

ANNUAL REPORT '05



A N N U A L R E P O R T

For the year ended December 31, 2005



VAKIFBANK INTERNATIONAL AKTIENGESELLSCHAFT

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MEMBERS OF THE SUPERVISORY BOARD

Bilal KARAMAN

Chairman, since 20.07.2005

A. Ahmet KACAR

Chairman, till 20.07.2005

Hüseyin DURMAZ

Deputy-Chairman

E. Tosun KARAY

Member of the Supervisory Board

Kerim KARAKAYA

Member of the Supervisory Board

Tanju YÜKSEL

Member of the Supervisory Board

Şahin UĞUR

Member of the Supervisory Board

Emine GÖKALP

Member of the Supervisory Board till 03.10.2005

Onur YILMAZ

Member of the Supervisory Board since 03.10.2005

MEMBERS OF THE EXECUTIVE BOARD

Numan BEK
Chairman

Vedat PAKDİL
Member of the Board

Metin YILDIRIM
Member of the Board

Muhsin SAĞLAM
Member of the Board

Birgül DENLİ
Member of the Board since 09.06.2005

HEADS OF THE DEPARTMENTS

Uğur YEŞİL
Trade Services&Operations

Kurt FÖRSTER
Credit Department

Mag. Bernhard STEINKELLNER
Treasury

Mag. Franz FASCHING
Risk Management

Mag. Salih GÜRAN
Accounting

Alfred MANDL
Internal Audit

BRANCH VIENNA

Muhsin SAĞLAM
Manager

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BRANCH FRANKFURT AM MAIN

Metin ÖZETCİ
Manager

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60329 Frankfurt am Main-Germany
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Fax.: +49 69 27 13 667 77

BRANCH KÖLN

Mesut BAŞ
Manager

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Tel.: +49 221 280 64 67
Fax.: +49 221 258 94 27

BUSINESS ACTIVITIES AND SHAREHOLDERS OF THE BANK

VakıfBank International AG was established on July 23, 1999 and received full bank licence by the Austrian Ministry of Finance on August 4, 1999. Shareholders are Türkiye Vakıflar Bankası T.A.O. Ankara (90 %) and the pension fund of Türkiye Vakıflar Bankası T.A.O. (10 %).

VakıfBank International AG sees its core activity in providing support to Austrian and Turkish companies to improve and enlarge the mutual trading relations, based on the experience, the know how, the financial capability and the international reputation of it's parent company. VakıfBank International AG is strongly committed to provide a positive contribution to intensify trade and investment activities.

VakıfBank International AG is offering trade related banking services (L/C, documentary business, guarantees, transfers), the financing of commercial cross border transactions (loans, forfaiting and discounting of L/C) and loans to Austrian and Turkish exporters and importers.

Geographically, VakıfBank International AG is concentrating on Turkey, EU and Central and Eastern Europe. In 2002 Frankfurt Branch and in November 2005 Köln branch are opened to expand business in Germany.

VakıfBank International AG is also offering all traditional banking services e.g. account maintenance for private and corporate clients, savings accounts, remittances, retail and commercial loans.

A special service offered by VakıfBank International AG is a prompt and easy handling of money transfer from Austria to Turkey backed by an online link to VakıfBank Ankara.

T. Vakıflar Bankası T.A.O., Ankara was founded in 1954. T. Vakıflar Bankası T.A.O. is currently number 3 of the

banks directly or indirectly controlled by the Republic of Turkey. The branch network includes 300 branches in Turkey, New York and Bahrain branches and a participation in Banque de Bosphore in Paris.

T. Vakıflar Bankası TAO completed in 2005 one of the most successful initial public offerings in Turkish history and sold a 25% stake through the İstanbul Stock Exchange.

The shareholders of T. Vakıflar Bankası T.A.O., Ankara are:

General Directorate of Public Foundations	43,00%
Affiliated Foundations	15,45%
Pension Fund of Türkiye Vakıflar Bankası T.A.O.	16,10%
Free Float (İstanbul Stock Exchange)	25,18%
Other	0,27%

The General Directorate of Public Foundations "GDF" was established in 1924 to administer and regulate existing and future Turkish charitable foundations as a state entity directly reporting to the Prime Minister. GDF is a separate legal entity and has its own budget. GDF owns the cultural heritage of the Republic of Turkey, like museums, mosques and historic buildings.

The Affiliated Foundations are charity organisations, which have been established for the welfare of the general public during the Ottoman Empire. These foundations are also administered by General Directorate of Public Foundations.

Pension Fund of Türkiye Vakıflar Bankası T.A.O. substitutes the mandatory social security coverage provided by Social Insurance Institution for the Bank's employees and it is mandatory for all of the Bank's employees to become members of the Pension Fund.

KEY FIGURES OF THE FINANCIAL YEAR 2005

	(in Mio EUR)	
	2005	2004
Balance Sheet Total	336,5	282,0
Claims against Customers	102,4	61,5
Claims against Credit Institutions	68,1	71,9
Liabilities to Credit Institutions	145,5	145,1
Liabilities to Customers	150,6	102,2
- hereof: Saving Deposits	46,3	44,3
Net Interest Income	8,3	7,2
Operating Earnings	8,9	7,9
Operating Expenditures	4,8	4,3
Operating Result	4,1	3,6
Result of Ordinary Business Operation	4,5	4,0
Annual Surplus	4,1	2,6
Equity Capital	34,6	28,2
Statutory Minimum Equity	8,3	8,0

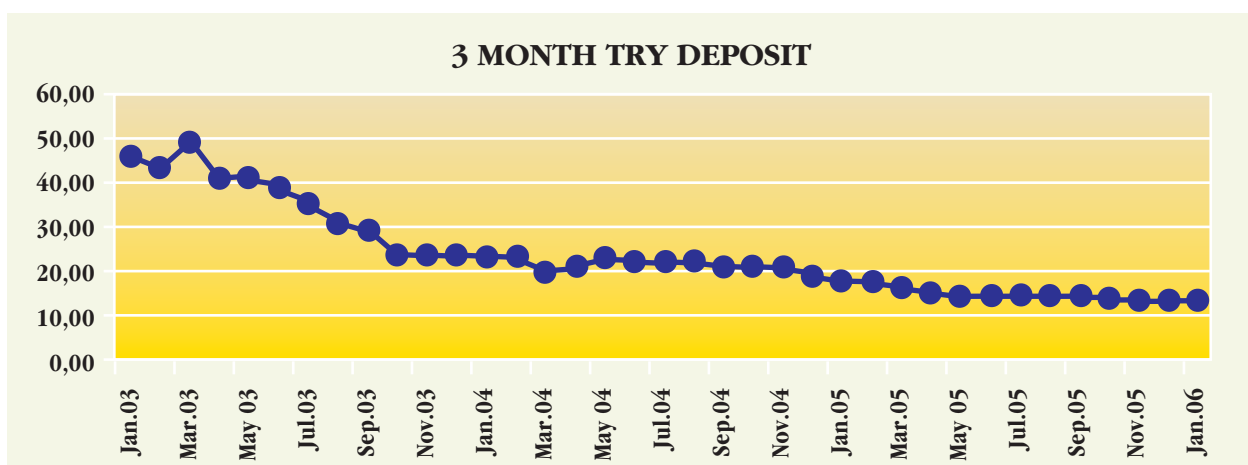
SITUATION REPORT FOR THE FINANCIAL YEAR 2005

Economic growth in 2005 was lower than in the previous year. Growth rates in the United States (4,1%) and in Eastern Europe (3,9%) were again higher than in the European Union. The growth rates of the European Union rose by 1,6% on average whereas Germany's rate with 1,4% remained below the average.

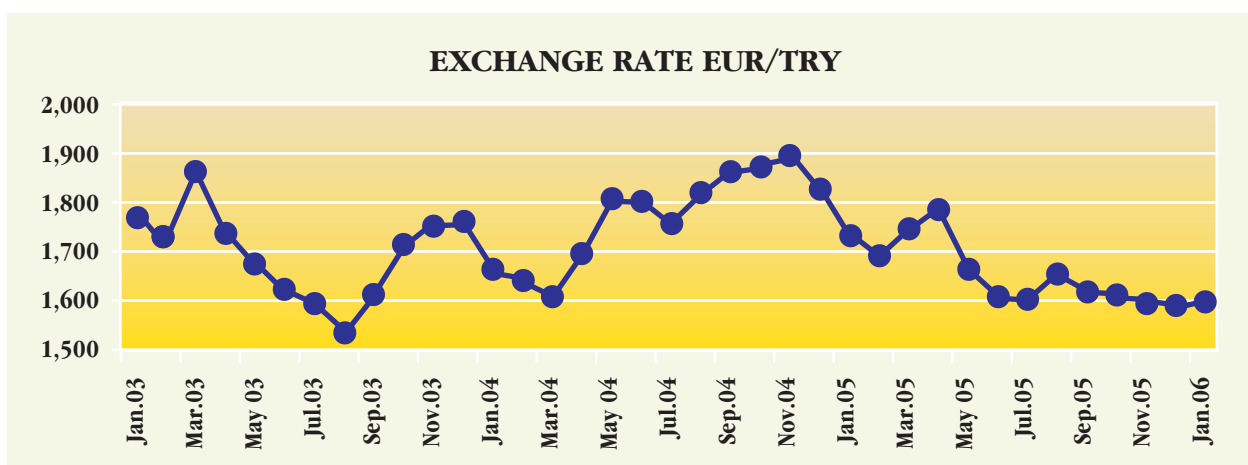
Main reasons for the lower growth rates were the high oil price and high energy costs. High oil prices predominantly paid in US dollar and a strong demand of Asian banks drove the USD/EUR exchange rate up to 1,18 at year end.

The Fed continued its policy of rising interest rates in 2005. The 3 month USD interest rate was 4,25% by the end of January 2006. With some delay this led to an increase of interest rates in the Euro zone and at year-end the 3 month Euro interest rate was increased by a quarter percent to 2,25%. Despite the rising interest rates, the bond market performed favourably in 2005.

Turkey's success story of economic development was continued also in 2005. The main economic goals were achieved. The GDP grew by 6,2%, the CPI fell to 7,7% by year end, and the Turkish Central Bank continuously cut the key interest rate from 21% to 13,5%.



The Turkish Lira (TRY) appreciated against the Euro from 1,80 to 1,60.

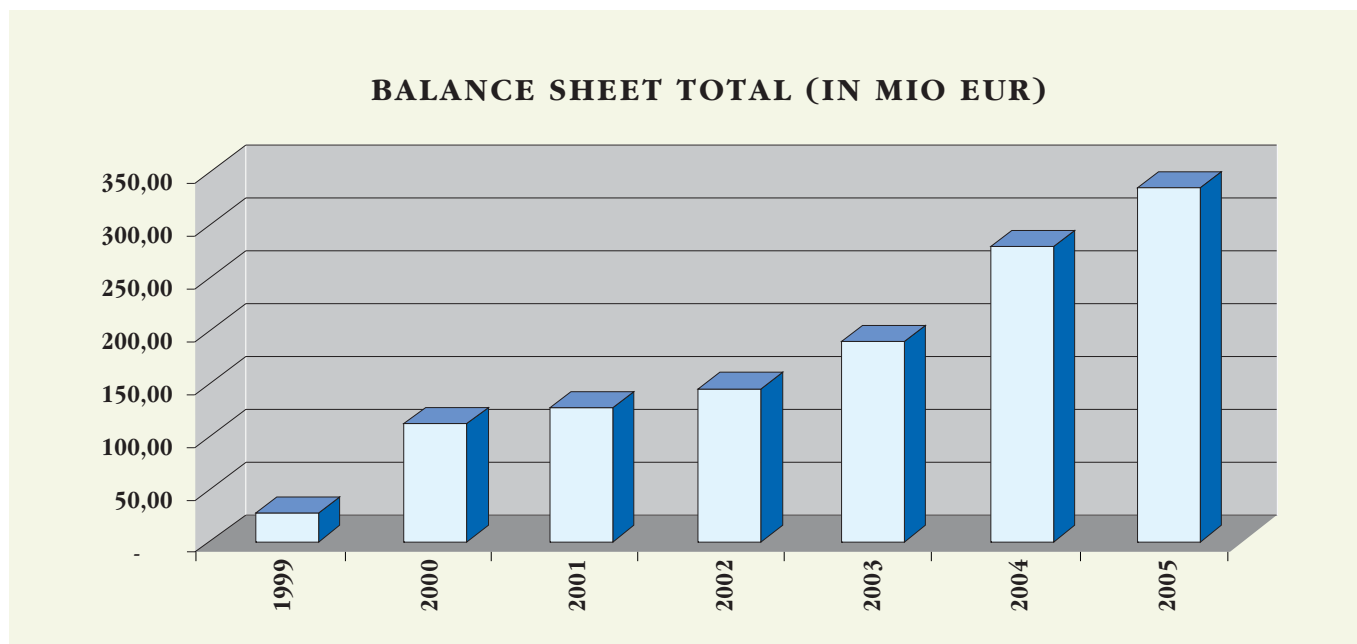


The start of accession negotiations with the EU on November 3rd 2005 together with the ongoing IMF programme, provides a strong framework for the continuation of economic reforms, further privatisation and fiscal discipline. The process of accession negotiations will underpin the structural transformation of the Turkish economy and encourage foreign direct investment inflows. Foreign direct investment in Turkey rose in 2005 from USD 1,2 billion in 2004 to USD 8,4 billion.

Due to the recent developments, Standard & Poors confirmed Turkey's long term foreign currency credit rating of BB- and raised Turkey's sovereign credit outlook to positive from stable.

BUSINESS ACTIVITIES

At the end of 2005, the balance sheet total increased by 19,4% to EUR 336,5 Mio compared to 2004 (EUR 282 Mio). The rise in the balance sheet total results particularly from an increase in commercial loans (+63%) and bonds (+13%). The forfeiting business on the other side was reduced by 47% due to declining margins, especially in Turkey.



RISK REPORTING

The bank uses mainly money market instruments, fixed income instruments and credits. Derivatives are only used to hedge currency risks. The risk management department analyses and evaluates market risk, credit default risk, liquidity risk and operational risk. The supervisory board defines the risk profile, the risk tolerance and the measures of risk monitoring.

MARKET RISK

Market risk is evaluated by using the Value at Risk (VAR) approach. As an average duration 15 days are assumed for current assets and 240 days for fixed assets. By using the confidence interval of 97,72% the Value at Risk (VAR) amounted to EUR 2,3 Mio by 2005 year-end.

CREDIT DEFAULT RISK

Monitoring of credit default risk is based on the evaluation of the solvency of the counter party. To measure credit default risk we apply the probabilities of default published by Standard & Poors. For counter parties without external rating, an internal rating system with 5 categories for European customers and 10 categories for Turkish customers is being applied.

CURRENCY RISK

Currency risk is calculated as the difference of the currencies on both sides of the balance sheet and is hedged by currency swaps.

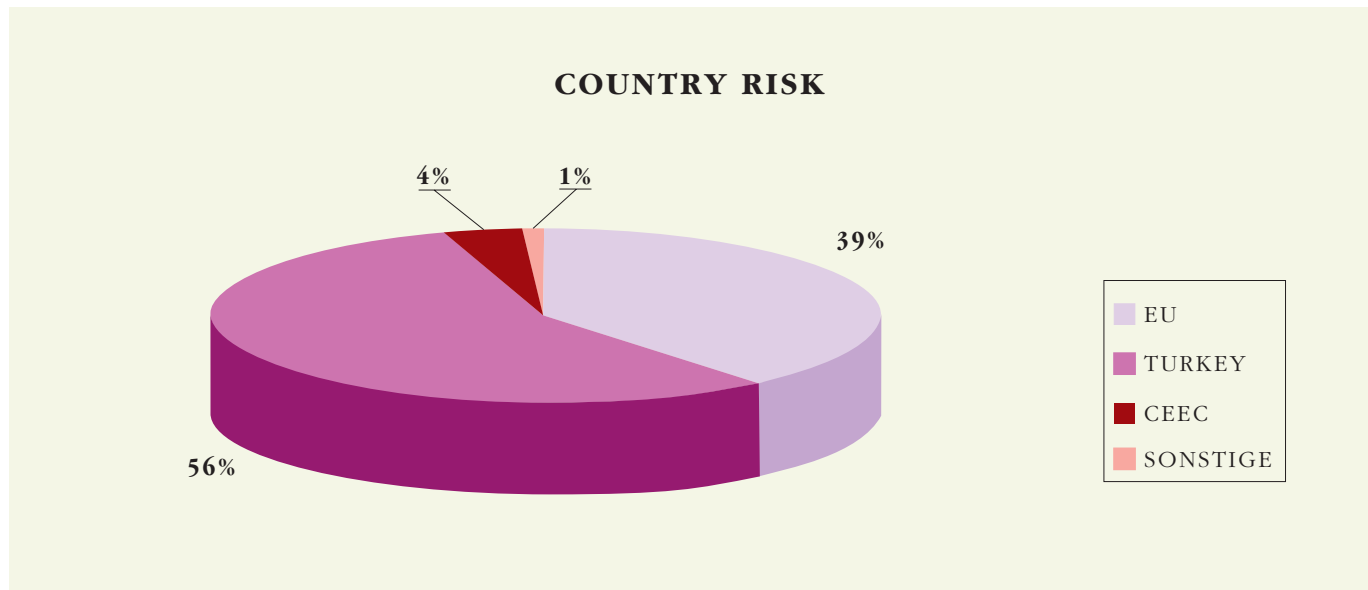
LIQUIDITY RISK

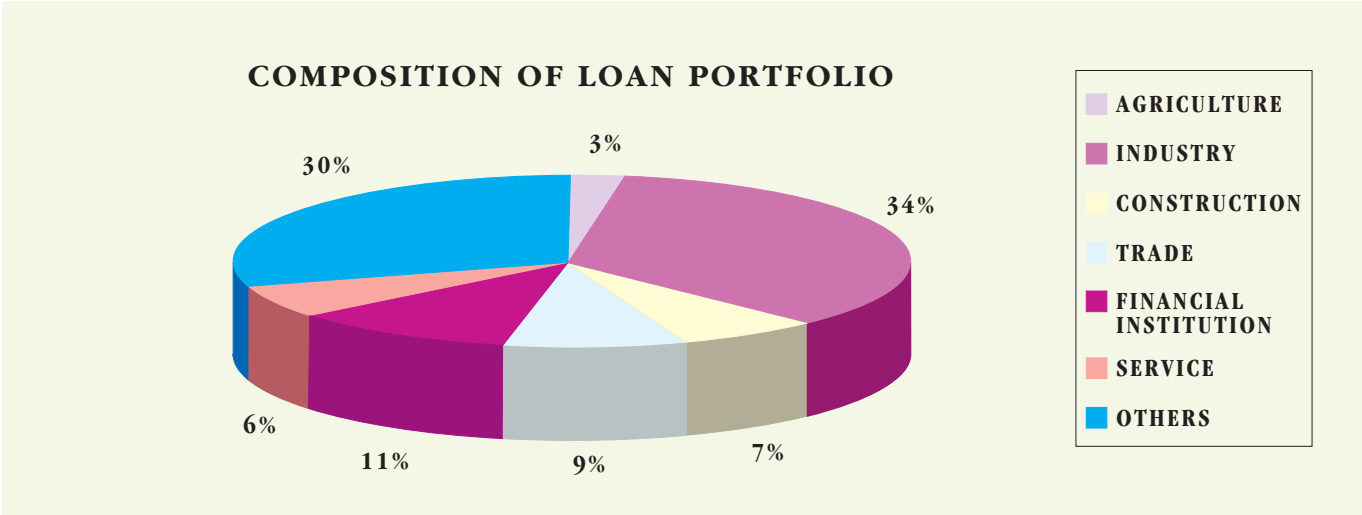
As part of the liquidity management short and medium term liquidity of the bank is controlled and mainly managed by means of interbank business in the treasury department to ensure the coverage of liquidity needs.

OPERATIONAL RISK

Operational risk is calculated by using the Standard Approach defined in the Basel II regulations. The risk calculation is an integral part of the risk management.

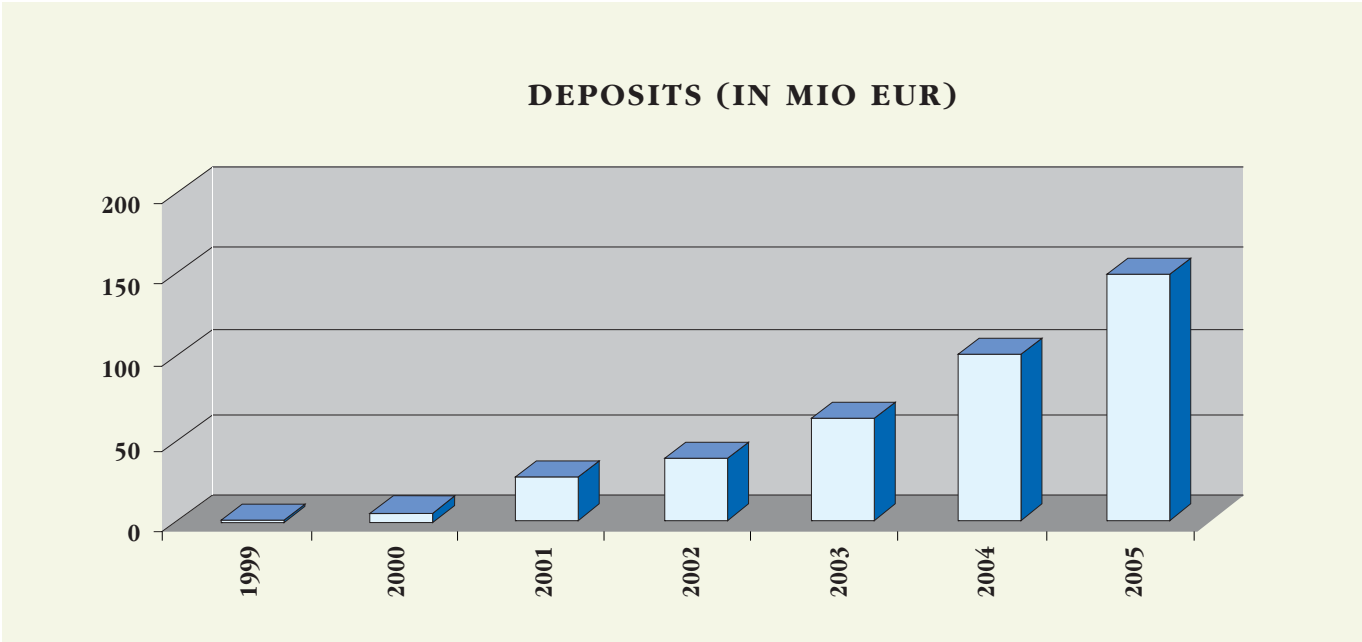
The country risk profile of the bank changed slightly in favour of the European Countries and Turkey.





The development of savings accounts and time deposits with an increase of 47 % to EUR 151 Mio in 2005 was very satisfactory. The recently opened branch in Cologne contributed with EUR 1, 5 Mio.

Our Frankfurt branch contributed with EUR 89,4 Mio, with an increase of 76% compared to the previous year. Accordingly the balance sheet total of Frankfurt jumped by 80% from EUR 54,9 Mio to EUR 99,2 Mio in 2005. The operational income of our Frankfurt branch rose to EUR 1,86 Mio from EUR 1,19 Mio in 2004. Although operational expenses rose slightly from EUR 0,99 Mio to EUR 1,14 Mio the increase of the operational results reached EUR 0,72 Mio compared to EUR 0,19 Mio in 2004.



OWN FUNDS

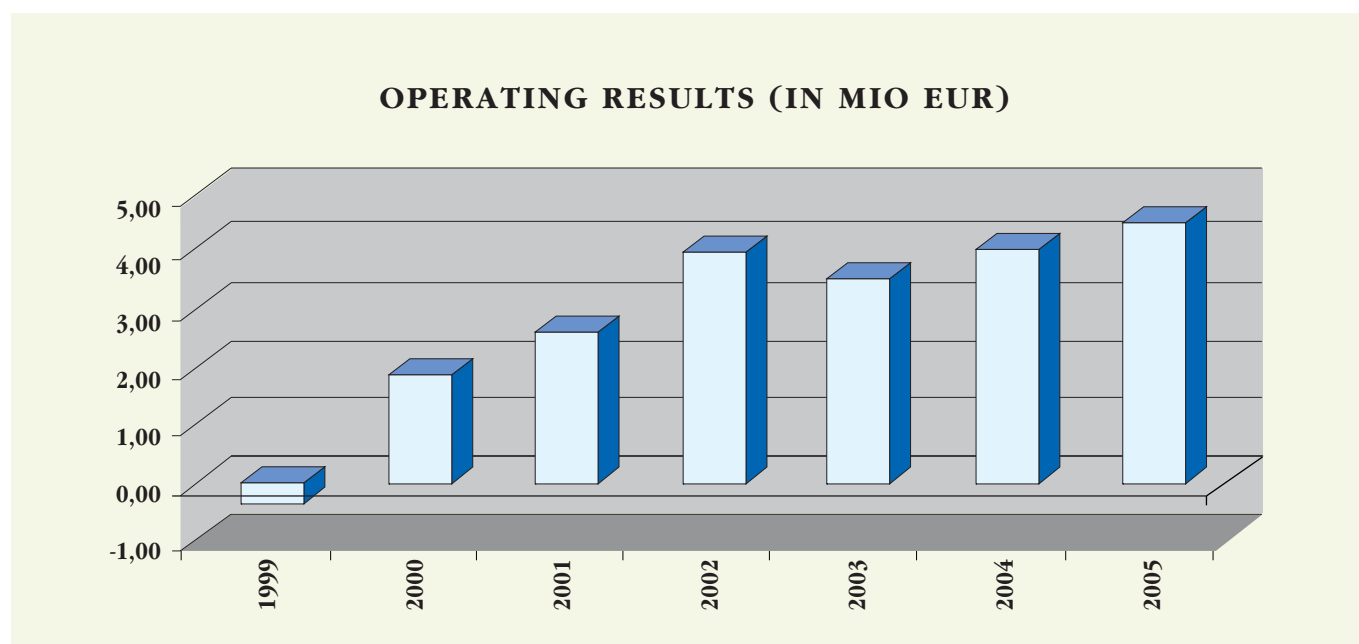
Based on the financial results of 2005, the available own funds to be taken into account according to § 23 BWG increased from EUR 28,2 million to EUR 34,6. Whereby the reserves according to § 23 BWG increased from EUR 1,414 Mio to EUR 1,417 Mio. The main part of the increase in the equity is due to retained earnings added to the equity.

EARNINGS:

Net interest income in 2005 was EUR 8,27 Mio (+15%) and the net commission income was 73 TEUR.

Operating costs rose to EUR 4,80 Mio (+12%) whereas operating earnings could be increased to EUR 8,92 Mio (+14%) thereby improving the operating result to EUR 4,1 Mio.

The results from ordinary operations amounted to EUR 4,5 Mio and increased by 13% compared to 2004.



In November 2005 our parent company Türkiye Vakıflar Bankası T.A.O placed 25% (USD 1,28 billion) of it's share capital in one of Turkey's largest initial public offerings (IPO) at the İstanbul Stock-Exchange. The Initial Public Offering was well received and further strengthened the solid capital base of the group.

OUTLOOK

In consideration of the implementation of Basel II, there will be inevitably a change in the medium to long-term strategy of the bank. While the share of Turkish risk in the short term will remain unchanged at around 56%, Turkish investments in the medium-to-long-term is planned to be lowered substantially. In order to keep the existing margin structure, this goal can only be achieved by substituting Turkish assets and by investing in markets with similar margins and low risk. In the financial year we were able to increase the share of assets bearing floating interest rates to 53%. By continuing this strategy our aim is to increase the share of assets bearing floating interest rates to 55% in 2006.

Our goal for the balance sheet total for 2006 is EUR 400 Mio, which would constitute a plus of 19% compared to 2005. Intensifying our business in the lending and forfaiting business areas will help us to achieve this growth. By participating in the syndicated loans and by intensifying trade finance activities in new markets, we also aim to diversify our country risk profile.

In 2006, we expect from our Cologne Branch to establish itself and create new opportunities for the bank especially in corporate lending whereas Frankfurt Branch shall concentrate to further expand in private lending.

After the closing of the balance sheet there are no significant events to be reported.

VakıfBank International AG

REPORT OF THE SUPERVISORY BOARD

The supervisory board held 5 (five) meetings in the fiscal year 2005. The supervisory board was informed by the executive board about the essential matters of the business especially regarding general management, development and situation of the company, by continuous reporting. The reports of the executive board were acknowledged and the necessary decisions were taken. The supervisory board has fulfilled the legal and statutory requirements.

The financial statements including notes and situation report of the financial year 2005 were audited and confirmed by 'Eidos Deloitte, Wirtschaftsprüfungs- und SteuerberatungsgmbH', Vienna. The unqualified audit opinion was given.

In compliance with requirements of article 92 paragraph 4 of the companies act the financial statements, notes and the situation report were examined by the elected committee.

The supervisory board has confirmed the annual report according to article 152 paragraph 2 of the companies act at the general meeting held on March 3, 2006.

The supervisory board agrees on the proposal of the executive board concerning the allocation of the profit and thanks to the executive board and employees for their performance achieved in 2005.

Vienna, 03.03.2006

Bilal KARAMAN

Chairman of the Supervisory Board

AUDITOR'S OPINION

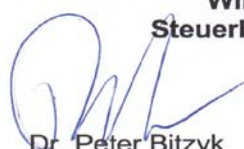
We have audited the financial statements, including the accounting records of **VakifBank International AG, Vienna**, for the fiscal year from January 1st, 2005 to December 31, 2005. Management is responsible for the preparation and content of the financial statements and the accounting records and the management report in accordance with Austrian regulations as well as with the articles of association and the additional regulations of the Austrian Banking Act. Our responsibility is to express an opinion on these financial statements based on our audit and to state whether the management report is in accordance with the financial statements.

We conducted our audit in accordance with Austrian Standards on Auditing and the applicable Austrian laws and regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from misstatement and whether we can state that the management report is in accordance with the financial statements. In determining audit procedures we considered our knowledge of the business activity, the economic and legal environment of the company and expectations about potential errors. The audit involves procedures to obtain evidence about amounts and disclosures in the financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

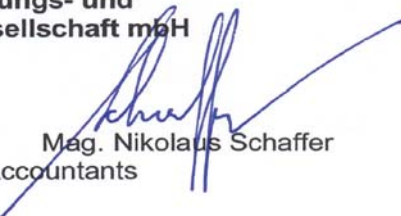
Our audit has not led to any objections. In our opinion, the financial statements are in accordance with legal requirements as well as with the articles of association and the additional regulations of the Austrian Banking Act and present fairly in all material respects, the financial position of **VakifBank International AG** as of December 31, 2005 and of the results of its operations and its cash-flows for the fiscal year from January 1st, 2005 to December 31, 2005 in accordance with Austrian generally accepted accounting principles. The management report is in accordance with the financial statements.

Vienna, February 28, 2006

Eidos Deloitte
Wirtschaftsprüfungs- und
Steuerberatungsgesellschaft mbH



Dr. Peter Bitzyk



Mag. Nikolaus Schaffer

Certified Public Accountants

VAKIFBANK INTERNATIONAL AG
FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005
PROFIT AND LOSS STATEMENT 2005



NOTES TO THE BALANCE SHEET AND
TO THE PROFIT AND LOSS STATEMENT

BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2005

ASSETS	31.12.2005		31.12.2004	
	EUR	EUR	EUR	EUR
1. Cash in hand and balances with central banks		7.452.063,20		6.714.495,12
2. Debt instruments issued by public bodies		26.809.177,77		21.007.094,93
3. Loans and advances to credit institutions				
a) repayable on demand	39.334.663,63		10.364.880,19	
b) other claims	<u>28.807.012,17</u>	68.141.675,80	<u>61.553.290,37</u>	71.918.170,56
4. Loans and advances to customers		102.404.770,37		61.459.159,47
5. Bonds and other fixed income instruments				
a) issued by public sector entites	74.175.902,94		61.180.705,26	
b) issued by other borrowers	<u>46.715.705,60</u>	120.891.608,54	<u>49.958.014,33</u>	111.138.719,59
6. Shares and other non-fixed income securities		745.200,00		0,00
7. Investments		2.020,00		2.020,00
8. Intangible non current assets		197.839,03		154.176,80
9. Tangible fixed assets				
thereof:				
land and buildings used by the credit institution in the course of its own business:		797.110,28		566.375,81
EUR 316.266,58 (Vj:420 T EUR)				
10. Other Assets		8.780.908,16		8.896.086,47
11. Accrued and deferred items		<u>291.649,87</u>		<u>96.141,02</u>
		<u>336.514.023,02</u>		<u>281.952.439,77</u>
off balance sheet items				
1. Foreign Assets		283.283.803,81		236.908.695,93

LIABILITIES AND SHAREHOLDER`S EQUITY	31.12.2005		31.12.2004	
	EUR	EUR	EUR	EUR
1. Amounts owed to credit institutions				
a) repayable on demand	9.865.180,92		9.699.764,84	
b) with agreed maturity dates or period of notice	<u>135.597.283,43</u>	<u>145.462.464,35</u>	<u>135.445.586,18</u>	145.145.351,02
2. Amounts owed to customers				
a) saving deposits thereof:				
aa) repayable on demand	5.144.840,66		0,00	
ab) with agreed maturity dates or period of notice	41.143.677,76		44.278.176,52	
b) other liabilities thereof:				
ba) repayable on demand	5.438.455,59		9.004.595,75	
bb) with agreed maturity dates or period of notice	<u>98.869.737,41</u>	<u>150.596.711,42</u>	<u>48.895.773,32</u>	102.178.545,59
3. Other liabilities		3.873.728,74		2.495.509,96
4. Accrued and deferred items		475.317,49		554.807,61
5. Provisions				
a) Provisions for severance payments	51.566,00		56.223,00	
b) Provisions for taxes	179.700,00		57.200,00	
c) other provisions	<u>1.060.506,73</u>	<u>1.291.772,73</u>	<u>747.940,62</u>	861.363,62
6. Subscribed capital		16.000.000,00		16.000.000,00
7. Capital reserves				
a) share premium		4.000.000,00		4.000.000,00
8. Profit reserves				
a) statutory reserve	800.000,00		590.000,00	
b) other reserves	<u>12.596.545,56</u>	<u>13.396.545,56</u>	<u>6.386.558,18</u>	6.976.558,18
9. Reserve according to section 23 (6) ABA		1.417.482,73		1.413.961,73
10. Accumulated profit		0,00		2.326.342,06
		336.514.023,02		281.952.439,77
off balance sheet items				
1. Contingent liability		4.797.977,25		7.254.616,41
2. Credit risk		5.757.719,73		6.985.199,82
3. Own funds to be taken into account according to section 23 ABA		34.616.189,26		28.236.343,11
4. Legal minimum capital requirement according to section 22 (1) ABA		8.322.000,00		7.956.000,00
5. Foreign liabilities		174.834.232,04		87.189.470,13

PROFIT AND LOSS STATEMENT FOR THE YEAR 2005

	31.12.2005		31.12.2004	
	EUR	EUR	EUR	EUR
1. Interest and similar income thereof: from fixed interest securities EUR 8.500.638,92 (Vj: 7.598 T EUR)		17.320.056,26		13.466.314,04
2. Interest and similar expenses		-9.054.926,81		-6.236.420,09
I. NET INTEREST INCOME		8.265.129,45		7.229.893,95
3. Fee and commission income		678.485,15		775.382,95
4. Fee and commission expenses		-605.226,66		-207.727,37
5. Income / Expenses from financial transactions		393.413,29		-39.110,74
6. Other operating income		192.147,13		98.772,81
II. OPERATING INCOME		8.923.948,36		7.857.211,60
7. General administrative expenses				
a) Personnel expenses thereof:				
aa) Salaries and wages	-2.228.325,72		-1.750.181,12	
ab) Compulsory social security contribution	-506.511,50		-514.553,13	
ac) Other social expenses	-39.067,91		-41.196,74	
ad) Expenses for pension benefits	-27.008,22		-22.586,38	
ae) Expenses for severance payments and contributions to external pension funds	-22.030,36	-2.822.943,71	-98.215,44	-2.426.732,81
b) Other administrative expenses		-1.715.071,52		-1.640.203,13
8. Depreciation for intangible and tangible fixed assets		-223.124,32		-187.385,15
9. Other operating expenses		-40.422,05		-8.809,06
III. OPERATING EXPENSES		-4.801.561,60		-4.263.130,15
IV. OPERATING RESULT		4.122.386,76		3.594.081,45
10. Allocation to/Releases of provisions of loan losses and income/loss from sale/valuation of liquidity reserve		191.955,85		375.702,70
11. Income/Expenses from sale/valuation of securities valued as financial fixed investments		148.795,86		31.068,51
V. RESULT FROM ORDINARY ACTIVITIES		4.463.138,47		4.000.852,66
12. Income tax		-362.468,55		-1.377.820,56
13. Other taxes		-3.503,60		-1.827,43
VI. ANNUAL SURPLUS		4.097.166,32		2.621.204,67
14. Changes in Reserves thereof: Allocation to reserve according to section 23 (6) ABA EUR 3.521,00 (Vj: -214 T EUR)		4.097.166,32		-294.862,61
VII. ANNUAL PROFIT		0,00		2.326.342,06
15. Profit carried forward		0,00		0,00
VIII. ACCUMULATED PROFIT		0,00		2.326.342,06

DEVELOPMENT OF FIXED ASSETS

Appendix III/1

	Acquisition cost as of Jan. 01, 2005	Additions	Disposals	Reclassifications	Acquisition cost as of Dec. 31, 2005	Appreciation current period	Accumulated Depreciation	Book value as of Dec. 31, 2005	Book value as of Dec. 31, 2004	Depreciation current period
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. FINANCIAL INVESTMENTS										
a) Securities										
aa) Issued by public sector	20.999.551,90	8.428.100,00	10.687.651,90	0,00	18.740.000,00	11.558,71 ¹⁾	-143.122,23	18.596.877,77	21.007.094,93	199.138,57 ²⁾
ab) Issued by other borrowers	66.275.090,54	13.547.069,74	6.222.733,52	0,00	73.599.426,76	200.252,96 ¹⁾	-260.431,31	73.338.995,45	66.251.307,21	692.139,46 ²⁾
	87.274.642,44	21.975.169,74	16.910.385,42	0,00	92.339.426,76	211.811,67	-403.553,54	91.935.873,22	87.258.402,14	891.278,03
II. SHARES AND OTHER										
NON-FIXED INTEREST SECURITIES	2.020,00	0,00	0,00	0,00	2.020,00	0,00	0,00	2.020,00	2.020,00	0,00
III. INTANGIBLE NON CURRENT ASSETS										
a) Rights and licences	201.552,92	29.692,80	0,00	0,00	231.245,72	0,00	123.296,19	107.949,53	107.183,51	28.926,78
b) Startup cost	135.187,04	79.048,50	0,00	0,00	214.235,54	0,00	124.346,04	89.889,50	46.993,29	36.152,29
	336.739,96	108.741,30	0,00	0,00	445.481,26	0,00	247.642,23	197.839,03	154.176,80	65.079,07
IV. TANGIBLE FIXED ASSETS										
a) Leasehold Improvements	853.130,91	203.324,83	0,00	0,00	1.056.455,74	0,00	532.522,56	523.933,18	420.140,36	99.532,01
b) Furniture and equipment	313.288,49	194.615,51	34.148,25	0,00	473.755,75	0,00	209.213,52	264.542,23	131.683,15	46.523,07
c) Vehicles	25.587,16	0,00	4.000,00	0,00	21.587,15	0,00	12.952,29	8.634,87	14.552,30	4.917,43
d) Low value assets	0,00	7.072,74	7.072,74	0,00	0,00	0,00	0,00	0,00	0,00	7.072,74
	1.192.006,56	405.013,08	45.220,99	0,00	1.551.798,65	0,00	754.688,37	797.110,28	566.375,81	158.045,25

1) Appreciation of discount on a pro rata basis of securities valued as financial investment according § 56 (3) ABA

2) Depreciation of premium on a pro rata basis of securities valued as financial investment according § 56 (2) ABA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 2005

GENERAL REGULATIONS

The annual accounts of VAKIFBANK INTERNATIONAL AG were prepared for the financial year 2005 in observance of the principles of regular bookkeeping and the general standard which requires a true and fair view of the assets, financial and revenue position of the company to be given. The balancing, valuation and reporting of the individual items in the annual accounts have been undertaken in accordance with the rules laid down in the Austrian Commercial Code (ACC) and in accordance with the rules of the Austrian Banking Act (ABA) in the latest version.

BALANCING AND VALUATION METHODS

Balance sheet and income statement were prepared according to appendix 2 section 43 ABA. Items, which have not been showing a balance whether in the previous year and in the current year, are not included. During the preparation of the financial statements the principle of completeness was taken into consideration and the continuation of the bank was assumed. The valuation of each asset and liability was made according to the valuation principle.

Due to the principle of careness only realised profits were included and all risks and expected losses were taken into consideration as per the year end.

Foreign currencies were translated according to section 58/1 ABA with medium exchange rates as per balance sheet date.

Due to technical improvements started 2005, saving deposits which are repayable on demand were shown separately. According to this improvements in the system used, it is not possible to compare with figures of the year 2004.

NAME AND HEADQUARTER OF THE PARENT COMPANY

Financial statements of VakıfBank International AG have been consolidated in the financial statements of Türkiye Vakıflar Bankası T.A.O., Atatürk Bulvarı No: 207 Kavaklıdere 06680 Ankara, Turkey. The consolidated financial statements are available at the Headquarter.

ASSETS

Available for sale securities are reported at lower of costs or market at the balance sheet date. Securities held to maturity were valued according to section 56/2 ABA or according to section 56/3 ABA.

All securities mentioned in the position bonds and other fixed income instruments and shares are fully listed. A trading book according to section 22 B (1) ABA is not set up.

Intangible and tangible fixed assets are valued at the acquisition or production costs, reduced by planned amounts of linear depreciation.

Development of fixed asset items and of annual depreciation are shown in the table "development of fixed assets" (appendix 3/1)

INTANGIBLE AND TANGIBLE FIXED ASSETS

YEARS

Expenditures for establishment and extende of an enterprise	4
Intangible fixed assets	10
Investments in premises	10
Furniture and Fixture	10
Office machines and EDP equipments	4
Vehicles	5

Low value fixed assets (section 13 ITA) amounting to TEUR 7 (previous year (PY) TEUR 3) are fully depreciated in the year of acquisition and are shown in the table "development of fixed assets" in the columns additions, disposals and amortisation of the current year.

In the financial year 2005 approximately TEUR 79 of total expenses amounting to TEUR 90 were spent for the foundation of a further branch in Cologne.

LIABILITIES

Provisions for severance payments were calculated due to financial mathematical principles considering retirement age as 60 (women) or 65 years (men) and a calculating interest rate of 4%. All risks recognizable at the date of preparation of the financial statement, together with the contingent liabilities, were taken into account in the amount of other provisions according to the principle of reasonable business appraisal.

Other provisions were set up mainly for vacation, consultancy, auditing cost, taxes, EDP-Projects and bonus.

CAPITAL STOCK

The capital stock is amounting to EUR 16 Mio with EUR 1 nominal value for each. Shareholders are Türkiye Vakıflar Bankası T.A.O., Atatürk Bulvarı No: 207 Kavaklıdere Ankara Türkiye with 14,40 Mio shares and Türkiye Vakıflar Bankası T.A.O. Memur ve Hizmetlileri Emekli ve Sağlık Yardım Sandığı Vakfı, Atatürk Bulvarı No: 87/7 Kavaklıdere Ankara Türkiye with 1,60 Mio shares.

NOTES TO THE BALANCE SHEET AND INCOME STATEMENT

SCHEDULE OF PERIOD OF MATURITY (§ 64/1/4 ABA)

Accounts receivable with maturity are listed below with following period of time:

	Accounts receivable			
	Financial Institutions		Others	
	31.12.2005 in EUR	31.12.2004 in T EUR	31.12.2005 in EUR	31.12.2004 in T EUR
Up to 3 months	46.245.979,72	9.561	10.510.852,50	3.071
More than 3 months up to 1 year	14.840.566,02	42.849	17.215.857,00	10.576
More than 1 year up to 5 years	5.225.181,34	9.143	72.517.161,28	45.477
More than 5 years	0,00	0,00	616.371,97	0,00
Total	66.311.727,08	61.553	100.860.242,75	59.124

The total amount of assets which are presented in foreign currency amounted to EUR 56.428.287,55 (previous year (PY) EUR 50,76 Mio).

Liabilities included amounts with the following terms of maturity (total period of maturity):

	Liabilities			
	Financial Institutions		Others	
	31.12.2005 in EUR	31.12.2004 in T EUR	31.12.2005 in EUR	31.12.2004 in T EUR
Up to 3 months	90.162.003,23	135.446	20.999.965,48	8.041
More than 3 months up to 1 year	46.622.022,59	0	31.754.811,80	38.638
More than 1 year up to 5 years	0,00	0	87.258.171,48	41.098
More than 5 years	0,00	0	0	5.397
Total	136.784.025,82	135.446	140.012.948,76	93.174

The total amount of liabilities which are presented in foreign currency amounted to EUR 57.382.573,78 (PY EUR 26,78 Mio).

SECURITIES, OTHER FIXED INCOME SECURITIES AND SHARES

Securities, other fixed income securities and shares increased from EUR 111,14 Mio to EUR 120,89 Mio as per end of the year. Hereof EUR 17,20 Mio are maturing in the year 2006.

At the balance sheet date securities amounting to EUR 92,34 Mio (PY EUR 87,27 Mio) had been valued at acquisition cost which are valued as fixed assets according to section 56/1 ABA.

The difference between higher acquisition costs and repayment amount of securities which are classified as financial investments is amortized during the period until maturity date due to section 56/2 second sentence of ABA. In the year 2005 amortization amounted to EUR 0,89 Mio (PY EUR 0,55 Mio)

The difference between lower acquisition costs and repayment amount of securities which are classified as financial investments is credited during the period until maturity date due to section 56/3 ABA. In the year 2005 EUR 0,21 Mio (PY EUR 0,24 Mio) were credited.

Quoted bonds and other fixed interest bearing securities and shares of the available for sale portfolio show the difference of EUR 0,64 Mio (PY EUR 1,79 Mio) between acquisition costs and the higher fair values at the balance sheet date.

The classification according section 64/1/11 ABA was made by decisions of the board.

Securities amounting to EUR 4,97 Mio (PY 20,34 Mio) were pledged in favour of other financial institutions, short term repo transactions with financial institutions amounted to EUR 66,06 Mio (PY 72,58 Mio) on balance sheet date.

NOTES TO RELATIONSHIP TO AFFILIATED COMPANIES

Accounts receivables and liabilities are existing to our parent company T. Vakıflar Bankası T.A.O. The assets are amounting to EUR 10,21 Mio hereof in foreign currency EUR 4,36 Mio Liabilities are amounting to EUR 27,82 Mio (PY EUR 25,70 Mio), hereof in foreign currency EUR 2,12 Mio (PY EUR 0,67 Mio). Guarantees taken from T. Vakıflar Bankası T.A.O. have a balance of EUR 3,36 Mio, which are containing mainly guarantees and loan granting commitments.

OTHER ASSETS

Other assets amounting to EUR 8,78 Mio (PY EUR 8,90 Mio) contain accrued interest of EUR 7,95 Mio (PY EUR 6,63 Mio) from securities, forfeitings and loans.

OTHER LIABILITIES

Other liabilities with balance of EUR 3,87 Mio (PY EUR 2,50 Mio) including accrued interest amounting to EUR 2,85 Mio (PY EUR 1,41 Mio).

OFF-BALANCE SHEET ITEMS

Loan granting commitments contain an irrevocable commitment to Turkish Treasury Department (Ministry of Finance of Rep. Turkey) amounting to USD 6,52 Mio (EUR-equivalent 5,53 Mio).

OTHERS

Liabilities due from using assets which are not mentioned in the balance sheet are amounting to TEUR 239 for the next financial year. The total of liabilities for the following 5 years are amounting to TEUR 1.190.

Expenses for leasing of vehicles and office machines are approximately TEUR 35 for the next financial year and TEUR 175 for the next 5 years.

The option to capitalize deferred tax assets pursuant to section 198 (10) ACC was balanced with 3,50 TEUR (PY 7,6 TEUR).

As of balance sheet date forward transactions amounted to EUR 3,81 Mio (PY EUR 24,42 Mio).

In the position "Expenses for severance payments and contributions to external pension funds" are severance payments for 15 TEUR (PY 93 TEUR) and contributions to external pension funds with 7 TEUR (PY 6 TEUR) included.

NOTES TO FINANCIAL INSTRUMENTS ACCORDING TO SECTION 237A/1/1 ACC:

At the balance sheet date an Interest Rate Swap with nominal value EUR 3,70 Mio was recorded in the books. The Interest Rate Swap has a fair value of -113 TEUR (PY TEUR -45) and book value of -97 TEUR (PY TEUR -42). The Interest Rate Swap is used as a microhedge for a bond with same nominal value and same maturity.

FINANCIAL INSTRUMENTS OF FINANCIAL ASSETS, WHICH ARE BALANCED OVER THE FAIR VALUES ARE LISTED AS FOLLOWS:

in TEUR	Book value 31.12.2005	Hidden burden	Book value 31.12.2004	Hidden burden
Debt instruments issued by public bodies	8.846	-109	0	0
Bonds and other fixed Income instruments	7.102	-21	0	0

Hidden burden are mainly caused by the latest market fluctuations of bonds, shares and investments. A lasting deterioration of the issuers credibility had not been realised.

DETAILS CONCERNING EXECUTIVE BODIES AND STAFF

The average number of staff during the financial year amounted to 40 (PY 39).

THE SUPERVISORY BOARD WAS MADE UP AS FOLLOWS DURING THE YEAR 2005:

Hüseyin Durmaz, Deputy-CEO
Tanju Yüksel, Member
Kerim Karakaya, Member
E. Tosun Karay, Member
Emine Gökalp, Member till 03.10.2005
Onur Yılmaz, Member since 03.10.2005
Şahin Uğur, Member

THE EXECUTIVE BOARD WAS MADE UP AS FOLLOWS DURING THE YEAR 2005:

Numan Bek, General Manager
Vedat Pakdil, Deputy General Manager
Metin Yıldırım, Member
Muhsin Sağlam, Member
Birgül Denli, Member since 09.06.2005

Grants amounting to TEUR 5,7 were given to members of the executive board. In the year 2005 the total amount of salaries for the members of Executive Board was TEUR 590,2 (PY TEUR 415,1).

Vienna, February 2006

VakıfBank International AG