

DENİZ ERGUN  
MARCH 2026

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# Türkiye Banking Sector Outlook

## SECTOR OUTLOOK



After an acceleration at the start of the year (thanks to some easing in financial conditions), credit growth decelerated in March. The lagged days of Bayram holidays had an impact, too. However, in addition to being constrained by credit growth caps\* (with stricter rules applied in this 8-week window ending by 27th of March), financial conditions have tightened again in March, led by the conflict in the Middle East. The authorities proactively took measures to support financial stability; and the CBRT raised the cost of funding as of the start of March with additional liquidity tools. Based on the duration and the depth of the impact from the war, monetary policy might be required to tighten further, depending on the pressure on the CBRT reserves. Therefore, the current outlook signals the continuation of high interest rates and of the controlled credit growth.

## CREDIT SEGMENTS



Highly unanchored inflation expectations continue to signal ongoing consumer demand, with consumer loan growth still outpacing commercial lending. However, the limitations introduced further for overdraft loans and credit cards decelerated consumer lending in March; and the trend rates of consumer and commercial credits started to converge at around low-30% levels. In further details, TL commercial credits continue to grow higher than FC credits which were further capped by end-January with 0.5% growth rate within the 8-week period. Longer and deeper the conflict, depending on the increasing external financing needs, a more severe trade-off on growth could happen, where keeping credit growth under control will be key.

## DEPOSITS & DOLLARIZATION



The CBRT's timely reactions have so far prevented a domestic confidence shock, with more limited dollarization tendency and outflows from money market funds, compared to the last year's domestic March shock. The CBRT aims to keep TL rates as attractive as possible and seems to be determined to continue so, to preserve residents' savings mostly in TL assets. In this respect, the priority seems to be given to financial stability with the maintenance of the managed currency regime despite risks from a higher inflation and a wider current account deficit. We calculate the CBRT's implicit FX reserves sales reached around \$60bn in March with support from swapping gold and gold sales. The CBRT has also resumed wrong way swaps with local banks as of March 31st.

\* Regulations introduced in Feb26

## PROFITABILITY



The net income of deposit banks fell by 6% on average in the first 2 months of the year, compared to 4Q25. Credit growth caps are set to be in place with a wider scope throughout the year, considering risks on current account deficit and inflation. However, depending on the evolution of the conflict, sector and/or segment specific incentives and/or exemptions cannot be ruled out via the room in fiscal policy. In any case, as with the volumes, the interest margins will be under pressure with funding rates remaining more costly. Hence, fees & commission revenues might stay supportive under renewed inflationary pressure. Based on different scenarios regarding the conflict, the RoE of the deposit banks might stay flattish in 2026 (vs. 25.6% by end 2025 and our previous expectation of 28-31%). Therefore, the expectation on positively real RoE levels (for the first time after 2019) might be delayed further.

## ASSET QUALITY



After some stabilization period, NPLs have started to move upward again in March. Increase in retail loans is rather slow, which is also supported by the collections. On commercial segment though, the rise in SME loans has gained momentum again with steady weekly increases. The restructured share in gross loans was almost stable in Dec25; but the share of Group 2 loans is on a steady rise. Considering the expected impact of deferred NPL deterioration, we expect the currency adjusted cost of risk (CoR) to be realized at around 200bps, but subject to an upward revision depending on the growth outlook of the economy, which would put an additional downward pressure on profitability.

## CAPITAL



The removal of the BRSA forbearance for capital adequacy calculation as of Jan26 caused a sharp decline in the capital adequacy ratios, in both public and private banks. As the risk-weighted assets have started to be calculated with the actual currency (instead of being fixed), the ratios fell by close to 300bps in Feb26 compared to 2025 end. This was also exacerbated by the lower than expected increase in monthly profit levels as well. Therefore, the net income improvements and external debt issuances will also be important this year to help build capital enough.

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

## Regulations for TL deposit share

- The calculation period for TL deposit rules stays as eight weeks (vs. four weeks before) Real-person TRY deposit share growth target is 0.4pp for the banks btw 60-65% ratio and to 0.8pp 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 is applied as 3%. The tolerance range for the targets is 50bps (for 8 weeks) for the banks with 60-65% ratio, and 100bps for the ones above 65% if they come down below 65%.
- The growth target for commercial TRY deposit shares is 0.6pp (8 weeks) for the banks below 60% ratio. For the ones above 60% ratio, the rule is to keep it. The tolerance range for targets (for 8 weeks) is 20bps. The commission rate applied based on the share of TL is 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, agriculture, and tradesman loans); 4% auto loans, 4% GPL, 4% for overdraft loans with more than 3 installments; 2% for overdraft account limits (introduced as of 30.01.26), 0.5% for FC loans (prev.1.0% revised as of 30.01.26). As of March 28th, loans to firms in the earthquake region will be subject to growth caps depending on their classification: 5% for SMEs and 3% for non-SMEs. Tradesmen loans have been also removed from the exemption and will be classified under SME lending, being subject to 5% growth cap.
- 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).
- In housing loans extended to consumers, the distinction between first-hand and second-hand homes has been removed with respect to the loan-to-value (LTV) ratio.

## Regulations on RRs

- The RRR of 17% for TL deposits (demand and 1M & 3M time deposits)
- The RRR of 10% for TL deposits (>3M)
- TL RRR of 2.5% for FC deposits
- The RRR of 26-30% for FC deposits & precious metals, as of Jan26
- The RRR of 20% for funds from repo transactions abroad & loans obtained from abroad of a maturity up to 1 month, and 16% up to 3 month; 14% up to 1 year
- The RRR of 14% for deposits from banks abroad and liabilities to the head office abroad with maturities up to 1Y
- The RRR of 10% for CPI-, PPI-, and TLREF-indexed deposits

## Regulations for CAR

- 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

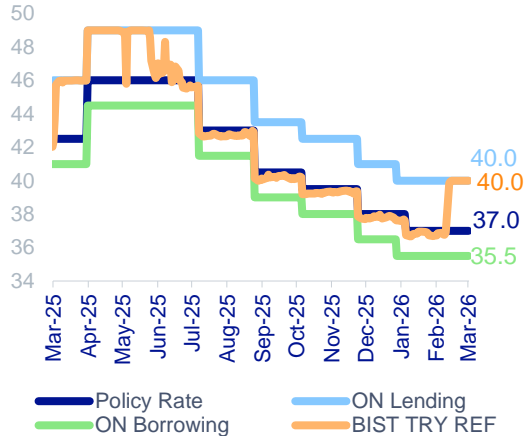
## Regulations on Credit Cards

- Overdraft limit is capped at a maximum of twice the customer's monthly average income. On credit cards, if a cardholder's total credit card limits across all banks exceed TRY 400,000, banks will partially reduce unused credit card limits as of the statement date on which the highest spending occurred within the past year. Banks will be also required to make determinations to ensure that all cardholders' credit card limits are aligned with their monthly/annual average income by 01.01.2027.
- As of Feb26, retail credit cards and GPLs that are partially or fully unpaid as of the due date may be restructured upon the request within three months of the decision date, with maturities capped at 48 months.
- The maximum interest rate on TL credit card receivables has been decreased i) with balances of <30k (previously TL25k) per month to 3.25%, ii) of TL30-180k (prev. TL25-150k) per month to 3.75%, iii) of >TL180k (prev. TL150k), corporate credit cards, and cash withdrawals 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% for revolving credits.

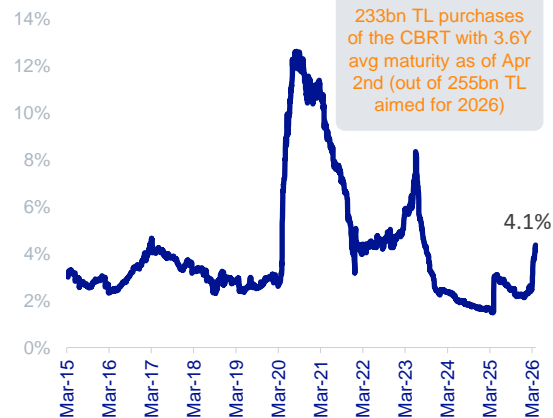
# Liquidity

# Following the conflict, the CBRT reacted proactively; raised cost of funding with effective liquidity measures

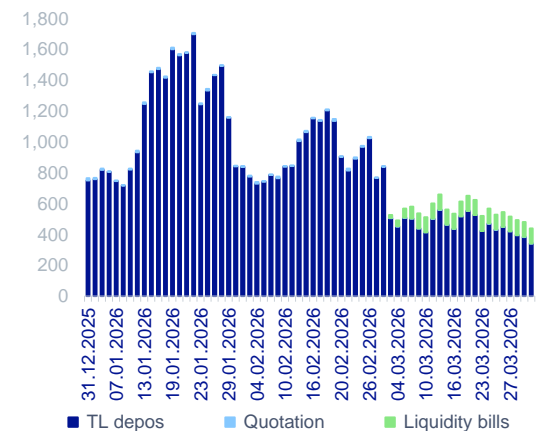
## CBRT INTEREST RATE CORRIDOR & ON TRY REF RATE (%)



## CBRT TRY SOVEREIGN BOND HOLDINGS / ASSETS (%)



## CBRT STERILIZATION VOLUME (BN TL)

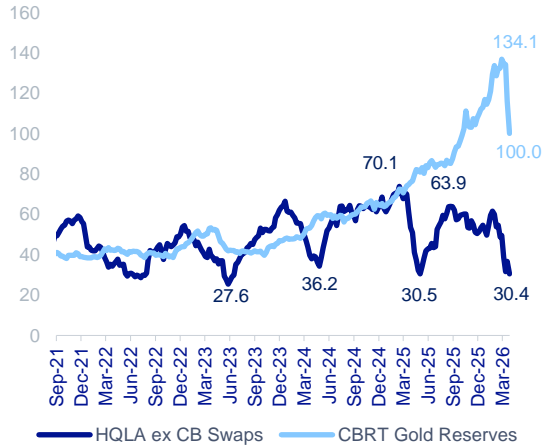


Source: CBRT and Garanti BBVA Research.

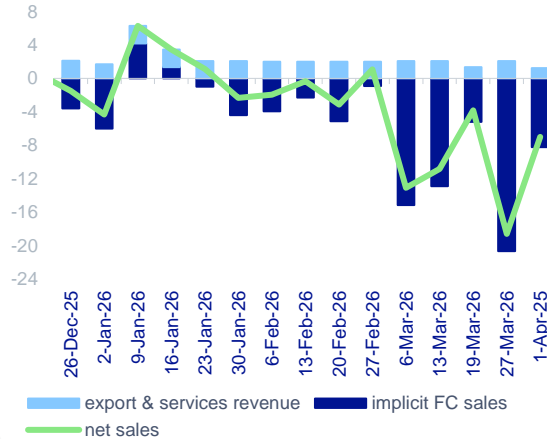
**The CBRT has suspended one-week repos and raised the cost of funding to 40% (ON lending rate). The CBRT also supported TL sovereign bond market in the early days of the conflict (by purchasing ST liquidity bills) to keep orderly functioning and preventing a sharp fall in returns of MMFs.**

# The CBRT's implicit FX reserve sales rose by around \$60bn in March (inc. export & rediscount inflows)

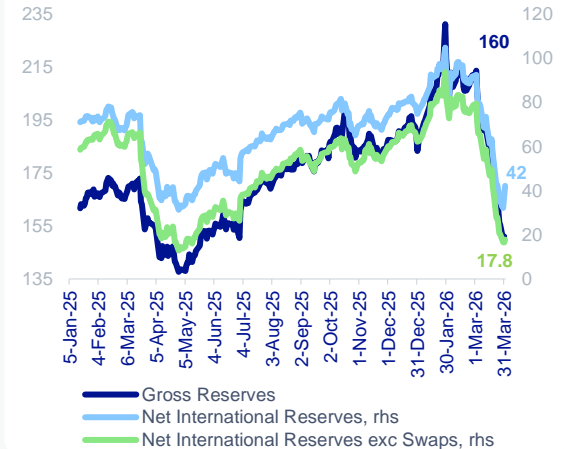
**CBRT GROSS GOLD RESERVES & HQLA\*** (\$USbn, as of Mar 27th)



**CBRT WEEKLY RESERVE FLOWS\*\*** (\$USbn)



**CBRT INTERNATIONAL RESERVES** (\$USbn, as of Apr 1st)

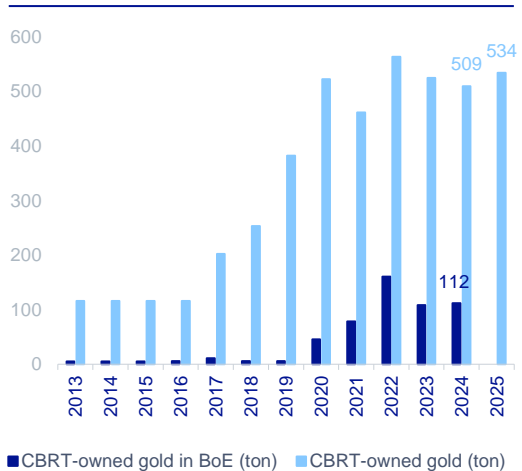


\* High quality liquid foreign assets excluding IMF SDR & CB swaps  
 \*\* 1 April refers to the cumulative two days flow of the week  
 Source: CBRT and Garanti BBVA Research.

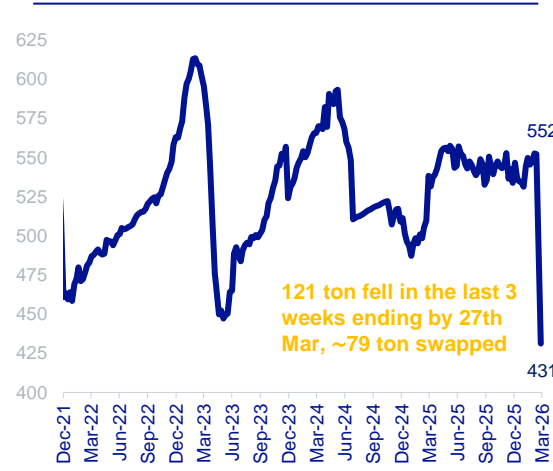
**The recent decline in international gold prices also weighs down on the CBRT reserves; we see gold as being used as a liquid instrument to support foreign currency liquidity in the system.**

# The CBRT uses gold as a liquid instrument for foreign currency interventions

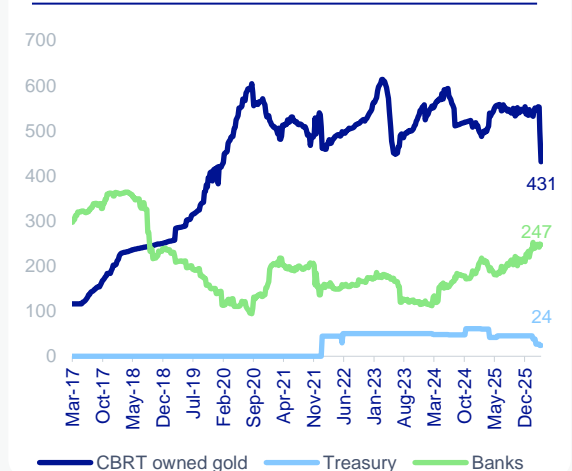
**CBRT-OWNED GOLD RESERVES**  
(ton)



**CBRT-OWNED GOLD RESERVES**  
(ton)



**CBRT GOLD ASSETS**  
(ton)

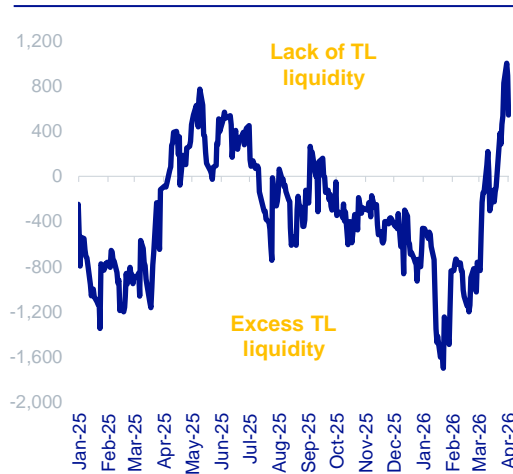


Source: CBRT and Garanti BBVA Research.

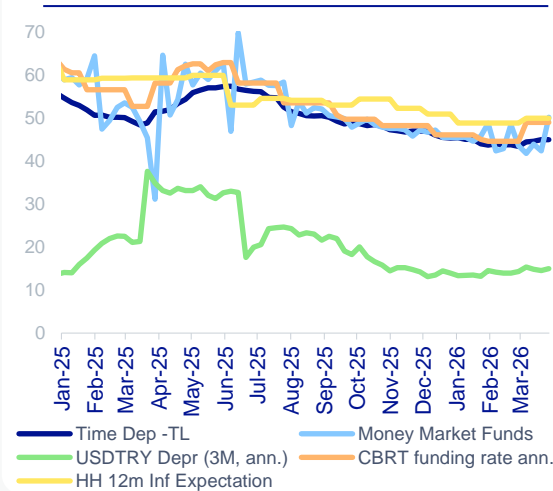
**Gold swaps with London (exchanged for foreign currency) reached 79 tons (\$11.3bn) in the last three weeks ending by 27th of March. Gold assets had declined by 121 tons in the same period, so it seems (121-79) 42 tons of gold (\$8.5bn) had also been sold (mostly in Istanbul gold exchange).**

# The FC reserves sale of the CBRT has squeezed TL liquidity, pushing up TL deposit rates to even higher

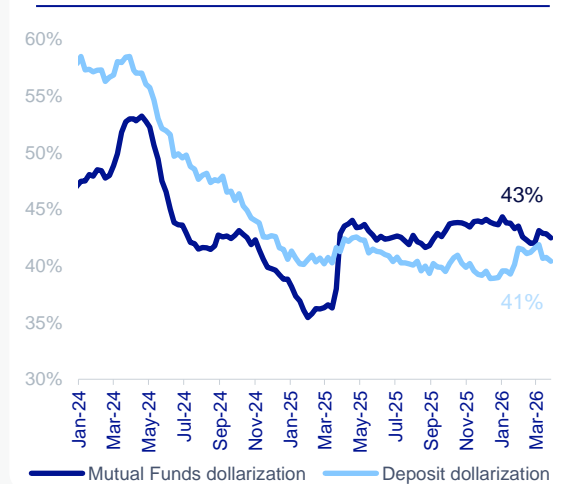
**CBRT NET FUNDING**  
(TL bn)



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



**RESIDENTS' DOLLARIZATION RATIO\*** (%)



Source: CBRT, TURKSTAT and Garanti BBVA Research

Source: TEFAS and Garanti BBVA Research

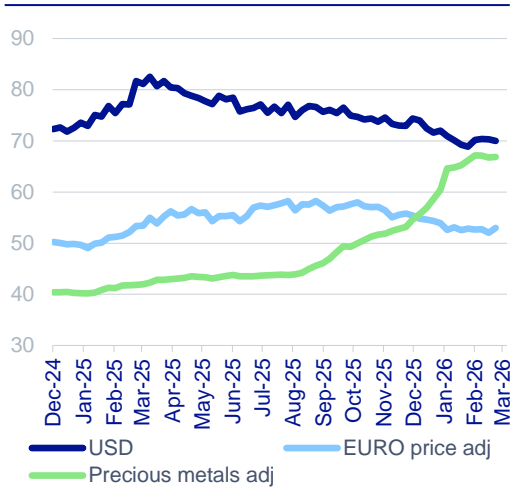
Source: TEFAS, BRSA and Garanti BBVA Research

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

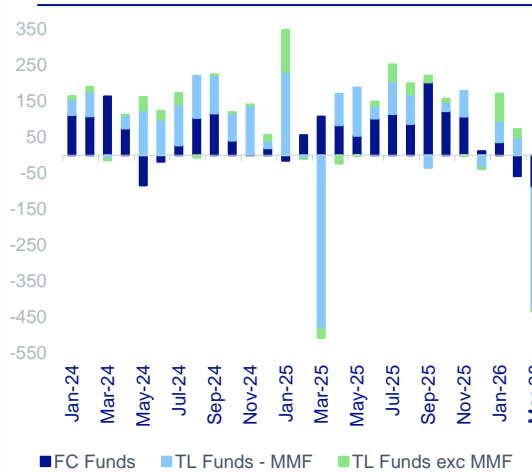
**The CBRT ultimately sterilized above 2 trillion TL from the system in March, fueled by the reserves sale; which led to a TL liquidity squeeze and required the CBRT to resume wrong way swaps with the local banks.**

# The timely reaction of the authorities has prevented a domestic sentiment shock so far

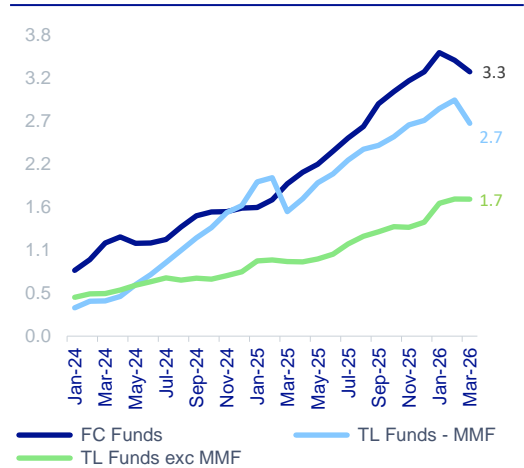
## FC DEPOSITS VOLUME OF RESIDENTS (BN USD)



## NET FLOWS IN INVESTMENT FUNDS (TL BN)



## VOLUME OF INVESTMENT FUNDS\* (TL TRN)



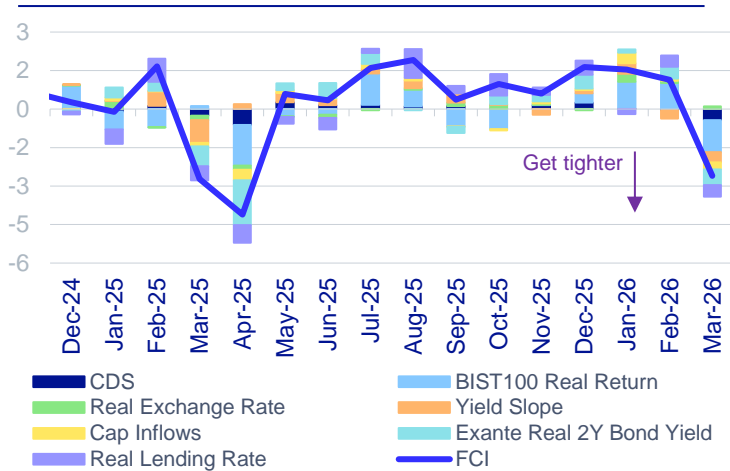
Source: CBRT, TURKSTAT, TEFAS and Garanti BBVA Research

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

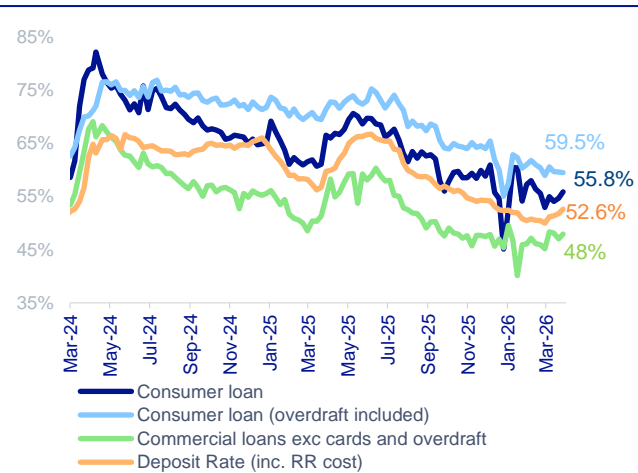
**We still calculate net outflows from the money market funds, but this time more limited compared to the last year's domestic March shock.**

# Financial conditions tighten again; deposit rules reinforce the monetary tightness on TL deposit rates

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



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

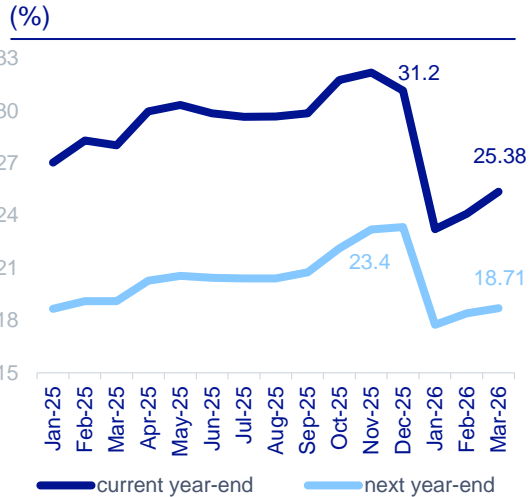


Source: CBRT, Bloomberg and Garanti BBVA Research

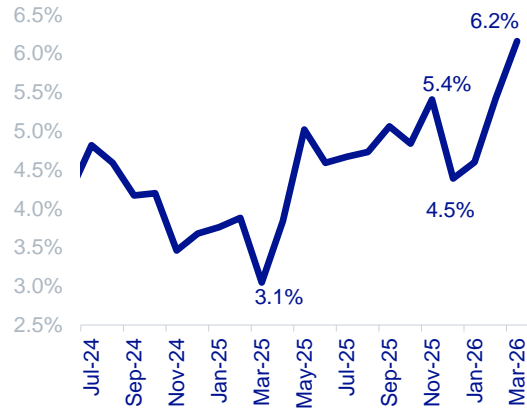
**With the upward move in deposit rates and the most recent sell-off in bond markets, credit interest rates have been pushed up further, particularly in commercial segment.**

# The CBRT has moved market expectations up with a rate hike in April

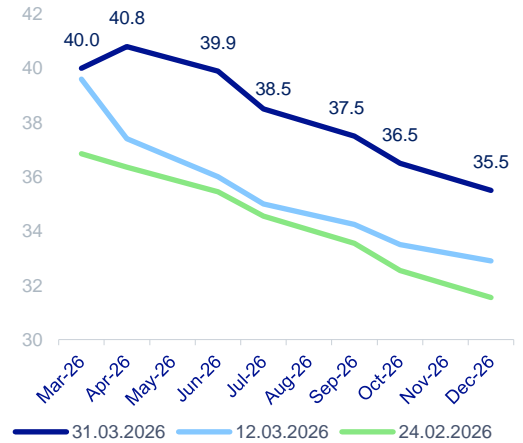
## MARKET PARTICIPANTS CPI EXPECTATIONS (%)



## MARKET PARTICIPANTS 12M AHEAD REAL POLICY RATE EXPECTATION (%)



## OIS MARKET PRICING ON CBRT FUNDING RATE (%)

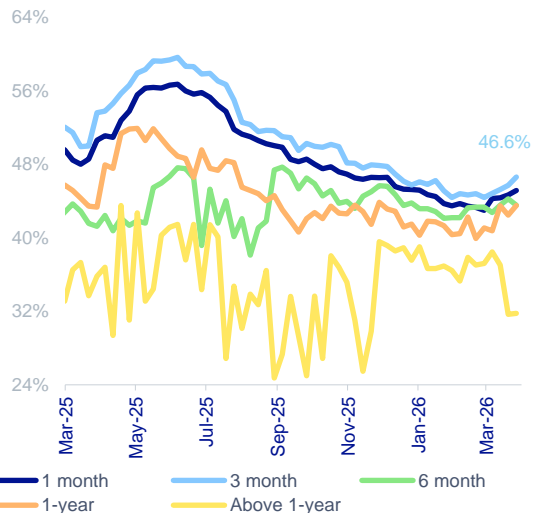


Source: Bloomberg, CBRT, TURKSTAT and Garanti BBVA Research

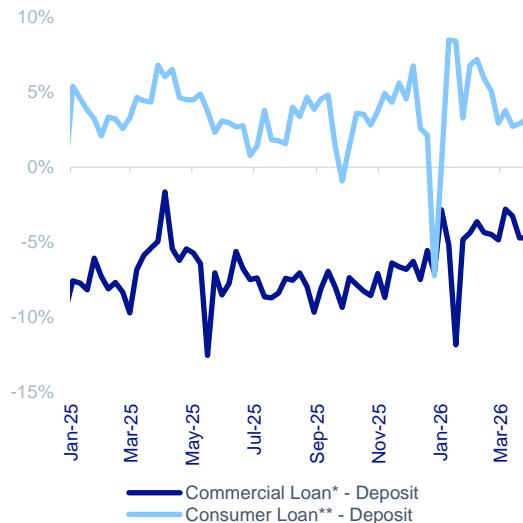
**Given the increasing stress in the region and potentially lasting longer inflationary impact, market pricings turn further hawkish, including the CBRT.**

# TL deposit rates rose by more than 200bps since end of Feb26. Banks try to compensate via FC spreads

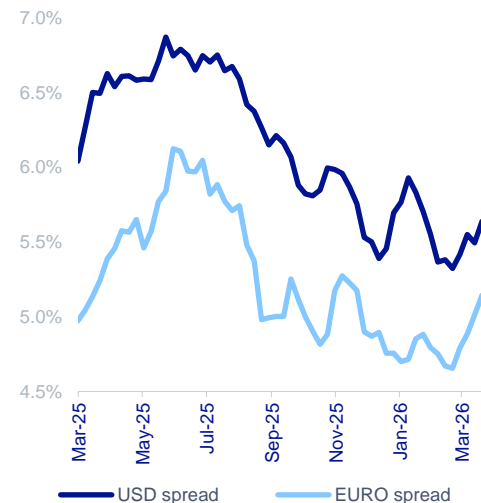
**TL DEPOSIT INTEREST RATES**  
%, FLOW, SECTOR, WITHOUT RR COST



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



**FC INTEREST RATE SPREAD**  
%, FLOW, SECTOR



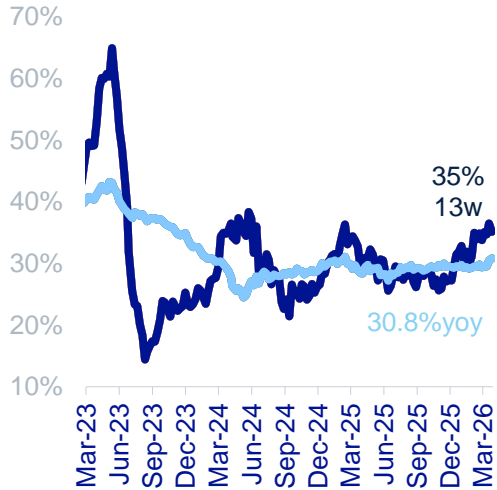
\* Excluding overdraft loans

\*\* Excluding overdraft loans and credit cards

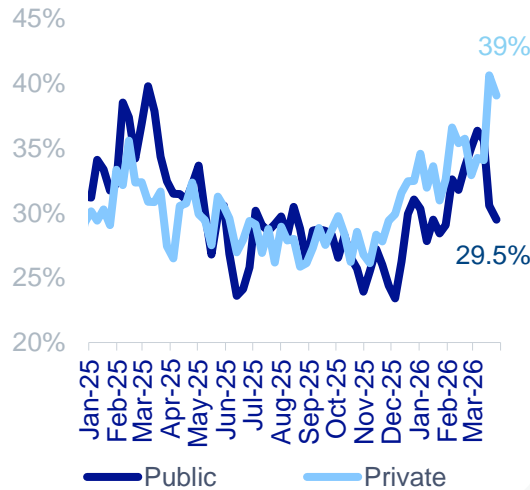
# Credit Developments

# Increased momentum in credit growth seen at the start of the year lost pace in March

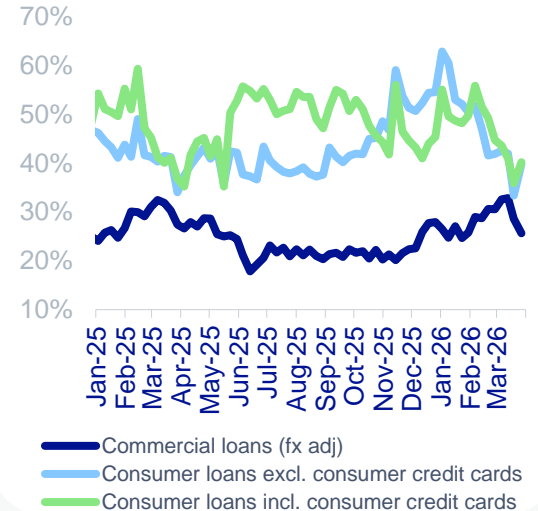
**TOTAL CREDIT GROWTH (FX ADJ)**  
13 WEEK ANNUALIZED & YOY



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



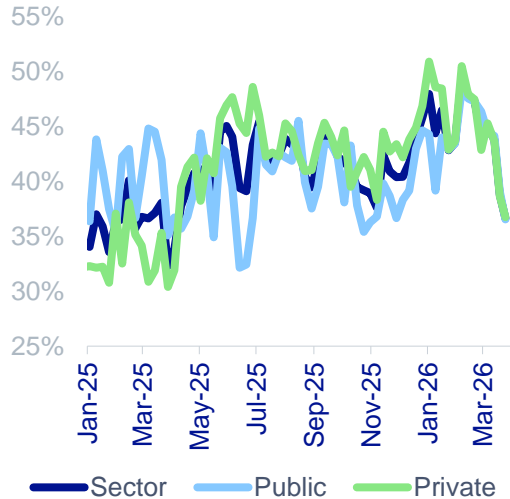
**CREDIT GROWTH SEGMENTS (FX ADJ)**  
13 WEEK ANNUALIZED



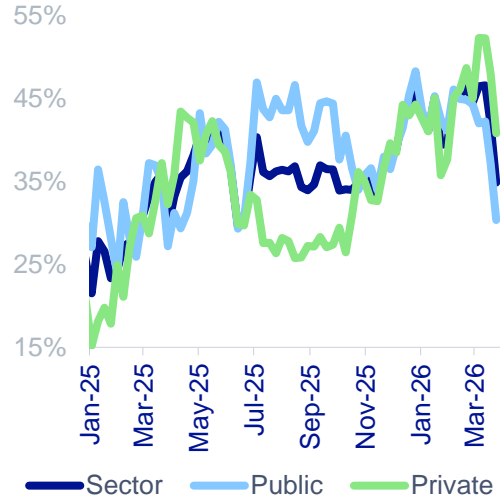
**Credit growth rates of public and private banks diverged as of end March. As the impact of new regulations materialize in March, consumer and commercial credit growth rates converged as well.**

# Among TL segments, public banks grew mostly on consumer, private banks on commercial lending

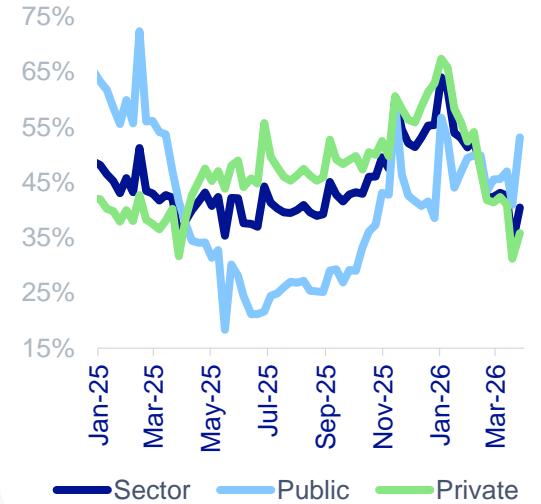
**TL CREDIT GROWTH:  
PUBLIC VS PRIVATE BANKS**  
13 WEEK ANNUALISED, DEPOSIT BANKS



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



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

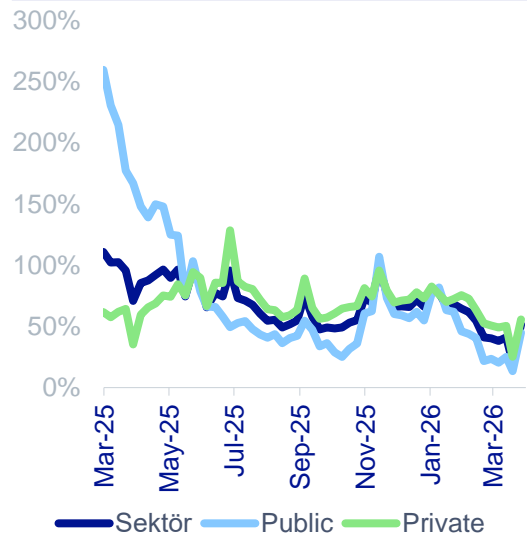


**Impact of newly introduced regulations in retail loans is more seen in private banks' credit growth.**

# In March, new regulations led to sharper deceleration in private banks' GPLs and credit card spending

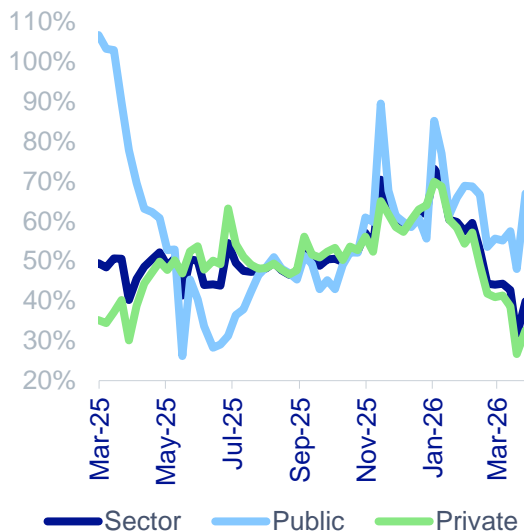
## OVERDRAFT CONSUMER LOANS

13 WEEK ANNUALISED, DEPOSIT BANKS



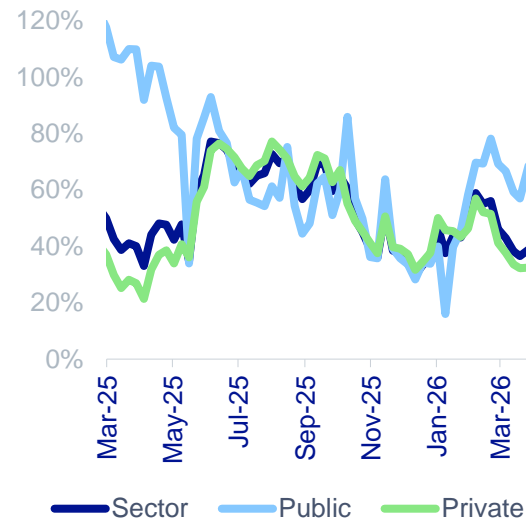
## GENERAL PURPOSE LOANS

13 WEEK ANN., DEPOSIT BANKS



## CREDIT CARD GROWTH

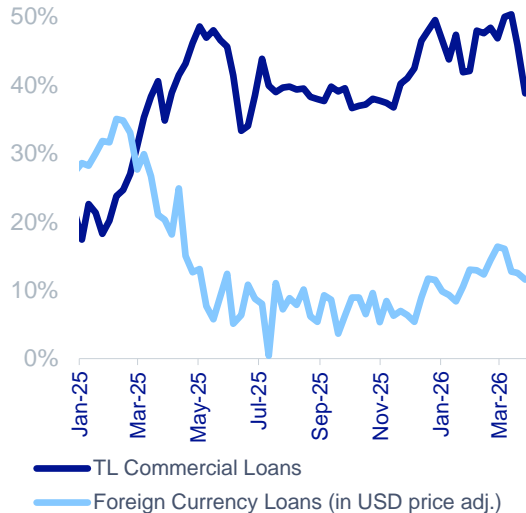
13 WEEK ANNUALIZED, DEPOSIT BANKS



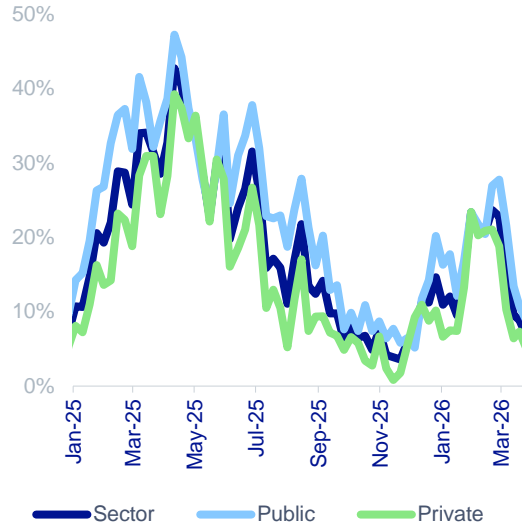
**Public banks keep higher consumer credit growth rates, possibly signalling their push in non-capped GPLs.**

# Following the 8 week FC credit growth cap being reduced to 0.5% (vs. 1%), FC credits weakened further

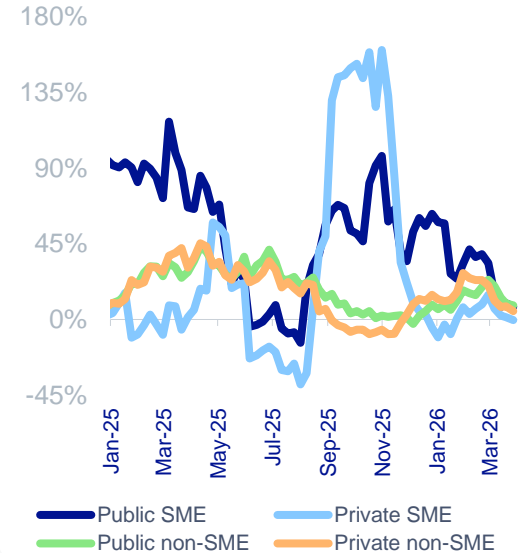
**COMMERCIAL CREDITS**  
13 WEEK ANNUALISED



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



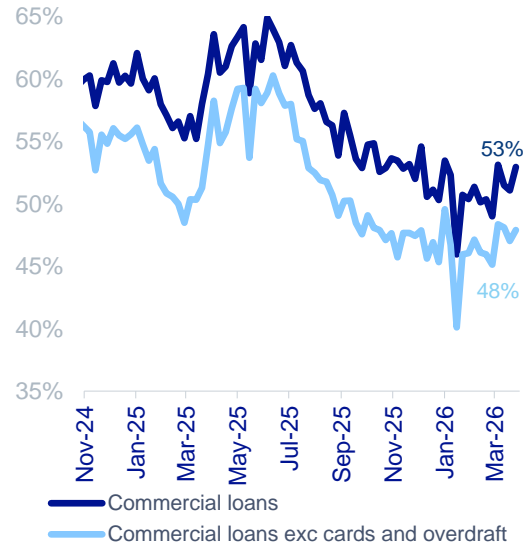
**FC CREDIT GROWTH**  
13 WEEK ANNUALIZED



# With the financial tightening in place, commercial rates rose back to 48%

## TL COMMERCIAL CREDIT INTEREST RATES

WEEKLY, COMPOUND, FLOW



## TL SME COMMERCIAL CREDITS GROWTH

13 WEEK ANNUALIZED



## TL NON-SME COMMERCIAL CREDITS GROWTH

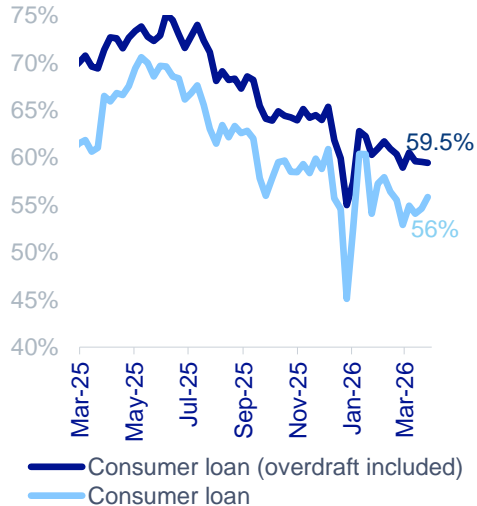
13 WEEK ANNUALIZED



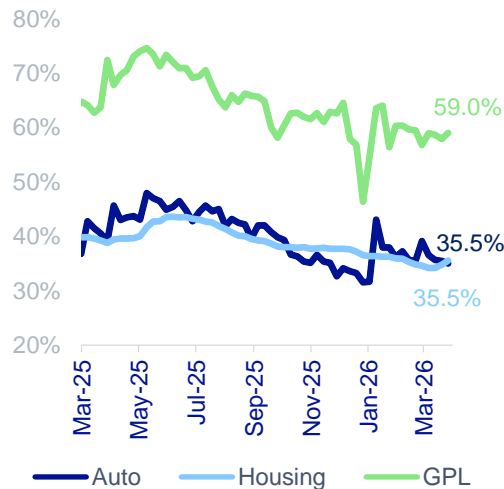
**Impact of high rates is seen in both SME and non-SME credits in the sector. TL SME credit growth follows a common growth path in the sector whereas TL non-SME credits are being mostly supported by public banks where their share in private banks fell significantly in the last 2 years.**

# With the ongoing downward trend in mortgage rates, this segment has grown since mid-Feb

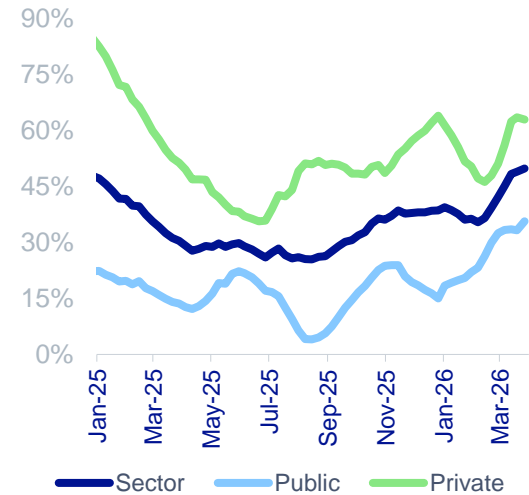
**CONSUMER CREDIT RATES**  
WEEKLY, COMPOUND, FLOW



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



**MORTGAGE\* CREDIT GROWTH**  
13 WEEK ANN.

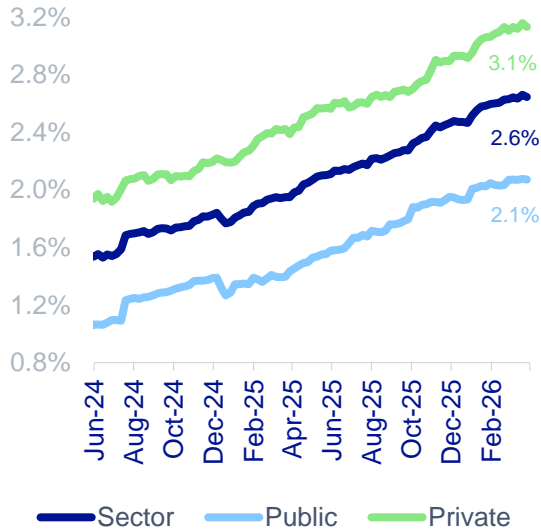


\* There are no growth caps on mortgage credits, however, after the significant sell-off in TL sovereign bonds, 10-year TL bond rates hover around 34%, making it costly to lend mortgages for the sector.

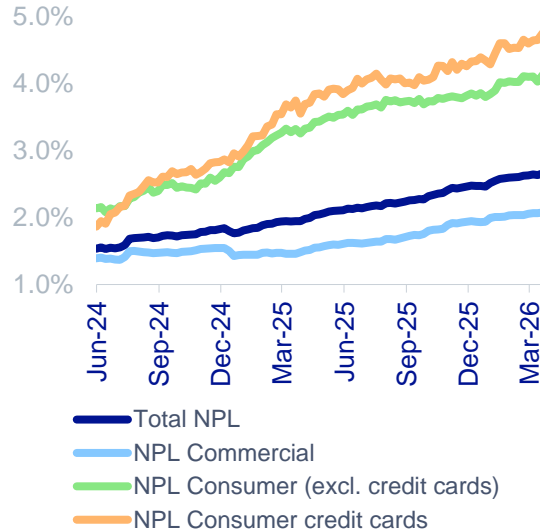
# Asset Quality

# After a pause following restructurings at the start of 2026, NPL ratios started to rise steadily in March again

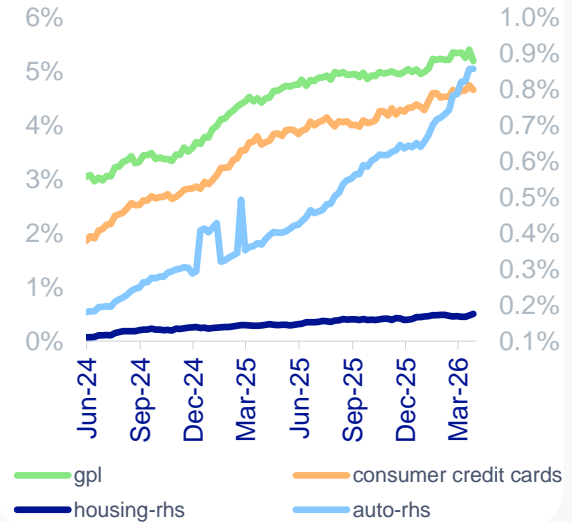
## NPL RATIO %



## NPL RATIO IN SUBSEGMENTS %

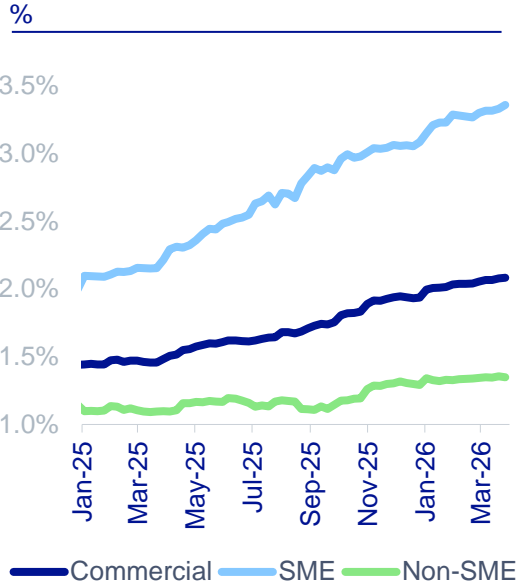


## NPL RATIO, CONSUMER LOANS %

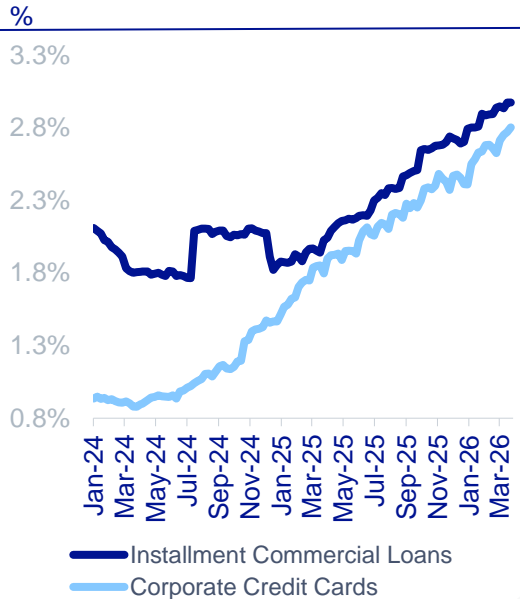


# The rise is mostly seen in all subsegments of commercial credits

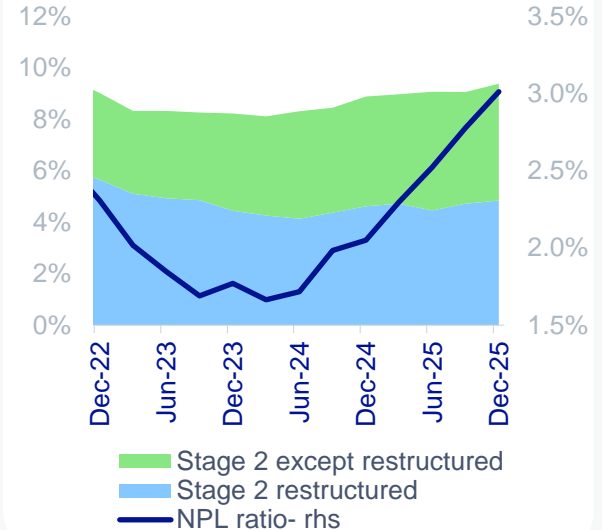
## NPL RATIO IN COMMERCIAL LOANS



## NPL RATIO IN COMMERCIAL LOANS



## RATIO OF STAGE 2 LOANS & RESTRUCTURED LOANS: PEER DEPOSIT BANKS

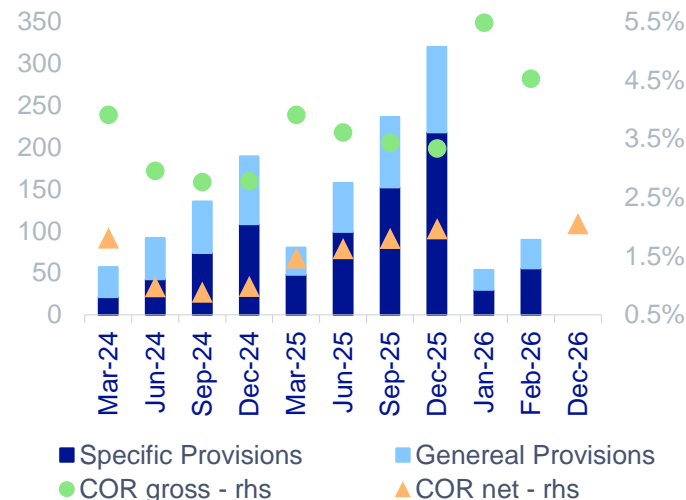


**The share of restructured loans remained almost stable in peer banks in Dec25, however the share of Group 2 loans kept rising, which will probably continue to do so, led by commercial loans.**

# Loan loss provisions declined in Feb26 in both public and private banks, moving down the gross CoRs

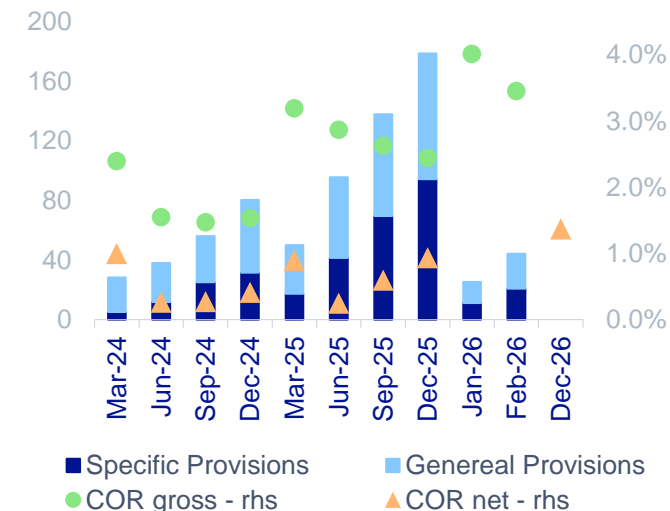
## PRIVATE BANKS: PROVISIONS & CoR\*

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



## PUBLIC BANKS: PROVISIONS & CoR\*

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

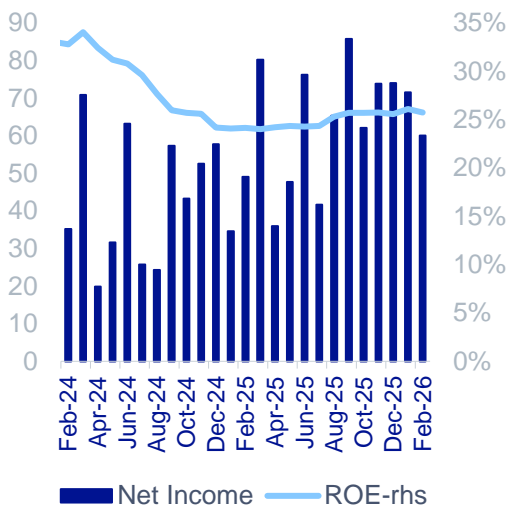


\*Due to public data restriction, we use peer banks' data as a proxy for the net CoR estimation for 2026.

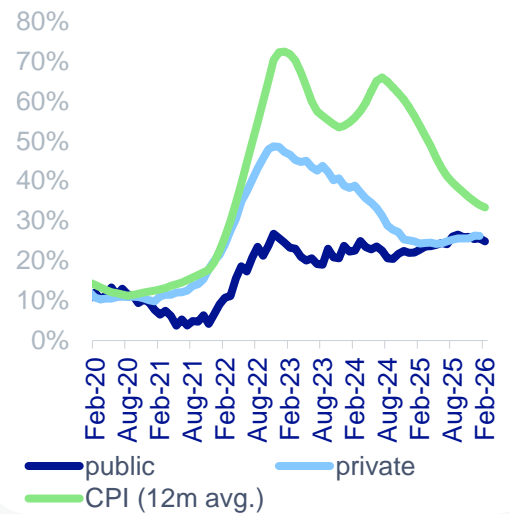
# Profitability

# Deposit banks' net income in Feb fell by 16% m/m. Net income down by 16% in Jan-Feb, compared to 4Q26 avg

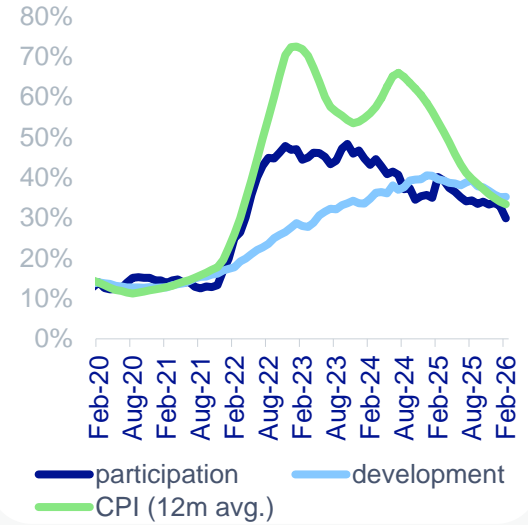
**NET INCOME & RETURN ON EQUITY (ROE)**  
BN TL MONTHLY, % 12M CUMULATIVE



**RETURN ON EQUITY (ROE)**  
%12M CUMULATIVE, DEPOSIT BANKS



**RETURN ON EQUITY (ROE)**  
%12M CUMULATIVE, PARTICIPATION & DEVELOPMENT BANKS

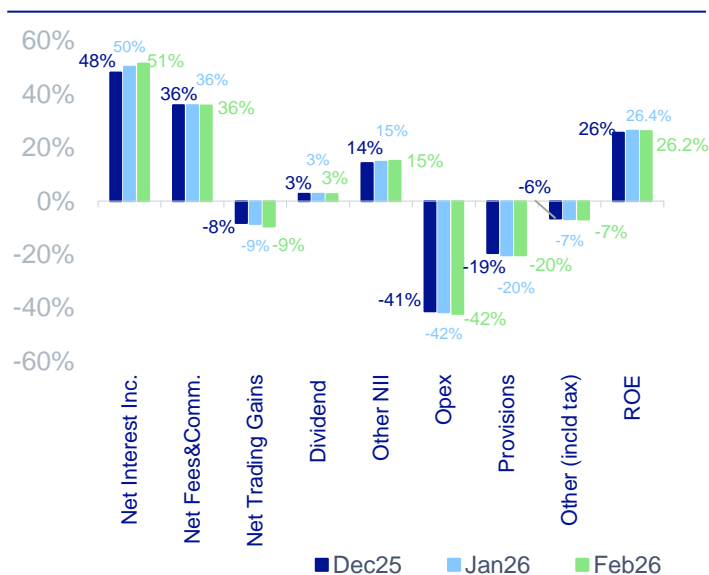


**The cumulative ROE fell from 26.1% in Jan26 to 25.7% in Feb26 (back to 4Q25 levels). On a monthly basis, public banks' net income rose by 11% comp. to 25% fall in private banks. The ROE of public banks came below their 4Q25 level whereas it is slightly higher in private banks.**

# Compared to Dec25 and Jan26, increase in NII contribution was higher in private banks

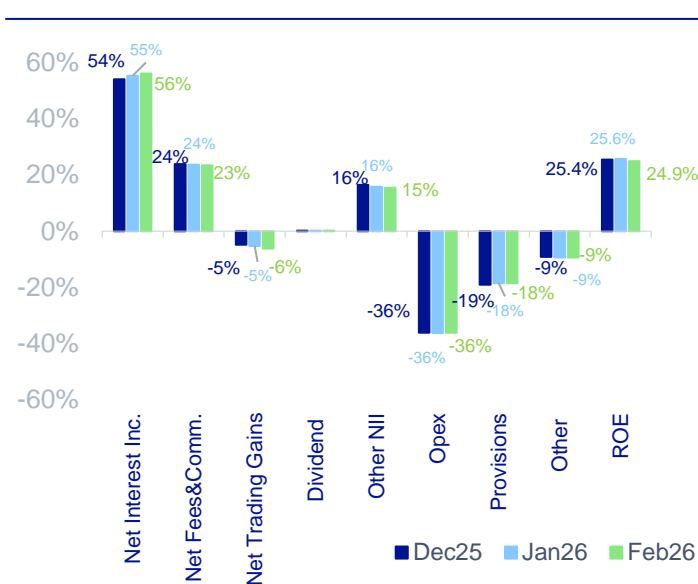
## ROE COMPONENTS OF PRIVATE BANKS

%, 12M CUMULATIVE



## ROE COMPONENTS OF PUBLIC BANKS

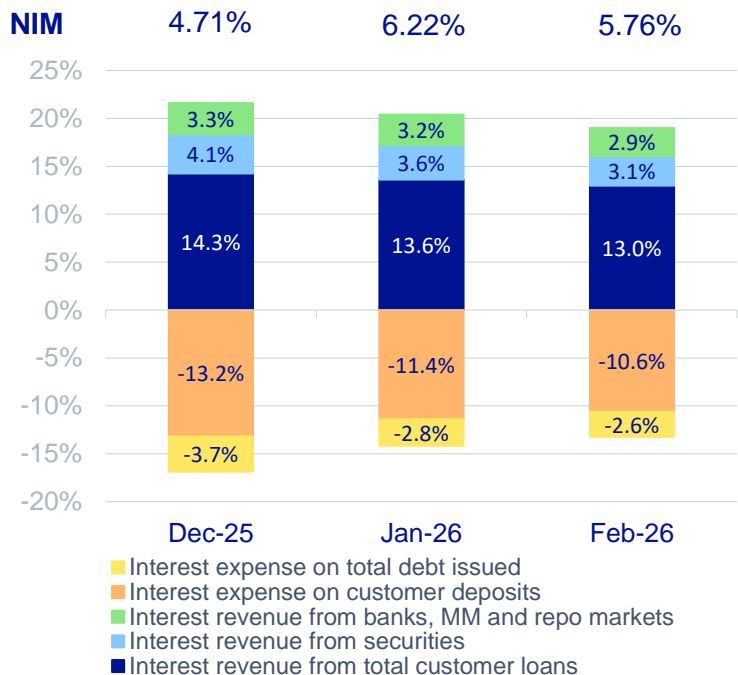
%, 12M CUMULATIVE



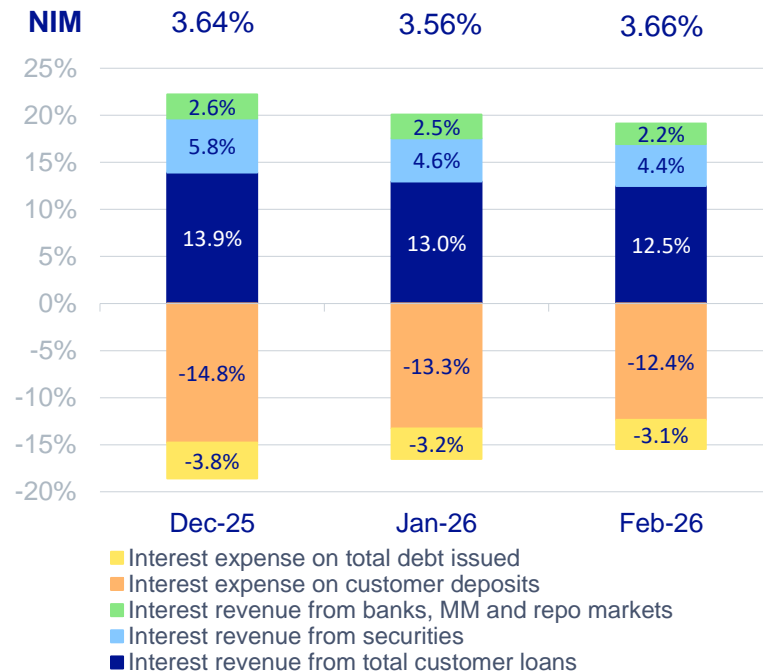
**Fees & comm. contribution declined in public banks. Negative impact of net trading gains increased in both public and private banks in Feb26.**

# Private bank' NIM improvement realized stronger than public banks, compared to Dec25

## NIM\* COMPONENTS OF PRIVATE BANKS



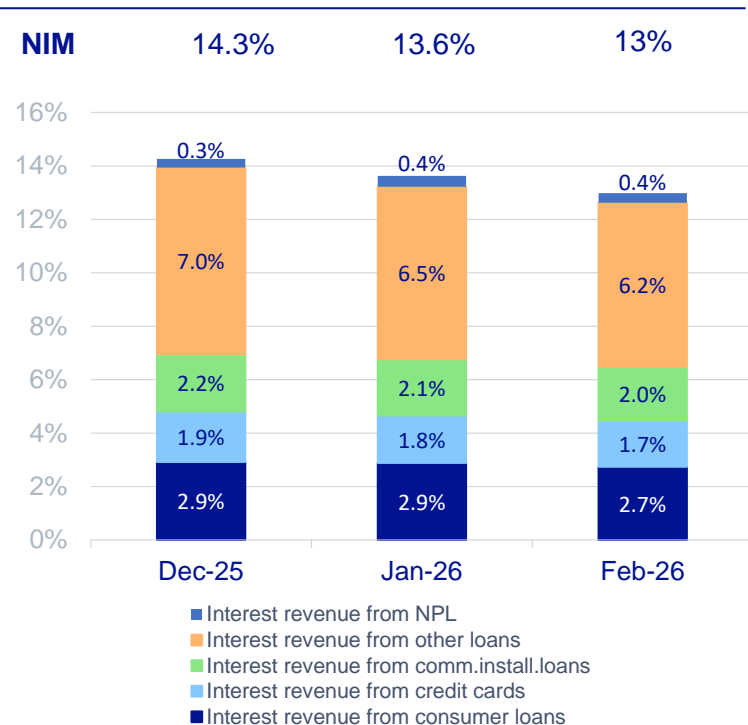
## NIM\* COMPONENTS OF PUBLIC BANKS



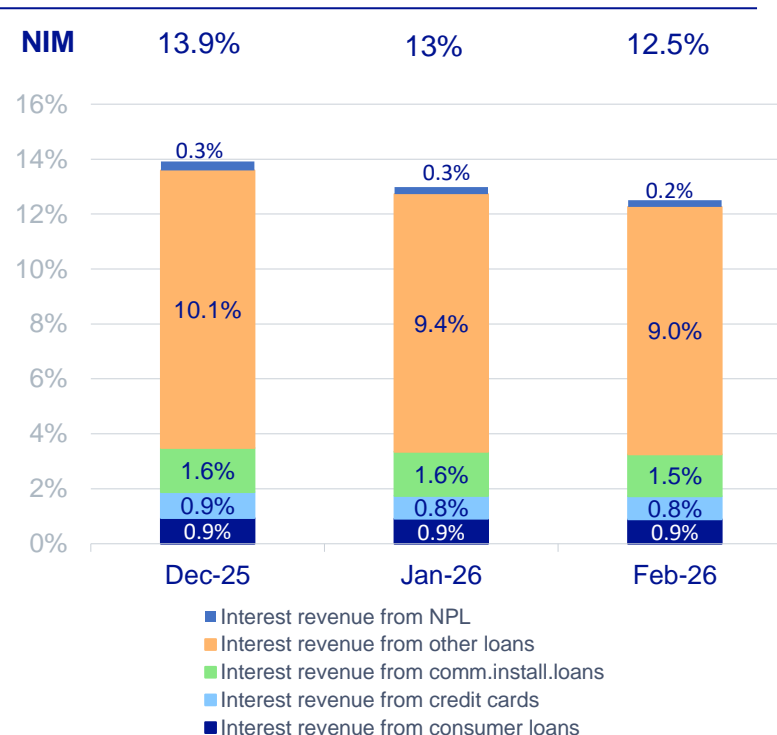
**However, on m-o-m, compared to Jan26, public banks mainly differentiated in Feb26 with their securities income margin.**

# On loan components, public and private banks seem to have differentiated in commercial loans

## LOANS' NIM\* COMPONENTS OF PRIVATE BANKS



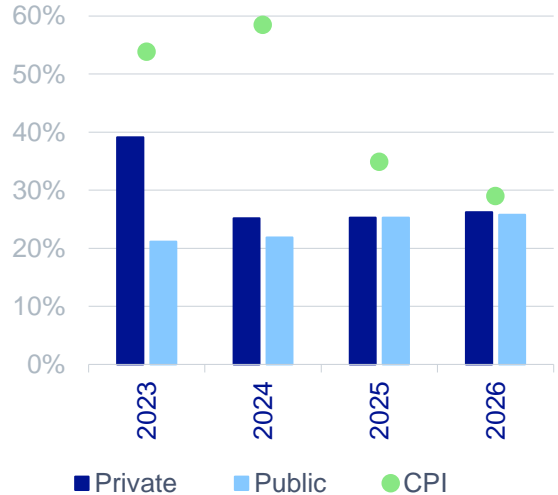
## LOANS' NIM\* COMPONENTS OF PUBLIC BANKS



# We expect RoE levels to stay flattish in 2026, lower than our previous expectation of 28-31% for deposit banks

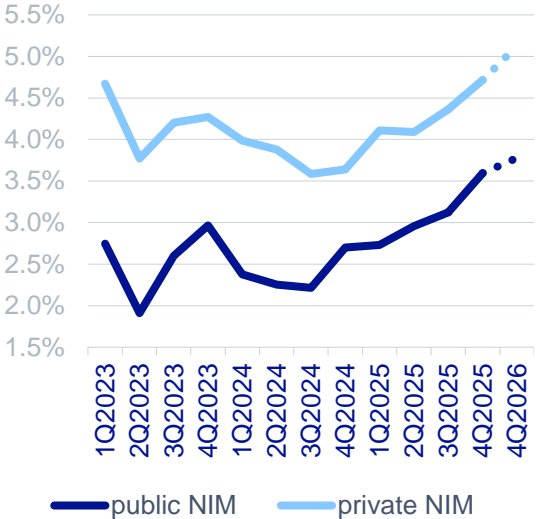
## ROE EVOLUTION & FORECASTS\*

Annualized % with average annual CPI



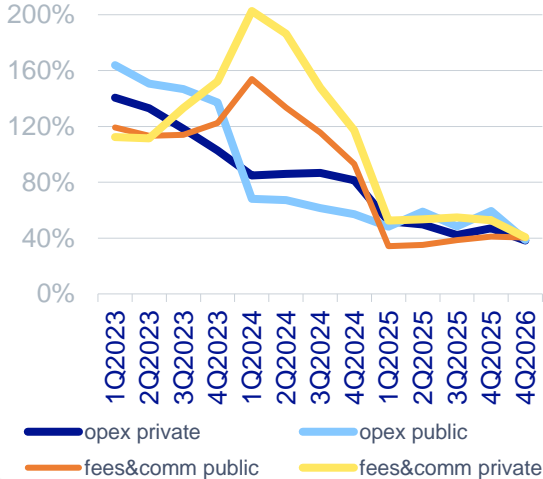
## NIM EVOLUTION & FORECASTS

Annualized %



## OPEX AND FEES&COMM. EVOLUTION & FORECASTS

YoY growth %



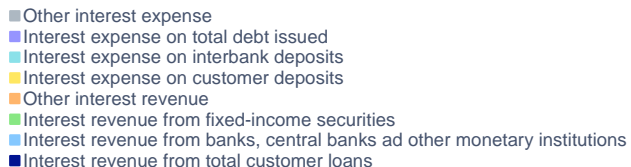
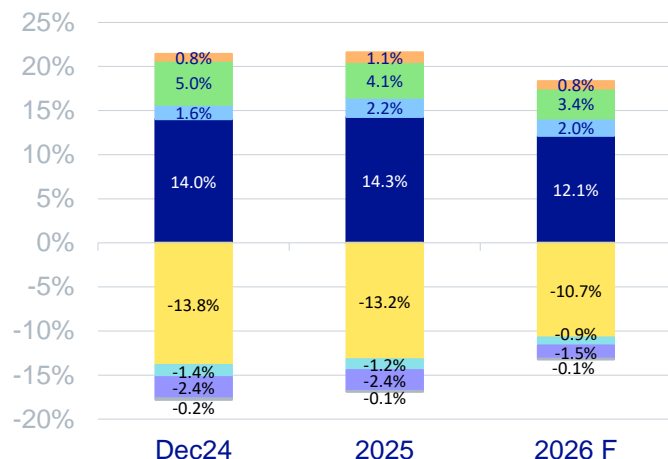
\* ROE estimation for the deposit banks is based on our forecasts for banking sector variables which are also based on our macroeconomic forecasts.

**Based on different scenarios regarding the conflict, we evaluate cost of funding would stay high for longer, resulting in a trade-off on growth. Therefore, profitability of the sector would stagnate, delaying further the expectation of a positive real capita return.**

# Deposit costs and cost of debt issued will mainly differentiate NIM segments

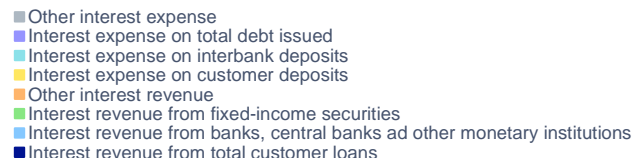
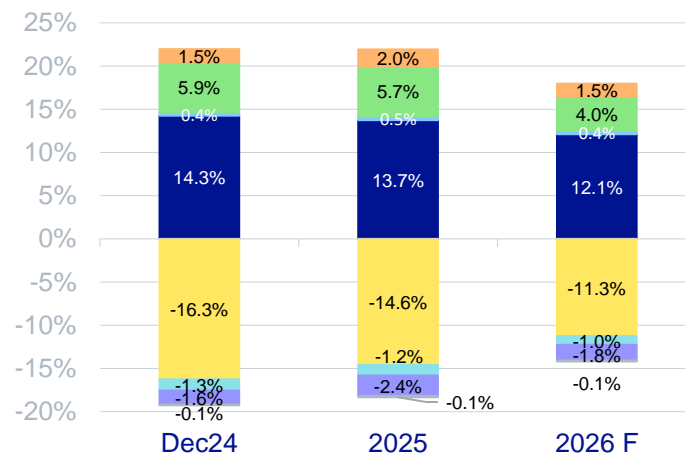
## NIM COMPONENTS OF PRIVATE BANKS

annualized



## NIM COMPONENTS OF PUBLIC BANKS

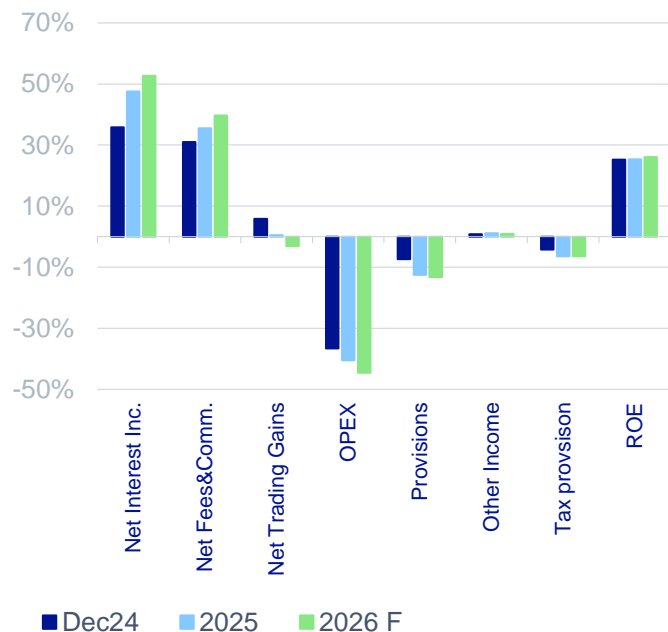
annualized



# 2026 RoE levels of public and private banks will differentiate via mainly NII and fees & commission

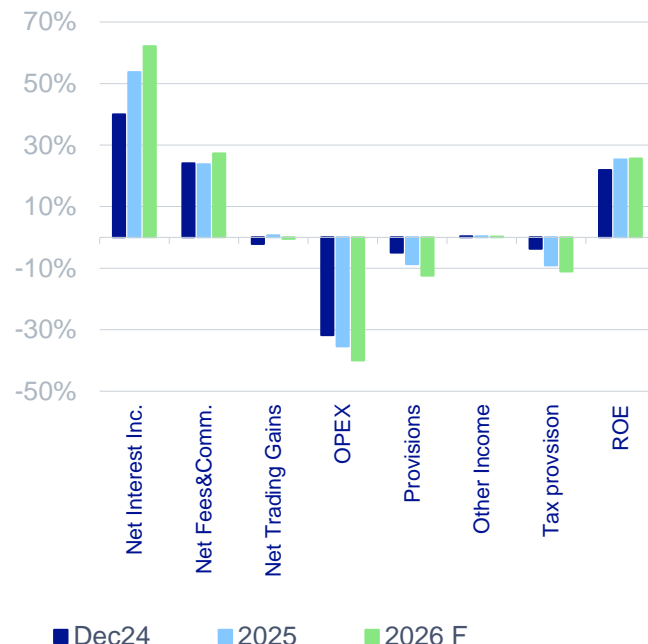
## ROE COMPONENTS OF PRIVATE BANKS

annualized



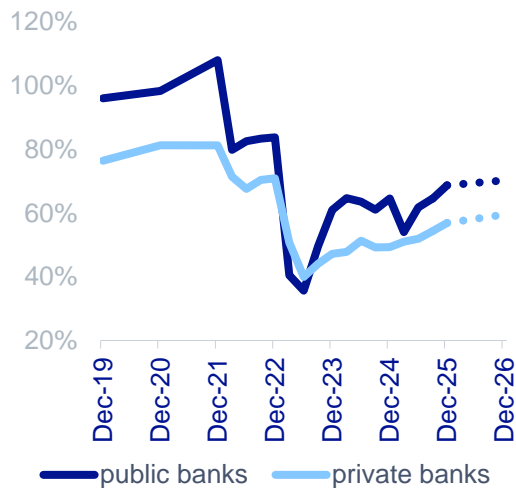
## ROE COMPONENTS OF PUBLIC BANKS

annualized

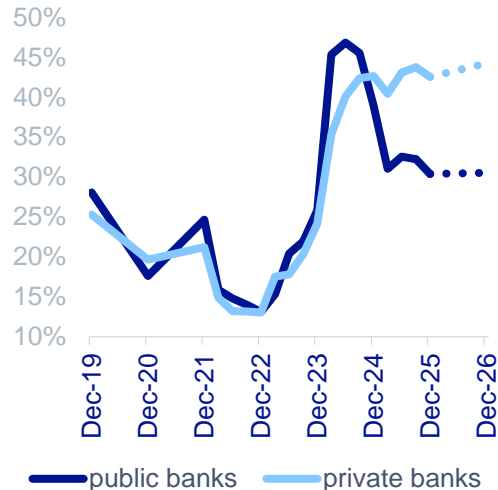


# The contribution from net interest income will rise, while fees and commissions are expected to normalize

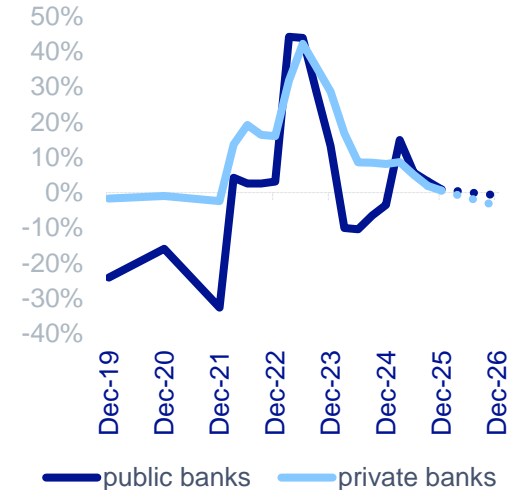
**NET INTEREST REVENUE / TOTAL REVENUE**  
%



**FEES & COMMISSION REVENUE / TOTAL REVENUE, %**



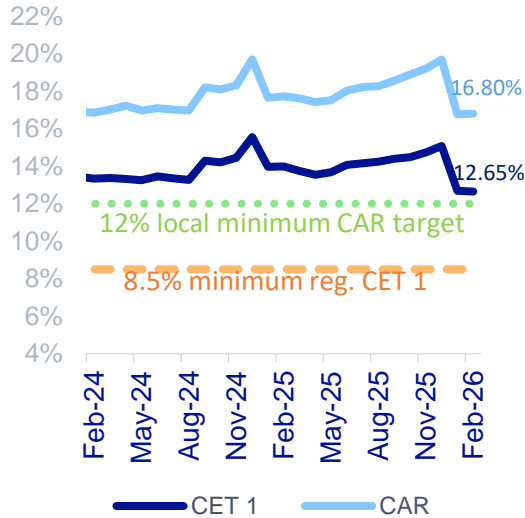
**TRADING & FX GAINS / TOTAL REVENUE**  
%



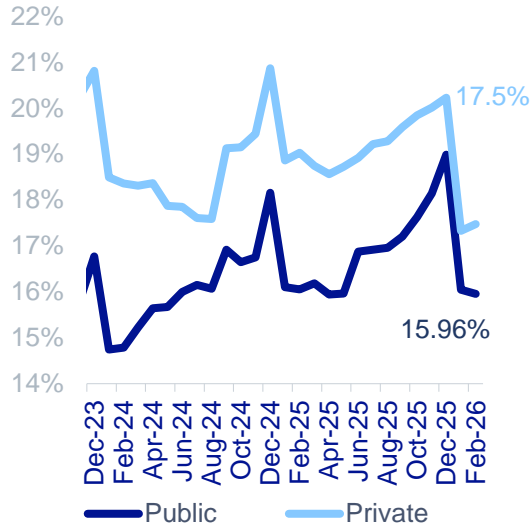
# **Solvency and Capital Adequacy**

# The removal of BRSA forbearance on currency calculation in RWA's as of Jan26 sharply decreased CARs

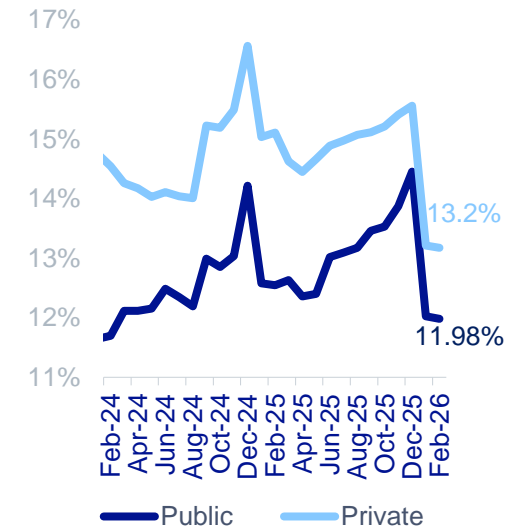
## CAPITAL ADEQUACY RATIO (CAR) AND CET 1 RATIO\* (%)



## CAPITAL ADEQUACY RATIO (%)



## CET 1\* RATIO (%)



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

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