

History

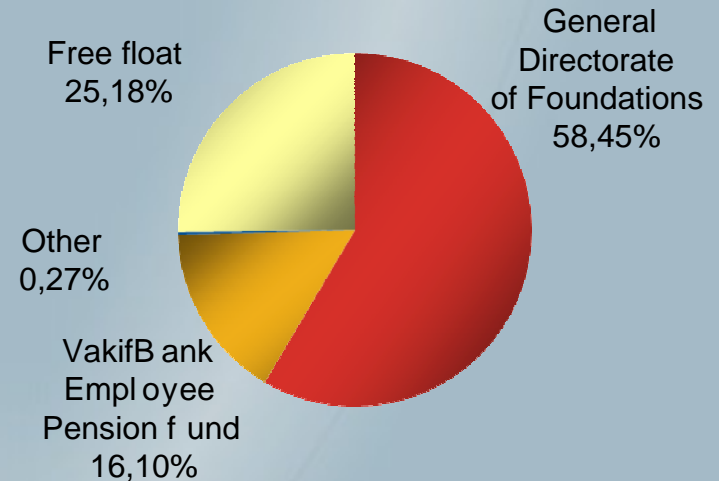
- Established in April 1954 under the special law “ Türkiye Vakıflar Bankası Türk Anonim Ortaklığı Kanunu” to manage cash derived from revenues and expenditures of charitable organisations set up during the Ottoman Empire period, conducting banking activities with branch offices in Ankara, Istanbul and 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 311 branches, 116 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



Vak ifbank: An Overview of 2006 results & financial performance trends

B/S mix	Increased share of Loans in total assets Decreasing securities portfolio Increased funding from retail deposits	Total Assets	37,033.9
B/S growth	Strong asset growth driven primarily by rapid loan expansion (retail and SME loans)	Gross Loans	19,045.2
Asset quality	Decreasing level of NP Ls, stringent credit review/scoring systems 100% NPL coverage	Securities	10,423.9
Capitalisation	Strong capitalisation levels, allowing for future growth	Total Deposits	24,842.1
Revenue mix	Increased share of interest income from loans, rather than securities Focus on generating fee & commission income	Shareholders' Equity	4,487.4
Profitability	Well managed cost base and efficient network	Net Interest Income	1,585.2
		Net Profit	769.7
		Branch Network	311
		Customer Number	Over 6.3 million

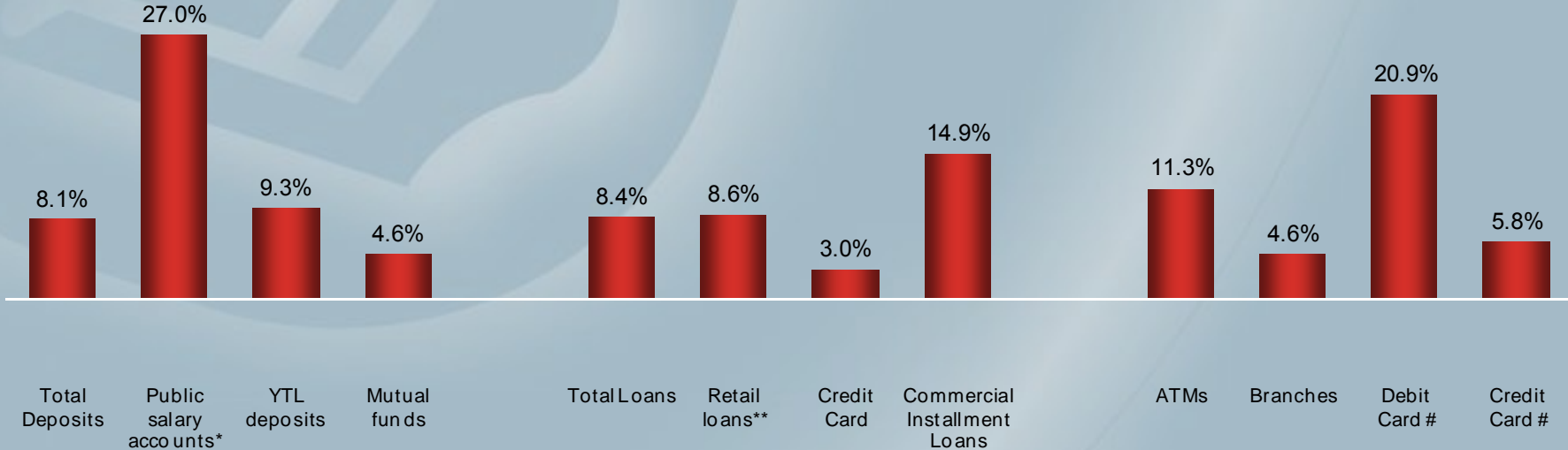
Financial performance of 2006

Performance highlights

- Continued rapid expansion of loan portfolio supported by growth in external borrowings as well as the liquid assets.
 - Loan portfolio increased by 50% to YTL18 bn YoY
 - Deposits grew by 7.3% to YTL24.8 bn YoY
 - Funds borrowed grew by 41.4% to YTL5 bn YoY
- Share of loans in total assets increased to 49% compared to 37% in 2005, while the share of securities portfolio contracted to 28.2 % from 34.8 % in 2005
- Loan to deposit ratio reached 73 % in 2006 compared to 52 % in 2005
- Prudent provisioning and improving loan quality: NPLs down to 5.3% of gross loan portfolio in 2006 from 7.7 % in 2005 and are fully provisioned
- Net interest income grew by 20.2% to YTL1,585.3 mm YoY
- Operating Income grew by 18.3% to YTL 2,281.3 mm YoY
- Net profit reached to YTL770 mm with an increase of 46 % YoY

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

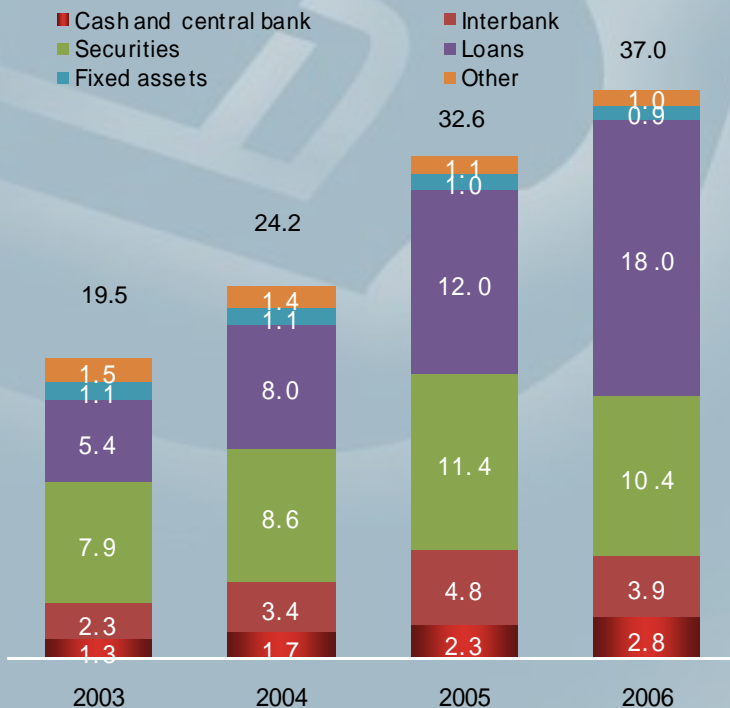
Yield on Loans & Cost of Funding

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

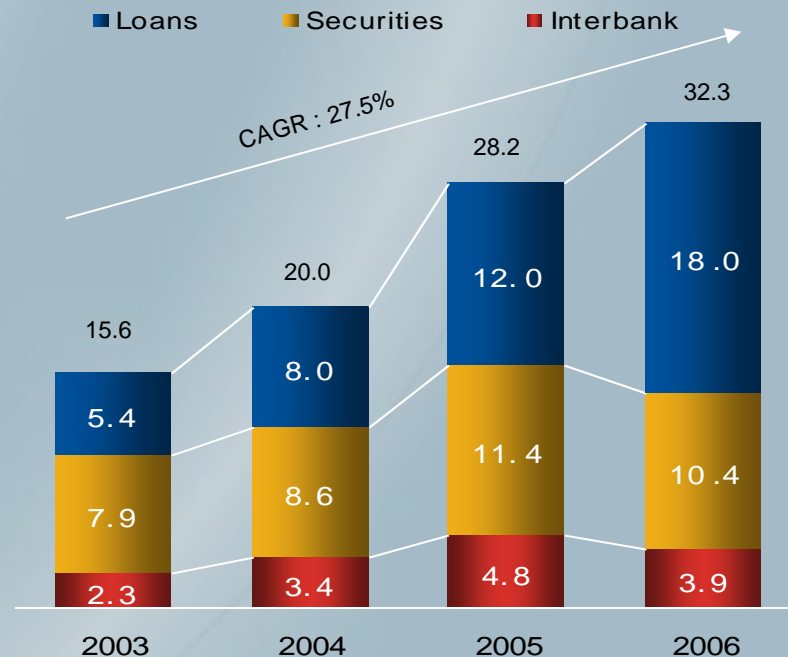
Yield on loans&securities			Spreads			NIM	
	2005	2006		2005	2006	2005	2006
YTL Loans	23.67%	20.27%	YTL Loans	9.85%	6.93%	5.47%	5.23%
FX Loans	5.84%	7.72%	FX Loans	2.82%	3.64%		
YTL Securities	16.74%	15.44%	YTL Securities	2.92%	2.10%		
FX Securities	6.91%	8.66%	FX Securities	3.89%	4.58%		
Cost of deposits							
YTL Deposits	13.82%	13.34%					
FX Deposits	3.02%	4.08%					

Diversification of asset mix towards interest-earning assets

Breakdown of assets (YTLbn)



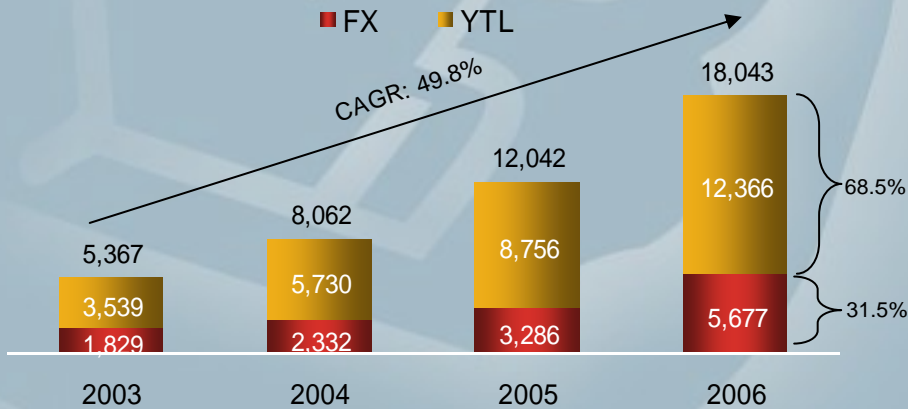
Interest earning assets (YTLbn)



- Strong growth in interest earning assets – increased by 14.5% from 2005 to 2006- driven by rapid expansion of loan portfolio
- Continued diversification away from securities—from 40.5 % of total assets in 2003 and 35.0 % of total assets in 2005 to 28.2% in 2006

Expansion of loan portfolio continued...

Loans (YTLm m)



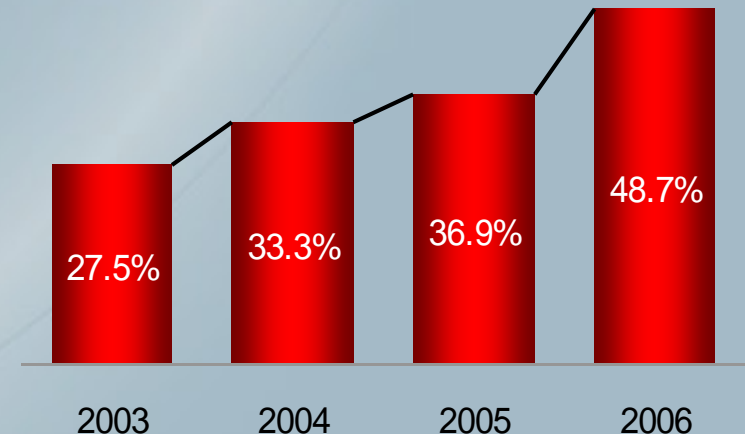
Comments

- Loan portfolio registered a CAGR of 49.8% increase between 2003 to 2006
- YTL loans grew by 41.2% while FX loans increased by 72.8% from 2005 to 2006.
- Strong growth on loan to deposit ratio with focus on profitability

Loan/Deposit (%)



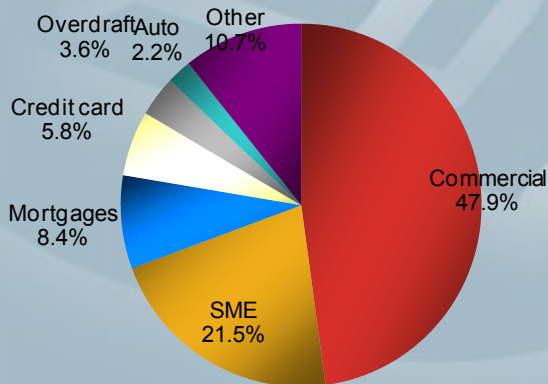
Loan/Asset (%)



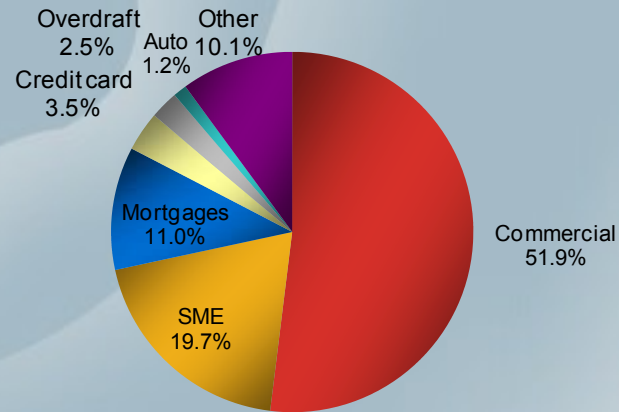
...with strong focus on retail and SME lending...

Breakdown of loans by sector

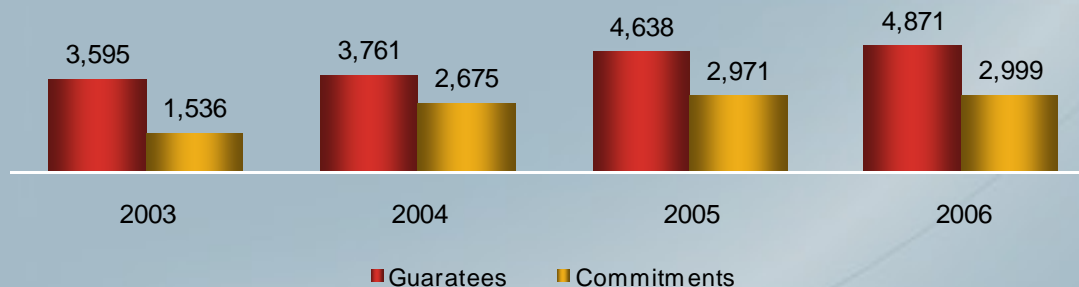
YE2005



YE2006



Guarantees and Commitments (million YTL)

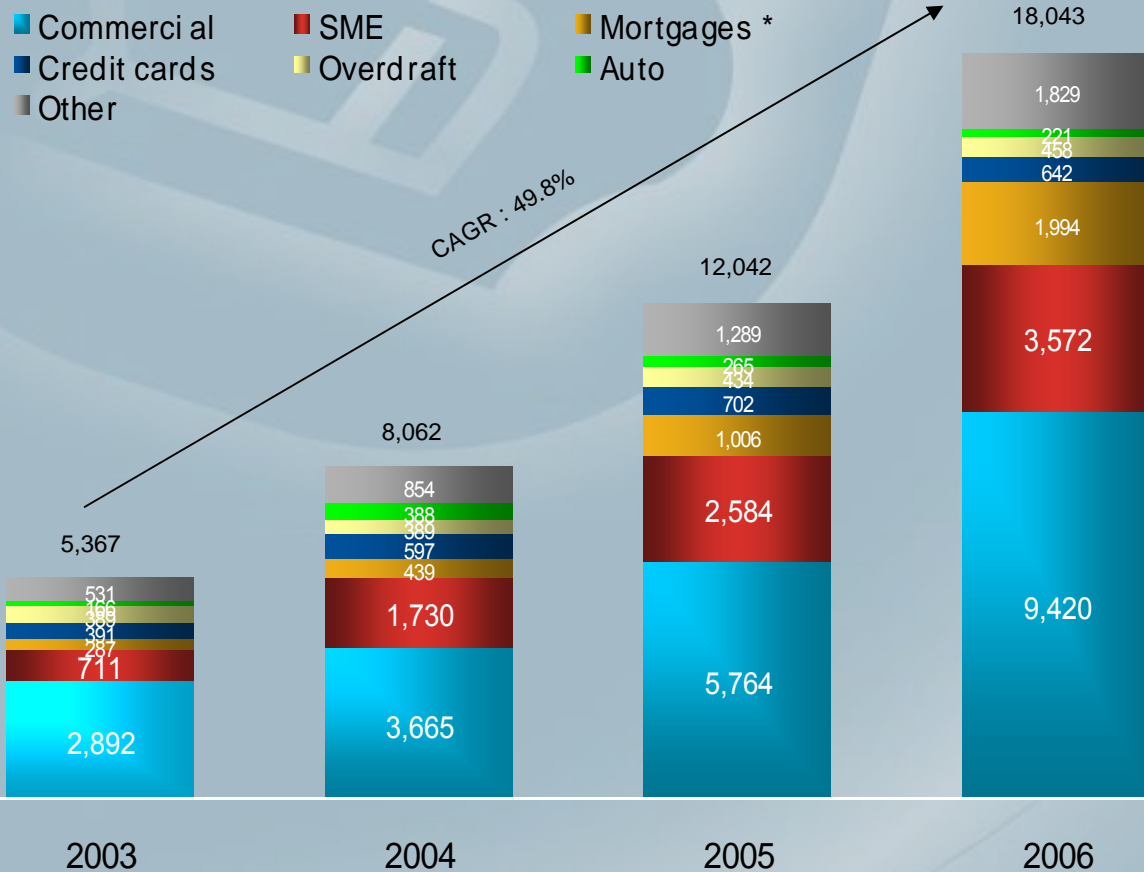


Comments

- Good position in traditionally strong regions of central and eastern Turkey
 - Selective expansion in Istanbul region
- To strengthen its retail franchise, VakıfBank has 652 SME portfolio managers, 402 retail portfolio managers and 438 marketing associates as of YE2006
- As a result of these initiatives, cross-selling ratio for SME portfolio managers is 2.38x and for retail portfolio managers is 2.25x as of YE2006
- Sustainable growth rate of off-balance sheet

...and in particular on high margin products

Retail, SME and COMM. loans (YTLmm)



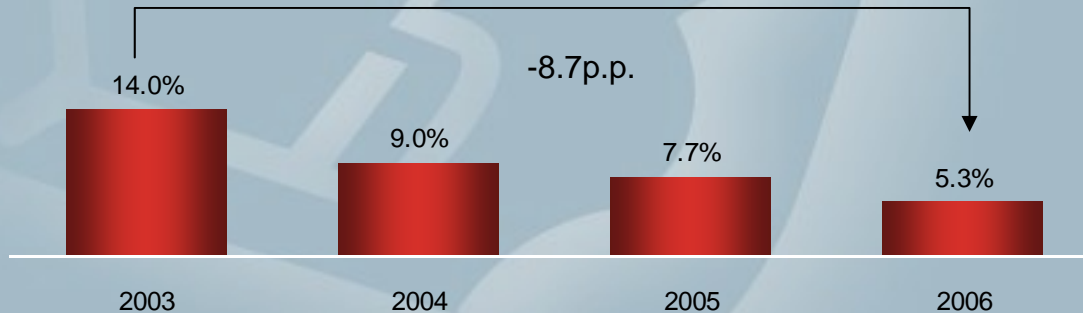
Loan growths by product in 2006 (%)

Home Loans	98.30%
Gen. Pur. Consumer Loans	41.96%
Auto Loans	-16.77%
Total Retail Loans	54.44%
Credit Cards	-8.59%
Overdraft	5.52%
SME Loans	38.24%
Com.&Cor. Loans	63.43%
Total Loans	49.83%

*:Includes Housing Loans+TOKI. (YTLmm)

Steady and significant improvement in asset quality

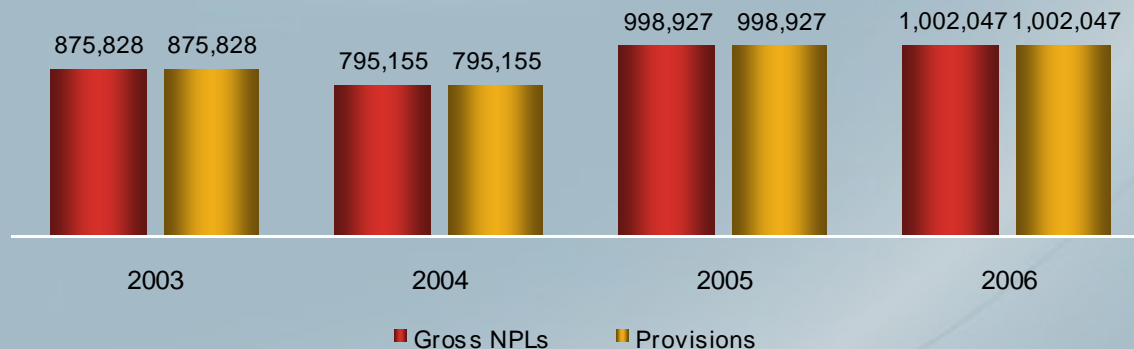
Gross NPLs as % of gross loans



Comments

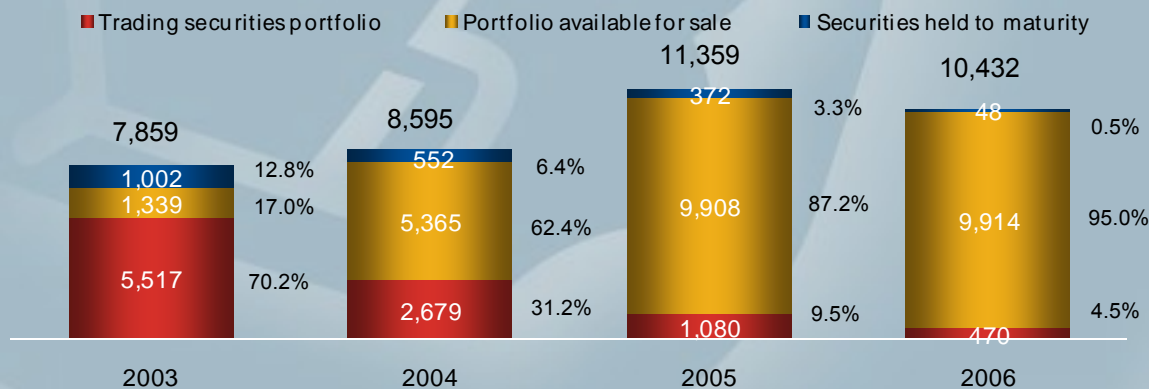
- Despite expansion of the loan portfolio, NPLs continued to decrease reaching 5.3 % of total gross loan portfolio in YE2006 compared to 7.7% in YE2005
- Since 2003, loan loss provisions cover 100 % of NPLs

Gross NPLs and provisions (YTLmm)



Securities portfolio evolution

Securities 2006 (YTLm m)

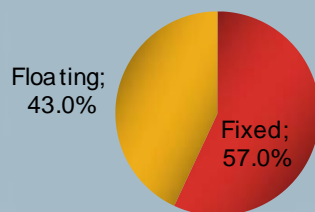


Comments

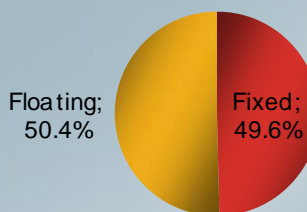
- The securities portfolio decreased by 8.2% in 2006 YoY and its share in total assets continued to decline—from 40.3% in 2003 and from 34.8% in 2005 to 28.2% in 2006
- Portfolio of securities available for sale stood at 95.0% of total securities portfolio in 2006 compared to 17.0% in 2003 and 87.2% in 2005
- For the Year End 2006; average yield on YTL security portfolio is 15.44% and average yield on FX security portfolio is 8.66%

Security portfolio breakdown by interest 2006

YTL

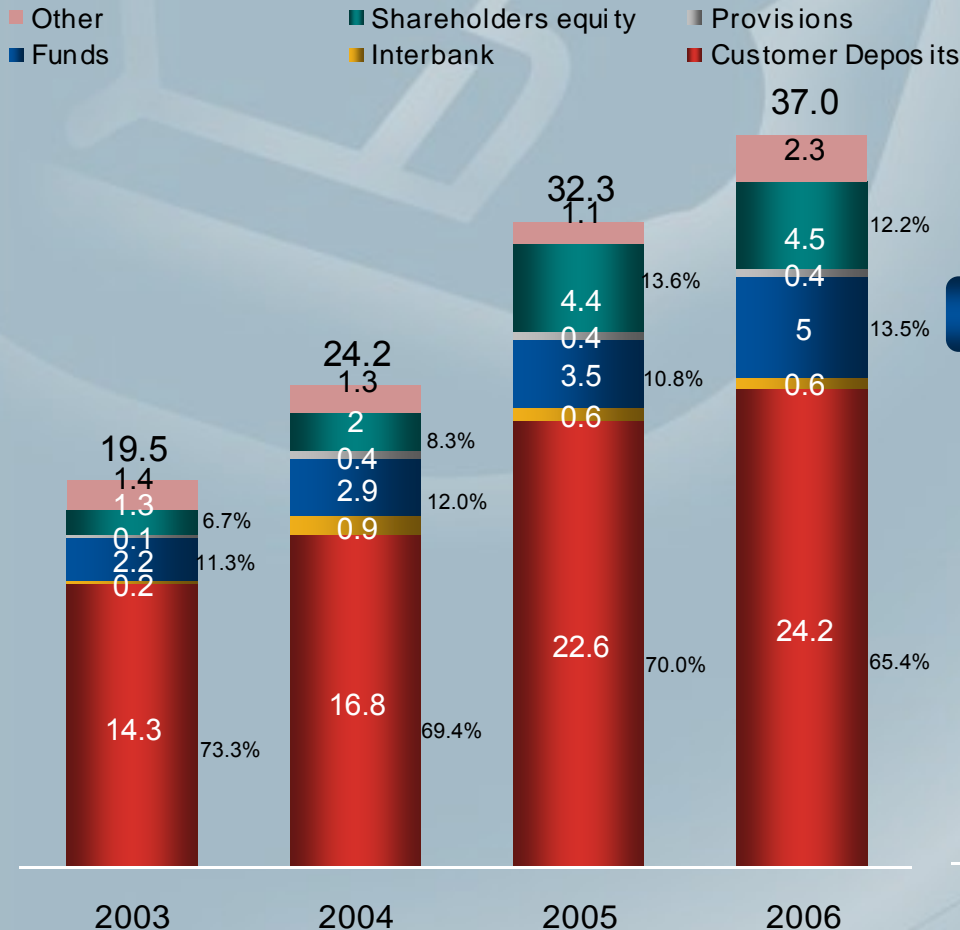


FX



Strong growth in external borrowings supporting the expansion of loan portfolio

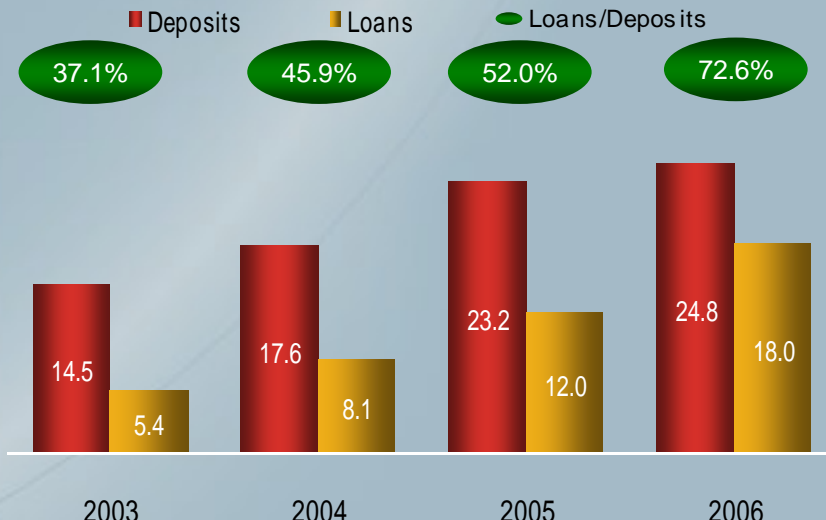
Breakdown of liabilities & shareholders equity (YTLbn)



Comments

- Total liabilities & share holders equity grew by 13.5% in 2006 comparing to 2005, driven by increase in external funding and continued expansion of deposit base
- External Borrowings increased by 41.5% YoY
- Customer deposits posted a 7.2% growth in 2006 and accounted for 65.4% of total liabilities

Loans and customer deposits (YTLbn)



Deposit base composition and evolution

Customer deposit breakdown by type and currency



Comments

- Ensured strong profitability by maintaining liquidity levels and controlling interest expenses through controlled 7.7% increase of customer deposits in 2006 compared to 2005.
- YTL Deposit growth was 6.4% where FX Deposit growth was 10.9% YoY.
- Focus on retail deposits, with an increase of 61.8% in 2006 compared to 2005.
- Demand deposits share increased to 17.3% in 2006 from 15.6% in 2005.

Deposit composition by type

(YTLmm)	2005		2006	
	Amount	%	Amount	%
Saving deposits ¹	3,664	16.4%	5,929	24.7%
Demand	548	2.4%	729	3.0%
Term	3,116	14.0%	5,200	21.7%
Public and Commercial ²	12,262	54.9%	11,013	45.8%
Demand	2,282	10.2%	2,258	9.4%
Term	9,980	44.7%	8,755	36.4%
Foreign currency	6,398	28.7%	7,101	29.5%
Demand	778	3.5%	1,306	5.4%
Term	5,620	25.2%	5,795	24.1%
Total³	22,324	100.0%	24,043	100.0%

¹ Represents deposits taken from retail customers

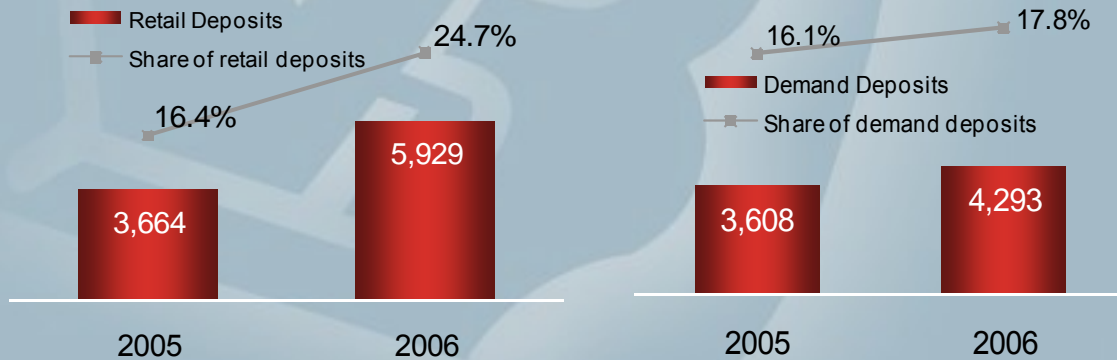
² Represents deposits taken from government related corporates, SMEs and other entities which are not individuals

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

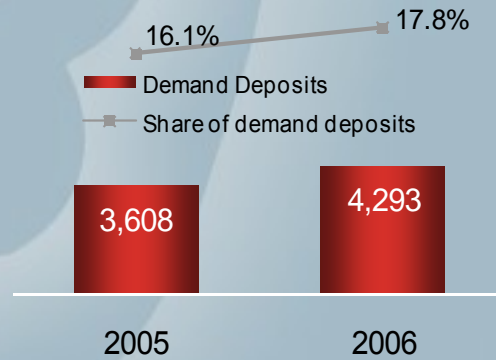
Focus on Retail Deposits

State deposits evolution

Focus on Retail Deposits (mmYTL)



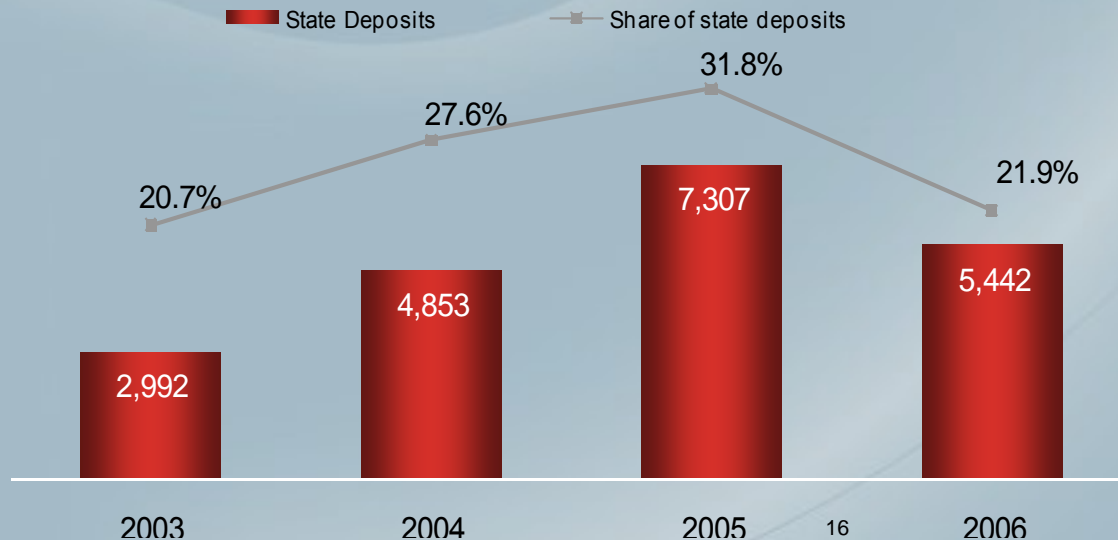
Demand Deposits (%)



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)



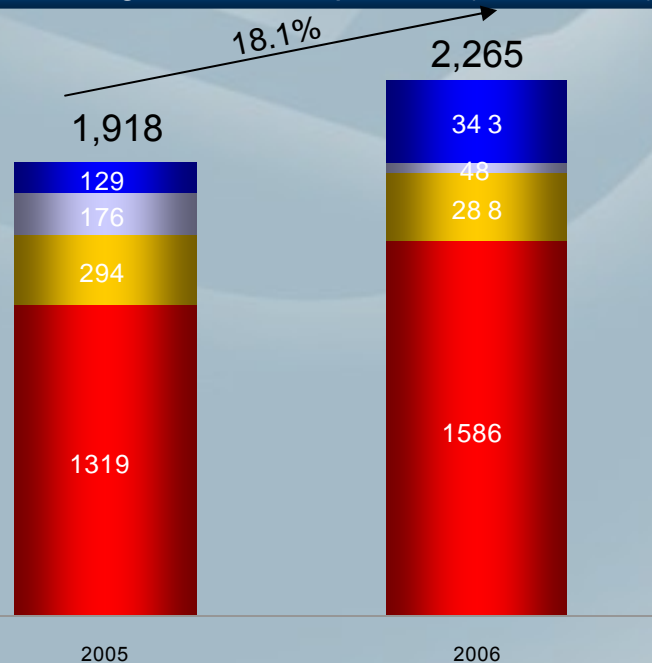
Strengthened capitalisation to support rapid growth

Capital position				Comments
(YTLmm)	2004YE	2005YE	2006YE	
Paid in share capital	420.1	1,279.0	2,500.0	<ul style="list-style-type: none"> ■ The bank successfully raised YTL1,45 mm through an IPO in November 2005 ■ The board will offer 50% pay out as dividend to the General Assembly. After the dividend approval of the general assembly bank has two months time to pay dividend. 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	605.8	0	
Share premium	0	1,172.3	723.9	
Reserves	32.1	326.9	264.6	
Profit	623.9	535.2	769.7	
Prior year income/loss	231.9	0	39.2	
General provisioning (upto 25% of Tier 1)	0	0	21.0	
Total core capital	1,913.9	3,919.2	4,318.5	
Supplementary capital	423.3	540.2	235.3	
Total capital	2,337.3	4,459.4	4,398.2	
Deductions	(244.3)	(403.0)	(220.9)	
Total shareholders' equity	2,093.0	4,056.4	4,332.7	
RWA	10,713.6	14,498.5	20,623.1	
Market risk	1,474.8	1,474.9	1,349.3	
CAR	17.3%	25.4%	19.7%	

Net banking income posted healthy growth in 2006

- Net banking income grew by 18.1% over the last 1 year in 2006 comparing to 2005
- Continuous diversification from securities to more client-driven business

Net banking income composition (YTLmm)

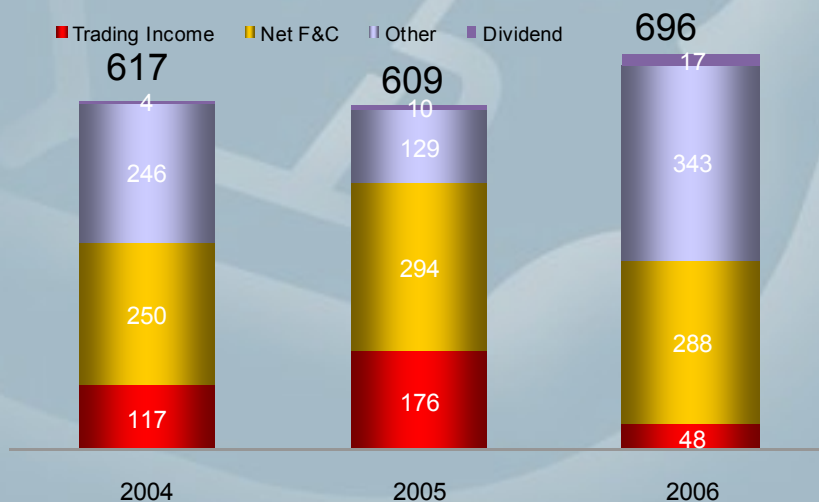


■ Net interest income ■ Net F&C income ■ Net trading income ■ Other

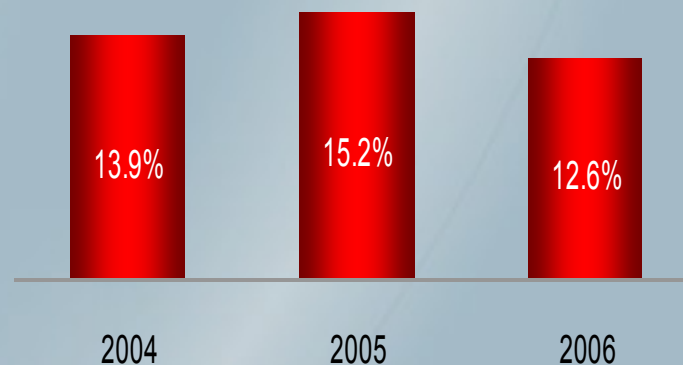
(YTLmm)	2003	2004	2005	2006
Net interest income	371.6	1,184.8	1,319.4	1,585.3
Net F&C income	240.1	250.2	293.7	288.4
Net trading income	673.6	116.9	175.7	47.8
Dividend income	0.6	3.9	10.3	16.6
Other operating income	197.7	245.6	129.0	343.3
Total operating income	1,483.7	1,801.4	1,928.0	2,281.3
Total operating expenses (-)	785.7	722.1	731.7	935.3
Operating profit	698.0	1,079.3	1,196.3	1,346.0
Provisions (-)	439.8	344.5	444.9	323.4
Tax provisions (-)	0	143.1	223.9	252.9
Income from investments and associates	16.3	47.9	0	0
Net monetary gain/loss	(10.4)	(15.6)	0	0
Net income	264.1	623.9	527.6	769.7

Strong growth in non-interest income

Non-interest income composition (YTLm m)



Net F&C income % of operating income

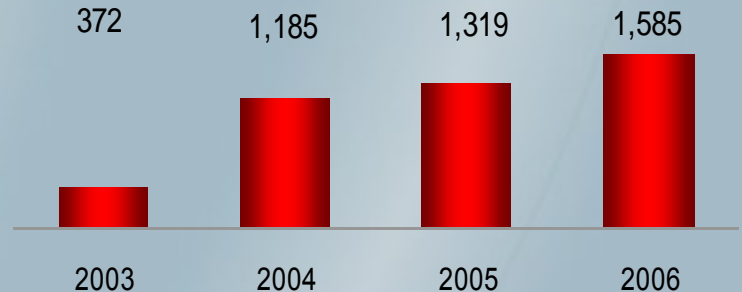


- Increase in Other Income comes from;
 - FX currency gains in FX Loans&S security portfolio which is ~48 million YTL in 2006,
 - NPL recovery which is ~210 million YTL in 2006.

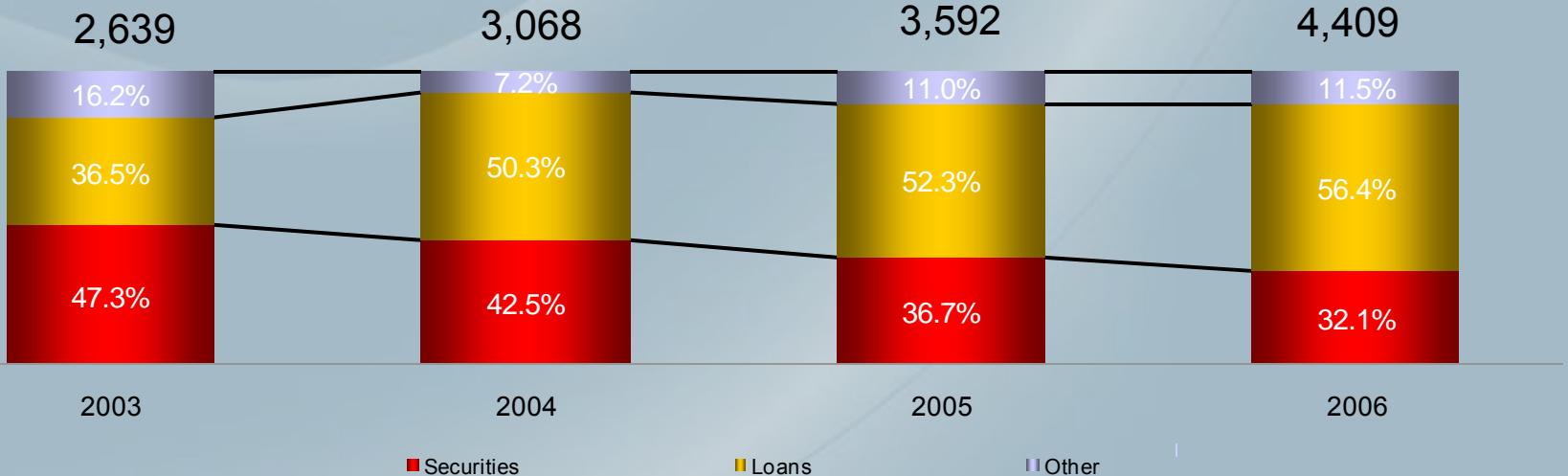
Increasing interest income from loan activities

- Net interest income; up by 20.2% in 2006 comparing to 2005 despite slowdown in loan demand in 2nd half of 2006, with a CAGR of 62.1% between 2003-2006.
 - increasing income from lending activity
- Interest Income growth was 22.7% in 2006 YoY with a CAGR of 18.7% between 2003-2006.

Net interest income (YTLmm)



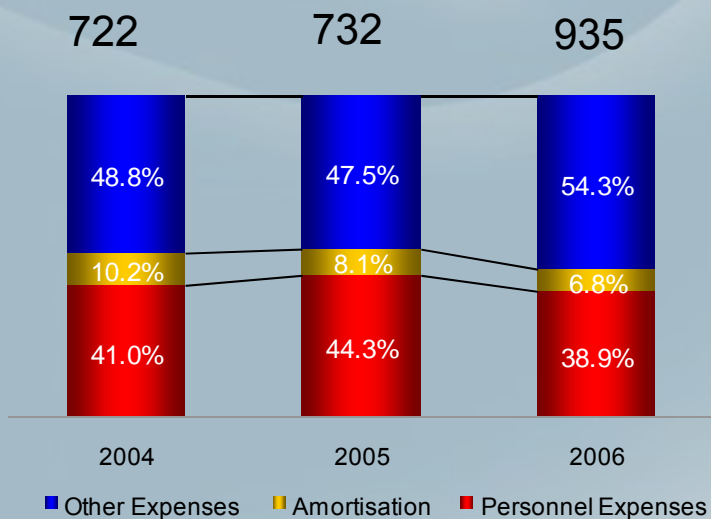
Interest income (YTLmm)



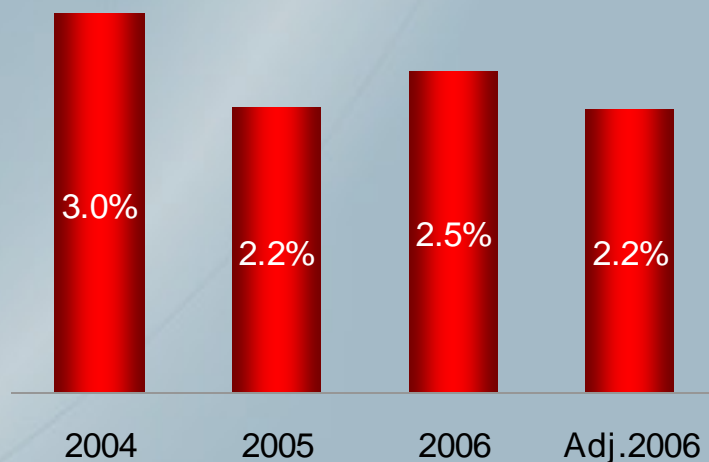
Operating expenses under control

- Slight growth in costs, despite going through restructuring at branch and headquarter level.
- Due to the accounting policy changes other expenses increased by ~110 million YTL. Adjusted increase for other expenses in 2006 is 12.8% YoY.

Other expenses composition (YTLm m)



Cost over assets (%)



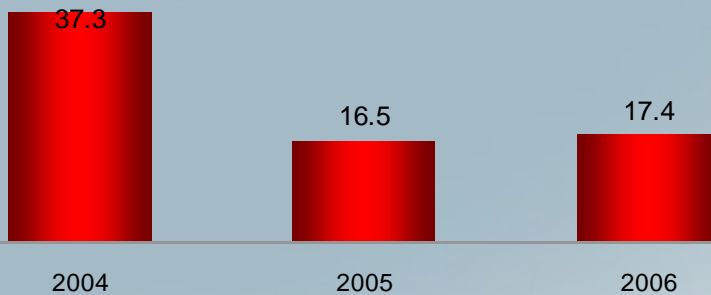
Demonstrated ability to withstand margin pressure

NIM (%)

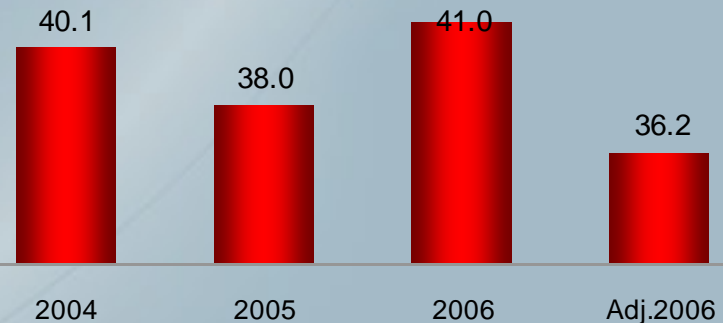


- Despite rate hikes on deposits and slowdown on loan demand NIM slightly decreased by 24 bps, compared to 2005 in 2006
- Further growth in loans/assets expected to provide more support to Vakifbank's NIM
- Return on average assets (ROAA) is 2.2 % in 2006 and 1.9 % in 2005.
- $NIM = \frac{\text{Net Interest Income}}{\text{Average Interest Earning Assets (Interbank + Securities + Loans)}}$

ROAE (%)

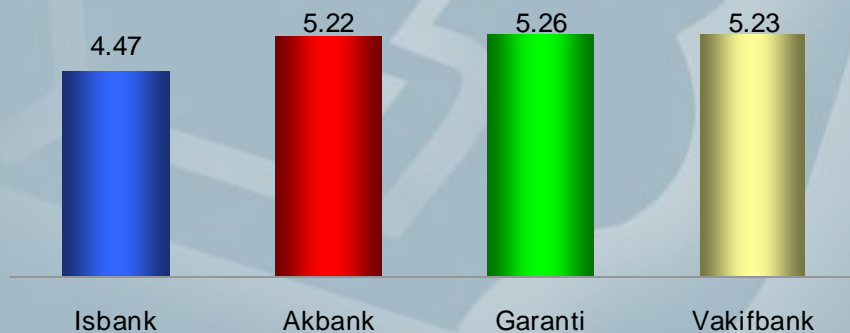


Cost/Income (%)

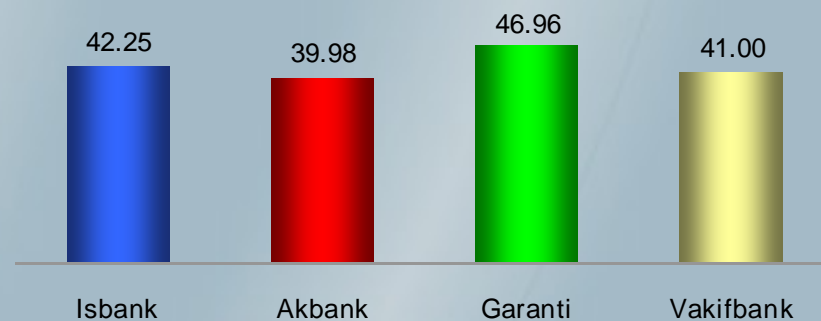


Peer group comparison

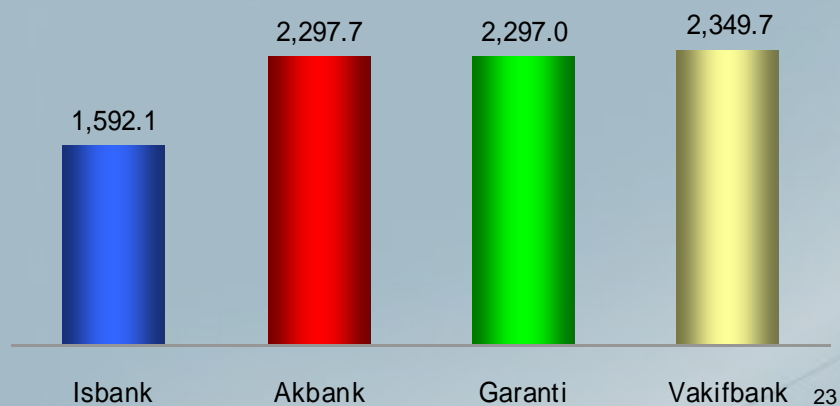
NIM (%)



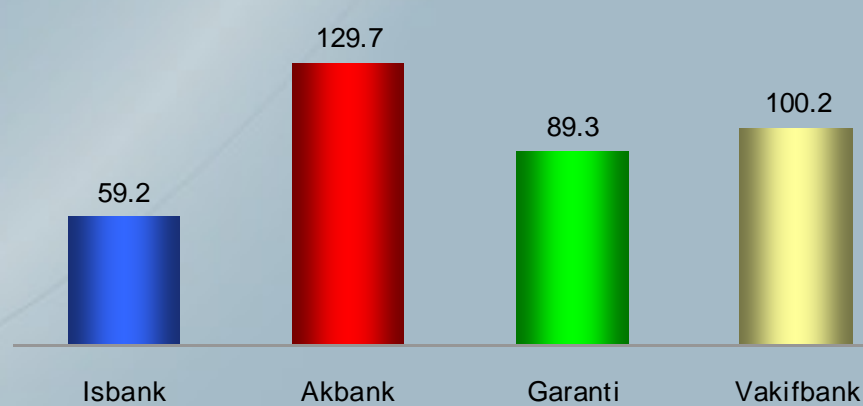
Cost/Income (%)



Loans/Number of Employee (thousandYTL)



Net Profit/Number of Employee (thousandYTL)



Balance Sheet Details for 2006: Assets

(Thousand YTL)	2006	2005	Growth %
Cash&Balances with Central Bank	2,783,183	2,343,320	18.8
Interbank	3,935,291	4,777,909	(17.6)
Securities	10,432,412	11,359,165	(8.2)
<i>Trading Securities</i>	470,483	1,079,535	(56.4)
<i>Available for Sale Portfolio</i>	9,913,538	9,908,056	0.1
<i>Held to Maturity Securities</i>	48,391	371,574	(86.9)
Loans	18,043,240	12,042,392	49.8
Subsidiaries&Investments	408,595	612,469	(33.3)
Property & Equipment	862,107	1,006,918	(14.4)
Other	569,135	476,252	19.5
Total Assets	37,033,963	32,618,425	13.5

Balance Sheet Details for 2006: Liabilities

Off-Balance Sheet Details for 2006

(Thousand YTL)	2006	2005	Growth %
Deposits	24,842,060	23,161,091	7.3
Funds&Funds Borrowed	4,997,136	3,532,832	41.5
Other	2,330,476	1,140,497	104.3
Provisio ns	376,862	416,634	(9.6)
Shareholder's Equity y	4,487,429	4,367,371	2.8
Total Liability	37,033,963	32,618,425	13.5

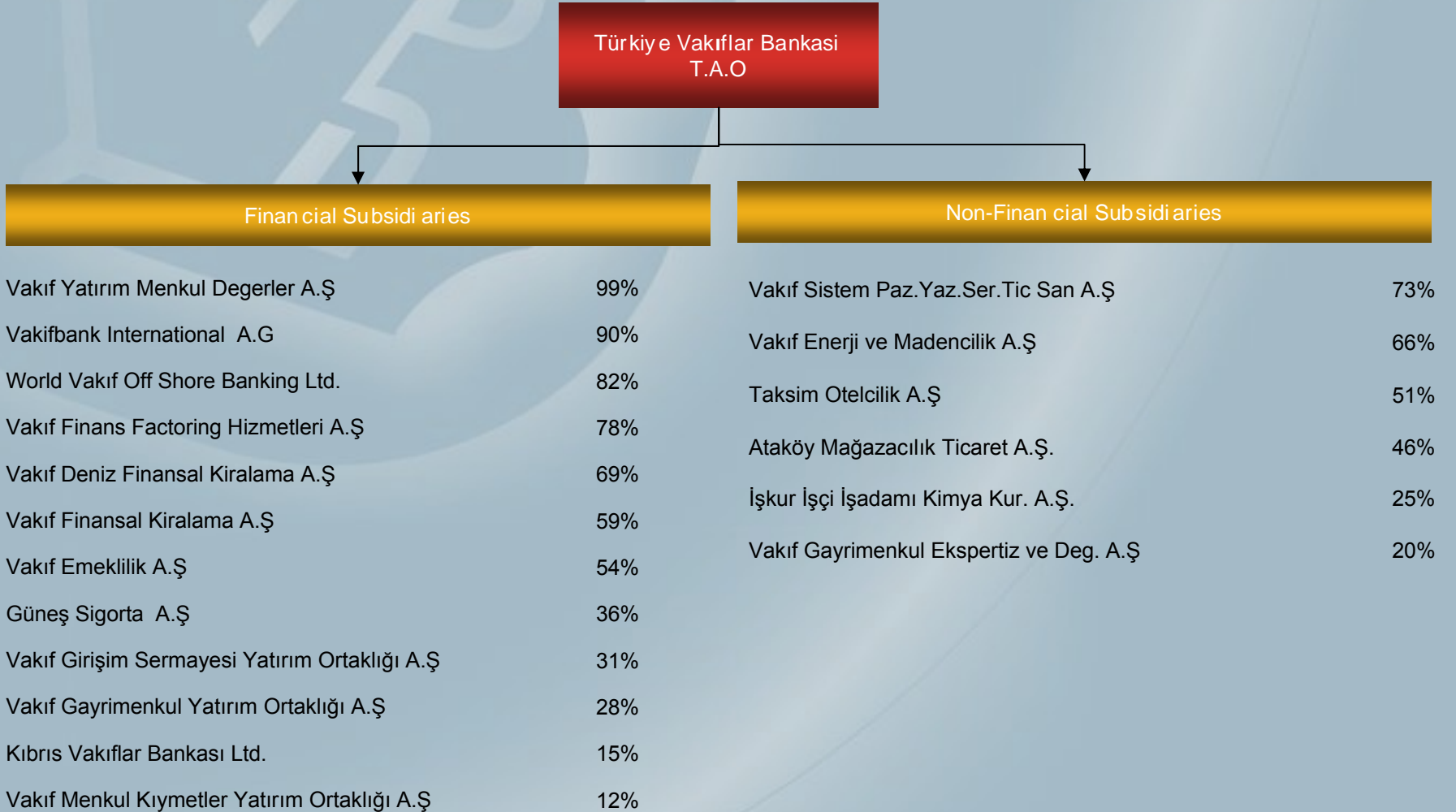
Off-Balance Sheet

Guarantees	4,871,922	4,638,360	5.0
Commitments	2,999,572	2,970,852	1.0
Derivatives	384,968	9,524	3942.1

P&L for 2006

(Million YTL)	2006	2005	Growth %
Net Interest Income	1,585,250	1,319,391	20.2
Net F&C Income	288,374	293,672	(1.8)
Dividend Income	16,557	10,278	61.1
Net Trading Income	47,782	175,670	(72.8)
Other Income	343,326	129,026	166.1
Operating Income (ex div. income)	2,264,732	1,917,759	18.1
Total Revenues	2,281,289	1,928,037	18.3
Operating Expenses	(935,331)	(731,661)	27.8
Provisions	(323,361)	(444,885)	(27.8)
Tax Provisions	(252,867)	(223,917)	12.9
Net Income	769,730	527,574	45.9

Subsidiaries and affiliates





THANK YOU

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