Turkey
Credit Analysis

Tekstil Bankasi A.S.

Ratings

	Current Ratings
Foreign Currency	
Long-Term IDR	B
Short-Term IDR	B
Local Currency	
Long-Term IDR	B
Short-Term IDR	B
National	
Long-Term	BBB+(tur)
Individual	D
Support Rating	5
Sovereign Risk	
Foreign Long-Term IDR	BB-
Local Long-Term IDR	BB

Outlook

Foreign Long-Term IDR	Stable
Local Long-Term IDR	Stable
National Long-Term	Stable
Sovereign Foreign Long-Term IDR	Stable
Sovereign Local Long-Term IDR	Stable

Financial Data

Tekstil Bankasi A.S.

	31 Dec 06	31 Dec 05
Total Assets (USDm)	2,009.2	1,504.8
Total Assets (TRYm)	2,830.9	2,024.2
Total Equity (TRYm)	338.8	197.3
Operating Profit (TRYm)	23.1	13.9
Published Net Income (TRYm)	16.4	10.4
Comprehensive Income (TRYm)	17.2	10.3
Operating ROAA (%)	0.95	0.80
Operating ROAE (%)	8.64	7.85
Internal Capital Generation (%)	6.42	5.80
Eligible Capital/ Weighted Risks (%)	14.98	11.41
Tier 1 Ratio (%)	13.67	9.99

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Rating Rationale

- The ratings of Tekstil Bankasi A.S. (Tekstilbank) reflect its limited but improving profitability, moderate capitalisation and limited franchise in a competitive operating environment. These are balanced by its good asset quality, sound internal risk management policies and increased free capital.
- In 2006, despite flat margins, the bank posted a net income of TRY16.4m in 2006, mainly helped by increasing volumes. In 9M07, the bank recorded TRY35m net income, indicating a very strong recovery in profitability to an annualized operating ROAE of 16.6%, driven by higher margins.
- Tekstilbank has historically had good asset quality, despite an increase in NPLs due to increased focus in riskier retail loans, NPL ratio stood at a still good 1.1% in 9M07 (2006: 0.9%) being aided by 19% loan growth. Reserve coverage was strong at 120%.
- The bank's liquid assets decreased to a low 12% of assets at 9M07 from 23% at end-2006 due to increased use of FX liquidity to generate TL funding through swap operations. Following the operational risk charges, the capital adequacy ratio (mainly Tier 1) declined to 12.8% at 9M07 (2006: 14.1%). In Fitch Ratings' opinion, improvements in capitalisation are essential to support the planned growth, given the bank's small size, limited 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.

Key Rating Drivers

- Tekstilbank's ratings could result in an upgrade if higher profitability and good asset quality is sustained with an improved capitalisation over the medium term.
- Given the bank's limited franchise in a competitive environment and wholesale funding profile, Fitch believes that a marked and uncorrected deterioration in the Turkish economy, leading to 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 a mid-sized bank in Turkey with 56 domestic branches focusing on corporate and commercial banking as well as trade finance, with an increased emphasis on retail banking and SMEs.

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

Profile

Tekstilbank was established in 1986 by a major textile manufacturer in Turkey. The shares have then been acquired by GSD Holding, who has become the majority shareholder in 2002, holding 75.5% of the shares since then; the remainder publicly trading on the Istanbul Stock Exchange. GSD Holding was set up in 1996 to coordinate the activities of the GSD group, which consisted of a foreign trade company (GSD Foreign Trade Co.), a commercial bank (Tekstilbank) and some other small financial subsidiaries engaging with brokerage, asset management, leasing, factoring and insurance. Tekstilbank accounted for about 86% of GSD Holding assets at H107. GSD Foreing Trade Co. is among the top-10 largest exporters in Turkey; 100% owned by GSD Holding, which is 80% listed on the ISE and 11% held by Mr. Turgut Yilmaz.

Tekstilbank is a mid-sized commercial bank in Turkey, ranking 19th out of 46 banks, with 0.6% market share. It had 56 domestic branches at end-Q307 (2006: 48). The bank also has a financial services branch in Berlin. Tekstilbank has two fully-owned and consolidated subsidiaries: Tekstil Menkul Degerler AS, a local securities brokerage house, and Euro Tekstil Bank Offshore Ltd in Northern Cyprus, providing corporate lending and deposit collection services. These subsidiaries account for 7.3% of consolidated assets as at Q307.

Strategy

Tekstilbank has been primarily focused on corporate and commercial banking and is specialised in trade finance, with the target customer base being small- and medium-sized enterprises (SMEs). The bank established a new unit in 2007, specifically dedicated to SME banking. Although investment and retail banking have always been complementary businesses, the emphasis on retail banking has been increased since the establishment of retail banking in 2005. It started to implement a comprehensive transformation programme for retail banking in November 2006, aiming to uplift the overall retail organisation within the bank. Tekstilbank plans to increase the consumer loans (excluding credit cards) to an 11% of total loans by end-2008 compared with 5.7% as at Q307. Credit card business is another growth area in retail banking; management has established an exclusive partnership agreement with the Advantage credit card program (the third-largest credit card network in Turkey, belonging to HSBC). With this agreement, the management expects to lift the share of credit card loans as a proportion of total loans to 2.0% by 2008 from its 1.4% level as at Q307. In Fitch's opinion, Tekstilbank's enhanced focus on retail and SME banking is viewed as a positive factor for the diversification and stability of earnings.

Presentation of Accounts

Unless otherwise stated, all references in this report are to the bank's financial statements in accordance with IFRS. Consolidated interim figures are in accordance with the Banking Regulation and Supervision Agency (BRSA), which are mainly in line with IFRS.

- Rapid asset growth and weak margins continued in 2006
- Very strong recovery in profitability in 9M07, driven by a substantial margin recovery and normalisation of tax provisions
- Cost/income ratio improved inline with better profitability, yet further improvement is required

Performance

In 2006, Tekstilbank's assets grew by 40%, driven mainly by proportionate growth in loans and securities. Although customer deposits accounted for 49% of total liabilities, this level remained lower than the rest of the sector and growth was increasingly wholesale funded (23% of total liabilities versus 19% in 2005) and equity (12.0% of liabilities versus 9.8% in 2005). Despite flat margins, the bank posted a net income of TRY16.4m in 2006 (58% higher y-o-y), mainly helped by increasing volumes.

In 9M07, the bank recorded TRY35m net income, indicating a very strong recovery in profitability to an annualised operating ROAE of 16.6%, driven by a substantial 105% net interest income growth and normalisation of tax rates (which were abnormally higher in 2005 due to one-off deferred tax related provisions). The asset size has not changed, but the composition has tilted more towards loans (up by 19% ytd) at the expense of securities and bank placements. As a result, the size of liquid assets decreased to 12% of assets at 9M07 from 23% at 2006. As a result of better profitability, operating ROAE improved strongly to 16.6% in 9M07 from 8.6% in 2006.

Revenue

Net interest income increased by 41% in 2006, helped by a growing loan book and security portfolio. Both loan yields and funding costs increased in 2006, especially after the interest rate volatility in the second half of the year. However the margins remained almost flat at 3.66%; lower than its peers', due to lower yields on the loan portfolio and security book, whereas cost of funding was relatively inline. In 9M07, Tekstilbank achieved a considerable c.162bp improvement in its margins to a 5.3% level, a similar level with its peers. Along with higher volumes and higher returns on the loan book, the bank doubled its net interest income, y-o-y. Net fee and commission income continued to grow in 2006 and 9M07, as a result of increased efforts to generate non-interest revenue. However, fees and commissions still account for a small 15% of total banking revenues (2006: 17%).

Non-Interest Expenses

In line with branch network and staff expansion, personnel expenses increased by 29% in 2006. Other operating expenses displayed a more limited 10% increase in 2006. In 9M07, despite ongoing investments, total operating expenses continued to grow at a moderate 23%, yoy. As a result, the cost/income ratio improved significantly to 59.8% in 9M07 (2006: 67%), however still remaining higher than its peers and the sector. The cost/income ratio is temporarily under pressure due to an ongoing investment period of organic growth, reflecting a potentially low cost base, benefiting from economies of scale to support future improvements in profitability. In Fitch's opinion, with its stable nature as a source of income, net fees and commissions should further be improved to sustain the stability of revenues and achieve better cost/income ratios.

Table 1: Performance Indicators

	Tekstilbank		Peer Group[1]	
(%)	2006	2005	2006	2005
Asset Growth	39.86	40.02	27.97	17.17
Net Income Growth	58.03	59.88	37.82	-9.85
Net Interest Margin (NIM)	3.66	3.73	5.67	5.12
Cost/Income	66.93	75.95	54.18	54.13
Costs/Average Assets	3.46	4.01	3.74	3.85
Operating ROAA	0.95	0.8	2.75	2.37
Operating ROAE	8.64	7.85	27.12	29.36
Equity/Assets	11.97	9.75	10.25	10.07

[1] Anadolubank and Alternatifbank IFRS accounts
Source: Bank Data Adapted by Fitch

Loan Impairment Charges

Loan impairment charges grew sharply in 2006 and equalled 44% of pre-impairment operating profits as a result of steps taken to improve the reserve coverage to a very strong 117% of total NPLs (2005: 62%). In 9M07, reserve coverage remained strong over 120% and loan impairment charges have considerably declined to a 9.5% of pre-impairment operating profits. (see *loan loss experience and reserves* for details).

Taxation

The bank had accounted for TRY4.3m of additional tax provisions in 2006, for the unrecognised portion of carry-forward tax losses, which caused an abnormal 37% tax rate in 2006 versus the statutory rate of 20%. In 2007, the situation normalised as the difference has completely been written-off as a tax expense; and as a result the tax rate has returned to statutory tax level.

Prospects

Tekstilbank inclined more towards retail banking in 2006, although corporate and commercial banking remain the main focus. The bank went through some organisational changes in order to improve workflow and efficiency. The corporate banking clients have been split into newly established dedicated corporate and commercial segments for better marketing and sales focus. New units have been established at the head office level for an enhanced monitoring of marketing and sales efforts. The focus on creating new products and increasing cross-selling has also been increased. As a result, the bank has already started reaping the benefits, such that the number of valuable corporate and commercial clients (defined as using two products or more) increased by 41% in H107, y-o-y. The diversification of focus in this segment has further been improved with the establishment of an SME banking unit in Q407. In Fitch's opinion, despite all these highly valuable efforts, Tekstilbank remains a mid-sized bank in a highly competitive market and profitability is under pressure. The implementations in the retail segment, such as the comprehensive transformation programme launched in November 2006 and the exclusive partnership with the Advantage credit card program (part of HSBC AS), should support the profitability and margins; also enhancing diversification and stability of earnings. However, on the downside, a certain level of compromise on the strong track record in asset quality seems to be a natural and inevitable consequence of retail banking. In Fitch's opinion, continued improvements in capitalisation are needed, given the bank's limited franchise in a volatile and competitive operating environment.

Risk Management

- Sound risk management systems and procedures
- Although NPLs slightly increased, asset quality remains strong compared with Turkish peers
- More emphasis being placed on retail lending

The risk management department at Tekstilbank is responsible for measuring risk, establishing and implementing risk policies. All loan approvals and allocations are mostly centralised at the head office and branches have limited authorization. The bank maintains a risk rating system and evaluates credits on an eight-point internal scale in accordance with Basel II guidelines. At end-2006, 51.5% of performing loans were rated in the three highest categories, and 0.4% was classified as being on the watch list, including restructured loans and only 0.1% is considered to have limited collectibility.

Credit risk

Gross loans grew by 35% in 2006 and by another 19% in 9M07, mainly in line with the sector averages. Gross loans equalled 73% of 9M07 assets (2006: 62%), relatively higher than its peers and the sector's. The loan portfolio mainly consisted of short-term loans, with 41% having less than three months maturity and 87% less than a year at Q307. The bank's emphasis on retail loans came about later than its competitors', and the share of retail loans including credit card loans reached 7.1% at 9M07 (2006: 4.6%), still indicating a lower penetration than the sector; however, the management expects a fast increase in the share of retail loans, and the target is to reach 13.0% by end-2008. Non-cash loans continued to grow and equalled 53% of total assets at 9M07, higher than many of its Turkish peers', reflecting the bank's focus on international trade finance. Tekstilbank maintains a diversified loan portfolio, where all sectors have less than a 10% shares in total cash and non-cash loans except construction (22%), due to its large non-cash component. Related-party cash and non-cash exposures equated to only 1.4% of the total loans. The 20 largest cash and non-cash exposures (26% non-cash) represented 14% of the total book at 9M07.

Operational Risk

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 started implementing the basic indicator approach for operational risk calculation from H107, as did the whole banking system. The impact of the operational risk on the capital adequacy ratio was 100bp lower than sector average.

Loan Loss Experience and Reserves

NPLs remained at a solid 0.9% of total loans in 2006 with a safe coverage of 120% provisioning. In 9M07, NPLs increased slightly to 1.1%, still healthy and markedly lower than the sector average. The increase is mainly a consequence of the increased focus on more profitable and riskier retail and SME loans. Total reserve coverage, improved to 120% in 2006 (2005: 62%) and prudent coverage has been maintained in 9M07 at the same level. Tekstilbank continues to have assets held for sale, dominated by two properties, independently appraised at a net TRY24m at end-2006. Nevertheless the entire book equated to only 1.4% of gross loans including such impaired assets at end-2006.

Market Risk

The assets and liabilities 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 2006 equated to 0.70% of equity and this has increased to 2.74% of equity during 9M07. The bank estimated that it would lose about 16.2% of its equity under a stress scenario with conditions similar to the February 2001 crisis. The share of government securities portfolio as a proportion of total assets remained at 10% at 9M07, one of the lowest in the system. The security book is about 92% composed of floating-rate notes, providing a certain level of safeguard against the negative impact of potential interest rate volatilities. The bank also has 6.2% of its securities exposed to two corporate Credit Linked Notes. The bank had a square net FX position (including on-balance-sheet and off-balance-sheet hedging items) at 9M07. 76% of hedging transactions are carried out with international financial institutions. Tekstilbank has a structural asset/liability maturity mismatch due to shorter-term deposits funding relatively longer-term assets, creating liquidity risk, as with other banks in Turkey. Interest rate risk is mitigated by the floating-rate portion of government securities portfolio and the short-term nature of the loan book. The bank has a fairly matched balance sheet in terms of repricing periods, in almost all time brackets at 9M07 (except for a small 3% mismatch in the period of below three months).

Corporate Governance

Tekstilbank complies 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 is no reliance on shareholders for funding while related party loans are low.

- Within liabilities, the share of customer deposits is low, but increasing
- Liquidity declined in 9M07
- Capital improvements needed

Funding and Capital

Deposits from customers and banks accounted for a moderate 60% of total funding at end-2006. In 9M07, deposits grew by 7%, increasing to 65% of total funding, whereas the amount of external borrowings and money market funding declined nominally by 17%, in the same period. The composition of the deposit base is slightly concentrated, such that the top-100 deposits make up 38% of total, whereas savings deposits below the savings deposit insurance fund threshold of TRY50,000 made up a low 19.9% of total savings deposits at 9M07. However, the trend is moving into a positive range: in line with the enhanced focus on the retail banking franchise, the saving deposits, which made up 50% of total deposits at end-2005, increased to 59% of the total at 9M07. Related party deposits remained low, at less than 3% for 9M07. The bank utilises its access to syndicated loans and post finance facilities and other borrowed funds, which make up 23% of non-equity funding at 9M07, which also helps to reduce the asset liability maturity mismatch. The bank rolled over an USD128m syndication tranche in July 2007 with a tenor of one year at a very favourable all-in cost of libor+60bp (one of the lowest in the sector).

Liquidity

Liquid assets increased in 2006 and equalled a comfortable 23% of assets. However, in 9M07, the liquidity declined significantly to a 12% of assets, covering 23% of customer deposits (2006: 47%), the main reason being the increased use of FX based bank placements for funding TRY loans through FX/TRY swaps, which helps to lower the cost of funding. Liquidity risk arising from the 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. Assets with less than three months' maturity comfortably cover 66% of liabilities with the same maturity at 9M07.

Capital

In 2006, Tekstilbank increased its paid-in capital by 105% and injected TRY155m new capital. As a result, the consolidated regulatory capital adequacy ratio (mainly Tier 1) improved to 14.1% at end-2006, following operational charge implications in 2007; the same ratio declined to 12.8% by 9M07, 100bp of this was accounted for by operational risk charges alone. Free capital, after deducting fixed assets and assets held for sale, improved to an adequate 71.5% of equity at end-2006 (2005: 48.5%) and remained at 9.4% of 9M07 assets. In Fitch's opinion, improvements in capitalisation should continue to support planned loan growth, especially given the bank's small size, limited earnings power and wholesale funding profile.

Balance Sheet Analysis

TEKSTIL BANKASI A.S.

	31 Dec 2006				31 Dec 2005		31 Dec 2004		31 Dec 2003	
	Year End USDm Original	Year End TRZth Original	As % of Assets Original	Average TRZth Original	Year End TRZth Original	As % of Assets Original	Year End TRZth Restated	As % of Assets Restated	Year End TRZth Restated	As % of Assets Restated
A. LOANS										
1. Loans and Advances < 3 months	566.2	797,761.0	28.18	722,753.0	647,745.0	32.00	n.a.	-	n.a.	-
2. Loans and Advances 3 - 12 months	564.5	795,316.0	28.09	664,968.5	534,621.0	26.41	n.a.	-	n.a.	-
3. Loans and Advances > 1 year	107.2	151,098.0	5.34	128,466.5	105,835.0	5.23	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)	12.9	18,164.0	0.64	14,572.5	10,981.0	0.54	6,378.0	0.44	4,951.0	0.36
6. Less: Loans from the Insurance Business	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
TOTAL A	**1,237.9**	**1,744,175.0**	**61.61**	**1,516,188.0**	**1,288,201.0**	**63.64**	**830,186.0**	**57.43**	**644,484.0**	**46.48**
B. OTHER EARNING ASSETS										
1. Loans and Advances to Banks	444.3	626,069.0	22.12	512,987.5	399,906.0	19.76	336,523.0	23.28	74,902.0	5.40
2. Government Securities	216.4	304,853.0	10.77	257,845.0	210,837.0	10.42	145,791.0	10.09	175,857.0	12.68
3. Trading Assets	0.0	0.0	0.00	0.0	0.0	0.00	73.0	0.01	0.0	0.00
4. Derivatives	0.8	1,134.0	0.04	1,477.0	1,820.0	0.09	2,548.0	0.18	n.a.	-
5. Other Securities and Investments	20.8	29,321.0	1.04	14,660.5	0.0	0.00	0.0	0.00	n.a.	-
6. Equity Investments	0.0	0.0	0.00	0.0	0.0	0.00	n.a.	-	n.a.	-
7. Insurance	0.0	0.0	0.00	0.0	0.0	0.00	n.a.	-	n.a.	-
TOTAL B	**682.3**	**961,377.0**	**33.96**	**786,970.0**	**612,563.0**	**30.26**	**484,935.0**	**33.55**	**250,759.0**	**18.08**
C. TOTAL EARNING ASSETS (A+B)	**1,920.2**	**2,705,552.0**	**95.57**	**2,303,158.0**	**1,900,764.0**	**93.90**	**1,315,121.0**	**90.97**	**895,243.0**	**64.56**
D. TANGIBLE FIXED ASSETS	**50.8**	**71,590.0**	**2.53**	**72,108.0**	**72,626.0**	**3.59**	**74,809.0**	**5.17**	**82,222.0**	**5.93**
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	10.0	14,078.0	0.50	13,173.5	12,269.0	0.61	9,337.0	0.65	345,940.0	24.95
2. Other	28.2	39,674.0	1.40	39,084.0	38,494.0	1.90	46,352.0	3.21	63,256.0	4.56
F. TOTAL ASSETS	**2,009.2**	**2,830,894.0**	**100.00**	**2,427,523.5**	**2,024,153.0**	**100.00**	**1,445,619.0**	**100.00**	**1,386,661.0**	**100.00**
G. DEPOSITS & MONEY MARKET FUNDING										
1. Due to Customers < 1 year	972.7	1,370,502.0	48.41	1,269,060.0	1,167,618.0	57.68	n.a.	-	n.a.	-
2. Due to Customers > 1 year	3.0	4,251.0	0.15	3,887.5	3,524.0	0.17	n.a.	-	n.a.	-
3. Due to Customers, no breakdown	n.a.	n.a.	-	n.a.	n.a.	-	859,288.0	59.44	907,212.0	65.42
4. Deposits from Banks	252.0	355,011.0	12.54	263,189.0	171,367.0	8.47	138,620.0	9.59	8,854.0	0.64
5. Other Deposits and Short-term Borrowings	276.4	389,463.0	13.76	395,372.5	401,282.0	19.82	249,299.0	17.25	281,995.0	20.34
TOTAL G	**1,504.1**	**2,119,227.0**	**74.86**	**1,931,509.0**	**1,743,791.0**	**86.15**	**1,247,207.0**	**86.27**	**1,198,061.0**	**86.40**
H. OTHER LIABILITIES										
1. Derivatives	6.1	8,648.0	0.31	5,187.5	1,727.0	0.09	2,407.0	0.17	n.a.	-
2. Trading Liabilities	0.0	0.0	0.00	0.0	0.0	0.00	n.a.	-	n.a.	-
3. Fair Value Portion of Debt	0.0	0.0	0.00	0.0	0.0	0.00	n.a.	-	n.a.	-
4. Insurance	0.0	0.0	0.00	0.0	0.0	0.00	n.a.	-	n.a.	-
TOTAL H	**6.1**	**8,648.0**	**0.31**	**5,187.5**	**1,727.0**	**0.09**	**2,407.0**	**0.17**	**n.a.**	**-**
I. OTHER FUNDING										
1. Long-term Borrowing	227.7	320,838.0	11.33	172,181.5	23,525.0	1.16	6,813.0	0.47	12,975.0	0.94
2. Subordinated Debt	0.0	0.0	0.00	0.0	0.0	0.00	n.a.	-	n.a.	-
3. Other Funding	0.0	0.0	0.00	0.0	0.0	0.00	n.a.	-	n.a.	-
TOTAL I	**227.7**	**320,838.0**	**11.33**	**172,181.5**	**23,525.0**	**1.16**	**6,813.0**	**0.47**	**12,975.0**	**0.94**
J. NON-INTEREST BEARING	**30.8**	**43,364.0**	**1.53**	**50,579.5**	**57,795.0**	**2.86**	**32,554.0**	**2.25**	**46,194.0**	**3.33**
K. HYBRID CAPITAL										
1. Hybrid capital accounted for as equity	0.0	0.0	0.00	0.0	0.0	0.00	n.a.	-	n.a.	-
2. Hybrid Capital accounted for as debt	0.0	0.0	0.00	0.0	0.0	0.00	n.a.	-	n.a.	-
L. TOTAL LIABILITIES	**1,768.7**	**2,492,077.0**	**88.03**	**2,159,457.5**	**1,826,838.0**	**90.25**	**1,288,981.0**	**89.16**	**1,257,230.0**	**90.67**
M. EQUITY										
1. Common Equity	240.0	338,121.0	11.94	267,769.0	197,417.0	9.75	156,942.0	10.86	129,431.0	9.33
2. Minority Interest	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
3. Revaluation Reserves	0.5	696.0	0.02	297.0	-102.0	-0.01	-304.0	-0.02	n.a.	-
TOTAL M	**240.5**	**338,817.0**	**11.97**	**268,066.0**	**197,315.0**	**9.75**	**156,638.0**	**10.84**	**129,431.0**	**9.33**
MEMO: CORE CAPITAL	**239.9**	**337,971.0**	**11.94**	**262,692.0**	**187,413.0**	**9.26**	**138,139.0**	**9.56**	**129,431.0**	**9.33**
MEMO: ELIGIBLE CAPITAL	**239.9**	**337,971.0**	**11.94**	**262,692.0**	**187,413.0**	**9.26**	**138,139.0**	**9.56**	**129,431.0**	**9.33**
N. TOTAL LIABILITIES & EQUITY	**2,009.2**	**2,830,894.0**	**100.00**	**2,427,523.5**	**2,024,153.0**	**100.00**	**1,445,619.0**	**100.00**	**1,386,661.0**	**100.00**
Exchange Rate		USD1 = TRZ 1.4090			USD1 = TRZ 1.3451		USD1 = TRZ 1.3451		USD1 = TRZ 1.3451	

Income Statement Analysis

TEKSTIL BANKASI A.S.

	31 Dec 2006		31 Dec 2005		31 Dec 2004		31 Dec 2003	
	Income Expenses TRZth Original	As % of Total AV Earning Assts Original	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
1. Interest Income	263,037.0	11.42	167,467.0	10.41	152,423.0	13.79	208,467.0	20.33
2. Interest Expense	178,712.0	7.76	107,471.0	6.68	101,044.0	9.14	139,089.0	13.57
3. NET INTEREST REVENUE	**84,325.0**	**3.66**	**59,996.0**	**3.73**	**51,379.0**	**4.65**	**69,378.0**	**6.77**
4. Net Fees & Commissions	24,797.0	1.08	20,117.0	1.25	19,458.0	1.76	15,613.0	1.52
5. Net Insurance Revenue	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
6. Other Operating Income	16,552.0	0.72	11,411.0	0.71	8,377.0	0.76	13,763.0	1.34
7. Personnel Expenses	50,698.0	2.20	39,228.0	2.44	31,839.0	2.88	29,558.0	2.88
8. Other Operating Expenses	33,414.0	1.45	30,287.0	1.88	31,293.0	2.83	33,802.0	3.30
9. PRE-IMPAIRMENT OPERATING PROFIT	**41,562.0**	**1.80**	**22,009.0**	**1.37**	**16,082.0**	**1.46**	**35,394.0**	**3.45**
10. Loan Impairment Charge	18,414.0	0.80	8,119.0	0.50	2,655.0	0.24	187.0	0.02
11. Other Credit Impairment and Provisions	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
12. OPERATING PROFIT	**23,148.0**	**1.01**	**13,890.0**	**0.86**	**13,427.0**	**1.21**	**35,207.0**	**3.43**
13. Other Income and Expenses	2,776.0	0.12	1,656.0	0.10	-3,844.0	-0.35	-489.0	-0.05
14. PUBLISHED PRE-TAX PROFIT	**25,924.0**	**1.13**	**15,546.0**	**0.97**	**9,583.0**	**0.87**	**34,718.0**	**3.39**
15. Taxes	9,511.0	0.41	5,160.0	0.32	3,087.0	0.28	3,343.0	0.33
16. Profit/(Loss) from Discontinued Operations	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
17. Change in Value of AFS investments	637.0	0.03	171.0	0.01	21.0	0.00	n.a.	-
18. CurrencyTranslation Differences	161.0	0.01	31.0	0.00	-325.0	-0.03	n.a.	-
19. Other Gains/(Losses) not in Published Net Income	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
20. FITCH COMPREHENSIVE INCOME	**17,211.0**	**0.75**	**10,588.0**	**0.66**	**6,192.0**	**0.56**	**n.a.**	**-**
21. Total Gains/(Losses) not in Published Net Income	798.0	0.03	202.0	0.01	-304.0	-0.03	n.a.	-
22. IFRS Dividends included in Fitch Interest Expense	0.0	0.00	0.0	0.00	n.a.	-	n.a.	-
23. PUBLISHED NET INCOME	**16,413.0**	**0.71**	**10,386.0**	**0.65**	**6,496.0**	**0.59**	**31,375.0**	**3.06**

Ratio Analysis

TEKSTIL BANKASI A.S.

		31 Dec 2006	31 Dec 2005	31 Dec 2004	31 Dec 2003
		Year End	Year End	Year End	Year End
		TRZth	TRZth	TRZth	TRZth
		Original	Original	Restated	Restated
I. PERFORMANCE					
1. Net Interest Margin	%	3.66	3.73	4.65	6.77
2. Loan Yield	%	13.03	12.38	16.18	n.a.
3. Cost of Funds	%	8.50	7.11	8.20	11.13
4. Costs/Average Assets	%	3.46	4.01	4.46	4.51
5. Costs/Income	%	66.93	75.95	79.70	64.16
6. Pre-Impairment Operating ROAA	%	1.71	1.27	1.14	2.52
7. Operating ROAA	%	0.95	0.80	0.95	2.50
8. Pre-impairment Operating ROAE	%	15.50	12.44	11.24	31.16
9. Operating ROAE	%	8.64	7.85	9.39	31.00
II. CAPITAL ADEQUACY					
1. Internal Capital Generation	%	6.42	5.98	4.33	n.a.
2. Core Capital/Total Assets	%	11.94	9.30	9.68	9.33
3. Eligible Capital/Regulatory Weighted Risks	%	14.98	11.41	n.a.	n.a.
4. Eligible Capital+Eligible Revaluation Reserves/Regulatory Weighted Risks	%	15.02	11.41	n.a.	n.a.
5. Tier 1 Regulatory Capital Ratio	%	13.67	9.99	10.85	12.80
6. Total Regulatory Capital Ratio	%	14.11	12.15	12.85	13.29
7. Free Capital/Equity	%	71.49	48.47	36.33	36.47
III. LIQUIDITY (year end)					
1. Liquid Assets/Deposits & Money Mkt Funding	%	45.77	35.73	39.42	49.81
2. Loans/Deposits	%	126.87	110.00	96.61	71.04
IV. ASSET QUALITY					
1. Loan Impairment Charge/Gross Loans (av.)	%	1.20	0.76	0.36	0.03
2. Total Credit Impairment/Pre-impairment Operating Profit	%	44.30	36.89	16.51	0.53
3. Loan Impairment/Gross Impaired Loans	%	116.79	61.54	172.47	226.59
4. Individual Loan Impairment/Gross Impaired Loans	%	118.40	61.50	172.50	n.a.
5. Impaired Loans Gross / Loans Gross	%	0.88	1.37	0.44	0.34
6. Impaired Loans Net/Eligible Capital	%	-0.77	3.66	-1.94	-2.14
7. Net Charge-offs/Gross Loans (av.)	%	0.73	0.31	0.06	-0.34