Equity / Large Cap. / Banking

Garanti Bank

5.02.2026

BUY

Review of 4Q25 Financials

Upside Potential 24%

Solid Targets Under a Conservative Macro Framework

Actuals vs. Estimates

Garanti Bank's 4Q25 results came in broadly in line with expectations, while 2026 guidance reflects solid targets framed under a notably conservative macro assumption set. The bank reported TL 26.5bn in solo net income for 4Q25, matching both our and consensus expectations (TL 26.2–26.3bn range). Full-year 2025 net income reached TL 110.6bn, representing c.20% YoY growth on an adjusted basis.

Quarterly RoAE stood at c.5% in 4Q25, while full-year RoAE settled at 29.1%, slightly below the 30% guidance. The deviation is largely attributable to the incremental tax burden introduced in 4Q25. Profitability metrics remain best-in-class, with full-year swap-adjusted NIM at 5.3%, marking a 160bps YoY expansion and fully in line with management guidance.

2026 Budget & Guidance

Garanti guides for 30–35% TL loan growth in 2026 and mid-single-digit FX loan growth in USD terms. Margin recovery is expected to continue through 2026, with management forecasting c.75bps expansion in swap-adjusted NIM, driven by the rate-cut cycle, asset repricing dynamics, and volume growth—particularly in limit-free lending segments.

Importantly, Garanti's macro assumptions remain among the most conservative in the sector. The bank assumes a year-end policy rate of 32%—the highest we have observed so far—alongside a year-end inflation estimate of 25%.

Net fee income is budgeted to grow by 30–35%, with the fee-to-opex ratio targeted at 80–85%. Net cost of risk is expected to normalize to 200–250bps, reflecting the absence of the exceptionally strong recoveries recorded in 2025. Operating expenses are projected to increase by 45–50% in 2026, primarily driven by HR costs and customer acquisition–related non-HR expenses.

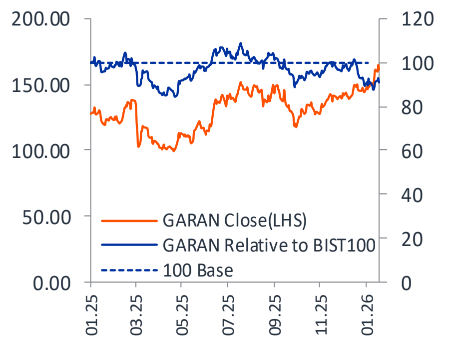
Overall, Garanti targets mid-single-digit positive real RoAE, implying a nominal RoAE in the vicinity of 30%, broadly consistent with our estimates.

Stock Data	TL
Price	165.00
Target Price*	205.00
Prev.TP	160.00
Mcap (mn)	693,000
Float Mcap (mn)	96,881
Avg.Daily Volume (3M, mn)	4035.4
No. of Shares Outstanding (mn)	4,200
Free Float (%)	14
Foreign Share (%)	11

Price Perf. (%)	1 Mn	Ytd	12 Mn
TL	10.5	12.6	33.8
US$	9.4	11.1	10.7
Rel.to BIST-100	-4.3	-8.7	-5.5

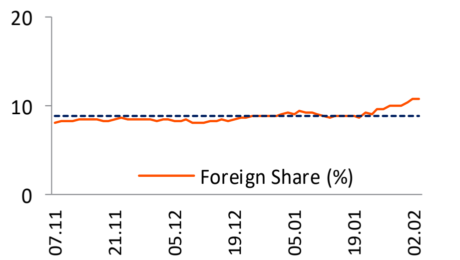
Multiples	2024	2025	2026
P/E	7.5	6.3	4.1
P/BV	2.1	1.6	1.2

Price / Relative Price



3M Range (Close TL)	127.70	165.00

Foreign Share (%)	Cur.(%) :	10.88



Dr.Bulent Sengonul
bsengonul@isyatirim.com.tr
+90 212 350 25 66

Highlights of the Quarter

Margin recovery materialized as expected. TL customer loans expanded by 9% QoQ, led by TL credit cards, general-purpose loans, and commercial lending. Swap-adjusted NIM improved by 76bps QoQ, supported by a 200bps expansion in the TL loan -to-deposit spread and higher CPI-linker income, driven by the higher CPI assumption used in valuation (32.9% in 4Q vs. 30% in 3Q).

Management forecasts c.75bps margin expansion in 2026, primarily driven by further loan-deposit spread normalization. This assumption appears conservative and leaves room for upside should policy rates decline faster than anticipated. For Garanti, each 100bps rate cut translates into c.15bps annual NIM expansion.

Normalization in asset quality trends continues. Net NPL inflows were largely offset by recoveries, NPL sales, and write-offs during the quarter. Nevertheless, gross NPL inflows remained elevated at TL 24.5bn in 4Q25, up c.20% QoQ. Increased inflows into Stage II and NPL buckets drove provision expenses higher, with underlying net CoR rising to 250bps from 161bps in 3Q25, bringing full-year net CoR to 180bps. In the absence of large-scale provision reversals, management expects net CoR to normalize at 200–250bps in 2026.

Fee income remains a key pillar of core earnings. Net fee income grew by 7% QoQ and 52% YoY, underpinned by robust TL loan growth in fee-generating segments, increased activity in non-lending businesses, and market share gains in SMEs alongside the bank’s strong consumer franchise. Elevated interest rates continue to support payment-system fees across the sector, positioning Garanti well to outperform. Management guides for 30–35% net fee income growth in 2026, driven by wealth management, credit cards, and insurance channels.

Cost pressures are set to rise. Operating expenses are expected to grow by 45–50% in 2026, mainly due to customer acquisition costs and other non-HR expenses.

Other non-interest income remains supportive. Net trading income moderated to TL 2.5bn from TL 3.2bn QoQ. The new tax regulation partially increased the bank’s tax burden, with quarterly tax expense up 56%. Management expects an effective tax rate of 20–25% going forward.

Valuation Impact & Outlook

Given the in-line 4Q25 results, we do not expect a material near-term share price reaction. However, the implied c.30% RoAE target for 2026 and the bank’s medium-term ambition to deliver RoAE at inflation +8–10% underpin a compelling investment case—particularly in an environment where macro-prudential measures remain tight and the policy rate is assumed to end the year at 32%.

Company Description
Garanti provides corporate, commercial and retail banking services. It provides services through a network of 890 domestic branches.

Shareholder Structure (%)	
Banco Bılbao Vızcaya Argen	85.97
Other	14.03

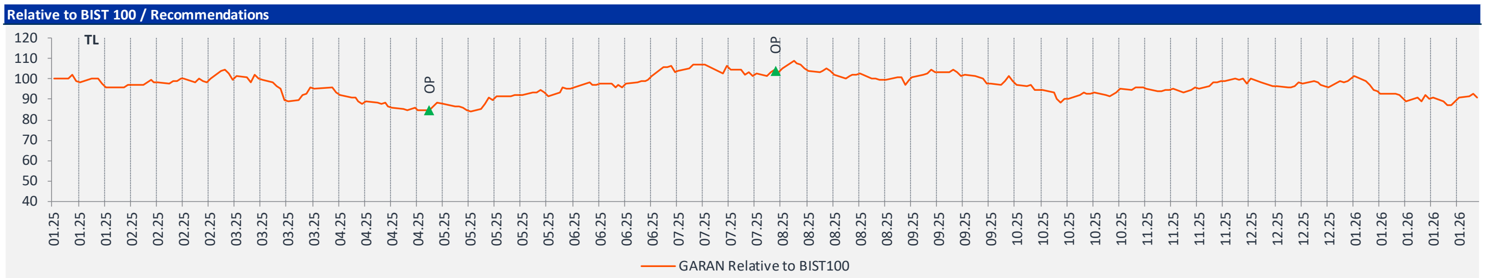
GARAN							
Income Statement (TL mn)	4Q24	1Q25	2Q25	3Q25	4Q25	QoQ	YoY
Net interest income	29,612	30,427	32,759	45,413	56,712	25%	92%
Net fees & commissions	28,497	29,709	34,482	38,010	40,546	7%	42%
Trading and investments	1,458	5,106	1,454	(4,370)	(7,406)	69%	n.m.
Other income	16,168	14,615	11,399	8,952	5,866	(34%)	(64%)
Operating costs	(29,513)	(30,738)	(35,072)	(41,155)	(47,134)	15%	60%
Personnel expenses	*(10,845)*	*(11,930)*	*(12,341)*	*(13,473)*	*(15,608)*	16%	44%
PPOP	46,216	49,113	44,783	46,842	48,577	4%	5%
Provision expenses	(16,643)	(22,457)	(17,197)	(16,620)	(18,408)	11%	11%
Stage III	*(8,158)*	*(10,211)*	*(11,619)*	*(11,149)*	*(14,395)*	29%	76%
Stage I&II	*(8,485)*	*(12,246)*	*(5,578)*	*(5,471)*	*(4,013)*	(27%)	(53%)
Others	*(346)*	*(162)*	*(70)*	*2*	*(134)*	n.m.	(61%)
Free	*10*	*(18)*	*18*	*0*	*0*	n.m.	n.m.
Income from eq. method app'd subs.	4,303	5,761	7,142	7,523	7,818	4%	82%
PBT	33,546	32,243	34,914	37,754	37,861	0%	13%
Tax	8,304	6,959	6,588	7,322	11,298	54%	36%
Net profit	25,241	25,284	28,326	30,432	26,563	(13%)	5%

Balance Sheet (TL mn)	4Q24	1Q25	2Q25	3Q25	4Q25	QoQ	YoY
Customer loans	1,562,026	1,705,622	1,895,685	2,084,878	2,281,613	9%	46%
Consumer	*15%*	*15%*	*15%*	*15%*	*16%*	5%	8%
Credit cards	*27%*	*26%*	*26%*	*27%*	*28%*	2%	3%
Commercial instalment	*8%*	*8%*	*7%*	*7%*	*7%*	5%	(6%)
Other	*51%*	*52%*	*52%*	*51%*	*50%*	(3%)	(3%)
NPLs	34,611	45,185	56,658	66,580	80,236	21%	132%
Additions	*37,525*	*18,107*	*37,496*	*57,998*	*82,459*	42%	120%
Collections	*11,630*	*5,102*	*11,041*	*17,161*	*23,915*	39%	106%
Write-off	*-15,952*	*-4,844*	*-7,601*	*-14,426*	*-17,833*	24%	12%
Specific provisions (-)	23,377	29,535	37,167	41,748	50,064	20%	114%
Securities	356,333	390,896	390,977	414,943	418,498	1%	17%
Trading & AfS	*113,890*	*140,822*	*145,411*	*150,454*	*154,426*	3%	36%
HtM	*242,443*	*250,074*	*245,566*	*264,489*	*264,072*	(0%)	9%
Total assets	2,607,672	3,035,025	3,246,038	3,498,972	3,820,942	9%	47%
Customer deposits	1,821,373	2,198,631	2,216,546	2,340,162	2,563,506	10%	41%
Securities issued	24,699	43,146	81,421	116,541	168,712	45%	583%
Wholesale funding	147,455	147,828	235,283	261,651	234,416	(10%)	59%
Equity	329,926	339,527	377,604	410,433	444,370	8%	35%

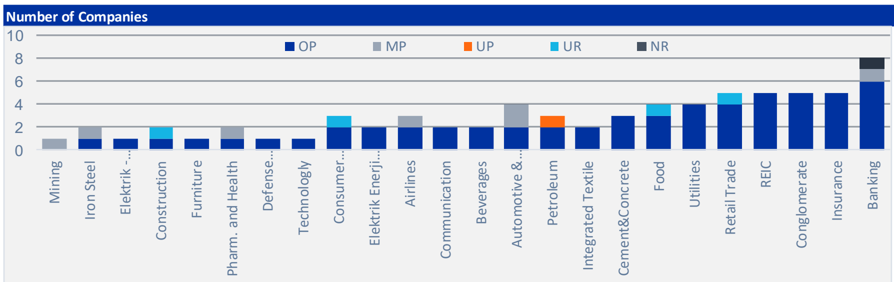
Ratio Analysis	4Q24	1Q25	2Q25	3Q25	4Q25	QoQ	YoY
NIM, quarterly	5.10%	4.74%	4.59%	5.97%	6.89%	92bps	179bps
adjusted for swap costs	*4.29%*	*4.64%*	*4.18%*	*4.85%*	*5.62%*	76bps	133bps
adjusted for swap and CPI linkers	*2.06%*	*3.36%*	*3.03%*	*3.77%*	*4.62%*	85bps	256bps
TL							
Loans	*36.78%*	*35.74%*	*35.77%*	*34.82%*	*33.01%*	(182bps)	(378bps)
Securities	*33.64%*	*24.27%*	*25.58%*	*25.70%*	*28.38%*	268bps	(526bps)
Deposits	*34.09%*	*32.50%*	*32.62%*	*34.17%*	*31.07%*	(310bps)	(302bps)
LtD spread	*2.70%*	*3.24%*	*3.15%*	*0.65%*	*1.94%*	128bps	(76bps)
FX							
Loans	*7.65%*	*7.92%*	*7.99%*	*7.51%*	*7.24%*	(27bps)	(40bps)
Securities	*7.34%*	*8.29%*	*7.78%*	*8.37%*	*7.17%*	(120bps)	(17bps)
Deposits	*0.03%*	*0.14%*	*0.25%*	*0.24%*	*0.18%*	(6bps)	15bps
LtD spread	*7.62%*	*7.78%*	*7.74%*	*7.27%*	*7.06%*	(21bps)	(55bps)
PPOP Margin	7.97%	7.65%	6.28%	6.16%	5.90%	(26bps)	(206bps)
NPL ratio	2.22%	2.65%	2.99%	3.19%	3.52%	32bps	130bps
Loan loss coverage	67.54%	65.36%	65.60%	62.70%	62.40%	(31bps)	(514bps)
Total risk reserves	161%	136%	121%	106%	99%	(683bps)	(6,194bps)
Specific CoR (stage III)	218 bps	250 bps	258 bps	224 bps	264 bps	40bps	46bps
Specific CoR (stage I&II)	226 bps	300 bps	124 bps	110 bps	74 bps	(36bps)	(153bps)
Total CoR (net of collections and curr.	49 bps	164 bps	133 bps	161 bps	232 bps	70bps	182bps
Net NPL additions (annualised)	1.73%	0.80%	1.47%	2.05%	2.68%	63bps	95bps
Loans under close-watch	8.18%	8.18%	7.77%	7.47%	7.24%	(23bps)	(94bps)
Restructured or rescheduled	4.19%	3.40%	3.30%	3.87%	4.19%	33bps	1bps
Net NPL stock to Tier I (Texas Ratio)	3.43%	4.65%	5.22%	6.12%	6.87%	74bps	344bps
Net NPL stock + Group II to Tier I	42.4%	46.1%	44.7%	44.5%	44.5%	(6bps)	206bps
CIR	50%	47%	51%	52%	52%	40bps	291bps
Costs as % of average assets	4.6%	4.4%	4.5%	4.9%	5.2%	27bps	53bps
Net fees to operating costs	97%	97%	98%	92%	86%	(633bps)	(1,053bps)
RoAA	4.0%	3.6%	3.6%	3.6%	2.9%	(71bps)	(105bps)
RoAE	31.9%	30.2%	31.6%	30.9%	24.9%	(603bps)	(706bps)
Leverage	8.1 x	8.4 x	8.8 x	8.6 x	8.6 x	40bps	4,948bps
Tier-I ratio	17.96%	15.59%	15.88%	16.18%	16.61%	43bps	(135bps)
Total CAR	21.92%	19.26%	19.26%	20.35%	21.85%	150bps	(7bps)
Adj. LtD ratio *	80%	71%	76%	77%	75%	(242bps)	(485bps)
Specific prov. expense/PPOP	18%	21%	26%	24%	30%	583bps	1,198bps
Short term re-pricing loans to total	42%	40%	42%	42%	42%	44bps	74bps
Short term re-pricing deposits to total	57%	57%	57%	52%	52%	(75bps)	(512bps)
Saving deposits to total	66%	68%	66%	67%	61%	(595bps)	(536bps)

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

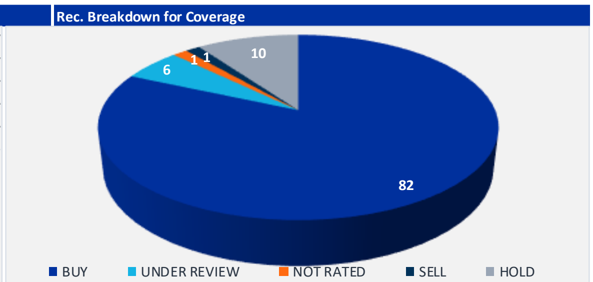
Relative to BIST 100 / Recommendations



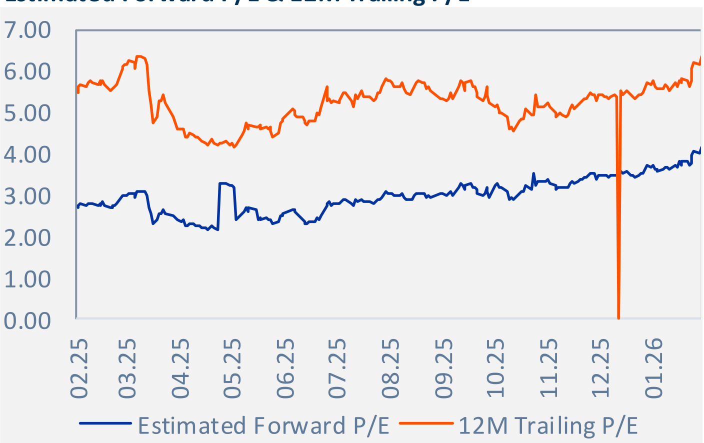
Number of Companies



Rec. Breakdown for Coverage



Estimated Forward P/E & 12M Trailing P/E



Estimated Forward P/BV & Current P/BV