

TURKISH EQUITIES / SECTOR INITIATION

Turkish Private Banks

The best is yet to come...

We are initiating our coverage of Turkish private banks, favoring Isbank and Akbank among with Outperform ratings and a 12-month target prices of TRY22.0 for Isbank (56% upside) and TRY87.0 for Akbank (42% upside). The banking industry suffered a sub-par performance in 2Q25 after April's surprise rate hike which reduced the average swap adjusted NIM down to the previous year's level. As the CBRT resumed its program of rate cuts in July with a 300-bps rate cut, and with the support of buoyant economic activity, a strong contribution from fee income and broadly manageable operating expenses in a declining inflation environment, we started to see a revival in the industry's financial strength, with a margin expected to post consecutive expansions in the coming quarters. We expect banks to record an average expansion of 174 bps in their overall swap adjusted NIM for 2025YE with a 223-bps expansion in 2026YE on the back of reduced funding costs with the easing cycle in addition to a contribution from securities income. Although selective loan growth regulations could slow the improvement in loan yields, we believe fee income, balanced CoR levels and manageable opex also play a crucial role in delivering ROEs, in our view. Strong economic activity, especially in regard to consumption, as well as a strong tourism season and an abundance of liquidity provide strong buffers for asset quality, indicating low NPL inflows and net CoR levels. We forecast a normalization in the net CoR for the remainder of the year with an expansion of 100 bps YoY to 211 bps overall. However, asset quality metrics in general are a long way from being alarming according to our forecasts. The fees and commissions segment move more in line with policy rates, so there is the possibility of a downturn, but due to its lagged effect we will continue to see its contribution to earnings in 2025 and 2026. All in all, in an environment of declining inflation, we expect banks to manage their opex while investing in their technological infrastructure simultaneously. We forecast an average ROE of 25% for the four banks in 2025YE with a further expansion in 2026 to 35%. We further forecast net income growth of 47% in 2025 and 91% in 2026. Notwithstanding a remarkable profitability outlook, Turkish banks trade at 29% P/BV discount to GEM average multiples according to our 2025 estimates and 45% discount according to 2026F. In terms of P/E outlook, Turkish banks' discount stands out at 48% for 2025F and 70% 2026F, offering attractive levels for entry point, in our opinion. Key upsides to our call would be 1) a steeper than expected fall in inflation, potentially leading to deeper rate cuts in each MPC meeting and 2) better than expected economic activity which may delay the normalization in CoR levels. The main risks are 1) unexpected geopolitical or internal political issues which could require the CBRT to hike/maintain rates, 2) a deterioration in inflation or 3) new regulations trimming banks' profitability for both interest margins and fee income.

Akbank		Outperform
Bloomberg / Reuters	AKBNK TI / AKBNK.IS	
12M TP (per share)	87.0	
Upside Potential	42%	
MCAP (TRYmn)	318,240	
Dividend Yield	3.8%	
Garanti		Outperform
Bloomberg / Reuters	GARAN TI / GARAN.IS	
12M TP (per share)	180.0	
Upside Potential	31%	
MCAP (TRYmn)	577,920	
Dividend Yield	6.1%	
Isbank C		Outperform
Bloomberg / Reuters	ISCTR TI / ISCTR.IS	
12M TP (per share)	22.0	
Upside Potential	56%	
MCAP (TRYmn)	352,750	
Dividend Yield	5.3%	
Yapi Kredi		Outperform
Bloomberg / Reuters	YKBNK TI / YKBNK.IS	
12M TP (per share)	43.0	
Upside Potential	26%	
MCAP (TRYmn)	288,044	
Dividend Yield	0.00%	

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INVESTMENT THEME

We are initiating our coverage of the four main Turkish private banks - AKBNK, GARAN, ISCTR and YKBNK - with an average of 39% upside potential with an Outperform rating. Among the names, we favor ISCTR and AKBNK with an Outperform rating for both and a 12-month target price of TRY22.0 for ISCTR (56% upside) and TRY87.0 for AKBNK (42% upside). ISCTR stands out with its turnaround story with its TRY funding opportunity, while we like AKBNK's well positioned balance sheet in the easing cycle with robust capital. The move by the CBRT to embark on its rate cut cycle with a 300-bps rate cut in July, buoyant economic activity, the strong contribution from fee income and broadly manageable operating expenses in a declining inflation environment are the main fundamentals of our investment theme for the banking industry. We forecast net income growth of 47% in 2025 and 91% in 2026, leading to a CAGR of 68% between 2024-2026. We expect an average expansion of 174 bps in the overall swap adjusted NIM in 2025YE and a 223-bps expansion in 2026YE on the back of better funding costs with the easing cycle in addition to the contribution from securities income. Selective loan growth regulations could slow down the growth in loan yields, but out of net interest segments such as fee income, balanced CoR levels and manageable OPEX also play a crucial role in delivering ROEs, in our view. Strong economic activity, especially on the consumption side, as well as a strong tourism season and abundant liquidity conditions provide strong buffers for asset quality, as seen in low NPL inflows and net CoR levels. We expect a normalisation in the net CoR for the remainder of the year, and forecast a 100 bps YoY expansion to 211 bps overall for 2025. However, asset quality metrics in general are a long way from being alarming. There is the possibility of a downturn in the fees and commissions segment, which moves in line with the policy rates to some extent, but due to its lagged effect we will continue to see its contribution to earnings in 2025 and 2026. In an environment of declining inflation, we expect banks to manage their opex well while investing in their technological infrastructure simultaneously. All in all, we forecast an average ROE of 25% for the four banks in 2025YE and a further expansion in 2026 to 35%. Notwithstanding a remarkable profitability outlook, Turkish banks trade at 29% P/BV discount to GEM average multiples according to our 2025 estimates and 45% discount according to 2026F. In terms of P/E outlook, Turkish banks' discount stands out at 48% for 2025F and 70% 2026F, offering attractive levels for entry point, in our opinion. Key catalysts to our call would be 1) better than expected inflation figures which may allow deeper rate cuts in each MPC meeting and 2) better than expected economic activity that may delay the normalisation in CoR levels. The key risks can be listed as: 1) unexpected geopolitical or internal political issues that may require CBRT to hike rates, 2) any deterioration in the inflation outlook or 3) new regulations which may trim banks' profitability both in terms of interest margins and fee income.

Figure 1– Earnings estimates

Earnings	2024A	2025F	2026F	2027F	Growth		
					2025/2024	2026/2025	2027/2026
AKBNK	42,366	59,739	121,773	150,490	41%	104%	24%
GARAN	92,175	112,946	175,036	220,549	23%	55%	26%
ISCTR	45,517	80,376	187,531	233,319	77%	133%	24%
YKBNK	29,017	54,376	103,861	137,438	87%	91%	32%
Total	209,075	307,438	588,201	741,795	47%	91%	26%

Source: Banks' financials, QNBI estimates

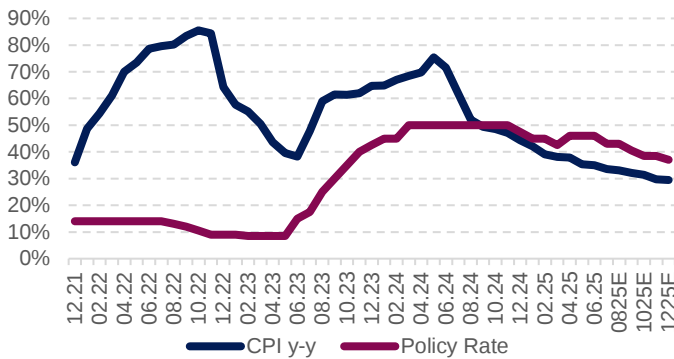
Figure 2– Book value estimates

Book value	2024A	2025F	2026F	2027F	Growth		
					2025/2024	2026/2025	2027/2026
AKBNK	240,348	296,800	417,560	556,984	23%	41%	33%
GARAN	329,926	440,653	588,823	775,522	34%	34%	32%
ISCTR	318,337	418,623	615,013	840,744	32%	47%	37%
YKBNK	192,804	254,922	358,912	498,822	32%	41%	39%
Total	1,081,416	1,410,997	1,980,308	2,672,072	30%	40%	35%

Source: Banks' financials, QNBI estimates

April's surprise rate set back NIM expansion: With the rebalancing in CPI inflation, the market had expected a broad improvement in net interest margins and profitability to materialise by the second quarter of 2025. However, April's surprise rate hike set back these expectations by around two quarters. Thus, our forecasts reflect 2Q25 as the worst quarter of the year, and we now expect a slight improvement in net interest margins in Q3, leaning on July's rate cut, with the best quarter of 2025 to be the last quarter with MPC meetings in October and December. We expect the policy rate ending the year at 37% and CPI inflation at 29.5%. For the four banks we cover, we expect the average 2025YE swap adjusted NIM to settle at 305 bps vs. a 2024 NIM of 131 bps, calculating a 174-bps improvement overall.

Figure 3—Policy rate and inflation outlook



Source: TUIK, QNBI Calculations

Figure 4—Swap adjusted NIM forecast

Swap adj. NIM	2024	2025E	2026E	2027E
AKBNK	1.9%	2.4%	4.6%	5.3%
GARAN	3.1%	4.9%	6.7%	7.2%
ISCTR	-0.5%	2.5%	5.3%	5.8%
YKBNK	0.7%	2.4%	4.4%	5.0%

Source: Banks' financials, QNBI Calculations

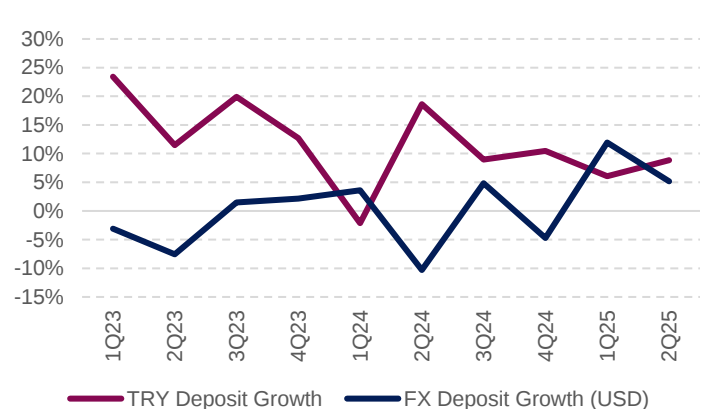
TRY loans growth trajectory... The Banking sector's TRY loans grew by 9.6% QoQ in 2Q25 while retail loans expanded by 11.4% and corporate loans increased by 7.7%. Selective loan growth regulations aimed at efficiency in the monetary transmission mechanism, a 2% cap for corporate loans (2.5% for SME loans, 1.5% for other corporate loans) excluding loans for exports, agriculture and tradesmen, and the same cap level on GPLs in general remain in effect. We believe this is the major factor behind the balanced loan growth and the slow pace of loan yields. We expect selective loan regulation to remain in the coming periods, considering the signals from the latest MPC meeting notes on September 11th. Banks guided TRY loan growth in 2025FY with average inflation which almost no real loan growth. We modelled for 2026F TRY loan growth as average inflation as well as 2025.

Figure 5—TRY retail and corporate loan growth - QoQ



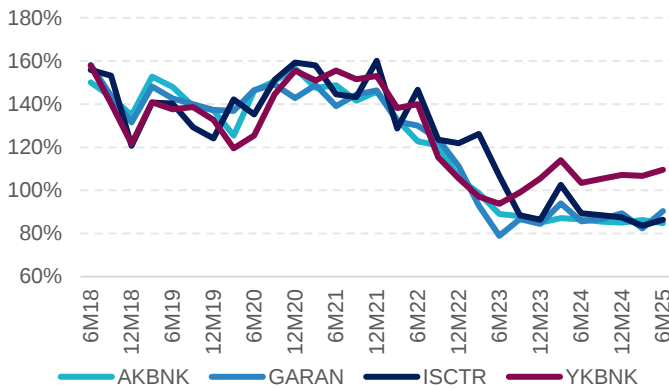
Source: BRSA

Figure 6—TRY and FX deposit growth - QoQ



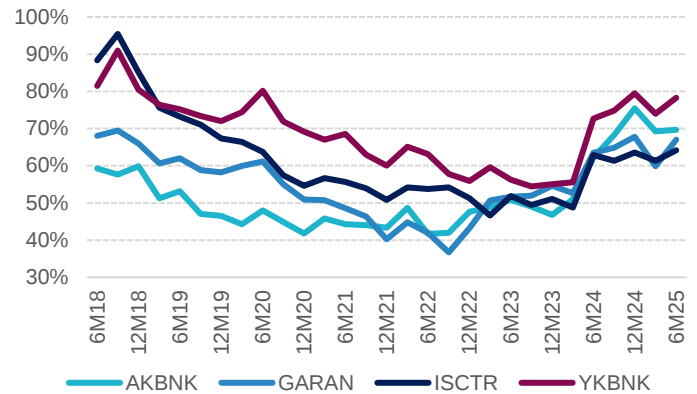
Source: Banks' financials, QNBI Calculations

Figure 7–TRY LDR outlook



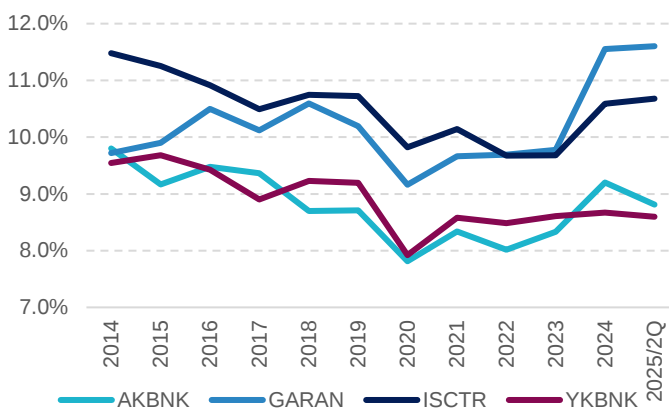
Source: Banks' financials

Figure 8– FX LDR outlook



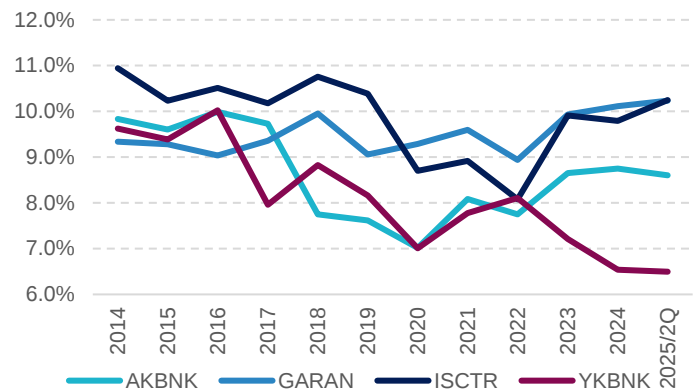
Source: Banks' financials

Figure 9–TRY loans market share of each bank



Source: BRSA, Banks' financials

Figure 10– TRY deposits market share of each bank



Source: BRSA, Banks' financials

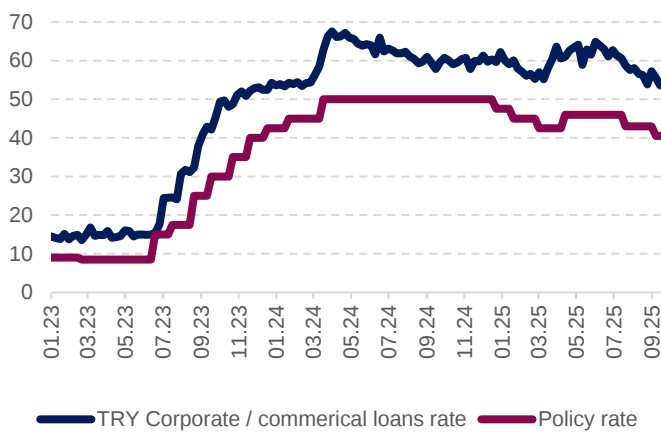
Spreads to improve leaning on TRY funding weight... In a stable exchange rate environment, and with the support of the rate cut cycle, we believe banks with a higher weight of TRY funding and a better maturity mismatch profile will outperform their rivals in the sector. TRY loan yields may have a slower and lower than expected contribution to core spreads, as we broadly saw in the 2Q25 financials. We collected each bank's funding mix based on their 2Q25 financials below. Accordingly, GARAN and AKBNK are more likely to take advantage of the improvement in funding costs, followed by ISCTR and YKBNK. Based on our forecast, TRY core spreads, excluding consumer credit cards, will improve by an average of 377 bps YoY by the end of 2025.

Figure 11– Funding mix of the banks based on 2Q25 financials

Funding mix 2Q25	AKBNK	GARAN	ISCTR	YKBNK
Total deposits	64%	68%	66%	55%
TRY	44%	45%	37%	33%
FX	20%	23%	29%	21%
Money market borrowing	9%	3%	9%	7%
TRY	3%	1%	6%	7%
FX	6%	2%	3%	0%
Funds borrowed	5%	2%	5%	11%
TRY	0%	0%	0%	0%
FX	5%	2%	5%	11%
Securities issued	5%	3%	3%	6%
TRY	0%	0%	0%	0%
FX	5%	3%	2%	6%
Subordinated debt	3%	2%	1%	2%
TRY	0%	0%	0%	0%
FX	3%	2%	1%	2%
Equity	9%	12%	9%	8%
Total liabilities and Sh. Eq	100%	100%	100%	100%
TRY	56%	58%	52%	49%
FX	38%	32%	41%	41%

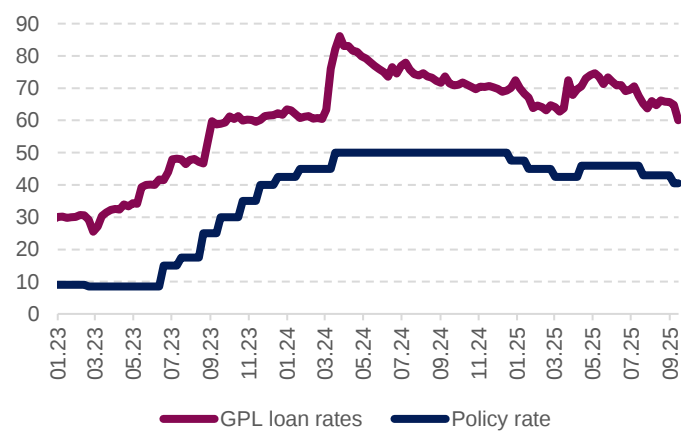
Source: Banks' financials

Figure 12–TRY corporate loans rate vs. policy rate (%)



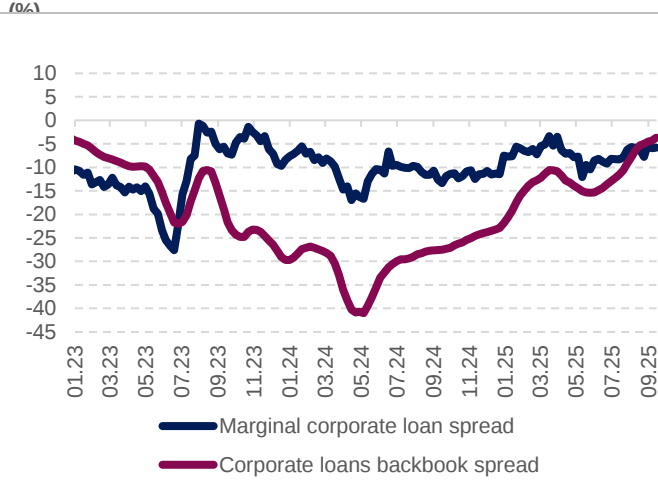
Source: CBRT

Figure 13– GPL rate vs. policy rate (%)



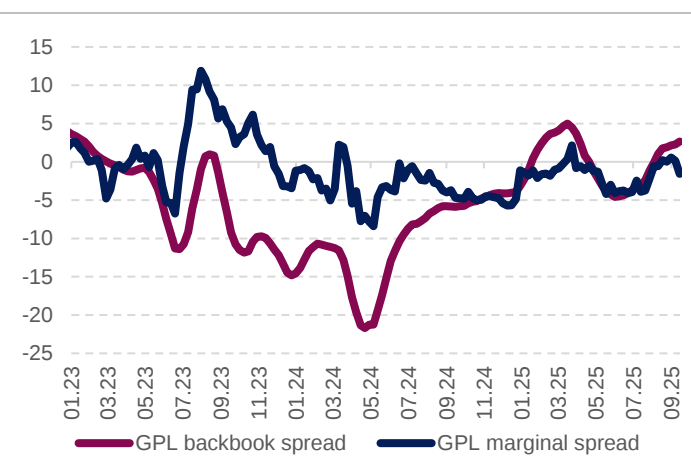
Source: CBRT

Figure 14—TRY corporate loans – marginal and backbook spreads



Source: CBRT and QNB Invest calculations

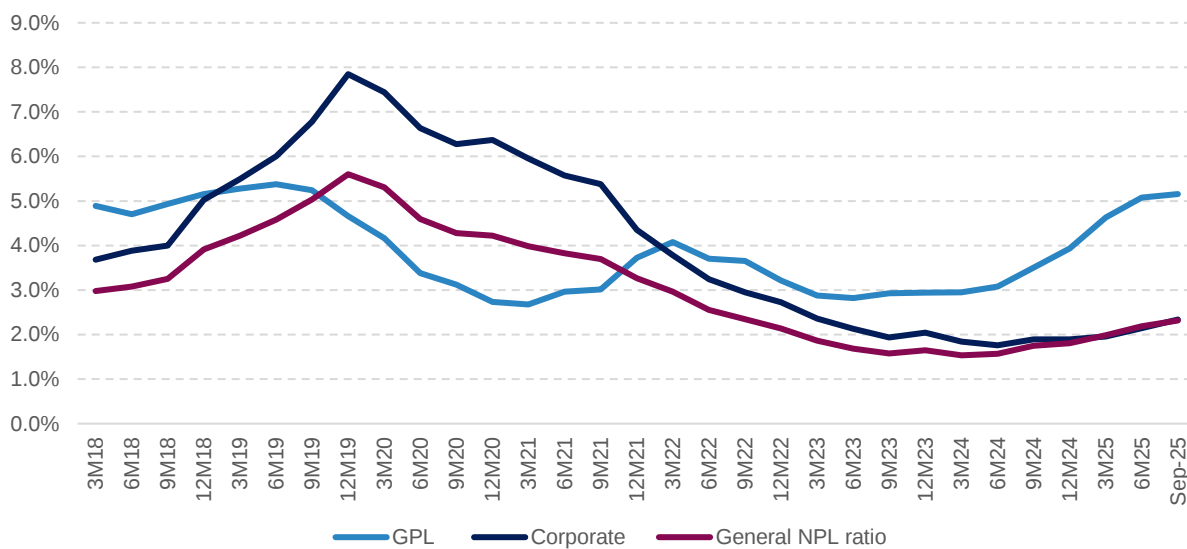
Figure 15— GPL marginal and backbook spreads (%)



Source: CBRT and QNB Invest calculations

Asset quality fears fading on the back of buoyant economic activity... Considering the gradual nature of the monetary tightening, which was not intended to ground the economy to a sudden halt, economic activity did not slow down sharply, especially in the consumption segment. A buoyant performance in goods and services consumption in addition to a brisk tourism season paved the way for strong GDP readings, with asset quality concerns fading accordingly. We have closely examined the NPL in subsegments; notwithstanding an elevation in the retail NPL, we would note that at a general level, the asset quality matter is under control. At the end of 2Q25, the NPL ratio on general purpose loans (GPL) was 5.1% while the corporate NPL ratio was 2.1% and the general NPL ratio settled at 2.2% - well below the levels seen in crisis periods. According to the latest weekly banking data for the week ending September 19th, the general NPL ratio stood at 2.3%, the retail NPL ratio at 5.2% and the corporate NPL ratio at 2.3%.

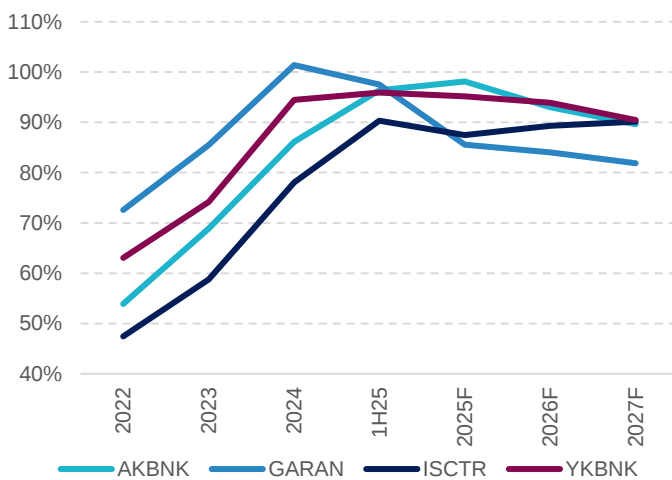
Figure 16—NPL ratio of retail, corporate and general



Source: BRSA

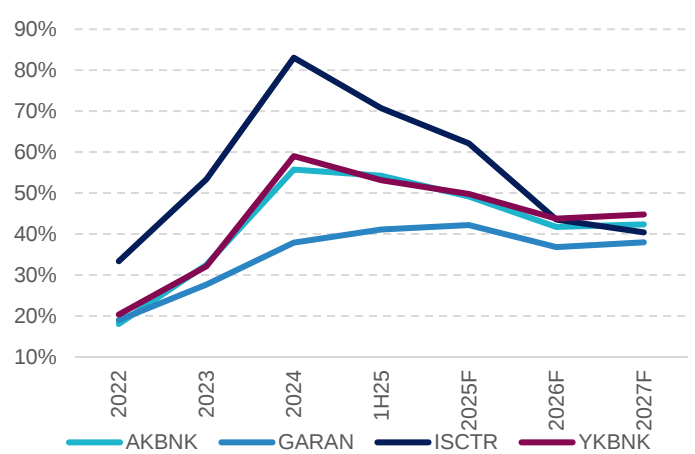
A broadly supportive fee and opex outlook... In an environment of monetary tightening with oppressed core spreads and NIMs, fees and commissions income salvaged the bottom lines and the profitability of the banking sector. As of 6M25, for four banks we cover, the net fees and commissions income grew by 53% and corresponded to 50% of their total operating income. Higher policy rates contributed the banks' payment systems charges and loan related fees; with the easing, we may expect a downturn however the effects are likely to follow the rate cuts lagged with time. Thus, in 2026 we expect fee income to cover a crucial role in income statements. Fee / opex ratios reached 98% by the end of 2Q25, we forecast the year end with 90% and normalization to 88% as of 2026. On the other hand, we have widely seen the corrosive effect of high inflation on banks' opex, stemming both from pay rises to avoid employee churn and technological investments for the future. However, as inflation declines, we expect this trend to rebalance and improve; we forecast an average cost income ratio of 52% for 2025 and 43% for 2026 on the back of a better operational environment and rebalancing in inflation.

Figure 17–Fee / Opex ratio



Source: Banks' financials and QNB Invest estimates

Figure 18– Cost / Income ratio



Source: Banks' financials and QNB Invest estimates

Valuation method and multiple outlook... We used the warranted equity valuation method to value Turkish banks. The target price per share consists of three components; 1) the excess capital per share of the current year which we estimate using the minimum required Tier-1 capital ratio, 2) the net present value of the free capital per share which is discounted by the CoE in the forecast period and 3) the terminal value which consists of the target P/BV multiple that we calculate using the ratio of implied long term ROE and actual long term ROE adjusting with a long term growth rate of 9%. We then discount the terminal value per share with the discount factor to obtain the net present value of the terminal value per share. Our valuation model has a forecast horizon of five years until 2030. We incorporated a risk-free rate of 20%, equity risk premium of 5.5% and 1.0x beta coefficient which brings our CoE level to 25.5% for 2026 and beyond. We assume a terminal growth rate of 9% for all of the banks in this report.

Figure 19–Target price components for four banks in coverage

	AKBNK	GARAN	ISCTR	YKBNK
Warranted equity model valuation assumptions				
Cost of equity				
2026/2030	25.5%	25.5%	25.5%	25.5%
Terminal P/BV (x)	1.20	1.39	1.01	1.21
Target min. Tier-1 ratio	12.1%	11.9%	12.2%	11.6%
Target price per share	87.0	180.0	22.0	43.0
Excess capital per share	2.7	21.0	-1.8	-2.6
NPV of Economic Value Added (EVA) adjusted earnings per share	16.8	39.0	4.6	9.5
Terminal value per share	67.5	120.0	19.2	36.1

Source: QNB Invest calculations

Turkish banks trade at 29% P/BV discount to GEM average multiples according to our 2025 estimates and 45% discount according to 2026F. In terms of P/E outlook, Turkish banks' discount stands out at 48% for 2025F and 70% 2026F, offering attractive levels for entry point, in our opinion.

Figure 20– Banking sector multiples

	P/E			P/BV			ROE		
	2025F (x)	2026F (x)	2027F (x)	2025F (x)	2026F (x)	2027F (x)	2025F (%)	2026F (%)	2027F (%)
South Africa	7.19	6.56	5.97	1.19	1.10	1.01	16.54	16.85	17.06
Poland	7.78	7.97	8.03	1.45	1.38	1.32	18.56	17.89	17.33
CEE	11.36	10.23	9.48	1.53	1.42	1.34	13.98	14.60	14.80
India	14.75	12.62	10.85	1.81	1.59	1.43	13.50	13.89	13.80
Mexico	8.70	8.07	7.55	1.48	1.37	1.27	18.01	17.62	17.44
Indonesia	11.58	10.66	9.80	2.18	2.04	1.90	18.84	19.30	19.78
Brazil	6.99	6.05	5.42	1.15	1.06	0.97	16.16	17.58	18.15
GEM Average	9.76	8.88	8.16	1.54	1.42	1.32	16.51	16.82	16.91
Türkiye (4 banks)	5.03	2.64	2.09	1.09	0.78	0.58	24.42	34.56	31.83
AKBNK	5.33	2.61	2.11	1.07	0.76	0.57	22.24	34.09	30.88
GARAN	5.12	3.30	2.62	1.31	0.98	0.75	29.31	34.00	32.33
ISCTR	4.39	1.88	1.51	0.84	0.57	0.42	21.81	36.29	32.05
YKBNK	5.30	2.77	2.10	1.13	0.80	0.58	24.29	33.84	32.05
Türkiye premium / discount	-48%	-70%	-74%	-29%	-45%	-56%			

Source: Bloomberg and QNB Invest estimates (GEM universe: South Africa: Investec, Standard Bank, First Rand, Absa, Nedbank. Poland: Santander Bank Polska Bank Handlowy, Bank Pekao, PKO Bank. CEE: Komerční, Erste, Raiffeisen. India: Kotak Mahindra, State Bank of India, Axis Bank. Mexico: Grupo Financiero Banorte, Grupo Financiero Inbursa, Indonesia: Bank Mandiri, Bank Central Asia, Bank Rakyat. Brazil: Banco de Brasil, Banco Bradesco, ITAU, Banco Santander Brasil.

Akbank

Well positioned balance sheet structure with robust capital

We are initiating our coverage of Akbank with an Outperform rating and TP of TRY87.0/share, suggesting 42.1% upside potential. We expect Akbank to deliver a 70% CAGR in net profit from 2024 to 2026 on the back of a strong recovery in the net interest margin stemming from its loan – deposit structure. Akbank was hit hardest by April's rate hike in 2Q with its TRY loan deposit spread narrowing by 375 bps. This offers Akbank a turnaround outlook in an easing cycle with funding cost improvement, while the bank also offers an appealing loan - deposit maturity structure in the one-year period, providing room for repricing of its assets. We expect Akbank to increase its NII by 42% in 2025 and by 100% in 2026 with a 69% CAGR between 2024-2026. Akbank's recent efforts to capture market share in customer acquisition have provided an opportunity for very strong fee income growth, salvaging its bottom line by delivering a strong ROE in a challenging NII environment. A robust capital structure (17.4% CAR as of 2Q25 - highest among the peers in coverage) provides Akbank with solid ground and flexibility in balance sheet optimization. Based on our 2025 forecasts, Akbank trades at a P/BV of 1.07x and P/E of 5.3x, indicating a 6% premium to the average of its private peers on the basis of P/E average as of the last closing. We value Akbank at a 1.2x P/BV on our warranted equity model valuation method, with target Tier -1 capital as of the end of 2030 on the terminal node.

A crucial player in the sector: Akbank is the sixth largest bank in Turkish banking sector with its TRY2.8tn asset size capturing an 8.8% market share in TRY loans and 8.6% in TRY deposits with 688 branches widely spread in Türkiye. Akbank's majority shares are owned by Sabanci Holding (48%), one of Türkiye's leading conglomerates, with a float rate rate of 52%. The bank is known for its prudent balance sheet management and solid opex control, which a C/I ratio of 54% in 1H25.

Balance sheet structure geared up for rate cut cycle: Akbank managed to add loan duration to its balance sheet in the environment of higher interest rates, which is likely to salvage its loan deposit spread in further quarters in the rate cut cycle. A significant portion of TRY funding (56% of total liabilities) in its balance sheet will contribute to NIM generation when rates fall. Additionally, 6.3% of Akbank's total assets consist of TRY fixed rate securities as of 6M25 - the highest among the four banks in our coverage - which is likely to bring additional yields and P&L contribution in the rate cut cycle. We forecast a 44-bps expansion in the swap adjusted NIM in 2025YE to 2.38%, stemming from a 61% YoY increase in the swap adjusted NII, noting that the majority of the improvement will be concentrated in the last quarter of the year rather than Q3. We calculate lower swap costs in later quarters for Akbank, with trading operations and fee income supporting profitability while mitigating NII pressure.

Fee income contribution expected to continue... Akbank's customer acquisition efforts in recent years have yielded positive results in terms of increased demand deposit levels and solid fee income generation. The bank's fees grew by 62% YoY in 6M25 - well above the average rate of inflation. In the same time frame, Akbank managed to limit its opex growth at 35% - close to the average rate of inflation - and raised its fee / opex ratio from 80% last year to 96%.

Valuation: Our TP of TRY87.0 suggests 42.1% upside considering the shares -3.5% nominal performance ytd. We value Akbank at a 1.2x P/BV on target Tier -1 capital as of the end of 2030 on the terminal node. Based on our valuation, the stock trades at a 1.07x P/BV for 2025YE in line with its peers in our coverage. Akbank shares retreated by -3.5% ytd in nominal TRY terms, underperforming the benchmark BIST-100 index by 14.2%. Key downside risks to our call are 1) a slower than expected fall in inflation, leading the CBRT to pause rate cuts, 2) lower than expected GDP growth, causing asset quality issues and 3) updates in regulations, capping fees or NIM growth.

30 September 2025

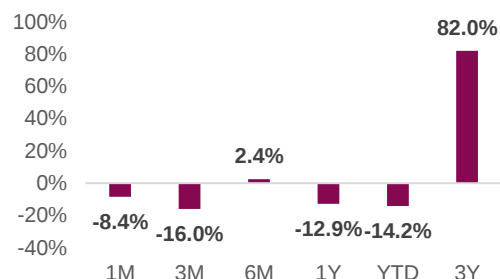
Outperform

Close Price: TRY61.2
12M Target Price: TRY87.0
Upside Potential: 42.1%

Stock data

Bloomberg / Reuters	AKBANK TI / AKBANK.IS
Mcap (US\$m)	7,669
Avg. Trd. Vol. (US\$m)	161.5
Free float	52%

Relative Performance to BIST100



Key Data (TRYmn)	2024	2025F	2026F	2027F
Net Interest Income	65,045	92,660	184,962	219,509
Growth	2%	42%	100%	19%
Fees and Commissions	69,162	111,575	146,734	173,462
Growth	124%	61%	32%	18%
Trading gain / loss	-1,356	-141	-712	1,542
Growth	-104%	-90%	404%	-317%
Opex	80,283	112,956	153,232	186,943
Growth	79%	41%	36%	22%
Net provision expenses	16,170	29,835	38,048	37,357
Growth	47%	85%	28%	-2%
Profit before tax	49,887	74,391	155,849	188,439
Growth	-41%	49%	109%	21%
Tax	7,521	14,652	34,076	37,948
Growth	-58%	95%	133%	11%
Net Income	42,366	59,739	121,773	150,490
Growth	-36%	41%	104%	24%
P/E (x)		5.3	2.6	2.1
P/BV (x)		1.1	0.8	0.6
Div. yield (%)		1.88	3.83	4.73

Figure 21 – Summary financials & key metrics (TRYmn)

Income Statement	2022	2023	2024	2025F	2026F	2027F
Net interest income	76,872	63,547	65,045	92,660	184,962	219,509
Net fee and commission income	10,316	30,832	69,162	111,575	146,734	173,462
Trading gains / (loss)	15,060	37,118	-1,356	-141	-712	1,542
Other operating income	3,736	6,138	11,132	9,484	12,691	16,146
Total operating income	106,015	137,653	144,016	213,708	343,842	410,827
Total operating expense (-)	19,138	44,775	80,283	112,956	153,232	186,943
Provisions for exp. credit losses (-)	6,859	15,659	23,035	36,995	48,707	51,472
Other provisioning expenses (-)	3,831	72	447	-40	-80	-80
Income/loss from inv. under equity	3,074	7,299	9,636	10,594	13,866	15,946
PBT	79,260	84,446	49,887	74,391	155,849	188,439
Tax (-)	19,236	17,967	7,521	14,652	34,076	37,948
Net Income	60,024	66,479	42,366	59,739	121,773	150,490

Balance sheet	2022	2023	2024	2025F	2026F	2027F
Securities	266,161	442,502	572,901	760,737	927,444	1,061,259
TL Loans	408,926	654,145	923,755	1,230,922	1,554,011	1,787,113
FX Loans	151,424	215,961	363,016	461,717	592,240	717,785
Expected credit losses	21,513	32,107	46,170	65,240	82,660	98,380
Affiliates	23,528	46,652	60,818	90,766	115,091	134,323
Tangible assets	15,127	23,992	36,587	44,052	55,858	65,192
Other assets	23,161	30,387	54,483	130,479	165,320	196,760
Total Assets	1,075,186	1,789,174	2,515,597	3,302,866	4,102,790	4,729,493
TL Deposits	370,353	768,419	1,086,802	1,398,092	1,683,205	1,935,686
FX Deposits	308,972	449,690	475,296	639,374	820,119	1,023,205
Funds borrowed	64,397	94,829	95,384	138,140	163,702	194,445
Securities issued	22,440	39,461	95,215	141,495	166,944	197,624
Subordinated debt	16,800	23,736	49,633	82,631	97,918	116,348
Other liabilities	83,796	110,628	145,930	328,207	421,475	334,531
Paid-in capital	5,200	5,200	5,200	5,200	5,200	5,200
Shareholder's equity	153,600	211,195	240,348	296,800	417,560	556,984
Total liabilities and equity	1,075,186	1,789,174	2,515,597	3,302,866	4,102,790	4,729,493

Key metrics	2022	2023	2024	2025F	2026F	2027F
NIM (swap adj.)	7.8%	3.9%	1.9%	2.4%	4.6%	5.3%
NPL Ratio	3.02%	2.38%	2.90%	3.47%	3.46%	3.59%
Net Total CoR	0.61%	1.18%	1.42%	1.78%	1.85%	1.50%
LDR	79%	69%	79%	80%	82%	81%
TL LDR	106%	82%	81%	84%	88%	87%
FX LDR	48%	47%	75%	72%	72%	70%
IEA/IBL	111%	109%	107%	110%	113%	102%
Cost/Income	18%	33%	56%	53%	45%	46%
ROAA	6.7%	4.6%	2.0%	2.1%	3.3%	3.4%
ROAE	52.3%	36.4%	18.8%	22.2%	34.1%	30.9%
Tier - 1 ratio w/o forb.	17.9%	15.6%	15.1%	13.4%	15.1%	16.5%
CAR w/o forb.	20.8%	18.5%	17.8%	16.7%	18.4%	19.8%

QNB Invest vs. Consensus	2025F			2026F		
	Estimate	Consensus	Deviation	Estimate	Consensus	Deviation
Net Income	59,739	68,938	-13%	121,773	118,173	3%

Source: QNBI Calculations

Garanti

Best in class for profitability

We are initiating our coverage of Garanti with an Outperform rating and TRY180.0/share TP suggesting 30.8% upside potential. Garanti has historically delivered the highest profitability metrics in terms of the NIM and the ROE among its private peers and has accordingly gained the appreciation of the market. Garanti was the only bank to improve its TRY core spread in Q2 thanks to its lower deposit costs, avoiding TRY deposit competition; however, we wonder how long it can remain above the fray in the coming quarters. The bank expanded its loan duration to the highest length as of Q2, taking advantage of the higher interest rate environment, which we think will support loan yields during the easing cycle. We forecast a 64% CAGR in the NII over the 2024-2026 period and a 179-bps expansion in the swap adjusted NIM for 2025 to 4.89%, leading to a full year ROE of 30% in 2025. For 2026, we expect a 34% ROE on the back of solid swap adjusted NIM expansion of 185 bps to 6.75%. We believe Garanti will sustain its robust profitability and we find Garanti's current P/BV multiple attractive considering our long-term sustainable average ROE forecast of 31% and the COE assumption of 25.5%. According to our 2025 projections, Garanti shares trade at a 1.3x P/BV, marking a 20% premium to its private peers, and a 5.1x P/E, which is 1.7% higher than the average for its peers.

The market share leader in TRY loans in our coverage... Garanti Bank is the fifth largest bank in Turkish banking sector based on its asset size, with 798 branches. It commands an 11.6% market share in TRY loans and 10.2% in TRY deposits. A majority of its shares are owned by BBVA with a 14% free float rate – somewhat lower than its peers.

Capable of sustaining profitability... We expect Garanti Bank to generate TRY112.9bn of net income in 2025 and TRY175.0bn in 2026 indicating a CAGR of 38% between 2024-2026, with its ROE reaching 34% by the end of 2026 leaning on the rate cut cycle. Garanti is historically better positioned than its peers as a reference point in profitability measures. It was the only bank that managed to improve its loan deposit spread (by 109bps) in 2Q25, avoiding the TRY deposit competition seen with the stalled TRY deposit growth in Q2. The bank achieved the greatest addition in TRY loan duration in YoY terms in a higher interest rate environment, and we expect a solid contribution to loan yield evolution considering its lagged effect. All in all, we think Garanti is capable of sustaining a profitable balance sheet and delivering the highest ROEs among the banks in coverage.

Asset quality concerns to suppress bottom line... The normalization in CoR levels for the remainder of the year will adversely affect profitability in 2025F due to recording the lowest quarterly net CoR (excluding FX impact) in Q2. We forecast a net CoR of 195 bps in 2025E, stemming from the elevation in quarterly net provision expenses in the second half of the year which will prevent further expansion in the ROE. We expect further growth in the net CoR to 227 bps in 2026, mainly stemming from SME loans, as a main headwind to Garanti's profitability.

Attractive valuation multiples considering ROE-COE spread... We initiate our coverage of Garanti with a TP of TRY180.0/share, implying 30.8% upside. We valued Garanti with a warranted equity model, at a 1.3x P/BV on target Tier-1 capital as of the end of 2030 on the terminal node. Based on our forecasts for 2025, Garanti trades 1.3x prospective P/BV 20% premium to its peers in our coverage and 5.1x P/E with 2% premium. Garanti shares have notched up a nominal 15% performance in TRY terms ytd, outperforming the benchmark BIST-100 index by 2%. Key downside risks to our call are 1) a slower than expected fall in inflation, which could lead the CBRT to pause rate cuts, 2) lower than expected GDP growth, causing asset quality issues and 3) updates to regulations that could cap fee or NIM growth.

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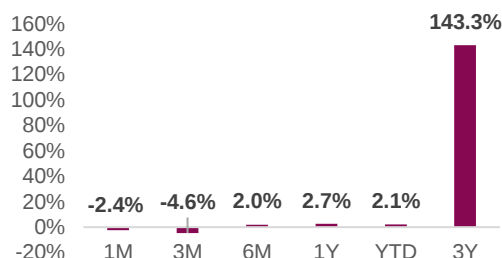
Outperform

Close Price: TRY137.6
12M Target Price: TRY180.0
Upside Potential: 30.8%

Stock data

Bloomberg / Reuters	GARAN TI / GARAN.IS
Mcap (US\$mn)	13,926
Avg. Trd. Vol. (US\$mn)	95.7
Free float	14%

Relative Performance to BIST100



Key Data (TRYmn)	2024	2025F	2026F	2027F
Net Interest Income	100,349	164,529	269,683	303,272
Growth	34%	64%	64%	12%
Fees and Commissions	94,124	131,751	171,774	202,437
Growth	131%	40%	30%	18%
Trading gain / loss	6,705	5,837	785	134
Growth	-76%	-13%	-87%	-83%
Opex	92,822	153,804	211,671	254,005
Growth	95%	66%	38%	20%
Net provision expenses	15,405	36,021	54,861	49,206
Growth	-56%	134%	52%	-10%
Profit before tax	116,802	140,463	220,516	263,258
Growth	13%	20%	57%	19%
Tax	24,627	27,518	45,480	42,709
Growth	57%	12%	65%	-6%
Net Income	92,175	112,946	175,036	220,549
Growth	6%	23%	55%	26%
P/E (x)		5.1	3.3	2.6
P/BV (x)		1.3	1.0	0.7
Div. yield (%)		3.91	6.06	7.63

Figure 22 – Summary financials & key metrics (TRYmn)

Income Statement	2022	2023	2024	2025F	2026F	2027F
Net interest income	83,319	74,836	100,349	164,529	269,683	303,272
Net fee and commission income	16,628	40,764	94,124	131,751	171,774	202,437
Trading gains / (loss)	8,527	27,797	6,705	5,837	785	134
Other operating income	11,974	28,896	43,759	52,579	70,197	72,848
Total operating income	120,504	172,358	245,062	355,420	513,395	579,647
Total operating expense (-)	22,909	47,672	92,822	153,804	211,671	254,005
Provisions for exp. credit losses (-)	23,899	35,326	53,793	91,140	133,068	122,053
Other provisioning expenses (-)	3,412	271	468	338	211	211
Income/loss from inv. under equity	5,318	13,958	18,823	30,325	52,070	59,881
PBT	75,603	103,047	116,802	140,463	220,516	263,258
Tax (-)	17,094	15,716	24,627	27,518	45,480	42,709
Net Income	58,509	87,332	92,175	112,946	175,036	220,549
Balance sheet	2022	2023	2024	2025F	2026F	2027F
Securities	187,992	292,776	367,026	428,073	485,633	558,171
TL Loans	494,467	767,832	1,159,698	1,576,628	1,990,457	2,289,025
FX Loans	174,934	298,299	402,328	557,930	715,652	867,358
Expected credit losses	37,039	47,100	55,877	89,994	133,265	145,695
Affiliates	28,985	56,810	79,711	123,264	156,269	182,271
Tangible assets	9,969	18,928	32,683	42,052	53,312	62,182
Other assets	51,625	99,109	129,655	179,988	266,530	291,390
Total Assets	1,152,172	1,930,055	2,607,672	3,595,637	4,432,467	5,114,878
TL Deposits	427,313	882,489	1,255,712	1,647,912	2,003,048	2,303,505
FX Deposits	363,351	501,216	565,661	839,382	1,076,667	1,304,903
Funds borrowed	35,006	44,058	48,821	64,127	75,293	88,754
Securities issued	12,873	5,241	24,699	87,597	103,803	123,340
Subordinated debt	15,069	23,010	66,007	83,428	98,863	117,471
Other liabilities	96,574	135,437	225,145	257,191	284,366	168,732
Paid-in capital	4,200	4,200	4,200	4,200	4,200	4,200
Shareholder's equity	152,685	244,797	329,926	440,653	588,823	775,522
Total liabilities and equity	1,152,172	1,930,055	2,607,672	3,595,637	4,432,467	5,114,878
Key metrics	2022	2023	2024	2025F	2026F	2027F
NIM (swap adj.)	7.4%	4.3%	3.1%	4.9%	6.7%	7.2%
NPL Ratio	2.63%	2.03%	2.24%	3.96%	5.04%	4.57%
Net Total CoR	3.16%	2.62%	0.84%	1.95%	2.27%	1.39%
LDR	80%	74%	83%	82%	84%	83%
TL LDR	116%	87%	92%	96%	99%	99%
FX LDR	48%	60%	71%	66%	66%	66%
IEA/IBL	117%	114%	116%	112%	111%	101%
Cost/Income	19%	28%	38%	43%	41%	44%
ROAA	6.1%	5.7%	4.1%	3.6%	4.4%	4.6%
ROAE	50.3%	43.9%	32.1%	29.3%	34.0%	32.3%
Tier- 1 ratio w/o forb.	14.5%	14.5%	14.7%	13.7%	15.6%	17.9%
CAR w/o forb.	16.8%	16.5%	18.2%	15.5%	17.1%	19.3%

QNB Invest vs. Consensus	2025F			2026F		
	Estimate	Consensus	Deviation	Estimate	Consensus	Deviation
Net Income	112,946	115,845	-2.5%	175,036	196,398	-11%

Isbank

The main beneficiary of the rate cut cycle

We are initiating our coverage of Isbank with a TP of TRY22.0/share and an Outperform rating, with the bank being one of our top picks in this report. Our TP suggests 55.7% upside potential considering its 5.8% ytd performance vs. -5.9% for the benchmark BIST-100 index. Isbank has the highest number of branches in Türkiye among the banks in our coverage, providing the bank with well diversified deposit funding and the highest market share in TRY deposits, at 10.2% as of Q2. We also expect Isbank to be the main beneficiary of the rate cut cycle, expecting a 295 bps YoY NIM expansion in 2025 – the highest among its peers. In addition to its TRY funding mix advantage, the share of TRY fixed rate securities, corresponding to around 6% of total assets, is the second highest among peers, which will likely provide higher yields and P&L opportunities as the CBRT cuts rates for the remainder of the year. We expect 77% net income growth in 2025 and another 133% growth in 2026, pointing to a 103% CAGR growth between 2024-2026. We expect Isbank to deliver a 22% ROE in 2025 and 36% in 2026. We forecast a long-term normalized average ROE of 28% for the bank - well above our expectation for average inflation. In contrast to its historical track record, Isbank managed to decrease its C/I ratio by around 10 ppt YoY as of 2Q25 taking advantage of the latest pension regulation (EYT) that supports ROE formation. Solid fee income generation capability, stemming from the bank's customer base, significant income from subsidiaries every quarter and better opex management offer confidence in the bank's ability to deliver profitability. In view of these factors, Isbank is our top pick in the banking sector. The shares trade at a 0.8x P/BV based on our 2025 forecasts – a 23% discount to the average of its private sector peers.

The number one private bank in terms of asset size... as well as having the most branches in Turkey. That provides the bank with a solid deposit base and loan diversification advantage considering CBRT's monthly TRY deposit growth targets regulations. The bank commands a 10.7% market share in TRY loans and 10.2% market share in TRY deposits based on its 2Q25 financials. The majority of the shares are held by the bank's pension fund with 33.5% of the shares free float. The bank has a substantial subsidiary portfolio in different sectors such as glass (SISE), the financial sector (ANSGR, ANHYT, TSKB, ISFIN) and REIT (ISGYO) on its balance sheet and records a solid subsidiary income every quarter.

The main beneficiary of the easing cycle... With the largest deposit base among peers, Isbank suffered the biggest hit to its loan deposit spread and net interest margin during the rate hike cycle which started in mid-2023. We believe the rate cut cycle will reverse this with margins bouncing back going forward. In its 2Q financials, Isbank had the highest loan duration, which is expected to provide a strong contribution from the loan yield side in TRY core spread evolution throughout the rate cut cycle, in addition to improving funding costs. We expect Isbank to generate TRY93.9bn in swap adjusted NII by the end of 2025, contrasting with the TRY13.2bn NII loss recorded in 2024YE. We forecast a 2.49% swap adjusted NIM with a 295-bps expansion in 2025. The diversified customer base provides Isbank with room for solid fee income growth and significant income contribution from its subsidiaries, with its share reaching an average of 24% its total operating income on average. Considering its diversified business model, Isbank would still be capable of delivering strong ROEs in the banking sector in the event of a slower than expected improvement in spreads and interest margins.

Depressed valuation offers strong turnaround outlook... We initiate our coverage of Isbank with an Outperform rating and TP of TRY22.0/share, offering 55.7% upside which – the most upside potential among the banks we cover in this report. We performed a warranted equity valuation, valuing Isbank at a 1.01x P/BV on its target Tier-1 capital of the 2030 on the terminal node. Based on our 2025 earnings forecast, the shares trade at a prospective P/E of 4.4x, signaling a 13% discount to its peer group average. Isbank shares performed by 5.8% ytd in nominal TRY terms, underperforming the benchmark BIST 100 index.

Key downside risks to our call are 1) a slower than expected decline in inflation, which could lead the CBRT to pause rate cuts, 2) lower than expected GDP growth, causing asset quality issues and 3) regulatory updates that could cap the fee or NIM growth.

30 September 2025

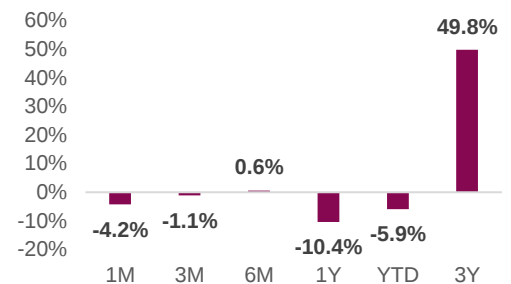
Outperform

Close Price: TRY14.1
12M Target Price: TRY22.0
Upside Potential: 55.7%

Stock data

Bloomberg / Reuters	ISCTR TI / ISCTR.IS
Mcap (US\$mn)	8,500
Avg. Trd. Vol. (US\$mn)	164
Free float	31%

Relative Performance to BIST100



Key Data (TRYmn)	2024	2025	2026	2027
Net Interest Income	34,451	118,291	269,674	310,179
Growth	-49%	243%	128%	15%
Fees and Commissions	91,411	138,820	179,373	204,169
Growth	115%	52%	29%	14%
Trading gain / loss	-8,862	-19,003	-14,978	-15,782
Growth	-172%	114%	-21%	5%
Opex	117,149	158,330	196,584	226,072
Growth	62%	35%	24%	15%
Net provision expenses	13,350	39,504	52,372	60,190
Growth	29%	196%	33%	15%
Profit before tax	38,174	86,586	239,576	280,193
Growth	-50%	127%	177%	17%
Tax	-7,344	6,210	52,045	46,875
Growth	-252%	-185%	738%	-10%
Net Income	45,517	80,376	187,531	233,319
Growth	-37%	77%	133%	24%
P/E (x)		4.4	1.9	1.5
P/BV (x)		0.8	0.6	0.4
Div. yield (%)		2.28	5.32	6.61

Figure 23 – Summary financials & key metrics (TRYmn)

Income Statement	2022	2023	2024	2025F	2026F	2027F
Net interest income	75,203	67,073	34,451	118,291	269,674	310,179
Net fee and commission income	16,147	42,438	91,411	138,820	179,373	204,169
Trading gains / (loss)	4,523	12,223	-8,862	-19,003	-14,978	-15,782
Other operating income	6,081	13,587	23,950	18,213	18,619	23,090
Total operating income	101,992	135,386	141,052	256,900	453,450	522,419
Total operating expense (-)	34,029	72,229	117,149	158,330	196,584	226,072
Provisions for exp. credit losses (-)	10,036	15,906	23,480	55,167	70,991	83,280
Other provisioning expenses (-)	5,768	4,165	148	1	0	0
Income/loss from inv. under equity	21,791	33,996	37,900	43,183	53,701	67,127
PBT	73,949	77,082	38,174	86,586	239,576	280,193
Tax (-)	12,411	4,818	-7,344	6,210	52,045	46,875
Net Income	61,538	72,265	45,517	80,376	187,531	233,319

Balance sheet	2022	2023	2024	2025F	2026F	2027F
Securities	278,281	472,417	653,869	768,953	896,391	1,015,142
TL Loans	493,476	760,295	1,063,164	1,437,386	1,814,667	2,086,867
FX Loans	288,946	411,995	593,747	870,185	1,160,598	1,447,997
Expected credit losses	32,644	37,967	51,184	82,563	103,337	131,038
Affiliates	79,460	143,978	203,553	271,674	350,282	416,165
Tangible assets	17,197	34,231	53,679	69,202	89,226	106,008
Other assets	44,212	82,626	107,754	165,126	206,674	262,076
Total Assets	1,408,321	2,453,780	3,323,772	4,458,529	5,572,908	6,511,284
TL Deposits	386,133	880,581	1,215,865	1,641,736	1,976,535	2,273,015
FX Deposits	544,943	781,596	911,249	1,302,015	1,670,082	2,083,645
Funds borrowed	71,455	120,766	211,093	235,307	278,947	330,181
Securities issued	28,314	68,486	55,606	109,659	128,192	150,535
Subordinated debt	33,559	39,871	46,985	45,716	53,740	63,414
Other liabilities	110,289	168,236	220,678	329,137	423,559	310,562
Paid-in capital	10,000	10,000	25,000	25,000	25,000	25,000
Shareholder's equity	191,376	267,797	318,337	418,623	615,013	840,744
Total liabilities and equity	1,408,321	2,453,780	3,323,772	4,458,529	5,572,908	6,511,284

Key metrics	2022	2023	2024	2025F	2026F	2027F
NIM (swap adj.)	6.4%	2.5%	-0.5%	2.5%	5.3%	5.8%
NPL Ratio	2.96%	2.13%	2.08%	3.31%	3.55%	3.94%
Net Total CoR	0.91%	1.06%	0.94%	1.99%	1.98%	1.85%
LDR	81%	68%	75%	76%	79%	78%
TL LDR	122%	83%	84%	84%	88%	87%
FX LDR	51%	51%	64%	65%	68%	68%
IEA/IBL	110%	106%	104%	0%	0%	0%
Cost/Income	33%	53%	83%	62%	43%	43%
ROAA	5.3%	3.7%	1.6%	2.1%	3.7%	3.9%
ROAE	44.2%	31.5%	15.5%	21.8%	36.3%	32.1%
Tier - 1 ratio w/o forb.	15.9%	13.8%	12.9%	12.2%	13.7%	15.8%
CAR w/o forb.	19.2%	16.9%	15.6%	13.5%	15.2%	17.5%

QNB Invest vs. Consensus	2025F			2026F		
	Estimate	Consensus	Deviation	Estimate	Consensus	Deviation
Net Income	80,376	79,563	1%	187,531	176,419	6%

Yapi Kredi

Strategic positioning for easing cycle

We are initiating our coverage of Yapi Kredi with an Outperform rating and TP of TRY43.0/share, suggesting 26.1% upside potential. The shares have yielded 11.4% ytd, slightly underperforming the BIST-100 by 1%. Yapi Kredi is a crucial player in retail banking in the Turkish banking sector and especially in the consumer credit card segment. With its diversified funding mix, we expect Yapi Kredi to benefit from the rate cut cycle, both in the TRY deposits and repo funding channels. Carrying a highly levered balance sheet may hobble Yapi Kredi's TRY loan growth momentum in the coming periods, but an improving maturity mismatch profile in a higher interest rate environment resulting in the highest TRY loan yields (excluding consumer credit cards) proves the bank's capability to maximize its loan yields. The high share of consumer credit card loans in the bank's total TRY loan book (33% as of 2Q25) ensures sustainable fee income and yields through contractual interest rates on credit cards. We expect a 177-bps expansion in the NIM for 2025 with 89% YoY NII growth. Yapi Kredi's prudent strategy of maintaining high coverage ratios offers an opportunity to deliver a strong contribution to the bottom line in an event of better than expected economic growth through reversals. We project a net CoR of 170 bps when adjusted for the FX impact by the end of 2025, with a normalized level of 150 bps in 2026, while projecting a ROE of 24% for 2025 and 34% for 2026 with a long-term average of 28%, above our average long-term inflation expectation. The shares trade at a 1.1x P/BV based on our 2025 projections, marking a 4% premium to the average of its private peers.

A strong player in retail banking... Yapi Kredi is the 7th largest bank in the Turkish banking sector based on its asset size with 772 branches throughout Türkiye. The bank commands an 8.6% market share in TRY loans and 6.5% in TRY deposits with a 3.7% free float market cap weighting in the BIST100. Yapi Kredi's majority shareholder (61%) is Koc Holding (KCHOL), a leading conglomerate in Türkiye, with 39% of its shares traded on the BIST. The bank mainly focuses on retail banking, and is a major player in retail loans and consumer credit cards.

Diversified funding structure... Yapi Kredi has a more diversified structure in its balance sheet with its funding mix, utilizing a high share of repo funding in its balance sheet while keeping deposits as the main source of funding. The bank managed to expand its loan maturity structure since last year in a higher interest rate environment, where we expect loan yields to contribute to the net interest margin. We also deem the rate cut cycle to be an advantage for Yapi Kredi to take advantage of in terms of funding costs, either in the repo or deposit rates channels. We forecast an expansion of 177 bps in the NIM in 2025, led by 89% YoY NII growth. We calculate 87% net income growth for 2025 and 91% for 2026F. We forecast an ROE of 24% for 2025 with an abrupt improvement to 34% in 2026, normalizing at around 26% in the long term.

Robust economic growth to support bottom line through reversals... We project a normalization in the net CoR adjusted for currency hedging in 2025, to 170 bps in 2025, 150bps in 2026 and 125bps in 2027 based on our solid GDP growth expectations in these periods.

Discounted valuation... We initiate our coverage of Yapi Kredi with an Outperform rating and TP of TRY43.0/share, suggesting 26.1% upside. We valued the bank with the warranted equity valuation method, finding a 1.2x P/BV on the bank's target Tier-1 capital as of 2030 on the terminal node. Based on our 2025 earnings forecast, the shares trade at a 5.3x prospective P/E, marking a 5% premium to its peer group average. Yapi Kredi has reached a 11% performance ytd in nominal TRY terms, slightly underperforming benchmark BIST 100 index by 1%. Key downside risks to our call are 1) a slower than expected fall in inflation, which may lead CBRT to pause rate cuts, 2) lower than expected GDP growth, causing asset quality issues and 3) updates to regulations that cap fee or NIM growth.

30 September 2025

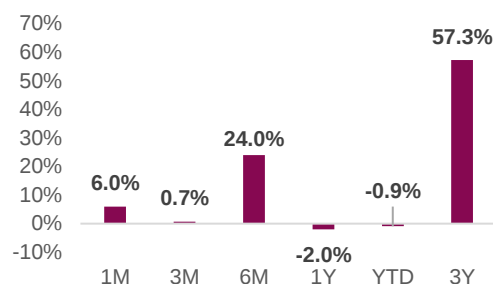
Outperform

Close Price: TRY34.1
12M Target Price: TRY43.0
Upside Potential: 26.1%

Stock data

Bloomberg / Reuters	YKBNK TI / YKBNK.IS
Mcap (US\$mn)	6,941
Avg. Trd. Vol. (US\$mn)	155.3
Free float	39%

Relative Performance to BIST100



Key Data (TRYmn)	2024	2025	2026	2027
Net Interest Income	75,914	143,364	222,347	249,710
Growth	4%	89%	55%	12%
Fees and Commissions	73,097	103,522	131,258	151,050
Growth	112%	42%	27%	15%
Trading gain / loss	-46,431	-54,957	-60,901	-52,586
Growth	-333%	18%	11%	-14%
Opex	77,385	114,164	150,919	181,103
Growth	66%	48%	32%	20%
Net provision expenses	8,963	30,052	34,644	35,621
Growth	8%	235%	15%	3%
Profit before tax	29,727	64,959	135,975	168,963
Growth	-64%	119%	109%	24%
Tax	710	10,582	32,113	31,525
Growth	-95%	1390%	203%	-2%
Net Income	29,017	54,376	103,861	137,438
Growth	-57%	87%	91%	32%
P/E (x)		5.3	2.8	2.1
P/BV (x)		1.1	0.8	0.6
Div. yield (%)		0.00	0.00	0.00

Figure 24 – Summary financials & key metrics (TRYmn)

Income Statement	2022	2023	2024	2025F	2026F	2027F
Net interest income	76,948	72,902	75,914	143,364	222,347	249,710
Net fee and commission income	14,134	34,482	73,097	103,522	131,258	151,050
Trading gains / (loss)	8,988	19,911	-46,431	-54,957	-60,901	-52,586
Other operating income	10,014	17,382	28,506	33,012	40,019	51,692
Total operating income	110,134	144,687	131,101	225,095	332,773	399,917
Total operating expense (-)	22,417	46,481	77,385	114,164	150,919	181,103
Provisions for exp. credit losses (-)	22,180	23,772	35,695	62,279	74,663	87,313
Other provisioning expenses (-)	327	98	59	135	146	146
Income/loss from inv. under equity	3,103	8,215	11,765	16,443	28,930	37,609
PBT	68,314	82,551	29,727	64,959	135,975	168,963
Tax (-)	15,569	14,542	710	10,582	32,113	31,525
Net Income	52,745	68,009	29,017	54,376	103,861	137,438

Balance sheet	2022	2023	2024	2025F	2026F	2027F
Securities	242,210	403,821	506,153	583,752	588,074	670,762
TL Loans	432,703	676,038	870,335	1,168,158	1,419,904	1,604,491
FX Loans	171,738	227,547	375,025	525,414	673,944	832,825
Expected credit losses	36,062	40,535	47,102	72,290	90,420	109,772
Affiliates	17,938	31,558	47,467	68,637	84,860	98,780
Tangible assets	9,847	18,441	30,310	40,417	49,969	58,166
Other assets	75,489	103,391	160,098	140,155	175,368	213,175
Total Assets	1,108,094	1,738,651	2,380,586	3,057,390	3,609,684	4,162,398
TL Deposits	387,421	640,798	811,695	1,065,980	1,247,046	1,409,162
FX Deposits	285,344	395,672	456,213	657,852	811,212	1,002,454
Funds borrowed	70,048	140,307	270,366	331,862	392,635	465,902
Securities issued	40,540	77,702	129,311	187,915	221,899	124,628
Subordinated debt	39,388	36,846	61,932	96,111	113,660	134,816
Other liabilities	84,485	134,759	188,458	151,937	99,207	109,011
Paid-in capital	8,447	8,447	8,447	8,447	8,447	8,447
Shareholder's equity	126,256	178,852	192,804	254,922	358,912	498,822
Total liabilities and equity	1,108,094	1,738,651	2,380,586	3,057,390	3,609,684	4,162,398

Key metrics	2022	2023	2024	2025F	2026F	2027F
NIM (swap adj.)	8.3%	4.6%	0.7%	2.4%	4.4%	5.0%
NPL Ratio	3.43%	2.97%	3.12%	3.98%	4.06%	4.35%
Net Total CoR	1.22%	0.15%	0.63%	1.70%	1.50%	1.25%
LDR	84%	83%	95%	94%	97%	97%
TL LDR	106%	101%	103%	105%	109%	108%
FX LDR	56%	55%	80%	77%	80%	80%
IEA/IBL	109%	114%	109%	106%	105%	107%
Cost/Income	20%	32%	59%	51%	45%	45%
ROAA	5.7%	4.8%	1.4%	2.0%	3.1%	3.5%
ROAE	55.6%	44.6%	15.6%	24.3%	33.8%	32.0%
Tier - 1 ratio w/o forb.	16.2%	15.3%	12.6%	12.4%	14.1%	15.8%
CAR w/o forb.	18.1%	16.9%	15.2%	14.4%	15.7%	17.2%

QNB Invest vs. Consensus	2025F			2026F		
	Estimate	Consensus	Deviation	Estimate	Consensus	Deviation
Net Income	54,376	55,006	-1%	103,861	100,724	3%

Source: QNBI Calculations

QNB Invest Rating System

We employ a relative scale in our rating system (i.e. Market **Outperform**, **Neutral**, **Underperform**) in order to better present relative value propositions and more actively pursue long vs. short ideas at the BIST. The relevant benchmark is the broader Turkish stock market, using the BIST-100 index as a basis. The ratings also incorporate a certain degree of relativity within the analyst's own stock coverage universe due to asymmetric return expectations among the industries under our BIST coverage. The rating system combines analysts' views on a stock relative to the sectors under coverage, and the sector call relative to the market, together providing a view on the stock relative to the market.

Individual ratings reflect the expected performance of the stock relative to the broader market over the next 6 to 12 months. The assessment of expected performance includes a function of near-term company fundamentals, industry outlook, confidence in earnings estimates and valuation, and other factors.

An essential element of our rating methodology involves benchmarking a 12-month expected return against the cost of equity. We set a required rate of return for each stock, calculated from our risk-free rate and equity risk premium assumptions. The price target for a stock represents the value that the stock is expected to reach or sustain over the performance horizon of 12 months, according to the view of the analyst.

We have separated the stocks under our coverage into two groups, mainly with respect to their liquidity (market cap, free float market cap and historical average daily trading volume) as small-cap stocks exhibit different risk/return characteristics to more-liquid large-caps. For the purposes of the relative stock rating, however, stocks within each group will be considered on an unweighted basis with regard to their market capitalization.

For a stock to be assigned an **Outperform** rating, the implied return *must* exceed the required rate of return by at least 5 percentage points over the next 12 months for our larger-cap stock coverage, or by 10 percentage points for the small-cap group. For a stock to be assigned an **Underperform** rating, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months. Stocks between these bands will be classified as **Neutral**.

When the potential upside of an *average* stock in our coverage exceeds its required rate of return (i.e. the market upside exceeding the implied average cost of capital), a greater number of stocks would fall into the aforementioned Outperform (Buy) category, illustrating the significance of the "relative return" concept (vis-à-vis absolute return) in picking better investment ideas with a positive alpha. The same holds true when the potential upside of an *average* stock in our coverage falls short of its required rate of return.

In this regard, as a supplemental methodology, we rank the stocks in our coverage according to their notional target price with respect to their current market price, and then categorise the top group (approximately 40-50% of the companies under coverage) as Outperform, the next 40-50% as Neutral and the lowest 10-20% (and no less than 10%) as Underperform.

It should be noted that the expected returns on some stocks may at times fall outside the relevant ranges of the applicable respective rating category because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges are permitted but becomes subject to review.

Also note that the analyst's short-term view may occasionally diverge from the stock's longer-term fundamental rating.

Outperform. We expect the stock to outperform the BIST-100 over the next 6 to 12 months.

Neutral (Market Perform). We expect the stock to broadly perform in line with the BIST-100 index over the next 6 to 12 months. (Although we would normally have a neutral assessment of stocks in this category, if a stock has gone through a period of market underperformance, it would be an indication that the stock may be expected to improve its performance relative to market averages in the coming period, and vice versa).

Underperform. We expect the stock to underperform the BIST-100 over the next 6 to 12 months.

N/R. Not Rated.

U/R. Under Review.

Analyst Certification

The following analysts hereby certify that the views expressed in this research report accurately reflect their own personal views regarding the securities and issuers referred to therein and that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report: **Omer Camli**.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

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