FINANCIAL STABILITY REPORT

2026-I

May 22, 2026

TÜRKİYE CUMHURİYET MERKEZ BANKASI

Foreword

We are sharing with the public the latest volume of our Financial Stability Report, in which we summarize the recent developments in financial stability.

During this Report period, tight financial conditions have continued to support the rebalancing of domestic demand and the disinflation process.

Although loan growth has picked up moderately in the recent period, credit composition is changing in line with the recently introduced macroprudential measures. Foreign currency loan growth has remained broadly flat at low levels, while unsecured retail loan growth has slowed. Loan and deposit pricing continues to move in tandem with our monetary policy decisions.

While foreign investors' interest in Turkish Lira assets has followed a volatile course under the influence of geopolitical developments, residents' interest in Turkish lira investment instruments has continued to remain strong. During this period, external developments and uncertainties were effectively managed through the monetary policy, liquidity and reserve management tools we proactively deployed.

Notably, with the rise in the country risk premium remaining limited, the positive outlook in external financing conditions for the banking and corporate sectors is maintained. While the gradual rise in credit risk of the banking sector continues, strong liquidity and capital buffers continue to support financial stability.

I hope that the 42nd 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

Recent escalations in geopolitical risks have driven commodity prices higher, amplifying uncertainties surrounding the global inflation outlook. Government bond yields in advanced economies (AEs) remained elevated, fueled by ongoing concerns over public debt sustainability and a deteriorating inflation outlook. Emerging market economy (EME) government bond yields rose above their historical averages due to persistent volatility in energy markets and underlying external financing vulnerabilities. Fund flows toward EMEs remain highly sensitive to fluctuations in global risk appetite and inflation expectations.

While total loan growth exhibited a strong momentum compared to the previous report period, recently introduced macroprudential measures have changed the loan composition. Loan rates moved in tandem with the CBRT monetary policy steps; driven by rising funding costs, both commercial and retail loan rates have been on a rising trend. The credit composition continues to shift in favor of the Turkish Lira (TL), supported by robust growth in TL commercial loans and a subdued pace in foreign currency (FX) loan growth. Furthermore, targeted macroprudential tightening has effectively reined in the growth rates of personal credit cards (PCC) and overdraft accounts (ODA).

Although the banking sector's asset quality indicators point to a marginal deterioration, the rise of credit risk in retail loans has slowed down. This moderation was driven significantly by the restructuring facilities introduced for general-purpose loans and PCC. While non-performing loan (NPL) ratios in SME loans maintained their upward trajectory, the overall risk profile of commercial loans continues to decouple favorably from retail loans. Recently, the formation of new NPLs has slowed across both retail and commercial segments, accompanied by a slight improvement in collection performance. The impact of credit risk on bank balance sheets remains contained, with the banking sector maintaining its prudent stance through a high provisioning policy.

In line with tight financial conditions, corporate sector indebtedness remains well below its historical average. Despite heightened geopolitical risks and global financial uncertainties, corporate external debt roll-over rates have demonstrated remarkable resilience. Financial leverage ratios and the ratio of net FX short positions to total exports remain well below historical averages. While FX loans are heavily concentrated among large-scale enterprises, TL financing exhibits a highly diversified and well-distributed structure across the wider economy. The share of TL assets in the corporate sector’s portfolio remains dominant, with a sustained expansion in fund accounts. Publicly traded companies experienced a slight moderation in their profitability and liquidity indicators.

Macroprudential regulations continue to exert a stabilizing effect on household leverage. The upward trend in the share of short-term and unsecured loans has halted, while housing loan growth experienced a mild acceleration. Recent macroprudential interventions have successfully reined in limit and balance growth for PCC and overdraft accounts ODA. In terms of asset allocation, households maintained a strong preference for TL deposits; however, sharp increases in precious metal prices led to a higher share of gold and precious metal accounts within the broader FX deposit mix. Additionally, the household trend toward diversifying savings via alternative financial assets—such as mutual funds and pension plans—remains intact.

Despite geopolitical fluctuations creating volatility in the financial system's funding needs, the CBRT’s active liquidity management ensured that market rates remained closely aligned with the targeted monetary policy stance. The shift toward TL deposits remained robust, while the demand for FX deposits was limited. The sector's Liquidity Coverage Ratio (LCR) stands significantly above legal thresholds, confirming that banks possess a strong capacity to meet short-term cash outflows. The asset-liability maturity mismatch in the banking sector narrowed, and the standard ratio for interest rate risk arising from banking books remained safely above the minimum statutory limits across all institutions.

The positive outlook in banks’ external financing conditions is being maintained, while the impact of geopolitical risks on external borrowing conditions has remained limited. External debt rollover rates in the banking sector continue to remain high. The limited rise in the country risk premium despite geopolitical developments supports the banking sector against potential volatility. Notably, syndication loan transactions executed in the second quarter of the year saw a decline in costs, with rollover rates exceeding 100%.

Banks continue to fortify their capital adequacy metrics through robust internal capital generation and the successful issuance of subordinated debt instruments. Rising funding costs since March have slowed the expansion of net interest margins, while escalating credit risk costs exerted downward pressure on earnings. Sustained momentum in net fee and commission income continued to support overall sector profitability. Despite the unwinding of temporary regulatory flexibilities and the rise in TL government domestic debt securities yields in March, capital adequacy ratios remained comfortably above statutory limits and close to long-term averages. Banks' free provisions set aside alongside standard capital buffers continue to bolster the sector's loss-absorption capacity.

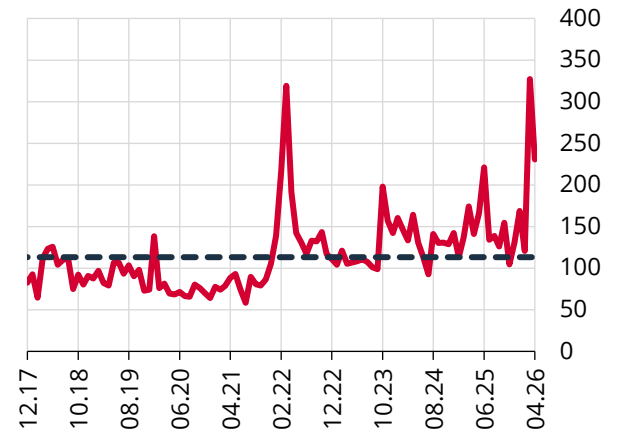
A growing shift toward investment funds and alternative financing channels has expanded the footprint of non-bank financial institutions within the system. While the proliferation of alternative financing models and the diversification of investment vehicles catalyze financial deepening and the efficient allocation of savings, this expansion inherently strengthens the interconnectedness of the non-bank financial sector with the real economy, the banking system, and financial markets. As a result, monitoring these institutions has become important in the context of financial stability.

II. Global Financial Outlook

Due to recent geopolitical developments, volatility in global markets has increased, and geopolitical risk and volatility indices have hovered above their historical averages.

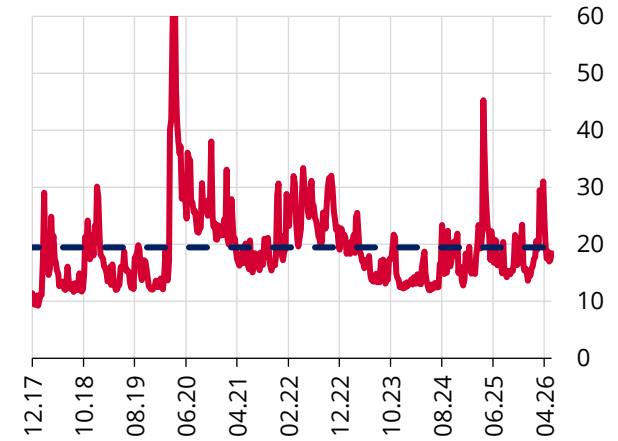
Due to the outbreak of the conflict in the Middle East and the persisting uncertainty regarding trade tariffs, the global geopolitical risk index has remained above its historical average (Chart II.1). At the same time, vulnerabilities in financial markets have persisted due to geopolitical developments and news flows related to global trade, and the VIX volatility index has risen above its historical average (Chart II.2). In April, the VIX index converged toward its historical average amid favorable news flows regarding the course of the war. It is considered that recent geopolitical developments have kept the possibility of tightening in global financial conditions, weakened the global economic outlook, and put pressure on risk appetite.

Chart II.1: Global Geopolitical Risk Index (Index)



Source: Caldara & Iacoviello (2022) Last Observation: 04.26
Note: Dashed line shows the average between 12.17–12.25.

Chart II.2: VIX Volatility Index (Index)

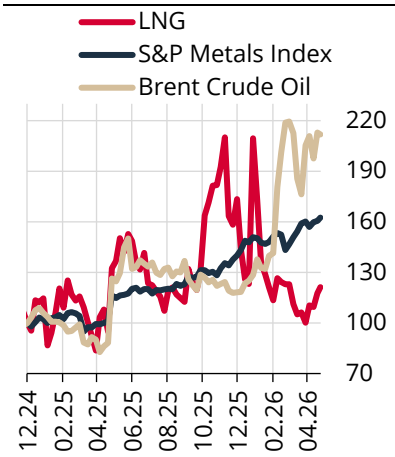


Source: Bloomberg Last Observation: 20.05.26

Prices of oil and its derivatives have risen due to geopolitical developments.

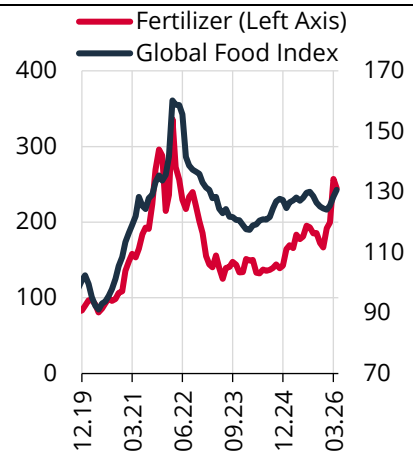
Despite the weak global growth outlook, the price of Brent crude has gained momentum due to uncertainties regarding energy supply and security following tensions in the Middle East (Chart II.3). While international food prices have remained moderate due to improved supply conditions, upside risks persist due to uncertainty regarding trade tariffs, weather conditions, and recent hikes in energy and fertilizer costs (Chart II.4). Precious metal prices edged down due to higher liquidity needs in an uncertain environment, yet they have maintained an upward trend due to uncertainty in trade policies, continued demand from central banks, and persistent geopolitical risks (Chart II.5). Accordingly, if the upward trend in energy prices persists, the global inflation outlook may deteriorate, and vulnerabilities regarding financial stability may increase, chiefly in energy-importing countries.

Chart II.3: Brent Oil, Liquefied Natural Gas and Metal Indices (Index, 27.12.2024=100)



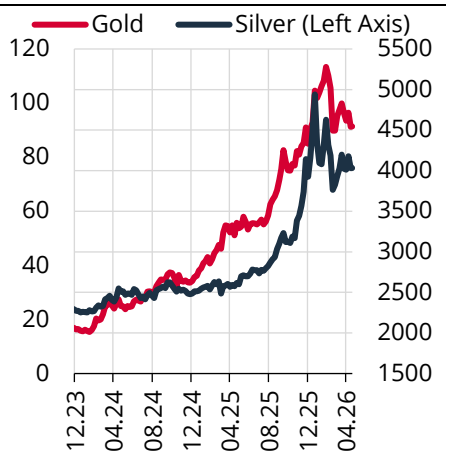
Source: Bloomberg Last Obs.: 20.05.26

Chart II.4: Fertilizer and Food Price Index (07.2010=100, Index)



Source: FAO, Bloomberg Last Obs.: 04.26

Chart II.5: Gold and Silver Prices (London Gold Bar Price, Ounce/USD)

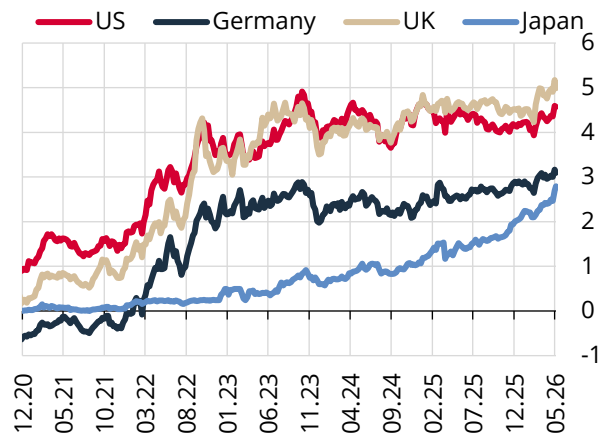


Source: Bloomberg Last Observation: 20.05.26

EMEs' bond yields remain at elevated levels due to concerns over public debt dynamics, mounting geopolitical risks, and uncertainties regarding monetary policy stance.

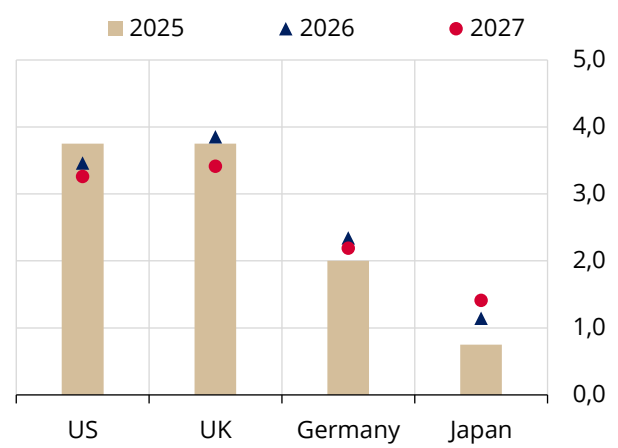
Driven by uncertainty in trade policies and rising geopolitical risks, emerging market economies' (EMEs) bond yields have increased moderately. In addition to global financial and political concerns, the persistence of fiscal vulnerabilities in EMEs is putting pressure on these countries' long-term bond yields (Chart II.6). In particular, U.S. long-term bond yields remain elevated due to concerns over the public debt stock, insufficiently anchored inflation expectations for the medium and long term, and expectations that the Fed will be cautious about rate cuts. While policy rate expectations for the end of 2026 point to a limited decline for the U.S., they signal rate hikes in the United Kingdom, the eurozone, and Japan due to upside risks to inflation (Chart II.7).

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



Source: Bloomberg Last Observation: 20.05.26

Chart II.7: AEs' Policy Rate Expectations (%, Weighted Average)



Source: Bloomberg
Note: The columns show the actual policy rates for the respective countries or regions as of the end of 2025. The dots represent the weighted average of policy rate forecasts for the respective countries or regions for the end of 2026 and 2027.

Due to tightening global financial conditions, ongoing uncertainty in energy markets, and vulnerabilities specific to emerging markets, EME bond yields are hovering above their historical average.

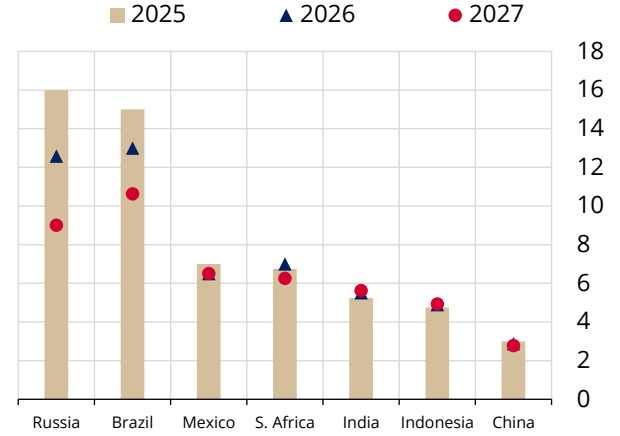
Rising energy prices, uncertainties regarding trade policies, and escalated geopolitical risks continue to pose upside risks to the vulnerabilities of EMEs, particularly to those that import commodities and have high external financing needs. Recently, bond yields in EMEs have risen in response to these developments (Chart II.8). In contrast, while policy rate expectations remain flat in EMEs with relatively improved inflation prospects, expectations in countries such as Russia and Brazil imply a downward trajectory due to the ongoing disinflation process (Chart II.9). Although short-term policy rate expectations in EMEs point to a downward trend, sensitivity to external financing conditions, the volatile nature of global risk appetite, and volatility in commodity prices are upside risk factors for these countries' bond yields and policy rates.

Chart II.8: EME Bond Yields (Index, %)

Source: Bloomberg Last Observation: 20.05.26

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.

Chart II.9: EMEs' Policy Rate Expectations (%, Weighted Average)



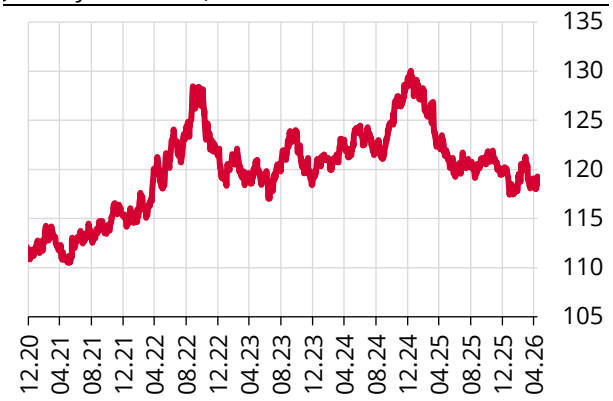
Source: Bloomberg

Note: The columns show the actual policy interest rates of the respective countries as of the end of 2025. The dots indicate the weighted average of policy interest rate forecasts for the respective countries as of the end of 2026 and 2027.

Amid the fluctuating global risk appetite, EMEs' CDS premiums and exchange rate volatility have increased.

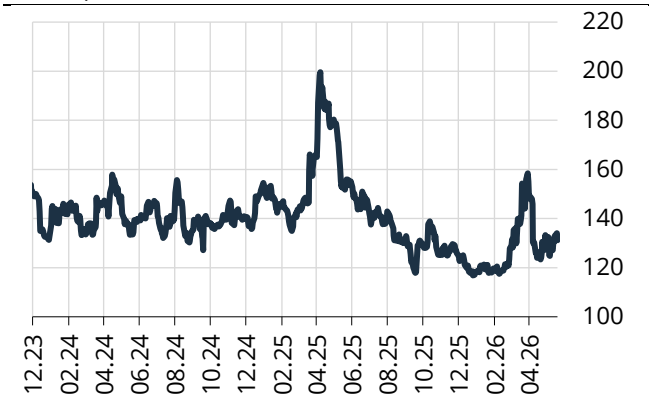
Due to geopolitical developments, the supply shock in oil prices, and rising liquidity needs as well as the USD's status as a safe-haven asset, the USD has appreciated somewhat, leading to a tightening of global financial conditions (Chart II.10). This has deteriorated the overall risk perception regarding EMEs, and their CDS premiums have risen (Chart II.11). Although risk premiums have declined with the start of ceasefire talks in April, EMEs remain vulnerable to potential liquidity shocks stemming from global uncertainties.

Chart II.10: US Broad Dollar Index (Nominal, January 2006=100)



Source: FRED Last Observation: 15.05.26

Chart II.11: CDS Premiums of EMEs (Average, Basis Points)

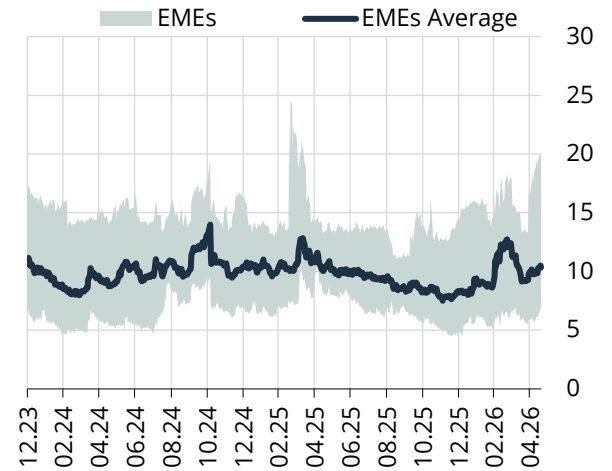


Source: Bloomberg Last Observation: 20.05.26
Note: EMEs include Türkiye, Brazil, Colombia, Indonesia, Mexico, South Africa, the Philippines, and Chile.

Fund flows to EMEs have been volatile, reflecting shifts in global risk appetite.

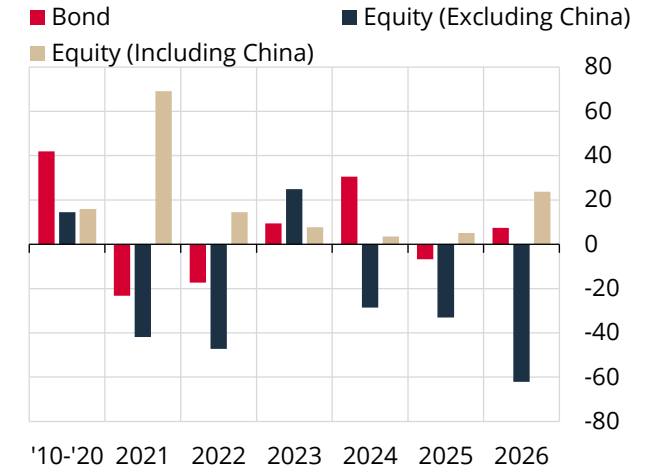
The implied volatility of options on EME currencies has also risen due to factors such as financial tightening and the appreciation of the USD (Chart II.12). Ongoing global uncertainties have affected not only exchange rate volatility but also capital flows into emerging markets. Due to rising geopolitical risks and the persistence of EMEs' vulnerability to external financing, capital outflows from EME equity and bond markets, excluding China, persist (Chart II.13). However, notable differences in capital flows exist across countries. Recently, net capital inflows have occurred in EMEs that are net energy exporters, and these countries have outperformed other EMEs. While capital flows to China remain sensitive to the country's growth outlook and policy measures, portfolio movements toward other EMEs will be driven by the trajectory of the USD, commodity prices, developments in trade policies, the growth performance of EMEs, and geopolitical risks.

Chart II.12: Exchange Rate Volatility Implied by Options (%, 1 Month)



Source: Bloomberg Last Observation: 20.05.26
Note: EMEs include Türkiye, Brazil, Colombia, Indonesia, Mexico, S. Africa, the Philippines and Chile.

Chart II.13: Fund Flows Toward EMEs (USD Billion)



Source: IIF Last Observation: 15.05.26
Note: The columns show the total capital flows for the respective year. The '10–'20 columns represent the average for the 2010–2020 period. The 2026 data represents the total of capital flows recorded up to the Last Observation date.

Box II.1: Effects of Geopolitical Risks on the Credit Market

Summary: *This study examines the potential effects of geopolitical risks on the credit market. In the first stage, a new index measuring firm-level exposure to geopolitical risks is developed by combining indicators of inter-country diplomatic positioning with export data from Turkish firms. In the second stage, microdata are used to investigate how geopolitical risks shape banks' credit supply behavior. The results indicate that firms likely to be more affected by geopolitical risks tend to borrow in smaller amounts, at higher interest rates, and with shorter maturities. The findings suggest that, in addition to economic dynamics, geopolitical developments also serve as an external factor shaping financial stability.*

Amid uncertainties in global political developments and regional conflicts, the direct and indirect effects of geopolitical risks on economic activity and financial stability have gained significance recently. Periodic political shocks can disrupt financial intermediation processes, thereby increasing firms' financing costs and undermining the effectiveness of the monetary transmission mechanism. The spillover effects of geopolitical developments on the credit market have negative secondary impacts, particularly on the real sector's investment appetite and employment trends. Recent empirical studies indicate that geopolitical risks and regional conflicts affect the trajectory of global bank credit and borrowing channels through disruptions in credit volume and terms, and complicate the monetary policy transmission (Avril et al., 2025; De Haas et al., 2025; Pradhan et al., 2025; Emter et al., 2026). However, these studies generally focus on the global banking system or examples from AEs and proceed by examining banks' sensitivity to political risks.

This box summarizes the findings of the study by Bölükbaş et al. (2026), focusing specifically on Türkiye as an example of an emerging market that is structurally more vulnerable to geopolitical shocks. The study employs a new index that tracks Turkish firms' sensitivity to geopolitical risks by combining micro-level export data with countries' voting tendencies at the United Nations (UN), rather than using mainstream indicators of geopolitical risk. This index varies over time for each exporting firm and takes on a value based on the firm's exposure to geopolitical risks in its destination country. In the study's second stage, the impact of these risks on credit supply during the 2009–2023 period is analyzed using micro-level credit data. The findings indicate that an increase in geopolitical risk sensitivity significantly restricts credit supply. Firms more exposed to risks borrow at higher costs and with shorter maturities. The findings suggest that geopolitical risk should also be considered an important external risk factor for the sustainability of financial stability.

Methodology and Data

Our study relies on data regarding external shocks related to geopolitical relations and voting patterns in the UN General Assembly, which measure diplomatic harmony among countries. In economics literature, there are recent studies examining the impact of political alignments tracked using this method on macroeconomic outcomes such as growth, investment, and foreign trade (Aiyar et al., 2024; Javorcik et al., 2024; Gopinath et al., 2025). In our analyses, we use the "dynamic ideal point" estimates derived from raw voting data reflecting countries' political views, as presented in the study by Bailey et al. (2017). This method allows for the comparison of political behavior across different periods and helps isolate the effects of a changing global agenda.

Methodologically, the approach is based on a Bayesian Ordinal Item Response Theory (IRT) model that treats UN draft resolutions as "test items." Essentially, it calculates the extent to which each resolution is discriminative and constraining regarding countries' political preferences. Subsequently, countries' positions in previous periods are used as prior information to filter out political changes from noise, and each country is assigned an ideal point score on the political spectrum. Increasing values reflect a liberal and pro-global system political perspective, while decreasing scores indicate system-opposing and statist structures with a strong emphasis on national sovereignty.

In the subsequent phases of the study, the aim was to reduce the geopolitical distance between countries to the firm level and convert it into a microeconomic risk measure. In this context, micro-level foreign trade statistics provided by the Ministry of Trade were utilized. Taking into account the foreign trade

networks of exporting firms, the share of different countries in each firm's total exports was calculated. The time-varying geopolitical risk (GPR) index at the firm-year level was constructed using the following formula:

$$GPR_{it} = \sum_{c \epsilon C} \left(\frac{Exports_{i,c,t}}{Total\ Exports_{i,t}} \right) x\ (\widetilde{Distance}_{c,t}) \quad (1)$$

In this formula, $\text{Exports}_{i,c,t}$ denotes the monetary value of exports made by firm i to country c in period t. The $\widetilde{\text{Distance}}_{c,t}$ variable measures the political divergence between Türkiye and country c during period t and is calculated by scaling the absolute ideal point differences within the [0,1] range. This yields a firm-level geopolitical risk index covering the 2009–2023 period for exporting firms.

To examine the impact of geopolitical shocks on financial intermediation activities, these firms' borrowing relationships with banks are monitored using micro-level credit data provided by the Banking Regulation and Supervision Agency (BRSA). Aggregated at the bank-firm-year level, these data encompass approximately 1.9 million credit relationships established by 144,061 sample firms with 57 banks operating in Türkiye. The dataset includes not only borrowing amounts but also information such as interest rates, maturities, default status, credit limits, and collateral levels. Additionally, firms' financial and operational data were collected from the Revenue Administration's (GİB) administrative records, while banks' characteristics were obtained from the BRSA's supervisory forms.

To isolate the effects of firm-specific geopolitical risks on credit supply, a methodology similar to that of Degryse et al. (2019) was adopted. Specifically, the aim is to control for sectoral cycles, regional economic shocks, and economies of scale that could influence firms' time-varying credit demand. This approach assumes that firms within groups defined by sector, region, scale, and time (e.g., medium-sized textile firms operating in Istanbul in 2018) exhibit similar credit demand trends and face similar macroeconomic shocks. Accordingly, the following model structure is used:

$$\ln(Credit_{i,b,t}) = \beta * GPR_{i,t} + \delta_{I\ x\ L\ x\ S\ x\ t} + \varepsilon_{i,b,t} \quad (2)$$

The dependent variable $\ln(\text{Credit}_{i,b,t})$ is the amount of the credit relationship between firm i and bank b in year t, expressed as a natural logarithm. The $GPR_{i,t}$ variable, on the other hand, defines the level of geopolitical risk borne by firm i during period t.

In the estimation of Equation (2), interactive fixed effects at the four-level (sector-region-size bracket-period) are used ($\delta_{I\ x\ L\ x\ S\ x\ t}$). The sector definition is based on the two-digit NACE code, the region definition on the NUTS-3 level province code, the size definition on the firm size classification in GİB administrative records (micro, small, medium, and large firms), and the period definition is based on the observation years. The β coefficient represents the marginal effect of increases in geopolitical shocks on the supply of bank credit. $\varepsilon_{i,b,t}$ is the stochastic error term. Standard errors are clustered at the firm level.

Results

The estimation results are presented in Table II.1.1. In Column (1), the fixed effects of sector-region-size bracket-period (ILST) have been included. Accordingly, there is a significant and negative relationship between firms' sensitivity to geopolitical risks and total credit supply. This effect is also considered to be economically significant. An increase of one standard deviation in the geopolitical risk index (0.105) implies a contraction of approximately 1.58% in total credit utilization. In Column (2), a similar analysis was repeated for TL credit utilization. These results indicate that firms' sensitivity to geopolitical risks is also negatively correlated with TL credit supply.

Column (3) examines the relationship between total credit supply and geopolitical risks using an alternative empirical design that incorporates an instrumental variable estimation method. In this context, a Bartik-type instrumental variable has been defined (Goldsmith-Pinkham et al., 2020). To derive the instrumental variable, the export shares of the firms by country at the beginning of the sample (2009) were held constant, and the geopolitical distance between those countries and Türkiye was multiplied by a time-varying factor. Although the analysis results consider a narrower sample, they support the finding of a statistically significant contraction in the bank credit supply following geopolitical shocks.

Table II.1.1: Estimation Results

	(1) ln(Credit)	(2) ln(TRY Credit)	(3) ln(Credit)
GPR	-0.106***	-0.085***	-0.248**
Number of Observations	1,911,988	1,679,688	646,478
Estimator	OLS	OLS	IV
ILST Fixed Effects	✓	✓	✓

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

In addition, various robustness analyses were conducted to test the relationship between geopolitical risks and credit contraction. Bank-specific fixed effects were included in the model to control for the effects of unobserved interbank heterogeneity. The main estimates were replicated using only loans extended by commercial banks. Firms located in Istanbul, a region with strong economic activity, as well as firms with a high market share in their respective sectors, were excluded. Furthermore, firm characteristics that vary over time (such as assets, profitability, liquidity, and capital) were added as control variables. Estimates were repeated after excluding the COVID-19 pandemic period, which brought about structural differences in credit demand. Furthermore, sector and region definitions that create ILST fixed effects were used at more granular levels (3-digit NACE code and district code). All these analyses support the disruptions in credit supply caused by mounting geopolitical risks. Additionally, supplementary analyses were conducted to assess the robustness of the empirical modeling method.[1]

In this stage of the study, the impact of geopolitical risks on various credit characteristics is examined (Table II.1.2). A similar modeling method was applied to columns (1) and (4) for the loan rate, maturity horizon, collateral valuation, and credit limit, respectively. These results indicate that firms more sensitive to geopolitical risks access loans at higher costs and for shorter maturities; while the collateral provided by these firms is valued at lower levels, and lower credit limits are defined for them. In particular, the rise in loan rates alongside the contraction in credit volume suggests that banks are managing credit supply by reducing it in response to geopolitical fluctuations. Additionally, the analyses in Column (5) examine the effects on the risk score classification, which reflects banks' subjective assessments of firms and is based on an ordinal scoring method ranging from 1 to 5.[2] The estimation results show that firms exposed to greater geopolitical risks are classified as higher-risk by banks in their ex-ante assessments.

Table II.1.2: Results Concerning Other Loan Characteristics

	(1) Loan Rate	(2) Maturity	(3) Collateral	(4) Loan Limits	(5) Risk Score
GPR	0.374***	-40.292***	-0.104***	-0.121***	0.076***
Number of Observations	1,911,988	1,911,988	1,911,988	1,911,988	1,375,831
ILST Fixed Effects	✓	✓	✓	✓	✓

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

Our study also examines the real economic consequences of potential tightening in the credit channel alongside rising geopolitical risks. In this context, the effects of variations in the GPR index observed at the firm-year level (controlling for firm and year fixed effects) on firms' investment trends and productivity growth in subsequent periods were estimated using firm-year level regressions. To measure investment trends, the ratio of changes in capital expenditures to total assets (as of period t+1) was used, while changes in real sales per employee (also in period t+1) were used to measure productivity. The findings of these analyses indicate that an increase in firms' exposure to geopolitical risks is associated with a decline in investment expenditures and losses in productivity.

[1] The entropy balancing method was used to harmonize the observable characteristics of firms with high and low geopolitical risk index scores. The effect of a placebo index score, which defines geopolitical index scores via a random distribution, was also tested. The analyses were repeated, considering only the firms observed at the start of the period (2009) as fixed. Lagged values of the geopolitical index score were included in the model. The level of sensitivity to geopolitical risks was defined through import relationships rather than firm exports.

[2] High scores denote increasing firm risk level.

Overview

The global economic climate is currently going through a period in which political developments are accelerating and the frequency and scale of geopolitical crises are on the rise. This trend requires policymakers to monitor the economic impacts of geopolitical risks. While the prior literature provides information on the potential effects of geopolitical risks on economic activity, foreign trade, investment and capital flows, studies on the effects via the financial intermediation channel have not yet produced a clear picture.

The findings of this study, which analyzes the effects of geopolitical fluctuations on the bank credit supply channel with a focus on the Turkish case, reveal that banks tend to extend loans to firms more exposed to geopolitical risks in smaller amounts, at higher interest rates, and for shorter maturities. Along with geopolitical risks, deteriorations in banks' risk perceptions regarding firms also lead to supply-side contractions in the credit market. The results demonstrate that, in addition to economic dynamics, geopolitical developments are a significant external factor shaping financial stability.

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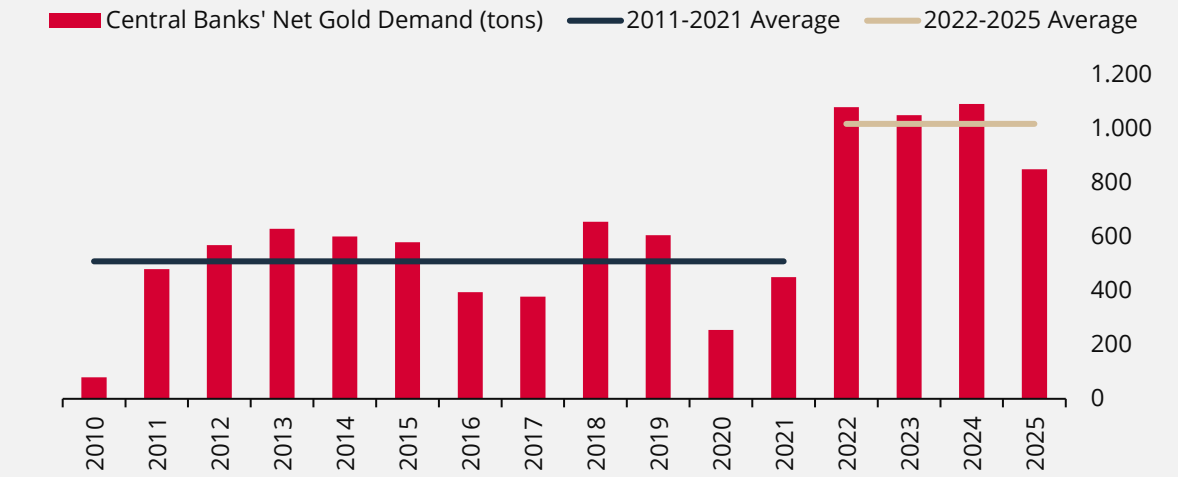
Box II.2: Gold Reserves and Gold Transactions Carried Out as per the CBRT's Policies

Summary: *Rising geopolitical risks, financial uncertainties, and sanctions dynamics on a global scale have underlined the strategic importance of gold in central bank reserve management. In the meantime, the CBRT has expanded its policy framework that aimed at strengthening gold reserves. This action transformed the role of gold from an asset held solely for reserve accumulation purposes into a strategic tool employed in line with the objectives of the monetary policy, liquidity management, and financial stability. The integration of household savings into the financial system, the development of domestic gold markets, gold-backed financial instruments provided to the banking system as well as active reserve management operations in international markets constitute the core pillars of this framework. Accordingly, the CBRT supports financial depth in domestic markets through swap, purchase and sale transactions, and location swap transactions, while facilitating access to international liquidity in foreign markets via deposit, swap, and purchase and sale transactions.*

Gold reserves, beyond being a traditional store of value for central banks, are an asset class that provides diversification in reserve composition, improves the risk-return profile of reserves, and carries strategic significance. Gold as an asset carries no counterparty risk because it is not backed by any country's obligations. This characteristic makes gold an effective hedge against systemic risks. In fact, central banks' demand for gold spikes during periods of higher geopolitical tensions or deeper global uncertainty.

The transformation in the global economic and geopolitical outlook in recent years has reshaped central banks' approach to reserve management, thereby increasing the strategic importance of gold as a reserve asset. Central banks' gold demand was driven by prudent reserve management following the 2008–2009 financial crisis, while during the 2011–2019 period, it was largely shaped by portfolio diversification. However, as of 2022, higher geopolitical tensions, increased economic uncertainties, more evident sanction risks and deeper market volatility have significantly boosted gold demand. Accordingly, net central bank purchases, which averaged 509 tons annually during the 2011–2021 period, have surged since 2022 (Figure II.2.1). The World Bank Reserve Management Survey (2025) indicates that the key drivers of changes in gold reserves include portfolio diversification (56%), the evaluation of domestic production (35%) and geopolitical risk factors (32%).[1]

Chart II.2.1: Central Banks' Net Gold Demand (Tons)



Source: The World Gold Council

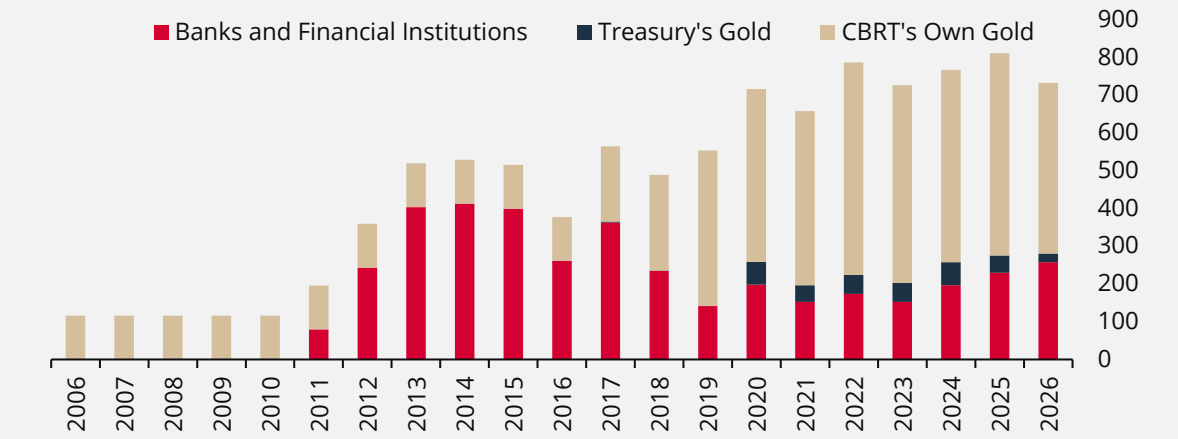
Last Observation: 2025

[1] World Bank Reserve Management Survey Report 2025

In this global transformation, while Türkiye's gold reserve accumulation bears similarities to that of other countries, it diverges from global examples in terms of the sources of its gold reserve accumulation and the diversity of policy tools that make use of gold reserves.

The CBRT gold reserves, which were 116 tons in 2010, increased over the years and reached 732 tons by April 30, 2026 (Chart II.2.2). This surge is attributed to policies implemented to integrate gold, which historically and culturally accounts for a significant proportion of household savings in our country, into the financial system, as well as the CBRT's transactions to increase its gold reserves.

Chart II.2.2: CBRT Gold Reserves (Tons)



Source: CBRT

Last Observation: 30.04.2026

The first step taken by the CBRT in 2011 to integrate gold savings into the financial system and strengthen gold reserves has evolved into a comprehensive policy set, alongside the tools and measures introduced gradually over the past 15 years. During this process, allowing banks to use gold holdings to meet reserve requirements has expanded the scope of gold's use within the banking system. As a result, the CBRT incorporated gold other than its own holdings into its reserves for the first time. In the subsequent period, gold was recognized as eligible collateral in transactions between banks and the CBRT which diversified the collateral structure of the financial system and supported banks' liquidity management. Furthermore, the ongoing purchase of standard gold produced from ore against Turkish lira has been one of the key policy elements contributing to the CBRT's gold reserves.

Meanwhile, as part of domestic gold market transactions, FX gold swap transactions were introduced in the FX Markets at the CBRT in 2018. Subsequently, outright gold transactions against Turkish lira and FX were launched with market member institutions on the Precious Metals and Diamond Market operated by Borsa İstanbul A.Ş. These transactions have made a significant contribution to healthy price formation as well as market liquidity in the domestic gold market.

Moreover, to enhance the effectiveness of monetary policy, increase the range of sterilization tools, and provide banks with greater flexibility in liquidity management, the CBRT added buy-side and sell-side Turkish lira/FX gold swap transactions to its policy toolkit starting from 2019. These transactions, conducted with member banks to the CBRT FX Market via the traditional auction method or the quotation method, are predominantly short-term in nature. The swap transactions not only contribute to the liquidity management of conventional market-member banks but are also actively utilized by participation banks due to their structure, which is consistent with the principles of participation banking.

Through these transactions on domestic markets, the CBRT has moved away from the current global approach to gold reserve management, which is limited to transactions in the international gold market, and has established a distinctive framework that treats gold as an operational component of its monetary and reserve policy set.

Table II.2.1. CBRT's Domestic and International Gold Market Transactions

Domestic Gold Transactions		International Gold Transactions
FX Markets	**KMTP[2]**	
Buying Standard Gold Produced from Ore	Gold Purchase/Sale against Turkish lira	Gold Purchase/Sale
Gold Purchase/Sale against FX	Gold Purchase/Sale against FX	Gold Deposits
Gold FX Swap Market		Gold FX Swaps
Gold Turkish lira/FX Swap Auctions		
Other Transactions		
Location Swap		
Gold Deposit Facility		

In line with the function of gold within domestic market operations, the CBRT's gold reserve accumulation strategy, and the Istanbul Financial Center vision, a significant portion of the gold reserves is held at Borsa Istanbul. Additionally, a portion is held at an international custody center to ensure access to international markets when necessary. This distribution both supports integration with the domestic financial system and enhances the CBRT's capacity to conduct transactions on international markets.

In fact, an analysis of international practices reveals that the great majority of central banks keep their gold reserves in various custody centers both domestically and internationally. According to the World Gold Council's 2025 Central Bank Gold Reserves Survey, 64% of central banks hold at least some portion of their gold reserves with the Bank of England [3]. The global gold market, shaped around the trading practices and infrastructure of the London gold market, is of critical importance to central banks due to its high trading volume, deep secondary market structure, Good Delivery standard[4], advanced storage infrastructure, and structure conducive to swap, repo, and leasing transactions. In addition, transactions conducted through the New York COMEX and the Bank for International Settlements also play a significant role in central banks' access to international gold liquidity.

On the other hand, during this period, marked by an improved domestic gold market, deepened liquidity, and increased functionality of gold in the financial system, continued strengthening of our gold reserves has further underscored the importance of accessing international liquidity through our domestic gold reserves. Unlike international practices, the CBRT is able to transfer gold reserves between custody centers without the need for physical shipment. Through location swap transactions implemented to support banks' gold liquidity management, banks transfer offshore gold holdings to the CBRT's offshore gold accounts, and in return, the CBRT transfers gold held in the Borsa Istanbul vault to the banks' accounts at Borsa Istanbul. These transactions also support the CBRT's access to liquidity in international markets.

In sum, the set of gold-related instruments shaped by measures taken to integrate domestic savings into the financial system and strengthen gold reserves has transformed gold from a passive asset held for reserve accumulation into an active and multidimensional policy tool aligned with monetary policy, liquidity management, and financial stability objectives. Furthermore, the CBRT, which possesses tools to enhance the geographical and operational flexibility of reserves, implements an active reserve management strategy in international markets, conducting transactions that strengthen the portfolio's liquidity-return-risk balance and support access to foreign exchange liquidity when necessary.

[2] Precious Metals and Diamond Market
[3] World Gold Council Central Bank Gold Reserves Survey June 2025
[4] Good Delivery standard denotes the quality, purity, and weight standards established by the LBMA that bullion eligible for physical delivery in the London gold market must meet.

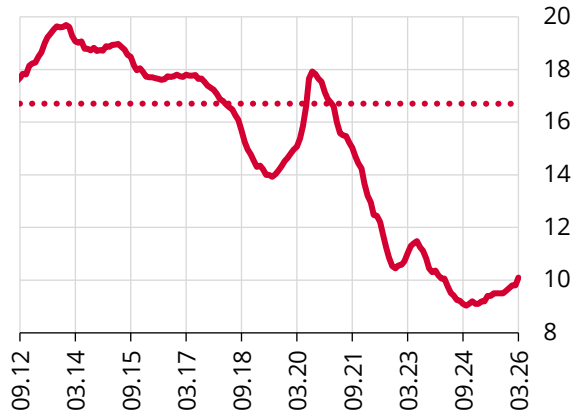
III. Non-Financial Sector

III.1 Household Developments

The ratio of household financial debt to GDP experienced a moderate increase in recent period.

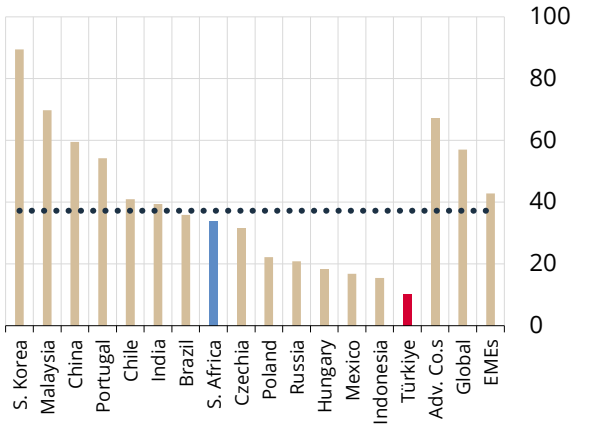
In the first quarter of 2026, the household debt-to-GDP ratio in Türkiye (10.1%) remained significantly below those of peer countries and its long-term average (Charts III.1.1 and III.1.2). The indebtedness ratio, which fell until the last quarter of 2024, has been rising at a moderate pace since 2025. The rise in indebtedness stemming particularly from unsecured retail loans outpaced GDP growth. The tight monetary stance and macroprudential tools continue to play a stabilizing role in the growth of household debt.

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



Source: CBRT, BRSA, TURKSTAT Last Observation: 03.26
Note: Dashed line shows the average of the relevant values for the 2012-2022 period. Value for 2026Q1 GDP is estimated.

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



Source: IIF Last Observation: 2025Q4
Note: The country marked in blue has median indebtedness in the relevant sample. Dashed line shows the 2025Q4 average of the sample.

Table III.1.1: Household Financial Liabilities

	03.25		09.25		03.26		3-Month Growth (Annualized)	Annual Growth
	TRY Billion	Ratio to GDP	TRY Billion	Ratio to GDP	TRY Billion	Ratio to GDP		
Total Liabilities	**4,418**	**9.2**	**5,490**	**9.5**	**6,639**	**10.1**	**37.4**	**50.3**
Housing Loans	549	1.1	625	1.1	744	1.1	43.0	35.4
Vehicle Loans	80	0.2	61	0.1	64	0.1	-23.6	-19.9
General-Purpose Loans	1,641	3.4	2,047	3.6	2,522	3.8	35.7	53.7
ODA	537	1.1	709	1.2	898	1.4	51.9	67.2
General-Purpose (excl. ODA)	1,104	2.3	1,338	2.3	1,624	2.5	27.7	47.1
PCC	2,069	4.3	2,655	4.6	3,177	4.8	38.4	53.6
Installment PCC	703	1.5	949	1.6	1,188	1.8	48.7	69.0
Non-Installment PCC	1,365	2.8	1,706	3.0	1,989	3.0	32.7	45.7
AMC Receivables	79	0.2	101	0.2	132	0.2	55.4	67.7

Source: CBRT, BRSA, TURKSTAT
Note: Liabilities also include NPLs. Finance companies are included. Value for 2026Q1 GDP is estimated.

The increase in the share of short-term and unsecured loans in household debt composition has stopped.

When the annual and quarterly growth rates of household debt are compared item-by-item, the quarterly growth rates of ODA and PCC have slowed, falling below their annual growth rates. On the other hand, housing loan growth has picked up pace (Table III.1.1). These developments can also be observed in the household debt-to-GDP ratio and household debt composition indicators. The increase in the share of ODA and PCC debt in total

household debt, which had been observed since 2023, has recently ceased. In addition to the growth cap on general-purpose loans, the measures taken by the CBRT and BRSA regarding ODA and PCC as of 2026 appear to have slowed the rise in these debts (Charts III.1.3 and III.1.4).

Chart III.1.3: Household Financial Liabilities to GDP Ratio (%)

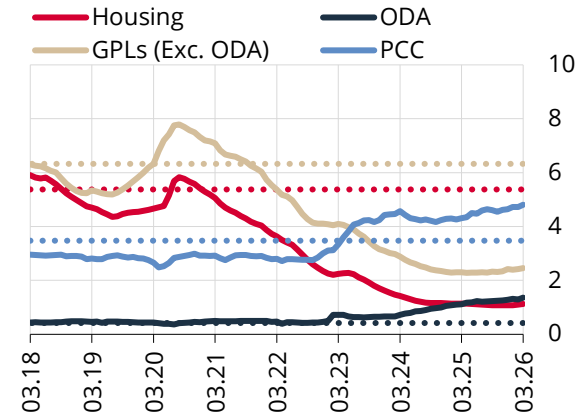
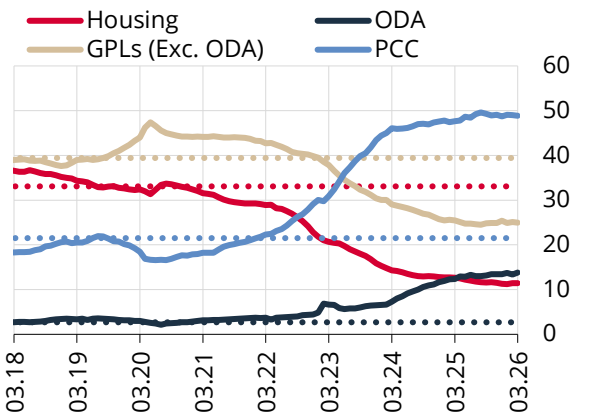


Chart III.1.4: Breakdown of Household Financial Liabilities (%)



Source: CBRT, BRSA, TURKSTAT Last Observation: 03.26

Note: Liabilities also include NPLs. Value for 2026Q1 GDP is estimated. Dashed lines show the average of the series of relevant colors in the 2012-2022 period.

Average maturities of general-purpose loans are significantly shorter than previous years' levels, whereas maturities of PCC are becoming longer.

Average maturities of general-purpose loans remained nearly flat, significantly below the long-term average. Meanwhile, average maturities of PCC tended to lengthen, driven by spending with installments, and exceeded the historical average (Chart III.1.5). Due to the current maturity terms and loan-to-value ratios for vehicle loans excluding electric vehicles, their average maturity shows a flat pattern. In housing loans, maturities remain below the long-term average due to a 75% reduction in the loan-to-value ratio for households buying more than one property and due to the costs associated with housing finance (Chart III.1.6).

Chart III.1.5: Average Maturity in Sub-Categories of Retail Loans (Months)

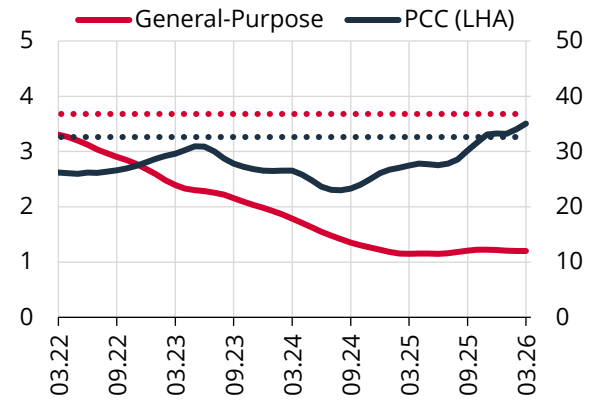
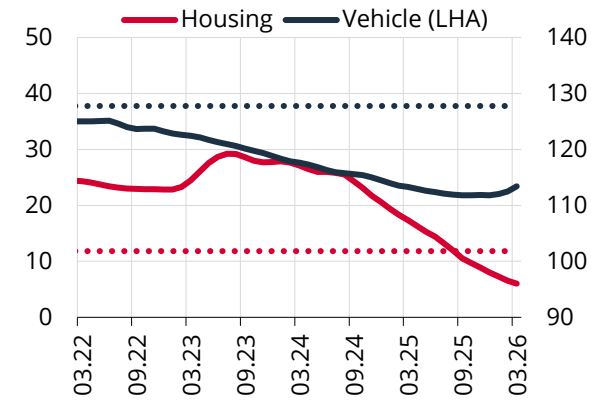


Chart III.1.6: Average Maturity in Sub-Categories of Retail Loans (Months)



Source: CBRT, BRSA Last Observation: 03.26

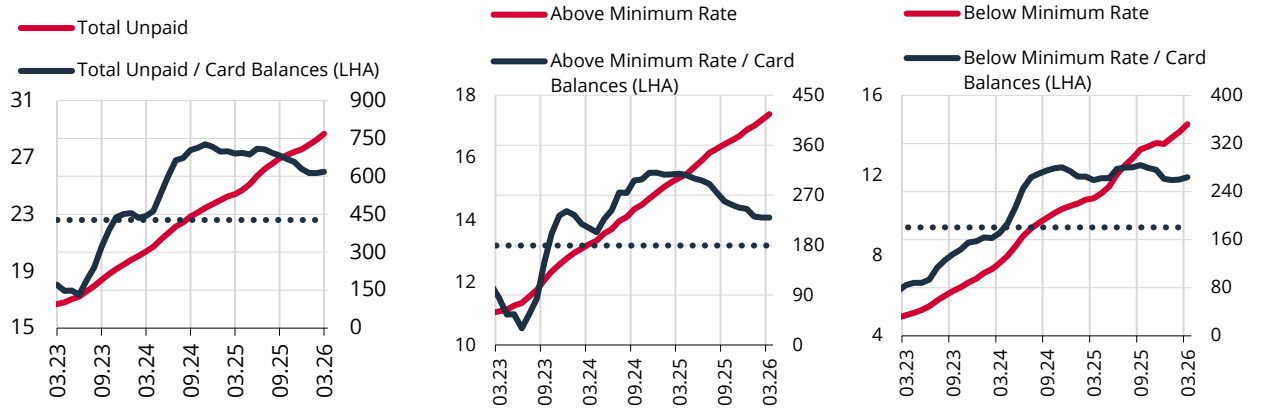
Note: Average maturity is calculated based on the remaining amount of outstanding stock loan balances at original maturity. The three-month moving average of the series are displayed. Dashed lines show the average of the series of relevant colors in the 2012-2022 period.

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

The BRSA introduced restructuring facilities in July 2025 and January 2026 for PCC balances with term debts that were not partially or fully paid. Given the current tight financial conditions, the impact of these regulations led to a downward trend in the share of outstanding PCC debt paid above the minimum payment rate as of the

second half of 2025. On the other hand, the ratio of total outstanding PCC debt fell to 26% in the current reporting period; nonetheless it remains above its historical average (Chart III.1.7).

Chart III.1.7: Personal Credit Cards with Unpaid Balances (TRY Billion, %, 3-Month MA)



Source: CBRT, BRSA Last Observation: 03.26

Note: "Above Minimum" refers to the total outstanding debt for PCC paid at or above the minimum payment rate. "Below Minimum" refers to the total outstanding debt for PCC for which a payment is made below the minimum payment rate or for which no payment has been made. "Unpaid Debt" covers "Above Minimum" and "Below Minimum" debt. Total PCC is used to calculate the ratio. Dashed lines show the average of the relevant ratios for the 2012- 2022 period.

Due to the tightening of PCC and ODA regulations, credit card limit increases also have slowed in addition to the slowdown in balance growth.

When the credit limits and balances of PCC and personal ODA are examined, it is observed that limit utilization ratio (LUR) is below 25% (Charts III.1.8 and III.1.9). In January, the CBRT introduced a 2% growth limit on personal overdraft account limits, and the BRSA issued a regulation requiring that credit limits of PCC and personal overdrafts be in line with verifiable income. During the two months following the said regulations, limit increases for PCC and ODA stopped, thus leading to a rise in limit utilization rates. Credit limits have fallen in the ODA segment, particularly in zero-balance accounts, and the total credit limit for these accounts has declined following the regulation. Unsecured retail loan limit increases show a significant correlation with increases in spending (Inflation Report 2026-II, Box 2.2). Owing to these regulations on limits, the trend of spending and borrowing in excess of income level is expected to slow, and the risk outlook for unsecured retail loans to improve.

Chart III.1.8: PCC Limit and Balance Outlook (TRY Trillion, %)

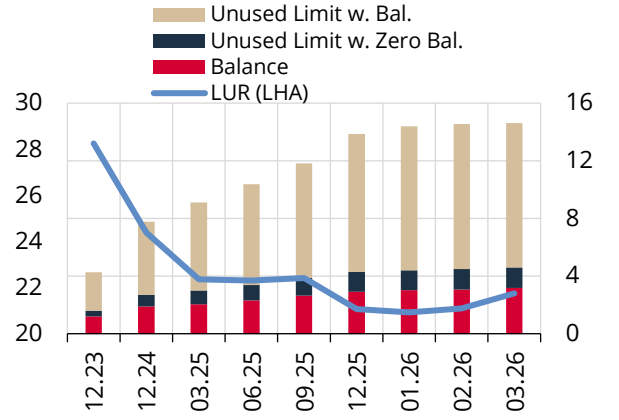
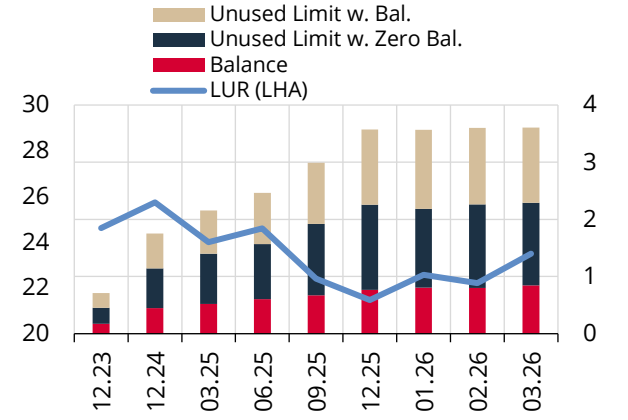


Chart III.1.9: Personal Overdraft Limit and Balance Outlook (TRY Trillion, %)



Source: CBRT, Risk Center Last Observation: 03.26

Note: Unused limit with zero balance refers to unused credit limits on zero balance cards; unused limit with a balance refers to unused credit limits on accounts with a balance above zero. LUR refers to the balance-to-total-limit ratio.

Mortgage sales are returning to their historical average as loan utilization in the housing market increases.

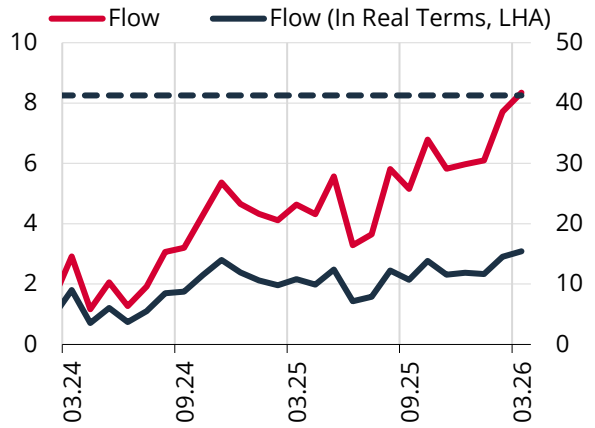
The ongoing real decline in housing prices and demographic needs continue to support housing sales. The flexibility introduced by the BRSA in January regarding the loan-to-value ratio for first-time buyers led to a modest

recovery in housing loans and mortgage sales (Charts III.1.10 and III.1.11). However, the continuation of the policy on multiple-home ownership is limiting housing loan utilization. Annual growth rates for the construction cost index and the housing price index converged in the current reporting period, both remaining below the CPI (Chart III.1.12).

While vehicle loan utilization has remained subdued, vehicle sales declined in the first quarter of the year.

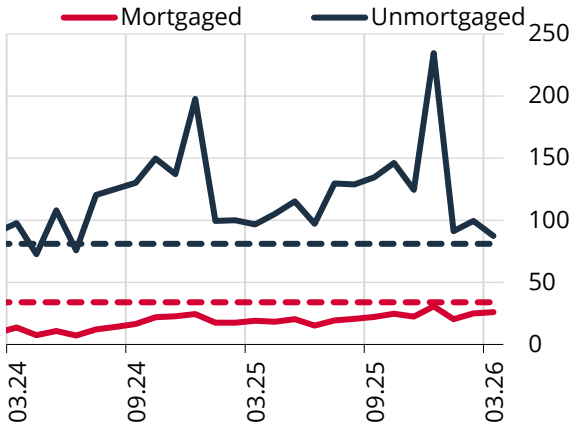
In the first quarter of the year, new car sales declined due to seasonal factors, but remained above the long-term average (Chart III.1.13). This is attributable to ongoing sales and financing campaigns firms have run. On the other hand, the loan-to-value ratio regulation applied gradually to vehicle loans based on price (excluding electric vehicles) is highly restrictive and considerably slows loan utilization.

Chart III.1.10: Housing Loans (TRY Billion)



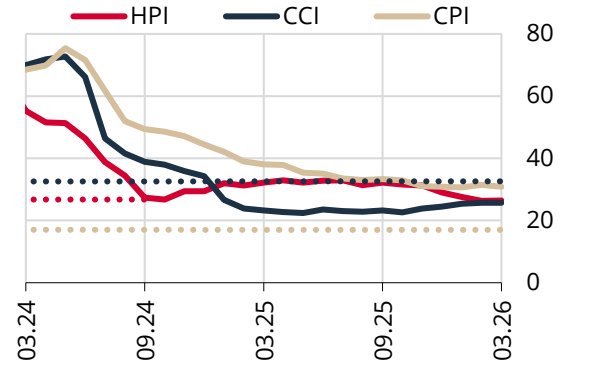
Source: CBRT, BRSA Last Observation: 03.26
Note: Housing loans are shown in terms of monthly flow extended by banks and finance companies. Dashed lines show the average real housing loan utilization for the 2012-2022 period. Data have been deflated by the house price index (HPI).

Chart III.1.11: Housing Sales (Thousand Units)



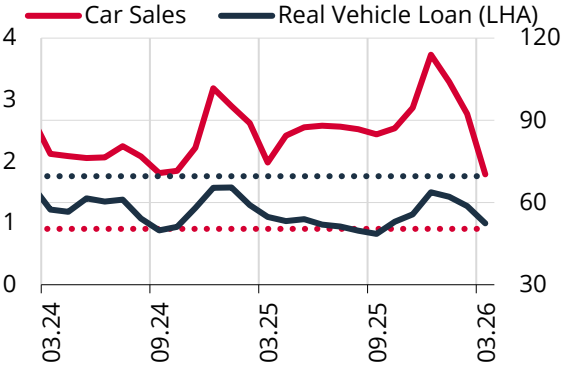
Source: TURKSTAT Last Observation: 03.26
Note: Dashed lines show the average housing sales in the 2012-2022 period.

Chart III.1.12: Annual Change in House Prices and Construction Cost Index (%)



Source: CBRT, TURKSTAT Last Observation: 03.26
Note: Dashed lines show the average annual index changes in the 2012-2022 period for the HPI and CPI, and in the 2016-2022 period for the CCI.

Chart III.1.13: Vehicle Loans and New Car Sales (Thousand Units, TRY Billion)



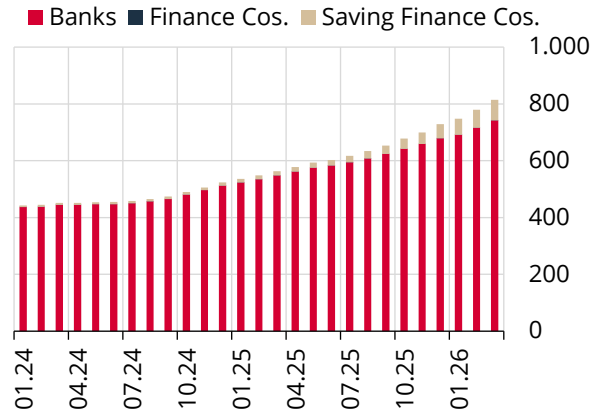
Source: CBRT, BRSA, TURKSTAT Last Observation: 03.26
Note: Data for monthly flow vehicle loans of banks and financing companies, and three-month moving average of new passenger car sales have been used. The adjustment is made using the vehicle prices sub-index of the CPI. Dashed lines show the average of the relevant series in the 2012-2022 period.

The vehicle loan balance of savings finance companies has surpassed that of banks.

The current macroprudential measures on housing and vehicle loans have slowed loan utilization from the banking sector, while pushing up vehicle and housing finance from savings finance companies. Accordingly, the share of savings finance companies in total housing finance stood at approximately 10% as of March 2026 (Chart III.1.14). As for vehicle loans, savings finance companies have surpassed the loan volume of the banking sector

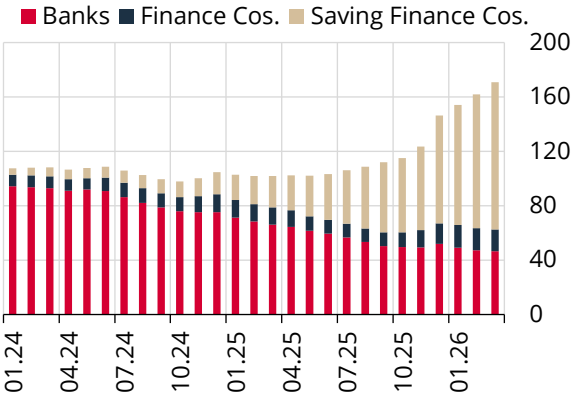
since September 2025. The share of these companies' vehicle loan balance in total vehicle loans has exceeded 60% (Chart III.1.15).

Chart III.1.14: Housing Loan Balance (TRY Billion)



Source: CBRT, BRSA Last Observation: 03.26

Chart III.1.15: Vehicle Loan Balance (TRY Billion)



Source: CBRT, BRSA Last Observation: 03.26

Note: Performing stock loan balances are shown. Finance Cos. refers to finance companies.

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

Turkish lira deposits and mutual funds (including pension mutual funds) account for approximately 60% of household financial assets. FX-protected accounts (KKM), which accounted for 25% of financial assets in 2023, have fallen to TRY 1.5 billion with the termination of KKM openings and renewals in August 2025. Furthermore, with the value loss in GDS included in fund assets following the geopolitical risks that intensified at the end of February, money market funds experienced volatility. As a result of the sharp increases in precious metal prices in recent years, the share of precious metal deposits has reached 15.2% (Table III.1.2). The fact that returns on TL deposits and money market funds are supported by the CBRT's funding rate and the proactive measures taken regarding liquidity management has a positive impact on households' preference toward TL-denominated financial assets.

Table III.1.2: Household Financial Assets

	03.25		09.25		03.26		Share in Total Assets	Annual Growth
	TRY Billion	Ratio to GDP	TRY Billion	Ratio to GDP	TRY Billion	Ratio to GDP		
Total Assets	**18,862**	**39.3**	**22,759**	**39.5**	**25,898**	**39.2**		**37.3**
TL Savings Deposits	6,755	14.1	7,752	13.5	8,038	12.2	31.0	19.0
KKM and DDM	652	1.4	274	0.5	2	0.0	0.0	-99.8
FX Savings Deposits	2,623	5.5	2,808	4.9	2,740	4.2	10.6	4.5
- (USD Billion)	69		68		62		0.2	-11.1
Precious Metal Deposits	1,695	3.5	2,449	4.3	3,947	6.0	15.2	132.8
- (USD Billion)	45		59		89		0.3	98.0
Bonds and Bills	495	1.0	714	1.2	890	1.3	3.4	79.8
Mutual Funds	4,409	9.2	6,210	10.8	7,448	11.3	28.8	68.9
Pension Mutual Funds	1,392	2.9	1,838	3.2	2,350	3.6	9.1	68.8
Other Mutual Funds	3,017	6.3	4,372	7.6	5,099	7.7	19.7	69.0
Money Market Funds	581	1.2	831	1.4	808	1.2	3.1	39.2
Equity Securities	1,847	3.8	2,249	3.9	2,560	3.9	9.9	38.6
Repo	79	0.2	55	0.1	47	0.1	0.2	-40.1
Currency in Circulation	307	0.6	249	0.4	226	0.3	0.9	-26.4

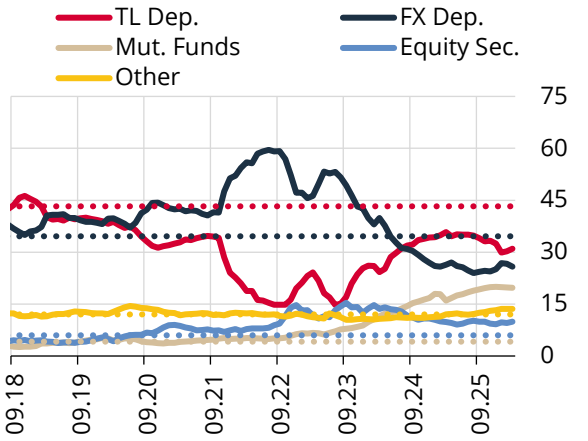
Source: CBRT, BRSA, MKK, PMC

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), including the state contribution. Deposits refer to the total deposits held by resident real persons at domestic and foreign branches. Value for 2026Q1 GDP is estimated. The data shown here may not fully align with the Financial Accounts Report due to variations in scope and definitions.

The ratio of total household financial assets to GDP maintained its upward trend during the current reporting period, approached to its long-term average (Chart III.1.16). As a result of the tight monetary stance and supportive measures, the share of TL deposits in household financial assets is above 30%. During this period, the share of FX deposits edged up, driven by the increase in precious metal prices on a global scale. Meanwhile, the share of mutual funds in household financial assets has recently remained stable at 20% (Chart III.1.17).

Chart III.1.16: Household Financial Assets/GDP Ratio (%)

Chart III.1.17: Breakdown of Household Financial Assets (%)



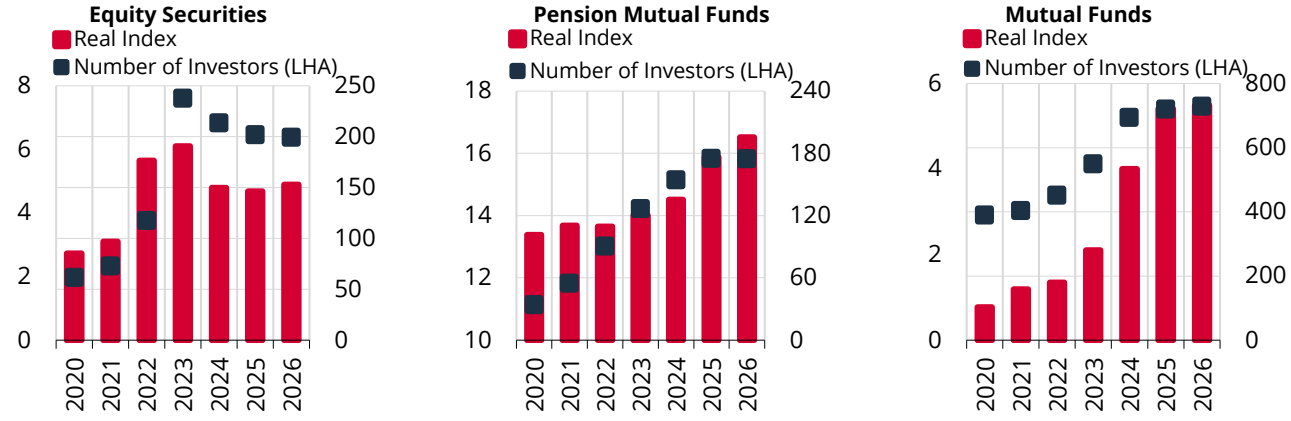
Source: CBRT, BRSA, TURKSTAT
Last Observation: 03.26

Note: FX deposits comprise foreign currency, precious metal, and KKM accounts. Pension mutual funds are excluded from the mutual fund series. "Other" refers to all items in Table III.1.2 except for those listed in the chart. Dashed lines show the average of the series of relevant colors in the 2012-2022 period. The data shown here may not fully align with the Financial Accounts Report due to variations in scope and definitions.

Households continue to diversify their portfolios.

As of March 2026, equity investments by households continue to exhibit a weak trend, while the number of equity investors has reached 6.4 million. The real index of household equity portfolio has recorded limited growth compared to end-2025. On the other hand, household investments in the individual pension system, which were on a moderate upward trend for a long time, recorded a nominal decline in March. The reduction of the state contribution to pension funds to 20% effective as of the beginning of January may be a contributing factor in this development. However, the number of participants in the pension system remained nearly flat during the current reporting period. Households' preference for allocating savings to long-term instruments is expected to support financial stability. As of March, the number of household investors in mutual funds reached 5.5 million, while the total size of funds climbed to TRY 5.1 trillion. In real terms, households' mutual fund holdings have remained nearly flat compared to end-2025 (Chart III.1.18).

Chart III.1.18: Changes in Households' Non-Deposit Assets (Index, Million People)



Source: MKK, PMC, TURKSTAT
Last Observation: 03.26

Note: The real index is CPI-adjusted and indexed to 100 in January 2021. Data for 2026 is as of March. Real index values are three-month moving averages of the relevant series for the last three months. The pension mutual fund chart shows the total IPS and AES data (including state contributions), and the number of participants has been singled out. The data shown here may not fully align with the Financial Accounts Report due to variations in scope and definitions.

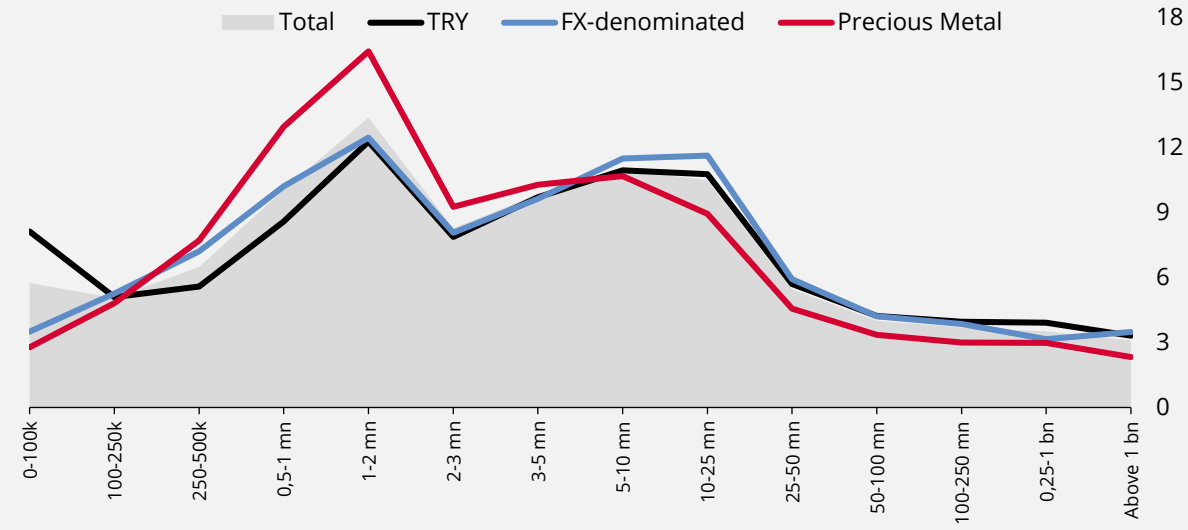
Box III.1.I: Distribution of Household Deposits

Summary: *This box examines the composition of household deposits by currency denomination across different deposit size brackets, which account for an important portion of banking sector liabilities. The findings suggest that the currency preferences change depending on the size of deposits, and that the TRY preference of deposit holders of upper amount brackets may be somewhat more sensitive to financial conditions. On the other hand, in lower amount brackets, the share of precious metal accounts is higher than in other brackets.*

While deposits are one of the major and stable sources of banking system funding, the composition of such deposits provides key insight into the funding structure of banks. As the financial system digitalizes rapidly and deepens, depositors' funds have become more mobile. This has increased the importance of monitoring the deposit size, concentration patterns and currency preferences for the sake of financial stability, and dollarization dynamics in particular. This box presents an analysis of the deposit distribution and currency preferences of households by deposit size, using various indicators.

Household deposits are concentrated heavily in mid-size brackets. A significant portion of total deposits is between TRY 500,000 and TRY 25 million, accounting for 63% of the total amount of deposits. Small-size brackets below TRY 500,000 have a relatively lower share in total deposit size, although they represent a broad depositor base. Based on currency composition, TRY and FX denominated deposits appear to have a similar distribution of amounts. However, composed predominantly of gold-denominated deposits, precious metal deposits are concentrated in lower-mid deposit size brackets and diverge from other distributions (Chart III.1.I.1).

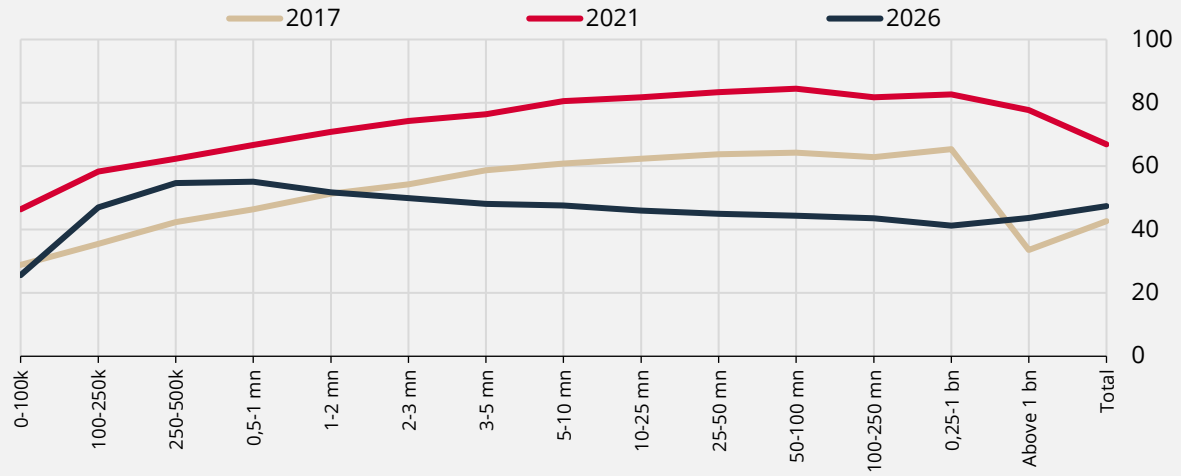
Chart III.1.I.1: Distribution of Household Deposits by Amount (%, March 2026)



Source: CBRT, BRSA

The trajectory of the FX share of household deposits by amount provides additional information to explore Türkiye's dollarization dynamics. The share of FX deposits rose to 67% in 2021 as a result of the tendency towards FX savings instruments, up from approximately 43% in 2017. On the back of the tight monetary policy stance and macroprudential measures implemented since mid-2023, the share of household FX deposits has declined to 47%. While this decline is observed across all amount brackets, the most significant fall has taken place in mid-high amount deposits. This indicates that households holding high-amount deposits tend to adjust their portfolio allocation more quickly in response to the changes in macroeconomic and financial conditions. Moreover, this also reveals that dollarization weakens more slowly among holders of smaller deposits, but the shift to TRY deposits may strengthen as the disinflation process continues (Chart III.1.I.2).

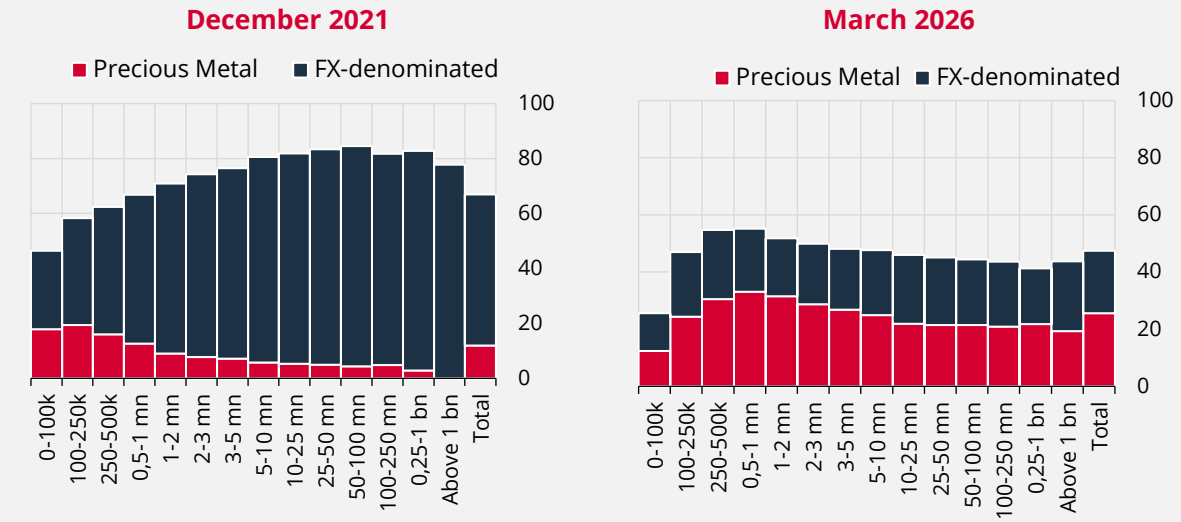
Chart III.1.I.2: FX Deposit Share by Amount (%, March 2026)



Source: CBRT, BRSA

We also examine the change in the composition of FX deposits driven by the recent sharp increase in precious metal prices. In the 2021-2026 period, the share of FX denominated deposits in total deposits decreased significantly across all amount brackets, whereas the share of precious metal deposits increased substantially across all brackets. This increase is attributed mainly to global geopolitical tensions and particularly the rise in the gold/ounce price in 2025. Besides, some portion of previous FX denominated deposits may have been invested in gold deposits in addition to TRY-denominated assets. The shift to gold accounts may weaken if the rise in international gold prices subsides (Chart III.1.I.3).

Chart III.1.I.3: FX Deposit Share



Source: CBRT, BRSA

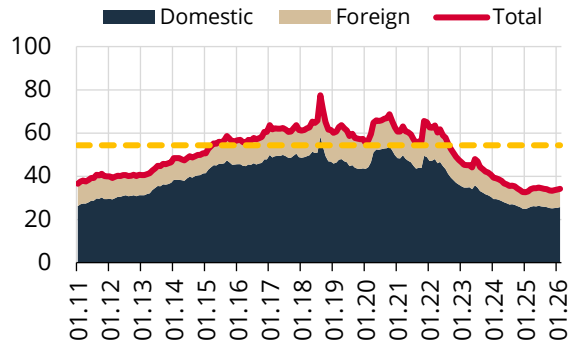
To sum up, the distribution of household deposits by amount provides signals with regard to savings preferences, dollarization dynamics, and the impact of financial asset returns. The currency preference of holders of high-amount deposits appears to be sensitive to changes in financial conditions. While the TRY share of household deposits has increased on the back of tighter monetary policy, the fall in FX denominated deposits has had a marked impact on this increase. On the other hand, the rise in precious metal accounts has slowed this increase recently. The preference for TRY deposits in the financial system may further strengthen as the disinflation process continues and precious metal prices in the international markets stabilize.

III.2 Corporate Sector Developments

Financial indebtedness of the corporate sector remains below its historical average amid tight financial conditions.

The ratio of the corporate sector's debt to GDP remains almost flat after declining to 33% at end-2024 (Chart III.2.1). The composition of indebtedness indicates that the total debt of the corporate sector consists largely of borrowing from domestic financial institutions, while the ratio of total external debt to GDP has remained stable. Due to tight financial conditions and macroprudential measures, corporate sector indebtedness continues to hover near its historical lows (Chart III.2.2). Total indebtedness of the corporate sector remains well below the levels it registered during expansionary periods and its historical averages, supporting financial stability further.

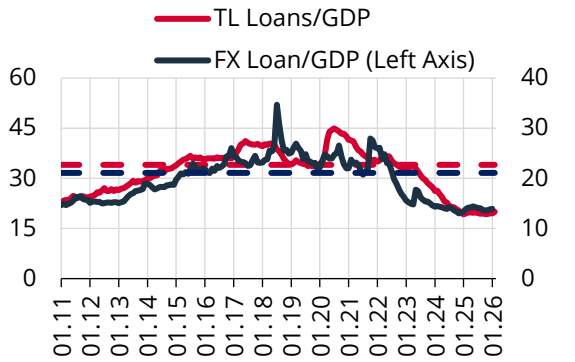
Chart III.2.1: Corporate Sector's Financial Indebtedness/GDP Ratio (%)



Source: CBRT Last Observation: 02.26

Note: The dashed line represents the historical average of the relevant ratio for the 2011-2022 period. May differ from the CBRT Financial Accounts Report due to differences in scope and definitions.

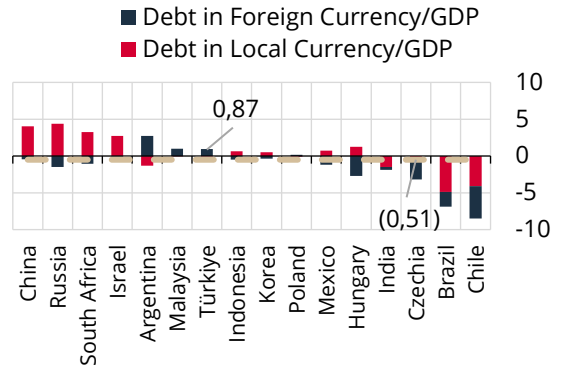
Chart III.2.2: Corporate Sector's TRY and FX Indebtedness (%)



Source: CBRT Last Observation: 02.26

Note: The dashed lines represent the historical average of the relevant ratio for the 2011-2022 period. The 12-month cumulative GDP values are calculated by the CBRT.

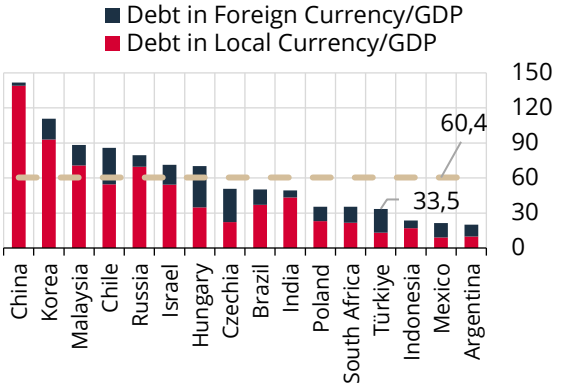
Chart III.2.3: Change in Corporate Sector Indebtedness in Peer Countries (2024Q4-2025Q4, %)



Sources: CBRT, IIF Last Observation: 2025Q4

Note: Shows the average of the difference in indebtedness in peer countries between 2025Q4 and 2024Q4. 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: 2025Q4

Note: The dashed line shows the average indebtedness of peer countries for 2025Q4. Data for Türkiye denotes financial indebtedness obtained from CBRT's calculations.

The corporate sector's indebtedness is significantly below the average of peer countries.

Over the past year, the average indebtedness ratio across peer economies declined by 0.51 points, while in Türkiye the corporate sector's debt-to-GDP edged up by 0.87 percentage points, driven by foreign currency-denominated debt (Chart III.2.3). Nevertheless, as of December 2025, the corporate sector indebtedness in

Türkiye (33.5%) was well below the peer average (60.4%). Meanwhile, although the share of FX-denominated debt in the corporate sector's financial debt composition remains relatively high compared to peer economies, recent restrictive measures for FX loans have slowed the growth of FX debt (Chart III.2.4).

The corporate sector continues to increase its external financing.

Over the last year, TRY loans obtained by firms from domestic sources grew by 41.5%, while FX loans obtained from domestic and external sources increased by 17.6% and 23.5%, respectively, in USD terms (Table III.2.1). During this period, the amount of bonds issued abroad increased and continued to maintain a significant share in the composition of external borrowing. While the ratio to GDP of total FX loan balance including both domestic and external borrowing posted a limited increase (1%) over the last year, the ratio of total indebtedness to GDP remained relatively steady at 34.2% as of February 2026.

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

	02.25		12.25		02.26		Annualized Growth (%)	Share (%)
	TRY Billion	Ratio to GDP	TRY Billion	Ratio to GDP	TRY Billion	Ratio to GDP		
I. Domestic Loans (i+ii)	**11,810.91**	**25.2**	**15,948.6**	**25,3**	**16,774.3**	**25.8**	**42.02**	**75.4**
i. TRY (A+B+C)	**6,082.3**	**13.0**	**8,218.5**	**13,0**	**8,661.3**	**13.3**	**42.4**	**39.0**
A. Bank	5,517.2	11.8	7,408.1	11,8	7,805.5	12.0	41.5	35.1
B. NBFI	420.5	0.9	638.2	1,0	671.9	1.0	59.8	3.0
C. Bonds Issued	144.6	0.3	172.2	0,3	183.9	0.3	27.2	0.8
ii. FX (D+E)	**5,728.6**	**12.2**	**7,730.1**	**11,9**	**8,112.9**	**12.5**	**41.6**	**36.5**
ii. FX (USD Equivalent)	157.5	0.3	180.4		185.2		17.6	
D. Bank	151.9	0.3	172.2	0,3	176.6	0.3	16.3	
E. NBFI	5.6	0.0	8.2	0,0	8.6	0.0	53.5	
II. External Loans (Bonds Included)	**3,673.0**	**7.8**	**5,175.1**	**8,0**	**5,460.7**	**8.4**	**48.7**	**24.6**
II. External Loans (USD Equivalent)	101.0		120.8		124.7		23.5	
Total Financial Debt (I+II)	**15,483.9**	**33.0**	**21,123.7**	**32,5**	**22,234.9**	**34.2**	**43.6**	**100**
Info: Bonds Issued Abroad (USD Billion)	*14.2*		*14.5*		*15.5*		*9.1*	
Info: Total FX Loans (USD (Billion, Including FX Bonds Abroad)	*258.4*		*301.2*		*309.9*		*19.9*	

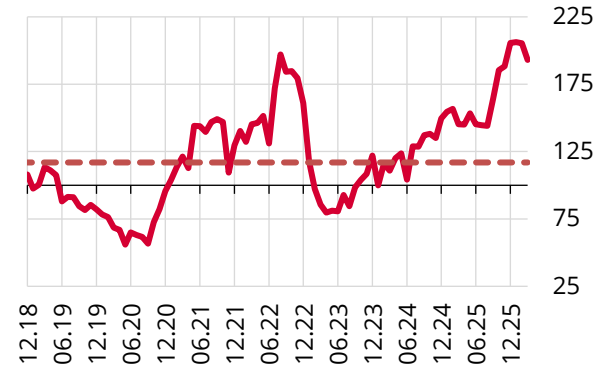
Sources: CBRT, BRSA Last Observation: 02.26

Note: The "Ratio to GDP" column shows the ratio of the item to the estimated 12-month total GDP on a monthly basis. Annual growth represents the annual growth rates between February 2025 and February 2026, and the "Share" column represents the share of main items in total financial debt in February 2026. May differ from the CBRT Financial Accounts Report due to differences in scope and definitions.

The corporate sector's external debt rollovers remain strong despite global financial uncertainties and heightened geopolitical risks.

The corporate sector's external debt continues to be rolled over at a rate close to 200% (Chart III.2.5). There has been an increase across all types of external borrowing and the corporate sector's external debt has risen by USD 23.7 billion over the last one year (Chart III.2.6). While tight domestic financial conditions continue to urge firms to find alternative sources from abroad, the decline in the country risk premium has strengthened access to external financing and rollover capacity despite the effects of regional war and heightened global uncertainty.

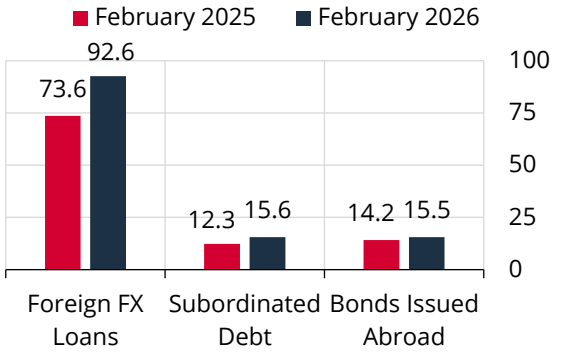
Chart III.2.5: Corporate Sector's External Debt Rollover Ratio (6-Month, %)



Source: CBRT Last Observation: 03.26

Note: External debt rollover ratio shows the ratio of the cumulative external borrowing over a six-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 (USD Billion)

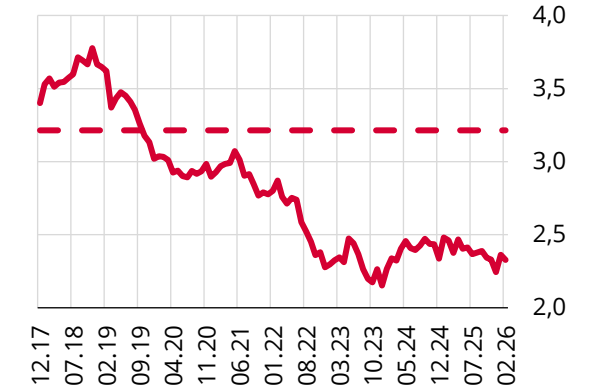


Source: CBRT Last Observation: 02.26

The financial leverage ratio of the corporate sector remains flat, well below its historical average.

The leverage ratio remains low, after hitting a low due to financial assets outgrowing liabilities since 2022 (Chart III.2.7). An analysis of assets and liabilities as a share of GDP suggests that there has been no significant change in the composition of firms' net liabilities (Chart III.2.8). Low indebtedness and a strong asset position continue to serve as important buffers against potential financial risks for the corporate sector.

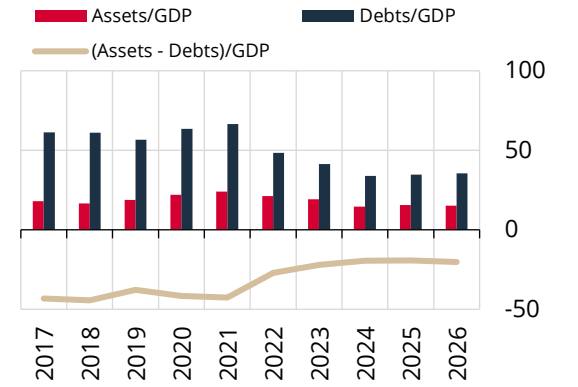
Chart III.2.7: Corporate Sector's Financial Debts/Assets (Ratio)



Source: CBRT Last Observation: 02.26

Note: Financial liabilities include the corporate sector's domestic and external loans, leasing, factoring debts and bond issuances. Financial assets include TRY and FX deposits and securities, but direct capital investments abroad and export receivables are excluded. 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: 02.26

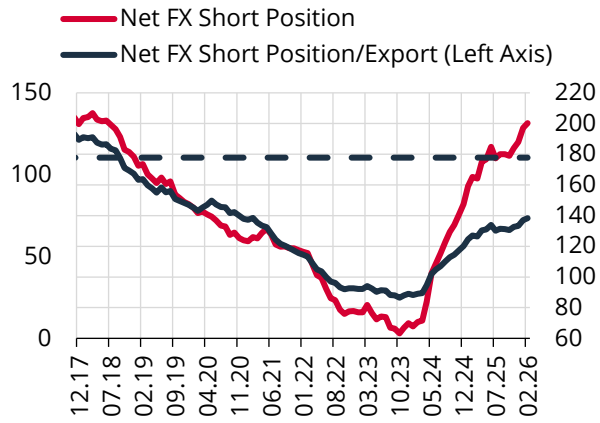
Note: Financial liabilities include the corporate sector's domestic and external loans, leasing, factoring debts and bond issuances. Financial assets include TRY and FX deposits and securities, but direct capital investments abroad and export receivables are not included. 12-month cumulative GDP values 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 2026 denotes the last observation as of February 2026.

The corporate sector's FX short position-to-exports ratio remains below its historical average.

Having accelerated since end-2023 and approached its 2018 levels by mid-2025, the corporate sector's net FX short position continued to increase in January 2026 (Chart III.2.9). However, despite this increase, the ratio of the short position to exports remains below its historical average, confirming that the expanded export capacity continues to serve as a strong buffer against foreign currency liabilities.

For exchange rate risk management purposes, it is important to identify which firms, based on export revenues, have driven the increase in the FX loan balance observed since end-2023. Accordingly, a "hedging ratio" has been calculated for each firm, using micro-level data and taking into account firms' revenues from goods exports over the past three years (natural hedging). Firms whose export revenues exceed their FX loan balance in the reference month are classified as "fully hedged", those whose export revenues cover only part of their FX loan balance as "partially hedged", and those with no export revenues as "unhedged". Accordingly, of the USD 81 billion increase in the FX loan balance recorded over the previous two years (02.24–02.26), USD 21 billion was driven by loans extended to fully hedged firms, USD 39 billion by loans extended to partially hedged firms, and the remaining USD 21 billion came from loans extended to firms that were either unhedged or whose FX income data were unavailable. Considering that firms using FX loans may also earn FX-denominated services income even in the absence of FX earnings from goods exports, the majority of FX credit risk is assessed to be concentrated in firms with either full or partial natural hedging.

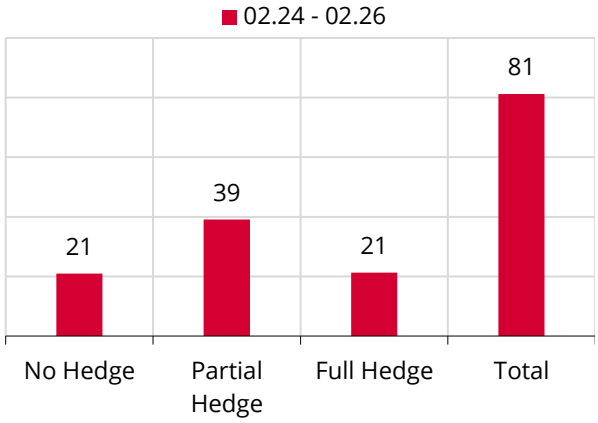
Chart III.2.9: FX Position of the Corporate Sector (USD Billion, %)



Source: CBRT Last Observation: 02.26

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 by Natural Hedging (USD Billion)

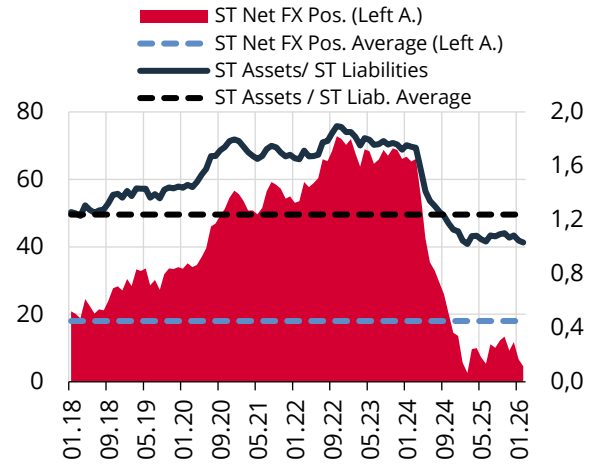


Sources: CBRT, Ministry of Trade, Risk Center Last Observation: 02.26

Note: Hedging ratio is calculated based on firms' revenues from goods exports over the past three years. Firms whose export revenues exceed their FX loan balance as of the relevant month are classified as "fully hedged", those whose export revenues cover only part of their FX loan balance as "partially hedged", and those with no export revenues as "unhedged".

The corporate sector's short-term net FX position continues to remain below its historical average (Chart III.2.11). While the corporate sector's FX loan utilization has increased since the beginning of 2024 amid rising TRY financing costs, the limited shift toward FX deposits on the assets side has led to a decline in the short-term net FX position. Meanwhile, following the introduction of a 1% Resource Utilization Support Fund (RUSF) levy on the principal amount of FX and gold loans extended by domestic banks and financing companies, effective July 19, 2025, the corporate sector's utilization of short-term FX loans has declined markedly (Chart III.2.12).

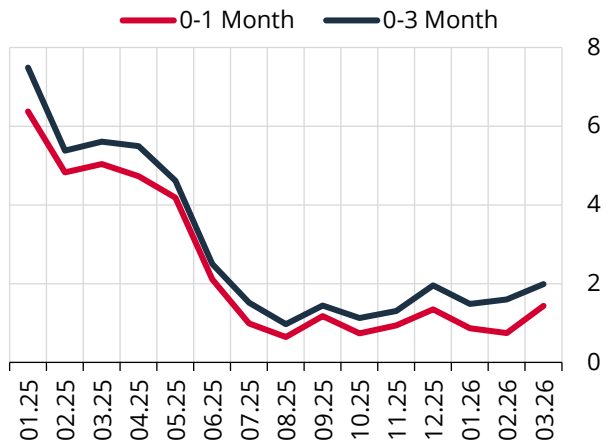
Chart III.2.11: Corporate Sector's Short-Term FX Position (USD Billion, Ratio)



Source: CBRT Last Observation: 02.26

Note: The calculation of net FX position includes FX-protected deposits. The dashed lines show the 2012-2021 averages of the relevant data. ST stands for short-term.

Chart III.2.12: Short-Term FX Loan Utilization (Flow, USD Billion)

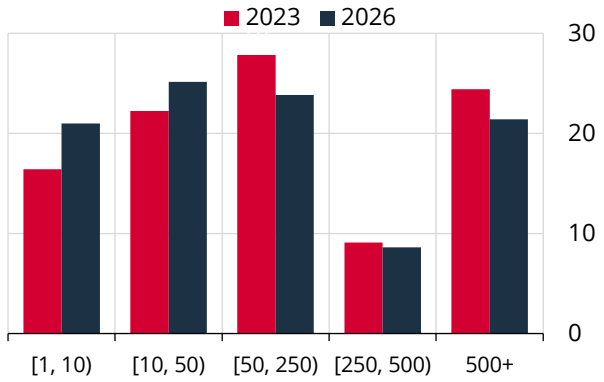


Source: CBRT Last Observation: 03.26

FX loans concentrated among large-scale firms, while TRY loans had a larger share among small-scale firms.

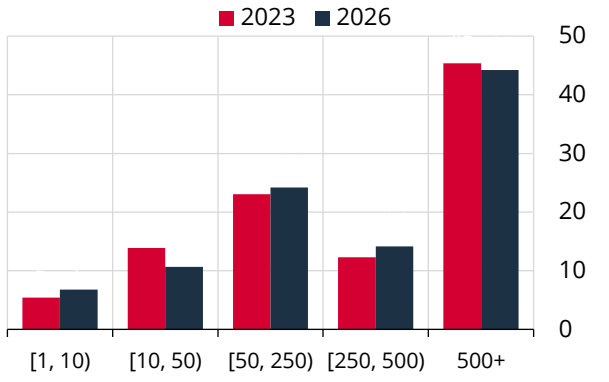
Using micro data, an analysis was conducted regarding the course of TRY and FX loan shares by the size of firms classified based on the number of employees. Accordingly, the share of TRY commercial loans extended to relatively small firms with fewer than 50 employees has increased as of 2026 (Chart III.2.13). However, approximately 45% of FX loans are held by large corporate firms with 500 or more employees. Meanwhile, the distribution of FX loans by firm size has remained broadly unchanged compared to 2023. The predominance of large corporate firms, which have stronger capacity to manage exchange rate risk through export revenues and financial derivatives, in FX borrowing is considered a factor supporting financial stability (Chart III.2.14).

Chart III.2.13: TRY Loan Share of Firms by Number of Employees (%)



Sources: CBRT, Social Security Institution Last Observation: 02.26

Chart III.2.14: FX Loan Share of Firms by Number of Employees (%)



Sources: CBRT, Social Security Institution Last Observation: 02.26

Note: The classification by number of employees is based on the employee count of firms at the end of the relevant year. FX loans include those obtained from the domestic market.

The strong growth in the corporate sector's TRY financial assets continued.

The corporate sector's financial assets increased by more than 46% over the past year, while the ratio of financial assets to GDP rose by 1.1 points to 18.8% (Table III.2.2). Within the corporate sector's asset composition, the share of TRY commercial deposits in total financial assets declined by 1 point to 50.2% as of

March 2026, from 51.2% a year earlier. Meanwhile, the share of FX deposits in total assets decreased by 3.3 points to 29.1% as of March 2026. Due also to persistently high real returns on TRY-denominated assets, TRY commercial deposits grew by 44% over the past year, while FX commercial deposits grew by 32%. Among the corporate sector's financial assets, mutual funds grew by 81%, with their share in the asset composition rising to 17%.

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

	03.25		12.25		03.26		03.25 Share	03.26 Share	03.25- 03.26 Change (%)
	TRY Billion	Ratio	TRY Billion	Ratio	TRY Billion	Ratio			
TRY Commercial Deposits	4,337.2	9.0	6,215.8	9.9	6,237.9	9.5	51.2	50.2	43.8
FX Commercial Deposits	2,741.7	5.7	3,446.4	5.5	3,613.0	5.5	32.3	29.1	31.8
KKM Accounts	106.3	0.2	0.2	0.0	0.0	0.0			
(USD Billion)	72.6	0.2	80.4	0.1	81.4	0.1			12.1
Public Debt Instruments	71.8	0.1	169.8	0.3	170.6	0.3	0.8	1.4	137.6
Private Sector Debt Instruments	189.7	0.4	357.0	0.6	344.2	0.5	2.2	2.8	81.4
Fund Accounts	1,138.1	2.4	1,997.0	3.2	2,063.8	3.1	13.4	16.6	81.3
Total Assets	**8,478.5**	**17.7**	**12,186.0**	**19.3**	**12,429.5**	**18.8**	**100.0**	**100.0**	**46.6**

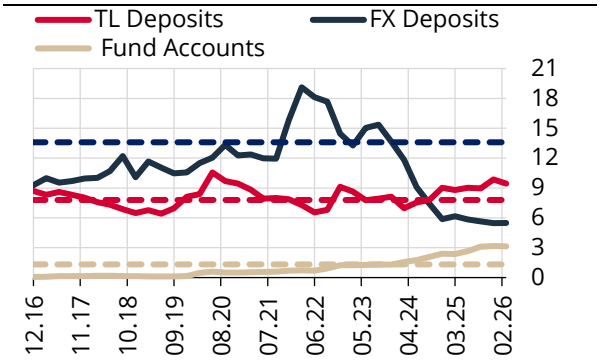
Sources: CBRT, MKK Last Observation: 03.26

Note: Total assets consist of the corporate sector's TRY and FX commercial deposits, public and private sector debt instruments, and fund accounts. The ratio columns show the ratio of the relevant item to GDP. The share columns indicate the corporate sector's share of the relevant item in total assets. The latest quarterly value for fund accounts is a projected figure based on changes in MKK data. The last column shows the percentage change in the respective items between March 2025 and March 2026. 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 shown separately. May differ from the CBRT Financial Accounts Report due to differences in scope and definitions.

Among the corporate sector's financial assets, mutual funds continued to grow and the share of TRY deposits increased significantly.

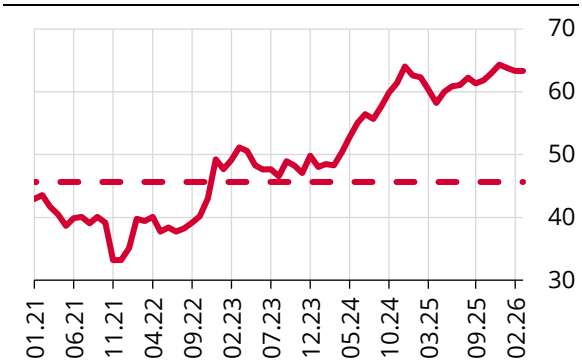
The ratio of the corporate sector's TRY deposits to GDP remained above its historical average (7.8%), while the ratio of FX deposits to GDP stayed flat, below its historical average (13.6%), partly reflecting the unwinding of KKM accounts (Chart III.2.15). The share of TRY commercial deposits in total commercial deposits reached levels well above its historical average (45.6%), driven by rising real returns on TRY assets and exchange rate stability (Chart III.2.16).

Chart III.2.15: Commercial Deposits/GDP (%)



Source: CBRT Last Observation: 03.26

Chart III.2.16: Share of TL Commercial Deposits (%)



Source: CBRT Last Observation: 03.26

Note: FX deposits include KKM accounts of legal entities until the termination of the KKM scheme. The 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. The latest quarterly value for fund accounts is a projected figure based on changes in MKK data.

Indicators for profitability and liquidity for publicly listed firms have shown some deterioration.

To assess developments in firms' profitability, liquidity, indebtedness and turnover rate indicators, listed firms on Borsa İstanbul (BIST) have been analyzed using balance sheet and income statement data, to which inflation accounting has been applied since 2022 (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 Q2	2025 Q4	2026 Q1
Profitability	**EBITDA/Assets (%)**	11.5	13.4	11.1	10.5	10.6	10.0	9.6
Profitability	**EBITDA/Net Sales (%)**	11.9	11.9	12.7	10.9	11.2	11.2	11.2
Profitability	**Net Profit/Assets (%)**	5.2	8.3	7.7	2.9	1.5	1.3	1.5
Profitability	**Net Profit/Net Sales (%)**	5.0	7.4	8.8	3.0	1.6	1.5	1.8
Profitability	**Share of Firms with EBITDA/Assets>%10**	34.7	54.9	44.0	43.1	37.9	33.5	30.5
Profitability	**Share of Firms with Net Profit/Assets>%10**	20.5	29.7	24.5	12.6	13.7	7.8	7.3
Liquidity	**Liquid Asset Ratio (%)**	23.7	24.2	23.6	20.1	19.9	19.7	18.7
Liquidity	**Share of Firms with Liquid Asset Ratio>%20 (%)**	51.7	57.3	53.9	44.0	40.5	39.1	39.5
Indebtedness	**Financial Expenses Coverage Ratio (FECR)**	2.6	2.5	2.0	1.6	1.1	1.5	1.5
Indebtedness	**Share of Firms with FECR>1.5 (%)**	55.6	61.9	58.4	47.8	34.9	46.4	40.8
Turnover Rate	**Stok Turnover Rate (Days)**	163	89	129	147	152	158	157
Turnover Rate	**Average Days Sales Outstanding (Days)**	93	70	77	73	81	76	78
Turnover Rate	**Average Days Payable Outstanding (Days)**	155	109	144	128	136	133	130
Turnover Rate	**Cash Conversion Cycle (Days)**	100	50	62	92	97	101	105
	Number of Firms		286	343	334	343	361	344

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 and 2026 represent annualized 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.

Accordingly, corporate profitability has generally remained slightly below its long-term averages. As of 2025Q4, firms' operating profit margins converged to their long-term averages, while net profit margins stood at around 1.5%. The relatively elevated operating profit margins indicate that firms' operational cash flows and operating profitability have been sustained. Despite a partial recovery in 2026Q1, the subdued level of net profit margins is attributed to higher financing expenses, increases in other non-operating items, and the net monetary position effect arising from inflation accounting. A similar pattern is also observed in ratios indicating the broad-based distribution of profitability across firms. While the share of firms with an operating profit-to-asset ratio above 10% exceeded its long-term average in 2025Q2, it remained above 30% in the final quarter of the year and in 2026Q1.

The liquid asset ratio has declined since 2023, reaching 18.7% as of 2026Q1. The decline in the liquid asset ratio is attributable to firms' shift toward internal sources rather than external financing under tight financial conditions. Across the sector, the share of firms with a liquid assets-to-total assets ratio above 20% stands at around 39–40% as of 2026Q1.

The financing expenses coverage ratio (FECR) remains below its long-term average, reflecting persistently elevated financing costs under tight financial conditions. However, the FECR improved in 2025Q4 and 2026Q1. Stock turnover rates, average days sales outstanding, average days payable outstanding, and cash conversion cycles have been calculated to monitor firms' cash flows. Accordingly, stock turnover rates have extended to 157 days as of 2026Q1, while average days sales outstanding have increased slightly and average days payable outstanding have shown fluctuations. Cash conversion cycles have lengthened since 2022, approaching its historical average for reasons such as rising financing costs, changes in demand composition, and the extension of commercial payment terms.

IV. Financial Sector

IV.1 Credit Developments and Credit Risk

IV.1.1 Credit Developments

Loan rates move in line with the CBRT's policy rate decisions.

Following the previous reporting period, the CBRT reduced the policy rate by 2.5 percentage points to 37%. Over the same period, the TRY commercial loan rate fell by approximately 2.6 percentage points. Amid heightened uncertainty stemming from geopolitical developments at the end of February, one-week repo auctions were suspended as of early March, and CBRT funding was conducted through overnight repo operations. The weighted average funding cost (WAFC) rose by 3 percentage points to 40%. This development pushed TL commercial loan rates up by approximately 4 percentage points (Chart IV.1.1). FX loan rates also increased, driven by rising expectations of an upward trajectory in global interest rates amid geopolitical developments and the tightening of global financial conditions (Chart IV.1.2). Since late February, USD-denominated loan rates have increased by 0.7 percentage points to 8.0%, while euro-denominated loan rates have risen by 0.8 percentage points to 6.8%. In January, the CBRT revised the macroprudential framework with a view to mitigating financial risks associated with FX loans, lowering the growth limits applicable to these loans.

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

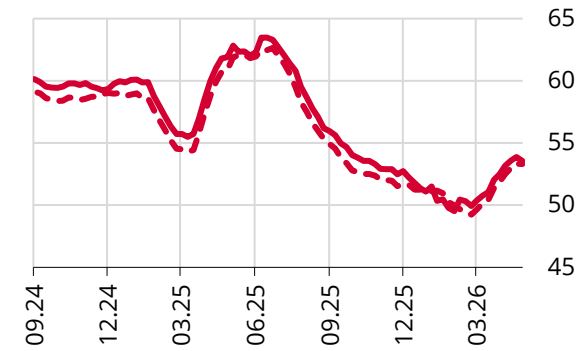
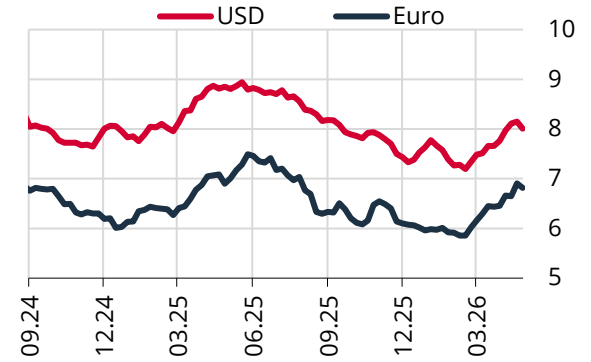


Chart IV.1.2: FX Commercial Loan Rates
(Flow, 4 WMA, %)



Source: CBRT Last Observation: 30.04.26

Note: The dashed line represents TL commercial loan rates excluding ODA and zero-interest loans. Loan rates exclude costs other than interest.

Retail loan rates followed a similar pattern to commercial loan rates (Chart IV.1.3). Having declined since the second half of 2025, general-purpose loan rates increased by 3.6 percentage points to 62.3% following the rise in the WAFC. In the retail segment, lending volumes remained close to the applicable growth limits, supported by demand conditions, thereby limiting the decline in interest rates. In addition, lending campaigns can also cause temporary interest rate fluctuations in this segment. As of April, interest rates on PCC and ODA were 53.2% and 63.0%, respectively. Effective from January 1, 2026, the maximum interest rates on PCC were revised across various categories based on card limits and outstanding balances. At the same time, the maximum interest rates applicable to cash withdrawals and ODA were lowered by 25 basis points (Chart IV.1.4).

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

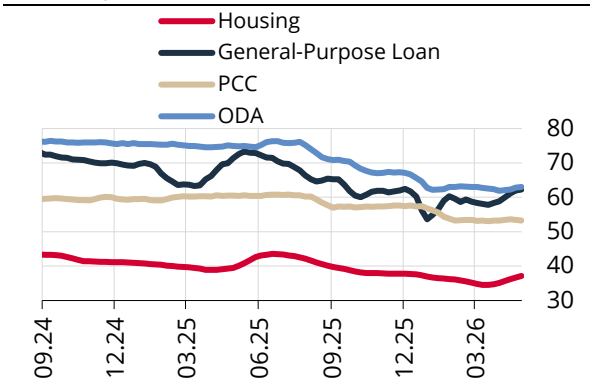
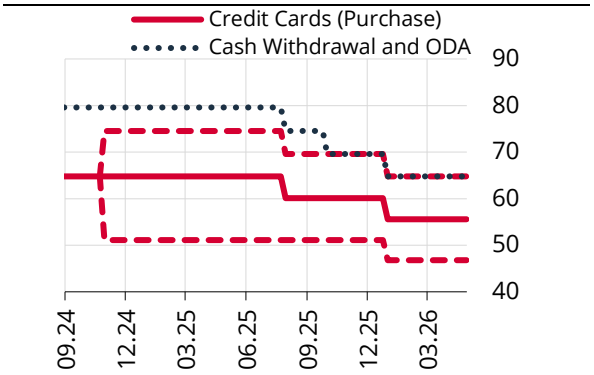


Chart IV.1.4: Maximum Interest Rates on PCC and ODA (Flow, Annualized, %)



Source: CBRT Last Observation: 30.04.26

Note: General-purpose loan rates exclude real person ODA. The dashed red line in the right-hand chart indicates the annualized level of maximum interest rates on PCC.

While the average maturity of TL commercial loans edged down, long-term commercial loan rates increased.

Long-term commercial loan pricing declined following policy rate cuts and improvements in inflation expectations since the second half of 2025. However, the increase in funding costs from March onwards led to a slight rise in long-term commercial loan rates (Chart IV.1.5). The average maturity of fixed-rate TL commercial loans rose above 600 days in the second half of 2025 on the back of declining loan rates and improved inflation expectations. With recent inflation developments and the pause in policy rate cuts, it has recently retreated to 573 days (Chart IV.1.6). Revolving loans have maintained the flat trend in the previous reporting period, with their share remaining below the historical average (Chart IV.1.7).

Chart IV.1.5: Interest Rates on TL Commercial Loans with Installments (Flow, %)

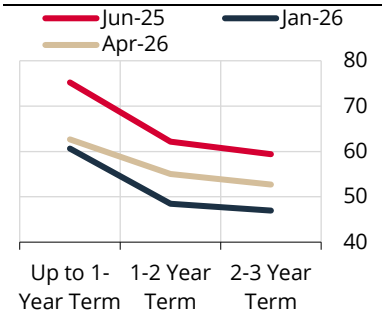


Chart IV.1.6: Maturity of TL Commercial Loans with Installments (Flow, Original Maturity)

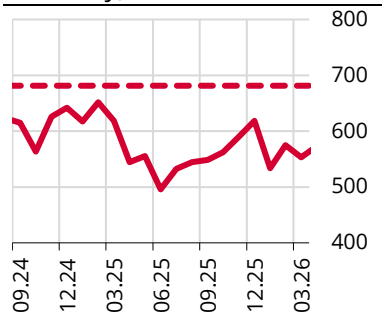
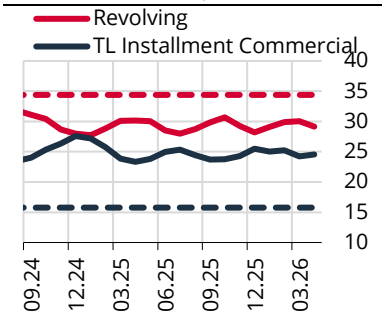


Chart IV.1.7: Share of TL Loans with Installments and Revolving Loans (Flow, 3-Month MA, %)



Sources: CBRT, BRSA Last Observation: 30.04.26

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 rates are the interest rates on fixed-rate TL commercial loans with installments. Outliers and disbursements with zero maturity and zero interest are removed. Loan maturities are those of fixed-rate TL commercial loans with installments. The calculation excludes disbursements with zero maturity, zero interest, and non-reported interest rate structure. The dashed lines show the average of the relevant series for the April 2020-April 2026 period.

Unsecured retail loan growth moderated in the first quarter of 2026 following the rise in funding costs and additional macroprudential steps introduced for loans.

While loan growth limits and other regulatory measures have led to temporary fluctuations in growth rates driven by banks' and firms' behavior, the overall picture suggests a flat course in total loan growth. In April 2026, the annualized 13-week growth rate of total loans stood at 32% (Chart IV.1.8). A breakdown by loan type suggests that commercial loan growth remained robust, whereas retail loans decelerated more

markedly. In April, the trend indicator increased to 31% for commercial loan growth while falling to 39% for retail loan growth (Chart IV.1.9).

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

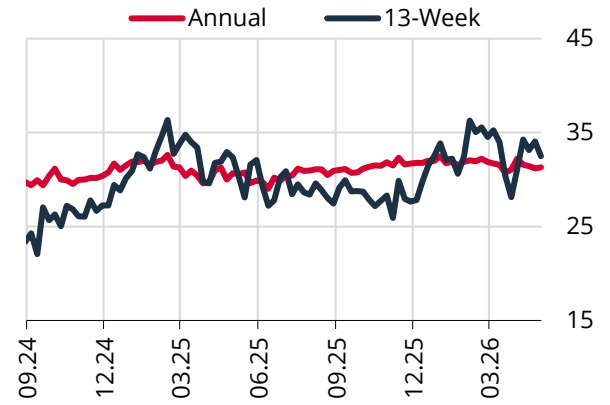
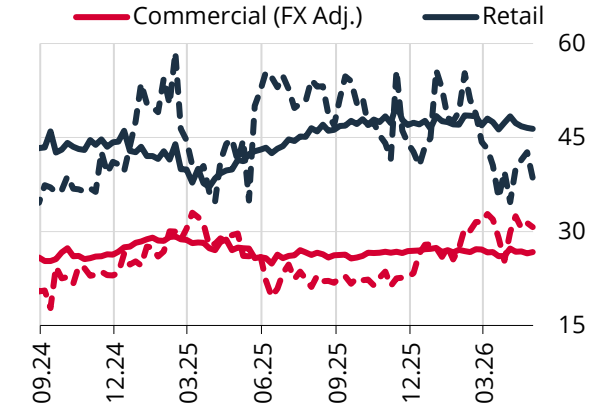


Chart IV.1.9: Commercial and Retail Loan Growth (FX-Adjusted, Annual, and 13-Week Annualized, %)



Source: CBRT

Last Observation: 30.04.26

Note: FX-indexed loans are included in FX loans. 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 loan 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. The dashed lines indicate annualized 13-week growth rates.

While TL commercial loan growth accelerated, the composition of loan growth continued to evolve in favor of the TL.

Annual TL commercial loan growth neared 40% in the first quarter of 2026, while annual FX loan growth fell to 11% as growth limits on FX loans were gradually reduced (Chart IV.1.10). Recent loan growth trends indicate that FX loans have recorded growth rates of around 10%–15%, while TL commercial loans have grown at rates ranging between 40% and 50% (Chart IV.1.11). Seasonal factors, including the balance sheet period, are also considered to have contributed to the acceleration in TL commercial loan growth. The favorable shift in the currency composition of commercial loans to the TL is expected to continue in the period ahead.

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

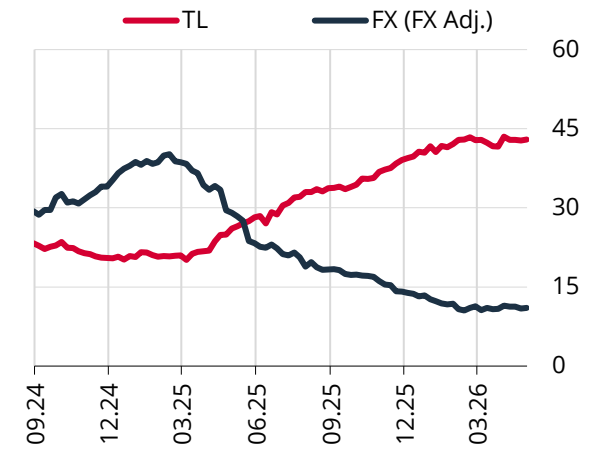
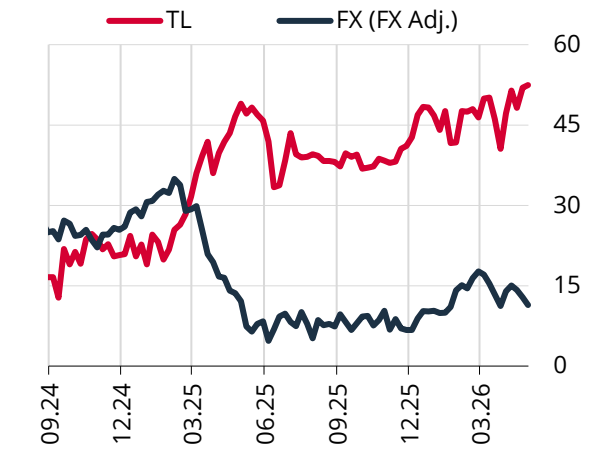


Chart IV.1.11: Commercial Loan Growth (13-Week, Annualized, %)



Source: CBRT

Last Observation: 30.04.26

Note: FX-indexed loans are included in FX loans. FX-adjusted FX loan growth is the ratio of the sum of the TRY 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 ago (13 weeks for the right-hand chart).

Other commercial loans have contributed to the recent acceleration in TL commercial loan growth.

Total loan growth of SMEs follows a flat trajectory at around 50%. FX loan growth of SMEs remains low due to limits on FX loan growth as well as the regulation tying FX loan utilization to FX income (Chart IV.1.12). At other firms, TL commercial loan growth picked up in the first quarter of 2026. Meanwhile, their FX commercial loan growth began to slow in the second quarter of the year (Chart IV.1.13).

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

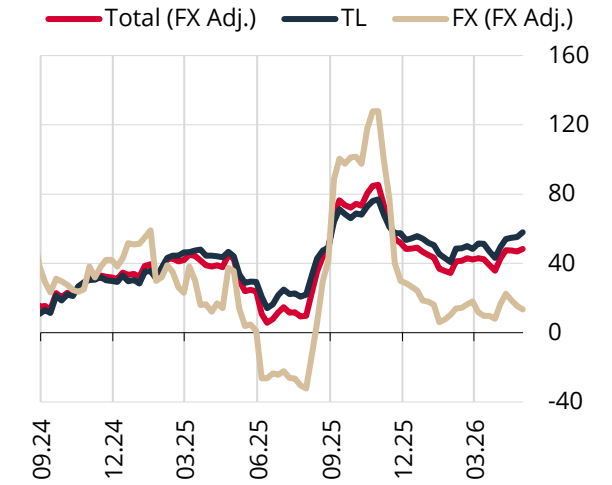
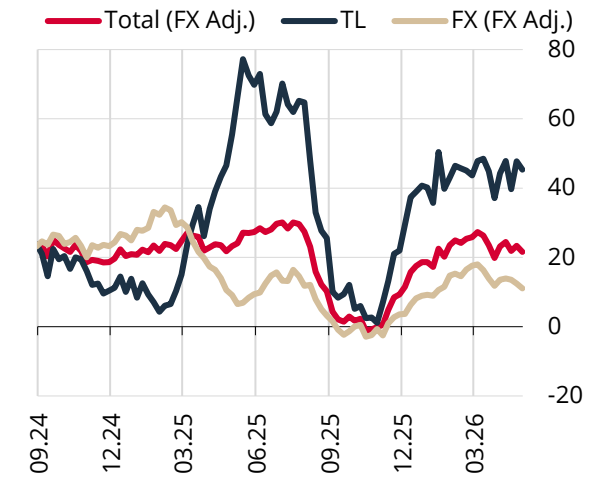


Chart IV.1.13: Other Commercial Loan Growth (13-Week, Annualized, %)



Source: CBRT

Last Observation: 30.04.26

Note: 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 average basket exchange rate, to the total loan balance 13 weeks ago.

While private banks' TL commercial loan growth accelerated, private and public banks recorded similar growth rates in FX loans.

A breakdown by banks' ownership structure reveals that private banks have had a notable appetite for TRY loans since the beginning of 2026. While public banks' annualized 13-week TRY commercial loan growth stands at 42%, this figure is 52% for private banks (Chart IV.1.14). As for FX loans, the growth trends of both bank groups have converged since December (Chart IV.1.15).

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

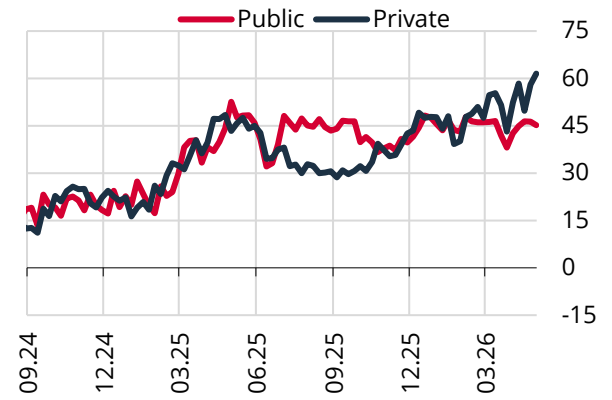
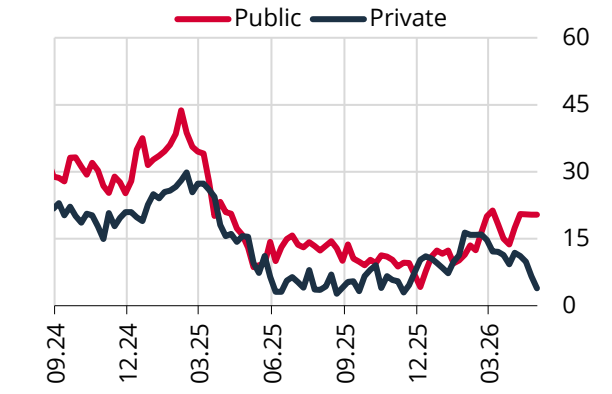


Chart IV.1.15: FX Commercial Loan Growth (13-Week, Annualized, FX-Adjusted, %)



Source: CBRT

Last Observation: 30.04.26

Note: FX-indexed loans are included in FX loans. FX-adjusted FX loan growth is the ratio of the sum of the TRY 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.

The scope of loans subject to growth limits has been expanded.

Growth limits imposed on loans are still binding. Loans subject to these limits account for more than half of total loans (Chart IV.1.16). With the termination of exemptions applicable to loans extended to the earthquake zone, tradesmen loans, and ODA, the share of loans subject to growth limits in total loans has risen to 57.8%. Total loan growth is expected to slow slightly with the expansion of the loan portfolio subject to growth limits. The growth limits currently in place for FX loans are also seen as a factor supporting firms' exchange rate risk outlook. An analysis of the TL commercial loan composition indicates that loans subject to growth limits have a share of approximately 60% (Chart IV.1.17).

Chart IV.1.16: Distribution of Total Loans (% Share)

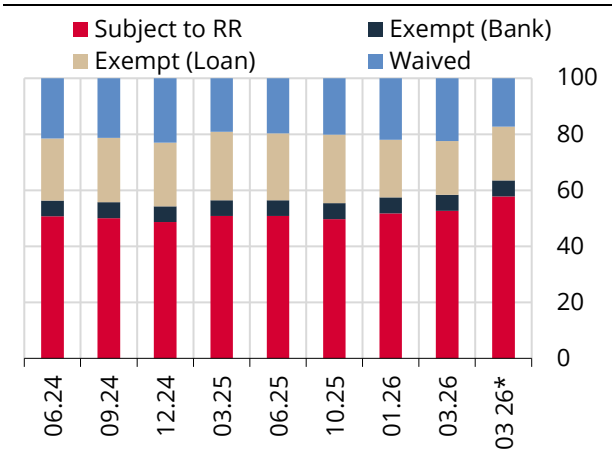
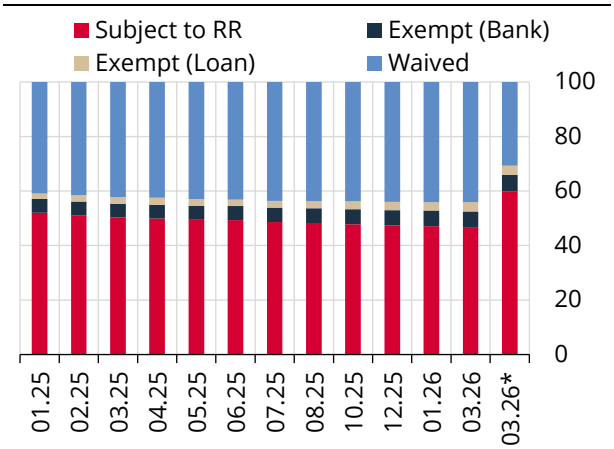


Chart IV.1.17: Distribution of TL Commercial Loans (% Share)



Source: CBRT

Last Observation: 03.26

Note: Based on the eight-week reserve requirement (RR) liability dates used for calculating growth rates. Exempt banks and categories refer to banks not subject to growth limits, PCC, housing loans, and restructured loans. Other waived loans include loans extended to the earthquake zone, tradesmen loans (excluding Treasury-subsidized loans), and other loans not subject to growth limits.

*Effective as of the calculation date of March 27, 2026, loans extended to the earthquake zone and tradesmen loans (excluding Treasury-subsidized loans) have been included in the loans subject to reserve requirements.

Retail loan growth slowed following additional tightening measures targeting retail loan conditions.

General-purpose loan growth had accelerated, driven by campaigns launched and restructuring programs initiated in late 2025. As these were phased out, the impact of tighter financial conditions on general-purpose loan growth began to emerge. The annualized 13-week growth rate of general-purpose loan growth, which had been declining since the first quarter of 2026, fell to 35% (Chart IV.1.18). There was a notable drop in ODA growth rates, primarily due to the implementation of a limit increase cap for this product, along with installment and limit restrictions (Chart IV.1.19). Accordingly, the annualized 13-week growth rate for this loan category fell below 30% in April. PCC utilization is supported by the way it functions as both a borrowing and payment instrument. However, the growth momentum in the first quarter of the year implies a slowdown in the annual growth trend (Chart IV.1.20).

Chart IV.1.18: General-Purpose Loan Growth Excluding ODA (%)

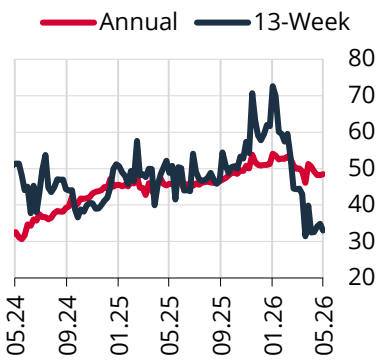


Chart IV.1.19: ODA Growth (%)

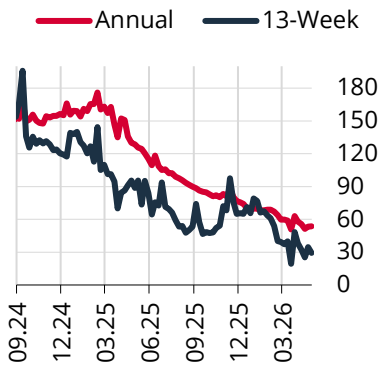
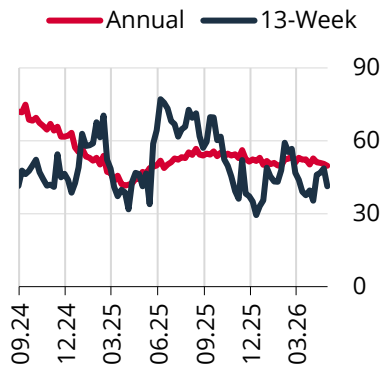


Chart IV.1.20: PCC Growth (%)



Source: CBRT
Last Observation: 30.04.26

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

While housing loan growth picks up pace, vehicle loans keep shrinking.

The ongoing decline in housing loan rates contributes to the rise in annual housing loan growth (Chart IV.1.21). Meanwhile, there has been a marked upturn in housing loan demand following the BRSA's latest regulation on these loans. The elimination of the loan-to-value ratio distinction between new and second-hand homes has been the primary driver of increased demand for housing loans. A significant portion of recent loan disbursements has been allocated to second-hand home purchases. However, given the marked decline in the share of housing loans in total loans and GDP in recent years, it should be noted that the rise in the growth rate is also attributable to the low base effect. The growth limits imposed on vehicle loans and fairly low loan-to-value ratio limits remain decisive in the contraction of these loans (Chart IV.1.22).

Chart IV.1.21: Banking Sector Housing Loan Growth (%)

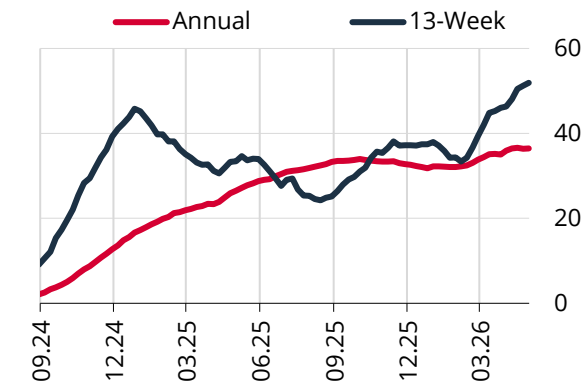
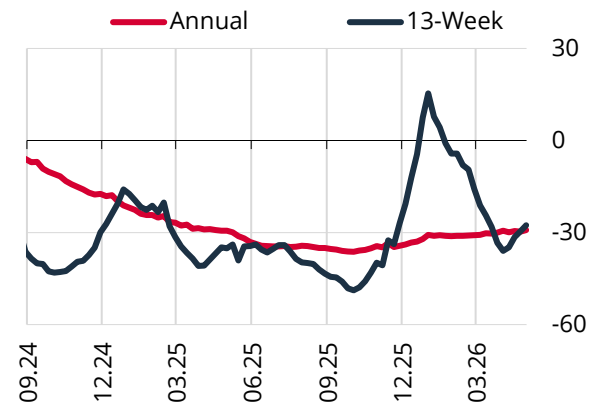


Chart IV.1.22: Banking Sector Vehicle Loan Growth (%)



Source: CBRT
Last Observation: 30.04.26

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

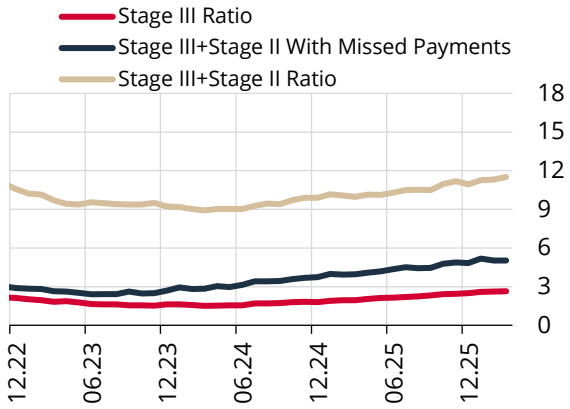
IV.1.2 Credit Risk

The gradual improvement in the banking sector's asset quality indicators continues, albeit at a slower pace.

Over the past year, the total NPL ratio increased by 70 bps to 2.65%, while the ratio of NPLs and Stage 2 (closely-monitored) loans to total gross loans rose by 152 bps to 11.5%. The ratio of NPLs and overdue Stage 2 loans with significant potential to become NPLs to total gross loans was flat at 5% (Chart IV.1.23).

An analysis of the progress in NPL ratios by retail and commercial loan subcategories reveals that the divergence between retail and commercial NPL ratios has continued (Chart IV.1.24). As of May, the retail NPL ratio rose to 4.3%, above its historical average, and has since been flat. In contrast, commercial loans continue to diverge positively from the overall trend, with the commercial NPL ratio standing at 2.1%. The increased risk in retail loans is also evident in Stage 2 loans (Chart IV.1.25). In the first quarter of 2026, the ratio of retail Stage 2 loans remained on an upward trend. This was largely driven by the increase in the balance of restructured loans classified as Stage 2 following the BRSA's restructuring measures for general-purpose loans and PCC. As a result of the restructuring of overdue unsecured retail loans, the ratio of overdue retail loans declined somewhat. Commercial loans with missed payments are still at a low level (Chart IV.1.26).

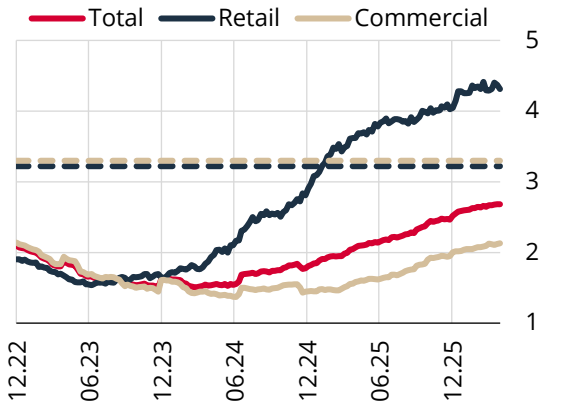
Chart IV.1.23: Asset Quality Outlook (%)



Source: CBRT Last Observation: 03.26

Note: Asset quality indicators are proportioned to gross loans.

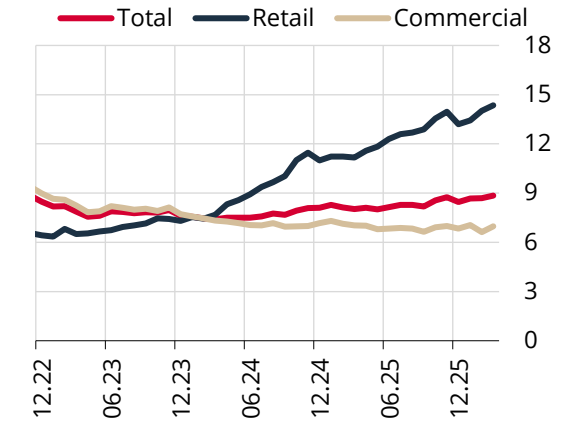
Chart IV.1.24: NPL Ratios (%)



Source: CBRT Last Observation:01.05.26

Note: Dashed lines indicate the average of the relevant series for the 2012-2022 period.

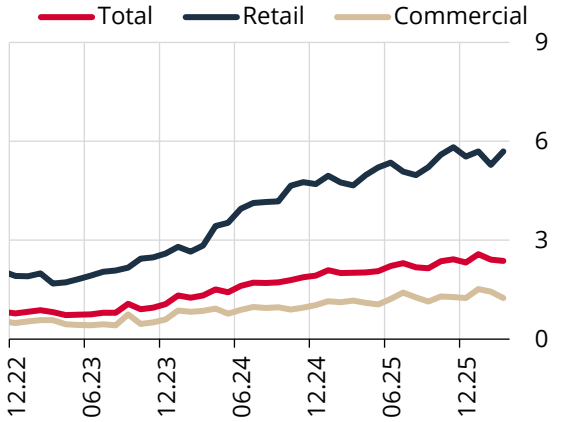
Chart IV.1.25: Ratio of Stage 2 Loans (%)



Source: CBRT Last Observation: 03.26

Note: Series show the ratio of Stage 2 loans to gross loans.

Chart IV.1.26: Stage 2 Loans with Missed Payments (%)



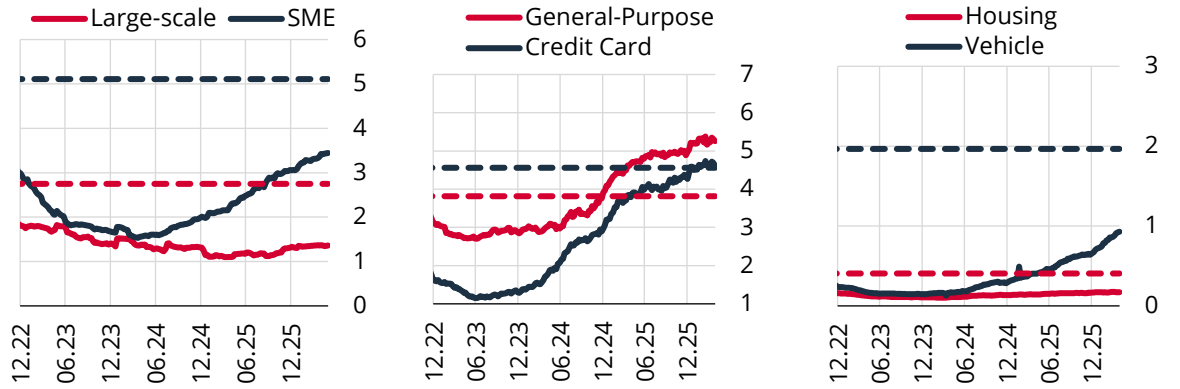
Source: CBRT Last Observation: 03.26

Note: Series show the ratio of Stage 2 loans with missed payments to gross loans.

In commercial loans, the increase in the NPL ratio was most pronounced in the SME segment, while in retail loans, the rise in retail NPLs was largely driven by general-purpose loans and PCC.

As of May, the NPL ratio of SMEs increased further to 3.4%, while that of the other commercial loans, which comprises large-scale corporate loans, remained at 1.4% (Chart IV.1.27). Despite the rise, the NPL ratio of SMEs remains below its historical average. In retail loans, unsecured loans stand out, and the upward trend in the NPL ratios of general-purpose loans and PCC has continued. The general-purpose NPL ratio, which rose above its historical average at the start of 2025, is still on an upward trend. Meanwhile, the NPL ratio in PCC has gone up to 4.6%, reaching its historical average. However, the growth rate of NPLs decelerated with the restructuring measures for general-purpose loans and PCC. The high level of guarantee provided through mortgages and collateral on housing and vehicle loans plays a significant role in keeping NPL ratios low for these loans.

Chart IV.1.27: NPL Ratios by Loan Types (%)

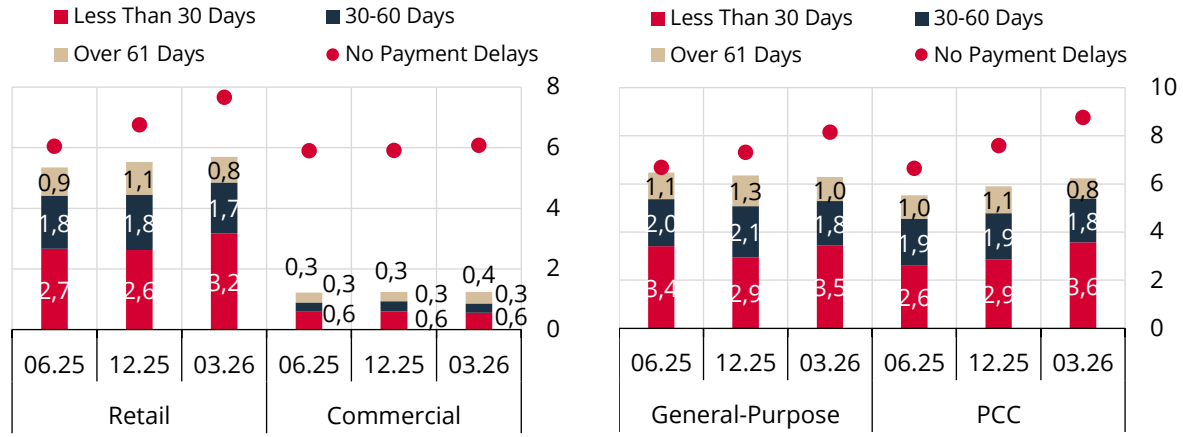


Source: CBRT
Last Observation: 01.05.26
Note: Dashed lines indicate the average of the relevant series for the 2012-2022 period.

Stage 2 Loans consist mainly of loans that are not overdue but show an increase in their credit risk.

A closer look at Stage 2 loans reveals that a significant share of these loans consists of loans that are not overdue (Chart IV.1.28). In accordance with the TRFS-9 standard, banks may classify and monitor loans that are not overdue but show a significant increase in credit risk under Stage 2 loans. Regarding the number of days past due for loans with missed payments, the share of loans in the over-60-day overdue category stands at 0.8% for retail loans. A similar trend is seen in general-purpose loans and PCC, with a substantial portion consisting of loans in the less-than-30-days overdue category. The ratio of Stage 2 loans with missed payments in commercial loans has remained at low levels.

Chart IV.1.28: Composition of Stage 2 Loans (%)



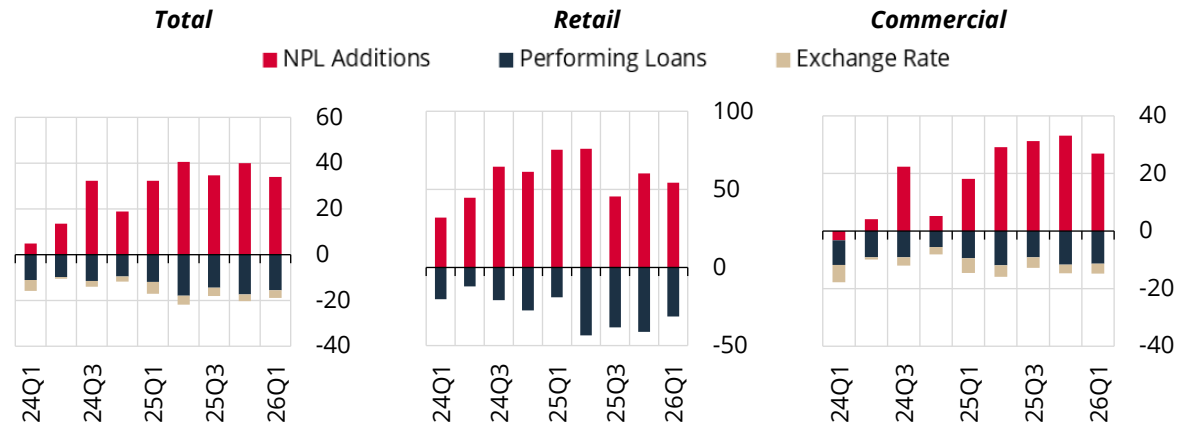
Source: CBRT
Last Observation: 03.26
Note: Shows the ratio of overdue Stage 2 loans to gross loans.

Source: CBRT
Last Observation: 03.26
Note: Shows the ratio of overdue Stage 2 loans to gross loans.

The impact of the NPL balance on the increase in the NPL ratio has weakened.

The progress of the NPL ratio is driven by the trend in performing loans and the impact of exchange rates specific to FX loans, in addition to the new NPL additions. In retail loans, the contribution of new NPLs weakened as of the third quarter of 2025 (Chart IV.1.29). This was mainly due to the restructuring measures put in place for general-purpose loans and credit cards. Likewise, the credit limit regulations may limit the rise in NPLs in the coming period. In addition, the contribution of performing loans declined in the first quarter of 2026 compared to previous periods, due to a slowdown in the growth rate of retail loans. The NPL balance growth in commercial loans slowed in the first quarter.

Chart IV.1.29: Contributions to the Change in NPL Ratios (3-Month Total Contributions, bps)



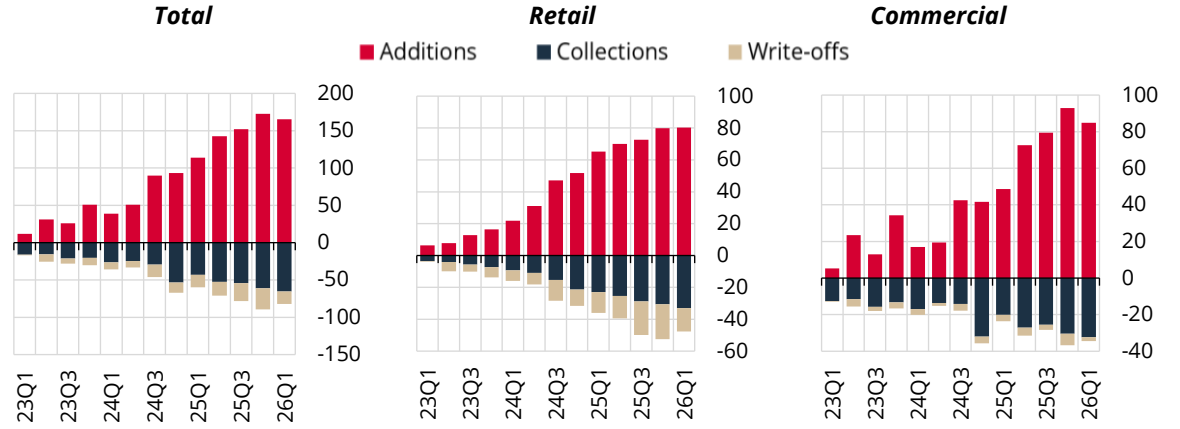
Source: CBRT Last Observation: 03.26

Note: Contribution items are calculated using the total contribution amount for the relevant three months. For technical details on the methodology, see Financial Stability Report of November 2018, Box IV.1.I.

The slowdown in the NPL balance growth was driven by the slowdown in the additional NPL volume and the increase in collections.

In the first quarter of 2026, new NPL additions decreased by TRY 7.6 billion compared to the previous quarter, to TRY 165 billion, while collections and write-offs totaled approximately TRY 82 billion. This confirms that inflows to the NPLs were higher than outflows. Recently, collections in commercial loans amounted to TRY 32.3 billion, while the NPL additions stood at TRY 84.8 billion. In the same period, write-offs in retail loans amounted to TRY 14.7 billion and collections reached TRY 33 billion, limiting the additional NPL volume to approximately TRY 80 billion (Chart IV.1.30).

Chart IV.1.30: Components of the NPL Balance (Billion TL)



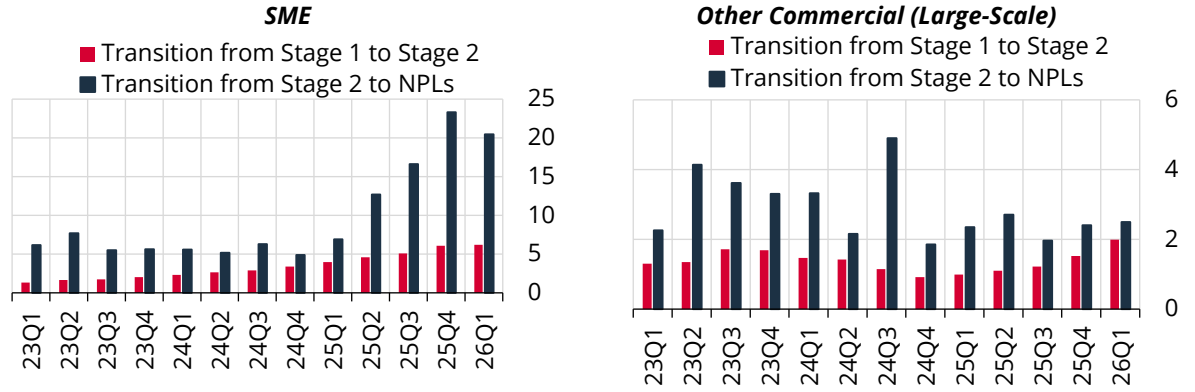
Source: CBRT Last Observation: 03.26

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.

The transition rates between loan categories point to an acceleration in the transition from Stage 2 loans to NPLs for SME loans.

Transition rates between loan categories, calculated as a leading indicator of asset quality, show the ratio of loans that moved from Stage 1 to Stage 2 and from Stage 2 to NPL, relative to the previous year's balance. The transitions from performing loans to Stage 2 loans for SME loans increased gradually in 2025, but lost momentum in the first quarter of 2026. The NPL transitions from Stage 2 loans rose significantly in the second half of 2025 but declined somewhat in the first quarter of 2026 (Chart IV.1.31). No significant increase in transitions was recorded for other commercial loans. These findings point to the possibility that asset quality risks in SME loans may remain elevated in the coming period.

Chart IV.1.31: Transition Rates Between Loan Categories (%)



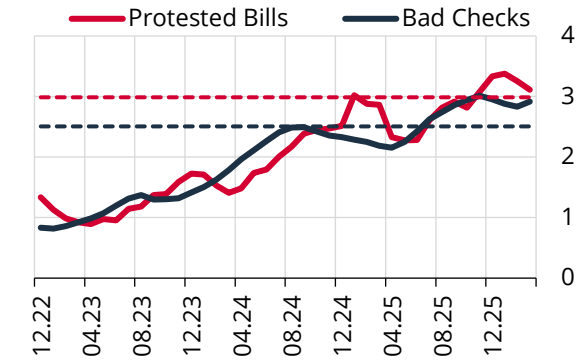
Source: CBRT Last Observation: 03.26

Note: The transition rate 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 rate 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 real sector's commercial debt and bond repayment performance indicators show a slight deterioration.

An analysis of indicators related to inter-firm commercial payment performance reveals that the ratios of protested bills and bad checks were close to their historical averages (Chart IV.1.32). As of March, these ratios stood at 3.1% and 2.9%, respectively. On the other hand, no significant deterioration was seen in the bond debt repayment performance, which serves as an alternative financing channel for corporations (Chart IV.1.33). The defaulted bond ratio, which had remained below 1% for an extended period, edged up to 1.2% in 2026.

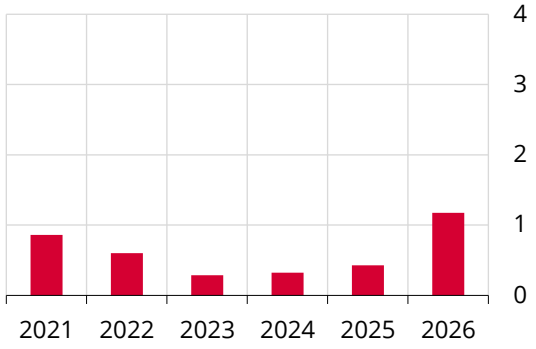
Chart IV.1.32: Protested Bills and Bad Checks (3MMA, %)



Source: CBRT Last Observation: 03.26

Note: Series shows the ratio of protested bills to commercial bills collected and the ratio of bad checks to the total checks submitted to banks. Ratios are calculated based on the number of relevant bills and checks. Dashed lines indicate the average of the relevant series for the 2014-2022 period.

Chart IV.1.33: Defaulted Bonds (%)



Source: CBRT Last Observation: 03.04.26

Note: The ratio of the issuance amount of defaulted bonds in TRY-denominated issues to the total issuance amount. No defaulted bonds exist in FX-denominated issuance. Last observation is April 3, 2026.

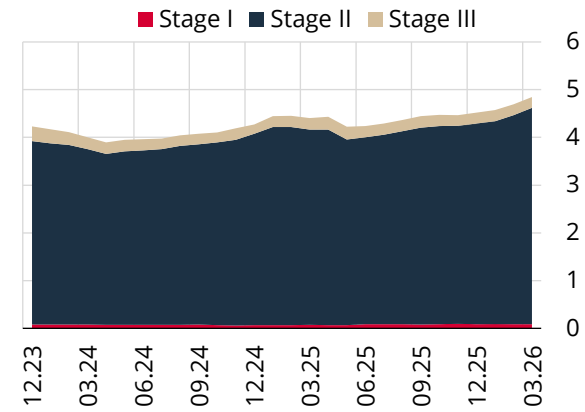
Restructured loan ratios have increased with the restructuring measures for unsecured retail loans.

A significant portion of restructured loans are Stage 2 loans (Chart IV.1.34). The ratio of restructured loans across all loan categories has remained relatively flat for an extended period, but has seen a slight increase as of the second half of 2025. This was driven by the restructuring measures for both general-purpose loan and PCC debts.

The provisioning ratio for NPLs is slightly up, yet it remains above its historical average.

The banking sector continues to maintain high provisioning ratios, reflecting its prudent stance against potential losses (Chart IV.1.35). The expected loss provisioning ratio (excluding NPLs) has gone down slightly due to the release of provisions following the recent restructuring of loans. Consequently, provisions for Stage 2 loans and restructured Stage 2 are 12% and 16%, respectively. Provisions earmarked for NPLs have remained above their historical average, at 82%. This picture indicates that banks are maintaining their prudent provisioning policies by factoring in the risks against asset quality and maintaining strong balance sheet buffers against potential losses.

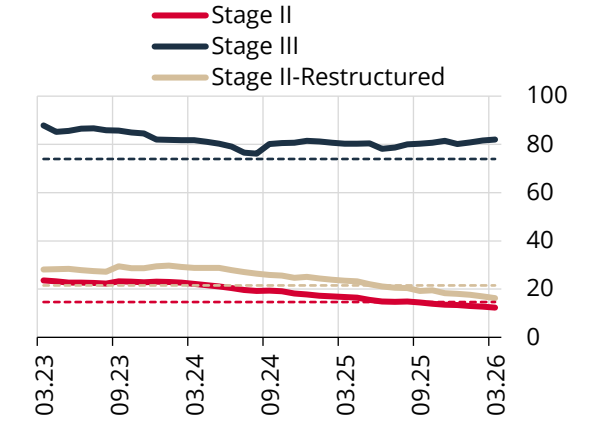
Chart IV.1.34: Restructured Loans (%)



Source: CBRT Last Observation: 03.26

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.1.35: Expected Loss Provisioning Ratio (%)



Source: CBRT Last Observation: 03.26

Note: Expected loss provisioning ratio is the ratio of the expected loss provision of the loan in a category to the loan amount in that category. Dashed lines indicate the average of the relevant series for the 2018-2023 period.

Box IV.1.I: The Impact of Gold Price Movements on Credit Conditions

Summary: *This study analyzes the impact on the banking system of gold, an important instrument for household savings, and precious metal accounts. It focuses on the effects of rising gold prices on banks' balance sheets and FX loan supply channels. The findings indicate that, following the rise in gold prices since September 2023, banks with a high share of precious metal funding experienced an improvement in FX liquidity and recorded stronger growth in FX corporate loans relative to other banks. Based on loan-level microdata controlling for firm demand, firm riskiness, and bank-firm relationships, the results suggest that gold price shocks can affect the real economy and financial stability not only through the household wealth effect but also via banks' balance sheets and loan supply channels.*

Introduction

In Türkiye, the share of precious metal accounts which consists mostly of gold has seen a marked increase in their share of banking system liabilities in recent years. This trend has been driven by growing interest in these accounts by households along with rising international gold prices. Increases in gold prices have macroeconomic effects through multiple channels. One mechanism is the wealth effect triggered by sharp increases in gold prices, which stimulate demand in the housing and automobile sectors and lead to higher sales in these markets (Çolak & Şamcı, 2026). Meanwhile, existing studies on the impact of commodity price shocks on credit markets have largely examined the effects through channels such as local income growth, firms' cash flows, or macroeconomic activity (e.g., Agarwal et al., 2017; Beck, 2011). The literature on the bank lending channel underscores the pivotal role of banks' balance sheet structures in shaping loan supply (Kashyap & Stein, 2000; Gambacorta, 2005). This box analyzes the effects of precious metal price movements on corporate loans through banks' balance sheets, taking into account differences in the distribution of precious metal accounts across banks and loan-level microdata. From this perspective, the study demonstrates that rising precious metal prices may have implications for financial stability and the real economy through banks' balance sheets and loan supply channels, in addition to the wealth effect through household balance sheets.

The effects of the increase in gold liabilities of the banking sector on balance sheet items can be observed by comparing the balance sheets for September 2023 and March 2026 (Table 1). Between the two periods, gold-denominated liabilities rose from USD 26.2 billion to USD 93.3 billion, driven by the increase in gold deposits. On the other hand, the banking sector's on-balance-sheet gold-denominated assets increased from USD 14.5 billion to USD 51 billion during the same period. This rise was primarily driven by receivables from the CBRT and other banks. Consequently, despite increased gold accounts in the sector, the growth of gold-denominated assets remained more limited. Banks offset their on-balance-sheet gold short positions through off-balance-sheet transactions. The net off-balance-sheet position increased from USD 11.6 billion to USD 46.2 billion. This change in the off-balance-sheet position largely reflects swap transactions through which banks exchanged gold in the spot market for FX liquidity (net USD 37.3 billion). In sum, while banks balanced their gold positions through off-balance-sheet transactions, these operations also provided them with FX liquidity.

Table IV.1.I.1: Banking Sector's Gold Position (USD Billion)

Assets				Liabilities			
	September 2023	**March 2026**	**Change**		**September 2023**	**March 2026**	**Change**
Cash and Cash Equivalents	0.6	4.3	3.6	Deposits	26.2	93.3	67.1
Receivables from the Central Bank	7.4	31.3	23.9	Other	0.3	1.6	1.2
Receivables from Banks	1.1	6.3	5.2				
Securities	4.5	7.2	2.6				
Loans	0.9	1.9	1.1				
Other	0.0	0.1	0.0				
Total Assets	*14.5*	*51.0*	*36.5*	*Total Liabilities*	*26.5*	*94.8*	*68.3*
On-Balance-Sheet Position					**-12.0**	**-43.8**	**-31.8**
Swap	12.3	53.4	41.1	Swap	0.3	4.1	3.9
Forward	0.0	0.3	0.3	Forward	0.3	2.1	1.8
Options	0.2	1.4	1.2	Options	0.3	1.8	1.5
Futures and Commitments	0.8	2.7	1.8	Futures and Commitments	0.9	3.5	2.6
Total Long Position	*13.4*	*57.8*	*44.4*	*Total Short Position*	*1.8*	*11.5*	*9.8*
Off-Balance-Sheet Position					**11.6**	**46.2**	**34.6**
Net Gold Position					**-0.3**	**2.4**	**2.7**

Note: Off-balance-sheet transactions reported under assets represent the total long position of the relevant items, while off-balance-sheet transactions reported under liabilities represent the total short position of the relevant items.

Taking September 2023 as the starting point for the rise in gold prices, banks with a high share of precious metal accounts in their funding composition exhibited stronger FX loan growth compared to banks with a low share of such accounts (Chart IV.1.I.1). This could be attributed to the strengthening of banks' FX liquidity positions following the increase in gold prices. In addition, while USD-denominated loan rates of banks with a high share of precious metal accounts declined after September 2023, those of banks with a low share remained relatively flat (Chart IV.1.I.2). In the next step, this box empirically analyzes the impact of heterogeneity in banks' precious metal accounts on FX loan growth and interest rates using loan-level microdata.

Chart IV.1.I.1: FX Loan Growth (%)

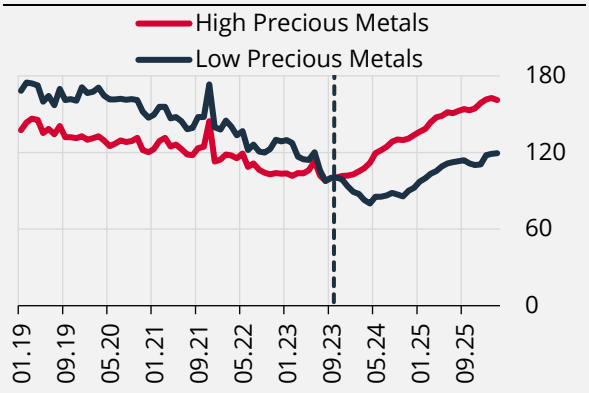
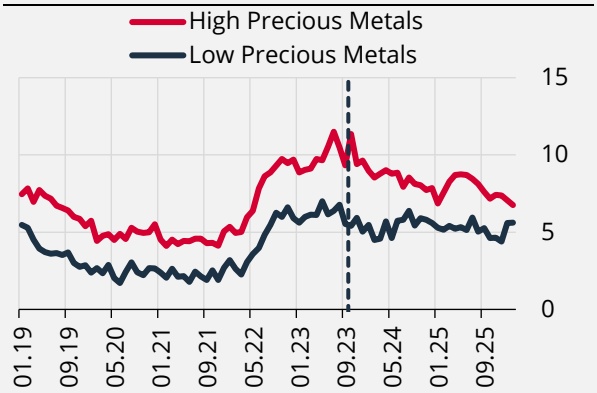


Chart IV.1.I.2: USD Loan Rates (%)



Source: CBRT Last Observation: 03.26

Note: Banks with a high share of precious metal accounts were identified as those with a precious metal-denominated funding-to-total funding ratio above the median value within a group of 33 deposit banks as of September 2023. The divergences observed in the charts remain consistent when precious metal ratios for earlier and later periods are considered. FX loan change, expressed in USD, is indexed to September 2023 = 100.

Model and Findings

$$Log\ Loan_{ibt} = \beta High\ Precious\ Metal_{b,\,2023Q3} \times Post_t + \mu_{it} + v_{ib} + \varepsilon_{ibt}$$

The variable $Log\ Loan_{ibt}$ represents the FX-denominated loan balance in USD terms used by firm i from bank b in period t. As an alternative dependent variable, the model uses the level of USD-denominated loan rates. The variable $High\ Precious\ Metal_{b,\,2023Q3}$ equals 1 for banks whose share of precious metal funding in total funding was above the median as of end-September 2023 and 0 otherwise. The variable $Post_t$ represents the post-September 2023 period and takes the value of 1 for observations after this date and 0 otherwise. The term μ_{it} denotes firm×time fixed effects, while v_{ib} captures firm×bank fixed effects, and ε_{ibt} represents the error term. The error terms are clustered at the bank level. The dataset is on a monthly basis and covers the period from January 2022 to March 2026.

Firm×time fixed effects included in the models control for unobserved, firm-specific factors that may arise in a given period and simultaneously affect all credit relationships, such as demand, risk, liquidity, or balance sheet conditions. This allows for a comparison of transactions conducted by the same firm with different banks during the same period. Firm×bank fixed effects control for time-invariant characteristics of the firm-bank relationship. They absorb long-term client relationships, relationship banking dynamics, risk assessment practices specific to the firm-bank relationship, collateral structures, operational proximity, and permanent credit allocation behavior. By incorporating both sets of fixed effects, the estimates capture variations in FX lending standards applied by the banks to a firm with FX loan balances at two different banks in the same month. This approach substantially limits any deviations that could arise from firm demand or time-invariant characteristics of the firm–bank relationship.

Table IV.1.I.2: Empirical Findings

Variables	Model 1 Liquidity Position	Model 2 FX Loan Balance	Model 3 USD Loan Rate
Post × High Precious Metal	**0.0549****	**0.208***	**-0.402****
	(0.0205)	(0.1091)	(0.1487)
Number of Observations	1,597	1,177,393	108,317
R^2	0.6270	0.9178	0.9693
Bank Fixed Effect	Yes		
Time Fixed Effect	Yes		
Firm×Bank Fixed Effects		Yes	Yes
Firm×Time Fixed Effects		Yes	Yes

Note: ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively.

The empirical findings presented in Table IV.1.I.2 indicate that global gold/precious metal price shocks expand FX loan supply through banks' funding composition. In the first column (Model 1), the dependent variable in the bank-level regression that controls separately for bank and time fixed effects is the ratio of FX liquidity to total liquidity. The results of Model 1 show that banks with a high share of precious metal accounts in their funding saw a greater growth in FX liquidity compared to other banks in the post-September 2023 period. Results regarding FX corporate loans (Models 2 and 3) indicate that banks with a high share of precious metals in their funding increased their FX loans by 21% relative to other banks and extended USD-denominated loans at a 0.4 percentage-point lower cost during the post-September 2023 period.

Chart IV.1.I.3: Event Study of FX Loans (Quarterly)

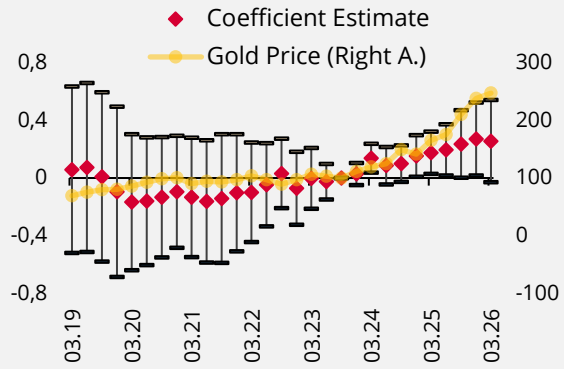
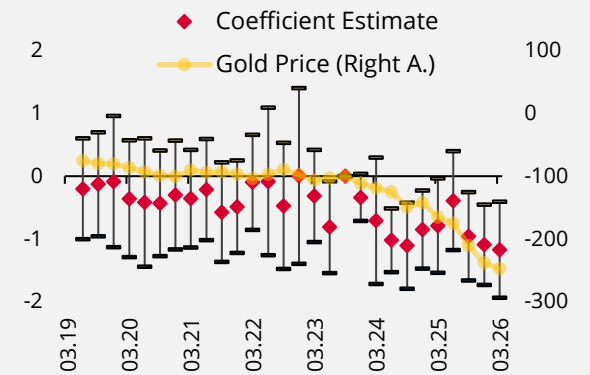


Chart IV.1.I.4: Event Study of USD Loan Rates (Quarterly)



Source: CBRT

Last Observation: 03.26

Note: The event study is based on the same principles as the base model:

$$Log\ Loan_{ibt} = \sum_{k} \beta_k High\ Precious\ Metal_{b,\,2023Q3} \times Quarterly\ Period_k + \mu_{it} + v_{ib} + \varepsilon_{ibt}$$

Interaction coefficients are estimated by multiplying dummy variables for each of the 29 quarters spanning 2019Q1–2026Q1 with the variable $High\ Precious\ Metal_{b,\,2023Q3}$. The regression results are obtained by excluding 2023Q3, which serves as the base period. Coefficient estimates are presented with the upper and lower bounds of the 95% confidence interval. Gold prices in USD and indexed to 2023Q3 = 100. The chart on the right shows gold prices in inverted scale.

To examine the dynamic effects of gold price shocks on credit markets over time, the baseline regression specification is expanded using an event study framework. This approach makes it possible to trace the extent to which banks with a high share of precious metal funding differ from other banks in terms of loan balances and pricing and to identify the periods during which such divergences emerge. Charts IV.1.I.3 and IV.1.I.4 present the event-study results. Chart IV.1.I.3 shows no evidence of a statistically significant pre-trend in the period before 2023. Following the acceleration in gold prices, however, banks with a high share of precious metal funding exhibited a stronger increase in FX loan balances compared to other banks. Similarly, Chart IV.1.I.4 indicates that, over the same period, banks with a high share of precious metal funding lowered their US-denominated lending rates more than other banks. The timing of these effects supports the interpretation that the findings are indicative of a balance-sheet-driven expansion in loan supply.

As a result, the analyses in this box suggests that gold price shocks can affect FX loan supply through the banking system in Türkiye. The findings indicate that, for banks with a high share of precious metals in their funding composition, increases in gold prices boost FX liquidity, which in turn is reflected in FX commercial loan supply. The results obtained using microdata to control for loan demand, firm riskiness, and permanent relationship banking components point to a supply-side balance sheet channel. In this respect, the study shows that gold price movements in economies with substantial gold savings, such as Türkiye, may generate real and macrofinancial effects not only through wealth and portfolio preferences but also through the banking system and credit channels. This implies that developments in precious metal accounts on banks' balance sheets should be monitored closely with regards to their implications for monetary policy transmission and financial stability.

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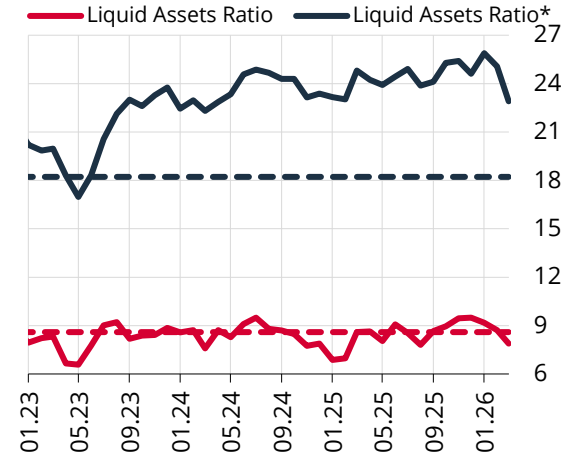
IV.2 Liquidity Risk

The strong outlook in the banking sector's liquid assets continues.

The sector's liquid assets ratio (excluding RRs) remains flat close to its historical average. Nevertheless, 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 receivables from reverse repo transactions, is significantly above its historical average (Chart IV.2.1). This was mainly driven by the rise in the RR balance that banks keep at the CBRT. While the share of FX accounts held at correspondent banks abroad—a major component of liquid assets—in total assets continued to increase, the share of unencumbered GDS decreased in March as borrowing from the CBRT increased. Thus, the ratio of unencumbered GDS decreased below the historical average, while the ratio of free accounts at foreign banks to total assets is above its historical average (Chart IV.2.2).

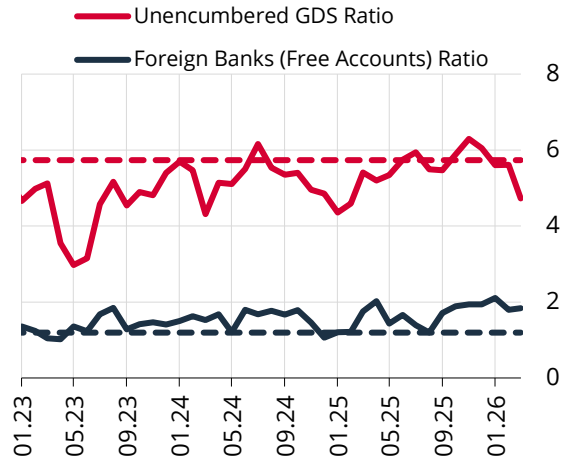
Chart IV.2.1: Share of Liquid Assets (%)



Source: CBRT Last Observation 03.26

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 + Free Reserves and Required reserves / Assets. Dashed lines represent the 2012-2021 average.

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



Source: CBRT Last Observation 03.26

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 the stable course of banks' funding structure has continued.

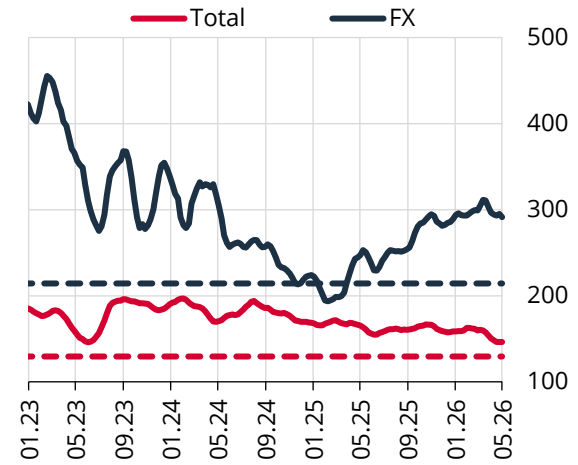
Liquidity coverage ratios (LCR), which are indicators of banks' ability to meet net cash outflows within 30 days with high-quality liquid assets, remain above legal limits and historical averages. Accordingly, the banking sector's liquid assets are capable of meeting possible short-term TL and FX cash outflows. The slowdown in the growth rate of FX loans on the back of macroprudential measures has been a key factor in the increase in banks' FX liquid assets. In addition, precious metal assets held to hedge against precious metal price risk has appreciated in terms of FX, contributing to the increase in FX liquidity. Consequently, the FX LCRs increased to 300% (Chart IV.2.3).

Despite a slight increase recently, the loan-to-deposit (L/D) ratio continues to remain below 100%, indicating that banks have a sound and stable funding structure. While the TL and FX L/D ratios have shown a tendency to diverge recently, both ratios continue to remain below their long-term averages. FX loan growth limits have been gradually reduced since 2025, leading to a slowdown in the growth rate of these loans and a slight increase in FX deposits, which has contributed to the decline in the FX loan-to-deposit ratio. Recently, due to the rise in precious metal prices, the TL and FX equivalent of precious metal-

denominated deposits increased as well, significantly contributing to the decline in FX loan-to-deposit ratio. The slight acceleration in TL loan growth as of the fourth quarter of 2025 has contributed to the rise in the TL loan-to-deposit ratio (Chart IV.2.4).

Chart IV.2.3: Liquidity Coverage Ratios

(4 WMA, %)

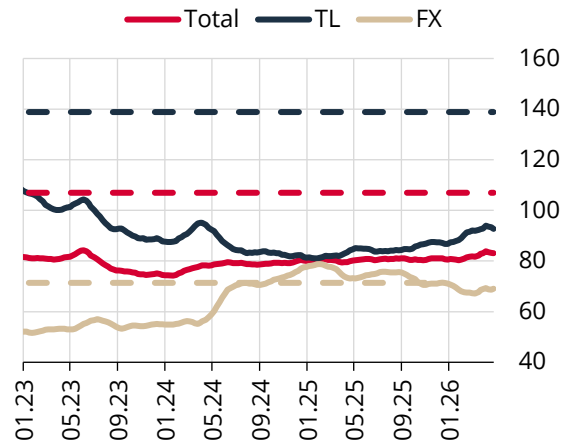


Source: CBRT Last Observation 30.04.26

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

(4 WMA, %)



Source: CBRT Last Observation 30.04.26

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.

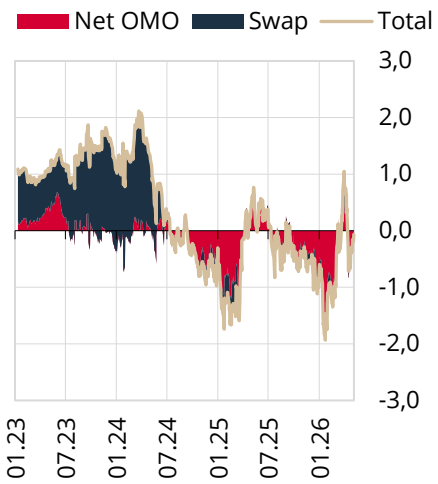
The funding need of the system have fluctuated due to geopolitical developments.

As foreign capital inflows accelerated starting in mid-2025, the liquidity surplus of the system reached its peak by the end of January 2026. By late February, an increase in geopolitical risks, coupled with an acceleration in foreign capital outflows, led to a rise in the funding need of the system (Chart IV.2.5). During this period, on March 31, 2026, the CBRT resumed foreign exchange-for-TL swap transactions to provide banks with flexibility in TL liquidity management and conducted a part of TL funding through this channel. The outstanding balance of these transactions rose rapidly, reaching USD 13.5 billion on April 6. Following a limited decline in geopolitical risks, an increase in capital inflows to Türkiye was observed once again. During this period, while swap transactions between banks and non-residents increased, swap transactions with the CBRT decreased. Consequently, the outstanding balance of foreign exchange-for-TL swap transactions between banks and the CBRT fell to USD 1.8 billion as of May 6.

The CBRT suspended its weekly repo auctions and ensured that market rates stabilized around the overnight lending rate of 40%.

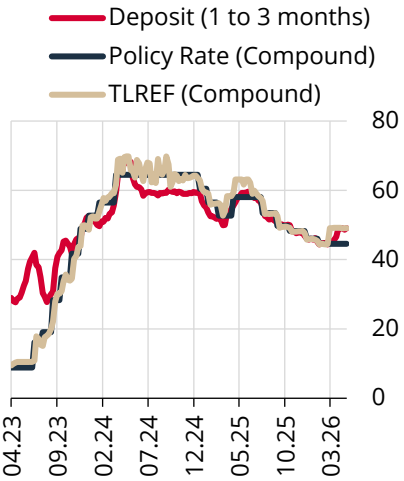
Following the interest rate cut cycle that started in July 2025, a downtrend was observed in deposit and market interest rates, in line with the CBRT's policy rate. As a result of the policy rate cuts, the compound interest rate on 1- to 3-month TL deposits fell by 12.3 percentage points from its level in the week of July 18, dropping to 44.4% in the week of February 27, 2026 (Chart IV.2.6). Following the CBRT's suspension of 1-week repo auctions at the onset of the war, a significant rise in TL deposit rates was observed again. Relatedly, between February 27 and April 30, the Turkish lira overnight reference rate (TLREF) and the compound interest rate on deposits with a maturity of one to three months increased by a total of 4.7 percentage points (3.3 percentage points on a simple interest basis) (Chart IV.2.7). The course of TL deposit rates in the upcoming period is expected to be driven by the policy rate, market liquidity conditions, and macroprudential policies, as well as inflation and exchange rate expectations.

Chart IV.2.5: CBRT Funding (Trillion TL)



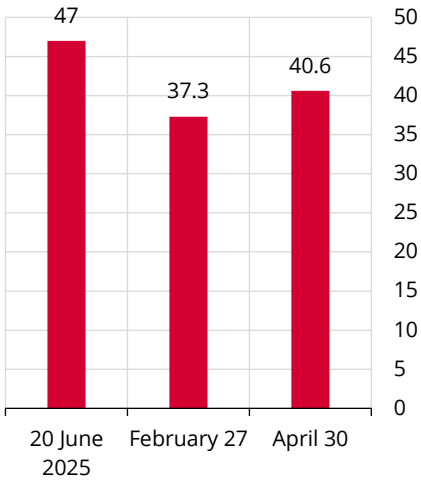
Source: CBRT
Note: The Net OMO shows the funding provided by the CBRT through open market operations. Swap refers to the funding that banks obtain from the CBRT through swap transactions. A positive (negative) value for the total indicates that banks are net borrowers from (or net lenders to) the CBRT.

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



Note: Interest rates are annual compound rates.

Chart IV.2.7: TL Deposit Rate for 1-3 Months (Simple, %)



Last Observation 30.04.26

While the preference for TL deposits continues, the appetite for FX deposits is limited.

From the beginning of 2026 until the period when the rise in geopolitical risks became apparent, both TL and FX deposit balances increased. Yet, when adjusted for the effects of exchange rates, parity, and precious metal prices, the increase in FX deposits remained limited, while the rise in TL deposits exceeded that of FX deposits. During the same period, while a significant decline was observed in FX deposits, precious metal accounts increased due to fluctuations in precious metal prices (Chart IV.2.8 and Chart IV.2.9). Even after the war, while the upward trend in TL deposits continued, the US dollar equivalent of FX deposits declined due to the drop in precious metal prices. However, data adjusted for exchange rates, parity, and precious metal price effects reveals that there has been a limited increase in both FX and precious metal deposits. In this context, it can be asserted that developments in FX deposits are mostly driven by household demand for precious metals. Moreover, some firms' limited shift towards FX to manage exchange rate risk contributed to the rise in FX deposits (Chart IV.2.10). Despite the decline in precious metal prices, continued high volatility has kept demand for these assets strong. Over the last few weeks, demand for FX deposits has weakened following the start of ceasefire talks.

Chart IV.2.8: Change in TL and FX Deposits (Billion TL, USD)

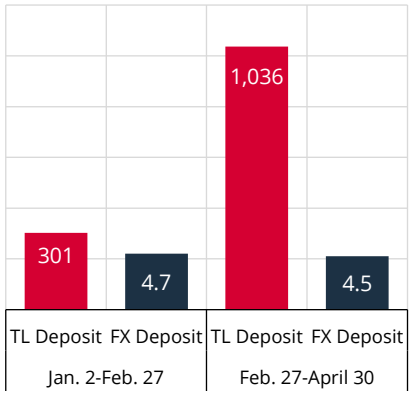


Chart IV.2.9: Change in FX Deposits (Billion USD)

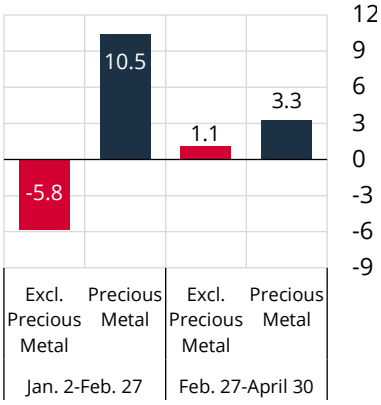
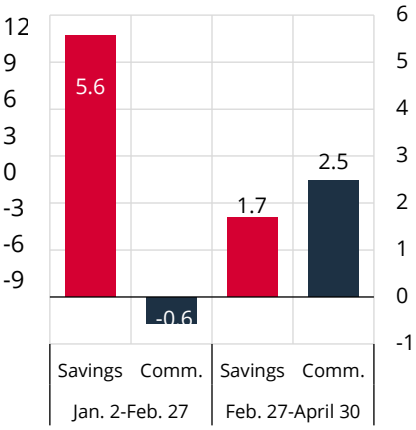


Chart IV.2.10: FX Savings and Commercial Deposit Change (Billion USD)



Source: CBRT
Note: The first part of the change in deposits chart represents the change between January 2, 2026, and February 27, 2026; and the second part represents the change between February 27, 2026 and April 30, 2026. Changes are adjusted for exchange rates, parity and precious metal price effects.

The share of TL deposits in total deposits is at historically high levels and continues to show a stable outlook.

The tight monetary policy stance and macroprudential regulations aimed at keeping the share of the TL in the banking system high are supporting the TL as the preferred currency. In this context, following the CBRT's termination of opening and renewal of KKM accounts in 2025, the share of the KKM balance in total deposits has approached zero. Recently, the share of TL deposits in total deposits has been flat and stable at around 60%. In contrast, the rise in precious metal prices and increased demand for precious metal deposits have boosted the share of precious metal deposits in total deposits, while the share of FX deposits has declined (Chart IV.2.11). A breakdown of deposits by savings and commercial deposits reveals that the share of TL deposits continues to remain above its historical averages in both types of deposits. While tendency towards TL deposits is strong for real persons, the share of TL in savings deposits declined in the final quarter of 2025 due to the rise in precious metal prices pushing up the Turkish lira equivalent of FX deposits. After January, when precious metal prices started to decrease, this tendency was reversed and the share of TL picked up again. On the commercial deposits side, the slight increase in firms' shift toward FX recently has led to a modest decline in the TL share. Nevertheless, the share of TL in commercial deposits continues to remain at high levels compared to historical averages (Chart IV.2.12).

Chart IV.2.11: Distribution of Total Deposits (Share, %)

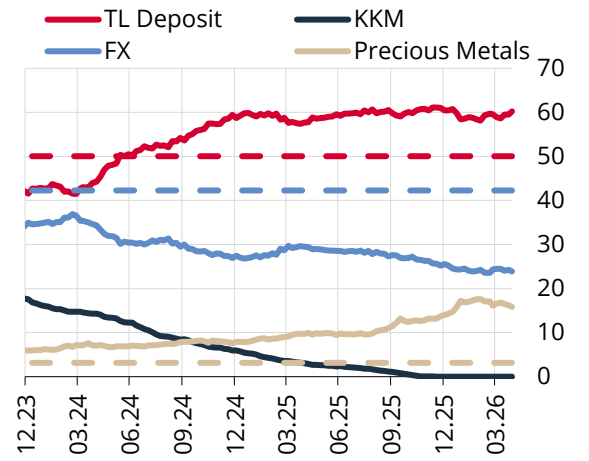
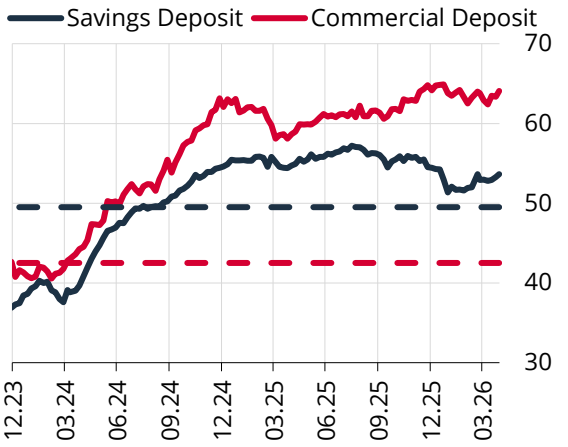


Chart IV.2.12: TL Deposit Share (%)

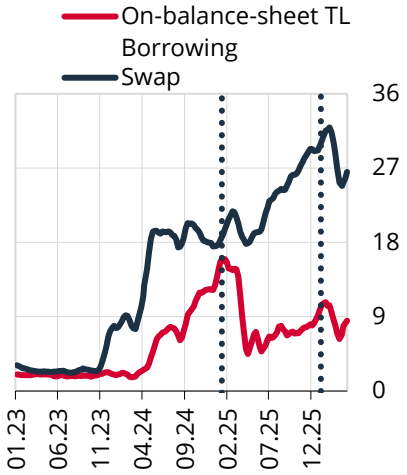


Source: CBRT
Last Observation 30.04.26
Note: Dashed lines are the 2012-2022 average of the share series.

TL funding that banks secure from abroad has been fluctuating due to geopolitical developments.

Following the regulation on January 24, 2026, which increased the reserve requirement (RR) ratios applied to short term foreign TL denominated repo, loan, and deposit funding, outstanding balance of such borrowings started to decline gradually, and this decline accelerated as geopolitical tensions escalated. Similarly, a decrease was observed in TL funding secured by banks from abroad through swap transactions. Indeed, while total funding from these two sources stood at USD 42.7 billion on February 27, it declined to USD 29.1 billion as of April 3. However, with the start of ceasefire talks, the total balance of these accounts increased by USD 4.5 billion to USD 33.6 billion during the period from April 3 to April 30, indicating a partial recovery (Chart IV.2.13).

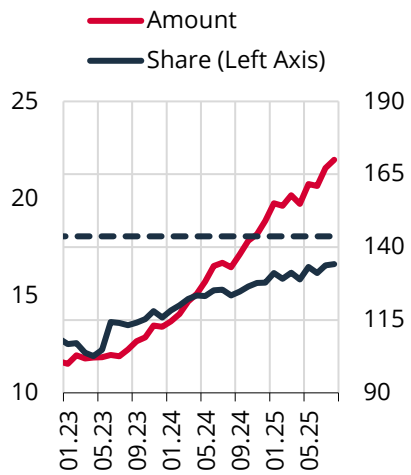
Chart IV.2.13: TL Funding from Abroad (Billion USD)



Source: CBRT Last Observation: 30.04.26

Note: On-balance sheet TL borrowing includes TL- denominated loans, deposits, and repo funding obtained from abroad. The first dashed line shows the regulation for RR ratio increase for on-balance sheet funding from abroad introduced on February 2, 2025 and the second dashed line shows the regulation introduced on January 30, 2026.

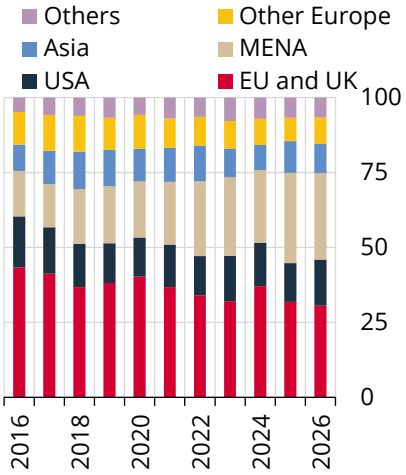
Chart IV.2.14: External Debt Balance and Share (Billion USD, %)



Source: CBRT, MKK Last Observation: 03.26

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 "Share" series shows the share of external borrowing in total liabilities. Securities issued abroad are considered external debt; ownership by domestic residents is not taken into account. The dashed line represents the average for the series from 2012 to 2022.

Chart IV.2.15: Geographical Distribution of External Debt (%)



Source: CBRT, MKK Last Observation: 03.26

Note: Excludes banks' bond issues abroad. The color at the top of each bar indicates the share of funding from other countries. MENA stands for the Middle East and North Africa region.

Geopolitical developments had a limited impact on banks' external borrowing tendencies.

As the positive outlook for country risk premia continued into the first quarter of 2026, Turkish banks' exchange rate adjusted external financing increased by USD 30 billion in 2025 but decreased by USD 2.7 billion in the first three months of 2026 due to the impact of geopolitical developments on external financing conditions.

The banking sector's external debt stock reached USD 178 billion, while the share of external debt in the funding composition remained at 15.8%, below its historical average (Chart IV.2.14). While banks' external debt rollover ratio continued to hover above 100%, the rollover ratio for long-term external debt, which benefits from required reserve advantages[1] under regulatory frameworks, stood at 189% as of March 2026.

[1] As per the regulation dated January 15, 2023, it was decided that reserve requirement ratios would be set at 0% until the end of 2023 for increases in FX liabilities obtained directly from abroad with maturities of more than six months. With the regulation dated December 19, 2024, the maturity criterion specified in the regulation was extended to one year, and the regulation's validity period was extended by one year. On December 2, 2025, this temporary measure was

The balanced geographic distribution of banks' external debt supports their resilience against potential volatility in international capital flows stemming from geopolitical developments (Chart IV.2.15). Moreover, recent data indicate that banks have not faced significant difficulties in accessing funding from the Middle East and North Africa region.

As for the banking sector's external debt, the rollover ratio for long-term borrowing remains high (Chart IV.2.16). Transactions in long-term borrowing instruments, such as subordinated debts and eurobonds, remain robust. In 2025, net financing from eurobonds and subordinated debts amounted to USD 13.4 billion and USD 5.7 billion, respectively. By increasing their subordinated debts, banks are extending the maturity and improving the quality of their external borrowing (Chart IV.2.17). The total balance of long-term external debt instruments with environmental, social, and governance themes reached USD 11.8 billion for banks and USD 6.7 billion for the real sector as of April 2026.

Chart IV.2.16: External Debt Rollover Ratio (%)

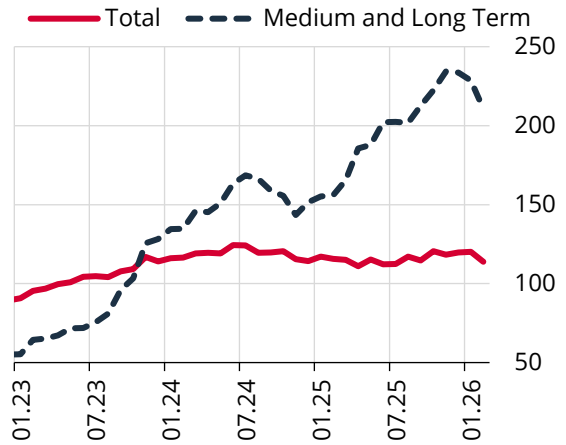
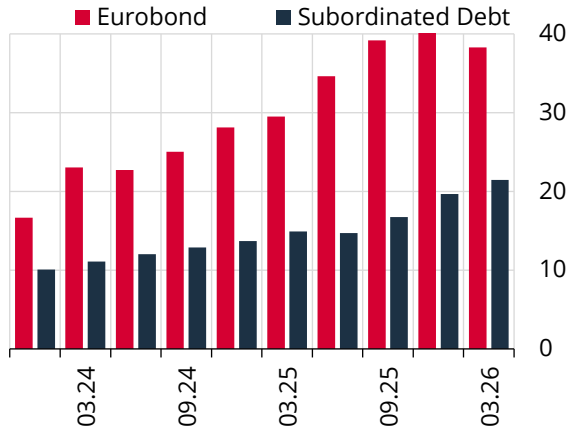


Chart IV.2.17: Eurobond and Subordinated Debt Balance (Billion USD)



Source: CBRT, MKK

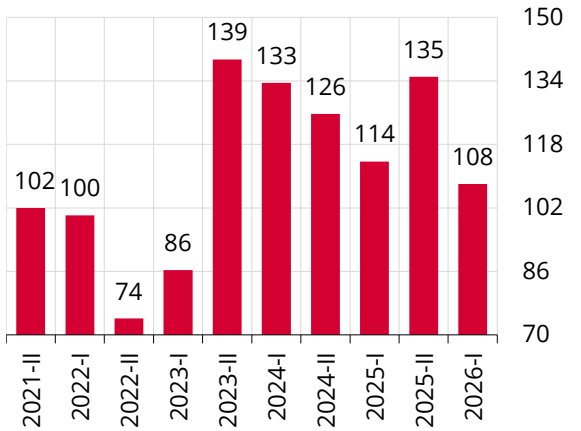
Last Observation: 03.26

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. Securities issued abroad are considered as external debt, and the transfer of ownership to domestic residents has not been taken into account.

In syndicated loan transactions, foreign financial institutions' interest was high in the first half of 2026, the same as in recent years. Although a limited increase in funding costs from Gulf countries has been observed due to geopolitical developments in recent months, banks' access to financing has remained stable. Partly due to the advantages offered by RR regulations, syndicated loans with 2-to-3-year maturities have become more widespread. In the second half of last year, 135% of maturing syndicated loans were rolled over for 10 large-scale banks, while the rollover rate for the first half of 2026 was 108% (Chart IV.2.17). With a partial decline in market interest rates for the US dollar, the average Secured Overnight Financing Rate (SOFR) levels fell below 4%, while the total cost of syndicated loans stabilized at around 5% for one-year maturities. In syndication transactions, the risk premium for the USD-denominated 367-day maturity tranche came down to 1.25%, decreasing by 35 bps year-on-year and by 25 bps compared to the transactions conducted in the last quarter of 2025 (Chart IV.2.18).

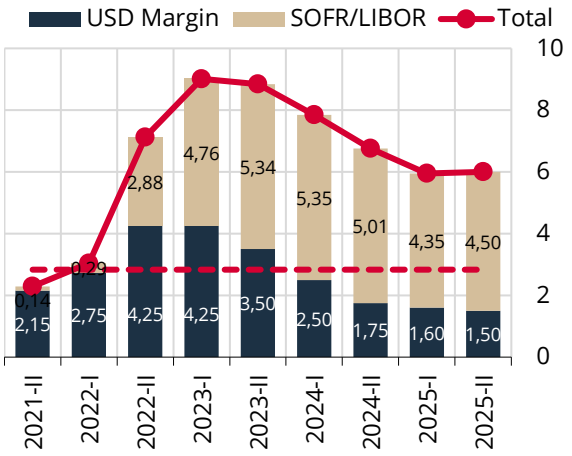
terminated, and effective as of January 2, 2026, the reserve requirement ratios for other FX liabilities (excluding deposits) with maturities longer than one year were reduced.

Chart IV.2.18: Rollover Ratio of Syndicated Loans (%)



Source: CBRT, PDP Last Observation 05.26

Chart IV.2.19: Costs of Syndicated Loans (%)



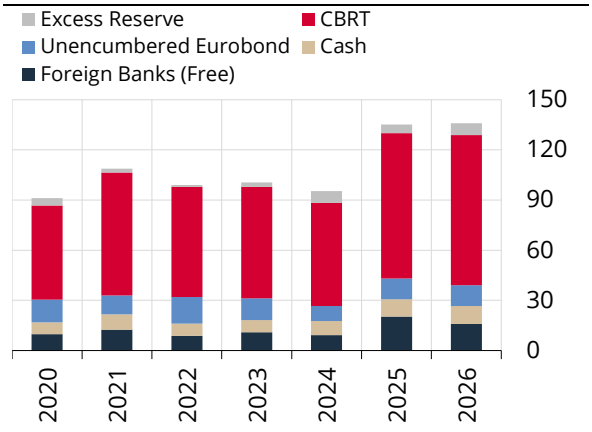
Source: PDP, Bloomberg Last Observation 05.26

Note: Calculated for ten large-scale banks and excluding DIBs. I and II represent April-June and October-December syndication periods of the respective year. The external debt rollover ratio is calculated as the ratio of total borrowing and repayments in the specified periods. For the first half of 2026, transactions carried out by three banks as of May 20 have been 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.

The banking sector's FX liquidity remains strong.

As of February 2026, banks' FX liquid assets including RR reached USD 140 billion (Chart IV.2.17). The sector's FX- denominated external debt balance that is due within one year decreased compared to the end of last year and came down to USD 77.2 billion. On the back of the rise in FX liquid assets and decline in short-term external debt balance, the capacity of FX liquid assets to cover short-term external debt has increased to 181% (Chart IV.2.18). The fact that this ratio remains well above the 100% level indicates that banks have adequate buffers against potential outflows of FX liquidity.

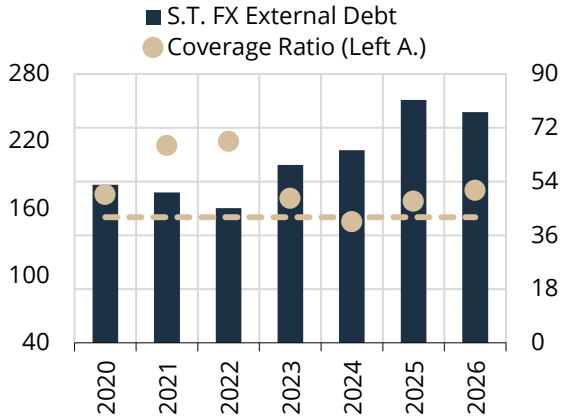
Chart IV.2.20: FX Liquid Assets (Billion USD)



Source: CBRT

Note: Data for the last month of the year has been reported for the related items. The CBRT item covers total FX required reserves. Excess amount denotes the excess part that banks' balances at the CBRT exceeding the FX required reserve. The last observation for 2026 is April 30.

Chart IV.2.21: Short-Term FX External Debt and Coverage Ratio (Billion USD, %)



Source: PDP, Bloomberg

Note: External debt is FX-denominated external loans that are due within one year and is calculated by excluding non-residents' FX deposit accounts. The most recent data pertaining to external debt is from March and for FX liquid assets is from April 30. The dashed line shows the average of coverage ratios for the 2014-2022 period.

Box IV.2.I: How Do Banks' Liquidity Positions Affect Their Loan Pricing?

Summary: *This study examines the impact of bank liquidity on TRY commercial loan pricing. The results indicate that banks with liquidity deficits charge higher interest rates on TRY commercial loans than other banks. This effect becomes more pronounced during the period of monetary policy tightening. Moreover, the presence of a system-wide liquidity deficit or surplus does not significantly change this relationship.*

Central banks ensure the transmission of monetary policy through liquidity instruments. Within this framework, the primary objective is to keep short-term interest rates aligned with the policy rate. For banks, the policy rate constitutes a key benchmark rate at which they can borrow when needed or deposit their excess liquidity. Thus, the policy rate is one of the major factors affecting banks' funding costs and, consequently, deposit and lending rates. Given that the policy rate is the marginal interest rate for banks, their loan pricing is expected to adjust in line with changes in the policy rate. However, the requirement for banks with liquidity deficits to hold collateral in order to borrow from the CBRT, the potential maturity and sustainability risks associated with a higher share of CBRT funding in bank balance sheets, and the greater flexibility enjoyed by banks with excess liquidity in allocating their funds may lead these two groups of banks to exhibit different loan pricing behavior.

This box examines how banks' positions as net borrowers from or lenders to the CBRT impact TRY commercial loan pricing. Recent shifts in reserves and capital flows, public sector transactions, and depositors' preferences have at times led to system-wide liquidity deficits or surpluses. Thus, the box also analyzes whether the overall liquidity outlook in the banking system has an additional tightening or easing effect on banks' loan pricing.

There is a substantial body of literature suggesting that the central bank balance sheets and liquidity conditions can influence banks' behavior through various channels. Rodnyansky & Darmouni (2017) show that quantitative easing programs lead to changes in credit supply depending on banks' balance sheet structures. In particular, banks with high exposure to central bank asset purchases exhibit a marked increase in lending activity. Afonso et al. (2022) find that banks' demand for liquidity and the sensitivity of short-term interest rates to monetary conditions vary across periods of scarce, ample, and abundant liquidity, underscoring the importance of system-wide liquidity conditions for monetary policy transmission. Altavilla et al. (2025) reveal that the tiered interest rate framework implemented by the European Central Bank affects credit supply by enabling the reallocation of central bank liquidity across banks. Specifically, banks holding limited liquidity are found to obtain more funding from the money market, reduce their securities holdings, and expand credit supply. These studies highlight that central bank–driven liquidity conditions can affect banks' balance sheets and lending behavior.

Chart IV.2.I.1 shows the percentage distribution of banks with net liquidity deficits or surpluses in their transactions with the CBRT. In general, during periods of system-wide excess liquidity, a large number of banks are net lenders to the CBRT, whereas during periods of system-wide liquidity deficit, a sizable share take on a net borrowing position. However, it is noteworthy that banks with liquidity deficits and surpluses can both be present in the system for a certain period. This indicates that liquidity positions can diverge across banks within the same period, allowing differences in loan pricing behavior to be analyzed at the bank level. Chart IV.2.I.2 compares the change in commercial loan rates over time for banks with liquidity deficits and surpluses. The spread between the loan rates of these two groups of banks can vary across periods.

Considering this, it is difficult to draw a clear conclusion on whether there is a systematic pricing difference based on banks' liquidity positions. Therefore, a more comprehensive empirical analysis is conducted, controlling for firm profiles, bank–firm relationships, bank balance sheet indicators, and other conditions that may influence loan pricing.

Chart IV.2.I.1: Distribution of Banks by Liquidity Position (%)

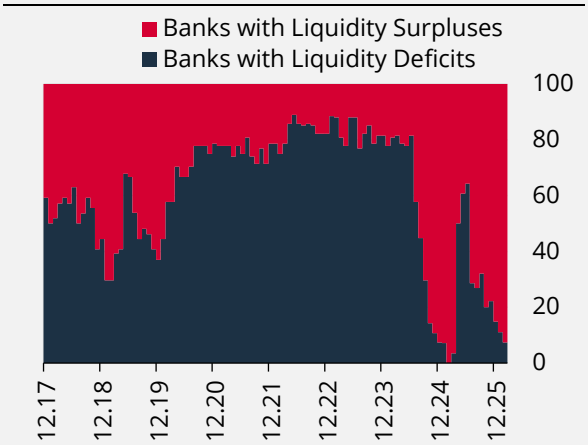
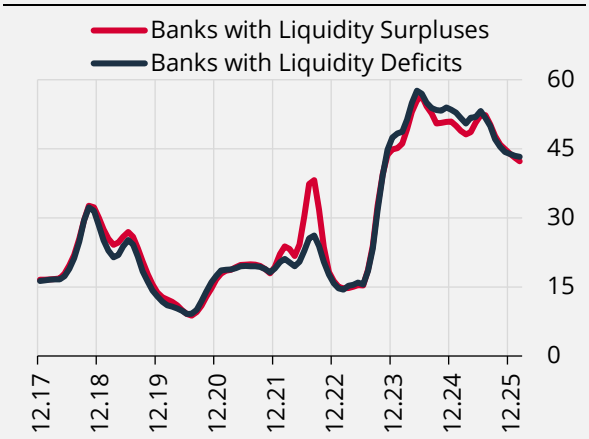


Chart IV.2.I.2: TRY Commercial Loan Rates by Liquidity Position (3-Month MA, Annual, %)



Source: CBRT

Last Observation: 02.26

Note: The analysis is based on deposit banks and excludes development, investment, and participation banks. Banks with liquidity deficits are net borrowers from the CBRT, while banks with liquidity surpluses are net lenders to the CBRT. The dates in Chart IV.2.I.1 reflect the liquidity position as of the last month of the relevant year. Chart IV.2.I.2 excludes supported and subsidized loans.

The model below is used to assess the impact of banks' liquidity positions on commercial loan pricing over the period from December 2017 to February 2026:

$$Loan\ Rate_{i,b,t} = \beta_1 (Liquidity\ Position)_{b,t-1} + \beta_2 (Control\ Variables)_{b,t-1} + \mu_{it} + v_{ib} + \varepsilon_{ibt} \quad (1)$$

The analysis uses flow data on TRY commercial loans at the firm–bank–month level. The dependent variable is the interest rate charged on the TRY commercial loan extended by bank *b* to firm *i* in month *t*. The key explanatory variable is a dummy variable indicating the bank's liquidity position vis-à-vis the CBRT in the preceding month. This variable equals 1 if the bank was a net borrower from the CBRT in period *t–1* (i.e., in net liquidity deficit) and 0 otherwise.

The empirical analysis takes into account both banks' balance sheet structures and loan characteristics. At the bank level, the model includes the ratio of liquid assets excluding CBRT assets to total assets, the non-performing loan ratio, the capital adequacy ratio, return on equity, asset size (log), and the loan-to-deposit ratio. At the loan level, it controls for loan maturity and collateral-to-value ratio. In the model, μ_{it} represents firm*time fixed effects, while v_{ib} represents firm*bank fixed effects. Firm*time fixed effects control for common factors such as a firm's loan demand within the same month, firm risk, and macroeconomic conditions. Firm*bank fixed effects absorb time-invariant relationship characteristics such as the history of the firm-bank relationship, collateral structure, and the bank's long-term pricing approach toward the firm. Standard errors are clustered at the bank level.

This model takes into account differences in liquidity positions across the banks when the same firm borrows from multiple banks within the same month. Accordingly, the coefficient β_1 shows the extent to which banks that were net borrowers from the CBRT in the preceding month set loan rates differently from those that were net lenders to the CBRT, among banks lending to the same firm during the same period.

The results in Table IV.2.I.1 indicate that banks with liquidity deficits charge higher interest rates on commercial loans relative to other banks. In Model 1, estimated without control variables, the coefficient on the liquidity-position dummy is positive and statistically significant. In Model 2, the coefficient on the liquidity-position dummy remains positive and statistically significant after including control variables. Accordingly, holding other factors constant, banks with liquidity deficits charge approximately 95 basis points higher interest on commercial loans to the same firm in the same period. Model 3 includes an interaction between the liquidity-position dummy and a post–June 2023 period dummy to test whether the effect of liquidity position on loan pricing differs during the period of monetary policy tightening. In

this model, the results show that, before June 2023, banks with liquidity deficits charged approximately 65 basis points higher interest on loans compared to other banks. In the period after June 2023, this gap went up by about 51 basis points. Consequently, the gap in loan pricing between banks with liquidity deficits and other banks expanded markedly during the period of monetary policy tightening. Model 4 investigates whether the overall liquidity position of the banking system, whether in deficit or surplus, changes this relationship. The results indicate that the interaction coefficient is not statistically significant, suggesting that while a bank's liquidity position vis-à-vis the CBRT is important for loan pricing, this effect does not vary significantly depending on the overall liquidity position of the banking system.

Table IV.2.I.1: Impact of Banks' Liquidity Positions on TRY Commercial Loan Rates

	(1)	(2)	(3)	(4)
Liquidity Position	0.724***	0.949***	0.645***	1.099***
	(0.192)	(0.161)	(0.192)	(0.196)
Liquidity Position*After June 2023			0.510*	
			(0.260)	
Liquidity Position*Sector Liquidity				-0.336
				(0.231)
Control Variables	No	Yes	Yes	Yes
Firm*Bank Fixed Effects	Yes	Yes	Yes	Yes
Firm*Time Fixed Effects	Yes	Yes	Yes	Yes
Number of Observations	10,091,834	9,963,876	9,963,876	9,963,876
R-squared	0.967	0.968	0.968	0.968

Note: ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels, respectively. The sector liquidity variable takes the value of 1 when the system is in a funding deficit and 0 otherwise.

Overall, the findings indicate that banks with liquidity deficits vis-à-vis the CBRT charge higher interest rates on commercial loans. This gap becomes more pronounced during the period of monetary policy tightening after June 2023. By contrast, there is no strong evidence that the overall liquidity position of the banking system, whether in deficit or surplus, significantly alters this relationship.

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Afonso, G., Giannone, D., La Spada, G. & Williams, J. C. (2022). *Scarce, abundant, or ample? A time-varying model of the reserve demand curve*. Federal Reserve Bank of New York Staff Report No. 1019.

Altavilla, C., Boucinha, M., Burlon, L., Giannetti, M. & Schumacher, J. (2025). Central bank liquidity reallocation and bank lending: Evidence from the tiering system. *Journal of Financial Economics, 168*, 104058.

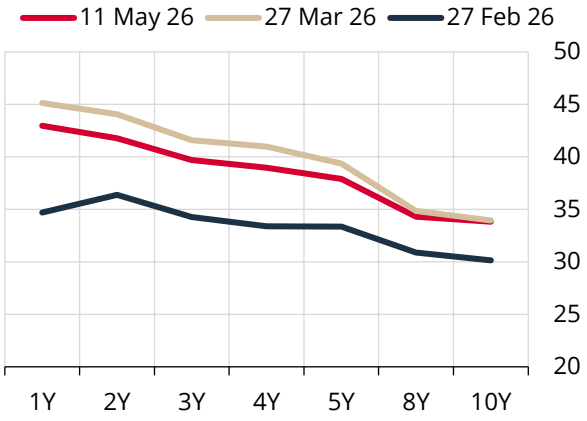
Rodnyansky, A. & Darmouni, O. M. (2017). The effects of quantitative easing on bank lending behavior. *The Review of Financial Studies, 30* (11), 3858–3887.

IV.3 Interest Rate and Exchange Rate Risk

Interest rates for TL GDS increased following the geopolitical developments.

In March, following the geopolitical developments, the GDS yield curve displayed an upward movement of 768 bps for two-month maturities and 380 bps for 10-month maturities. This rise in GDS yields was driven by the tight monetary policy stance following the recent developments as well as the repricing of the sovereign risk premium and the liquidity premium (Chart IV.3.1). Components of the rise in GDS yields, other than the policy rate expectation channel, can be monitored through the spread between the GDS yield and the TLREF OIS (Overnight Index Swap). The GDS-OIS yield spread, which was moving within the 100-500 bp band for two-, five- and 10-year maturities in early 2025, reached 900 bps for two-year maturities in the second half of 2025. Later in the period until the end of the year, GDS risk premiums declined gradually. After February 27, 2026, premiums in two-year and five-year maturities expanded by more than 200 bps in March, while the 10-year premium gave a much more limited response (Chart IV.3.2). Though being more favorable compared to March, pricing remains above the level before the geopolitical developments due to the persisting uncertainty regarding geopolitical risks.

Chart IV.3.1: Yield Curve for Fixed-Income TL Government Bonds (Compound, %)



Source: CBRT, Bloomberg

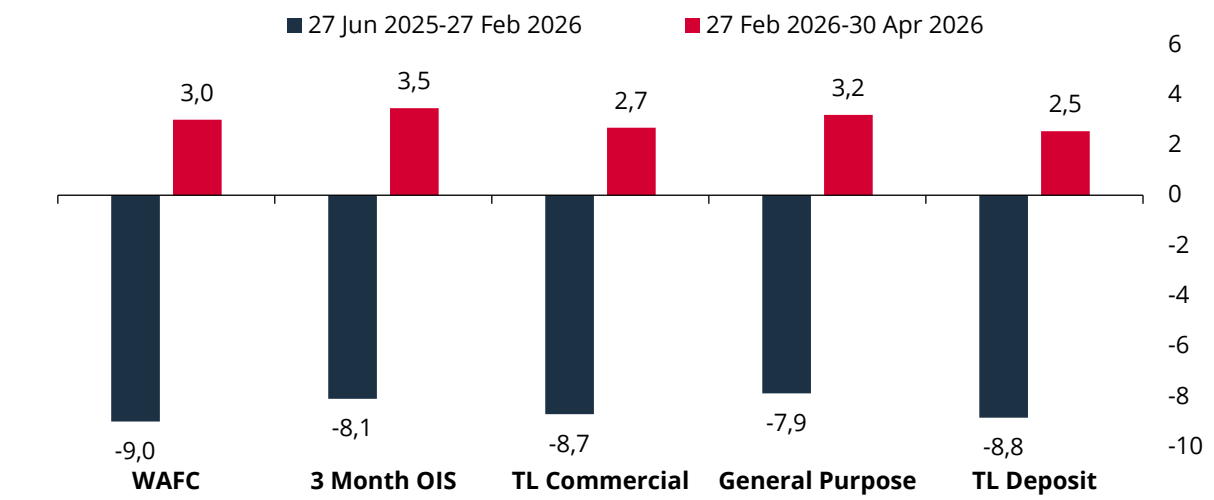
Chart IV.3.2: Yield Spread Between GDS and OIS (5-Day MA, %)

Source: CBRT Last Observation: 11.05.26

As the one-week repo auctions were suspended and replaced by overnight funding in March 2026, loan and deposits rates increased.

While the CBRT reduced the policy rate by a total of 9 percentage points between June 2025 and February 2026, the three-month OIS rate and loan and deposit rates also declined by 8-9 percentage points during the same period, moving in line with the CBRT's policy rate decisions (Chart IV.3.3). However, following the CBRT's decision to suspend the one-week repo auctions as of the end of February, the WAFC rose by 3 percentage points. Moving parallel to the rise in the WAFC, the three-month OIS rate increased by 3.5 percentage points, the TL commercial loan rate by 2.7 percentage points, the general-purpose loan rate by 3.2 percentage points, and the TL deposit rates by 2.5 percentage points during this period (Chart IV.3.4).

Chart IV.3.3: Changes in Interest Rates in Selected Periods (Simple Interest Rate, Percentage Points)



Source: CBRT, Bloomberg Last Observation: 30.04.26

Note: Simple flow interest rates were used to calculate the changes in interest rates. Excluding credit cards and ODA.

While there was no significant change in the flow interest rate spread after the rate hike in March, the stock loan-deposit rate spread declined slightly due to the duration spread.

As of March 2026, the TL stock loan rate and the TL stock deposit rate were 48.9% and 45.0%, respectively. When demand deposits are included, the TL stock deposit cost declines to 37.6% (Chart IV.3.5). While the flow loan-deposit rate spreads were around 10% in 2025, stock interest rates gave a different response to interest rate changes due to the duration spread between loan and deposit instruments. The TL stock loan rate increased by 0.1 percentage points compared to February, while the TL stock deposit rate rose by 1.5 percentage points and the TL stock deposit rate including demand deposits rose by 1.3 percentage points. Thus, the TL stock loan-deposit rate spread stood at 3.9% and the rate spread including demand deposits stood at 11.3% in March 2026 (Chart IV.3.6). Having an upward trend since the second half of 2025, the TL stock loan and deposit rate spread posted a limited decline in March. On the other hand, the TL stock loan-deposit rate spread continued to be above its historical average.

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

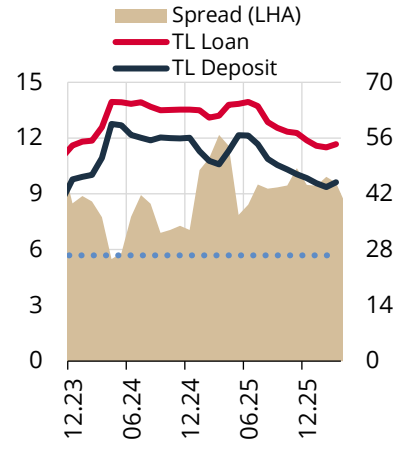


Chart IV.3.5: TL Loan and Deposit Rates (Stock, %)

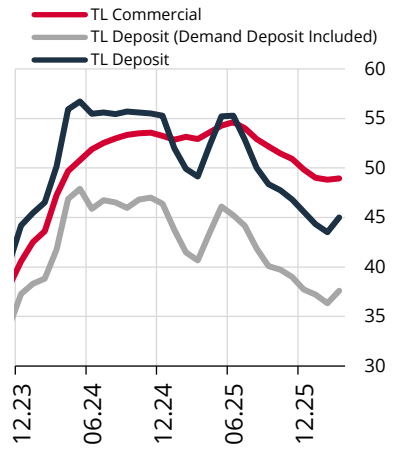
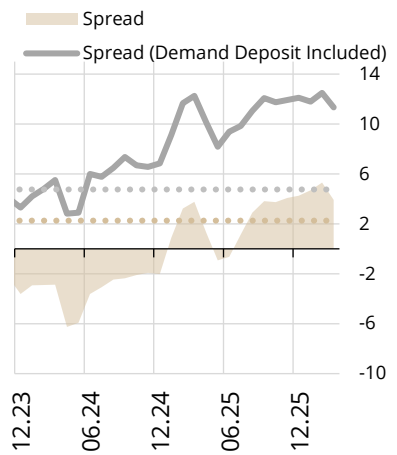


Chart IV.3.6: TL Loan-Deposit Rate Spread (Stock, %)



Source: CBRT Last Observation: 03.26

Note: Participation banks are excluded. Deposit rates exclude interbank deposits. Loan rates cover 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 decreased.

The weighted average maturity of banks' interest rate-sensitive TL assets shortened by 0.7 months to 10.9 months compared to September 2025, while the weighted average maturity of interest rate-sensitive TL liabilities increased by 0.8 months to 5.5 months (Chart IV.3.7). Thus, the weighted average maturity mismatch on the TL side declined by 1.5 months to 5.4 months, continuing to be below its historical average (Chart IV.3.9). The decline in the average maturity of TL assets was driven by the shortening in the remaining maturities of relatively longer-maturity securities and retail loans. The weighted average maturity of interest rate-sensitive FX assets shortened by 2 months to 15.3 months during the same period, whereas that of interest rate-sensitive FX liabilities lengthened by 3.1 months to 15.9 months (Chart IV.3.8). Accordingly, the weighted average maturity mismatch on the FX side declined significantly to negative 0.6 months (Chart IV.3.9). The increase in the average maturity of FX liabilities was driven by the revision in the "Regulation on the Measurement and Assessment of Interest Rate Risk in the Banking Book via the Standard Method". The current maturity outlook supports the resilience of the banking sector's balance sheet structure against interest rate shocks.

Chart IV.3.7: Weighted Average Maturity of TL Assets and Liabilities (Month)

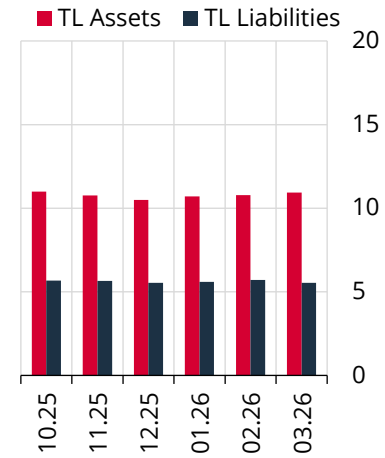


Chart IV.3.8: Weighted Average Maturity of FX Assets and Liabilities (Month)

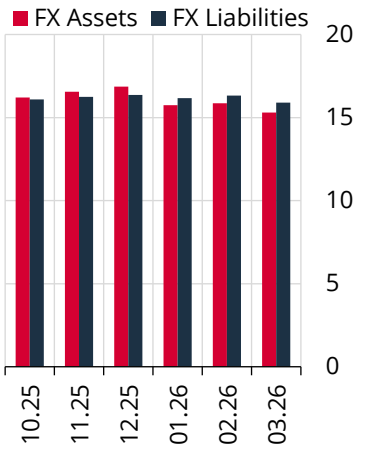
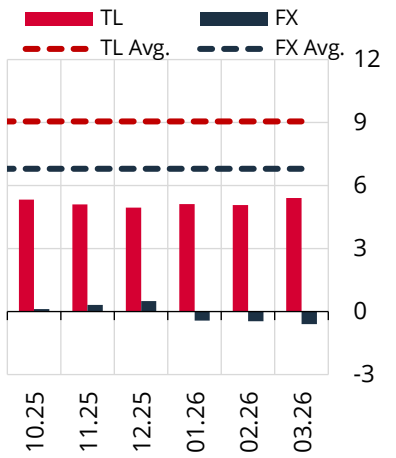


Chart IV.3.9: Weighted Average Maturity Mismatch Between Assets and Liabilities (Month)



Source: CBRT

Last Observation: 03.26

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 averages of the relevant series. Participation banks are not included. Banks can allocate core deposits, calculated based on demand deposits, across maturity brackets up to five years.

Revision to the Calculation of the Interest Rate Risk in the Banking Book (IRRBB)

The new IRRBB regulation reinforces harmonization with Basel standards, while introducing a more comprehensive and risk-sensitive measurement framework than the former standard shock approach.

The Regulation on the Measurement and Assessment of Interest Rate Risk in the Banking Book via the Standard Method, published on May 12, 2025, is an important regulation that harmonizes the measurement and supervision framework of the interest rate risk in the banking book in Türkiye with Basel standards. The regulation aims to ensure more comprehensive and systematic measurement and monitoring of structural interest rate risks in the banking book. In this scope, the former framework based on the standard shock method applied since 2011 has been annulled, and a new methodology based on the standard approach has been adopted.

Under the former regulation, the interest rate risk was calculated by applying certain positive and negative standard shocks to net positions by maturity brackets and proportioning the resulting impact to equities. Under the new regulation, however, six different interest rate scenarios are applied to the risk-free yield curve set by the BRSA, and the scope of the behavioral modelling is expanded to compute the change in the economic value of net positions.

The new framework introduces six different interest rate scenarios: parallel upward, parallel downward, increasing slope, decreasing slope, short-term upward, and short-term downward. In this way, the impact of different shifts in the short, medium and long-term sections of the yield curve on banks' balance sheet structures can be analyzed in more detail.

The regulation offers a more detailed definition of the core deposit approach regarding demand deposits, and stipulates that the repricing maturities are determined in view of the historical behavior of deposits. Accordingly, demand deposits are classified based on depositor characteristics and flows, and placed into respective maturity brackets using the proportion of core deposits and the upper limits of the weighted average. Thus, the maximum weighted average maturity of core deposits, which was limited to three years in the standard shock approach, is lengthened to five years in the new regulation.

Additionally, calculations under the new regulation include optionalities regarding fixed-rate loans subject to prepayment risk and term deposits subject to early redemption risk. Calculating add-ons for instruments that include embedded or explicit automatic interest rate options contributes to a more realistic measurement of the impact of the interest rate risk on balance sheets. Thus, not only the terms of contracts but also client behavior and the optional rights embedded in products become a part of the risk measurement process.

The regulation has introduced a more prudent framework. The standard ratio threshold for the ratio of the change in economic value to regulatory capital has been reduced to 15% of Tier 1 capital, down from 20% in the former regulation. Thus, the aim is to reinforce banks' capital buffers against interest rate shocks and make risks visible at earlier stages.

The share of fixed-rate TL assets increased in the first quarter of 2026.

Compared to September 2025, the share of fixed-rate TL loans increased by 0.9 points to 52.1%, while the share of fixed-rate TL securities rose by 1.9 points to 49.8% in March 2026 (Chart IV.3.10). During the same period, the remaining maturities of fixed-rate TL loans and fixed-rate TL securities decreased from 13.1 and 45.2 months to 12 and 42.9 months, respectively (Chart IV.3.11). The decline in the remaining maturity of fixed-rate TL assets limits the impact of potential interest rate shocks on bank balance sheets, thereby contributing to the management of the interest rate risk.

Chart IV.3.10: Share of Fixed-Rate Instruments in TL Loans and Securities (Stock, %)

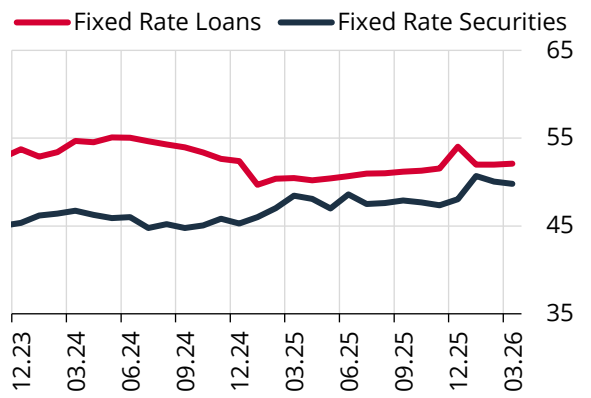
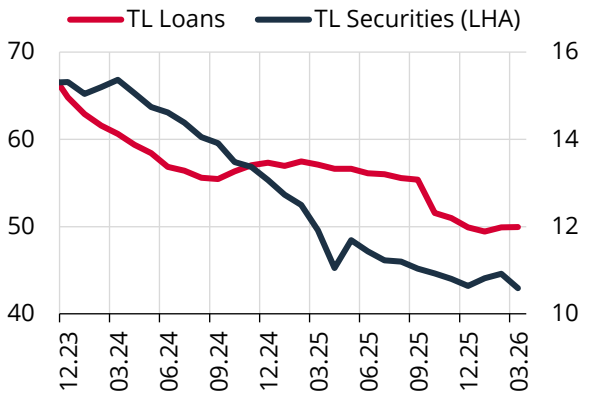


Chart IV.3.11: Maturity of Fixed-Rate TL Assets (Remaining Maturity, Month)



Source: CBRT Last Observation: 03.26

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 shares of TL and FX securities in assets increased in March 2026, the distribution of valuation classes remained similar to the previous reporting period.

As of March 2026, the share of on-balance sheet TL securities and fixed-rate TL securities in total assets rose to 8.8% and 4.9%, respectively. The share of FX securities, the majority of which are fixed rate, in total assets stood at 5.6% (Chart IV.3.12). The rise in the share of securities on banks' March balance sheets is attributed to market developments and the changes in non-residents' portfolio preferences. Meanwhile, in total assets, the shares of fixed-rate TL securities at fair value through other comprehensive income, fixed-rate TL securities at fair value through profit/loss, and securities classified at amortized costs remain limited at 2.6%, 0.5%, and 1.9%, respectively (Chart IV.3.13). Such classification of securities points to an even balance sheet structure in terms of the management of the interest rate risk. While securities at fair value cause the changes in market rates to be reflected in balance sheets and profitability more rapidly, securities classified at amortized costs limit the income volatility and support the balance sheet stability. In fact, despite the marked increase in GDDS interest rates in March, the existing securities portfolio structure and strong capital buffers of the banking sector limited the impact of the interest rate shock.

Chart IV.3.12: Share of Securities in Assets (%)

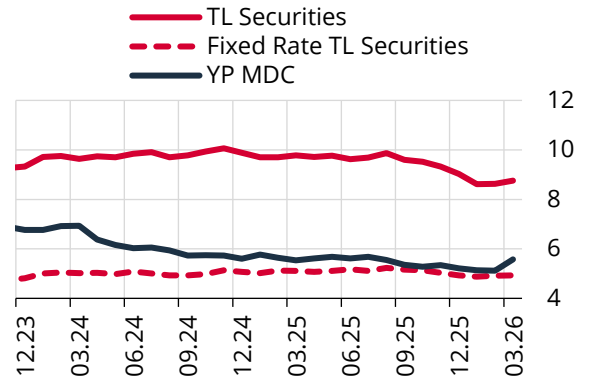
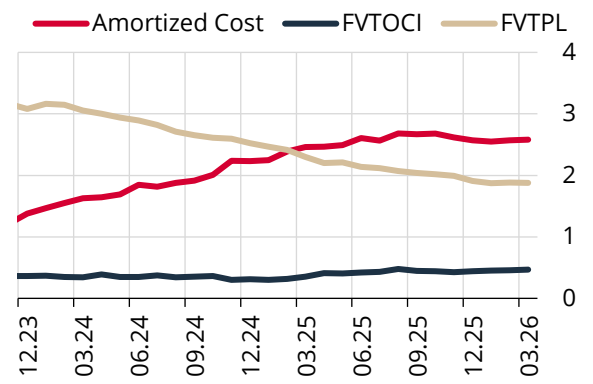


Chart IV.3.13: Share of Fixed-Rate TL Securities in Assets (%)



Source: CBRT Last Observation: 31.03.26

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-rate securities.

Banks' TL asset-liability gap at maturities shorter than six months narrowed slightly in the first quarter of 2026.

Banks' sensitivity to changes in TL interest rates is fundamentally driven by their negative positions at short maturities based on the repricing period. As of March 2026, banks continued to have a TL-denominated negative position with maturities of 0-1-month, while their position with maturities of 1-3 months remains close to zero and that with maturities of 3-6 months remains in positive territory. Accordingly, the ratio of the TL asset-liability gap at 0-6 months to total assets is approximately 2.9% (Chart IV.3.14). On the FX side, banks' long position with maturities of 0-6 months is at around USD 46 billion, serving as a buffer against the short-term FX interest rate risk (Chart IV.3.15).

Chart IV.3.14: TL Asset-Liability/Total Assets Gap Analysis (%, 3-Month MA)

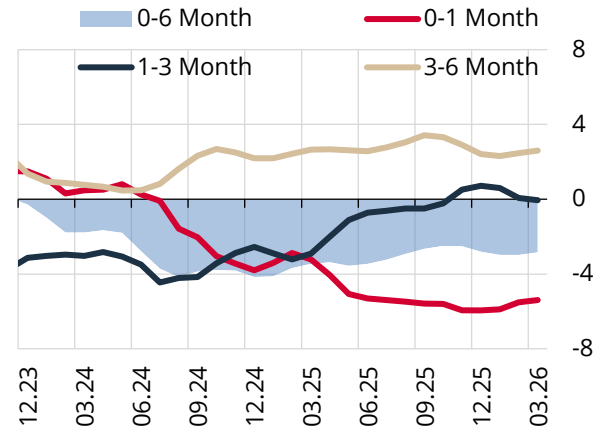
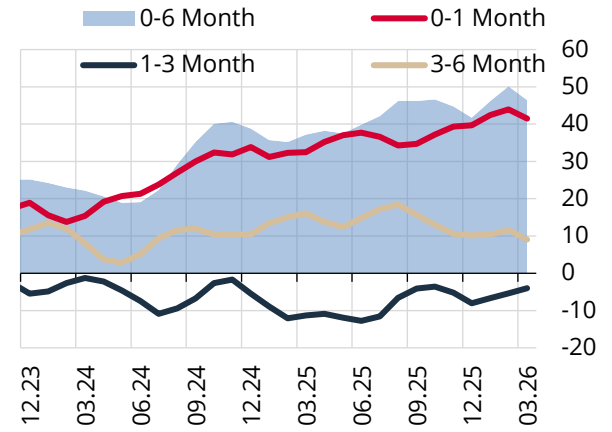


Chart IV.3.15: FX Asset-Liability Gap Analysis (Billion USD, 3-Month MA)



Source: CBRT
Last Observation: 03.26

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

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

When measuring the interest rate risk in the banking book (IRRBB) via the standard approach, banks apply six different shocks to each currency or commodity. The standard ratio of the IRRBB is calculated by dividing the change in economic value after interest rate shocks by Tier 1 capital. Calculated at 6%, this ratio is well below the regulatory threshold of 15% (Chart IV.3.16). The kernel probability distribution of the standard ratio weighted by the asset size reveals that all banks have achieved the minimum ratio, and the ratios of banks, which make up a major portion of the sector, are concentrated in single-digit mid-bands (Chart IV.3.17).

Chart IV.3.16: IRRBB Standard Ratio (%)

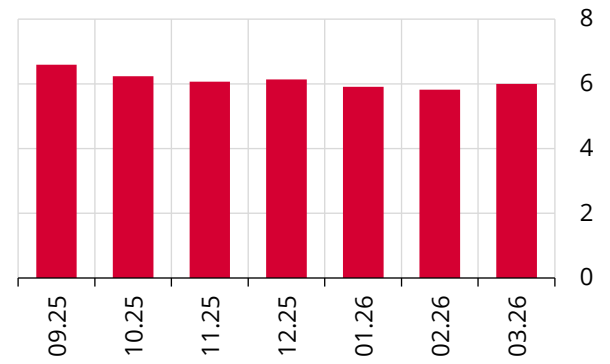
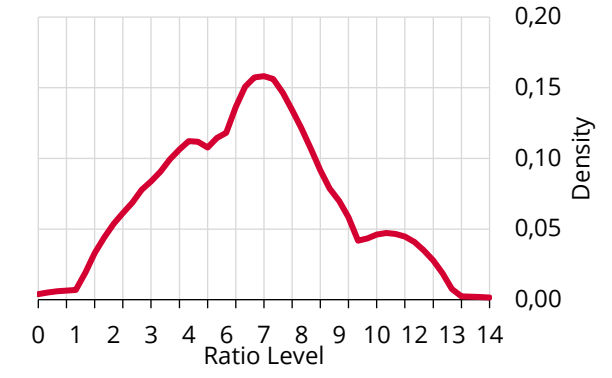


Chart IV.3.17: Kernel Probability Distribution of the IRRBB Standard Ratio



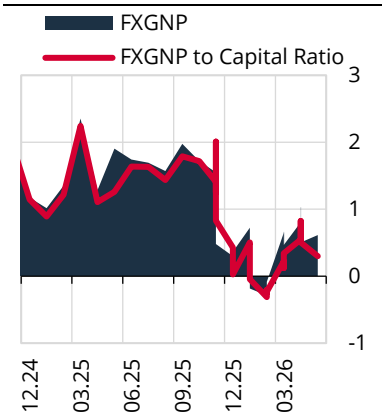
Source: CBRT, BRSA
Last Observation: 03.26

Note: Participation banks are excluded. The IRRBB standard ratio on the left-hand chart shows the ratio of the highest amount of risk, arising from the change in economic value under six different interest rate scenarios, to Tier 1 capital. The kernel probability distribution on the right-hand chart is weighted by the asset size. The horizontal axis shows the levels of the ratio and the vertical axis shows the concentration in the respective levels of the ratio.

The FX position of the banking sector is moderate.

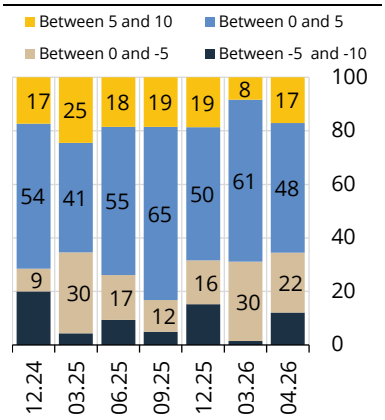
The sector's foreign exchange net general position (FXNGP) declined to USD 0.6 billion in this period from USD 1.5 billion in the previous reporting period. The FXNGP/capital ratio at 0.3% remains within regulatory limits of +/-10% (Chart IV.3.18).[1] An analysis of the FX position by banks reveals that banks predominantly hold an FX long position (Chart IV.3.19). The sector's on-balance sheet FX short position fluctuated due to geopolitical developments (Chart IV.3.20).

Chart IV.3.18: FXNGP/Capital Ratio and FXNGP (Billion USD, %)



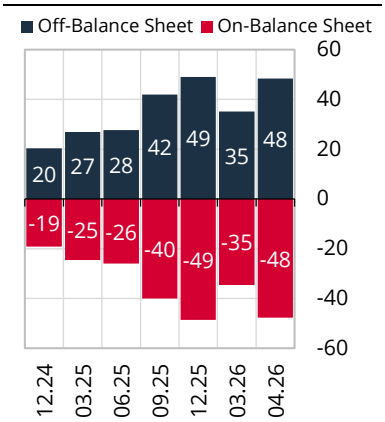
Source: CBRT
Note: Weekly simple arithmetic mean of FXNGP/Capital ratio is calculated.

Chart IV.3.19: Total Asset Shares of Banks by FXNGP/Capital Ratio (%)



Note: The latest data was calculated based on the asset size in March 2026.

Chart IV.3.20: Banks' FX Position (Billion USD)



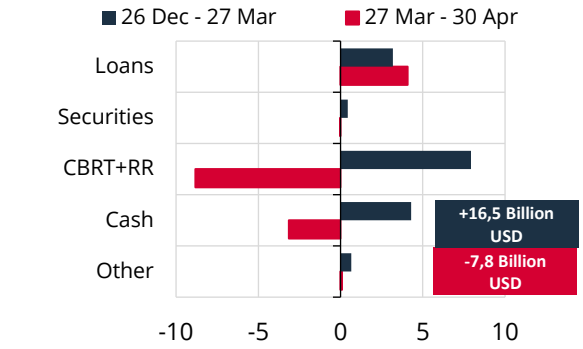
Last Observation: 30.04.26

While banks' on-balance sheet FX liabilities increased due in part to gold price developments, on-balance sheet assets displayed a fluctuating course.

Gold prices moved upward in early 2026 but assumed a downward and fluctuating course in the following period. This course played a role in the rise in USD equivalents of precious metal accounts, while also leading to a slight increase in the demand for such accounts. Meanwhile, there were fluctuations in banks' on-balance sheet assets. Amid the surge in geopolitical risks, banks' swap transactions with non-residents declined during the period from the end of 2025 to the end of March 2026. This led to a rise in banks' on-balance sheet FX cash assets and CBRT accounts. After March, banks started to use the excess FX liquidity first in swap transactions with the CBRT and then in transactions with non-residents as such transactions accelerated again. Against this background, banks' on-balance sheet short position came to a level close to that at the end of 2025 (Charts IV.3.21 and IV.3.22).

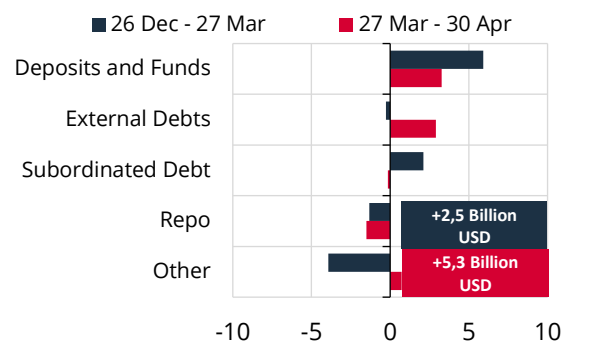
[1] The regulatory limit for the FXNGP/capital ratio, which was formerly 20%, was reduced to 5% with an amendment published in the Official Gazette of December 10, 2022, and took effect on January 9, 2023, but was raised to 10% on March 9, 2023.

Chart IV.3.21: 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.3.22: Change in Banking Sector's On-Balance Sheet FX Liabilities (Billion USD)



Note: Deposits and funds exclude bank 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.

Banks offset their on-balance sheet short positions with off-balance sheet transactions. Historically, currency swap transactions make up the most significant portion of these transactions (Chart IV.3.23). The course of developments in banks' on-balance sheet assets is also seen in off-balance sheet positions. Currency swap transactions of banks decreased until the end of March due to the fall in transactions with non-residents, but started to increase in April driven at first by TL-foreign currency swap transactions with the CBRT and then by the acceleration of swap transactions with non-residents. In addition, banks' forward FX purchases and the Turkish lira-settled FX forward transactions that the CBRT re-introduced amid the escalation of geopolitical tensions also increased in this period (Chart IV.3.24).

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

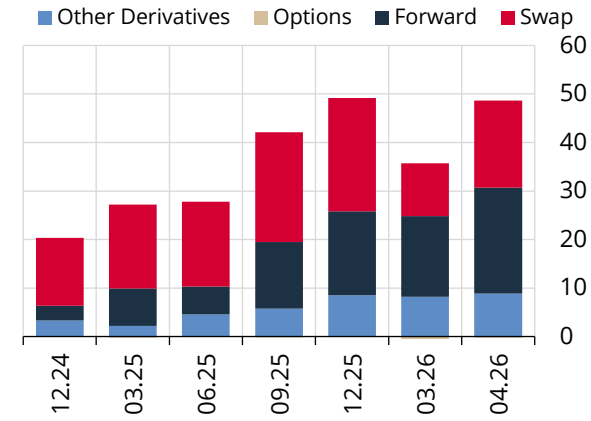
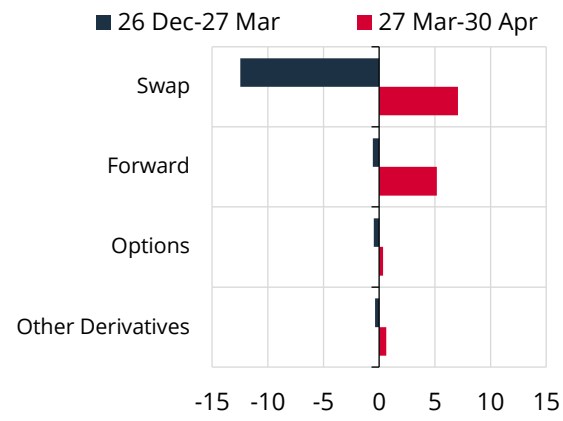


Chart IV.3.24: Change in Banks' Off-Balance Sheet Net FX Position (Billion USD)



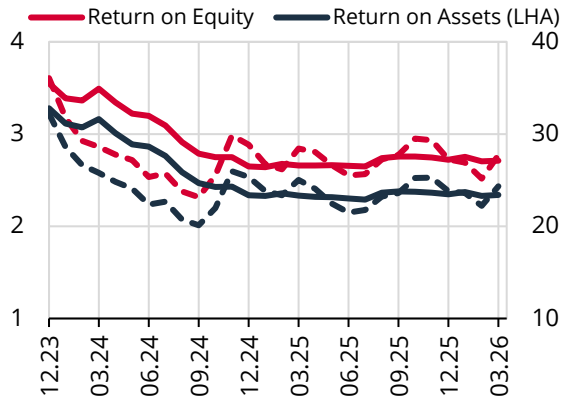
Source: CBRT
Last Observation: 30.04.26
Note: The chart shows banks' forward FX purchase positions. Currency options refer to the delta equivalent of currency options for the relevant period. Forward FX position also includes FX position with a value date up to two days.

IV.4 Profitability and Capital Adequacy

Profitability ratios of the banking sector are flat.

The sector's annualized return on equity and return on assets, which had been 27.6% and 2.4% respectively as of the third quarter of 2025, stood at 27.1% and 2.3% in the first quarter of 2026 (Chart IV.4.1). The heterogeneous profitability distribution observed in September 2025 was replaced by a more homogeneous structure concentrated in the 20–30% range by March 2026 (Chart IV.4.2).

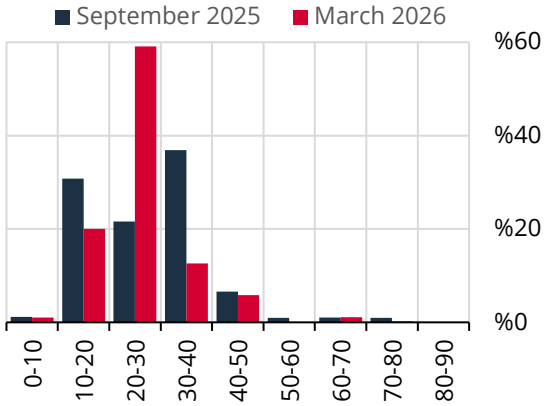
Chart IV.4.1: Return on Equity and Assets
(12-Month, %)



Source: CBRT Last Observation: 03.26

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)



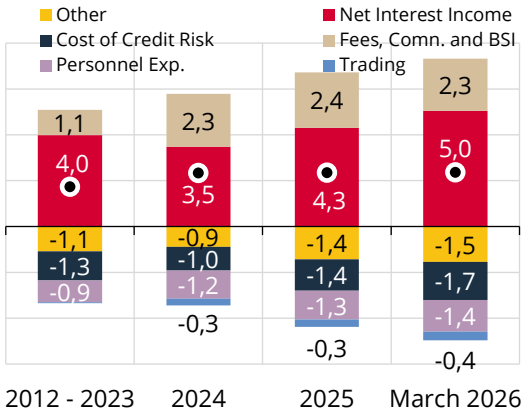
Source: CBRT Last Observation: 03.26

Note: The horizontal axis represents return on equity while the vertical axis denotes these banks' share in total sector assets.

The contribution of net interest income to the recovery in bank profitability continued.

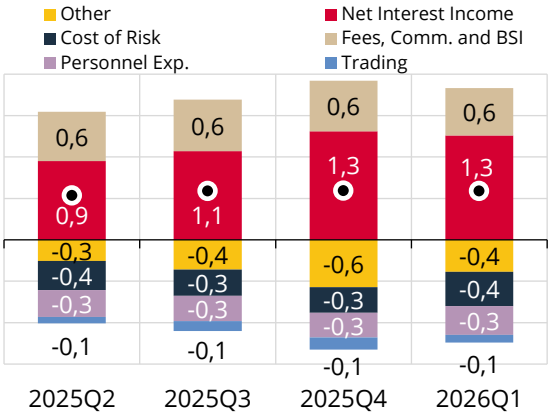
Based on annualized data, as of the first quarter of 2026, the contribution of the marked improvement in net interest income to return on assets increased by 0.7 points compared to 2025, reaching 5 percentage points. On the other hand, the constraining effect of the credit risk cost on profitability persisted, increasing by 0.3 points to 1.7 percentage points in the first quarter of the year. While the contribution of fees and commissions income to profitability remained stationary on a quarterly basis, it posted a limited decline in annualized terms (Charts IV.4.3 and IV.4.4). There was a gradual improvement in the banking sector's return on assets throughout 2025. The primary driver of this improvement was the increase in net interest income, whose contribution to return on assets rose from 0.9 percentage points in the first quarter of 2025 to 1.3 percentage points in the final quarter of the year. This strong performance was also maintained in the first quarter of 2026 (Chart IV.4.4).

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



Source: CBRT Last Observation: 03.26

Chart IV.4.4: Components of Quarterly Return on Assets (% Points)



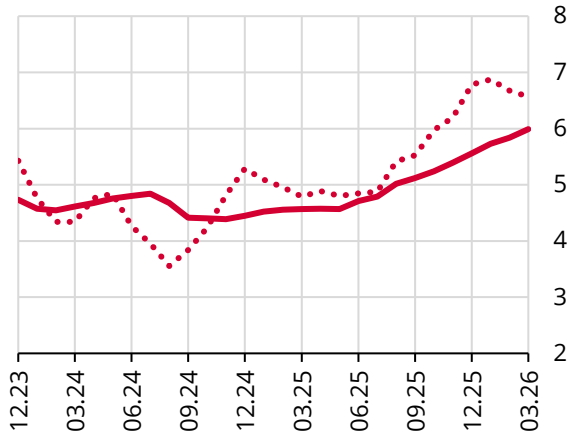
Source: CBRT Last Observation: 03.26

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 funds, 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 March 2026 shows the annualized value.

The weighted average funding cost increased due to geopolitical developments and slowed the improvement in the net interest margin.

The net interest margin, which staged a marked recovery in the second half of 2025, continued to improve despite a slowdown caused by the rise in banks' funding costs following the geopolitical developments at the end of February. Accordingly, the net interest margin reached 6.6% on a quarterly basis in March 2026 (Chart IV.4.5). The decline in deposit costs was influential in the improvement of the sector's net interest margin (Chart IV.4.6).

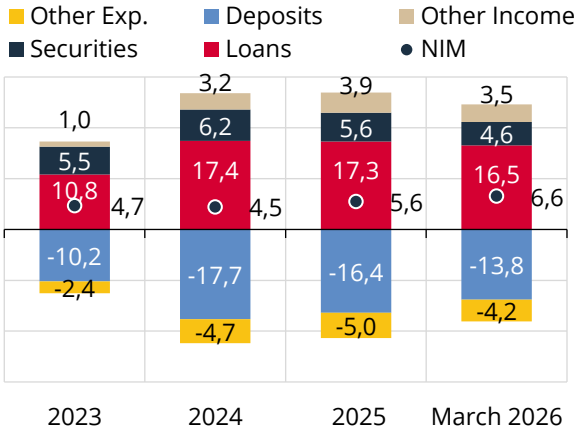
Chart IV.4.5: Net Interest Margin (Annual, %)



Source: CBRT Last Observation: 03.26

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, %)



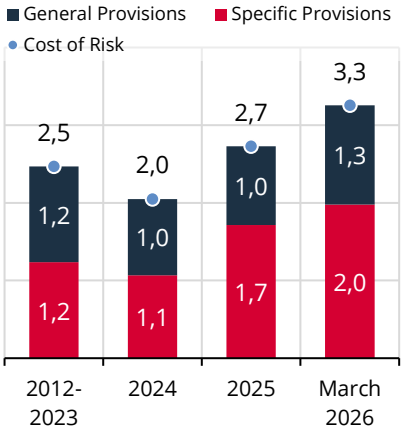
Source: CBRT Last Observation: 03.26

Note: Data for March 2026 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 increase in credit risk cost has limited profitability slightly.

The sector's credit risk cost has been on the rise since 2025. It increased to 2.7% in 2025 and further rose to 3.3% as of March 2026 (Chart IV.4.7). The income from net fees, commissions, and banking services remained above its historical average, driven by revenues stemming from credit card transactions. Although income from credit card fees and commissions lost some momentum in the first quarter of 2026, it remained above its historical average (Charts IV.4.8 and IV.4.9).

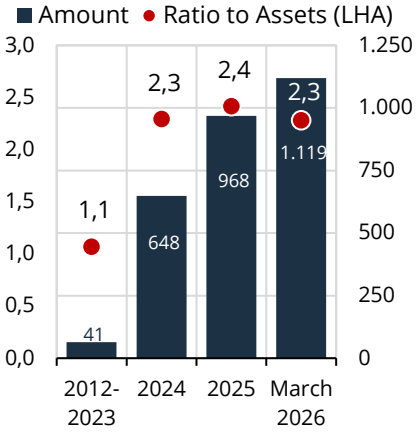
Chart IV.4.7: Cost of Credit Risk (Annual, %)



Source: CBRT

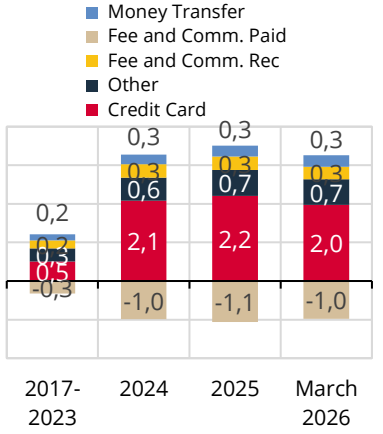
Note: The cost of risk is the ratio of annual special provisions for non-performing loans and general provisions to the average gross loan amount for the respective period. Provision cancellations related to provisions have not been taken into account.

Chart IV.4.8: Fees and Commissions Income (Annual, TRY Billion, %)



Note: Shows the difference between the fees, commissions, and banking services income and the fees and commissions paid.

Chart IV.4.9: Distribution of Fees and Commissions Income (Annual, %)



Last Observation: 03.26

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 capital structure of the banking sector is strong.

Forbearance measures regarding the calculation of the capital adequacy ratio (CAR) were discontinued at end-2025. Pursuant to the BRSA's Decision No. 11286 dated November 13, 2025, the forbearance measures regarding exchange rates and negative net valuation differences of securities were terminated as of January 1, 2026. As the impact of these measures on headline capital ratios diminished, headline CAR declined from 18.6% in September 2025 to 16.5% in March 2026, while the core CAR fell from 14.4% to 12.4% over the same period. However, excluding the forbearance measures regarding exchange rates and negative net valuation differences of securities, the sector's CAR and core CAR remained stable during the period and stayed close to their historical averages (Charts IV.4.10 and IV.4.11).[1] Capital adequacy ratios of all banks remain above the regulatory limits and close to the long-term average.

[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.

Chart IV.4.10: Capital Adequacy Ratio (%)

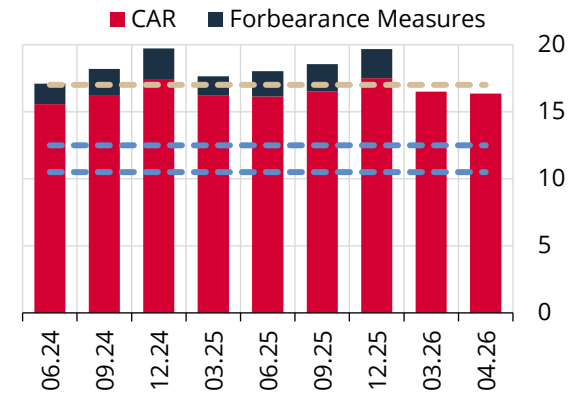
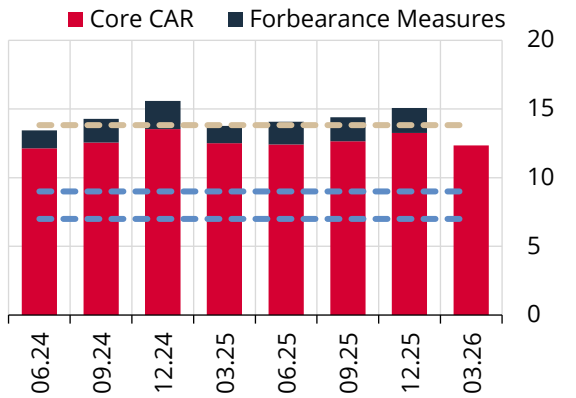


Chart IV.4.11: Core Capital Adequacy Ratio (%)



Sources: BRSA, CBRT Calculations
Last Observation: 03.26

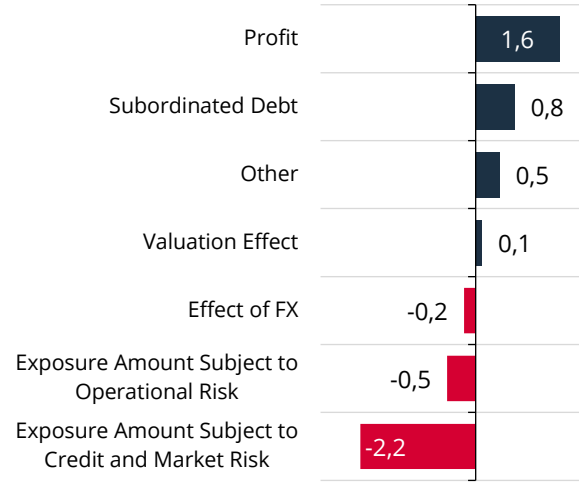
Note:
Red bars indicate CAR and core CAR excluding BRSA forbearance measures. The lower blue dashed line shows the minimum legal ratio including the capital conservation buffer, and the upper blue dashed line shows the minimum legal ratio including the capital buffer of systemically important banks.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

Banks continue to support their capital adequacy through profitability and subordinated debt instruments.

While regulatory capital continued to increase, profitability remained the primary driver supporting capital adequacy. From September 2025 to March 2026, banking profits contributed 1.6 points to the CAR, while SDI issuances added 0.8 points. The increase in credit and market risk reduced the CAR by 2.2 points, whereas the annual update in operational risk and the increase in exchange rates lowered the CAR by 0.5 and 0.2 points, respectively. Excluding the effects of valuation differences and other items as well as the BRSA's forbearance measures, the CAR recorded a limited decline (Chart IV.4.12).

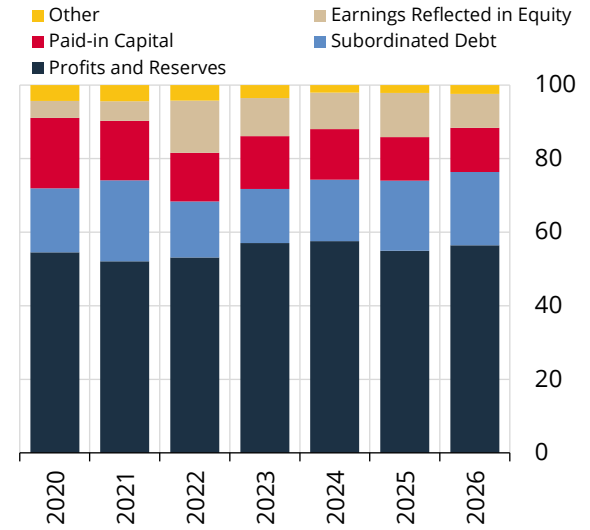
The banking sector's regulatory capital structure reveals that core capital continues to maintain its weight. As of March 2026, the share of core capital in total regulatory capital stood at 74.8%, despite declining by 2.2 percentage points from the previous reporting period. Profits and reserves continued to be the main component of regulatory capital with a share of 56.4%, although this represented a decrease of 1.1 points relative to September 2025. Meanwhile, the share of subordinated debt, which has been on an uptrend since the first quarter of 2023, continued to increase, rising from 17.8% in September 2025 to 19.9% as of March 2026. Banks issued a net USD 5.7 billion worth of SDI throughout 2025 and a further USD 1.8 billion in the first quarter of 2026. Accordingly, the subordinated debt balance reached USD 21.5 billion as of March 2026. On the other hand, over the same period, the share of paid-in capital declined by 0.3 percentage points, while the share of earnings reflected in equity decreased by around 1 percentage point (Chart IV.4.13).

Chart IV.4.12: Contributions to Change in CAR (Excluding BRSA Forbearance Measures, %)



Sources: BRSA, CBRT
Note: The CRB, MRB and ORB refer to credit, market and operational risk basis, respectively.

Chart IV.4.13: Composition of Regulatory Capital (%)



Sources: BRSA, CBRT Last Observation: 03.26
Note: Share premiums are included in paid-in capital. "Other" covers other equity items, with general provisions having a larger weight.

Excess capital buffers of systemically important banks continue to increase.

Compared to the previous reporting period, excess capital buffers of systemically important banks increased, while their ratio to risk-weighted assets remained relatively stable. The sector's excess capital buffer rose by TRY 0.4 trillion compared to the final quarter of 2025, reaching TRY 1.7 trillion. Capital buffers that banks maintain above regulatory minimums enhance their resilience against potential shocks that may emerge over short and medium terms. Additionally, excess capital buffers serve a countercyclical function by securing the continuity of credit supply during periods of economic contraction (Charts IV.4.14 and IV.4.15). Alongside capital buffers, discretionary free provisions continued to bolster banks' loss-absorbency capacity.

Chart IV.4.14: Banks' Excess Capital Buffer (%)

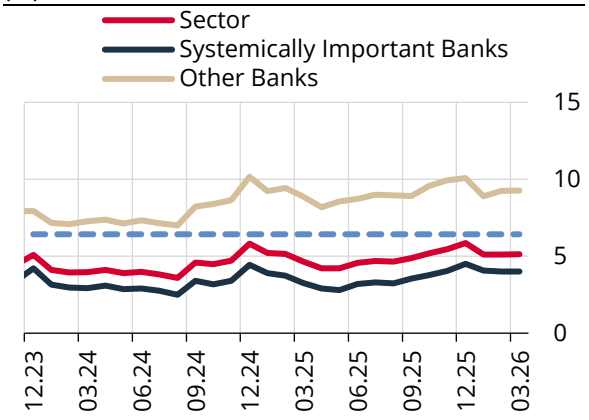
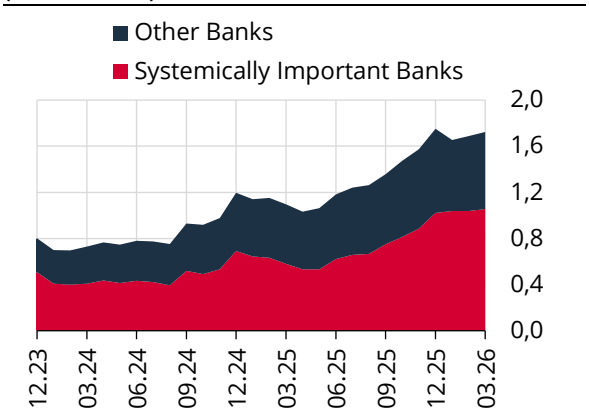


Chart IV.4.15: Banks' Excess Capital Buffer (TRY Trillion)



Sources: BRSA, CBRT Last Observation: 03.26
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 to risk-weighted assets of capital held by banks in excess of the capital they are required to hold. The dashed line in the left chart represents the average for the years 2014-2022.

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

This box presents 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

Announcement/ Regulation Date	Measure/Regulation
11.12.2025	- The one-week repo auction rate was reduced from 39.5% to 38%. - The Central Bank lowered its overnight lending rate from 42.5% to 41% and overnight borrowing rate from 38% to 36.5%. - The FX collateral deposit buying rate was reduced from 3.75% to 3.50% for the US dollar for all maturities.
22.01.2026	- The CBRT reduced the one-week repo auction rate from 38% to 37%. It also lowered the overnight lending rate from 41% to 40% and the overnight borrowing rate from 36.5% to 35.5%.
01.03.2026	- Considering the developments in financial markets, the CBRT decided to suspend the one-week repo auctions for a period of time. - The CBRT started conducting Turkish lira-settled foreign exchange forward selling transactions in order to ensure the sound functioning of the foreign exchange market, prevent possible volatilities in exchange rates, and stabilize foreign exchange liquidity.
02.03.2026	- The CBRT started issuing liquidity securities.
12.03.2026	- The CBRT kept the one-week repo auction rate constant at 37%. It also maintained the overnight lending rate and the overnight borrowing rate at 40% and 35.5%, respectively.
16.03.2026	- The FX collateral deposit buying rate for the US dollar was raised from 3.50% to 4.25% for one-week maturity and from 3.50% to 4.50% for two-week and one-month maturities, while the same rate for the euro was increased from 2.00% to 2.80% for one-week maturity and from 2.00% to 2.90% for two-week and one-month maturities.
31.03.2026	- In view of liquidity conditions, the CBRT started conducting buy-side Turkish lira-FX swap auctions (where the CBRT buys FX in exchange for Turkish lira at the value date).
22.04.2026	- The CBRT kept the one-week repo auction rate constant at 37%. It also maintained the overnight lending rate and the overnight borrowing rate at 40% and 35.5%, respectively.

2. Reserve Requirements

Announcement/ Regulation Date	Measure/Regulation
02.12.2025	- The CBRT decided not to extend the provisional arrangement setting the reserve requirement ratio at zero percent until the end of the year for the amount of increase in foreign currency (FX) liabilities with maturities longer than one year that banks and financing companies obtain directly from abroad. - Effective from the calculation date of January 2, 2026, FX reserve requirement ratios were revised as follows:

	Previous Ratio	New Ratio
FX deposits/participation funds		
Demand deposits and deposits with maturities up to one month	32%	30%
With longer maturities	22-28%	26%
Precious metal deposit accounts		
Demand deposits and deposits with maturities up to one month	28%	30%
With longer maturities	24-28%	26%
Other FX liabilities		
Maturity up to 1 year	21%	21%
Maturity up to 2 years	16%	10%
Maturity up to 3 years	11%	8%
Maturity up to 5 years	7%	3%
Maturity longer than 5 years	5%	0%

	- Financing companies' liabilities to domestic banks were exempted from reserve requirements.
12.12.2025	- The CBRT reduced the monthly growth targets for real persons' TRY deposit shares to o 0.20 percentage points for banks with a TRY deposit share between 60% and 65%, o 0.40 percentage points for banks with a TRY deposit share below 60%.
08.01.2026	- Calculation periods for TRY deposit shares were increased from four weeks to eight weeks. Accordingly, growth targets for real and legal persons were also arranged to be double the existing rates for eight-week periods. - The commission rates applied based on the TRY share were reduced from 4% to 3% for real persons and from 2% to 1.5% for legal persons, bringing the total annual rate down from 6% to 4.5%.
24.01.2026	- The reserve requirement ratios for Turkish lira-denominated funds from repo transactions abroad and loans obtained from abroad were raised by two percentage points to o 20% for maturities up to 1 month, o 16% for maturities up to 3 months, and o 14% for maturities up to 1 year. - Additionally, the reserve requirement ratio for deposits/participation funds from banks abroad and liabilities to the head office abroad with maturities up to 1 year was raised to 14%.
31.01.2026	- Regarding the loan growth-based reserve requirement practice, the eight-week growth limit for foreign currency loans was reduced to 0.5% from 1%. An eight-week growth limit of 2% was introduced for overdraft account limits allocated to consumers.
27.03.2026	- Regarding the loan growth-based reserve requirement practice, o The exemption of loans extended to the earthquake region was revoked, and o The scope of tradesmen loans eligible for exemption was narrowed.

3. Rediscount and Advance Loans

Announcement/ Regulation Date	Measure/Regulation
01.11.2025	- The daily limit of rediscount credits was raised from TRY 4 billion to TRY 4.5 billion. - The daily limit of rediscount credits for firms was increased from TRY 45 million to TRY 60 million. - The commitment not to buy FX to be able to use TRY-denominated rediscount credits was revoked, to be replaced by an FX position commitment.
22.01.2026	- The formula used to determine the interest rate for rediscount credits was revised.

4. Deposits/Participation Funds and Payment Systems

Announcement/ Regulation Date	Measure/Regulation
01.01.2026	- The SDIF deposit insurance limit was revised as TRY 1,200,000.

5. Loan Regulations and Legal Ratio Limitations

Announcement/ Regulation Date	Measure/Regulation
13.12.2025	- Effective from January 1, 2026, the limits for the term debt used in the calculation of monthly maximum contractual interest rates for Turkish lira credit card transactions were increased, and the applicable monthly maximum contractual interest rates were reduced by 25 basis points. Accordingly, the monthly maximum contractual interest rate was set at: o 3.25% for personal credit cards with a term debt below TRY 30,000, o 3.75% for personal credit cards with a term debt between TRY 30,000 and TRY 180,000, o 4.25% for personal credit cards with a term debt above TRY 180,000 and for corporate credit cards regardless of their term debt, o 4.25% for cash advances or usage, and for overdraft accounts (ODA).

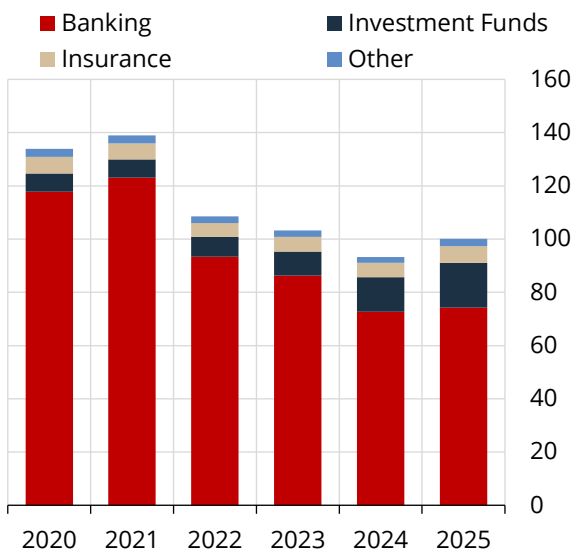
29.01.2026	- The BRSA Board Decision No. 11364 re-arranged the loan-to-value ratios in housing loans. The new house/used house distinction was removed. The upper limits of loan-to-value ratio were graded based on the value and the energy class of the house, and set at 90% for houses with a value below TRY 5 million and an energy class of A or B, and at 40% for houses with a value above TRY 20 million and an energy class of A or B. The upper limit of loan-to-value ratio for houses with an energy class of C and others decreases gradually as the value of the house increases.
29.01.2026	- The BRSA Board Decision No. 11365 restricted the ODA limits of individual customers to a maximum of double their documented average monthly income. ODA limits for educational purposes were excluded from this scope.
29.01.2026	- The BRSA Board Decision No. 11366 introduced a facility to restructure debt with a maximum maturity of 48 months for personal credit cards whose term debt was partially or fully unpaid by the payment due date, and for general-purpose loans (including ODA) whose principal/interest payments were overdue by more than 30 days, provided that the customer asked for restructuring within three months of the date of the decision.
29.01.2026	- The BRSA Board Decision No. 11367 restricted the allocation of personal credit card limits to documented income only. All banks are required to align the card limits with income by January 1, 2027.
31.01.2026	- The monthly contractual interest rate to be applied in the case of restructuring of personal credit card debts as per the BRSA Board Decision No. 11366 dated January 29, 2026 was limited to the monthly reference rate (3.11%).
31.01.2026	- The 1.1% maximum limit of cash loan utilization fee was lifted for non-Turkish lira cash loans, allowing lenders to charge fees on these loans without restraint.
06.02.2026	- The BRSA Board Decision No. 11145 repealed the limitations on TRY cash loan utilization by corporate sector companies that hold a large amount of FX cash and are subject to independent audit, as well as the reporting obligations related to these limitations.

V. Non-Bank Financial Sector

The non-bank financial sector's share in the financial system has been increasing.

The importance of the non-bank financial sector (NBFS), which can offer alternative financing options and investment products for different customer profiles, has been increasing within the financial system. The NBFS's share in the total financial system increased from 12% in 2020 to 26% in the first quarter of 2026 (Table V.1). While on the one hand, rising inflation and the resulting tightening of financial conditions have increased investors' search for returns, on the other hand, rising financing costs have driven a shift towards alternative financing channels, fueling growth in the NBFS. While investment funds, pension funds, and insurance constitute the main pillars of the non-bank financial sector, growth in investment funds and saving financing companies has recently been remarkable (Chart V.1).

Chart V.1: Asset Size of the Financial Sector/GDP (%)



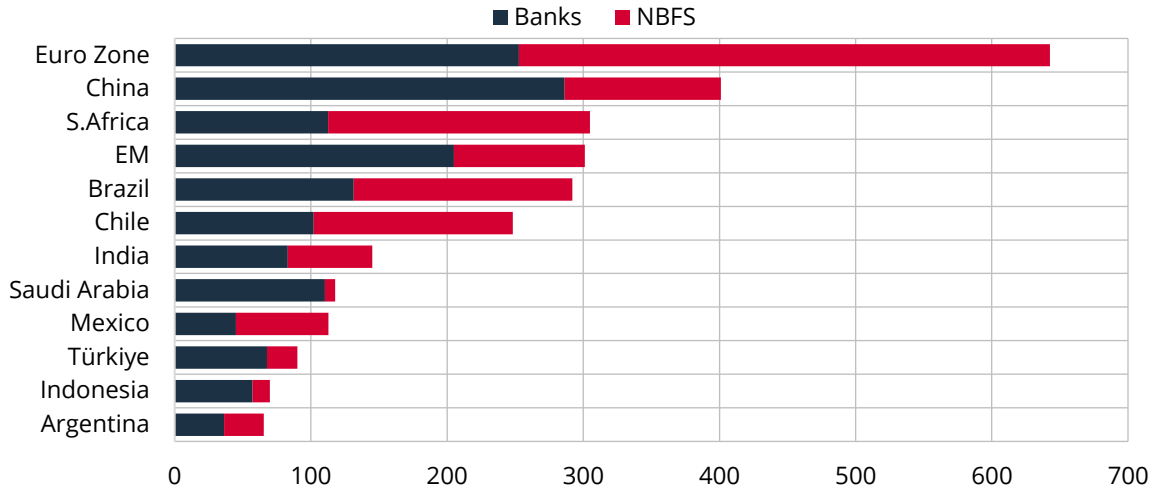
Source: CBRT, BRSA, TEFAS, IPRSA

Table V.1: Key Balance Sheet Items (TRY Billion)

	Share in Financial System (%)		
	2020	**2026 Q1**	**Assets**
Banking	88,1	73,6	49.731
Funds	5,1	17,4	11.792
Insurance	4,5	6,2	4.208
Other	2,3	2,8	1.867
Financial Leasing	1,0	0,9	572
Factoring	0,7	0,8	525
Financing	0,5	0,5	357
Saving Financing	0,0	0,5	358
Asset Management	0,1	0,1	56
Financial System			**67.598**

Despite the strong growth observed in the NBFS in recent years, the ratio of NBFS assets to GDP in Türkiye remains below the emerging market average (Chart V.2). Türkiye's relative position indicates that the NBFS has potential for further deepening and that its growth trend is likely to continue over time.

Chart V.2: Size of the Financial Sector (%, GDP, 2024)



Source: Financial Stability Board

Last Observation: 2024

The growing role of NBFS in intermediation activities contributes to the deepening of the financial system, the diversification of financial products, and helps savers to effectively invest their savings. On the other hand, the sector's rapid growth trend, coupled with its strengthening links with the banking sector and financial markets, increases the systemic importance of these institutions with respect to financial stability. NBFS are interconnected with the banking sector and financial markets through various channels. Given the growing interconnectedness of NBFS with the financial system and the real economy, there is a need for closely monitor these institutions' growth dynamics, balance sheet structures, risks related to liquidity and leverage, and indicators of interconnectedness.

V.1 Investment Funds

In recent years, savers' tendency to diversify their savings through alternative financial assets such as Mutual Funds (MF) and pension funds has become more pronounced.

Offering higher relative returns than deposits during periods of monetary tightening, increased demand for funds as well as the h liquid nature of these products has contributed to this growth. While the total volume of deposits in the banking sector has reached TRY 28 trillion, the volume of investment funds stands at TRY 12 trillion, representing approximately 17% of GDP (Table V.1.1).

Table V.1.1: Fund Sizes (TRY Billion, %)

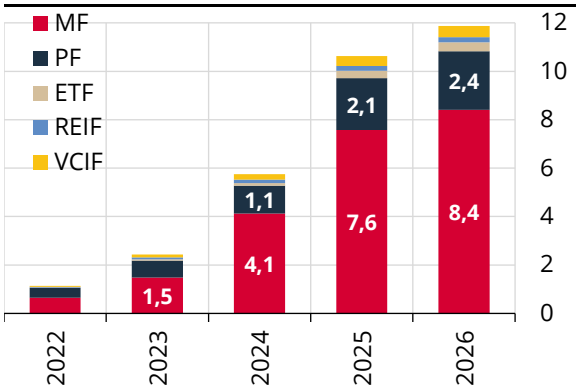
	April 2026	Annual Growth
Investment Funds	**11.872**	**74.7**
Mutual Funds	8.406	76.2
Pension Funds	2.425	69.3
Exchange Traded Funds	364	146.0
Real Estate Investment Funds	217	37.6
Venture Capital Investment Funds	461	60.3

Source: TEFAS, CBRT, TURKSTAT

While all types of investment funds have shown a strong growth trend over the past five years, the main driver of this growth has been mutual funds.

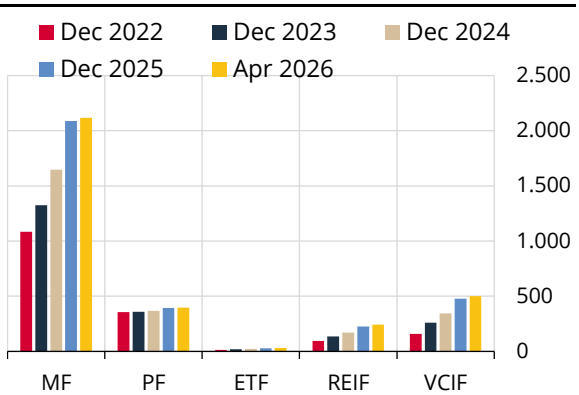
The size of exchange-traded funds (ETF), real estate investment funds (REIT), and venture capital investment funds (VCIF) in the sector remains more limited. This indicates that the market is primarily concentrated in traditional fund types, although alternative fund types are also becoming more prominent (Chart V.1.1). In addition to the increase in the number of funds, there has been a significant rise in the total amount of funds as well. While the number of mutual funds rose from 1,084 in 2022 to 2,118, the number of funds in other categories increased from 627 to 1,171. Both demand- and supply-side dynamics contributed to this development. On the demand side, investors' quest for returns and growing interest in alternative instruments stood out, while on the supply side, portfolio management companies played a role by increasing product diversity and launching new funds tailored to investor needs (Chart V.1.2). The growth led by mutual funds indicates that investors are opting for diversified investments through funds in addition to individual asset selection.

Chart V.1.1: Portfolio Sizes by Fund Types (Trillion TRY)



Source: Takasbank, TEFAS, BEFAS, CBRT

Chart V.1.2: Number of Portfolios by Funds Types (Units)



Last Observation: 30.04.26

Money market funds, money market-like funds, along with FX hedge funds a prominent role in the development of MFs.

The share of money market funds and participation and hedge money market funds, which was 16% at the end of 2023, has recently reached 33% (Chart V.I.3). No significant change has been observed in the share of FX hedge funds and has remained stable around 35%. Money market and participation and hedge money market funds, which stood at TRY 234 billion at the end of 2023, continued to grow despite a limited decline caused by geopolitical and financial market developments in the first quarter of 2025 and after February 2026, reaching TRY 2.8 trillion as of April 30, 2026. Meanwhile, funds operating under the "Hedge Umbrella" category bearing "foreign currency" expression in their names rose from USD 9 billion at the beginning of 2023 to over USD 65 billion of April 30. Pension funds, which displayed a relatively slower growth compared to mutual funds and stood at TRY 401 billion at the beginning of 2023, reached TRY 2.4 trillion as of April 30, 2026. Approximately 50% of the total value of pension funds consists of gold and precious metals funds partly due to their perception as a longer-term investment instrument (Chart V.1.4).

Chart V.1.3: Development of Mutual Funds (%,TRY Billion)

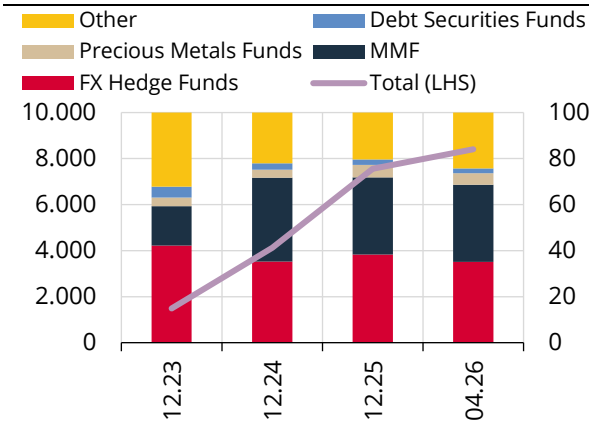
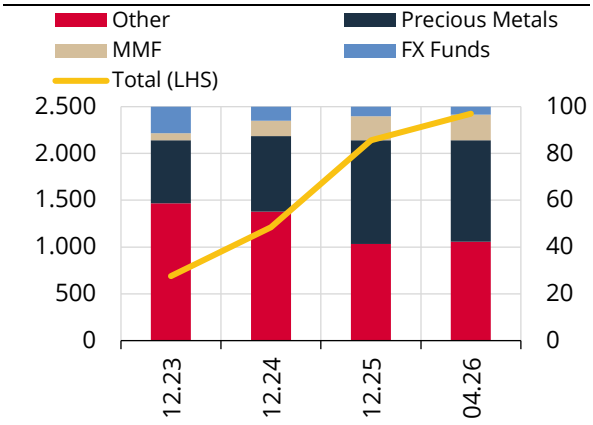


Chart V.1.4: Development of Pension Funds (%, TRY Billion)



Source: Takasbank, TEFAS, BEFAS, CBRT Last Observation: 30.04.26

Money market funds include money market umbrella funds as well as funds bearing the word "money market" that operate under the participation and hedge umbrella funds.

In TRY-denominated mutual funds, deposits and reverse repo transactions predominate, while bond issues are the main feature of FX funds.

The rise in TRY-denominated mutual funds have been driven by deposits, repo transactions, and equity investments. As of April 2026, 35% of the TRY portfolio consists of deposits, 26% of reverse repo and repo transactions, and 19% of stocks. The share of stocks has grown by 60% compared to the end of 2025, reaching TRY 1,013 billion. The amount of FX-denominated instruments in mutual funds rose from USD 40 billion at the end of 2024 to USD 69 billion in April 2026, with both supply- and demand-side dynamics playing a role in this increase. Investors' growing interest in FX-denominated funds fueled by the acceleration in eurobond issues by banks and the real sector has also been supporting the growth of FX-denominated mutual funds. Actually, debt instruments issued by banks, along with private sector debt instruments and deposits stand out in the breakdown of FX-denominated investment funds, (Chart V.I.6).

Chart V.1.5: Portfolio Breakdown of TRY-denominated Mutual Funds (TRY Billion)

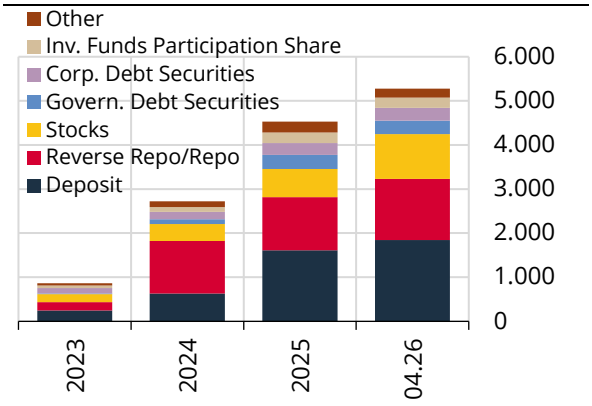
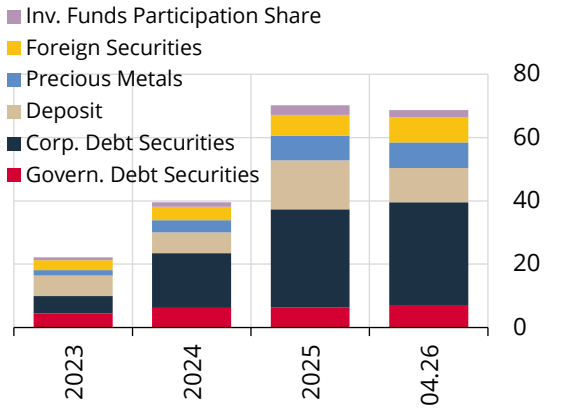


Chart V.1.6: Portfolio Breakdown of FX-denominated Mutual Funds (USD Billion)



Source: Takasbank, TEFAS, BEFAS, CBRT Last Observation: 30.04.26

Note: All repo/reverse repo balance has been assumed to be in TRY.

The fact that returns on money market funds and money market-like funds have exceeded deposit returns during certain periods has increased interest in these funds.

Returns on money market funds and participation and hedge money market funds can be compounded on a daily basis and they have greater liquidity compared to time deposits, supporting the shift towards this investment instrument. While money market funds recorded significant growth until the first quarter of 2025, demand for participation and hedge money market funds increased following market developments in the first quarter of 2025 (Chart V.1.7). Money market funds and participation and hedge money market funds, which are considered as substitutes for deposits, have offered returns exceeding those of deposits during certain periods (Chart V.1.8).[1]

Chart V.1.7: Size of Money Market Funds (MMF) and Money Market-like Funds

(Billion TRY)

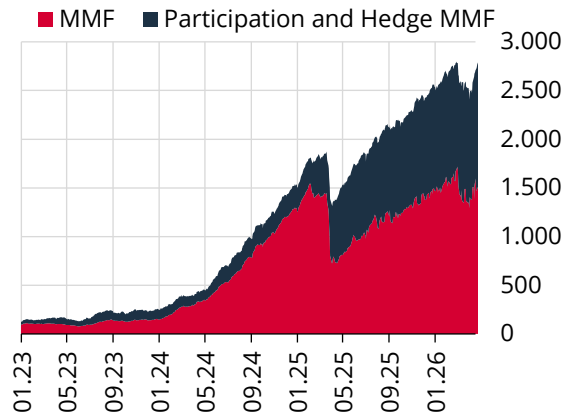
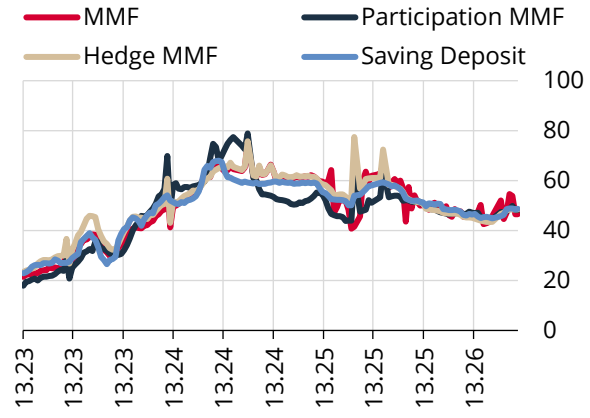


Chart V.1.8: TRY Deposit and MMF Returns

(%)



Source: Takasbank, TEFAS, CBRT, Rasyonet Last Observation: 30.04.26

Note: MMFs include money market umbrella funds and participation and hedge MMF funds include funds under participation and hedge umbrella funds with the word “money” in their name.

[1] 10% general income tax withholding was applied to returns from money market fund (MMF) shares acquired before December 23, 2026, then this rate has been reduced to 0% for funds acquired after that date. The withholding rate has been increased to 7.5% for funds acquired on or after May 1, 2024, to 10% for funds acquired on or after November 1, 2024, to 15% for funds acquired on or after February 1, 2025, and finally to 17.5% for funds acquired on or after July 9, 2025 (inclusive).

The interaction between investment funds and banks has increased.

Banks' deposits, repo transactions, and security issuances dominate the portfolio breakdown of investment funds. The TRY-denominated investment funds portfolio consists primarily of deposits and repo transactions with banks, with a total balance of TRY 2.8 trillion (Chart V.1.9). Meanwhile, the FX-denominated investment funds portfolio consists primarily of deposits and debt instruments issued by banks (Chart V.1.10).

Chart V.1.9: Banks' TRY Liabilities Stemming from Investment Funds (Billion TRY)

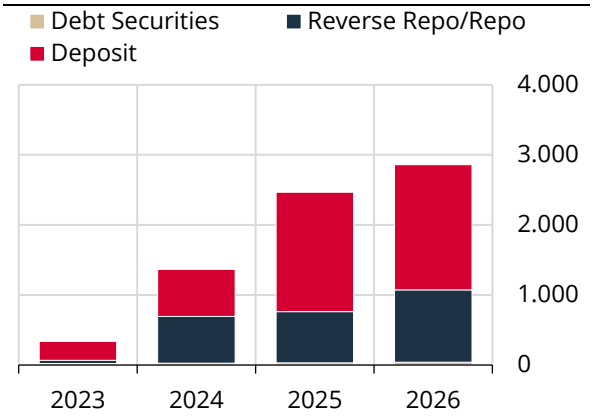
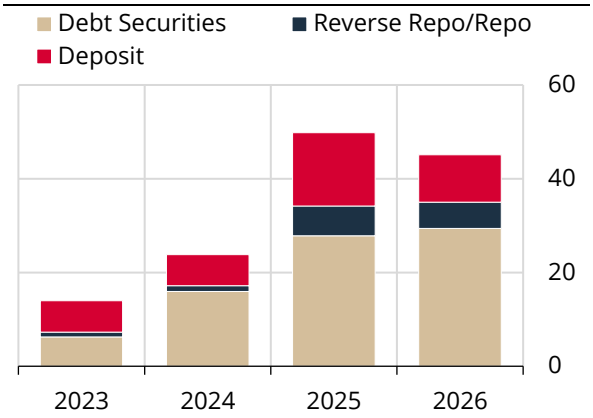


Chart V.1.10: Banks' FX Liabilities Stemming from Investment Funds (Billion USD)



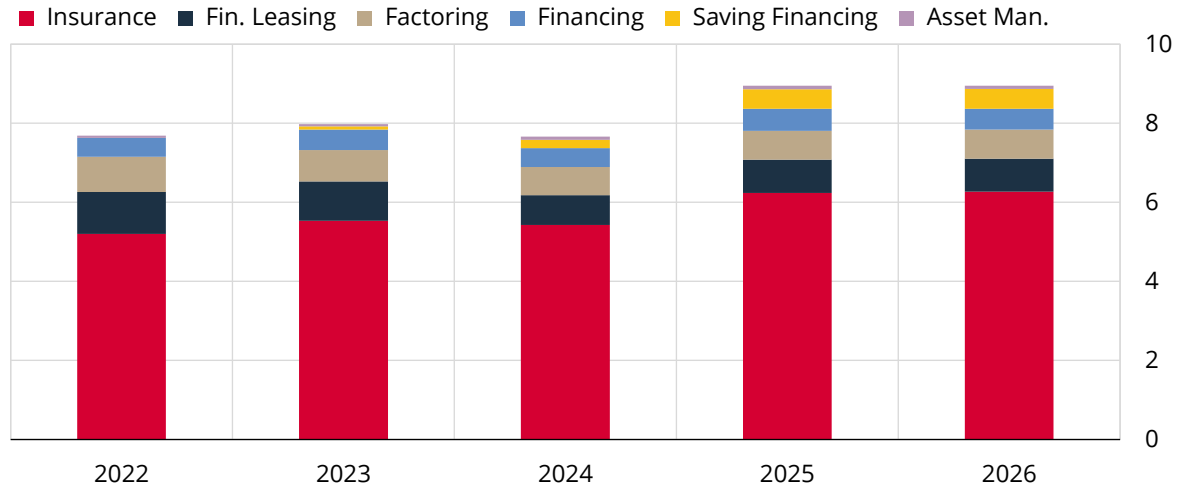
Source: Takasbank, CBRT
Last Observation: 08.05.26
Note: Investment Funds, pension funds and other funds are included.

V.2 Other Non-Bank Financial Sector

Saving Financing Companies and Insurance Companies come to the fore in other Non-Bank Financial Institutions (NBFIs).

The ratio of the total assets of insurance, financial leasing, factoring, financing, saving financing, and asset management companies to GDP, which was 7.7% at the end of 2023, rose to 9% as of the first quarter of 2026 (Chart V.2.1). Starting at the end of 2024, while the growth of financial leasing, factoring, and financing companies remained relatively flat, the ratio of saving financing companies' total assets to GDP increased by 0.3 percentage points, and that of insurance companies increased by 0.9 percentage points.

Chart V.2.1: Assets/GDP (%)



Source: BRSA, IPRSA
Last Observation: 03.26
Note: GDP for 2026 is CBRT's assumption.

While assets of other NBFIs consist primarily of loans, TRY-denominated assets have a high share.

While the ratio of receivables to total assets for saving financing companies is close to 50%, the ratio of loans to total assets for other company groups ranges from 70% to 90%. The asset size of other NBFIs is TRY 1.8 trillion, with 27% of their assets denominated in foreign currency. One-third of saving financing companies' assets are held in liquid assets (Chart V.2.3).

Chart V.2.2: Currency Composition of Other NBFIs Assets (Billion TRY, %)

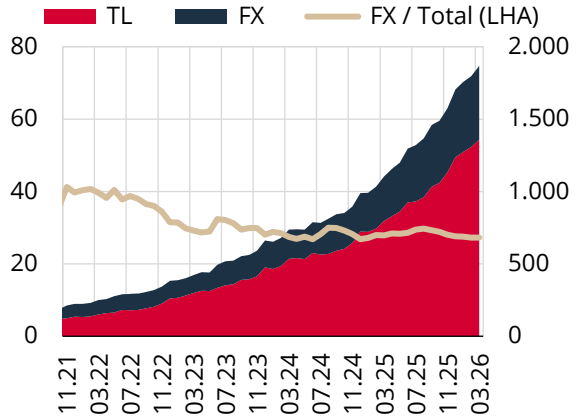
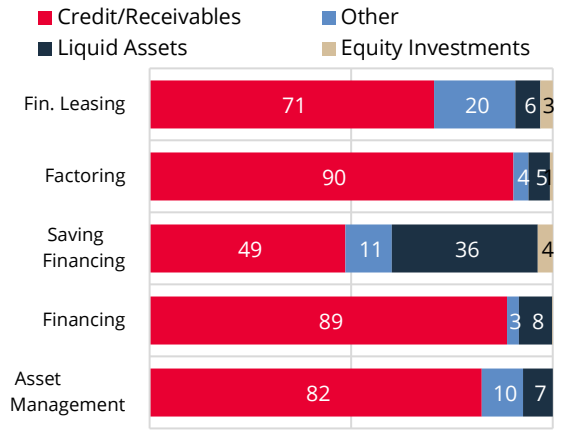


Chart V.2.3: Asset Composition of Other NBFIs (%)



Source: BRSA
Last Observation: 03.26
Note: Mutual Funds, Pension Funds and other funds included.

The liabilities of other NBFIs consist primarily of financing instruments denominated in Turkish lira.

The share of FX liabilities is 26.7%, in line with the asset composition (Chart V.2.4). While the share of loans in the financing of factoring, financial leasing, and financing companies exceeds 60%, as for asset management companies operating with lower leverage due to their business models, deferred tax liabilities—in addition to equity and loans—play a significant role as well. As for saving financing companies, nearly all funding is provided by the savings fund pool and equity (Chart V.2.5).

Chart V.2.4: Currency Composition of NBFI's Liabilities (Billion TRY, %)

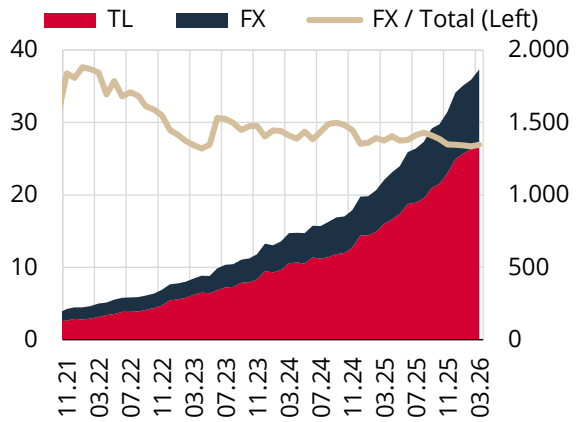
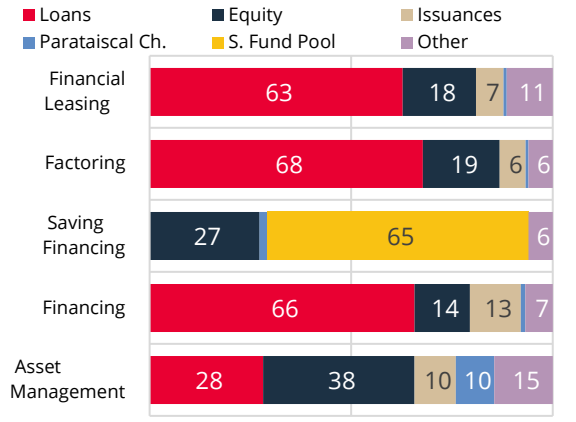


Chart V.2.5: Liability Composition of NBFI's (%)



Source: BRSA
Last Observation: 03.26

Abbreviations

AE	Advanced Economy
AES	Auto Enrollment System
AMC	Asset Management Company
Avg.	Average
BEFAS	Pension Fund Trading Platform
BIS	Bank for International Settlements
BIST	Borsa İstanbul
bps	Basis points
BRSA	Banking Regulation and Supervision Agency
CAR	Capital Adequacy Ratio
CBRT	Central Bank of the Republic of Türkiye
CCI	Construction Cost Index
CDS	Credit Default Swap
CPI	Consumer Price Index
CRB	Credit Risk Basis
DDM	FX-Converted Deposits
DIB	Development and Investment Bank
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EME	Emerging Market Economy
EU	European Union
ETF	Exchange Traded Fund
FECR	Financial Expenses Coverage Ratio
Fed	Federal Reserve System
FRED	Federal Reserve Economic Data
FVTOCI	Securities at Fair Value Through Other Comprehensive Income
FVTPL	Securities at Fair Value Through Profit or Loss
FX	Foreign Exchange
FXNGP	Foreign Exchange Net General Position
GDDS	Government Domestic Debt Securities
GDP	Gross Domestic Product
GDS	Government Debt Securities
GPL	General Purpose Loan
HPI	House Price Index
IIF	Institute of International Finance
IPRSA	Insurance and Private Pension Regulation and Supervision Authority
IPS	Individual Pension System
IRRBB	Interest Rate Risk in the Banking Book
KKM	FX-Protected Deposit
L/D	Loan-to-Deposit Ratio
LCR	Liquidity Coverage Ratio
LHA	Left-Hand Axis
LIBOR	London Interbank Offered Rate
LNG	Liquefied Natural Gas
LUR	Limit Utilization Ratio
MA	Moving Average
MENA	Middle East and North Africa
MF	Mutual Funds
MKK	Central Securities Depository of Türkiye
MMA	Monhtly Moving Average
MMF	Money Market Fund
MRB	Market Risk Basis
NBFI	Non-Bank Financial Institutions
NBFS	Non-Bank Financial Sector
NIM	Net Interest Margin
NPL	Non-Performing Loan
ODA	Overdraft Accounts
OIS	Overnight Index Swap
OMO	Open Market Operations

PCC	Personal Credit Cards
PDP	Public Disclosure Platform
PF	Pension Fund
PMC	Pension Monitoring Center
REIT	Real Estate Investment Funds
RR	Reserve Requirement
RUSF	Resource Utilization Support Fund
SDI	Subordinated Debt Instrument
SDIF	Savings Deposit Insurance Fund
SME	Small and Medium-Sized Enterprise
SOFR	Secured Overnight Financing Rate
ST	Short-Term
TEFAS	Türkiye Electronic Fund Trading Platform
TL	Turkish Lira
TLREF	Turkish Lira Overnight Reference Rate
TRY	Turkish Lira
TURKSTAT	Turkish Statistical Institute
UK	United Kingdom
UN	United Nations
U.S.	United States
USA	United States of America
VCIF	Venture Capital Investment Funds
VIX	Chicago Board Options Exchange Volatility Index
WAFC	Weighted Average Funding Cost
WMA	Weekly Moving Average