

# StockWatch

4Q 2011



INVESTOR RELATIONS



## Developments at Garanti

**G**aranti Bank signed the following loan agreements in 4Q11;

- US\$ 1 billion 1 year syndicated loan, comprising two separate tranches in the amount of € 576.5 million and US\$ 233.6 million in London. The loan, which will be used for trade finance purposes, has been executed with commitments received from 30 banks from 16 countries. The all-in cost has been realized as Euribor+1% and Libor+1%, respectively.
- € 150 million with European Investment Bank (EIB). The proceeds will be on-lent to small and medium sized enterprise (SME) loan financing.
- € 50 million with a maturity of 12 years with Proparco. The credit facility will be on-lent to finance energy efficiency projects.
- € 40 million with a maturity of 5 years with European Bank For Reconstruction and Development (EBRD). The proceeds will be on-lent to SMEs in agribusiness loan financing.
- € 20 million with a maturity of 5 years with BBVA. The funding, which has the SACE coverage, is specifically addressed to the funding needs of Garanti customers' importing from Italy.

Garanti continues to be a lead arranger in the financing of infrastructure, energy and privatization projects. Together with the following energy transactions, Garanti has provided an equivalent of **US\$ 2.2 billion financing to a total of 26 energy projects in 2011**. The Bank;

- with a US\$ 100 million participation, has taken place in the US\$ 425 million term-loan project finance facility provided to Limak Group for the privatization of Iskenderun Port. The purpose of the facility is financing the consideration for privatization and capital expenditures to be made thereafter.
- together with two other Turkish banks, has provided US\$ 700 million financing package for the privatization of Trakya electricity distribution region. The financing package includes US\$ 430 million acquisition term-loan.
- led a club of Turkish banks for US\$ 651 million term-loan financing of the new 900MW gas fired combined cycle power plant developed by Akenerji in Hatay.

- has provided US\$ 175 million term-loan financing of Ayvalı Dam and HEPP sponsored by Özkar İnşaat. The project is located on Çoruh River in Erzurum and will have 130MW installed capacity once completed.

- has provided € 108 million financing in total for two Greenfield Wind farms with a combined installed capacity of 105MW.

Garanti continues its new product offerings to meet changing customer needs. With **72 new product offerings in 2011, total number of products reached 492 as of 4Q11**.

- **Student Account** is the newly released product, which enables parents to transfer allowances to their children's Student Account through an automatic payment order. In case, the balance goes below a certain parent pre-defined limit, the Student Account enables automatic money transfer from parent's account.

- **Accumulating Fund Account is renewed**. The product used to enable customers only to invest their savings in funds of their choice through regular fund purchase orders. With the renewal, the product now provides customers the opportunity to both save and access their savings accounts easily.

- **Spend&Save feature was added to Savings Account**. With the new feature, customers can accumulate savings from their credit card spendings and are free to set their savings ratio along with a customer pre-defined maximum limit. The new feature enables customers to create a balance between their spending habits and saving abilities.

- The new generation local credit card, which does not carry the cash withdrawal feature but is a **prepaid card** to use **M/Chip Advance for transportation** (new payment platform of MasterCard Worldwide), is now in Eskişehir as **Esparacard**. With its advanced payment function and contact-free payment technology (Trink), Esparacard can be used in public transportation and it provides free travel when transferring from one public transportation to another within the same hour. Also it earns bonus points at the program member shops.

- **Bonus American Express®**: Garanti Bank combined Turkey's most beneficial credit card Bonus, with one of the most prestigious credit cards in the world and exclusive service provider American Express in "Bonus American Express". The new product of Bonus family earns double bonus points compared to other Bonus cards as the cardholders benefit from the worldwide privileges of American Express. Bonus American Express offers bonus earning and partial payment opportunities in 400.000+ shops which are Bonus program members of Garanti in Turkey and American Express members throughout the world.

- As of December 30<sup>th</sup>, 2011, Garanti's market share in Principal Protected and Income Guaranteed Funds sector was 5% with a volume of TL 179 million, and in mutual funds sector, its 14.51% with a volume of TL 4.3 billion. The Bank launched a new Garanti Pension Group Equity Fund along with the following 2 new principal protected funds in 4Q'11;

- o **23<sup>rd</sup> Sub-Fund**: TL 68.8 million volume fund for investors who wants to participate in the positive return of Gold.

- o **Garanti Bank Private Banking Principal Protected 28<sup>th</sup> Sub-Fund**: TL 8.8 million volume fund for investors who expect Gold prices to outperform Silver prices.

- Garanti Masters offered a brand new principal protected structured deposit, "**Global Natural Resource Equities Long Masters TL Account**" for its private banking customers willing to participate in the mid-to-long term yield of 'Rogers Global Resources Equity Index Core Return 18 USD'. Managed by the commodity investment guru Jim Rogers in partnership with CITIC CAM/BBVA, the Index invests in the stocks of international players from a large pool of companies that operate in global commodity and global resources markets such as agriculture, alternative energy, forestry, energy and mining sectors.

- Garanti Bank have implemented "**GDPS MzGM Incremental Resync**" disk mirroring solution to improve Recovery Point Objective (RPO) value in Business Continuity Solution. Thus, data loss and service outages would be minimized in case of disasters. ■



## Garanti Financial Highlights

Garanti Market Shares*	Dec-11	YTD Δ
Total Performing Loans	13.4%	▲
TL Loans	11.3%	▲
FC Loans	18.5%	▼
Credit Cards - Issuing (Cumulative)	18.9%	▼
Credit Cards - Acquiring (Cumulative)	19.9%	▼
Consumer Loans**	12.8%	▲
Total Customer Deposits	12.6%	▲
TL Customer Deposits	10.8%	▲
FC Customer Deposits	16.2%	▲
Customer Demand Deposits	15.2%	▲
Mutual Funds	14.2%	▼

\*BRSA weekly data - Commercial Banks

\*\*Consumer loans including consumer credit cards

Garanti With Numbers	Dec-10	Sep-11	Dec-11
Branch Network	863	911	919
+ Domestic	853	901	909
+ Abroad	10	10	10
Personnel	16,675	16,785	16,775
ATM	3,003	3,229	3,268
POS*	405,154	457,260	458,851
Total Customers	9,774,724	10,461,314	10,701,803
Internet Customers**	1,669,703	1,995,286	2,068,184
Telephone Banking Customers**	1,402,058	1,529,845	1,551,967
Credit Cards	8,004,359	8,347,436	8,544,466
Debit Cards	6,174,141	6,238,745	6,507,784

\* Includes shared POS

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

In 2011, Garanti reached  
**consolidated total assets of  
 US\$ 87.7 billion and  
 consolidated net profit of  
 US\$ 1.8 billion.**

### Selected Financials\*

**US\$ 87.7 Billion**  
Total Assets

**US\$ 48.4 Billion**  
Performing Loans

**US\$ 50.0 Billion**  
Total Deposits

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

**US\$ 4.0 Billion**  
Ordinary Banking Income

**US\$ 1.8 Billion**  
Net Income

### Selected Financial Ratios\*

**2.2%**  
Return on Average Assets

**19.5%**  
Return on Average Equity

**15.8%**  
Capital Adequacy Ratio

**2.1%**  
Non-Performing Loans Ratio

\* Based on BRSA Consolidated Financials  
 Note: Ordinary Banking Income including collections  
 US\$/TL = 1.8650 as of December 31, 2011



# Market Recap

4Q11 was just like an episode of what has become a multi-year European sovereign crisis. Investors remained deeply concerned about the European sovereign debt problem and official actions were taken to contain and correct the situation. Coincident with the accelerating collateral and funding issues in the European banking sector, rating agencies either warned or cut the credit profile of nearly every major European country. The European crisis continued to weigh on the markets as investors looked to leaders in the region for solutions. Central banks from developed nations have taken coordinated actions to try and shore up the global financial system and contain Europe's debt crisis. The U.S. Federal Reserve, the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank and the Swiss National Bank have all provided liquidity to European banks. These actions by central banks eased concerns about a potential financial meltdown at least in the near term. Even as global concerns have been on the forefront of investor's minds, the U.S. economy has shown signs of resilience. Stronger economic data has provided confidence and eased concerns that the U.S. economy is not headed into a double dip recession. Most commodity prices were hurt in the fourth quarter by the rally in the U.S. dollar.

Emerging market equities gained over 13% in October after dropping 25% from May to September. Having strongly outperformed emerging markets in 3Q, Turkish equity market lived its worst quarterly performance in 2011. In 4Q11, MSCI

Turkey lost 16% in value and underperformed both MSCI EM and MSCI EMEA by 19% and 17.8%, respectively. When we look at the MSCI EM Index on a standalone basis, it gained 4% in 4Q11 but finished the year down 20%, the first calendar year loss for the benchmark since 2008. After posting strong performance during 2010, emerging market equities corrected sharply in 2011, particularly from July 2011 forward, underperforming U.S. and developed market equities. The causes were a combination of several macro issues: the ongoing European sovereign credit crisis; tighter monetary policy in many emerging market countries due to elevated domestic inflationary pressures and related fears of a hard landing in China. MSCI Turkey decreased by 37% in 2011 and underperformed both MSCI EM and MSCI EMEA by 20.6% and 18.4%, respectively.

In 4Q11, Turkish economic growth indicators remained strong and did not hint for a major slowdown in the economy while there was no significant deterioration in budget performance. GDP growth data came higher than expected; the improvement in current account deficit was limited and inflationary pressures were rising. The Central Bank of Republic of Turkey (CBRT) highlighted that monetary policy would continue to focus on price stability while preserving financial stability as a supplementary objective and started additional monetary tightening at the end of December. The benchmark bond rate increased to above 11% level. The CBRT did not change the one-week repo or the O/N lending rate in its last MPC meeting

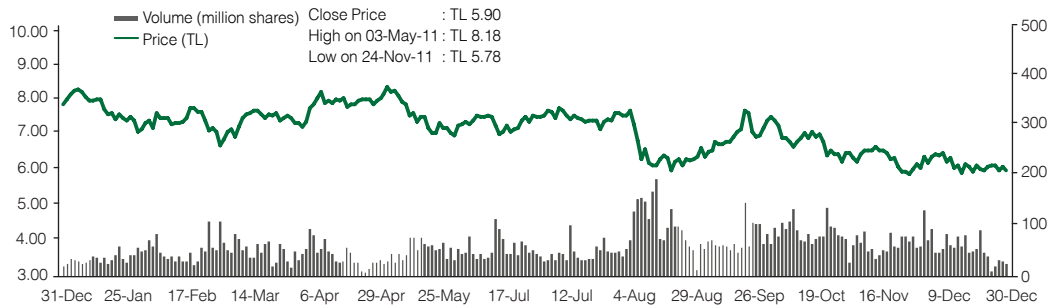
## Stock Market Performance\* in Selected Countries (in US\$)

	YoY	QoQ
Brazil	-25%	8%
China	-20%	8%
Hungary	-35%	-2%
India	-38%	-14%
Mexico	-13%	9%
Poland	-33%	-6%
Russia	-21%	6%
<b>Turkey</b>	<b>-37%</b>	<b>-16%</b>
EM	-20%	4%
EMEA	-23%	2%
EM Banks	-24%	4%
Eastern Europe	-23%	3%
Latin America	-22%	8%

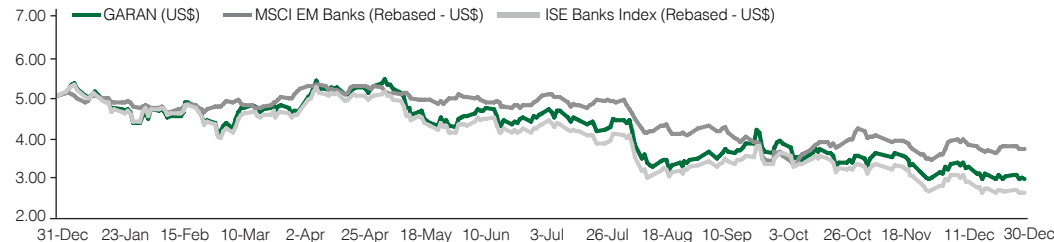
\* Based on MSCI's Emerging Markets Indices, as of December 30, 2011

but it started using additional tools for funding; one-month repo auctions and traditional daily repo auctions. During December, the CBRT sold US\$2.6bn through FX sales auctions and an estimated US\$4bn through direct sales. The CBRT's total FX sales in 2011 amounted around US\$15bn. During 2011, TL depreciated by 13.5% in real terms against the currency basket, while it fell to its lowest real value against the emerging market currencies.

## Garanti Bank Stock Performance in 2011



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



The European debt crisis was clearly the main driving factor in returns for nearly all asset classes for much of 2011. U.S. equity markets were volatile but managed to put together a strong fourth quarter to finish 2011 slightly positive on the back of stronger than anticipated economic data combined with potential plans on how to contain the European debt crisis. International equity markets did not fare as well as the U.S. as many ended 2011 with double-digit losses. The U.S. bond market had its best year since 2008, posting strong returns and significantly outperforming most major stock markets in 2011.

2012 started under a large cloud of uncertainty for the global economy and with very little visibility for investors. After a disappointing year, continued earnings growth in emerging markets is expected to re-establish attractive valuations relative to developed markets while the success for emerging markets will be determined by linkages to the Euro zone. The FED is expected to ease further in 2012 the Euro zone to continue to move towards fiscal union throughout 2012.

Turkish economy is rebalancing, but the large external financing requirement could be a key vulnerability. The trend in oil prices remains a close watch. Wide current account deficit together with the elevated inflation rate might overshadow Turkey's strong growth prospects and stability. Emerging markets will not be immune from Euro zone inspired volatility and global liquidity conditions will be important factors behind the 2012 performance overall. ■

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## Did you know?

**G**aranti 2012 Operating Budget Plan was announced to its investment community. Simultaneously, Garanti IR team along with the Strategic Planning Executive Director and the CEO hosted an analyst meeting at SALT Galata where nearly 50 analysts attended.

**Garanti signed up as a member of United Nations Environment Programme Finance Initiative (UNEP FI)** in December 2011. UNEP FI is a unique global partnership between the UN Environment Programme and the global financial sector. UNEP FI carries out its mission to

identify, promote, and realize the adoption of best environmental and sustainability practice at all levels of financial institution operations. ■



## Garanti and the Community

**G**aranti Bank's successful cultural institutions Ottoman Bank Museum, Platform Garanti Contemporary Art Center and Garanti Gallery have been restructured as a single autonomous organization, **SALT**. It merges and contrasts different disciplines as it prepares publications, 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's activities are distributed between two landmark buildings located no more than fifteen-minute walk apart, and also shared via salt online.

- The first building, **SALT Beyoğlu**, is on İstiklal Street, and shares its audience with a cluster of private cultural institutions, galleries and organizations. SALT Beyoğlu's program and circulation interiors are mostly occupied by exhibition and event spaces.
- The second building, **SALT Galata**, is the former 19th century Imperial Ottoman Bank headquarters designed by Alexandre Vallaury.

The building is a landmark unique to İstanbul with surprisingly distinct architectural styles—neoclassical and oriental—applied on opposite façades.

Run by the employees with the aim of supporting preschool education, Garanti's CSR Program "**Elim Sende**" project is recognized as "**The Most Successful Responsibility Project**" by **Private Sector Volunteers Foundation**. ■



## Awards & Recognitions

**G**aranti was recognized at the **Euromoney Real Estate Awards** with 5 different categories including **Banking/Overall, Loan Finance, Equity Finance, Debt Capital Markets, M&A Advisory**.

Garanti was selected the "**Best Bank in Real Estate Sector Financings in Turkey**" by **Euromoney**.

IDO, the privatization deal of Istanbul Ferries, was recognized as the "**European Transport Privatization Deal of the Year**" by **Euromoney** where Garanti was the MLA and facility agent with a cash and non-cash financing of US\$ 241 million.

Garanti won "**Euromoney European Power Deal of the Year**" and "**Turkish Deal of the Year**" award by Private Finance Initiative with its US\$ 700 million financing in the Unit Gebze CCGT deal and "**European Renewables Hydro Deal of the Year**" with its TL 120 million financing in Alarko Karakuz HEPP deals.

Garanti Masters Private Banking was granted the "**Best Private Bank in Turkey**" award for the second time in **Global Private Banking Awards** by **Financial Times Group's The Banker** and **Professional Wealth Management** magazines.

Garanti Bank Romania's Bonus Card was honored as the "**Best Innovative Banking Product**" by

Business Arena and its loan product for SME customers, as the "**Best Banking Product of the Year**" by Piata Financiara magazine.

Garanti Mortgage's online viral campaign was honored with two awards in **Digital Age 2011 Awards**; "**The Most Creative Viral Campaign**" and "**The Most Creative Video**".

**garantimortgage.com** was granted with **Silver Award** in Financial Services category of **International Davey Awards Competition**. The Davey Awards are judged by the International Academy of the Visual Arts. ■



## What analysts say about Garanti

**Cheuvreux:** ...will stand apart from the others by delivering strong profitability via strong loan growth and managing their loan/dep quality and cost control. **Deutsche:** ... has the lowest duration gap among its peers, a balanced TRY/FX deposit mix, the strongest fee and cost-efficiency records, an effective loan mix/str highly competitive 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**



## Developments in Turkish Banking Sector

Turkish banks received a total amount of US\$ 3.6 billion\* equivalent international borrowing in 4Q11. From which, the amounts secured were equivalent of US\$ 2.2 billion syndicated and US\$ 168 million as subordinated debt while US\$ 1.3 billion was received from multilateral development banks.

In 4Q11, Turkish banking sector issued TL 6.2 billion TL-denominated corporate bonds, with different maturities (6+ months).

The CBRT introduced new policy mix in 4Q11 which mainly focus on price stability while preserving financial stability as a supplementary objective. In addition to policy rates, complementary tools such as RRR and the interest rate corridor are jointly utilized in the same context. Other measures introduced by the CBRT are;

- **Interest rate corridor widening:** by raising O/N lending rate to 12.5% from 9% (12% for primary dealers from 8%) while keeping policy rate at 5.75%.

- **RRR cut for TL liabilities:** following an average of 60 bps RRR cut for TL liabilities on October 6th, an additional 210 bps RRR cut on October 27th brought the avg. TL RRR to 10.5%, providing a total of TL 14.2 billion liquidity to the market.

- **RRR cut for FX liabilities:** 50 bps cut of FX RRR for liabilities <3 years, and 250 bps for liabilities >3 years brought the avg. of FX RRR to 10.2%, providing a total of US\$1.3 billion FX liquidity to the market.

- **Gold RRR for TL liabilities:** Banks were allowed to maintain up to 10% of TL RRR in Gold

- **FX RRR for TL liabilities:** TL RRR that can be kept in FX was raised up to 40% from 20%.

\*Calculation based on publicly-traded banks

The CBRT increased interest rate cap and overdue interest rate on credit cards by 22 bps to 2.34% and 2.84% per month, respectively.

BRSA introduced new amendments on provisioning. In this regard, effective as of December 30, 2011;

- Banks are not required to set aside additional general provisioning for extended loans that are short-term, less risky, have timely paid interest payments and with the condition that the principal payment of the restructured loan will be completed within a year.

- BRSA eased the restructuring of loans and NPLs provided to the maritime sector until 2012 yearend.

- Banks are not required to set aside specific provisioning for checkbooks if the date of acquisition was 2 years ago and if the banks set aside 100% specific provisioning for loans that are held by these checkbook holders.

- Corporate bonds and bills that are issued by the banks operating in Turkey will be classified under Group-I collaterals.

- BRSA required banks to report the information for the restructured loans that are granted to companies and individuals who operate or have financial activities in Libya.

For the first time in more than 10 years, BRSA issued a banking license to Lebanon's Bank Audi (Sal-Audi Saradar Group) for setting up a commercial bank with a US\$ 300 million capital in Turkey.

In 4Q11, Isbank and YKB sold their NPL portfolios of TL 221 million and TL 290 million, respectively. ■

Selected Sector Figures (TL Million)	31-Dec-10	30-Sep-11	30-Dec-11	YTD Δ (%)
<b>Total Deposits</b>	<b>610,888</b>	<b>676,724</b>	<b>691,448</b>	<b>13.2%</b>
Bank Deposits	27,271	32,322	35,122	28.8%
Customer Deposits	583,616	644,402	656,326	12.5%
TL Deposits	411,187	433,854	435,896	6.0%
FC Deposits (US\$m)	112,624	114,657	117,559	4.4%
info: Customer Demand Deposits	91,439	103,687	109,911	20.2%
<b>Total Loans</b>	<b>501,019</b>	<b>631,810</b>	<b>650,758</b>	<b>29.9%</b>
TL Loans	357,299	437,367	452,527	26.7%
FC Loans (US\$m)	93,929	105,945	105,692	12.5%
Consumer Loans	125,327	157,985	162,913	30.0%
Housing	57,480	68,252	69,622	21.1%
Auto	5,367	6,399	6,950	29.5%
General Purpose & Other Loans	62,479	83,333	86,378	38.3%
Credit Cards	44,263	53,716	56,732	28.2%
Loans / Deposits	85.8%	98.0%	99.2%	
<b>Gross NPL</b>	<b>18,697</b>	<b>17,251</b>	<b>17,530</b>	<b>-6.2%</b>
info: NPL ratio	3.6%	2.7%	2.6%	
info: NPL coverage	85.7%	83.2%	81.9%	
Gross NPL in cons. loans	3,590	3,140	3,162	-11.9%
info: NPL ratio	2.8%	1.9%	1.9%	
Gross NPL in credit cards	3,743	3,611	3,451	-7.8%
info: NPL ratio	7.8%	6.3%	5.7%	
F/X Position, net (US\$m)	18	-714	321	
on B/S	-14,877	-17,888	-17,973	
off B/S	14,896	17,175	18,293	

Source: BRSA weekly sector data, excluding participation banks



## Selected Credit Card Figures in Turkey

### 1.62

Up from 1.48 in 2010

# of plastic cards  
per person

### 1.3%\*

vs. Garanti's 1.6%

Payment Systems Commissions/  
Payment Systems Volume\*

### 19.5%

Down from 20% in 2010

Credit cards' share in  
retail loans

### Top 5 Categories in credit card spending

	Dec-10	Dec-11
Supermarket and shopping malls	15.0%	14.3%
Gas stations	12.2%	11.9%
Household gadgets, Pcs, etc	7.7%	8.8%
Apparel and accessories	8.4%	8.3%
Telecommunication	7.3%	6.4%

### Per card spending (TL, Dec'11)

Credit card	Garanti Sector	6,670	Debit card	Garanti Sector	158	372
		5,904				

Source: Interbank Card Center, Turkish Statistical Institute, Banking Regulation and Supervision Agency  
Note: Official population figures announced in 2010 and 2011 are 73.7 million and 74.7 million, respectively  
\*Garanti Payment Systems analysis based on BRSA financials of market players as of 9M11.

osit spreads effectively by diversifying their funding base and capitalising on their retail franchises. **Citi:** ... we see the bank as being the least vulnerable to the impact of tighter liquidity conditions imposed on asset quality track record and a solid position for a higher inflationary era **EFG:** ... has the capacity to deliver better growth than most peers in 2012. Another differentiator next year will be asset quality **ch:** ... can defend profitability better thanks to their CPI linkers and proven track record of asset quality. **UBS:** ...will remain a darling for 1H12...thanks to its inflation hedge, FRN-heavy securities book, w



## Macro Notes

The Monetary Policy Committee (MPC) decided to keep the interest rates (one-week repo rate; the policy rate at 5.75% and overnight interest rates; borrowing rate at 5%, lending rate at 12.5%) constant in its last meeting of December. In the announcement; it was highlighted that monetary policy would continue to focus on price stability while preserving financial stability as a supplementary objective. To this end, the impact of the macro prudential measures taken by the CBRT and other institutions on the inflation outlook will be assessed carefully. After the MPC, in line with the announcements of the Governor, the CBRT delivered an additional monetary tightening starting on Dec. 29. Additional monetary tightening was mainly implemented via limiting the funding in open market operations. Effective foreign exchange sales and direct interventions were also used as a complementary instrument. According to the announcements from the CBRT, additional monetary tightening was intended to be strong, effective and temporary.

During 3Q'11, real GDP, which was announced in Dec'11, rose by 8.2% y-o-y, higher than the expected 7% growth. In the previous two quarters, the growth rates were 12% and 8.8%, respectively, indicating no major slowdown compared to the 2Q'11. In seasonally adjusted terms, there is even an acceleration in the 3Q'11. The key point in 3Q'11 GDP figures is the positive contribution of external demand to GDP growth after 7 quarters. On the other hand, the contribution of domestic demand remained high despite falling from 14% in the 2Q'11 to 7.7% in 3Q'11.

In November, industrial production in Turkey rose by 8.4% y-o-y. Also, calendar adjusted industrial production decelerated in Nov. compared to Oct., rising by 5.2% y-o-y. After 4.2% m-o-m basis jump in Oct., calendar and seasonally adjusted industrial production fell by 2.5% in Nov. In 4Q'11, there was not a major slowdown in sectoral

indicators and domestic sales were at their high levels. In Dec., auto sales fell by 13% y-o-y due to base effect while sales level were too strong and above expectations. Thus, sales level reached its record high level (nearly 900 thousand units) in 2011. White goods sales also reached a record high level with 19% rise compared to 2010. The other indicator electricity consumption had a high correlation between industrial production and continued to rise with a slight deceleration in Dec'11.

Capacity utilization rate in Dec. fell to 75.5% from %76.9% in Nov. Thus, it reached 75.4% in 2011 while it was 72.6% and 65.2% in 2010 and 2009, respectively.

In Oct., unemployment rate rose to 9.1% from 8.8% in Sept. Also, seasonally adjusted data rose to 9.4% from 9.3%. Additionally, there was a rise in non-farm unemployment to 11.6% from 11.3% and seasonally adjusted non-farm data affirmed the same trend. A rise in unemployment rate was expected for 4Q due to seasonality while rise in seasonally adjusted unemployment rate stemmed from the deceleration in economic activity.

In Nov., foreign trade deficit in Turkey decreased for the first time after two years, falling by 3% y-o-y to US\$ 7.5 billion, below US\$ 8.1 billion market expectations. In Nov., the growth rate of exports accelerated mainly through base effect and unexpected gold exports while the growth rate of imports continued to decelerate. Exports rose by 18% y-o-y to US\$ 11.1 billion in Nov., while the growth rate of imports declined to its lowest level in the last two years, rising only by 9% to US\$ 18.6 billion.

In Nov., C/A deficit was US\$ 5.2 billion, slightly below the market expectations. Thus, during Jan-Nov period, it reached US\$ 70.2 billion while there was a decrease on a

12 month cumulative basis from US\$ 78.6 billion to US\$ 77.8 billion. This was the first decrease since Oct'09. Despite the decrease, on seasonally adjusted data, there was a limited improvement in Nov'11. FDI reached US\$ 10 billion in Jan-Nov period.

The budget deficit was TL 17.9 billion in Dec'11 and TL 17.4 billion in 2011. There was a TL 16.7 billion primary deficit in Dec'11 while primary surplus was TL 24.8 billion in 2011. Total revenues rose by 16.4% in 2011 to TL 106 billion while there was a TL 23 billion revenues in Dec. with a 5% rise. In 2011, restructuring (TL 13.3 billion) revenues led tax revenues to be higher than the estimates, while there is a slowdown in tax revenues in Dec. The rise in tax revenues for the whole year 2011 was 21% and the rise was only 9% in Dec'11.

Consumer prices increased by 0.58% in Dec., above the %0.4 market expectations. Y-o-y inflation rose from 9.5% at the end of Nov. to 10.45% at the end of Dec. The CBRT's inflation target for 2011YE was 5.5%. In Dec., food prices above the seasonal averages were the main cause of higher-than-expected inflation. Separately, on a y-o-y basis, core inflation, fell from 8.2% in Nov. to 8.1% in Dec'11.

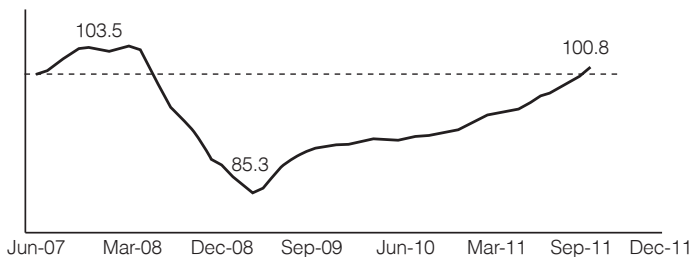
During Dec'11, TL depreciated by 2.4% and 0.6% against US\$ and currency basket, respectively while TL appreciated slightly by 0.8% against €. Also, in real terms, after having an appreciation of 3.4% in Nov'11, depreciation of TL was 0.9% against the currency basket, on CPI basis. This is the first depreciation of TL against the currency basket on CPI basis, since Aug'11. In 4Q'11, €/US\$ parity decreased to 1.32 from 1.38 in 3Q'11 while TL appreciated by 3.1% and 0.2% against US\$ and €, respectively during the same period. Additionally, benchmark bond yields fluctuated between 9.08% and 11% on monthly average period during 4Q'11. ■



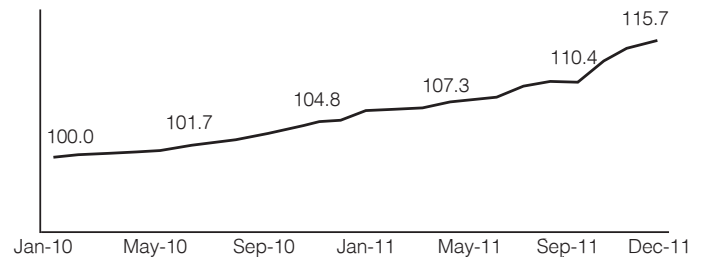
## Real-Estate Sector Analysis in Turkey

Sponsored by Garanti, the 'REIDIN Turkey Composite Residential Property Price Index' reflects an increase of 0.89% m-o-m and 7.77% y-o-y in residential sales prices in Dec'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**



**REIDIN.com-GYODER New Home Price Index:** Sponsored by Garanti, REIDIN.com-GYODER New Home Price Index shows an increase of 0.78% m-o-m and 9.88% y-o-y. Taking January 2010 as the base period, REIDIN.com-GYODER New Home Price Index is calculated on 58 housing projects and with a monthly average number of 22,500 properties presented by 24 developers.

... sponsored by the CBRT. **Credit Suisse:** ... arguably among Turkey's best-managed banks with a proven track record in terms of proactive management approach, diversified revenue base, asset quality and bank has the proven track record on that front. **Erste:** ...we expect it to respond quickly to the changing dynamics of the banking sector. **HSBC:** ...has differentiated itself within this well-diversified funding base and revenue mix.



## About Garanti Stock 'GARAN'

With a free float ratio of **49%**, Garanti shares constituted **27% of the foreign transactions in the ISE** and represented almost **half of the foreign transactions among all listed banks.**



# US\$ 13.1 Billion

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

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# US\$ 6.3 Billion

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

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# US\$ 232 Million

Average daily turnover in 2011,  
representing 17% of the ISE-100

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# US\$ 33.9 Billion

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

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# ~ 13%

Weight of Garanti shares  
in the ISE-100

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