

**TÜRK EXIMBANK**  
EXPORT CREDIT BANK OF TURKEY

A N N U A L R E P O R T 2 0 0 1





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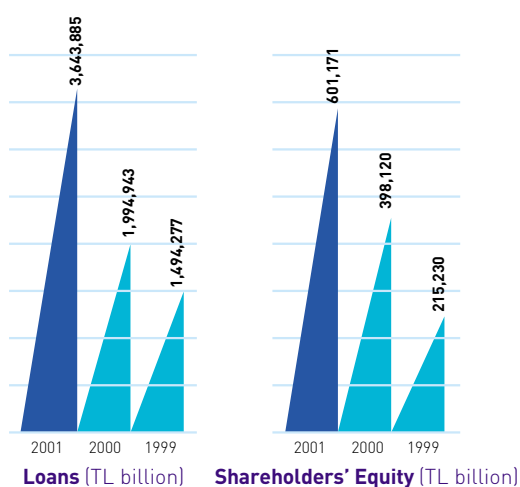
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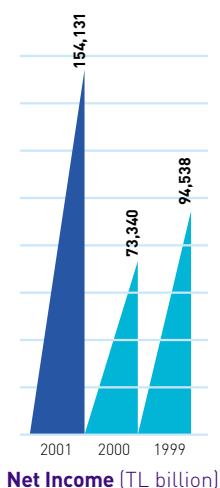
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## FINANCIAL HIGHLIGHTS

<b>Major Balance Sheet Accounts</b> (TL billion)	<b>2001</b>	2000	1999
Loans, net	<b>3,643,885</b>	1,994,943	1,494,277
Cash and Equivalents	<b>601,867</b>	113,467	111,310
Total Assets	<b>4,445,213</b>	2,300,673	1,690,410
Loans Borrowed	<b>2,070,780</b>	1,112,707	937,998
Securities Issued	<b>979,552</b>	388,127	230,650
Shareholders' Equity	<b>601,171</b>	398,120	215,230
Paid-in Capital	<b>529,513</b>	345,313	185,523
Provisions	<b>118,381</b>	54,108	37,856



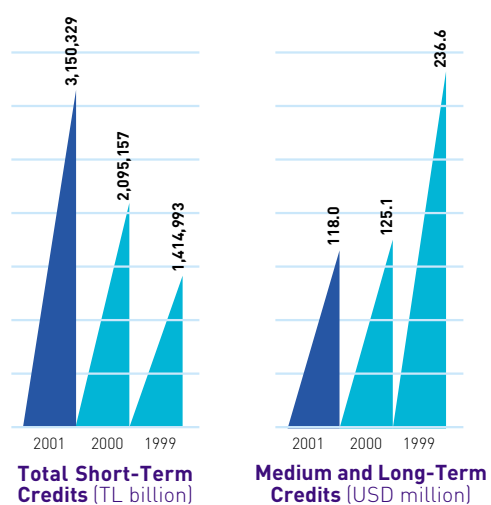
<b>Major Income Statement Accounts</b> (TL billion)	<b>2001</b>	2000	1999
Interest Income	<b>561,014</b>	255,773	178,447
Interest Income on Loans	<b>375,238</b>	179,147	163,363
Interest Expenses	<b>(257,852)</b>	(143,169)	(79,273)
Net Interest Income	<b>303,162</b>	112,604	99,173
Other Operating Income	<b>456,973</b>	153,839	146,689
Other Operating Expenses	<b>(606,004)</b>	(193,103)	(151,325)
Net Income	<b>154,131</b>	73,340	94,538



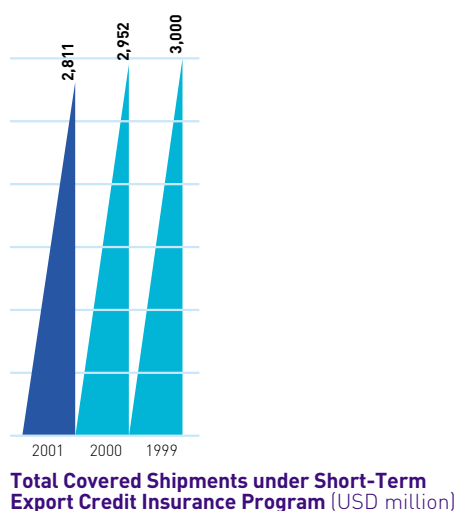
## OPERATIONAL HIGHLIGHTS

<b>Short-Term Credit Activities</b> (TL billion)	<b>2001</b>	2000	1999
Total Short-Term Credits	<b>3,150,329</b>	2,095,157	1,414,993
Short-Term TL Export Credits	<b>1,004,133</b>	655,715	604,572
Short-Term FX Export Credits	<b>2,072,973</b>	1,408,570	781,756

<b>Medium and Long-Term Credit Activities</b> (USD million)	<b>2001</b>	2000	1999
Medium and Long-Term Credits	<b>118.0</b>	125.1	236.6



<b>Insurance Activities</b> (USD million)	<b>2001</b>	2000	1999
<b>Short-Term Export Credit Insurance</b>			
Total Covered Shipments	<b>2,811</b>	2,952	3,000
Total Buyer Limit Approvals	<b>2,169</b>	2,368	2,314
Claims Paid	<b>2.2</b>	1.1	1.0
<b>Medium and Long-Term Export Credit Insurance</b>			
Total Covered Shipments	-	-	18.5
Claims Paid	-	-	-





## CHAIRMAN'S MESSAGE



The year 2001 was marked by one of the deepest crisis in Turkish economic history. The slump in USA and other industrialized countries' economies that caused a recession in the world economy and the September 11 terrorist attacks that increased uncertainties have further depressed the Turkish economy. In 2001, the GDP contracted dramatically, the declining trend of inflation was reversed and unemployment increased.

The export sector, however, emerged relatively unscathed from this negative outlook in the Turkish economy. I am proud to say that exports for the first time reached USD 31 billion in 2001. This success is not only attributable to the increase in exchange rates, but also to the implementation of "The Strategy of Developing Trade With Neighboring Countries". I believe that, the efforts to increase trade with the regional countries are crucial in maintaining the stability and peace in the region. Thus, "The Strategy of Developing Trade With Neighboring Countries" will continue to be implemented in 2002.

For 15 years, Türk Eximbank has effectively supported Turkish exports, but at the same time has been consistent with the Government's trade policies to promote sustainable development. Today, more than ever, Türk Eximbank is in the vanguard of Turkey's trade promotion efforts. In 2001, USD 2.8 billion worth of loans and USD 2.8 billion worth of insurance/guarantee was provided to the export sector. That is, Türk Eximbank has offered support to 18 % of Turkey's exports by providing a total of USD 5.6 billion in terms of lending and provision of insurance and guarantee coverage. This is strong evidence that Türk Eximbank has successfully achieved its role in bringing economic benefit to Turkey through its support of Turkish exporters and investors in overseas markets by allocating 82 % of its assets as export credits in 2001.

The strategic and geopolitical importance of Turkey, especially in the Middle East and Eurasia, has once again been confirmed in the international arena after September 11, paving the way for new support from the west. I believe that, together with this support, the new stabilization program will be implemented successfully and Turkey will regain its economic strength. The year 2002 is expected to be a year in which production, employment and exports will increase.

As Türk Eximbank, we have adapted our internal processes and structures to the changes brought by this new stabilization program and we will devote our entire energies to further expanding our support to exporters and overseas investors in order to meet the increasing needs of the export sector in 2002.

**Kürşad Tüzmen**  
Chairman

## CHIEF EXECUTIVE OFFICER'S MESSAGE



In 2001 Turkey was hit by its deepest economic and financial crisis, facing the urgent need to abandon the economic stabilization program. After the announcement of the "Strengthening The Turkish Economy, Turkey's Transition Program" in May, Türk Eximbank's role as a stabilizing influence during periods of economic instability has grown in importance. Despite the adverse effects of the crisis that started in the banking sector and intensified financing pressures in the real sector, Türk Eximbank successfully played its role in keeping the wheels of trade turning.

Recent economic trials put Türk Eximbank to the test, and the Bank emerged from these challenges stronger than ever. Throughout the year, credit demand from the intermediary commercial banks that were transferred to the Savings Deposit Insurance Fund were interrupted and exporters faced difficulties in obtaining letters of guarantee for their direct credit applications due to the problems in the banking sector. Additionally, the rapid increase in TL/\$ exchange rate caused the company limits in TL to contract and in turn blocked new credit demand. Demand for FX credits contracted also, due to the unpredictable exchange rates combined with concerns over probable cost increases. Moreover, Türk Eximbank extended the standard maturities of due credits twice in order to reduce the effects of the financial crisis on exporters which in turn resulted in a decreased roll-over ratio of credit stock. In spite of these developments, USD 2.8 billion worth of loans and USD 2.8 billion worth of insurance/guarantee was provided during the year. In short, our total financial support in terms of lending and provision of insurance and guarantee coverage reached USD 5.6 billion, which accounted for 18 % of Turkey's exports in 2001.

Believing that the best way to increase exports is from the bottom up, we focused on Small and Medium Scale Enterprises, which felt the effects of the crisis most severely. Thus, we expanded the support offered to these companies that formed 68 % of our customer base. The number of countries covered under our insurance programs was increased and export credit insurance policies were modified with the aim to make the insurance programs more flexible and responsive. In credit implementations, we increased company limits and towards the end of the year we launched a new credit program for international transportation companies. All these arrangements allowed to support more exports in an efficient way that helps Turkish exporters stay on a level with their foreign competitors, while maintaining our commitment to our core mission of supporting Turkey's exports.

New funds were raised from domestic and international markets to continue to provide our facilities without cessation. I am pleased to report that Türk Eximbank has been the first Turkish bank to raise funds from international markets after the February crisis and the events of 11 September.

Türk Eximbank will take the advantage of every opportunity to serve as a catalyst of economic stability and thus work in close cooperation with Turkish exporters in their efforts to solve the problems in the now rapidly recovering Turkish economy. In the coming years, with our capable, dedicated and loyal staff, we will focus on developing and implementing the policy and structural changes necessary to maintain Turkish exporters' competitiveness.



**H. Ahmet Kılıçoğlu**  
Chief Executive Officer

**BOARD OF DIRECTORS  
AND AUDIT COMMITTEE**



**CEO AND SENIOR MANAGEMENT**





**Güner Gücük**  
Member of the Audit Committee

**Okan Oğuz**  
Member of the Board

**Önel Akalın**  
Member of the Audit Committee

**Prof.Dr. Ahmet Aksoy**  
Member of the Board

**M. Nurhan Güven**  
Member of the Board

**Mehmet Buçukoğlu**  
Member of the Board

**H. Ahmet Kılıçoğlu**  
Vice Chairman/CEO

**Kürşad Tüzmen**  
Chairman

**M. Aydın Karaöz**  
Member of the Board



**Necati Yeniaras**  
Assistant General Manager

**Ertan Tanrıyakul**  
Assistant General Manager

**Osman Aslan**  
Assistant General Manager

**H. Ahmet Kılıçoğlu**  
CEO

**Alev Arkan**  
Assistant General Manager



## **CREDITS**

*Aim to channel the Bank's resources effectively, with a broad vision, for the steady increase of exports and improve international competitiveness of Turkish exporters by providing them financing facilities at appropriate terms and conditions.*



**General Overview** Türk Eximbank supports exporters, export-oriented manufacturers and overseas investors with short, medium and long-term cash and non-cash credit programs. Moreover, export receivables are discounted in order to promote sales on deferred payment conditions and to increase export trade volume.

The total amount of short-term Turkish Lira (TL) and foreign currency credits provided by Türk Eximbank has reached TL 3,150 trillion (USD 2.7 billion) in 2001, showing a 50 % increase on TL basis over the previous year.

In 2001, Türk Eximbank has financially supported 8.8 % of Turkey's exports by its short-term credits. This ratio decreased slightly compared to 2000. The main reasons behind this decrease were; the interruption in the credit demand from the intermediary commercial banks that were transferred to the Savings Deposit Insurance Fund (SDIF) due to the problems in the banking sector; the increasing difficulties in obtaining letters of guarantee for direct credits; the almost USD 500 million decline in the US Dollars equivalent of the total credit volume of TL credits due to high devaluation of the TL; the contraction in the demand for FX credits due to the unpredictable exchange rates that may cause costs to increase. Also, the rapid increase of TL/\$ exchange rate caused the company limits in TL to contract and in turn blocked the new credit demand. Moreover, the standard maturities of due credits were extended twice in order to reduce the effects of the financial crisis on exporters which in turn resulted in a decreased roll-over ratio of credit stock.

34 % of the total credits was provided in TL and 66 % in foreign currency.

64 % of the total credits was disbursed via intermediary commercial banks.

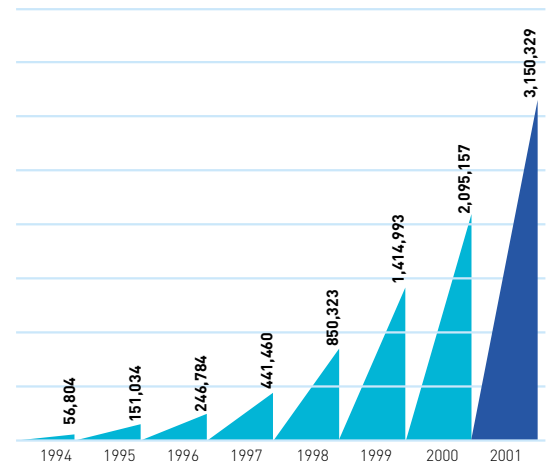
The number of companies benefiting from Türk Eximbank's short-term credits was 2,798 in 2001.

Companies in priority development regions and small and medium scale enterprises (SMSEs) have been given priority in all credit applications. Besides, an additional fund of USD 100 million obtained from the Union of Chambers of Commerce, Industry, Maritime Trade and Commodity Exchanges of Turkey (TOBB) was disbursed to SMSEs in full. As a result of these policies, SMSEs have attained an almost 37 % share in short-term export credits and the amount of credits provided to SMSEs increased by 54.4 % compared to the previous year and reached TL 1,168 trillion (USD 1.0 billion). Additionally, 68 % of the total companies benefited from Türk Eximbank's short-term credit programs were SMSEs. Meanwhile, extra support directed to encourage SMSEs to unite and form Sectoral Foreign Trade Companies continued within the framework of various credit programs.

In the sectoral distribution of the short-term credits, leather/textiles/ready-to-wear industries had the largest share with 46 % in 2001.

European Union countries were foremost in the regional distribution of the credits with a share of 62 % in the same year.

**Short-Term Credits**  
(TL billion)





Türk Eximbank has continued to provide a reduction of 4 percentage points on current interest rates set for short-term export credits in TL and 0.5 points for short-term export credits in foreign currency extended to short-term export credit insurance policyholders.

**New Arrangements and Amendments** In 2001, several arrangements were made in the short-term export credit applications to reduce the effects of the economic crisis of February, to meet the demands of exporters and to achieve a harmonization with the targets of the "Strengthening The Turkish Economy, Turkey's Transition Program".

- The economic crisis, which began in November 2000 and had severe effects on the financial markets especially in February 2001, led to an uncertain economic environment and caused significant increases in the funding costs. As a result, interest rates charged for Short-Term TL Export Credits were increased by 26 percentage points for the short-term export credit insurance policyholders and by 27 points for non-policyholders in March 19, 2001. Besides, the interest rate charged for the Tourism Marketing Credit Program was increased by 27 percentage points for credits with 180 days maturity and by 29 points for credits with 360 days maturity.

Thus, the interest rates charged for the Short-Term TL Export Credits were re-determined in the range of 43-56 %. On the same date, interest rates charged for the Short-Term Pre-Shipment Rediscount Program and the Short-Term Export Credit Discount Program were increased by 1 percentage point each, whereas the interest rates charged for Short-Term FX Export Credits were increased by 1.75 points.

In line with the principle of minimally reflecting the increasing funding costs on exporters, Short-Term FX Export Credits' interest rates were increased by only 0.75 percentage points and re-determined in the range of Libor+3% and Libor+4.75% after July 2, 2001.

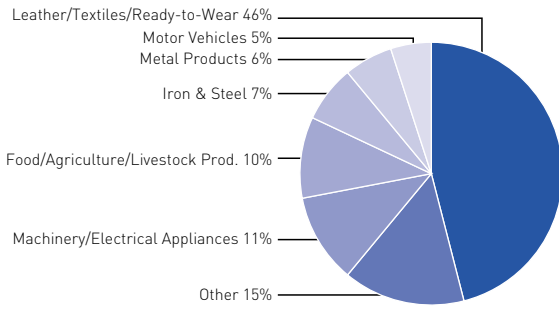
On the other hand, interest rates were reduced by 0.75 percentage points for Short-Term FX Credits and by 0.50 points for both the Short-Term Export Credit Discount Program and the Short-Term Pre-Shipment Rediscount Program after December 24, 2001 in line with the cost of funding and prevailing market interest rates.

- The company limits for the Pre-Shipment TL Export Credits and Performance Related TL Export Credits were increased from TL 1 trillion to TL 1.5 trillion after August 20, 2001.
- The company limits for the Short-Term Export Credit Discount Program and the Short-Term Pre-Shipment Rediscount Program were increased to TL 5 trillion.
- The minimum amount of past export performance, a pre-requisite for the Performance Related Export Credits extended directly by Türk Eximbank to exporters and export-oriented manufacturers, was decreased from USD 1 million to USD 500,000 in August 20, 2001. Thus, small and medium scaled enterprises were given the opportunity to benefit from this program.
- In order to reduce the effects of the financial crisis on the real sector, the maturity of the short-term TL and FX credits due between February 26, 2001 and March 13, 2001 were extended to March 14, 2001.

Moreover, the maturities of the Pre-Shipment, Performance Related and Foreign Trade Companies Export Credits due between October 12, 2001 and December 31, 2001 were extended by 3 months considering the difficulties in obtaining new export credits from the banking sector, especially from the banks under SDIF.

- The "International Transportation Marketing Credit Program" was introduced with the aim of providing finance to international transportation companies and thereby helping them to reduce their final costs and increase their competitiveness. Credits under this program are extended directly by Türk Eximbank.

#### Sectoral Distribution of Short-Term Credits





**Short-Term Export Credits** Türk Eximbank extends short-term export credits to exporters and export-oriented manufacturers to meet their financing needs especially at the pre-shipment stage. These credits are extended in Turkish Lira or in foreign currency either directly by Türk Eximbank or indirectly via intermediation of selected Turkish commercial banks.

#### 1. Credits Extended via Commercial Banks

The Pre-Shipment Export Credits are short-term credit facilities covering all sectors and providing financial support to exporters starting from the early stages of production. Credits are extended either in TL or in foreign currency under this program.

Through **Pre-Shipment Turkish Lira Export Credits (PSEC-TL)**, TL 656.4 trillion (USD 595.8 million) worth of credits was disbursed in 2001. On TL basis, total credits extended increased by 44 % over the previous year.

Within the framework of the **Pre-Shipment SMSEs Export Credit Program**, a sub-program of the PSEC-TL program, TL 324.6 trillion (USD 292 million) was disbursed in 2001, showing a 46 % increase on TL basis over the previous year.

Within the framework of the **PSEC-Priority Development Areas Export Credit Program**, which is another sub-program of the PSEC-TL program and is extended to companies located in Turkey's priority development areas, a 5 percentage points reduction was applied on interest rates for credit demands up to USD 500,000. In 2001, TL 73.9 trillion (USD 69.7 million) worth of credits was disbursed under this program.

Under the **Pre-Shipment Foreign Currency Export Credit Program**, USD 1.2 billion (TL 1,395 trillion) was disbursed in 2001.

#### 2. Credits Extended Directly by Türk Eximbank

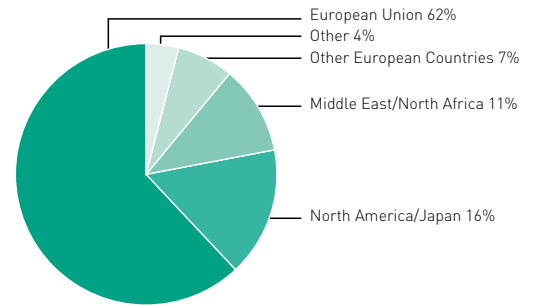
Within the **Foreign Trade Companies Short-Term Export Credits Program**, both TL and foreign currency credits are extended to foreign trade corporate companies and sectoral foreign trade companies that are granted these titles by the Undersecretariat of Foreign Trade. Under this program, a total of TL 514.2 trillion (USD 441.3 million) was disbursed in 2001. Of this amount, TL 169.2 trillion (USD 151.5 million) was disbursed in TL and USD 289.8 million (TL 345 trillion) in foreign currency. The total amount of credits disbursed increased by 19 % on TL basis compared to 2000.

Under the **Performance Related Foreign Currency Credit Program**, which is extended to exporters and export-oriented manufacturers with a minimum of USD 500,000 past export performance, USD 278.5 million (TL 333 trillion) worth of credits was disbursed in 2001, showing a 68 % increase on TL basis compared to 2000. Under the **Performance Related Turkish Lira Export Credit Program**, TL 178.5 trillion (USD 166.8 million) worth of credits was disbursed, showing a 121 % increase on TL basis in 2001 over the previous year.

**Specific Credit Programs** Specific Credit Programs are available for export transactions including certain service industries, which cannot be covered under the standard credit and guarantee programs.

The **Short-Term Export Credit Discount Program**, a post-shipment finance facility mainly funded by the Central Bank of Turkey, aims to increase the competitiveness of Turkish exporters in international markets by enabling them to sell Turkish goods on deferred payment terms and eliminating overseas risks thereby encouraging them to enter into new and target markets. Under this program, the total amount of disbursements reached USD 18.5 million in 2001.

**Regional Distribution of Short-Term Credits**





The **Short-Term Pre-Shipment Rediscount Program** was put into effect at end-1999 within the framework of an additional limit of USD 350 million to the post-shipment discount limit extended to Türk Eximbank by the Central Bank of Turkey. In 2001, USD 39.4 million was disbursed under this limit.

The aim of the **Overseas Chain Stores Investment Credit Program** is to support direct sales of Turkish brand consumer goods in international markets. The overseas investments of Turkish entrepreneurs for the establishment of shopping malls and chain stores are financed under this program. In 2001, the amount of credits disbursed reached USD 4.2 million.

Some revisions were made in this credit program taking into account the 5-year experiences acquired in its implementation. In this context, minimum investment amount was reduced to USD 500,000.

The aim of the **Letter of Guarantee Program for Ship-Building and Exporting** is to support Turkish dockyards in order to increase their shares in international markets. Under this program, guarantees are provided for the Turkish companies involved in ship-building and/or the export of ships in order to secure financing from both domestic and foreign banks/financial institutions or obtain pre-financing either in advance payment or in installments from the buyer. Within this program, USD 3.2 million worth of letters of guarantee was issued in 2001 and a total of USD 50.6 million worth of letters of guarantee has been issued since the commencement of the program.

The aim of the **Specific Export Credit Program** is to meet credit demands which cannot be fulfilled within the standard credit programs of Türk Eximbank. This is a medium-term pre-shipment financing facility provided to manufacturers/exporters for their foreign currency generating projects. The Specific Export Credit Program provides support to companies which engage in ship-building and factory construction, and manufacturer/exporters that produce high value-added industrial export goods. With this program, the export of new products to new markets is encouraged. Under this program, USD 13.8 million worth of credits was disbursed in 2001.

**Bridge Financing Program for Overseas Contractors' Services**, which was introduced in August 1999 with a limit of USD 50 million, aims to mitigate the effects of the financial crisis prevailing in the international markets on Turkish contractors. This program also helps to maintain the competitiveness of Turkish contractors operating in the Russian Federation and in Libya and to sustain their already existing investments in these countries. In the framework of this program, the request of the International Contractors' Union for the extension of maturities and the re-evaluation of credit terms, taking into account the economic developments, has been re-considered. As a result, maturities of these credits were extended by one more year with Libor+5% interest rate.

**Credits for Foreign Currency Earning Services** The **Tourism Marketing Credit Program** aims to provide finance to travel agencies for their promotional and marketing activities abroad and thus contribute to Turkey's balance of payments via increasing tourism revenues. A total of TL 6.2 trillion worth of credits was disbursed within the year.

The **International Transportation Marketing Credit Program** was introduced in December 2001 with the aim of providing finance to international transportation companies to increase their competitiveness and thus contribute to Turkey's foreign exchange earnings. Companies resident in Turkey and that have a certificate of authority for international transportation with freight revenue of more than USD 500,000 in the previous year, are eligible for this credit. The maximum repayment period is 6 months. For the accepted credit applications, 110 % of the total credit amount including interest has to be collateralized.

**Export Finance Intermediation Loan (EFIL)** The **Export Finance Intermediation Loan (EFIL)** is a credit line amounting to USD 252.5 million obtained from the World Bank against a guarantee of the Turkish Treasury with a maturity of seven years including a three-year





grace period. Under this program, USD 67.6 million worth of credits was disbursed for the financing of the short/medium-term working capital needs and export related investment needs of exporters in 2001. A total of USD 123 million worth of credits was disbursed since the commencement of the program in 1999.

The interest rate, which was increased by 1 percentage point to Libor+2.5% on March 16, 2001, was reduced to Libor+2% on December 24, 2001.

The loan obtained from the World Bank also has a technical assistance component amounting to USD 4 million. This amount is being used for the "Institutional Strengthening Project" including training of staff, information technology equipment and consulting services.

**Islamic Development Bank Backed Credits** Türk Eximbank acts as an intermediary agency for the **Export Financing Scheme** (formerly known as Longer-Term Trade Financing Scheme) of the Islamic Development Bank (IDB), in accordance with the agreement signed in 1988 between the two parties. This program entails financing on buyer credit basis and provides credit facilities to importers that reside not only in member countries of the Organization of Islamic Conference, but also in non-member countries limited with the OECD area for their imports from Turkey. The IDB has the credit approval authorization and the buyer's risk for the transactions mediated by Türk Eximbank is borne by the IDB. In 2001, credit applications against FOB export commitments of USD 26.7 million were forwarded to the IDB. IDB approved USD 14.2 million of the credit applications and the total amount of disbursements was realized as USD 6.8 million.

This scheme also entails a limit amounting to Islamic Dinars 19.2 million (USD 24.6 million) provided by the IDB. Türk Eximbank provides export finance for exports directed to any country within this limit. Türk Eximbank has the credit approval authorization and bears the buyer's risk. USD 6 million worth of credits was disbursed in 2001 under this limit.

Moreover, within another limit provided by the IDB to Türk Eximbank in order to support Turkish exporters' imports from member and non-member countries of the Organization of Islamic Conference within the context of the IDB's **Import Trade Financing Operations (ITFO line)**, the imports of raw materials, semi-capital and capital goods to be used in the production of export goods have been financed. Within this program, USD 1.2 million worth of credits was disbursed in 2001. The 3rd ITFO line amounting to EUR 9.9 million was made available for exporters.

**Risk Assessment and Follow-up of Intermediary Commercial Banks** Türk Eximbank allocates short-term TL and FX limits for intermediary banks through a detailed risk evaluation study of each bank. The evaluation includes an in-depth analysis of financial data and other factors such as ownership structure, scope of activities, etc. In this context, risk assessments for these banks are reviewed by Türk Eximbank quarterly by applying internationally accepted techniques. In determining these limits, various criteria such as the active use of Türk Eximbank credit limits, the proportion of export credits financed through the commercial bank's own resources etc., are also taken into account. Also, the developments in financial markets and the activities of these banks are scrutinized and evaluated.

Besides, within the framework of the Institutional Strengthening Project backed by the World Bank, studies for developing a "Bank Rating Model" have continued throughout 2001.

## BUYERS' CREDIT AND GUARANTEE PROGRAMS







The objective of the Buyers' Credit and Guarantee Programs is to strengthen the competitiveness of Turkish exporters and contractors in the international markets and to provide a risk-free environment to these companies in their activities in the markets pertaining high political and commercial risks.

Under this program, a total of USD 2.1 billion worth of credits has been disbursed to Turkish contracting firms/exporters doing business in 22 countries since 1989.

Within the framework of the Buyers' Credit and Guarantee Programs, in 2001, USD 26 million was allocated for the financing of two projects to be realized in the Russian Federation. During the year, USD 22 million was disbursed to the projects realized in the Russian Federation, Moldova and Belarus.

Türk Eximbank issued 10 "letters of intent" for the projects that were planned to be undertaken by Turkish firms in Uzbekistan, Syria, Pakistan, Romania, Lithuania and Bulgaria. Besides, the validity of a letter of intent, which had been previously issued by Türk Eximbank for a project in Uzbekistan and expired, was extended.

Debt rescheduling agreements were signed with Kyrgyzstan, Georgia and Kazakhstan in 2001. In addition, the debt rescheduling agreement signed with Albania in December 2000 became effective.

Within the framework of the Buyers' Credit and Guarantee Programs, the Bank provides support for the various projects to be realized in Central and South Asia, Central and Eastern Europe, Caucasus, Balkans, and North Africa by Turkish contractors and for the export of capital goods. Under this program, the projects having priority for the borrower country, providing mutual benefit to both countries, and improving economic relations between the two countries are supported.

At the outset, the export of goods such as food, medicine, medical equipment, textile products, automotive products, machinery and equipment, and other industrial goods was financed under this program to meet the urgent needs of these countries. Since



then, the financial support provided by Türk Eximbank has shifted towards financing of projects that contribute to the economic development of these countries and enable Turkish contractors to penetrate these markets. These projects have a great significance, since they contribute to the transition of these countries' economies to free market economy and to the establishment of long-term economic relations between the two parties. Within this context, Türk Eximbank has provided financial support for projects such as medical centers, industrial plants (electrical household appliances, leather processing, leather garment, pasta, sugar, textiles, automotive, etc.), telecommunication, energy, petrochemicals and construction and renovation of hotels and business centers.

In principle, Türk Eximbank gives priority to the cash-generating projects that are in line with the internationally accepted appraisal criteria. However, in 2001, the Bank continued to support infrastructure and prestigious projects that have priority for the borrowing country, contributing to further development of mutual relations in line with Turkey's foreign policies and strategies. In doing so, the Bank continued to require sovereign guarantee as a prerequisite for the financing of such projects.

In order to start the evaluation process for new projects, the submission of a feasibility report either prepared or approved by independent consultant companies is required from the applicants.

Türk Eximbank has continued to be in close co-operation with other export credit agencies and international financial institutions during the year in order to extend its financial support to Turkish overseas companies.



### Türk Eximbank Buyers' Credit and Guarantee Programs (USD million)

Countries	Credit Limit	Total Disbursements (as of 31.12.2001)
<b>ALBANIA</b>	<b>15.0</b>	<b>13.9</b>
Export Credit	15.0	13.9
<b>ALGERIA</b>	<b>100.0</b>	<b>99.5</b>
Export Credit	100.0	99.5
<b>AZERBAIJAN</b>	<b>250.0</b>	<b>91.7</b>
Export Credit	100.0	59.6
Project Credit	150.0	32.1
<b>BELARUS</b>	<b>20.0</b>	<b>8.2</b>
Project Credit	20.0	8.2
<b>BOSNIA-HERZEGOVINA</b>	<b>60.0</b>	<b>-</b>
Project Credit	60.0	-
<b>BULGARIA</b>	<b>50.0</b>	<b>20.9</b>
Export Credit	50.0	20.9
<b>GEORGIA</b>	<b>50.0</b>	<b>41.5</b>
Export Credit	50.0	41.5
<b>HUNGARY</b>	<b>10.0</b>	<b>0.1</b>
Export Credit	10.0	0.1
<b>KAZAKHSTAN</b>	<b>240.0</b>	<b>213.1</b>
Export Credit	55.7	40.0
Project Credit	184.3	173.1
<b>KYRGYZSTAN</b>	<b>75.0</b>	<b>48.1</b>
Export Credit	37.5	35.7
Project Credit	37.5	12.4
<b>LIBYA</b>	<b>100.0</b>	<b>128.7</b>
Project Credit	100.0	128.7
<b>MOLDOVA</b>	<b>35.0</b>	<b>15.0</b>
Project Credit	35.0	15.0
<b>NAKHICHEVAN</b>	<b>20.0</b>	<b>19.6</b>
Export Credit	20.0	19.6
<b>PAKISTAN</b>	<b>58.3</b>	<b>58.3</b>
Project Credit	58.3	58.3
<b>ROMANIA</b>	<b>50.0</b>	<b>45.7</b>
Export Credit	50.0	45.7
<b>RUSSIAN FEDERATION</b>	<b>1,150.0</b>	<b>785.7</b>
Export Credit	800.0	599.4
Project Credit	350.0	186.3
<b>SYRIA</b>	<b>15.0</b>	<b>7.0</b>
Export Credit	15.0	7.0
<b>TAJIKISTAN</b>	<b>50.0</b>	<b>25.6</b>
Export Credit	50.0	25.6
<b>TUNUSIA</b>	<b>40.0</b>	<b>1.9</b>
Export Credit	40.0	1.9
<b>TURKISH REP. OF NORTHERN CYPRUS</b>	<b>3.7</b>	<b>3.7</b>
Project Credit	3.7	3.7
<b>TURKMENISTAN</b>	<b>134.8</b>	<b>133.0</b>
Export Credit	75.0	75.0
Project Credit	59.8	58.0
<b>UZBEKISTAN</b>	<b>375.0</b>	<b>347.1</b>
Export Credit	125.0	124.6
Project Credit	250.0	222.5
<b>TOTAL</b>	<b>2,901.8</b>	<b>2,108.3</b>

## EXPORT CREDIT INSURANCE

# RISK

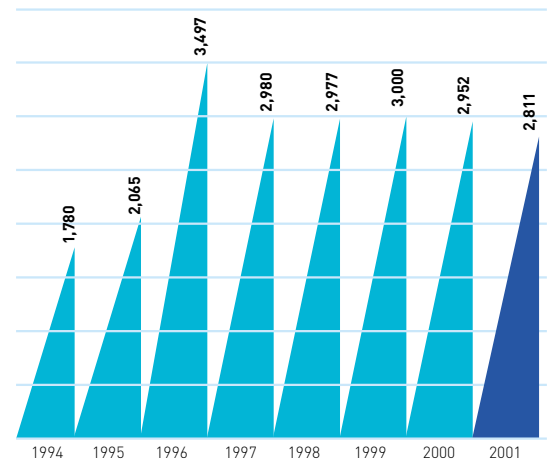




Export receivables are insured against commercial and political risks within certain limits by means of export credit insurance programs, which is one of Türk Eximbank's main areas of activity. The additional advantage of the Program stands as enabling exporters to obtain funding from financial institutions at favorable terms via the insurance policies issued by Türk Eximbank as collateral.

**Short-Term Export Credit Insurance** Within the scope of **Short-Term Export Credit Insurance Program**, all shipments to be made by an exporter in the duration of one year covering payments deferred up to 360 days are insured against commercial and political risks. The Program, which had been previously compulsory for the beneficiaries of the Pre-Shipment Export Credit Program, has become optional since February 1997. In accordance with the aim of promoting the Program, the policyholders have received a discount on the interest rates of Türk Eximbank's short-term export credits, during the period 1997-2001.

**Exports Insured Under Short-Term Export Credit Insurance Program**  
(USD million)



Cover was provided for 171 countries by this Program and a total of USD 2.8 billion worth of shipments were insured in 2001. Premium amounting to USD 11 million was collected in the year.

In 2001, leather/textiles/ready-to-wear products were foremost in the sectoral distribution of exports insured with a share of 54 % and the European Union countries were the leading market with regards to the regional distribution with a share of 62 %.

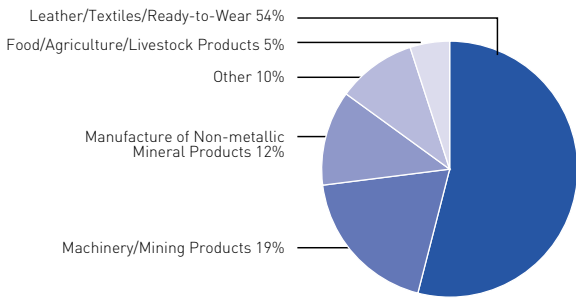
In the framework of the Short-Term Export Credit Insurance Program 7,080 new buyers have been registered during the year in the underwriting archives raising the total number of the records to 66,280 by the end of the year.



Under the Program, USD 2.2 million worth of claims was paid out in 2001 for commercial losses arising from shipments realized to various countries.

USD 132 thousand of the paid claims for commercial losses, was recovered by Türk Eximbank in 2001.

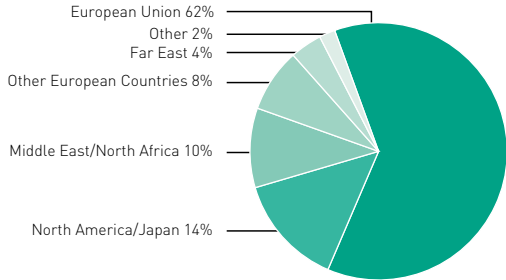
#### Sectoral Distribution of Exports Insured Under Short-Term Export Credit Insurance Program



In order to improve the quality of the services, to accelerate the operations and to facilitate the transactions involved, some articles, particularly the clauses of the claims procedures of the Policy have been modified.

Türk Eximbank has continued to cede 70 % of the commercial and political risks borne under the Short-Term Export Credit Insurance Program to domestic and overseas reinsurers during the year 2001.

#### Regional Distribution of Exports Insured Under Short-Term Export Credit Insurance Program



**Medium and Long-Term Export Credit Insurance** The **Specific Export Credit Insurance Program** covers receivables arising from exports of capital and semi-capital goods with a maximum maturity of five-years, under a single sales contract. The Program provides cover against political and commercial risks both for the pre- and post-shipment stages.

In 2001, USD 2.5 million was recovered within the framework of the Debt Rescheduling Agreement dated 1996, regarding the claims paid against the losses arising from the shipments to Algeria. The total recovery has reached to USD 14.2 million over the Rescheduling Agreement amounting USD 47.1 million, including interest, since the effectiveness of the Agreement.

The **Specific Export Credit Insurance Post-Shipment Political Risk Program** provides cover against political risks for medium and long-term exports in the post-shipment stage only. Additionally, the **Specific Export Credit Insurance Post-Shipment Comprehensive Risk Program**, which is another version of the medium and long-term export credit insurance facilities of Türk Eximbank, provides extended cover against both commercial and political risks similarly in the post-shipment stage only. Service has been offered for the Turkish exporters within the scope of both Programs in which the Central and Western Asian markets were targeted. Moreover, in order to pave the way for the exporters to have their export receivables discounted by the commercial banks, letters of guarantee have been issued in favor of the mentioned banks during the year.



Studies for the implementation of the **Overseas Investment Insurance Program**, which aims to provide cover to Turkish companies' direct investments abroad against political risks, have been continued in 2001.

In addition, studies for improving and diversifying the insurance programs have been continued during the year within the framework of the Institutional Strengthening Project backed by the World Bank.

**Trade Financing Agreements** Under the Short-Term Export Credit Insurance Program, close co-operation was maintained with the export credit/insurance agencies of various countries during 2001, in order to enlarge the support given to Turkish entrepreneurs. In this context, a co-operation agreement was signed with EGFI/Iran.

## TREASURY AND FUNDING







**Capital** The nominal capital of the Bank was increased to TL 750 trillion in May 2001. The paid-in capital, which was TL 345.3 trillion at the beginning of 2001, increased to TL 529.5 trillion as of December 31, 2001, through capital injections from the Turkish Treasury.

The Bank's BIS capital adequacy ratio, which was 25 % in 2000, increased to 30 % as of end-2001.

**Indemnification of Political Risk Losses** Losses incurred by Türk Eximbank, in its credit, insurance and guarantee transactions, as a result of political risks, are covered by the Turkish Treasury. In this context, the Treasury paid a total of TL 118.6 trillion to Türk Eximbank in 2001.

**Funding from Domestic Markets** Almost 50 % of Türk Eximbank's short-term foreign currency denominated loan portfolio was funded through the loans with 6-month maturity raised from Turkish commercial banks. Part of the short-term loans from domestic banks was rolled over in 2001. The outstanding balance of short-term loans from commercial banks was USD 370 million as of end-2001.

With the issuance of 4 bank bonds on different dates, a fund of USD 100 million with 1-year maturity was obtained from the Union of Chambers of Commerce, Industry, Maritime Trade and Commodity Exchanges of Turkey (TOBB).

USD 200 million of the Financial and Public Sector Adjustment Loan with 17 years maturity, raised from the World Bank by the Turkish Treasury, was transferred to Türk Eximbank as per the loan agreement signed between the Turkish Treasury and the Bank. This loan, which has longer maturity and lower cost, is an important source of funding for Türk Eximbank.



**Borrowings from International Markets Through Syndicated Loans** After the previous syndicated loans of USD 160 million and USD 220 million were repaid in May and October 2001, the Bank raised two 1-year syndicated loans of USD 120 million and USD 150 million in July and November, respectively.

**Borrowings from International Markets Through Bilateral Loans** The 6-month revolving loan, which Türk Eximbank initially raised in 2000 from the Black Sea Trade and Development Bank of which Turkey is a founding member, was increased from USD 16.3 million to USD 18.4 million in March 2001 and its maturity was renewed for another 6 months in September.

Additionally, a total of EUR 45 million 6-month loans were raised from two international banks in 2001.

**Project Finance** Under the credit agreement signed with the World Bank in 1999, USD 67.6 million was withdrawn in 2001, in order to meet the medium-term working capital requirements and to finance the fixed-capital goods investments of exporters.

**Liquidity Management** The Bank's liquidity was successfully managed with the effective use of all money market instruments.

Türk Eximbank, taking into account its cash flows and the prevailing conditions in money and foreign exchange markets, placed its TL and foreign currency extra liquidity in interbank money markets during 2001.

Meanwhile, the securities portfolio, which consists of TL Treasury bills and government bonds, was used as collateral in interbank money market transactions.

**Risk Management** During 2001, the Bank continued to implement the strategy of matching its assets and liabilities in terms of currency, maturity and interest rates to the extent possible.

Short-term swap transactions were carried out in order to allow exporters to access foreign exchange loans in the desired currency. The volume of short-term swap transactions reached USD 1.6 billion during the year.



In 2001, trading in foreign exchange was actively performed to increase the profitability and to manage the exchange rate risk arising especially from extending foreign currency loans disbursed and collected in TL. The volume of foreign exchange transactions realized in domestic and international markets reached USD 533.5 million and USD 10 billion, respectively.

**Credit Risk Assessment (Rating)** As of end-2001, the credit ratings given by Standard & Poor's and Moody's to Türk Eximbank were "B-" (stable outlook) and "B1" (negative outlook) respectively, the same credit ratings with that of the Turkish Treasury.

# OTHER ACTIVITIES

International Relations  
Information Systems Development  
Electronic Data Processing  
Research  
Information and Public Relations  
Training and Izmir Branches  
Istanbul



## OTHER ACTIVITIES

**International Relations** The Bank's relations with the International Union of Credit and Investment Insurers (Berne Union) continued actively in 2001. In this framework, with its increasing performance and role in financing exports, Türk Eximbank has been assigned as a member of the Board of Directors of the Union and CEO Mr. H. Ahmet Kılıçoğlu has been appointed as President.

In 2001 an agreement was signed with EGFI/Iran, in addition to the previously signed agreements with the other officially supported export credit and insurance agencies and international financial institutions such as, US Eximbank/USA, EDC/Canada, COFACE/France, Hermes/Germany, OND/Belgium, IFTRIC/Israel, Eximbank of China/PRC, MECIB/Malaysia, NEXI/Japan, SEC/Slovenia, KUKE/Poland, ECGE/Egypt, MIGA, ADB and EBRD. During the year, close co-operation was maintained with these agencies and institutions.

As a member since April 1998, the Bank's relations with the OECD Export Credits and Credit Guarantees Group have continued in 2001.

Turkey has applied to be an observer member to the Participants Group, regarding the Arrangement On Guidelines For Officially Supported Export Credits (OECD Consensus). Türk Eximbank gives importance to international relations and to act in line with norms and arrangements of the international organizations such as the WTO, EU, Berne Union and OECD.

The Bank's relations with the Islamic Corporation for Insurance of Investments and Export Credits (ICIEC), an affiliate of the IDB, have also continued in 2001.

Close co-operation was maintained with Export Credit Agencies (ECAs), to finance joint venture projects in third countries within the framework of the Bank's credit/guarantee and insurance programs.

Within the framework of the "Co-operation Agreement" signed in 1999, studies on the opportunities for co-insurance and reinsurance with the Multilateral Investment Guarantee Agency (MIGA) continued in 2001.

Besides strengthening its relations with foreign commercial and investment banks in treasury and funding operations, Türk Eximbank maintained close relations with the World Bank, JBIC, EDC and the Black Sea Trade and Development Bank with respect to funding raised from them. In this context, information was exchanged and mutual job opportunities have been considered during 2001.

**Information Systems Development and Implementation and Electronic Data Processing** Automation studies in Türk Eximbank have reached very advanced levels and 80 % of the functions of all the operational units are being supported. That is to say, 80 % of the Bank's real-time work processes are supported through integrated data structures.

## OTHER ACTIVITIES

"Innovation" models are changing work processes rapidly throughout the world. Nowadays, where fast decision-making is inevitable for competition, working at optimum costs is a necessity of "Total Quality Management". The development of new work processes has been inevitable for the Bank too, and the principle of providing the most accurate and fastest service has been once again brought forward. The developing information technologies have eased the formation of instant and accurate decision-making technologies. With this consciousness, Türk Eximbank has investigated the current Management Information Systems (MIS) infrastructure and has tended to realize the better within the developing processes' boundaries. Standardization studies, involving both structural and parametric characteristics, have been initialized not only to improve the MIS infrastructure, but also to make the current software work more efficiently. The target is to commence implementation of the Decision Support Systems (DSS) in the shortest possible period of time. Currently, software development processes are ongoing with regard to this target.

As a consequence of all activities in 2001, the continuity of the current systems without interruption was ensured. With the aim of establishing e-banking, the electronic data processing infrastructure of all departments was improved.

Within the framework of the Institutional Strengthening Project backed by the World Bank, the communication and the computer hardware infrastructures of the Bank were improved. By the procurement of high security main servers, high performance has been achieved on software applications and thereby a reliable and backed up infrastructure has been formed. Besides, 25 % of the personal computers and printers were renewed and upgraded. Windows NT/2000 and Office 2000 software were installed on the personal computers. All systems and the web site were protected from probable virus and other complex attacks that may come via Internet and e-mail, by standard, comprehensive, rapidly updateable antivirus software, intrusion detection systems and proactive secure sensors. To supply high-speed communication on servers and personal computers, the infrastructure network has been modified with the gigabit switching technology and virtual private network infrastructure has been set up. The connections of İstanbul and İzmir branches were backed up via ISDN and the speed of the Internet connection was increased to 1 Mbit/s.

The web site of Türk Eximbank has been renewed and with its rich content and new visual effects, has become more functional, updated and compliant with the new technologies.

Studies to set up Document Management and Workflow systems, the planning, analysis and design processes are still continuing. For establishing e-banking, important progress was achieved on web-based applications. In this context, Data Warehouse and Decision Support Systems projects will be realized in 2002.



**Research** In order to support the implementation of Türk Eximbank's main functions, the Research Department closely monitors global trends and developments in the Turkish economy with respect to macro-economic policies, financial sector and real sector.

Country reports and follow-up bulletins were prepared and updated during the year, for the countries involved in Türk Eximbank's credit, guarantee and insurance programs. In these reports, the general political and economic situation, as well as relations with Turkey, have been deeply analyzed. Additionally, "2002 Short-Term Country Risk Assessment Report", which evaluates the foreign debt repayment capacity of almost 150 countries and "Türk Eximbank 2002 Annual Program" were published. In order to develop new credit programs, activities of various ECAs were followed-up. Various internal and external bulletins and reports were prepared on a regular basis.

The effects of both the crisis occurred in the financial sector in 2001 and the September 11, 2001 terrorist attacks on the world and the Turkish economy have been closely monitored and reports were prepared concerning the export and banking sectors.

Studies for the strategic planning of the Bank were carried out throughout the year with the participation of all departments, within the framework of the Institutional Strengthening Project backed by the World Bank.

**Information** The Information Department provides information on buyers for the Export Credit Insurance transactions of the Insurance Department geared towards evaluating buyer risk and establishing buyer limit. Reports on 19,120 foreign companies were collected in 2001. The supply of information from international information agencies via existing on-line and e-mail connections have continued throughout the year. Additionally, in an effort to speed up the supply of information, new on-line connections were set up.

Information studies and analysis of financial situation of exporters and contracting companies that have applied to Türk Eximbank for financing of their overseas projects under the Buyers' Credit and Guarantee Programs, Specific Export Credit Insurance Program, Specific Export Credit Program, Overseas Chain Stores Investment Credit Program and Letter of Guarantee Program for Ship-Building and Exporting, have continued during 2001. Moreover, in order to improve the co-operation between Türk Eximbank and foreign export credit insurance agencies, the supply of information on domestic firms requested by these agencies has continued. Within this framework, credit reports on 3,314 domestic firms have been prepared and provided.

**Training and Public Relations** Türk Eximbank employs a total of 373 personnel, 2 of whom have a Ph.D. degree, 48 have a post-graduate degree and 197 have a graduate degree. The number of personnel who can speak at least one foreign language is 155 and the average age of the personnel is 35.8.

In 2001, 274 participants attended 156 training facilities. 215 participants attended 132 of these training facilities including meetings on general economics and management, etc., held by the Banks Association of Turkey, while 41 participants attended 22 programs held by other organizations. Also, 1 participant attended a training program abroad.

## OTHER ACTIVITIES

An MT Program was organized between February 19 and March 29, 2001 for 17 personnel, including 15 new junior specialists.

In 2001, 12 personnel attended 14 seminars held by various institutions in different provinces and made presentations on Türk Eximbank's Credit and Insurance Programs.

## OTHER ACTIVITIES

While 2 specialists from the İstanbul Chamber of Industry were given on-the-job training in the Pre-Shipment Export Credits and Performance Related Export Credits Departments, 65 students were accepted to the trainee programs at the Head Office, İstanbul and İzmir branches.

The Public Relations Department maintains a close relationship with the media and exporters for the promotion of Türk Eximbank. In this context, advertisement and sponsorship activities were carried out and Türk Eximbank was represented in various seminars and organizations. Besides, the publishing and distribution activities of promotional brochures, quarterly bulletins, agenda and annual report were coordinated.

**İstanbul and İzmir Branches** Opened in 1994 and 1995 respectively, the İstanbul and İzmir branches aim to provide better service to the dynamic export sector and to carry out the Foreign Trade Companies Short-Term TL and Foreign Currency Export Credit Programs, together with the Performance Related Foreign Currency and TL Export Credit Programs. These branches also provide information to exporters regarding the Bank's other programs, find solutions to problems on the spot and convey their suggestions to the Headquarters.

The İstanbul branch has 22 employees and the İzmir branch has 6 employees.