

StockWatch

1Q 2012



INVESTOR RELATIONS



StockWatch 1Q 2012 is printed on 100% recycled paper.



About Garanti Stock 'GARAN'

With a free float ratio of ~50%, Garanti shares constituted 28% of the foreign transactions in the ISE and represented almost half of the foreign transactions among all listed banks.



US\$ 16.6 Billion

Market Capitalization constitutes 8% of the ISE-100 as of end of March 30, 2012

US\$ 8.3 Billion

Highest floating market capitalization in the ISE as of end of March 30, 2012

US\$ 229 Million

Average daily turnover in 3M 2012, representing 20% of the ISE-100

US\$ 9.1 Billion

Total 3M 2012 foreign transactions in GARAN- The most traded stock by foreigners

~ 14%

Weight of Garanti shares in the ISE-100



Did you know?

Garanti's Facebook account has more than 1 million fans, a number that led the Bank to be the most liked Bank/Financial Institution in Facebook in Europe and second most liked in the World. The account provides its fans with information on new products/campaigns.

To date, Garanti provided more than US\$ 6 billion financing to 71 power generation plants with approx. 8,500 MW of installed capacity and 6 distribution privatizations. As the lead arranger with 20-25% market share in total financing provided to Turkish electricity generation plants in the last 5 years, Garanti proves its preeminent position in financing of power deals.

Based on December 2011 FINTÜRK report (the finance map of Turkey) Garanti ranked #1 in nine cities and was in the top three in 36 cities for mortgage loan disbursements. ■



Garanti and the Community

With its continuous support to WWF Turkey for 20 years, Garanti Bank participated in **Earth Hour**, an organization by WWF to take a stand against climate change this year again. **Garanti Bank turned off its lights at the Headquarters** in Istanbul on March 31st for the fourth consecutive time this year and invited all its stakeholders to do the same.

Garanti Anatolian Meetings is celebrating its **decennial**. Garanti Bank is not only committed to offer financial support but to provide consulting services for SMEs in order for them to manage their businesses through efficient strategies while achieving sustainable growth, as well as providing a forum for the exchange of their information and ideas. In a decade, 77 meetings

were organized in 58 cities reaching out to 25,000 SMEs. Since 2002, Garanti aimed to create a platform for SMEs in Turkey where the latest trends and developments in the domestic and international economy are discussed. ■



Awards & Recognitions

Garanti was granted the **"Power Deal of the Year Award"** by **Infrastructure Journal Awards** for the 865 MW Gebze CCGT power plant financing. Garanti structured the first limited recourse project financing to a merchant Combined Cycle Gas Turbine (CCGT) plant, leading a 3 bank club loan to provide US\$ 700 million financing. The award certifies Garanti's robust lead arranger position in the energy sector.

Together with local and international peers, Garanti arranged US\$ 750 million of acquisition financing to IDO (Istanbul Ferries) privatization deal. The privatization deal of IDO was honored with the **"Infrastructure Acquisition Deal of the Year Award"** by **Infrastructure Journal Awards**.

Bonus Card received the **"Sophisticated and innovative product of the Romanian card market"** award from the **Finmedia Group**.

Garanti's quarterly published newsletter, **StockWatch Quarterly** is granted with the **"Honors" Award** in the Newsletter Category at the Mercury Awards organized by **Mercomm**. StockWatch Quarterly is recognized with this award for its rich content well-communicated to the Garanti stakeholders. Having both printed and soft versions, StockWatch Quarterly includes the next generation barcode technology: "QR Code Reader". ■



What analysts say about Garanti

BGC ...one of the best positioned banks to sustain its high RoAA level in the long term. **Chevreaux**... solid balance sheet. **Deutsche** ... has one of the peer group's strongest fee revenue generation records, the effectiveness of which was improved considerably over the past few years. **Erste**... will be... **Societe Generale**: ... is the highest profile bank in Turkey, thanks to the continuity of ownership, long-term presence on the ISE and a reputation as a technology innovator. **Uni**



Developments in Turkish Banking Sector

Turkish banks received a total amount of US\$ 2.3 billion* equivalent international borrowings in 1Q12. Of which, US\$ 1.2 billion were syndicated loans, US\$ 585 million were in the form of subordinated debt and US\$ 500 million were from the Eurobond issuances.

In 1Q12, Turkish banking sector issued TL 6.8 billion worth of TL-denominated corporate bonds with different maturities (6+ months).

The CBRT kept its policy interest rate unchanged at 5.75% throughout 1Q12 but has been actively using other (interest rate corridor) policy instrument in order to anchor inflation expectations firmly. Within this framework, the CBRT initially employed a tighter liquidity policy in the first half of January through foreign currency selling and reduced liquidity provided via 1 week TL repo auctions. When the depreciation pressures on TL eased, it created some room for the CBRT to "normalize" its liquidity management. In this regard, the CBRT annulled its FX selling auctions, lowered the upper band of interest rate corridor from 12.5% to 11.5% and provided more TL liquidity to the banking system via repo auctions. Towards the end of the quarter, the CBRT needed to implement a new round of additional monetary tightening amid deteriorating inflation expectations mainly due to hike in oil and utility prices. Accordingly, taking the liquidity projections into account, the ranges for weekly and monthly Turkish lira funding were revised downwards. Additionally, in order to strengthen the build-up of the CBRT's gold reserves and positively influence cost and liquidity channels of the banking sector, the fraction of TL required reserves that can be held in gold were increased from 10% to 20%. This action alone released TL 6.1 billion of reserves and increased banks' liquidity.

Upon revisiting their rating methodology, Moody's have decided to cap the financial

institutions' stand-alone ratings with sovereign ratings. This will affect the current ratings of 13 Turkish Banks as a possible downgrade.

The CBRT left the interest rate cap and overdue interest rate on credit cards unchanged at 2.34% and 2.84% per month, respectively.

Liquidity conversion ratio of issued bonds was reduced from 100% to 50% according to BRSA's new amendments, as of February 10, 2012.

Effective as of January 01, 2012, liquid fund management fee cap was decreased to 1.1% from 2.73%.

The Capital Markets Board (CMB) issued the Corporate Governance Communiqué with Serial IV, No. 56 on December 30, 2011 ("Communiqué") which introduces additional requirements and enlarges the scope of application of the previous communiqué. This Communiqué is immediately effective for ISE-companies whereas will be effective for ISE-listed banks as of December 30, 2012.

- Companies are divided into 3 categories according to their systemic importance in consideration of their market values and market value of their shares in free circulation. Category 1 companies are required to comply with all mandatory Corporate Governance Principles while Category 2 and 3 companies may benefit from certain exemptions as regards to the issued of independent directors.

- Number of independent directors should be defined in line with free float rate of the company and be at least one third of the Board. For Category 1 companies, the list of independent director candidates should be verified by CMB prior to general assembly.

- The decisions on major significant transactions (i.e. sale or purchase of material tangible assets, delisting decisions) should be

Selected Sector Figures (TL Million)	25-Mar-11	31-Dec-11	30-Mar-12	YTD Δ (%)
Total Deposits	621,035	691,456	694,622	0.5%
Bank Deposits	27,046	35,122	38,340	9.2%
Customer Deposits	593,988	656,335	656,283	0.0%
TL Deposits	414,624	435,896	432,672	-0.7%
FC Deposits (US\$m)	117,251	117,559	126,669	7.7%
info: Customer Demand Deposits	88,268	109,920	104,261	-5.1%
Total Loans	529,160	650,898	664,213	2.0%
TL Loans	372,908	452,668	471,238	4.1%
FC Loans (US\$m)	102,344	105,690	109,343	3.5%
Consumer Loans	134,968	162,913	166,085	1.9%
Housing	61,336	69,622	70,265	0.9%
Auto	5,608	6,950	6,863	-1.3%
General Purpose Loans*	68,023	86,379	88,956	3.0%
Credit Cards	44,368	56,719	59,803	5.4%
Loans / Deposits	89.1%	99.2%	101.2%	
Gross NPL	18,060	17,530	18,418	5.1%
info: NPL ratio	3.3%	2.6%	2.7%	
info: NPL coverage	85.7%	81.9%	81.4%	
Gross NPL in cons. loans	3,368	3,173	3,433	8.2%
info: NPL ratio	2.4%	1.9%	2.0%	
Gross NPL in credit cards	3,715	3,449	3,671	6.4%
info: NPL ratio	7.7%	5.7%	5.8%	
F/X Position, net (US\$m)	942	296	167	
on B/S	-18,978	-17,886	-25,610	
off B/S	19,921	18,181	25,777	

Source: BRSA weekly sector data, excluding participation banks

submitted to the approval of the independent directors of the board of directors before becoming effective unless the resolution of the general assembly is required for the significant transaction with respect to the relevant legislation.

- Nomination, remuneration, corporate governance, risk management and audit committees should normally be created within the management board. However, the functions assigned to nomination, remuneration, risk management committees may be performed by the corporate governance committee.

Effective as of January 01, 2012, under BRSA's new amendments on Corporate Governance Principles, bank managements have to compile a written compensation policy which associates the bank's long term targets and its risk management structure. Banks also should have a compensation committee comprised of at least 2 employees to assess the compatibility of their compensation policies with their risk management criteria. ■

*Calculation based on publicly-traded banks



Macro Notes

The Monetary Policy Committee decided to keep the short term interest rates constant (the policy rate at 5.75%, O/N interest rates; borrowing rate at 5% and lending rate at 11.5%) in its last meeting on March 27th. In its note, it was highlighted that the CBRT has implemented a new round of additional monetary tightening in order to eliminate the impact of recent cost developments on inflation expectations. Factors affecting inflation will be closely monitored in the forthcoming period and additional monetary tightening will be repeated, when necessary. Taking the liquidity projections into account, the ranges for weekly and monthly Turkish lira funding were revised. Additionally, fraction of TL required reserves that can be held in gold were increased from 10% to 20%.

Turkish economy expanded by 5.2% in the 4Q11 and 8.5% in 2011. Seasonal adjusted (SA) growth rate decelerated to 0.6% in Q4 from 1.3% in Q3. During 4Q11, contribution of foreign demand to the GDP growth rate was 3.2%, the highest positive contribution since 2Q09 while domestic demand (excluding stocks) increased GDP by 2.4%, the lowest contribution since 3Q09. In 2011, while the contribution of domestic demand to growth was 10.2%, foreign demand's contribution was negative 1.4%. Additionally, investment expenditures rose by 2.4% in 4Q11, the lowest growth rate in the past two years. After 31% rise in 2010, investment increased by 18% for the total of 2011. In February, industrial production rose by 4.4% compared to the year before. After declining by 3.0% in January, calendar

and SA industrial production rose by 0.7%. The acceleration in February in both consumption and investment production despite weather conditions signaled a recovery in production compared to January.

Capacity utilization rate in March increased to 73.1% from %72.9% in February. On a SA basis, there was a rise from 75.9% to 76.1% in March.

In January'12, unemployment rate rose to 10.2% from 9.8% in December'11 while SA data fell to 8.9% which was its lowest level since 2005. Non-agricultural unemployment rate rose to 12.4% from 12% while it fell on a SA basis, too.

In Turkey, foreign trade deficit decreased by 20% to US\$ 5.9 billion in February. Exports rose by 17% to US\$ 11.8 billion in February, while imports rose just by 1% to US\$ 17.7 billion on y-o-y basis. The deficit fell to the lowest level of the past 20 months on the back of the US\$ 0.5 billion gold exports. SA and calendar adjusted exports increased by 6.7% and imports increased by 0.2% compared to the previous month.

In February'12, there was a US\$ 4.2 billion deficit in C/A, thus, it decelerated to US\$ 75.3 billion from US\$ 77.1 billion in January'12, on a 12 month cumulative basis. On a SA basis, total C/A deficit decelerated slightly from US\$ 5.2 billion to US\$ 4.7 billion while there was a pronounced improvement in non-energy C/A deficit. On the financing side; net FDI was

at US\$ 0.6 billion; while portfolio inflows was the lowest of the past five months. March central budget figures indicate deceleration in both revenues and expenditures. The slowdown was mainly due to low non-tax revenue performance, while there was acceleration in some tax items signaling economic activity. In 1Q12, central budget deficit rose by TL 2.3 billion, while primary surplus increased by TL 1.0 billion compared to the year before. In 1Q12, budget deficit was TL 6.4 billion and primary surplus was TL 10.9 billion. 2012 targets are TL 21.1 billion and TL 29.1 billion, respectively.

In March, CPI was 0.41% while y-o-y inflation remained the same as 10.43% compared to last month. PPI was 0.36%, thus, y-o-y PPI declined from 9.1% to 8.2% which was the lowest level of last 12 months. On annual basis, good price inflation rose to 12.31% in March from 12.26% in February; while service price inflation declined to 6.06% from 6.19%. In March, core inflation rose by 0.4% and annual inflation declined to 7.9%, the lowest in five months, from 8.1% in February.

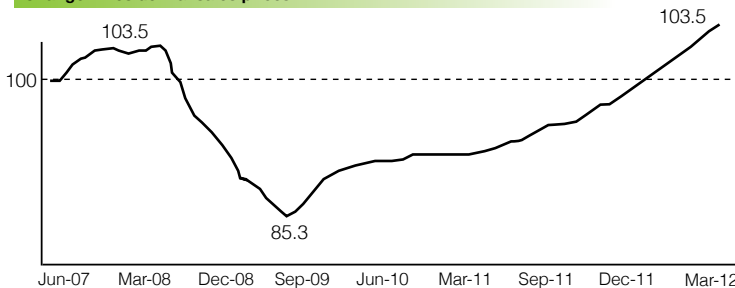
In real terms, after having appreciated by 3.7% in February'12, depreciation of TL was 1.8% against the currency basket, on a CPI basis in March'12. At the end of the 1Q12, Euro/Dollar parity remained almost the same at 1.32 compared with the end of 4Q11 while TL appreciated by 1.6% and 1.5% against USD and Euro, respectively during that period. Benchmark bond yield was at 9.4% on a monthly average at the end of 1Q12. ■



Real-Estate Sector Analysis in Turkey

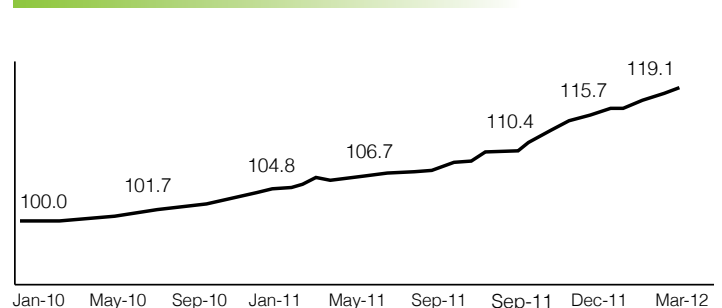
Sponsored by Garanti, the 'REIDIN Turkey Composite Residential Property Price Index' reflects an increase of 0.95% m-o-m and 8.66% y-o-y in residential sales prices in March'12. Index series are calculated monthly, for sales and rent covering 7 major cities, including Istanbul, Izmir, Ankara, Adana, Antalya, Bursa and Kocaeli.

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



REIDIN.com-GYODER New Home Price Index: Sponsored by Garanti, REIDIN.com-GYODER New Home Price Index shows an increase of 1.28% m-o-m and 11.62% y-o-y in March'12. Taking January 2010 as the base period, REIDIN.com-GYODER New Home Price Index is calculated on 62 housing projects and with a monthly average number of 22,500 properties presented by 24 developers.

REIDIN.com-GYODER New Home Price Index



cost efficiency and along with its high free funds base, commands one of the highest ROAs in the system. This drives Garanti's longer-term value proposition. cost control and strong asset quality. **Merrill Lynch**...taking into consideration profitability and valuation, our top pick among Turkish banks is Garanti Bank.



Developments at Garanti

Garanti exercised its call option on the subordinated loan received in February 2007, before its step up, on February 06, 2012. The size of the sub debt was US\$ 500 million with a total maturity of 10 years and an early repayment option exercisable at the end of the 5th year.

Garanti rolled over 100% of its TL bonds amounting TL 1 billion. Of which, TL 350 million had 92-day maturity at a cost of 10.54% and TL 650 million had 176-day maturity at a cost of 10.69%.

Turkish Airlines and Garanti Bank Renewed their partnership. Garanti Bank is the winner of the Turkish Airlines' 5-year tender. Shop&Miles, the only official credit card of Turkish Airlines, has been renewed under the name of "Miles&Smiles Credit Card". The new card will comprise of many new privileges and opportunities on earning more miles for its cardholders. The current Shop&Miles cardholders will be able to continue using their new Miles&Smiles credit cards without losing miles.

Garanti continues to be a lead arranger in the financing of infrastructure, energy and privatization projects. In 1Q12, Garanti provided long-term financing for a leading player in the Turkish energy and mining sector as the sole refinancer for the amount of US\$ 250 million.

Garanti continues its new product offerings to meet changing customer needs.

• Developed by Shell & Turcas and Garanti Bank as a **'first' in Turkey, Shell Partner Card** seamlessly combines the features of fuel and prepaid cards in one card. Shell Partner Card offers payment systems benefits to transport and tourist companies with no access to payment systems. Shell Partner Card will

contribute to the economy through proper taxation, since the cards are able to register turnover. The card is environmentally friendly and encourages legal fuel purchase.

• **The newest and the fastest contactless technology for Money Visa is now at Migros stores.** Money card holders can now make fast track check-out for purchases up to TL 35.

• After the successful implementation of the new internet branch, which was developed using recent technologies and provided new functionalities for the retail clients, the corporate version was also launched in March 2012.

• **Ashmore-Garanti Global EM Debt Mutual Fund,** the very first mutual fund based on global emerging markets' debt instruments in Turkey, launched with the cooperation of Ashmore Portfolio Management. Together with this one, the total number of different mutual funds launched during the period reached 5 and Garanti's **market share in mutual funds increased to %14.80** from %14.51.

• **Garanti's Smart TV application** is launched in Vestel's smart TV enabled television. The application enables users to view the stock movements, market information, Istanbul Stock Exchange and foreign exchange market rates on TV.

• Garanti has **re-launched its money transfer product Cepbank** with new features. Cepbank now provides easy and quick money transfer via Facebook and iPhone applications. The system does not require the receiver to be a Garanti customer and the transferred cash can be withdrawn from 3,250+

Paramatik's throughout Turkey. Cepbank iPhone application has additional features such as money transfer by simply "bumping" two iPhones together.

• Garanti Asset Management increased its market share in pension funds to 16.46% in 1Q12 from 16.19% in 4Q11. As of March 31st, 2012, Garanti's market share in Principal Protected and Income Guaranteed Funds sector was 5.5% with a volume of TL 170 million, and in mutual funds sector, its 14.81% with a volume of TL 4.3 billion volume. The Bank launched a new Principal Protected Fund, the 24th Sub-Fund, TL 27.8 million volume fund for investors who expect Gold prices to have positive returns and 3 new mutual funds in 1Q12.

As of 1Q12, **Garanti Bank Moscow started to serve as the main bank to the Spanish Embassy and Consulate.** This particular relationship emerged from the synergy created with BBVA Russia representative office and it will also contribute to GBM in building synergies with the Spanish companies operating in Russia.

In 1Q12, there were changes in the upper management; Ali Fuat Erbil continues to serve as Executive Vice President and resumes responsibilities of Financial Institutions and Corporate Banking. Didem Baser was appointed as the Executive Vice President responsible of Alternative Delivery Channels; Onur Genc joined the Bank as the Executive Vice President responsible of Retail Banking, Private Banking and Call Center. Mehmet Sezgin of our executive committee and CEO of Garanti Payment Systems got appointed to a global role as the head of global payment systems at Banco Bilbao Vizcaya Argentaria SA (BBVA). Onur Genc will assume the CEO role of Garanti Payment Systems while Mehmet Sezgin remains as Co-chair of the company. ■



Selected Credit Card Figures in Turkey

1.77

Up from 1.62 in 4Q 2011

of plastic cards per person

1.3%*

vs. Garanti's 1.6%

Payment Systems Commissions/ Payment Systems Volume*

20%

Up from 19.5% in 4Q 2011

Credit cards' share in retail loans

Top 5 Categories in credit card spending

	Mar-11	Mar-12
Supermarket and shopping malls	15.0%	14.7%
Gas stations	12.4%	11.9%
Household gadgets, Pcs, etc	7.7%	8.2%
Apparel and accessories	7.4%	7.5%
Telecommunication	6.8%	7.0%

Per card spending (TL, Mar'12)

Credit card	Garanti Sector	6,750	Debit card	Garanti Sector	377
		6,183			158

Source: Interbank Card Center, Turkish Statistical Institute, Banking Regulation and Supervision Agency

Note: Official population is based on 2011 announced figure of 74.7 million.

*Garanti Payment Systems analysis based on BRSA financials of market players as of 2011.

t makes the difference... with a high capital adequacy ratio, strong free funds and liquidity, and good asset-liability management practices. **Citi** ...is the industry benchmark on revenue and be able to outperform its peers in the coming periods.... We are convinced by the bank's best-in-class management and low reliance on interbank borrowing, diversified revenue base, strict **Credit** ... has the lowest dependence on TRY time-deposits to fund its IEA among Tier-1 banks, which puts it one step ahead of the competition...



Garanti Financial Highlights

Garanti Market Shares*	Mar-12	YTD Δ
Total Performing Loans	13.1%	▼
TL Loans	11.0%	▼
FC Loans	18.4%	▼
Credit Cards - Issuing (Cumulative)	18.4%	▼
Credit Cards - Acquiring (Cumulative)	18.8%	▼
Consumer Loans**	12.8%	◀
Total Customer Deposits	12.3%	▼
TL Customer Deposits	10.8%	◀
FC Customer Deposits	15.4%	▼
Customer Demand Deposits	14.5%	▼
Mutual Funds	14.6%	▲

*BRSA weekly data - Commercial Banks

**Consumer loans including consumer credit cards

Garanti With Numbers	Mar-11	Dec-11	Mar-12
Branch Network	884	918	924
+ Domestic	874	907	913
+ Abroad	10	11	11
Personnel	16,718	16,775	16,989
ATM	3,048	3,268	3,335
POS*	423,185	458,851	475,367
Total Customers	9,974,705	10,701,803	10,919,109
Internet Customers**	1,789,509	2,068,184	2,192,702
Telephone Banking Customers**	1,510,111	1,551,967	1,681,672
Credit Cards	8,089,360	8,544,466	8,805,988
Debit Cards	6,362,954	6,507,784	6,589,202

* Includes shared POS

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

In the first three months of 2012,
Garanti reached consolidated total assets of US\$ 94.1 billion and consolidated net profit of US\$ 547 million

Selected Financials*

US\$ 94.1 Billion
Total Assets

US\$ 51.7 Billion
Performing Loans

US\$ 52.6 Billion
Total Deposits

US\$ 10.9 Billion
Shareholders' Equity

US\$ 1.1 Billion
Ordinary Banking Income

US\$ 547 Million
Net Income

Selected Financial Ratios*

2.4%
Return on Average Assets

20.9%
Return on Average Equity

15.7%
Capital Adequacy Ratio

2.1%
Non-Performing Loans Ratio

* Based on BRSA Consolidated Financials

Note: Ordinary Banking Income including collections
 US\$/TL = 1.7600 as of March 31, 2012



Market Recap

In 1Q12, the US economy picked up pace and indicators signaled stable and moderately positive growth. The Eurozone showed first signs of a cautious stabilization as well, however the downside risks associated with the economy remain intact, especially since external demand seems to be slowing and investments are on the decline. The sentiment and leading indicators continue to paint a mixed picture of the Eurozone. In the second half of 1Q12, investor discomfort resurfaced, reflecting fears of recession in Europe, worries about an excessive slowdown in China and concerns about the underlying strength of the US recovery.

Commodity prices were on the rise in 1Q12. Gold was up 7%, silver gained 17% and crude oil prices have been rising since mid-December with Brent up over 20%. The currently high levels of liquidity, the global monetary expansion, and the low interest rates could continue to provide a positive environment for investments in commodities and the days of positive surprises that used to boost the global equity markets might be gone for now. After the above-average increase in 1Q12, the equity markets could now

dial down their performance to a slightly more moderate pace and the economic data could provide less positive stimulus than in the past.

Emerging Markets (EM) got off to a brilliant start into the New Year and some outperformed their global peers by a wide margin, such as Turkey – MSCI Turkey was up 27% in 1Q12. The market spent the first few weeks of the year trying to cover its 4Q11 shorts. New inflows into EM funds along with LTRO magic boosted asset values in a short and sharp fashion. After mid-February, worry about Chinese growth accelerated, and import demand from all three major regions in the global economy remained weak, while Spain's potent threat, and the uncertainty around further easing by FED and ECB gained ground. Compared with the developed world, the emerging world has plenty of advantages, at least from the point of view of economic growth. The bigger problem for emerging policymakers is balancing the risk of too little growth against the danger of too much inflation. In the absence of healthy global recovery, the growth outlook suggests doubts about the strength and sustainability.

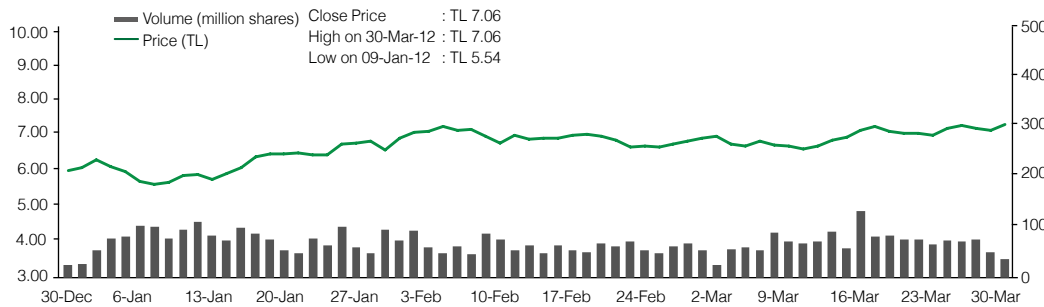
Stock Market Performance* in Selected Countries (in US\$)

	YoY	QoQ
Brazil	-17%	13%
China	-15%	10%
Hungary	-33%	23%
India	-22%	20%
Mexico	-1%	15%
Poland	-26%	18%
Russia	-19%	19%
Turkey	-15%	27%
EM	-11%	14%
EMEA	-15%	15%
EM Banks	-16%	13%
Eastern Europe	-21%	18%
Latin America	-11%	14%

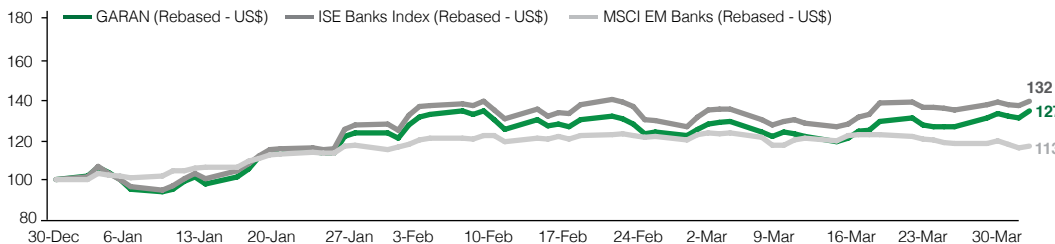
* Based on MSCI's Emerging Markets Indices, as of March 30, 2012

In 1Q12, emerging market equities gained 14%. Turkish equity market, after having strongly underperformed emerging markets in 4Q11 by 19%, was the top performer in 1Q12. MSCI Turkey gained 27% in value and outperformed both MSCI EM and MSCI EMEA by 12% and 10%, respectively.

Garanti Bank Stock Performance in 3M 2012



Relative Performance to MSCI EM Banks & ISE Banks Index



Turkish economy is heading for a soft landing. In 1Q12, while fiscal performance remained strong, high inflation and persistently large external imbalances called for tight monetary policy. In 2011, GDP growth rate was 8.5% as an encouraging rebalancing is occurring within GDP. C/A deficit ended the year at US\$ 77.2 billion while there was deceleration and recovery in financing quality. Annual CPI at the end of 1Q12 was 10.43% and core inflation has started to come down but energy prices are keeping the headline CPI high. The CBRT kept its policy interest rate unchanged at 5.75% throughout 1Q12, lowered the upper band of interest rate corridor from 12.5% to 11.5% in February, CBRT implemented additional monetary tightening towards the end of the quarter, in order to eliminate the impact of recent cost developments on inflation expectations.

The performance of Turkish equity market in 2Q12 will be challenged by doubts about the recovery in global economic indicators, European sovereign risk, and the high levels of oil prices. Turkey will likely remain vulnerable to the changes in global risk appetite and global liquidity given the high level of C/A deficit and the sizable external debt obligations.

For further information please contact **Garanti Investor Relations.**

Address: Levent, Nispetiye Mah. Aytaç Cad. No: 2, 34340, **Besiktas**, 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.

Follow @Garanti_IR

