

**TÜRKİYE VAKIFLAR BANKASI T.A.O.**

**UNCONSOLIDATED 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)*

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

**TÜRKİYE VAKIFLAR BANKASI T.A.O.**

**INDEPENDENT AUDITORS' REPORT FOR THE PERIOD BETWEEN  
JANUARY 01- DECEMBER 31, 2006**

We have audited the accompanying unconsolidated financial statements of Türkiye Vakıflar Bankası T.A.O. ('the Bank'), which comprise the balance sheet as at 31 December 2006 and the statement of income, 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 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 guidances 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 these 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.

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

*Independent Auditors' Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Türkiye Vakıflar Bankası T.A.O. as of 31 December 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, March 08, 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 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)*

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

**TÜRKİYE VAKIFLAR BANKASI T.A.O.**

**UNCONSOLIDATED FINANCIAL REPORT  
AS OF DECEMBER 31, 2006**

The Bank's;

Address of the head office : Atatürk Bulvarı No: 207 Kavaklıdere/ANKARA  
Phone number : (0 312) 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](mailto: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:** UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section 3:** ACCOUNTING POLICIES
- **Section 4:** FINANCIAL STRUCTURE OF THE BANK
- **Section 5:** DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section 6:** OTHER DISCLOSURES AND NOTES
- **Section 7:** INDEPENDENT AUDITORS' REPORT

The unconsolidated 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> Chairman of Board of Directors	<b>Cem DEMİRAĞ</b> Member of Board of Directors and Audit Committee	<b>M. Zeki AKILLIOĞLU</b> Member of Board of Directors and Audit Committee	<b>Bilal KARAMAN</b> Chief Executive Officer	<b>Dr. Metin Recep ZAFER</b> Deputy Chief Executive Officer	<b>Ş. Mehmet BOZ</b> Manager of Accounting Department
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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  
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**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED  
DISCLOSURES AND NOTES ORIGINALLY ISSUED IN TURKISH)  
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**TÜRKİYE VAKIFLAR BANKASI T.A.O.**

**UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2006**

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

**SECTION ONE: GENERAL INFORMATION ABOUT THE BANK**

**I. HISTORY OF THE BANK INCLUDING ITS INCORPORATION DATE, INITIAL LEGAL STATUS, AMENDMENTS TO LEGAL STATUS**

Türkiye Vakıflar Bankası T.A.O. 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 the Bank' activities and services".

**II. THE 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 THE 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.

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

**TÜRKİYE VAKIFLAR BANKASI T.A.O.**

**UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2006**

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

**SECTION ONE: GENERAL INFORMATION ABOUT THE BANK**

**III. INFORMATION ON THE 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:

Name Surname	Administrative Function	Appointment Date	Education	Experience in Banking and Business Administration
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.

Title	Shares	Ownership (%)	Paid-in Capital	Unpaid Portion
Vakıflar Genel Müdürlüğü (A Group)	1,075,059	43.00	1,075,059	-
Vakıflar Genel Müdürlüğü (B Group)	386,224	15.45	386,224	-
T Vakıflar Bankası T.A.O Emekli ve Sağlık Yardım Sandığı Başk. (C Group)	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.

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

**TÜRKİYE VAKIFLAR BANKASI T.A.O.**

**UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2006**

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

**SECTION ONE: GENERAL INFORMATION ABOUT THE BANK**

**V. SUMMARY INFORMATION ON THE 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.**

**UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2006**

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

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- I. Balance Sheet (APP:1-A)
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- III. Statement of Income (APP: 1-C)
- IV. Statement of Shareholders’ Equity (APP: 1-D)
- V. Statement of Cash Flow (APP: 1-E)
- VI. Statement of Profit Distribution (APP: 1-F)

BALANCE SHEET		Notes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
			CURRENT PERIOD (31/12/2006)			PRIOR PERIOD (31/12/2005)		
			YTL	FC	Total	YTL	FC	Total
<b>I.</b>	<b>CASH AND BALANCES WITH CENTRAL BANK</b>	(1)	<b>1,652,164</b>	<b>1,131,019</b>	<b>2,783,183</b>	<b>1,397,142</b>	<b>946,178</b>	<b>2,343,320</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	(2)	<b>8,392</b>	<b>462,091</b>	<b>470,483</b>	<b>365,904</b>	<b>713,631</b>	<b>1,079,535</b>
2.1	Financial assets held for trading		8,392	462,055	470,447	365,901	713,631	1,079,532
2.1.1	Government debt securities		-	-	-	340,291	671	340,962
2.1.2	Share certificates		8,392	-	8,392	25,610	-	25,610
2.1.3	Other securities		-	462,055	462,055	-	712,960	712,960
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>512,809</b>	<b>2,550,682</b>	<b>3,063,491</b>	<b>579,496</b>	<b>1,547,333</b>	<b>2,126,829</b>
<b>IV.</b>	<b>INTERBANK MONEY MARKETS</b>		<b>871,800</b>	<b>-</b>	<b>871,800</b>	<b>2,651,080</b>	<b>-</b>	<b>2,651,080</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		-	-	-	-	-	-
4.3	Receivables from reverse repurchase agreements		120,707	-	120,707	1,149,955	-	1,149,955
<b>V.</b>	<b>INVESTMENT SECURITIES AVAILABLE-FOR-SALE (Net)</b>	(4)	<b>6,483,350</b>	<b>3,430,188</b>	<b>9,913,538</b>	<b>6,688,020</b>	<b>3,220,036</b>	<b>9,908,056</b>
5.1	Share certificates		99,142	-	99,142	94,067	-	94,067
5.2	Government debt securities		6,384,208	2,114,569	8,498,777	6,593,953	2,136,947	8,730,900
5.3	Other securities		-	1,315,619	1,315,619	-	1,083,089	1,083,089
<b>VI.</b>	<b>LOANS</b>	(5)	<b>12,366,263</b>	<b>5,676,977</b>	<b>18,043,240</b>	<b>8,756,062</b>	<b>3,286,330</b>	<b>12,042,392</b>
6.1	Performing loans		12,366,263	5,676,977	18,043,240	8,756,062	3,286,330	12,042,392
6.2	Loans under follow-up		1,002,047	-	1,002,047	998,927	-	998,927
6.3	Specific provisions (-)		1,002,047	-	1,002,047	998,927	-	998,927
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII.</b>	<b>INVESTMENT SECURITIES HELD-TO-MATURITY (Net)</b>	(6)	<b>-</b>	<b>48,391</b>	<b>48,391</b>	<b>340,647</b>	<b>30,927</b>	<b>371,574</b>
8.1	Government debt securities		-	-	-	340,647	5,998	346,645
8.2	Other securities		-	48,391	48,391	-	24,929	24,929
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	<b>19,526</b>	<b>-</b>	<b>19,526</b>	<b>20,861</b>	<b>6,326</b>	<b>27,187</b>
9.1	Financial investments in associates		17,548	-	17,548	19,338	6,326	25,664
9.2	Non-financial investments in associates		1,978	-	1,978	1,523	-	1,523
<b>X.</b>	<b>INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	<b>355,882</b>	<b>33,187</b>	<b>389,069</b>	<b>535,124</b>	<b>50,158</b>	<b>585,282</b>
10.1	Financial investments in subsidiaries		232,561	33,187	265,748	273,627	50,158	323,785
10.2	Non-financial investments in subsidiaries		123,321	-	123,321	261,497	-	261,497
<b>XI.</b>	<b>INVESTMENTS IN JOINT-VENTURES (Net)</b>	(9)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Financial investments in joint-ventures		-	-	-	-	-	-
11.2	Non-financial investments in joint-ventures		-	-	-	-	-	-
<b>XII.</b>	<b>LEASE RECEIVABLES (Net)</b>	(10)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1	Financial lease receivables		-	-	-	-	-	-
12.2	Operational lease receivables		-	-	-	-	-	-
12.3	Others		-	-	-	-	-	-
12.4	Unearned income (-)		-	-	-	-	-	-
<b>XIII.</b>	<b>HEDGING PURPOSE DERIVATIVES</b>	(11)	<b>9,969</b>	<b>24</b>	<b>9,993</b>	<b>-</b>	<b>-</b>	<b>-</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>861,917</b>	<b>190</b>	<b>862,107</b>	<b>1,006,763</b>	<b>155</b>	<b>1,006,918</b>
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	(13)	<b>32,901</b>	<b>394</b>	<b>33,295</b>	<b>22,588</b>	<b>412</b>	<b>23,000</b>
15.1	Goodwill		30	-	30	40	-	40
15.2	Other intangibles		32,871	394	33,265	22,548	412	22,960
<b>XVI.</b>	<b>TAX ASSETS</b>	(14)	<b>89,805</b>	<b>-</b>	<b>89,805</b>	<b>100,185</b>	<b>-</b>	<b>100,185</b>
16.1	Current tax assets		-	-	-	-	-	-
16.2	Deferred tax assets		89,805	-	89,805	100,185	-	100,185
<b>XVII.</b>	<b>ASSETS HELD FOR SALE</b>	(15)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVIII.</b>	<b>OTHER ASSETS</b>	(16)	<b>203,660</b>	<b>232,382</b>	<b>436,042</b>	<b>260,674</b>	<b>92,393</b>	<b>353,067</b>
<b>TOTAL ASSETS</b>			<b>23,468,438</b>	<b>13,565,525</b>	<b>37,033,963</b>	<b>22,724,546</b>	<b>9,893,879</b>	<b>32,618,425</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

BALANCE SHEET	Notes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD (31/12/2006)			PRIOR PERIOD (31/12/2005)		
		YTL	FC	Total	YTL	FC	Total
<b>I. DEPOSITS</b>	(1)	17,562,632	7,279,428	24,842,060	16,552,824	6,608,267	23,161,091
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	-	35	35	-	-	-
<b>III. FUNDS BORROWED</b>	(3)	61,991	4,935,145	4,997,136	38,999	3,493,833	3,532,832
<b>IV. INTERBANK MONEY MARKETS</b>		909	1,369,185	1,370,094	20,376	87,838	108,214
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Obligations under repurchase agreements		909	1,369,185	1,370,094	20,376	87,838	108,214
<b>V. SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		139,922	-	139,922	151,597	-	151,597
<b>VII. MISCELLANEOUS PAYABLES</b>		310,497	7,863	318,360	262,368	11,084	273,452
<b>VIII. OTHER EXTERNAL SOURCES PAYABLE</b>	(4)	51,279	153,999	205,278	67,127	174,593	241,720
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	(5)	-	12,494	12,494	-	23,111	23,111
10.1 Financial lease payables		-	13,422	13,422	-	25,395	25,395
10.2 Operational lease payables		-	-	-	-	-	-
10.3 Others		-	-	-	-	-	-
10.4 Deferred expenses (-)		-	928	928	-	2,284	2,284
<b>XI. HEDGING PURPOSE DERIVATIVES</b>	(6)	-	3,707	3,707	-	-	-
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)	372,354	4,508	376,862	413,527	3,107	416,634
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		113,687	-	113,687	98,686	-	98,686
12.4 Insurance technical provisions (Net)		-	-	-	-	-	-
12.5 Other provisions		132,712	-	132,712	230,886	-	230,886
<b>XIV. TAX LIABILITIES</b>	(9)	247,697	32,889	280,586	298,516	43,887	342,403
14.1 Current tax liabilities		247,697	975	248,672	298,516	201	298,717
14.2 Deferred tax liabilities		-	31,914	31,914	-	43,686	43,686
<b>XV. PAYABLES FOR ASSETS HELD FOR SALE</b>	(10)	-	-	-	-	-	-
<b>XIII. SUBORDINATED DEBTS</b>		-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	(11)	4,431,608	55,821	4,487,429	4,277,785	89,586	4,367,371
16.1 Paid-in capital		2,500,000	-	2,500,000	1,279,000	-	1,279,000
16.2 Capital reserves		858,017	55,821	913,838	2,097,416	89,586	2,187,002
16.2.1 Share premium		723,918	-	723,918	1,172,347	-	1,172,347
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Securities value increase fund		98,957	55,821	154,778	309,740	89,586	399,326
16.2.4 Revaluation surplus on tangible assets		-	-	-	5,898	-	5,898
16.2.5 Revaluation surplus on intangible assets		-	-	-	-	-	-
16.2.6 Bonus shares of associates, subsidiaries and joint-ventures		35,142	-	35,142	3,668	-	3,668
16.2.7 Hedging reserves (effective portion)		-	-	-	-	-	-
16.2.8 Revaluation surplus on assets held for sale		-	-	-	-	-	-
16.2.9 Other capital reserves		-	-	-	605,763	-	605,763
16.3 Profit reserves		264,632	-	264,632	326,970	-	326,970
16.3.1 Legal reserves		102,658	-	102,658	52,868	-	52,868
16.3.2 Status reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		-	-	-	146,750	-	146,750
16.3.4 Other profit reserves		161,974	-	161,974	127,352	-	127,352
16.4 Profit or loss		808,959	-	808,959	574,399	-	574,399
16.4.1 Prior periods profit/(loss)		39,229	-	39,229	46,826	-	46,826
16.4.2 Current period profit/(loss)		769,730	-	769,730	527,573	-	527,573
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>23,178,889</b>	<b>13,855,074</b>	<b>37,033,963</b>	<b>22,083,119</b>	<b>10,535,306</b>	<b>32,618,425</b>

The accompanying notes are an integral part of these unconsolidated financial statements.

OFF-BALANCE SHEET ITEMS	Notes	THOUSANDS OF NEW TURKISH LIRA (YTL)					
		CURRENT PERIOD (31/12/2006)			PRIOR PERIOD (31/12/2005)		
		YTL	FC	Total	YTL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)</b>		<b>4,814,855</b>	<b>3,380,234</b>	<b>8,195,089</b>	<b>4,547,852</b>	<b>3,070,884</b>	<b>7,618,736</b>
<b>I. GUARANTEES AND SURETIES</b>	(1), (3)	<b>1,796,182</b>	<b>3,014,367</b>	<b>4,810,549</b>	<b>1,618,173</b>	<b>3,020,187</b>	<b>4,638,360</b>
1.1. Letters of guarantee		1,796,088	1,423,832	3,219,920	1,618,057	1,353,075	2,971,132
1.1.1. Guarantees subject to State Tender Law		467,716	139,991	607,707	467,681	86,715	554,396
1.1.2. Guarantees given for foreign trade operations		1	189	190	97,272	119	97,391
1.1.3. Other letters of guarantee		1,328,371	1,283,652	2,612,023	1,053,104	1,266,241	2,319,345
1.2. Bank acceptances		-	354,923	354,923	-	312,486	312,486
1.2.1. Import letter of acceptance		-	43,988	43,988	-	44,524	44,524
1.2.2. Other bank acceptances		-	310,935	310,935	-	267,962	267,962
1.3. Letters of credit		-	1,225,892	1,225,892	-	1,343,999	1,343,999
1.3.1. Documentary letters of credit		-	1,225,892	1,225,892	-	1,343,999	1,343,999
1.3.2. Other letters of credit		-	-	-	-	-	-
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	116	6,334	6,450
1.9. Other sureties		-	-	-	-	1,637	1,637
<b>II. COMMITMENTS</b>	(1), (3)	<b>2,935,513</b>	<b>64,059</b>	<b>2,999,572</b>	<b>2,929,679</b>	<b>41,173</b>	<b>2,970,852</b>
2.1. Irrevocable commitments		2,927,418	11,826	2,939,244	2,913,721	13,924	2,927,645
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	11,826	12,373	548	13,924	14,472
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
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		10,447	-	10,447	-	-	-
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>301,808</b>	<b>384,968</b>	<b>-</b>	<b>9,524</b>	<b>9,524</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		-	9,837	9,837	-	9,524	9,524
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		-	-	-	-	-	-
3.2.2.1. Currency swaps-purchases		-	-	-	-	-	-
3.2.2.2. Currency swaps-sales		-	-	-	-	-	-
3.2.2.3. Interest rate swaps-purchases		-	-	-	-	-	-
3.2.2.4. Interest rate swaps-sales		-	-	-	-	-	-
3.2.3. Currency, interest rate and security options		-	-	-	-	-	-
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		-	-	-	-	-	-
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>33,320,788</b>	<b>7,229,953</b>	<b>40,550,741</b>	<b>26,001,902</b>	<b>5,829,965</b>	<b>31,831,867</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>11,734,986</b>	<b>485,078</b>	<b>12,220,064</b>	<b>9,842,134</b>	<b>463,897</b>	<b>10,306,031</b>
4.1. Customers' securities held		-	13,618	13,618	-	13,083	13,083
4.2. Investment securities held in custody		11,109,692	30,674	11,140,366	9,408,307	31,323	9,439,630
4.3. Checks received for collection		223,854	116,902	340,756	122,567	41,730	164,297
4.4. Commercial notes received for collection		111,527	125,522	237,049	71,024	93,047	164,071
4.5. Other assets received for collection		6,545	478	7,023	2,757	126	2,883
4.6. Assets received through public offering		-	116	116	-	108	108
4.7. Other items under custody		171,691	5,600	177,291	182,651	5,380	188,031
4.8. Custodians		111,677	192,168	303,845	54,828	279,100	333,928
<b>V. PLEDGED ITEMS</b>		<b>21,585,802</b>	<b>6,744,875</b>	<b>28,330,677</b>	<b>16,159,768</b>	<b>5,366,068</b>	<b>21,525,836</b>
5.1. Securities		928,482	35,278	963,760	1,055,088	29,440	1,084,528
5.2. Guarantee notes		294,585	320,358	614,943	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		14,139,270	5,703,996	19,843,266	11,199,470	4,394,205	15,593,675
5.6. Other pledged items		150,780	670,661	821,441	61,667	644,522	706,189
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>38,135,643</b>	<b>10,610,187</b>	<b>48,745,830</b>	<b>30,549,754</b>	<b>8,900,849</b>	<b>39,450,603</b>

STATEMENT OF INCOME		THOUSANDS OF NEW TURKISH LIRA (YTL)		
INCOME AND EXPENSE ITEMS		Notes	CURRENT PERIOD ( 31/12/2006)	PRIOR PERIOD ( 31/12/2005)
<b>I.</b>	<b>INTEREST INCOME</b>	(1)	<b>4,408,988</b>	<b>3,592,256</b>
1.1	Interest income from loans		2,486,747	1,878,701
1.2	Interest income from reserve deposits		124,223	90,181
1.3	Interest income from banks		118,961	56,922
1.4	Interest income from money market transactions		264,531	249,576
1.5	Interest income from securities portfolio		1,414,526	1,316,839
1.5.1	Financial assets held for trading		131,400	235,800
1.5.2	Financial assets designated at fair value		-	-
1.5.3	Investment securities available-for-sale		1,270,981	1,061,926
1.5.4	Investments securities held-to-maturity		12,145	19,113
1.6	Financial lease income		-	-
1.7	Other interest income		-	37
<b>II.</b>	<b>INTEREST EXPENSE</b>	(2)	<b>2,823,738</b>	<b>2,272,865</b>
2.1	Interest on deposits		2,559,896	2,131,012
2.2	Interest on funds borrowed		203,486	115,517
2.3	Interest on money market transactions		57,705	23,495
2.4	Interest on securities issued		-	-
2.5	Other interest expenses		2,651	2,841
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>1,585,250</b>	<b>1,319,391</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME</b>		<b>288,374</b>	<b>293,672</b>
4.1	Fees and commissions received		413,628	388,684
4.1.1	Cash loans		36,479	24,991
4.1.2	Non-cash loans		46,529	37,727
4.1.3	Others		330,620	325,966
4.2	Fees and commissions paid		125,254	95,012
4.2.1	Cash loans		10,690	3,904
4.2.2	Non-cash loans		2	3
4.2.3	Others		114,562	91,105
<b>V.</b>	<b>DIVIDEND INCOME</b>		<b>16,557</b>	<b>10,278</b>
<b>VI.</b>	<b>NET TRADING INCOME/LOSSES</b>		<b>47,782</b>	<b>175,670</b>
6.1	Trading account income/losses (Net)		45,490	130,783
6.2	Foreign exchange gains/losses (Net)		2,292	44,887
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(3)	<b>343,326</b>	<b>129,026</b>
<b>VIII.</b>	<b>TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>2,281,289</b>	<b>1,928,037</b>
<b>IX.</b>	<b>PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)</b>	(4)	<b>323,361</b>	<b>444,885</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	(5)	<b>935,331</b>	<b>731,661</b>
<b>XI.</b>	<b>NET OPERATING PROFIT/(LOSS) (VIII-IX-X)</b>		<b>1,022,597</b>	<b>751,491</b>
<b>XII.</b>	<b>INCOME RESULTING FROM MERGERS</b>		-	-
<b>XIII.</b>	<b>INCOME/(LOSS) FROM INVESTMENTS UNDER EQUITY ACCOUNTING</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>1,022,597</b>	<b>751,491</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES</b>	(7)	<b>252,867</b>	<b>223,917</b>
16.1	Current tax charge		180,612	263,095
16.2	Deferred tax charge/(credit)		72,255	(39,178)
<b>XVII.</b>	<b>NET OPERATING PROFIT/(LOSS) AFTER TAXES (XV-XVI)</b>	(8)	<b>-</b>	<b>(1)</b>
17.1	Discontinued operations		-	-
17.2	Others		-	(1)
<b>XVIII.</b>	<b>NET PROFIT/(LOSS) (XV-XVI)</b>	(9)	<b>769,730</b>	<b>527,573</b>
	Earnings per share		0.003	0.004

The accompanying notes are an integral part of these unconsolidated financial statements.



STATEMENT OF CASH FLOWS	THOUSANDS OF NEW TURKISH LIRAS (YTL)		
	Notes	CURRENT PERIOD (31/12/2006)	PRIOR PERIOD (31/12/2005)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating profit before changes in operating assets and liabilities		428,860	562,957
1.1.1 Interests received		4,216,355	3,590,525
1.1.2 Interests paid		2,750,757	2,272,865
1.1.3 Dividend received		16,557	10,277
1.1.4 Fees and commissions received		413,628	388,684
1.1.5 Other income		390,385	304,696
1.1.6 Collections from previously written-off loans and other receivables		234,351	382,602
1.1.7 Payments to personnel and service suppliers		363,621	324,367
1.1.8 Taxes paid		681,701	30,448
1.1.9 Others	(1)	(1,046,337)	(1,486,147)
1.2 Changes in operating assets and liabilities		(1,260,947)	4,578,703
1.2.1 Net (increase) decrease in financial assets held for trading		517,436	1,799,391
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 institutions		43,713	78,586
1.2.4 Net (increase) decrease in loans		(5,856,505)	(3,460,412)
1.2.5 Net (increase) decrease in other assets		(358,964)	(124,893)
1.2.6 Net increase (decrease) in bank deposits		1,171,303	(272,430)
1.2.7 Net increase (decrease) in other deposits		1,720,606	5,633,628
1.2.8 Net increase (decrease) in funds borrowed		1,450,155	966,876
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	(1)	51,309	(42,043)
I. Net cash flow from banking operations		(832,087)	5,141,660
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
II. Net cash flow from investing activities		642,228	(4,465,250)
2.1 Cash paid for acquisition of associates, subsidiaries and joint-ventures		7,690	7,408
2.2 Cash obtained from disposal of associates, subsidiaries and joint-ventures		6,599	1,143
2.3 Acquisition of tangible assets		66,838	(69,620)
2.4 Disposal of tangible assets		296,031	166,652
2.5 Cash paid for purchase of investment securities available-for-sale		103,228	3,910,702
2.6 Cash obtained from disposal of investment securities available-for-sale		-	-
2.7 Cash paid for purchase of investment securities held-to-maturity		446,324	191,140
2.8 Cash obtained from disposal of investment securities held-to-maturity		758,713	-
2.9 Others	(1)	204,965	(593,415)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
III. Net cash flow from financing activities		(402,088)	1,664,691
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	(213,344)
3.3 Equity instruments issued		-	1,451,347
3.4 Dividends paid		440,352	-
3.5 Payments for financial leases		10,617	-
3.6 Others	(1)	48,881	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(1)	94,082	215
V. Net (decrease)/increase in cash and cash equivalents (I+II+III+IV)		(497,865)	2,341,316
VI. Cash and cash equivalents at beginning of period		6,386,863	4,045,547
VII. Cash and cash equivalents at end of period (V+VI)		5,888,998	6,386,863

The accompanying notes are an integral part of these unconsolidated financial statements.

STATEMENT OF PROFIT DISTRIBUTION	THOUSANDS OF NEW TURKISH LIRAS (YTL)	
	CURRENT PERIOD ( 31/12/2006) (*)	PRIOR PERIOD ( 31/12/2005)
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1 CURRENT PERIOD PROFIT	1,022,597	751,491
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	252,867	223,917
1.2.1 Corporate tax (income tax)	180,612	263,095
1.2.2 Withholding tax	-	-
1.2.3 Other taxes and duties	72,255	(39,178)
<b>A. NET PROFIT FOR THE PERIOD (1.1-1.2)</b>	<b>769,730</b>	<b>527,574</b>
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	38,487	24,895
1.5 OTHER STATUTORY RESERVES (-)	38,486	24,894
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>692,757</b>	<b>477,785</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	399,352
1.6.1 To owners of ordinary shares	-	399,352
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of redeemed shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	41,000
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of redeemed shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	37,433
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of redeemed shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 TO OWNERS OF ORDINARY SHARES	0.003	0.004
3.2 TO OWNERS OF ORDINARY SHARES (%)	0.3	0.4
3.3 TO OWNERS OF PRIVILEGED SHARES		
3.4 TO OWNERS OF PRIVILEGED SHARES (%)		
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES		
4.2 TO OWNERS OF ORDINARY SHARES (%)		
4.3 TO OWNERS OF PRIVILEGED SHARES		
4.4 TO OWNERS OF PRIVILEGED SHARES (%)		

(\*)Since General Assembly has not been hold as of the report date, profit distribution for the current period is not presented.



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**SECTION THREE: ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

**1) Preparation and presentation of the unconsolidated 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 unconsolidated 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 Bank has prepared its 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.

**1. Effect of Adjustments on Prior Period Profit:**

	<b>31 December 2005</b>
Prior Period Profit before TAS Adjustments	535,170
<i>Reserve for Employee Termination Benefits</i>	<i>(11,227)</i>
<i>Valuation Differences on Financial Assets</i>	<i>1,731</i>
<i>Deferred Tax Differences</i>	<i>1,899</i>
Total Adjustments	<i>(7,597)</i>
Prior Period Profit after TAS Adjustments	527,573

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

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

**2) Disclosures for the first-time adoption of Turkish Accounting Standards: (continued)**

**2. Effect of Adjustments on Shareholders’ Equity:**

	<b>31 December 2005</b>	<b>1 January 2005</b>
Shareholders’ Equity before TAS Adjustments	4,261,408	2,012,203
<i>Reserve for Employee Termination Benefits</i>	(85,976)	(74,749)
<i>Valuation Differences on Financial Assets</i>	218,437	187,193
<i>Deferred Tax Differences</i>	(26,492)	(22,489)
<b>Total Adjustments</b>	<b>105,962</b>	<b>89,955</b>
Shareholders’ Equity after TAS Adjustments	4,367,370	2,102,158

**3) Accounting principles and valuation methods used in the preparation of financial statements:**

Accounting principles and valuation methods used in preparation of 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 I.2).

**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 booked in “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.

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

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

**4) Preparation of financial statements according to the purchasing power of New Turkish Lira (YTL):**

Financial statements of the Bank were held to 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 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 the Bank is composed of deposits with different maturities which are invested in assets realizing higher returns. In addition to deposits, the Bank has access to medium- and long-term borrowings via the foreign currency borrowings from abroad. The 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, the 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.

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.

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

**III. FORWARD, OPTIONS AND OTHER DERIVATIVE TRANSACTIONS**

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.

**IV. INTEREST INCOME AND EXPENSES**

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.

**V. 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.

**VI. 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.

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

**VI. FINANCIAL ASSETS (continued)**

**a) Financial assets at fair value through profit or loss: (continued)**

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, no correction has been 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.

**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.

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

**VI. FINANCIAL ASSETS (continued)**

**b) Investment securities available for sale: (continued)**

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. 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 the 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 by The Bank 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.

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

**VI. 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.

**VII. 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.

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

**VIII. 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.

**IX. REPURCHASE AND REVERSE REPURCHASE AGREEMENTS AND SECURITIES LENDING**

Securities subject to repo (repurchase agreements), retained in the Bank’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 booked 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 Bank as of 31 December 2006.

**X. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

There have been no assets held for sale and discontinued operations of the Bank as of 31 December 2006.



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

**XI. 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.

**XII. 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 shareholders' equity.
- 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.

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

**XIII. 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.

The Bank does not provide financial leasing services as a "Lessor".

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

**XIV. 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 Bank 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 Bank, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

**XV. OBLIGATION OF THE BANK CONCERNING EMPLOYEE RIGHTS**

Obligations related to employment termination and vacation rights are accounted for in accordance with TAS 19 "Employee Rights".

- a) The Bank 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.

Total effect of changes in accounting policies on the financial statements has been YTL 100,000 thousand for employee termination benefits and leave of absence allowance (31.12 2006- YTL 14,024 thousand, 31.12.2005- YTL 85,976 thousand).

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

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

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

**XVI. 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 amounting to YTL 179,254 thousands for the current period is recognized under "Current tax Liability".

The 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.

Deferred tax assets and YTL and FC denominated deferred tax liabilities of the Bank are YTL 89,805 thousand and YTL 31,914 thousand respectively as of 31 December 2006. As a result of revision to financial statements in accordance with TAS standards, YTL 17,195 thousands deferred tax assets and YTL 43,686 thousands deferred tax liabilities have been additionally reflected to the financial statements. However, the 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 standards. Additionally, the Bank converted deferred tax differences related to revaluation of financial assets denominated in FC into YTL using the rates effective as of 31 December 2006 in the above-mentioned financial statements. There have been no corrections booked in the financial statements due to immateriality.

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

**XVII. BORROWINGS**

The 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 Bank pursues strategies to protect itself against liquidity risk, interest rate risk and exchange rate risk regarding these financial liabilities.

**XVIII. SHARES AND SHARE ISSUANCES**

Transaction costs related to share issue are deducted from shareholders’ equity.

**XIX. 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.

**XX. GOVERNMENT INCENTIVES**

As of 31 December 2006, the Bank does not have any government incentives or aids.

**XXI. OTHER DISCLOSURES**

None.

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

**I. CAPITAL ADEQUACY STANDARD RATIO:**

- a) The Bank's capital adequacy ratio is 19.72 % 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 BANK (continued)**

**I. CAPITAL ADEQUACY STANDARD RATIO: (continued)**

c) Information related to capital adequacy ratio:

	Bank			
	0%	20%	50%	100%
Value at Credit Risk				
Balance Sheet Items (Net)	13,753,195	2,398,103	4,328,621	15,820,661
Cash	409,444	293	-	-
Securities in Redemption	-	-	-	-
Balances with the Central Bank of Turkey	1,549,486	-	-	-
Domestic and Foreign Banks, Foreign Head office Branches	-	2,315,464	-	743,811
Interbank Money Market Placements	750,000	-	-	-
Receivables from Reserve Repurchase Agreement	120,500	-	-	-
Reserve Deposits	786,753	-	-	-
Loans	127,607	325	4,260,297	13,370,212
Loans under Follow-Up (Net)	-	-	-	-
Lease Receivables	-	-	-	-
Financial Assets Available-for-Sale	9,279,368	77,607	-	21,535
Investment Securities Held-to-Maturity	5,900	-	-	41,999
Receivables from Term Sale of Assets	-	-	-	168,056
Miscellaneous Receivables	-	-	-	58,733
Accrued Interest and Income	566,963	4,414	68,324	223,341
Investment in Associates, Subsidiaries and Joint-Ventures (Net)	-	-	-	404,302
Tangible Assets	-	-	-	727,435
Other Assets	157,174	-	-	61,237
Off- Balance Sheet Items	85,160	1,337,674	292,655	1,744,648
Non-Cash Loans and Commitments	85,160	1,310,992	292,655	1,744,648
Derivative Financial Instruments	-	26,682	-	-
Non-Risk-Weighted Accounts	-	-	-	-
Total Risk-Weighted Assets	13,838,355	3,735,777	4,621,276	17,565,309

d) Summary information related to capital adequacy ratio:

	Bank
	Current Period
Value at Credit Risk (VaCR)	20,623,102
Value at Market Risk (VaMR)	1,349,250
Shareholders' Equity	4,332,771
Shareholders' Equity/(VaCR+VaMR)*100 (*)	19.72

**TÜRKİYE VAKIFLAR BANKASI T.A.O.**

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE BANK (continued)**

**I. CAPITAL ADEQUACY STANDARD RATIO: (continued)**

e) Information related to shareholders' equity items:

	Current Period 31 December 2006
<b>CORE CAPITAL</b>	
Paid-in Capital	2,500,000
Nominal Capital	2,500,000
Capital Commitments (-)	-
Capital reserves due to Inflation Adjustment of Paid-in Capital	-
Share Premium	723,918
Share Cancellation Profits	-
Legal Reserves	102,658
First Legal Reserve (Turkish Commercial Code 466/1)	51,329
Second Legal Reserve (Turkish Commercial Code 466/2)	-
Reserves Allocated due to Special Laws	51,329
Status Reserves	-
Extraordinary Reserves	161,974
Reserve Allocated as per the Decision Held by the General Assembly	-
Retained Earnings	161,974
Accumulated Loss	-
Exchange Rate Differences on Foreign Currency Capital	-
Reserves from Inflation Adjustments to Legal, Status and Extraordinary Reserves	-
Profit	904,742
Current Period Profit	769,730
Prior Periods Profit	135,012
Provision for Possible Losses (up to 25% of Core Capital)	21,000
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 in excess of Reserves (-)	95,783
Current Period Loss	-
Prior Period Loss	95,783
Leasehold Improvements (-)	28,320
Prepaid Expenses (-)	48,733
Intangible Assets (-)	4,975
Deferred Tax Assets in excess of 10 % of Core Capital (-)	-
Limit excesses as per the 3rd Paragraph of the Article 56 of Banking Law (-)	-

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE BANK (continued)**

**I. CAPITAL ADEQUACY STANDARD RATIO: (continued)**

<b>Total Core Capital</b>	<b>4,318,509</b>
<b>SUPPLEMENTARY CAPITAL</b>	
General Provisions	130,463
45% of Revaluation Surplus on Movables	-
45% of Revaluation Surplus on Immovables	-
Bonus Shares of Associates, Subsidiaries and Joint-Ventures	35,142
Primary Subordinated Debt excluding the Portion included in Core Capital	-
Secondary Subordinated Debt	-
45 % of Securities Value Increase Fund	69,650
Associates and Subsidiaries	45,767
Investment Securities Available for Sale	23,883
Inflation adjustment differences on Capital Reserves and Prior Period Profit/(Loss) (Excepting Legal Reserve Statutory Reserves and Extraordinary Reserves )	-
<b>Total Supplementary Capital</b>	<b>235,255</b>
<b>TIER III CAPITAL</b>	
<b>CAPITAL</b>	<b>4,553,764</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>220,993</b>
Investments in Unconsolidated Financial Institutions (Domestic, Foreign) and Banks in which 10% or More Equity Interest Exercised	4,293
Total of investments in Financial Institutions (Domestic, Foreign) and Banks, in Which Less than 10% of Equity Interest is Exercised and That Exceeds the 10% And More of the Total Core and Supplementary Capital of the Bank	-
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	-
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	134,672
Others	-
<b>Total Shareholders' Equity</b>	<b>4,332,771</b>



**SECTION FOUR: FINANCIAL STRUCTURE OF THE BANK (continued)**

**II. 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 by the Bank. 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 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 arising 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.

**SECTION FOUR: FINANCIAL STRUCTURE OF THE BANK (continued)**

**II. CREDIT RISK: (continued)**

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.

The 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) The 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) The proportion of the Bank's top 100 cash loan balances in total cash loans is 37.31%.  
The proportion of the Bank's top 100 non-cash loan balances in total non-cash loans is 66.15%.  
The proportion of the 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) The Bank provided a general provision amounting to YTL130,463 thousand.

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE BANK (continued)**

**II. CREDIT RISK: (continued)**

**h) Geographical concentration:**

	Assets	Liabilities	Non-cash Loans	Net Profit
<b>Current Period</b>				
Domestic	31,922,839	30,831,167	2,401,245	769,730
European Union (EU) Countries	3,831,039	5,122,866	1,119,345	-
OECD Countries ( *)	265,622	175,488	311,922	-
Off-Shore Banking Regions	248,877	29,646	-	-
USA, Canada	349,391	578,437	346,434	-
Other Countries	7,600	296,359	692,976	-
Associates, Subsidiaries and Joint-Ventures	408,595	-	-	-
Unallocated Assets/Liabilities(**)	-	-	-	-
<b>Total</b>	<b>37,033,963</b>	<b>37,033,963</b>	<b>4,871,922</b>	<b>769,730</b>
<b>Prior Period (***)</b>				
Domestic	28,269,002	29,133,921	2,562,673	527,573
European Union (EU) Countries	2,260,044	2,300,254	797,421	-
OECD Countries ( *)	11,314	9,432	279,329	-
Off-Shore Banking Regions	113,988	685,500	86,954	-
USA, Canada	1,344,569	489,318	168,372	-
Other Countries	7,039	-	743,611	-
Associates, Subsidiaries and Joint-Ventures	612,469	-	-	-
Unallocated Assets/Liabilities(**)	-	-	-	-
<b>Total</b>	<b>32,618,425</b>	<b>32,618,425</b>	<b>4,638,360</b>	<b>527,573</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 BANK (continued)**

**II. CREDIT RISK: (continued)**

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

	Current Period				Prior Period			
	YTL	(%)	FC	(%)	YTL	(%)	FC	(%)
<b>Agriculture</b>	111,833	0.92	58,941	1.05	63,907	0.74	39,327	1.21
Farming and Stockbreeding	97,983	0.81	15,703	0.28	54,222	0.63	12,518	0.38
Forestry	11,551	0.10	28,576	0.51	9,074	0.10	20,689	0.64
Fishery	2,299	0.02	14,662	0.26	611	0.01	6,120	0.19
<b>Manufacturing</b>	1,214,698	9.99	2,709,674	48.38	847,951	9.80	1,375,914	42.30
Mining	347,039	2.85	60,608	1.08	66,985	0.77	74,175	2.28
Production	822,787	6.77	2,586,265	46.18	770,850	8.91	1,208,736	37.16
Electricity, Gas, Water	44,872	0.37	62,801	1.12	10,116	0.12	93,003	2.86
<b>Construction</b>	503,619	4.14	951,801	16.99	225,548	2.61	457,001	14.05
<b>Services</b>	2,341,439	19.26	1,682,032	30.02	1,048,449	12.12	1,209,566	37.18
Wholesale and Retail Trade	771,548	6.35	434,121	7.75	482,961	5.58	408,829	12.57
Hotel, Food and Beverage Services	99,108	0.82	306,569	5.47	74,418	0.86	213,504	6.56
Transportation and Telecommunication	1,198,563	9.86	620,196	11.07	373,276	4.31	418,642	12.87
Financial Institutions	202,970	1.67	118,393	2.11	78,199	0.90	148,064	4.55
Real Estate and Renting Services	4,751	0.04	-	-	2,528	0.03	-	-
"Self-Employment" Type Services	-	-	-	-	-	-	-	-
Education Services	8,065	0.07	15,187	0.27	4,576	0.05	12,604	0.39
Health and Social Services	56,434	0.46	187,566	3.35	32,491	0.38	7,923	0.24
<b>Other</b>	7,985,902	65.69	198,502	3.54	6,466,136	74.74	171,257	5.26
<b>Total</b>	12,157,491	100.00	5,600,950	100.00	8,651,991	100.00	3,253,065	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 BANK (continued)**

**III. MARKET RISK:**

The market risk carried by the 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 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 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 market risk:**

	<b>Amount</b>
(I) Capital Obligation against General Market Risk – Standard Method	102,915
(II) Capital Obligation against Specific Risks -Standard Method	336
(III) Capital Obligation against Currency Risk- Standard Method	4,689
(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)	107,940
<b>(IX) Value-at-Market Risk (12.5 x VIII) or (12.5 x VII)</b>	<b>1,349,250</b>

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE BANK (continued)**

**III. 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	Lowest	Average	Highest	Lowest
Interest Rate Risk	1,298,725	1,409,462	1,278,050	1,379,662	1,478,712	1,253,613
Common Share Risk	29,100	45,100	12,588	38,600	42,400	28,225
Currency Risk	202,300	248,963	58,612	60,962	99,925	63,662
Stock Risk	-	-	-	-	-	-
Exchange Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Total Value at Risk	1,530,125	1,703,525	1,349,250	1,479,224	1,621,037	1,345,500

**IV. 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.

The 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
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 the Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date for major foreign currencies are presented below:

US\$	: 1,3910 YTL
Euro	: 1,8289 YTL
Yen	: 0,0119 YTL

**SECTION FOUR: FINANCIAL STRUCTURE OF THE BANK (continued)**

**IV. CURRENCY RISK: (continued)**

The table below summarizes the Bank'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 Banks' real position, both in financial and economic terms, is presented in the table below:

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE BANK (continued)**

**IV. CURRENCY RISK: (continued)**

Information on currency risk:

	EURO	US\$	Yen	Other FC	Total
<b>Current Period</b>					
<b>Assets</b>					
Cash and Balances with the Central Bank of Turkey	1,101,050	23,884	16	1,783	1,126,733
Banks and Other Financial Institutions	308,687	2,211,966	2,203	24,419	2,547,275
Financial Assets at Fair Value through Profit/Loss	127,093	226,485	-	-	353,578
Interbank Money Market Placements	-	-	-	-	-
Investments Available-for-Sale (net)	549,087	2,721,187	-	-	3,270,274
Loans (*)	1,451,883	4,535,050	-	39,153	6,026,086
Associates, Subsidiaries and Joint-Ventures	33,187	-	-	-	33,187
Investments Held-to-Maturity (net)	-	47,899	-	-	47,899
Hedging Purpose Derivatives	24	-	-	-	24
Tangible Assets (net)	-	190	-	-	190
Intangible Assets (net)	-	394	-	-	394
Other Assets (**)(***)	88,682	499,280	-	9,490	597,452
<b>Total Assets</b>	<b>3,659,693</b>	<b>10,266,335</b>	<b>2,219</b>	<b>74,845</b>	<b>14,003,092</b>
<b>Liabilities</b>					
Bank Deposits	104	141,623	-	47	141,774
Foreign Currency Deposits	2,694,774	4,368,463	2,897	35,343	7,101,477
Interbank Money Market Takings	-	1,347,968	-	-	1,347,968
Funds Borrowed	808,369	4,071,113	-	22,849	4,902,331
Securities Issued (net)	-	-	-	-	-
Miscellaneous Payables	1,771	5,791	1	300	7,863
Hedging Purpose Derivatives	317	3,390	-	-	3,707
Other Liabilities (***)	107,120	232,243	3	10,588	349,954
<b>Total Liabilities</b>	<b>3,612,455</b>	<b>10,170,591</b>	<b>2,901</b>	<b>69,127</b>	<b>13,855,074</b>
Net ‘On Balance Sheet’ Position	47,238	95,744	(682)	5,718	148,018
Net ‘Off-Balance Sheet’ Position	1,245	(79,772)	-	1	(78,526)
Derivative Assets	30,744	78,414	-	2,483	111,641
Derivative Liabilities	29,499	158,186	-	2,482	190,167
Non-Cash Loans	1,039,545	1,859,327	24,241	91,254	3,014,367
<b>Prior Period</b>					
<b>Total Assets</b>	<b>3,372,033</b>	<b>7,185,810</b>	<b>1,886</b>	<b>52,823</b>	<b>10,612,552</b>
<b>Total Liabilities</b>	<b>3,246,090</b>	<b>7,234,066</b>	<b>8,353</b>	<b>46,797</b>	<b>10,535,306</b>
Net ‘On Balance Sheet’ Position	125,943	(48,256)	(6,467)	6,026	77,246
Net ‘Off-Balance Sheet’ Position (****)	(1)	3	-	-	2
Derivative Assets	2,379	2,384	-	-	4,763
Derivative Liabilities	2,380	2,381	-	-	4,761
Non-Cash Loans	762,558	2,147,246	51,759	58,624	3,020,187

(\*) Includes foreign exchange indexed loans amounting to YTL 425,136 thousands.

(\*\*) Includes accrued interests of foreign exchange indexed assets amounting to YTL 12,431 thousand.

(\*\*\*) Interest accruals are presented in “Other Assets”.

(\*\*\*\*) Presents the net balance of receivables and payables from derivatives.



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**SECTION FOUR: FINANCIAL STRUCTURE OF THE BANK (continued)**

**V. 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):**

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1 Year and Over</b>	<b>Interest Free</b>	<b>Total</b>
<b>Assets</b>							
Cash and Balances with the Central Bank of Turkey	2,336,239	-	-	-	-	409,737	2,745,976
Banks and Other Financial Institutions	2,943,540	-	-	-	-	115,735	3,059,275
Financial Assets at Fair Value through Profit/Loss	110,303	-	7,035	68,927	166,863	8,842	361,970
Interbank Money Market Placements	870,500	-	-	-	-	-	870,500
Investments Available-for-Sale (net)	1,482,370	2,664,236	2,643,979	926,168	1,562,615	99,142	9,378,510
Loans (*)	8,991,137	3,506,291	1,262,307	489,812	3,508,894	-	17,758,441
Investments Held-to-Maturity (net)	43,532	4,367	-	-	-	-	47,899
Other Assets (*)(***)	291,328	251,631	153,727	95,091	189,771	1,829,844	2,811,392
<b>Total Assets</b>	<b>17,068,949</b>	<b>6,426,525</b>	<b>4,067,048</b>	<b>1,579,998</b>	<b>5,428,143</b>	<b>2,463,300</b>	<b>37,033,963</b>
<b>Liabilities</b>							
Bank Deposits	419,678	130,000	-	-	-	3,131	552,809
Other Deposits	3,354,273	13,259,598	2,170,299	314,417	652,194	4,293,180	24,043,961
Interbank Money Market Takings (**)	240,298	156,440	375,872	312,313	263,953	-	1,348,876
Miscellaneous Payables	-	-	-	-	-	318,360	318,360
Securities Issued	-	-	-	-	-	-	-
Funds Borrowed	1,165,389	2,566,622	1,207,522	23,446	-	-	4,962,979
Other Liabilities (*)	334,220	5,201	7,878	15,546	108,689	5,335,444	5,806,978
<b>Total Liabilities</b>	<b>5,513,858</b>	<b>16,117,861</b>	<b>3,761,571</b>	<b>665,722</b>	<b>1,024,836</b>	<b>9,950,115</b>	<b>37,033,963</b>
<b>On Balance Sheet Long Position</b>	<b>11,555,091</b>	-	<b>305,477</b>	<b>914,276</b>	<b>4,403,307</b>	-	<b>17,178,151</b>
<b>On Balance Sheet Short Position</b>	-	<b>(9,691,336)</b>	-	-	-	<b>(7,486,815)</b>	<b>(17,178,151)</b>
<b>Off Balance Sheet Long Position (****)</b>	-	-	-	-	<b>4,633</b>	-	<b>4,634</b>
<b>Off Balance Sheet Short Position</b>	-	-	-	-	-	-	-
<b>Total Position</b>	<b>11,555,091</b>	<b>(9,691,335)</b>	<b>305,477</b>	<b>914,276</b>	<b>4,407,940</b>	<b>(7,486,815)</b>	<b>4,634</b>

(\*) Interest accruals are presented in “Other Assets”.

(\*\*) 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 BANK (continued)**

**V. INTEREST RATE RISK: (continued)**

Prior 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	943,604	-	-	-	-	1,375,075	2,318,679
Banks and Other Financial Institutions	2,059,565	1,376	-	-	-	64,958	2,125,899
Financial Assets at Fair Value through Profit/Loss	6,075	168,051	130,219	53,995	500,967	25,975	885,282
Interbank Money Market Placements	2,649,000	-	-	-	-	-	2,649,000
Investments Available-for-Sale (net)	343,639	3,003,427	2,752,003	1,208,862	1,880,876	94,067	9,282,874
Loans	4,892,903	3,864,345	717,472	322,342	2,107,994	-	11,905,056
Investments Held-to-Maturity (net)	26,371	4,333	330,063	-	-	-	360,767
Other Assets	260,073	193,296	269,394	84,163	188,303	2,095,639	3,090,868
<b>Total Assets</b>	<b>11,181,230</b>	<b>7,234,828</b>	<b>4,199,151</b>	<b>1,669,362</b>	<b>4,678,140</b>	<b>3,655,714</b>	<b>32,618,425</b>
<b>Liabilities</b>							
Bank Deposits	445,687	43,744	123,740	8,000	-	1,165	622,336
Other Deposits	3,318,399	10,786,788	3,349,621	450,391	810,442	3,607,714	22,323,355
Interbank Money Market Takings	20,358	87,688	-	-	-	-	108,046
Miscellaneous Payables	-	-	-	-	-	273,452	273,452
Securities Issued	-	-	-	-	-	-	-
Funds Borrowed	1,028,602	2,101,347	382,875	-	-	-	3,512,824
Other Liabilities	273,572	4,248	6,498	12,996	125,605	5,355,493	5,778,412
<b>Total Liabilities</b>	<b>5,086,618</b>	<b>13,023,815</b>	<b>3,862,734</b>	<b>471,387</b>	<b>936,047</b>	<b>9,237,824</b>	<b>32,618,425</b>
On Balance Sheet Long Position	6,094,612	-	336,417	1,197,975	3,742,093	-	11,371,097
On Balance Sheet Short Position	-	(5,788,987)	-	-	-	(5,582,110)	(11,371,097)
Off Balance Sheet Long Position	2	-	-	-	-	-	2
Off Balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>6,094,614</b>	<b>(5,788,987)</b>	<b>336,417</b>	<b>1,197,975</b>	<b>3,742,093</b>	<b>(5,582,110)</b>	<b>2</b>

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE BANK (continued)**

**V. INTEREST RATE RISK: (continued)**

Average interest rates in the following table are the weighted average rates of the related balance sheet items.

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

<b>Current Period</b>	<b>EURO</b>	<b>US\$</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	3.63	5.26	-	18.97
Financial Assets at Fair Value through Profit/Loss	9.03	11.44	-	-
Interbank Money Market Placements	-	-	-	17.62
Investments Available-for-Sale (net)	6.03	7.21	-	21.03
Loans	5.44	7.59	-	20.59
Investments Held-to-Maturity	-	5.80	-	-
<b>Liabilities</b>				
Bank Deposits	-	5.50	-	21.05
Other Deposits	2.87	3.82	-	15.57
Interbank Money Market Takings	-	5.46	-	11.65
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed	3.43	5.76	-	15.22
<b>Prior Period</b>	<b>EURO</b>	<b>US\$</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.	1.14	2.03	-	10.25
Banks and Other Financial Institutions	2.40	3.90	-	14.98
Financial Assets at Fair Value through Profit/Loss	8.87	10.97	-	16.96
Interbank Money Market Placements	-	-	-	14.22
Investments Available-for-Sale (net)	6.27	6.55	-	16.34
Loans	4.10	6.86	-	23.04
Investments Held-to-Maturity	-	9.26	-	0.00
<b>Liabilities</b>				
Bank Deposits	-	5.17	-	14.42
Other Deposits	3.30	3.61	-	14.48
Interbank Money Market Takings	-	1.34	-	11.24
Miscellaneous Payables	-	-	-	-
Securities Issued	-	-	-	-
Funds Borrowed	2.45	5.21	-	12.99

**SECTION FOUR: FINANCIAL STRUCTURE OF THE BANK (continued)**

**VI. LIQUIDITY RISK:**

Liquidity risk arises from the mismatching of maturities of assets and liabilities. The 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 the Bank’s asset and liability management is to ensure that sufficient liquidity is available to meet the Bank’s commitments to customers and to satisfy the Bank’s liquidity needs. For this objective, the Bank holds a sufficient amount of short-term funds. Liquidity risk is measured and reported on a weekly basis. The 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 the 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 the Bank.

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

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE BANK (continued)**

**VI. LIQUIDITY RISK: (continued)**

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

	Demand	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over	Undistributed (*)	Total
<b>Current Period</b>								
<b>Assets</b>								
Cash and Balances with the Central Bank of Turkey	1,959,223	786,753	-	-	-	-	-	2,745,976
Banks and Other Financial Institutions	115,735	2,943,540	-	-	-	-	-	3,059,275
Financial Assets at Fair Value through Profit/Loss	8,842	-	-	7,035	68,926	277,167	-	361,970
Interbank Money Market Placements	-	870,500	-	-	-	-	-	870,500
Investments Available-for-Sale (net)	99,142	40,865	316,544	1,097,049	1,850,951	5,973,959	-	9,378,510
Loans	-	2,843,211	1,078,842	913,178	2,596,591	10,326,619	-	17,758,441
Investments Held-to-Maturity (net)	-	42,000	-	-	-	5,899	-	47,899
Other Assets (**)	-	201,223	121,323	114,204	128,977	415,821	1,829,844	2,811,392
<b>Total Assets</b>	<b>2,182,942</b>	<b>7,728,092</b>	<b>1,516,709</b>	<b>2,131,466</b>	<b>4,645,445</b>	<b>16,999,465</b>	<b>1,829,844</b>	<b>37,033,963</b>
<b>Liabilities</b>								
Bank Deposits	3,131	419,678	130,000	-	-	-	-	552,809
Other Deposits	4,293,179	12,838,006	5,386,548	838,321	104,213	583,694	-	24,043,961
Funds Borrowed	-	71,714	210,900	383,453	1,588,064	2,708,848	-	4,962,979
Interbank Money Market Takings	-	240,298	156,440	375,872	312,313	263,953	-	1,348,876
Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	318,360	318,360
Other Liabilities (***)	-	403,638	5,201	7,878	15,546	108,688	5,266,027	5,806,978
<b>Total Liabilities</b>	<b>4,296,310</b>	<b>13,973,334</b>	<b>5,889,089</b>	<b>1,605,524</b>	<b>2,020,136</b>	<b>3,665,183</b>	<b>5,584,387</b>	<b>37,033,963</b>
<b>Liquidity Gap</b>	<b>(2,113,368)</b>	<b>(6,245,242)</b>	<b>(4,372,380)</b>	<b>525,942</b>	<b>2,625,309</b>	<b>13,334,282</b>	<b>(3,754,543)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	1,746,610	8,053,127	1,007,999	2,814,317	4,519,203	12,381,530	2,095,639	32,618,425
Total Liabilities	3,608,879	4,111,864	10,966,110	3,587,468	2,219,033	2,814,317	5,310,754	32,618,425
<b>Liquidity Gap</b>	<b>(1,862,269)</b>	<b>3,941,263</b>	<b>(9,958,111)</b>	<b>(773,151)</b>	<b>2,300,170</b>	<b>9,567,213</b>	<b>(3,215,115)</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 accruals are presented in "Other Assets" and "Other Liabilities"

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**SECTION FOUR: FINANCIAL STRUCTURE OF THE BANK (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>	31,114,625	26,316,004	31,940,460	27,099,931
Interbank Money Market Placements	870,500	2,649,000	871,800	2,651,080
Banks and Other Financial Institutions	3,059,275	2,125,899	3,063,491	2,126,829
Investments Available-for-Sale	9,378,510	9,275,282	9,913,538	9,908,056
Investments Held-to-Maturity	47,899	360,767	48,391	371,574
Loans	17,758,441	11,905,056	18,043,240	12,042,392
<b>Financial Liability</b>	29,878,109	26,731,967	30,157,556	26,969,129
Bank Deposits	552,809	622,336	560,348	624,090
Other Deposits	24,043,961	22,323,355	24,281,712	22,538,755
Funds Borrowed	4,962,979	3,512,824	4,997,136	3,532,832
Securities Issued	-	-	-	-
Miscellaneous Payables	318,360	273,452	318,360	273,452

**VIII. TRANSACTIONS CARRIED OUT ON BEHALF OF CUSTOMERS, ITEMS HELD IN TRUST:**

The Bank carries out trading, custody, management and consulting services on behalf of customers and on their account. The Bank has no trust transactions.

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. 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	365,660	43,764	248,913	31,125
Central Bank of Turkey	1,286,484	1,086,962	1,148,209	914,509
Other	20	293	20	544
<b>Total</b>	<b>1,652,164</b>	<b>1,131,019</b>	<b>1,397,142</b>	<b>946,178</b>

**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 Deposits	32,92	791,039	22,209	665,434
<b>Total</b>	<b>1,286,484</b>	<b>1,086,962</b>	<b>1,148,209</b>	<b>914,509</b>

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

- a) There are no financial assets held for trading given as collateral/blocked in current period. In the prior period, financial assets held given as collateral amount to YTL 22,913 thousand.

Financial assets held for trading subject to repo transactions amount to YTL 198,472 thousand in the current period and YTL 106,797 thousand in the prior period.

**b) Derivative financial assets held for trading:**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Forward Transactions	-	36	3	-
Swap Transactions	-	-	-	-
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>36</b>	<b>3</b>	<b>-</b>

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. ASSETS (continued)**

**3. Banks and Other Financial Institutions:**

**a) Information on banks and other financial institutions:**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Banks	512,809	2,550,682	579,496	1,547,333
Domestic banks	283,945	14,006	555,472	95,204
Foreign Banks	228,864	2,536,676	24,024	1,452,129
Foreign Head offices and Branches	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	512,809	2,550,682	579,496	1,547,333

**b) Due from foreign banks:**

	Unrestricted Balances		Restricted Balances (**)	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	2,087,554	675,007	44,702	-
USA, Canada	286,393	713,621	-	-
OECD Countries ( *)	265,711	17,353	-	-
Off-shore Banking Regions	80,579	63,133	-	-
Other	600	7,039	-	-
Total	2,720,837	1,476,153	44,702	-

(\*) 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 on investment securities available for sale given as collateral/blocked and subject to repo transactions:**

Securities given as collateral comprise government bonds and other government debt securities. Investment securities given as collateral or blocked amount to YTL 2,454,116 thousand in the current period and YTL 1,625,292 thousand in the prior period.

Securities subject to repo transactions amount to YTL 1,565,980 thousand (YTL 1,115,533 thousand of government bonds and YTL 450,447 thousands of other government debt securities) in the current period and YTL 20,368 thousand in the prior period.



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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
STATEMENTS (continued)**

**I. ASSETS (continued)**

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

**b) Information on investment securities available for sale:**

	Current Period	Prior Period
Debt Securities	9,864,051	9,826,359
Quoted at Stock Exchange	8,539,422	6,593,970
Unquoted	1,324,629	3,232,389
Share Certificates	99,322	94,223
Quoted at Stock Exchange	65,770	75,739
Unquoted	33,552	18,484
Impairment Losses (-)	49,835	12,526
Total	9,913,538	9,908,056

**5. Loans:**

**a) Information on all types of loans and advances given to shareholders and employees of the Bank:**

	Current Period		Prior Period	
	Cash Loans	Non-Cash Loans	Cash Loans	Non-Cash Loans
Direct Lendings to Shareholders	-	451	-	866
Corporates	-	451	-	866
Individuals	-	-	-	-
Indirect Lendings to Shareholders	-	117	-	84
Loans to Employees	25,163	-	15,801	-
Total (*)	25,163	568	15,801	950

(\*) Excluding interest accruals.

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. ASSETS (continued)**

**5. 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	16,735,413	-	645,138	254,212
Discounted Bills	1,424	-	-	-
Export Loans	1,174,686	-	45,966	179,857
Import Loans	-	-	-	-
Loans to Financial Sector	317,315	-	-	-
Foreign Loans	823	-	-	-
Consumer Loans	3,771,592	-	115,712	786
Credit Cards	599,897	-	39,447	2,294
Precious Metals Loans	-	-	-	-
Other (*)	10,869,676	-	444,013	71,275
Specialization Loans	123,678	-	-	-
Other Receivables	-	-	-	-
Total(**)	16,859,091	-	645,138	254,212

(\*) Includes commercial loans amounting to YTL 10,867,066 thousand.

(\*\*) Excluding interest accruals amounting to YTL 284,799 thousand.

c) Loans according to their 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	7,585,368	-	325,783	216,363
Loans	7,585,368	-	325,783	216,363
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium or Long-Term Loans (*)	9,273,723	-	319,355	37,849
Loans	9,150,045	-	319,355	37,849
Specialization Loans	123,678	-	-	-
Other Receivables	-	-	-	-

(\*) Loans with original maturities exceeding one year.

(\*\*) Excluding interest accruals amounting to YTL 284,799 thousands.

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. ASSETS (continued)**

**5. Loans: (continued)**

d) Information on consumer loans, individual 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	-	-	-	-
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	-	-	-	-
Personnel Loans- FC	-	-	-	-
Housing Loans	-	-	-	-
Automobile Loans	-	-	-	-
General Purpose Loans	-	-	-	-
Other	-	-	-	-
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	1,966,888	2,927,632	32,099	4,926,619

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
STATEMENTS (continued)**

**I. ASSETS (continued)**

**5. Loans: (continued)**

**e) 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	1,966	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	-	-	-	-
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

**f) Allocation of loans according to customers:**

	Current Period	Prior Period
Public Sector	1,955,377	1,292,010
Private Sector	15,803,064	10,613,046
Total (*)	17,758,441	11,905,056

(\*) Excluding interest accruals amounting to YTL 284,799 thousand in the current period and YTL 137,336 thousand in the prior period.

**g) Allocation of foreign and domestic loans:**

	Current Period	Prior Period
Domestic Loans	17,666,260	11,900,661
Foreign Loans	92,181	4,395
Total (*)	17,758,441	11,905,056

(\*) Excluding interest accruals amounting to YTL 284,799 thousand in the current period and YTL 137,336 thousand in the prior period.

**TÜRKİYE VAKIFLAR BANKASI T.A.O.**

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
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**I. ASSETS (continued)**

**5. Loans: (continued)**

**h) Loans granted to associates and subsidiaries:**

	Current Period	Prior Period
Direct Loans Granted to Associates and Subsidiaries	12,752	16,964
Indirect Loans Granted to Associates and Subsidiaries	10,136	11,098
Total (*)	22,888	28,062

(\*) Excluding interest accruals.

**i) Specific provisions for loans:**

	Current Period	Prior Period
Substandard Loans and Receivables- Limited Collectibility	196,943	92,370
Doubtful Loans and Receivables	30,429	22,008
Uncollectible Loans and Receivables	774,675	884,549
Total	1,002,047	998,927

**j) Non-performing loans:**

**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	22		170,431
(Gross Amount Before Specific Provisions)			
Restructured Loans and Receivables			-
Rescheduled Loans and Other Receivables	22		170,431
Prior Period	294		277,659
(Gross Amount Before Specific Provisions)			
Restructured Loans and Receivables			-
Rescheduled Loans and Other Receivables	294		277,659

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
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**I. ASSETS (continued)**

**5. Loans: (continued)**

2) Information on movements of 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	92,370	22,008	884,549
Additions (+)	226,706	4,899	91,566
Transfers From Other Categories of Loans Under Follow-up (+)	-	25,212	15,988
Transfers To Other Categories of Loans Under Follow-up (-)	9,900	13,133	103,826
Collections (-)	112,233	8,557	113,561
Write-Offs (-)	-	-	41
Current Period End Balance	196,943	30,429	774,675
Specific Provisions (-)	196,943	30,429	774,675
Net Balance on Balance Sheet	-	-	-

3) Non-performing loans in foreign currencies:

None.

k) Liquidation policy for uncollectible loans and receivables:

Uncollectible loans and receivables are collected through legal follow-up and conversion of collaterals into cash.

**6. Investment Securities Held to Maturity:**

a) Information on investment securities held to maturity subject to repo transactions and given as collateral/blocked:

There are no securities held to maturity given as collateral or subject to repo transactions in the current period.

In the prior period, securities given as collateral amount to YTL 340,647 thousand (government bond). There are no securities held to maturity subject to repo transactions.

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
STATEMENTS (continued)**

**I. ASSETS (continued)**

**6. Investment Securities Held to Maturity: (continued)**

**b) Information on government securities held to maturity:**

	Current Period	Prior Period
Government Bonds	-	340,647
Treasury Bills	-	-
Other Government Securities	48,391	5,998
Total	48,391	346,645

**c) Information on investment securities held to maturity:**

	Current Period	Prior Period
Debt Securities	48,870	371,878
Quoted at a Stock Exchange	-	-
Not Quoted	48,870	371,878
Impairment Provisions (-)	479	304
Total	48,391	371,574

**d) Information on movements in investment securities held to maturity:**

	Current Period	Prior Period
Beginning Balance	360,767	551,907
Foreign Currency Differences on Monetary Assets	(22,693)	-
Purchases During the Period (*)	446,324	31,008
Disposals through Sales and Redemption	(736,020)	(221,844)
Impairment Losses (-)	479	304
Balance at the end of the Period	47,899	360,767

(\*) Interest accruals on investment securities held to maturity 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 UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**II. ASSETS (continued)**

**7. Investments in Associates:**

**a) Information on Associates:**

<b>Associates</b>	<b>Address (City/Country)</b>	<b>Bank's Shareholding Percentage-If Different, Voting Percentage (%)</b>	<b>Bank's Risk Group Shareholding Percentage (%)</b>
Kıbrıs Vakıflar Bankası Ltd.	Cyprus	15.00	15.00
İşkur İşçi İşadamları Kimya Kuruluşları A.Ş.	Bankrupt	25.00	25.13
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
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

**Information on financial statements of associates:**

<b>Associate</b>	<b>Total Assets</b>	<b>Shareholders' Equity</b>	<b>Total Fixed Assets</b>	<b>Interest Income</b>	<b>Income from Securities Portfolio</b>	<b>Current Period Profit/(Loss)</b>	<b>Prior Period Profit/(Loss)</b>	<b>Fair Value</b>
Kıbrıs Vakıflar Bankası Ltd. (*)	568,235	27,830	3,001	63,755	7,936	3,328	-	4,174
İşkur İşçi İşadamları Kimya Kuruluşları A.Ş.	-	-	-	-	-	-	-	-
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
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

(\*) As of 30 September 2006.



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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
STATEMENTS (continued)**

**I. ASSETS (continued)**

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

**b) Information on movements in associates:**

	Current Period	Prior Period
Balance at Beginning of the Period	27,187	17,363
Movements during the Period	(7,661)	9,824
Purchases	915	1,350
Bonus Share Acquired	170	-
Dividend received from the current year profit	-	-
Sales	6,326	1,143
Revaluation Surplus	1,112	10,503
Impairment Provisions	3,532	886
Balance at the End of the Period	19,526	27,187
Capital Commitments	-	-
Shareholding Percentage at the End of the Period (%)	0.00	0.00

**c) 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

**d) 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 UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. ASSETS (continued)**

**8. Investments in Subsidiaries:**

**a) Information on investments in subsidiaries:**

Subsidiary	Address(City/ Country)	Bank's Shareholding Percentage-If Different, Voting Percentage (%)	Bank's Risk Group Shareholding Percentage (%)
Güneş Sigorta A.Ş.	İstanbul/Turkey	36.35	36.35
Vakıf Emeklilik A.Ş.	İstanbul/Turkey	53.90	74.93
Vakıf Enerji ve Madencilik A.Ş.	Ankara/Turkey	65.50	84.87
Ataköy Mağazacılık Ticaret A.Ş.	Bankrupt	45.79	45.79
Taksim Otelcilik A.Ş.	İstanbul/Turkey	51.00	51.51
Vakıf Finans Factoring Hizmetleri A.Ş.	İstanbul/Turkey	78.39	86.53
Vakıf Finansal Kiralama A.Ş.	İstanbul/Turkey	58.71	64.24
Vakıf Deniz Finansal Kiralama A.Ş.	İstanbul/Turkey	68.55	73.85
Vakıf Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Ankara/Turkey	31.00	31.09
Vakıf Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	99.00	99.42
Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret A.Ş.	Ankara/Turkey	73.00	79.75
Vakıfbank International AG	Wien/Austria	90.00	90.00
World Vakıf Offshore Banking Ltd.	Cyprus	82.00	84.92

**Information on financial statements of subsidiaries:**

Subsidiaries	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income from Securities Portfolio	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. (*)	552,752	71,973	21,900	32,222	31,384	12,714	20,527	73,223
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 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 Girişim Sermayesi Yatırım Ortaklığı A.Ş. (*)	10,862	10,715	2	277	17	(57)	(999)	3,290
Vakıf Yatırım Menkul Değerler A.Ş.	44,637	41,920	412	5,205	-	4,545	1,114	40,146
Vakıf Sistem Pazarlama Yazılım Servis ve Ticaret A.Ş.	11,867	8,226	351	322	160	1,979	-	5,344
Vakıfbank International AG (*)	674,775	74,323	1,368	27,665	11,101	8,010	28,601	33,187
World Vakıf Offshore Banking Ltd.	68,265	5,401	-	6,413	-	2,529	(437)	-

(\*) As of 30 September 2006.

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**I. ASSETS (continued)**

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

**b) Information on movement in subsidiaries:**

	Current Period	Prior Period
Balance at the Beginning of the Period	585,282	465,170
Movement in the Period	(196,213)	120,112
Purchases	6,775	-
Bonus Shares Acquired	27,533	-
Dividends Received from the Current Year Profit	-	-
Sales	273	-
Revaluation Surplus	30,996	115,931
Impairment Provisions	261,244	(4,181)
Balance at the End of the Period	389,069	585,282
Capital Commitments	-	-
Shareholding Percentage at the End of the Period (%)	-	-

**c) 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	43,436	41,628

**d) Information on quoted subsidiaries:**

	Current Period	Prior Period
Quoted at Domestic Stock Exchanges	94,891	134,146
Quoted at International Stock Exchanges	-	-

**9. Investments in Joint-Ventures:**

None,

**10. Lease Receivables:**

None,

**11. Hedging Purpose Derivatives:**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Fair Value Hedges	9,969	24	-	-
Cash Flow Hedges	-	-	-	-
Hedge of a Net Investment in a Foreign Entity	-	-	-	-
Total	9,969	24	-	-

**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
STATEMENTS (continued)**

**I. ASSETS (continued)**

**12. Tangible Assets:**

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. Intangible Assets:**

Intangible assets of the 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 Bank has no any intangible asset acquired through government incentives, restricted, pledged or recognized in fair value when acquired.

The 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.

**14. Deferred Tax Assets:**

The Bank has YTL 89,805 thousand deferred tax asset as of 31 December 2006. Related deferred tax asset is calculated in accordance with Turkish Accounting Standards 12 “Income Taxes” by the temporary differences between the book value of the Bank’s assets and liabilities and their taxable values calculated as per the tax regulation.

Deferred tax asset of YTL 17,195 thousand 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.

**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
STATEMENTS (continued)**

**I. ASSETS (continued)**

**15. Assets Held for Sale:**

None.

**16. Other Assets:**

Prepaid expenses amounting to YTL 48,732 thousand comprise prepaid fees and commissions, rent, insurance expenses, advertising expenses and other miscellaneous expenses. Total prepaid taxes amount to YTL 93,614 thousand.

The "Other Assets" item of the balance sheet amounting to YTL 436,042 thousand does not exceed 10 % of total assets.

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS (continued)**

**II. 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>	1,306,176	-	1,727,961	2,848,815	570,677	64,157	583,691	7,101,477
Residents In Turkey	1,276,877	-	1,715,066	2,730,369	558,520	62,540	547,184	6,890,556
Residents Abroad	29,299	-	12,895	118,446	12,157	1,617	36,507	210,921
<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	2,895,491	765,156	78,022	31,157	4,696,348
<b>Precious Metals Deposits</b>	-	-	-	-	-	-	-	-
<b>Interbank Deposits</b>	3,129	-	419,680	130,000	-	-	-	552,809
Central Bank	480	-	-	-	-	-	-	480
Domestic Banks	347	-	417,138	130,000	-	-	-	547,485
Foreign Banks	1,425	-	2,541	-	-	-	-	3,966
Special Financial Institutions	-	-	-	-	-	-	-	-
Other	877	-	1	-	-	-	-	878
<b>Total (*)</b>	4,296,308	-	3,773,954	13,389,598	2,170,299	314,418	652,193	24,596,770

(\*) Excluding interest accruals 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>	778,045	-	1,795,816	2,419,862	873,245	72,722	457,882	6,397,572
Residents In Turkey	741,867	-	1,783,076	2,296,717	861,078	71,584	424,954	6,179,276
Residents Abroad	36,178	-	12,740	123,145	12,167	1,138	32,928	218,296
<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	2,275,745	993,799	117,447	243,386	4,489,991
<b>Precious Metals Deposits</b>	-	-	-	-	-	-	-	-
<b>Interbank Deposits</b>	1,165	-	445,687	43,744	123,740	8,000	-	622,336
Central Bank	225	-	-	-	-	-	-	225
Domestic Banks	223	-	434,884	25,000	-	-	-	460,107
Foreign Banks	428	-	10,802	18,744	123,740	8,000	-	161,714
Special Purpose Financial Institutions	-	-	-	-	-	-	-	-
Other	289	-	1	-	-	-	-	290
<b>Total (*)</b>	3,608,879	-	3,764,087	10,830,531	3,473,361	458,391	810,442	22,945,691

(\*) Excluding interest accruals amounting to YTL 215,400 thousand.

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED 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 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	-	-

(\*) Foreign currency deposits at New York Branch.

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
STATEMENTS (continued)**

**II. LIABILITIES: (continued)**

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

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

**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	60,648	308,471	38,383	285,420
Foreign Banks, Institutions and Funds	-	4,593,860	-	3,189,021
Interest and Expense Accruals	1,343	32,814	616	19,392
Total	61,991	4,935,145	38,999	3,493,833

**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 Bank’s liabilities. There is no risk concentration on funding sources of the Bank.

The 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 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 UNCONSOLIDATED FINANCIAL  
STATEMENTS (continued)**

**II. LIABILITIES: (continued)**

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

c) Information on concentration areas of the Bank’s liabilities:

Bank’s funding sources making up the liabilities comprise deposits and funds borrowed which account for 76.33 % of total liabilities of the 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 205,278 thousands and do not exceed 10 % of the total liabilities.

**5. Lease Payables:**

Lease payables amount to YTL 12,494 thousand with maturities of 1-4 years. Installment payments are based on cost of goods, current interest rates and maturities.

There are no conditions placing any significant burden on the Bank. There has not been any change in financial lease contracts during the current period. The Bank has not undertaken any operational lease transactions and sale and lease-back transactions.

**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 UNCONSOLIDATED FINANCIAL  
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**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 for non-cash loans that are not indemnified or converted into cash amount to YTL 98,860 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 period.

The carrying value of Vakıf Enerji in which the Bank has 65.50 % shareholding is YTL 161,427 thousands (in gross) as of 31 December 2006. However, market value of Vakıf Enerji has been determined at YTL 33,164 thousands according to due diligence report prepared in 2006. The provision of YTL 90,000 thousands 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 thousands for impairment. As a result, the net carrying value of Vakıf Enerji is YTL 21,722 thousands as of 31 December 2006.

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
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**II. LIABILITIES: (continued)**

**7. Provisions: (continued)**

1) Information on general reserves for possible risks: (continued)

Additionally, a provision of thousand YTL 21,000 provision 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	21,000	111,000

2) Other provisions exceeding 10 % of total provisions:

YTL 98,860 thousands of other provisions is provisions for non-indemnified non-cash loans, YTL 12,852 thousands is provisions for Credit Cards and Banking Services Promotion Practices and YTL 21,000 thousands is general provisions for possible risks as explained above.

**8. Tax Liabilities:**

a) Information on current tax liabilities:

1) Tax provision:

The Bank provided YTL 179,254 thousand for corporate and income taxes.

2) Taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	-	-
Taxation on Securities Income	41,138	20,911
Taxation on Real Estates Income	380	1,053
Banking Insurance Transaction Tax	16,455	13,126
Foreign Exchange Transaction Tax	2,463	1,186
Value Added Tax Payable	437	521
Other	7,944	7,478
Total	68,817	44,275

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
STATEMENTS (continued)**

**II. LIABILITIES: (continued)**

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

3) Premiums:

	Current Period	Prior Period
Social Security Premiums-Employees	-	-
Social Security Premiums-Employer	-	-
Bank Pension Fund Premium-Employees	-	-
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions- Employees	-	-
Pension Fund Membership Fees and Provisions- Employer	-	-
Unemployment Insurance- Employees	222	175
Unemployment Insurance- Employer	379	284
Other	-	5
Total	601	464

b) Deferred tax liabilities:

Deferred tax liability of the Bank is YTL 31,914 thousands including additional liabilities arising from TAS adjustments as of 31 Deember 2006 ( YTL 43,686 thousands 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 UNCONSOLIDATED FINANCIAL  
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**II. LIABILITIES: (continued)**

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

**b) Information on registered share capital system:**

Capital System	Paid-In Capital	Ceiling
Registered Capital System	2,500,000	5,000,000

The 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 Bank has been increased to YTL 2,500,000 thousands by YTL 1,221,000 thousand from YTL 1,279,000 thousand as of 19 December 2006. YTL 7,795 thousands of the total increase was provided from revaluation fund, YTL 154,500 thousands from extraordinary reserves, YTL 605,763 thousands from other capital reserves, YTL 4,737 thousands from other profit reserves and YTL 448,205 thousands 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 UNCONSOLIDATED FINANCIAL  
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**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	101,704		136,686	22,852
Valuation Differences	(2,747)	55,821	173,054	66,734
Exchange Rate Differences			-	-
Total	98,957	55,821	309,740	89,586

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.

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED 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 12,373 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 thousand for cheque payments.

b) Information on possible losses and commitments resulting 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	354,923
Letters of Credit	1,225,892
Other Guarantees	<u>6,857</u>
Total	<u>1,587,672</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	140,800
Total	3,281,293

c) Total non-cash loans:

	Current Period	Prior Period
Non-cash Loans Provided for Utilization of Cash Loans	444,043	427,771
With Maturity of 1 year or less than 1 year	154,617	194,829
With Maturity of more than 1 year	289,426	232,942
Other Non-Cash Loans	4,427,879	4,210,589
Total	4,871,922	4,638,360

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED 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	1.14	7,652	0.25	22,243	1.37	6,032	0.20
Farming and Stockbreeding	17,295	0.93	4,918	0.16	19,940	1.23	5,239	0.17
Forestry	3,316	0.18	-	-	2,213	0.14	-	-
Fishery	613	0.03	2,734	0.09	90	0.01	793	0.03
<b>Manufacturing</b>	722,417	38.89	1,300,730	43.15	688,547	42.55	1,349,669	44.69
Mining	23,407	1.26	65,849	2.18	15,972	0.99	5,312	0.18
Production	567,105	30.53	1,073,679	35.62	587,662	36.32	1,220,420	40.41
Electricity, Gas, Water	131,905	7.10	161,202	5.35	84,913	5.25	123,937	4.10
<b>Construction</b>	259,075	13.95	510,489	16.94	225,876	13.96	392,895	13.01
<b>Services</b>	570,590	30.72	552,833	18.34	430,919	26.63	565,732	18.73
Wholesale and Retail Trade	265,392	14.29	129,123	4.28	208,550	12.89	72,239	2.39
Hotel, Food and Beverage Services	26,555	1.43	1,877	0.06	19,019	1.18	2,881	0.10
Transportation and Telecommunication	116,618	6.28	196,338	6.51	104,168	6.44	265,359	8.79
Financial Instantiations	141,936	7.64	201,496	6.68	85,559	5.29	203,103	6.72
Real Estate and Renting Services	1,189	0.06	-	-	680	0.04	-	-
"Self-Employment" Type Services	-	-	-	-	-	-	-	-
Education Services	2,122	0.11	10,279	0.34	3,972	0.25	9,520	0.32
Health and Social Services	16,778	0.90	13,720	0.46	8,971	0.55	12,630	0.42
<b>Other</b>	284,249	15.30	642,663	21.32	250,588	15.49	705,859	23.37
<b>Total</b>	<b>1,857,555</b>	<b>100.00</b>	<b>3,014,367</b>	<b>100.00</b>	<b>1,618,173</b>	<b>100.00</b>	<b>3,020,187</b>	<b>100.00</b>

Non-cash loans classified under Group I and Group II:

Non-cash Loans	Group I		Group II	
	YTL	FC	YTL	FC
Non-cash Loans	1,765,718	2,881,911	44,049	81,384
Letters of Guarantee	1,765,624	1,344,886	44,049	29,450
Bills of Exchange and Banks Acceptances	-	340,768	-	12,579
Letters of Credit	-	1,186,537	-	39,355
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Securities	94	9,720	-	-

**2. Derivative Financial Instruments:**

Hedging purpose derivatives of the Bank 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.



**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
STATEMENTS (continued)**

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

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

The Bank 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 are made at Bahrain Branch of the Bank.

**3. Contingent Assets and Liabilities:**

The Bank dose not have any contingent liabilities other than lawsuits filed.

There are 1,273 lawsuits in total amounting to YTL 161,894 thousand, 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..

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

None.

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
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**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	2,140,675	346,072		
Short-Term Loans	1,327,595	153,682		
Medium or Long-Term Loans	764,423	192,390		
Loans Under Follow-Up	48,657	-		
Premiums Received from Resource Utilization Support Fund	-	-		

(\*) All interest income from loans is presented under Group 1 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	25,281	2,651	18,473	234
Foreign Banks	10,709	76,502	1,329	33,396
Foreign Head offices and Branches	-	-	-	-
Total	35,990	82,971	19,802	37,120

**c) Information on interest income from securities portfolio:**

	Current Period		Prior Period	
	YTL	FC	YTL	FC
Financial Assets Held-for-Trading	14,772	116,628	165,651	70,149
Financial Assets Valued at Fair Value	-	-	-	-
Investments Available-for-Sale	1,045,613	225,368	883,803	178,123
Investments Held-to-Maturity	11,833	312	18,890	223
Total	1,072,218	342,308	1,068,344	248,495

**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 UNCONSOLIDATED 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	5,156	198,241	7,465	102,775
Central Bank of Turkey	-	-	-	-
Domestic Banks	4775	3,139	6,392	2,869
Foreign Banks	381	195,102	1,073	99,906
Foreign Head offices and Branches	-	-	-	-
Other Institutions	-	89	5,206	71
Total	5,156	198,330	12,671	102,846

**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	1Year 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	508,356	131,146	12,421	32,907	813,182
‘7 Days Notice’ Deposits	-	-	-	-	-	-	-
Total	33,492	260,251	1,551,130	334,682	52,242	44,530	2,276,327
<b>Foreign Currency</b>							
Foreign Currency Deposits	29,904	51,737	107,517	30,459	9,666	21,143	250,426
Bank Deposits	-	33,143	-	-	-	-	33,143
‘7 Days Notice’ Deposits	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-
Total	29,904	84,880	107,517	30,459	9,666	21,143	283,569
Grand Total	63,396	345,131	1,658,647	365,141	61,908	65,673	2,559,896

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**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	3,322
Other	10,181	6,906
<b>Total</b>	<b>16,557</b>	<b>10,278</b>

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

	Current Period	Prior Period
<b>Income</b>	<b>991,502</b>	<b>443,722</b>
Trading Account Income	105,927	138,600
Derivative Financial Instruments	15,494	3
Other	90,433	138,597
Foreign Exchange Gains	885,575	305,122
<b>Losses (-)</b>	<b>943,720</b>	<b>268,052</b>
Trading Account Losses	60,437	7,817
Derivative Financial Instruments	12,631	-
Other	47,806	7,817
Foreign Exchange Losses	883,283	260,235

**5. Other Operating Income:**

There is not any operating income that has a significant impact on total income of the Bank.

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**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	161,144	261,726
Loans and Receivables in Group III	122,754	74,205
Loans and Receivables in Group IV	23,864	19,029
Loans and Receivables in Group V	14,526	168,492
General Provisions	42,000	24,000
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	2,674
Associates	75	886
Subsidiaries	73,508	1,484
Investment Securities Held-to- Maturity	479	304
Other	38,374	80,190
Total	323,361	444,885

**7. Other Operating Expenses:**

	Current Period	Prior Period
Personnel Costs	363,621	324,367
Reserve For Employee Termination Benefits	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	55,306	53,079
Impairment Losses on Intangible Assets	-	-
Impairment of Goodwill	-	-
Depreciation Expenses of Intangible Assets	8,512	6,439
Impairment Losses on Assets to be Sold	-	-
Depreciation Expenses of Assets to be Sold	-	-
Impairment Losses on Assets Held-for-Sale	-	-
Other Operating Expenses	288,265	263,446
Operational Lease Related Expenses	40,674	34,835
Repair and Maintenance Expenses	9,878	6,873
Advertisement Expenses	32,124	34,224
Other Expenses	205,589	187,514
Losses on Sale of Assets	8,646	15,643
Other	210,981	68,687
Total	935,331	731,661

**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
STATEMENTS (continued)**

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

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

Profit before taxes of the Bank amounts to YTL 1,022,597 thousand.

**9. Provision for Taxes:**

Current tax charge of the Bank amounts to YTL 180,612 thousand. Deferred tax charge related to recording or canceling taxable temporary differences amounts to YTL 72,255 thousand.

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

Operating profit after taxes of the Bank amounts to YTL 769,730 thousands.

**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.

**12. Other Income and Expense Items Exceeding 10 % of Total Income and Expenses:**

81.7 % of other operating income comprises provisions for communication expenses, provisions for written-off receivables, rent income and income from sales of assets. 76.5 % of other operating expenses consist of personnel expenses, operating expenses and depreciation and amortization expenses.

**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
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**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:**

The Ordinary General Assembly of the Bank was held on 31 March 2006. In the Ordinary General Assembly, it was resolved to distribute YTL 535,170 thousands cash dividend to shareholders (YTL 399,352 thousands) and personnel (YTL 40,999 thousands) on 2005 operations, before the effects of TAS adjustments as explained on Note I of Section Three. Transfers to Legal Reserves, Extraordinary Reserves and Other Profit Reserves from prior year profit amounted to YTL 49,790 thousands, YTL 7,750 thousands and YTL 37,279 thousands respectively.

Profit distribution is carried out after General Assembly meeting which has not been made as of reporting date.

**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.

**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED 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 1,046,337 thousand consists mainly of items such as other operating expenses (YTL 935,331 thousand), provisions for losses on loans and other receivables (YTL 323,361 thousand) and fees and commissions paid (YTL 125,254 thousand). The "Other" item under "changes in Operating Assets and Liabilities" amounting to YTL 51,309 thousand consists mainly of changes in funds (YTL 11,675 thousands).

**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 Sale 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 UNCONSOLIDATED 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 31.12.2005	Prior Period 31.12.2004
Cash	1,720,635	578,094
Cash, Foreign Exchange and Others	280,602	180,266
Demand Deposits at Banks	1,440,033	397,828
Cash Equivalents	4,666,228	3,467,453
Money Market Transactions	2,649,000	1,100,000
Time Deposits at Banks	2,017,228	2,367,453
Total Cash and Cash Equivalents	6,386,863	4,045,547

Cash and cash equivalents at the end of the period:

	Current Period 31.12.2006	Prior Period 31.12.2005
Cash	2,074,958	1,720,635
Cash, Foreign Exchange and Others	409,737	280,602
Demand Deposits at Banks	1,665,221	1,440,033
Cash Equivalents	3,814,040	4,666,228
Money Market Transactions	870,500	2,649,000
Time Deposits at Banks	2,943,540	2,017,228
Total Cash and Cash Equivalents	5,888,998	6,386,863

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED 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	-	-	-	-

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	-	-	-	-
Balance at the End of the Period	120,261	86,210	-	-	-	-
Interest on Deposits (*)	-	-	-	-	-	-

(\*) Unable to disclose.

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

None.

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**SECTION FIVE : DISCLOSURES AND NOTES ON UNCONSOLIDATED FINANCIAL  
STATEMENTS (continued)**

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

**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:**

None.

(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.

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

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**SECTION SEVEN: INDEPENDENT AUDITORS' REPORT**

**I. INFORMATION ON INDEPENDENT AUDITORS' REPORT:**

The Bank's unconsolidated 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 8 March 2007 and presented prior to the unconsolidated financial statements.

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

None.