

DEVELOPMENTS AT GARANTI

Fitch upgraded Garanti's long-term FC rating to BBB-, short-term FC rating to F3 and support rating to 3, thus bringing Garanti to investment grade.

In November, Garanti signed a syndicated term loan agreement in the amount equivalent to US\$ 700 million. The dual tranche loan is composed of US\$ 151.6 million and €365.6 million tranches with the participation of 35 key relationship banks representing 15 countries. Marking the first syndicated loan transaction with a renewal rate of more than 100% in 2009, the loan will be used for pre-export financing and has a maturity of one year. The all-in cost of the transaction is LIBOR+200 bps and EURIBOR+200 bps, respectively.

In November, Garanti signed a credit agreement with the European Bank for Reconstruction and Development (EBRD) for a facility of € 50 million which will be on-lent to small-sized enterprises.

In December, Garanti obtained a US\$ 100 million loan with a maturity of 10 years from the Overseas Private Investment Corporation (OPIC), an independent US Government agency, to be on-lent to SMEs. This is the first transaction where OPIC is lending directly to a bank in Turkey.

In December, Garanti was granted a loan by the European Investment Bank in the amount equivalent to €100 million with a maturity of 12 years. The proceeds of this transaction will be on-lent to SMEs according to EIB's eligibility criteria.

Garanti has provided a US\$ 280 million project finance facility and a US\$ 30 million revolving credit facility to MMK Atakas 2.3 million tons per annum greenfield integrated flat steel project. Sponsored by MMK (Russia) and Atakas Group (Turkey), the project will be realized with an estimated total cost of US\$ 1,728 million and will be completed by the end of 2010.

Garanti has provided a 12 year US\$ 93 million project finance facility to 40.2 MW Niksar Hydro Electric Power Plant Project to be constructed in Kelkit district, Tokat province. The Project is sponsored by IC İbrahim Çeçen Yatırım Holding (Turkey) and AES Corporation (USA).

In October, Garanti provided a long-term facility of US\$ 50 million, backing Alarko Holding and Cengiz İnşaat's (Cengiz Construction) acquisition of electricity distribution company Meram Elektrik Dağıtım for US\$ 440 million. This was the first long-term financing activity in the privatization process of Turkish electricity distribution market.

Garanti has provided an acquisition facility to Bridgepoint Capital Limited to finance the fund's first investment in Turkey, the

acquisition of 1/3 stake in TÜVTURK from Akfen Holding. TÜVTURK is the operator of whole vehicle inspection business in Turkey. The acquisition also covers 100% shares in Adana-İçel-Hatay and 33% shares in Istanbul sub-operating companies.

Garanti has joined a bank-club that provided a US\$ 600 million dual-currency facility with a three-year tenor to Türk Telekom. Garanti has participated to the club-loan, which was provided by 18 local and international banks, with € 45 million.

Bonus Card Platform that was launched in 2002, reached eight member banks with the addition of Eurobank Tekfen. Bonus Card, being issued by DenizBank, ING Bank, TEB, Şekerbank, TFKB and Garanti Bank International in addition to Garanti, will also be marketed by Eurobank Tekfen as of 2010. Bonus Platform continues to grow as the largest card platform of Turkey with more than 10 million cards.

With the aim to continuously add value and convenience to its customers, as a first in Turkey, TT Multimatik, a booth in which Garanti's Paramatik and Türk Telekom's Pay Phone are located together, was launched in November to provide both banking and telecommunication services.

Garanti's achievements further recognized on international platforms during the quarter:

- Garanti received "STP Excellence Awards 2008" from Deutsche Bank for the 7th consecutive year for achieving high Straight

Through Processing (STP) payment volumes with rates of 98.4% for Euro payments and 99.1% for USD payments.

- Garanti has been selected as "The Best Bank of Turkey in Cash Management" in 2009 Cash Management poll organized by Euromoney magazine.

- Garanti was awarded two grand prizes for media planning strategies at the "MediaCat Felis Awards." The use of private media for the Bonus card image-building campaign brought the Bank two first place awards: #1 in "Adults" Target Audience category and #1 in media category for "Best Use of TV."

- The first corporate social responsibility project "No Limits in Teaching" of Garanti's "Teachers Academy Foundation" won its first award from Active Academy.

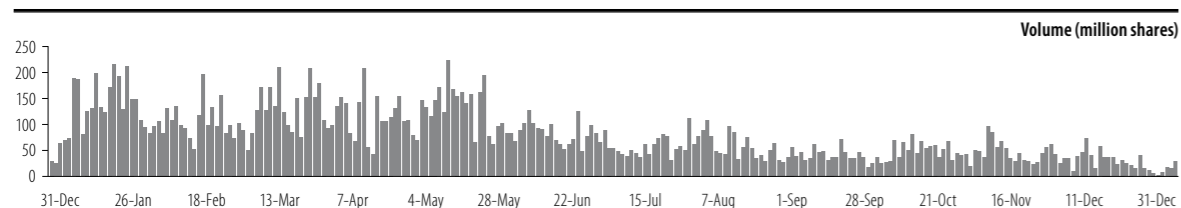
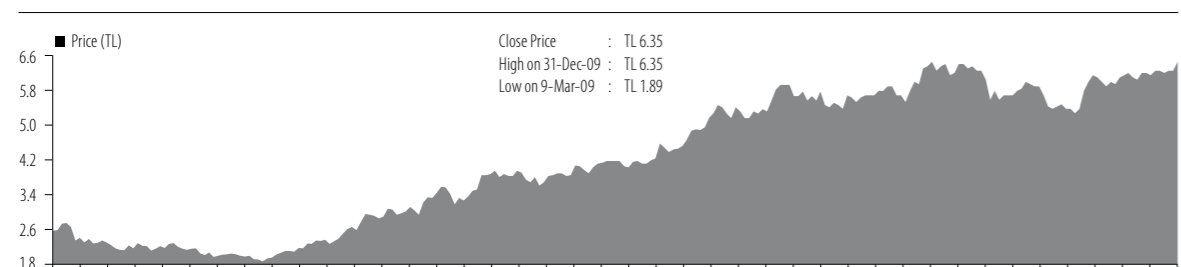
- Garanti Annual Report 2008 is the winner of three more awards in the League of American Communications Professionals' (LACP) 2009 Spotlight Awards Competition. The report received "Gold Award" in EMEA Annual Reports and another "Gold Award" in the category of Best Agency Materials. Most importantly, it is recognized as one of the Top 100 Communications Materials of 2009 and among more than 1,000 entries Garanti report ranked 23rd. Garanti Annual Report 2008 is also recognized with a "Gold Award" in Eco-Friendly Design category in Creativity Annual Awards, one of the longest running international advertising and graphic design competitions.

Garanti With Numbers	Dec-08	Sep-09	Dec-09	Garanti Market Shares*	YTD Δ	Dec-09
Branch Network	730	746	792	Total Cash Loans	▼	13.81%
+ Domestic	721	737	783	TL Loans	▼	10.91%
+ Abroad	9	9	9	FC Loans	▲	21.31%
Personnel	16,350	16,833	16,827	Credit Cards-Issuing (monthly)	▼	20.07%
ATM	2,581	2,646	2,756	Credit Cards-Issuing (Cumulative)	▼	20.81%
POS*	327,005	352,361	355,345	Credit Cards-Acquiring (Cumulative)	▼	22.06%
Total Customers	8,090,713	8,780,516	8,966,625	Consumer Loans	▼	10.90%
Internet Customers**	1,214,470	1,287,707	1,338,378	Total Deposits	▲	12.44%
Phone Banking Customers**	69,378	78,450	87,061	Demand Deposits	▲	14.40%
Credit Cards	7,501,809	7,805,236	7,857,047	TL Deposits	▲	10.89%
Debit Cards	4,755,143	5,305,024	5,396,618	FC Deposits	▲	15.38%
				Mutual Funds	▲	14.90%

* Includes shared POS
** Active customers only-Those that login/call at least once per month

*BRSA weekly data-Commercial Banks

Garanti Bank Stock Performance 2009



Turkish market outperformed its peers substantially in 2009 despite its sharply contracting economy and widening budget deficit. MSCI Turkey outperformed MSCI EM and MSCI EMEA by 10% and 17%, respectively during 2009 while performing in line during 4Q09.

In 2009, the damages to the world economy were deep and inevitable, but the actions taken by the fiscal and monetary authorities paved the way for an eventual recovery.

Turkish market outperformed its peers substantially in 2009 despite its sharply contracting economy and widening budget deficit. The Central Bank's unprecedented easing cycle, the strength of the banking sector and attractive valuations were the key drivers behind this outstanding performance.

MSCI Turkey outperformed MSCI EM and MSCI EMEA by 10% and 17%, respectively during 2009 while performing in line during 4Q09. Central Bank of Turkey continued the interest rate easing policy with a further 75 bps cut to 6.50% in 4q09 bringing annual rate cuts to 850 bps. The benchmark bond rates went down to below 9% levels from 16% at the beginning of the year. TL remained relatively flat in the second half of 2009 and closed the year at around 1.50. ISE100 closed 2009 at 52,825, up 97% annually and up 10% on a quarterly basis.

The world economy is likely to confirm its recovery in 2010-though at a pace which should slow down as activity moves from a public sector driven growth to a private sector driven growth. Disparities among regions, sectors and companies are likely to increase going forward as not all countries will be equal against the weight of budget deficits, and not all sectors or companies will be capable of generating profits based on sales and earnings rather than on cost reduction.

In 2010 and beyond, Asia and Emerging Markets are likely to see their role of economic driver amplified against more muted developed economies. Emerging Markets' balance sheets are in a healthier

shape, with higher growth rates expected across the board. These higher growth rates are likely to be of better quality and more sustainable, aided by superior demographics. Investors are more likely to increase allocations in the largest and most liquid markets.

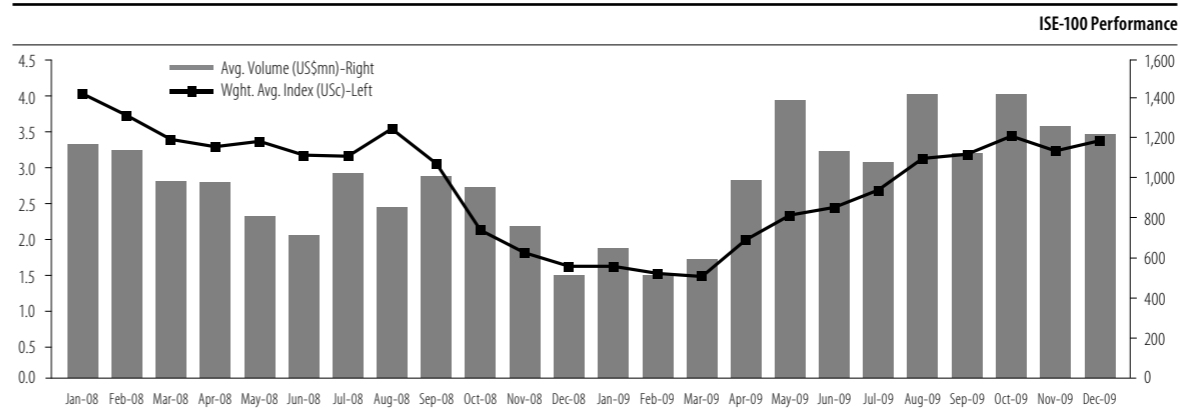
Turkey's credit upgrade by Fitch, leaving just one notch to go before it reaches investable league, combined with the successful monetary policy management in the previous period, and supported Turkey's macro position. Nevertheless, strong fiscal discipline is required. Any delay in establishing such an anchor would further aggravate inflation expectations which, when combined with possible political

tensions associated with the forthcoming general election (due in 2011), may raise the risk premium. In contrast, in the event that Turkey takes the right steps forward with the right timing, the stage may be set for another credit upgrade, elevating Turkey to a higher league and opening the door to sustainable macro normalization.

Turkey has been on the road without the IMF since May 2008. The better-than-expected performance of the economy during this period has encouraged the government to go without the IMF. Yet, the government prudently leaves the door open to the possibility of a deal, as an option, which serves as an insurance policy for the market.

Stock Market Performance* (in US\$) in Selected Countries				
	Last 1M	Last 3M	Last 6M	YTD
Brazil	1.2%	12.1%	42.0%	121.3%
China	0.5%	9.5%	17.5%	58.8%
Hungary	-1.2%	3.5%	47.1%	73.9%
India	3.4%	7.5%	27.9%	100.5%
Mexico	1.9%	12.5%	32.2%	53.1%
Poland	-2.5%	12.9%	48.2%	37.3%
Russia	3.3%	10.4%	39.6%	100.3%
Turkey	19.6%	9.0%	44.0%	92.0%
EM	3.8%	8.3%	30.0%	74.5%
EMEA	4.6%	9.0%	30.4%	63.5%
Eastern Europe	1.7%	9.3%	39.6%	79.3%
Latin America	1.6%	11.6%	38.4%	98.1%

* Based on MSCI's Emerging Markets Indices, as of December 31, 2009



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Fitch upgraded Turkey's long-term FC & LC ratings to BB+ and country ceiling to investment grade level of "BBB-". With this move, Turkey's rating stands at one notch below investment grade. Followed by this rating action, Fitch upgraded 19 Turkish banks' and financial institutions' long-term and short-term FC & LC ratings, as well as support ratings.

CBT lowered local currency reserve requirement ratio from 6% to 5%, which provided approximately TL 3.3 billion more liquidity into the Turkish banking system.

CBT announced the first quarter 2010 interest rate cap and overdue interest rate on credit cards and lowered them by 35 bps to 2.91% and 3.66% per month, respectively.

As of January 1, 2010, the use of International Bank Account Number (IBAN) for domestic and cross-border money transfers became obligatory in Turkey. This new system puts measures to ensure that money transfers reach their destinations without confusion over differing bank account number standards. CBT allowed the use of existing bank account numbers for a two-year period for those who do not know their IBAN pushing the complete enforcement to 2012.

To minimize security threats, the usage of one-time PIN in internet banking will be mandatory effective as of January 1, 2010. With the new regulation, to log on to online banking, spare PIN via SMS, electronic signatures and one-time pin generating devices will be used.

In December, Isbank and Fortis realized some NPL sales. TL 37.8 million of Isbank's and TL 115 million of Fortis's NPL were transferred to the LBT Asset Management in exchange for TL 9.5 million and TL 6.5 million, respectively. Isbank also sold TL 186.1 million for TL 8.5 million to Standart Varlık Yönetimi.

Akbank signed a loan agreement in December with European Investment Bank (EIB) amounting to € 150 million with a maturity of seven years.

The Central Bank of Egypt granted Isbank the necessary authorization to open a representative office in Cairo, Arab Republic of Egypt.

DEVELOPMENTS IN TURKISH BANKING SECTOR

Selected Sector Figures				
(TLmn)	26-Dec-08	25-Sep-09	31-Dec-09	YTD Chg (%)
Total Deposits	445,438	470,955	504,775	13.3%
Bank Deposits	12,045	14,355	16,989	41.0%
Customer Deposits	433,393	456,601	487,787	12.6%
TL Deposits	282,872	294,936	324,548	14.7%
FC Deposits (US\$m)	101,630	111,106	109,767	8.0%
info: Customer Demand Deposits	58,870	64,821	74,955	27.3%
Total Loans	353,119	350,991	373,166	5.7%
Loans / Deposits	79.3%	74.5%	73.9%	
TL Loans	247,670	251,131	268,192	8.3%
FC Loans (US\$m)	71,349	68,788	70,647	-1.0%
Consumer Loans	81,413	85,210	90,909	11.7%
Housing	37,658	39,583	42,658	13.3%
Vehicle	5,397	4,320	4,219	-21.8%
Personal Finance	33,195	36,256	38,414	15.7%
Other	5,163	5,050	5,619	8.8%
Credit Cards	33,461	34,933	36,700	9.7%
Gross NPL	12,338	19,404	20,517	66.3%
info: NPL ratio	3.4%	5.2%	5.2%	
info: NPL coverage	80.8%	81.6%	82.9%	
Gross NPL in cons. loans	1,838	3,548	3,869	110.5%
info: NPL ratio	2.2%	4.0%	4.1%	
Gross NPL in credit cards	2,386	3,954	4,228	77.2%
info: NPL ratio	6.7%	10.2%	10.3%	
F/X Position, net (US\$m)	-91	410	287	
on B/S	-4,129	-11,914	-12,845	
off B/S	4,038	12,324	13,133	

Source: BRSA weekly sector data, excluding participation banks

Stock Market Indicators (December 31, 2009)

	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 1M	Last 3M	Last 6M	YTD	Last 1M	Last 3M	Last 6M	YTD
Akbank	6,085	19,874	13,389	18,970	3.3	124.4	36.5	-1.1%	-0.3%	-4.2%	3.1%	14.9%	9.1%	40.4%	107.5%
Halkbank	2,231	9,953	5,458	9,953	1.9	99.0	33.9	12.9%	22.6%	36.5%	36.0%	31.1%	34.3%	100.0%	173.7%
İş Bankası	4,797	13,946	9,371	12,982	3.3	236.9	80.7	4.0%	-1.5%	-2.9%	-11.3%	20.8%	7.9%	42.3%	78.5%
Vakıfbank	1,496	7,126	4,039	7,126	3.9	102.8	33.8	17.2%	13.6%	27.9%	85.2%	36.1%	24.4%	87.4%	272.5%
YKB	3,638	10,399	7,103	9,541	3.3	168.2	42.5	-3.6%	-8.2%	0.6%	-20.6%	12.0%	0.5%	47.5%	59.8%
GARANTİ	4,446	18,332	11,531	17,845	9.0	490.2	180.0	4.8%	2.8%	7.6%	25.7%	21.7%	12.6%	57.6%	152.9%
Banking Sector	30,745	97,871	65,284	95,679	47.2	1,017.4	463.6	2.8%	1.3%	4.6%	8.6%	19.4%	10.9%	53.3%	118.4%
ISE-100	74,856	201,893	141,966	201,893	323.6	2,400.8	1,074.3					16.1%	9.5%	46.6%	101.2%

Minimum, maximum and average figures are valid for 2009-Average figures are weighted for Mcap and simple for volume-US\$/YTL: CBRT ask

MACRO NOTES

After reducing policy rates by 50 basis points in October and 25 basis points in November, The Central Bank of Turkey (CBT) decided to keep policy rates unchanged at 6.50% in December. Besides, the CBT stated that it would be necessary to keep policy rates at low levels for a long time as lingering problems across the global economy are not resolved completely and there are still uncertainties regarding the strength of the recovery.

The impacts of the global recession continued to ease during the fourth quarter of the last year as risk perception in financial markets was lower somewhat in the same period. This optimistic environment led the TL to remain strong against the USD, while it depreciated by 3% against Euro due to the rise in Euro/Dollar parity. In real terms, TL appreciated by 4.3% against the currency basket on CPI basis in the last quarter compared to the third quarter. The decline in the yields of domestic bonds seems to be over as of the fourth quarter of the last year as CBT had stopped to ease policy interest rate. Benchmark bond yield has fluctuated between 7.74% and 9.56% in the 4q09.

After having contracted by an average of 9.7% in the previous three quarters, Turkish economy shrank by another 3.3% in 3q09 (year-on-year basis). Seasonally-adjusted quarter-on-quarter terms, the growth rate slowed down to 1.7% in 3q09 from 2.8% in 2q09. While investments continue to make the biggest negative contribution, contracting by 18% compared to last year, the rate of contraction was much less in private consumption (-0.9%).

Overall, domestic demand (excluding stocks) brought down overall growth rate by 4%, while foreign demand made a positive contribution of 2%. Stocks, on the other hand, continued to weigh the GDP growth rate down.

Exports and imports have been recovering since the end of second quarter of 2009. While exports decreased just by 0.6% on y/y basis in October-November period, imports declined by 6.2% on y/y basis in the same period. Accordingly, foreign trade deficit decreased by 19.8% in the same period, after narrowing by 41.0% on y/y basis during 3q09. According to the Turkish Exporters Assembly (TEA), exports were US\$ 9.5 billion, rising by 32.3% on y/y basis. As a consequence of decreasing foreign trade deficit, the improvement in current account balance continued in the same period. As of end of October, the 12-month cumulative current account deficit dropped to US\$ 11.4 billion from US\$ 14.6 billion at the end of 3q09.

Annual CPI inflation increased from 5.3% at the end of 3q09 to 6.5% at the end of 4q09. The sharp rise in headline inflation has

stemmed from the base effect regarding energy prices and high food prices. The core inflation rose just by 3.8% on y/y basis as of end of 2009. PPI, which increased slightly by 0.5% on year-on-year basis in 3q09, rose by 5.9% on y/y basis in 4q09 due to the base effect.

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WHAT ANALYSTS' SAY ABOUT GARANTİ

BGC Partners

"...remains as one of the most profitable names in our coverage and one of the strongest growth potential banks if and when the economy recovers."

Nomura

"Garanti looks set to remain the leading Turkish mortgage provider because it has been consistently increasing its mortgage book every quarter."

Deutsche

"Garanti one of the two top picks among the entire CEEMEA banks universe... With its leading position in retail banking and strong fee revenue generation power, we believe that Garanti will likely be one of the prime beneficiaries of the upcoming trends in the Turkish banking sector."

Oyak

"...franchise strength is the backbone of profitability."

EFG

"Unlike some of its peers with profits largely derived from sources whose sustainability appears questionable, Garanti's P/L is clearly more diversified, with much less contribution from trading gains or from reduced provisions driven by delinquent loan restructuring. We continue to credit the Bank for its solid profitability, downside protection to earnings from discretionary reserves and high c.70% OPEX coverage of fees, which will be crucial in the low interest era."

Standard Ünlü

"Beyond its strong core earnings prospects, Garanti is best positioned among the Big-4 Turkish banks to reap the benefits of a sustained rally in bonds... The bank has enjoyed a phenomenal run after its timely positioning in the TL securities market and going forward we expect reported earnings to remain strong."

Ekspres

"...Garanti is a good bet for a growth play. The bank did not pause the branch opening activity during the crisis and is willing to retain the largest lender title going forward. ...Garanti offers one of the most optimal asset mixes to the investors..."

Şeker Securities

"Solid portfolio management. ...well positioned to capture extended loan demand."

HSBC

"Garanti among CEEMEA Super Ten... Customer-oriented approach should benefit the bank in 2010 when Garanti will rely on core banking activities for earnings growth due to low income from securities. ...the Bank's management has proved itself one of the best in the sector in reading the sector trends."

UBS

"Well managed... Garanti has been leading the way in a number of strategies in the past few years. Garanti plans to further expand its branch network beyond 800 branches in order to improve coverage."