

# StockWatch

**4Q 2015**  
INVESTOR RELATIONS



## ABOUT GARANTI STOCK 'GARAN'

With an actual free float ratio of 50%,  
Garanti shares constituted  
**21% of all foreign transactions**  
in BIST 100 and **42% of all listed banks**  
in 2015.

**US\$ 10 Billion**

Market Capitalization constitutes 7% of the BIST 100\*

**US\$ 5 Billion**

Highest floating market capitalization in the BIST\*

**US\$ 307 Million**

Average daily turnover in 2015,  
representing 22% of the BIST 100

**US\$ 34 Billion**

Total 2015 foreign transactions in GARAN  
The most traded stock by foreigners

**~ 10%**

Highest weight in the BIST 100

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

\* As of December 31, 2015

## GARANTI FINANCIAL HIGHLIGHTS

### Garanti Market Shares

	Dec-15	YtD Δ
Total Performing Loans	11.8%	▼
TL Loans	10.7%	▲
FC Loans	14.0%	▼
Credit Cards - Issuing (Cumulative)	19.2%	▲
Credit Cards - Acquiring (Cumulative)	20.6%	▲
Consumer Loans*	14.3%	▲
Total Customer Deposits	11.6%	▼
TL Customer Deposits	9.6%	▼
FC Customer Deposits	14.2%	▼
Customer Demand Deposits	13.6%	▼
Mutual Funds	10.4%	▼

\* Including consumer credit cards and other

### Garanti with Numbers

	Dec-14	Sep-15	Dec-15
Branch Network	1,005	1,010	983
+ Domestic	994	998	971
+ Abroad	11	12	12
Personnel	19,036	19,861	19,692
ATM	4,152	4,260	4,504
POS*	541,012	584,528	600,989
Total Customers	13,075,181	13,720,320	13,863,933
Digital Banking Customers**	3,264,206	3,699,742	3,982,065
Mobile Banking Customers**	2,159,505	2,150,505	2,504,845
Credit Card Customers	5,916,084	6,105,060	6,162,816
Credit Cards	9,374,003	9,628,863	9,706,572
Debit Cards	8,020,023	8,678,863	8,640,478

\* Includes shared and virtual POS.

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

Note: Decline in number of branches is due to transfer of 37 Garanti Bank branches to Garanti Securities as of October 2015.

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 2015, Garanti reached total asset size of US\$ 96.2 billion and net profit of US\$ 1.2 billion.**

### SELECTED FINANCIALS\*

**Total Assets**  
US\$ 96.2 Billion

**Total Performing Loans**  
US\$ 58.6 Billion

**Total Deposits**  
US\$ 53.7 Billion

**Shareholders' Equity**  
US\$ 10.7 Billion

**Ordinary Banking Income**  
US\$ 3.4 Billion

**Net Income**  
US\$ 1.2 Billion

### SELECTED FINANCIAL RATIOS\*

**Return on Average Assets (ROAA)**  
1.4%

**Return on Average Equity (ROAE)**  
12.8%

**Capital Adequacy Ratio (CAR)**  
13.5%

**Non Performing Loans (NPL) Ratio**  
3.2%

\*Figures are based on BRSA consolidated financials as of December 31, 2015.  
Note: Exchange rate used for currency conversion is based on Garanti Bank's December 31, 2015 dated financials.

## DID YOU KNOW?

Garanti is **the first Turkish Bank** to develop and publish a Climate Change Action Plan, in which it commits to put a shadow price on carbon, reduce deforestation, implement green office standards, and mitigate water risks under climate change adaptation.

GarantiyeSor (AskGaranti) which provides 7/24 customer service on social media, supports an average of 5,500 customers per month **within 56 minutes** on average.

Garanti is the **first financial institution** that accepts auto loan applications on Facebook with Garanti Automik Facebook app.

Garanti is the **leader bank** in all social platforms with **4.5 million followers** in total on Garanti accounts.

## AWARDS & RECOGNITIONS

Became the only Turkish company to be listed in CDP Climate Change A List and received "**CDP 2015 Climate Performance Leadership**" award, as well as the "CDP Turkey 2015 Climate Disclosure Leadership" award, which lists the most transparent respondents in the top 10% in terms of their GHG emission reporting.

Recognized as **the most digital company** of Turkey and the financial services sector with a digital score of 93% according to Accenture Digitalization Index.

Recognized as the "**Best Retail Bank of Turkey in 2015**" by World Finance, one of the world's respected business and finance magazine.

Received **Straight Through Processing (STP)** quality award from JP Morgan, Commerz Bank and KBC Bank for achieving high straight through processing volumes for US\$ and EUR payments.

Ankara Bilkent Integrated Healthcare Campus Project, **the largest Healthcare PPP Project** in Turkey with a total investment amount of EUR 1.2 billion, awarded as the "Turkish Deal of the Year" by Project Finance International. Garanti has participated in the EUR 890 million financing with a share of EUR 209 million.

Received the **Excellence Award** in "Big Data & Business Analytics" category at Oracle Openworld 2015.

Awarded with a **Crystal Apple** for its Snapchat campaign "Will it be a goal?" in the category of "Creative/Innovative Use of a Social Media Platform" by Turkish Association of Advertising Agencies. The campaign challenged users to predict the exact goal moment in a Turkish national football match, and ask them to capture it in on a snap and share it with Garanti's Snapchat account.

Garanti Mobile Banking **ranked first** among mobile banking applications in a study conducted by MMA Turkey and Digital Age on mobile applications that stood out in 2015.

Won the **IMA Best in Class Award** in "Banking" and "Financial Services" categories at the Interactive Media Awards with its website.

Selected as the "**Best Corporate Digital Bank in the West**" once again with Garanti Corporate Internet Banking in the "World's Best Corporate Bank Website" evaluation, conducted for the 16<sup>th</sup> time this year by Global Finance.

Awarded for its Mobile Banking application in the categories of "Interface & In-site Navigation" and "User Experience".

**Garanti Faktoring** awarded as "Best Factoring Company in Turkey" by Global Banking & Finance Review.

**Garanti Leasing** was recognized as the "Most Preferred Leasing Company of Turkey" in 2015 for the 5<sup>th</sup> time by Capital Magazine.

**Garanti Bank Romania** received "Most Trusted Bank Award" from Piata Financiara Magazine; "Best Banking Strategy Award" from the reputable publication Business Arena at "Financial Leaders' Hall of Fame 2015" Gala; and "Best Online Banking Award" at "Forbes 100 Cool Brands" Gala. Garanti Bank Romania also recognized as "Best Consumer Digital Bank in Romania" and "Best Integrated Consumer Bank Site in Central & Eastern Europe by Global Finance within the "World's Best Consumer Digital Banks" awards.

**Garanti Pension and Life** won the "**IIP Gold**" award, which is the most important certificate that is granted to companies that made the best investment in their employees. Only 1,101 companies in the world and 3 companies in Turkey, including Garanti Bank, have received IIP Gold Certificate.

**Garanti Pension and Life** was selected the "**Most Admired Pension Company**" by Capital Magazine, and honored with the "**Best Call Center Award**" in the category of under 250 seats at the Turkey Call Center Awards 2015.

## WHAT ANALYSTS SAY ABOUT GARANTI?

### Citi

Capital leader - We expect Garanti to be a net beneficiary of new capital rules coming into effect at end March and appreciate Garanti's strong relative capital position vis-à-vis the other banks in our coverage universe.

### Credit Suisse

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

### Deutsche Bank

Garanti is among the least exposed to the potentially tighter monetary policy environment thanks to its more balanced funding mix, active LT cross-currency hedging, FRN heavy securities portfolio and high level of free funds to IEAs.

### HSBC

The NIM sensitivity to rising interest rates and asset quality sensitivity to GDP slowdown are relatively low which is why we expect the earnings outlook to remain robust.

### JP Morgan

Garanti has been historically delivering relatively high quality core revenue, with net interest income and net fees and commissions, key components, steadily growing since 2008 as proportion of total revenue (subject to trading/FX volatility) and now exceeding 90%. In a more stable interest rate environment, we would expect the market to potentially value this higher quality revenue composition at a higher P/E multiple. We have recently added Garanti to CEEMEA 2016 top picks on potential EPS recovery.

### Merrill Lynch

Garanti is the largest bank in Turkey by market cap. Garanti's above-sector NIM, strong asset quality track record and superior contribution from non-bank subsidiaries explains its best-in-class ROTE.

### Oyak

Garanti is our top pick as we think it is one of the best positioned among peers to manage spreads in a volatile and high rate environment.

### Societe General

What we see is that our preferred stock Garanti continues to stand out as offering the most value within the sector. For investors prepared to take the plunge, Garanti's prudent mid-term planning, continuity of management and benchmark status probably offers the best risk/reward opportunity in our opinion.

### Unlu

We believe that Garanti will continue to generate above-sector ROEs in the long term, justifying its current above-sector multiples. In a rising interest/inflation rate environment, the amount of demand deposits and floating rate securities will be the key to defend margins, in our view. Garanti is the leader in both metrics and will likely report the best NIM performance going forward.

### YF Securities

We select Garanti as our top pick stock. We like Garanti's relatively higher profitability, strong asset quality performance and better balance sheet positioning in an environment of rising interest rates.

## GARANTI AND THE COMMUNITY

Committed in creating value for all of its stakeholders, Garanti;

- Published its **Climate Change Action Plan Statement**.
- Became the first Turkish Bank to sign **UN Global Compact's Business Leadership Criteria** on Carbon Pricing.
- Became one of the two banks to be included as a case study in the report named **"The Business Case for Responsible Corporate Adaptation: Strengthening Private Sector and Community Resilience"** prepared by UN Global Compact, UNFCCC and UNEP.
- Attended the **"Energy Efficiency Global Movement"** panel organized by Lima-Paris Action Agenda (LPAA) as a speaker during COP21 in Paris.
- Attended the **"CEO Panel on Business Contributions to Land Degradation Neutrality"** as a speaker during UNCCD COP12 meetings which were held between

October 12-23, 2015 in Ankara.

- Supported UN SDSN 20 Conference and attended the panel named **"Role of Finance Sector on Sustainable Development Goals"** as speaker.
- Garanti continues to support women's empowerment:
- **Turkey's Woman Entrepreneur Competition** was organized for the 9<sup>th</sup> time jointly by Garanti and the Economist magazine, with the support of the Women Entrepreneurs Association of Turkey (KAGIDER), for the purpose of revealing the spirit of business and social entrepreneurship among women.
  - Garanti Pension signed the United Nations Global Compact on **"Women's Empowerment Principles"**.

Garanti is the solution partner of SMEs:

- Launched **"Garanti TechnoConsult"**, which is a free

and informative service for SME's having trouble with technological/technical problems. SME's can use the service by filling the online form on [garanti.com.tr](http://garanti.com.tr). Once the form is filled, consultants call in the same day and help customers solve their problems with remote access method.

- **Garanti Anatolian Meetings** where SMEs get together with the representatives of local administrations from several provinces in Turkey since 2002 were held for the 100<sup>th</sup> time in a southern Anatolian city.

Garanti supports "Math and Science Learning with Fun" project with the cooperation of Educational Volunteers Foundation of Turkey (TEGV). Project will help the primary education students in math and science with a target to reach 100 thousand children in 3.5 years.

## DEVELOPMENTS AT GARANTI

**US\$ 1.3 billion** equivalent **syndicated loan** comprising of two separate tranches in the amounts of EUR 939,500,000 and US\$ 266,550,000 with a maturity of 367-days is rolled over. The all-in cost has been realized as Euribor+0.75% and Libor+0.75%, reflecting Garanti's continued strong performance and solid banking relationships with commitments received from 39 banks from 16 countries.

**Bilateral loan agreement** with 2 years and one week maturity in the amount of **US\$ 190 million** is signed with favorable financial terms.

Continued to finance **large scale projects**:

- Acted as Mandated Lead Arranger (MLA) and Security Agent in the development of Istanbul's New Airport project and participated in the **EUR 4.45 billion** financing provided to IGA Airport Management company with a stake of **EUR 300 million**.
- Acted as mandated lead arranger in the **US\$ 815 million** financing provided to Zorlu Dođal Electricity Production, a full subsidiary of Zorlu Energy with a stake of **US\$ 272 million**. Zorlu Dođal is developing a **90 MW** geothermal power plant on top of its existing **113 MW** hydro and **95 MW** geothermal power plant portfolio.
- Provided **US\$ 115 million** financing to **6 wind power plant projects** with a total installed capacity of **120 MW**.

Bonus, Garanti Bank's innovative credit card that always undersigns firsts and Turkey's lovable in credit cards, launched **BonusFlash**, a ground-breaking application in the credit card industry to make life easier for its customers. The application can be used on mobile phones with iOS or Android operating systems and allows much faster handling of various transactions such as campaign follow-up, card information queries, limit increase requests, debt payments and mobile payments through a single platform. An instantly big hit among the customers owing to its fast and practical features, **BonusFlash** set a remarkable record in its field with more than 300,000 downloads in the first two weeks following its launch and exceeded 1 million downloads in less than three months.

WhatsApp service of Garanti Bank enables customers to get market information and **the location of the closest ATMs/branches via WhatsApp**. Customers can reach market information by using the key words: "BIST100, USD, Dolar, EURO, ALTIN, PIYASA" and learn the three closest ATMs/branches by sharing their location.

Organized a **Hackathon** competition that gives an opportunity to software developers, designers and entrepreneurs to turn their "Fintech" ideas into a product. Competitors were required to use payment system or

banking products in their projects or to find solution for financial intuitions in 36 hours. Winning project team rewarded with a Silicon Valley visit in which incubation centers, startups, business angels, venture capital meeting and design workshops will be held.

Mobile Banking now utilizes **3D Touch feature** on iPhone 6S and 6S Plus devices.

Customers can buy an **iTunes Code** from Mobile Banking for their own use or to send as a gift, and can make money transfer or EFT from their card via Mobile Banking.

**"Money Withdrawal"** step on Mobile Banking login page allows users to quickly withdraw money at ATM.

According to the **new capital markets legislation** announced by Capital Market Board in 2013, Bank's investment services and brokerage activities are revised and the new capital market licenses have been obtained in January 2016. In this context, the new organizational structure and processes are redesigned and new compulsory applications are implemented for investment customers.

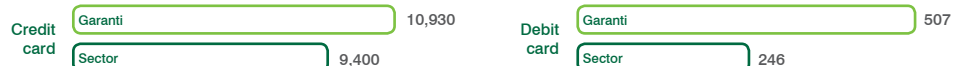
## SELECTED CREDIT CARD FIGURES IN TURKEY

### Top 5 Categories in credit card spending

	Dec.15	Dec.14
Supermarket and shopping malls	19.6%	19.1%
Gas stations	8.4%	9.0%
Apparel and accessories	8.4%	8.1%
Household gadgets, PCs, etc.	7.3%	8.3%
Various food products	6.6%	6.5%

**2.1** # of plastic cards per person  
up from 2.0 in 2014 YE

### 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

**3Q15 Growth was 4%.** Annual GDP growth accelerated to 4.0% in 3Q pushing up the year-to-date growth to 3.4%. Higher than expected government expenditures and significant calendar effect in industrial production were main reasons for this unexpected recovery. Domestic demand -including stocks (1 pp)-contributed 3.9 pp, while external demand had a slight positive contribution (0.1 pp). Private consumption growth decelerated to 3.4% (5% in 1H) while private investment contracted by 0.7% (6.8% in 1H). Public expenditures continued to push up growth by 5.7% (3% growth in 1H15) mainly through consumption expenditures.

**Robust Growth Performance in 4Q.** Industrial production (IP) maintained a resilient economic performance in the first 2 months of 4Q (9% YoY), dodging the heightened global market volatility and a challenging geopolitical situation. Meanwhile, improving soft data indicates that confidence channel continues to support domestic demand. Available information up to now suggests that the economic growth ran at a higher rate than we initially forecasted, thus there is a significant upward bias to our 2.8% initial forecast.

**Current Account Deficit (CAD) Improves Further.** CAD was US\$ 2.1 billion in November, which brought down the 12-month-sum CAD to US\$ 34.7 billion. 12-month-cumulative net energy bill declined to US\$ 35.7 billion in November, registering as the lowest level recorded since December 2010. Considering the financing side of the balance of payments, a significant portfolio outflow was recorded in the first 2 months of 4Q (by US\$ 3 billion) while deposit inflow of US\$ 2 billion was realized. Reserves have been declining for the last 4 months while net errors and omissions contribution to the financing was US\$ 2 billion on the negative side. CAD/GDP ratio declined from 5.8% in 2014 to around 4.5% in 2015 according to the preliminary forecasts.

**Central Government Deficit Decreased in 2015.** Central Government budget has given a budget deficit of TL 22.6 billion in 2015, decreased from TL 23.4 billion in 2014 while the primary surplus was TL 30.4 billion in 2015, increased from TL 26.5 billion in 2014. In 2015, tax revenues increased by 15.6% (YoY) to TL 407.5 billion and non-interest expenditures increased by 13.6% to TL 453.0 billion. Hence the ratio of budget balance/GDP was -1.2% while primary balance/GDP ratio was 1.5% in 2015.

**Public Debt Ratios Increased in 3Q.** According to Medium Term Program of the government, EU-defined public debt ratio fell to 32.6% at the end of 2015.

**Inflation at 8.2% in 4Q.** Annual average inflation was 8.2% in 4Q, up from 7.9% in 3Q. Year-end inflation was 8.81%. Unfavorable base year effect, core items and unprocessed food inflation were the main drivers behind the surge in headline inflation. Ongoing but moderated exchange rate pass-through led annual core inflation to increase to 9.5% in December from 9.2% in November.

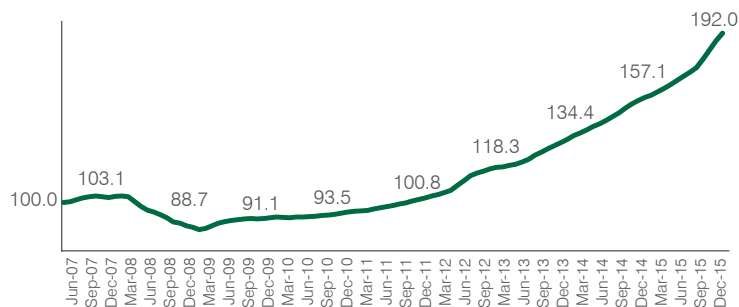
**No Change in Interest Rates in 4Q.** Contrary to hike expectations and CBTR's previous statements regarding the simplification of monetary policy, Turkish Central Bank (CBRT) did not change interest rates in its December meeting.

TL depreciated by 20% (YoY) against currency basket in 4Q on average. In 3Q15 TL had depreciated by the same percentage. Benchmark bond yields which was at 10.5% on average in 3Q15, increased slightly to 10.6% in 4Q. The 4Q-end benchmark bond yield was 10.8%.

## REAL-ESTATE SECTOR ANALYSIS IN TURKEY

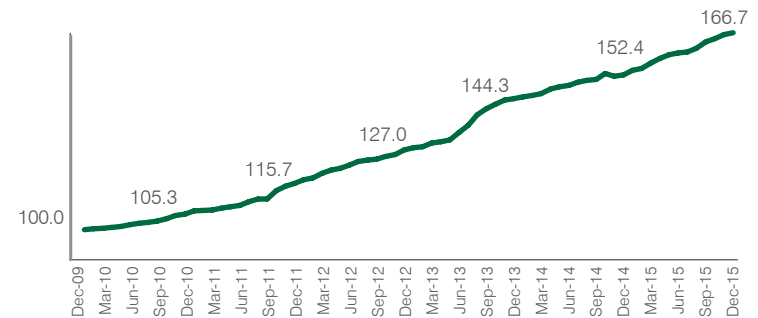
**REIDIN Turkey Composite Residential Property Price Index:** The index reflects an increase of 2.21% M-o-M and 22.26% Y-o-Y in residential sales prices in December' 15. Index series are calculated monthly, for sales and rent covering 7 major cities, including Istanbul, Izmir, Ankara, Adana, Antalya, Bursa and Kocaeli.

### Residential Property Price Index



**REIDIN.com-GYODER New Home Price Index:** The index shows an increase of 0.42% M-o-M and 9.38% Y-o-Y in December' 15. 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\$ 4.7 billion\* equivalent international funding in 4Q15**. US\$ 1.9 billion equivalent amount was secured as **syndicated loans**; US\$ 556 million equivalent amount was received as **securitization**, US\$ 936 million equivalent amount from **multilateral development banks**, US\$ 250 million from **Eurobond** issuances and US\$ 1.0 billion equivalent issuances\*\* under **Global Medium Term Notes** (GMTN) Programs.

### Regulatory developments during the quarter:

BRSA has introduced some amendments on capital and capital adequacy calculation. Accordingly, effective as of March 31, 2016, risk weighting on FC reserves will be increased to 50% from 0% and free provisions will be excluded from Tier-1 capital calculation.

On December 24, 2015, BRSA announced that, effective as of January 01, 2016, countercyclical capital buffer for banks will be applied as 0% for 2016 (for banks' positions in Turkey). Note that, required CAR ratio is the sum of minimum CAR ratio, countercyclical buffer, capital conservation buffer and systemic risk buffer. In November 2013, it was announced that capital conservation buffer will be 0.625% for 2016 and gradually increase to 2.5% by 2019. According to the draft regulation released in October 2015, systemic risk buffer is estimated to range between 0.25-0.5% in 2016, and is expected to go up to 2.0% by 2019.

BRSA made amendments in the provisioning regulation and eased the loan restructuring clauses for those that suffered from acts of terrorism or natural disasters. Accordingly, in case of restructuring of loans extended to individuals or corporates that suffered from acts of terrorism or natural disasters, BRSA leaves the additional general provisioning and minimum collection requirements to the discretion of banks for a six months period.

CBRT left the 'interest rate cap' and 'overdue interest rate' on credit card transactions unchanged for 1Q16; 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:

Moody's left Turkey's sovereign rating unchanged at investment grade with a negative outlook.

S&P affirmed Turkey's rating at BB+ with a negative outlook, which is one notch below investment grade.

### Other developments:

Finansbank announced that National Bank of Greece (NBG) has entered into a definitive agreement with Qatar National Bank (QNB) to sell its 99.81% stake in Finansbank for a total consideration of EUR 2,750 million.

Halkbank announced that the bank has decided to apply BRSA to cancel its participation bank establishment authorization, to be placed on the agenda in the future.

Isbank announced that the Head Office has been authorized to purchase the shares of the bank's listed subsidiaries. Accordingly, purchases will not exceed 3% of their paid-in capital and the shares will be booked under "Financial Assets Held For Trading."

YKB announced that the Bank mandated international banks for a potential subordinated notes (Basel III compliant) issuance.

### Selected Sector Figures (TL Million)

	02.01.15	23.09.15	31.12.15	Ytd Δ
<b>Total Deposits</b>	<b>1,049,871</b>	<b>1,259,556</b>	<b>1,245,289</b>	<b>18.6%</b>
Bank Deposits	67,000	72,600	73,920	10.3%
Customer Deposits	982,871	1,186,956	1,171,369	19.2%
TL Deposits	616,557	652,778	675,001	9.5%
FC Deposits (US\$ mn)	157,714	178,037	171,343	8.6%
Customer Demand Deposits	174,785	214,168	218,182	24.8%
<b>Total Loans</b>	<b>1,116,794</b>	<b>1,332,202</b>	<b>1,346,865</b>	<b>20.6%</b>
TL Loans	796,884	903,641	927,992	16.5%
FC Loans (US\$ mn)	137,897	142,899	144,597	4.9%
Retail Loans*	509,639	566,857	571,934	12.2%
Housing	118,782	135,349	137,893	16.1%
Auto	19,275	20,079	20,329	5.5%
General Purpose Loans**	286,620	320,300	320,123	11.7%
Credit Cards	84,962	91,129	93,589	10.2%
Loans / Deposits	106.4%	105.8%	108.2%	
<b>Gross NPL</b>	<b>32,888</b>	<b>38,736</b>	<b>42,705</b>	<b>29.8%</b>
NPL ratio	2.9%	2.8%	3.1%	
NPL coverage	74.6%	75.7%	75.4%	
Gross NPL in retail loans	11,683	15,367	17,056	46.0%
NPL ratio in retail loans	2.2%	2.6%	2.9%	
Gross NPL in credit cards	5,621	6,227	7,416	31.9%
NPL ratio in credit cards	6.2%	6.4%	7.3%	
<b>F/X Position, net (US\$ mn)</b>	<b>-3,049</b>	<b>-1,297</b>	<b>300</b>	
on B/S	-32,908	-33,150	-31,435	
off B/S	29,859	31,852	31,735	

Source: BRSA weekly sector data, commercial banks only

\* Including consumer and commercial installment loans

\*\* Including other and overdraft loans

## MARKET RECAP

Actions of the Central Banks, global growth concerns triggered by the slowdown in Chinese economy and volatile commodity prices marked the last quarter of 2015. In December, Fed raised its federal funds rate by 25 bps, bringing an end to the seven-year period of near-zero interest rates. Fed's much-anticipated first rate hike was well received by the markets. On the other hand, ECB extended quantitative easing by six months until at least March 2017 at the current rate of EUR 60 billion a month, and broaden the assets purchased to include local and regional debt. Weak macroeconomic data in China continued to take a toll on global equities. Finally, falling oil prices hit commodity exporter EM economies, as oil prices ended the year below US\$ 40, the lowest level since 2009.

Emerging Markets ended their worst year since 2011 and the MSCI EM Index slid by 17% in 2015. Quarterly returns were negative in Brazil and Russia; whereas, China managed to end up in the positive territory

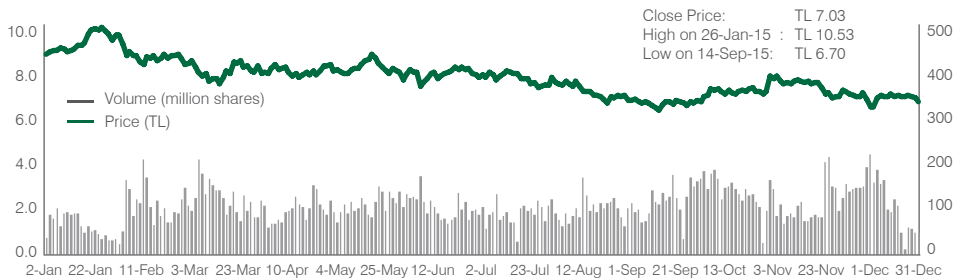
following over 20% decline in the third quarter. MSCI Russia decreased by 4.9%, mainly as a result of falling oil prices. MSCI Brazil also declined by 4.3%, after a significant decline of 34% in the third quarter. MSCI EM Index could not recover any of the losses of the third quarter and recorded a flat QoQ performance due to continuing global uncertainties and volatility in the currency and commodities markets.

MSCI Turkey slightly underperformed MSCI EM by 0.6% in 4Q. Although Turkey was expected to decouple from its peers when commodity prices declined, it was unable to take full advantage of the situation due to prevailing political and geopolitical uncertainties. Despite low commodity prices, inflation exceeded the CBRT's year-end forecast mainly due to higher than expected food inflation and currency pass through. Nevertheless, current account deficit improved with a surplus in September. The government kept its 2015 growth expectation at 3% in its Medium Term Plan; yet,

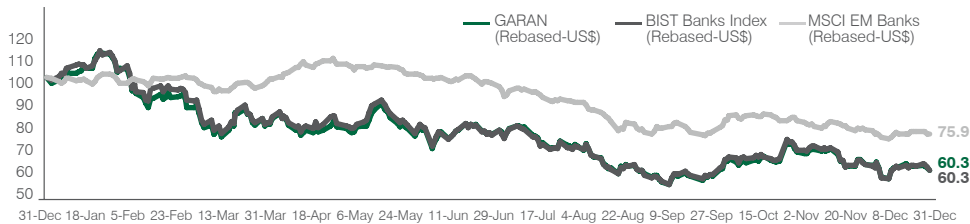
3.4% GDP growth in the first 9-months suggests a clear upside risk. TRY became one of the best performers against US\$ in terms of total returns in 4Q, while Russian Ruble and South African Rand were the worst performers among peers. CBRT kept the interest rate corridor as is and tightened via liquidity management. As a result of easing political uncertainties towards the end of the quarter, the average funding rate decreased by around 20 bps to 8.8% level vs. September-end. Although the benchmark interest rate significantly decreased by around 170 bps until the early elections in November vs. September-end, it re-bounced and closed the quarter at 10.89%.

Looking ahead, increasing concerns on the global growth due to slowdown in China will continue to weigh on global equities, especially the EM countries. Removal of economic sanctions on Iran is an important development to watch, as it might have an impact on commodity prices as well. Volatile commodity prices will continue to drive markets, and oil importer countries like Turkey are likely to benefit from the current declining trend. Having three elections in the past 1.5 years, Turkey is now ready to enact necessary structural reforms and implement policies for a sustainable economic growth to decouple from its EM peers.

### Garanti Bank Stock Performance in 2015



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



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

	YTD	QoQ
Brazil	-43%	-4%
China	-10%	4%
Hungary	33%	11%
India	-7%	-1%
Mexico	-16%	-2%
Poland	-27%	-13%
Russia	0%	-5%
<b>Turkey</b>	<b>-34%</b>	<b>0%</b>
EM	-17%	0%
EMEA	-22%	-9%
Eastern Europe	-8%	-7%
Latin America	-32%	-3%

\* Based on MSCI's Emerging Markets Indices, as of December 31, 2015.

For further information please contact Garanti Investor Relations.

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