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Banks

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
Support Rating Floor	NF
Sovereign Risk	
Foreign Long-Term IDR	BB-
Local Long-Term IDR	BB

Outlooks

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 07	31 Dec 06
Total assets (USDm)	2,573.9	2,009.2
Total assets (TRYm)	2,991.1	2,830.9
Total equity (TRYm)	386.5	338.8
Operating profit (TRYm)	52.4	23.1
Published net income (TRYm)	43.6	16.4
Comprehensive income (TRYm)	47.7	17.2
Operating ROAA (%)	1.80	0.95
Operating ROAE (%)	14.44	8.64
Internal capital generation (%)	13.15	6.42
Eligible capital/ weighted risks (%)	13.26	14.99
Tier 1 ratio (%)	12.12	13.67

Analysts

Levent Topcu, Istanbul
+90 212 279 1065
levent.topcu@fitchratings.com

Banu Cartmell, London
+44 207 417 4373
banu.cartmell@fitchratings.com

Rating Rationale

- The ratings of Tekstil Bankasi A.S. (Tekstilbank) reflect its declining asset quality, limited profitability, adequate capitalisation and limited franchise in a competitive operating environment. These are balanced by its limited market risk and improved internal systems.
- Tekstilbank is primarily involved in corporate and commercial lending and has a small securities portfolio. A recent focus on higher-yielding SME and retail loans provides some diversification. However, revenues are dependent on loan book performance and profitability was significantly undermined by loan impairments in H108.
- Historically, Tekstilbank has had good asset quality; however, this is starting to wane. The NPL ratio increased to 2.6% during the six months to end-H108 from 1.3% in 2007. Although this is still below the sector average of 3.07%, the momentum of deterioration is significant.
- The bank's funding profile is improving, with a higher share of customer deposits; liquidity is moderate. Despite the recent cash capital injection, the regulatory capital adequacy ratio (CAR) remains close to the regulatory minimum of 12%, which the bank is required to meet to open new branches. In Fitch Ratings' opinion, improvements in capitalisation are essential in order to support the planned growth, given the bank's small size and limited internal capital generation as well as the volatile operating environment.

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 but only if higher profitability and good asset quality is achieved and sustained, together with improved capitalisation in 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 61 domestic branches, mainly focusing on corporate and commercial banking as well as trade finance, with an increased emphasis on retail banking and SMEs. In May 2008, the shareholders mandated an investment bank to evaluate opportunities for a possible partnership or for the sale of a controlling stake in Tekstilbank. Negotiations with investors on this matter are continuing and, according to the management guidance, could be finalised by end-2008.

- Majority-owned by GSD Holding
- Primarily involved with corporate and commercial banking
- Increased emphasis on SME and retail segments

Profile

Tekstilbank was established in 1986 by a major textile manufacturer in Turkey. The shares were then acquired by GSD Holding, which became the majority shareholder in 2002, holding 75.5% of the shares since then; the remainder are publicly trading on the Istanbul Stock Exchange (ISE). 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), a small investment bank (GSD Bank) and some other financial subsidiaries engaging in brokerage, asset management, leasing, factoring and insurance. Tekstilbank accounted for about 90% of GSD Holding assets at end-2007. GSD Foreing Trade Co. is among the 10 largest exporters in Turkey; 100% owned by GSD Holding, which is 80% listed on the ISE.

Tekstilbank is a mid-sized commercial bank in Turkey, ranking 19th out of 46 banks, with a 0.54% market share of assets. It had 61 domestic branches at end-H108, with the aim of opening one more branch by the end of 2008. 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 2.9% of consolidated assets as at H108.

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Corporate, commercial and SME banking

This segment has historically been the core operating area for Tekstilbank, despite the focus is moving more towards commercial and SME segments recently. Almost all of the operating profits were generated within these segments in 2007. Corporate loans are defined as loans to institutions with an annual turnover of more than TRY50m, and made up 55% of total loans at end-H108.

The bank has more ambitious targets for commercial lending growth, which is defined as institutions with an annual turnover of between TRY5m and TRY50m. The share of commercial lending is increasing and reached 28% of total loans at H108, and the target is to maintain 35% average growth in this segment over the next three years, which could be possible given the low base and the fast sector growth.

With the establishment of SME department in late 2007, the bank's product range has been completed. The client base has been classified, where clients with less than TRY5m annual turnover were defined as SMEs. With intense marketing, the bank increased the number of SME clients (those to which Tekstilbank has exposure) by 17% in six months during H108. The bank either developed or acquired score cards and credit-decision support systems for SME lending and full implementation of all systems is expected to be completed by October 2008. As at end-H108, SME loans made up 6% of total lending and the target is to achieve average growth of 60% within three years.

Retail banking

Retail banking has always been a complementary business for Tekstilbank, but the emphasis on it 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. As a result, retail loans (including credit cards) increased to 11% of total lending at end-H108 from a low 4.6% at end-2006. Tekstilbank's credit card franchise is weak and credit card lending is low; however, the management has finalised an exclusive partnership agreement with the Advantage credit card programme (the third-largest credit card network in Turkey, belonging to HSBC) in

2007. With this agreement, the product range offered to retail clients has been improved. The bank has been carrying out a retail banking transformation programme since 2006, with the aim of improving profitability and efficiency in retail lending, as well as increasing volumes. These programmes include improving the customer relationship management applications, introducing new investment products and making better use of alternative delivery channels. The bank has already achieved considerable growth in consumer lending in H108 through campaigns with the help of newly available data-mining tools in the systems. The ultimate goal is to increase the cross-selling ratio to 2.0x, from 1.2x as at end-H108.

Strategy

Tekstilbank has been primarily focused on corporate and commercial banking and specialises in trade finance. The bank aims to focus more on project finance loans in growing its corporate banking operations. Customer profitability will be made a priority, rather than aggressive growth of volumes. The bank maintains a fast and dynamic business model in commercial banking, with a fast credit-decision and allocation process. The bank aims to expand its customer base and grow faster than the sector within this segment, using the existing franchise more efficiently. Tekstilbank's target customer base is SMEs, which is a fairly new division within the bank, for which 60% average loan growth is targeted in the medium term. As for SMEs, the management views Tekstilbank as differentiated from its peers in terms of the overall quality of its services and range of products, rather than just competitive pricing. The transformation programme for retail banking has largely been completed, new products are available to such customers and higher cross-selling ratios are being attained, with improved marketing tools available, which should improve the bank's efficiency and profitability. In Fitch's opinion, Tekstilbank's enhanced diversification of customers and improved systems are a positive factor for the stability of earnings, unless there is no major deterioration in credit quality.

Presentation of Accounts

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

Performance

- Improved margins, profitability and efficiency in 2007
- H108 performance indicators undermined by worsening asset quality and reduced trading income

Fitch believes that the Turkish economy is fundamentally stronger and more resilient to shocks than it was in the first half of the decade, when the sovereign was rated in the single 'B' range. Nevertheless, risks remain and Turkey has been buffeted by a number of shocks in 2008. The operating environment is volatile due to bouts of political instability, the current account deficit has widened as a result of higher energy prices at a time when the global credit crunch has made its financing more challenging, and inflation has risen to double-digits, leading to a relaxation of the central bank's inflation target. Turkey's strengths include its high level of per capita income relative to peers', an open and diverse economy, declining public debt ratios, good debt service record and debt management capacity. In addition, the banking system and business climate compare favourably with rating peers'.

In 2007, Tekstilbank's assets grew by only 5.7%, despite loan growth of 26%. The bank reduced the size of its securities and placements to other banks and replaced these funds with loans. As a result, its loan/asset ratio increased to 73% at end-2007 (2006: 62%). On the funding side, money-market funding and bilateral borrowings declined, whereas customer deposits were up by 19.4%. This improved the bank's funding profile, as the share of diversified customer deposits as a proportion of non-equity funding increased to 65% at end-2007 (2006: 56%). The bank's operating ROAE improved to 14.4% in 2007 (2006: 8.6%), but still remained lower than its peers'. In H108, Tekstilbank's profitability was affected by a rapid increase in provisioning costs and lower trading gains. The bank recorded only TRY6.1m of operating income, indicating a sharp decrease in profitability to an annualised operating ROAE of only 3.2%, compared with 14.4% in 2007.

Revenue

Net interest income increased by 55% in 2007, helped by a growing loan book and improving margins. The bank's NIM improved significantly to 4.8% (2006: 3.7%), helped by a higher share of better yielding TRY-denominated SME and retail loans. Tekstilbank uses derivative instruments to generate TRY funding from its FX-based resources, mostly through plain swaps, and related costs are included in interest expenses in IFRS accounts. A similar adjustment has been made in Table 1, and a comparison with peers' reveals that Tekstilbank has tighter margins than its peers. In H108, loan portfolio growth was also relatively slow at 6%, compared with peers' and the sector average. Margins declined due to a 30% growth in customer deposits and an increase in liquid assets in the second quarter, mainly accumulated for closing a syndicated loan facility which matured in Q308. Similar to its peers, the bank generates most of its banking revenues through net interest income, which made up 75% of revenues in 2007 (2006: 68%). Hence, net fees and commissions made up a relatively low 16% of total banking revenues in 2007 (2006: 20%).

Non-Interest Expenses

In 2007, 11 new branches were opened, bringing the total to 60 branches; the number of staff increased by 18%. In line with this expansion, personnel expenses increased by 29% in 2007. Overall operating expenses grew faster than those of the franchise, due to ongoing investments for the transformation project. Despite this, the cost/income ratio continued to improve to 63% (2006: 67%), helped by better revenue generation, but it remained higher than peers' and the sector's. In H108, the cost to income ratio deteriorated to 75% (calculated from BRSA financials), due to lower revenues from lending and trading. In Fitch's opinion, improved net fees and commission income would contribute to the sustainability and stability of revenues and achieve better cost/income ratios, with its stable nature as a source of income.

Table 1: Comparative Performance Indicators[a]

	Tekstilbank			Peer group[b]		
(%)	H108	2007	2006	H108	2007	2006
Asset growth	16.9	6.1	40.0	14.2	18.6	26.5
Loan growth	6.2	25.9	35.6	26.4	33.7	37.3
Customer deposit growth	29.7	19.6	17.4	11.9	27.8	32.7
Net income growth	-82.2	181.3	64.9	-4.7	87.8	23.4
Net Interest Margin (adjusted for FX and derivatives)	4.4	5.1	4.1	6.8	6.4	5.3
Loan yield	14.1	14.9	12.6	15.4	16.2	15.1
Cost of funds	9.5	9.3	8.5	8.6	9.2	9.0
Cost/income	74.9	63.3	64.9	52.0	47.2	54.8
Cost/average assets	3.9	3.9	3.5	4.1	3.8	3.9
Operating ROAA	0.4	1.8	1.0	2.9	3.2	2.5
Operating ROAE	3.2	14.8	9.7	24.8	30.4	25.8
Equity/liabilities	11.9	14.4	13.2	13.9	12.2	11.1
Net credit impairment/pre-impairment operating profit	68.6	18.3	45.4	15.2	19.1	13.2

[a] BRSA consolidated financials used for peer comparison analysis
[b] Weighted average of Anadolubank AS and Alternatifbank AS
Source: Bank data adapted by Fitch

Loan Impairment Charges

Loan impairment charges fell sharply in 2007 and equalled only 20% of pre-impairment operating profits; reserve coverage of NPLs was maintained at a comfortable 100% (2006: 117%). In H108, however, net credit impairment charges (including recoveries) increased very sharply to 69% of pre-impairment operating profits, mainly due to a rapid increase in problem loans. The reserve coverage has also weakened in this period. In Fitch's opinion, the share of loan loss provisions in pre-impairment operating profits is high, and needs to be reduced if internal capital generation is to be improved (see *Loan Loss Experience and Reserves* for details).

Prospects

The bank's emphasis on SMEs and retail banking continued in 2007, although corporate and commercial banking remain the main focus. The bank reorganised its treasury department for a sales-oriented approach to generate greater levels of customer-driven revenues. The focus on creating new products and increasing cross-selling has also intensified. As a result, the number of valuable clients (defined as using two products or more) in corporate, commercial and SME segments has increased by 90% since end-2006. In Fitch's opinion, despite these significant efforts, Tekstilbank remains a mid-sized bank in a highly competitive market and profitability is under pressure. The initiatives in the retail segment should support profitability and margins, as well as enhancing the diversification and stability of earnings. However, on the downside, a certain degree of compromise in terms of asset quality seems to be a natural and inevitable consequence. 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
- Lower loan growth compared with peers' and the sector's
- Rapid increase in NPLs

The risk management department at Tekstilbank is responsible for measuring risk, and establishing and implementing risk policies. All loan approvals and allocations are mostly centralised at the head office and branches have limited authorisation. The bank maintains a risk rating system and evaluates credits on an eight-point internal scale in accordance with Basel II guidelines. At end-H108, 37.2% of performing loans were rated in the three highest categories (2007: 36.7%), and 9.3% were classified as either being on the watchlist or having limited ability to perform (2007: 13.2%).

Credit Risk

Net loans grew by 26% in 2007 and by another 6% in H108 — below the sector averages. The loan portfolio mainly consisted of short-term loans, with 45% having a maturity of less than three months at H108. The share of retail loans including credit card loans is still low at 11% at H108 (2007: 8%), still indicating a lower penetration than the sector. Off-balance-sheet loans equalled 40% of total assets at end-H108, higher than many of its Turkish peers', reflecting the bank's focus on international trade finance. Off-balance-sheet loans are 100% risk-weighted in calculating the regulatory capital adequacy. Tekstilbank maintains a diversified loan portfolio, where all sectors have less than a 10% share in total cash and non-cash loans except construction (19%), due to its large non-cash component. The exposure to groups is also well-diversified, with the top-20 groups representing 15.9% of the total loan book and 98% of equity at H108. Related-party lending is very small, at 1.5% of the total loans.

Operational Risk

The bank has a disaster recovery and business continuity centre based in Istanbul, capable of recovering all data with maximum of 30 minutes delay. Loss data relating to fraud, damage to physical assets, internal and external processes and other operational risks has been collected since 2002. The bank started implementing the basic indicator approach for operational risk from H107, as did the rest of the Turkish banking system.

Loan Loss Experience and Reserves

NPLs increased to 1.3% of loans at end-2007 (2006: 0.9%), 100% covered by provisions (2006: 117%). This was still lower than commercial banks' average of 3.80%. In H108, NPLs spiked sharply to 2.6% (sector average: 3.07%), with a lower reserve coverage of 75%. The increase was mainly a consequence of some bigcoupon loans becoming non-performing, as well as an overall increase in the default rates, especially within corporate and commercial lending. Historically, Tekstilbank has had good asset quality; however this began to wane in H108. Although NPL ratios are still below the sector average, the momentum of deterioration is significant. The NPL ratio in the consumer lending segment (including credit cards) improved slightly to 3.7% at H108 (2007: 3.9%), whereas the NPLs in corporate, commercial and SME lending increased sharply to 2.5% at end-H108 (2007: 1.1%). Tekstilbank continues to have assets held for sale, independently appraised at a net TRY29m at end-H108, the entire book equated to 1.2% of gross loans including impaired assets.

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 one day, and 10-day holding periods for the previous 250 trading days. Based on the portfolio at end-H108, the bank estimated that it would lose about 13% of its equity under a stress scenario with conditions similar to the February 2001 crisis. The share of the government securities portfolio as a proportion of total assets remained at 10% for H108, one of the lowest in the system. The management does not intend to increase its securities portfolio above the 10% level. The bank had a square net FX position (including on- and off-balance-sheet hedging items) at end-H108. Interest rate risk is mitigated by the floating-rate portion of the government securities portfolio and the short-term nature of the loan book. Liabilities repricing in one month and three months were 85% and 88% met by the assets repricing in the same period, respectively.

Corporate Governance: Tekstilbank complies with the guidelines on corporate governance issued by the Turkish Capital Markets Board (CMB). 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. The bank also established an investor relations department in 2007. There is no reliance on shareholders for funding, and related-party loans are very low.

Funding and Capital

- Mainly funded by customer deposits
- Liquidity risk partly mitigated by the short-term loans and small securities portfolio
- Capital improvements needed

Deposits from customers accounted for a moderate 65% of total non-equity funding at end-2007. The composition of the deposit base is slightly concentrated, such that the top 50 deposits make up 38% of the total, whereas savings deposits below the savings deposit insurance fund threshold of TRY50,000 made up 31% of total savings deposits at H108. Customer deposits increased by 30% in H108, mainly in order to accumulate liquid funds to retire the upcoming syndication loan of USD287.6m in July 2008. The bank utilises its access to syndicated loans and post finance facilities and other borrowed funds, which made up 22% of non-equity funding at H108, which also helps to reduce the asset-liability maturity mismatch. After retiring the USD287.6m syndicated loan facility in July, Tekstilbank acquired another syndicated loan of USD300m (a multi-currency deal of USD156.5m and EUR87.5m) at an all-in cost of Libor+165bp in August 2008. Similar to the sector, the bank inevitably faced some increase in borrowing costs, when compared with 2007's all-in cost of Libor+60bp, due to deteriorating market conditions. The bank has no syndicated debt maturing until August 2009.

Liquidity

Liquid assets increased in H108 and equalled a comfortable 19% of assets. However, this was only a temporary situation, as the bank was preparing at this time for a syndicated loan repayment, and has since been normalised. Management focuses on 'net bank placements + net marketable securities' to figure out its "real" liquid assets, and does not allow it to fall below 8% of total assets. The management already stopped using overnight funding from other banks in 2008 and increased customer deposits. The bank was also able meet BRSA's revised liquidity requirements easily, without further precautions. However, Tekstilbank has a structural assets/liabilities maturity mismatch, due to shorter-term deposits funding relatively longer-term assets, creating liquidity risk, like the other banks in Turkey. Also, the bank's limited franchise and concentrated deposit structure makes it more vulnerable to liquidity problems. However, the 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 covered 63% of liabilities with the same maturity at end-H108.

Capital

In 2007, the equity increased by 14%, mainly through internal capital generation. Free capital, after deducting fixed assets and assets held for sale equalled 72% of equity at end-2007. Fitch's Eligible capital / regulatory weighted risks weakened slightly to a moderate 13.2% at end-2007 (2006: 15.0%).

Tekstilbank's CAR was 12.7% at end-2007, close to the practical regulatory minimum of 12.0% (NB: the actual regulatory minimum CAR is 8%, but the bank has to maintain a CAR of 12% in order to open new branches). In June 2008, the bank decided to increase its paid-in capital by TRY120m, through a cash injection of TRY60m. Since the capital registration procedures take time, TRY45m of this amount was already paid to the bank as a capital advance in June, and this was included in the CAR calculation by the regulator for H108. Despite the new capital, Tekstilbank's CAR was only just adequate, at 12.2% at end-H108, due to growth, and management expects the year-end CAR to be at the regulatory minimum of around 12%. In Fitch's opinion, capitalisation needs to be stronger to support planned loan growth and provide a buffer for future risks, especially given the bank's small size, limited earnings power and the volatile operating environment.

Balance Sheet Analysis

TEKSTIL BANKASI A.S.

	31 Dec 2007			31 Dec 2006		31 Dec 2005		31 Dec 2004	
	Year End USDm Original	Year End TRYth Original	As % of Assets Original	Year End TRYth Original	As % of Assets Original	Year End TRYth Original	As % of Assets Original	Year End TRYth Restated	As % of Assets Restated
A. LOANS									
1. Loans and Advances < 3 months	802.5	932,613.0	31.18	797,761.0	28.18	647,745.0	32.00	n.a.	-
2. Loans and Advances 3 - 12 months	828.5	962,811.0	32.19	795,316.0	28.09	534,621.0	26.41	n.a.	-
3. Loans and Advances > 1 year	253.6	294,651.0	9.85	151,098.0	5.34	105,835.0	5.23	n.a.	-
4. Loan Impairment (to deduct from above)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Loan Impairment (memo)	24.9	28,892.0	0.97	18,164.0	0.64	10,981.0	0.54	6,378.0	0.44
6. Less: Loans from the Insurance Business	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
TOTAL A	**1,884.6**	**2,190,075.0**	**73.22**	**1,744,175.0**	**61.61**	**1,288,201.0**	**63.64**	**830,186.0**	**57.43**
B. OTHER EARNING ASSETS									
1. Loans and Advances to Banks	303.7	352,931.0	11.80	626,069.0	22.12	399,906.0	19.76	336,523.0	23.28
2. Government Securities	240.3	279,221.0	9.34	304,853.0	10.77	210,837.0	10.42	145,791.0	10.09
3. Trading Assets	0.0	0.0	0.00	0.0	0.00	0.0	0.00	73.0	0.01
4. Derivatives	2.0	2,345.0	0.08	1,134.0	0.04	1,820.0	0.09	2,548.0	0.18
5. Other Securities and Investments	15.0	17,458.0	0.58	29,321.0	1.04	0.0	0.00	0.0	0.00
6. Equity Investments	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
7. Insurance	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
TOTAL B	**561.0**	**651,955.0**	**21.80**	**961,377.0**	**33.96**	**612,563.0**	**30.26**	**484,935.0**	**33.55**
C. TOTAL EARNING ASSETS (A+B)	**2,445.6**	**2,842,030.0**	**95.02**	**2,705,552.0**	**95.57**	**1,900,764.0**	**93.90**	**1,315,121.0**	**90.97**
D. TANGIBLE FIXED ASSETS	**67.8**	**78,820.0**	**2.64**	**71,590.0**	**2.53**	**72,626.0**	**3.59**	**74,809.0**	**5.17**
E. NON-EARNING ASSETS									
1. Cash and Due from Banks	16.9	19,650.0	0.66	14,078.0	0.50	12,269.0	0.61	9,337.0	0.65
2. Other	43.5	50,591.0	1.69	39,674.0	1.40	38,494.0	1.90	46,352.0	3.21
F. TOTAL ASSETS	**2,573.9**	**2,991,091.0**	**100.00**	**2,830,894.0**	**100.00**	**2,024,153.0**	**100.00**	**1,445,619.0**	**100.00**
G. DEPOSITS & MONEY MARKET FUNDING									
1. Due to Customers < 1 year	1,415.6	1,645,054.0	55.00	1,374,066.0	48.54	1,167,618.0	57.68	n.a.	-
2. Due to Customers > 1 year	0.0	6.0	0.00	4,251.0	0.15	3,524.0	0.17	n.a.	-
3. Due to Customers, no breakdown	n.a.	n.a.	-	n.a.	-	n.a.	-	859,288.0	59.44
4. Deposits from Banks	246.4	286,399.0	9.58	355,011.0	12.54	171,367.0	8.47	138,620.0	9.59
5. Other Deposits and Short-term Borrowings	248.8	289,144.0	9.67	385,899.0	13.63	401,282.0	19.82	249,299.0	17.25
TOTAL G	**1,910.9**	**2,220,603.0**	**74.24**	**2,119,227.0**	**74.86**	**1,743,791.0**	**86.15**	**1,247,207.0**	**86.27**
H. OTHER LIABILITIES									
1. Derivatives	19.0	22,080.0	0.74	8,648.0	0.31	1,727.0	0.09	2,407.0	0.17
2. Trading Liabilities	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
3. Fair Value Portion of Debt	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
4. Insurance	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
TOTAL H	**19.0**	**22,080.0**	**0.74**	**8,648.0**	**0.31**	**1,727.0**	**0.09**	**2,407.0**	**0.17**
I. OTHER FUNDING									
1. Long-term Borrowing	258.4	300,342.0	10.04	320,838.0	11.33	23,525.0	1.16	6,813.0	0.47
2. Subordinated Debt	n.a.	n.a.	-	n.a.	-	0.0	0.00	n.a.	-
3. Other Funding	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
TOTAL I	**258.4**	**300,342.0**	**10.04**	**320,838.0**	**11.33**	**23,525.0**	**1.16**	**6,813.0**	**0.47**
J. NON-INTEREST BEARING	**53.0**	**61,543.0**	**2.06**	**43,364.0**	**1.53**	**57,795.0**	**2.86**	**32,554.0**	**2.25**
K. HYBRID CAPITAL									
1. Hybrid capital accounted for as equity	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
2. Hybrid Capital accounted for as debt	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
L. TOTAL LIABILITIES	**2,241.3**	**2,604,568.0**	**87.08**	**2,492,077.0**	**88.03**	**1,826,838.0**	**90.25**	**1,288,981.0**	**89.16**
M. EQUITY									
1. Common Equity	328.5	381,767.0	12.76	338,121.0	11.94	197,417.0	9.75	156,942.0	10.86
2. Minority Interest	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Revaluation Reserves	4.1	4,756.0	0.16	696.0	0.02	-102.0	-0.01	-304.0	-0.02
TOTAL M	**332.6**	**386,523.0**	**12.92**	**338,817.0**	**11.97**	**197,315.0**	**9.75**	**156,638.0**	**10.84**
MEMO: CORE CAPITAL	**328.5**	**381,767.0**	**12.76**	**338,121.0**	**11.94**	**187,413.0**	**9.26**	**138,139.0**	**9.56**
MEMO: ELIGIBLE CAPITAL	**328.5**	**381,767.0**	**12.76**	**338,121.0**	**11.94**	**187,413.0**	**9.26**	**138,139.0**	**9.56**
N. TOTAL LIABILITIES & EQUITY	**2,573.9**	**2,991,091.0**	**100.00**	**2,830,894.0**	**100.00**	**2,024,153.0**	**100.00**	**1,445,619.0**	**100.00**
Exchange Rate		USD1 = TRY 1.1621		USD1 = TRY 1.4090		USD1 = TRY 1.3451		USD1 = TRY 1.3451	

Income Statement Analysis
TEKSTIL BANKASI A.S.

	31 Dec 2007		31 Dec 2006		31 Dec 2005		31 Dec 2004	
	Income Expenses TRYth Original	As % of Total AV Earning Assts Original	Income Expenses TRYth Original	As % of Total AV Earning Assts Original	Income Expenses TRYth Original	As % of Total AV Earning Assts Original	Income Expenses TRYth Restated	As % of Total AV Earning Assts Restated
1. Interest Income	380,909.0	13.73	264,402.0	11.48	167,467.0	10.41	152,423.0	13.79
2. Interest Expense	248,460.0	8.96	178,712.0	7.76	107,471.0	6.68	101,044.0	9.14
3. NET INTEREST REVENUE	**132,449.0**	**4.78**	**85,690.0**	**3.72**	**59,996.0**	**3.73**	**51,379.0**	**4.65**
4. Net Fees & Commissions	28,148.0	1.01	24,726.0	1.07	20,117.0	1.25	19,458.0	1.76
5. Net Insurance Revenue	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
6. Other Operating Income	15,696.0	0.57	15,258.0	0.66	11,411.0	0.71	8,377.0	0.76
7. Personnel Expenses	65,425.0	2.36	50,698.0	2.20	39,228.0	2.44	31,839.0	2.88
8. Other Operating Expenses	45,846.0	1.65	33,414.0	1.45	30,287.0	1.88	31,293.0	2.83
9. PRE-IMPAIRMENT OPERATING PROFIT	**65,022.0**	**2.34**	**41,562.0**	**1.80**	**22,009.0**	**1.37**	**16,082.0**	**1.46**
10. Loan Impairment Charge	12,666.0	0.46	18,414.0	0.80	8,119.0	0.50	2,655.0	0.24
11. Other Credit Impairment and Provisions	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
12. OPERATING PROFIT	**52,356.0**	**1.89**	**23,148.0**	**1.01**	**13,890.0**	**0.86**	**13,427.0**	**1.21**
13. Other Income and Expenses	749.0	0.03	2,776.0	0.12	1,656.0	0.10	-3,844.0	-0.35
14. PUBLISHED PRE-TAX PROFIT	**53,105.0**	**1.91**	**25,924.0**	**1.13**	**15,546.0**	**0.97**	**9,583.0**	**0.87**
15. Taxes	9,459.0	0.34	9,511.0	0.41	5,160.0	0.32	3,087.0	0.28
16. Profit/(Loss) from Discontinued Operations	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
17. Change in Value of AFS investments	81.0	0.00	637.0	0.03	171.0	0.01	21.0	0.00
18. CurrencyTranslation Differences	-376.0	-0.01	161.0	0.01	31.0	0.00	-325.0	-0.03
19. Other Gains/(Losses) not in Published Net Income	4,355.0	0.16	0.0	0.00	0.0	0.00	n.a.	-
20. FITCH COMPREHENSIVE INCOME	**47,706.0**	**1.72**	**17,211.0**	**0.75**	**10,588.0**	**0.66**	**6,192.0**	**0.56**
21. Total Gains/(Losses) not in Published Net Income	4,060.0	0.15	798.0	0.03	202.0	0.01	-304.0	-0.03
22. IFRS Dividends included in Fitch Interest Expense	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-
23. PUBLISHED NET INCOME	**43,646.0**	**1.57**	**16,413.0**	**0.71**	**10,386.0**	**0.65**	**6,496.0**	**0.59**

Ratio Analysis
TEKSTIL BANKASI A.S.

		31 Dec 2007	31 Dec 2006	31 Dec 2005	31 Dec 2004
		Year End TRYth Original	Year End TRYth Original	Year End TRYth Original	Year End TRYth Restated
I. PERFORMANCE					
1. Net Interest Margin	%	4.78	3.72	3.74	4.65
2. Loan Yield	%	15.11	13.12	12.38	16.18
3. Cost of Funds	%	10.02	8.50	7.11	8.20
4. Costs/Average Assets	%	3.82	3.46	4.01	4.46
5. Costs/Income	%	63.12	66.93	75.95	79.70
6. Pre-Impairment Operating ROAA	%	2.23	1.71	1.27	1.14
7. Operating ROAA	%	1.80	0.95	0.80	0.95
8. Pre-impairment Operating ROAE	%	17.93	15.50	12.44	11.24
9. Operating ROAE	%	14.44	8.64	7.85	9.39
II. CAPITAL ADEQUACY					
1. Internal Capital Generation	%	13.15	6.42	5.98	4.33
2. Core Capital/Total Assets	%	12.76	11.94	9.30	9.68
3. Eligible Capital/Regulatory Weighted Risks	%	13.26	14.99	11.41	n.a.
4. Eligible Capital+Eligible Revaluation Reserves/Regulatory Weighted Risks	%	13.27	15.02	11.41	n.a.
5. Tier 1 Regulatory Capital Ratio	%	12.12	13.67	9.99	10.85
6. Total Regulatory Capital Ratio	%	12.73	14.11	12.15	12.85
7. Free Capital/Equity	%	71.76	71.49	48.47	36.33
III. LIQUIDITY (year end)					
1. Liquid Assets/Deposits & Money Mkt Funding	%	30.02	45.77	35.73	39.42
2. Loans/Deposits	%	133.13	126.54	110.00	96.61
IV. ASSET QUALITY					
1. Loan Impairment Charge/Gross Loans (av.)	%	0.64	1.20	0.76	0.36
2. Total Credit Impairment/Pre-impairment Operating Profit	%	19.48	44.30	36.89	16.51
3. Loan Impairment/Gross Impaired Loans	%	100.00	116.79	61.54	172.47
4. Individual Loan Impairment/Gross Impaired Loans	%	n.a.	n.a.	61.50	172.50
5. Impaired Loans Gross / Loans Gross	%	1.30	0.88	1.37	0.44
6. Impaired Loans Net/Eligible Capital	%	0.00	-0.77	3.66	-1.94
7. Net Charge-offs/Gross Loans (av.)	%	0.10	0.73	0.31	0.06