

DENİZ ERGUN  
JANUARY 2026

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# Türkiye Banking Sector Outlook

## SECTOR OUTLOOK



As financial conditions have started to turn supportive in 4Q25, credit growth has gained momentum. The growth is coming from mainly non-capped items, such as credit cards and overdraft loans. As signaled by the recent CBRT communication, credit growth caps & deposit rules will be in place in 2026 in order not to allow a speeding up dollarization and also to keep demand recovery limited; all to support disinflation. As a by-product extended period of regulations (specifically credit regulations), the structure of the sector's loan book has shifted more on consumer loans and credit cards since 2021, which will most likely continue to support banks' profits in terms of their fees & commissions. Secondly, the receivable books of non-financial institutions (i.e. mostly consumer finance companies) seem to have gained importance since then as there are no growth caps there.

## CREDIT SEGMENTS



In December, despite ongoing caps, with rates significantly coming down, credit growth accelerated; and was pushed by TL commercial loans and mostly (non-capped) consumer loans. Both consumer and commercial credit card growth rates remain above the monthly inflation trend. Mortgage credits gained momentum in private banks. On FC credits, as euro credit rates are coming down, demand for this segment has increased. Albeit, the rise is also partly affected by the parity impact. FC credit rules will mostly likely continue throughout 2026 whereas the ease in TL credit caps might happen partially in commercial loans toward the end of 2026.

## DEPOSITS & DOLLARIZATION



The strong inflow into FC investment funds has calmed down after KKM has almost completely vanished. FC demand of residents continues modestly, particularly for precious metals. Return for TL deposits and money market funds stay well above USDTRY depreciation trend, but household inflation expectations still require high incentives for holding TL. So the CBRT is required to keep TL rates as attractive as possible to maintain savings mostly in TL. On the other hand, despite maintaining a controlled dollarization ratio of 40%, residents' gold deposit demand (also caused by the valuation) has been increasing. The share of precious metal deposits in total FC deposits rose to 38% (86bn USD in nominal terms) in Dec25 from 25% at the start of 2025 (17% in 2023). We also calculate around 581bn USD of under-pillow gold stock of residents as of Nov25.

## PROFITABILITY



The CBRT has recently relaxed the TL deposit rules in both retailers and corporates, and extended the calculation period to 8 weeks (previously 4 weeks), which will help banks to better manage their funding costs. Any pressure on the CBRT reserves and the gains over the disinflation pace will be determinant for the duration of deposit rules. Albeit in any case, the decreasing pressure of deposit cost will positively affect NIMs together with the expected fall in interest rates in 2026. As we follow the monthly developments of ROE and NIM details in the sector, key risks will likely be the OPEX and provision costs coming from the retail segments and credit cards in the coming months.

## ASSET QUALITY



The BRSA decision\* taken in Jul25 eased the pressure on NPL ratios in 4Q25. However, most recently the pick up has started to gain pace again, in credit cards and SMEs specifically. The potential lagged effects delayed into 2026 and potential restructurings going ahead, will most likely be transferred into higher CoR levels in 2026. We still expect the currency adjusted cost of risk (CoR) in deposit banks to be nearly 150bps in 2025 and deteriorate up to around 200bps in 2026. On the other hand, banks' high levels of provisions will work as a buffer.

## CAPITAL



Capital ratios improved further to 19% in November supported by mainly the profit levels in the sector. Increase in capital levels was stronger in public banks. However, the BRSA forbearances which had supported the sector capital ratios against any significant TL depreciation has been terminated as of the start of 2026 which will likely have a negative impact of around 180-200bps on capital ratios. Therefore, this would result in a continuation of strong subordinated debt issuances in the sector amid a high redemption profile in 2026.

In July25, the BRSA introduced restructuring options for credit cards and general purpose loans if the minimum payment requirement has not been met for the former and principle and/or interest payment has not been done for 30 days for the latter. Within that, debts will be able to be restructured for up to 48 months where the interest rate applied will be capped at 3.11% per month. Also, card limits of customers benefiting from the restructuring will not be increased until 50% of the restructuring debt has been paid back.

# Monetary stance continues to be supported with the macro-prudential measures

## Regulations for TL deposit share

- The calculation period for TL deposit rules were extended to eight weeks from four weeks with the same thresholds. Accordingly, real-person TRY deposit share growth target has been changed to 0.4pp from 0.2pp for the banks btw 60-65% ratio and to 0.8pp from 0.4pp for the ones below 60%. For the ones above 65%, the rule is to keep it. The commission rate applied based on the share of TL share declined to 3% from 4%. The tolerance range for missing the targets has been raised from 20pp (for 8 weeks) to 50pp (for 16 weeks).
- The growth targets for commercial TRY deposit shares are changed from 0.3pp (4 weeks) to 0.6pp (8 weeks). For the ones above 60% ratio, the rule is to keep it. The tolerance range for targets are raised from 10pp (for 8 weeks) to 20pp (for 16weeks) .The commission rate applied based on the share of TL is reduced from 2% to 1.5%.
- For calculations, the exchange rate to be used will be the average of the past 24 weeks rather than the past 12 weeks.

## Loan growth caps

- Limits on TL & FC loan growth are reviewed via 8 weeks with a cumulative cap of 5% for TL SME loans & 3% for non-SME TL commercial loans excluding export & investment loans); 4% auto loans, 4% GPL, 4% for overdraft loans with more than 3 installments; 1% for FC loans.
- CGF & «breath» credits (a low-interest credit package provided to SMEs through banks) have been excluded from the growth caps.
- The sales/assets threshold for SME classification has been increased from TL500mn to TL1bn (US\$25mn).

## Regulations on RRs

- The RRR of 40% for KKM up to 6 months
- The RRR of 22% for KKM for up to 1 year & above 1 year
- The RRR of 10-17% for non-KKM TL deposits
- TL RRR of 2.5% for FC deposits
- The RRR of 26-30% for FC deposits& precious metals, as of Jan26
- The RRR of 18% for funds from repo transactions abroad & loans obtained from abroad of a maturity up to 1 month, and 14% up to 3 month
- RRR for other FX liabilities have been reduced for maturities above 1 year to 10% for up to 2 years (from 16%), to 8% for up to 3 years (from 11%), to 3% for up to 5 years (from 7%), and to 0% for longer than 5 years (from 5%);
- The RRR of 12% for deposits from banks abroad
- The RRR of 10% for CPI-, PPI-, and TLREF-indexed deposits

## Regulations for CARs

- Elimination of additional risk weights on banks' CAR calculations
- Removal of the forbearances for Capital Adequacy Ratio (CAR) calculations as of 2026:
  - i) Fixing the FX rate as 32.83 for USD/TRY & 35.13 for EUR/TRY in credit risk calculation
  - ii) excluding negative revaluation differences of securities of HTC&S portfolio (purchased no later than 01/01/2024) from capital

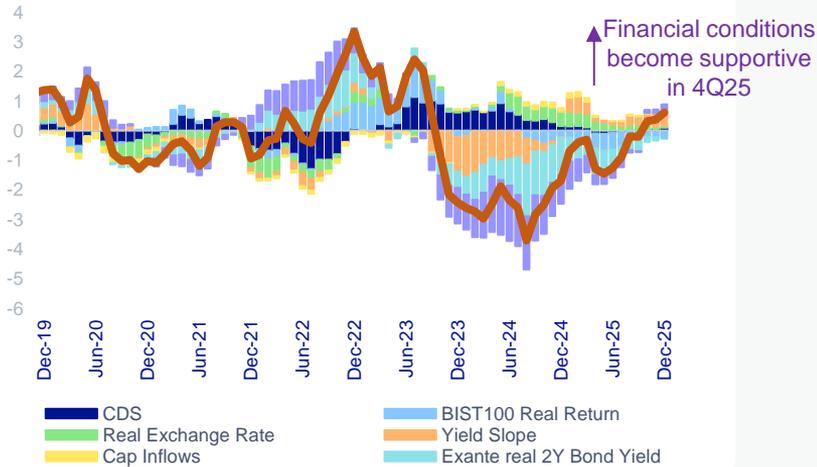
## Regulations on Credit Cards

- The maximum interest rate on TL credit card receivables has been decreased i) with balances of <30k (previously TL25k) from 3.50% per month to 3.25%, ii) of TL30-180k (prev. TL25-150k) from 4% per month to 3.75%, iii) of >TL180k (prev. TL150k), corporate credit cards, and cash withdrawals from 4.50% to 4.25%, as of Jan26.
- Loan allocation fee for commercial loans limit has been kept as 0.20% (vs. previous 0.25%). Additional fees can be charged on limit increases (no longer limited by 0.125%) but only if the limit increase is requested by the customer. Loan disbursement fee limit of 1.10% has not been changed while being increased to 1.1% from %1 for revolving credits.

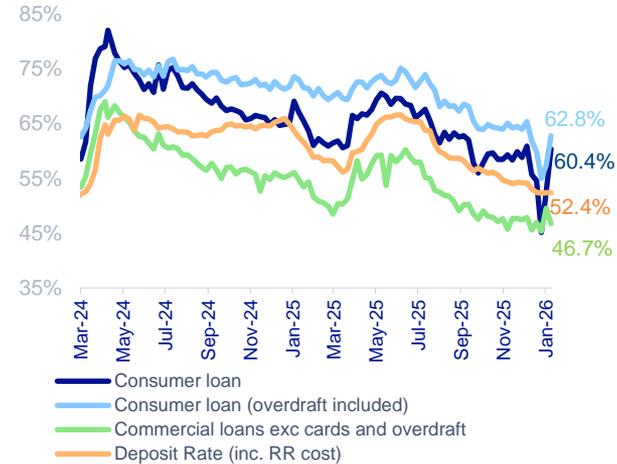
# Credit Developments

# Macroprudential policies, particularly deposit rules, will likely continue to calibrate monetary tightness

## GARANTI BBVA FINANCIAL CONDITIONS INDEX (FCI) (STANDARDIZED, + EASING, - TIGHTENING)



## TL LOAN & DEPOSIT RATES (% WEEKLY, FLOW, SECTOR, COMPOUNDED)



**Deposit and credit regulations will likely continue until a significant improvement in the inflation outlook, which is not expected before 2H26. As of Jan 16th, CBRT has relaxed the deposit rules with an extension to 8 weeks, a higher range of flexibility and lower commission rates in case of a failure.**

# Since end of Nov25, credit growth has been accelerating, reaching its highest trend rate since 1Q25

**TOTAL CREDIT GROWTH (FX ADJ)**  
13 WEEK ANNUALIZED & YOY



**TOTAL CREDIT GROWTH (FX ADJ)**  
4 WEEK CUM.



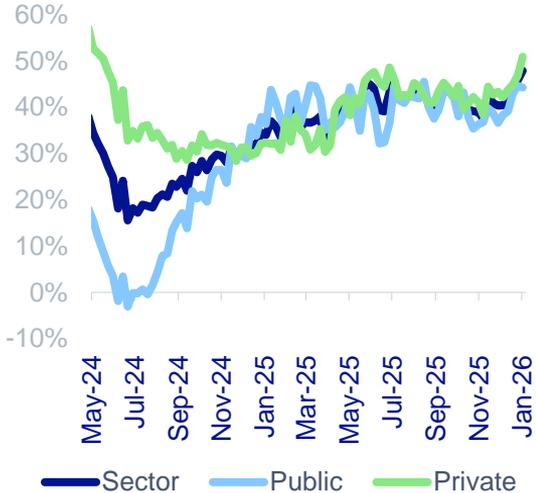
**TOTAL CREDIT GROWTH (FX ADJ)**  
13 WEEK ANNUALIZED



**Credit growth has started to accelerate, led by private banks growing faster than public banks.**

# Credit growth was pushed mainly by TL non-SME loans and non-capped consumer loans in Dec25

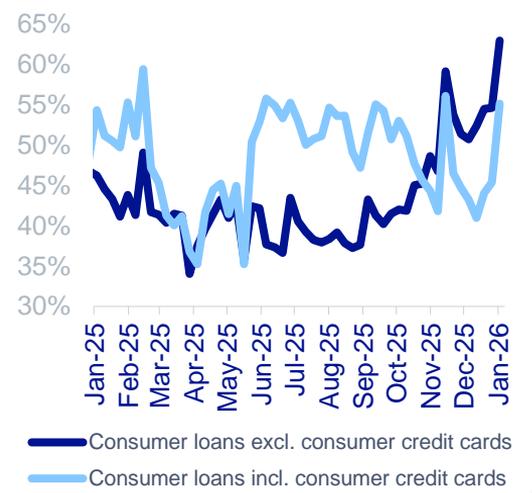
**TL CREDIT GROWTH: PUBLIC VS PRIVATE BANKS**  
13 WEEK ANNUALISED, DEPOSIT BANKS



**COMMERCIAL LOANS**  
13 WEEK ANNUALIZED, DEPOSIT BANKS



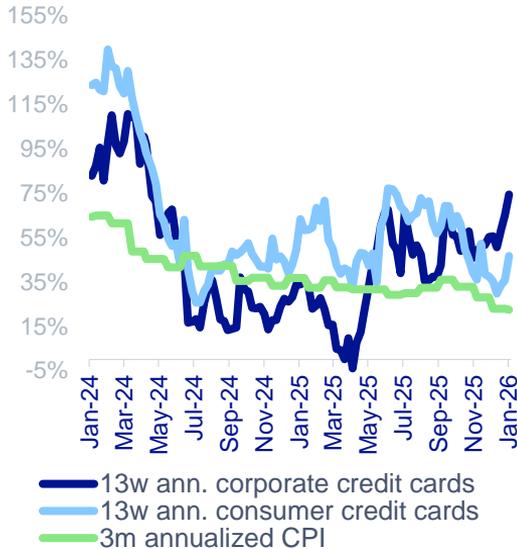
**CONSUMER CREDIT GROWTH**  
13 WEEK ANNUALIZED, DEPOSIT BANKS



**Driver of consumer credits seems to be the general purpose loans whose growth exceeds that of credit cards.**

# Credit card growth remains above CPI trend. GPL growth accelerates further, boosted by public banks

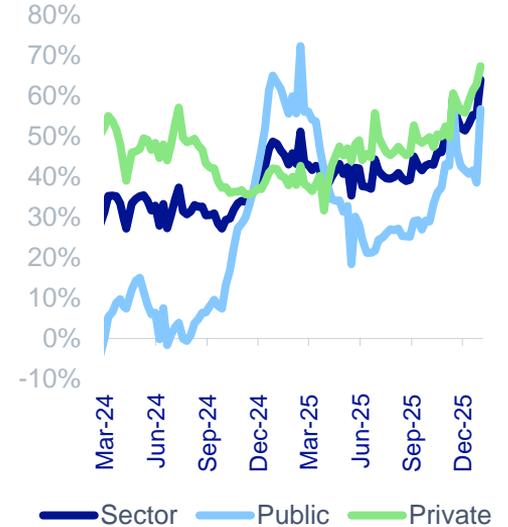
## CREDIT CARDS GROWTH DEPOSIT BANKS



## GENERAL PURPOSE LOANS 13 WEEK ANN., DEPOSIT BANKS



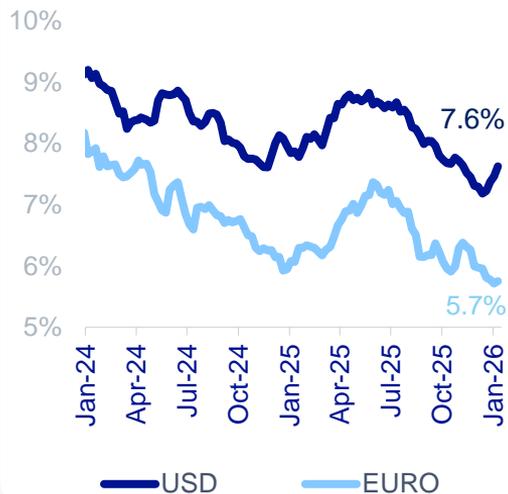
## CONSUMER CREDIT GROWTH 13 WEEK ANN., DEPOSIT BANKS



# Euro credit rates continue to decline, pushing further corporates' demand for this segment

## FC CREDIT RATES

4 WEEK AVERAGE



## FC CREDIT (USD) GROWTH:

PUBLIC AND PRIVATE BANKS

13 WEEK ANNUALIZED, DEPOSIT BANKS



## FC CREDIT (USD) GROWTH

13 WEEK ANNUALIZED, DEPOSIT BANKS

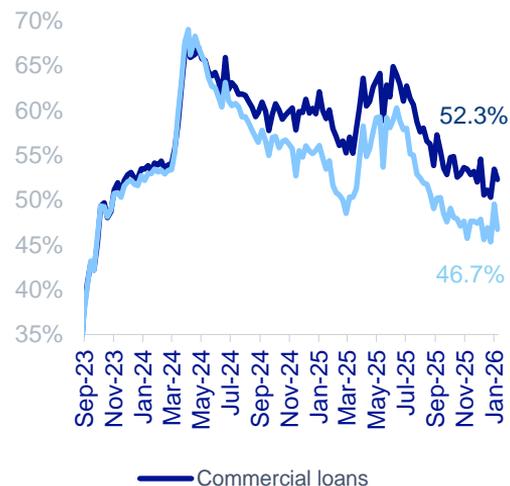


**Gained momentum in FC credits in Dec25 was due to non-SME lending in private banks. However, it was also due to parity impact, led by the increasing share of euro credits in some of the peer banks.**

# The fall in TL commercial rates was stronger in Dec25, reaching even its lowest level since Sep23

## TL COMMERCIAL CREDIT RATES

WEEKLY, COMPOUND, FLOW



## TL SME COMMERCIAL CREDITS GROWTH

13 WEEK ANNUALIZED



## TL NON-SME COMMERCIAL CREDITS GROWTH

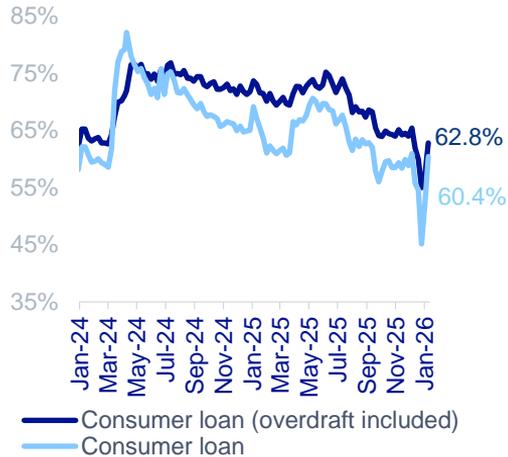
13 WEEK ANNUALIZED



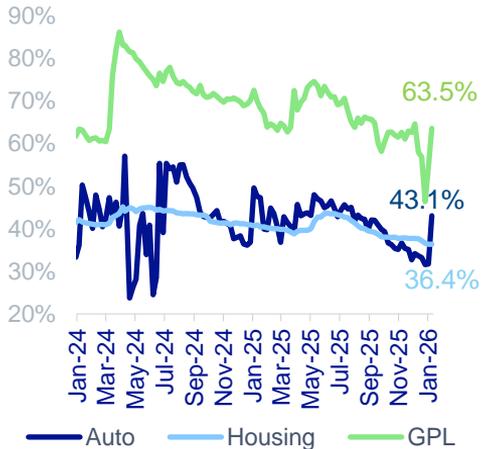
**The impact of the fall in TL commercial rates was rather stronger in non-SME lending.**

# Fall in GPL rates was also strong in Dec, also reaching its lowest since Sep23

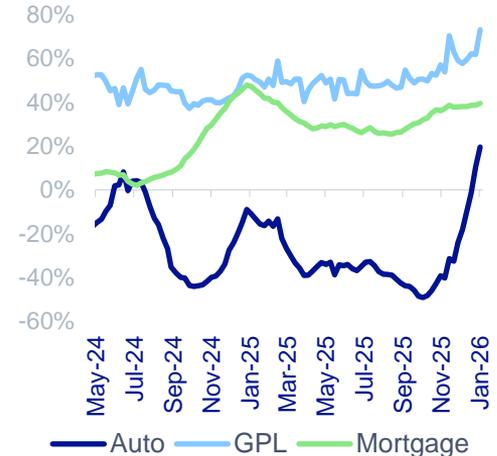
**CONSUMER CREDIT RATES**  
WEEKLY, COMPOUND, FLOW



**CONSUMER CREDIT RATES**  
WEEKLY, COMPOUND, FLOW



**CONSUMER\* CREDIT GROWTH**  
13 WEEK ANN., DEPOSIT BANKS

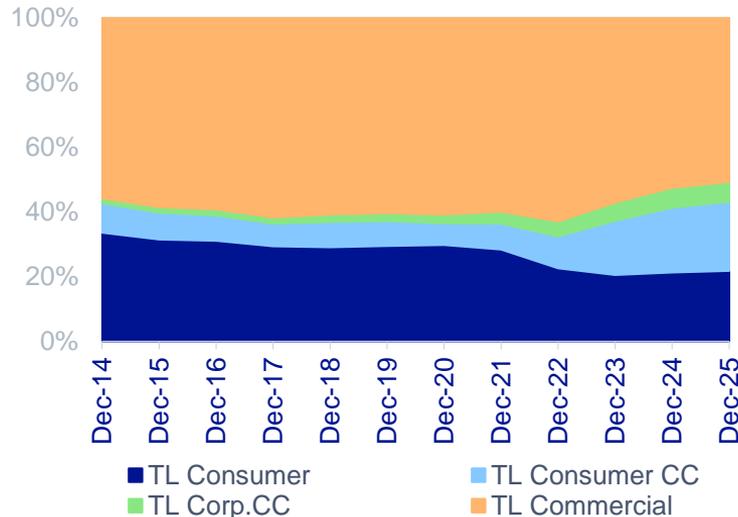


**Mortgage loans growth rate started to gain some momentum since end November, led by private banks.**

# Overall, the structure of the loan books is replaced even further by credit cards

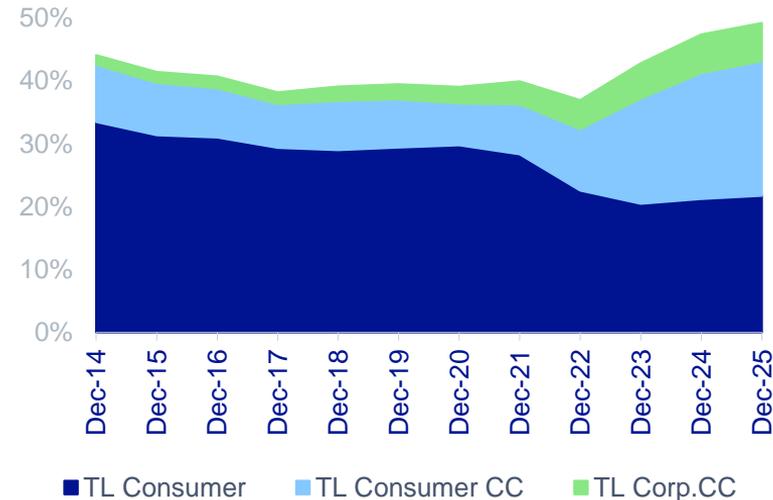
## SHARE OF TL CREDITS

%



## SHARE OF TL CREDITS

%

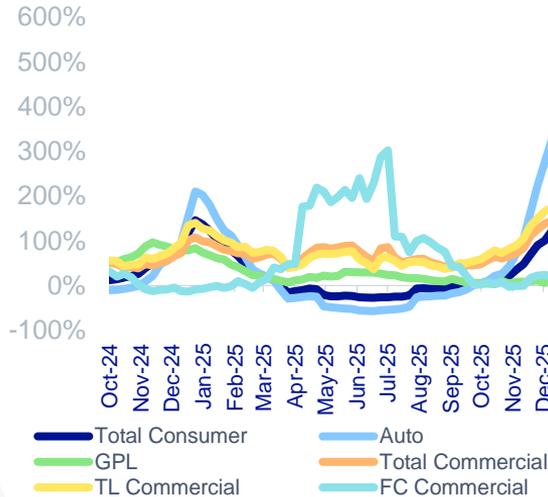


**Consumer credits as being the main driver of total credit growth continue to be supported by non-capped items and increased card usage amid the absence of banknotes above 200TL (<5\$).**

# Credit risk also accumulates in non-bank financial institutions where there are no growth caps

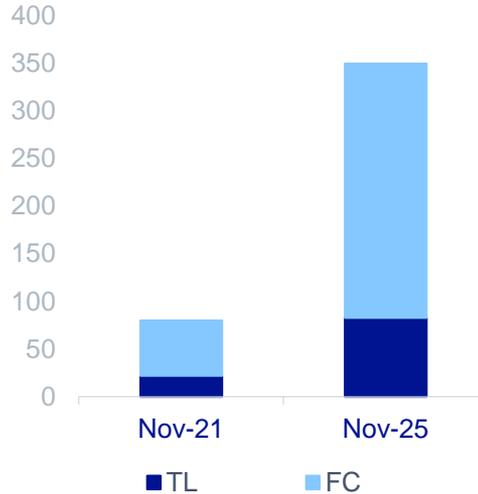
## FINANCING COMPANIES

13 WEEK ANNUALIZED



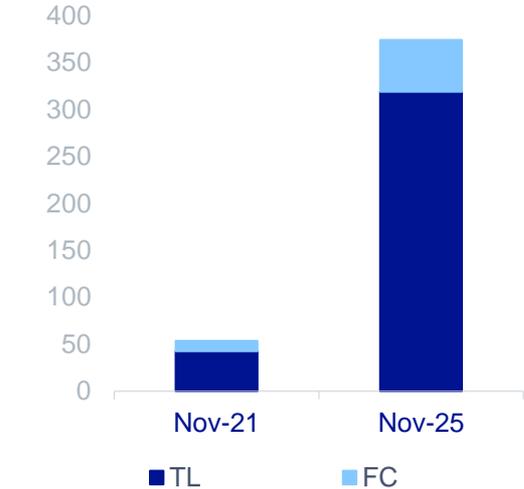
## LEASING COMPANIES

Bln TL



## FACTORING COMPANIES

Bln TL

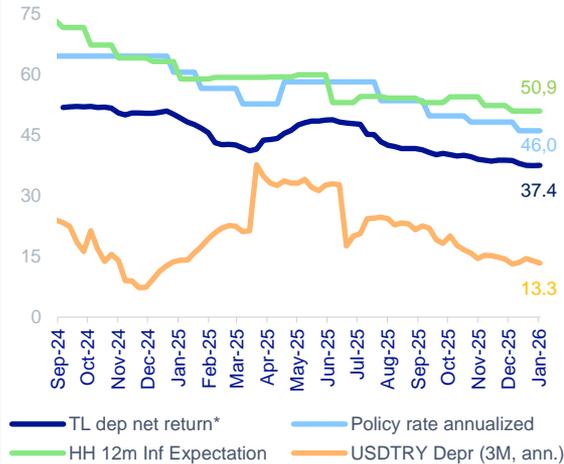


**Although still low, consumer credits (particularly auto loans) have been accelerating since Sep25 in consumer financing companies. Factoring and FC leasing receivables grew also fast since 2021.**

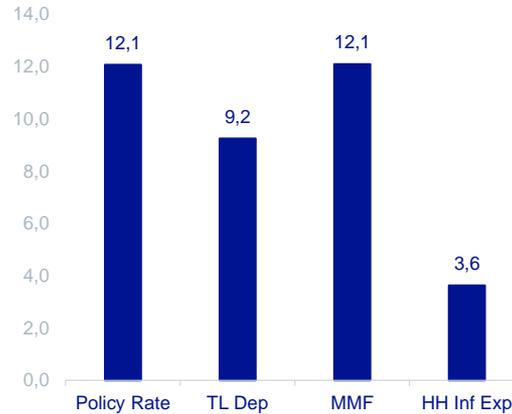
# Liquidity

# The CBRT is required to keep TL rates as attractive as possible to maintain savings mostly in TL

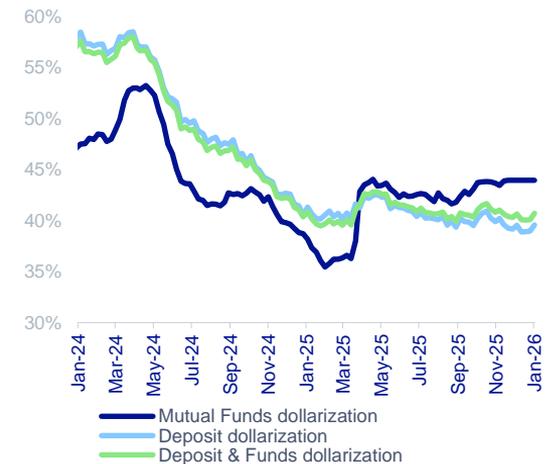
## RELATIVE RETURNS & EXPECTATIONS\* (% , annualized)



## DECREASE IN RATES (from July 19th- Jan 2nd, compounded)



## DOLLARIZATION RATIO (% , as of Jan 2th)



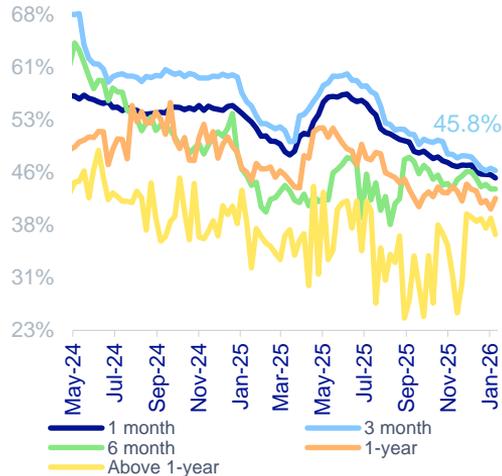
\* Net return refers to the return to the client after taxes

\*\* FC Funds consist of FC Hedge Funds, Eurobond Funds and Precious Metals Funds

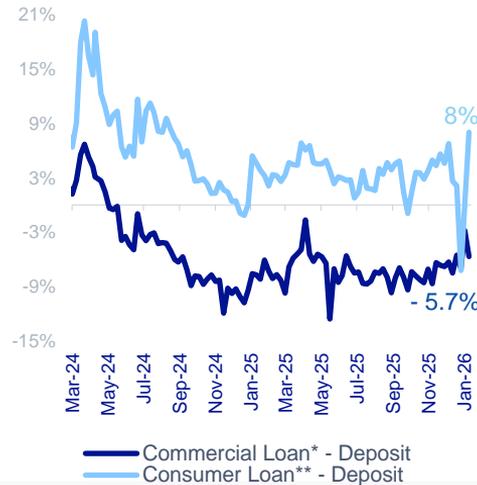
**Return for TL deposits and money market funds stay well above USDTRY depreciation trend, but household inflation expectations still require high incentives for holding TL.**

# Hence, the fall in TL deposit rates has been happening more slowly than the fall in credit rates

**TL DEPOSIT INTEREST RATES**  
%, FLOW, SECTOR, WITHOUT RR COST



**TL INTEREST RATE SPREAD**  
%, FLOW, SECTOR, INC. RR COST



**DEPOSIT GROWTH RATE**  
% 13 WEEK ANNUALIZED

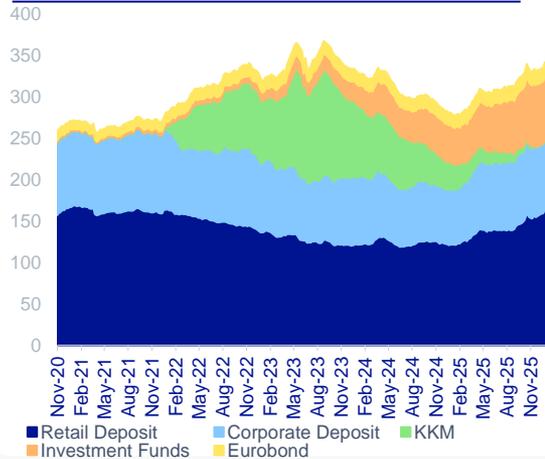


\* Excluding overdraft loans  
\*\* Excluding overdraft loans and credit cards

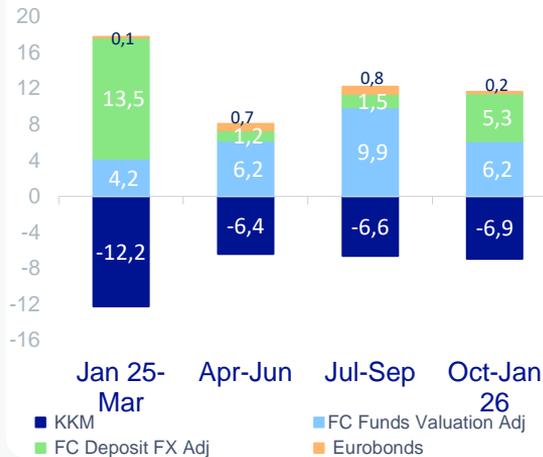
**The consumer spreads deteriorated in December due to overdraft/support credit campaigns.**

# FC fund demand weakened, and household demand for precious metals is seen in FC deposits

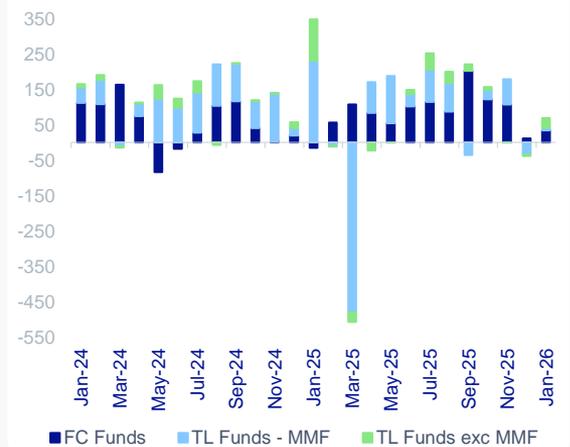
## FC PRODUCTS OF RESIDENTS (\$USbn, as of Jan 9th)



## CHANGES IN FC PRODUCTS OF RESIDENTS (\$USbn, as of Jan 9th)



## INVESTMENT FUNDS NET FLOW (BN TL, exc valuation effects, as of Jan 13th)



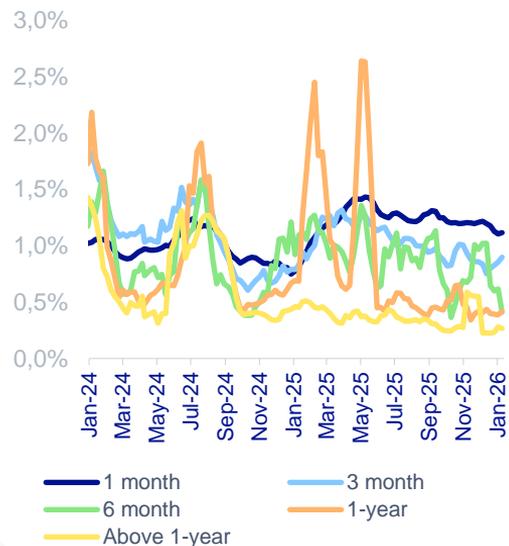
\* FC Funds consist of FC Hedge Funds, Eurobond Funds and Precious Metals Funds. TL Funds include Money Market Participation & Hedge Funds, Stock Market Funds, Debt Securities Funds, TL Hedge Funds and TL Variable Funds

**Following the internal shock in March, net demand for FC products continued, albeit at a contained pace during 2025.**

# FC spreads continue to fall on euro segment due to the fall in euro credit rates

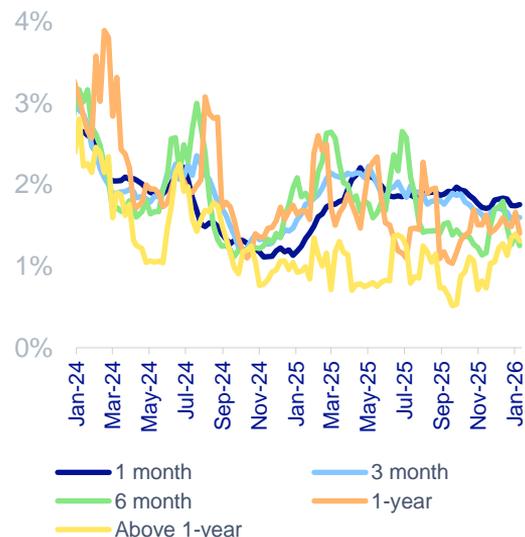
## EURO DEPOSIT RATES

%, 4W AVG, FLOW, SECTOR



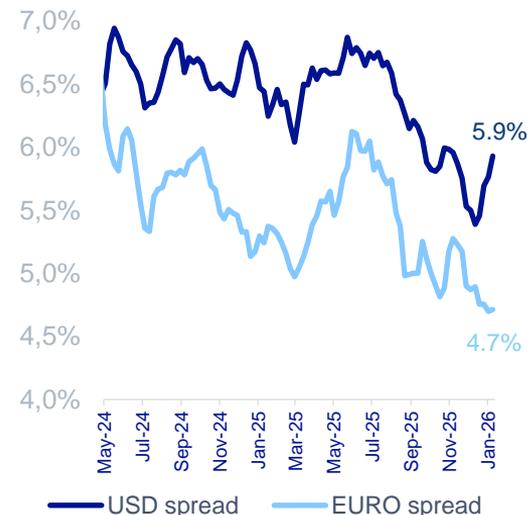
## USD DEPOSIT RATES

%, 4W AVG, FLOW, SECTOR



## FC INTEREST RATE SPREAD

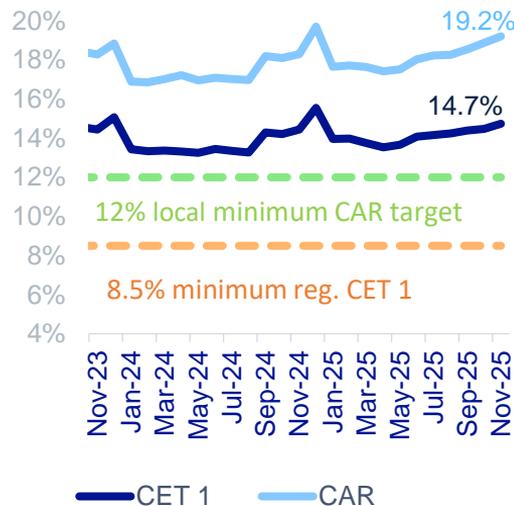
%, 4W AVG, FLOW, SECTOR



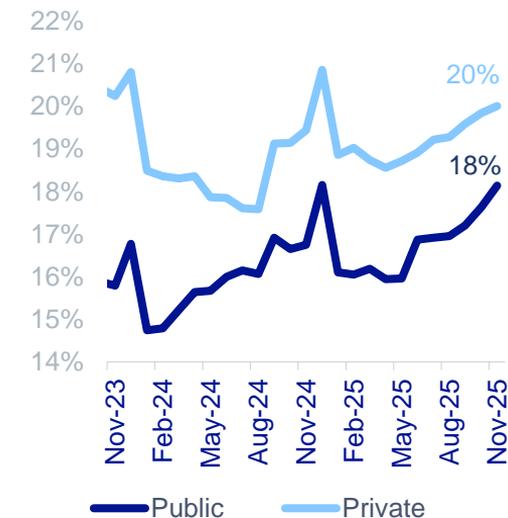
# **Solvency and Capital Adequacy**

# Capital ratios move up. In November, the profitability has been the main driver in the rise in capital

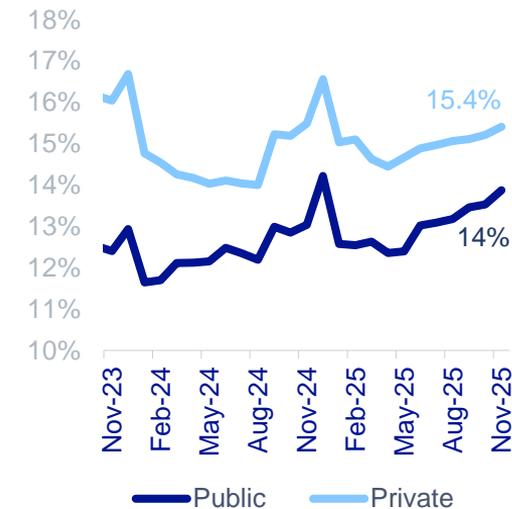
## CAPITAL ADEQUACY RATIO (CAR) AND CET 1 RATIO\* (%)



## CAPITAL ADEQUACY RATIO %



## CET 1\* RATIO %



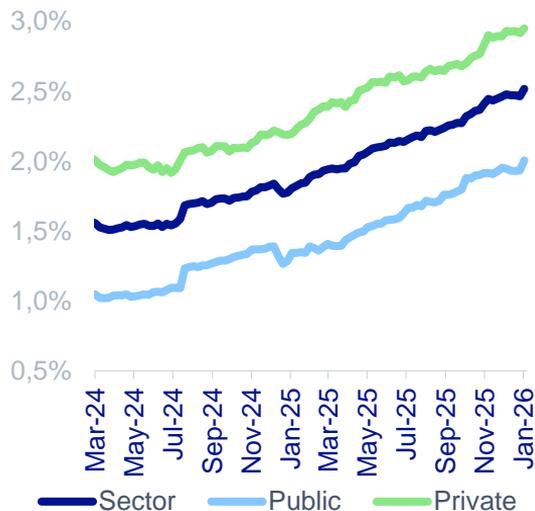
\* Common Equity Tier 1.  
Source: BRSA and Garanti BBVA Research.

# Asset Quality

# NPL ratio continues its steady rise, most recently with a slightly faster increase in private banks

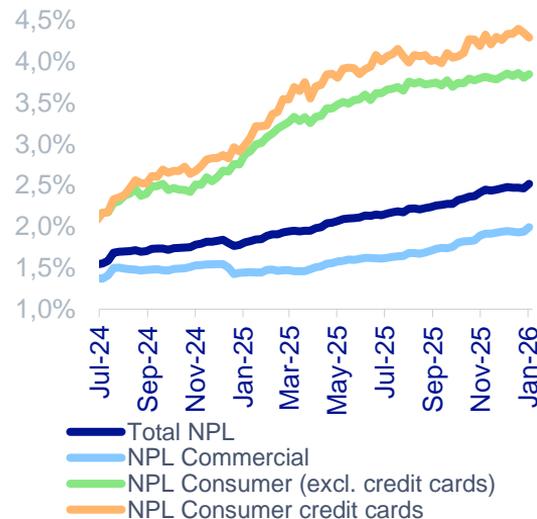
## NPL RATIO

%



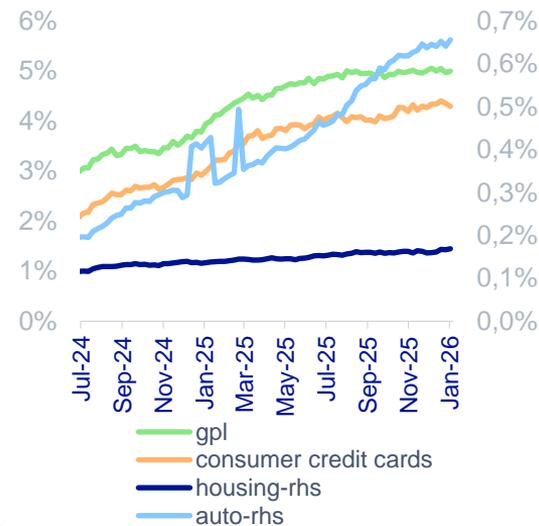
## NPL RATIO IN SUBSEGMENTS

%



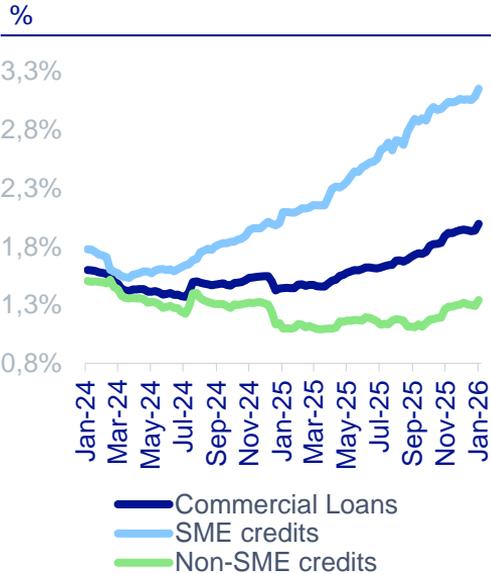
## NPL RATIO, CONSUMER LOANS

%

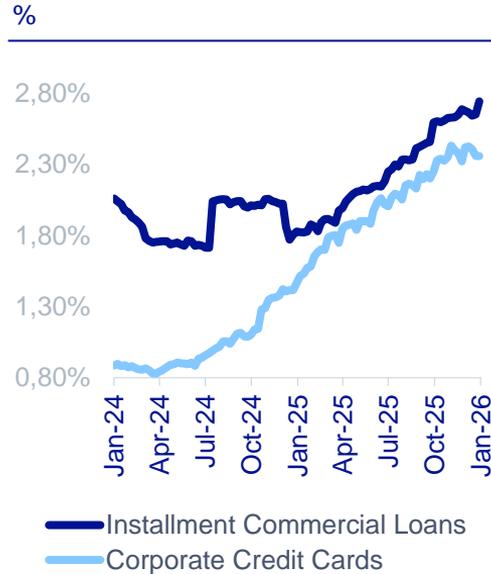


# Commercial NPL ratio rose to 2%, with SME NPL exceeding 3%

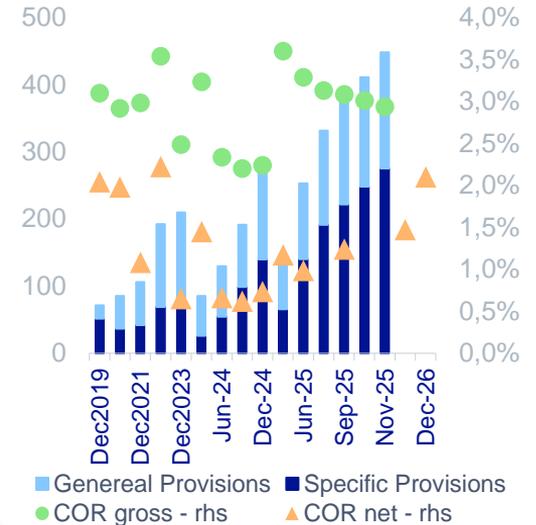
## NPL RATIO IN COMMERCIAL LOANS



## NPL RATIO IN COMMERCIAL LOANS



## COST OF RISK (COR) IN DEPOSIT BANKS\* BN TL & LOAN LOSS PROVISIONS /AVG. NET LOANS %

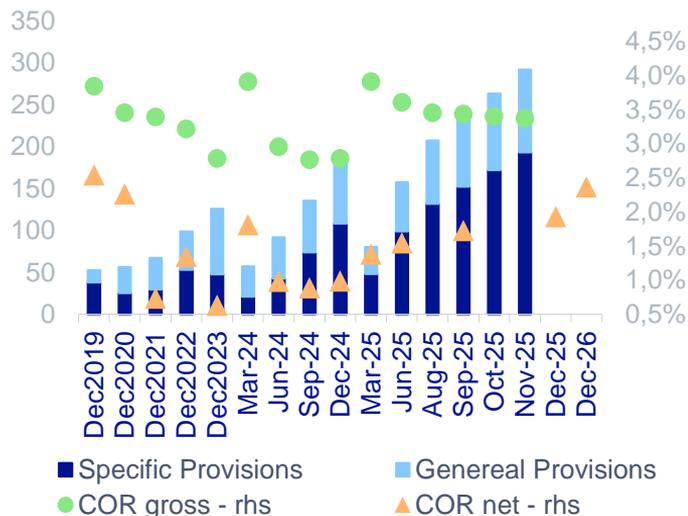


\*Due to public data restriction, we use peer banks' data as a proxy for the net CoR estimation for 2025 and 2026  
 Source: CBRT, BRSA and Garanti BBVA Research.

# Restructurings after July and provision releases in the sector lead CoRs to slightly come down in Nov25

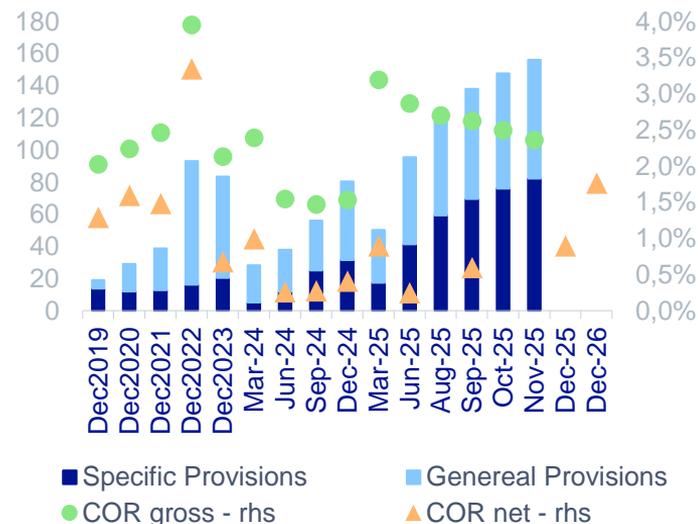
## PRIVATE BANKS: PROVISIONS & CoR\*

BN TL & LOAN LOSS PROVISIONS /AVG. NET LOANS %



## PUBLIC BANKS: PROVISIONS & CoR\*

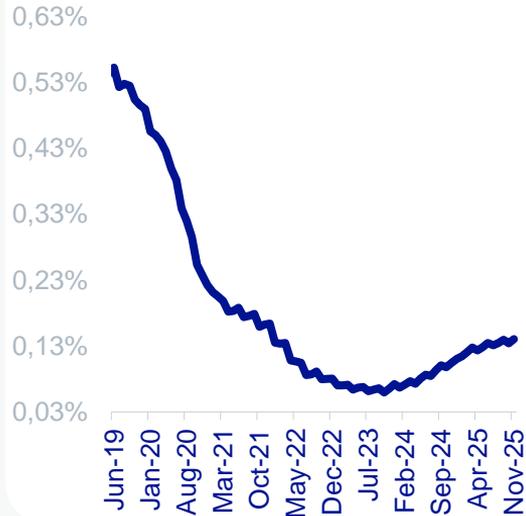
BN TL & LOAN LOSS PROVISIONS /AVG. NET LOANS %



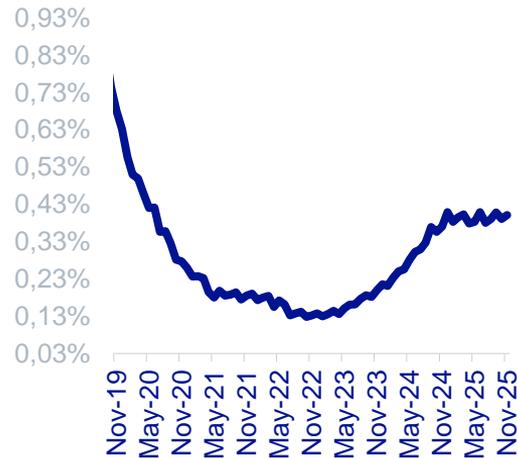
\*Due to public data restriction, we use peer banks' data as a proxy for the net CoR estimation for 2025 and 2026

# The rise in protested bills and the ratio of returned checks signal a further deterioration in SME NPL

**AMOUNT OF PROTESTED  
BILLS / GDP**  
(% 12M ROLLING)



**AMOUNT OF RETURNED  
CHECKS/ GDP**  
(% 12M ROLLING)



**RETURNED CHECKS/PRESENTED  
CHECKS**  
%



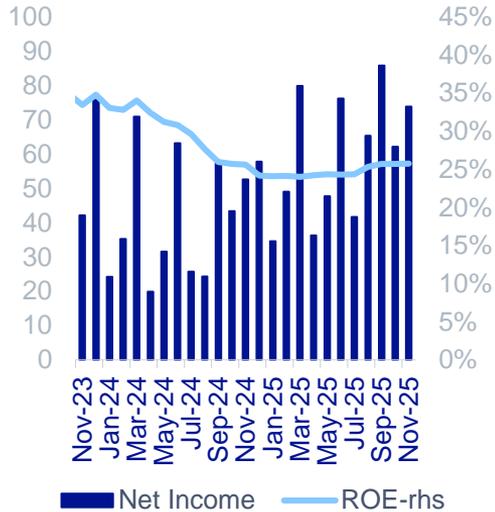
**The downward move of returned checks to presented ones in Nov is due to decline in both the total number of presented checks & returned checks.**

# Profitability

# After the m-o-m decline in Oct, net income of deposit banks rose by 20% in Nov with cumulative RoE at 26%

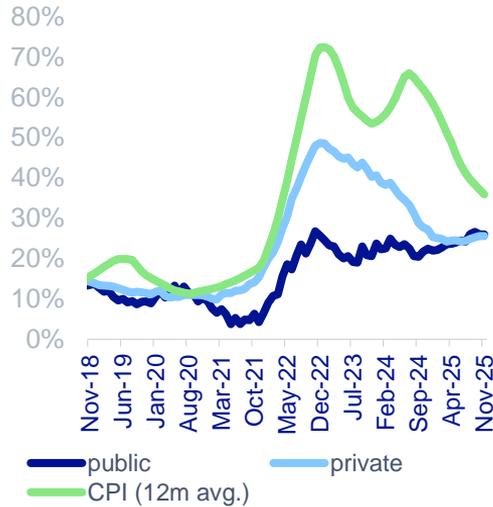
## NET INCOME & RETURN ON EQUITY (ROE)

BN TL MONTHLY, % 12M CUMULATIVE



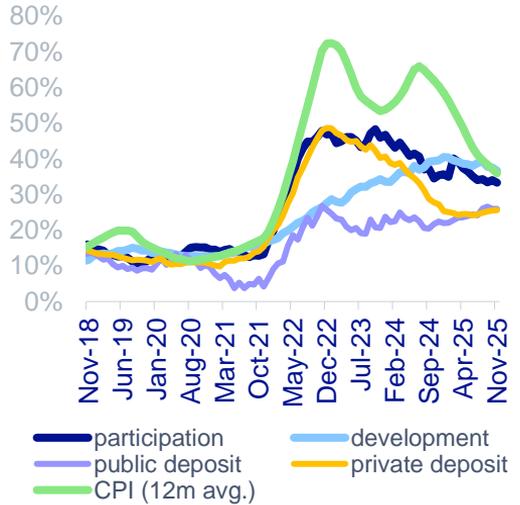
## RETURN ON EQUITY (ROE)

%12M CUMULATIVE, DEPOSIT BANKS



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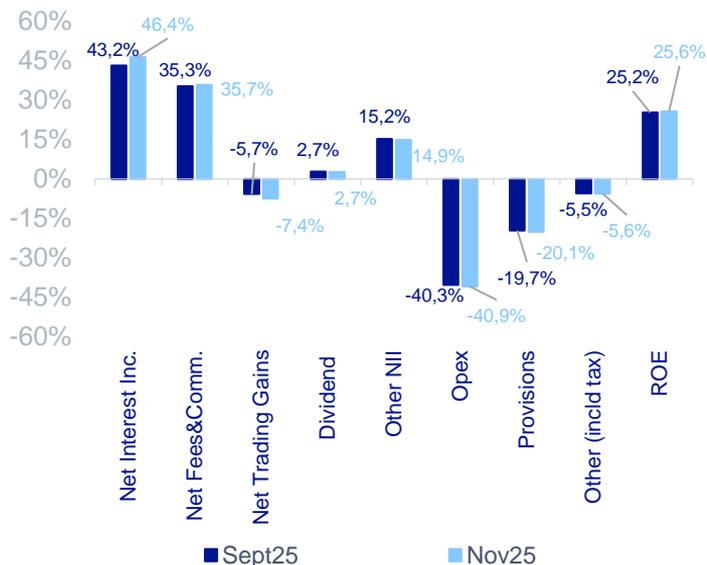
%12M CUMULATIVE, PARTICIPATION & DEPOSIT BANKS



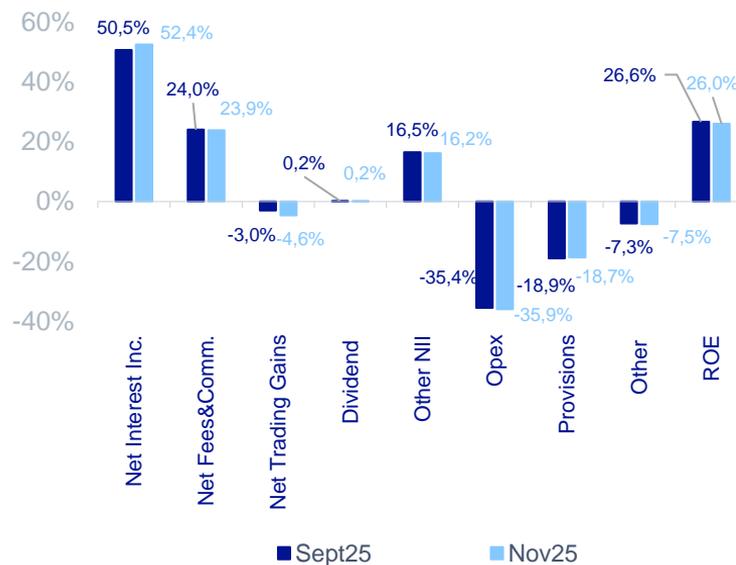
**Increase in deposit banks' net income was led by the stronger profitability increase in public banks' income in November.**

# RoE of public and private banks differentiated mainly via their fees & commissions and opex in November

## ROE COMPONENTS OF PRIVATE BANKS 12M CUMULATIVE

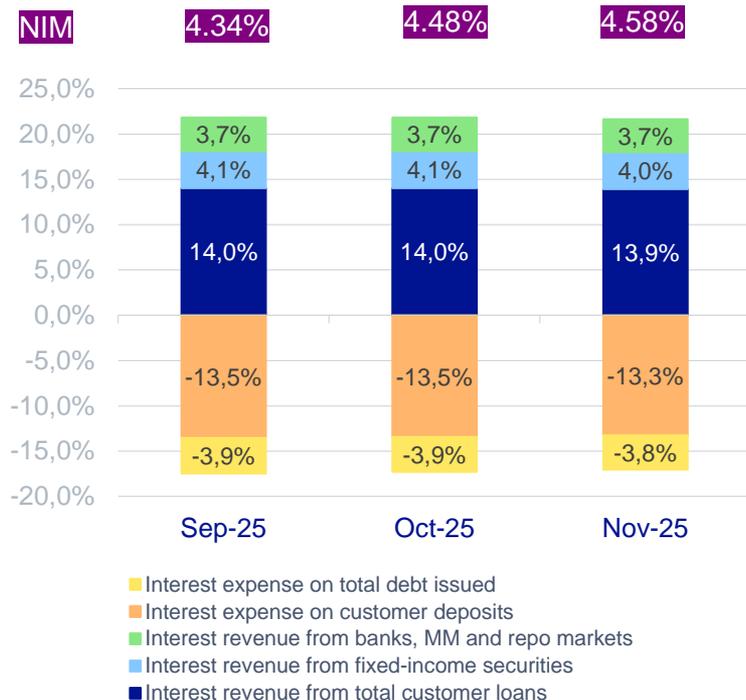


## ROE COMPONENTS OF PUBLIC BANKS 12M CUMULATIVE

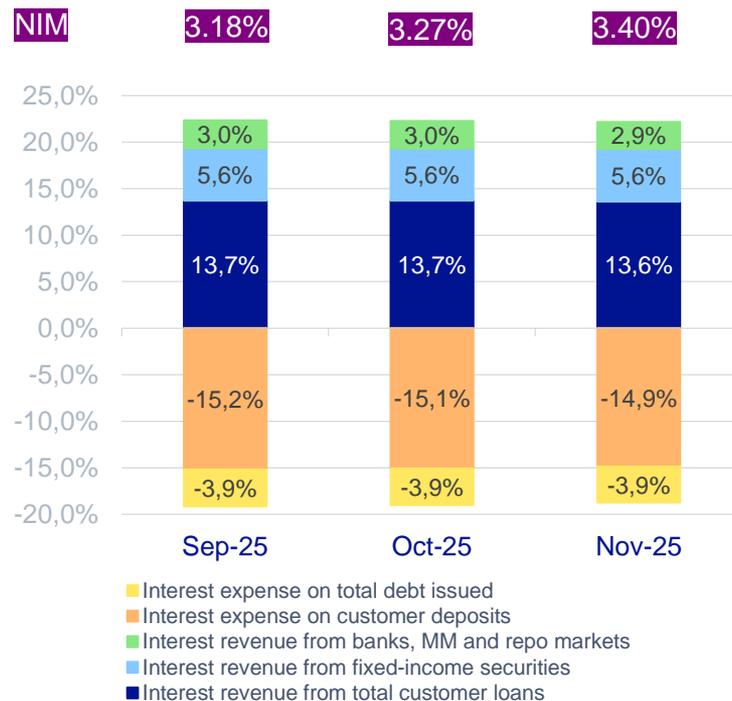


# The improvement in Nov NIMs was led by the decline in deposit costs of both public and private banks

## NIM\* COMPONENTS OF PRIVATE BANKS



## NIM\* COMPONENTS OF PUBLIC BANKS



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