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September 2026

Türkiye Banking Sector Outlook

Main messages

SECTOR OUTLOOK



Credit growth continues to lose momentum as macroprudential restrictions remain the key sector driver. Public banks are sustaining a stronger credit trend than private banks, with the divergence becoming more pronounced during September. We expect monetary policy to remain restrictive, with high real rates supporting the attractiveness of TL savings and leaving limited room for monetary easing in the short term. However, any credit support is likely to be targeted. Hence, looking ahead, credit expansion is likely to stay selective, with growth increasingly concentrated in exempt or uncapped categories rather than broad-based balance-sheet expansion.

CREDIT SEGMENTS



Regarding segments, public and private banks have been differentiating in all sub-segment details. Deceleration in consumer credit growth is becoming more pronounced in public banks where trend growth rates have turned negative. In contrast, commercial lending growth remains stronger at public banks than at private banks, with TL commercial lending at public banks becoming increasingly concentrated in the non-SME segment. Consumer credit card growth has also continued to moderate, with its trend rate converging toward the 3-month CPI trend and a more pronounced weakening observed at private banks. The 8-week credit growth caps remain in place, with the latest revision, effective October 1, raising the TL SME credit growth cap from 4.5% to 5%. Under our baseline scenario, we expect the credit growth cap framework to remain in place through 2027, accompanied by subsidized credit packages and potential further adjustments to caps in commercial segment.

DEPOSITS & DOLLARIZATION



TL deposit growth is losing momentum at private banks since August. Nevertheless, dollarization remains below 40% across the banking sector, with the ratio at public banks declining to below 35%. Following the recent funds-related turmoil, FC deposit inflows have been only modest in recent weeks, suggesting limited renewed FX demand so far, particularly seen in corporates. However, as a potential side effect of this stress, limited alternatives among TL assets could reduce the TL deposit rates somewhat. Still with the currency remaining the main anchor of the disinflation process, we continue to expect the TL deposit rules and high real rates to continue as an important buffer to support TL demand and, ultimately, currency stability.

Main messages

PROFITABILITY



Profitability remains under pressure, though the pace of deterioration has eased. Deposit banks' net income rose 18% m-o-m in August after contracting in July, while 12-month ROE declined to 23%. NII contribution continues to improve at private banks, while weak trading gains weigh on sector profitability. Further normalization in TL funding costs should support margins, although slower loan growth and rising costs may constrain the ROE recovery. Higher NPL inflows could also push CoR higher, weighing on profitability in both 2026 and 2027. We continue to expect 2026 ROE to be closer to 25%, with risks slightly tilted to the downside. For 2027, ongoing macroprudential measures and credit growth caps could constrain NIM normalization, potentially delaying the recovery in real ROE to later, depending on the gains on disinflation*. We forecast RoE of deposit banks to improve toward 25-28% by end 2027.

ASSET QUALITY



Asset quality is deteriorating gradually, driven by mostly consumer lending. The overall NPL ratio still remains historically low, but particularly the ratio in GPLs calls for caution, requiring further restructurings, potentially being brought forward by the recent fund-related stress. Commercial NPLs are also trending upward, with SME NPLs approaching 4%. We expect the NPL ratio and cost of risk to maintain an upward path in the coming months, with household balance-sheet pressure and recent investment-fund-related losses posing additional upside risks. The CBRT announced on Oct 1st an upward revision in SME credit growth caps which might bring some relief on this segment after the possible adverse liquidity effects from the stress in funds.

CAPITAL



Capital ratios remain comfortably above regulatory minimums. The earlier deterioration in private banks' capital ratios appears to have stabilized, with ratios improving since June, supported by capital issuances, while public banks continue to operate with lower capital buffers. Looking ahead, slower risk-weighted asset growth should provide some support to capital ratios, although weaker profitability, regulatory normalization and rising asset-quality pressures could constrain further improvement.

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

Regulations for TL deposit

- 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 as of Oct26 (previously 4.5% for TL SME) & 2% for non-SME TL commercial loans excluding export, investment & agriculture); 3% auto loans, 3% GPL, 4% for overdraft loans with more than 3 installments; 1% 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 are 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 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 is 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 has been terminated as of July26
- The RRR of 28-32% for FC deposits & precious metals, as of July26
- 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
- The ratios for maintaining TRY required reserves in blocked accounts have been lowered as of Oct26

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

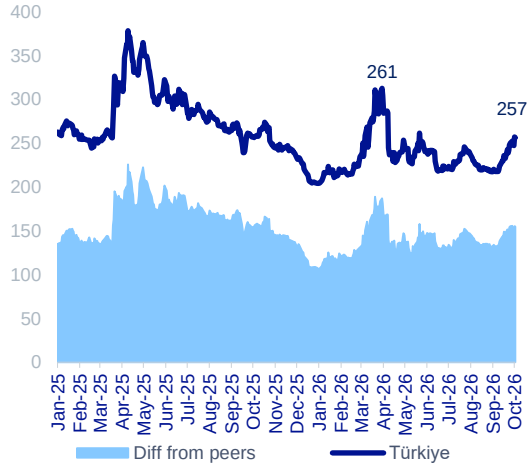
Regulations on Credit Cards

- Overdraft limit is capped at a maximum of twice the customer's monthly average income.
- On credit cards, the BRSA aims to impose restrictions on retail credit card limits 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. Both measures are under discussion with banks for application.
- 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.

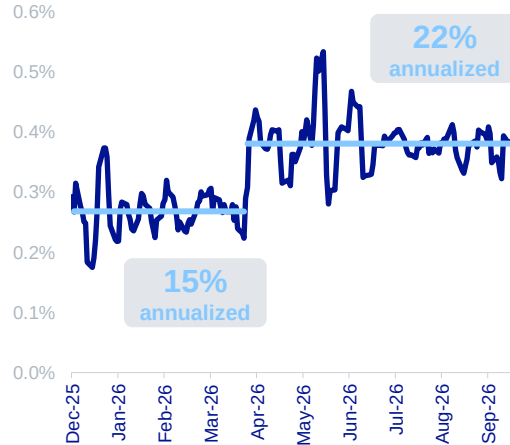
Liquidity

Global risk off mood has moved up risk premium but still to a limited extent, no change in depreciation pace

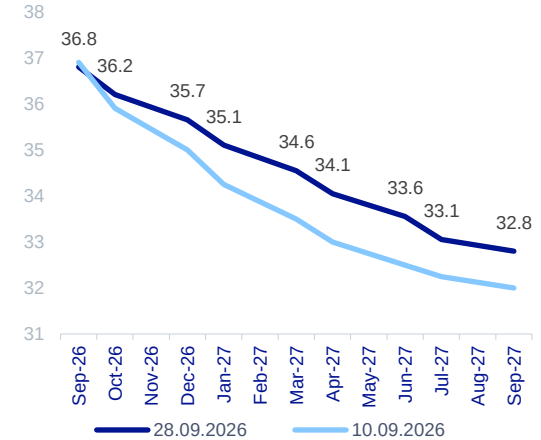
**TÜRKİYE VS. EM 5-YEAR CDS
(BASIS POINTS)**



**USDTRY NOMINAL CHANGE
(5-day average)**



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

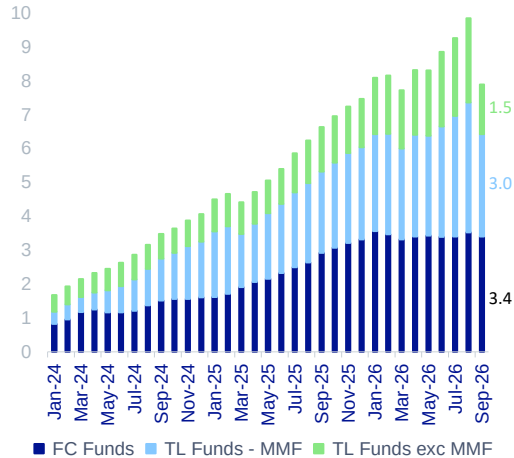


Source: Bloomberg and Garanti BBVA Research

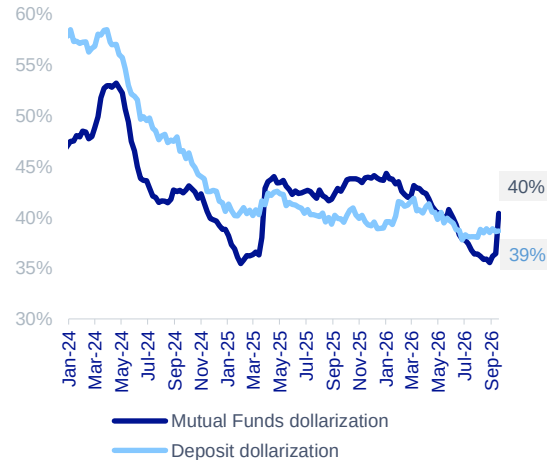
The pace of USDTRY nominal depreciation is preserved at 22% annualized. Rate cut expectations from the CBRT stay conditional to the stress in the global financial markets, yet the recent domestic shock through the investment funds could increase the scope for monetary easing.

Significant outflows from TL funds followed the recent turmoil, yet dollarization remains contained

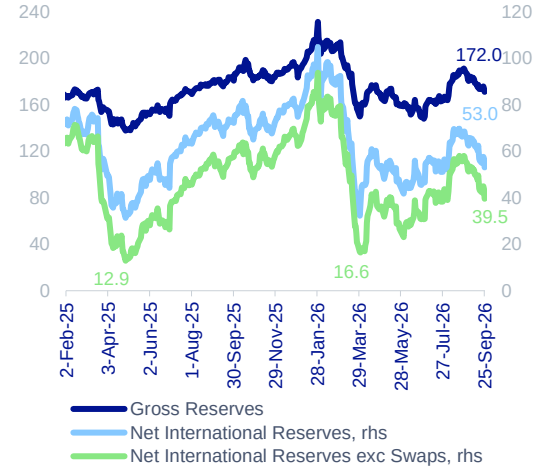
SIZE OF INVESTMENT FUNDS**
(TL TRN as of 25th Sep)



RESIDENTS' DOLLARIZATION RATIO* (%)



CBRT INTERNATIONAL RESERVES (\$USBN)



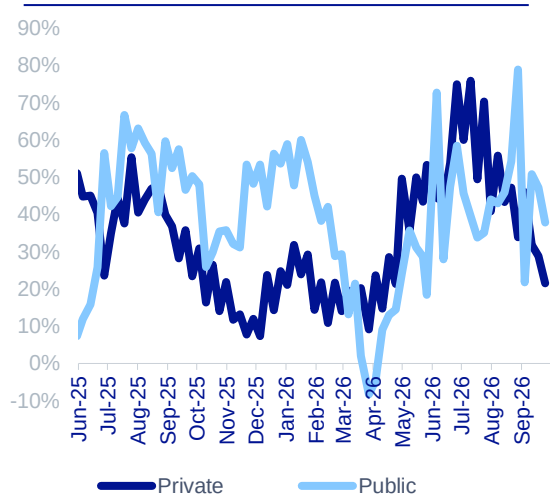
* FC Funds consist of FC Hedge Funds, Eurobond Funds and Precious Metals Funds

** We are not able to track fully the funds activity after Sep 15th since some funds shift to monthly valuations. Affected funds (Tera, Bulls, Atlas, Pusula, Hedef, A1, Pardus Portfolio Management) are excluded since Sep15th

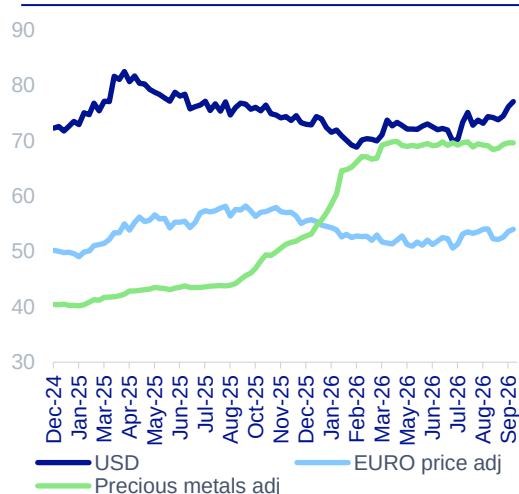
Following the liquidity crunch due to the shock through funds, dollarization pressures remain contained, most of the exit from funds flow into TL deposits. The CBRT reserves will remain as strong as possible in order to keep it as the main shock absorber, while preserving the exchange rate as the main anchor.

TL deposit inflows are now weakening at public banks, following an earlier slowdown at private banks

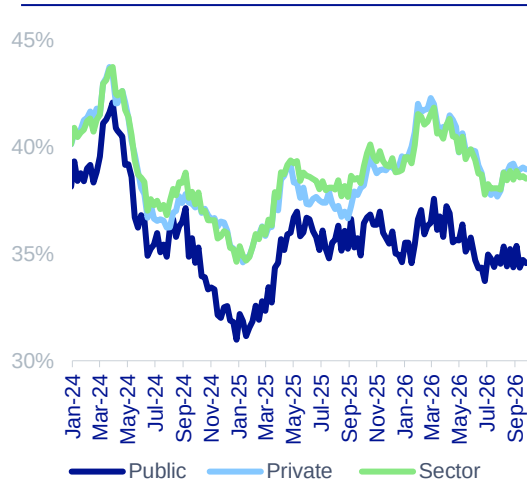
TL DEPOSIT GROWTH
(13-week annualized)



SIZE OF FC DEPOSITS
(adjusted by price effects, \$Usbn)



DOLLARIZATION RATIO IN BANKING SECTOR (%)

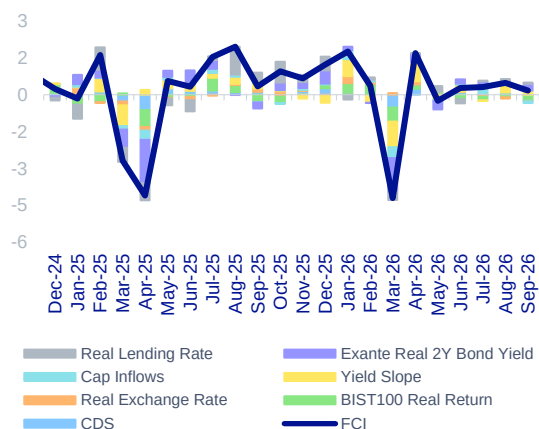


Source: CBRT, BRSA and Garanti BBVA Research

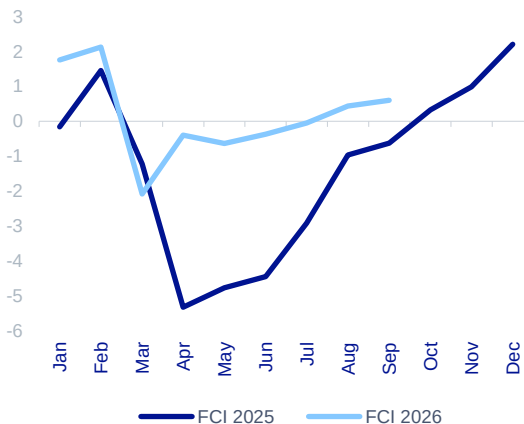
Dollarization remains significantly lower at public banks. FC deposit growth has accelerated only modestly in recent weeks, pointing to limited renewed FX demand, contained by only corporates

Financial conditions stayed closer to neutral in 3Q26, despite the CBRT funding-rate normalization

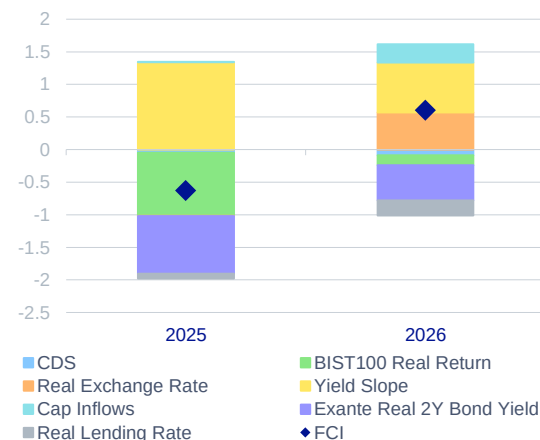
GARANTI BBVA FINANCIAL CONDITIONS INDEX (FCI)
(STANDARDIZED, + EASING, - TIGHTENING)



GARANTI BBVA FCI
(YTD CUMULATIVE, STANDARDIZED, + EASING, - TIGHTENING)



GARANTI BBVA FCI
(CUMULATIVE FIRST 9 MONTHS, STANDARDIZED, + EASING, - TIGHTENING)

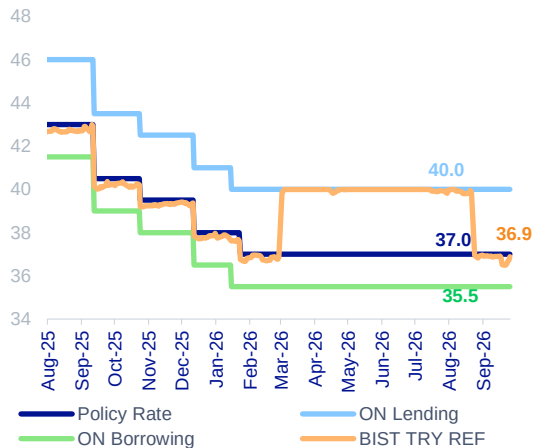


Source: CBRT, Bloomberg, TURKSTAT and Garanti BBVA Research.

Amid the CBRT's lowering funding rate by 300bps –back to the policy rate- in late August, financial conditions have not changed meaningfully since then; led by higher real lending rates, macroprudential regulations and tighter external financing conditions

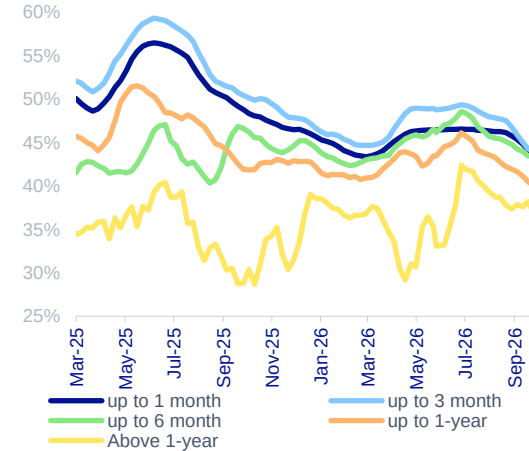
The return to 1 week repo was sooner than expected, resulting in a similar decline in TL deposit rates since then

CBRT INTEREST RATES & BIST TL REF RATE
(%, SIMPLE)



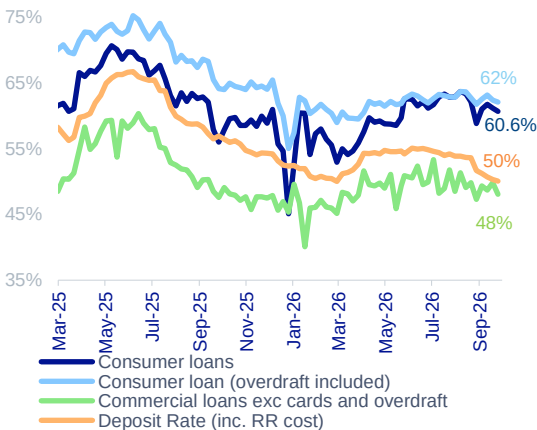
Source:CBRT and Garanti BBVA Research

TL DEPOSIT INTEREST RATES
(%, 4-WEEK AVG, FLOW, COMPOUND)



Source:CBRT and Garanti BBVA Research

TL DEPOSIT & LOAN INTEREST RATES
(%, WEEKLY, FLOW, COMPOUND)

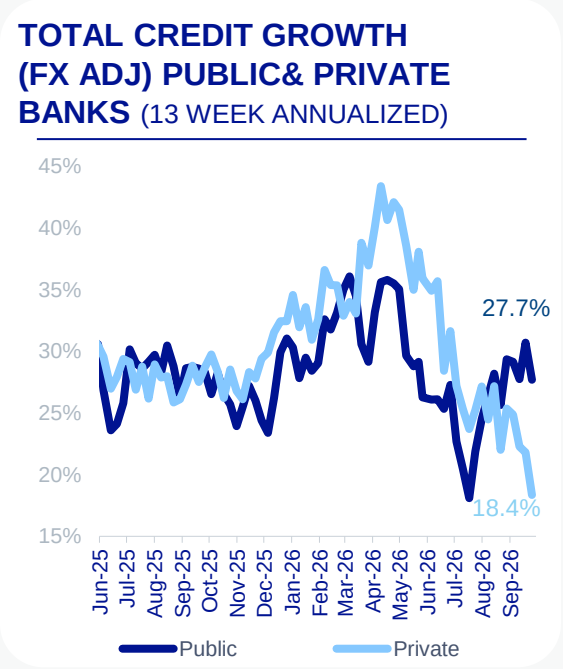
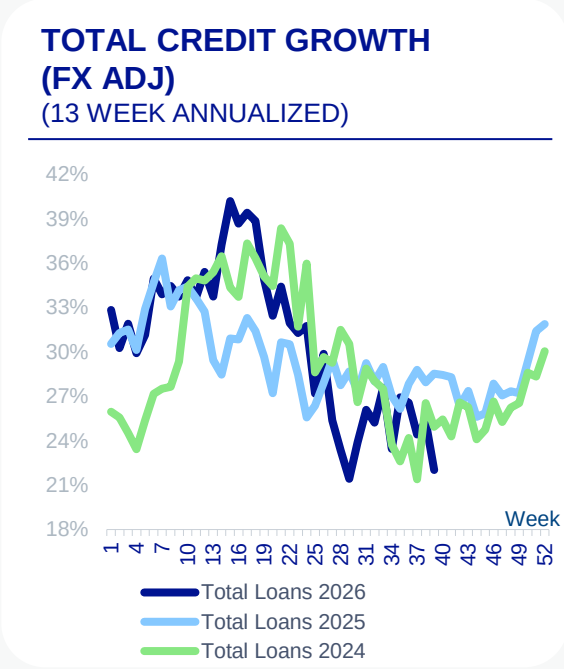
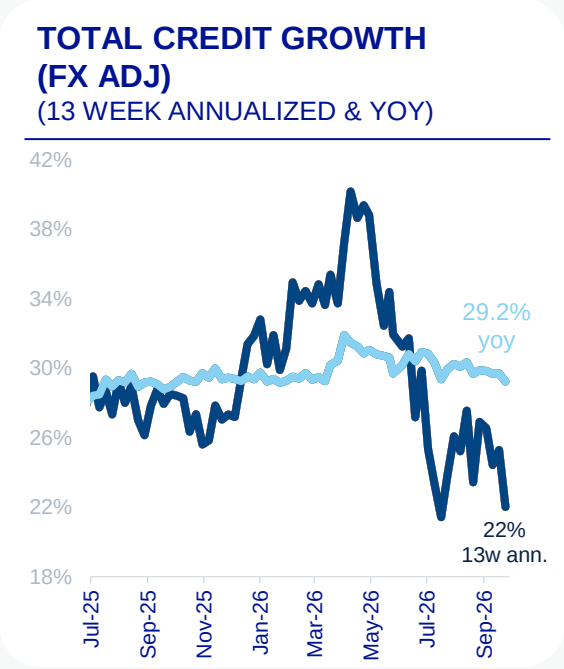


Source:CBRT and Garanti BBVA Research

Despite the decline in TL deposit rates following the normalization of the CBRT toward the policy rate, the credit growth caps limit a comparable decline in TL loan rates. Between Aug-Sep TL deposit rates came down by around 300bps compared to 150bps decline in credit rates.

Credit Developments

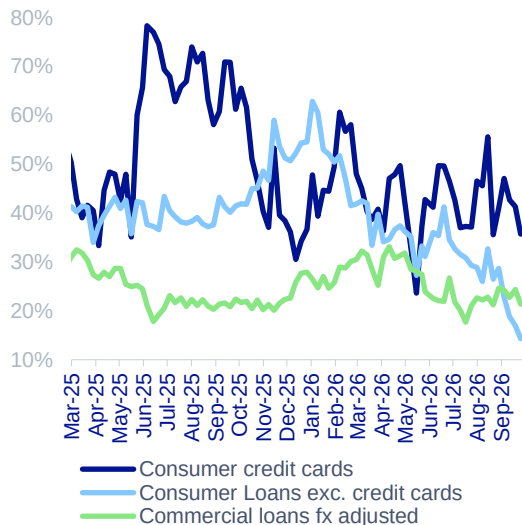
Credit growth trend continues to decelerate, with public banks' trend remaining much higher than private banks



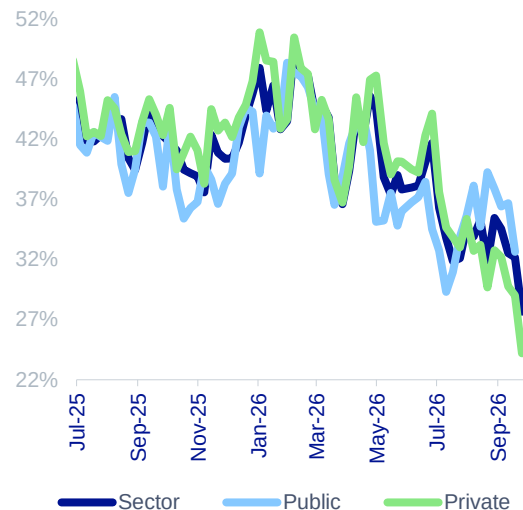
Divergence between public and private banks' credit growth became more pronounced during September

The differentiation is prevalent in all sub segments

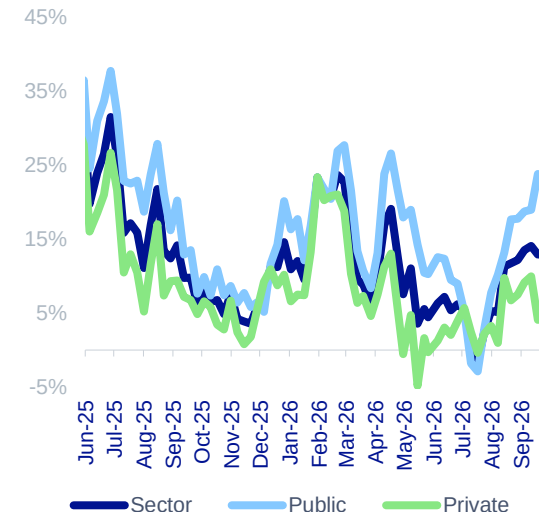
CREDIT GROWTH SEGMENTS
(13 WEEK ANNUALIZED)



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



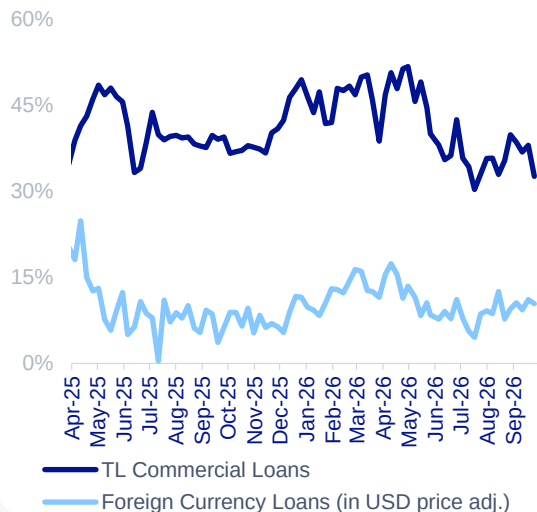
FC CREDIT GROWTH: PUBLIC VS PRIVATE BANKS
(13 WEEK ANNUALIZED, DEPOSIT BANKS)



Given the ongoing growth caps on FC lending, public banks appear to be expanding through uncapped segments, such as export and investment loans

TL loans continue to drive commercial lending due to tighter FC caps, with private banks' sharper slowdown since July

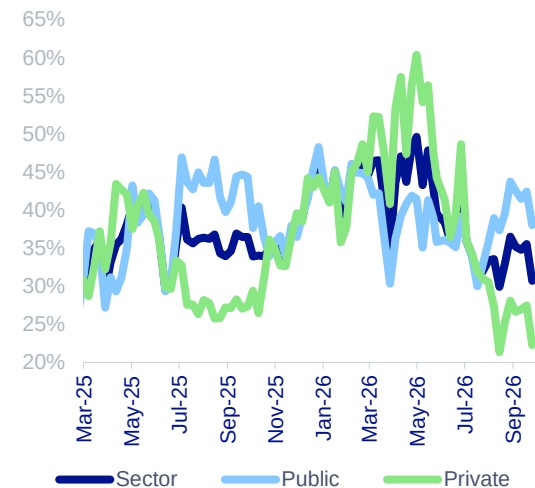
COMMERCIAL CREDITS GROWTH
(13 WEEK ANNUALISED)



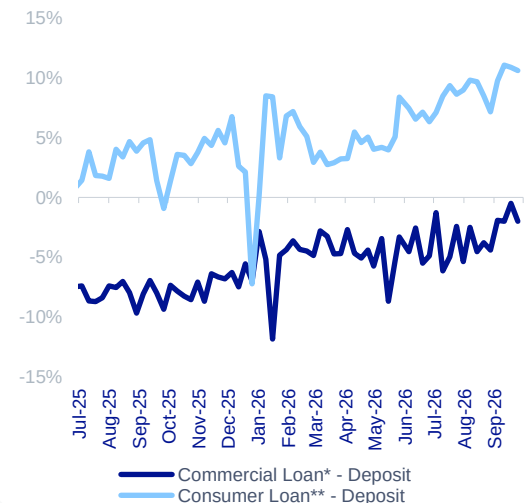
* Excluding overdraft loans

** Excluding overdraft loans and credit cards

TL COMMERCIAL CREDIT GROWTH
(13 WEEK ANNUALIZED)



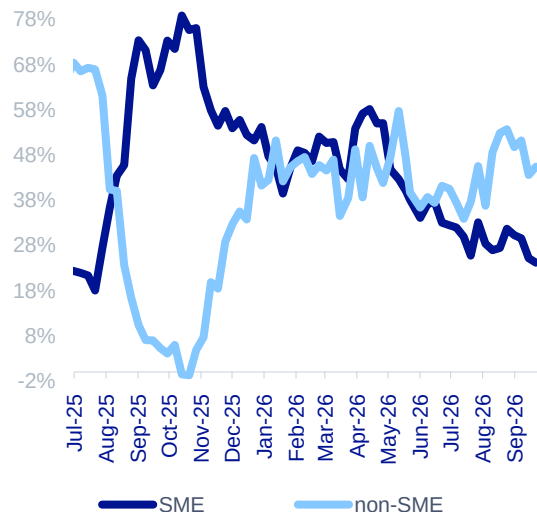
TL LOAN-DEPOSIT SPREADS (%)



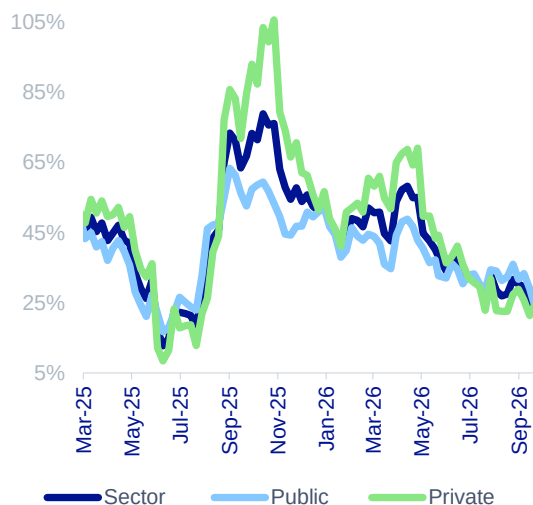
TL spreads have been improving since August due to a higher fall in TL deposit rates after the normalization in the CBRT funding

Public banks' TL commercial lending push appears to be driven mainly by non-SME loans

TL COMMERCIAL CREDITS
(13 WEEK ANNUALISED)



TL SME CREDIT SEGMENTS GROWTH (13 WEEK ANNUALIZED)



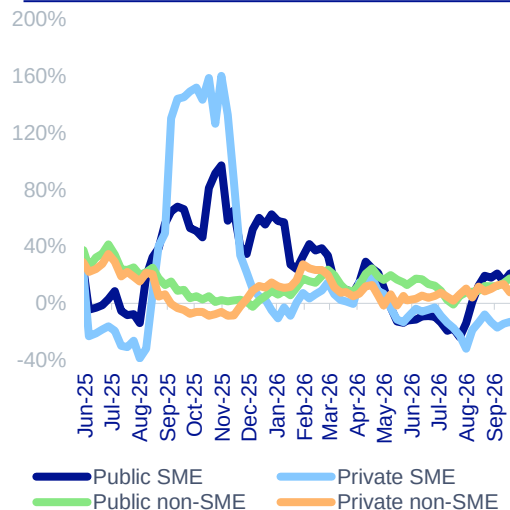
TL NON-SME CREDIT SEGMENTS GROWTH (13 WEEK ANNUALIZED)



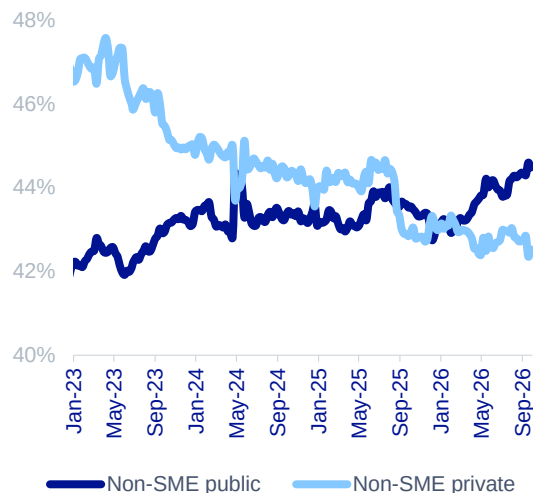
TL SME lending continues to lose momentum. The divergence between SME and non-SME lending has widened in recent months

FC lending growth has recently picked up at public banks, driven mainly by the non-SME segment

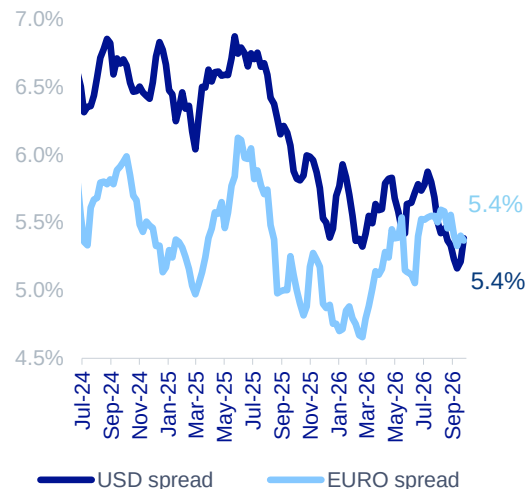
FC CREDIT GROWTH
(13 WEEK ANNUALIZED)



SHARE IN TOTAL FC NON-SME LENDING
(%)



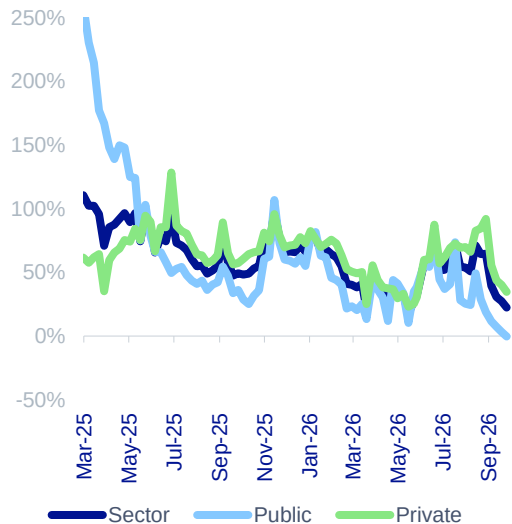
FC CREDIT SPREADS
(4-WEEK AVG)



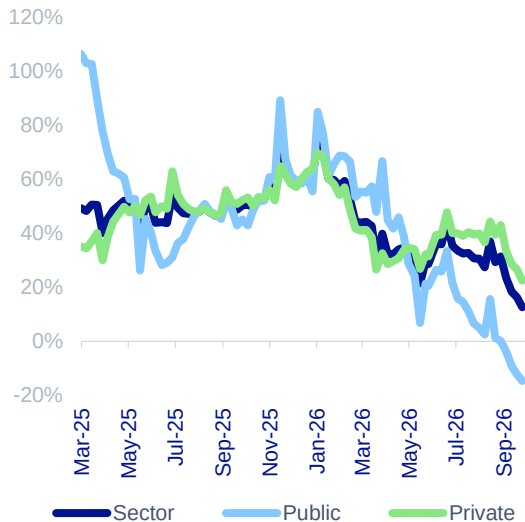
Despite regulatory growth caps, the recent pick-up suggests that likewise in TL lending policy, public banks are increasingly channeling FC lending through uncapped segments. On the other hand, FC lending spreads have narrowed recently due to increase in FC deposit rates

Consumer credit momentum weakens sharply, led by a pullback in public banks' overdraft and general-purpose loans

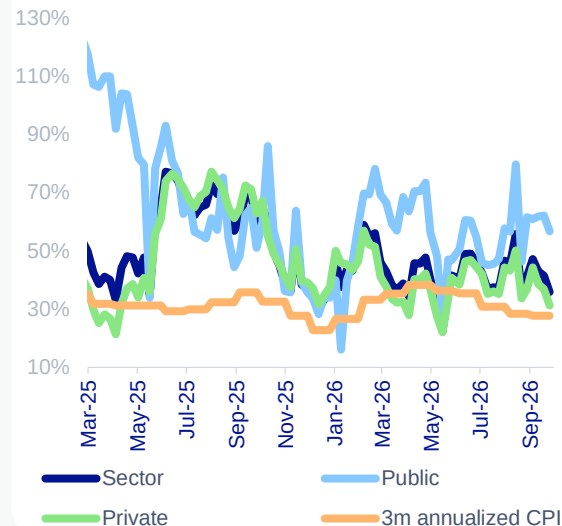
OVERDRAFT CONSUMER LOANS
13 WEEK ANNUALISED, DEPOSIT BANKS



GENERAL PURPOSE LOANS
13 WEEK ANNUALISED, DEPOSIT BANKS



CREDIT CARD GROWTH
13 WEEK ANNUALIZED, DEPOSIT BANKS

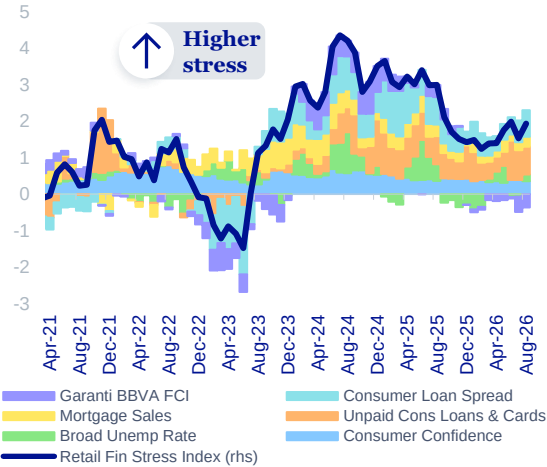


On the other hand, credit card growth remains comparatively resilient, particularly at public banks

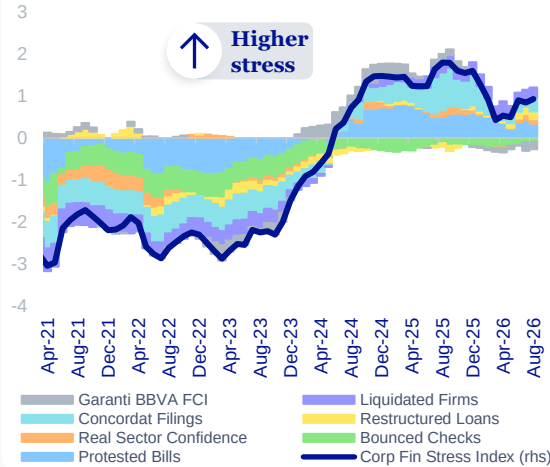
Asset Quality

Financial stress levels keep a slight upward trend, pushing up retail NPL more clearly

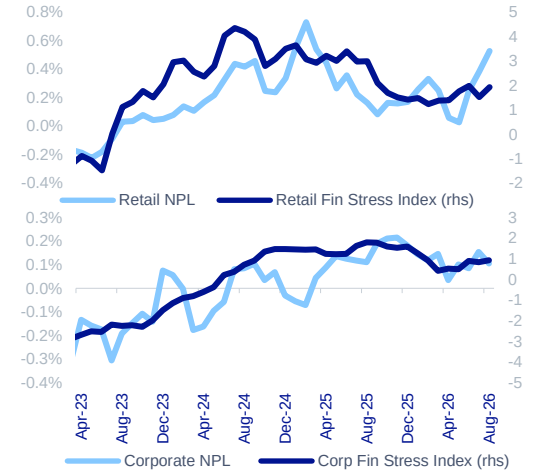
RETAIL FINANCIAL STRESS*
(factor & contributions)



CORPORATE FINANCIAL STRESS*
(factor & contributions)



FINANCIAL STRESS & NPL RATIOS
(factor vs 3M change)



Source: CBRT and Garanti BBVA Research.

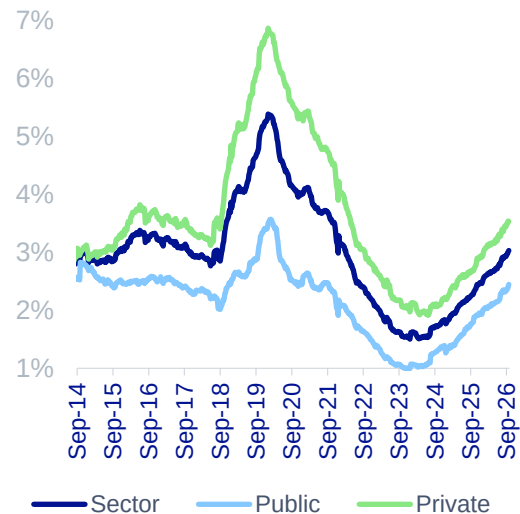
* See [here](#) for the methodology and more detailed information.

Wide credit spreads and continued concordat filings are keeping financial stress elevated across both consumers and corporates

Total NPL ratio started to exceed 3%, driven mainly by consumer loans

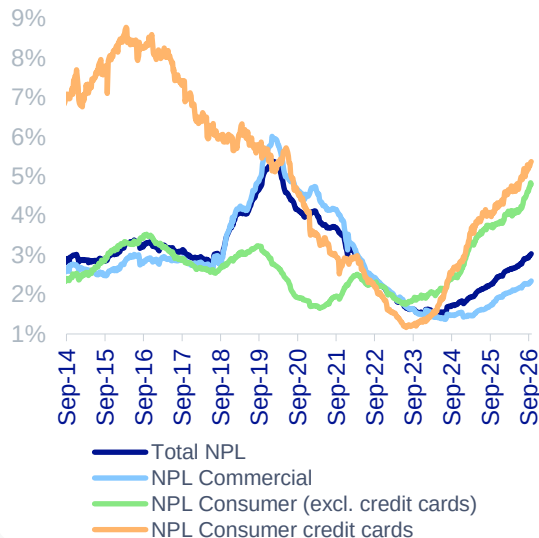
NPL RATIO

%



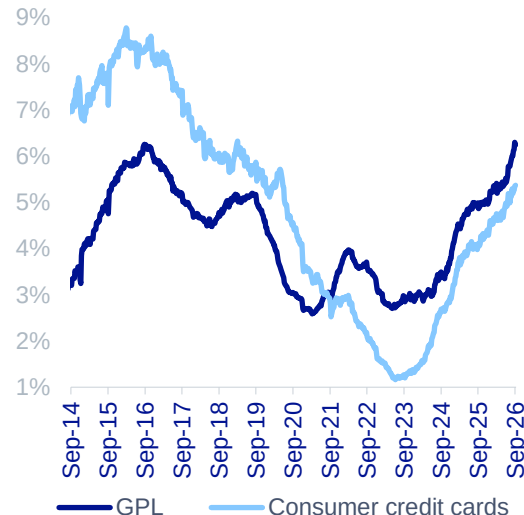
NPL RATIO IN SUBSEGMENTS

%



NPL RATIO, CONSUMER LOANS

%

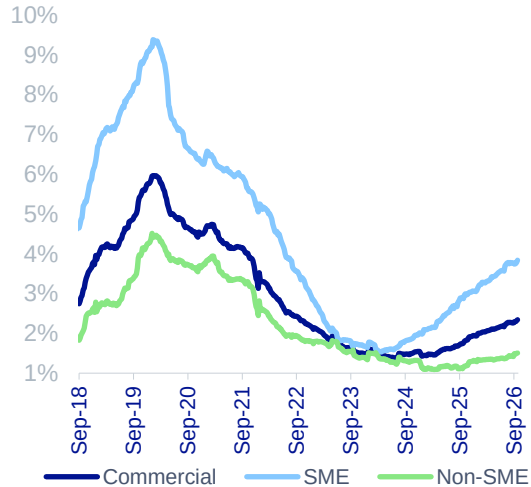


The GPL NPL ratio (at 6.3%) reached its historically highest point since 2014

Commercial NPL ratio continues to follow a slow but steady upward trend. SME NPL* is close to 4%

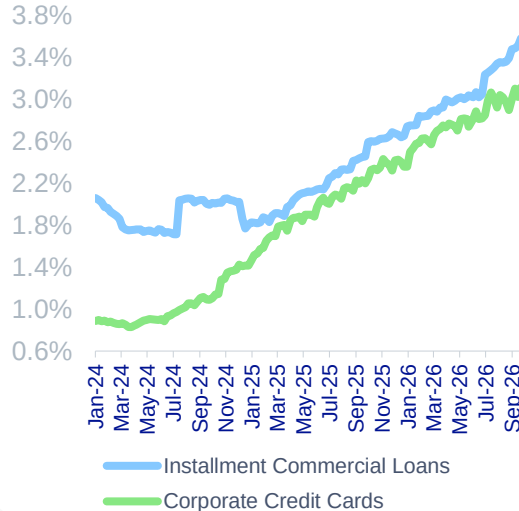
NPL RATIO IN COMMERCIAL LOANS

%

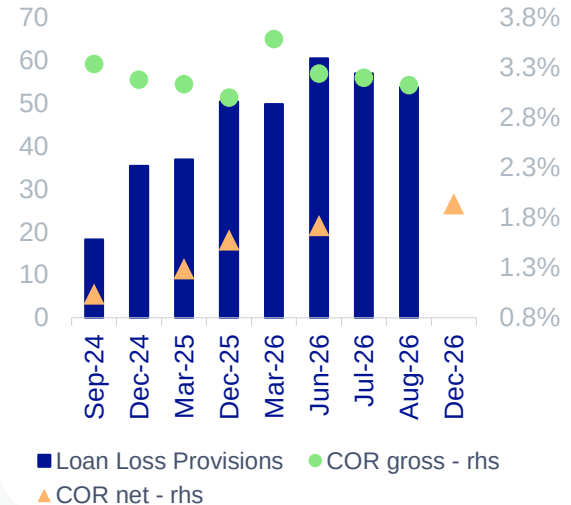


NPL RATIO IN COMMERCIAL LOANS

%



PROVISIONS & COST OF RISK (COR) IN DEPOSIT BANKS



Source: CBRT, BRSA and Garanti BBVA Research.

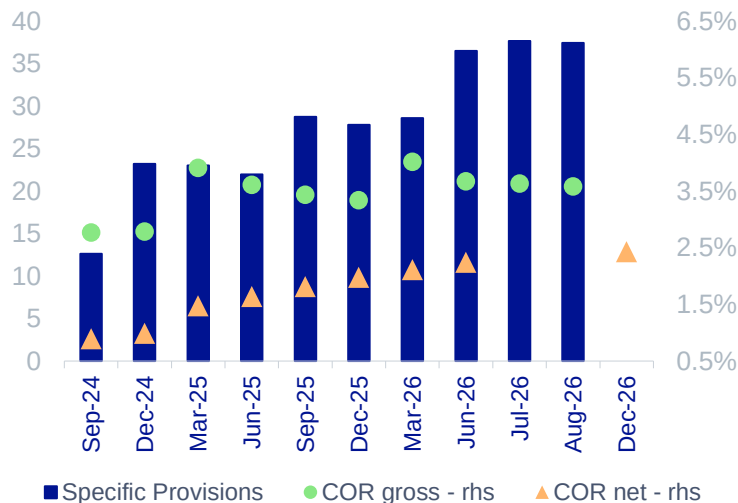
* The Oct 1 revision of the CBRT on the SME credit growth cap revision (from 4.5% to 5%) might bring some relief on this segment

Gross provisions have been declining since July after a significant increase in June

The recent fund turmoil could drive NPLs higher, leading to an increase in CoR levels as well

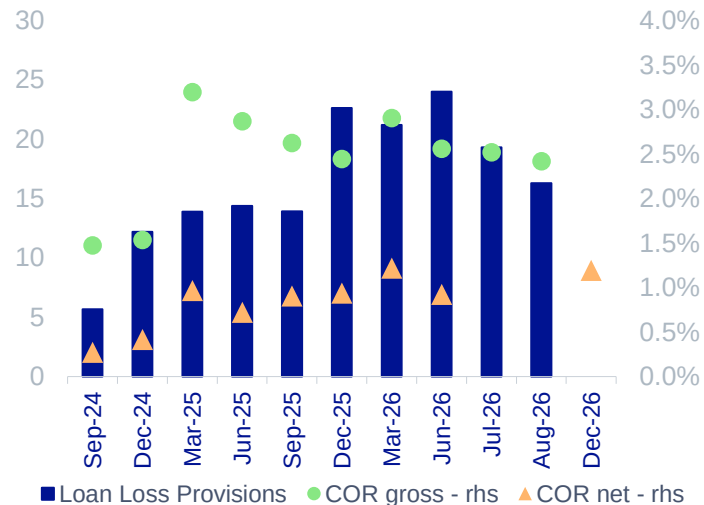
PRIVATE BANKS: PROVISIONS & CoR*

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



PUBLIC BANKS: PROVISIONS & CoR*

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

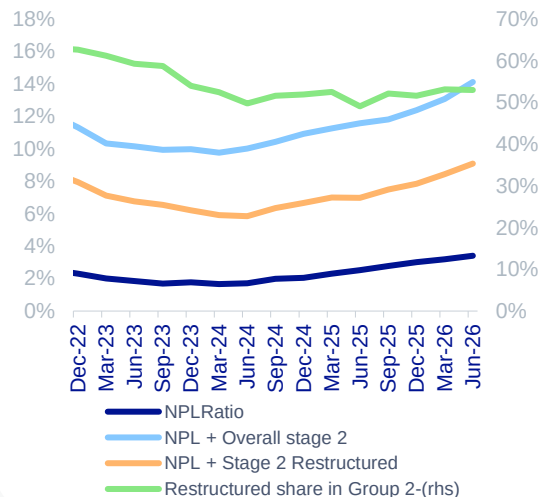


*Due to public data restriction, we use peer banks' data as a proxy for the net CoR estimation for 2026.

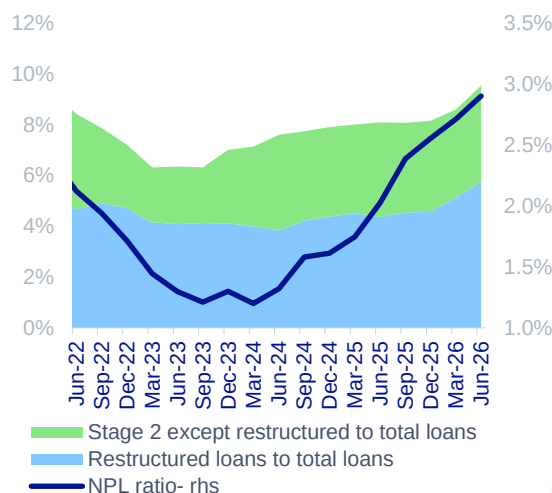
Source: CBRT, BRSA and Garanti BBVA Research.

Latest quarterly peer data of June26, (NPLs+ Group 2 loans) was also confirming this rise

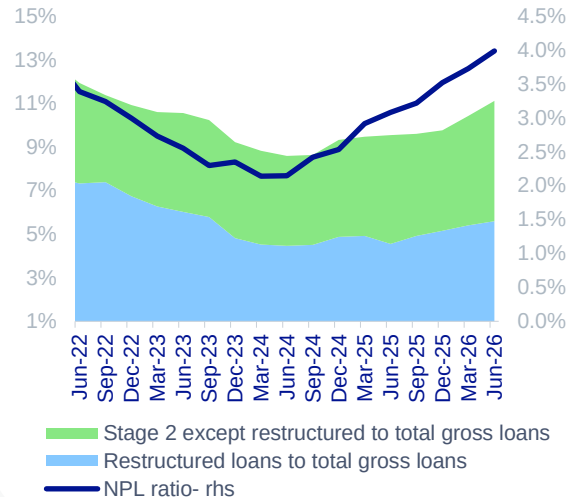
RATIO OF STAGE 2 LOANS & RESTRUCTURED LOANS: PEER DEPOSIT BANKS



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



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



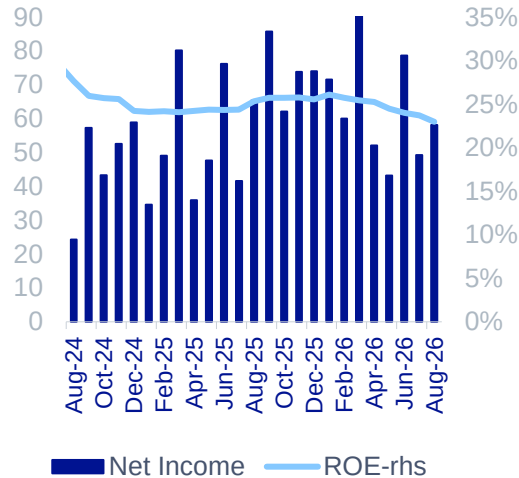
Restructured loans increased more sharply at public banks than private banks in 2Q26. Accelerating consumer loan NPLs could push the ratio higher, potentially exacerbated by savings erosion among fund-turmoil related households

Profitability

After a m/m contraction in July, deposit banks' net income rose 18% in Aug, driven by lower gross provision costs

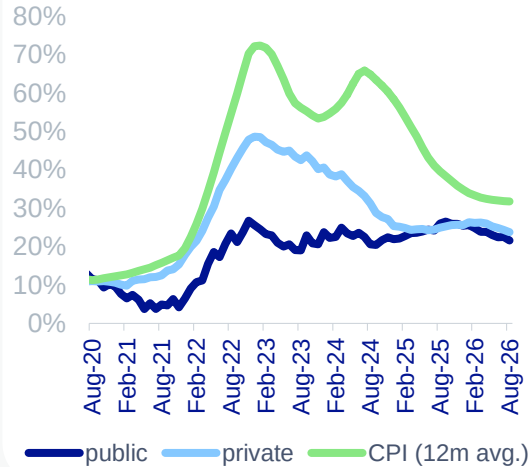
NET INCOME & RETURN ON EQUITY (ROE)

BN TL MONTHLY, % 12M CUMULATIVE



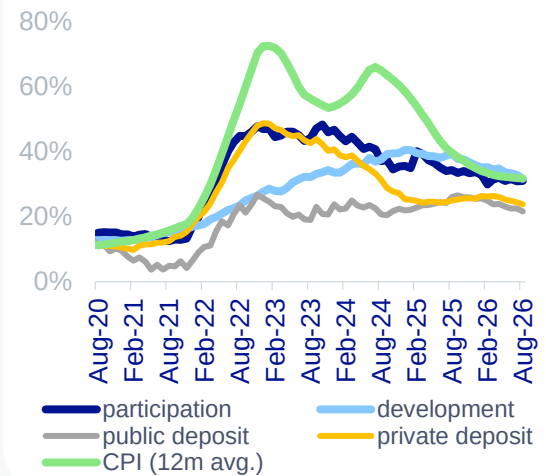
RETURN ON EQUITY (ROE)

%12M CUMULATIVE, DEPOSIT BANKS



RETURN ON EQUITY (ROE)

%12M CUMULATIVE, PARTICIPATION & DEVELOPMENT BANKS



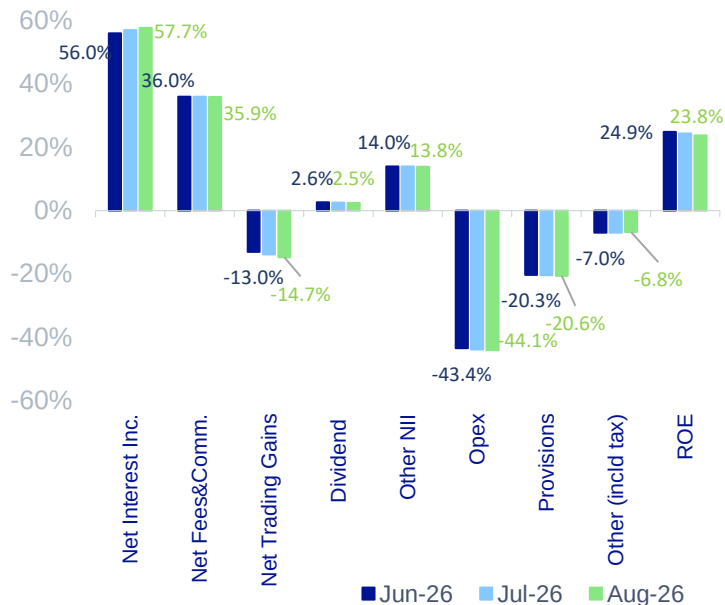
Source: CBRT, BRSA and Garanti BBVA Research.

Average net income in the first two months of 3Q26 was ~7% below 2Q26, signaling improvement from the 22% QoQ contraction in 2Q26. Deposit banks' cumulative ROE fell to 23% in August

The higher improvement in private banks' NII help support their profitability compared to public banks

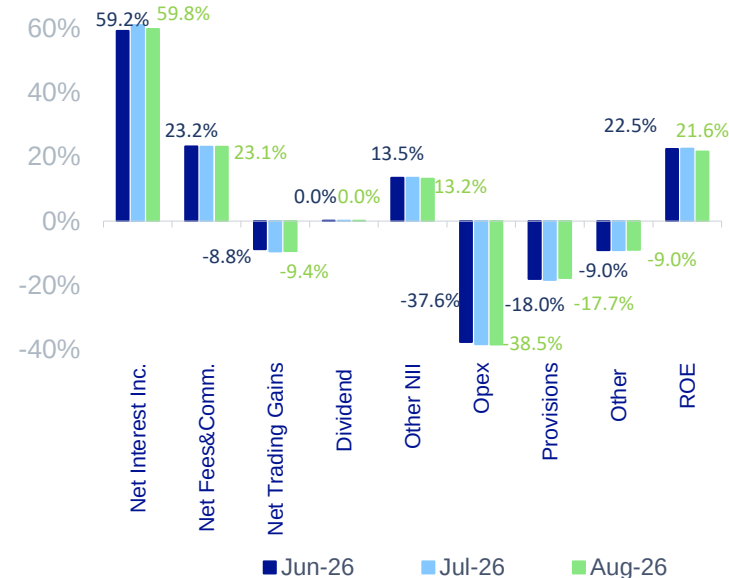
ROE COMPONENTS OF PRIVATE BANKS

%, 12M CUMULATIVE



ROE COMPONENTS OF PUBLIC BANKS

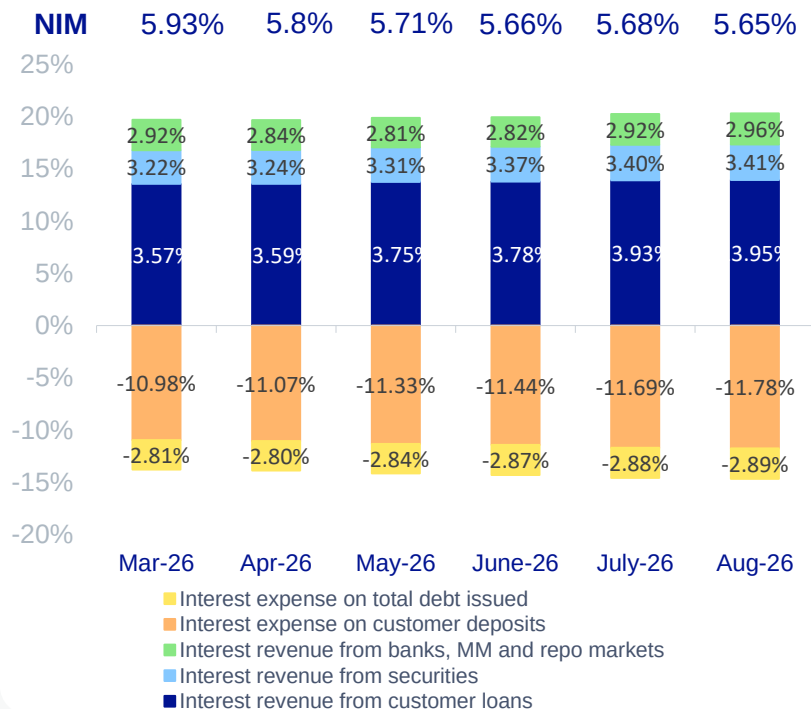
%, 12M CUMULATIVE



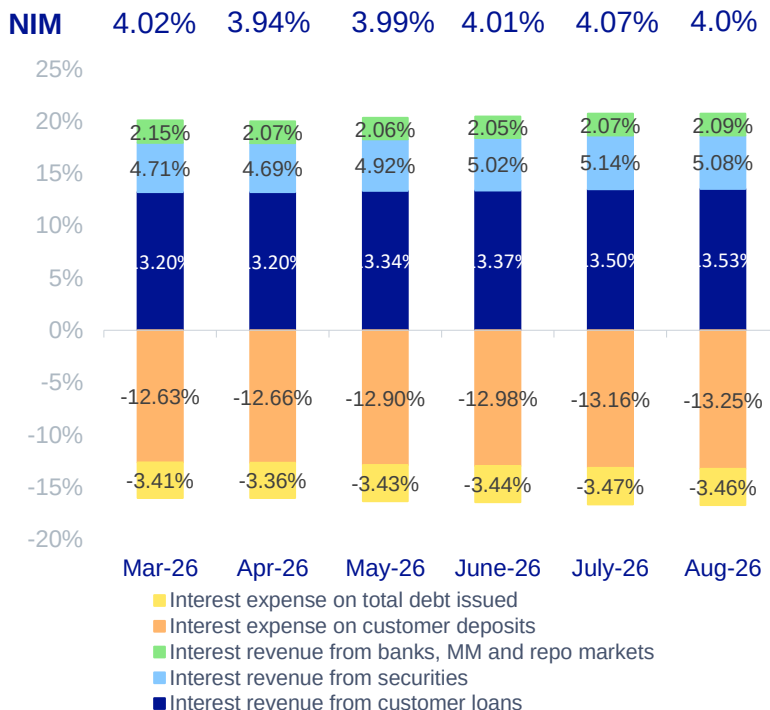
Net interest income contribution continues to improve in private banks; net trading gains' negative contribution continues to weigh on the sector

Securities and money market income drove the sector's NIM differentiation in August

NIM* COMPONENTS OF PRIVATE BANKS

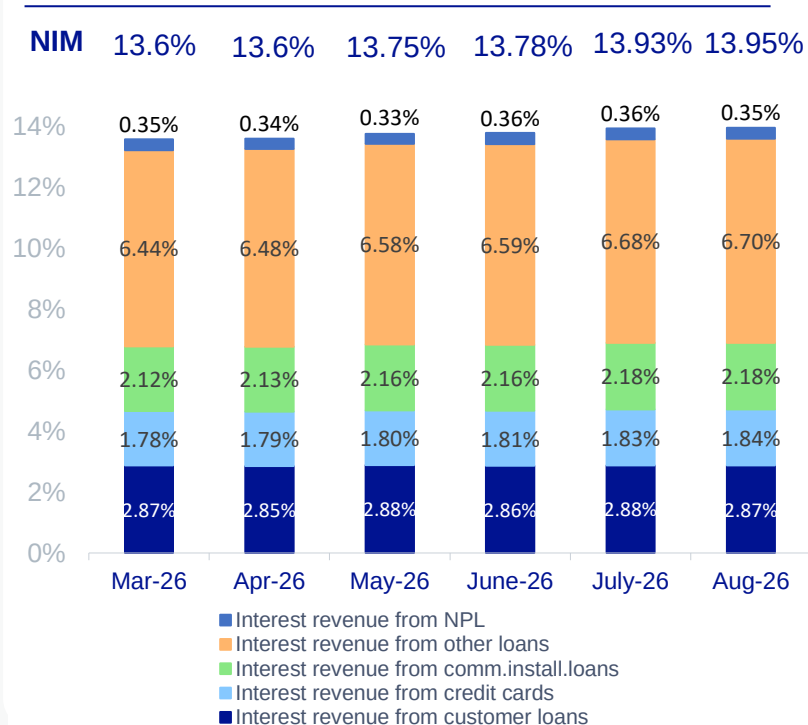


NIM* COMPONENTS OF PUBLIC BANKS

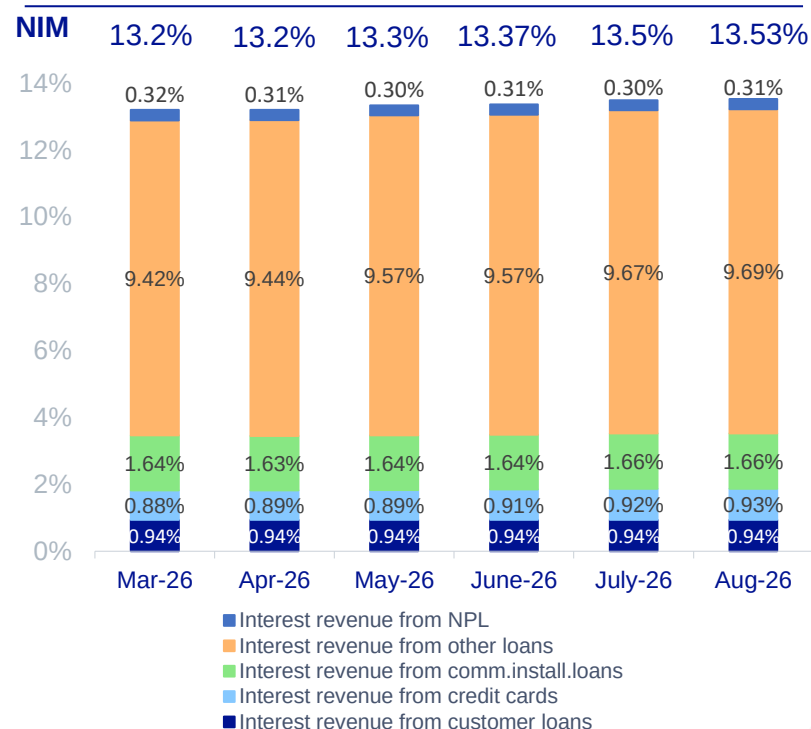


On loan components of NIM, only a slight difference emerged in credit card revenue margins in the sector

LOANS' NIM* COMPONENTS OF PRIVATE BANKS

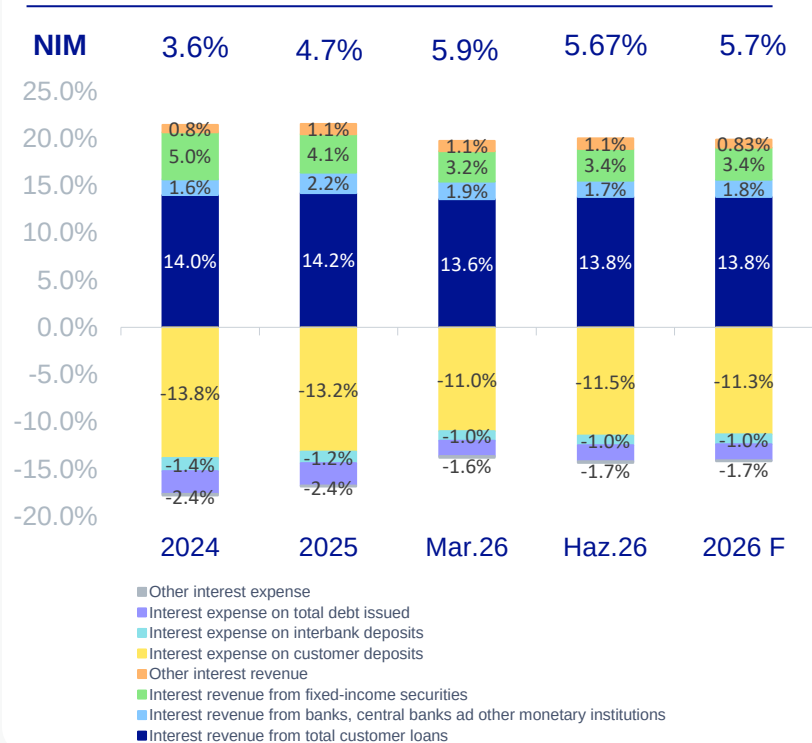


LOANS' NIM* COMPONENTS OF PUBLIC BANKS

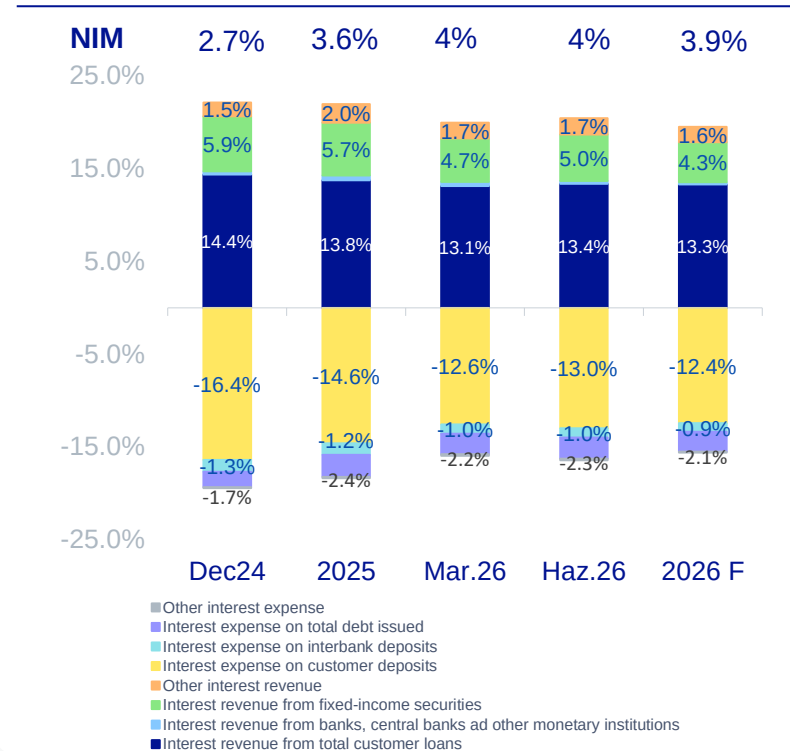


Deposit costs and the revenues generated by securities will mainly differentiate NIM segments for 2026-end

LOANS' NIM* COMPONENTS OF PRIVATE BANKS

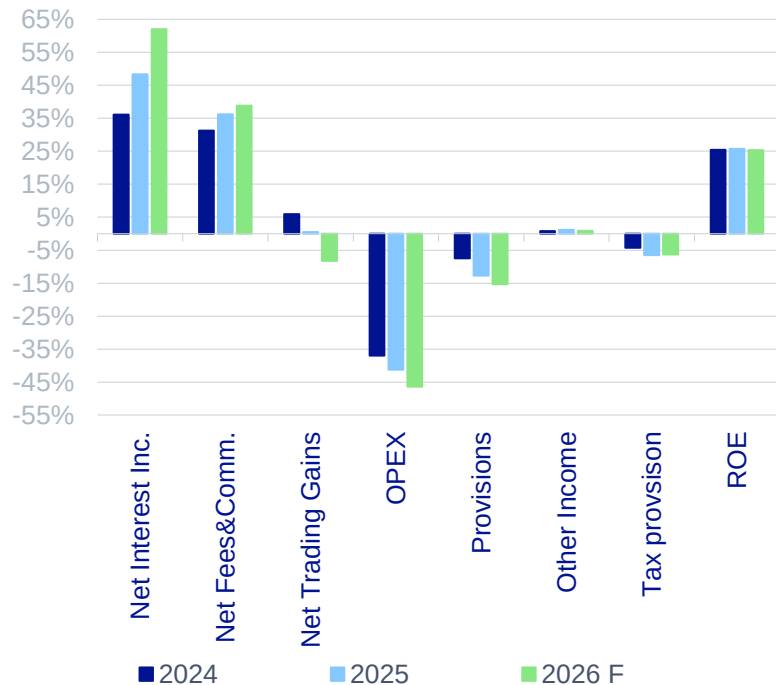


LOANS' NIM* COMPONENTS OF PUBLIC BANKS

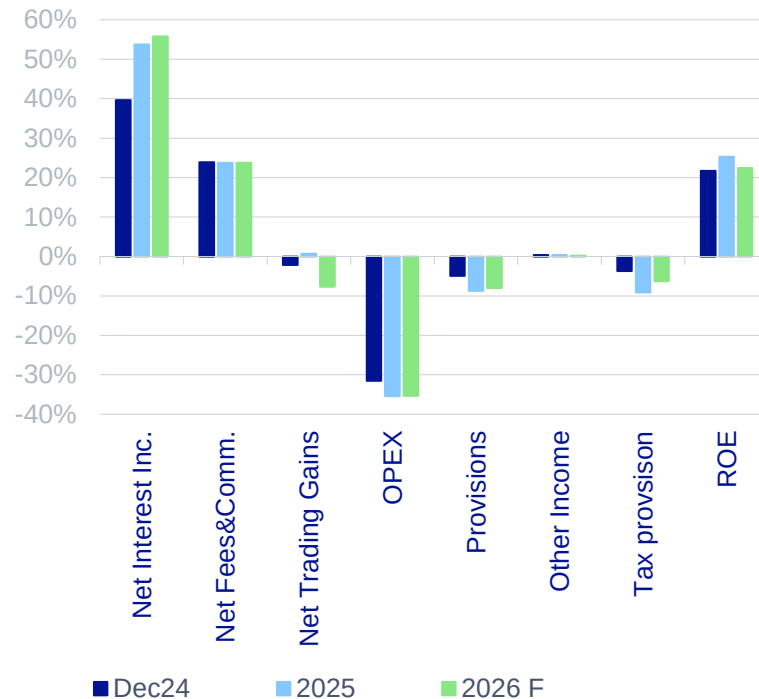


2026 ROE differentiation will be driven mainly by NII, fees & commissions, and OPEX

ROE COMPONENTS OF PRIVATE BANKS
annualized



ROE COMPONENTS OF PUBLIC BANKS
annualized



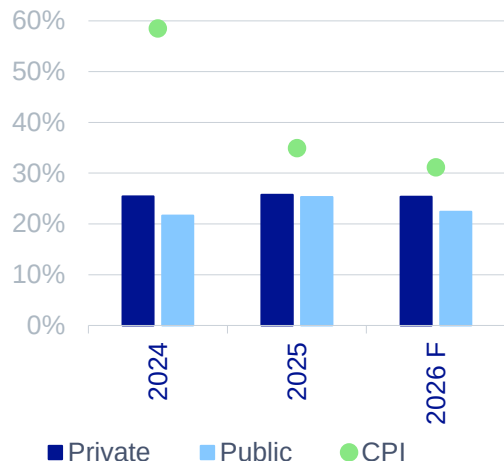
*annualized; F= forecasted

Source: CBRT, BRSA and Garanti BBVA Research.

We expect deposit banks' 2026 ROE to remain closer to 25%, albeit with modest downside risks

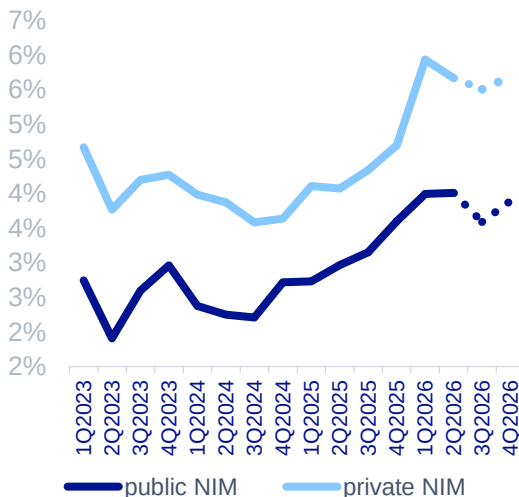
ROE EVOLUTION & FORECASTS*

Annualized % with average annual CPI



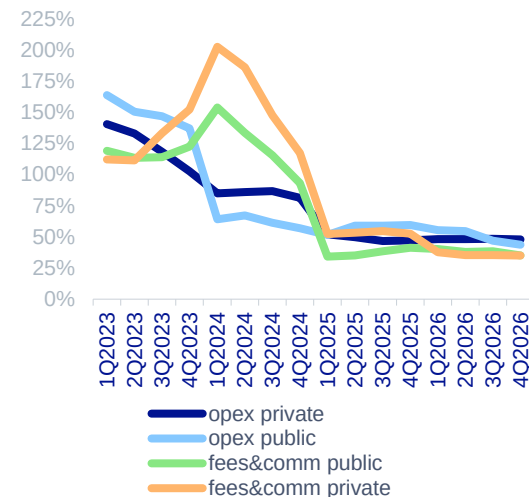
NIM EVOLUTION & FORECASTS

Annualized %



OPEX AND FEES & COMM. EVOLUTION & FORECASTS

YoY growth %



Source: CBRT, BRSA and Garanti BBVA Research.

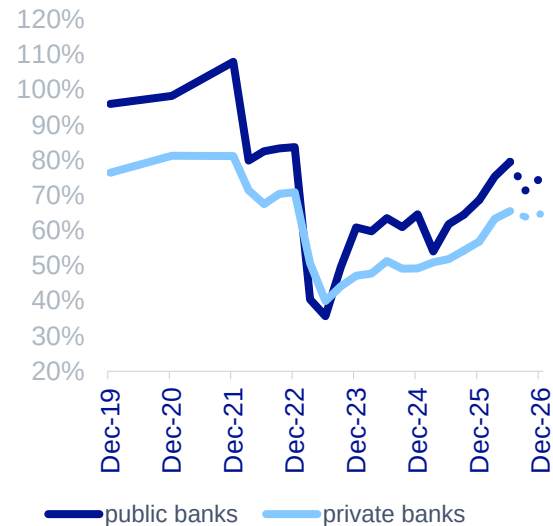
* ROE estimation for the deposit banks is based on our forecasts for banking sector variables which are also based on our macroeconomic forecasts.

Our macro baseline keeps year-end inflation at 30% and the CBRT rate at 36%, with high real rates and macroprudential measures expected to support near-term currency stability

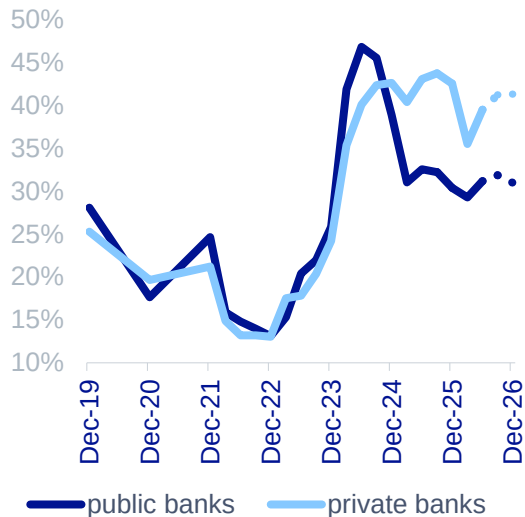
Share of fees and commission revenue in total revenue will differentiate between public and private banks

NET INTEREST REVENUE / TOTAL REVENUE %

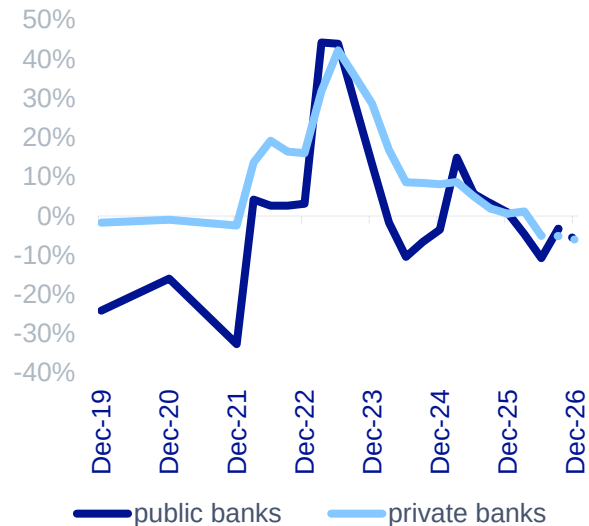
%



NET FEES & COMMISSION REVENUE / TOTAL REVENUE %



TRADING & FX GAINS / TOTAL REVENUE

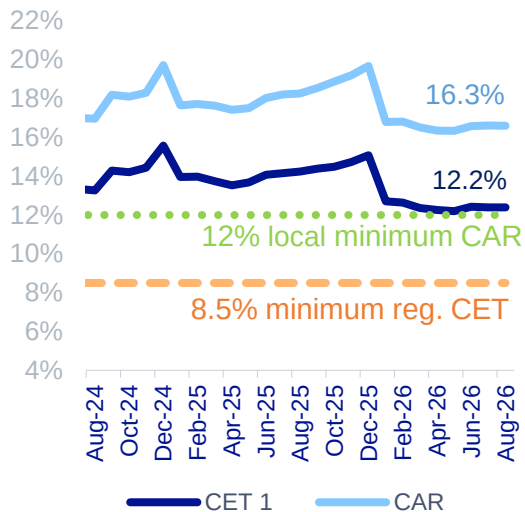


Source: CBRT, BRSA and Garanti BBVA Research.

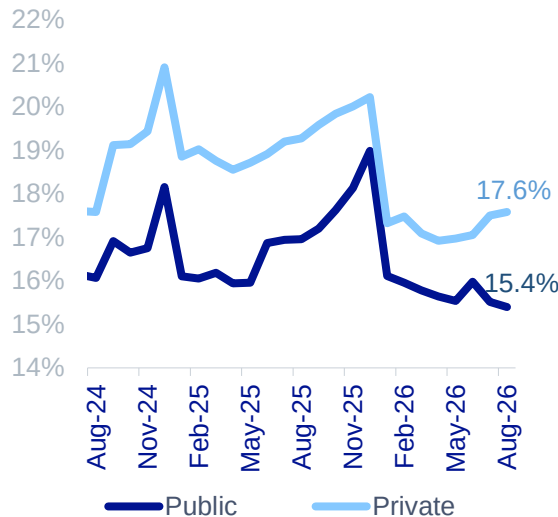
Solvency and Capital Adequacy

Private banks' capital ratios have been improving since Jun26, supported by capital issuances

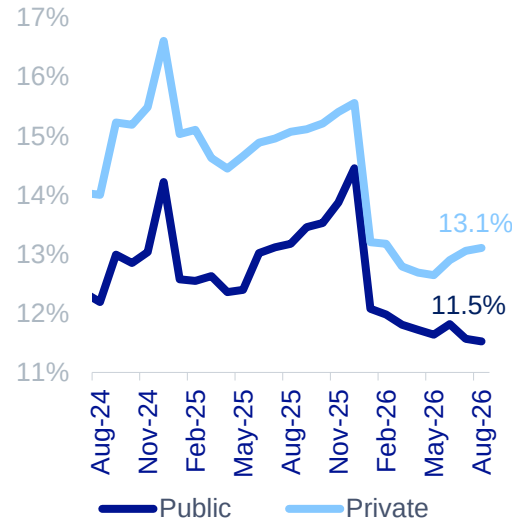
CAPITAL ADEQUACY RATIO (CAR) AND CET 1 RATIO* (%)



CAPITAL ADEQUACY RATIO (%)



CET 1* RATIO (%)



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

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