



## About Garanti Stock 'GARAN'



With a free float ratio of **49%**, Garanti shares constituted **24% of the foreign transactions** in the ISE and represented almost **half** of the foreign transactions among all listed banks.

# US\$ 19.0 Billion

Market Capitalization constitutes  
8% of the ISE-100 as of June 30, 2011

# US\$ 9.3 Billion

Highest floating market  
capitalization in the ISE  
as of June 30, 2011

# US\$ 213 Million

Average daily turnover in 1H 2011,  
representing 13% of the ISE-100

# US\$ 17.6 Billion

Total 1H 2011 foreign transactions  
in GARAN – The most traded  
stock by foreigners

# ~14%

Weight of Garanti shares  
in the ISE-100

*Note: Currency conversion is based on US\$/TL CBRT ask rate*

# StockWatch

2Q 2011



INVESTOR RELATIONS



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## Garanti Financial Highlights

Garanti Market Shares*	YTD Δ	Jun-11
Total Performing Loans	▼	13.3%
TL Loans	▲	11.0%
FC Loans	▼	19.1%
Credit Cards - Issuing	▼	19.2%
Credit Cards - Acquiring	▼	20.3%
Consumer Loans**	▼	12.6%
Total Customer Deposits	▲	12.1%
TL Customer Deposits	▼	10.1%
FC Customer Deposits	▲	16.6%
Customer Demand Deposits	▲	15.2%
Mutual Funds	▼	15.3%

\*BRSB weekly data - Commercial Banks

\*\*Consumer loans including consumer credit cards

Garanti With Numbers	Dec-10	Mar-11	Jun-11
Branch Network	863	884	894
+ Domestic	853	874	884
+ Abroad	10	10	10
Personnel	16,675	16,718	16,912
ATM	3,003	3,048	3,144
POS*	405,154	423,185	442,358
Total Customers	9,774,724	9,974,705	10,193,626
Internet Customers**	1,669,703	1,789,509	1,897,471
Telephone Banking Customers**	1,402,058	1,510,111	1,540,092
Credit Cards	8,004,359	8,089,360	8,190,511
Debit Cards	6,174,141	6,362,954	6,350,168

\* Includes shared POS

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

In the first half of 2011, Garanti reached consolidated total assets of US\$ 96.4 billion and consolidated net profit of US\$ 1.2 billion.

### Selected Financials\*

**US\$ 96.4 Billion**  
Total Assets

**US\$ 50.8 Billion**  
Performing Loans

**US\$ 52.8 Billion**  
Total Deposits

**US\$ 10.8 Billion**  
Shareholders' Equity

**US\$ 2.3 Billion**  
Ordinary Banking Income

**US\$ 1.2 Billion**  
Net Income

### Selected Financial Ratios\*

**2.5%**  
Return on Average Assets

**21.4%**  
Return on Average Equity

**16.8%**  
Capital Adequacy Ratio

**2.2%**  
Non-Performing Loans Ratio

\* Based on BRSB Consolidated Financials

Note: Ordinary Banking Income including collections

US\$/TL = 1.60 as of June 30, 2011



## Did you know?

**G**aranti Bank's new independent cultural institution **SALT is opened in April**. Garanti's successful cultural institutions Ottoman Bank Museum, Platform Garanti Contemporary Art Center and Garanti Gallery have been restructured as a single autonomous organization. SALT is located in a 15,000 m<sup>2</sup> venue spanning two historic 19th-century buildings renovated and modernized by a team of architectures.

SALT will merge and contrast various different disciplines as it prepares publications and organizes and hosts research, exhibitions, conferences, workshops, educational programs and film screenings in various fields including "contemporary arts", "architecture and design" and "economic, historical and social studies". SALT will offer a library featuring a digital archive with more than one million documents along with

nearly 100,000 printed works, all of which is sure to be an invaluable resource for researchers in the fields of cultural and social studies.

The new internet branch, **GarantiDirect**, offers new features to Garanti customers to enhance their banking experience. New attributes enable customers to manage their finances, tag transactions, send emails to their relationship managers and to use enhanced tools, such as search, chat and online support.

Garanti Masters Private Banking started to offer its clients a tax consultancy service in cooperation with PwC Turkey. In this context, two conferences titled **"Restructuring of the Public Receivables - Tax Amnesty"** were held in Istanbul and Ankara, informing private banking clients about the new

rules of the recent tax amnesty law.

Garanti has set up a **"Multinational Companies Product Desk"** as a single point of contact in order to provide support for the MNCs as they make their first entry to the country. The services provided include; treasury centralization, advisory on account openings, documentation, banking legislation as well as payments and collections. The number of MNCs in Turkey has increased from 2,000 to 27,000 in the last decade.

**Podcast applications of market commentary** --method of broadcasting audio files over the internet-- on Garanti Asset Management's website was launched in May 2011 which carried Garanti Asset Management to a pioneer position in the sector. ■



## Garanti and the Community

**"Turkey's 5<sup>th</sup> Annual Women Entrepreneur Competition"** organized by Garanti was hosted in partnership with Ekonomist magazine and the Turkish Women Entrepreneur's Foundation (KAGIDER). The competition evaluates the projects of woman entrepreneurs to expose success stories in order to reveal the economic and social entrepreneurial spirit and to resemble a model for all women in Turkey.

**The "12<sup>th</sup> Woman Entrepreneurs Meeting"** organized by Garanti Bank with the cooperation of Women Entrepreneurs

Association of Turkey (KAGIDER) was held in two different locations in April. The meetings aim to inform woman entrepreneurs on main aspects of business world and to encourage them to create new opportunities in their businesses as well as highlighting their contribution to the economy.

**"71<sup>st</sup> Garanti Anatolian Talks"** meeting was conducted with SMEs in two large cities in the second quarter. The topics discussed were mainly on projects that would add

value to the cities' social and economic development.

Sponsored by Turkish Foundation of Cinema and Audio-visual Culture (TURSAK) and Garanti Bank, the **"8<sup>th</sup> Annual Garanti Mini Bank International Children's Film Festival"** was held in two large cities. The program consisted of 30 movies that attracted great interest and was granted awards by the leading children's movie festivals. ■



## Awards & Recognitions

**G**aranti is recognized as the **"Best Bank in Turkey"** for the 11th time at Euromoney Awards for Excellence.

Garanti's efforts in communicating the sustainability of its financial performance in its annual report along with its commitment for sustainability as a whole is recognized as the **"Best Sustainability Communications Program"** by the **"League of American Communications Professionals-LACP"**. The initiative in communicating sustainability efforts commenced with the 2008 Annual Report.

Garanti Mortgage received the **"Award of Distinction"** in Viral Marketing category with the online "Fast Home Move" viral video in 2011 Communicator Awards .

Garanti Bank's marketing campaign with the focus of increasing the number of online banking customers is recognized as **"The Best Database Marketing Campaign"** at Crystal Apple Awards. Crystal Apple, also known as "The Oscar of Advertising", is one of the most prestigious awards in Turkey organized by Turkish Association

of Advertising Agencies.

Garanti Bank received **"Golden Spider Web Awards"** in 8 categories including **"Banking and Finance"**, **"Internet Banking"** and **"Corporate Web Site"**.

Garanti Bank has received **STP (Straight Through Processing)** awards from The Bank of New York Mellon (higher than 98%) and Commerzbank (99.9%) for achieving high straight through processing payment volumes during 2010. ■



## What analysts say about Garanti

- **Autonomous:** ...well-positioned to mitigate pressure on the top-line.
- **BGC:** Best asset & liability mix in its class
- **Citi:** ...NIM outlook is improving relative to peers given its more proactive approach to loan repricing
- **Eczacıbaşı:** Robust in both core and non-core items: Strong bottom line & core operational profit...
- **EFG:** ...has ample free funds and a tight duration

gap, implying that it is well-positioned to weather macro volatility. **Erste:** ... leading position in retail lending, strong fee-generating power and competitive revenue base coupled with defensive asset mix.

- **HSBC:** A sound name with a strong track record of successful management during tough periods.
- **Is Invest:** Well-hedged against different cycles.
- **Morgan Stanley:** ...key differentiation is its loan mix

and strong focus on top-line profitability.

- **Oyak:** ... by far the leader in the system with a diversified lending portfolio and superb efficiency ratios.
- **TEB:** ... differentiated from others with a sophisticated sales culture, client diversity and efficient use of technology.



## Developments at Garanti

In May, Garanti signed € 1 billion 1 year syndicated loan, comprising two separate tranches in the amount of € 782.5 million and US\$ 304.5 million. The loan will be used for trade finance purposes and has been executed with commitments received from 42 banks out of 19 countries. The all-in cost has been realized as Euribor/Libor+110bps.

In June, Garanti issued US\$ 225 million and € 50 million new series of DPR securitisation notes. The issued notes received an 'A-' rating from Fitch Ratings and became the first DPR transaction out of Turkey which involved only commercial investors. The 'A-' rating is the highest standalone rating for a Turkish DPR issuance to date and indicates the sustainable and strong structure of Garanti's DPR securitization program.

In April, Garanti issued US\$ 300 million 5-year floating rate notes with a coupon rate of 3-month LIBOR + 2.50% and US\$ 500 million 10-year fixed rate notes with a coupon rate of 6.25%. The US\$ 300 million floating rate tranche became the only floating rate Eurobond issued in Middle and East Europe on US\$ currency for the year, while the fixed rate tranche is the longest tenor Eurobond issued by a private company in Turkey.

In 2Q'11, Garanti Bank issued two corporate bonds in equal amounts totaling TL 1.5 billion. The bonds, with maturity of 6 months, were issued through public offering to domestic retail (40%) and domestic institutional investors (60%).

Garanti continues its new product offerings to meet changing customer needs. With these new offerings, total products reached 462 as of 2Q11.

- Garanti launched **Savings Account** which enables customers to save and earn daily interest on small amounts. It also provides customers to deposit or withdraw money at anytime without an interest loss. Also, customers can set a target amount of saving and be awarded with an additional interest for reaching it.
- Garanti Mortgage added 2 new products to its portfolio: **100% Mortgage** is designed for customers who already own a house and wish to purchase another one. 100% Mortgage enables the customers to meet the 25% mandatory down payment via collateralizing their first house. **Bridge Loan** is designed for customers who wish to sell their current house and move to another one without waiting for the selling transaction to be completed. In Bridge Loan, the expected selling price for the current house is considered as a down payment, and the customer can

defer the payment up to 12 months with an additional balloon payment plan.

- Garanti Bank and Turkcell have teamed up with MasterCard to launch a prepaid card called **Cep-T Paracard** to tap the unbanked population via the wide distribution network of the mobile operator. Cep-T Paracard combines mobile and banking services that enable Turkcell customers to benefit from financial services offered by Garanti Bank without being a Garanti customer. Cep-T Paracard is a SIM based secure service that can be used with any mobile handset device. Customers can simply load up their cards with funds at ~1100 Turkcell Communication Centers and Garanti ATMs to shop at any MasterCard accepting store, collect bonus points, load minutes onto their mobile phones and transfer money.

- In 2Q'11, there are two brand-new structured deposit products offered by Garanti Masters Private Banking. **"Global Carry" US\$ Structured Deposit** provides the opportunity to participate in the yield of Deutsche Bank's Haven Plus index, which aims to capture mid-to-long term excess global interest rate differentials. **"RDX vs. ISE-30" TL Structured Deposit**: for investors who expect the Russian stock market to outperform the Turkish stock market in the mid-term.

- Garanti Bank launched **Smart TV** application which can be downloaded from any Samsung Smart TV or Blu-Ray players. With Garanti's Smart TV application customers can access the top 10 profit/loss stock info, Reuters and Garanti news, daily market comment videos and most common currency/market values.

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

- A Turkish banking consortium have provided US\$ 750 million long-term cash acquisition financing facility to TASS Group where Garanti acted as one of the MLAs in the facility with a ticket size of US\$ 214 million.
- Garanti has solely provided US\$ 330 million financing including a term loan facility and a working capital facility to Izmir Demir Çelik for the financing of 350 MW coal fired power plant.
- Garanti has provided a total of EUR 169 million cash and non-cash investment loan to Demirer Enerji and Polat Enerji for their Samurlu, Kozbeyli, and Poyraz Wind Energy Power Plant investments with a total installed capacity of 115 MW. A further WEPP investment financing has been provided to Bilgin Group for their 49.5 MW Zeytinli Wind Energy Power Plant project.
- Garanti acted as one of the MLAs in the 450 million

TL syndicated loan facility to Kayseri Şeker Fabrikası A.Ş. consisting of a long-term refinancing loan and a working capital loan. Garanti participated in the facility with a ticket size of 112.5 million TL.

**Two new capital protected funds** (20<sup>th</sup> Sub-Fund and 21<sup>st</sup> Sub-Fund) were launched in 2Q 2011.

**20<sup>th</sup> Sub-Fund** is for investors who expect rising **gold prices** and **21<sup>st</sup> Sub-Fund** is for investors who expect rising **US\$/TL parity**. The AUM in Capital Protected and Income Guaranteed Funds is TL 349 million with 11.2% market share as of 2Q11.

In an effort to increase operational efficiency and provide cross-sell opportunity, an interface called **"Garanti'li Hesap"** with 7 different product screens is developed and launched. Garanti'li Hesap enables branch employees to view customers' daily transactional services such as internet banking, phone banking, ELMA (retail cash management account), automatic bill payment, bill payment with overdraft facility, debit and credit cards under single account.

Garanti exercised its put option to sell the remaining 20% stake in Eureko Insurance and recorded capital gains.

Garanti introduced **Bancassurance Project (BAM)** to enhance its cooperation with Eureko Insurance. Simplified insurance products are launched under BAM, focusing on major areas like product portfolio simplification, sales process, marketing & CRM and after sales services. Operational efficiency is achieved in insurance sales with the new screens. Improvements on customer notification process will also enable Garanti to achieve higher degree of customer satisfaction. Bancassurance leader Garanti and Eureko Insurance expect to double insurance production in 3 years with BAM Project.

Garanti continues to focus on employee development not only by offering traditional in-class and online trainings but also by emphasizing on knowledge management. **"Knowledge Management (KM)"** tools enable Garanti employees to access important information, products, processes and recent economic developments instantly. KM and training tools are supported by Garanti's state-of-the-art technology infrastructure. These tools include; **"Webinar"**: online virtual training tool for groups; **"Garlive"**: live broadcast training tool for all employees; **"Gbtube"**: corporate video portal; **"Discussion Boards"**: platform to exchange ideas. ■



## Developments in Turkish Banking Sector

Turkish banks received a total amount of US\$ 7.1 billion\* equivalent international borrowing in 2Q 2011. From which, the amounts secured were equivalent of US\$ 5.5 billion syndicated and US\$ 1.1 billion securitization loans while US\$ 0.5 billion was received from multilateral development banks.

In 2Q11, Turkish banking sector issued TL 5.7 billion worth of TL-denominated corporate bonds with different maturities (6+ months) and US\$ 1.3 billion worth of Eurobond with maturities of 5 years and 10 years.

In 2Q11, CBRT kept its policy rate unchanged at 6.25%, while continuing to take action on reserve requirement ratios (RRR) as a tool for monetary tightening. CBRT raised RRR of TL deposits by 100 bps only for demand deposits and 1-month TL deposits while keeping longer maturity TL deposits constant. RRR of short-term FX deposits (up to 12M) were also increased from 11% to 12%.

Also, BRSA took new measures to curb the loan demand in line with the government's strategy;

- In the CAR calculation, BRSA increased risk weight of general purpose loans to 150% for loans between 1 – 2 year maturity and 200% for loans with more than 2 years maturity (from its prior ratio of 100% risk weight)
- General provision rate for performing non-cash loans is increased to 0.3% for the banks with total guarantees and sureties exceeding 10 times the equity
- BRSA increased general provision rate for the banks with more than 20% share of total consumer loans in total loan composition and/or with an NPL ratio of 8.0% for general consumer installment loans. For the banks with conditions above stated; BRSA decided to increase general provision rate on general purpose loans to 4% from 1% for Group I and to 8% from 2% for Group II. General provision rate will be 10%, if a loan has an extended maturity.
- BRSA increased the general reserve rates applicable to extended loans classified under standard loans (Group I) and closely monitored loans (Group II); increased to 5% for cash loans and 1% for non-cash loans. A bank will also be required to classify the performing loans of a client as closely monitored loans, if one of the loans of this specific client is being extended.

Denizbank sold its NPL portfolio of TL 111 million for TL 10.6 million to Girişim Varlık Yönetimi.

Deniz Emeklilik ve Hayat A.Ş. was acquired by a US insurance company, MetLife, for EUR 162 million. ■

\* Calculation based on publicly-traded banks

Selected Sector Figures (TL Million)	31-Dec-10	25-Mar-11	24-Jun-11	YTD Chg (%)
<b>Total Deposits</b>	<b>610,888</b>	<b>621,035</b>	<b>649,127</b>	<b>6.3%</b>
Bank Deposits	27,271	27,046	29,347	7.6%
Customer Deposits	583,616	593,988	619,780	6.2%
TL Deposits	411,187	414,624	431,638	5.0%
FC Deposits (US\$m)	112,624	117,251	117,129	4.0%
info: Customer Demand Deposits	91,439	88,268	93,431	2.2%
<b>Total Loans</b>	<b>501,019</b>	<b>529,158</b>	<b>581,995</b>	<b>16.2%</b>
TL Loans	357,299	372,908	409,751	14.7%
FC Loans (US\$m)	93,929	102,344	107,447	14.4%
Consumer Loans	125,327	134,968	150,538	20.1%
Housing	57,480	61,336	66,389	15.5%
Auto	5,367	5,608	6,121	14.0%
General Purpose & Other Loans	62,479	68,023	78,027	24.9%
Credit Cards	44,263	44,098	49,231	11.2%
Loans / Deposits	85.8%	89.1%	93.9%	
<b>Gross NPL</b>	<b>18,697</b>	<b>18,060</b>	<b>17,564</b>	<b>-6.1%</b>
info: NPL ratio	3.6%	3.3%	2.9%	
info: NPL coverage	85.7%	86.1%	86.7%	
Gross NPL in cons. loans	3,590	3,368	3,216	-10.4%
info: NPL ratio	2.8%	2.4%	2.1%	
Gross NPL in credit cards	3,743	3,715	3,732	-0.3%
info: NPL ratio	7.8%	7.8%	7.0%	
<b>F/X Position, net (US\$m)</b>	<b>18</b>	<b>942</b>	<b>906</b>	
on B/S	-14,877	-18,978	-18,254	
off B/S	14,896	19,921	19,160	

Source: BRSA weekly sector data, excluding participation banks



## Selected Credit Card Figures in Turkey

**1.59**

Up from 1.46 in 1H'10

**Plastic cards  
per person**

**1.3%\***

vs. Garanti's 1.7%

**Payment Systems Commissions/  
Payment Systems Volume\***

**19%**

Down from 20% in 2010  
**Credit cards' share in  
retail loans**

### Top 5 Categories in credit card spending

	Jun-11	Jun-10
Supermarket and shopping malls	13.7%	14.6%
Gas stations	12.9%	13.3%
Household gadgets, Pcs, etc	7.5%	7.3%
Apparel and accessories	8.7%	8.5%
Telecommunication	6.3%	7.0%

### Per card spending (TL, Jun'11, Annualized)

Credit card	Garanti Sector	6,418	Debit card	Garanti Sector	328
		5,324			146

Source: Interbank Card Center, Turkish Statistical Institute, Banking Regulation and Supervision Agency  
Note: Latest available population of 73.7 million (December 2010) is used in calculations.

\*Peer average as of 1Q2011



## Macro Notes

Turkish economy grew by 11% in 1Q11 above the 9.6% expectations. The above expectation growth mainly stemmed from the increase in private consumption which came from 9% in 4Q10 to 12%. There was also a sharp rise in private investment which was 38.3%. In 1Q11; the contribution of domestic demand for the growth was 16.5% as foreign demand lowered it by 5.5%. Seasonally adjusted growth rate in 1Q11 decelerated to 1.4% from 3.6%. On a sectoral basis, growth in industry and services sectors accelerated in the 1Q11, rising above pre-crises levels. Construction sector grew by 15% (y-o-y) during 1Q11, slowing down slightly compared to the previous quarter. Agriculture sector has also reached above pre-crises levels while its growth rate remained nearly the same (4% on a y-o-y basis) compared to previous quarter.

The leading indicators for the 2Q11 point out a continued rise in consumption; such as automotive, white goods and electricity with a deceleration on a seasonally adjusted basis. Thus, in the 2Q11, growth rate is estimated to have stayed at high levels.

Industrial production rose by 8% in May'11 on a y-o-y basis. Calendar adjusted production index in May'11 increased by 5% compared to the same month of previous year. Seasonal and calendar adjusted industrial production index decreased by 0.3% compared to previous month. Thus, industrial production fell by 1.3% compared to 1Q11 which had increased by 2.2%. Additionally, in May'11,

compared to pre-crises level (Mar'08) domestic-market oriented production level rose by 12% while there was a 5% fall in the export-market oriented production level.

In May'11 exports reached US\$ 10.9 billion with a 12% rise while imports reached US\$ 21 billion with a 43% rise on a y-o-y basis. During the same month, foreign trade deficit reached a record high level which was US\$ 10 billion. In May'11 exports coverage imports was 52.1% while it was 66.5% in May'10. In April-May exports and imports increased by 19% and 41% on a y-o-y basis with a slight deceleration compared with the 21% and 46% increase in 1Q'11.

With the sharp rise in imports and weak foreign demand, C/A deficit widened to US\$ 68.2 billion on a 12 month cumulative basis as of May'11. On a seasonally adjusted basis, 12 month cumulative non-energy C/A deficit, also, continued to rise from US\$ 26.5 billion to US\$ 30.0 billion. As of May'11, the ratio of 12 month cumulative hot money to total C/A deficit was 79%. Additionally, on a 12 month cumulative basis, net foreign direct investments reached US\$ 10.5 billion as of May'11.

Consumer prices fell by 1.43% on a m-o-m basis in June'11; thus, annual inflation fell from 7.2% to 6.2%. The fall in inflation stemmed from the fall in food prices in June'11. Unprocessed and processed food price inflation fell from 17% to 9% and from 9% to 8% respectively

in June'11 on a y-o-y basis. In this month, goods price inflation fell while there was a rise in service price inflation which stemmed from the rise in rent inflation and restaurant & hotels prices. Also, tour prices rose sharply in June on a m-o-m basis. Additionally, producer prices were almost unchanged while annual producer price inflation rose from 9.6% to 10.2%.

During June'11, there was a 2% appreciation in Euro, US\$ and basket against TL. Also, in real terms, after having depreciated by 0.8% in May'11, depreciation of TL was 3.3% against the currency basket, on a CPI basis. This is the lowest value of TL against the currency basket on CPI basis, since Mar'09. At the end of the second quarter of 2011, Euro/Dollar parity increased to 1.43 from 1.39 at the end of the 1Q11 while TL depreciated by 0.5% and 1.4% against US\$ and Euro during that period. In addition, benchmark bond yields fluctuated between 8.25% and 9.26% during the second quarter of 2011 and ended the quarter at 9.14%.

The Monetary Policy Committee has decided to keep one-week repo rate constant at 6.25% in June'11. According to the announcement, "combined with the ongoing uncertainty regarding the global economy and the slowdown in domestic economic activity, the Committee has decided to maintain the current policy stance." The Committee stated that the recent measures taken by the BRSA would contribute to the rebalancing of domestic and external demand. ■

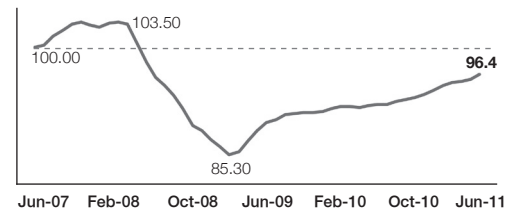


## Real-Estate Sector Analysis in Turkey

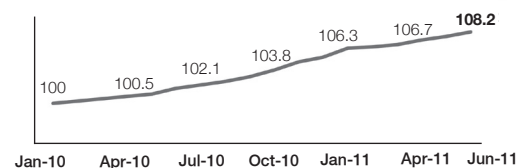
Sponsored by Garanti, the 'REIDIN Turkey Composite Residential Property Price Index' points out 0.65% m-o-m in June 2011 increase and 4.67% y-o-y increase in residential sales prices in June '11, however still well-below pre-crisis levels. Index series are calculated monthly for sales and rent covering 7 major cities, including Istanbul, Izmir, Ankara, Adana, Antalya, Bursa and Kocaeli.

**REIDIN.com-GYODER New Home Price Index:** Sponsored by Garanti, REIDIN.com-GYODER New Home Price Index shows the increase of 0.46% m-o-m in June 2011 and 6.40% y-o-y. Taking January 2010 as the base period, REIDIN.com-GYODER New Home Price Index is calculated on 48 projects and with a monthly average number of 15,000 properties presented by 20 developers. ■

**REIDIN.com Turkey Composite Residential Property Price Index**  
Change in residential sales prices



**REIDIN.com-GYODER New Home Price Index**





## Market Recap

Global equity markets fell for much of the 2Q11 on concerns about peripheral European countries' financial positions then rallied strongly at the end of June. The catalyst for the rally was the passing of the Greece austerity vote by the Greek authorities, and the accompanying proposed solution to Greek debt rollover by the French that appeared to be gaining traction with other creditors. With resurfacing doubt over whether the sovereign debt crisis has really been resolved could keep the equity markets volatile together with the US debt ceiling's debate.

Emerging markets equities have performed poorly in 2Q11 held back by a combination of deteriorating global growth numbers, heightened credit concerns and unyielding policies. Evidence that policies are becoming more responsive is likely to be the key driver for a revival in risk appetite. If the economic cycle spontaneously improves, this would also favor equity markets. There could be continued volatility as policy makers try to resolve the European debt crisis. With debt worries no longer confined to Greece, Ireland and Portugal, but shifting also to Italy, EU leaders may be forced to find a credible solution with greater urgency than before. That may mean

some near-term pain for markets heavily tied into the European cycle, but ultimately a solution should be found. At the same time, monetary policy is likely to remain incredibly easy over an extended period of time to offset public and private sector de-leveraging. This should provide worthwhile support to both DM and EM equity markets.

MSCI EMs lost 2% in 2Q11. The European debt crisis prompted a sharp rise in risk aversion and significant falls in share prices during later part of the second quarter. European Financials were particularly hit as banks suffered from the negative sentiment. Weaker than expected US macroeconomic data, lead the Federal Reserve Bank to reduce growth expectations, rising Chinese inflation and high oil prices continued to lead risk assets to underperform. By quarter-end, however, an oil reserve release from the International Energy Agency and increasing prospects for a bond restructure in Greece underpinned a market rally. MSCI Turkey underperformed both MSCI EM and MSCI EMEA by 4% and 2%, respectively in 2Q11.

Within emerging markets, Turkish equities have primarily been held back by fears concerning domestic overheating and the current account

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

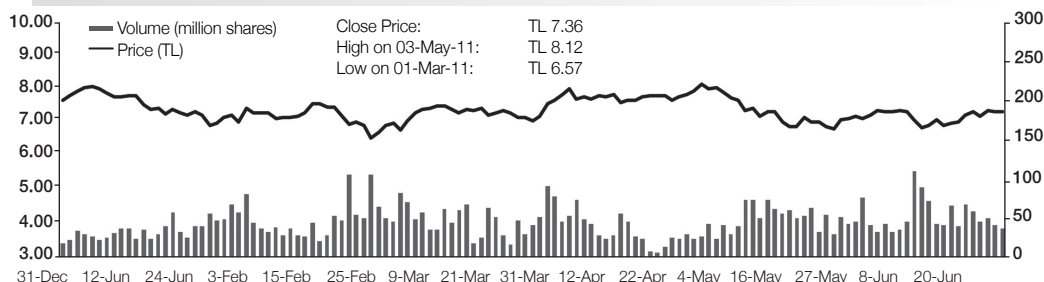
	YoY	YTD	QoQ
Brazil	20%	-3%	-5%
China	10%	-1%	-4%
Hungary	38%	20%	0%
India	7%	-9%	-4%
Mexico	28%	-1%	-1%
Poland	54%	10%	3%
Russia	42%	8%	-7%
<b>Turkey</b>	<b>8%</b>	<b>-11%</b>	<b>-6%</b>
EM	25%	0%	-2%
EMEA	34%	1%	-4%
EM Banks	24%	-1%	-3%
Eastern Europe	43%	9%	-5%
Latin America	23%	-3%	-4%

\* Based on MSCI's Emerging Markets Indices, as of June 30, 2011

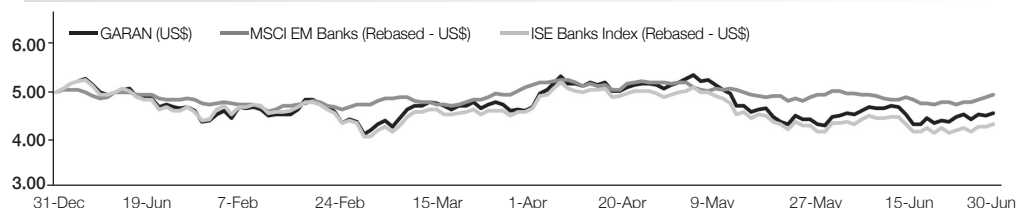
deficit. The bear case against Turkey has been that policy has been too loose in the context of a current account deficit that was already too wide. This created downside risks on the currency and an upside risk on interest rates with the threat of a possible hard landing. In addition, there is the inescapable point that the market does not like unorthodox monetary policy. On the other hand, over the past year, TL has gone from being one of the strongest to one of the weakest currencies in EM. This is exactly what the CBRT has set out to do with its unorthodox monetary policy approach, cutting interest rates despite rapid credit growth. Although inflation has been volatile, it does not appear likely to end the year dramatically higher than targeted.

Looking ahead, comments from S&P and Fitch highlighting concerns over the efficacy of the CBT's policies in restraining domestic demand added to the doubts that many investors still have over the ability of Turkey to engineer a soft landing and the TL is likely to remain sensitive to trade balance, credit and inflation data in the coming period. On the other hand, the government's medium-term fiscal program, which is expected to be announced in September or early-October, will be watched closely by the markets for evidence that a coherent policy framework is in place to avoid the risk of overheating. ■

### Garanti Bank Stock Performance in 1H 2011



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



For further information please contact Garanti Investor Relations.

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