

Turkey Private Credit: Opportunity in a Market that Rewards Local Knowledge

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The global private credit market is entering a more consequential phase.

In the United States, redemption pressure in semi-liquid vehicles has led several large managers — including Ares Management and Blue Owl Capital — to gate withdrawals, with significant capital held behind redemption limits in early 2026.

This is not a credit-driven dislocation, but a liquidity one. Long-dated, illiquid loans have been packaged into structures offering periodic liquidity, and as sentiment has shifted, that mismatch has become more visible.

The dynamic is largely US-driven — reflecting rapid product expansion, the retailisation of private credit, and concentration in sectors now under pressure. Its implications, however, extend beyond the US.

Institutional investors are positioning for a more selective deployment of capital, with increasing focus on markets where origination, structuring, and pricing remain genuinely attractive.

This is not yet a broad reallocation of capital, but an emerging shift in how capital is assessed and deployed.

Turkey is one such market — structurally.

The Opportunity

Turkish corporates are institutional-grade borrowers with longstanding engagement with international lenders and well-established banking relationships. At the same time, the market remains structurally undersupplied by international capital relative to the depth and quality of its borrower base.

This imbalance is persistent. Turkish borrowers have long operated in an environment where domestic bank liquidity is constrained, international balance sheet appetite is selective, and access to long-dated capital is limited outside a relatively small group of issuers.

For the right credits, this creates a meaningful opportunity for private credit.

Funds that have deployed in Turkey have reported returns materially above comparable developed market transactions. The premium reflects structural factors — including limited long-term lending capacity, market complexity, and the importance of informed local credit judgment — rather than a simple correlation with underlying credit risk.

The Framework

Foreign private credit funds can lend directly to Turkish corporates without requiring a local banking licence or onshore presence. The regulatory framework is borrower-based rather than lender-based; in practice, foreign funds are treated similarly to foreign banks, with key considerations centred on borrower profile and transaction structure.

For corporates with foreign currency loan balances at or above USD 15 million, borrowing in foreign currency is effectively unrestricted. This captures a significant portion of the borrower universe typically targeted by international private credit investors.

Below that threshold, foreign currency borrowing capacity is linked to the borrower's historical foreign exchange income. This introduces additional structuring considerations for mid-market transactions, but does not preclude them.

Transaction economics are generally manageable. The KKDF levy is determined by tenor and falls to zero for loans of three years or more, aligning naturally with many private credit structures. As a result, KKDF is typically not a material cost for the types of transactions international funds pursue.

Where structuring becomes more relevant is in tax treatment. Withholding tax and stamp duty outcomes can differ between bank lenders and fund lenders depending on classification and applicable treaty access. These are not prohibitive, but require careful attention to optimise transaction economics.

What This Means in Practice

Turkey private credit is accessible and attractive, but it is not a passive allocation. It requires local understanding, disciplined structuring, and active engagement.

Three factors are particularly important.

Borrower Selection

Not every Turkish corporate is suited to international private credit. The strongest opportunities tend to involve experienced management teams, transparent ownership structures, and business models capable of supporting longer-dated liabilities under conservative assumptions.

Structure

Transaction outcomes are highly sensitive to structuring choices. Tenor, currency, tax treatment, and lender classification all affect economics — but so do security packages, cash flow controls, covenant frameworks, and downside protections. These are often more bespoke than in developed markets and are central to how private credit investors underwrite risk.

These variables need to be addressed upfront, not after commercial terms have been agreed.

Local Intelligence

Effective diligence in Turkey requires more than financial analysis. It requires an understanding of ownership structures, sector dynamics, management behaviour, and banking relationships developed over time. These judgments are difficult to form without direct market engagement.

In practice, transactions typically include secured corporate lending, asset-backed structures, and situations requiring tailored capital solutions not readily available through bank balance sheets.

Why It Matters Now

As institutional investors position for a more selective deployment of capital and look beyond increasingly crowded developed markets, Turkey offers something that is becoming less common: a deep borrower base, attractive risk-adjusted returns, and a framework that is workable for international capital.

The opportunity is real — but it is not generic. It belongs to those who combine credit discipline with local understanding, and who can structure transactions in a way that works for both borrowers and capital providers.

That is where the edge lies.

NN Capital Advisory provides independent advice on capital structure and financing transactions across Turkey, CEEMEA and the Gulf, working with banks, private credit funds, and institutional investors. This paper is written for international allocators and fund managers evaluating private credit deployment in Turkey.