Outlook for Türkiye

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Minister of Treasury and Finance

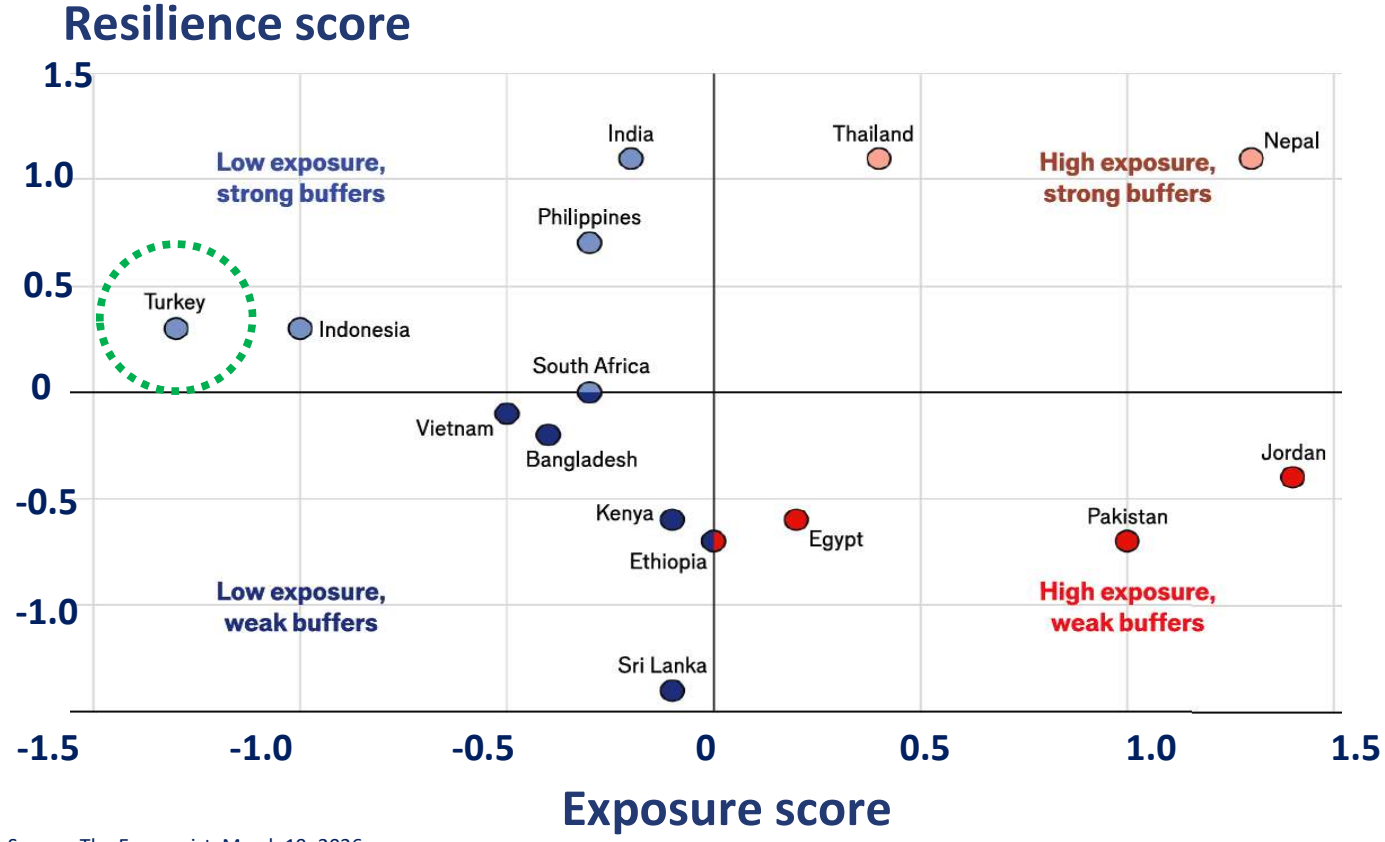
May 2026 | London

Key messages

- ✓ **The fallout from the Iran War is significant, but manageable**
- ✓ **Not wasting the crisis**
- ✓ **Political ownership of the program remains strong**
- ✓ **Türkiye's geopolitical weight is likely to create significant opportunities**

Low exposure, strong buffers

The insulated & the isolated



Source: The Economist, March 19, 2026

Components of resilience score

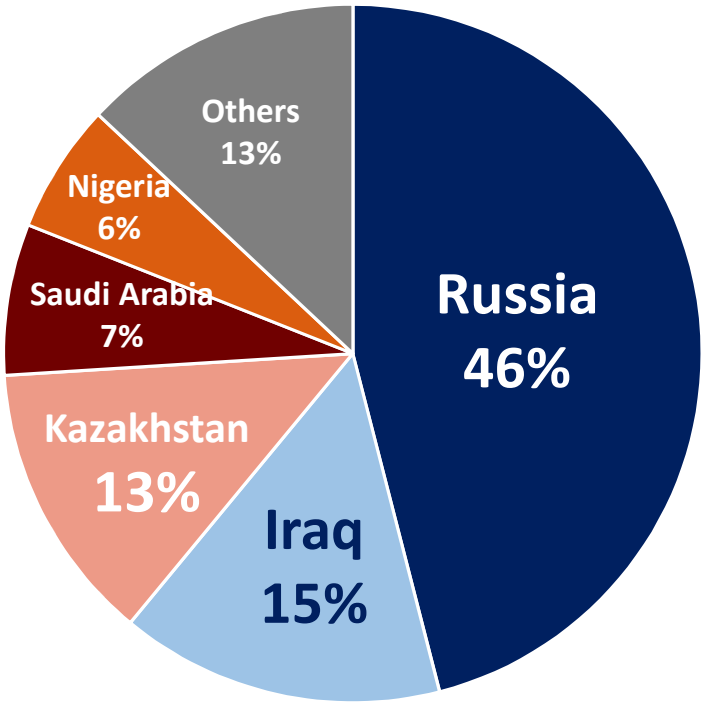
- ✓ Foreign-exchange reserves
- ✓ External government debt

Components of exposure score

- ✓ Net oil & gas imports
- ✓ Oil & gas imports from the Middle East & Gulf remittances

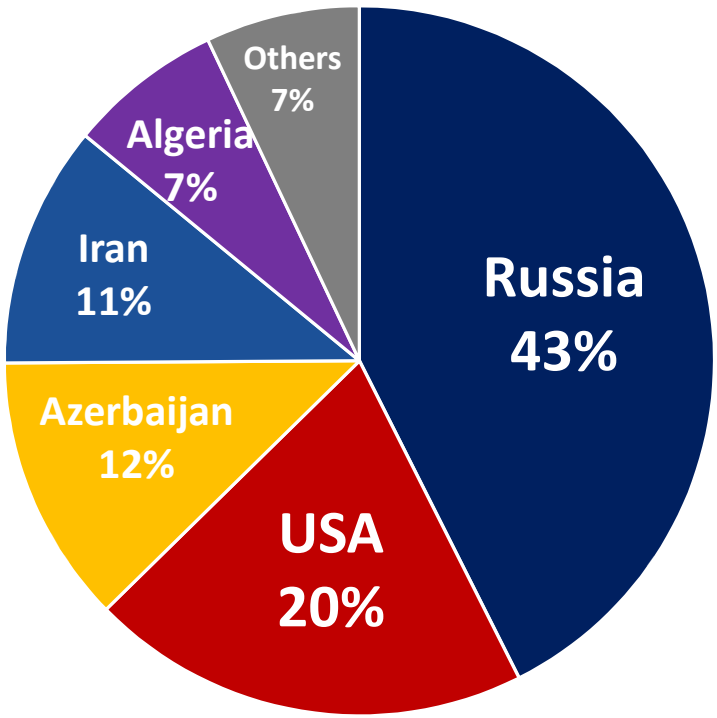
Low exposure: Energy supply security not at stake

Crude oil imports (2025)



$16.1 billion

Gas imports* (2025)



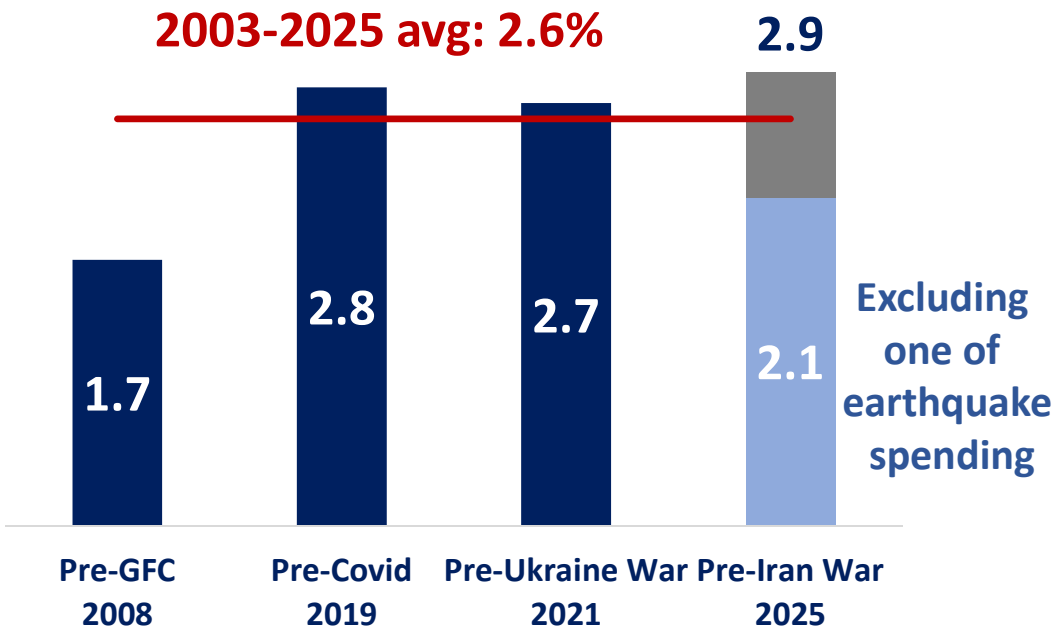
$21.2 billion

Source: Ministry of Trade, *Pipeline + LNG

Strong buffers: Low fiscal deficit & public debt

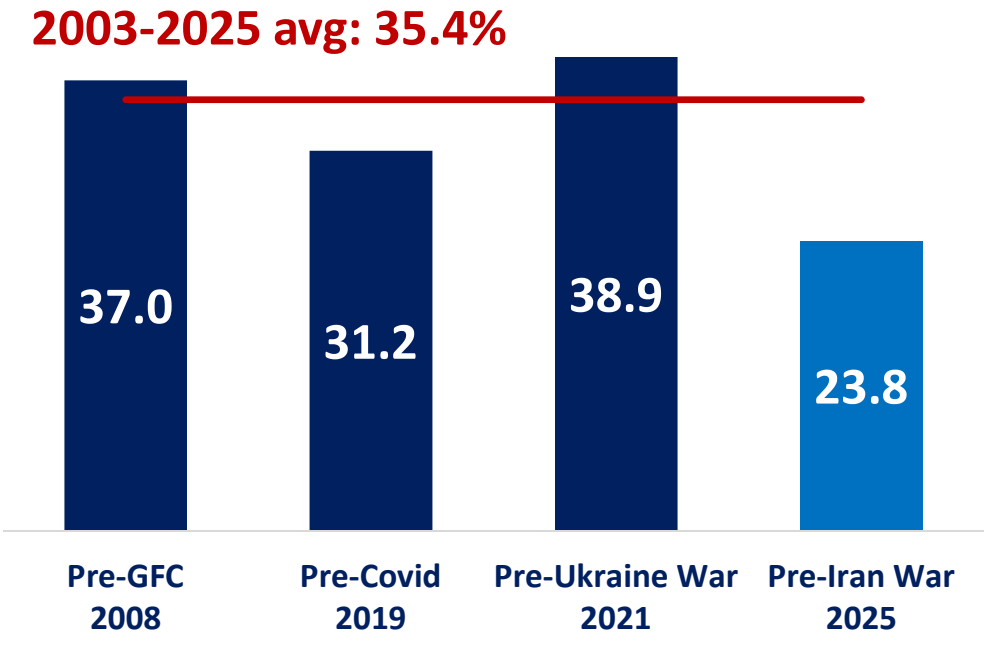
Budget deficit (%, GDP)

EM average (2025): 5.9%



Gross public debt (%, GDP)

EM average (2025): 73.9%



Source: MOTF, GFC: Global Financial Crisis, IMF Fiscal Monitor (April 2026)

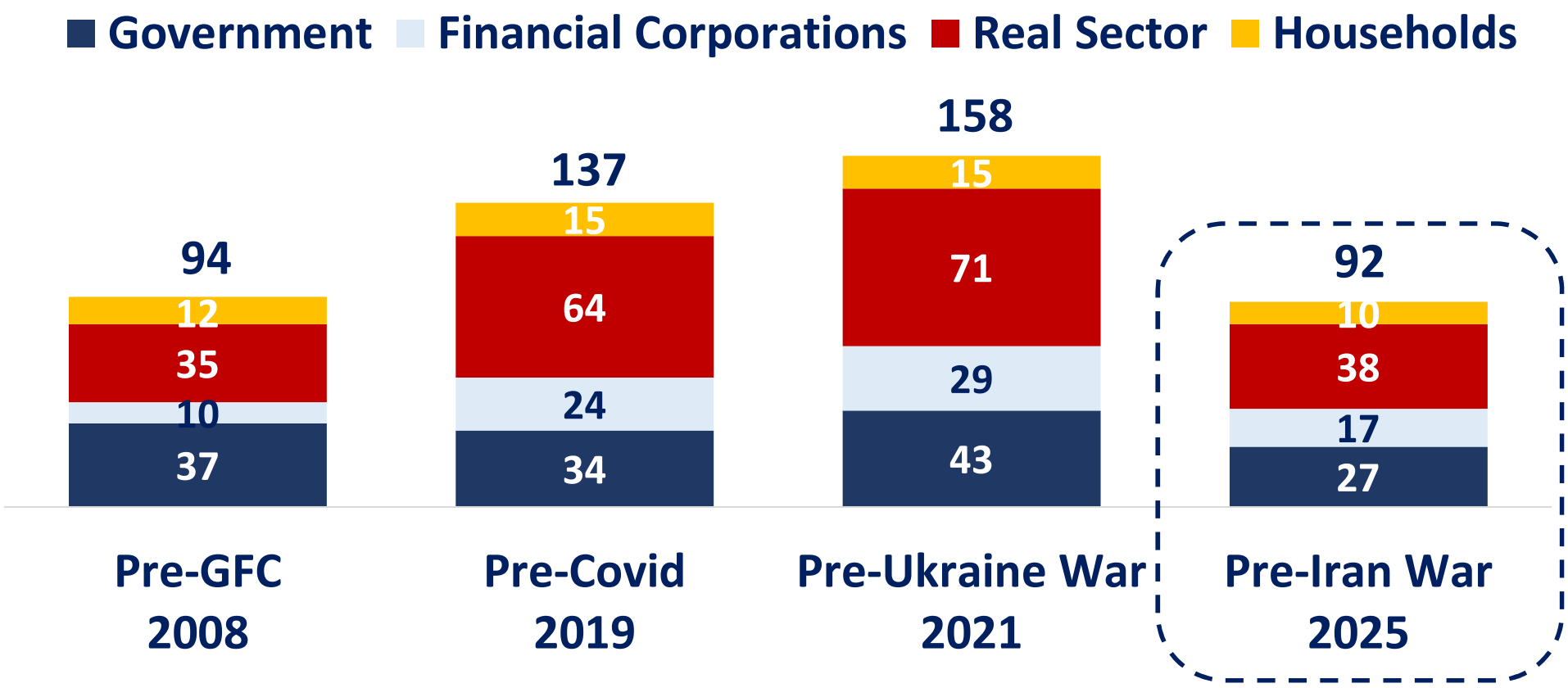
A stronger shock resilience

Change in gross public debt/GDP

	Pre-GFC 2008	Pre-Covid 2019	Pre-Ukraine War 2021	Pre-Iran War 2025
Change in real exchange rate (5 pps)	+ / - 0.7 pps	+ / - 0.8 pps	+ / - 1.2 pps	+ / - 0.6 pps
Change in TL interest rates (500 bps)	+ / - 1.4 pps	+ / - 0.8 pps	+ / - 0.8 pps	+ / - 0.6 pps
Change in GDP growth (2 pps)	+ / - 1.9 pps	+ / - 0.6 pps	+ / - 0.8 pps	+ / - 0.5 pps
Total	+ / - 4.0 pps	+ / - 2.2 pps	+ / - 2.8 pps	+ / - 1.7 pps

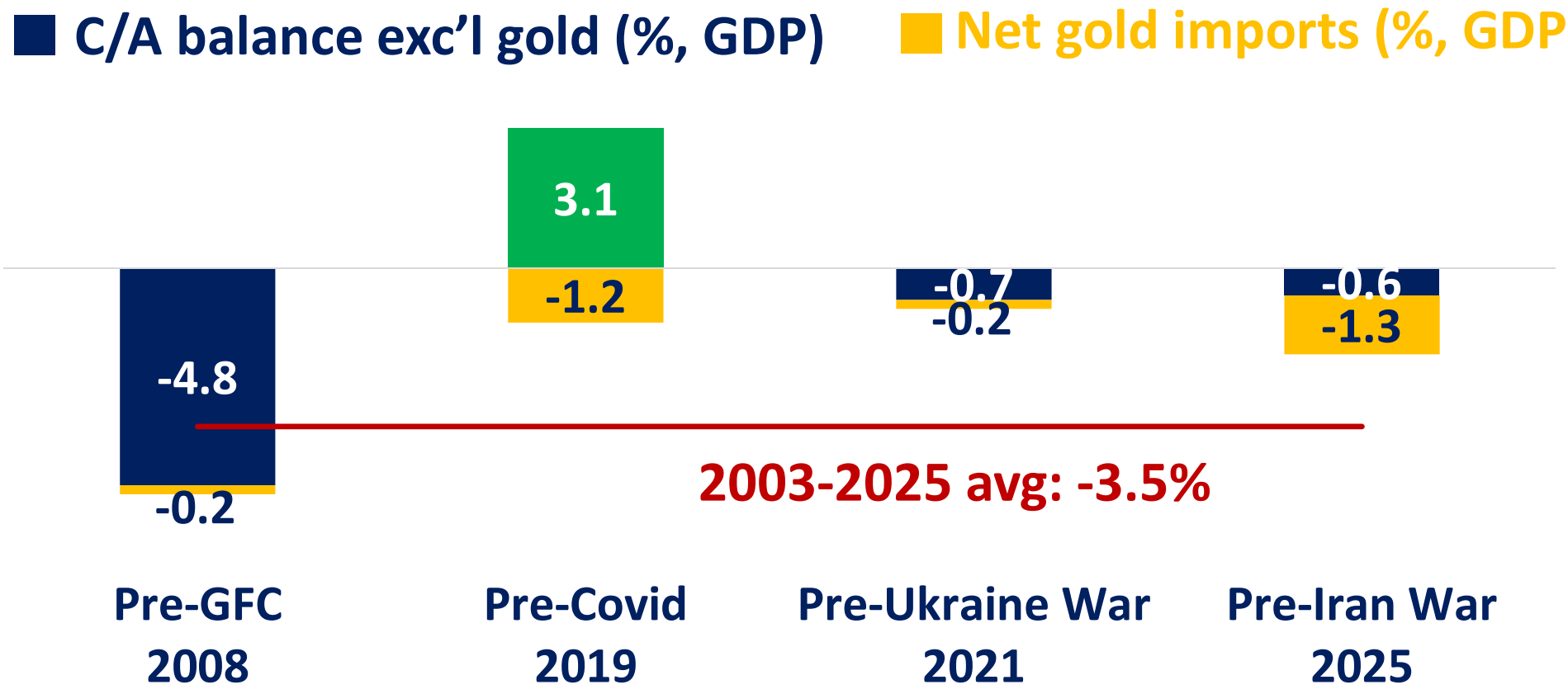
Source: MoTF

Low total indebtedness (debt/GDP, %)



Source: IIF

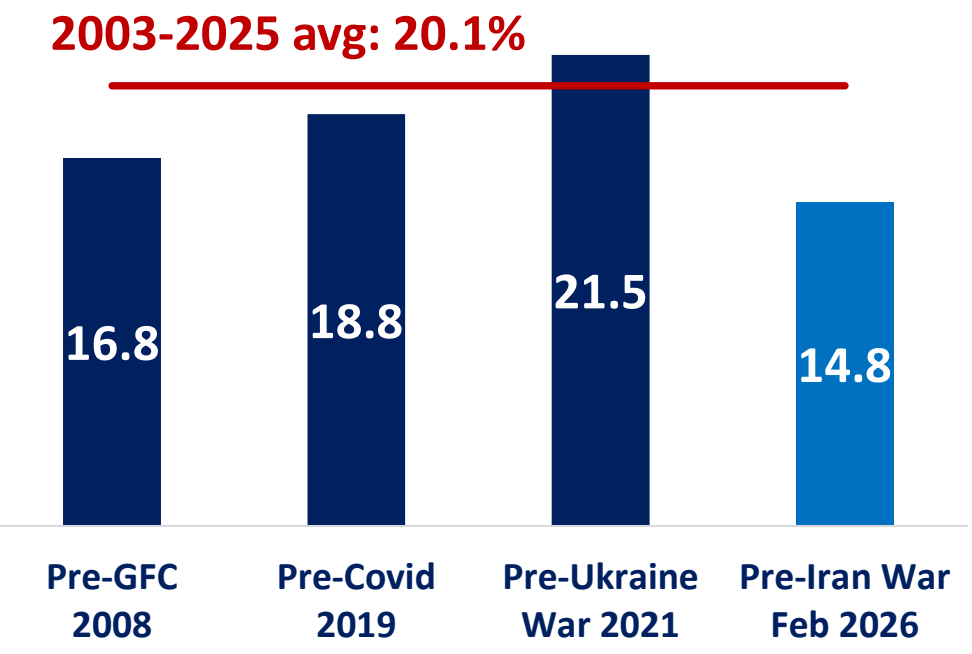
Strong buffers: Moderate C/A deficit



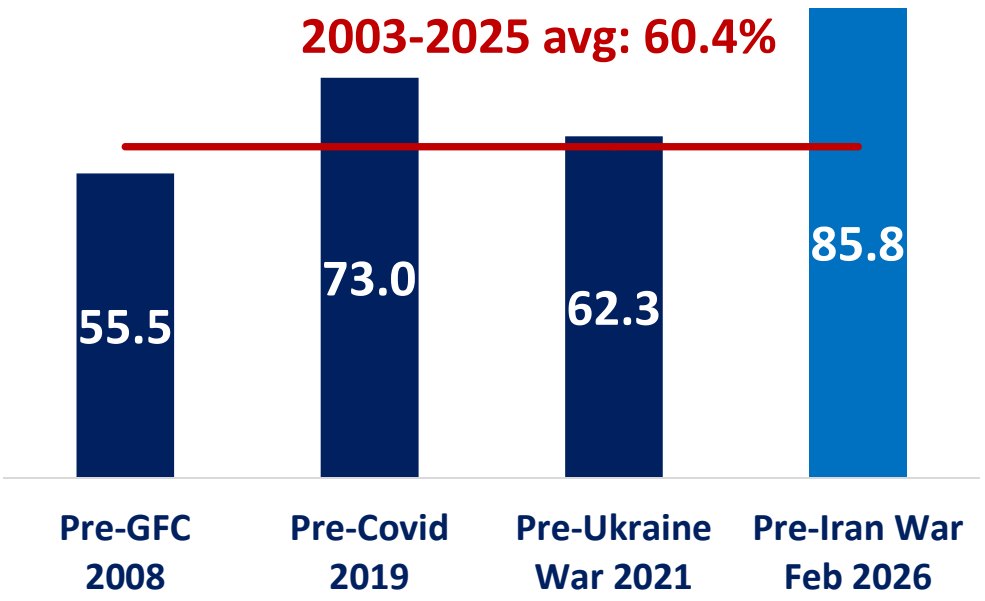
Source: MOTF, CBRT

Strong buffers: Proven track record of access to external financing even in periods of stress

Low gross external financing requirements (%, GDP)

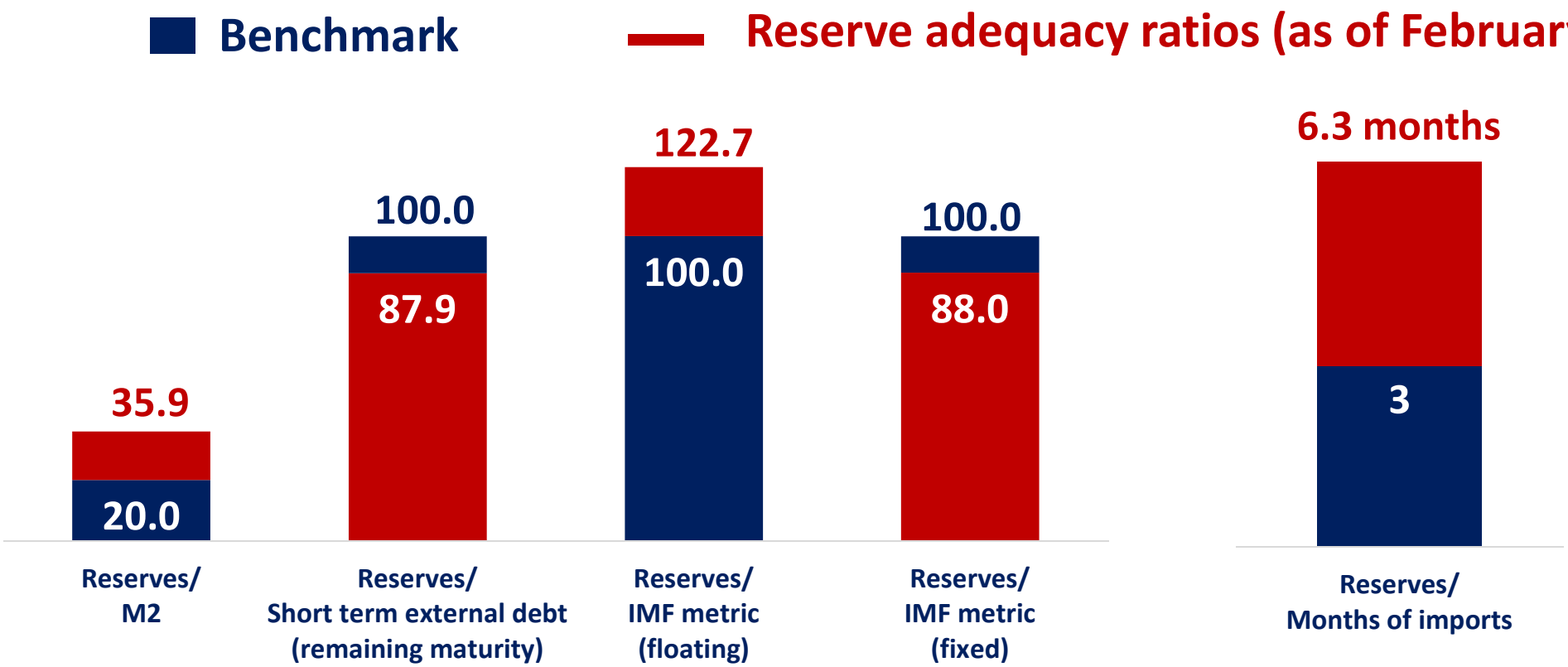


Gross reserves (%, Gross external requirements)



Source: MOTF, CBRT

Strong buffers: Adequate FX reserves

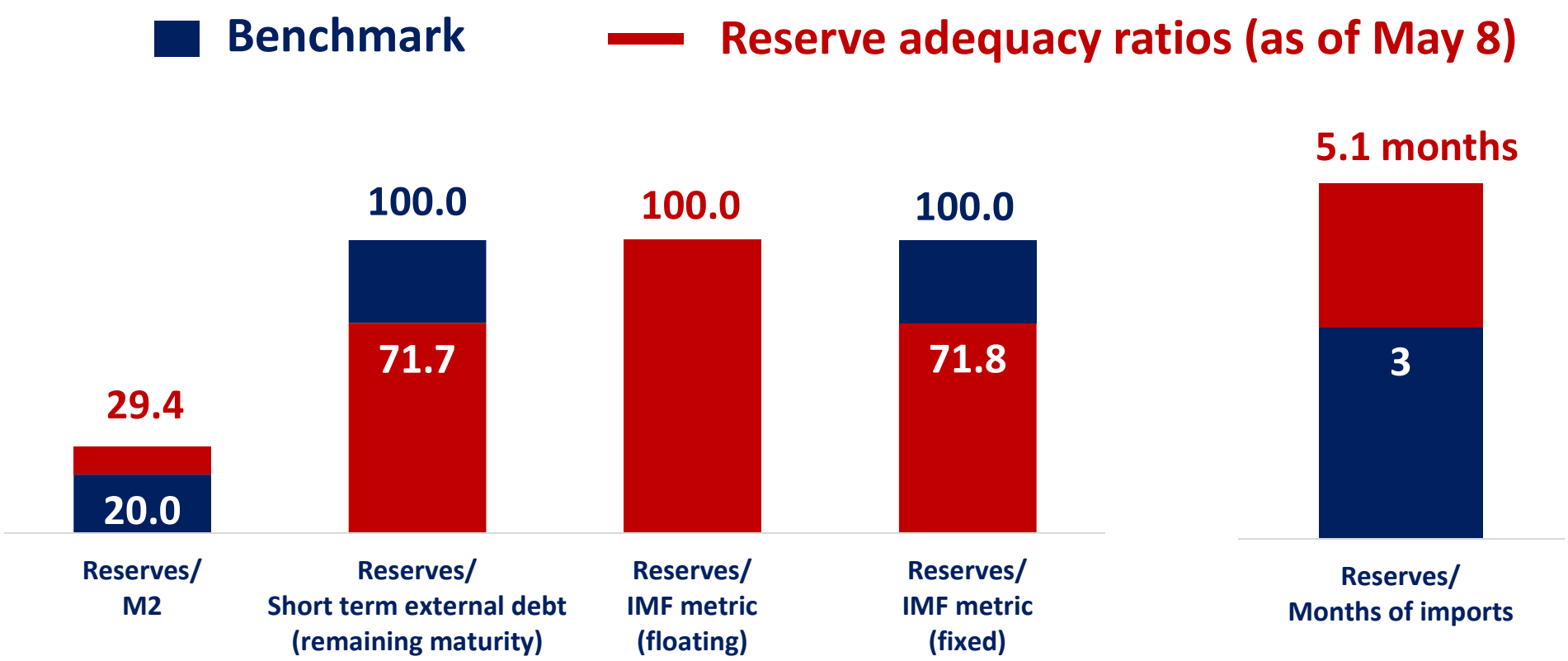


Source: CBRT, February 27, 2026

** IMF Metric Floating = 30% * Short-Term External Debt + 15% * Other Portfolio Liabilities + 5% * Monetary Indicators (M2) + 5% * Exports*

** IMF Fixed Metric = 30% * Short-Term External Debt + 20% * Other Portfolio Liabilities + 10% * Monetary Indicators (M2) + 10% * Exports*

Despite outflows, impact of the War and declining gold prices, FX reserves remain adequate across key metrics

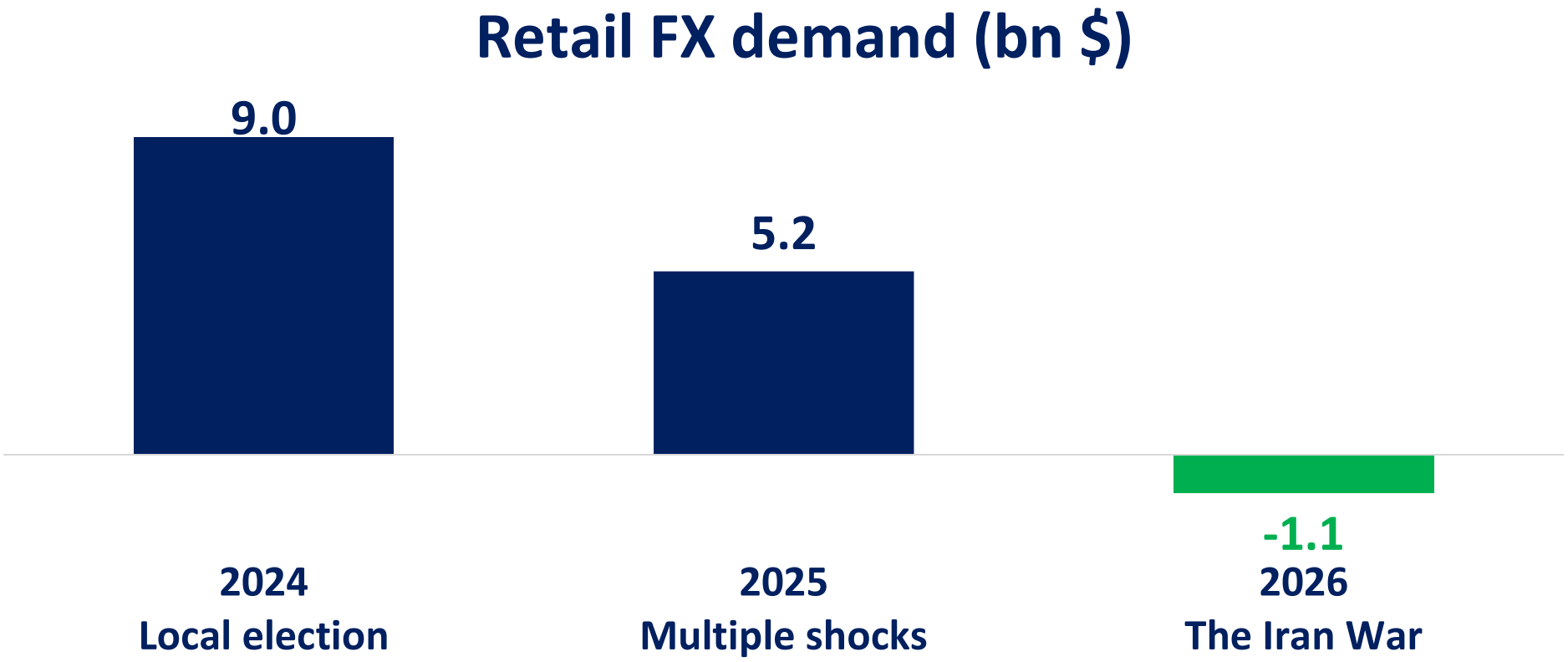


Source: CBRT, May 8, 2026

** IMF Metric Floating = 30% * Short-Term External Debt + 15% * Other Portfolio Liabilities + 5% * Monetary Indicators (M2) + 5% * Exports*

** IMF Fixed Metric = 30% * Short-Term External Debt + 20% * Other Portfolio Liabilities + 10% * Monetary Indicators (M2) + 10% * Exports*

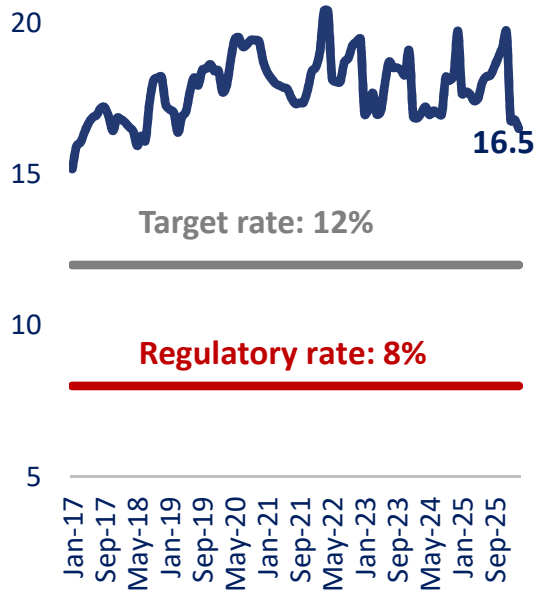
Households turned net FX suppliers during the War



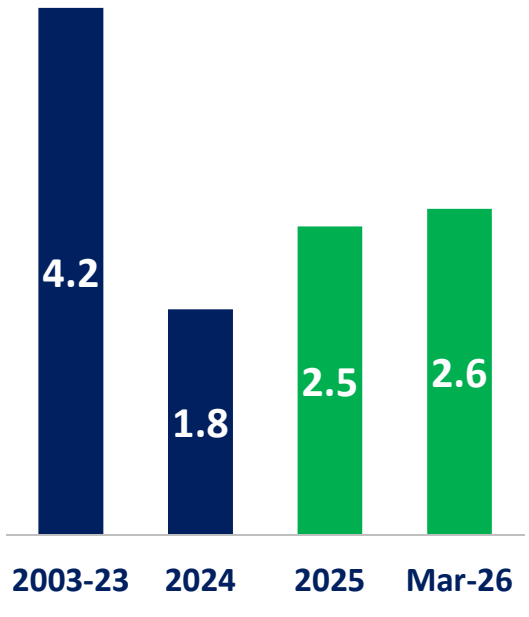
Source: CBRT, as of April 13, 2026 (Local election: 21 February-29 March 2024, Multiple shocks: 19 March-16 April 2025, Iran War: 28 February-18 May 2026

Healthy & resilient banking sector

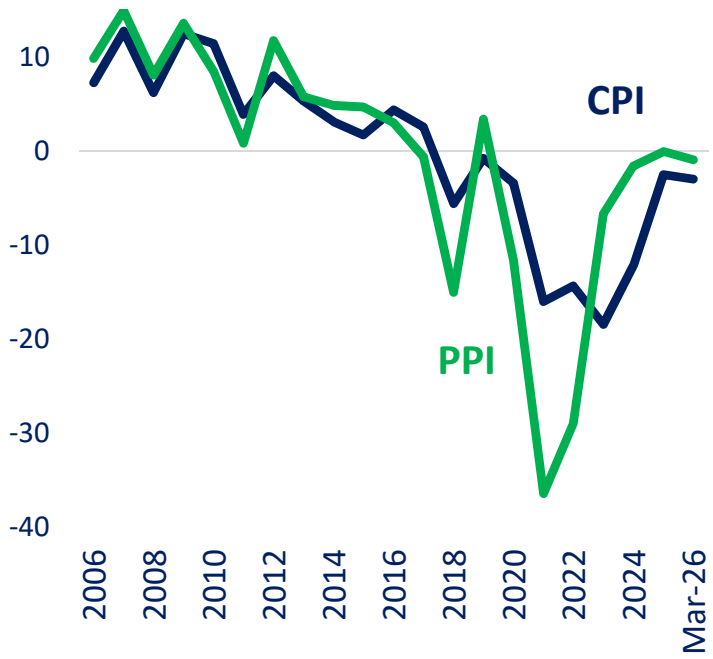
Well-capitalized
(Capital Adequacy Ratio, %)



Strong asset quality
(NPL Ratio, %)



Improving real ROE
(annual, adjusted by CPI & PPI, %)



Source: BRSA

Outlook for Macroeconomic Stabilization & Reform Program

Macroeconomic Stabilization & Reform Program

Sep'23-Sep'24

First phase

Avoiding tail risks & rebuilding buffers

- ✓ Return to rule-based market economy
- ✓ Controlling high inflation & avoiding BOP stress
- ✓ Financing earthquake spending without monetization
- ✓ Rebuilding FX reserves & reducing contingent liabilities

Sep'24-Dec'25

Second phase

Addressing imbalances

- ✓ Starting disinflation in earnest
- ✓ Restoring fiscal health
- ✓ Achieving sustainable current account balance
- ✓ Exiting FX-protected deposit scheme
- ✓ Strengthening resilience

January 2026+

Third phase

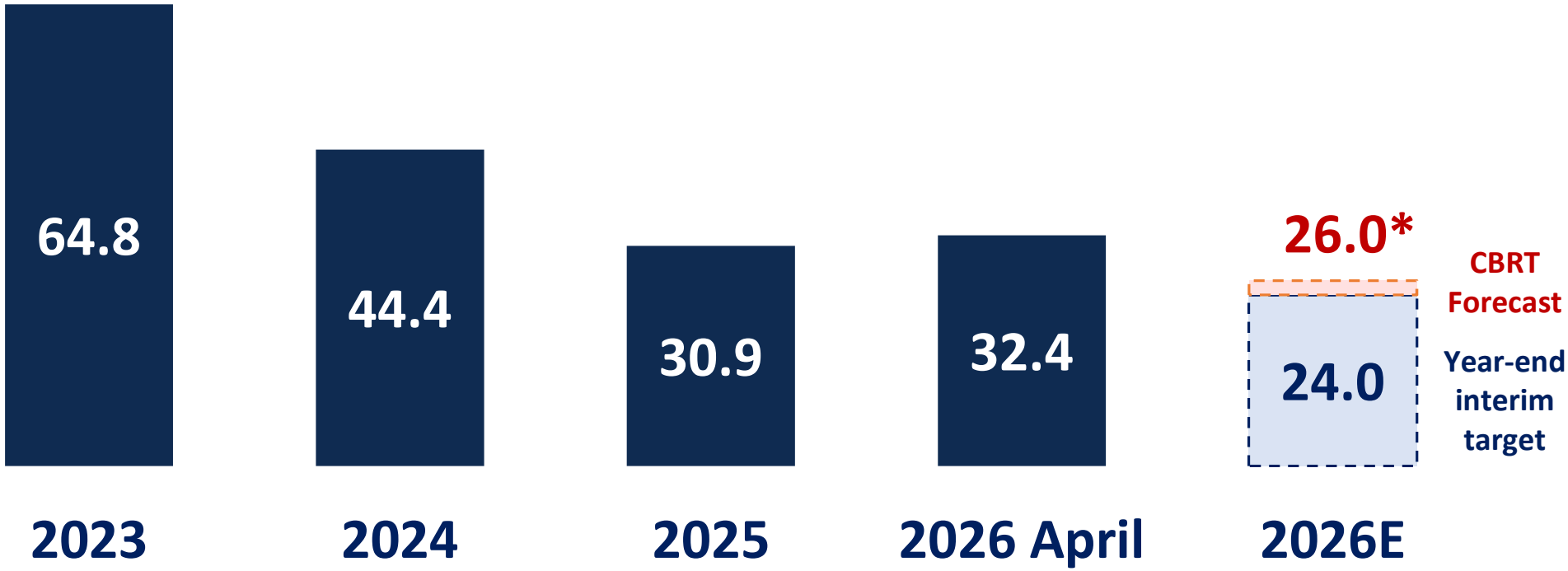
Achieving price stability & structural transformation

- ✓ Maintain credible, transparent, and forward looking policies
- ✓ Single digit inflation
- ✓ Fiscal deficit ≤ 3%
- ✓ C/A deficit ≤ 1%
- ✓ Boosting productivity & competitiveness through reforms

Drivers of sustained disinflation

- Tight monetary policy stance
- Supportive fiscal & incomes policies
- Supply side measures (housing, food, energy)
- Negative output gap
- No evidence of sustained stickiness in services inflation

Disinflation: Annual inflation (%)



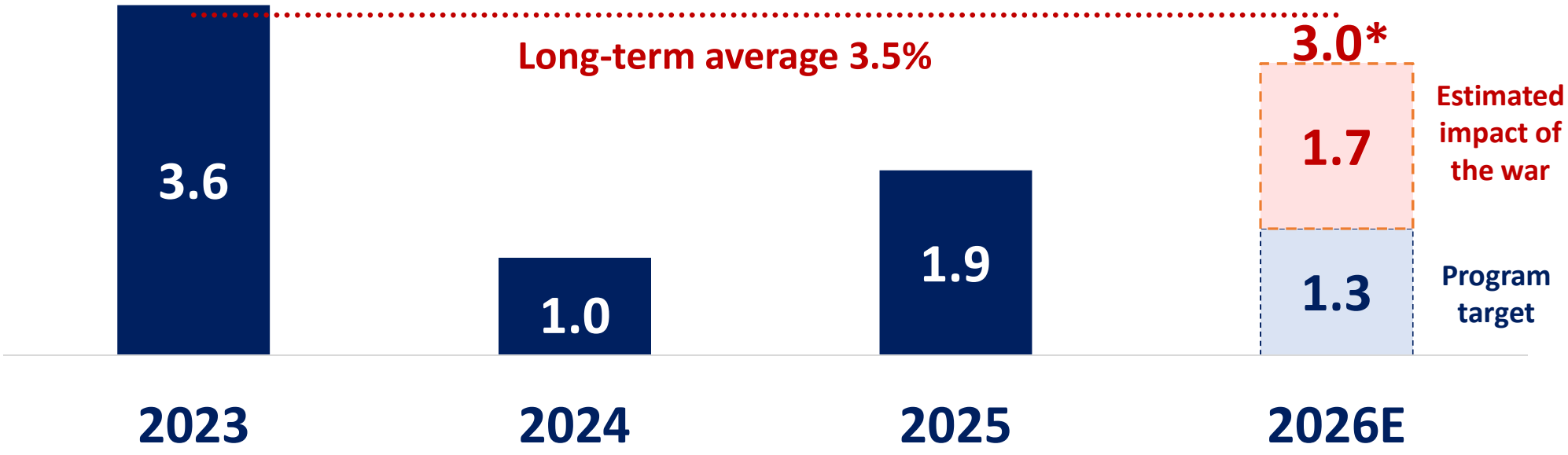
Source: TURKSTAT, CBRT; E: Estimate, ***Brent assumption: $90/bbl**

Drivers of sustainable current account balance

- Boosting domestic oil & gas output
- Accelerating green transition, reducing import dependency
- Expanding services surplus
- Moving up the value chains via industrial policy initiatives
- Investing in resilience & competitiveness

Manageable current account deficit

Current Account Deficit (GDP, %)



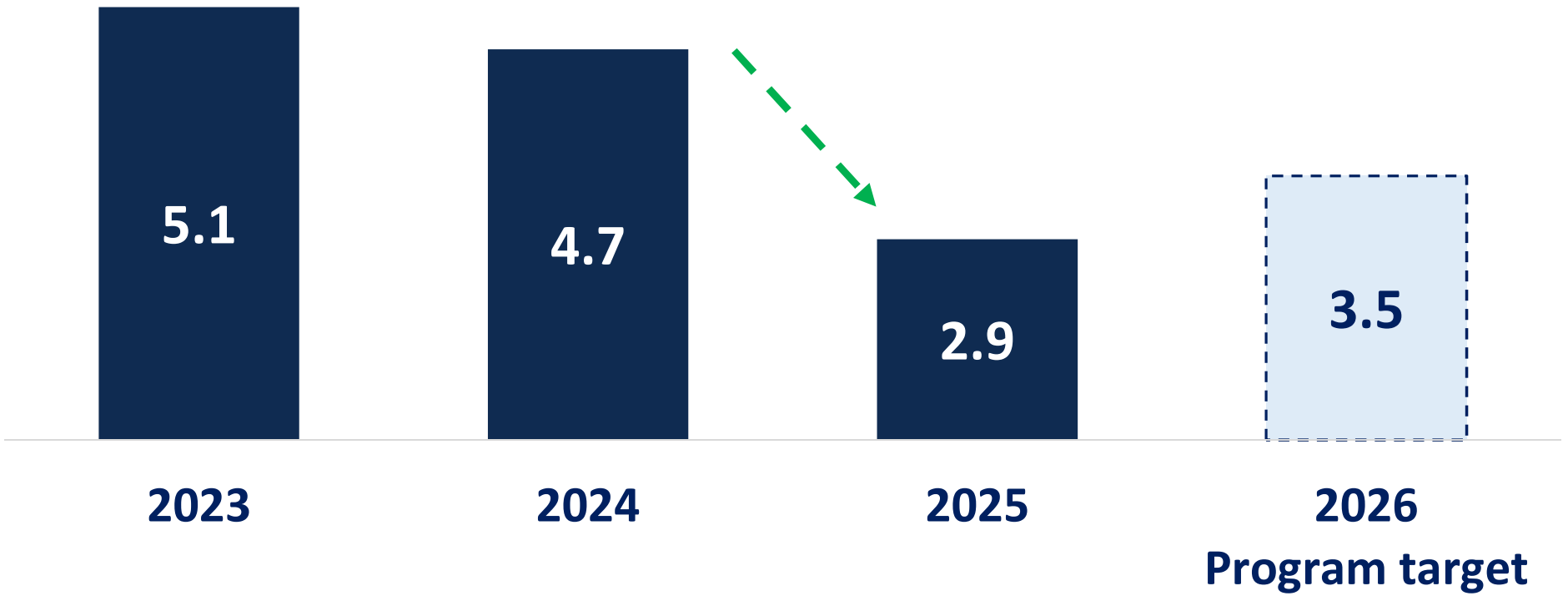
Source: CBRT, TURKSTAT; E: Estimate, **Brent assumption $95/bbl**

Fiscal discipline

- **Maintain strong spending controls**
- **Boost revenues via combatting informality**
- **Continue to reduce tax expenditures**
- **Public finance reforms**

Fiscal discipline: Budget deficit (%, GDP)

Fiscal targets remain within reach!



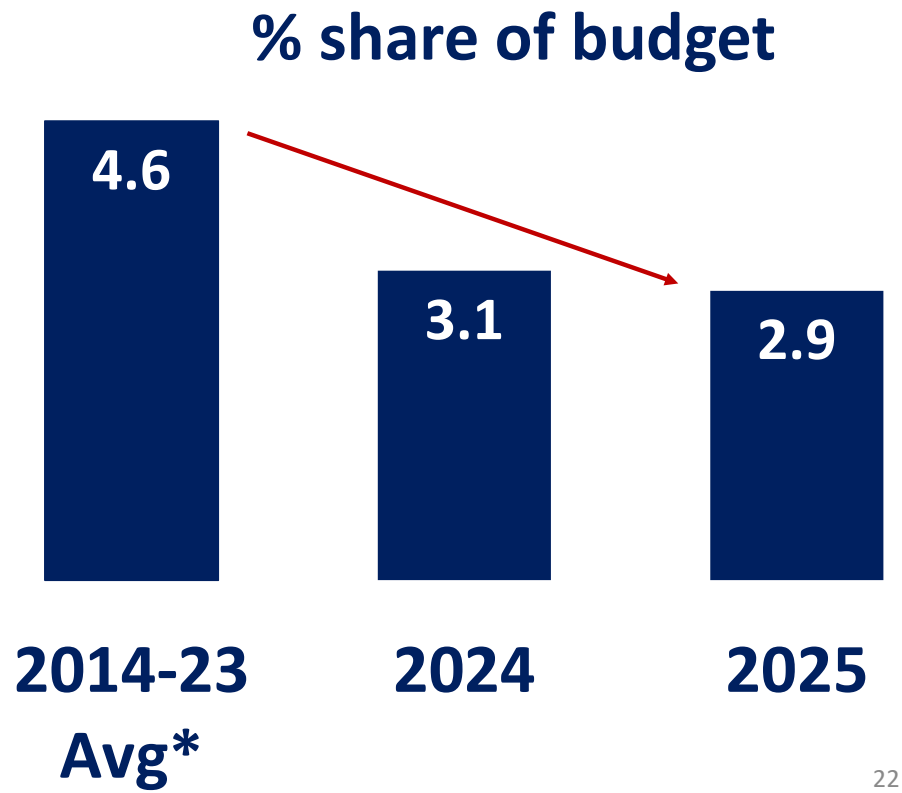
Source: Medium Term Program (2026-28), **Brent assumption $90/bbl**

Türkiye's successful DOGE scheme

Expenditures covered by the scheme

Current expenditures such as:

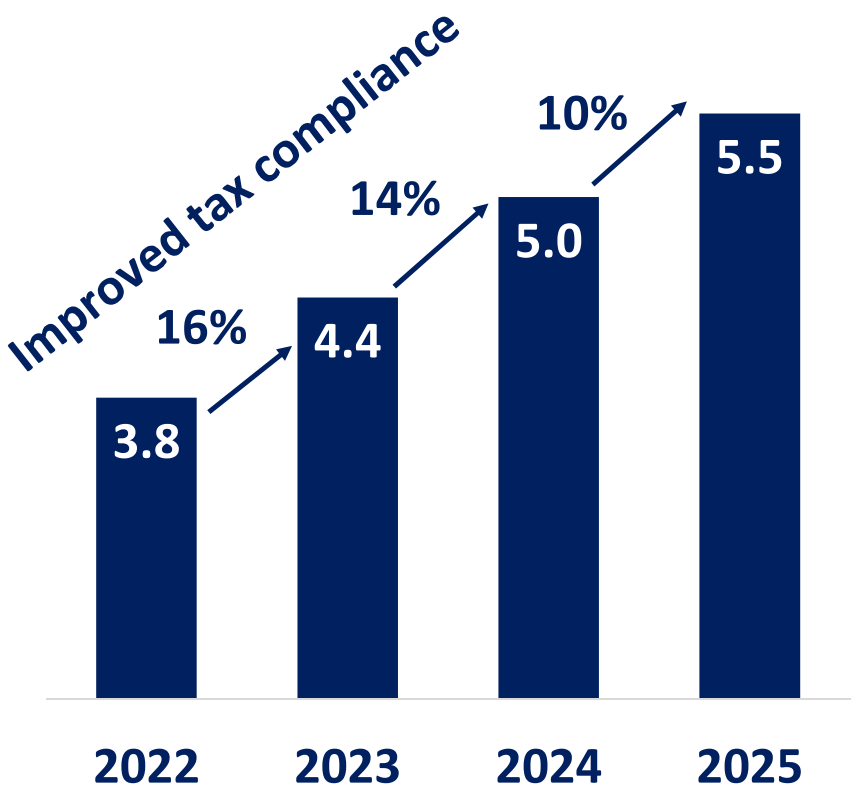
- Transportation vehicles
- New construction/ renovations
- Cost of telecom, postal services
- Utility bills
- Office supplies
- Equipment, furniture



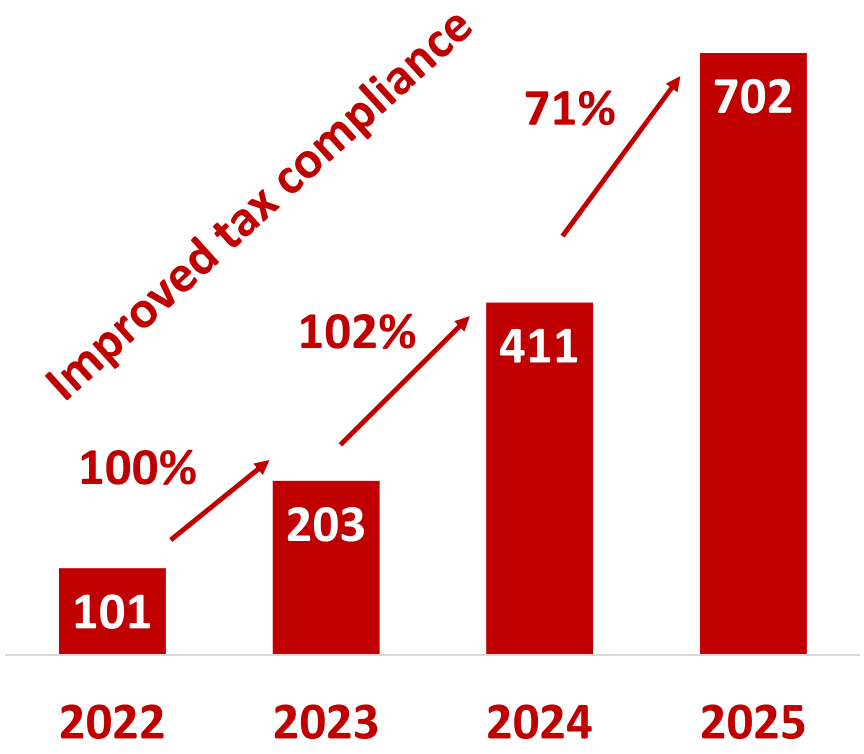
Source: MoTF, *exc'l interest and earthquake spending

Combatting the informal economy

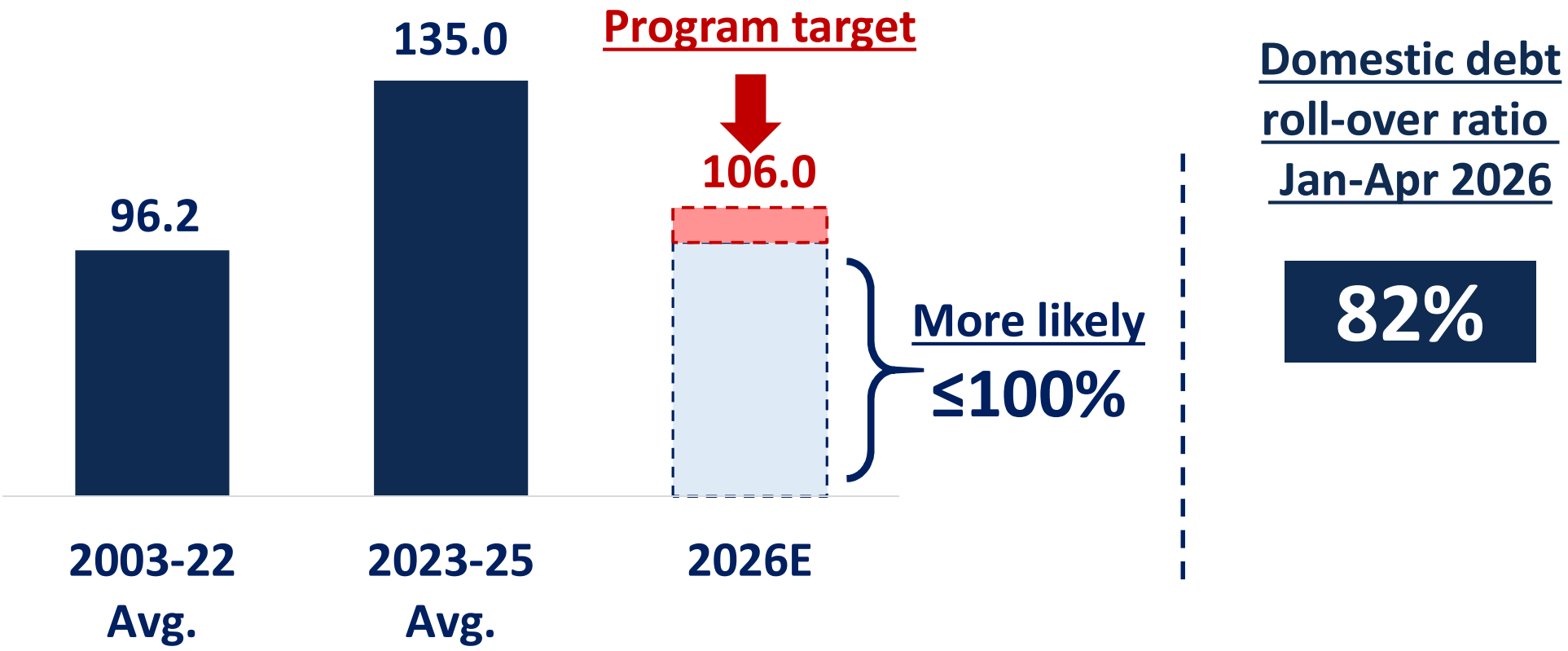
Number of personal income tax returns (million)



Increase in personal income tax revenues (bn TL)



Domestic debt roll-over ratios (%)



Domestic debt roll-over ratio Jan-Apr 2026

82%

Source: MoTF, E: Estimate

Competitive Strengths

Türkiye’s competitive strengths

- Regional integration & connectivity
- Critical energy & logistics hub
- Competitive industrial energy pricing
- Enhancing exporters’ access to finance
- Rising labor productivity
- Quality infrastructure
- A manufacturing powerhouse & major services hub

A reliable and sustainable supplier

Regional integration & connectivity



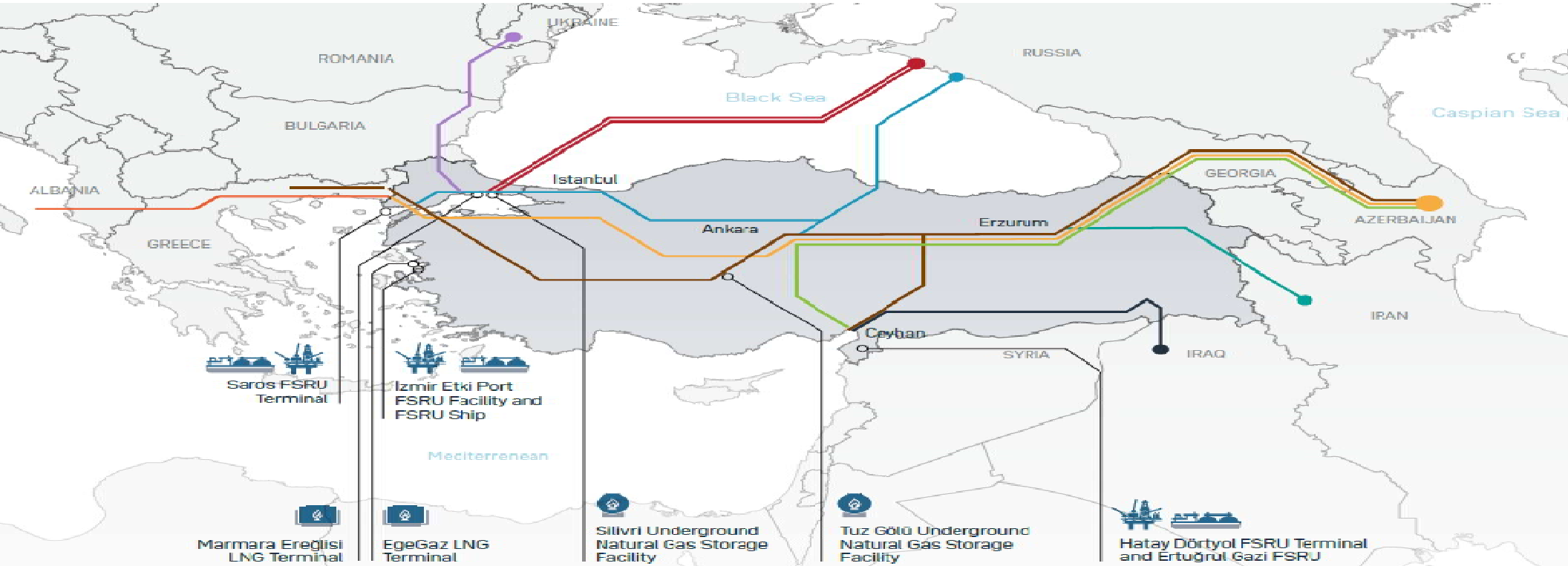
MIDDLE CORRIDOR
70 km/h, 12.500 km
18 days

DEVELOPMENT ROAD
70 km/h, 5.788 km
25 days

SOUTH CORRIDOR
13 miles/h, 11.011 miles
35 days, 7 hours

BEIJING-LONDON
Cape of Good Hope
13 miles/h, 14.327 miles
45 days, 22 hours

War reinforces Türkiye's position as a critical energy hub



West Line

Turkstream

Blue stream

Trans Anatolian Gas Pipeline

Trans Adriatic Pipeline

Bakü-Tiblisi Ceyhan Crude Oil Pipeline

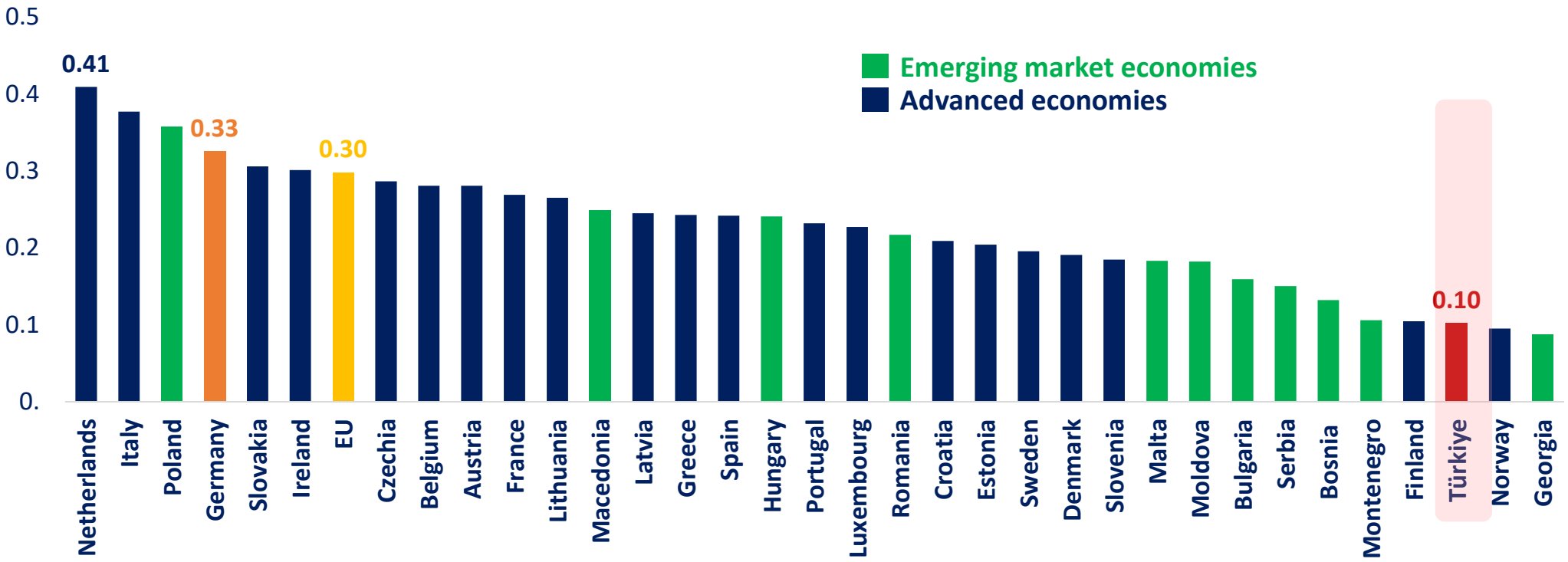
South Caucasus Pipeline

Iran-Türkiye Gas Pipeline

Iraq-Türkiye Pipeline

Competitive energy pricing for industry

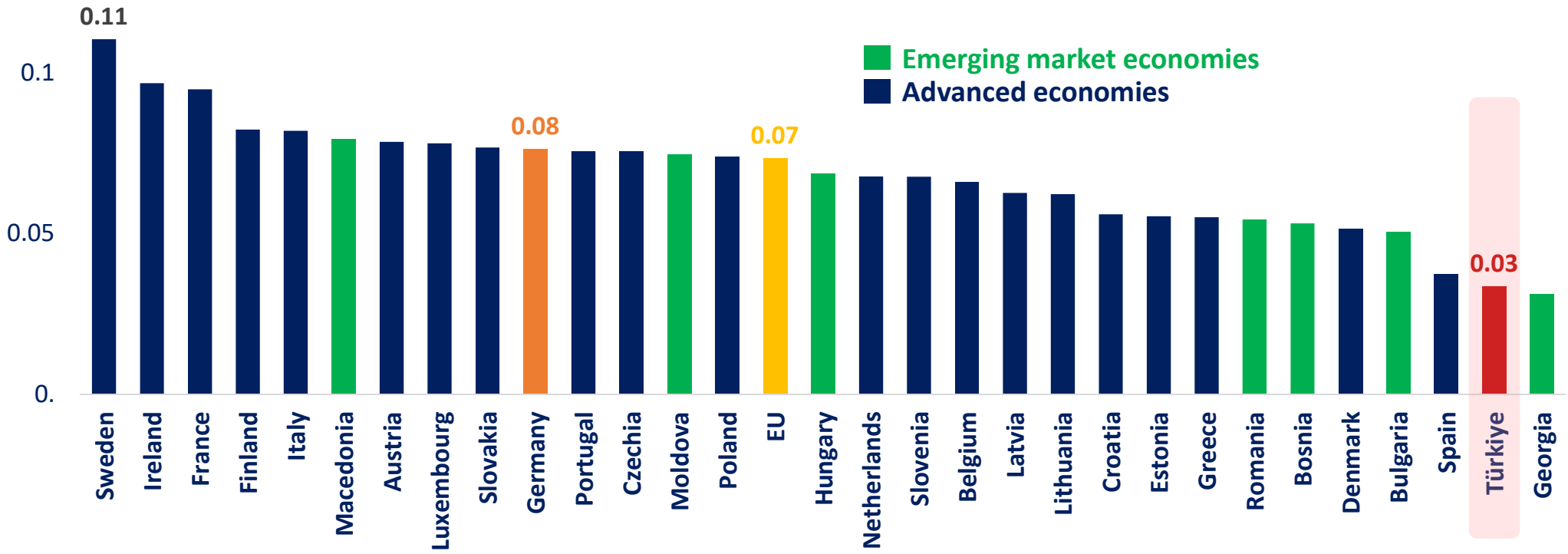
Electricity price (€/kWh)*



Source: EC, Eurostat, 2nd half of 2025, excluding tax and levies, Consumption less than 20 MWh

Competitive energy pricing for industry

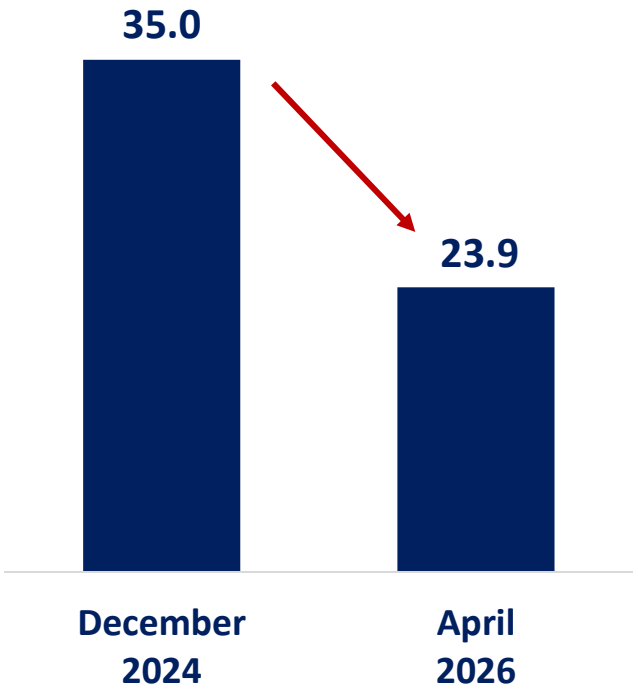
Natural gas price (€/kWh)



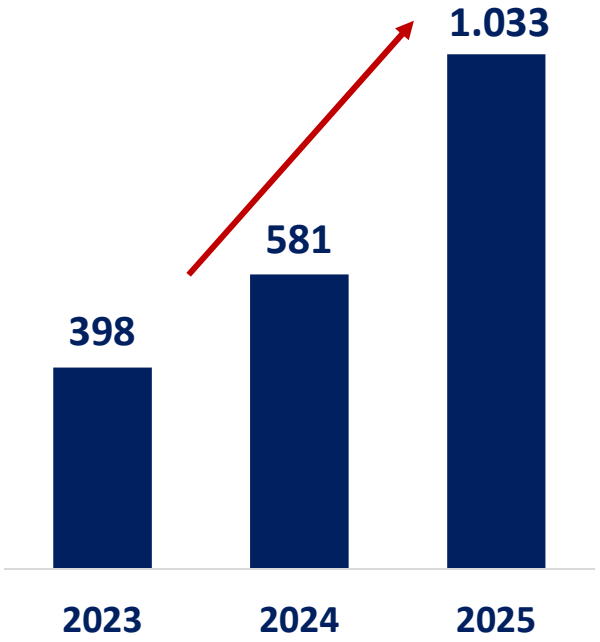
Source: EC, Eurostat, Consumption less than 1 000 GJ, 2nd half of 2025, excluding tax and levies

Enhancing exporters' access to finance

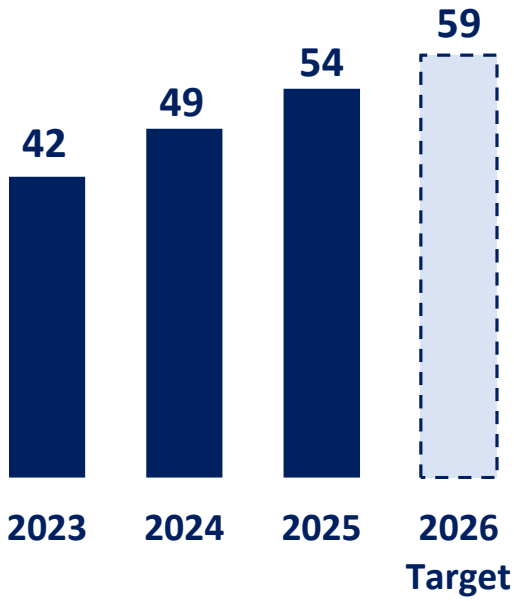
Lending rates
(%)



Lending amounts
(bn TRY)



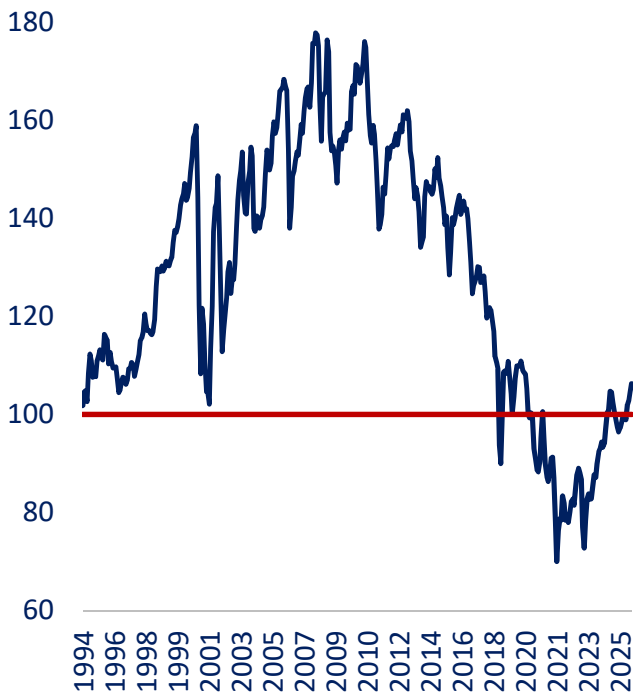
Eximbank loans
(bn $)



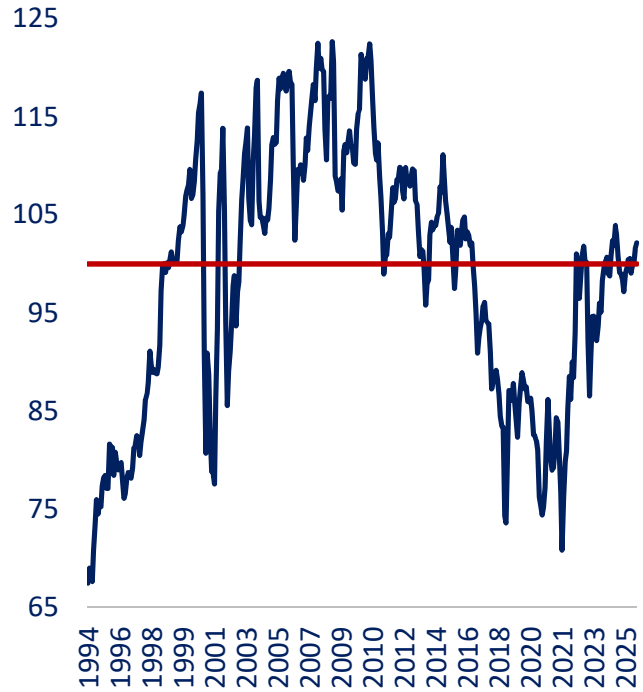
Source: CBRT

Real effective exchange rates

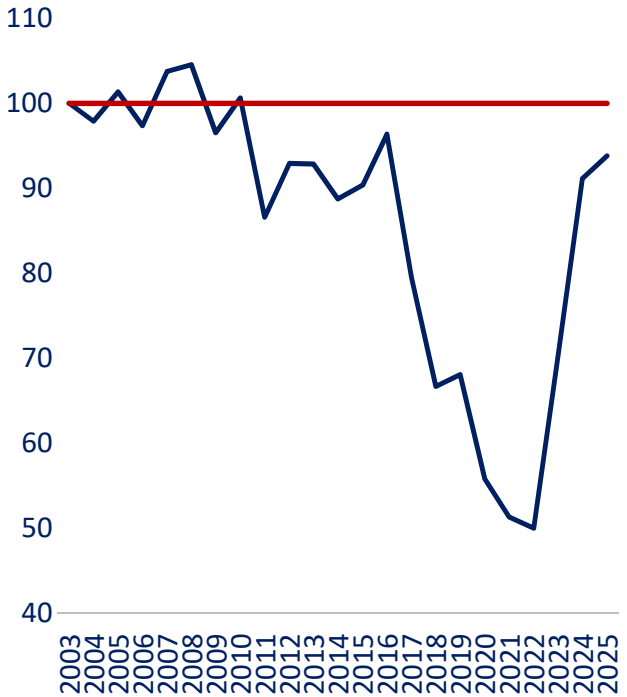
CPI based



PPI based



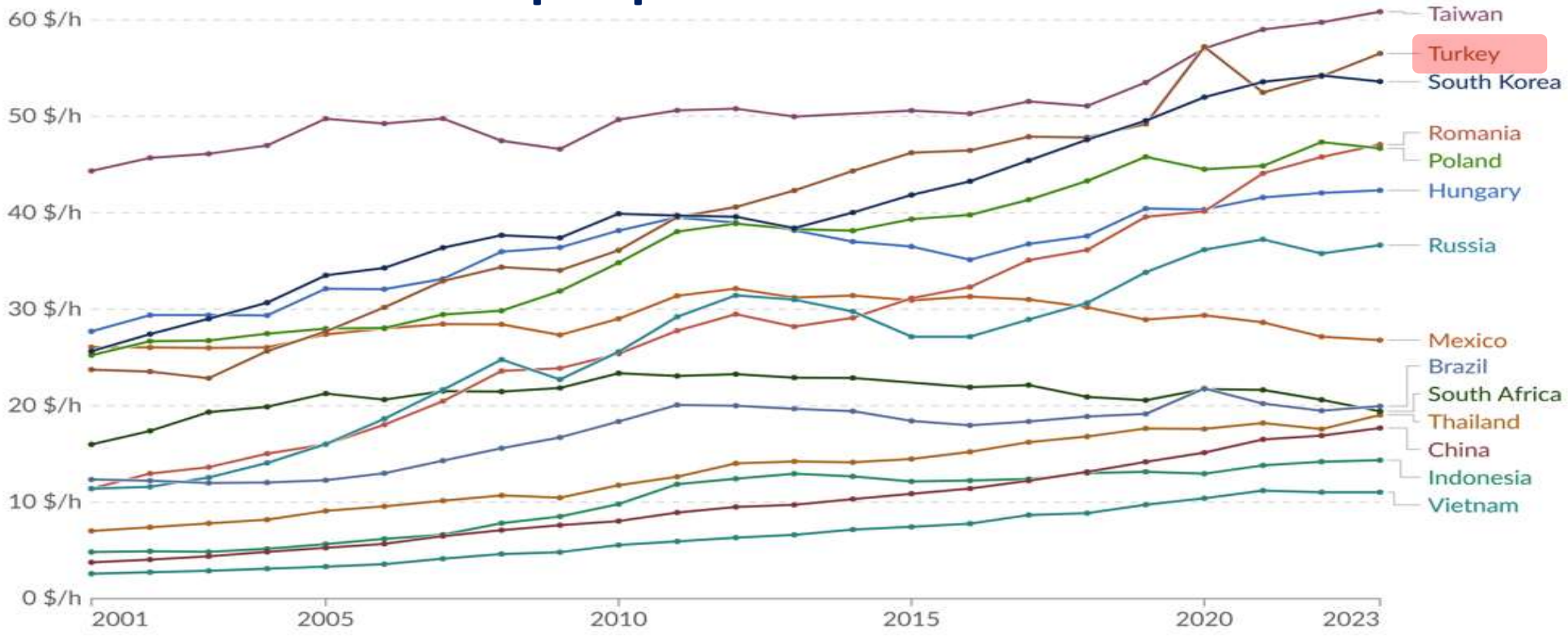
Unit Labor Cost



(*) As of April 2026; 2003=100, Source: CBRT

Labor productivity

Output per hour worked



Source: Our World Feenstra et al. - Penn World Table (2025)

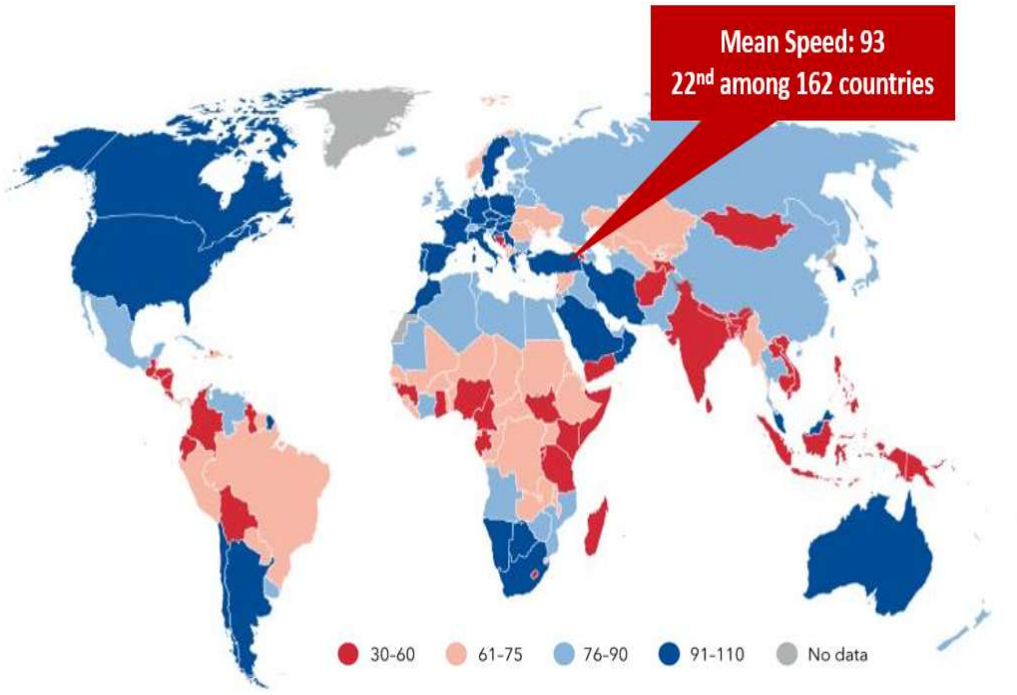
Quality infrastructure

$355 bn invested in infrastructure over the last 20 years

The world's best-connected airports

1. İstanbul
2. Frankfurt
3. Paris Charles de Gaulle
4. Amsterdam Schipol
5. Chicago O'Hare

The world's fastest roads (mean speed km/h)



Source: Cirium, IMF

Never waste a crisis

"Only a crisis -actual or perceived- produces real change*"

***Milton Friedman**

Never waste a crisis: Reform agenda

- ✓ Industrial transformation (moving up the value chain)
- ✓ Speeding up green transition & digital transformation
- ✓ Prioritizing investments in productive infrastructure (railways)
- ✓ Post war opportunities & the New Investment Framework

Industrial policy initiatives: Moving up the value chain

HIT-30

8 areas, 30+ priority investments, $30 bn

Active investment calls

- ✓ Wind
- ✓ EVs
- ✓ Battery
- ✓ Semi-conductors

New investment calls

- ✓ Data center
- ✓ AI
- ✓ Quantum
- ✓ Industrial robot

Preferential Credit Policy

- Supporting investments in 284 medium-high and high tech products*
- TRY 500bn loan package
- 2Y grace, 10Y maturity, at 1/3 market interest rate

Source: Ministry of Industry and Technology, for more information, visit: https://hit30.sanayi.gov.tr/, *For the full list of products, see: https://yatirimkredisi.sanayi.gov.tr/Home/ProductTechAreaList

Green transition: Not a choice but a necessity

Total energy imports, 2003-2026*

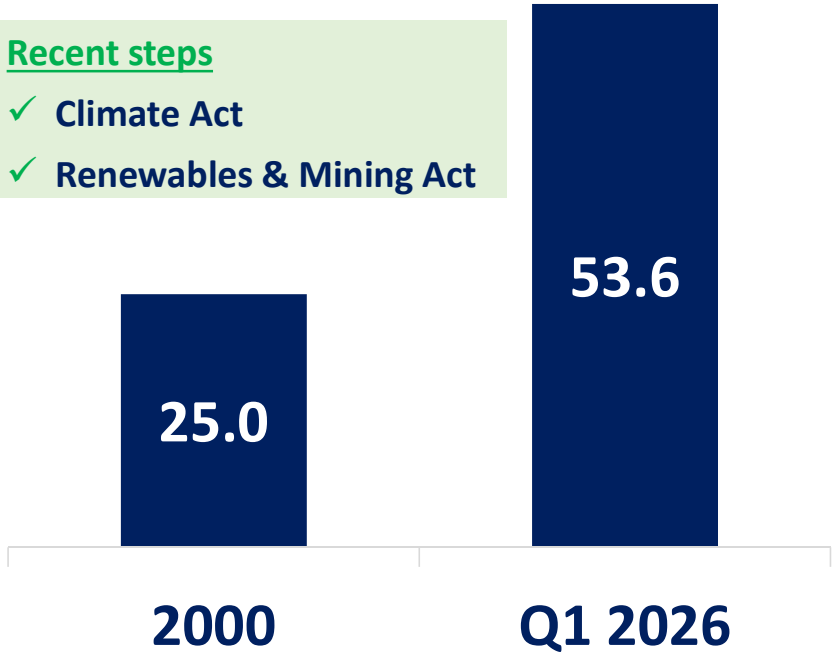
Nearly
$1.1 trillion

1.6x
Total C/A deficit

2x
Total external debt

Share of renewables in electricity production (%)

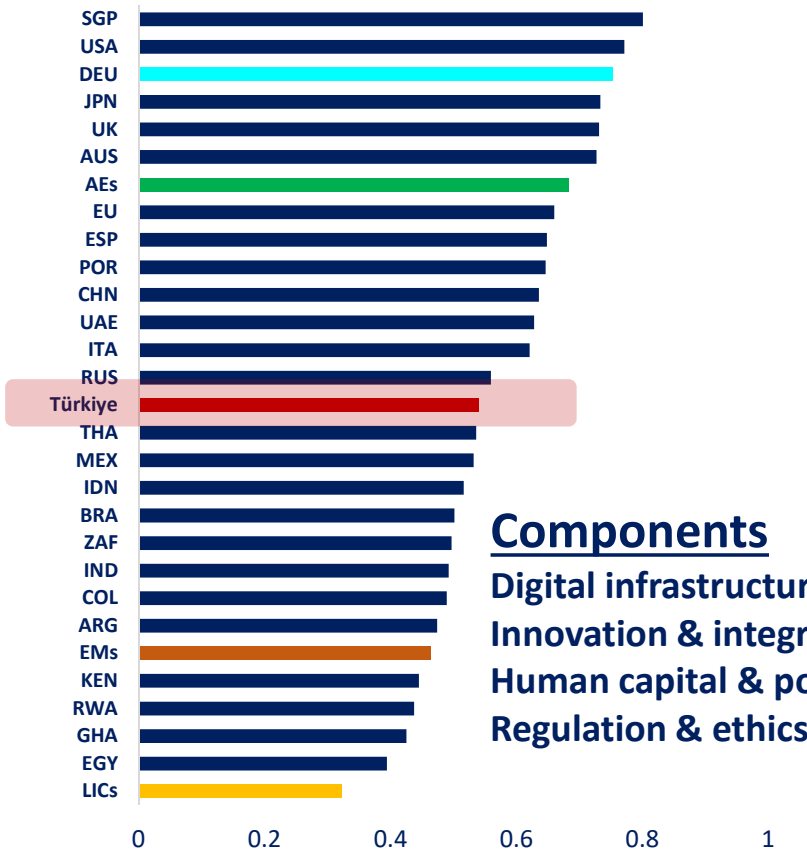
Recent steps
- ✓ Climate Act
- ✓ Renewables & Mining Act



(*) Including 2026 estimates of deficit
Source: TURKSTAT, Ministry of Energy and Natural Resources

Digital transformation: Türkiye's roadmap

IMF AI Preparedness Index



Components

- Digital infrastructure
- Innovation & integration
- Human capital & policies
- Regulation & ethics

- **Investing in 5G+**
- **Expanding fiber capacity**
- **Hyperscaler data centers**
- **Investing in nuclear power plants**
- **Incentivizing apps using LLM models**

Connecting manufacturing hubs to ports via railways



EXISTING
287 lines
446 km

UNDER CONSTRUCTION
9 lines
151 km

READY TO BE BUILT
10 lines
82 km

PLANNED
17 lines
189 km

Post war opportunities

Lower oil prices?

- Macro relief -

Defense industry

- Rapid scale-up -

Reconstruction

- Multi-year demand cycle -

Supply chain reconfiguration

- Strong inflow momentum -

New energy & trade corridor

- Corridor of growth -

Soft power as a strategic asset

- Int'l aid, TV series, broad mediation footprint -

Türkiye's rising geopolitical weight

- Anchored to the West with strong ties to the East
- Avoiding conflicts, building a real mediation capacity
  - Armenia-Azerbaijan, Russia-Ukraine, Iran-US, Israel-Gaza, African horn
- Strong deterrence
  - The second largest army in NATO
  - Ranking 9th in Global Firepower Index

Hosting NATO & COP31 & Turkic States Summits in 2026

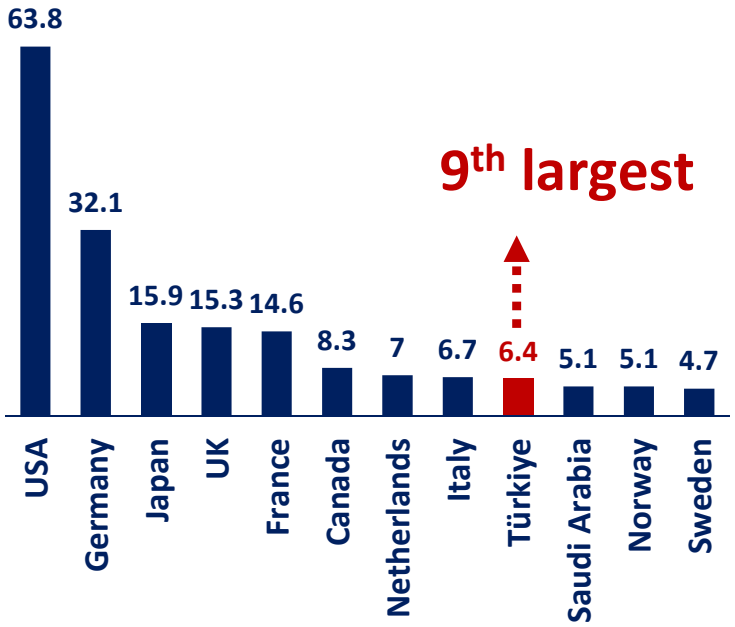
Significance of PKK disbanding & disarming itself

- **Huge economic dividends**
- **Enhanced prospects for regional stability & integration**
- **The southeast & eastern regions will be new engines of growth**

Türkiye as an emerging soft power

Official Development Assistance

(2024, $ bn, constant 2023 prices*)



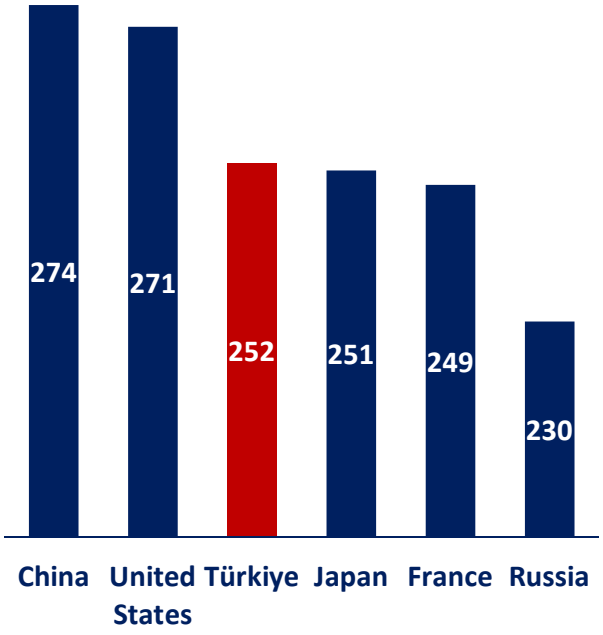
Turkish Airlines

With 356 destinations in 132 countries, Turkish Airlines runs the largest international network globally



Diplomatic Missions

(number of total posts)



Source: OECD (2025, https://www.oecd.org/en/topics/development-co-operation.html), EUISS, Turkish Airlines

Türkiye’s new investment framework

Three strategic initiatives



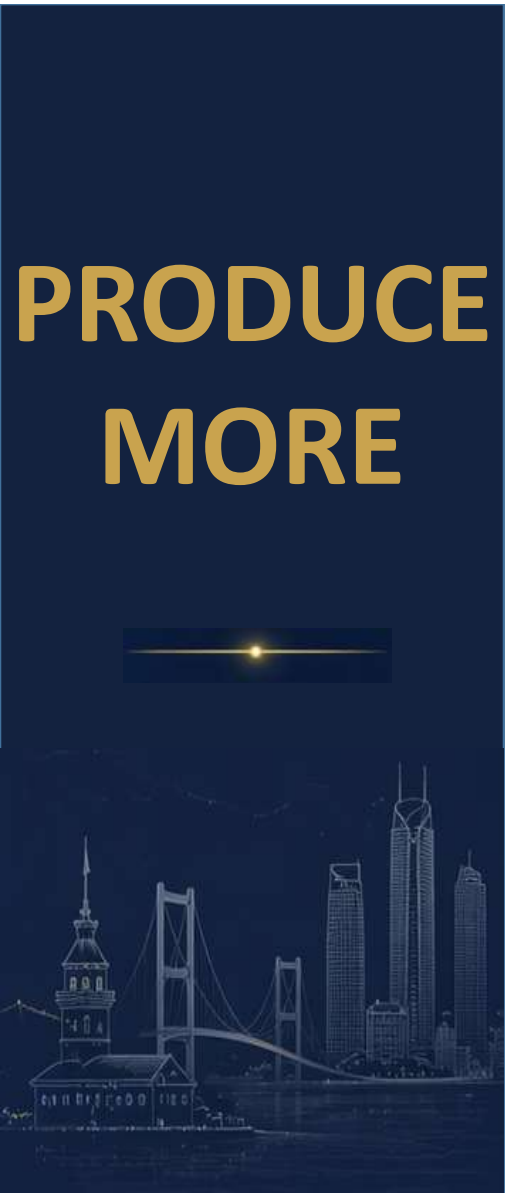
PRODUCE/ EXPORT MORE



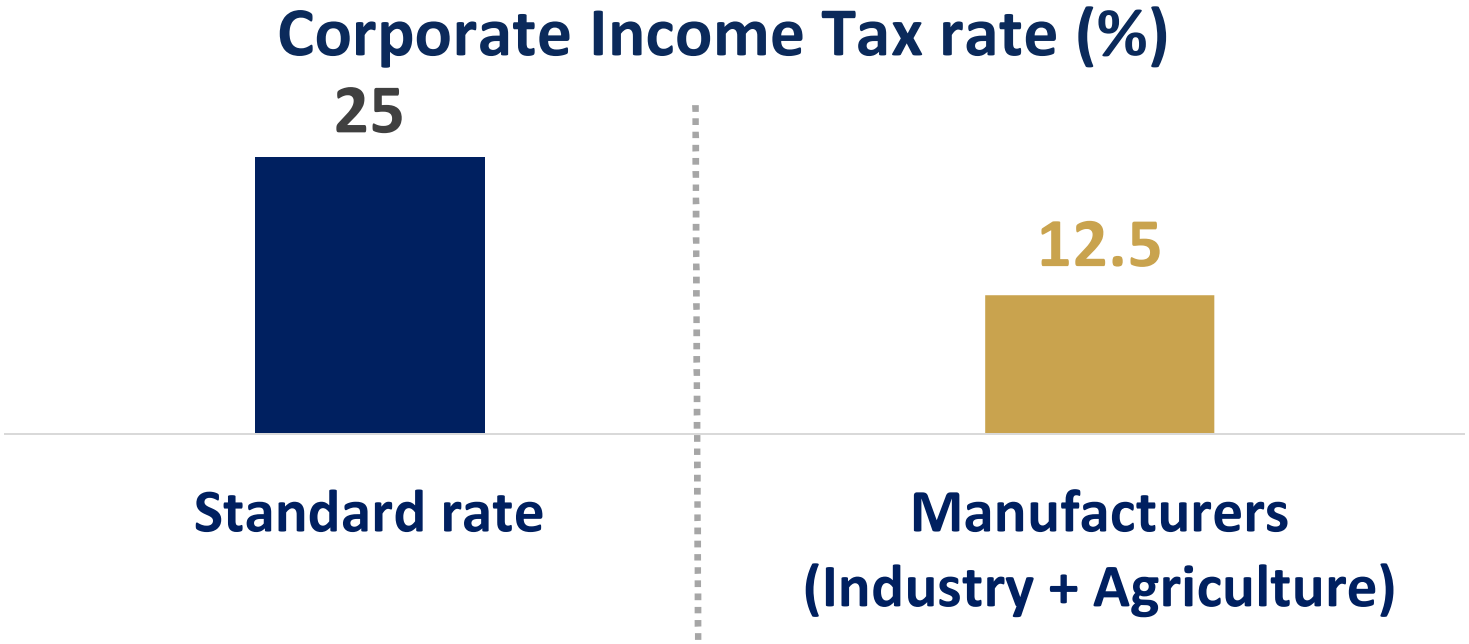
ATTRACT MORE



REGIONAL CORE

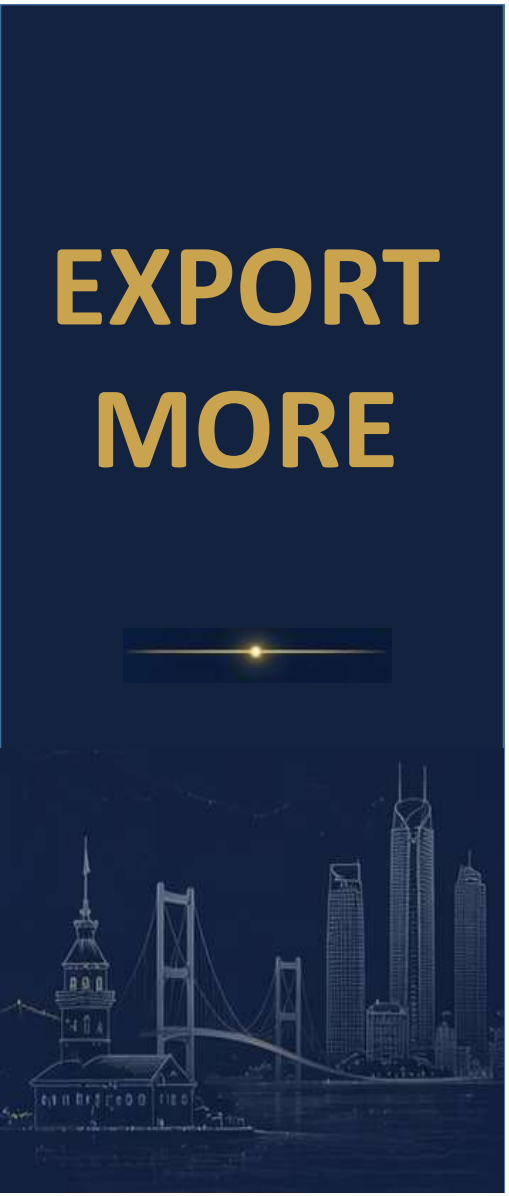


12.5% CIT for manufacturers



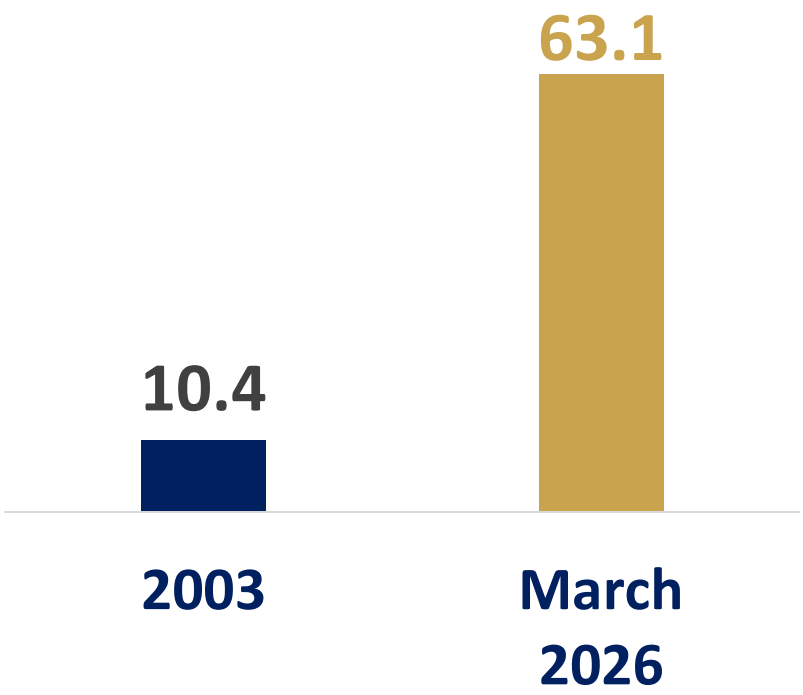
A targeted incentive to

- ✓ ***make Turkish manufacturers more competitive***
- ✓ ***attract FDI***



100% tax exemption on services exports

Services surplus (annual, bn $)



- ✓ **Targets high-value services exports** (i.e software, video gaming, medical tourism, education, engineering, design, and more)
- ✓ **Captures resilient global trade flows, services over goods**

GLOBAL TÜRKİYE

TRADE MORE

Zero corporate income tax on transit trade

İstanbul Financial Center



100% tax exemption

Outside the IFC



95% tax exemption

Aligning Türkiye with Singapore, Hong-Kong and the Netherlands as a competitive merchanting jurisdiction

ATTRACT MORE



*Also includes Shared Services Centers

A regional headquarters regime for multinationals

✓ **Corporate tax exemption for 20 years**

İstanbul Financial Centre



100%

Outside the IFC



95%

✓ **Income tax exemption:** Zero tax up to **4x** or **6x (IFC)** the minimum wage (between $3000-$4500)

✓ **Eligible activities:** Management, strategy, advisory, audit, supply-chain, HR

✓ **Eligibility criteria:** ≥80% of revenue must come from abroad

Placing Türkiye in the same league as Singapore

SIMPLIFYING INVESTMENT PROCESSES



One stop-shop

- ✓ **Transform Presidential Investment and Finance Office one-stop shop for investors**
- ✓ ***Reducing bureaucracy***
- ✓ ***Introducing VIP services for investors***

- **Company formation**
- **Work & residence permits**
- **Tax & social security**
- **Land allocation**
- **Investment incentives**
- **Environmental approvals**

ATTRACT MORE



A 20-year non-dom window

- **20 years:** Zero tax on foreign-source income for new residents
- **Local income:** Only Turkish-source earnings are taxed
- **1% inheritance tax**
- **Eligibility:** No Turkish tax residency in the prior 3 years



The world's longest non-dom window (Italy & Greece 15 years), designed for entrepreneurs and high net worth individuals

ATTRACT MORE



A new hub for start-ups

Digital company regime: Incorporate, operate and govern, all online

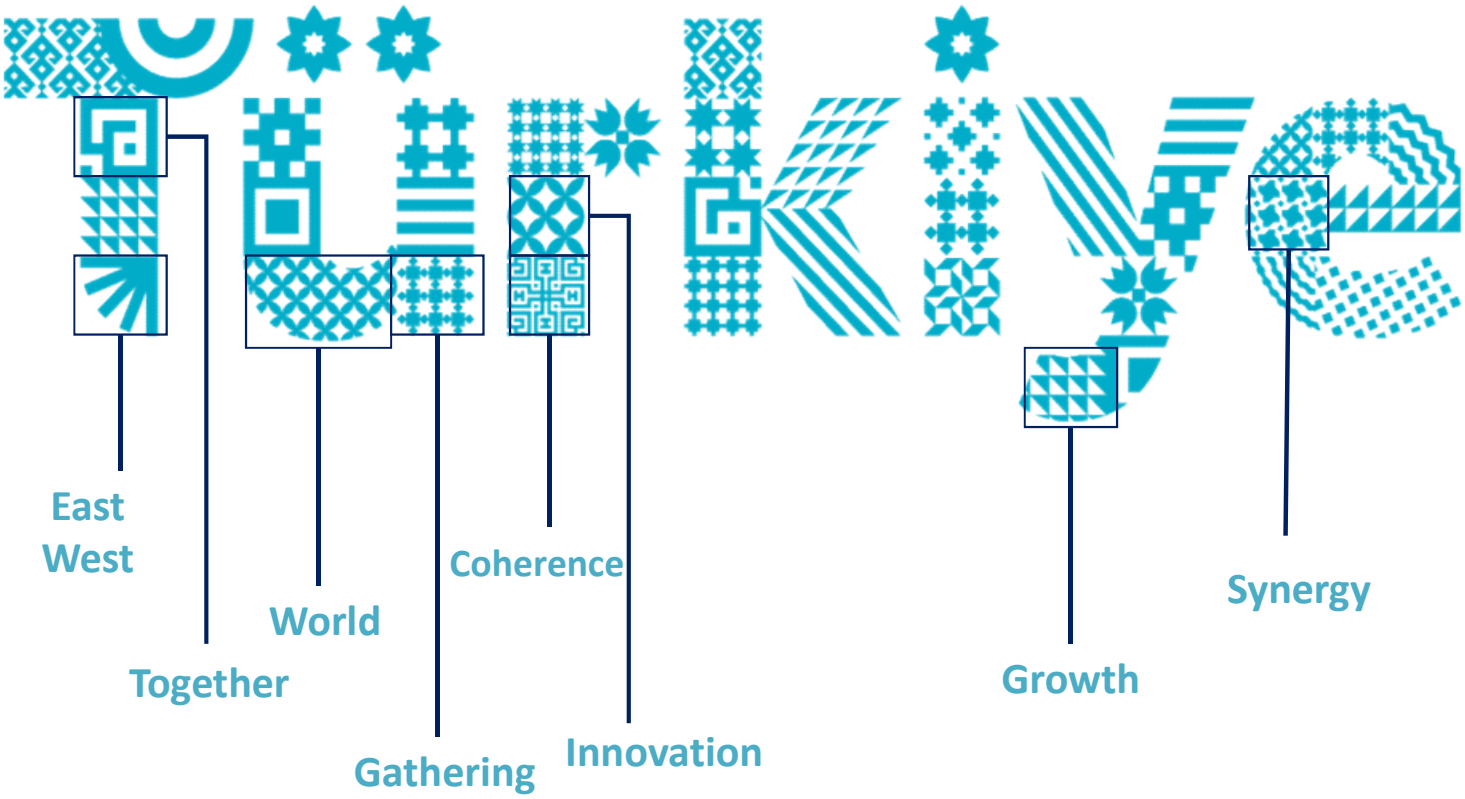
Employee Stock Option Plans (ESOPs): Tax-efficient employee equity

VC-friendly funding tools (streamlined convertibles)

Terminal İstanbul: The flagship start-up campus (Atatürk Airport)



Built for entrepreneurs, built for capital, built for talent


East
West
Together
World
Gathering
Coherence
Innovation
Growth
Synergy

THANK YOU