

## **GARANTI BANK REPORTS FIRST QUARTER NET INCOME OF 251 MILLION YTL - 67% YEAR-ON-YEAR INCREASE**

### **B/S Highlights**

- Total assets were up by 6.6% as compared to YE 2005
- TL loans increased by 21.5%; while FC loans were up by 23.5% in US\$ terms over YE2005
- Share of performing loans in total assets increased to 52.6% in Q1-2006 from 45.9% at YE2005
- Share of consumer and SME segments in gross cash loans were 46.1%
- TL deposits increased by 17.3% in TL terms and FC deposits went up by 0.6% in US\$ terms as compared to YE2005
- Shareholders' equity increased by 6.5%, reaching YTL4.2 Billion

### **P/L Highlights**

- Total revenues increased by 6.7% y-o-y
- Operating income was up by 2.2% as compared to a year ago
- Net fee and commission income was up by 48.7% on an annual basis, and up by 18.5% on a quarterly basis
- Net fee and commission income covered 70.1% of operating expenses in Q1-2006, compared to 53.2% in Q1-2005
- Net income was YTL250.8 Million
- Cost / Income ratio improved to 50.7% in Q1-2006, down from 60.1% in Q1-2005
- ROAA and ROAE were 2.67% and 24.91%, respectively

### **Q1 2006 Balance Sheet Performance**

**Garanti continued to increase its loans which composed more than half of its total assets at end of Q1-2006.**

- Share of performing loans in total assets increased by another 675 bps reaching 52.6% in Q1-2006 while share of securities composed 29.7% of the assets.
- On the liability side, total deposits made up 63.8% of total liabilities and shareholders' equity. Share of funds borrowed and interbank decreased, contributing 19.0% of the liability mix. Shareholders' equity in total liabilities and shareholders' equity mix was stable at 10.7%

**Loans to retail segment contributed almost half of the total loans.**

- Loans to retail segment composed of credit cards, consumer loans and SMEs contributed 46.1% of the cash loan portfolio.
- Share of credit cards in total loans decreased to 19.5% in Q1-2006 from 23.0% in 2005 due to faster increase in consumer loans and SMEs.
- Consumer and SME segment deposits contribute 59.9% of total deposits.



**Garanti registered a significant growth in its loan portfolio during the first quarter.**

- During the first quarter of 2006, TL loans surged by 21.5% and FC loans in US\$ terms increased by 23.5% YTD.
- Year-over-year increase in TL and FC loans were 98.1% and 63.5%, respectively
- Currency breakdown loans remained flat.
- Garanti realized a sizeable increase in both TL and FC loan market shares. In the first quarter, its share in TL and FC loan market increased 110 bps and 170 bps, respectively.

**Garanti continued to rapidly grow its consumer lending portfolio during the first three months of 2006.**

- Consumer loans (excluding credit cards) increased at a fast pace by 28.1% YTD.
- Credit card growth in Q1 was above market growth, at 4.3%.
- Due to faster growth rates experienced in consumer loans, share of credit cards in total consumer loans decreased by 512 bps to 49.2%, whereas share of housing loans increased to 25.5% in Q1-2006.
- Total consumer loans, including credit cards, increased by 15.1% YTD and 101.2% Y-o-Y.
- Garanti's market share in housing, auto and general purpose loans increased 40 bps, 170 bps and 50 bps, respectively.

**Stronger asset quality was achieved.**

- NPL ratio improved 40 bps to 3.7% in Q1-2006, and the coverage ratio slightly increased to 67.6%
- Share of consumer loans in TL loans increased to 38.1% in Q1-2006 from 36.0% at YE2005, whereas share of credit cards were down by 530 bps during the same period

**Targeting leadership in credit cards with a continuous stream of innovative offerings, Garanti further increased its market share both in issuing and acquiring volumes.**

- Garanti's issuing volume increased to 21.9% in Q1-2006 from 20.6% at YE2005 while its acquiring volume increased to 21.3% from 19.6%.
- Garanti's success in growing its market share is derived from its ability to offer a continuous stream of innovative products.
- Flexicard, the first card in Europe allowing customers to custom design their credit card in accordance with their specific financial needs was launched in January 2006.

**Increase in customer funds was sustainable and high. Improvement in favorable deposit mix continued.**

- TL deposits increased by 17.3% in Q1-2006 and 60.6% over Q1-2005 year, reaching YTL 13,680 Million.
- FC deposits in US\$ terms were up by 0.6% YTD.
- Total customer funds increased by 5.6% during the first quarter, reaching YTL50,123 Million.
- Share of T-bills under custody stood at 42.0%, whereas TL and FC deposits' share in total remained the same at 47.5%.
- Share of TL deposits in total deposits continued to increase and reached 55.2% as of Q1 2006.
- Garanti managed to increase its market share in TL deposits; from 7.4% in 2005 to 8.0% in Q1-2006.
- Market share in TL and demand deposits were up by 60 bps each, whereas market share in total deposits increased by 20 bps in Q1-2006.

**Improvement in free equity was at a significant level. Garanti managed to defend margin pressure with increasing share of higher margin TL assets.**

- Free equity increased to US\$1,357 Million in Q1-2006.
- Free funds went up slightly in Q1-2006 and stood at US\$5,337 million. Ratio of free funds to interest earning assets was 20.4% in Q1-2006.
- TL B/S margins were 7.9% while FC B/S margins were 2.71% as of end of March 2006. The share of higher margin TL assets further increased to compose 54.4% of total B/S.



### Q1 2006 P/L Performance

#### **Composition of interest income and interest expense was in line with real banking focus.**

- Interest earned on total loans composed 62.3% of interest income in Q1-2006, as compared to 51.0% in Q1-2005.
- Interest paid to deposits composed 79.8% of interest expense in Q1-2006.

#### **Garanti registered a significant growth in sustainable revenues in Q1-2006.**

- Ordinary Banking income YTD was YTL718 Million.
- Share of sustainable/customer-driven income in ordinary banking income increased further to 77.8% in Q1-2006 from 64.4% in Q1-2005.

#### **Growth in the Bank's fee and commission income was notable in Q1-2006.**

- Net fee and commission income increased by 48.7% over Q1-2005, and 18.5% over Q4-2005.
- 73.8% of non-interest income is from net fee and commission income.
- Despite large growth in average assets net fee and commission income to average assets went up to 2.55% in Q1-2006 from 2.44% in Q1-2005.
- Net fee and commission income covers 70.1% of operating expenses in Q1-2006 whereas this coverage ratio was 53.2% a year ago.

#### **Garanti achieved significant improvement in operating expense ratios.**

- Although operating expenses increased by 12.8% y-o-y, mainly due to new branch openings, operating expenses to average assets improved to 3.23% in Q1-2006 from 4.15% in Q1-2005.
- Cost / Income ratio improved to 50.7% in Q1-2006 down from 60.1% in Q1-2005.

#### **High growth in loan and deposit volumes coupled with strong fee and commission income resulted in solid profitability ratios.**

- ROAA and ROAE were 2.67% and 24.91%, as of Q1-2006.
- Garanti's capital adequacy ratio stood at 13.6% as of Q1-2006, well within the comfort zone.

\* \* \*