




## About Garanti Stock 'GARAN'

With a free float ratio of 49%,  
 Garanti shares represented  
**26% of all the foreign  
transactions in the ISE and  
more than half of the foreign  
transactions among all listed  
banks.**

### **US\$ 16.3 Billion**

Market Capitalization constitutes 9%  
of the ISE-100 as of end of September 30, 2011

---

### **US\$ 7.9 Billion**

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

---

### **US\$ 234 Million**

Average daily turnover in 9M 2011,  
representing 15% of the ISE-100

---

### **US\$ 27.0 Billion**

Total 9M 2011 foreign transactions  
in GARAN – The most traded  
stock by foreigners

---

### **~15%**

Weight of Garanti shares  
in the ISE-100

---

# StockWatch

3Q 2011



INVESTOR RELATIONS

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



## Garanti Financial Highlights

Garanti Market Shares*	YTD Δ	Sept-11
Total Performing Loans	▼	13.3%
TL Loans	▲	11.2%
FC Loans	▼	18.4%
Credit Cards - Issuing	▼	19.0%
Credit Cards - Acquiring	▼	20.1%
Consumer Loans**	▼	12.6%
Total Customer Deposits	▲	12.1%
TL Customer Deposits	▼	10.3%
FC Customer Deposits	◀▶	16.1%
Customer Demand Deposits	▲	14.8%
Mutual Funds	▼	14.9%

\*BRSA weekly data - Commercial Banks

\*\*Consumer loans including consumer credit cards

Garanti With Numbers	Dec-10	Jun-11	Sept-11
Branch Network	863	894	911
+ Domestic	853	884	901
+ Abroad	10	10	10
Personnel	16,675	16,912	16,785
ATM	3,003	3,144	3,229
POS*	405,154	442,358	457,260
Total Customers	9,774,724	10,193,626	10,461,314
Internet Customers**	1,669,703	1,897,471	1,995,286
Telephone Banking Customers**	1,402,058	1,540,092	1,529,845
Credit Cards	8,004,359	8,190,511	8,347,436
Debit Cards	6,174,141	6,350,168	6,238,745

\* Includes shared POS

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

In the first nine months of 2011,  

**Garanti reached consolidated total assets of US\$ 90.2 billion and consolidated net profit of US\$ 1.4 billion.**

### Selected Financials\*

**US\$ 90.2 Billion**  
Total Assets

**US\$ 48.4 Billion**  
Performing Loans

**US\$ 48.7 Billion**  
Total Deposits

**US\$ 9.6 Billion**  
Shareholders' Equity

**US\$ 2.9 Billion**  
Ordinary Banking Income

**US\$ 1.4 Billion**  
Net Income

### Selected Financial Ratios\*

**2.2%**  
Return on Average Assets

**18.9%**  
Return on Average Equity

**15.5%**  
Capital Adequacy Ratio

**2.0%**  
Non-Performing Loans Ratio

\* Based on BRSA Consolidated Financials

Note: Ordinary Banking Income including collections  
 US\$/TL = 1.82 as of September 30, 2011



## Did you know?

**G**aranti was entitled to be one of the **FTSE 500 Global companies in December 2010**, largely based on its total market capitalization. Resulting from its listing in FTSE 500 and its CDP score, Garanti now entered the **Carbon Disclosure Project (CDP) Global 500 Report 2011**. Hence, Garanti became one of the leading global corporations that has taken action towards low carbon growth in order to create more sustainable business models that generate long term shareholder value. Through the applied datacenter virtualization

process in the last 5 years, Garanti have contributed to the Green IT era by **reducing its energy costs equivalent of taking 3,500 cars off the road or planting 63,100 trees or avoiding 19.1million kilograms of CO2 emission.**

**Garanti Technology's Customer Services Unit is certificated with ISO 10002:2004** (Customer Satisfaction-Complaint Handling related to products including planning, design, operation, maintenance and improvement). ISO 10002:2004 addresses analysis, evaluation and auditing of related processes, and enhancing customer satisfaction by creating a customer-focused environment. ■

Commencing a new way of communication with the SME customers via Facebook, Garanti started to **post new products/campaigns and to broadcast Facebook chats about new Turkish Commercial Code on SME's as well as answering questions live.**



## Garanti and the Community

**O**rganized by the Istanbul Culture and Arts Foundation and sponsored by Garanti Bank for the past 14 years, the 18th **"International Istanbul Jazz Festival"** has once again converted Istanbul into a city of jazz with over 40 concerts and more than 300 local and foreign musicians.

**As the main sponsor of the Men's National Basketball Team since 2001**, Garanti Bank named the team "12 Dev Adam" (12 Giant Men), and this year **prepared a documentary film for celebrating**

**the 10<sup>th</sup> anniversary of the sponsorship.** The premiere of the documentary was held in September just before the Eurobasket 2011. A famous Turkish journalist and documentary filmmaker captured the emergence of the brand depicted by Turkish Basketball Federation authorities, national team players and Garanti's executives. The 10-year long process, ads and the song "12 Giant Men", which then became the cheer, were also pointed out in details. The documentary also focuses on Garanti's efforts to make the national team a brand.

**Another comprehensive exhibition at SALT Beyoglu is "Becoming Istanbul"** and will be open until December 31<sup>st</sup>. The exhibition is **accompanied by two parallel programs: "90"**, a total of 90 events focusing on contemporary issues in Istanbul, and **"The Making of Beyoglu"**, a series of workshops examining the methodology and implementation of projects initiated in the city's center. ■



## Awards & Recognitions

**G**aranti Annual Report 2010 is granted with the **ARC Awards organized by MerComm, Inc.** (re-knowned as the Oscars of annual reports) in two categories;

- **Gold award in Non-Traditional Annual Reports category** recognizing its thematic approach targeting two major goals: convey sustainable performance theme around "sports", and prepare an environmentally-conscience report
- **Silver award in Financial Data category** with its clear and easy to follow presentation.

In "Turkey's Investor Relations Awards 2011", Garanti received the **1<sup>st</sup> prize in "Best Investor Relations Annual Report"** for the second consecutive year. In the same competition, Garanti is also awarded with the **1<sup>st</sup> prize in "Best**

**Communication of Corporate Governance"** as a result of its efforts in proactive, transparent communication and the adoption of best practices in communication with the investor community.

Garanti's 2010 web-based Interactive Annual Report (<http://rapor.garanti.com.tr/en/>) is recognized at the **LACP Vision Awards Competition with a bronze award.**

Garanti Bank received the **"American Society for Training & Development's (ASTD) 2011 BEST" Award.** The ASTD BEST Awards recognize organizations that demonstrate enterprise-wide success through employee learning and development.

Garanti's **online advertising campaign**, designed for increasing the number of customers, is **honored with the Felis Award.** The Felis Award is presented to the most creative campaign of the year. In addition, the campaign is recognized as **"Best Direct Marketing", "Best Consumer Engagement"** and **"Best in Finance Category"** campaign.

Garanti's internet banking service, Garanti Online, was awarded **"The Best Bill Payment & Presentment" in Central and Eastern Europe** by the renowned magazine, **Global Finance.** Garanti received **"STP Service Quality Recognition Award"** from Citibank for achieving high Straight Through Processing payment volumes with rates of 99%. ■



## What analysts say about Garanti

• **Autonomous:** Our perception of Garanti, as the quality play on Turkey, has been reinforced during the recent period of intense competition. • **HSBC:**...has differentiated itself within this highly competitive groups of the Turkish bankable population. • **UBS:**...structurally one of the best-placed banks to capture future growth. Management has a proven track record in managing its lending and



## Developments at Garanti

**G**aranti continues to be a lead arranger in the financing of infrastructure, energy projects and privatization. Together with these latest facility packages, **Garanti Bank's total commitment to Turkish energy sector amounts to US\$ 4.7 Billion for 8.200-MW-power-plant investments in Turkey.**

- Garanti signed a loan agreement with Altek Alarko in order to provide a project finance loan at an amount of TL120 million for the financing of 76 MW Karakuz HEPP investment. This is the first time a TL-denominated project finance loan is granted with a 10 year maturity at a fixed interest rate in the Turkish project finance market.
- Garanti has provided a ticket size of US\$ 88.5 million to the US\$ 354 million club deal of Bereket Enerji for the financing of Gökaş I & II HEPP projects.
- Garanti has provided a total of US\$ 40 million long-term financing to Kemerçayır and Üçanlar HEPP projects of İçtaş Group.
- Following the financing of Diler Group's (Atlas Enerji) first 600-MW-thermal-power-plant investment, Garanti again provided for the same group's second 600-MW-thermal-power-plant investment for US\$ 131 million long term financing in İskenderun.
- For refinancing purposes, a long term facility package at an amount of €210 million was provided for Anadolu Japan Turizm A.Ş (a Fiba Group Company)
- Together with its local and international peers, Garanti arranged a US\$ 1 billion refinancing facility to replace the acquisition facility that was arranged for the SOCAR - TURCAS JV's acquisition of Petkim in 2008.

**Garanti ranked 7th in The Nilson Report's "Top 50 Credit Card Issuer Banks in Europe"** list by volume spent at merchants. With its 7th place in the rankings, Garanti left behind the global banks as well as other Turkish banks in the league.

Garanti continues its new product offerings to meet changing customer needs. With these new offerings, total products reached 488 as of 3Q11.

- **Garanti launched its Android Application** on which customers can view market information and Reuter's news, watch daily Garanti podcasts and apply for credit cards on their Android-powered devices. They also can track the nearest Branches or Paramatiks (ATMs), transfer money via CepBank and access Mobile Banking.
- **Garanti's new online banking platform is launched.** More than 1 million active online customers have already migrated to the new version which includes features like personal finance management tools, personalization, and access to customer representatives as well as enriched graphical interface.
- In its initiative with Aegean Exporters Association, Garanti extended its "**Aegean Exporters Bonus Business Card**" project to Denizli. The project allows the member companies the access to the "Group Purchasing Platform", where companies will be able to compensate their needs with Bonus Business Card in order to bring down the costs and increase competitiveness while earning additional bonus points.
- **Garanti Bank launched 3 new principal protected funds** and with these funds the total volume reached to TL 326 million with 8.34% market share in Principal Protected and Income Guaranteed Funds sector as of September 2011, and the market share in Mutual Funds sector reached to 15.56% with TL 5.2 billion volume.
- Garanti Masters continued its pioneering product offerings with two brand-new principal protected funds and a structured deposit offering:

- o Emerging Markets Infrastructure Fund: The capital guaranteed fund, aims to utilize the prospective mid-to-long term uptrend

in the value of "S&P Emerging Markets Infrastructure" index.

- o Rare Earth Fund: An alternative investment tool for clients who want to take advantage of a potential mid-to-long term uptrend in the value of "BNP Paribas Global Rare Earth Excess Return 18 EUR" index, which reflects the performance of the securities of the rare earth and strategic metals mining companies, that are considered vital for modern technology, defense industry and energy sectors.

- o Precious Metals Long --US\$ structured deposit: with a maturity of 6 months and a bullish view on precious metals, this product was especially prepared for investors who want to take advantage of a potential mid-term uptrend in a precious metals basket. ■



## Developments in Turkish Banking Sector

Turkish banks received a total amount of US\$ 7.1 billion\* equivalent international borrowing in 3Q11. From which, the amounts secured were equivalent of US\$ 5.7 billion syndicated and US\$ 702 million securitization loans while US\$ 669 million was received from multilateral development banks.

In 3Q11, Turkish banking sector issued TL 2.4 billion worth of TL-denominated corporate bonds with different maturities (6+ months)

In the 3Q11, the CBRT shifted to loose monetary policy due to mounting concerns regarding the EU debt crisis and global growth outlook. In this regard,

- **Policy rate cut:** The CBRT cut policy rate by 50 bps to 5.75% on August 4<sup>th</sup>.
- **RRR cut for FX liabilities:** Following RRR cut for long-term FX liabilities on July 22<sup>nd</sup>, the CBRT introduced additional 50 bps RRR cut at all maturity brackets on August 5<sup>th</sup> and brought average RRR for FX liabilities to 11%, providing a total of ~US\$ 1.5bn FX liquidity to the market.
- **FX RRR for TL liabilities:** Banks were allowed to maintain up to 10% of TL RRR in FX (US\$ or EUR) as of Sept 16<sup>th</sup>.

Effective as of July 1<sup>st</sup>; The CMB decreased annual cap on fund management fees to 2.73% from 3.65%.

The CBRT kept interest rate cap and overdue interest rate on credit cards for 4Q11 unchanged at 2.12% and 2.62% per month, respectively.

Effective as of June, credit cards that have not been paid up to 50% of the balance in the last three months will be restricted to cash withdrawal and limit increases.

Savings Deposit Insurance Fund (SDIF) introduced a new amendment regarding the calculation of the SDIF premiums. Accordingly, deposit insurance premium rate remained unchanged, however, large banks and mid-size banks are required to pay an additional TL 2 and TL 1 per each TL10,000 deposits, respectively. The amendments are expected to increase deposits insurance premium cost of the sector by around TL16 million, annually.

In 3Q11, Denizbank and Finansbank sold their NPL portfolios of TL 135.6 million and TL 288 million, respectively.

Şekerbank announced the issuance of Asset Covered Bonds for foreign qualified investors. Şekerbank issued the first TL 250 million tranche of TL 800 million SME Covered Bond at Libor+2.5%. The maturity of the bonds range between 1 to 5 years. ■

\*Calculation based on publicly-traded banks

Selected Sector Figures (TL Million)	31-Dec-10	24-Jun-11	30-Sept-11	YTD Chg (%)
<b>Total Deposits</b>	<b>610,888</b>	<b>649,127</b>	<b>676,724</b>	<b>10.8%</b>
Bank Deposits	27,271	29,347	32,322	18.5%
Customer Deposits	583,616	619,780	644,402	10.4%
TL Deposits	411,187	431,638	433,854	5.5%
FC Deposits (US\$ mn)	112,624	117,129	114,657	1.8%
info: Customer Demand Deposits	91,439	93,431	103,687	13.4%
<b>Total Loans</b>	<b>501,019</b>	<b>581,995</b>	<b>631,810</b>	<b>26.1%</b>
TL Loans	357,299	409,751	437,367	22.4%
FC Loans (US\$ mn)	93,929	107,447	105,945	12.8%
Consumer Loans	125,327	150,538	157,985	26.1%
Housing	57,480	66,389	68,252	18.7%
Auto	5,367	6,121	6,399	19.2%
General Purpose & Other Loans	62,479	78,027	83,333	33.4%
Credit Cards	44,263	49,231	53,716	21.4%
Loans / Deposits	85.8%	93.9%	98.0%	
<b>Gross NPL</b>	<b>18,697</b>	<b>17,564</b>	<b>17,251</b>	<b>-7.7%</b>
info: NPL ratio	3.6%	2.9%	2.7%	
info: NPL coverage	85.7%	86.7%	83.2%	
Gross NPL in cons. loans	3,590	3,216	3,140	-12.5%
info: NPL ratio	2.8%	2.1%	1.9%	
Gross NPL in credit cards	3,743	3,732	3,611	-3.5%
info: NPL ratio	7.8%	7.0%	6.3%	
<b>F/X Position, net (US\$ mn)</b>	<b>18</b>	<b>906</b>	<b>-544</b>	
on B/S	-14,877	-18,254	-17,719	
off B/S	14,896	19,160	17,175	

Source: BRSA weekly sector data, excluding participation banks



## Selected Credit Card Figures in Turkey

**1.61**

Up from 1.48 in 2010

# of 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

	Sep-11	Sep-10
Supermarket and shopping malls	13.8%	15.2%
Gas stations	12.8%	12.9%
Household gadgets, Pcs, etc	8.0%	6.8%
Apparel and accessories	7.1%	8.1%
Telecommunication	6.3%	7.3%

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

Credit card	Garanti Sector	Debit card	Garanti Sector
	6,563		356
	5,799		154

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.  
\*Garanti Payment Systems analysis based on BRSA financials of market players as of 1H11.

competition. • **Cheuvreux:**... will stand apart from the others by delivering strong profitability via strong loan growth and managing their loan/deposit spreads effectively, by diversifying their funding base...  
ve sector by gaining a significant amount of market share since 2004 while managing to keep its profitability level superior to that of most of its large size peers. • **Merrill Lynch:**... remains as our top pick...  
deposit margins, which we believe is very important in the current environment.

During 2Q'11, Turkish economy grew by 8.8% above the 6.8% expectations. Thus, in the first half of the year, growth rate reached 10.2% with the revision in the 1Q'11 from 11.6% to 11.0%. Also, quarter on quarter seasonally adjusted growth rate came down to 1.3% during 2Q'11, slightly down from first quarter's 1.7%. The 2Q'11 figure surpassed expectations mainly because of the %9.2 growth in private consumption expenditures. Additionally, there was a 29% rise in investments after the 33.6% rise during 1Q'11. With the 2Q'11 figures, foreign demand made a negative contribution of 5.2% to the growth rate while the domestic demand carried the growth rate up by 14%.

In August, industrial production increased just by 3.8%, below the 5% market expectations. Industrial production eased to its weakest pace in August since the recovery began in December 2009. After the 2.6% m-o-m basis increase in July, calendar and seasonal adjusted industrial production fell by 2.6% in August. Accordingly, July-August industrial production rose by 0.6% compared to the second quarter of the year.

In July'11, unemployment rate fell to 9.1% from 9.2% in June'11, the lowest level since 2005. There has been a continuous fall in the unemployment rate for the past 6 months in 2011. Also seasonally adjusted unemployment rate fell to 10.1% from 10.3%. Additionally, labor force participation rate remained constant (51.2%) in July'11, after having peaked in June'11.

Foreign trade deficit unexpectedly reached a record level by US\$ 10.4 billion in September, significantly above US\$ 8.3 billion market expectation. In September, exports rose by 21% (on a year on year basis) to US\$ 10.8 billion and imports increased by 36% to US\$ 21.2 billion. In the January-September period (on a year on year basis) exports reached to US\$ 99.5 billion with a 22% rise while there was a 39.1% rise in imports, was US\$ 181.7 billion.

C/A deficit came in at US\$ 4.0 billion in August'11 in line with the expectations. Thus, it reached US\$ 54.3 billion during January-August period and reached US\$ 75.1 billion on a 12 month cumulative basis. Deficit in the C/A balance has been decreasing for the last three months while there has been a deceleration on a 12 month cumulative basis. Also, hot money to C/A ratio was 63% on a 12 month cumulative basis, which was the lowest ratio for the last two years.

In September, CPI rose by 0.75% in line with the market expectations, while producer price inflation (PPI) jumped by 1.55% above the 1.1% estimate. Yearly CPI inflation fell to 6.15% in September from 6.65% in August while PPI inflation reached 12.1%, the highest level in almost three years. The limited increase in food prices compared to the same month previous year led the headline annual inflation to decline. Except food prices, inflationary pressures are increasing mainly due to the pass through effect. Additionally, core inflation rose by 0.6% on a m-o-m basis, pushing annual inflation

to 7% from 6.2% in August, the highest level in the last 31 months.

During Sept'11, there was a 5.6% and 2.3% appreciation in Euro and basket against TL while US\$ depreciated slightly by 0.1%. Also, in real terms, after having depreciated by 5.3% in Aug'11, appreciation of TL was 0.2% against the currency basket, on a CPI basis. This is the first appreciation of TL against the currency basket on CPI basis, since April'11. At the end of the third quarter of 2011, Euro/Dollar parity decreased to 1.38 from 1.43 at the end of the 2Q11 while TL depreciated by 12% and 7% against US\$ and Euro during that period. Additionally, benchmark bond yields fluctuated between 8.03% and 8.70% during the third quarter of 2011 and ended the quarter at 8.09%.

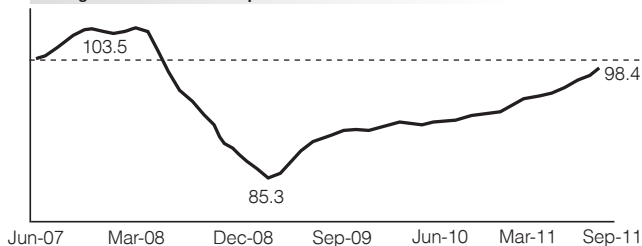
Monetary Policy Committee left the short-term interest rates and RRR unchanged at its regular meeting in September after its 50 bps cut in August. The Bank announced new arrangements as of October; according to announcement, in order to provide foreign exchange liquidity to the market, and at the same time, to lengthen the maturity structure of liabilities in the banking sector, the foreign exchange RRR are re-determined. Also, the Bank decided that, the upper limit for FX reserves that may be held to meet Turkish lira RR is raised from 10% to 20% of lira liabilities and it lowered some reserve requirements on TRY deposits to inject liquidity into the market. ■



## Real-Estate Sector Analysis in Turkey

Sponsored by Garanti, the 'REIDIN Turkey Composite Residential Property Price Index' reflects an increase of 0.73% m-o-m and 6.22% y-o-y in residential sales prices in Sept'11. Index series are calculated monthly, for sales and rent covering 7 major cities, including Istanbul, Izmir, Ankara, Adana, Antalya, Bursa and Kocaeli.

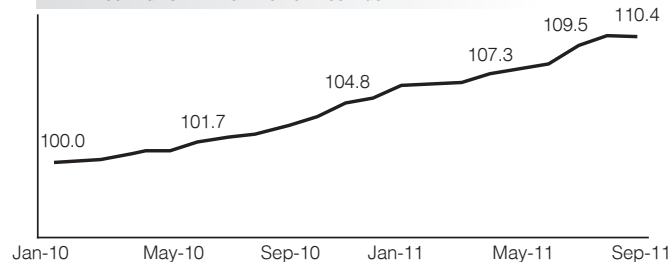
**REIDIN.com Turkey Composite Residential Property Price Index**  
Change in residential sales prices



### REIDIN.com-GYODER New Home Price Index: September 2011 Results:

Sponsored by Garanti, REIDIN.com-GYODER New Home Price Index shows no change m-o-m, however an increase of 7.18% y-o-y. Taking January 2010 as the base period, REIDIN.com-GYODER New Home Price Index is calculated on 45 housing projects and with a monthly average number of 15.000 properties presented by 19 developers. ■

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







## Market Recap

Emerging market equities fell sharply in 3Q after remaining range bound in the first half of 2011. The tension that rose with developments in the developed markets such as US debt ceiling debate and sovereign downgrade, concerns over a double-dip recession in the US and Euro Area debt crisis led MSCI EM to lose 23% in 3Q. This was the worst quarter for EM equities since 2008. On the other hand, US Treasuries recorded positive gains as yields collapsed due to concerns over the global economy and the EU debt crisis, aided by the Fed's intention to keep policy rates near zero until 2013 and its announcement of so-called 'Operation Twist' to seek yet lower long yields. Commodity prices were hit by heavy selling late in the quarter.

Turkish equity market, Istanbul Stock Exchange (ISE), strongly outperformed emerging markets in 3Q. MSCI Turkey was down only by 16% in 3Q while Eastern European countries' equity markets such as Poland and Hungary lost 35-45% in value. With the outperformance of 21% over MSCI EM in September alone, MSCI Turkey closed 3Q with an outperformance against both MSCI EM and MSCI EMEA by 9.9% and 12.3%, respectively.

The announced macro indicators of Turkey in 3Q showed that Turkish economic growth kept surprising on the upside given very strong domestic demand; however this may

come to an end soon as the European slowdown hits the export sector. The Central Bank of Turkey (CBT) changed its policy outlook and cut the policy interest rates by 50 bps to 5.75% on August 4<sup>th</sup> citing risk of a domestic recession that may be caused by heightened problems in global economy. Overnight borrowing rate was increased by 350 bps to 5% in an effort to limit the potential downside volatility in the short-term interest rates; hence the tightening bias since last November was abandoned. While the markets were waiting for the 3-year Medium Term Program (MTP) to be announced in October, government hinted that it is willing to forego some of the growth rate in order to bring the C/A deficit to lower levels but not much. Global financial situation not to deteriorate further as to stop global capital flows abruptly and the inflation situation in Turkey not to go out of control remain as important factors that will set the necessary conditions.

Standard & Poor's upgrade of the local-currency rating of Turkey on September 20<sup>th</sup> gave a further boost to Turkish equity markets carrying the ISE 100 to over 60,000 levels. The rather short-lived impact was limited as S&P stated that the sovereign rating could be raised "if, once the economy cools as we expect, it can reduce its C/A deficits and slow its domestic credit growth without too badly affecting its fiscal accounts or financial-sector stability. We could also

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

	YoY	YTD	QoQ
Brazil	-28%	-30%	-28%
China	-26%	-26%	-26%
Hungary	-39%	-33%	-44%
India	-26%	-28%	-20%
Mexico	-8%	-21%	-20%
Poland	-26%	-28%	-35%
Russia	-13%	-25%	-31%
<b>Turkey</b>	<b>-31%</b>	<b>-25%</b>	<b>-16%</b>
EM	-18%	-24%	-23%
EMEA	-17%	-24%	-25%
EM Banks	-24%	-27%	-26%
Eastern Europe	-17%	-26%	-32%
Latin America	-24%	-28%	-25%

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

raise the ratings if deeper reforms to social security resulted in a stronger fiscal performance that started to substantially reduce the government's debt."

The agenda in both the end of 3Q and the beginning of 4Q were price hikes; electricity prices and natural gas prices increased around 10-14% that started the question marks on the risk of rising inflation. Rising inflation, solid domestic demand and stubbornly weak TL despite CBT's FX selling auctions led CBT to take actions. CBT widened the O/N interest rate corridor by increasing its lending rate to 12.5% while maintaining its policy rate at 5.75%. Simultaneously, CBT started to reduce the weekly repo auctions, squeezing the TL liquidity in money markets, hence gradually increasing the effective repo funding costs of banks. On the other hand, CBT cut the RRR on banks' TL liabilities by an average of 210 bps releasing TL 11 billion permanent liquidity back to the system.

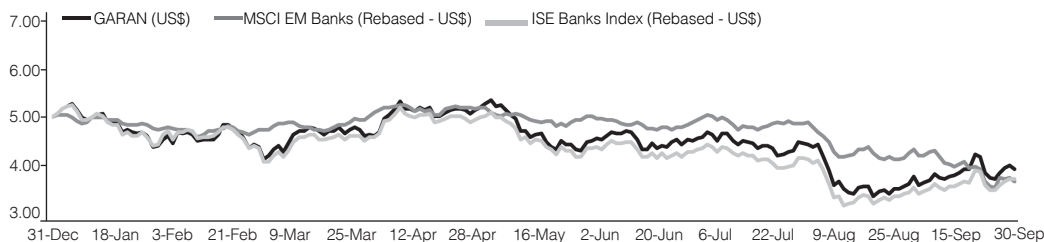
As government revealed MTP in the beginning of October, commitment to fiscal discipline and improving the external balances were clearly the two main objectives. Tax hikes (such as the special consumption tax increase in automobiles, mobile phones and tobacco) constitute an effort towards restraining import demand.

As global investors increasingly question the ability of policymakers to deal with the challenges that continue to confront the world economy, the significant outperformance of ISE over MSCI EM in September, government's recent tax hikes and unorthodox monetary policy could pressure Turkish equities in the near term. ■

### Garanti Bank Stock Performance in 9M 2011



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



For further information please contact Garanti Investor Relations.

Address: Levent, Nispetiye Mah. Aytaar Cad. No: 2, 34340, Beşiktaş, Istanbul-Turkey Tel: +90 (212) 318 23 50 Fax: +90 (212) 216 59 02 Web: www.garantibank.com e-mail: investorrelations@garanti.com.tr

Disclaimer: This report has been prepared by Garanti Bank Investor Relations Department and is provided for information purpose only. Although the information on which the report is based has been obtained from sources which we believe to be reliable, no representation or warranty is made by Garanti Bank for the accuracy or completeness of the information contained herein. Information contained herein is subject to change without notice. Garanti Bank and/or any person connected with it accepts no liability whatsoever for any direct or consequential loss of any kind arising out of the use of this document or any part of its contents.