

StockWatch

2Q 2016
INVESTOR RELATIONS



ABOUT GARANTI STOCK 'GARAN'

**With an actual free float ratio of ~50%,
Garanti shares constituted
17% of all foreign transactions
in BIST and 36% of all listed banks
in 1H 2016.**

US\$ 11 Billion

Market Capitalization constitutes 7% of the BIST 100

90% Foreign Ownership

Most invested stock by foreigners in Turkey
with US\$ 5.5 billion floating market capitalization

US\$ 288 Million

Average daily turnover in 1H 2016,
representing 21% of BIST 100

US\$ 16.2 Billion

Total 1H 2016 foreign transactions in GARAN
The most traded stock by foreigners

Leading stock

with ~10% weight in BIST 100
with ~12% weight in BIST 30

Note: Currency conversion is based on US\$/TL CBRT ask rate, data as of June 30, 2016, foreign ownership ratio includes Depository Receipts.

GARANTI FINANCIAL HIGHLIGHTS

Garanti Market Shares

	Jun-16	YtD Δ
Total Performing Loans	11.8%	▲
TL Loans	11.0%	▲
FC Loans	13.6%	▼
Credit Cards - Issuing (Cumulative)	20.1%	▲
Credit Cards - Acquiring (Cumulative)	20.9%	▲
Consumer Loans*	14.7%	▲
Total Customer Deposits	12.3%	▲
TL Customer Deposits	9.7%	▲
FC Customer Deposits	15.9%	▲
Customer Demand Deposits	13.8%	▲
Mutual Funds	10.0%	▼

* Including consumer credit cards and other

Garanti with Numbers

	Dec-15	Mar-16	Jun-16
Branch Network	983	984	983
+ Domestic	971	972	971
+ Abroad	12	12	12
Personnel	19,692	19,855	19,937
ATM	4,504	4,540	4,650
POS*	600,989	619,166	629,700
Total Customers	13,863,933	14,080,443	14,337,851
Digital Banking Customers**	3,993,457	4,227,980	4,403,599
Mobile Banking Customers**	2,530,757	2,826,304	3,036,965
Credit Card Customers	6,162,816	6,264,889	6,374,539
Credit Cards	9,706,572	9,736,692	9,787,795
Debit Cards	8,640,478	8,619,516	8,748,045

* Includes shared and virtual POS.

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

Note: Figures are based on bank-only financials for fair comparison with sector. Sector figures are based on BRSA weekly data for commercial banks only.

**In the first half of 2016,
Garanti reached
total asset size of
US\$ 100.1 billion and
net profit of
US\$ 907 million.**

SELECTED FINANCIALS

**Total Assets
US\$ 100.1 Billion**

**Total Performing Loans
US\$ 62.8 Billion**

**Total Deposits
US\$ 59.4 Billion**

**Shareholders' Equity
US\$ 11.6 Billion**

**Ordinary Banking
Income
US\$ 1.9 Billion**

**Net Income
US\$ 907 Million**

SELECTED FINANCIAL RATIOS

**Return on Average
Assets (ROAA)
1.8%**

**Return on Average
Equity (ROAE)
16.0%**

**Capital Adequacy
Ratio (CAR)
14.5%**

**Non Performing Loans
(NPL) Ratio
3.1%**

Figures are based on BRSA consolidated financials as of June 30, 2016.
Note: Exchange rate used for currency conversion is based on Garanti Bank's
June 30, 2016 dated financials.

DID YOU KNOW?

Garanti is the **leading financial institution** in Europe with its **4.5 million** social platform followers.

Number of active **digital banking customers** exceeded **4.4 million** and the number of active **mobile banking customers** exceeded **3 million**.

Besides other issuances under the **GMTN program**, Garanti completed **JPY 2 billion** private placement issue with a maturity of 1 year, the highest amount in JPY by a Turkish borrower to date.

AWARDS & RECOGNITIONS

Received **Straight Through Processing (STP)** quality award from Standard Chartered Bank for achieving high straight through processing volumes (99.5%) in 2015 for EUR and US\$ payments.

Elected "**The Most Social Brand**" by the **Social Brand 100** research as a result of Diplomacy Live's evaluation of 555 social media accounts of 100 brands.

Awarded for **Product Innovation** with Mobile Interactive Assistant (MIA) at the **Global Finance Innovators 2016 - Transaction Services** awards.

At the **14th Golden Spider (Altın Örümcek) Web Awards**, Turkey's first and only independent organization, Garanti received;

- **Best Internet Banking in Turkey: First Prize**
- **Best Mobile Banking in Turkey: First Prize**
- **The Most Accessible Website in Turkey Award**
- **People's Favorites: Banking & Finance Category**
- **People's Favorites: Internet Banking Category**

Received **Gold** in "**Best Customer Loyalty Program**", **Silver** in "**Best in Customer Service**" and **Bronze** in "**Best Sales Campaign**" categories at the 2016 Top Ranking Performers Awards - EMEA Region by **Contact Center World**, the most prestigious contact center organization worldwide.

Became the only Turkish Bank evaluated among 11 European banks at **2016 Mobile Functionality Benchmark by Forrester**, one of the world's leading independent research companies. Garanti was selected **Best in Class in Europe** in **Marketing and Sales, and Cross Channels** categories.

Awarded "**Best Project Finance House**" both in EMEA and CEE Regions, four times in a row since 2012 by **EMEA Finance**. Moreover, Ebru Dildar Edin and Garanti Project Finance Department received the "**Dealmaker of the Year**" award.

BonusFlaş application received the "**Most Innovative Product 2015**" award at the **Catalyst 2016** event held by **MasterCard** for being the most innovative newcomer to the Turkish payment systems market in 2015.

Recognized as "**Turkey's Best Cash Management Bank**" by **Global Finance Magazine**.

Garanti Asset Management received "**Most Innovative Asset Management Company, Turkey 2016**" award with its SMART Funds by International Finance Magazine.

GarantiMortgage.com is the first non-bank website in the last 5 years to win the "**Banking & Finance**" category at the **14th Golden Spider Web Awards**. In addition to that, **Garantimortgage.com** came second in the "**Best Mobile Website**" and "**Best Corporate Website**" categories, returning with 3 awards from the Golden Spider Web Awards.

Garanti Pension and Life received the "**Best Management of Customer Experience**" award in the "**Life and Pension**" category at the A.L.F.A Awards (Actionable, Leader, Fast, Ambitious), organized by Marketing Turkey.

Garanti Pension and Life was named the "**Best Contact Center - Small**" at the 2016 Top Ranking Performers Awards - EMEA Region by Contact Center World.

WHAT ANALYSTS SAY ABOUT GARANTI?

AkInvest

- Garanti is one of the most comfortable banks with solid solvency ratios.

BofAML

- We expect Garanti to continue to deliver one of the highest ROEs among our Turkish banks coverage over the medium term.

Credit Suisse

- Garanti has strong capital and profitability supported by the increasing contribution of its subsidiaries which should provide flexibility to the bank in the long term.

Deutsche Bank

- We expect Garanti to post one of the fastest EPS growth among its peers in the next three years as a result of a stronger top line, supported by its solid core Tier 1 capital, better cost efficiency and a slower normalization process in its CoR vs. its peers.

- Loan breakdown of the bank in terms of segments is well diversified, likely to limit the NPL inflows in the coming years.

Is Investment

- Garanti is our pick in a declining rate environment. As the rates are set to fall further in the periods to come, this will likely spur growth in the retail banking segment where Garanti has an uncontested positioning to capitalize growth.
- We like the Garanti's better risk profile in terms of maintaining higher core capital and provisioning shields against the underlying slowing growth risks in the economy.

Global Securities

- Garanti continues to be our sector top pick due to its fee evolution in diversified areas, solid and across the board TL loan growth, in line with budget asset quality and contained OPEX. The bank also has one of the highest Tier I capitals and effective asset and liability management.

Morgan Stanley

- Garanti is our top pick. We forecast broadly stable NIMs over the next three years helped by Garanti's focus on disciplined loan re-pricing in its retail and commercial books, thereby protecting spreads.

UBS

- Garanti is well positioned to capture the growing volumes in internet and mobile banking.

Unlu & Co

- Garanti has been among the highest RoE-generating banks within our coverage, and we do not expect this to change going forward.

Yapi Kredi Invest

- Garanti has low LDR and is better positioned to grow relative to peers especially after the most recent changes in capital regulations.

GARANTI AND THE COMMUNITY

Garanti Anatolian Meetings where SMEs get together with the representatives of local administrations from several provinces in Turkey since 2002 were held in Artvin, Ardahan and Bayburt.

Launched “**Garanti BuildYourBrand**” tool, giving free design assistance and branding support to SMEs.

To support entrepreneurial ecosystem and innovation, Garanti established **GarantiPartners Entrepreneurship Base** as a part of **GarantiPartners Accelerator Program**, which will be used as an office space, hosting entrepreneurs with valuable ideas from all sectors.

Women Entrepreneurs Gatherings were organized in cooperation with Women Entrepreneurs Association of Turkey (KAGİDER) in Kırklareli for the 33rd time.

To provide useful tips to women on managing house budget and personal finance, **Women’s Platform Facebook Page** was created. The platform aims to enhance financial literacy within women and inspire women for entrepreneurship.

Creating value for all of its stakeholders, Garanti;

- Committed to **Science-Based Target**, a joint initiative by CDP, UNGC, WRI and WWF that raises the ambition of corporate mitigation efforts and drives bolder business solutions by identifying corporate greenhouse gas target setting.
- Published its **2015 Sustainability Report** in accordance with the GRI G4 Guidelines and received third party verification, limited assurance was provided by KPMG.
- Organized the **4th Sustainable Finance Forum** in partnership with BCSD Turkey.
- Updated its **Environmental and Social Impact Assessment Process** and lowered its investment limit for detailed assessment to US\$ 10 million from US\$ 20 million.

DEVELOPMENTS AT GARANTI

Garanti successfully renewed its **syndicated loan** with a roll-over ratio of 100%, amounting to **EUR 1.25 billion** equivalent with a maturity of 367-days at Euribor+0.75% & Libor+0.85%. The book was oversubscribed by 107%; a testament to Garanti’s intrinsic financial strength, continued strong performance and solid banking relationships with commitments received from 42 banks in 15 countries.

To fund Garanti clients’ imports from China, Garanti obtained a **US\$ 300 million 3 year loan** from **China Exim Bank**, the largest loan China Exim Bank has ever provided to a Turkish bank.

In June 2016, Garanti commenced issuance of **China Union Pay** business cards, accepted by all merchants in China. Garanti established a direct connection with UnionPay and technical & operating standards of Union Pay are adapted.

Garanti sold TL 232 million of retail and commercial NPL portfolio for TL 18 million.

The new **Fund Deposit Account** combines time deposit account functionalities with mutual funds as a single investment solution, promoting cross sell opportunities.

Dowry account has been introduced for customers who want to save money before getting married. Dowry account is a time deposit account with daily interest accrual and government funding benefit of up to 20% of savings.

Bot Banking: Mobile Interactive Assistant MIA Project has been launched along with Garanti’s Whatsapp, Telegram and BiP (leading mobile operator Turkcell’s instant messaging mobile app) services. These services work as bot banking services and enable customers to instantly chat via in-app Garanti pages. The customers get information about exchange rates, other market information and nearest ATMs and branches. Customers may also transfer money easily via On BiP app’s Garanti page. These bots have been used by over 50K users until now. On the other hand, MIA, the virtual voice assistant, as a new generation voice

bot enables customers to be able to perform banking transactions by voice within mobile banking application - Cep Subesi, in a faster and easier way by voice. There are already more than 2 million users who met MIA. These are the first few examples of bot banking in the world.

New transactions and functionalities have been added to mobile banking. Now customers can address their cash needs with Cash Advance and installment options.

A first in Turkey, Garanti now allows online Credit, Debit, Commercial, and Supplementary Cards **Transaction Dispute Filing** through Internet Banking.

Real-time face to face mobile video chat with a **Garanti Call Center** agent is launched for the General Purpose Loan Line.

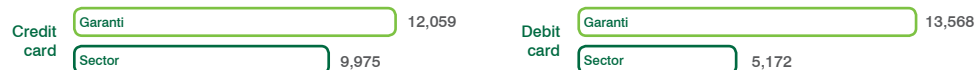
SELECTED CREDIT CARD FIGURES IN TURKEY

Top 5 Categories in credit card spending

	Jun.16	Jun.15
Supermarket and shopping malls	19.2%	19.6%
Gas stations	8.6%	9.4%
Apparel and accessories	8.0%	7.6%
Household gadgets, PCs, etc.	6.7%	6.9%
Various food products	6.6%	6.6%

2.1 # of plastic cards per person

Per card spending



Source: Interbank Card Center, Turkish Statistical Institute, Banking Regulation and Supervision Agency
 Note: Official population is based on 2015 announced figure of 78.7 million.
 Plastic cards defined as the sum of plastic credit cards and debit cards.

MACRO NOTES

Annual growth was 4.8% in 1Q16. Although growth rate slowed down from 5.7% in 4Q15 to 4.8% in 1Q16, it remained robust. Domestic demand -including stocks (0.4 pp)- contributed 6.4 pp, while external demand gave a negative contribution (1.5 pp). Private consumption grew by 6.9%, the highest rate since 3Q11 when GDP growth was running at a rate close to 9%. Public expenditures continued to support with 8.5% growth (vs. 8.7% growth in 4Q15) mainly through consumption expenditures. Private investments contracted by 0.3%, a negative signal for medium and longer term growth dynamics. In sectorial detail, the growth rate in the industrial sector was 5.7% (1.6 pp cont.) in line with indicative monthly industrial production figures. Construction sector benefited from the Government pre-election promises and grew by 6.6%. The growth in the agricultural sector was 2.7%, lower than its 5-year average of 5.5%. Services sector continued to be supportive with 5.1% growth in the absence of a major deterioration in tourism related sectors.

IP growth slowed down. Industrial production (IP) grew by only 0.6% YoY in April, after increasing by 5.6% in 1Q16. Confirming the slowdown, average manufacturing PMI in 2Q16 also decreased to 48.6 which is the sharpest fall recorded since 1Q09. Going into the summer season, the recent initiative on Russian sanctions is likely to erase the negative burden on growth stemming from both goods and services exports, together with the pushing factors of minimum

wage hike and refugee impact. All in all, risks are balanced around our 3.9% above consensus growth forecast for 2016.

Current account adjustment continues. Current account deficit to GDP ratio improved further to 4.2% in 1Q16, from 4.5% in 2015-end. 12-month cumulative current account deficit further improved to US\$ 28.6 billion in April from US\$ 29.5 billion in 1Q16, while core CAB (exc. gold and energy) improved to a deficit of US\$ 0.6 billion from US\$ 1.8 billion in the same period.

5-months budget performance at highest of 12 years. Central government budget balance gave a surplus of TL 9 billion in the first five months of 2016, which is the highest surplus of the last 12 years for the same period. Primary surplus has increased by TL 7.7 billion from the same period of the previous year to TL 33.3 billion. Budget revenues increased by 16.7% YoY to TL 230.9 billion. Budget expenditures increased by 10.8% YoY to TL 221.9 billion. In this period tax revenues increased by 11.5% to TL 183.4 billion while non-interest expenditures were up by 14.7% to TL 197.7 billion.

Turkey's gross debt stock/GDP has been increasing for the last 3 quarters. Turkey's gross debt stock/GDP ratio increased to 58.1% in 1Q16 from 55.3% in 4Q15. EU-defined public debt stock/GDP ratio declined from 32.9% to 32.3% in the same period.

2Q16-end inflation is at 7.6%. Although average inflation in 2Q16 declined from 8.6% in 1Q to 6.9%, the end of period level has increased. Unlike its seasonal behavior, food inflation was extraordinarily low in March-April period, which explains most of the decrease in annual headline inflation in that period. However, as a result of reversing conditions in food industry and with the exclusion of the additional base effect, June inflation jumped. Therefore, annual headline inflation of 2Q-end increased to 7.6%, from 7.5% in 1Q-end.

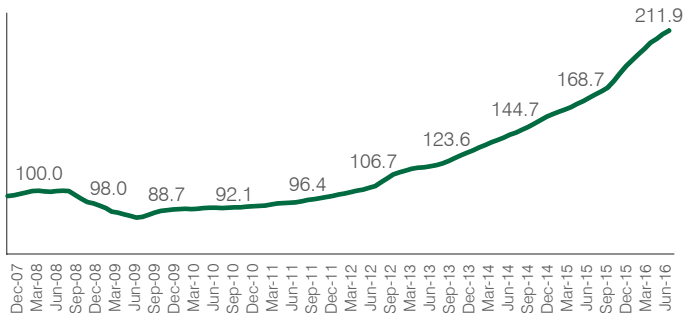
Central Bank (CBRT) cut the upper bound of the corridor 4 times in the first half. The rate cutting process of the Monetary Policy Committee which started with 25 bps by the end of 1Q16, continued in 2Q16 with 50 bps cut in each month, adding up to 150 bps in total. Thus, the upper bound of the interest rate corridor, which declined to 10.50% by the end of 1Q16, was cut further to 9% by the end of 2Q16. Both the lower bound of the corridor and 1-week repo rate were left intact at 7.25% and 7.50%, respectively. Hence, the decline in the CBRT average funding rate remained modest as it fell from 8.9% at the end of 1Q16 to only 8.2% by the end of 2Q16.

TL depreciated by 10% YoY against currency basket in 2Q16 on average vs. 18% in 1Q16. Benchmark bond yield which was at 10.9% on average in 1Q16, declined to 9.4% on average in 2Q16. The 2Q16-end benchmark bond yield was at 8.75%.

REAL-ESTATE SECTOR ANALYSIS IN TURKEY

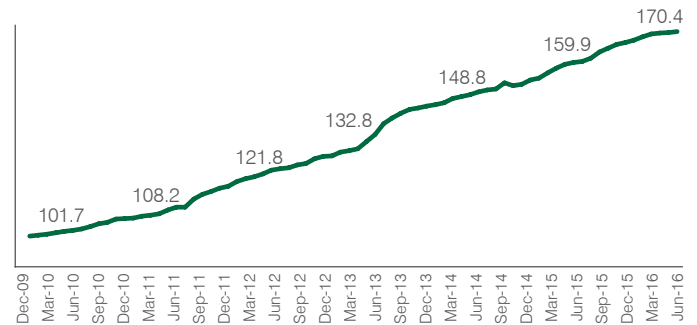
REIDIN Turkey Composite Residential Property Price Index: The index reflects an increase of 1.17% MoM and 25.5% YoY in residential sales prices in June '16. Index series are calculated monthly, for sales and rent covering 7 major cities, including Istanbul, Izmir, Ankara, Adana, Antalya, Bursa and Kocaeli.

Residential Property Price Index



REIDIN.com-GYODER New Home Price Index: The index shows an increase of 0.12% MoM and 6.57% YoY in June '16. Taking January 2010 as the base period, REIDIN.com-GYODER New Home Price Index is calculated on 70 housing projects and with a monthly average number of 22,500 properties presented by 27 developers.

New Home Price Index



DEVELOPMENTS IN TURKISH BANKING SECTOR

Turkish Banks raised a total amount of **US\$ 12.3 billion*** equivalent international funding in 2Q16. US\$ 6.6 billion equivalent amount was secured as **syndicated loans**, US\$ 1.4 billion in **securitizations**, US\$ 786 million equivalent amount from **multilateral development banks**, US\$ 566 million from **covered bond** issuance, US\$ 1.9 billion from **Eurobond** issuances and US\$ 1.1 billion equivalent issuances** under **Global Medium Term Notes** (GMTN) Programs.

Regulatory developments during the quarter:

- BRSA changed provisioning policy for the banking sector which will go into effect on January 2017. For the year 2017, the new regulation sets the general provisioning requirement at 1% for all standard loans and 2% for Group II loans, which means that the retail loan general provisioning requirement has declined from 4% to 1%. With the IFRS9 implementation, Banks will be required to specify a risk measurement on their internal policies. Banks which fail to implement IFRS9 until January 2018 are required to book a 1.5% general provision for their standard loans and 3% for Group II loans instead of 1% and 2%, respectively.

CBRT actions during the quarter:

- CBRT reduced its overnight lending rate in April, May and June by 50 bps in each time. Accordingly in 2Q16, CBRT's overnight lending rate came to 9.0% from 10.5% in the previous quarter.
- CBRT left the "interest rate cap" and "overdue interest rate" on credit card transactions unchanged for 3Q16; TL rates 2.02% and 2.52% per month, respectively; and FX rates 1.62% and 2.12% per month, respectively.

Rating actions during the quarter:

- S&P revised up Garanti and Yapı Kredi Bank's rating outlook to "Stable" from "Negative" based on an upward revision on Turkey's outlook to "Stable", affirming both Banks' Long Term Foreign Currency and Local Currency ratings at BB+.
- Fitch revised Yapı Kredi Bank's rating outlook to "Negative" from "Stable" based on a similar action taken on UniCredit's ratings and affirmed YKB's BBB FC and LC Long-term ratings.

NPL sales during the quarter:

- Garanti Bank sold its TL 231.6 million NPL portfolio receivables for TL17.9 million.
- Şekerbank sold its TL 228.9 million NPL portfolio receivables for TL 8.7 million.
- ICBC Turkey sold its TL 54.5 million NPL portfolio receivables for TL 1.4 million.
- Finansbank sold its TL 495 million NPL portfolio receivables for TL 69.4 million.

Other developments:

- Şekerbank acquired BTA's 9.4% stake in the bank for TL175 million. Shares (9.4% of total paid in capital) were taken as collateral by Vakıfbank from Kazakh BTA (ex-part-owner of Şekerbank) against a loan which turned into NPL. Vakıfbank collected a total of TL 150 million from the sale after legal expenses.
- The sale of NBG's 99.8% stake in Finansbank to QNB was completed.
- Based on an agreement signed in November 2015, Visa Inc. has agreed to acquire Visa Europe. As a result, Turkish banks with shares in Visa Europe will start to receive a combination of upfront cash and C Type Visa Inc. shares in 2016. According to official announcements from several banks in 2Q16, İşbank has received EUR 65.2 million and 23,611 shares, Garanti Bank has received EUR 58.4 million and 21,215 shares, Yapı Kredi has received EUR 52 million and 18,871 shares, Akbank has received EUR 39.2 million and 14,264 shares, Finansbank has received EUR 32.2 million and 11,695 shares, Halkbank has received EUR 22.8 million and 8,299 shares, Vakıfbank has received EUR 20 million cash and 7,212 shares, Şekerbank has received EUR 4.3 million and 1,574 shares and Albaraka has received EUR 2.7 million and 984 shares following the acquisition of Visa Europe by Visa Inc.

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

** Bloomberg

Selected Sector Figures (TL Million)

	31.12.15	01.04.16	01.07.16	QoQ Δ
Total Deposits	1,245,289	1,281,633	1,316,216	2.7%
Bank Deposits	73,920	79,500	79,286	-0.3%
Customer Deposits	1,171,369	1,202,133	1,236,930	2.9%
TL Deposits	675,001	690,798	725,489	5.0%
FC Deposits (US\$ mn)	171,343	181,820	178,032	-2.1%
Customer Demand Deposits	218,182	222,817	235,953	5.9%
Total Loans	1,346,865	1,364,805	1,414,726	3.7%
TL Loans	927,992	944,453	980,582	3.8%
FC Loans (US\$ mn)	144,597	149,579	151,210	1.1%
Retail Loans*	571,934	575,105	589,355	2.5%
Housing	137,893	141,145	145,705	3.2%
Auto	20,329	20,002	20,192	0.9%
General Purpose Loans**	320,123	321,162	327,126	1.9%
Credit Cards	93,589	92,796	96,332	3.8%
Loans / Deposits	108.2%	106.5%	107.5%	
Gross NPL	42,705	45,332	47,304	4.4%
NPL ratio	3.1%	3.2%	3.2%	
NPL coverage	75.4%	76.4%	75.8%	
Gross NPL in retail loans	17,056	18,451	19,469	5.5%
NPL ratio in retail loans	2.9%	3.1%	3.2%	
Gross NPL in credit cards	7,416	7,578	7,461	-1.5%
NPL ratio in credit cards	7.3%	7.5%	7.2%	
F/X Position, net (US\$ mn)	300	974	55	
on B/S	-31,435	-26,163	-20,901	
off B/S	31,735	27,136	20,957	

Source: BRSA weekly sector data, commercial banks only

* Including consumer and commercial installment loans

** Including other and overdraft loans

MARKET RECAP

A combination of low yields in developed markets, range-bound US\$, low global inflation, growth stabilization in China and EM, and supportive commodity prices were constructive for EMs in 2Q. However, political uncertainties in Europe stemming from Brexit discussions and terrorist attacks all around the world set a cautious mood among investors.

Commodity prices were on an increasing trend throughout the quarter. Despite disagreement among OPEC members on production freeze, Brent oil reached US\$ 52 in June, its highest level since October 2015, on the back of low inventory levels. Yet, oil price volatility is likely to continue the second half of the year due to ongoing geopolitical risks, Iran's comeback to the market, disputes among OPEC member and non-member states.

The uncertainty in the wake of the Brexit referendum in the UK triggered safe haven flows into gold. The relative strength of gold vs. global stock markets continued in 2Q with the help of world-wide low level of interest rates. Negative or very low yields on government bonds with long maturities caused

allocation shifts in investment portfolios. The gold price outperformed all Developed Market equities and nearly all Emerging Market equities in 2Q.

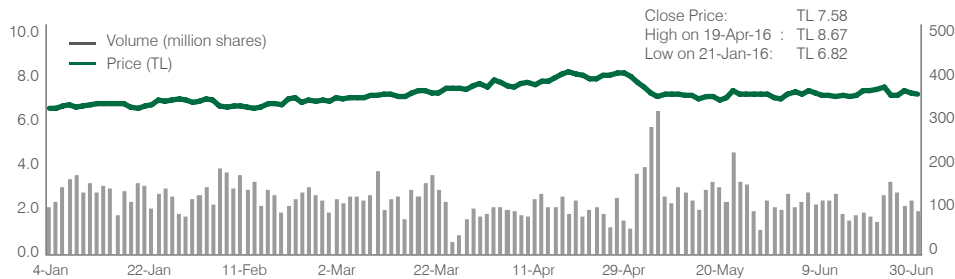
In the second quarter of the year, EMs experienced US\$ 9.6 billion net funds outflow from the equity markets and US\$ 5.7 billion net funds inflow to the bond markets, according to data provider EPFR. MSCI EM Index was flat QoQ vs. 5% increase in 1Q. Quarterly returns were again negative in China; whereas, Brazil and Russia benefited from oil price increase and recorded gains. MSCI China Index decreased by 2%, while MSCI Brazil and MSCI Russia indices increased by 13% and 3%, respectively.

After its 21% increase in 1Q, MSCI Turkey erased half of its gains in 2Q and declined by 9.5%. As a result, Turkey underperformed MSCI EM by 9% vs. 15% outperformance in 1Q. Turkey's underperformance was mainly due to the volatility caused by the unexpected resignation of Prime Minister Ahmet Davutoglu in May. Yet, sentiment turned positive in June. Macro indicators remained strong as GDP growth was 4.8% in 1Q, inflation was 7.6% in 2Q-end, the current account deficit

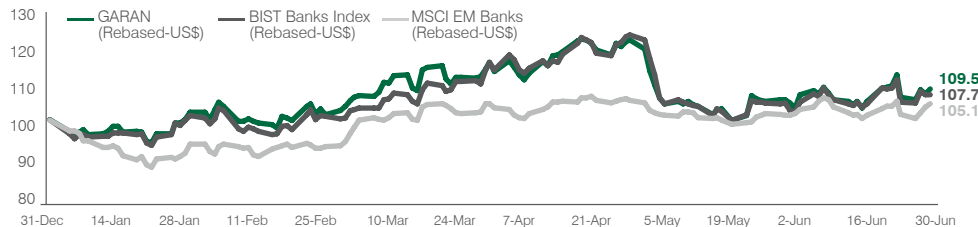
continued to improve and Central government budget balance gave a surplus in 5M 2016, the highest in 12 years. In April, Murat Cetinkaya was appointed as the new CBRT governor. CBRT, as promised, took solid steps to simplify its policies and market communication. For that reason, the CBRT cut the upper band of the interest rate corridor by 150 bps in 2Q to 9.00%, leaving the policy rate and the lower band unchanged at 7.50% and 7.25%, respectively. As a result, weighted average cost of funding eased by 70 bps to 8.20% by the end of the quarter. Following the same trend, the Benchmark interest rate also declined by around 125 bps QoQ and closed the quarter at 8.75%.

The UK's vote to leave the European Union on the last days of 2Q led to heightened political and economic uncertainty, just as the Eurozone and the US economies were showing signs of improvement. The Brexit vote changed the US monetary policy outlook significantly. Now, Fed is likely to postpone its next rate hike further as the FOMC members are likely to wait in order to monitor the effects on the economy and employment. ECB is also likely to adopt a wait-and-see mode to assess the situation carefully for the time being, while leaving its monetary policy unchanged. Safe haven flows are keeping yields on safe bonds at low levels. High yield corporate bonds and stocks will continue to benefit from the investors' search for yield. Therefore, it would be no surprise if Emerging Markets outperform Developed Markets, due to higher revenue and earnings growth expectations.

Garanti Bank Stock Performance in 1H 2016



Relative Performance to MSCI EM Banks & BIST Banks Index



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

	QoQ	YoY
Brazil	13%	44%
China	-2%	-6%
Hungary	-7%	9%
India	3%	0%
Mexico	-8%	0%
Poland	-18%	-7%
Russia	3%	19%
Turkey	-10%	10%
EM	0%	5%
EMEA	-2%	10%
EM Banks	0%	5%
Eastern Europe	-3%	11%
Latin America	5%	24%

* Based on MSCI's Emerging Markets Indices, as of June 30, 2016.

For further information please contact Garanti Investor Relations.

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