DEVELOPMENTS AT GARANTI

Arranged the financing for the acquisition of leading Turkish retailer Migros’ 50.83% share takeover by BC Partners, Turkey’s Turkven and Italy’s Diehl Capital for $1.6 billion together with two other local banks and acted as the Mandated Lead-arranger, book-runner and security agent. As a Mandated Lead-arranger, facility and security agent, arranged a 7-year, $200 million facility to Almond Holding, a company established by Dubai-based private equity firm Abraaj Capital and Mehmet Ali Aydýnlar, for the acquisition of the leading private hospital chain in Turkey - Asbaderem Sahil Hýnlýk ve Tic. A.Ş. Garanti has also extended a 10-year term loan amount of $300 million to Atasigbank for refinancing and growth purposes. Two facilities were underwritten fully by Garanti Bank. The deal represents the first private equity deal to be directed from GCC region to Turkey.

As one of the three Mandated Lead-arrangers, Garanti participated to a $150 million refinancing facility with a tenor of 11 years to TAV for the concession fee of the Istanbul Ataköy Airport. The purpose of the loan was not only to refinance the existing loan facility, but also to finance the upcoming investments of TAV Istanbul. Participated in the MİT Karayolu’s Real Estate project. In terms of size, with a total loan amount of €402 million, it represents the largest project finance loan facilitated for a real estate development project in Turkey so far.

In addition to Project Finance International’s ‘Infrastructure Project of the Year 2007’ award, Mericin Port Project received its second award ‘European Port Deal of the Year for 2007’ in March from Project Finance Magazine. The PSA-Afken consortium took over Mericin port in 2007 for a concession fee of $775 million, of which $600 million was financed by senior debt. Garanti provided $100 million facility and acted as the account bank for the financing.

Garanti’s quality in payments formatting and straight through rate above 99.7% and 98.6% in Euro and USD respectively was recognized by Deutsche Bank for the 16th consecutive year with “ITF Excellence Award”. Garanti was also honored by Dresdner Bank with “Payment Quality Award 2007” in recognition of its exceptional performance and remarkable achievements in the international payments business.

Cash Management launched a new Direct Debit System with Vettel based on sharing default risks of the loans to the buyers by the bank as the guarantors of post-dated sales. Through this model, the seller - Vettel, with an annual turnover of $1.8 billion in white goods and electronic sector, bears a pre-determined portion of the risk for the DSO credit limits which facilitates extending credit lines to its buyer/distributors. With this project, Garanti will become the sole payment bank of 1,200 Vestel distributors by the end of July.

Received approval from The Capital Markets Board of Turkey to launch Turkey's first hedge fund. The fund initially will have YTL500 million under management following a long-term, market-directional strategy using three times leverage and will primarily invest in Turkish assets.

Eureka Insurance, the provider of motorcycle insurance products to Garanti customers, launched “Kaskometre”, the first “pay-as-you-drive” casco insurance policy in Turkey.

Launched a new credit card under the name Bonus Platinum Card which combined the services provided by Bonus Card and American Express Card together offering an enhanced bonus scheme.

Reinforced its credit card business with a new product, “Corporate Travel Card”. Turkey’s first prepaid Business Card offers corporations an innovative travel and entertainment expense management solution to optimize savings.

Pioneer in payment systems, Garanti launched Turkey’s first multimedia PINPADs in cooperation with Ingenico. Through these devices, POS machines are not only payment tools but also advertising channels. PINPADs provide focused advertising at the checkout counter.

DEVELOPMENTS IN TURKISH BANKING SECTOR

Participation bank Küveyt Türk postponed its planned public offering indefinitely because of poor market conditions.

Forts and Yapi Kredi reached an agreement for a partnership between their respective credit card businesses Ideal Card and Türk Kredi. Payment, Ideal Card users will have World Card benefits.

YKB appointed Merrill Lynch International and Unicredit CA AB as joint financial advisors to assist YKB in their strategic plans regarding their insurance business.

BRSA has approved the sale of participation bank Türkiye Finans to Saudi Arabia’s National Commercial Bank. In July 2007, E.C. the Gulf’s largest lender by assets, agreed to pay $1.58 billion for 60% of Türkiye Finans.

Tekstilbank’s parent company GSD Holding announced that Tekstilbank has started work on assessing strategic options such as a possible sale, partnership or cooperation deal.

In 2Q08, around $850 million of NPL sale took place in the banking sector in return for an amount of around $1.3billion. Half of the total NPE sale was realised by YKB whereas Albank and Tekstilbank carried out the rest.

The Central Bank of Turkey announced the new interest rate cap on YTL credit card accounts reducing the ceiling from 4.9% that had been in effect since January 1st to 4.54%. The maximum interest rate on late payments has also been reduced from 5.68% to 5.29% on YTL accounts. The new rate caps are in effect since April the 1st.

After BRSA regulatory amendments which became effective on March, the risk weights of credit card and overdraft unraveled limits decreased to 22% from 50%, the risk weight of credit card receivables with installment payment longer than 6 months increased from 150% to 120% and longer than 12 months increased to 200% from 100%.

BRSA passed a regulation at the beginning of April to increase the liquidity ratio for Turkish banks to 7% from 5%. The increase will be gradual. The liquidity ratio will be raised to 6% in the third quarter and to 7% in the last quarter.
In the first quarter of 2008, volatile rise in financial markets led by increasing concerns over financial stability, increasing political uncertainty in Turkey due to the loss of any kind arising out of the use of this document or any part of its contents. For further information please contact Investor Relations Department.

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In 1Q 08, risks and uncertainties dominated financial markets. Global fears of recession and a variety of systemic risk in the U.S. were exacerbated by the trouble in the mortgage sector. Uncertainty and elevated concerns rose in core markets. FED rate cuts added a total of 200 bps for the quarter going down to 2.25% as international central banks followed with leading central banks' coordinated efforts. Rising domestic political risks towards the end of the quarter together with inflation pressures that were added on top of the renewed sentiment caused the TBIs to finish 10Q 08 with a 30% decrease.

ISE100 entered the New Year with the high of 1Q 08 at US$538. Central Bank of Turkey (CBT) showed its rate cutting pace to 2% in January while FED's unexpected 75 bps, biggest single rate cut since 1984, was followed by another 50 bps in the FOMC meeting. Concerns in U.S. credit markets were not relieved by the stimulus package and bond insurer AIG's bailout. CBT started downgrading the bond issuers. Rising risk and cost concerns started resulting from the subprime mortgage crisis continued to weigh on credit spread dynamics. Bank de-listing and stagnation worries entered into the agenda in the U.S. while stocks tumbled while the dollar plumbed record lows as fears of the global economy's health were exacerbated by the trouble in the mortgage sector. CBT signaled a higher concern to safe-haven gold and induced fresh concerns about the health of the financial market. The financial sector external debt stock and real sector (excluding financial sector external debt stock) rose by US$ 296 billion, respectively, in 2007. The share of external debt stock to GDP in 2007 reached 44.6% and the ratio of external debt stock to GDP fell to 0.6% from 2.1% in the previous quarter.

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