VakıfBank
INTERNATIONAL AG

ANNUAL REPORT '06

ANNUAL REPORT

For the year ended December 31, 2006

VakıfBank
INTERNATIONAL AG

VAKIFBANK INTERNATIONAL AKTIENGESELLSCHAFT

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www.vakifbank.at

CONTENT

MEMBERS OF THE SUPERVISORY BOARD

Bilal KARAMAN
Chairman

Dogan PENCE
Deputy – Chairman since 11 July 2006

Hüseyin DURMAZ
Deputy – Chairman until 11 July 2006

Tanju YÜKSEL
Member of the Supervisory Board

Kerim KARAKAYA
Member of the Supervisory Board until 11 July 2006

E. Tosun KARAY
Member of the Supervisory Board until 11 July 2006

Onur YILMAZ
Member of the Supervisory Board

Sahin UGUR
Member of the Supervisory Board

Remzi ALTINOK
Member of the Supervisory Board since 24 October 2006

Metin Recep ZAFER
Member of the Supervisory Board since 11 July 2006

Adem TERBILLIOGLU
Member of the Supervisory Board 11 July 2006 – 11 September 2006

MEMBERS OF THE EXECUTIVE BOARD

Numan BEK
Chairman

Vedat PAKDIL
Deputy – Chairman

Metin YILDIRIM
Member of the Supervisory Board
until 15 September 2006

Muhsin SAGLAM
Member of the Supervisory Board
until 22 December 2006

Birgül DENLI
Member of the Supervisory Board
until 30 June 2006

Ugur YESIL
Member of the Supervisory Board
since 22 December 2006

HEADS OF THE DEPARTMENTS

Birgül DENLI
Correspondent Banking & International Finance

Kurt FÖRSTER
Credit Department

Mag. FH Salih GÜRAN
Accounting & Reporting

Alfred MANDL
Internal Audit

Ugur YESIL
Trade Services, Operations, IT

Mag. Franz FASCHING
Risk Management

VIENNA BRANCH

Muhsin SAGLAM
Manager

Argentinierstrasse 63
A-1040 Vienna-Austria
Tel.: +43 1 504 32 12 or +43 1 504 31 83
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FRANKFURT AM MAIN BRANCH

Metin ÖZETCİ
Manager

Münchenerstrasse 48
60329 Frankfurt am Main-Germany
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COLOGNE BRANCH

Mesut BAŞ
Manager

Alter Markt 54,
50667 Köln-Germany
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Fax.: +49 221 258 94 27

BUSINESS ACTIVITIES AND SHAREHOLDERS OF THE BANK

VakifBank International AG was established in Vienna, Austria on July 23, 1999 and obtained a full banking licence by the Austrian Ministry of Finance on August 4, 1999. The shareholders of the bank are Türkiye Vakiflar Bankasi T.A.O., Ankara (90 %) and the Pension Fund of Türkiye Vakiflar Bankasi T.A.O. (10 %).

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

VakifBank International AG is offering trade related banking services (Letters of Credit, Collections, Guarantees, Money transfers etc), the financing of commercial cross border transactions (Forfaiting, Syndications etc) and loans to Austrian and Turkish exporters and importers.

Geographically, VakifBank International AG is concentrating on Turkey, EU, Central and Eastern Europe and the Emerging Markets. VakifBank International AG of course offers all traditional banking services (account maintenance for private and corporate clients, savings accounts, remittances, retail and commercial loans). A special service offered by VakifBank International AG is a prompt and easy handling of money transfers from Austria and Germany to more than 300 branches of its parent in Turkey. T. Vakiflar Bankasi T.A.O., Ankara was founded in 1954. and is currently number 3 of the banks directly or indirectly controlled by the Republic of Turkey. The branch network includes 300 branches in Turkey, one branch in New York and Bahrain.

The shareholders of T. Vakiflar Bankasi T.A.O., Ankara are:

General Directorate of Public Foundations	43.00%
Affiliated Foundations	15.45%
Pension Fund of Türkiye Vakiflar Bankasi T.A.O.	16.10%
Free Float (Istanbul 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 the General Directorate of Public Foundations.

The Pension Fund of Türkiye Vakiflar Bankasi 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 2006

(in Mio EUR)

	2006	2005
Balance Sheet	**370.9**	336.5
Claims against Customers	**105.7**	102.4
Claims against Credit Institutions	**120.4**	68.1
Liabilities to Credit Institutions	**156.9**	145.5
Liabilities to Customers	**168.6**	150.6
- hereof: Saving Deposits	**50.5**	46.3
Net Interest Income	**9.2**	8.3
Operating Earnings	**9.6**	8.9
Operating Expenditures	**5.4**	4.8
Operating Result	**4.2**	4.1
Result of Ordinary Business Operations	**4.4**	4.5
Annual Profit	**5.4**	4.1
Equity Resources	**40**	34.6
Statutory Minimum Equity	**9**	8.3

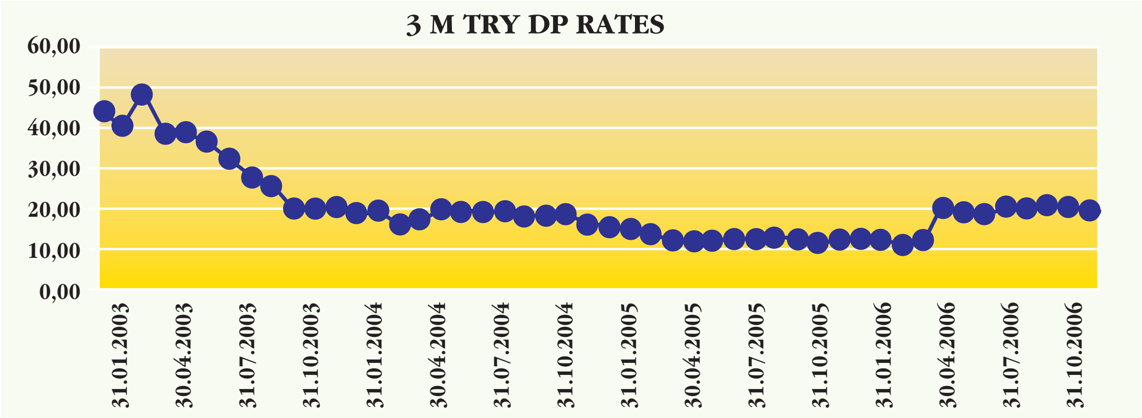
Global economic growth in 2006 was slightly higher than in the previous year. Growth rates in the United States (3.4% in 2006 and 3.2% in 2005) were once again higher than in the European Union. The overall growth rate of the European Union rose by 2.7% on average. Main reason for this relatively high growth rate was the high growth rates of the newly admitted members of the European Union.

The crude oil price reached a record high of 78 USD per barrel in July and fluctuated since September at around 60 USD. The EUR/USD exchange rate increased to 1.31 by the year end, constituting a rise of 11.4%.

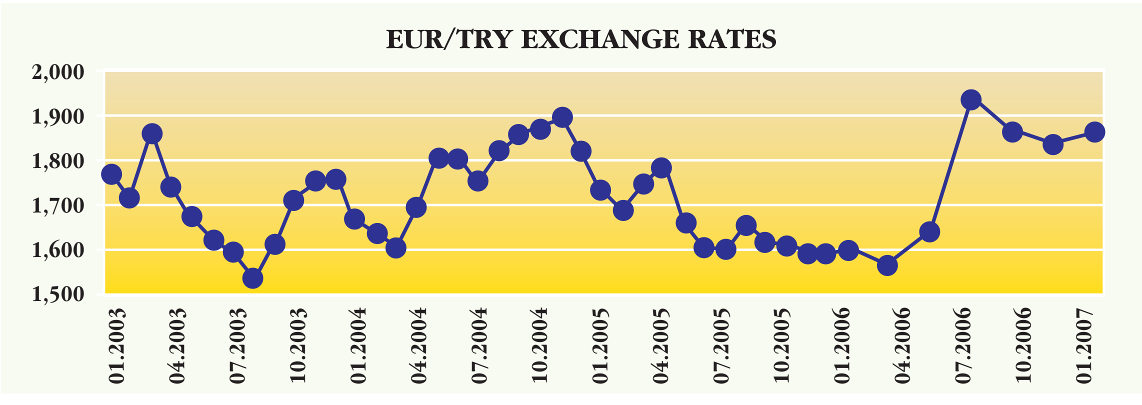
During 2006 the European Central Bank hiked interest rates five times by 25 bps each. At year end the base rate for the Euro was at 3.5%.

In the United States the interest rate hikes continued until June. In the second half of the year the interest rates remained unchanged. At year end the yields for 10 year treasuries was at 4.7% compared to 4.38% in 2005.

Turkey's economy in general developed successfully for another consecutive year. The GDP grew by 5.7%, the CPI rose by 9.4% in 2006 compared to 7.7% in 2005. As a consequence the Turkish Central Bank continuously raised the key interest rate from 13.5% to 18.9% in order to keep inflationary pressure down.



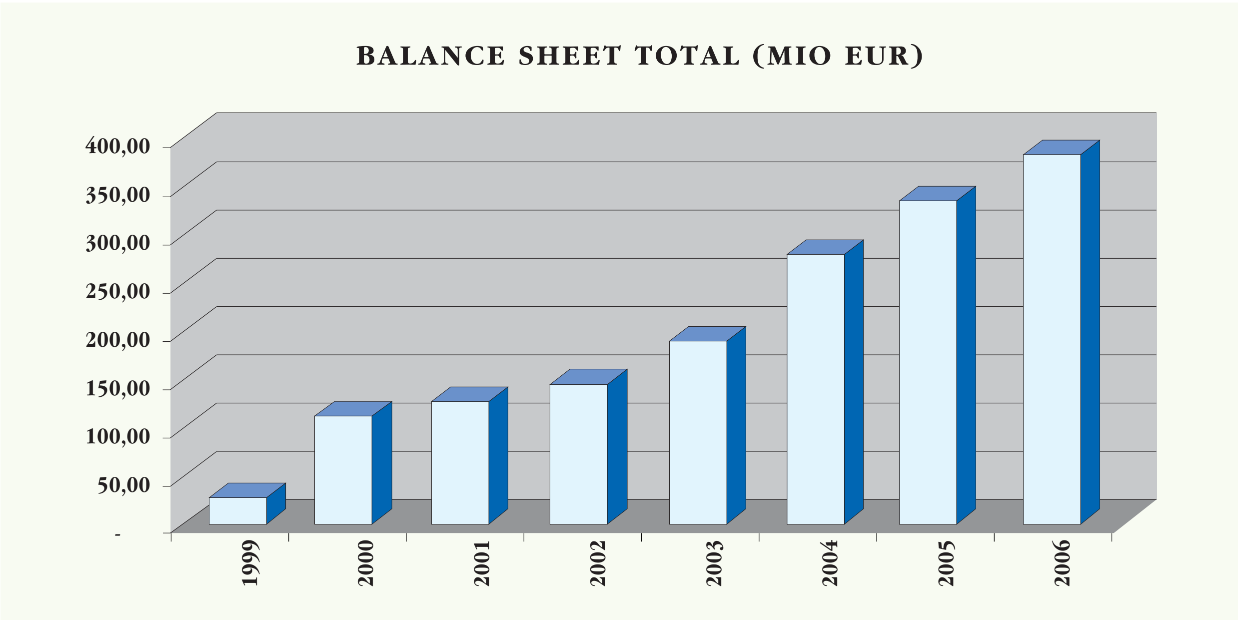
The Turkish Lira (TRY), mostly stable in the first half of the year around 1.60, suffered a major correction in May/June and consolidated within a range of 1.80 – 1.90 in the second half of the year.



Due to the good standing of the general economic developments, Standard & Poor's confirmed Turkey's long term foreign currency credit rating of BB- with a "positive" outlook.

Business activities

At the end of 2006, the balance sheet total increased by 10.22% to EUR 370.89 Mio. The rise in the balance sheet total resulted mainly from an increase in commercial loans (+11.58%) and forfaiting business (+36.48%). The bond portfolio on the other hand was reduced by 13.14% due to Basel II preparations.



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.

Market risk

Market risk is evaluated by using the Value at Risk (VAR) approach. 15 days are assumed for current assets as an average duration and 240 days for fixed assets. By using the confidence interval of 97.72% the Value at Risk (VAR) amounted to Euro 4.3 Mio by 2006 year-end.

Credit default risk

Monitoring of credit default risk is based on the evaluation of the solvency of the counter parties. To measure credit default risk we apply the probabilities of default published by Standard & Poor's. For counter parties without external rating, VakifBank International AG applies an internal rating system with 5 customer categories.

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.

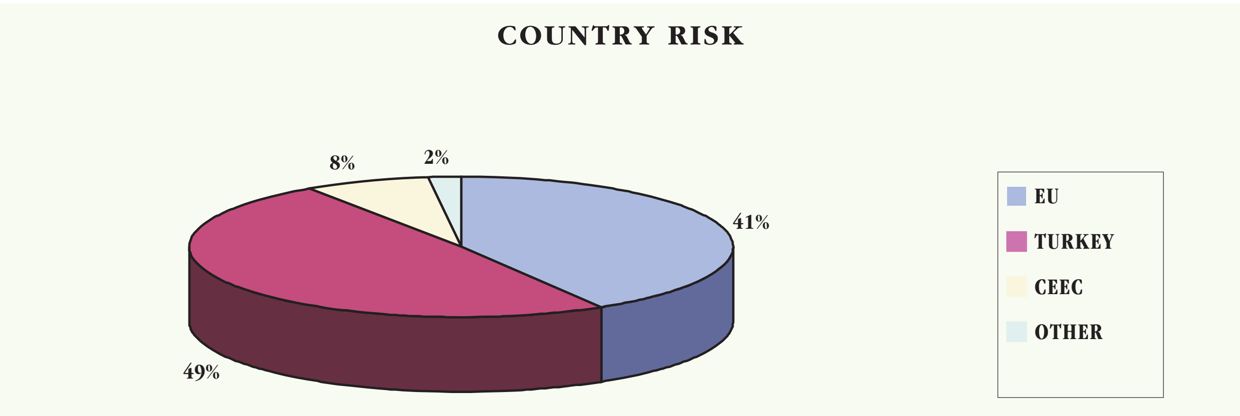
Liquidity risk

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

Operational risk

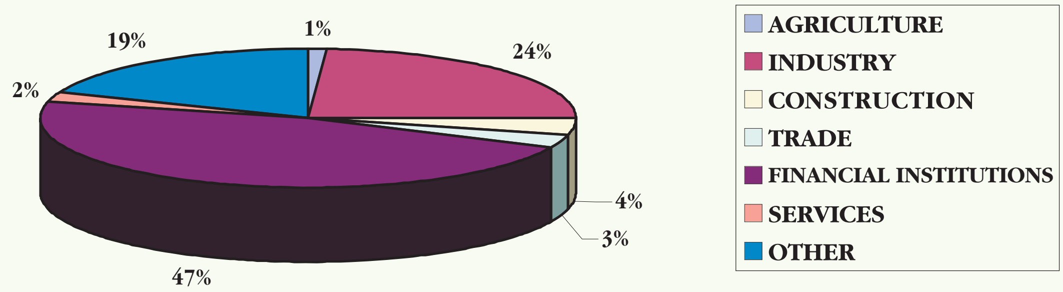
Operational risk is calculated by using the Standard Approach defined in the Basel II regulations. The risk calculation is an integral part of the risk management.

The country risk profile of the bank changed slightly in favour of the European Countries and Central and Eastern Europe Countries. The share of Turkish risk was reduced further.



As a consequence of an increase in syndicated loans, the composition of the loan portfolio changed in favour of financial institutions.

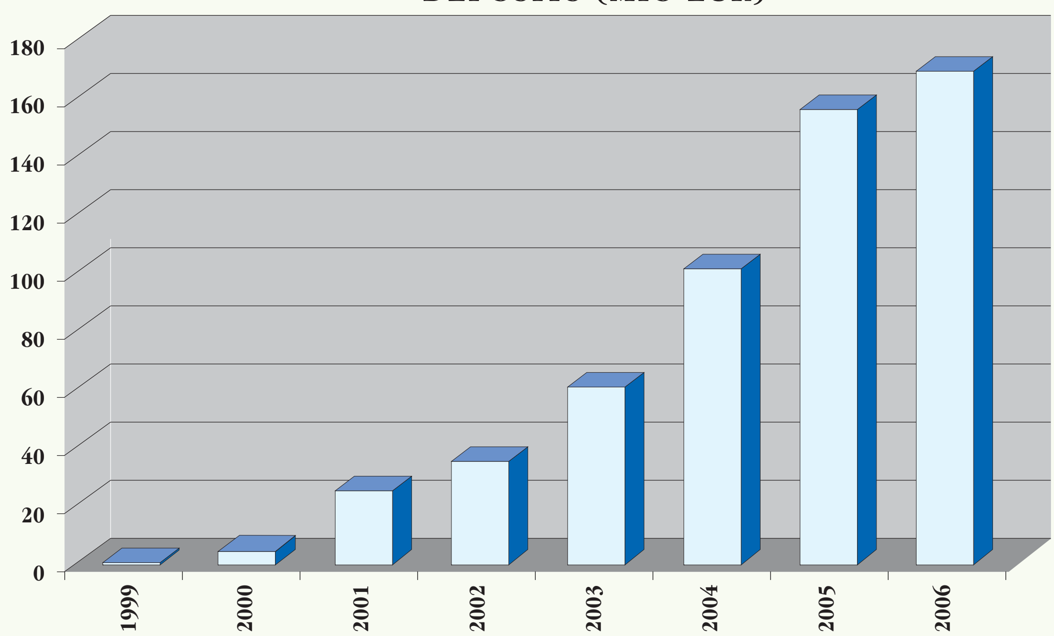
COMPOSITION OF THE LOAN PORTFOLIO



The development of savings accounts and time deposits with an increase of 11.97 % to EUR 168.63 Mio in 2006 was satisfactory.

Our German branches in Frankfurt and Cologne contributed with EUR 103.29 Mio, constituting an increase of 13.63% compared to the previous year. Accordingly the balance sheet total of our German branches increased by 15.28% from EUR 99.2 Mio to EUR 114.36 Mio in 2006. The operational income of our German entities amounted to EUR 0.51.

DEPOSITS (MIO EUR)

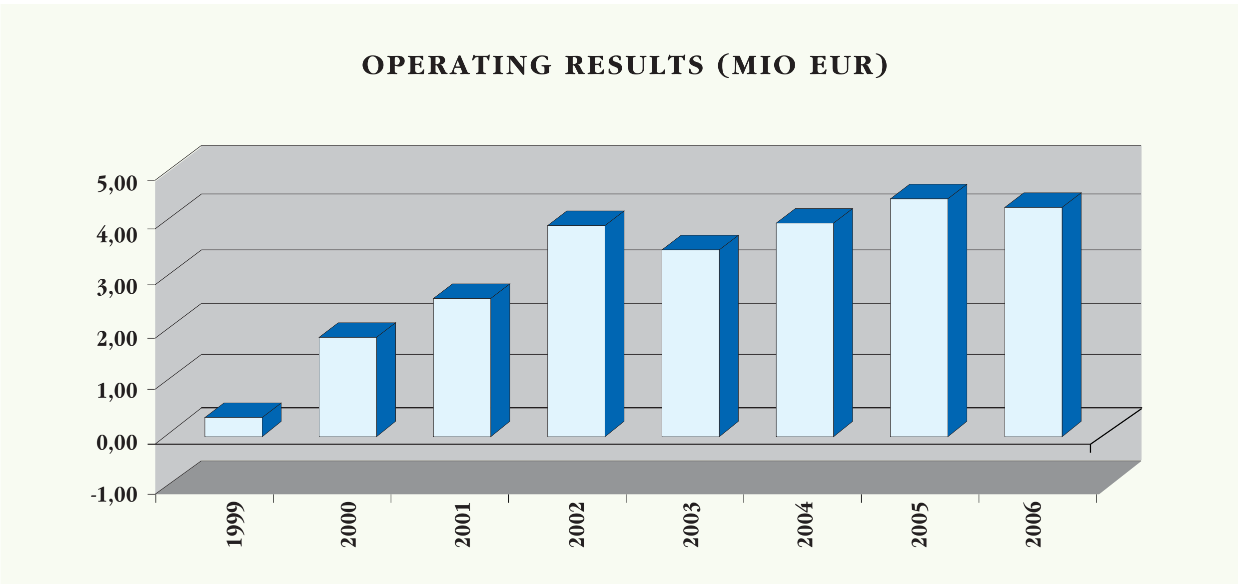


Own Funds

Based on the financial results of 2006, the available own funds to be taken into account according to § 23 BWG increased from EUR 34.62 Mio to EUR 40.03 Mio. The reserves according to § 23 BWG increased from EUR 1.417 Mio to 1.492 Mio Euro. The main part of the increase in the equity is due to retained earnings added to the equity.

Earnings

Net interest income in 2006 was EUR 9.22 Mio (+11.51%) and net commission income was 292 TEUR. Operating costs rose to EUR 5.40 Mio (+12.54%) whereas operating earnings could be increased to EUR 9.60 Mio (+7.55%) thereby improving the operating result to EUR 4.19 Mio. The results from ordinary operations amounted to EUR 4.45 Mio. With an average of 44 employees during the business year and a cost-income-ratio of 56.27 % the return on equity (ROE) was at 14.33 %.



Outlook

In consideration of the implementation of Basel II, we will continue with our medium to long-term strategy to lower the Turkish investments. 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 margin structure. During the financial year we were able to increase the share of assets bearing floating interest rates to 55 %. By continuing this strategy our aim is to increase the share of assets bearing floating interest rates to 60% in 2007.

Our goal for the balance sheet total for 2007 is at EUR 400 Mio, which would constitute a plus of 8% compared to 2006. 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 2007, we expect from our Cologne and Frankfurt Branches to improve further and create new opportunities for the bank in retail banking especially in corporate and private lending. With this goal we moved our head office, which also operates as a branch, to our new location in order to enhance our presence and to come closer to the retail clients.

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

Vienna, 2 April, 2007

REPORT OF THE SUPERVISORY BOARD

The supervisory board held 7 (seven) meetings in the fiscal year 2006. 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 statuary requirements.

The financial statements including notes and situation report of the financial year 2006 were audited and confirmed by Deloitte Wirtschaftsprüfungs GmbH, Vienna. The unqualified audit opinion was given. In compliance with requirements of article 92 section 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 125 section 2 of the companies act at the general meeting held on May 30, 2007.

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 2006.

Vienna, 30.05.2007

Dogan PENCE
Deputy 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, 2006 to December 31, 2006. 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, 2006 and of the results of its operations and its cash-flows for the fiscal year from January 1st, 2006 to December 31, 2006 in accordance with Austrian generally accepted accounting principles. The management report is in accordance with the financial statements.

Vienna, 4 April, 2007

Deloitte Wirtschaftsprüfungs GmbH

Dr. Peter Bitzyk — Mag. Nikolaus Schaffer

Wirtschaftsprüfer

Deloitte Wirtschaftsprüfungs GmbH
Renngasse 1/
Freyung
1013 Wien

This English translation of the audit opinion was prepared for the client's convenience only. It is no legally relevant translation of the German audit opinion.

VAKIFBANK INTERNATIONAL AG

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

PROFIT AND LOSS ACCOUNT 2006

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

BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2006

	31.12.2006		31.12.2005	
ASSETS	**EUR**	**EUR**	**EUR**	**EUR**
1. Cash in hand and balances with central banks		**5.180.366,91**		7.452.063,20
2. Debt instruments issued by public bodies		**24.024.584,62**		26.809.177,77
3. Loans and advances to credit institutions				
a) repayable on demand	**26.886.655,36**		39.334.663,63	
b) other claims	**93.492.265,50**	**120.378.920,86**	28.807.012,17	68.141.675,80
4. Loans and advances to customers		**105.710.706,81**		102.404.770,37
5. Bonds and other fixed income instruments				
a) issued by public sector entites	**72.615.284,23**		74.175.902,94	
b) issued by other borrowers	**31.549.867,85**	**104.165.152,08**	46.715.705,60	120.891.608,54
6. Shares and other non-fixed interest securities		**750.000,00**		745.200,00
7. Investments		**2.020,00**		2.020,00
8. Intangible non current assets		**154.913,05**		197.839,03
9. Tangible fixed assets thereof: land and buildings used by the credit institution in the course of its own business: EUR 315.298,91 (Vj:316 T EUR)		**758.297,98**		797.110,28
10. Other Assets		**9.682.977,03**		8.780.908,16
11. Accrued and deferred items		**84.633,21**		291.649,87
		370.892.572,55		336.514.023,02

off balance sheet items

1. **Foreign Assets**	**304.474.328,75**	283.283.803,81

LIABILITIES AND SHAREHOLDER`S EQUITY	31.12.2006 EUR	EUR	31.12.2005 EUR	EUR
1. Amounts owed to credit institutions				
a) repayable on demand	**15.362.615,58**		9.865.180,92	
b) with agreed maturity dates or period of notice	**141.632.498,10**	**156.995.113,68**	135.597.283,43	145.462.464,35
2. Amounts owed to customers				
a) saving deposits thereof:				
aa) repayable on demand	**4.237.209,53**		5.144.840,66	
ab) with agreed maturity dates or period of notice	**46.245.795,44**		41.143.677,76	
b) other liabilities thereof:				
ba) repayable on demand	**18.337.527,07**		5.438.455,59	
bb) with agreed maturity dates or period of notice	**99.808.764,94**	**168.629.296,98**	98.869.737,41	150.596.711,42
3. Other liabilities		**3.438.465,07**		3.873.728,74
4. Accrued and deferred items		**466.944,44**		475.317,49
5. Provisions				
a) Provisions for severance payments	**62.765,00**		51.566,00	
b) Provisions for taxes	**27.500,00**		179.700,00	
c) other provisions	**1.084.910,17**	**1.175.175,17**	1.060.506,73	1.291.772,73
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	**1.600.000,00**		800.000,00	
b) other reserves	**17.095.732,48**	**18.695.732,48**	12.596.545,56	13.396.545,56
9. Reserve according to section 23 (6) ABA		**1.491.794,73**		1.417.482,73
10. Accumulated profit		**0,00**		0,00
		370.892.572,55		336.514.023,02

off balance sheet items

	31.12.2006	31.12.2005
1. Contingent liabilities	3.983.559,24	4.797.977,25
2. Credit risk	2.077.028,71	5.757.719,73
3. Own funds to be taken into account according to section 23 ABA	40.032.614,16	34.616.189,26
4. Legal minimum capital requirement according to section 22 (1) ABA	9.032.704,00	8.322.000,00
5. Foreign liabilities	187.942.075,42	174.834.232,04

PROFIT AND LOSS STATEMENT FOR THE FINANCIAL YEAR 2006

	31.12.2006		31.12.2005	
	EUR	EUR	EUR	EUR
1. Interest and similar income thereof: from fixed income securities EUR 8.499.073,96 (Vj: 8.501 T EUR)		**20.309.577,97**		17.320.056,26
2. Interest and similar expenses		**-11.093.279,43**		-9.054.926,81
I. NET INTEREST INCOME		**9.216.298,54**		8.265.129,45
3. Fee and commission income		**1.073.381,70**		678.485,15
4. Fee and commission expenses		**-780.993,73**		-605.226,66
5. Income / Expenses from financial transactions		**-46.337,40**		393.413,29
6. Other operating income		**135.817,28**		192.147,13
II. OPERATING INCOME		**9.598.166,39**		8.923.948,36
7. General administrative expenses				
a) Personnel expenses thereof:				
aa) Salaries and wages	**-2.525.580,80**		-2.228.325,72	
ab) Compulsory social security contribution	**-600.261,24**		-506.511,50	
ac) Other social expenses	**-43.383,80**		-39.067,91	
ad) Expenses for pension benefits	**-33.476,08**		-27.008,22	
ae) Expenses for severance payments and contributions to external pension funds	**-21.478,63**	**-3.224.180,55**	-22.030,36	-2.822.943,71
b) Other administrative expenses		**-1.830.256,59**		-1.715.071,52
8. Depreciation for intangible and tangible fixed assets		**-341.295,38**		-223.124,32
9. Other operating expenses		**-8.548,38**		-40.422,05
III. OPERATING EXPENSES		**-5.404.280,90**		-4.801.561,60
IV. OPERATING RESULT		**4.193.885,49**		4.122.386,76
10. Allocation to/Releases of provisions on loan losses and income/loss from sale/valuation of liquidity reserve		**263.234,19**		191.955,85
11. Income/Expenses from sale/valuation of securities valued as financial fixed investments		**-11.065,50**		148.795,86
V. RESULT FROM ORDINARY ACTIVITIES		**4.446.054,18**		4.463.138,47
12. Income tax		**936.559,45**		-362.468,55
13. Other taxes		**-9.114,71**		-3.503,60
VI. ANNUAL SURPLUS		**5.373.498,92**		4.097.166,32
14. Changes in Reserves thereof: Allocation to reserve according to section 23 (6) ABA EUR 74.312 (PY: -3 T EUR)		**-5.373.49892**		-4.097.166,32
VII. ANNUAL PROFIT		**0,00**		0,00
15. Profit carried forward		**0,00**		0,00
VIII. ACCUMULATED PROFIT		**0,00**		0,00

DEVELOPMENT OF FIXED ASSETS

	Acquisition cost as of Jan. 01,2006	Additions	Disposals	Reclassifications	Acquisition cost as of Dec. 31, 2006	Appreciation current period	Accumulated Depreciation A= Appreciation	Book value as of Dec. 31, 2006	Book value as of Dec. 31, 2005	Depreciation current period
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. FINANCIAL INVESTMENTS										
a) Securities										
aa) Issued by public sector	18.740.000,00	0,00	2.574.500,00	8.212.400,00	24.377.900.00	5.320,78 [1]	353.315,38	24.024.584,62	18.596.877,77	289.913,96 [2]
bb) Issued by other borrowers	73.599.426,76	6.818.100,00	9.665.960,00	6.493.500,00	77.245.066.76	163.638,81 [1]	268.333,06	76.976.733,70	73.338.995,45	496.571,86 [2]
	92.339.426,76	**6,818.100,00**	**12.240.460,00**	**14.705.900,00**	**101.622.966.76**	**168.959,59**	**621.648,44**	**101.001.318,32**	**91.935.873,22**	**768.485,82**
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	231.245,72	27.961,80	0,00	0,00	259.207,52	0,00	156.327,96	102.879,56	107.949,53	33.031,77
b) Startup cost	214.235,54	0,00	0,00	0,00	214.235,54	0,00	162.202,04	52.033,50	89.889,50	37.856,00
	445.481,26	**27.961,80**	**0,00**	**0,00**	**473.443,06**	**0,00**	**318.530,00**	**154.913,06**	**197.839,03**	**70.887,77**
IV. TANGIBLE FIXED ASSETS										
a) Leasehold Improvements	1.056.455,74	175.797,92	0,00	0,00	1.232.253,66	0,00	738.043,15	494.210,51	523.933,18	205.520,59
b) Furniture and equipment	473.755,75	51.928,99	0,00	0,00	525.684,74	0,00	265.914,70	259.770,04	264.542,23	56.701,16
c) Vehicles	21.587,16	0,00	0,00	0,00	21.587,16	0,00	17.269,73	4.317,43	8.634,87	4.317,44
d) Low value assets	0,00	3.868,41	3.868,41	0,00	0,00	0,00	0,00	0,00	0,00	3.868,41
	1.551,798,65	**231.595,32**	**3.868,41**	**0,00**	**1.779.525,56**	**0,00**	**1.021.227,58**	**758.297,98**	**797.110,28**	**270.407,60**

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

General Regulations

The annual accounts of VakifBank International AG for the financial year 2006 were prepared 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 Enterprise Code (till December 31, 2006 named as 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 showing no balance, neither 2005 nor 2006, 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 prudence 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 December 31, 2006.

Name and headquarter of the parent company

Financial statements of VakifBank International AG have been consolidated in the financial statements of Türkiye Vakiflar Bankasi T.A.O., Atatürk Bulvari No: 207 Kavaklidere 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".

Intangible and tangible fixed assets	**Years**
Expenditures for establishment	
And extend of an enterprise	4
Intangible fixed assets	10
Investments in premises	10
Furniture and fixture	10
Office machines and IT equipment	4
Vehicles	5

Low value fixed assets (section 13 ITA) amounting to TEUR 4 (previous year (PY) TEUR 7) 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.

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, IT-projects and bonus.

Capital stock

The capital stock is amounting to Euro 16 Mio shares with 1 Euro nominal value for each. Shareholders are Türkiye Vakiflar Bankasi T.A.O., Atatürk Bulvari No:207 Kavaklidere Ankara, Turkey holding 14.40 Mio shares and Türkiye Vakiflar Bankasi T.A.O. Memur ve Hizmetlileri Emekli ve Saglik Yardim Sandigi Vakfi, Atatürk Bulvari No: 87/7 Kavaklidere Ankara, Turkey 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	
	31.12.2006 in EUR	31.12.2005 in T EUR	31.12.2006 in EUR	31.12.2005 in T EUR
Up to 3 month	**56.208.005,39**	46.246	**10.058.178,14**	10.511
More than 3 months up to 1 year	**19.338.179,05**	14.841	**24.980.283,18**	17.216
More than 1 year up to 5 years	**17.946.081,06**	5.225	**52.408.594,95**	72.517
More than 5 years	**0,00**	0,00	**16.127.021,52**	616
Total	**93.492.265,50**	66.312	**103.574.077,79**	100.860

The total amount of assets in foreign currency amounted to EUR 69.697.260,54 (PY EUR 56.43 Mio).

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

	Liabilities			
	Financial Institutions		Others	
	31.12.2006 in EUR	31.12.2005 in T EUR	31.12.2006 in EUR	31.12.2005 in T EUR
Up to 3 months	**119.039.438,68**	90.162	**14.768.681,33**	20.100
More than 3 monts up to 1 year	**12.593.014,42**	46.622	**48.202.418,11**	31.755
More than 1 year up to 5 years	**10.000.000,00**	0	**83.083.460,94**	87.258
More than 5 years	**0,00**	0	**0**	5.397
Total	**141.632.498,10**	136.784	**146.054.560,38**	140.013

The total amount of liabilities in foreign currency amounted to EUR 57.514.110,44 (PY EUR 57.38 Mio).

Securities and other fixed interest bearing securities
Debt instruments issued by public bodies have been reduced by EUR 2.79 Mio from EUR 26.81 Mio to EUR 24.02 Mio. Securities, other fixed income assets and shares decreased from EUR 120.89 Mio to EUR 104.16 Mio due to expiries amounting to EUR 16.73 Mio and fewer new engagements, EUR 26.21 Mio (PY EUR 17.20 Mio) will mature in 2007. Shares increased to EUR 0.75 Mio from EUR 0.74 Mio.

At the balance sheet date fixed assets securities according to section 56/1 ABA amounted for EUR 101.62 Mio (PY EUR 92.34 Mio) valued at acquisition cost.

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 2006 amortization amounted to EUR 0.79 Mio (PY EUR 0.89 Mio). The difference till end of maturity is amounting to EUR 1.04 Mio (PY EUR 1.83 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 in accordance with section 56/3 ABA which in 2006 was EUR 0.17 Mio (PY EUR 0.21 Mio). The difference until maturity is amounting to EUR 0.75 Mio (PY EUR 0.92 Mio).

Quoted bonds and other fixed interest bearing securities and shares of the available for sale portfolio show the difference of EUR 0.52 Mio (PY EUR 0.64 Mio) between acquisition costs and the higher fair values at the balance sheet date. A trading book is not available.

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

Securities amounting to EUR 20.83 Mio (PY 4.97 Mio) were pledged in favour of other financial institutions, short term repo transactions with financial institutions amounted to EUR 63.98 Mio (PY 66.06 Mio) on balance sheet date.

Notes to transactions with affiliated companies
We have only related company transactions with our parent company T. Vakiflar Bankasi T.A.O. The assets are amounting to EUR 11.01 Mio, EUR 3.85 Mio hereof in foreign currency. Liabilities are amounting to EUR 15.30 Mio (PY EUR 27.82 Mio), EUR 3.34 Mio thereof are in foreign currency (PY EUR 2.12 Mio). Guarantees received from T. Vakiflar Bankasi T.A.O. have a balance of EUR 3.13 Mio.

Other assets
Other assets amounting to EUR 9.68 Mio (PY EUR 8.78 Mio) mainly consist of accrued interest from securities, forfaiting transactions and loans in the amount of EUR 8.79 Mio (PY EUR 7.95 Mio).

Other Liabilities
Other liabilities in the amount of EUR 3.44 Mio (PY EUR 3.87 Mio) include accrued interest amounting to EUR 2.37 Mio (PY EUR 2.85 Mio).

Off-Balance sheet Items
Loan granting commitments contain an irrevocable commitment to Turkish Treasury Department (Ministry of Finance of the Republic of Turkey) amounting to USD 1.26 Mio (EUR-equivalent 0.96 Mio).

Others

Liabilities due from using assets not mentioned in the balance sheet are amounting to TEUR 298 (PY TEUR 239) for the next financial year. Total liabilities for the subsequent 5 years are amounting to TEUR 1.490 (PY TEUR 1.190).

Expenses for the leasing of vehicles and office machines are approximately TEUR 42 (PY TEUR 35) for the next financial year and TEUR 210 (PY TEUR 175) for the next 5 years.

The option to capitalize deferred tax assets pursuant to section 198 (10) AEC was 9.37 TEUR (PY 3.50 TEUR).

As of balance sheet date forward transactions amounted to EUR 20.05 Mio (PY EUR 3.81 Mio).

„Expenses for severance payments and contributions to external pension funds“ consist of severance payments for 11 TEUR (PY 15 TEUR) and contributions to external pension funds of 10 TEUR (PY 7 TEUR) included.

Notes to financial instruments according to section 237a/1/1 AEC:

On the balance sheet date our records showed an Interest Rate Swap with nominal value EUR 3.70 Mio. The Interest Rate Swap has a fair value of –87 TEUR (PY TEUR –113) and book value of –109 TEUR (PY TEUR –97). The Interest Rate Swap is used as a micro hedge for a bond with same nominal value and same maturity.

Financial instruments valued above their fair values are listed as follows:

in TEUR	Book value 31.12.2006	Silent payables	Book value 31.12.2005	Silent Payables
Debt instruments issued by public bodies	16.797	-268	8.846	-109
Bonds and other fixed Income instruments	19.832	-424	7.102	-21

Silent payables are mainly caused by the latest fluctuations in the market prices of bonds, shares and investments. Generally speaking the issuer's credibility remained unchanged.

Details concerning executive bodies and staff

The average number of staff during the financial year amounted to 44 (PY 40).

The Supervisory Board was made up as follows during the year 2006:

Bilal Karaman, Chairman

Hüseyin Durmaz, Deputy Chairman until 11.07.2006

Dogan Pence, Deputy Chairman since 11.07.2006

Tanju Yüksel, Member of the Supervisory Board

Kerim Karakaya, Member of the Supervisory Board until 11.07.2006

E. Tosun Karay, Member of the Supervisory Board until 11.07.2006

Onur Yilmaz, Member of the Supervisory Board

Sahin Ugur, Member of the Supervisory Board

Remzi Altinok, Member of the Supervisory Board since 24.10.2006

Metin Recep Zafer, Member of the Supervisory Board since 11.07.2006

Adem Terbillioglu, Member of the Supervisory Board from 11.07.2006 to 11.09.2006

The Executive Board during the year 2006 consisted of

Numan Bek, Chairman

Vedat Pakdil, Deputy Chairman

Metin Yildirim, Member of the Management Board until 15.09.2006

Muhsin Saglam, Member of the Management Board until 22.12.2006

Birgül Denli, Member of the Management Board until 30.06.2006

Ugur Yesil, Member of the Management Board since 22.12.2006

Guarantees amounting to TEUR 3.50 were given on behalf of members of the executive board. In the year 2006 the total amount of salaries for the members of the executive board was TEUR 550.97 (PY TEUR 590.20).

Vienna, 2 April 2007

VakifBank International AG