Turkey
Credit Analysis

Tekstil Bankasi A.S.

Ratings

Tekstil Bankasi 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	BB-
Local Long-Term	BB-
Outlook	Stable

Financial Data

Tekstil Bankasi A.S.

	31 Dec 2004	31 Dec 2003
Total Assets (USDm)	1,052.3	1,008.0
Total Assets (TRY000)	1,409,525.0	1,350,205.0
Equity (TRY000)	132,379.0	126,028.0
Net Income (TRY000)	6,328.0	30,550.0
ROAA (%)	0.46	2.38
ROAE (%)	4.90	29.15
Equity/Assets (%)	9.39	9.33

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Rating Rationale

- The ratings of Tekstil Bankasi A.S. ("Tekstilbank") reflect its good asset quality and sound internal risk management policies. These are balanced by its weak profitability, low capitalisation and limited franchise in a competitive operating environment.
- Tekstilbank's profitability dropped in 2004, driven by somewhat weaker interest income from significant holdings of low-yield liquid assets, reduced trading gains after scaling back its government securities portfolio after recording a large gain in 2003, margin contraction and the increase in loan loss provisions net of recoveries. This was despite improved net fee and commission income and lower funding costs flowing through from additional demand deposits. Profitability and efficiency improved in H105 mainly reflecting growth in interest income from the bank's loan book.
- Tekstilbank has historically reported lower NPLs (non-performing loans) than its peers. At end-H105, asset quality remained good with an NPL ratio of 0.73% and reserve coverage of 142%. However, the bank continues to carry large fixed assets held for sale, amounting to 2.44% of gross loans at end-H105 including such assets.
- As protection against outflows when deposit insurance would be reduced in July 2004, the bank built a large liquidity position at end-2003. The excess liquidity was gradually reduced in 2004 and H105.
- The consolidated regulatory capital adequacy ratio stood at 12.85% at end-2004, including the capital injection of TRY22.5m from the shareholders and had improved to 13.12% at end-H105 on an unconsolidated basis. Fitch Ratings believes that continued improvement in capitalisation will be necessary to provide a cushion against planned growth in risk-weighted assets in a potentially volatile operating environment and in reflection of the bank's size, given it operates in a highly competitive environment.

Support

- In Fitch's opinion, sovereign support for the bank, although possible, cannot be relied upon given Tekstilbank's relatively small size within 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 in an improving economic environment.
- Given the bank's improving, but still weak profitability and low capitalisation, there is little upside potential in its ratings. That said, strong improvements in profitability and capitalisation could result in an upgrade over the medium-term.
- Fitch believes there is a downside risk to the bank's Individual and Long-term ratings if there is a marked and uncorrected deterioration in the Turkish economy, leading to a contraction in the real sector.

Profile

- Tekstilbank, established in 1986, has been majority owned by GSD Holding AS, ("GSD Holding") since 2002 (end-H105: 75.40%): the remaining shares are publicly traded on the Istanbul Stock Exchange ("ISE"). GSD Holding has interests in financial institutions and foreign trade business and 82% of its shares are also listed on the ISE.
- Tekstilbank is one of the smaller mid-sized banks in Turkey, focusing on corporate and commercial banking as well as trade finance, and had 38 branches at end-2004.

19 August 2005

PROFILE

- **Majority-owned by GSD Holding**
- **Focused on corporate and commercial 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 75.40% of the bank's shares at end-H105; the remainder are publicly traded on the ISE. GSD Holding was set up in 1996 to co-ordinate the activities of the GSD group of companies, 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) and companies in leasing (Tekstil Leasing), factoring (Tekstil Factoring) and insurance (GSD Insurance), as well as a non-profit educational foundation. At end-H105, 82% of the shares in GSD Holding were publicly traded on the ISE.

At end-2004 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 Off-Shore Ltd ("ETB") in Northern Cyprus providing corporate lending and deposit collection services. Tekstilbank sold its shares in its factoring and leasing subsidiaries to GSD Holding in 2002. Tekstilbank accounted for c.80% and 71% of 2004 consolidated GSD Holding assets and net profit respectively.

Tekstilbank is one of the smaller mid-sized banks in Turkey, ranking 13th among 18 privately owned commercial banks in terms of end-2004 assets with total assets of USD1,052 million, or a 0.4% market share, and had 38 domestic branches (2003: 38) in Turkey and 938 staff (2003: 908). The bank also has a financial services branch in Berlin primarily processing remittances on behalf of Turkish expats.

Strategy: Tekstilbank is primarily focused on corporate and commercial banking and specialises in domestic and international trade finance, and while investment and retail banking have always been complementary businesses, the emphasis shifted slightly in 2004. Tekstilbank's target customer base is small- and medium-sized enterprises ("SMEs") with a focus on customer profitability rather than product returns. The bank plans to open two more branches by the end of 2005 and to enlarge its branch network to 50 in the medium term.

Management is targeting growth in fee and commission income-generating activities, such as trade finance, cash management, foreign exchange trading and non-cash loans, as well as increasing its credit cards issuance in an environment of narrowing margins. It hopes to do this by utilising its recently enlarged marketing and direct sales team, increasing cross-selling activities and also making full use of its alternative distribution channels. 79,044 Tekstilbank credit cards were in circulation at end-H105 and in an effort to maximise cross-selling opportunities and increase non-interest revenue, management has set a target of 120,000 credit cards to be in circulation by the end of 2005, which seems as a rapid growth for Fitch in a relatively new area for the bank in a highly competitive segment and this might bring about asset quality problems in the future. The bank is looking to further expand its share of international trade finance in Turkey from the 1.7% at end-2004 (2003: 1.5%) and its foreign exchange trading market share from 2.4%. Its share of system assets was a much lower 0.4%. 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 International Financial Reporting Standards ("IFRS").

PERFORMANCE

- **Reduction in net income in 2004**
- **Profitability improved in H105**
- **Although started to improve in H105, cost/income ratio remained high**

Tekstilbank's assets grew by only 4% in 2004 (compared with a peer average of 11%), and despite 28% growth in gross loans, primarily due to the decline in government securities and liquid assets. Ahead of the July 2004 reduction in deposit insurance in the Turkish banking system, Tekstilbank reduced its securities portfolio by 70% in 2003 to build liquidity against a potential deposit outflow and only started to scale it back towards the end of the year. Hence, in 2004, Tekstilbank recorded net income of USD5m, far lower than the USD23m in 2003, reflects a lack of a similar large capital gain (c.USD6m) recorded from the partial sale of government securities in 2003 and also driven by weaker interest income from low-yield liquid assets as well as a margin squeeze and higher loan loss provisions net of recoveries, and despite increased net fee and commission income.

In H105, assets shrunk by 6% in nominal terms (non-inflation adjusted) compared to end-2004 while liquid assets declined in favour of increase in loans and government securities. The bank still recorded a non-inflation adjusted net income of USD7m, much stronger than USD0.4m in 2003 and the ROAA and ROAE improved to 1.36% and 12.24%, respectively on an annualised basis, mainly due to an improvement in operating income.

Revenues: Net fee and commission income continued to grow in 2004 as a result of efforts to increase non-interest revenue activities as a relatively more stable source of income, and accounted for 25% of total operating income (2003: 16%), while net trading gains fell to 6% (2003: 7%) mainly due to the smaller portfolio as a result of the disposal of government securities. Total operating income fell 20% in 2004, but then increased by 11% in H105 compared to end-2004 in nominal terms and adjusted NIM improved to 4.53% in H105 mainly due to larger decrease of interest expenses compared to that of interest income, reflecting a recovery in profitability.

Non-Interest Expenses: Personnel expenses increased by 8% in 2004 mainly due to the increase in the number of personnel. Administrative expenses, fell by 9%, and total operating expenses declined only slightly by 1%. The cost/income ratio deteriorated to a high 78.99% (2003: 64.16%) mainly due to the fall in operating income. Although overheads to average assets improved marginally to 4.42% (2003: 4.70%), which compares favourably with the peer group average of 5.30%, by international standards, there is still room for improvement. This is expected to be realised primarily through stronger revenues, but there is leeway for reducing the cost base. Although operating expenses rose, the cost/income ratio improved to c.75% in H105, supported by the improvement in operating income.

Loan Loss Provisions: While loan loss reserves comfortably covered non-performing loans (more than 100%) loan loss provisions decreased 6% in 2004. However recoveries were smaller in 2004 compared to 2003, hence loan loss provisions net of recoveries increased in 2004 and absorbed 16% of operating profit before provisions, taxes and exceptional items. Loan loss provisions increased in H105 (see Loan Loss Experience and Reserves below for details).

Prospects: Tekstilbank has shifted its asset mix toward loans while reducing the share of government securities and increasing non-cash loans, international trade finance transactions, cash management services and similar fee and commission income-generating businesses in an environment of narrowing margins. Stronger revenue streams and continued cost control will provide the means to improving efficiency. The bank has established sound risk management systems and has a proven track record in asset quality. Management has set an asset growth target of only 6% in 2005, supported by a modest 10% increase in cash loans, to be funded by a shift from liquid assets and planned growth of non-cash loans are 12%. Gross loans are expected to slightly increase to 60% of end-2005 assets, government securities to remain around the same levels and liquid assets to increase to a relatively higher 18% of assets. The management plans to keep the capital adequacy ratio higher than 12% at end-2005. Management expects profitability to improve in 2005 and onwards as the gradual shift of liquid assets and government securities to loans started towards the end of 2004 and the positive effects of growth started towards the end of the year weren't reflected in the financial results of 2004. As a result of intensifying competition in the banking system, especially among the mid-sized banks in Turkey, and narrowing margins due to falling inflation, retained earnings may prove insufficient to support the planned growth in risk-weighted assets, and additional capital injections may be needed to

Table 1: Performance Indicators

	Tekstilbank		Peer Group[1]	
(%)	2004	2003	2004	2003
Asset Growth	4.39	10.72	10.80	11.28
Net Income Growth[2]	-79.29	-62.08	138.08	-6.16
Net Interest Margin (NIM)	3.72	5.26	4.64	4.41
Adjusted NIM[3]	3.97	5.74	4.77	5.00
Cost/Income	78.99	64.16	73.30	69.99
Net Income/Av Assets	0.46	2.38	1.47	1.54
Net Income/Av Equity	4.90	29.15	16.24	20.51
Equity/Assets	9.39	9.33	12.56	12.85

[1] Anadolubank, Alternatifbank, Tekfenbank and MNG Bank (all consolidated and inflation-adjusted under IFRS).
[2] Excluding Alternatifbank in 2003 since it was NMF.
[3] Net interest revenue less foreign currency losses as a percentage of average assets.
Source: Bank Data Adapted by Fitch

provide a cushion in this potentially volatile operating environment.

RISK MANAGEMENT

- **Asset quality is good and compared favourably with Turkish peers**
- **Concentrated loan portfolio in terms of borrowers**
- **Sound risk management systems and procedures**

The risk management department at Tekstilbank is responsible for defining and measuring risk, establishing risk policies and implementation procedures, as well as research, analysis, and monitoring and reporting of risks in line with the criteria set by the regulator. All loan approvals are delegated to 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. At end-2004, approximately 60% of performing loans were rated in the highest three categories, and 29% and 10%, respectively were designated as average and fair, credits that require strong collateral, and 1% were classified as watch list, including restructured loans. An internally developed scoring system, which has built-in access to the repayment history of the customers at Credit Bureau and the Central Bank of the Republic of Turkey, is used in the approval of retail loans, including credit cards.

Credit Risk: Gross loans increased 28% to 58% of end-2004 assets (2003: 47%), compared with the peer group average of 46% (2003: 37%). The loan portfolio almost entirely consists of short-term loans. The bank once again began extending retail loans and issuing credit cards in Q105 as a complementary business to its commercial banking activities, after suspending these activities previously. Total retail loans including credit card receivables equated to 3.5% of performing loans at end-H105. Non-cash loans, mainly consisted of letter of guarantees and letters of credits, grew 28% in 2004 and to 81% of assets (2003: 66%), higher than many of its Turkish peers, reflecting the focus of the bank in international trade finance. Tekstilbank maintains a diversified cash and non-cash loan portfolio with an element of concentration in credits to the construction industry, which is mainly non-cash (20%), and textiles (13%); no other sector accounts for more than 10% of the total. Related-party cash and non-cash exposures equated to 3% of the total (2003: 4%) and 46% of equity (2003: 43%) at end-2004, or 18% when adjusting for related-party deposits (2003: 38%). The bank's 20 largest cash and non-cash exposures (72% non-cash) represented 23% of the total book and 334% of equity at end-2004, and although all of these were performing. Although the loan concentration was considered high by Fitch, good track record in asset quality is a mitigating factor.

Loan Loss Experience and Reserves: Although NPL amount up 70% from a low base, NPL ratio still constituted a very low 0.44% of gross loans at end-2004 (2003: 0.34%) with reserve coverage of 172% (2003: 227%) compared to the average 4.80% NPL ratio of privately owned Turkish commercial banks. At end-H105 the NPL ratio had increased slightly and still equated to a low 0.73%, while reserve coverage remained satisfactory at 142%. Tekstilbank has historically reported lower NPLs than its peer group, in part due to its focus on self-liquidating, trade-finance lending. The credit card NPL ratio was c.4% at end-2004, in line with the Turkish banking average, while the share of credit cards were very low at 3% in total portfolio.

Tekstilbank continues to report a significant book of assets held for sale, dominated by two properties received in return for originally given as collateral and then called against a NPL, valued at a net TRY16m at end-H105 after adjusting for impairment reserves; and the entire book equating to 2.44% of gross loans including such assets. Restructured loans were minimal, the equivalent of 0.28% of gross loans.

Operational Risk: The Operational Risk Committee was formed in 2001. Loss data relating to fraud, damage to physical assets, internal and external processes and other operational risks has been collected since 2002. The bank is reportedly prepared to adopt the Basic Indicator, Standardised and Alternative Standardized approaches to measure operational risk, in line with Basel II guidelines. The bank has also established a Business Continuity Committee in 2004; a disaster recovery centre has been constructed in the Istanbul suburbs and the related tests were completed. In 2004, an Information Technology Audit and Control division was formed to monitor the effectiveness and adequacy of internal computer system and operational controls.

Market Risk and Asset & 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 working days. Maximum VaR calculated during 2004 equated to a very low 3% of equity. 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 c.6% of its equity under a stress scenario with conditions similar to February 2001 crisis.

The bank's holdings of government securities continued to decline in 2004 to 10% of assets and slightly increased to 13% of end-H105 assets (2003: 13%, 2002: 46%), among the lowest in the system, primarily reflecting a policy of not replacing maturing securities. Foreign currency government securities and floating-rate government securities made up 29% and 56% of the total portfolio, respectively. 73% of the portfolio at end-2004 consisted of trading securities, which were recorded at fair value. The average duration of the portfolio was one year at that date. The bank has a conservative FX risk policy and its regulatory on-balance sheet long position equated to just 1% of equity; after derivative transactions, the short position equated to 4% of equity at end-2004. Like other banks in Turkey, Tekstilbank had a structural asset/liability maturity mismatch due to shorter-term deposits funding relatively longer-term assets, creating interest and liquidity risks. Interest rate risk was mitigated with the floating-rate government securities held and the short-term nature of the loan book, with 57% maturing in less than three months at end-2004; this rose to a high 70% when adjusting for those re-pricing within three months (see Liquidity below).

Corporate Governance: Tekstilbank is subject to compliance to the guidelines on corporate governance issued by the Capital Markets Board ("CMB") of Turkey. It began disclosing its corporate governance principles and implementation report, as per CMB requirements, at the beginning of 2005, and independent auditors' reports and quarterly earnings releases are published on the bank's website. There was no reliance on shareholders for funding while related party loans were low.

■ FUNDING AND CAPITAL

- **Lower liquidity in H105**
- **Share of customer deposits in liabilities declined as borrowings increased**
- **Equity remained low despite capital injections**

Funding: While the TRY-equivalent of customer deposits fell by 5% in 2004, TRY deposits increased by 32% and foreign currency deposits fell by 3% in USD terms, taking their share of the total to 64% (2003: 74%). Customer deposits accounted for 66% of liabilities at end-2004, down from 72%, as the bank took up a USD75m syndicated loan, easing the maturity mismatch by extending the maturity of the liabilities. The syndicated loan was repaid in June 2005 and in July 2005 a new syndicated loan agreement for USD180m was signed for pre-export financing. At end-H105 customer deposits declined 8% in nominal terms as the bank reportedly did not quoted competitive interest rates for the customer deposits prior to the planned syndication. 37% of savings accounts fell below the deposit guarantee threshold of TRY50th at end-2004. Although concentration in large deposits from corporate and medium-sized customers has reflected the limited branch network and the nature of the business, which is focused on corporate and commercial banking, the deposit base has proved stable to date. Related party deposits remained low at 4% of customer deposits at end-2004. As a result of increased corporate and commercial activity, demand deposits had increased to 22% of the total at end-2004 from 17% at end-2003, providing a cheap source of funding.

Liquidity: As protection against outflows when deposit insurance would be reduced in July 2004, the bank built a large liquidity position approaching 30% of assets, covering 46% of customer deposits at end-2003. The excess liquidity was gradually reduced in Q404, to 24% of assets, but still covered 40% of deposits at end-2004. Assets and liabilities maturing in less than three months were more evenly matched at 84%. Liquid assets fell to a low 9% of assets at end-H105 following the repayment of the syndicated loan in June 2005 and enhanced by the proceeds from syndicated loan facility in July 2005.

Capital: Shareholders provided a TRY22.5m capital injection in 2004 (recorded under Other Liabilities at end-2004 in our spreads) that was registered in June 2005 but included in capital adequacy calculations by the regulators at end-2004. That said, the consolidated regulatory capital adequacy ratio fell slightly to 12.85% at end-2004 (2003: 13.29%) due to the growth in risk-weighted assets. The unconsolidated regulatory capital adequacy ratio equated to 13.12% at end-H105 (2004: 12.68%, 2003: 12.23%). Free capital improved to 7.39% of end-H105 assets (2004: 5.65%, 2003: 3.40%) after deducting fixed assets, however deferred tax assets from carry forward tax losses and assets held for sale equated to 10% and 13% of equity at end-H105, respectively. In Fitch's opinion, additional capital injections from shareholders may be needed to support the planned growth in risk-weighted assets and to provide a cushion in this potentially volatile operating environment, particularly given the bank's small size in a highly competitive environment, in which retained earnings may prove insufficient.

Balance Sheet Analysis

TEKSTIL BANKASI A.S. (C.)

	31 Dec 2004				31 Dec 2003		31 Dec 2002		31 Dec 2001	
	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. Short-term	605.7	811,291.0	57.56	720,762.0	630,233.0	46.68	387,411.0	27.91	185,843.0	8.62
2. Medium and Long-term	n.a.	n.a.	-	n.a.	n.a.	-	54,326.0	3.91	56,805.0	2.64
3. Other	n.a.	n.a.	-	n.a.	0.0	0.00	0.0	0.00	n.a.	-
4. Impaired	2.7	3,602.0	0.26	2,865.0	2,128.0	0.16	8,154.0	0.59	21,242.0	0.99
5. Leased Assets	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	39,456.0	1.83
6. (Loan Loss Reserves)	4.6	6,213.0	0.44	5,517.0	4,821.0	0.36	6,871.0	0.49	13,085.0	0.61
TOTAL A	**603.7**	**808,680.0**	**57.37**	**718,110.0**	**627,540.0**	**46.48**	**443,020.0**	**31.91**	**290,261.0**	**13.47**
B. OTHER EARNING ASSETS										
1. Deposits with Banks	78.1	104,604.0	7.42	88,768.5	72,933.0	5.40	44,806.0	3.23	736,983.0	34.19
2. Deposits with Central Bank	166.6	223,203.0	15.84	274,708.5	326,214.0	24.16	88,002.0	6.34	98,858.0	4.59
3. Government Securities	106.0	142,015.0	10.08	156,624.5	171,234.0	12.68	634,833.0	45.73	801,385.0	37.18
4. Other Investments	0.1	71.0	0.01	n.a.	n.a.	-	2,161.0	0.16	1,568.0	0.07
5. Equity Investments	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	80.0	0.00
TOTAL B	**350.8**	**469,893.0**	**33.34**	**520,137.0**	**570,381.0**	**42.24**	**769,802.0**	**55.45**	**1,638,874.0**	**76.03**
C. TOTAL EARNING ASSETS (A+B)	**954.5**	**1,278,573.0**	**90.71**	**1,238,247.0**	**1,197,921.0**	**88.72**	**1,212,822.0**	**87.36**	**1,929,135.0**	**89.50**
D. FIXED ASSETS	**54.4**	**72,871.0**	**5.17**	**76,465.5**	**80,060.0**	**5.93**	**85,608.0**	**6.17**	**94,617.0**	**4.39**
E. NON-EARNING ASSETS										
1. Cash and Due from Banks	6.8	9,094.0	0.65	9,862.5	10,631.0	0.79	11,983.0	0.86	28,972.0	1.34
2. Other	36.6	48,987.0	3.48	55,290.0	61,593.0	4.56	77,892.0	5.61	102,840.0	4.77
F. TOTAL ASSETS	**1,052.3**	**1,409,525.0**	**100.00**	**1,379,865.0**	**1,350,205.0**	**100.00**	**1,388,305.0**	**100.00**	**2,155,564.0**	**100.00**
G. DEPOSITS & MONEY MARKET FUNDING										
1. Savings Deposits	102.2	136,940.0	9.72	110,599.5	84,259.0	6.24	107,286.0	7.73	85,126.0	3.95
2. Commercial Deposits	124.5	166,816.0	11.83	156,412.0	146,008.0	10.81	67,325.0	4.85	260.0	0.01
3. Foreign Currency Deposits	398.1	533,273.0	37.83	593,183.5	653,094.0	48.37	821,927.0	59.20	1,570,614.0	72.86
4. Interbank Deposits	16.1	21,570.0	1.53	15,095.5	8,621.0	0.64	120,224.0	8.66	446,221.0	20.70
5. Other	267.0	357,655.0	25.37	316,118.0	274,581.0	20.34	124,831.0	8.99	2,846.0	0.13
TOTAL G	**908.0**	**1,216,254.0**	**86.29**	**1,191,408.5**	**1,166,563.0**	**86.40**	**1,241,593.0**	**89.43**	**2,105,067.0**	**97.66**
H. OTHER FUNDING										
1. Subordinated Debt	n.a.	n.a.	-	n.a.	n.a.	-	0.0	0.00	n.a.	-
2. Other Long-term Borrowing	5.0	6,636.0	0.47	9,635.0	12,634.0	0.94	12,102.0	0.87	n.a.	-
3. Hybrid Capital	n.a.	n.a.	-	n.a.	n.a.	-	0.0	0.00	0.0	0.00
I. OTHER (Non-int. bearing)	**38.9**	**52,091.0**	**3.70**	**47,601.5**	**43,112.0**	**3.19**	**39,450.0**	**2.84**	**69,419.0**	**3.22**
J. LOAN LOSS RESERVES (see A above)										
K. OTHER RESERVES	**1.6**	**2,165.0**	**0.15**	**2,016.5**	**1,868.0**	**0.14**	**n.a.**	**-**	**1,998.0**	**0.09**
L. EQUITY										
1. Preference shares	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-
2. Common equity	98.8	132,379.0	9.39	129,203.5	126,028.0	9.33	95,160.0	6.85	-20,920.0	-0.97
TOTAL L.	**98.8**	**132,379.0**	**9.39**	**129,203.5**	**126,028.0**	**9.33**	**95,160.0**	**6.85**	**-20,920.0**	**-0.97**
M. TOTAL LIABILITIES & EQUITY	**1,052.3**	**1,409,525.0**	**100.00**	**1,379,865.0**	**1,350,205.0**	**100.00**	**1,388,305.0**	**100.00**	**2,155,564.0**	**100.00**
Exchange Rate		USD1 = TRZ 1.3395			USD1 = TRZ 1.3395		USD1 = TRZ 1.3395		USD1 = TRZ 1.3395	

Income Statement Analysis
TEKSTIL BANKASI A.S. (C.)

	31 Dec 2004		31 Dec 2003		31 Dec 2002		31 Dec 2001	
	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	148,871.0	12.02	202,986.0	16.84	301,467.0	19.19	1,098,005.0	69.08
2. Interest Expense	97,491.0	7.87	135,432.0	11.24	212,528.0	13.53	479,359.0	30.16
3. NET INTEREST REVENUE	**51,380.0**	**4.15**	**67,554.0**	**5.60**	**88,939.0**	**5.66**	**618,646.0**	**38.92**
4. Net Fees & Commissions	18,971.0	1.53	15,203.0	1.26	13,997.0	0.89	12,378.0	0.78
5. Other Operating Income	6,811.0	0.55	13,401.0	1.11	38,073.0	2.42	-785,670.0	-49.43
6. Personnel Expenses	31,014.0	2.50	28,781.0	2.39	29,621.0	1.89	51,758.0	3.26
7. Other Operating Expenses	29,937.0	2.42	32,914.0	2.73	44,565.0	2.84	88,064.0	5.54
8. Loan Loss Provisions	2,586.0	0.21	182.0	0.02	2,418.0	0.15	21,853.0	1.37
9. OPERATING PROFIT	**13,625.0**	**1.10**	**34,281.0**	**2.84**	**64,405.0**	**4.10**	**-316,321.0**	**-19.90**
10. Other Income and Expenses	n.a.	-	n.a.	-	105.0	0.01	n.a.	-
11. PROFIT BEFORE EXCEPTIONAL ITEMS	**13,625.0**	**1.10**	**34,281.0**	**2.84**	**64,510.0**	**4.11**	**-316,321.0**	**-19.90**
12. Exceptional Items	-4,290.0	-0.35	-476.0	-0.04	3,516.0	0.22	n.a.	-
13. PRE-TAX PROFIT	**9,335.0**	**0.75**	**33,805.0**	**2.80**	**68,026.0**	**4.33**	**-316,321.0**	**-19.90**
14. Taxes	3,007.0	0.24	3,255.0	0.27	-23,688.0	-1.51	11,439.0	0.72
15. Published Net Income Including Minorities	**6,328.0**	**0.51**	**30,550.0**	**2.53**	**91,714.0**	**5.84**	**-327,760.0**	**-20.62**
16. FITCH NET INCOME	6,328.0	0.51	30,550.0	2.53	91,714.0	5.84	-327,760.0	-20.62

Ratio Analysis
TEKSTIL BANKASI A.S. (C.)

		31 Dec 2004 Original	31 Dec 2003 Restated	31 Dec 2002 Restated	31 Dec 2001 Restated
I. PROFITABILITY LEVEL					
1. Pre-tax Profit/Total Assets (av.)	%	0.68	2.47	3.84	-17.69
2. Net income less pref.Dividends/ Common equity(av.)	%	4.90	27.62	247.07	-454.56
3. Net Income/Equity (av.)	%	4.90	27.62	247.07	-454.56
4. Net Income/Total Assets (av.)	%	0.46	2.23	5.18	-18.33
5. Non-int. Exp./Net Interest Rev. + Other Operating Income	%	78.99	64.16	52.61	-90.41
6. Net Interest Rev./Total Assets (av.)	%	3.72	4.93	5.02	34.60
7. Net Int. Income Adjusted for F/X Losses/Total Assets (av.)	%	3.97	5.39	6.02	-7.97
II. CAPITAL ADEQUACY (year end)					
1. Internal Capital Generation	%	4.90	27.62	247.07	-454.56
2. Equity/Total Assets	%	9.39	9.33	6.85	-0.97
3. Equity/Loans	%	16.37	20.08	21.48	-7.21
4. Capital/Risks - Tier 1	%	n.a.	n.a.	n.a.	n.a.
5. Capital/Risks - Total	%	12.68	12.23	11.50	n.a.
6. Free Capital/Total Assets	%	4.41	3.60	0.60	-5.74
7. Common Equity/Total Assets	%	9.39	9.33	6.85	-0.97
III. LIQUIDITY (year end)					
1. Liquid Assets/Deposits & Money Mkt Funding	%	27.70	35.13	10.84	n.a.
2. Liquid Assets & Marketable Debt Securities/Deposits & Money Mkt Funding	%	39.38	49.81	62.97	79.23
3. Loans/Deposits & Money Mkt Funding	%	67.00	54.21	36.23	14.41
IV. ASSET QUALITY					
1. Loan Loss Provisions/Loans (av.)	%	0.36	0.03	0.66	5.54
2. Loan Loss Provisions/Profit before Provisions and Tax	%	21.69	0.54	3.43	-7.42
3. Loan Loss Reserves/Gross Loans	%	0.76	0.76	1.53	4.31
4. Impaired Loans/Gross Loans	%	0.44	0.34	1.81	7.00
5. Impaired Loans net/equity	%	-1.97	-2.14	1.35	-38.99
6. Loan Loss Reserves/Impaired Loans	%	172.49	226.55	84.27	61.60
7. Impaired Assets/Total Loans and foreclosed property	%	3.08	4.46	7.62	16.69