounts to YTL 65,918 thousand.

In the prior period, government bonds in foreign currency given as collateral amounts to YTL 340,647 thousands, bonds and quasi-bond securities given as collateral amounts to YTL 37,038 and securities given as subject to repo transactions amounts to YTL 57,025 thousands.

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- Information on government securities held to maturity:

	Current Period	Prior Period
Government Bonds	214,460	470,656
Treasury Bills	-	55,389
Other Government Securities	-	5,998
Total	214,460	532,043

- Information on investment securities held to maturity:

	Current Period	Prior Period
Debt Securities	280,930	586,776
Quoted at a Stock Exchange	139,886	140,655
Not Quoted	141,044	446,121
Impairment Provisions (-)	479	304
Total	280,451	586,472

- Information on movements in investment securities held to maturity:

	Current Period	Prior Period
Beginning Balance	575,665	748,407
Foreign Currency Differences on Monetary Assets	93	(19,755)
Purchases During the Period (*)	538,487	143,404
Disposals through Sales and Redemption	(833,806)	(296,087)
Impairment Loses (-)	480	304
Balance at the end of the Period	279,959	575,665

(*) Interest accruals on investment securities held to maturity of the Parent Bank amount to YTL 492 thousand in the current period and YTL 10,807 thousand in the prior period.

- Investments in Associates (Net):

- General information on non-consolidated associates:

Associate	Address (City/Country)	Bank's Shareholding Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Shareholding Percentage (%)
İşkur İşçi İşadamları Kimya Kuruluşları A.Ş.	Bankrupt	25.00%	25.13%
Vakıf Gayrimenkul Ekspertiz ve Değ.A.Ş.	Ankara/Turkey	20.00%	27.44%
Orta Doğu Yazılım Hizmetleri A.Ş.	Ankara/Turkey	9.00%	34.04%

Non- financial associates of the Parent Bank are not included in consolidation.

Associate	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
İşkur İşçi İşadamları Kimya Kuruluşları A.Ş.	-	-	-	-	-	-	-	-
Vakıf Gayrimenkul Ekspertiz ve Değ.A.Ş.	7,099	5,488	204	403	52	2,355	-	1,226
Orta Doğu Yazılım Hizmetleri A.Ş.	10,693	9,999	289	1,347	72	739	(24,848)	752

- General information on consolidated associates:

Associate	Address (City/Country)	Bank's Shareholding Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Shareholding Percentage (%)
Kıbrıs Vakıflar Bankası Ltd.	Nicosia/Cyprus	15.00%	15.00%
Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.	İstanbul/Turkey	11.75%	21.63%
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	Ankara/Turkey	27.63%	29.45%

Associate	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
Kıbrıs Vakıflar Bankası Ltd.	563,502	30,626	3,219	91,650	10,068	3,675	-	4,174
Vakıf Menkul Kıymetler Yatırım Ortaklığı A.Ş.	12,131	11,876	60	-	-	(274)	421	1,003
Vakıf Gayrimenkul Yatırım Ortaklığı A.Ş.	57,904	57,420	39,794	2,390	2,390	4,510	(72)	12,371

• Information on movements of consolidated associates:

	Current Period	Prior Period
Balance at Beginning of the Period	25,664	8,378
Movements during the Period	(8,116)	17,286
Purchases	615	5,895
Bonus Share Acquired	170	-
Dividend received from the current year profit	-	-
Sales	6,327	-
Revaluation Surplus	883	11,391
Impairment Provisions	3,457	-
Balance at the End of the Period	17,548	25,664
Capital Commitments		
Shareholding Percentage at the End of the Period (%)		

• Information on sectoral concentration of associates:

Investments in Associates	Current Period	Prior Period
Banks	4,174	9,618
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Associates	13,374	16,046

• Information on quoted associates:

	Current Period	Prior Period
Quoted at Domestic Stock Exchanges	13,374	16,046
Quoted at International Stock Exchanges	-	-

• Investments in Subsidiaries (Net):

• Information on investments in non-consolidated subsidiaries:

Subsidiary	Address(City/ Country)	Bank's Shareholding Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Shareholding Percentage (%)
Vakıf Enerji ve Madencilik A.Ş.	Ankara/TURKEY	65.50%	84.87%
Ataköy Mağazacılık Ticaret A.Ş.	Bankrupt	45.79%	45.79%
Taksim Otellik A.Ş.	İstanbul/TURKEY	51.00%	51.51%
Vakıf Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Ankara/TURKEY	31.00%	31.09%
Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret A.Ş.	Ankara/TURKEY	73.00%	79.75%

Non-financial subsidiaries are not included in consolidation. Vakıf Girişim Sermayesi Yatırım Ortaklığı A.Ş. is not included in consolidation since its impact on the consolidated financial statements is not material.

Subsidiary	Total Assets	Shareholders' Equity	Fixed Assets Total	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
Vakıf Enerji ve Madencilik A.Ş.	299,062	284,006	85	1,041	-	38,262	1,061	21,722
Ataköy Mağazacılık Ticaret A.Ş.	-	-	-	-	-	-	-	-
Taksim Otellik A.Ş.	211,947	213,308	68,548	6,326	-	5,001	(102,932)	96,255
Vakıf Girişim Sermayesi Yatırım Ortaklığı A.Ş.	4,264	4,234	1	402	-	(1,654)	(329)	3,290
Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret A.Ş.	11,867	8,226	351	322	160	1,979	-	5,344

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• Information on investments in consolidated subsidiaries:

Subsidiary	Address (City/ Country)	Bank's Shareholding Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Shareholding Percentage (%)
Güneş Sigorta A.Ş.	İstanbul/TURKEY	36.35 %	36.35%
Vakıf Emeklilik A.Ş.	İstanbul/TURKEY	53.90%	74.93%
Vakıf Finans Factoring Hizmetleri A.Ş.	İstanbul/TURKEY	78.39 %	86.53%
Vakıf Finansal Kiralama A.Ş.	İstanbul/TURKEY	58.71%	64.24%
Vakıf Deniz Finansal Kiralama A.Ş.	İstanbul/TURKEY	68.55%	73.85%
Vakıf Yatırım Menkul Değerler A.Ş.	İstanbul/TURKEY	99.00%	99.42%
Vakıfbank International AG	Vienna/AUSTRIA	90.00%	90.00%
World Vakıf Offshore Banking Ltd.	Nicosia/CYPRUS	82.00%	84.92%

Subsidiary	Total Assets	Shareholders' Equity	Fixed Assets Total	Interest Income	Securities Income	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value
Güneş Sigorta A.Ş.	422,400	185,449	69,769	10,752	10,087	1,123	4,545	68,046
Vakıf Emeklilik A.Ş.	600,986	88,272	37,680	20,797	19,767	12,090	20,117	73,223
Vakıf Finans Factoring Hizmetleri A.Ş.	97,492	75,214	160	8,452	-	1,151	4,964	24,301
Vakıf Finansal Kiralama A.Ş.	161,629	36,492	4,074	17,199	-	6,643	9,207	23,555
Vakıf Deniz Finansal Kiralama A.Ş.	186,775	10,423	58	-	54	1,246	(121,424)	-
Vakıf Yatırım Menkul Değerler A.Ş.	44,637	41,920	412	5,205	-	4,545	1,114	40,146
Vakıfbank International AG	684,648	75,364	1,398	36,015	14,220	10,341	7,358	33,187
World Vakıf Offshore Banking Ltd.	68,265	5,401	-	6,413	-	2,529	(437)	-

• Information on movement in subsidiaries:

	Current Period	Prior Period
Balance at the Beginning of the Period	317,106	205,148
Movement in the Period	(54,648)	111,958
Purchases	6,776	-
Bonus Shares Acquired	26,003	-
Dividends Received from the Current Year Profit	-	-
Sales	-	-
Revaluation Surplus	30,997	112,295
Impairment Provisions	118,424	337
Balance at the End of the Period	262,458	317,106
Capital Commitments	-	-
Shareholding Percentage at the End of the Period (%)	-	-

• Information on sectoral concentration of subsidiaries:

	Current Period	Prior Period
Banks	33,187	50,157
Insurance Companies	141,269	129,477
Factoring Companies	24,301	56,094
Leasing Companies	23,555	46,429
Finance Companies	-	-
Other Financial Subsidiaries	40,146	34,949

• Information on quoted subsidiaries:

	Current Period	Prior Period
Quoted at Domestic Stock Exchanges	91,601	127,467
Quoted at International Stock Exchanges	-	-

• Investments in Joint-venture (Net):
None.

• Lease Receivables (Net):

Lease receivables amount to YTL 254,178 thousand for the current period and YTL 190,644 thousand for the prior period. Majority of the investments in financial leases mature in one year, the rest maturing in 1-4 years.

The Group does not have operational leases.

- Hedging Purpose Derivatives:

Derivative Financial Assets Held For Risk Management	Current Period		Prior Period	
	YTL	FC	YTL	FC
Fair Value Hedges	9,969	24	-	-
Cash Flow Hedges	-	-	-	-
Net Foreign Investment Hedges	-	-	-	-
Total	9,969	24	-	-

- Information on Tangible Fixed Assets: (Net)

Disclosures about tangible assets are made on section three "Accounting Policies".

There is no any impairment on tangible assets recognized or cancelled in the current period.

- Information on Intangible Fixed Assets: (Net)

Intangible assets of the Parent Bank comprise software programs. Intangible assets are amortized by the straight line method over useful life of five years.

There is no any intangible asset having a significant impact on the financial statements as a whole. Additionally, the Parent Bank has no any intangible asset acquired through government incentives, restricted, pledged or recognized in fair value when acquired.

The Parent Bank has not made any commitment in order to acquire any intangible asset. There is no research and development cost recognized in the current period.

- Information on deferred tax assets:

The Group calculates deferred tax assets and liabilities on temporary timing differences between the book value calculated in accordance with the existing accounting policies and valuation principles and the balances subject to tax in accordance with Communique no 12 "Accounting for Taxes" of Regulation on Accounting Applications. Net deferred tax asset is YTL 94,071 thousand as of December 31,2006.

Deferred tax asset of YTL 17,195 thousands stems from adjustments to financial statements of the prior period in accordance with TAS standards.

There are no provisions for impairments and cancellations of those provisions regarding deferred taxes in the current period.

- Assets Held for Sale:

Assets held for sale amount to YTL 1,963 thousand for the current period (31 December 2005- YTL 4,367 thousand).

- Other Assets:

- Prepaid expenses amounting to YTL 49,275 thousand comprise prepaid fees and commissions, rent, insurance expenses, advertising expenses and other miscellaneous expenses.

- The "Other Assets" item of the balance sheet amounting to YTL 805,068 thousand does not exceed 10 % of total assets.

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II- Liabilities:

- Deposits:
- Information on maturity structure of deposits:

Current period:	Demand	With 7 Days Maturity	Up to 1 Month	1-3 Month	3-6 Month	6 -12 Month	1 Year and Longer	Total
Saving Deposits	729,350	-	151,730	4,476,272	512,142	28,045	31,591	5,929,130
Foreign Currency Deposits	1,350,997	-	1,735,009	2,881,112	622,640	108,806	736,873	7,435,437
Residents In Turkey	1,276,877	-	1,715,066	2,730,369	558,520	62,540	547,184	6,890,556
Residents Abroad	74,120	-	19,943	150,743	64,120	46,266	189,689	544,881
Public Sector Deposits	1,037,666	-	362,228	1,237,838	53,304	362	3,134	2,694,532
Commercial Deposits	666,345	-	739,475	1,801,182	269,020	143,832	2,620	3,622,474
Other Institutions Deposits	553,642	-	372,880	2,880,288	765,156	78,022	31,157	4,681,145
Precious Metals Deposits	-	-	-	-	-	-	-	-
Interbank Deposits	3,129	-	422,641	130,000	-	-	-	555,770
Central Bank	480	-	-	-	-	-	-	480
Domestic Banks	347	-	417,138	130,000	-	-	-	547,485
Foreign Banks	1,425	-	5,502	-	-	-	-	6,927
Special Financial Institutions	-	-	-	-	-	-	-	-
Other	877	-	1	-	-	-	-	878
Total	4,341,129	-	3,783,963	13,406,692	2,222,262	359,067	805,375	24,918,488

(*) Excluding interest accruals of the Parent Bank amounting to YTL 245,290 thousand.

Prior period:	Demand	With 7 Days Maturity	Up to 1 Month	1-3 Month	3-6 Month	6 -12 Month	1 Year and Longer	Total
Saving Deposits	547,815	-	72,141	2,087,506	780,147	103,296	72,732	3,663,637
Foreign Currency Deposits	797,527	-	1,818,122	2,443,710	887,983	120,161	596,317	6,663,820
Residents In Turkey	741,867	-	1,783,076	2,296,717	861,078	71,584	424,954	6,179,276
Residents Abroad	55,660	-	35,046	146,993	26,905	48,577	171,363	484,544
Public Sector Deposits	611,851	-	184,627	1,713,259	70,170	147,478	34,419	2,761,804
Commercial Deposits	1,060,502	-	1,015,703	2,290,415	632,260	9,448	2,023	5,010,351
Other Institutions Deposits	609,501	-	250,113	2,263,351	993,799	117,447	243,386	4,477,597
Precious Metals Deposits	-	-	-	-	-	-	-	0
Interbank Deposits	1,164	-	506,162	59,048	47,930	8,000	-	622,304
Central Bank	225	-	-	-	-	-	-	225
Domestic Banks	223	-	434,884	25,000	-	-	-	460,107
Foreign Banks	427	-	71,277	34,048	47,930	8,000	-	161,682
Special Financial Institutions	-	-	-	-	-	-	-	-
Other	289	-	1	-	-	-	-	290
Total	3,628,360	-	3,846,868	10,857,289	3,412,289	505,830	948,877	23,199,513

(*) Excluding interest accruals of the Parent Bank amounting to YTL 215,400 thousand

- Information on saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund:

- Saving deposits covered by deposit insurance and total amount of deposits exceeding insurance coverage limit:

Savings Deposits	Under The Guarantee of Savings Deposits Insurance Fund		Exceeding The Limit of Savings Deposits Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Savings Deposits	3,100,191	2,101,544	2,828,939	1,562,093
Foreign Currency Savings Deposits	1,298,659	1,228,691	2,144,796	1,847,024
Other Deposits In the Form of Savings Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-Shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-

- The Parent Bank's head office is located in Turkey and accordingly within the scope of savings deposit insurance fund.

- Saving deposits under the coverage of foreign insurance:

	Current Period	Prior Period
Foreign Branches Deposits Under Foreign Authorities' Insurance (*)	133	2,084
Off-Shore Banking Regions' Deposits Under Foreign Authorities' Insurance (**)	19,920	-

(*) Foreign currency deposits at New York Branch.

(**) Represents saving deposit of World Vakif Offshore Banking Ltd.

- Derivative Financial Liabilities Held for Trading:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward Deals	-	35	-	-
Swaps	-	23	-	-
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	58	-	-

- Funds Borrowed:

- Information on banks and other financial institutions:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	-	-	-
Domestic Banks and Institutions	50,900	361,577	42,774	298,921
Foreign Banks, Institutions and Funds	-	4,939,093	1,248	3,446,780
Interest and Expense Accruals (*)	1,343	32,814	616	19,392
Total	52,243	5,333,484	44,638	3,765,093

(*) Represents interest accruals of the Parent Bank .

- Information on maturity structure of funds borrowed:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Short Term	60,648	1,788,647	38,383	1,835,331
Medium and Long Term	-	3,113,684	-	1,639,110
Interest and Expense Accruals	1,343	32,814	616	19,392
Total	61,991	4,935,145	38,999	3,493,833

Funds borrowed comprise syndication and securitization loans bearing various interest rates and maturities and account for 15.35 % of the Parent Bank's liabilities. There is no risk concentration on funding sources of the Parent Bank.

The Parent Bank has obtained foreign lending in the amount of USD 915 million under the organization of Standard Chartered and West LB AG by securitization programme based on diversified payment rights. In accordance with the securitization programme, the Parent Bank has transferred its diversified payment rights to VB DPR Finance Company. As of 31 December 2006, unpaid balance of the notes issued in 5 tranches by VB DPR Finance Company is USD 915 million.

- Information on concentration areas of the Parent Bank's liabilities:

Parent Bank's funding sources making up the liabilities comprise deposits and funds borrowed which account for 73.68 % of total liabilities of the Parent Bank. Deposits are distributed among a large variety of customers with stable structure and do not hold risk concentration.

- Other External Sources Payable:

Other external sources amount to YTL 206,116 thousand and do not exceed 10 % of the total liabilities.

- Lease Payables:

None.

Hedging Purpose Derivatives:	Current Period		Prior Period	
	YTL	FC	YTL	FC
Total	-	3,707	-	-
Fair Value Hedges	-	3,707	-	-
Cash Flow Hedges	-	-	-	-
Hedge of a Net Investment in a Foreign Entity	-	-	-	-

- Provisions:

- General information on provisions:

	Current Period	Prior Period
General Provision for	130,463	87,062
Loans and Receivables in Group I	118,857	76,956
Loans and Receivables in Group II	2,000	2,000
Non-cash Loans	9,606	8,106
Other	-	-

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- Information on provisions for foreign exchange differences on foreign currency indexed loans and financial lease receivables: None.
- Provisions of the Bank for non-cash loans that are not indemnified or converted into cash of amount to YTL 101,845 thousand.
- Information on other provisions:
- Information on general reserves for possible risks:

The Bank handed over 45 % shares in Güney Ege Enerji İşletmeleri Limited Şirketi (Güney Enerji) purchased from Bayındır Group for USD 103,500,000 to its subsidiary Vakıf Enerji ve Madencilik A.Ş. (Vakıf Enerji) for the same amount. Vakıf Enerji had been unable to operate Yatağan, Yeniköy and Kemerköy Thermal Power Plants which are in the process of privatisation. Accordingly, other shareholders of Güney Enerji and Vakıf Enerji petitioned to International Arbitration Tribunal to compensate for unrealized profits and other expenses from Turkish Ministry of Energy at 10 July 2003. The arbitration process finalized at 21 October 2004 in favor of Güney Enerji for a compensation amounting to USD 90,000,000. Güney Enerji has paid compensation to Vakıf Enerji according to its 45 % shareholding after deduction of taxes in the current year.

The carrying value of Vakıf Enerji in which the Bank has 65.50 % shareholding is YTL 161,427 thousand (in gross) as of 31 December 2006. However, market value of Vakıf Enerji has been determined at YTL 33,164 thousand according to due diligence report prepared in 2006. The provision of YTL 90,000 thousand for possible losses related to compensation and interest expenses have been transferred to the account of "Impairment on Subsidiaries" as of November, 2006. The Bank has set aside additional provision of YTL 49,705 thousand for impairment. As a result, the net carrying value of Vakıf Enerji is YTL 21,722 thousand as of 31 December 2006.

- Information on general reserves for possible risks: (continued)

Additionally, a provision of YTL 23,525 thousand has been provided for loans and other receivables in the event of delay in or doubt about collectibility as of 31 December 2006.

	Current Period	Prior Period
General Reserves for Possible Risks	23,525	113,704

- Other provisions exceeding 10 % of total provisions:

YTL 101,845 thousand of other provisions is provision for non- indemnified non-cash loans, YTL 12,852 thousands is provision for Credit Cards and Banking Services Promotion Practices and YTL 23,525 thousands is general provision for possible risks as explained above.

- Tax Liabilities:
- Information on current tax liabilities:
- Tax provision:

The Group provided YTL 184,628 thousand for corporate and income taxes.

- Taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	184,628	265,856
Taxation on Securities Income	41,138	20,911
Taxation on Real Estates Income	389	1,061
Banking Insurance Transaction Tax	16,856	13,563
Foreign Exchange Transaction Tax	2,463	1,186
Value Added Tax Payable	570	573
Other	11,833	10,767
Total	257,877	313,917

- Premiums:

	Current Period	Prior Period
Social Security Premiums-Employees	518	456
Social Security Premiums-Employer	661	636
Bank Pension Fund Premium-Employees	-	22
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions- Employees	-	-
Pension Fund Membership Fees and Provisions- Employer	-	-
Unemployment Insurance- Employees	257	208
Unemployment Insurance- Employer	447	340
Other	1	6
Total	1,884	1,668

- Deferred tax liabilities:

Deferred tax liability of the Group is YTL 37,931 thousand including additional liabilities stemmed from TAS adjustments as of 31 December 2006 (YTL 47,898 thousand as of 31 December 2005).

- Payables for Assets Held for Sale:
None.

- Subordinated Debts:
None.

- Shareholders' equity:
- Information on paid-in capital:

	Current Period	Prior Period
Common Shares	2,500,000	1,279,000
Preference Shares	-	-

- Information on registered share capital system of the Bank:

Capital System	Paid-In Capital	Ceiling
Registered Capital System	2,500,000	5,000,000

The Parent Bank had adopted registered capital system under permission no: 37/112 dated 15.09.2005 of Capital Market Board (CMB) of Turkey in accordance with Capital Market Law no: 2499 and determined registered capital ceiling at thousand YTL 1,300,000 in conformity with Decision no: 73727 dated 02.11.2005 of Board of Directors. The registered capital ceiling was increased to thousand YTL 5,000,000 in accordance with Ordinary General Assembly dated 31.03.2006 under permission no: 10/242 dated 03.03.2006 of CMB.

- Information on capital increases:

Date	Increase Amount	Cash	Provided from Profit reserves	Provided from Capital Reserves
19,12,2006	1,221,000	-	159,237	1,061,763

The paid-in capital of the Parent Bank has been increased to YTL 2,500,000 thousand by the amount of YTL 1,221,000 thousand from YTL 1,279,000 thousand as of 19 December 2006. YTL 7,795 thousand of the total increase was provided from revaluation fund, YTL 154,500 thousand from extraordinary reserves, YTL 605,763 thousand from other capital reserves, YTL 4,737 thousand from other profit reserves and YTL 448,205 thousand from share premiums.

- Information on capital increases provided from capital reserves:

Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets.	Bonus Shares from Associates, Subsidiaries and Joint-Ventures	Other
-	7,795	-	1,053,968

- Information on capital commitments for current year and future financial periods:
None.

- Information on possible effect of estimations made for the Parent Bank's revenues, profitability and liquidity on equity considering prior period indicators and uncertainties:
None.

- Information on privileges given to stocks representing the capital:
None.

- Information on securities value increase fund:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Investments in Associates, Subsidiaries and Joint-Ventures	19,977	-	7,750	22,852
Valuation Differences	(3,286)	30,297	173,400	45,016
Exchange Rate Differences	-	-	-	-
Total	16,691	30,297	181,150	67,868

Information on the part of the securities value increase fund related to foreign currency marketable securities: The part of value increase fund related to foreign currency marketable securities is the difference between the fair values and amortized costs, calculated in accordance with "effective yield method" of government bonds classified as investment securities available-for-sale.

- Minority Shares:

Minority Shares of the Group amount to YTL 188,090 thousand as of 31 December 2006 (31 December 2005: YTL 170,337 thousand).

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III- Off-Balance Sheet Items:

- Off-Balance Sheet Commitments and Contingencies:
- Information on types and amounts of irrevocable loan commitments:

There is a standing commitment of YTL 14,139 thousand for the guaranteed loan extension, a standing commitment of YTL 1,611,354 thousands for credit card expenditure limits and commitment of YTL 1,305,070 thousands for cheque payments.

- Information on possible losses and commitments resulted from off-balance sheet items:
- Guarantees, bank acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit:

Bank Acceptances	152,842
Letters of Credit	1,227,088
Other Guarantees	6,857
Total	1,386,787

- Definite guarantees, provisional guarantees, sureties and similar transactions:

Provisional Letters of Guarantee	78,522
Definite Letters of Guarantee	2,700,200
Advance Letters of Guarantee	301,306
Letters of Guarantee Addressed to Customs	60,465
Other Letters of Guarantee	260,386
Total	3,400,879

- Total non-cash loans:

Period	Current Period	Prior
Non-cash Loans Provided for Utilization of Cash Loans	553,363	494,615
With Maturity of 1 year or less than 1 year	182,811	235,237
With Maturity of more than 1 year	370,552	259,378
Other Non-Cash Loans	4,237,260	4,098,561
Total	4,790,623	4,593,176

- Sectoral concentration of non-cash loans:

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
Agriculture	21,224	1.15	7,652	0.26	22,243	1.32	6,032	0.21
Farming and Stockbreeding	17,295	0.94	4,918	0.17	19,940	1.19	5,239	0.18
Forestry	3,316	0.18	-	-	2,213	0.13	-	-
Fishery	613	0.03	2,734	0.09	90	0.01	793	0.03
Manufacturing	722,417	39.11	1,300,730	44.19	688,547	40.98	1,349,669	46.33
Mining	23,407	1.27	65,849	2.24	15,972	0.95	5,312	0.18
Production	567,105	30.70	1,073,679	36.48	587,662	34.98	1,220,420	41.89
Electricity, Gas, Water	131,905	7.14	161,202	5.48	84,913	5.05	123,937	4.25
Construction	259,075	14.02	510,840	17.36	232,466	13.84	393,263	13.50
Services	570,590	30.89	663,423	22.54	431,096	25.66	678,434	23.29
Wholesale and Retail Trade	265,392	14.37	129,123	4.39	208,550	12.41	72,239	2.48
Hotel, Food and Beverage Services	26,555	1.44	1,877	0.06	19,019	1.13	2,889	0.10
Transportation and Telecommunication	116,618	6.31	196,715	6.68	104,168	6.20	265,591	9.12
Financial Institutions	141,936	7.68	311,709	10.59	85,736	5.10	315,565	10.83
Real Estate and Renting Services	1,189	0.06	-	-	680	0.04	-	-
"Self-Employment" Type Services	-	0.00	-	-	-	-	-	-
Education Services	2,122	0.11	10,279	0.35	3,972	0.24	9,520	0.33
Health and Social Services	16,778	0.91	13,720	0.47	8,971	0.53	12,630	0.43
Other	274,062	14.84	460,610	15.65	305,729	18.20	485,697	16.67
Total	1,847,368	100.00	2,943,255	100.00	1,680,081	100.00	2,913,095	100.00

- Non-cash loans classified under Group I and Group II:

		Group I		Group II	
	YTL	FC	YTL	FC	
Non-cash Loans					
Non-cash Loans	1,755,531	2,810,799	44,049	81,384	
Letters of Guarantee	1,755,219	1,474,659	44,049	29,450	
Bills of Exchange and Banks Acceptances	-	138,687	-	12,579	
Letters of Credit	-	1,187,733	-	39,355	
Endorsements	-	-	-	-	
Underwriting Commitments	-	-	-	-	
Factoring Related Guarantees	-	-	-	-	
Other Guarantees and Securities	312	9,720	-	-	

- Derivative Financial Instruments:

Hedging purpose derivatives of the Group amount to YTL 375,131 thousand. Forward foreign currency purchases and sales amount to YTL 9,837 thousand recorded under derivative financial assets held for trading. Currency and interest swaps of the Group amount to YTL 87,419 thousand.

The Group undertakes foreign currency forward and swap transactions so as to protect short-term assets and liabilities against foreign exchange fluctuations and to keep foreign exchange cash flows under control. Hedging purpose derivative transactions of the Parent Bank are made via Bahrain Branch.

- Contingent Assets and Liabilities:

The Parent Bank has no any contingent liabilities other than lawsuits filed.

There are 1,273 lawsuits in total amounting to YTL 161,894 thousands, USD 14,782,375, EURO 2,919 and FF 5,146 filed against the Bank according to the information received from law department of the Bank as of the balance sheet date. Those lawsuits do not require any payment or compensation in case of losing.

- Services Rendered on Behalf of Third Parties:

None.

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IV- Income And Expense Items:

- Interest Income:
- Information on interest income from loans:

	Group I		Group II (*)	
	YTL	FC	YTL	FC
Interest Income from Loans	2,138,842	369,925	-	-
Short-Term Loans	1,325,762	162,098	-	-
Medium or Long-Term Loans	764,423	207,827	-	-
Loans Under Follow-Up	48,657	-	-	-
Premiums Received from Resource Utilization	-	-	-	-
Support Fund	-	-	-	-

(*) All interest income from loans is presented under Group 1 due to difficulty in terms of classification .

- Information on interest income from banks:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Central Bank of Turkey	-	3,818	-	3,490
Domestic Banks	25,958	2,870	18,926	248
Foreign Banks	10,839	76,335	1,445	33,835
Foreign Head offices and Branches	-	-	-	446
Total	36,797	83,023	20,371	38,019

- Information on interest income from securities portfolio:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Financial Assets Held-for-Trading	21,750	116,628	167,872	72,017
Financial Assets Valued at Fair Value	-	-	-	-
Investments Available-for-Sale	1,045,612	246,146	890,943	186,597
Investments Held-to-Maturity	21,920	9,419	29,189	9,145
Total	1,089,282	372,193	1,088,004	267,759

- Information on interest from investments in associates and subsidiaries:

	Current Period	Prior Period
Interest Income from Investments in Associates and Subsidiaries	451	93

- Interest Expense:
- Information on interest on funds borrowed:

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	6,948	209,756	7,494	110,798
Central Bank of Turkey	-	-	-	-
Domestic Banks	6,567	4,803	6,421	4,341
Foreign Banks	381	204,953	1,073	106,457
Foreign Head offices and Branches	-	-	-	-
Other Institutions	-	6,156	5,206	4,580
Total	6,948	215,912	12,700	115,378

- Information on interest paid to associates and subsidiaries:

Unable to disclose.

- Information on interest on securities issued:

None.

- Information on interest on deposits:

Account Description	Demand Deposit	Up to 1 Month	Time Deposit				Total
			1-3 Months	3-6 Months	6-12 Months	1Year and over	
Turkish Liras							
Bank Deposits	-	16,096	-	-	-	-	16,096
Saving Deposits	13,397	20,853	563,150	97,196	17,733	9,198	721,527
Public Sector Deposits	1,258	57,151	260,854	11,078	10,031	1,768	342,140
Commercial Deposits	14,175	42,461	218,770	95,262	12,057	657	383,382
Other Deposits	4,662	123,690	507,854	131,146	12,421	32,907	812,680
'7 Days Notice' Deposits	-	-	-	-	-	-	-
Total	33,492	260,251	1,550,628	334,682	52,242	44,530	2,275,825
Foreign Currency							
Foreign Currency Deposits	31,387	51,863	108,415	32,020	11,006	25,812	260,503
Bank Deposits	-	33,364	-	-	-	-	33,364
'7 Days Notice' Deposits	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-
Total	31,387	85,227	108,415	32,020	11,006	25,812	293,867
Grand Total	64,879	345,478	1,659,043	366,702	63,248	70,342	2,569,692

- Dividend Income:

	Current Period	Prior Period
Financial Assets Held-for-Trading	-	50
Financial Assets Valued at Fair Value	-	-
Investment Securities Available-for-Sale	6,376	3,357
Other	10,389	8,833
Total	16,765	12,240

- Trading Income / (Loss) (Net):

	Current Period	Prior Period
Income	1,046,593	479,399
Trading Account Income	135,158	170,558
Derivative Financial Instruments	15,494	31,961
Other	119,664	138,597
Foreign Exchange Gain	911,435	308,841
Losses (-)	968,020	271,384
Trading Account Losses	60,437	8,323
Derivative Financial Instruments	12,631	129
Other	47,806	8,194
Foreign Exchange Losses	907,583	263,061

- Other Operating Income:

There is not any operating income having significant impact on total income of the Group.

- Provision for Losses on Loans and Other Receivables:

	Current Period	Prior Period
Specific Provisions for Loans and Other Receivables	161,417	262,039
Loans and Receivables in Group III	123,027	74,518
Loans and Receivables in Group IV	23,864	19,029
Loans and Receivables in Group V	14,526	168,492
General Provisions	42,232	24,840
Provisions for Possible Risks	-	61,000
Impairment Losses on Securities	7,781	15,295
Financial Assets Valued at Fair Value through Profit or Loss	1,047	5,012
Investment Securities Available-for-Sale	6,734	10,283
Impairment Losses on Associates, Subsidiaries and Investment Securities		
Held-to- Maturity	74,062	3,087
Associates	75	1,299
Subsidiaries	73,508	1,484
Investment Securities Held-to- Maturity	479	304
Other	39,471	82,065
Total	324,963	448,326

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Other Operating Expenses:

	Current Period	Prior Period
Personnel Costs	407,179	362,374
Reserve For Employee Termination Benefit	642	1,247
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	-	-
Impairment Losses on Intangible Assets	61,635	58,725
Impairment of Goodwill	24	117
Depreciation Expenses of Intangible Assets	-	-
Impairment Losses on Assets to be Disposed	8,866	6,868
Depreciation Expenses of Assets to be Disposed	-	-
Impairment Losses on Assets Held-for-Sale	-	-
Other Operating Expenses	321,579	283,815
Operational Lease Related Expenses	44,167	37,606
Repair and Maintenance Expenses	16,074	10,683
Advertisement Expenses	40,508	39,122
Other Expenses	220,830	196,404
Losses on Sale of Assets	8,786	15,643
Other	803,714	604,183
Total	1,612,425	1,332,972

• Profit / (Loss) Before Taxes:

Profit before taxes of the Group is YTL 1,073,245 thousand.

• Provision for Taxes:

Current tax charge of the Group amounts to YTL 187,511 thousand.
Deferred tax charge related to recording or canceling taxable temporary differences amounts to YTL 71,202 thousand.

• Net Operating Profit / (Loss) After Taxes:

Operating profit after taxes of the Group is YTL 814,532 thousand.

• Net Profit / (Loss):

• Information on income and expenses resulting from regular banking activities:

There is no point requiring explanations.

• Information on any changes in estimations that might have a material effect on current and subsequent period results

There is no point requiring explanations.

• Profit or loss related to minority shares:

	Current Period	Prior Period
Profit or Loss related to minority rights	11,171	22,246

• Other Income and Expense Items Exceeding 10 % of Total Income and Expenses:

65.3 % of other operating income comprises income from insurance activities, provisions for communication expenses, provisions for written-off receivables, rent income and income from sales of assets. 49.6 % of other operating expenses consist of personnel expenses, operating expenses and depreciation and amortization expenses.

V- Shareholders' Equity Items:

- Inflation Adjustment Differences on Shareholders' Equity Items:

In accordance with the declaration of Banking Regulation and Supervision Agency (BRSA) numbered 1623 and dated April 21, 2005, banks are not required to apply inflation accounting in their financial statements since the indicators defined in Article 5 of the Communiqué are not deemed to be applicable. According to this decree, the "Inflation adjustment difference on paid-in capital" amounting to YTL 605,763 thousand accumulated until 31 December 2005 has been transferred to "Other Capital Reserves" account. This amount was added to paid-in capital as capital increase as of 19 December 2006.

- Distribution of Profit:

In the Ordinary General Assembly held on 31 March 2006, it was resolved to distribute dividend of gross YTL 0,3122 for each YTL 1 nominal valued shares.

In the current period, Ordinary General Assembly held on 30 March 2007 decided to distribute dividend of gross YTL 0,3001 for each YTL 1 nominal valued shares.

- Investment Securities Available-for-Sale:

"Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale are not recognized in current year income statements; they are recognized in the "Securities Value Increase Fund" account under Shareholders' Equity, until the financial assets are sold, disposed or impaired. Additional YTL 66,734 thousand was recorded in "Securities Value Increase Fund" in the prior period financial statements due to TAS adjustments.

VI- Cash Flow Items:

- Other Cash Flow Items and The Effect of Changes in Foreign Exchange Rates on Cash and Cash Equivalents:

The "Other" item under "Operating Profit Before Changes in Operating Assets and Liabilities" amounting to YTL 1,623,675 thousand consists of operating expenses (YTL 1,612,426 thousand). The "Other" item under "changes in Operating Assets and Liabilities" amounting to YTL 88,089 thousand consists mainly of changes in miscellaneous payables (YTL 197,329 thousand), other external payables (YTL 36,610 thousand), current tax liabilities (YTL 55,824 thousand) and provisions (YTL 16,806 thousand).

- Cash Outflows from Acquisition of Associates, Subsidiaries and Joint Ventures:

Cash outflows due to investments in associates and subsidiaries amount to YTL 7,690 thousand as of 31 December 2006.

- Cash Inflows from Disposal of Associates, Subsidiaries and Joint Ventures:

Cash inflows due to sale of some associates and subsidiaries amount to YTL 6,599 thousand as of 31 December 2006.

- Cash and Cash Equivalents at the Beginning and End of the Period:

- Components of cash and cash equivalents and the accounting policy applied in their determination:

Cash and foreign currency together with demand deposits at banks including the Central Bank are defined as "Cash"; interbank money market placements and time deposits in banks with original maturities less than three months are defined as "Cash Equivalents".

- Reconciliation of the items making up the cash and cash equivalents with respect to the amount of such balances included in the cash flow statement with those included in the balance sheet:

Cash and cash equivalents at the beginning of the period:

	Current Period	Prior Period
	31.12.2005	31.12.2004
Cash	1,692,894	608,355
Cash, Foreign Exchange and Others	303,587	182,652
Demand Deposits at Banks	1,389,307	425,703
Cash Equivalents	4,687,910	3,213,153
Money Market Transactions	2,649,000	1,100,051
Time Deposits at Banks	2,038,910	2,113,102
Total Cash and Cash Equivalents	6,380,804	3,821,508

Cash and cash equivalents at the end of the period:

	Current Period	Prior Period
	31.12.2006	31.12.2005
Cash	2,143,343	1,692,894
Cash, Foreign Exchange and Others	438,948	303,587
Demand Deposits at Banks	1,704,395	1,389,307
Cash Equivalents	3,847,694	4,687,910
Money Market Transactions	873,277	2,649,000
Time Deposits at Banks	2,974,417	2,038,910
Total Cash and Cash Equivalents	5,991,037	6,380,804

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VII- Risk Group Of The Bank:

• Information on the volume of transactions relating to the bank's risk group, outstanding loan and deposit transactions and profit and loss of the period:

• Current period:

Bank's Risk Group	Associates and Subsidiaries		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the Beginning of the Period	28,062	189,533	-	950	-	-
Balance at the End of the Period	22,888	219,239	-	568	-	-
Interest and Commissions Income Received	17	83	307	-	-	-

• Previous period:

Bank's Risk Group	Associates and Subsidiaries		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons Included in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the Beginning of the Period	12,063	240,074	-	382	-	-
Balance at the End of the Period	28,062	189,533	-	950	-	-
Interest and Commissions Income Received	26	30	-	-	-	-

• Deposits of the Risk Group:

Bank's Risk Group	Associates and Subsidiaries		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons Included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	86,210	108,553	51,297	40,767	-	-
Balance at the End of the Period	120,261	86,210	28,165	44,138	-	-
Interest on Deposits (*)	-	-	415	975	-	-

(*) Unable to disclose.

• Derivative Transactions with Risk Group:

None.

VIII- Domestic, Foreign And Off-Shore Branches And Foreign Representatives Of The Bank:

	Number of Branches	Number of Employees	Country			Total Assets	Legal Capital
			1-	2-	3-		
Domestic Branches (*)	427	7,663					
Foreign Representative Offices			1-				
			2-				
			3-				
Foreign Branches	2	16	1-USA	887,142	23,100		
			2-Bahrain	3,952,547			
			3-				
Off-Shore Branches			1-				
			2-				
			3-				

(*) Includes free trade zone branches.

(2) Opening or Closing Domestic and Foreign Branches and Foreign Representatives and Significant Changes in Organizational Structure: The Bank opened 9 domestic branches in 2006 and plans to open 49 new domestic branches in 2007 .

Other Disclosures And Notes

Other Operations Of The Bank:

None.

Independent Auditors' Report

The Bank's consolidated financial statements prepared as of 31 December 2006 have been audited by Kapital Bağımsız Denetim ve Yeminli Mali Müşavirlik Anonim Şirketi (A correspondent firm of RSM International) and an unqualified opinion has been issued in independent auditors' report dated 12 April 2007 and presented prior to the consolidated financial statements.

Disclosures And Notes Prepared By Independent Auditors:

None.

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VI- Evaluation Of The Financial Situation, Profitability And Solvency

State of Progress in the Assets

Vakıfbank grew by 13,54% in 2006 and increased its assets to the amount of TRY 37 billion. While the rate of increase in TRY assets was 3,27%, our FX assets increased by 37,11%.

Our loan portfolio that increased by 49,8% and reached to TRY 18,04 billion played an important role in the growth of our assets. Applying a widespread credit policy in order to contribute to the increase of production-employment through financing the real sector and to assist in the expansion of the national economy towards the international markets with its credit and foreign exchange services, our Bank continued to provide financing support with suitable maturity periods, interest rates and payment options directly on its own or through mediation within the scope of the protocols concluded with other entities or institutions in the year of 2006. While the portion of TRY 5,1 billion corresponding to 28,3% of our loans excluding rediscounts was composed of retail loans, the portion of TRY 12,7 billion corresponding to 71,7% of total loans was composed of commercial loans by the end of 2006.

With these figures, our Bank's share in the commercial loans sector was 8,63% and the share in the retail loans sector was 7,43%.

Considering the composition of our retail loans, it is observed that 87,3% of them are composed of consumer loans and 12,7% of them are composed of credit cards. In respect of distribution of consumer credits, the consumer loans on instalments had a share of 50% while the housing loans and auto loans had the shares of 45% and 5%, respectively.

The ratio of the securities portfolio in the banking sector balance decreased in 2006; in parallel to this, the share of our Bank's portfolio which amounted to TRY 10,4 billion in the total balance decreased to 28,16%.

While the number of our participations decreased to 27 as a result of the sale of one participation in 2006, the ratio of the participations and affiliates to the assets decreased from 1,87% to 1,10 %.

While the share of tangible fixed assets within the total assets was 3,09% in 2005, it dropped to 2,33% in 2006.

State of Progress in the Liabilities

The deposits that had the biggest share with the rate of 67,08% in our total resources in 2006 increased by 7,25% and reached to TRY 24,8 billion; while the share of TRY deposits in the total deposits was 71,5% in 2005, it decreased to 67,3% as a result of the increase in the FX deposits that resulted from the increase in the foreign exchange rates due to the fluctuations experienced in the months of May and June; however, when the depreciation in TRY started to decrease, the share of TRY deposits within the total deposits increased and reached to 70,7% by the end of the year.

In July 2006, Vakıfbank borrowed USD 700 million with a maturity of 1 year through a syndicated loan with the participation of 23 international banks. In December 2006, Vakıfbank borrowed another syndicated loan of USD 700 million with a maturity of 1-2 and 3 years, increasing the maturity of its syndicated term loans over 1 year for the first time.

The securitisation loan of USD 750 million arranged by 2 international banks in 2005 was sold in the international capital markets through bond issuance in June 2006 and the amount of the loan was increased to USD 915 million due to the high demand. This loan was the biggest bond issuance by a Turkish bank performed through a securitisation program to international capital markets and

Vakıfbank became the 4th Turkish Bank to have the credit insurance companies in its securitisation borrowing program.

While our Bank's shareholder's equity increased to TRY 4.5 billion as a result of the increase in profitability, our paid-in capital increased by 95,47% from TRY 1279 million to TRY 2500 million and the total of this capital increase was covered from internal resources composed of capital and profit reserves.

Despite growth by 13,5 % and 100% provisions reserved for NPLs, a high Capital Adequacy Ratio of 19,72% was achieved as a result of the risk management and investment placement policies followed.

Evaluation of the Profitability

Having gained a gross profit over TRY 1 billion despite the reservation of provisions for all NPLs in 2006, our Bank closed the year of 2006 with a profit amounting to TRY 769,7 million as a result of deduction of the tax provisions at the rate of 25%; upon the addition of the previous years' profits of TRY 39 million as required by the TMS (Turkish Accounting Standards) legislation newly enforced, our total profits reached to TRY 808,9 million.

With its total incomes earned from interest incomes by 84,3% and non-interest incomes by 15,7%, our Bank increased its interest incomes by 23% in 2006. While the rate of interests received from the loans within the total interests increased from 52% to 56% in parallel to the increase in the loans as a result of increase in the interest rates in the recent months, the share of interests received from securities decreased from 37% to 32% as a result of decrease in the share of securities portfolio within the assets. The increase in our non-interest incomes was realized by 17% in 2006.

Our total expenses were composed of interest expenses by 63,3% and non-interest expenses by 36,7%. Among our interest expenses that increased by 24,2% in 2006, the interests given for deposits dropped from 94% to 91% as a result of limited increase in the deposits; and the interests given for the funds borrowed increased from 5% to 7,2%.

Solvency

Our Bank's strong and widespread network of deposits, its volume of assets that grew stronger with the public offering performed at the end of 2005 and reached the sixth position in the sector and the borrowing opportunities provided under its capacity as the market-maker can be considered among the factors improving our Bank's solvency and capability of repaying its short-term liabilities.

The increase of the share of assets with high interest earnings within the total assets in 2006 has been considered as another factor that improved our bank's solvency. Our bank, which is considered among the first 6 biggest private banks in the banking sector is the 2nd bank having the highest ratio of interest earning assets to the liabilities with interest costs; and thus, Vakıfbank is considered as one of the banks benefiting from its resources in the most productive manner.

The credit scores rated by the international credit agencies of Moody's and Standard& Poors in 2006 indicate our Bank's financial power from another perspective.

On the other hand, the wide customer portfolio and the availability of access to potential personal and corporate customers, the possibility of developing integrated projects with public entities and institutions (TOKI, KOSGEB, etc.), the strong distribution of branch network in Anatolia and the resulting competitive advantages, the differentiation of its brands and the deeply rooted corporate relations can be considered as the significant advantages of our Bank in the sector; and the success in transforming these advantages into opportunities will create synergy and contribute in the solvency of the Bank.

VII- Ratings

Moody's

Financial Strength	: D- (DU since April 2007)
Outlook	: Stable
Long-Term TRY Deposits	: Baa1
Long-Term FX Deposits	: B1
Short-Term TRY Deposits	: P-2
Short-Term FX Deposits	: NP

Moody's has been rating our Bank since the year of 2001. The latest rating was explained in the report dated December 2005.

The long-term TRY deposit rating of Baa1 represents a low credit risk. The long-term foreign exchange deposit note of B1 refers to the speculative investment score.

The short-term deposit rating of P-2 indicates the power of fulfilling the short-term deposit liabilities of Vakıfbank.

The financial strength of Vakıfbank rated as D- means that Vakıfbank has medium financial power and may need support occasionally in fulfilling its liabilities.

Fitch Ratings

Foreign Exchange	
Long-Term	: BB-
Short-Term	: B
Outlook	: Positive
National Currency	
Long-Term	: BB-
Short-Term	: B
Outlook	: Positive
National Currency Long-Term	: A+
Outlook	: Stable
Personal Rating	: C/D
Support score	: 4

Fitch Ratings has been rating our Bank since the year of 2001. The latest rating was explained in the report dated February 26, 2006. The outlooks that are positive below were changed from stable to positive on December 8, 2005.

The credit rating of BB- for the long-term foreign exchange means that the bank can fulfill its financial liabilities, but sometimes, a credit risk may occur as a result of the negative economic conditions.

The long-term national currency credit rating is 2 point below the highest rating of AA that can be reached by the institutions in the country and shows that it has a strong credibility compared to the other financial institutions.

Standard and Poor's

Credit Rating	: BB-
Outlook	: Stable
Continuity	: BBB-

Standard and Poor's that rated our Bank on the basis of information open to public before 2005 performed its first detailed rating on our Bank on the date of July 19, 2005. The latest rating on our Bank given by Standard and Poor's was made in the report dated June 28, 2006. The credit rating, which was stated as BB- in this report, indicates a lower insolvency risk compared to the other speculative investment degrees. The credit rating of BBB- for local currency refers to the credit rating indicating the availability of investments and the satisfactory level of credibility.

Capital Intelligence

Foreign Exchange Liabilities	
Long-Term	: BB-
Short-Term	: B
Turkish Currency Liabilities	
Long-Term	: BB-
Short-Term	: B
Financial Strength	: BBB-
Support	: 2
Outlook	: Stable

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VIII- Summary Of Financials About The Five-Year Period

The Financial Statements for the period of 2002-2004 were rearranged with the current values of 2004 due to the Inflation Accounting Application implemented in the said period through multiplying the values in our Balance Sheet Profit / Loss Statements for 2002 with the two-year correction factor of (1,2971), and multiplying the values in the Balance Sheet Profit /Loss Statements for 2003 with the yearly correction factor of (1,1384). The data for the years of 2005 and 2006 are based on the Financial Statements arranged in accordance with TMS legislation.

(Million TRY) ASSETS	2002	2003	2004	2005	2006	Change (%) 2005-2006
Cash and Banks	1,715	2,741	4,168	7,121	6,719	-5.65
Securities Portfolio	6,692	7,858	8,595	11,359	10,432	-8.16
Performing Loans	3,776	5,367	8,062	12,042	18,043	49.83
NPL (Net)	620	0	0	0	0	-
Participations and Affiliates	506	542	483	613	409	-33.28
Legal Reserves	869	814	935	-	-	-
Interest and Income Accruals and Rediscounts	929	915	562	-	-	-
Fixed Assets	1,205	1,103	1,116	1,007	862	-14.40
Other Assets	205	146	278	476	569	19.54
TOTAL	16,516	19,486	24,199	32,618	37,034	13.54

(Million TRY) ASSETS	2002	2003	2004	2005	2006	Change (%) 2005-2006
Cash Reserves	1,715	2,741	4,168	7,121	6,719	-5.65
Marketable Securities	6,692	7,858	8,595	11,359	10,432	-8.16
Loans	4,396	5,367	8,062	12,042	18,043	49.83
Other	3,714	3,520	3,374	2,096	1,840	-12.21
TOTAL	16,516	19,486	24,199	32,618	37,034	13.54

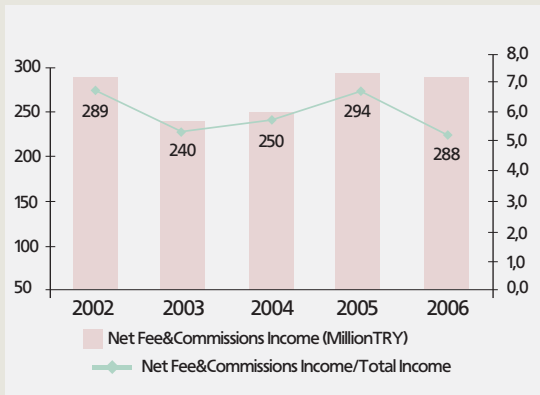
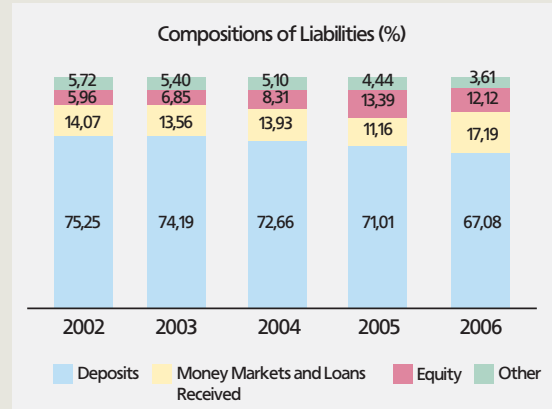
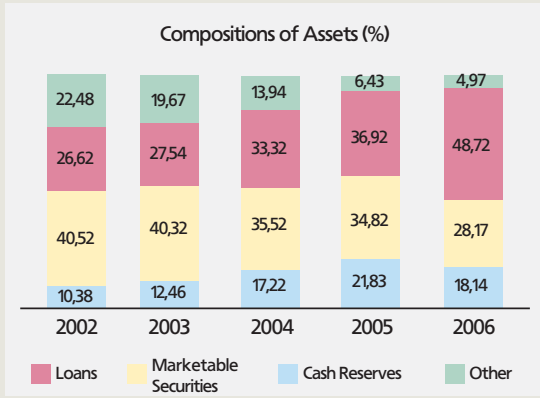
(Million TRY) LIABILITIES	2002	2003	2004	2005	2006	Change (%) 2005-2006
Deposits	12,263	14,457	17,584	23,161	24,842	7.26
Money Markets	235	597	611	108	1,370	1,168.52
Loans Received	2,090	2,045	2,759	3,533	4,997	41.44
Interest and Expense Rediscounts	131	231	190	-	-	-
Provisions	122	96	419	417	377	-9.59
Other Liabilities	691	726	624	1032	961	-6.88
Equity	984	1,335	2,012	4,367	4,487	2.75
-Paid-in Capital	320	321	420	1,279	2,500	95.47
Profit or Loss	-1,169	264	856	574	809	40.94
- Profit - Loss of the Previous Year	-1,566	0	232	47	39	-17.02
-Net Profit - Loss for the Period	396,9126	264	624	527	770	46.11
TOTAL	16,516	19,487	24,199	32,618	37,034	13.54

(Million TRY) LIABILITIES	2002	2003	2004	2005	2006	Change (%) 2005-2006
Deposits	12,263	14,457	17,584	23,161	24,842	7.26
Money Markets and Loans Received	2,324	2,642	3,370	3,641	6,367	74.87
Equity	984	1,335	2,012	4,367	4,487	2.75
Other	944	1053	1233	1449	1338	-7.66
TOTAL	16,516	19,487	24,199	32,618	37,034	13.54

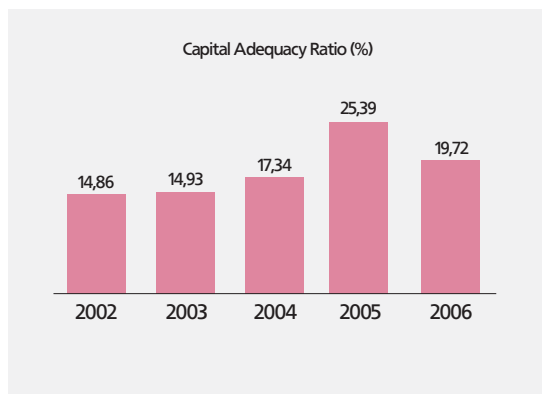
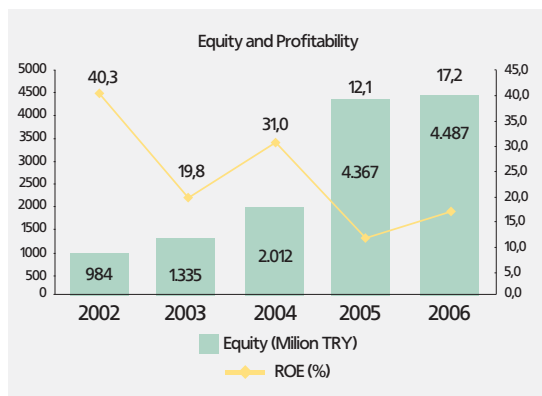
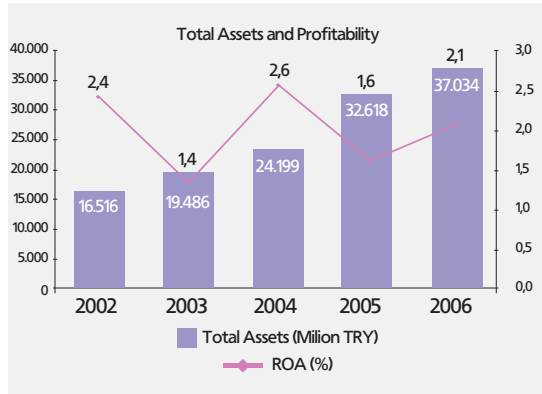
(Million TRY) PROFIT / LOSS	2002	2003	2004	2005	2006	Change (%) 2005-2006
Interest Incomes	2,859	2,639	3,068	3,592	4,409	22.74
Interest Expenses	2,448	2,267	1,883	2,273	2,824	24.24
Net Interest Incomes	411	372	1,185	1,319	1,585	20.17
Net Fee&Commissions Income	289	240	250	294	288	-2.04
Incomes from Dividends	6	1	4	10	17	70.00
Capital Market Trading Profit (Net)	503	529	64	131	45	-65.65
Foreign Exchange Profit (Net)	-350	145	53	45	2	-95.56
Other Operating Incomes	257	197	245	129	344	166.67
Total of Operating Incomes	1,117	1,484	1,801	1,928	2,281	18.31
Provisions for Loans and Other Receivables	140	440	344	445	323	-27.42
Other Operating Expenses	816	786	722	732	935	27.73
Operating Profit	161	258	735	751	1,023	36.22
Profit/Loss of Affiliates and Participations	25	16	48	0	0	
Net Monetary Position Profit / Loss	211	-10	-16	0	0	
Profit Before Tax	397	264	767	751	1,023	36.22
Provision for Taxes	0	0	143	224	253	12.95
Net Profit / Loss for the Period	397	264	624	527	770	46.11

(%)	2002	2003	2004	2005	2006
Total Loans / Total Deposits	35.8	37.1	45.8	52.0	72.6
Net Profit - Loss of the Period/Total Assets	2.4	1.4	2.6	1.6	2.1
Net Profit - Loss of the Period/Equity	40.3	19.8	31.0	12.1	17.2
Capital Adequacy Ratio	14.86	14.93	17.34	25.39	19.72

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Summary Of Financials About The Five-Year Period



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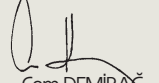
To The Board Of Directors Of Türkiye Vakıflar Bankası T.A.O

We hereby state that the "Annual Report for 2006" prepared in relation with the Fiscal Year of 2006 pertaining to Türkiye Vakıflar Bankası T.A.O. has been prepared in accordance with the "Regulation on the Principles and Procedures Regarding the Preparation and Publication of the Banks' Annual Reports" published in the Official Gazette dated 01st.11.2006 and numbered 26333 and includes the data specified in the article 6 of the said regulation and the additional information required in the article 7; and you are kindly requested to evaluate, approve and forward our opinions as stated herein to the Board of Directors.

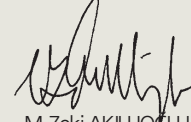
Yours
sincerely,



Yusuf BEYAZIT
Chairman of the
Board of Directors



Cem DEMİRAĞ
Member of the
Auditing Committee



M. Zeki AKILLIOĞLU
Member of the
Auditing Committee



Bilal KARAMAN
General Manager



Metin Recep ZAFER
Assistant General Manager



Şenol YİĞEN
Chairman

It was approved to execute the following article discussed and resolved in the meeting of our Board of Directors dated 08th.03.2007 and numbered 2363 - 06.

It was resolved to approve that the "Annual Report for 2006" prepared in relation with the Fiscal Year of 2006 pertaining to Türkiye Vakıflar Bankası T.A.O. and approved by our Auditing Committee was prepared in accordance with the "Regulation on the Principles and Procedures Regarding the Preparation and Publication of the Banks' Annual Reports" published in the Official Gazette dated 01st.11.2006 and numbered 26333 and included the data specified in the article 6 of the said Regulation and the additional information required in the article 7.

TÜRKİYE VAKIFLAR BANKASI T.A.O.
Board of Directors

'06

To Vakıfbank General Assembly:

We are charged with the audit of Vakıfbank's Annual Report prepared as of 08.03.2007. The Annual Report is under the responsibility of the Bank's Management and we are responsible for delivering opinion on the Audited Annual Report.

The audit is in compliance with the procedures and elements put into force related to the preparation and publication of the Annual Report in accordance with The Banking Law no.5411. These regulations require the planning and conduct in order to provide a reasonable assurance about whether there is a significant flaw in the Annual Report. We believe that the audit undertaken constitutes a reasonable and sufficient basis in the formation of our opinion.

In our opinion, the information in the attached Annual Report, in all material aspects, reflects the true financial condition of the Bank according to the procedures and principles specified in The Banking Law no.5411, article 40 and includes summary management report and independent audit opinion provided by us, and is in compliance with the information provided in the audited financial statements.

Kapital Bağımsız Denetim ve
Yeminli Mali Müşavirlik A.Ş.
14. 03. 2007 İSTANBUL


N. Lokman KETENCI
Partner, Chief Auditor

Decisions taken at 53rd General Assembly meeting on March 30, 2007

(The full agenda is on the second page of the Annual Report)

Agenda Item 4: The balance sheet and profit and loss accounts of 2006 as declared are accepted by majority.

Agenda Item 5: The discharge of the Members of Board of Directors and Auditors regarding 2006 activities is accepted by majority.

Agenda Item 6: The Board of Directors decision regarding the distribution of the year 2006 profit as it is specified in table below and the payment of the dividend to the shareholders on a date not later than 31.05.2007 was accepted by majority of votes and the Board of Directors proposal for dividend policy for 2007 and thereafter as stated: "After deducting the deferred tax asset, which is not subject to dividend payment, from the year-end profit and implementing the Banks Law no.6219 article 3 and Article 84 a,b,c of the Banks Articles of Incorporation, The General Management, taking into consideration the capital adequacy of the Bank, economic conditions and future expectations, proposes a dividend payout which is subject to the approval of Board of Directors, within the legal framework of CMB, BRSA and other regulations", is submitted to The General Assembly.

Schedule for 2006 Dividend Pay-Out:

Net Profit (2006 profit)	769.729.652,95
Distributable Net Profit	769.729.625,95
I- Legal Reserve	76.972.965,30
1. Initial Legal Reserves	38.486.482,65
2. Legal Reserve allocated as required by The Banks Law and Art of Inc	38.486.482,65
II- Dividend and Funds	51.000.000,00
Personnel (%9)	51.000.000,00
III- Total Reserves	127.972.965,30
IV- Distributable Dividend	641.756.687,66
V- Extraordinary Reserves (Vakıfbank Law 9/E)	256.891.861,18
VI- Dividend pay-out	384.864.826,48

Agenda Item 7: That the Board Members elected for a term of 3 years at The Banks 52nd Annual General Assembly on 31.03.2006 in accordance with the Articles of Incorporation, article 48 will stay in charge for the remaining 2 years, is unanimously accepted.

Agenda Item 8: That the Members of Audit Committee, elected for term of two years at The Bank's 52nd Annual General Assembly on 31.03.2006 in accordance with the Articles of Incorporation, article 43 will stay in charge for the remaining year and that Aydın SEÇKİN and Fahrettin BAYRAKTAR are elected as Reserve Supervisory Board Members representing Class A and C respectively, are unanimously accepted.

Agenda Item 9: That the compensation for the Board of Directors and Auditors is determined as TRY 5.000 for the Chairman and the Members of the Board of Directors and TRY 3.500 for the Auditors is accepted by majority of votes.

Agenda Item 10: That the Board of Directors authorization of the General Management of The Bank to sign an agreement with AKİS Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (KPMG) for the independent audit of The Bank's year 2007 financials

and to pay USD 485.000 for financials audit (limited reviews and full audits) and USD 215.000 for IT audit, in total USD 700.000+VAT, is approved by majority of votes.

Agenda Item 11: Since TRY was started be used as of the beginning of 2005, in order to have a closer follow-up of shareholding position and undertake transformation of shares; reissuance of share certificates representing current and raised capital as stock arrangement 14, exchange of new share certificates with the ones held by shareholders, cancellation and destruction of stock arrangements 1-11, cancellation of unissued stock arrangements 12-13 were accepted by majority of votes.

Agenda Item 12: The General Assembly was informed regarding the contributions and donations (scholarships, educational aids, contributions to social foundations) of TRY 2.288.785 based on the decision and authorization of the Board of Directors.

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