

StockWatch

2Q 2015
INVESTOR RELATIONS



ABOUT GARANTI STOCK 'GARAN'

**With an actual free float ratio of ~50%,
Garanti shares constituted 20% of all
foreign transactions in BIST 100 and
40% of all listed banks in 1H 2015.**

US\$ 13.1 Billion

Market Capitalization constitutes 7% of the BIST 100*

US\$ 6.5 Billion

Highest floating market capitalization in the BIST*

US\$ 332 Million

Average daily turnover in 2Q 2015,
representing 21% of the BIST 100

US\$ 19.3 Billion

Total 6M 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 June 30, 2015

GARANTI FINANCIAL HIGHLIGHTS

Garanti Market Shares*

	Jun-15	QoQ Δ
Total Performing Loans	11.8%	▼
TL Loans	10.8%	▼
FC Loans	14.1%	▼
Credit Cards - Issuing (Cumulative)	19.1%	▲
Credit Cards - Acquiring (Cumulative)	20.4%	▲
Consumer Loans**	14.0%	▲
Total Customer Deposits	11.4%	▼
TL Customer Deposits	9.3%	▼
FC Customer Deposits	14.1%	▼
Customer Demand Deposits	13.5%	▼
Mutual Funds	11.0%	▲

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

** Including consumer credit cards and other

Garanti with Numbers*

	Dec-14	Mar-15	Jun-15
Branch Network	1,005	1,006	1,009
+ Domestic	994	995	997
+ Abroad	11	11	12
Personnel	19,036	19,427	19,643
ATM	4,152	4,163	4,230
POS**	541,012	556,343	573,072
Total Customers	13,075,181	13,272,821	13,498,222
Digital Banking Customers***	3,264,206	3,445,383	3,524,520
Mobile Banking Customers***	1,547,579	1,748,919	1,899,328
Credit Cards	9,374,003	9,437,965	9,553,119
Debit Cards	8,020,023	8,192,474	8,436,605

* Based on bank-only figures.

** Includes shared and virtual POS

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

In the first half of 2015, Garanti reached consolidated total asset of US\$ 99.9 billion and consolidated net profit of US\$ 777.7 million.

SELECTED FINANCIALS*

Total Assets
US\$ 99.9 Billion

Total Performing Loans
US\$ 60.0 Billion

Total Deposits
US\$ 54.7 Billion

Shareholders' Equity
US\$ 10.5 Billion

Ordinary Banking Income
US\$ 1.9 Billion

Net Income
US\$ 777.7 Million

SELECTED FINANCIAL RATIOS*

Return on Average Assets (ROAA)
1.7%

Return on Average Equity (ROAE)
16.1%

Capital Adequacy Ratio (CAR)
13.0%

Non Performing Loans (NPL) Ratio
2.9%

* Figures are based on BRSA consolidated financials as of June 30, 2015.
Note: Exchange rate used for currency conversion is based on Garanti Bank's June 30, 2015 dated financials.

DID YOU KNOW?

Total number of Mobile Banking downloads **exceeded 5 million** as the app maintained its leading position in finance category of the app stores.

The number of **iGaranti** downloads exceeded **500 thousand** and iGaranti active users increased to 110 thousand in 2Q15.

Garanti maintains its **leadership** in numbers of plastic credit cards, credit card customers and POS devices.

More than **75 thousand** customers linked their Bonus Cards with their social media accounts and benefited from campaigns that are unique to social media users.

AskGaranti, which provides 7/24 customer service on social media, supports an average of **5.5 thousand** customers per month within 69 minutes on average.

Garanti Pension and Life has made the first online Periscope live stream in the industry.

AWARDS & RECOGNITIONS

- Recognized as the “**Best Project Finance House**” by EMEA Finance, a leading finance magazine, for its continuous efforts to support energy projects to add value to its customers and playing an essential role for Turkey’s sustainable growth.
- Star Refinery and Borusan Wind Bundle projects which Garanti has participated financing, have been awarded as “**Best Chemical Deal**” and “**Best Sustainability Deal**” in Europe, Middle East and Africa, respectively, by EMEA Finance.
- Increased its total score to 72 and qualified to be an “**Industry Leader**” at Sustainalytics ratings and ranked as **#2**.
- Received “**Agriculture Finance Award**” from “Turkish Agriculturalist Association (TAA)” for supporting the farmer and agriculture with its innovative financial products at the 66th Foundation Anniversary of the TAA.
- **ISO/IEC 27001:2013** transition process has been completed for current Information Security Management System (ISMS) scope and also, the scope has been expanded. New ISO/IEC 27001:2013 ISMS covers services of “IT Security Management Unit, Information Security Management Department and Call Center Inbound Operations Section” and all information assets, technologies and personnel that are necessary to provide these services.
- Received “**Bronze Stevie Award**” in the categories of the “Best Use of Technology in Customer Service” and “IVR or Web Service Solution”, in the Stevie Awards for Sales & Customer Service 2015 with Alo Garanti Voice Technologies Project.
- Honored with the “**IMA Best in Class Award**” for its website in the categories of “Banking” and “Financial Services” at the Interactive Media Awards.
- **Garanti Mortgage** was honored with the “**Excellence Award**” in the category of “Online Video-How to/Instructional” for Step by Step Mortgage Video at The Communicator Awards by Academy of Interactive & Visual Arts (AIVA).
- **Garanti Mortgage** received the “**Distinction Award**” in the category of “Websites-Banking” for www.garantimortgage.com at the Communicator Awards by Academy of Interactive & Visual Arts (AIVA).
- **Garanti Pension and Life** was recognized as the “**Best Life Insurance Company in Turkey**” in 2015 by World Finance, as a company leading the sector with the launch of new products, commitment to business process improvement and its customer centric approach.
- **Garanti Faktoring** was honored as the “**Best of Export Factoring Company in the World in 2015**” by Factors Chain International.

WHAT ANALYSTS SAY ABOUT GARANTI?

Ak Invest

We like Garanti Bank with its more sheltered position against volatility in TRY rates, thanks to a lower TRY weight in its balance sheet, proven managerial skill, high capital adequacy and solid asset quality.

BGC

Garanti Bank has a very strong client franchise, servicing 13.0 million customers, and maintains leadership positions in all consumer segments, while having the highest demand deposits ratio among peers.

An efficiently-run bank with a profitability focus... The bank has a pro-active management which always puts profitability before growth, a cutting-edge technological infrastructure, and a strong

sales culture, which enable dynamic balance sheet positioning, good risk management, and steady cross-selling.

Deutsche Bank

Given its fee generation strength as a stable revenue source, effective/successful funding policies, strong asset-quality track record, and cost efficiency, we believe Garanti will stand out among Turkish banks in the upcoming more-challenging banking era.

HSBC

The key differentiating factor for Garanti versus its peers is relatively stronger revenue generation ability. The bank’s revenues-to-assets and revenues-to-RWA ratios are both more than 40 bps higher than the average of the peer group in 2014.

TEB-BNP Paribas

Highest Tier 1 at 13.4%, resilient asset quality and proactive spread management places Garanti ahead of its peers.

Garanti has long been known for its capable management team that sets the right strategies in tough times. The FRN-heavy securities book serves as a natural hedge. Although the bank is growing in line with the sector, asset quality is consistently below the sector average.

TERA Brokers

We add GARAN to our top pick list as a market proxy as well as better and more flexible asset allocation to adapt changing market dynamics.

GARANTI AND THE COMMUNITY

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

- Became the first Bank in Turkey to ratify Caring for Climate (C4C) statement, an initiative aimed at advancing the role of business in addressing climate change.
- As a UN Global Compact (UNGC) signatory, participated in "UNGC 15+" which was organized to celebrate UNGC's 15 year anniversary.
- As the main sponsor of CDP Turkey Water Program, extended its support for two workshops which aimed to build capacity among the companies invited to respond to the program.
- Having submitted its response to CDP Climate Change Program for the 5th time, has also become one of the first companies in Turkey to submit its response to CDP Water Program.
- Supported III. Sustainable Finance Forum organized by Turkish Business Council for Sustainable Development, in collaboration with UNEP FI and the local network for UN Global Compact.

- Submitted its Communication on Progress to UNGC.
- Received limited assurance from a third party for the second time on its 2014 Scope 1 and Scope 2 GHG emissions.

Garanti continues to support women's empowerment:

- Was invited as the only Turkish Bank to join the "Financing Entrepreneurship – Innovative Solutions" meeting organized within the scope of G-20 Global Partnership for Financial Inclusion (GPII), to share its views and best practices on non-traditional models developed for financing women entrepreneurs.
- Renewed its "Women Entrepreneurs Protocol" with more advantageous conditions which was signed in 2014 with Credit Guarantee Fund (KGF) to facilitate women entrepreneurs' access to finance, encourage and reveal the entrepreneurial spirit.
- Became the first Turkish bank to be a member of WEConnect International, an organization that helps women-owned businesses succeed in global value chains.

- Organized Women Entrepreneurs Get-togethers for the 31st and 32nd time in two Anatolian cities in cooperation with Women Entrepreneurs Association of Turkey (KAGIDER).
- Women Entrepreneurs Executive School gave new graduates. The school was formed by Garanti to provide free training to women entrepreneurs in cooperation with Boğaziçi University.

Garanti is the solution partner of SMEs:

- KOBİLGİ Meeting was organized in cooperation with Human Management Association of Turkey (PERYÖN) in Gaziantep, a city in south-east of Turkey, on the theme of Occupational Health and Safety Law.
- Garanti Anatolian Meeting where SMEs get together with the representatives of local administrations from several provinces in Turkey since 2002 was held for the 98th time in an eastern Anatolian city.

Garanti Leasing became member of SOLARBABA the biggest Solar Energy community platform in Turkey founded in 1996.

DEVELOPMENTS AT GARANTI

Garanti successfully renewed its **syndicated loan** with a roll-over ratio of 114%, amounting to **EUR 1.25 billion** equivalent with a maturity of 367-days at Euribor+0.80% & Libor+0.80%. A testament to Garanti's intrinsic financial strength, continued strong performance and solid banking relationships, the Facility was oversubscribed and reached a demand of EUR 1.53 billion.

Continued to finance large scale projects:

- Participated as **Mandated Lead Arranger** and **Facility Agent** with a share of **US\$ 551 million** in the **US\$ 5 billion** financing provided for **Gebze-Izmir Motorway Project, the largest Project Finance deal in Turkey ever**, with 15 years maturity.
- Acted as the **Mandated Lead Arranger** in the **US\$ 500 million** syndication facility of **Acibadem Healthcare**

with a share of **US\$ 100 million** and **EUR 90 million** to be used for repayment of existing facilities and general corporate as well as working capital purposes.

- Participated as **Mandated Lead Arranger** with a share of **US\$ 27 million** in **US\$ 54 million** financing provided to **Marport Liman İşletmeleri**.
- Participated in the financing package of **EUR 930 million**, provided to **Migros Ticaret A.Ş.**, the leading food retailer in Turkey, for the refinancing of existing facilities and working capital requirements, with a total ticket size of **EUR 277 million**.

Introduced **SME Cross Sell Infrastructure** which aims to ease the operational processes of related products for SME's and to increase the cross sell opportunities.

New features are introduced in **Mobile Banking** such as, corporate mobile banking iPad app, log in with TC identification number or with credit card number for certain kind of transaction as well as accessibility for visually impaired customers.

The wellness application "**İyilik Sağlık (Wellness & Health)**" has been launched to provide healthy life suggestions for Garanti employees. İyilik Sağlık, a first in the sector, can be accessed through mobile devices and web applications.

Garanti Asset Management launched three new multi asset funds called "**SMART Funds**". SMART Funds differentiate from other funds by investing in different regions and different assets in all market conditions.

SELECTED CREDIT CARD FIGURES IN TURKEY

Top 5 Categories in credit card spending

	Jun-15	Jun-14
Supermarket and shopping malls	19.6%	19.0%
Gas stations	9.4%	10.7%
Apparel and accessories	7.6%	8.1%
Household gadgets, PCs, etc.	6.9%	7.0%
Various food products	6.6%	6.9%

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

Per card spending

Credit card
Garanti 10,445
Sector 9,015

Debit card
Garanti 649
Sector 315

Source: Interbank Card Center, Turkish Statistical Institute, Banking Regulation and Supervision Agency
Note: Official population is based on 2014 announced figure of 77.7 million.
Plastic cards defined as the sum of plastic credit cards and debit cards.

MACRO NOTES

1Q15 Growth was 2.3%. The remarkable acceleration in private consumption and the positive contribution from stocks in contrast to the expectations were the factors that raised the growth rate in this period. Domestic demand -including stocks- contributed 3.6 points to GDP growth while external demand lowered growth. The negative contribution from external demand increased to 1.2% compared to 0.4% in 4Q14. Private sector expenditures accelerated remarkably mainly on back of the consumption while private investment expenditures recovered only slightly. On the other hand, the rising contraction in public investment led the public contribution to growth to remain negative. Hence, the contribution from total consumption expenditures accelerated to 3.3% in 1Q15 from 1.8% in 4Q14 while investment expenditures did not make any contribution to growth in this period.

Mixed Outlook on Growth. Although real imports increased annually in April-May period, real exports declined in the same period, signaling a weak external demand in 2Q15. Industrial production has signaled a slightly better outlook for 2Q15 while capacity utilization rate has recorded a limited increase. The growth performance has continued to be driven mainly by domestic consumption in this period.

Current Account Deficit Decreased Slower than Expectations. 12-month-cumulative current account deficit decreased from US\$ 45.8 billion (5.8% as a percentage of GDP) at the end of 1Q15 to US\$ 44.7 billion in May. In May, 12-month-cumulative net energy bill was US\$ 44.7 billion, the lowest level recorded since Aug' 11. Hence, when we exclude net energy bill, 12-month-cumulative current account was balanced. When gold is also excluded, current account gave a surplus of US\$ 0.2 billion. As exports demonstrate a declining trend due to geopolitical and parity effects, while services balance has also been decreasing, improvement in current account balance remained below expectations.

Improvement in the Budget Deficit. 12-month-cumulative budget deficit decreased from TL 26.6 billion in 1Q15 to TL 18.5 billion in 2Q15. 12-month-cumulative primary surplus, on the other hand, increased by TL 7.2 billion to TL 34.7 billion in the same period. In the first half of the year, annual growth rates of both revenues and expenditures (13% and 11%, respectively) were higher than the targeted figures (6% and 5%, respectively).

EU Defined Public Debt Increased. In 1Q15, gross external debt stock/GDP ratio was 49.4%, down from

50.3% in 4Q14. EU-defined public debt stock/GDP ratio increased from 33.5% to 33.8% in the same period.

Inflation at 7.7% in 2Q15. Annual CPI inflation (average) increased from 7.5% in 1Q15 to 7.7% in 2Q15. In June, inflation was 7.20%, down from 8.09% in May. Annual food inflation decelerated to 12.3% in 2Q15 from 13.2% in 1Q15. Annual core inflation decreased from 7.8% in 1Q15 to 7.3% in 2Q15. The acceleration in the headline on average stemmed from the rise in energy inflation in this period.

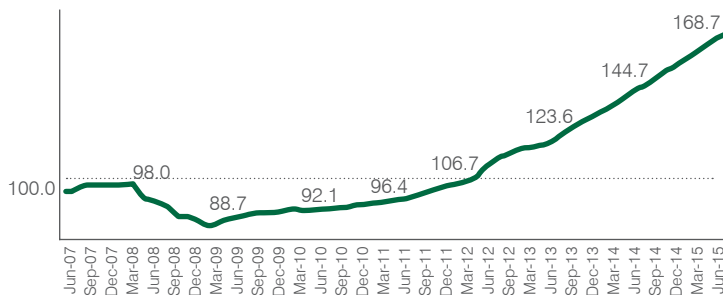
No Change in Interest Rates in 2Q15. The Central Bank of Turkey CBRT has not changed its key interest rates since the meeting held in February. Hence the policy rate (1-week repo rate), O/N lending rate and O/N borrowing rate stand at 7.5%, 10.75% and 7.25%, respectively. In the mid-term, Turkish interest rate outlook will be determined by the oil prices, Fed's monetary policy and their impact on currency and inflation.

TRY depreciated by 12% YoY against currency basket in 2Q on average. Benchmark bond yields which was at 8.0% on average in 1Q15, increased to 9.7% in 2Q. The 2Q-end benchmark bond yield was 9.8%.

REAL-ESTATE SECTOR ANALYSIS IN TURKEY

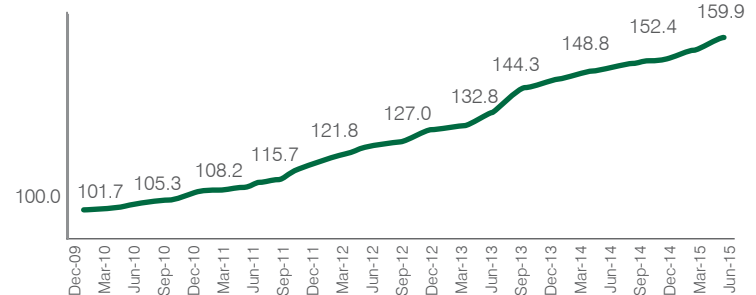
REIDIN Turkey Composite Residential Property Price Index: Sponsored by Garanti, the index reflects an increase of 1.33% MoM and 16.64% YoY in residential sales prices in June' 15. Index series are calculated monthly, for sales and rent covering 7 major cities, including Istanbul, Izmir, Ankara, Adana, Antalya, Bursa and Kocaeli.

Residential Property Price Index-Change in residential sales prices



REIDIN.com-GYODER New Home Price Index: Sponsored by Garanti, the index shows an increase of 0.44% MoM and 7.46% YoY in June' 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\$ 10.5 billion*** equivalent international funding in **2Q15**. US\$ 7.7 billion equivalent amount was secured as **syndicated loans**; US\$ 774 million equivalent amount was received from **multilateral development banks** and US\$ 2.1 billion equivalent issuances** under **Global Medium Term Notes** (GMTN) Programs.

Regulatory developments during the quarter:

- CBRT kept its key policy rate at 7.50%, overnight lending rate at 10.75% and borrowing at 7.25%. CBRT stressed that monetary decision in the future will depend on the trend in inflation and cautious stance in monetary policy will be preserved due to uncertainty in global markets, limited improvement in the core inflation and volatility in energy & food prices.
- During the quarter, as a measure against TRY depreciation, one week maturity borrowings from the Central Bank have been reduced from 4.5% to 3.5% for US\$ and from 2.5% to 1.5% for EUR.
- CBRT increased the partial remuneration rate on TRY required reserves, which are a function of CBRT's weighted funding rate, by 50 bps. The TRY remuneration rate in 2Q15 ranged between 1.1-3.9%, depending on banks' Core Liabilities Ratio.
- Effective as of May 5th, 2015, CBRT started remunerating US\$ denominated required reserves, reserve options and free reserves held at the CBRT. The remuneration rate is set on a daily basis by taking global and local financial market conditions into account. Initially, the rate was 0.12% per annum.
- Effective as of May 30th, 2015, liabilities of foreign branches of banks are subject to reserve requirements in a manner to encourage longer term borrowings.
- For the 3Q15 period, CBRT left the interest rate cap and overdue interest rate on credit card transactions in TRY unchanged at 2.02% and 2.52%, per month, respectively, and FX rates at 1.62% and 2.12%, per month, respectively.

Rating actions during the quarter:

- Moody's kept Turkey's credit rating unchanged at Baa3.
- S&P lowered its long and short-term local currency credit ratings to "BBB-/A-3" from

"BBB-/A-2", reflecting its view of "challenges to the operational independence of Turkey's central bank." The Agency also affirmed Turkey's "BB+/B" FC sovereign credit ratings, supported by the government's relatively low public debt levels and resilient exports.

- JCR Eurasia Rating has affirmed the ratings of Garanti as "AAA (Trk)" on the Long Term National Scale, "BBB" on the Long Term International Foreign Currency Scale and "BBB+" on the Long Term International Local Currency Scale along with "Stable" outlooks.
- Fitch upgraded Yapı Kredi Bank's rating outlook from "Negative" to "Stable" based on an action taken on UniCredit's ratings, and affirmed YKB's BBB FC and LC Long-term ratings.
- Fitch affirmed Akbank, İşbank, Garanti and Yapı Kredi's ratings and outlooks.

NPL sales during the quarter:

- Alternatifbank sold its TL 116 million NPL portfolio receivables for TL 4.7 million.

Other developments:

- Halkbank purchased its affiliate Halk Insurance's 16.67% share in Türk P&I Sigorta A.Ş. for TL 1 million and Türk P&I Sigorta A.Ş. became an affiliate of Halkbank.
- İşbank sold its 7.44% AVEA shareholding equivalent, which was purchased on April 22nd, 2015, for a price of TL 650.8 million to Türk Telekomünikasyon A.Ş. The payment will be carried out over approximately 4.5 years in 6 installments, finalizing in 2020.
- The share purchase agreement of ICBC purchasing 75.5% of Tekstilbank for a total consideration of TL 669 million was completed.
- Ziraat Participation Bank has obtained its operating license per BRSA approval.
- Halkbank completed the acquisition of a 76.76% majority stake in Cacanska Banka AD in Serbia.
- Savings and Deposit Insurance Fund (SDIF) took over the full ownership rights of Bank Asya except for dividend rights under article 71.
- HSBC Turkey has announced its decision to sell its businesses in Turkey.

Selected Sector Figures (TL Million)

	02.01.15	27.03.15	26.06.15	YTD Δ
Total Deposits	1,049,871	1,125,150	1,184,056	12.8%
Bank Deposits	67,000	72,238	70,306	4.9%
Customer Deposits	982,871	1,052,912	1,113,750	13.3%
TL Deposits	616,557	630,066	633,769	2.8%
FC Deposits (US\$ mn)	157,714	163,309	181,366	15.0%
Customer Demand Deposits	174,785	186,638	205,799	17.7%
Total Loans	1,116,794	1,193,553	1,260,024	12.8%
TL Loans	796,884	837,884	885,953	11.2%
FC Loans (US\$ mn)	137,897	137,469	141,455	2.6%
Retail Loans*	509,639	529,900	550,702	8.1%
Housing	118,782	125,299	131,979	11.1%
Auto	19,275	19,290	19,904	3.3%
General Purpose Loans**	286,620	302,069	312,303	9.0%
Credit Cards	84,962	83,242	86,516	1.8%
Loans / Deposits	106.4%	106.1%	106.4%	
Gross NPL	24,520	25,472	27,400	11.7%
NPL ratio	2.1%	2.1%	2.1%	
NPL coverage	74.6%	74.9%	75.5%	
Gross NPL in retail loans	11,683	12,132	13,767	17.8%
NPL ratio in retail loans	2.2%	2.2%	2.4%	
Gross NPL in credit cards	5,621	5,762	6,435	14.5%
NPL ratio in credit cards	6.2%	6.5%	6.9%	
F/X Position, net (US\$ mn)	-3,049	-1,670	-1,580	
on B/S	-32,908	-35,480	-46,484	
off B/S	29,859	33,810	44,904	

Source: BRSA weekly sector data, commercial banks only

* Including consumer and commercial installment loans

** Including other and overdraft loans

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

** Source: Bloomberg.

MARKET RECAP

In 2Q15, Fed's interest rate lift-off expectations, concerns over a possible Greece default, market volatility in China, illiquidity in fixed income markets and geopolitical risks marked the global markets. S&P 500 reached fresh highs while Eurozone and UK equities came under pressure as the Greek debt crisis escalated. Posting strong gains in April, emerging markets outperformed their developed peers. Yet, reduced risk appetite related to concerns about Fed exit and "Grexit" weighed on EM flows towards the end of the quarter. EM currencies continued to be under pressure against US\$. Bond yields rose across most major markets amid expectations that interest rates could rise in the US and UK this year. Historically low European bond yields raised up to pre-quantitative easing levels in line with steep sell-off in bond markets with thin liquidity and upgraded European inflation expectations due to rebounding oil prices and signs of an improving economy.

Attractive for foreign investors, emerging markets recorded positive quarterly returns where Russia, China and Brazil outperformed their peers significantly in April. On top of an 18.6% increase in 1Q15, MSCI Russia rose by 6.8%, supported by a 15.4% rally in the price

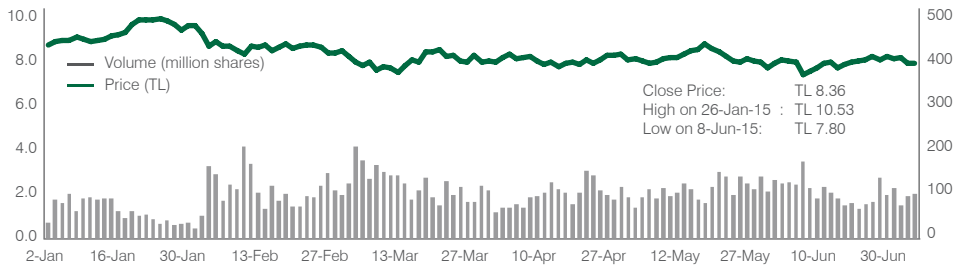
of oil in 2Q15. Returns were magnified by Ruble's 5.1% appreciation over the period despite the dull economic outlook. Chinese equities also rallied amid further stimulus measures, including rate cut and lowering of the reserve requirement ratio for banks at the end of June. In Brazil, political news flow favoring economic outlook supported investor sentiment. However, since April gains replaced with loss for the rest of the quarter amid diminishing risk appetite for EM assets, MSCI EM closed the quarter in line with MSCI World.

Within EMs, Turkish equities did not take part in April rally and continued to be the worst EM performer where MSCI Turkey's underperformance relative to MSCI EM reached 18.6% in 1H15. TRY's being among worst performing EM currencies against US\$, perception that the CBRT is not free to use all of its tools to address currency weakness, worse than expected inflation outlook (due to elevated level of food prices, rebound in oil prices and FX-pass through), sluggish economic activity and increased political risks (pre and post general elections) heavily weighed on investor sentiment. Foreign investors have already lowered the weight of their Turkish asset holdings to minimum levels for some time (62.09% for equities and 22.3% for

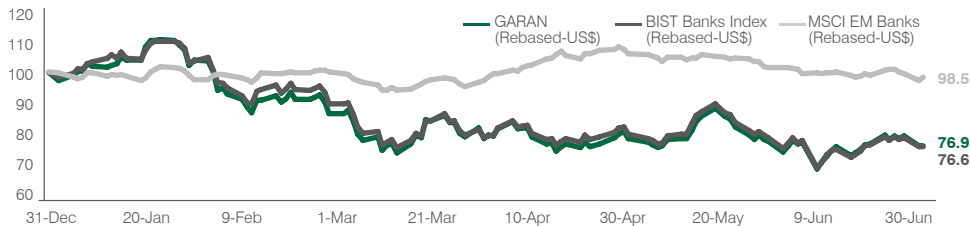
bonds). Accompanied with global risks, domestic risks took a toll on TRY, which depreciated by 2.7% in 2Q15 (13.3% in 1H15). While the CBRT chose to keep interest rate corridor as is and tightened monetary policy via liquidity management, increasing its average funding rate by around 60 bps to 8.6% levels. Accordingly, short-end of the yield curve rose, benchmark interest rate hit double digit levels up to 10.5% for the first time since April 2014.

Into the second half of the year, investors preserve their cautious stance towards Turkish assets amid persistent volatility. There are several factors pushing investors to "wait and see" mode: 1) Global uncertainties, mainly sourced from Fed's normalization, Greek debt crisis and geopolitical tensions; 2) domestic political ambivalence, mainly concerns regarding the formation of a coalition government and its sustainability; 3) downside risks on macroeconomic outlook, higher than expected inflation and sluggish economic activity; 4) lack of structural reforms for a new macro strategy that could be executed in the foreseeable future; 5) tight domestic liquidity conditions due to TRY weakness. As Fed's first interest rate increase expected in 2015 has already been priced-in to some extent, the pace of the normalization is considered to be more important. Although the pace is expected to be a slow one, Turkey still remains to be one of the most vulnerable EM countries with its large external financing need and low reserve coverage ratio. Thus, formation of a sustainable government enacting high quality political and economic policies will play crucial role on alleviating the challenges and convincing foreign investors that Turkish assets offer attractive return per risk at cheap valuations.

Garanti Bank Stock Performance in 6M 2015



Relative Performance to MSCI EM Banks & BIST Banks Index



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

	QoQ	YTD
Brazil	-16%	-10%
China	8%	13%
Hungary	14%	24%
India	5%	1%
Mexico	-2%	-2%
Poland	-3%	-5%
Russia	19%	27%
Turkey	-1%	-17%
EM	0%	2%
EMEA	1%	2%
EM Banks	1%	-2%
Eastern Europe	4%	16%
Latin America	-8%	-8%

* Based on MSCI's Emerging Markets Indices, as of June 30, 2015

For further information please contact Garanti Investor Relations.

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