

# StockWatch

**2Q 2013**  
INVESTOR RELATIONS



## ABOUT GARANTI STOCK 'GARAN'

**With an actual free float ratio of ~50%,  
Garanti shares constituted 17%  
of the foreign transactions in  
the Borsa Istanbul and represented  
33% of the foreign transactions  
among all listed banks.**

**US\$ 18.3 Billion**

Market Capitalization constitutes 8% of the BIST 100\*

**US\$ 9.2 Billion**

Highest floating market capitalization in the BIST\*

**US\$ 216 Million**

Average daily turnover in 1H 2013,  
representing 13% of the BIST 100

**US\$ 15 Billion**

Total 1H 2013 foreign transactions in GARAN  
The most traded stock by foreigners

**~12%**

Highest weight in the BIST 100

Note: Currency conversion is based on US\$/TL CBRT ask rate  
\*As of June 28, 2013

## GARANTI FINANCIAL HIGHLIGHTS

### Garanti Market Shares\*

	Jun-13	YTD Δ
Total Performing Loans	12.8%	◀▶
TL Loans	11.0%	▲
FC Loans	17.6%	▼
Credit Cards - Issuing (Cumulative)	17.0%	▼
Credit Cards - Acquiring (Cumulative)	19.2%	▲
Retail Loans**	12.6%	▼
Total Customer Deposits	12.3%	▲
TL Customer Deposits	11.3%	▲
FC Customer Deposits	14.5%	▼
Customer Demand Deposits	13.6%	▲
Mutual Funds	14.9%	▼

\* BRSA weekly data - Commercial Banks

\*\* Including consumer, commercial installment, overdraft accounts, credit cards and other

### Garanti with Numbers

	Dec-12	Mar-13	Jun-13
Branch Network	936	947	961
+ Domestic	926	936	950
+ Abroad	10	11	11
Personnel	17,285	17,982	18,431
ATM	3,508	3,559	3,605
POS*	501,919	517,987	542,634
Total Customers	NC	11,618,455	11,903,224
Internet Banking Customers**	2,367,473	2,481,113	2,513,117
Mobile Banking Customers**	439,634	531,543	613,050
Credit Cards	9,088,470	9,130,518	9,213,781
Debit Cards	7,014,706	7,158,914	7,224,247

\* Includes shared POS

\*\* Active customers only - min. 1 login or call per quarter

NC: Not Comparable

**In the first half of 2013,  
Garanti reached consolidated  
total assets of US\$ 103.6 Billion  
and consolidated net profit of  
US\$ 1.1 Billion.**

### SELECTED FINANCIALS\*

**Total Assets  
US\$ 103.6 Billion**

**Performing Loans  
US\$ 60.3 Billion**

**Total Deposits  
US\$ 58.8 Billion**

**Shareholders' Equity  
US\$ 11.5 Billion**

**Ordinary Banking  
Income  
US\$ 2.5 Billion**

**Net Income  
US\$ 1.1 Billion**

### SELECTED FINANCIAL RATIOS\*

**Return on Average  
Assets  
2.4%**

**Return on Average  
Equity  
20.8%**

**Capital Adequacy  
Ratio  
15.2%**

**Non-Performing Loans  
Ratio  
2.3%**

\* Figures are based on BRSA consolidated financials as of June 30, 2013  
Note: Exchange rate used for currency conversion is based on Garanti Bank's June 30, 2013 dated financials

## DID YOU KNOW?

As a result of the midyear **ISO 9001 Quality Management System Audit**, Garanti was acknowledged for its customer-centric approach and continuous improvement in talent management.

Garanti reduced its **greenhouse gas emissions** by 16.5% per total assets compared to 2010, outpacing the initial target set as 7%.

In order to improve collaboration among Turkish banks on managing environmental and social risks in lending operations, Garanti is committed to support capacity building and initiatives on sustainability. Accordingly, Garanti sponsored the first **Sustainable Finance Forum of Turkey**, organized by UN Global Compact, UNEP FI and Turkish Business Council for Sustainable Development.

Garanti launched **iGaranti**, a first-of-its-kind financial service leading the future of banking business and the revolution of conventional banking approach. iGaranti is an interactive mobile-only platform that supports management of all financial activities with a wide range of customized services. iGaranti achieved a great success, exceeding 100,000 downloads in the first month of its release.

## GARANTI AND THE COMMUNITY

Garanti continues to organize "**Women Entrepreneurs Gatherings**" in collaboration with KAGIDER (Women Entrepreneurs Association of Turkey). The 23<sup>rd</sup> and 24<sup>th</sup> of the reunions were held in Çanakkale and Nevşehir, respectively, aiming to strengthen economic and social standing of women and promote women entrepreneurship.

**Garanti Anatolian Meetings**, bring together SMEs and representatives of local administrations from different provinces in Turkey since 2002. The 86<sup>th</sup> meeting was held in Antalya where the essential steps to transform

the city into a world-class sports and health destination were discussed.

Garanti commenced **SALT Ulus** in Ankara, the third center of its cultural institution SALT which implements several programs in diverse fields such as; contemporary art, social and economic history, architecture, design and urban life. Along with SALT Beyoğlu and SALT Galata, SALT Ulus is established to provide long-lasting support to culture and experimental thinking in Turkey.

Garanti launched "**Disabled Friendly Banking**" aiming to enhance the lives of disabled. Paving the way for easier access to banking services, Garanti designed pilot branches and ATMs for orthopedically and visually handicapped. The internet and mobile branches are also readjusted to include audio guidance.

Garanti Pension's corporate social responsibility project, reintegrating child workers into full-time education, was honored with the "**Platinum**" award in Hermes Creative Awards and the "**Golden Compass**" in the 12<sup>th</sup> Golden Compass Public Relations Awards.

## AWARDS & RECOGNITIONS

Garanti was featured in Global Finance's "**Bright Stars: World's Best Banks 2013**" annual survey as the **Best Bank in Turkey**.

In the "**Most Powerful Banks in the World**" list of Bloomberg Markets, Garanti ranked the 18<sup>th</sup>.

Garanti's commitment to project and acquisition finance was recognized with "**Turkish Finance Provider of the Year**" award in 2013 M&A Awards by Acquisition International Magazine and the "**Best Energy Project Finance Provider 2013 – Europe**" award by InterContinental Finance Magazine.

Garanti was honored with "**Best Internet Bank**" and "**Best Project Finance House**" in Turkey 2013 awards by Global Banking & Finance.

Garanti's **Subvention Finder Service** which provides SMEs information on financial subventions, grants and assistance, was honored with the "**Best Customer Focus**" award in the Best Business Awards.

Garanti received the "**Best Financial Institution Bond**" award from EMEA Finance for its US\$ 1.35 billion dual-tranche Eurobond offered in September 2012.

**Esparacard**, which is a prepaid card that allows contactless payment and offers features that facilitate daily life, was honored with the "**Best use of contactless/NFC technology**" award in the category of "Transportation and Ticketing" in Contactless and Mobile Awards 2013.

Call Center received "**Gold**" award in "Best Technology Innovation – Internal Solution" category and "**Bronze**"

award in "Best Sales Campaign" category of 2013 Top Ranking Performers Awards-EMEA Region by Contact Center World.

Garanti was once again rewarded by **LACP (League of American Communication Professionals) Vision Awards**, where more than 800 entities from 24 countries competed in 2012. Demonstrating exceptional features in the fields of creativity, clarity and quality of communication, **Garanti 2012 Annual Report** received "**Bronze**" award while Interactive **Annual Report Website** received "**Silver**" award for the excellent user experience it presents.

**Investor Relations team** ranked **3<sup>rd</sup>** in the category of **Corporate Best in Turkey** in **Extel 2013 Survey** where more than 15,000 participants in the investment community voted.

## WHAT ANALYSTS SAY ABOUT GARANTI?

**Ata Invest:** Stellar cost management will continue to differentiate the bank...

**HSBC:** Always good at reading the trends... Garanti is best known for its good communication with investors – providing good guidance and delivering on it successfully

**JP Morgan:** Quality franchise with a strong balance sheet... solid profitability... one of the best management teams in Turkey

**Morgan Stanley:** Garanti presents an attractive capital position versus peers...

**Société Générale:** Best suited Turkish Bank to capitalize on a restoration of confidence and to thrive in the new environment in Turkey... Outpacing the sector in more lucrative lending areas...

**TEB:** Strong position both in terms of market share and capital strength...

## DEVELOPMENTS AT GARANTI

Garanti established the **GMTN (Global Medium Term Notes) program in the amount of US\$ 2.5 billion** where several issuances in different currencies and maturities were realized. Including the first Australian Dollar and Swiss Franc denominated transactions by a Turkish borrower, the amount issued in 2<sup>nd</sup> quarter reached US\$ 700 million.

Garanti rolled over its EUR 1 billion syndicated loan to EUR 1.1 billion equivalent syndication, **the largest** by a Turkish Bank.

Following the upgrade of Turkey's credit rating to investment grade on May 16, **Moody's** upgraded Garanti's both long and short term FC rating to Baa3 and P-3, respectively. Moody's also raised the standalone baseline credit assessments (BCA) to baa3 for Garanti.

**S&P** upgraded Garanti's long term ratings to BB+ following its sovereign rating upgrade.

In line with these, after the 2 notch sovereign rating upgrade on May 23, **JCR Eurasia** also upgraded Garanti's long term FC and TL ratings to BBB and BBB+, respectively, while reiterating its outlook as Stable.

Garanti continues to be **lead arranger in the financing of infrastructure, energy and privatization projects:**

- Provided **US\$ 4.75 billion** syndicated loan, together with a consortium of international and Turkish banks, in refinancing Oger Telecom.
- Participated with **US\$ 425 million** in a consortium formed for the privatization financing of Boğaziçi and Akdeniz Electricity Distribution Companies, **the largest privatization financing in Turkish Electricity Distribution Market.**
- Participated with **US\$ 359 million in US\$ 1.5 billion** financing of the privatization of Gediz Electricity Distribution Company, the 3<sup>rd</sup> largest electricity distribution company in Turkey.
- Arranged the largest **financing secured for an electricity generation asset**, with a participation of **US\$ 334 million. US\$ 1.67 billion** privatization of Seyitömer Coal Fired Power Plant is **the first thermal power plant privatization in Turkey** since 2000.
- Participated with **US\$ 201 million in US\$ 1 billion** consortium for privatization of Başkentgaz, operating Turkey's 2<sup>nd</sup> largest natural gas distribution. The deal is the **largest natural gas distribution financing** to date.
- Provided **US\$ 20 million** financing for the extension of Kızıldere Geothermal Power Plant which is **expected to become the largest operational geothermal power plant** in Turkey.
- Participated with **TL 50 million in TL 200 million** financing of Doğa Schools for the investment in new facilities.

Garanti continues to meet changing customer needs. With 36 product offerings in 2Q13, total number of products reached 544.

Garanti launched **Ekin Card and Account**, a new debit card which is linked to an overdraft account. It is designed to offer flexible payment options for farmers where repayments can be scheduled according to harvest-times.

**Garanti Pension** became the first pension company to reach 700 thousand participants, thus the most preferred company with a 20% market share.

In **Investment Banking Brokerage Services**, Garanti preserved its market share of 8.1% in the first half of 2013. Amount of bank bonds issued by Garanti in the first half of 2013 reached TL 3 billion.

**Fibabank** joined Garanti's Bonus Card Program platform. With the inclusion of Fibabank, there are 11 banks under the umbrella of Bonus.

Enabling its mobile applications compatible with BlackBerry 10, in addition to all iOS, Android and Windows 8 devices, Garanti became **the first and only bank to serve on all mobile platforms** with a single application. Since the beginning of the year, mobile applications reached over 1 million downloads and mobile banking active customer number increased by 39%.

## SELECTED CREDIT CARD FIGURES IN TURKEY

**1.91** up from 1.82 in 2012 YE  
# of plastic cards per person

**1.2%** vs. Garanti's 1.5%  
Payment Systems Commissions/Payment Systems Volume\*

**21%** Credit cards' share in retail loans  
flattish vs. 2012 YE

### Top 5 Categories in credit card spending

	Jun-12	Jun-13
Supermarket and shopping malls	13.6%	14.8%
Gas stations	11.7%	11.5%
Household gadgets, Pcs, etc	8.0%	8.2%
Apparel and accessories	8.5%	8.0%
Various food products	6.4%	7.2%

### Per card spending



Source: Interbank Card Center, Turkish Statistical Institute, Banking Regulation and Supervision Agency  
Note: Official population is based on 2012 announced figure of 75.6 million.

\* Garanti Payment Systems analysis based on BRSA financials of peers as of 1Q13. Plastic cards defined as the sum of plastic credit cards and debit cards.

## MACRO NOTES

**Positive contribution from private consumption and public sector to total GDP growth...** GDP growth rate was 3.0% on a year on year basis (YoY), in 1Q13. Domestic demand which contracted in 2012, made positive contribution to GDP growth rate in 1Q13 while external demand, which contributed GDP growth rate positively from 4Q11 to the end of 2012 lowered GDP growth rate. There was a growth in private sector consumption expenditures while private investments continued to fall sharply. On the other hand, the contribution from public expenditures to GDP increased in 1Q13 and among public expenditures, the rise in public investment expenditures was remarkable. Even though GDP figures in 1Q13 had a moderate improvement, high public support and ongoing contraction in private sector investment expenditures weaken the positive outlook.

**Early indicators in 2Q13 signaled a similar outlook as 1Q13...** On the consumption side, despite the rising trend (YoY), seasonally adjusted domestic sales of sectors had a decelerated growth in 2Q13. Also, the industrial production growth rate in April-May period was still moderate, while remaining below 1Q13 growth rate. Also, other leading indicators for production (capacity utilization rate, export volume, sentiment indices) signaled a moderate growth for 2Q13.

**Foreign trade deficit accelerated during April-May 2013...** With rising trend during April-May 2013 period, the 12-month current account deficit (CAD) increased to US\$ 53.6 billion as of May 2013. For the rest of the year, uncertainties about exports, the improving domestic demand and the recent trend in oil prices are upward risks on the CAD while uncertainties on the level of the improvement in domestic demand may limit those risks. During April-May 2013, the growth in foreign trade deficit was above the 1Q13 growth rate. Uncertainties regarding global economic growth signal that contribution from external demand to GDP growth rate will be limited in 2013.

**First half budget performance was in line with government year-end targets...** On 12 months cumulative basis, budget deficit narrowed to TL 19.0 billion as of June 2013. Figures pointed out that a similar budget performance in the second half of 2013 as in 2012 would lead government to achieve its fiscal target. The growth rate of tax revenues in 2Q13 was in line with 1Q13 growth rate, remaining higher than targeted rise for the whole year. Non-interest expenditures decelerated in 2Q13 compared to 1Q13, indicating lower GDP contribution from public sector.

**There are risks for inflation for the rest of the year...** As of June 2013 annual inflation, which was 7.3% at the end of the first quarter, rose to 8.3%. Despite the rise in headline CPI, the other inflation indicator, core

inflation remained almost stable. For the rest of the year, depreciation in TL against currency basket is an upward risk on inflation, however, uncertainty regarding the growth outlook may limit the negative impact.

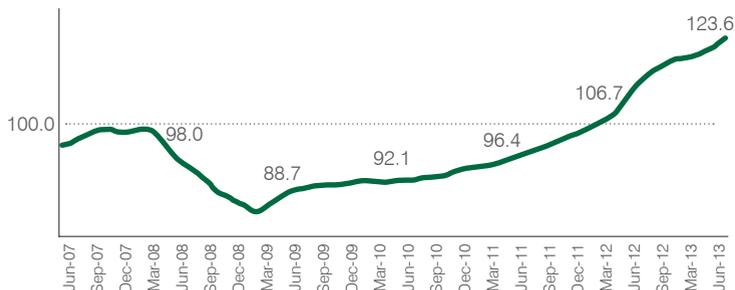
**CBRT focused on FX volatility and credit growth...** In April and May, the CBRT lowered upper and lower boundaries of the interest rate corridor and policy rate by 100 basis points in total, in line with the assumption of continued capital inflows to Turkey. Accordingly, policy rate reduced to its record low level of 4.5% in May. Even though Turkey's sovereign rating was upgraded to "investment" level by Moody's in May, increasing possibility of earlier than expected tapering in Fed bond purchases caused rising volatility in global financial markets and capital outflows from emerging market economies including Turkey. The CBRT tried to lower the impact via selling FX and squeezing TL liquidity. In addition, in its July meeting, upper bound of the interest rate corridor raised by 75 basis points to 7.25% as upward pressures on inflation increased and loan growth rate remained higher than benchmark (15%) rate.

After having depreciated by 0.7% against the currency basket in 1Q13, TL depreciated with an acceleration by 2.6% in 2Q13. Benchmark bond yields, which fell below 6.4% at the end of 1Q13, increased again to 7.5% at the end of the 2Q13.

## REAL-ESTATE SECTOR ANALYSIS IN TURKEY

**REIDIN Turkey Composite Residential Property Price Index:** Sponsored by Garanti, the index reflects an increase of 1.31% m-o-m and 15.78% y-o-y in residential sales prices as of June 2013. Index series are calculated monthly, for sales and rent covering 7 major cities, including Istanbul, Izmir, Ankara, Adana, Antalya, Bursa and Kocaeli.

### Residential Property Price Index-Change in residential sales prices



**REIDIN.com-GYODER New Home Price Index:** Sponsored by Garanti, the index shows an increase of 1.84% m-o-m and 9.03% y-o-y as of June 2013. Taking January 2010 as the base period, REIDIN.com-GYODER New Home Price Index is calculated on 70 housing projects and with a monthly average number of 22,500 properties presented by 27 developers.

### New Home Price Index



## DEVELOPMENTS IN TURKISH BANKING SECTOR

Turkish banks raised a total amount of US\$ 9.1 billion\* equivalent international funding in 2Q13. US\$ 6.1 billion equivalent amount was secured as syndicated loans; US\$ 147 million equivalent amount was received from multilateral development banks; US\$ 1.4 billion from Eurobond issuances, US\$ 226 million in securitizations; US\$ 500 million in sub-debt; US\$ 702 million under GMTN (Global Medium Term Notes) program.

In 2Q13, Turkish banking sector issued TL 10.5 billion worth of TL-denominated corporate bonds with different maturities.

Following Fitch's investment grade, Turkey received 3 more investment grade ratings. On May 16, 2013, Moody's upgraded Turkey's government ratings by one notch to investment grade level of Baa3 with a Stable outlook. On May 23, 2013, JCR raised Turkey's rating by two notches from BB to BBB- with a Stable outlook that was followed by the Canadian Dominion Bond Rating Services (DBRS) which assigned LT FC rating of BBB (low) for Turkey for the first time. All in all, 4 credit rating agencies now rate Turkey as an investment grade country. Following the sovereign rating upgrade, Turkish Banks received upgrade from Moody's and JCR.

BRSA has postponed the implementation date for Basel III until January 2014; it had been due to be implemented by July 2013.

NPL sales in the sector reached TL 1.2 billion in 2Q. Akbank sold its NPL portfolio of TL 250.5 million, Garanti sold TL 314.1 million, Finansbank sold TL 548.7 million, Alternatifbank sold TL 91.7 million and Asya Katılım sold TL 140 million (of which TL 102 million was previously written-off).

Denizbank acquired Citibank Turkey's consumer banking operations.

Intesa Sanpaolo S.p.A. gets BRSA approval to open its first branch in Turkey with a US\$ 300 million equity.

Odea Bank agreed with Akbank for the co-branding of the Axxess credit card brand. On the other hand, Fibabank agreed with Garanti to participate in the Bonus Credit Card Platform.

CBRT introduced cap on interest rates charged for overdraft accounts. In this regard, contractual and overdue interest rates on the overdraft accounts will be subject to the upper limits of contractual and overdue monthly interest rates on credit card transactions.

Effective as of July 1<sup>st</sup>, CBRT lowered the interest rate cap and overdue interest rate on credit cards by 10 bps to 2.12% and 2.62% per month, respectively.

CBRT, in line with its financial stability objective, continued to jointly utilize multiple tools such as Reserve Requirement Ratio (RRR), Reserve Option Coefficient (ROC), policy rate and interest rate corridor in light of the latest developments in global markets. The actions implemented were as follows:

- **Policy rate cut:** CBRT gradually cut policy rate by 100 bps to 4.5%.
- **Moved the interest rate corridor lower:** Upper band decreased to 6.5% from 7.5%; lower band to 3.5% from 4.5%.
- **RRR increase for FC liabilities:** CBRT increased RRR for FC liabilities up to 1 year maturity and for other FC liabilities up to 3 year maturity to 13% and 11%, respectively. CBRT left RRR for FC deposits more than 1 year and for FC liabilities with more than 3 years unchanged at 9% and 6%, respectively. Hence, average FC RRR increased from 11.5% to 11.9%.
- **Increase in ROC of FX reserves:** CBRT raised the reserve option coefficients (ROCs) for foreign exchange (FX) reserves held for TL by 0.2 points for all tranches except for the first tranche.

	ROCs		
% of TL RR that can be held in FX	Apr-13	Mar-13	Feb-13
up to 35%	1.4x	1.4x	-
additional 5% (35%-40%)	1.7x	1.5x	1.4x
additional 5% (40%-45%)	2.1x	1.9x	1.8x
additional 5% (45%-50%)	2.4x	2.2x	2.1x
additional 5% (50%-55%)	2.6x	2.4x	2.3x
additional 5% (55%-60%)	2.7x	2.5x	2.4x
<b>Weighted avg. coefficient for FX (if fully utilized)</b>	<b>1.78</b>	<b>1.69</b>	<b>1.65</b>

### Selected Sector Figures (TL Million)

	28.12.12	29.03.12	28.06.13	YTD Δ
<b>Total Deposits</b>	<b>767,731</b>	<b>787,535</b>	<b>830,057</b>	<b>8.1%</b>
Bank Deposits	41,978	50,507	48,004	14.4%
Customer Deposits	725,752	737,028	782,053	7.8%
TL Deposits	491,920	499,585	528,961	7.5%
FC Deposits (US\$ mn)	132,398	131,791	131,893	-0.4%
Customer Demand Deposits	127,945	127,882	140,197	9.6%
<b>Total Loans</b>	<b>715,841</b>	<b>752,998</b>	<b>831,883</b>	<b>16.2%</b>
TL Loans	528,824	558,443	607,861	14.9%
FC Loans (US\$ mn)	106,023	108,032	116,779	10.1%
Retail Loans*	344,431	367,935	401,535	16.6%
Housing	82,514	87,816	95,836	16.1%
Auto	19,349	19,044	19,605	1.3%
General Purpose Loans**	168,311	182,837	201,561	19.8%
Credit Cards	74,257	78,238	84,533	13.8%
Loans / Deposits	93.2%	95.6%	100.2%	
<b>Gross NPL</b>	<b>21,256</b>	<b>23,447</b>	<b>23,847</b>	<b>12.2%</b>
NPL ratio	2.9%	3.0%	2.8%	
NPL coverage	76.1%	74.5%	74.4%	
Gross NPL in retail loans	6,971	7,790	8,102	16.2%
NPL ratio in retail loans	2.0%	2.1%	2.0%	
Gross NPL in credit cards	3,848	4,377	4,035	4.9%
NPL ratio in credit cards	4.9%	5.3%	4.6%	
<b>F/X Position, net (US\$ mn)</b>	<b>1,561</b>	<b>2,290</b>	<b>-736</b>	
on B/S	-17,173	-18,451	-20,633	
off B/S	18,733	20,741	19,897	

Source: BRSA weekly sector data, commercial banks only

\* Including consumer and commercial installment loans

\*\* Including other and overdraft loans

\*Source: Public Disclosure Platform. Calculation based on publicly-traded banks.

## MARKET RECAP

Throughout 2Q13, global markets witnessed volatility and uncertainty fueled by the Federal Reserve's announcements about its accommodative monetary policy. Especially the emerging world reacted promptly to the Fed's earlier than expected plan to start "tapering" quantitative easing and the signal of an imminent liquidity tightening triggered a sharp sell-off across all asset classes. Worries about decelerating growth, rising interest rates, currency weakness in addition to the instability in major markets like Brazil and Turkey, where tension accelerated in June via big street protests, led the MSCI Emerging Markets Index to drop to its lowest level in a year.

In the Eurozone, economic indicators suggested slight recovery that the dip of the recession had already passed thanks to the European Central Bank's supportive policies whereas apparent lower trajectory of Chinese growth together with global volatility weighed heavily on EM equities as well as commodity prices. Gold prices were down by 23% as Brent oil finished the quarter down by 7%.

In Turkey, 1Q13 GDP growth of 3% YoY came in higher than expected with the support of domestic demand led by government expenditures thus signaled weaker positive outlook. The current account deficit widened to US\$ 53.6 billion as of May as uncertainties remain regarding external demand while yearly inflation rose to 8.3% at the end of 2Q13 and depreciation in TL added upside risk. Central Bank of Turkey (CBRT) gradually cut policy rate by 100 bps and continued to utilize monetary tools in order to support financial stability. Benchmark bond yield, that fell below 6.4% at the end of 1Q13 and further to below 4.7% in May, increased to 7.5% at the end of the 2Q13 and hit 9.6% on July 11, a record high since 2Q12.

The reflection of increased global volatility coupled with the lack of strong macro indicators and stability in Turkey, led to a reversal of Turkish equity market's five quarter-long outperformance trend versus all MSCI emerging markets' indices. In June alone, foreign investors' net outflow in Borsa Istanbul reached US\$ 1.2 billion, which was the highest monthly figure since August 2008 prior to the fall of Lehman Brothers. Hence, MSCI Turkey ended 2Q13 with a decrease by

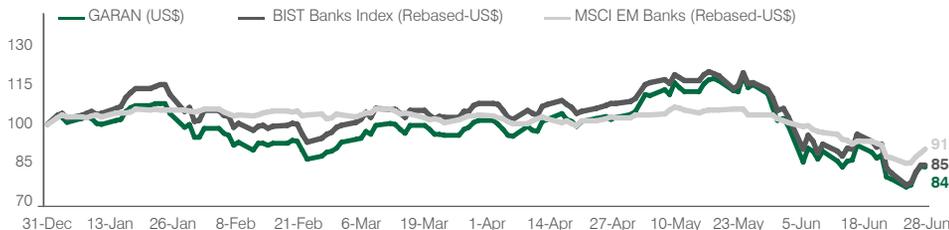
17% underperforming MSCI EM and EMEA by 8.6% and 7.9%, respectively. The underperformance was a result of vulnerability to global liquidity tightening signaled by the Fed and the resurgence of political risks with the Gezi park protests, ahead of a heavy election schedule. Unfortunately, the rating upgrades to investment grade by Moody's on May 16 and JCR on May 23 were barely reflected on Borsa Istanbul's performance within the heavy agenda and BIST 100's all-time-high on May 22 with 93,398 was short-lived. The index neared 70,000 towards the end of 2Q13 and MSCI Turkey's year-to-date outperformance of 15% versus MSCI EM until early May disappeared in less than 2 months towards the end of 2Q13.

Looking ahead, global challenges remain as the Fed gets ready for a gradual normalization of its accommodative policies once the economic indicators prosper, Chinese growth decelerates and Europe continues to confront massive structural problems. The forthcoming end of the US liquidity stimulus has been luring capital away from emerging markets to developed markets where yields are increasing, and investments bear less risk. Nevertheless, the fact that most emerging markets have sustained fiscal discipline, strong financial systems, solid fundamentals, disciplined inflation for the last decade and the stocks significantly lost value during the recent turbulence underperforming their developed market peers, emphasizes the future prospects and the potential offered by emerging markets in the long run. Uncertainty remains regarding the timing of the dust to settle and the cycle to reverse for the re-assessment of asset allocation on a risk/reward basis.

### Garanti Bank Stock Performance in 1H 2013



### Relative Performance to MSCI EM Banks & BIST Banks Index



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

	YTD	QoQ
Brazil	-19%	-18%
China	-13%	-9%
Hungary	2%	9%
India	-9%	-6%
Mexico	-6%	-12%
Poland	-17%	-6%
Russia	-14%	-11%
<b>Turkey</b>	<b>-10%</b>	<b>-17%</b>
EM	-11%	-9%
EMEA	-15%	-10%
EM Banks	-9%	-12%
Eastern Europe	-14%	-10%
Latin America	-16%	-16%

\* Based on MSCI's Emerging Markets Indices, as of June 28, 2013

For further information please contact Garanti Investor Relations.

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