

DENİZ ERGUN  
AUGUST 2025

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# Türkiye Banking Sector Outlook

## CREDIT OUTLOOK



With the start of the easing from the CBRT since mid-June, banks' interest margins improve, particularly on the commercial segment. The credit growth keeps its overall trend rate closer to inflation since the regulatory growth caps continue. The extension of the time horizon to 8 weeks (vs. 4 weeks before) for credit growth caps give the banks somewhat a flexibility to better manage their pricing. On the other hand, the recent update on the definition of SMEs might be interpreted as some sort of additional easing on this segment, which might support the credit growth outlook in the coming months.

## CREDIT SEGMENTS



The growth momentum in TL credits continue to hover around the same levels in both public and private banks. However, public banks rather grow on TL commercial credits, whereas private banks on consumer credits. Credit card spending seems to keep its momentum with levels staying above inflation. FC credit growth remains limited and fluctuates mostly with parity effects.

## DEPOSITS & DOLLARIZATION



Global financial volatility and news flow on domestic politics are on the radar for the overall sentiment of residents. The attractiveness of TL rates continues to boost investment in TL assets; on the other hand, FC demand also remains yet modestly on top of mainly FC funds. FC protected scheme (KKM) amount has declined to around \$10bn and has been terminated (except for YUVAM accounts) as of August 23rd. The dollarization ratio of residents -even including funds- remains closer to 40%.

## PROFITABILITY



In 2Q25, banks continued to operate under high TL funding costs with ongoing NIM pressure. Provision expenses and OPEX costs weighed as well, whereas fees and commissions backed the profitability. Cumulative RoE of deposit banks remained almost the same at 24% compared to 2024 end as of June, which is 35% in participation and 38% in development banks. The expected continuing fall in funding costs with the CBRT rate cuts will help improve the NIMs of banks in 2H25. Nevertheless, given the aggressive inflation target of the CBRT for 2026, macro-prudential measures and liquidity policies will remain essential for longer during the already started rate cutting cycle.

## ASSET QUALITY



Although at a slower pace, the increase in NPL ratios continues in the sector. The share of the sum of Stage 2 and NPLs in total loans increased further to 12% in 2Q25 for peer deposit banks. Commercial NPLs are rather stable whereas retail NPL ratio continues to move up. With that, banks keep raising their provisioning levels. However, the recent (10th July) BRSA\* decision on credit card and GPL debt restructurings is expected to ease the upward pressure on NPLs and on banks' CoR levels somewhat.

## CAPITAL



Capital ratios rose in June, mainly due to the increase in CET 1 ratios. The equity increase was high in both private and public banks, reinforced by their profit. BRSA forbearance measures continue to support the sector capital ratios against any significant TL depreciation.

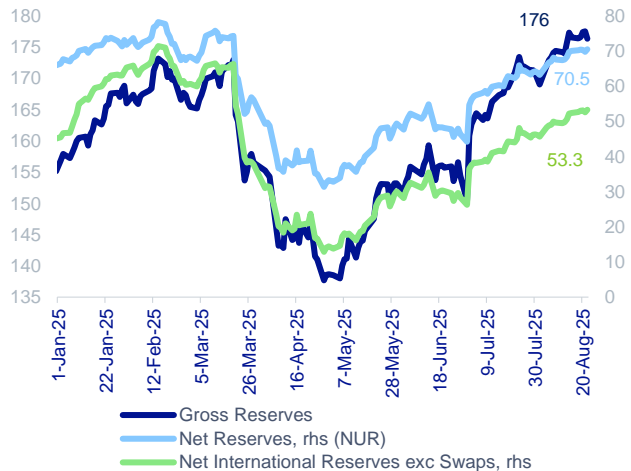
\* BRSA announced that delinquent credit card and general purpose cash loans of any size and time can be restructured up to 48 months where the interest rate applied will be capped at 3.11%/month. The existing scheme, which is in place since September 2024, asks for the miss of the minimum payment requirement for CCs and lack of principle and/or interest payment for 30 days for GPLs. The expansion of the restructuring framework allows a larger portion of retail loans to be restructured before being classified as non-performing loans.

# Credit Developments

# The CBRT seems more comfortable with the recovery in its reserves during the summer

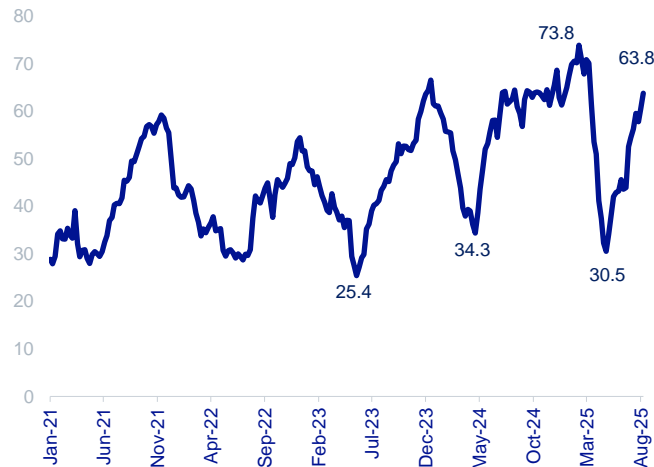
## CBRT INTERNATIONAL RESERVES

(\$Usbn, as of 22nd of August)



## CBRT HIGH LIQUID FOREIGN

ASSETS (\$Usbn, as of 15th of August)

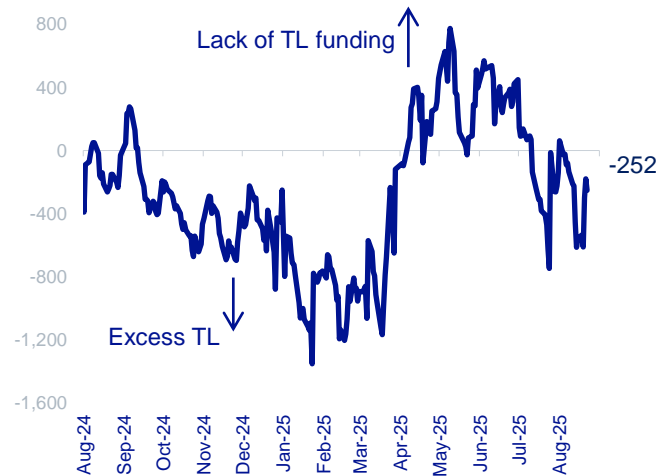


Source: TURKSTAT, CBRT and Garanti BBVA Research

**The CBRT has received back above 70% of the net reserves (excluding swaps) that it had lost in March-April till late August.**

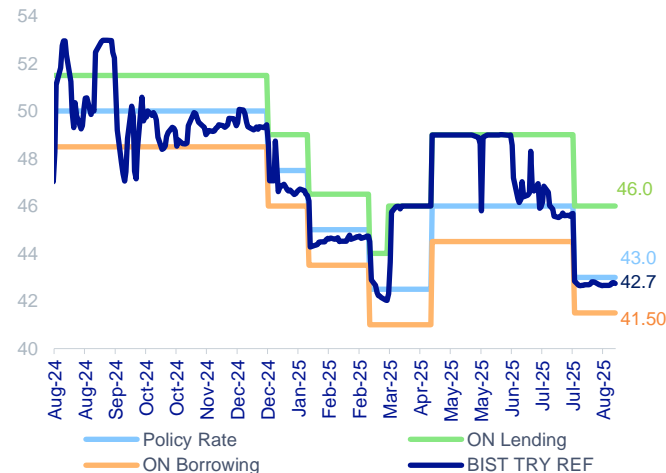
# The improvement in CBRT reserves leads to again excess TL liquidity, which is tried to be sterilized back

**NET CBRT FUNDING**  
(BN TL)



\* Negative refers to excess TL liquidity, positive refers to the funding need of the market  
Source: CBRT and Garanti BBVA Research

**CBRT FUNDING RATE & BIST TRY REF RATE**  
(%, SIMPLE)



Source: CBRT and Garanti BBVA Research

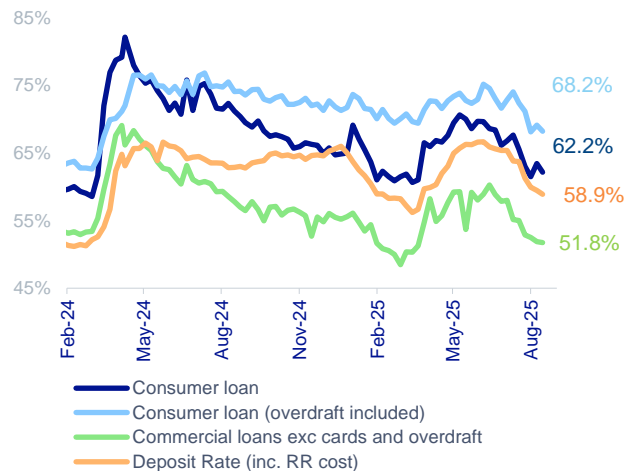
**The CBRT sterilizes excess TL liquidity via mainly TL depo auctions, by which they aim to adjust the ON TRY rate closer to the policy rate.**

# After 300bps rate cut of the CBRT in July, loan and deposit rates ease in tandem by 300-400bps

Commercial rates might be additionally affected after the new regulation\* on SMEs.

## LOAN AND DEPOSIT INTEREST RATES

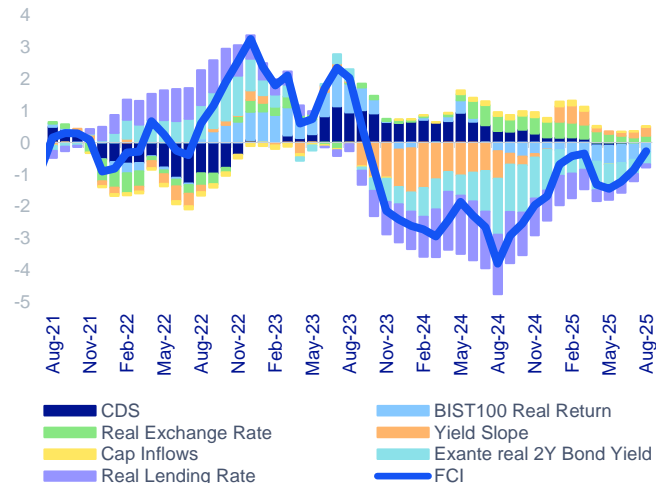
(%, SECTOR, WEEKLY FLOW, COMPUND)



Source: CBRT and Garanti BBVA Research

## GARANTI BBVA FINANCIAL CONDITIONS INDEX

(FCI) (STANDARDIZED, + EASING, - TIGHTENING)



Source: TURKSTAT, CBRT, Bloomberg and Garanti BBVA Research

**Deposit rules (on targets for TL share in both retailers and corporates) continue in order to maintain a buffer not to allow a fast decline in TL deposit rates during the rate cutting cycle.**

\* On August 7th, the definition of SMEs has been extended so that the sales/assets threshold for SME classification has been increased from TL500mn to TL1bn (US\$25mn) which is expected to have an accelerating impact on the SME growth in the coming weeks.

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

## Regulations for TL deposit share and KKM

- The monthly growth target for real-person TRY deposit share remains to be 0.8pp in banks with a share below 60% and 0.4pp in the ones btw 60-65% ratio. For the ones above 65%, the rule is to keep it. The commission rate applied based on the share of TL has been revised up to 4% (vs. 3%).
- The monthly growth targets for commercial TRY deposit shares are kept as 0.3pp. For the ones above 60% ratio, the rule is to keep it. The commission rate applied based on the share of TL has been revised up to 2% (vs. 1.5%).
- The opening and renewal of KKM accounts for real persons is terminated (excluding YUVAM accounts) as of August 23rd.
- The minimum interest rate applicable to KKM accounts is maintained at 40% of the policy rate.

## Loan growth caps

- Limits on TL & FC loan growth will be reviewed via 8 weeks (vs. 4 weeks previously) with prior monthly caps of 2.5% for TL SME loans & 1.5% for non-SME TL commercial loans excluding export & investment loans; 2% auto loans, 2% GPL, 2% for overdraft loans with more than 3 installments; 0.5% for FC loans
- CGF & «breath» credits (a low-interest credit package provided to SMEs through banks) have been excluded from the monthly growth caps.
- The sales/assets threshold for SME classification has been increased from TL500mn to TL1bn (US\$25mn).

## Regulations on RR

- 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 22-32% for FC deposits
- The RRR of 18% for funds from repo transactions from abroad & loans obtained from abroad of a maturity up to 1 month, and 14% up to 3 month
- The RRR of 12% for deposits from banks abroad
- The RRR of 10% for CPI-, PPI-, and TLREF-indexed deposits

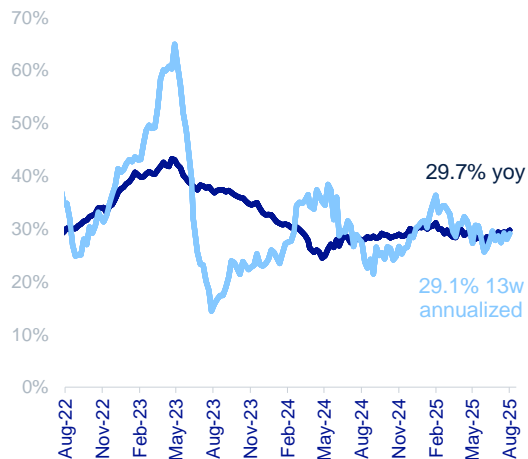
## Regulations for Capital Adequacy Ratio

- Elimination of additional risk weights on banks' CAR calculations.
- USDTRY forbearance level used in CAR calculations: 32.82 (28.06 2024 CBRT «Buy» rate) has been fixed.

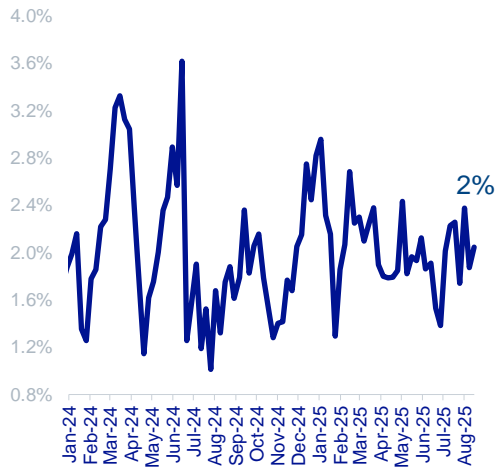


# 4w trend in credit growth stays closer to monthly CPI trend in both public and private banks

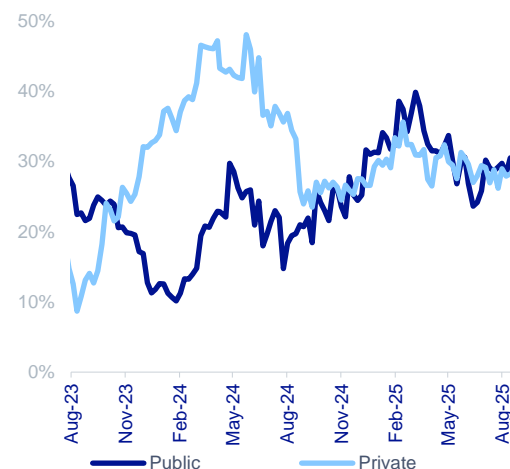
**TOTAL CREDIT GROWTH  
(FX ADJ)**  
13 WEEK ANNUALIZED & YOY



**TOTAL CREDIT GROWTH  
(FX ADJ)**  
4 WEEK CUMULATIVE

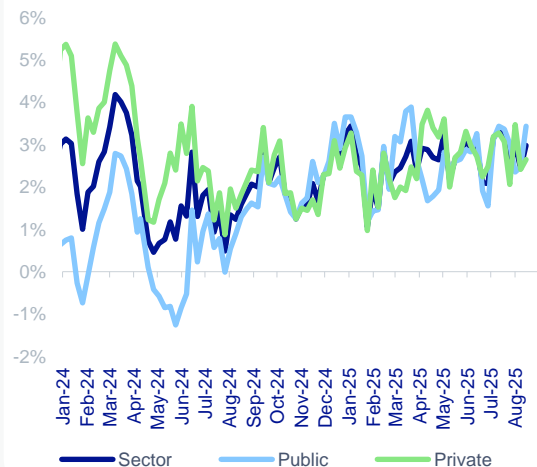


**TOTAL CREDIT GROWTH  
(FX ADJ)**  
13 WEEK ANNUALIZED

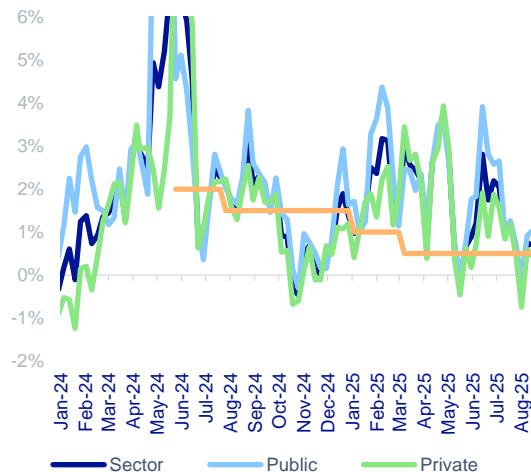


# The most recent acceleration is due to TL credits. FC lending growth is below the regulatory thresholds\*

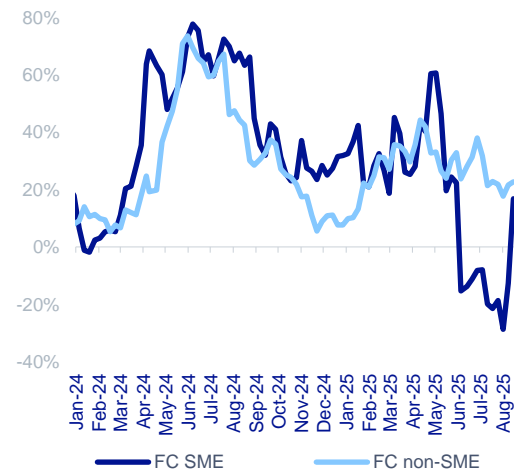
**TL CREDIT GROWTH:  
PUBLIC VS PRIVATE BANKS**  
4 WEEK CUMULATIVE, DEPOSIT BANKS



**FC CREDIT (USD) GROWTH:  
PUBLIC AND PRIVATE BANKS**  
4 WEEK CUMULATIVE, DEPOSIT BANKS



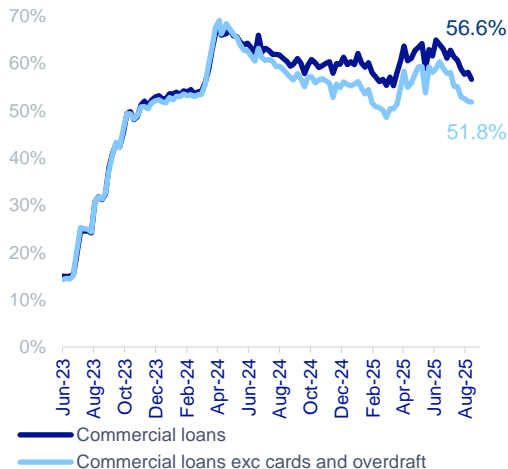
**FC CREDIT (USD) GROWTH:  
PUBLIC AND PRIVATE BANK**  
13 WEEK ANNUALIZED



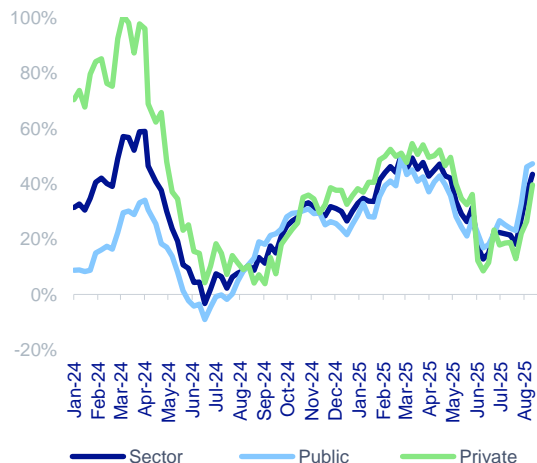
\* Except for the acceleration seen in the last two weeks, caused by the parity impact

# TL SME credit growth has been led by mainly public banks, whereas non-SME growth decelerates in sector

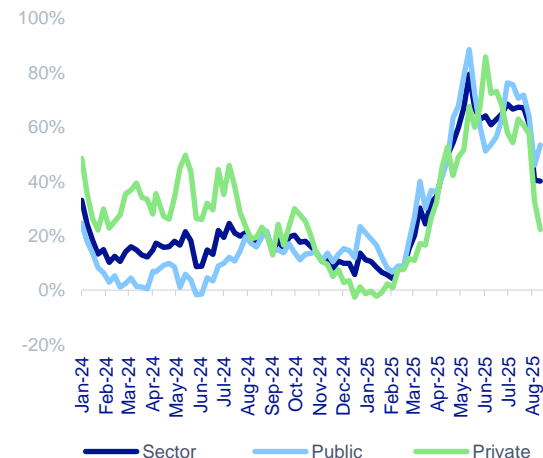
**TL COMMERCIAL CREDIT RATES**  
WEEKLY, COMPOUND, FLOW



**TL SME COMMERCIAL CREDITS GROWTH**  
13 WEEK ANNUALIZED



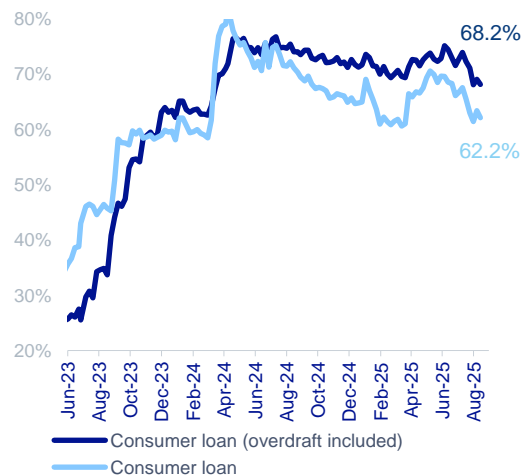
**TL NON-SME COMMERCIAL CREDITS GROWTH**  
13 WEEK ANNUALIZED



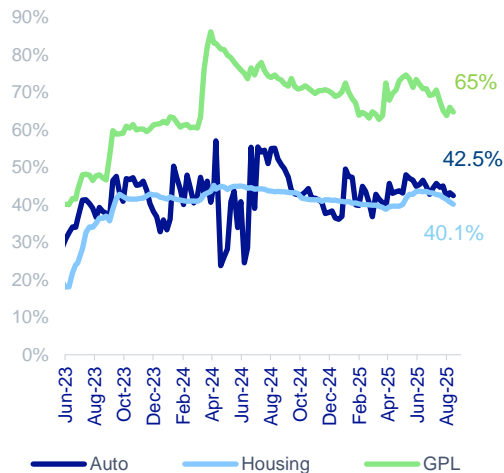
On August 7th, the definition of SMEs has been extended so that the sales/assets threshold for SME classification has been increased from TL500mn to TL1bn (US\$25mn) which is expected to have an accelerating impact on the SME growth in the coming weeks.

# Consumer credit growth -excluding credit cards- stays weaker in public banks

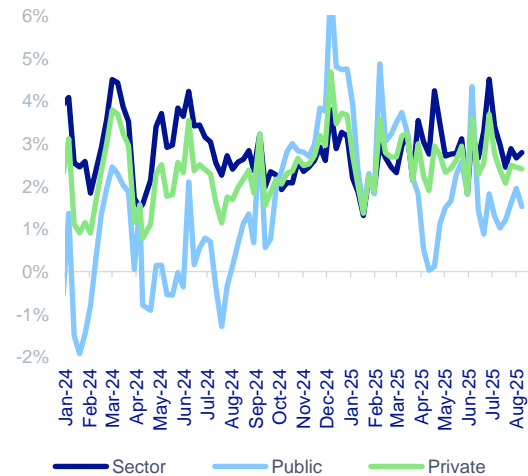
## CONSUMER CREDIT RATES WEEKLY, COMPOUND, FLOW



## CONSUMER CREDIT RATES 4 WEEKLY, COMPOUND, FLOW



## CONSUMER\* CREDIT GROWTH 4 WEEK CUMULATIVE, DEPOSIT BANKS

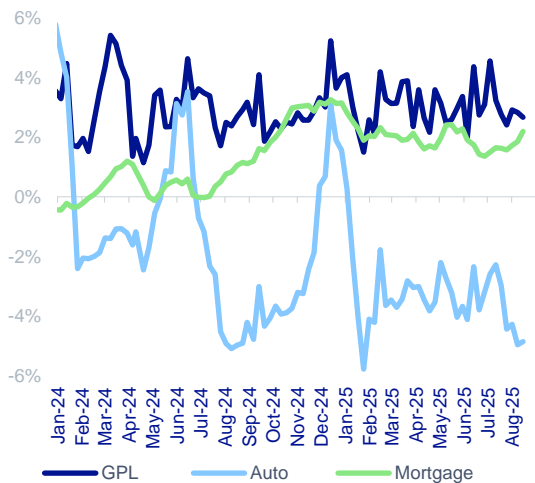


\* housing, auto, general purpose loans (GPL).  
Source: BRSA and Garanti BBVA Research

# The growth in GPLs stays above the monthly cap due to exceptions. Credit card growth gains pace since June

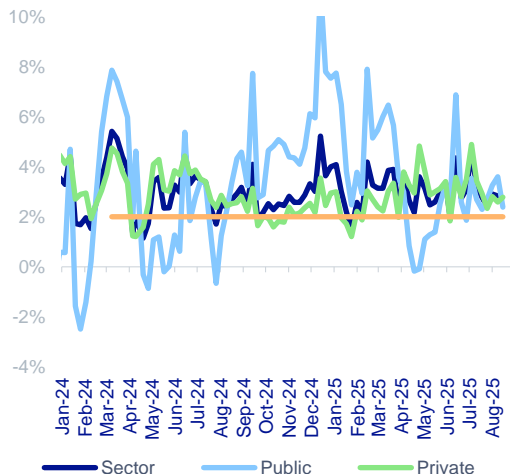
## CONSUMER CREDIT GROWTH

4 WEEK CUMULATIVE,  
DEPOSIT BANKS



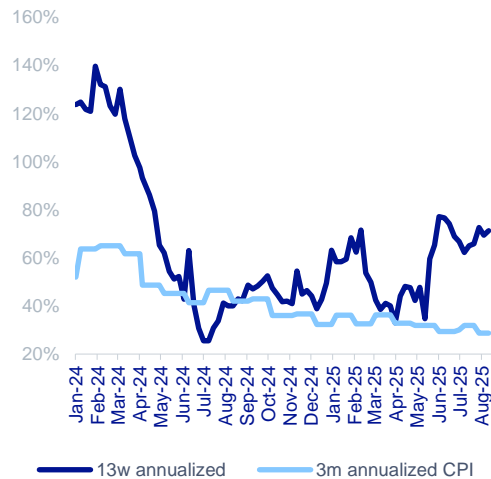
## GENERAL PURPOSE LOANS

4 WEEK CUMULATIVE,  
DEPOSIT BANKS



## RETAIL CREDIT CARDS

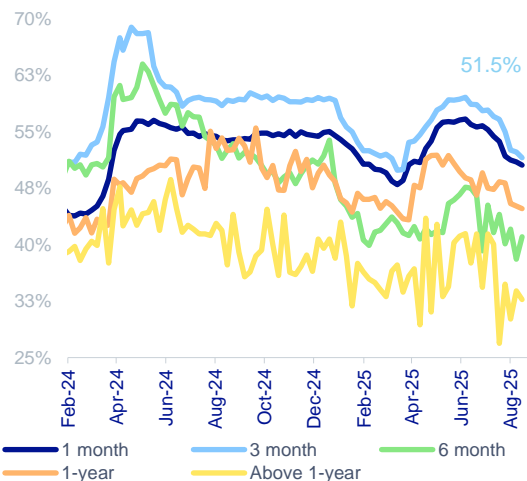
SPENDING GROWTH  
DEPOSIT BANKS



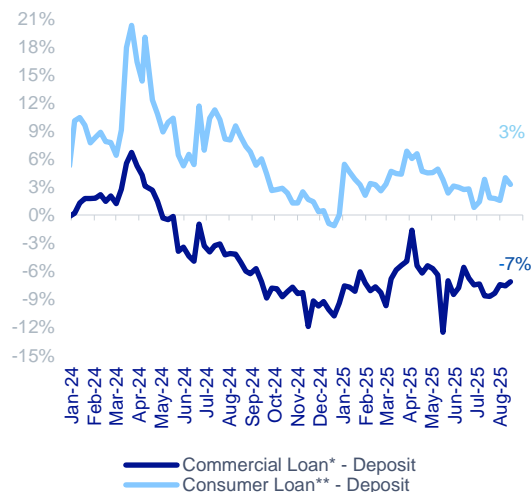
# Liquidity

# Banks' spread has started to improve more clearly in commercial segment. KKM shrinks further to c.a. \$10bn

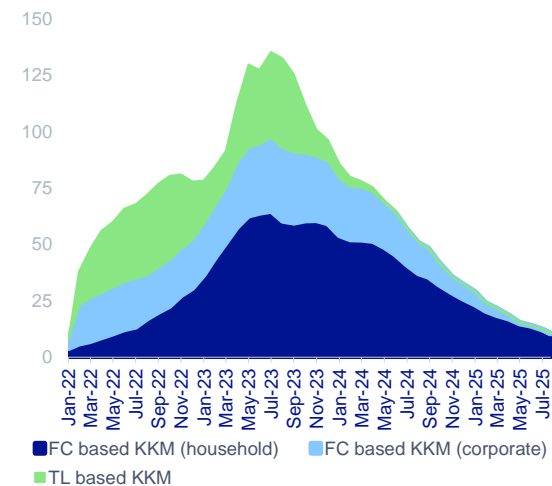
**TL DEPOSIT INTEREST RATES**  
%, FLOW, SECTOR, WITHOUT RR COST



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



**FC PROTECTED SCHEME (KKM)**  
\$USbn



\* Excluding overdraft loans

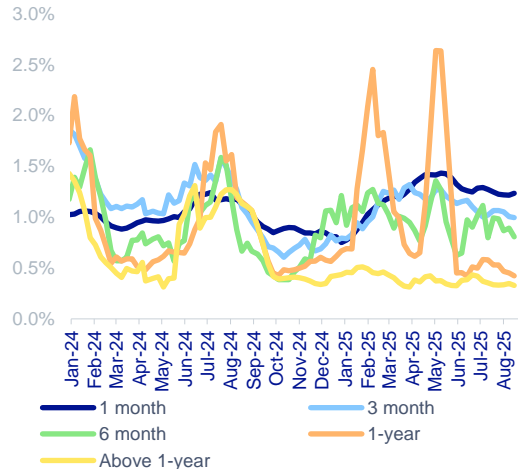
\*\* Excluding overdraft loans and credit cards

Source: CBRT & Garanti BBVA Research

# With a higher fall in FC credit rates than FC deposit rates, FC spreads are narrowing down

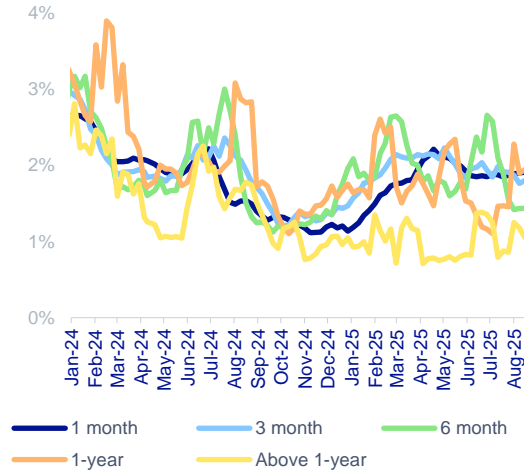
## EURO DEPOSIT RATES

%, 4W AVG, FLOW, SECTOR



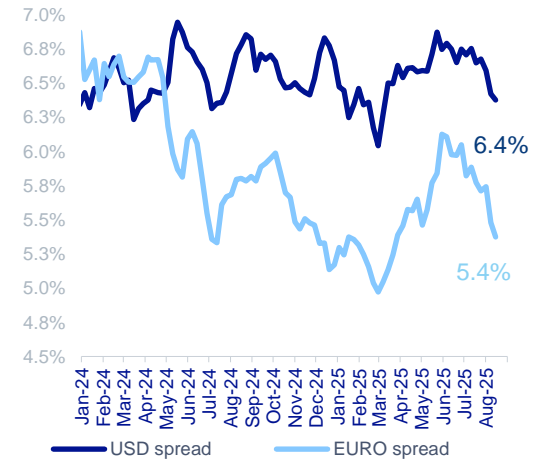
## USD DEPOSIT RATES

%, 4W AVG, FLOW, SECTOR



## FC INTEREST RATE SPREAD

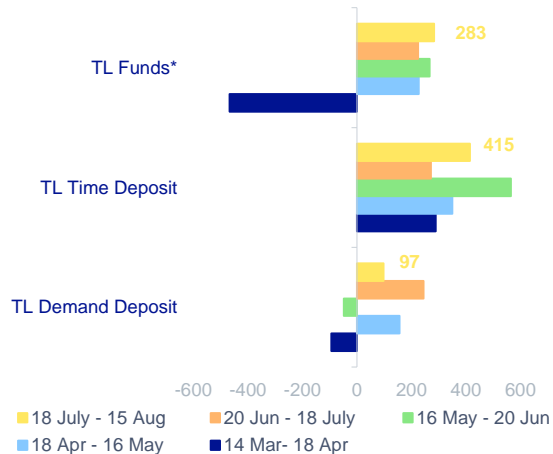
%, 4W AVG, FLOW, SECTOR



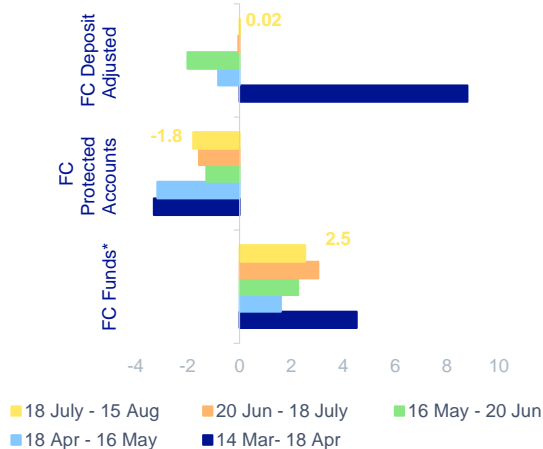


# We currently observe a stronger tendency of residents towards TL assets, mostly in favor of TL time deposits

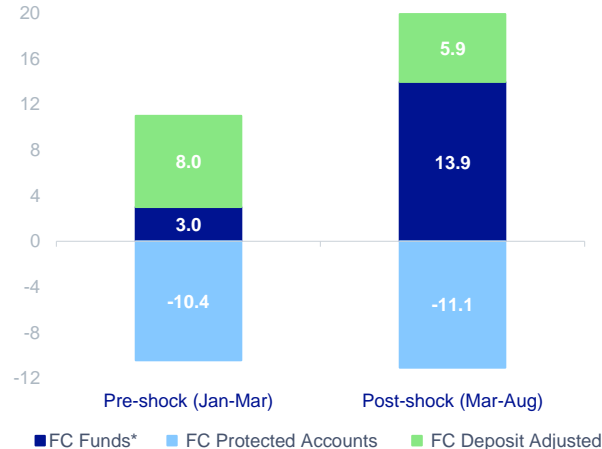
## CHANGES IN TL INSTRUMENTS, SECTOR (BN TL)



## CHANGES IN FC INSTRUMENTS, SECTOR (\$USbn)



## CHANGES IN FC INSTRUMENTS, SECTOR (\$USbn, as of Aug 15th)



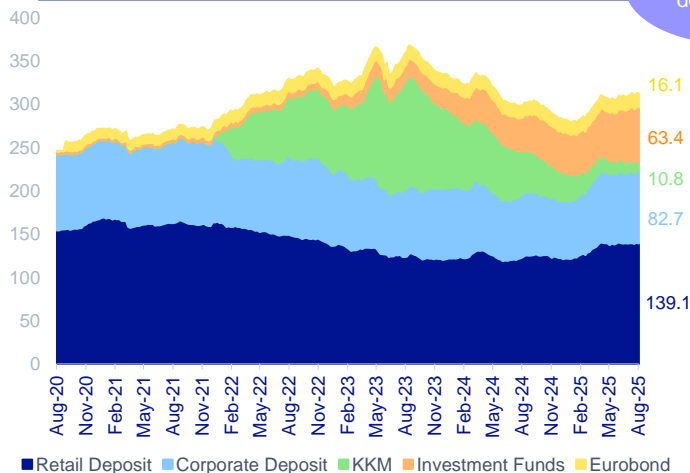
\* FC Funds consist of FC Hedge Funds, Eurobond Funds and Precious Metals Funds. TL Funds include Money Market Participation & Hedge Funds, Stock Market Funds, Debt Securities Funds, TL Hedge Funds and TL Variable Funds

Source: TEFAS, BRSA, CBRT and Garanti BBVA Research

**KKM has been finalized except for YUVAM accounts. A higher FC demand in favor of FC funds than the KKM exit has started to be seen after March shock.**

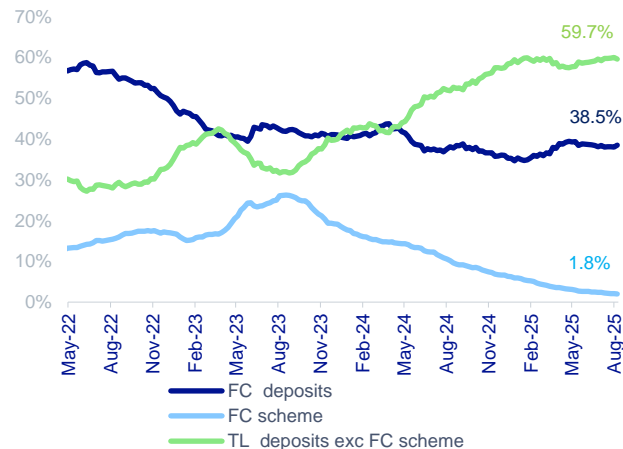
# FC demand of residents continues only modestly with steady but limited inflows into FC funds (\$17bn ytd)

## FC PRODUCTS HELD BY RESIDENTS (\$USbn, HHOLDS + NON-FIN CORPORATES)



Source: CBRT and Garanti BBVA Research

## BANKING SECTOR DEPOSITS (% SHARE IN TOTAL)



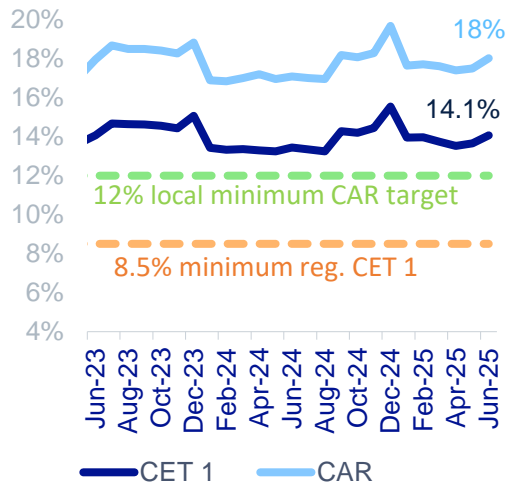
Source: CBRT and Garanti BBVA Research

**The CBRT evaluates there is a little more room to increase the TL deposit ratio above 60%, by which they maintain deposit rules in order to avoid a fast decline in TL deposit rates.**

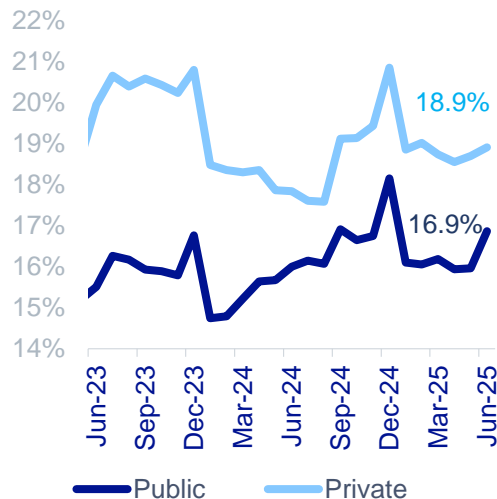
# Solvency and Capital Adequacy

# Capital ratios moved up in June with the rise in the CET1 capitals in the sector, supported by the profits

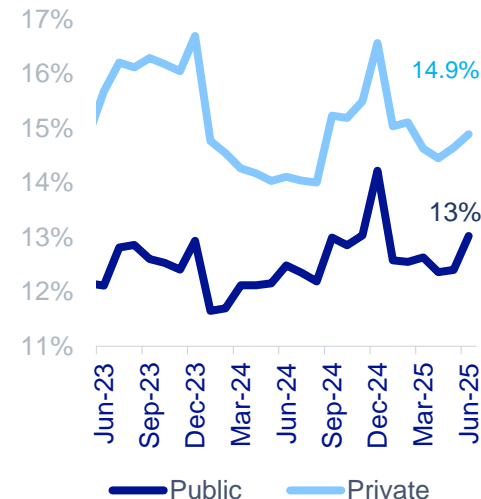
**CAPITAL ADEQUACY RATIO (CAR) AND CET 1 RATIO\* (%)**



**CAPITAL ADEQUACY RATIO (%)**



**CET 1 \* RATIO (%)**

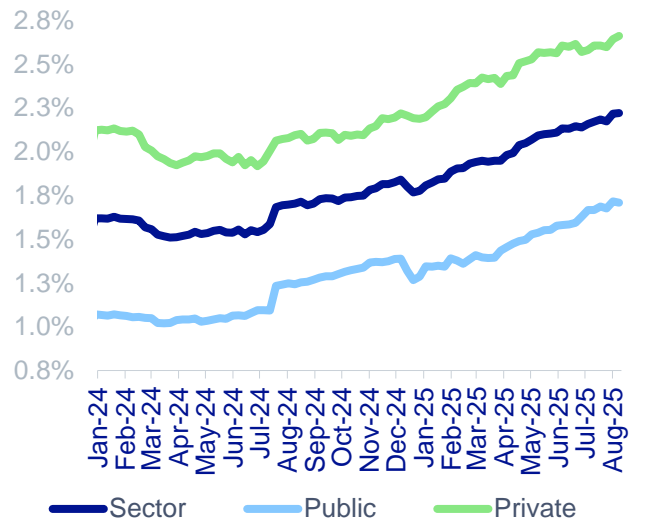


\* Common Equity Tier 1.  
Source: BRSA and Garanti BBVA Research.

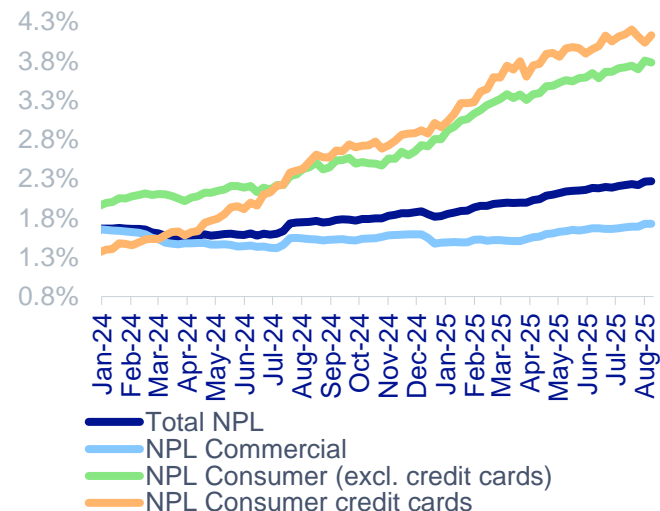
# Asset Quality

# NPL continues to move upward. Yet, restructurings in retail customers as of July ease the upward pressure

## NPL RATIO %



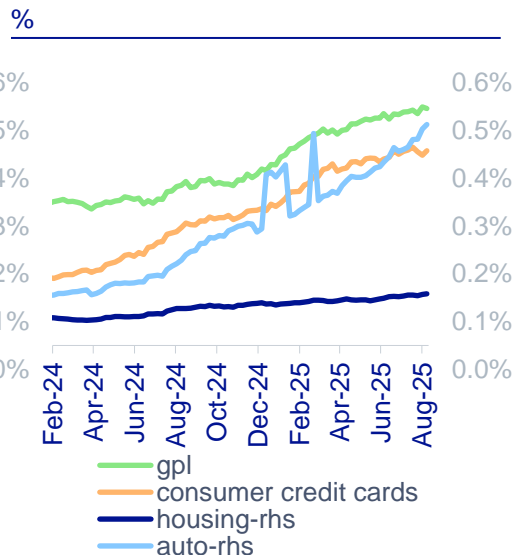
## NPL RATIO IN SUBSEGMENTS %



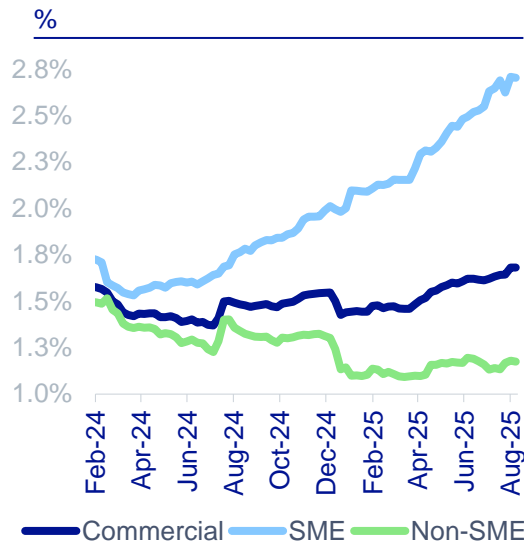
In Sep24, restructuring options for credit cards and general purpose loans were introduced if the minimum payment requirement has not been met for the former and principle and/or interest payment has not been made for 30 days for the latter: debts will be able to be restructured for up to 60 months where the interest rate applied will be capped at 3.11%/month, and card limits of customers benefiting from the restructuring will not be increased until 50% of the restructuring debt has been paid back. This decision has been updated in July25 so that the delinquent credit card and general purpose cash loans of any size and time can be restructured up to 48 months where the interest rate applied will be capped at 3.11%/month.

# Commercial NPL hovers around 1.7%. Consumer NPL increase continues mainly due to credit cards

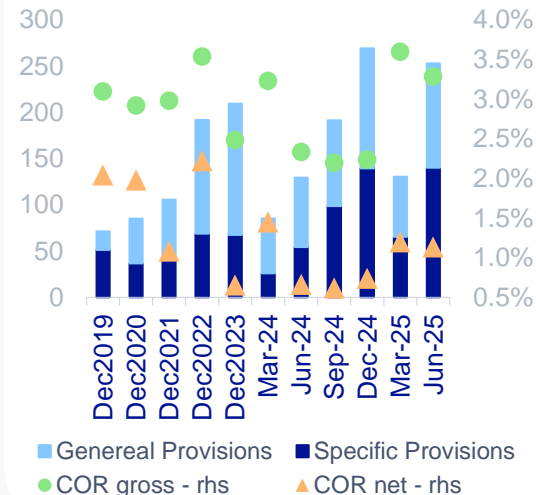
## NPL RATIO IN CONSUMER LOANS



## NPL RATIO IN COMMERCIAL LOANS



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

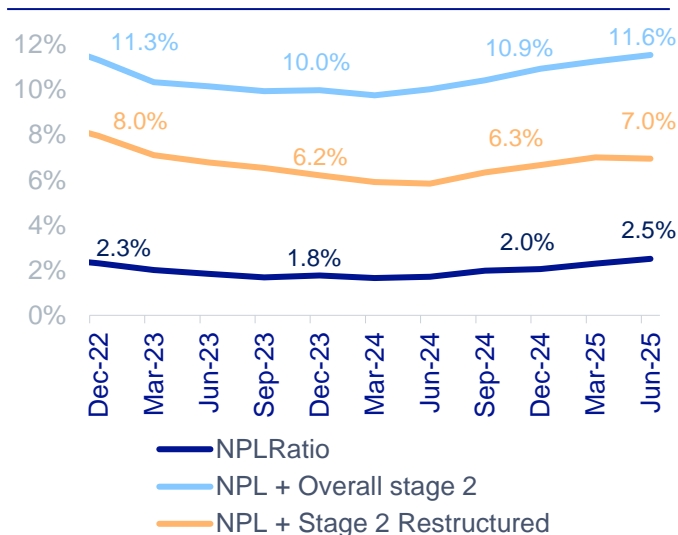


\* Due to public data restriction, we use peer banks' data as a proxy for the net CoR estimation.

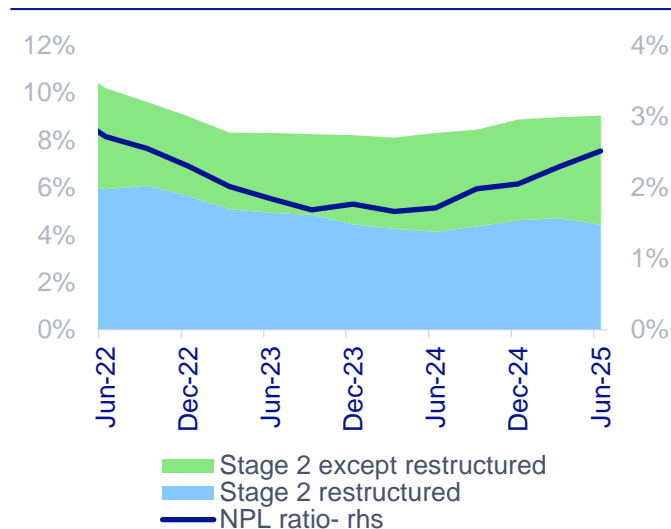
Source: CBRT, BRSA and Garanti BBVA Research.

# The share of Stage 2 and NPLs\* in total loans rose further to 11.6% in 2Q25, mainly led by group 2 loans

## ASSET QUALITY OUTLOOK: PEER DEPOSIT BANKS\*\*



## RATIO OF STAGE 2 LOANS & RESTRUCTURED LOANS IN TOTAL GROSS LOANS



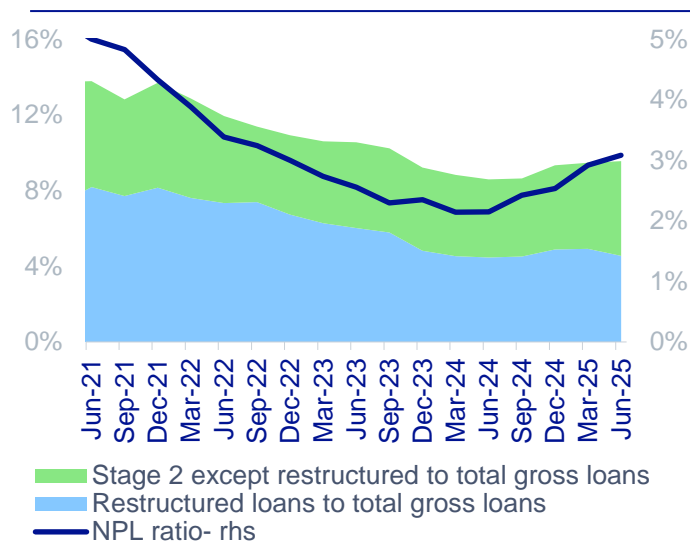
\* According to the definition of the CBRT Financial Stability Report, the share of the sum of Stage 2 and NPLs in gross loans is taken into account as total credit risk.

\*\* All indicators are proportioned to gross loans. Data includes 7 top peer deposit banks as 4 private and 3 public banks

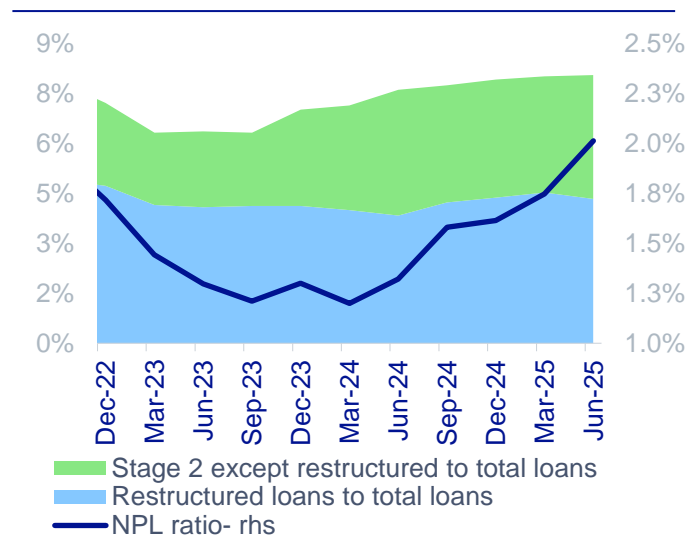


# Share of restructured loans fell in all peers compared to 1Q25; but NPL growth acceleration in public peers continued in 2Q25

**RATIO OF STAGE 2 LOANS & RESTRUCTURED LOANS: PRIVATE DEPOSIT BANKS**

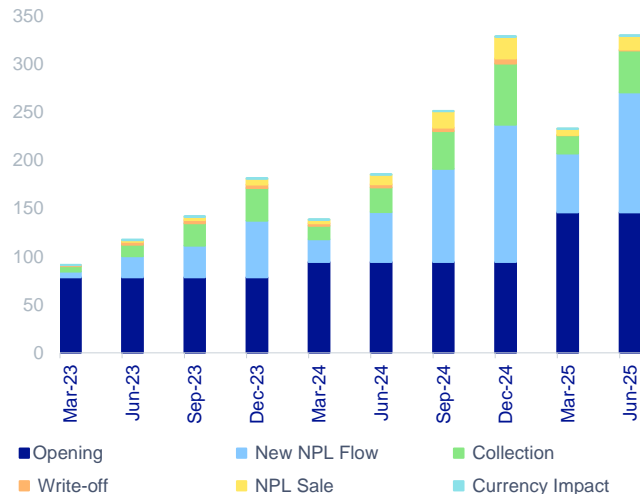


**RATIO OF STAGE 2 LOANS & RESTRUCTURED LOANS: PUBLIC DEPOSIT BANKS**

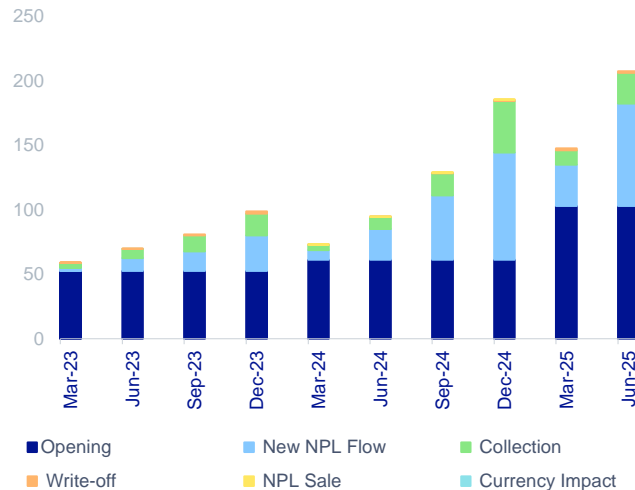


# Still continuing collections together with sales avoid a faster increase in NPL

## NPL MOVEMENTS PEER PRIVATE BANKS\* BN TL



## NPL MOVEMENTS PEER PUBLIC BANKS\* BN TL

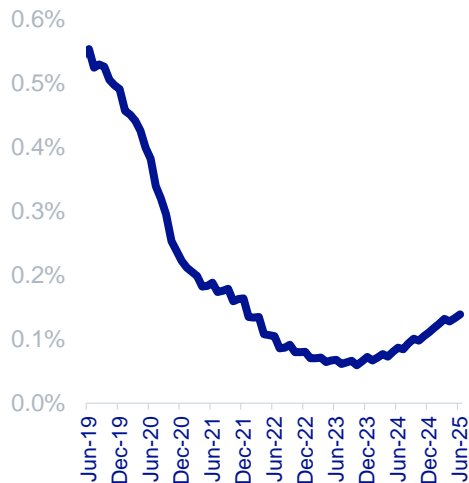


\* Data includes 7 top peer deposit banks as 4 private and 3 public banks.

Source: KAP (Public Disclosure Platform), Garanti BBVA Research.

# The ratio of returned checks moves up since March, yet remains below its previous peak

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



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



**RETURNED CHECKS/PRESENTED  
CHECKS**  
%

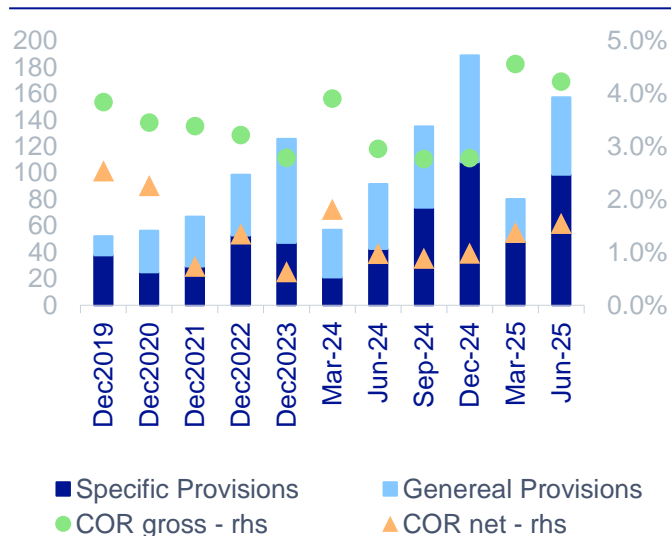


Source: The Banks Association of Turkey- Risk Center and Garanti BBVA Research.

# Cost of risk is on the rise but the worsening happens more gradually than expected

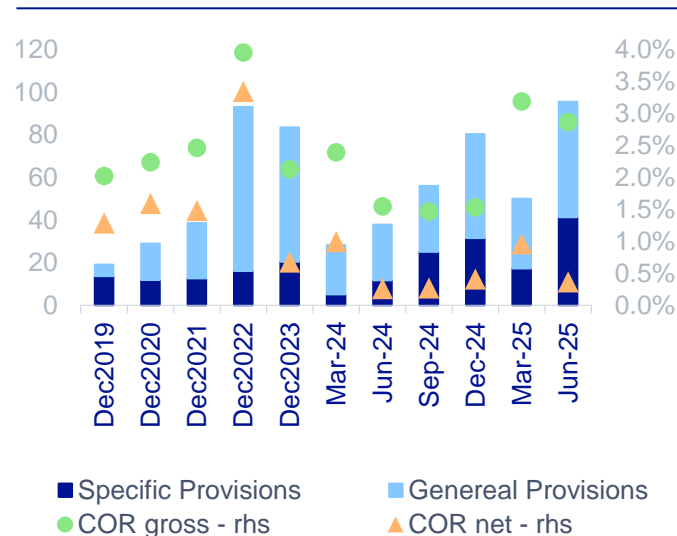
## PRIVATE BANKS: PROVISIONS & CoR

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



## PUBLIC BANKS: PROVISIONS & CoR

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



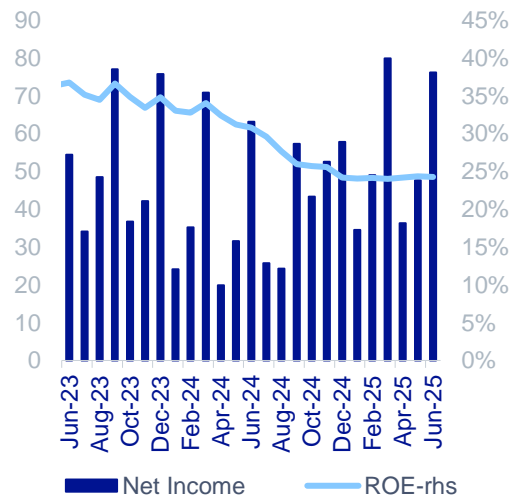
# Profitability

# Deposit banks' net income rose by 32% y/y in June. Net monthly avg. income in 2Q25 fell by 2% vs. 1Q25

Net monthly avg. income in 2Q25 fell by 22% vs. 1Q25 in public banks vs 10% increase in private banks.

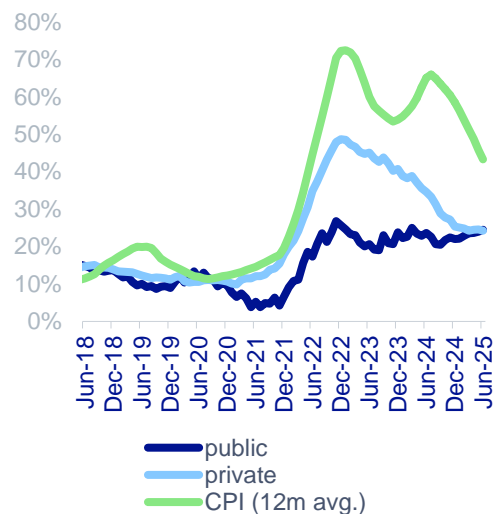
## NET INCOME & RETURN ON EQUITY (ROE)

BN TL MONTHLY, % 12M CUMULATIVE



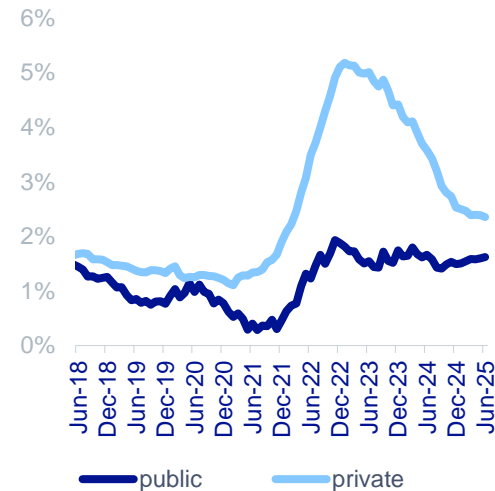
## RETURN ON EQUITY (ROE)

%12M CUMULATIVE



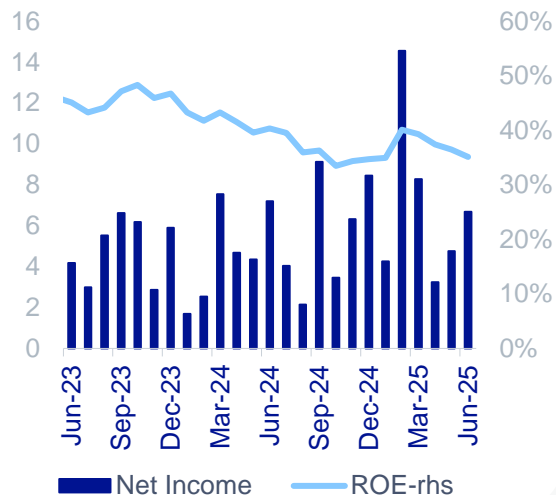
## RETURN ON ASSETS (ROA)

%12M CUMULATIVE

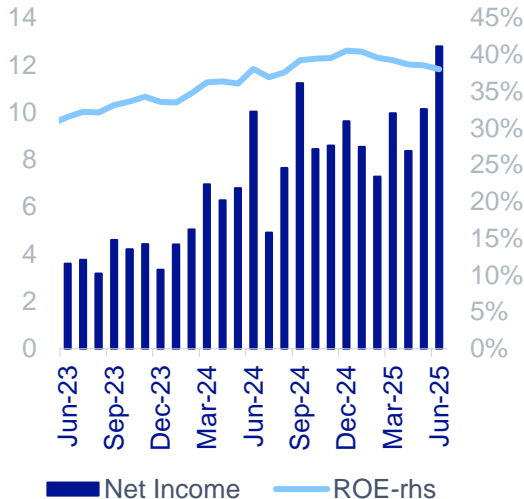


# Net monthly avg. income in 2Q25 fell significantly in participation banks (-46%) whereas it rose in development banks (21%) compared to 1Q25

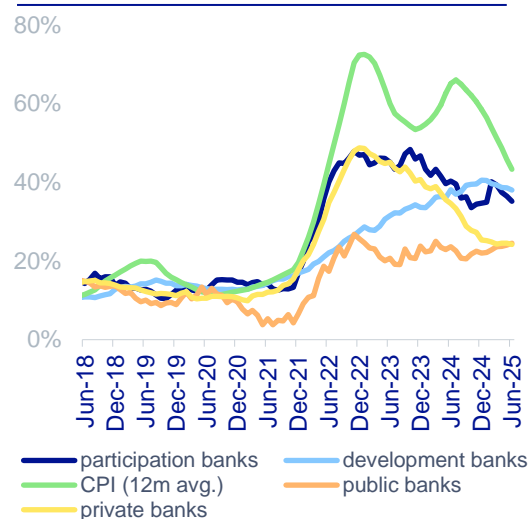
**NET INCOME & RETURN ON EQUITY (ROE) – PARTICIPATION BANKS**  
BN TL MONTHLY, % 12M CUMULATIVE



**NET INCOME & RETURN ON EQUITY (ROE) – DEVELOPMENT BANKS**  
BN TL MONTHLY, % 12M CUMULATIVE



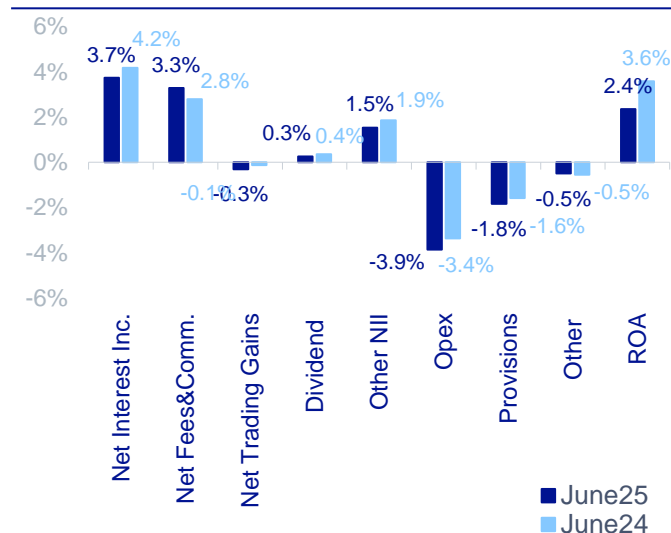
**RETURN ON EQUITY (ROE) %12M CUMULATIVE**



# Public and private banks seem to have differentiated mainly in their net interest income and OPEX costs

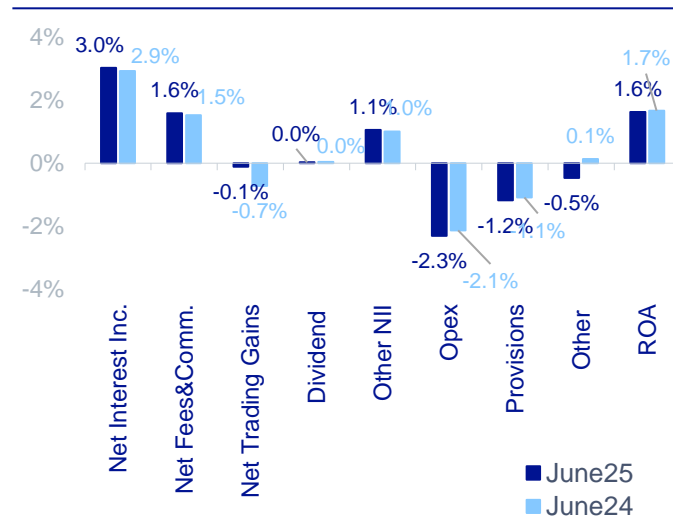
## ROA COMPONENTS PRIVATE BANKS

12M CUMULATIVE AS OF JUN25 VS JUN24



## ROA COMPONENTS PUBLIC BANKS

12M CUMULATIVE AS OF JUN25 VS JUNE24

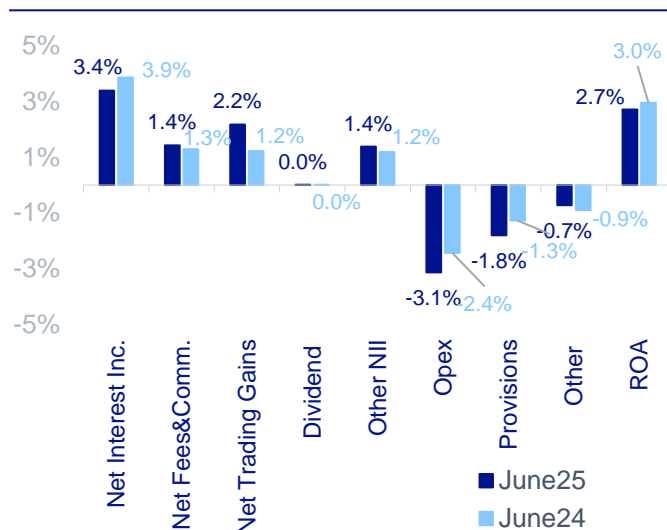




# Net interest income was strong in development banks whereas OPEX costs seem to weigh on participation banks

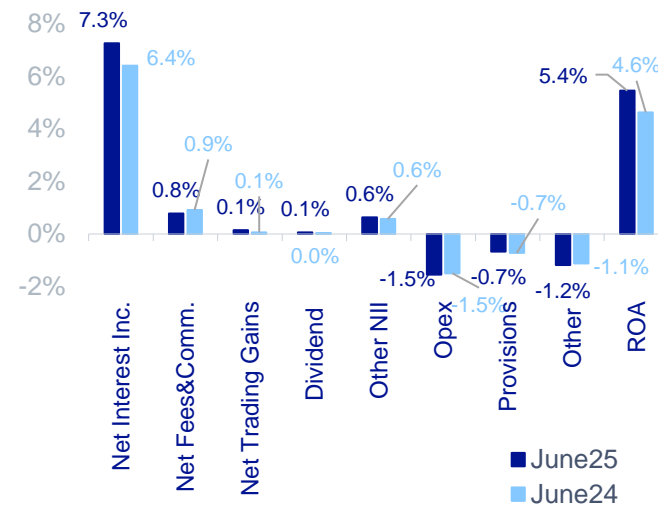
## ROA COMPONENTS PARTICIPATION BANKS

12M CUMULATIVE AS OF JUN25 VS JUN24



## ROA COMPONENTS DEVELOPMENT & INVESTMENT BANKS

12M CUMULATIVE AS OF JUN25 VS JUN24



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