

# StockWatch

**3Q 2013**  
INVESTOR RELATIONS



## ABOUT GARANTI STOCK 'GARAN'

With an actual free float ratio of ~50%, Garanti shares constituted 18% of the foreign transactions in Borsa Istanbul and represented 34% of the foreign transactions among all listed banks.

**US\$ 16.4 Billion**

Market Capitalization constitutes 7% of the BIST 100\*

**US\$ 8.2 Billion**

Highest floating market capitalization in the BIST\*

**US\$ 222 Million**

Average daily turnover in 9M 2013, representing 14% of the BIST 100

**US\$ 24 Billion**

Total 9M 2013 foreign transactions in GARAN  
The most traded stock by foreigners

**~11%**

Highest weight in the BIST 100

Note: Currency conversion is based on US\$/TL CBRT ask rate  
\* As of September 30, 2013

## GARANTI FINANCIAL HIGHLIGHTS

### Garanti Market Shares\*

	Sep-13	YTD Δ
Total Performing Loans	12.7%	▼
TL Loans	10.9%	▲
FC Loans	17.3%	▼
Credit Cards - Issuing (Cumulative)	17.1%	▼
Credit Cards - Acquiring (Cumulative)	19.6%	▲
Retail Loans**	12.6%	▼
Total Customer Deposits	12.3%	▲
TL Customer Deposits	11.3%	▲
FC Customer Deposits	14.2%	▼
Customer Demand Deposits	13.3%	▲
Mutual Funds	15.0%	▼

\* 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, commercial installment, overdraft accounts, credit cards and other

### Garanti with Numbers

	Dec-12	Jun-13	Sep-13
Branch Network	936	961	977
+ Domestic	926	950	966
+ Abroad	10	11	11
Personnel	17,285	18,431	18,928
ATM	3,508	3,605	3,750
POS*	501,919	542,634	554,213
Total Customers	NC	11,903,224	12,210,808
Internet Banking Customers**	2,367,473	2,513,117	2,633,300
Mobile Banking Customers**	439,634	613,050	730,224
Credit Cards	9,088,470	9,213,781	9,315,679
Debit Cards	7,014,706	7,224,247	7,220,362

\* Includes shared POS

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

NC: Not Comparable

**In the first nine months of 2013, Garanti reached consolidated total assets of US\$ 106.0 Billion and consolidated net profit of US\$ 1.5 Billion.**

### SELECTED FINANCIALS\*

**Total Assets**  
**US\$ 106.0 Billion**

**Performing Loans**  
**US\$ 61.1 Billion**

**Total Deposits**  
**US\$ 60.0 Billion**

**Shareholders' Equity**  
**US\$ 11.3 Billion**

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

**Net Income**  
**US\$ 1.5 Billion**

### SELECTED FINANCIAL RATIOS\*

**Return on Average Assets**  
**2.0%**

**Return on Average Equity**  
**17.7%**

**Capital Adequacy Ratio**  
**14.8%**

**Non-Performing Loans Ratio**  
**2.4%**

\* Figures are based on BRSA consolidated financials as of September 30, 2013. Note: Exchange rate used for currency conversion is based on Garanti Bank's September 30, 2013 dated financials.

## DID YOU KNOW?

With over **1.4 million followers**, Garanti became the most popular financial institution on **Facebook** and **Twitter** in Europe. On **Google+** Garanti leads the finance sector in Turkey in terms of follower numbers.

**Garanti e-Trader** mobile application is now on BlackBerry 10, following iPhone, iPad and Android.

Garanti continues to take initiatives to draw attention to sustainability issues. In order to contribute to raising awareness, Garanti organized an **interactive sustainability training** at Sabancı University. Garanti employees shared their knowledge with MBA students on how banks should embed sustainability in business operations, through real-life case studies.

Garanti hosted a **very extraordinary exhibition** in the headquarters, displaying artwork made of the bank's electronic waste products by the students of Mimar Sinan University.

Owing to the new legislation that allows remote sales, **Garanti Pension** commenced sales activities through call center and sold more than 6,000 contracts in the first nine months of 2013.

## GARANTI AND THE COMMUNITY

**Istanbul Jazz Festival**, which has been sponsored by Garanti since 1997, celebrated its 20<sup>th</sup> anniversary. The Festival brought together jazz stars and music lovers with over 40 concerts that took place at various venues with the participation of over 400 local and international artists.

**Garanti Anatolian Meetings** continue to bring together SMEs and the representatives of local administrations from several provinces in Turkey since 2002. The 87<sup>th</sup>

and 88<sup>th</sup> meetings were held in Gümüşhane and Iğdır, respectively. The main subjects discussed were the potential of the cities in mining & food sector in Gümüşhane and agriculture & stockbreeding sectors along with the growing potential of border trade in Iğdır.

**Turkey's Woman Entrepreneur Competition** was organized for the 7<sup>th</sup> time jointly by Garanti and the Ekonomist 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 hosted the **2013 Annual Summit of the Global Banking Alliance for Women (GBA)** at SALT Galata Conference Center, organized to support and encourage women in business. "Building the Business Case for Serving Women", "Defining the Customer Value Proposition", "Effective Marketing" and "Performance Management" were the main topics that shaped the content of the summit.

## AWARDS & RECOGNITIONS

Garanti was honored with the "**Best Private Bank in Turkey**" award for its customer oriented, innovative & comprehensive range of high-quality financial services and also recognized as "**The Best Bank for Sustainability in Turkey**" by World Finance, one of the world's leading economy magazines.

Garanti was once again recognized as the "**Project and Acquisition Finance Bank of the Year**" by ACQ Magazine which is the leading monthly magazine for the global M&A marketplace.

Garanti's **Customer Satisfaction Department** won the "**Silver Award**" at the International Stevie Awards, in the category of **Best Customer Service Department of the Year**, with its commitment to maximize customer loyalty by providing proactive solutions.

Garanti was ranked **4<sup>th</sup> across Europe** and maintained its **leadership position among Turkish Banks**, in 2012 list of The Nilson Report, in which the first 50 banks are evaluated in terms of credit card turnover.

Garanti once more received **Straight Through Processing Excellence Award** from Commerzbank for achieving high payment volumes of EUR and USD transfers with straight through processing (STP).

Global Finance magazine rewarded Garanti with 4 different awards within the 2013 World's Best Internet Banks Competition. Garanti was recognized as the "**Best Internet Bank of Turkey**" and the "**Best in Social Media in CEE Region**", where the evaluation was based on the strength of strategy for attracting and serving online customers, success in getting clients to use web offerings, growth of online customers and range of product offerings. Furthermore, the online branch received the "**Best Bill Payment & Presentation**" award for personal internet banking and "**Best Inventory Services**" award for corporate internet banking.

Garanti Factoring was honored with the "**International Star for Quality**" award by the Business Initiative Directions (BID) which evaluated 178 candidates from

different countries in terms of importance companies place on the quality management, innovation and technology.

Garanti Bank Romania was honored with the "**Best Capital Management During the Crisis**" and the "**Best Performance In Lending**" awards by Finmedia Group.

Distinguished by its creative design, **Garanti 2012 Annual Report** received two "**Gold**"s in the ARC Awards, recognized as the international Oscars for annual reports, in the category of Non-Traditional Annual Reports, in the Local Banks area, as well as for its **Interactive Annual Report Website** among all the participants where more than 2,000 entries from 32 countries have been reviewed and evaluated.

For its visual design, creativity and different style of communicating, Garanti's web-based 2012 Annual Report interactive site received the "**Bronze Stevie Award**" in the category of Best Online Annual Reports within the scope of **10<sup>th</sup> Annual International Business Awards**.

## WHAT ANALYSTS SAY ABOUT GARANTI?

**Barclays:** Good market understanding ensures Garanti to benefit from market volatility.

**Credit Suisse:** Core revenue strength should be taken positively by the market, in our view.

**Erste:** Management will capitalize on its strong business model and manage its assets/liabilities effectively and pro-actively in an environment where volatility could be high. We view Garanti as a good proxy for retail banking activities in Turkey...

**HSBC:** Garanti management's superior ability to discern trends, set guidance and deliver on it will continue to be the key differentiating factor...

**Tera:** The share of loans-under close monitoring in total loans came down... signalling the continuation of benign trend in asset quality going forward.

## DEVELOPMENTS AT GARANTI

Under the **GMTN (Global Medium Term Notes) Program**, several issuances in different currencies and maturities were realized. Including the first Czech Koruna and Romanian Leu denominated transactions by a Turkish borrower, the amount issued in the 3<sup>rd</sup> quarter reached nearly US\$ 430 million.

In the scope of SELP2 program, Garanti signed EUR 20 million loan agreement with Kreditanstalt für Wiederaufbau (KfW) with a maturity of 4 years to be used for **financing of SMEs' investments and working capital needs**.

Garanti supports SMEs in the transition process to utilize **POS Integrated Cash Registers**, which is mandatory for certain business organizations using mobile POS devices. In addition to offering effective financial solutions for first generation Cash Registers, Garanti also provides cutting edge technological infrastructure via **Second Generation Cash Registers** which has special functions such as barcode reader, GPS and a built-in-camera.

Garanti commenced **Consumer Finance Department** and **Commercial Banking Anatolian Marketing Department** in parallel with its integrated, segmented and targeted customer approach.

Garanti continues to be **lead arranger in the financing of infrastructure, energy and privatization projects**:

- Provided **US\$ 366 million** in **US\$ 2.3 billion** financing of Northern Marmara Motorway, including the 3<sup>rd</sup> Bosphorus Bridge project.
- Participated as one of the mandated lead arrangers with **US\$ 114 million** in **US\$ 500 million** financing of capital expenditure and acquisition of Yildirim Group.
- Participated as one of the mandated lead arranger with **US\$ 119 million** in **US\$ 711 million** consortium for privatization of Kangal Thermal Power Plant.
- Provided **TL 140 million** non-cash financing for privatizations of Ayedas and Toroslar Electricity Distribution Company, acquired by Enerjisa Electricity Distribution Company.
- Provided **US\$ 86 million** financing for prospective port acquisitions of Global Ports.

**Garanti continues to meet changing customer needs. With 16 new product offerings in 3Q 2013, total number of products offered reached 557.**

Garanti launched **Gold & Foreign Currency Gift Cheques** that are designed for customers who want to give easily convertible presents for special occasions. It is a convenient, safe, and easy way of giving presents. Gift cheques can be issued and cashed in gold, dollar or euro currency. Customers can also issue gift cheques on behalf of non-customers via our branches.

**iGaranti** reached 120,000 downloads and is now on Android following the updated version for iPhone. It offers new features such as monitoring foreign currency accounts & transactions and setting quick transaction options via social networks.

**Cep Branch** exceeded 1.3 million downloads and maintained its leading position in financial application stores. Reaching more than 730,000 people, Garanti's mobile banking customers increased by 66% compared to 2012 year-end.

In **Investment Banking Brokerage Services**, Garanti maintained a market share of 7.8% in 3Q 2013. Amount of bank bonds issued by Garanti in 9M 2013 reached TL 5.5 billion.

**Garanti Asset Management** increased its volume in pension funds to TL 4 billion with a market share of 16%. AUM in mutual funds reached a total volume of TL 4.7 billion with a market share of 15%. A new principal protected fund was launched; "**Global High Dividend Stocks Fund**" which is based on the Stoxx Global Select Dividend 100 Index.

**Garanti Factoring** increased its paid in capital from TL 21 million to TL 79.5 million and reached an asset size of TL 1.5 billion in 3Q 2013. **KOBIRATE International Credit Rating and Corporate Governance Services Inc.** revised up Garanti Factoring **Corporate Governance Rating Score** by 40 bps to 8.76.

## SELECTED CREDIT CARD FIGURES IN TURKEY

**1.93** up from 1.82 in 2012 YE  
# of plastic cards per person

**1.2%** vs. Garanti's 1.4%  
Payment Systems Commissions/Payment Systems Volume\*

**21%** Credit cards' share in retail loans  
flattish vs. 2012 YE

### Top 5 Categories in credit card spending

	Sep-12	Sep-13
Supermarket and shopping malls	13.6%	15.3%
Gas stations	11.7%	11.2%
Household gadgets, Pcs, etc	8.5%	7.9%
Apparel and accessories	7.3%	7.3%
Various food products	6.5%	7.0%

### Per card spending



Source: Interbank Card Center, Turkish Statistical Institute, Banking Regulation and Supervision Agency  
Note: Official population is based on 2012 announced figure of 75.6 million.

\* Garanti Payment Systems analysis based on BRSA financials of peers as of 2Q13  
Plastic cards defined as the sum of plastic credit cards and debit cards

## MACRO NOTES

**Moderate improvement in economic activity in 2Q13...** Turkish economy grew by 4.4% (y-o-y) in 2Q13, higher than expectations, pulling GDP growth rate up to 3.7% in 1H13 (y-o-y). External demand continued to lower GDP growth while positive contribution from domestic demand accelerated. There was a continuous growth in private consumption whereas private investment contracted as in 1Q13. In addition, contribution from public sector expenditures remained high in 2Q13, however there was a deceleration compared to 1Q13. Finally, stocks contributed to GDP growth rate significantly by 2.3 points, being positive for the first time in the last eight quarters. Despite the higher than expected figures in 2Q13, remarkable contribution from stocks and public sector, contraction in private sector investments, increasing negative impact of external demand raised concerns regarding the sustainability of growth rate. For the following period, uncertainties on global economy, the depreciation in TL and relatively tight monetary policy increased downward risks on economic activity.

**Early indicators of economic activity in 3Q13 signaled a mixed picture...** Domestic sales figures continued to increase during July-August period. In addition, capacity utilization rate was flat during 3Q13 while it accelerated slightly compared to previous quarter. On the other hand, industrial production (IP) which had improved in 2Q13 compared to 1Q13, slowed down in July-August period. The deceleration

in annual IP growth rate from 2.7% in 1H13 to 2.3% in July-August indicated that there are downward risks on economic activity for 2H13.

**Current account deficit widened slightly in 3Q13...** During July-August, contraction in exports accelerated while there was a deceleration in the growth of imports compared to 2Q13. Thus, widening in foreign deficit slowed down. Accordingly, 12 month cumulative current account deficit (CAD) widened to US\$ 56.7 billion as of August 2013 from US\$ 54.1 billion at the end of June 2013. Uncertainties regarding the performance of exports and the trend in oil prices are upward risks on the current account deficit in the following period. However, comparatively moderate domestic demand may limit those risks. We expect the ratio of current account deficit to GDP to be 6.9% at the year-end.

**Achievable targets in budget according to January-September period performance...** High increases in both tax and non-tax revenues and relatively lower increase in non-interest expenditures in January-September 2013 led budget performance to be stronger than 2012. According to Medium Term Plan released early October, despite the more than projected non-interest expenditures, especially due to investment expenditures, budget performance is envisaged to be better than initially expected on the back of considerable revenue generation. Accordingly, extra revenues are planned to be saved rather than

spent in order to maintain fiscal strength. If tax revenues continue to rise significantly and investment expenditures are kept limited in the rest of the year, budget deficit/GDP ratio target of 1.2% is likely to be achieved.

**More pronounced pass-through effect on inflation...** Annual inflation, which was 8.3% at the end of 2Q13, fell to 7.9% as of September 2013. Despite the fall in headline CPI, core inflation accelerated from 5.6% to 7.0% during the same period mainly due to the depreciation in TL. Pass through and food inflation will be key items in headline inflation trend towards the year-end.

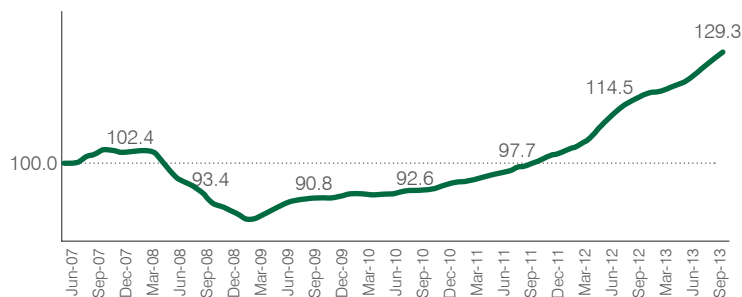
**Additional monetary tightening by the CBT...** During July-August, the CBT widened the interest rate corridor by increasing the lending rate from 6.5% at the end of 2Q13 to 7.75%, while the rate was kept constant in September 2013. On the contrary, borrowing rate and one week repo rate remained at 3.5% and 4.5%, respectively. According to the CBT statement, they will maintain the cautious monetary policy stance and implement additional monetary tightening at the appropriate frequency until the medium term inflation outlook is in line with the medium term targets.

After having depreciated by 2.4% against the currency basket in 2Q13, TL depreciated further by 7.9% in 3Q13. Benchmark bond yields which was at 7.5% at the end of 2Q13, increased to 8.7% at the end of 3Q13.

## REAL-ESTATE SECTOR ANALYSIS IN TURKEY

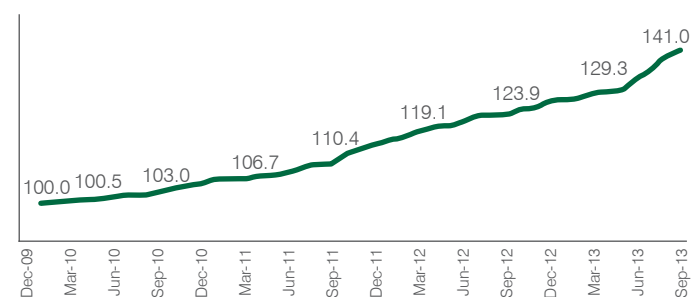
**REIDIN Turkey Composite Residential Property Price Index:** Sponsored by Garanti, the index reflects an increase of 1.39% m-o-m and 12.85% y-o-y in residential sales prices as of September 2013. Index series are calculated monthly, for sales and rent covering 7 major cities, including Istanbul, Izmir, 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 1.51% m-o-m and 13.80% y-o-y as of September 2013. 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\$ 7.8 billion\* equivalent international funding in 3Q13. US\$ 6.1 billion equivalent amount was secured as syndicated loans; US\$ 162 million equivalent amount was received from multilateral developments banks; US\$ 510 million in securitizations; US\$ 611 million in sub-debt; US\$ 430 million under GMTN (Global Medium Term Notes) program.

İşbank and Yapı Kredi established the GMTN (Global Medium Term Notes) program in the amounts of US\$ 1.75 and US\$ 1.25 billion, respectively, where several issuances in different currencies and maturities are allowed to be realized.

YKB finalized the sale of its insurance business, Yapı Kredi Sigorta, to Allianz with a pre-tax capital gain of TL 1.2 billion.

Asya Participation Bank sold its TL 467.9 million NPL portfolio (of which TL 213 million was previously written-off) for TL 18.1 million worth of commodities.

Bank of Tokyo-Mitsubishi obtained a full operation license from the BRSA. The new operation, which is to focus on corporate banking, is expected to start in October 2013.

Sale of Alenatifbank's 70.84% stake to Commercial Bank of Qatar from Anadolu Endüstri Holding is finalized.

Implementation date for Basel III was postponed to January 2014 from July 2013.

CBRT lowered interest rate cap and overdue interest rate on credit card transaction in TL by 10 bps to 2.02% and 2.52%, per month, effective as of October 1<sup>st</sup>. Pursuant to the regulation passed in May 2013, these upper limits also apply to contractual and overdue interest rate on overdraft accounts.

With the new regulation, the CBRT will also determine and announce the maximum contractual and overdue interest rates to be applied to corporate credit cards. In this respect, for 4Q13, monthly interest rate caps on corporate credit cards are set at the same level as for personal credit cards.

CBRT announced the following measures to manage volatility in the currency and increase the flexibility of the liquidity management:

- On July 23<sup>rd</sup>, CBRT raised the upper band of the interest rate corridor by 75 bps to 7.25% (for primary dealers to 6.75%). On additional monetary tightening ("AMT") days, however, both primary and non-primary dealers were subject to the funding rate of 7.25%. Hence, primary dealers lost the advantage of borrowing 50 bps lower, resulting in an actual 125 bps rate hike for primary dealer banks during AMT days.
- On August 20<sup>th</sup>, CBRT announced an additional hike of 50 bps at the upper-end to 7.75% (for primary dealers, the rate was kept unchanged at 6.75%). On AMT days, funding rate of 7.75% remained the same for both primary dealers and non-primary dealers.
- On August 22<sup>nd</sup>, CBRT disclosed new implementation regarding the additional monetary tightening. The total and remaining number of AMT days will be announced, along with the minimum amount of daily FX sales at 10:30 a.m. On ordinary days, amount of FX auction will be equal to the announced amount of the latest AMT day.
- On the August 27<sup>th</sup>, Governor Erdem Başçı stated that interest rates will remain at current levels (6.75% for rate for primary dealers on normal days; 7.75% on AMT days) and will not decrease below 6.75% unless inflation falls down to 6.2%. He revealed 2014 inflation target to be within the 5% band and expected currency to appreciate, mentioning a level of 1.92 not to be surprising by the end of the year.

### Selected Sector Figures (TL Million)

	28.12.12	28.06.13	27.09.13	YTD Δ
<b>Total Deposits</b>	<b>767,731</b>	<b>830,116</b>	<b>895,057</b>	<b>16.6%</b>
Bank Deposits	41,978	47,984	51,961	23.8%
Customer Deposits	725,752	782,132	843,096	16.2%
TL Deposits	491,920	529,039	545,860	11.0%
FC Deposits (US\$ mn)	132,398	131,893	148,101	11.9%
Customer Demand Deposits	127,945	140,269	152,731	19.4%
<b>Total Loans</b>	<b>715,841</b>	<b>831,990</b>	<b>888,837</b>	<b>24.2%</b>
TL Loans	528,824	607,968	645,679	22.1%
FC Loans (US\$ mn)	106,023	116,780	121,302	14.4%
Retail Loans*	344,431	401,174	426,125	23.7%
Housing	82,514	95,837	101,187	22.6%
Auto	19,349	19,501	19,748	2.1%
General Purpose Loans**	168,311	201,314	215,504	28.0%
Credit Cards	74,257	84,522	89,686	20.8%
Loans / Deposits	93.2%	100.2%	99.3%	
<b>Gross NPL</b>	<b>21,256</b>	<b>23,847</b>	<b>25,294</b>	<b>19.0%</b>
NPL ratio	2.9%	2.8%	2.8%	
NPL coverage	76.1%	74.4%	76.2%	
Gross NPL in retail loans	6,971	8,102	8,658	24.2%
NPL ratio in retail loans	2.0%	2.0%	2.0%	
Gross NPL in credit cards	3,848	4,035	4,565	4.9%
NPL ratio in credit cards	4.9%	4.6%	4.8%	
<b>F/X Position, net (US\$ mn)</b>	<b>1,561</b>	<b>-736</b>	<b>633</b>	
on B/S	-17,173	-20,633	-25,114	
off B/S	18,733	19,897	25,748	

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.

## MARKET RECAP

In 3Q13, more balanced global growth and fewer tail risks continued to support global equities. As accommodative monetary policies continued, sentiment improved with encouraging signs on the global economy. Europe emerged from recession and China proved to stabilize. However, the uncertainty regarding the when and how components of the Federal Reserve's tapering and interpretation of the conflicting U.S. economic data created volatility around the globe. Emerging markets -especially the ones with large current account deficits- suffered from capital outflows, currency depreciation and thus inflationary pressures. Gold bounced back after a steep drop in 2Q13 while investors were cautioned against forthcoming liquidity tightening, rising global interest rates, political risks that escalated with the tension in Syria which caused oil prices climb by around 15%. Equity markets picked up late in the quarter after the Fed surprised most observers by its decision to delay tapering its purchases of long-term securities.

In Turkey, GDP growth of 4.4% y-o-y in 2Q13 (3% y-o-y in 1Q13), realized higher than expectations due to the continued support of domestic demand in spite of the

decelerating external demand. Yet, lack of sustainable growth sources; contraction in private investments and external demand threatens the outlook of economic growth for the rest of year. TL, hitting its all-time low value against USD in September, caused core inflation to rise from 5.6% to 7.0% although yearly headline CPI fell from 8.3% to 7.9%. Threatened by the currency weakness, current account deficit ("CAD") widened in 3Q13, reaching USD 56.7 billion in August after total goods and services exports experienced largest annual contraction since September 2009. Foreign direct investments that reached its highest monthly level of the last one year with US\$ 1.6 billion in July could not be sustained in August. Portfolio outflows that had started in June turned into inflows by US\$ 1.9 billion in August. Benchmark rate accelerated to 10.2% at the end of August after having dipped at all-time low of 4.6% in mid-May. Amid growing volatility concerns, Central Bank of Turkey ("CBRT") decided to tighten its monetary policy and hiked upper bound of the interest rate corridor by a total of +125bps.

Turkish equity market, with the country's high financing needs and reliance on foreign inflows, remained

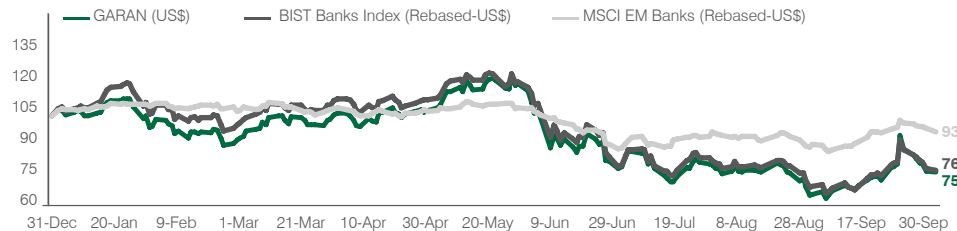
volatile during 3Q13. Setbacks such as rising political unrest in the Middle East, climbing oil prices, gradually increasing U.S. Treasury yields in anticipation of tapering caused considerable capital outflows and thus depreciating TL to a record low. Fading political risk regarding Syria and the Fed's decision not to taper did not offset the dramatic deterioration in the market in July and August. Moreover, new regulations in the banking sector put pressure on banking stocks that have high weight in BIST 100. Accordingly, Turkey ranked among the biggest decliners in the emerging markets in 3Q13. In the first two months of 3Q13, MSCI Turkey underperformed MSCI EM and EMEA by 16.4% and 17.5%, respectively. The rebound of the market still remained limited compared to emerging peers and MSCI Turkey ended the quarter by underperforming MSCI EM and EMEA by 11.2% and 14.0%, respectively.

Looking ahead, in the short term, the global economic recovery is projected to be maintained while downside risks appear to be contained. As temporary shutdown of the U.S. government in October pushed expectations for tapering into early 2014, it brought relief to emerging markets for the rest of the year. Turkey's success in this environment will depend upon its ability to control its relatively high current account deficit without threatening economic growth that remains dependent on the pace of capital inflows. The determination for structural reforms, contained fiscal discipline and CBRT policies' credibility will shape investor sentiment, especially as Turkey approaches triple elections in 2014-2015 period.

### Garanti Bank Stock Performance in 3Q 2013



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



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

	YTD	QoQ
Brazil	-13%	8%
China	-3%	11%
Hungary	-3%	-5%
India	-14%	-6%
Mexico	-8%	-2%
Poland	-5%	14%
Russia	-3%	13%
<b>Turkey</b>	<b>-16%</b>	<b>-7%</b>
EM	-6%	5%
EMEA	-8%	8%
EM Banks	-7%	2%
Eastern Europe	-3%	13%
Latin America	-13%	4%

\* Based on MSCI's Emerging Markets Indices, as of September 30, 2013

For further information please contact Garanti Investor Relations.

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