

VakıfBank

1Q26 Earnings review

Improvement in Core Net Interest Margin

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VakıfBank has reported a solo net profit of TRY 15.031 billion in 1Q26, in line with both our estimate and the market median expectation (Şeker Invest: TRY 14.565 billion, market median: TRY 14.313 billion). The reported net profit pointed to a 46% QoQ and 25% YoY decline. In line with the reported earnings, the bank's return on equity stood at 18.4% in 1Q26 (4Q25: 38.4%).

The sharp decline in net profit was mainly driven by the 55% QoQ drop in CPI-linked securities income, following the bank's decision to use a 20.9% CPI assumption in its valuation. In addition, the one-off recognition of previously under-accrued CPI-linked securities income through a year-end revision in 4Q25 created a high base effect, further amplifying the quarterly decline in earnings.

VakıfBank's swap-adjusted net interest income declined by 19.7% QoQ to TRY 48.5 billion in 1Q26. Meanwhile, swap costs decreased by 10% QoQ to TRY 5.4 billion. The decline in net interest income was mainly driven by weaker CPI-linked securities income, while net interest income excluding CPI-linkers increased by 34% QoQ to TRY 32 billion. Accordingly, the bank's swap-adjusted net interest margin declined from 5.0% to 3.8%, while we estimate that the NIM excluding CPI-linkers improved by around 50 bps QoQ.

Net fee and commission income remained flat on a quarterly basis (-0.18% QoQ) at TRY 19.3 billion, while posting a limited 26% YoY growth. Total operating expenses increased by 12% QoQ, while the annual increase stood at 60% YoY.

On the asset quality side, the NPL ratio increased by 23 bps QoQ to 3.11%, while net provisioning expenses rose by 42% QoQ to TRY 12.5 billion, emerging as another factor weighing on bottom-line profitability. Accordingly, VakıfBank's net cost of risk increased to 155 bps.

VakıfBank has maintained its year-end guidance broadly unchanged, while highlighting downside risks to net interest margin development.

We evaluate VakıfBank's 1Q26 financial results as **"Slightly Positive"** despite net profit coming in line with expectations, mainly supported by the improvement in net interest margin excluding CPI-linkers. **Following our revisions, we revise our 12-month target price for VakıfBank to TRY 52.79 from TRY 55.04, while maintaining our "Outperform" recommendation.** Our target price implies a 68% upside potential from current levels. The bank is currently trading at 2.7x P/E and 0.71x P/B multiples, with an average ROE expectation of 32.9%.

Rating	Outperform
Target price (TRY)	52,79
Upside	68%
Previous rating	Outperform
Previous target price (TRY)	55,04

	TRY	US\$
Close	31,46	0,70
BIST 100	14.917	331
US\$/TRY (CBT Bid Rate):	45,13	
52 Week High:	43,06	0,98
52 Week Low:	21,22	0,51
Bloomberg Ticker:	VAKBN.TI	

Number of Shares (Mn): 9.916

	(TRY Mn)	(US\$ Mn)
Current Mcap:	311.955	6.912
Free Float Mcap:	18.717	415
Avg. Daily Volume:	1.171	177

Expectations (TRY mn)	Actual	Seker	Diff.	Cons.	Diff.
Net income	15.031	14.565	3,2%	14.313	5,0%

1Q26	4Q25	1Q26	QoQ	1Q25	YoY
Net income (TRY mn)	28.094	15.031	-46%	20.034	-25%

Forecasts (TRY mn)	2023A	2024A	2025A	2026E	2027E
Net income	25.046	40.375	70.050	121.233	167.161
BV	171.428	219.194	322.381	438.748	659.351

Valuation	2023A	2024A	2025A	2026E	2027E
P/E (x)	5,1	5,7	4,5	2,6	1,9
P/BV (x)	0,74	1,05	0,97	0,71	0,47
ROAA	1,1%	1,2%	1,5%	2,0%	2,2%
ROAE	16,6%	20,9%	27,3%	32,9%	30,8%

Returns (%)	1 M	3M	6M	12M	Ytd
TRY Return:	-0,2	-13,8	22,5	46,3	2,5
US\$ Return:	-1,7	-17,0	14,1	24,9	-2,6
BIST 100 Relative:	-12,3	-21,8	-9,1	-10,4	-22,6

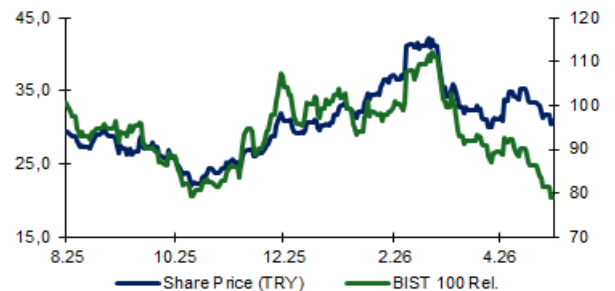


Figure 1: Summary balance sheet

(Bank-only, TRYmn)	3M25	12M25	3M26	QoQ	YoY	YtD
Security portfolio	1.007.778	1.199.693	1.217.143	1,5%	20,8%	1,5%
Loans	2.241.098	2.925.230	3.086.862	5,5%	37,7%	5,5%
Total assets	4.189.766	5.388.290	5.550.110	3,0%	32,5%	3,0%
Deposits	2.632.649	3.449.195	3.404.007	-1,3%	29,3%	-1,3%
TRY deposits	1.911.726	2.439.188	2.337.202	-4,2%	22,3%	-4,2%
FC deposits	720.924	1.010.006	1.066.805	5,6%	48,0%	5,6%
Shareholder's equity	232.990	322.381	331.455	2,8%	42,3%	2,8%
Total liabilities	4.189.766	5.388.290	5.550.110	3,0%	32,5%	3,0%

Source: Bank financials, Seker Invest Research

Figure 2: Summary income statement

(Bank-only, TRYmn)	1Q25	4Q25	1Q26	QoQ	YoY	Mar. 25	Mar. 26	YoY
Net interest income (Swap adj)	17.438	60.365	48.481	-19,7%	178,0%	17.438	48.481	178,0%
Net fee and commission income	15.370	19.373	19.338	-0,2%	25,8%	15.370	19.338	25,8%
Dividends	0	7	386	n.m.	n.m.	0	525	n.m.
Net trading gain/loss	9.555	3.017	2.168	-28,2%	-77,3%	9.555	2.168	-77,3%
Other operating income	12.247	3.055	1.805	-40,9%	-85,3%	12.247	1.805	-85,3%
Provisions (net)	7.290	8.803	12.474	41,7%	71,1%	7.290	12.474	71,1%
OPEX	24.380	34.730	38.975	12,2%	59,9%	24.380	38.975	59,9%
Net operating profit before taxes	22.943	42.284	20.793	-50,8%	-9,4%	22.943	20.793	-9,4%
Tax provision	2.909	14.190	5.762	-59,4%	98,1%	2.909	5.762	98,1%
Net profit	20.034	28.094	15.031	-46,5%	-25,0%	20.034	15.031	-25,0%

Source: Bank financials, Seker Invest Research

Figure 3: Balance sheet ratios

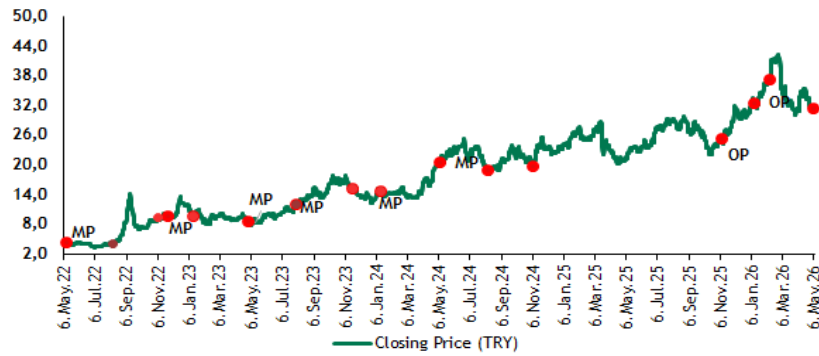
Funding structure	1Q25	4Q25	1Q26	QoQ	YoY	YtD
LDR	85%	85%	91%	5,9%	5,6%	5,9%
TRY LDR	73%	75%	81%	6,5%	8,3%	6,5%
FX LDR	118%	110%	112%	2,1%	-6,1%	2,1%
Demand deposits/Deposits	27%	33%	33%	0,1%	5,7%	0,1%
Time deposits/Deposits	73%	67%	67%	-0,1%	-5,7%	-0,1%
Asset quality	1Q25	4Q25	1Q26	QoQ	YoY	YtD
NPL Ratio	2,0%	2,9%	3,1%	0,2%	1,1%	0,2%
Total CoR (Quarterly)	1,28%	0,64%	1,55%	0,9%	0,3%	0,9%
Total CoR (Cumulative)	1,35%	1,22%	1,55%	0,3%	0,2%	0,3%
Stage 1 loans/Total loans	89,8%	88,4%	87,0%	-1,4%	-2,8%	-1,4%
Stage 2 loans/Total loans	8,2%	8,7%	9,9%	1,1%	1,7%	1,1%
Total provisions/NPL	158,5%	114,5%	112,4%	-2,0%	-46,0%	-2,0%
Capital adequacy and leverage	1Q25	4Q25	1Q26	QoQ	YoY	YtD
CET1	9,6%	11,4%	9,4%	-2,0%	-0,2%	-2,0%
Tier I	11,8%	14,4%	11,9%	-2,5%	0,1%	-2,5%
CAR	14,2%	16,7%	14,0%	-2,7%	-0,1%	-2,7%
Leverage	17,98	16,71	16,74	0,03	1,24	0,03
Currency breakdown	1Q25	4Q25	1Q26	QoQ	YoY	YtD
TRY Loans/Loans	62,1%	62,1%	61,4%	-0,8%	-0,7%	-0,8%
FX Loans /Loans	37,9%	37,9%	38,6%	0,8%	0,7%	0,8%
TRY Deposits/Deposits	72,6%	70,7%	68,7%	-2,1%	-4,0%	-2,1%
FX Deposits/Deposits	27,4%	29,3%	31,3%	2,1%	4,0%	2,1%

Source: Bank financials, Seker Invest Research

Figure 4: Profitability ratios (Quarterly)	1Q25	4Q25	1Q26	QoQ	YoY	YtD
ROAA	2,0%	2,2%	1,1%	-1,07%	-0,85%	-1,07%
ROAE	35,4%	38,4%	18,4%	-19,96%	-17,05%	-19,96%
NIM (Swap adj.)	2,0%	5,0%	3,8%	-1,19%	1,82%	-1,19%
Figure 4: Profitability ratios (Cumulative)	1Q25	4Q25	1Q26	QoQ	YoY	YtD
ROAA	2,0%	1,5%	1,1%	-0,41%	-0,85%	-0,41%
ROAE	35,4%	27,3%	18,4%	-8,87%	-17,05%	-8,87%
NIM (Swap adj.)	2,0%	3,3%	3,8%	0,51%	1,82%	0,51%
Efficiency ratios	1Q25	4Q25	1Q26	QoQ	YoY	YtD
Cost/Assets	2,4%	2,7%	2,9%	0,17%	0,48%	0,17%
Fees (net)/Assets	1,5%	1,5%	1,4%	-0,08%	-0,08%	-0,08%
Fees (net)/OPEX	63,0%	55,8%	49,6%	-6,17%	-13,43%	-6,17%

Source: Bank financials, Seker Invest Research

Historical Recommendation and Target Prices (TRY)



Source: Seker Invest Research

Date	Recommendation	Target Price (TRY)
22.Jan.18	Market Perform (MP)	7,58
22.May.18	Market Perform (MP)	7,06
08.Aug.18	Market Perform (MP)	5,47
12.Nov.18	Market Perform (MP)	3,77
17.Jan.19	Market Perform (MP)	4,26
14.Feb.19	Market Perform (MP)	4,91
13.May.19	Outperform (OP)	5,20
07.Jun.19	Outperform (OP)	4,60
15.Aug.19	Outperform (OP)	5,76
09.Oct.19	Market Perform (MP)	5,11
14.Jan.20	Outperform (OP)	7,75
13.Apr.20	Outperform (OP)	5,78
11.May.20	Outperform (OP)	5,45
10.Jun.20	Outperform (OP)	5,31
13.Jul.20	Outperform (OP)	6,16
10.Nov.20	Market Perform (MP)	5,10
18.Jan.21	Market Perform (MP)	5,80
06.May.21	Market Perform (MP)	4,30
09.Aug.21	Outperform (OP)	4,45
20.Jan.22	Outperform (OP)	4,90
11.May.22	Market Perform (MP)	4,90
09.Aug.22	Market Perform (MP)	5,70
07.Nov.22	Market Perform (MP)	11,10
12.Jan.23	Market Perform (MP)	13,26
01.Aug.23	Market Perform (MP)	13,54
09.Aug.23	Market Perform (MP)	15,80
09.Nov.23	Market Perform (MP)	21,70
12.Jan.24	Market Perform (MP)	19,95
09.May.24	Market Perform (MP)	26,43
08.Aug.24	Market Perform (MP)	26,43
06.Nov.24	Market Perform (MP)	26,43
07.Nov.25	Outperform (OP)	36,74
09.Jan.26	Outperform (OP)	52,28
10.Feb.26	Outperform (OP)	55,04
07.May.26	Outperform (OP)	52,79

Basis for 12M Recommendations

- Outperform:** The total return is expected to exceed the return of the BIST-100 by more than 10%.
- Underperform:** The total return is expected to fall below the return of the BIST-100 by more than 10%.
- Market Perform:** The total return is expected to be in line with the return of the BIST-100.

Source: Seker Invest Research

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