

# ANNUAL REPORT

2023



The separators between the sections of the 2023 Annual Report are the following pieces from the Exhibition of International Photo Contest "Economy and the Human Being" organized by the CBRT:

- "Data" by Merve Arslan
- "Drying" by Gamze Tuğba Kaplan
- "Family" by Hakan Yaralı

## CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE

### Trade Registry Number: 269

2023 Annual Report  
Prepared by the Board  
for the Ninety-Second Accounting Year  
Submitted to the General Assembly of Shareholders  
on 30 April 2024  
Ankara  
2024

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“Portrait of Atatürk”  
Gülseren Sönmez  
Oil Painting on Canvas - 1996

# Contents

	Foreword	viii
	Central Bank of the Republic of Türkiye 2023-2025 Strategic Plan	x
	A Glance at 2023	xii
	2023 in Numbers	xx
<b>Part 1</b>	<b>General Information</b>	<b>1</b>
1.1	Governing Bodies	3
1.2	Staff and Related Statistics	14
<b>Part 2</b>	<b>Activities and Major Developments</b>	<b>15</b>
2.1	Price Stability and Monetary Policy	16
2.2	Operational Framework of Monetary Policy	24
2.3	Regulations and Other Actions Regarding the Financial System	32
2.4	Financial Stability Developments and Activities	34
2.5	Financial Infrastructure	38
2.6	Banknotes in Circulation	45
2.7	International Reserves and Risk Management	47
2.8	Corporate Risk Management	49
2.9	Activities Regarding Green Economy and Climate Change	50
2.10	Communication	51
2.11	International Cooperation and Events	54
2.12	Research and Developments Activities	62
2.13	Training Activities	65
2.14	Cultural, Environmental, and Corporate Social Responsibility Activities	68
<b>Part 3</b>	<b>Financial Statements</b>	<b>69</b>
3.1	Balance Sheet as of 31 December 2023	71
3.2	Balance Sheets as of 31.12.2023 and 31.12.2022	73
3.3	Profit and Loss Statements for 2023 and 2022	75
3.4	Explanations	76
3.5	Explanations on Operating Expenses	94
3.6	Audit at the CBRT and Audit Reports	95

## Charts

<b>Part 1</b>	<b>General Information</b>	<b>1</b>
Chart 1.2.1:	Number of Employees from 2014 to 2023	14
Chart 1.2.2:	Staff by Age Groups	14
Chart 1.2.3:	Staff by Education Level	14
<b>Part 2</b>	<b>Activities and Major Developments</b>	<b>15</b>
Chart 2.1.2.1:	Inflation and Targets (%)	19
Chart 2.1.2.2:	Inflation Expectations (%)	19
Chart 2.1.2.3:	GDP and Components (Contributions to Annual Growth, % Points)	21
Chart 2.1.2.4:	GDP and Components (Contributions to Quarterly Growth, % Points)	21
Chart 2.1.2.5:	Current Account Balance (12-month Cumulative, USD Billion)	22
Chart 2.1.2.6:	Current Account Balance Composition (USD Billion)	22
Chart 2.1.2.7:	Unemployment Rate (Seasonally Adjusted, %)	23
Chart 2.1.2.8:	Labor Force Participation Rate (Seasonally Adjusted, %)	23
Chart 2.2.1.1:	CBRT Funding (TRY Billion)	24
Chart 2.2.3.1:	Turkish Lira RR Ratios (% , as of Maintenance Periods)	28
Chart 2.2.3.2:	Foreign Currency RR Ratios (% , as of Maintenance Periods)	28
Chart 2.2.3.3:	Turkish lira RR and ROM Gold Amount (TRY Billion, USD Billion, as of Maintenance Periods)	28
Chart 2.2.3.4:	Foreign Currency RR Amount (USD Billion, as of Maintenance Periods)	28
Chart 2.5.1.1:	Total Value of Payments Processed Through CBRT Payment Systems (TRY Trillion)	38
Chart 2.5.1.2:	Total Number of Messages Processed Through CBRT Payment Systems (Million)	38
Chart 2.5.2.1:	Amount of Payments Processed on the FAST System (TRY Billion)	39
Chart 2.5.2.2:	Number of Messages Processed on the FAST System (Million)	39
Chart 2.6.1:	Banknotes in Circulation (TRY Billion)	45
Chart 2.6.2:	Annual Change in Banknotes in Circulation (%)	45
Chart 2.6.3:	Total Volume of Transactions by CBRT Units (TRY Trillion)	46
Chart 2.7.1:	CBRT's FX and Gold Reserves Between 2001 and 2023 (USD Billion)	48
Chart 2.7.2:	CBRT's FX and Gold Reserves in 2023 (USD Billion)	48

## Tables

<b>Part 2</b>	<b>Activities and Major Developments</b>	<b>15</b>
Table 2.2.3.1:	Securities Maintenance Ratios (% as of Calculation Periods)	29
Table 2.3.1.1:	Maximum Interest Rates on Credit Card Transactions (%)	32
Table 2.3.1.2:	Maximum Interest Rates on Credit Card Transactions (%)	32
Table 2.10.3.1:	Meetings Held in 2023	53
Table 2.11.6.1:	Current Status in Chapters that the CBRT Contributes to during the Negotiation Process	61
Table 2.13.1:	Distribution of Training Activities by Training Source	65
Table 2.13.2:	Distribution of Training Activities by Training Method	65
Table 2.13.1.1:	Distribution of CBRT-Organized Training by Categories	66
<b>Part 3</b>	<b>Financial Statements</b>	<b>69</b>
Table 3.4.2.1.1:	Gold	81
Table 3.4.2.2.1:	Foreign Banknotes	81
Table 3.4.2.3.1:	Foreign Correspondents (Assets)	82
Table 3.4.2.3.2:	Foreign Banks (Liabilities)	82
Table 3.4.2.4.1:	Balances Arising from Türkiye's Membership in the IMF	82
Table 3.4.2.5.1:	Securities	83
Table 3.4.2.6.1:	Lending/Liabilities Related to Monetary Policy Operations	83
Table 3.4.2.7.1:	Domestic Banks	83
Table 3.4.2.8.1:	Credits and Non-performing Loans	84
Table 3.4.2.9.1:	Share Participations	85
Table 3.4.2.9.2:	Movements in Share Participations	85
Table 3.4.2.10.1:	Movements in Fixed Assets	86
Table 3.4.2.11.1:	Revaluation	86
Table 3.4.2.12.1:	Other Assets	87
Table 3.4.2.13.1:	Currency Issued	87
Table 3.4.2.14.1:	Deposits	88
Table 3.4.2.15.1:	Taxes to be Paid	88
Table 3.4.2.15.2:	Temporary Differences and Deferred Tax Assets/Liabilities	89
Table 3.4.2.15.3:	Deferred Tax Asset/Liability Movements	89
Table 3.4.2.16.1:	Provisions	89
Table 3.4.2.16.2:	Change in Retirement Pay and Employment Termination Benefit Liabilities	90
Table 3.4.2.17.1:	Capital and Reserves	90
Table 3.4.2.17.2:	Shareholders of the CBRT	90
Table 3.4.2.18.1:	Other Liabilities	91
Table 3.4.2.20.1:	Profit/Loss Statement	92
Table 3.4.2.21.1:	Distribution of Profit (Article 60 of Law No. 1211)	93
Table 3.5.1:	Distribution of Expenses (With 2003 prices)	94



## Abbreviations

<b>ALAIC</b>	Advance Loans Against Investment Commitment	<b>IFSB</b>	Islamic Financial Services Board
<b>ASPSP</b>	Account Servicing Payment Service Provider	<b>IILM</b>	International Islamic Liquidity Management Corporation
<b>BCBS</b>	Basel Committee on Banking Supervision	<b>IMF</b>	International Monetary Fund
<b>BIS</b>	Bank for International Settlements	<b>IT</b>	Information Technologies
<b>BIST</b>	Borsa Istanbul	<b>KKM</b>	FX-Protected Deposits
<b>BKM</b>	Interbank Card Center	<b>KOLAS</b>	Easy Addressing System
<b>BPS</b>	Banknote Processing Systems	<b>LCR</b>	Liquidity Coverage Ratio
<b>CBCDG</b>	Central Bank Counterfeit Deterrence Group	<b>MONY</b>	Decentralized Cash Management
<b>CBRT</b>	Central Bank of the Republic of Türkiye	<b>MPC</b>	Monetary Policy Committee
<b>CCD</b>	Consignment Coin Depots	<b>MRS</b>	Merchant Registration System
<b>CIMER</b>	Presidency's Communication Center	<b>NGFS</b>	Network for Greening the Financial System
<b>COMCEC</b>	Standing Committee for Economic and Commercial Cooperation of the Organization of Islamic Cooperation	<b>NPL</b>	Non-Performing Loans
<b>CPMI</b>	Committee on Payments and Market Infrastructures	<b>OECD</b>	Organization for Economic Co-Operation and Development
<b>CPMI-IOSCO</b>	Committee on Payments and Market Infrastructures - International Organization of Securities Commissions	<b>OIC</b>	Organization of Islamic Cooperation
<b>CRA</b>	Credit Rating Agency	<b>OMO</b>	Open Market Operations
<b>DSSP</b>	Data Sharing Services in the Field of Payments	<b>PFMI</b>	Principles for Financial Market Infrastructures
<b>EBRD</b>	European Bank for Reconstruction and Development	<b>ROM</b>	Reserve Options Mechanism
<b>ECCBSO</b>	European Committee of Central Balance Sheet Data Offices	<b>RPS</b>	Retail Payment System
<b>EFT</b>	Electronic Funds Transfer	<b>RR</b>	Reserve Requirement
<b>EME</b>	Emerging Market Economy	<b>SESRIC</b>	Statistical, Economic and Social Research and Training Center for Islamic Countries
<b>ERP</b>	Economic Reform Program	<b>SIPER</b>	Security Overlay Service
<b>EU</b>	European Union	<b>SME</b>	Small and Medium Sized Enterprises
<b>FAST</b>	Instant and Continuous Transfer of Funds	<b>TCC</b>	Turkish Commercial Code
<b>Food Committee</b>	Food and Agricultural Product Markets Monitoring and Evaluation Committee	<b>TPL</b>	Tax Procedure Law
<b>Food-EWS</b>	Food Early Warning System	<b>TRY</b>	Turkish Lira
<b>FSB MENA</b>	FSB Regional Consultative Group for the Middle East and North Africa	<b>TSE</b>	Turkish Standards Institution
<b>FSB</b>	Financial Stability Board	<b>TSS</b>	Technology/Strategy Score
<b>FV</b>	Fair Value	<b>Turk Eximbank</b>	Export Credit Bank of Türkiye
<b>FX</b>	Foreign Exchange	<b>VIOP</b>	Derivatives Market
<b>GDDS</b>	Government Domestic Debt Securities	<b>WB</b>	World Bank
<b>GDP</b>	Gross Domestic Product		
<b>GNAT</b>	Grand National Assembly of Türkiye		

## Foreword



**Fatih Karahan, Ph.D.**  
Governor

The Central Bank of the Republic of Türkiye (CBRT) carried on with its activities in 2023, a year in which we were delighted and proud to celebrate the centennial of our Republic, recognizing that the greatest contribution to social welfare could be made by achieving price stability. Accordingly, the CBRT took decisive steps to achieve its primary objective of price stability while also maintaining financial stability.

Consumer inflation stood at 64.8% at the end of 2023. In the first half of the year, inflation declined on the back of base effects, falling import prices, the flat course of exchange rates, and energy subsidies. On the other hand, high credit growth, wage adjustments, and transfers to households accentuated the impact of demand-side factors on inflation. In the second half of the year, the cumulative effects of the ongoing buoyant course of domestic demand, volatile energy prices, exchange rate-driven cost increases, and tax adjustments brought on by earthquake expenditures shaped inflation dynamics. Moreover, inflation rose as a result of the further deterioration in pricing behavior caused by the simultaneous occurrence of all these developments in a short period of time. The stickiness of services inflation, inflation expectations, and geopolitical risks also kept inflationary pressures alive in this period.

The CBRT initiated the monetary tightening process in June 2023 and gradually raised the policy rate from 8.5% to 42.5% in the June-December period in order to establish disinflation as soon as possible, anchor inflation expectations, and contain the deterioration in pricing behavior. Monetary tightening was accompanied by quantitative tightening and selective credit policies as a complement to rate hikes. Concurrently with monetary tightening, the CBRT simplified the macroprudential framework so as to enhance the functionality of market mechanisms and strengthen macro financial stability. Quantitative tightening steps withdrew excess Turkish lira liquidity from the system. Selective credit tightening sought to stabilize demand conditions while preserving the economy's production capacity. These decisive steps brought about favorable developments in the economy. External financing conditions and the current account balance improved, demand and credit composition and growth normalized, and the share of Turkish lira deposits significantly expanded.

The CBRT will continue to take policy decisions so as to create the monetary and financial conditions that will reduce the underlying trend of inflation and bring inflation to the 5% target in the medium term. With the steps taken in 2023, the CBRT has laid the groundwork for the realization of the disinflation path outlined in the 2023-IV Inflation Report. The effects of monetary tightening on inflation started to be visible in the last quarter of 2023 with the improvement in the underlying trend of monthly inflation. The tight monetary policy stance will remain in place until the underlying trend of monthly inflation displays a significant and permanent decline and inflation expectations converge to the projected forecast range. The monetary policy stance will be further tightened in the event of a significant and persistent deterioration in inflation. The monetary policy stance will bring down the underlying trend of monthly inflation through the rebalancing in domestic demand, the real appreciation of the Turkish lira, and an improvement in inflation expectations. The disinflation process will become evident in the second half of 2024 amid a decline in annual inflation. The monetary policy stance necessary to attain single-digit inflation in 2026 will be resolutely maintained during the disinflation period. This will be followed by a period of stabilization during which quality growth and disinflation will be permanently achieved and predictability will be enhanced.

As we embark on the second century of our Republic, the symbol of our national struggle and the spirit of independence, each of us has crucial responsibilities to further advance our nation. The CBRT's task is to achieve disinflation as quickly as possible and bring inflation down to single digits in line with its objective of achieving price stability. As it has always been, duly fulfilling this task will be our primary objective in 2024.

## Central Bank of the Republic of Türkiye 2023-2025 Strategic Plan

### OUR VISION

To be a Central Bank that **leads** financial markets, payment systems, and digital transformation with its dynamic and innovative structure

### OUR MISSION

To contribute to social welfare by achieving sustainable **price stability** and supporting **financial stability**

### OUR PRINCIPLES

Independence  
Transparency and Accountability  
Credibility  
Public Interest  
Effectiveness and Efficiency

### OUR VALUES

Holistic View  
Commitment to Ethical Values  
Reputation  
Sustainability  
Cooperation

## CBRT's Five Focus Areas

1

### RESEARCH

- Data Management
- Model Ecosystem
- Policy Design
- Systemic Risk Management

2

### COMMUNICATION

- Multi-Layered Communication
- Cooperation
- Istanbul Financial Center
- Social Responsibility

3

### PEOPLE

- Human Resource Analytics
- Talent Management
- Learning Organization
- Corporate Culture

4

### INNOVATION

- Financial Innovation
- IT Architecture
- Payments Ecosystem
- Financial Architecture

5

### OPERATION

- Organization and Business Processes
- Risk Management
- Infrastructure
- Cybersecurity

## A Glance at 2023



### MONETARY POLICY AND DISINFLATION

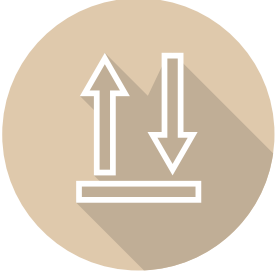
The CBRT initiated a monetary tightening process in the second half of 2023 to establish disinflation as soon as possible, anchor inflation expectations, and contain the deterioration in pricing behavior. In the same period, the CBRT introduced comprehensive simplification measures within the framework of micro- and macroprudential policies in order to enhance the functionality of the market mechanism and strengthen macro financial stability along with monetary tightening.

The impact of monetary tightening on inflation started to kick in as of the last quarter of 2023. In the last quarter, inflation edged up slightly, while the underlying trend of inflation receded. Pricing behavior showed relatively stronger signs of improvement in core goods. While services inflation remained sticky, the trend in items that are more sensitive to changes in demand and cost conditions slowed down in the last quarter. On the other hand, the monthly increase in housing prices was below inflation, replacing the ongoing excessive increases. Thus, year-end inflation for 2023 stood at 64.8%, in line with the projections released in the last Inflation Report for 2023. The cumulative effects of monetary tightening on annual inflation are expected to be more pronounced in 2024. Although temporary increases in inflation are expected in the first half of 2024, the disinflation process is projected to take hold as of

the second half of the year. The tight monetary policy stance is envisaged to support the rebalancing in domestic demand and the gradual improvement in the current account balance, as well as contributing to a stronger demand for Turkish lira assets.

While the tightening effects of monetary policy on financial conditions started to be observed as of the last quarter of 2023, loan growth and composition normalized. Against this background, the growth rate of retail loans, which peaked in May and posed a risk to inflation by driving domestic demand, converged to historical averages towards the end of the year. Commercial loan growth stabilized in the last quarter of the year. On the other hand, deposit rates started to go up amid policy rate hikes, regulations to increase the share of Turkish lira deposits, and quantitative tightening steps. In parallel, the share of Turkish lira deposits increased while the share of FX-protected deposits decreased. Meanwhile, portfolio inflows to Turkish lira assets recorded an increase due to the decline in the risk premium and implied exchange rate volatility.

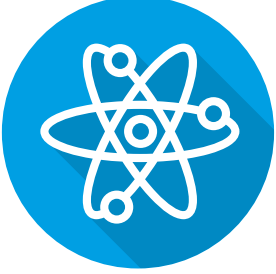
In 2023, the CBRT maintained its reserve-building strategy as long as market conditions allowed. Monetary tightening and the simplification measures in the macroprudential framework also supported the upward trend in reserves.



## PLAIN, EFFECTIVE AND BILATERAL COMMUNICATION

In 2023, the CBRT maintained a plain, transparent and bilateral communication policy to foster confidence and explain to all stakeholders the decisive steps it took in pursuit of its primary objective of achieving price stability.

- In 2023, the decisions of the Monetary Policy Committee, Inflation Reports, Financial Stability Reports, Monthly Price Developments, the Monetary Policy Text for 2024, actions related to macroprudential measures, and the statistics and analyses released by the CBRT were publicly announced through press releases and other communication channels, as well as through the CBRT's actively used social media accounts.
- -As part of bilateral communication, four Inflation Report Briefings were held in 2023, during which questions of press members, economists, and analysts were addressed.
- For the purpose of establishing a high level of coordination with all stakeholders to establish disinflation as soon as possible, Governor Hafize Gaye Erkan attended various national and international meetings and visited professional associations and chambers to explain the macroeconomic outlook and the CBRT's policies and strategies.
- In keeping with the principle of accountability, Governor Erkan delivered a presentation at the Grand National Assembly of Türkiye's (GNAT) Plan and Budget Committee and answered questions from the Committee members.
- New analyses were posted on the CBRT Blog, a corporate blog dedicated to enabling the CBRT staff to share their analyses with the public, draw attention to economic developments, and provide timely contributions to the conjunctural framework. This platform was further enriched with studies of the impact of the CBRT's policies.
- As part of its social media strategy, the CBRT effectively used its social media accounts, sharing posts using plain and clear language and rich visual content.
- Fresh content has been uploaded on the "Economics for All" microsite in order to raise awareness of the importance of price stability and the disinflation path, and numerous efforts are being made to further improve this platform.



## MORE INTENSIVE AND EFFICIENT USE OF TECHNOLOGY AND FINANCIAL INFRASTRUCTURE

- Following the February 6 earthquake disaster, which struck a wide geographical area, particularly Kahramanmaraş, CBRT service units in nearby provinces mobilized their operational capacities to meet the needs of the region and ensured uninterrupted cash payments in earthquake-affected areas.
- Notifications and inquiries regarding cash collection transactions from banks and inventory data were included in the web-service infrastructure, thereby reinforcing the IT infrastructure for cash transactions.
- With the technological investments, our daily banknote processing capacity increased by 23% to 44,400 packages.
- Five new Decentralized Cash Management (MONY) depots started operating, ensuring that the strategic and backup banknote depots were kept at sufficient levels and banknotes were circulated in a composition of high quality and clean banknote denominations.
- In the Information Technologies (IT) field, the CBRT continued its efforts to create the technological solutions and systems needed in line with its vision as well as to ensure the security and continuity of these systems.
- The CBRT continued to transform its technology and application architecture to respond to its needs more quickly, to keep continuity high by increasing technical platform alternatives, and to enable end-to-end monitoring of the services provided.
- To increase business continuity, the CBRT continued to work on improving the infrastructure needed for the operability of its IT systems and applications in different data centers in addition to the existing ones.
- Work was carried out to enhance cybersecurity resilience and scale up preventive controls.
- Work was carried out to build the IT infrastructure of the CBRT premises in the Istanbul Financial Center.
- The CBRT renewed the communication infrastructures of its Internet and payment systems applications.



- In 2023, ten Payment and Electronic Money Institutions were added to the Instant and Continuous Transfer of Funds (FAST) System, a new generation 24/7/365 instant payment system operated by the CBRT, to increase competition and innovation in payments and to provide new and value-added services, raising the number of members to 36. Given the users' great interest in the FAST System and the dynamic requirements of the payments ecosystem, the FAST transaction limit for money transfers was raised to TRY 50,000 as of 21 December 2023. The FAST transaction limit is planned to be gradually increased. On the other hand, overlay service projects continued in 2023, and work was carried out to expand the use of KOLAS (the Easy Addressing System), QR Codes, and SIPER (Security Overlay Service). The Request-to-Pay Overlay Service was developed and put into pilot use.
- Pilot tests were conducted as part of the Central Bank Digital Turkish Lira Research and Development Project, with the first phase ending in the first half of 2023. The CBRT released the Digital Turkish Lira Phase I Evaluation Report, which presents the findings of the CBRT's R&D studies and the first phase undertaken with Digital Turkish Lira Collaboration Platform stakeholders, as well as the approaches adopted in the project.
- Research, development and testing continued on interoperability across different networks and technologies, applications that protect data privacy, payment systems on distributed ledger platforms, high-performance architectures, programmable payments, and digital currency simulation. Various proof-of-concept studies were carried out in the areas of programmable payments, e-commerce payments, international payments, offline payments, and hybrid systems for the use of the digital Turkish lira in payments.



## COORDINATION WITH NATIONAL AND INTERNATIONAL STAKEHOLDERS

In 2023, the CBRT continued to carry out activities under its mandate and authority to strengthen cooperation with national and international stakeholders and deepen existing relations. It actively engaged in meetings and events organized both in person and online, thus interacting with both bilateral and multilateral stakeholders.

- The CBRT held 76 investor meetings involving domestic and foreign institutional investors, economists, analysts, and portfolio managers, and communicated with 304 institutions to ensure timely, accurate, and effective communication of monetary policies. In coordination with the Ministry of Treasury and Finance, six meetings were held with credit rating agencies throughout the year.
- The CBRT hosted the fifth meeting of the “OIC-COMCEC Central Banks Forum” under the Organization of Islamic Cooperation (OIC), of which it acts as the secretariat, on 24-25 September 2023 in Istanbul. The project within the scope of “COMCEC Project Funding” was carried out by the Statistical, Economic and Social Research and Training Center for Islamic Countries (SESRIC) in partnership with the CBRT, Bank Indonesia, Bank Negara Malaysia, and the Saudi Central Bank.
- The International Monetary Fund (IMF) delegation visited Türkiye in line with its mandate to monitor the economic and financial policies of member states and safeguard the international monetary system. In the scope of this visit, the CBRT delegation participated in Article IV meetings on 25-29 September 2023.
- The CBRT continued to take part in work related to international meetings organized by the G20, the IMF, and the Bank for International Settlements (BIS). The CBRT coordinated with domestic and international stakeholders, and duly participated in such meetings.
- The CBRT took part in the work of the Network for Greening the Financial System (NGFS), which is a collaboration network for the management of the financial sector’s environment and climate-related risks. The CBRT took an active role in writing NGFS reports on climate change and central banking. The Bank also contributed to the G20 Sustainable Finance Working Group.

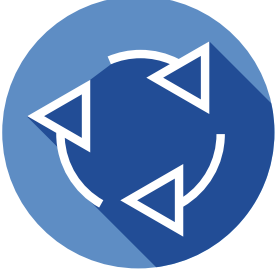
- In order to contribute to the enhancement of institutional competence and improve technical capacity, 57 events were organized between the CBRT and 31 central banks around the world concerning matters of focus on the global agenda in central banking. Six of these events took place as physical visits to maximize the benefits of the activities. Along with technical cooperation, the CBRT also met with senior representatives of partner central banks and foreign missions in Türkiye, helping to deepen relations between the CBRT and partner countries at every level.
- As part of Türkiye's accession to the European Union (EU), the CBRT made the necessary contribution on the issues that fall under its remit. The Bank also actively participated in the Economic and Financial Dialogue meetings, and meetings of Economic Forecasts for Candidate Countries, as well as the meeting of Subcommittee No. 4 on Economic and Monetary Issues, Movement of Capital, and Statistics.



## CULTURAL, ARTISTIC AND SOCIAL SENSITIVITY

In addition to fulfilling its main duties and responsibilities, the CBRT continued to engage in corporate social responsibility activities and support academic studies with donations and aid.

- The CBRT continued to award scholarships to the graduates of Derince Anatolian High School. A graduation ceremony was held where successful students received awards.
- The CBRT donated IT equipment and books to public institutions as part of corporate social responsibility activities in 2023.
- The Bank contributed to the aid campaign for the February 6 earthquakes in Türkiye and helped in search and rescue operations.



## INCREASING THE EFFECTIVENESS OF THE PAYMENTS AREA

The CBRT continued to take steps to foster financial infrastructure in order to establish payment and securities transfer and settlement systems, to ensure uninterrupted operation and supervision of the existing and future systems and make the related necessary arrangements, and to determine the methods and instruments to be used for payments, including the electronic environment.

- The Guidelines for External Service Providers Offering Community Cloud Services to Payment and Electronic Money Institutions were issued on the CBRT's website and entered into force.
- Amendments were made to the "Regulation on Payment Services and Electronic Money Issuance and Payment Service Providers" (Payment Services Regulation) and the "Communique on the Management and Supervision of the IT Systems of Payment and Electronic Money Institutions and the Data Sharing Services of Payment Service Providers in Payment Services Area" published on the Official Gazette No.31676 dated 1 December 2021. These amendments were published on the Official Gazette No.32332 dated 7 October 2023.
- As of 1 December 2023, the Data Sharing Services in the Field of Payments (DSSP) API Standard switched from version 1.0.2 to version 1.1.0, and the process of spreading the DSSP Gateway (GEÇİT) Infrastructure continued. Accordingly, Incident Notification Services and Decoupled Strong Customer Authentication were added to the standard in addition to improvements in existing functions. There are currently 16 Account Servicing Payment Service Providers (ASPSPs) and 19 Authorized Payment Service Providers (PSPs).
- In coordination with relevant stakeholders, especially the Interbank Card Center (BKM), efforts were made to promote payments using the TR QR code while also monitoring the process of setting up the technological infrastructure for the code.
- The transition process for participation in the Merchant Registration System (MRS) was concluded, and Data Sharing Services flows were initiated following the work carried out with the participation of payment service providers under the coordination of BKM.

## 2023 in Numbers



**3,835**  
Number of Employees



USD **141.1** Billion  
International Reserves



TRY **461** Trillion  
Total Amount of Payments  
via CBRT Payment Systems  
and FAST System



**3,290**  
Real Sector Meetings



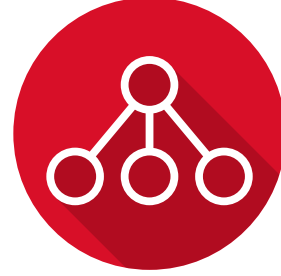
**27**  
Payment Institutions  
Operating in Türkiye



**53**  
Electronic Money  
Institutions Operating in  
Türkiye



**32,571**  
Information Requests  
Processed



Meetings with  
**304**  
Institutional Investors



**4**  
Billion  
Transactions via CBRT Payment  
Systems and FAST System



TRY **449** Billion  
Worth of Banknotes in  
Circulation



**726.4**  
Tons  
Gold Holdings



**56**  
Press  
Releases

## PART 1 GENERAL INFORMATION



Photograph: "Data" by Merve Arslan on display in the Exhibition of International Photo Contest "Economy and the Human Being" organized by the CBRT





Established as a joint stock company on 30 June 1930, the CBRT commenced operations on 3 October 1931 in Ankara. The CBRT's capital amounts to TRY 25,000 and consists of 250,000 shares.

The CBRT's shares are divided into four classes as (A), (B), (C), and (D) pursuant to the CBRT Law No. 1211.

- Class (A) shares belong exclusively to the Turkish Treasury and, by law, cannot fall below 51% of the Bank's total capital,
- Class (B) shares are allocated to national banks operating in Türkiye,
- Class (C) shares are allocated to non-national banks and privileged companies, and the number of these shares cannot exceed 15,000,
- Class (D) shares are allocated to Turkish commercial enterprises and to real and legal persons of Turkish nationality.

At end-2023, these shares corresponded to 55.12% (A), 23.25% (B), 2.51% (C), and 19.12% (D) of the CBRT's capital, and there is no privileged company among the shareholders.

The Grand National Assembly of Türkiye (GNAT) has delegated its authority to print banknotes to the CBRT indefinitely. Accordingly, the CBRT has the exclusive authority to print and issue banknotes in Türkiye.

With the amendment to Law No. 1211 made on 25 April 2001, the Bank's primary objective was defined as "to achieve and maintain price stability." Accordingly, the CBRT has the authority to determine, at its own discretion, the monetary policy it will implement as well as the tools it will use to serve this objective. In this regard, the CBRT has instrument independence. Additionally, the Bank has other duties, such as introducing regulatory measures concerning money and FX markets that will ensure stability in the financial system, and supporting the government's growth and employment policies insofar as they do not conflict with its primary objective of achieving price stability.

By end-2023, the CBRT had 18 departments and 21 branches located in various provinces. In addition, the CBRT has economic consultants and attaches assigned to the Turkish Ministry of Foreign Affairs representative offices in Frankfurt, London, New York, and Doha, as well as an economic consultant at the OECD Permanent Representative Office. With its 3,835 employees, the CBRT closely monitors the developments in Türkiye and abroad, continuously renews its structures to adjust to trends in the world, and conducts its operations with a sense of profound responsibility in accordance with the duties and powers vested in it by law.

# 1.1 GOVERNING BODIES

## 1.1.1 Board



**Hafize Gaye Erkan, Ph.D.**  
Governor



**Prof. Nurullah Genç**  
Member



**Derya Yücel**  
Member



**Prof. Başak Tanınmış  
Yücememiş**  
Member



**Prof. Elif Haykır Hobikoğlu**  
Member



**Ertan Aydın**  
Member



**Prof. Muhsin Kar**  
Member

The CBRT Board consists of the Governor and six members elected by the Bank's General Assembly. Board members serve three-year terms, with one-third of them being replaced every year. The Governor is also the chair of the Board, which must convene at least once a month upon the Governor's call for a meeting. A quorum of at least two-thirds of the members is required for a meeting to be held, and decisions are made by a majority of participants.

The duties and powers of the Board include deciding on the monetary policies and monetary policy instruments to be used in line with monetary policy strategies and inflation targets; setting rules and making decisions on matters pertaining to the banknotes in circulation; determining principles and procedures and setting rules pertaining to open market operations and foreign exchange and foreign currency transactions, to rediscount and advance transactions and respective interest rates, to reserve requirements, and to the management of national gold and foreign currency reserves; preparing the CBRT's budgets, annual reports, balance sheets, profit & loss statements, and General Assembly agendas; and approving staffing decisions and regulations involving the Bank's administration, organization, services, and staff.

In 2023, the Board convened 14 times and passed 204 resolutions.

At the Ordinary General Assembly Meeting of the CBRT on 28 March 2023, an election was held for positions vacated by Elif Haykır Hobikođlu and Ertan Aydın whose terms of office at the Board ended. The General Assembly elected Elif Haykır Hobikođlu and Ertan Aydın again to serve until the end of 30 April 2026.

At the same meeting, Muhsin Kar was also elected to replace Mevlüt Tatlıyer, who was dismissed, to complete his term of office.

As of 31 December 2023, the Board consisted of Governor Hafize Gaye Erkan and members Nurullah Genç, Derya Yücel, Başak Tanınmış Yücememiş, Elif Haykır Hobikođlu, Ertan Aydın, and Muhsin Kar.

## 1.1.2 Monetary Policy Committee



**Hafize Gaye Erkan, Ph.D.**  
Governor



**Osman Cevdet Akçay, Ph.D.**  
Member



**Fatih Karahan, Ph.D.**  
Member



**Prof. Hatice Karahan**  
Member



**Prof. Elif Haykır Hobikoğlu**  
Member



**Prof. Fatma Özkul**  
Member

Chaired by the Governor, the Monetary Policy Committee (MPC) consists of the deputy governors, one member elected from and by the Board, and a member appointed upon the recommendation of the Governor.

The duties and powers of the MPC consist of determining monetary policy principles and strategies aimed at achieving price stability, collaborating with the government to set inflation targets under the monetary policy strategy, preparing periodical reports on the monetary policy objectives and practices to inform the government and the public in line with the principles set, taking measures to safeguard the domestic and international value of the Turkish lira, and setting the exchange rate regime that defines the value of the lira against foreign currencies and gold in cooperation with the government.

The MPC held 12 meetings in 2023, the decisions of which were published on the CBRT's website.

Fatma Özkul was appointed as a Member of the MPC on 23 December 2023.

As of 31 December 2023, the MPC consisted of Governor Hafize Gaye Erkan, Deputy Governors Osman Cevdet Akçay, Yaşar Fatih Karahan, and Hatice Karahan, Board member Elif Haykır Hobikoğlu, and the appointed member Fatma Özkul.

## 1.1.3 Auditing Committee



**Prof. Mehmet Babacan**  
Member



**Suat Sarigül**  
Member



**Ramazan Güngör**  
Member



**Bekir Bayrakdar**  
Member

The Auditing Committee consists of four members elected by the General Assembly. Members serve two-year terms of office.

Charged with auditing all CBRT operations and accounts, the Committee submits the findings to the Board in writing and also sends a copy to the President's Office. Upon the completion of each year, the Committee prepares a report of the respective year's operations and accounts and submits it to the CBRT General Assembly.

At the Ordinary General Assembly Meeting of the CBRT on 28 March 2023, an election was held for the positions vacated by Mehmet Babacan, Hayrettin Kurt, and Mehmet Kaya whose terms of office at the Auditing Committee ended. The General Assembly elected Mehmet Babacan again and Ramazan Güngör and Bekir Bayrakdar for their first terms, to serve until the end of 30 April 2025.

As of 31 December 2023, the Auditing Committee's membership consisted of Mehmet Babacan, Suat Sarıgül, Ramazan Güngör, and Bekir Bayrakdar.

## 1.1.4 Executive Committee



**Hafize Gaye Erkan, Ph.D.**  
Governor



**Osman Cevdet Akçay, Ph.D.**  
Member



**Fatih Karahan, Ph.D.**  
Member



**Prof. Hatice Karahan**  
Member



The Executive Committee consists of the Governor and Deputy Governors. The Governor and Deputy Governors are appointed by the President and serve four-year terms of office. Executive Committee decisions require a majority of all members.

When deemed necessary, the Executive Committee pre-examines issues that require a CBRT Board resolution, prepares proposals for the Board and also draws up regulations pertaining to the CBRT's administration, organization, and services. Other duties and powers of the Executive Committee include ensuring coordination in the conduct of the CBRT's operations and making decisions on the appointment, remuneration, dismissal, and retirement of officers and employees other than those staff appointed by the Board.

Hafize Gaye Erkan was appointed as the Governor of the CBRT on 9 June 2023.

Osman Cevdet Akçay, Yaşar Fatih Karahan, and Hatice Karahan were appointed as Deputy Governors of the CBRT on 28 July 2023.

As of 31 December 2023, the Executive Committee consisted of Governor Hafize Gaye Erkan and Deputy Governors Osman Cevdet Akçay, Yaşar Fatih Karahan, and Hatice Karahan.

## 1.1.5 Financial Benefits Provided to Senior Management

Pursuant to Articles 19, 22/A, 24, and 33 of the CBRT Law No. 1211, the President has the authority to determine the monthly salaries and representation allowances that are paid to the CBRT governors and deputy governors, the monthly salaries and duty compensations that are paid to the CBRT Board members as well as the Monetary Policy Committee members, and the salaries that are paid to the Auditing Committee members. Accordingly, the gross amount paid to CBRT's senior management, including the Governor, the CBRT Board, the MPC, the Auditing Committee and the Executive Committee members amounted to TRY 36,755,832.57 in 2023.

## 1.1.6 Head Office Departments

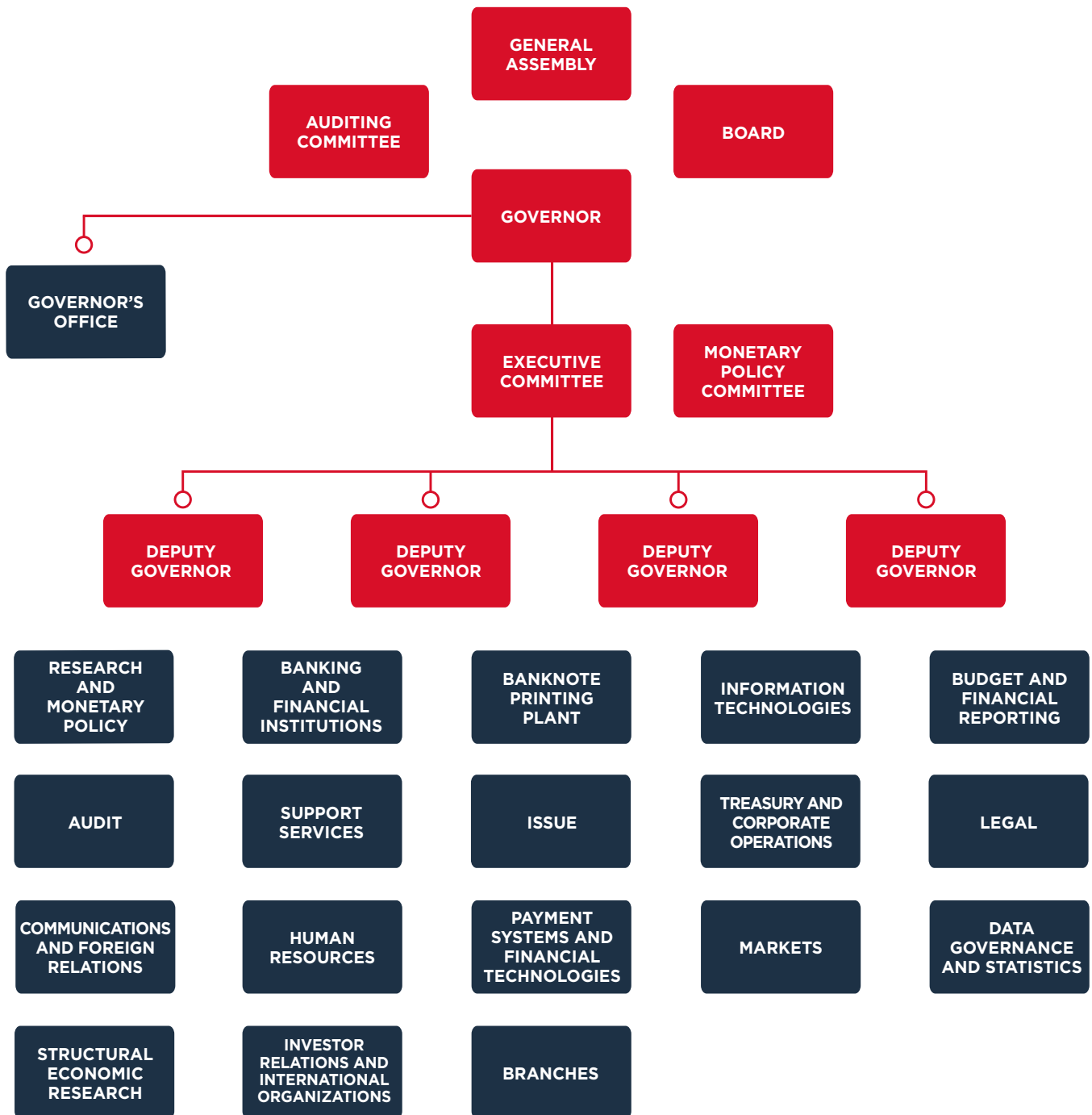
<b>As of 31.12.2023</b>		
Research and Monetary Policy	Executive Director	Orhun Sevinç, Ph.D.
Banking and Financial Institutions	Executive Director	Mehmet Zahid Samancıoğlu
Banknote Printing Plant	Executive Director	Yaşar Altunoğlu
Governor's Office	Executive Director	Sinan Güler
Information Technologies	Executive Director	-
Budget and Financial Reporting	Executive Director	-
Audit	Executive Director	-
Support Services	Executive Director	Nazmi Nazim Adiloğlu
Issue	Executive Director	Nurettin Tüysüz, Ph.D.
Treasury and Corporate Operations	Executive Director	Oğuzhan Saçkan
Legal	Executive Director	Sıtkı Eroğlu
Communications and Foreign Relations	Executive Director	-
Human Resources	Executive Director	Hüseyin Atsay
Payment Systems and Financial Technologies	Executive Director	Serdar Murat Öztaner, Ph.D.
Markets	Executive Director	Hakan Er, Ph.D.
Data Governance and Statistics	Executive Director	Yusuf Kenan Bağır, Ph.D.
Structural Economic Research	Executive Director	Huzeyfe Torun, Ph.D.
Investor Relations and International Organizations	Executive Director	-

## 1.1.7 Branches

<b>As of 31.12.2023</b>		
Adana Branch	Director	Mehmet Yıldırım
Ankara Branch	Director	-
Antalya Branch	Director	Gökhan Güler
Bursa Branch	Director	Lütfi Soylu
Denizli Branch	Director	Tolga Kiraz
Diyarbakır Branch	Director	Muhammed İslami Önal
Edirne Branch	Director	Mahmut Güray Sezer
Erzurum Branch	Director	Ali Bakır
Eskişehir Branch	Director	Muhammet Devrim Ülkü
Gaziantep Branch	Director	Soner Bilgin
İskenderun Branch	Director	Mustafa Alpar
İstanbul Branch	Director	Mehmet Düzgün
İzmir Branch	Director	Mecit Hasan Subaşı
İzmit Branch	Director	-
Kayseri Branch	Director	Davut Balcı, Ph.D.
Konya Branch	Director	Cihat Yücel
Malatya Branch	Director	Kemal Tarhan
Mersin Branch	Director	Serhat Akpınar
Samsun Branch	Director *	Ayhan Aydın
Trabzon Branch	Director	Özer Muratoğlu
Van Branch	Director	Erol Seheroğlu

\* Acting

## 1.1.8 Organization Chart



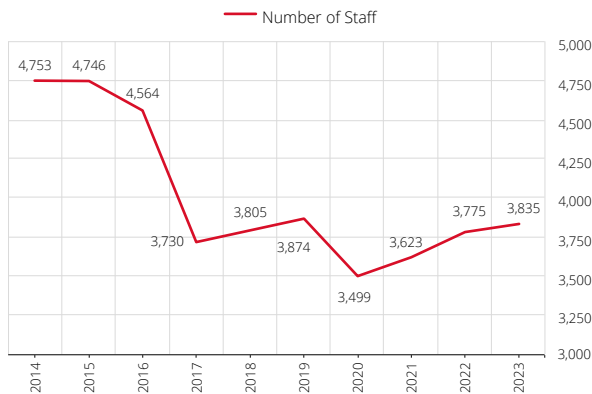
## 1.2 Staff and Related Statistics

Due to its strategic role in the Turkish economy as well as its diverse duties, the CBRT employs highly qualified human resources comprised of a variety of professions. At the end of 2023, the number of permanent staff positions was 4,130, 92.86% of which were occupied by 3,835 employees.

In 2023, the number of staff members newly employed by the CBRT was 147, while 87 employees left the Bank. Thus, the number of people on the Bank’s payroll at year-end increased by 60 to 3,835 over the previous year (Chart 1.2.1).

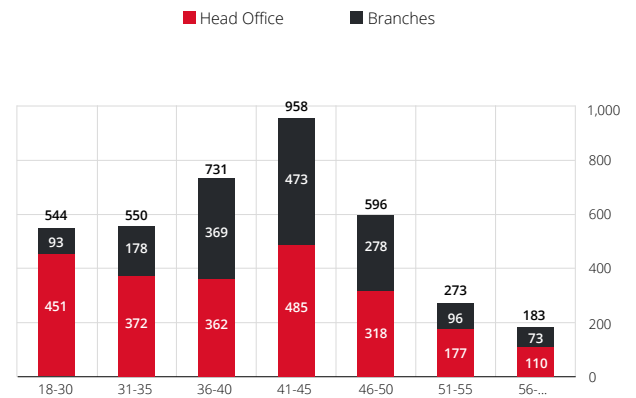
Of the CBRT’s staff, 59.35% are employed at the Head Office and 40.65% in branches. A breakdown of staff by age groups shows that the 36-45 age group makes up the majority (44.04%) of the staff (Chart 1.2.2). The share of staff holding associate, graduate and post-graduate degrees is 88.60% (Chart 1.2.3).

**Chart 1.2.1: Number of Staff from 2014 to 2023**



Source: CBRT

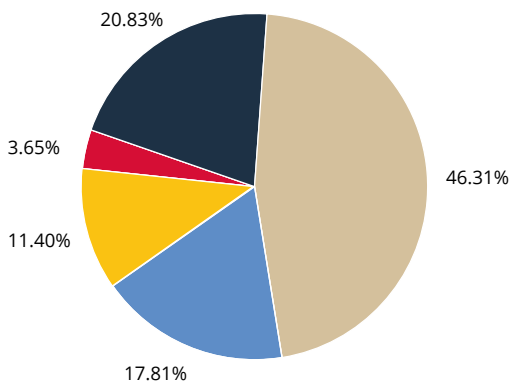
**Chart 1.2.2: Staff by Age Groups**



Source: CBRT

**Chart 1.2.3: Staff by Education Level**

■ Doctorate ■ Master's ■ Graduate ■ Associate ■ High School and Below



Source: CBRT

## PART 2 ACTIVITIES AND MAJOR DEVELOPMENTS



Photograph: **"Drying"** by **Gamze Tuğba Kaplan** on display in the Exhibition of International Photo Contest "Economy and the Human Being" organized by the CBRT



## 2.1 Price Stability and Monetary Policy

### 2.1.1 Overview

Economic activity, which remained robust in the first half of 2023 on the back of domestic demand, lost momentum on a quarterly basis in the third quarter but rebounded in the last quarter. On the production side, the services sector stood out as the main driver of growth in 2023. The negative contribution of industrial sector value added to annual growth in the first half of the year, which was attributable to earthquake-related effects and weak external demand, turned positive in the second half of the year. Thus, the growth composition on the production side displayed a more balanced picture between industry and services in the second half of the year. On the expenditures side, although the contribution of final domestic demand remained high on an annual basis, it declined due to the slowdown in private consumption growth, and the negative contribution of net exports to annual growth waned in the second half of 2023. Meanwhile, investments made a strong contribution to annual growth, led by machinery-equipment investments.

The current account balance posted a deficit of USD 45.4 billion in 2023. Although the energy balance made the largest negative contribution to the current account deficit on an annual basis, this negative impact diminished due to the year-on-year decline in energy prices. The foreign trade balance excluding gold and energy made a negative contribution to the current account balance, driven by strong domestic demand, while the positive contribution of services items to the current account balance continued to rise. Regarding the financing of the current account balance, direct investments continued to be mainly driven by non-residents' real estate purchases. On the portfolio investment channel, while there were outflows from equity and government domestic debt securities (GDDS) markets in the first half of the year, capital inflows were recorded in these markets as of June. Meanwhile, capital inflows in 2023 were mainly driven by the increase in non-residents' deposits. In annualized terms, the banking sector's long-term debt rollover ratio exceeded 100% in the last two months of 2023 and stood at 114% in December. This ratio was close to 100% for non-bank financial corporations. Thus, an improvement was observed in external financing facilities.

In 2023, robust economic activity was also reflected in the labor market, leading to a sustained downtrend in the unemployment rate. In 2023, the unemployment rate dropped by 1.0 percentage point year-on-year to 9.4%. Thus, total employment in 2023 increased by around 880 thousand people compared to the previous year and reached 31.6 million.

Annual consumer price inflation receded in the first half of 2023 on the back of the decline in international commodity prices and the stable course of the Turkish lira, but rose markedly in the third quarter due to the exchange rate, wage revisions, tax adjustments, and energy price hikes. In the last quarter of the year, the underlying trend of inflation improved thanks to the impacts of the policy steps taken, and consumer inflation ended the year at 64.8%. While the trend of core indicators B and C displayed a significant slowdown in the last quarter of the year, their annual inflation stood at 68% and 70.6%, respectively. While exchange rate developments and wage revisions were the main drivers of the rise in inflation throughout the year, tax adjustments were another factor affecting the inflation outlook. Despite decelerating in the second half of the year, aggregate demand conditions remained inflationary throughout the year, while the decline in import prices in US dollar terms had a favorable impact on inflation developments. In administered prices, subsidies for households in electricity and natural gas items had a favorable impact on the inflation outlook, while tax measures and administered price adjustments announced in the second half of the year pushed inflation up. Inflation expectations started to improve as of September with monetary tightening. Producer inflation, on the other hand, declined significantly in the first months of the year driven by the favorable outlook in international commodity prices and the base effect, but rose in the rest of the year due to cost-side effects, particularly exchange rate developments, and ended the year at 44.2%.

In the first half of 2023, the CBRT kept its policy rate unchanged except for a 50 basis-point cut in February. Starting in June, the CBRT embarked on a monetary tightening cycle to control the deterioration in pricing behavior as part of its disinflation strategy. Accordingly, in seven Monetary Policy Committee meetings between June and December, the policy rate was raised by a total of 34 percentage points, from 8.5% to 42.5%. The monetary tightening since June was also supported by the simplification of the micro- and macroprudential frameworks to enhance the functionality of market mechanisms and strengthen macro financial stability. The simplification policy was implemented gradually to ensure a smooth transition, and selective credit and quantitative tightening steps were taken to support the monetary tightening process. In addition to policy rate decisions, the CBRT also took quantitative tightening steps by extending the sterilization tools at its disposal to support the monetary tightening process.



## 2.1.2 Developments in 2023

### Monetary Policy Developments

The Monetary Policy Committee kept the policy rate unchanged at 9% at its first meeting in 2023. After the earthquake disaster, the MPC cut the policy rate by 50 basis points to 8.5% at the February 2023 meeting. The policy rate remained at this level until June. This period saw macroprudential policies playing an increasingly important role in maintaining financial stability.

The buoyant domestic demand in the first half of the year had a negative impact on the current account balance and financing conditions. This process, accompanied by the decline in international reserves, increased volatility in financial markets and signaled a significant deterioration in pricing behavior. In June, the CBRT stated that the underlying trend of inflation had increased and concluded that the current monetary and financial conditions were far from bringing inflation to the 5% target in the medium term. Against this background, the CBRT assessed that the monetary policy strategy needed to be revised and initiated a monetary tightening process in June. The CBRT emphasized the importance of price stability for macroeconomic and financial stability and decided to implement a monetary tightening process that would be strengthened as much as needed in a timely and gradual manner. Accordingly, the CBRT raised the policy rate from 8.5% to 15% in June and 17.5% in July, communicating that the monetary tightening process would continue until a significant improvement in the inflation outlook was achieved. Moreover, selective credit and quantitative tightening measures were taken at the July meeting to support the monetary tightening process.

Noting that the underlying trend of inflation continued to rise in August, the CBRT concluded that additional pressure on inflation above the projected level emerged through the expectations channel. The CBRT communicated publicly in a timely manner that inflation would rise in the short term and hover close to the upper bound of the forecast range presented in the July Inflation Report at the end of the year. The CBRT drew attention to the higher-than-expected deterioration in inflation expectations and pricing behavior, and continued monetary tightening to anchor inflation expectations and keep the deterioration in the pricing behavior under control so that disinflation could be established in 2024. To this end, the CBRT delivered strong monetary tightening in August, raising the policy rate from 17.5% to 25%.

The policy rate was raised from 25% to 40% in the September-November period due to the higher-than-expected inflation in the third quarter, the stickiness of services prices, and the deterioration in inflation expectations, which continued to exert upward pressure on inflation. In November, the CBRT publicly shared its assessment that the level of monetary tightness required for the establishment of disinflation had been approached to a significant extent and communicated that the pace of monetary tightening would be eased and the tightening steps would be completed in a short period of time. Loan rates were assessed to be in line with the targeted level of financial tightness in December, as in November. Along with the 250-basis point increase in the policy rate decision taken in December, the CBRT stated that the regulations to increase the share of Turkish lira deposits, accompanied by monetary tightening, would continue to strengthen the transmission mechanism and improve the funding composition of the banking system. On the other hand, the CBRT underlined that it would continue to implement quantitative tightening by extending the sterilization tools at its disposal in order to support the monetary tightening process.

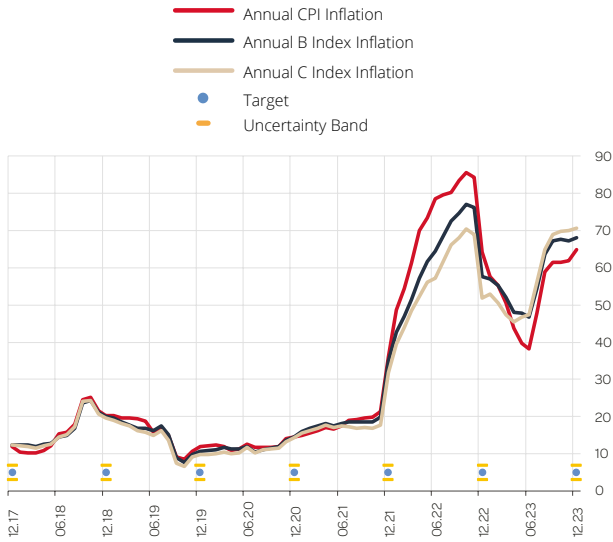
The strong monetary tightening process initiated in June as part of the fight against inflation was also supported by policy measures that safeguard macro financial stability. The CBRT simplifies the existing micro- and macroprudential framework in line with impact analyses in a way that will enhance the functionality of market mechanisms and strengthen macro financial stability. The effects of the steps taken as part of simplification are observed through the strengthening of the functionality of market mechanisms and the monetary transmission mechanism. This process strengthens monetary transmission as well as financial stability as the share of Turkish lira deposits in the financial system increases while the share of FX-protected and FX-denominated deposits declines. The ability of the banking system to fulfill its intermediation function with utmost efficiency is a prerequisite for achieving the disinflation process. In this context, practices that disrupt financial intermediation and adversely affect financial stability by distorting credit distribution are being removed within a predictable framework. The normalization of the commercial loan flow, the increase in the share of export and investment loans, and the slowdown in retail loan growth are taking place concurrently through the simplification measures and policy instruments put in place.

## Inflation Developments

Annual consumer inflation lost pace in the first half of 2023 amid the decline in international commodity prices, with energy in the lead, coupled with the steady course of the Turkish lira. Then, the third quarter was marked by the rise in the exchange rate, wages and energy prices as well as tax adjustments. The simultaneous occurrence of multiple all-time-high shocks accelerated the passthrough from shocks to prices and led to a dramatic rise in inflation in this quarter. Monthly inflation rates lost momentum in the last quarter of the year and along with the improvement in the underlying trend of inflation, annual consumer price inflation ended the year at 64.8 %, quite close to the mid-point of the forecast shared in the October Inflation Report (Chart 2.1.2.1). Seasonally adjusted monthly inflation in core indicators B and C decelerated significantly in the last quarter, recording annual inflation rates of 68% and 70.6%, respectively, at the end of the year.

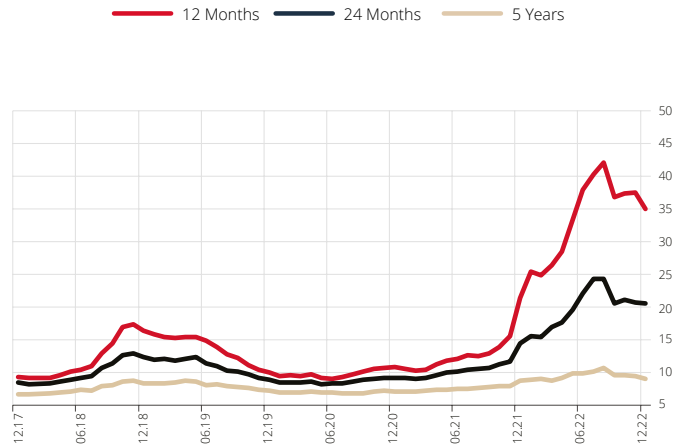
In 2023, the course of inflation was shaped by cost-side effects, mainly exchange rate developments and wage adjustments, while tax adjustments stood as another factor to affect the inflation outlook. Aggregate demand conditions lost momentum in the second half of the year, yet remained inflationary across the year. On the other hand, the decline in USD-based import prices had a favorable effect on inflation developments. Regarding administered prices, the reduction in household electricity tariffs and the natural gas subsidy offered to households improved the inflation outlook, while tax measures and administered price adjustments announced in the second half of the year pushed inflation upwards. Having increased across the year, inflation expectations improved as of September backed by the developments in monetary policy (Chart 2.1.2.2). Producer inflation receded notably in the first months of the year owing to the positive outlook in international commodity prices and the base effect, but pressures led by producer prices followed a strong course due to cost developments chiefly led by exchange rate developments in the remainder of the year.

Chart 2.1.2.1: Inflation and Targets (%)



Sources: CBRT, TURKSTAT.  
Last Observation: December 2023

Chart 2.1.2.2: Inflation Expectations (%)



Sources: CBRT, TURKSTAT.  
Last Observation: December 2023

Annual inflation in the food and non-alcoholic beverages group stood above the headline inflation at the end of 2023 with 72.0%. It is considered significant that food prices rose due exchange rate developments, minimum wage hikes, cyclical price adjustments and tax hikes, which escalated input costs. Across subcategories, the main driver of food inflation was the unprocessed food group, which surged by 91.2% year-on-year. Having soared by 138.5% year-on-year due to supply-side problems, red meat prices became the main driver of unprocessed food inflation. Annual processed food inflation followed a relatively more favorable course and ended the year at 58.1%. However, across subcategories, prices of processed delicatessen meat products recorded a high increase due to soaring meat prices. In the second half of the year, the rise in bread and cereals prices accelerated due to the termination of the flour regulation of the Turkish Grain Board (TMO) in June as well as wage hikes. Against this background, food and non-alcoholic beverages made the second highest contribution to annual inflation after services.

Energy prices tumbled amid falling international energy commodity prices as well as the reduction in electricity tariffs for households and the free use of natural gas in May. Having recorded the highest increase among subcategories in 2022 with 94.4%, energy prices rose by 27.2% in 2023, well below the headline inflation. Brent crude oil prices per barrel, which surged in 2022 amid the Russia-Ukraine war, followed a volatile course in 2023, but declined by an average of nearly 20% compared to the previous year. However, exchange rate developments accompanied by tax adjustments caused domestic fuel prices to rise. Fuel prices soared by 73.9%, which became the second highest price increase in the energy sub-group after liquid hydrocarbons. As natural gas was provided free of charge to households for one month in May and 25 cubic meters of natural gas was provided for free for one year, the impact pulled natural gas prices significantly downwards, resulting in an annual inflation of -18.3% in the natural gas group. On the other hand, the sizeable build-up of European gas stocks and the increased production from alternative energy sources drew down international natural gas prices, supporting this outlook. Meanwhile, domestic electricity prices receded notably due to the discount in April and the flat course in other months. Increases in municipal water prices stemming from the backward-indexation behavior hindered a more positive outlook in energy. All in all, the contribution of the energy group to annual inflation remained at 3.9 points as of end-2023.

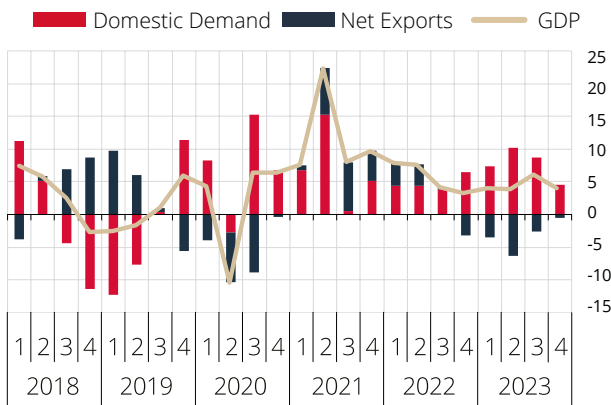
In 2023, services inflation became the largest contributor to consumer inflation with 24 points. High annual inflation rates were registered across subcategories, and increases in other services and restaurants-hotels inflation led by exchange rate and wage developments as well as the backward indexation mechanism stood out. Price changes in the other services subcategory were driven by maintenance-repair items, which are highly sensitive to exchange rates, and education and health services, which are subject to cyclical pricing, while the uptick in inflation in the restaurants-hotels group was led by food prices and minimum wage adjustments. Rent inflation surged throughout the year due to the backward-indexation behavior in contracts and rising house prices as well as supply-demand mismatches in the real estate market. The outlook for transport services was influenced by seasonal revisions in administered services and fuel price developments. As a result, being impacted by wage developments due to its labor-intensive structure and recording a backward-indexation behavior, the services sector completed the year at 90.7% and became the main driver of the rise in inflation in 2023.

Core goods prices soared by 52.8% in 2023. The core goods inflation outlook was shaped both by cost-side effects, with exchange rate developments in the lead, and by the implications of the course of domestic demand. With a high and rapid exchange rate passthrough, the durable goods group posted an upsurge in inflation in the third quarter of the year, led by the automobile item, while white goods and furniture items also registered hikes. Likewise, pharmaceuticals and hygiene products were the main drivers of inflation in the other core goods group, driven by exchange rate developments. As cost passthrough was largely completed in the third quarter and as the shocks waned, monthly core goods inflation and its underlying trend decelerated in the last quarter of the year. Among the components of core goods, clothing and footwear saw an annual inflation of 39.7% at the end of 2023.

## Supply-Demand Developments, External Balance and Labor Market

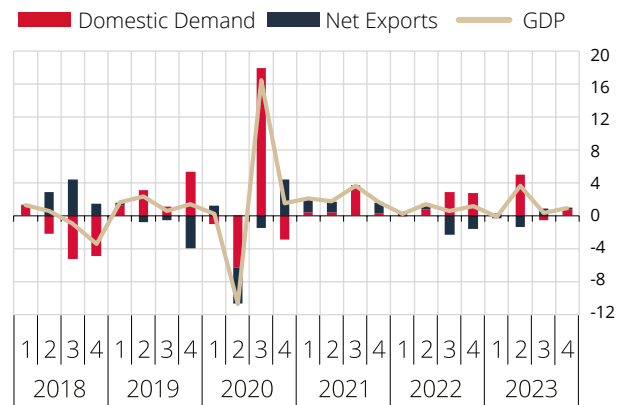
In 2023, economic activity was robust and gross domestic product (GDP) increased by 4.5% on an annual basis. In the first quarter of the year, GDP rose by 4% year-on-year, while it edged down by 0.2% quarter-on-quarter (Chart 2.1.2.3). In the second quarter, economic activity remained strong, and GDP increased by 3.9% annually and by 3.6% compared to the previous quarter. On the production side, the services sector remained as the main driver of annual and quarterly growth in the second quarter underpinned by strong tourism activity. On the other hand, industrial value added restrained growth in this period due to weak external demand. On the expenditures side, backed by the robust course of private consumption, domestic demand became the main driver of growth, while net exports had a dampening effect on quarterly growth (Chart 2.1.2.4). In the third quarter of the year, GDP grew by 6.1% annually, while quarter-on-quarter growth slowed down and GDP posted a limited increase of 0.3 percent compared to the previous quarter. In the last quarter of the year, GDP growth was 4% on an annual basis and 1% on a quarterly basis. In the second half of the year, the composition of growth calculated by both in terms of expenditure and production signaled for a rebalancing. On the production side, industrial value added started to contribute positively to annual growth, and the strong outlook in the services sector was maintained. On the expenditures side, tighter financial conditions led the contribution of private consumption to annual growth to diminish, while that of investments increased driven by machinery-equipment investments. Meanwhile, the negative contribution of net exports to annual growth posted a decline in the second half of the year.

**Chart 2.1.2.3: Gross Domestic Product and Components** (Contributions to Annual Growth, % Points)



Sources: CBRT, TURKSTAT.  
Last Observation: December: 2023Q4

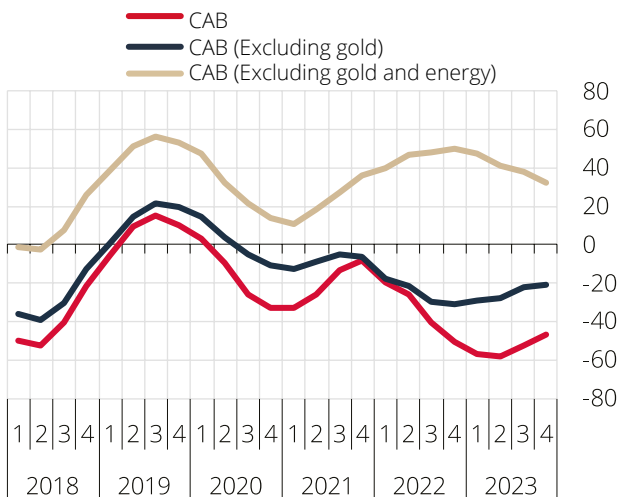
**Chart 2.1.2.4: Gross Domestic Product and Components** (Contributions to Quarterly Growth, % Points)



Sources: CBRT, TURKSTAT.  
Last Observation: December: 2023Q4

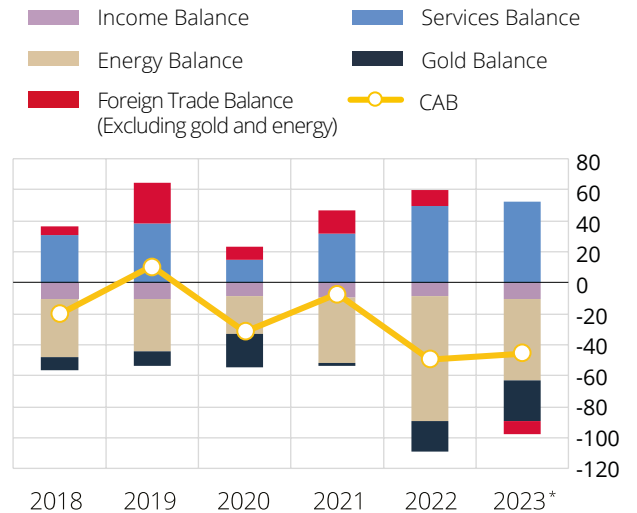
In the first half of 2023, despite the strong outlook in services balances and the decline in energy imports, the annualized current account deficit hit the highest level of the year with USD 60.1 billion in May due to the brisk course of domestic demand coupled with substantial gold imports (Chart 2.1.2.5). After a flat course in the first quarter of the year despite the impacts of the earthquake, exports recorded an increase in the second quarter. On the other hand, imports, especially consumption and gold imports, remained strong due to the robust domestic demand, despite falling energy imports amid the downtrend in energy prices. In the first half of the year, the marked growth in gold imports had an upward effect on the current account deficit whereas the rise in services revenues bolstered by the sizeable contribution of tourism and transport sectors supported the current account balance. The ongoing weak course in economic activity in Türkiye’s main export partners led by the policies pursued by the major central banks continued to restrain external demand in the third quarter, and exports declined. On the other hand, in the second half of the year, the decelerating effects of the monetary tightening on financial conditions and the rebalancing in domestic demand on imports became visible. In this period, in addition to the slowdown in gold imports, the seasonally adjusted growth in imports of consumption and investment goods lost momentum on a quarterly basis. In 2023, the energy balance was the largest negative contributor of the current account deficit, which widened to USD 45.4 billion (Chart 2.1.2.6). On the other hand, the negative impact of the energy balance on the current account balance waned in tandem with the falling energy prices compared to the previous year. The foreign trade balance excluding gold and energy contributed negatively to the current account balance, while the positive contribution of services items continued to increase. On the financing front, direct investments continued predominantly through property purchases of non-residents. Portfolio investments saw capital outflows in stocks and GDDS markets, whereas these markets recorded capital inflows since June, which accelerated in the last quarter. On the other hand, capital inflows were mostly bolstered by the increased non-residents’ deposits in 2023. Debt rollover ratios of the banking sector increased in the second half of the year, and for long-term loans hovered around 113.5% in 12-month cumulative terms as of December.

**Chart 2.1.2.5: Current Account Balance**  
(12-month Cumulative, USD Billion)



Source: CBRT.

**Chart 2.1.2.6: Current Account Balance Composition**  
(USD Billion)

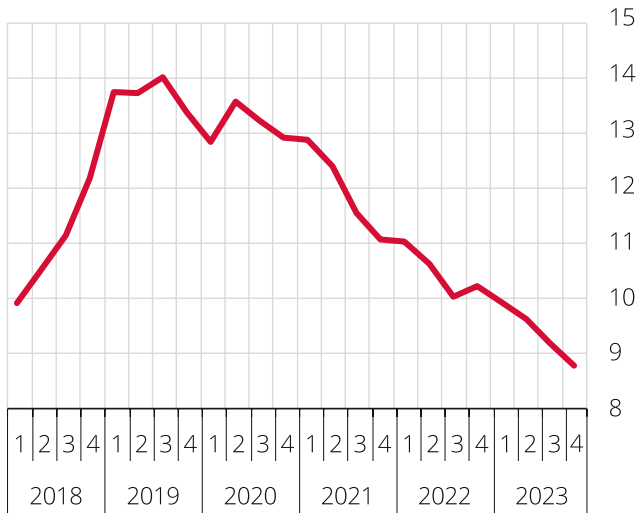


Source: CBRT.

\*12-month cumulative value as of December

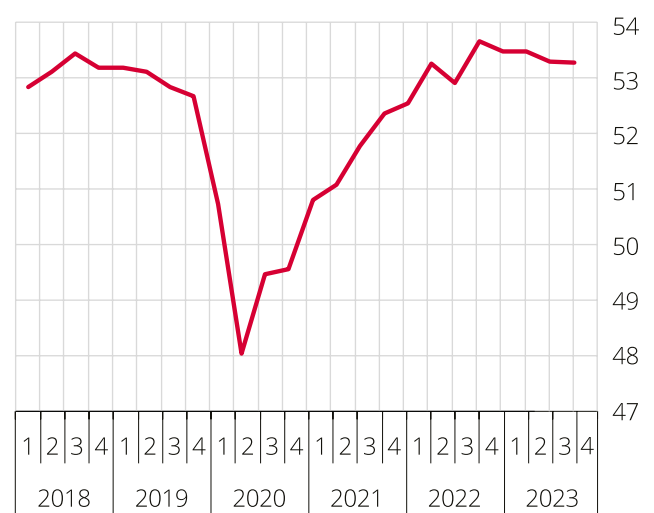
The strong course of economic activity in 2023 was also mirrored in the labor market, and the downtrend in the unemployment rate continued (Chart 2.1.2.7). In the first quarter of the year, employment increased quarterly in all non-farm sectors. In this period, the labor force participation rate declined slightly, and the unemployment rate stood at 9.9% (Chart 2.1.2.8). In the second quarter, industrial employment remained almost flat, while employment in the services and construction sectors rose further. In this period, the labor force participation rate remained unchanged, while rise in employment pulled the unemployment rate down. In the third quarter of the year, despite the loss of momentum in economic activity, the labor market exhibited a more resilient outlook. In this period, employment rose on the back of services and construction as in the second quarter, while industrial sector employment remained sluggish. On the other hand, the labor force participation rate posted a quarterly decline and contributed to the downtrend in the unemployment rate. In the final quarter of 2023, the seasonally adjusted unemployment rate decreased by 0.4 points quarter-on-quarter to 8.8%. Meanwhile, the labor force participation rate remained flat at 53.2% in the same period. Thus, in 2023 total employment rose by about 900 thousand people compared to previous year, while the unemployment rate fell by 1.0 percentage point to 9.4%.

**Chart 2.1.2.7: Unemployment Rate**  
(Seasonally Adjusted, %)



Source: TURKSTAT.

**Chart 2.1.2.8: Labor Force Participation Rate**  
(Seasonally Adjusted, %)



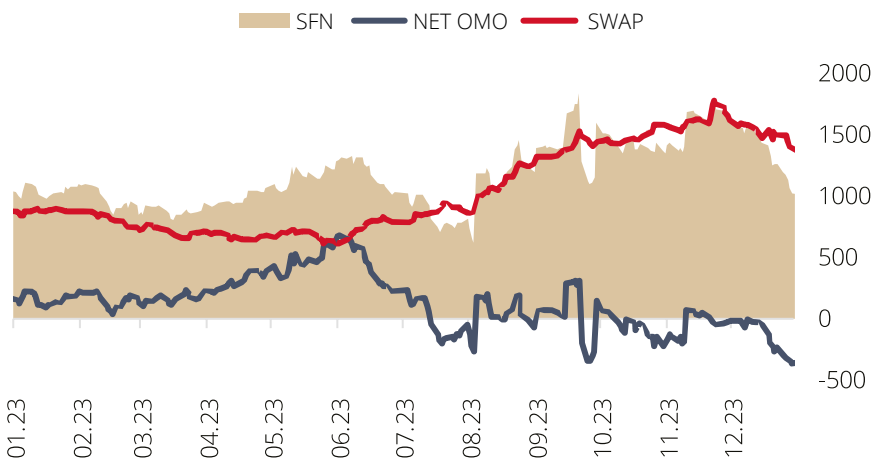
Source: TURKSTAT.

## 2.2 Operational Framework of Monetary Policy

### 2.2.1 Turkish Lira Liquidity Management

In 2023, CBRT funding was carried out through Open Market Operations (OMO) and swap transactions against FX and gold. Accordingly, the amount of swap transactions, which was TRY 883.4 billion as of 2023, increased by TRY 506.5 billion and rose to TRY 1,389.9 billion as of December 29, 2023. Net OMO, which was TRY 167.8 billion in the early 2023, dropped by TRY 531 billion and net TRY 363.2 billion was sterilized from the market via OMO as of 29 December 2023. In 2023, required reserves framework adjusted from the perspective of quantitative tightening, and monetary base developments with the rise in the net domestic borrowing amount of the Ministry of Treasury and Finance added to the funding requirement of the system, while the FX protected deposit transactions, export proceeds, rediscount credits, other FX generating transactions and direct purchases of GDDS injected liquidity and reduced the funding need of the system. Funding need of the system followed a volatile path throughout 2023 due to adjustments in the required reserves framework and FX transaction of CBRT. Compared to early 2023, the funding need of the system reduced by TRY 24.5 billion to TRY 1,026.7 billion as of 29 December 2023.

**Chart 2.2.1.1: CBRT Funding (TRY Billion)**



Source: CBRT.

In the second half of 2023, the compensation of exchange rate depreciation on FX-Protected Deposits (KKM) and FX transactions, which injected TRY liquidity, led to temporary liquidity surplus episodes in the system, and resulted the CBRT to become net borrower in the OMO. The excess liquidity was sterilized through various instruments to bolster the effectiveness of the monetary transmission mechanism.

Accordingly,

- KKM deposits included within Required Reserves (RRs) framework, and RR's framework adjusted with maturity-based differentiation.
- Additional RR were introduced to FX-denominated deposits to be maintained in TRY.
- TRY deposit purchase auctions were launched as of 22 December 2023.

In the first half of 2023, to maintain instrument diversity and operational flexibility in liquidity management, the OMO portfolio supported by the purchase of nominal TRY 94.5 billion worth of securities, including nominal TRY 39 billion worth of GDDS through traditional auctions, and nominal TRY 55.5 billion worth of GDDS through auctions held under the primary dealer outright purchase facility. Meanwhile, a total of nominal TRY 8.8 billion worth of securities was purchased through outright purchase auctions via quotation. In the second half of 2023, outright purchase auctions were suspended in line with the quantitative tightening measures.

## 2.2.2 Foreign Exchange Liquidity Management

The floating exchange rate regime continued in 2023, and exchange rates were determined under free market conditions according to supply and demand balance. In addition, the CBRT has no commitment to any exchange rate level under the current exchange rate regime. However, to ensure efficient functioning of the FX market and promote healthy price formation, the CBRT continued to closely monitor exchange rate developments and related risk factors as well as to take the necessary measures and employ suitable instruments. Accordingly, some of the FX liquidity obtained from the sale of exporters' foreign exchange to the CBRT was supplied to the market to meet the liquidity deficit in case of the market needs. Meanwhile, effective from 3 July 2023, the liquidity need in the FX market that may arise at maturity dates of Turkish lira deposit and participation accounts converted from FX or gold accounts started to be met via CBRT's outright FX sales to banks against Turkish lira.

In 2023, within the framework of TRY currency swap transactions, the CBRT provided funding through swap auctions conducted via the traditional method with maturities of two weeks, one month, two months and three months and swap market transactions conducted via the quotation method with a maturity of one week. As of 29 December 2023, the outstanding amount of TRY currency swap auctions was USD 41.8 billion, while the outstanding amount of TRY currency swap market transactions was USD 4 billion.

TRY-settled FX forward transactions at the BIST Derivatives Market (VIOP) continued in 2023. Additionally, to increase instrument diversity, TRY-settled FX forward selling transactions at the CBRT started on 14 April 2023. Meanwhile, the CBRT's total short position amount, which reached USD 9.6 billion in June, was reduced gradually in the remainder of the year and decreased to USD 157 million as of 29 December 2023.

To increase the effectiveness of banks' liquidity management and contribute to the bringing of gold savings into the financial system, the CBRT continued to conduct TRY/FX gold swap transactions in 2023. As of 29 December 2023, the net outstanding amount of TRY gold swap market transactions conducted via the quotation method was 14.6 tons, the net outstanding amount of FX gold swap market transactions was 19.3 tons, and the net outstanding amount of TRY gold swap auctions conducted via the traditional method was 31.4 tons. There is no FX/Gold Swap Market transaction on the sell side. In 2023, a portion of the increased domestic demand for physical gold was met by the CBRT through gold sale transactions at the BIST Precious Metals and Diamond Market and location swap transactions. Moreover, the CBRT continued to purchase gold ore purchases against TRY for reserve accumulation purposes.

In 2023, in tandem with developments in global interest rates, the interest rate applied to collateral FX deposits was gradually increased from 4.25% to 5.50% for the US dollar, and from 2.5% to 4.00% for the euro across all maturities. The interest rates applied to FX deposits that banks can borrow from the CBRT were gradually raised from 6.75% to 7.75% for one-week and from 7.50 to 8.50% for one-month maturity for US dollar, while those for the euro were gradually increased from 4.50% to 6.00% for one-week and from 5.00% to 6.50% for one-month maturity.



## 2.2.3 Reserve Requirements and Securities Maintenance

2022 was marked by measures to convert foreign currency (FX) deposits to KKM accounts, while the focus in 2023 was on prioritizing TRY deposit accounts.

In the second half of 2023, the CBRT took comprehensive simplification steps in RR and securities maintenance practices as part of the micro- and macroprudential policies to increase the functionality of market mechanisms and strengthen the monetary transmission mechanism in line with the monetary tightening policy. In the last quarter of 2023, policies to promote TRY deposits were supported by charging commissions on the RR to be maintained for FX deposits.

Accordingly, the CBRT pursued policies to increase the share of TRY deposits in total deposits, convert KKM accounts into TRY deposit accounts and to implement selective credit and quantitative tightening. On one hand the decline in the KKM balance became more pronounced, on the other hand the excess liquidity in the financial system was sterilized through various instruments to enhance the effectiveness of the monetary transmission mechanism. Moreover, the obligation to maintain securities for FX liabilities was gradually reduced and attained a level that would not create an additional demand for securities under existing conditions.

To mitigate the negative effects of the earthquake that occurred on 6 February 2023 and to contribute to the recovery, it was decided to exempt the loans extended to the earthquake zone from the RR and securities regulations until 31 August 2023. The effective period of this practice was extended first until 1 January 2024 and then until June 2024.

In 2023, within the scope of the RR practice, steps were taken to prioritize long-term TRY deposits and to increase the RR liabilities on KKM and FX deposits. On the other hand, exemption from the RR ratio for the increase in the items that qualify as external funding was introduced.

Effective from 20 January 2023, to encourage the maturity extension of TRY deposits, RR ratios for TRY deposit accounts with maturities longer than three months were set at 0%. Additionally, it was decided to set RR ratios at 0% for the increase in FX liabilities with maturities longer than six months provided directly from abroad first until the end of 2023, and then until the end of 2024.

To prioritize TRY deposits and sterilize increased liquidity, the RR ratio for KKM accounts was first increased from 0% to 15% as of 21 July 2023. Subsequently, the maturity-based differentiation was introduced to RR ratios and they were set as 25% for the KKM accounts with maturities up to six months (inclusive) and 5% for those with longer maturities, effective from 1 September 2023. These ratios were increased by 500 basis points for all maturities to be effective as of 27 October 2023.

Regarding FX RR ratios, effective from 18 August 2023, the RR ratio for demand deposits and deposits with maturities up to 1 month (excluding deposits/participation funds and precious metal deposit accounts of banks abroad) was increased from 25% to 29% for FX liabilities. Effective from 27 October 2023, the RR ratios for FX deposits (excluding deposits with banks abroad and precious metal deposit accounts) were increased by 100 basis points for all maturities, and an additional RR of 4% was introduced to these liabilities to be held in TRY for all maturities. Regarding the additional 500 basis points FX RR ratio based on the KKM-included TRY share, in the second quarter of 2023, first, the target TRY share was lowered and then the practice was terminated effective from 18 August 2023 for simplification purposes.

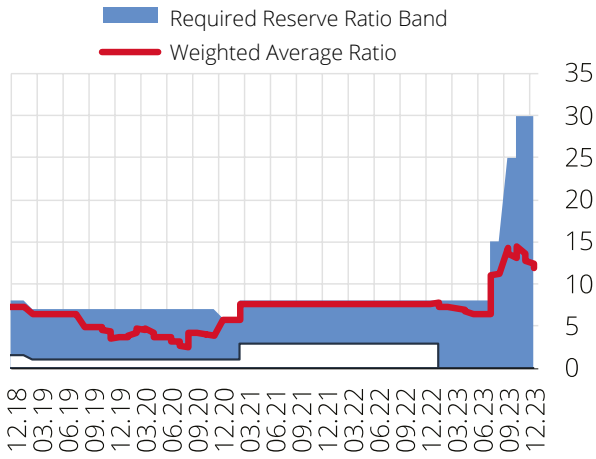
As part of the simplification process, the requirement to maintain 20% RR for TRY-denominated cash loans extended by financing companies was cancelled as of 24 November 2023.

As announced at the end of 2023, the Reserve Option Mechanism (ROM), which enabled maintenance of TRY RRs in gold, was terminated on 23 June 2023.

As of the calculation date of 22 December 2022, the average weighted TRY and FX reserve requirement ratios were 11.9% and 22.8%, respectively (Charts 2.2.3.1 and 2.2.3.2).

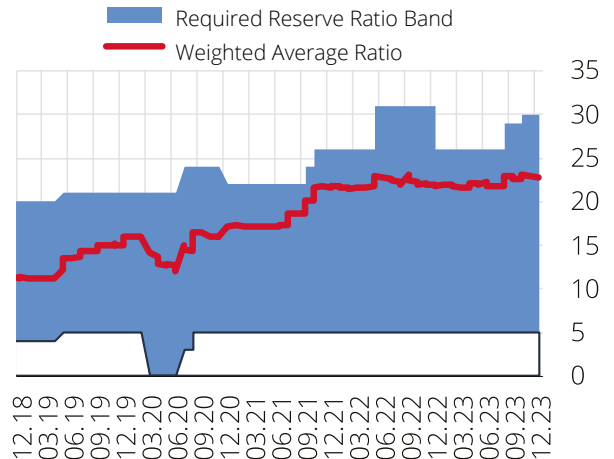
As of 22 December 2023, TRY liabilities subject to reserve requirements amounted to TRY 8,519 billion and FX liabilities amounted to TRY 8,2421 billion. As of the maintenance period of 5 January 2024, USD 64.2 billion worth of FX and USD 7.4 billion worth of gold have been maintained for FX liabilities. As of the maintenance period of 5 January 2024, the amount of additional RR required to be maintained in TRY for FX deposits/participation funds (excluding deposits/participation funds of banks abroad and precious metal deposit accounts) is TRY 190.8 billion (Charts 2.2.3.3 and 2.2.3.4).

**Chart 2.2.3.1: Turkish Lira RR Ratios**  
(%, as of Maintenance Periods)



Source: CBRT Last Observation: 22.12.2023

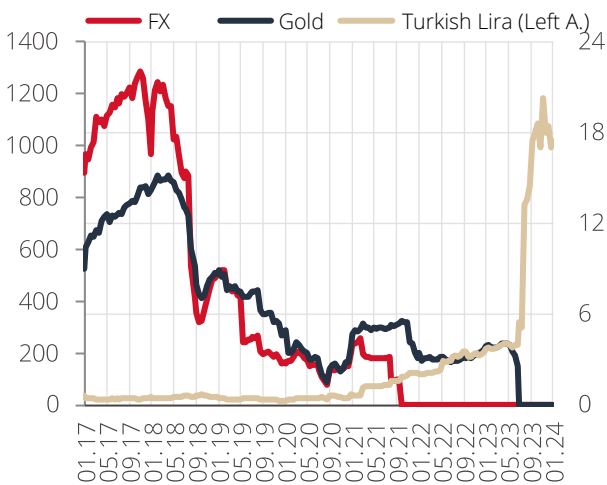
**Chart 2.2.3.2: Foreign Currency RR Ratios \*,\*\***  
(%, as of Maintenance Periods)



Source: CBRT Last Observation: 22.12.2023

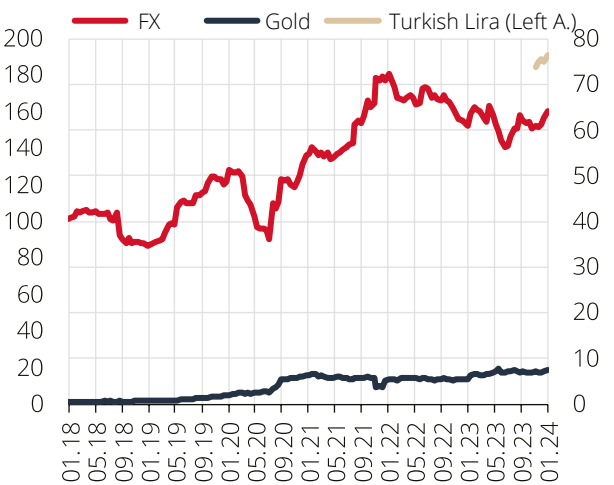
\* Based on additional FX RR ratio differentiated according to the conversion rate.  
\*\* Additional FX RR ratio to be maintained in Turkish lira is 4% in all maturities and is not indicated in the chart.

**Chart 2.2.3.3: Turkish Lira RR and ROM Gold Amount**  
(TRY Billion, USD Billion, as of Maintenance Periods)



Source: CBRT Last Observation: 05.01.2024

**Chart 2.2.3.4: Foreign Currency RR Amount**  
(USD Billion, as of Maintenance Periods)



Source: CBRT Last Observation: 05.01.2024

Regarding simplification in securities maintenance practice, in the second half of the year, additional securities maintenance based on the conversion rate from FX deposits to KKM accounts and KKM-included TRY share were terminated; the securities maintenance ratio for liabilities was reduced; securities maintenance was terminated for monthly loan extensions and purchases of securities issued by the real sector; and liabilities imposed on loans not extended against expenditure were abolished. Moreover, the securities maintenance based on the interest rate/profit rate over current loan extensions of banks/ factoring receivables of factoring companies was terminated.

Regarding the securities implementation, the securities maintenance ratio for FX liabilities was raised from 5% to 10% effective as of February, and was first reduced from 10% to 5% in June and then to 4% effective as of November in view of the gradual approach to simplification of the micro and macroprudential policy framework based on impact analyses. Moreover, in the second half of the year, additional securities maintenance practices based on the conversion from FX deposit accounts to KKM accounts and additional securities maintenance practices based on the KKM-included TRY share were terminated.

To contribute to the strengthening of macro financial stability, a target was introduced in the securities practice to shift from KKM accounts to TRY time deposits, to renew these accounts at certain rates, and to increase the ratio of TRY deposits excluding KKM. In October, these targets were also removed from the securities maintenance practice and included in the commission implementation on RRs maintained for FX deposits.

Gradual simplification was made in securities maintenance based on flow loan extensions, loan interest rate and loan growth rate.

In October, the securities maintenance practice applied to banks at a rate of 30% based on TRY commercial loan extensions together with the requirement of document against expenditure for the types of loans exempted from this practice, was abolished. Moreover, the securities maintenance practice applied at a rate of 30% on securities issued by the real sector and purchased by banks was terminated.

In April, the securities maintenance ratio applied as 90% for the second tier based on the loan rate was increased to 150%. In July, the first tier was removed for TRY commercial loans excluding export and investment loans based on the interest rates and the interest rate cap was applied as a single tier. In August, the single tier practice was introduced for all loans. In October, the security maintenance practice based on the interest rate/profit rate for TRY commercial loans excluding export and investment loans of banks and factoring receivables of factoring companies was abolished. This practice was terminated for all loan types at the end of 2023.

Regarding selective credit and quantitative tightening decisions together with the process of monetary tightening, in securities maintenance based on monthly growth limit for TRY commercial loans of 3% was reduced to 2.5%. Growth limit for vehicle loans was reduced to 2% from 3%, and for general purpose loans was kept at 3% in August. Export, investment, agricultural and tradesmen loans as well as loans extended to public institutions and organizations were excluded from this limitation. The effective period of this practice was extended from December 2023 to June 2024.

**Table 2.2.3.1: Securities Maintenance Ratios (% , as of Calculation Periods)**

Securities Calculation Date	January 2023	February-March 2023	April 2023	May-June 2023	July 2023	August 2023	September 2023	October 2023	November-December 2023
FX deposit/ participation fund liab.	5%	10%	10%	5%	5%	5%	5%	5%	4%
Based on Conversion Rate	-	-	5%	-	10%	-	-	-	-
Based on KKM-included TRY share	+2%; +7%	-7%; -5%; +2%; +7%	-7%; -5%; +7%	-2%; +7%	-	-	-	-	-
Based on Loan Extensions by Type	30%	30%	30%	30%	30%	30%	30%	-	-
Based on Loan Growth	Amount Exceeding 3% of Monthly Growth	Amount Exceeding 3% of Monthly Growth	Amount Exceeding 3% of Monthly Growth	Amount Exceeding 3% of Monthly Growth	Amount Exceeding 3% of Monthly Growth	Amount Exceeding 2%, 2.5% and 3% of Monthly Growth	Amount Exceeding 2%, 2.5% and 3% of Monthly Growth	Amount Exceeding 2%, 2.5% and 3% of Monthly Growth	Amount Exceeding 2%, 2.5% and 3% of Monthly Growth
Based on Loan Interest Rate/ Profit Rate	20 %and 90%	20% and %90	%20 and 150%	20% and 150%	20% and 150% 20% and 150%	150%	150%	150%	%150
Based on Interest Rate for Factoring Receivables	90%	90%	90%	90%	90%	90%	90%	-	-
Based on Funding-Loan Spread	Equivalent to the Increased Amount	Equivalent to the Increased Amount	Equivalent to the Increased Amount	-	-	-	-	-	-
Based on Conversion Rate from KKM to TRY Deposits							TRY Originated KKM50% 25%; FX/Gold converted KKM 10% (5%)	TRY Originated KKM 50% (25%)	TRY Originated KKM 50% (25%)
Renewal Rate							95%; 75%	-	-
Based on KKM-excluded TRY share							Real Person-Increase-Legal Person-Level	(Real Person-Increase)	

## 2.2.4 Rediscount Credits

Governed by Article 45 of the CBRT Law, rediscount credits for exports and FX earning services are extended to exporters and firms that engage in FX earning services and activities to finance them at affordable costs. These loans are made available at maturities of up to 360 days by accepting TRY and FX-denominated bills for rediscount via intermediary banks based on the TRY equivalent of the bills. Repayments to the CBRT are made in either FX or TRY, depending on the currency in which the bills are issued.

Effective from 1 January 2023, the total limit for rediscount credits was converted from US dollar to Turkish lira and set at TRY 405 billion. Firm-based credit limits were determined as; for Small and Medium-Sized Enterprises (SMEs), half the maximum annual net sales revenues or financial balance sheet amounts set for micro, small and medium-sized enterprises in subparagraphs (a), (b) and (c) of the first paragraph of Article 5 of the "Regulation on Small and Medium-Sized Enterprises" published in the Official Gazette of 25 May 2023 and No. 32201, TRY 4.5 billion for firms engaged in FX earning services, export intermediaries and firms operating in the defense industry and TRY 2.5 billion for other firms.

In 2023, the following changes were made in the rediscount credit implementation:

- For companies based in the provinces hit by the earthquake disaster in Türkiye (Adana, Adıyaman, Diyarbakır, Hatay, Gaziantep, Kahramanmaraş, Kilis, Malatya, Osmaniye, Şanlıurfa): i) An interest-free maturity extension up to 180 days was granted for repayment of rediscount credits for export and FX earning services as well as advance loans against investment commitment with a due date between 6 February 2023 (included) and 30 April 2023 (included), ii) An additional export and FX-earning services commitment fulfillment duration of six months was introduced for those rediscount credits for export and FX-earning services that had been used before 6 February 2023 (included).
- As of 25 July 2023, the following decisions were taken to support exporters' access to financing:
  - The daily limit for rediscount credits was raised to TRY 1.5 billion.
  - Increasing the SME share in rediscount credits and export growth performance were taken into account when extending credits.
  - Conditions to access rediscount credits were eased as part of the simplification process. Accordingly, the requirement to sell an additional 30% of export proceeds to use rediscount credits was abolished, and foreign currency purchases for import payments were exempted from the scope of the commitment not to buy foreign currency during the rediscount credit term.
- As of 12 September 2023, the daily limit for rediscount credits was increased to TRY 3 billion from TRY 1.5 billion to support selective credit utilization and exporters' access to finance.
- As of 22 September 2023, Turkish lira rediscount credits were subject to the interest rate calculated based on the formula set instead of the policy rate, to ensure that the interest rates applied to these credits reflected the spot loan cost instead of the discount rate.
- As of 23 November 2023, the maximum discount rate for rediscount credits for export and FX earning services was kept unchanged at 25.93%

In 2023, a total of TRY 398.12 billion of rediscount credits were extended with a breakdown of TRY 57.45 billion in foreign currency and TRY 340.67 billion.

In 2023, originating from currency swap agreements, rediscount credits amounting to CNY 721.12 million (USD 100.2 million) were extended to finance trade or investment activities in local currency between the Republic of Türkiye and the People's Republic of China; and UAE 136.68 million (USD 37.21 million) were extended to finance trade or investment activities in local currency between the Republic of Türkiye and the United Arab Emirates (UAE).

## 2.2.5 Advance Loans

Advance Loans Against Investment Commitment (ALAIIC) are extended pursuant to Article 45 of the CBRT Law through intermediary banks to firms for financing investments that help narrow the current account deficit, by accepting TRY-denominated bills for advance, at a maximum maturity of 10 years and with a maximum grace period of two years. As part of the first ALAIIC financing that took effect on 5 June 2020, the CBRT policy rate - 150 basis points was applied to these loans. The purpose of this investment program is to support highly efficient investments that will reduce imports and boost exports, diminish external dependence and the current account deficit, and support sustainable growth, in tandem with the price stability and financial stability objectives. The new ALAIIC program that entered into force on 24 November 2023 aims to put into practice large-scale, high-tech and strategic investments through investment loans. The new ALAIIC program has been allocated an annual limit of TRY 100 billion.

By December 2023, the following changes were made in the ALAIIC implementation:

Under the new ALAIIC program enforced on 24 November 2023:

- The application process begins with an evaluation by the Ministry of Industry and Technology of the firms' technical competence and capacity required for the implementation of investments. Applications are then made to the CBRT via intermediary banks by submitting the Technology/Strategy scores (TSS) given at the end of the evaluation process together with other necessary documentation. The application process is finalized with an evaluation made by the CBRT.
- The minimum investment amount is set at TRY 1 billion. The amount of loans to be allocated for the investment is limited to a maximum of 70% of the total investment amount, provided that it does not exceed TRY 5 billion, the maximum limit per firm.
- It is stipulated that at least 20% of the total investment amount would be financed by equity.
- It is also stated that investments that receive a negative evaluation by the CBRT with regard to their potential for lowering inflation and the current account deficit will not be eligible for such loans.
- Investments with no TSS but considered positive by the CBRT in terms of reducing inflation or the current account deficit will be eligible for the ALAIIC. Applications for such investments are made directly to the CBRT via intermediary banks.
- The interest/profit share rate applicable to ALAIIC loans is determined based on the TSS. Investments with a TSS of 85 or above, or investments without a TSS but approved by the CBRT will be subject to an interest/profit share rate of 23%, while investments with a TSS below 85 will be subject to an interest/profit share rate of 30%.
- Investments with a ratio of external financing to total investment amount of 20% or more, and firms with high financial soundness were entitled to a discount of 500 basis points and 300 basis points, respectively, on the applicable loan rate.
- In order to be eligible for the ALAIIC credit program, firms should have a net FX position below 5% of their total assets and should not have account balances under any CBRT protection against exchange rates/price changes.
- Except for the firms operating in the defense industry sector, loan beneficiaries should undertake that all contracts to be made with residents in relation to the ALAIIC investment and related pricing shall be in Turkish liras, and that the pricing and sales of the investment-driven goods/services to be produced for/provided to the residents will be made only in Turkish liras.

For loans under the ALAIIC program dated 5 June 2020, the aforementioned instructions remain valid with following amendments:

- The implementation of allocating separate limits for industrial and tourism investments in ALAIIC applications was terminated.
- The CBRT may deem it appropriate to allocate a credit/financing limit of up to TRY 2.5 billion for investments with a total fixed amount of TRY 1.5 billion or more for firms that produce renewable energy or high-tech products that will reduce carbon footprint as part of sustainable, strategic and green transformation.
- The obligation for defense industry firms to use Turkish lira as currency in contracts engaged in with residents in relation to the ALAIIC investment, and related pricing was terminated.
- For the ALAIIC program, the commitment to not purchase foreign currency during the credit period and the obligation to sell foreign currency to the CBRT were abolished.
- The discount rates on the interest/profit share applicable to loans were increased tenfold based on the commitments made regarding investment location, use of domestic machinery and provision of financing from abroad.

By the end of 2023, TRY 86.58 billion was used out of the total loan allocation of TRY 111.11 billion under the ALAIIC to investing firms through banks.

## 2.3 Regulations and Other Actions Regarding the Financial System

### 2.3.1 Maximum Interest Rates for Credit Cards

Since November 2020, the maximum interest rates for credit cards have been determined by a predictable, rule-based method reflecting current market conditions. Accordingly, the maximum interest rates for credit cards are based on the reference rate calculated according to the Communiqué on Procedures and Principles Regarding the Fees That Banks Can Charge Commercial Clients (No. 2020/4), and the calculation method for these rates is as follows (Table 2.3.1.1).

**Table 2.3.1.1. Maximum Interest Rates on Credit Card Transactions (%)**

	TRY		FX	
	Maximum Contractual Interest Rate	Maximum Overdue Interest Rate	Maximum Contractual Interest Rate	Maximum Overdue Interest Rate
<b>Reference Rate in Credit Card Transactions</b>	Reference Rate + 0.55	Reference Rate + 0.55	Reference Rate + 0.55	Reference Rate + 0.55
<b>Reference Rate in Cash Advances or Purchases</b>	Reference Rate + 1.31	TRY maximum contractual (for Cash Advances or Purchases) + 0.30	-	-

To increase the functionality of the market mechanism and to support the efficient use of financial resources, with a regulation dated 25 July 2023, maximum contractual rates on credit card transactions were differentiated to apply higher rates for cash advances or purchases. Accordingly, the monthly maximum contractual interest rates for credit card cash advances or purchases were determined by adding 131 basis points to the monthly reference rate. The monthly maximum overdue interest rates for credit card transactions in Turkish lira were determined by adding 30 basis points to the monthly maximum contractual interest rates applicable to credit card transactions in Turkish lira.

Accordingly, the maximum contractual and overdue interest rates applicable since December 2022 are shown in Table 2.3.1.2.

**Table 2.3.1.2. Maximum Interest Rates on Credit Card Transactions (%)**

Valid	Reference Rate	TRY Credit Card Transactions		TRY Cash Advances or Purchases (Also Applicable to Overdraft Accounts)		FX Credit Card Transactions	
		Maximum Contractual Interest Rate	Maximum Overdue Interest Rate	Maximum Contractual Interest Rate	Maximum Overdue Interest Rate	Maximum Contractual Interest Rate	Maximum Overdue Interest Rate
December 2022 - June 2023	0.81	1.36	1.66	1.36	1.66	1.09	1.39
July 2023	1.36	1.91	2.21	1.91	2.21	1.53	1.83
August 2023	1.58	2.13	2.43	2.89	3.19	1.70	2.00
September 2023	2.26	2.81	3.11	3.57	3.87	2.25	2.55
October 2023	2.71	3.26	3.56	4.02	4.32	2.61	2.91
November 2023 - January 2024	3.11	3.66	3.96	4.42	4.72	2.93	3.23

## 2.3.2 Regulations on Fees

### 2.3.2.1 Regulations Regarding Fees Chargeable to Commercial Clients

The “Communiqué No. 2020/4 on Procedures and Principles Regarding the Fees that Banks Can Charge Commercial Clients” arranges the fees that banks can charge their commercial clients for products and services they offer. The purpose of the Communiqué is to enhance predictability and transparency in transactions between banks and their commercial clients, to ensure consistency of concepts and terminology, and to prevent excessive pricing.

Regulations published in the Official Gazettes of 23 June 2023 and 25 November 2023 and 22 December 2023 introduced some changes in the Communiqué No. 2020/4. Accordingly, with the amendment dated 23 June 2023, the announcement time of the reference rate was changed. Prior to the regulation, the reference rate used to be announced on the fifth to the last business day of each month, however, the regulation stipulated that if a Monetary Policy Meeting is to be held in the same month after the fifth to the last business day of the respective month, the reference rate would be calculated and announced based on the most recent data available on the meeting date.

The amendment of 25 November 2023 terminated the application of a 50% increment in the maximum tariffs for late EFT and FAST transactions, EFT transactions outside official working hours and FAST transfers at weekends, additionally stipulated that the cost incurred for printed statements would be reflected exactly to commercial clients.

The amendment dated 22 December 2023 introduced a cap on the reference rate. Accordingly, the calculation method of the reference rate (the lower of the weighted average flow interest rate that banks applied to Turkish lira deposits with a maturity of 32-45 days and the policy rate plus 10%) was kept unchanged, yet the upper limit was set at 3.11. The same amendment also regulated that monetary limits and maximum fees for EFT, FAST and remittance transactions, which were set as fixed prices by the Communiqué No. 2020/4, would be calculated and notified to banks by the CBRT each year.

Finally, the CBRT responded to approximately 550 applications regarding the fees chargeable to commercial clients under the Communiqué No. 2020/4.

### 2.3.2.2 Fees Chargeable to Financial Consumers

The Communiqué on Procedures and Principles Regarding the Fees to be Charged to Financial Consumers (No.2020/7) published in the Official Gazette No. 31061 of 7 March 2020 regulates the fees chargeable to financial consumers for products and services offered. The purpose of the Communiqué No. 2020/7 is to determine the procedures and principles governing any kind of fees, commissions and expenses other than interest rates and profit share chargeable to financial consumers for the products and services offered by institutions.

In 2023, the issues requiring regulatory action as part of regulations on fees were determined and the following amendments were made to Communiqué No. 2020/7.

The amendment published in the Official Gazette dated 25 November 2023 terminated the application of a 50% increment in the maximum tariffs for late EFT and FAST transactions with FAST transactions performed outside the official working hours of the EFT system and conducted at weekends.

The amendment published in the Official Gazette dated 22 December 2023 also regulated that monetary limits and maximum fees for EFT, FAST and remittance transactions would be calculated and notified to banks by the CBRT each year.

Finally, the CBRT responded to approximately 9,500 applications regarding the fees chargeable to financial consumers under the Communiqué No. 2020/7.



## 2.4 Financial Stability Developments and Activities

### 2.4.1 Financial Stability Developments

Household indebtedness (Household Financial Debt/GDP) in Türkiye stands at 11.8%, well below the emerging market economies (EME) average of 48%. In addition to the existing macroprudential measures implemented by the Banking Regulation and Supervision Agency (BRSA), such as loan-to-value ratios for housing and vehicle loans and limitations on maturities for vehicle and general-purpose loans, the monetary tightening in the second half of the year curbed the growth of consumer loans and personal credit card balances. In 2023, household financial assets grew stronger than their liabilities. As of the last quarter of 2023, household debt to financial assets ratio was 24%, well below its long-term average of 42%.

As of the second quarter of 2023, the corporate sector's financial debt-to-GDP ratio stood at 55.7%, significantly well below the EME average of 108.6%. The financial indicators of BIST firms remained strong as of the third quarter of 2023, pointing to the resilience of corporate balance sheets against rising financial costs. Moreover, the long-standing improvement in the FX position of the corporate sector continued in 2023 and the sector's net open FX position decreased by USD 4.7 billion year-on-year to USD 77.6 billion in October 2023. As of October 2023, total FX financial debt of firms stood at USD 209 billion. The 12-month cumulative external debt rollover ratio of corporate sector firms remained above 100%, indicating a sustained access to external financing.

Loan growth, which was high in the first half of 2023, slowed down significantly in the second half due to the monetary tightening that started in June, along with supportive steps such as selective credit tightening. Annual growth of Turkish lira loans, which was 80% at the end of 2022, reached 88% in May 2023 and then declined to 54% by the end of the year due to the monetary and financial tightening in the second half of 2023. The Turkish lira commercial loan growth declined to 46% in 2023, down from 2022 level of 94%. The downtrend in FX loans continued at a slower pace in 2023, while FX loans contracted by 5% in FX-adjusted terms.

The CBRT implemented selective credit policies effectively to rebalance domestic demand and support exports, investment and production. In this scope, the Bank introduced securities maintenance based on loan growth thresholds of 2.5% per month for Turkish lira commercial loans (excluding export, investment, agriculture, tradesmen loans, and loans to public institutions and organizations and loans extended in the earthquake zone), 3% per month for general-purpose loans excluding overdraft accounts, and 2% per month for vehicle loans. Moreover, loan rate thresholds for export/investment loans set up to 1.4 times the reference interest rate that is effect until at the end of 2023. As a result, credit growth diverged between regulated and unregulated loan types and the share of unregulated loans increased.

The banking sector's asset quality outlook remained strong throughout 2023, with the non-performing loan (NPL) ratio declining from 2.1% at end-2022 to 1.6% at end-2023. The buoyant economic activity, the increase in asset prices and favorable liquidity conditions throughout 2022 and in the first half of 2023 led to a rise in NPL collections and supported the positive outlook in asset quality. The ratio of Stage 2 loans to gross loans decreased to 8% in November 2023 from 8.5% at the end of 2022. In November 2023, the provision ratios of the banking sector for Stage 2 and NPLs loans were 22.8% and 84.5%, respectively. Banks sustained their pandemic-driven prudent provisioning policies that they had started during the pandemic.

The banking sector maintained liquidity buffers above the adequate levels in 2023. Liquidity coverage ratios (LCRs), a major risk indicator for the liquidity outlook, continued to hover well above the legal limits<sup>1</sup> of 100% and 80% for FX and total LCRs, respectively. Total and FX LCRs stood at 194% and 330%, respectively, at the end of 2023. Improving expectations and the accompanying decline in the risk premium since the second half of the year led to a decrease in costs and banks provided net USD 12.7 billion worth of financing from abroad in 2023. Following that, banks' external debt rollover ratio rose to 116%.

<sup>1</sup> Statutory minimums are 100% for total LCR and 80% for FX LCR.

In the third quarter of 2023, Turkish lira deposits recorded a significant increase due to the exchange rate-driven rise in the balanced of KKM and exchange rate difference payments to KKM deposits, resulting in excess liquidity in the system. To sterilize the existing excess liquidity, the RR ratios were raised gradually in three successive regulations. In this context, the reserve requirement obligation, which was initially introduced for all KKM accounts, was differentiated based on maturities via the second and third regulatory steps. Additionally, the weight of reserve requirements was increased for short-term deposits and was gradually raised. In December 2023, the CBRT continued to sterilize excess Turkish lira liquidity in the system by initiating Turkish lira deposit buying auctions to increase the diversity of sterilization instruments. The targets that had prioritized and encouraged the switch to Turkish lira since August 2023 led to a decrease of TRY 750 billion in the KKM balance and an increase of more than TRY 2 trillion in Turkish lira deposits in the August-December period. Thus, the share of Turkish lira deposits in total deposits rose from 31% to 42% in this period, while the share of the KKM fell to 18% from its peak of 26%.

The banking sector's return on equity declined to 34.3% by November 2023 from 40.3% at end-2022. In 2023, the contribution of net interest income to the profitability performance decreased, while commercial profits as well as fees and commission incomes were effective in maintaining the profit performance. The ratio of net fees and commission incomes to assets increased in 2023.

The banking sector's capital adequacy outlook remained strong, and the banking capital adequacy ratio at 18.3% continued above the regulatory threshold as of November 2023. The contribution of net profit of the period and retained earnings to the increase in regulatory capital decreased compared to 2022, but was still positive. Subordinated debt issuances of banks partly bolstered regulatory capital in 2023.

## 2.4.2 Financial Stability Activities in the International Area

The CBRT continued to take part in international financial platforms carrying out activities focused on financial stability. In 2023, meetings were mostly held in hybrid format. Accordingly, as a member since 2009, the CBRT pursued senior level participation at the meetings of the Plenary, Steering Committee and Standing Committees of the Financial Stability Board (FSB) which aims to enhance global financial stability by coordinating the work of national financial authorities and international standard-setting bodies. The CBRT also contributed to the meetings of technical working groups of the FSB.

The first of the 2023 meetings of the FSB's Regional Consultative Group for Middle East and North Africa (MENA), of which the CBRT had been co-chair with the Central Bank of Tunisia for two years since 1 July 2021, was held on 12 June 2023 in virtual format. The Governor and the Deputy Governor of the CBRT chaired the meeting. The co-chairmanship was taken over by the central banks of Saudi Arabia and Egypt as of 1 July 2023. The second FSB MENA Regional Consultative Group Meeting for 2023 was held on 22 November in virtual format.

Another international financial platform of which the CBRT is a member is the Basel Committee on Banking Supervision (BCBS). The CBRT was represented at a senior level at the meetings of the BCBS, which is entrusted with the task of setting general standards applicable to bank supervision, providing guidance to the member jurisdictions, and establishing new international standards particularly regarding capital and liquidity frameworks. The Bank also contributed to various BCBS working group meetings at a technical level.

The main agenda items of international financial institutions in 2023 were identifying and evaluating the lessons learnt from the banking crisis in March, addressing the benefits and risks of crypto assets and digital innovations, enhancing the resilience of the non-bank financial intermediation sector, improving cross-border payments, examining financial risks related to climate change, improving cyber and operational resilience, promoting resolution planning, monitoring the implementation of G20 financial reforms and evaluating the effectiveness of reforms. The CBRT effectively cooperated with relevant authorities in the country to maximize the contribution to these activities.

## 2.4.3 Activities in Participation Finance

The Participation Finance Division formed under the Banking and Financial Institutions Department to coordinate work regarding participation finance, carry out related legal studies and conduct analysis on the sector's risks, continued its domestic and international operations within its remit specified by the CBRT legislation.

In 2023, various studies were carried out within the CBRT in response to participation banks' suggestions and emerging regulatory needs. The relevant units of the CBRT provided contributions and opinions for adaptation of the regulatory amendments conducted in line with the CBRT's Communiqués on RRs and the securities maintenance regulation to cover participation banking and participation finance principles. In 2022, as part of the Participation Finance Strategy Document published by the Presidential Circular, the CBRT took part in the work to increase participation finance liquidity facilities, for which it was nominated as the institution in charge, and to prepare proposals for legislative amendments in other laws. As a part these studies, the Bank reported to Finance Office of Presidency of the Republic of Türkiye. Additionally, the CBRT participated in meetings of the Participation Finance Legislation Working Group coordinated by the Republic of Türkiye Ministry of Treasury and Finance, and contributed to the efforts to develop a participation finance governance framework in the country.

Keeping a close track of international developments and meetings organized by international organizations to which the CBRT is a shareholder or member, the CBRT contributed to regulatory activities, made recommendations and assisted in reporting. Accordingly, throughout the year, the CBRT participated at various levels in the meetings of the General Assembly and the Governing Board of the International Islamic Liquidity Management Corporation (IILM), which are the managerial and administrative organs, as well as the Board Executive Committee, the Board Risk Management Committee and the Board Audit Committee. In 2023, CBRT Governor Hafize Gaye Erkan chaired the IILM Governing Board and the General Assembly. In this context, the CBRT hosted the Governing Board's meeting in Türkiye in December. Following the meeting, the Bank provided support for the International Islamic Liquidity Management Workshop for national and international shareholders of the participation finance sector, and for the Capacity Building Programme for Türkiye. These meetings staged presentations by CBRT executives and specialists.

As a full member of the Islamic Financial Services Board (IFSB), the CBRT actively participated in the meetings of the Council, the highest decision-making body of the IFSB, as well as Technical Committee meetings and meetings of other sub-working groups throughout the year and expressed its views on the issues discussed.

In a bid to improve bilateral relations, the CBRT responded to training requests from abroad in the field of participation finance. In this context, the Bank delivered a training presentation on "Participation Banks in Türkiye: Legislation, Regulatory Capital and Liquidity" to the Banking and Finance Academy of the Republic of Uzbekistan in March.

## 2.5 Financial Infrastructure

### 2.5.1 CBRT Payment Systems Statistics

The payment systems developed and operated by the CBRT are the Interbank Payment System (EFT), the Retail Payment System (RPS), the Electronic Securities Transfer System (ESTS) and the Auction System, along with an instant payment system called the Instant and Continuous Transfer of Funds (FAST).

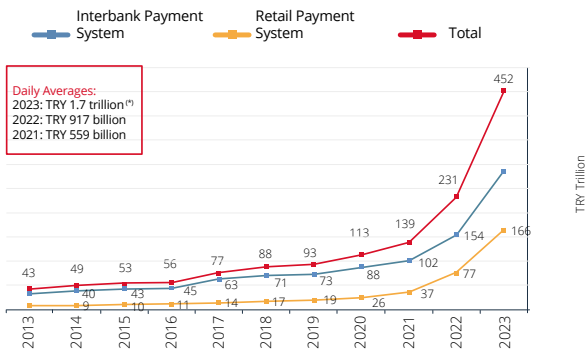
The total value of transactions conducted on the EFT System and delivery versus payment transactions conducted via the EFT and ESTS, where funds and securities are transferred simultaneously, was TRY 286.29 trillion in 2023. In 2023, the daily average transaction value on the EFT system was TRY 1.13 trillion. Approximately 3.2 million transactions were conducted on the EFT system in 2023 and an average of 12.9 thousand messages were processed daily. The amount of transactions settled through the EFT system was approximately 85% more in 2023 compared to the previous year (Chart 2.5.1.1).

The total value of messages processed via the RPS in 2023 was TRY 165.9 trillion. The daily average value of transactions was TRY 655.74 billion. In 2023, 776.2 million transactions were conducted via the system and the daily average number of messages processed was 3 million. The number of settlements carried out via the RPS in 2023 decreased by 13.6% compared to 2022 (Chart 2.5.1.2). This decline can be attributed to the activation of the FAST System on 8 January 2021, followed by a gradual increase in the transaction limit, which led to a shift in retail payments from the RPS to the FAST System.

The daily average volume of messages processed in the auction system was 857.

The number of participants on the CBRT's Payment Systems was 62 by the end of 2023.

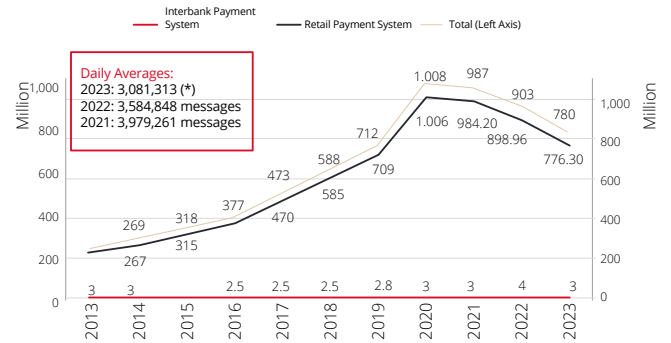
**Chart 2.5.1.1: Total Value of Payments Processed Through CBRT Payment Systems (TRY Trillion)**



(\*) TRY 1.13 trillion via the Interbank Payment System and TRY 655 billion via the Retail Payment System.

Source: CBRT

**Chart 2.5.1.2: Total Number of Messages Processed Through CBRT Payment Systems (Million)**



(\*) 3,068,361 messages via the Retail Payment System and 12,952 messages via the Interbank Payment System.

Source: CBRT

## 2.5.2 The Instant and Continuous Transfer of Funds (FAST) System and Statistics of Use

The instant payment system, FAST, was developed by the CBRT and put into effect on 8 January 2021. The FAST system is one of the major endeavors of the CBRT to modernize Türkiye’s payment systems infrastructure to support innovative business solutions. With the FAST System, which operates 24/7, end-to-end transfers of retail payments are completed within seconds, and the parties are instantly notified.

The CBRT raised FAST transaction limits gradually. On 14 February 2023 the transaction limit was increased to TRY 20,000 for payments including also the merchant payments with dynamic verification using TR QR code. On 21 December 2023, it was raised to TRY 50,000, and the limit for merchant payments using dynamic QR codes was increased to TRY 100,000.

The Easy Addressing System (KOLAS) allows money transfers on the FAST System using telephone numbers, ID numbers, e-mail addresses, passport numbers or tax numbers, and without the need to use the International Bank Account Number (IBAN). By 31 December 2023, the number of individual customers of the KOLAS system was 22 million.

The FAST System also allows person-to-person money transfers and merchant payments without necessitating IBAN information by using the TR QR Code created in accordance with the standards.

Thanks to the Security Overlay Service (SIPER), information about the risk of an illegal transaction can be shared between the initiating institution and the receiving institution in all fund transactions, including FAST.

The Request-to-Pay Overlay Service, which allows the payee to request a payment from the payer, was developed and launched as a pilot in December.

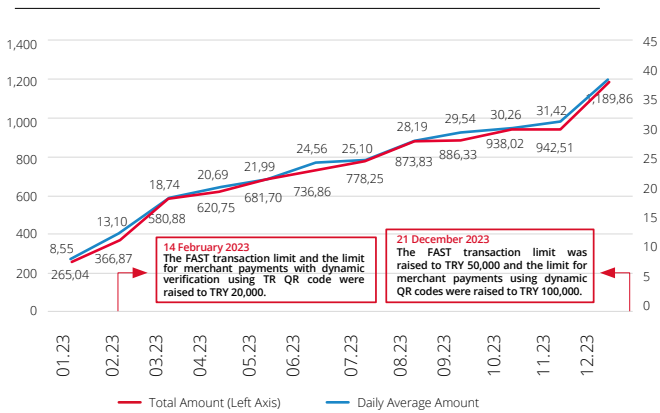
All overlay services are important steps that contribute to the smooth, fast and reliable execution of payments and money transfers anytime, anywhere.

In 2023, the total value of messages processed on the FAST System was TRY 8.86 trillion, corresponding to TRY 24.3 billion per day on average. In 2023, the number of transactions conducted via the system was 3.3 billion and the daily average volume of messages processed was 9 million. The highest daily transaction volume for 2023 was recorded on 15 November with 19 million transactions (Chart 2.5.2.2).

The certification process for payment and e-money institutions to participate in the FAST system was successfully completed, with 10 institutions joining the system.

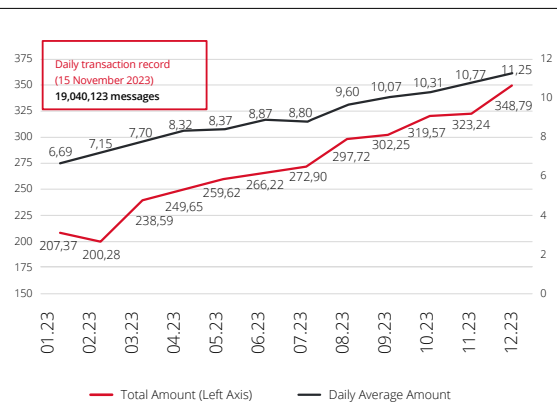
As of 31 December 2023, the System had 36 participants.

**Chart 2.5.2.1: Amount of Payments Processed on the FAST System (TRY Billion)**



Source: CBRT

**Chart 2.5.2.2: Number of Messages Processed on the FAST System (Million)**



Source: CBRT

## 2.5.3 Regulations Introduced Pursuant to the Law No. 6493

### **Amendment of the Payment Services Regulation as well as the Communiqué on Information Systems of Payment and Electronic Money Institutions and Data Sharing Services of Payment Service Providers in the Field of Payment Services**

The “Payment Services Regulation, Electronic Money Issuance, and Payment Service Providers (Payment Services Regulation)” and the “Communiqué on Information Systems of Payment and Electronic Money Institutions and Data Sharing Services of Payment Service Providers in the Field of Payment Services” were introduced by the CBRT and published in the Official Gazette No. 31676 dated 1 December 2021. As their provisions became applicable, some amendments were made in the regulation and the communiqué to contribute to the effective, smooth and uninterrupted functioning of institutions, in view of the sector’s needs, consumer complaints, international standards, best practices and other countries’ regulations. These amendments were published in the Official Gazette No. 32332 dated 7 October 2023.

### **Publication of the Communiqué on Redetermination of Minimum Own Funds Amounts for Payment and Electronic Money Institutions**

The first paragraph of Article 33 bearing the title “Minimum own funds’ liability and professional indemnity insurance” of the Payment Services Regulation states that the (minimum own funds) amounts will be re-evaluated by the CBRT in January every year, taking into account the annual changes in the price indices published by TURKSTAT.

In this context, with a Communiqué published in the Official Gazette No. 32087 dated 28 January 2023 and set to enter into force on 30 June 2023, the minimum own funds amounts for payment institutions that exclusively intermediate invoice payments, payment institutions other than those that exclusively provide account information services, and electronic money institutions were set at TRY 7 million, TRY 15 million and TRY 41 million, respectively.

### **Revision of the Information Guide on the Notification Obligation of Those Excluded from the Scope of the Law Pursuant to Subparagraphs (b) and (h) of the Second Paragraph of Article 12 of the Law No. 6493**

A revision was made in the “Information Guide on the Notification Obligation of Those Excluded from the Scope of the Law Pursuant to Subparagraphs (b) and (h) of the Second Paragraph of Article 12 of the Law No. 6493” that was issued in 2022 in the scope of Article 82 of the Payment Services Regulation bearing the title “Notification obligation of those excluded from the scope of the law”.

### **Studies Regarding the Implementation of TR QR Code Regulation**

The CBRT monitored the payment service providers’ process of building the technical infrastructure for TR QR Code transactions pursuant to the Regulation on the Generation and Use of TR QR Code in Payment Services, and carried out studies in coordination with related stakeholders, the BKM in particular, to spread the use of TR QR Code in payments. As a result of the technical development and expansion work, it has become possible to make card payments with TR QR Code at 85% of the existing POS machines and to withdraw money with TR QR Code from almost all ATMs in Türkiye. Meanwhile, the ratio of POS machines, for which the technical preparations for payments with FAST TR QR Code were completed, has reached 80%, and it will be possible to execute FAST transactions with TR QR Code at these POS machines once the contract procedures between payment service providers and merchants are finalized.

On the other hand, there have been some initiatives by payment service providers to enable the execution of cross-border payments (i.e. with one party abroad) also with innovative payment methods such as TR QR Code in addition to traditional payment methods. Studies are being carried out to ensure that the flows and technical steps required to support the related work and enable payment service providers to execute cross-border payments with TR QR Code in an interoperable manner making use of the network effect of the current spread of the TR QR Code are determined jointly with payment service providers under the coordination of the BKM. After these studies are completed, it is planned to prepare a guidance document that the payment service providers can refer to for their cross-border payments with TR QR Code.

Additionally, there are other studies to determine the TR QR Code flows to be used for depositing cash at ATMs and the TR QR Code payment flows through third-party mobile applications. These studies are carried out jointly with payment service providers under the coordination of the BKM to enable the use of TR QR Code payments under a higher number of scenarios. Efforts to finalize and introduce these flows will be carried out in 2024.

Moreover, various actions were specified in 2023 to raise awareness of TR QR Code payments among customers and merchants as well as to improve the payment experience with TR QR Code and broaden the acceptability of TR QR Code payments, FAST TR QR Code payments in particular. The CBRT plans to carry out studies to realize these actions in 2024.

## Studies Related to the Open Banking Gateway (GEÇİT) Infrastructure of Data Sharing Services in the Field of Payments (DSSP)

The first paragraph of Article 12 of the Law No. 6493 was amended on 12 November 2019 to include the payment initiation service (subparagraph f) and the service of presenting consolidated information regarding the payment account on online platforms (subparagraph g), so that these services, also called Data Sharing Services in the Field of Payments (DSSP), were defined as payment services within the scope of the Law.

Meanwhile, in view of the conditions and needs of our country, a technical service provider-oriented application architecture was designed to enable a fast integration of stakeholders and an efficient and effective experience of data sharing in the field of payment services. Accordingly, the BKM API (Application Programming Interface) Gateway (GEÇİT), developed by the BKM with entirely domestic human and technical resources, was assigned as a common DSSP infrastructure with the BKM as the technical service provider. The GEÇİT was made operational on 1 December 2022, and banks that successfully completed their tests and technical certifications started to serve as Account Servicing Payment Service Providers (ASPSPs) through the 'GEÇİT'.<sup>2</sup> The top ten participants determined by regulations and some leading banks (16 banks in total) have completed their technical certifications, and now serve as ASPSPs through the GEÇİT. In addition to their ASPSP role, banks can also integrate with the system as Authorized Third Party Payment Service Providers (TPPs) if they want, pursuant to first paragraph of Article 13 of the Law No. 6493. On the other hand, unlike other payment service providers, banks do not have to get an operating license from the CBRT as they are subject to the Banking Law No. 5411. Currently, 15 banks serve as TPPs.

If the existing payment institutions and payment and electronic money institutions want to serve as TPPs, they should get a license for expansion of activities in addition to the technical certification of the BKM pursuant to subparagraphs (f) and (g), paragraph one of Article 12 of the Law No. 6493, while other institutions (that are not payment institutions) should get an operating license. Accordingly, four non-bank payment service providers successfully completed their technical certification and license procedures and have integrated with the GEÇİT infrastructure as TPPs. Including the banks that have become TPPs, the number of TPPs has reached 19. On the other hand, procedures for eight other institutions to become TPPs continue. Participants in the production environment (ASPSPs and TPPs) and participants that completed the BKM Technical Certification process have started to be listed on the website built for the DSSP.<sup>3</sup>

As the CBRT's top management considered it appropriate to grant additional time for the smooth conclusion of the technical and operational work carried out by the payment and electronic money institutions in view of current developments in the field of financial technologies and payments, the transition period deadline was postponed to 30 September 2023 for the top 10 banks, and to 30 September 2024 for other payment service providers, according to the regulation published in the Official Gazette No. 32332 dated 7 October 2023. Through these regulation amendments in the field of payments, in addition to the revisions in DSSP Transition Period deadlines, the concept of "Digital Wallet" was defined and terms and conditions for the digital wallet service were regulated. Accordingly, the "Adding a Credit Card to the Digital Wallet" flow was included in the DSSP API Principles and Rules (API Standard). Card-issuing institutions that are still connected to the GEÇİT as ASPSPs are expected to transit to this flow by 30 June 2024.

In addition, the DSSP API Standard was upgraded from version 1.0.2 to version 1.1.0 as of 1 December 2023. Accordingly, besides the improvements in the existing functions, Incident Reporting Services and Decoupled Strong Customer Authentication were added to the Standard.

<sup>2</sup> <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Announcements/Press+Releases/2022/ANO2022-48>

<sup>3</sup> <https://bkm.com.tr/urunler-ve-hizmetler/odeme-hizmetleri-veri-paylasim-servisleri/> (in Turkish)



### **Revision of the Instructions on the Use of Labels**

With the Instructions on the “Use of Labels” dated 10 August 2023, the CBRT revised the label format that agents should use in line with the procedures regarding the labels and certificates to be used by agents, with a view to prevent people from conducting transactions with unauthorized agents.

### **Issue of the Instructions on Fraudulent Acts**

To ensure security of the payments area, prevent consumer grievances, and protect the reputation of payment and electronic money institutions, the CBRT issued the “Instructions on Fraudulent Acts” on 1 November 2023 considering it appropriate that institutions review the compliance with all related regulations in various issues, particularly the Law No. 6493 and related secondary regulations, and promptly take necessary actions regarding the issues to be improved.

### **Issue of the Instruction on the Use of Logos and Trademarks in Collaborations to Be Established in the Scope of Paragraph Three, Article 19 of the Regulation**

With the “Instructions on the Use of Logos and Trademarks in Collaborations to Be Established in the Scope of Paragraph Three, Article 19 of the Regulation” dated 18 August 2023, the CBRT revised to the use of logos and trademarks by payment and electronic money institutions and their agents for the type of collaborations covered by Article 19 of the Regulation.

### **Revision of the Explanatory Guidelines on Administrative Fines Under the Law No. 6493 on Payment and Securities Settlement Systems, Payment Services, and Electronic Money Institutions**

To ensure more effective execution of administrative fine procedures, the Explanatory Guidelines on Administrative Fines were revised to include the provisions of the Communiqué on Information Systems of Payment and Electronic Money Institutions and Data Sharing Services of Payment Service Providers in the Field of Payment Services published in the Official Gazette No. 31676 dated 1 December 2021.

## 2.5.4 Studies Regarding the Merchant Registration System (MRS)

In order to facilitate the processes related to payment transactions and to prevent fraud and malicious acts in the field of payments, the Merchant Registration System (MRS) was put into use in 2022, allowing a single-center generation and monitoring of a merchant code to be assigned to each merchant that provides goods and services with a payment method that falls within the scope of payment services. Upon the conclusion of the transition process for the Payment Services Regulation, bank and non-bank payment service providers that offer payment services to merchants with a payment method that falls within the scope of payment services have completed their participation in the system. The participation process for payment service providers that are yet to start offering such services is handled by the BKM.

On the other hand, the Data Sharing Services flows were introduced following the studies conducted with the participation of payment service providers under the coordination of the BKM. These studies were initiated in response to the Payment and Electronic Money Institutions Association of Türkiye's (TÖDEB) MRS-related request from the CBRT asking for the standardization of data sharing among payment service providers in cases where a payment service provider offers the service using the infrastructure of another payment service provider as well as for the conduct of such data sharing over a centralized system. Data Sharing Services flows have been helpful in supporting competitiveness in the sector by limiting and standardizing the data about merchants that particularly the non-bank payment service providers share with banks in cases where they provide payment services using the infrastructures of banks as well as in boosting the efficiency and effectiveness of the process that will enable such data sharing over the MRS.

## 2.5.5 Licenses Regarding the Activities of Payment and Securities Settlement Systems

### Approval of License for Other Activity

- One payment system's application for license for other activity was approved.

### Number of Payment and Securities Settlement Systems Operating in Türkiye

As of 31 December 2023, there were eight payment systems and four securities settlement systems operating in Türkiye pursuant to the Law No. 6493.

## 2.5.6 Licenses Regarding the Activities of Payment and Electronic Money Institutions

### Operating License

- Operating license applications of seven companies were approved and published in the Official Gazette.
- The operating license application of one company was rejected.

### Expansion of Activities

- Thirteen institutions' applications for expansion of activities were approved and published in the Official Gazette.

### Transfer of Share

- Eleven applications from nine institutions for transfer of shares were approved, and one application for transfer of shares was rejected.

### Suspension of Operating License

- One institution's operating license was suspended.

### Revocation of Operating License

- One institution's operating license was revoked.

### Number of Payment and Electronic Money Institutions Operating in Türkiye

As of 31 December 2023, there were 27 payment institutions and 53 electronic money institutions operating in Türkiye pursuant to the Law No. 6493.

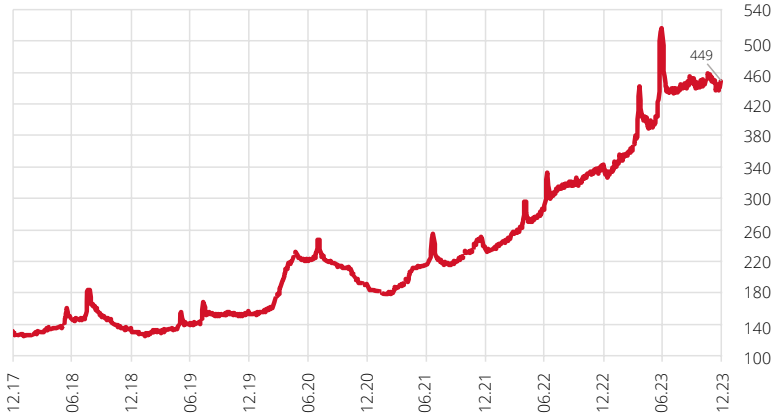
## 2.5.7 Administrative Sanctions Imposed on Payment and Electronic Money Institutions

Following the oversight and supervision activities carried out at institutions in 2023, five institutions were charged with administrative fines amounting to TRY 1,394,957.00 in total and 12 institutions received a warning pursuant to Article 27 of the Law No. 6493 titled "Violation of regulations and decisions".

## 2.6 Banknotes in Circulation

The value of banknotes in circulation, which was TRY 342 billion at the start of 2023, reached its historical peak at TRY 516 billion in June on the back of a gradual upward trend, and completed the year at TRY 449 billion (Chart 2.6.1)

**Chart 2.6.1: Banknotes in Circulation (TRY Billion)**

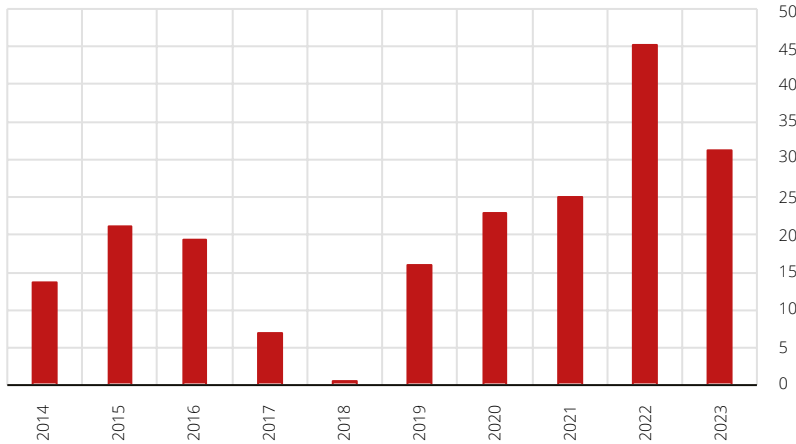


Source: CBRT

Last Observation: 31 December 2023

By the end of 2023, the value and number of banknotes in circulation had increased by 31% and 17%, respectively. Over the last decade, the year-end value of banknotes in circulation in Türkiye has increased by an average 20% and the number of banknotes in circulation by an average 12% on an annual basis (Chart 2.6.2).

**Chart 2.6.2: Annual Change in Banknotes in Circulation (%)**



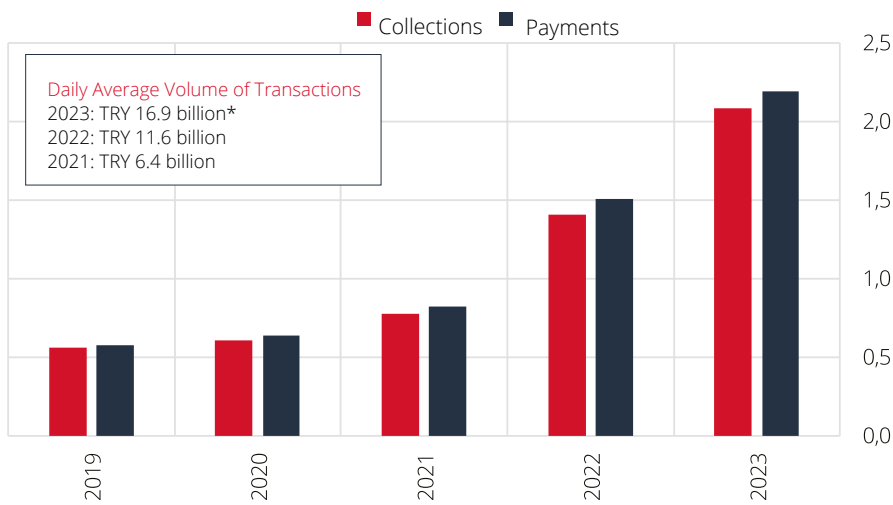
Source: CBRT

Last Observation: 2023

As of 31 December 2023, the number of banknotes in circulation was 4.2 billion. At the end of 2023, the two denominations with the highest number of banknotes in circulation were TRY 200 and TRY 100 banknotes, respectively, which together made up 62.9% of all the notes in circulation. As measured by value, the two denominations commanding the biggest shares of the total were also TRY 200 (69.6%) and TRY 100 (23.6%) banknotes.

In 2023, via its 21 branches, 16 banknote depots, one cash center, and 40 Decentralized Cash Management (MONY) depots responsible for banknote custody and processing on behalf of the CBRT, a total of TRY 4.3 trillion worth of transactions were conducted, TRY 2.1 trillion of which were collections and TRY 2.2 trillion were payments (Chart 2.6.3).

**Chart 2.6.3: Total Volume of Transactions by CBRT Units (TRY Trillion)**



Source: CBRT

Last Observation: 2023

\* Daily volume of collections and payments averaged TRY 8.2 billion and TRY 8.7 billion, respectively.

In this period, on a nationwide basis, branches with the largest shares in the total cash transaction volume were the Istanbul Branch (40.5%), the Ankara Branch (10.7%), and the Izmir Branch (8.1%).

The CBRT has banknote depots in 16 of Türkiye's provinces where it does not have branches, serving to improve the physical quality of banknotes in circulation and meet the cash need of the market through different denominations of banknotes in a timely manner. Through these depots, TRY 205 billion worth of collections and TRY 267 billion worth of payments were made in 2023. In other words, 11% of the CBRT's total cash transaction volume was performed via these depots.

Additionally, five new MONY depots, one in Izmir and four in Istanbul, started operating in 2023. Thus, the total number of MONY depots reached 40 by the end of 2023. The share of transactions by MONY depots within the total transactions in the related provinces was 35.3% in Istanbul, 32.8% in Ankara, 25.6% in Izmir, 13.6% in Bursa, and 7.7% in Izmit. Efforts are in progress to open MONY depots in other provinces with high cash transaction volume.

Lastly, Consignment Coin Depots (CCDs), which were established in 11 provinces as per the protocol signed between the Turkish Republic Postal and Telegraph Corporation (PTT) and the CBRT to enhance the efficiency of coin cash management, continued their operations. In 2023, 75.4% of the country-wide coin transaction volume of TRY 699 million was made by these CCDs.

## 2.7 International Reserves and Risk Management

The CBRT holds international reserves in support of a range of objectives that include assisting the government in FX-denominated domestic and foreign debt servicing, maintaining adequate FX liquidity against external shocks, supporting monetary and exchange rate policies, and enhancing market confidence. The CBRT's reserve management practices are governed by the CBRT Law No. 1211. Pursuant to this law, international reserves are managed by the CBRT in consideration of the three priorities as investment safety, liquidity, and return, respectively. Accordingly, the objective of management of international reserves is to generate returns under the constraints of protecting capital and providing the necessary liquidity, with the ultimate aim being the prudent management of reserves as the country's national wealth.

The CBRT's institutional decision-making framework for reserve management has a three-tier hierarchical structure. Firstly, in line with the duties and powers entrusted by the CBRT Law No. 1211, the Board, as the Bank's top decision-making authority, sets the general investment criteria for reserve management by approving the Guidelines for Foreign Exchange Reserve Management and the Guidelines for Gold Reserve Management (the Guidelines). The decisions made by the Executive Committee or the Governor, who are assigned by the Board to take the decisions regarding the implementation, in line with the Guidelines, constitute the second tier of the institutional decision-making. At this point, a benchmark portfolio that reflects the CBRT's investment strategy and general risk tolerance for the relevant year is determined upon the approval of the Executive Committee. The third and final tier of the institutional decision-making process is the implementation of reserve management practices within the preferences and constraints specified by the Guidelines and the benchmark portfolio. In line with the best practices, reserve management activities are carried out within an organizational structure based on segregation of duties. Accordingly, reserve management activities are carried out by the Reserve Management Division of the Markets Department, while related risk management activities are carried out by the Corporate Risk Management Division of the same department.

Subject to the objectives, constraints and limits set by the Guidelines and the benchmark portfolio, transactions that can be conducted are listed as: FX buying-selling transactions in international markets, FX deposit transactions, securities buying-selling transactions, repo and reverse repo transactions, securities lending transactions, and derivatives transactions. Regarding the management of the CBRT's gold reserves of international standard, outright purchase and sales of gold, gold deposit transactions, gold currency swaps, location swaps and physical gold transfer transactions can be carried out.

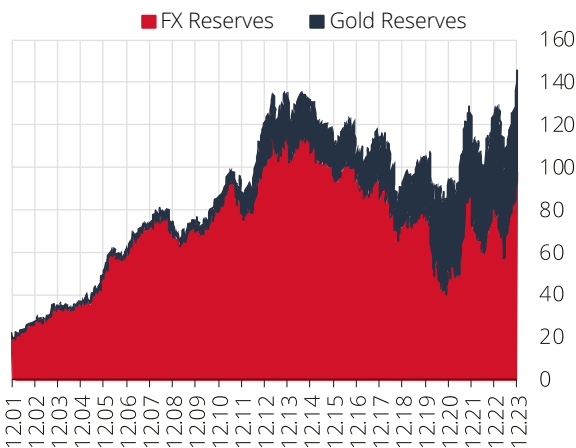
Management of risks that the CBRT may be exposed to during the conduct of its reserve management operations begins with the determination of the benchmark portfolio. Reflecting the CBRT's preferences for strategic asset allocation, the benchmark portfolio consists of target currency composition, target duration and limits of deviation from these targets, maximum permissible transaction limits and the investment universe representing the eligible transaction types, and countries and instruments to invest in. Accordingly, once the currencies, instruments and maturities to be employed in reserve management are set, the expected return and the financial risks involved are identified to a large extent.

In 2023, global economies and financial markets were mainly affected by monetary tightening policies implemented by major central banks in the face of growing inflationary pressure and expectations regarding these policies as well as by geopolitical developments, with the Russia-Ukraine war most prominent. Increased demand after the pandemic, the unfavorable course of climate conditions, and supply-demand imbalances caused inflation to remain elevated around the globe in 2023 as in 2022. Accordingly, in 2023, major central banks further tightened their monetary stances and carried on with rate hikes they started in 2022. While rapid and large rate hikes brought down inflation and inflation expectations on the one hand, they triggered concerns over a global recession on the other hand. Throughout 2023, global economic growth was adversely affected by the negative impact of rate hikes on production and demand, governments’ gradual withdrawal of the financial support they provided during the pandemic to secure fiscal discipline, China’s lower-than-expected economic growth due to the deflation process and the housing sector crisis in the country, and the geopolitical developments in Eastern Europe and the Middle East. However, as major economies were generally more resilient to these factors than expected, a global economic recession was avoided in 2023 and the recovery in global economic activity continued, albeit at a slower pace, despite having remained below the pre-pandemic levels. As of the second half of the year, due to the fall in inflation and possible adverse effects of rate hikes on economic growth, expectations started to dominate the financial markets that the rate hike cycle would come to an end in the USA and Europe, and rate cuts would begin in the first half of 2024. Accordingly, returns in the financial markets were shaped by these expectations. Against this backdrop, 2023 was marked by high economic uncertainties and financial volatility.

The above-mentioned developments shaped the CBRT’s reserve management strategies in 2023. Accordingly, in 2023, which was marked by high global economic and financial risks, reserve management activities continued to be carried out in line with the safe investment, liquidity, and return priorities.

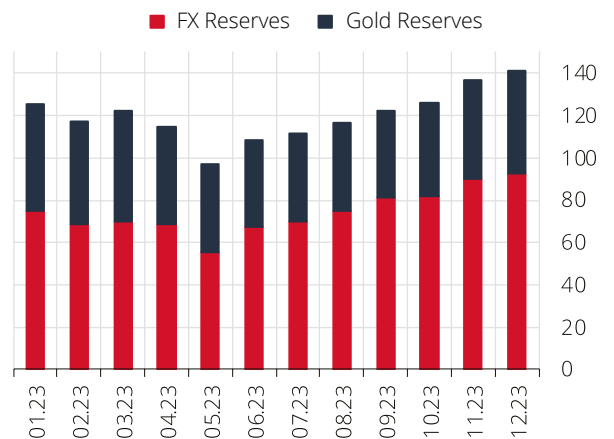
In 2023, the CBRT continued its strategy to strengthen reserves as long as market conditions allowed, while the monetary tightening and steps to simplify the macroprudential framework also supported the upward trend in reserves. The CBRT’s international reserves rose by USD 12.3 billion from the previous year to USD 141.1 billion as of 29 December 2023. Of this total, foreign currency reserves accounted for USD 92.8 billion and gold reserves for USD 48.2 billion. Making up 34.2% of total international reserves, the CBRT’s gold reserves of international standard amounted to 726.4 tons as of 29 December 2023 (Charts 2.7.1 and 2.7.2).

**Chart 2.7.1: CBRT’s FX and Gold Reserves Between 2001 and 2023 (USD Billion)**



Source: CBRT

**Chart 2.7.2: CBRT’s FX and Gold Reserves in 2023 (USD Billion)**



Source: CBRT

## 2.8 Corporate Risk Management

Financial risks that the CBRT may be exposed to due to its operations are composed of credit, market and liquidity risks, and are managed in coordination with business units. A significant portion of the financial risks that the CBRT is exposed to due to its operations emerges in the course of fulfilling legal duties such as implementing monetary and exchange rate policies, managing foreign exchange reserves, and providing certain banking services to the banking sector and the government. Financial risks that the CBRT encounters while implementing monetary and exchange rate policies in its capacity as the monetary authority are a consequence of the policy targets chosen. On the other hand, financial risks related to the FX reserve management result from investment preferences. Meanwhile, the CBRT manages its reserves in a conservative manner in view of the priorities defined by the CBRT Law No. 1211.

The credit risk that the CBRT is exposed to originates mainly from investment transactions conducted in reserve management, and open market operations (OMO), Interbank Money Market (IMM) transactions and intraday liquidity transactions conducted to provide short-term liquidity to banks as part of monetary policy practices, as well as from transactions conducted as part of exchange rate policy implementations. The CBRT's credit risk arising from monetary and exchange rate policy-related transactions is managed by collateralizing the whole amount of transactions, including a specified amount of margin, with balances held in the related accounts and securities of very high credit worthiness that can also be traded on secondary markets, as well as by asking for additional collateral when needed. Moreover, for some transactions, the payment-after-collection method is adopted and thus, the credit risk exposure is largely minimized.

Management of the credit risk exposed to during the management of international reserves has a three-tier structure. Firstly, investment transactions are limited to prominent international financial institutions and borrowers with high credit quality that meet the credit rating requirements set by regulations. Secondly, with a view to controlling all credit risks arising from the transactions, the total credit risk limits that can be allocated to the institutions with which transactions are made are confined to a certain proportion of the manageable reserve. Finally, credit risk limits are allocated to each selected institution using basic and financial analysis methods. Accordingly, compliance with the defined limits and constraints was monitored and reported to the senior management.

In management of reserves, market risk can be encountered due to exchange rate, interest rate and price fluctuations in international markets. Meanwhile, liquidity risk stems from the probability of incurring loss when meeting sudden and unpredictable FX liquidity needs. Accordingly, to manage these risks, compliance with the limits set by the benchmark portfolio was monitored and reported to the senior management.

Other than the financial risks related to FX reserve management, those risks on the CBRT's balance sheet pertaining to credit, market and liquidity were also measured, monitored and reported.

Under the operational risk management, operational risk factors of processes at the CBRT are assessed and reported in collaboration with business units. Meanwhile, operational risk incidents during the implementation of processes are registered in incident record reports. Accordingly, operational risk assessments in 2023 were made through the monitoring of corrective and preventive action plans for the risks reported by units in incident records. On the other hand, studies were carried out to define the processes of business units that are critical for business continuity.

Lastly, the CBRT's compliance with the national and international standards and legal regulations regarding the prevention of laundering proceeds of crime and financing of terrorism was ensured, and compliance activities were carried out in order to prevent risks that may be exposed in this regard.



## 2.9 Activities Regarding Green Economy and Climate Change

Within its mandate, the CBRT contributes to Türkiye's "Green Development Vision" and "2053 Net Zero Emission Target". Accordingly, studies regarding climate change are carried out by the Green Economy and Climate Change Division established in November 2021.

Working in coordination with the relevant institutions, the CBRT continued to contribute to the studies on the national climate agenda such as national taxonomy, carbon pricing, green transformation in industry, energy efficiency, climate finance, and 12<sup>th</sup> Development Plan preparations.

As part of international efforts, the CBRT participated in the meetings and studies of the Network for Greening the Financial System (NGFS), and examined the roles and policies of central banks in the fight against climate change. In addition, contributions were made to the studies of the G20 Sustainable Finance Working Group.

In the scope of technical cooperation, meetings with other central banks were held, through which experience and knowledge on relevant issues were exchanged.

Through analytical studies on climate change, physical and transition risks arising from climate change were analyzed on a sectoral basis. Additionally, studies were carried out to reveal the outlook of sustainable and green financial instruments in Türkiye and in the world.

To improve the capacity within the Bank and raise in-house awareness regarding climate change, quarterly bulletins with summaries of national and international developments and numerous analyses were prepared. Moreover, in collaboration with the Central Academy and Development Division of the Human Resources Department, the CBRT continued to organize in-house climate change seminars focusing on the socio-economic impact of climate change and respective role of central banks.

## 2.10 Communication

### 2.10.1 Accountability and Monetary Policy Communication

In 2023, in line with the principles of accountability and transparency, the CBRT aimed to reinforce public confidence in its policies and enhance their effectiveness and accordingly, continued to convey messages regarding the predictability of its monetary policy stance through strengthened communication with all its stakeholders.

As entailed by the principle of accountability, the CBRT sent an Open Letter to the Government on 31 January 2023 pursuant to Article 42 of the CBRT Law, clearly explaining to the public the reasons for the failure to achieve the inflation target in the previous year.

Again as part of the accountability principle, Governor Hafize Gaye Erkan made a presentation at the meeting of the Plan and Budget Committee of the GNAT on 3 October 2023, and then answered questions from the Committee members. Governor Erkan's main messages from this meeting were instantly shared with the public via the CBRT's social media accounts.

In the scope of the transparency principle, the CBRT published its analytical balance sheet on its website on a daily basis, and issued a report to share its independently audited balance sheet and income-expense statements along with the results of the audits in 2023 as in previous years.

In 2023, the CBRT continued to post the decisions and the summaries of MPC meetings on its website. In addition, the CBRT also shared its major activities and changes in implementation that were of significant concern to the public by means of press releases throughout the year. Accordingly, the CBRT published 56 press releases on its website in 2023, which were also made accessible to a wider audience through the corporate social media accounts.

The CBRT closely monitored developments regarding financial stability, and shared with the public the summary of these developments through the Financial Stability Reports published regularly in May and November. Moreover, in line with the multilayered communication activities, the main messages from the reports were also shared on social media in short videos to reach out to a wider audience.

The Monthly Price Developments report, which is issued every month on the first working day following the release of inflation figures to promote better public understanding of monthly inflation developments and the disinflation path, continued to be a significant communication tool of the CBRT in 2023.

MPC announcements and Inflation Reports remained the CBRT's main communication documents regarding the monetary policy in effect. Through the Inflation Reports, the CBRT shared its overall assessments concerning international economic developments, inflation, supply and demand developments, financial markets, financial intermediation and public finance as well as its medium-term inflation and output gap forecasts. Again, as part of its multilayered communication activities, main messages from the Inflation Reports were also emphasized through social media posts with a view to facilitating the access to information by press members and the public.

Inflation Report briefings were held on 26 January, 4 May, 27 July and 2 November in Ankara. Press members and economists wishing to attend the meeting were welcome, and their questions were answered by Governor Erkan. These briefings were broadcast live on TV channels and the CBRT's social media accounts.

## 2.10.2 Communication Activities for the General Public

Real sector representatives, press members, and the general public remained as the important target audiences of CBRT communications in 2023. To reach out to these audiences through a two-way communication using plain language, the CBRT actively used digital communication tools throughout the year.

For the CBRT, which uses its website intensely as the main communication channel, social media also plays an essential role in reaching out to a wider audience. In this respect, the CBRT continued its communication activities in 2023 through all its social media accounts, chiefly X (Twitter). In 2023, the number of followers of the CBRT's X (Twitter) account in Turkish, where information about the decisions taken and data released were enriched with visual content, exceeded 590,000. Throughout the year, all reports, statistics and visuals as components of the monetary policy communication were structured according to the characteristics of the target audience and shared with the public in a timely and transparent manner on the suitable social media platform.

As part of the active and two-way communication with stakeholders, Governor Hafize Gaye Erkan first met with the Board of Directors of the Banks Association of Türkiye (BAT) on 23 June 2023. In the following months, Governor Erkan held meetings with the Istanbul Chamber of Industry (ICI) on 29 November 2023 and the Ankara Chamber of Industry (ASO) on 7 December 2023. She continued to meet with real sector representatives at the Board of Directors Meeting of the Foreign Economic Relations Board (DEİK) on 11 December 2023 and the Advisory Meeting with the Sectors Council of the Turkish Exporters Assembly (TİM) on 13 December 2023. At the meetings with real and financial sector representatives, the macroeconomic outlook, financial stability, CBRT policies and strategies, and the actions to be taken to establish disinflation were evaluated. Visual contents and general information about these meetings were shared on social media, while presentations and speeches delivered by Governor Erkan were published on the CBRT website in line with the transparency principle.

In 2023, the Economics for All microsite and the CBRT Blog started to be used more effectively to reinforce the communication with the general public with a view to enhancing confidence in CBRT policies. Accordingly, content about the disinflation process was released on the microsite and studies presenting the positive effects of CBRT policies were published on the CBRT blog. Efforts to improve these platforms continued throughout the year to reinforce the communication with the general public.

The CBRT continued to respond to requests for information and documents sent through various channels in the scope of the Right to Information Act, the Law on the Right to Petition, and the Regulation on the Republic of Türkiye Presidency's Communication Center (CIMER). Applications processed duly in 2023 totaled 17,750 through petitions, the CBRT's corporate e-mail address, the Right to Information Unit (BES) and the "For your questions" page on the CBRT website; 12,071 through CIMER; and 2,750 through the CBRT Complaint Management System.

## 2.10.3 Investor Relations

The CBRT continued to organize meetings with investor agencies and credit rating agencies (CRAs) in 2023. Seventy-six investor meetings were held with domestic and foreign institutional investors, economists, analysts and portfolio managers, and six meetings were held with CRAs. Through these meetings, the CBRT contacted a total of 304 investor agencies.

**Table 2.10.3.1: Meetings Held in 2023**

Period	Meetings with CRAs	Meetings with Investor Agencies	Number of Investor Agencies
January-March 2023	1	43	80
April-June 2023	1	4	6
July-September 2023	3	11	13
October-December 2023	1	18	205
<b>Total</b>	<b>6</b>	<b>76</b>	<b>304</b>

Moreover, in the scope of technical cooperation with other central banks, the CBRT held three video conferences on investor relations management and practices with the Bank of Mexico (Banco de México), the Central Bank of Brazil (Banco Central do Brasil), and the National Bank of Tajikistan.

In these video conferences, presentations were made and questions were answered on the organizational structures, business processes and activities of investor relations units at the CBRT and the respective central banks.

In addition, the CBRT announced in 2023 that it would organize Investor Days meetings for the first time. In this scope, the first of these Investor Days took place on 11 January 2024 in New York, which is one of the biggest finance centers and home to a large number of international financial institutions.

## 2.11 International Cooperation and Events

### 2.11.1 Relations with International Organizations

The CBRT hosted the fifth meeting of the “OIC-COMCEC Central Banks Forum”, for which the CBRT carries out secretarial activities, on 24-25 September 2023 in Istanbul. The first session of the meeting focused on the global economic outlook and the economic outlook of OIC member countries. In this context, opportunities, risks and policy recommendations in the global economy were evaluated, and the economic and financial developments facing the central banks of participating countries were discussed. The second session discussed recent developments in the design and use of central bank digital currencies and assessed the role of cooperation among central banks in this regard. Moreover, the advantages and disadvantages of central bank digital currencies were discussed in this session. In this context, participants shared their experiences about central bank digital currencies and the CBRT provided information on the Digital Turkish Lira Project. In the third session of the Forum, the growing importance of trade in local currencies at the global level was discussed. While proposing ways to enhance trade in local currencies, participants also identified priority areas and the steps to be taken in order to make progress in this regard.

In the scope of the “COMCEC Project Funding”, a project bearing the title “Unleashing the Potential of Islamic Finance in Supporting MSMEs in the OIC Member Countries”, which was conducted by the SESRIC, was jointly carried out by the CBRT, Bank Indonesia, Bank Negara Malaysia and the Saudi Central Bank. As part of the project, a workshop on “Promoting Islamic Social Finance and Accelerating the Growth of Halal Value Chain Ecosystem” was hosted by the Bank Negara Malaysia in Kuala Lumpur on 20-21 September 2023. As part of the training leg of the project, the CBRT contributed to the three-day training program on “Leveraging Key Stakeholders towards Inclusive and Sustainable Development of MSMEs”.

The CBRT carried out work for periodic meetings organized by the G20, IMF and BIS, and in this context, coordination was established with internal and external stakeholders. In addition, within the framework of the routine IMF Article IV negotiations, the Bank participated in the meetings coordinated by the Ministry of Treasury and Finance in September and contributed to agenda items. During these meetings, the IMF delegation was briefed on the current state of the Turkish economy and financial sector as well as the CBRT’s monetary policy implementations.

The CBRT held meetings with the European Bank for Reconstruction and Development (EBRD) on 17 July 2023, 23 November 2023 and 7 December 2023 to exchange information on the global outlook, Türkiye’s economic situation and investment opportunities, in coordination with internal and external stakeholders.

In 2023, the CBRT participated as an observer member in the mBridge Project launched by the BIS Innovation Hub, the Hong Kong Monetary Authority, the Central Bank of the United Arab Emirates, the People’s Bank of China and the Bank of Thailand to explore the use of digital currencies in cross-border payments.

The Implementation Monitoring Standing Group (IMSG) established by the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions (CPMI-IOSCO) launched a study called “Level 2 Assessment” in 2020, which also included Türkiye. In the scope of the study, the Assessment Team, which included participants from many countries, conducted an assessment of the compliance of payment and securities settlement systems under the CBRT’s jurisdiction with the Principles for Financial Market Infrastructures (PFMI) published by the CPMI and IOSCO, and the resulting report was published in July 2022. Despite some recommendations presented in the Second Level Assessment, the regulations on payment and securities settlement systems under the CBRT’s regulatory and oversight authority were assessed to be “Fully Compliant” with the PFMI.

## 2.11.2 Participation in International Events

The CBRT attended online the General Assembly Meeting of the Central Bank Counterfeit Deterrence Group (CBCDG) held on 7 December 2023 as a member. CBCDG General Assembly Meetings are held once a year and in these meetings, the heads of delegations from member countries of the European Banknote Conference and representatives of other member countries not included in the European Banknote Conference are informed about the activities of the CBCDG by the management, necessary decisions are taken and the CBCDG budget is approved.

The CBRT participated online in various sustainability-themed meetings organized by institutions such as Reconnaissance International Ltd. and the International Association of Currency Affairs (IACA) on 5 April 2023, 26 April 2023, 11 July 2023 and 1 November 2023.

The CBRT participated online in the "The Holography Conference" regarding banknote production organized by Reconnaissance International Ltd. between 21-22 November 2023.

Similarly, the CBRT participated online in the meetings of the sub-working groups of the Customer Focus Group-CFG attended by representatives of the banknote printing houses using the machines manufactured by the Koenig&Bauer Banknote Solutions company.

The CBRT participated in the "CBDC Conference 2023" event organized in Istanbul between 12-14 September 2023. The conference, which was attended by many central banks, technology companies and international organizations carrying out activities on digital currencies around the world, staged presentations and panels on various topics such as the objectives, requirements, design preferences and implications of possible issuance of digital currencies.

The CBRT is a member of the "Technical Advisory Group of Central Banks of Countries Using Banknote Processing Systems". The Group has been working on a number of issues such as determining the technical details of new features that can be developed in banknote processing systems, ensuring technical communication between member countries and the system manufacturer, eliminating problems and producing solutions for the common benefit of member countries. In the scope of these studies, the Issue Department participated in the 52nd Technical Advisory Group meeting organized by the Czech National Bank in Prague between 3-5 April 2023.

The Issue Department participated in the Istanbul Fintech Week 2023 organized by Fintech Association Türkiye (FINTR) and OKX IT Services and IT Consulting on 13-14 April 2023. The program, which is organized under two main headings as Blockchain Fest and Digital Finance Summit, creates a platform for global discussion and information exchange in the changing financial services sector.

The CBRT is a member of the Cash Issuance Committee, one of the technical sub-units of the European Banknote Conference, which operates with the participation of central banks and banknote printers of European countries for banknote printing and cash management. As part of these activities, the Issue Department participated in the 2023 meeting hosted by the Swiss National Bank in Zurich between 18-20 April 2023.

The Issue Department participated in the annual meeting of the BPS International Users Group, of which the CBRT is a member, held on 11-14 July 2023, in Düsseldorf-Dortmund, Germany. At the annual meeting, representatives from central banks of member countries using the said systems and the manufacturer of the banknote processing systems discussed the development of banknote processing systems, the ways in which they are integrated into teller operations, innovations in operating practices and experiences arising from their use and sought to find common solutions to problems.

The Conference on "Cash Management Strategies, Recent Technological Developments and New Products", organized every two years by the Intergraf Currency+Identity organization and attended by central banks, banks operating in the sector, cash service companies and more than 100 companies providing raw materials/products, was held in Spain between 17-20 October 2023. In the event, which was attended by the Issue Department on behalf of the Bank, sessions were organized on topics such as developments in cash usage worldwide, new security features, sustainability in the cash cycle and central bank digital currency applications, and the CBRT delegation made presentations and participated in panels.

The conference bearing the title “The Future of Cash”, organized by Reconnaissance International in Türkiye between 6-8 November 2023, was attended by central banks of other countries, other stakeholders operating in the cash cycle and the Issue Department and the Banknote Printing Plant on behalf of Türkiye. The conference staged sessions on topics such as the future of cash, and key indicators, challenges and solutions in cash management. The CBRT made an opening presentation and introduction and answered the questions of the participants in the panel.

The CBRT participated online in the annual committee meeting of the BIS Irving Fisher Committee on Central Bank Statistics as a member.

The CBRT participated in the “Meeting of the Working Party on Financial Statistics (WPFS)” and “Conference on National Economic and Financial Accounts (CNEFA)” organized by the Organization for Economic Cooperation and Development (OECD). The CBRT representative chaired sessions on “Climate-Related Risks and Sustainable Finance” and “Globalization, MNEs and International Investment Flows”.

The CBRT participated in and contributed to the online meeting of the “Working Group on International Investment Statistics (WGIIIS)” held on 26-27 July 2023 within the framework of our bureau membership at the OECD.

As a bureau member of the OECD, the CBRT participated in and contributed to the “Working Group on Statistics of International Trade in Goods and Services (WPTGS)” meeting held online between 11-13 October 2023.

The CBRT participated in the “Financial Statistics” training organized by the Center of Excellence in Finance (CEF) in Slovenia.

The CBRT participated in and contributed to the online meetings of the “Balance of Payments Working Group (BOP WG)” held by EUROSTAT between the member and candidate countries of the European Union on 20-22 November 2023 and the online meeting of the “International Trade in Services Statistics Working Group (ITSS WG)” held on 16-17 November 2023.

The CBRT participated online and contributed to the “11th Meeting of the Travel Workshop Relating to International Trade in Services Statistics” organized by the Bank of Italy on 13-14 November 2023.

As part of the BIS 2025 Innovation Strategy, the CBRT participated in the online meetings of the “BIS Group of Experts” working group as a member. The working group was established with the aim of reshaping the technical infrastructure of the BIS Data Bank and creating a new data distribution platform. In addition, the CBRT participated in the “Fusion Metadata Registry” meeting organized by the BIS to improve data reporting formats and processes.

The CBRT participated in the annual evaluation meeting on tendency surveys conducted by the European Commission under the Joint Harmonised European Union Programme of Business and Consumer Surveys.

The CBRT participated in the “BIS Data Portal Alpha Testing” meeting, where the new data portal being developed by the BIS was introduced and feedback was collected on the content and use of the portal.

The CBRT participated online in the meetings of the “G20 Data Gaps Initiative (DGI)” coordinated by the IMF. Contributions were made to the sub-working groups on “Data Sharing” and “Access to Private and Administrative Records” in the ongoing 3rd phase.

The CBRT participated online in the meetings of the International Network for Exchanging Experience on Statistical Handling of Granular Data (INEXDA) coordinated by the European Central Bank.

The CBRT participated in the 20th Meeting of the COMCEC Financial Cooperation Working Group on “Enhancing Cooperation among Central Banks with Respect to Digital Currencies” held in Ankara on 9-10 October 2023.

### 2.11.3 Relations with Central Banks

Since 2020, the CBRT had been conducting bilateral cooperation activities via video conferencing in order to adapt to the evolving and changing global conditions due to the global coronavirus pandemic and to maintain effective information sharing. In 2023, when pandemic conditions eased, the CBRT decided that face-to-face communication and feedback on some issues would be more fruitful, while still organizing technical cooperation activities incorporating both methods, taking into account the time and cost advantages of video conferencing.

In this framework, in order to contribute to the capacity development of both the CBRT and the central banks with which the CBRT cooperates, 57 activities were organized with 31 partner central banks in the field of central banking, focusing primarily on current issues and developments in our mandate. Six of the activities were study visits and 51 were video conferences.

In addition to the activities organized in the meeting format, the CBRT continued to share written information to support capacity building throughout 2023. In this context, while central banks responded to five written requests for information to contribute to the CBRT's work and projects, the CBRT responded to seven other requests to share expertise and experience with partner central banks.

Meanwhile, efforts to enhance bilateral cooperation were deepened through high-level meetings with stakeholder central banks. In addition to central banks, the CBRT also held meetings with representatives of foreign missions in Türkiye to improve relations between the CBRT and the relevant institutions and countries. In the context of the meetings, global and regional developments and the current situation regarding the Turkish economy were discussed and bilateral dialogue and partnership between the central banks were further enhanced.



## 2.11.4 Participation in International Working Groups

The CBRT has been closely monitoring global efforts in the field of real estate statistics and participated online in the meetings of the “Eurostat Task Force on Commercial Real Estate Indicators (TF CREI)” and “Eurostat Real Estate Price Statistics” (REPS) working groups established by the European Statistical System Committee (ESSC) within the scope of the recommendations of the European Systemic Risk Board (ESRB) to close data gaps in the field of real estate.

The CBRT participated online and contributed to the periodic meetings of the World Bank’s International Committee on Credit Reporting (ICCR). The CBRT has been a member of the ICCR and has been actively participating in its meetings since 2009. Moreover, the CBRT participated in the “Governance and Member Liaison” subcommittee chaired by a CBRT official and contributed to the finalization of the document on sustainability.

The CBRT participated in and contributed to the WGRA, BACH, FSA and ERICA working group meetings within the scope of the European Committee of Central Balance Sheet Offices (ECCBSO) as a member. The ECCBSO was established to enhance cooperation among balance sheet offices of European Central Banks, improve data processing techniques and analyses, and create comparable data sets.

The CBRT hosted the annual meeting of the ECCBSO-FSA working group, which was chaired by the CBRT, in Istanbul.

Within the scope of the ECCBSO-ERICA working group membership, Türkiye contributed to the database created jointly by Austria, Belgium, France, Italy, Germany, Greece, Portugal, Spain and Türkiye, and Türkiye was included in the ERICA Annual Report.

The CBRT participated in and contributed to the Main Committee Meetings organized by the CPMI (operating under the BIS) in February, June, September and December, via video conferencing.

As a member of the Central Bank Digital Currencies working group within the scope of the BIS Innovation Network, Türkiye participated in the online meetings held in March, May, June, September and December.

As a member of the digital currency working group within the scope of the Third Phase of the G20 Data Gaps Initiative, the CBRT participated in the online meetings held in May and July.

The CBRT participated in an array of activities carried out by bodies established by the FSB, CPMI and other relevant international organizations and standard-setting authorities: the Future of Payments Working Group (FoP) established under the Roadmap for Enhancing Cross-border Payments, the Cross Border Payments Expansion Workstream, Cross Border Payments Messaging Workstream, Target Data Group for the Implementation Approach for the Cross-Border Payments Targets, Working Group on Cyber Resilience for Financial Market Infrastructures (WGCR), the Crypto Assets Working Group (CWG) and the FinTech Credit Working Group that are established by the FSB, the CPMI as well as other related international institutions and standard setting authorities.

The CBRT contributed to the Financial Inclusion Task Force established under the G20 Data Gaps Initiative (DGI) that was established with the participation of all relevant international organizations, particularly the IMF and the FSB.

## 2.11.5 Organizations

### National and International Events

The CBRT held several meetings to enhance cooperation with other central banks and international organizations and discuss issues on the Turkish economy.

The CBRT handled the logistics of the activities listed below:

- Briefing on Inflation Report 2023-I held on 26 January 2023 in Ankara,
- Briefing on Inflation Report 2023-II held on 4 May 2023 in Ankara,
- Briefing on Inflation Report 2023-III held on 27 July 2023 in Ankara,
- OIC-COMCEC Central Banks Forum Meeting held on 24-25 September 2023 in İstanbul,
- Briefing on Inflation Report 2023-IV held on 2 November 2023 in Ankara,
- IILM 31st Governing Board Meeting held on 11-12 December 2023 in İstanbul.

In international organizations and platforms, the CBRT officials gather with economic and financial circles to exchange ideas and the CBRT is represented at a level that is commensurate with Türkiye's role. Below is a list of major events in which the CBRT participated:

- G20 Deputy Finance Ministers and Central Bank Deputy Governors Meetings on 22-23 February, 14-15 July, 11 October, 14-15 December 2023,
- G20 Finance Ministers and Central Bank Governors Meetings on 24-25 February, 12-13 April, 17-18 July, 12-13 October 2023,
- Bimonthly BIS Meetings on 10-11 September, 12-13 November 2023,
- IMF-World Bank (WB) Spring Meetings between 10-16 April 2023,
- EBRD Meeting on 17 July 2023,
- OIC-COMCEC Central Banks Forum Meeting on 24-25 September 2023,
- IMF Article IV Meetings between 25-29 September 2023,

- IMF-WB Annual Meetings between 9-15 October 2023,
- EBRD Meeting on 23 November 2023
- Ministerial Session of COMCEC between 2-5 December 2023,
- Islamic Development Bank Meeting on 5 December 2023,
- EBRD Meeting on 7 December 2023.

#### **In-House Events and Internal Communication Activities**

Various events have been organized at the CBRT to reinforce communication within and among departments, and to foster and employees' motivation and communication.

#### **Protocol Activities**

The CBRT has organized various events to enhance communication regarding the visits of domestic and foreign delegations hosted by the Governor:

- G20 Finance Ministers and Central Bank Governors Meeting, IMF/WB 2023 Spring Meetings and New York Investor Meetings held in Washington, DC between 10-16 April 2023,
- Social programs for Turkish and foreign delegations visiting the Governor's Office in Ankara and Istanbul
- Hosting for WB Representatives in Istanbul on 29 November 2023,
- Carrying out the preliminary preparation and organization of various meetings to be attended by the Governor throughout the year, carrying out the welcome and farewell activities within the framework of protocol rules.
- Protocol Rules Training for the Bank's new assistant specialists held on 21 December 2023, in Istanbul.

## 2.11.6 European Union Harmonization Activities

In the scope of Türkiye's EU accession and negotiation process, the CBRT contributed to the work on harmonization with the EU acquis on issues that fall in its remit and regularly reported developments in chapters for which it is responsible, in coordination with the Directorate for EU Affairs of the Ministry of Foreign Affairs.

Table 2.11.6.1 shows the latest status of the chapters in which the CBRT participated in the accession negotiations.

**Table 2.11.6.1: Current Status in Chapters that the CBRT Contributes to during the Negotiation Process**

Chapters Directly Involved	Latest Status in Negotiations	Chapters Indirectly Involved	Latest Status in Negotiations
4. Free Movement of Capital	Negotiations Opened (19 December 2008)	2. Freedom of Movement of Workers	Under review by the European Council.
9. Financial Services	Negotiations suspended. (14-15 December 2006)	6. Company Law	Negotiations opened (17 June 2008)
17. Economic and Monetary Policy	Negotiations opened (14 December 2015)	16. Taxation	Negotiations opened (30 June 2009)
18. Statistics	Negotiations opened (26 June 2007)	19. Social Policy and Employment	Opening benchmarks established.
32. Financial Control	Negotiations opened (26 June 2007)	28. Consumer and Health Protection	Negotiations opened (19 December 2007)
33. Financial and Budgetary Provisions	Negotiations opened (30 June 2016)		

In 2023, as in previous years, the CBRT participated in the Economic and Financial Dialogue meetings. At the Economic and Financial Dialogue meetings, the Economic Reform Programs (ERPs) prepared by candidate and potential candidate countries<sup>4</sup> are evaluated in order to maintain the candidate countries' dialogue with the EU during the EU accession process and to help them work in harmony with the existing system. Some of the meetings were organized in online format, while others were organized physically.

The first step in the Economic and Financial Dialogue process, the Economic and Financial Committee Alternates Meeting, was held physically in Brussels on 25 April 2023. The follow-up High-Level Officials Meeting was organized online on 4 May 2023. During the meetings, the ERPs prepared by candidate and potential candidate countries were evaluated, the Draft Joint Conclusions of the Economic and Financial Dialogue Meeting between the EU and the Western Balkans and Türkiye were discussed and the final text was agreed. The highest level and final meeting of this process, the Economic and Financial Dialogue Meeting between the EU and Türkiye and the Western Balkans, was held in Brussels on 16 May 2023. At this meeting, each participating country made a five-minute speech on the topic of "Economic Challenges in the Region, in Particular Regarding Policies to Tackle the Economic Fallout from Russia's War of Aggression Against Ukraine" and the text of the Final Joint Conclusion agreed at the High-Level Officials meeting was adopted.

In addition, the CBRT participated in the biannual Economic Forecast Meetings for Candidate Countries organized by the European Commission as part of the Economic and Financial Dialogue process and projections regarding Türkiye's economic and financial outlook was discussed. Accordingly, the spring meeting was held on 24 April 2023 and the autumn meeting was held on 25 October 2023 in Brussels.

Lastly, this year's meeting of the Subcommittee No. 4 on Economic and Monetary Issues, Movement of Capital and Statistics, which is one of the subcommittees established as per the decision taken at the Türkiye-EU Association Council to evaluate the alignment of Turkish legislation with the EU acquis on "Free Movement of Capital", "Financial Services", "Economic and Monetary Policy" and "Statistics" chapters, was held in hybrid meeting format on 13 December 2023.

<sup>4</sup> Albania, Bosnia Herzegovina, Montenegro, Kosovo, North Macedonia, Serbia, Türkiye

## 2.12 Research and Development Activities

### 2.12.1 Academic Research and Development Activities

In line with the importance it attaches to academic studies, the CBRT published Working Papers and Economic Notes prepared by its staff on its website. Peer-reviewed CBRT Working Papers based on research carried out by the CBRT staff increased by nine. Moreover, with a view to making a timely contribution to discussions on economic developments and sharing the results of the studies on the Turkish economy and monetary policy, ten Research Notes in Economics were issued.

Moreover, various articles contributed by CBRT employees were published in journals listed in the Social Sciences Citation Index (SSCI).

### 2.12.2 Research Activities on Structural Economic Developments

In 2023, the CBRT continued to conduct analyses aimed at determining the structural developments in the Turkish economy, particularly structural factors limiting the effectiveness of monetary policy, carried out research and monitoring activities in the form of on-site observation of the effects of monetary policy on real sector activities, and produced policy recommendations in the framework of inter-institutional cooperation. This research and field observations were supported by current data and the results of the studies were communicated to stakeholders.

Activities related to structural economic developments can be grouped into four headings:

- Research activities on the interaction of structural factors of the Turkish economy with the monetary policy,
- Providing information on food and agricultural product prices and presenting research on pricing behavior on the platforms of the Food and Agricultural Product Markets Monitoring and Evaluation Committee (Food Committee) and the Price Stability Committee,
- Coordination activities for research studies,
- Activities in the scope of the Real Activity Lens (REAL).

In order to examine the structural developments in the Turkish economy and their interaction with monetary policy, various topics have been examined such as pricing behavior, market structure and competition, foreign trade, current account balance and firm dynamics, labor markets, productivity and household behavior by employing empirical and theoretical methods. The findings were regularly presented to policymakers during MPC procedures and at meetings held in collaboration with stakeholders.

The Food Committee focused on identifying and solving structural and cyclical problems in the agriculture and food sectors in line with the objective of ensuring stability in food prices and increasing predictability. Relevant ministries and organizations are represented at the highest level at Food Committee meetings and concrete policy measures are implemented in line with the decisions taken. In 2023, the Food Committee convened twice and took decisions on issues such as food price stability, supply security of agricultural products and agricultural planning.

In the framework of the Food-EWS (Food Early Warning System) project conducted by the CBRT as per the decisions of the Food Committee, the CBRT has analyzed data on food and agricultural products prices, which are of critical importance for price stability, in a detailed and timely manner and recommendations on measures have been made. The up-to-date database in this area is used to monitor structural problems and critical developments in food and agricultural product markets, and regular briefings and reports on the latest developments in the sector are presented at the Committee meetings. On the other hand, the Food and Agricultural Markets Report, the Food Foreign Trade Developments Report and the Inflation Developments in Critical Food Products Report prepared within the framework of the Food-EWS are regularly shared with relevant ministries and institutions.

In 2023, three articles prepared with the contributions of the Structural Economic Research Department were published in the Central Bank Review, two publications were included in the Working Papers series, and two studies were published as CBRT blog posts in the CBRT Blog. Three of these studies were presented to academics and policymakers at national and international seminars and conferences. Within the scope of the Financial Support for Academic Studies Program (FSASP), seven different applications for conference support were received, and all of them were provided with financial support. In 2023, 127 articles were submitted to the Central Bank Review, whose editorial and refereeing processes are carried out by the Bank, and 12 articles were accepted and published.

In 2023, the CBRT continued to incorporate real sector developments as a high-quality and timely source of information into its decision-making processes. In this regard, meetings were organized bringing together the CBRT and senior executives of firms and NGOs to serve as a platform to gather comprehensive information about the economic activity, and real sector sentiment has been monitored in a timely manner.

Information gathered in monthly meetings allowed a healthier evaluation of cyclical developments in economic activity (such as production, domestic and foreign sales, investment, employment, financing conditions, costs and prices). These visits aimed to exchange views on the effects of monetary policy practices on the real sector, and thus contribute to the CBRT's communications policy. In Inflation Reports published in 2023, boxes bearing the title "Findings Obtained from Firm Interviews" were published and findings obtained from cyclical interviews were shared with the public.

In addition to the regular field meetings held to follow cyclical developments, thematic studies were carried out on the developments in the areas of interest of the MPC or on the issues specific to the period, and reports were prepared. Moreover, studies have been conducted on the structures of different sectors, general information on workflows and recent developments in these sectors. Accordingly, out of a total of 3,290 interviews conducted in 2023; 2,563 were in the scope of cyclical studies, 426 were in the scope of various thematic issues mostly about investments and 301 were agricultural interviews.

## 2.12.3 Research and Development Activities in Data Governance and Statistics

To monitor the CBRT's data-driven policy decisions more effectively, high-frequency integrated databases were supported with new data. The impacts of policies implemented were regularly monitored and impact analyses were conducted. Within the framework of inter-institutional cooperation, protocols were signed with various public institutions and organizations to contribute to policy design. Process efficiency was significantly increased by automating operational processes carried out by the Data Governance and Statistics Department. New data and analytical tools enhanced the functionality of the big data platform, which plays an active role in the CBRT's policymaking processes. Statistics produced for the first time were shared with the public. Highlights from the CBRT's activities carried out in 2023 are as follows:

- With the Regulation published in the Official Gazette No. 32363 dated 8 November 2023, the FX position reporting that firms are obliged to make to the CBRT regarding their FX assets and liabilities was simplified and the scope of the obligation was changed. The scope of firms' FX position reporting, which had been carried out since 2018 in the scope of the Systemic Risk Data Monitoring System, was reorganized in order to increase the representation of firms in the national economy, and the existing reporting format was simplified to facilitate firms' reporting processes.
- To assess the quality of CBRT statistics and monitor user needs, a Statistics User Survey was conducted among subscribers to the CBRT's Publications Subscription System, registered users of the Electronic Data Delivery System (EVDS), and CBRT employees.
- Data on Environmental, Social and Governance (ESG) debt securities have been added to the Securities Statistics under two new tables.
- The list of participants of the Survey of Market Participants, which is conducted by the CBRT to monitor the expectations of decision-makers and experts in the financial and real sectors regarding various macroeconomic variables, was updated to increase the representativeness of the survey. Only corporate participants have been included to ensure continuity of participation.
- Up-to-date templates and descriptions of the reporting forms, constituting the source of Monetary and Financial Statistics, which are collected from the banks and financing companies were published on the CBRT's website.
- In order to enhance the compliance of the Weekly Money and Banking Statistics with international statistical reporting standards, the CBRT started to collect the Weekly Deposit/Participation Fund Monitoring Form from banks.
- In order to increase the efficiency and effectiveness of research and development activities conducted at the CBRT, the CBRT signed protocols with the Social Security Institution, the Ministry of Trade, the Public Oversight Accounting and Auditing Standards Authority, the Small and Medium Enterprises Development Organization (KOSGEB), Eximbank and the Export Development Corporation and started to share data with them.
- Machine learning techniques have been employed to detect anomalies and enhance the data quality of micro-database within the CBRT.
- The use of big data analytics outside the field of finance has been explored, and the development of the banknote serial number tracking project has significantly enhanced process optimization.
- The number of users of Virtual Data Rooms, which provide secure and high-performance access to analytical data, increased by 35%.
- The subsystems of the big data platform have been transitioned to container-based virtualization technology to meet modern technological requirements.

## 2.12.4 Research and Development Activities on Banknote Printing

A number of research and development studies have been carried out to improve the banknote printing process.

Signatures on E9 series, version VII banknotes in denomination of TRY 200 have been changed.

Between 17-19 October 2023, the Banknote Printing Plant underwent an audit by the Turkish Standards Institution to verify compliance of the Banknote Printing Plant's Quality Management System with the ISO 9001 Quality Standards, the Occupational Health and Safety Management System with ISO 45001 standards, and the Environmental Management System with ISO 14001 standards. As a result of the audit, the Banknote Printing Plant's ISO 9001 Quality and ISO 45001 Occupational Health and Safety Management System documents and ISO 14001 Environmental Management System document were certified as remaining valid.

In 2023, the new Solution System, which reduces environmental impact, uses up-to-date technologies and operates with the ultrafiltration method, was put into operation at the Banknote Printing Plant.

## 2.12.5 Research and Development Activities on Information Technologies

In the field of Information Technologies (IT), establishment of technological solutions and systems in line with the Bank's objectives continued in addition to efforts to ensure the security and continuity of these systems. Below are the most significant of many improvements carried out throughout the year:

- The transformation in the CBRT's technology and application architecture continued to respond to the CBRT's needs more quickly, to increase the number of alternative platforms, to maintain high levels of continuity, and to monitor end-to-end services.
- In order to enhance business continuity, the CBRT continued to improve the infrastructure necessary for IT systems and applications to operate in different data centers in addition to the existing data centers.
- Studies were carried out to increase cybersecurity resilience and expand preventive controls.
- Cybersecurity monitoring and response capabilities were enhanced.
- Efforts were made towards compliance with the Information and Communication Security Guidelines published by the Digital Transformation Office of the Presidency of the Republic of Türkiye and inspections were performed. As a result of inspections conducted by an authorized and independent organization, the CBRT's ISO 27001 Information Security Management System certificate was renewed.
- As part of the infrastructure improvement efforts, the CBRT started to modernize its data centers, and a new data center was established in line with this goal.
- Studies towards allowing more effective use of data in decision-making processes continued.
- Applications required to enhance the digitalization of CBRT processes were prepared and renewed.
- The communication infrastructures of the CBRT's Internet and payment systems applications were updated.
- Work was carried out on the IT infrastructure of the CBRT's Istanbul Finance Center campus.

## 2.13 Training Activities

Training activities consist of trainings organized by the CBRT and other institutions and organizations, as well as those offered via the Digital Learning Program.

**Table 2.13.1: Distribution of Training Activities by Training Source**

Training Source	Number of Courses	Attendance	Training Duration (Total Training Hours)
Training Courses Organized by CBRT	101	3,843	36,461
Training Courses Organized by Other Institutions and Organizations	40	217	6,210
Training Courses Offered via Digital Learning Platform	774	16,303	10,106
<b>Total</b>	<b>915</b>	<b>20,363</b>	<b>52,777</b>

In 2023, there were a total of 20,633 attendances in a total of 915 training courses. (Table 2.13.1). The CBRT personnel received a total of 52,777 hours of training across all training activities. The average participant learning was 13,11 hours per person.

**Table 2.13.2: Distribution of Training Activities by Training Method**

Training Method	Attendance	Percentage (%)
E-Learning (Digital Learning Platform)	17,591	86.39
Virtual Classroom (Online Training)	323	1.59
In-Class	2,449	12.03
<b>Total</b>	<b>20,363</b>	<b>100</b>

In 2023, the distribution of training activities according to training method reveals that 86.39% were conducted through e-learning, 12.03% in a classroom, and 1.59% in a virtual (online) classroom environment (Table 2.13.2).



## 2.13.1 Training Programs Organized by the CBRT

In 2023, the CBRT held 72 different training courses in 101 groups. A total of 3,843 participants attended training programs adding up to 36,461 hours.

Out of 101 groups of training in 2023, 32 were provided through in-house resources (in-house trainers, department officials), 63 were outsourced (firms, institutions, etc.), and 6 were held via Digital Learning Platform.

**Table 2.13.1.1: Distribution of CBRT-Organized Training by Categories**

Training Categories	Number of Courses	Attendance	Percentage (%)
Legal Compulsory Trainings	28	1,945	50.61
Conferences	4	835	21.73
Technical and Functional Trainings	51	744	19.36
Soft Skill Trainings	9	171	4.45
Competency Development and Leadership Trainings	7	114	2.97
Orientation Trainings	2	34	0.88
<b>Total</b>	<b>101</b>	<b>3,843</b>	<b>100</b>

Legal Compulsory trainings comprised 50.61% of the total attendance in CBRT-organized training activities, while conferences and technical and functional development training accounted for 21.73% and 19.36%, respectively (Table 2.13.1.1). Moreover, digital competence development programs, Orientation Trainings tailored specific to title, human resources development programs, audit training courses, information technology training, and personal development training were prominent in 2023.

A total of 875 employees participated in the “English Speaking Club,” held at Ümraniye, Fenerbahçe, Ulugöl, and Karaköy Offices during lunch breaks throughout the year in 140 groups, led by a native English-speaking instructor in order to enhance the CBRT employees’ speaking proficiency in English.

As part of international programs, the “Training of Trainers” program, organized in cooperation with the CEF to increase the knowledge and experience of the participants (8 CBRT employees and 12 international participants) and to strengthen their capabilities as trainers, contributed to the cooperation with international organizations and the upskilling of in-house trainers.

## 2.13.2 Training Programs Organized by Other Institutions and Organizations

A total of 197 CBRT employees participated in 24 short-term local training programs organized by other institutions and organizations in 2023. Furthermore, 20 employees took part in 16 different training programs organized by other central banks and international organizations.

As part of graduate studies, 107 employees, 28 of whom recently enrolled in 2023, pursued their studies (master's and PhD) in Türkiye. Four CBRT-scholarship holders (one PhD and three master's students) completed their studies abroad in 2023, and were appointed to their positions, while one scholarship holder is currently pursuing their postgraduate education. Moreover, 10 of our employees are entitled to receive external scholarships, two for PhD and eight for master's degrees, in 2023 while three CBRT employees continued their education on external scholarships.

As part of academic staff assignment, 12 employees were assigned to give lectures at universities for a semester and 34 employees were appointed to share information as short-term instructors at institutions and organizations.

## 2.14 Cultural, Environmental, and Corporate Social Responsibility Activities

In addition to fulfilling its primary duties and responsibilities, the CBRT has continued to take part in social responsibility activities and provide donations and aid.

In 2023, as part of its Corporate Social Responsibility Activities, the CBRT granted 1,639 items of furniture and fixtures (IT equipment, office, kitchen, health and safety equipment, etc.) to 27 public institutions as well as donating books.

In the wake of the earthquakes that struck Türkiye on 6 February 2023, the CBRT donated TRY 30 billion to the “Türkiye Tek Yürek (Türkiye United as One Heart)” charity campaign. Moreover, the CBRT Search and Rescue Team, working together with the Disaster and Emergency Management Presidency (AFAD) under the Ministry of Interior of the Republic of Türkiye, contributed to rescue efforts in the earthquake zone. Furthermore, the CBRT donated relief items (food, heaters, flasks, hygiene products, clothes, blankets, etc.) worth a total of TRY 26,403,932.21 to the survivors of the Kahramanmaraş earthquakes of 6 February 2023.

With contributions from the Bank of Greece, the CBRT built the Central Bank Derince Anatolian High School after the 1999 earthquake to support the region. In 2023, the CBRT continued to grant scholarships to successful graduates of the high school, who have enrolled in a university and who satisfy certain criteria, for the duration of their university education. While 34 students actively benefited from the scholarship during the 2022-2023 academic year, a total of 136 students, excluding the scholarship recipients for the 2023-2024 academic year, have been awarded scholarships since 2002, when the school graduated its first students. Successful students were rewarded with plaques, cash prizes, and gifts at the graduation ceremony held to encourage the level of success at the school.

### 3. FINANCIAL STATEMENTS



Photograph: **"Family"** by Hakan Yaralı, displayed in the Exhibition of the International Photography Contest on "Economy and Human Being" organized by the CBRT.



## 3.1 Balance Sheet as of 31 December 2023

ASSETS	Explanation No.	Turkish Lira	Foreign Currency	Total
<b>1. Gold</b>	<b>3.4.2.1</b>	-	<b>1,417,869,831,864</b>	<b>1,417,869,831,864</b>
1.1 International Standard (Net Gram) 726,375,976.72		-	1,417,869,831,864	1,417,869,831,864
<b>2. Foreign Banknotes</b>	<b>3.4.2.2</b>	-	<b>103,684,060,153</b>	<b>103,684,060,153</b>
<b>3. Foreign Correspondents</b>	<b>3.4.2.3</b>	-	<b>2,621,255,024,835</b>	<b>2,621,255,024,835</b>
3.1 FX Securities		-	104,784,379,766	104,784,379,766
3.2 Deposits		-	453,568,530,466	453,568,530,466
3.3 Other		-	2,062,902,114,603	2,062,902,114,603
<b>4. Reserve Tranche Position</b>	<b>3.4.2.4</b>	-	<b>4,472,360,078</b>	<b>4,472,360,078</b>
<b>5. Securities Portfolio</b>	<b>3.4.2.5</b>	<b>159,913,235,806</b>	-	<b>159,913,235,806</b>
5.1 Government Securities		159,312,133,196	-	159,312,133,196
5.2 Other		601,102,610	-	601,102,610
<b>6. Lending Related to Monetary Policy Operations</b>	<b>3.4.2.6</b>	<b>9,443,643,254</b>	-	<b>9,443,643,254</b>
6.1 Open Market Operations		3,519,175,138	-	3,519,175,138
6.2 Interbank Operations		1,510,011,308	-	1,510,011,308
6.3 Other		4,414,456,808	-	4,414,456,808
<b>7. Domestic Banks</b>	<b>3.4.2.7</b>	<b>247,014,652</b>	<b>3,811,276,745</b>	<b>4,058,291,397</b>
<b>8. Credits</b>	<b>3.4.2.8</b>	<b>373,781,727,238</b>	<b>71,659,857,873</b>	<b>445,441,585,111</b>
8.1 Domestic Credits		373,781,727,238	71,393,106,077	445,174,833,315
8.1.1 Rediscount Credits		287,573,051,176	71,393,106,077	358,966,157,253
8.1.2 Other Credits		86,208,676,062	-	86,208,676,062
8.2 Foreign Credits		-	266,751,796	266,751,796
<b>9. Share Participations</b>	<b>3.4.2.9</b>	<b>90,543,079</b>	<b>9,906,697,817</b>	<b>9,997,240,896</b>
<b>10. Treasury Liabilities due to SDR Allocation</b>	<b>3.4.2.4</b>	-	<b>219,335,649,316</b>	<b>219,335,649,316</b>
<b>11. Fixed Assets (Net)</b>	<b>3.4.2.10</b>	<b>1,501,755,778</b>	-	<b>1,501,755,778</b>
<b>12. Non-performing Loans (Net)</b>	<b>3.4.2.8</b>	<b>-47,018,242,554</b>	<b>47,018,242,554</b>	<b>-</b>
12.1 Non-performing Loans		-	47,018,242,554	47,018,242,554
12.2 Provisions to Non-performing Loans (-)		-47,018,242,554	-	-47,018,242,554
<b>13. Deferred Tax Assets</b>	<b>3.4.2.15</b>	<b>2,002,652,646</b>	-	<b>2,002,652,646</b>
<b>14. Revaluation Account</b>	<b>3.4.2.11</b>	<b>817,762,329,689</b>	-	<b>817,762,329,689</b>
<b>15. Loss of the Period</b>	<b>3.4.2.20</b>	<b>818,182,863,710</b>	-	<b>818,182,863,710</b>
<b>16. Other Assets</b>	<b>3.4.2.12</b>	<b>288,589,511,297</b>	<b>325,907,592</b>	<b>288,915,418,889</b>
16.1 Non-standard Gold (Net Gram) 2,832,327.42	3.4.2.1	5,528,640,444	-	5,528,640,444
16.2 Coins		89,329,230	-	89,329,230
16.3 Accrued Income		1,998,880,085	-	1,998,880,085
16.4 Other		280,972,661,538	325,907,592	281,298,569,130
<b>TOTAL</b>		<b>2,424,497,034,594</b>	<b>4,499,338,908,828</b>	<b>6,923,835,943,422</b>

LIABILITIES	Explanation No.	Turkish Lira	Foreign Currency	Total
<b>1. Currency Issued</b>	<b>3.4.2.13</b>	<b>448,822,892,318</b>	-	<b>448,822,892,318</b>
<b>2. Liabilities Related to Monetary Policy Operations</b>	<b>3.4.2.6</b>	<b>370,846,639,719</b>	-	<b>370,846,639,719</b>
2.1 Open Market Operations		119,129,880	-	119,129,880
2.2 Interbank Operations		370,727,509,839	-	370,727,509,839
2.3 Liquidity Bills		-	-	-
2.4 Other		-	-	-
<b>3. Deposits</b>	<b>3.4.2.14</b>	<b>2,306,538,427,911</b>	<b>2,724,479,025,532</b>	<b>5,031,017,453,443</b>
3.1 Public Sector		493,712,799,107	489,306,046,494	983,018,845,601
3.1.1 Treasury, General, and Special-Budget Administrations		493,494,643,507	489,306,046,494	982,800,690,002
3.1.1.1 Cash		493,494,643,507	391,491,785,400	884,986,428,907
3.1.1.2 Gold (Net Gram) 50,110,333.01	3.4.2.1	-	97,814,261,094	97,814,261,094
3.1.2 Other		218,155,600	-	218,155,600
3.2. Banking Sector		1,807,151,288,517	2,227,981,148,818	4,035,132,437,335
3.2.1 Domestic Banks		1,140,472,632,180	828,597,549,845	1,969,070,182,025
3.2.1.1 Cash		1,140,472,632,180	776,153,674,404	1,916,626,306,584
3.2.1.2 Collateral		-	26,386,595,000	26,386,595,000
3.2.1.2.1 Cash		-	26,386,595,000	26,386,595,000
3.2.1.2.2 Gold (Net Gram) 0.00	3.4.2.1	-	-	-
3.2.1.3 Gold (Net Gram) 13,349,167.96	3.4.2.1	-	26,057,280,441	26,057,280,441
3.2.2 Foreign Banks		666,678,656,337	-	666,678,656,337
3.2.3 Required Reserves in Blocked Accounts		-	1,399,383,598,973	1,399,383,598,973
3.2.3.1 Cash		-	1,186,907,876,323	1,186,907,876,323
3.2.3.2 Gold (Net Gram) 108,851,501.81	3.4.2.1	-	212,475,722,650	212,475,722,650
3.2.4 Other		-	-	-
3.3 Other Deposits		5,674,340,287	7,191,830,220	12,866,170,507
3.3.1 FX Deposits of Nonresident Citizens		-	5,181,219,360	5,181,219,360
3.3.2 International Institutions		417,423,702	-	417,423,702
3.3.3 Extrabudgetary Funds		178,999,777	201,652	179,201,429
3.3.4 Other		5,077,916,808	2,010,409,208	7,088,326,016
<b>4. Foreign Banks</b>	<b>3.4.2.3</b>	-	<b>670,519,355,217</b>	<b>670,519,355,217</b>
4.1 Cash		-	611,960,020,912	611,960,020,912
4.2 Gold (Net Gram) 29,999,999.08	3.4.2.1	-	58,559,334,305	58,559,334,305
<b>5. Reserve Tranche Means</b>	<b>3.4.2.4</b>	-	<b>4,472,360,078</b>	<b>4,472,360,078</b>
<b>6. SDR Allocation</b>	<b>3.4.2.4</b>	-	<b>219,335,649,316</b>	<b>219,335,649,316</b>
<b>7. Tax Liability</b>	<b>3.4.2.15</b>	<b>2,576,678,429</b>	-	<b>2,576,678,429</b>
7.1 Taxes Payable		2,576,678,429	-	2,576,678,429
<b>8. Provisions</b>	<b>3.4.2.16</b>	<b>1,128,485,985</b>	-	<b>1,128,485,985</b>
<b>9. Capital and Reserves</b>	<b>3.4.2.17</b>	<b>9,710,482,470</b>	-	<b>9,710,482,470</b>
9.1 Paid-in Capital		25,000	-	25,000
9.2 Inflation Adjustments for Capital		46,208,524	-	46,208,524
9.3 Reserves		9,664,248,946	-	9,664,248,946
<b>10. Other Liabilities</b>	<b>3.4.2.18</b>	<b>162,402,374,171</b>	<b>3,003,572,276</b>	<b>165,405,946,447</b>
10.1 Non-standard Treasury Gold (Net Gram) 0.00	3.4.2.1	-	-	-
10.2 Letters of Credit		-	560,965,114	560,965,114
10.3 Accrued Expense		1,606,687,720	-	1,606,687,720
10.4 Other		160,795,686,451	2,442,607,162	163,238,293,613
<b>TOTAL</b>		<b>3,302,025,981,003</b>	<b>3,621,809,962,419</b>	<b>6,923,835,943,422</b>
<b>REGULATING ACCOUNTS</b>	<b>3.4.2.19</b>			<b>11,907,432,215,123</b>

## 3.2. Balance Sheets as of 31.12.2023 and 31.12.2022

ASSETS	Explanation No.	2023	2022
<b>1. Gold</b>	<b>3.4.2.1</b>	<b>1,417,869,831,864</b>	<b>857,249,027,684</b>
1.1 International Standard		1,417,869,831,864	857,249,027,684
<b>2. Foreign Banknotes</b>	<b>3.4.2.2</b>	<b>103,684,060,153</b>	<b>179,560,203,956</b>
<b>3. Foreign Correspondents</b>	<b>3.4.2.3</b>	<b>2,621,255,024,835</b>	<b>1,371,134,245,202</b>
3.1 FX Securities		104,784,379,766	120,149,710,311
3.2 Deposits		453,568,530,466	164,704,488,211
3.3 Other		2,062,902,114,603	1,086,280,046,680
<b>4. Reserve Tranche Position</b>	<b>3.4.2.4</b>	<b>4,472,360,078</b>	<b>2,816,499,238</b>
<b>5. Securities Portfolio</b>	<b>3.4.2.5</b>	<b>159,913,235,806</b>	<b>151,051,857,467</b>
5.1 Government Securities		159,312,133,196	150,709,204,277
5.2 Other		601,102,610	342,653,190
<b>6. Lending Related to Monetary Policy Operations</b>	<b>3.4.2.6</b>	<b>9,443,643,254</b>	<b>190,308,403,210</b>
6.1 Open Market Operations		3,519,175,138	146,055,498,620
6.2 Interbank Operations		1,510,011,308	37,713,248,703
6.3 Other		4,414,456,808	6,539,655,887
<b>7. Domestic Banks</b>	<b>3.4.2.7</b>	<b>4,058,291,397</b>	<b>3,802,185,901</b>
<b>8. Credits</b>	<b>3.4.2.8</b>	<b>445,441,585,111</b>	<b>263,421,904,584</b>
8.1 Domestic Credits		445,174,833,315	263,252,471,497
8.1.1 Rediscount Credits		358,966,157,253	234,250,033,139
8.1.2 Other Credits		86,208,676,062	29,002,438,358
8.2 Foreign Credits		266,751,796	169,433,087
<b>9. Share Participations</b>	<b>3.4.2.9</b>	<b>9,997,240,896</b>	<b>5,889,960,247</b>
<b>10. Treasury Liabilities due to SDR Allocation</b>	<b>3.4.2.4</b>	<b>219,335,649,316</b>	<b>138,268,529,848</b>
<b>11. Fixed Assets (Net)</b>	<b>3.4.2.10</b>	<b>1,501,755,778</b>	<b>1,148,976,282</b>
<b>12. Non-performing Loans (Net)</b>	<b>3.4.2.8</b>	<b>-</b>	<b>-</b>
12.1 Non-performing Loans		47,018,242,554	29,711,062,730
12.2 Provisions to Non-performing Loans (-)		-47,018,242,554	-29,711,062,730
<b>13. Deferred Tax Assets</b>	<b>3.4.2.15</b>	<b>2,002,652,646</b>	<b>-</b>
<b>14. Revaluation Account</b>	<b>3.4.2.11</b>	<b>817,762,329,689</b>	<b>328,537,596,340</b>
<b>15. Loss of the Period</b>	<b>3.4.2.20</b>	<b>818,182,863,710</b>	<b>-</b>
<b>16. Other Assets</b>	<b>3.4.2.12</b>	<b>288,915,418,889</b>	<b>81,873,303,365</b>
16.1 Non-standard Gold	3.4.2.1	5,528,640,444	3,085,875,430
16.2 Coins		89,329,230	23,599,322
16.3 Accrued Income		1,998,880,085	859,175,124
16.4 Other		281,298,569,130	77,904,653,489
<b>TOTAL</b>		<b>6,923,835,943,422</b>	<b>3,575,062,693,324</b>



LIABILITIES	Explanation No.	2023	2022
<b>1. Currency Issued</b>	<b>3.4.2.13</b>	<b>448,822,892,318</b>	<b>341,798,643,178</b>
<b>2. Liabilities Related to Monetary Policy Operations</b>	<b>3.4.2.6</b>	<b>370,846,639,719</b>	<b>15,809,981,782</b>
2.1 Open Market Operations		119,129,880	400,164,367
2.2 Interbank Operations		370,727,509,839	15,409,817,415
2.3 Liquidity Bills		-	-
2.4 Other		-	-
<b>3. Deposits</b>	<b>3.4.2.14</b>	<b>5,031,017,453,443</b>	<b>2,774,018,102,935</b>
3.1 Public Sector		983,018,845,601	509,601,386,978
3.1.1 Treasury, General, and Special-Budget Administrations		982,800,690,002	509,525,735,365
3.1.1.1 Cash		884,986,428,907	454,929,559,684
3.1.1.2 Gold	3.4.2.1	97,814,261,094	54,596,175,681
3.1.2 Other		218,155,600	75,651,613
3.2. Banking Sector		4,035,132,437,335	2,257,283,606,280
3.2.1 Domestic Banks		1,969,070,182,025	881,579,556,407
3.2.1.1 Cash		1,916,626,306,584	726,203,484,266
3.2.1.2 Collateral		26,386,595,000	137,667,783,800
3.2.1.2.1 Cash		26,386,595,000	137,667,783,800
3.2.1.2.2 Gold	3.4.2.1	-	-
3.2.1.3 Gold	3.4.2.1	26,057,280,441	17,708,288,342
3.2.2 Foreign Banks		666,678,656,337	432,625,774,926
3.2.3 Required Reserves in Blocked Accounts		1,399,383,598,973	943,078,274,947
3.2.3.1 Cash		1,186,907,876,323	771,515,461,904
3.2.3.2 Gold	3.4.2.1	212,475,722,650	171,562,813,043
3.2.4 Other	-	-	-
3.3 Other Deposits		12,866,170,507	7,133,109,677
3.3.1 FX Deposits on Nonresident Citizens		5,181,219,360	3,912,904,950
3.3.2 International Institutions		417,423,702	309,526,917
3.3.3 Extrabudgetary Funds		179,201,429	188,916,133
3.3.4 Other		7,088,326,016	2,721,761,677
<b>4. Foreign Banks</b>	<b>3.4.2.3</b>	<b>670,519,355,217</b>	<b>165,822,661,550</b>
4.1 Cash		611,960,020,912	165,822,661,550
4.2 Gold	3.4.2.1	58,559,334,305	-
<b>5. Reserve Tranche Means</b>	<b>3.4.2.4</b>	<b>4,472,360,078</b>	<b>2,816,499,238</b>
<b>6. SDR Allocation</b>	<b>3.4.2.4</b>	<b>219,335,649,316</b>	<b>138,268,529,848</b>
<b>7. Tax Liability</b>	<b>3.4.2.15</b>	<b>2,576,678,429</b>	<b>22,317,854,559</b>
7.1 Taxes Payable		2,576,678,429	22,103,173,974
7.2 Deferred Tax Liabilities		-	214,680,585
<b>8. Provisions</b>	<b>3.4.2.16</b>	<b>1,128,485,985</b>	<b>717,744,150</b>
<b>9. Capital and Reserves</b>	<b>3.4.2.17</b>	<b>9,710,482,470</b>	<b>7,799,460,010</b>
9.1 Paid-in Capital		25,000	25,000
9.2 Inflation Adjustments for Capital		46,208,524	46,208,524
9.3 Reserves		9,664,248,946	7,753,226,486
<b>10. Profit of the Period</b>	<b>3.4.2.20</b>	<b>-</b>	<b>72,021,887,992</b>
<b>11. Other Liabilities</b>	<b>3.4.2.18</b>	<b>165,405,946,447</b>	<b>33,671,328,082</b>
11.1 Non-standard Treasury Gold	3.4.2.1	-	-
11.2 Letters of Credit		560,965,114	87,996,814
11.3 Accrued Expense		1,606,687,720	660,434,768
11.4 Other		163,238,293,613	32,922,896,500
<b>TOTAL</b>		<b>6,923,835,943,422</b>	<b>3,575,062,693,324</b>
<b>REGULATING ACCOUNTS</b>	<b>3.4.2.19</b>	<b>11,907,432,215,123</b>	<b>6,273,813,384,783</b>

### 3.3. Profit and Loss Statements for 2023 and 2022

	Explanation No.	2023	2022
Interest Income	3.4.2.20	286,203,667,647	166,619,106,946
Interest Expense	3.4.2.20	-132,704,600,019	-26,892,216,179
<b>Net Interest Income/Expense</b>		<b>153,499,067,628</b>	<b>139,726,890,767</b>
Fee and Commission Income	3.4.2.20	23,406,153,797	18,615,352,189
Fee and Commission Expense	3.4.2.20	-240,903,704	-161,923,168
<b>Net Fee and Commission Income/Expense</b>		<b>23,165,250,093</b>	<b>18,453,429,021</b>
Non-interest Income	3.4.2.20	244,869,771,911	61,810,163,251
Non-interest Expense	3.4.2.20	-1,242,290,258,402	-126,688,790,179
<b>Net Non-interest Income/Expense</b>		<b>-997,420,486,491</b>	<b>-64,878,626,928</b>
<b>Profit/Loss Before Tax</b>		<b>-820,756,168,771</b>	<b>93,301,692,859</b>
<b>Tax Expense</b>		<b>2,573,305,061</b>	<b>-21,279,804,867</b>
Tax Provision		-	-21,352,295,697
Deferred Tax Income/Expense	3.4.2.15	2,573,305,061	72,490,830
<b>Net Profit/Loss of the Period</b>		<b>-818,182,863,710</b>	<b>72,021,887,992</b>

## 3.4. Explanations

### 3.4.1 Basis of Preparation of the Financial Statements

The CBRT prepares its books of account in accordance with the tax legislation and the CBRT Law No. 1211, and prepares its statutory financial statements in accordance with the Turkish Commercial Code (TCC) No. 6102 and the CBRT Law No. 1211.

Periodicity, full disclosure, prudence, social responsibility, economic entity, going concern, monetary unit, historical cost, neutrality and documentation, consistency, substance over form, and materiality principles, which are the underlying assumptions of accounting, constitute the basis of the CBRT's accounting practices.

Foreign currency transactions of the CBRT are converted to Turkish lira at the exchange rates prevailing on transaction dates. During the preparation of financial statements, FX-denominated assets and liabilities are converted to Turkish lira using the FX and foreign currency buying rates of the CBRT applicable on the balance sheet date.

Pursuant to Article 61 of the CBRT Law No. 1211, valuation differences arising from the revaluation of gold, foreign currency, and other foreign currency denominated assets and liabilities in the assets and liabilities of the CBRT due to changes in the value of the Turkish currency against foreign currencies as well as in international gold prices are monitored in a separate account. The realized amounts of these valuation differences calculated according to the average cost method are reflected in the profit and loss statement. Periodic intervals in the average cost system are set according to the Bank's decision and applied prospectively.

As per the General Communiqué on Tax Procedure Law (TPL) published in the Official Gazette No. 555 of 30 December 2023, the fiscal balance sheet is subject to inflation adjustment and financial statements of 31 December 2023 have not been adjusted for inflation.

The financial statements are presented in Turkish lira.

#### 3.4.1.1 Gold Reserves

The CBRT's gold reserves consist of international and non-international standard gold held at CBRT vaults, foreign banks, and the Borsa Istanbul (BIST).

With regard to gold reserve management, the CBRT can execute transactions such as outright purchases and sales, gold custody accounts, term gold deposit transactions, FX swaps against gold and gold swaps against FX, swaps with domestic banks against gold, location swaps, physical transportation of gold, etc.

Gold deposited by banks for the maintenance of reserve requirements is monitored at banks abroad and the BIST.

Gold is initially recognized at prices prevailing on the recognition date, and measured at fair value in the following periods. Fair value is calculated on the last business day of the respective week and month based on the last available gold price quoted at 10.30 a.m. in the London Bullion Market, with one ounce of gold equaling 31.1035 grams, and is reported on the balance sheet after being converted daily to Turkish lira from these revalued amounts. Fair value differences arising from both price and exchange rate differences are recognized as unrealized gains or losses in the "Revaluation Account" as per Article 61 of the CBRT Law No. 1211.

#### 3.4.1.2 Financial Assets and Liabilities

##### a) Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss are securities in Turkish lira and foreign currency held for the purpose of liquidity management and reserve management.

Pursuant to Articles 52 (on open market operations) and 53 (on operations in gold and foreign exchange) of the CBRT Law No. 1211, securities purchased by the CBRT on its own account are classified in this group. After initial recognition, financial assets at fair value through profit or loss are revalued at their fair values at the end of each month, and gains and losses arising from revaluation are transferred to profit and loss accounts. The differences between acquisition costs and fair values of these financial assets are reflected in the "3. Foreign Correspondents" and "5. Securities Portfolio" items on the balance sheet.

Fair value is calculated based on weighted average prices that occur in the BIST for transactions with the same value date. In the absence of these prices, prices of related securities published daily in the Official Gazette by the CBRT are used for the fair value calculation. Foreign currency securities are valued at their fair value using the closing prices in related international markets at the end of each month.

Interest earned during the holding period of financial assets at fair value through profit or loss is recorded within interest income.

#### **b) Loans**

Loans extended by the CBRT are recognized when cash is advanced to borrowers. Loans are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial asset, or, where appropriate, through a shorter period, exactly to the net present value of the financial asset.

#### **c) Participation Shares**

These are initially recognized at their acquisition costs. Subsequent to the initial recognition, fair values are determined based on market prices or other valuation techniques. Unrealized gains and losses arising from changes in the fair value are monitored in "10. Other Liabilities." Dividends related to participation shares are reflected in the profit and loss statement in the period when the right to receive dividends is established.

#### **d) Repurchase Transactions**

Repurchase transactions of Turkish lira securities are undertaken within the scope of the open market operations of the CBRT. Repurchase transactions are recognized as collateralized loans. While the cash receivables are shown in item "6. Lending Related to Monetary Policy Operations / 6.1 Open Market Operations" on the asset side in the amount lent on the transaction date, securities received as collateral are monitored in regulating accounts. Interest received from banks is accrued at month ends using the effective interest method. On the maturity date, the interest income arising from the transaction is reflected in the profit and loss statement.

#### **e) Impairment of Financial Assets**

For financial assets other than those at fair value through profit or loss, the expected credit impairment model is used. Calculation of the expected credit loss is based on the transition matrix data published each year by CRAs. The rate of loss given default is taken as 45% as suggested by Basel regulations. The expected credit impairment is calculated by using the amount in default, the probability of default and the rate of loss given default.

#### **f) Derecognition of Financial Assets**

The CBRT derecognizes an asset when the rights arising from the contract on the cash flow of the financial asset expire or when all risks and rewards arising from the acquisition of this asset are transferred to another party.

#### **g) Financial Liabilities at Fair Value Through Profit or Loss**

This group includes the liquidity bills issued by the CBRT pursuant to Article 52 of the CBRT Law No. 1211 with an aim to effectively regulate money supply and liquidity in the economy within the framework of monetary policy targets, that have maturities no longer than 91 days and are tradable in the secondary markets on CBRT's own account and behalf within the scope of open market operations. The CBRT recognizes liquidity bills at the issuing amount and revalues them at the end of each month at their fair value according to the prices announced in the Official Gazette on a daily basis. The differences between the issuing amounts and the fair values are reflected in the profit and loss statement as of month ends. As of the balance sheet date, there are no liquidity bills issued by the CBRT.

#### **h) Other Financial Liabilities**

Other financial liabilities are recognized at amortized cost with interest expense calculated on an effective interest rate.

#### **i) Reverse Repurchase Transactions**

Reverse repurchase transactions are recognized as collateralized deposits. While the securities lent as collateral are shown in "5. Securities Portfolio" in the assets of the balance sheet, cash debts are monitored in "2. Liabilities Related to Monetary Policy Operations / 2.1 Open Market Operations" item in the liabilities as the amount received on the transaction date. The interest paid to the banks is accrued at month ends using the effective interest method. The interest expense paid for the transaction on the maturity date is reflected in the profit and loss statement.

## j) Deposit Transactions

### i. Foreign Exchange Deposits Against Turkish Lira Deposits Transactions

Foreign exchange deposits given are monitored in "7. Domestic Banks" on the assets side, and TRY deposits received are monitored in "2. Liabilities Related to Monetary Policy Operations / 2.4 Other" on the liabilities side. Interest amounts collected from foreign exchange deposits and paid to TRY deposits are accrued at month ends using the effective interest method. The interest income and interest expense arising from these transactions on the maturity date are recorded in the profit and loss statement.

### ii. Reciprocal Deposit Transactions

Foreign exchange deposits received are monitored in "3. Deposits / 3.2 Banking Sector / 3.2.1 Domestic Banks / 3.2.1.1 Cash" on the liabilities side, and TRY deposits given are monitored in "6. Lending Related to Monetary Policy Operations / 6.3 Other" on the assets side. Interest amounts collected from TRY deposits are accrued at month ends using the effective interest method. The interest income arising from the transaction on the maturity date is reflected in the profit and loss statement.

## k) TRY-Settled Forward Foreign Exchange Sales

At value date, TRY receivables and foreign exchange commitments are recognized under regulating accounts. At the end of each month, gains and losses at fair value are monitored under "16. Other Assets / 16.4 Other" / "10. Other Liabilities / 10.4 Other" on the balance sheet, and TRY payments/collections due to the exchange rate difference arising from transactions on the maturity date are reflected in the profit and loss statement. Regarding TRY-settled forward foreign exchange transactions at the BIST Derivatives Market (VIOP), gains and losses are reflected in the profit and loss statement on a daily basis.

## l) Currency Swaps

### i. Bilateral Currency Swap Agreements with Central Banks

FX payables and TRY receivables due to currency swap agreements are recognized under the regulating accounts at value date and monitored in "3. Foreign Correspondents / 3.3. Other" on the assets side and "3. Deposits / 3.2 Banking Sector / 3.2.2 Foreign Banks" on the liabilities side respectively. The interest received/paid for the usages within swap agreement is accrued at month-ends using the effective interest method. Interest received/paid on maturity is reflected in the profit and loss statement.

### ii. Currency Swap Transactions with Banks

Sales/purchases of assets (TRY, FX, gold) related to swap transactions carried out at the CBRT and BIST are conducted at value date. Payables/receivables are recognized under the regulating accounts at the value date. At month-ends, fair value increases/decreases are monitored in "16. Other Assets / 16.4 Other" / "10. Other Liabilities / 10.4 Other" on the balance sheet and under interest income items in the profit and loss statement. The non-interest valuation effects of valuation increases/decreases in the fair value, together with the valuation effects of the unrealized gain or loss arising from the valuation of the underlying assets subject to swap transactions, are included on the balance sheet in "16. Other Assets / 16.4 Other" / "10. Other Liabilities / 10.4 Other" items, the amounts related to the interest components of the increase/decrease in the fair value are followed in the profit/loss statement, and the amounts related to the interest income/expenses arising from the transaction at maturity are reflected in the profit/loss statement.

## m) FX-Protected Deposit Transactions

### i. Transactions Regarding FX-Protected Deposits Converted From FX

The assets (foreign currency, gold) received through transactions for the conversion to Turkish lira deposits and participation accounts are recognized, to be transferred to the related accounts at value date, under "7. Domestic Banks" on the balance sheet. At month-ends, the fair values of the exchange rate difference to be paid as part of the transactions for the conversion of Turkish lira deposits and participation accounts are monitored reciprocally in "16. Other Assets / 16.4 Other" / "10. Other Liabilities / 10.4 Other" on the balance sheet, and on the maturity date, the exchange rate difference expenses arising from transactions are reflected in the profit and loss statement.

### ii. Transactions Regarding FX-Protected Deposits Converted From TRY

The fair values of the exchange rate difference related to the transactions for FX-protected deposits converted from TRY, and transferred to the CBRT pursuant to the Provisional Article 2 of Law No. 7456 of 14 July 2023, are monitored reciprocally in "16. Other Assets / 16.4 Other" / "10. Other Liabilities / 10.4 Other" on the balance sheet, and on the maturity date, the exchange rate difference expenses arising from transactions are reflected in the profit and loss statement.

### 3.4.1.3 Income and Expenses

#### a) Interest Income/Expenses

As required by the periodicity principle, income and expenses are accrued for the interest amounts of undue receivables and payables at month-ends, and income and expense accruals are recognized for due receivables and payables whose collections or payments will occur in the subsequent period.

#### b) Fee and Commission Income/Expenses

The fee and commission income and expenses, which the CBRT pays or receives as a result of the transactions with commercial banks, the Ministry of Treasury and Finance, public administrations within the scope of general budget, and other individuals and institutions, are recognized as income or expense in the period of payment or receipt. Income and expense accruals are recognized for payments or collections that will occur in the subsequent period.

#### c) Non-Interest Income/Expenses

The difference between acquisition costs of financial assets at fair value through profit/loss and their fair values, exchange rate difference-driven income and expenses regarding TRY-settled forward foreign exchange sales, the exchange rate difference expense of transactions for FX-protected deposits, income and expenses in purchase and sale of gold and foreign currency, and general expenses are recognized under this item. The average cost method is used in calculating income and expenses in purchase and sale of gold and foreign currency. Interest income and expenses arising from currency swap transactions are included in the average cost. As per the periodicity principle, prepaid expenses are charged on a monthly basis.

### 3.4.1.4 Fixed Assets

Fixed assets consist of land, buildings, and additional expenses as a part of buildings' cost, furniture and fixtures, and software products. The land on the balance sheet of the CBRT is carried at acquisition cost, while buildings, furniture and fixtures, and software are carried at cost minus accumulated depreciation on the balance sheet. The difference between the sale proceeds arising from the disposal of fixed assets and the net carrying value of the asset is recognized in the profit and loss statement. Depreciation of fixed assets, other than land, is calculated and reflected in financial statements in accordance with their useful life as specified in the TPL General Communiqués using the prorated depreciation method.

### 3.4.1.5 Currency Issued

According to the CBRT Law No. 1211, the CBRT has the exclusive privilege of issuing banknotes. The amount of banknotes issued is shown under item "1. Currency Issued" on the balance sheet of the CBRT. The CBRT can replace the banknotes in circulation with new ones when necessary. In financial statements, banknotes in circulation are presented with their nominal values.

Stocks of semi-finished banknotes printed at the CBRT's banknote printing plant are monitored at cost in "16. Other Assets." Expenses associated with banknotes are initially capitalized and are charged to the profit and loss statement upon transfer of banknotes to the auxiliary storage of the CBRT. Costs of finished and semi-finished banknotes include direct costs, depreciation costs, staff costs, transportation costs, and other printing costs.

### 3.4.1.6 Provisions

According to Article 59 of the CBRT Law No. 1211, provisions, the amount of which shall be deemed appropriate by the Board, may be set aside from the gross annual profit of the Bank in order to cover certain risks that may occur in the following years due to the operations exclusive to the Bank.

### 3.4.1.7 Employee Benefits

Retirement pay and employee termination benefits are paid to employees in case of retirement or layoffs. The amount to be paid is calculated based on the title and tenure of the employee in accordance with the provisions of applicable laws.

Retirement pay and employee termination benefits are calculated according to the net present value of liabilities that are expected to arise due to the retirement of employees, and are reflected in financial statements.

### 3.4.1.8 Taxes

#### a) Current Taxes

The CBRT, which is established as a “joint stock company” as per Article 1 of the CBRT Law No. 1211, is a corporate taxpayer. The Bank is responsible for withholding tax on wages, outsourcing payments, interest on deposits, etc. as per Article 94 of the Income Tax Law No. 193, and on the payments made to firms subject to limited tax liability for real property income, self-employment earnings, and other earnings specified as per Article 30 of the Corporate Income Tax Law No. 5520.

The CBRT is a taxpayer of banking and insurance transactions tax (BITT).

Revaluation gains from assets and liabilities that are subject to Article 61 of the CBRT Law No. 1211 are not considered as a profit item for the year in which the revaluation is applied, and also not taken as an income item in the calculation of corporate tax base. Revaluation losses from assets and liabilities are not considered as an expense for the year in which the revaluation is applied, and also not taken as a loss item in the computation of corporate tax base.

Paid temporary taxes and taxes imposed on repo-reverse repo revenues and deducted from temporary taxes are monitored in item “16. Other Assets / 16.4 Other” on the balance sheet.

The corporate tax for the current period is reflected as expense in the profit and loss statement. Tax-related adjustments during the current reporting period are booked as of the date on which they are made.

The corporate income tax is calculated in accordance with subparagraph 1(a) of Article 9 of the Corporate Income Tax Law No. 5520, in the event that profits are generated in subsequent years.

#### b) Deferred Tax

Deferred tax assets and liabilities arise from the tax effect of the temporary differences between the amounts of assets and liabilities in the financial statements and their book values based on the CBRT Law and tax laws. The deferred tax asset is reflected in the assets and the deferred tax liability is reflected in the liabilities on the balance sheet.

Tax expense of the current year includes the related period's corporate tax and the change in the deferred tax income.

Pursuant to Article 61 of the CBRT Law No. 1211, the calculation of deferred taxes is not done over the “Revaluation Account,” which is not subject to the corporate tax base.

As per the General Communiqué on TPL No. 555, deferred tax assets are calculated on temporary differences between depreciation of fixed assets adjusted for inflation and unadjusted depreciation as presented in the financial statements.

As of 31 December 2023, no deferred tax asset has been recognized over the 2023 loss. The use of this right will expire in 2028.

### 3.4.1.9 Comparative Information and Adjustment of the Financial Statements of the Preceding Year

The CBRT's financial statements for the current year and the previous year are presented together to allow comparison of the financial position. For compatibility with the presentation of the current financial statements, when necessary, the comparative information is reclassified and any significant differences are explained.

### 3.4.1.10 Custody Operations

Custody assets held by the CBRT on behalf of individuals and financial institutions are monitored in regulating accounts.

### 3.4.2. Explanations Related to Financial Statements Items

#### 3.4.2.1 Gold

Gold holdings are composed of 726,375,977 net grams of gold of international standards equivalent to TRY 1,417,869,831,864 and 2,832,327 net grams of gold in non-international standards equivalent to TRY 5,528,640,444. While some part of the gold of international standards belongs to the CBRT, the rest is placed with the CBRT by the Treasury and banks to satisfy their reserve requirements and as free deposit accounts. Gold holdings of international standards are stored in the vaults of the CBRT, held at the BIST and the Bank of England (BoE).

**Table 3.4.2.1.1: Gold**

	2023		2022	
	Net Gram	TRY	Net Gram	TRY
Gold of International Standards	726,375,977	1,417,869,831,864	786,813,979	857,249,027,684
Owned by CBRT	524,066,221	1,022,965,665,246	562,985,627	613,383,714,216
At BoE	108,084,060	210,977,693,494	160,540,787	174,912,288,115
At CBRT	34,015,936	66,398,354,905	34,015,936	37,061,019,618
At BIST	381,966,224	745,589,616,847	368,428,904	401,410,406,482
Reserve Requirements of Banks	108,851,502	212,475,722,650	157,466,518	171,562,813,043
At BoE	42,531,602	83,020,745,255	54,016,306	58,851,808,892
At BIST	66,319,900	129,454,977,395	103,450,212	112,711,004,151
Free Gold Deposits of Banks	43,347,921	84,614,182,874	16,251,501	17,706,324,744
At BIST	43,347,921	84,614,182,874	16,251,501	17,706,324,744
Owned by Treasury	50,110,333	97,814,261,094	50,110,333	54,596,175,681
At BIST	50,110,333	97,814,261,094	50,110,333	54,596,175,681
Gold of Non-international Standards	2,832,327	5,528,640,444	2,832,327	3,085,875,430
Owned by CBRT	2,832,218	5,528,426,742	2,832,218	3,085,756,149
Collection (Owned by CBRT)	109	213,703	109	119,281

Note: Gold holdings are valued based on 1 ounce of gold = 31.1035 grams using the price 2,062.40 USD/Ounce (31 December 2022: 1,812.35) and USD buying rate of TRY 29.4382 as of 31 December 2023 (31 December 2022: TRY 18.6983). Accordingly, the price of 1 net gram of gold is  $(2,062.40 \times 29.4382) / 31.1035 = \text{TRY } 1,951.98$ .

Gold holdings of international standards are held by the CBRT as part of foreign currency reserves, and they account for 34.19% (31 December 2022: 35.56%) of total foreign currency reserves.

Gold deposited by banks for reserve requirements, which amounts to 108,851,502 net grams equivalent to TRY 212,475,722,650; gold deposited as free gold deposits, which amounts to 43,347,921 net grams equivalent to TRY 84,614,182,874; and 50,110,333 net grams of Treasury gold equivalent to TRY 97,814,261,094 are also followed under this item.

Gold holdings of non-international standards belong to the CBRT and all are stored in the vaults of the CBRT. These are recognized in the assets of the balance sheet under "16. Other Assets."

#### 3.4.2.2 Foreign Banknotes

As of 31 December 2023, the TRY equivalent of foreign banknotes in the vaults of the CBRT was TRY 103,684,060,153.

**Table 3.4.2.2.1: Foreign Banknotes**

	2023	2022
Foreign Banknotes	103,684,060,153	179,560,203,956



### 3.4.2.3 Foreign Correspondents

Item “3. Foreign Correspondents,” which represents the main part of the FX reserves of the CBRT and is presented in the assets of the balance sheet, consists of FX securities carried at fair value, deposit accounts in foreign correspondents, and current accounts.

**Table 3.4.2.3.1: Foreign Correspondents (Assets)**

	2023		2022	
	TRY	USD Equivalent	TRY	USD Equivalent
FX Securities	104,784,379,766	3,559,469,661	120,149,710,311	6,425,702,353
Deposits	453,568,530,466	15,407,481,791	164,704,488,211	8,808,527,418
Other	2,062,902,114,603	70,075,687,868	1,086,280,046,680	58,095,123,443
Demand deposits	1,844,608,041,395	62,660,354,281	948,708,803,497	50,737,703,615
SDR holding account	218,294,073,208	7,415,333,587	137,571,031,947	7,357,408,532
Other	-	-	211,236	11,297
<b>TOTAL</b>	<b>2,621,255,024,835</b>	<b>89,042,639,320</b>	<b>1,371,134,245,202</b>	<b>73,329,353,214</b>

The balances of item “4. Foreign Banks” presented in the liabilities of the balance sheet as of 31 December 2023 and 31 December 2022 are shown below.

**Table 3.4.2.3.2: Foreign Banks (Liabilities)**

	2023		2022	
	TRY	USD Equivalent	TRY	USD Equivalent
Cash	611,960,020,912	20,787,956,496	165,822,661,550	8,868,328,220
Gold	58,559,334,305	1,989,229,447	-	-
<b>TOTAL</b>	<b>670,519,355,217</b>	<b>22,777,185,943</b>	<b>165,822,661,550</b>	<b>8,868,328,220</b>

### 3.4.2.4 Balances Arising from Türkiye’s Membership in the International Monetary Fund

Within the framework of the financial relations arising from Türkiye’s membership in the IMF, Türkiye’s quota paid in gold and foreign currency is represented on the balance sheet under “4. Reserve Tranche Position” in assets and “5. Reserve Tranche Means” in liabilities. SDR 37,750,000 of this total SDR 112,889,638 was paid in gold. Türkiye’s IMF quota reached SDR 4,658 million by 18 February 2016.

**Table 3.4.2.4.1: Balances Arising from Türkiye’s Membership in the IMF**

	2023		2022	
	TRY	SDR	TRY	SDR
<b>Assets</b>				
Reserve tranche position	4,472,360,078	112,889,638	2,816,499,238	112,775,000
Treasury liabilities due to SDR allocation	219,335,649,316	5,536,388,310	138,268,529,848	5,536,388,310
<b>Liabilities</b>				
Reserve tranche means	4,472,360,078	112,889,638	2,816,499,238	112,775,000
SDR allocation	219,335,649,316	5,536,388,310	138,268,529,848	5,536,388,310

The SDR 112,307,000 allocated to Türkiye by the IMF and used by the Ministry of Treasury and Finance, the General and Special SDR Allocation in the amount of SDR 959,022,729 and the General SDR Allocation of 4,465,058,581 made in 2021 are monitored under “10. Treasury Liabilities due to SDR Allocations” in assets and “6. SDR Allocation” in liabilities.

### 3.4.2.5 Securities

As of 31 December 2023, the fair value of securities was TRY 159,913,235,806.

**Table 3.4.2.5.1: Securities**

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Government bonds and Treasury bills issued by the Ministry of Treasury and Finance	196,640,588,979	159,312,133,196	118,678,543,187	150,709,204,277
Lease certificates issued by the Ministry of Treasury and Finance	701,331,100	601,102,610	310,742,200	342,653,190
<b>TOTAL</b>	<b>197,341,920,079</b>	<b>159,913,235,806</b>	<b>118,989,285,387</b>	<b>151,051,857,467</b>

### 3.4.2.6 Lending and Liabilities Related to Monetary Policy Operations

The "6. Lending Related to Monetary Policy Operations" item on the assets of the balance sheet, which represents cash receivables of the CBRT, had a balance of TRY 9,443,643,254 as of 31 December 2023. The income accruals reflected in this item are: TRY 19,175,145 for repurchase agreements (31 December 2022: TRY 100,591,396), TRY 10,011,308 for Interbank Money Market operations (31 December 2022: TRY 25,156,345), and TRY 117,940,808 for reciprocal deposit transactions (31 December 2022: TRY 29,618,887).

The "2. Liabilities Related to Monetary Policy Operations" item on the liabilities of the balance sheet, which represents cash debts of the CBRT, had a balance of TRY 370,846,639,719. The expense accruals reflected in this item were TRY 399,880 for reverse repurchase agreements (31 December 2022: 164,367), and TRY 2,652,109,839 for Interbank Money Market operations (31 December 2022: TRY 6,417,415).

**Table 3.4.2.6.1: Lending/Liabilities Related to Monetary Policy Operations**

	2023	2022
<b>Assets</b>		
<b>Lending Related to Monetary Policy Operations</b>	<b>9,443,643,254</b>	<b>190,308,403,210</b>
Open market operations	3,519,175,138	146,055,498,620
Interbank money market operations	1,510,011,308	37,713,248,703
Other	4,414,456,808	6,539,655,887
<b>Liabilities</b>		
<b>Liabilities Related to Monetary Policy Operations</b>	<b>370,846,639,719</b>	<b>15,809,981,782</b>
Open market operations	119,129,880	400,164,367
Interbank money market operations	370,727,509,839	15,409,817,415
<b>Lending Related to Monetary Policy Operations (Net)</b>	<b>-361,402,996,465</b>	<b>174,498,421,428</b>

### 3.4.2.7 Domestic Banks

The "7. Domestic Banks" item represents FX deposit operations with the CBRT as counterparty, FX deposit operations intermediated by the CBRT, foreign exchange deposits against TRY deposits operations, and transactions for conversion to Turkish lira deposit and participation accounts, to be transferred to the related accounts at value date. The domestic banks item had a balance of TRY 4,058,291,397 as of 31 December 2023 (31 December 2022: TRY 3,802,185,901).

**Table 3.4.2.7.1: Domestic Banks**

	2023	2022
Transactions for Conversion to Turkish Lira Deposit and Participation Accounts	4,058,291,397	3,802,185,901
<b>TOTAL</b>	<b>4,058,291,397</b>	<b>3,802,185,901</b>

### 3.4.2.8 Credits and Non-performing Loans

Domestic credits, which are extended to banks against rediscounted bills in foreign currencies, consist of USD 850,470,000 (31 December 2022: USD 1,746,638,000), EUR 1,324,020,000 (31 December 2022: EUR 2,318,163,872), CNY 705,374,506 (31 December 2022: CNY 183,263,388), AED 136,680,954 (31 December 2022: 15,614,926), equivalent of TRY 72,161,192,326 (31 December 2022: TRY 79,441,835,810) as well as credits extended to banks against bills in Turkish lira at the amount of TRY 334,000,944,390 (31 December 2022: TRY 168,160,734,998), and advance loans against investment commitment at the amount of TRY 85,055,921,832 (31 December 2022: TRY 28,722,726,793). The year-end balance of domestic credits including rediscounts is TRY 445,174,833,315 (31 December 2022: TRY 263,252,471,497).

Foreign credits consist of credits extended to the Central Bank of Sudan. In accordance with the banking agreement between the CBRT and the Central Bank of Sudan, foreign credits extended amount to USD 9,061,417 (31 December 2022: USD 9,061,417) equivalent to TRY 266,751,796 (31 December 2022: TRY 169,433,087).

**Table 3.4.2.8.1: Credits and Non-performing Loans**

	<b>2023</b>	<b>2022</b>
Domestic credits	445,174,833,315	263,252,471,497
Foreign credits	266,751,796	169,433,087
Non-performing loans (Net)		
Non-performing loans	47,018,242,554	29,711,062,730
Provisions for non-performing loans	-47,018,242,554	-29,711,062,730
<b>TOTAL</b>	<b>445,441,585,111</b>	<b>263,421,904,584</b>

Note: Interest accrued to the claims on the Central Bank of Iraq is USD 8,213,361 (31 December 2022: USD 8,168,526) equivalent to TRY 198,605,130 (31 December 2022: TRY 136,694,730).

The claims on the Central Bank of Iraq are USD 1,504,610,222 (31 December 2022: USD 1,496,396,860) equivalent to TRY 44,293,016,630 (31 December 2022: TRY 27,980,077,415). The total of claims arising from the credit extended against bills for the Iraq Bekhme Dam Project is USD 92,574,475 (31 December 2022: USD 92,574,475) equivalent to TRY 2,725,225,924 (31 December 2022: TRY 1,730,985,315). The principal of and the monthly interest accrued on the amount of the loan extended to the Central Bank of Iraq are valued on a daily basis and a provision is set aside for the resulting exchange rate difference as per Article 323 of the TPL No. 213 and Article 59 of the CBRT Law No. 1211. These provisions are monitored in profit-loss accounts. As the claim amounting to TRY 47,018,242,554 (31 December 2022: TRY 29,711,062,730) was netted with the provisions, the non-performing loans item had no balance as of 31 December 2023.

### 3.4.2.9 Share Participations

The CBRT has share participations in the BIS, the Society for Worldwide Interbank Financial Telecommunications (SWIFT), the IILM, and the BKM.

The share participation in the BIS, which was acquired under the scope of central banking activities, is recognized at fair value calculated as 70% of the net asset value of the BIS.

**Table 3.4.2.9.1: Share Participations**

Participation	Nature of Business	2023			2022		
		Ownership (%)	TRY	Foreign Currency	Ownership (%)	TRY	Foreign Currency
BIS	Banking regulation services	1.41	9,610,293,629	SDR 10,000,000	1.41	5,611,273,957	SDR 10,000,000
SWIFT	Electronic fund transfer services	0.007	2,022,188	EUR 62,080	0.007	1,160,211	EUR 58,200
IILM	Liquidity management	13.33	294,382,000	SDR 10,000,000	13.33	186,983,000	USD 10,000,000
BKM	Payment services	51.01	90,543,079	-	51.01	90,543,079	-
<b>TOTAL</b>			<b>9,997,240,896</b>			<b>5,889,960,247</b>	

Movements in share participations are shown below:

**Table 3.4.2.9.2: Movements in Share Participations**

	2023	2022
Balance on 1 January	5,889,960,247	4,366,320,373
Fair value changes	4,107,280,649	1,523,639,874
<b>Balance</b>	<b>9,997,240,896</b>	<b>5,889,960,247</b>

### 3.4.2.10 Fixed Assets (Net)

The CBRT's fixed assets consist of land, buildings, furniture and fixtures, and software products.

**Table 3.4.2.10.1: Movements in Fixed Assets**

	Land and Buildings	Furniture and Fixtures	Software	Total
Net book value on 1 January	757,823,405	371,659,513	19,493,364	1,148,976,281
Additions	31,497,042	417,587,995	78,275,339	527,360,376
Disposals (net) (*)	-	-229,138	-	-229,138
Depreciation charge	-14,391,333	-115,717,420	-44,242,988	-174,351,741
<b>Net book value</b>	<b>774,929,113</b>	<b>673,300,950</b>	<b>53,525,715</b>	<b>1,501,755,778</b>

(\*) Disposals are shown net of accumulated depreciation.

2023	Land and Buildings	Furniture and Fixtures	Software	Total
Book value	991,421,580	1,198,836,385	202,781,685	2,393,039,650
Accumulated depreciation	-216,492,467	-525,535,435	-149,255,970	-891,283,872
<b>Net book value</b>	<b>774,929,113</b>	<b>673,300,949</b>	<b>53,525,715</b>	<b>1,501,755,778</b>
2022	Land and Buildings	Furniture and Fixtures	Software	Total
Book value	959,924,538	788,480,130	124,506,347	1,872,911,015
Accumulated depreciation	-202,101,133	-416,820,617	-105,012,983	-723,934,733
<b>Net book value</b>	<b>757,823,405</b>	<b>371,659,513</b>	<b>19,493,364</b>	<b>1,148,976,282</b>

### 3.4.2.11 Revaluation Account

**Table 3.4.2.11.1: Revaluation**

	2023	2022
Revaluation account	817,762,329,689	328,537,596,340

This item, which shows the unrealized gains and losses, arising from the valuation of FX, banknotes, other assets and liabilities denominated in foreign currency and gold in the assets and liabilities of the CBRT due to changes in the value of the Turkish lira against the foreign currencies and changes in gold prices in international markets, had a balance of unrealized gain amounting to TRY 817,762,329,689 by 31 December 2023.

## 3.4.2.12 Other Assets

Table 3.4.2.12.1: Other Assets

	2023	2022
<b>Gold of non-international standard</b>	<b>5,528,640,444</b>	<b>3,085,875,430</b>
<b>Coins</b>	<b>89,329,230</b>	<b>23,599,322</b>
<b>Income accruals</b>	<b>1,998,880,085</b>	<b>859,175,124</b>
Charges and commissions due from the Treasury	303,084,130	109,501,867
EFT fees	178,145,623	115,948,726
Other	1,517,650,332	633,724,531
<b>Other</b>	<b>281,298,569,130</b>	<b>77,904,653,489</b>
Prepaid taxes to be deducted from corporate tax	1,460,340,421	15,676,635,264
Income tax withholding to be deducted from corporate tax	2,330,139,792	2,633,246,870
Depots	559,973,922	157,402,248
Prepaid expenses	90,169,208	37,016,761
Other	276,857,945,787	59,400,352,346
<b>TOTAL</b>	<b>288,915,418,889</b>	<b>81,873,303,365</b>

## 3.4.2.13 Currency Issued

Table 3.4.2.13.1: Currency Issued

	2023	2022
Balance on 1 January	341,798,643,178	235,377,439,588
Banknotes put into circulation	144,158,582,105	147,428,371,595
Banknotes withdrawn and banknotes destroyed	-37,134,332,965	-41,007,168,005
<b>Balance</b>	<b>448,822,892,318</b>	<b>341,798,643,178</b>

The total balance of banknotes in circulation by 31 December 2023 was TRY 448,822,892,318.

### 3.4.2.14 Deposits

<b>Table 3.4.2.14.1: Deposits</b>	<b>2023</b>	<b>2022</b>
<b>Public sector deposits</b>	<b>983,018,845,601</b>	<b>509,601,386,978</b>
Treasury, general, and special budget administrations	982,800,690,002	509,525,735,365
Cash	884,986,428,907	454,929,559,684
Gold	97,814,261,094	54,596,175,681
Other	218,155,600	75,651,613
<b>Banking sector deposits</b>	<b>4,035,132,437,335</b>	<b>2,257,283,606,280</b>
Domestic banks	1,969,070,182,025	881,579,556,407
Deposits of banks	101,228,208,867	257,417,807,763
Cash	48,784,333,426	102,041,735,622
Collaterals	26,386,595,000	137,667,783,800
Cash	26,386,595,000	137,667,783,800
Gold	-	-
Gold	26,057,280,441	17,708,288,342
Free required reserves	1,867,841,973,159	624,161,748,644
Foreign correspondents	666,678,656,337	432,625,774,926
Required reserves in blocked accounts	1,399,383,598,973	943,078,274,947
Cash	1,186,907,876,322	771,515,461,904
Gold	212,475,722,650	171,562,813,043
<b>Other deposits</b>	<b>12,866,170,507</b>	<b>7,133,109,677</b>
Deposits by citizens abroad	5,181,219,360	3,912,904,950
Deposits by international institutions	417,423,702	309,526,917
IMF	309,459,799	231,690,433
Other	107,963,903	77,836,485
Extrabudgetary funds	179,201,429	188,916,133
Other	7,088,326,016	2,721,761,677
Financing companies	7,080,763,532	2,721,605,120
Deposits by embassies	24,096	15,949
Other	7,538,388	140,608
<b>TOTAL</b>	<b>5,031,017,453,443</b>	<b>2,774,018,102,935</b>

### 3.4.2.15 Tax Liability

The amount of corporate tax to be charged on taxable corporate income is calculated over the tax base generated by adding non-deductible expenses to the profit and deducting non-taxable income and allowances.

**Table 3.4.2.15.1: Taxes to be Paid**

	<b>2023</b>	<b>2022</b>
Corporate tax	-	21,352,295,697
Other taxes	2,576,678,429	750,878,277
Obligations as a tax payer	617,012,867	229,563,544
Obligations as withholding tax collector	1,959,665,561	521,314,733
<b>TOTAL</b>	<b>2,576,678,429</b>	<b>22,103,173,974</b>

The advance tax rate was 25% for the first advance tax period of 2023, and 30% for the following periods of the year (2022: 25%). In Türkiye, the advance tax is calculated and accrued on a quarterly basis.

For temporary differences arising from the differences in the provisions of the TCC and the tax legislation, deferred tax asset or liability is calculated over 30% (2022: 25%).

The breakdown of temporary differences and the resulting deferred tax assets/liabilities as of 31 December 2023 is as follows:

**Table 3.4.2.15.2: Temporary Differences and Deferred Tax Assets/Liabilities**

	2023		2022	
	Total Temporary Differences	Deferred Tax Assets/Liabilities	Total Temporary Differences	Deferred Tax Assets/Liabilities
Total assets	8,979,039,477	2,693,711,843	481,659,900	120,414,975
Retirement pay and employment termination benefit obligations	761,816,605	228,544,981	474,687,813	118,671,953
Depreciation adjustment for fixed assets	8,217,222,872	2,465,166,862	6,972,087	1,743,022
Total liabilities	-9,214,122,629	-691,059,197	-5,361,528,957	-335,095,560
Fair value adjustment of the BIS participation share	9,214,122,629	-691,059,197	-5,361,528,957	-335,095,560
<b>Net Assets/Liabilities</b>	<b>-235,083,152</b>	<b>2,002,652,646</b>	<b>-4,879,869,057</b>	<b>-214,680,585</b>

**Table 3.4.2.15.3: Deferred Tax Asset/Liability Movements**

	2023	2022
Balance on 1 January	-214,680,585	-150,245,022
Deferred tax related to profit and loss statement (net)	2,573,305,061	72,490,830
Deferred tax related to other liability accounts	-355,971,830	-136,926,393
<b>Balance</b>	<b>2,002,652,646</b>	<b>-214,680,585</b>

### 3.4.2.16 Provisions

**Table 3.4.2.16.1: Provisions**

	2023	2022
Retirement pay and employment termination benefit provisions	885,429,648	474,687,813
Insurance provision for money in transit	243,056,337	243,056,337
<b>TOTAL</b>	<b>1,128,485,985</b>	<b>717,744,150</b>

The year-end balance of the insurance provision for the money in transit, which is set aside pursuant to Article 59 of the CBRT Law No. 1211, was TRY 243,056,337 as of 31 December 2023.

As per the Pension Fund Law No. 5434 and the Turkish Labor Law No. 1475, employers are obliged to pay retirement pay or employment termination benefits to their employees whose contracts have expired, and who are eligible to retire with a right to receive retirement and employment termination benefits.

Provisions for retirement pay and employment termination benefits are calculated by estimating the present value of the prospective future obligation of the CBRT arising from the retirement of its employees. Accordingly, the actuarial assumptions used in calculating total liabilities are presented below.

The principal actuarial assumption is that the maximum liability for each year of service will increase in tandem with the inflation rate. Therefore, the discount rate applied represents the expected real rate adjusted for future inflation effects. For this reason, provisions in the financial statements as of 31 December 2023 have been calculated by estimating the present value of the prospective future liability arising from retiring employees.

The ceiling amount of termination benefit is revised every six months. While calculating the provision for the termination benefit liabilities of the CBRT's employees, the ceiling amount of TRY 23,490 (31 December 2022: TRY 15,371) that took effect as of 1 July 2023 was taken into account.

The change in the retirement pay and employment termination benefit liabilities is shown below:



**Table 3.4.2.16.2: Change in Retirement Pay and Employment Termination Benefit Liabilities**

	2023	2022
Balance on 1 January	474,687,813	231,643,379
Provision set aside	427,268,862	255,259,177
Retirement pay and employment termination benefit paid	-16,527,027	-12,214,743
<b>Balance</b>	<b>885,429,648</b>	<b>474,687,813</b>

**3.4.2.17 Capital and Reserves**

The CBRT's total capital is TRY 25,000 and it is divided into 250,000 registered shares, each with a value of TRY 0.10.

**Table 3.4.2.17.1: Capital and Reserves**

	2023	2022
Paid-in capital	25,000	25,000
Inflation adjustment for paid-in capital	46,208,524	46,208,524
Reserves	9,664,248,946	7,753,226,486
Reserves	9,330,080,367	7,419,057,907
Special reserves	334,168,579	334,168,579
<b>TOTAL</b>	<b>9,710,482,470</b>	<b>7,799,460,010</b>

In line with the decision taken at the 91st CBRT Shareholders Ordinary General Assembly Meeting, the entirety of the reserve funds earmarked from the profit of 2021, totaling TRY 7,419,057,907 was distributed along with the profit. Pursuant to the decision of the Board adopted under the Article 22(h) of the CBRT Law No. 1211, the entirety of the reserve funds set aside from the profit of 2022, totaling TRY 9,330,080,367, will be deducted from the loss of 2023.

The shareholders of the CBRT by 31 December 2023 and 31 December 2022 are as follows:

**Table 3.4.2.17.2: Shareholders of the CBRT**

	2023		2022	
	Share (TRY)	Share (%)	Share (TRY)	Share (%)
Ministry of Treasury and Finance	13,780	55.12	13,780	55.12
T.C. Ziraat Bankası	4,806	19.22	4,806	19.22
Mervak İç ve Dış Ticaret A.Ş.	1,280	5.12	1,280	5.12
Türkiye Garanti Bankası	621	2.48	621	2.48
Türkiye İş Bankası	582	2.33	582	2.33
Türkiye Halk Bankası	277	1.11	277	1.11
Yapı ve Kredi Bankası	139	0.56	139	0.56
Akbank	8	0.03	8	0.03
ING Bank	5	0.02	5	0.02
Türk Ekonomi Bankası	2	0.01	2	0.01
Other	3,500	13.99	3,500	13.99
<b>Paid-in Capital</b>	<b>25,000</b>	<b>100.00</b>	<b>25,000</b>	<b>100.00</b>

### 3.4.2.18 Other Liabilities

**Table 3.4.2.18.1: Other Liabilities**

	<b>2023</b>	<b>2022</b>
Letters of credit	560,965,114	87,996,814
Expense accruals	1,606,687,720	660,434,768
Other	163,238,293,613	32,922,896,500
Difference arising from accounting policy changes	8,525,927,458	5,029,196,379
Blocked accounts as per the decisions of tax offices, debt enforcement offices, and courts	29,071,287	19,672,440
Amounts to be debited to foreign correspondent accounts on next year's value date	2,130,929,496	1,828,664,538
Other	152,552,365,372	26,045,363,143
<b>TOTAL</b>	<b>165,405,946,447</b>	<b>33,671,328,082</b>

### 3.4.2.19 Regulating Accounts

Regulating accounts, which are expressed in terms of Turkish lira, FX, and units, had a total balance of 11,907,432,215,123 as of 31 December 2023 (31 December 2022: 6,273,813,384,783).

## 3.4.2.20 Profit/Loss Accounts

<b>Table 3.4.2.20.1: Profit/Loss Statement</b>		
	<b>2023</b>	<b>2022</b>
<b>NET INTEREST INCOME/EXPENSE</b>	<b>153,499,067,628</b>	<b>139,726,890,767</b>
<b>Interest Income</b>	<b>286,203,667,647</b>	<b>166,619,106,946</b>
TRY and FX securities portfolio	42,282,547,562	31,372,141,294
Repo transactions	13,839,785,647	33,160,227,949
Interbank money market operations	6,233,483,492	11,684,350,063
Credits	40,729,024,870	9,423,941,069
Banks	183,118,826,076	80,978,446,571
<b>Interest Expenses</b>	<b>-132,704,600,019</b>	<b>-26,892,216,179</b>
FX deposits by citizens abroad	-48	-186
Reverse repo transactions	-369,355,214	-12,585,183
Interbank money market operations	-12,740,931,010	-757,896,397
Ministry of Treasury and Finance accounts	-78,603,680,861	-15,186,327,204
IMF general resource account charges	-7,226,046,940	-1,513,494,396
TRY required reserves	-	-3,013,667,981
Banks	-33,764,585,946	-6,408,244,832
<b>NET FEE AND COMMISSION INCOME/EXPENSE</b>	<b>23,165,250,093</b>	<b>18,453,429,021</b>
<b>Fee and Commission Income</b>	<b>23,406,153,797</b>	<b>18,615,352,189</b>
EFT transaction fees and commissions	2,785,343,414	1,303,742,172
Commissions to be due from the Ministry of Treasury and Finance	1,845,113,350	1,209,279,283
Commission and maintenance fees due from banks	18,351,009,880	15,934,214,861
Other fund transfer fees	20,458,251	12,616,685
Fees charged to banks within the context of CMS	214,939,406	120,421,753
Other	189,289,496	35,077,435
<b>Fee and Commission Expenses</b>	<b>-240,903,704</b>	<b>-161,923,168</b>
Commission and maintenance fees paid to banks	-235,398,819	-158,246,586
Other	-5,504,885	-3,676,582
<b>NET NON-INTEREST INCOME/EXPENSE</b>	<b>-997,420,486,491</b>	<b>-64,878,626,928</b>
<b>Non-interest Income</b>	<b>244,869,771,911</b>	<b>61,810,163,251</b>
Profit on purchase and sale of FX and gold	239,248,921,554	21,897,020,379
Securities portfolio trading income and increase in fair value	2,810,690,572	25,722,715,804
Dividend income	74,555,979	46,537,569
Other	2,735,603,806	14,143,889,499
<b>Non-interest Expenses</b>	<b>-1,242,290,258,402</b>	<b>-126,688,790,179</b>
Loss on purchase and sale of FX and gold	-256,135,880,299	-16,163,239,704
Securities portfolio trading loss and decrease in fair value	-75,865,584,929	-8,380,965,274
Provision expenses for non-performing loans	-17,307,179,824	-9,196,194,268
Wages and salaries	-4,538,937,732	-2,220,456,789
Social security costs	-722,900,769	-382,878,222
Operating expenses	-701,295,942	-740,372,514
Banknote paper and ink expenses	-1,014,621,829	-508,255,436
Depreciation charges	-173,246,703	-114,777,719
Other (*)	-885,830,610,374	-88,981,650,253
<b>PROFIT/LOSS BEFORE TAX</b>	<b>-820,756,168,771</b>	<b>93,301,692,859</b>
<b>DEFERRED TAX INCOME/EXPENSE</b>	<b>2,573,305,061</b>	<b>72,490,830</b>
<b>REPORTED PROFIT/LOSS OF THE PERIOD</b>	<b>-818,182,863,710</b>	<b>93,374,183,689</b>

(\*) Expenses related to the FX-protected deposits converted from TRY transactions, which have been transferred to the CBRT pursuant to the Provisional Article 2 of Law No. 7456 of 14 July 2023, as well as to transactions of FX-protected deposits converted from FX and other FX earning transactions (YUVAM – Deposit and Participation Scheme for Non-resident Turkish Citizens – and physical gold etc.) amounted to TRY 833,419,912,761 (2022: TRY 72,843,177,706).

### 3.4.2.21 Profit Distribution

Paragraph 5 of Article 64 of the TCC Law No. 6102 stipulates that natural and legal persons, who are subject to the TCC, are also obliged to conform to the provisions of the TPL No. 213 concerning bookkeeping and recording time as well as the regulations made based on the powers given by Article 175 and the repeated Article 257 of the same law. According to the aforementioned paragraph, provisions of Law No. 6102 concerning bookkeeping, inventory, financial statement preparation, capitalization, provisions, accounts, valuation, maintenance, and submission do not impede the implementation of Law No. 213 and the related provisions of other tax laws, nor do they impede the determination of the tax base in compliance with tax laws and the preparation of related financial statements.

Pursuant to Article 60 of the CBRT Law No. 1211 and Articles 523 and 64 of the TCC No. 6102, and as stated in its accounting books kept according to the provisions of the TPL No. 213, the loss of the CBRT for 2023, totaling TRY 820,765,083,103 is seen below:

**Table 3.4.2.21.1: Distribution of Profit** (Article 60 of Law No. 1211)

	<b>2023</b>	<b>2022</b>
<b>Reported profit/loss of the period (TCC No. 6102)</b>	<b>-818,182,863,710</b>	<b>93,374,183,689</b>
Reporting adjustments	-2,582,219,393	- 73,378,517
<b>Profit to be distributed/Loss of the period (TPL No. 213)</b>	<b>-820,765,083,103</b>	<b>93,300,805,172</b>
Tax provisions (-)	-	21,352,295,697
Corporate income tax	-	21,352,295,697
Profit after tax	-	71,948,509,475
Other distributions (-)	-	39,330,097,766
1- Reserves	-	39,330,080,367
Reserve funds (Article 60 of Law No. 1211)	-	9,330,080,367
Reserves (Article 523 of TCC Law No. 6102)	-	30,000,000,000
2- Shareholders	-	3,000
First dividends	-	1,500
Second dividends	-	1,500
3- Bonus to the personnel (Article 60(c) of Law No. 1211)	-	14,399
<b>The Amount to be Transferred to the Ministry of Treasury and Finance</b>	<b>-</b>	<b>32,618,411,709</b>

In line with the decision of the Board adopted under the Article 22(h) of the CBRT Law No. 1211, the entirety of the reserve funds set aside from the profit of 2022, totaling TRY 9,330,080,367, will be deducted from the loss of 2023. Pursuant to Article 509 of the TCC No. 6102, no dividends or reserve funds will be distributed until the settlement of the remaining amount, which will be recorded under "Retained Losses" in the assets of the balance sheet in the subsequent years.

The table below shows the distribution of the CBRT's expenses in the last two years on the basis of the current expenditure items in real (2003) prices.

### 3.5. Explanations on Operating Expenses

**Table 3.5.1: Distribution of Expenses** (With 2003 prices)

	<b>2023 (TRY)</b>	<b>2022 (TRY)</b>	<b>Change (%)</b>
I- Personnel Expenses	353,401,063	269,019,931	31
II- Other Expenses	47,101,166	76,507,619	-38
III- Banknote Printing Expenses	68,145,085	52,521,417	30
<b>TOTAL</b>	<b>468,647,314</b>	<b>398,048,967</b>	<b>18</b>

In 2023, personnel expenses and banknote printing expenses increased while other expenses decreased, compared to 2022.

- Personnel expenses cover salaries, fringe benefits, social security payments, social benefits, health and education expenses, travel allowances, and outsourcing expenses. Compared to 2022, there was a 31% increase in personnel expenses in real terms.
- Other expenses mainly consist of Social Expenses, Utility Expenses, Consultancy and Research Expenses, Rental Expenses, and Taxes, Duties, and Charges.
- Banknote printing expenses rose by 30% compared to the previous year.

When performing the duties assigned to it by the CBRT Law, the Bank prepares its budget in view of the priorities set in its strategic plan, adhering to the principle of frugality in spending, and spends accordingly.

## 3.6 Audit at the CBRT and Audit Reports

### 3.6.1 Audit at the CBRT

The activities of the CBRT are audited by both internal and external auditors in compliance with the CBRT Law No. 1211 and other relevant legislation.

#### **Audits Conducted by the Bank**

In accordance with Article 15 of the CBRT Law, the General Assembly examines and resolves whether to approve the Annual Report submitted by the Board of the Bank, as well as the report of the Auditing Committee, the CBRT's balance sheet, and the income statements. Through this procedure, the General Assembly completes the monitoring of the activities of the Bank every year by discharging the Board of the Bank and the Auditing Committee.

The Auditing Committee, on the other hand, audits, in accordance with Article 24 of the CBRT Law, all the operations and accounts of the CBRT and submits to the General Assembly a report to be drawn up on operations and accounts of the Bank at the end of the year. With the authorization entrusted by the CBRT Law, the Auditing Committee submits its written opinions to the Board and also presents a copy thereof to the Presidency of Türkiye.

Article 64 of the Main Regulation on the Organization and Duties of the CBRT gives the authority and responsibility for auditing the Bank's usual operations to the Audit Department.

Within the scope of the authorities and duties granted by the CBRT Law No. 1211 and the related legislation, the Audit Department has the duty and authority to conduct audits, examinations, and research, to carry out investigations, and to provide consulting services when necessary in the departments, branches, and representative offices of the CBRT and at institutions and organizations other than the Bank.

According to Article No. 6 of the Audit Regulation of the CBRT, audits carried out can be classified into four activities: internal audit, investigation, examination and consultancy, and external audit activities.

Pursuant to Article 21 of the Audit Regulation of the CBRT, one or several of the operational, financial, compliance, and information systems audits can be conducted simultaneously in all departments, branches, and representative offices of the CBRT. In 2023, a total of 45 internal audits, 17 of which were in information systems, were conducted at the CBRT Head Office. Additionally, 64 compliance audits were conducted across 12 branches of the Bank.

As part of the external audit conducted pursuant to Article 36 of the Audit Regulation of the CBRT, the Bank carried out on-site and real time audits at banks and financing institutions on various issues subject to the CBRT's regulation. These audits took place based on the opinions and requests of the members of the Executive Committee, as well as CBRT departments in charge of regulation and oversight, and upon the Approval of the Governor's Office. In 2023, adopting a proactive approach in external audit, the CBRT pursued a communication policy to improve the comprehensibility of the CBRT regulations by the financial sector, and the pace at which these regulations are implemented. The aim of external audits is to monitor the effective implementation of decisions and measures taken in cooperation with the CBRT's other units to achieve the CBRT's strategic goals, as well as to ensure compliance with the legislation. Accordingly, 66 reports and many information notes were prepared and submitted to the CBRT executives and related departments.

With the amendment made to Law No. 6493 on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions in 2019, the CBRT was entrusted with the authority to audit payment institutions and electronic money institutions, and the Bank started to audit these institutions in 2020. Regulated by Law No. 6493, the payments ecosystem has been evolving day by day offering innovative solutions to its clients, and is expected to develop and become even more important in the years ahead. Audits play a major role in enabling this field to gain a corporate identity and develop a suitable structure, as well as in protecting the rights of clients. The audits carried out in cooperation with the CBRT departments in charge of regulation and oversight contribute significantly to the development of the sector. In 2023, the CBRT prepared 58 reports as part of the audit activities conducted at relevant institutions, and the investigations into unauthorized activities.

The Audit Department has a total of 72 audit staff composed of 27 head inspectors, four chief auditors, one IT inspector, 11 inspectors, four authorized assistant IT inspectors, seven authorized assistant inspectors, three assistant IT inspectors, and 15 assistant inspectors.

Periodic evaluation of internal audit activities is carried out every year by an assigned inspector, who, at the end of the evaluation made in terms of quality and conformity, submits an evaluation report to the Audit Department.

### **Audits Conducted by External Audit Firms**

In accordance with Article 42 of the CBRT Law, the Governor submits a report to the President of Türkiye on the operations of the Bank and the current and future monetary policies in April and October each year. The CBRT furnishes information regarding its operations to the Plan and Budget Committee of the Grand National Assembly of Türkiye twice a year.

Pursuant to Article 42 of the CBRT Law, the CBRT may have its balance sheet and profit and loss accounts audited by independent audit firms. Believing that independent external audit activities are one of the most effective instruments with respect to the transparency and accountability principles adopted by central banks, the CBRT first started to receive external audit services in 2000. The reports prepared at the end of the audit engagements each year are made public via the CBRT's website.

In addition to the audits mentioned above, the Ministry of Treasury and Finance, the State Supervisory Council, the Turkish Court of Accounts, certain ministries and other authorized government agencies may conduct audits at the CBRT via their auditors on the issues related to their duties, if deemed necessary by the relevant authorities.

## 3.6.2 The Report of the CBRT's Auditing Committee

### CENTRAL BANK OF THE REPUBLIC OF TÜRKİYE JOINT STOCK COMPANY 2023 AUDITING COMMITTEE REPORT FOR THE NINETY-SECOND ACCOUNTING YEAR

The Auditing Committee has audited the activities and resulting statements of the 2023 Accounting Year of the Central Bank of the Republic of Türkiye within the framework of the provisions of the related legislation, and concluded that:

1. Gold holdings, and cash, foreign exchange banknotes, coins and securities in the service and reserve vaults of the Head Office and Branches, which were subject to stock-taking at the end of the year, are in conformity with the accounting records as well as the inventory records, and these values are kept and administered in accordance with the regulations and instructions,
2. The conformity of books related to the Bank's accounts with accounting records was examined, and it was ascertained that the records were kept in a timely and orderly manner, properly and per legislation, and that the Bank's operations were in conformity with the Central Bank Law,
3. The balance sheet dated 31.12.2023 and the Income Statement for the period between 01.01.2023 and 31.12.2023 are in compliance with the Turkish Commercial Code and the Central Bank Law,
4. The financial statements compiled to present the financial position of the Central Bank of the Republic of Türkiye on 31.12.2023 and the results of activities relating to the same accounting year that ended on the same date are presented in an accurate, correct and clear manner pursuant to the legislation in force in Türkiye and the Central Bank Law,
5. The decisions, dissents, and abstaining votes of the Board have been deliberated, and no action was deemed necessary,
6. The trial for the legal liability lawsuit filed by the Bank continues.

In conclusion, we hereby submit the Balance Sheet and the Income Statement dated 31.12.2023 for approval of the General Assembly.

Ankara, 28/03/2024

Mehmet BABACAN  
Auditing Committee Member

Suat SARIGÜL  
Auditing Committee Member

Bekir BAYRAKDAR  
Auditing Committee Member

Ramazan GÜNGÖR  
Auditing Committee Member



### 3.6.3 Independent Audit Report Drawn up in Compliance with the Central Bank Law and Related Legislation\*

#### Independent Auditor's Report

#### To the Board of the Central Bank of the Republic of Türkiye

#### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Central Bank of Republic of Türkiye (the "Bank"), which comprise the balance sheet as at 31 December 2023, and the statement of income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with the Law of the Central Bank of the Republic of Türkiye and related legislation (Note I. A. (2)).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. Regarding the independent audit of financial statements, we declare that we are independent from the Bank in accordance with the Code of Ethics for Professional Accountants published by the International Ethical Standards ("Code of Ethics") Board for Professional Accountants, as well as the ethical rules applicable in Turkey for the independent audit of financial statements. In accordance with the provisions, we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Matters

The financial statements of the Bank for the year ended 31 December 2022 have been audited by another auditor who expressed an unqualified opinion on those financial statements on 27 February 2023.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank management is responsible for the preparation of financial statements in accordance with the Central Bank of the Republic of Türkiye Law and relevant legislation (Note I.A. (2)), and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless General Assembly either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

In an independent audit, the responsibilities of independent auditors are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Erdem Taş  
Partner

28 March 2024

(\*) The full text of the Report is accessible at the Bank's website ([www.tcmb.gov.tr](http://www.tcmb.gov.tr)), under About the Bank / Organization / Independent Audit Reports.

## 3.6.4. Independent Audit Report Drawn up in Compliance with IFRS\*

### Independent Auditor's Report

#### To the Board of The Central Bank of The Republic of Turkey

#### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of The Central Bank of Republic of Türkiye (the "Bank" and "CBRT"), which comprise the balance sheet as of December 31, 2023, and the statements of profit or loss, the statement of other comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended and, notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2023 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRSs").

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Matters

As explained in Note 3.a. to the financial statements, the US Dollar ("USD") amounts presented in the accompanying financial statements have been calculated over Turkish Lira amounts using the official USD bid rates announced by the Bank as of December 31, 2023 and 2022 for the statement of financial position and the average exchange rates calculated from the daily official bid rates announced by the Bank for the years 2023 and 2022 for the statement of profit or loss and are not a part of these financial statements.

The financial statements of the Bank for the year ended December 31, 2022 have been audited by another auditor who expressed an unqualified opinion on those financial statements on March 22, 2023.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Bank Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless General Assembly either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Erdem Taş  
Partner

İstanbul, March 28, 2024

(\*) The full text of the Report is accessible at the Bank's website ([www.tcmb.gov.tr](http://www.tcmb.gov.tr)), under About the Bank / Organization / Independent Audit Reports.

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## Central Bank of the Republic of Türkiye - Contact Details

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Antalya Branch	(242) 248 75 46	Kültür Mahallesi Hürriyet Caddesi No: 46 Kepez / Antalya
Bursa Branch	(224) 224 34 50	Santral Garaj Mahallesi Kıbrıs Şehitleri Caddesi No: 94 16200 Osmangazi / Bursa
Denizli Branch	(258) 265 27 67	Sırapapılar Mahallesi Gazi Mustafa Kemal Bulvarı No:90 20010 Merkezefendi / Denizli
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Edirne Branch	(284) 213 97 00	Çavuşbey Mahallesi Hükümet Caddesi No: 17 22020 Edirne
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Eskişehir Branch	(222) 230 39 90	Arifiye Mahallesi Müftülük Sokak No: 2 26010 Odunpazarı / Eskişehir
Gaziantep Branch	(342) 230 36 80	Değirmişem Mahallesi Kamil Ocak Caddesi No: 5 27090 Şehitkamil / Gaziantep
İskenderun Branch	(326) 613 15 87	Çay Mahallesi Ulu Camii Caddesi Merkez Bankası Sit. No: 1/1 31300 İskenderun / Hatay
İstanbul Branch	(212) 251 80 00	Arapcami Mahallesi Bankalar Caddesi No: 13 34421 Karaköy Beyoğlu / İstanbul
İzmir Branch	(232) 482 00 35	Konak Mahallesi Cumhuriyet Bulvarı No: 3 35250 Konak / İzmir
İzmit Branch	(262) 322 05 00	Kemalpaşa Mahallesi Cumhuriyet Caddesi No: 36 41200 İzmit / Kocaeli
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Malatya Branch	(422) 212 90 00	İnönü Mahallesi İnönü Caddesi No: 186 44070 Yeşilyurt / Malatya
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