Turkey
Credit Analysis

Tekstil Bankası A.S.

Ratings

Tekstil Bankası A.S.

Foreign Currency	
Long-Term	B
Short-Term	B
Outlook	Stable
Local Currency	
Long-Term	B
Short-Term	B
Outlook	Stable
National	
Long-Term	BBB(tur)
Outlook	Stable
Individual	D
Support	5
Sovereign Risk	
Foreign Long-Term IDR*	BB-
Local Long-Term IDR*	BB-
Outlook	Positive

* IDR – Issuer Default Rating

Financial Data

Tekstil Bankası A.S.

	31 Dec 05	31 Dec 04
Total Assets (USDm)	1,504.9	1,074.7
Total Assets (TRYm)	2,024.2	1,445.6
Equity (TRYm)	197.3	156.6
Operating Profit (TRYm)	13.4	13.4
Published Net Income (TRYm)	10.4	6.5
Operating ROAA (%)	0.77	0.95
Operating ROAE (%)	7.59	9.39
Capital Adequacy (%)	12.15	12.85

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Rating Rationale

- The ratings of Tekstil Bankasi A.S. ("Tekstilbank") reflect its weak profitability, concentrated loan portfolio, rapid loan growth and limited franchise in a competitive operating environment. These are balanced by its good asset quality, sound internal risk management policies and improved capitalisation.
- Tekstilbank's profitability has been adversely affected by the turbulence in the financial markets in H106 resulting in a loss of TRY15m in the period. This was mainly due to the unrealised marked-to-market losses on trading securities portfolio from the increased interest rates, net foreign exchange losses from the depreciation in the Turkish lira and expenses related to the continued expansion of the network, despite higher income from larger loan portfolio. The financial markets gradually improved thereafter and the bank recovered its unrealised losses by end-August 2006.
- Tekstilbank has historically had good asset quality, however NPLs increased to 1.37% of loans at end-2005 and 1.79% at end-H106 from 0.44% at end-2004, despite being aided by strong loan growth. Reserve coverage was 83%. Fitch is concerned about rapid loan growth and borrower concentration in the loan portfolio, which could result in additional future asset quality problems.
- The share of customer deposits decreased in favour of borrowed funds, which helps to reduce the maturity mismatch between assets and liabilities. It also increases the share of wholesale funding, which Fitch considers to be a less stable source of funding than customer deposits.
- The bank's consolidated regulatory capital adequacy ratio (mainly Tier 1) improved to 14.75% at end-H106 as a result of an injection of cash by the shareholders (2005: 12.15%, 2004: 12.85%). Free capital also improved to 8.25% of end-H106 assets (2005: 4.28%; 2004: 3.35%). In Fitch's opinion, improvements in capitalisation are essential to support the planned growth, given the bank's small size, concentrated loan portfolio, weak earnings power and wholesale funding profile.

Support

- In Fitch's opinion, sovereign support for the bank, although possible, cannot be relied upon given Tekstilbank's relatively small size within the Turkish banking system.

Rating Outlook and Key Rating Drivers

- The Stable Outlook on Tekstilbank's ratings is likely to remain, given its good asset quality and improved capitalisation.
- Given the bank's weak profitability, potential asset quality problems related to the rapid loan growth and concentrated loan portfolio, there is little upside potential in its ratings. That said, strong improvements in profitability and sustained asset quality could result in an upgrade over the medium term.
- Fitch believes that a marked and uncorrected deterioration in the Turkish economy, leading to a widespread asset quality problems could present downside risk to the bank's Individual and Long-term ratings.

Profile

- Tekstilbank, established in 1986, has been majority owned by GSD Holding AS, ("GSD Holding") since 2002. GSD Holding has interests in financial institutions and foreign trade business.
- Tekstilbank is amid-sized bank in Turkey with 45 domestic branches focusing on corporate and commercial banking as well as trade finance, with an increased emphasis on retail banking.

19 September 2006

Profile

- **Majority-owned by GSD Holding**
- **Focused on corporate and commercial banking**
- **Increased emphasis on retail banking**

Tekstilbank was established in 1986 by Akin Group, a major textile manufacturer in Turkey. In 1992, GSD Dis Ticaret AS ("GSD"), a specialised foreign trade company, purchased a 30% stake in the bank and transferred its shares to its parent company, GSD Holding, in 1996. Following the acquisition of the remaining shares of Akin Group, GSD Holding became the majority shareholder in 2002, and held 75.50% of the bank's shares at end-H106; the remainder have been publicly traded on the ISE since 1990. GSD Holding was set up in 1996 to coordinate the activities of the GSD group, which consisted of a foreign trade company (GSD), a commercial bank (Tekstilbank), an investment bank (GSD Bank) that also owned an asset manager (GSD International), a leasing company (Tekstil Leasing), a factoring (Tekstil Factoring) and an insurance company (GSD Insurance). GSD is seventh-largest exporter in Turkey with 1.2% share in Turkish exports. At end-Q106, 81.48% of the shares in GSD Holding had been publicly traded on the ISE since 1999 and 13.89% were held by Mr. Turgut Yilmaz. Tekstilbank accounted for about 80% of end-Q106 consolidated GSD Holding assets of TRY2,272bn.

At end-H106 Tekstilbank had two fully-owned and consolidated subsidiaries: Tekstil Menkul Degerler AS ("Tekstil Securities"), a securities brokerage offering domestic brokerage, mutual funds and research services, and Euro Tekstil Bank Offshore Ltd ("ETB") in northern Cyprus, providing corporate lending and deposit collection services.

Tekstilbank is a mid-sized bank in Turkey, ranking 21st out of 47 banks in terms of end-H106 assets, with 0.51% market share. At end-H106 it had 45 domestic branches (2005: 41; 2004: 38) and 1,207 staff (2005: 1,112; 2004: 938). The bank also has a financial services branch in Berlin primarily processing remittances on behalf of Turkish expatriates.

Strategy: Tekstilbank has been primarily focused on corporate and commercial banking and is specialised in domestic and international trade finance, with the target customer base being small- and medium-sized enterprises ("SMEs"). In 2005, the bank had 1.5% and 2.6% shares in international trade and foreign exchange trading volumes in Turkey, respectively, which were larger than its 0.49% share in total banking assets. Although investment and retail banking have always been complementary businesses, the emphasis on retail banking has been increased since the establishment of retail banking department in 2005. The bank does not plan to expand its retail banking activity through mass marketing due to the limitations of its small network, but rather plans to expand it on a selective basis through direct marketing of tailored and personalised services. Nevertheless, the bank continued to expand its branch network in 2005 and H106 and plans to enlarge its branch network to 50 by the end of 2006. The number of personnel also grew in line with the network expansion, mainly in direct sales and internal control teams and related training programmes have been introduced. Management has set an asset growth target of about 30% in 2006, to be achieved mainly through about 40% growth in loans. Corporate and commercial bank will remain the main focus. Tekstilbank sets the consumer loans as the main area of growth within retail banking; which it plans to increase to a 10% share of total loans at end-2007 compared with its current share of about 4%. Credit card business is another growth area in retail banking; management plans to increase the number of cards to 150,000 at end-2006 (2005: 101,000) by utilising its enlarged marketing and direct sales team, and increasing cross-selling activities, which would also contribute to fee and commission income. In 2004 Tekstilbank began intermediary services for interest-free banking products offered by its correspondent banks by issuing letters of guarantee in return for a fee.

Presentation of accounts: Unless otherwise stated, all references in this report are to the bank's inflation-adjusted consolidated financial statements in accordance with IFRS. Consolidated interim figures are in accordance with the Banking Regulation and Supervision Agency ("BRSA"), which are broadly in line with IFRS. The bank has not provisioned for its carry-forward tax losses at end-H106 and this has resulted in a qualified opinion by the auditors at end-H106 (see *Taxation* for details).

Performance

- **Narrowing interest margins due to competition**
- **Profitability deteriorated in H106 mainly from marked to market losses due to turbulence in financial markets**
- **Cost/income ratio worsened due to lower income, despite improved overheads as a percentage of average assets**

Tekstilbank's assets grew by 40% in 2005, mainly as a result of proportionate growth in loans and government securities and funded in equal measures by customer deposits and borrowed funds. The same growth pattern continued in H106 and the balance sheet structure did not change much at end-H106 or 2005 compared with 2004. In 2005, Tekstilbank recorded net income of TRY10m (2004: TRY6m), (including a non-recurring income of TRY2.1m in 2005 compared with TRY3.8m of non-recurring loss in 2004). The bank had a higher net interest income from its growing loan book and securities portfolio, whereas expenses, loan loss provisions and taxes were higher compared with 2004. In H106, the bank was adversely affected by turbulent financial markets and recorded a loss of TRY15m. This was mainly due to a decline in interest from securities in H106, due to the unrealised marked-to-market losses on trading securities portfolio from the increased interest rates during the market volatility in H106 and net FX losses from depreciation in the Turkish lira as well as higher operating expenses related to the continued expansion of the network, despite higher net interest income, increased net fee and commission income and lack of tax provisions. The financial markets gradually improved in H206 and the bank recovered its unrealised losses by end-August 2006.

Revenues: The net interest margin continued to fall in 2005 compared with 2004 as a result of narrowing margins and remained lower than its peers due to lower loan yield, despite slightly lower cost of funding from its ability to raise lower-cost borrowed funds and customer deposits from improved creditworthiness and by larger free capital. Net fee and commission income continued to grow in 2005 and H106, as a result of efforts to increase non-interest revenue-generating activities – considered to be a relatively stable source of income. Indeed, the increase partially made up for narrowed margins in 2005. In H106 non-interest income accounted for 41% of total operating income (2005: 21%, 2004: 24%). However in H106 the surge in net fee and commission income was not sufficient to compensate for the fall in margins, resulting in a fall in total operating income. This was mainly due to marked to market losses on securities portfolio reflected in lower interest income on securities, majority of which was held for trading, net FX losses of TRY0.6m, compared with a gain of TRY5.6m in the same period the previous year.

Non-interest expenses: Personnel expenses increased by 23% in 2005 mainly due to the increase in the number of staff. Administrative expenses fell by 2%, and total operating expenses increased by 11% in 2005. The cost/income ratio improved to 76.45% in 2005 mainly as a result of better operating income, however it remained worse than its peers (2004: 79.70%), In H106 it has deteriorated to a very high 106.25% both due to lower income and higher expenses, linked to the bank's continued expansions despite adverse market conditions. The management estimates 78% cost/income ratio as at end-August 2006 thanks to the recovery in financial markets. Overheads/average assets continued to improve to 3.59% in H106 (2005: 4.03%, 2004: 4.46%), reflecting a lower cost base benefiting from economies of scale, which would support the improvements in future profitability. In Fitch's opinion, stronger revenues may bring about an improvement in cost/income ratio, given completed investments that would reportedly be sufficient to serve the future network expansion up to 100 branches.

Loan loss provisions: Loan loss provisions grew sharply in 2005 and equalled 38% of pre-provision profits (2004: 17%) as a result of more NPLs, while reserve coverage of NPLs was still much lower at 62% at end-2005 (2004: 172%). In H106 loan loss provisions have increased, while there was pre-provision loss and reserve coverage still increased to only 83%. (see *Loan loss experience and reserves* for details).

Taxation: The bank had carry-forward tax losses of TRY10.9m equal to 3.58% of end-H106 equity. The utilisation period will expire for carry-forward tax losses by the end of 2006 and the non-utilised portion will then be written off and recorded as loss.

Prospects: Tekstilbank underwent a slight shift of emphasis towards retail banking, although corporate and commercial banking remain its main focus. It

Table 1: Performance Indicators

	Tekstilbank		Peer Group[1]	
(%)	**2005**	**2004**	**2005**	**2004**
Asset Growth	40.02	4.25	16.43	0.26
Net Income Growth	59.88	-79.30	-9.85	332.85
Net Interest Margin (NIM)	3.73	4.65	5.13	5.47
Cost/Income	76.45	79.70	52.69	57.15
Costs/Average Assets	4.03	4.46	3.86	4.03
Net Income/Av Assets	0.60	0.46	1.82	2.22
Net Income/Av Equity	5.87	4.54	19.33	28.52
Equity/Assets	9.74	10.84	9.59	9.29

[1] Anadolubank and Alternatifbank (all consolidated and inflation-adjusted under IFRS).
Source: Bank Data Adapted by Fitch

enlarged its branch network, continued to employ and train new personnel, mainly in sales and internal control, while paying attention to developing a sound risk management system and maintaining good asset quality and improving its capitalisation. Despite recent expansion, it remains a mid-sized bank in a highly competitive market and profitability is under pressure, especially given its small size. The bank is focusing on increasing non-cash loans, mainly in international trade finance transactions, cash management services, FX trading transactions and similar fee and commission income-generating businesses, which is expected to partially compensate for the narrowing margins. Although overheads as a percentage of average assets have been improving, they are still high by international standards. Fitch is concerned that the rapid growth of the loans might bring about asset quality problems in the future given the concentration of the loan portfolio (albeit improving with increased emphasis on SMEs), despite a good asset quality track record. The cash injections have benefited capital, providing a cushion, however the pressure on profitability continued and the bank recorded a loss in H106 which was recovered by end-August 2006. In Fitch's opinion, continued improvements in capitalisation are needed given the bank's limited franchise and weak earnings power in a volatile and competitive operating environment.

Risk Management

- **Sound risk management systems and procedures**
- **Rapid loan growth**
- **Although NPLs increased, asset quality remained relatively good compared with Turkish peers**
- **Concentrated loan portfolio in terms of borrowers**
- **Minimal related party exposure**

The risk management department at Tekstilbank is responsible for defining and measuring risk, establishing risk policies and implementation procedures. It also undertakes research, analysis, monitoring and reporting of risks in line with the criteria set by the regulator. Although the lending process starts at the branches, all loan approvals and allocations are centralised at the head office. It maintains a risk rating system and evaluates credits on an eight-point internal scale in accordance with Basel II guidelines, considering both qualitative and quantitative criteria. The bank started to revise its internal rating system in 2005, and its loan portfolio is analysed across 17 main sectors. At end-2005, 54% of performing loans were rated in the highest three categories, and 29% and 12%, respectively were designated as average and fair, credits that require strong collateral. A further 4% was classified as being on the watch list, including restructured loans, and 1% is considered to have limited collectibility. Loan utilisations and repayments are followed up daily by the credit monitoring department and problems are reported to the credit allocation department. An internally-developed scoring system, which has built-in access to the repayment history of the customers at the Turkish credit bureau and the central bank, is used in the approval of retail loans, including credit cards. For retail loans, if two consecutive repayments are not made at their due dates, then the files are transferred to the legal affairs department.

Credit Risk: Gross loans grew by 55% in 2005 and by another 22% in H106: growth in the latter period, in nominal terms, was partially due to the higher Turkish lira equivalent of FX loans due to depreciation of the local currency in the period. Gross loans equalled 64% of end-H106 assets (2005: 64%, 2004: 58%), relatively higher than the peer average of around 55%. The loan portfolio mainly consisted of short-term loans, with 50% having less than three months maturity and 92% less than a year. The bank started to emphasise retail loans in 2005 and the share of retail loans reached 4% at end-2005 and the target is to reach 10% by end-2007. Non-cash loans, mainly consisting of letters of guarantee and letters of credits, continued to grow and equalled 69% of total assets at end-H106, higher than many of its Turkish peers, reflecting the bank's focus on international trade finance providing non-interest income. Tekstilbank maintains a diversified loan portfolio, where all sectors have less than a 10% shares in total cash and non-cash loans except construction (20.7%) and textiles (10.8%), both of which having large non-cash components. Related-party cash and non-cash exposures equated to only 3% of the total loan portfolio and 31% of equity at end-H106 and deducting the related-party deposits equated to 15% of equity. The bank's 20 largest cash and non-cash exposures (61% non-cash) represented 29% of the total book and 371% of equity at end-2005, reflecting a relatively concentrated loan portfolio compared with its peers.

Loan Loss Experience and Reserves: NPLs continued to increase in nominal terms and as a percentage of the portfolio in 2005 and H106, from a very low base. Nevertheless, the NPL ratio equalled a still relatively low 1.79% of gross loans at end-H106 (2005: 1.37%; 2004: 0.44%), compared with the peers, mainly aided by loan growth. 65% of total NPLs consisted of three large companies, two of which reportedly had strong collateral and the third one had already been restructured with a protocol involving a number of Turkish banks. 29% of the

NPLs consisted of credit card delinquencies, the main reason for the increase being the regulatory change in 2005, which made it possible to restructure defaulted credit card receivables. Total reserve coverage, having improved to 83% at end-H106 compared with 62% at end-2005, still remained much lower than 172% at end-2004. General reserves dominated total reserves at end-2004 since NPLs were very small at that date and have grown from a very small base. Tekstilbank's reserves are in line with regulatory minima, net of collateral. However in Fitch's opinion collaterals might not be easily liquidated at times of stress.

Tekstilbank continues to have assets held for sale, dominated by two properties, valued at a net TRY21m at end-2005 after adjusting for impairment reserves. The entire book equated to 1.6% of gross loans including such assets at end-2005. A part of the portfolio was sold in H106 and the portfolio dropped to 1.1% of gross loans.

Operational Risk: The operational risk committee was formed in 2001. The business continuity committee was also formed in 2004. Loss data relating to fraud, damage to physical assets, internal and external processes and other operational risks has been collected since 2002 and the uploading of loss data started at the end of 2004. The bank is reportedly prepared to adopt the basic indicator, standardised and alternative standardized approaches to measuring operational risk under Basel II. The maximum effect under the three approaches has been estimated at about a 50bp decline in capital adequacy ratio. In 2004, an information technology audit and control division was formed to monitor the effectiveness and adequacy of the internal computer system and operational controls. BRSA has been conducting limited IT audits since 2006. In 2005, ten new internal controllers started to perform periodic visits to the branches and to supervise all the transactions at the head office.

Market Risk and Asset and Liability Management: The asset & liability committee sets strategies for managing market risk. Tekstilbank calculates value at risk ("VaR") on a daily basis under three different models, using a 99% confidence level for a one-day and ten-days holding periods for the previous 250 trading days. Maximum VaR calculated during 2005 equated to a very low 2% of equity and this has remained at 2% levels during H106 despite volatility thanks to the increase in capital in the period. Back-testing is also performed to measure the reliability of VaR calculations while stress tests estimate probable losses. The bank estimated that it would lose about 3.8% of its equity under a stress scenario with conditions similar to the February 2001 crisis.

Although the bank started to expand its government securities portfolio in 2005, its share in total assets remained at 10% due to the proportionate growth of other asset classes. This share was among the lowest in the system. Foreign currency government securities made up 32% of the portfolio, of which 96% was floating rates. In contrast, only 44% of the Turkish lira portfolio was floating rates, the majority of the portfolio being held for trading. This resulted in a decline in interest from securities in H106, due to the unrealised marked-to-market losses from the increased interest rates during the market volatility in H106. At 1.1 years, the average duration of the portfolio was relatively short, compared with Turkish banking peers.

The bank's regulatory on-balance sheet short position equated to 40% of equity; after derivative transactions, the net short position equated to 14% of equity at end-H106, a level higher than its customary short FX position levels, which was a result of partial repayment of FX indexed securities in June 2006. The net FX position have declined to c.5% of equity at the end of August 2006. The cross currency mismatch between the US dollar and the euro was also partially hedged with derivatives, mainly with international counterparties.

Tekstilbank had a structural asset/liability maturity mismatch due to shorter-term deposits funding relatively longer-term assets, creating interest and liquidity risk, as with other banks in Turkey. Interest rate risk was partially mitigated with the floating-rate portion of government securities and the short-term nature of the loan book, with 64% maturing or repriced in less than three months at end-H106.

Corporate Governance: Tekstilbank must comply with the guidelines on corporate governance issued by the Turkish Capital Markets Board ("CMB"). The bank began disclosing its corporate governance principles and implementation report, as per CMB requirements, at the beginning of 2005. In addition, independent auditors' reports and quarterly earnings releases are published on the bank's website. Tekstilbank established a corporate governance committee, reporting directly to the board of directors. There was no reliance on shareholders for funding while related party loans were low.

Funding and Capital

- **Within liabilities, the share of customer deposits continued to decline as borrowings increased**
- **A large cash capital injection in H106 improved capitalisation**
- **Improved free capital**

Funding: As a result of marketing efforts, customer deposits grew by 36% in 2005 (82% in Turkish lira deposits, 16% in FX deposits) and by another 14% in H106, but still equalled 62% of liabilities (2005: 64%, 2004: 67%). This was mainly because of the relatively high value, in Turkish lira, of FX borrowed funds due to the depreciation of the Turkish currency. As a result of growing corporate activity, 51% of the deposits consisted of commercial deposits (2005: 50%, 2004: 43%) and demand deposits declined to just 10% of the total at end-H106 (2005: 17%; 2004: 22%). Savings deposits below the savings deposit insurance fund threshold of TRY50,000 made up 36% of savings deposits at end-H106, reflecting a deposit base distribution in line with its peers. The bank had greater access to syndicated loans than in 2004 and borrowed USD75m and USD180m in 2004 and 2005 respectively, with one year maturities each. The bank has USD300m of outstanding dual tranche syndicated loan with a two year maturity at end-August 2006 for its customers' pre-export and general trade financing needs, which also helps to reduce the maturity mismatch between assets and liabilities by extending the maturity of the liabilities. The bank also utilised an OPIC facility for SMEs with three years of grace period and five years of maturity. At the same time, it also increases the share of wholesale funding which Fitch considers to be a less stable source of funding than customer deposits. Related party deposits remained low at less than 1% of customer deposits at end-H106.

Liquidity: Liquid assets increased in 2005 and H106 and equalled 18% of assets at end-H106 (2005: 20%; 2004: 24%), covering 33% of customer deposits (2005: 35%; 2004: 40%). Liquidity risk arising from maturity mismatch between assets and liabilities is mitigated to some extent by the short-term nature of loans and the small and relatively short-term government securities portfolio. Nevertheless, government securities can also be a source of liquidity as they can be repoed with customers, banks and the Central Bank. Assets with less than three months' maturity comfortably cover 70% of liabilities with same maturity.

Capital: Shareholders have shown their commitments to the bank by providing cash capital injection of TRY155m in H106 following TRY22.5m in H105 (included in capital adequacy calculations since end-2004) in order to improve the capitalisation and to support planned growth. As a result, the consolidated regulatory capital adequacy ratio (mainly Tier 1) improved to c.18.78% at end-Q106 initially, following the capital increase, and then declined to 14.75% at end-H106 due to the adverse effects of the turbulence in the period (2005: 12.15%: 2004: 12.85%) As a result of the gradual recovery in financial markets the ratio has reportedly been improved back to pre-turbulence levels. Free capital, after deducting fixed assets, unreserved NPLs, deferred tax assets from carry-forward tax losses and assets held for sale, improved to 8.18% of end-H106 assets (8.89% at the end of August 2006) from 4.28% and 3.35% of end-2005 and 2004 assets, respectively. In Fitch's opinion, improvements in capitalisation should continue to support planned loan growth, especially in light of bank's small size, weak earnings power and wholesale funding profile.

Balance Sheet Analysis
TEKSTIL BANKASI A.S.

	31 Dec 2005				31 Dec 2004		31 Dec 2003		31 Dec 2002	
	Year End USDm Original	Year End TRZth Original	As % of Assets Original	Average TRZth Original	Year End TRZth Restated	As % of Assets Restated	Year End TRZth Restated	As % of Assets Restated	Year End TRZth Restated	As % of Assets Restated
A. LOANS										
1. Loans and Advances < 3 months	481.6	647,745.0	32.00	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Loans and Advances 3 - 12 months	397.5	534,621.0	26.41	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Loans and Advances > 1 year	78.7	105,835.0	5.23	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Loan Impairment (to deduct from above)	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
5. Loan Impairment (memo))	8.2	10,981.0	0.54	8,679.5	6,378.0	0.44	4,951.0	0.36	7,057.0	0.49
6. Less: Loans from the Insurance Business	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL A	**957.7**	**1,288,201.0**	**63.64**	**1,059,193.5**	**830,186.0**	**57.43**	**644,484.0**	**46.48**	**454,981.0**	**31.91**
B. OTHER EARNING ASSETS										
1. Loans and Advances to Banks	297.3	399,906.0	19.76	368,214.5	336,523.0	23.28	74,902.0	5.40	46,016.0	3.23
2. Government Securities	156.8	210,837.0	10.42	178,314.0	145,791.0	10.09	175,857.0	12.68	651,974.0	45.73
3. Trading Assets	0.0	0.0	0.00	36.5	73.0	0.01	0.0	0.00	0.0	0.00
4. Derivatives	1.4	1,820.0	0.09	2,184.0	2,548.0	0.18	n.a.	-	n.a.	-
5. Other Securities and Investments	0.0	0.0	0.00	0.0	0.0	0.00	n.a.	-	2,219.0	0.16
6. Equity Investments	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
7. Insurance	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL B	**455.4**	**612,563.0**	**30.26**	**548,749.0**	**484,935.0**	**33.55**	**250,759.0**	**18.08**	**700,209.0**	**49.11**
C. TOTAL EARNING ASSETS (A+B)	**1,413.2**	**1,900,764.0**	**93.90**	**1,607,942.5**	**1,315,121.0**	**90.97**	**895,243.0**	**64.56**	**1,155,190.0**	**81.02**
D. TANGIBLE FIXED ASSETS	**54.0**	**72,626.0**	**3.59**	**73,717.5**	**74,809.0**	**5.17**	**82,222.0**	**5.93**	**87,919.0**	**6.17**
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	9.1	12,269.0	0.61	10,803.0	9,337.0	0.65	345,940.0	24.95	102,685.0	7.20
2. Other	28.6	38,494.0	1.90	42,423.0	46,352.0	3.21	63,256.0	4.56	79,995.0	5.61
F. TOTAL ASSETS	**1,504.9**	**2,024,153.0**	**100.00**	**1,734,886.0**	**1,445,619.0**	**100.00**	**1,386,661.0**	**100.00**	**1,425,789.0**	**100.00**
G. DEPOSITS & MONEY MARKET FUNDING										
1. Due to Customers < 1 year	868.1	1,167,618.0	57.68	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Due to Customers > 1 year	2.6	3,524.0	0.17	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Due to Customers, no breakdown	n.a.	n.a.	-	n.a.	859,288.0	59.44	907,212.0	65.42	1,023,445.0	71.78
4. Deposits from Banks	127.4	171,367.0	8.47	154,993.5	138,620.0	9.59	8,854.0	0.64	123,470.0	8.66
5. Other Deposits and Short-term Borrowings	298.3	401,282.0	19.82	325,290.5	249,299.0	17.25	281,995.0	20.34	128,201.0	8.99
TOTAL G	**1,296.5**	**1,743,791.0**	**86.15**	**1,495,499.0**	**1,247,207.0**	**86.27**	**1,198,061.0**	**86.40**	**1,275,116.0**	**89.43**
H. OTHER LIABILITIES										
1. Derivatives	1.3	1,727.0	0.09	2,067.0	2,407.0	0.17	n.a.	-	n.a.	-
2.Trading Liabilities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
4. Insurance	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL H	**1.3**	**1,727.0**	**0.09**	**2,067.0**	**2,407.0**	**0.17**	**n.a.**	**-**	**n.a.**	**-**
I. OTHER FUNDING										
1. Long-term Borrowing	17.5	23,525.0	1.16	15,169.0	6,813.0	0.47	12,975.0	0.94	12,429.0	0.87
2. Subordinated Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	0.0	0.00
3. Other Funding	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL I	**17.5**	**23,525.0**	**1.16**	**15,169.0**	**6,813.0**	**0.47**	**12,975.0**	**0.94**	**12,429.0**	**0.87**
J. NON-INTEREST BEARING	**43.0**	**57,795.0**	**2.86**	**45,174.5**	**32,554.0**	**2.25**	**46,194.0**	**3.33**	**40,515.0**	**2.84**
K. HYBRID CAPITAL										
1. Non-cumulative Hybrid capital	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Other Hybrid	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	0.0	0.00
L. TOTAL LIABILITIES	**1,358.2**	**1,826,838.0**	**90.25**	**1,557,909.5**	**1,288,981.0**	**89.16**	**1,257,230.0**	**90.67**	**1,328,060.0**	**93.15**
M. EQUITY										
1. Common Equity	146.6	197,123.0	9.74	176,870.0	156,617.0	10.83	129,431.0	9.33	97,726.0	6.85
2. Minority Interest	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	3.0	0.00
3. Revaluation Reserves	0.1	192.0	0.01	106.5	21.0	0.00	0.0	0.00	n.a.	-
TOTAL M	**146.7**	**197,315.0**	**9.75**	**176,976.5**	**156,638.0**	**10.84**	**129,431.0**	**9.33**	**97,729.0**	**6.85**
MEMO: CORE CAPITAL	**136.8**	**183,968.0**	**9.09**	**160,891.0**	**137,814.0**	**9.53**	**129,431.0**	**9.33**	**97,729.0**	**6.85**
MEMO: ELIGIBLE CAPITAL	**136.8**	**183,968.0**	**9.09**	**160,891.0**	**137,814.0**	**9.53**	**129,431.0**	**9.33**	**97,729.0**	**6.85**
N. TOTAL LIABILITIES & EQUITY	**1,504.9**	**2,024,153.0**	**100.00**	**1,734,886.0**	**1,445,619.0**	**100.00**	**1,386,661.0**	**100.00**	**1,425,789.0**	**100.00**
Exchange Rate		USD1 = TRZ 1.3451			USD1 = TRZ 1.3451		USD1 = TRZ 1.3451		USD1 = TRZ 1.3451	

Income Statement Analysis

TEKSTIL BANKASI A.S.

	31 Dec 2005		31 Dec 2004		31 Dec 2003		31 Dec 2002	
	Income Expenses TRZth Original	As % of Total AV Earning Assts Original	Income Expenses TRZth Restated	As % of Total AV Earning Assts Restated	Income Expenses TRZth Restated	As % of Total AV Earning Assts Restated	Income Expenses TRZth Restated	As % of Total AV Earning Assts Restated
1. Interest Income	167,467.0	10.41	152,423.0	13.79	208,467.0	20.33	309,606.0	20.74
2. Interest Expense	107,471.0	6.68	101,044.0	9.14	139,089.0	13.57	218,267.0	14.62
3. NET INTEREST REVENUE	**59,996.0**	**3.73**	**51,379.0**	**4.65**	**69,378.0**	**6.77**	**91,339.0**	**6.12**
4. Net Fees & Commissions	20,117.0	1.25	19,458.0	1.76	15,613.0	1.52	14,375.0	0.96
5. Net Insurance Revenue	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Operating Income	11,411.0	0.71	8,377.0	0.76	13,763.0	1.34	39,101.0	2.62
7. Personnel Expenses	39,228.0	2.44	31,839.0	2.88	29,558.0	2.88	30,421.0	2.04
8. Other Operating Expenses	30,742.0	1.91	31,293.0	2.83	33,802.0	3.30	45,768.0	3.07
9. PRE-IMPAIRMENT OPERATING PROFIT	**21,554.0**	**1.34**	**16,082.0**	**1.46**	**35,394.0**	**3.45**	**68,626.0**	**4.60**
10. Loan Impairment Charge	8,119.0	0.50	2,655.0	0.24	187.0	0.02	2,483.0	0.17
11. Other Credit Impairment and Provisions	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
12. OPERATING PROFIT	**13,435.0**	**0.84**	**13,427.0**	**1.21**	**35,207.0**	**3.43**	**66,143.0**	**4.43**
13. Other Income and Expenses	2,111.0	0.13	-3,844.0	-0.35	-489.0	-0.05	3,719.0	0.25
14. PUBLISHED PRE-TAX PROFIT	**15,546.0**	**0.97**	**9,583.0**	**0.87**	**34,718.0**	**3.39**	**69,862.0**	**4.68**
15. Taxes	5,160.0	0.32	3,087.0	0.28	3,343.0	0.33	-24,328.0	-1.63
16. Profit/(Loss) from Discontinued Operations	n.a.	-	n.a.	-	n.a.	-	n.a.	-
17. Change in Value of AFS investments	171.0	0.01	21.0	0.00	n.a.	-	n.a.	-
18. CurrencyTranslation Differences	n.a.	-	n.a.	-	n.a.	-	n.a.	-
19. Other Gains/(Losses) not in Published Net Income	n.a.	-	n.a.	-	n.a.	-	n.a.	-
20. FITCH COMPREHENSIVE INCOME	**10,557.0**	**0.66**	**6,517.0**	**0.59**	**31,375.0**	**3.06**	**94,190.0**	**6.31**
21. Total Gains/(Losses) not in Published Net Income	171.0	0.01	21.0	0.00	n.a.	-	n.a.	-
22. IFRS Dividends included in Fitch Interest Expense	n.a.	-	n.a.	-	n.a.	-	n.a.	-
23. PUBLISHED NET INCOME	**10,386.0**	**0.65**	**6,496.0**	**0.59**	**31,375.0**	**3.06**	**94,190.0**	**6.31**

Ratio Analysis

TEKSTIL BANKASI A.S.

		31 Dec 2005	31 Dec 2004	31 Dec 2003	31 Dec 2002
		Year End	Year End	Year End	Year End
		TRZth	TRZth	TRZth	TRZth
		Original	Restated	Restated	Restated
I. PERFORMANCE					
1. Net Interest Margin	%	3.73	4.65	6.77	6.12
2. Loan Yield	%	12.38	16.18	n.a.	n.a.
3. Cost of Funds	%	7.11	8.20	11.13	12.87
4. Costs/Average Assets	%	4.03	4.46	4.51	4.25
5. Costs/Income	%	76.45	79.70	64.16	52.61
6. Pre-Impairment Operating ROAA	%	1.24	1.14	2.52	3.83
7. Operating ROAA	%	0.77	0.95	2.50	3.69
8. Pre-impairment Operating ROAE	%	12.18	11.24	31.16	178.69
9. Operating ROAE	%	7.59	9.39	31.00	172.23
II. CAPITAL ADEQUACY					
1. Internal Capital Generation	%	5.97	4.56	27.62	245.26
2. Core Capital/Total Assets	%	9.15	9.66	9.33	6.85
3. Eligible Capital/Regulatory Weighted Risks	%	n.a.	n.a.	n.a.	n.a.
4. Eligible Capital+Eligible Revaluation Reserves/Regulatory Weighted Risks	%	n.a.	n.a.	n.a.	n.a.
5. Tier 1 Regulatory Capital Ratio	%	9.99	10.85	12.80	14.67
6. Total Regulatory Capital Ratio	%	12.15	12.85	13.29	14.76
7. Free Capital/Equity	%	n.a.	n.a.	n.a.	n.a.
III. LIQUIDITY (year end)					
1. Liquid Assets/Deposits & Money Mkt Funding	%	35.73	39.42	49.81	61.97
2. Loans/Deposits	%	110.00	96.61	71.04	44.46
IV. ASSET QUALITY					
1. Loan Impairment Charge/Gross Loans (av.)	%	0.76	0.36	0.03	0.65
2. Total Credit Impairment/Pre-impairment Operating Profit	%	37.67	16.51	0.53	3.62
3. Loan Impairment/Gross Impaired Loans	%	61.54	172.47	226.59	84.27
4. Individual Loan Impairment/Gross Impaired Loans	%	61.50	172.50	n.a.	n.a.
5. Impaired Loans Gross / Loans Gross	%	1.37	0.44	0.34	1.81
6. Impaired Loans Net/Eligible Capital	%	3.73	-1.94	-2.14	1.35
7. Net Charge-offs/Gross Loans (av.)	%	0.31	0.06	-0.34	0.96