BBVA Research

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November 2026

Türkiye Banking Sector Outlook

Main messages

SECTOR OUTLOOK

October 2026 marked a pronounced slowdown in credit growth, with the 13-week trend rate falling below 20%, to a three-year low. The weakness, initially concentrated in private banks, also spread to public banks. The tighter regulations introduced in May 2026 appear to have amplified the slowdown in credits, as persistently weak weekly growth rates pushed the trend growth of both consumer loans and credit cards to four-year lows. The CBRT's recent November revisions* introduced some easing in growth caps for selected TL commercial and retail loan segments, potentially supporting a modest recovery in credit growth in the coming weeks. However, the latest CBRT Bank Lending Survey suggests that banks remain reluctant to expand consumer lending, likely reflecting growing concerns over asset quality risks.

CREDIT SEGMENTS

The deceleration in credit growth was primarily driven by consumer loans and credit cards, while TL commercial lending remained comparatively resilient. Consumer lending, particularly credit cards, slowed down substantially, with weakness also spreading sharply to public banks, where consumer loan trend growth turned negative. TL commercial loans have been supported by CGF-backed SME lending, although non-SME growth has weakened since mid-October as well. FC lending slowed abruptly, with private banks' growth turning negative and public banks also reducing lending. Following the growing concerns over asset quality, the latest Economy Coordination Board decisions signal some easing measures for retailer loans going ahead.

DEPOSITS & DOLLARIZATION

TL deposit inflows weakened in October, particularly at public banks. Deposit dollarization remains historically low at around 39%, but has started to edge up since mid-October. The recent capital-market turmoil intensified liquidity pressure: TL investment funds declined by more than TRY 2tn since end-August, of which almost TRY 1tn is in liquidation, while CBRT reserves came under pressure. Despite these developments, a broad shift into FX deposits has not emerged in the data so far. TL deposit-share regulations and relatively attractive TL returns remain important anchors for lira demand and currency stability.

** Official CBRT statement can be found here*

Main messages

PROFITABILITY

Profitability improved in 3Q26, but the recovery remains fragile. Deposit banks' net income rose by almost 50% m/m in September, mainly on stronger NII at public banks, while quarterly net profit increased 11.4% in 3Q26 after a 22% contraction in 2Q26. Decline in deposit costs has started to be reflected to the expansion in NIMs as of September. However, credit growth caps continue to limit income from loans despite the historically high credit interest rates. Although public and private banks diverged in terms of NII, trading losses and provisioning costs weighed on both banking segments' profitability as well. RoE of the deposit banks fell to 22.6% in 3Q26 (23.3% in private banks, 21.4% in public banks), confirming the downside pressure on our forecast of nearly 25% by the end of 2026.

ASSET QUALITY

Asset quality pressures broadened in 3Q26. The sector NPL ratio reached 3.4% as of mid-Nov, led by consumer loans; GPL and credit-card NPL ratios climbed to nearly 7% and 6%, respectively, their highest levels in several years. SME NPL ratio exceeded 4%, while installment commercial loans also deteriorated faster. Peer-bank results show a marked increase in Stage 2 loans and NPLs, with restructuring patterns suggesting further migration risk. Net CoR in deposit banks rose to 190bps as retail NPL inflows accelerated and provision reversals normalized. Additional household and corporate stress from investment-fund losses could intensify these trends. Hence, rising trend in provision costs will be another important factor for banks' profitability as was also seen in peer banks' 3Q26 financials.

CAPITAL

Capital buffers remain above regulatory minimum, although public banks operate with thinner cushions. Following the expiration of regulatory forbearance measures at the start of the year, public banks' CAR recovered slightly for the first time in 2026 in September. The sector's CAR stood at 16.7% and CET1 at 12.5%, while public and private banks recorded CARs of 15.6% and 17.6%, respectively. Slower risk-weighted asset growth offers some support, but weaker profitability, higher provisioning costs and continued deterioration in asset quality may limit further improvement.

Macro-prudential measures are maintained, yet some signals appear gradually on the easing side

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 via 8 weeks are revised with a cumulative cap of 5.5% for TL SME loans as of Nov26 (5% before) & 2.5% for non-SME TL commercial loans excluding export, investment & agriculture (vs. 2% before); 3.5% for auto loans (vs. 3%); 3.5% for GPLs (vs. 3%), 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. Tradesmen loans have been also removed from the exemption and classified under SME lending, being subject to 5.5% 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 is maintained at TL1bn (US$25mn, TL500mn before).
- 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 up to 1-year maurity
- 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 1 year
- The RRR of 10% for CPI-, PPI-, and TLREF-indexed deposits
- Remuneration in TL for RR for TL & FC non-deposit liabilities with maturities longer than 1Y
- The ratios for maintaining TRY RRs in blocked accounts have been lowered as of Oct26

Revisions on Consumer Loans Regulations

- The BRSA reduced the max loan-to-value (LTV) ratios for mortgages by 75% for borrowers who, together with their spouse and minor children, already own at least two residential properties, subject to certain exemptions.
- The BRSA introduced a three-tier minimum payment requirement of 20%, 30%, and 40% of outstanding statement balances for cards with limits of up to TRY 100k, TRY 100k–200k, and above TRY 200k, respectively.

Regulations on Credit Cards

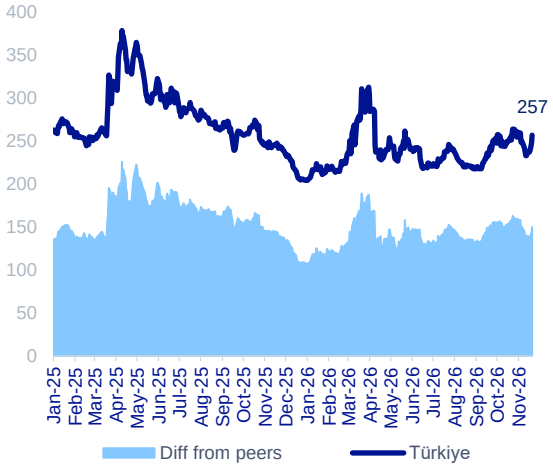
- Overdraft limit is capped at a maximum of twice the customer's monthly average income.
- On credit cards, the BRSA aims to impose restrictions on retail credit card limits if a cardholder's total credit card limits across all banks exceed TRY 400,000, banks will partially reduce unused credit card 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.

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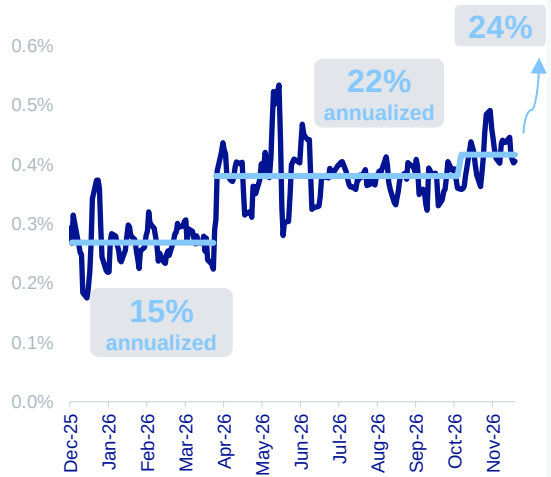
Liquidity

Risk premium comes under pressure despite the retreat in oil prices. USDTRY depreciation pace continues as 1.8% m/m

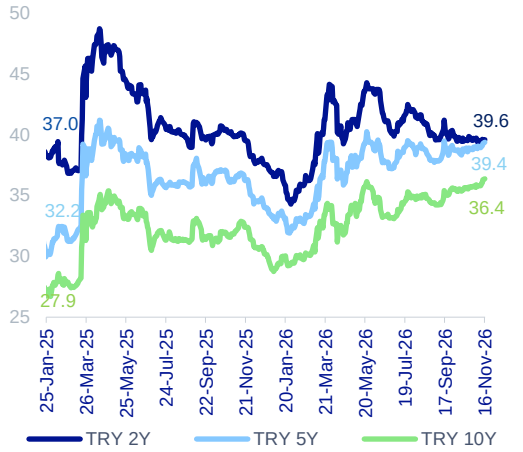
TÜRKİYE VS. EM 5-YEAR CDS
(BASIS POINTS)



USDTRY NOMINAL CHANGE
(5-day average)



TRY YIELD CURVE
(% compound)

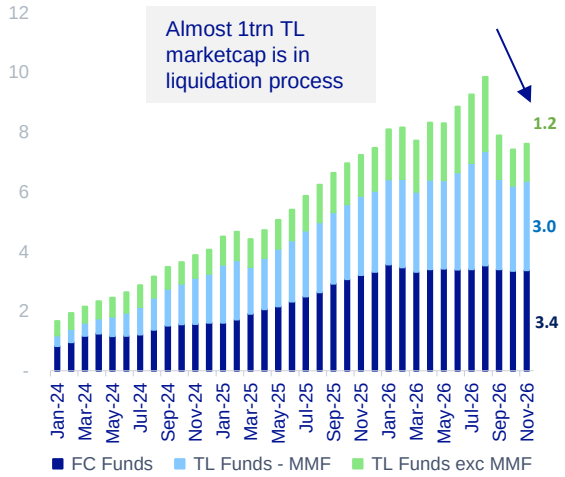


Source: Bloomberg and Garanti BBVA Research

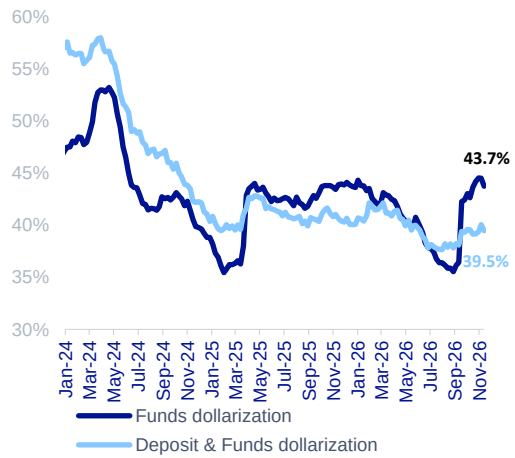
The pace of USDTRY nominal depreciation continues as 1.8% m/m, as signaled by the CBRT Governor during the IMF meetings (24% annualized). TL sovereigns remain under pressure

The size of TL funds shrunk by above 2trn TL since end Aug, out of which almost 1trn TL is in liquidation process

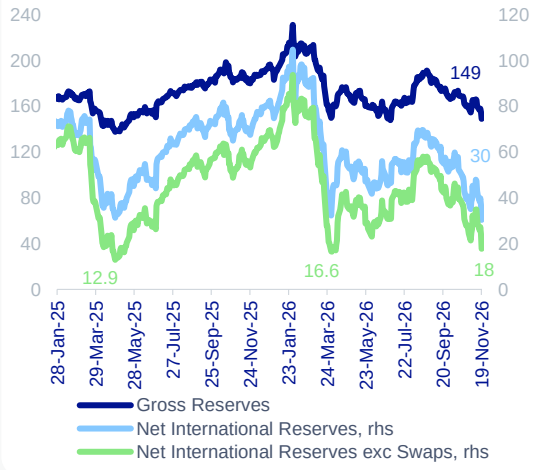
SIZE OF INVESTMENT FUNDS*
(TL TRN, as of Nov 16th)



RESIDENTS' DOLLARIZATION RATIO (%)



CBRT INTERNATIONAL RESERVES
($USBN)



Source:CBMT, TEFAS and Garanti BBVA Research

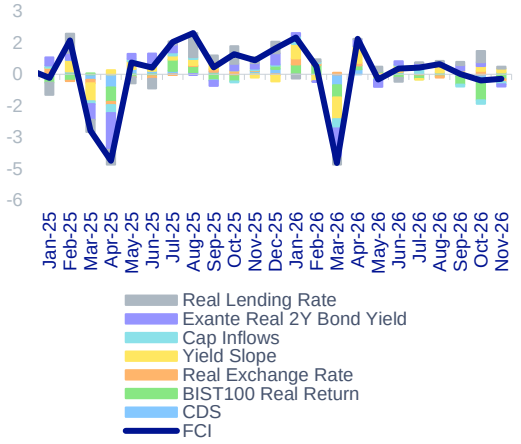
* Affected funds of Tera, Bulls, Atlas, Pusula, Hedef, A1, Pardus Portfolio Management Companies are not included after Sep 15th

The pressure on the CBRT reserves continues following the stress through the capital markets and a slight acceleration in the USTRY depreciation pace. Dollarization shows signals of a slow acceleration

Financial conditions tightened in 3Q26, despite the CBRT funding-rate normalization

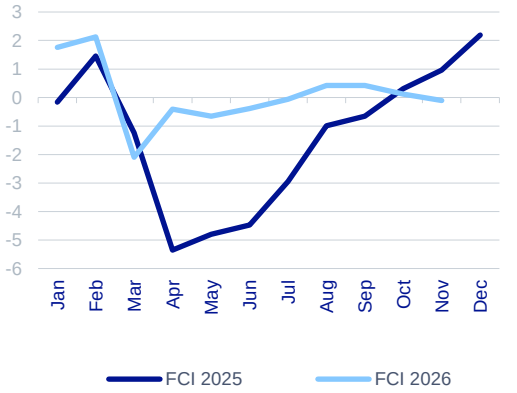
GARANTI BBVA FINANCIAL CONDITIONS INDEX (FCI)

(STANDARDIZED, + EASING, - TIGHTENING)



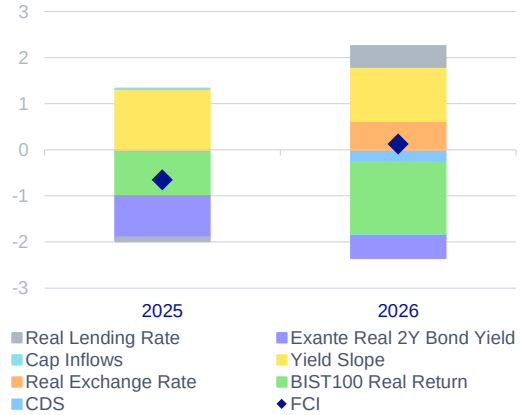
GARANTI BBVA FCI

(YTD CUMULATIVE, STANDARDIZED, + EASING, - TIGHTENING)



GARANTI BBVA FCI

(CUMULATIVE YTD, STANDARDIZED, + EASING, - TIGHTENING)

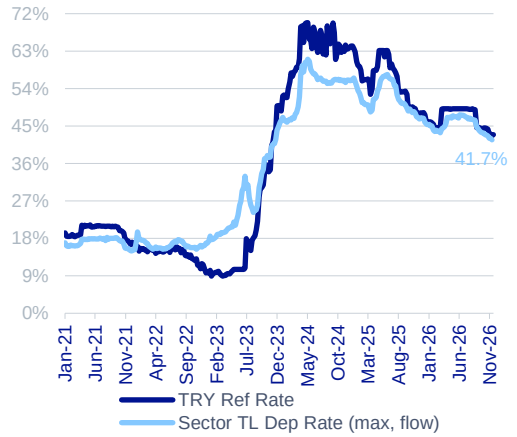


Source: CBRT, Bloomberg, TURKSTAT and Garanti BBVA Research.

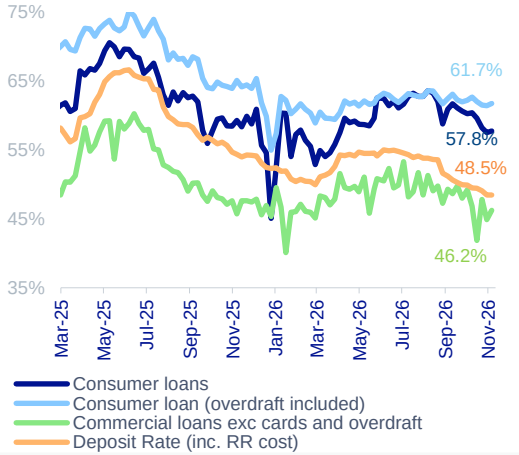
Amid the CBRT's lowering funding rate by 300bps –back to the policy rate- in late August, financial conditions have not changed meaningfully since then; led by higher real lending rates, macroprudential regulations and tighter external financing conditions

Macro-prudential measures keep the TL deposit rates relatively higher with respect to the CBRT cost of funding

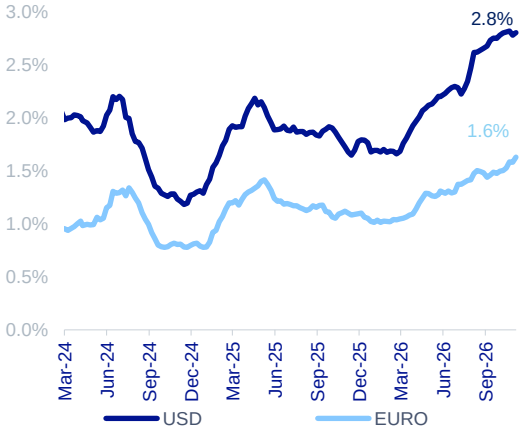
BIST ON TL REF RATE & TL DEPOSIT RATE
(%, WEEKLY, COMPOUND)



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



FC DEPOSIT RATES
(%, WEEKLY, FLOW, 4W AVERAGE, COMPOUND)



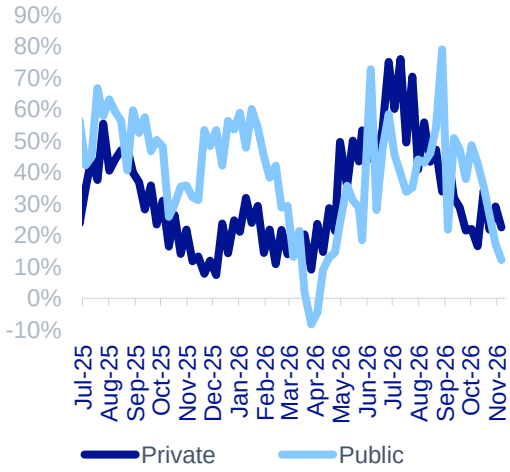
Source:CBRT and Garanti BBVA Research

Despite the decline in TL deposit rates, the credit growth caps limit a comparable decline in TL loan rates, particularly in retailers. We expect those rules to continue (with some easing in selected segments*) in order to keep credit growth under control & avoid any motivation toward dollarization

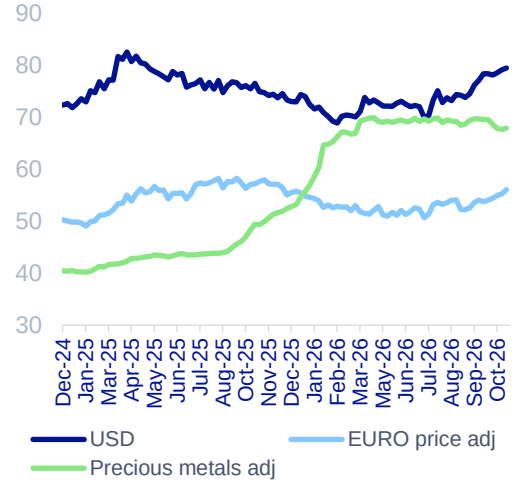
*CBRT changed loan growth caps in certain segments and introduced some easing. Please check from here

Nevertheless, TL deposit inflows have decelerated, occurring faster in public banks throughout October

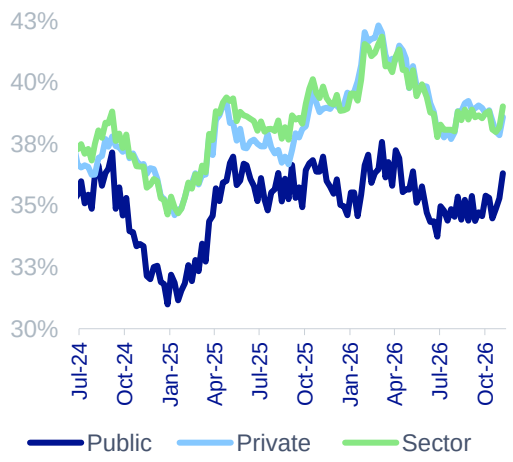
TL DEPOSIT GROWTH
(13-week annualized)



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



DOLLARIZATION RATIO IN BANKING SECTOR (%)



Source: CBRT, BRSA and Garanti BBVA Research

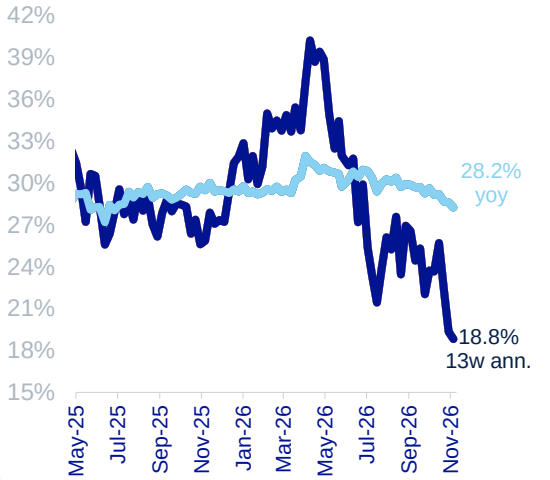
Dollarization remains historically low, reflecting even a lower level at public banks. But since mid-Oct, the ratio is going up in the sector

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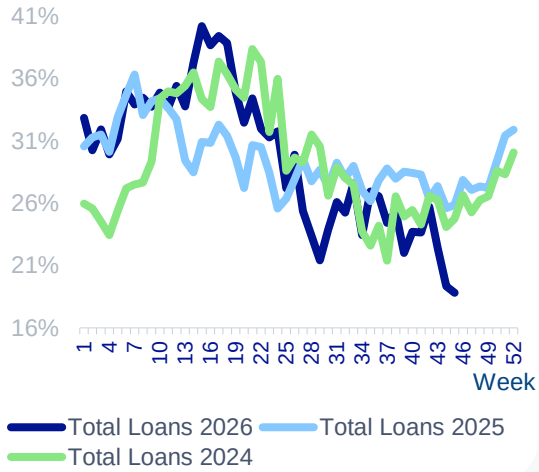
Credit Developments

The slowdown in credit growth intensified in October 2026, falling to the lowest level seen in the last 3 years

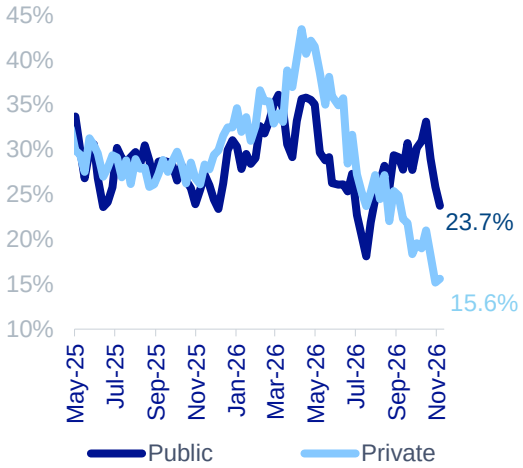
TOTAL CREDIT GROWTH (FX ADJ)
(13 WEEK ANNUALIZED & YOY)



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



TOTAL CREDIT GROWTH (FX ADJ) PUBLIC& PRIVATE BANKS (13 WEEK ANNUALIZED)

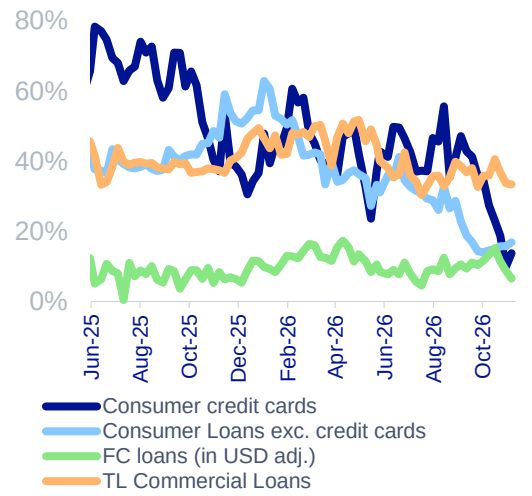


Credit growth deceleration began in private banks in late Apr26, bringing their growth rate below that of public banks since Aug26. However, the slowdown became increasingly evident in public banks as well in Oct26

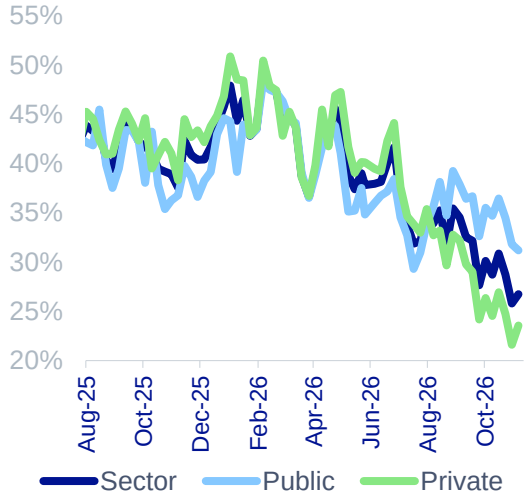
Source: BRSA and Garanti BBVA Research.

Recent slowdown was driven mainly by consumer lending, while TL commercial loan growth stays relatively resilient

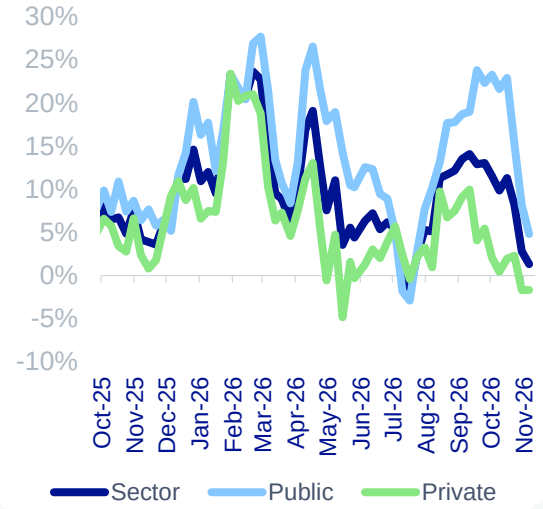
CREDIT GROWTH SEGMENTS
(13 WEEK ANNUALIZED)



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



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

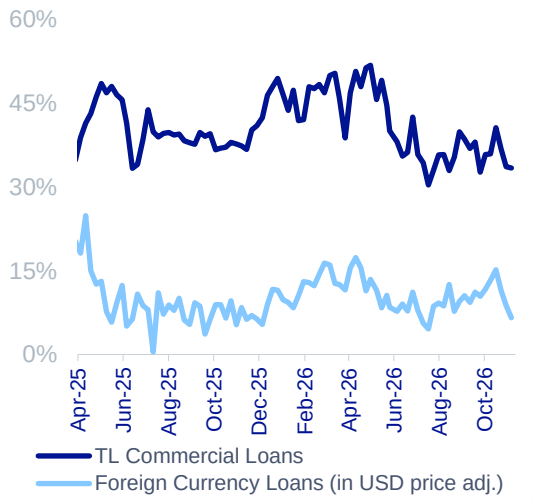


The deceleration in TL lending, initially concentrated in private banks, has increasingly spread to public banks. FC lending growth also weakened sharply, reflecting a reversal of the earlier strong expansion in public banks alongside persistently subdued lending activity in private banks

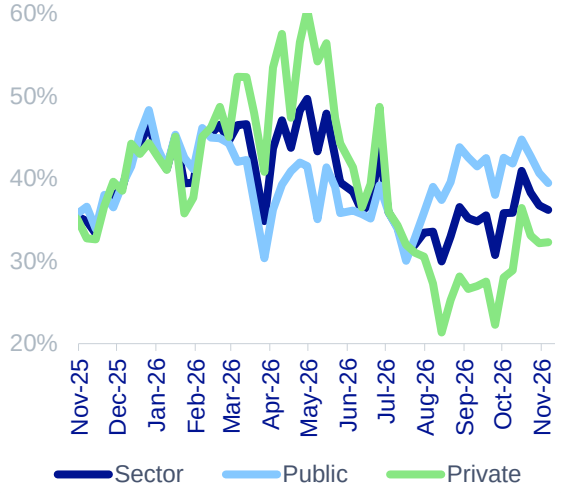
Source: BRSA and Garanti BBVA Research.

TL commercial loans remain the main driver of commercial lending amid tighter FC caps

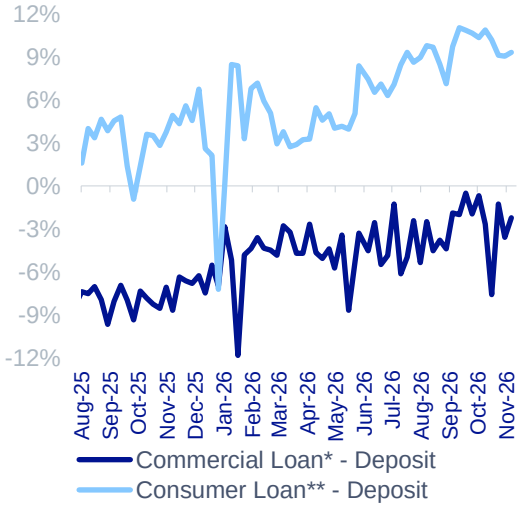
COMMERCIAL CREDITS GROWTH
(13 WEEK ANNUALISED)



TL COMMERCIAL CREDIT GROWTH
(13 WEEK ANNUALIZED)



TL LOAN-DEPOSIT SPREADS
(%)



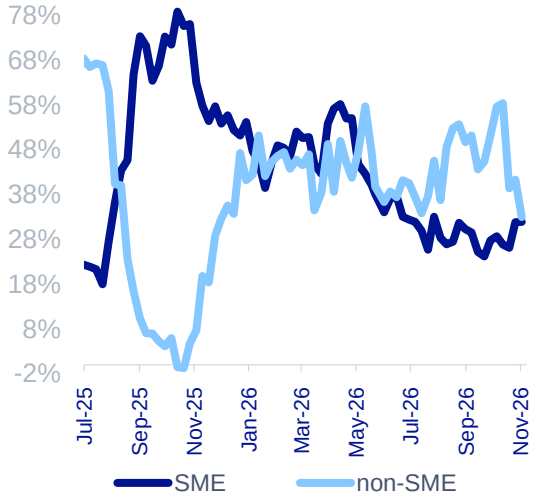
* Excluding overdraft loans
** Excluding overdfaft loans and credit cards

Private banks continue to lag public banks in TL commercial loans despite some recovery in October. TL loan-deposit spreads improved further in October, extending the gains seen since August amid lower deposit funding costs

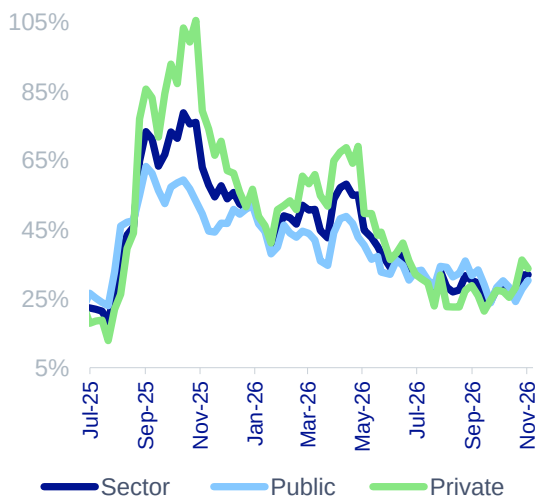
Source: BRSA and Garanti BBVA Research.

Although remaining above consumer credits, some weakening in TL commercial loans have started as well

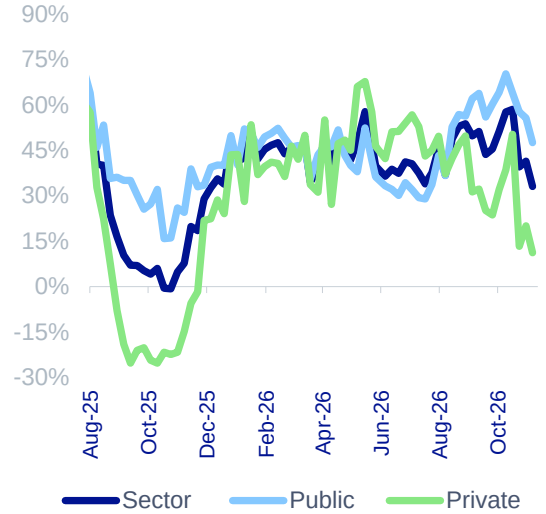
TL COMMERCIAL CREDITS
(13 WEEK ANNUALISED



TL SME CREDIT SEGMENTS GROWTH (13 WEEK ANNUALIZED)



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

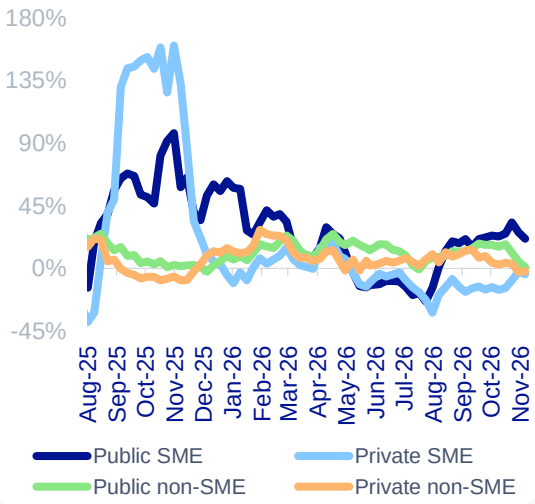


SME lending continues to expand at a moderate pace, supported by CGF loans. However, non-SME lending growth has also slowed significantly since mid-October, primarily driven by private banks

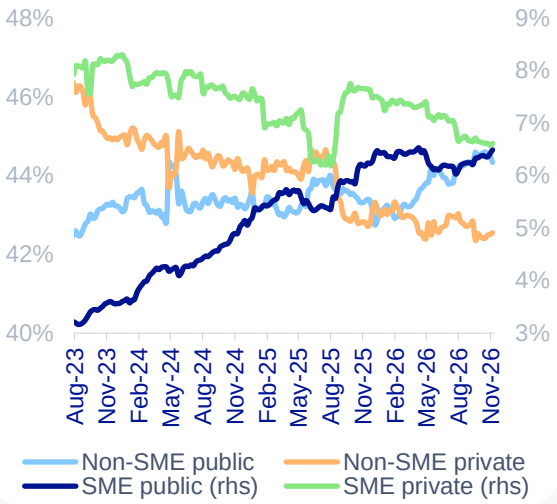
Source: BRSA and Garanti BBVA Research.

FC lending growth slowed sharply in October, particularly at public banks

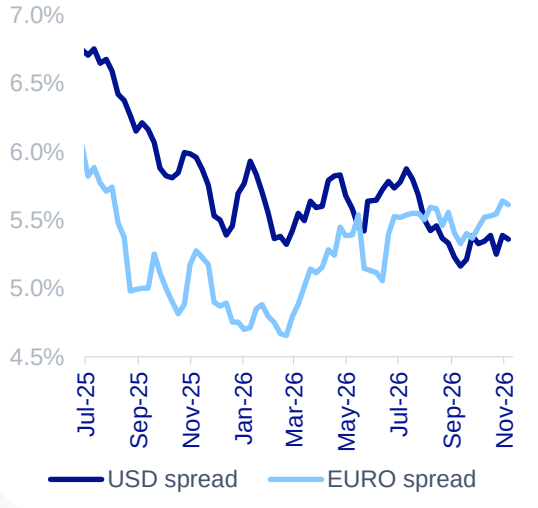
FC CREDIT GROWTH
(13 WEEK ANNUALIZED)



SHARE IN TOTAL FC NON-SME LENDING
(%)



FC LOAN-DEPOSIT SPREADS
(4-WEEK AVG, %)

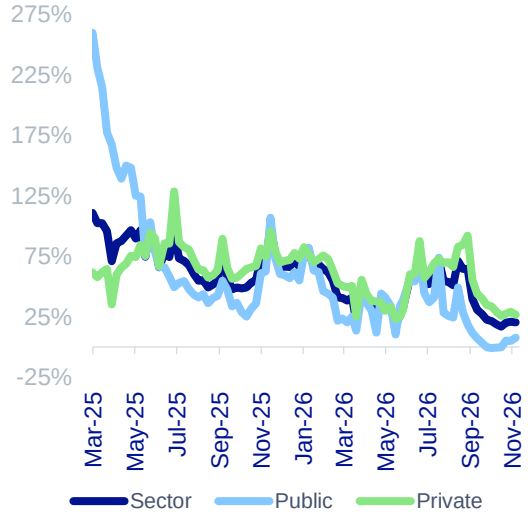


Public banks also reduced FC lending in October, alongside private banks, where 13-week annualized growth even turned negative. Meanwhile, EUR lending spreads have been widening since Sep26, driven by rising EUR lending rates

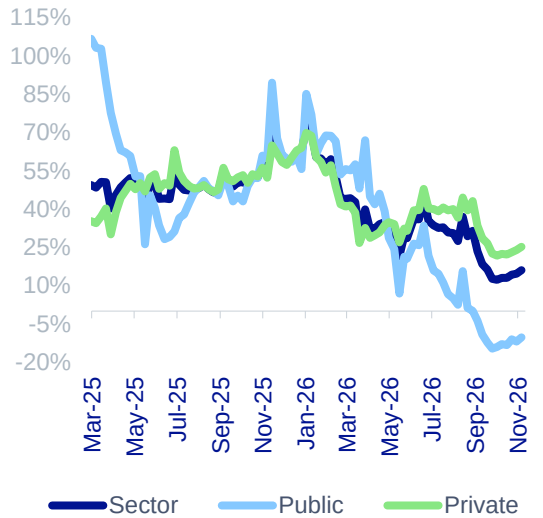
Source: CBRT, BRSA and Garanti BBVA Research.

Weaker growth in consumer credits turned into negative rates in public banks

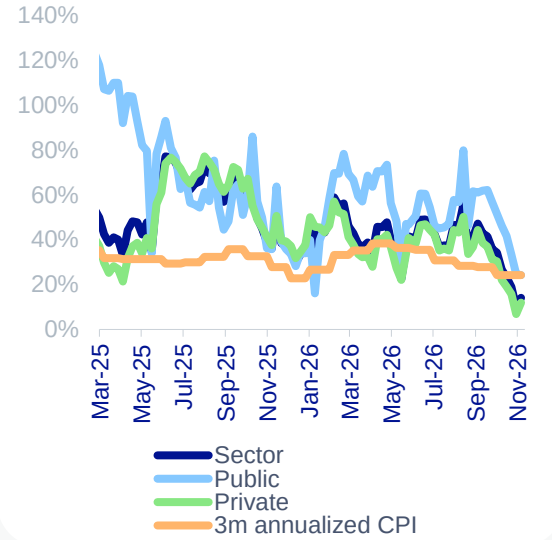
OVERDRAFT CONSUMER LOANS
13 WEEK ANNUALISED, DEPOSIT BANKS



GENERAL PURPOSE LOANS
13 WEEK ANNUALISED, DEPOSIT BANKS



CREDIT CARD GROWTH
13 WEEK ANNUALIZED, DEPOSIT BANKS

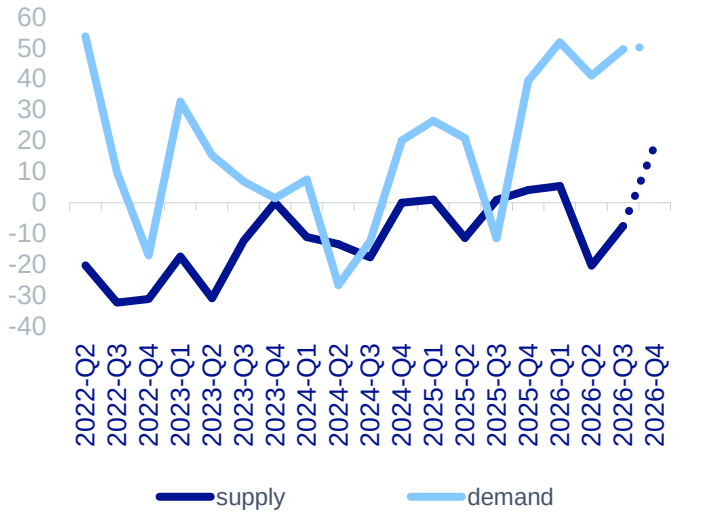


After having remained comparatively resilient though, credit card growth fell also sharply in October with the overall trend rate falling below the 3m annualized CPI trend

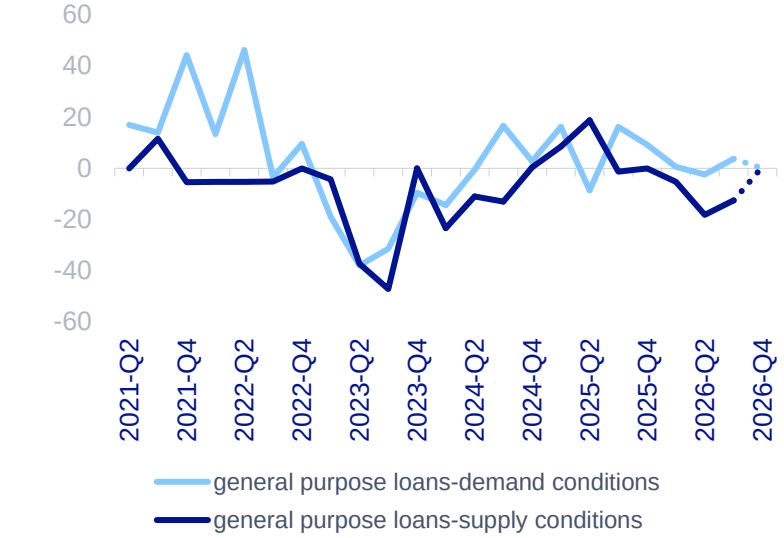
Source: BRSA and Garanti BBVA Research.

Only some limited normalization is expected in retail loans' supply & demand conditions in 4Q26

CREDIT CONDITONS: COMMERCIAL



CREDIT CONDITONS: GENERAL PURPOSE LOANS



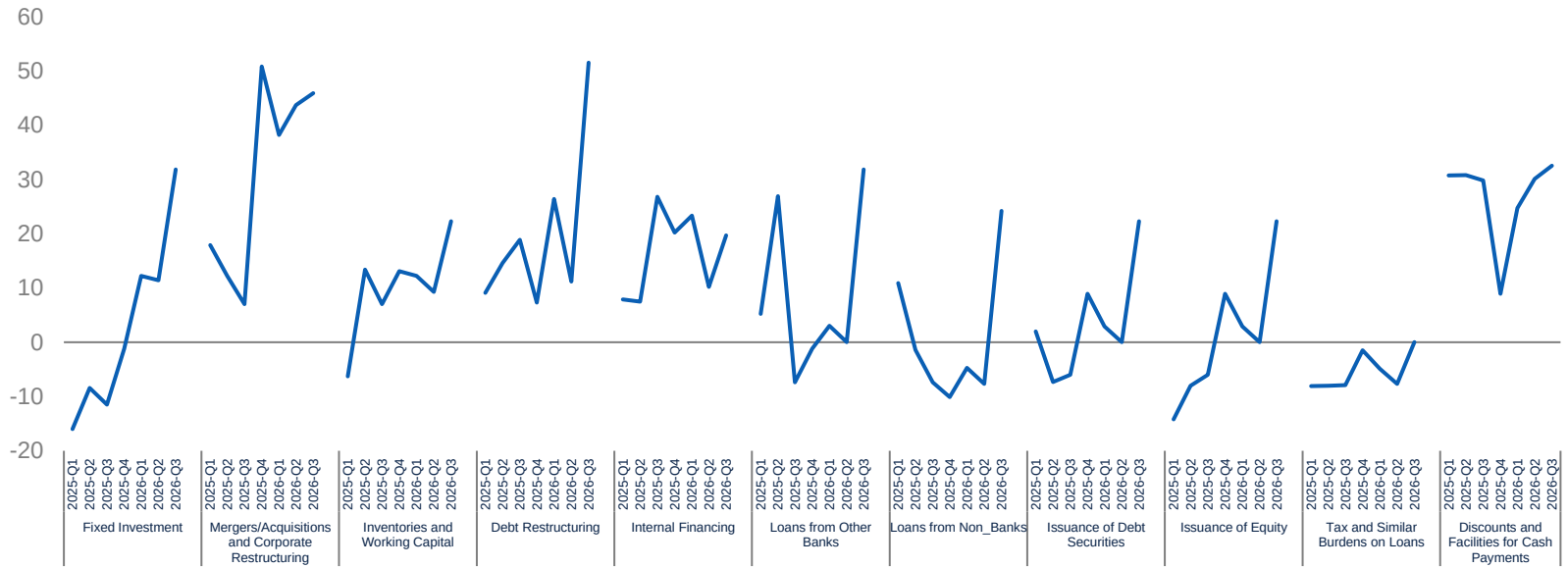
Supply conditions seem to be restrictive for retailer general purpose loans in the very short term, while banks increase their appetite for commercial lending

* positive=increase in demand, negative=decrease in demand

Source: CBRT and Garanti BBVA Research.

The responses on the financing needs of the real sector confirms a more squeezed liquidity outlook

FINANCING NEEDS OF THE REAL SECTOR FOR DIFFERENT PURPOSES*



Corporates in 3Q26 made greater use of credit for debt restructuring and corporate restructurings and also for cash payments

* positive=increase in demand, negative=decrease in demand

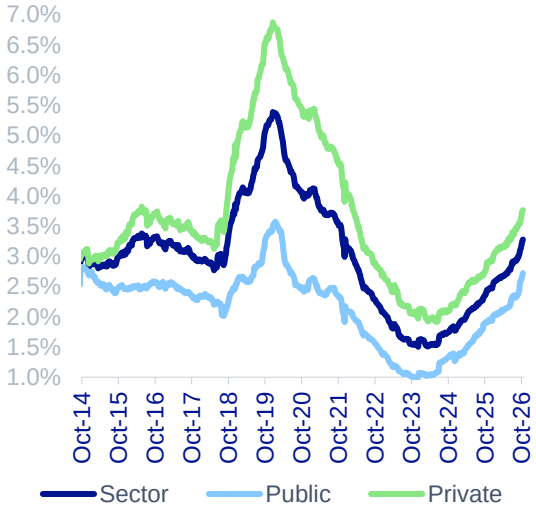
Source: CBRT and Garanti BBVA Research.

BBVA Research

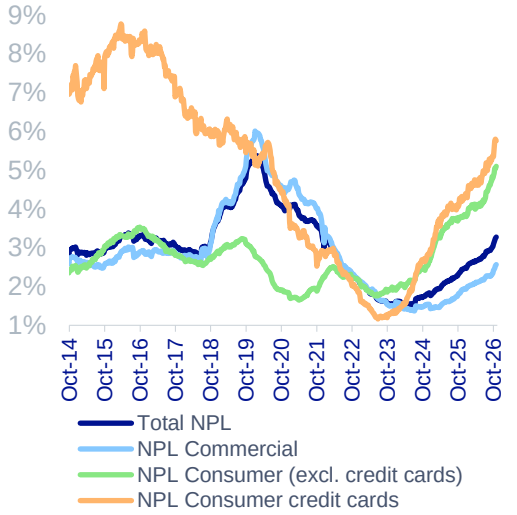
Asset Quality

NPL ratio rose to 3.4% by mid-Nov, driven by an across the board worsening, yet fueled by mostly retailer segment

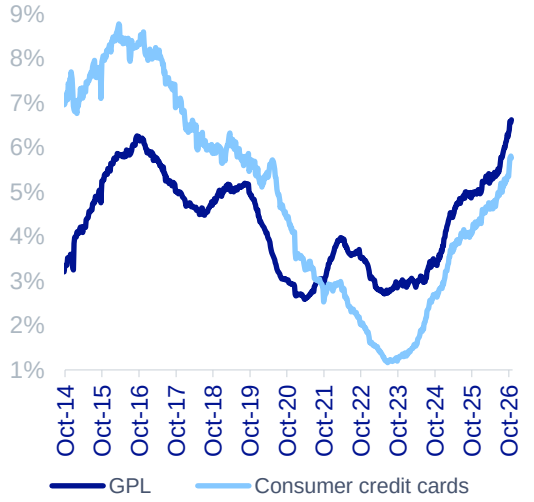
NON-PERFORMING LOANS (NPL) RATIO %



NPL RATIO IN SUBSEGMENTS %



NPL RATIO, CONSUMER LOANS %

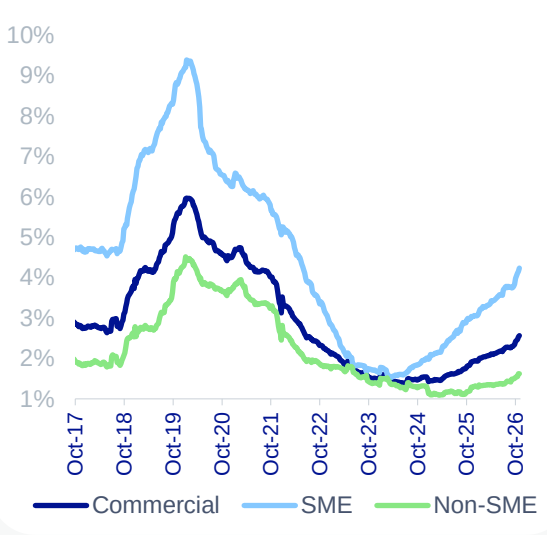


NPL ratios in both GPL (since 2014) and credit cards (since 2019) reached their historically highest levels with almost 7% and 6%, respectively

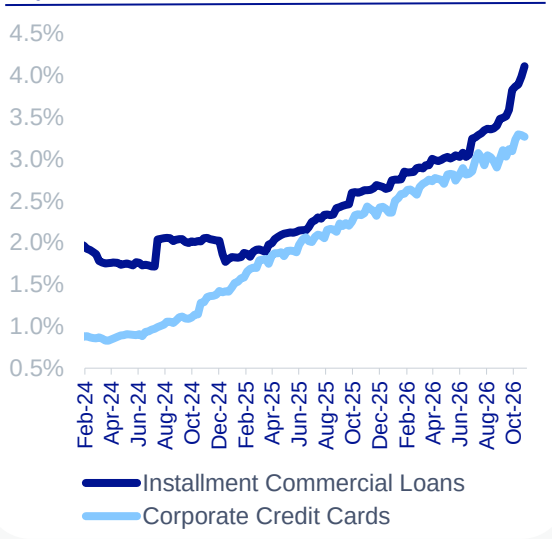
Source: CBRT, BRSA and Garanti BBVA Research.

SME NPL ratio is still historically low but it is increasing steadily and has already exceeded 4%

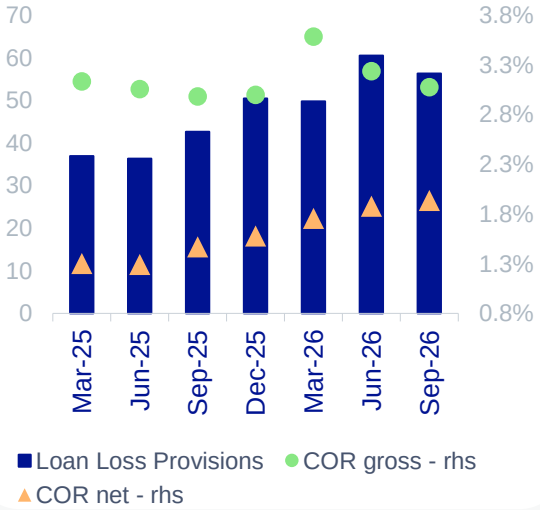
NPL RATIO IN COMMERCIAL LOANS



NPL RATIO IN COMMERCIAL LOANS



PROVISIONS & COST OF RISK (COR) IN DEPOSIT BANKS



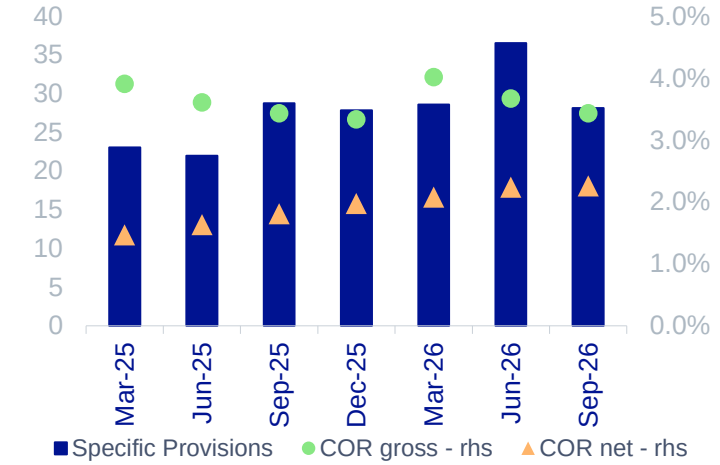
The rise in NPLs for installment commercial loans has also been accelerating sharply since mid-July26

Source: CBRT, BRSA and Garanti BBVA Research.

Gross provision increase was stronger in public banks in September

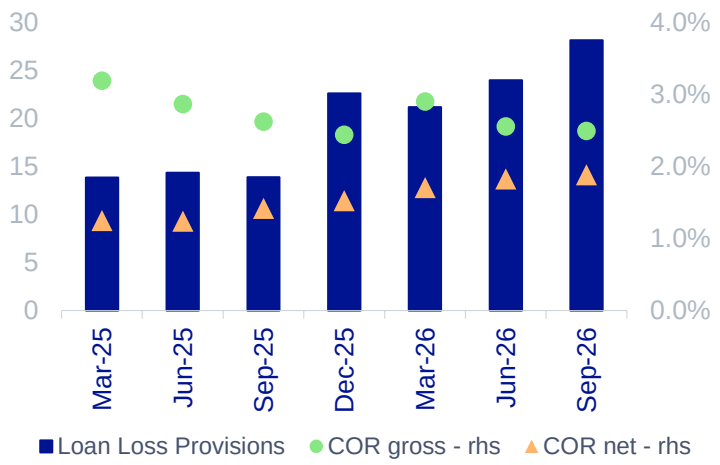
PRIVATE BANKS: PROVISIONS & CoR*

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



PUBLIC BANKS: PROVISIONS & CoR*

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



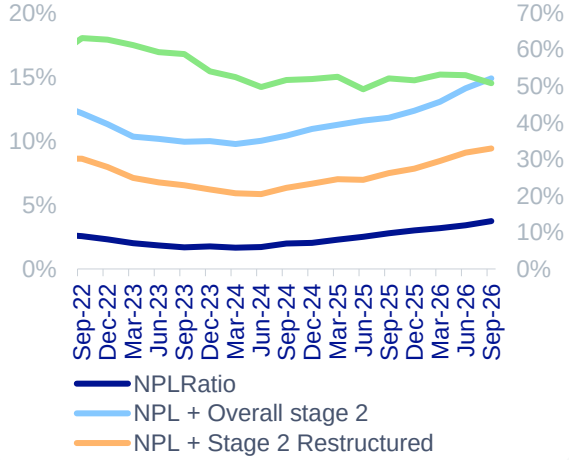
Net CoR levels rose in peer deposit banks in 3Q26 due to the increase in NPL inflows of retail credits and some normalization in provision reversals

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

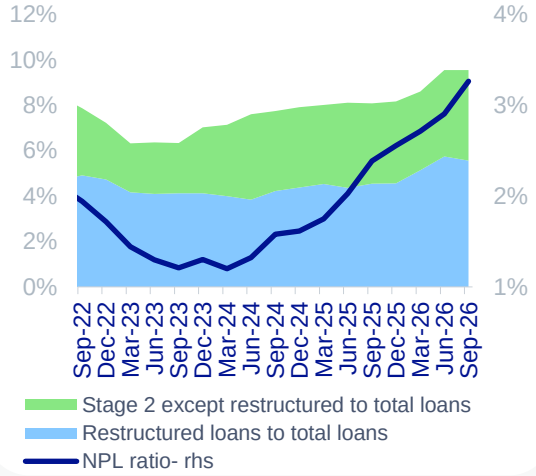
Source: CBRT, BRSA and Garanti BBVA Research.

3Q26 financial reports of peer banks point to a significant rise in both Stage 2 loans and NPLs

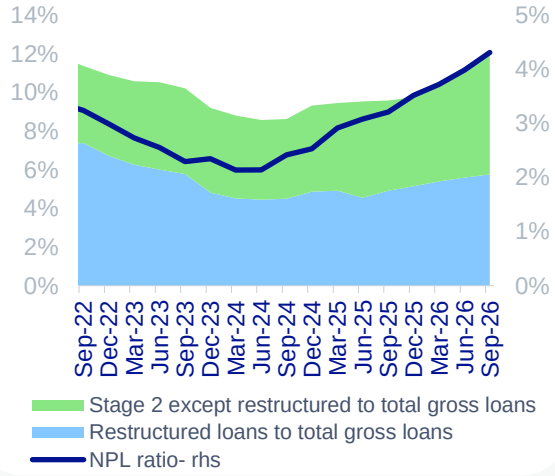
RATIO OF STAGE 2 LOANS & RESTRUCTURED LOANS: PEER DEPOSIT BANKS



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



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

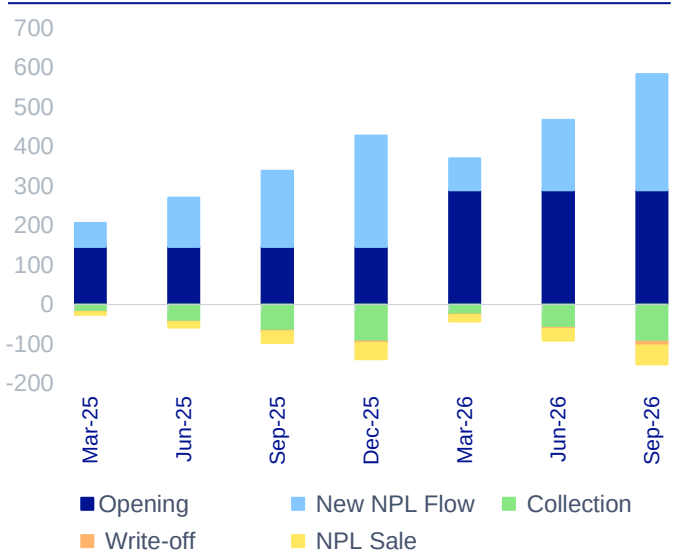


The share of stage 2 loans excluding restructured ones rose significantly in 3Q26, pointing to a potentially increasing migration from restructured loans to NPLs. Asset quality pressures will likely be exacerbated by savings erosion among households and firms affected by the fund-related turmoil

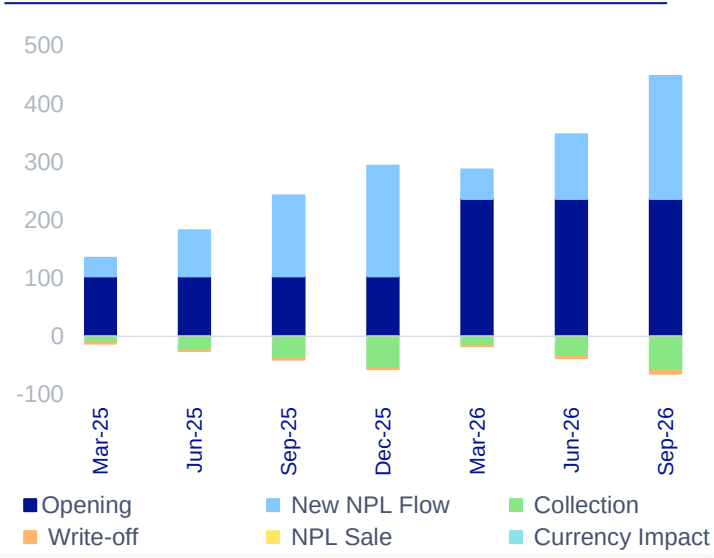
Source: CBRT, BRSA and Garanti BBVA Research.

NPL inflows accelerated in both public and private banks. NPL ratios was also supported by sales in private peers

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 Platfom), Garanti BBVA Research.

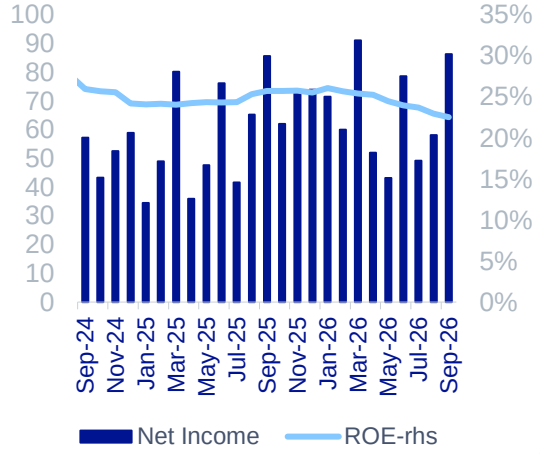
BBVA Research

Profitability

Deposit banks' net income rose by almost 50% in Sep, led by the increase in public banks' NII

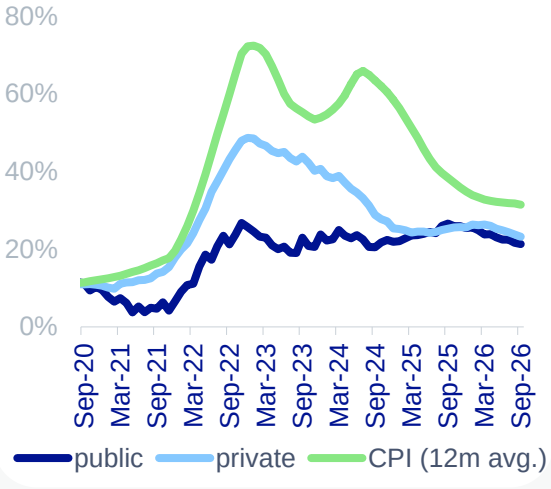
NET INCOME & RETURN ON EQUITY (ROE)

BN TL MONTHLY, % 12M CUMULATIVE



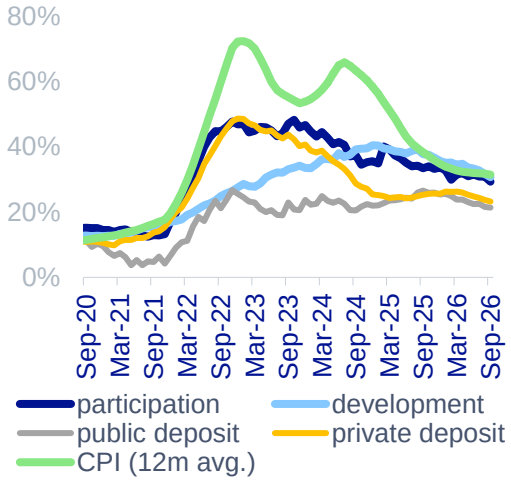
RETURN ON EQUITY (ROE)

%12M CUMULATIVE, DEPOSIT BANKS



RETURN ON EQUITY (ROE)

%12M CUMULATIVE, PARTICIPATION & DEVELOPMENT BANKS&DEPOSIT BANKS



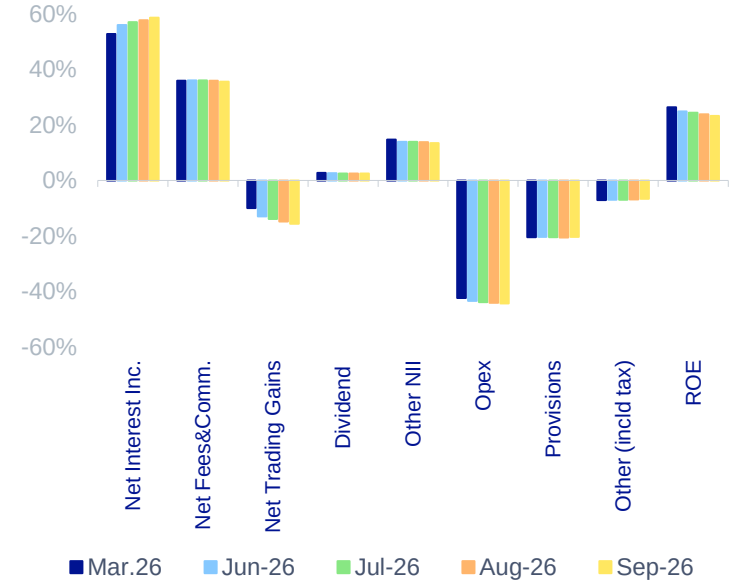
On the other hand, the increase in provision costs of public banks weighed on profitability. NII supported the improvement in 3Q26, while trading losses partially offset these gains

Source: CBRT, BRSA and Garanti BBVA Research.

The divergence in sector profitability in 3Q26 was driven by mostly differences in NII and provisions to 12M ROE

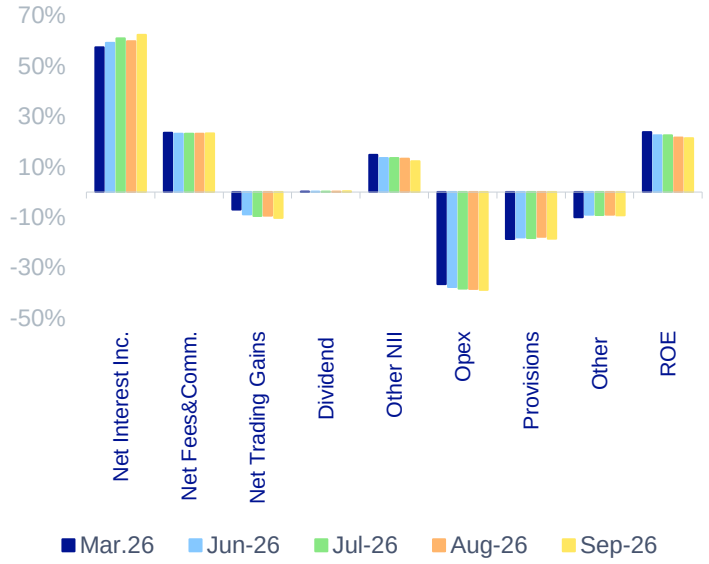
ROE COMPONENTS OF PRIVATE BANKS

%, 12M CUMULATIVE



ROE COMPONENTS OF PUBLIC BANKS

%, 12M CUMULATIVE

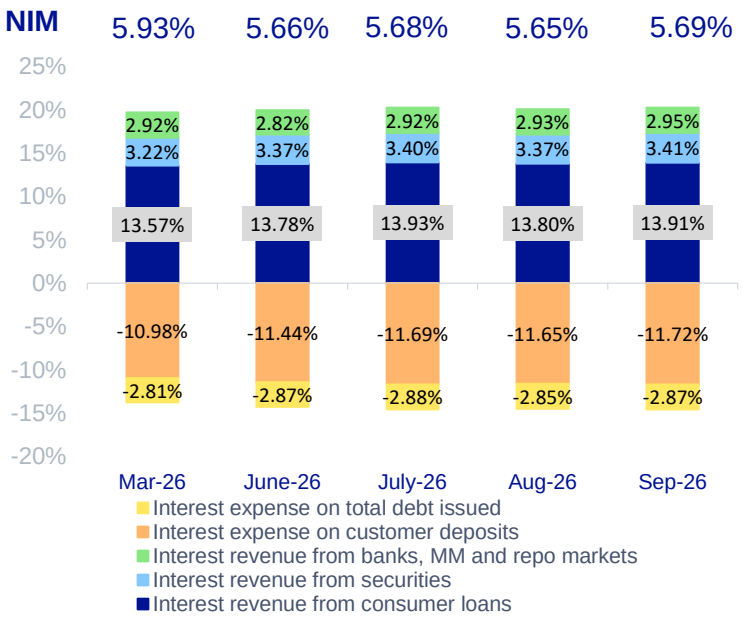


On a QoQ basis, however, the divergence was mainly driven by trading results, with private banks recording higher losses, and provisioning costs, which were higher for public banks

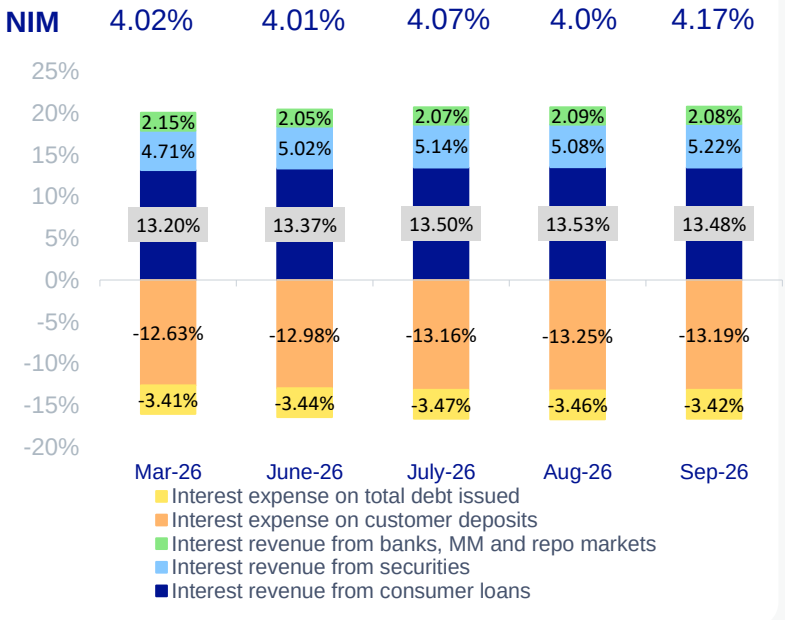
Source: CBRT, BRSA and Garanti BBVA Research.

Falling deposit costs have started to help NIM recovery. Loan revenues remain under pressure due to credit growth caps

NIM COMPONENTS OF PRIVATE BANKS
(ANNUALIZED, %)



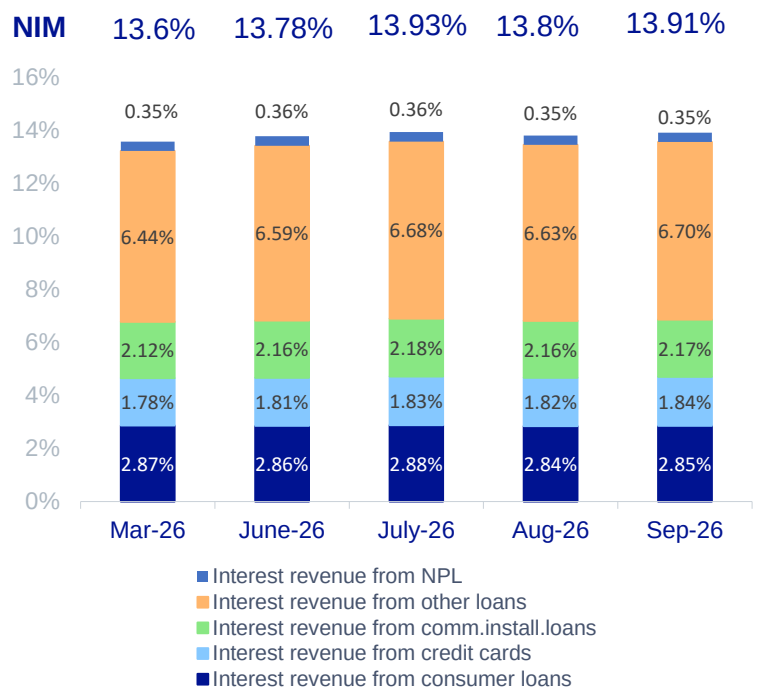
NIM COMPONENTS OF PUBLIC BANKS
(ANNUALIZED, %)



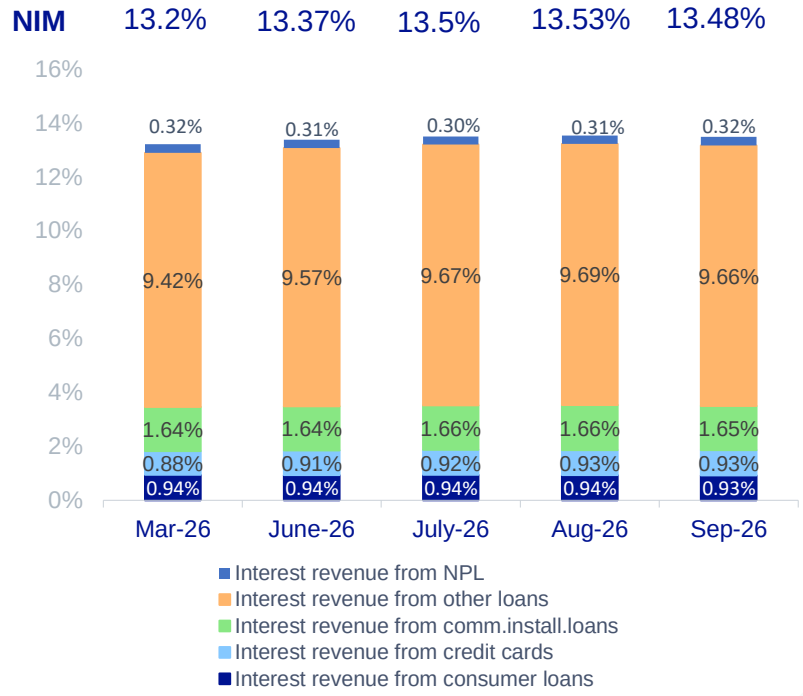
Source: CBRT, BRSA and Garanti BBVA Research.

Among loan components of NIM, private banks outperform public banks in credit cards and commercial loans

LOANS' NIM COMPONENTS OF PRIVATE BANKS
(ANNUALIZED, %)



LOANS' NIM COMPONENTS OF PUBLIC BANKS
(ANNUALIZED, %)



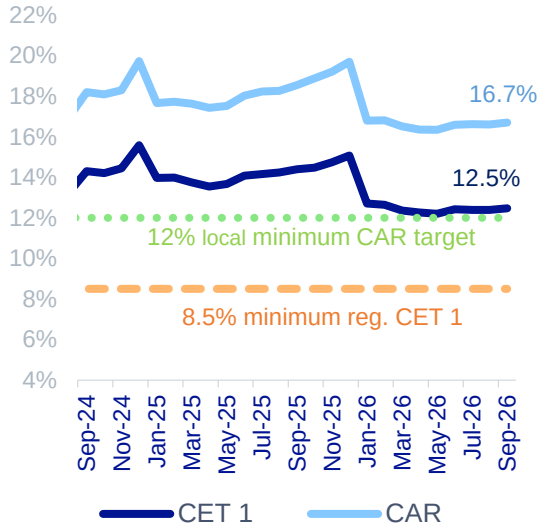
Source: CBRT, BRSA and Garanti BBVA Research.

BBVA Research

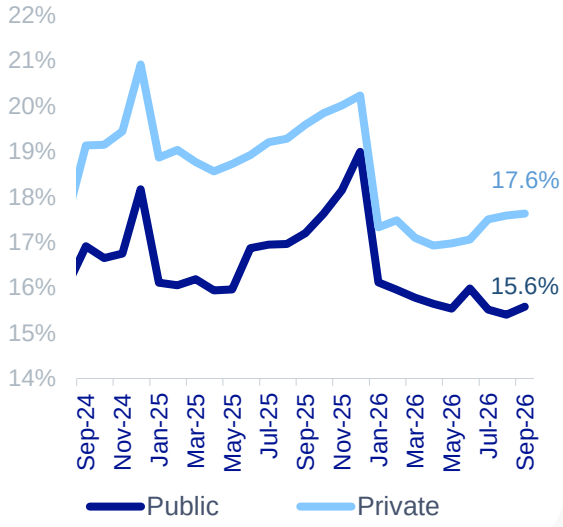
Solvency and Capital Adequacy

The adverse impact of the expiration of forbearances at the start of the year seems to dissipate

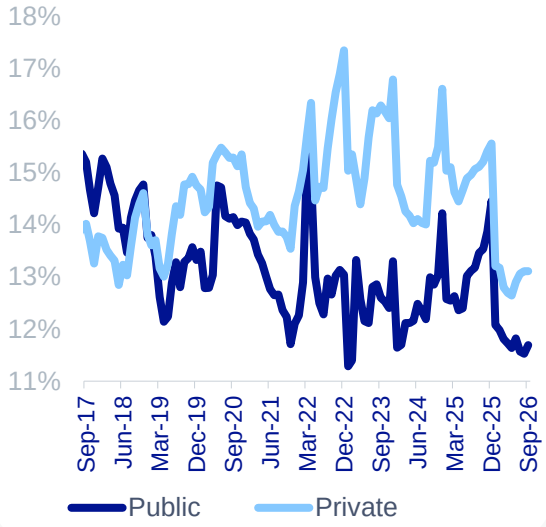
CAPITAL ADEQUACY RATIO (CAR) AND CET 1 RATIO* (%)



CAPITAL ADEQUACY RATIO
%



CET 1* RATIO
%



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

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