PRESS RELEASE

REVIEW REPORT on TÜRKİYE'S SOVEREIGN CREDIT RATING
(Third Review)

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RATING ASSESSMENT, COMMENTARY and ACTIONS
(Third Review)

WR World Rating has affirmed Türkiye's sovereign credit rating at "BB/Stable"

I- Overview

The renewed escalation of the conflict between the United States and Iran continues to sustain the persistence and negative impact of risks on emerging markets, particularly on the outlook of Middle Eastern and Turkish financial markets. Although Türkiye remains neutral in the prolonged conflict between the U.S. and Iran, it is directly affected through rising global energy costs, border security concerns, and potential refugee movements. However, the increase in oil and natural gas prices due to this conflict amplifies Türkiye's current account vulnerability, putting upward pressure on the Turkish lira and inflation. Türkiye has managed to strike a good balance between its NATO alliance and its neighborhood relations with Iran.

Due to weakening economic growth dynamics, the asset quality and profitability performance of banks in the region have also been negatively affected. Nevertheless, the resilience of the Turkish banking system continues, and no additional deterioration has yet been observed in Türkiye's financial markets. Following the renewed escalation of tensions, inflation is expected to rise, particularly due to energy prices, and the likelihood of continued global monetary tightening, led by the Federal Reserve, has increased once again.

No additional changes have occurred in Türkiye's geopolitical and political risk levels over the past year. During the ongoing conflict in the Middle East, Türkiye continues to conduct its international relations effectively and in a balanced manner. According to World Rating, the risk of Türkiye being directly drawn into the conflict is considered extremely low. Signs of relative improvement have been observed in relations with certain international stakeholders, particularly the United States. The Kurdish reconciliation, regarded positively both domestically and internationally, has further strengthened internal and external security. However, considering the high potential of domestic political events to trigger market volatility, the possibility of new and significant risks emerging ahead of the upcoming elections remains within the realm of possibility.

At present, Türkiye's 12-month current account deficit stands at approximately 2.3% of GDP. The economy is capable of tolerating increases in the current account deficit up to an energy price level of USD 120. Accordingly, any rise in vulnerability up to a current account/GDP ratio of 3.5-4% can still be managed within the existing rating level. For instance, in 2022, global oil and natural gas prices peaked, doubling Türkiye's energy bill and raising the current account deficit to 5.4% of GDP, yet the economy was able to finance this burden. Inflationary pressures stemming from the balance of payments and high energy prices are being mitigated through the implementation of economic and fiscal policies aligned with the 2026–2028 Medium-Term Program. Key objectives include reducing inflation to single digits and limiting budget deficits to an average of around 3% of GDP during 2026–2028.

As stated in our second review report dated May 7, 2026, WR-World Rating acknowledges that at this stage it is very difficult to have statistically clear and numerical forecasts regarding the duration and scale of the Middle East conflict and its potential impacts on commodity prices, supply chains, economies, and credit conditions. We accept that our main assumptions and projections lack significant clarity. A longer and more severe conflict in the Middle East, or the involvement of new parties, still represents major uncertainty and risk for our macroeconomic forecasts. Within this explicit acknowledgment:

- The shock of rising energy prices caused by the conflict continues to exert pressure on Türkiye's economic growth, inflation, reserves, and balance of payments. The disruptive impact of energy prices has been successfully controlled. Although the Turkish economy remains vulnerable to energy shocks, the adverse effects of oil and other energy group prices on inflation have largely been mitigated through effective fiscal policies.

- While prolonged high global energy prices carry significant risk potential, we assume that the conflicts will not last long, that energy prices will rebalance at lower levels, and that policymakers will remain cautious, thereby limiting adverse economic effects.

- We foresee that dollarization will remain under control. The deposit dollarization ratio remained generally stable throughout April. We expect priorities to continue focusing on controlling dollarization risks by supporting the gradual depreciation of the Turkish lira and maintaining the attractiveness of TL deposits through macroprudential tools.

- Despite inflationary pressures stemming from the balance of payments and high energy prices, we maintain our view that Türkiye will implement economic and fiscal policies in line with the 2026–2029 Medium-Term Program targets.

- In the first half of the year, it was assumed that global energy prices would decline in the second half. However, high levels have persisted. The expectation that prices would return to pre-conflict averages in 2027–2028 has not yet materialized, keeping risks alive for Türkiye.

- Türkiye's net energy imports account for about 70% of primary energy supply or 3.5-4.5% of GDP in recent years. The latest increase of more than 50% in crude oil prices has raised the dollar cost of imports and widened the current account deficit. At the same time, as in other emerging markets, increased global risk aversion and rising foreign exchange demand by local companies triggered capital outflows by non-residents. However, the compensation process has already begun and continues.

- Inflation expectations in Türkiye remain high. A sharp policy easing would quickly disrupt macroeconomic balances and make external risks more visible. Therefore, sudden policy changes toward easing should be avoided to prevent interruptions in the apparent stabilization of dollarization risks and the upward trend in reserves.

- Türkiye's relatively low foreign exchange reserves have turned into swap dependency. This dependency further increases the importance of Türkiye's external relations.

- Due to weakening balances in energy and tourism, we expect the current account deficit to rise by about 111 basis points, reaching 3.1% of GDP. This high level is expected to persist in 2027 and 2028, further increasing risks associated with relatively low reserves and high external financing needs.

- Despite growing challenges, maintaining control over the exchange rate remains vital for the Turkish economy.

- Rising budget deficits are gradually eroding Türkiye's low general government debt advantage. Slowing GDP growth further increases the risks posed by widening deficits. However, GDP growth is expected to recover in 2028.

- Since mid-2025, reconciliation efforts aimed at domestic peace have softened internal and regional security risks, effectively balancing potential risks against regional instability.

- Deficiencies in compliance with World Governance Indicators (WGI) -Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption- continue to limit the effectiveness of risk management. Türkiye ranks at a relatively low level of 31% in the World Bank Governance Indicators (WBGI). This low ranking is mainly due to institutional capacity weaknesses and deterioration in legal practices.

Ultimately, WR-World Rating has reaffirmed for Türkiye the international "BB/B" foreign currency and "BBB-/A-3" local currency ratings contained in the country credit rating reports dated January 9, 2026, and May 7, 2026, as well as the "TrAAA/TrA-1+" national scale ratings and the "BB-" Transfer & Convertibility rating. The outlook ratings continue to remain stable without any difference in quality.

II- Rating Action

In the Türkiye country report dated January 9, 2026, and in the review report dated May 7, 2026, WR-World Rating affirmed the following ratings. During the current review period, despite internal and external developments, no significant changes occurred that would trigger a transition in notation scores. Accordingly, the ratings have been reviewed within the planned timeframe and reaffirmed as follows:

International Long-Term Foreign Currency: **BB**

International Long-Term Local Currency: **BBB-**

National Scale Long-Term: **TrAAA**

Transfer & Convertibility: **BB-**

Outlook: **Stable**

All short-term ratings have likewise been maintained.

TÜRKİYE	Long Term	Short Term
Sovereign Credit Rating - Foreign Currency	BB	B
Sovereign Credit Rating - Local Currency	BBB-	A-3
National Scale	TrAAA	TrA-1+
Transfer & Convertibility Assessments	BB-	B
Outlook	Stable	Stable

III- Outlook

Within the scope of the outlook review, it is observed that following the decline in Türkiye's international reserves due to the conflict in the Middle East, a recovery has taken place, and this volatility may continue for some time. In July, reserves once again reached USD 183.5 billion, indicating that the recovery is expected to be faster than anticipated.

The interventions by the Central Bank of the Republic of Türkiye (CBRT) and policymakers, through foreign exchange sales to support the value of the Turkish lira, have accounted for a significant portion of total reserves. These interventions, linked to the prolonged Middle East conflict and Türkiye's structural energy dependency, continue to exert pressure on external financing costs and price stability. However, within World Rating's measurement scales, the balance of outlook ratings has not yet reached a level that would warrant any change.

Our view to maintain the "Stable" outlook for both long- and short-term ratings is based on the expectation that policymakers will continue prudent and cautious monetary tightening, safeguard the importance and volume of foreign exchange reserves, and ensure that Türkiye's energy dependency does not render the economy captive to energy price shocks.

IV- Rating Rationale

a) Factors Supporting the Affirmation of the Ratings

Türkiye's international long-term foreign currency credit rating of "BB" with a "Stable" outlook, along with the affirmation of other ratings, is based on the following key factors:

- **Pressure to delay interest rate changes:** Markets and the CBRT have shifted to a cautious stance, postponing the easing cycle. Upward pressures on policy rates have increased, while interest rate cuts have been delayed. Geopolitical risks continue to push inflation upward through energy costs, domestic inflation expectations have risen, and the CBRT recently revised its 2026 inflation target from 26% to 28%. The decision to return to weekly repo auctions at 37% -below the 40% overnight borrowing rate- constitutes an early easing move, carrying potential risks of renewed pressure on the exchange rate.

- **Strong growth potential and resilience:** Despite prolonged conflict in the Middle East and rising energy costs increasing credit vulnerabilities, Türkiye's diversified economy, strong growth dynamics, and cautious financing conditions continue to provide short-term resilience. However, if prolonged, supply shocks could erode purchasing power, weaken fiscal and external positions, and tighten financing conditions.

- **Moderate corporate credit spreads:** Market indices and corporate spreads have risen only slightly. Investor demand for higher yields has not increased significantly, and Türkiye's primary markets for speculative-grade bonds remain relatively subdued.

- **The continuation of diversity and the resilience of the banking sector, which primarily support the foundations of the current ratings:** Türkiye's large and diversified economy, low general government debt levels, uninterrupted access to external financing even under stress, and above all, a resilient banking sector underpin the current rating levels.

- **Commitment to medium-term targets:** In the 2026-2028 Medium-Term Program, the targets included reducing inflation to single-digit levels and limiting budget deficits to an average of around 3% of GDP between 2026 and 2028. However, in the 2026-2029 MTP these targets were revised, without any explanation provided for the reasons behind the revisions. Growth targets for 2026, 2027, and 2028 were lowered. For the same years, inflation targets, budget deficit targets, and current account deficit targets were increased. This variability has somewhat called into question the extent to which the MTPs support the country's Outlook assessments.

- **Energy prices:** During June-August 2026, oil prices followed a highly volatile path due to geopolitical risks and diplomatic developments, recording a limited increase of around 4.79 - 5%. The tension between the U.S., Israel and Iran, as well as supply risks in the Strait of Hormuz, pushed prices upward, while recent diplomatic signals led to sharp corrections. In August, Brent crude rose to USD 94.82, the highest level of the month, before retreating to USD 78.12 following temporary easing of tensions. The main factor keeping oil prices elevated has been concerns over restrictions on shipments through the Strait of Hormuz. Diplomatic talks between Iran and Oman reduced risk premiums, while rising U.S. crude inventories and downward revisions in demand expectations by global energy agencies helped limit upward pressures. World Rating estimates Brent crude will average USD 85-86 in Q3 2026 and gradually decline toward USD 80 in Q4.

- **Successful interventions carried out during the continuation of conflicts by the Central Bank of Türkiye (CBRT) through monetary policy and macro-prudential measures, and by the Ministry of Finance through the "échelle mobile" system:** The excise tax (ÖTV) support within the échelle mobile system, which softened sudden increases in fuel prices, has been gradually reduced by decision. In August 2026, a monthly incremental special consumption tax tariff was introduced -applicable only to diesel fuel for the remainder of the year- thereby modifying the mobile tax system. The gradual reduction of excise tax support under this system, scheduled to end completely on October 1, 2026, may cause future global oil price hikes to be reflected more directly and sharply in domestic markets.

- **The expected upward deviation in the targeted inflation not being high:** Despite slowing disinflation, opportunistic and arbitrary price increases -known as "seller inflation"- have become more widespread, particularly in services and food. Oil price volatility (above USD 100 per barrel, then falling, then rising again to USD 94) has further raised inflation expectations. CPI was 30.89% in 2025 and 31.51% as of August 2026. World Rating expects inflation to average 30.94% in 2026 and around 23.20% in 2027. These levels, within ±2 percentage points, do not warrant rating changes, supporting the affirmation of current ratings.

- **Monetary Policy Stance:** To mitigate the impact of energy price shocks on domestic confidence, exchange rates, and inflation, we assume that the CBRT will maintain its tight monetary stance until the elections expected next year. Accordingly, average inflation in 2026 is projected to remain around 30.94%, above CBRT targets but still manageable within current rating levels.

- **Economic Growth:** Türkiye's GDP growth slowed in the first half of 2026 due to rising energy costs and weakening external demand. However, domestic consumption and public investment partially offset this slowdown. World Rating expects GDP growth to remain around 3.2% in 2026, with a recovery toward 4% in 2027 and 2028.

- **The international reserves, which have high volume volatility, being on a recovery trend:** Following the decline in reserves during the conflict, Türkiye's international reserves recovered to USD 183.5 billion in July. This recovery was faster than anticipated, yet volatility remains a risk factor. The CBRT's interventions through foreign exchange sales accounted for a significant portion of reserves, highlighting the importance of maintaining reserve adequacy.

- **Türkiye's chronic reserve inadequacy and the dollarization risk over reserves determine the current level of sovereign credit ratings assigned to Türkiye by WR-World Rating.** Türkiye's gross reserves of USD 183.5 billion (net USD 53.2 billion) as of August 14, 2026, are generally considered a reference point for payment capacity, since according to the rule introduced into the literature by Pablo Guidotti and Alan Greenspan -known as the Guidotti-Greenspan rule- reserves should cover 100% of short-term external debt payments. However, under current conditions, they can only cover about 70% to 75% of short-term external debt. According to the IMF's interim metric and existing literature, there are also assessments indicating that Türkiye's current reserves are close to the adequacy level.

- **The decline and/or increased volume volatility of usable foreign exchange reserves since the beginning of the conflict in the Middle East may weaken the flexibility and performance profile.** However, policies suppressing inflation, low budget deficits, and a low public borrowing structure will continue to preserve this flexibility. According to World Rating, foreign exchange interventions that slow down the pace of depreciation of the exchange rate, as well as additional policy options, will always continue when needed.

- **The ongoing high external financing need corresponds to the current rating level:** As of June 2026, Türkiye's external debt maturing within the next 12 months amounts to approximately USD 239.5 billion, which is significantly above foreign exchange reserves. This level, where the external liquidity need is currently balanced, corresponds to the "BB" long-term and "B" short-term International Foreign Currency rating levels, and is another reason for the affirmation of the ratings.

- **Availability of additional fiscal space and the presence of strong growth dynamics:** WR-World Rating considers that if the general government's budget deficit and government borrowing levels increase now or ahead of the elections due to rising incentives, the tolerance level will be sufficient, additional price increases can be kept under control, and despite the conflict in the Middle East, the expected main framework resilience in tourism and the creation of strong growth opportunities will establish new balances that remain within the boundaries of the average "BB" rating level.

- **The "manageable" level of transfer and convertibility risks:** Since the calmness in Türkiye's foreign exchange-linked obligations in the medium and long term continues, the positive impact created on transfer and convertibility risk also persists, and it maintains its characteristic of being "manageable."

- **Energy prices likely to remain high for a prolonged period, weaknesses in business and consumer confidence, and losses in the purchasing power of broad segments continue to test and even shape Türkiye's institutional, social, and economic profile.** Although the fundamental trends of the market will continue to be determined by the local population's savings patterns and hedging behaviors against price fluctuations, and despite persistently high inflation, Türkiye's GDP growth in 2026 will not fall below the 3% level. General elections are most likely to be realized next year.

- **Within its richness of diversity, the Turkish economy is outward-oriented, with exports representing about one-third of GDP, and more than 40% of these exports directed to the EU.** The average age of Türkiye's population is 33 (EU: 44), and the annual population growth rate is 1.3%, making this demographic structure highly favorable for all types of production. The private sector is well-developed and highly open to external and international integration, having historically shown resilience against external and internal shocks, and having acquired the ability to operate under long-standing conditions of a floating exchange rate, high inflation, and an uncertain domestic political environment. More than 40% of goods exports and one-fifth of services exports are conducted with the EU, benefiting from the common customs union.

- **Despite high gold imports, exchange rate volatility, and local currency deposit interest rates (37%) being the highest among OECD countries, households and the private sector still continue to move towards high levels of foreign currency deposits.** Domestic political dynamics have for years compelled households to use this method, forcing them -contradictorily though- to hedge risks through personal means that generate other macro risks.

- **Weak compliance with six-dimensional WBGI governance rules continues.** Türkiye's historically high inflation experience, political interference in monetary and fiscal policies, low liquidity, high financing needs, and weak compliance with the six-dimensional criteria of the Worldwide Governance Indicators (WBGI) -Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of

Corruption- limit the effectiveness of risk management. Limitations observed in governance indicators regarding the functioning of political competition and inclusiveness of electoral processes are considered among the factors that may affect the country's political risk profile. Uncertainties regarding possible changes to the constitutional and institutional framework are among the risk elements that need to be cautiously assessed in terms of medium- and long-term policy predictability. The risk of increasing pressures for loosening fiscal and monetary policies depending on election cycles continues to be a closely monitored sensitivity area in terms of inflation outlook and macro-financial stability. Weaknesses observed in governance indicators and perceptions regarding the limited functioning of checks and balances among government bodies are among the elements that reduce the predictability of policy responses in terms of timing and outcomes. World Rating expects looser and widespread incentives through relaxation of credit limits before higher fiscal transfers in 2027 and elections anticipated to be brought forward from May 2028, but does not expect a return to extremely unconventional policies as in 2022/2023. Nevertheless, considering the past repeated shifts towards excessive easing highlighting the lack of independence of the CBRT, we acknowledge that significant risk potential still exists.

- ✓ Due to regional geopolitical risks and domestic security dynamics, Türkiye's performance in the Political Stability and Absence of Violence index is relatively quite low. The weak performance in the Political Stability and Absence of Violence index is one of the biggest obstacles to Foreign Direct Investment (FDI).

- ✓ **In terms of the rule of law,** Türkiye is in the lower-middle group worldwide in scores related to the protection of property rights, enforceability of contracts, and perceptions of judicial independence, which are among the most critical elements of "predictability" for international capital. This situation increases the cost of capital (interest rates) and causes domestic capital to flee abroad.

- ✓ **In terms of Freedom of Expression and Accountability,** Türkiye's scores in press freedom, civic participation, and citizens' ability to oversee governance processes have in recent years remained well below the world average (in the 15-20% range). The weakening of institutional oversight mechanisms increases the risk of sudden and erroneous decisions in economic policies, leading to abrupt market fluctuations and speculative pressures on the Turkish lira.

- ✓ **In terms of government effectiveness,** Türkiye has a more resilient and stronger performance (around 45–50%) compared to other dimensions in terms of the quality of public services, bureaucratic capacity, and the speed of policy-making.

- ✓ **In terms of regulatory quality,** Türkiye ranks in the middle globally in the performance of formulating market-friendly policies and establishing a legal framework supportive of private sector development. Frequently changing tax legislation, concerns regarding capital controls, and uncertainties in sectoral regulations reduce the ease of doing business and make it difficult to plan long-term R&D and growth strategies.

- ✓ **In terms of control of corruption,** Türkiye is in the 30-35% range in the index measuring the prevention of the use of public resources for personal gain. The high perception of corruption reduces transparency in public procurement processes, leading to inefficient allocation of resources and preventing "qualified and ethical" global funds from being directed to Türkiye.

- ✓ **In terms of weak ESG structure,** Türkiye remains significantly behind the targets set in Environmental, Social, and Governance (ESG) areas as well as in the Worldwide Governance Indicators (WBGI). Participation rights in the political process do not exceed a moderate level; increasing concentration of power in the presidency and weakening checks and balances place institutional capacity at a medium level, though the situation is gradually deteriorating. We observe that insufficient importance is given to the principle of rule of law and that corruption attempts have become widespread.

- **Under the assumption that rising energy prices will decline and return under control, we project the general government budget deficit to reach close to 3% in 2026.** However, even this new balance represents a relatively low level. The negative burdens on public finances arising from high energy prices will remain manageable thanks to strong revenue performance and tight control of expenditures that provide additional fiscal space. On the other hand, since approximately half of general government debt is denominated in foreign currencies, exchange rate dynamics will continue to affect the government's debt/GDP levels.

  Türkiye has been implementing a medium-term strategic benchmarking policy since 2003. This policy has significantly contributed to reducing the sensitivity of debt to risks since then. According to the analysis, the effects of changes in the general government debt/GDP ratio as defined by the EU are as follows:

  - ✓ A 5% appreciation or depreciation in the real exchange rate affected the debt/GDP ratio by 2.0 percentage points (pp) in 2002. As of 2025, this impact has declined to 0.6 pp.
  - ✓ A 500 basis points change in the borrowing interest rate in Turkish lira caused an effect of 1.4 pp in 2002. As of 2025, this impact has declined to 0.6 pp.
  - ✓ A 2 percentage points change in the GDP growth rate caused an effect of 1.3 pp in 2002. As of 2025, this impact has declined to 0.5 pp.

  In 2025, the budget deficit ratio to GDP was 2.9%, while the 2026 trend, according to annualized estimates, has declined to 2.5%. In past periods, this ratio fluctuated at higher levels due to different economic conditions and factors such as earthquake impacts. Türkiye's budget deficit to GDP ratio has recently hovered in the 3% to 5% band. This ratio, while similar to levels in emerging markets and many OECD countries, represents a balance close to the global average.

- **Although exchange rate volatility linked to the energy price shock exerts pressure on the banking sector, Türkiye's banking system possesses sufficient capital, profitability, and liquidity, with adequate asset quality and open external borrowing channels.**

- **On the visible horizon, the CBRT will continue to control the exchange rate level.** Containing exchange rate increases through the Central Bank has not reduced the primary potential risk, importance, or likelihood of exchange rate pass-through to inflation. Therefore, the tendency of depreciation in the Turkish lira and tight financial conditions will continue to be kept under control by the Central Bank on the visible horizon.

- **The objective of preserving financial stability is the main justification for the loss of momentum in growth.** Within the scope of macro policies, the fundamental reason for continuing restrictive measures on growth and production losses is the sensitivity shown against external vulnerabilities. Otherwise, financial stability would also deteriorate.

- **Türkiye's domestic peace and legal reform process will generate important elements that produce risk-balancing outcomes and support the positive factors of the credit rating over time.** The risks created by governance developments that undermine institutional predictability for economic actors and by elections becoming a central agenda item are highly likely to be balanced through the domestic peace and legal reform process. During the 2013 reconciliation process, Türkiye's rising perception of domestic peace and reform commitment was supported by rating upgrades. However, the subsequent return to a conflictual environment and the weakening of political dialogue led to increased political risks and security uncertainties, which became grounds for rating downgrades. This time, the re-emergence of positive developments in the domestic peace process will contribute positively to increased political stability, strengthened domestic peace, reduced conflict risks, expanded development and growth budgets, enhanced investor confidence, greater reform prospects, and ultimately the achievement of macroeconomic stability. All these factors are important elements that will support the positive aspects of the country's credit rating over time.

- **Türkiye has always been a privileged country for international investors.** Provided that political, social, individual, and economic uncertainties decrease and future expectations improve, Türkiye is a privileged country that consistently attracts the interest of international investors and offers significant opportunities. The orderly and rule-compliant completion of the expected election processes will contribute substantially to reducing political uncertainty and sources of distrust. One of the most critical sources of political uncertainty is whether election processes are conducted in line with democratic rules, in an orderly manner, and most importantly, under equal conditions for the opposition. The most important indicator of reduced political, social, individual, and economic uncertainties is the permanent stabilization of the value of the local currency, the Turkish lira. Stabilization of the external value of the lira means the reduction or elimination of uncertainty and unpredictability. Therefore, policies that preserve the value of the lira are the highest priority policies.

b) Risk Drivers Exerting Downward Pressure on the Current Rating Level

- **The inability to manage money supply eliminates the effectiveness of monetary policy.** Both the quantitative size and the composition of the money supply have a full impact on the broadest macroeconomic profiles of countries, particularly interest rates, inflation, employment, the business cycle, and growth. Changes in the volume of money also alter interest rates and borrowing costs.

- **The lack of effective and institutional policies to design a structure in which the local currency dominates and dollarization remains low has long been one of Türkiye's most significant risks.** The presence of foreign currency within the money supply (foreign currency deposit accounts) increases market liquidity and provides external resources to the financial system. However, this situation weakens the effectiveness and control of monetary policies. Since the Central Bank's interest rate or credit policies will not fully operate in the local market due to foreign currency-denominated assets, the monetary authority ultimately becomes ineffective.

- **The fact that a very large portion of the M1 money supply does not consist of money produced by the CBRT limits the effectiveness of monetary policy:** On average, 9.32% of the M1 money supply, which lies at the very center of daily economic activities, is currency in circulation, 25.77% is demand TL deposits, and the remaining largest share of 64.91% consists of foreign currency deposits (demand). This composition is the fundamental reason for the CBRT's ineffectiveness in monetary policy.

- **M2, which helps monitor inflation and growth trends, does not provide the CBRT with sufficient capability to track macroeconomic tendencies in the broadest sense.** This is because, on average, 36.94% of this monetary aggregate consists of foreign currency deposits, which fails to create forecasting clarity even for a one-year perspective in terms of corporate budgets.

- **Without establishing full control over the money supply, an effective monetary policy cannot be produced:** Ultimately, for the Turkish economy, the structural lack of control in determining the amount of money has continued for years to reduce the effectiveness of monetary policy in terms of inflation and unemployment.

- **One of the fastest and most effective ways for Türkiye to reach the investment-grade category is to meaningfully reduce financial dollarization.**

- **The determinative role of the Turkish lira's value on inflation still ranks first:** Despite the slowdown in economic momentum and growth, deteriorating expectations regarding the value of the lira prevent inflation from declining.

- **The potential determinative impact of exchange rate pass-through on inflation continues.** The persistence of high interest rates and tight credit policies is aimed at postponing the risk of dollarization, since the determinative role of exchange rate pass-through on inflation remains in effect.

- **Dollarization remains at a level high enough to significantly restrict the CBRT's ability to control demand (and inflation) in the Turkish economy and to affect the credibility of the state.** The greatest reserve risk for Türkiye is the potential dollarization of household and private sector savings. As of April 2, 2026, 41% of deposits were in foreign currency (mostly euros or dollars), showing an upward trend compared to year-end. According to World Rating methodology, maximum limits exist for foreign currency ratios within the definitions of M0, M1, M2, and M3: in M0 at 15%, in M1 at 10%, in M2 at 7%, and in M3 at 5%. However, as of June 2026, Türkiye's ratios were around 66% in M1, 37% in M2, and 34% in M3. This high level of dollarization makes it difficult for the CBRT to ensure the effectiveness and success of monetary policy.

- **The burden of interest payments:** In Türkiye, the burden of interest payments on the budget has increased in recent years, with approximately 14.5% to 17% of every 100 lira spent from the budget or collected in taxes going directly to debt interest. In the past, the interest burden accounted for 8.9% of tax revenues in the budget, but today it has climbed to as high as 17%, which is a significant sign of fiscal deterioration.

- **The existing sharp polarization among different segments of society in Türkiye has weakened the perception of social capital that creates trust.** To establish an environment of trust, it is fundamentally necessary to respect the rights and freedoms of different groups and to use inclusive language; for institutional trust, state institutions must provide impartial and honest services while simultaneously ensuring income justice; fair distribution principles must be applied through poverty reduction; rules must be enforced equally for everyone, strengthening the belief that rights will be protected within the scope of freedom to seek justice; the education system must be strengthened; and individual and media independence in freedom of expression and press, as well as the accuracy of information, must be ensured.

- **Without initiating transformative and renewing efforts in areas such as structural transformation in social, societal, and legal fields; production-oriented reforms; incentives for green and digital transformation; planned agricultural production; and industrial policies based on value-added exports, the sense of uncertainty within society will not diminish.**

V- Key Determinants in the Rating Methodology

a) Downside Scenario

The further intensification of political tension, the increase in interventionist political tendencies in economic policies, the introduction of election-driven expansionary incentive policies, the continuation of global energy prices at their current high levels for a long time and/or their renewed upward trend, and the intensification of new pressures on Türkiye's balance of payments, financial stability, or public finances due to changes in domestic economic policies will all constitute grounds for rating downgrades. As a result of these developments, the Turkish lira would continuously depreciate, dollarization would increase, foreign exchange reserves would decline again in both quantity and quality, tight or moderately tight monetary policy would be terminated, and domestic or foreign political relations could deteriorate with renewed tensions. The repetition of past policy mistakes, policy changes, or disruptions in the reform and opening process, as well as hesitations toward abandoning reforms, would further increase the risks of instability.

b) Upside Scenario

Efforts to compensate for the portion lost in Türkiye's international foreign exchange reserves due to high volatility, and the subsequent return to an upward path, together with progress in reducing inflation to single-digit levels, will serve as grounds for rating upgrades. Restoring long-term confidence in the Turkish lira, lowering levels of uncertainty and unpredictability, and ultimately improving Türkiye's position in the World Bank Governance Indicators (WBGI) ranking from the current very low level of 31% will also constitute reasons for rating increases.

Structurally, in terms of ESG-Governance, the implementation of a broad range of reforms contributing to the restructuring of institutional strength and governance, developments aimed at reducing internal polarization, the successful outcome of the reconciliation process, the narrowing of the gap between the cost of living and inflation, and thereby the increase in the share of the middle class within the total population are also among the reasons for rating upgrades.

VI- Rating Actions

The next scheduled comprehensive review date for World Rating's credit rating of Türkiye is January 9, 2027; however, World Rating will bring this timetable forward if developments in the country require any deviation from the schedule.

This announcement is hereby made to the public.

WR-WORLD RATING
DÜNYA KREDİ DERECELENDİRME A.Ş.

MAIN ECONOMIC INDICATORS

Türkiye	Numeral Scale	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026 F	2027 F	2028 F	2029 F
Gross Domestic Product (Current prices)	TL (Mn)	2,350,941	2,626,560	3,133,704	3,761,166	4,317,810	5,048,568	7,256,142	15,011,776	27,091,469	44,587,225	63,174,716	77,073,154	89,628,370	106,478,504	126,496,463
Gross Domestic Product (Current prices)	USD (Mn)	861,467	856,791	851,490	784,087	761,357	717,049	807,106	905,501	1,153,241	1,358,255	1,596,320	1,693,487	1,774,195	1,960,692	2,176,917
Population (Mn)	Mn	78.74	79.81	80.81	82.03	83.16	83.61	84.68	85.28	85.37	85.66	86.09	86.74	87.13	87.56	88.00
Population Growth Rate	%	1.35	1.36	1.25	1.51	1.37	0.55	1.27	0.71	0.11	0.34	0.50	0.75	0.45	0.50	0.50
Unemployment Rate (% of Labour Force)	%	10.35	12.07	9.91	12.74	13.37	12.62	11.01	10.29	8.82	8.70	7.70	8.55	8.46	8.29	8.13
Annual Consumer Prices Index (CPI)	%	8.81	8.53	11.92	20.30	11.84	14.60	36.08	64.27	64.77	44.38	30.89	32.13	25.70	16.71	10.86
Exchange rate (TL per USD) (Period Average)	TL	2.73	3.07	3.68	4.80	5.67	7.04	8.99	16.58	23.49	32.83	39.48	45.40	50.39	54.17	57.97
Exchange rate (TL per EURO) (Period Average)	TL	3.02	3.34	4.12	5.68	6.35	8.01	10.44	17.36	25.69	35.48	44.67	52.04	60.62	70.63	81.93
General Government Balance (Budget deficit) (General Administration)	TL (Mn)	-22,240	-44,963	-61,615	-104,158	-137,560	-144,647	-173,955	-166,861	-1,371,067	-2,145,530	-1,645,360	-1,809,896	-1,837,044	-1,802,141	-1,767,900
Securities Rates (TL) (At the end of Year) (T-Bill 12:M)	%	10.75	9.60	13.60	22.00	11.45	14.80	22.19	13.80	8.00	13.75	5.50	5.51	5.51	5.52	5.52
Broad Money (M3)	TL (Bn)	1,207	1,450	1,700	1,988	2,556	3,885	6,294	10,448	14,627	20,477	27,233	29,956	32,952	37,895	43,579
Official International Reserves	USD (Mn)	113,251	123,044	107,653	91,930	105,390	93,300	111,100	82,900	141,100	159,395	192,193	194,115	229,056	249,671	297,108
Domestic Debt as a Share to GDP	%	19.58	19.21	18.50	16.72	20.23	24.03	21.23	20.59	15.38	13.91	16.09	15.47	15.28	14.31	13.34
External Debt as a Share to GDP	%	47.96	46.95	54.00	52.49	52.28	54.49	46.82	42.87	37.47	33.88	32.57	31.01	31.08	28.40	25.84
Gross External Debt (Total)	USD (Mn)	413,173	402,230	459,780	411,583	398,048	390,692	377,909	388,174	432,144	460,194	519,932	525,131	551,388	556,902	562,471
Gross Domestic Debt (Total)	USD (Mn)	168,638	164,606	157,539	131,126	154,045	172,316	171,329	186,431	177,398	188,983	256,823	261,960	271,128	280,618	290,439
Import (CIF)	USD (Mn)	-239,866	-203,872	-192,568	-227,789	-219,636	-198,982	-206,254	-253,992	-342,937	-337,273	-313,440	-340,552	-398,446	-466,182	-545,433
Export (FOB)	USD (Mn)	173,292	154,865	152,645	169,214	178,905	182,200	168,378	224,673	253,352	250,994	257,453	270,736	279,535	293,232	307,601
Trade Balance	USD (Mn)	-66,574	-49,007	-39,923	-58,575	-40,731	-16,782	-37,876	-29,319	-89,585	-86,279	-55,987	-69,816	-118,911	-172,950	-237,832
Balance of Payments Current Accounts	USD (Mn)	-32,112	-21,352	-22,165	-35,141	-14,608	15,013	-31,024	-7,068	-46,668	-41,821	-13,027	-30,153	-32,565	-35,496	-42,240
Import as a Share to GDP	%	-2,37%	-2,25%	-2,68%	-2,80%	-2,61%	-2,88%	-3,15%	-3,79%	-2,92%	-2,31%	-2,13%	-2,15%	-2,40%	-2,54%	-2,68%
Export as a Share to GDP	%	1,80%	1,78%	1,99%	2,28%	2,39%	2,35%	2,78%	2,80%	2,17%	1,89%	1,69%	1,60%	1,57%	1,49%	1,41%
Trade Balance as a Share to GDP	%	-0,57%	-0,47%	-0,69%	-0,52%	-0,22%	-0,53%	-0,36%	-0,99%	-0,75%	-0,41%	-0,44%	-0,55%	-0,83%	-1,05%	-1,27%
Remittances	USD (Mn)	720	590	421	404	230	190	202	192	195	106	61	64	67	70	74
Foreign Direct Investment	USD (Mn)	2,575	3,374	3,510	4,504	4,440	3,917	4,325	5,345	7,553	9,027	10,743	11,280	12,183	13,279	14,474
Current Account balance as a Share to GDP	%	-3.73%	-2.49%	-2.60%	-4.48%	-1.92%	2.09%	-3.84%	-0.78%	-4.05%	-3.08%	-0.82%	-1.78%	-1.84%	-1.81%	-1.94%
GDP per Head (GDP -per capita, in dollars)	USD	10,941	10,735	10,537	9,559	9,156	8,576	9,531	10,618	13,508	15,855	18,606	19,592	20,434	22,469	24,823
Real GDP Growth	%	4.00%	2.88%	7.76%	2.60%	1.27%	1.76%	11.44%	5.56%	5.00%	3.30%	3.60%	3.35%	3.50%	3.70%	4.00%
Annual Inflation Rate	%	8.81	8.53	11.92	20.30	11.84	14.60	36.08	64.27	64.77	44.38	30.89	32.13	25.70	16.71	10.86
Budget Balance as a Percentage of GDP	%	-0.95%	-1.71%	-1.97%	-2.77%	-3.16%	-2.87%	-2.40%	-1.11%	-5.06%	-4.81%	-1.32%	-1.19%	-1.03%	-0.85%	-0.71%
Remittances in % of GDP	%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Foreign Direct Investment as a Share to GDP	%	0%	0%	0%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Trade Balance/Import	%	28%	24%	21%	26%	19%	8%	18%	12%	26%	26%	18%	21%	30%	37%	44%
Export/Import	%	72%	76%	79%	74%	81%	92%	82%	88%	74%	74%	82%	79%	70%	63%	56%
Foreign Debt as a Percentage of GDP	%	47.96%	46.95%	54.00%	52.49%	52.28%	54.49%	46.82%	42.87%	37.47%	33.88%	32.57%	31.01%	31.08%	28.40%	25.84%
Foreign Debt Service as a Percentage of Exports of Goods and Services	%	238.4%	259.7%	301.2%	243.2%	222.5%	214.4%	224.4%	172.8%	170.6%	183.3%	202.0%	194.0%	197.3%	189.9%	182.9%
Current Account as a Percentage of Exports of Goods and Services	%	-18.5%	-13.8%	-14.5%	-20.8%	-8.2%	8.2%	-18.4%	-3.1%	-18.4%	-16.7%	-5.1%	-11.1%	-11.6%	-12.1%	-13.7%
Net International Liquidity as Months of Import Cover	%	47.2%	60.4%	55.9%	40.4%	48.0%	46.9%	53.9%	32.6%	41.1%	47.3%	61.3%	57.0%	57.5%	53.6%	54.5%
Exchange Rate Stability (Exchange Ratio) (USD+EURO)	%	12.37	11.40	21.76	34.37	14.73	25.25	29.07	74.68	44.88	38.90	23.19	15.80	13.94	12.41	12.09

Source: TUIK & WR estimations, Ministry of Treasury and Finance, Central Bank of Türkiye