

Equity / Large Cap. / Banking

TSKB

4.02.2026

BUY

Review of 4Q25 Financials

Upside Potential 56%

Results in line; 2026 budget guidance remains conservative

Actual vs Estimates

TSKB delivered TL 2.1bn solo net income in 4Q25, marginally ahead of both our estimate and the consensus of TL 2.0bn, extending its track record of solid profitability delivery. While net income declined 25% QoQ, FY25 cumulative earnings reached TL 11.4bn, representing a 12% YoY increase.

Despite robust core banking income growth (+23% QoQ), the reclassification of a large commercial exposure into the NPL bucket triggered a sharp spike in provisioning expenses (up nearly fourfold QoQ), which weighed on bottom-line growth in the quarter. FY25 ROAE materialized at 29.3%, slightly below the bank's initial 30% guidance communicated at the start of the year. The bank released TL 400mn of free provisions in 4Q25 and still holds TL 1.1bn of remaining free provision buffers, which are expected to be released gradually in 2026, providing earnings support. Net trading income surged almost fourfold QoQ to TL 1.1bn, driven primarily by strong revaluation gains on green investment funds. Provision expenses jumped to TL 4.8bn in 4Q25 (from TL 500mn), constituting the primary drag on quarterly profitability.

Notwithstanding the quarter-specific noise, FY25 net cost of risk (CoR) settled at 55bps, broadly in line with guidance. Net fee income softened by 11% QoQ, reflecting subdued capital markets activity. Importantly, TSKB remained largely insulated from the recent tax regulation changes, unlike most commercial banks.

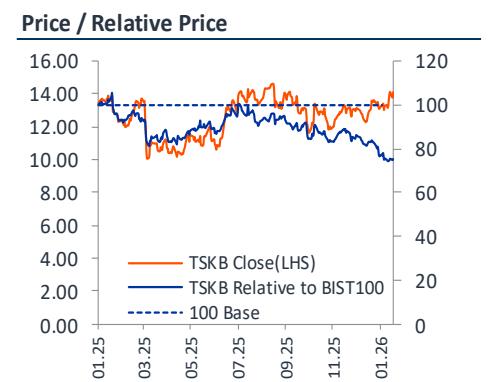
2026 Budget Guidance: Conservative by design

Management guides for low-teens FX-adjusted loan growth in 2026, underpinned primarily by investment loan disbursements. Swap-adjusted NIM is guided at ~4.5%, down from 5.6% in 2025, reflecting lower CPI linker income and modest compression in loan spreads amid intensifying competition. Operating expenses are expected to grow above inflation, while net fee income is projected to expand by more than 50%, implying a recovery in capital markets-related revenues. The NPL ratio is guided at ~2.5%, with currency-adjusted net CoR at c.50bps. ROAE is expected to normalize to ~25% in 2026. Overall, management retains a cautious and conservative stance, and we believe the bank is well positioned to outperform its 2026 targets, given its balance sheet strength and embedded buffers.

Stock Data	TL
Price	14.06
Target Price*	22.00
Prev.TP	18.70
Mcap (mn)	39,368
Float Mcap (mn)	16,235
Avg.Daily Volume (3M, mn)	358.0
No. of Shares Outstanding (mn)	2,800
Free Float (%)	41
Foreign Share (%)	30

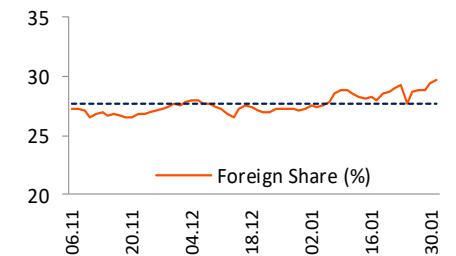
Price Perf. (%)	1 Mn	Ytd	12 Mn
TL	3.8	13.9	3.5
US\$	2.8	12.4	-14.4
Rel.to BIST-100	-10.0	-7.6	-27.1

Multiples	2024	2025	2026
P/E	3.9	3.5	3.0
P/BV	1.2	0.9	0.7



3M Range (Close TL) 11.83 14.06

Foreign Share (%) Cur.(%) : 29.76



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Highlights of the Quarter

Core margin resilience intact

TSKB achieved 11.2% FX-adjusted loan growth in 2025, confirming its low-teens full-year loan growth target. Loan spreads remained elevated and stable, highlighting the bank's structural advantage in funding costs and its ability to capitalize on a high-rate environment while maintaining asset quality discipline. Swap-adjusted NIM stood at ~5.6% in 4Q25, marginally below 3Q25, due to higher swap costs, with FY25 NIM averaging 5.6%.

For 2026, management guides ~4.5% NIM, driven by lower CPI linker contribution and moderate spread normalization, broadly in line with our estimate of 4.6%.

Provisioning spike reflects file-specific reclassification, not trend deterioration

The reclassification of a large exposure into NPL status drove the 4Q25 provisioning surge. Excluding FX effects, FY25 net CoR stood at -55bps, underscoring continued asset quality strength. Management emphasized that the reclassification is idiosyncratic and contained, rather than indicative of systemic deterioration. FY25 gross net CoR amounted to 130bps, of which 75bps was FX-driven. 2026 net CoR guidance of ~50bps is consistent with historical through-the-cycle performance.

Fee income softened; non-core income offset weakness

Net fee income declined 11% QoQ, reflecting muted investment banking and capital markets activity in the quarter. In contrast, subsidiary income increased to TL 613mn (from TL 513mn QoQ), supported by revaluation gains at the REIT subsidiary. Trading income surged fourfold to TL 1.1bn, driven by investment fund revaluations, while operating expenses rose 20% QoQ, largely attributable to HR-related cost inflation.

Valuation Impact & Outlook

4Q25 results were broadly in line with expectations, and 2026 guidance remains conservative, suggesting limited immediate market impact. Given the bank's strong capital position, excess provisioning buffers, and conservative planning assumptions, we see upside risk to management guidance.

We maintain our BUY recommendation on TSKB, supported by defensive asset quality, resilient margins, and earnings optionality from free provision releases.

Company Description

TSKB is a Turkey-based investment and development bank.

Shareholder Structure (%)

Türkiye İş Bankası A.Ş.

Other

Türkiye Vakıflar Bankası T.A.O.

47.68

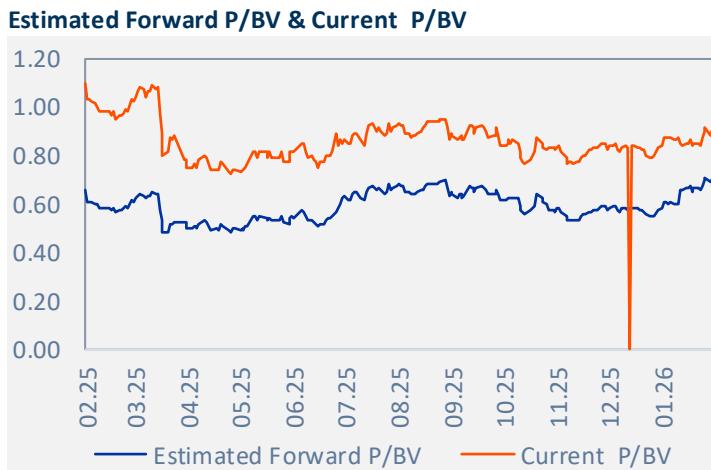
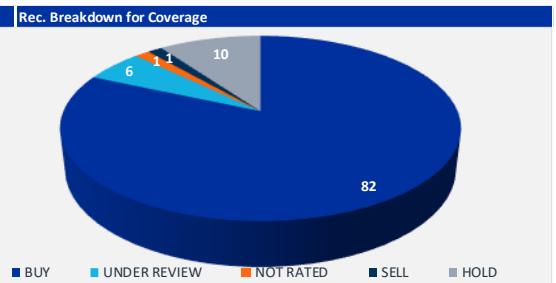
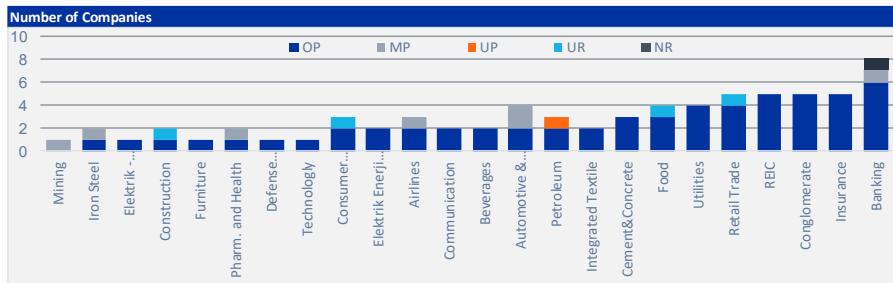
43.94

8.38

TSKB						QoQ	YoY
Income Statement (TL mn)	4Q24	1Q25	2Q25	3Q25	4Q25		
Net interest income	4,008	3,569	3,907	4,490	5,105	14%	27%
Net fees & commissions	101	71	91	140	124	(11%)	23%
Trading and investments	(354)	(66)	202	(514)	(91)	(82%)	(74%)
<i>Securities trading</i>	67	113	123	13	369	2,679%	450%
<i>Swap & derivatives</i>	(421)	(184)	74	(527)	(460)	(13%)	9%
<i>Dividend income</i>	0	5	5	0	0	n.m.	n.m.
Other income	344	742	1,440	386	508	32%	48%
Operating costs	(632)	(681)	(901)	(808)	(978)	21%	55%
<i>Personnel expenses</i>	(471)	(519)	(668)	(609)	(691)	14%	47%
PPOP	2,996	3,110	4,066	3,086	3,978	29%	33%
Provision expenses	82	(222)	(974)	(566)	(2,518)	345%	n.m.
<i>Stage III</i>	(99)	(0)	(150)	(29)	(2,499)	8,581%	2,414%
<i>Stage I&II</i>	182	(220)	(823)	(538)	(16)	(97%)	n.m.
<i>Others</i>	(330)	0	(70)	0	(20)	n.m.	(94%)
<i>Free</i>	(1)	(2)	(1)	1	(3)	n.m.	497%
Income from eq. method app'd subs.	1,017	528	801	513	613	20%	(40%)
PBT	4,237	3,940	4,496	3,641	2,744	(25%)	(35%)
Tax	1,138	846	1,116	831	646	(22%)	(43%)
Net profit	3,099	3,095	3,380	2,810	2,098	(25%)	(32%)
Balance Sheet (TL mn)	4Q24	1Q25	2Q25	3Q25	4Q25	QoQ	YoY
Customer loans	166,000	189,780	205,374	216,815	234,731	8%	41%
<i>Consumer</i>	0%	0%	0%	0%	0%	n.m.	n.m.
<i>Credit cards</i>	0%	0%	0%	0%	0%	n.m.	n.m.
<i>Commercial instalment</i>	0%	0%	0%	0%	0%	n.m.	n.m.
<i>Other</i>	100%	100%	100%	100%	100%	0%	0%
NPLs	3,673	3,244	1,900	1,888	5,710	202%	55%
<i>Additions</i>	267	0	3	3	3,840	141,903%	1,337%
<i>Collections</i>	534	429	1,776	1,788	1,803	1%	238%
<i>Write-off</i>	0	0	0	0	0	n.m.	n.m.
Specific provisions (-)	3,215	2,930	1,735	1,753	4,233	142%	32%
Securities	43,956	50,076	51,448	54,122	56,981	5%	30%
<i>Trading & AfS</i>	19,737	24,180	26,629	28,191	29,601	5%	50%
<i>HtM</i>	24,220	25,896	24,819	25,931	27,380	6%	13%
Total assets	231,260	259,813	286,855	305,480	326,657	7%	41%
Customer deposits	0	0	0	0	0	n.m.	n.m.
Securities issued	51,562	39,906	41,937	58,825	60,594	3%	18%
Wholesale funding	138,082	177,137	195,534	196,296	212,794	8%	54%
Equity	32,479	35,150	39,439	42,705	45,651	7%	41%

Ratio Analysis	4Q24	1Q25	2Q25	3Q25	4Q25	QoQ	YoY
NIM, quarterly <i>adjusted for swap costs</i>	7.52%	6.18%	6.02%	6.38%	6.82%	44bps	(70bps)
<i>TL</i>	7.07%	5.96%	6.37%	5.66%	5.60%	(6bps)	(147bps)
<i>Loans</i>	30.89%	34.02%	38.65%	36.38%	31.49%	(489bps)	60bps
<i>Securities</i>	40.96%	29.75%	33.40%	31.79%	30.52%	(127bps)	(1,044bps)
<i>FX</i>							
<i>Loans</i>	8.76%	8.65%	9.31%	7.90%	7.83%	(7bps)	(93bps)
<i>Securities</i>	6.30%	8.45%	6.68%	8.16%	6.13%	(203bps)	(16bps)
PPOP Margin	5.62%	5.38%	6.27%	4.38%	5.32%	93bps	(30bps)
NPL ratio	2.21%	1.71%	0.93%	0.87%	2.43%	156bps	22bps
Loan loss coverage	87.55%	90.31%	91.33%	92.85%	74.14%	(1,871bps)	(1,340bps)
Total risk reserves	219%	245%	392%	418%	186%	(23,249bps)	(3,323bps)
Specific CoR (stage III)	24 bps	0 bps	30 bps	5 bps	441 bps	435bps	417bps
Specific CoR (stage I&II)	(44 bps)	49 bps	166 bps	101 bps	3 bps	(99bps)	46bps
Total CoR (net of collections and ccy)	#####	(74 bps)	7 bps	(34 bps)	320 bps	354bps	439bps
Net NPL additions (annualised)	(0.64%)	(0.96%)	(3.59%)	(3.38%)	3.61%	699bps	425bps
Loans under close-watch	0.00%	0.00%	0.78%	0.82%	0.00%	(82bps)	0bps
Restructured or rescheduled	6.63%	6.23%	6.10%	6.05%	7.00%	94bps	37bps
Net NPL stock to Tier I (Texas Ratio)	1.45%	0.92%	0.43%	0.32%	3.31%	299bps	186bps
Net NPL stock + Group II to Tier I	1.5%	0.9%	4.6%	4.6%	3.3%	(127bps)	186bps
CIR	17%	19%	21%	20%	19%	(60bps)	221bps
Costs as % of average assets	2.0%	2.0%	2.3%	1.9%	2.1%	20bps	16bps
Net fees to operating costs	9%	6%	6%	10%	7%	(243bps)	(172bps)
RoAA	5.5%	5.0%	4.9%	3.8%	2.7%	(114bps)	(283bps)
RoAE	40.2%	36.6%	36.3%	27.4%	19.0%	(838bps)	(2,119bps)
Leverage	7.3 x	7.3 x	7.3 x	7.2 x	7.2 x	(565bps)	(1,756bps)
Tier-I ratio	25.74%	21.47%	23.01%	24.07%	24.56%	49bps	(118bps)
Total CAR	26.86%	22.59%	24.12%	25.19%	25.69%	50bps	(117bps)
Specific prov. expense/PPOP	3%	0%	4%	1%	63%	6,188bps	5,949bps
Short term re-pricing loans to total	10%	11%	10%	7%	10%	373bps	24bps

* adjusted for securities issued, subloans, LT FX borrowing and bank deposits



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