



REPUBLIC OF TÜRKİYE
MINISTRY OF TREASURY
AND FINANCE

PUBLIC DEBT MANAGEMENT REPORT

2025



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REPUBLIC OF TÜRKİYE
MINISTRY OF TREASURY
AND FINANCE

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INTRODUCTION





FOREWORD BY THE MINISTER

The world is undergoing a challenging period with deepening structural problems. The global economy confronts multifaceted and persistent challenges, including rising trade protectionism, high indebtedness, an aging population, pressure for change driven by transformative/disruptive technologies, the climate crisis, and escalating geopolitical tensions. In this context, we have been implementing a strong and determined program since June 2023 to ensure macroeconomic stability and to carry out comprehensive reforms.

The main objectives of our program are to reduce inflation to single-digit levels permanently, create fiscal space for reforms by strengthening fiscal discipline, maintain the current account deficit at a sustainable level, and ultimately implement a structural transformation that will enhance productivity, competitiveness, and potential growth.

Thanks to the program, the external vulnerabilities of the Turkish economy have declined, its resilience has enhanced, macro-financial stability has strengthened, and solid foundations have been laid for high growth. In 2024, the Turkish economy grew by 3.2 percent; despite the moderate course of economic activity, employment increased and the unemployment rate fell to 8.7 percent. Despite geopolitical risks and the weak economic outlook in our main trading partners, mainly the European Union, the current account deficit improved significantly and narrowed to 0.8 percent of GDP thanks to the increase in exports, strong tourism performance and policies that led to improve the composition of growth. By the end of 2024, consumer inflation had declined to 44.4 percent, and despite increased earthquake-related expenditures, the budget deficit to GDP ratio decreased by 0.3 percentage point to 4.9 percent as a result of effective revenue collection and spending discipline.

Thanks to effective management of public financial assets and liabilities in 2024, the ratio of Türkiye's general government debt stock to GDP declined to 24.7 percent, the lowest level since the data began to be published. This ratio stood well below the developing country average of 69.5 percent, underscores Türkiye's strong position with respect to debt sustainability. As a result of strengthened fiscal discipline and the broader achievements of the economic program, Türkiye's credit rating was upgraded by two notches in 2024 by each of the three major credit rating agencies.

As in previous years, the Public Debt Management Report provides a comprehensive and transparent overview of developments in the management of public financial assets and liabilities. I would like to thank all my colleagues who contributed to the preparation of the report for their meticulous and dedicated efforts.

Mehmet ŞİMŞEK
Minister



FOREWORD BY THE DEPUTY MINISTER

Despite rising risks and uncertainties in the global economy, the implementation of predictable and rule-based policies led to a rebalancing of the economy in 2024. Strong employment growth brought the unemployment rate to its lowest level since 2012, the current account balance improved significantly, substantial progress was made in the disinflation process, and financial stability was strengthened. Throughout this period, the practices related to the management of the Treasury's financial assets and liabilities have gained even greater importance.

Public debt management objective is to meet the financing needs with a reasonable risk level and the most appropriate cost in the medium and long term, taking into account domestic and foreign market conditions with borrowing policies based on strategic benchmarks. In this context, the debt stock was managed and its structure was strengthened by taking into account refinancing, interest, exchange rate and inflation risks thanks to borrowing with predominantly fixed-rate and TL-denominated instruments and extending the average maturity of domestic borrowing. In addition, as part of the Eurobond issuance in September 2024, a liability management operation was carried out, whereby the payments of bonds maturing in 2024 and 2025 were deferred to 2035. This transaction, as part of active debt management, extended the average maturity of the external debt stock and reduced refinancing risk. Besides, thanks to effective debt management, the ratio of EU-defined general government debt stock to GDP declined to 24.7 percent at 2024. This ratio is 81.0 percent on average for EU member countries. In this context, Türkiye is among the least indebted countries in terms of general government debt stock compared to these countries.

In 2018, the Extended Treasury Single Account (TSA) system, one of the most important reforms in public finance, was put into practice to ensure efficiency in Treasury cash management. In line with the activities to expand the scope of the TSA, 20 public administrations were included in the system in 2024 and the number of public administrations covered by the system reached to 277. In the upcoming period, it is aimed to carry out the activities to increase efficiency in Treasury cash management with the cooperation and coordination of the Ministry and other stakeholders.

This report, which covers the developments in the management of financial assets and liabilities, and risks in 2024, is presented to the public in line with the principles of accountability and transparency. In this context, I would like to express my sincere appreciation to all my colleagues for their efforts in contributing to the achievement of the strategic objectives and the preparation of this report.

Osman ÇELİK
Deputy Minister

DEBT AND RISK MANAGEMENT COMMITTEE

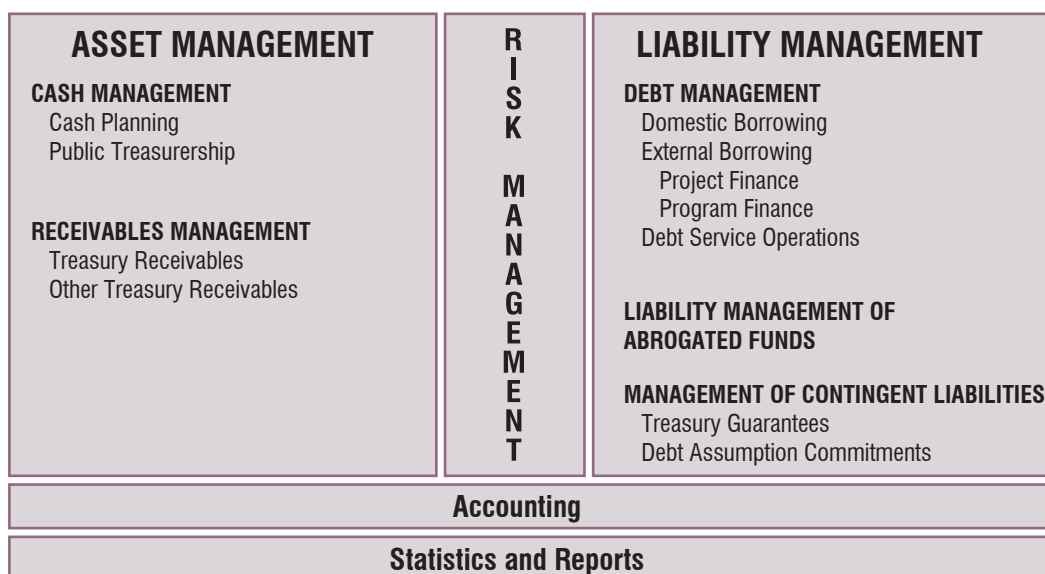
Debt and Risk Management Committee (DRC) is the decision making authority of the Ministry of Treasury and Finance which determines the main framework of debt and risk management activities. The duties of the DRC are set by the Article 12 of the Law No. 4749 on Regulating Public Finance and Debt Management. In this context, DRC are responsible for

- Determination of strategic benchmarks and indicators within the scope of management of the government debt and Treasury Guarantees, recommendation of on-lent and Treasury Guaranteed Credit limits, determination of basic policies related to Treasury receivables management and Treasury cash assets,
- Monitoring the implementation of the Treasury's financial assets and liabilities management, increasing its efficiency and improving its infrastructure.

FINANCIAL ASSET AND LIABILITY MANAGEMENT

Legal framework regarding the management of financial assets and liabilities within the mandate of the Ministry of Treasury and Finance is set by the Law No. 4749 "Regulating Public Finance and Debt Management" and "Regulation on the Principles and Procedures of Coordination and Execution of Debt and Risk Management. As stated in the Law No. 4749; "The strategic benchmarks and implementation framework for the management of the Treasury's financial assets and liabilities shall be specified by the Debt and Risk Management Committee composed of the Minister, Deputy Minister and members appointed among General Directors and approved by the Minister. In this context, operations related to the management of financial assets and liabilities are carried out by relevant departments of the General Directorate of Public Finance and the General Directorate of Foreign Economic Relations within the Ministry of Treasury and Finance. Domestic borrowing and bond issuances in the international capital markets, cash management, management of Treasury receivables, risk management, accounting operations, compilation of statistics, management of obligations arising from abrogated funds and activities regarding contingent liabilities are carried out by the General Directorate of Public Finance. Financing of public projects via external loans, budget financing with program loans from international institutions, and activities related to the public private partnership projects are conducted by the General Directorate of Foreign Economic Relations.

Financial assets and liabilities managed by the Ministry of Treasury and Finance are presented in the following diagram.



DEVELOPMENTS AND PROSPECTS



The global economy maintained a stable outlook in 2024 despite cyclical developments and structural challenges such as rising protectionism, high indebtedness, and an aging population. Global trade growth showed signs of recovery but remained below historical averages. Inflation declined, converging toward central bank targets. Many central banks, notably the U.S. Federal Reserve (Fed) and the European Central Bank (ECB), began cutting interest rates. While commodity prices continued their downward trend, global indebtedness remained at elevated levels.

The Turkish economy grew by 3.2 percent in 2024, displaying a balanced growth performance with the contribution of net exports. Despite moderate pace of economic activity, employment continued to increase and the unemployment rate fell to 8.7 percent. As a result of the decline in the trade deficit and the increase in tourism revenues, the current account deficit-to-GDP ratio realized at 0.8 percent. Consumer inflation decreased by 20.4 points year-on-year to 44.4 percent at the end of the year.

MACROECONOMIC AND FINANCIAL FRAMEWORK

In 2024, global growth stabilized but remained below historical averages. The global economy grew by 3.3 percent, with advanced economies expanding by 1.8 percent and emerging economies by 4.3 percent¹.

The U.S. economy grew by 2.8 percent, above its potential, driven primarily by strong domestic demand, particularly consumer spending. In the Euro Area, while the manufacturing sector remained weak due to the pressure of high energy prices, the services sector was the main driver of the 0.9 percent growth. In China, the rebalancing of the economy from investment and net exports toward consumption was disrupted by deflationary pressures and high household savings, resulting in a growth rate of 5 percent in 2024¹.

Global trade volume accelerated in 2024, increasing by 3.8 percent; but remained below long-term averages¹. The main factors supporting global trade were the recovery in demand, the revival in the services sector, and contributions of emerging economies.

Inflation declined in 2024, converging to central bank targets. Global consumer inflation stood at 5.7 percent on average, with 2.6 percent in advanced economies and 7.7 percent in emerging economies¹. As inflationary pressures eased, many central banks, notably the U.S. Federal Reserve (Fed) and the European Central Bank (ECB), began cutting interest rates.

Commodity prices continued their downward trend in 2024. Energy and base metal prices declined significantly, while the decrease in food prices remained more limited. In 2024, the average price of Brent crude oil was \$81 per barrel².

In 2024, the global debt stock continued to increase, albeit at a limited pace, and remained at historically high levels. The ratio of general government gross debt to GDP was 92.3 percent globally, 108.5 percent in advanced economies, and 69.5 percent in emerging economies³. The rise in indebtedness was driven by high subsidies, social assistance, and current expenditures during the Covid-19 pandemic period, along with increased net interest expenses.

Thanks to the economic program aimed at achieving high, sustainable, and inclusive growth along with permanent improvement in welfare, a rebalancing in the economy was achieved in 2024...

The Turkish economy grew by 3.2 percent in 2024. While the gross domestic product exceeded 1.3 trillion dollars, per capita income reached a historic high level of 15,463 dollars.

The contribution of domestic demand to growth was 2.1 percentage points, while the contribution of net external demand was 1.1 percentage points. Whereas the slowdown in domestic demand stemmed from private consumption expenditures, the contribution of net external demand to growth turned positive with the increase in exports and the decline in imports.

On the production side, all sectors supported growth. The services sector remained the main driver of growth, contributing 1.6 percentage points. The services sector was followed by the tax and subsidy items with 0.9 percentage point. The contribution of the agricultural and construction sectors to growth increased year-on-year, while the industrial sector provided a limited positive contribution.

Despite moderate economic activity, the strong outlook in the labor market continued. In 2024, employment increased by 988 thousand people annually and reached 32.6 million people. In the same period, the labor force participation rate increased by 0.9 point to 54.2 percent, and the employment rate increased by 1.2 points to 49.5 percent. The unemployment rate decreased by 0.7 point to 8.7 percent, the lowest unemployment rate since 2012.

¹ IMF World Economic Outlook (WEO), April 2025

² US Energy Information Administration (EIA), April 2025

³ IMF Fiscal Monitor Report, April 2025



A significant improvement in the current account balance was achieved in 2024, thanks to a reduction in the trade deficit and strong tourism revenues...

Despite geopolitical developments and the moderate course of economic activity in our major trading partners, mainly in the EU countries, exports increased by 2.4 percent in 2024, reaching USD 261.8 billion. Imports fell by 5 percent and realized at USD 344 billion. The decline in gold and energy imports and the steps taken toward economic rebalancing were effective in this development. As a result, the foreign trade deficit narrowed by USD 24.1 billion in 2024, decreasing to USD 82.2 billion.

The tourism sector performed strongly in 2024, with the number of visitors increasing by 9 percent to reach 62.2 million, while tourism revenue rose by 8.3 percent to USD 61.1 billion.

The current account deficit declined by USD 29.8 billion, falling to USD 10 billion in 2024. The deficit-to-GDP ratio declined by 2.8 percentage points, reaching 0.8 percent. Excluding gold and energy, the current account recorded a surplus of USD 52.6 billion.

In 2024, the central government budget deficit to GDP ratio realized at 4.9 percent, in line with the MTP estimate...

While the central government budget recorded a deficit of TL 2.106 trillion, the primary deficit was TL 836 billion in 2024. Despite the increase in earthquake-related expenditures and interest expenses, the budget deficit decreased by 0.3 percentage point of GDP, thanks to austerity measures and efficient revenue collection. The primary deficit to GDP ratio realized at 1.9 percent, also in line with the MTP estimate.

Tax revenues increased by 62.3 percent, value-added tax, income tax and special consumption tax made the largest contribution. Along with a 93.4 percent rise in non-tax revenues, total revenues increased by 66.5 percent.

Although the Public Savings and Efficiency Package affected the budget positively, budget expenditures increased by 63.6 percent, mainly due to earthquake-related expenditures. The highest contribution to this increase came from current transfers, personnel expenditures and capital expenditures, respectively. Interest expenditures rose by 88.3 percent.

The ratio of EU-defined general government debt stock to GDP decreased by 4.6 percentage points and realized at 24.7 percent in 2024, remaining well below the Maastricht criterion of 60 percent and the averages of both advanced and emerging economies.

As a result of the economic policies implemented in line with the price stability objective, the disinflation process has started in June 2024.

Consumer inflation fell by 20.4 percentage points compared to the end of the previous year and realized at 44.4 percent at the end of 2024. Goods inflation declined by 19.3 percentage points, mainly due to the decrease in food and core goods prices. Despite the 24.9 percentage points decline, inflation in the services group, where backward-looking pricing behavior is more prominent, remains at a high level.

The decline in inflation is expected to continue steadily, driven by the lagged effects of monetary policy, increased fiscal policy support, supply-enhancing policies and improved expectations. In the medium and long term, achieving price stability will enhance predictability and support sustainable and strong growth.

The banking sector continues to grow on a sound foundation...

The sector has a healthy outlook with its strong capital structure, high asset quality, and profitability ratios.

In 2024, the sector's return on equity and return on assets stood at 30.5 percent and 2.8 percent, respectively. The capital adequacy ratio stood at 19.7 percent, well above both the target ratio of 12 percent and the legal minimum of 8 percent. The sector's non-performing loan ratio remained low at 1.8 percent.

In 2024, tight monetary policy and regulatory measures aimed at limiting credit growth resulted in tighter financial conditions. Accordingly, the pace of growth in both consumer and commercial loans slowed. At the end of 2024, FX-adjusted total loans recorded an annual growth rate of 31.1 percent.



ASSET MANAGEMENT



Having a holistic view of all the financial assets and liabilities of the government is crucial in order to determine the risks and incurred costs of the borrowing policies of the Ministry of Treasury and Finance effectively. Accordingly, Treasury cash reserves, Treasury receivables and risk account items, which are among the main assets of the Treasury, are closely monitored, thus medium and long term strategies are shaped with the perspective of financial asset and liability management approach.

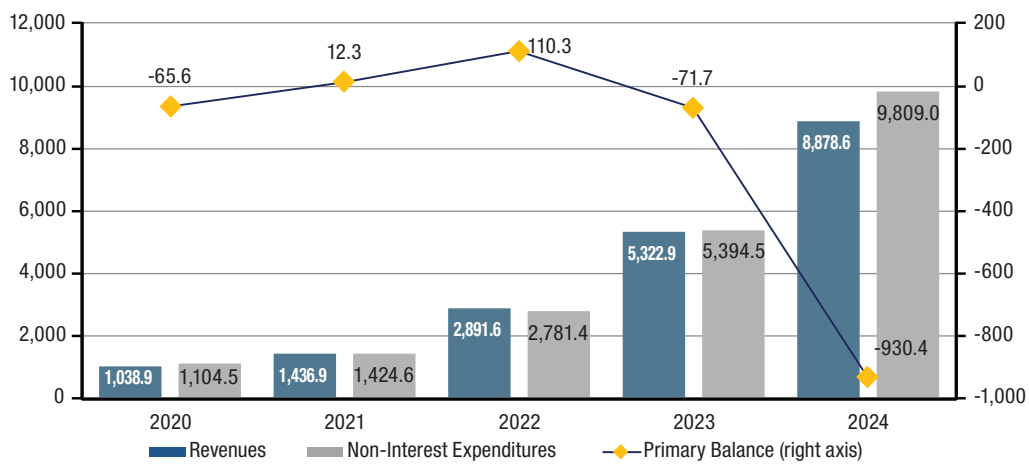
1. CASH MANAGEMENT

TREASURY CASH MANAGEMENT

Treasury cash reserve is held in TL and foreign exchange denominated accounts at Central Bank of the Republic of Türkiye (CBRT) and state-owned banks. Tax and non-tax revenues of general budget and financing resources received via borrowing and other financing resources are collected in these accounts. Likewise, general budget expenditures are also made from these accounts. Cash inflows and outflows relating to these accounts are monitored and reported on a daily basis.

Cash flows related to the Treasury accounts are classified and monitored under three categories as revenues, expenditures and financing. Revenues consist of tax and non-tax cash flows; expenditures consist of interest payments and non-interest expenditures and financing items are borrowings from the market, transfers made by Saving Deposits Insurance Fund, returns from on-lending / guaranteed loans and change in bank account. Having a primary surplus -the excess of government revenues over noninterest spending- is considered as an essential factor in reducing borrowing requirement and the debt stock of the government and maintaining the strong reserve policy.

Figure 1 - Cash Based Revenues, Non-Interest Expenditures, Primary Balance (Billion TL)



In 2024, cash-based revenue collection increased by 66.8 percent to TL 8,878.6 billion, cash based non-interest expenditures from deferred and current year's appropriations increased by 81.8 percent to TL 9,809.0 billion compared to 2023. As a result, cash-based primary deficit was realized as 930.4 billion TL in 2024.

Treasury cash reserve is managed in line with strong cash reserve policy which is determined through the strategic benchmarks and indicators defined by Debt and Risk Management Committee. Moreover, within the framework of international good practices, the Ministry receives interest revenue through remuneration of the Treasury's resources at the CBRT and state-owned banks and makes payment for Treasury operations. Interest revenues from remuneration and general expense payments over years are shown in Table 1.

Table 1 - Interest Revenues from Remuneration and General Expense Payments for Treasury Operations (Million TL)

Year	Interest Revenues (Net)	General Expense Payments
2020	7,446	859
2021	10,351	1,204
2022	31,381	8,264
2023	104,118	10,982
2024	236,203	5,078

In addition to these practices, the “Extended Treasury Single Account” (Extended TSA) system has been introduced through Law No. 7103 dated 03.21.2018. This system helps Treasury to manage the cash reserves of the public in an integrated manner including the idle cash amount of the public institutions and as a result increase the efficiency of the cash management overall. With the Presidential Decrees published pursuant to the authority granted in the aforementioned Law, the public administrations and financial resources to be included under the extended TSA were determined and with the Regulation of the Extended Treasury Single Account published in the Official Gazette dated 08.09.2018, the general framework and operation of the system was regulated.

By the end of 2024, 277 public administrations were included in the extended TSA system and approximately exceeding TL 150 billion amount of public resources has been collected. Additionally, expanding the scope of TSA will continue in the upcoming period.

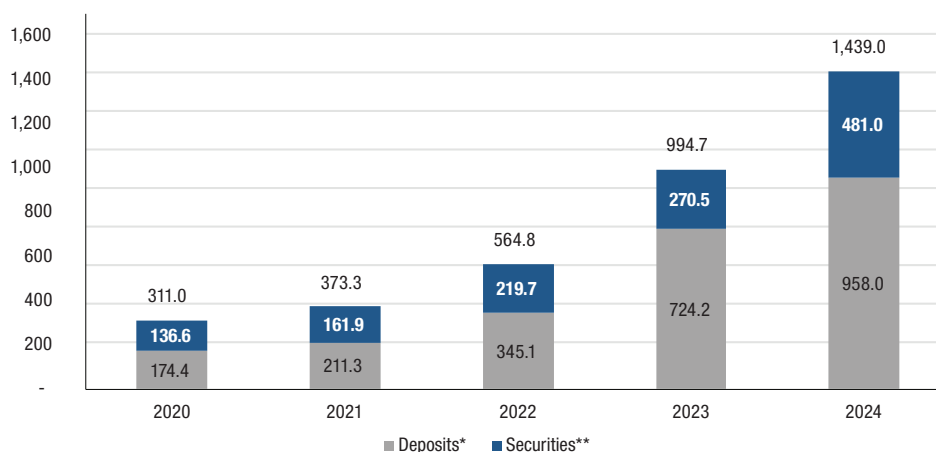
Box 1 - Gains Obtained with the Extended Treasury Single Account System

- The Treasury remunerates public resource with higher returns compared to the public administrations, and the interest revenue gained by the Treasury is transferred to the general budget as income. Therefore, a positive contribution has been made to the state budget.
- The resources collected in Extended TSA enabled the Treasury to reduce its borrowing costs by providing cost-free short-term financing. The Treasury cash and debt management has been carried out with a stronger cash reserve.
- The implementation of the Unity of Treasury principle has been strengthened.

PUBLIC TREASURERSHIP

Within the framework of Public Treasurership Bylaw which was issued according to article no. 12 of the Law on Regulating Public Finance and Debt Management (Law No.4749), the financial resources of the public institutions and organizations other than the accounts of General Directorate of Public Finance of the Ministry of Treasury and Finance are closely monitored by the Ministry. According to the terms of the Bylaw, the public institutions can hold their financial resources in a wide variety of the instruments such as time deposits, demand deposits, special current account, participation account, debt securities issued by the Ministry, debt securities of the public banks. The Bylaw also regulates the terms of the interest rates for some of the instruments used by the institutions.

Figure 2 - Financial Resources of Public Institutions at the End of Each Year (Billion TL)

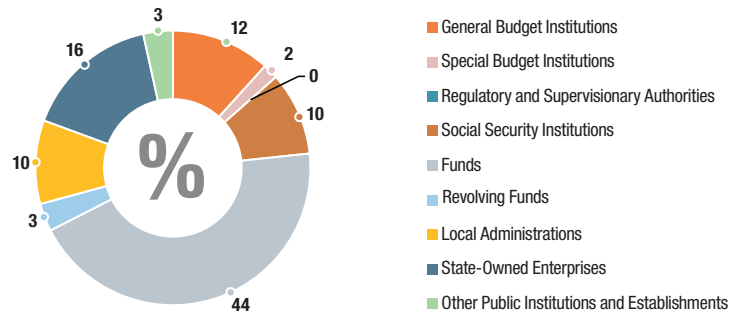


* The amounts related to the 'Deposit' represent the TL denominated and foreign currency denominated time and demand deposit accounts, special current accounts and participation accounts.

** The data under 'Securities' represent the financial resources that are held as Government Domestic Debt Securities, Eurobonds and Lease Certificates, and the reverse repo transaction amounts.

Financial resources of public institutions increased by 11.2 percent in 2020, 20 percent in 2021, 51.3 percent in 2022, 76.1 percent in 2023 and 44.7 in 2024 respectively.

Figure 3 - Distribution of Financial Resources of Public Institutions* (%)



** As of 31.12.2024

By the end of 2024, the financial resources of the public institutions have reached to TL 1,439.0 billion. 'Funds' with the percentage of 44.0 (Unemployment Insurance Fund, Saving Deposits Insurance Fund and other funds) have the largest share among different classifications within the scope of the Bylaw.

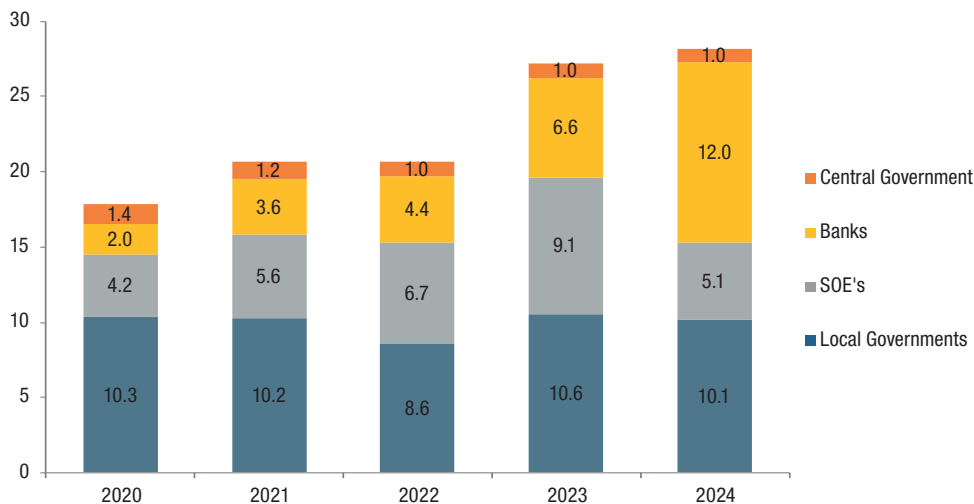
2. RECEIVABLE MANAGEMENT

The sources of Treasury receivables are; undertaking of Treasury guarantees, on-lending of foreign loans and on-lending of domestic debt securities. By the end of 2024, "Treasury Receivables" stock was TL 28.2 billion.

In addition to the "Treasury Receivables" defined in the Law No. 4749, there are also "Other Treasury Receivables" arising from transactions in which the Treasury takes place as the legal entity of the State. By the end of 2024, the stock of "Other Treasury Receivables" stood at TL 12 billion.

The borrower profile of the Treasury receivables indicates that the local administrations are the most indebted group with an amount of TL 10.1 billion as of the end of 2024. It is followed by the Public Banks with TL 8.4 billion and SOEs with TL 5.1 billion, respectively.

Figure 4 - Treasury Receivables Stock by Borrowers (Billion TL)



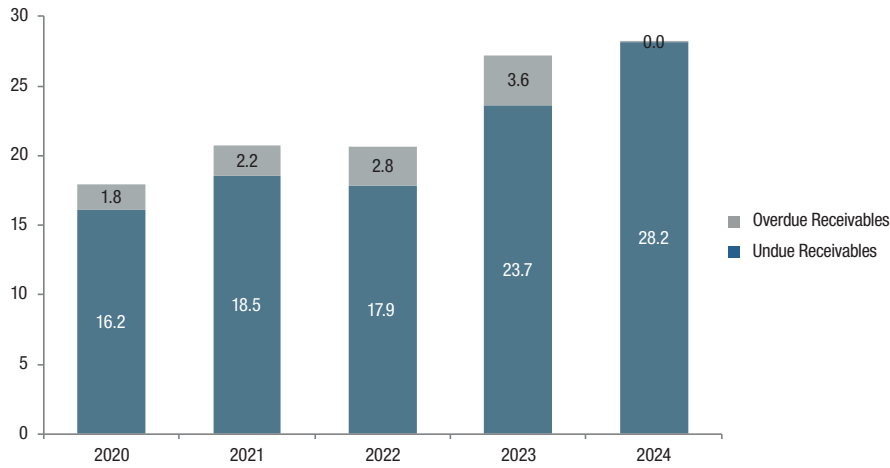
The amount of TL 28.2 billion Treasury Receivables stock is comprised of TL 24 million overdue receivables⁵ and TL 28.2 billion undue receivables⁶.

⁴ Mentioned receivables are regulated by "Regulation on Management, Proceeding and Collecting of Other Treasury Receivables" which was published in the Official Gazette dated 12.23.2014

⁵ It reflects the overdue portion of receivables which is followed under a redemption plan. It consists of the sum of overdue capital, interest, expenses and interest accrued to those amounts.

⁶ It reflects the capital amount of undue portion of receivables which is followed under a redemption plan.

Figure 5 - Treasury Receivables Stock by Year (Billion TL)

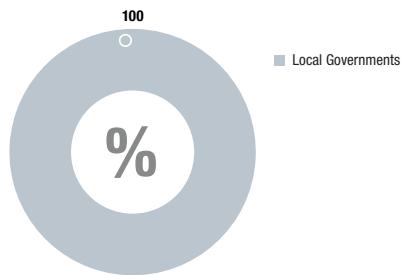


An analysis of overdue Treasury receivables by borrower institutions reveals that local administrations are the only group with overdue debts. Overdue receivables have decreased by TL 3.6 billion in 2024 as compared to 2023.

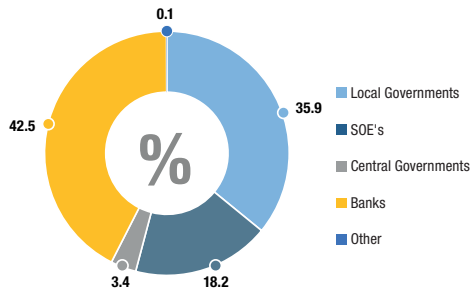
On the other hand, 42.5% of undue Treasury receivables arise from banks, 35.9% from local administrations 18.2% from SOE's and 3.4% from central administration. In 2024, undue Treasury receivables have increased by TL 4.5 billion as compared to 2023.

Figure 6 - Treasury Receivable Stock by Debtor (%)

Overdue Treasury Receivable Stock

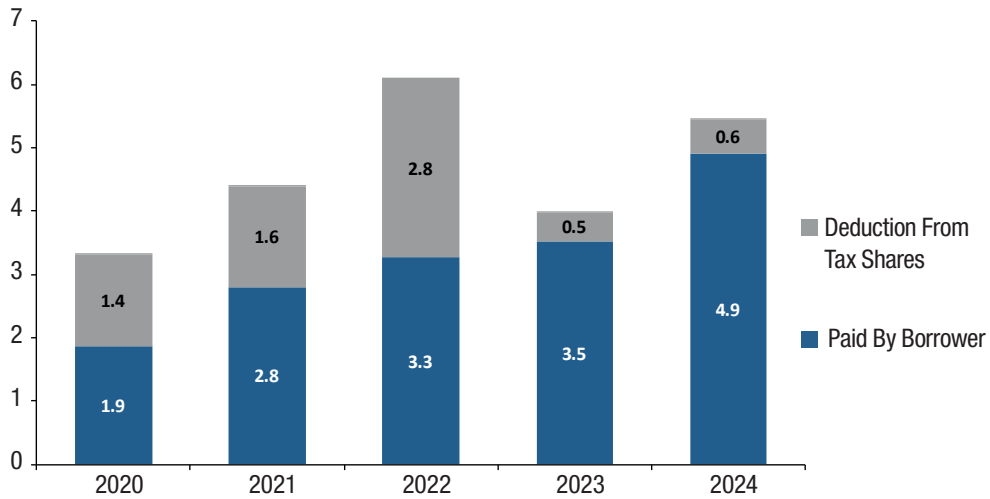


Undue Treasury Receivable Stock



*As of 31.12.2024

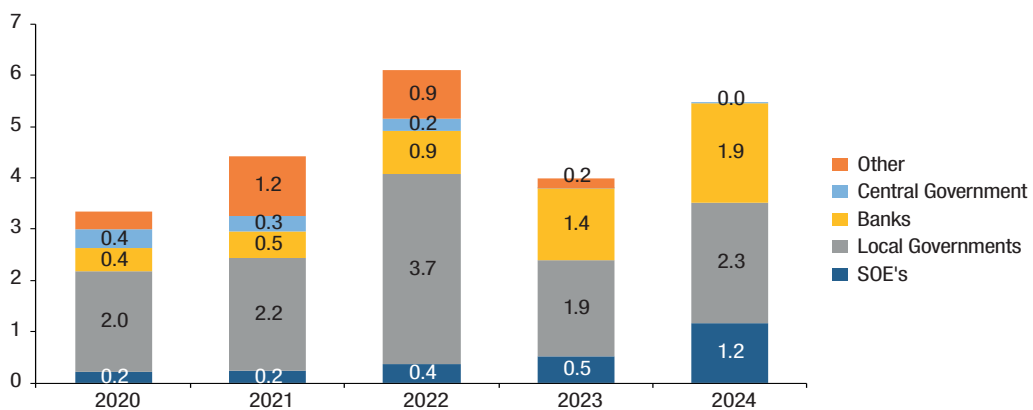
Figure 7 - Collection Types of Treasury Receivables (Billion TL)



In 2024, total collections for Treasury Receivables were realized as TL 5.5 billion. With respect to borrowers, the collections realized from Local Administrations have the majority with TL 2.3 billion which is followed by Public Banks with TL 1.8 billion, SOEs with TL 1.2 billion and the private banks with TL 161 million, respectively.

The amount of TL 4.9 billion of total collections were paid directly by beneficiaries and TL 0.6 billion were collected via deductions from tax shares.

Figure 8 - Collections from Treasury Receivables (Billion TL)



LIABILITY MANAGEMENT



Liability management operations are conducted within the scope of ALM approach adopted by Law No. 4749 and relevant secondary legislation. In this regard, liabilities arising from domestic and external borrowing, Treasury guarantees, abrogated funds as well as the contingent liabilities arising from debt assumption commitments constitute the main components of liability management.

1. DEBT MANAGEMENT

Public debt management is mainly based on the principle of lowering costs to appropriate levels by considering risk exposure of debt stock. In this context, borrowing policies are carried out by strategic benchmarks built on a medium-term perspective every year. These benchmarks, which have been implemented since 2003, not only improved the structure of debt stock but also made a significant contribution to reducing the sensitivity of debt stock to risks.

In 2024, the policies such as borrowing in local currency (TL) in domestic market, keeping 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, keeping a certain level of cash reserve in order to reduce the liquidity risk associated with cash and debt management were continued to be implemented.

Macroeconomic balances and cyclical movements are also taken into account through the entire debt management process starting from creating strategic benchmarks to implementation of debt program. In this context, debt management is carried out in accordance with the institutions responsible for monetary and fiscal policy.

In accordance with the aforementioned strategic benchmarks, the announcement of 2024 Treasury Financing Program was released to public attention on 31st October 2023, based on Medium Term Programme (MTP) for 2024-2026 period.

Table 2- Treasury Financing Program⁽¹⁾ (Billion TL)

	2024 (Program)	2024 (Realization)
I- TOTAL DEBT SERVICE	2,213.2	2,223.6
Domestic Debt Service	1,565.2	1,675.7
Principal	778.4	715.1
Interest	786.8	960.6
External Debt Service	648.0	547.9
Principal	387.9	329.8
Interest	260.1	218.1
II- FINANCING	2,213.2	2,223.6
Non-Borrowing Resources (2)	-281.0	-362.2
Total Borrowing	2,494.2	2,585.8
External Borrowing	357.8	356.2
Domestic Borrowing	2,136.4	2,229.6
Memo	-	-
NET BORROWING (Borrowing - Principal Payments)	1,327.9	1,540.9
Net Domestic Borrowing	1,358.0	1,514.5
Net External Borrowing	-30.1	26.4

(1) Cash based.

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

In 2024, total amount of TL 1,675.7 billion domestic debt service was redeemed and TL 2,229.6 billion worth of borrowing was raised in domestic market. In the same period, TL 547.9 billion external debt service was redeemed and TL 356.2 billion worth of external borrowing was realized.

Keeping strong cash reserves is critical for an effective Treasury cash and debt management system, in terms of mitigating the refinancing, liquidity, exchange rate and interest rate risks. In addition, this policy has an important role in providing the flexibility needed to carry out the borrowing program, especially when the market volatility surges. In this context, the policy of keeping cash reserves in a certain level continued in 2024.

Gold bonds and gold lease certificates, which started to be issued to individual investors in 2017 also started to be issued to institutional investors in 2019 in order to expand the investor base and diversify investment instruments. In this context, until the end of 2024, a total of 525.3 tons of gold equivalent of 483 billion TL gold bond and gold lease certificates were issued.

On the other hand, in order to broaden the investor base and diversify the borrowing instruments, foreign currency bonds and lease certificates were issued for institutional investors within the framework of cyclical developments. In this context, in 2024, the total amount of the issuances conducted in terms of foreign exchange was approximately USD 2.3 billion and EUR 1.2 billion. By the end of 2024, total of EUR 12.8 billion and USD 27.1 billion were issued.

DOMESTIC BORROWING

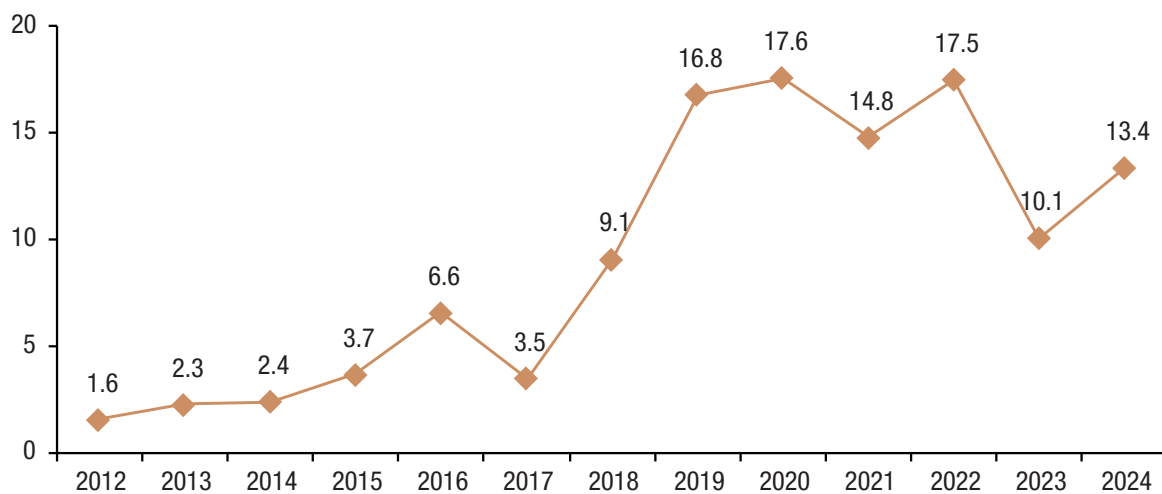
In addition to adverse global economic and geopolitical developments in 2023, the negative effects of the uncertainties caused by the earthquake disaster in our country continued in 2024.

Borrowing policies based on fiscal discipline and strategic benchmarks continued in 2024. Due to the continued need for additional financing resulting from the earthquake disaster in February 2023, borrowing amounts in the domestic market were increased. It is aimed to meet this increase at the most affordable cost possible in the medium and long term, in line with strategic benchmarks, within the framework of the risk level determined by taking into account domestic and foreign market conditions and cost factors. In this context, 50.4% of domestic borrowing in 2024 was realized through fixed-rate Turkish Lira-denominated securities, with the majority of borrowing being denominated in Turkish Lira.

Within the framework of these developments, the domestic debt roll-over ratio was approximately 131.1% in 2024.

In order to broaden the investor base and diversify the borrowing instruments, the issuances of foreign exchange denominated government bonds/lease certificates in addition to TL denominated government debt bonds and lease certificates continued in 2024 as well. In this context, FX-denominated domestic borrowing of USD 2.3 billion and EUR 1.2 billion was realized in the domestic market in return for the redemption of USD 1.6 billion and EUR 2.9 in FX-denominated domestic debt in the same period.

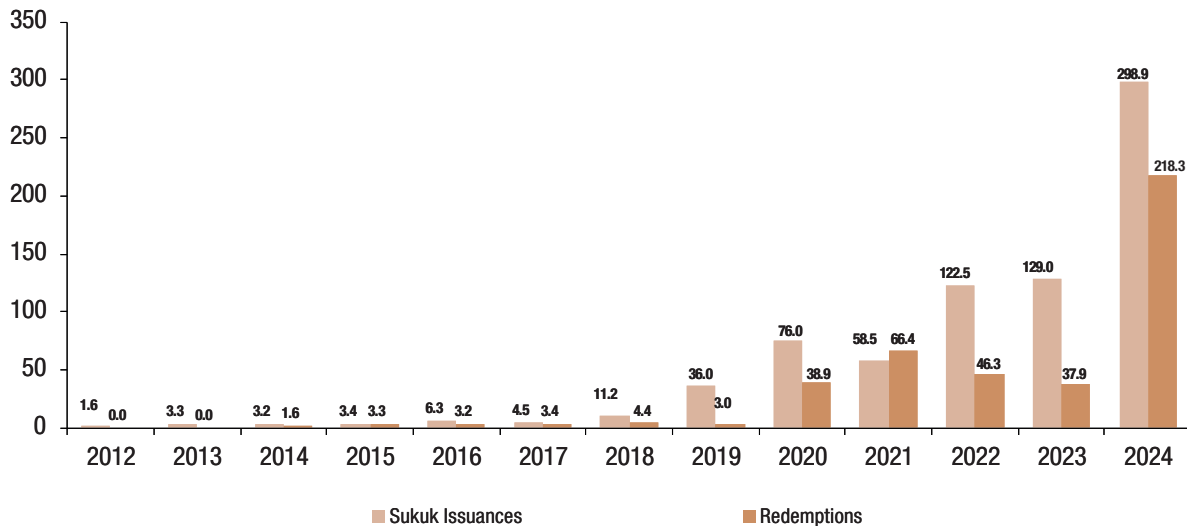
Figure 9 - Share of Domestic Sukuk Instruments in Overall Domestic Borrowing (%) ⁷



In this context, the share of domestic lease certificates in total domestic borrowing was 1.6 percent in 2012, it realized as 13.4 percent in 2024.

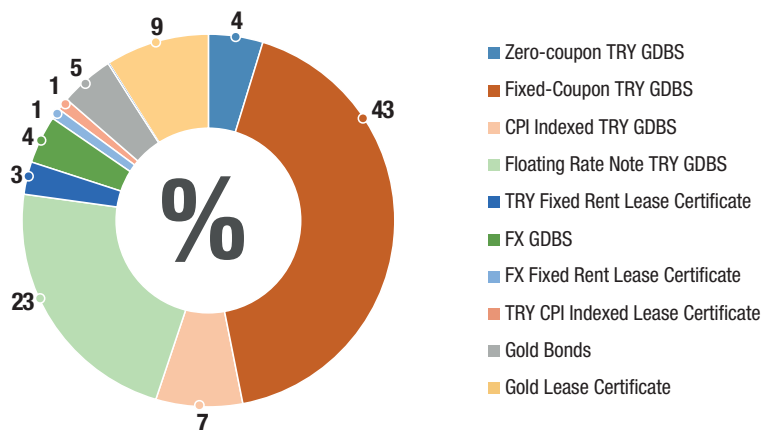
⁷ Gold based lease certificate and foreign currency lease certificates issued domestically are included.

Figure 10 - Domestic Sukuk Issuances and Redemptions, 2012-2024 (Billion TL)⁸



In order to support the development of the domestic lease certificate market, the issuance amounts have been generally realized above the redemption since 2014, the year in which the lease certificate redemptions started, until the end of 2024. In 2024, approximately 218,3 billion TL worth of Sukuk were redeemed, and 298,9 billion TL worth of Sukuk were issued in return, reaching the highest issuance amount on an annual basis.

Figure 11- Domestic Borrowing by Instruments in 2024* (%)



* The calculation is based on net borrowing amounts.

In 2024, 4 percent of total domestic cash borrowing was realized through TL denominated zero-coupon bonds; 23 percent through TL denominated floating rate notes, 43 percent through TL denominated fixed rate coupon bonds; 7 percent through TL denominated CPI indexed bonds; 4 percent through TL denominated lease certificates; 5 percent through foreign exchange denominated bonds and lease certificates; and 14 percent through gold bonds and gold lease certificates.

In 2024, 77 percent of domestic borrowing was realized through auctions and 23 percent with direct sales.

EXTERNAL BORROWING

Eurobond and Lease Certificate Issuances in the International Capital Markets

In 2024, four bond issuances and one lease certificate issuance were realized in international capital markets. The first bond issuance of the year in February had a maturity of 10 years and 3 months, amounting to USD 3 billion. The coupon rate of this bond was 7.625 percent. A bond issue with a maturity of 6 years and 2 months and an amount of EUR 2 billion was executed in March, with a coupon rate of 5.875 percent. The third transaction of the year was the USD 1.75 billion bond issue with a maturity of 8 years in July. The coupon rate of this bond was 7.125 percent. In October, a liability management transaction was conducted simultaneously with a new bond issuance with a maturity of 10 years and 3 months, amounting to USD 3.5 billion.

⁸ Gold based lease certificate and foreign currency lease certificates issued domestically are included

The new bond had a coupon rate of 6.500 percent. As a result of the transaction, approximately USD 1.84 billion of the USD 3.5 billion new bond was used as part of the liability management transaction to switch the outstanding bonds maturing in 2024 and 2025 with the new bond, while the remaining amount has been raised as new cash. In November, as the last transaction of the year, a lease certificate with a maturity of 5 years and 5 months and an amount of USD 2.5 billion was issued. The lease rate for this issuance was 6.500 percent. Thus, approximately USD 13 billion of bonds were issued in the international capital markets in 2024, resulting in approximately USD 11.1 billion in cash financing.

Table 3 - Eurobond and Lease Certificate Issuances in 2020-2024

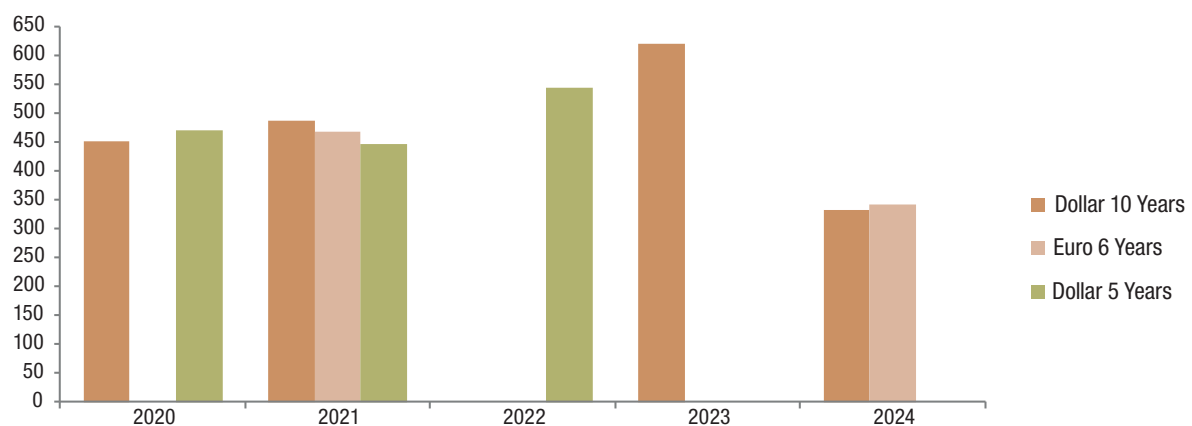
Issue Date	Maturity Date	Currency	Amount	Coupon/Lease Rate (%)	Yield-To-Investor	
					(%)	Spread (bp)
02.13.2020	03.13.2025	USD	2,000,000,000	4.250	4.450	UST + 298.5
02.13.2020	03.13.2030	USD	2,000,000,000	5.250	5.450	UST + 380.6
10.14.2020	10.14.2025	USD	2,500,000,000	6.375	6.400	UST + 608.7
12.02.2020	01.15.2031	USD	2,250,000,000	5.950	6.000	UST + 511.7
01.26.2021	01.26.2026	USD	1,750,000,000	4.750	4.900	UST + 445.3
01.26.2021	06.26.2031	USD	1,750,000,000	5.875	5.950	UST + 486.0
06.22.2021	06.22.2026	USD*	2,500,000,000	5.125	5.125	MS + 426.7
07.08.2021	07.08.2027	EUR	1,500,000,000	4.375	4.500	MS + 468.3
09.20.2021	10.24.2028	USD	750,000,000	6.125	5.700	UST + 459.6
09.20.2021	09.20.2033	USD	1,500,000,000	6.500	6.500	UST + 517.9
02.24.2022	02.24.2027	USD*	3,000,000,000	7.250	7.250	MS + 524.7
03.24.2022	09.24.2027	USD	2,000,000,000	8.600	8.625	UST + 645.1
10.13.2022	11.13.2025	USD*	2,500,000,000	9.758	9.750	MS + 545.5
11.15.2022	01.15.2028	USD	1,500,000,000	9.875	10.000	UST + 561.4
12.08.2022	01.15.2028	USD	2,000,000,000	9.875	9.000	UST + 529.6
01.19.2023	01.19.2033	USD	2,750,000,000	9.375	9.750	UST + 619.2
03.14.2023	03.14.2029	USD	2,250,000,000	9.375	9.500	UST + 516.7
04.13.2023	07.13.2030	USD**	2,500,000,000	9.125	9.300	UST + 596.8
11.14.2023	01.14.2029	USD*	2,500,000,000	8.5091	8.500	UST + 394.4
02.15.2024	05.15.2034	USD	3,000,000,000	7.625	7.875	UST + 371.3
03.21.2024	05.21.2030	EUR	2,000,000,000	5.875	6.125	MS + 340.5
07.17.2024	07.17.2032	USD	1,750,000,000	7.125	7.300	UST + 304.5
10.03.2024	01.03.2035	USD***	3,500,000,000	6.500	6.750	UST + 297.7
11.26.2024	04.26.2030	USD*	2,500,000,000	6.500	6.550	UST + 230.0

*Lease Certificate

**Green Bond

***A liability management transaction was be conducted simultaneously with the new bond offering.

Figure 12 - Risk Premiums* for International Bond Issuances (basis points)



* The values are the weighted averages of the spreads and the nominal amounts of the bonds issued during the year corresponding to the given maturity.

Box 2- Developments in International Capital Markets

In 2024, the regional impact of conflicts in the Middle East, particularly those centered around Gaza, continued to intensify. The potential effects of these developments on global energy and trade routes kept geopolitical tensions elevated throughout the year. On the other hand, uncertainties regarding the timing of interest rate cuts by major central banks, especially the U.S. Federal Reserve (Fed), as well as the developments surrounding the U.S. elections, contributed to volatility in global financial markets. However, despite these developments, the global economy remained resilient in 2024. Although inflation has been on a downward trend globally, persistent rigidity especially in the prices of core goods and services prompted central banks to maintain a cautious policy stance. Overall, 2024 was marked by a slower but not recessionary global growth and by a gradual decline in inflation.

In order to continue their fight against inflation, central banks in advanced economies kept interest rates steady for some time in 2024; however, due to concerns about economic growth, the first rate cuts in a long time were realized this year. After raising the target range for the federal funds rate to 5.25–5.50 percent in July 2023, the Fed kept rates unchanged in the remaining part of 2023 and in its meetings in January, March, May, June and July 2024. In its September meeting, the Fed delivered the first interest rate cut of 2024 by lowering the target range to 4.75–5.00 percent. The Fed cut the interest rates by 25 basis points in each meeting held in November and December, bringing the target interest rate range down to 4.25–4.50 percent by the end of 2024. Similarly, the European Central Bank (ECB) lowered the interest rates in 2024, implementing rate cuts four times during the year. As a result, the refinancing rate in the Euro Area, which was 4.50 percent at the end of 2023, fell to 3.15 percent after the final rate cut in December 2024. The Bank of England (BoE), meanwhile, also delivered two rate cuts in 2024. The policy rate, which was 5.25 percent at the end of 2023, was reduced to 4.75 percent following the rate cuts in August and November 2024.

Risk perception fluctuated throughout the year in line with global central banks' monetary policies, geopolitical developments, global macro-economic data releases and expectations regarding the U.S. elections. 2024 began with inflows into risk assets, driven by expectations that global central banks would gradually abandon their tight monetary policies. However, this trend partially reversed in the second quarter of the year due to increased geopolitical risks. This led to outflows from emerging market bonds and equities. In the third quarter of the year, yields on U.S. Treasury bonds, which are regarded as safe-haven assets, declined amid expectations that the Fed would begin a rate-cutting cycle. However, in August, increased concerns over a potential recession in the U.S. led to significant outflows from risk assets. In the last quarter of the year, rising uncertainty about the upcoming U.S. elections accelerated capital outflows from emerging markets, and U.S. Treasury yields rose again, surpassing their levels at the beginning of the year. Despite the volatility in bond yields throughout the year, the total volume of bond issuances by emerging markets in international capital markets -particularly during the January-March period- increased significantly compared to 2023.

In 2024, CDS levels across emerging markets remained relatively volatile. Türkiye's 5-year USD-denominated CDS however, remained relatively stable throughout 2024, maintaining the levels reached following the downward trend observed since the second half of 2023. The highest level of our CDS was recorded in March as 337 basis points and the lowest level as 246 basis points in December. Our CDS closed 2024 at 263 basis points. J.P. Morgan EMBI+ index, which shows the risk premium in emerging market bonds, increased by approximately 19 basis points compared to the end of 2023 to 364 basis points at the end of 2024, while the J.P. Morgan EMBI+ Türkiye index, the Türkiye sub-segment of the index, decreased by 48 basis points to 228 basis points in the same period. J.P. Morgan EMBI+ Türkiye index remained below the J.P. Morgan EMBI+ index throughout 2024, following the trend seen since August 2023. The improvement in both our CDS and the J.P. Morgan EMBI+ Türkiye index in 2024 was driven by increased foreign investor interest in Türkiye due to growing confidence in the country's economic policies.

Project Finance

Between 2020 and 2024, annual average of USD 7.2 billion in external financing was provided under agreements in which the Ministry is designated as borrower or guarantor. In 2024, the amount of financing provided reached to about USD 9.11 billion. The financing provided in 2024 was mainly for projects in the disaster management, real sector, transportation energy, and health sectors.

The transportation sector received the most financing between 2020 and 2024 with approximately USD 9.36 billion. The transportation sector is followed by energy, real sector, disaster management, environment, infrastructure and health sectors respectively.

Figure 13 - Distribution of Project Loans Secured Between 2020-2024 by Sources (Million USD)

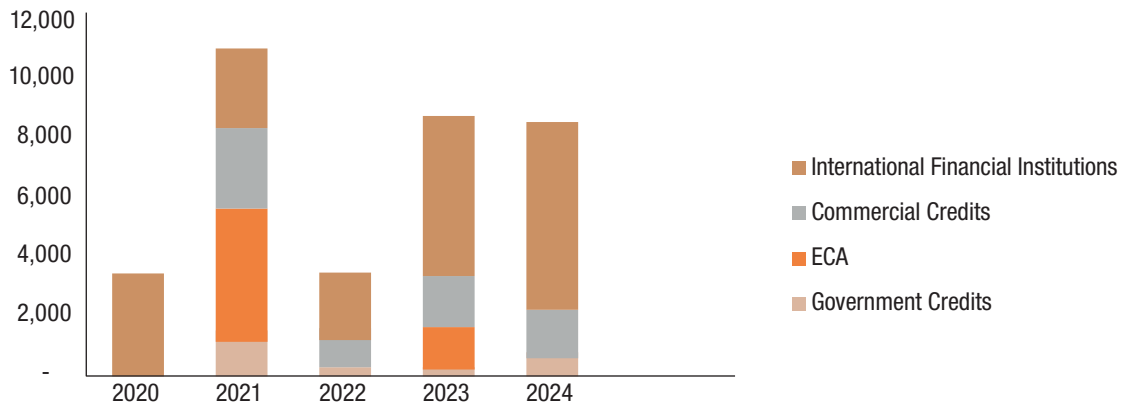


Figure 14 - Allocated Facilities (Million USD)

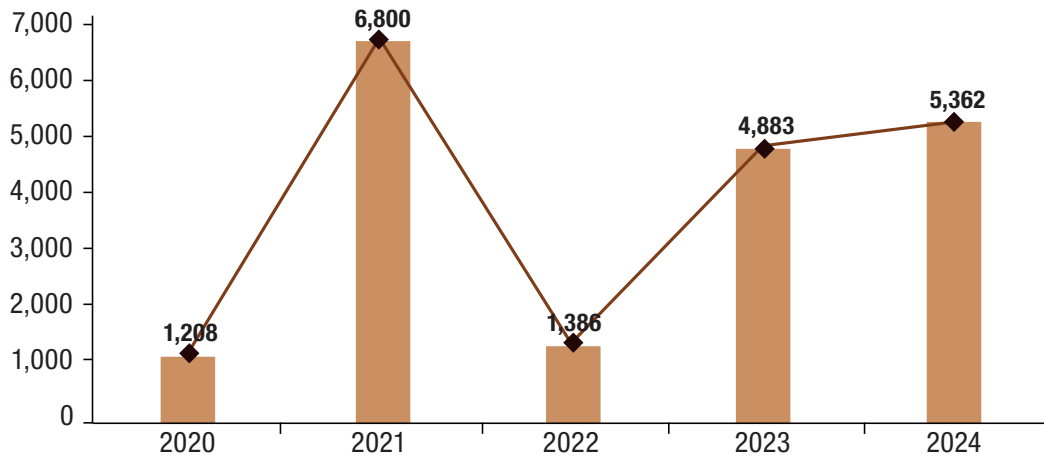
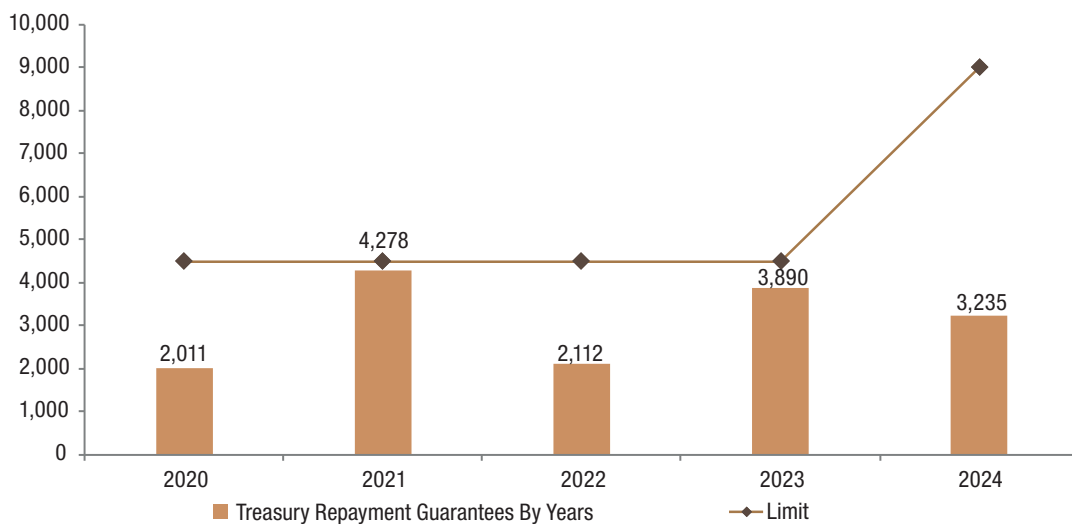


Figure 15 - Treasury Guarantee and On-lending Limit, Guarantee and On-lending Amount Secured (Million USD)

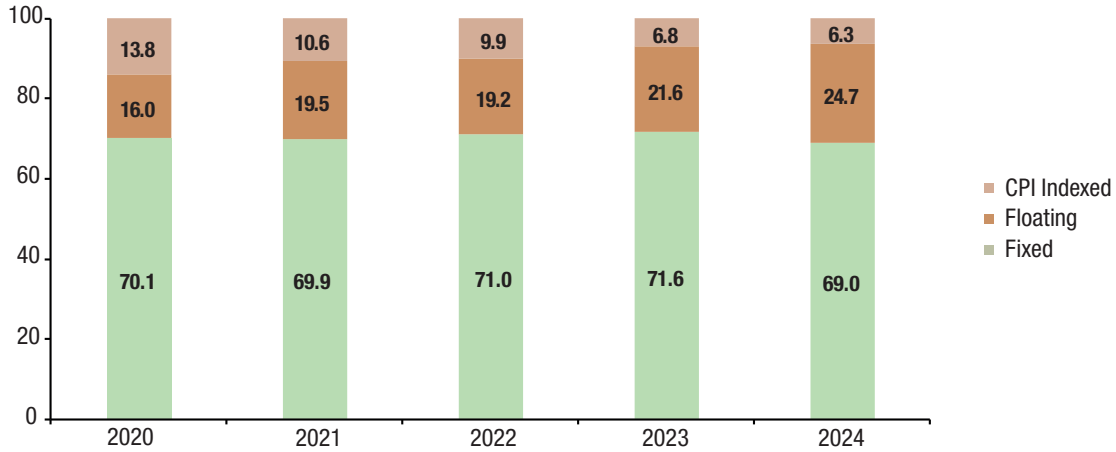


DEBT STOCK

Liquidity, interest and exchange rate risks are mitigated and significant improvements are achieved by implementing the borrowing strategies consistent with the strategic benchmarks framework that are determined by the Debt and Risk Management Committee since 2003.

Within this framework, the share of the domestic debt in total stock actualized as 53.6 percent and the share of the external debt in total stock actualized as 46.4 percent at the end of 2024. On the other hand, share of TL-denominated debt in total stock realized as 43.9 percent. Besides, the share of fixed rate debt in total stock realized as 69.0 percent, the share of CPI-indexed debt as 6.3 percent and the share of floating-rate debt excluding CPI-indexed debt realized as 24.7 percent.

Figure 16 - Central Government Debt - Interest Composition (%)



The average time to maturity of central government debt realized as 4.9 years as of the end of 2024, 3.5 years for domestic debt stock and 6.5 years for external debt stock.

In 2024, central government domestic debt stock was TL 4,959.9 billion. TL 4,745.0 billion of it was the cash bonds and TL 214.9 billion of it was the non-cash bonds. Foreign share in the domestic debt stock had realized as 9.9 percent.

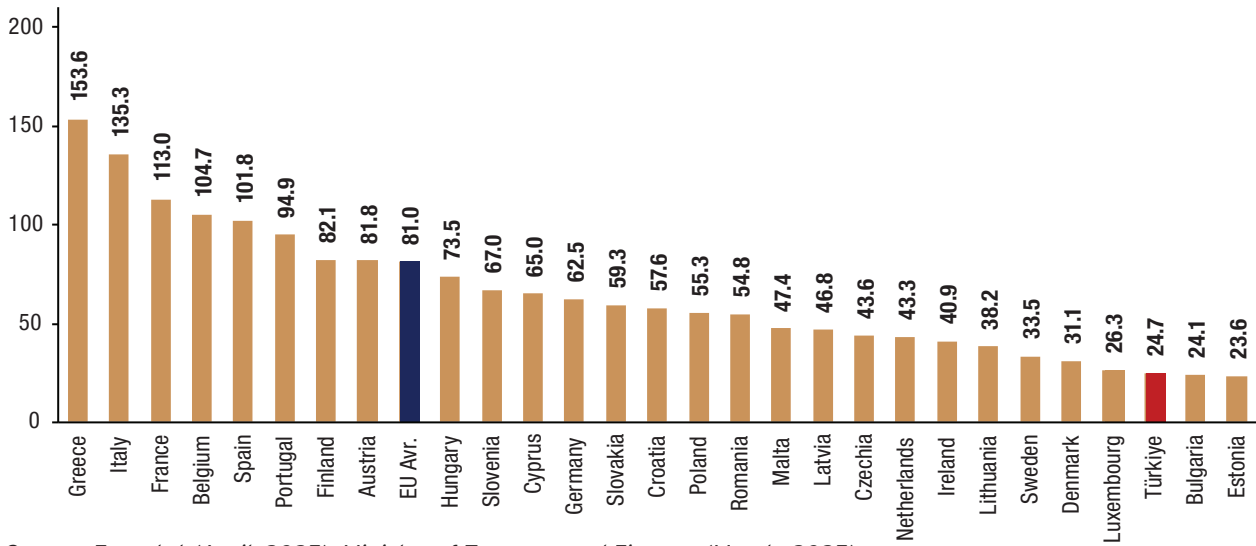
Table 4 - Composition of Central Government Debt Stock by Currency, Interest and Cash Type (Billion TL)

	2020	2021	2022	2023	2024
Interest					
Fixed	591.7	696.0	1,044.3	1,845.7	2,774.0
Floating	468.7	625.2	861.0	1,363.5	2,185.9
<i>Indexed to CPI</i>	250.9	291.6	397.7	459.4	579.3
Currency					
TL	794.4	933.2	1,392.1	2,408.7	4,059.5
FX	265.9	388.0	513.2	800.6	900.4
Cash / Non-cash					
Cash	983.9	1,226.4	1,742.0	2,895.4	4,745.0
Non-cash	76.5	94.7	163.3	313.8	214.9
Central Government Domestic Debt Stock	1,060.4	1,321.2	1,905.3	3,209.3	4,959.9

On the other hand, in order to monitor debt levels, the general government debt stock, which European Union Member States are obliged to compile and report to Eurostat under the Excessive Deficit Procedure (EDP), has been calculated by the Ministry of Treasury and Finance since 2003 and published under the name of "EU-defined general government debt stock". In accordance with the EDP, a limit of 60 percent has been established for the ratio of government debt to GDP as an indicator of debt sustainability for members of the European Union.

Considering this indicator, Türkiye has shown a positive divergence from the EU-27 average in the post Covid-19 period. Between 2020 and 2024, the EU average declined by 8.5 percentage points to 81 percent, while in Türkiye, the same indicator decreased by 14.8 percentage points to 24.7 percent.

Figure 17 - The General Government Debt Stock Defined by the EU to GDP by the end of 2024 (%)



Source: Eurostat (April, 2025), Ministry of Treasury and Finance (March, 2025)

Table 5- Debt Stock Indicators

	2020	2021	2022	2023	2024
Central Government Debt Stock (Million TL)	1,812,849	2,747,828	4,035,455	6,736,632	9,257,254
Central Government Debt Stock / GDP (%)	35.9	37.9	26.9	25.4	21.3
General Government Debt Stock Defined by EU Standards (Million TL)	1,991,448	2,930,317	4,623,898	7,768,009	10,719,639
General Government Debt Stock Defined by EU Standards / GDP (%)	39.4	40.4	30.8	29.3	24.7
Public Sector Net Debt Stock (Million TL)	962,988	1,445,814	2,413,519	5,351,463	7,156,346
Public Sector Net Debt Stock / GDP (%)	19.1	19.9	16.1	20.2	16.5

Note: Figures may vary due to possible revisions on external debt data of previous years.

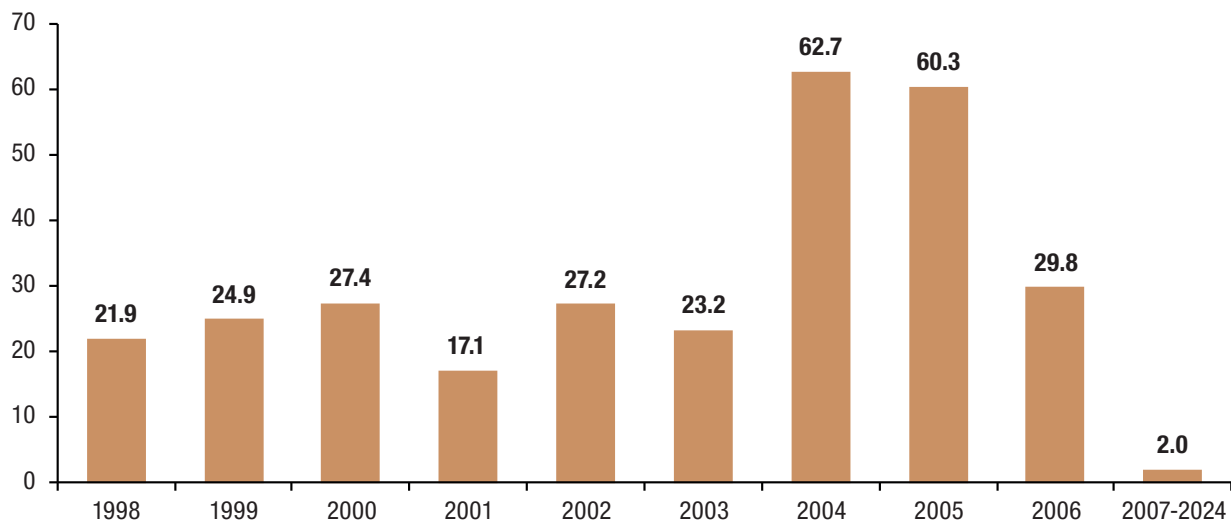
2. MANAGEMENT OF THE ABROGATED FUNDS OBLIGATIONS

Funds are special accounts of public, which may or may not reside in the budget for the allocation specified resources for particular purposes. As a result of the increase in the usage of funds from the beginning of 1980's, collective funds account was established in 1992 to oversee all the revenues and expenditures of the funds and the majority of the funds were incorporated into the budget in 1993. Therefore, abrogation of the funds had been decided in 1999 and related legislation was enacted in 2000.

Compulsory savings account was established by Law No. 3417 enacted on March 9, 1988. The purpose of the account was to encourage employees to save by funneling part of their wages and salaries and contributions from employers or the government to the account where the proceeds earn high yields. Between April 1988 and May 2000, 2 percent of wages and salaries with 3 percent contributions from employers or the government were deposited to the savings accounts held by Ziraat Bank.

After the establishment of Unemployment Fund in 2000, the deduction from salaries and wages and the contributions from employers or the government were halted. By the Law No. 4853 enacted on April 24, 2003, the account has been set to dissolve. Accumulated savings and yields were paid to the employees in ten installments between 2003- 2006. As of December 31, 2007 all the assets and liabilities of the account had been transferred to Ministry of Treasury and Finance.

*Figure 18 - Payments from Compulsory Savings Account**



* Payments have been updated as of 31.12.2024, taking into account inflation realizations.

3. MANAGEMENT OF CONTINGENT LIABILITIES

Contingent liabilities refer to obligations of which timing and magnitude depend on the occurrence of some uncertain future event outside the control of the government. If contingent liabilities are obligations based on contracts, laws, or clear policy commitments they are called "explicit contingent liabilities". On the other hand, if they are based on social, political and economic concerns for the government instead of a clear commitment, they are called "implicit contingent liabilities".

Treasury repayment guarantees and Treasury debt assumption commitments provided in the context of Public-Private-Partnership (PPP) projects are among the explicit contingent liabilities of the Ministry of Treasury and Finance (MoTF). In the debt assumption commitments provided by the MoTF, in case the senior debt of a PPP project is assumed by the MoTF as a result of the early termination⁹ of a project contract, all assets related to the project are also transferred to the government. Similarly, once an assumption occurs as a result of Treasury repayment guarantees, the related beneficiary becomes indebted to the MoTF with an equal amount and Treasury receivable collection mechanisms are triggered. Thereby, the change that occurs in the public assets and liabilities should be evaluated with a wholistic approach when calculating the contingent liabilities' effects on the public fiscal balance.

⁹ More detailed information can be found in the article "Termination Payment Provisions in Public Private Partnership Contracts" in the 2017 Public Debt Management Report. p. 48-58.

In order to strengthen the management of the contingent liabilities faced by the MoTF, the Internal Credit Rating Model, which takes into account the performance and financial data of the institutions that have guaranteed debt and receivables stock against the MoTF, has been used since 2007. In this context, the model outputs are used to determine and implement tools such as Treasury guarantee and on-lent limit, guarantee and on-lent fee, and Risk Account allowance that used to reduce risks arising from contingent liabilities.

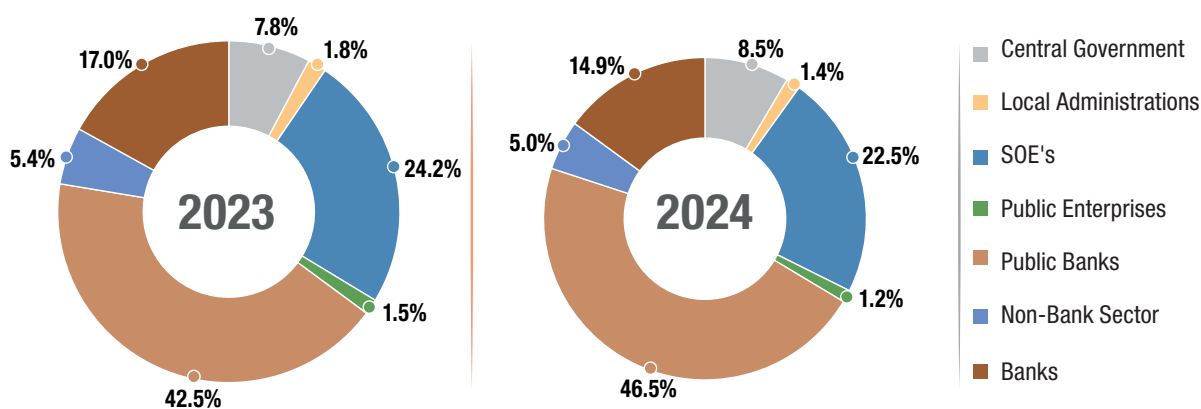
Within this framework, the limit for the Treasury guarantee and on-lent and the limit for the Treasury debt assumption commitment to be provided within the relevant fiscal year under the Law no 4749, are included in the Central Government Budget Law. For 2024, the Treasury guarantee and on-lent limit has been determined as USD 9 billion, and the Treasury debt assumption commitment limit has been determined as USD 1.5 billion.

Possible effects of risks that the MoTF exposed to within the scope of contingent liabilities on debt stock, debt sustainability and fiscal discipline are measured, monitored and reported regularly by various risk management tools and scenario analyzes as part of the risk management.

TREASURY GUARANTEES

According to Law no 4749, there are four types of guarantees that the Ministry of Treasury and Finance can provide. These are Treasury repayment guarantee, Treasury counter-guarantee, Treasury country guarantee and Treasury investment guarantee. Treasury investment guarantee is mainly used for energy power plant projects within the scope of Public Private Partnership. Treasury country guarantee are yet to be realized. Implementation of treasury counter-guarantee started in 2020. Treasury repayment guarantee is one of the most commonly used guarantee type for supporting the external financing of the public investment projects. In this context, compared to 2023 Treasury guaranteed foreign debt stock has increased by USD 351 million to USD 16.4 billion by the end of 2024.

Figure 19 - Treasury Guaranteed External Debt Stock by Borrower (%)

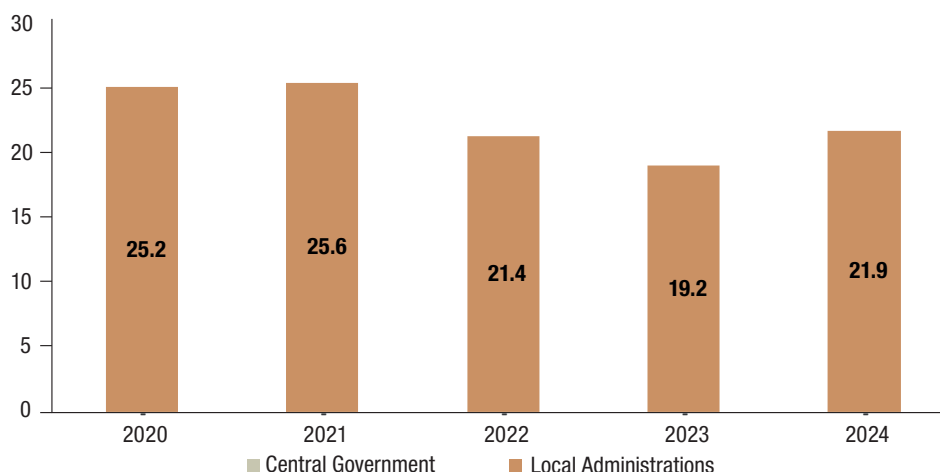


Source: Ministry of Treasury and Finance.

The undertaken ratio of Treasury guaranteed credits has increased to 0.8 % in 2024 from its level of 0.5 % in 2023. Undertakings were realized from municipality guaranteed debt.

In 2024, Treasury has undertaken USD 21.9 million due to the repayment guarantees in total and there is no undertakings related to investment guarantees. In 2024, institutions have paid USD 2.6 billion from their guaranteed debt stock without any undertakings by the Treasury.

Figure 20 - Treasury Guarantees Undertaken (Million USD)



The undertaken amounts of Treasury guaranteed credits have been paid from the Risk Account. As the balance of the account carried forward in the previous years and the collections of the account throughout the year are high enough to cover the payments of the undertaking, no budget allocation has been used in 2024. Since 2009 there hasn't been any need for transfer from the budget allocations because of the sufficient balances of the account.

DEBT ASSUMPTION COMMITMENTS

Within the framework of PPPs, debt assumption mechanism will be put into use by the public sector in the case of early termination of the contract between the administration and the appointed company (i.e. the company carrying out the project). If a debt assumption occurs, the assets of the project are transferred to the public sector and the outstanding liabilities of the external financing provided for the project as of the date of termination of the contract will be covered by the MoTF. In this context, in case of the early termination of the implementation contracts and the transfer of the project assets, the MoTF is authorized to assume the external financing including those resulting from the hedging products. The projects subjected to debt assumption commitment are given in Table 6 below. As of the date of the report, no debt assumption has been realized.

Table 6 - Loans Subject to Debt Assumption Agreement*

Project Name	PPP Model	Debt Assumption Agreement Date	Total Project Cost	Loan Amount	Loan Amount (USD Equivalent)
Eurasia Tunnel	Build-Operate-Transfer	11.12.2012	\$1,239,863,000	\$960,000,000	\$960,000,000
Gebze-Orhangazi-İzmir Motorway (including the İzmit Gulf Crossing)	Build-Operate-Transfer	05.06.2015	\$6,312,392,047	\$4,956,312,328	\$4,956,312,328
Çanakkale-Malkara Motorway (including 1915 Çanakkale Bridge)	Build-Operate-Transfer	16.03.2018	€ 3,159,721,036	€ 2,265,000,000	\$2,799,993,000
Ankara-Nigde Motorway	Build-Operate-Transfer	07.06.2018	€ 1,462,628,902	€ 1,114,962,012	\$1,310,749,341
Northern Marmara Motorway - Kurtköy-Akyazi Section	Build-Operate-Transfer	16.09.2019	\$3,661,656,404	\$2,840,000,000	\$2,840,000,000
Northern Marmara Motorway- Kınalı-Odayeri Section	Build-Operate-Transfer	16.09.2019	\$2,072,257,009	\$1,595,000,000	\$1,595,000,000
Northern Marmara Motorway -Odayeri-Paşaköy Section (including Third Bosphorus Bridge)	Build-Operate-Transfer	02.12.2021	\$3,456,244,239	\$1,198,302,550	\$1,198,302,551
		31.10.2024**	\$509,409,953	\$405,000,000	\$405,000,000
Aydın-Denizli Motorway	Build-Operate-Transfer	30.12.2021	€ 1,118,643,935	€ 769,939,998	\$869,416,246
		15.09.2023	€ 173,560,000	€ 100,000,000	\$107,340,000
		27.12.2024	€ 470,275,150	€ 374,917,457	\$389,876,664
TOTAL					17,431,990,129

*As of 31 December 2024, Treasury's debt assumption commitment stock including hedging cost caps is USD 12.201.142.905.

** For the financing of the Sarıyer-Kilyos Tunnel.

RISK MANAGEMENT



According to the Law No. 4749 on Regulating Public Finance and Debt Management and its secondary legislation, “Debt and Risk Management Committee (DRC)” is responsible for determining general strategies concerning the management of public assets and liabilities. Major risks regarding the public debt, receivables and cash management; namely market risk, credit risk and operational risk, are managed in line with the principles and policies set by the DRC and regularly reported to DRC.

1. BUDGET AND FISCAL RISKS

Monitoring, estimating and identifying potential risks in the public fiscal balance are the most important inputs in determining of measures and policies for efficient debt and cash management. In this context, while the Central Government Budget (CGB) realizations are monitored closely, the deviations in budget revenues and expenditures are analyzed and solid data is provided for debt and cash management.

In 2023, the earthquakes centered in Kahramanmaraş and the revenue and expenditure measures implemented during the election period had an impact on the CGB balance performance. In July, a Supplementary Budget Law was enacted to meet financing needs arising from the earthquakes that occurred in 2023. With the Supplementary Budget Law, a balanced budget was introduced by allocating an 1,119.5 billion TL in revenue appropriations against 1,119.5 billion TL in expenditures appropriations. Additionally, based on Article 2 of Law No. 7457 on Amendments to the CGB Law for 2023 and its Annexed Schedules, the President has been authorized to add appropriations to personnel expenditures and current transfers. In 2023, CGB revenues showed strong performance thanks to the impact of fiscal measures¹⁰ implemented as well as domestic demand.

The budget deficit, which was determined as TL 659.4 billion in the CGB Law for 2023, was revised to TL 1.633 billion in the MTP. At the end of 2023, the CGB deficit was realized as TL 1.380,5 billion, above the Budget Law expectations but well below revised projection. The CGB primary balance, which was expected to have a TL 93.8 billion deficit (total of TL 13.3 billion including the supplementary budget) in the Budget Law, was revised to TL 986,8 billion in the MTP. At the end of 2023, the CGB primary balance ended the year with a deficit of TL 705.8 billion. When the CGB figures for the year 2023 are examined, budget revenues exceeded the Budget Law and total budget projections by TL 277.9 billion after supplementary budget. In 2023, tax revenues performed TL 230.4 billion above the total budget projections. When tax revenues are examined in detail, all essential tax items outperformed the budget projections except for the personel income tax, motor vehicles tax, petroleum and natural gas SCT, stamp duties and fees. Domestic VAT, motor vehicles SCT, tobaccos SCT and banking and insurance transaction tax were noteworthy for their performance above the projections. The realization of non- tax revenues above the budget projections was mainly driven by interest income, the revenues from special budget administrations and regulatory and supervisory institutions

When CGB expenditures are examined, both non-interest expenditures and interest expenditures realized as TL 970.5 billion and TL 28.5 billion respectively above the Budget Law and the total budget projections, which included in the Budget Law and supplementary budget in 2023. All expenditure items of non-interest expenditure, except lending item, exceeded the total budget projections. The highest increase compared to total budget projection in non-interest expenditure items was seen personnel expenditures, current transfers, capital expenditures and capital transfers items. The TL 432.9 billion increase in current transfers item mainly resulted from Social Security Institution (SSI) expenditures and earthquake-related expenditures. The TL 337.3 billion increase in capital transfers was driven earthquake-related expenditures. The TL 407.7 billion increase in personnel expenditures (including SSI expenditures) was mainly driven by wage increases and public employment growth since the beginning of the year.

The budget deficit, which was determined as TL 2.651,9 billion in the CGB Law for 2024, was revised to TL 2.148,5 billion in the MTP (2025-2027). At the end of 2024, the CGB deficit was realised as TL 2,106.1 billion, below both the Budget Law and MTP (2025-2027) projections. The CGB primary balance, which was expected to have a TL 1.397,9 billion deficit in the Budget Law, was revised to TL 850,7 billion in the MTP. In 2024, the CGB primary balance ended the year with a deficit of TL 835.7 billion. When the CGB figures for the year 2024 are examined, budget revenues exceeded the Budget Law projections by TL 233.8 billion. In 2024, tax revenues performed TL 102.8 billion below the Budget Law projections, while non-tax revenues performed TL 336.6 billion above the Budget Law projections.

¹⁰ Revenue-increasing measures were implemented, such as the Restructuring Law No. 7440, additional motor vehicle tax, additional corporate tax, and tax increases in other categories (Gambling Tax, Banking and Insurance Transactions Tax, VAT, and Special Consumption Tax).

When tax revenues are examined in detail, corporate tax, petroleum and natural gas SCT, gambling tax, VAT on imports and fees were the main items that performed below the Budget Law projections while personal income tax, domestic VAT, motor vehicles SCT, tobacco products SCT, and banking and insurance transaction tax were the main items that performed above the Budget Law projections. The performance in non-tax revenues was mainly driven by interest income, revenues for service delivery, and the revenues from special budget administrations.

In 2024, central government expenditures remained TL 312 billion below the Budget Law projections. Non-interest expenditure realized as TL 328.5 billion below the Budget Law, while interest expenditures exceeded the projections by TL 16.5 billion. When non-interest expenditures are examined in detail, all expenditure items, except current transfers and capital transfers items, exceed the Budget Law appropriations. The highest increase compared to total budget projection in non-interest expenditure items was seen capital expenditures, personnel expenditures and good and service purchases items. The TL 155.2 billion increase in capital expenditures mainly resulted from the rise in contractor expenditures. The TL 132.1 billion increase in personnel expenditures (including SSI expenditures) was driven by wage increases and public employment growth. On the other hand, the current transfers item realized approximately TL 403.1 billion below the initial budget projections, due to duty losses, transfers to non-financial institutions, and shares from revenues.

Table 7 - 2024 Central Government Budget (Million TL)

	"MTP (2024 - 2026)"	"MTP (2025 - 2027)"	Realization (*)
Budget Balance	-2,651,937	-2,148,465	-2,106,145
Primary Balance	-1,397,937	-850,704	-835,690
Revenues	8,437,100	9,064,662	8,670,863
Tax Revenues	7,407,707	7,605,473	7,304,863
Other Revenues	1,029,393	1,459,189	1,366,000
Expenditures	11,089,037	11,213,127	10,777,009
Primary Expenditures	9,835,037	9,915,366	9,506,553
Interest Expenditures	1,254,000	1,297,761	1,270,455

* Source: Directorate General of Public Accounts

Table 8 - 2024 Central Government Budget Balance/GDP (%)

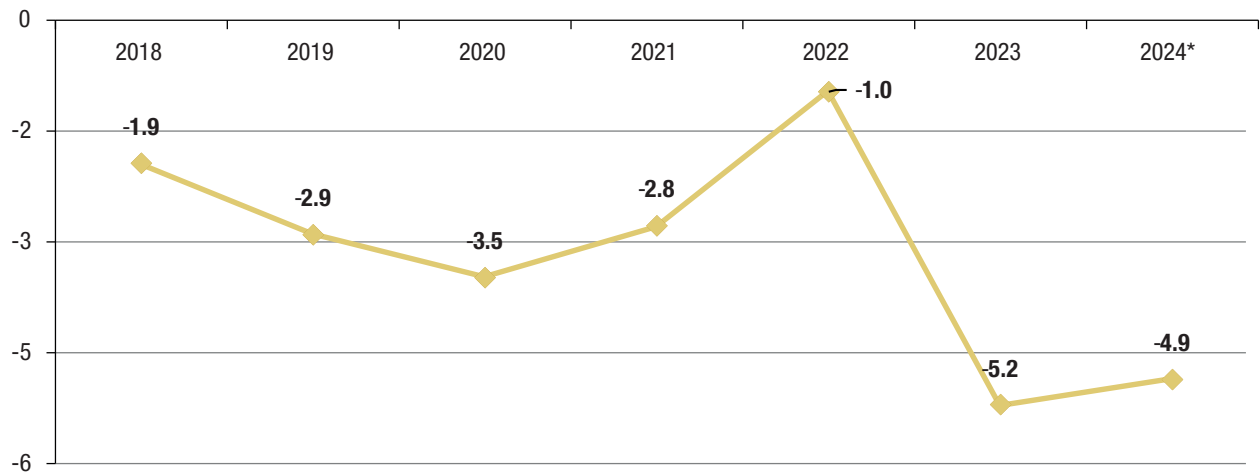
	"MTP (2024 - 2026)"	"MTP (2025 - 2027)"	Realization (*)
Budget Balance	-6.4	-4.9	-4.9
Primary Balance	-3.4	-1.9	-1.9
Revenues	20.5	20.5	20.0
Tax Revenues	18.0	17.2	16.8
Other Revenues	2.5	3.3	3.1
Expenditures	26.9	25.4	24.8
Primary Expenditures	23.9	22.4	21.9
Interest Expenditures	3.0	2.9	2.9

* Source: Directorate General of Public Accounts

Looking at the ratio of the CGB balance to the GDP for the period of 2018 to 2024, measures taken to mitigate the negative effects of economic fluctuations in the last quarter of 2018 on commercial activities continued to affect public finances in 2019.

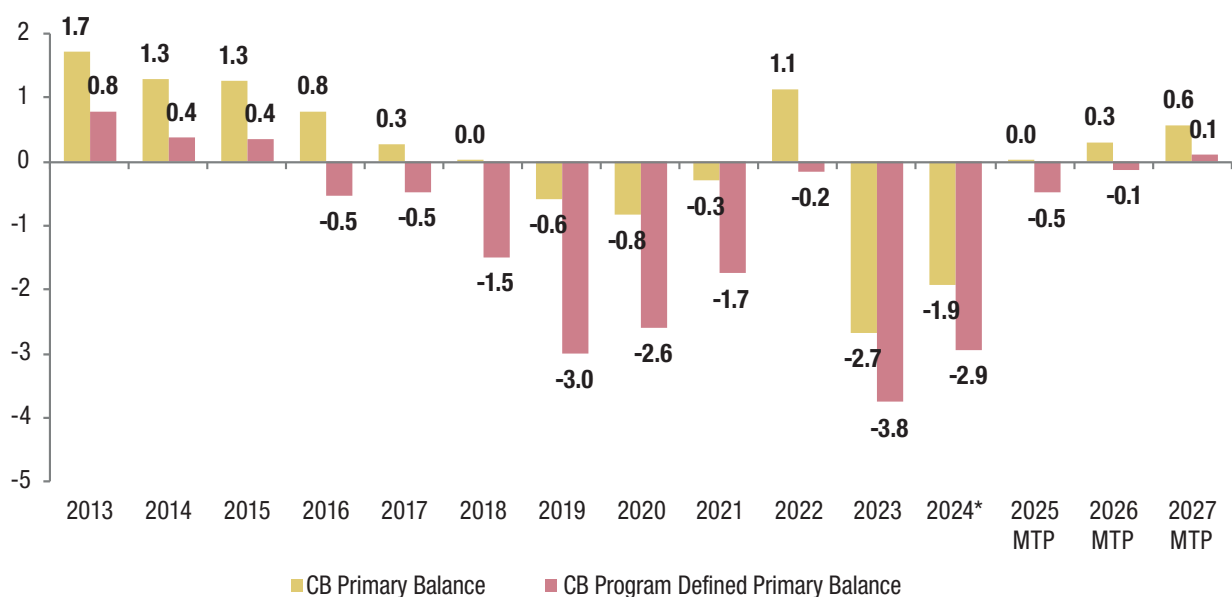
In 2020, increase in budget deficit was observed in parallel with the expansionary policies implemented all over the world in order to eliminate the pandemic effect. In 2021, as a result of the recovery in economic activity and the improvement in the revenue performance of the budget, the ratio of the budget deficit to GDP decreased. In 2022, the ratio of the budget deficit to GDP realized 1 percent in line with the high increase in budget revenues and limited increased in expenditures. In 2023, the fiscal burden resulting from the earthquake-related expenditures had increased the budget deficit to 5.2 percent of GDP, despite the strong performance in budget revenues. In 2024, the continued implementation of public expenditure savings measures, along with a relative decline in earthquake-related expenditures, besides the measures taken on the revenue side and the announced fiscal packages, reduced the central government budget deficit to 4.9 percent of GDP.

Figure 21- 2024 Central Government Budget Balance/GDP (%)



On the other hand, when the Central Government Primary Budget Balance (program defined) is examined, it was -1.5 percent in 2018 and increased to -3.0 percent in 2019. In 2020, it advanced to -2.6 percent demonstrating better performance than the preceding year. After declining to -1.7 percent in 2021, the program defined central government primary budget balance improved to -0.2 percent in 2022. In 2023, the balance increased to -3.8 percent due to the rise in earthquake-related expenditures. In 2024, this ratio decreased to -2.8 percent. In MTP (2025-2027), the ratio of the central government program-defined primary balance to GDP is anticipated to be -0.5 percent in 2025, -0.1 percent in 2026 and 0.1 percent in 2027 for the program period.

Figure 22- 2024 Central Government Primary Budget Balance (Program Definition) /GDP (%)



*Temporary

2. MARKET RISK

“Market risk” is defined as the exposure of public debt dynamics to market variables such as exchange rates, interest rates and inflation. “Liquidity risk” can be described as possibility of experiencing difficulties in accessing funds required for Treasury operations which also induces the refinancing (roll-over) risk for the Treasury. The main principle of the public debt management is reducing the costs to the most appropriate level in the medium-long term taking these risks into consideration.

By considering risk factors that Treasury portfolio is exposed to, targets are set for the current and the following two years via strategic benchmarking practice since 2003 by the Ministry. Thus, a medium term perspective is brought to borrowing policies. In this context, strategic benchmarks and indicators determined for the year 2024:

➤ **Liquidity Risk:**

- To keep the share of debt maturing within 12 months at a certain level,
- To keep a certain level of cash reserve in order to reduce the liquidity risk associated with cash and debt management.

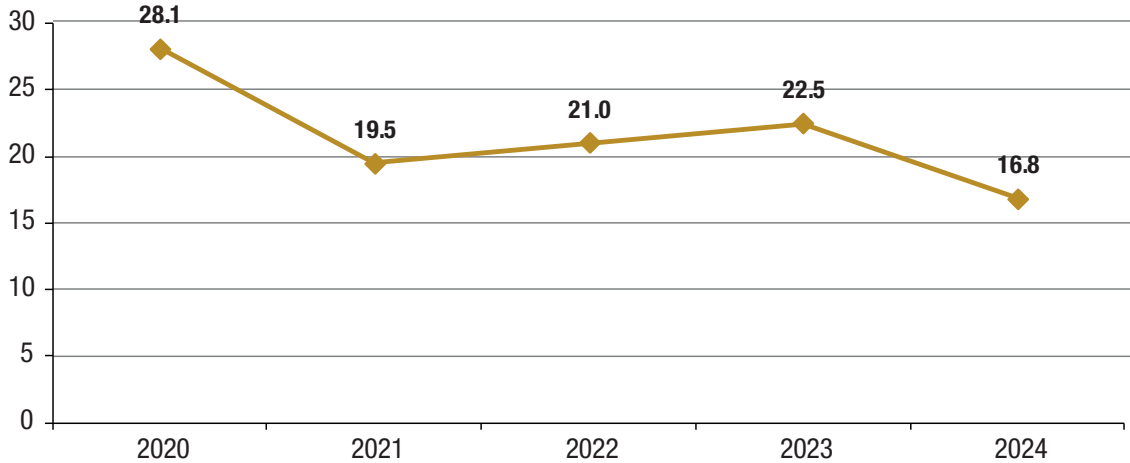
➤ **Interest Rate Risk:**

- To keep 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.

➤ **Exchange Rate Risk:**

- To borrow mainly in TL,
- To borrow in foreign currencies besides US dollar in international markets for market diversification.

Figure 23 - Share of Debt Maturing within 12 Months in Domestic Debt Stock (%)



In terms of liquidity risk, the share of domestic debt maturing within 12 months realized as 22.5 percent in 2023, while this ratio decreased to 16.8 percent as of the end of 2024.

Table 9 - Change in EU Defined General Government Debt to GDP Ratio

	2002	2024
Change in real exchange rate app/dep by 5 percentage points	+ / - 2.0 Puan	+ / - 0.6 Puan
Change in TL interest rate by 500bp	+ / - 1.4 Puan	+ / - 0.6 Puan
Change in GDP growth rate by 2 percentage points	+ / - 1.3 Puan	+ / - 0.5 Puan

The sensitivity of general government debt burden to macroeconomic shocks has been in a general downward trend since 2002. This change was mainly driven by tight fiscal policies and borrowing policies based on strategic benchmarks. As a result of these policies, the sensitivity of the general government debt burden to macroeconomic indicators was significantly reduced considerably in 2024 compared to end-2002.

Figure 24 - Interest Composition of Central Government Domestic Debt Stock (%)

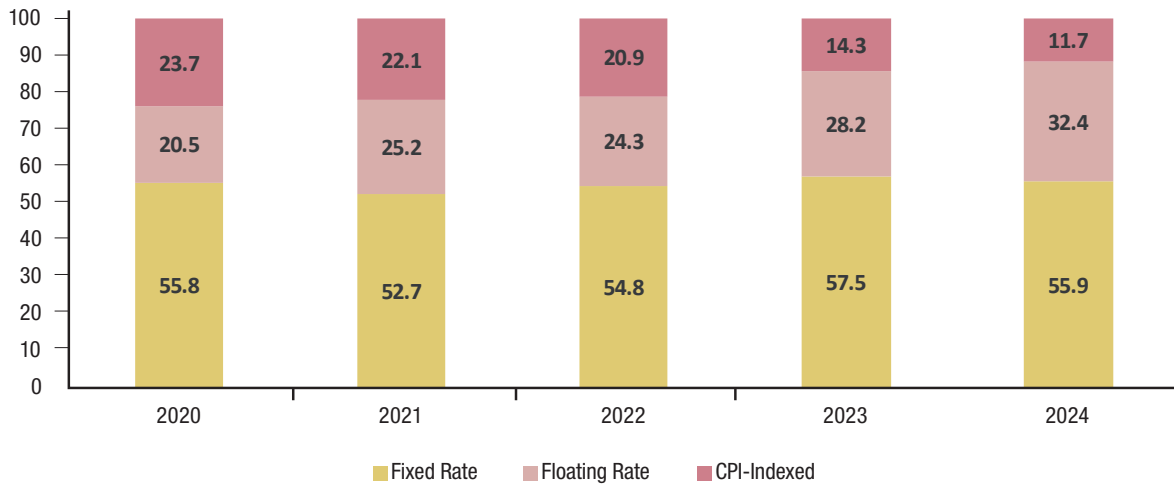
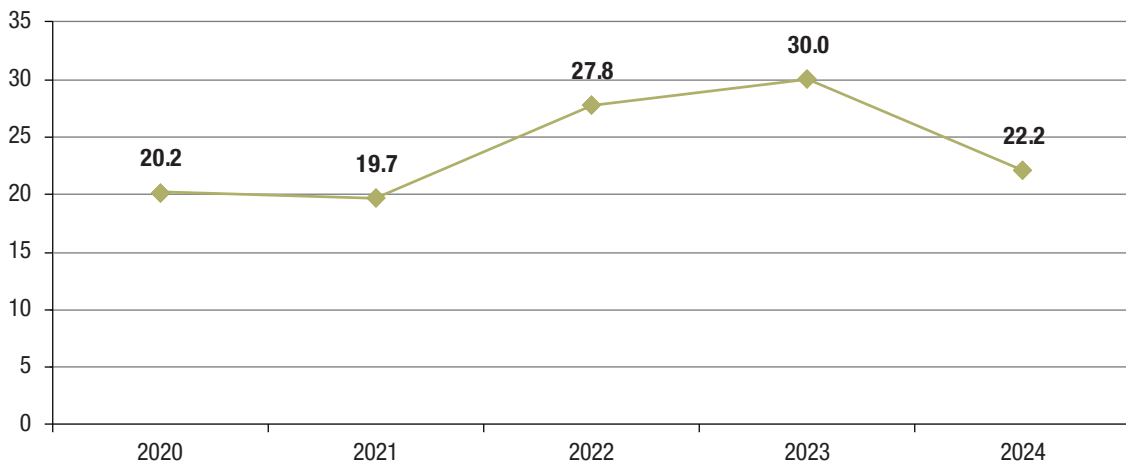
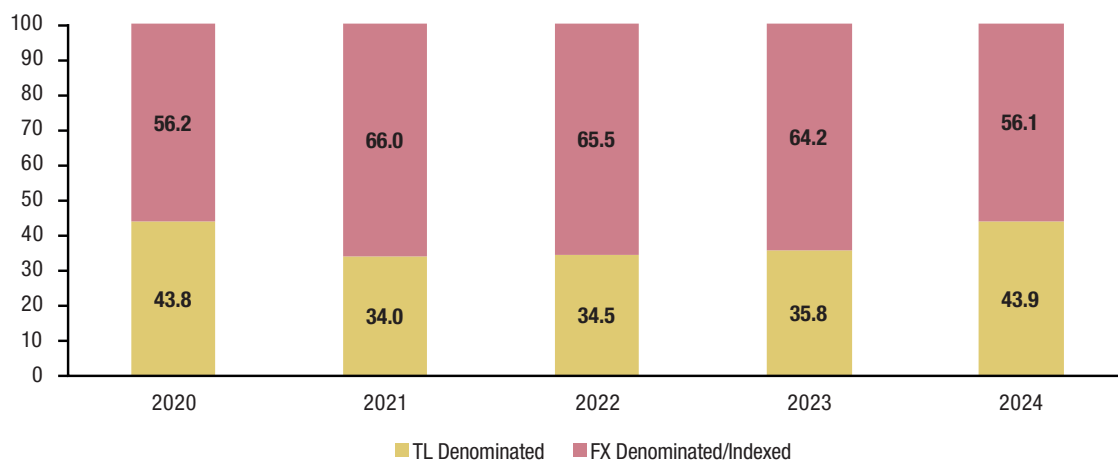


Figure 25 - Duration of TL Denominated Central Government Debt Stock (*) (in Months)



* Represents Macaulay duration. Not covered the non-cash bonds, the CPI-indexed bonds, the gold bonds and the gold denominated lease certificates.

Figure 26 - TL/FX Composition of Central Government Debt Stock (%)



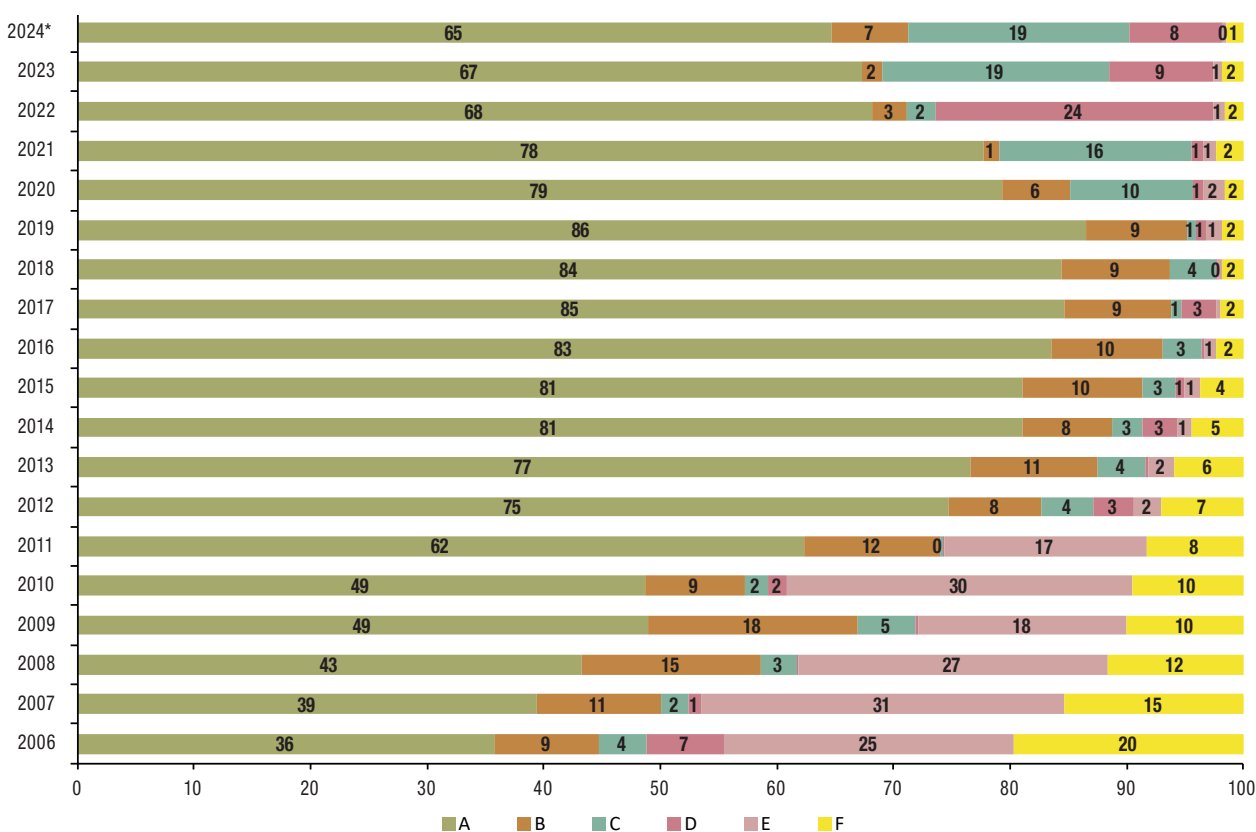
3. CREDIT RISK

Credit risk is defined as the probability that the beneficiary institutions will not be able to fulfill their obligations on time under the terms of agreements. Main sources of credit risk that the MoTF is exposed to are the guaranteed and on-lent loans as well as the debt assumption commitments provided by the MoTF. The realization of credit risk will result in an unanticipated cash need, which may have negative impacts on the borrowing programs. Credit risk management aims to assess such risks and to take necessary measures to mitigate them.

In order to effectively manage the credit risk exposure of MoTF, a credit rating model is used to assign ratings to the beneficiary institutions (municipalities, municipal administrations, public banks, development banks and state owned enterprises). As a result of the measures introduced¹¹ in the area of credit risk management, the distribution of the credit ratings of Treasury repayment guaranteed and on-lent credits has been improving.

The share of institutions with "A" credit rating within the overall portfolio of Treasury guaranteed and on-lent credits stock increased to 65 percent in 2024 compared to 36 percent in 2006.

Figure 27-The Distribution of Treasury Repayment Guaranteed and On-lent Credit Stock by Credit Rating (%)**



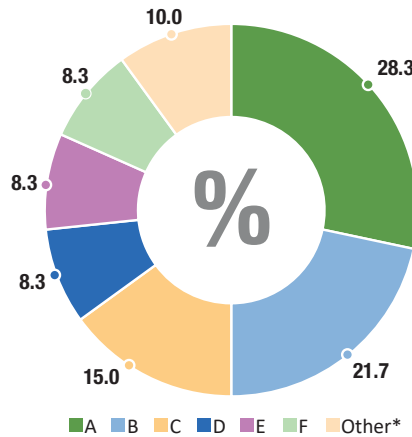
(*) Temporary.

(**) Stock amounts do not include institutions that are not included in the internal credit rating model. The share of these institutions in the total foreign debt stock with guaranteed and on-lent is 13 percent.

Figure 28 shows the numerical distribution of institutions in the guaranteed and on-lent external debt stock according to their credit ratings determined by the Internal Credit Rating Model. Evaluating the composition of the credit ratings of the institutions, the share of A rated institutions in Treasury guaranteed credit and on-lent credits portfolio is 28.3 percent and the share of B rated institutions is 21.7 percent as of the end of 2024.

11 For the measures taken under credit risk management, Credit Rating Model and detailed information about the calculation of credit ratings see Public Debt Management Report 2011 pg. 39- 42.

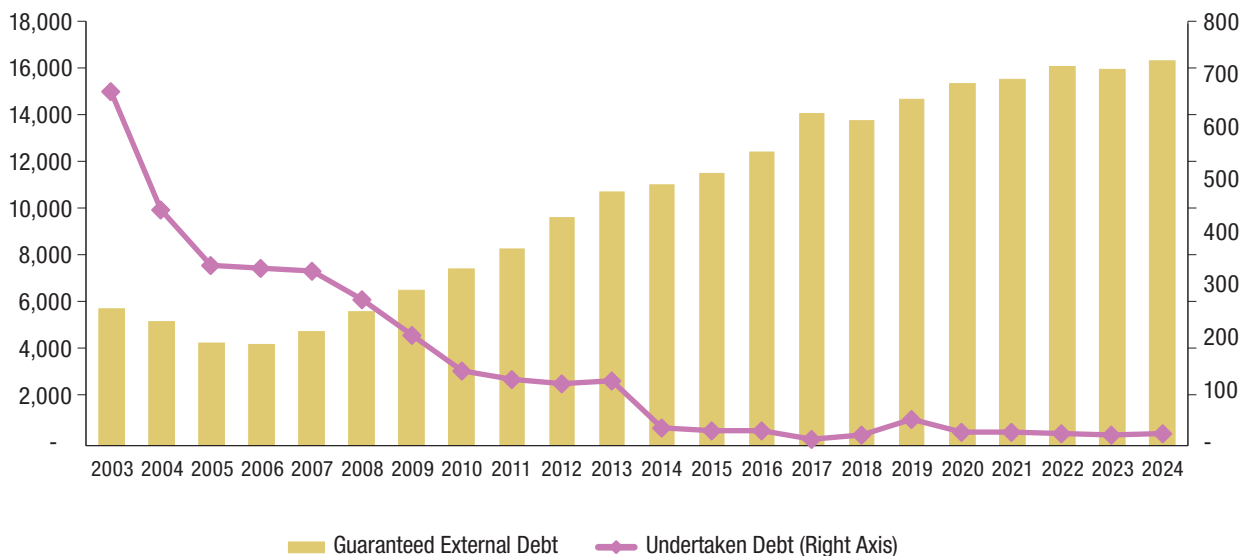
Figure 28 - Credit Rating Distribution of Institutions in Treasury Repayment Guaranteed and On-lent Stock (%)



(*) Institutions that are not included in the internal credit rating model.

Despite the increase observed in Treasury Guaranteed external debt stock, there is a decreasing trend in the undertakings from Treasury repayment guaranteed loans as a result of the implementation of effective credit risk management principles. In this context, while USD 672 million was undertaken in 2003, this amount decreased to USD 22 million in 2024.

Figure 29 - Treasury Guaranteed External Debt Stock and Undertakings from Treasury Guarantees (Million USD)



In 2009, the revenues of the Risk Account, which was established to ensure fiscal discipline, has reached a level sufficient to cover the undertaken amounts. As a result, no budgetary appropriations were used for the Risk Account since 2009.

Treasury-Backed Guarantee System

Treasury-backed guarantee system has been introduced in 2009 to increase accessing of finance for small- and medium-sized enterprises (SMEs). Pursuant to the Provisional Article 20 laid down in the Law no. 4749 on Regulating Public Finance and Debt Management, Turkish Treasury is entitled to provide with support up to TL 1 billion and/or special category state domestic borrowing notes. After establishment of the regulatory framework Turkish Credit Guarantee Fund is designated as an institution to be backed by Treasury.

The changes made within the scope of Treasury-backed credit guarantee system over the years are as follows;

- The amount of cash that can be provided to credit guarantee institutions increased from TL 1 billion to TL 2 billion in accordance with the change of the Provisional Article 20 laid down in the Law no. 4749 Decree in 2015.
- In order to make the system more effective and efficient, a new implementation period has started in Treasury-backed credit guarantee system with the Council of Ministers' Decision of 31st of October 2016 and numbered 9538 (Decision). In this context, the Portfolio Guarantee System (PGS) was put into practice and with the PGS, the evaluation of the applications was left to the creditors and the approval process of the collateral was accelerated. In addition, the definition of beneficiary was extended to all SMEs and non-SME firms to benefit from the system.
- In January 2017, the amount of cash that can be provided to credit guarantee institutions was increased from TL 2 billion to TL 25 billion with the amendment made to the Law numbered 4749. Thus, the guarantee volume was increased from TL 20 billion to TL 250 billion. The upper limits of guarantee are determined as maximum TL 12 million for beneficiaries with SME definition and maximum TL 200 million for beneficiaries other than SME definition.
- The amendment to the Decision in January 2018 allowed the re-use of the guarantee gap resulting from credit returns. The beneficiaries classified in the third and fourth groups in terms of credit risk were excluded from the system within the framework of banking legislation. With the amendment put into force in October, the beneficiary is required to be given the opportunity to restructure within the scope of the Decision or Regulation on Restructuring of Debts to the Financial Sector before the lenders can demand compensation.
- In March 2020, the amount of cash that can be provided to credit guarantee institutions was increased from TL 25 billion to TL 50 billion with the amendment made to the Law numbered 4749.
- In 2022, the amount of cash that can be provided to credit guarantee institutions was increased from TL 50 billion to TL 100 billion with the amendment made to the Law numbered 4749.

The limits allocated within the scope of the decision are as follows;

➤ **Protocol with a Guarantee Limit of TL 200 Billion - 03.15.2017**

The guarantee limit of TL 200 billion signed on 03.15.2017 between our Ministry and Credit Guarantee Fund, allocated to all firms (SME's and non-SME's). The indemnity upper limit of the guarantees provided under the system is determined as 7 percent. As of 12.31.2019, the amount of guarantee granted from the limit is TL 199.8 billion.

➤ **Protocol with a Guarantee Limit of TL 52.5 Billion - 02.28.2018**

Guarantee provided by the Protocol; exporters and foreign exchange earning activities, investors, investors within the scope of center of attraction, agricultural firms, women and young entrepreneurs, companies within the scope of "TOBB Nefes Project" are allocated to certain beneficiary groups. As of 12.31.2019, the total amount of guarantee granted from the limit is TL 37.7 billion.

➤ **Protocol with a Guarantee Limit of TL 32.5 Billion - 05.11.2018**

The limit of guarantee returns is reserved for the use of exporters, foreign exchange earning activities and all other firms. The guarantee limit for exporters and foreign currency earners and manufacturers and investors is determined as TL 25 million. As of 12.31.2019, the total amount of guarantee granted from the limit is TL 31.05 billion.

In 2019, total of TL 60 billion guarantee limit allocated with the SME Value I, SME Value II and Economy Value packages, each of has TL 20 billion guarantee limit, put into effect in January, March and May in 2019 respectively. Thus, within these guarantee packages TL 51.7 billion guarantee utilized.

In order to facilitate access to credit for legal entities and individuals who were economically affected by the Covid-19 pandemic, which made its negative impact felt in every area of our country in 2020, 12 new guarantee packages were put into practice, 10 of which were offered to commercial enterprises and 2 to individual beneficiaries (real persons). The guarantee packages opened were used for all sectors included in the economy as well as for specific sectors. The guarantee limits allocated in the packages are allocated for the following purposes:

- Covering all fixed expenses based on contracts or invoices, especially salary and rent payments, of businesses operating in all sectors,
- Covering the operating expenses of companies operating in all sectors,
- Facilitating the payment of checks drawn by a certain date,
- Providing loans to businesses operating in the export and foreign exchange earning services sectors by the Turk Eximbank.
- To be used to meet the basic needs of individual beneficiaries,
- To be used by Turk Eximbank for stock financing support to businesses operating in the export and foreign exchange earning services sectors.

With these twelve packages, a total guarantee limit of TL 261.28 billion allocated, and TL 44.30 billion of this amount belongs to individual beneficiaries who adversely affected by the pandemic. In this context, approximately TL 195.33 billion guarantee amount utilized and TL 33.49 billion of this amount belongs to individual beneficiaries.

In 2021, in order to lessen impacts of the pandemic, three support packages implemented within the scope of The Economic Reform Program. The purpose of the guarantee limits allocated to the packages is providing financial support to long-term investments, providing guarantee to micro and small-scale companies which have liquidity problems for additional employment, supporting investments of SMEs that invest in cold storage units.

With these packages, TL 23 billion guarantee limit allocated. As of December 2022, approximately TL 16,4 billion guarantee utilized.

In 2022, within the scope of The Economic Reform Program;

- Export Package which have 25 billion worth of the guarantee limit and which is aiming to support SMEs operating in exporting and foreign exchange earning sectors, and SMEs that are not currently exporters but have export potential, with the aim of increasing the export volume of existing exporters and increasing the number of exporting companies,
- Working Capital Package which have 10 billion worth of the guarantee limit and which is aiming to support certain areas for operational expenses and to provide regular financing to corporate card holders.
- Investment Support Package which have 25 billion worth of the guarantee limit and which is aiming to support the investments of enterprises to meet their investment expenditures and working capital needs.

Additionally, in 2022, the following support packages were implemented, taking into account sectoral needs:

- In addition, 2 billion worth of the guarantee limit was announced. The focus of the program is to support SMEs and non-SME companies that purchase unprocessed fresh tea crop.
- Furthermore, 20 billion worth of the guarantee limit was announced. The focus of the program is to support SMEs and non-SME construction companies that projects have not been completed entirely however, at least 30% of their projects have been completed during the application of loan.
- Additionally, 8 billion worth of the guarantee limit was announced. The focus of the program is to support natural and legal entity farmers and irrigation unions so that financing of agricultural electricity bills.
- Lastly, 500 million worth of the guarantee limit was announced. The focus of the program is to support groceries who has signed supplier agreement with the Turkish Agricultural Credit Cooperatives to consumers through grocery stores/markets.

In 2023, within the framework of the selective credit approach, the following support packages were implemented, paying attention to supporting strategic sectors through capacity utilization rates, foreign trade data and balance sheet-income statements:

- 14 support packages with a total guarantee limit of 300 billion TL, including the Operating Expenses Support Package with a guarantee limit of 80 billion TL on 15.01.2023, the Investment-Project Financing Support Package with a guarantee limit of 30 billion TL and other support packages put

into effect in February 2023, to be used by prioritizing areas of activities such as foreign exchange earning activities, investment-project financing, manufacturing industry, entrepreneurship, green transformation and energy efficiency, technology, digital transformation.

- The 6th of February Earthquakes Operating Expenses Support Package with a guarantee limit of 15 billion TL as of 15.02.2023, to be used in the operating expenses of businesses operating in earthquake zones due to the earthquake disaster that occurred on 6 February, and the 6th of February Earthquakes Investment Support Package with a guarantee limit of 5 billion TL, to be used in the investment expenses of businesses operating in earthquake zones and/or investing in these regions and
- The Investment Support Package with a guarantee limit of TL 9 billion to be used in the investment and investment-related business expenses of SMEs and non-SMEs that have an Investment Incentive Certificate as of 07.11.2023, and the Export Support Package with a guarantee limit of TL 9 billion to be used by SMEs and non-SMEs operating in the exporting or foreign exchange earning services sectors.

In 2024, within the scope of the memorandum of understanding signed between KOSGEB and the EBRD, the Digital Transformation Support Package, which includes a guarantee limit of TRY 2.5 billion for investments to be made by SMEs in the manufacturing sector for their digitalization, has been put into effect.

December 31, 2024, a summary table of the guarantee amounts granted to companies under the Treasury-backed guarantee system between 2009 and 2024 is presented below.

Table 10 - Summary Table on the Treasury-Backed Guarantee System (Million)*

REALIZATION (*)			OUTSTANDING RISK (*)				INDEMNIFICATION	
Number	Credit (Million)	Credit Guarantee (Million ₺)	Number	Kredi Tutarı (Milyon ₺)	Credit (Million ₺)	Credit Guarantee (Million ₺)	Number	Credit (Million ₺)
1,378,577	882,126	741,735	558,422	178,884	148,232	171,045	52,216	19,631

* Loan and guarantee amounts are calculated from the exchange rate on the date of approval. Restructuring are excluded.

4. OPERATIONAL RISK

The concept of operational risk management refers to the prevention of potential losses in business processes, which may arise from coordination and communication problems, poor resource management, technical infrastructure/information system failures, external factors, and extraordinary events such as natural disasters and terrorism. Operational risk management also aims to reduce the likelihood of these incidents by taking precautionary measures.

By taking operational risks under control, the main objective is to monitor the risks effectively, to nesre consistency between the purpose of the work and the implementation, to support the control objectives of organizational structure, and to create an institutional culture that takes the importance of internal controls into account. Therefore, it is aimed to increase the quality of operational activities and to minimize the disruptions that may arise in business processes.

Maintaining business continuity during an emergency is crucial for the future and the prestige of institutions. In that regard, the Business Continuity Plan (BCP) provides a guideline to avoid disruptions and ensures the continuity of the critical processes within the predetermined downtime period if a disruption happens. The BCP was prepared by the General Directorate of Public Finance (GDPF) and consists of action plans towards maintaining the critical processes, which aim to protect the assets and liabilities of the Treasury under certain scenarios. In 2024, BCP was reviewed two times, in February and in September, and necessary updates were made.

Additionally, "ISO 9001 Quality Management System Certificate" project, which was initiated at the end of 2018 in order to strengthen the organizational structure, increase stakeholders' satisfaction, improve processes and accommodate the latest technological advancements in the GDPF, was completed as a result of the external audit by Turkish Standards Institution (TSI) auditors and the GDPF was awarded the

ISO 9001 Quality Management System Certificate in 2020. In October 2024, as a result of the Certificate Renewal Audit conducted by TSI, it was decided to renew the certificate. Within this scope, it has been certified that the activities of our General Directorate continue to be carried out in accordance with the ISO 9001 Standard.

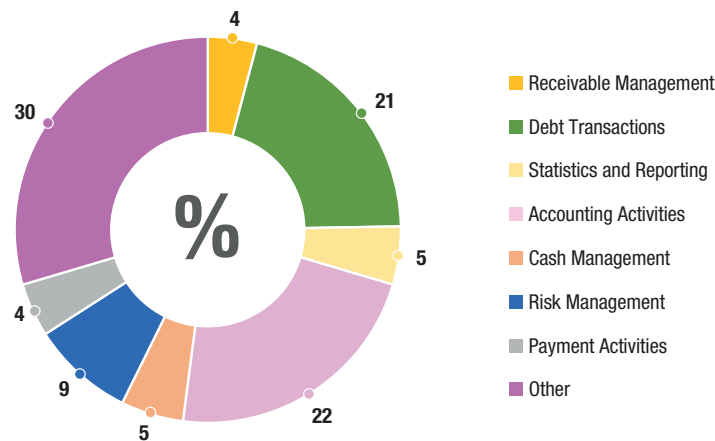
Operational Risk Management

Operational Risk Management process involves measuring risks (determination of "Likelihood" and "Impact" levels of risks, and the degree of importance based on the combination of these parameters), developing management strategies to keep the potential risks under control, regular reporting, and continuous monitoring.

In order to monitor the operational risks concerning the cash, debt, and receivables management within the GDPF, a Risk Profile Table was created. These risks are monitored via the Operational Risk Management Information System and updated annually and as needed.

Within this framework, the risks affecting our business processes were reviewed again in 2024, and following the updates and measures taken, a total of 257 risks were identified covering all business processes of the GDPF. Among these risks; 22 percent refers to the accounting, 21 percent refers to debt transactions and 9 percent refers to the risk management, 5 percent refers to the cash management, 5 percent refers to the statistics and reporting, 4 percent refers to the payment activities, 4 percent refers to receivables management and 30 percent related to other activities¹².

Figure 30 - Distribution of Risks by Activity (%)



Likelihood and impact levels of 257 operational risks ...The risks with relatively high likelihood and impact are determined as **high-priority** and **very high-priority risks** (light and dark red cells). As of 2024,

Table 11 - Operational Risk Matrix

		Risk Impact					Total
		Insignificant (1)	Minor (2)	Modarate (3)	Major (4)	Catastrophic (5)	
Risk Likelihood	Very Low (1)	1	15	16	25	19	76
	Low (2)	4	15	42	64	17	142
	Medium (3)	0	6	20	8	0	34
	High (4)	2	1	1	0	0	4
	Very High (5)	0	1	0	0	0	1
Total		7	38	79	97	36	257

¹² Other activities are Support Services (21%), Secretariat, Coordination and Legal Transactions (7%), Total Monitoring of Public Sector (1%), International Organizations and Foreign Relations (1%).



INTERNATIONAL
EXPERIENCE SHARING
IN DEBT MANAGEMENT

Since 2002, the Ministry of Treasury and Finance has developed its legal and organizational infrastructure and technical capacity in the field of public debt, cash, receivables and risk management within the framework of international best practices. This experience and knowledge accumulated over the years is shared with the debt management of other countries as well as international institutions and organizations through training programs, consultancy, technical support and workshops within the scope of Experience Sharing Program.

Within this framework, the activities that our Ministry has taken part in the Experience Sharing Program for the last 5 years are shown in the table. In addition to this, the experience of Türkiye has been shared with the audience consisting of executives of foreign debt in events organized by various international organizations, including the OECD, the IMF and World Bank.

As in previous years, participation in the activities of the “Debt Management Working Group”, the “Steering Committee” operating within the OECD and “Macroeconomic Forecasting Working Group”, which is organized by the European Commission twice a year for the experts, was continued in 2024.

Table 12 - International Experience Sharing in Debt Management

Year	Country	Subject	Location
2024	Vietnam	Public Finance and Tax Reform	Ankara
2023	Pakistan	Cash, Debt and Risk Management Applications in Türkiye	Online
2019	Kosova	Cash Management Applications in Türkiye	Ankara
2019	Uganda	Debt and Risk Management Applications in Türkiye	Ankara
2019	Thailand	Cash and Risk Management Applications in Türkiye	Ankara
2017	India	Gold Bonds and Gold Denominated Lease Certificates	New Delhi
2017	Kenya	Cash Management and Treasury Single Account	Ankara
2017	Bahrain	Debt and Risk Management Applications in Türkiye	Ankara
2017	Sudan	Public Finance and Debt Management Operations	Ankara
2016	Azerbaijan	Risk Management Tools in Public Private Partnership Projects	Ankara
2016	Kyrgyzstan	Kyrgyzstan Public Finance Information System Development Project	Bishkek

RESEARCH
AND ANALYSIS



The Effects of Global Factors on Borrowing Costs

Introduction

Borrowing costs have been on an upward trend globally, and sovereign bond yields in advanced economies and in emerging markets and developing economies (EMDEs) have been moving in parallel recently. It is assessed that global factors have a significant influence on both. Since borrowing costs are critical in debt stock projections, understanding the factors underlying this co-movement is essential. This study aims to identify which global factors affect sovereign borrowing costs, to what extent, and in what way.

Sovereign Bond Yields over the Last 20 Years¹³

Although bond yield levels differ across country groups, there has been an increasing synchronization among them (Figure 31). The impact of global factors on sovereign bond yields has grown over time and has become more pronounced during the pandemic and subsequent global inflationary period (IMF, 2024).

According to an empirical study based on a dynamic factor model (IMF, 2024), more than 50 percent of the fluctuations in sovereign bond yields across both developed and developing countries between 2010 and 2022 can be explained by global factors (Figure 32). In developing economies, global factors account for over 30 percent of the fluctuations in local currency bond yields (Figure 32). These findings align with other studies in the literature (Diebold et al., 2008; Gilchrist et al., 2022; Miranda-Agrippino and Rey, 2020). Similarly, Tüzün and Kahyaoğlu (2021) show that Türkiye's 2-year sovereign bond interest rates are significantly affected by global shocks.

Figure 31: Sovereign Bond Yields (percent)*

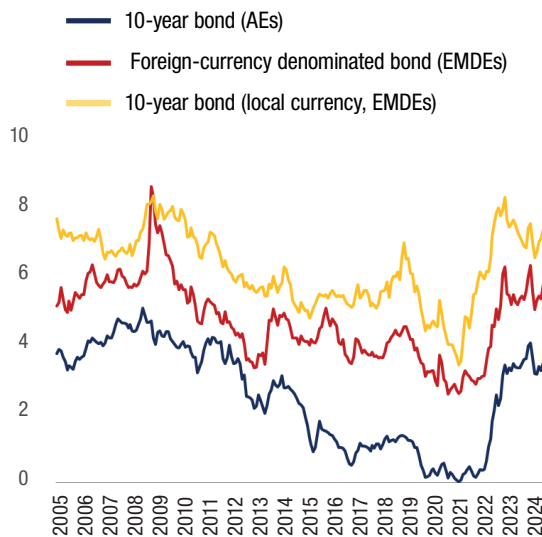
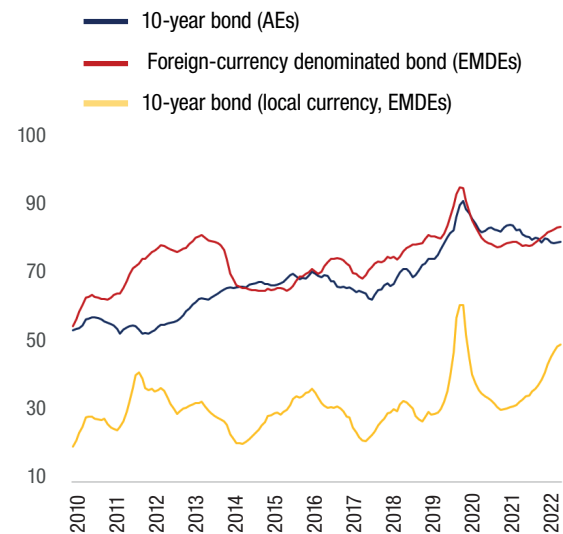


Figure 32: The Effect of Global Factors on the Variance of Sovereign Bond Yields (share of total variance, percent)



(*) Median values by country groups. AE: Advanced economy, EMDE: Emerging market and developing economy

Source: IMF Fiscal Monitor Report, October 2024

Global Factors

Volatility in sovereign bond yields driven by global factors shows high correlation with both global and U.S. financial volatility indicators (IMF, 2024). In this context, prominent indicators include the global financial uncertainty index (Caggiano and Castelnuovo, 2023), the U.S. stock market volatility index (VIX), the U.S. financial uncertainty index (Ludvigson et al., 2021), the U.S. monetary policy uncertainty index (Baker et al., 2016), the U.S. fiscal policy uncertainty index (Hong et al., 2024), volatility of U.S. sovereign yields, and the geopolitical risk index (Caldara and Iacoviello, 2018).

The IMF Fiscal Monitor Report presents the correlation coefficients between these global factors and sovereign bond interest rate volatilities. According to the report, the correlation is 0.8 for the global financial uncertainty indicator, 0.7 for the VIX, 0.7 for the U.S. financial uncertainty indicator, 0.6 for the U.S. monetary policy uncertainty indicator, 0.5 for the U.S. fiscal policy uncertainty indicator, 0.5 for the U.S. sovereign yields volatility indicator, and 0.2 for the geopolitical risk index.

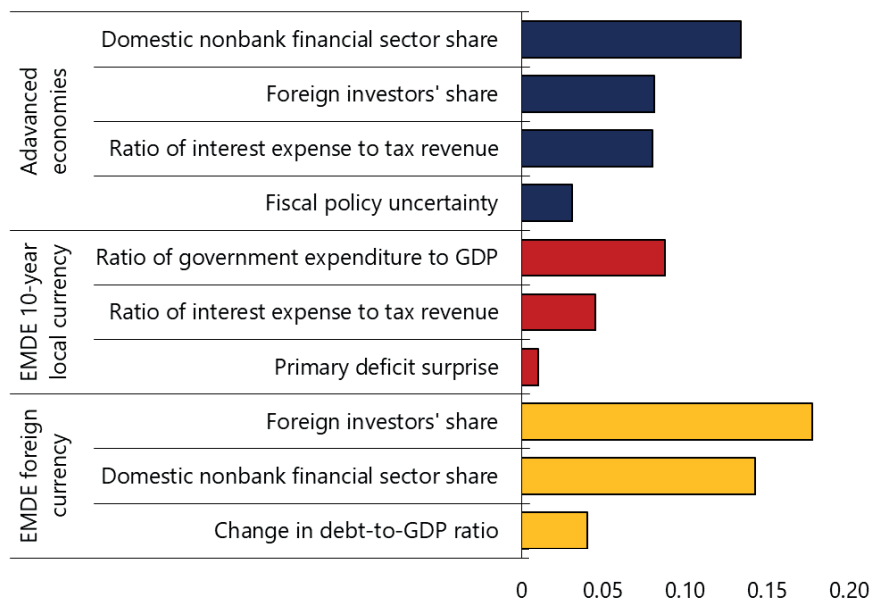
¹³ The data and analysis are based on median bond yields.

The strong correlation between bond interest rates and global factors indicates that capital markets are becoming increasingly integrated and that spillover effects from systemically important economies such as the U.S. can heighten bond yield volatility and elevate debt-related risks in other countries. The impact of global factors on bond yield volatility varies depending on country-specific conditions. Differences in fiscal outlook, policy uncertainties, and debt structures are key determinants that explain cross-country variations in the transmission of global shocks (IMF, 2024).

Global factors are more significant for sovereign bond yield fluctuations in countries where foreign investors and domestic nonbank financial sector¹⁴ investors have a higher share of the bond market (Figure 33). In advanced economies, for instance, when the share of nonbank financial sector investors increases from the 25th to the 75th percentile, the explanatory power of global factors on bond yield fluctuations rises by 15 percent. A similar effect is observed in EMDEs, where the share of foreign investors plays a key role. Economies that are relatively more dependent on foreign capital face high volatility risks due to rapid investor withdrawals during periods of stress, as seen during the global financial crisis and the pandemic (OECD, 2025).

The OECD Global Debt Report highlights that the adverse impact of the global tightening cycle on debt sustainability has diminished with the development of local currency bond markets. Accordingly, it is recommended that countries adopt a more strategic approach to debt management to support local currency bond markets.

Figure 33: Variables Influencing Sovereign Bond Yield Volatility Driven by Global Developments



(*) EMDE: Emerging market and developing economy

Source: IMF Fiscal Monitor Report, October 2024

Note: The figure shows the differential impact on variance of sovereign bond yields driven by global factors when the variable of interest moves from the 25th to the 75th percentile. The dependent variable is the average global component of the variance for respective sovereign yields. "Primary deficit surprise" is the difference between the actual primary deficit and that projected one year ahead.

In EMDEs, fragilities in fiscal outlook also make local currency sovereign bond yields more sensitive to global factors. For example, a higher interest burden relative to tax revenues or a higher public expenditure-to-GDP ratio is associated with greater exposure of local currency bond yields to global influences (Figure 33). Additionally, sovereign bonds rated as speculative by international credit rating agencies show more pronounced volatility due to global factors (Gilchrist et al., 2022).

These findings suggest that ensuring clarity in fiscal policy and adopting sound public debt management strategies can mitigate adverse bond yield fluctuations and spillover effects driven by global factors. Furthermore, strengthening and further developing local currency bond markets is crucial for enhancing debt sustainability in EMDEs.

14 The nonbank financial sector includes financial institutions, which consist of all financial institutions other than central banks, banks or public financial institutions.

Overall Assessment

Over the past two decades, the degree to which global factors explain fluctuations in sovereign bond yields has significantly increased. In both advanced and developing economies, sensitivity to global influences has risen, particularly in foreign-currency-denominated bond markets. Although the effect is relatively limited in local-currency-denominated bonds, it has been increasing over time.

Global financial uncertainty, U.S.-based volatility indicators, and geopolitical risks play a significant role in sovereign bond interest rate volatility. This pattern reflects the growing integration of global capital markets and the spillover effects from systemically important economies on other bond markets.

However, cross-country differences are shaped by country-specific conditions such as the state of public finance, debt structures, levels of policy uncertainty, and the composition of investors. The influence of global factors is particularly pronounced in markets where nonbank financial institutions and foreign investors hold a dominant presence.

In this context, fiscal discipline, ensuring public debt sustainability, and institutional quality are seen as measures that can help mitigate adverse fluctuations in bond yields in developing economies. Moreover, diversifying the investor base in bond markets and reducing reliance on foreign capital are considered beneficial strategies for EMDEs.

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The Methodologies of Credit Rating Agencies, Türkiye Review, and the Importance of Debt Indicators in Credit Ratings

1. Introduction

Credit ratings refer to assessments made by credit rating agencies regarding the creditworthiness of states, local governments, corporations, and financial institutions that issue debt instruments, or of the debt instruments themselves. Essentially, credit ratings indicate a state's or financial institution's capacity to pay the principal and interest on bonds it issues in a timely manner (Cantor and Packer, 1995).

To carry out this evaluation, credit rating agencies develop specific scoring systems using both quantitative and qualitative methodologies. Economic factors such as economic growth, per capita income, stable growth structures, sound and sustainable public finances, sustainable external financing, the credibility of monetary policy, and international reserves are emphasized in the rating process. On the other hand, qualitative elements such as governance effectiveness, transparency, political predictability, institutional quality, and rule of law are also taken into account. Additionally, a country's track record in repaying debt is among the factors credit rating agencies highly value. Despite increased transparency, qualitative evaluations continue to play a critical role in the credit rating process.

2. Methodologies of Credit Rating Agencies

Each credit rating agency uses different methodologies to determine countries' credit ratings. This study focuses on the evaluation criteria for sovereign credit ratings used by the three major credit rating agencies: Fitch Ratings, Moody's, and S&P Ratings.

2.1. Fitch Ratings

Fitch Ratings last published its sovereign rating methodology on October 24, 2024, in a report titled "Sovereign Rating Criteria." The Sovereign Rating Model used by Fitch Ratings is primarily based on a multivariate regression approach relying on eighteen economic and financial variables. Fitch supplements this model with a forward-looking Qualitative Adjustment methodology, recognizing that the model alone is insufficient to determine a country's credit rating. This methodology allows adjustments of up to two notches upward or downward across four main factors, and up to three notches across all factors, with potential for broader ranges in exceptional cases. The model assigns the following weights to the four factors: Structural Features: 53.7%, Macroeconomic Performance, Policies, and Prospects: 9.9%, Public Finances: 18.8% and External Financing: 17.6%. This study focuses specifically on the public finance and debt indicators within this methodology.

2.1.1. Public Finances

Fitch considers sound fiscal policies to reduce macroeconomic imbalances, enhance economies' resilience to shocks, and improve debt-servicing capacity. The effectiveness of a country's public finances is assessed by considering the ratio of gross debt to GDP, the ratio of gross interest payments to government revenues, the ratio of the budget balance to GDP, and the share of foreign currency-denominated debt in total public debt.

1. **Gross Debt-to-GDP Ratio:** While a high public debt burden is generally associated with increased default risk, debt sustainability varies across countries and time periods. Advanced economies usually have a higher debt-carrying capacity. Fitch uses the ratio of gross general government debt to GDP as a key measure.

2. **Interest Payments-to-Revenue Ratio:** This factor plays a significant role in debt sustainability analysis of Fitch Ratings. A high interest burden can reduce fiscal flexibility and limit expansionary fiscal policies during downturns.

3. **Budget Balance-to-GDP Ratio:** Persistent and large budget deficits typically indicate expansionary fiscal policies and are expected to lead to rising debt levels.

4. **Foreign Currency Debt-to-Total Debt Ratio:** Countries with a high share of public debt that is either indexed to or denominated in foreign currency are exposed to exchange rate risk. A large amount of foreign currency-denominated debt increases sensitivity to exchange rate fluctuations, which can trigger or deepen economic crises. In contrast, countries that are able to borrow in their local currency have greater flexibility.

2.1.2.External Financing

Fitch Ratings assesses external financing conditions based on factors including reserve currency flexibility, net foreign assets, commodity dependence, foreign exchange reserves, external interest payments, current account balance, and foreign direct investment. High levels of external debt servicing and refinancing needs adversely affect the balance of payments and increase economic vulnerability. Fitch Ratings evaluates external debt sustainability using the debt service ratio, defined as the ratio of principal repayments on medium- and long-term external debt and gross interest payments on all external debt to current external revenues. This ratio is defined as the proportion of principal repayments on medium- and long-term external debt, together with gross interest payments on all external debt, to current external revenues.

Under the Qualitative Adjustment framework, Fitch Ratings evaluates:

Within the scope of fiscal financing flexibility, the following factors are considered: the country's track record of market access, its ability to issue debt domestically at long maturities and sustainable interest rates, the depth of local capital markets, access to alternative financing sources such as multilateral institutions, borrowing capacity under stress scenarios, and the government's liquid financial assets.

In terms of public debt sustainability, the evaluation includes the trajectory of public debt, the credibility of fiscal policy, the cost of financing, the impact of an aging population on the primary balance, public assets, and the scope and nature of contingent liabilities.

Regarding fiscal structure, the assessment takes into account the breadth of the tax base, the diversification of revenue sources, and the level of budgetary flexibility in terms of current expenditures.

2.2.Moody's

According to Moody's methodology report published on November 22, 2022, the agency assesses sovereign credit risk based on four main factors:

1. Economic Strength: Measures growth dynamics, economic diversification, and competitiveness.
2. Institutional and Governance Strength: Assesses the quality of legislative and executive institutions and policy effectiveness.
3. Fiscal Strength: Evaluates debt burden and debt affordability.
4. Susceptibility to Event Risk: Analyzes vulnerability to sudden economic or political shocks.

Moody's evaluates these factors and their sub-components both qualitatively and quantitatively when determining a country's credit rating. If the factor scores do not accurately reflect the agency's views, adjustments are made accordingly. Based on the analysts' assessment, a rating range is established for the country. The final credit rating is then determined by Moody's rating committee, taking into account the analysts' evaluation and the agency's own judgment. This study focuses on the public finance and debt indicators within the methodology.

2.2.1.Institutional and Governance Strength

Under this factor, Moody's evaluates the Quality of Institutions and Policy Effectiveness. Fiscal Policy Effectiveness and Monetary and Macroeconomic Policy Effectiveness are assessed under Policy Effectiveness. Effective fiscal policies support medium-term debt sustainability and investor confidence. Moody's evaluates fiscal effectiveness based on debt trends, fiscal balance, budget targets, medium-term planning, transparency in budget reporting, and debt management.

2.2.2.Fiscal Strength

The third main factor in credit rating assessment, "Fiscal Strength," aims to measure the soundness of a country's public finances. This factor reflects the sustainability of a country's debt burden and is evaluated under two key sub-components: debt burden and debt affordability. Both sub-factors are equally weighted in the overall assessment.

2.2.2.1.Debt Burden

When assessing debt burden, Moody's considers the ratio of a country's public debt to GDP and to total government revenues. A high debt burden may arise from the accumulation of persistent financial imbalances, contingent liabilities, or exchange rate depreciations that increase the foreign currency-denominated debt burden.

2.2.2.2. Debt Affordability

The debt affordability factor takes into account the country's capacity to service its public debt, generally assessed by examining the ratio of interest payments to tax revenues and GDP. Moody's has indicated that adjustments to the Fiscal Strength factor score can be made based on two types of information reflecting the country's debt trajectory. Adjustments of up to six notches can be applied based on the ratio of foreign currency-denominated general government debt to GDP and the ratio of other non-financial public debt to GDP, while additional adjustments of up to three notches can be made based on other factors that the agency does not explicitly disclose.

2.3. S&P Global Ratings

According to S&P's methodology report "How We Rate Sovereigns" (February 15, 2019), the agency assigns sovereign credit ratings based on five components:

1. Institutional Assessment: Evaluates governance capacity and policy-making processes.
2. Economic Assessment: Considers income levels, growth expectations, and economic diversity.
3. External Assessment: Analyzes the country's capacity to service external debt.
4. Fiscal and Debt Assessment: Examines fiscal flexibility, debt structure, and budget balance.
5. Monetary Assessment: Assesses central bank independence and policy credibility.

Each of the five main components listed above is rated on a scale from 1 (strongest) to 6 (weakest), taking into account both quantitative and qualitative factors that also reflect S&P's forward-looking views. Similar to Moody's, S&P does not explicitly disclose the percentage weights used for sub-factor explanations when determining a country's credit rating. This study will focus on the public finance indicators included in the methodology.

2.3.1. Institutional Assessment

When conducting institutional assessments, S&P also evaluates a country's debt repayment culture. This includes considering whether the country has a large and long-term debt stock and whether any significant policy changes have been made since the last default.

2.3.2. Fiscal Assessment

In its fiscal assessment, S&P evaluates a country's fiscal balance and the sustainability of its debt burden. This includes considering the country's fiscal flexibility, long-term fiscal trends, debt structure, access to financing, and contingent liabilities along with related potential risks. The fiscal assessment is derived from the average of the fiscal performance and flexibility factors and the debt burden factor.

2.3.2.1 Fiscal Performance and Flexibility

A country's fiscal performance and flexibility score is calculated using the ratio of the change in the general government debt stock to GDP. This change in debt stock is computed based on the average of forecasts for the current year and the following two or three years. The assessment score can be adjusted by modifying factors. Countries that have liquid assets exceeding 25% of GDP and the capacity to increase public revenues or reduce public expenditures by up to 3% of GDP receive a positive evaluation, whereas countries with unsustainable and volatile revenue structures and limited ability to raise tax revenues are rated negatively.

2.3.2.2. Debt Burden

S&P's preliminary assessment of a country's debt burden uses general government debt levels and the cost of debt as key criteria. Based on the government's debt structure, access to financing, and contingent liabilities, adjustments can be made to this preliminary assessment—up to one notch upward or up to three notches downward. When evaluating the debt burden, S&P considers the ratio of general government interest expenditures to general government revenues, as well as the share of net general government debt in GDP.

3. Credit Rating Agencies' Assessments of Türkiye's Debt Indicators

3.1. Fitch

Fitch's Country Rating Model, which is based on eighteen economic and financial variables, does not make upward or downward adjustments to the Public Finance factor within its Qualitative Adjustment framework, instead relying on the Public Finance score generated by the model. However, for example, in its report dated February 10, 2025, Fitch made a one-notch downward adjustment to Turkey's sovereign credit rating within the Macroeconomic Performance, Policies, and Expectations category, lowering it to BB- due to a history of political uncertainty and weak monetary policy compared to other countries with a BB rating implied by the Country Rating Model.

In its January 31, 2025 assessment, Fitch identified Turkey's low general government debt stock, manageable debt repayment profile, and consistent access to external financing as strengths of its credit rating. Fitch expects Turkey's general government debt-to-GDP ratio to remain stable at an average of 26.3% during the 2025-2026 period. This ratio is significantly below the median value of 55.2% for countries rated in the BB category. While the low debt level is viewed positively for creditworthiness, Fitch notes that the ratio of domestic debt maturing within 12 months to the total domestic debt stock is high at 55.7%. On the other hand, Fitch views positively the decline in the share of foreign currency-denominated debt stock from 64.2% at the end of 2023 to 56.1% in 2024.

Fitch points out that while Turkey's public debt burden is low compared to peer countries, the ratio of interest payments to budget revenues continues to rise, expected to reach 10.9% in 2025. The agency also anticipates that the budget deficit-to-GDP ratio will decrease to 3.3% in 2025 and further to 3% in 2026. Finally, Fitch highlights that the size of Turkey's short-term external debt stock makes the country sensitive to shifts in investor perceptions.

3.2. Moody's

In its report published on January 28, 2025, Moody's maintained Turkey's Economic Strength rating at a2, Institutional and Governance Strength rating at b1, Fiscal Strength rating at baa1, and Event Risk Sensitivity rating at b. Although these ratings correspond to a credit rating range of Ba1 to Ba3 according to the Scorecard, Moody's assigned a lower sovereign credit rating of B1 to the country. The report highlights that the fiscal strength score at the "baa1" level reflects Turkey's public debt burden being lower compared to countries with similar credit ratings, but also shows that the debt indicators are sensitive to currency depreciation and high inflation. Moody's expects the government debt-to-GDP ratio to remain close to current levels in the coming years; however, due to the sensitivity of debt indicators to currency depreciation and high inflation, along with rising domestic interest rates, the debt affordability is anticipated to worsen further. Consequently, Moody's adjusted the fiscal strength rating downward by two notches from "a2" based on quantitative indicators to "baa1." The report also notes that as of the end of 2024, 56% of the central government debt is denominated in foreign currency, but the public debt's vulnerability to exchange rate fluctuations and inflation is showing a declining trend due to an increasing share of Turkish lira-denominated nominal bonds.

3.3. S&P Global Ratings

In the report published by S&P Global Ratings on April 25, 2025, Turkey's low public debt-to-GDP ratio was assessed positively; however, the agency takes a cautious view of the fact that nearly 50% of the central government debt stock is denominated in foreign currency and that the ratio of general government interest expenditures to general government revenues is on an upward trend.

It was noted that as of January 31, 2025, the short-term external debt stock stood at 224.3 billion dollars, higher than the level in June 2023. On the other hand, the coverage ratio of short-term external debt by gross reserves improved from 53% in the third quarter of 2023 to 74% at the beginning of 2025, which is viewed positively.

S&P Global Ratings draws attention to the high share of consumption-based tax revenues within total tax revenues in Turkey and states that the most significant fiscal risk factor for 2025 lies on the revenue side. Additionally, the relatively stable course of the currency and the downward trend in inflation are noted as risks for budget revenues.

4. Conclusion

Moody's, Fitch, and S&P evaluations consider Turkey's low public debt-to-GDP ratio, manageable debt repayment profile, and consistent access to external financing as positive factors for its credit rating.

However, they also highlight concerns about the high ratio of interest payments to budget revenues and the significant share of debt with maturing interest within 12 months and foreign currency-denominated debt in the domestic debt stock.

Within this context, credit rating agencies place great importance on debt indicators. Although the public debt-to-GDP ratio remains low, factors such as the debt's maturity structure, sensitivity to exchange rate fluctuations, and the level of short-term external debt are viewed as pressures on the credit rating.

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S&P Global Ratings, (2025) Research Update

<https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3359686>

INFORMATION FOR
INVESTORS



GOVERNMENT DEBT SECURITIES

1. Government Domestic Borrowing Security

Government Domestic Borrowing Securities (GDBS) are the common name of government bonds and treasury bills issued by Republic of Türkiye Ministry of Treasury and Finance. Information regarding types of securities, issuing process and frequently asked questions can be reached through Ministry's web page by following the link "www.hmb.gov.tr > Public Finance > Information for Investors".

2. Lease Certificates

Lease certificates are the securities designed by the asset leasing companies in their own name and own behalf and for the account of and the benefit of certificate holders to provide the financing of assets that are taken over by special purpose vehicles through sale or lease agreements and to give the holders of the security the entitlement to the revenues generated from these assets in proportion to the holders' share. Investor guide takes place on the following link: "www.hmb.gov.tr > Public Finance > Information for Investors".

3. International Bonds

These bonds have been issued by Ministry of Treasury and Finance in the international capital markets in the purpose of budget financing since 1988. Information about to issuances of such bonds are announced via press release on Ministry's web site.

PRINCIPLES OF PARTICIPATION IN THE AUCTIONS OF GDBS

In order to ensure smooth debt redemption, controlling the liquidity risk defined as not having enough cash or financing and to increase the price efficiency of secondary market, regular buyback auctions may be implemented in domestic markets. In these auctions, Treasury pays to the investors by early redemption. These principles can be reached through Ministry's web page by following the link www.hmb.gov.tr > Public Finance > Information for Investors.

PRINCIPLES OF BUYBACK AUCTIONS OF GDBS

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TAXATION OF DOMESTIC BORROWING NOTES¹⁵

With the Decree of the Council of Ministers-2010/926 dated 09.27.2010, withholding rate on the interest incomes and purchase-sale profits of the domestic borrowing notes, issued after 01.01.2006, was determined as 10 percent (15 percent formerly) for individual investors. Aforementioned withholding rate is performed as 0 percent for capital stock companies, which are mentioned in the law and 10 percent for other taxpayers.

Provisional Article 67 is not applied for interest incomes and purchase-sale profit of Eurobonds regardless of their issuing date. Eurobond interest income is declared by resident taxpayers when the declaration limit of the preceding year is surpassed while purchase - sale profit is declared for the remaining amount over the cost value indexing and exemptions. For non-resident taxpayers, income of the Eurobonds is not declared. On the other hand, with the decision of the Council of Ministers dated 09.22.2017 and numbered 2017/10840, the tax rate for gold bond and gold based lease certificate was determined as 0 percent.

PRIMARY DEALERSHIP SYSTEM

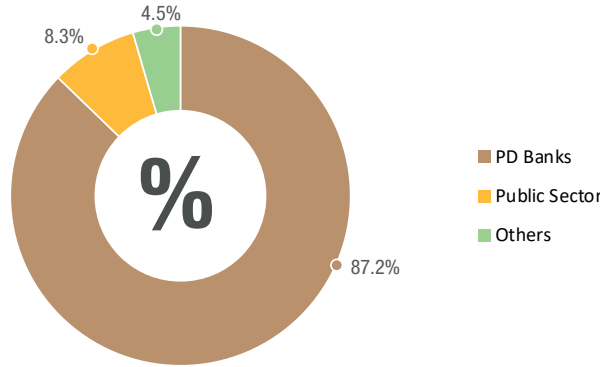
Primary Dealership System can be described as a system which is designed with the purpose of reducing roll-over risk, broadening investor base, constituting transparent, competitive and more organized market and also increasing liquidity and reducing volatility in the secondary market by giving certain official rights and obligations related to primary and secondary market of government debt securities to a group of professional intermediaries.

¹⁵ Information about taxation of state domestic borrowing notes are based on from "Taxation Guide For Individual Investors 2015" which is published by Revenue Administration.

Primary Dealership Agreement which includes the selection criteria, the name of the banks selected as primary dealer and the rights and obligations for Primary Dealers can be reached under the "Public Finance > Information for Investors > Primary Dealership System" section at www.en.hmb.gov.tr.

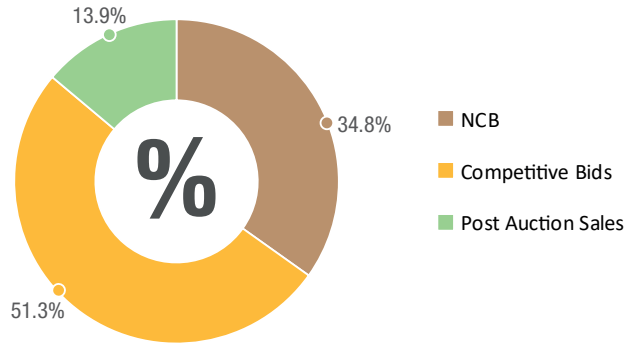
In 2024, 87.2 percent of total domestic borrowing including premium in the primary markets was met by primary dealers.

Figure 34 - Investor Composition of Primary Market Issuances (2024, %)



In 2024, 51.3 percent of the domestic borrowing to the PD banks were implemented through competitive bidding with auctions method, and the remaining 34.8 percent from non-competitive bidding and 13.9 percent from post-auction sales.

Figure 35 - Distribution of Borrowings Through Auction Method from the Primary Dealer Banks in 2024 (%)



The 11 Primary Dealers for the year 2024 are listed below:

1. Akbank T.A.Ş.
2. Denizbank A.Ş.
3. HSBC Bank A.Ş.
4. QNB Bank A.Ş.
5. Türk Ekonomi Bankası A.Ş.
6. Türkiye Garanti Bankası A.Ş.
7. Türkiye İş Bankası A.Ş.
8. Türkiye Vakıflar Bankası T.A.O.
9. Türkiye Halk Bankası A.Ş.
10. T.C. Ziraat Bankası A.Ş.
11. Yapı ve Kredi Bankası A.Ş.

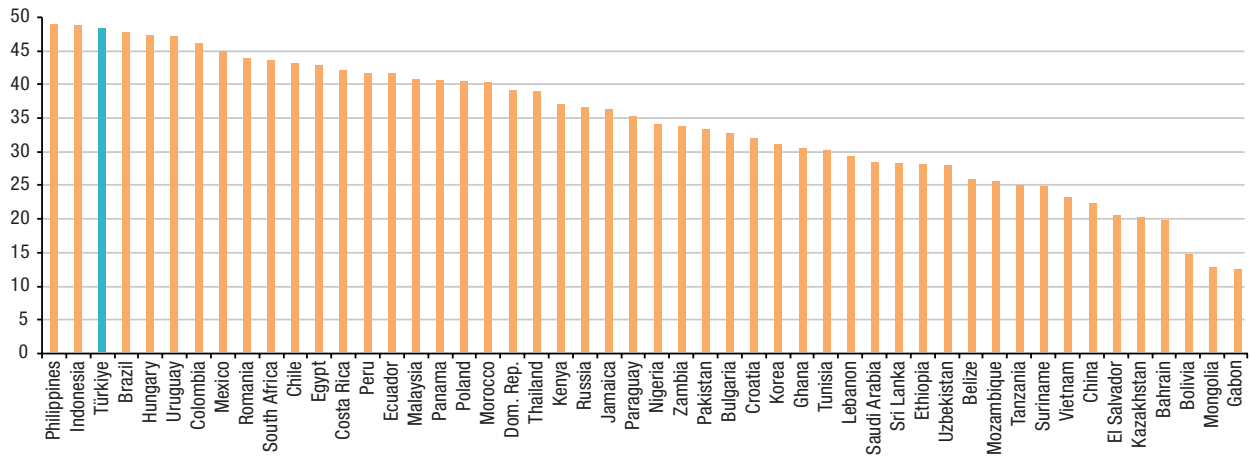
INVESTOR RELATIONS OFFICE

The Investor Relations Office (IRO) was established under the General Directorate of Public Finance in order to conduct relations with credit rating agencies (CRAs), as well as international banks, individual or corporate fund and portfolio managers, and to convey the current developments in our country's economy and financial markets at first-hand.

In line with the investor relations management function; the IRO organizes investor group meetings, gives opinions by reviewing the reports from foreign stakeholders including CRAs, monitors the data, trends and predictions regarding many areas of the Turkish economy and the global conjuncture, and carries out the processes of answering questions from foreign stakeholders.

The International Finance Institute (IIF) assess investor relations practices of 50 emerging markets and developing countries, which are active in capital markets with a periodic report. In the report published in July 2024,, Türkiye ranked third with 48,38 points in the investor relations offices ranking.

Figure 36 -Investor Relations Office (IIF - 2024)



SELECTED STATISTICS



All transactions carried out by the Ministry of Treasury and Finance within the asset and liability management framework are booked and the statistical results of these transactions are disclosed by the statistic department regularly. In this context, monthly debt management reports, monthly, quarterly, yearly statistics and various presentations are being published in the Ministry's official website <https://en.hmb.gov.tr>. In this section of the report, some selected statistics are also presented to provide key aggregates.

CENTRAL GOVERNMENT DEBT STOCK - CURRENCY AND INTEREST COMPOSITION ⁽¹⁾

		2021			2022			2023			2024		
		Billion TL	Billion USD	%	Billion TL	Billion USD	%	Billion TL	Billion USD	%	Billion TL	Billion USD	%
INTEREST DECOMPOSITION	TOTAL DEBT STOCK	2,748	211	100.0	4,035	215	100.0	6,737	228	100.0	9,257	262	100.0
	Fixed	1,920	148	69.9	2,862	153	70.9	4,820	163	71.6	6,387	181	69.0
	Floating	537	41	19.5	776	41	19.2	1,457	49	21.6	2,291	65	24.7
	Indexed to CPI	292	22	10.6	398	21	9.9	459	16	6.8	579	16	6.3
	TL	933	72	100.0	1,392	74	100.0	2,409	82	100.0	4,059	115	100.0
	Fixed	436	34	46.7	723	39	51.9	1,389	47	57.6	2,409	68	59.4
	Floating	206	16	22.1	272	15	19.5	561	19	23.3	1,071	30	26.4
	Indexed to CPI	292	22	31.3	398	21	28.6	459	16	19.1	579	16	14.3
	FX	1,815	140	100.0	2,643	141	100.0	4,328	147	100.0	5,198	147	100.0
	Fixed	1,484	114	81.8	2,139	114	80.9	3,432	116	79.3	3,978	113	76.5
	Floating	331	25	18.2	504	27	19.1	896	30	20.7	1,220	35	23.5
	DOMESTIC DEBT STOCK	1,321	102	100.0	1,905	102	100.0	3,209	109	100.0	4,960	141	100.0
	Fixed	696	54	52.7	1,044	56	54.8	1,846	63	57.5	2,774	79	55.9
	Floating	334	26	25.2	463	25	24.3	904	31	28.2	1,607	46	32.4
	Indexed to CPI	292	22	22.1	398	21	20.9	459	16	14.3	579	16	11.7
	TL	933	72	100.0	1,392	74	100.0	2,409	82	100.0	4,059	115	100.0
	Fixed	436	34	46.7	723	39	51.9	1,389	47	57.6	2,409	68	69.0
	Floating	206	16	22.1	272	15	19.5	561	19	23.3	1,071	30	24.7
	Indexed to CPI	292	22	31.3	398	21	28.6	459	16	19.1	579	16	6.3
	FX	388	30	100.0	513	27	100.0	801	27	100.0	900	26	100.0
Fixed	260	20	67.1	322	17	62.7	457	16	57.1	365	10	76.5	
Floating	128	10	32.9	192	10	37.3	343	12	42.9	536	15	23.5	
EXTERNAL DEBT STOCK⁽²⁾	1,427	110	100.0	2,130	114	100.0	3,527	120	100.0	4,297	122	100.0	
Fixed	1,224	94	85.8	1,818	97	85.3	2,975	101	84.3	3,613	102	84.1	
Floating	203	16	14.2	312	17	14.7	553	19	15.7	684	19	15.9	
CURRENCY DECOMPOSITION	TOTAL DEBT STOCK	2,748	211	100.0	4,035	215	100.0	6,737	228	100.0	9,257	262	100.0
	TL	933	72	34.0	1,392	74	34.5	2,409	82	35.8	4,059	115	43.9
	USD	1,164	90	42.4	1,742	93	43.2	2,850	97	42.3	3,479	99	37.6
	EUR	376	29	13.7	529	28	13.1	855	29	12.7	883	25	9.5
	SDR	99	8	3.6	136	7	3.4	215	7	3.2	250	7	2.7
	JPY	44	3	1.6	41	2	1.0	58	2	0.9	43	1	0.5
	XAU	128	10	4.6	192	10	4.7	343	12	5.1	536	15	5.8
	Other	3	0	0.1	4	0	0.1	7	0	0.1	7	0	0.1
	DOMESTIC DEBT STOCK	1,321	102	48.1	1,905	102	47.2	3,209	109	47.6	4,960	141	53.6
	TL	933	72	34.0	1,392	74	34.5	2,409	82	35.8	4,059	115	43.9
	USD	164	13	6.0	189	10	4.7	240	8	3.6	314	9	3.4
	EUR	96	7	3.5	133	7	3.3	217	7	3.2	51	1	0.5
	XAU	128	10	4.6	192	10	4.7	343	12	5.1	536	15	5.8
	EXTERNAL DEBT STOCK⁽²⁾	1,427	110	51.9	2,130	114	52.8	3,527	120	52.4	4,297	122	46.4
	USD	1,001	77	36.4	1,553	83	38.5	2,609	88	38.7	3,166	90	34.2
	EUR	280	22	10.2	396	21	9.8	638	22	9.5	832	24	9.0
JPY	44	3	1.6	41	2	1.0	58	2	0.9	43	1	0.5	
SDR	99	8	3.6	136	7	3.4	215	7	3.2	250	7	2.7	
Other	3	0	0.1	4	0	0.1	7	0	0.1	7	0	0.1	
USD Selling Rate	13.0009			18.7320			29.4913			35.2868			
EUR/USD	1.1314			1.0661			1.1065			1.0431			
SDR/USD	1.39881			1.33446			1.34456			1.30541			

(1) Provisional

(2) TL equivalents of external debt figures are calculated by end of relevant period USD selling rates.

Note: The stock by years can change due to possible updates.

GENERAL GOVERNMENT DEBT STOCK ⁽¹⁾ DEFINED BY EUROPEAN UNION STANDARDS

(Million TL)	2020	2021	2022	2023	2024
Total Debt	1,991,448	2,930,317	4,623,898	7,768,009	10,719,639
Central Government	1,986,385	2,906,177	4,601,349	7,677,286	10,689,711
Local Government	85,467	104,888	136,253	236,074	296,638
Social Security Funds	6	6	8	13	13
Between Sector Consolidation	-80,409	-80,755	-113,711	-145,364	-266,723
Total Debt	1,991,448	2,930,317	4,623,898	7,768,009	10,719,639
Currency and Deposits	3,632	4,184	4,738	5,397	6,849
Securities	1,745,705	2,579,321	4,139,851	6,952,972	9,710,886
Loans	242,112	346,813	479,310	809,639	1,001,904
Total Stock / GDP (%)	39.4	40.4	30.8	29.3	24.7

(1) Consolidated nominal debt stock defined in European System of Accounts (ESA) deficit and debt manual.

PUBLIC NET DEBT

(Million TL)	2020	2021	2022	2023	2024
Total Public Sector Net Debt (I-II-III-IV)	962,988	1,445,814	2,413,519	5,351,463	7,156,346
I- Total Public Sector Debt Stock (Gross)	1,951,834	2,967,555	4,443,169	7,335,466	9,954,973
A- Domestic Debt	1,150,693	1,449,685	2,167,948	3,560,966	5,378,618
Central Government	1,060,354	1,321,189	1,905,331	3,209,252	4,959,910
Rest of the Public Sector	90,340	128,496	262,616	351,714	418,708
B- External Debt	801,141	1,517,870	2,275,221	3,774,500	4,576,355
Central Government	752,495	1,426,639	2,130,124	3,527,380	4,297,344
Rest of the Public Sector	48,646	91,231	145,097	247,120	279,011
II- Central Bank Net Assets	614,196	1,037,584	995,839	141,459	1,053,243
Net Foreign Assets	657,726	1,303,879	2,127,612	3,304,661	4,832,330
Other Asset and Obligations (Net)	-43,530	-266,295	-1,131,773	-3,163,202	-3,779,087
III- Public Sector Deposits	271,438	393,406	909,538	1,645,593	1,386,412
Central Government	194,963	271,988	630,469	1,142,951	886,576
Rest of the Public Sector	76,474	121,418	279,069	502,642	499,836
IV- Unemployment Insurance Fund Net Assets	103,213	90,752	124,273	196,951	358,972
Memo:					
Net External Debt Stock	143,415	213,991	147,609	469,839	-255,975
Net Domestic Debt Stock	819,573	1,231,823	2,265,909	4,881,624	7,412,321
Public Net Debt Stock/GDP (%)	19.1	19.9	16.1	20.2	16.5
GDP	5,048,568	7,256,142	15,011,776	26,545,722	43,410,514

GROSS EXTERNAL DEBT STOCK of TÜRKİYE - by BORROWER (Million USD)

	2020 ⁽¹⁾	2021 ⁽¹⁾	2022 ⁽¹⁾	2023 ⁽¹⁾	2024 ⁽¹⁾
SHORT TERM	111,309	118,133	148,356	175,748	179,894
PUBLIC SECTOR	24,892	22,219	28,895	34,473	39,835
GENERAL GOVERNMENT	0	0	0	0	0
Central Government	0	0	0	0	0
Local Administrations	0	0	0	0	0
Funds	0	0	0	0	0
FINANCIAL INSTITUTIONS	24,892	22,219	28,895	34,473	39,800
Banks	24,892	22,219	28,895	34,473	39,800
Non-Banking Institutions	0	0	0	0	0
NON-FINANCIAL INSTITUTIONS	0	0	0	0	35
SOE's	0	0	0	0	35
Other	0	0	0	0	0
CBRT	21,344	26,052	32,790	46,360	34,775
PRIVATE SECTOR	65,073	69,862	86,671	94,915	105,284
FINANCIAL INSTITUTIONS	31,822	27,480	33,663	34,678	43,648
Banks	30,804	26,938	33,368	33,902	42,190
Non-Banking Institutions	1,018	542	295	776	1,458
NON-FINANCIAL INSTITUTIONS	33,251	42,382	53,008	60,237	61,636
LONG TERM	311,468	309,190	300,384	314,876	335,602
PUBLIC SECTOR	152,549	156,199	156,001	166,694	176,467
GENERAL GOVERNMENT	106,584	113,664	117,569	124,100	125,996
Central Government	102,317	109,732	113,716	119,608	121,785
Local Administrations	4,268	3,932	3,853	4,491	4,210
Funds	0	0	0	0	0
FINANCIAL INSTITUTIONS	33,628	30,138	25,589	29,871	38,502
Banks	32,400	28,724	24,256	28,997	37,678
Non-Banking Institutions	1,227	1,414	1,333	874	824
NON-FINANCIAL INSTITUTIONS	12,337	12,397	12,842	12,723	11,969
SOE's	2,348	3,086	3,892	3,888	3,696
Other	9,989	9,311	8,950	8,835	8,272
CBRT	0	0	0	0	0
PRIVATE SECTOR	158,919	152,992	144,383	148,182	159,135
FINANCIAL INSTITUTIONS	72,769	65,943	55,087	58,808	65,618
Banks	63,285	57,695	46,180	50,578	57,871
Non-Banking Institutions	9,483	8,248	8,907	8,230	7,747
NON-FINANCIAL INSTITUTIONS	86,150	87,049	89,296	89,373	93,517
GROSS EXTERNAL DEBT STOCK of TÜRKİYE	422,777	427,323	448,740	490,624	515,496
PUBLIC SECTOR	177,441	178,418	184,896	201,167	216,302
GENERAL GOVERNMENT	106,584	113,664	117,569	124,100	125,996
Central Government	102,317	109,732	113,716	119,608	121,785
Local Administrations	4,268	3,932	3,853	4,491	4,210
Funds	0	0	0	0	0
FINANCIAL INSTITUTIONS	58,520	52,357	54,484	64,344	78,302
Banks	57,292	50,943	53,151	63,470	77,478
Non-Banking Institutions	1,227	1,414	1,333	874	824
NON-FINANCIAL INSTITUTIONS	12,337	12,397	12,842	12,723	12,004
SOE's	2,348	3,086	3,892	3,888	3,731
Other	9,989	9,311	8,950	8,835	8,272
CBRT	21,344	26,052	32,790	46,360	34,775
PRIVATE SECTOR	223,992	222,854	231,054	243,097	264,419
FINANCIAL INSTITUTIONS	104,591	93,423	88,750	93,486	109,266
Banks	94,089	84,633	79,548	84,480	100,061
Non-Banking Institutions	10,501	8,790	9,202	9,006	9,205
NON-FINANCIAL INSTITUTIONS	119,401	129,431	142,304	149,610	155,153

(1) Public Sector Classification has been updated as of the first quarter of 2020 within the scope of the "Statistical Classification Regulation" published in the Official Newspaper No. 31022 (repeated) dated 28 January 2020.

NET EXTERNAL DEBT STOCK OF TÜRKİYE

	GROSS EXTERNAL DEBT STOCK	CBRT EXTERNAL DEBT STOCK (-)	BANKS EXTERNAL DEBT STOCK (-)	EXTERNAL DEBT STOCK EXCLUDING MONETARY SECTOR (I)	CBRT NET FOREIGN ASSETS (1)	BANKS NET FOREIGN ASSETS	MONETARY SECTOR NET FOREIGN ASSETS (II)	NET EXTERNAL DEBT STOCK (I-II)	NET EXTERNAL DEBT STOCK / GDP (3) (%)
2020	422,777	21,344	151,382	250,051	91,163	-78,229	12,934	237,117	33.1
2021	427,323	26,052	135,576	265,696	107,058	-54,133	52,925	212,771	26.3
2022	448,740	32,790	132,699	283,250	121,024	-59,349	61,674	221,576	24.5
2023	490,624	46,360	147,951	296,313	119,549	-76,206	43,344	252,970	22.4
2024	515,496	34,775	177,539	303,182	144,237	-102,200	42,037	261,145	19.7

(1) As the Treasury's obligations to the IMF are included in the "External Liabilities" side of the "Monetary Survey" and "Gross External Debt Stock of Türkiye", Treasury's obligations to the IMF are subtracted from CBRT's liabilities in order to avoid double counting.

(2) "Monetary Survey" data is used as a net foreign assets of monetary sector.

(3) For quarterly terms, ratios are calculated using GDP in USD amounts on a four quarter moving basis.

PROGRAM DEFINED BALANCE (% GDP)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 MTP	2026 MTP	2027 MTP
CB Primary Balance	1.7	1.3	1.3	0.8	0.3	0.0	-0.6	-0.8	-0.3	1.1	-2.7	-1.9	0.0	0.3	0.6
CB Program Defined Primary Balance	0.8	0.4	0.4	-0.5	-0.5	-1.5	-3.0	-2.6	-1.7	-0.2	-3.8	-2.9	-0.5	-0.1	0.1

Million USD	REPAYMENTS OF TREASURY GUARANTEED CREDITS ⁽¹⁾								
	2022			2023			2024		
	Paid by Treasury	Paid by Institution	Undertaken Ratio (%)	Paid by	Paid by	Undertaken	Paid by	Paid by	Undertaken
Central Government	0	38	0	0	72	0	0	72	0
Local Administrations	21	39	21.4	19	25	19.2	22	25	21.9
Funds	0	0	0	0	0	0	0	0	0
Financial Institutions	0	1,175	0	0	2,584	0	0	2,584	0
Non-Financial Institutions	0	235	0	0	963	0	0	497	0
Private Sector Financial Institutions	0	406	0	0	466	0	0	619	0
Private Sector Non-Financial Institutions	0	0	0	0	0	0	0	0	0
Total	21	1,892	1.1	19	4,111	0.5	22	2,643	0.8

(1) Provisional

Million TL	TREASURY RECEIVABLE STOCK ⁽¹⁾								
	2022			2023			2024		
	Outstanding Overdue Receivables	Projected Receivables Stock	Total	Outstanding Overdue Receivables	Projected Receivables Stock	Total	Outstanding Overdue Receivables	Projected Receivables Stock	Total
Local Institutions	32	8,562	8,594	28	10,525	10,553	24	10,125	10,149
SOEs	2,738	3,983	6,722	3,554	5,517	9,071	0	5,131	5,131
Banks	0	181	181	0	1,218	1,218	0	3,582	3,582
Social Security Institution	0	8	8	0	13	13	0	13	13
Public Banks	0	4,184	4,184	0	5,422	5,422	0	8,387	8,387
Public Enterprises ⁽²⁾	0	12	12	0	4	4	0	1	1
Central Administrations	0	954	954	0	953	953	0	953	953
Total	2,771	17,885	20,655	3,582	23,651	27,233	24	28,192	28,216

(1) Provisional. Indicates total amount of outstanding overdue and projected receivables.

(2) Represents İstanbul Gas Distribution Company.



REPUBLIC OF TÜRKİYE
MINISTRY OF TREASURY
AND FINANCE

