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PRESS RELEASE

TREASURY FINANCING PROGRAM: 2024 DEVELOPMENTS AND 2025 PROJECTIONS

Medium Term Program of 2025-2027 was published on September 5th, 2024, and Central Government Budget was submitted to the Grand National Assembly of Türkiye on October 17th, 2024.

Treasury Financing Program for 2025 has been prepared based on the Medium Term Program and Central Government Budget projections.

I–Financing Program

Various principles serve as the foundation for the execution of public debt management policies. These principles involve pursuing a sustainable, transparent, and accountable borrowing policy that aligns with monetary and fiscal policies, taking into account macroeconomic balances. The goal is to meet financing needs at the lowest possible cost in the medium and long term, all while considering the risk level determined by assessing domestic and foreign market conditions and cost factors.

Treasury Financing Programs are prepared within the framework of the medium and long-term strategic benchmark policies based on the aforementioned principles and are announced to the public regularly.

These benchmarks, which have been implemented since 2003, improved the structure of debt stock and significantly reduced the sensitivity of debt stock to macroeconomic risks substantially. As a result, these policies enabled a sustainable borrowing structure.

a) Domestic Financing Developments in 2024

Despite the continuation of adverse global economic and geopolitical developments in 2023, as well as the adverse effects of the earthquakes in our country in February, the strong structure in public debt management has been preserved in 2024 thanks to the uncompromising implementation of public debt management policy based on strategic benchmarks.

As part of the economic program and disinflation policy implemented in the second half of 2023, the following developments have occurred in the borrowing composition.

- The average maturity of domestic cash borrowing, which was 65.1 months in 2023, realized as 48.6 months in the period of January - October 2024.
- The average cost of fixed-rate domestic borrowing, which was 20.6 percent in 2023, realized as 36 percent in the period of January - October 2024.
- While the share of fixed-rate TL-denominated securities in domestic borrowing was realized 54.9 percent in 2023, it was 49.1 percent in the period of January - October 2024.
- In order to broaden the investor base and to diversify the borrowing instruments,
 - Lease certificate issuances, which have been carried out since 2012, continued in 2024. TL-denominated lease certificates equivalent to TL 69.7 billion in total were issued in the domestic market in the period of January - October.
 - The issuance of gold bonds and gold-denominated lease certificates, which were issued for the first time in 2017, continued in 2024 as well. In this respect, in order to strengthen the capital markets issuances to banks and investment funds continued. In 2024, a total of 131.8 tons of gold, (48.5 tons for gold bonds and 83.3 tons of gold denominated lease certificates) were collected in exchange for a total of 126.4 tons of gold repayment in the same period.
 - In the January-October 2024 period; FX-denominated domestic borrowing of EUR 1.2 billion was realized in the domestic market in return for the principle redemption of EUR 2.9 billion and FX-denominated domestic

borrowing of USD 1.6 billion was realized in the domestic market in return for the principle redemption of USD 1.6 billion.

b) External Financing Developments in 2024

2024 year-to-date, global economic outlook, the monetary policy decisions of central banks in advanced economies and ongoing geopolitical developments have continued to influence global markets.

Throughout the year, central banks in advanced economies, first and foremost the ECB and the FED, have begun to adopt an easing stance in their monetary policies. Due to the increased financing needs of countries and relatively more favorable global market conditions, emerging market countries have issued bonds in significant amounts in international capital markets since the beginning of the year, particularly in comparison to recent years.

In this context,

The 2024 external financing target is being raised in a prudent approach, under reasonable conditions and optimal market timing.

- Through two bond issuances in February and March 2024, amounting to USD 3 billion and EUR 2 billion respectively, more than half of the annual funding requirement was fulfilled in the first quarter, resulting in a total financing of approximately USD 5.2 billion. The euro-denominated bond issuance in March represents the first euro-denominated issuance by our country in the last three years, and stands as the largest euro-denominated issuance to date.
- With the USD 1.75 billion issuance in July, 70 percent of the annual financing requirement was fulfilled ahead of the summer market slowdown.
- Most recently, the Ministry executed a liability management transaction simultaneously with the issuance of a USD 3.5 billion bond with a maturity of 2035 in October. Within the scope of this transaction, approximately USD 1.8 billion worth of outstanding bonds with maturities 2024 and 2025, were switched with the new bond and hence this redemption was deferred to 2035. As a result, the maturity of the external debt stock has been extended, the refinancing risk has

been reduced and the redemption profile has been smoothed. Both the liability management operation and the cash financing portion of the bond issue attracted strong interest from foreign investors. Excluding the liability management transaction, approximately USD 1.7 billion worth of cash financing was raised through this bond issue.

- In 2024, due to the sovereign credit rating upgrades and the improvement in Türkiye's risk premium, there has been high participation in all bond issuances throughout the year and the liability management transaction. In the most recent issuance on October 3, 2024, the additional risk premium (spread) paid over US Treasuries has fallen below 300 basis points for the first time in a long while, both standing out as positive developments.
- Within this framework, the amount of bond issuances in international capital markets in 2024 has reached a total of USD 10.5 billion. Excluding the liability management part of the last bond issue, approximately USD 8.6 billion of this amount was raised as cash financing.
- Financing opportunities in the conventional bond or sukuk market may be considered for a potential transaction in the remainder of the year, taking market conditions into consideration.
- Within the scope of investor relations, a large number of meetings were held with international investors, financial institutions and credit rating agencies during the January - October 2024 period regarding the developments in the Turkish economy, local and global capital markets; successfully reaching a diverse range of investor profiles.

c) 2024 and 2025 Treasury Financing Program Projections

Estimated year-end realization for 2024 and Financing Program of 2025 are given below.

TREASURY FINANCING PROGRAM ⁽¹⁾		(Billion TL)		
	2024 (Program)	2024 (Year End Estimate)	2025 (Program)	
I-TOTAL DEBT SERVICE	2,213.2	2,252.6	3,241.9	
Principal	1,166.3	1,072.3	1,373.2	
Interest	1,046.9	1,180.2	1,868.7	
Domestic Debt Service	1,565.2	1,675.8	2,385.0	
Principal	778.4	715.1	822.5	
Interest	786.8	960.7	1,562.5	
External Debt Service	648.0	576.8	856.9	
Principal	387.9	357.2	550.7	
Interest	260.1	219.5	306.3	
II-FINANCING	2,213.2	2,252.6	3,241.9	
Non-Borrowing Resources ⁽²⁾	-281.0	-231.3	-62.9	
Total Borrowing	2,494.2	2,483.8	3,304.8	
External Borrowing ⁽³⁾	357.8	271.8	459.4	
Domestic Borrowing	2,136.4	2,212.0	2,845.5	

⁽¹⁾ Cash based.

⁽²⁾ The cash primary balance, privatization revenues, the revenues from 2-B land sales, receipts from SDIF, receipts from on lending and guaranteed debt, use of cash account and FX changes are included.

⁽³⁾ The amounts (external borrowing) are subject to change depending on borrowing from international institutions or international markets in 2024 and 2025.

The debt service and related financing policy in the 2025 Financing Program are as follows:

- In 2025, total amount of debt service is projected as TL 3,241.9 billion, comprising the payments of TL 1,373.2 billion in principal and TL 1,868.7 billion in interest. Total domestic debt service is expected to realize as TL 2,385 billion while total external debt service is expected to realize as TL 856.9 billion.
- The total domestic debt service consists of repayments to the market amounting TL 2,229 billion, repayments of non-competitive sales to public institutions with the amount of TL 156 billion (Appendix 1).
- The total non-borrowing resources including the cash primary surplus, privatization revenues, the revenues from 2-B land sales, The Savings Deposit Insurance Fund transfers, receipts from on-lent and guaranteed debt and use of cash account are TL -62,9 billion.
- Treasury plans to raise USD 11 billion equivalent external funding in 2025 via bond and lease certificate issuances in international capital markets.
- Considering these projections, the total domestic borrowing is planned as TL 2,845.5 billion in 2025.

II – 2025 Borrowing Strategy

By implementing strategic benchmarking policy since 2003, the ratio of the EU-defined general government debt stock to GDP, which was 71.5 percent at the end of 2002, decreased to 26.1 percent (*) as of the second quarter of 2024, reaching its lowest level since 2001 and the sensitivity of Treasury's debt portfolio to the foreign exchange, interest rate and liquidity risks has been significantly reduced. In this regard, the effects of the changes in foreign exchange rates, interest rates and growth rates on EU defined general government debt stock to GDP ratio are summarized below:

	2002	2023
Change in real exchange rate app/dep by 5 percentage points	+ / - 2.0 Points	+ / - 0.8 Points
Change in TL interest rate by 500bp	+ / - 1.4 Points	+ / - 0.6 Points
Change in GDP growth rate by 2 percentage points	+ / - 1.3 Points	+ / - 0.6 Points

The main pillars of strategic benchmarks for 2025 are as follows:

- To borrow mainly in TL,
- To borrow in foreign currencies besides US dollar, if possible, in international markets for market diversification,
- To keep the share of debt maturing within 12 months and the share of debt stock with interest rate refixing period of less than 12 months at a certain level, by taking into account appropriate instrument and maturity composition to optimize interest payments,
- To keep a strong level of cash reserve in order to reduce the liquidity risk associated with cash and debt management.

In 2024, the domestic borrowing will be conducted according to the issuance plan outlined below:

(*) According to the EU Defined General Government Debt Stock statistics announced on 30.09.2024

- In line with market conditions, TL denominated fixed rate coupon “benchmark bonds” are planned to be issued regularly.
- Depending on the redemption profile and market conditions, Treasury will continue to issue TL denominated zero coupon Treasury Bills / Government Bonds, floating rate notes with various maturities, long-term inflation linked bonds, gold bonds and gold-denominated lease certificates.
- TL denominated lease certificate issuances will be continued in 2024. Additional demand from the market participants will be taken into consideration.
- Short term Treasury Bills and financing instruments specified in the “Regulation on the Treasury Financing through Money Market Cash Operations” might be used to manage the temporary mismatch between monthly cash flows.
- Depending on market conditions and cash management policy, switch and buy-back auctions may be used to ensure a balanced debt redemption profile and to increase the price efficiency of secondary market.
- Auction details will be announced at least one business day before the auctions.

In 2025, external borrowing transactions will be carried out within the framework of the issuance plan below:

- In order to raise funding from international capital markets; conventional eurobonds, lease certificates, green bonds, social bonds and/or sustainable bonds may be issued in varying maturities depending on market conditions.
- For diversification purposes, international borrowing operations in foreign currencies other than USD may be conducted depending on the market conditions.
- Meetings with international investment banks, credit rating agencies and international investors will continue in order to strengthen the investor relations and improve the investor perception of our country in the international capital markets.

Appendices:

App.-1: 2025 Debt Service Distribution by Lenders

App.-2: Currency and Interest Rate Composition of 2025 Debt Service

APPENDIX - 1: 2025 DEBT SERVICE DISTRIBUTION BY LENDERS ⁽¹⁾

	(Billion TL)		
	Principal	Interest	Total
I) Domestic Debt Service	822.5	1,562.5	2,385.0
Market	765.2	1,463.7	2,229.0
Public (Non-competitive sales) ⁽²⁾	57.3	98.7	156.0
II) External Debt Service	550.7	306.3	856.9
Eurobond	478.8	268.9	747.7
Other	71.8	37.4	109.2
III) Total Debt Service	1,373.2	1,868.7	3,241.9

⁽¹⁾ Program

⁽²⁾ Based on lenders on primary market.

APPENDIX - 2: CURRENCY AND INTEREST RATE COMPOSITION OF 2025 DEBT SERVICE ⁽¹⁾

	(Billion TL)		
	TL Denominated ⁽²⁾	FX / Gold Denom. ^{(2) (3)}	Total
I) Domestic Debt Service	1,856.2	528.8	2,385.0
Fixed	945.8	369.4	1,315.2
Floating	910.4	159.4	1,069.8
II) External Debt Service	-	856.9	856.9
Fixed	-	783.9	783.9
Floating	-	73.0	73.0
III) Total Debt Service	1,856.2	1,385.7	3,241.9
Fixed	945.8	1,153.3	2,099.1
Floating	910.4	232.4	1,142.8

⁽¹⁾ Program

⁽²⁾ Principle and interest/lease payments of Gold bonds and gold denominated lease certificates are included under "FX/ Gold denominated - Floating" and "TL denominated - Floating" respectively.

⁽³⁾ Principle and interest/lease payments of FX denominated bonds and lease certificates are included under "FX/ Gold denominated - Fixed".