



CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002

(As adjusted for the effects of inflation in TL units at
31 December 2002 pursuant to IAS 29)

Contents

Section 1

Highlights of 2002

Section 2

Segment Analysis

Section 3

Consolidated Financial Performance

Section 1

Highlights of 2002

Recalibration of the Balance Sheet

- Loans to customers increased 2.8% to TL7,599,712 Billion
- Asset quality improved as NPL ratio decreased further to 5.1% from 8.7%
- Deposits from customers were up by 5.3%, constituting 66.4% of assets as of year-end 2002
- Net banking income of the banking group increased by 78.1%, reaching TL805,169 Billion
 - Adjusted net interest income reached TL127,066 Billion in 2002, as compared to a negative TL107,619 Billion in 2001
 - Net fee and commission income was up by 91.8%, reaching TL322,181 Billion
- Operating expenses to average assets ratio decreased to 4.2% in 2002 from 5.8% in 2001
- Cost / Income ratio came down to 83.7% in 2002, from 186.3% in 2001
- Net income was TL28,015 Billion in 2002, as compared to a negative TL840,865 Billion in 2001
- BIS capital adequacy ratio was 13.23% in 2002

Section 2

Segment Analysis

Segment Analysis*

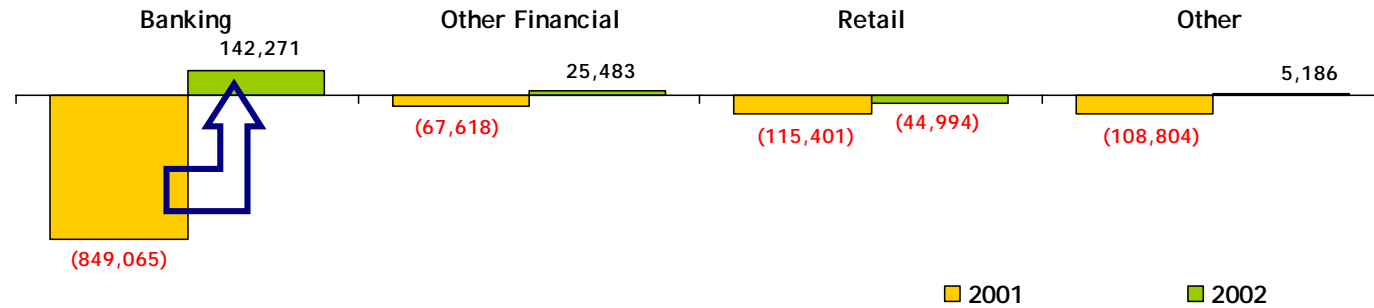
Net Income / (Loss) for the Year

A Year of Recuperation

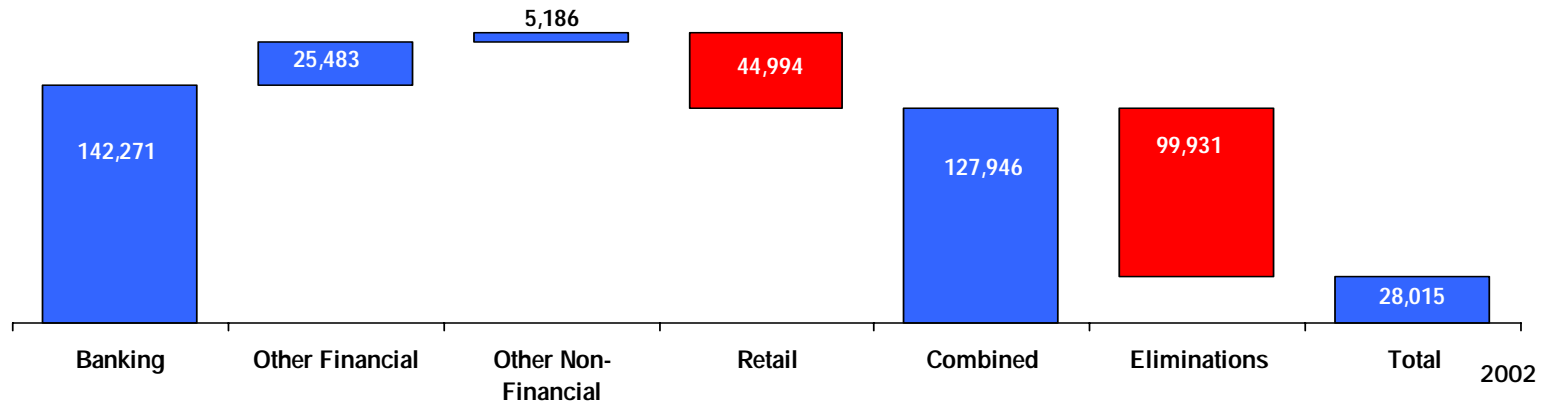
- Following the financial turmoil in 2001, the strongest recovery was observed in the banking segment

- Despite adverse market conditions, the banking business registered a net income of TL142,271 Billion in 2002, as opposed to TL849,065 Billion loss in 2001

Net Income
TL Billion



Net Income
TL Billion



* Segment analysis is based on pre-elimination figures

Segment Analysis*

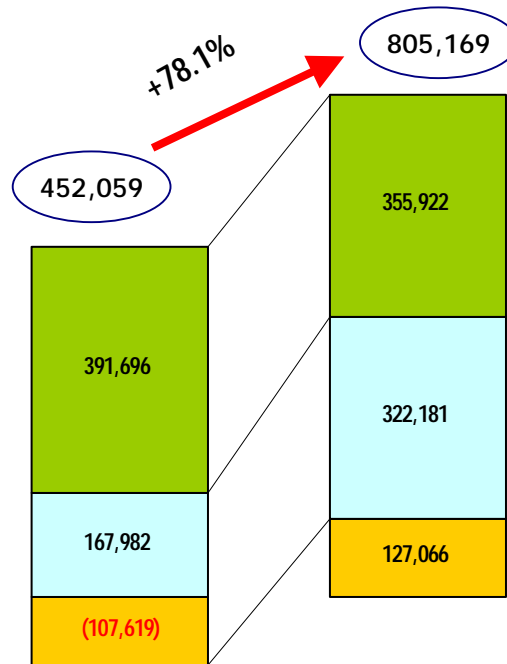
Net Banking Income and OPEX of the Banking Group

Initiatives for cost reduction and banking income enhancement paid off

- Net banking income of the banking group increased by 78.1%
- Operating expenses of the banking group declined by 39.8%

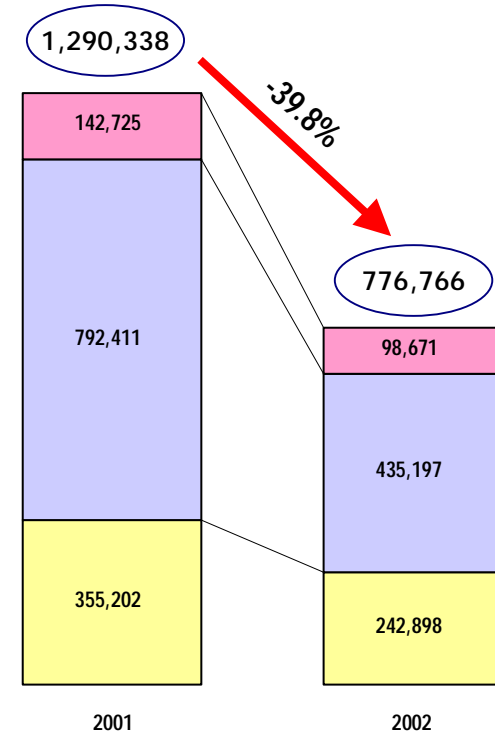
Net Banking Income

TL Billion



Operating Expenses

TL Billion



Personnel Administrative Depreciation

2001 2002
 Adjusted NII Net Fees & Commissions
 Net Trading Income

* Segment analysis is based on pre-elimination figures



Personnel expenses include salaries and wages and employee benefits
 Other administrative expenses are advertising, rent, EDP, SDIF, taxes and duties and other operating expenses

Section 3

Consolidated Financial Performance

Financial Summary

A year of recovery

- Net cash loans increased by 2.8%, reaching US\$ 4,753 Million
- Deposits were 5.3% higher in 2002 YE, as compared to 2001 YE
- Garanti registered a net income of US\$18 million in 2002, as compared to a loss of US\$526 million in the previous year
- NPL ratio decreased to 5.1% in 2002
- Cost / Income ratio decreased further to 83.7% in 2002 from 186.3% in 2001
- Capital adequacy ratio increased to 13.2% in 2002

Selected Figures

IAS29 US\$

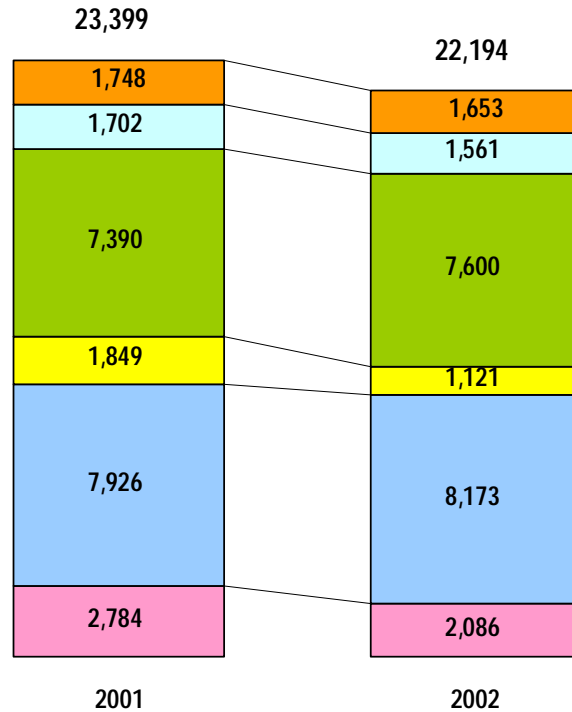
	December 31, 2001	December 31, 2002
Total Assets (US\$ Million)	14,636	13,882
Net Cash Loans (US\$ Million)	4,622	4,753
Deposits (US\$ Million)	8,753	9,215
Total Shareholders' Equity (US\$ Million)	1,084	1,062
Net Income (US\$ Million)	(526)	18
NPL Ratio (%)	8.7%	5.1%
ROAA (%)	(3.4%)	0.1%
ROAE (%)	(37.9%)	1.6%
Cost / Income (%)	186.3%	83.7%
Capital Adequacy Ratio (%)	12.5%	13.2%

Asset Size

Further increase in the share of loans to customers

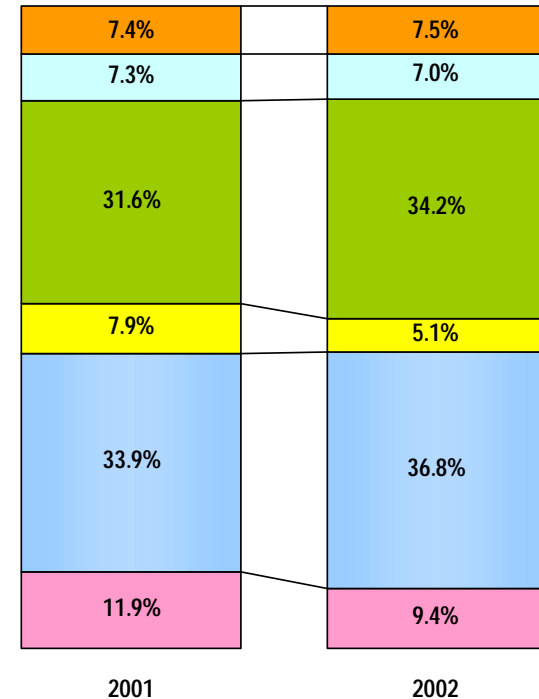
- Assets were TL22,194 trillion at 2002 year-end
- Loans to banks decreased by 39%
- Share of loans to customers in total assets increased to 34.2% in 2002 YE, as opposed to 31.6% in 2001 YE

Asset Size
TL Trillion



■ Cash & Banks
 ■ Securities
 ■ Loans to Banks
■ Loans to Customers
 ■ Tangible Assets
 ■ Other

Composition of Assets
%



■ Cash & Banks
 ■ Securities
 ■ Loans to banks
■ Loans to customers
 ■ Tangible Assets
 ■ Other



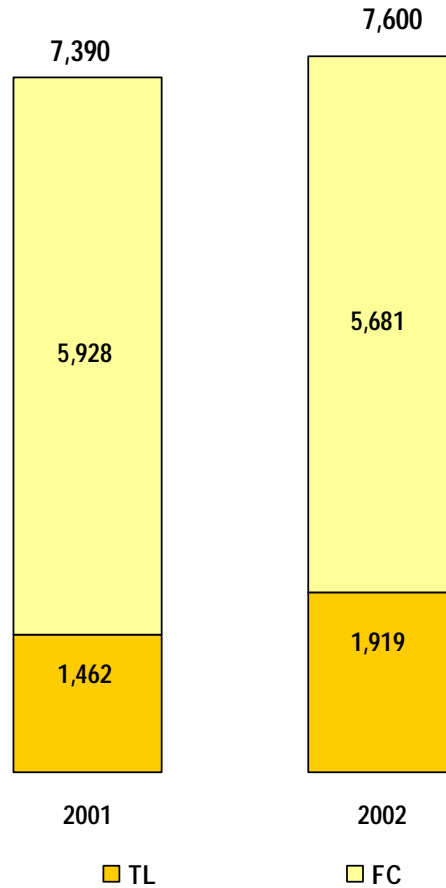
Other assets include intangible assets, investments in associated companies, deferred tax assets, and other assets

Loans

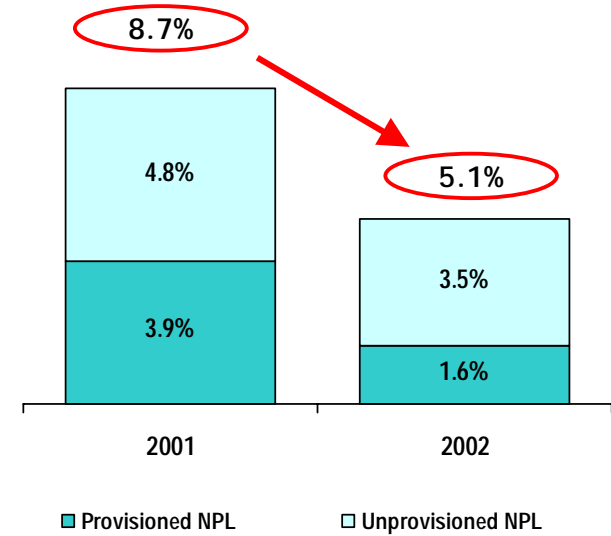
Real increase in loans along with an improvement in asset quality

- Despite adverse market conditions, net cash loans increased by 2.8% in real terms and gross NPLs declined by 42.1%
- At year-end 2002, FX loans constituted 74.8% of total loans, while the share of TL loans stood at 25.2%
- NPL provisioning rate was 31.8% at 2002 YE.

Net Cash Loans
TL Trillion



NPLs and Provisioning
%



Asset Quality	31.12.2001	31.12.2002
Secured Loans	59.91%	67.67%
Unsecured Loans	40.09%	32.33%

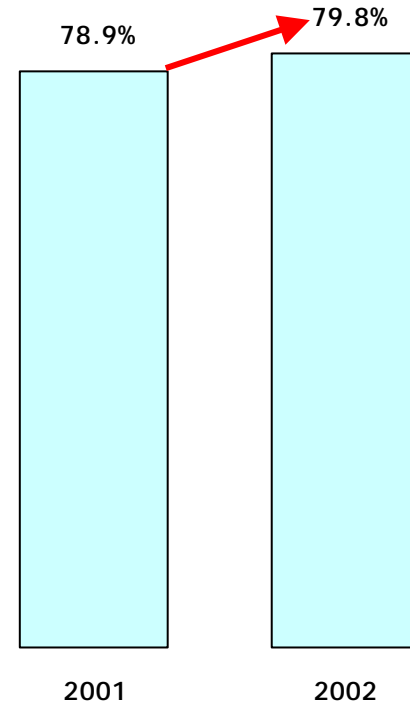
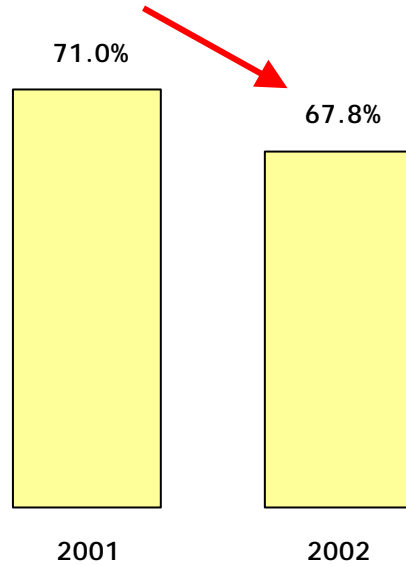
IEA versus IBL

The spread between IEAs and IBLs increased

- The share of IEAs in total assets reached 79.8%, while the share of IBLs declined to 67.8%

IBL/Total Liabilites and SHE

IEA/Total Assets



Composition of Liabilities and SHE

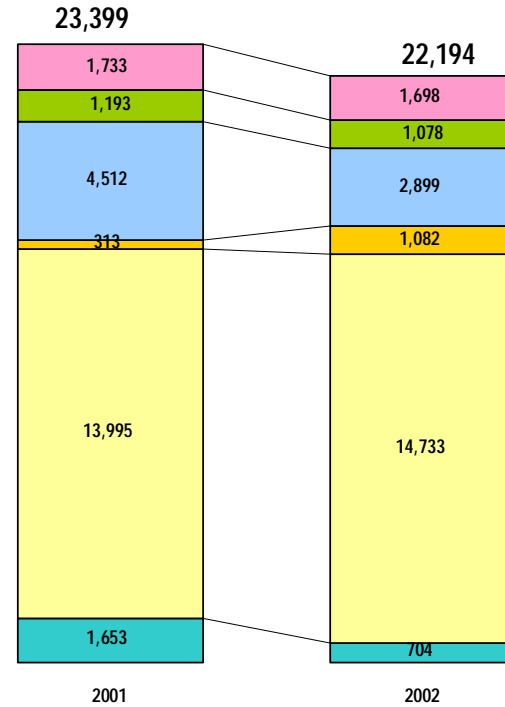
Improvement in funding base

- Share of deposits in total liabilities and shareholders' equity reached 66.4%

- Funds borrowed declined by 35.8%, mainly due to decrease in funds borrowed from foreign banks and institutions

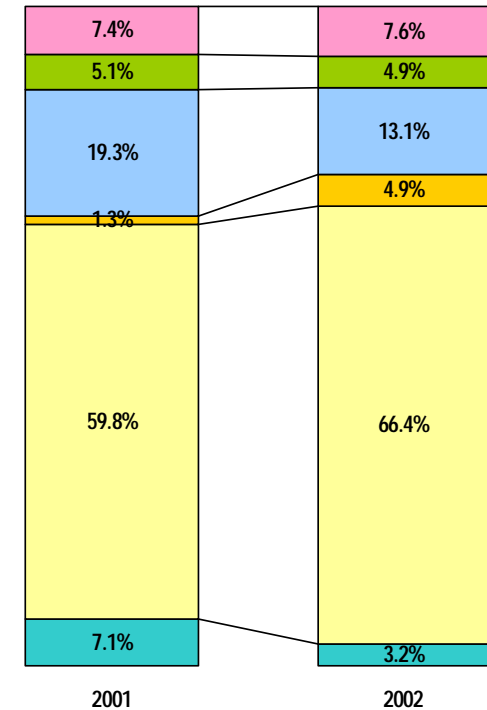
- A more attractive FC deposit market caused funds borrowed from foreign banks and institutions to decline

Liabilities & SHE
TL Trillion



- Deposits from banks
- Deposits from customers
- Repo obligations
- Funds Borrowed
- Other
- SHE

Composition of Liabilities and SHE
%



- Deposits from Banks
- Deposits from Customers
- Repo Obligations
- Funds Borrowed
- Other
- SHE



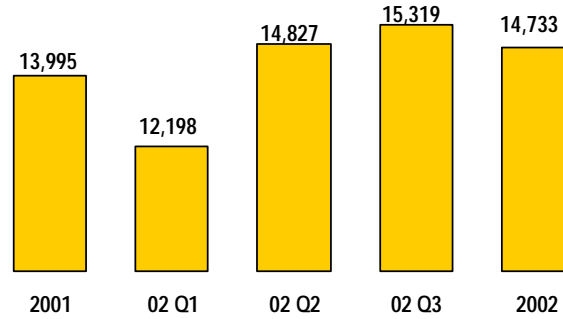
Consolidated Financial Performance

Deposits

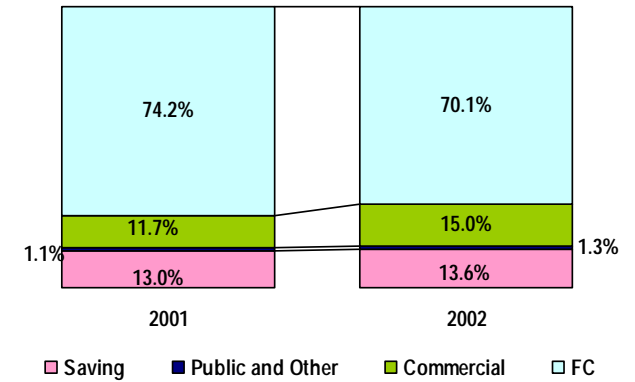
Strong increase in deposits as of 02Q1

- Total deposits increased by 5.3% on an annual basis. The increase was even more significant with 20.8%, as compared to the first quarter. The decline in the first quarter was due to the rationalization of high-cost deposits that came to Garanti as a result of Osmanli merger

Total Deposits
TL Trillion

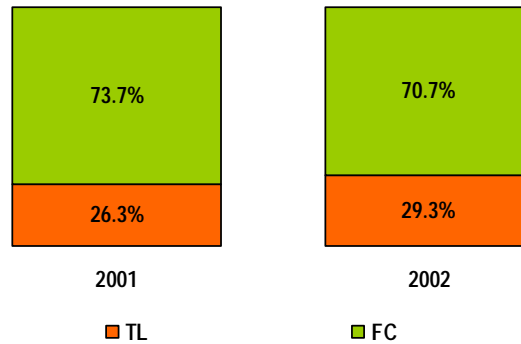


Composition of Deposits %
(excluding accrued interest expense)

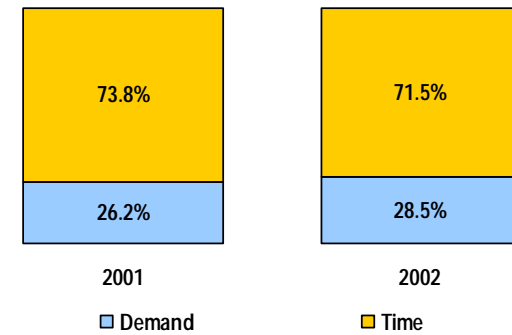


- The share of demand deposits increased to 19.8% in TL deposits

TL – FC Breakdown %
(including bank deposits)



Demand vs. Time Deposit %



- The share of demand deposits in total FX deposits increased to 32.2%

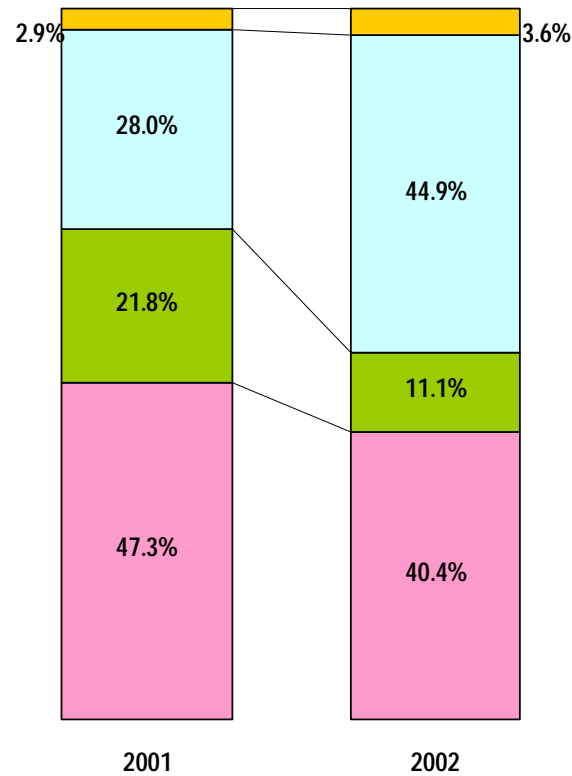


Composition of Interest Income and Interest Expense

- The composition of interest income changed in favor of interest earned on securities which includes FX gains on FX-indexed securities

Composition of Interest Income

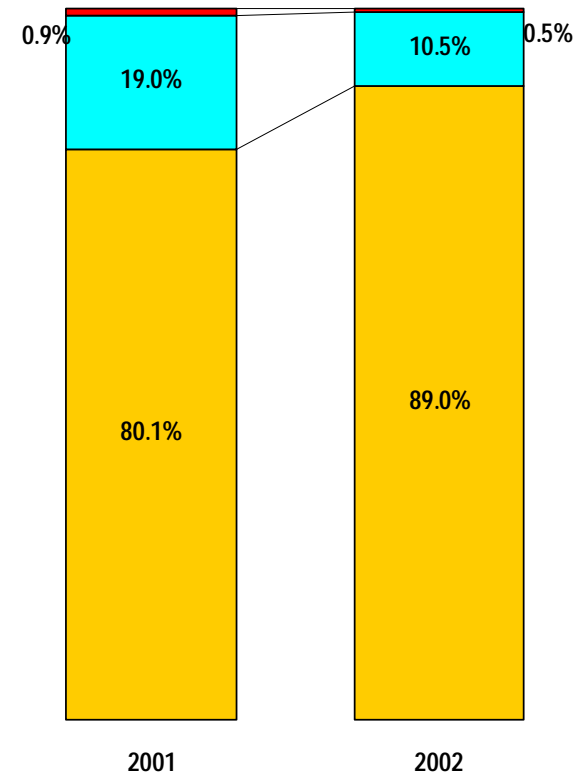
%



■ From Loans ■ From Banks
■ From Securities ■ Other

Composition of Interest Expense

%



■ On Deposits ■ On Funds Borrowed ■ Other

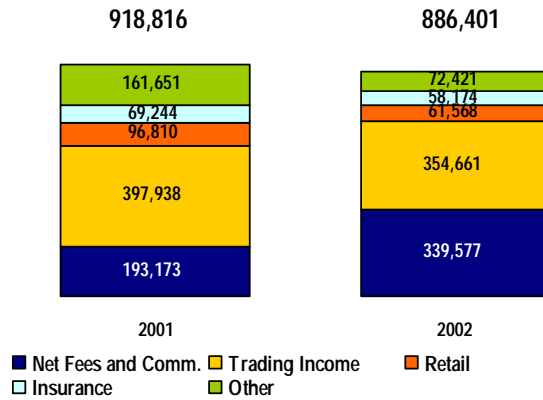
Non-Interest Income

A more sustainable earnings base

- Share of net fees and commissions increased significantly from 21.0% in 2001 to 38.3% in 2002 as a result of the Bank's comprehensive approach in increasing sustainable sources of revenue

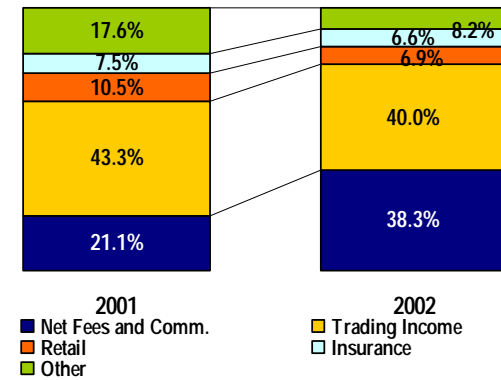
Non-Interest Income

TL Billion



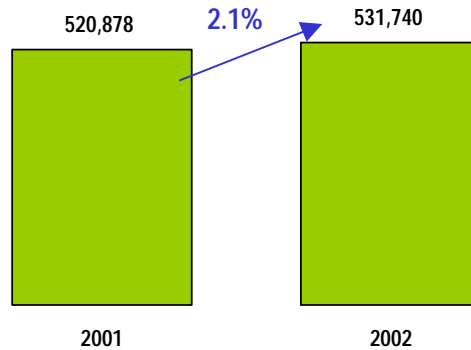
Composition of Non-Interest Income

%



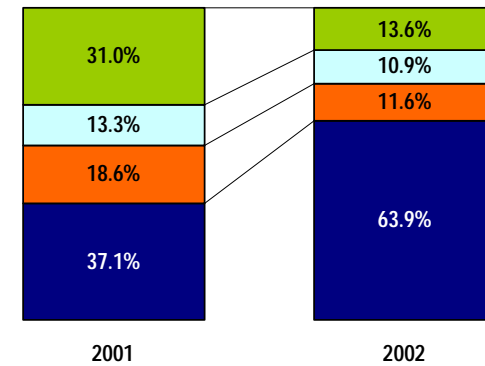
Non-Interest Income Excl. Trading

TL Billion



Composition of Non-Interest Income Excl. Trading

%



Fees and Commissions

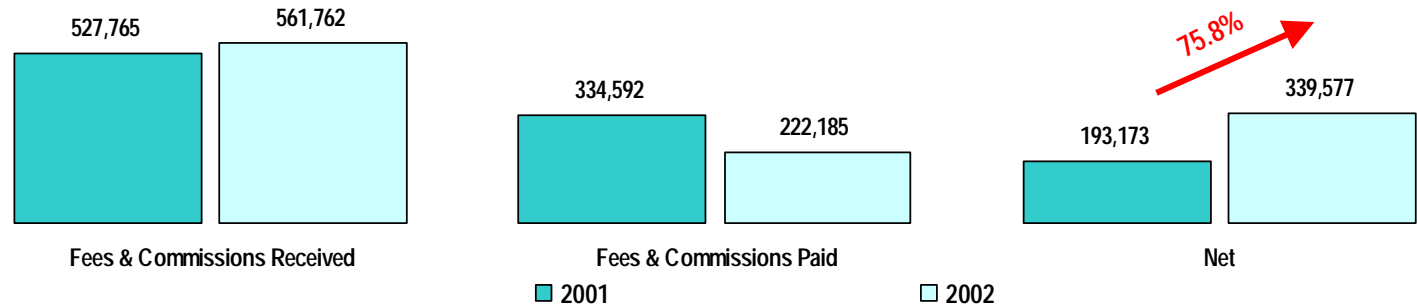
Highest increase in fee and commission income among the peer group

- Net fees and commissions increased by 75.8% in 2002

- Garanti's net fees and commissions income covered 35.9% of its operating expenses in 2002, the best among its peers, and its ratio to average assets increased to 1.5% in 2002 from 0.8% in 2001

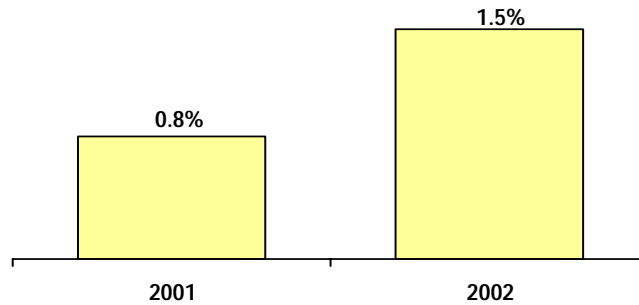
Fees and Commissions

TL Billion



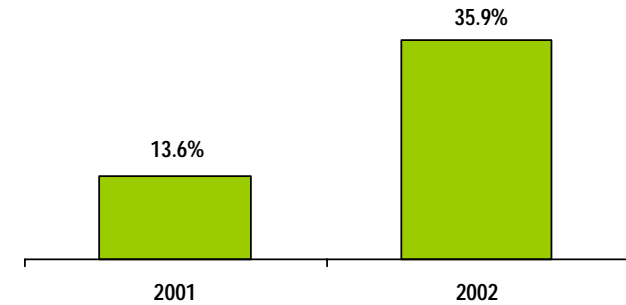
Net Fees and Commissions / Average Assets %

%



Net Fees and Commissions / Operating Expenses %

%



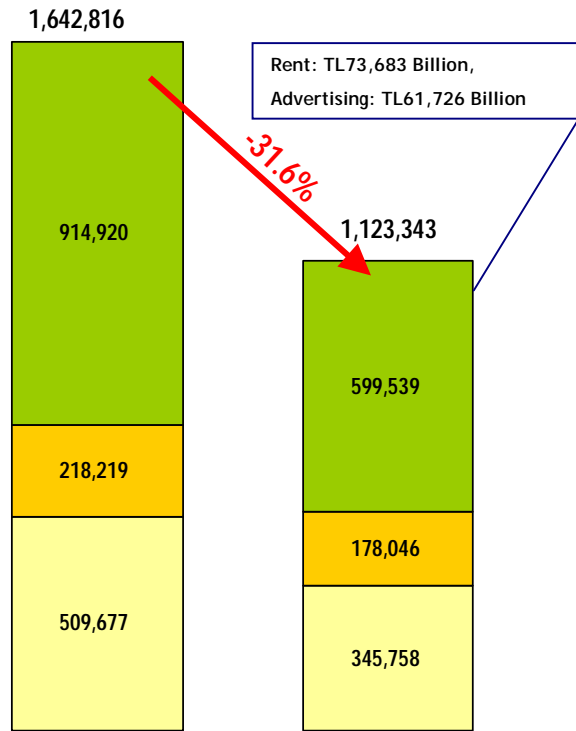
Non-Interest Expenses

Significant decline in operating expenses

- Operating expenses (non-interest expenses excluding depreciation) were down by 33.6% reflecting a determined approach to cost cutting

Non-Interest Expenses*

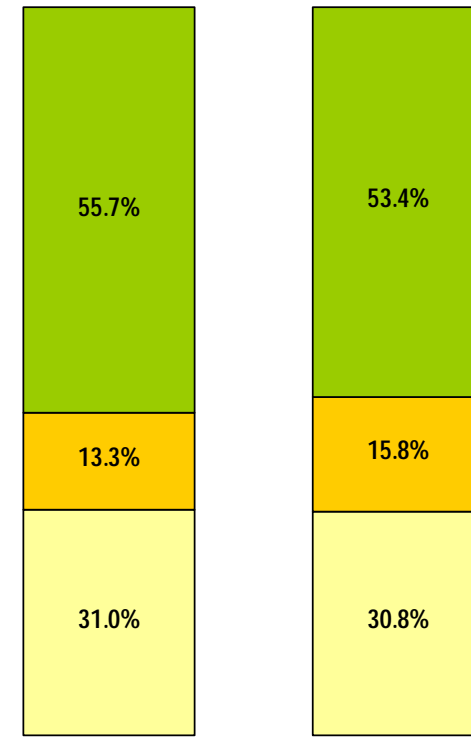
TL Billion



Personnel Depreciation Other Admin.

Composition of Non-Interest Expenses

%



Personnel Depreciation Other Admin.

*excluding impairment and provision for severance payments



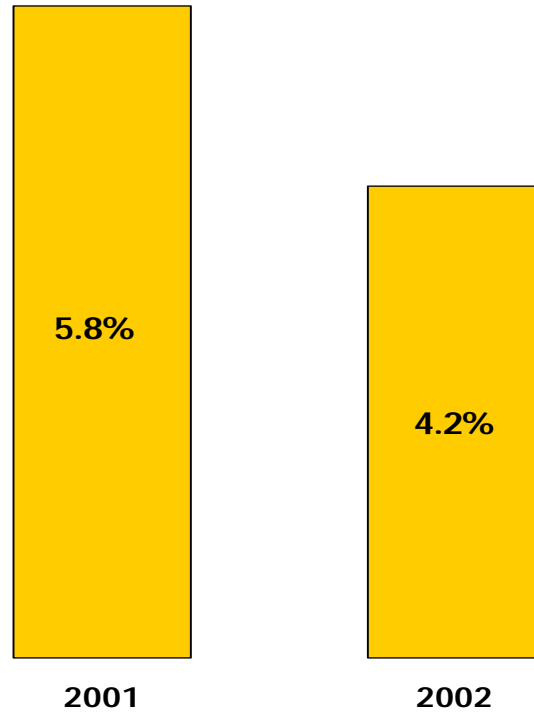
Personnel expenses include salaries and wages and employee benefits
Other administrative expenses are advertising, rent, EDP, SDIF, taxes and duties and other operating expenses

Operating Expenses

Further improvement in cost / income ratio

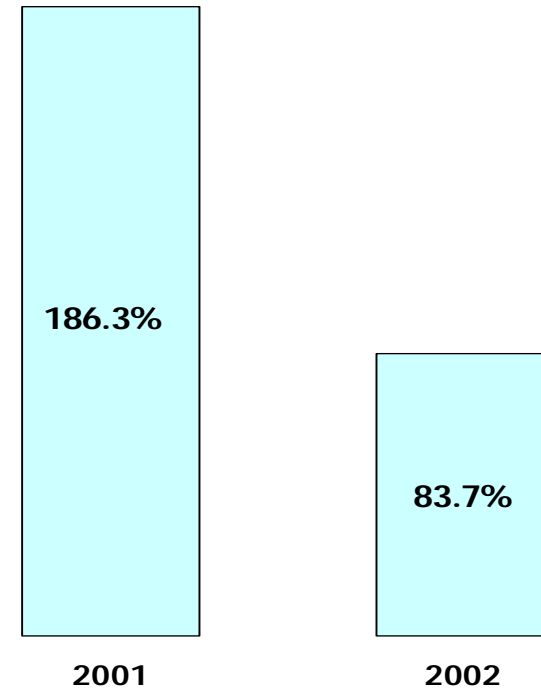
- Garanti's operating expenses / average assets ratio decreased from 5.8% in 2001 to 4.2% in 2002

Operating Expenses / Average Assets %



- During the year, Garanti continuously improved its cost / income ratio through aggressive cost reduction and earnings enhancement initiatives

Cost /Income Ratio %



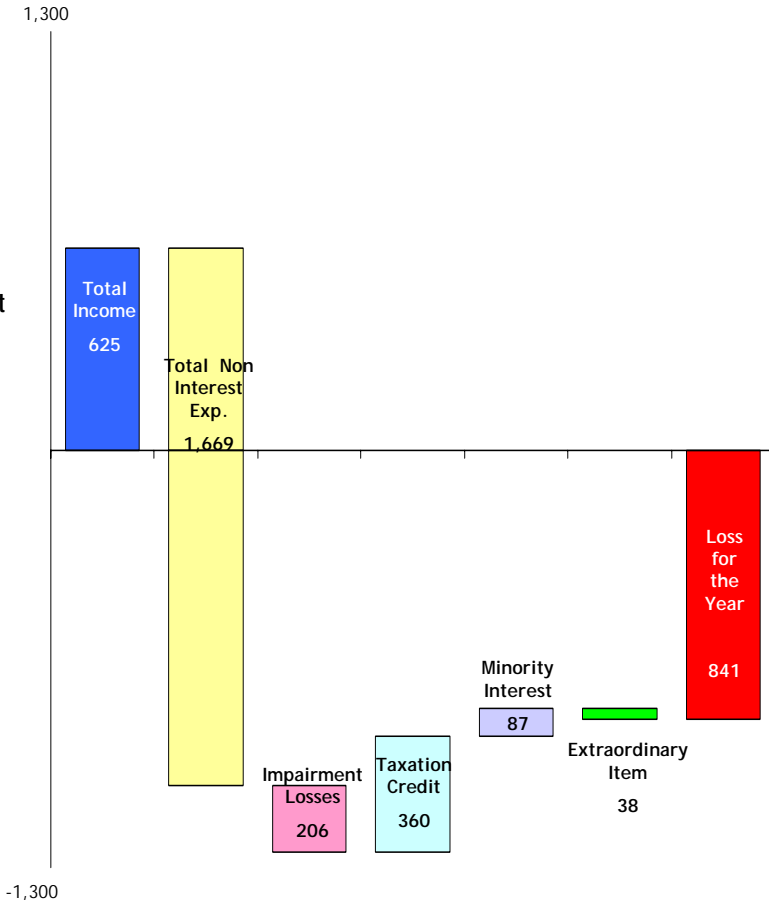
Profit / Loss

- The consolidated net income figure for 2002 was TL28,015 Billion, versus a loss of TL840,865 in 2001

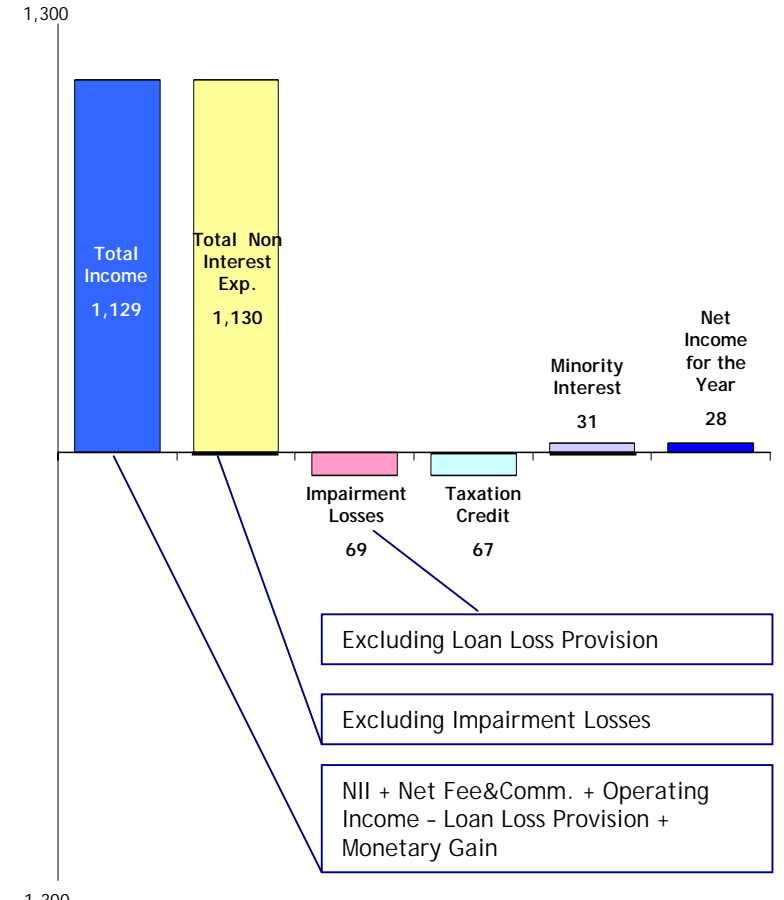
- Total income increased by 80.6%, reaching TL 1,129 Trillion

- Total non-interest expenses were cut by 32.3%, declining to TL 1,130 Trillion

2001 Profit / Loss
TL Trillion



2002 Profit / Loss
TL Trillion



Summary

- Adjusted NIM 1.34% vs negative 1.47% in 2001
- Deposit & loan growth
- Asset quality improvement
- Cost / Income down to 83.7%
- Capital adequacy increased