

History

- **Established in April 1954 under the special law “Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Kanunu” to manage cash derived from revenues and expenditures of charitable organisations set up during the Ottoman Empire period, conducting banking activities with branch offices in Ankara, Istanbul and Izmir**
- **In 1957, made its first venture towards broadening its services by establishing Güneş Insurance Company**
- **Over the next 20 years continued to expand its geographic presence in Turkey reaching 206 branches by 1977**
- **Since the early 1990s, Vakıfbank has increased the scope of its retail banking and diversified its loan portfolio by including equipment financing, enterprise loans, auto loans, mortgage loans, and credit cards. In 2000, Vakıfbank began offering internet banking services**
- **Vakıfbank is now a full service commercial and retail bank headquartered in Ankara, providing retail, commercial and investment banking services through a network of 314 branches, 119 satellite branches and five mobile branches, covering 81 Turkish cities**
- **Internationally, Vakıfbank has subsidiaries in Austria (which operates a branch in Frankfurt and a branch in Köln) and the Turkish Republic of Northern Cyprus and two branches in New York and Bahrain.**

Following successful IPO in November 2005, c. 25% of Vakifbank of is now listed

Main Shareholders

■ General Directorate of Foundations

The GDF manages foundations owning 58.45% of the shares in the Bank (43.0% in the form of Class A shares and 15.45% in the form of Class B shares). The GDF was established in 1924 to administer and regulate existing and future Turkish charitable foundations as a state entity directly reporting to the Prime Minister.

■ Non-Affiliated Foundations

The non-affiliated foundations are independent foundations with separate boards of trustees. They currently hold Class B shares, constituting 0.19% of the Bank's equity.

■ Vakifbank Pension Fund

The Vakifbank Pension Fund has a 16.10% stake in the Bank's capital as a Class C shareholder. The Bank's employees contribute to the Vakifbank Pension Fund as opposed to the mandatory social security coverage provided by the state Social Insurance Institution.

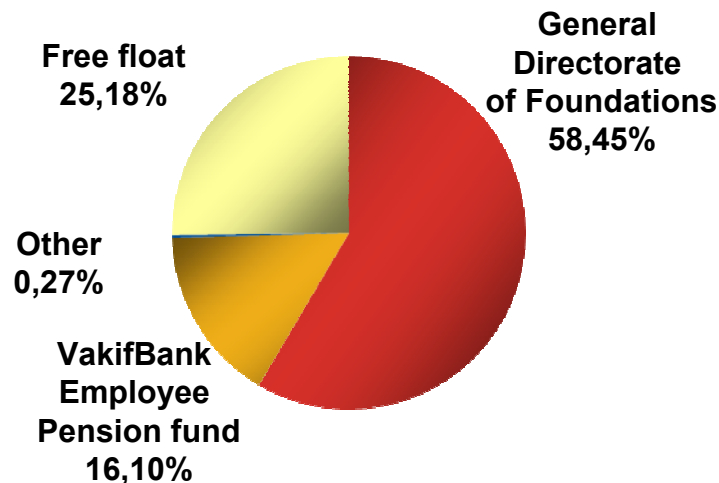
■ Other Shareholders

The other shareholders consist of individual or legal entities that together own 0.08% of the Bank's equity as Class C Shareholders.

■ Free Float

Public domestic and international shareholders.

Ownership structure



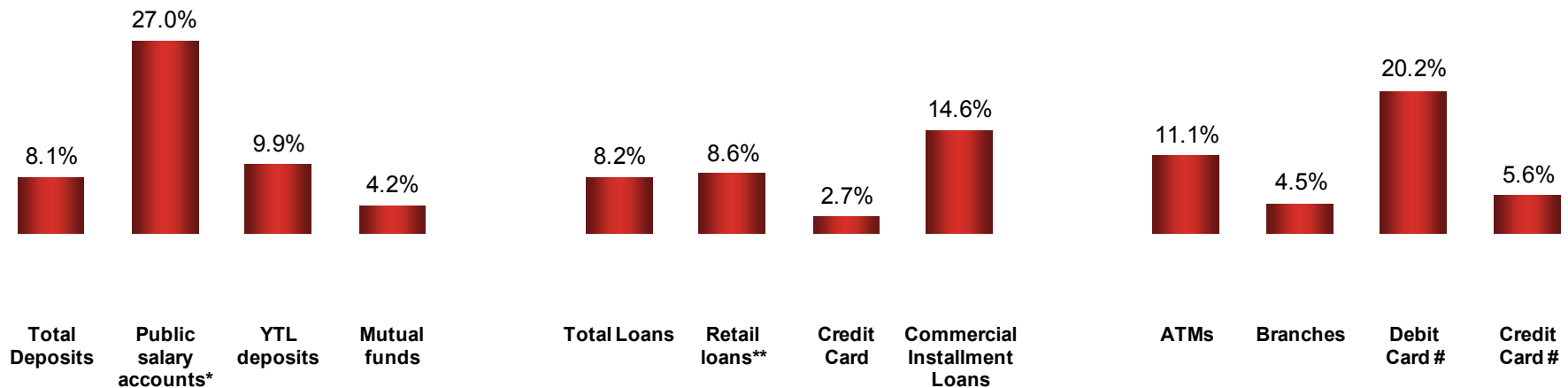
Vakıfbank: An Overview of 1Q 2007 results

USD=1.3571 YTL

	YTL mn	USD mn	YoY Growth	QoQ Growth
Total Assets	38,051.1	28,112.2	11.8%	3.0%
Total Loans	18,443.5	13,590.4	36.4%	2.2%
Securities	11,519.7	8,488.5	10.6%	10.4%
Total Deposits	25,726.0	18,956.6	7.8%	3.6%
Shareholders' Equity	4,282.4	3,155.6	6.3%	(4.8%)
Net Interest Income	407.8	300.5	10.8%	(5.6%)
Operating Income	640.3	471.8	22.7%	(8.7%)
Net Income	219.0	161.4	6.0%	28.6%
Branch Network			314	
Customer Number			Over 6.8 million	

VakifBank is a market leader, particularly in retail and SME finance

Total market share (%) (31.12.2006)



Deposits / Funding

Credits

Distribution

Source: BRSA weekly reports, Capital Markets Board

* VakifBank estimates

** Includes home, auto and other. Credit card loans, overdrafts not included

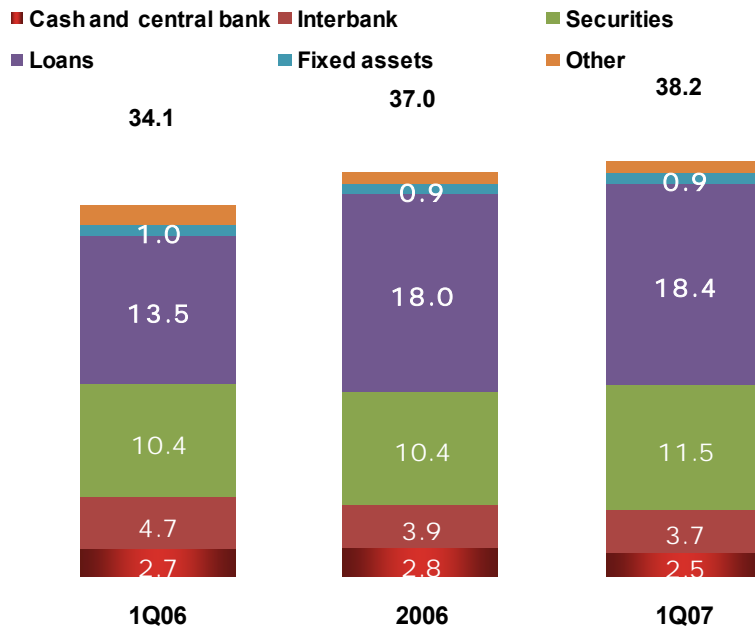
Yield on Loans & Cost of Funding

- Further move toward higher margin loans in YTL.
- Despite the repricing on YTL deposits, lower cost of YTL deposits.

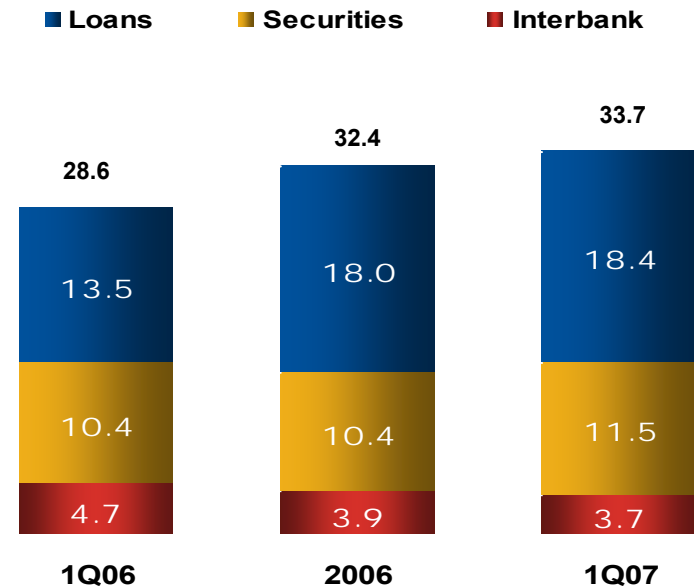
Yield on loans&securities			Spreads			NIM	
	2006	1Q07		2006	1Q07	4Q06	1Q07
YTL Loans	20.27%	20.33%	YTL Loans	6.93%	4.47%	5.07%	4.93%
FX Loans	7.72%	7.14%	FX Loans	3.64%	3.24%		
YTL Securities	15.44%	17.72%	YTL Securities	2.10%	1.86%		
FX Securities	8.66%	7.13%	FX Securities	4.58%	3.23%		
Cost of deposits							
YTL Deposits	13.34%	15.86%					
FX Deposits	4.08%	3.90%					

Diversification of asset mix towards interest-earning assets

Breakdown of assets (YTLbn)



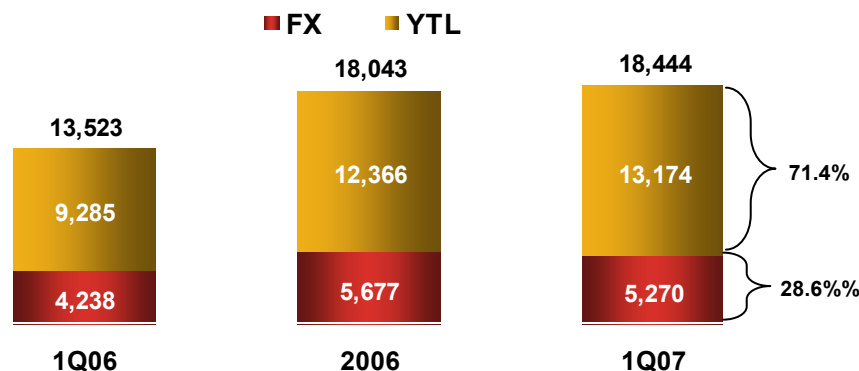
Interest earning assets (YTLbn)



- Strong growth in interest earning assets – increased by 17.9% YoY, 4% QoQ- driven by rapid expansion of loan portfolio
- Continued diversification away from securities—from 30.5% of total assets in 1Q06 to 30.1% in 1Q07

Expansion of loan portfolio continued...

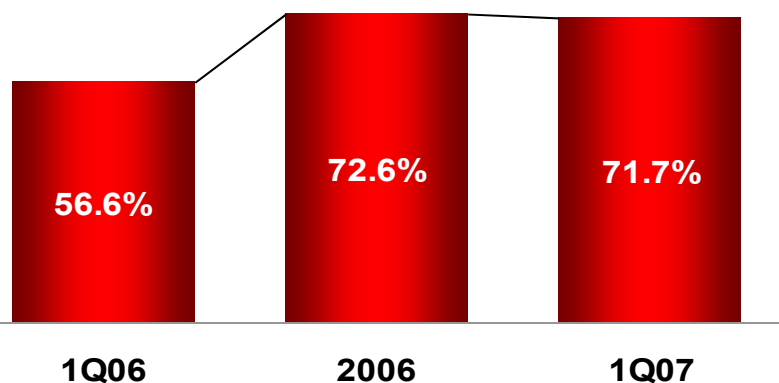
Loans (YTLmm)



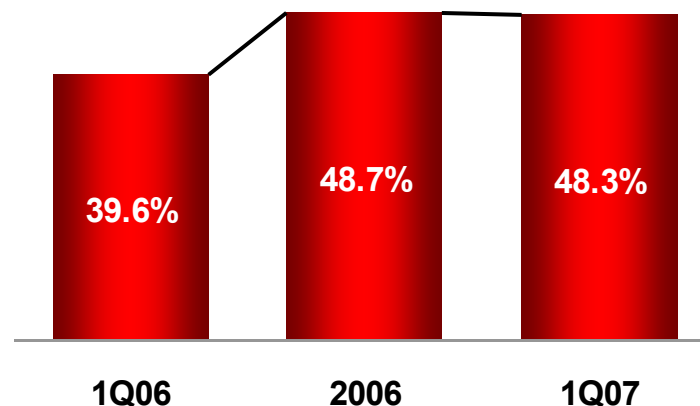
Comments

- Loan portfolio registered 36.4% increase YoY
- YTL loans grew by 41.9% while FX loans increased by 24.4% YoY
- Strong growth on loan to deposit ratio with focus on profitability

Loan/Deposit (%)



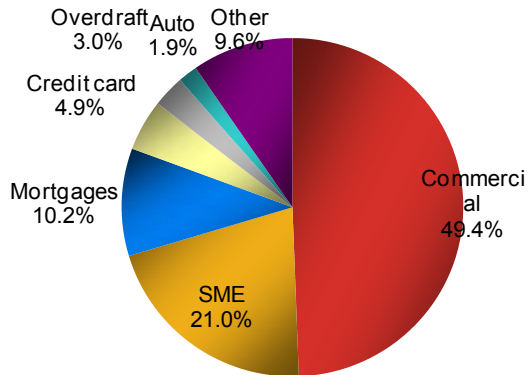
Loan/Asset (%)



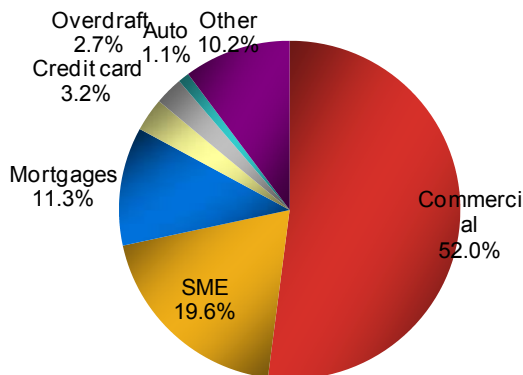
...with strong focus on retail and SME lending...

Breakdown of loans by sector

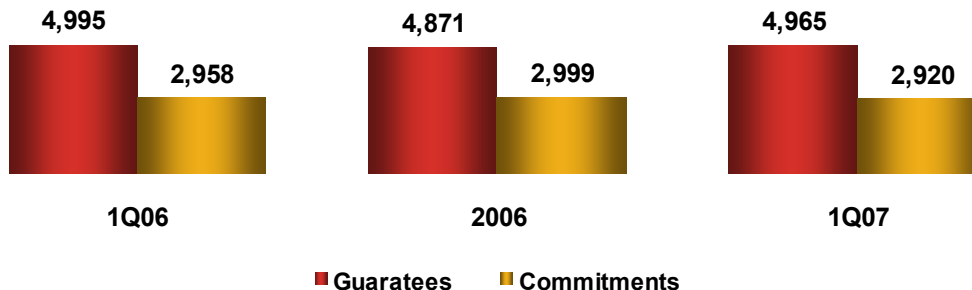
1Q06



1Q07



Guarantees and Commitments (million YTL)



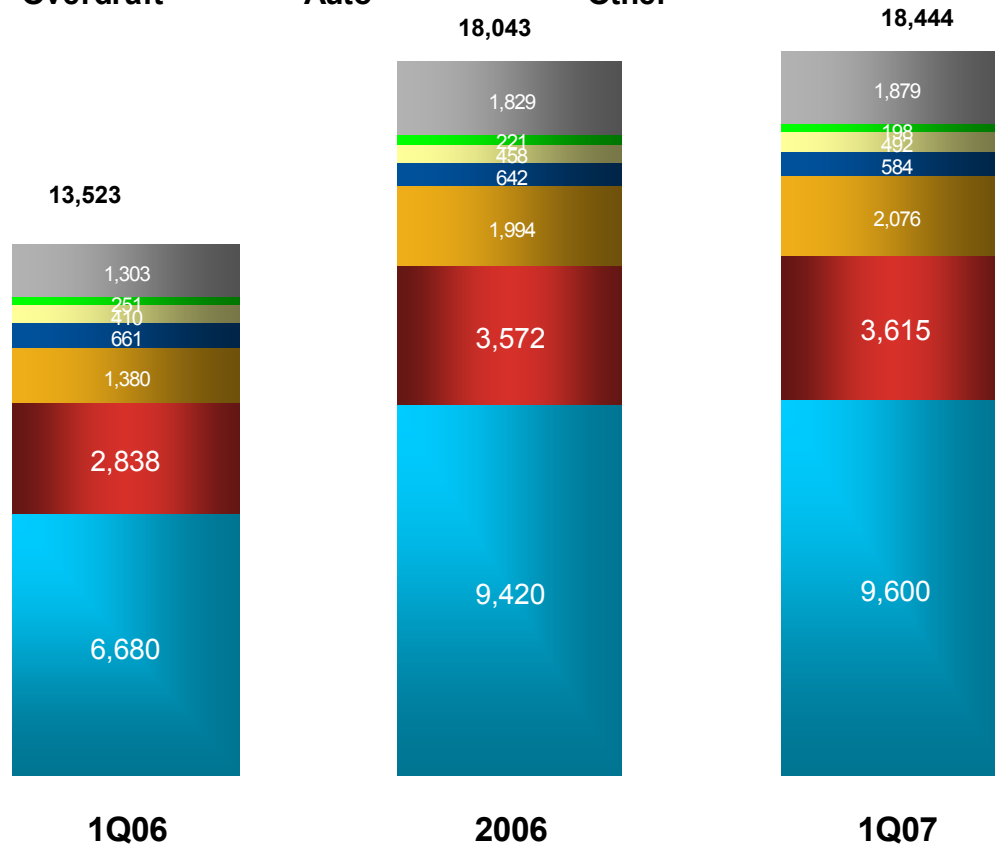
Comments

- Good position in traditionally strong regions of central and eastern Turkey
 - Selective expansion in Istanbul region
- To strengthen its retail franchise, VakifBank has 644 SME portfolio managers, 418 retail portfolio managers and 438 marketing associates as of 1Q07
- As a result of these initiatives, cross-selling ratio for SME portfolio managers is 2.27x and for retail portfolio managers is 2.26x as of 1Q07
- Sustainable growth rate of off-balance sheet

...and in particular on high margin products

Retail, SME and COMM. loans (YTLmm)

■ Commercial
 ■ SME
 ■ Mortgages *
 ■ Credit cards
■ Overdraft
 ■ Auto
 ■ Other



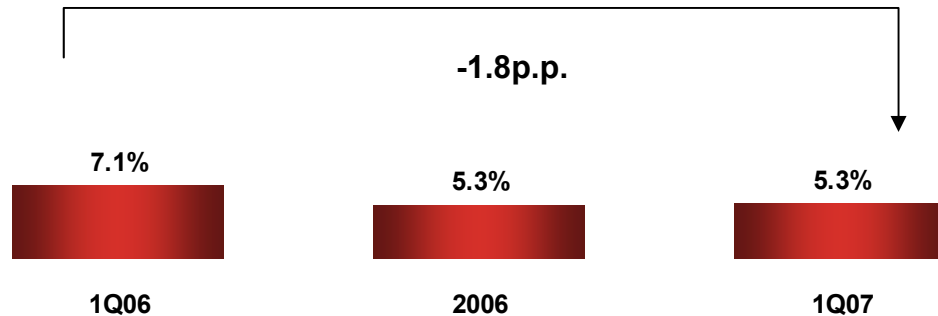
Loan growths by product in 1Q07 (%)

	YoY	QoQ
Home Loans	44%	4%
Gen. Pur. Consumer Loans	50%	3%
Auto Loans	-21%	-10%
Total Retail Loans	42%	3%
Credit Cards	-12%	-9%
Overdraft	20%	7%
SME Loans	27%	1%
Com.&Cor. Loans	44%	3%
Total Loans	36%	2%

*:Includes Housing Loans+TOKI.

Steady and significant improvement in asset quality

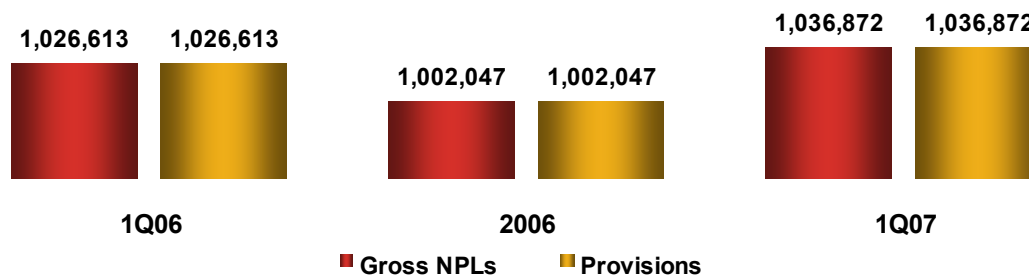
Gross NPLs as % of gross loans



Comments

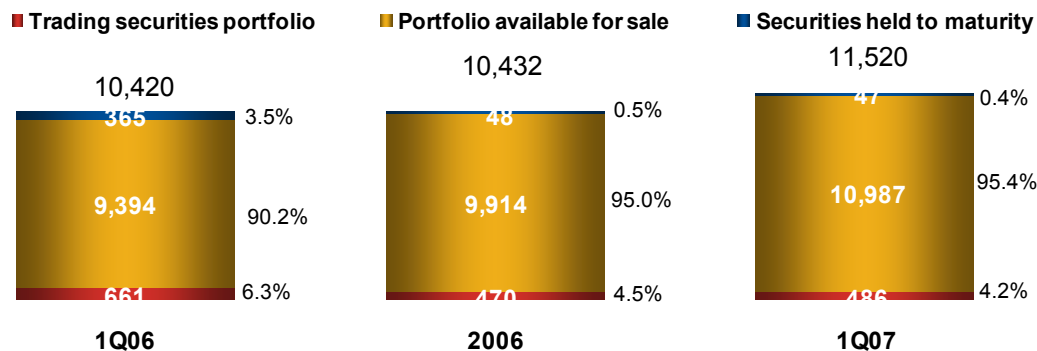
- Despite expansion of the loan portfolio, NPLs continued to decrease reaching 5.3% of total gross loan portfolio in 1Q07 compared to 7.1% in 1Q06
- Since 2003, loan loss provisions cover 100% of NPLs

Gross NPLs and provisions (YTLmm)



Securities portfolio evolution

Securities (YTLmm)

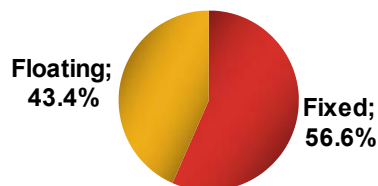


Comments

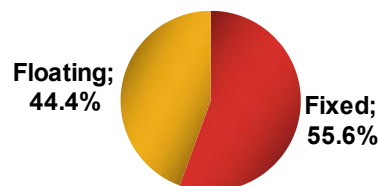
- The securities portfolio increased by 10.6% YoY, 10.4% QoQ and its share in total assets continued to decline—from 30.5% in 1Q06 to 30.1% in 1Q07
- Portfolio of securities available for sale stood at 95.0% of total securities portfolio in 1Q07
- For the 1Q07; average yield on YTL security portfolio is 21.9% and average yield on FX security portfolio is 7.1%

Security portfolio breakdown by interest 1Q07

YTL



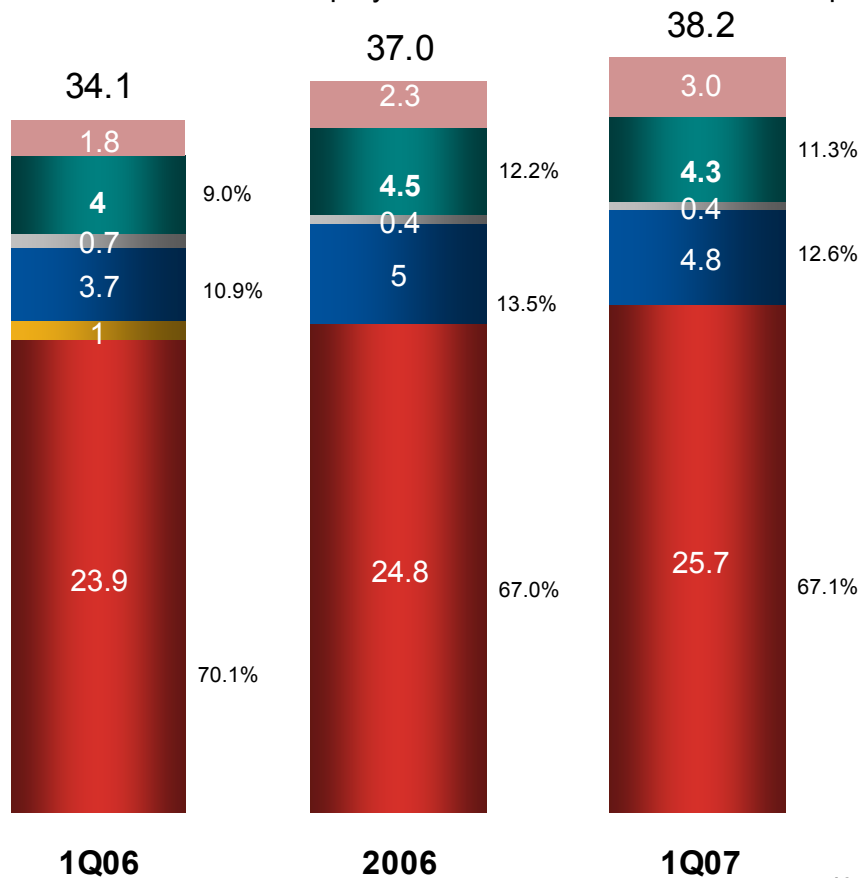
FX



Strong growth in external borrowings supporting the expansion of loan portfolio

Breakdown of liabilities&shareholders equity (YTLbn)

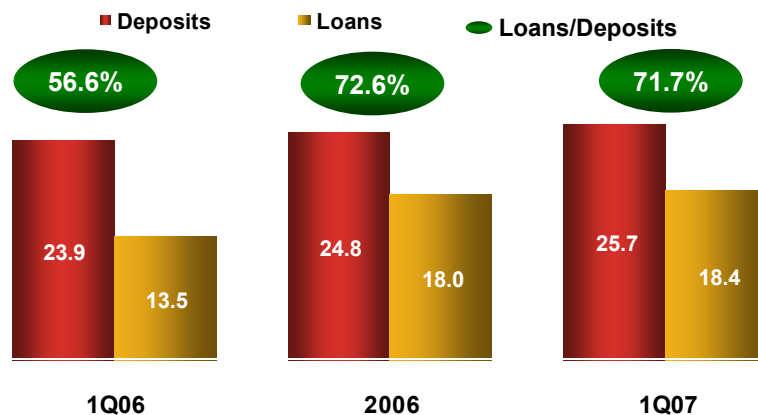
Other Shareholders equity Provisions Funds Deposits



Comments

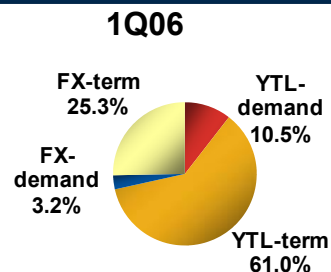
- Total liabilities&shareholders equity grew by 11.8% YoY and 3.0% QoQ, driven by increase in external funding and continued expansion of deposit base
- External Borrowings increased by 23% YoY
- Deposits posted a 7.8% growth YoY and accounted for 67.1% of total liabilities and shareholders' equity

Loans and customer deposits (YTLbn)

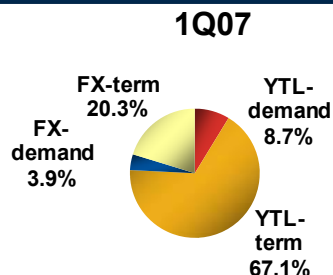


Deposit base composition and evolution

Customer deposit breakdown by type and currency



Total: YTL23,873.4 million



Total: YTL25,726.0 million

Deposit composition by type

(YTLmm)	1Q06		1Q07	
	Amount	%	Amount	%
Saving deposits¹	4,053	17.5%	6,519	25.9%
Demand	657	2.8%	674	2.7%
Term	3,396	14.7%	5,845	23.2%
Public and Commercial²	12,264	53.0%	12,469	49.5%
Demand	1,851	8.0%	1,562	6.2%
Term	10,413	45.0%	10,907	43.3%
Foreign currency	6,800	29.5%	6,224	24.7%
Demand	755	3.3%	1,007	4.0%
Term	6,045	26.2%	5,216	20.7%
Total³	23,117	100%	25,212	100%

¹ Represents deposits taken from retail customers

² Represents deposits taken from government related corporates, SMEs and other entities which are not individuals

³ Totals do not include Interbank deposits and accrued interests for deposits

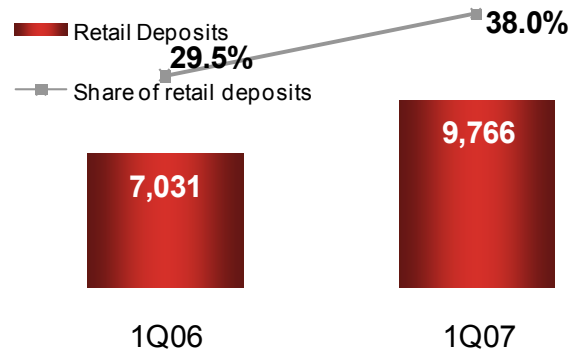
Comments

- Ensured strong profitability by maintaining liquidity levels and controlling interest expenses through controlled 7.8% YoY and 3.6% QoQ growth
- YTL Deposit growth was 14.8% where FX Deposit growth was -9.3% YoY.
- Focus on retail deposits, with an increase of 60.8% YoY

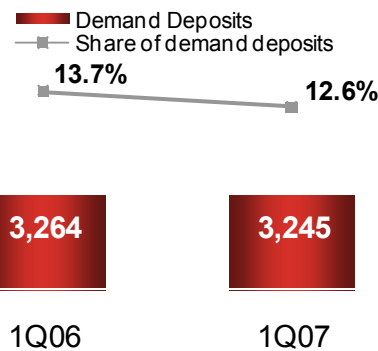
Focus on Retail Deposits

State deposits evolution

Retail Deposits (mmYTL)



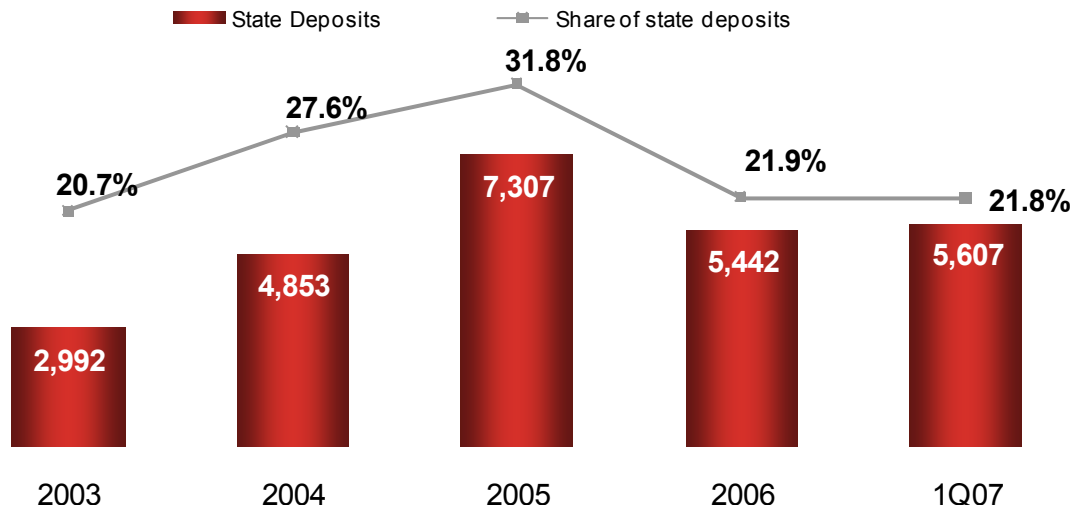
Demand Deposits (%)



Comments

- **VakifBank did not experience a significant withdrawal of state deposits after IPO**
- **Much less pressure felt after two largest deposit departures in Q3 2005 and Q1 2006**
- **Thanks to focus on retail deposits and control on cost of deposits, share of state deposits decreased and saving deposits increased**

State deposits (YTLmm)



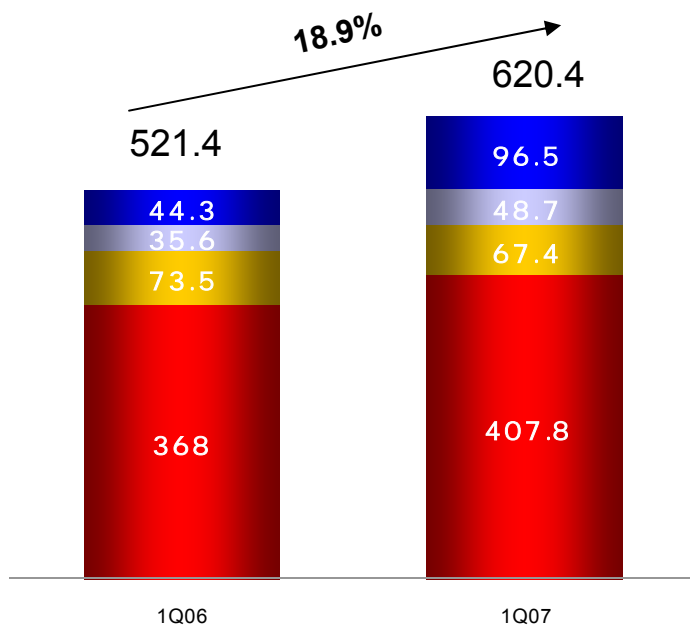
Strengthened capitalisation to support rapid growth

Capital position				Comments
(YTLmm)	1Q06	2006YE	1Q07	
Paid in share capital	1,279.0	2,500.0	2,500.0	<ul style="list-style-type: none"> ■ The bank successfully raised YTL1,45mm through an IPO in November 2005 ■ In General Assembly, the bank has decided to pay YTL 384.9mm to the shareholders and YTL 96.9mm will be paid to D Group shareholders (free float). After the dividend payment date existing and bonus shares will be merged. ■ Vakifbank increased the bank's paid-in-capital from YTL-1,279,000,000 to YTL-2,500,000,000, which implies issuing 0.954652 new bonus shares per existing 1 share.
Adjustment to paid-in capital	605.8	0	0	
Share premium	1,172.1	723.9	723.9	
Reserves	421.8	264.6	534.4	
Profit	210.7	769.7	219.0	
Prior year income/loss	0	39.2	7.9	
General provisioning (upto 25% of Tier I)	0	21.0	0	
Total core capital	3,689.4	4,318.5	4,075.0	
Supplementary capital	546.0	235.3	261.3	
Total capital	4,235.4	4,398.2	4,336.3	
Deductions	(414.2)	(220.9)	(259.5)	
Total shareholders' equity	3,821.2	4,332.7	4,076.8	
RWA	15,718.5	20,623.1	20,664.9	
Market risk	1,586.8	1,349.3	294.3	
CAR	22.1%	19.7%	19.5%	

Net banking income posted healthy growth

- Net banking income grew by 18.9% YoY

Net banking income composition (YTLmm)

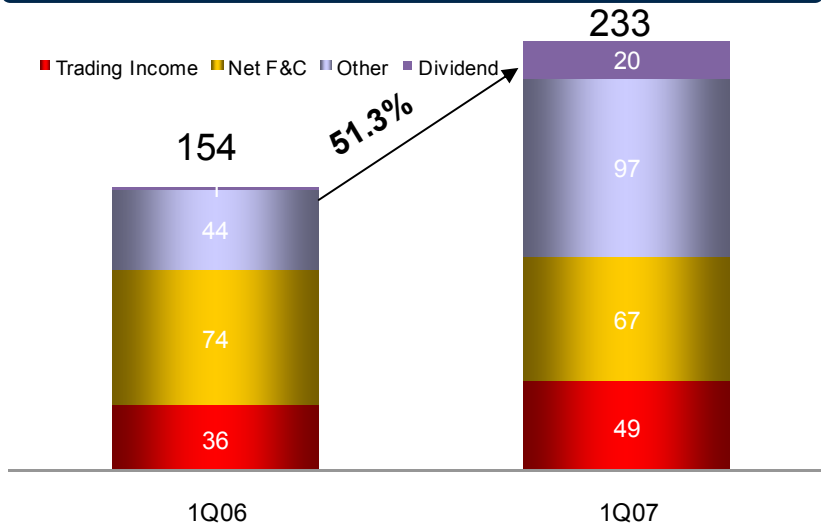


■ Net interest income ■ Net F&C income ■ Net trading income ■ Other

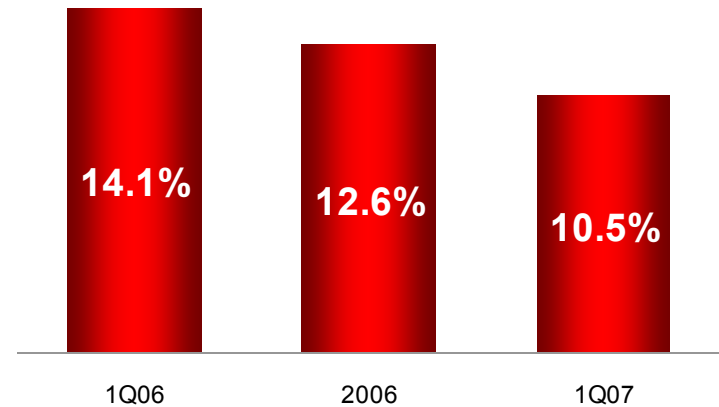
(YTLmm)	1Q06	1Q07	2005	2006
Net interest income	368.0	407.8	1,319.4	1,585.3
Net F&C income	73.5	67.4	293.7	288.4
Net trading income	35.6	48.7	175.7	47.8
Dividend income	0.6	19.9	10.3	16.6
Other operating income	44.3	96.5	129.0	343.3
Total operating income	522.0	640.3	1,928.0	2,281.3
Total operating expenses (-)	173.2	241.5	731.7	935.3
Operating profit	348.8	398.8	1,196.3	1,346.0
Provisions (-)	62.3	125.4	444.9	323.4
Tax provisions (-)	79.9	54.4	223.9	252.9
Income from investments and associates	0	0	0	0
Net monetary gain/loss	0	0	0	0
Net income	206.6	219.0	527.6	769.7

Strong growth in interest income & non-interest income

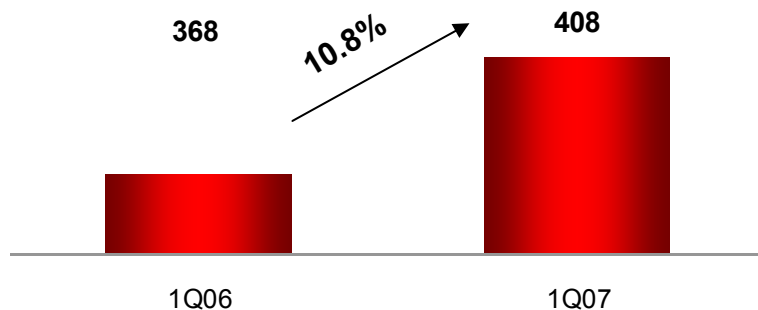
Non-interest income composition (YTLmm)



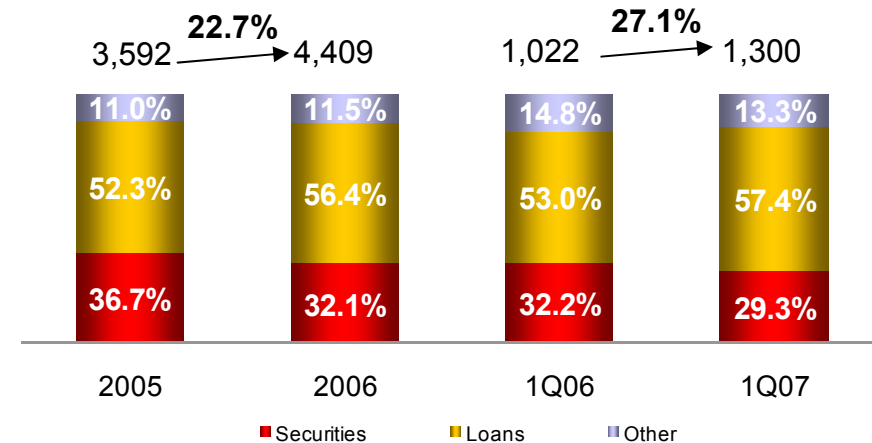
Net F&C income % of operating income



Net interest income (YTLmm)



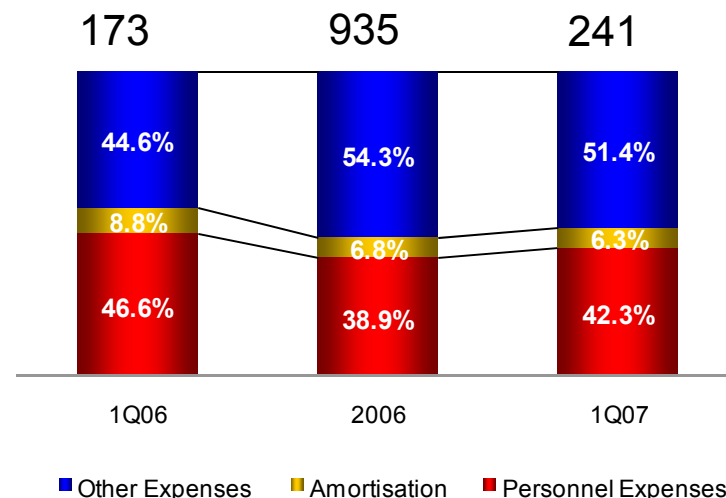
Interest income (YTLmm)



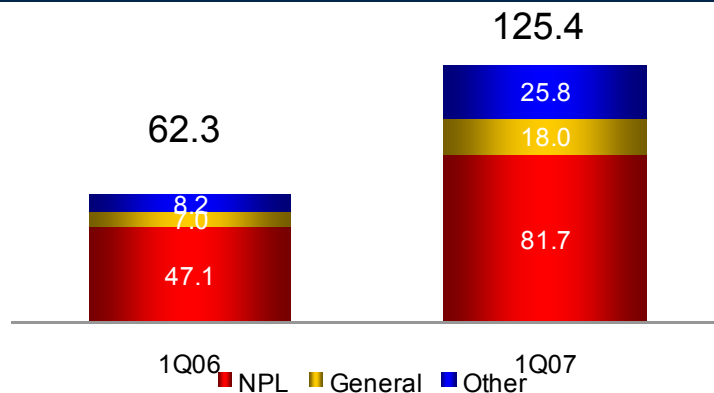
Operating expenses under control

- Controlled growth in costs, despite going through restructuring at branch and headquarter level.
- 15 mn YTL of other provisioning comes from employee dividend provisioning in 1Q07 which is required by BRSA under new accounting standards.

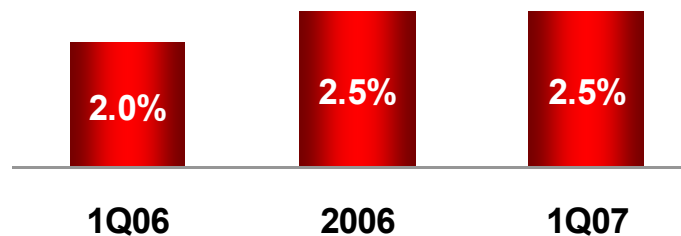
Other expenses composition (YTLmm)



Provisioning Expenses (YTLmm)

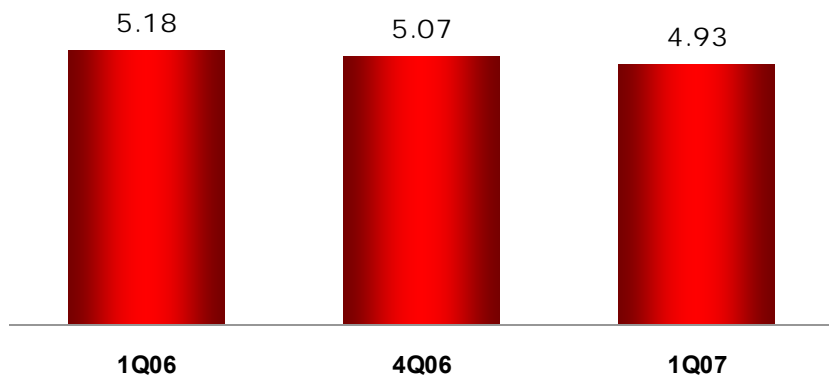


Cost over assets (%)



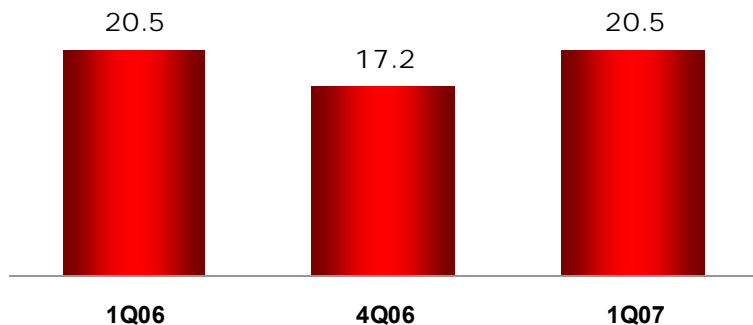
Demonstrated ability to withstand margin pressure

NIM (%)

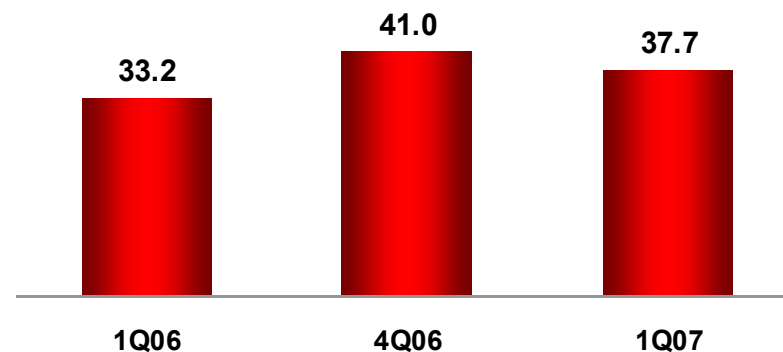


- Despite rate hikes on deposits and slowdown on loan demand NIM slightly decreased by 14 bps QoQ and 25 bps YoY
- Further growth in loans/assets expected to provide more support to Vakifbanks NIM
- Return on average assets (ROAA) is 2.33% in 1Q07 and 2.21% in 2006.
- $NIM = \text{Net Interest Income} / \text{Average Interest Earning Assets (Interbank + Securities + Loans)}$

ROE (%)

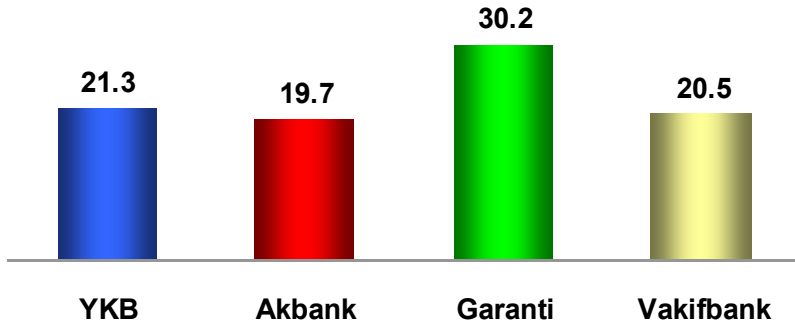


Cost/Income (%)

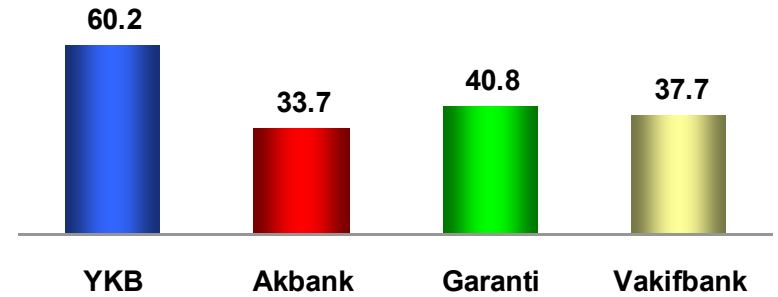


Peer group comparison

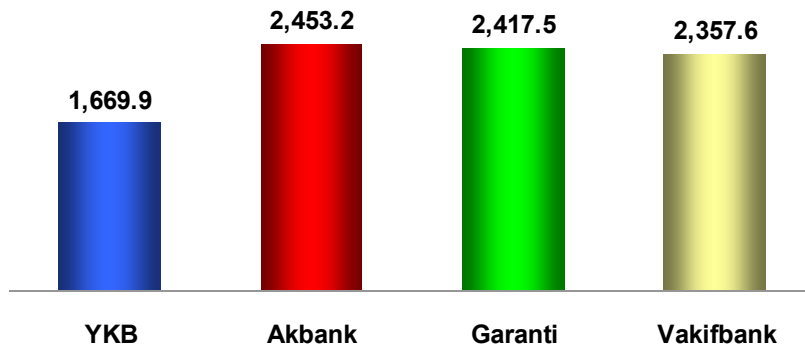
ROE (%)



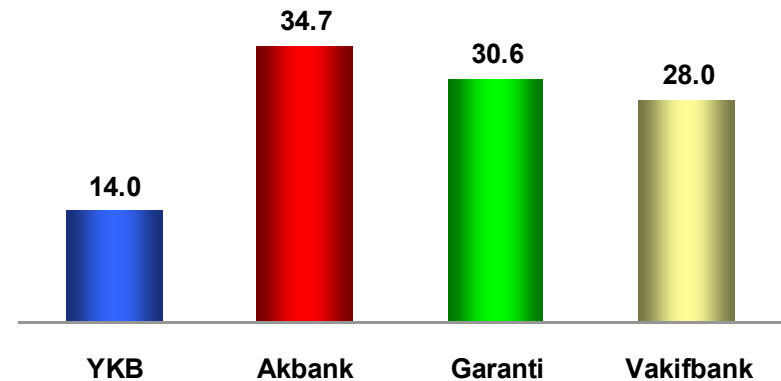
Cost/Income (%)



Loans/Number of Employee (thousandYTL)



Net Profit/Number of Employee (thousandYTL)



Balance Sheet Details for 1Q 2007: Assets

(Thousand YTL)	1Q2007	1Q2006	Growth %
Cash&Balances with Central Bank	2,547,844	2,698,987	(5.6)
Interbank	3,742,666	4,658,221	(19.7)
Securities	11,519,681	10,420,095	10.6
<i>Trading Securities</i>	485,633	660,577	(26.5)
<i>Available for Sale Portfolio</i>	10,986,629	9,394,218	17.0
<i>Held to Maturity Securities</i>	47,419	365,300	(87.0)
Loans	18,443,545	13,522,720	36.4
Subsidiaries&Investments	438,579	623,746	(29.7)
Property&Equipment	894,673	1,000,383	(10.6)
Other	564,073	1,204,163	(53.2)
Total Assets	38,151,061	34,128,315	11.8

Balance Sheet Details for 1Q 2007: Liabilities

Off-Balance Sheet Details for 1Q 2007

(Thousand YTL)	1Q2007	1Q2006	Growth %
Deposits	25,725,988	23,873,367	7.8
Funds&Funds Borrowed	4,756,604	3,690,025	28.9
Other	2,976,643	1,875,534	58.7
Provisions	409,380	659,332	(37.9)
Shareholder's Equity	4,282,446	4,030,057	6.2
Total Liability	38,151,061	34,128,315	11.8

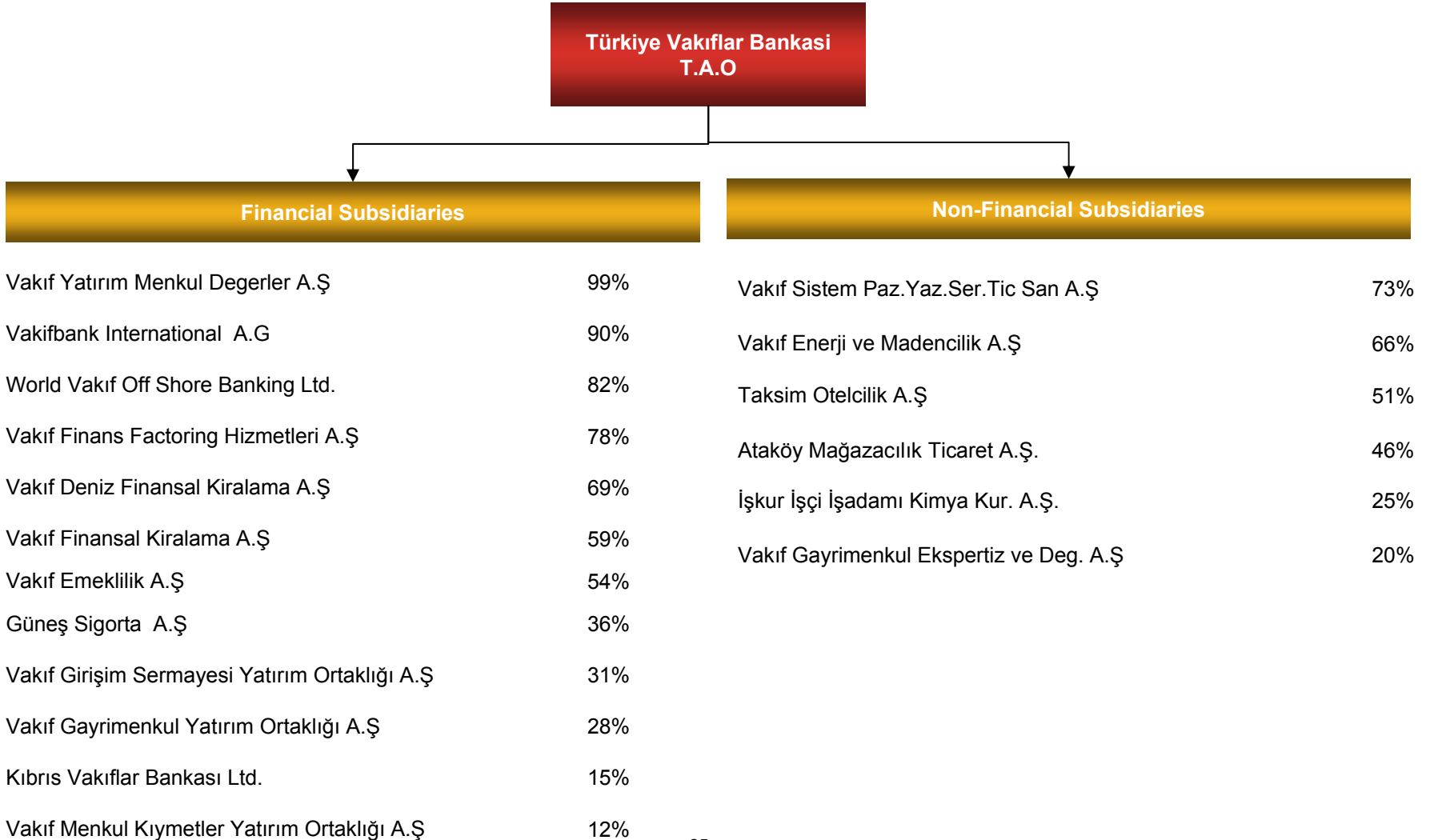
Off-Balance Sheet

<i>Guarantees</i>	4,964,962	4,994,952	(0.6)
<i>Commitments</i>	2,919,566	2,957,681	(1.3)
<i>Derivatives</i>	1,225,544	247,187	395.8

P&L for 1Q 2007

(Thousand YTL)	1Q2007	1Q2006	Growth %
Net Interest Income	407,758	368,002	10.8
Net F&C Income	67,426	73,514	(8.3)
Dividend Income	19,941	603	3206.0
Net Trading Income	48,733	35,618	36.8
Other Income	96,480	44,289	117.8
Total Revenues	640,338	522,026	22.7
Operating Expenses	(241,456)	(173,162)	39.4
Provisions	(125,429)	(62,298)	101.3
Tax Provisions	(54,426)	(79,942)	(32.0)
Net Income	219,027	206,624	6.0

Subsidiaries and affiliates





THANK YOU

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