Şeker Invest

Garanti BBVA

2Q26 Earnings review

Strong Fee Income, Downside Risks to Margin Outlook

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Garanti BBVA posted TRY 30.4bn net income in its 2Q26 bank-only financials (-8.8% QoQ, +7.3% YoY). The result exceeded our TRY 27.9bn estimate by 8.8%. The deviation from our forecast was driven primarily by strong growth in fee income and lower-than-expected operating expenses.

Net interest income declined 5.6% QoQ to TRY 57.4bn, while swap costs fell 5.0% to TRY 10.5bn. Accordingly, swap-adjusted net interest income declined 5.8% QoQ to TRY 46.9bn (+57.2% YoY), and the swap-adjusted net interest margin narrowed by 71bps to 5.05%. The contraction mainly reflects a 251bps increase in the TRY time deposit cost to 37.2%, while the TRY loan yield rose 109bps to 33.5%. The only supportive item was CPI-linked securities income, up 34.4% QoQ to TRY 8.1bn on valuation gains.

Fee performance was the strongest aspect of the quarter. Net fee and commission income rose 12.3% QoQ and 35.5% YoY to TRY 46.7bn.

Operating expenses declined 1.8% QoQ to TRY 47.7bn (+36.0% YoY), following the one-off salary adjustment specific to the first quarter. Garanti BBVA's fee-to-opex coverage ratio improved to 98.0% from 85.6%.

Asset quality deteriorated moderately. The NPL ratio rose to 4.08% from 3.69%. Accordingly, the quarterly net cost of risk rose to 325bps from 240bps. The bank attributed the increase to inflows from the unsecured loan portfolio and the expiry of the loan restructuring regulation.

Garanti BBVA left its 2026 year-end guidance unchanged: TRY loan growth (30-35%), FX loan growth (mid-single-digit), net cost of risk (2-2.5%, excluding the currency impact), net fee growth (30-35%) and operating expense growth (45-50%) were all reiterated as in line with expectations. The bank did, however, flag downside risk to swap-adjusted NIM (75bps expansion) and average ROE (mid-single-digit positive in real terms).

We view the 2Q26 financials as "**Neutral**", given the modest beat. We revise our 12-month target price to TRY 182.99 from TRY 200.02 in line with our updated estimates. Our target price implies 45% upside from current levels, and we maintain our "OUTPERFORM" recommendation. The shares trade at 3.6x 2026E P/E and 0.99x P/BV, with an average ROE of 30.4%.

Rating	**Outperform**
Target price (TRY)	**182,99**
Upside	**45%**
Previous rating	Outperform
Previous target price (TRY)	200,02

	TRY	US$
Close	126,30	2,67
BIST 100	13.502	285
US$/TRY (CBT Bid Rate):	47,31	
52 Week High:	163,11	3,76
52 Week Low:	110,92	2,57
Bloomberg Ticker:	GARAN.TI	

Number of Shares (Mn):	4.200

	(TRY Mn)	(US$ Mn)
Current Mcap:	530.460	11.217
Free Float Mcap:	74.264	1.570
Avg. Daily Volume:	4.434	102

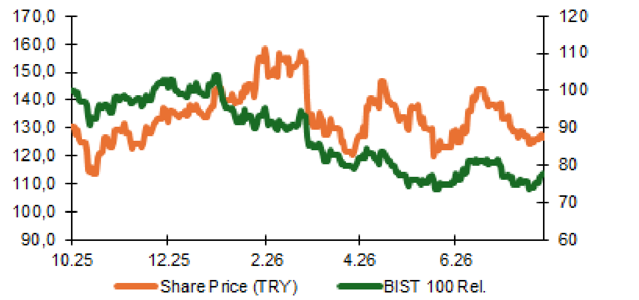
Expectations (TRY mn)	Actual	Seker	Diff.	Cons.	Diff.
Net income	30.388	27.937	9%	28.161	7,9%

2Q26	1Q26	2Q26	QoQ	2Q25	YoY
Net income (TRY mn)	33.316	30.388	-9%	28.326	7%

Forecasts (TRY mn)	2023A	2024A	2025A	2026E	2027E
Net income	87.332	92.175	110.605	147.957	176.659
BV	244.797	329.926	444.370	534.367	711.350

Valuation	2023A	2024A	2025A	2026E	2027E
P/E (x)	2,8	5,7	4,8	3,6	3,0
P/BV (x)	1,00	1,58	1,19	0,99	0,75
ROAA	5,3%	4,0%	3,4%	3,4%	3,0%
ROAE	42,6%	32,6%	29,1%	30,4%	28,4%

Returns (%)	1 M	3M	6M	12M	YtD
TRY Return:	-8,0	-4,8	-16,7	-5,5	-8,4
US$ Return:	-9,6	-9,5	-23,6	-19,1	-17,0
BIST 100 Relative:	-3,4	0,9	-14,6	-26,6	-23,6



On the balance sheet side, growth remained strong while capital ratios edged lower. TRY loans grew 7.8% QoQ, while FX loans expanded 0.7% in USD terms. On the funding side, total deposits increased 11.4% QoQ (TRY deposits: +19.2%; FC deposits: -1.7%). Shareholder's equity rose 7.9% QoQ to TRY 487.2bn, while quarterly ROE declined to 25.9% from 29.8% (cumulative: 27.6%). The CET1 ratio edged down to 14.06% from 14.08%, and the capital adequacy ratio declined to 18.48% from 18.76%.

Figure 1: Summary balance sheet

(Bank-only, TRYmn)	6M25	3M26	6M26	QoQ	YoY	YtD
Security portfolio	401.820	571.535	482.323	-15,6%	20,0%	12,3%
Loans	1.838.867	2.346.869	2.517.678	7,3%	36,9%	14,4%
Total assets	**3.246.038**	**4.016.807**	**4.412.331**	**9,8%**	**35,9%**	**15,5%**
Deposits	**2.216.546**	**2.710.194**	**3.020.069**	**11,4%**	**36,3%**	**17,8%**
TRY deposits	1.466.636	1.704.567	2.031.118	19,2%	38,5%	25,2%
FC deposits	749.910	1.005.627	988.951	-1,7%	31,9%	5,1%
Shareholder's equity	377.604	451.316	487.168	7,9%	29,0%	9,6%
Total liabilities	**3.246.038**	**4.016.807**	**4.412.331**	**9,8%**	**35,9%**	**15,5%**

Source: Bank financials, Seker Invest Research

Figure 2: Summary income statement

(Bank-only, TRYmn)	2Q25	1Q26	2Q26	QoQ	YoY	Jun.25	Jun.26	YoY
Net interest income (Swap adj)	29.813	49.745	46.877	-5,8%	57,2%	59.572	96.622	62,2%
Net fee and commission income	34.482	41.595	46.730	12,3%	35,5%	64.191	88.325	37,6%
Dividends	7.381	9.080	10.062	10,8%	36,3%	13.147	19.142	45,6%
Net trading gain/loss	4.161	6.240	1.609	-74,2%	-61,3%	9.930	7.849	-21,0%
Other operating income	2.491	2.470	1.119	-54,7%	-55,1%	3.845	3.589	-6,6%
Provisions (net)	8.342	16.586	19.668	18,6%	135,8%	17.718	36.254	104,6%
OPEX	35.072	48.587	47.708	-1,8%	36,0%	65.809	96.295	46,3%
Net operating profit before taxes	34.914	43.957	39.021	-11,2%	11,8%	67.157	82.978	23,6%
Tax provision	6.588	10.640	8.634	-18,9%	31,1%	13.547	19.274	42,3%
Net profit	**28.326**	**33.316**	**30.388**	**-8,8%**	**7,3%**	**53.610**	**63.704**	**18,8%**

Source: Bank financials, Seker Invest Research

Figure 3: Balance sheet ratios

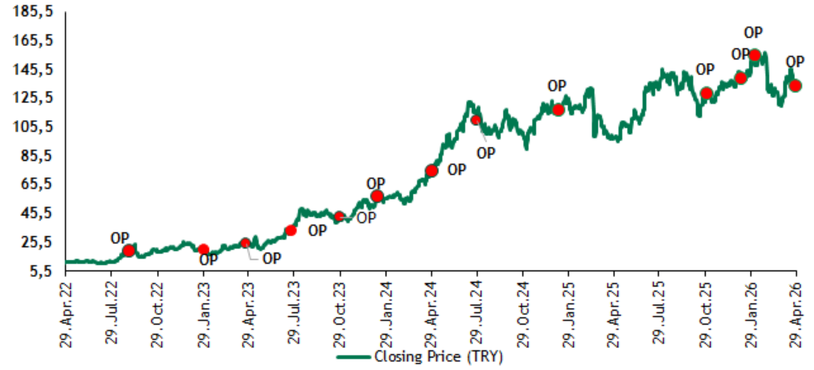
Funding structure	2Q25	1Q26	2Q26	QoQ	YoY	YtD
LDR	83%	87%	83%	-3,2%	0,4%	-2,5%
TRY LDR	91%	102%	92%	-9,6%	1,5%	-7,8%
FX LDR	68%	61%	66%	4,5%	-2,6%	3,8%
Demand deposits/Deposits	41%	41%	37%	-3,9%	-3,5%	-4,9%
Time deposits/Deposits	59%	59%	63%	3,9%	3,5%	4,9%
Asset quality	**2Q25**	**1Q26**	**2Q26**	**QoQ**	**YoY**	**YtD**
NPL Ratio	3,0%	3,7%	4,1%	0,4%	1,1%	0,6%
Total CoR (Quarterly)	1,85%	2,40%	3,25%	0,8%	1,4%	0,6%
Total CoR (Cumulative)	2,06%	2,40%	2,96%	0,6%	0,9%	0,9%
Stage 1 loans/Total loans	85,9%	84%	82%	-2,1%	-4,1%	-3,2%
Stage 2 loans/Total loans	11,1%	12,4%	14,1%	1,7%	3,0%	2,6%
Total provisions/NPL	120,4%	96,4%	95,6%	-0,8%	-24,9%	-3,9%
Capital adequacy and leverage	**2Q25**	**1Q26**	**2Q26**	**QoQ**	**YoY**	**YtD**
CET1	15,9%	14,1%	14,1%	0,0%	-1,8%	-2,6%
Tier I	15,9%	14,1%	14,1%	0,0%	-1,8%	-2,6%
CAR	19,3%	18,8%	18,5%	-0,3%	-0,8%	-3,4%
Leverage	8,6	8,9	9,1	0,16	0,46	0,46
Currency breakdown	**2Q25**	**1Q26**	**2Q26**	**QoQ**	**YoY**	**YtD**
TRY Loans/Loans	72,2%	73,8%	74,2%	0,4%	2,0%	0,6%
FX Loans /Loans	27,8%	26,2%	25,8%	-0,4%	-2,0%	-0,6%
TRY Deposits/Deposits	66,2%	62,9%	67,3%	4,4%	1,1%	4,0%
FX Deposits/Deposits	33,8%	37,1%	32,7%	-4,4%	-1,1%	-4,0%

Source: Bank financials, Seker Invest Research

Figure 4: Profitability ratios (Quarterly)	2Q25	1Q26	2Q26	QoQ	YoY	YtD
ROAA	3,6%	3,4%	2,9%	-0,52%	-0,72%	-0,02%
ROAE	31,6%	29,8%	25,9%	-3,85%	-5,70%	1,04%
NIM (Swap adj.)	4,24%	5,75%	5,05%	-0,71%	0,80%	-0,66%
Figure 4: Profitability ratios (Cumulative)	**2Q25**	**1Q26**	**2Q26**	**QoQ**	**YoY**	**YtD**
ROAA	3,6%	3,4%	3,1%	-0,28%	-0,50%	-0,29%
ROAE	30,7%	29,8%	27,6%	-2,12%	-3,08%	-1,44%
NIM (Swap adj.)	4,5%	5,8%	5,36%	-0,39%	0,87%	0,42%
Efficiency ratios	**2Q25**	**1Q26**	**2Q26**	**QoQ**	**YoY**	**YtD**
Cost/Assets	4,5%	5,0%	4,5%	-0,43%	0,06%	-0,62%
Fees (net)/Assets	4,39%	4,25%	4,44%	0,19%	0,04%	0,00%
Fees (net)/OPEX	98,3%	85,6%	98,0%	12,34%	-0,37%	11,93%

Source: Bank financials, Seker Invest Research

Historical Recommendation and Target Prices (TRY)



Source: Seker Invest Research

Date	Recommendation	Target Price (TRY)
29.Apr.15	Market Perform (MP)	9,07
31.Jul.15	Market Perform (MP)	9,00
28.Oct.15	Market Perform (MP)	7,93
03.Feb.16	Outperform (OP)	8,71
28.Apr.16	Outperform (OP)	9,88
29.Jul.16	Outperform (OP)	10,26
25.Oct.16	Outperform (OP)	9,93
01.Feb.17	Outperform (OP)	9,59
27.Apr.17	Outperform (OP)	11,35
28.Jul.17	Market Perform (MP)	11,59
22.Jan.18	Outperform (OP)	12,29
08.Jun.18	Outperform (OP)	11,48
27.Jul.18	Outperform (OP)	9,82
26.Oct.18	Outperform (OP)	8,14
17.Jan.19	Outperform (OP)	9,67
07.Jun.19	Outperform (OP)	9,09
31.Jul.19	Outperform (OP)	11,24
09.Oct.19	Outperform (OP)	12,26
14.Jan.20	Outperform (OP)	14,75
13.Apr.20	Outperform (OP)	10,58
30.Apr.20	Outperform (OP)	10,15
13.Jul.20	Outperform (OP)	10,90
18.Jan.21	Outperform (OP)	13,00
30.Apr.21	Outperform (OP)	11,90
27.Oct.21	Outperform (OP)	13,10
20.Jan.22	Outperform (OP)	18,80
28.Jul.22	Outperform (OP)	22,80
27.Oct.22	Outperform (OP)	37,75
12.Jan.23	Outperform (OP)	39,39
27.Apr.23	Outperform (OP)	40,53
27.Jul.23	Outperform (OP)	54,25
30.Oct.23	Outperform (OP)	76,50
12.Jan.24	Outperform (OP)	95,27
29.Apr.24	Outperform (OP)	114,00
30.Jul.24	Outperform (OP)	138,30
30.Oct.24	Outperform (OP)	166,46
07.Jan.25	Outperform (OP)	178,86
09.Jan.26	Outperform (OP)	203,65
05.Feb.26	Outperform (OP)	225,90
30.Apr.26	Outperform (OP)	200,02

Source: Seker Invest Research

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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