

Turkey Banks

Stepping into the rate cutting cycle; Yapi to Buy; remain Buy on Ak; Isbank down to Neutral

December 2024 was an eventful month for Turkish banks in terms of macro catalysts, marking the beginning of the rate cutting cycle (with a 250bp cut delivered), the announcement of a c.30% public wage increase for 2025 (in-line with expectations) and the continuing disinflationary trend in Nov-Dec'24 (in small steps, but in the right direction).

We update our estimates for Turkish banks to reflect the latest macro developments, and we also change our relative investment ratings within the coverage. We upgrade Yapi to Buy (from Neutral), reiterate Buy on Akbank; we remain Neutral on Garanti, and we downgrade Isbank to Neutral (from Buy). We also reiterate our Sell ratings on Vakif/Halk. We see the highest upside in banks that offer the best risk-reward balance on P/B'25E vs. inflation-adjusted ROE in 2026E relative to CEEMEA banks. We expect Garanti, Akbank and Yapi to record the highest ROE in 2025-26E among Turkish banks and be relatively bigger beneficiaries of rate cuts. Taking into account valuation, our target prices imply the highest upside for Yapi/Akbank (c.53%/50% in TL respectively), followed by Garanti/Isbank (c.28%/20% in TL respectively) and we see downside in Halk/Vakif (c.-12%/-24%).

What do we forecast for Turkish banks in 2025 and beyond?

We see the beginning of rate cutting cycle in Turkey as an important catalyst that we expect to help these banks record a substantial NIM recovery throughout 2025-26E. Unlike most CEEMEA banks in our coverage, Turkish banks have a negative short-term NIM sensitivity to rates (e.g. NIM benefits from rate cuts, but decreases when rates increase as loan repricing for Turkish banks takes 6-9 months longer than repricing TL deposits/liabilities). Due to this, Turkish banks NIMs have compressed significantly over 2024, and this was further amplified by tightening of macroprudential regulations (reserve requirements on funding and growth-cap limits).

GS economists/Bloomberg consensus estimates expect the Turkish policy rate to reach 31%/29% at the end of 2025E (vs. 47.5% in Jan'25) with average inflation for 2025E at 31%/32% respectively. GS economists/Bloomberg consensus estimates

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also expect policy rates to reduce towards 17%/21% by the end of 2026E. We believe that macroprudential regulations (e.g. growth caps and minimum reserve requirement) may limit the scope of NIM recovery in 2025-26E; regardless, we expect average NIM to increase by c.200-250bps yoy in 2025E (and reduce by 50bps in 2026E vs. 25E). All-in, we model average ROE for private sector banks at 35%/28% in 2025-26E and 26%/20% for state-owned banks.

We expect banks with a higher share of TL loans in the asset mix to record higher ROE in 2025-26E (Garanti, Akbank, Yapi Kredi): (1) this asset category yields the highest interest rate relative to securities/FX loans and (2) despite substantial policy rate cuts expected over 2025E, we see significant upward repricing potential of TL loans for which repricing happens with a 9-month lag relative to policy rate (and thus the benefit of rate hikes during 2024 are not fully reflected in NIM). We see less differentiation on the repricing of the liabilities side for Turkish banks as over 80% of Turkish banks' liabilities (on our analysis) reprice within a 3-month horizon (on average) and c.95% on a 12-month horizon (i.e. Turkish banks liabilities repricing will be at broadly equal speed over a 3-12 month horizon per our assessment).

Aggregate forecast for private sector banks: we expect (1) 2025E NIMs (excl. swap costs) to average c.6.1% (+250bps yoy), exceeding the last 10-year average level of 5.0%; we model Turkish NIMs at 5.7% in 2026E and return towards historical levels in 2027-28E, (2) we expect fee/opex ratio of Turkish private sector banks to reach 89% in 2024E and reduce in 2025/26E to around 84%/88% given high base effects on the fee income line and delay in inflation pass-through on expenses, (3) we expect manageable deterioration in asset quality of Turkish banks driven by credit cards and unsecured lending; we model private sector cost of risk at c.160bps/170bps on average in 2025/26E (vs. 120bps in 2024E), (4) we expect TL lending growth in the area of 25% in 2025E (below average inflation GS forecast) and 20% in 2026E (in-line with average inflation), (5) FX loan growth at c.15% in 2025E and c.3% in 2026E (in US\$-terms), (6) we model private sector ROE of Turkish banks at 35%/28% in 2025/26E which implies a positive real return over average Bloomberg inflation forecast of 32%/20.5% in 2025E/2026E. We forecast consolidated CET1 ratio (w/o forbearances) at c.11% in 2024E and at 12%/13% in 2025/26E for private sector Turkish banks.

Aggregate forecast for state-owned banks: we model (1) 2025E NIMs (excl. swap costs) to average 4.0% in 2025E (vs. 2.1% in 2024E) exceeding the last 10-year level of c.3.4%; we expect state-owned banks' NIMs to return towards mid-cycle average over 2026-28E, (2) we expect fee/opex ratio of Turkish state-owned banks to reduce from 64% in 2024E to 60%/63% in 2025E/26E given high base effects on fee income and delayed inflation pass-through on expenses, (3) we model cost of risk to increase towards 170bps/160bps in 2025E/2026E (vs. 50bps in 2024E), (4) we expect TL lending growth in the area of 24% in 2025E (e.g. below average inflation forecast) and 20% in 2026E (in-line with average inflation forecast), (5) FX loan growth at 15%/3% in 2025/26E (in US\$-terms), (6) we model ROE of state-owned Turkish banks at 26%/20% in 2025/26E. We forecast consolidated CET1-ratio at 10% in 2024E and 10% in 2025/26E.

Summary of our individual investment recommendations for Turkish banks

We see the highest upside in banks that offer the best risk-reward balance on P/B'25E vs. inflation-adjusted ROE in 2026E relative to CEEMEA banks.

We upgrade Yapi Kredi to Buy (from Neutral): We expect Yapi to be one of the biggest beneficiaries of rate cuts within our Turkey banks coverage: we model 2025E/26E NIM (excl. swap costs) for Yapi at 6.0%/5.7% which compares with GSe NIM of 4.0% in 2024E and last 10-year average NIM of 5%. We forecast ROE of 35%/28% in 2025E/26E which implies a real return of c.3%/c.8% over average Bloomberg inflation forecast of 32%/20.5% in 2025E/2026E. On our analysis, Yapi Kredi trades at 0.8x/0.6x PB25E/PB26E which, in our view, implies an attractive level of valuation as we expect ROE of Yapi to exceed both inflation and our COE assumption of 28% in both 2025E/26E. Our implied target P/TBV'26E for Yapi is 1.0x P/B which implies c.53% TL return on share price (and c.20% in US\$ terms). Our new ROE/COE-based price target for Yapi is TL46.0 (up from TL37.0) on estimate changes.

We reiterate Buy on Akbank: We expect Akbank to be one of the biggest beneficiaries of rate cuts within our Turkish banks coverage: we model 2025E/26E NIM for Akbank at 5.8%/5.7%, which compares with GSe NIM of 3.5% in 2024E and last 10-year average NIM of 5%. We forecast ROE of 35%/30% in 2025/26E which implies a real return of c.3% /9% over average Bloomberg inflation forecast of 32%/20.5% in 2025E/2026E. On our analysis Akbank trades at 1.0x/0.8x PB25E/PB26E which in our view implies an attractive level of valuation as we expect ROE of Akbank to exceed both inflation and our COE assumption of 28% in both 2025E/26E. Our implied target P/TBV'26E for Akbank is 1.1x P/B which implies c.50% TL return on share price (and c.19% in US\$ terms). Our new ROE/COE-based price target for Akbank is TL94.0 (up from TL77.0) on estimate changes.

We remain Neutral on Garanti: While we also expect Garanti to be one of the biggest beneficiaries of rate cuts in Turkey, we believe this is already priced in following stock outperformance over 2024E (relative to Turkish banks peers). We model 2025/26E NIM for Garanti at 7.1%/6.6% vs. 5% in 2024E and last 10-year average of 5.8%. We forecast ROE of 36%/31% in 2025E/2026E which implies a real return of 3%/11% in 2025E/2026E. On our analysis Garanti trades at 1.2x/1.0x PTB25E/PB26E, while our implied target P/B'26E ratio for Garanti is 1.2x which implies 28% TL return on share price. Our new ROE/COE-based price target for Garanti is TL163.0 (up from TL119.0) on estimate changes.

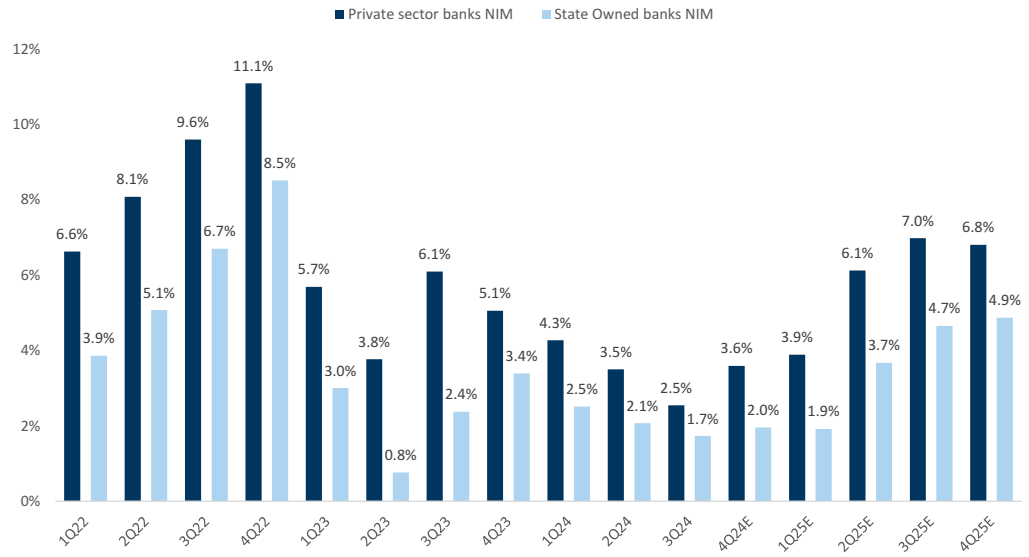
We downgrade Isbank to Neutral (from Buy): While we expect a significant year-over-year improvement of NIM for Isbank (we model 2025/26E NIM at 5.4%/4.7% vs. 1.5% in 2024E and last 10-year average of 4.5%), on our analysis, the composition of Isbank's interest asset mix allows for a lower absolute NIM level compared to other private sector peers (mainly due to lower share of TL loans in asset mix). We model Isbank ROE at 34%/25% in 2025/26E implying 1%/5% real return over average Bloomberg inflation forecast of 32%/20.5% in 2025/2026E. On our analysis, Isbank trades at 0.8x/0.7x P/B 2025/26E, while our implied target P/B 2026E for Isbank is 0.8x implying 20% TL return on share price. Our new ROE/COE-based price target for Isbank

is TL17.0 (down from TL18.0) on estimate changes.

We reiterate Sell on Vakif with a revised 12-month, ROE/COE-based price target of TL18.0 (from TL17.0). While we expect a significant year-over-year improvement of NIM for Vakif (we model 2025/26E NIM at 4.0%/3.3% vs. 2.6% in 2024E and last 10-year average of 3.3%), on our analysis, the composition of Vakif's interest asset mix allows for a lower absolute NIM level compared to private sector peers (mainly due to lower share of TL loans in asset mix). We model Vakif ROE at 28%/20.5% in 2025/26E implying -4%/0% return over average Bloomberg inflation forecast of 32%/20.5% in 2025/26E. We also note that Vakif has lower capital buffers relative to private sector peers (we model 11% CET1 ratio in 2026E vs. 13% average for Turkish banks). On our analysis Vakif trades at 0.8x/0.7x P/B 2025/26E, while our implied target P/B 2026E for Vakif is 0.6x implies c.25% downside. Our new price target for Vakif is TL18.0 (up from TL17.0) on estimate changes.

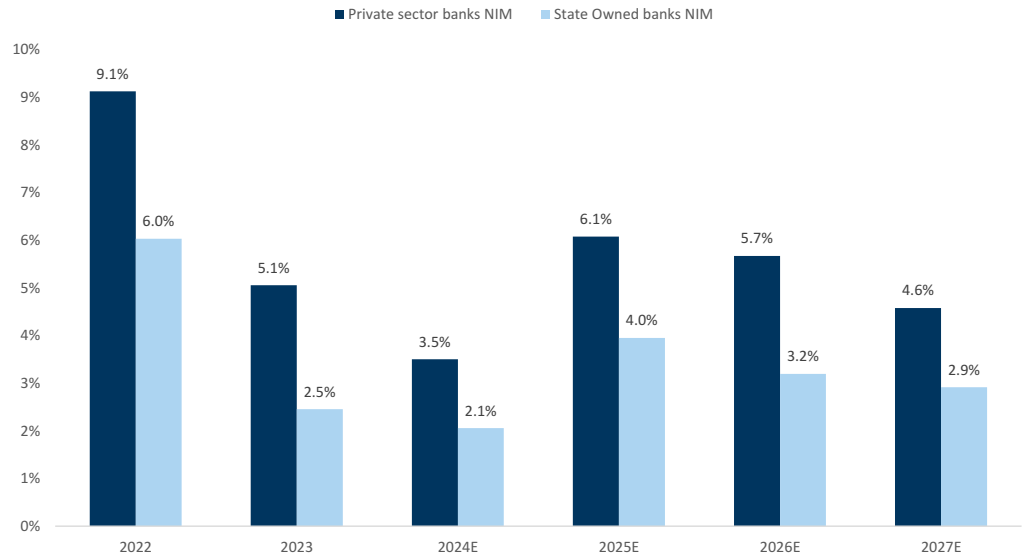
We reiterate Sell on Halk with a 12-month with a revised 12-month, ROE/COE based price target of TL15.0 (from TL13.8). While we expect a significant year-over-year improvement of NIM for Halk (we model 2025/26E NIM at 3.9%/3.1% vs. 1.5% in 2024E and last 10-year average of 3.2%), on our analysis, the composition of Halk's interest asset mix allows for a lower absolute NIM level compared to private sector peers (mainly due to lower share of TL loans in asset mix). We model Halk ROE at 25%/19% in 2025E/26E vs. average Bloomberg inflation forecast of 32%/20.5% in 2025-26E. We also note that Halk has lower capital buffers relative to private sector peers (we model 9% CET1 ratio in 2026E vs. 13% average for Turkish banks). On our analysis Halk trades at 0.6x P/B 2026E, while our implied target P/B 2026E for Halk is 0.5x implying c.12% downside. Our new price for Halk is TL15.0 (vs. TL13.8 previously) on estimate changes.

Exhibit 1: We expect substantial NIM recovery of both private sector and state owned banks in 2025E; we expect NIMs to peak around 3Q-4Q25E



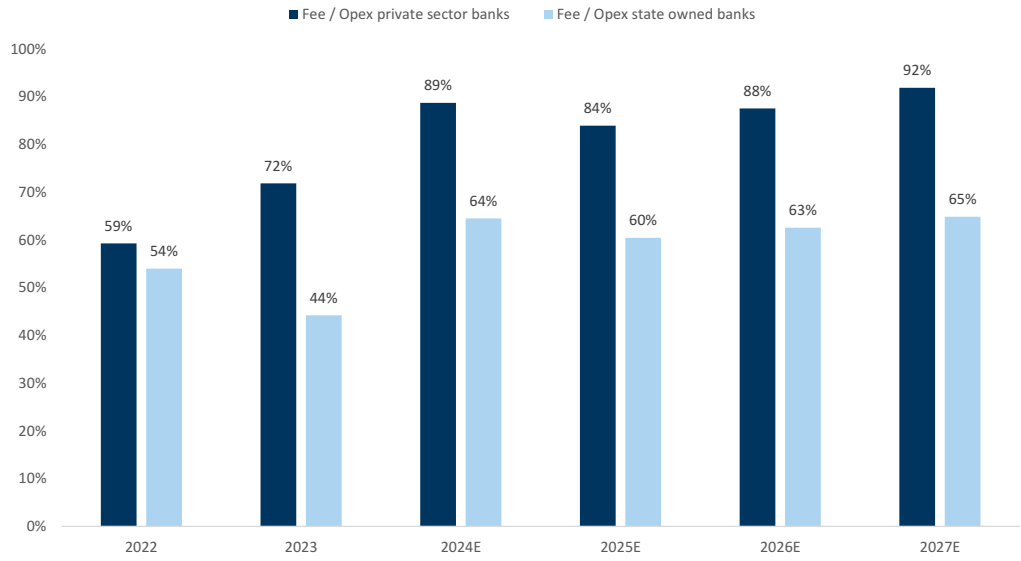
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: We expect private sector banks NIMs to peak at 6% in 2025E and state-owned banks NIMs at 4% (implying an increase of c.200-250bps yoy)



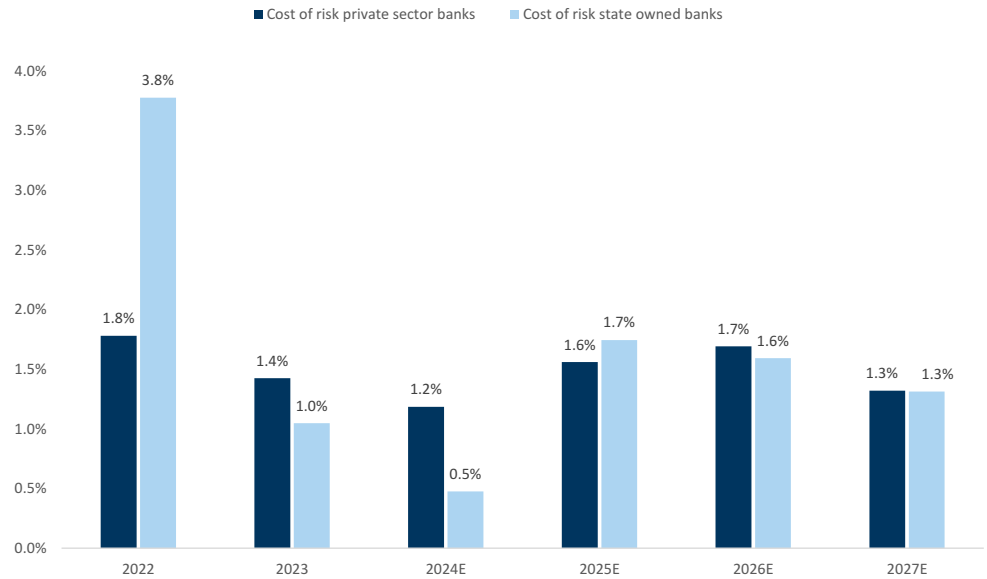
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: We expect some reduction in Fee/Opex ratio in 2025E amid high base effects and delayed pass trough of inflation on opex



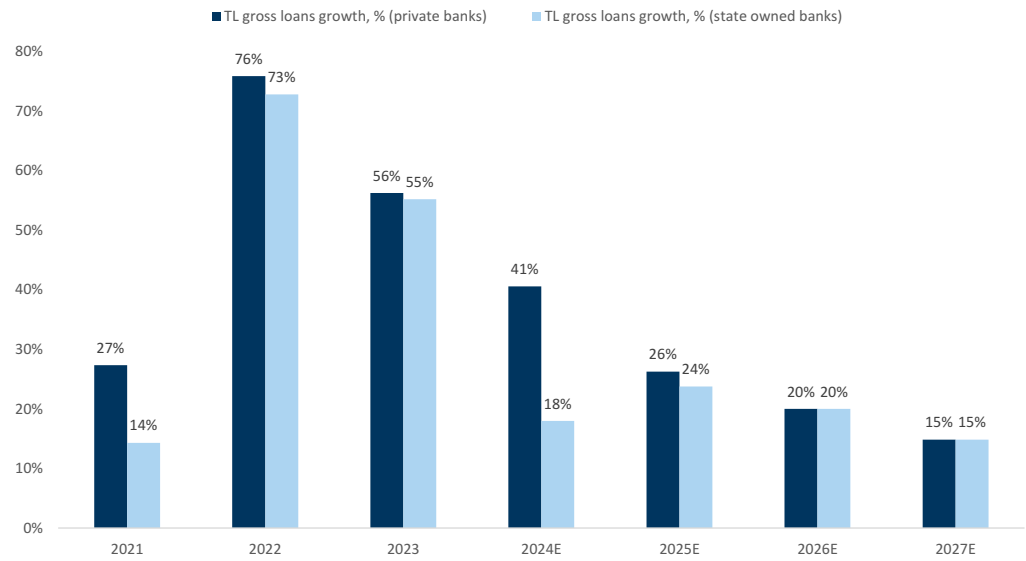
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 4: We expect cost of risk of both private sector and state-owned banks to increase towards 1.6-1.7% in 2025-26E amid manageable asset quality weakening in credit cards and unsecured lending



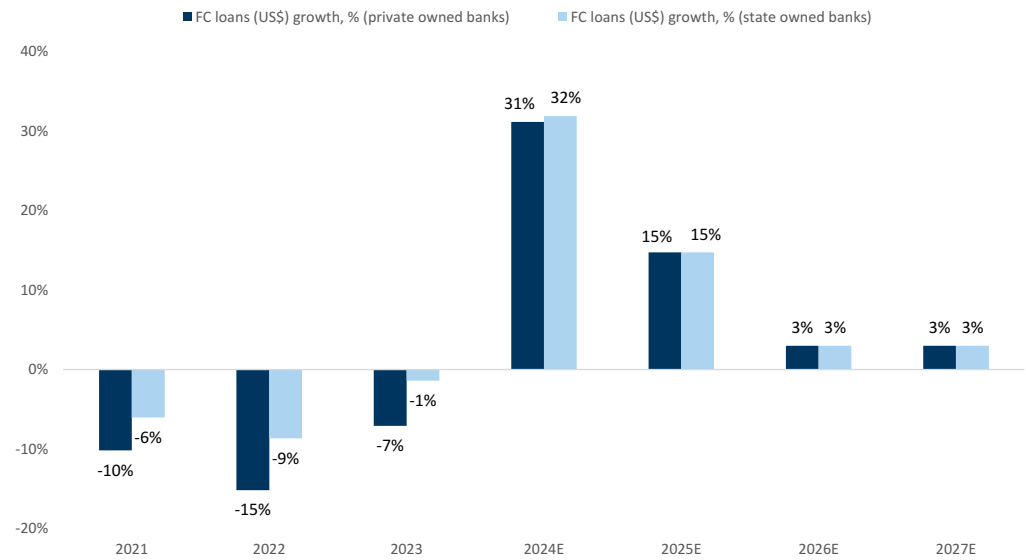
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 5: We forecast private/state owned banks' TL loan growth to decelerate to c.26%/24% in 2025E and to c.20%/15% in 2026/27E...



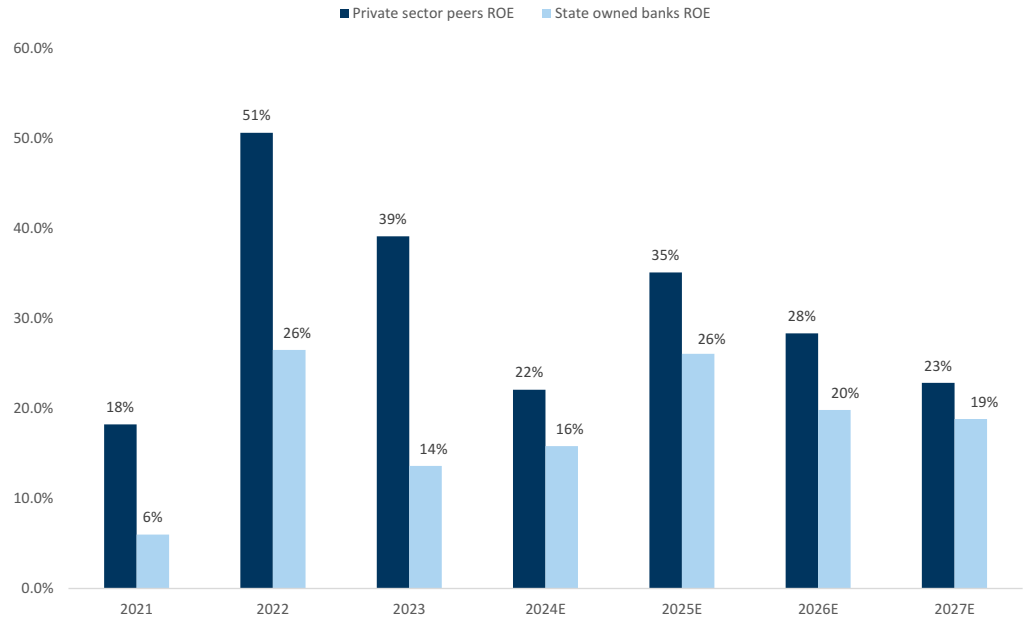
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 6: ... with a similar trend in FX loan growth: we model it at c.15%/3% in 2025/26-27E for both private and state owned banks



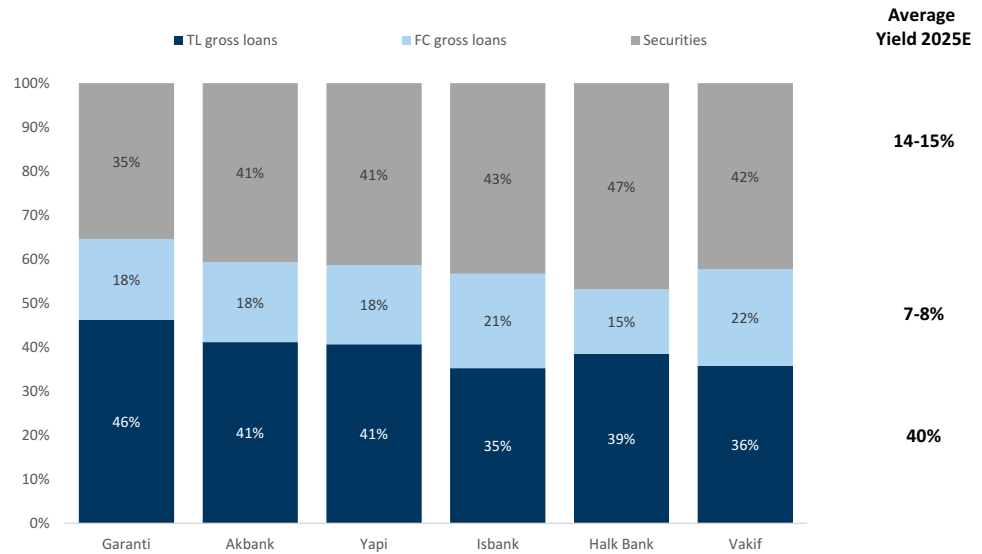
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 7: We model ROE for private/state owned Turkish banks in our coverage at c.35%/26% in 2025E and c.26%/19% on average in 2026-27E



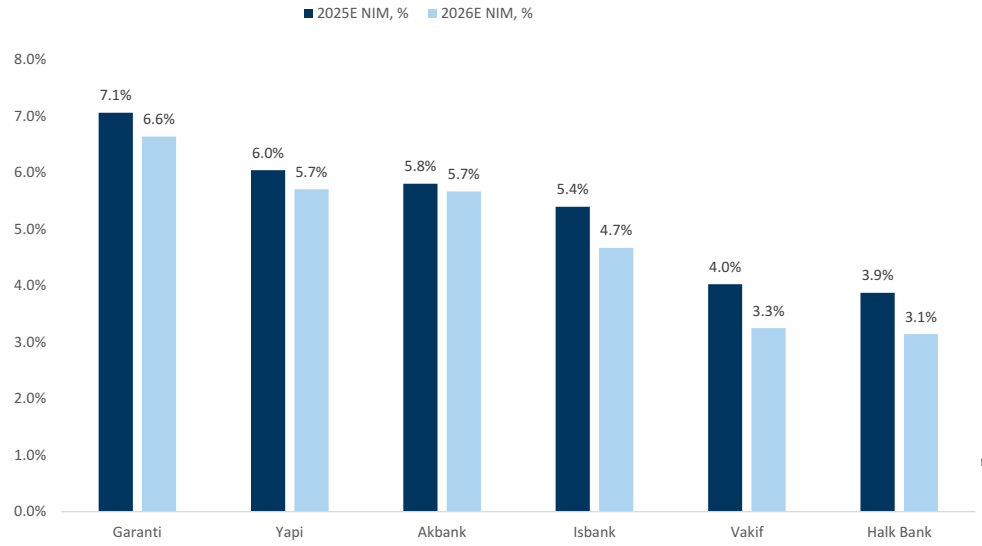
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 8: Akbank, Garanti and Yapi interest earning asset composition is skewed more towards higher-yielding assets (TL loans)
Composition of interest earning asset mix



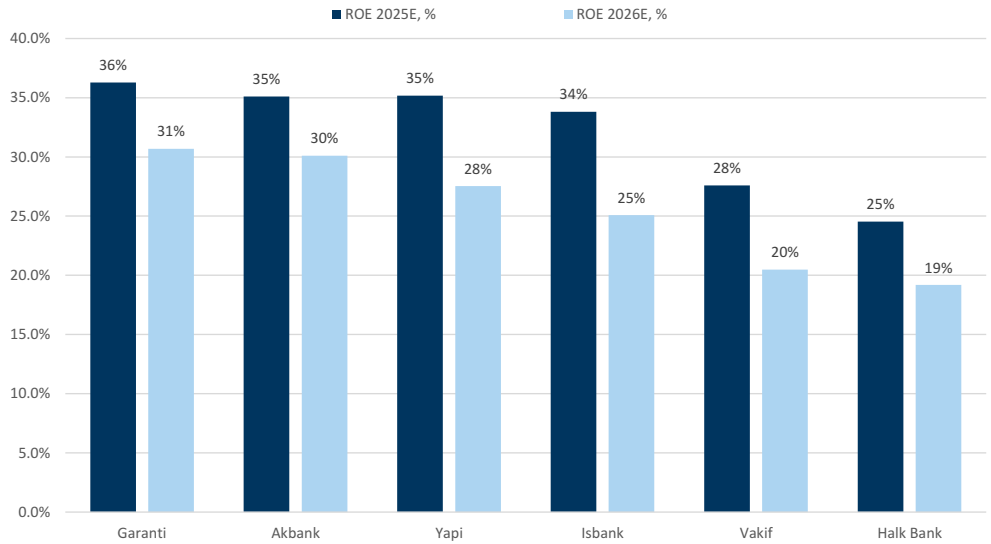
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 9: We expect Garanti/Akbank/Yapi to generate the highest NIMs in 2025-26E consistent with its interest-earnings asset mix with a skew towards higher-yielding categories...



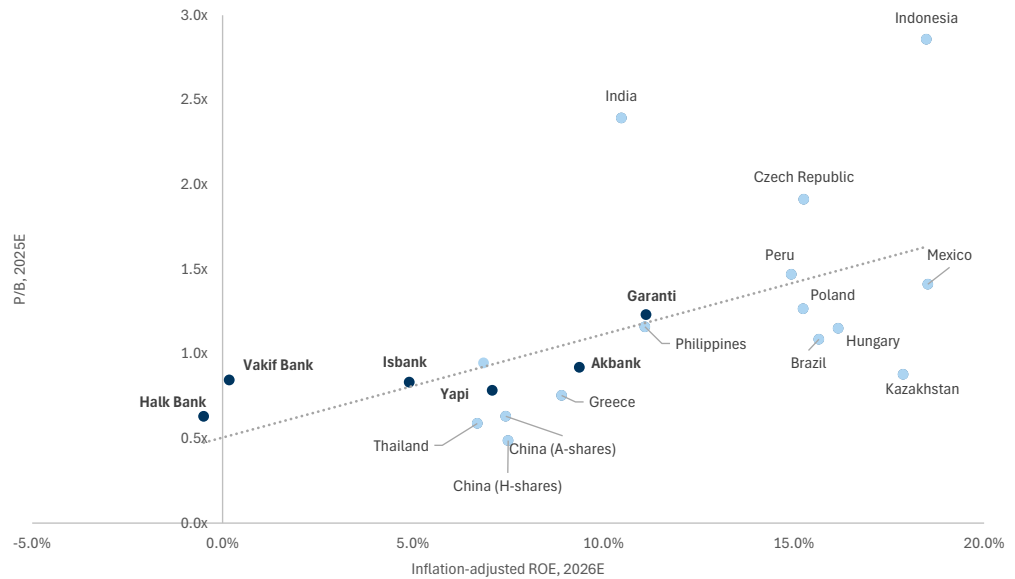
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 10: ...and translate into higher ROE in 2025-26E as well



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 11: Akbank and Yapi Kredi trade at a discount to CEEMEA peers on an inflation-adjusted ROE'26E basis
 P/BV 2025E vs. inflation-adjusted ROE 2026E



Source: Goldman Sachs Global Investment Research, Thomson Reuters

Exhibit 12: Summary of key risks

Company	Key risks
Akbank	1) significant Lira depreciation resulting in a capital hit, eroding excess capital buffers; (2) higher-than-expected funding costs due to a worse-than-expected liquidity situation, resulting in NIM pressure; (3) a prolonged asset quality cycle delaying cost of risk normalization; and (4) meaningful market share losses limiting earning generation potential in the near term.
Yapi Kredi	(1) worse-than-expected funding costs trends, translating into weaker margins; (2) worse-than-expected asset quality trends impacting cost of risk; and (3) weaker loan growth due to a significant slowdown in local and global operating activity.
Isbank	(1) higher/lower-than-expected NIMs; (2) better/worse-than-expected asset quality; (3) positive/unfavourable regulatory changes; (4) supporting/adverse macro conditions; and (5) faster/slower-than-expected loan growth.
Garanti	(1) better/worse-than-expected funding cost trends, translating into stronger/weaker margins; (2) a lower/higher-than-expected impact from the new fee regulation; (3) better/worse-than-expected asset quality trends impacting cost of risk; (4) market share gains driving higher loan growth; and (5) weaker loan growth due to a significant slowdown in local and global operating activity.
Vakif	(1) better-than-expected funding cost trends, translating into stronger margins; (2) a higher-than-expected impact from the new fee regulation; (3) better-than-expected asset quality trends impacting cost of risk; (4) market share gains driving higher loan growth; and (5) stronger loan growth due to a significant increase in local and global operating activity.
Halk Bank	(1) stronger-than-expected NIM trends; (2) better-than-expected credit quality supporting lower cost of risk; and (3) stronger-than-expected internal capital generation.

Source: Goldman Sachs Global Investment Research

Turkish banking sector data: Latest data points

We note the following key takeaways from the latest weekly/monthly BRSA disclosures:

- Total **deposit growth** was c.26% yoy, as per the latest weekly data for Dec 2024, with TL deposit growth of c.37% year-on-year. Foreign currency (FC) deposits grew c.10% year-on-year. The overall banking sector TL loan-to-deposit ratio is down c.6pp since Dec-2023 end, and has declined c.6pp yoy to 82%, while the FC loan-to-deposit ratio has increased c.26pp yoy to 89%. The total loan-to-deposit ratio is up c.6pp yoy to 85%.
- Total **loan growth** was c.37% yoy, as per the latest weekly data for Dec 2024. TL loan growth came in at c.27% yoy, while FC loan growth came in at c.56% year-on-year (c.30% in US\$).
- According to the latest CBRT data, marginal TL lending rates for commercial and consumer local currency loans stood at c.60.2% and c.71.3%, respectively, for the week ending Dec 20, while the weighted average cost of TL deposits stood at c.56.5%. The overall TL **loan-deposit spread** came in at c.9.9% on average in Dec 2024, vs. the Nov 2024 average of c.10%.
- **Monthly net profit** for the sector came in at TL67.5bn in November 2024, up 22% month-on-month and up c.37% yoy. The private banks' net profit increased to TL9.6bn for the month of November 2024, up c.37% month-on-month and down by c.25% year-on-year. State banks reported net profit of TL23.2bn, up c.31% mom (and up c.59% yoy). **ROE** for the private sector was up c.4pp month-on-month to c.15%, mainly driven by higher other NIR, lower opex and improved tax and others, partially offset by higher credit costs and lower NII. Public sector monthly ROE increased c.9pp mom, mainly driven by higher NII and improved tax and other, partially offset by lower other NIR and higher opex and credit costs.

Profitability

Exhibit 13: Sector monthly ROA/ROE were up c.0.5pp/5.3pp mom in November, mainly driven by lower opex and improved tax and other, partially offset by lower NII and fees

Banking sector

	NII	Fees	Other NIR	Opex	CL	Tax & other	ROA	Leverage	ROE	ROA (ex tax & other)	ROE (ex tax & other)
May-21	3.3%	0.3%	1.6%	-3.0%	-1.4%	-0.1%	0.8%	10.3x	8.2%	0.9%	9.6%
Jun-21	3.5%	0.3%	2.6%	-2.8%	-1.5%	-0.4%	1.8%	10.4x	18.2%	2.1%	22.3%
Jul-21	3.7%	0.3%	2.0%	-2.4%	-0.9%	-1.5%	1.2%	10.5x	12.8%	2.7%	28.4%
Aug-21	3.9%	0.3%	2.0%	-2.3%	-0.8%	-1.6%	1.6%	10.5x	16.3%	3.1%	32.7%
Sep-21	4.4%	0.3%	2.1%	-3.5%	-1.6%	-0.1%	1.6%	10.5x	16.5%	1.7%	17.5%
Oct-21	4.9%	0.3%	1.9%	-3.7%	-2.3%	0.6%	1.7%	10.5x	17.6%	1.1%	11.7%
Nov-21	6.6%	0.4%	2.3%	-8.0%	-7.0%	7.3%	1.6%	10.8x	17.5%	-5.6%	-60.7%
Dec-21	7.4%	0.4%	2.9%	-6.1%	-5.1%	3.5%	3.0%	11.0x	33.0%	-0.5%	-5.9%
Jan-22	5.7%	0.4%	2.8%	-4.3%	-2.4%	1.2%	3.4%	11.1x	37.4%	2.2%	24.5%
Feb-22	5.8%	0.3%	2.3%	-3.9%	-2.0%	0.5%	3.0%	11.4x	33.9%	2.5%	28.0%
Mar-22	6.9%	0.4%	3.0%	-5.7%	-3.4%	2.4%	3.7%	11.4x	41.9%	1.2%	14.2%
Apr-22	6.8%	0.4%	2.8%	-4.0%	-1.8%	1.0%	5.1%	11.4x	58.0%	4.1%	47.1%
May-22	7.6%	0.4%	2.7%	-5.4%	-3.3%	2.7%	4.7%	11.4x	53.8%	2.0%	23.0%
Jun-22	9.0%	0.4%	4.9%	-5.2%	-5.4%	1.2%	4.9%	11.4x	56.4%	3.7%	42.6%
Jul-22	9.3%	0.4%	2.1%	-6.0%	-3.0%	2.0%	4.9%	11.5x	56.4%	2.9%	33.5%
Aug-22	7.6%	0.4%	2.6%	-3.9%	-1.6%	0.2%	5.3%	11.6x	61.6%	5.2%	59.6%
Sep-22	8.6%	0.4%	3.0%	-6.5%	-4.8%	3.1%	3.9%	11.5x	45.1%	0.8%	9.7%
Oct-22	8.2%	0.4%	2.3%	-4.2%	-2.1%	0.8%	5.4%	11.5x	62.0%	4.6%	52.6%
Nov-22	9.0%	0.4%	2.2%	-4.6%	-2.0%	0.5%	5.6%	11.3x	62.9%	5.1%	57.0%
Dec-22	10.8%	0.4%	4.0%	-9.1%	-6.5%	4.7%	4.3%	11.1x	47.7%	-0.3%	-3.8%
Jan-23	5.1%	0.4%	4.5%	-5.8%	-2.5%	2.1%	3.8%	10.9x	41.9%	1.7%	18.5%
Feb-23	4.0%	0.4%	3.2%	-5.5%	-1.9%	2.2%	2.5%	10.8x	26.6%	0.3%	2.8%
Mar-23	4.7%	0.4%	6.7%	-5.3%	-2.1%	-0.8%	3.7%	10.7x	39.2%	4.4%	47.4%
Apr-23	3.7%	0.4%	3.0%	-4.1%	-1.4%	1.7%	3.4%	10.6x	35.9%	1.7%	18.0%
May-23	2.9%	0.4%	3.6%	-4.7%	-1.6%	3.2%	3.9%	10.6x	40.9%	0.6%	6.5%
Jun-23	2.7%	0.5%	3.9%	-6.1%	-3.3%	7.2%	4.8%	10.6x	51.4%	-2.3%	-24.8%
Jul-23	3.0%	0.5%	3.9%	-5.1%	-1.3%	2.5%	3.4%	10.6x	35.6%	0.9%	9.2%
Aug-23	4.9%	0.4%	3.8%	-4.5%	-1.1%	0.7%	4.3%	10.6x	45.2%	3.6%	37.9%
Sep-23	8.2%	0.5%	4.5%	-5.2%	-1.7%	0.0%	6.3%	10.6x	67.3%	6.3%	67.3%
Oct-23	5.2%	0.4%	4.0%	-5.0%	-1.3%	-0.1%	3.2%	10.7x	34.5%	3.3%	35.5%
Nov-23	5.3%	0.5%	4.2%	-5.2%	-1.4%	-0.1%	3.3%	10.8x	35.2%	3.4%	36.1%
Dec-23	5.4%	0.5%	5.7%	-6.1%	-2.8%	1.6%	4.3%	10.8x	46.9%	2.7%	29.5%
Jan-24	3.3%	0.4%	6.2%	-6.8%	-2.6%	1.5%	1.9%	10.9x	21.2%	0.5%	5.4%
Feb-24	3.9%	0.4%	5.7%	-5.8%	-1.8%	0.1%	2.5%	11.0x	27.4%	2.4%	26.7%
Mar-24	5.3%	0.4%	6.4%	-5.8%	-1.9%	0.5%	4.8%	11.1x	53.1%	4.3%	48.0%
Apr-24	4.4%	0.4%	4.5%	-4.9%	-0.8%	-1.9%	1.7%	11.1x	18.5%	3.6%	39.9%
May-24	4.1%	0.4%	5.1%	-5.3%	-1.2%	-0.8%	2.2%	11.2x	25.0%	3.1%	34.5%
Jun-24	3.5%	0.4%	6.2%	-4.9%	-0.9%	-0.2%	4.1%	11.2x	45.5%	4.3%	48.1%
Jul-24	3.4%	0.4%	4.8%	-5.3%	-1.3%	-0.2%	1.7%	11.2x	19.1%	1.9%	21.7%
Aug-24	2.9%	0.4%	4.5%	-5.2%	-1.3%	0.3%	1.6%	11.3x	18.3%	1.3%	14.6%
Sep-24	4.1%	0.4%	5.1%	-4.9%	-1.1%	0.0%	3.6%	11.3x	40.5%	3.6%	40.7%
Oct-24	4.4%	0.4%	4.3%	-5.0%	-1.2%	-0.4%	2.5%	11.3x	28.1%	2.9%	32.5%
Nov-24	4.4%	0.3%	4.3%	-4.9%	-1.2%	0.1%	2.9%	11.3x	33.4%	2.9%	32.6%

Source: BRSA, Goldman Sachs Global Investment Research

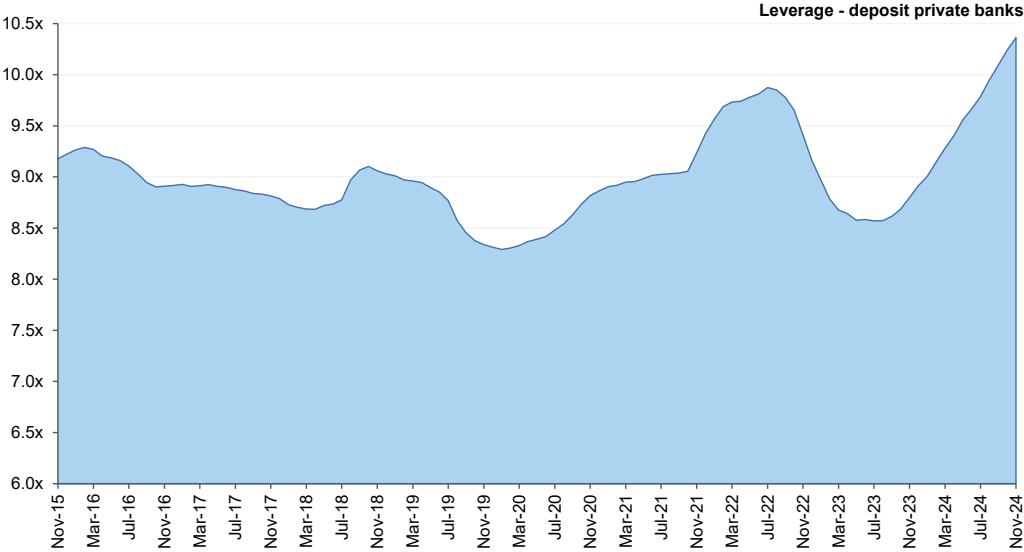
Exhibit 14: We note that private banks' monthly ROA/ROE were up c.0.4pp/4.0pp mom in November, mainly driven by higher other NIR, lower opex and improved tax and others, partially offset by higher credit costs and lower NII...

Deposit private banks

	NII	Fees	Other NIR	Opex	CL	Tax & other	ROA	Leverage	ROE	ROA (ex tax & other)	ROE (ex tax & other)
May-21	4.1%	0.2%	2.2%	-3.7%	-1.5%	0.0%	1.3%	9.0x	11.7%	1.3%	12.1%
Jun-21	4.6%	0.3%	2.9%	-3.5%	-1.8%	-0.2%	2.4%	9.0x	21.2%	2.5%	22.7%
Jul-21	4.8%	0.2%	2.4%	-2.4%	-0.6%	-2.9%	1.6%	9.0x	14.7%	4.5%	40.8%
Aug-21	4.4%	0.2%	2.7%	-2.7%	-0.9%	-2.1%	1.7%	9.0x	15.1%	3.7%	33.7%
Sep-21	5.6%	0.3%	3.4%	-3.8%	-1.9%	-0.3%	3.3%	9.0x	30.2%	3.6%	32.5%
Oct-21	5.4%	0.2%	3.0%	-4.9%	-3.3%	1.6%	2.1%	9.1x	18.8%	0.4%	3.9%
Nov-21	7.0%	0.3%	3.5%	-11.1%	-9.8%	13.6%	3.5%	9.2x	31.9%	-10.2%	-93.9%
Dec-21	6.2%	0.3%	4.3%	-5.0%	-3.5%	2.0%	4.3%	9.4x	40.9%	2.4%	22.3%
Jan-22	6.9%	0.3%	3.5%	-4.4%	-2.3%	0.7%	4.7%	9.6x	45.0%	4.0%	38.4%
Feb-22	6.7%	0.3%	2.8%	-4.8%	-2.3%	0.8%	3.5%	9.7x	34.1%	2.7%	26.1%
Mar-22	7.6%	0.3%	3.9%	-5.0%	-2.2%	1.5%	6.0%	9.7x	58.3%	4.5%	43.5%
Apr-22	7.8%	0.3%	4.1%	-4.5%	-1.8%	0.5%	6.4%	9.7x	62.7%	6.0%	58.0%
May-22	8.5%	0.3%	3.8%	-6.0%	-4.1%	3.2%	5.7%	9.8x	56.2%	2.6%	25.0%
Jun-22	11.6%	0.3%	9.6%	-3.3%	-9.1%	-0.2%	8.9%	9.8x	87.5%	9.1%	89.8%
Jul-22	8.7%	0.3%	2.9%	-5.2%	-2.4%	1.6%	6.0%	9.9x	58.9%	4.3%	42.9%
Aug-22	8.8%	0.3%	3.7%	-4.1%	-1.8%	-0.1%	6.8%	9.9x	67.4%	6.9%	68.4%
Sep-22	11.5%	0.3%	3.8%	-4.3%	-1.4%	-0.8%	9.1%	9.8x	88.9%	9.9%	96.6%
Oct-22	11.0%	0.3%	3.3%	-4.9%	-2.3%	0.4%	7.8%	9.7x	75.6%	7.4%	71.4%
Nov-22	12.4%	0.3%	3.4%	-5.3%	-1.9%	-0.1%	8.6%	9.4x	81.3%	8.8%	82.6%
Dec-22	8.6%	0.3%	6.6%	-6.1%	-2.0%	0.5%	7.9%	9.2x	72.2%	7.4%	67.3%
Jan-23	6.1%	0.3%	4.6%	-5.6%	-1.7%	1.2%	4.9%	9.0x	44.2%	3.7%	33.3%
Feb-23	4.8%	0.3%	3.0%	-5.5%	-1.2%	1.6%	3.0%	8.8x	26.7%	1.5%	12.8%
Mar-23	6.3%	0.3%	5.7%	-7.3%	-3.6%	3.8%	5.3%	8.7x	45.6%	1.4%	12.4%
Apr-23	4.2%	0.3%	4.1%	-4.6%	-1.2%	1.8%	4.5%	8.6x	39.0%	2.7%	23.7%
May-23	2.6%	0.3%	4.5%	-5.8%	-2.1%	5.1%	4.6%	8.6x	39.4%	-0.6%	-4.8%
Jun-23	3.5%	0.4%	6.5%	-7.0%	-3.8%	7.9%	7.4%	8.6x	63.9%	-0.4%	-3.5%
Jul-23	2.4%	0.3%	6.1%	-6.2%	-1.4%	2.8%	4.0%	8.6x	34.0%	1.2%	9.9%
Aug-23	4.6%	0.3%	5.3%	-5.3%	-0.8%	1.2%	5.2%	8.6x	44.6%	4.0%	34.3%
Sep-23	11.7%	0.3%	6.1%	-6.0%	-1.4%	-0.7%	9.9%	8.6x	85.7%	10.7%	92.1%
Oct-23	6.3%	0.3%	5.8%	-6.1%	-1.5%	-0.6%	4.2%	8.7x	36.9%	4.8%	42.1%
Nov-23	4.9%	0.3%	6.1%	-6.6%	-2.1%	0.5%	3.1%	8.8x	26.9%	2.6%	22.8%
Dec-23	4.0%	0.3%	8.6%	-6.9%	-2.5%	2.4%	5.9%	8.9x	53.0%	3.5%	31.4%
Jan-24	3.8%	0.3%	7.4%	-7.4%	-2.8%	0.2%	1.6%	9.0x	14.3%	1.3%	12.1%
Feb-24	4.2%	0.3%	7.6%	-7.8%	-2.6%	-0.1%	1.6%	9.1x	14.6%	1.7%	15.1%
Mar-24	5.8%	0.3%	8.8%	-7.0%	-1.9%	0.0%	6.0%	9.3x	55.6%	6.0%	55.2%
Apr-24	4.1%	0.3%	6.0%	-6.5%	-1.3%	-2.0%	0.5%	9.4x	4.7%	2.5%	23.6%
May-24	3.0%	0.3%	7.0%	-6.4%	-1.2%	-1.1%	1.6%	9.6x	14.9%	2.7%	25.6%
Jun-24	3.0%	0.3%	9.0%	-5.8%	-1.3%	-0.3%	5.0%	9.7x	48.3%	5.3%	50.9%
Jul-24	1.8%	0.3%	6.7%	-6.2%	-1.6%	-0.2%	0.8%	9.8x	7.7%	1.0%	9.4%
Aug-24	1.7%	0.3%	6.3%	-7.0%	-1.4%	1.0%	0.7%	9.9x	7.3%	-0.2%	-2.4%
Sep-24	3.0%	0.3%	7.2%	-6.7%	-2.0%	0.9%	2.6%	10.1x	26.6%	1.8%	17.7%
Oct-24	3.3%	0.3%	5.6%	-6.3%	-1.5%	-0.4%	1.1%	10.2x	11.3%	1.5%	14.9%
Nov-24	2.8%	0.2%	5.9%	-6.0%	-1.6%	0.2%	1.5%	10.4x	15.3%	1.2%	12.7%

Source: BRSA, Goldman Sachs Global Investment Research

Exhibit 15: ...and leverage reached its new 10-year peak level of 10.4x in November (vs. 10.2x in October 24 and 8.8x in November 23)



Source: BRSA, Goldman Sachs Global Investment Research

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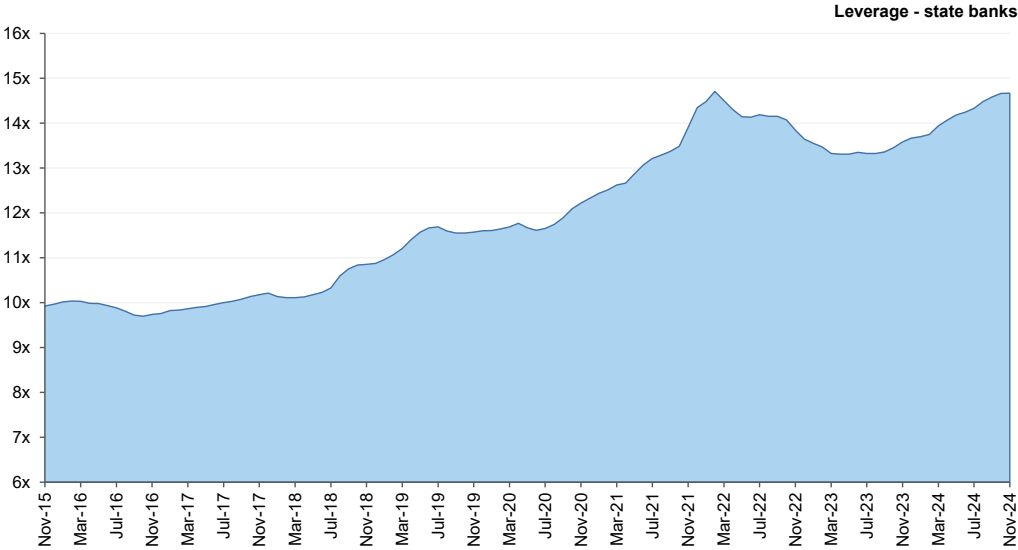
Exhibit 16: Public sector monthly ROA/ROE increased c.0.6pp/8.8pp mom, mainly driven by higher NII and improved tax and other, partially offset by lower other NIR and higher opex and credit costs...

Deposit state banks

	NII	Fees	Other NIR	Opex	CL	Tax & other	ROA	Leverage	ROE	ROA (ex tax & other)	ROE (ex tax & other)
May-21	2.0%	0.4%	0.9%	-2.3%	-0.9%	-0.5%	-0.3%	12.9x	-4.4%	0.1%	1.9%
Jun-21	2.0%	0.4%	2.2%	-1.4%	-0.5%	-1.3%	1.3%	13.1x	17.6%	2.6%	34.0%
Jul-21	2.4%	0.4%	1.2%	-2.1%	-0.8%	-0.9%	0.1%	13.2x	1.6%	1.0%	13.8%
Aug-21	2.8%	0.4%	1.1%	-1.7%	-0.5%	-1.3%	0.8%	13.3x	10.3%	2.1%	27.3%
Sep-21	3.2%	0.4%	1.7%	-3.1%	-1.6%	-0.5%	0.2%	13.4x	2.5%	0.6%	8.7%
Oct-21	4.6%	0.4%	1.0%	-2.6%	-1.2%	-1.1%	1.1%	13.5x	14.9%	2.2%	30.1%
Nov-21	6.8%	0.4%	1.2%	-4.7%	-3.2%	-0.7%	-0.1%	13.9x	-1.0%	0.6%	8.5%
Dec-21	9.6%	0.5%	1.6%	-7.1%	-7.2%	4.5%	2.0%	14.3x	29.0%	-2.5%	-36.0%
Jan-22	4.3%	0.5%	1.5%	-3.1%	-1.9%	0.8%	2.2%	14.5x	31.2%	1.3%	19.1%
Feb-22	4.5%	0.4%	1.3%	-2.6%	-1.3%	-0.7%	1.7%	14.7x	24.6%	2.4%	34.9%
Mar-22	6.1%	0.5%	2.1%	-5.4%	-3.6%	1.6%	1.3%	14.5x	18.8%	-0.3%	-4.8%
Apr-22	6.3%	0.5%	2.0%	-4.1%	-2.6%	1.9%	4.0%	14.3x	56.9%	2.0%	29.2%
May-22	7.2%	0.5%	1.5%	-4.8%	-2.4%	0.9%	3.0%	14.1x	42.3%	2.1%	29.1%
Jun-22	7.7%	0.5%	2.4%	-7.7%	-5.4%	3.1%	0.6%	14.1x	8.1%	-2.5%	-35.4%
Jul-22	11.3%	0.6%	1.4%	-8.2%	-4.1%	2.7%	3.6%	14.2x	51.1%	1.0%	13.5%
Aug-22	5.9%	0.6%	1.6%	-3.0%	-1.1%	-0.2%	3.7%	14.2x	52.8%	4.0%	56.2%
Sep-22	7.2%	0.6%	1.9%	-8.2%	-9.3%	7.0%	-0.8%	14.2x	-12.0%	-7.8%	-110.7%
Oct-22	6.5%	0.6%	1.5%	-3.3%	-2.0%	0.6%	3.8%	14.1x	54.0%	3.3%	45.8%
Nov-22	6.7%	0.5%	1.3%	-3.8%	-1.6%	0.6%	3.7%	13.8x	50.7%	3.1%	42.8%
Dec-22	14.6%	0.6%	2.0%	-13.5%	-12.0%	9.9%	1.6%	13.6x	21.5%	-8.4%	-114.1%
Jan-23	3.9%	0.6%	3.6%	-5.7%	-3.0%	2.0%	1.4%	13.6x	19.5%	-0.5%	-7.2%
Feb-23	2.9%	0.5%	2.7%	-5.2%	-1.9%	1.8%	0.9%	13.5x	11.8%	-0.9%	-12.8%
Mar-23	3.4%	0.6%	9.1%	-2.2%	0.1%	-9.3%	1.7%	13.3x	22.0%	11.0%	145.9%
Apr-23	2.4%	0.6%	2.2%	-3.5%	-1.2%	1.1%	1.5%	13.3x	19.8%	0.4%	5.4%
May-23	1.7%	0.5%	3.2%	-4.0%	-1.5%	1.7%	1.6%	13.3x	21.2%	-0.1%	-1.7%
Jun-23	0.5%	0.6%	1.7%	-4.3%	-1.8%	5.0%	1.7%	13.4x	22.2%	-3.3%	-44.5%
Jul-23	2.2%	0.5%	2.1%	-4.8%	-1.4%	3.0%	1.6%	13.3x	22.0%	-1.4%	-18.2%
Aug-23	4.7%	0.6%	2.4%	-4.3%	-1.6%	1.0%	2.8%	13.3x	37.6%	1.8%	24.5%
Sep-23	6.9%	0.7%	2.5%	-4.7%	-2.1%	0.5%	3.8%	13.4x	50.4%	3.3%	44.3%
Oct-23	3.2%	0.6%	2.5%	-4.2%	-1.1%	0.2%	1.1%	13.5x	14.8%	0.9%	12.7%
Nov-23	5.0%	0.7%	2.6%	-3.8%	-0.7%	-1.2%	2.6%	13.6x	34.6%	3.8%	51.6%
Dec-23	5.7%	0.6%	3.5%	-5.4%	-3.0%	0.5%	1.9%	13.7x	26.6%	1.4%	19.6%
Jan-24	1.7%	0.6%	4.1%	-5.6%	-2.2%	1.7%	0.3%	13.7x	3.7%	-1.4%	-19.0%
Feb-24	2.9%	0.5%	3.6%	-4.1%	-0.9%	-0.7%	1.4%	13.7x	19.6%	2.1%	29.3%
Mar-24	3.8%	0.5%	5.1%	-4.6%	-1.6%	0.4%	3.5%	13.9x	48.9%	3.1%	42.8%
Apr-24	2.5%	0.6%	2.6%	-3.4%	-0.2%	-2.0%	0.1%	14.1x	1.9%	2.1%	29.7%
May-24	3.0%	0.5%	3.1%	-3.9%	-0.6%	-1.1%	0.9%	14.2x	13.4%	2.1%	29.6%
Jun-24	2.0%	0.6%	4.6%	-4.1%	-0.7%	-0.2%	2.2%	14.2x	31.4%	2.4%	34.6%
Jul-24	2.7%	0.5%	3.1%	-4.4%	-0.9%	-0.5%	0.6%	14.3x	8.6%	1.1%	15.9%
Aug-24	1.5%	0.5%	3.0%	-3.3%	-0.9%	-0.2%	0.5%	14.5x	7.8%	0.8%	11.4%
Sep-24	3.2%	0.6%	3.3%	-3.1%	-0.7%	-0.6%	2.7%	14.6x	39.8%	3.3%	47.9%
Oct-24	4.1%	0.5%	2.8%	-3.5%	-0.8%	-0.8%	2.1%	14.7x	31.3%	3.0%	43.7%
Nov-24	4.3%	0.5%	2.6%	-3.8%	-0.9%	0.1%	2.7%	14.7x	40.2%	2.6%	38.2%

Source: BRSA, Goldman Sachs Global Investment Research

Exhibit 17: ...while leverage was 14.7x in November 2024, broadly stable mom (and vs. 13.6x in November 2023)

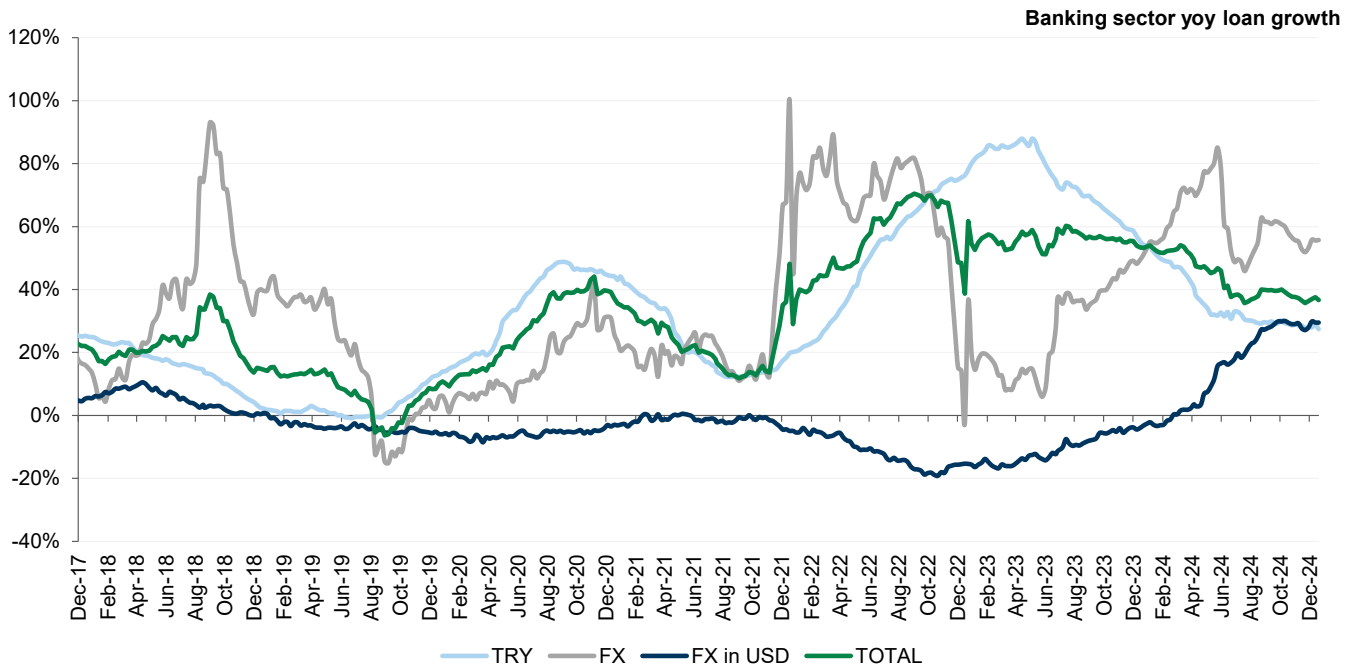


Source: BRSA, Goldman Sachs Global Investment Research

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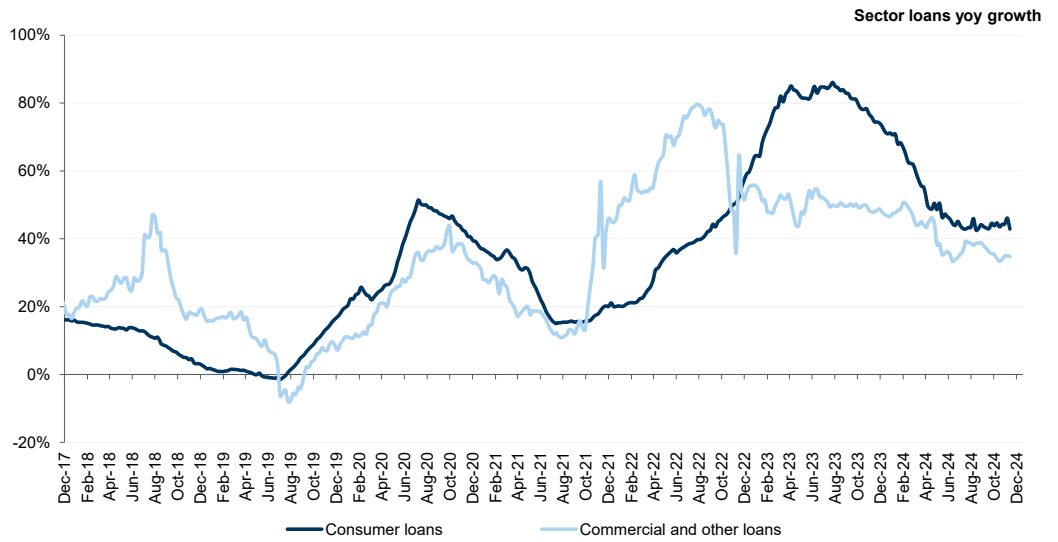
Loan and deposit growth

Exhibit 18: Total loans were up c.37% yoy as per latest data
Weekly data



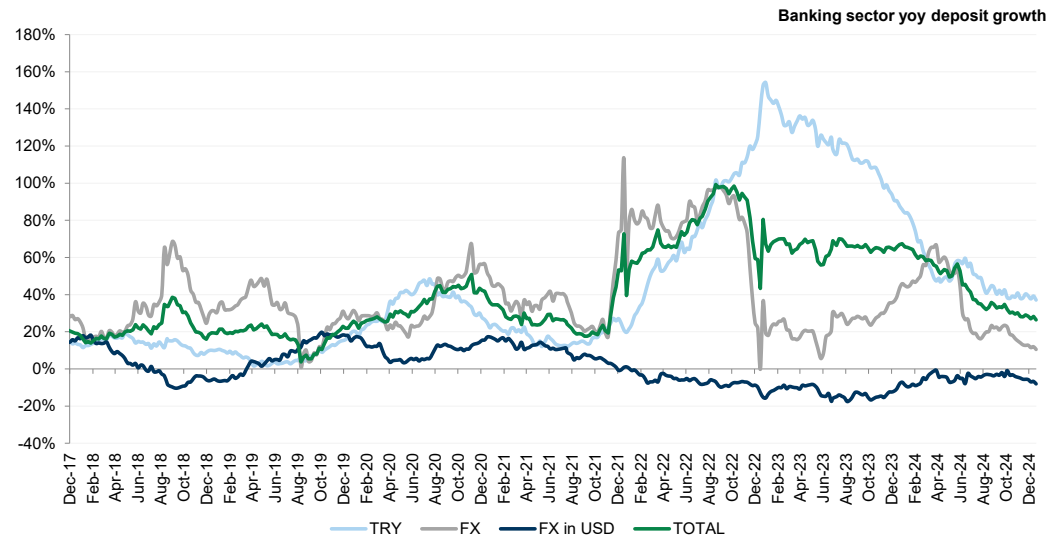
Source: BRSA, Goldman Sachs Global Investment Research

Exhibit 19: Commercial and other loan growth decelerated to 35% yoy (vs. c.48% in December 2023), while consumer loan growth was 43% yoy vs. c.74% in December 2023
Weekly data



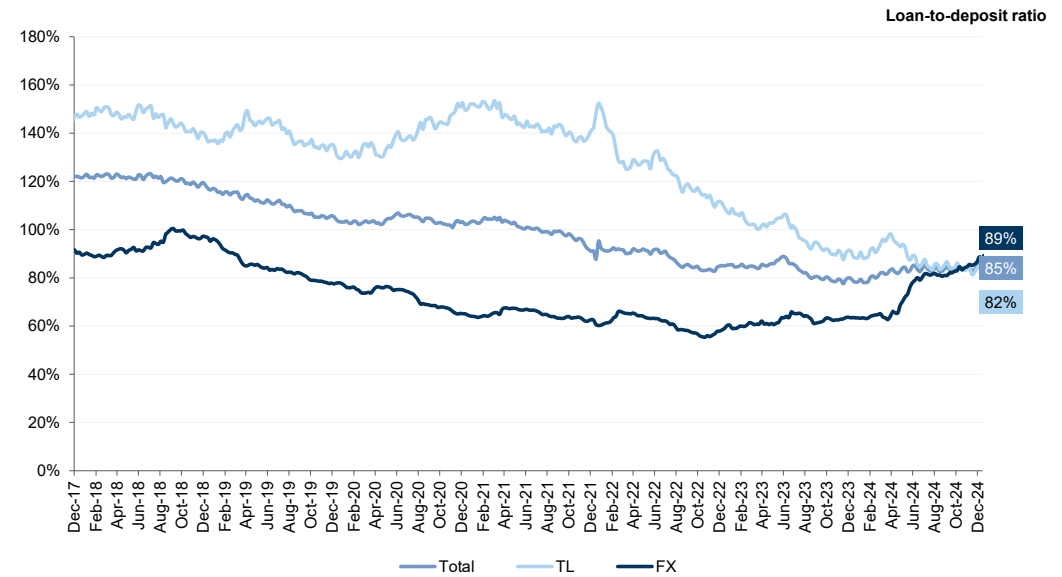
Source: BRSA, Goldman Sachs Global Investment Research

Exhibit 20: Total deposits were up c.26% yoy as per latest weekly data
Weekly data



Source: BRSA, Goldman Sachs Global Investment Research

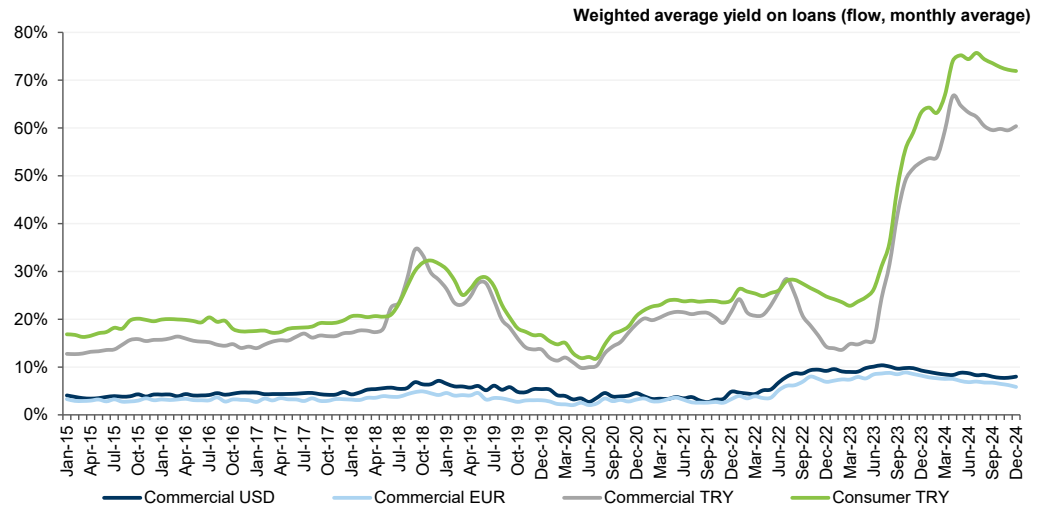
Exhibit 21: Sector Turkish Lira LDR stands at 82%, with total LDR at 85% and FX LDR at 89%
Weekly data



Source: BRSA, Goldman Sachs Global Investment Research

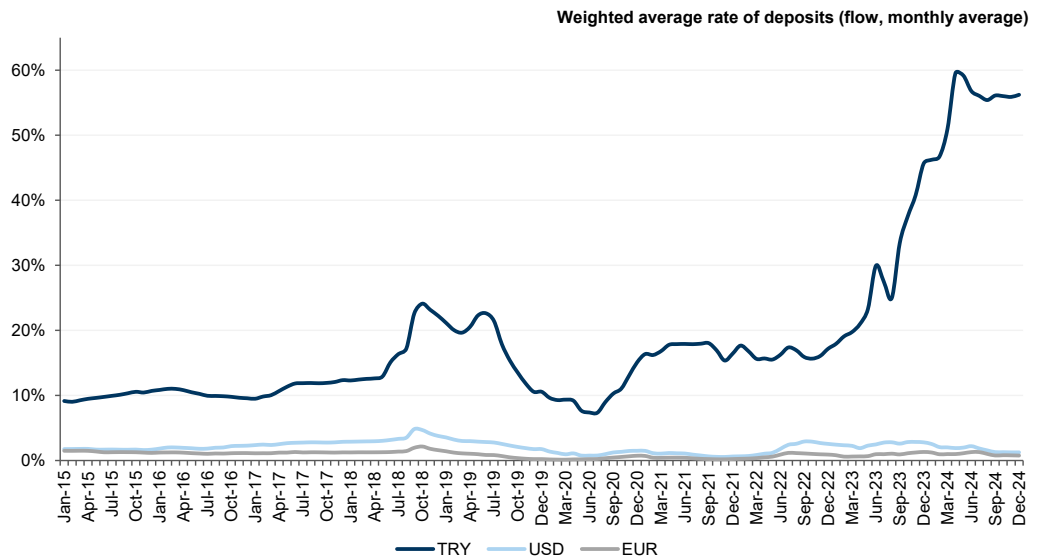
Loan yields, deposit costs and loan-deposit spreads

Exhibit 22: According to the latest available data, TL loan yields (commercial and consumer) increased c.0.3pp on average in December 2024 vs. the Nov 2024 average...
 Latest as of Dec 20



Source: CBRT, Goldman Sachs Global Investment Research

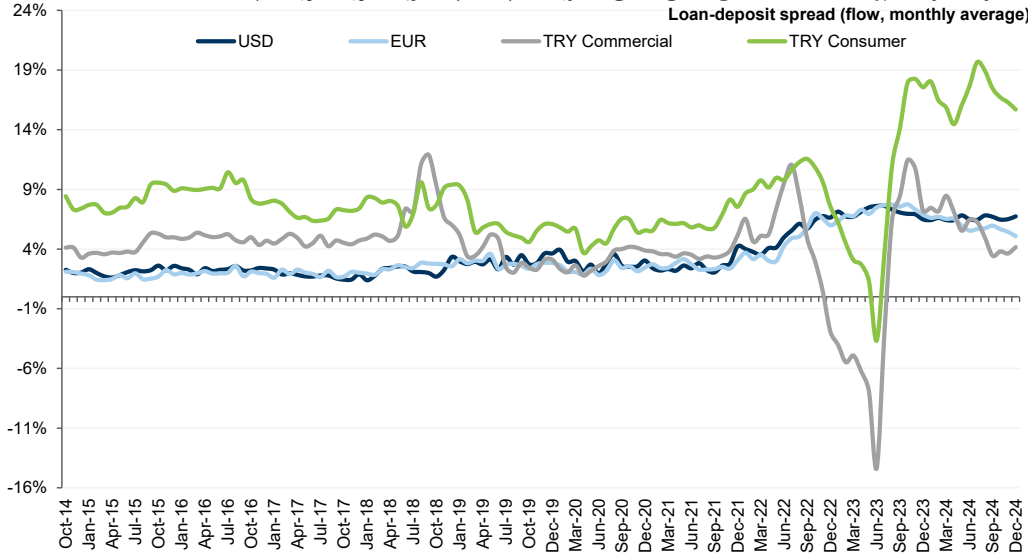
Exhibit 23: ...and TL deposit costs increased c.33bps...
 Latest as of Dec 20



Source: CBRT, Goldman Sachs Global Investment Research

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Exhibit 24: ...and thus, TL loan to deposit spreads decreased c.3bps on average in Dec 2024 vs. the average of Nov 2024
Latest as of Dec 20



Source: CBRT, Goldman Sachs Global Investment Research

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Estimate changes, valuation and key risks

We update our estimates for the Turkish banks to reflect the latest macro outlook and banking sector data. Our target prices change by c.15% on average, of which c.5% are related to EPS changes in 2026E, and c.10% are related to unwinding of the time discount factor, as a result of a change in the discount period from Sept'25 to Dec'25.

Exhibit 25: Summary of changes to our 12-month price targets and EPS forecasts

	Ccy	Rating	Rating (old)	Price	PT	PT (old)	TP Δ (%)	Upside	EPS 24E (new)	EPS 24E (old)	Δ (%)	EPS 25E (new)	EPS 25E (old)	Δ (%)	EPS 26E (new)	EPS 26E (old)	Δ (%)	EPS 27E (new)	EPS 27E (old)	Δ (%)	EPS 28E (new)	EPS 28E (old)	Δ (%)
Akbank	TRY	Buy	Buy	62.8	94.0	77.0	22%	50%	8.66	12.38	-30%	19.61	17.85	10%	22.51	21.15	6%	21.6	19.6	10%	25.2	24.1	5%
Yapi Kredi	TRY	Buy	Neutral	29.9	46.0	37.0	24%	54%	3.88	6.46	-40%	10.66	9.94	7%	11.61	10.56	10%	12.1	12.9	-6%	15.1	14.9	1%
Isbank	TRY	Neutral	Buy	14.1	17.0	18.0	-6%	20%	2.17	3.45	-37%	4.77	4.99	-4%	4.61	5.28	-13%	4.9	5.1	-4%	5.6	6.1	-8%
Garanti	TRY	Neutral	Neutral	127.4	163.0	119.0	37%	28%	21.92	21.31	3%	33.86	29.42	15%	38.43	32.64	18%	37.25	31.29	19%	40.58	33.25	22%
Vakif	TRY	Sell	Sell	23.5	18.0	17.0	6%	-23%	4.01	3.56	13%	6.80	6.40	6%	6.16	6.11	1%	7.60	7.11	7%	7.89	7.59	4%
Halk Bank	TRY	Sell	Sell	16.9	15.0	13.8	9%	-11%	2.05	2.18	-6%	5.67	4.63	22%	5.56	5.20	7%	5.52	5.14	7%	5.80	5.46	6%

Source: Goldman Sachs Global Investment Research, FactSet

Pricing in this report is as of the market close of Jan 14, 2025, unless otherwise indicated.

We are Buy-rated on **Akbank**. Our EPS estimates increase by c.8% on average over 2025-28E, mainly reflecting higher NII and fee income, partially offset by higher opex and credit costs, while our 2024E EPS estimate decreases by c.30% as we incorporate 3Q24 results into numbers and company comments regarding downside risks to previous 2024E guidance provided during the 3Q24 conference call (see [review](#)) amid slower-than-expected TL loan-deposit spread recovery. Our 12-month, ROE/COE-based price target is TL94.0 (up from TL77.0 previously), on the back of higher EPS estimates in 2026E and aforementioned unwinding of time discount. Key downside risks to our view include: 1) significant Lira depreciation resulting in a capital hit, eroding excess capital buffers; (2) higher-than-expected funding costs due to a worse-than-expected liquidity situation, resulting in NIM pressure; (3) a prolonged asset quality cycle delaying cost of risk normalization; and (4) meaningful market share losses limiting earning generation potential in the near term.

We are upgrade **Yapi** to Buy from Neutral with a revised 12-months, ROE/COE-based price target of TL46.0 (up from TL37.0 previously) on the back of EPS estimates changes and unwinding of time discount. Our EPS estimates increase by c.3% on average over 2025-28E, reflecting our more constructive outlook on NII, fee income and other non-interest revenue, partially offset by higher opex and credit costs. We reduce our 2024E EPS estimate by c.40% as we incorporate 3Q24 results into numbers and company comments regarding downside risk to previous 2024E guidance provided during 3Q24 conference call (see [review](#)) amid slower-than-expected TL loan-deposit spread recovery. The key downside risks to our view and PT include: (1) worse-than-expected funding costs trends, translating into weaker margins; (2) worse-than-expected asset quality trends impacting cost of risk; (3) weaker loan growth due to a significant slowdown in local and global operating activity; (4) adverse macro conditions; and (5) unfavorable regulatory changes.

We downgrade **İsbank** from Buy to Neutral. Our EPS estimates are down by c.7% on average over 2025-28E, reflecting higher opex and credit costs, partially offset by higher NII and fee income. We reduce our 2024E EPS estimate by 37% as we incorporate 3Q24 results into numbers and company comments regarding downside risk to previous 2024E guidance provided during 3Q24 conference call (see [review](#)) amid slower-than-expected TL loan-deposit spread recovery. Our revised 12-month ROE/COE-based price target is TL17.0 (down from TL18.0 previously), and it includes the aforementioned unwinding of time discount. Key risks to our view and PT are as follows: (1) higher/lower-than-expected NIMs; (2) better/worse-than-expected asset quality; (3) positive/unfavourable regulatory changes; (4) supporting/adverse macro conditions; and (5) faster/slower-than-expected loan growth.

We remain Neutral on **Garanti**. Our EPS estimates increase by c.18% on average over 2025-28E, reflecting our upgraded estimates for NII and fee income, partially offset by higher opex and credit costs. Our 2024 EPS forecast increase by 3% (and this change is less than other banks) given that Garanti did not revise its 2024E outlook significantly with 3Q24 [results](#) and as TL loan yield performance for Garanti was in-line with expectations. Our new 12-month ROE/COE-based price target is TL163.0 (up from TL119.0 previously), as a result of EPS estimates upgrade and unwinding of time discount. Key risks to our PT and view are: (1) better/worse-than-expected funding cost trends, translating into stronger/weaker margins; (2) a lower/higher-than-expected impact from the new fee regulation; (3) better/worse-than-expected asset quality trends impacting cost of risk; (4) market share gains driving higher loan growth; and (5) weaker loan growth due to a significant slowdown in local and global operating activity.

We are Sell-rated on **Halk**. Our EPS estimates increase on average by c.11% over 2025-28E, driven by higher NII and fee income, partially offset by higher opex and credit costs. Our 2024E EPS decrease by 6% reflecting 3Q24 results and industry trends in Oct-Nov'24. Our revised 12-month ROE/COE-based price target is TL15.0 (vs. TL13.8 previously), including the impact of unwinding of time discount. Key upside risks to our view and PT include: (1) stronger-than-expected NIM trends; (2) better-than-expected credit quality supporting lower cost of risk; and (3) stronger-than-expected internal capital generation.

We are Sell-rated on **Vakif**. Our 2025-28E EPS estimates increase on average by c.4%, reflecting higher NII and fee income, partly offset by lower other NIR and higher opex and credit costs. Our 2024E EPS increase by 13% reflecting 3Q24 results and updated company [guidance](#) for 2024E which implies a higher ROE (low-twenties) than we expected before. Our revised 12-month ROE/COE-based price target is TL18.0 (up from TL17.0 previously) as a result of EPS estimates increase and unwinding of time discount. Key upside risks to our view and PT are as follows: (1) better-than-expected funding cost trends, translating into stronger margins; (2) a higher-than-expected impact from the new fee regulation; (3) better-than-expected asset quality trends impacting cost of risk; (4) market share gains driving higher loan growth; and (5) stronger loan growth due to a significant increase in local and global operating activity.

Exhibit 26: Turkish banks trade above median levels on P/B, but at a discount to maximum levels

Share prices in TRY

Price	Turkish valuation vs history (5y)						Avg
	AK	Garanti	Yapi	IS	Vakif	Halk	
2025E P/B (Gse)	1.0x	1.2x	0.9x	0.8x	0.9x	0.7x	0.9x
Max 12m fwd P/B (5y)	1.2x	1.4x	1.2x	1.1x	1.0x	0.9x	1.1x
Median 12m fwd P/B (5y)	0.5x	0.6x	0.5x	0.5x	0.4x	0.3x	0.5x
Min 12m fwd P/B (5y)	0.3x	0.4x	0.3x	0.3x	0.2x	0.2x	0.3x
Discount to max	-18%	-14%	-25%	-34%	-16%	-29%	-22%
vs. median	100%	105%	77%	65%	125%	126%	97%
Premium to minimum	227%	219%	198%	180%	308%	310%	231%
Current 12mf P/E	4.0x	4.1x	3.3x	3.0x	4.2x	3.6x	3.7x
Max 12m fwd P/E (5y)	5.7x	5.6x	4.6x	5.3x	5.6x	7.6x	5.7x
Median 12m fwd P/E (5y)	3.0x	3.3x	2.8x	2.9x	2.8x	3.2x	3.0x
Min 12m fwd P/E (5y)	1.3x	1.8x	1.2x	2.1x	1.3x	1.4x	1.5x
Discount to max	-29%	-27%	-27%	-43%	-26%	-53%	-35%
vs. median	35%	24%	19%	4%	52%	12%	24%
Premium to minimum	213%	131%	174%	45%	212%	155%	144%

Source: Eikon Datastream, Goldman Sachs Global Investment Research

Yapi Kredi (YKBNK.IS): Up to Buy from Neutral

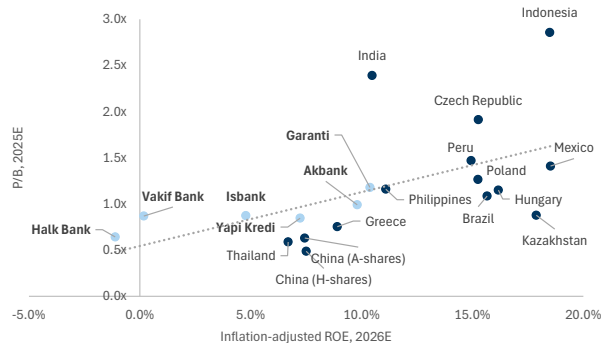
We upgrade Yapi Kredi to Buy (from Neutral) with a new price target of TL46.0 (prev TL37.0) implying 54% TL upside potential on estimate changes.

Investment thesis: We expect Yapi to be one of the biggest beneficiaries of rate cuts within our Turkey banks coverage: we model 2025E/26E NIM (excl. swap costs) for Yapi at 6.0%/5.7% which compares with GSe NIM of 4.0% in 2024E and last 10-year average NIM of 5%. We forecast ROE of 35%/28% in 2025E/26E which implies a real return of c.3%/c.8% over average Bloomberg inflation forecast of 32%/20.5% in 2025E/2026E. On our analysis Yapi Kredi trades at 0.8x/0.6x PB25E/PB26E which in our view implies an attractive level of valuation as we expect ROE of Yapi to exceed both inflation and our COE assumption of 28% in both 2025E/26E. Our implied target P/TBV'26E for Yapi is 1.0x P/B which implies c.53% TL return on share price (and c.20% in US\$ terms). Our new ROE/COE-based price target for Yapi is TL46.0 (up from TL37.0) on estimate changes.

Summary of our forecasts for Yapi Kredi: We model (1) 2025E NIMs (excl. swap costs) to average 6.0% in 2025E (vs. +200bps yoy), exceeding last 10-year average of 5%; we model Yapi NIM at 5.7% in 2026E and return towards historical levels afterwards, (2) we expect fee/opex ratio of Yapi to reach 91% in 2024E and reduce in 2025E to an area of 87% given high base effect on fee income line and delay in inflation pass-through on expenses, (3) we expect manageable deterioration in asset quality driven by credit cards and unsecured lending; we model Yapi CoR at 140bps/200bps in 2025-26E on average (vs. 80bps in 2024E), (4) we expect TL lending growth in the area of 25% in 2025E (below average inflation forecast) and 20% in 2026E (in-line with average inflation), (5) FX loan growth at c.15% in 2025E and c.3% in 2026E (in US\$-terms), (6) we model Yapi ROE at 35%/28% in 2025-26E (implying c.3%/5% positive return over average Bloomberg inflation forecast of 32%/20.5% in 2025E/2026E). We forecast consolidated CET1 ratio (w/o forbearances) at 12%/13% in 2025-26E. We are c.10% ahead of Reuters consensus on 2025E EPS estimate.

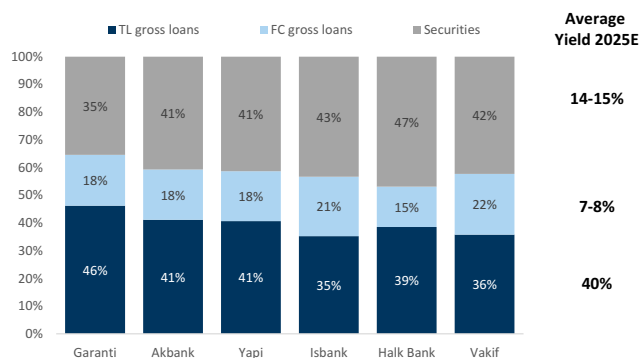
Estimate changes and TP changes: Our EPS estimates increase by c.3% on average over 2025-28E, reflecting our more constructive outlook on NII, fee income and other non-interest revenue, partially offset by higher opex and credit costs. We reduce our 2024E EPS estimate by c.40% as we incorporate 3Q24 results into numbers and company comments regarding downside risk to previous 2024E guidance provided during 3Q24 conference call (see [review](#)) amid slower-than-expected TL loan-deposit spread recovery. Our ROE/COE-driven target price for Yapi increases to TL46.0 (from TL37.0) mainly on the back of higher estimates and implies c.53% upside potential.

Exhibit 27: Yapi trades at a discount on P/B'25E vs. inflation-adjusted ROE'26E relative to EM/CEEMEA peer group of banks



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 28: Composition of Yapi's interest earning asset mix is skewed towards higher-yield asset categories
Composition of interest earning asset mix



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 29: Yapi Kredi summary financials

YAPI KREDI: KEY FINANCIALS AND RATIOS

Profit and Loss Statement, TL mn	2023	2024	2025	2026	2027	2028
Net interest income	72,902	75,324	150,151	176,656	157,298	180,155
Fee income	34,482	72,196	97,134	118,795	134,060	150,147
Trading income, dividends	19,921	-37,483	-6,480	-5,980	5,019	5,463
Other operating income	25,597	39,220	24,322	6,857	7,485	8,748
Revenues	152,902	149,258	265,127	296,327	303,862	344,514
Personnel expenses	-16,777	-28,714	-40,545	-47,881	-51,881	-56,282
Other operating expenses	-29,703	-50,240	-70,533	-83,009	-88,687	-93,945
Total operating expenses	-46,481	-78,953	-111,078	-130,890	-140,568	-150,227
Gross operating profit	106,421	70,305	154,049	165,437	163,294	194,287
Credit costs	-23,870	-34,986	-40,074	-41,291	-33,425	-32,856
Net operating income	82,551	35,318	113,975	124,146	129,869	161,430
Other income/losses	0	0	0	0	0	0
PBT	82,551	35,318	113,975	124,146	129,869	161,430
Taxes	-14,542	-2,520	-23,935	-26,071	-27,272	-33,900
Net profit	68,009	32,798	90,040	98,075	102,596	127,530
Dividends to preferred shares	0	0	0	0	0	0
Minorities	0	0	0	0	0	0
Net profit to common shareholders	68,009	32,798	90,040	98,075	102,596	127,530
ROE	44.6%	17.1%	35.2%	27.5%	22.8%	23.2%
ROA	4.8%	1.5%	3.2%	2.8%	2.4%	2.7%
Per share data	2023	2024	2025	2026	2027	2028
GS EPS	8.05	3.88	10.66	11.61	12.15	15.10
DPS	1.21	0.58	1.60	1.74	1.82	2.26
BVPS	21.2	24.3	36.3	48.1	58.5	71.7
TBVP	21.0	24.0	35.9	47.6	58.0	71.2
Valuation	2023	2024	2025	2026	2027	2028
P/E	3.7x	7.7x	2.8x	2.6x	2.5x	2.0x
GS P/E	3.7x	7.7x	2.8x	2.6x	2.5x	2.0x
P/BV	1.4x	1.2x	0.8x	0.6x	0.5x	0.4x
P/TBV	1.4x	1.2x	0.8x	0.6x	0.5x	0.4x
Dividend yield	4.0%	2.0%	5.4%	5.8%	6.1%	7.6%

Assets	2023	2024	2025	2026	2027	2028
Cash and cash equivalents	263,274	408,535	476,936	592,831	680,867	776,188
Interbank and other lending	4,965	18,801	26,821	33,338	38,289	43,649
Net loans	863,051	1,248,881	1,599,683	1,850,758	2,085,790	2,301,871
Securities	403,821	520,447	666,746	946,434	1,126,785	1,360,465
Interest-earning assets	1,535,111	2,196,664	2,770,186	3,423,361	3,931,730	4,482,173
Other assets	203,540	297,479	378,612	490,594	563,448	642,330
Total assets	1,738,651	2,494,143	3,148,798	3,913,956	4,495,178	5,124,503
Liabilities & Shareholders' equity	2023	2024	2025	2026	2027	2028
Due to other banks and money market	57,973	264,715	306,864	458,943	513,872	579,180
Customer deposits	1,036,470	1,342,540	1,676,047	1,980,721	2,260,496	2,533,335
Debt securities in issue	77,702	113,796	143,497	178,367	204,854	233,534
Other borrowed funds	212,862	311,742	393,106	488,631	561,193	639,760
Subordinated debt	36,846	53,962	68,046	84,582	97,142	110,742
Interest-bearing liabilities	1,421,852	2,086,755	2,587,561	3,191,243	3,637,656	4,096,551
Other liabilities	137,947	202,028	254,757	316,663	363,687	421,877
Shareholders Equity	178,852	205,360	306,481	406,050	493,935	606,076
Total liabilities and shareholders' equity	1,738,651	2,494,143	3,148,798	3,913,956	4,495,178	5,124,503
Asset quality	2023	2024	2025	2026	2027	2028
Non Performing Loans (Stage 3), eop	26,830	42,035	58,867	81,253	99,973	115,614
Loan Loss Reserves (eop)	40,535	47,540	61,164	96,434	123,289	148,105
NPL ratio, %	2.97%	3.24%	3.54%	4.17%	4.53%	4.72%
Coverage ratio	151%	113%	104%	119%	123%	128%
Capital and key ratios	2023	2024	2025	2026	2027	2028
Risk-weighted assets	1,047,513	1,646,134	2,078,207	2,583,211	2,966,818	3,382,172
Tier 1 Capital	193,013	222,553	315,673	418,748	521,345	648,875
Total capital	212,482	260,458	359,914	470,050	580,374	716,752
Shareholders Equity	178,852	205,360	306,481	406,050	493,935	606,076
Tier 1 Ratio	18.4%	13.5%	15.2%	16.2%	17.6%	19.2%
Total capital ratio	20.3%	15.8%	17.3%	18.2%	19.6%	21.2%
TE / TA	10.2%	8.1%	9.6%	10.3%	10.9%	11.7%
Leverage (TA / TE)	9.8x	12.3x	10.4x	9.7x	9.2x	8.5x

Source: Company data, Goldman Sachs Global Investment Research

Summary of key risks:

- **Worse-than-expected funding costs trends:** higher-than-expected funding costs due to downward pricing pressure on assets yields and/or worse-than-expected liquidity trends could pose downside risks to our view and share price performance.
- **Worse-than-expected asset quality trends:** worsening of banking sector asset quality could lead to higher-than-expected loan loss provisions, which, combined with a potential inflow of NPLs in such a backdrop, could pose downside risks to our view.

- **Weaker loan growth**, related, but not limited to a potential slowdown in local and/or global economic activity, could pose a downside risk to our view.
- **Adverse macro conditions**: we see potential (1) higher-than-expected inflation, and (2) slower-than-expected rate cutting cycle progression as a downside risk to our view.
- **Unfavorable regulatory changes**: in our view, further tightening of existing macroprudential measures (such as lending growth caps and increased reserve requirements) or introduction of new ones would pose a downside risk to our view

Isbank (ISCTR.IS): Down to Neutral

We downgrade Isbank to Neutral (from Buy) with a new price target for Isbank at TL17.0 (down from TL18.0) implying 20% upside potential on estimate changes.

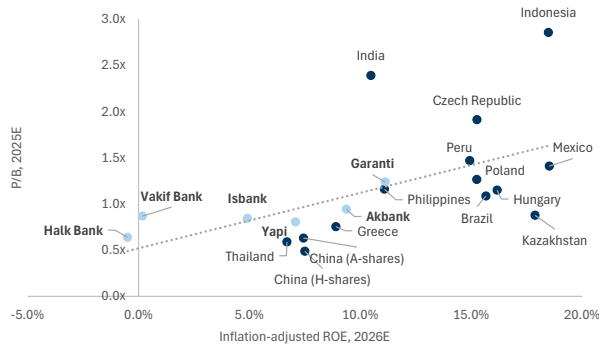
Investment thesis: We expect a significant year-over-year improvement of NIM for Isbank (we model 2025/26E NIM at 5.4%/4.7% vs. 1.5% in 2024E and last 10-year average of 4.5%), on our analysis composition of Isbank's interest asset mix allows for a lower absolute NIM level compared to other private sector peers (mainly due to lower share of TL loans in asset mix). We model Isbank ROE at 34%/25% in 2025-26E implying 1%/5% real return over average Bloomberg inflation forecast of 32%/20.5% in 2025/2026E. On our analysis Isbank trades at 0.8x/0.7x PB25E/PB26E, while our implied target P/B'26E for Isbank is 0.8x implying 20% TL return on share price. Our new ROE/COE-based price target for Isbank is TL17.0 (down from TL18.0) on estimate changes.

Since we upgraded Isbank to Buy on May 30, 2024 the stock is down 10.8% which compares with a 1% price increase of banking stocks in Turkey and a 15.4% increase (in TL) in the MSCI EM EMEA index (4.9% increase in US\$). We believe this underperformance was driven by a more challenging than expected macro and regulatory environment in the second half of 2024E which included tightening of macroprudential regulations. In particular, we note that a number of Turkish banks (including Isbank) downgraded its 2024E guidance on NIMs/ROEs during 2Q-3Q24 in the light of longer-than-expected repricing of TL asset yields (and these guidance downgrades triggered negative stock performance).

Summary of our forecasts for Isbank: We model (1) 2025E NIMs (excl. swap costs) to average 5.4% in 2025E (vs. 1.5% in 2024E), exceeding last 10-year average of 4.5%; we model Isbank NIM at 4.7% in 2026E and return towards historical levels afterwards, (2) we expect fee/opex ratio of Isbank to reach 78% in 2024E and reduce in 2025E/26E to an area of 74%/77% given high base effect on fee income line and delay in inflation pass-through on expenses, (3) we expect manageable deterioration in asset quality driven by credit cards and unsecured lending; we model Isbank CoR at 160bps/200bps in 2025/26E on average (vs. 120bps in 2024E), (4) we expect TL lending growth in the area of 25% in 2025E (below average inflation forecast) and 20% in 2026E (in-line with average inflation), (5) FX loan growth at c.15% in 2025E and c.3% in 2026E (in US\$-terms), (6) we model Isbank ROE at 34%/25% in 2025-26E vs. Bloomberg inflation forecast of 32%/20.5% in 2025E/2026E. We forecast consolidated CET1 ratio (w/o forbearances) at c.12% in 2025-26E. We are c.15% ahead of consensus on 2025E EPS.

Estimate changes and TP changes: Our EPS estimates are down by c.7% on average over 2025-28E, reflecting higher opex and credit costs, partially offset by higher NII and fee income. We reduce our 2024E EPS estimate by 37% as we incorporate 3Q24 results into numbers and company comments regarding downside risk to previous 2024E guidance provided during 3Q24 conference call (see [review](#)) amid slower-than-expected TL loan-deposit spread recovery. Our revised 12-month ROE/COE-based price target is TL17.0 (down from TL18.0 previously).

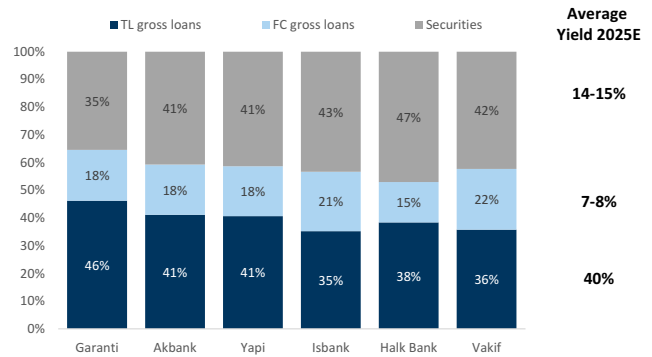
Exhibit 30: Isbank trades in line on P/B'25E vs. inflation-adjusted ROE'26E relative to EM/CEEMEA peer group of banks



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 31: Composition of Isbank's interest earning asset mix is skewed towards lower-yield asset categories

Composition of interest earning asset mix



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 32: Isbank summary financials

ISBANK: KEY FINANCIALS AND RATIOS

Income statement						
Profit and Loss Statement, TL mn	2023	2024	2025	2026	2027	2028
Net interest income	67,073	39,124	182,834	197,834	194,942	211,623
Fee income	42,438	90,586	121,769	148,924	168,060	188,228
Trading income, dividends	12,289	-900	32,783	31,550	32,026	31,021
Other operating income	47,583	56,717	29,767	14,871	12,367	14,073
Revenues	169,382	185,527	367,153	393,178	407,396	444,944
Personnel expenses	-25,307	-44,443	-63,826	-75,596	-82,239	-89,578
Other operating expenses	-46,922	-71,459	-101,135	-118,356	-127,489	-136,212
Total operating expenses	-72,229	-115,902	-164,961	-193,952	-209,728	-225,790
Gross operating profit	97,153	69,625	202,191	199,226	197,668	219,154
Credit costs	-20,071	-25,451	-51,230	-53,379	-42,447	-41,360
Net operating income	77,083	44,174	150,961	145,847	155,221	177,795
Other income/losses	0	0	0	0	0	0
PBT	77,083	44,174	150,961	145,847	155,221	177,795
Taxes	-4,818	10,000	-31,702	-30,628	-32,596	-37,337
Net profit	72,265	54,174	119,259	115,219	122,625	140,458
Minorities	0	0	0	0	0	0
Net profit to common shareholders	72,265	54,174	119,259	115,219	122,625	140,458
ROE	31%	19%	34%	25%	22%	21%
ROA	3.7%	1.8%	3.1%	2.4%	2.1%	2.1%
Per share data, TL						
GS EPS	2.89	2.17	4.77	4.61	4.90	5.62
DPS	0.58	0.33	0.72	0.69	0.74	0.84
BVPS	10.7	11.8	16.4	20.3	24.5	29.4
TBVPS	10.5	11.4	15.9	19.7	23.8	28.6
Valuation						
GS P/E	4.7x	6.3x	2.8x	2.9x	2.8x	2.4x
P/BV	1.3x	1.2x	0.8x	0.7x	0.6x	0.5x
P/TBV	1.3x	1.2x	0.9x	0.7x	0.6x	0.5x
Dividend yield	4.3%	2.4%	5.3%	5.1%	6.4%	6.2%

Balance sheet, TL mn						
Assets	2023	2024	2025	2026	2027	2028
Cash and cash equivalents	523,503	588,707	686,751	853,632	980,396	1,117,652
Interbank and other lending	42,970	102,637	131,943	164,006	188,361	214,731
Net loans	1,134,323	1,647,409	2,110,465	2,426,652	2,726,116	2,987,081
Securities	472,418	659,887	848,308	1,251,102	1,497,784	1,828,165
Interest-earning assets	2,173,214	2,998,640	3,777,467	4,695,391	5,392,657	6,147,629
Other assets	280,570	422,398	541,514	673,102	773,057	881,285
Total assets	2,453,783	3,421,037	4,318,981	5,368,493	6,165,714	7,028,914
Liabilities & Shareholders' equity						
Due to other banks and money markets	123,181	392,946	520,989	853,088	1,003,950	1,216,612
Customer deposits	1,662,179	2,162,874	2,667,716	3,112,964	3,521,174	3,897,057
Debt securities in issue	68,486	97,537	122,994	152,882	175,585	200,167
Other borrowed funds	120,766	171,994	216,884	269,587	309,621	352,968
Subordinated debt	39,871	56,784	71,604	89,004	102,221	116,532
Interest-bearing liabilities	2,014,483	2,882,135	3,600,188	4,477,525	5,112,552	5,783,335
Other liabilities	171,503	244,253	308,003	382,848	439,701	510,053
Shareholders' Equity	267,797	294,650	410,790	508,120	613,462	735,526
Total liabilities and shareholders' equity	2,453,783	3,421,037	4,318,981	5,368,493	6,165,714	7,028,914
Asset quality, TL mn						
Non Performing Loans (Stage 3), eop	24,950	39,442	71,159	101,732	127,001	147,968
Loan Loss Reserves (eop)	37,968	50,951	72,836	118,989	153,323	184,591
NPL ratio, %	2.1%	2.3%	3.3%	4.0%	4.4%	4.7%
Coverage ratio	152%	129%	102%	117%	121%	125%
Capital and key ratios						
Tier 1 Ratio	18.0%	14.7%	15.7%	16.1%	17.2%	18.2%
Total capital ratio	21.6%	17.5%	18.2%	18.8%	19.9%	20.9%
TE / TA	10.7%	8.3%	9.2%	9.2%	9.7%	10.2%
Leverage (TA / TE)	9.4x	12.0x	10.8x	10.9x	10.3x	9.8x

Source: Company data, Goldman Sachs Global Investment Research

Summary of key risks:

- **Higher/lower-than-expected NIMs:** we see potential downside risks to Isbank's NIMs on the back of lower share of TL loans in asset mix, which could translate into less meaningful/front-loaded margin recovery compared to its private peers. Moreover, higher/lower-than-expected funding costs could be a tail/headwind to NIM recovery for Isbank.
- **Better/worse-than-expected asset quality:** Improvement/worsening of the banking sector asset quality trends could lead to lower/higher-than-expected loan loss provisions, which could pose upside/downside risk to our view and PT.
- **Positive/unfavorable regulatory changes:** Loosening/tightening of

macroprudential measures (e.g. lending growth caps and reserve requirements) could be a supportive/adverse factor to our investment view.

- **Supporting/adverse macro conditions:** Risks on the macro side include but are not limited to (1) lower/higher-than-expected inflation, (2) faster/slower-than-expected rate cutting cycle progression, and (3) exposure to exchange rate volatility.
- **Faster/slower-than-expected loan growth,** partially related, but not limited to, a potential acceleration/slowdown in economic activity and rates environment impacting retail/corporate loan growth, posing an upside/downside risks to our view.

Summary financial statements

Exhibit 33: Akbank key financials and ratios

AKBANK: KEY FINANCIALS AND RATIOS

Profit and Loss Statement, TL mn							Assets						
	2023	2024	2025	2026	2027	2028		2023	2024	2025	2026	2027	2028
NII	63,547	65,844	142,186	173,740	170,979	187,699	Cash & cash equivalents	297,400	312,965	358,854	446,055	512,295	584,016
Fees	30,832	65,472	88,068	107,707	121,547	136,132	Interbank and other lending	44,919	39,568	50,689	63,006	72,363	82,494
Trading income, dividends	37,135	-1,965	22,703	15,697	13,935	13,474	Loans and advances	837,999	1,248,709	1,596,207	1,859,518	2,095,514	2,312,568
Other operating income	13,437	28,747	29,964	11,698	9,372	10,648	Securities	442,502	585,725	750,356	1,057,259	1,254,405	1,506,340
Revenues	144,952	158,098	282,920	308,841	315,832	347,953	Interest earning assets	1,325,420	1,874,001	2,397,252	2,979,784	3,422,282	3,901,402
Staff expenses	-15,640	-29,050	-41,593	-49,037	-53,011	-56,849	Other assets	166,355	250,447	321,073	399,094	458,359	522,530
Other operating expenses	-29,135	-51,159	-72,337	-83,702	-89,096	-94,007	Total assets	1,789,174	2,437,414	3,077,179	3,824,933	4,392,936	5,007,947
Total operating expenses	-44,775	-80,209	-113,930	-132,739	-142,107	-150,856	Liabilities & Shareholders' equity						
Gross operating profit	100,177	77,889	168,990	176,102	173,725	197,097	Interbank deposits	89,831	222,210	265,857	425,601	470,520	534,263
Credit costs	-15,731	-24,511	-39,930	-27,905	-31,563	-31,135	Customer deposits	1,218,108	1,596,388	1,999,172	2,370,192	2,711,016	3,047,647
Net operating profit	84,446	53,378	129,060	148,197	142,162	165,963	Debt securities in issue	39,461	54,942	69,281	86,117	98,905	112,752
Other income/losses	0	0	0	0	0	0	Other borrowed funds	94,829	132,031	166,491	206,948	237,680	270,955
PBT	84,446	53,378	129,060	148,197	142,162	165,963	Subordinated debt	23,736	33,048	41,674	51,801	59,493	67,822
Tax	-17,967	-8,347	-27,103	-31,121	-29,854	-34,852	Interest bearing liabilities	1,465,965	2,038,619	2,542,476	3,140,659	3,577,614	4,033,440
Net profit	66,479	45,031	101,957	117,076	112,308	131,110	Other liabilities	112,014	155,958	196,663	244,452	280,753	325,673
Dividends to preferred shares	0	0	0	0	0	0	Total shareholders' equity	211,195	242,837	338,040	439,822	534,569	648,834
Minorities	0	0	0	0	0	0	Total liabilities and equity	1,789,174	2,437,414	3,077,179	3,824,933	4,392,936	5,007,947
Net profit to common shareholders	66,479	45,031	101,957	117,076	112,308	131,110	Asset quality						
GS RoAE	36.4%	19.8%	35.1%	30.1%	23.1%	22.2%	Gross NPLs	20,719	37,441	56,944	79,579	98,493	114,290
GS ROA	4.64%	2.13%	3.70%	3.39%	2.73%	2.79%	Total loan loss provisions	12,858	19,698	28,802	47,181	67,737	86,734
Per share data							Gross NPLs / loans	2.38%	2.90%	3.44%	4.10%	4.47%	4.68%
GS EPS	12.78	8.66	19.61	22.51	21.60	25.21	Coverage ratio	62%	53%	51%	59%	69%	76%
DPS	1.92	1.30	2.94	3.38	3.24	3.78	Capital and key ratios						
BVPS	40.6	46.7	65.0	84.6	102.8	124.8	RWA	1,096,849	1,608,693	2,030,938	2,524,456	2,899,338	3,305,245
Valuation							Tier 1 Capital	205,099	244,392	339,595	456,671	568,979	700,089
P/E	5.0x	7.4x	3.3x	2.9x	3.0x	2.5x	Total capital	240,450	288,788	388,805	512,723	633,021	772,573
GS P/E	5.0x	7.4x	3.3x	2.9x	3.0x	2.5x	Shareholders' funds	211,195	242,837	338,040	439,822	534,569	648,834
P/BV	1.6x	1.4x	1.0x	0.8x	0.6x	0.5x	Tier 1 Ratio	18.7%	15.2%	16.7%	18.1%	19.6%	21.2%
Dividend yield	3.0%	2.0%	4.6%	5.3%	5.0%	5.9%	Total capital ratio	21.9%	18.0%	19.1%	20.3%	21.8%	23.4%
P/BV at price target	2.3x	2.0x	1.4x	1.1x	0.9x	0.8x	Leverage (TA / TE)	7.9x	9.3x	9.5x	8.9x	8.4x	7.9x

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 34: Garanti summary financials

GARANTI KEY FINANCIALS AND RATIOS

Profit and Loss Statement, TL mn						
	2023	2024	2025	2026	2027	2028
Net interest income	74,836	100,816	187,790	220,911	217,593	232,373
Fee income	40,764	90,116	121,111	148,119	167,153	187,211
Trading income, dividends	27,862	9,124	11,607	2,958	2,661	2,032
Other operating income	42,855	51,647	35,842	15,426	8,287	9,833
Revenues	186,316	251,703	356,350	387,414	395,693	431,450
Personnel expenses	-17,420	-32,975	-48,331	-57,215	-62,199	-68,060
Other operating expenses	-30,252	-54,026	-76,439	-88,847	-95,024	-103,576
Total operating expenses	-47,672	-87,001	-124,770	-146,062	-157,223	-171,636
Gross operating profit	138,644	164,702	231,579	241,351	238,470	259,813
Credit costs	-35,597	-49,641	-51,583	-37,019	-40,439	-44,079
Net operating income	103,047	115,061	179,997	204,332	198,031	215,734
Other income/losses	0	0	0	0	0	0
PBT	103,047	115,061	179,997	204,332	198,031	215,734
Taxes	-15,716	-23,002	-37,799	-42,910	-41,587	-45,304
Net profit	87,332	92,059	142,197	161,422	156,445	170,430
Dividends to preferred shares	0	0	0	0	0	0
Minorities	0	0	0	0	0	0
Net profit to common shareholders	87,332	92,059	142,197	161,422	156,445	170,430
ROE	43.9%	32.2%	36.3%	30.7%	23.6%	21.3%
ROA	5.7%	4.0%	4.7%	4.3%	3.5%	3.3%
Per share data						
	2023	2024	2025	2026	2027	2028
GS EPS	20.79	21.92	33.86	38.43	37.25	40.58
DPS	3.12	3.29	5.08	5.77	5.59	6.09
BVPS	58.3	78.0	108.6	142.0	173.4	208.4
TBVPS	57.9	77.4	107.8	141.0	172.3	207.2
Valuation						
	2023	2024	2025	2026	2027	2028
P/E	3.1x	2.9x	1.9x	1.7x	1.7x	1.6x
GS P/E	3.1x	2.9x	1.9x	1.7x	1.7x	1.6x
P/BV	1.1x	0.8x	0.6x	0.5x	0.4x	0.3x
P/TBV	1.1x	0.8x	0.6x	0.5x	0.4x	0.3x
Dividend yield	4.9%	5.1%	7.9%	9.0%	8.7%	9.5%
Assets						
	2023	2024	2025	2026	2027	2028
Cash and cash equivalents	328,445	353,144	411,250	511,184	587,094	669,288
Interbank and other lending	65,278	137,273	179,807	223,500	256,690	292,626
Net loans	1,019,031	1,477,881	1,885,261	2,199,555	2,480,750	2,739,180
Securities	292,776	384,046	491,463	754,713	912,226	1,128,813
Interest-earning assets	1,705,530	2,352,343	2,967,780	3,688,951	4,236,760	4,829,907
Other assets	224,526	318,638	404,272	502,510	577,133	657,931
Total assets	1,930,055	2,670,981	3,372,052	4,191,461	4,813,893	5,487,838
Liabilities & Shareholders' equity						
	2023	2024	2025	2026	2027	2028
Due to other banks and money markets	43,454	135,494	143,833	277,218	283,618	314,924
Customer deposits	1,383,704	1,842,790	2,311,889	2,745,998	3,144,858	3,541,581
Debt securities in issue	5,241	7,410	9,343	11,614	13,339	15,206
Other borrowed funds	92,681	131,040	165,242	205,396	235,897	268,923
Subordinated debt	23,010	32,534	41,025	50,994	58,567	66,766
Interest-bearing liabilities	1,548,090	2,149,268	2,671,332	3,291,220	3,736,278	4,207,400
Other liabilities	137,168	193,941	244,559	303,987	349,129	404,990
Shareholders Equity	244,797	327,773	456,162	596,254	728,486	875,449
Total liabilities and shareholders' equity	1,930,055	2,670,981	3,372,052	4,191,461	4,813,893	5,487,838
Asset quality						
	2023	2024	2025	2026	2027	2028
Non Performing Loans (Stage 3), eop	21,654	39,212	65,768	93,134	116,049	140,250
Loan Loss Reserves (eop)	47,100	64,182	88,114	118,096	151,078	185,906
NPL ratio, %	2.03%	2.54%	3.33%	4.02%	4.41%	4.79%
Coverage ratio	218%	164%	134%	127%	130%	133%
Capital and key ratios						
	2023	2024	2025	2026	2027	2028
Risk-weighted assets	1,314,732	2,208,757	2,788,505	3,466,111	3,980,829	4,538,145
Tier 1 Capital	241,824	326,176	454,565	615,987	772,432	942,862
Total capital	270,484	326,171	454,560	615,982	772,427	942,857
Shareholders Equity	244,797	327,773	456,162	596,254	728,486	875,449
Tier 1 Ratio	18.4%	14.8%	16.3%	17.8%	19.4%	20.8%
Total capital ratio	20.6%	14.8%	16.3%	17.8%	19.4%	20.8%
TE / TA	12.6%	12.2%	13.4%	14.1%	15.0%	15.9%
Leverage (TA / TE)	7.9x	8.2x	7.4x	7.1x	6.6x	6.3x

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 35: Vakif summary financials

VAKIF: KEY FINANCIALS AND RATIOS

Profit and Loss Statement, TL mn					
	2023	2024	2025	2026	2027
Net interest income	51,955	81,018	158,173	157,022	175,350
Fee income	25,746	47,439	63,751	77,967	87,986
Trading income, dividends	14,231	-1,686	1,777	2,145	3,273
Other operating income	40,289	44,048	24,671	10,069	12,089
Revenues	132,220	170,819	248,371	247,203	278,698
Personnel expenses	-15,139	-28,815	-41,906	-49,592	-54,380
Other operating expenses	-37,366	-43,096	-61,463	-72,932	-79,685
Total operating expenses	-52,505	-71,910	-103,368	-122,524	-134,064
Gross operating profit	79,716	98,909	145,003	124,678	144,634
Credit costs	-54,304	-48,410	-59,655	-47,392	-49,285
Net operating income	25,412	50,499	85,348	77,287	95,349
Other income/losses	0	0	0	0	0
PBT	25,412	50,499	85,348	77,287	95,349
Taxes	-366	-10,743	-17,923	-16,230	-20,023
Net profit	25,046	39,757	67,425	61,056	75,326
Dividends to preferred shares	0	0	0	0	0
Minorities	0	0	0	0	0
Net profit to common shareholders	25,046	39,757	67,425	61,056	75,326
Per share data					
	2023	2024	2025	2026	2027
Total number of shares (in millions), eop ordinary shares	9,916	9,916	9,916	9,916	9,916
Stated EPS	2.53	4.01	6.80	6.16	7.60
GS EPS	2.53	4.01	6.80	6.16	7.60
DPS	0.00	0.60	1.02	0.92	1.14
BVPS	17.3	21.6	27.8	32.4	39.1
TBVPS	17.2	21.4	27.5	32.1	38.7
Valuation					
	2023	2024	2025	2026	2027
P/E	9.3x	5.9x	3.5x	3.8x	3.1x
GS P/E	9.3x	5.9x	3.5x	3.8x	3.1x
P/BV	1.4x	1.1x	0.8x	0.7x	0.6x
P/TBV	1.4x	1.1x	0.9x	0.7x	0.6x
Dividend yield	0.0%	2.6%	4.3%	3.9%	4.9%
Assets					
	2023	2024	2025	2026	2027
Cash and cash equivalents	385,704	670,562	698,764	868,563	997,545
Interbank and other lending	110,788	56,063	75,202	93,475	107,357
Net loans	1,457,517	1,956,283	2,440,518	2,821,597	3,169,716
Securities	659,771	870,177	1,092,099	1,569,446	1,873,397
Interest-earning assets	2,613,780	3,563,085	4,306,582	5,353,082	6,148,014
Other assets	182,854	265,723	335,203	416,657	478,531
Total assets	2,796,634	3,818,808	4,641,785	5,769,739	6,626,545
Liabilities & Shareholders' equity					
	2023	2024	2025	2026	2027
Due to other banks and money market	132,363	414,443	434,054	720,313	815,875
Customer deposits	1,961,761	2,449,531	2,998,002	3,566,657	4,089,227
Debt securities in issue	118,329	165,129	208,227	258,826	297,262
Other borrowed funds	221,678	309,351	390,092	484,885	556,890
Subordinated debt	34,437	48,057	60,600	75,326	86,512
Interest-bearing liabilities	2,468,569	3,386,511	4,090,976	5,106,006	5,845,786
Other liabilities	156,638	218,588	275,640	342,620	393,500
Shareholders Equity	171,428	213,708	275,169	321,112	387,280
Total liabilities and shareholders' equity	2,796,634	3,818,808	4,641,785	5,769,739	6,626,545
Asset quality					
	2023	2024	2025	2026	2027
Non Performing Loans (Stage 3), eop	19,823	40,661	61,441	105,022	136,882
Loan Loss Reserves (eop)	61,595	72,014	105,056	146,009	186,752
NPL ratio, %	1.30%	2.00%	2.41%	3.54%	4.08%
Coverage ratio	311%	177%	171%	139%	136%
Capital and key ratios					
	2023	2024	2025	2026	2027
Risk-weighted assets	1,461,825	2,056,280	2,499,421	3,106,781	3,568,138
Tier 1 Capital	199,390	246,688	308,149	369,206	444,532
Total capital	220,600	275,978	360,151	428,919	513,093
Shareholders Equity	171,428	213,708	275,169	321,112	387,280
Tier 1 Ratio	13.6%	12.0%	12.3%	11.9%	12.5%
Total capital ratio	15.1%	13.4%	14.4%	13.8%	14.4%
TE / TA	6.1%	5.5%	5.9%	5.5%	5.8%
Leverage (TA / TE)	16.4x	18.0x	17.0x	18.1x	17.2x

Source: Company data, Goldman Sachs Global Investment Research

Exhibit 36: Halk summary financials

HALK: KEY FINANCIALS AND RATIOS

Profit and Loss Statement, TL mn	2023	2024	2025	2026	2027	2028
Net interest income	41,384	37,207	127,432	129,370	136,426	141,227
Fee income	18,947	38,748	52,094	63,711	71,898	80,526
Trading income, dividends	-15,808	-19,936	-22,980	-11,140	-15,599	-20,118
Other operating income	13,173	22,132	31,250	13,378	8,270	9,836
Revenues	57,696	78,151	187,796	195,319	200,995	211,471
Personnel expenses	-19,018	-31,326	-44,804	-53,083	-57,771	-62,381
Other operating expenses	-29,102	-30,172	-43,171	-50,506	-54,386	-58,086
Total operating expenses	-48,120	-61,498	-87,975	-103,589	-112,156	-120,468
Gross operating profit	9,576	16,654	99,821	91,730	88,838	91,003
Credit costs	-2,924	-9,309	-48,300	-41,190	-38,637	-38,218
Net operating income	6,653	7,344	51,521	50,540	50,201	52,785
Other income/losses	0	0	0	0	0	0
PBT	6,653	7,344	51,521	50,540	50,201	52,785
Taxes	3,459	7,402	-10,819	-10,613	-10,542	-11,085
Net profit	10,112	14,746	40,702	39,927	39,659	41,700
Dividends to preferred shares	0	0	0	0	0	0
Minorities	0	0	0	0	0	0
Net profit to common shareholders	10,112	14,746	40,702	39,927	39,659	41,700
ROE	9.2%	11.0%	24.5%	19.2%	16.4%	15.1%
ROA	0.6%	0.6%	1.2%	0.9%	0.8%	0.7%

Per share data	2023	2024	2025	2026	2027	2028
GS EPS	1.41	2.05	5.67	5.56	5.52	5.80
DPS	0.00	0.31	0.85	0.83	0.83	0.87
BVPS	17.9	19.6	26.6	31.3	36.0	41.0
TBVPS	17.7	19.3	26.2	30.8	35.5	40.4

Valuation	2023	2024	2025	2026	2027	2028
P/E	10.1x	6.9x	2.5x	2.5x	2.6x	2.4x
GS P/E	10.1x	6.9x	2.5x	2.5x	2.6x	2.4x
P/BV	0.8x	0.7x	0.5x	0.5x	0.4x	0.3x
P/TBV	0.8x	0.7x	0.5x	0.5x	0.4x	0.4x
Dividend yield	0.0%	2.2%	6.0%	5.9%	5.8%	6.1%

Assets	2023	2024	2025	2026	2027	2028
Cash and cash equivalents	273,730	609,667	737,338	916,511	1,052,613	1,199,979
Interbank and other lending	1,263	1,890	3,778	4,696	5,393	6,148
Net loans	1,221,978	1,506,650	1,918,026	2,231,131	2,517,029	2,785,726
Securities	584,393	789,489	1,009,870	1,408,244	1,662,793	1,979,271
Interest-earning assets	2,081,363	2,907,696	3,669,012	4,560,582	5,237,828	5,971,124
Other assets	113,924	169,273	215,592	267,980	307,775	350,864
Total assets	2,195,287	3,076,970	3,884,603	4,828,562	5,545,603	6,321,988

Liabilities & Shareholders' equity	2023	2024	2025	2026	2027	2028
Due to other banks and money market	20,182	211,683	281,280	542,662	642,246	796,705
Customer deposits	1,872,848	2,475,720	3,098,307	3,670,797	4,196,652	4,714,663
Debt securities in issue	9,252	13,246	16,703	20,762	23,845	27,184
Other borrowed funds	16,991	24,325	30,674	38,128	43,790	49,920
Subordinated debt	42,130	60,315	76,057	94,539	108,578	123,779
Interest-bearing liabilities	1,961,404	2,785,290	3,503,021	4,366,888	5,015,111	5,712,250
Other liabilities	105,477	151,004	190,416	236,687	271,835	315,328
Shareholders Equity	128,406	140,676	191,166	224,988	258,658	294,409
Total liabilities and shareholders' equity	2,195,287	3,076,970	3,884,603	4,828,562	5,545,603	6,321,988

Asset quality	2023	2024	2025	2026	2027	2028
Non Performing Loans (Stage 3), eop	18,540	37,010	65,191	92,882	116,088	135,511
Loan Loss Reserves (eop)	48,567	44,633	66,288	100,979	132,197	161,180
NPL ratio, %	1.46%	2.39%	3.29%	3.98%	4.38%	4.60%
Coverage ratio	262%	121%	102%	109%	114%	119%

Capital and key ratios	2023	2024	2025	2026	2027	2028
Risk-weighted assets	1,203,850	1,494,937	1,887,323	2,345,943	2,694,315	3,071,519
Tier 1 Capital	154,041	165,693	204,183	244,110	283,769	325,469
Total capital	171,675	186,774	229,600	277,636	321,929	368,192
Shareholders Equity	128,406	140,676	191,166	224,988	258,658	294,409
Tier 1 Ratio	12.8%	11.1%	10.8%	10.4%	10.5%	10.6%
Total capital ratio	14.3%	12.5%	12.2%	11.8%	11.9%	12.0%
TE / TA	5.8%	4.5%	4.8%	4.6%	4.6%	4.6%
Leverage (TA / TE)	17.3x	22.2x	20.6x	21.8x	21.8x	21.8x

Disclosure Appendix

Reg AC

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