

TÜRK EXIMBANK
EXPORT CREDIT BANK OF TURKEY

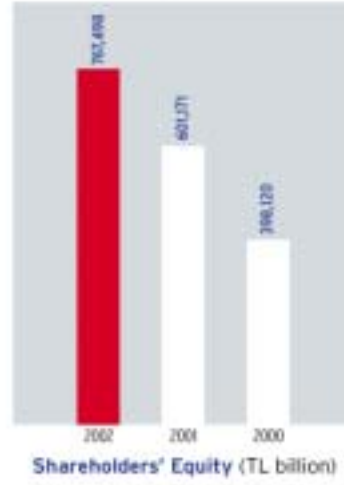
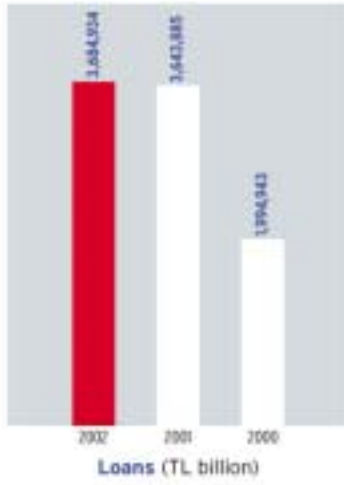
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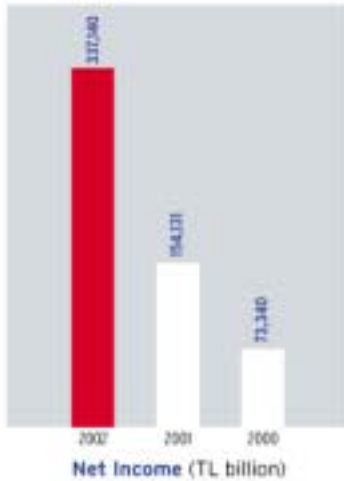
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FINANCIAL HIGHLIGHTS

Major Balance Sheet Accounts (TL billion)	2002	2001	2000
Loans, net	3,684,934	3,643,885	1,994,943
Cash and Equivalents	538,712	601,867	113,467
Total Assets	4,597,902	4,445,213	2,300,673
Loans Borrowed	2,067,252	2,070,780	1,112,707
Securities Issued	657,891	979,552	388,127
Shareholders' Equity	767,498	601,171	398,120
Paid-in Capital	657,864	529,513	345,313
Provisions	166,755	118,381	54,108



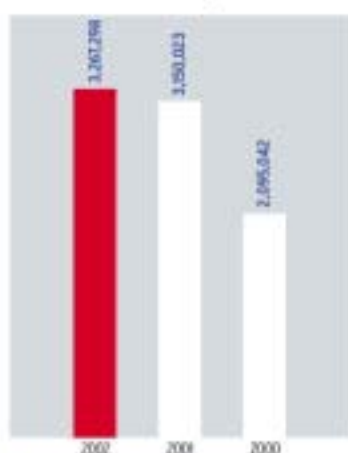
Major Income Statement Accounts (TL billion)	2002	2001	2000
Interest Income	638,549	561,014	255,773
Interest Income on Loans	394,263	375,238	179,147
Interest Expenses	[196,952]	[257,852]	[143,169]
Net Interest Income	441,597	303,162	112,604
Other Operating Income	498,400	456,973	153,839
Other Operating Expenses	[602,857]	[606,004]	[193,103]
Net Income	337,140	154,131	73,340



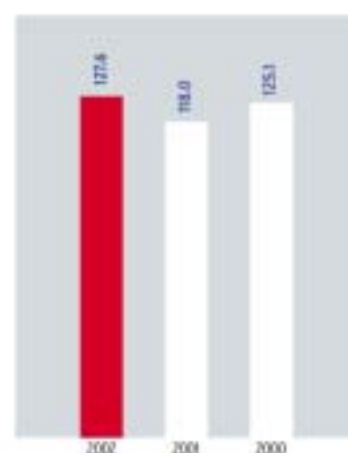
OPERATIONAL HIGHLIGHTS

Short-Term Credit Activities (TL billion)	2002	2001	2000
Total Short-Term Credits	3,267,298	3,150,023	2,095,042
Short-Term TL Export Credits	1,462,112	1,004,133	655,715
Short-Term FX Export Credits	1,797,206	2,139,708	1,436,121
Credits for Foreign Currency Earning Services	7,980	6,182	3,206

Medium and Long-Term Credit Activities (USD million)	2002	2001	2000
Medium and Long-Term Credits	127.6	118.0	125.1

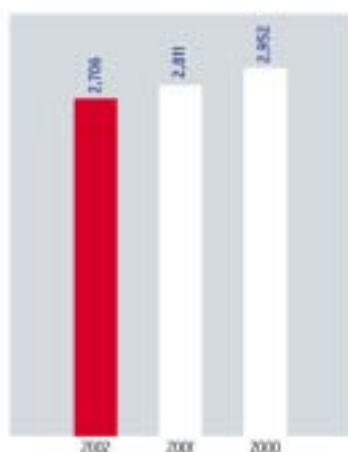


Total Short-Term Credits (TL billion)



Medium and Long-Term Credits (USD million)

Insurance Activities (USD million)	2002	2001	2000
Short-Term Export Credit Insurance			
Total Covered Shipments	2,706	2,811	2,952
Total Buyer Limit Approvals	2,004	2,169	2,368
Claims Paid	2.7	2.2	1.1
Recoveries	0.2	0.1	0.1
Medium and Long-Term Export Credit Insurance			
Total Covered Shipments	-	-	-
Claims Paid	-	-	-
Recoveries	2.8	2.6	2.4



Total Covered Shipments under Short-Term Export Credit Insurance Program (USD million)

CHAIRMAN'S MESSAGE



The export sector has become the main engine of the Turkish economy after the adoption of an export-oriented strategy at the beginning of the 1980s. As a result, exports showed a steady increase over the years and rose from USD 3 billion in 1980 to USD 35 billion in 2002. Meanwhile, the share of industrial goods in exports has surged from 36 % to 94 % in the last two decades, reflecting the shift from agricultural to industrial goods. Turkey is targeting USD 50 billion of exports by the year 2005. In order to attain this target, we believe that it is essential to continue the implementation of strategies for developing trade with neighboring countries and for creating Turkish trademark in international markets by producing high-quality goods.

Currently, Turkey exports 12,000 items to 210 different countries through its 30,000 exporters. However, Turkey's exports are concentrated on particular sectors and regions. Textiles/ready-to-wear, iron & steel, electrical appliances and automotive sectors constitute more than half of the exports. With regard to regional distribution, 45-50 % of exports are directed to only 5 countries, namely Germany, USA, UK, Italy and France. This high level of regional and sectoral concentration of exports weakens the competitiveness of Turkish goods in international trade. Besides, competition among trading nations has further intensified with the access of countries adopting free market economies to international markets. That's why, applying export promotion measures consisting of arrangements directed to decreasing sectoral and regional dependence is crucial for achieving the long-run export target of USD 50 billion.

In order to phase-out the sectoral dependence, producing high quality goods and creating trademarks are essential. In this context, since 1996, Türk Eximbank finances the overseas investments of Turkish entrepreneurs for the establishment of shopping malls and chain stores with the Overseas Chain Stores Investment Credit Program, enabling the direct sales of Turkish brand consumer goods in international markets. In the following period, the scope of this program will be extended to cover the investments for both establishing Turkish brand names and promoting Turkish designer goods abroad.

On the other hand, to gradually eliminate the regional dependence, we are working on increasing exports to our target countries, particularly to neighboring countries. As it is known, diversifying export markets is one of the main missions of export credit agencies. In this context, Türk Eximbank has provided credits/guarantees to the Russian Federation and the Central and Western Asian republics in a period when other export credit agencies were reluctant to operate in this region. Thus, as the sole official export credit agency, Türk Eximbank proved to be the main support behind the Turkish exporters and overseas contractors, enabling them to enjoy significant business opportunities. The experiences acquired in this region will guide us in developing new programs for the other neighboring countries. In another effort to diversify export markets, we are also continuing our studies on expanding the scope of the export credit insurance applications to include new markets and new programs.

Unfortunately, 2003 will be another difficult year in which serious economic and political decisions will have to be taken. Turkey is targeting USD 40 billion of exports in 2003. However, this will be a challenge, since Turkey will have to face many risks arising from uncertainties prevailing in the world economy due to global financial and political instability and from events across our borders, such as the Iraq Crisis. Besides, Turkey's exports will be adversely affected if the sluggish growth in the economies of our export markets continues. In such a critical period, we will do our best to create the necessary funds in order to increase the competitive strength of the Turkish exporters and overseas entrepreneurs in international markets. They can feel the full support of Türk Eximbank in 2003.

Tuncer KAYALAR
Chairman

CHIEF EXECUTIVE OFFICER'S MESSAGE

In the aftermath of the deepest economic crisis in Turkey's history, 2002 has been another year of great challenges for both Turkey and Türk Eximbank. Following the contraction of 9.4 % last year, the economy grew by 7.8 % owing mainly to the export sector. The competitive, customer-oriented export sector has enjoyed remarkable achievements in 2002 and I am proud to say that the USD 30 billion benchmark in exports was exceeded, reaching USD 35 billion.

As Turkey's only official export credit agency, Türk Eximbank proves to be qualified to fulfill its role of supporting Turkish exports. In 2002, we disbursed a total of USD 2.3 billion worth of export credits. Moreover, through the Short-Term Export Credit Insurance Program, we provide cover for more than 170 countries and under this program an overall total of USD 2.7 billion worth of shipments was insured against political and commercial risks in 2002. In short, our total support in terms of financing and pure cover reached USD 5 billion during the year.

Believing that one of the best ways to build the export sector is to start from the bottom, namely the small and medium scale enterprises (SMSEs), we extended 36 % of our short-term export credits to SMSEs that formed 69 % of our customer base. We are conscious of the difficulties faced by exporters in obtaining letters of guarantee from commercial banks due to the ongoing restructuring process of the Turkish banking system. In an attempt to solve this problem, we enabled firms, mainly SMSEs, that met several financial/ethical criteria to benefit from our credit facilities with collateral levels lowered up to 65 %.

The constant concern for diversifying the range of our products and services has led us to develop new products distinct to Türk Eximbank's activities. In this context, "International Transportation Marketing Credit Program", "Credit Program for Foreign Currency Earning Services" and "Letter of Guarantee Program for Overseas Contractors' Services" were introduced in 2002, in an attempt to contribute to the foreign exchange earnings of Turkey.

As it is known, the international rules and regulations aiming at phasing-out subsidies and trade distortions in the multilateral trading system has become increasingly binding to all countries. In this conjunction, as an active player in the globalised world, we take special care to act according to these rules and regulations set by international organizations.

We focus on benefiting from information technology in all work processes throughout the Bank. In this context, being a customer-oriented organization, we have established the "Document Management and Workflow System", which will enable us to meet the increasing demands of exporters immediately. Within this system, physical documents were transferred into the digitalized environment. Our system platform is now capable of managing multiple types of document objects throughout the entire life cycle including document capturing, management, storage, access, retrieval, exchange and output. With its improved computer hardware and communication infrastructure, Türk Eximbank will realize new projects in the next stage.

The year 2003, which is marked by uncertainties all over the world, the Turkish economy is also facing various risks. In a period where Turkey is in need of foreign funds, I think that the export sector will successfully maintain its foreign exchange generating character, in addition to its stabilizing role in times of contracting domestic demand. Exports have been the main engine of economic development since the liberalization of the Turkish economy. I believe that the export sector, which has tackled with the negative external effects in the past few years and has effectively overcome the two crises, will keep its leading role in economic development in the challenging days to come. As the main supporting agency of the export sector, we are determined to continue promoting exports through close co-operation with the exporters and contractors considering the developments in Turkey and in the world.



H. Ahmet KILIÇOĞLU
Chief Executive Officer
Vice Chairman



BOARD OF DIRECTORS AND AUDIT COMMITTEE



SENIOR MANAGEMENT



BOARD OF DIRECTORS AND AUDIT COMMITTEE

(Front/from left to right)

Oğuz SATICI/Member of the Board-Tuncer KAYALAR/Chairman-H. Ahmet KILIÇOĞLU Vice Chairman/CEO-M. Aydın KARAÖZ/Member of the Board

(Back/from left to right)

Mehmet BÜYÜKEKŞİ/Member of the Board-Prof. Dr. Arif ESİN/Member of the Audit Committee-Adnan Ersoy ULUBAŞ/Member of the Board
Güner GÜCÜK/Member of the Audit Committee-M. Nurhan GÜVEN/Member of the Board



SENIOR MANAGEMENT

(From left to right)

Necati YENİARAS/Assistant General Manager-Alev ARKAN/Assistant General Manager
Osman ASLAN/Assistant General Manager-Ertan TANRIYAKUL/Assistant General Manager

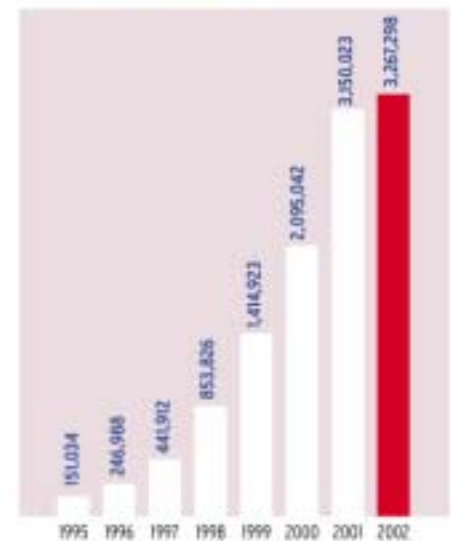
C R E D I T S



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.



Short-Term Credits (TL billion)



General Overview Türk Eximbank supports exporters, export-oriented manufacturers, overseas investors and companies engaged in foreign currency earning services with short, medium and long-term cash and non-cash credit programs. Moreover, export receivables are discounted in order to increase export trade volume and to ease the entry into new and target markets through the promotion of sales on deferred payment conditions.

The total amount of short-term Turkish Lira (TL) and foreign currency credits provided by Türk Eximbank has reached TL 3,267 trillion (USD 2.2 billion) in 2002, showing a 4 % increase on TL basis over the previous year.

In 2002, Türk Eximbank has financially supported 6 % of Turkey's exports by its short-term credits. This ratio decreased slightly compared to 2001. The main reasons behind this decrease were; the interruption in the new credit demands from the 20 intermediary commercial banks that were transferred to the Savings Deposit Insurance Fund (SDIF) due to the problems in the banking sector; the limitations in the intermediation activities of banks for export credits and the difficulties in obtaining letters of guarantee both due to the restructuring of the banking sector and to the banks' efforts to comply with the new legal arrangements, particularly in the field of risk management and capital adequacy; the difficulties in production planning faced by exporters within an uncertain environment marked by early parliamentary elections and the likely Iraq war.

45 % of the total credits was provided in TL and 55 % in foreign currency.

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

In 2002, 2,171 companies benefited from Türk Eximbank's short-term credits.

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 50 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 36 % share in short-term export credits and the amount of credits provided to SMSEs reached TL 1,165 trillion (USD 768 million). Additionally, 69 % of the total companies benefited from Türk Eximbank's short-term credit programs were SMSEs. Meanwhile, the support directed to encourage the model of Sectoral Foreign Trade Companies formed by SMSEs has been continued within the framework of various credit programs.

In the sectoral distribution of the short-term credits, textiles/ready-to-wear/leather industries had the largest share with 41 % in 2002.

European Union countries were foremost in the regional distribution of the credits with a share of 64 % in the same year.

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 2002, several arrangements were made in the short-term export credit applications in order to meet the demands of exporters.

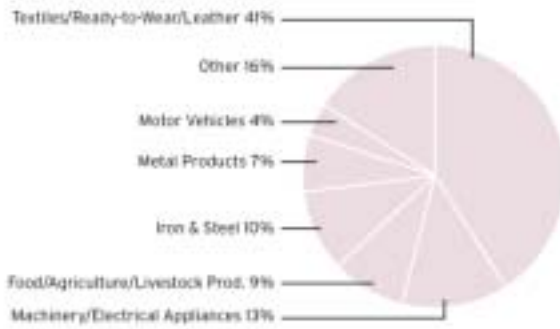
- The interest rates charged for export credits were gradually reduced considering the declining trend in the cost of funds and in market interest rates owing to the weakening effects of the economic crisis experienced in 2001.

Interest rates charged for Short-Term TL Export Credits were decreased by 4 percentage points on April 1, 2002. In parallel with the general decline in the level of interest rates after the elections, these rates were decreased further by 5 percentage points and were determined in the range of 34-51 % on November 19, 2002.

Similarly, Short-Term FX Export Credits' interest rates were reduced by 0.75-1.50 percentage points to the range of Libor+0.50 %-Libor+3.75 % on May 1, 2002.

- In order to provide a widespread use of short-term foreign currency export credits, the credit threshold, which defines the limit for lower interest rates, was reduced from USD 500,000 to USD 200,000 on May 1, 2002. This enables SMSEs to benefit from the facility at lower costs. Moreover, new arrangements are underway to mitigate the difficulties faced by SMSEs in obtaining letters of guarantee from commercial banks and to ease their accession to Türk Eximbank's financing facilities.

Sectoral Distribution of Short-Term Credits



- Considering the demands from the export sector, the availability of the Bank's funds and the market rates, the company limits for the Performance Related TL Export Credits and Pre-Shipment TL Export Credits were increased from TL 1.5 trillion to TL 3 trillion on June 24, 2002 and October 28, 2002, respectively.

- Under the Foreign Trade Companies (FTC) Short-Term Export Credits Program, the company limits, which had previously been determined on TL and foreign currency basis, started to be determined in US Dollars on March 12, 2002.

- Under the Performance Related Foreign Currency and Turkish Lira Export Credit Programs, the implementation of lower collateral levels, which is indexed to high export performance of the companies that meet the several financial/ethical criteria, was re-

defined in order to enable SMSEs to benefit more from this credit facility. According to the new arrangement, all companies, which meet the financial/ethical criteria, sustain a stable export performance and have an adequate level of basic financial ratios (debt/equity ratio and current ratio), can benefit from reduced levels of collaterals after June 24, 2002.

- In order to meet the financing needs of international shipping companies registered to Turkish Ship Register, with freight revenue of more than USD 1,000,000 in the previous year, the International Transportation Marketing Credit Program (Shipping) was introduced on February 7, 2002.
- The International Transportation Marketing Credit Program (Road Transportation), which was introduced in TL on December 3, 2001, started to be extended also in foreign currency from February 7, 2002 onwards.
- Within the framework of the arrangements made on September 16, 2002, the company limits under the International Transportation Marketing Credit Program were increased from USD 100,000 to USD 500,000 for the road transportation and from USD 500,000 to USD 1,000,000 for shipping. Additionally, the maximum maturity was extended from 180 days to 360 days.

On the other hand, international shipping companies, which are resident in Turkey but provide services via rented ships flying foreign flags, have also become eligible under this program.

- New arrangements have been made to facilitate the fulfillment of export commitments.

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 867.3 trillion (USD 576.3 million) worth of credits was disbursed in 2002. On TL basis, total credits extended increased by 32 % over the previous year.

Within the framework of the **Pre-Shipment SMSEs Export Credit Program**, a sub-program of the PSEC-TL program, TL 475.4 trillion (USD 315.3 million) was disbursed in 2002, 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 2002, TL 85.8 trillion (USD 57.1 million) worth of credits was disbursed under this program.

Under the **Pre-Shipment Foreign Currency Export Credit Program**, USD 797.9 million (TL 1,212 trillion) was disbursed in 2002.

2. Credits Extended Directly by Trk 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 815.6 trillion (USD 536.7 million) was disbursed in 2002. Of this amount, TL 424.9 trillion (USD 279.2 million) was disbursed in TL and USD 257.5 million (TL 390.7 trillion) in foreign currency. The total amount of credits disbursed increased by 59 % on TL basis compared to 2001.

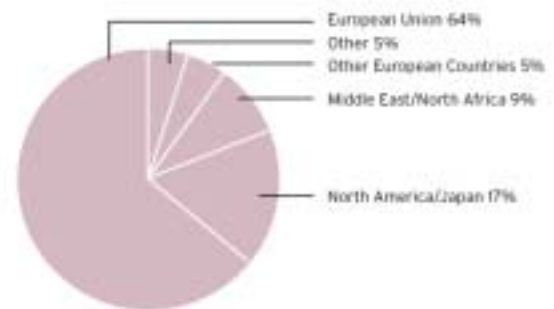
Under the **Performance Related Foreign Currency Credit Program**, which is extended to exporters and export-oriented manufacturers with a minimum of USD 500,000 past export performance, USD 94.4 million (TL 140.8 trillion) worth of credits was disbursed in 2002. Under the **Performance Related Turkish Lira Export Credit Program**, TL 170 trillion (USD 112.7 million) worth of credits was disbursed.

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 19.2 million in 2002.

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 2002, USD 16.3 million was disbursed under this limit.

Regional Distribution of Short-Term Credits



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.

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 obtain pre-financing either in advance payment or in installments from the buyer. Within this program, USD 505 thousand worth of letters of guarantee was issued in 2002 and a total of USD 51.1 million worth of letters of guarantee has been issued since the beginning 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 overseas projects generating foreign currencies. The Specific Export Credit Program provides support to companies, which engage in shipbuilding and factory construction, to 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 7.1 million worth of credits was disbursed in 2002.

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 has been re-considered in the light of the economic developments. As a result, maturities of these credits were extended by one more year with Libor+5 % interest rate. In 1999, the receivables within the framework of ODAC (Organization for Development of Administrative Centers) were not covered under this program, since they were being paid by the oil export earnings of Libya. However, on January 30, 2002, upon the request of Turkish contracting companies and taking into consideration the opinions of the International Contractors' Union and the Ministry of Foreign Affairs, these receivables started to be covered under this program. USD 1.5 million worth of credits was disbursed in 2002 within this program.

Recently, due to the problems prevailing in the Turkish banking sector, Turkish contractors have faced difficulties in providing letters of guarantee for their overseas contracts, since the letters of guarantee obtained from Turkish banks have not been accepted by the foreign buyers/banks. Upon the request of Turkish contracting companies for the resolution of this problem, the Coordination Committee for Overseas Contractors' Services has assigned Türk Eximbank on this subject. Consequently, Türk Eximbank introduced the **Letter of Guarantee Program for Overseas Contractors' Services** on July 29, 2002 for Turkish contractors to enable them to sustain their current share in international markets and encourage them to enter into new markets.

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 2.9 trillion worth of credits was disbursed within the year.

The **International Transportation Marketing Credit Program (Road Transportation)** 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. Likewise, given the 75 % share of shipping in the transportation of Turkish export goods,

the **International Transportation Marketing Credit Program (Shipping)**, was introduced in February 2002. Within this program, TL 5.1 trillion (USD 3.3 million) worth of credits was disbursed in 2002.

The **Credit Program for Foreign Currency Earning Services** was introduced on July 19, 2002 with the aim of contributing to Turkey's foreign exchange earnings through financing the companies resident in Turkey for both their foreign currency earning services abroad and the export of services like software projects, consultancy services.

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 under the guarantee of the Turkish Government with a maturity of seven years including a three-year grace period. Under this program, USD 97.4 million worth of credits was disbursed for the financing of export related investment and working capital needs of exporters in 2002. A total of USD 220 million worth of credits was disbursed since the beginning of the program in late 1999 and 88 projects were evaluated.

Islamic Development Bank Backed Credits Türk Eximbank acts as an intermediary agency for the **Export 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. Within the recent arrangements made by the IDB, credit facilities are provided to importers that reside not only in member countries of the Organization of Islamic Conference, but also in non-Islamic countries 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 2002, credit applications against FOB export commitments of USD 52.2 million were forwarded to the IDB. IDB approved USD 14.9 million of the credit applications and the total amount of disbursements was realized as USD 9.2 million.

This scheme also entails a limit amounting to Islamic Dinars 19.2 million (USD 25.6 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 2.4 million worth of credits was disbursed in 2002 under this limit.

Besides, based on the negotiations with the IDB, studies have started for the allocation of a new limit amounting to USD 20 million.

In order to support Turkish exporters' imports from member and non-member countries of the Organization of Islamic Conference, the imports of raw materials, semi-capital and capital goods to be used in the production of export goods have been financed within the context of the IDB's **Import Trade Financing Operations (ITFO line)**, which is another limit provided by the IDB to Türk Eximbank. On November 8, 2002, some revisions were made in this credit program, and EUR 9 million worth of credits 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, Türk Eximbank reviews risk assessments for these banks by applying internationally accepted techniques. In determining the limits, various criteria such as the effective 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. Besides, the developments in financial markets and the activities of each bank are scrutinized and evaluated.

BUYERS' CREDIT AND GUARANTEE PROGRAMS



By providing accurate guidance, aim at creating opportunities for and boosting the competitive strength of Turkish exporters and overseas contractors in newly emerging markets by enabling foreign buyers to purchase Turkish goods and services on deferred payment conditions.



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 more than 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 2002, USD 44.1 million was allocated for the financing of a central pavilion and three hotel renovation projects to be realized in Uzbekistan. During the year, USD 21.3 million was disbursed to the projects realized in the Russian Federation and Belarus.

Türk Eximbank issued 7 "letters of intent" for the projects that were planned to be undertaken by Turkish firms in the Russian Federation, Azerbaijan, Tunisia and Turkmenistan. Besides, the validity of 3 letters of intent, which had been previously issued and expired for projects planned to be realized in Bulgaria, Pakistan and Syria, was extended.

Debt rescheduling agreements were signed with Kyrgyzstan and Uzbekistan in 2002. In addition, the debt rescheduling agreement signed with Georgia in June 2001 became effective. Besides, procedure to reschedule Türk Eximbank's receivables from Pakistan in accordance with Pakistan's debt rescheduling agreement with the Paris Club has been initiated.

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 2002, 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.

The Bank requires sovereign guarantee as a prerequisite for the financing of such projects in order to guarantee the principal and interest repayments. On the other hand, other kinds of guarantee mechanisms, including the guarantee of a bank that is deemed as trustworthy by Türk Eximbank, were evaluated, taking into account the criteria such as the country in which the project will be realized, the specifications of the project, the credit maturity and the credit amount.

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 31.12.2002)
ALBANIA	15.0	13.9
Export Credit	15.0	13.9
ALGERIA	100.0	99.5
Export Credit	100.0	99.5
AZERBAIJAN	250.0	91.7
Export Credit	100.0	59.6
Project Credit	150.0	32.1
BELARUS	20.0	18.5
Project Credit	20.0	18.5
BOSNIA-HERZEGOVINA	60.0	-
Project Credit	60.0	-
BULGARIA	50.0	20.9
Export Credit	50.0	20.9
GEORGIA	50.0	41.5
Export Credit	50.0	41.5
HUNGARY	10.0	0.1
Export Credit	10.0	0.1
KAZAKHSTAN	240.0	213.1
Export Credit	55.7	40.0
Project Credit	184.3	173.1
KYRGYZSTAN	75.0	48.1
Export Credit	37.5	35.7
Project Credit	37.5	12.4
LIBYA	100.0	128.7
Project Credit	100.0	128.7
MOLDOVA	35.0	15.0
Project Credit	35.0	15.0
NAKHICHEVAN	20.0	19.6
Export Credit	20.0	19.6
PAKISTAN	58.3	58.3
Project Credit	58.3	58.3
ROMANIA	50.0	45.7
Export Credit	50.0	45.7
RUSSIAN FEDERATION	1,150.0	796.7
Export Credit	800.0	599.4
Project Credit	350.0	197.3
SYRIA	15.0	7.0
Export Credit	15.0	7.0
TAJIKISTAN	50.0	28.0
Export Credit	50.0	28.0
TUNISIA	40.0	1.9
Export Credit	40.0	1.9
TURKISH REP. OF NORTHERN CYPRUS	3.7	3.7
Project Credit	3.7	3.7
TURKMENISTAN	134.8	133.0
Export Credit	75.0	75.0
Project Credit	59.8	58.0
UZBEKISTAN	414.2	347.1
Export Credit	125.0	124.6
Project Credit	289.2	222.5
TOTAL	2,941.0	2,132.0

EXPORT CREDIT INSURANCE



Aims to provide cover to Turkish exporters
and overseas contractors against
commercial and political risks and to
create a risk-free environment for them.





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 the **Short-Term Export Credit Insurance Program**, all shipments to be made by an exporter in the duration of one-year policy period and with 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 1997-2002.

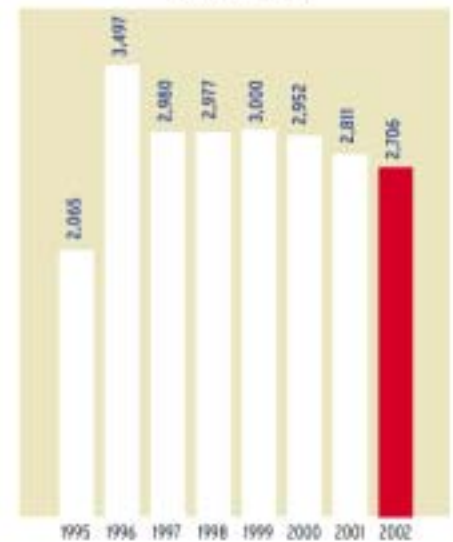
Cover was provided for 173 countries by this Program and a total of USD 2.7 billion worth of shipments were insured in 2002. Premium amounting to USD 10.5 million was collected in the year.

In 2002, textiles/ready-to-wear/leather products were foremost in the sectoral distribution of exports insured with a share of 51 % and the European Union countries were the leading market with regard to the regional distribution with a share of 60 %.

In the framework of the Short-Term Export Credit Insurance Program, 8,175 new buyers have been registered during the year in the underwriting archives raising the total number of the records to 74,455 by the end of the year.

Under the Program, USD 2,734,382 worth of claims was paid out in 2002 arising from shipments realized to various countries. Of this amount, USD 27,781 worth of claims was paid out for political losses and USD 2,706,601 for commercial losses.

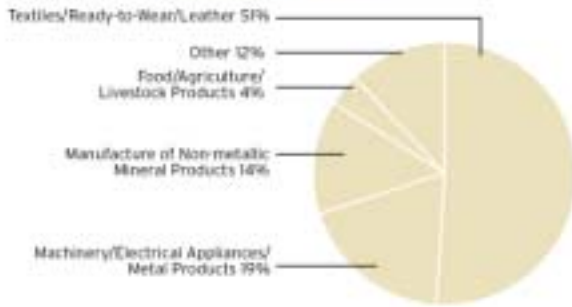
Exports Insured Under Short-Term Export Credit Insurance Program (USD million)



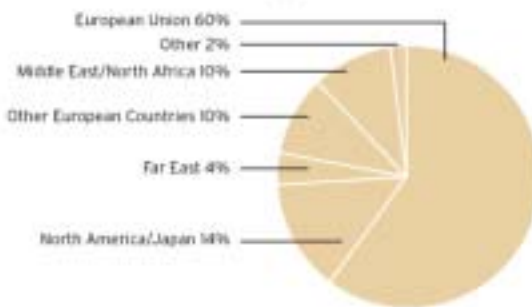
USD 226 thousand of the paid claims for commercial losses, was recovered by Türk Eximbank in 2002.

Taking into consideration the increasing competition, premium discount within the range of 5-15 % was introduced in the year for keeping sustainable demand and minimizing the insurance costs of exporters. This discount is applied to the deserving policyholders in compliance with their past performance, portfolio quality, etc.

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



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



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 2002.

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 2002, USD 2.8 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 USD 17 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.



Other 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.

In addition, under the Short-Term Export Credit Insurance Program, close co-operation was maintained with the export credit/insurance agencies of various countries during 2002, in order to enlarge the support given to Turkish exporters and entrepreneurs.

TREASURY AND FUNDING



Operating in domestic and international financial markets for funding and managing funds with complementary and integrated principles of “maintaining sound financial structure”, “minimizing the risk” and “being closer to innovative approaches”.



Capital The nominal capital of the Bank was increased to TL 750 trillion in May 2001. The paid-in capital, which was TL 529.5 trillion at the beginning of 2002, increased to TL 657.9 trillion as of December 31, 2002, through TL 10 trillion cash injection and TL 118.4 trillion transfer from retained earnings by the Turkish Treasury.

The Bank's BIS capital adequacy ratio, which was 30 % in 2001, further improved to 37 % as of end-2002.

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 USD 48.6 million equivalent of TL 80 trillion to Türk Eximbank in 2002, and a total of USD 40.2 million political risk loss was indemnified via deduction from the payments made by countries in connection with the receivables followed up on behalf of the Treasury.

Funding from Domestic Markets Almost 65 % of Türk Eximbank's short-term foreign currency denominated loan portfolio was funded through short-term loans raised from Turkish commercial banks.

The fund of USD 100 million obtained from the Union of Chambers of Commerce, Industry, Maritime Trade and Commodity Exchanges of Turkey (TOBB), was repaid in 2002. To replace this borrowing in half in September, USD 50 million was obtained from TOBB by the issuances of USD 20 million 6-month bank bond and USD 30 million one-year bank bond.

Borrowings from International Markets Through Syndicated Loans The Bank raised a one-year syndicated loan of USD 125 million in October.

Borrowings from International Markets Through Bilateral Loans The revolving loan that was raised from the Black Sea Trade and Development Bank, of which Turkey is a

founding member, was increased from USD 18.4 million to USD 20 million in September 2002.

Project Finance Under the credit agreement signed with the World Bank in 1999, USD 97.9 million was withdrawn in 2002, in order to meet the medium-term working capital requirements and to finance the fixed capital investments of exporters.

Furthermore, within the framework of the Second Credit Agreement signed with the Japanese Bank for International Cooperation (JBIC) in 1999, JPY 2.3 billion (almost USD 20 million) was raised from JBIC for the financing of projects in the third countries, in 2002.

Loan Repayments During the year, loans of USD 974 million were repaid. Of this amount, USD 291 million was owed to local banks and USD 683 million (including bond redemption and syndicated loan repayments) to foreign lenders.

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 2002.

Meanwhile, the securities portfolio, which consists of TL Treasury bills, government bonds and foreign currency denominated bonds issued in international capital markets by the Turkish Treasury, was used as collateral in interbank money market transactions.

Risk Management During 2002, 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.



Interest rate and foreign currency risks, stemmed from the use of fixed interest-JPY denominated loans obtained from JBIC to finance variable rate-USD denominated loans extended under the Buyers' Credit Program, were hedged through an eight-year, USD 45 million "cross currency swap" transaction realized with two international banks in December 2002.

Short-term swap transactions, and TL/FX and spot FX/FX transactions were carried out in order to allow exporters to access foreign exchange loans in the desired currency and the Bank to hedge its foreign currency risk.

Credit Risk Assessment (Rating) As of end-2002, 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
Accounting and Budget Division
Training and Public Relations
Istanbul and Izmir Branches



Value	Change	%Change
3,006.62	30.37 ▲	1.01%
2,649.29	33.35 ▲	1.26%
987.90	2.93 ▲	0.30%
10,744.54	96.03 ▲	0.90%
1,367.40	15.29 ▲	1.12%
626.42	4.79 ▲	0.77%
	▲ 4.48	0.72%



International Relations The Bank's relations with the International Union of Credit and Investment Insurers (Berne Union) continued actively in 2002. In this framework, with its increasing performance and role in financing exports, Türk Eximbank has continued to perform as a member of the Board of Directors of the Union.

In 2002 an agreement was signed with Eximbanka S.R./Slovak Republic, in addition to the previously signed agreements with the other 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, KUKI/Poland, EGFI/Iran, 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 2002.

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 2002.

Close co-operation was maintained with export credit agencies 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 throughout 2002.

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 business opportunities have been considered during 2002.

Information Systems Development and Implementation and Electronic Data Processing One of the indications of being developed is using the information technology in all work processes in a proper way. Developed countries are rapidly applying the "e-life" concept in all areas. Türk Eximbank is also conscious of the fact that in order to become a well-known brand name and to beat the other rivals in the market, it is essential to increase productivity by setting proper work processes and fast/proper decision-making. As such, the Bank gives importance to automation. At present, Türk Eximbank's operational departments

receive computer support from the integrated database for 90 % of their real time work processes. The studies on the development and the revision of Management Information Systems (MIS) are still continuing. Considering the importance given to the customers' satisfaction, i.e. the satisfaction of all the establishments, firms and banks that Türk Eximbank has relations, (Customer Relationship Management), all new programs also receive computer support from the integrated database, thus providing standardization and consistency. The studies on the second version software development processes, together with the transition to paperless environment and implementation of the Decision Support Systems (DSS) are continuing according to the schedule.

Parallel to the organization, software, hardware and communication requirements, together with e-banking goals, Türk Eximbank has continued to invest in the information technologies extensively. In this context, 90 % of old and insufficient personal computers have been renewed by the procurement of 247 new personal computers and 140 of the old ones were donated to schools.

With the establishment of the Document Management and Workflow System, approximately 2 million pages of physical documents were securely transferred by scanning into the digitalized environment. The system platform is now capable of managing multiple types of document objects throughout the entire life cycle including document capturing, management, storage, access, retrieval, exchange and output. The system has provided users to gain more control over documents, together with paper and space saving, capability of more than one personnel to work on the same document simultaneously, simple, fast and accurate solution development, performance increase, coordination and execution of workflows in a particular standard and order. Efficiently capturing, managing, processing, storing and distributing documents enables the Bank to become more responsive to changing conditions, simultaneously improving productivity and cost competitiveness. The end result is that with the usage of optical character recognition and content management technologies, the Bank has been able to define work processes in terms of participants, inputs, outputs and workflows, and to automatically direct work tasks and the information required to perform those tasks throughout the organization.

With the recent investments made within the framework of the World Bank Organizational Development Project, the computer hardware and communication infrastructure of the Bank has been improved. With new software projects, Türk Eximbank will soon be executing all processes on electronic environment. The bidding processes of Fax Management, Data Warehouse, Computer Aided Systems Engineering, MIS, On-Line Analytic Processing, DSS and Electronic Data Interchange software projects were completed and their contracts were signed. These projects will be realized by the end of 2003.

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 analyzed. Additionally, "Türk Eximbank 2003 Annual Program" was published. In order to develop new credit programs, activities of various export credit agencies were followed-up. Various internal and external bulletins and reports were prepared on a regular basis.

Within the framework of the stabilization program, the export and banking sectors were closely monitored, while the effects of the new legislations announced within the scope of the banking sector restructuring program were considered at length. Also, studies were carried out to harmonize the Bank's programs with the amendments in international norms.

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 20,795 foreign companies were collected in 2002. 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 2002. 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 3,206 domestic firms have been prepared and provided.

At the end of 2002, the "Document Management System" project started to be implemented in the Information Department. With this project, the archives of the department were transferred into the digitalized environment and all new documents are kept in this environment.

Training and Public Relations Türk Eximbank employs a total of 370 personnel, 3 of whom have a Ph.D. degree, 48 have a post-graduate degree and 200 have a graduate degree. The number of personnel who can speak at least one foreign language is 166 and the average age of the personnel is 37.8.

In 2002, 204 participants attended 128 training facilities. 155 participants attended 102 of these training facilities including meetings on general economics and management, etc., held by the Banks Association of Turkey, while 32 participants attended 19 programs held by other organizations. 12 participants attended 2 in-house training programs and 5 participants attended training programs abroad.

During 2002, 17 personnel attended 28 foreign trade seminars held by various institutions in different provinces and made presentations on Türk Eximbank's Credit and Insurance Programs. Besides, 80 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, Performance Related Foreign Currency and TL Export Credit Programs and the International Transportation Marketing Credit Program. 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 23 employees and the İzmir branch has 6 employees.