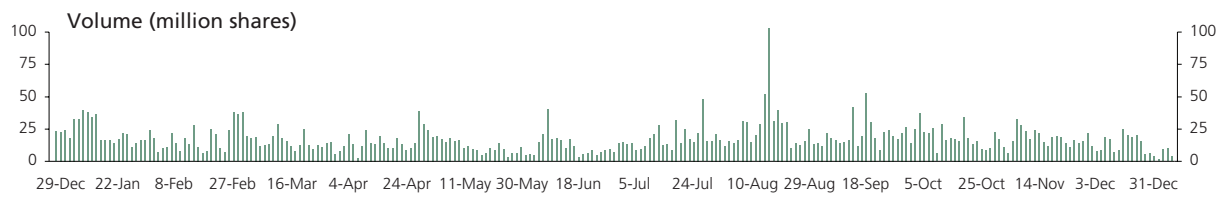
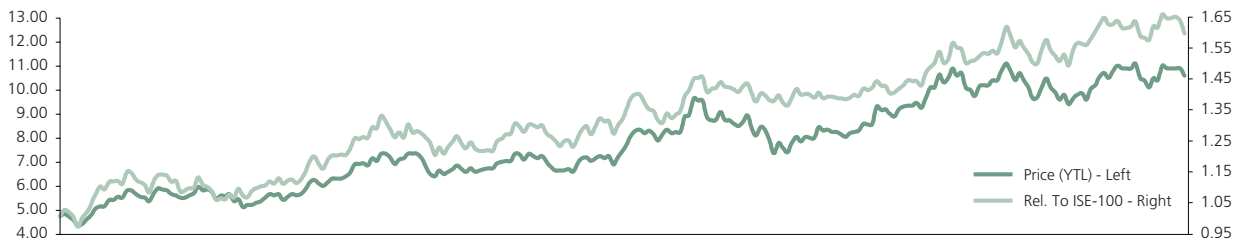


**Garanti Bank Stock Performance in 2007**


## DEVELOPMENTS AT GARANTI

Fitch upgraded Garanti's Long-term LC note to BBB-, Short-term LC to F3, and national rating to AAA following its sovereign rating upgrade of Turkey's local currency rating to BB.

Extended a 12-year acquisition facility amounting €285 million to KKR, one of the world's largest LBO funds, regarding its acquisition of Un Ro-Ro, the leading Ro-Ro cargo shipping company. KKR's acquisition of Un Ro-Ro is the largest private equity transaction to date in Turkey with its total value of €910 million (\$1.3bn).

Underwrote a 12-year \$500 million project finance facility for Eren Enerji, a Turkish energy company regarding its \$1.5 billion investment in a coal fired power plant with a capacity of 1360 MW Energy. The deal is the largest project finance facility provided up to date to an independent power producer in Turkey.

Dogus Holding and GECC agreed on the transfer of 4.65% stake of GE to Dogus for a total value of \$674 million. As of the share transfer date, December 27<sup>th</sup>, GECC owns 20.85% and Dogus Holding owns 30.52% of the issued share capital of T.Garanti Bank A.S. Per initial transaction between the majority shareholders, the share transfer does not result in any change in the control and management of Garanti Bank.

As part of the initial step of GE-Dogus-Garanti regional expansion plans in Romania, Dogus acquired 49.9% stake of GE's business in Romania including Motoractive Leasing, the leading independent leasing company in Romania; Ralfi IFN, a consumer finance company operating under Estima Finance brand and Domenia Credit IFN, a local mortgage loan specialist.

Launched Bonus Card in Romania with the first in the world cross border rewards program which allows the card holders to earn bonus points in Turkey or Romania and be able to redeem their rewards in either country.

As a pioneer in payment systems innovations, took a further step towards "convenience in transportation" and equipped local buses in the cities of Canakkale and Samsun with PayPass technology that enables ticket payments via Bonus Trink.

Launched, a first of its kind, wireless payment system for Shell gas stations providing payment convenience without getting out of vehicle.

Placed the MasterCard PayPass™ technology into the cell phones via a joint project with Turkcell, a leading mobile telecommunications company and launched Turkey's first 'Mobile Wallet' to allow Bonus Trink credit card payments.

Flexi Card website received "Bank Standard of Excellence, Financial Services Standard of Excellence" WebAward by Web Marketing Association.

Publi-News honored Garanti's environment friendly Bonus Card with OSCARDS award for its content as a design as well as the social responsibility consciousness. The OSCARDS, sponsored by France's Publi-News, are awarded annually to honor the world's most innovative credit, debit and stored-value cards and are known as the Oscars of the cards.

Garanti's new payment infrastructure Cepbank Alisveris™ (convenient and secure online shopping via mobile bank) extended its scope to 9 leading e-commerce web sites in Turkey by the end of 2007.

Launched Gold Deposit Account, Gold Accumulating Account, and Gold Fund Accumulating Account in order to meet the needs of customers looking to invest in gold or Garanti's Gold Fund and earn the yield of gold rather than earning interest.

Garanti Sigorta, the leading provider in banking insurance in Turkey, announced that it will continue its operations under the name "Eureko Sigorta".

Garanti With Numbers	Dec-06	Sep-07	Dec-07
Branch Network	487	550	592
+ Domestic	478	541	583
+ Abroad	9	9	9
Personnel	11,941	13,839	14,542
ATM	1,464	1,741	1,854
POS*	213,603	256,924	280,532
Total Customers	6,222,615	6,669,250	6,921,439
Internet Customers**	754,393	898,736	969,455
Telephone Banking Customers**	69,225	71,206	63,504
ADC's Share in Total Transactions***	83.7%	85.0%	85.3%
Credit Cards	5,625,014	5,979,265	6,501,747
Debit Cards	3,325,976	3,726,343	3,952,381

\* Includes shared POS  
 \*\* Active customers only - Those that login/call at least once per month  
 \*\*\* Quarterly Average, including cash transactions

Garanti Market Shares*	YTD Δ	Dec-07
Total Cash Loans	↑	13.8%
TL Loans	↑	11.1%
FC Loans	↑	22.1%
Credit Cards - Issuing (monthly)	↓	21.4%
Consumer Loans	↑	12.1%
Total Deposits	↑	11.0%
Demand Deposits	↑	13.1%
TL Deposits	↑	8.6%
FC Deposits	↑	15.6%
Mutual Funds	↑	14.2%
Foreign Trade**	↑	15.5%

\*BRSA weekly sector data, excluding participation banks  
 \*\*Estimate

## DEVELOPMENTS IN TURKISH BANKING SECTOR

In October, Yapı Kredi announced its acquisition of Koc Financial Services' 35.28% stake in Yapı Kredi Securities for \$158.8mn and 67.24% stake in Yapı Kredi Netherlands for EUR97.5mn.

In November, Ak Sigorta signed an agreement to sell its 10% stake in Ak Emeklilik (Ak Pension) for \$100mn to Aviva Insurance.

In December, Anadolu Bank reached an agreement with Yapı Kredi to use its World Card brand.

Is Bank announced that it is inquiring regional expansion opportunities in Azerbaijan, Egypt, Russia, Ukraine and Kazakhstan.

BRSA approved the sale of Oyakbank to ING which was announced in mid-June '07 for \$2.673 bn representing 3.3x P/BV. Following the transaction, Fitch upgraded Oyakbank's Long-term FC to 'BB' from 'BB-', long-term LC to 'BBB-' from 'BB' and National Long-term rating to 'AAA(tur)' from 'AA+(tur)'.

Global Investment House acquired 60% of Fon Finansal Kiralama (Leasing) for \$120mn.

Government announced its decision to increase the Value Added Tax imposed on the leasing sector to 18% from 1%.

**Stock Market Indicators (December 31, 2007)**

	Market Capitalizations (US\$m)				Avg. Daily Trading Vol. (US\$m)				Stock Perf. (Rel. to ISE-100)				Stock Perf. (in US\$)			
	Min.	Max.	Avg.	Last	Min.	Max.	Avg.	Last	Last 1M	Last 3M	Last 6M	YTD	Last 1M	Last 3M	Last 6M	YTD
Akbank	12,968	27,617	20,369	22,405	4.7	183.7	38.8	17.0	-1.2%	-8.0%	1.1%	-8.0%	2.2%	-1.7%	34.1%	58.4%
Halkbank*	6,118	13,091	8,800	13,091	3.1	1,312.1	39.9	12.6	19.1%	21.1%	22.4%	11.2%	23.3%	29.4%	62.5%	57.5%
İş Bankası	11,013	20,157	15,365	17,393	17.0	509.5	136.5	36.0	-6.2%	-2.0%	1.3%	-18.6%	-2.9%	4.6%	34.5%	40.1%
Vakıfbank	5,374	9,468	7,376	8,885	4.3	97.1	30.4	9.8	5.2%	-2.2%	3.9%	-7.1%	9.0%	4.4%	37.8%	59.9%
YKB	4,936	13,216	8,995	12,121	8.1	387.1	80.9	14.5	-8.6%	3.9%	19.6%	18.2%	-5.4%	10.9%	58.8%	103.5%
GARANTI	6,270	19,695	13,647	18,929	13.9	537.4	102.9	34.7	-1.9%	10.5%	21.1%	59.1%	1.5%	18.0%	60.8%	173.9%
Banking Sector	54,310	120,101	91,053	115,035	108.9	1,640.1	451.1	139.0	-0.1%	2.1%	9.5%	3.8%	3.4%	9.1%	45.3%	78.7%
ISE-100	129,217	253,803	197,463	249,345	258.7	2,622.3	985.2	369.8					3.5%	6.8%	32.7%	72.1%

Minimum, maximum and average figures are valid for 2007 - Average figures are weighted for Mcap and simple for volume  
For US\$/YTL, CBRT offer rate is used  
\* YTD figures indicate IPO-to-date performance

## MACRO NOTES

Despite remaining concerns regarding US economic activity and sub-prime losses, Turkish financial markets were resilient during the last quarter of 2007. The nominal appreciation of YTL against US\$ was 3.8% in the last quarter, whereas the appreciation against Euro was slight at 0.2% due to the depreciation of US\$ against Euro. On the interest rates front, the benchmark interest rate was 16.6% as of end 2007, in line with the O/N rates.

In the last quarter of 2007, Central Bank of Turkey cut O/N borrowing interest rate by 150 basis points (50 basis points in each month) from 17.25% to 15.75%. CBRT has started easing monetary policy through reducing rates in September after keeping O/N rates on hold for thirteen months in a row.

In 3Q07, GNP and GDP grew by 2.0% and 1.5% on year-on-year (yoy) basis, respectively - the lowest rate since the end of 2001 and below the market consensus of 4.3%. GDP figures pointed out to acceleration in private consumption compared to the previous four quarters whereas foreign demand brought the overall GDP growth rate down, contributing to GDP negatively. Private consumption expenditures rose by 3.6% (yoy) in 3Q07 and domestic demand contributed to GDP growth rate by 4.8 points. The rise in real exports and imports were 7.5% and 16.8%, respectively, bringing GDP growth rate down by 3.3 points. On the production front, the deceleration in growth was evident in almost all sectors, especially in agriculture

sector. The agriculture sector contracted by 7.8% in 3Q07 (yoy), pulling GDP growth down by 1.5 points.

According to Turkish Treasury's figures, total external debt stock of Turkey was US\$ 237.3 billion as of September 07. Compared to end 2006, long term external debt stock increased by US\$ 31.6 billion in January-September 07. The share of long term external debt stock increased from 79.6% to 83.0% in the same period. Within the long term external debt stock, the share of private sector external debt stock increased by 6.6 points from 49.9% in 2006 to 56.5% in 3Q07. The rise in non-financial sector long term external debt was significant at US\$ 18.8 billion in January-September 07, reaching US\$ 72.4 billion, 65% of total private sector long term external debt in September 07. On the other hand, the fall in short term external debt stock figures continued in 3Q07, declining from US\$ 42.3 billion as of end 2006 to US\$ 40.4 billion as of September 07.

CPI rose by 4.0% in 4Q07, bringing annual inflation up to 8.4% in December from 7.1% in September, surpassing both 4% inflation target and upper limit (6%) of uncertainty band. Special Consumption Tax (SCT) increases in tobacco and oil products and price hikes in utilities in November led almost 1 point rise in overall CPI. The rise in food prices was 4.4% in the last quarter of 2007. The highest price increase in the last quarter of 2007 was in clothing by 11.5% due to seasonal price hikes.

### Selected Sector Figures

(YTLmn)	29-Dec-06	28-Dec-07	YTD Chg (%)
Total Deposits	308,396	350,609	13.7%
Bank Deposits	11,581	10,444	-9.8%
Customer Deposits	296,815	340,165	14.6%
TL Deposits	181,532	221,384	22.0%
FC Deposits (US\$m)	82,257	102,601	24.7%
info: Customer Demand Deposits	52,882	54,801	3.6%
Total Loans	214,998	271,865	26.5%
Loans / Deposits	69.7%	77.5%	
TL Loans	156,467	202,696	29.5%
FC Loans (US\$m)	41,791	59,836	43.2%
Consumer Loans	45,932	65,813	43.3%
Housing	22,165	30,898	39.4%
Vehicle	6,405	5,928	-7.4%
Personal Finance	15,884	26,019	63.8%
Other	1,478	2,968	100.8%
Credit Cards	21,642	26,574	22.8%
Gross NPL	8,127	9,776	20.3%
info: NPL ratio	3.6%	3.5%	
info: NPL coverage	90.8%	88.7%	
Gross NPL in cons. loans	384	897	133.6%
info: NPL ratio	0.8%	1.3%	
Gross NPL in credit cards	1,698	1,765	3.9%
info: NPL ratio	7.3%	6.2%	
F/X Position, net (US\$m)	184	-296	
on B/S	-5,467	-10,511	
off B/S	5,651	10,215	

Source: BRSA weekly sector data, excluding participation banks

## MARKET RECAP

In 4Q07, fears of a global economic slowdown increased and liquidity problems turned into question marks regarding a rising risk of a systemic financial crisis. Uncertainty rose on whether the rest of the world will decouple from the US slowdown/hard landing or recouple.

ISE100 made a good start to 4Q in the light of benign September inflation data and monetary easing expectations rising to a record high close of 58,232 on October 15<sup>th</sup> outperforming the MSCI EMEA index by 2% while developed markets had similar record breaking performances. After CBRT's 50 bps rate cut, tension started rising in Northern Iraq and at the same time poor results from several heavyweight US banks refueled fears that impact of subprime woes may be bigger than estimated. The effect of FED's rate cut on October 31 by 25bps to 4.50% was shortlived and oil prices approached towards \$100/barrel and gold rose to the highest since 1980 above \$800. ISE100 retreated towards 54,000 at the beginning of November, as the risk aversion targeted GEM's with high current account deficit and overvalued currency, resulting in a massive underperformance to MSCI EMEA index. Neither CBRT's further 50 bps rate cut to 16.25% on November 14<sup>th</sup> nor the announced privatization agenda could hold the ISE100 from dragging down to 51,452 bottom level in 4Q by the end of November.

December started with renewed hopes as Bush announced a plan to stem wave of foreclosures. FED cut interest rate by another 25 bps and together with key central banks unveiled coordinated action

to boost liquidity. ISE100 headed towards 57,000 gaining back the performance compared to the MSCI EMEA index. CBRT lowered the O/N rate by 50 bps closing 2007 at 15.75%. As geopolitical tensions rose with Bhutto's assassination causing risk aversion, High Court issued an injunction on Petkim's privatization and sentiment soared. ISE 100 closed 2007 at 55,538 underperforming MSCI EMEA index by 3% in 4Q, still holding a leading outperformance for the whole year.

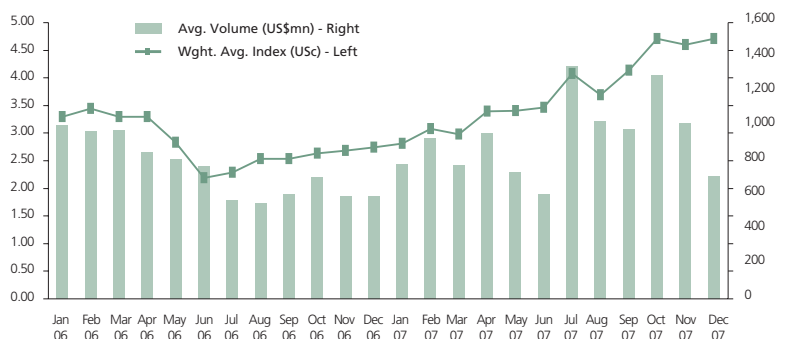
At the beginning of 2008, almost each and every stock market around the globe entered the year by falling down with negative earnings outlook and worsening key economic indicators as fears of recession rose. 1Q 2008 will face continued uncertainty over the extent of the subprime mortgage and pricing of risk. Local politics will be back into the agenda as AKP and MHP agreed on the general framework of the removal of ban on wearing headscarves in universities. Volatility management will be key.

### Stock Market Performance\* (in US\$) in Selected Countries

	Last 1M	Last 3M	Last 6M	YTD
Argentina	-4.9%	-11.1%	-8.5%	-5.4%
Brasil	2.7%	12.7%	35.3%	75.3%
Mexico	-1.1%	-3.2%	-7.8%	9.3%
Hungary	1.2%	-6.2%	-7.0%	13.4%
Israel	4.1%	5.2%	13.4%	35.8%
Poland	-2.0%	1.7%	2.2%	22.7%
Russia	4.5%	17.3%	27.8%	22.9%
Turkey	2.9%	5.8%	31.6%	70.0%
EM	-0.3%	2.1%	16.1%	34.4%
EMEA	1.5%	8.7%	17.1%	25.8%
Eastern Europe	3.3%	13.3%	21.4%	23.7%
Latin America	1.2%	6.3%	17.2%	46.9%

\* Based on MSCI's Emerging Markets Indices, as of Dec. 31, 2007

### ISE-100 Performance



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