

FINANCIAL STABILITY REPORT

2025-II

November 28, 2025



Foreword

As the Central Bank of the Republic of Türkiye, we closely monitor financial stability issues and publish the biannual Financial Stability Report as a platform to share a summary of the recent developments with the public.

Since the previous issue of the report, tight financial conditions have continued to support the balancing of domestic demand and the disinflation process.

As a result of our tight monetary policy stance, loan growth has been moderate, consistent with the disinflation process. Loan and deposit pricing have been in line with the changes in the policy rate and expectations. The steps we have taken within the macroprudential framework, which we use as a complementary tool for the policy rate, have slowed foreign currency loan growth and strengthened the monetary policy transmission. Meanwhile, the tight financial conditions impacted asset quality indicators to some extent, with retail loans diverging negatively from corporate loans.

Amid restored stability following the fluctuations in financial markets in the first quarter, demand for Turkish lira assets increased, the share of Turkish lira deposits remained stable at high levels, and the CBRT reserves continued to rise. Account openings and renewals for FX-protected deposits were terminated, and the balance of these accounts has receded to relatively low levels.

Despite heightened global uncertainty and geopolitical risks, the sovereign risk premium improved further, contributing to the favorable outlook in external financing conditions for banks and the corporate sector. Alongside the banks' improved profitability outlook, strong liquidity and capital buffers have also contributed to macro-financial stability.

I hope that the 41st volume of our Financial Stability Report, which covers the latest developments regarding financial stability, will be of benefit to all readers.

Fatih KARAHAN, Ph.D.

Governor

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I. Overview

Volatility persisted in financial markets due to global uncertainty and geopolitical risks, resulting in elevated interest rates in advanced economies (AEs). Ongoing uncertainties in trade policies and long-term inflation expectations in the US have caused the US Dollar to weaken against the currencies of other advanced economies, while the precious metal prices have reached historic highs.

Loan growth follows a moderate course as a result of the tight monetary stance. Commercial loan growth remains almost flat. The share of Turkish lira (TL) in the composition of commercial loan growth increased, driven by the slowdown in foreign currency (FX) loan growth. Retail loans raised total loan growth, driven by the notable impact of personal credit cards (PCCs) and general-purpose loans (GPLs). With the tight monetary policy stance and measures against FX loan growth, total loan growth is expected to maintain its moderate course.

Asset quality outlook has shown limited deterioration, while the divergence between retail and commercial NPL ratios continues. The rise in the retail NPL ratio was driven by GPL and PCCs, but the debt restructuring facility that became effective in July curbed the pace of this rise. NPL ratio for SME loans are relatively high compared to other commercial loans. Banks maintain their high provisioning policy, which contains the impact of credit risk on balance sheets.

The corporate sector's financial debt to GDP ratio remains below its historical average and peer-country benchmarks. Growth limits on Turkish lira commercial loans and tight financial conditions restrained TL indebtedness. In addition, FX indebtedness has increased, facilitated by relatively lower FX borrowing costs and greater access to FX loans abroad. Following the measures such as reducing the FX loan growth limit to 0.5% and introducing the Resource Utilization Support Fund (KKDF) levy on domestic FX loan usage, the upward trend in net FX open positions has moderated. Furthermore, the fact that the rise in FX indebtedness is predominantly concentrated among firms with FX revenues helps mitigate exchange rate risk exposure. The corporate sector's external debt rollover ratios continue to remain strong, hovering around 150%.

While the household debt-to-GDP ratio remains low, TL-denominated assets have maintained their weight in the composition of financial assets. The share of PCC and overdraft account (ODA) balances in household financial debt is increasing, while that of housing and vehicle loans remains low. Tight financial conditions and maturities below historical averages in retail loans cause an increase in the credit risk of individuals with debt/income mismatches. While households' preference for TL deposit accounts remains strong, the share of FX-protected deposits (KKM) declined. Moreover, households still tend to diversify their savings with alternative financial assets such as mutual funds and pension plans.

Banks' TL and FX liquidity buffers remain strong. The trend in the liquidity coverage ratio (LCR) and the loan-to-deposit (LTD) ratio confirms the positive outlook for the liquidity position, indicating a stable funding structure. Steps taken in the policy rate and macroprudential policy set after March following the fluctuations in the financial markets have restrained the uptrend in FX deposits, boosted capital inflows, strengthened reserves, and once again led to excess TL liquidity in the system. Despite volatility in TL liquidity, the effectiveness of monetary transmission is supported through active liquidity management.

External financing conditions of banks remain favorable, and the improvement in external borrowing quality has become more pronounced. Banking sector external debt has been growing, accompanied by a rise in average maturities in external financing transactions. Despite uncertainties in global markets, foreign investors continue to show interest in banks' debt instruments, and issuances of subordinated debt and Eurobonds improve the composition of borrowing. Syndicated loans maturing in 2025 are being renewed at higher rollover rates and lower borrowing costs. In the upcoming period, FX loan growth and global financial conditions are expected to play a determining role in the amount of external borrowing.

The sensitivity of bank balance sheets to TL and FX interest rate shocks is limited. The shortening in maturities of banks' fixed-rate loans and securities has reduced the maturity mismatch between interest rate-sensitive assets and liabilities, and curbed the impact of possible interest rate shocks on bank balance sheets. Furthermore, the banking sector continues to hold an FX long position within regulatory limits.

Banks' profitability that had remained flat in the first half of the year, recovered during the third quarter due to the policy rate cuts. The net interest margin declined in the second quarter of 2024 amid rising funding costs. The policy rate cuts in the second half of the year passed through to TL loan and deposit rates in line with expectations, while the interest rate spread between stock loans and deposits widened due to shorter maturity of deposits. This development elevated net interest income and boosted banks' profitability performance. Furthermore, the strong course of banking fees, commissions and service revenues continues to support profitability, while the rise in credit risk costs limits further improvement.

The banking sector's capital adequacy ratios are supported by retained earnings and the issuance of subordinated debt instruments. Holding capital buffers above the regulatory minimums enhance banks' resilience against potential short and medium-term risks and also contributes to their lending capacity. In addition to capital buffers, banks' loss-absorbing capacity is also supported by the banks' free provisions.

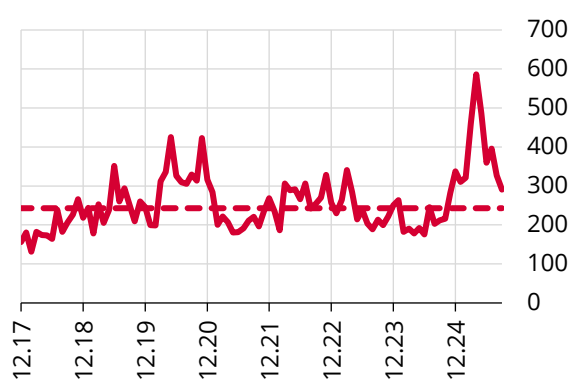
II. Global Financial Outlook

Although volatility in global markets driven by global trade uncertainty and geopolitical developments has decreased recently, the uncertainty index remains above its historical average.

Although uncertainty in global trade policies has decreased with recent bilateral agreements, the Economic Policy Uncertainty Index remains high due to the impact of supply-side external shocks and geopolitical risks on the global economic outlook (Chart II.1). The VIX volatility index, which climbed in October as a result of protectionist policies, declined following reduced uncertainty in trade policies upon signals of trade agreements, and risk perceptions in global markets improved (Chart II.2).

Chart II.1: Economic Policy Uncertainty Index

(Index)

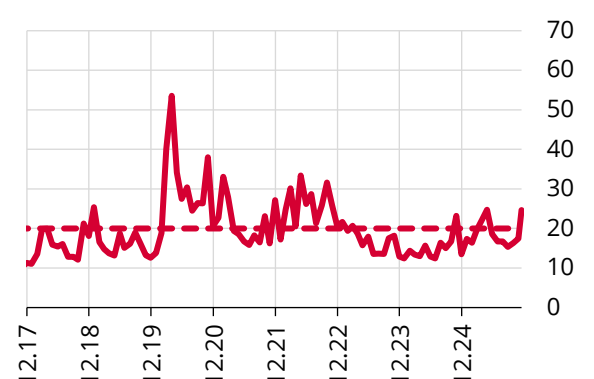


Source: An Index of Global Economic Policy Uncertainty, Davis (2016)

Last Observation: 09.25

Note: Dashed line shows the average between 12.17–12.24

Chart II.2: VIX Volatility Index (Index)

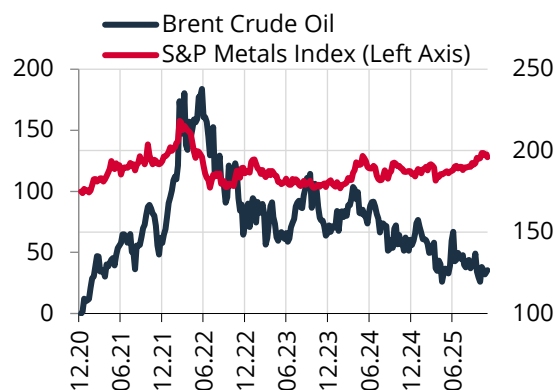


Source: Bloomberg

Last Observation: 18.11.25

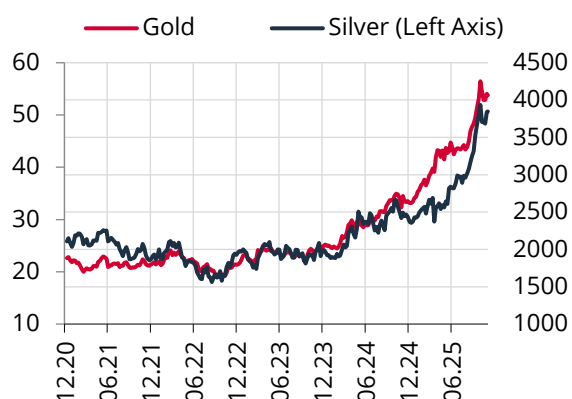
While primary input commodity prices have risen recently, global uncertainties have increased demand for precious metals.

Despite declining inflation in advanced and emerging market economies (EMEs), persistent high global uncertainties have limited downward movement in oil prices. Metal prices, however, have been displaying an uptrend due to rising demand for industrial primary input metals (Chart II.3). In addition to global geopolitical and trade uncertainties, the relative uncertainty pertaining to the Fed's policy rate path due to the stickiness in US inflation expectations, has boosted investment demand for precious metals such as gold and silver. Moreover, the recent rise in the share of gold in central bank reserves has contributed to strong upward momentum in gold prices. Alongside central banks, increased inflows from retail and institutional investors into gold and silver-indexed exchange-traded funds have also contributed to the continuation of the upward trend. These developments have caused gold and silver prices to reach historic peak levels (Chart II.4).

Chart II.3: Brent Crude Oil Index and Metal Index
(Index, 25.12.2020=100)

Source: Bloomberg

Last Observation: 18.11.25

Chart II.4: Gold and Silver Prices (London Gold Bar Price, Ounce/USD)

Source: Bloomberg

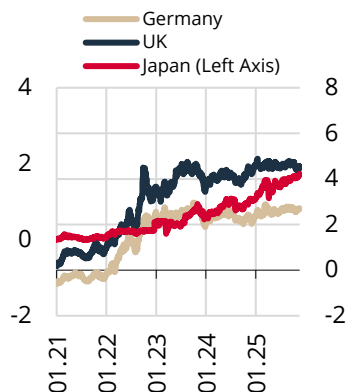
Last Observation: 18.11.25

AEs government bond yields remain high despite the decline in inflation.

This development is believed to be driven by global trade uncertainties, increased geopolitical risks, uncertainty regarding the Fed's policy rate path due to upside risks to inflation, and concerns over the sustainability of emerging market economies' rising public indebtedness (Chart II.5 and Chart II.6). Furthermore, the fact that US government bond yields, which are globally regarded as offering risk-free return, have remained around 4% since the end of 2022, contributing to high borrowing costs incurred by EMEs (Chart II.7). This situation implies that the interest burden on EME's external debt payments will begin to increase due to bond yields remaining above their historical averages for an extended period, and it stands out as an issue that needs to be monitored in terms of the global financial stability outlook.

Chart II.5: US Bond Yields (%)

Source: Bloomberg

Chart II.6: Bond Yields of AEs
(10-Year, %)**Chart II.7: Bond Yields of EMEs (%)**

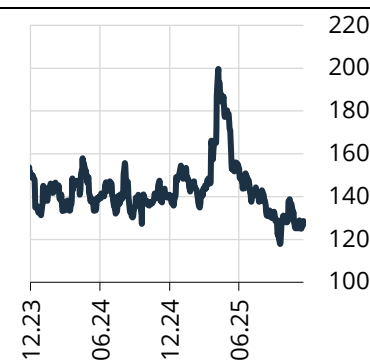
Last Observation: 18.11.25

Note: Returns derived from the JP Morgan EMBI Global Diversified index have been used for EMEs. This index includes EME government bonds with a remaining maturity of at least 6 months and up to 2.5 years, and a nominal value greater than USD 500 million. EMEs include Türkiye, Mexico, Indonesia, China, the United Arab Emirates, Saudi Arabia, Qatar, Russia, the Philippines, Brazil, Chile, Peru, Panama, Oman, Malaysia, the Dominican Republic, Bahrain, Colombia, South Africa, Egypt, Kazakhstan, Uruguay, Nigeria, and Hungary. The dashed line shows averages of the 2013-2021 period.

As the US dollar weakened, risk premiums in EMEs declined and exchange rate volatility waned.

With the recent improvement in risk perception towards EMEs, the EME CDS spread has declined significantly (Chart II.8). During the same period, the decline in the US dollar index implies weaker global demand for the US dollar, while the exchange rate volatility implied by options on EME currencies has dwindled (Chart II.9). This has reinforced expectations of stability in EME foreign exchange markets in the short term and anchored EME expectations (Chart II.10). Although global uncertainties have relatively diminished, the persistence of geopolitical and trade-related risks keeps upside risks to EME vulnerability brisk.

Chart II.8: CDS Premiums of EMEs
(Average, Basis Points)



Source: Bloomberg Last Observation: 18.11.25

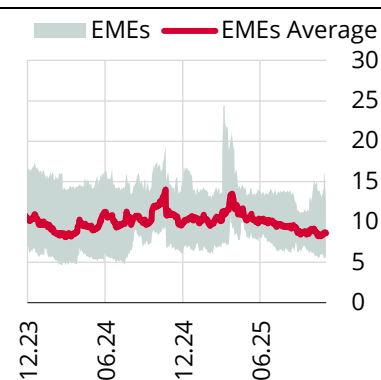
Chart II.9: US Dollar Index
(Nominal, January 2006=100)



Source: FRED

Last Observation: 14.11.25

Chart II.10: Exchange Rate Volatility Implied by Options
(%, 1-month)



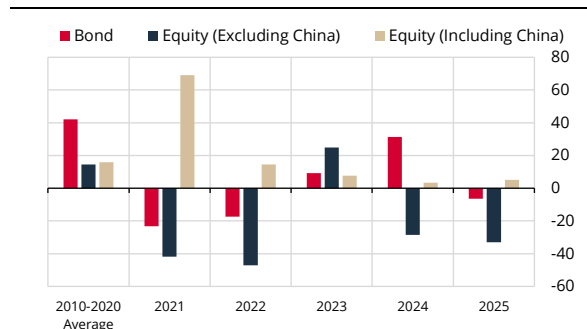
Source: Bloomberg Last Observation: 18.11.25

Note: EMEs include Türkiye, Brazil, Colombia, Indonesia, Mexico, South Africa, the Philippines, and Chile.

The trend of fund outflows recorded in the bond and stock markets in EMEs in the first half of 2025 lost pace in the second half of the year.

An analysis of fund flows to EMEs reveals inflows during the 2010-2020 period. After the pandemic, risk perception towards EMEs deteriorated, and outflows from equity and bond markets, excluding China, were seen until 2023. Although risk appetite towards EMEs increased in 2023, fund outflows continued in the following years. When China is included in fund flows, weak fund inflows are seen (Chart II.11). There has been a cumulative outflow of equity funds from EMEs, excluding China, since the beginning of 2025 (Chart II.12). The majority of this outflow occurred in the first five months of the year, when trade policy uncertainty was elevated, while inflows into equity markets were observed in the subsequent period. Meanwhile, inflows into EME bond markets remained limited. Recently, geopolitical and global trade uncertainties have partially subsided, and equity fund inflows into China have increased. Elevated uncertainties weigh on potential risks to global trade and supply chains, EME economic growth, and exports, while putting pressure on fund flows to EMEs.

Chart II.11: Annual Fund Inflows to EMEs
(USD Billion)

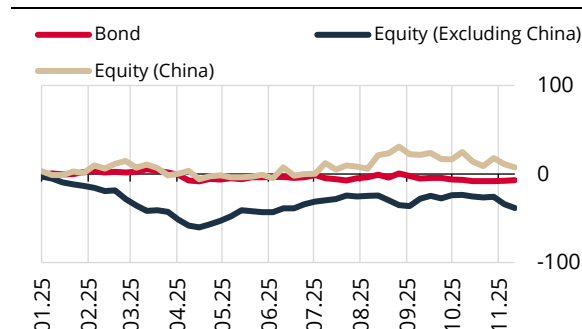


Source: IIF

Last Observation: 14.11.25

Note: 2010-2020 averages denote the average of annual fund flows in the 2010-2020 period. The value for 2025 shows the sum of weekly funds realized by November 14, 2025.

Chart II.12: Annual Fund Inflows to EMEs
(As of January 3, 2025, Cumulative, USD Billion)



Source: IIF

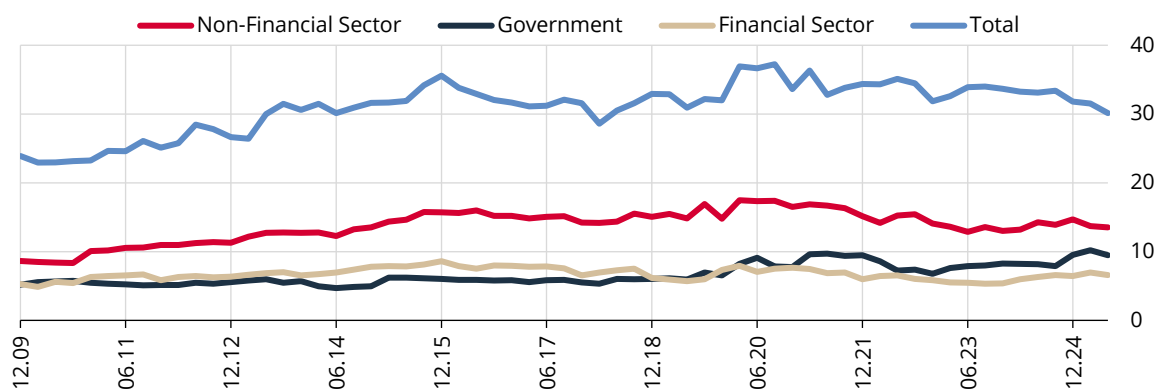
Last Observation: 14.11.25

Note: Cumulative sums in a weekly frequency are shown as of January 3, 2025.

FX-denominated indebtedness in EMEs has declined.

The ratio of EMEs' total FX debt to GDP has remained flat since the end of 2020, but has been declining since the end of 2023. This fall is driven by a decrease in the real sector's FX debt, while the public and financial sectors have seen a moderate increase in FX debt (Chart II.13). High global interest rates keep risks associated with EMEs' FX debt, which stands at over 30%, alive.

Chart II.13: FX Debt Distribution of EMEs (Debt/GDP, Median, %)



Source: IIF

Last Observation: 06.25

Note: The chart shows the median value of the ratios of real sector, public, and total FX debt to GDP in EMEs. EMEs include Türkiye, Argentine, Brazil, Chile, China, Colombia, Czechia, Hungary, India, Indonesia, Israel, S. Korea, Malaysia, Peru, Poland, Saudi Arabia, South Africa and Thailand.

Box II.1: The Impact of Global Uncertainties on EME Borrowing Costs

Abstract: Recently, US Treasury bond yields have hovered around 4% due to ongoing geopolitical risks amid global uncertainties. Emerging Market Economies' external borrowing costs have remained high due to high global risk-free yields. Since 2023, Türkiye's risk premium has diverged positively from EMEs as a result of the tight monetary policy implemented, the macroprudential measures taken, and the fact that public debt denominated in FX is in better shape compared to peer countries. As a result, Türkiye's external borrowing costs have declined more significantly than those of EMEs.

Introduction

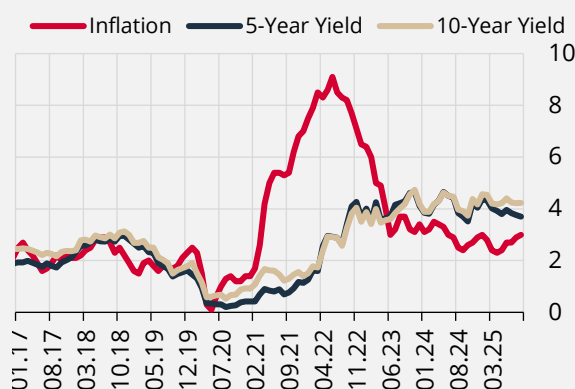
In addition to global uncertainties, geopolitical developments have had a significant impact on global financial stability, investor behavior, sovereign risk premiums, and asset prices (Caldara & Iacoviello, 2022). Disruptions in global trade and supply chains in the post-pandemic period have caused negative effects on international bills and bonds markets, and the public sector's FX borrowing costs have increased due to escalating uncertainties. This box examines the impact of ongoing global uncertainties on the public external borrowing costs of EMEs and the development of public external borrowing costs in Türkiye in comparison with EMEs. The box focuses on Türkiye's eurobond market dynamics and peer EMEs.

Recent Developments in Global Interest Rates

After rising rapidly in the post-pandemic period, the US inflation declined following the monetary tightening measures taken by the Fed starting in 2022 as well as improvements in the supply chain and reached approximately 3% in September 2025. Nevertheless, global risk perception remained weak due to increasing protectionism in trade and geopolitical risks. Since the Russia-Ukraine war that started in 2022, geopolitical risks have remained high, causing the geopolitical risk index to rise. These developments have caused US bond yields to remain high despite the decline in inflation (Chart II.1.1 and Chart II.1.2).

Recent studies have revealed that there is a positive and significant relationship between geopolitical risks and government bond yields, while the upward shift in the yield curve implies that investors demand higher returns due to geopolitical uncertainties (Dieckelmann et al., 2024; Subramaniam, 2022). Additionally, the volatility experienced in financial markets following geopolitical risks may prompt investors to reduce the weight of risky assets in their portfolios and seek potentially safe heavens (Papavassiliou, 2025). Actually, since the beginning of 2025, rising global risks have limited fund inflows to emerging markets while causing fund outflows to continue (Global Financial Outlook, Figure II.1.10).

Chart II.1.1: US Inflation and Interest Rates (%)

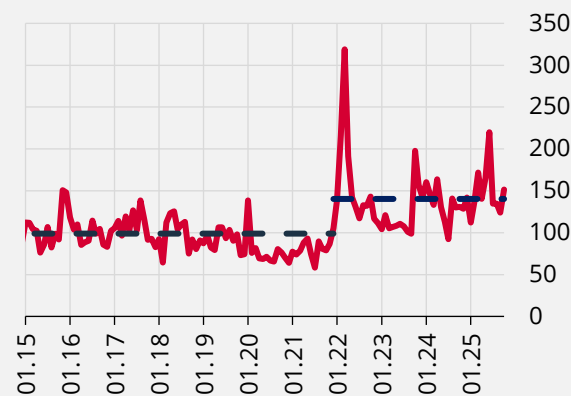


Sources: FRED, BLS

Last Observation: 09.25

Note: Inflation is the 12-month unadjusted change in the US CPI. Yields show the 5- and 10-year US Treasury bond yields.

Chart II.1.2: Geopolitical Risk Index (Index)



Source: Caldara & Iacoviello (2022) Last Observation: 10.25

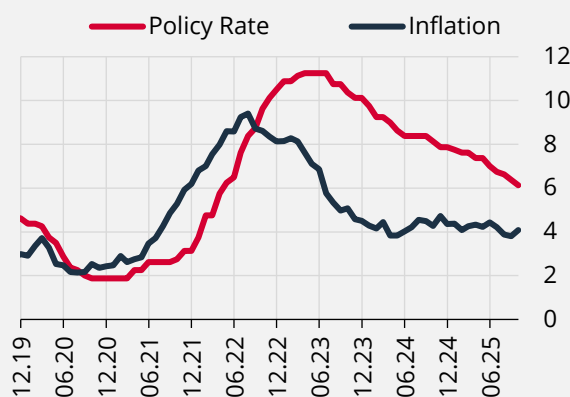
Note: The dashed lines show the average for the periods 01.15 - 12.21 and 01.22 - 10.25.

The disruptions the pandemic caused in the supply chain played a significant role in the rise of inflation in EMEs. After 2020, with the impact of deferred demand during the pandemic, the general level of prices increased, and EME central banks raised policy rates in response to deteriorated price expectations and supply and demand shocks. In the following period, monetary stances tightened with rising policy rates in emerging markets, inflation stabilized, and thus some room for maneuver was created to cut policy rates in EMEs. However, increasing global geopolitical risks and trade uncertainties, along with the protectionist policies implemented by countries, pose upside risks to EME inflation. There is evidence that when global risk-free returns are high, asset prices and exchange rate expectations deteriorate in EMEs, which may cause a deterioration in inflation expectations in EMEs (Caballero and Upper, 2025). Consequently, high AE bond yields cause deterioration in expectations and hold interest rate expectations suspended in EMEs. Therefore, policy rates in EMEs have not been supportive relative to current inflation (Chart II.1.3).

In the debt literature, it is known that in an environment of increased global risks, EMEs are affected by global price and risk expectations, and therefore the costs and premiums of external borrowing in FX increase (Ferruci, 2003; Kennedy and Palerm, 2014). Today, increasing restrictive measures in international trade indicate a reversal of globalization, making borrowing in foreign currency more costly for EMEs. As a result of high external borrowing costs in financial markets, EMEs' eurobond yields have increased and have been fluctuating around 5% since the end of 2022.

In Türkiye, macrofinancial vulnerabilities have decreased as a result of the economic stability program that has been implemented, the tight monetary policy applied, and macroprudential measures taken since 2023. This has boosted investor demand for eurobonds issued by the Turkish government, reducing Türkiye's public external borrowing costs by approximately 4 percentage points compared to EMEs (Chart II.1.4). While eurobond yields remained high in emerging markets, Türkiye's public eurobond yields declined, significantly reducing Türkiye's interest burden on external borrowing.

Chart II.1.3: Policy Rates and Inflation in EMEs
(Median, %)

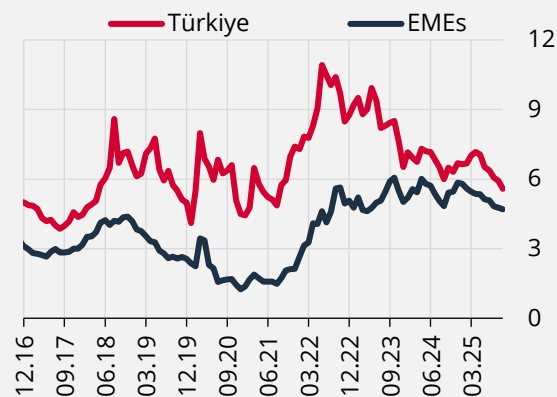


Sources: Bloomberg,
Authors' calculations.

Last Observation: 09.25

Note: Colombia, Mexico, Brazil, Indonesia, Peru, and Chile are among EMEs that have issued 5-year US dollar-denominated eurobonds.q

Chart II.1.4: Eurobond Yields of Türkiye and EMEs
(%, Issued in USD)



Sources: Bloomberg,
Authors' calculations.

Last Observation: 10.25

Role of Sovereign Risk Premium

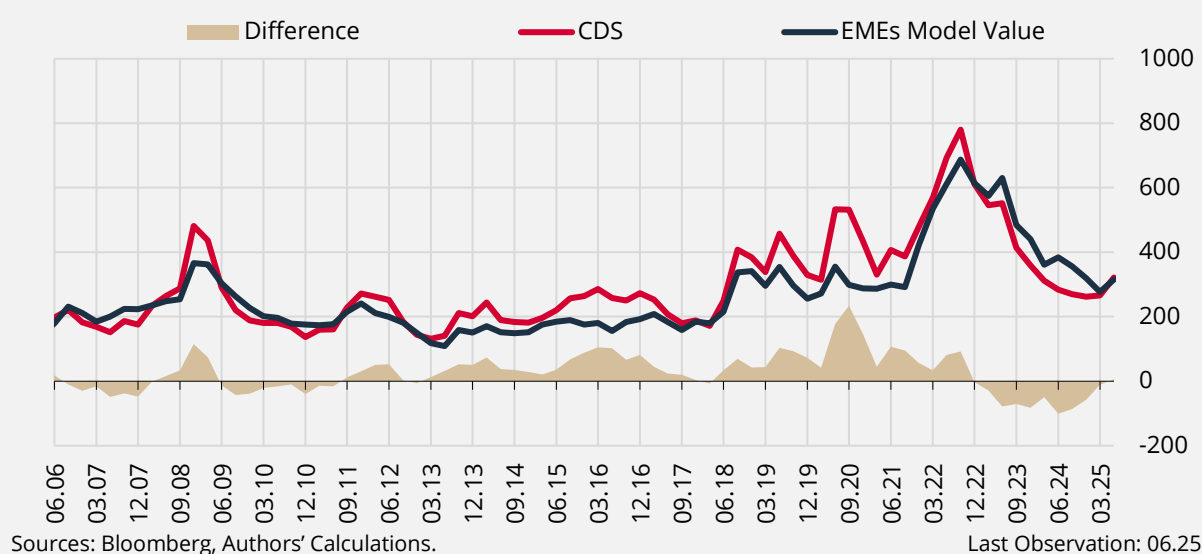
Although global risk-free yield rates and EME eurobond yields remained unchanged, the significant decline in our country's eurobond yields is assessed to be mainly driven by the improvement in the country risk premium (CDS) that is consistent with macroeconomic dynamics. Since May 2023, Türkiye's 5-year CDS premium has declined by approximately 340 basis points, leading to a 440 basis points decline in eurobond premiums (Graph II.1.5). The CDS model analysis we derived using the EME panel data also shows that the CDS premium in our country has recently approached the levels implied by macroeconomic dynamics.

EME CDS model: CDS premiums are simultaneously affected by many factors, such as macroeconomic fundamentals, global financial conditions, market liquidity, and investor behavior. In this section, the implied CDS level for Türkiye is calculated using a panel model derived with explanatory variables that include all these factors.

In this context, a panel regression model has been established for the period 2006Q1-2025Q2 by using nine EME samples and the following basic explanatory variables: fiscal balance change, current account balance change, reserves/GDP ratio change, credit rating, US real interest rate difference, inflation rate, GDP growth rate, implied exchange rate volatility, VIX index, Brent oil price, and DXY index. The model calculations were applied to indicators for the relevant period to obtain Türkiye's implied CDS premiums (Chart II.1.5).

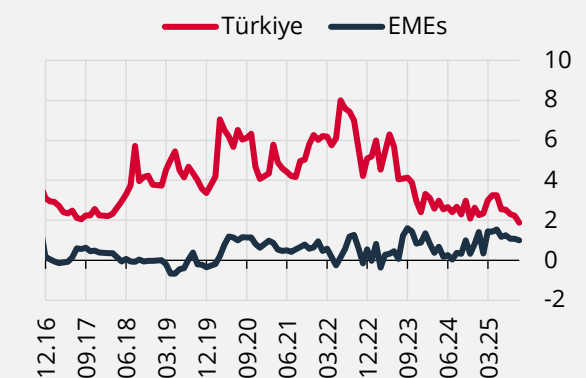
According to the findings of the model developed based on emerging market dynamics, CDS premiums in Türkiye generally move in tandem with the levels implied by the model. However, it is observed that during periods of global uncertainty, geopolitical risks, and volatile investor appetite, the divergence from the values implied by the model increases, nonetheless, recently, the model values and actual values have converged. The recent convergence of Türkiye's CDS premiums towards the model's implied value indicates that Türkiye's counterparty risk in financial markets has decreased significantly and that this is consistent with the decline in eurobond premiums.

Chart II.1.5: EME Model CDS Value and Türkiye' CDS Premium (Basis Points)



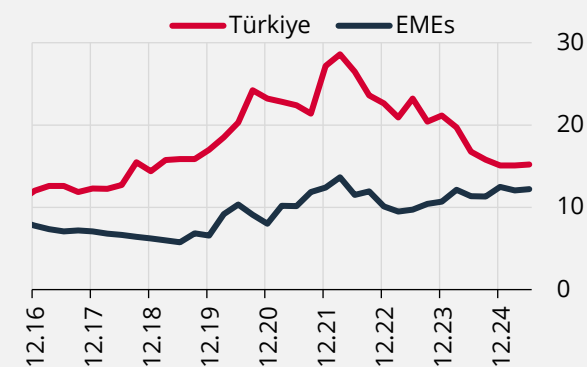
Note: The sample group includes Brazil, Chile, Colombia, Hungary, Mexico, the Philippines, Poland, South Africa, and Türkiye. Model-based approaches have certain limitations due to their structure. Not all factors affecting CDS premiums may be fully reflected onto the model, and the impact of market volatility on model results may be limited. Furthermore, when the focus is on emerging economies, the relationship between macro-financial indicators and CDS premiums may vary depending on the global economic outlook, and differences may arise in the application of relationships derived from the emerging economies sample due to country-specific dynamics. On the other hand, model-based approaches offer advantages with respect to systematically assessing the relationships between risk premiums and key macro-financial indicators and discussing divergences in CDS levels.

In the literature, there are studies suggesting that keeping public debt in foreign currency at manageable levels has a positive effect on a country's external borrowing premiums (Bernoth et al., 2012; Schuknecht et al., 2009). In the last five years leading up to 2022, public debt in FX remained relatively low in EMEs, and the eurobond risk premiums of EMEs fluctuated at low levels (Chart II.1.6 and Chart II.1.7). During the same period, Türkiye's public debt in FX increased, and its 5-year eurobond risk premiums diverged negatively from those of emerging market economies. As of 2022, while FX debt in EMEs increased only slightly, Türkiye's public debt in foreign currency declined by approximately 13 percentage points relative to GDP during the same period, diverging positively from emerging markets (Chart II.1.7). This improved expectations regarding debt sustainability and, simultaneously, both the country risk premium and the eurobond risk premium declined.

Chart II.1.6: Eurobond Premiums in Türkiye and EMEs (% , Median, Issued in USD)

Sources: Bloomberg, Authors' calculations. Last Observation: 10.25

Note: Colombia, Mexico, Brazil, Indonesia, Peru, and Chile are among the EMEs that have issued 5-year US dollar-denominated eurobonds. The eurobond premium is calculated as the difference between the 5-year US dollar-denominated eurobond yield of the relevant countries and the 5-year US Treasury bond yield (Murphy, 2003).

Chart II.1.7: Public FX Indebtedness in Türkiye and EMEs (% , Median, Debt/GDP)

Source: IIF Last Observation: 06.25

Conclusion and Assessment

Due to global geopolitical risks and uncertainties in trade policies, US long-term bond rates, which are defined as risk-free returns, remain elevated, causing both policy rates and external borrowing costs to remain high, despite declining inflation and normalization of macroeconomic policies in EMEs.

Amid rising external borrowing costs in EMEs, Türkiye has stood out positively in eurobond yields thanks to growing confidence in Türkiye's macrofinancial policies and the improvement in public debt in foreign currency compared to EMEs. Thus, during the period of tight monetary policy when TL-denominated GDDS interest costs increased, Türkiye's external borrowing costs declined more significantly than those of EMEs. It is expected that the positive effect of the prudent policy set applied to FX-denominated vulnerabilities on prospective risk premiums will continue.

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III. Non-Financial Sector

III.1 Household Developments

Household indebtedness is significantly below its historical average.

In the third quarter of 2025, the household debt-to-GDP ratio in Türkiye (9.7%) remained significantly below those of peer countries and its long-term average (Charts III.1.1 and III.1.2). The indebtedness ratio, which fell until the last quarter of 2024, is currently on a stable track. The rise in indebtedness stemming from PCC and ODA utilization outpaced GDP growth in the third quarter. Meanwhile, tight financial conditions and the macroprudential policies put in place act as a counterbalance to the debt growth.

Chart III.1.1: Household Indebtedness in Türkiye (Debt/GDP, %)

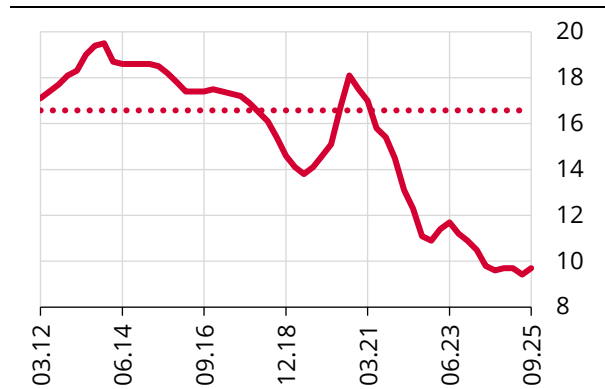
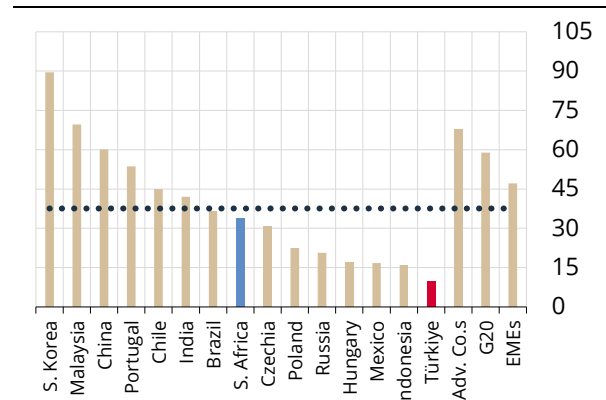


Chart III.1.2: Household Indebtedness in Peer Countries (Debt/GDP, %)



Source: BIS

Last Observation: 2025Q1

Note: Household indebtedness is calculated as the ratio of the total of debt securities and loans of households and non-profit institutions serving households to GDP. The dashed line in Chart III.1.1 shows the average of the relevant values for the 2012-2022 period. Türkiye's data for 2025Q2 and 2025Q3 are estimated in Table III.1.1. In Chart III.1.2, the country marked in blue has median indebtedness in the relevant sample, while the dashed line shows the 2025Q1 average of the sample.

Chart III.1.3: Ratio of Housing Loans to GDP (%)

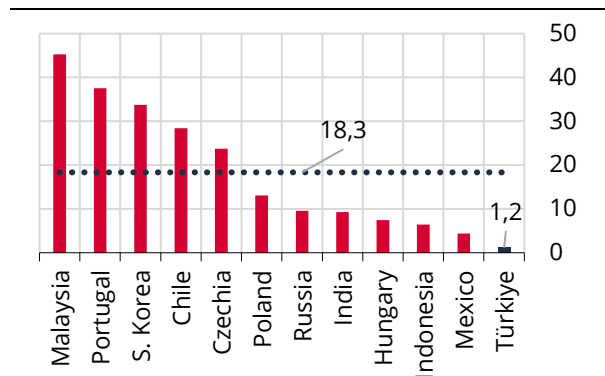
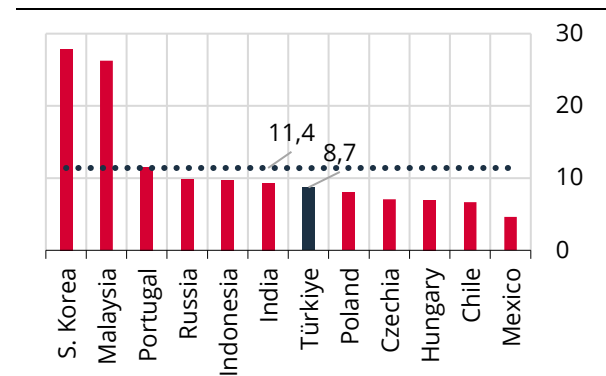


Chart III.1.4: Ratio of Retail Loans Excluding Housing Loans to GDP (%)



Sources: World Bank, Global Economy

Last Observation: 06.25

Note: The ratio is calculated as the current total housing loan and housing loan-excluded retail loan balance divided by end-2024 GDP. Horizontal lines are the average values for selected countries. Retail loan balance excluding housing loans includes all other types of loans extended to households (such as PCC, vehicle loans, and student loans) except housing loans.

A breakdown of indebtedness indicates that the housing loan-to-GDP ratio is considerably lower than the peer-country average, whereas household debt excluding housing loans is close to that average (Charts III.1.3 and III.1.4). Macroprudential regulations imposed on housing loans, elevated housing loan rates, and limited maturity options relative to other countries have all contributed to the decline in household debt stemming from housing loans. Moreover, the high share of non-mortgage sales in total housing sales in Türkiye keeps housing loan debt well below the average of other countries.

Table III.1.1: Household Financial Liabilities

	09.24		03.25		09.25		3-Month Growth (Annualized)	Annual Growth
	TL Billion	Ratio to GDP	TL Billion	Ratio to GDP	TL Billion	Ratio to GDP		
Total Liabilities	3,663	9.1	4,418	9.2	5,489	9.7	42.8	46.9
Housing Loans	466	1.2	549	1.1	625	1.1	30.9	34.1
Vehicle Loans	90	0.2	80	0.2	61	0.1	-42.8	-31.6
General-Purpose Loans	1,350	3.4	1,641	3.4	2,046	3.6	50.3	51.6
ODA	380	0.9	537	1.1	709	1.3	45.1	86.7
General-Purpose (excl. ODA)	970	2.4	1,104	2.3	1,337	2.4	53.2	37.8
PCC	1,695	4.2	2,069	4.3	2,655	4.7	62.9	56.6
Installment PCC	573	1.4	703	1.5	949	1.7	127.5	65.6
Non-Installment PPC	1,122	2.8	1,365	2.8	1,706	3.0	36.9	52.1
AMC Receivables	62	0.2	79	0.2	101	0.2	83.3	63.7

Sources: CBRT, BRSA, Authors' calculations

Note: Liabilities also include NPLs. Finance companies are included. Value for 2025Q3 GDP is estimated.

The share of PCC in household liabilities remains on the rise.

Several factors, including shifts in card-usage behavior driven by digitalization, the high cost of using cash, and limitations placed on other types of unsecured loans, support the use of PCCs. However, in the second quarter, ODA balance growth moderated following the inclusion of ODA utilization with more than three installments, except for education expenditures, in the loan growth limit regulation (Table III.1.1). The ratio of PCC balance to GDP continued to rise in the third quarter (Chart III.1.5). However, the deceleration in PCC balance growth that began in October will restrain further increases in this ratio. Meanwhile, the effect of the February revision to maturity-based loan amounts for general-purpose loans on the composition of household liabilities remained limited due to the 2% growth limit.

Chart III.1.5: Household Financial Liabilities to GDP Ratio (%)

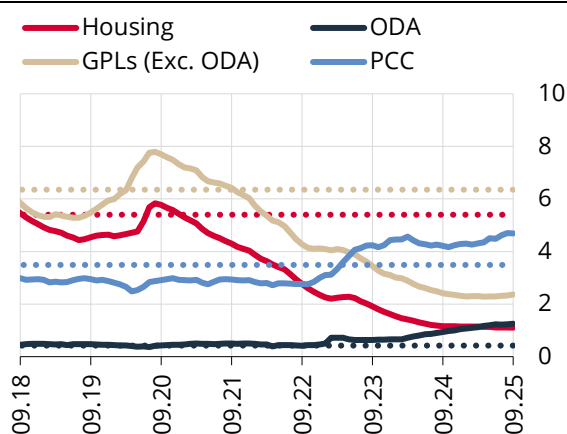
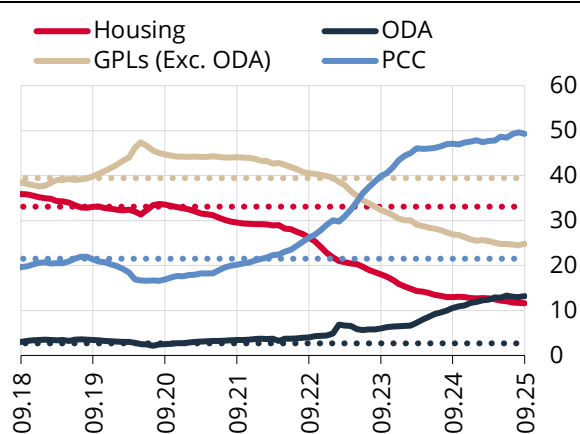


Chart III.1.6: Breakdown of Household Financial Liabilities (%)



Sources: CBRT, BRSA, TURKSTAT

Last Observation: 09.25

Note: Liabilities also include NPLs. Value for 2025Q3 GDP is estimated. Dashed lines are the average values of the related series for the 2012-2022 period.

Consequently, the share of PCC in household financial debt has neared 50%. The share of housing loans fell to 12% as of September, while the share of ODA has remained at around 13% in recent periods (Chart III.1.6). Moreover, the share of ODA in general-purpose loans rose to 35% in the second quarter and has since flattened, reflecting the inclusion of ODA utilization with more than three installments in the loan growth limit regulation. Meanwhile, the share of cash-advance balance in PCC debt continues to show a mild downtrend (Charts III.1.7 and III.1.8).

Chart III.1.7: Periodic Development in ODA (TL Billion, %)

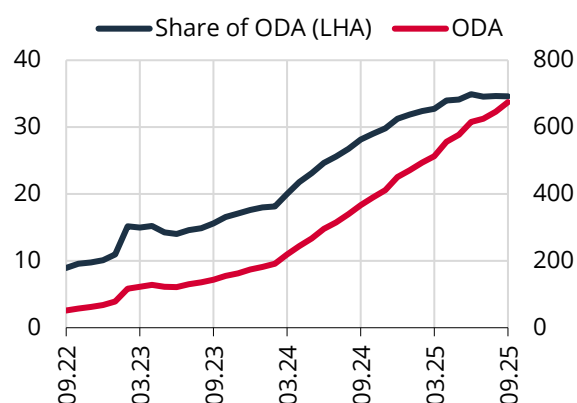
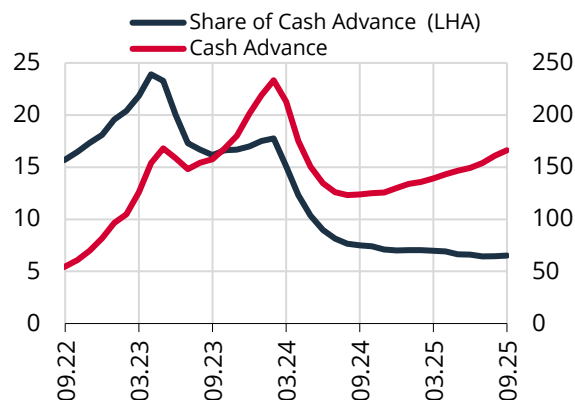


Chart III.1.8: Periodic Development in Cash Advance (TL Billion, %)



Source: BRSA

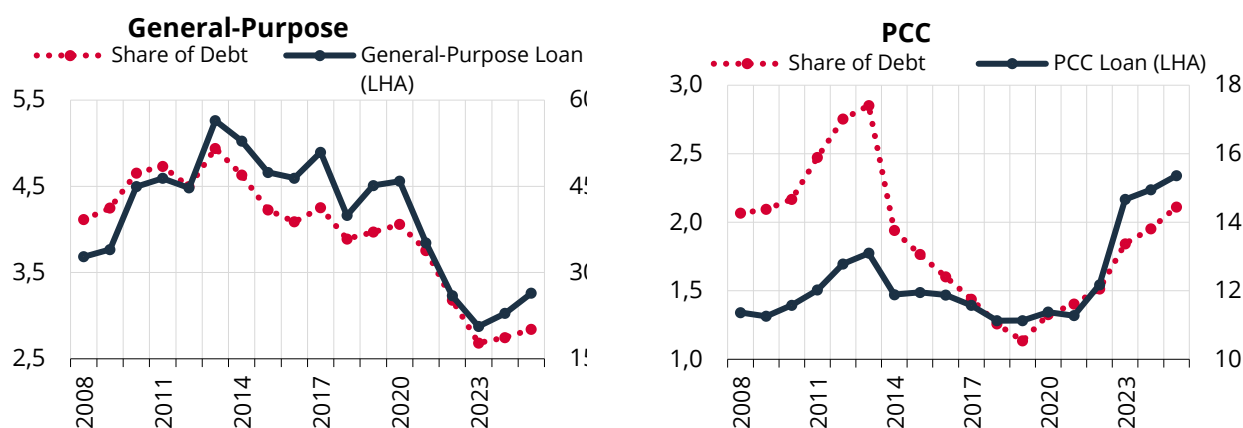
Last Observation: 09.25

Note: "Share of ODA" is the share of real persons' ODAs in general-purpose loans. "Share of Cash Advance" is the ratio of cash advances to total PCC debt.

Real per capita debt and its ratio to per capita income have risen for general-purpose loans and PCC.

Although the per capita general-purpose loan balance had a declining trend up to 2023, it has edged up since then, yet remains close to its historically low level in real terms. On the other hand, the upward trend of per capita PCC debt that began in 2022 continues, albeit at a slower rate. It is considered that individuals' debts being proportional to their income helps contain risks related to household debt-servicing capacity. However, it should be noted that such an evaluation relying on average income may vary depending on the income profile and distribution of borrowers.

Chart III.1.9: Per Capita Debt Balance in Consumer Loans and Share of Debt in Per Capita Disposable Income (% , Inflation-Adjusted TL Thousand)



Sources: BRSA, TURKSTAT

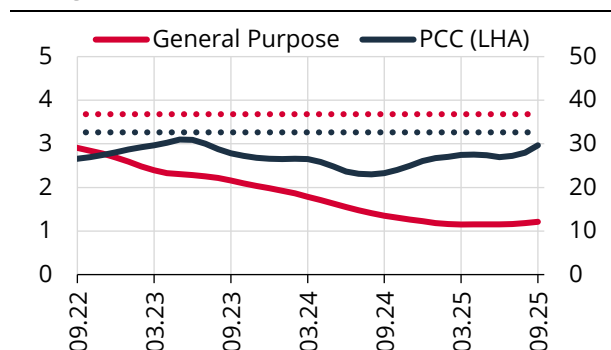
Last Observation: 09.25

Note: Dashed lines indicate the share of debt in per capita disposable income. Loan per capita is calculated by dividing the total loan balance in the related item by the number of borrowers aggregated at the bank level. Per capita loan amount is deflated by the CPI. Real income is assumed to have remained unchanged in 2024 and 2025. Per capita disposable income from the Household Consumer Tendency Survey is calculated by subtracting inter-household transfers (including alimony) and tax payments from income such as salaries, wages, rents, etc.

Average maturities of retail loans hover below their historical average.

The average maturity of general-purpose loans, which edged up following the February 2025 revision to the maturity-based amounts, remained significantly below the long-term average (Chart III.1.10). Meanwhile, the average maturity of vehicle loans continued to shorten, driven by the current maturity terms and loan-to-value ratios applied for this sub-category excluding electric vehicles. In housing loans, the average maturity dropped below the long-term average, reflecting the effects of ongoing macroprudential measures and elevated interest rates (Chart III.1.11).

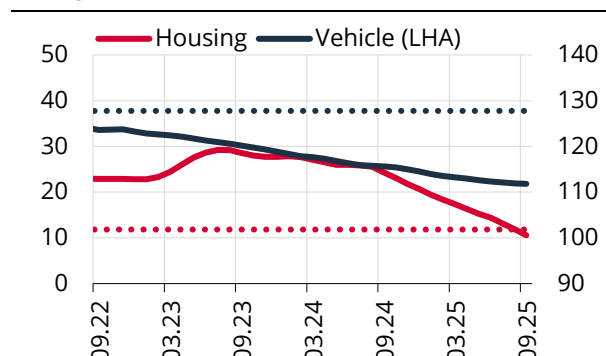
Chart III.1.10: Average Maturity in Sub-Categories of Retail Loans (Months)



Source: CBRT

Note: Average maturity is calculated based on the remaining amount of outstanding loan balances at original maturity. The three-month moving average of the series are displayed. Dashed lines show the average of the series of relevant colors for the 2012-2022 period.

Chart III.1.11: Average Maturity in Sub-Categories of Retail Loans (Months)

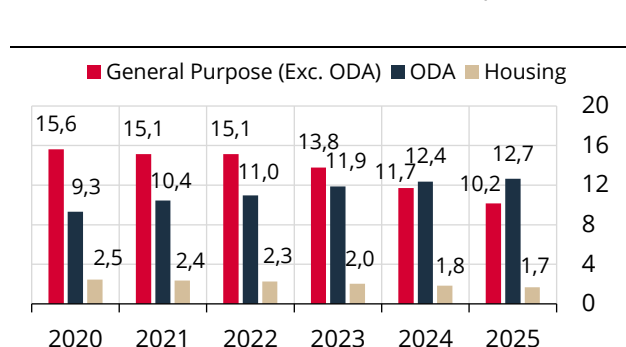


Last Observation: 09.25

The number of general-purpose loan borrowers (excluding ODA) keeps declining, while the rate of increase in the number of ODA holders falls.

The number of general-purpose loan borrowers continues to decline, driven by the growth limit regulation on general-purpose loans excluding ODA, as well as tight financial conditions. In the meantime, the rate of increase in the number of individuals with ODA balances has slowed following the inclusion of ODA utilization with more than three installments in the regulation. As for housing loans, the high interest rates and the 75% reduction in the loan-to-value ratio for households purchasing a second or subsequent house are considered to have contributed to the decline in the number of borrowers (Chart III.1.12). During the current reporting period, following the BRSA's adjustment to maturity limits for general-purpose loans, the number of loan borrowers (excluding ODA) with debts up to TRY 250,000 fell by 1.3 million to 8.8 million, while those with debts over TRY 250,000 rose by 342,000, reaching 1.4 million (Chart III.1.13).

Chart III.1.12: Number of People with Consumer Loan Balance (Million People)

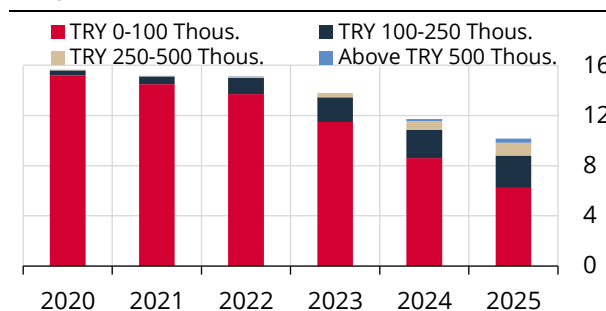


Sources: Risk Center, CBRT

Last Observation: 09.25

Note: The numbers of individual general-purpose loan (excl. ODA), ODA, and housing loan borrowers in the banking sector are reported. NPL balances are excluded. The 2025 data is as of September.

Chart III.1.13: Number of General-Purpose Loan Borrowers (excl. ODA) by Amount (Million People)



Sources: Risk Center, CBRT

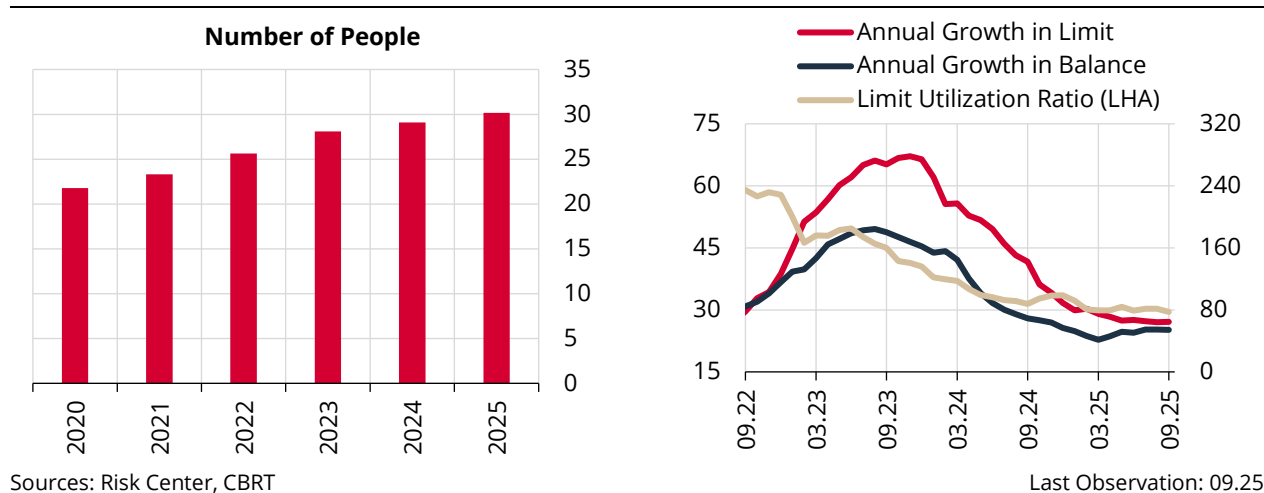
Last Observation: 09.25

Note: Amount brackets show the outstanding general-purpose loan debt amounts per person at all banks. The number of people is the total number of people in the relevant bracket. NPL balances are excluded. The 2025 data is as of September.

The number of PCC debtors remained moderate, and the limit utilization rate was stable.

As of September 2025, the number of active credit card users reached 30.2 million, although the rate of increase has slowed. During this period, credit card limit increases moderated, and the annual changes in limits and balances neared each other. Consequently, the limit utilization ratio remained stable over the current reporting period (Chart III.1.14).

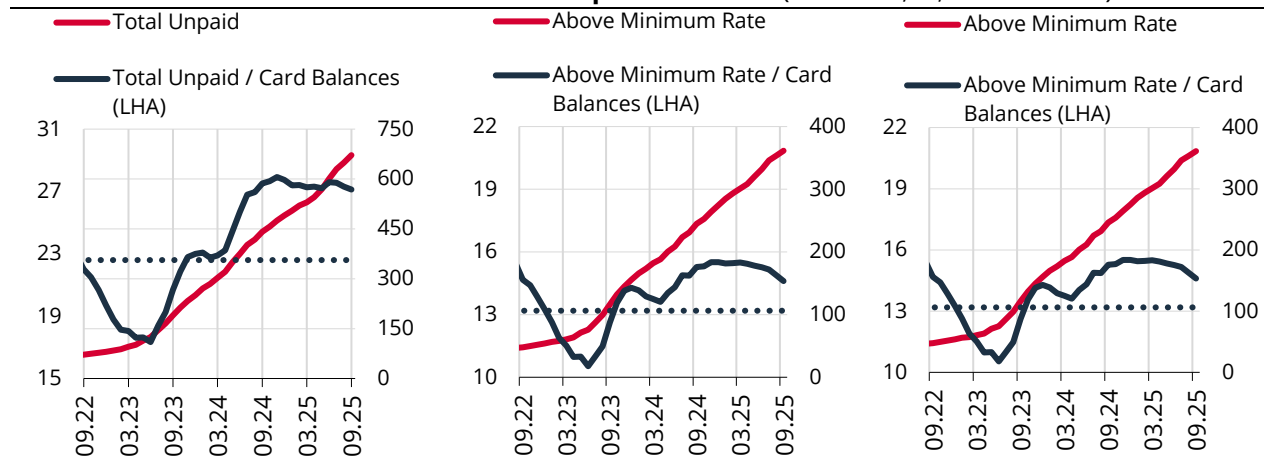
Chart III.1.14: Number of People Actively Using PCC and Card Limit Utilization Rate (Million People, %)



The ratio of overdue credit card debt to total debt declined as a result of restructuring facilities.

The BRSA introduced restructuring facilities in September 2024 for PCC balances with minimum amounts due that were not paid and in July 2025 for PCC balances with term debts that were not partially or fully paid. These decisions have slowed the rise in the share of debts with payments below the minimum payment rate in this period of tight financial conditions. Additionally, the ratio of unpaid balances to total outstanding balances on cards with payments at or above the minimum payment rate declined to 14.6% (Chart III.1.15). Accordingly, the total overdue debt ratio was almost stable at 27.1%, remaining above its historical average.

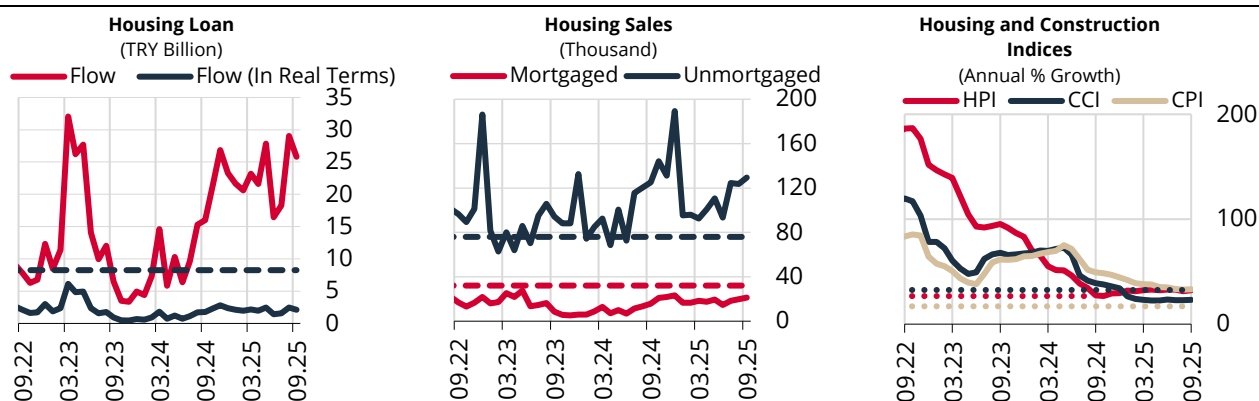
Chart III.1.15: Personal Credit Cards with Unpaid Balances (TL Billion, %, 3-Month MA)



In the housing market dominated by non-mortgage sales, loan utilization remains below the historical average in real terms.

The ongoing real decline in housing prices, the falling level of the rent multiplier as rents have risen faster than housing prices, and demographic needs resulting from the increase in the number of households have contributed to a moderate recovery in housing loans and sales. While non-mortgage sales continue to comprise the vast majority of housing transactions, the share of mortgage sales remains limited. Housing loan utilization remains below its historical average in real terms, reflecting macroprudential policies on multiple-home ownership and the fact that loan amounts set for loan-to-value ratios have not been revised since February 2023 (Chart III.1.16).

Chart III.1.16: Housing Loans, Housing Sales and House Prices



Source: CBRT

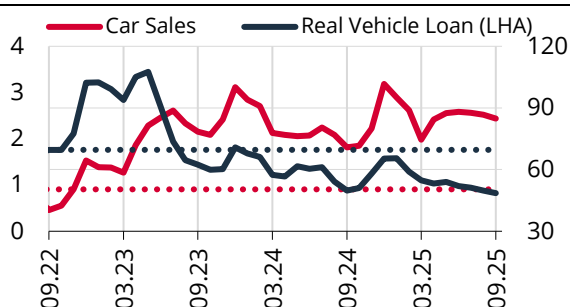
Last Observation: 09.25

Note: Housing loans are shown in terms of monthly flow extended by banks and finance companies. Dashed lines show the average annual index changes for the 2012-2022 period (2016-2022 period for the CCI), real housing loans extended, and related house sales. Data have been deflated by the house price index (HPI).

While vehicle loan utilization remains subdued, vehicle sales are strong driven by ongoing campaigns.

New car sales remained above the long-term average in the third quarter of the year (Chart III.1.17). This is attributable to sales campaigns targeting models nearing higher tax brackets of the sectoral tax structure and the normalization of vehicle supply. The fact that the loan-to-value regulation for vehicle loans applied on a tiered basis according to vehicle prices has not been updated except for electric vehicles considerably restrains loan utilization. The number of vehicles changing hands also rose in the third quarter of 2025, supported by developments in the new car market. The ratio of car ownership to the total population has likewise trended upward in recent years, nearing 20% (Chart III.1.18).

Chart III.1.17: Vehicle Loans and New Car Sales
(Thousand, TL Billion, 3-Month MA)

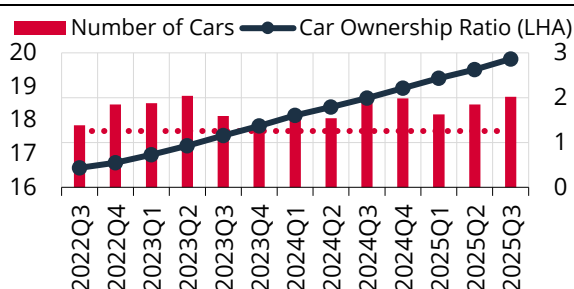


Sources: ODMD, BRSA

Last Observation: 09.25

Note: Data for monthly flow vehicle loans of banks and finance companies, and new passenger car sales are used. The adjustment is made using the vehicle prices sub-index of the CPI. Dashed lines show the average real vehicle loan disbursements and car sales between 2012 and 2022.

Chart III.1.18: Number of Used Car Sales and Car Ownership Ratio
(Thousand, %)



Source: TURKSTAT

Last Observation: 2025Q3

Note: Used car sales refer to passenger cars whose ownership has changed hands once or more through public notaries. The dashed line shows the average number of used car sales between 2012 and 2022 in quarterly periods. Car ownership ratio is the ratio of cars registered for road use to the total population.

Households prefer TL deposits and mutual funds in their financial asset compositions.

Household financial assets continue to be mainly composed of TL deposits and mutual funds (Table III.1.2). The share of KKM accounts, whose openings and renewals were terminated at the end of August, has steadily fallen to 1% of household assets. In addition, money market funds, which experienced notable outflows in March, have regained traction amid rising interest rates. The share of these funds in household assets has reached 4.2%. In addition, backed by the recent increase in global precious metal prices, the share of precious metal deposits has risen to nearly 11%. It is considered that the policy rate and macroprudential measures have positively influenced households' inclination toward TL-denominated financial assets by enhancing returns on TL deposits and money market funds.

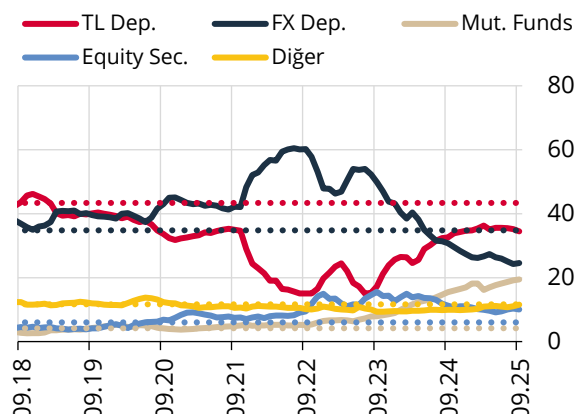
Table III.1.2: Household Financial Assets

	09.24		03.25		09.25		Share in Total Assets	Annual Growth
	TL Billion	Ratio to GDP	TL Billion	Ratio to GDP	TL Billion	Ratio to GDP		
Total Assets	15,565	38.7	18,622	38.8	22,490	39.7		44.5
TL Savings Deposits	5,072	12.6	6,755	14.1	7,752	13.7	34.5	52.8
KKM and DDM	1,114	2.8	652	1.4	274	0.5	1.2	-75.4
FX Savings Deposits	2,370	5.9	2,623	5.5	2,808	5.0	12.5	18.5
- (Billion USD)	69		69		68			-2.6
Precious Metal Deposits	1,300	3.2	1,695	3.5	2,449	4.3	10.9	88.5
- (Billion USD)	38		45		59			54.9
Bonds and Bills	339	0.8	395	0.8	612	1.1	2.7	80.4
Mutual Funds	3,409	8.5	4,252	8.9	6,007	10.6	26.7	76.2
Pension Mutual Funds	1,007	2.5	1,235	2.6	1,635	2.9	7.3	62.4
Other Mutual Funds	2,402	6.0	3,017	6.3	4,372	7.7	19.4	82.0
Money Market Funds	624	1.6	581	1.2	952	1.7	4.2	52.5
Equity Securities	1,751	4.4	1,847	3.8	2,249	4.0	10.0	28.4
Repo	31	0.1	79	0.2	55	0.1	0.2	79.9
Currency in Circulation	179	0.4	324	0.7	284	0.5	1.3	58.6

Sources: CBRT, MKK, PMC

Note: Month-end exchange rates are used. Pension mutual funds show the total funds of participants in the Individual Pension System (IPS) and the Auto Enrollment System (AES), minus the state contribution. Deposits refer to resident real persons' deposits. Value for 2025Q3 GDP is estimated. The data shown here may not fully align with the Financial Accounts table due to variations in scope and definitions.

The increase in the ratio of total household financial assets to GDP, which began at the end of 2024, continued throughout the current reporting period. This ratio has reached 40%, moving closer to its long-term average (Chart III.1.19). The improvement in TL returns driven by monetary tightening pushed the share of TL deposits in household financial assets up to 35% in the first quarter of 2025, after which it has remained broadly stable. During this period, the share of FX deposits declined to 25%, dropping below its historical average. Meanwhile, the share of mutual funds in household financial assets has been steadily rising (Chart III.1.20).

Chart III.1.19: Household Financial Assets/GDP Ratio (%)**Chart III.1.20: Breakdown of Household Financial Assets (%)**

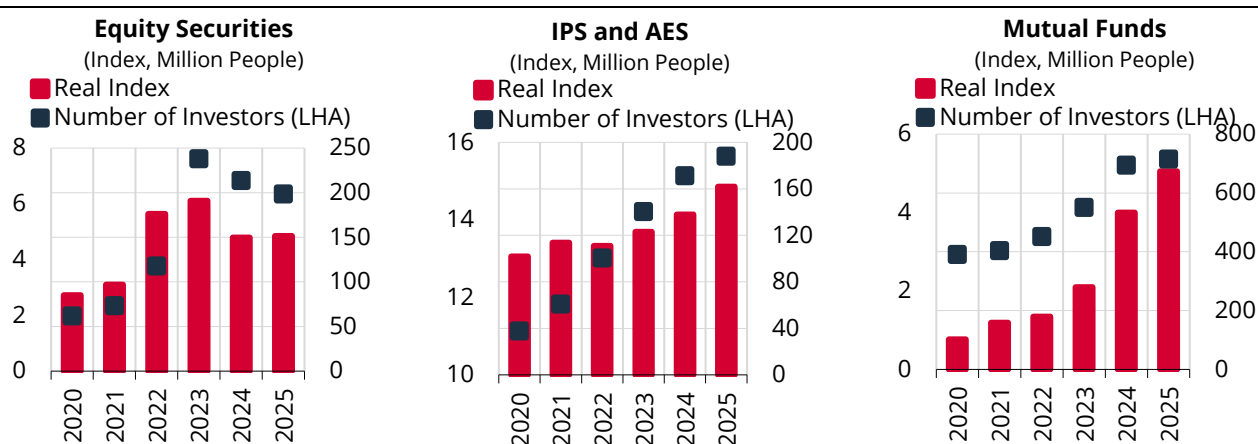
Source: CBRT

Last Observation: 09.25

Note: FX deposits comprise foreign currency, precious metal, and KKM accounts. Pension mutual funds are excluded from the mutual fund series. The “Other” category represents the total of items in Table III.1.2 except for those listed in the chart. Dashed lines indicate the average values of the relevant series for the 2012–2022 period. The data shown here may not fully align with the Financial Accounts dataset due to variations in scope and definitions.

Households continue to diversify their portfolios.

Equity investments by households continue to exhibit a weak trend. The number of equity investors has dropped from 7.6 million in 2023 to 6.3 million in September 2025. The real index of household equity portfolio has remained relatively flat compared to end-2024. On the other hand, household investments in individual pension and auto enrollment systems have maintained their modest rising trend. Accordingly, the number of participants in the pension system has risen to 15.6 million. Households’ preference for allocating savings to long-term instruments is expected to support financial stability. As of September, the number of household investors in mutual funds reached 5.4 million, while the total size of funds climbed to TL 4.4 trillion. In real terms, households’ mutual fund holdings increased by 26.2% compared to end-2024 (Chart III.1.21).

Chart III.1.21: Changes in Households’ Non-Deposit Assets (Index, Million People)

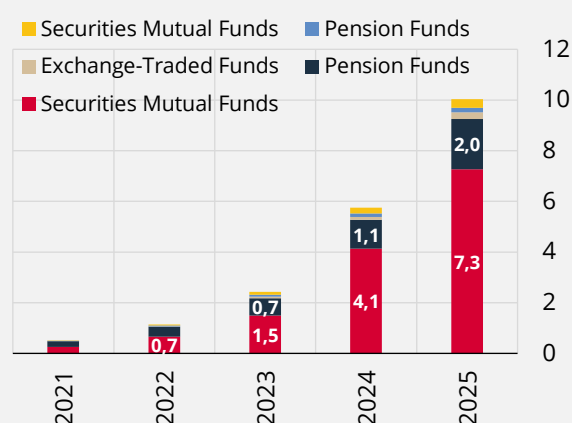
Note: The real index is CPI-adjusted and indexed to 100 in January 2021. Real index values represent three-month moving averages of the relevant series. The pension mutual fund chart shows aggregated IPS and AES data, with participant numbers singled out, and state contributions are excluded. The 2025 data is as of September. The data shown here may not fully align with the Financial Accounts dataset due to variations in scope and definitions.

Box III.1.I: Recent Developments in Funds

Summary: The rising share of funds in the financial system plays an important role in diversifying savings and fostering financial deepening. Nevertheless, the marked growth in portfolio size and portfolio allocation requires close monitoring of funds from a financial stability perspective. During the period of monetary tightening, the relative attractiveness of funds offering returns exceeding deposits rates increased, and their liquid structure further boosted this trend. However, with the onset of interest rate cuts, a shift toward deposits, which are typically longer-term than funds, has become more pronounced. Fund portfolios continue to exhibit a preference for TL-denominated assets. This box analyzes the overall structure of funds, particularly securities mutual funds, along with portfolio preferences and the distribution of returns.

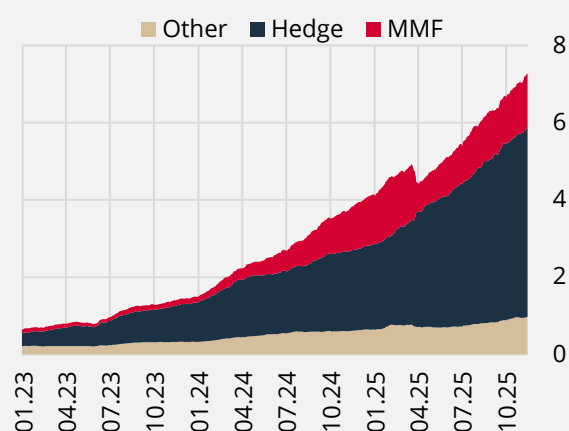
In recent years, both the portfolio value and number of funds have risen markedly. This expansion reflects a stronger reallocation of savings toward non-deposit instruments, as well as broader portfolio diversification and greater market depth. By November 2025, the size of funds within the financial system reached TL 10 trillion, while the total number of funds surpassed 3,000. Securities mutual funds and pension funds account for a significant share of the total fund size. The size of securities mutual funds has grown strongly since the second quarter of 2023, partly driven by tight monetary policy, and reached TL 7.3 trillion as of November 2025. Of this amount, TL 1.3 trillion is held in money market funds (MMFs) and TL 5 trillion in hedge funds. The hedge fund segment consists of TL 1 trillion in money market hedge funds and TL 2.8 trillion (equivalent) in FX hedge funds. Meanwhile, the portfolio value of pension funds has increased to TL 2 trillion (Charts III.1.I.1 and III.1.I.2).

Chart III.1.I.1: Portfolio Sizes by Fund Type
(TL Trillion)



Sources: Takasbank, TEFAS, BEFAS, CBRT

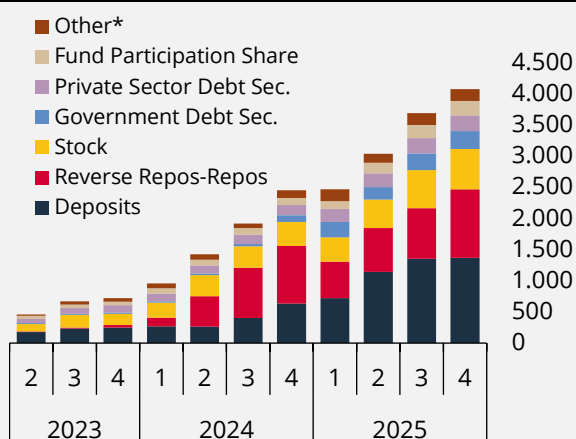
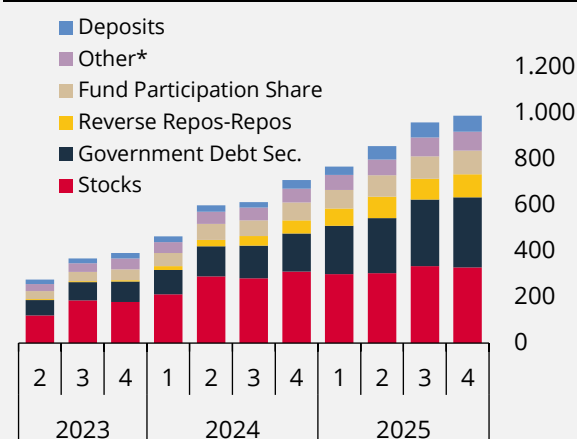
Chart III.1.I.2: Securities Mutual Fund Size
(TL Trillion)



Last Observation: 14.11.25

Note: Shows the distribution by umbrella fund type.

It is observed that TL 4 trillion of assets in securities mutual funds and around TL 1 trillion of assets in pension funds are invested in TL-denominated instruments. In 2025, TL-denominated securities mutual funds increased by TL 1.6 trillion, while TL-denominated pension funds rose by TL 0.3 trillion. In TL-denominated securities mutual funds, portfolio allocations are mainly concentrated in deposits, reverse repos, and equities with corresponding shares of 34%, 27%, and 16%. In addition, the share of reverse repos in TL securities mutual fund composition has increased, reflecting the effects of tight monetary policy stance (Chart III.1.I.3). On the other hand, in the TL portfolio composition of pension funds, equities and government debt instruments together account for 64% of total assets. Since the second quarter of 2024, the share of equities has gradually declined, while the share of government debt instruments has increased correspondingly (Chart III.1.I.4).

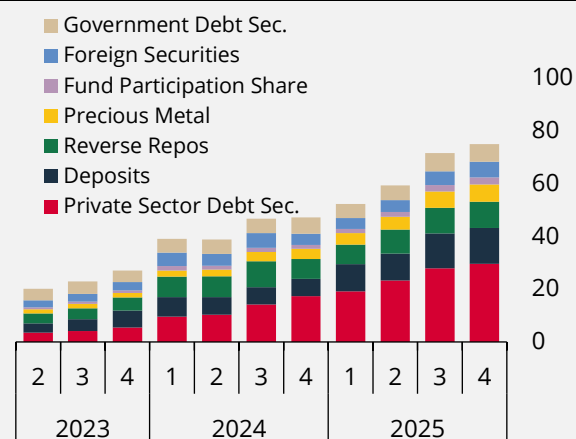
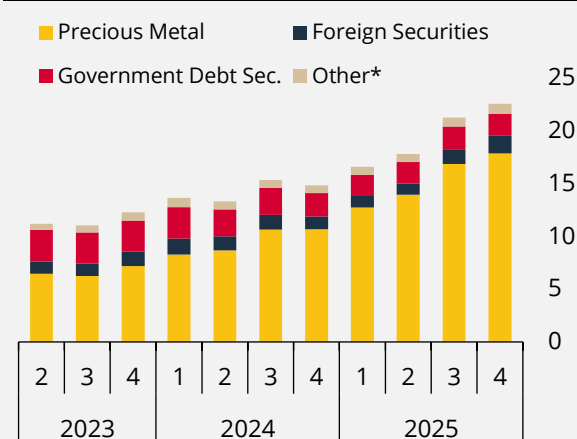
Chart III.1.I.3: TL Portfolio Allocation of Securities Mutual Funds (TL Billion)**Chart III.1.I.4: TL Portfolio Allocation of Pension Funds (TL Billion)**

Sources: Takasbank, TEFAS, BEFAS, CBRT

Last Observation: 07.11.25

Note: Fund participation shares are allocated based on the proportion of TL- and FX-denominated instruments within total fund assets. Reverse repo transactions held in the FX hedge fund portfolios are considered as FX, while all other reverse repo transactions are considered as TL.

FX-denominated instruments in the securities mutual fund portfolio increased from USD 47 billion at the end of 2024 to USD 75 billion in November 2025, driven by both supply- and demand-side factors. Alongside investors' shift toward FX funds, banks' external debt rollover ratios remaining above historical averages and the revival in the eurobond market have supported the expansion of FX securities mutual funds. Private sector debt instruments and deposits stand out in the portfolio allocation of FX mutual funds (Chart III.1.I.5). As for the pension fund portfolio, the value of FX assets reached USD 23 billion, with precious metal investments accounting for 80% of this amount. Accordingly, the increase in gold prices has been a major factor driving the nominal value of FX assets in pension funds (Chart III.1.I.6).

Chart III.1.I.5: FX Portfolio Allocation of Securities Mutual Funds (USD Billion)**Chart III.1.I.6: FX Portfolio Allocation of Pension Funds (USD Billion)**

Sources: Takasbank, TEFAS, BEFAS, CBRT

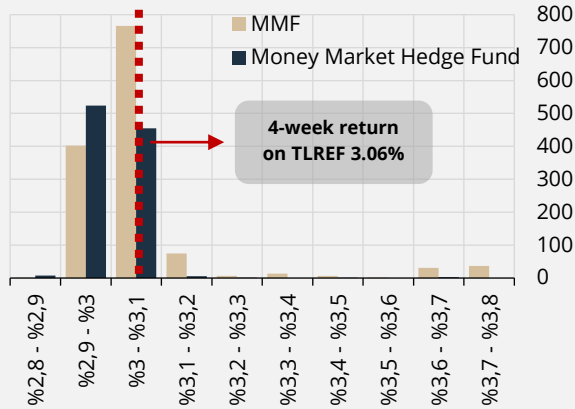
Last Observation: 07.11.25

Note: Fund participation shares are allocated based on the proportion of TL- and FX-denominated instruments within total mutual fund assets. Reverse repo transactions held in the FX hedge fund portfolios are taken as FX, while all other reverse repo transactions are taken as TL.

Along with their growth trend, the return potential offered by securities mutual funds constitutes an alternative to traditional saving instruments such as deposits, depending on the interest rate developments and fund portfolio compositions. While returns on highly liquid MMFs tend to remain close to the TLREF, some funds are able to deliver higher returns through product diversification toward instruments with higher risk and return profiles (Chart III.1.I.7). In contrast, FX hedge funds, which

operate with more flexible portfolio structures, display a wider dispersion in their return distribution (Chart III.1.1.8).

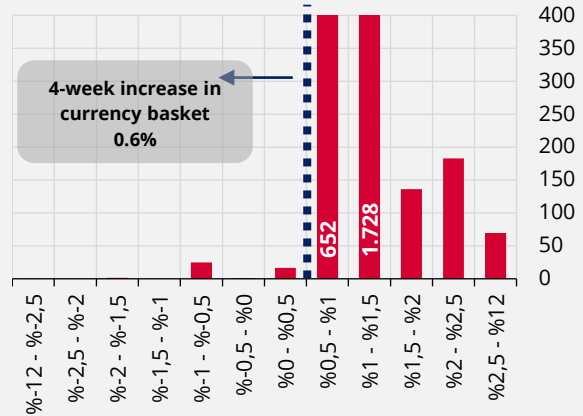
Chart III.1.1.7: Return Distribution of MMFs (%), TL Billion, Based on Portfolio Size, October 17-November 14)



Sources: Takasbank, TEFAS, BEFAS, CBRT

Note: Denotes four-week simple returns.

Chart III.1.1.8: Return Distribution of FX Hedge Funds (%), TL Billion, Based on Portfolio Size, October 17-November 14)

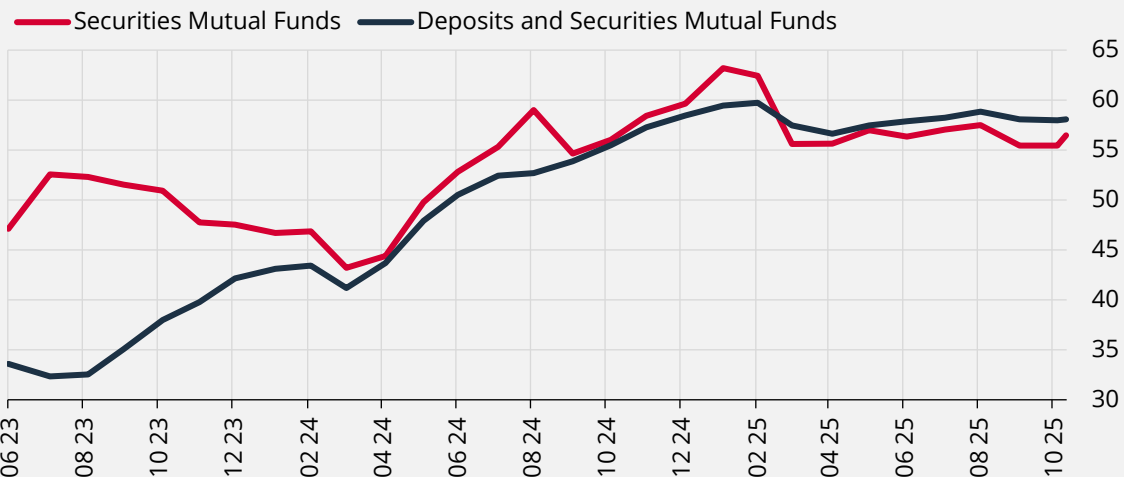


Last Observation: 14.11.25

Note: Denotes four-week simple returns. Euro and USD have equal weights in currency basket calculation.

Consequently, while the importance of the fund market within the financial system has increased, the share of TL-denominated assets in securities mutual funds has remained above its 2023 level (Chart III.1.1.9). This suggests that households and firms have largely sustained their preference for TL-denominated assets. Although the share of TL deposits hovers around 60%, the TL share including securities mutual funds has fallen slightly below this level in recent periods. This indicates that investor interest has shifted toward longer-term TL deposits, as the relative return advantage of MMFs has diminished during the rate-cutting cycle.

Chart III.1.1.9: TL Share (%)



Sources: BRSA, TEFAS, Takasbank, CBRT

Last Observation: 07.11.25

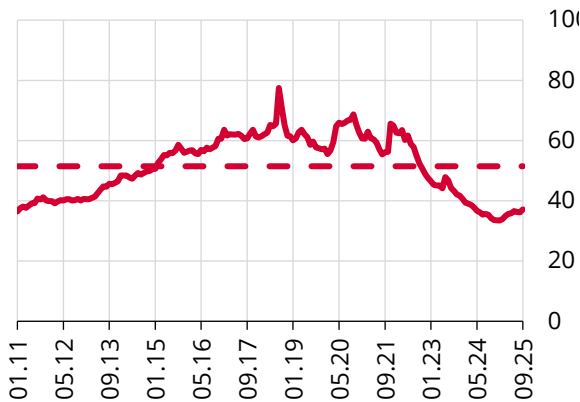
Note: The TL share in deposits and securities mutual funds is calculated by excluding securities mutual fund deposits to avoid double counting.

III.2 Corporate Sector Developments

Financial indebtedness of the corporate sector has increased moderately but continues to remain significantly below its historical average.

The ratio of the corporate sector's debt to GDP, which had declined to 33% (the lowest level since 2010) by the end of 2024, rose by 3 points to 36% in the first half of 2025. However, this debt growth followed a flat course in the second half of the year (Chart III.2.1). The moderate increase in corporate sector firms' indebtedness in 2025 was mainly driven by FX financial debt. As a result of restrictive regulations on FX loan growth limits and the decline in exchange rate volatility, the rise in FX indebtedness has ceased. TRY commercial loan growth limits and tight financial conditions play a decisive role in keeping TRY indebtedness at low levels (Chart III.2.2). Total indebtedness of the corporate sector continues to remain significantly below the levels during expansionary periods as well as its historical average.

Chart III.2.1: Corporate Sector's Financial Indebtedness/GDP Ratio (%)

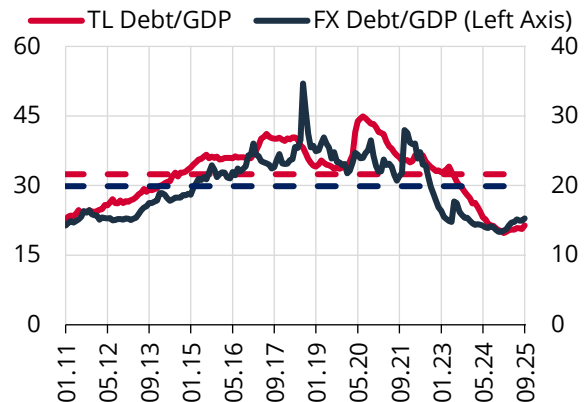


Source: CBRT

Last Observation: 09.25

Note: The dashed line represents the historical average of the relevant ratio for the 01.11-09.25 period.

Chart III.2.2: Corporate Sector's TRY and FX Indebtedness (%)

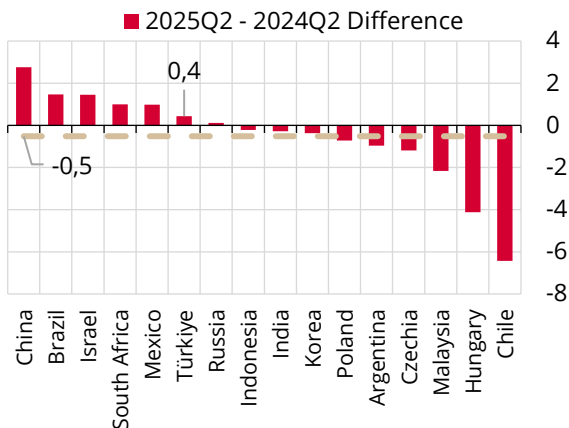


Source: CBRT

Last Observation: 09.25

Note: The dashed line represents the historical average of the relevant ratio for the 01.11-09.25 period. 12-month cumulative GDP values are calculated by the CBRT.

Chart III.2.3: Change in Corporate Sector Indebtedness in Peer Countries (%)

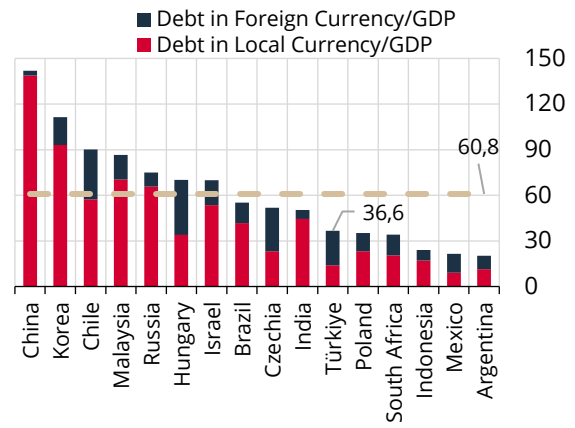


Source: CBRT, IIF

Last Observation: 2025Q2

Note: Shows the average of the difference in indebtedness in peer countries between 2025Q2 and 2024Q2. Data for Türkiye denotes the change in financial indebtedness obtained from CBRT's calculations.

Chart III.2.4: Corporate Sector Indebtedness in Peer Countries (%)



Source: CBRT, IIF

Last Observation: 2025Q2

Note: The dashed line shows the average indebtedness of peer countries for 2025Q2. Data for Türkiye denotes financial indebtedness obtained from CBRT's calculations.

Over the last year, the corporate sector's debt-to-GDP ratio in Türkiye edged up by 0.4 points, while the average indebtedness among peer countries fell by 0.5 points (Chart III.2.3). Nevertheless, the corporate

sector indebtedness in Türkiye (36.6%) is significantly lower than the average indebtedness among peer countries (60.8%). However, the corporate sector's FX indebtedness in Türkiye is slightly higher than that of some peer countries (Chart III.2.4).

Over the last one-year period, TRY loans obtained by firms from domestic sources grew by 34.5%, while the USD equivalent of FX loan growth was 22.5% for loans obtained from domestic sources and 16.2% for loans obtained from abroad. Following the tightening in FX loan conditions of domestic banks, net FX funding that the corporate sector obtained from abroad amounted to USD 16.8 billion in the first nine months of 2025. Approximately 10% (USD 1.7 billion) of this funding came from eurobond issuances (Table III.2.1).

Table III.2.1: Financial Liabilities of the Corporate Sector (Billion TRY)

	09.24		12.24		09.25		Annualized Growth (%)	Annual Change (%)
	Billion TRY	Ratio to GDP	Billion TRY	Ratio to GDP	Billion TRY	Ratio to GDP		
I. Domestic Loans (i+ii)	10,508.7	26.8	11,147.1	25.7	14,852.4	28.2	46.6	41.3
i. TRY (A+B+C)	5,570.0	14.2	5,852.3	13.5	7,491.3	14.2	39.0	34.5
A. Bank	5,085.1	13.0	5,283.4	12.2	6,774.9	12.9	39.3	33.2
B. NBFİ	350.4	0.9	430.8	1.0	534.3	1.0	33.3	52.5
C. Bonds Issued	134.5	0.4	138.1	0.3	182.1	0.3	44.6	35.4
ii. FX (D+E)	4,938.7	12.6	5,294.8	12.2	7,361.1	14.0	55.2	49.0
ii. FX (USD Equivalent)	144.7		150.1		177.3		24.9	22.5
D. Bank	139.5	0.4	144.9	0.3	169.8	0.3	23.6	21.7
E. NBFİ	5.2	0.01	5.2	0.01	7.5	0.0	62.5	43.9
II. External Loans (Bonds Included)	3,324.1	8.5	3,399.3	7.8	4,700.2	8.9	54.0	41.4
II. External Loans (USD Equivalent)	97.4		96.4		113.2		24.0	16.2
Total Financial Debt (I+II)	13,832.8	35.3	14,546.6	33.5	19,552.5	37.1	48.3	41.3
Info: Bonds Issued Abroad (Billion USD)	12.9		14.0		15.7		16.5	21.7
Info: Total FX Loans (Billion USD, Including FX Bonds Abroad)	242.2		246.4		290.6		24.6	20.0

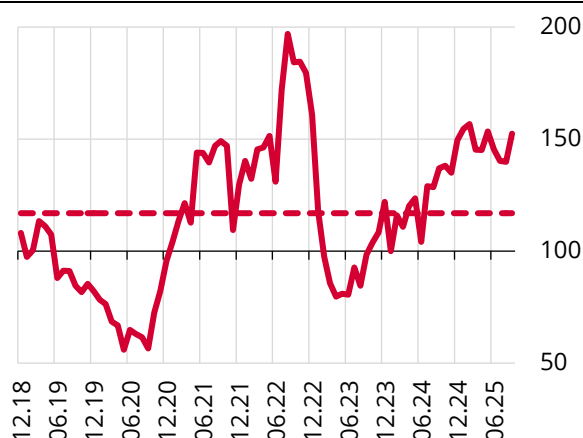
Sources: CBRT, BRSA

Last Observation: 09.25

Note: The "Ratio to GDP" column shows the ratio of the item to the estimated 12-month total GDP on a monthly basis. Annualized growth is calculated by annualizing the growth between December 2024 and September 2025. The last column shows the change between September 2024 and September 2025. The growth and change values in the last two columns show the annualized growth rate between December 2024 and September 2025, and the annual growth rate between September 2024 and September 2025, respectively.

The corporate sector's external debt rollover ratios hover above the historical average.

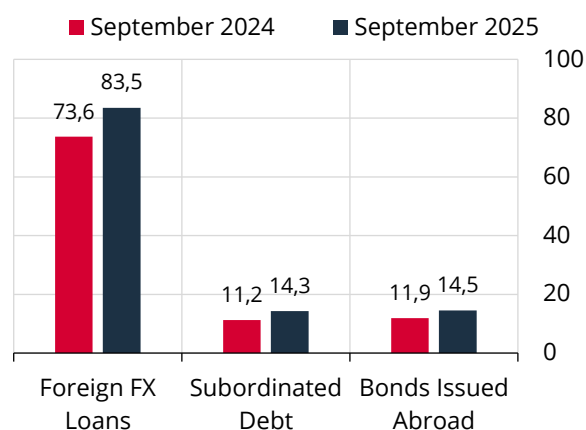
The external debt rollover ratio of the corporate sector remains high (152%) due to the improvement in the macroeconomic outlook, and the favorable course of expectations and external financing conditions (Chart III.2.5). Additionally, over the last one year, the increases in FX loans obtained from abroad, FX loans received from parent companies or affiliates, and bond issuances abroad have contributed to the strong outlook in firms' external debt rollover ratio (Chart III.2.6). Tight domestic financing conditions urge firms to find alternative sources from abroad. Despite persistent uncertainties surrounding global trade and economic policies, the country risk premium declined in the current reporting period, which supports the sector's access to external financing.

Chart III.2.5: Corporate Sector's External Debt Rollover Ratio (6-Month, %)

Source: CBRT

Last Observation: 09.25

Note: External debt rollover ratio shows the ratio of the cumulative external borrowing over a 6-month period to the debt repayment in the same period. The dashed line shows the average of the 12.11-12.23 period.

Chart III.2.6: Corporate Sector's External Loans and Bond Issuances (Billion USD)

Source: CBRT

Last Observation: 09.25

Note: Covers non-financial institutions included in the "Outstanding Loans Received from Abroad by the Private Sector" table on the EVDS-Statistical Data Page.

The financial leverage ratio of the corporate sector maintains its flat course below its historical average.

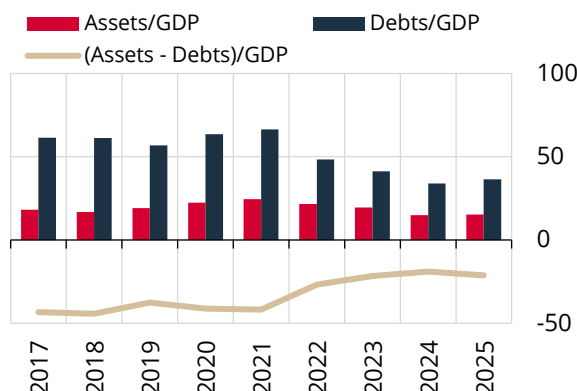
The financial leverage ratio of the corporate sector hit a historic low as the sector's financial assets increased more than its liabilities in 2022 and 2023. The sector's leverage ratio, which increased in the first half of 2024 as the rise in liabilities outpaced asset growth, has been almost flat since then (Chart III.2.7). In fact, an analysis of the ratios of firms' assets and liabilities to GDP reveals that the decline in their assets as a share of GDP remained lower than the decline in liabilities. The ratio of net liabilities (assets – liabilities), which decreased to 20% in 2023, did not register a significant change in the following period (Chart III.2.8). So, the fact that assets remained largely unchanged in the 2022-2023 period despite the fall in indebtedness created a buffer for corporate sector firms in the following period.

Chart III.2.7: Corporate Sector's Financial Debts/Assets (Ratio)

Source: CBRT

Last Observation: 09.25

Note: Financial liabilities include the corporate sector's domestic and external loans, leasing, factoring debts and bond issuances. Financial assets include Turkish lira and FX deposits and securities, but direct capital investments abroad and export receivables are not included. End-of-month FX buying rates have been used in calculations. The dashed line shows the historical average of the ratio between December 2017 and December 2021.

Chart III.2.8: Corporate Sector's Financial Debts and Assets (%)

Source: CBRT

Last Observation: 09.25

Note: Financial liabilities include the corporate sector's domestic and external loans, leasing, factoring debts and bond issuances. Financial assets include Turkish lira and FX deposits and securities, but direct capital investments abroad and export receivables are not included. 12-month cumulative GDP values have been calculated by the CBRT. The latest GDP data is the CBRT's estimate. End-of-month FX buying rates have been used in calculations. Data for 2025 denotes the last observation as of September 2025.

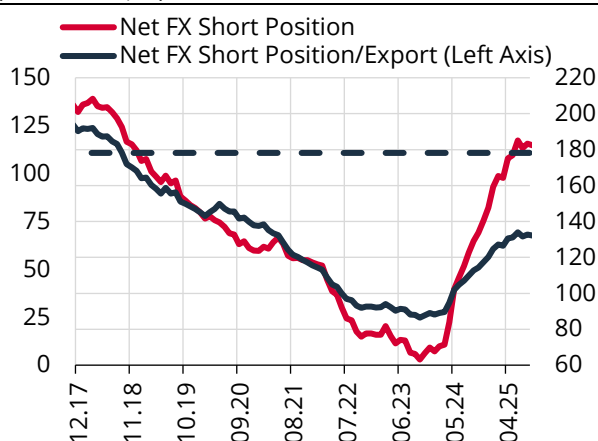
FX short position of the corporate sector has reached the 2018 level, while the ratio of short position to export revenues is below its historical average.

The corporate sector's FX short position remained on the rise from the end of 2023 to the first half of 2025, reaching the level last seen in 2018 (Chart III.2.9). The ratio of the corporate sector's short position to annual export revenues likewise increased, but still remains below its historical average. In the second half of 2025, the upward trend in FX short position has stopped following the measures regarding FX borrowing.

In 2025, the rise in domestic FX deposits, export receivables, direct capital investments abroad, and securities bolstered firms' FX assets, leading to an increase of USD 16 billion in the period between December 2024 and August 2025 (Chart III.2.10). During the same period, firms' FX liabilities grew by USD 44 billion driven by FX loans and in part by import debts, and the change in firms' FX short position totaled USD 28 billion. This change was considerably lower than the net position change in the December 2023-December 2024 period due to firms' deposits at domestic banks in particular. Hence, firms' FX short position is assessed to be counterbalanced by the growth in FX assets.

Over the last one year, domestic FX loans lost pace due to loan growth restrictions whereas external FX loan utilization remained strong. Domestic FX loan growth reached 38% in the December 2023-September 2024 period, before declining to 17% in the period between December 2024 and September 2025. On the other hand, growth in external FX loans surged to 18% in the December 2024-September 2025 period from 3% in the December 2023-December 2024 period. Thus, the increase in the FX short position observed despite the FX loan growth restrictions is thought to be driven by external FX loan utilization.

Chart III.2.9: FX Position of the Corporate Sector
(Billion USD, %)

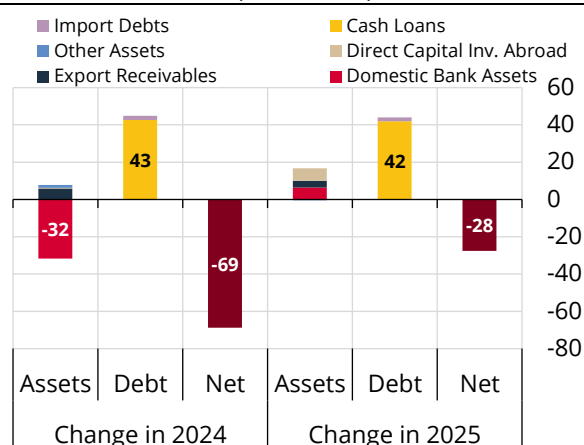


Source: CBRT

Last Observation: 09.25

Note: Export values are the sum of 12-month cumulative amounts. The dashed line denotes the historical average of the FX Short Position/Export ratio between December 2011 and December 2018.

Chart III.2.10: Change in the Corporate Sector's FX Position (Billion USD)



Source: CBRT

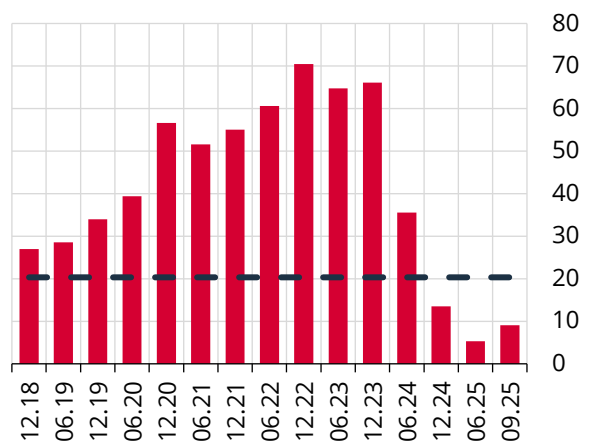
Last Observation: 09.25

Note: The "Bank Assets" item covers assets at domestic banks. The change in the "Other Assets" item covers the change in assets and securities with banks abroad. The "Direct Capital Inv. Abroad" item denotes firms' direct capital investments abroad. Derivatives are not included in the calculation. "Change in 2024" and "Change in 2025" show the differences in the December 2023-December 2024 and December 2024-September 2025 periods, respectively. Derivatives are not included.

The corporate sector's short-term net FX position continued to decline, falling below its historical average to less than USD 10 billion (Chart III.2.11). This decline was driven by the short-term FX loan utilization by firms despite the limited increase in the sector's FX deposits. Moreover, the ratio of short-term FX assets/short-term FX debt and the ratio of FX deposits/short-term FX debt, which show the corporate sector firms' capacity to cover their short-term FX debt with their available FX liquid assets, dropped below their historical averages in 2024 and followed a flat course in 2025 (Chart III.2.12). Yet, with the Resource Utilization Support Fund levy on new uses of FX loans raised to 1% in July, short-term FX loan utilization by firms decelerated. Corporate sector firms' FX loan utilization with a maturity of 0-to-1 month decreased to a monthly amount of USD 1.2 billion, which also supports their resilience to exchange rate shocks during short-term fluctuations (Chart III.2.13). A significant portion of the decline in firms' short-term FX long position resulted from the termination

of KKM renewals in early 2025 and the termination of the KKM practice altogether in August 2025 (Chart III.2.14).

Chart III.2.11: Corporate Sector's Short-Term FX Position (Billion USD)

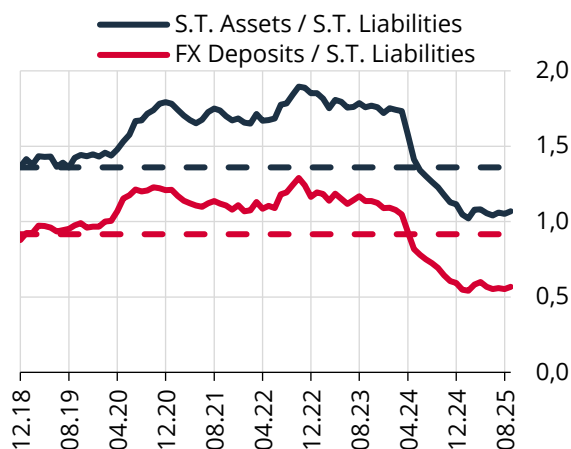


Source: CBRT

Last Observation: 09.25

Note: The dashed line shows the historical average of the relevant data between 2012 and 2021.

Chart III.2.12: Indicators of Corporate Sector's Exchange Rate Risk (Ratio)

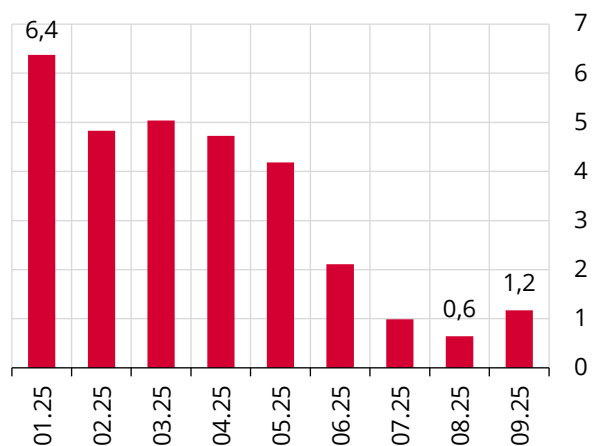


Source: CBRT

Last Observation: 09.25

Note: FX deposits are the total amount of deposits that resident corporate sector firms keep at domestic and foreign financial institutions. Net FX position calculations include FX-protected deposits (KKM). S.T. stands for "short-term". The dashed line shows the historical average of the relevant data between 2012 and 2021.

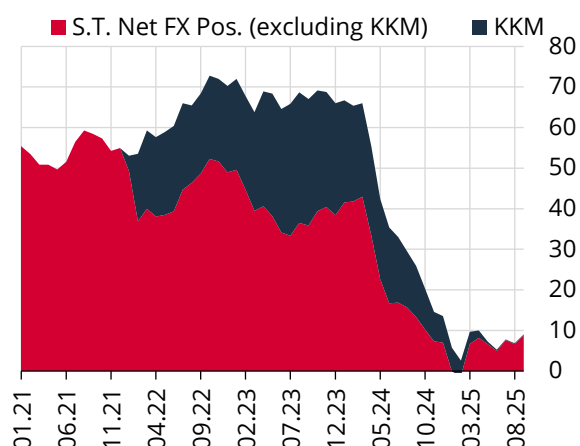
Chart III.2.13: FX Loan Amounts with a Maturity Up to 1 Month (Flow, Billion USD)



Source: CBRT

Last Observation: 09.25

Chart III.2.14: Breakdown of Short-Term FX Position (Billion USD)



Source: CBRT

Last Observation: 09.25

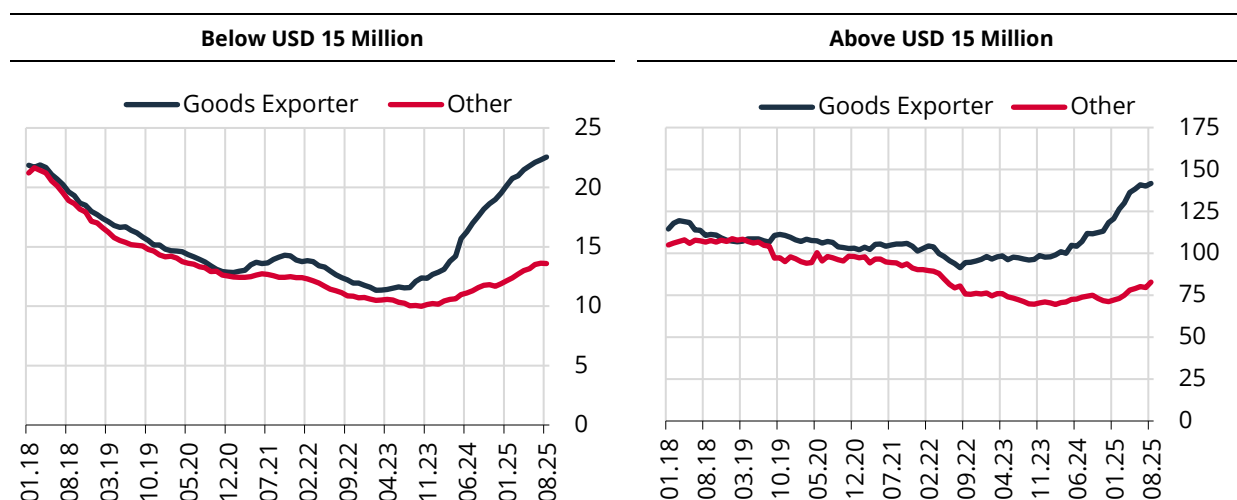
Note: The "S.T. Net FX Pos. (excluding KKM)" item denotes the corporate sector's short-term net FX position excluding KKM accounts of legal entities.

The increase in the corporate sector's FX indebtedness is predominantly driven by firms with FX revenue.

The regulation introduced in May 2018 linked access to FX loans for firms with FX loan balance below USD 15 million to their export revenues over the previous three years. The FX loan utilization trends of firms affected by this regulation (with FX loan balance below USD 15 million) and firms unaffected by it (with FX loan balance above USD 15 million) have been analyzed using microdata (Chart III.2.15). Compared to end-2023, FX loan balances of all of these firms increased by USD 69 billion. Firms with FX loan balance below USD 15 million (small-loan group) accounted for USD 13.3 billion and firms with FX loan balance above USD 15 million (large-loan group) accounted for USD 55.8 billion of this increase. Based on export revenues, 75% (USD 9.9 billion)

of the rise in the FX loan balance of the small-loan group was driven by exporters of goods, while this ratio was 79% (USD 44.1 billion) for the large-loan group. Thus, firms with FX revenue are assessed to be the primary driver of increased FX loan utilization after 2023.

Chart III.2.15: FX Loan Balances of Firms Based on Their FX Revenues (Billion USD)



Sources: Risk Center, CBRT, Ministry of Trade

Last Observation: 08.25

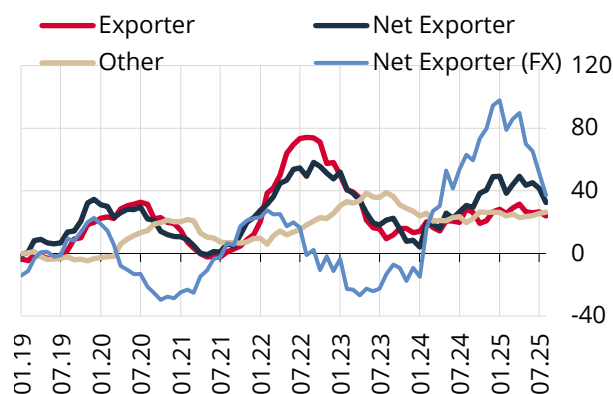
Note: When calculating FX credit risk, loans obtained from abroad via domestic banks are included, while loans obtained directly from abroad are excluded. Firms' export data represent only the exports of goods. Whether export data for firms is available was calculated using the 36-month rolling window method for the 2018-2025 period. Firms with no export revenue records in the database during the covered period are classified as "Other", while firms with export revenue records are classified as "Exporters of Goods".

Net exporting firms' FX and total loan growth diverged positively from other firms.

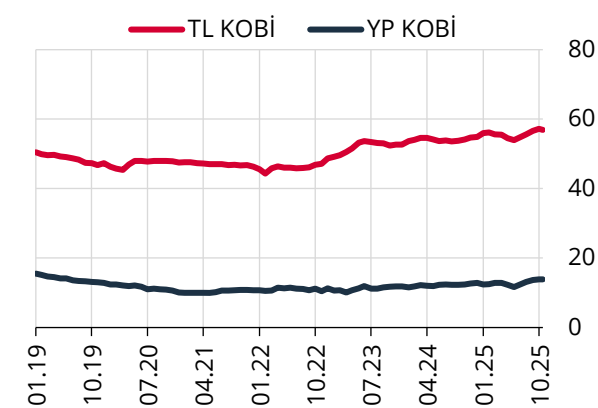
An analysis of access to financing based on foreign trade reveals that the contribution of net exporting firms to FX-adjusted total loan growth continued despite the recent moderate slowdown in their FX loan growth that had reached high levels in the previous periods. On the other hand, total loan growth of net exporting firms decelerated slightly in the current reporting period due in part to tight financial conditions, yet remaining above the 2019-2024 average (23.7%) (Chart III.2.16). In addition, net exporters' access to loans remains significantly above the other groups of firms. This improvement in loan distribution is considered a positive development for Türkiye's foreign trade balance in the medium and long term.

The share of SMEs in TRY commercial loans continued to increase in the current reporting period, reaching 57% as of November 2025. SMEs' share of FX loans, which are predominantly held by corporate firms, went up slightly to 13.9% (Chart III.2.17). Thus, SMEs' share in TRY financing increased after the growth limit for TRY commercial loans was differentiated¹ in January 2025 to support loan growth and loan composition. Additionally, SME loan growth accelerated markedly starting from August as the upper limit for the net annual sales revenue and financial balance sheet size under the SME definition was raised to TRY 1 billion from TRY 500 million on August 7, 2025 and accordingly, many firms that used to be classified as large-scale started to be classified as SMEs.

¹ To support harmonization of loan growth and loan composition with the disinflationary path, the growth limit for TRY commercial loans was differentiated for SME loans and other commercial loans in January 2025, setting the monthly TRY loan growth limit for SMEs at 2.5%.

Chart III.2.16: Loan Growth of Exporting Firms (FX-Adjusted, %)

Sources: CBRT, Ministry of Trade Last Observation: 08.25

Chart III.2.17: SME Share of Commercial Loans (%)

Sources: CBRT, BRSA Last Observation: 18.11.25

Note: In the chart on the left, FX-indexed loans are included in FX loans. In the chart on the right, the definitions of exporter and net exporter are calculated using the 12-month rolling window method. Growth shows the change in the stock loan balance compared to the same month of the previous year. The net exporter definition covers companies with an X/M (Exports/Imports) ratio above 110, while the exporter definition covers all companies with X>0, including net exporters. The end-of-month currency basket (50% US dollar, 50% euro) was used in calculating FX loan growth. Eximbank credits are excluded. The definitions of exporter and net exporter consider only goods trade. In calculating the SME share of commercial loans, TRY and FX SME loan amounts are proportioned to total TRY and FX commercial loans, respectively.

While the positive outlook in favor of the Turkish lira was maintained in the corporate sector's deposits, FX deposits increased slightly.

The corporate sector's financial assets rose by more than 40% on an annual basis, and the ratio of financial assets to GDP increased by 1.5 points over the last one year to 18.8% (Table III.2.2). The annual rise was driven by the closing of KKM accounts and the change in the composition of financial assets in favor of the TRY due to higher real returns on the Turkish lira. In addition, the gradual increase in fund accounts stood out as a factor supporting the corporate sector's assets.²

Table III.2.2: Financial Assets of the Corporate Sector (Billion TRY, %)

	09.24		06.25		09.25		3-Month Growth (Annualized, %)	Change (%)
	Billion TRY	Ratio	Billion TRY	Ratio	Billion TRY	Ratio		
TRY Commercial Deposits	3,138.9	8.0	4,726.4	9.3	5,155.8	9.3	41.6	64.3
KKM Accounts	394.3	1.0	12.8	0.03	7.7	0.01	-87.0	-98.1
FX Commercial Deposits	2,200.1	5.6	3,029.8	5.95	3,243.7	5.9	31.4	47.4
(Billion USD)	64.5		76.2		78.1		10.3	21.2
Public Debt Instruments	53.3	0.1	86.0	0.2	134.6	0.2	500.4	152.4
Private Sector Debt Instruments	163.9	0.4	233.1	0.4	291.2	0.5	143.6	77.6
Fund Accounts	841.9	2.1	1,405.4	2.7	1,604.6	2.9	69.9	90.6
Total Assets	6,792.4	17.3	9,493.5	18.6	10,437.5	18.8	46.1	53.7

Sources: CBRT, BRSA, TAKASBANK

Last Observation: 09.25

Note: The "Ratio" column shows the ratio of the relevant item to GDP. Annualized growth is calculated by annualizing the three-month change between June 2025 and September 2025. The last column shows the change between September 2024 and September 2025. Total assets consist of the corporate sector's TRY and FX commercial deposits, public and private sector debt instruments, and fund accounts.

² As the fund accounts reported for the corporate sector cannot be decomposed into TRY and FX, their contribution to TRY and FX assets could not be analyzed separately.

The corporate sector's financial assets were shaped by the rise in TRY deposits and funds.

The ratio of the corporate sector's TRY deposits to GDP remained above its historical average (8%) (Chart III.2.18). Although the FX deposit balance posted a limited increase following the volatility in financial markets in March 2025, the ratio of FX deposits to GDP was not affected negatively by this increase. Accordingly, the ratio of FX deposits to GDP, which decreased below its historical average (12%) due to the closing KKM accounts, remained flat during the current reporting period. Meanwhile, hovering significantly above its historical average (41%), the share of Turkish lira commercial deposits in total deposits reached 61% (Chart III.2.19).

Chart III.2.18: Commercial Deposits/GDP (%)

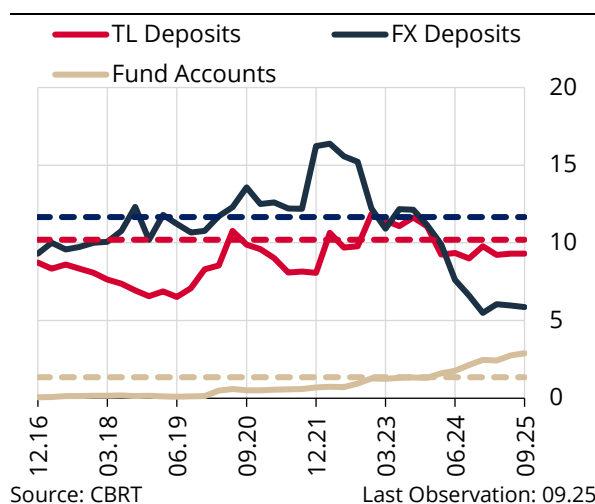


Chart III.2.19: Share of TRY Commercial Deposits (%)



Note: FX deposits include KKM accounts of legal entities. Dashed lines show the averages of the relevant ratios for the 01.21–12.24 period. The share of TRY commercial deposits refers to the ratio of TRY commercial deposits (excluding corporate KKM accounts) to total commercial deposits.

While net profitability of publicly traded firms has declined, days payable outstanding and days sales outstanding remain below their historical averages.

To evaluate how firms' profitability, liquidity, and debt repayment indicators evolved, data for the year-end balance sheets and income statements, to which inflation accounting has been applied from 2022 onward, have been examined for firms listed on the Istanbul Stock Exchange (BIST). Generally, the decline in firms' net profit margins that started in 2024 and continued in the first quarter of 2025 was subdued in the second quarter, but remained below its long-term average. Meanwhile, the moderate fall in operating profit margins observed in the first quarter of 2025 recovered in the second quarter, and converged to the long-term average. While the recovery in firms' operating profit margins points to continuation of their operational cash flows, persisting tight financial conditions are assessed to be influential in the delay of the correction in net profit margins. A similar trend was observed in the ratios that measure the prevalence of changes in profitability ratios, and the share of firms with a ratio of operating and net profits to assets above 10% fell below its historical average in the first two quarters of the year. The liquid asset ratio, which measures firms' liquidity position, remained constant in the second quarter of 2025, staying below its long-term average across all firms. This trend in the ratio reflects firms' continued reliance on existing liquid assets rather than bank loans for an extended period to meet their financing needs amid tight financial conditions.

The financial expenses coverage ratio (FECR), which measures firms' capacity to cover their financial expenses with their operating income, decreased due to persistently high financing costs under tight financial conditions and remained below its long-term average. Meanwhile, the number of firms with a FECR above the threshold value of 1.5 declined in the second quarter of 2025.

The shortening (lengthening) of the cash conversion cycles, calculated using the turnover rates of BIST firms, shows how long it takes for a firm to turn their inventories or receivables into cash, and indicates an improvement (worsening) in the cash flow. The cash conversion cycle shortened substantially during the 2022-2023 period, but remained close to the average of past years in 2024 and the first half of 2025. The cash conversion cycle is affected upward (lengthened) by the days inventory outstanding and the days sales

outstanding, and downward (shortened) by the days payable outstanding. The days inventory outstanding and the days sales outstanding remained below the averages of past years, and these indicators showed no improvement in the second quarter of 2025. The days payable outstanding for BIST firms also continued to remain below the average of past years, but increased in the second quarter of 2025 and thus, came to play a more decisive role in the cash conversion cycle dynamics of the final quarter (Table III.2.3).

Table III.2.3: Profitability, Liquidity, Indebtedness and Turnover Rate Indicators of BIST Firms Based on Inflation Accounting

Type of Indicator	Indicators	Long-Term Average	2022	2023	2024	2025 Q1	2025 Q2
Profitability	EBITDA/Assets (%)	11.5	13.4	11.1	10.5	8.7	10.6
Profitability	EBITDA/Net Sales (%)	11.9	11.9	12.7	10.9	10.0	11.0
Profitability	Net Profit/Assets (%)	5.2	8.3	7.7	2.9	1.0	1.5
Profitability	Net Profit/Net Sales (%)	5.0	7.4	8.8	3.0	1.1	1.5
Profitability	Share of Firms with EBITDA/Assets>%10	34.7	54.9	44.0	43.1	30.2	37.6
Profitability	Share of Firms with Net Profit/Assets>%10	20.5	29.7	24.5	12.6	10.2	13.4
Liquidity	Liquid Asset Ratio (%)	23.7	22.1	20.1	18.7	17.8	17.8
Liquidity	Share of Firms with Liquid Asset Ratio>%20 (%)	51.7	57.3	53.9	44.0	42.9	40.9
Indebtedness	Financial Expenses Coverage Ratio (FECR)	2.6	2.5	2.0	1.6	1.2	1.1
Indebtedness	Share of Firms with FECR>1.5 (%)	55.6	61.9	58.4	47.8	41.7	34.7
Turnover Rate	Average Days Inventory Outstanding	163	89	129	147	153	153
Turnover Rate	Average Days Sales Outstanding	93	70	77	73	76	81
Turnover Rate	Average Days Payable Outstanding	155	109	144	128	129	135
Turnover Rate	Cash Conversion Cycle (Days)	100	50	62	92	101	98
	Number of Firms		286	343	334	324	335

Note: The analysis includes firms listed on the BIST that have applied inflation accounting. Financial indicators are median values of the relevant period. EBITDA=Net Operating Profit/Loss + Amortization Expenses, FECR=EBITDA/Financial Expenses, Liquid Asset Ratio=(Liquid Assets + Inventories+ Securities)/Assets, Days Inventory Outstanding=Average Inventory/Cost of Sales*365, Days Sales Outstanding=Accounts Receivable/Net Sales*365, Days Payable Outstanding=(Accounts Payable/(Change in Inventory Compared to Previous Year + Cost of Sales))*365, Cash Conversion Cycle=(Days Inventory Outstanding + Days Sales Outstanding - Days Payable Outstanding). The columns for 2022, 2023, and 2024 represent year-end values, while the columns for 2025 represent annualized first and second-quarter values. The ratios are weighted values. Outliers are not included in the calculation of solo ratios, while all observations have been taken into account in calculations that show general prevalence. The columns for 2022-2025 represent values to which inflation accounting was applied. The long-term average covers years 2011-2019, during which inflation accounting was not applied.

IV. Financial Sector

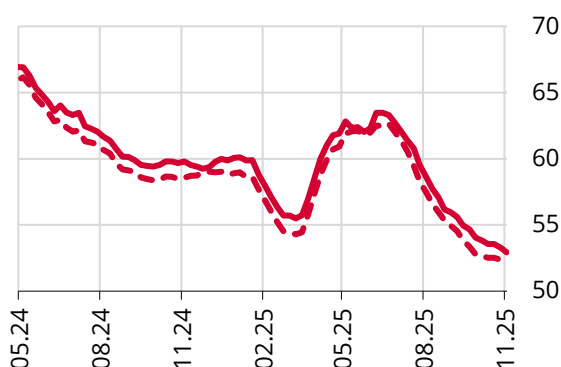
IV.1 Credit Developments and Credit Risk

IV.1.1 Credit Developments

Loan interest rates are moving in line with the decline in the CBRT's weighted average funding cost (WAFC).

The CBRT WAFC has declined by 9.5 points since June, receding to 39.5%. TL commercial loan interest rates have also fallen by a similar amount (8.1 points) (Chart IV.1.1). The partial fall in global interest rates, improvements in sovereign risk premiums, and the impact of increased FX liquidity at banks led to a decline in FX loan interest rates in the second half of 2025 (Chart IV.1.2). In this period, US dollar loan rates fell by 0.9 points and euro loan rates decreased by 1.4 points. Retail loan rates also exhibited a similar trend. General-purpose loan rates decreased by 11 points and ODA interest rates dropped by 6.7 points during the same period (Chart IV.1.3). The decline in PCC interest rates was more limited at 3.2 points. The fall in loan rates is consistent with the reductions in the maximum PCC and ODA interest rates set by the CBRT. In fact, while the interest rate set for credit cards with a term debt below TRY 25,000 remained unchanged during the current reporting period, the monthly interest rate applied to cards with term debt above TRY 25,000 was lowered by 25 basis points in August (Chart IV.1.4). Furthermore, the maximum interest rates set for cash withdrawals and ODAs were reduced by a total of 50 basis points, with 25 basis points cut in August and 25 basis points cut in October.

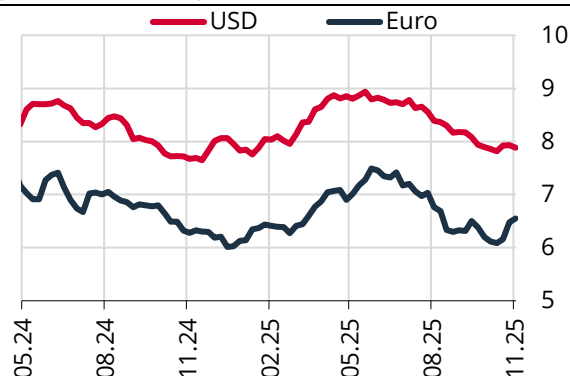
Chart IV.1.1: TL Commercial Loan Rates
(Flow, 4 WMA, %)



Source: CBRT

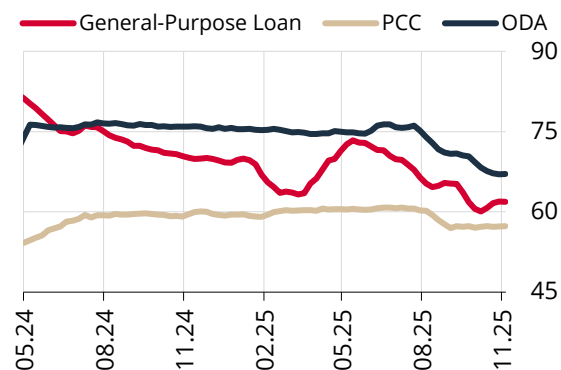
Note: TL commercial loan rates exclude legal person ODAs and zero-interest loans. Loan rates exclude costs other than interest.

Chart IV.1.2: FX Commercial Loan Rates
(Flow, 4 WMA, %)



Last Observation: 07.11.25

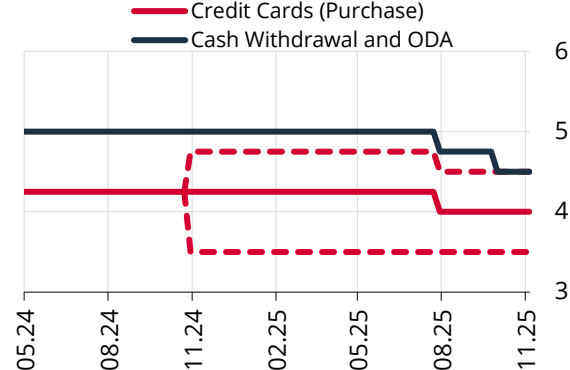
Chart IV.1.3: General-Purpose Loan and PCC Interest Rates
(Flow, 4 WMA, %)



Source: CBRT

Note: General-purpose loan rates exclude real person ODAs. The contractual interest rate applicable to credit card purchasing transactions is differentiated according to the term debt. In the current period, the annual compound interest rates applied for cards with a term debt between TRY 0-25,000, TRY 25,000-150,000 and TRY 150,000 and above are 51.1%, 60.1% and 69.6%, respectively.

Chart IV.1.4: Maximum Interest Rates on PCC and ODAs
(Flow, Monthly Interest Rate, %)



Last Observation: 07.11.25

TL commercial loan maturities increased in the second half of the year.

The improvement in inflation expectations and policy rate cuts have had a downward effect on the long-term commercial loan pricing. In fact, compared to June, TL commercial loan rates for terms longer than two years fell by 12 points to 49% (Chart IV.1.5). Expectations of a decline in funding rates in the medium and long-term increase banks' appetite for granting long-term and fixed-rate loans in terms of their capacity to generate interest income. On the other hand, companies with similar expectations mostly demand short-term loans. As a result of the loan supply-demand balance, the average maturity of fixed-rate TL commercial loans has declined since the beginning of 2025, but has partially trended upwards since the middle of the year (Chart IV.1.6). The expectation of a decline in commercial loan rates is accompanied by a flat outlook for revolving loans, whose share continues to remain below its historical average (Chart IV.1.7).

Chart IV.1.5: TL Installment Commercial Loan Rates (Flow, %)

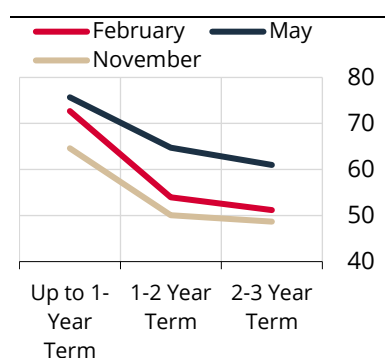


Chart IV.1.6: TL Installment Commercial Loan Maturity (Flow, Original Maturity)

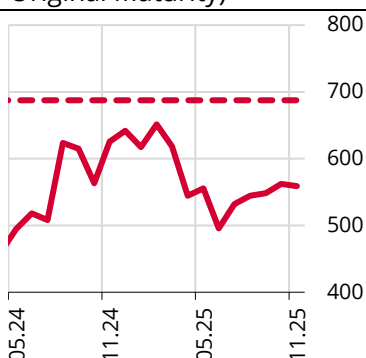
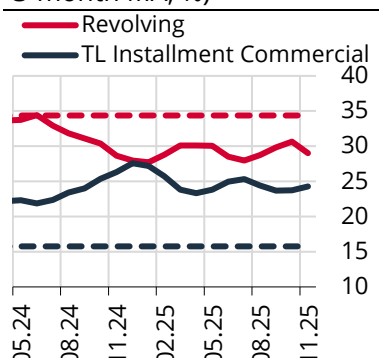


Chart IV.1.7: Share of TL Installment Commercial and Revolving Loans (Flow, 3-month MA, %)



Sources: CBRT, BRSA

Note: Interest rate data is the weighted average of the interest rates on loans extended in the relevant month and is based on daily data. Loan interest rates are the interest rates of TL installment commercial loans with fixed interest rates. Outliers and disbursements with zero maturity, zero interest are removed. Loan maturities are those of TL installment commercial loans with fixed interest rates. Calculation excludes disbursements with zero maturity, zero interest, and non-reported interest rate structure. The dashed line shows the average of the relevant series for the April 2020- November 2025 period.

Last Observation: 07.11.25

Tightness in financial conditions spilled over into credit growth.

In February 2025, annualized 13-week growth in total loans rose to 36%, while tight monetary and financial conditions contributed to a decline in credit growth to 26% (Chart IV.1.8). Total credit growth excluding PCC also declined to 25% in the third quarter of the year after reaching 34% during the year (Chart IV.1.9). Credit growth excluding PCC is moving along a path close to horizontal at this level.

Chart IV.1.8: Total Credit Growth (FX-Adjusted, Annualized, %)

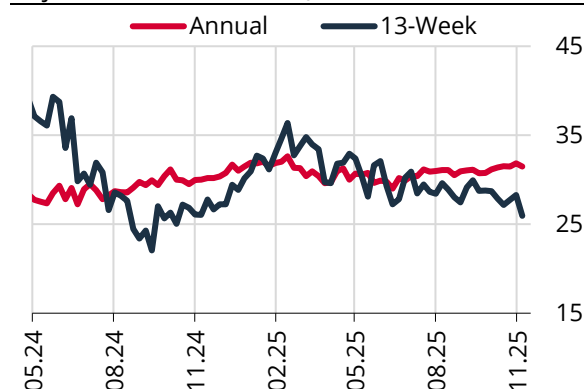
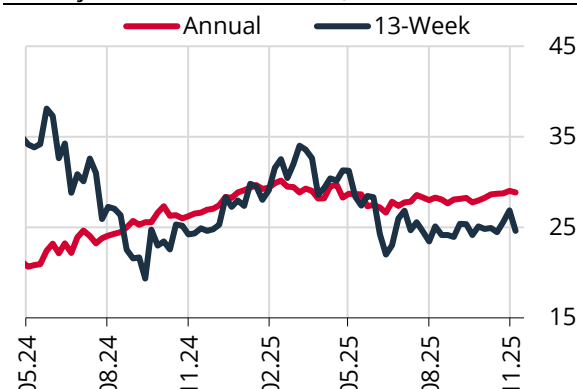


Chart IV.1.9: Total Credit Growth (PCC excl., FX-Adjusted, Annualized, %)



Source: CBRT

Note: For FX adjustment, the TL equivalent of the FX loan (basket) change, calculated using the average exchange rate over the period, is added to the TL credit change between the two periods. The change in balance is adjusted for the exchange rate by using the basket exchange rate in the relevant period.

Last Observation: 07.11.25

Commercial loan growth follows a flat course, while the composition of growth is evolving in favor of the TL.

FX-adjusted annual growth of total commercial loans declined to 27% in the second quarter of 2025, and has remained flat since then (Chart IV.1.10). The reduction of the FX credit growth limit to 0.5% in March fueled the decline in FX commercial loan growth, while TL commercial loan growth gained some momentum in response. An analysis of recent loan growth momentum shows that FX loans have moved horizontally in the range of 5-10%, while TL commercial loans have moved in a flat range of 35-40% (Chart IV.1.11). As a result, total commercial loan growth momentum appears to have stabilized at around 22%. Macprudential measures within a holistic perspective and taken in view of financial stability as well as price stability are expected to lead to a more balanced path in the currency composition of loans.

Chart IV.1.10: Commercial Loan Growth
(Annual, %)

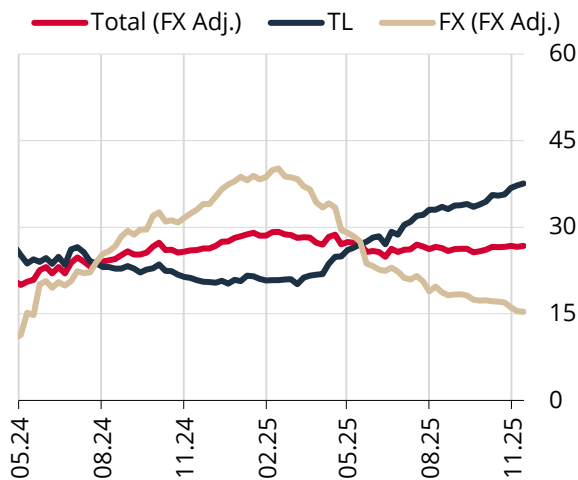
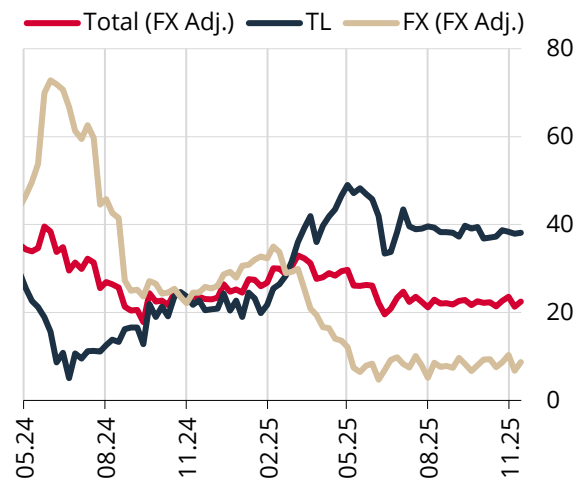


Chart IV.1.11: Commercial Loan Growth
(13-Week Annualized, %)



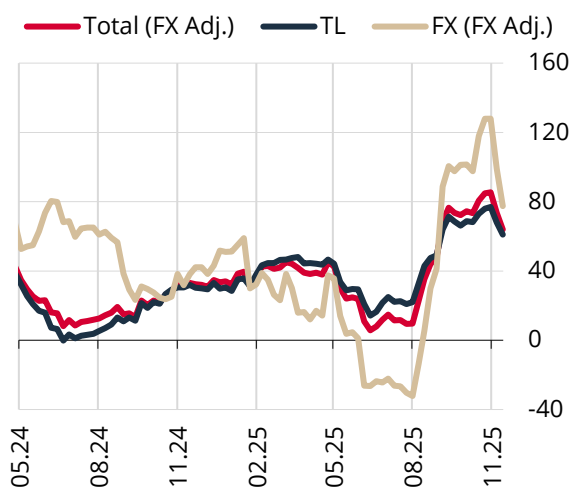
Source: CBRT

Last Observation: 07.11.25

Note: FX-indexed loans are included in FX loans. FX-adjusted FX loan growth is the ratio of the sum of the TL equivalent of change in FX loans, measured by multiplying one-year FX (basket) loan change with the one-year average basket exchange rate, to the total loan balance one-year (13 weeks for the right-hand chart) ago.

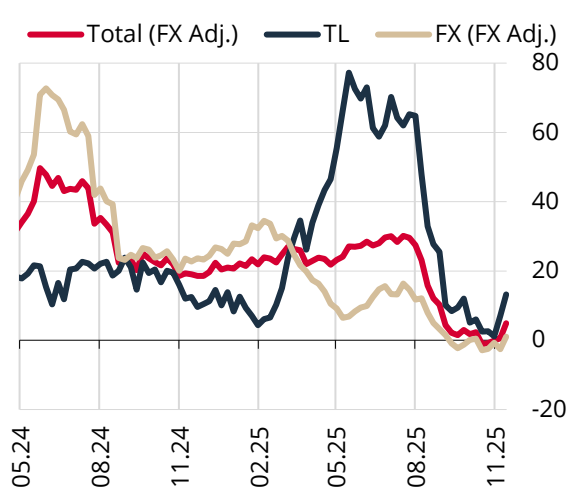
The acceleration in SME credit growth has been led by the revision in the SME definition.

During periods of tight monetary policy, the credit utilization trends of SMEs and other firms may diverge due to the evident impact of financial cycles and the macroprudential policies in effect. Consequently, the growth rate of commercial loans extended to SMEs and other firms may differ periodically. Furthermore, with the amendment made to the Regulation on Amendments to the SME Regulation on August 7, 2025, the upper limit for annual net sales revenue and balance sheet size in the SME definition was raised from TRY 500 million to TRY 1 billion. As a result, many companies that used to be classified as large-scale were reclassified as SMEs, causing a significant acceleration in SME credit growth as of August. While TL commercial loans, which had recorded similar levels of growth prior to this change, saw an increased growth momentum in SME loans after the regulation, for large-scale firms, this rate hovered around 0% (Charts IV.1.12 and IV.1.13).

Chart IV.1.12: Growth of SME Loans (13-Week Annualized, %)

Source: CBRT

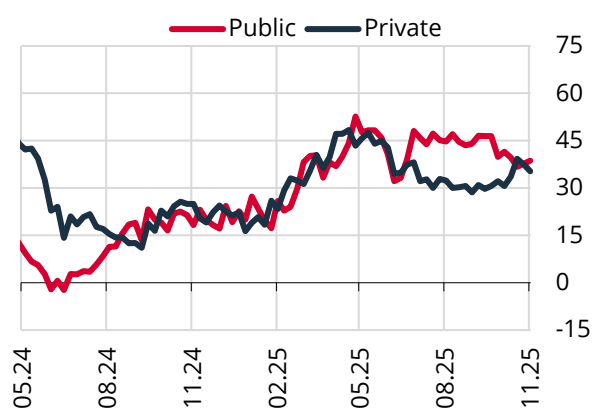
Note: FX-adjusted FX loan growth is the ratio of the sum of the TL equivalent of the change in FX loans, measured by multiplying 13-week FX (basket) loan change with the average basket exchange rate, to the loan balance 13 weeks ago.

Chart IV.1.13: Growth of Other Commercial Loans (13 Week, Annualized, %)

Last Observation: 07.11.25

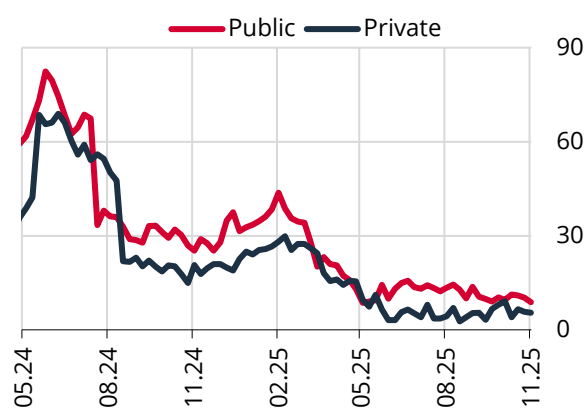
In the current reporting period, growth in TL commercial loans has been driven by public banks, while FX loans have recorded an overall deceleration across the sector.

TL commercial loans registered a relatively stronger growth trend due to regulatory exemptions in tradesman and agricultural loans. TL commercial loan growth among bank groups appeared heterogeneous until September. TL commercial loan growth reached 45% in public banks', while that in private banks was close to 30% (Chart IV.1.14). The TL commercial loan growth of both bank groups has converged since September. In FX loans, growth in both public and private banks hovered around 10% (Chart IV.1.15).

Chart IV.1.14: TL Commercial Loan Growth (13-Week, Annualized, %)

Source: CBRT

Note: FX-indexed loans are included in FX loans. FX-adjusted FX loan growth is the ratio of the sum of the TL equivalent of change in FX loans, measured by multiplying 13-week FX (basket) loan change with the average basket exchange rate, to the total loan balance 13 weeks ago.

Chart IV.1.15: FX Commercial Loan Growth (13-Week Annualized, FX-Adjusted, %)

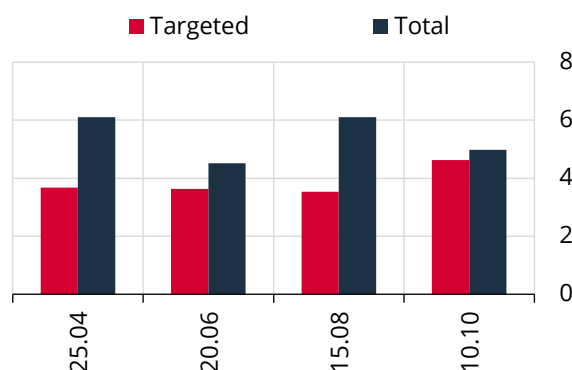
Last Observation: 07.11.25

Credit growth is in line with growth limits.

With the amendment made on August 16, 2025, the application period for credit growth limits was raised from 4 weeks to 8 weeks. Therefore, the credit growth limits set for 4-week periods were adjusted for 8-week periods, and the relevant limits were set at 5% for TL SME loans, 3% for other corporate loans, and 1% for FX loans. In the current reporting period, growth in loans subject to limits has been in line with the

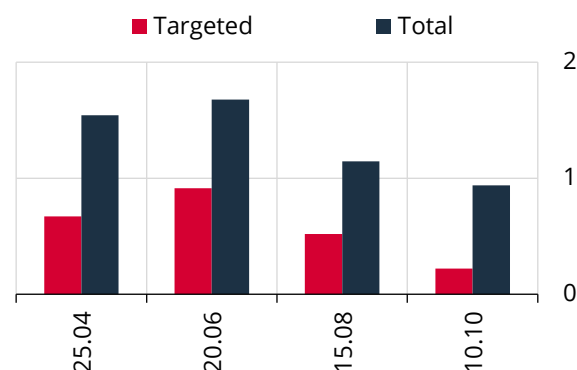
growth thresholds (Charts IV.1.16 and IV.1.17). Although growth limits have been binding in some periods due to increased TL loan demand, growth rates have mostly lagged below TL commercial loan limits. It is considered that the growth limits applied to FX loans contain a potential deterioration in companies' currency risk outlook. It is assessed that the decline in inflation rates will make real TL commercial credit limits less binding.

Chart IV.1.16: TL Commercial Loan Growth (8-Week, %)



Source: CBRT

Chart IV.1.17: FX Commercial Loan Growth (8-Week, FX-Adjusted, %)



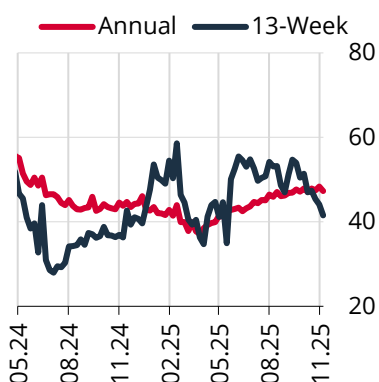
Last Observation: 10.10.25

Note: Within the scope of the latest regulation, growth rates are based on the eight-week RR maintenance periods.

PCC growth, which accelerated in the second quarter of the year, has been slowing since October.

Retail loans have an upward impact on total loan growth, with an annual growth rate of 47% (Chart IV.1.18). General-purpose loans and PCC stand out as key drivers of retail loan growth with 49% and 53% growth rates, respectively (Charts IV.1.19 and V.1.20). While monthly growth constraints remain binding in the general-purpose loan segment, PCC utilization is supported by the way it functions as both a borrowing and payment instrument. However, growth momentum in the last quarter implies a slowdown in the annual growth trend.

Chart IV.1.18: Retail Loan Growth (%)



Source: CBRT

Chart IV.1.19: General-Purpose Loan Growth (%)

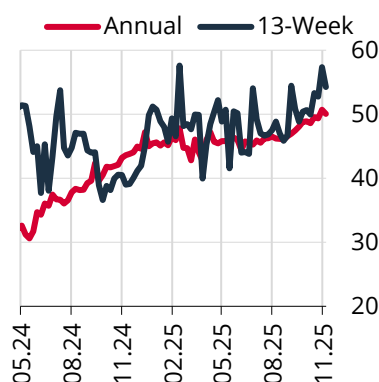
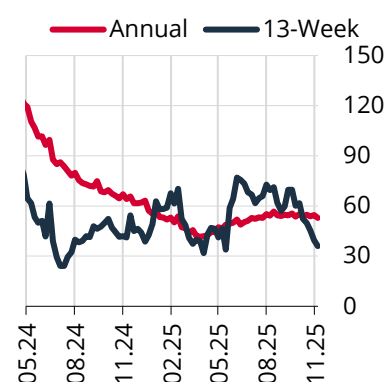


Chart IV.1.20: PCC Growth (%)



Last Observation: 07.11.25

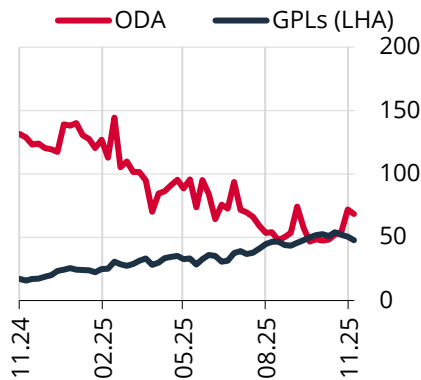
Note: Annual series shows 12-month loan growth, while 13-week series shows annualized 13-week growth.

ODA growth lost pace, while general-purpose loan growth accelerated.

In the current reporting period, ODA growth lost further pace, while non-ODA general-purpose loan growth continued to increase (Chart IV.1.21). The limitation on the number of installments in ODAs to three months for expenditures other than education and health, along with a limited reduction in the maximum ODA interest rate, is considered to have contributed to the slowdown in ODA growth. On the other hand, the use of installment-free PCCs decelerated, while the increase in PCCs in installments became more pronounced in the July-September period, in particular due to the impact of expenditure items such as travel, accommodation, and education. This indicates that part of the growth in installment-based PCCs is driven by seasonal consumption dynamics (Chart IV.1.22). Finally, factors such as changes in individuals' payment

preferences, measures implemented to reduce informality, and increased cash carrying costs are considered to have contributed to PCC growth exceeding inflation. Indeed, while growth in PCC balances is primarily driven by payment transactions, the share of overdraft balances is on the decline (Chart IV.1.23).

Chart IV.1.21: General-Purpose Loan Growth (13-Week Annualized, %)



Source: CBRT

Note: General-purpose loans exclude ODAs. The interest-bearing balance of the PCC is the sum of the card debts used as cash credit and the unpaid balances as of the payment due date.

Chart IV.1.22: Growth in PCC Balance (13-Week Annualized, %)

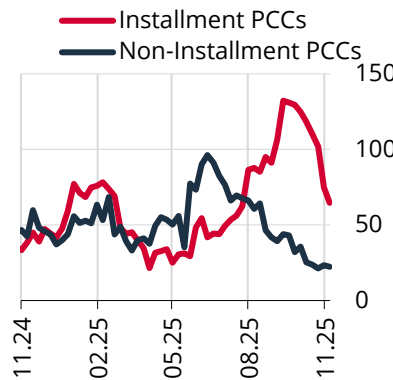
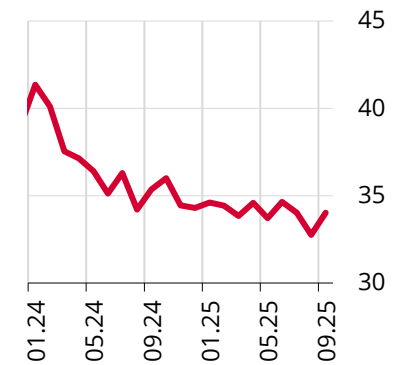


Chart IV.1.23: Share of Interest-Bearing PCC Balance (%)



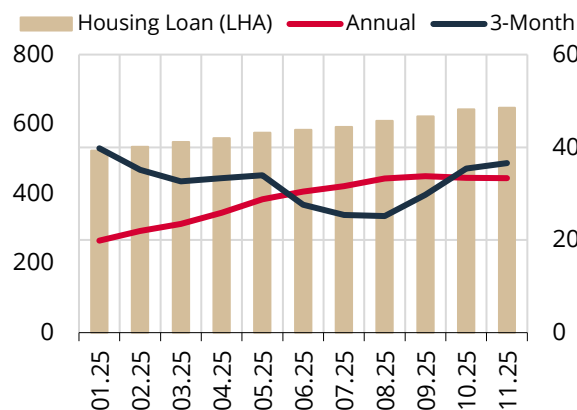
Last Observation: 07.11.25

While growth in housing loans remains positive, vehicle loans contract further.

The decline in housing loan interest rates has contributed to the increase in annual housing loan growth (Chart IV.1.24). Although the 13-week growth momentum has slowed since the beginning of 2025, it picked up again in the third quarter of the year, indicating sustained briskness in housing loans. However, considering the significant fall in the share of housing loans in total loans and GDP in recent years, it should be noted that the low base also contributed to the increase in the growth rate and that the high growth rates do not imply a significant increase in the outstanding balance.

In recent years, housing finance provided by Savings Finance Companies (SFCs) has recorded a notable growth. Over the past year, there has been a 200% increase in housing loans extended by SFCs (Chart IV.1.25). With approximately TRY 30 billion in housing loans, SFCs have reached 5% of the housing loan volume extended by the banking sector. Finally, the three-month growth momentum of housing loans extended implies that the share of SFCs in the housing loan market will continue to increase.

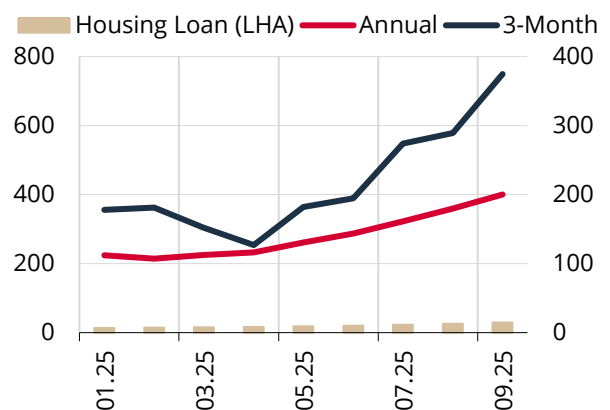
Chart IV.1.24: Banking Sector Housing Loan (% , TRY Billion)



Source: CBRT

Note: The annual series shows 12-month credit growth, while the quarterly series shows annualized quarterly growth. Loans extended by SFCs represent the total value of real and legal persons.

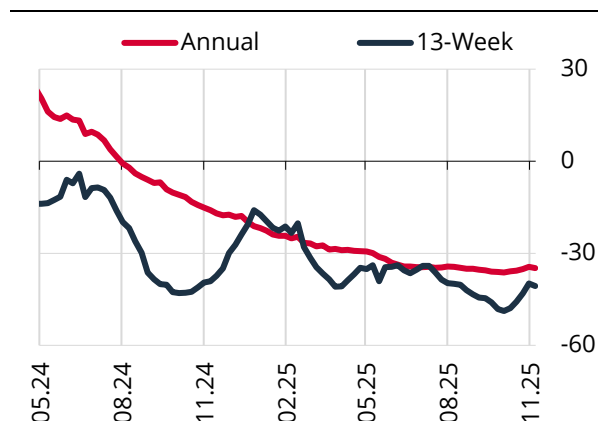
Chart IV.1.25: Savings Finance Companies Housing Loan (% , TRY Billion)



Last Observation: 07.11.25

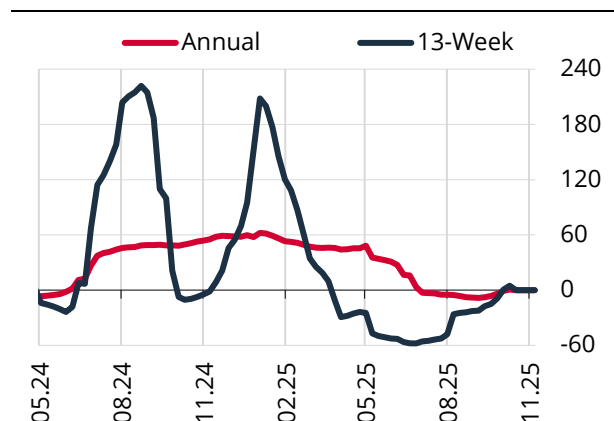
The growth constraint applied to vehicle loans and the fact that the loan-to-value ratio limits remain at very low levels continue to shape the contraction of these loans (Chart IV.1.26). Weak prospects for vehicle loans also hold true for finance companies (Chart IV.1.27).

Chart IV.1.26: Banking Sector Vehicle Loan Growth (%)



Source: CBRT

Chart IV.1.27: Finance Companies Vehicle Loan Growth (%)



Last Observation: 07.11.25

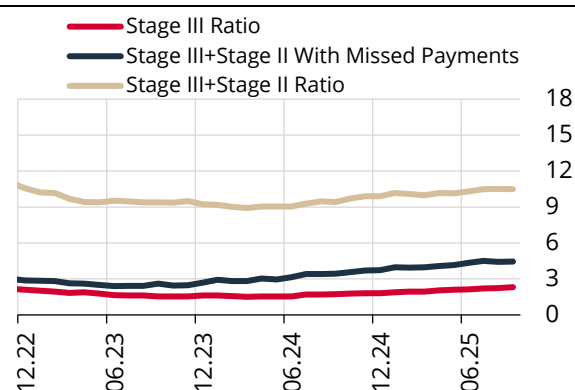
Note: Annual series indicate 12-month loan growth, while 13-week series show annualized 13-week growth. Vehicle loans are retail vehicle loans extended by the banking sector and finance companies.

IV.1.2 Credit Risk

While the banking sector's asset quality indicators do not point to a marked deterioration in credit risk, the divergence between retail and commercial loan segments continues.

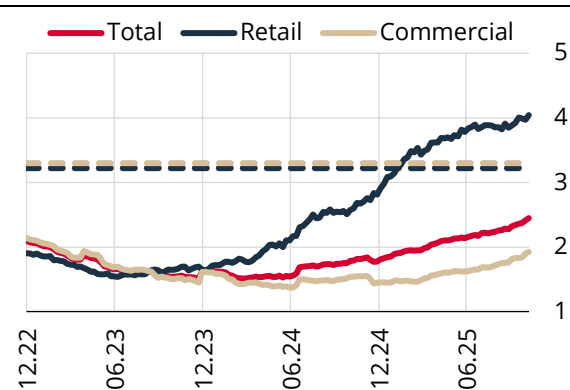
Among the indicators related to the banking sector's asset quality, the NPL and Stage 2 (closely-monitored) loan ratios have recorded a moderate increase. The combined share of NPLs and Stage 2 loans with missed payments stands at 4.5%, indicating a limited rise in risk for total loans (Chart IV.1.28). As of October, the sector's total NPL ratio was 2.4%, well below its historical average. While the NPL ratio for commercial loans remained below its historical average at 1.8%, the increase in the retail NPL ratio persisted. The retail NPL ratio rose above its historical average (Chart IV.1.29). Stage 2 loans followed a flat course at 8.2% (Chart IV.1.30). A substantial portion of Stage 2 loans consists of loans that, despite not being past due, are classified in this category due to an increase in credit risk (Chart IV.1.31).

Chart IV.1.28: Asset Quality Outlook (%)



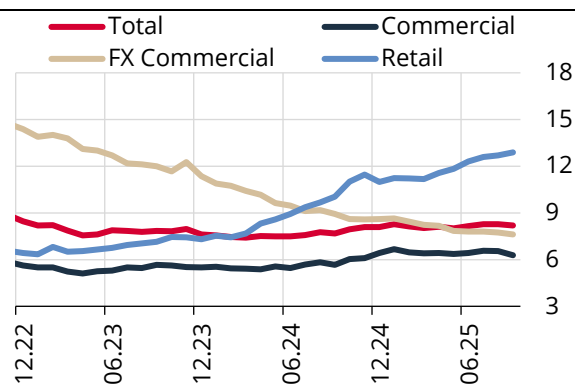
Source: CBRT Last Observation: 09.25
Note: Asset quality indicators are proportioned to gross loans.

Chart IV.1.29: NPL Ratios (%)



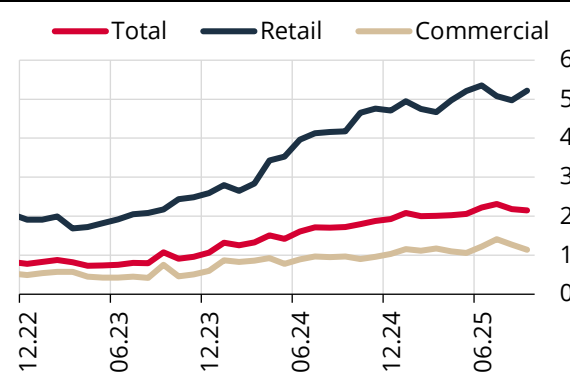
Source: CBRT Last Observation: 07.11.25
Note: Dashed lines indicate the average of the relevant series for the 2012-2022 period.

Chart IV.1.30: Ratio of Stage 2 Loans (%)



Source: CBRT Last Observation: 09.25
Note: Series show the ratio of Stage 2 loans to gross loans.

Chart IV.1.31: Stage 2 Loans with Missed Payments (%)



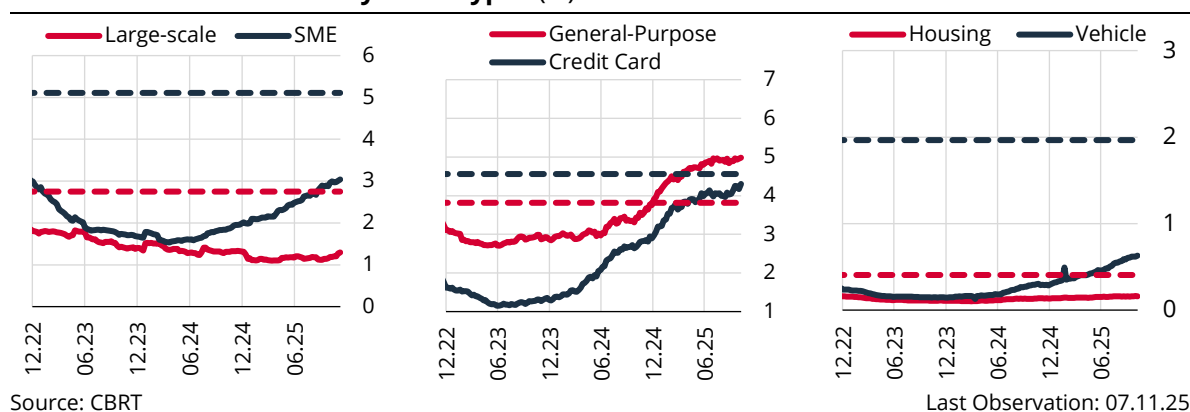
Source: CBRT Last Observation: 09.25
Note: Series show the ratio of Stage 2 loans with missed payments.

In the risk outlook for commercial loans, the SME segment diverged unfavorably, while the rise in retail NPLs was driven by general-purpose loans and PCCs.

The NPL ratio of SMEs diverges from that of the other commercial loan group, which predominantly comprises large-scale corporate loans (Chart IV.1.32). The NPL ratio of other commercial loans has diverged favorably, hovering at 1.2%, supported by the strong liquidity positions of firms in this segment and the solid profit margins they have achieved owing to their pricing power. The NPL ratio of the SME segment, which is more sensitive to macroeconomic developments, has increased since the second half of 2024, reaching 3%. Nevertheless, the SME NPL ratio remains well below its historical average of 5%.

In retail loans, the increase in the NPL ratio has been driven by unsecured general-purpose loans and PCCs, with NPL ratios in these segments stabilizing at 4.9% and 4.2%, respectively. The slowdown in the rise of retail NPL ratios seems to be driven by the comprehensive restructuring facility introduced in July for general-purpose loans and PCCs (For details, see Box IV.5: Steps for Effective Functioning of Financial Markets). Unlike the regulation introduced in September 2024, the scope of retail loans eligible for restructuring was broadened under the arrangement made in July. Accordingly, for general-purpose loans and PCCs, the condition of a 30-day delay in payment or failure to pay the minimum amount was not required, and instead, partial payment of instalment or term debt as of the due date was deemed sufficient to apply for restructuring. Once the restructuring facility was introduced, the increase in NPL ratios for general-purpose loans and PCCs decelerated. Meanwhile, the riskiness of housing and vehicle loans has remained very low owing to their collateralized nature and the prudently determined loan-to-value ratios applied to these loans.

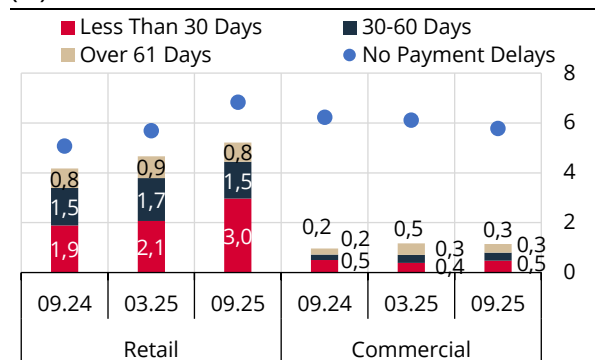
Chart IV.1.32: NPL Ratios by Loan Types (%)



The divergence between retail and commercial loans is also observed in overdue loans.

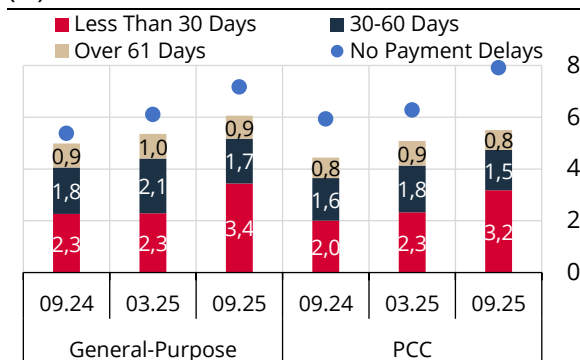
In accordance with the TRFS-9 standard used for loan classification, banks are able to classify under Stage 2 those loans that, although not past due, exhibit a significant increase in credit risk. A closer look at Stage 2 loans reveals that a substantial portion consists of loans that are included in this group due to an increase in risk despite having no payment delays (Chart IV.1.33). The ratio of loans with missed payments in commercial loans has remained flat at 1.1%. However, driven mainly by the increase in loans in the less-than-30-days overdue category, the total ratio of overdue retail loans has risen to 5.2%. An analysis of the subsegments of general-purpose loans and PCCs, which are key drivers of retail credit risk, indicates that the increase in the less-than-30-days overdue category has continued, while the ratio of loans that are more than 30 days overdue has decreased (Chart IV.1.34). The restructuring facility introduced in July seems to be effective in the decline in the ratio of loans past due for more than 30 days in PCCs and general-purpose loans.

Chart IV.1.33: Composition of Stage 2 Loans (%)



Note: The chart shows the ratio of overdue Stage 2 loans to gross loans.

Chart IV.1.34: Composition of Stage 2 Loans (%)

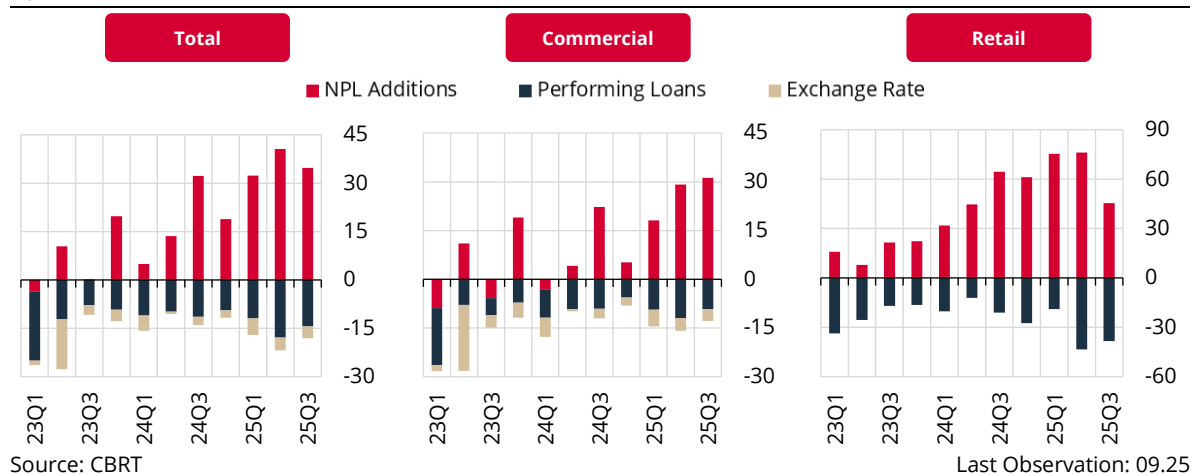


Note: The chart shows the ratio of overdue Stage 2 loans to gross loans.

While the total NPL ratio has risen due to an increase in the NPL balance, the restructuring facility in retail loans has slowed the growth of the NPL balance.

The change in the NPL ratio has been determined by NPL additions, as the denominator effect stemming from credit growth and exchange rate developments has remained limited. Since late 2024, the contribution of NPL additions to changes in the NPL ratio has increased visibly, however, this increase came to a halt in the third quarter (Chart IV.1.35). The impact of NPL additions in the change in the commercial NPL ratio has become more pronounced since early 2025. Meanwhile, in retail loans, the contribution of NPL additions—which had risen markedly since the onset of financial tightening—registered a significant decline as of the third quarter. The BRSA's restructuring measures for general-purpose loans and PCCs, along with the changes made to general-purpose loan limits, are considered to have bolstered the asset quality outlook by containing the emergence of new NPLs.

Chart IV.1.35: Contributions to the Change in NPL Ratios (3-Month Total Contributions, bps)

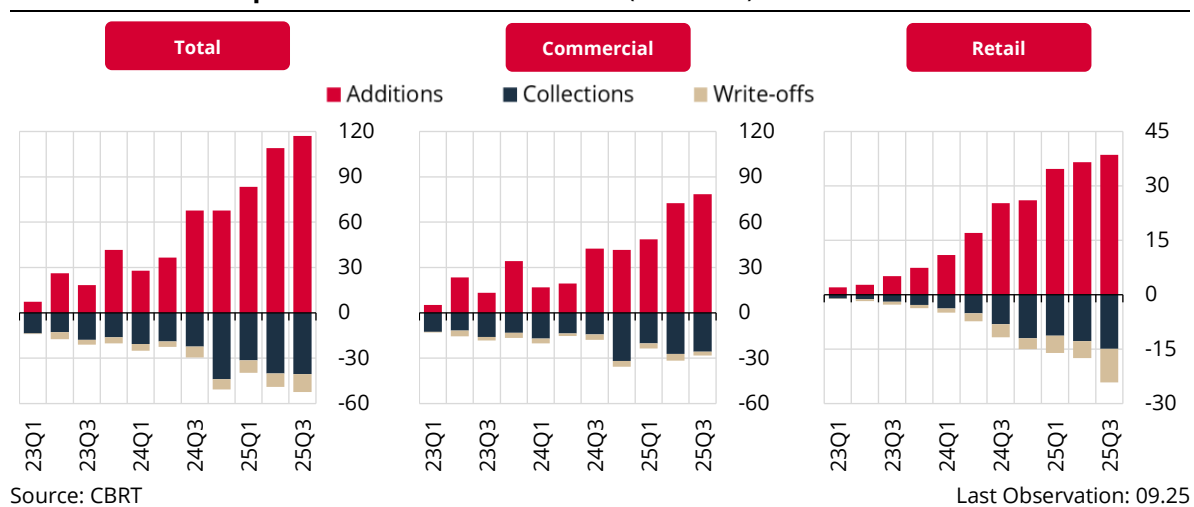


Note: The chart shows the total contribution amount in the relevant three months. For technical details on the methodology, see Financial Stability Report of November 2018, Box IV.1.I.

The NPL balance has continued to increase amid limited collections and write-offs.

Since the second half of 2024, NPL additions for both commercial and retail loans have risen, driven by tighter financial conditions and the resulting impact on demand conditions (Chart IV.1.36). Accordingly, in the third quarter of the year, the NPL balance stood at TRY 294 billion for commercial loans and reached TRY 107 billion for retail loans. Over the same period, collections and write-offs increased in a similar manner to NPL additions, thus maintaining the trend between collections and additions.

Chart IV.1.36: Components of the NPL Balance (Billion TL)

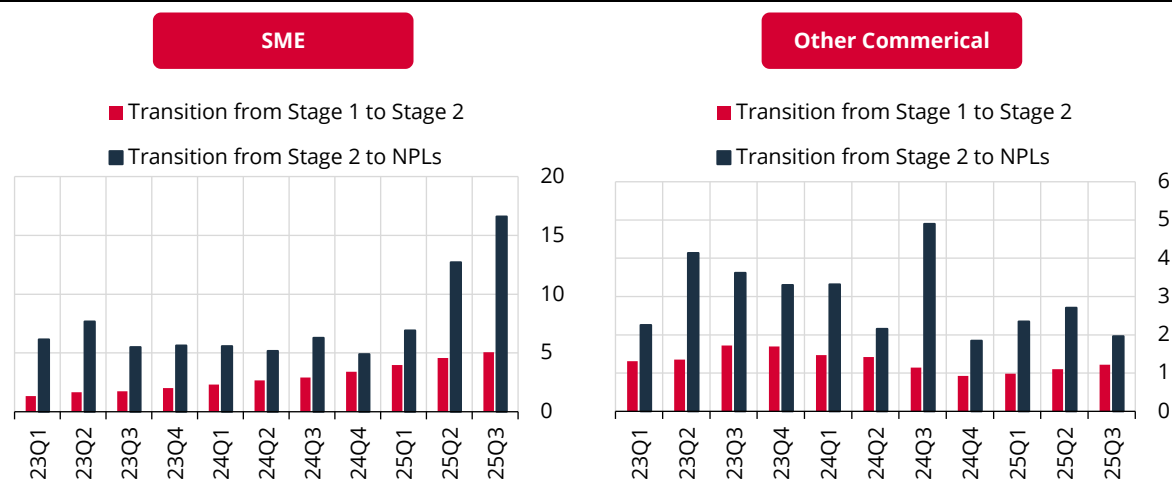


Note: Series for collections and additions are based on three-month totals. Additions are calculated by subtracting the migrations to performing loans from new NPL additions

Leading indicators for commercial loans point to an increase in transitions to NPLs for SME loans.

The low level of credit risk in commercial loans shows divergence across subsegments (Chart IV.1.37). Probabilities of transition between loan categories, which are monitored as a leading indicator, suggest that transitions to NPLs for SME loans have accelerated markedly in the recent period. The probability of transition from Stage 2 to NPL, which hovered around 7% as of the first quarter, rose above 15% by the third quarter. Moreover, within the SME segment, the probability of loans in Stage 1 migrating to Stage 2 increased to 5.1%. Over the same period, transition probabilities for other commercial loans, which comprise loans to large enterprises, did not increase and remained close to their historical averages. The transition probabilities standing at 1.2% and 2% in respective order imply that firms in this segment have maintained a favorable outlook for asset quality.

Chart IV.1.37: Transition Probabilities (%)



Source: CBRT

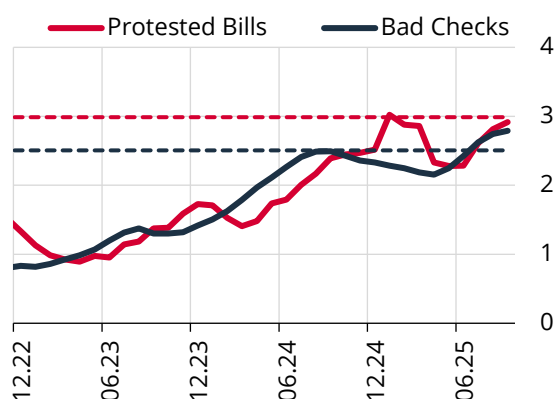
Last Observation: 09.25

Note: The transition probability from Stage 1 to Stage 2 is calculated as the ratio of the loan amount migrating from Stage 1 to Stage 2 over the past one year to the Stage 1 loan balance one year earlier. Similarly, the transition probability from Stage 2 to NPLs is calculated as the ratio of the loan amount migrating from Stage 2 to NPLs over the past one year to the Stage 2 loan balance one year earlier. The initial stage classification of the loans is taken as the reference.

The ratios of protested bills and bad checks, which reflect commercial payment performance across firms, have registered a limited increase. For retail loans, credit scores at the time of loan applications have risen since the second half of the year.

The moderate trend in inter-firm commercial payment performance has continued (Chart IV.1.38). As of August 2025, the ratio of protested bills, and the ratio of bad checks to checks submitted to banks stood at 2.9% and 2.8%, respectively.

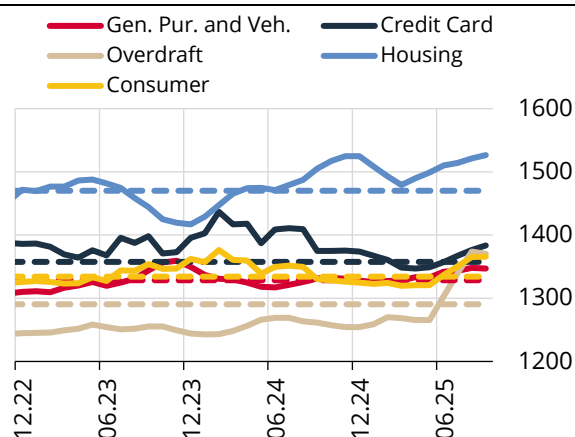
The personal credit score, which reflects the risk profile of loan applications, has improved across all retail loan subcategories since the second half of the year (Chart IV.1.39). This improvement is mainly attributable to overdraft accounts (ODAs), which have remained below their historical average for a long time, while credit scores for housing loan applications have remained high amid elevated house prices and tight conditions in housing loans.

Chart IV.1.38: Protested Bills and Bad Checks (3MMA, %)

Source: CBRT

Last Observation: 09.25

Note: Denotes the ratio of bad checks to total checks submitted to banks and the ratio of protested bills to commercial bills collected. Dashed lines indicate the averages of the 2014-2022 period of the respective series.

Chart IV.1.39: Personal Credit Score

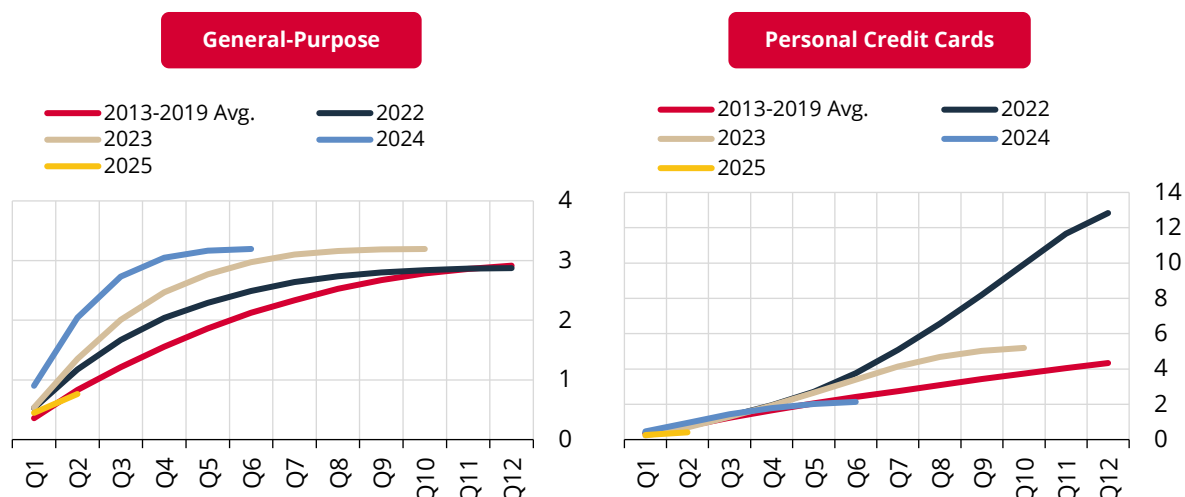
Source: CBRT

Last Observation: 09.25

Note: Personal credit score indicates the average credit rating of applicants in the respective period. Based on a three-month moving average. Dashed lines indicate the averages of the January 2020-September 2025 period of respective series.

Transitions to NPL for the general-purpose loan category remain above the levels seen in previous years.

Retail loans are subjected to aging analysis to track their transition to NPL status starting from the year the loan is disbursed. In 2024, when financial conditions were tight, the transition rate of general-purpose loans to NPL status remained high in the early quarters following their disbursement (Chart IV.1.40). However, it is also noteworthy that the NPL transitions for PCCs with determined limits in 2022 continued to increase even in the subsequent periods. This trend is largely attributed to the expansion of the PCC customer base due to low contractual interest rates in 2022, alongside widespread limit increases, which were influenced by tight financial conditions in the following years. The aging analysis for 2025, while not yet open to interpretation based on current data, is expected to become an important indicator for the retail credit risk outlook in the coming periods.

Chart IV.1.40: Retail Loans Aging Analysis

Source: CBRT

Last Observation: 09.25

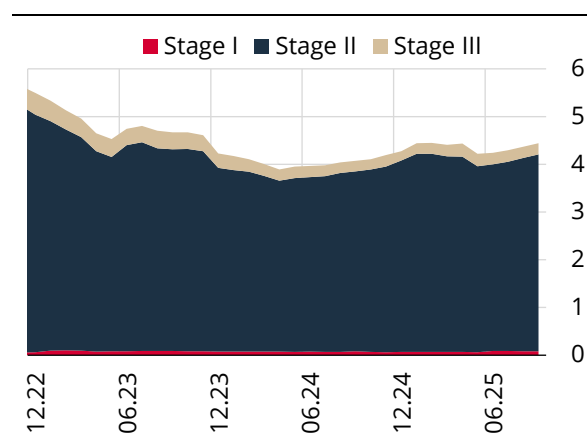
Note: Aging analysis shows the cumulative development of NPL ratios for loans extended in the respective year across quarters. The figures are expressed as percentages.

While restructured loan ratios have remained low, the banking sector maintains a cautious stance against potential losses.

As of September 2025, the ratio of restructured loans to total gross loans increased by a limited 36 basis points compared to September 2024, reaching 4.4% (Chart IV.1.41). Loans classified under Stage 2 make up a significant portion of restructured loans, while the remaining limited portion consists of loans restructured from the NPL category. Accordingly, the shares of restructured loan balances under the Stage 2 and NPL categories stand at 93% and 5%, respectively, with the remaining marginal portion consisting of standard loans from the first category.

Although there has recently been a moderate decline in banks' provisioning for the management of credit risk, the sector continues to maintain its prudent stance (Chart IV.1.42). While provisions earmarked for NPLs stand at 75%, those for Stage 2 loans are at 14% (Chart IV.1.41). Provisions for restructured loans in Stage 2, on the other hand, have reached 19%. High provisioning ratios indicate that banks have maintained their buffers against potential losses due to credit risk in the upcoming period.

Chart IV.1.41: Restructured Loans (%)

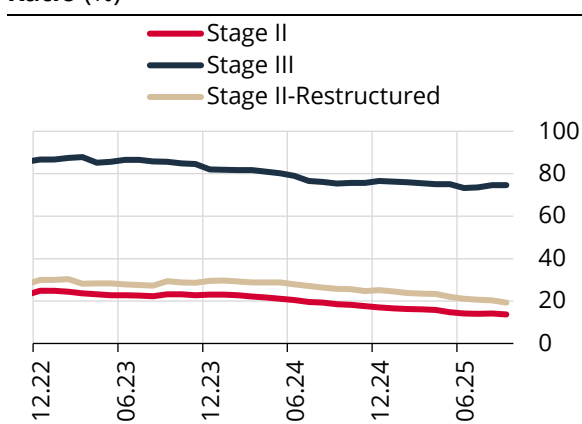


Source: CBRT

Last Observation: 09.25

Note: Series show the ratio of restructured loans to gross loans. Stage 1: Ratio of restructured loans monitored under standard loans. Stage 2: Ratio of restructured loans under closely-monitored loans.

Chart IV.1.42: Expected Loss Provisioning Ratio (%)



Source: CBRT

Last Observation: 09.25

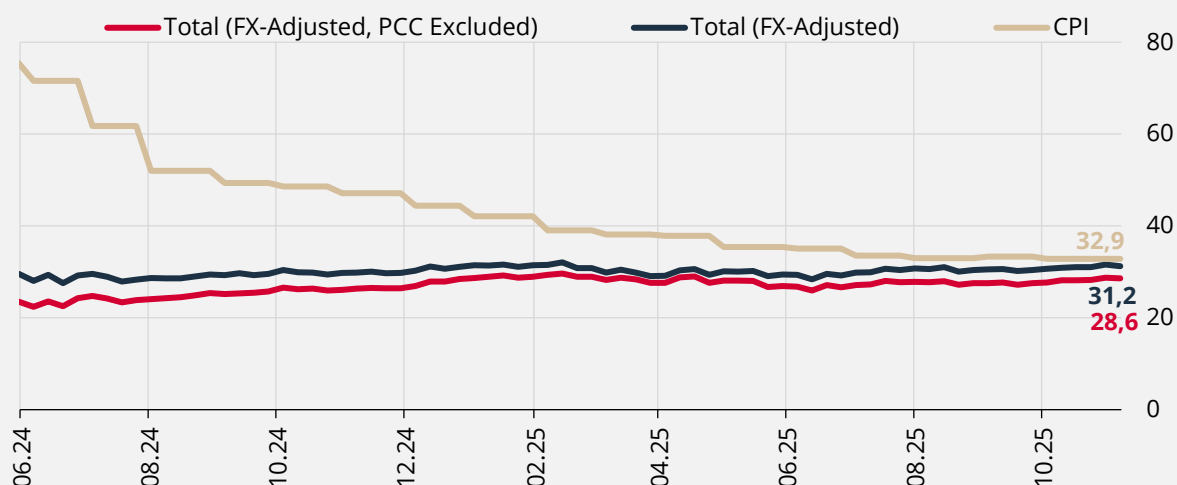
Note: Expected loss provisioning ratio is the ratio of the expected loss provision of the loan in the related category to the loan amount in that category.

Box IV.1.I: Developments in Corporate Sector and Household Indebtedness

Summary: The composition of credit growth and the conditions for access to credit are closely monitored due to their implications for growth, inflation, and financial stability. While excessive credit growth may generate inflationary pressures through the demand channel, high indebtedness can heighten risks to financial stability. On the other hand, a sharp credit contraction can lead to macro effects such as weaker economic activity and employment losses, along with vulnerabilities stemming from access to liquidity and debt rollover risks. Accordingly, the level of credit growth plays a key role in both financial stability and the disinflation process. This study analyzes credit developments with a focus on household and corporate indebtedness, as well as the financing of growth.

It is notable that, under the tight monetary policy stance and the influence of the macroprudential framework, total credit growth has remained below the inflation rate, while inflation has gradually fallen and moved closer to the pace of credit growth. The composition of commercial loan growth has tilted toward TL since the first half of 2025 following the reduction in FX loan growth limits. Excluding PCCs, which have become widespread in recent years and function largely as a payment instrument, FX-adjusted total credit growth is 28.6% (Chart IV.1.I.1). Despite the decline in inflation in 2025, the flat course of credit growth has led the real credit growth to move from negative territory toward neutral zone.

Chart IV.1.I.1: Credit Growth and CPI (Annual, %, FX-Adjusted)

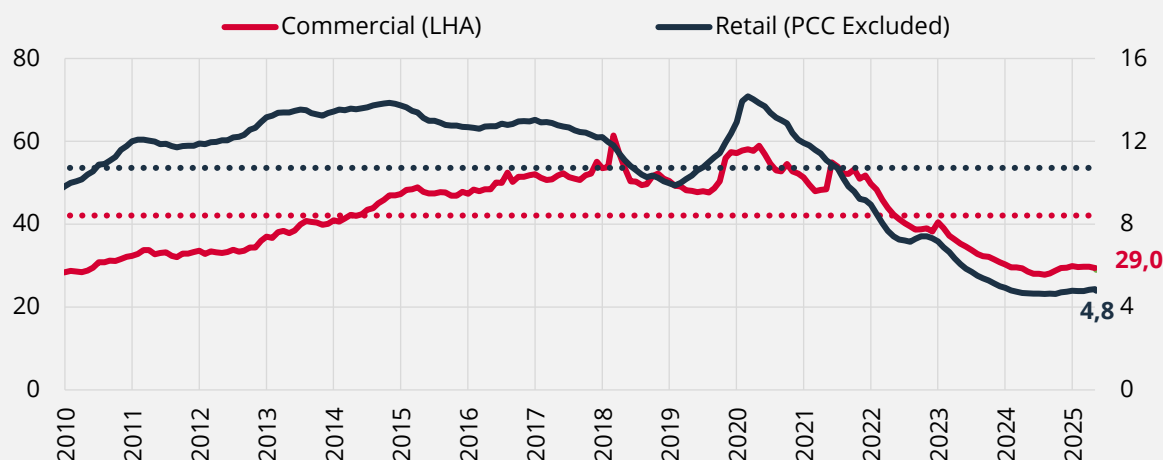


Source: CBRT

Last Observation: 07.11.2025

Note: FX loans are adjusted for exchange rate effects using the average exchange rate for the change period.

The trajectory of credit growth relative to the size of the economy is also a key factor for the disinflation process. In the wake of elevated inflation and the subsequent tightening of monetary policy, the commercial loan-to-GDP ratio has fallen to 29%, standing significantly below its historical average. While it should be acknowledged that economic growth and credit utilization may exhibit a heterogeneous structure on a sectoral basis, this decline implies that the share of loans—firms' primary source of financing—in corporate balance sheets has relatively diminished. For retail loans, the ratio followed a similar trend and declined to 4.8%, remaining below its historical average (Chart IV.1.I.2).

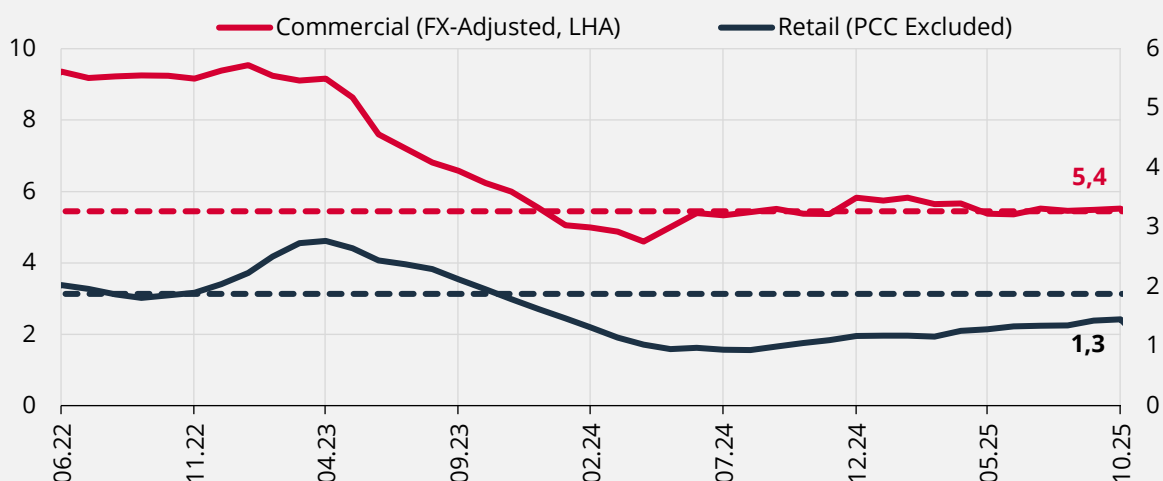
Chart IV.1.I.2: Loan/GDP Ratio (Outstanding Loan Balance, 12-Month GDP, %)

Source: CBRT

Last Observation: 07.11.2025

Note: Dashed lines show the historical average for the relevant series over the period from January 2010 to November 2025. The historical average for total retail loans including PCC is 14.2%, while the current figure stands as 9.3%.

After 2024, no notable change has been observed in the credit impulse, which measures the change in the outstanding loan balance relative to GDP. While the corporate credit impulse remained above its historical average from the start of the analysis period through January 2024, it has hovered around the historical average since then. A similar downtrend is observed in the retail credit impulse, which remains below its historical average (Chart IV.1.I.3). Both the loan-to-GDP ratio and the credit impulse imply a continued tightness in the credit market.

Chart IV.1.I.3: Credit Change/GDP Ratio (12-Month Change in Outstanding Loan Balance, 12-Month GDP, %)

Source: CBRT

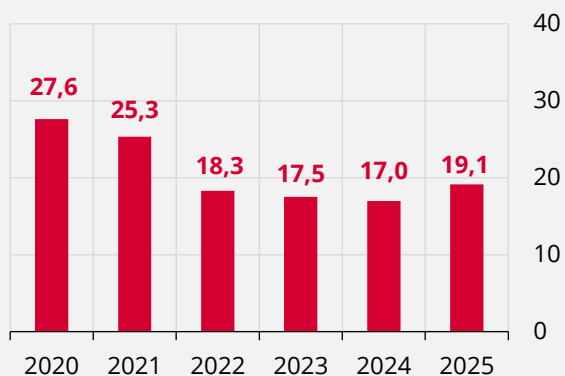
Last Observation: 07.11.2025

Note: FX loans are adjusted for exchange rate effects using the average exchange rate for the change period. The historical average for total retail loans including PCC is 2.6%, while the current figure stands as 2.8%.

From the financial stability perspective, the debt-to-income ratios of households and the corporate sector are closely tracked as key indicators of leverage. In the corporate sector, the ratio of commercial loans to annual turnover declined through the end of 2024 before edging up in 2025. This pattern implies that credit growth among corporate sector firms has been more moderate relative to the rise in turnover (Chart IV.1.I.4).

On the household side, the total debt-to-income ratio has been on a downtrend since 2020. At the individual level, both the average and median values point to a decline in consumer loan indebtedness relative to average monthly gross income (Chart IV.1.I.5). This suggests that consumer loan indebtedness has fallen to relatively low levels compared with previous years. Beyond monetary tightening, macroprudential measures, such as loan-to-value ratios applied to housing and vehicle loans, as well as maturity, amount, and growth restrictions on vehicle and general-purpose loans, are seen as factors contributing to this decline.

Chart IV.1.I.4: Commercial Loan/Turnover Ratio (%)

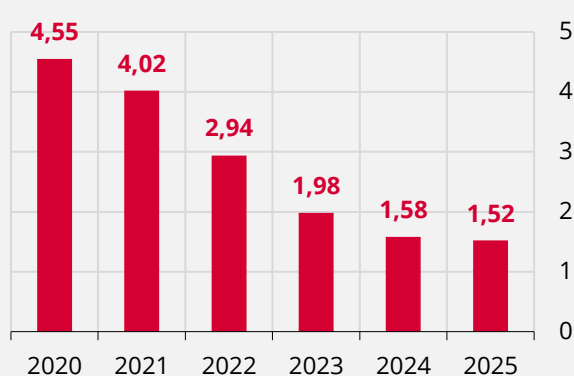


Sources: CBRT, RA

Last Observation: 09.25

Note: The calculation is based on commercial loan balances and 12-month cumulative turnover data, using only firms for which both datasets match. The ratios reflect year-end values, with September data used for 2025.

Chart IV.1.I.5: Consumer Loan/Monthly Gross Income Ratio



Sources: SSI, KKB

Last Observation: 09.25

Note: The sample comprises roughly 7.7 million actively employed individuals under 4A status who hold a positive consumer loan balance. Mean values for the relevant period are used, and outliers are excluded. The ratios reflect year-end values, with September data used for 2025.

Consequently, widely used indicators show a decline in the financial indebtedness of both the corporate sector and households. The credit growth trajectory, consistent with the disinflation process, and manageable indebtedness levels of the corporate sector and households are considered supportive of financial stability.

Box IV.1.II: Bank Inflation Expectations and Credit Supply

Summary: *This box examines the effect of banks' inflation expectations on the credit supply.*

Dynamic bank expectations obtained through the CBRT Survey of Market Participants are combined with micro-level credit data to analyze the 2009-2019 period. The results show that increases in banks' medium-term inflation expectations lead to a contraction in credit supply. Moreover, upside shocks to inflation expectations push loan rates and credit risk up, but decrease loan maturity, limits, and collateral values. The findings indicate that the normalization of banks' inflation expectations, along with those of other economic agents, could have a positive impact on financial intermediation activities and financing costs.

Containing inflation expectations is critical for the efficient functioning of financial markets and intermediation activities, reducing financing costs, and strengthening the monetary transmission mechanism. Shaped by macroeconomic expectations, banks' credit policies are among the key determinants of financial conditions. However, empirical studies focusing on banks' expectations regarding macroeconomic indicators in emerging economies remain relatively limited.¹ Nevertheless, given the role of banks in the efficient allocation of capital, their medium-term inflation expectations can affect both price and financial stability through the credit supply channel.

Theoretically, increases in banks' inflation expectations are expected to affect credit supply. High inflation expectations may reduce future yield rates, thereby decreasing the income banks will earn from lending. This may weaken the appetite for lending. Furthermore, projections that inflationary developments will lead to monetary tightening in the medium and long term may negatively affect banks' funding conditions, liquidity prospects, and expectations regarding companies' debt burdens and cash flows. The increasing uncertainty may have a downward effect on credit supply. In this box, we analyze the impact of changes in banks' medium-term expectations on credit supply using survey-based expectations and microdata specific to Türkiye.²

Data and Methodology

Firstly, the study utilizes microdata from the CBRT Survey of Market Participants. This survey facilitates the regular monitoring of the expectations of decision-makers and experts in the financial and real sectors regarding key macroeconomic variables. The survey offers a quantitative compilation of expectations regarding indicators such as consumer inflation, GDP growth, exchange rate, interest rates, and current account balance. Our study focuses solely on the medium-term inflation expectations of specialists at banks. Specifically, responses to the question "What is your expectation for 12 months-ahead annual consumer inflation?" are compiled in a panel format. In the second phase, banks' consumer inflation expectations are matched with firm-level credit data and firm information obtained from the Revenue Administration's administrative records and aggregated at a monthly frequency. This enables the creation of an unbalanced panel data set covering the period 2009-2019 and comprises credit relationships in terms of bank-firm-time dimensions.³ The final dataset contains approximately 44 million credit relationships established by 26 banks with 508,887 firms.

¹ Most studies in the literature focus on the survey-based expectations of companies operating in non-financial sectors and households (Coibion et al., 2020; Weber et al., 2022; D'Acunto and Weber, 2024). Studies focusing on banks are more limited. In their study examining US banks, Ma et al. (2021), associate banks' negative expectations of regional economic conditions to higher lending rates and lower credit growth. D'Acunto et al. (2025), based on experimental data in the context of the Chinese banking sector, show that loan allocation officers' expectations regarding inflation, growth, and policy interest rates may affect the credit approval rate and cost. Li and Ongena (2025), examining banks operating on a global scale, reveal that these banks' expectations regarding local growth performance are a factor affecting credit growth.

² This box summarizes the main findings of Akgündüz et al. (2025).

³ In the analysis, observations with zero principal and interest rates are removed from the data set. Records with missing tax identification numbers are discarded. Only cash commercial loans used within Türkiye are taken into account. Consumer loans, personal credit cards, and loans extended to banks are not included in the sample. Sole proprietorships are omitted from the analysis; participation and investment banks are also not included in the study.

The following empirical specification is used to examine the impact of bank expectations on financial stability through credit supply:

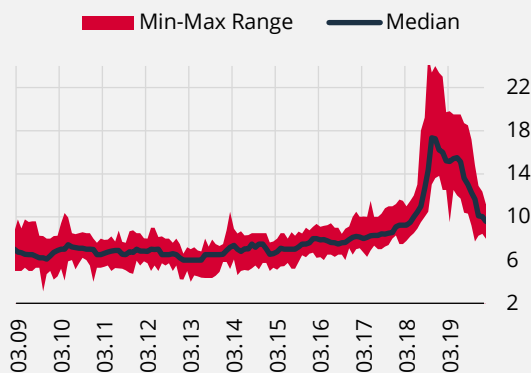
$$TL\ Credit_{ibt} = \beta Expectation_{bt-1} + \delta_b + \delta_{it} + \varepsilon_{bit} \quad (1)$$

The variable $TL\ Credit_{ibt}$ in Equation (1) represents the total amount of credit in TL that bank b granted to firm i during period t . Credit balances are adjusted for inflation using the CPI and log-transformed. The main explanatory variable $Expectation_{bt-1}$ represents Bank b 's survey-based medium-term inflation expectations in period $t-1$. To disaggregate the dynamics of credit demand and show the effect of bank expectations on credit supply, Equation (1) is designed to include bank (δ_b) and firm-time (δ_{it}) fixed effects. This allows us to take advantage of the variation in loans obtained from different banks by firms that use loans from multiple banks in the same period in our analysis. Standard errors are clustered at the bank-month level.

Results

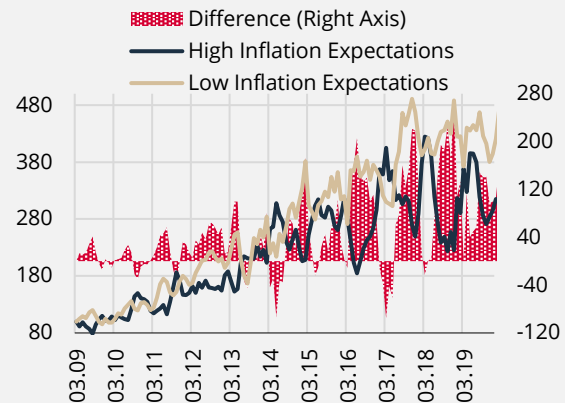
Survey-based data reveal that banks' expectations regarding macroeconomic indicators can vary significantly over various episodes. Chart IV.1.II.1 presents summary statistics on the 12-month inflation expectations of experts working in banks who participated in the Survey of Market Participants. The median inflation expectation is mostly parallel to the macro outlook for price increases. However, forecasts reported by banks during the same period often diverge, with variation in expectations increasing particularly during periods of pronounced price volatility. This divergence is important in terms of efficiently estimating the empirical model defined in Equation (1) and econometrically determining the effects on credit supply. From a descriptive perspective, the credit growth of the group of banks with inflation expectations above the sample median in a given period is weaker than that of other banks (Chart IV.1.II.2).

Chart IV.1.II.1: Bank Inflation Expectations



Source: CBRT

Chart IV.1.II.2: Credit Developments according to Bank Inflation Expectations
(Real, 3 -month MA, March 2009=100)



Sources: CBRT, Authors' calculations

The estimation results of the baseline model are presented in Table IV.1.II.1. In Column (1), bank and firm-time fixed effects are controlled. Accordingly, banks' medium-term inflation expectations and TL-denominated credit supply are inversely and significantly related. A one percentage point increase in bank inflation expectations implies a decrease of approximately 1.69% decrease in real TL credit supply. Column (2) shows that inflation expectations are also negatively related to the broadly defined total credit supply. Considering that exchange rate developments in Türkiye move in tandem with the inflationary outlook, Column (3) examines the effect of banks' exchange rate expectations on TL credit supply. The analysis results indicate that banks with rising exchange rate expectations tend to reduce their credit supply at a higher rate. Additionally, various robustness analyses were conducted to test the effect of inflation expectations.⁴

⁴ Firstly, 12 banks with relatively large size and high market share in the sector are taken into account, and the direction of the main findings is preserved in this sample. Since the response of credit policies to the macroeconomic outlook may vary

Table IV.1.II.1: Estimation Results

	(1) TL Credit	(2) Total Credit	(3) TL Credit
Inflation Expectation	-0.017***	-0.016***	
Exchange Rate Expectation			-0.116***
Number of Observations	25,381,958	26,994,279	25,231,105
Bank Fixed Effects	✓	✓	✓
Firm x Time Fixed Effects	✓	✓	✓

Note: ***, ** and * denote statistical significance of 1%, 5% and 10 %, respectively.

At this stage, we examine the impact of inflation expectations on credit conditions in addition to the credit amount (Table IV.1.II.2). Column (1) shows the weighted average interest rate on TL-denominated credits (*TL Credit Rate*), column (2) shows the ratio of non-performing loans (*NPL*) representing credit risk, column (3) shows the share of loans with maturities exceeding 90 days in the loan portfolio (*Maturity*), and column (4) shows the credit limits converted into real and logarithmic terms (*Credit Limits*), and column (5) shows the collateral included in the credit relationship (*Collateral*) as the outcome variable. The results show that an increase in inflation expectations pushes up loan rates. Banks with high inflation expectations behave more conservatively regarding corporate credit risk; and this is seen to be positively related to the NPL ratio. Increases in inflation expectations direct banks to significantly reduce their borrowing maturities and credit limits. Furthermore, collateral values decline as a result of expectation shocks.

Table IV.1.II.2: Results for Other Credit Characteristics

	(1) TL Credit Rate	(2) NPL	(3) Maturity	(4) Loan Limits	(5) Collateral
Inflation Expectation	0.384***	0.751***	-0.002***	-0.023***	-0.034***
Number of Observations	25,381,958	25,381,958	25,381,958	25,381,958	20,787,859
Bank Fixed Effects	✓	✓	✓	✓	✓
Firm x Time Fixed Effects	✓	✓	✓	✓	✓

Note: ***, ** and * denote statistical significance of 1%, 5% and 10 %, respectively.

Conclusion

This box analyzes the effects of bank expectations on credit financing using detailed data in the context of Türkiye. The results show that increases in inflation expectations curtail credit supply. Rising inflation expectations lead to increases in credit costs and risk perception, while a downward trend is observed in credit maturities, limits, and collateral requirements. These findings highlight the need to closely monitor the effects of bank inflation expectations on credit supply. Anchoring the inflation expectations of banks and other economic agents will significantly contribute to reducing the costs that may arise during the disinflation process.

depending on differences in banks' business models and funding structures, the analyses are repeated excluding commercial state-owned banks. In the next stage, the estimation period is extended to cover the 2009-2023 period. In addition, equation (1) is augmented with additional control variables. Banks' expectations of the exchange rate, policy rate, and short-term inflation rate are also included in the model. In these expanded models, the contractionary effect of deteriorating medium-term inflation expectations on credit supply persists. In another robustness analysis, inflation expectations are included in the model simultaneously (instead of lagged values). Furthermore, clustering standard errors at an alternative level (firm-based) does not affect the statistical significance of the results. In the final step of the robustness analysis, when inflation expectations are defined in binary variable format, banks expecting inflation above the sample median values are found to reduce credit supply more significantly.

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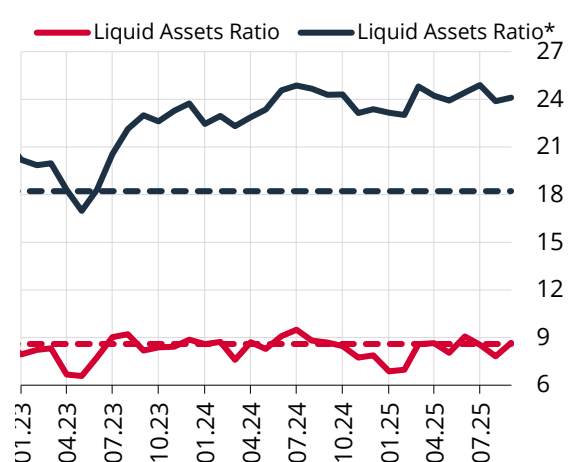
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IV.2 Liquidity Risk

Various liquidity indicators suggest that the sector's liquid assets remain strong.

The sector's liquid assets ratio (excluding RRs) remains flat close to its historical average. The liquid assets ratio, calculated by adding RRs and free deposits held at the CBRT to liquid asset items such as cash, free accounts and reverse repo receivables, has risen markedly above its historical average (Chart IV.2.1). Changes the CBRT made to RR ratios to manage excess liquidity in the system have been effective in keeping the liquid assets ratio at high levels. The ratio to total assets of unencumbered GDS, and FX accounts held with correspondent banks abroad -a major component of liquid assets- has increased significantly in 2025. Thus, the ratio of unencumbered GDS has converged to its historical average, while the ratio of free accounts at foreign banks to total assets surpassed its historical average (Chart IV.2.2).

Chart IV.2.1: Share of Liquid Assets (%)

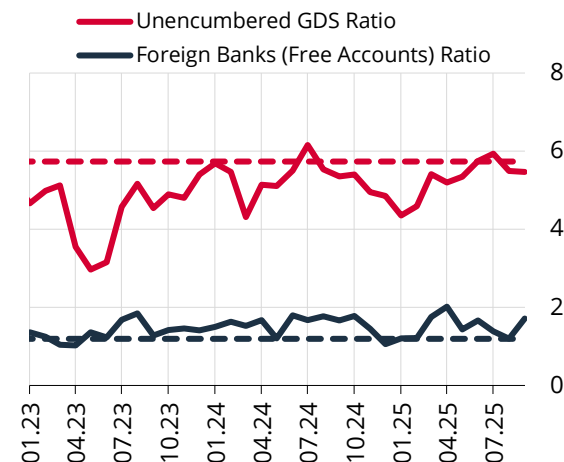


Source: CBRT

Last Observation: 09.25

Note: Liquid Assets Ratio = (Cash Reserves + Free Accounts at Foreign Banks + Unencumbered GDS + Reverse Repo Receivables + Takasbank and BIST Interbank Market) / Assets. Liquid Assets Ratio* = (Cash Reserves + Free Accounts at Foreign Banks + Unencumbered GDS + Reverse Repo Receivables + Takasbank and BIST Interbank Market + Required and Free Reserves) / Assets. Dashed lines represent the 2012-2021 average.

Chart IV.2.2: Share of Selected Liquid Items (%)



Source: CBRT

Last Observation: 09.25

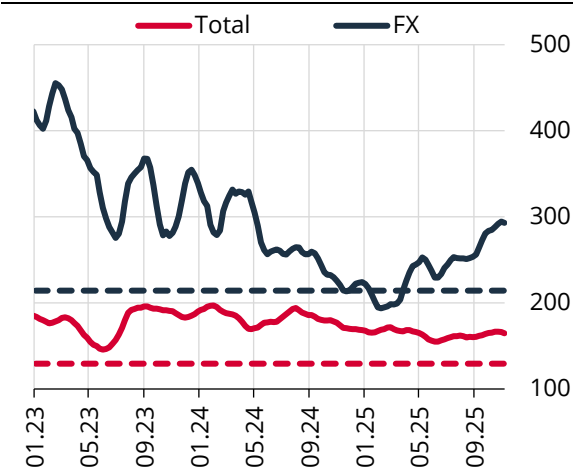
Note: Unencumbered GDS Ratio= Government Debt Securities Not Subject to Collateral /Assets. Foreign Banks (Free Accounts) Ratio = Free accounts at Foreign Banks / Assets. Dashed lines represent the average of each series between 2012 and 2021.

Alternative liquidity indicators confirm that banks have strong liquidity positions and suggest that their funding structure is stable.

Liquidity coverage ratios (LCRs), which are indicators of banks' ability to meet net cash outflows within 30 days with high-quality liquid assets, remain above legal limits and historical averages. Accordingly, the banking sector's liquid assets are capable of meeting possible short-term TL and FX cash outflows. Banks offset their on-balance sheet position changes arising from the increase in FX deposits in 2025 by increasing their FX assets. Amid greater access to FX loans abroad and macroprudential measures, the FX loan growth slowed down, which led banks to increase their FX liquid assets. Consequently, FX LCRs increased rapidly, converging to 300% (Chart IV.2.3).

The loan-to-deposit ratio (LDR) remaining flat at 80% indicates that banks have a stable funding structure. Although the LDRs for TL and FX loans have diverged recently, they have hovered around 80%. Due to the tight monetary policy stance and macroprudential measures, the strong growth in TL deposits and the increase in FX loan growth have caused the TL LDR to decline and the FX LDR to rise until the end of February 2025. Since mid-2025Q1, tighter macroprudential measures for FX loan growth and the increase in FX deposits have led to a decrease in the FX LDR and an increase in the TL LDR. The recent increase in gold prices, which led to a rise in gold deposits in TL and USD terms, also contributed significantly to the decline in the FX LDR (Chart IV.2.4).

Chart IV.2.3: Liquidity Coverage Ratios
(4WMA, %)

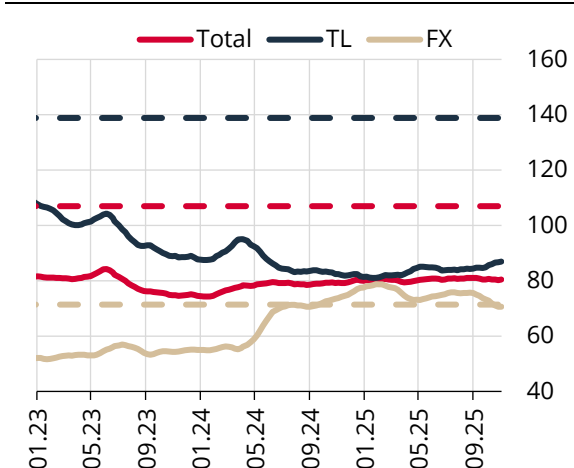


Source: CBRT

Last Observation: 07.11.25

Note: Development and investment banks (DIBs) are excluded. Based on unconsolidated reports of banks. Minimum regulatory thresholds for total and FX LCR are 100% and 80%, respectively. Dashed lines represent the average of each series between 2014 and 2021. LCR= High-quality liquid assets/net cash outflows within 30 days

Chart IV.2.4: Loan-to-Deposit Ratio
(4WMA, %)



Source: CBRT

Last Observation: 07.11.25

Note: DIBs are excluded. Loans extended to banks and bank deposits are not included. Dashed lines represent the average of each series between 2014 and 2021.

Following the fluctuations in financial markets after March, the policy rate steps and macroprudential policy measures led to higher capital inflows from abroad, stronger reserves, and the re-emergence of excess TL liquidity in the system.

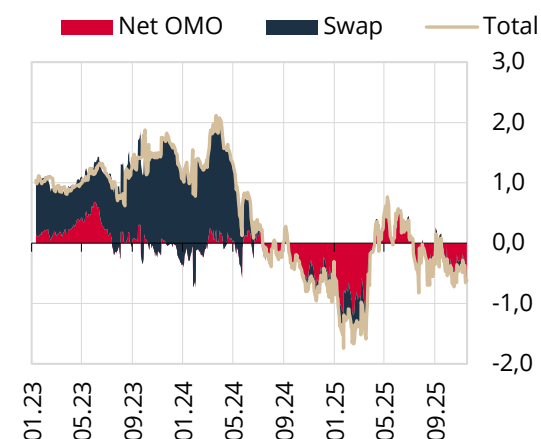
Thanks to the strong demand for TL assets and the reserve build-up, the funding need of the system remained in negative territory for a long time. However, as of mid-March, the excess TL liquidity in the system decreased and eventually turned into a liquidity deficit as a result of non-residents reducing their TL positions and depositors' increasing preference for FX deposits following the volatility in financial markets. That said, this liquidity deficit turned to surplus again owing to the recent rising interest of foreigners and depositors for TL assets (Chart IV.2.5).

Despite fluctuations in the TL liquidity in the system, current liquidity policies maintain the effectiveness of the monetary transmission mechanism.

Market rates have been forming at levels close to the CBRT policy rate and changes in the policy rate are mirrored in deposit rates, indicating that the monetary transmission mechanism is functioning effectively. The TLREF and deposit rates with maturities of one to three months trended up and down parallel to the policy rate cuts that in December 2024 – March 2025 period and the policy rate hike made in April 2025. A similar trend was also observed after the rate cut process that began in July. Due to the reductions in the policy rate, the compound interest rate on TL deposits with maturities of one to three months decreased by 856 bps from its level on July 18, to 48.1% on November 7, 2025. Amid tighter TL share targets in May and June, the difference between the policy rate and the deposit rate with maturity of one to three months narrowed significantly, strengthening the monetary transmission mechanism (Chart IV.2.6). The course of

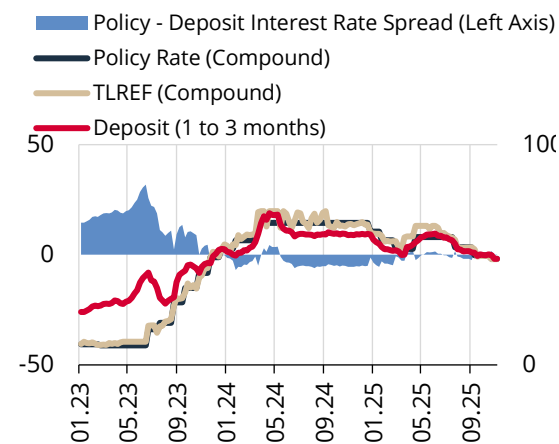
TL deposit rates in the upcoming period is expected to be shaped by the policy rate, liquidity conditions in the market, and macroprudential policies, as well as inflation and exchange rate expectations.

Chart IV.2.5: CBRT Funding (Trillion TRY)



Note: The Net API shows the funding provided by the CBRT through open market operations. Swap refers to the funding that banks obtain from the CBRT through swap transactions. A positive (negative) value for the SFR indicates that banks are net borrowers (lenders) from the CBRT.

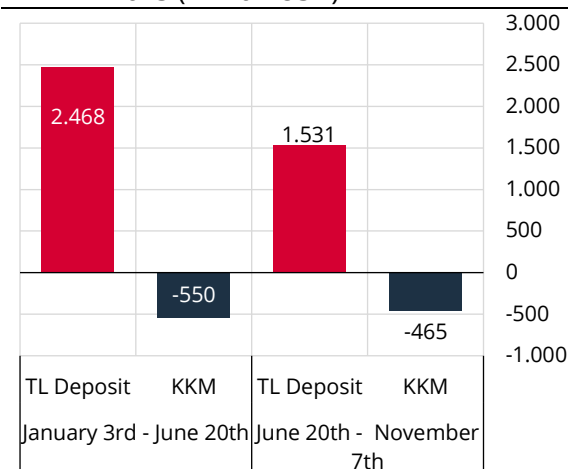
Chart IV.2.6: TL Deposit and Policy Rates (%)



Note: Interest rates are annual compound rates.

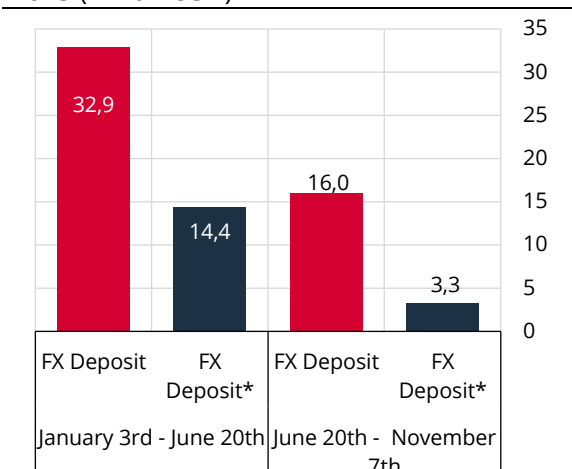
The CBRT's policy rate steps and macroprudential policy measures reduced market volatility, limiting the uptrend in FX deposits.

The increase in TL deposits and the decrease in KKM balances continue. From the end of 2024 to June 20, 2025, TL deposits increased by TRY 2.468 trillion, while KKM balances decreased by TRY 550 billion. Although the growth rate of TL deposits decelerated from mid-March onwards, the rise in TL deposits became visible again after June 20, 2025 (Chart IV.2.7). There was a partial increase in FX deposits due to some firms' limited shift to FX for currency risk management, and FX demand driven by KKM account closures. Furthermore, the rise in the euro/dollar parity and the increase in gold prices added to the swelling of FX deposit balances in terms of US dollars. Against this background, from end-2024 up until June 20, 2025, FX deposit balances increased by USD 32.9 billion, but when adjusted for exchange rates and parity effects, the increase was USD 14.4 billion (Chart IV.2.8). Along with the tight monetary policy, the CBRT's increase in the TL deposit share target to 65% for real persons, FX deposits adjusted for parity and gold price effects rose moderately by USD 3.3 billion, during the period after June to November 7, 2025.

Chart IV.2.7: Change in TL Deposits and KKM in 2025 (Trillion USD)

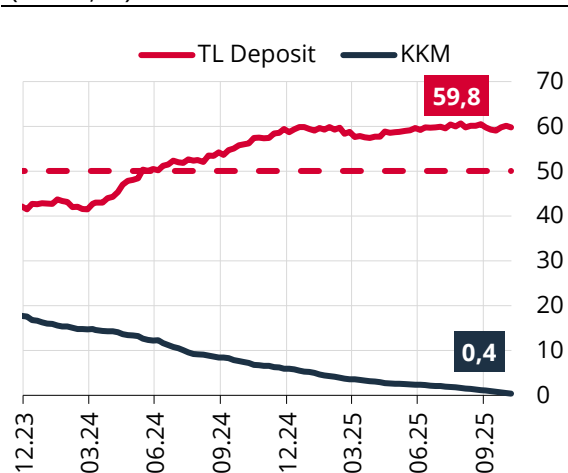
Source: CBRT

Note: The first part of the change in deposits chart represents the change between January 3, 2025, and June 20, 2025, and the second part represents the change between June 20, 2025, and November 7, 2025. FX Deposit* balance is adjusted for exchange rate, parity and gold price effects.

Chart IV.2.8: Change in FX Deposits in 2025 (Billion USD)

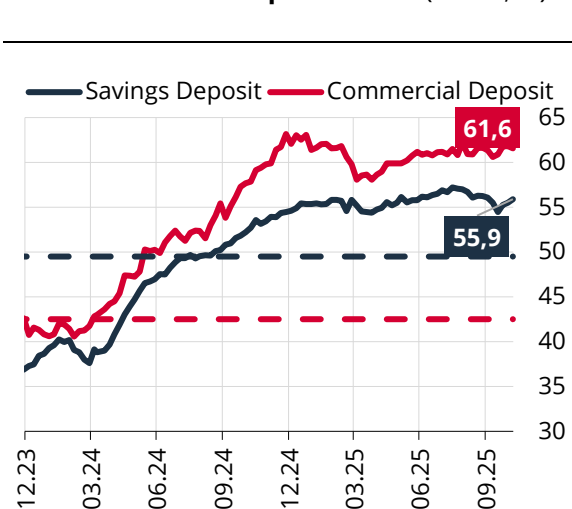
The share of TL deposits in total deposits remains steady at historically high levels.

The current tight monetary policy as well as the macroprudential measures that boost the share of TL deposits help keep the real interest rate at high levels and support the preference for TL deposits. With the termination of KKM account openings and renewals for legal entities as of February 15, 2025 and for real persons as of August 23, 2025, the share of the KKM balance in total deposits fell below 1% (Chart IV.2.9). The share of TL deposits excluding KKMs in total deposits has recently remained stable and balanced at around 60%. The development of the share of TL deposits in savings deposits and commercial deposits also confirms the ongoing preference for the TL (Chart IV.2.10). Although households' preference for TL deposits has recently become more discernible, the increase in gold prices has raised the TL equivalent of FX deposits, causing the share of TL deposits in savings deposits to decline from early September 2025. As gold prices resumed the downtrend from early October, the share of TL deposits in savings deposits started to rise again. On the commercial deposits side, the preference for TL is more pronounced. The share of TL deposits in commercial deposits has historically remained stable at high levels.

Chart IV.2.9: Distribution of Total Deposits (Share, %)

Source: CBRT

Note: Dashed lines are the 2012-2022 average of the share series.

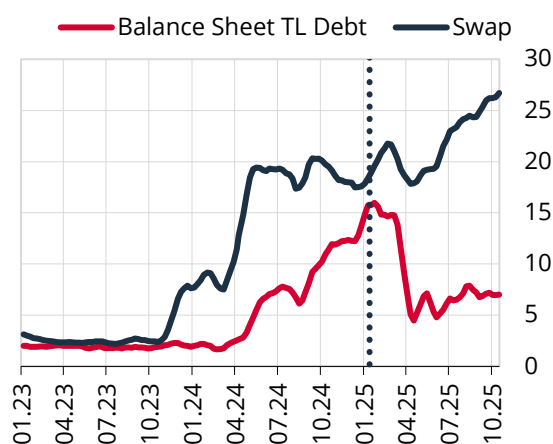
Chart IV.2.10: TL Deposit Share (Share, %)

Last Observation: 07.11.25

In addition to TL deposits, the TL financing obtained from abroad also plays a major role in banks' funding composition.

Transaction limits and RR policies have a determinant role in TL funding from abroad. Following the CBRT's decision on February 2, 2025 to raise RR ratios for TL-denominated repo, lending and deposit funding transactions abroad with maturities of up to one year by 4 percentage points to 12%, while also increasing and differentiating reserve requirement ratios for shorter maturities in May, the resulting funding balance declined to around USD 5–6 billion (Chart IV.2.11). This strengthens the monetary transmission mechanism by limiting risks arising from short-term FX inflows from abroad. Meanwhile, banks continue to provide funding from abroad through the swap channel. Against the backdrop of strong foreign investor interest in TL positioning, funding obtained through this channel increased to USD 28 billion as of November. Banks have utilized a large share of their swap limits, reaching 73% for maturities of up to one year.

Chart IV.2.11: TL Funding from Abroad
(4WMA, Billion USD)

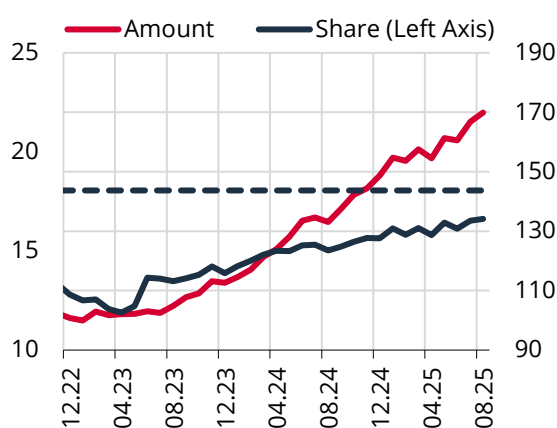


Source: CBRT

Last Observation: 07.11.25

Note: On-balance sheet TL borrowing includes TL-denominated loans, deposits, and repo funding obtained from abroad. The dashed line indicates the RR ratio increase introduced on February 2, 2025, for on-balance sheet-funding from abroad.

Chart IV.2.12: External Debt Balance and Share
(Billion USD, %)



Sources: CBRT, MKK

Last Observation: 09.25

Note: The sum is adjusted for the parity effect. The USD equivalent of euro-denominated external debt is recalculated with the parity value of June 2018. The dashed line is the 2012-2022 average of the share series.

The decline in sovereign risk premiums supports the positive outlook for external financing conditions, while the improvement in the quality of external borrowing is becoming more apparent.

In 2025, amid geopolitical developments that caused fluctuations in foreign markets, foreign investors' interest in Turkish banks' debt instruments has continued. Meanwhile, the improvement in banks' debt composition has become more pronounced. As country risk premiums have remained in positive territory since mid-2023, Turkish banks' net external financing, adjusted for parity effects, amounted to USD 36 billion in 2024 and USD 22 billion in the first nine months of 2025.

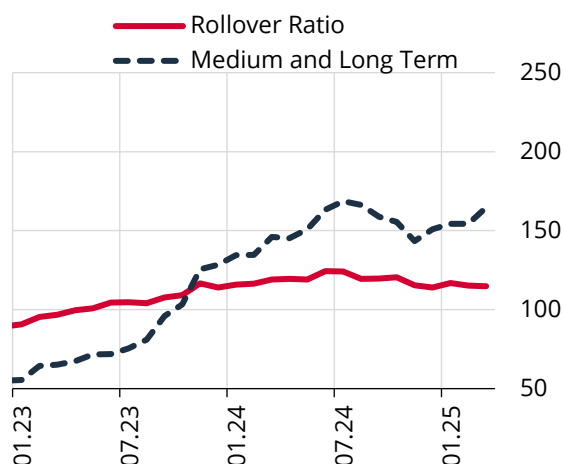
The external debt stock of the banking sector reached USD 171 billion, while the share of external debt in the funding composition has remained at 16.3%, below the historical average (Chart IV.2.12). While banks' external debt rollover ratio has remained above 100%, the rollover ratio for external debt with maturities longer than one year, which had been subject to a provisional RR exemption¹ since 2023, rose to 222% as of September 2025.

The banking sector's external debt has increased, with longer maturities becoming more prominent in borrowing (Chart IV.2.13). Eurobond and subordinated debt (SBB) transactions have remained active among the debt instruments favored by banks in the recent period. In 2025, net financing from eurobonds

¹ On January 15, CBRT decided to set reserve requirement ratios at zero percent for the increase in FX liabilities with maturities longer than six months provided directly from abroad until the end of 2023. On December 19, 2024, the Bank adjusted the maturity criterion in the regulation, thereby extending the RR exemption to one year.

and subordinated debts amounted to USD 10.8 billion and USD 2.8 billion, respectively. Banks are improving the maturity and quality of their foreign borrowing by increasing their subordinated debts (Chart IV.2.14). The total balance of debt securities with environmental, social, and governance themes, with a more notable flow in recent long-term external borrowing, have risen to USD 14.2 billion on the banks side and USD 6.1 billion on the real sector side as of October 2025. The improvement in the composition of external borrowing is expected to continue in the coming period.

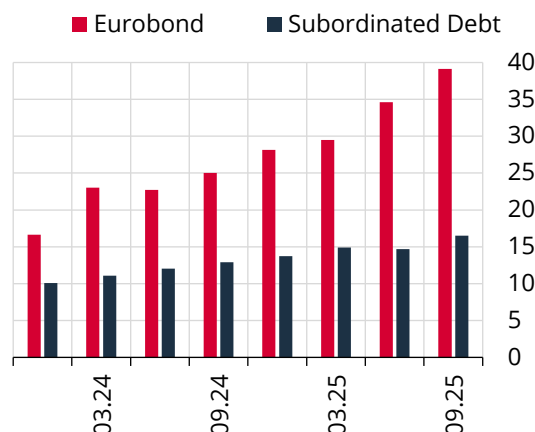
Chart IV.2.13: External Debt Rollover Ratio (%)



Sources: CBRT, MKK

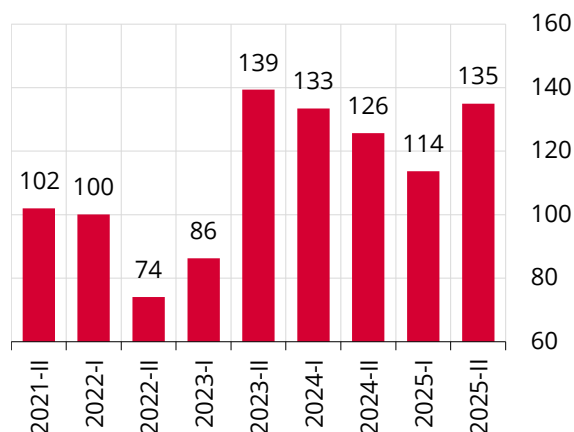
Note: External debt roll-over ratio is calculated over the 6-month moving sum for the total and 12-month moving sum for long maturities of total external debt utilization and repayment amounts including securities issues.

Chart IV.2.14: Eurobond and Subordinated Debt Balance (Billion USD)



Last Observation: 09.25

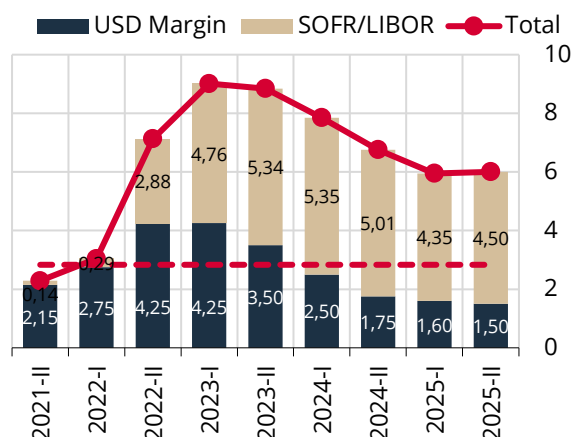
The rollover ratios for syndicated loans have remained high at above 100% in 2025 as in 2024. While the syndicated loan market has seen new entries among banks, the addition of 2 to 3-year tranches to syndications also reflects the positive outlook in the market. For 10 large-scale banks, syndicated loans maturing in the first half of the year were renewed by 114% (133% for all banks), while the renewal rate reached 148% in the second half (Chart IV.2.15). Amid the partial decline in US dollar market interest rates, Secured Overnight Financing Rate (SOFR) averages hovered around 4.3%-4.5%, while total syndicated loan costs stabilized at around 6% for one-year maturities. In syndicated transactions, the risk premium for the USD-denominated 367-day maturity tranche decreased by 25 bps year-on-year and by 10 bps compared to the transactions conducted in the first half of this year (Chart IV.2.16).

Chart IV.2.15: Rollover Ratio of Syndicated Loans (%)

Sources: CBRT, PDP

Last Observation: 11.25

Note: Calculated for 10 large-scale banks and excluding DIBs. April-June and October-December syndication periods of the respective year are represented by I and II. The external debt rollover ratio is calculated as the ratio of total borrowing and repayments in the specified periods. For the second half of 2025, transactions carried out by seven banks as of November 27 are taken into account. The USD margin shows the interest rate applied at 367-day maturity in addition to the SOFR/LIBOR rate. The dashed line is the average of the total costs for the 2014-2022 period.

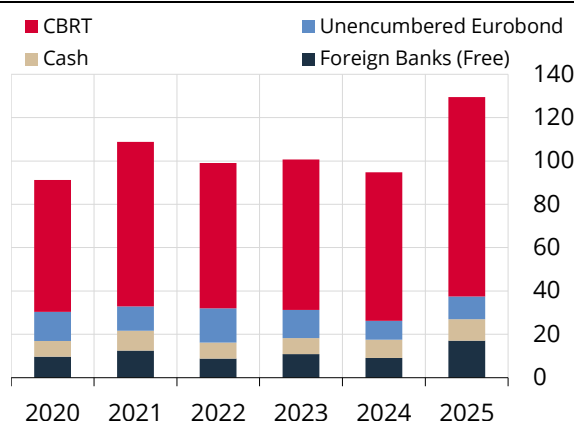
Chart IV.2.16: Costs of Syndicated Loans (%)

Sources: PDP, Bloomberg

Last Observation: 10.25

The banking sector's FX liquidity buffers remain strong and there has been a significant increase in the balance of free accounts.

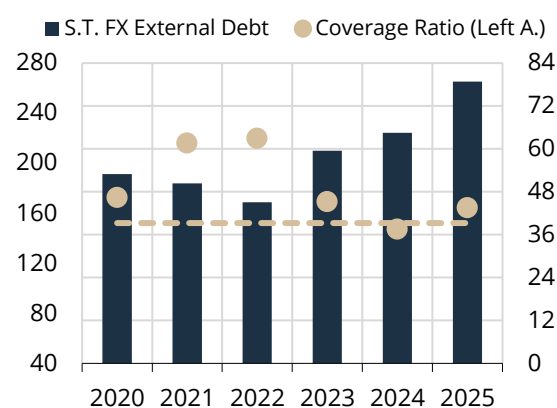
As of September 2025, banks' liquid assets including RRs reached USD 129 billion (Chart IV.2.17). The sector's FX-denominated external debt balance that is due within one year continues to increase in line with the rise in the total external debt balance. As the rise in FX liquid assets outpaced the rise in the short-term external debt balance, the capacity of FX liquid assets to cover short-term external debt has increased slightly to 164% (Chart IV.2.18). The steady course of this ratio at a level well above 100% indicates that banks have strong buffers against potential FX liquidity outflows.

Chart IV.2.17: FX Liquid Assets (Billion USD)

Source: CBRT

Last Observation: 09.25

Note: Data for the last month of the relevant year has been reported for the items. The CBRT item covers total FX required reserves and FX excess reserves.

Chart IV.2.18: Short-Term FX External Debt and Coverage Ratio (Billion USD, %)

Sources: PDP, Bloomberg

Last Observation: 09.25

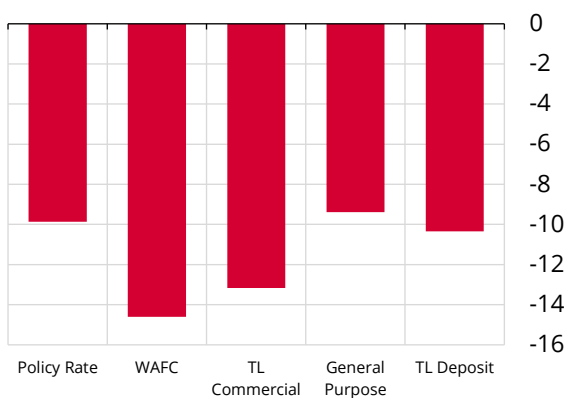
Note: External debt represents FX-denominated external debt that is due within one year and is calculated by excluding non-residents' FX deposit accounts. The most recent data pertaining to external debt is from September. The dashed line shows the average of coverage ratios for the 2014-2022 period.

IV.3 Interest Rate and Exchange Rate Risk

Since June, the CBRT's policy rate cuts have been transmitted to loan and deposit interest rates to a significant extent.

Compared to the first week of June, the WAFC fell by 9.5 percentage points (-14.6 points on a compounded basis), while TL commercial loan rates (excluding credit cards and ODA), TL deposit rates, and general-purpose loan rates (excluding ODA) decreased by 13.2 percentage points, 10.4 percentage points, and 9.4 percentage points, respectively (Chart IV.3.1). The decline in TL loan rates lagged behind the decline in deposit rates, causing the flow loan-deposit rate spread to widen again compared to May 2025 (Chart IV.3.2).

Chart IV.3.1: Interest Rate Changes Between June 6 and November 7
(Percentage Points)

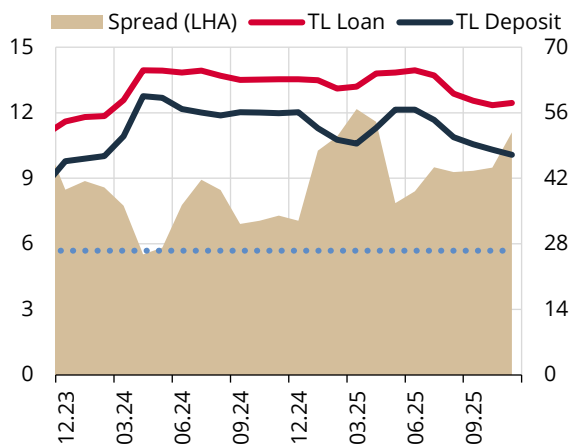


Sources: CBRT, Bloomberg

Last Observation:
07.11.2025

Note: Compound interest rates were used to calculate interest rate changes. Excludes credit cards and ODA.

Chart IV.3.2: TL Loan-Deposit Rate Spread
(Flow, %)



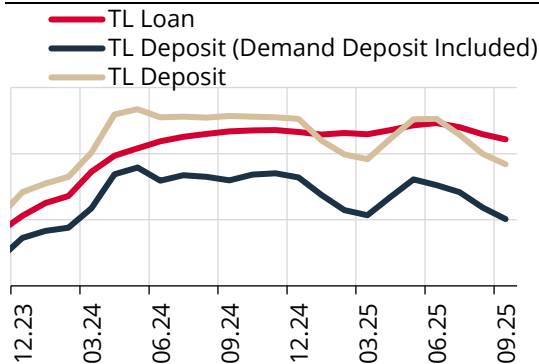
Source: CBRT

Last Observation:
07.11.2025

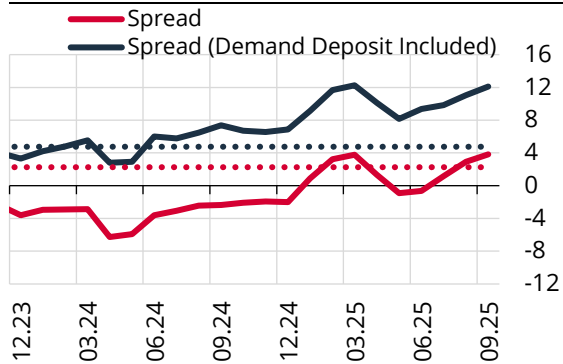
Note: Dashed line shows the average of the interest rate spread for 2013–2021. Includes credit cards and ODA.

Alongside the interest rate cutting cycle, the interest rate spread between outstanding loans and deposit rates has started to widen.

Since TL deposits have shorter maturities than loans, the decline in funding costs quickly reflected in stock deposit pricing, pushing the TL stock loan-deposit rate spread above its historical average (Chart IV.3.3). On the other hand, demand deposit accounts support banks' margin management, and the TL outstanding loans and deposit rate spread, including demand deposits, has remained above its historical average since June 2024 (Chart IV.3.4).

Chart IV.3.3: TL Loan and Deposit Rates
(Stock, %)

Source: CBRT

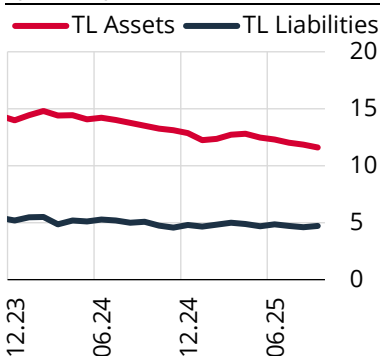
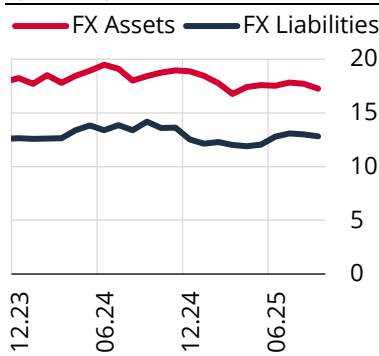
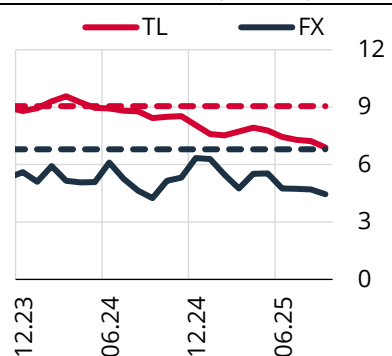
Chart IV.3.4: TL Loan-Deposit Rate Spread
(Stock, %)

Last Observation: 09.25

Note: Participation banks are excluded. Deposit rates exclude interbank deposits. Loan rates include retail and commercial loans, including credit cards and ODA. Dashed lines show the 2013-2021 average.

The maturity mismatch between banks' interest-sensitive assets and liabilities has decreased.

The weighted average maturity of banks' interest rate-sensitive TL assets shortened by 1.1 months to 11.6 months compared to March 2025, while the weighted average maturity of interest rate-sensitive TL liabilities decreased by 0.3 months to 4.7 months (Chart IV.3.5). The decline in the average maturity of TL denominated assets has been driven by the increasing share of loans in total assets, alongside a reduction in the share of relatively longer maturity securities and a shortening of their remaining time to maturity. The weighted average maturity of FX-denominated interest rate-sensitive assets and liabilities lengthened by 0.5 months and 0.8 months to 17.3 months and 12.8 months, respectively, during the same period (Chart IV.3.6). Subordinated debts and eurobond issuances stood out in the increase in maturities of FX liabilities. As a result of these developments, the weighted average maturity mismatch continued to remain below the historical average both on the TL and FX sides and stood at 6.9 and 4.5 months, respectively (Chart IV.3.7).

Chart IV.3.5: Weighted Average Maturity of TL Assets and Liabilities
(Month)**Chart IV.3.6: Weighted Average Maturity of FX Assets and Liabilities**
(Month)**Chart IV.3.7: Weighted Average Maturity Mismatch Between Assets and Liabilities**
(Month)

Source: CBRT

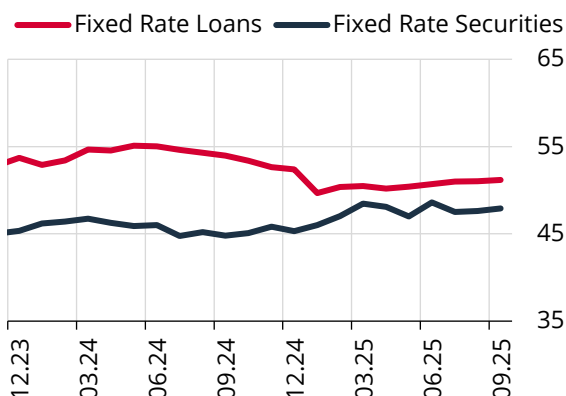
Last Observation: 09.25

Note: Maturities show the repricing period. Weighted average maturities are calculated based on the mid-points of maturity brackets and the cash flows of related financial assets and liabilities. Dashed lines show the 2013-2020 average. Participation banks are not included. Banks can allocate core deposits, calculated based on demand deposits, across maturity brackets up to three years.

The share of fixed-rate TL loans increased, while the remaining maturity of fixed-rate assets decreased.

Between March and September 2025, the share of fixed-rate TL loans increased by 71 basis points to 51.2%, while the share of fixed-rate TL securities decreased by 54 basis points to 47.9% (Chart IV.3.8). The remaining maturity of fixed-rate TL securities continues to decline. The remaining maturity of fixed-rate TL loans reduced slightly since the first quarter of 2025 (Chart IV.3.9). The decline in the maturity of fixed-rate TL loans and securities limits the impact of potential interest rate shocks on bank balance sheets.

Chart IV.3.8: The Share of Fixed-Rate Instrument in TL Loans and Securities (Stock, %)



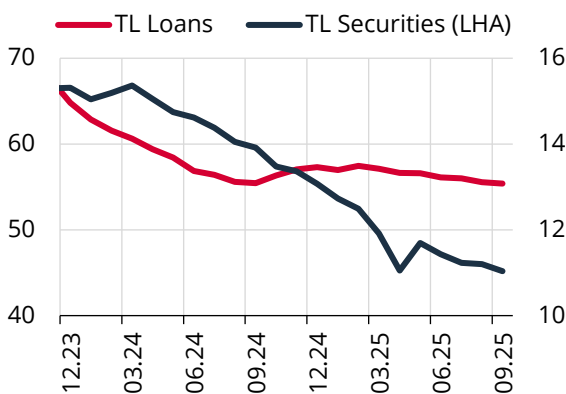
Source: CBRT

Note: Weighted average maturities are shown. Weighted average maturities are calculated based on the mid-points of maturity brackets and cash flows of fixed-rate TL loans. The maturity for TL securities is calculated based on total fixed income securities held by banks. Participation banks are excluded.

While the share of TL securities in assets remained flat, a limited decline was observed in the share of securities classified at amortized costs.

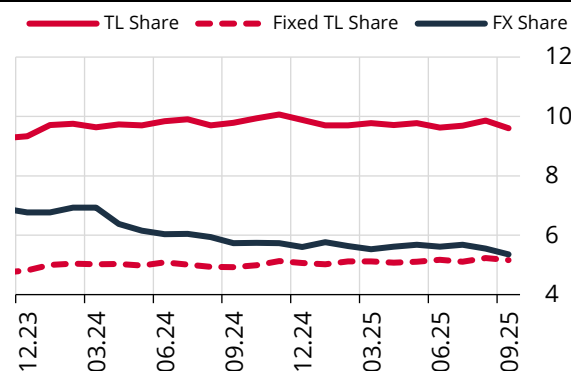
In 2025, the share of TL securities in bank assets and the share of fixed-rate TL securities remained flat at 9.6% and 5.2%, respectively (Chart IV.3.10). The share of FX securities, the majority of which are fixed rate, in total assets decreased by 18 basis points to 5.4%, compared to March 2025. Meanwhile, the share of TL securities monitored at fair value in total assets is on an upward trend, yet remains limited at 3.1% (Chart IV.3.11).

Chart IV.3.9: Maturity of Fixed-Rate TL Assets (Remaining Maturity, Month)



Last Observation: 09.25

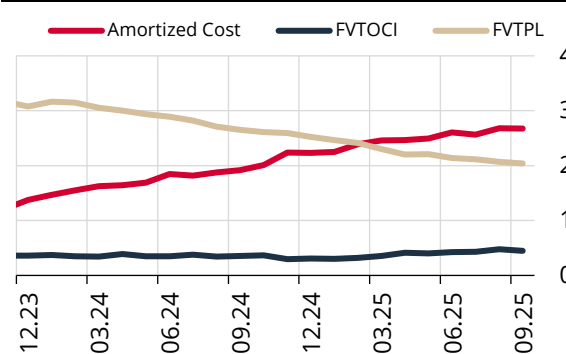
Chart IV.3.10: Share of Securities in Assets (%)



Source: CBRT

Note: FVTPL: Securities at fair value through profit or loss. Amortized Cost: Securities valued at amortized cost. FVTOCI: Securities at fair value through other comprehensive income. Non-interest-bearing securities are included in fixed interest-bearing securities.

Chart IV.3.11: Share of Fixed-Rate TL Securities in Assets (%)



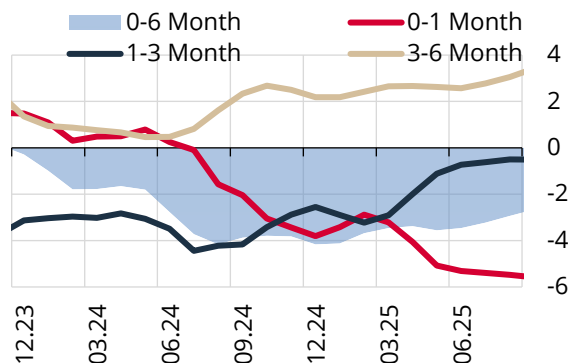
Last Observation: 30.09.2025

Banks' TL asset-liability gap at maturities shorter than six months has narrowed.

Banks' sensitivity to changes in TL interest rates is mainly driven by their negative positions at short maturities based on the repricing period. The increase in banks' TL-denominated negative position with maturities of 0-1-month was driven by the growth in TL deposits in the system concentrated in maturities of 0-1 month, partly because of the termination of KKM accounts. Bank's TL-denominated negative position with maturities of 1-3 months approached positive territory as the loan amount in this maturity bracket increased. The decrease in KKM accounts and the increase in the share of securities contributed to the widening of the TL asset-liability gap, which was positive at 3-6-month maturities (Chart IV.3.12). Banks' long positions on the FX side with maturities of 0-6 months continue to increase. The main drivers of this

increase have been RRs and floating-rate loans. However, FX deposits, which increased due to developments in parity and gold prices and the transition from KKM to foreign currency, curbed the rise in the long position (Chart IV.3.13).

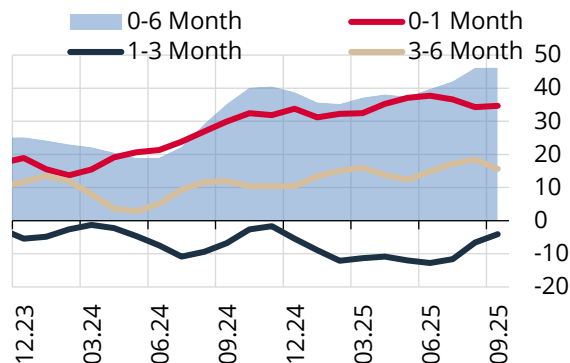
Chart IV.3.12: TL Asset-Liability/Total Assets Gap Analysis (% , 3-Month MA)



Source: CBRT

Note: Participation banks are excluded. Accounts without any maturity are excluded. Calculation includes interest rate-sensitive assets and liabilities.

Chart IV.3.13: FX Asset-Liability Gap Analysis (Billion USD, 3-Month MA)

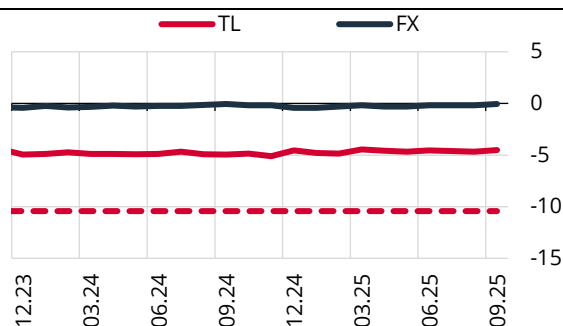


Last Observation: 09.25

The sensitivity of banks' balance sheets to TL and FX interest rate shocks is limited.

According to the standard interest rate risk measurement approach, when an upward shock of 500 basis points is applied to TL interest rates and 200 basis points to FX interest rates, the ratio of potential losses that may arise in bank balance sheets to regulatory capital remains limited at 0.1% for FX and 4.5% for TL. The estimated potential loss in TL interest rate shocks remains well below the historical average (Chart IV.3.14). Under the TL interest rate shock scenario, the interest rate shock sensitivity of banks, which constitute approximately 59% of the sector's total assets, is observed to be in the range of 0-5% of equity (Chart IV.3.15). Within this framework, the sector is evaluated to exhibit an interest rate risk profile and balance sheet composition that remain in line with prevailing regulatory limits.¹

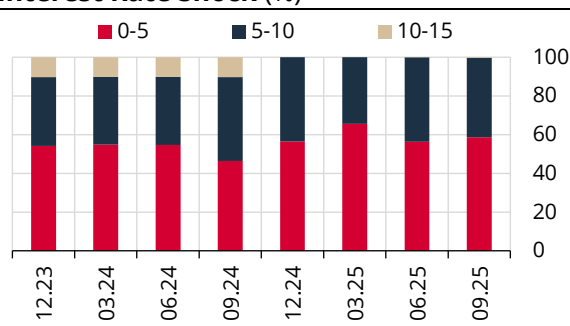
Chart IV.3.14: Impact of Positive Interest Rate Shock on Equity (%)



Source: CBRT

Note: The economic value approach takes account of the change in the present value of interest rate-sensitive assets and liabilities in the face of a change in the interest rate. The yield curve is assumed to display a parallel upward movement of 500 bps in a TL interest rate shock and 200 basis points in an FX interest rate shock. Losses under the interest rate shock scenario are divided into brackets. The total assets of banks in each bracket are proportional to the total assets of the sector. Participation banks are excluded. Dashed line is the 2013-2020 average.

Chart IV.3.15: Distribution of Banks' Assets by Loss-to-Equity Intervals Following a TL Interest Rate Shock (%)



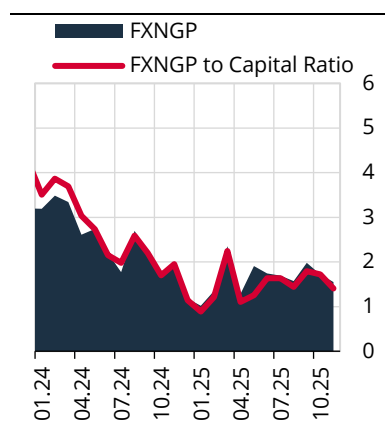
Last Observation: 09.25

¹ Under the BRSA's Regulation on the Measurement and Assessment of the Interest Rate Risk in the Banking Book via the Standard Shock Method, the interest rate risk-driven loss to regulatory capital ratio cannot exceed 20%.

The banking sector continues to hold an FX long position that remains within regulatory limits.

The sector's foreign exchange net general position (FXNGP) ran a surplus of approximately USD 1.5 billion, posting an increase of USD 0.6 billion compared to the previous reporting period. The FXNGP/capital ratio at 1.4% remains within regulatory limits (Chart IV.3.16).¹ This development supports banks' resilience to exchange rate risk. Since the previous reporting period, the asset share of banks with an FX long position in the sector has increased to 67% from 65% (Chart IV.3.17). The sector's on-balance sheet short position rose from USD 24.7 billion to USD 45.2 billion, while the off-balance sheet long position went up from USD 25.7 billion to USD 45.2 billion (Chart IV.3.18). The on-balance sheet short position increased particularly in the second half of 2025.

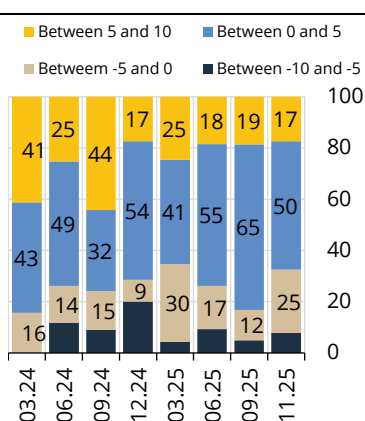
Chart IV.3.16: FXNGP/Capital Ratio and FXNGP (Billion USD, %)



Source: CBRT

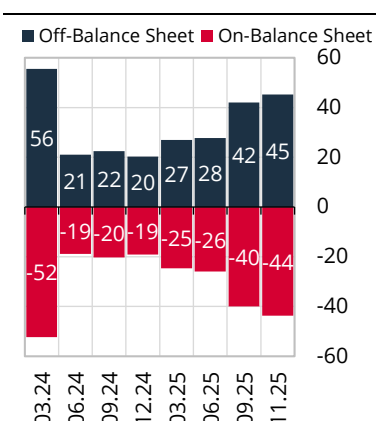
Note: Weekly simple arithmetic mean of FXNGP/Capital ratio is calculated.

Chart IV.3.17: Total Asset Shares of Banks by FXNGP/Capital Ratio (%)



Note: In the calculation of total assets for November 2025, data as of September 2025 were used.

Chart IV.3.18: Banks' FX Position (Billion USD)

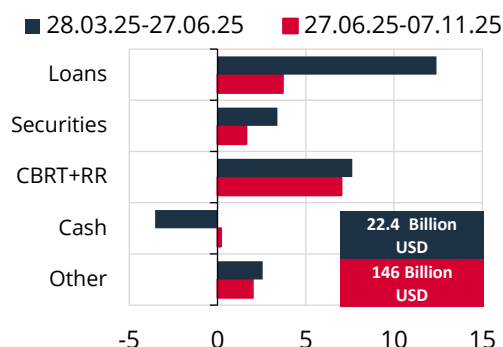


Last Observation: 07.11.25

The widening of the on-balance sheet short position in the second half of 2025 was predominantly driven by the rise in FX deposits and external borrowing.

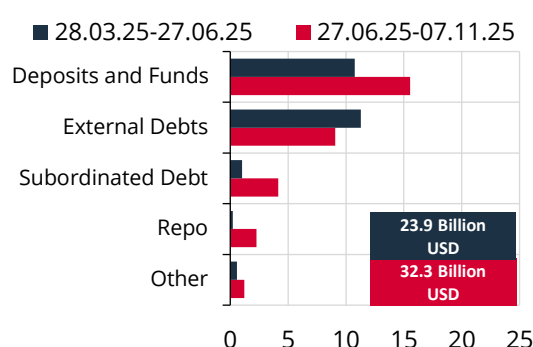
FX deposits recorded a nominal increase of USD 15.6 billion in the second half of 2025 due to the surge in exchange rate parity and gold prices as well as the transition to foreign currency from KKM accounts that were terminated in August. Banks continued to borrow through instruments such as eurobond issuances, subordinated debt issuances and syndicated loans, while external borrowing-driven growth in liabilities approached USD 13 billion. Meanwhile, RRs amounted to USD 7 billion after increasing in tandem with the rise in FX deposits and external borrowing, thus becoming the most significant driver of the on-balance sheet asset growth. Following the reduction of the monthly growth limit to 0.5%, FX loan utilization continued at a slowing pace, and FX loans accounted for USD 3.7 billion of the rise in on-balance sheet assets. The increase observed in banks' free correspondent accounts abroad and securities portfolios was another factor restraining the on-balance sheet short position (Charts IV.3.19 and IV.3.20). Against this background, FX liabilities and FX assets increased by approximately USD 32.3 billion and USD 14.6 billion in the second half of 2025, respectively. In this period, FX asset generation remained limited in the face of the increase in FX liabilities.

¹ The regulatory limit for the FXNGP/capital ratio, which was formerly 20%, was reduced to 5% with an amendment published in the Official Gazette of December 10, 2022, and took effect on January 9, 2023, but was raised to 10% on March 9, 2023.

Chart IV.3.19: Change in Banking Sector's On-Balance Sheet FX Assets (Billion USD)

Source: CBRT

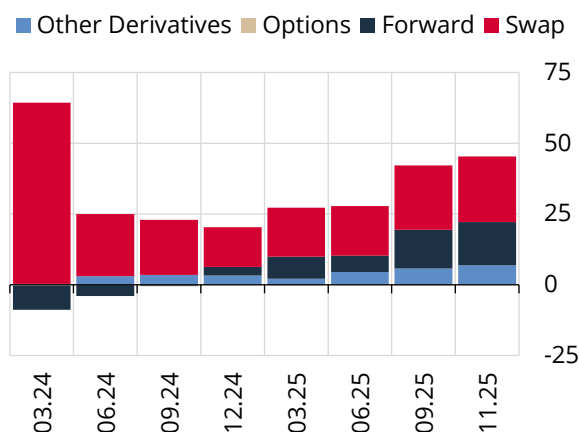
Note: Cash also includes receivables from domestic and foreign banks, reverse repo transactions and money markets. Loans are gross loans.

Chart IV.3.20: Change in Banking Sector's On-Balance Sheet FX Liabilities (Billion USD)

Note: Excludes banks' deposits. External debt is the sum of loans from abroad and securities issued.

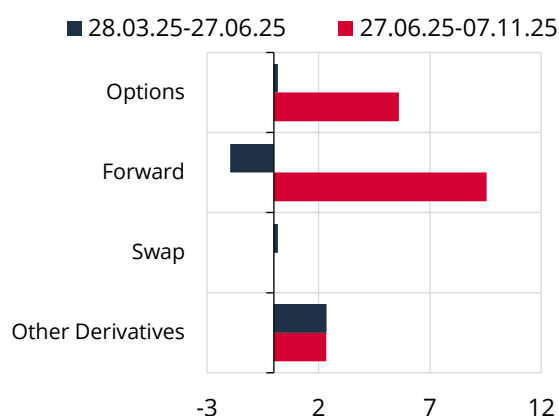
The off-balance sheet long position increased due to forward FX transactions and currency swaps.

A significant portion of off-balance sheet transactions involves currency swap transactions. Banks have also been engaging in forward FX transactions in recent months (Chart IV.3.21). In the second half of 2025, banks' net off-balance sheet assets rose by approximately USD 17.5 billion. This change was primarily driven by forward FX transactions that went up by USD 9.6 billion, followed by currency swap transactions that expanded by USD 5.6 billion. Sell-side gold currency swap transactions with the CBRT increased in the first quarter of 2025, but subsequently declined to the end-2024 level. On the other hand, currency swap transactions with non-residents and forward FX purchase transactions conducted with the corporate sector and financial institutions increased in 2025. This increase was driven by the boost in FX liquidity due to the rise in FX deposits and the slowdown in FX loan growth (Chart IV.3.22).

Chart IV.3.21: Banks' Off-Balance Sheet Net FX Assets (Billion USD)

Source: CBRT

Note: The graph shows banks' net FX purchase positions at maturity. Currency options refer to the delta equivalent of currency options for the relevant period. Forward FX position also includes FX position with a value date up to two days.

Chart IV.3.23: Banks' Off-Balance Sheet Net FX Position (Change, Billion USD)

Last Observation: 7.11.25

Box IV.3.I: Promoting Turkish Lira Savings: Floating Rate Turkish Lira Deposits

Summary: Floating-rate Turkish lira deposit products, which could previously only be opened with a minimum maturity of 3 months, can now also be opened for maturities longer than 1 month following the amendment made in June 2025. Furthermore, the reserve requirement ratios for CPI-, PPI-, and TLREF-indexed deposits have been set at 10% for all maturities, which is lower than the rate applied to fixed-rate Turkish lira deposit accounts with maturities shorter than 3 months (17%). Following these regulations, banks have started to offer this product. This box examines the regulatory framework for floating-rate Turkish lira deposit products and their contribution to the financial system.

Floating-rate deposits are deposit products where the interest rate can change based on a specific index and, in some cases, a margin is added to this index by banks, which means the amount of interest the depositor will receive is not precisely known at the start of the contract. This box discusses recent regulatory changes made to floating-rate deposits.

The Communiqué on Deposit and Loan Interest Rates and Profit and Loss Sharing Rates for Participation Accounts (No: 2020/3) sets out the rules for floating-rate deposits. This Communiqué regulates the terms for which floating-rate deposits can be opened and the indexation methods that can be used. Table IV.3.I.1 shows the indices that can be applied for Turkish lira (TRY) deposits, provided that they are reported to the Central Bank of the Republic of Türkiye (CBRT). Different indexation methods may also be applied, provided that they are approved by the CBRT, in addition to the indices on this list. On the other hand, the Communiqué explicitly stipulates that interest rates indexed to foreign currency or precious metals cannot be determined for deposit accounts opened in TL.

Table IV.3.I.1: Indexation methods that can be used provided that the CBRT is notified beforehand

Producer Prices Index (PPI), Consumer Prices Index (CPI) issued by the Turkish Statistical Institute, and indices to be produced using sub-items making up these indices

Interest Rates on Money Markets

The CBRT's lending or borrowing rates

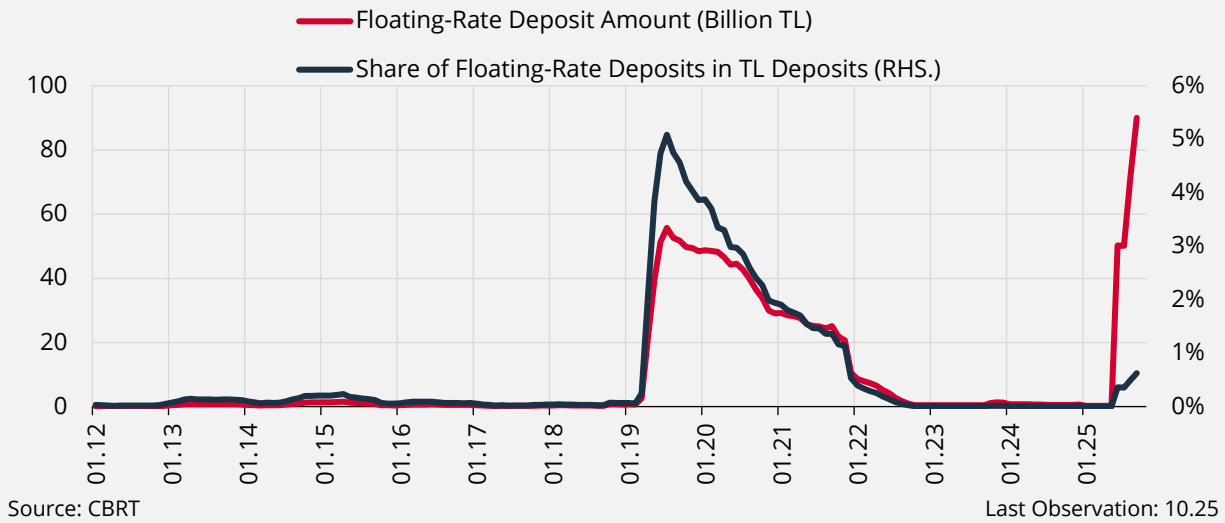
Deposit Rates Determined by Banks

Interest rates of Government Debt Securities

Based on Borsa Istanbul A.Ş. indices and changes in the prices of stock baskets composed of securities traded on this exchange

As of the last observation date, the total amount of floating-rate deposits was TRY 90 billion, representing a low share (0.6%) of total Turkish lira deposits, with the majority being deposits of commercial institutions. Historically, the share of floating-rate deposits in Turkish lira deposits reached 5% in 2019 (TRY 66 billion) due to the impact of inflation-indexed interest-protected and inflation-protected deposit accounts introduced the same year. However, we believe that these products have lost their importance over time for both banks and depositors due to uncertainties related to inflation and exchange rates (Chart IV.3.I.1).

In this context, two regulations were introduced to encourage floating-rate products. The amendment made to Communiqué No. 2020/3, published in the Official Gazette of 21.06.2025, allows floating-rate TL deposit products, which used to be opened with a minimum maturity of 3 months, to be opened with maturities longer than 1 month. This regulation applies only to floating-rate deposits that can be opened in Turkish lira, while the minimum maturity requirement for floating-rate deposits in foreign currency remains at 6 months.

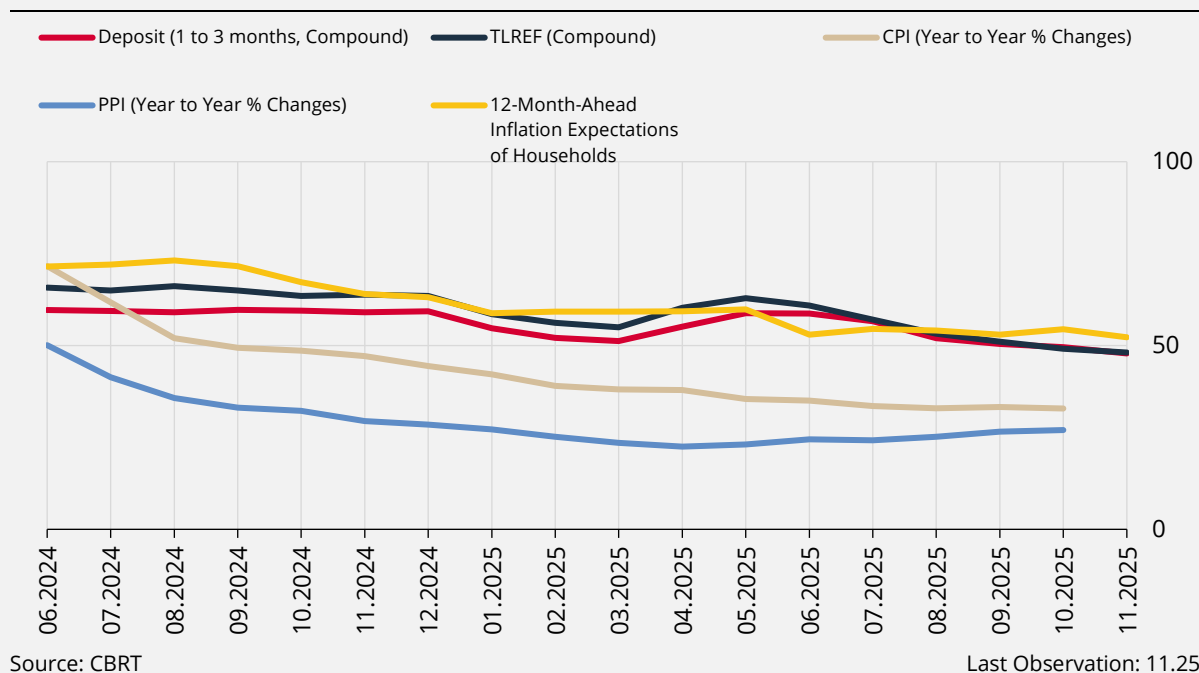
Chart IV.3.I.1: Evolution of Floating Rate Deposits

Moreover, on the same date, amendments were made to the Communiqué on Reserve Requirements stipulating that the reserve requirement ratios for CPI-, PPI-, and TLREF-indexed deposits would be 10% for all maturities. Thus, the reserve requirement ratio applied to floating-rate deposit accounts were set lower than the reserve requirement ratio of 17% applied to fixed-rate deposit accounts with maturities shorter than 3 months.

The aim of these regulations is to increase the variety of Turkish lira financial products by promoting floating-rate deposit products. These types of products, which increase the variety of Turkish lira deposit products, offer alternatives to depositors seeking different investment instruments, while providing returns in line with inflation and interest rate changes. For instance, TLREF-indexed floating-rate deposits offer investors returns in line with market interest rates, while CPI-indexed floating-rate deposits offer returns linked to the changes in inflation.

The Sectoral Inflation Expectations report¹ published by the CBRT reveals that household inflation expectations for the next 12 months are above market and real sector expectations. Meanwhile, obviously, as a result of the tight monetary policy stance, Turkish lira deposit interest rates offer real return opportunities. In this regard, TLREF or CPI-indexed products may be an alternative for savers with high inflation expectations that are seeking protection against inflation. Chart IV.3.I.2 compares CPI, PPI, TLREF, and Turkish lira deposit rates with maturities of 1-3 months, and 12-month-ahead inflation expectations of households.

¹ Latest Version of Sectoral Inflation Expectations Report

Chart IV.3.1.2: TLREF, CPI, PPI, Household Inflation Expectations and Evolution of Deposit Rates with a Maturity of 1-3 Months (Annual, %)

Moreover, floating-rate deposit products are expected to facilitate banks' interest rate risk management. Approximately half of Turkish lira securities, which constitute 16% of banks' Turkish lira assets, are indexed to TLREF and CPI. Furthermore, approximately half of the TL loans, which constitute 50% of banks' TL assets, are floating-rate loans (loans linked to an index such as TLREF and CPI, revolving loans where the bank can unilaterally change interest rates during the term, etc.). Therefore, while floating-rate products account for a high proportion of banks' TL assets, the relatively low share of floating-rate products in their TL liabilities creates an imbalance.

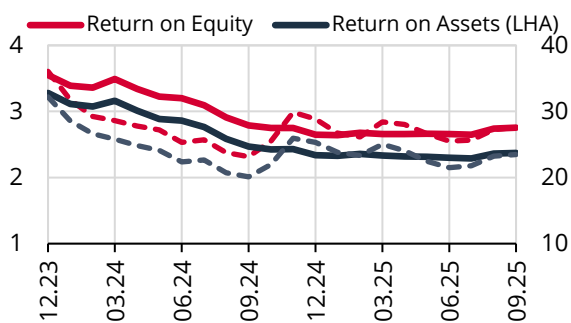
To conclude, the spread of floating-rate TL deposit products is expected to increase product diversity in this area, which in return will boost TL savings, and contribute to financial stability. In this context, we believe that shortening the minimum 3-month term requirement, which was a fundamental constraint for depositors wishing to choose such products, could increase interest in floating-rate deposit products. Furthermore, it is considered that setting the reserve requirement ratio lower than that of short-term fixed-rate TL deposit accounts, with the aim of encouraging banks to offer such products, could contribute to the proliferation of floating-rate deposit products. Following the amendments, the evaluation of some of the requests submitted by banks to open floating-rate TL deposit products has been completed, and banks have started to offer these products.

IV.4 Profitability and Capital Adequacy

Profitability improved in the third quarter after flattening out in the second quarter due to rate increases.

The sector's annualized return on equity and return on assets, which stood at 23.2% and 2%, respectively as of third quarter of 2024, rose to 27.6% and 2.3%, respectively, in the third quarter of 2025 (Chart IV.4.1). Additionally, banks with above-30% profitability are expanding their share in the sector (Chart IV.4.2).

Chart IV.4.1: Return on Equity and Assets
(12-Month, %)

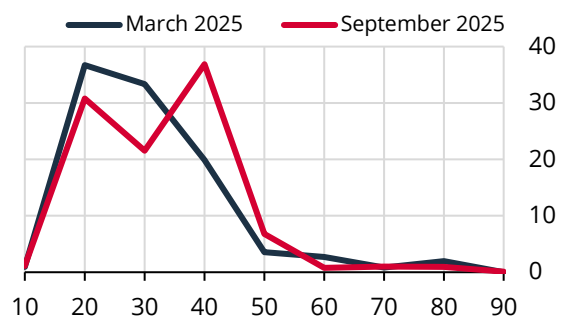


Source: CBRT

Last Observation: 09.25

Note: Dashed lines show annualized three-month rates of the relevant series.

Chart IV.4.2: Distribution of Return on Equity
(12-Month Return on Equity, % Asset Share)



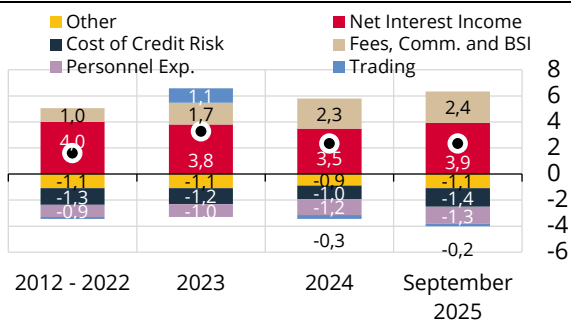
Source: CBRT

Last Observation: 09.25

While the contribution of net interest income to the recovery in bank profitability increases, the cost of credit risk stands out as an item that negatively impacts profitability.

In 2025, as a result of the significant improvement in the net interest income, the contribution of net interest income to return on assets increased by 0.4 percentage points to 3.9%, compared to 2024. On the other hand, the cost of credit risk increased by 0.4 percentage points in 2025, thereby limiting the improvement in asset profitability. The strong performance in fees and commissions income was maintained (Chart IV.4.3). Regarding the quarterly performance of the sector's profitability, the increase in net interest income have become more pronounced in the third quarter of 2025. The decline in the CBRT's funding rates since June has had a positive impact on the net interest income. Meanwhile, the cost of credit risk rose in the first two quarters of the year but declined in the third quarter (Chart IV.4.4).

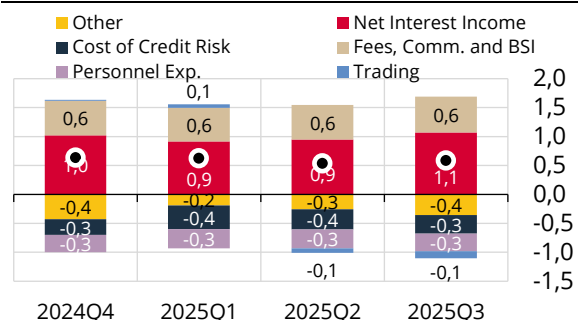
Chart IV.4.3: Components of Return on Assets
(Annual, % Points)



Source: CBRT

Last Observation: 09.25

Chart IV.4.4: Components of Return on Assets
(3-Month, % Points)



Source: CBRT

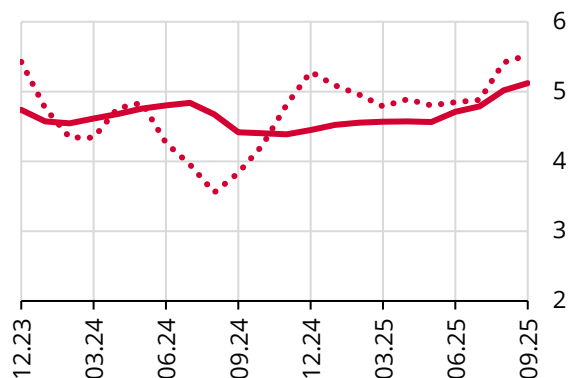
Last Observation: 09.25

Note: Profits from capital market and foreign exchange transactions are defined as trading profit. Profit from capital market transactions is the sum of profits from trade of securities, commissions for buying/selling bonds and stocks, income from securities mutual fund, profit and loss sharing certificates, income linked securities, and revaluation gains. Profit from foreign exchange transactions is the sum of arbitrage profits, profits from foreign exchange buying/selling and revaluation, profits from precious metal buying/selling and revaluation, increase in the value of principal amount of FX-indexed loans and financial leasing receivables and FX indexed securities due to increase in foreign exchange rates. Cost of credit risk is the sum of general and specific loan provisions. Other profit/loss is mostly composed of non-interest income and expenditure items. Data for September 2025 shows the annualized value.

The decline in deposit rates contributed to the recovery in the net interest margin.

Having declined to 3.6% in August 2024, the three-month annualized net interest margin rose to 5.5% as of September 2025. The improvement in the net interest margin was especially notable in the third quarter of the year, driving the 12-month net interest margin above 5% (Chart IV.4.5). The increase in net interest margin in 2025 was largely due to the decline in deposit costs. Additionally, the growth in net interest income was supported by the fact that the return on loans remained close to the 2024 level and other interest income increased (Chart IV.4.6).

Chart IV.4.5: Net Interest Margin
(Annual, %)

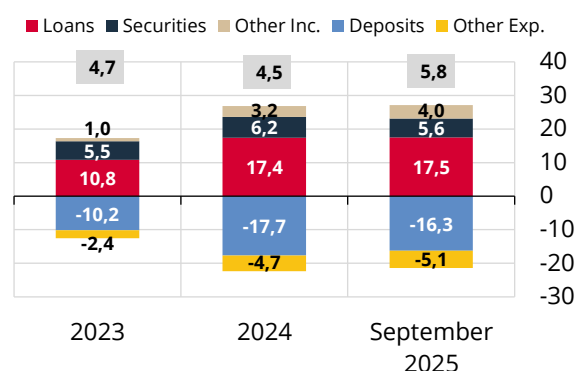


Source: CBRT

Last Observation: 09.25

Note: Net interest margin is the ratio of net interest income to interest-bearing assets. Dashed line shows the annualized three-month net interest margin.

Chart IV.4.6: Components of Net Interest Margin
(Annual, %)



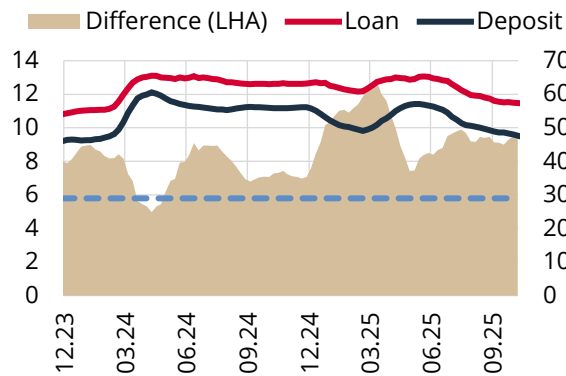
Source: CBRT

Last Observation: 09.25

Note: Data for September 2025 shows the annualized value. Other interest income includes interest income from banks, money market transactions, reverse repo transactions, as well as financial leasing income, and other interest and interest-like income.

The flow loan-deposit rate spread surpassed its long-term average as of June, and this was quickly reflected in the outstanding loan-deposit rate spread.

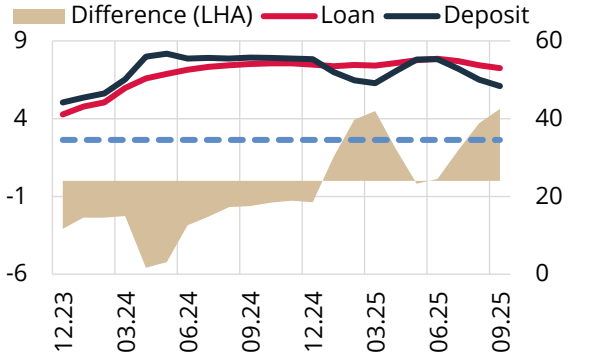
The increase observed in the CBRT weighted average cost of funding in the second quarter of 2025 was the driver behind the decline in flow loan-deposit rate spread, while the fall in funding costs in the second half of the year led to an increase in the spread again (Chart IV.4.7). Moreover, the stock loan deposit rate spread appears to respond quickly to rate cuts. On the loans front, which tends to have longer maturities than deposits, the decline in flow interest rates had a limited impact on stock interest rates. On the other hand, the fall in TL deposit rates, which are mostly renewed at 1–3-month maturities, has been reflected in stock deposit rates to a similar extent (Chart IV.4.8).

Chart IV.4.7: TL Loan – Time Deposit Rate Spread (4-Week Average, Flow, %)

Source: CBRT

Last Observation: 07.11.25

Note: Loan interest rates include interest rates on commercial loans, consumer loans, and credit cards. Dashed lines show historical averages of the 2012-2021 period.

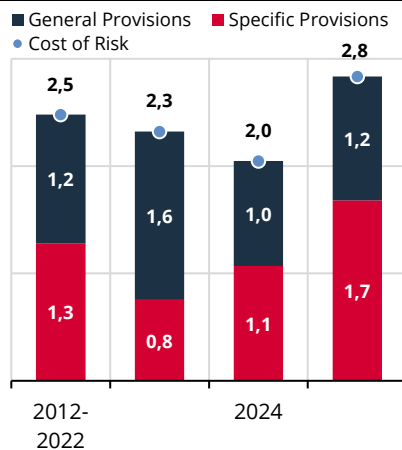
Chart IV.4.8: TL Loan – Time Deposit Rate Spread (Stock, %)

Source: CBRT

Last Observation: 09.25

While the cost of credit risk increased due to special provisions for non performing loans, the strong performance in fees, commissions, and services income, which remained above historical averages, continued to support the sector's profitability.

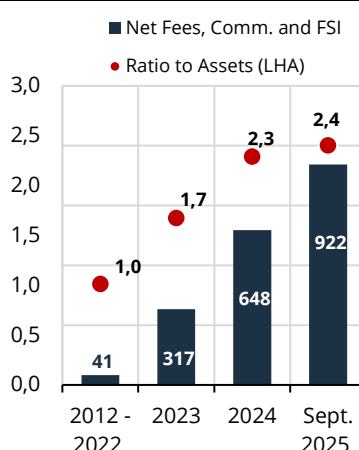
General provisions, one of the components of the cost of credit risk, hovered close to the historical average in 2025, while, the cost of credit risk driven by special provisions for non performing loans increased by 0.6 percentage points in 2025 due to the increase in NPL additions (Chart IV.4.9). Income from credit card transactions was instrumental in net fees, commissions, and banking services income surpassing historical averages. Following a sharp rise last year, these revenues have been maintained at their 2024 level this year. Fees and commission income from other transactions remained close to historical averages (Chart IV.4.10 and Chart IV.4.11).

Chart IV.4.9: Cost of Credit Risk (Annual, %)

Source: CBRT

Last Observation: 09.25

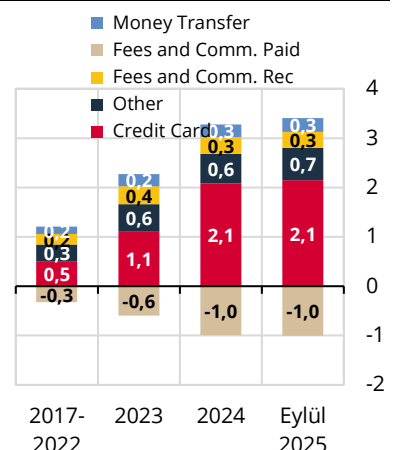
Note: The cost of risk is the ratio of annual special provisions for non performing loans and general provisions to the average gross loan amount for the respective period. Provision cancellations related to provisions have not been taken into account. The 2025 data is annualized.

Chart IV.4.10: Fees and Commissions Income (Annual, TRY Billion, %)

Source: CBRT

Last Observation: 09.25

Note: Shows the difference between the fees, commissions, and banking services income and the fees and commissions paid. The 2025 data is annualized.

Chart IV.4.11: Distribution of Fees and Commissions Income (Annual, %)

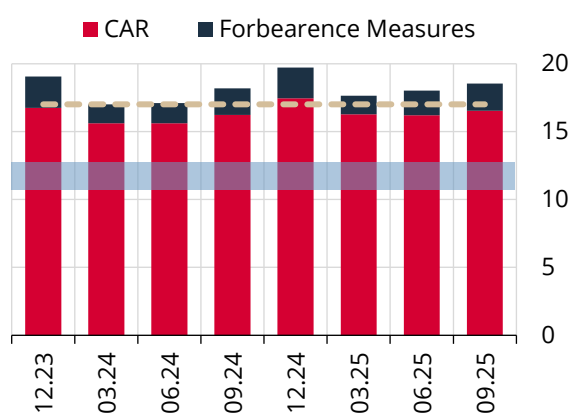
Source: CBRT Last Observation: 09.25

Note: Shows the difference between the fees, commissions, and banking services income and the fees and commissions paid. Calculated as the ratio of assets. The 2025 data is annualized.

The banking sector's capital adequacy ratios (CAR) are above the regulatory thresholds, indicating a strong capital structure for the sector.

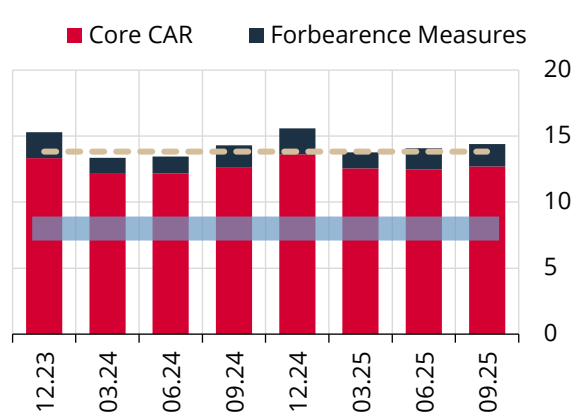
As of September 2025, the banking sector's capital adequacy ratio (CAR) and core CAR stood at 18.5% and 14.4%, respectively. The forbearance measures, which were introduced by the BRSA regarding exchange rates and negative net valuation differences of securities for capital ratio calculations, are still in place. As the difference between the exchange rates used in the capital adequacy calculation and the current exchange rates widened compared to the previous reporting period, the impact of the BRSA's temporary forbearance measures on headline capital ratios has increased. Excluding temporary forbearance measures, the sector's CAR is 16.6% and its core CAR is 12.7%, marking a limited increase in capital adequacy ratios compared to the previous reporting period (Chart IV.4.12 and Chart IV.4.13).¹ The capital adequacy ratios of all banks remain above the regulatory limits and close to the long-term average.

Chart IV.4.12: Capital Adequacy Ratio (%)



Sources: BRSA, CBRT Calculations

Chart IV.4.13: Core Capital Adequacy Ratio (%)



Last Observation: 09.25

Note: Red bars indicate CAR and core CAR excluding BRSA forbearance measures. The lower bound of the shaded area shows the minimum legal ratio including the capital conservation buffer, and the upper bound of the shaded area shows the minimum legal ratio including the capital buffer of systemically important banks. The dashed lines show average of 2012-2022 in the Capital Adequacy Ratio chart, and average of 2014-2022 in the Core Capital Adequacy Ratio.

Credit risk weights are aligned with international standards.

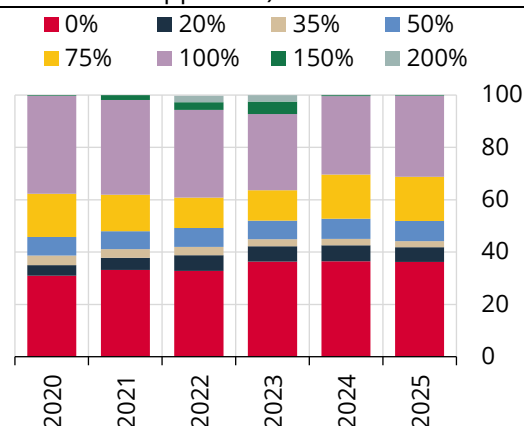
Credit risk weights applied prudently to credit cards, vehicle loans, consumer loans, and housing loans were lowered to Basel standards in September 2024, and those applied to commercial loans were lowered in December 2024 (Table IV.4.1). Thus, with the changes made to risk weights, the share of items subject to 150% and 200% risk weights in the distribution of risk-weighted items has declined to a negligible level (Chart IV.4.14).

¹ Legal ratios are the sum of bank-specific countercyclical capital buffer, capital conservation buffer, and systemically important bank buffer ratios, in addition to the minimum ratio of 8% as per Basel III regulations. In Türkiye, the countercyclical capital buffer ratio is 0%, the capital conservation buffer ratio is 2.5%, and the systemically important bank buffer ratio is between 1% and 2%. Thus, the minimum consolidated ratios that banks are required to meet for CAR vary between 10.5% and 12.5% depending on the systemic importance of the bank. On the other hand, these ratios may be slightly higher when calculated based on the countercyclical capital buffer determined with reference to banks' exposures in other jurisdictions.

Table IV.4.1: Credit Risk Weights (%)

	Basel Practice	Pre-Regulation	19.09.2024	19.12.2025
Credit Cards				
1-6 month (inc.) maturity	75	150	75	75
> 6-month maturity	75	150	75	75
Vehicle Loans				
All maturities	75	150	75	75
General Purpose Loans				
1-12 month (inc.) maturity	75	150	75	75
>1-year maturity	75	150	75	75
Housing Loans				
First house	35	35	35	35
Other houses	35	150	35	35
Commercial Loans				
Large Firms	100	200	200	100
SME	75	75	75	75

Source: BRSA

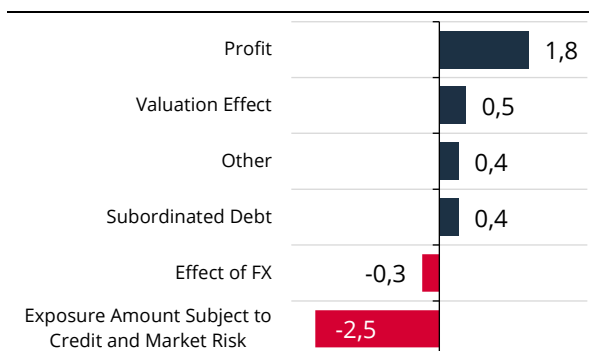
Chart IV.4.14: Distribution of Risk-Weighted Items for Credit Risk by Risk Weights (% Standardized Approach)

Source: CBRT, BRSA

Last Observation: 09.25

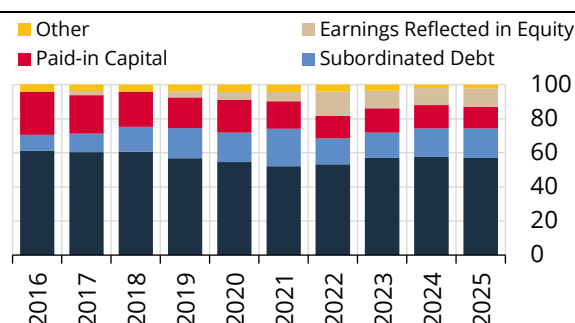
Banks continue to support their capital adequacy ratios through profit generation and issuance of external subordinated debt instruments.

Banks' regulatory capital has been increasing, and profitability has continued to be the most important factor supporting capital adequacy. In the March 2025-September 2025 period, bank profits increased the CAR by 1.8 points, while the rise in risk-weighted items, mostly risk weighted assets for credit risk, reduced the ratio by approximately 2.5 points. Along with other factors supporting the CAR, a limited increase in the CAR was observed, excluding BRSA forbearance measures (Chart IV.4.15). Core capital accounts for 77% of the banking sector's regulatory capital. Although the share of profits and reserves declined by 0.8 percentage points compared to the previous reporting period, it continues to be the main component of core capital with a 57.5% share. The share of subordinated debt instruments (SDI), which has been increasing since the first quarter of 2023, rose by 0.5 percentage points compared to March and reached to 17.8%. In the second and third quarters of 2025, banks issued a net USD 2.5 billion worth of SDI, thus the SDI balance was USD 16.5 billion as of September 2025. Banks' net SDI issuance increased by USD 3.6 billion in the period between September 2024 and September 2025. The rise in the share of SDI is attributed to the improvement in foreign financing opportunities, increased demand from foreign investors, and banks' diversification of foreign financing instruments. During the same period, the share of paid-in capital decreased by 0.7 percentage points, while the share of earnings reflected in equity increased by 1 percentage point (Chart IV.4.16).

Chart IV.4.15: Contributions to Change in CAR (Excluding BRSA Forbearance Measures, %)

Sources: BRSA, CBRT

Note: Excluding forbearance measures, the sector's CAR, which was 16.3% in March 2025, increased to 16.6% in September 2025. Operational risk-based amount remained the same throughout the year and had no impact on the CAR change.

Chart IV.4.16: Composition of Regulatory Capital (%)

Sources: BRSA, CBRT

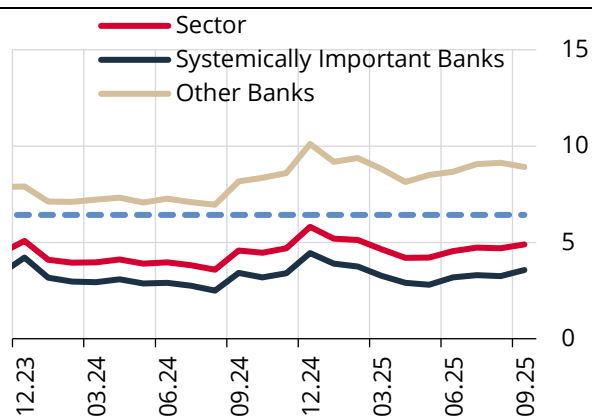
Last Observation: 09.25

Note: Share premiums are included in paid-in capital. "Other" covers other equity items, with general provisions having a larger weight.

The increase in banks' capital buffers continues.

In the second half of 2025, banks' excess capital as well as the ratio of excess capital to risk-weighted assets increased. Banks' keeping of excess capital buffers above the regulatory limits enhances their capacity to withstand risks and shocks that may occur in the short and medium term, while contributing to banks' ability to provide steady funding to households and firms during periods of economic slowdown and contraction (Chart IV.4.17 and Chart IV.4.18). Banks' loss-absorbency capacity is bolstered not only by capital buffers but also by discretionary free provisions.

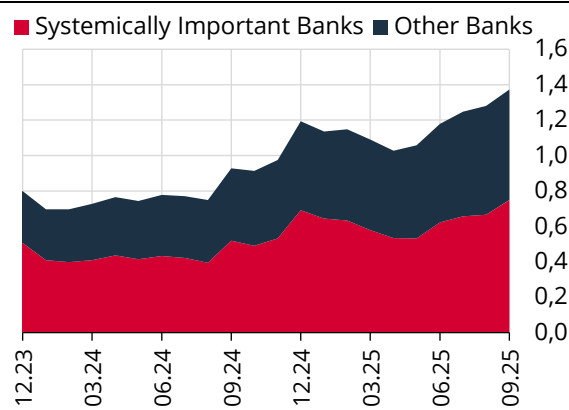
Chart IV.4.17: Banks' Excess Capital Buffer (%)



Sources: BRSA, CBRT

Note: CARs excluding BRSA forbearance measures are used. The calculation of excess capital buffers includes the systemically important bank buffer, capital conservation buffer, and bank-specific countercyclical capital buffer in addition to the 8% regulatory limit. The excess capital buffer ratio is calculated as the ratio of capital held by banks in excess of the capital they are required to hold to risk-weighted assets. The dotted line in the left chart represents the average for the years 2014-2022.

Chart IV.4.18: Banks' Excess Capital Buffer (TRY Trillion)



Last Observation: 09.25

Box IV.5: Steps for Effective Functioning of Financial Markets

This box presents, under main headings, a summary of measures and policy steps implemented in the current reporting period to strengthen macro-financial stability and contribute to the functioning of market mechanisms.

Table IV.5.1: Key Measures and Regulations for Financial Markets

1. Policy Rate and Central Bank's Liquidity Management

Announcements / Regulation Date	Measure / Regulation
11.06.2025	The FX collateral deposit buying rate was reduced from 2.25% to 2% for the euro for all maturities.
19.06.2025	The one-week repo auction rate was kept unchanged at 46%.
24.07.2025	The one-week repo auction rate was reduced from 46% to 43%.
11.09.2025	The one-week repo auction rate was reduced from 43% to 40.5%.
18.09.2025	The FX collateral deposit buying rate was reduced from 4.25% to 4% for the USD for all maturities. The remuneration rate paid for the excess amount over required reserves for notice FX deposit accounts was decreased from 3% to 2.75%.
30.10.2025	The FX collateral deposit buying rate was reduced from 4% to 3.75% for the USD for all maturities.
23.10.2025	The one-week repo auction rate was reduced from 40.5% to 39.5%.

2. Reserve Requirements

Announcements / Regulation Date	Measure / Regulation
09.06.2025	The decision to temporarily suspend the KKM-to-TL transition target was extended for another period.
21.06.2025	The reserve requirement ratio for the accounts provided with exchange rate/price protection with maturities up to (and including) six months was raised from 33% to 40%. The reserve requirement ratio for Consumer Price Index-, Producer Price Index-, and Turkish Lira Overnight Reference Rate (TLREF)-indexed floating-rate accounts was set at 10% for all maturities. The additional reserve requirement ratio for FX-denominated deposits/participation funds (excluding deposits/participation funds from banks abroad and precious metal deposit accounts) maintained in TL was reduced from 4% to 2.5%.
21.06.2025	The target for transition of KKM accounts to TL was abolished. Effective from the calculation date of August 1, 2025: - The monthly growth target for real-person TL shares for banks with a share below 45% was increased to 1.4 percentage points, - The monthly growth target for real-person TL shares for banks with a share between 45% and 50% was increased to 1.2 percentage points, - The monthly growth target for real-person TL shares for banks with a share between 50% and 60% was increased to 0.8 percentage points and, - A monthly growth target of 0.4 percentage points was introduced for real-person TL share for banks with a share between 60% and 65%.
04.07.2025	The total target for KKM accounts' transition to TL and renewals was reduced from 60% to 40%.
16.08.2025	The calculation periods of the loan growth-based reserve requirement practice were adjusted from a four-week cycle to an eight-week cycle. Within this framework, loan growth limits were established at double the current ratios for eight-week periods.
	The total target for KKM accounts' transition to TL and renewals was abolished.

23.08.2025	The commission rate of 4.5% applied annually based on the TL share was raised to 6% in total, up from 3% to 4% for real persons and from 1.5% to 2% for real persons.
17.10.2025	The monthly growth targets for real-person TL deposit shares were reduced: - To 0.3 percentage points for banks with a share between 60% and 65%, - To 0.6 percentage points for banks with a share between 50% and 60%, and - To 1 percentage point for banks with a share below 50%.
3. Rediscount and Advance Loans	
Announcements / Regulation Date	Measure / Regulation
23.06.2025	The necessary adjustments were made to extend the advance loans against investment commitments at floating rates that reflect the changes in CBRT's policy rates.
10.10.2025	The necessary adjustments were made to extend the advance loans against investment commitments at a fixed interest rate, in addition to the floating rate.
01.11.2025	The daily limit for TL-denominated rediscount credits for export and foreign exchange earning services was raised from TRY 4 billion to TRY 4.5 billion, while the daily limit for firms was increased from TRY 45 million to TRY 60 million.
01.11.2025	The limit for FX rediscount loans extended with the guarantee of credit guarantee institutions was increased from USD 800 million to USD 1 billion.
01.11.2025	The commitment not to purchase FX for TL-denominated rediscount loans was terminated. Instead, firms are now subject to a commitment to maintain their FX position ratios at 10% or below for the duration of the loan term. The limit for firms for FX rediscount loans extended with the guarantee of credit guarantee institutions was increased from USD 1.5 million to USD 5 million.
4. Deposits / Participation Funds and Payment Systems	
Announcements / Regulation Date	Measure / Regulation
21.06.2025	The minimum interest rate applicable to KKM accounts was reduced from 50% to 40% of the policy rate.
21.06.2025	Floating-rate TL deposit accounts, which are available for maturities of at least three months, can now be opened with maturities longer than one month.
23.08.2025	The opening and renewal of KKM accounts (excluding YUVAM accounts) were terminated.
18.09.2025	Effective November 1, 2025, merchant fees charged by banks to commercial clients were differentiated according to the card type. Accordingly, the maximum merchant fee for transactions made with debit cards was reduced to 1.04% and the maximum blockage period was reduced to 15 days.
5. Loan Regulations	
Announcements / Regulation Date	Measure / Regulation
11.07.2025	Pursuant to the BRSA Board Decision No. 11240 of July 10, 2025, - As of the decision date, the outstanding balances (including pending deferred transactions) of personal credit cards, whose term debt has not been paid in full or in part on the due date or which have been restructured, may be restructured for a maximum of 48 months if requested by the cardholders within 3 months from the date of the decision. - The outstanding balances, as of the restructuring date, of general-purpose loans (including ODA), which are extended before the date of the decision and whose principal and/or interest payments are overdue as of the date of the decision, may be restructured for a maximum period of 48 months without granting any additional loans, if requested by the debtor within 3 months from the date of this decision.
12.07.2025	Pursuant to the BRSA Board Decision No. 11240 of July 10, 2025, the monthly contractual interest rates applicable upon restructuring personal credit card debts shall be capped at the monthly reference rate (3.11%).

25.07.2025	Effective from August 1, 2025, the maximum monthly interest rate applied at 3.5% for personal credit cards with a term debt balance below TRY 25 thousand will remain unchanged, while other maximum monthly interest rates to be applied to credit card transactions in TL will be reduced by 25 basis points. Accordingly, the maximum monthly contractual interest rates are as follows: - 4% for personal credit cards with a term debt balance between TRY 25 thousand and TRY 150 thousand, - 4.50% for personal credit cards with a term debt balance over TRY 150 thousand as well as for corporate credit cards irrespective of their term debt amount, and - 4.75% for cash withdrawals or utilization transactions and overdraft accounts.
18.09.2025	Effective from November 1, 2025, the maximum credit extension fees charged by banks to commercial clients was changed to 1.1% for all types of cash loans, and the maximum credit allocation fee was changed to 0.20%.
18.09.2025	Effective from October 1, 2025, the maximum monthly contractual interest rate applied to cash withdrawals or utilization transactions and overdraft accounts in TL was reduced by 25 basis points to 4.50%.
6. Other Regulations	
Announcements / Regulation Date	Measure / Regulation
09.07.2025	Pursuant to Presidential Decree No. 10041, - For the interest income from deposit accounts and the participation banks' profit rates for participation accounts, the withholding rate on demand and notice accounts and accounts with maturities up to (and including) six months was increased from 15% to 17.5%, and on accounts with maturities up to (and including) one year from 12% to 15%. - The withholding rate on earnings from participation shares of mutual funds was increased from 15% to 17.5%.
18.07.2025	Pursuant to Presidential Decree No. 10094, - The RUSF levy on loans extended by banks and financing firms was set at 1% for FX and gold loans and 0% for other loans. - The aforementioned levy was set at 0% for domestic FX loans extended to factoring companies and financial leasing companies.
01.08.2025	The requirement to sell at least 35% of export proceeds to the CBRT was extended until October 31, 2025.
01.08.2025	The implementation that set the rate of FX conversion support to promote conversion of firms' FX export proceeds to the TL as 3% was extended until October 31, 2025.
01.08.2025	Pursuant to Presidential Decree No. 10154, the temporary implementation of 0% withholding tax on income from government bonds, Treasury bills, and lease certificates issued by asset leasing companies established by the Treasury was extended until December 31, 2025.
07.08.2025	The scope of SMEs was expanded by raising the net sales revenue or financial balance sheet upper limit included in the SME definition from TRY 500 million to TRY 1 billion.
01.11.2025	The implementation that set the rate of FX conversion support to promote conversion of firms' FX export proceeds to the TL as 3% was extended until April 30, 2026.
01.11.2025	The requirement to sell at least 35% of export proceeds to the CBRT was extended until April 30, 2026.
13.11.2025	The monthly overdue penalty rate applied to unpaid public receivables was reduced from 4.5% to 3.7%.

Abbreviations

USA	United States of America	IIF	Institute of International Finance
WAFC	Weighted Average Funding Cost		
OMO	Open Market Operations	CCI	Construction Cost Index
BRSA	Banking Regulation and Supervision Agency	PCC	Personal Credit Card
		LDR	Loan-to-Deposit Ratio
NBFI	Non-Bank Financial Institutions	PDP	Public Disclosure Platform
IPS	Individual Pension System	HPI	House Price Index
BIS	Bank for International Settlements	KKB	Credit Bureau of Türkiye
		KKDF	Resource Utilization Support Fund
BIST	Borsa İstanbul		
PCC	Personal Credit Card	KKM	FX-Protected Deposit
bps	Basis points	ODA	Overdraft Account
CDS	Credit Default Swap	MRB	Market Risk Basis
GDS	Government Debt Securities	SME	Small and Medium-Sized Enterprise
DDM	FX-Converted Deposit		
GDDS	Government Domestic Debt Securities	DIB	Development and Investment Bank
		ST	Short-Term
PMC	Pension Monitoring Center	LIBOR	London Interbank Offered Rate
EVDS	Electronic Data Delivery System	LCR	Liquidity Coverage Ratio
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization	MKK	Central Securities Depository of Türkiye
Fed	Federal Reserve System		
FECR	Financial Expenses Coverage Ratio	ODMD	Automotive Distributors' and Mobility Association
FRED	Federal Reserve Economic Data	AES	Auto Enrollment System
RA	Revenue Administration	Avg.	Average
EME	Emerging Market Economy	MMF	Money Market Fund
GDP	Gross Domestic Product	MRB	Market Risk Basis
FV	Fair Value	SFR	System's Funding Requirement
FVTOCI	Securities at Fair Value Through Other Comprehensive Income	SSI	Social Security Institution
		SOFR	Secured Overnight Financing Rate
FVTPL	Securities at Fair Value Through Profit of Loss		
		LHA	Left-Hand Axis
AE	Advanced Economy	S&P	Standard & Poor's
MA	Moving Average		
WMA	Weekly Moving Average	CAR	Capital Adequacy Ratio

CBRT	Central Bank of the Republic of Türkiye
TEFAS	Türkiye Electronic Fund Trading Platform
TFRS	Turkish Financial Reporting Standards
NPL	Non-Performing Loan
TL	Turkish lira
TLREF	Turkish Lira Overnight Reference Rate
SDIF	Savings Deposit Insurance Fund
TMM	Takasbank Money Market
CPI	Consumer Price Index
TURKSTAT	Turkish Statistical Institute
UIP	Uncovered Interest Rate Parity
PPI	Producer Price Index
etc.	et cetera
VIX	Chicago Board Options Exchange Volatility Index
AMC	Asset Management Company
FX	Foreign Exchange
FXNGP	Foreign Exchange Net General Position
YUVAM	Deposit and Participation Scheme for Non-Resident Turkish Citizens
RR	Reserve Requirement
RUSF	Resource Utilization Support Fund