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REPORT NO. 5 · ENGLISH EDITION (EXECUTIVE SUMMARY)

The Borrower Is Known. Who Is the Lender?

The creditors of Türkiye's debt pool, the assets traded on Borsa Istanbul and their owners, the global capital stock in the country and its place in the world league — who benefits from the spiral, and a neutral comparison with peer borrowers

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01 Executive Summary — 17th Economy, 40th Capital Destination, First-Class Interest Payer

$539 bn	≈ $24 bn	$806.7 bn	0.35%
gross external debt Q2 2026 — public 198, CBRT 23, private 318; 49% USD, 29% EUR	external interest due abroad in the next 12 months (loans 13.6 + bonds 10.8); $109 bn with principal	total liabilities to non-residents (IIP, Jun 2026): FDI 231.5 · portfolio 154.8 · other 413.4; net −$402.6 bn	Türkiye's share of the global FDI stock ($199.9 bn / $57.8 tn, 2025); GDP share ≈ 1.3%

Report No. 1 showed that Türkiye has paid its debts in every era. This report looks at the other side of the coin: whom does that reliability enrich? A borrower that never defaults is the creditor's most valuable asset; Türkiye's high-interest, low-rating combination has turned it into one of the most profitable fixed-income trades in the world.

- **The lenders are mainly foreign commercial banks and bond funds; official creditors are small.** Of $539 bn, $134 bn is owed to foreign commercial banks, $102 bn to bondholders, $30 bn to Turkish banks' foreign branches, $168 bn to short-term private creditors. The IMF (SDR 7.4), World Bank (13.9) and other multilaterals (22.2) total only $43.5 bn: Türkiye is a market borrower without the IMF — which means the creditor is commercial and the interest is priced accordingly.
- **Borsa Istanbul is mostly domestically owned; the gains are mostly foreign.** Market capitalisation ₺23.1 tn (≈ $500 bn); foreign share 33% (65% in 2013); real free float only 27%. The foreign investor's real trade is not equities but carry: swap and T-bill gains on lira rates above 40%, visible in CBRT's $23 bn short-term deposit liabilities and banks' $67 bn foreign deposits.
- **The global capital stock in Türkiye is small and shrinking.** FDI stock $221 bn in 2024, $199.9 bn in 2025; share of global flows 0.9% in 2010, 0.4% in 2025 (Poland 0.7%, Brazil 2%). A third of annual inflows ($13.1 bn) is e-commerce and retail.
- **Three rings benefit from the spiral:** (i) external creditors — ≈ $24 bn a year; (ii) the domestic banking system — most of the ₺2.05 tn (≈ $53 bn) Treasury interest paid in 2025 goes to banks holding ≈ 75% of domestic debt, a quarter of them foreign-owned; (iii) carry investors and FX depositors — FX-protected deposits cost the state ≈ ₺850 bn in 2022–24; CBRT lost ₺818 bn in 2023.
- **Among peers Türkiye is in the "low rating, high payment" box:** interest/tax revenue 19–22%, three times Poland (6%), 1.5× Mexico and Indonesia (14–15%); last among them in FDI stock.

> **Thesis:** Türkiye's problem is not the size of its debt (external debt/GDP ≈ 38%, mid-peer). It is the price: a borrower that has never defaulted paying a rate that prices default. The gap — the "credibility premium" — goes to the creditor. Recovering it requires not repudiation but changing the three things that set the price: rating (institutional predictability), maturity (a long-dated local-currency market) and creditor mix (from commercial banks to development finance and direct investment). All three are under TVF and Treasury control.

02 Who Holds the $539 Billion; Who Receives the ₺2 Trillion of Domestic Interest

Creditor class (Q2 2026)	$bn	Share	Who they are	Pricing logic
Foreign commercial banks (long-term)	134.1	25%	Syndicated and project loans: BBVA, BNP, ING, HSBC, Standard Chartered, Citi, JPMorgan, MUFG, Emirates NBD, QNB, Commerzbank, UniCredit; largest creditor countries (BIS): Spain, UK, US, France, Germany, Qatar, UAE, Netherlands	SOFR/Euribor + 200–450 bp; 1–5 yrs; 2–3× investment-grade margins
Bondholders	105.2	20%	Public Eurobonds 73.6 (Treasury 61.9, state banks 6.4); private 31.6; US/UK asset managers (BlackRock, PIMCO, Fidelity, Franklin Templeton, Ashmore, Vanguard), Gulf funds, European insurers	UST + 250–400 bp; 5–30 yrs; the most expensive and longest item
Short-term private creditors	167.8	31%	Banks' foreign deposits (66.9), short-term bank credit, trade credits (63.6), foreign deposits/swaps at CBRT (23.1: Qatar, UAE, China, Korea, Saudi Arabia)	Short; renewal is confidence-indexed; the carry vehicle
Turkish banks' foreign branches, other	30.5	6%	London, Frankfurt, Bahrain branches — "foreign" but an extension of the domestic system	Interbank
Official creditors	58.5	11%	Multilaterals 43.5 (IMF SDR allocation 7.4 — not a loan; World Bank 13.9; EBRD, EIB, AIIB, IsDB, KfW 22.2); governments 15.0	Cheapest: Libor/Euribor + 50–150 bp, 10–30 yrs; used at a tenth of peers' scale
Non-bank financial and non-financial	42.8	8%	Leasing/factoring, supplier credit, parent-company loans (FDI debt 20.4 separately)	Commercial
Total	**539.0**	**100%**	**49% USD · 29% EUR · 12% TL · 10% other**	**Due in 12 months: principal 85 + interest 24 ≈ $109 bn**

Source: CBRT External Debt Statistics Q2 2026, Tables 4, 5, 8, 10; BIS consolidated banking statistics; names from syndication announcements and Eurobond prospectuses — amounts by holder are not disclosed.

A commercial borrower, not an official one: 89% from markets, 11% from official sources (Indonesia and Egypt 30%+). This has kept Türkiye free of IMF conditionality and left the price of its debt to the rating and the CDS. Foreign banks' long-term claims rose 46% in five quarters (Q1 2025 $92 bn → Q2 2026 $134 bn).

Domestic-debt creditor	Share of stock (≈)	Who	Share of 2025 interest (≈)
Banks	70–75%	State banks (Ziraat, Halk, Vakıf — TVF-owned) ≈ 40%; domestic private ≈ 35%; foreign-owned (Garanti BBVA, QNB, DenizBank/Emirates NBD, ING, HSBC, KFH, Albaraka) ≈ 25%	≈ ₺1.4–1.5 tn; ≈ ₺350 bn forms the dividend base of foreign shareholders
Non-bank residents	15–18%	Pension and mutual funds, insurers, households	≈ ₺300–350 bn — the part that stays with domestic savers
Non-residents	7–10%	EM local-currency funds, hedge funds; 2% end-2023 → 8–10% in 2025 via carry	≈ ₺150–200 bn + swap gains; 15–25% a year in dollars
CBRT	1–3%	Open-market portfolio	Intra-public transfer

The state banks are both creditor and debtor: the largest holders of Treasury paper and, with $78 bn of external debt, the public sector's largest external borrowers — 84% of the Treasury's own external debt. Interest flows from the Treasury to the state bank and from the state bank to the foreign bank; TVF sits in the middle of that chain. Garanti alone generates ≈ a third of BBVA's group profit.

03 Who Benefits, the Peer Comparison, and Recommendations

Beneficiary	Channel	Annual gain (≈)	Türkiye's weakness → their opportunity
Foreign commercial banks	Syndicated, project and corporate loans	$13–14 bn interest	Low rating → high margin; investment grade would halve it
Eurobond funds	Sovereign and corporate USD/EUR bonds ($105 bn)	$10–11 bn coupons	No defaults + 250 bp CDS: "reliably risky"
Carry investors	Swaps + T-bills	$5–8 bn (2025)	High inflation + predictable currency = subsidised return; risk in CBRT reserves
Domestic banking system	T-bill interest, FX-protected deposits, deposit-loan spread	≈ ₺1 tn; sector profit 2025 ≈ ₺0.9 tn	Treasury the largest and safest client; state banks pay dividends to TVF — partly returns to the state
Shareholders of foreign-owned banks	≈ 25% of banking assets	$3–4 bn profit	Türkiye is Spanish banking's most profitable market
Gulf and Asian official depositors	CBRT swaps/deposits ($23 bn)	Interest + political consideration	Reserve gap filled bilaterally; the price is not only interest
PPP contractors (Report 2)	FX-indexed demand guarantees	2026: ₺249 bn ≈ $5.3 bn	Off-budget quasi-debt
Mining licence holders (Report 3)	Low royalties, transfer gains	≈ 90% of gross to the operator	State absent from the price windfall
Urban rent holders (Report 4)	Uplift from debt-financed infrastructure	Istanbul metro: ≈ $20–30 bn one-off	No value-capture instrument
Total leaving the country (annual)	**Interest + coupons + carry + bank dividends + foreign licence holders**	**≈ $35–40 bn ≈ 2.5–3% of GDP**	**≈ 3× annual FDI inflows ($13 bn)**

Metric	Türkiye	Brazil	Mexico	Indonesia	Poland	S. Africa	Egypt
GDP rank	17	10	13	16	21	38	40
External debt / GDP	≈38%	≈33%	≈33%	≈30%	≈50%	≈40%	≈45%
Public debt / GDP	≈25%	≈78%	≈52%	≈40%	≈55%	≈75%	≈90%
Interest / tax revenue	≈19–22%	≈20%	≈15%	≈14%	≈6%	≈21%	≈55%+
Rating (S&P/Moody's/Fitch)	BB−/Ba3/BB−	BB/Ba1/BB	BBB/Baa2/BBB−	BBB/Baa2/BBB	A−/A2/A−	BB−/Ba2/BB−	B−/Caa1/B
5-yr CDS (bp)	≈250	≈150	≈110	≈75	≈70	≈200	≈500
Official creditor share	11%	≈10%	≈10%	≈30%	≈15%	≈15%	≈45%
FDI stock / GDP	≈14%	≈50%	≈38%	≈22%	≈40%	≈32%	≈42%
Default / restructuring since 1923	None	1983–94	1982, Brady	1998	1981, 1994 Brady	1985	1987, IMF

Item	Amount	Comment
Liabilities to non-residents / of which debt claims	$806.7 / 568 bn	71% claims, 29% equity; peers near half equity
"Credibility premium" — record vs price	≈ 150–180 bp	≈ $8 bn/yr of excess interest on $539 bn

Annual saving at peer pricing	**≈ $8–10 bn**	**From a two-notch upgrade alone; no repudiation, no restructuring**

RECOMMENDATIONS TO THE TVF BOARD

1. **Shift the creditor mix from commercial to multilateral:** official/multilateral share from 11% to 20–25% (World Bank, AIIB, EIB, IsDB, green transition funds); replace part of state-bank syndications with development-bank framework loans — average cost down 150–250 bp.
2. **Turn creditors into partners:** prioritise minority stake sales in the TVF portfolio (banks, Türk Telekom, Borsa Istanbul, THY) to investors in proportion to their lending; convert Gulf deposits and swaps into long-term equity in TVF assets; claims/equity ratio from 2.7 to 1.5.
3. **Tax carry, incentivise FDI:** withholding on sub-one-year portfolio and swap gains (Tobin-type), proceeds to deepen the long-dated TL bond market; tax credits for manufacturing and technology FDI (Brazil IOF, Chile encaje, Korea macro-prudential levy).
4. **Manage state banks' external debt under TVF:** reprice the $78 bn of Ziraat, Halk and Vakıf external debt under one TVF-guaranteed, multilateral-participated programme; TVF as a "public development finance" layer between the Treasury and creditors (Samruk-Kazyna, Khazanah).
5. **Recover the credibility premium — a rating strategy:** a three-year programme with a two-notch upgrade (BB+ → BBB−) as its explicit target, built on central-bank independence, a fiscal rule and single-registry transparency of off-budget liabilities (PPP, FX-protected deposits), tracked jointly by Treasury, CBRT and TVF.
6. **Publish the creditor register:** annual external debt by creditor country and institution (BIS-consistent); Eurobond ownership distribution; reporting of Treasury interest and dividend flows through foreign-owned banks.

Sources: CBRT External Debt Statistics Q2 2026 and International Investment Position Jun 2026; Treasury central government debt stock and Public Debt Management Reports; MKK equity market data (3 Jul 2026); Borsa Istanbul; UNCTAD World Investment Report 2026; Presidency Investment Office 2025 FDI data; BIS consolidated banking statistics; BDDK; BBVA, QNB, Emirates NBD annual reports; IMF WEO Apr 2026; World Bank IDS; S&P, Moody's, Fitch; JP Morgan EMBI/GBI-EM. Ultimate beneficial ownership of Eurobonds and T-bills is not public; names are from issuance documents and no amounts are attributed. Governance systems are only named, not assessed.