

GARANTI BANK REPORTS FIRST HALF NET INCOME OF 508 MILLION YTL – 61.1% YEAR-ON-YEAR INCREASE

B/S Highlights

- Total assets increased by 28.3% as compared to YE 2005
- Share of total securities in assets decreased to 27.7% in H1-2006, as compared to 30.1% in YE 2005
- Performing TL loans were up by 40.6%; while FC loans were up by 37.3% in US\$ terms over YE2005
- Share of performing loans in total assets increased by 7.7 percentage points YTD, reaching 53.6% of assets in H1-2006
- Share of consumer, credit cards and SME segments in gross cash loans were 44.7%
- Total deposits increased by 19.1% YTD, whereas TL deposits were up by 21.3% during the same period.
- Shareholders' equity was almost flat compared to 2005 YE, YTL3,910 Billion

P/L Highlights

- Total revenues increased by 16.2% y-o-y
- Operating income was up by 9.0% as compared to a year ago
- Net fee and commission income was up by 46.7% on an annual basis, and up by 8.7% on a quarterly basis
- Net fee and commission income covered 74.8% of operating expenses (adjusted) in H1-2006, compared to 64.8% in H1-2005
- Net income was YTL508.5 Million
- Adjusted Cost / Income ratio improved to 53.5% in H1-2006, down from 55.0% in H1-2005
- ROAA and ROAE were 2.45% and 26.04%, respectively

H1 2006 Balance Sheet Performance

Total assets reached YTL46.7 billion

- Total assets of Garanti increased by 28.3% YTD reaching YTL46.7 billion
- IEAs constitute 91.5% of assets compared to 86.6% in H1 05.

Share of securities declining

- Although YTD securities portfolio increased by 17%, its share in assets decreased by 240 bps.
- 58% of securities are TL and of that 67.2% are FRNs.

Share of performing cash loans now compose 53.6% of assets.



- Share of performing loans in total assets increased further by 770 bps reaching 53.6% in H1-2006 while share of securities decreased to 27.7% of the assets.
- Performing cash loans grew by 49.9% YTD reaching YTL25.0 billion.

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

- Loans to consumer segment, credit cards and SME's composed 16.2%, 17.4% and 11.0%, respectively, totalling to 44.6% of cash loans.
- Consumer loan portfolio grew by 54.6% YTD and 210.09% Y-o-Y, whereas increase in credit card volume was 13.5% YTD.
- YTD growth in consumer loans including credit cards is 32.3%
- Garanti's market share in housing, auto and general purpose loans were 12.5%, 17.3% and 8.2%, respectively.

Despite the rate hikes, loan volume growth was significant

- During the half quarter of 2006, TL loans surged by 40.6% and FC loans in US\$ terms increased by 37.3% YTD.
- Year-over-year increase in TL and FC loans were 92.7% and 63.3%, respectively, whereas growth in TL and FC loans since Q1-2006 were 15.8% and 11.2%.
- Share of TL loans in total performing loans decreased slightly to 51.4% in H1-2006, from 54.8% in Q1-2006 due to devaluation of TL
- Market shares in TL and FC loans increased further to 9.9% and 20.2% in H1-2006, from 9.9% and 19.7% in Q1-2006. Garanti's market share in total loans stood at 13.2% in the first half of the year, compared to 12.8% in the previous quarter.

Improvement in NPL ratio

- NPL ratio improved further in H1-2006 to 2.57%, and the coverage ratio slightly increased to 73.7%
- Non performing loans decreased by 7.6% YTD due to recoveries and stringent credit approval process.

Customer deposit growth at a faster pace

- In the second quarter, TL deposits expanded by 21.3%, while FC deposits slightly narrowed by 0.5% YTD.
- On the liability side, total deposits made up 57.9% of total liabilities and shareholders' equity.
- Share of TL deposits was 52.3% in total deposits in H1-2006, compared to 51.4% in YE2005.
- Demand deposits share in total deposits increased further in the second quarter to reach 24.7% (21.4% in Q1-2006).
- Garanti's market shares in TL and FC deposits were 11.9% and 8.6% in H1-2006, compared to 10.9% and 8.7% in YE 2005. The Bank's market share in total demand deposits increased to 8.2% in H1-2006, from 7.4% in YE2005.
- Funds borrowed and interbank increased by 72.8% YTD, composing 27.6% of the liabilities and shareholders' equity in total liabilities and shareholders' equity.

Free equity improving and capital adequacy at comfortable level

- Free equity increased to YTL1,915 Million in H1-2006 from YTL1,598 in YE2005
- Capital base, in this same period has been affected negatively by mark-to-market on securities by 330.7 million YTL.

H1 2006 P/L Performance

**Higher NIM in the second quarter**

- Despite the financial distress, Garanti achieved higher quarterly NIM in the second quarter. Net interest income was up by 6.7% on a Y-o-Y basis, and 14.4% over the first quarter.
- Garanti reported net earnings of YTL508 million in 1H-2006, indicating a 61.1% increase Y-o-Y and 2.8% increase on a quarterly basis.

Garanti registered a significant growth in total revenues

- Total revenues increased by 16.8% Y-o-Y, reaching YTL1,516 million.
- Garanti's 77.2% of the ordinary banking income was driven by the customers, namely fees and commissions and interest income on loans.

Strong fee and commission income generation

- Net fee and commission income surged by 46.7% over H1-2005, and 8.7% over Q1-2006.
- Due to high growth in average assets net fee and commission income to average assets went down slightly to 2.41% in H1-2006 from 2.47% in H1-2005.
- Net fee and commission income covers 74.8% of operating expenses in H1-2006 whereas this coverage ratio was 64.8% a year ago.

Effective cost management

- Operating expenses to average assets ratio improved to 3.22% in H1-2006 from 3.81% in H1-2005.
- Cost / Income ratio improved to 53.5% in H1-2006 down from 55.0% in H1-2005.

Sound profitability ratios.

- ROAA and ROAE were 2.45% and 26.04%, as of H1-2006.

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