

exclusive interview

TÜRK EXIMBANK **ALWAYS SUPPORTING SUSTAINABLE GROWTH**

Türk Eximbank has been steadily providing support to exporters, particularly SMEs - the backbones of the Turkish economy- and takes part in international projects.



● BY DOÇ.DR. AHMET ÇETİNKAYA

Exports, one of the main drivers of growth in Turkey, exceeded USD 157 billion in 2017. Türk Eximbank, the Export Credit Bank of Turkey, has been at exporters' disposal with its tailor-made instruments specifically developed in line with their needs. We had an interview with Mr. Adnan Yıldırım, General Manager of Türk Eximbank on their domestic and international activities and their role on Turkey's success story over the last 15 years.

Eximbank has a very important function for Turkey's economy. Can you tell us about the bank's mission, history and goals?

Türk Eximbank was established in 1987 with the adoption of the export-based growth strategy in Turkey. The Bank started to take its place among the export credit agencies (ECAs) in the world in a short time with its performance even though it was founded about 50 years after similar ECAs like Coface, Euler-Hermes and Atradius in developed countries.

As is known, foreign trade involve more risks than domestic commercial operations. In the most basic sense, Türk Eximbank aims to reduce the financial risks faced by our exporters to the minimum level and to provide the financing support that our firms need at an affordable cost. As Türk Eximbank, at times when exporters need it most, even during times when market financing is tightening, we offer our firms affordable financial instruments to help them export in a safer environment; thus supporting the sustainability of export growth.



Our Bank provides credit, guarantee and credit insurance services to primarily exporters, contractors and investors operating abroad, firms operating in foreign exchange earning services, international transporters and tourism professionals. The fact that these three processes are gathered under the same roof is a feature that distinguishes Türk Eximbank from similar ones in the world and also gives an



opportunity to create an integrity in the services given to the exporting firms. In other words Türk Eximbank functions as a one-stop-shop for these firms. We consider exporting as a process in Türk Eximbank and we present the different products needed at each stage of this process. Within this scope, we provide financing services with 29 different programs for exporters of goods and services.

TÜRK EXIMBANK PROVIDES FINANCING SERVICES WITH 29 DIFFERENT PROGRAMS FOR EXPORTERS OF GOODS AND SERVICES.

We provide financing support that they will need in the manufacturing process with cash loans, either before the shipment is made or in the post-shipment stage. With export credit insurance program, we also allow our exporters to increase their competitiveness in existing markets and enter new markets without considering the commercial and political risks. In addition, financing support is provided by encouraging futures sales transactions and thus increasing export volume and facilitating entry into new and target markets by discounting futures export receivables. Furthermore, we also provide loans to the buyers of Turkish goods and services. Within this scope, our Bank provides various financing opportunities for the buyers of Turkish companies for the projects to be realized abroad or for the export of goods abroad in the scope of the International Loans Program as the recipient credits.

In 2017, Türk Eximbank has been in a period of restructuring in order to meet exporters' needs more effectively and to work directly with exporters. By means of this restructuring, we were able to increase the total financing support by 19% from USD 32.9 billion in 2016 to USD 39.3 billion in 2017. Of this amount USD 24.1 billion was cash credits and USD 15.2 billion was insurance support.

In 2018, we plan to increase our support by 17% and provide a total of USD 46 billion worth of support, including USD 28 billion worth of loans and USD 18 billion of insurance. Therefore, Turk Eximbank's total support ratio of exports will increase from 25 % in 2017 to 27 % in 2018.

Eximbank is one of the first banks to be moved to Istanbul. What are your thoughts on the Istanbul Finance Center project? What do you expect that we will see in the upcoming period?

Moving to Istanbul, where approximately half of our total exports were realized, was a result of our Bank's customer-oriented approach and marketing activities. As a matter of fact, after the move, our exporters now have much easier access to us; so that our exporters are able to reach our existing products more easily and also the needs of our exporters can be determined more easily and quickly and necessary arrangements can be made. At the same time being in Istanbul will make easy for Turk Eximbank to be integrated into the Istanbul Finance Center (IFC).

The development of capital markets is one of the most important issues that support sustainable and high growth by influencing the cost of the resources provided to investments, structure of cost and maturity. In this context, IFC should be considered as a supportive project of long term objectives of Turkey. With one hand Financial Center project is to increase the diversity of financial products targeted in Turkey, which is intended to reduce resource costs and increase the depth of the market in the other hand.

With the project, the increase in the rate of savings by increasing the diversity of capital market instruments, resulting in a decrease in the current account deficit. It is aimed that the financing structure of the current deficit will be healthier by attracting long term



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foreign investments to Turkey. In other words, due to IFC Project both Turkey's current account deficit will be lower and deficit will be financed with long-term resources.

The IFC project will also contribute to the political and economic integration process with the Middle East, which has been increasing recently. The uniqueness of our country's geopolitical position, our favorable economic dynamics and the healthy financial structure of our financial sector will help us towards our country as part of the financial center project of the Gulf capital; so that it will play a role in the development of our economic relations with the Region countries.

This process, will allow Turkish financial instruments to be more recognizable in the countries of the region and will increase their exports. This will also open up the possibility of making mutual investment decisions.

If we look IFC from Turk Eximbank perspective, the cost of funds obtained will decrease, maturity and the diversity will increase. Thus, funds offered to both our exporters and contractor working abroad will



be cheaper, longer term. Besides, with the IFC project, easier interaction and communication will be established with other international financial institutions; hence opportunities such as new collaborations, development of new products, and joint project financing in this framework will increase.

The steps to be taken to make Istanbul a regional and global financial center should be evaluated in the framework of comprehensive infrastructural transformation and not merely be perceived as the gathering of financial institutions in one center. Issues such as increasing financial literacy across the country or increasing the number of policies or public offerings that enable SMEs to benefit more from capital markets are also important steps taken in the fate of the IFC project.

The integration of the Istanbul Stock Exchange, Turkish Derivatives Exchange and Istanbul Gold Exchange in the BIST should also be regarded as an important step on this path. As a matter of fact, the combination of the three elements and being managed from a single hand will help to increase the liquidity and depth in the market, as well as to ensure the coordination between the markets at a high level and to increase productivity and efficiency. In this way, decision-making processes will be shortened, investors will be able to offer a more dynamic stock market service that is more dynamic and capable of adapting to series, coordination and new conditions. Moreover, thanks to these advantages, it will also facilitate the production and management of new and sophisticated instruments in accordance with the capital markets of our country and the demands of investors.

Foreign operations contributed only 0.3 points to the 11.1 percent GDP growth achieved in the third quarter of 2017. This is because of the increase in imports as well as exports. How do you think the exchange rates should be so that single-digit inflation can be achieved in an increasing import environment?

According to Central Bank of Turkey's analysis, when we look at the exchange rate sensitivities of the Turkish Manufacturing sector, the share of most responsive sectors is 26 percent of Turkish exports, while the share of least responsive sectors is 37 percent. This finding implies that the competitive power of the exchange rates are limited in our case. That's why government policies focus on sector-specific structural factors, rather than price competition.

We expect inflation will decrease to 9 percent at the end of 2018. Inflation may dip towards 10 percent in April-May period but we have to wait until Q4 for single digit figure. Recent tax and minimum wage hikes will limit the improvement but food, energy, core goods and services inflation components will lead to a decline in inflation.

By the end of 2017, our exports have exceeded 157 billion dollars. How do you evaluate the steady growth of exports in spite of the domestic and foreign troubles experienced over the last two years? What do you think about catching our 2023 targets?

In 2009, Turkey's target in exports for 2023 was determined by the expectation of the world trade based on realization of USD 15.8 trillion in 2008. According to the projections for 2023, Turkey's exports target was expected to take 1.5 percent share of the world trade which is equal to 500 billion dollars. By contrast with predictions, for the last eight years world trade has been around USD 16 trillion. Turkey's share of world foreign trade, which was 0.8 percent in 2008, has risen to 0.99 percent according to the latest data of the WTO. We expect it to reach 1 percent in the end of 2018.

Last year, exports of Turkey surpassed the Medium Term Program (MTP) target of USD 156.5 billion by achieving USD 157.1 billion. In addition to this acceleration in exports, during the period of 2018-2020, the exports is

expected to increase by 5.8 percent in annual average while 4.7 percent increase in imports.

The export targets in MTP are revised for the forthcoming three years to \$169, \$182, \$195 billion respectively, Considering the export targets and under the assumption that world trade figure will be around 16 trillion as it used to be in the last eight years, Turkey's the share of world trade will be forecast to increase to 1.2 percent by the end of 2020.

The main objective of the MTP is to achieve sustainable economic growth by maintaining macro-economic stability with disinflation goals, rising the quality of human sources and expanding the labor force. Moreover in order to ensure the envisaged growth structure in MTP, the government plans to finance the country's current account deficit with mainly domestic savings and also foreign direct investment and concentrate on structural reforms for the high value added production and exports.

As Eximbank, what steps do you intend to take in the coming period in order to facilitate the exporter's business? What are the supports Eximbank already offers to exporters?

As Eximbank, we can collect our products under 3 main headings as domestic credits, credit insurance, international (buyers) credits. We provide financing service with 29 different programs for exporters of goods and services.

In domestic credits, most popular product stands out as Rediscount Loan funded by CBRT. It has the most favorable interest rate on the market in the scope of the rediscount limit of USD 17 billion which the Bank has granted and which is used by our direct exporters and foreign currency earning service firms. This

"WE EXPECT THAT INFLATION WILL DECREASE TO SINGLE-DIGIT NUMBERS BY THE END OF 2018."

was further reinforced by a 10bp reduction in the interest rates of these loans up to 20% in August 2017. Thus, interest rates of Rediscount Loan became for;

- 4 months maturity option LIBOR + 0.40
- 6 months maturity option LIBOR + 0.50
- 8 months maturity option LIBOR + 0.65.

Within the scope of the Credit Insurance, our firms face uncertainty when they trade with both a company and its country they do not know during the sales process. Turk Eximbank insures these risks. Turk Eximbank is providing credit insurance services to Turkish exporters in order to enable them to sell goods to new markets more conveniently and safely. With this service, the exporter is assured against the commercial and political risks that may arise from the buyer abroad or the buyer's country. In other words, Eximbank measures the reliability of the buyer rather than the exporter, and takes the risk (90%) significantly. Hence it could be said that as Türk Eximbank we take the risk and allow our exporters to trade in a risk free environment.

In International Loans, we meet the financing needs of buyers to give advantage to our exporters. At this point, we aim to complete the most important part of the export process that is incomplete in some cases. Thus, by reducing the dependence of the buyers to financing conditions in their countries, it is aimed at facilitating and stabilizing the exports of our firms. The financing opportunities we offer are not limited to large-scale businesses such as projects and contracting business. We also offer financing to buyers of Turkish durable and non-durable consumer goods, machinery and equipment and capital goods. We think that we are contributing to the competitiveness to Turkish exporters.

As mentioned above, Türk Eximbank is being restructured in the 30th year of its foundation in order to better fulfill its mission of supporting exports. In this process, we established an organizational structure that allows us to work directly with our exporters.

TOTAL SUPPORT AMOUNT OF EXPORT CREDIT BANK OF TURKEY

	2016	2017	Change
Total Credit Amounts (TRY billion)	21.6	23.9	11%
Total Exports Insured Amounts	11.0	15.2	38%
Number of Insured Companies	2,611	2,961	13%



We set up marketing, allocation and operation units and started to provide loans by also accepting other than bank letter of guarantee as collateral under the Treasury backed Credit Guarantee Fund system.

As part of our structural change, we transformed our previously opened liaison offices to branches in order to provide services directly to our exporters. Within this scope, we opened Gaziantep Branch in 2016 and Denizli, Bursa, Adana, Gebze, Antalya, Konya, Kayseri and İstanbul European Side branches in 2017. We are currently providing loans via our new branches and as the infrastructure works being completed, all of our branches will soon be able to provide exporters of the credit insurance service. In the upcoming period, we plan to open new liaison offices gradually in large organized industrial zones which have export potential.

Exporters can reach our loans with not only our own branch network but also other financial institutions at the same time. While 88% of our loans are used directly, 12% of it are used with our national partners. These include 44 trade and participation banks, 14 factoring firms and 7 leasing firms.

In order to solve the financing problems of our SMEs, the TL loans, which are restricted by the Bank's own resources, were directed to SMEs in 2017. Thus, in 2018 the Pre-Shipment TL Export Credits and the Pre-Export TL Credits are only available to SMEs. With these programs, I would like to express that we will provide 5 billion TL for SMEs in 2018. In addition, we will prioritize SMEs in our other credit and insurance programs.

On the other hand, with the Incentive Buyer Loan program, which includes the Commercial Interest Rate of Reference (CIRR), the lowest interest rate for OECD member countries, introduced in early 2017, Turkish exporters are now able to increase their sales by competing on equal terms with their competitors. Prior to this support, our buyers loans were mainly concentrated in Asia and Africa. We could not compete in many developed countries because of the underlying interest rates. With this new implementation, we can provide financing at CIRR to the buyers of our exporters in developed countries in medium / long term investment goods exports. Thus, Turkish exporters



WITH PRE-SHIPMENT TL EXPORT CREDITS AND THE PRE-EXPORT TL CREDITS WE WILL PROVIDE TRY 5 BILLION FOR SMEs IN 2018.

have achieved a considerable competitive advantage in these credits, which are now available for countries with low risk and high purchasing power.

One of our innovations is provided by Global Data, which means that the information required for insurance transactions is taken from a single global data source, will provide much faster and on-the-spot limit facilities for insurance activities.

Besides, through Turkish Eximbank Export Support Service Center, which was established as Information Technologies Supported and opened by our Minister of Economy Mr. Nihat ZEYBEKÇİ on Jan. 10,



our customers will be able to reach us more easily and their problems will be solved in a shorter period. This Center, which is reached from the phone, e-mail and our new internet site, will enable our exporters to get information about the Eximbank programs and also about the stage of their credit / insurance applications. On the other hand, it is also important for Eximbank to obtain opinion and suggestions of our exporters in line with our direct working strategy with them. For this reason, we aimed to create a strong communication mechanism with a team that we have selected and assigned in our Export Support Services Center.

We have also taken an important step towards becoming a digital bank with our web page, which has a user-friendly design, mobile-compatible and updated with up-to-date technologies. Our exporters from our new web page will be able to quickly find information about our programs, as they will find their products more convenient. Thus, Türk Eximbank has become a bank that can be accessed from the desired place in the desired manner.

On the other hand, it is clear that the exporters should be very conscious about exchange rate risk management considering the recent developments and volatility in the exchange rate in our country. It is often seen that exporters who cannot manage risk effectively can lose money due to the development of foreign exchange rates from their profitable operations. Dissemination of the use of futures contract for the management of a foreign exchange will especially contribute to exchange rate stability and reduce the impact of sudden shocks on the exchange rate. Besides providing option contracts for some years, in December 2017, we started to engage in forward exchange transactions which have a simpler structure than the option transaction and are used intensively in the banking sector. As you all know, with forward transactions, forward foreign exchange buying or selling transactions can be done through forward exchange rates determined in market conditions without any premium payment. The main difference between forward and option transactions is the requirement that the transaction has to be made at the initial exchange rate at maturity. As Turk Eximbank we do not have profit maximization target and this will allow us to provide forward transactions at a more convenient cost compared to the banking sector. We started to provide forward transaction to Turk Eximbank's customers. In the next stage, we aim to enlarge the scope of this service to all exporters. While such products are important for the management of exchange rate risk that exporters end up with natural activities, spreading the use of these futures contracts will contribute to exchange rate stability in particular and reduce the impact of sudden shocks on exchange rates. Therefore, our exporters will support your competitive power.

Furthermore, we aim to provide guarantee programs to Turkish exporters, therefore in 2018 we launch 3 new guarantee programs that we worked on in 2017. These are, Working Capital Credit Guarantee, Surety Bond and Financial Institutions Buyers Credit Insurance programs. With the implementation of these programs Turkish exporters could reach different kinds of financing facilities more conveniently.

We also want to increase the effectiveness of buyers credits with the application of commodity-based financing support. This model is very similar to Barter. However, while in Barter there is an interchange between the two countries, in Commodity Based Loans, commodities are taken as indemnity with contracts against receivables of Turkish exporters. Work on commodity-based credit application has been initiated by taking into account the limited borrowing capacity of the private-public sector of the African continent. We specify 8 countries from Africa and Midwest Asia and we work with Ministry of Economy and with other partners to establish a successful pilot model in the 2 or 3 countries. And then we would like to apply the model in other countries as well.

As Turk Eximbank we are in close cooperation with international organizations such as World Bank, MIGA, EBRD (European

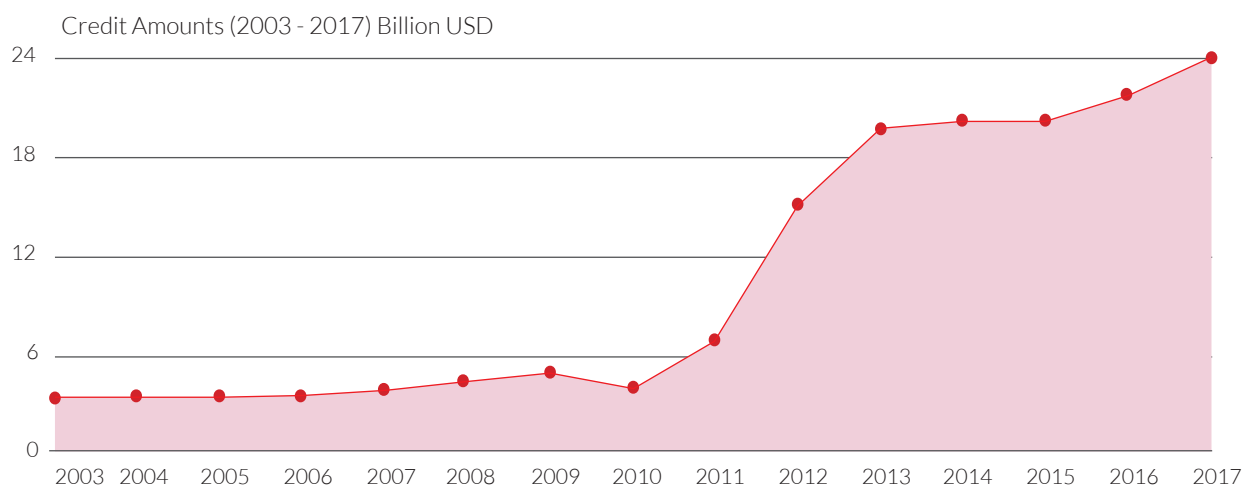
Bank for Reconstruction and Development), IDB (Islamic Development Bank), ICIEC (The Islamic Cooperation For the Insurance of Investment And Export Credit) and export credit agencies. We signed mutual insurance and financing agreements with Credendo/Belgium, SACE/Italy, NEXI/Japan, UKEF/UK, K-SURE/S.Korea and Eximbank of Thailand in 2017 and with BPI France in 2018. And new cooperation agreements are on the agenda. Furthermore, Turk Eximbank became a full member of Asian Exim Banks Forum on November 2017 and signed credit framework agreements with the member countries in order to increase mutual trade.

Turk Eximbank also became the Secretary General of Aman Union for 2018-2019 period. Aman Union is a professional forum assembling Commercial & Non-commercial Risks Insurers & Reinsurers in Member Countries of the Organization of the Islamic Conference and of the Arab Investment & Export Credit Guarantee Corporation (DHAMAN). During this period we aim to enhance the cooperation between members.

With the reorganizational transformation, a structure suitable for making new breakthroughs has been established. In 2018, we continue to work on projects that will reduce the bureaucracy and increase our speed of doing business.

CREDIT AMOUNTS BY YEARS

Short, medium and long term domestic credits.





What are the steps you have taken to raise funds from foreign financial institutions? Can you talk about the agreements made with the Islamic Development Bank in particular?

As Türk Eximbank, in 2017, we obtained a total of USD 3.7 billion from syndicated loans, bilateral commercial loans and bond issuance from a wide geographical area, supranational institutions and the world's leading banks as a sign of confidence in the Bank and in Turkish Economy. Hence our total funds, excluding the source of the Central Bank rose USD 9.5 billion.

Recently, we held a series of meetings in Japan to negotiate with Japanese institutional investors such as the Japanese Development Banks, Japanese regional banks and insurance companies in order to increase the given export support and to provide funds from the Japanese market in 2018. Within the scope of 15 meetings with leading institutions, we provided comprehensive information on macroeconomic developments and the role of Turk Eximbank in the economy and its strong financial structure. Turk Eximbank is the first Turkish bank that come together with Japanese investors after a long time. This visit is important in terms of meeting some of the funding needs

TÜRK EXIMBANK AND BPIFRANCE ASSURANCE EXPORT SIGNED AN AGREEMENT DURING THE OFFICIAL VISIT OF PRESIDENT RECEP TAYYİP ERDOĞAN TO FRANCE IN JANUARY.

of alternative projects that are in African countries and Central Asian republics that worth USD 2 billion for the next 3 years and the financing of USD 1 billion in domestic projects from alternative fund markets. The Bank has negotiated new cooperation opportunities to take advantage of Japan's negative interest policy, or even fund-raising opportunities.

Medium-long term funding is becoming more and more important in accordance with the change in our balance sheet structure. In this context, medium-to-long term funding realized as USD 974 million in 2017. Of this amount USD 500 million comes from the Eurobond issue in 2017. In 2018, we plan two bond issues amounting total of USD 1 billion, one of which will be sukuk issue.

As Turk Eximbank we work with Islamic Development Bank IDB and Islamic Trade

Finance Corporation (ITFC) for a long time. Most recent examples of funding from ITFC are USD 200 million from a two-step murabaha syndicated loan in 2014, USD 350 million murabaha syndication financing in 2015, USD 433 million raised with the coordination of ITFC in 2016. In order to increase the financial support provided to Turkish exporters and improve the cooperation with banks in Gulf Region, Turk Eximbank attended a series of meetings held in Saudi Arabia, Qatar and United Arab Emirates in 2017. During the visits, Turk Eximbank signed a two-step Murabaha Syndicated Loan Facility with ITFC. In that regard, in June 2017 Turk Eximbank raised another USD 436 million from a consortium of banks coordinated by ITFC. Therefore, the cumulative volume of loans received from or with the coordination of ITFC has reached up to USD 1.469 billion as of end 2017.

The Bank has utilised the trade financing services of ITFC in order to initiate and increase the cash lending to the participation banks in Turkey. Owing to the involvement of ITFC to these murabaha syndications, Turk Eximbank has had the chance to raise trade financing particularly from the Middle East countries. Turk Eximbank targets to increase the trade financing amount and the maturity for better utilization of trade financing services of ITFC.

Owing to the strong connections with ITFC, the relations with IDB have also been strengthened. Turk Eximbank and IDB signed a facility agreement on December 29, 2015; with a total amount of USD 270 million, 10 year maturity when utilized for financing of suppliers



credits and up to 15 years of maturity when utilized for buyers credit program. The loan was withdrawn in three tranches and the last tranche was allocated in 2017. In addition in August 2017, we applied to IDB for another new loan amounting USD 300 million under the guarantee of the Republic of Turkey. The requested loan may have similar terms with the existing loan. The purpose of the requested loan is to provide long term financing to the exporters including Midcaps and SMEs as well as Turkish contractors doing business abroad for their projects. The loan would be utilized for the financing of eligible investments and trade finance activities of SMEs and MidCaps located throughout Turkey.

In addition to the credit lines from IDB and ITFC, Turk Eximbank obtained a EUR 107.4 million 10-year loan that is guaranteed by ICIEC (The Islamic Corporation for the Insurance of Investment and Export Credit) from a financial institution. This project shows that the Islamic Finance is bounding stronger to Turkey's financial markets and diversifying itself by creating non-cash opportunities. Turk Eximbank is also discussing a syndication loan under ICIEC guarantee with another financial institution. On the other hand, ICIEC is among Turk Eximbank's reinsurance institutions for about 7 years within the scope of the Bank's insurance programs.

INTERNATIONAL LOANS PROGRAMS (1994-2017)

