

Turkey Corporate Financing: An Underutilised Toolkit

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Turkish corporates are not facing a shortage of financing options. They are facing a structural gap between the capital that is available and the capital that is actually being used.

That gap is widening — just as the financing environment is becoming more demanding.

The Bank Lending Constraint Is Real

Bank lending remains the foundation of corporate financing in Turkey. But the conditions under which it is available are changing — from two directions simultaneously.

The first is policy. As part of the disinflation programme, credit growth is subject to macroprudential measures that shape both the volume and composition of lending. Banks are not allocating balance sheet capacity solely on the basis of borrower demand or credit quality. Policy is a constraint in its own right.

The second is balance sheet dynamics. The banking sector's non-performing loan ratio rose from 1.8% in 2024 to 2.6% by February 2026 — a 44% increase in fourteen months. Capital adequacy ratios declined from 19.7% to 16.8% over the same period. In absolute terms, both figures remain strong by global standards. But the direction of travel matters, and indicators of credit stress are rising. Concordat applications — a leading indicator of NPL migration — rose from 3,497 in 2024 to 6,361 in 2025, an increase of 82% in a single year, and early 2026 data suggests that trend is continuing.

The combined effect is a lending environment shaped not only by what borrowers need, but by what the system can accommodate — and is prepared to extend.

The Domestic Bond Market: Infrastructure Without Corporate Issuers

Turkey's domestic capital market is growing — and growing quickly. Private sector bond issuance rose from TL 632bn in 2024 to TL 957bn in 2025 — a 51% increase in a single year. Outstanding private sector bonds reached TL 776bn by March 2026, up from TL 439bn at end-2024. ABS and asset-backed securities nearly doubled over the same period.

But one figure cuts through the volume story. Corporate bond and bill stock as a share of GDP stands at approximately 2%. In a market of Turkey's depth and sophistication, that number reflects not a lack of investor appetite but a near-absence of non-financial corporate issuers.

The growth in issuance is real — but it is overwhelmingly driven by banks and financial institutions. Non-financial corporates — those that most need longer-dated, diversified funding — remain largely absent from their own capital market.

The infrastructure exists. The institutional investor base is growing — the pension system now covers nearly 16 million participants, creating sustained demand for fixed income product. The conditions for inaugural corporate issuers to establish a domestic curve are more favourable than they have been.

The constraint is not the market. It is the issuers.

International Markets: Active, But Concentrated

The eurobond market tells a structurally similar story. Turkey's international issuance is active and deep — approximately \$27 billion in 2025 — but it is dominated by the sovereign and by banks. Non-financial corporate issuers come to the market infrequently and in limited number. The same concentration dynamic that characterises domestic issuance replicates itself internationally.

This matters for a specific reason. Eurobond markets — like all capital markets — reward consistency. Investors allocate to issuers they know, trust and can model across cycles. A corporate that appears once every three or four years, or only under refinancing pressure, does not build that relationship. It accesses the market on worse terms, with a narrower book, and at greater execution risk than an issuer with an established presence.

The channel is open. But capturing its full value requires a long-term commitment to investor relations, disclosure and market engagement — not a transactional approach triggered by necessity.

Private Credit: Ready, But Largely Untapped

International private credit funds represent a genuinely new source of capital for Turkish corporates — and one that most have not yet engaged with.

Funds that have deployed in Turkey have reported returns materially above comparable developed market transactions. The premium reflects structural factors — limited long-term lending capacity, market complexity, and the importance of local credit judgment — rather than underlying credit risk alone. For funds, Turkey offers something increasingly difficult to find in developed markets: a deep borrower base and a structurally attractive risk-return profile.

The regulatory framework is workable. Foreign funds can lend directly to Turkish corporates without a local banking licence or onshore presence. For corporates with foreign currency loan balances at or above USD 15 million, borrowing in foreign currency is effectively unrestricted. Transaction economics — including KKDF, withholding tax and stamp duty — are manageable with appropriate structuring.

Private credit is not a replacement for bank lending or capital markets. It serves a different purpose: flexible, longer-dated capital for situations where bank balance sheets are constrained, public markets are inefficient, or structuring requirements are more bespoke. That description applies to a significant portion of the Turkish mid-market.

The channel exists. The capital is there. Most Turkish corporates have never had a substantive conversation with a private credit fund.

Three Channels, One Strategic Gap

The picture across all three channels is consistent. Domestic bonds, international markets and private credit are all more accessible — and more actively seeking Turkish corporate exposure — than the current level of utilisation suggests.

The constraint is not capital. It is access.

Most corporates engage with financing on a transactional basis — addressing individual refinancing needs as they arise, through the most familiar channel available. That approach worked when bank balance sheets were expanding freely and conditions were broadly accommodative.

It is less effective in an environment where bank capacity is more selective, macroprudential constraints are active, and the global financing environment is less predictable.

A more effective approach requires three things.

Starting Earlier

Access to capital markets — domestic and international — is built over time. Investor relationships, disclosure track records and market familiarity cannot be assembled quickly. Corporates that begin that process now will have options that others will not when conditions tighten.

Structuring Properly

Different instruments have different requirements. Tenor, currency, security package and investor base all affect both execution and economics. These variables need to be addressed at the outset, not after commercial terms have been agreed.

Thinking in Portfolios, Not Transactions

The question is not which instrument to use for the next refinancing. It is how to construct a liability stack that is resilient across cycles — diversified by channel, investor, currency and maturity.

Why It Matters Now

The current environment does not represent a disruption. It represents a tightening of conditions that were always present but less visible.

Turkey's refinancing calendar is active. Domestic lending conditions are evolving. The global environment — trade tensions, energy price uncertainty, shifting investor risk appetite — is less predictable than it was twelve months ago.

In that context, the case for proactive action is clear. Not to respond to distress, but to build resilience before it is needed.

The toolkit is there — across domestic markets, international channels and private capital. The data shows it is growing. The investor appetite is real.

The question is whether Turkish corporates will use it.

NN Capital Advisory provides independent advice on capital structure and financing transactions across Turkey, CEEMEA and the GCC, working with banks, private credit funds, and institutional investors.