

**TÜRKİYE VAKIFLAR BANKASI T.A.O.  
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL REPORT AS OF  
AND FOR THE YEAR ENDED 31 DECEMBER 2006  
TOGETHER WITH INDEPENDENT AUDITORS'  
REPORT THEREON**

*(Convenience Translation of Financial Statements and Related  
Disclosures and Notes Originally Issued in Turkish)*

## **TÜRKİYE VAKIFLAR BANKASI 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)*

**TÜRKİYE VAKIFLAR BANKASI 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](http://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:

- Section 1 :** GENERAL INFORMATION ABOUT THE BANK  
**Section 2 :** CONSOLIDATED FINANCIAL STATEMENTS  
**Section 3 :** ACCOUNTING POLICIES  
**Section 4 :** FINANCIAL STRUCTURE OF THE CONSOLIDATED GROUP  
**Section 5 :** DISCLOSURES AND NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
**Section 6 :** OTHER DISCLOSURES AND NOTES  
**Section 7 :** 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).

|  |  |   |   |  |  |
|--|--|---|---|--|--|
| <b>Yusuf BEYAZIT</b><br>Chairman of Board of Directors | <b>Cem DEMİRAĞ</b><br>Member of Board of Directors and Audit Committee | <b>M. Zeki AKILLIOĞLU</b><br>Member of Board of Directors and Audit Committee | <b>Bilal KARAMAN</b><br>Chief Executive Officer | <b>Dr. Metin Recep ZAFER</b><br>Deputy Chief Executive Officer | <b>Ş. Mehmet BOZ</b><br>Manager of Accounting Department |
|--|--|---|---|--|--|

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

**Name-Surname/ Title: A.Sonat ŞEN/ Manager  
Ender ODABAŞ/Deputy Manager**

**Tel No: (0 312) 455 75 66  
Tel No: (0 312) 455 75 78**

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**TÜRKİYE VAKIFLAR BANKASI T.A.O. AND ITS SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006**

(Amounts expressed in thousands of New Turkish Liras (“YTL”) unless otherwise indicated.)

**SECTION ONE: 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:

| <b>Name Surname</b>    | <b>Administrative Function</b> | <b>Appointment Date</b> | <b>Education</b> | <b>Experience in Banking and Business Administration</b> |
|------------------------|--------------------------------|-------------------------|------------------|--|
| 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.

**TÜRKİYE VAKIFLAR BANKASI T.A.O. AND ITS SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006**

(Amounts expressed in thousands of New Turkish Liras (“YTL”) unless otherwise indicated.)

**SECTION ONE: GENERAL INFORMATION ABOUT PARENT BANK (continued)**

**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 (continued)**

**CEO and Executive Vice Presidents:**

| <b>Name Surname</b>     | <b>Administrative Function</b> | <b>Appointment Date</b> | <b>Education</b> | <b>Experience in Banking and Business Administration</b> |
|-------------------------|--------------------------------|-------------------------|------------------|--|
| 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.

**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.

| <b>Title</b>   | <b>Shares</b> | <b>Ownership</b> | <b>Paid-in Capital</b> | <b>Unpaid Portion</b> |
|--|---------------|------------------|------------------------|-----------------------|
| 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.

**TÜRKİYE VAKIFLAR BANKASI T.A.O. AND ITS SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006**

(Amounts expressed in thousands of New Turkish Liras (“YTL”) unless otherwise indicated.)

**SECTION ONE: GENERAL INFORMATION ABOUT PARENT BANK (continued)**

**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).



(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND NOTES ORIGINALLY ISSUED IN TURKISH)

**TÜRKİYE VAKIFLAR BANKASI T.A.O. AND ITS SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006**

(Amounts expressed in thousands of New Turkish Liras ("YTL") unless otherwise indicated.)

**SECTION TWO: CONSOLIDATED FINANCIAL STATEMENTS**

- I. Consolidated Balance Sheet (APP:1-A)
- II. Consolidated Statement of Off-Balance Sheet Contingencies and Commitments (APP:1-B)
- III. Consolidated Statement of Income (APP:1-C)
- IV. Consolidated Statement of Shareholders' Equity (APP:1-D)
- V. Consolidated Statements of Cash Flow (APP: 1-E)

| CONSOLIDATED BALANCE SHEET |  | Notes | THOUSANDS OF NEW TURKISH LIRA (YTL) |                   |                   |                               |                   |                   |
|----------------------------|--|-------|-------------------------------------|-------------------|-------------------|-------------------------------|-------------------|-------------------|
|                            |  |       | CURRENT PERIOD<br>( 31/12/2006)     |                   |                   | PRIOR PERIOD<br>( 31/12/2005) |                   |                   |
|                            |  |       | YTL                                 | FC                | Total             | YTL                           | FC                | Total             |
| <b>I.</b>                  | <b>CASH AND BALANCES WITH THE CENTRAL BANK</b>               | (1)   | <b>1,679,959</b>                    | <b>1,132,435</b>  | <b>2,812,394</b>  | <b>1,419,422</b>              | <b>946,883</b>    | <b>2,366,305</b>  |
| <b>II.</b>                 | <b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b> | (2)   | <b>107,802</b>                      | <b>462,091</b>    | <b>569,893</b>    | <b>416,891</b>                | <b>713,631</b>    | <b>1,130,522</b>  |
| 2.1                        | Financial assets held for trading                            |       | 107,802                             | 462,055           | 569,857           | 416,888                       | 713,631           | 1,130,519         |
| 2.1.1                      | Government debt securities                                   |       | 97,798                              | -                 | 97,798            | 388,874                       | 671               | 389,545           |
| 2.1.2                      | Share certificates   |       | 8,392                               | -                 | 8,392             | 25,610                        | -                 | 25,610            |
| 2.1.3                      | Other securities   |       | 1,612                               | 462,055           | 463,667           | 2,404                         | 712,960           | 715,364           |
| 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                 |
| <b>III.</b>                | <b>BANKS AND OTHER FINANCIAL INSTITUTIONS</b>                | (3)   | <b>527,084</b>                      | <b>2,607,017</b>  | <b>3,134,101</b>  | <b>581,158</b>                | <b>1,518,021</b>  | <b>2,099,179</b>  |
| <b>IV.</b>                 | <b>INTERBANK MONEY MARKETS</b>                               |       | <b>873,277</b>                      | -                 | <b>873,277</b>    | <b>2,651,144</b>              | -                 | <b>2,651,144</b>  |
| 4.1                        | Interbank money market placements                            |       | 751,093                             | -                 | 751,093           | 1,501,125                     | -                 | 1,501,125         |
| 4.2                        | Istanbul Stock Exchange money market placements              |       | 1,262                               | -                 | 1,262             | -                             | -                 | -                 |
| 4.3                        | Receivables from reverse repurchase agreements               |       | 120,922                             | -                 | 120,922           | 1,150,019                     | -                 | 1,150,019         |
| <b>V.</b>                  | <b>INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)</b>        | (4)   | <b>6,796,967</b>                    | <b>3,551,701</b>  | <b>10,348,668</b> | <b>7,058,151</b>              | <b>3,381,568</b>  | <b>10,439,719</b> |
| 5.1                        | Share certificates   |       | 158,169                             | 2,144             | 160,313           | 157,562                       | 1,192             | 158,754           |
| 5.2                        | Government debt securities                                   |       | 6,638,798                           | 2,171,477         | 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         |
| <b>VI.</b>                 | <b>LOANS</b>   | (5)   | <b>12,361,039</b>                   | <b>6,055,029</b>  | <b>18,416,068</b> | <b>8,762,175</b>              | <b>3,531,781</b>  | <b>12,293,956</b> |
| 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         |
| <b>VII.</b>                | <b>FACTORING RECEIVABLES</b>                                 |       | <b>40,546</b>                       | <b>4,051</b>      | <b>44,597</b>     | <b>35,476</b>                 | <b>2,337</b>      | <b>37,813</b>     |
| <b>VIII.</b>               | <b>INVESTMENT SECURITIES HELD-TO-MATURITY (Net)</b>          | (6)   | <b>92,322</b>                       | <b>188,129</b>    | <b>280,451</b>    | <b>415,057</b>                | <b>171,415</b>    | <b>586,472</b>    |
| 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            |
| <b>IX.</b>                 | <b>INVESTMENTS IN ASSOCIATES (Net)</b>                       | (7)   | <b>41,779</b>                       | <b>4</b>          | <b>41,783</b>     | <b>40,121</b>                 | <b>7,619</b>      | <b>47,740</b>     |
| 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            |
| <b>X.</b>                  | <b>INVESTMENTS IN SUBSIDIARIES (Net)</b>                     | (8)   | <b>127,788</b>                      | -                 | <b>127,788</b>    | <b>262,940</b>                | -                 | <b>262,940</b>    |
| 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           |
| <b>XI.</b>                 | <b>INVESTMENTS IN JOINT-VENTURES (Net)</b>                   | (9)   | -                                   | -                 | -                 | -                             | -                 | -                 |
| 11.1                       | Equity method joint ventures                                 |       | -                                   | -                 | -                 | -                             | -                 | -                 |
| 11.2                       | Unconsolidated investments                                   |       | -                                   | -                 | -                 | -                             | -                 | -                 |
| 11.2.1                     | Financial investments  |       | -                                   | -                 | -                 | -                             | -                 | -                 |
| 11.2.2                     | Non-Financial investments                                    |       | -                                   | -                 | -                 | -                             | -                 | -                 |
| <b>XII.</b>                | <b>LEASE RECEIVABLES (Net)</b>                               | (10)  | <b>31,870</b>                       | <b>222,308</b>    | <b>254,178</b>    | <b>18,257</b>                 | <b>172,387</b>    | <b>190,644</b>    |
| 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            |
| <b>XIII.</b>               | <b>HEDGING PURPOSE DERIVATIVES</b>                           | (11)  | <b>9969</b>                         | <b>24</b>         | <b>9,993</b>      | -                             | -                 | -                 |
| 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                |       | -                                   | -                 | -                 | -                             | -                 | -                 |
| <b>XIV.</b>                | <b>TANGIBLE ASSETS (Net)</b>                                 | (12)  | <b>1,013,864</b>                    | <b>1,588</b>      | <b>1,015,452</b>  | <b>1,141,157</b>              | <b>1,420</b>      | <b>1,142,577</b>  |
| <b>XV.</b>                 | <b>INTANGIBLE ASSETS (Net)</b>                               | (13)  | <b>33,791</b>                       | <b>589</b>        | <b>34,380</b>     | <b>23,622</b>                 | <b>617</b>        | <b>24,239</b>     |
| 15.1                       | Goodwill   |       | 175                                 | -                 | 175               | 185                           | -                 | 185               |
| 15.2                       | Other intangibles  |       | 33,616                              | 589               | 34,205            | 23,437                        | 617               | 24,054            |
| <b>XVI.</b>                | <b>TAX ASSETS</b>  | (14)  | <b>94,071</b>                       | -                 | <b>94,071</b>     | <b>105,581</b>                | -                 | <b>105,581</b>    |
| 16.1                       | Current tax assets   |       | -                                   | -                 | -                 | -                             | -                 | -                 |
| 16.2                       | Deferred tax assets  |       | 94,071                              | -                 | 94,071            | 105,581                       | -                 | 105,581           |
| <b>XVII.</b>               | <b>ASSETS HELD FOR SALE</b>                                  | (15)  | <b>1,963</b>                        | -                 | <b>1,963</b>      | <b>4,367</b>                  | -                 | <b>4,367</b>      |
| <b>XVIII.</b>              | <b>OTHER ASSETS</b>  | (16)  | <b>525,037</b>                      | <b>280,031</b>    | <b>805,068</b>    | <b>467,202</b>                | <b>102,000</b>    | <b>569,202</b>    |
|                            | <b>TOTAL ASSETS</b>  |       | <b>24,359,128</b>                   | <b>14,504,997</b> | <b>38,864,125</b> | <b>23,402,721</b>             | <b>10,549,679</b> | <b>33,952,400</b> |

The accompanying notes are an integral part of consolidated financial statements.

**TÜRKİYE VAKIFLAR BANKASI T.A.O. AND ITS SUBSIDIARIES**

| CONSOLIDATED BALANCE SHEET   |      | Notes             | THOUSANDS OF NEW TURKISH LIRA (YTL) |                   |                   |                               |                   |       |
|--|------|-------------------|-------------------------------------|-------------------|-------------------|-------------------------------|-------------------|-------|
|  |      |                   | CURRENT PERIOD<br>( 31/12/2006)     |                   |                   | PRIOR PERIOD<br>( 31/12/2005) |                   |       |
|  |      |                   | YTL                                 | FC                | Total             | YTL                           | FC                | Total |
| <b>I. DEPOSITS</b>   | (1)  | <b>17,556,811</b> | <b>7,606,967</b>                    | <b>25,163,778</b> | <b>16,549,192</b> | <b>6,865,721</b>              | <b>23,414,913</b> |       |
| <b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>       | (2)  | -                 | <b>58</b>                           | <b>58</b>         | -                 | -                             | -                 |       |
| <b>III. FUNDS BORROWED</b>   | (3)  | <b>52,243</b>     | <b>5,333,484</b>                    | <b>5,385,727</b>  | <b>44,638</b>     | <b>3,765,093</b>              | <b>3,809,731</b>  |       |
| <b>IV. INTERBANK MONEY MARKETS</b>                                 |      | <b>82</b>         | <b>1,487,339</b>                    | <b>1,487,421</b>  | <b>22,021</b>     | <b>192,730</b>                | <b>214,751</b>    |       |
| 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           |       |
| <b>V. SECURITIES ISSUED (Net)</b>                                  |      | -                 | -                                   | -                 | -                 | -                             | -                 |       |
| 5.1 Bills  |      | -                 | -                                   | -                 | -                 | -                             | -                 |       |
| 5.2 Asset backed securities  |      | -                 | -                                   | -                 | -                 | -                             | -                 |       |
| 5.3 Bonds  |      | -                 | -                                   | -                 | -                 | -                             | -                 |       |
| <b>VI. FUNDS</b>   |      | <b>139,922</b>    | -                                   | <b>139,922</b>    | <b>151,597</b>    | -                             | <b>151,597</b>    |       |
| <b>VII. MISCELLANEOUS PAYABLES</b>                                 |      | <b>525,319</b>    | <b>74,779</b>                       | <b>600,098</b>    | <b>364,103</b>    | <b>38,665</b>                 | <b>402,768</b>    |       |
| <b>VIII. OTHER EXTERNAL RESOURCES PAYABLE</b>                      | (4)  | <b>51,279</b>     | <b>154,837</b>                      | <b>206,116</b>    | <b>67,379</b>     | <b>175,347</b>                | <b>242,726</b>    |       |
| <b>IX. FACTORING PAYABLES</b>                                      |      | <b>1,021</b>      | <b>2,392</b>                        | <b>3,413</b>      | <b>2,346</b>      | <b>1,282</b>                  | <b>3,628</b>      |       |
| <b>X. LEASE PAYABLES (Net)</b>                                     | (5)  | -                 | -                                   | -                 | -                 | -                             | -                 |       |
| 10.1 Financial lease payables                                      |      | -                 | -                                   | -                 | -                 | -                             | -                 |       |
| 10.2 Operational lease payables                                    |      | -                 | -                                   | -                 | -                 | -                             | -                 |       |
| 10.3 Others  |      | -                 | -                                   | -                 | -                 | -                             | -                 |       |
| 10.4 Deferred expenses (-)   |      | -                 | -                                   | -                 | -                 | -                             | -                 |       |
| <b>XI. HEDGING PURPOSE DERIVATIVES</b>                             | (6)  | -                 | <b>3,707</b>                        | <b>3,707</b>      | -                 | -                             | -                 |       |
| 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                 |      | -                 | -                                   | -                 | -                 | -                             | -                 |       |
| <b>XII. PROVISIONS</b>   | (7)  | <b>846,953</b>    | <b>18,786</b>                       | <b>865,739</b>    | <b>866,967</b>    | <b>15,578</b>                 | <b>882,545</b>    |       |
| 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           |       |
| <b>XIV. TAX LIABILITIES</b>  | (9)  | <b>264,760</b>    | <b>32,932</b>                       | <b>297,692</b>    | <b>318,880</b>    | <b>44,603</b>                 | <b>363,483</b>    |       |
| 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            |       |
| <b>XV. PAYABLES FOR ASSETS HELD FOR SALE</b>                       | (10) | -                 | -                                   | -                 | -                 | -                             | -                 |       |
| <b>XIII. SUBORDINATED DEBTS</b>                                    |      | -                 | -                                   | -                 | -                 | -                             | -                 |       |
| <b>XVI. SHAREHOLDERS' EQUITY</b>                                   | (11) | <b>4,607,143</b>  | <b>103,311</b>                      | <b>4,710,454</b>  | <b>4,345,347</b>  | <b>120,911</b>                | <b>4,466,258</b>  |       |
| 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           |       |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>                  |      | <b>24,045,533</b> | <b>14,818,592</b>                   | <b>38,864,125</b> | <b>22,732,470</b> | <b>11,219,930</b>             | <b>33,952,400</b> |       |

The accompanying notes are an integral part of consolidated financial statements.

| CONSOLIDATED OFF-BALANCE SHEET ITEMS                                 | Notes    | THOUSANDS OF NEW TURKISH LIRA (YTL) |                   |                   |                   |                  |                   |
|--|----------|-------------------------------------|-------------------|-------------------|-------------------|------------------|-------------------|
|  |          | CURRENT PERIOD                      |                   |                   | PRIOR PERIOD      |                  |                   |
|  |          | YTL                                 | FC                | Total             | YTL               | FC               | Total             |
| <b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)</b> |          | <b>4,867,708</b>                    | <b>3,398,433</b>  | <b>8,266,141</b>  | <b>4,609,760</b>  | <b>2,996,480</b> | <b>7,606,240</b>  |
| <b>I. GUARANTEES AND SURETIES</b>                                    | (1), (3) | <b>1,847,368</b>                    | <b>2,943,255</b>  | <b>4,790,623</b>  | <b>1,680,081</b>  | <b>2,913,095</b> | <b>4,593,176</b>  |
| 1.1. Letters of guarantee  |          | 1,847,274                           | 1,553,605         | 3,400,879         | 1,651,377         | 1,489,903        | 3,141,280         |
| 1.1.1. Guarantees subject to State Tender Law                        |          | 467,716                             | 139,991           | 607,707           | 470,420           | 86,872           | 557,292           |
| 1.1.2. Guarantees given for foreign trade operations                 |          | 61,374                              | 189               | 61,563            | 97,272            | 119              | 97,391            |
| 1.1.3. Other letters of guarantee                                    |          | 1,318,184                           | 1,413,425         | 2,731,609         | 1,083,685         | 1,402,912        | 2,486,597         |
| 1.2. Bank acceptances  |          | -                                   | 152,842           | 152,842           | -                 | 62,258           | 62,258            |
| 1.2.1. Import letter of acceptance                                   |          | -                                   | 43,988            | 43,988            | -                 | 44,524           | 44,524            |
| 1.2.2. Other bank acceptances  |          | -                                   | 108,854           | 108,854           | -                 | 17,734           | 17,734            |
| 1.3. Letters of credit   |          | -                                   | 1,227,088         | 1,227,088         | -                 | 1,350,307        | 1,350,307         |
| 1.3.1. Documentary letters of credit                                 |          | -                                   | 1,227,088         | 1,227,088         | -                 | 1,345,237        | 1,345,237         |
| 1.3.2. Other letters of credit                                       |          | -                                   | -                 | -                 | -                 | 5,070            | 5,070             |
| 1.4. Guaranteed prefinancings  |          | -                                   | 2,957             | 2,957             | -                 | 2,656            | 2,656             |
| 1.5. Endorsements  |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 1.5.1. Endorsements to the Central Bank of Turkey                    |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 1.5.2. Other endorsements  |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 1.6. Underwriting commitments  |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 1.7. Factoring related guarantees                                    |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 1.8. Other guarantees  |          | 94                                  | 6,763             | 6,857             | 28,704            | 6,334            | 35,038            |
| 1.9. Other sureties  |          | -                                   | -                 | -                 | -                 | -                | 1,637             |
| <b>II. COMMITMENTS</b>   | (1), (3) | <b>2,937,180</b>                    | <b>65,949</b>     | <b>3,003,129</b>  | <b>2,929,679</b>  | <b>50,076</b>    | <b>2,979,755</b>  |
| 2.1. Irrevocable commitments   |          | 2,929,085                           | 13,716            | 2,942,801         | 2,913,721         | 22,827           | 2,936,548         |
| 2.1.1. Asset purchase commitments                                    |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 2.1.2. Deposit purchase and sales commitments                        |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 2.1.3. Share capital commitments to associates and subsidiaries      |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 2.1.4. Loan granting commitments                                     |          | 547                                 | 13,592            | 14,139            | 548               | 22,690           | 23,238            |
| 2.1.5. Securities issuance brokerage commitments                     |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 2.1.6. Commitments for reserve deposit requirements                  |          | -                                   | 124               | 124               | -                 | 137              | 137               |
| 2.1.7. Commitments for cheque payments                               |          | 1,305,070                           | -                 | 1,305,070         | 1,045,955         | -                | 1,045,955         |
| 2.1.8. Tax and fund obligations on export commitments                |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 2.1.9. Commitments for credit card limits                            |          | 1,611,354                           | -                 | 1,611,354         | 1,867,218         | -                | 1,867,218         |
| 2.1.10. Receivables from "short" sale commitments on securities      |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 2.1.11. Payables from "short" sale commitments on securities         |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 2.1.12. Other irrevocable commitments                                |          | 12,114                              | -                 | 12,114            | -                 | -                | -                 |
| 2.2. Revocable commitments   |          | 8,095                               | 52,233            | 60,328            | 15,958            | 27,249           | 43,207            |
| 2.2.1. Revocable loan granting commitments                           |          | 8,095                               | 198               | 8,293             | 15,958            | 190              | 16,148            |
| 2.2.2. Other revocable commitments                                   |          | -                                   | 52,035            | 52,035            | -                 | 27,059           | 27,059            |
| <b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>                         | (2)      | <b>83,160</b>                       | <b>389,229</b>    | <b>472,389</b>    | <b>-</b>          | <b>33,309</b>    | <b>33,309</b>     |
| 3.1. Hedging Purpose Derivatives                                     |          | 83,160                              | 291,971           | 375,131           | -                 | -                | -                 |
| 3.1.1. Fair value hedges   |          | 83,160                              | 291,971           | 375,131           | -                 | -                | -                 |
| 3.1.2. Cash flow hedges  |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 3.1.3. Hedge of a net investment in a foreign entity                 |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 3.2. Derivatives held for trading                                    |          | -                                   | 97,258            | 97,258            | -                 | 33,309           | 33,309            |
| 3.2.1. Forward foreign currency purchases/sales                      |          | -                                   | 9,837             | 9,837             | -                 | 9,524            | 9,524             |
| 3.2.1.1. Forward foreign currency purchases                          |          | -                                   | 4,919             | 4,919             | -                 | 4,763            | 4,763             |
| 3.2.1.2. Forward foreign currency sales                              |          | -                                   | 4,918             | 4,918             | -                 | 4,761            | 4,761             |
| 3.2.2. Currency and interest rate swaps                              |          | -                                   | 87,419            | 87,419            | -                 | 23,784           | 23,784            |
| 3.2.2.1. Currency swaps-purchases                                    |          | -                                   | 36,958            | 36,958            | -                 | 5,993            | 5,993             |
| 3.2.2.2. Currency swaps-sales  |          | -                                   | 36,817            | 36,817            | -                 | 6,051            | 6,051             |
| 3.2.2.3. Interest rate swaps-purchases                               |          | -                                   | 6,822             | 6,822             | -                 | 5,870            | 5,870             |
| 3.2.2.4. Interest rate swaps-sales                                   |          | -                                   | 6,822             | 6,822             | -                 | 5,870            | 5,870             |
| 3.2.3. Currency, interest rate and security options                  |          | -                                   | 2                 | 2                 | -                 | 1                | 1                 |
| 3.2.3.1. Currency call options                                       |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 3.2.3.2. Currency put options  |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 3.2.3.3. Interest rate call options                                  |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 3.2.3.4. Interest rate put options                                   |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 3.2.3.5. Security call options                                       |          | -                                   | 2                 | 2                 | -                 | 1                | 1                 |
| 3.2.3.6. Security put options  |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 3.2.4. Currency futures  |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 3.2.4.1. Currency futures-purchases                                  |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 3.2.4.2. Currency futures-sales                                      |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 3.2.5. Interest rate futures   |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 3.2.5.1. Interest rate futures-purchases                             |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 3.2.5.2. Interest rate futures-sales                                 |          | -                                   | -                 | -                 | -                 | -                | -                 |
| 3.2.6. Others  |          | -                                   | -                 | -                 | -                 | -                | -                 |
| <b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>                        |          | <b>34,138,080</b>                   | <b>7,245,522</b>  | <b>41,383,602</b> | <b>26,617,214</b> | <b>5,835,653</b> | <b>32,452,867</b> |
| <b>IV. ITEMS HELD IN CUSTODY</b>                                     |          | <b>12,093,198</b>                   | <b>487,026</b>    | <b>12,580,224</b> | <b>10,010,885</b> | <b>463,897</b>   | <b>10,474,782</b> |
| 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           |
| <b>V. PLEDGED ITEMS</b>  |          | <b>22,044,882</b>                   | <b>6,758,496</b>  | <b>28,803,378</b> | <b>16,606,329</b> | <b>5,371,756</b> | <b>21,978,085</b> |
| 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            |
| <b>VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES</b>                  |          | <b>-</b>                            | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>         | <b>-</b>          |
| <b>TOTAL OFF-BALANCE SHEET ITEMS (A+B)</b>                           |          | <b>39,005,788</b>                   | <b>10,643,955</b> | <b>49,649,743</b> | <b>31,226,974</b> | <b>8,832,133</b> | <b>40,059,107</b> |

|                               |  | THOUSANDS OF NEW TURKISH LIRA (YTL) |                                 |                               |
|-------------------------------|--|-------------------------------------|---------------------------------|-------------------------------|
| CONSOLIDATED INCOME STATEMENT |  | Notes                               | CURRENT PERIOD<br>( 31/12/2006) | PRIOR PERIOD<br>( 31/12/2005) |
| <b>I.</b>                     | <b>INTEREST INCOME</b>   | (1)                                 | <b>4,518,111</b>                | <b>3,679,616</b>              |
| 1.1                           | Interest income from loans                                     |                                     | 2,508,767                       | 1,887,690                     |
| 1.2                           | Interest income from reserve deposits                          |                                     | 124,223                         | 90,181                        |
| 1.3                           | Interest income from banks                                     |                                     | 119,820                         | 58,390                        |
| 1.4                           | Interest income from money market transactions                 |                                     | 264,569                         | 249,577                       |
| 1.5                           | Interest income from securities portfolio                      |                                     | 1,461,475                       | 1,355,763                     |
| 1.5.1                         | Financial assets held for trading                              |                                     | 138,378                         | 239,889                       |
| 1.5.2                         | Financial assets designated at fair value                      |                                     | -                               | -                             |
| 1.5.3                         | Investment securities available-for-sale                       |                                     | 1,291,758                       | 1,077,540                     |
| 1.5.4                         | Investments securities held-to-maturity                        |                                     | 31,339                          | 38,334                        |
| 1.6                           | Financial lease income   |                                     | 24,215                          | 26,143                        |
| 1.7                           | Other interest income  |                                     | 15,042                          | 11,872                        |
| <b>II.</b>                    | <b>INTEREST EXPENSE</b>  | (2)                                 | <b>2,857,299</b>                | <b>2,297,335</b>              |
| 2.1                           | Interest on deposits   |                                     | 2,569,692                       | 2,142,277                     |
| 2.2                           | Interest on funds borrowed                                     |                                     | 222,860                         | 128,078                       |
| 2.3                           | Interest on money market transactions                          |                                     | 61,823                          | 24,051                        |
| 2.4                           | Interest on securities issued                                  |                                     | -                               | -                             |
| 2.5                           | Other interest expenses  |                                     | 2,924                           | 2,929                         |
| <b>III.</b>                   | <b>NET INTEREST INCOME (I - II)</b>                            |                                     | <b>1,660,812</b>                | <b>1,382,281</b>              |
| <b>IV.</b>                    | <b>NET FEES AND COMMISSIONS INCOME</b>                         |                                     | <b>289,553</b>                  | <b>296,532</b>                |
| 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                        |
| <b>V.</b>                     | <b>DIVIDEND INCOME</b>   |                                     | <b>16,765</b>                   | <b>12,240</b>                 |
| <b>VI.</b>                    | <b>NET TRADING INCOME/LOSSES</b>                               |                                     | <b>78,573</b>                   | <b>208,015</b>                |
| 6.1                           | Trading account income/losses (Net)                            |                                     | 74,721                          | 162,235                       |
| 6.2                           | Foreign exchange gains/losses (Net)                            |                                     | 3,852                           | 45,780                        |
| <b>VII.</b>                   | <b>OTHER OPERATING INCOME</b>                                  | (3)                                 | <b>964,367</b>                  | <b>732,126</b>                |
| <b>VIII.</b>                  | <b>TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>                |                                     | <b>3,010,070</b>                | <b>2,631,194</b>              |
| <b>IX.</b>                    | <b>PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b> | (4)                                 | <b>324,963</b>                  | <b>448,326</b>                |
| <b>X.</b>                     | <b>OTHER OPERATING EXPENSES (-)</b>                            | (5)                                 | <b>1,612,425</b>                | <b>1,332,972</b>              |
| <b>XI.</b>                    | <b>NET OPERATING PROFIT/(LOSS) (VIII-IX-X)</b>                 |                                     | <b>1,072,682</b>                | <b>849,896</b>                |
| <b>XII.</b>                   | <b>INCOME RESULTING FROM MERGERS</b>                           |                                     | -                               | -                             |
| <b>XIII.</b>                  | <b>INCOME/(LOSS) FROM INVESTMENTS UNDER EQUITY ACCOUNTING</b>  |                                     | <b>563</b>                      | <b>1,065</b>                  |
| <b>XIV.</b>                   | <b>GAIN/(LOSS) ON NET MONETARY POSITION</b>                    |                                     | -                               | -                             |
| <b>XV.</b>                    | <b>PROFIT/(LOSS) BEFORE TAXES (XI+XII+XIII+XIV)</b>            | (6)                                 | <b>1,073,245</b>                | <b>850,961</b>                |
| <b>XVI.</b>                   | <b>PROVISION FOR TAXES</b>                                     | (7)                                 | <b>258,713</b>                  | <b>233,841</b>                |
| 16.1                          | Current tax charge   |                                     | 187,511                         | 276,578                       |
| 16.2                          | Deferred tax charge/(credit)                                   |                                     | 71,202                          | (42,737)                      |
| <b>XVII.</b>                  | <b>NET OPERATING PROFIT/(LOSS) AFTER TAXES (XV-XVI)</b>        | (8)                                 | -                               | -                             |
| 17.1                          | Discontinued operations  |                                     | -                               | -                             |
| 17.2                          | Others   |                                     | -                               | -                             |
| <b>XVIII.</b>                 | <b>NET PROFIT/(LOSS) (XV-XVI)</b>                              | (9)                                 | <b>814,532</b>                  | <b>617,120</b>                |
| 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                         |

| TÜRKİYE VAKIFLAR BANKASI T.A.O. AND ITS SUBSIDIARIES                |       |                 |   |               |                           |                |                 |                        |                |                              |                            |                  |                     |                                |  |                 | APP:1-D                    |
|---|-------|-----------------|---|---------------|---------------------------|----------------|-----------------|------------------------|----------------|------------------------------|----------------------------|------------------|---------------------|--------------------------------|--|-----------------|----------------------------|
| THOUSANDS OF NEW TURKISH LIRA (YTL)                                 |       |                 |   |               |                           |                |                 |                        |                |                              |                            |                  |                     |                                |  |                 |                            |
| 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) | Prior Period Profit/(Loss) | Revaluation Fund | Revaluation Surplus | Securities Value Increase Fund | Shareholders' Equity Excluding Minority Shares | Minority Shares | Total Shareholders' Equity |
|   |       |                 |   |               |                           |                |                 |                        |                |                              |                            |                  |                     |                                |  |                 |                            |
| <b>PRIOR PERIOD (31/12/2005)</b>                                    |       |                 |   |               |                           |                |                 |                        |                |                              |                            |                  |                     |                                |  |                 |                            |
| <b>I. Balances at beginning of the period</b>                       |       | 420,145         | 605,763                                 | 2,860         | -                         | 44,192         | -               | 20,977                 | 43,327         | -                            | 796,961                    | 18,801           | -                   | 52,661                         | 2,005,687                                      | 141,161         | 2,146,848                  |
| <b>II. Correction made as per TAS 8</b>                             |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | 42,081                     | -                | -                   | 43,129                         | 85,210   | -               | 85,210                     |
| 2.1 Effect of corrections   |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | 42,081                     | -                | -                   | 43,129                         | 85,210   | -               | 85,210                     |
| 2.2 Effect of changes in accounting policies                        |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>III. Adjusted balances at beginning of the period (I+II)</b>     |       | 420,145         | 605,763                                 | 2,860         | -                         | 44,192         | -               | 20,977                 | 43,327         | -                            | 839,042                    | 18,801           | -                   | 95,790                         | 2,090,897                                      | 141,161         | 2,232,058                  |
| Changes during the period   |       |                 |   |               |                           |                |                 |                        |                |                              |                            |                  |                     |                                |  |                 |                            |
| <b>IV. Mergers</b>  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>V. Investment securities available-for-sale</b>                  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>VI. Hedging purpose derivatives</b>                              |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | (88)                           | (88)   | -               | (88)                       |
| 6.1 Net cash flow hedges  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | (88)                           | (88)   | -               | (88)                       |
| 6.2 Hedge of a net investment in a foreign entity                   |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>Transfers</b>  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>VII. Investment securities available-for-sale</b>                |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>VIII. Hedging purpose derivatives</b>                            |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | (12,903)         | 6,021               | -                              | (6,882)  | -               | (6,882)                    |
| 8.1 Net cash flow hedges  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | (12,903)         | 6,021               | -                              | (6,882)  | -               | (6,882)                    |
| 8.2 Hedge of a net investment in a foreign entity                   |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>IX. Current period net profit</b>                                |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | 594,874                      | -                          | -                | -                   | -                              | 594,874  | 22,246          | 617,120                    |
| <b>X. Profit distribution</b>                                       |       | -               | -                                       | (110)         | -                         | 43,462         | -               | 143,228                | 97,119         | -                            | (867,108)                  | 561,054          | -                   | (79,161)                       | (101,516)                                      | -               | (101,516)                  |
| 10.1 Dividends  |       | -               | -                                       | -             | -                         | 14             | -               | 187                    | -              | (9,109)                      | -                          | -                | -                   | -                              | (8,908)  | -               | (8,908)                    |
| 10.2 Transferred to reserves  |       | -               | -                                       | -             | -                         | 53,521         | -               | 147,475                | 95,245         | (857,999)                    | 561,054                    | -                | -                   | (704)                          | -  | -               | (704)                      |
| 10.3 Others   |       | -               | -                                       | (110)         | -                         | (10,073)       | -               | (4,434)                | 1,874          | -                            | -                          | -                | -                   | (79,161)                       | (91,904)                                       | -               | (91,904)                   |
| <b>XI. Capital increase</b>   |       | 858,855         | -                                       | 1,172,362     | -                         | (282)          | -               | -                      | 865            | -                            | 12,610                     | (561,054)        | -                   | 232,477                        | 1,715,833                                      | -               | 1,715,833                  |
| 11.1 Cash   |       | -               | -                                       | 15            | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | 15   | -               | 15                         |
| 11.2 Revaluation surplus on tangible assets                         |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| 11.3 Bonus shares of associates, subsidiaries and joint-ventures    |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| 11.4 Securities value increase fund                                 |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | 232,545                        | 232,545  | -               | 232,545                    |
| 11.5 Capital reserves from inflation adjustments to paid-in capital |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| 11.6 Issuance of share certificates                                 |       | -               | -                                       | 1,172,347     | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | 1,172,347                                      | -               | 1,172,347                  |
| 11.7 Foreign exchange differences                                   |       | -               | -                                       | -             | -                         | (282)          | -               | -                      | 865            | -                            | 12,610                     | -                | -                   | (68)                           | 13,125   | -               | 13,125                     |
| 11.8 Others   |       | 858,855         | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | (561,054)        | -                   | 297,801                        | 297,801  | -               | 297,801                    |
| <b>XII. Changes resulted from disposal of assets</b>                |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>XIII. Changes resulted from reclassification of assets</b>       |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>XIV. Primary subordinated debts</b>                              |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>XV. Secondary subordinated debts</b>                             |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>XVI. Others</b>  |       | -               | 1,421                                   | -             | -                         | 1,528          | -               | -                      | (146)          | -                            | -                          | -                | -                   | -                              | 2,803  | 6,930           | 9,733                      |
| <b>Balances at end of the period (III+IV+.....+XIV+XV+XVI)</b>      |       | 1,279,000       | 607,184                                 | 1,175,112     | -                         | 88,900         | -               | 164,205                | 141,165        | 594,874                      | 15,456                     | 5,898            | 6,021               | 249,018                        | 4,295,921                                      | 170,337         | 4,466,258                  |
| <b>CURRENT PERIOD (31/12/2006)</b>                                  |       |                 |   |               |                           |                |                 |                        |                |                              |                            |                  |                     |                                |  |                 |                            |
| <b>I. Balances at beginning of the period</b>                       |       | 1,279,000       | 607,184                                 | 1,175,112     | -                         | 88,900         | -               | 164,205                | 141,165        | -                            | 579,418                    | 5,898            | 6,021               | 249,018                        | 4,295,921                                      | 170,337         | 4,466,258                  |
| Changes during the period   |       |                 |   |               |                           |                |                 |                        |                |                              |                            |                  |                     |                                |  |                 |                            |
| <b>II. Mergers</b>  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>III. Investment securities available-for-sale</b>                |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>IV. Hedging purpose derivatives</b>                              |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| 4.1 Net cash flow hedges  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| 4.2 Hedge of a net investment in a foreign entity                   |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>Transfers</b>  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>V. Investment securities available-for-sale</b>                  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>VI. Hedging purpose derivatives</b>                              |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | 1,896            | 31,565              | (244,548)                      | (211,087)                                      | -               | (211,087)                  |
| 6.1 Net cash flow hedges  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | 1,896            | 31,565              | (244,548)                      | (211,087)                                      | -               | (211,087)                  |
| 6.2 Hedge of a net investment in a foreign entity                   |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>VII. Current period net profit</b>                               |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | 803,361                      | -                          | -                | -                   | -                              | 803,361  | 11,171          | 814,532                    |
| <b>VIII. Profit distribution</b>                                    |       | -               | -                                       | -             | -                         | 50,179         | -               | 12,789                 | 39,360         | -                            | (543,331)                  | -                | -                   | -                              | (441,003)                                      | -               | (441,003)                  |
| 8.1 Dividends   |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | (441,868)                  | -                | -                   | -                              | (441,868)                                      | -               | (441,868)                  |
| 8.2 Transferred to reserves   |       | -               | -                                       | -             | -                         | 50,179         | -               | 12,789                 | 39,360         | -                            | (102,328)                  | -                | -                   | -                              | -  | -               | -                          |
| 8.3 Others  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | 865                        | -                | -                   | -                              | 865  | -               | 865                        |
| <b>IX. Capital increase</b>   |       | 1,221,000       | (605,763)                               | (448,425)     | -                         | (4,802)        | 3               | (154,500)              | (2,621)        | -                            | -                          | 4,962            | -                   | 42,518                         | 52,372   | -               | 52,372                     |
| 9.1 Cash  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| 9.2 Revaluation surplus on tangible assets                          |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| 9.3 Bonus shares of associates, subsidiaries and joint-ventures     |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| 9.4 Securities value increase fund                                  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| 9.5 Capital reserves from inflation adjustments to paid-in capital  |       | 605,763         | (605,763)                               | -             | -                         | (4,802)        | -               | -                      | -              | -                            | -                          | -                | -                   | 42,518                         | 42,518   | -               | 42,518                     |
| 9.6 Issuance of share certificates                                  |       | 448,205         | -                                       | (448,429)     | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | (4,802)  | -               | (4,802)                    |
| 9.7 Foreign exchange differences                                    |       | -               | -                                       | -             | -                         | -              | -               | -                      | 2,117          | -                            | -                          | -                | -                   | -                              | (224)  | -               | (224)                      |
| 9.8 Others  |       | 167,032         | -                                       | 4             | -                         | -              | 3               | (154,500)              | (4,738)        | -                            | -                          | (7,794)          | -                   | -                              | 2,117  | 7               | 2,117                      |
| <b>X. Changes resulted from disposal of assets</b>                  |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>XI. Changes resulted from reclassification of assets</b>         |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>XII. Primary subordinated debts</b>                              |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | 26,510                     | -                | -                   | -                              | 26,510   | 6,582           | 33,092                     |
| <b>XIII. Secondary subordinated debts</b>                           |       | -               | -                                       | -             | -                         | -              | -               | -                      | -              | -                            | -                          | -                | -                   | -                              | -  | -               | -                          |
| <b>XIV. Others</b>  |       | -               | 819                                     | -             | -                         | (1,581)        | -               | (2,948)                | -              | -                            | -                          | -                | -                   | -                              | (3,710)  | -               | (3,710)                    |
| <b>Balances at end of the period (I+II+III+...+XII+XIII+XIV)</b>    |       | 2,500,000       | 2,240                                   | 726,687       | -                         | 132,696        | 3               | 19,546                 | 177,944        | 803,361                      | 62,597                     | 12,756           | 37,586              | 46,988                         | 4,523,364                                      | 188,090         | 4,710,454                  |

The accompanying notes are an integral part of consolidated financial statements.

**TÜRKİYE VAKIFLAR BANKASI T.A.O. AND ITS SUBSIDIARIES**

| CONSOLIDATED STATEMENT OF CASH FLOWS   | Notes | THOUSANDS OF NEW                |
|--|-------|---------------------------------|
|  |       | CURRENT PERIOD<br>( 31/12/2006) |
| <b>A. CASH FLOWS FROM BANKING OPERATIONS</b>   |       |                                 |
| <b>1.1. Operating profit before changes in operating assets and liabilities</b>        |       | <b>1,305,643</b>                |
| 1.1.1.Interests received (+)   |       | 4,518,112                       |
| 1.1.2.Interests paid (-)   |       | 2,857,299                       |
| 1.1.3.Dividend received (+)  |       | 16,765                          |
| 1.1.4.Fees and commissions received (+)  |       | 420,908                         |
| 1.1.5.Other income (+)   |       | 1,042,940                       |
| 1.1.6.Collections from previously written-off loans and other receivables (+)          |       | 234,624                         |
| 1.1.7.Payments to personnel and service suppliers (-)                                  |       | 407,179                         |
| 1.1.8.Taxes paid (-)   |       | 32,604                          |
| 1.1.9.Other (+/-)  | 1     | (1,630,624)                     |
| <b>1.2. Changes in operating assets and liabilities</b>                                |       | <b>(1,868,700)</b>              |
| 1.2.1.Net (increase) decrease in financial assets held for trading (+/-)               |       | 560,629                         |
| 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 institution (+/-)  |       | 43,967                          |
| 1.2.4.Net (increase) decrease in loans (+/-)   |       | (6,122,112)                     |
| 1.2.5.Net (increase) decrease in other assets (+/-)                                    |       | 235,866                         |
| 1.2.6.Net increase (decrease) in bank deposits (+/-)                                   |       | (66,533)                        |
| 1.2.7.Net increase (decrease) in other deposits (+/-)                                  |       | 1,815,398                       |
| 1.2.8.Net increase (decrease) in funds borrowed (+/-)                                  |       | 1,575,996                       |
| 1.2.9.Net increase (decrease) in matured payables (+/-)                                |       | -                               |
| 1.2.10.Net increase (decrease) in other liabilities (+/-)                              | 1     | 88,089                          |
| <b>I. Net cash flow from banking operations (+/-)</b>                                  |       | <b>(563,057)</b>                |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>   |       |                                 |
| <b>II. Net cash flow from investing activities (+/-)</b>                               |       | <b>491,307</b>                  |
| 2.1.Cash paid for acquisition of associates, subsidiaries and joint-ventures (-)       | 2     | 7,391                           |
| 2.2.Cash obtained from disposal of associates, subsidiaries and joint-ventures (+)     | 3     | 6,949                           |
| 2.3.Acquisition of tangible assets (-)   |       | 56,543                          |
| 2.4.Disposal of tangible assets(+)   |       | 151,220                         |
| 2.5.Cash paid for purchase of investment securities available-for-sale (-)             |       | -                               |
| 2.6.Cash obtained from disposal of investment securities available-for-sale (+)        |       | 91,051                          |
| 2.7.Cash paid for purchase of investment securities held-to-maturity (-)               |       | -                               |
| 2.8.Cash obtained from disposal of investment securities held-to-maturity (+)          |       | 306,021                         |
| 2.9.Other (+/-)  |       | -                               |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>   |       |                                 |
| <b>III. Net cash flow from financing activities (+/-)</b>                              |       | <b>(441,868)</b>                |
| 3.1.Cash obtained from funds borrowed and securities issued (+)                        |       | -                               |
| 3.2.Cash used for repayment of funds borrowed and securities issued (-)                |       | -                               |
| 3.3.Equity instruments issued (+)  |       | -                               |
| 3.4.Dividends paid (-)   |       | 441,868                         |
| 3.5.Payments for financial leases (-)  |       | -                               |
| 3.6.Other (+/-)  | 1     | -                               |
| <b>IV.Effect of change in foreign exchange rate on cash and cash equivalents (+/-)</b> | 1     | <b>123,851</b>                  |
| <b>V. Net (decrease)/increase in cash and cash equivalents (I+II+III+IV)</b>           |       | <b>(389,767)</b>                |
| <b>VI. Cash and cash equivalents at beginning of period (+)</b>                        | 4     | 6,380,804                       |
| <b>VII. Cash and cash equivalents at end of period (V+VI)</b>                          | 5     | <b>5,991,037</b>                |

**TÜRKİYE VAKIFLAR BANKASI T.A.O. AND ITS SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2006**

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**SECTION THREE: 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.



**TÜRKİYE VAKIFLAR BANKASI T.A.O. AND ITS SUBSIDIARIES**  
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**SECTION THREE: ACCOUNTING POLICIES (continued)**

**I. BASIS OF PRESENTATION: ( continued)**

**3) Accounting Principles and Valuation Methods Used in the Preparation of Consolidated Financial Statements: (continued)**

**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.

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**SECTION THREE: ACCOUNTING POLICIES (continued)**

**II. STRATEGIES FOR THE USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS: (continued)**

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 Factoring 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.

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**SECTION THREE: ACCOUNTING POLICIES (continued)**

**III. PRESENTATION OF INFORMATION REGARDING THE BANK AND CONSOLIDATED  
SUBSIDIARIES (CONTINUED)**

*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 Factoring 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.

**TÜRKİYE VAKIFLAR BANKASI T.A.O. AND ITS SUBSIDIARIES**  
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**SECTION THREE: ACCOUNTING POLICIES (continued)**

**III. PRESENTATION OF INFORMATION REGARDING THE BANK AND CONSOLIDATED SUBSIDIARIES (CONTINUED)**

*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..

**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.

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**SECTION THREE: ACCOUNTING POLICIES (continued)**

**V. INTEREST INCOME AND EXPENSES (continued)**

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.

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**SECTION THREE: ACCOUNTING POLICIES (continued)**

**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**

**a) 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.

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**SECTION THREE: ACCOUNTING POLICIES (continued)**

**VII. FINANCIAL ASSETS (continued)**

**b) 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.

**c) 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.

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**SECTION THREE: ACCOUNTING POLICIES (CONTINUED)**

**VII. FINANCIAL ASSETS (continued)**

**d) 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.



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**SECTION THREE: ACCOUNTING POLICIES (Continued)**

**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 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 entered 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 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.

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**SECTION THREE: ACCOUNTING POLICIES (Continued)**

**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**

- a) 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 |

- b) 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.
- c) 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.

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

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**SECTION THREE: ACCOUNTING POLICIES (Continued)**

**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".

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

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**SECTION THREE: ACCOUNTING POLICIES (Continued)**

**XVI. OBLIGATION OF THE BANK CONCERNING EMPLOYEE RIGHTS (continued)**

- c) 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.

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**SECTION THREE: ACCOUNTING POLICIES (Continued)**

**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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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP**

**I. CAPITAL ADEQUACY STANDARD RATIO**

- a) Parent Bank’s consolidated capital adequacy ratio is 21.16% as of 31 December 2006.
- b) 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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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**I. CONSOLIDATED CAPITAL ADEQUACY STANDARD RATIO (Continued)**

c) 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<br>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    | 81,272    | -         | 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<br>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 |

d) 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          |

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**I. CONSOLIDATED CAPITAL ADEQUACY STANDARD RATIO (Continued)**

e) Information related to shareholders' equity items

|   | Current Period<br>31 December 2006 |
|---|------------------------------------|
| <b>CORE CAPITAL</b>   |                                    |
| 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) (-)  | -                                  |
| <b>Total Core Capital</b>   | <b>4,632,494</b>                   |



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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (CONTINUED)**

**I. CONSOLIDATED CAPITAL ADEQUACY STANDARD RATIO (CONTINUED)**

|   |                  |
|---|------------------|
| <b>SUPPLEMENTARY CAPITAL</b>  |                  |
| General Provisions  | 130,463          |
| 45% of Revaluation Surplus on Movables  | -                |
| 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 )  | -                |
| <b>Total Supplementary Capital</b>  | <b>196,762</b>   |
| <b>TIER III CAPITAL</b>   | <b>-</b>         |
| <b>CAPITAL</b>  | <b>4,829,256</b> |
| <b>DEDUCTIONS FROM THE CAPITAL</b>  | <b>249,345</b>   |
| 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  | -                |
| <b>Total Shareholders' Equity</b>   | <b>4,579,911</b> |

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**II. CONSOLIDATED CREDIT RISK**

- a. 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.

- b. There are risk control limits set for the market risks and credit risks arise from forward and option agreements and other similar agreements.
- c. When necessary, derivative instruments are exercised to control and to offset credit risks that can especially originate from foreign exchange and interest rate fluctuations.
- d. 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.

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

1. 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.
  2. 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.
- e. 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.
- f. 1. The proportion of Parent Bank’s top 100 cash loan balances in total cash loans is 37.31%.
2. The proportion of Parent Bank’s top 100 non-cash loan balances in total non-cash loans is 66.15%.
3. 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.
- g. Parent Bank provided a general provision amounting to YTL 130,463 thousand.

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

**h. Geographical concentration:**

|   | Assets            | Liabilities       | Non-cash Loans   | Net Profit     |
|---|-------------------|-------------------|------------------|----------------|
| <b>Current Period</b>                       |                   |                   |                  |                |
| 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            | -                 | -                | -              |
| <b>Total</b>                                | <b>38,864,125</b> | <b>38,864,125</b> | <b>4,790,623</b> | <b>814,532</b> |
| <b>Prior Period (***)</b>                   |                   |                   |                  |                |
| 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(**)          | -                 | -                 | -                | -              |
| <b>Total</b>                                | <b>33,952,400</b> | <b>33,952,400</b> | <b>4,593,176</b> | <b>617,120</b> |

(\*) 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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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**II. CONSOLIDATED CREDIT RISK (Continued)**

**i. Sectoral concentration of cash loans: (\*)**

|                                      | Current Period |        |           |        | Prior Period |        |           |        |
|--------------------------------------|----------------|--------|-----------|--------|--------------|--------|-----------|--------|
|                                      | YTL            | (%)    | YTL       | (%)    | YTL          | (%)    | YTL       | (%)    |
| <b>Agriculture</b>                   | 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   |
| <b>Manufacturing</b>                 | 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   |
| <b>Construction</b>                  | 503,619        | 4.14   | 968,861   | 16.20  | 225,548      | 2.61   | 468,340   | 13.39  |
| <b>Services</b>                      | 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   |
| <b>Other</b>                         | 7,980,678      | 65.67  | 394,795   | 6.60   | 6,472,249    | 74.75  | 294,629   | 8.42   |
| <b>Total</b>                         | 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)

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**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.

a) Information on the consolidated market risk:

|  | <b>Amount</b>  |
|--|----------------|
| (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         |
| <b>(IX) Value-at-Market Risk (12,5 x VIII) or (12,5 x VII)</b>                           | <b>353,200</b> |

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**III. CONSOLIDATED MARKET RISK (Continued)**

b) 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   | Average      | Highest   |
| Interest Rate Risk  | 1,073,022      | 1,418,750 | 119,000 | 1,535,431 | 1,651,112    | 1,453,738 |
| Common Share Risk   | 32,372         | 36,950    | 16,837  | 37,184    | 11,611       | 45,412    |
| Currency Risk       | 228,340        | 312,450   | 217,363 | 151,382   | 324,275      | 96,563    |
| Stock Risk          | -              | -         | -       | -         | -            | -         |
| Exchange Risk       | -              | -         | -       | -         | -            | -         |
| Option Risk         | -              | -         | -       | -         | -            | -         |
| Total Value at Risk | 1,333,734      | 1,768,150 | 353,200 | 1,723,997 | 1,986,998    | 1,595,713 |

**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.

|                               | <u>US \$</u> | <u>Euro</u> | <u>Yen</u> |
|-------------------------------|--------------|-------------|------------|
| Balance Sheet Evaluation Rate | 1,4000 YTL   | 1,8437 YTL  | 0,0118 YTL |

Foreign currency rates for the days before balance sheet date:

|       |            |            |            |
|-------|------------|------------|------------|
| 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 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 |

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**IV. CONSOLIDATED CURRENCY RISK (Continued)**

**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:



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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**IV. CONSOLIDATED CURRENCY RISK (Continued)**  
**Information on consolidated currency risk –thousand YTL**

|   | EURO             | US \$             | YEN          | Other FC      | Total             |
|---|------------------|-------------------|--------------|---------------|-------------------|
| <b>Current Period</b>   |                  |                   |              |               |                   |
| <b>Assets</b>   |                  |                   |              |               |                   |
| 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           |
| <b>Total Assets</b>   | <b>4,358,071</b> | <b>10,499,307</b> | <b>2,221</b> | <b>82,965</b> | <b>14,942,564</b> |
| <b>Liabilities</b>  |                  |                   |              |               |                   |
| 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           |
| <b>Total Liabilities</b>  | <b>4,347,041</b> | <b>10,395,247</b> | <b>2,901</b> | <b>73,403</b> | <b>14,818,592</b> |
| 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         |
| <b>Prior Period</b>   |                  |                   |              |               |                   |
| <b>Total Assets</b>   | <b>3,876,114</b> | <b>7,328,667</b>  | <b>1,887</b> | <b>61,684</b> | <b>11,268,352</b> |
| <b>Total Liabilities</b>  | <b>3,762,835</b> | <b>7,397,669</b>  | <b>8,353</b> | <b>51,073</b> | <b>11,219,930</b> |
| 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.

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**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.

**a. 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             |
|--|-------------------|--------------------|------------------|------------------|------------------|--------------------|-------------------|
| <b>Assets</b>                                      |                   |                    |                  |                  |                  |                    |                   |
| 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 | 111,886           | 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         |
| <b>Total Assets</b>                                | <b>17,230,339</b> | <b>6,637,596</b>   | <b>4,434,440</b> | <b>1,841,563</b> | <b>5,826,365</b> | <b>2,893,822</b>   | <b>38,864,125</b> |
| <b>Liabilities</b>                                 |                   |                    |                  |                  |                  |                    |                   |
| 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         |
| <b>Total Liabilities</b>                           | <b>5,648,254</b>  | <b>16,205,992</b>  | <b>3,817,658</b> | <b>782,144</b>   | <b>1,377,973</b> | <b>11,032,104</b>  | <b>38,864,125</b> |
| 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                   | -                 | -                  | -                | -                | -                | -                  | -                 |
| <b>Total Position</b>                              | <b>11,582,085</b> | <b>(9,568,395)</b> | <b>616,782</b>   | <b>1,059,419</b> | <b>4,453,025</b> | <b>(8,138,282)</b> | <b>4,634</b>      |

(\*) 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

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**V. CONSOLIDATED INTEREST RATE RISK (Continued)**

| Prior Period  | Up to 1<br>Month  | 1-3 Months         | 3-6 Months       | 6-12<br>Months   | 1 Year and<br>Over | Interest Free      | Total             |
|---|-------------------|--------------------|------------------|------------------|--------------------|--------------------|-------------------|
| <b>Assets</b>   |                   |                    |                  |                  |                    |                    |                   |
| Cash and Balances with the<br>Central Bank of Turkey  | 943,607           | -                  | -                | -                | -                  | 1,398,057          | 2,341,664         |
| Banks and Other Financial<br>Institutions             | 2,018,706         | 3,806              | 16               | 812              | -                  | 74,910             | 2,098,250         |
| Financial Assets at Fair Value<br>through Profit/Loss | 8,638             | 170,221            | 139,029          | 68,664           | 523,607            | 26,110             | 936,269           |
| Interbank Money Market<br>Placements                  | 2,649,064         | -                  | -                | -                | -                  | -                  | 2,649,064         |
| Financial Assets Available-for-<br>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<br>(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         |
| <b>Total Assets</b>                                   | <b>11,193,423</b> | <b>7,431,999</b>   | <b>4,352,953</b> | <b>1,884,531</b> | <b>5,227,687</b>   | <b>3,861,807</b>   | <b>33,952,400</b> |
| <b>Liabilities</b>                                    |                   |                    |                  |                  |                    |                    |                   |
| 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         |
| <b>Total Liabilities</b>                              | <b>5,281,397</b>  | <b>13,036,400</b>  | <b>3,892,533</b> | <b>575,227</b>   | <b>1,164,404</b>   | <b>10,002,439</b>  | <b>33,952,400</b> |
| 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                      | -                 | -                  | -                | -                | -                  | -                  | -                 |
| <b>Total Position</b>                                 | <b>5,912,028</b>  | <b>(5,604,401)</b> | <b>460,420</b>   | <b>1,309,304</b> | <b>4,063,283</b>   | <b>(6,140,632)</b> | <b>2</b>          |

(\*) 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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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**V. CONSOLIDATED INTEREST RATE RISK (Continued)**

**b. Average interest rates on monetary financial instruments:**

| <b>Current Period</b>                              | <b>EURO</b> | <b>USD</b> | <b>Yen</b> | <b>YTL</b>  |
|--|-------------|------------|------------|-------------|
|  | <b>%</b>    | <b>%</b>   | <b>%</b>   | <b>%</b>    |
| <b>Assets</b>                                      |             |            |            |             |
| 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 |
| <b>Liabilities</b>                                 |             |            |            |             |
| 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 |
| <b>Prior Period</b>                                |             |            |            |             |
| <b>Assets</b>                                      |             |            |            |             |
| 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       |
| <b>Liabilities</b>                                 |             |            |            |             |
| 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 |

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**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.

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**VI. CONSOLIDATED LIQUIDITY RISK (Continued)**

**Breakdown of assets and liabilities according to their remaining maturities:**

|   | Demand             | Up to 1<br>Month   | 1-3 Months         | 3-6 Months       | 6-12<br>Months   | 1 Year and<br>Over | Undistributed<br>* | Total             |
|---|--------------------|--------------------|--------------------|------------------|------------------|--------------------|--------------------|-------------------|
| <b>Current Period</b>                                 |                    |                    |                    |                  |                  |                    |                    |                   |
| <b>Assets</b>   |                    |                    |                    |                  |                  |                    |                    |                   |
| Cash and Balances with the<br>Central Bank of Turkey  | 1,962,244          | 812,943            | -                  | -                | -                | -                  | -                  | 2,775,187         |
| Banks and Other Financial<br>Institutions             | 154,909            | 2,971,917          | 2,500              | 330              | 228              | -                  | -                  | 3,129,884         |
| Financial Assets at Fair Value<br>through Profit/Loss | 8,842              | 2,904              | 460                | 9,731            | 145,509          | 293,934            | -                  | 461,380           |
| Interbank Money Market<br>Placements                  | -                  | 871,977            | -                  | -                | -                | -                  | -                  | 871,977           |
| Financial Assets Available-for-<br>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<br>(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         |
| <b>Total Assets</b>                                   | <b>2,314,578</b>   | <b>7,845,493</b>   | <b>1,660,596</b>   | <b>2,500,846</b> | <b>4,913,792</b> | <b>17,593,253</b>  | <b>2,035,567</b>   | <b>38,864,125</b> |
| <b>Liabilities</b>                                    |                    |                    |                    |                  |                  |                    |                    |                   |
| 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<br>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         |
| <b>Total Liabilities</b>                              | <b>4,498,787</b>   | <b>14,134,769</b>  | <b>6,016,375</b>   | <b>1,702,645</b> | <b>2,133,919</b> | <b>3,952,717</b>   | <b>6,424,913</b>   | <b>38,864,125</b> |
| <b>Liquidity Gap</b>                                  | <b>(2,184,209)</b> | <b>(6,289,276)</b> | <b>(4,355,779)</b> | <b>798,201</b>   | <b>2,779,873</b> | <b>13,640,536</b>  | <b>(4,389,346)</b> | <b>-</b>          |
| <b>Prior Period</b>                                   |                    |                    |                    |                  |                  |                    |                    |                   |
| <b>Total Assets</b>                                   | <b>2,037,592</b>   | <b>8,038,410</b>   | <b>1,088,488</b>   | <b>3,119,015</b> | <b>4,815,906</b> | <b>12,900,657</b>  | <b>1,952,332</b>   | <b>33,952,400</b> |
| <b>Total Liabilities</b>                              | <b>3,793,416</b>   | <b>4,309,244</b>   | <b>10,980,508</b>  | <b>3,647,223</b> | <b>2,435,139</b> | <b>2,943,790</b>   | <b>5,843,080</b>   | <b>33,952,400</b> |
| <b>Liquidity Gap</b>                                  | <b>(1,755,824)</b> | <b>3,729,166</b>   | <b>(9,892,020)</b> | <b>(528,208)</b> | <b>2,380,767</b> | <b>9,956,867</b>   | <b>(3,890,748)</b> | <b>-</b>          |

(\*) 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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**SECTION FOUR: FINANCIAL STRUCTURE OF THE GROUP (Continued)**

**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 |
| <b>Financial Assets</b>                | 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   |
| <b>Financial Liability</b>             | 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.

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED  
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**I. CONSOLIDATED ASSETS**

**1. Cash and Balances with Central Bank:**

a) 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 |

b) 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 |

**2. Financial Assets at Fair Value through Profit or Loss:**

- a) 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.

- b) 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            | -  |



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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. ASSETS (continued)**

**3. a) 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 |

**b) 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.

**4. Investment Securities Available for Sale:**

**a) 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.

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. ASSETS (continued)**

**4. Investment Securities Available for Sale: (continued)**

b) 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 Loses (-)     | 49,835         | 12,526       |
| Total                    | 10,348,668     | 10,439,719   |

**5. Information on Loans:**

a) 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        |                | 45             |              | 866            |
| Corporates                             |                | 45             |              | 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 .

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**I. ASSETS (continued)**

**5. Information on Loans: (continued)**

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

| Cash Loans                | 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 |
| 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.

c) 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.

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**I. ASSETS (continued)**

**5. Information on Loans: (continued)**

ç) 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  | 2,930,960           | 32,099                       | 4,930,558 |

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. ASSETS (continued)**

**5. Information on Loans: (continued)**

d) 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              | 1,960                        | 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 |

e) 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.

f) 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.

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. ASSETS (continued)**

**5. Information on Loans: (continued)**

g) 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.

ğ) 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    |

h) Non-performing loans (Net):

(1) 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                            | 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                             |

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**I. ASSETS (continued)**

**5. Information on Loans: (continued)**

(2). Information on movements in 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                                     | 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                            | -                                   |

(3). Non-performing loans in foreign currencies:

|                              | Group III                         | Group IV                       | Group V                             |
|------------------------------|-----------------------------------|--------------------------------|-------------------------------------|
|                              | Substandard Loans and Receivables | Doubtful Loans and Receivables | 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                             | -                                   |

1) Liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables are settled by converting collaterals into cash.

**6. 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.

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. ASSETS (continued)**

**6. Information on investment securities held to maturity: (continued)**

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.

b) 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      |

c) 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      |

d) 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 Losses (-)                           | 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.



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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. ASSETS (continued)**

**7. Investments in Associates (Net):**

1) a- 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 İşadamı 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 İşadamı 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        |

1) b- 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     |

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. ASSETS (continued)**

**7. Information on Associates (Net): (continued)**

2) 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 (%) |                |              |

3) 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       |

4) Information on quoted associates:

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

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. ASSETS (continued)**

**8. Investments in Subsidiaries (Net):**

1) a- Information on investments in non-consolidated subsidiaries:

| Subsidiary  | Address(City/<br>Country) | Bank's<br>Shareholding<br>Percentage-If<br>Different, Voting<br>Percentage (%) | Bank's Risk<br>Group<br>Shareholding<br>Percentage (%) |
|---|---------------------------|--|--|
| Vakıf Enerji ve Madencilik A.Ş.                       | Ankara/TÜRKİY             | 65.50%   | 84.87%   |
| Ataköy Mağazacılık Ticaret A.Ş.                       | Bankrupt                  | 45.79%   | 45.79%   |
| Taksim Otelcilik A.Ş.                                 | İstanbul/TÜRKİY           | 51.00%   | 51.51%   |
| Vakıf Girişim Sermayesi Yatırım Ortaklığı A.Ş.        | Ankara/TÜRKİY             | 31.00%   | 31.09%   |
| Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret A.Ş. | Ankara/TÜRKİY             | 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<br>Assets | Shareholders'<br>Equity | Fixed Assets<br>Total | Interest<br>Income | Securities<br>Income | Current<br>Period<br>Profit/Loss | Prior<br>Period<br>Profit/Loss | Fair<br>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 Otelcilik 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           | 4234                    | 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         |

1) b- Information on investments in consolidated subsidiaries:

| Subsidiary                             | Address(City/<br>Country) | Bank's<br>Shareholding<br>Percentage-If<br>Different, Voting<br>Percentage (%) | Bank's Risk<br>Group<br>Shareholding<br>Percentage (%) |
|--|---------------------------|--|--|
| Güneş Sigorta A.Ş.                     | İstanbul/TÜRKİY           | 36.35 %  | 36.35%   |
| Vakıf Emeklilik A.Ş.                   | İstanbul/TÜRKİY           | 53.90%   | 74.93%   |
| Vakıf Finans Factoring Hizmetleri A.Ş. | İstanbul/TÜRKİY           | 78.39 %  | 86.53%   |
| Vakıf Finansal Kiralama A.Ş.           | İstanbul/TÜRKİY           | 58.71%   | 64.24%   |
| Vakıf Deniz Finansal Kiralama A.Ş.     | İstanbul/TÜRKİY           | 68.55%   | 73.85%   |
| Vakıf Yatırım Menkul Değerler A.Ş.     | İstanbul/TÜRKİY           | 99.00%   | 99.42%   |
| Vakıfbank International AG             | Vienna/AUSTRIA            | 90.00%   | 90.00%   |
| World Vakıf Offshore Banking Ltd.      | Nicosia/CYPRUS            | 82.00%   | 84.92%   |

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**I. ASSETS (continued)**

**8. Investments in Subsidiaries (Net): (continued)**

| 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)                    | -          |

2) 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 (%) | -              | -            |

3) 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       |

4) Information on quoted subsidiaries:

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Quoted at Domestic Stock Exchanges      | 91,601         | 127,467      |
| Quoted at International Stock Exchanges | -              | -            |

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**I. ASSETS (continued)**

**9. Investments in Joint-venture (Net):**

None.

**10. 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.

**11. 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 | -            | -  |

**12. 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.

**13. 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.

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**I. ASSETS (continued)**

**14. 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 Communiqué 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.

**15. 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).

**16. Other Assets:**

- a) Prepaid expenses amounting to YTL 49,275 thousand comprise prepaid fees and commissions, rent, insurance expenses, advertising expenses and other miscellaneous expenses.
- b) 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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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. LIABILITIES:**

**1. DEPOSITS:**

**a) Information on maturity structure of deposits:**

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             |
|------------------------------------|------------------|----------------------|------------------|-------------------|------------------|----------------|-------------------|-------------------|
| <b>Saving Deposits</b>             | 729,350          | -                    | 151,730          | 4,476,272         | 512,142          | 28,045         | 31,591            | 5,929,130         |
| <b>Foreign Currency Deposits</b>   | 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           |
| <b>Public Sector Deposits</b>      | 1,037,666        | -                    | 362,228          | 1,237,838         | 53,304           | 362            | 3,134             | 2,694,532         |
| <b>Commercial Deposits</b>         | 666,345          | -                    | 739,475          | 1,801,182         | 269,020          | 143,832        | 2,620             | 3,622,474         |
| <b>Other Institutions Deposits</b> | 553,642          | -                    | 372,880          | 2,880,288         | 765,156          | 78,022         | 31,157            | 4,681,145         |
| <b>Precious Metals Deposits</b>    | -                | -                    | -                | -                 | -                | -              | -                 | -                 |
| <b>Interbank Deposits</b>          | 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               |
| <b>Total</b>                       | <b>4,341,129</b> | <b>-</b>             | <b>3,783,963</b> | <b>13,406,692</b> | <b>2,222,262</b> | <b>359,067</b> | <b>805,375</b>    | <b>24,918,488</b> |

(\*) 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 Months        | 3-6 Months       | 6-12 Months    | 1 Year and Longer | Total             |
|------------------------------------|------------------|----------------------|------------------|-------------------|------------------|----------------|-------------------|-------------------|
| <b>Saving Deposits</b>             | 547,815          | -                    | 72,141           | 2,087,506         | 780,147          | 103,296        | 72,732            | 3,663,637         |
| <b>Foreign Currency Deposits</b>   | 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           |
| <b>Public Sector Deposits</b>      | 611,851          | -                    | 184,627          | 1,713,259         | 70,170           | 147,478        | 34,419            | 2,761,804         |
| <b>Commercial Deposits</b>         | 1,060,502        | -                    | 1,015,703        | 2,290,415         | 632,260          | 9,448          | 2,023             | 5,010,351         |
| <b>Other Institutions Deposits</b> | 609,501          | -                    | 250,113          | 2,263,351         | 993,799          | 117,447        | 243,386           | 4,477,597         |
| <b>Precious Metals Deposits</b>    | -                | -                    | -                | -                 | -                | -              | -                 | 0                 |
| <b>Interbank Deposits</b>          | 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               |
| <b>Total</b>                       | <b>3,628,360</b> | <b>-</b>             | <b>3,846,868</b> | <b>10,857,289</b> | <b>3,412,289</b> | <b>505,830</b> | <b>948,877</b>    | <b>23,199,513</b> |

(\*) Excluding interest accruals of the Parent Bank amounting to YTL 215,400 thousand.

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. LIABILITIES: (continued)**

**1. DEPOSITS: (continued)**

b) Information on saving deposits and other deposit accounts insured by Saving Deposit Insurance Fund:

1) 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 | -  | -            | -  | -            |

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

3) 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 Vakıf Offshore Banking Ltd.



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**II. LIABILITIES: (continued)**

**2. Derivative Financial Liabilities Held for Trading:**

|               | Current Period |    | Prior Period |    |
|---------------|----------------|----|--------------|----|
|               | YTL            | FC | YTL          | FC |
| Forward Deals | -              | 35 | -            | -  |
| Swaps         | -              | 23 | -            | -  |
| Futures       | -              | -  | -            | -  |
| Options       | -              | -  | -            | -  |
| Other         | -              | -  | -            | -  |
| Total         | -              | 58 | -            | -  |

**3. Funds Borrowed:**

**a) 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 .

**b) 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.

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. LIABILITIES: (continued)**

**3. Funds Borrowed: (continued)**

c) 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.

**4. Other External Sources Payable:**

Other external sources amount to YTL 206,116 thousand and do not exceed 10 % of the total liabilities.

**5. Lease Payables:**

None.

**6. 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 | -              | -     | -            | -  |

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. LIABILITIES: (continued)**

**7. Provisions:**

**a) General information on provisions:**

|                                   | <b>Current Period</b> | <b>Prior Period</b> |
|-----------------------------------|-----------------------|---------------------|
| 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                             | -                     | -                   |

**b)** Information on provisions for foreign exchange differences on foreign currency indexed loans and financial lease receivables: None.

**c)** Provisions of the Bank for non-cash loans that are not indemnified or converted into cash of amount to YTL 101,845 thousand.

**d)** Information on other provisions:

**1) 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.

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. LIABILITIES: (continued)**

**7. Provisions: (continued)**

- 1) 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      |

- 2) 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.

**8. Tax Liabilities:**

- a) Information on current tax liabilities:

- 1) Tax provision:

The Group provided YTL 184,628 thousand for corporate and income taxes.

- 2) 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      |

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. LIABILITIES: (continued)**

**8. Tax Liabilities: (continued)**

**3) Premiums:**

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Social Security Premiums-Employees                     | 518            | 456          |
| Social Security Premiums-Employer                      | 66             | 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        |

**b) 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).

**9. Payables for Assets Held for Sale:**

None.

**10. Subordinated Debts:**

None.

**11. Shareholders' equity:**

**a) Information on paid-in capital:**

|                   | Current Period | Prior Period |
|-------------------|----------------|--------------|
| Common Shares     | 2,500,000      | 1,279,000    |
| Preference Shares | -              | -            |

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. LIABILITIES: (continued)**

**11. Shareholders’ equity: (continued)**

**b) 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.

**c) 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.

**d) 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 |

**e) Information on capital commitments for current year and future financial periods:**

None.

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. LIABILITIES: (continued)**

**11. Shareholders’ equity: (continued)**

f) 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.

g) Information on privileges given to stocks representing the capital:

None.

h) 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.

**12. 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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FINANCIAL STATEMENTS (Continued)**

**III. OFF-BALANCE SHEET ITEMS:**

**1. Off-Balance Sheet Commitments and Contingencies:**

**a) 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.

**b) Information on possible losses and commitments resulted from off-balance sheet items:**

**1) 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  | <u>6,857</u>     |
| Total             | <u>1,386,787</u> |

**2) 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 |

**c) Total non-cash loans:**

|   | Current Period | Prior Period |
|---|----------------|--------------|
| 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    |



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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. OFF-BALANCE SHEET ITEMS: (continued)**

**1. Off-Balance Sheet Commitments and Contingencies: (continued)**

Sectoral concentration of non-cash loans:

|                                      | Current Period |        |           |        | Prior Period |        |           |        |
|--------------------------------------|----------------|--------|-----------|--------|--------------|--------|-----------|--------|
|                                      | YTL            | (%)    | FC        | (%)    | YTL          | (%)    | FC        | (%)    |
| <b>Agriculture</b>                   | 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   |
| <b>Manufacturing</b>                 | 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   |
| <b>Construction</b>                  | 259,075        | 14.02  | 510,840   | 17.36  | 232,466      | 13.84  | 393,263   | 13.50  |
| <b>Services</b>                      | 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   |
| <b>Other</b>                         | 274,062        | 14.84  | 460,610   | 15.65  | 305,729      | 18.20  | 485,697   | 16.67  |
| <b>Total</b>                         | 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:

| Non-cash Loans                          | Group I   |           | Group II |        |
|---|-----------|-----------|----------|--------|
|   | YTL       | FC        | YTL      | FC     |
| 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     | -        | -      |

**2. 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.

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED  
FINANCIAL STATEMENTS (Continued)**

**III. OFF-BALANCE SHEET ITEMS: (continued)**

**2. Derivative Financial Instruments: (continued)**

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.

**3. 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.

**4. Services Rendered on Behalf of Third Parties:**

None.

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. INCOME AND EXPENSE ITEMS:**

**1. Interest Income:**

**a) 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 I due to difficulty in terms of classification .

**b) 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 |

**c) 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 |

**d) Information on interest from investments in associates and subsidiaries:**

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Interest Income from Investments in Associates and Subsidiaries | 451            | 93           |

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. INCOME AND EXPENSE ITEMS: (continued)**

**2. Interest Expense:**

**a) 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 |

**b) Information on interest paid to associates and subsidiaries:**

Unable to disclose.

**c) Information on interest on securities issued:**

None.

**d) Information on interest on deposits:**

| Account Description       | Demand Deposit | Time Deposit  |            |            |             |                 | Total     |
|---------------------------|----------------|---------------|------------|------------|-------------|-----------------|-----------|
|                           |                | Up to 1 Month | 1-3 Months | 3-6 Months | 6-12 Months | 1 Year and over |           |
| <b>Turkish Liras</b>      |                |               |            |            |             |                 |           |
| 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 |
| <b>Foreign Currency</b>   |                |               |            |            |             |                 |           |
| 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 |

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**SECTION FIVE : DISCLOSURES AND NOTES ON CONSOLIDATED  
FINANCIAL STATEMENTS (Continued)**

**IV. INCOME AND EXPENSE ITEMS: (continued)**

**3. 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       |

**4. Trading Income / (Loss) (Net):**

|                                  | Current Period | Prior Period |
|----------------------------------|----------------|--------------|
| <b>Income</b>                    | 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      |
| <b>Losses (-)</b>                | 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      |

**5. Other Operating Income:**

There is not any operating income having significant impact on total income of the Group.

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**SECTION FIVE: DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. INCOME AND EXPENSE ITEMS: (continued)**

**6. 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      |

**7. 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                       | 8,780          | 15,643       |
| Other  | 803,714        | 604,183      |
| Total  | 1,612,425      | 1,332,972    |

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**SECTION FIVE: DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. INCOME AND EXPENSE ITEMS: (continued)**

**8. Profit / (Loss) Before Taxes:**

Profit before taxes of the Group is YTL 1,073,245 thousand.

**9. 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.

**10. Net Operating Profit / (Loss) After Taxes:**

Operating profit after taxes of the Group is YTL 814.532 thousand.

**11. Net Profit / (Loss):**

- a) Information on income and expenses resulting from regular banking activities:

There is no point requiring explanations.

- b) Information on any changes in estimations that might have a material effect on current and subsequent period results

There is no point requiring explanations.

- c) Profit or loss related to minority shares:

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Profit or Loss related to minority rights | 11,171         | 22,246       |

**12. 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.

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**SECTION FIVE: DISCLOSURES AND NOTES ON CONSOLIDATED  
FINANCIAL STATEMENTS (Continued)**

**V. SHAREHOLDERS’ EQUITY ITEMS:**

**1. 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.

**2. 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.

**3. 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.



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**SECTION FIVE: DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VI. CASH FLOW ITEMS:**

**1. 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).

**2. 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.

**3. 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.

**4. Cash and Cash Equivalents at the Beginning and End of the Period:**

1. 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".

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**SECTION FIVE: DISCLOSURES AND NOTES ON CONSOLIDATED  
FINANCIAL STATEMENTS (Continued)**

**VI. CASH FLOW ITEMS: (continued)**

**4. Cash and Cash Equivalents at the Beginning and End of the Period:  
(continued)**

2. 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<br>31.12.2005 | Prior Period<br>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<br>31.12.2006 | Prior Period<br>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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**SECTION FIVE: DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VII. RISK GROUP OF THE BANK:**

**1. 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:**

1) 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  | -        | -   | -        |

2) 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       | -  | -        | -   | -        |

3) 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.

**2. Derivative Transactions with Risk Group:**

None.

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**SECTION FIVE: DISCLOSURES AND NOTES ON CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**VIII. DOMESTIC, FOREIGN AND OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK:**

**1. Domestic and Foreign Branches and Foreign Representatives:**

|                                | Number of Branches | Number of Employees |           |              |               |
|--------------------------------|--------------------|---------------------|-----------|--------------|---------------|
| Domestic Branches (*)          | 427                | 7,663               |           |              |               |
|                                |                    |                     | Country   |              |               |
| Foreign Representative Offices |                    |                     | 1-        |              |               |
|                                |                    |                     | 2-        |              |               |
|                                |                    |                     | 3-        |              |               |
|                                |                    |                     |           | Total Assets | Legal Capital |
| 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 .

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES  
AND NOTES ORIGINALLY ISSUED IN TURKISH)

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**SECTION SIX: OTHER DISCLOSURES AND NOTES**

**I. OTHER OPERATIONS OF THE BANK:**

None.

**SECTION SEVEN: INDEPENDENT AUDITORS’ REPORT**

**1. INFORMATION ON 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.

**2. DISCLOSURES AND NOTES PREPARED BY INDEPENDENT AUDITORS:**

None.