

TÜRK EXIMBANK
EXPORT CREDIT BANK OF TURKEY

A N N U A L R E P O R T 2 0 0 3

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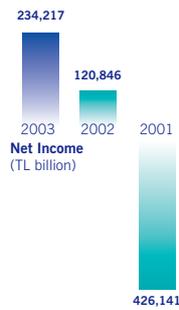
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FINANCIAL HIGHLIGHTS

Major Balance Sheet Accounts (TL billion)	2003	2002(*)	2001(*)
Loans, net	3,702,878	4,198,702	5,432,380
Cash and Equivalents	144	120	200,774
Total Assets	4,708,572	5,238,468	6,629,032
Loans Borrowed	1,862,633	2,355,477	3,087,161
Securities Issued	488,760	749,616	1,460,337
Shareholders' Equity	1,492,376	1,258,159	1,128,034
Paid-in Capital	657,864	657,864	529,513
Provisions	241,949	190,005	176,485



Major Income Statement Accounts (TL billion)	2003	2002(*)	2001(*)
Interest Income	642,749	818,797	1,103,475
Interest Income on Loans	429,892	507,501	716,286
Interest Expenses	(123,439)	(254,167)	(519,582)
Net Interest Income	519,310	564,630	583,893
Other Operating Income	34,779	45,493	38,853
Provisions for Loans and Other Claims	(108,689)	(107,751)	(169,886)
Other Operating Expenses	(51,107)	(73,100)	(107,782)
Net Profit (Loss) on Monetary Position	(161,967)	(309,637)	(739,723)
Net Income	234,217	120,846	(426,141)

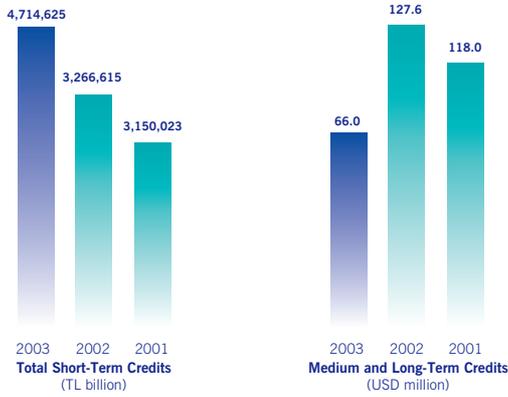


(*) Expressed in 2003 prices

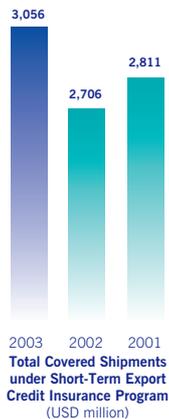
OPERATIONAL HIGHLIGHTS

Short-Term Credit Activities (TL billion)	2003	2002	2001
Total Short-Term Credits	4,714,625	3,266,615	3,150,023
Short-Term TL Export Credits	2,528,902	1,465,018	1,010,315
Short-Term FX Export Credits	2,185,723	1,801,597	2,139,708

Medium and Long-Term Credit Activities (USD million)	2003	2002	2001
Medium and Long-Term Credits	66.0	127.6	118.0



Insurance Activities (USD million)	2003	2002	2001
Short-Term Export Credit Insurance			
Total Covered Shipments	3,056	2,706	2,811
Total Buyer Limit Approvals	2,408	2,004	2,169
Claims Paid	3.2	2.7	2.2
Recoveries	0.6	0.2	0.1
Medium and Long-Term Export Credit Insurance			
Total Covered Shipments	-	-	-
Claims Paid	-	-	-
Recoveries	3.0	2.8	2.6





CHAIRMAN'S MESSAGE

As shown by the recent economic developments, exports have played an essential role in the economic recovery in Turkey in the aftermath of the economic crises. In other words, exports have not only mitigated the effects of the crisis on economic and social life, but also became the triggering force in economic growth.

Turkey's exports exceeded USD 30 billion in 2001 for the first time and reached USD 36 billion and USD 50 billion in 2002 and 2003, respectively, marking a considerable surge from the threshold level of USD 26-27 billion in the 1997-2000 period. The remarkable surge in exports in 2003 was the result of tremendous efforts of our exporters to increase their exports both through productivity increases and by penetrating new markets. On the other hand, for achieving sustainable export growth in the long run, solid steps should be taken to overcome the structural problems relating to the sectoral and regional dependence of exports.

In this context, "Strategy for the Development of Trade with the Neighboring and Peripheral Countries" was put into effect in 2000. This strategy aims to eliminate the mentioned regional dependence, to contribute to the regional peace through establishing long-lasting relations with other countries in the region and to benefit from the trade potential in neighboring countries. Thus, within the framework of this strategy, Turkish exports to these countries increased by 41 % in 2002-2003 and their share in total Turkish exports reached 21.7 %. Furthermore, relations with the African countries, which have a total population of 800 million and import volume of USD 140 billion, are carried out within the "Strategy for the Development of the Economic Relations with Africa". This strategy aims to enable Turkish small and medium scale enterprises to enter the African markets, to increase the market share of Turkish contracting, consulting and engineering firms in the region, to switch some investments to these countries in order to increase the competitiveness of various sectors in Turkey, to transfer technology from Turkey to these countries and to import raw materials and semi-finished goods for the Turkish industry directly from these countries at more favorable prices. The target of this strategy is to increase Turkey's current share of 1.5 % in total trade volume of African countries, which exceeds USD 281 billion, to 4 % at the end of a 3-year period.

Also, in an effort to achieve sustainable export growth, the implementation of the "Strategic Plan for Exports 2004-2006", which was prepared in 2003 under the coordination of the Undersecretariat of Foreign Trade, has started. Several workgroups have been formed with the active participation of Türk Eximbank, Export Promotion Center of Turkey and other related institutions, to realize the strategic goals determined within this Plan. These goals include avoiding the adverse effects of globalization and determining new areas in which Turkey can be competitive in international markets.

On the other hand, in order to maintain the increasing trend in exports, Türk Eximbank minimized the financing cost of exporters through decreasing the interest rates to record low levels. In the meantime, revisions were made to improve the terms of the current programs and new programs were launched to meet the demands of exporters more effectively. Besides, Türk Eximbank has opened liaison offices in Kayseri, Denizli and Gaziantep that have a significant share in Turkey's exports. Thus, exporters from these regions will easily reach Türk Eximbank's services. I am confident that Türk Eximbank, which has an important function in export finance, will carry on its active role in achieving sustainable export growth and make significant contributions to the competitiveness of the export sector in 2004.

Tuncer KAYALAR
Chairman

CHIEF EXECUTIVE OFFICER'S MESSAGE



Turkey is going through a dynamic process of legal, political, and economic reforms on the road to membership to the European Union. The political and economic policies, which have been pursued vigilantly and successfully for the past few years, have carried Turkey into 2004 as a country with considerably improved political and economic structure. Turkey is progressing well with the economic stability program, resulting in a significant improvement especially in macro economic indicators. Besides, the short duration of Iraq war has nullified the worries about its serious consequent adverse effects. It is worth noting that inflation declined to historic lows and interest rates came down significantly while growth was strong over the past two years. Additionally in 2003, exports reached almost a level of USD 50 billion, recording historically high rates of monthly growth, despite the real appreciation of the Turkish Lira. The export sector has maintained its leading role in the economy through productivity increases and thus overcome the adverse effects of the low exchange rates.

There was a surge in demand for Türk Eximbank credits as a result of economic improvement and the rise in exports in 2003. On the other hand, the revisions that we made in favor of exporters in our export credit programs and interest rates charged, have also contributed to this surge. Türk Eximbank made a series of revisions in its programs during the year. The aim was to increase support to the export sector, improve the conditions of the programs implemented and to offer faster and better services, in accordance with the goals set in the Emergency Action Plan of the Government and the demands of the export sector.

Türk Eximbank reduced the short-term interest rates eight times during 2003, and provided a 23 point reduction, parallel to the decline in the general level of market interest rates as a reflection of the significant progress achieved in the implementation of the economic stability program. The new interest rates are the lowest rates charged since the Bank began its operations in 1988 and also the lowest levels in today's financial markets. The discounted rates enabled exporters to reduce their financing cost, which constitutes a significant portion of their total input costs. The improvement in the economy also enabled the Bank to extend the maturity of the credits. The maximum repayment term of short-term export credits was increased to one year from 6 months.

Another important revision made in 2003 aimed at solving the finance and collateral problems of SMSEs. To enable more SMSEs to benefit from Türk Eximbank's programs with more favorable terms, including lower collateral levels, a new program, namely the Pre-Export Program for SMSEs, with one-year maturity was put into effect on April 21, 2003. As a result of the priority given to credit demands of SMSEs, 38 % of short-term export credits were extended to these enterprises in 2003.

Additionally, the collateral levels of short-term export credits extended directly by Türk Eximbank were reduced and the financial/ethical criteria used in the credibility assessments of companies was redefined so that more companies could benefit from reduced collateral levels.

Besides, through the progress made in the development and application of modern banking technologies via information systems technologies, the response time to the increasing amount of credit and insurance applications have shortened. Türk Eximbank has invested extensively in the information technologies parallel to the organization, software, hardware, communication requirements and e-banking goals. Moreover, bureaucracy has been lessened in all programs of the Bank to the extent the Banks Act and other related legislation allows, i.e. instead of official documentation, documentation based on company's declaration was adopted. In the meantime, revisions were made in the export credit insurance and buyers' credit programs which provides great contribution to our exporters and contractors to enter new markets and to increase their share in current markets.

As a result of these revision, in 2003, Türk Eximbank's support to the export sector reached almost USD 6.4 billion, of which USD 3.3 billion was in the form of export credits and USD 3.1 billion was in export credit insurance and guarantee. These figures point to a 27 % increase in the financial support provided by the Bank, when compared to the 2002 figures.

2004 is a very promising year for the Turkish economy. There is a declining trend in inflation and market interest rates as a result of successful implementation of the economic stability program. Besides, the restructuring of the Turkish banking sector has been nearly completed. The conjuncture is now more convenient for short-term financing demands of the reel sector to be met by commercial banks more effectively, given the economic stability is sustained. Consequently, our ultimate aim is to place more emphasis on medium and long-term transactions, while leaving short-term trade financing to the Turkish commercial banking system. In 2004, Türk Eximbank has targeted to provide a total support of USD 7.6 billion, of which USD 3.8 billion is in the form of export credits and USD 3.8 billion is in export credit insurance and guarantee. These figures point out a 19 % increase in total support over the previous year. I would like to emphasize once more that in 2004, we will continue to provide increasing support in volume and variety, to our exporters and overseas investors and contractors, considering their needs.

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

Mehmet BÜYÜKEKŞİ/Member of the Board

(Back/from left to right)

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

Güner GÜCÜK/Member of the Audit Committee



CEO AND SENIOR MANAGEMENT

(Front/from left to right)

Alev ARKAN - H. Ahmet KILIÇOĞLU / CEO - Osman ASLAN

(Back/from left to right)

Ertan TANRIYAKUL - Necati YENİARAS

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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, 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 4,715 trillion (USD 3.2 billion) in 2003, showing a 44.3 % increase on TL basis over the previous year.

In 2003, Türk Eximbank has financially supported 7 % of Turkey's exports by its short-term credits.

54 % of the total credits was provided in TL and 46 % in foreign currency.

63 % of the total credits was disbursed via intermediary commercial banks.

In 2003, 2,788 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. As a result of this policy, SMSEs have attained a 38 % share in short-term export credits and the amount of credits provided to SMSEs reached TL 1,794 trillion (USD 1.2 billion). Additionally, 71 % of the total companies that 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 continued within the framework of various credit programs.

In the sectoral distribution of short-term credits, textiles/ready-to-wear/leather industries had the largest share with 42 % in 2003.

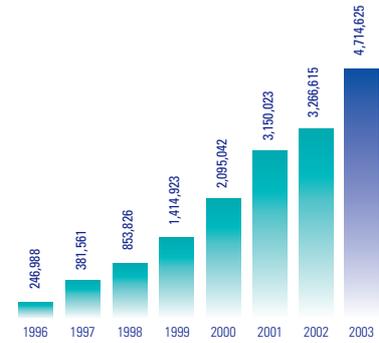
European Union countries were foremost in the regional distribution of the credits with a share of 61 % in 2003.

Türk Eximbank has continued to provide a reduction on current interest rates charged for short-term export credits extended to short-term export credit insurance policyholders. This reduction, which was 0.5 points for short-term export credits in foreign currency, was decreased from 4 points to 3 points on September 22, 2003, and to 2 points on December 29, 2003 for short-term export credits in TL.

New Arrangements and Amendments In 2003, several arrangements were made in the short-term export credit applications in order to meet the demands of exporters.

- A new program, namely the Pre-Export Program for SMSEs was put into effect on April 21, 2003. This program aims to solve the finance and collateral problems of SMSEs by requiring a letter of guarantee for only 50 % of the capital and interest of the credit and a collateral bond equal to the credit amount.
- As Special Finance Institutions (SFI) are considered as banks according to the Banks Act, the SFIs that met the credibility criteria of Türk Eximbank, were allocated short-term limits for letters of guarantee and the letters of guarantee issued by these Institutions were accepted as collateral for the credits extended directly by Türk Eximbank.
- On April 21, 2003, the Performance Related Credit Program was renamed as Pre-Export Credit Program and its maturity was extended from 180 days to 360 days. The past performance criteria considered for this Program was reduced to USD 200,000 from USD 500,000.

Short-Term Credits (TL billion)





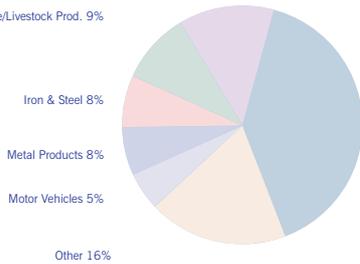
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Additionally, a maximum limit of USD 100,000 was assigned to firms either newly entering the export markets or having a past performance below the level of USD 200,000. In determining past performances, declarations of the firms were taken into account.

- The maturity of the Pre-Shipment Export Credit Program was increased to 360 days.
- The collateral rates for the credits extended directly by Türk Eximbank were reduced and some of the financial/ethical criteria used in the credibility assessments of firms were revised in order to enable more companies to benefit from the reduction.
- The penalty interest rate applied to defaulting firms, was reduced from 1.5 times to 1.2 times of the current interest rate.
- With the revisions made on April 21, 2003, the performance criteria set for the Tourism Marketing Credit Program, was decreased to USD 500,000 from USD 1,000,000. From this date on, this credit was extended also in foreign currency.
- With the revisions made for the Tourism Marketing Credit Program on May 28, 2003, firms meeting certain criteria were provided the opportunity to benefit from reduced collateral levels.

Sectoral Distribution of Short-Term Credits

Textiles/Ready-to-Wear/Leather 42%
Machinery/Electrical Appliances 12%
Food/Agriculture/Livestock Prod. 9%



- Also, in the further revisions made for this program on August 14, 2003, travel agencies selected by the Ministry of Culture & Tourism and private airlines were provided the opportunity to use the Tourism Marketing Credit with over 1 year maturity and the company limit was increased to USD 4,000,000.

- The Pre-Shipment Rediscount Program was revised on April 21, 2003 to include open account transactions. Credits provided for these transactions were funded from Türk Eximbank's own resources. Additionally, the maturity for all transactions funded from Türk Eximbank's own resources was increased to 180 days, and collateral levels were reduced.

- In order to provide widespread use of the International Transportation Marketing Credit Program (road transportation/shipping), on May 28, 2003, collateral levels of these credits were reduced on the precondition that firms fulfill certain financial and ethical criteria.

- Considering the demands from the export sector, the availability of Bank's funds and market rates, company limits for the Pre-Export TL Credits and Pre-Shipment TL Export Credit were increased from TL 3 trillion to TL 6 trillion, as of July 24, 2003.
- In order to provide increased use of lower interest rates, the risk threshold for firms was increased from USD 200,000 to USD 500,000 in both TL and foreign exchange credits, as of July 24, 2003.
- Interest rates charged for export credits were gradually reduced during 2003, 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.

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 the **Pre-Shipment Turkish Lira Export Credits (PSEC-TL)**, TL 1,497 trillion (USD 1,020 million) worth of credits was disbursed in 2003. On TL basis, total credits extended increased by 73 % over the previous year.



Within the framework of the **Pre-Shipment SMSEs Export Credit Program**, a sub-program of the PSEC-TL program, TL 801.6 trillion (USD 545.6 million) was disbursed in 2003, showing a 64 % 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, the reduction applied on interest rates for credit demands up to USD 500,000 was continued throughout 2003. Under this program, TL 150.6 trillion (USD 102.3 million) worth of credits was disbursed in 2003.

Under the **Pre-Shipment Foreign Currency Export Credit Program**, USD 993.3 million (TL 1,478 trillion) was disbursed in 2003.

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 1,177.2 trillion (USD 794.6 million) was disbursed in 2003. Of this amount, TL 791.1 trillion (USD 536.9 million) was disbursed in TL and USD 257.7 million (TL 386.1 trillion) in foreign currency. The total amount of credits disbursed increased by 44 % on TL basis compared to 2002.

Under the **Pre-Export Foreign Currency Credit Program (Performance Related Foreign Currency Credit Program)**, USD 165.7 million (TL 245.2 trillion) worth of credits was disbursed in 2003. Under the **Pre-Export Turkish Lira Credit Program (Performance Related TL Export Credit Program)**, TL 233.9 trillion (USD 160.6 million) worth of credits was disbursed.

Additionally, the **Pre-Export Credit Program for SMSEs** was put into effect on April 21, 2003. Within the framework of this Program, TL 6 trillion (USD 4.2 million) was disbursed under the **Pre-Export TL Credit for SMSEs** and USD 5.7 million (TL 8.1 trillion) was disbursed under the **Pre-Export FX Credit for SMSEs**.

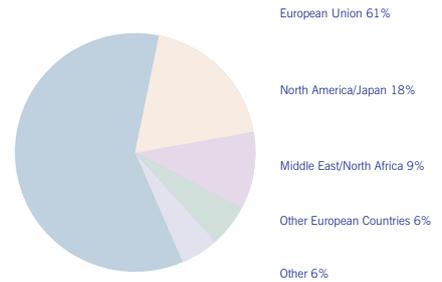
Specific Credit Programs Specific Credit Programs are available for export transactions, including certain service industries, which cannot be covered under the standard credit and guarantee programs.

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 23.6 million in 2003.

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 2003, USD 16.6 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. On April 21, 2003, some revisions were made in this credit program with the aim of increasing the credit volume and encouraging investments for both establishing Turkish brand names and promoting Turkish designer goods abroad. In this context, the minimum fixed investment amount was reduced to USD 200,000, the scope of items considered for the investment amount was enlarged and the lending ratio was increased to 85 % of the investment amount.

Regional Distribution of Short-Term Credits





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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. On April 15, 2003, some revisions were made in this credit program. Within this program, USD 4.2 million worth of letters of guarantee was issued in 2003 and a total of USD 55.3 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 ship-building 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 7.8 million worth of credits was disbursed in 2003.

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 difficulties in 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 current investments in these countries. In the framework of this program, the request of the firms and the International Contractors' Union for the extension of maturities has been reconsidered, taking into account the financial sources of the Bank. As a result, maturities of these credits were extended for the fourth time by another year, with Libor+5 % interest rate.

Due to the problems 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, the Coordination Committee for Overseas Contractors' Services has assigned Türk Eximbank for the resolution of this problem. Consequently, Türk Eximbank introduced the **Letter of Guarantee Program for Overseas Contractors' Services** on July 29, 2002 to enable Turkish contractors to sustain their current share in international markets and thus encourage them to enter into new markets. Under this program, USD 995 thousand worth of advance payment bond was issued in 2003.

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 7.7 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 reduce the transportation cost of exporting companies. 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 1.8 trillion (USD 1.2 million) worth of credits was disbursed in 2003.

The **Credit Program for Foreign Currency Earning Services** was introduced on July 19, 2002, aiming to contribute 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. Under this program, USD 482 thousand worth of credits was disbursed in 2003.

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 Treasury with a maturity of seven years and a three-year grace period. Under this program, USD 23.5 million worth of credits was disbursed to finance working capital needs of exporters and their export related investment requirements in 2003. A total of USD 244 million worth of credits was disbursed since the beginning of the program in late 1999 until its expiry date of August 31, 2003, and 97 projects of 78 companies 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 2003, credit applications against FOB export commitments of USD 109.7 million were forwarded to the IDB. IDB approved USD 84.3 million of the credit applications and a total of USD 11.7 million was disbursed.

The limit provided by the IDB to Türk Eximbank within this scheme, for the financing of exports directed to any country was renewed and became effective in March 2003. Under this new USD 20 million limit, Türk Eximbank has the credit approval authorization and bears the buyer's risk as in the previous limit.

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. The mark-up rates of the 3rd tranche of ITFO line worth of Euro 9 million were reduced with the efforts of Türk Eximbank and the new rates took effect in September 2003.

In January 2003, Türk Eximbank made an application to the IDB for the allocation of a limit within the framework of medium-term financing programs of the IDB, namely "Leasing", "Istisna'a" and "Installment Sale". The information requested by the IDB for the allocation of a USD 80 million limit was submitted. The limit is in the evaluation process.

Risk Assessment and Follow-up of Intermediary Commercial Banks Türk Eximbank allocates short-term cash (TL and FX) and non-cash (FX) credit limits to intermediary banks through a detailed risk evaluation process. This process includes an in-depth financial analysis of each bank through the application of internationally accepted financial analysis approaches and periodical review of other factors such as ownership structure, field of activities, strategies and future outlooks. In addition, developments in financial markets and bank activities are constantly monitored and reported.

Considering financial soundness as a key principle in allocating limits, the effective utilization of Türk Eximbank credit limits, high shares of export credits in total credit portfolios and high proportions of export credits financed through banks' own resources are also regarded as important determinants for future increases in bank credit limits.

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, since 1989, a total of USD 2.2 billion worth of credit has been disbursed to Turkish contracting firms/exporters operating in 21 countries.

Within the framework of the Buyers' Credit and Guarantee Programs, in 2003, USD 34.3 million was allocated for the financing of projects realized in Uzbekistan and the Russian Federation. Throughout the year, USD 130.5 million was received from the credits extended to Albania, Algeria, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Pakistan, Russian Federation, Tajikistan, Turkmenistan and Uzbekistan. To date, the total amount received has reached USD 1.8 billion.

Türk Eximbank issued 15 letters of intent for the projects to be undertaken by Turkish firms in Belarus, Algeria, Iran, Kazakhstan, Uzbekistan, Russian Federation, Syria and Tunisia.

In 2003, a debt rescheduling agreement was signed with Pakistan in the framework of Pakistan's agreement with the Paris Club. Also, following the IMF's reviews, the second stage of the Debt Rescheduling Agreement was signed with Kyrgyzstan in accordance with the Paris Club terms.

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 liberalization of these countries' transition economies 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, telecommunication, energy, petrochemicals and construction and renovation of hotels and business centers.



BUYERS' CREDIT AND GUARANTEE PROGRAMS

In principle, Türk Eximbank gives priority to the cash-generating projects that are in line with the internationally accepted appraisal criteria. However, in 2003, 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, are 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	Total Disbursements (as of 31.12.2003)
ALBANIA	13.9
Export Credit	13.9
ALGERIA	99.5
Export Credit	99.5
AZERBAIJAN	91.7
Export Credit	59.6
Project Credit	32.1
BELARUS	18.5
Project Credit	18.5
BULGARIA	20.9
Export Credit	20.9
GEORGIA	41.5
Export Credit	41.5
HUNGARY	0.1
Export Credit	0.1
KAZAKHSTAN	213.1
Export Credit	40
Project Credit	173.1
KYRGYZSTAN	48.1
Export Credit	35.7
Project Credit	12.4
LIBYA	128.7
Project Credit	128.7
MOLDOVA	15
Project Credit	15
NAKHICHEVAN	19.6
Export Credit	19.6
PAKISTAN	58.3
Project Credit	58.3
ROMANIA	45.7
Export Credit	45.7
RUSSIAN FEDERATION	808.9
Export Credit	599.4
Project Credit	209.5
SYRIA	7
Export Credit	7
TAJIKISTAN	28
Export Credit	28
TUNISIA	1.9
Export Credit	1.9
TURKISH REP. OF NORTHERN CYPRUS	3.7
Project Credit	3.7
TURKMENISTAN	133
Export Credit	75
Project Credit	58
UZBEKISTAN	369.1
Export Credit	124.6
Project Credit	244.5
TOTAL	2,166.2

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.

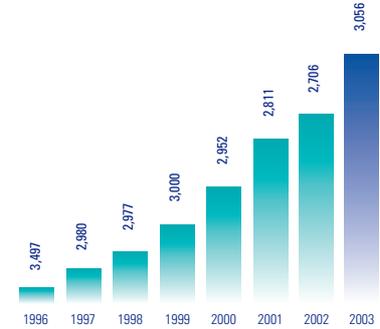




Export receivables are insured against commercial and political risks within certain limits by means of export credit insurance programs, which is one of Türk Eximbank's main areas of activity. The additional advantage of the Programs stands as enabling exporters to obtain funding from financial institutions 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 a one-year policy period and with payments deferred up to 360 days are insured against commercial and political risks. To promote the Program, policyholders are offered a discount on the interest rates of Türk Eximbank's short-term export credits since 1997.

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



This Program provided cover for 173 countries and a total of USD 3.1 billion worth of shipments was insured in 2003. Premium amounting to USD 11.6 million was collected in the year.

In 2003, textiles/ready-to-wear/leather products were foremost in the sectoral distribution of exports insured, with a share of 48 % 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, 10,542 new buyers have been registered during the year in the underwriting archives raising the total number of the records to 83,624 by the end of the year.

Under the Program, USD 3,170,858 worth of claims was paid out in 2003 arising from shipments realized to various countries. Of this amount, USD 67,080 worth of claims was paid out for political losses and USD 3,103,778 for commercial losses.



Türk Eximbank recovered USD 598,433 of the claims paid for commercial losses, in 2003.

“Premium discount” which was introduced in 2002, to maintain the demand for this Program and to minimize insurance costs of exporters, was also applied throughout 2003 by improving the “exporter evaluation model”. This discount was applied to firms that were policyholders for at least one year, and that met certain criteria such as past performance, portfolio quality, etc.

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 2003.

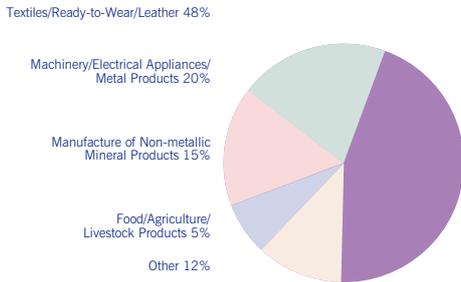
Medium and Long-Term Export Credit Insurance The Specific Export Credit Insurance Program

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.

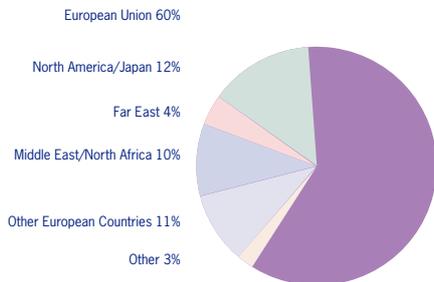
In 2003, USD 3 million was recovered within the framework of the Debt Rescheduling Agreement regarding the claims paid against the losses arising from the shipments to Algeria. Since the signing of this Agreement, which covers the loss of USD 47.1 million including interest, a total of USD 20 million has been recovered.

The **Specific Export Credit Insurance Post-Shipment Political Risk Program** provides cover against political risks, for the post-shipment stage of medium and long-term exports. Another version of the medium and long-term export credit insurance facilities of Türk Eximbank, intended for the post-shipment stage is the **Specific Export Credit Insurance Post-Shipment Comprehensive Risk Program**, in which, cover is extended to include commercial risks as well as political risks. These two programs are offered especially to Turkish exporters who are exporting to Central and Western Asian countries. Moreover, in order to pave the way for exporters to have their export receivables discounted, letter of guarantee can be issued in favor of the commercial banks within the scope of these programs.

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



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





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 accordance with these studies, Türk Eximbank has decided to provide cover for the political and/or commercial risks also arising in the pre-shipment stage under the Short-Term Export Credit Insurance Program, starting from 2004.

Additionally, in order to cover the risk of unfair calling of bonds provided by Turkish contractors for their overseas projects, studies for the “Insurance Program for Unfair Calling of Bonds” which is to be introduced in 2004, were completed.

Under the Short-Term Export Credit Insurance Program, close co-operation was maintained with the export credit/insurance agencies of various countries during 2003, 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 remained at the previous year's level of TL 657.9 trillion as of December 31, 2003, since no capital injection was made by the Turkish Treasury during the year.

The Bank's BIS capital adequacy ratio, which was 37 % in 2002, further improved to 50 % as of end-2003.

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 indemnified TL 65 trillion (equivalent of USD 45.8 million) to Türk Eximbank in 2003.

Funding from Domestic Markets Around 50 % 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 50 million raised by the issuance of the commercial paper sold to the Union of Chambers of Commerce, Industry, Maritime Trade and Commodity Exchanges of Turkey (TOBB) was used to finance the loans extended to small and medium-sized exporters and its redemptions took place in March and August 2003.

Borrowings from International Markets Through Syndicated Loans The Bank raised a one-year euro-syndicated loan of USD 175 million in August.

Borrowings from International Markets Through Bilateral Loans A total of USD 77 million 6-12 month-loans was raised from three international banks in 2003.

On the other hand, the revolving 6 month-loan that was raised from the Black Sea Trade and Development Bank, of which Turkey is a founding member, was increased by USD 1 million to USD 21 million and it was rolled over twice in March and September, 2003.



TREASURY AND FUNDING

Project Finance Under the credit agreement signed with the World Bank in 1999, USD 24.2 million was withdrawn in 2003, in order to meet the medium-term working capital requirements and to finance the fixed capital investments of exporters. The program expired in August 2003.

Furthermore, within the framework of the Second Credit Agreement signed with the Japanese Bank for International Cooperation (JBIC) in 1999, JPY 3.2 billion (almost USD 26.7 million) was withdrawn for the financing of projects in the third countries, in 2003.

Debt Servicing During the year, USD 433 million debt servicing was fulfilled. Of this amount, USD 156 million was paid to local banks and USD 277 million to foreign lenders.

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

Türk Eximbank, taking into account its cash flows and the prevailing conditions in money and foreign exchange markets, invested its TL and foreign currency excess liquidity in interbank money markets during 2003.

Meanwhile, the securities portfolio, which consists of TL Treasury bills, state bonds and foreign currency denominated bonds issued in international capital markets by the Turkish Treasury (Eurobond), was used mainly as collateral in the Central Bank's interbank market.

On the other hand, around USD 50 million was raised from two international banks through repurchase agreements by using a portion of the Bank's Eurobond portfolio.

Risk Management During 2003, 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, stemming 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 a five-year, USD 45 million and a seven-year, USD 106 million "cross currency swap" transactions realized with two international banks, totaling USD 151 million.



Short-term currency swap transactions, and TL/foreign exchange and spot foreign exchange transactions were carried out during the year in order to meet exporters' foreign exchange loan demand and to manage the Bank's foreign currency risk.

Credit Risk Assessment (Rating) As of end-2003, the credit ratings given by Standard & Poor's and Moody's to Türk Eximbank were B+ (stable outlook) and B1 (stable outlook) respectively, the same as the Turkish Treasury.

OTHER ACTIVITIES



International Relations
Information Systems Development
Electronic Data Processing
Research
Information
Accounting and Budget Division
Training and Public Relations
İstanbul and İzmir Branches





International Relations The Bank's relations with the International Union of Credit and Investment Insurers (Berne Union) continued actively in 2003. Türk Eximbank was represented in the technical sub-committees of the Union dealing with short and medium and long-term transactions.

In the past years, co-operation agreements were signed with 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, Eximbanka S.R./Slovak Republic, KUKI/Poland, EGF/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 Group on Export Credits and Credit Guarantees (ECG) continued in 2003.

The Bank's relations with the Islamic Corporation for Insurance of Investments and Export Credits (ICIEC), an affiliate of the IDB, also continued in 2003.

Close co-operation was maintained with other 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 exploring opportunities for co-insurance and reinsurance with the Multilateral Investment Guarantee Agency (MIGA) continued throughout 2003.

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.

Information Systems Development and Implementation and Electronic Data Processing Studies on the development and application of modern banking technologies via information systems technologies in Türk Eximbank are continuing. The studies on the second version software development processes were completed and all software applications, which are being used in the Bank's operations, were converted to GUI (Graphical User Interface) environment. Our Bank's Management Information System (MIS) software that was developed in-house several years ago was also revised this year according to arising needs. The first pilot application of Decision Support System (DSS) was tested and implemented this year, aiming to continue to support all the Bank's decision processes. For the near future, the transition to WEB based software was planned.



OTHER ACTIVITIES

Türk Eximbank has invested extensively in the information technologies parallel to the organization, software, hardware, communication requirements and e-banking goals.

With the establishment of the Document Management and Workflow System, physical documents of approximately 2 million pages 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 providing paper and space saving, capability of more than one personnel to work on the same document simultaneously, simple, fast and accurate solution development, performance improvement, 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 defined work processes in terms of participants, inputs, outputs and workflows, and has automatically routed work tasks and information required to perform those tasks throughout the organization.

Documents prepared in the electronic environment were transmitted and received automatically by using the computer-based fax system, in order to improve productivity and reduce consumables.

Analysis, design, training and consultancy studies of new software projects have continued in order to provide the execution of all Türk Eximbank processes in the electronic environment. The new server-based, discrete Data Warehouse will constitute an integrated store of information collected from other systems, for corresponding decision support and data analysis using the new software tools. A comprehensive, multi-dimensional analysis of critical business information through end-user computing will be carried out without affecting the performance of the Bank's operational systems. Türk Eximbank is preparing to launch a more interactive Web site that will provide an electronic banking capability to the current software used for the credit, insurance and guarantee programs, thereby reducing the dependence on paper data exchange.

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 2004 Annual Program" and "Short-term Report on Country Risk Assessment" were published. The latter evaluates the foreign debt repayment capacity of more than 140 countries. In order to develop new credit programs, activities of various export credit agencies were followed-up and studies were made for the adjustment of Türk Eximbank's programs to new applications. 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 rules and arrangements on officially supported export credits, made by international institutions such as WTO, OECD.

Information The Information Department provides information on buyers for the Export Credit Insurance transactions of the Insurance Department geared to evaluating buyer risk and establishing buyer limit. Reports on 24,313 foreign companies were collected in 2003. The exchange of information with the 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 situations 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 2003. 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 3,892 domestic firms have been provided. Euler Hermes SIAC; the Italian export credit insurance agency, has preferred to co-operate with Türk Eximbank in obtaining information on domestic buyers, evaluating buyer risk and establishing buyer limit, on behalf of almost 40 institutions under the Euler and Hermes Group. Euler Hermes SIAC has undertaken this task following the merging of the Euler and Hermes Groups and their restructuring process.

At the beginning of 2003, 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. In parallel with the "Document Management System", "Fax Management System" started to be implemented in April, 2003, enabling fax messages to be saved in an electronic environment.

Training and Public Relations Türk Eximbank employs a total of 356 personnel, 2 of whom have a Ph.D. degree, 49 have a post-graduate degree, 199 have a graduate degree. The number of personnel who can speak at least one foreign language is 157 and the average age of the personnel is 37.7.

In 2003, 392 participants attended 122 training facilities. 97 participants attended 71 of these training facilities including seasonal and daily seminars and conferences held by the Banks Association of Turkey, while 31 participants attended 13 programs held by other local organizations. Additionally, 11 participants attended an in-house training program on inflation accounting.

In 2003, within the framework of "Institutional Strengthening Project" financed through EFIL supported by the World Bank, 203 participants attended 12 in-house training programs and 50 participants attended 25 training programs abroad.

During 2003, 17 personnel attended 29 foreign trade seminars held by various institutions in different provinces and made presentations on Türk Eximbank's Credit and Insurance Programs.



OTHER ACTIVITIES

Besides, 72 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, agendas 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, Pre-Export TL and Foreign Currency 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.