Garanti BBVA

3Q26 Earnings review

Stronger margin, rising cost of risk

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Rating	Outperform
Target price (TRY)	169.20
Upside	33.5%
Previous rating	Outperform
Previous target price (TRY)	182.99

	TRY	US$
Close	126.70	2.55
BIST 100	11,165	225
US$/TRY (CBT Bid Rate):	49.70	
52 Week High:	163.11	3.76
52 Week Low:	116.90	2.43
Bloomberg Ticker:	GARAN.TI	
Number of Shares (Mn):	4,200	

	(TRY Mn)	(US$ Mn)
Current Mcap:	532,140	10,707
Free Float Mcap:	74,500	1,499
Avg. Daily Volume:	4,391	98

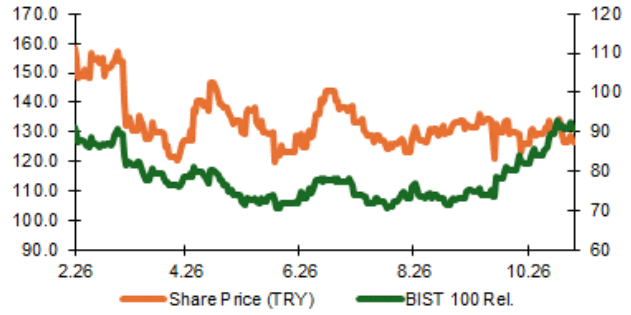
Expectations (TRY mn)	Actual	Seker	Diff.	Cons.	Diff.
Net income	33,489	32,680	2.5%	32,055	4.5%

3Q26	2Q26	3Q26	QoQ	3Q25	YoY
Net income (TRY mn)	30,388	33,489	10%	30,432	10%

Forecasts (TRY mn)	2023A	2024A	2025A	2026E	2027E
Net income	87,332	92,175	110,605	127,987	159,454
BV	244,797	329,926	444,370	550,910	686,952

Valuation	2023A	2024A	2025A	2026E	2027E
P/E (x)	2.8	5.7	5.4	4.2	3.3
P/BV (x)	1.00	1.58	1.36	0.97	0.77
ROAA	5.3%	4.0%	3.4%	2.9%	2.8%
ROAE	42.6%	32.6%	29.1%	26.1%	26.1%

Returns (%)	1 M	3M	6M	12M	YtD
TRY Return:	-2.1	-0.5	-5.9	3.0	-8.1
US$ Return:	-3.9	-5.4	-14.9	-13.2	-20.8
BIST 100 Relative:	10.4	21.9	20.8	0.3	-7.3



Garanti BBVA has reported a bank-only net profit of TRY 33.5bn in 3Q26, up 10% QoQ and above both our estimate (TRY 32.7bn) and the market consensus (TRY 32.1bn). 9M26 net profit rose 16% YoY to TRY 97.2bn, with an average ROE of 27.2% and an average ROA of 3.1%. The beat came from a strong recovery in net interest income.

Swap-adjusted net interest income rose 26% QoQ to TRY 58.9bn, and the swap-adjusted quarterly NIM widened from 5.14% to 5.90%. Income from CPI-linkers increased 15% to TRY 9.3bn, partly reflecting the upward revision of the valuation assumption from 27% to 29%, while swap costs rose 49% to TRY 15.7bn. The 9M26 swap-adjusted NIM stood at 5.6%, up 96bps YoY.

Net fees and commissions grew 7% QoQ and 36% YoY in 9M26. Payment systems accounted for 67.5% of fee income in 9M26. Operating expenses increased 9% QoQ to TRY 52.1bn. Cost growth of 39% YoY in 9M26 came in below the bank's guidance of 45-50%. As a result, fees covered 96% of operating expenses.

Cost of risk came in above our expectations. Net CoR rose from 3.25% in 2Q26 to 4.01% in 3Q26 (363bps on the bank's definition, excluding currency impact), bringing the 9M26 cumulative net CoR to 3.27%. The NPL ratio rose from 4.1% to 4.5%, and the share of Stage 2 loans increased to 16.3%. Stage 3 coverage stood at 62.6% and total coverage at 4.2%.

TL loans grew 9% QoQ, while TL deposits declined. TL performing loans reached TRY 2,047bn (+27% YTD). The TL loan-to-deposit ratio rose from 92.1% to 103.8%.

Garanti BBVA kept its 2026 year-end guidance unchanged. Net CoR excluding currency impact stood at 2.6% in 9M26, slightly above the 2.0-2.5% guidance. Our previous estimates were built in line with the bank's guidance; however, the longer-than-expected period of high interest rates is delaying the decline in deposit costs, while the rise in NPLs keeps provisions elevated. Accordingly, we revise our 2026 and 2027 net profit estimates to TRY 128.0bn and TRY 159.5bn, respectively. As with Akbank, we are switching our valuation methodology for Garanti BBVA from the Gordon growth model to a residual income (RI) model. With the updated earnings estimates and the move to the RI model, our 12-month target price comes to TRY 169.20 (previously TRY 182.99). We maintain our Outperform rating, with 33.5% upside potential. The stock trades at 4.2x 2026E P/E, 0.97x P/BV and a 26.1% ROE.

Figure 1: Summary balance sheet

(Bank-only, TRYmn)	9M25	6M26	9M26	QoQ	YoY	YtD
Security portfolio	425,119	482,323	485,072	0.6%	14.1%	13.0%
Performing Loans	2,018,298	2,517,678	2,724,333	8.2%	35.0%	23.8%
Total assets	**3,498,972**	**4,412,331**	**4,643,961**	**5.2%**	**32.7%**	**21.5%**
Deposits	**2,340,162**	**3,020,069**	**3,118,424**	**3.3%**	**33.3%**	**21.6%**
TRY deposits	1,487,472	2,031,118	1,972,732	-2.9%	32.6%	21.6%
FC deposits	852,690	988,951	1,145,692	15.8%	34.4%	21.8%
Shareholder's equity	410,433	487,168	520,116	6.8%	26.7%	17.0%
Total Liabilities & Equity	**3,498,972**	**4,412,331**	**4,643,961**	**5.2%**	**32.7%**	**21.5%**

Source: Bank financials, Seker Invest Research

Figure 2: Summary income statement

(Bank-only, TRYmn)	3Q25	2Q26	3Q26	QoQ	YoY	Sep.25	Sep.26	YoY
Net interest income (Swap adj)	36,890	46,863	58,911	25.7%	59.7%	96,461	155,519	61.2%
Net fee and commission income	38,010	46,730	50,188	7.4%	32.0%	102,201	138,513	35.5%
Dividends	7,530	10,062	10,859	7.9%	44.2%	20,677	30,001	45.1%
Net trading gain/loss	4,145	1,623	-49	-103.0%	-101.2%	14,075	7,814	-44.5%
Other operating income	1,359	1,119	1,680	50.2%	23.6%	5,204	5,269	1.3%
Provisions (net)	9,026	19,668	26,281	33.6%	191.2%	26,743	62,535	133.8%
OPEX	41,155	47,708	52,074	9.2%	26.5%	106,965	148,369	38.7%
Net operating profit before taxes	37,754	39,021	43,234	10.8%	14.5%	104,911	126,212	20.3%
Tax provision	7,322	8,634	9,745	12.9%	33.1%	20,869	29,019	39.1%
Net profit	**30,432**	**30,388**	**33,489**	**10.2%**	**10.0%**	**84,042**	**97,193**	**15.6%**

Source: Bank financials, Seker Invest Research

Figure 3: Balance sheet ratios

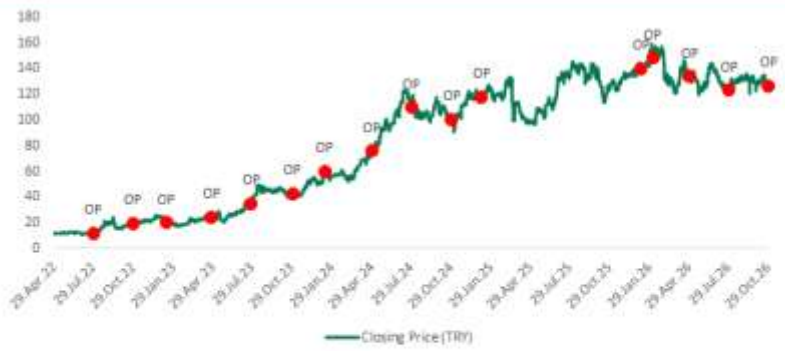
Funding structure	3Q25	2Q26	3Q26	QoQ	YoY	YtD
LDR	86%	83%	87%	4.0%	1.1%	1.5%
TRY LDR	99%	92%	104%	11.7%	5.4%	4.3%
FX LDR	64%	65%	58%	-6.2%	-6.0%	-3.3%
Demand deposits/Deposits	43%	37%	39%	1.3%	-4.1%	-3.6%
Time deposits/Deposits	57%	63%	61%	-1.3%	4.1%	3.6%
Asset quality	**3Q25**	**2Q26**	**3Q26**	**QoQ**	**YoY**	**YtD**
NPL Ratio	3.2%	4.1%	4.5%	0.4%	1.3%	0.9%
Total CoR (Quarterly)	1.81%	3.25%	4.01%	0.8%	2.2%	1.4%
Total CoR (Cumulative)	1.97%	2.96%	3.27%	0.3%	1.3%	1.2%
Stage 1 loans/Total loans	85.5%	82%	79%	-2.6%	-6.2%	-5.8%
Stage 2 loans/Total loans	11.3%	14.1%	16.3%	2.2%	4.9%	4.8%
Total provisions/NPL	106.3%	95.6%	93.7%	-1.9%	-12.6%	-5.8%
Capital adequacy and leverage	**3Q25**	**2Q26**	**3Q26**	**QoQ**	**YoY**	**YtD**
CET1	14.8%	14.1%	14.0%	-0.1%	-0.8%	-1.1%
Tier I	14.8%	14.1%	14.0%	-0.1%	-0.8%	-1.1%
CAR	18.8%	18.5%	18.5%	0.1%	-0.3%	-1.5%
Leverage	8.5	9.1	8.9	-0.13	0.40	0.33
Currency breakdown	**3Q25**	**2Q26**	**3Q26**	**QoQ**	**YoY**	**YtD**
TRY Loans/Loans	72.8%	74.6%	75.4%	0.8%	2.7%	1.8%
FX Loans /Loans	27.2%	25.4%	24.6%	-0.8%	-2.7%	-1.8%
TRY Deposits/Deposits	63.6%	67.3%	63.3%	-4.0%	-0.3%	0.0%
FX Deposits/Deposits	36.4%	32.7%	36.7%	4.0%	0.3%	0.0%

Source: Bank financials, Seker Invest Research

Figure 4: Profitability ratios (Quarterly)	3Q25	2Q26	3Q26	QoQ	YoY	YtD
ROAA	3.6%	2.9%	3.0%	0.07%	-0.65%	0.06%
ROAE	30.9%	25.9%	26.6%	0.69%	-4.30%	1.74%
NIM (Swap adj.)	4.92%	5.14%	5.90%	0.76%	0.98%	0.20%
Figure 4: Profitability ratios (Cumulative)	**3Q25**	**2Q26**	**3Q26**	**QoQ**	**YoY**	**YtD**
ROAA	3.6%	3.1%	3.1%	-0.05%	-0.55%	-0.34%
ROAE	30.8%	27.6%	27.2%	-0.40%	-3.51%	-1.84%
NIM (Swap adj.)	4.7%	5.43%	5.62%	0.18%	0.96%	0.68%
Efficiency ratios	**3Q25**	**2Q26**	**3Q26**	**QoQ**	**YoY**	**YtD**
Cost/Assets	4.9%	4.5%	4.6%	0.07%	-0.28%	-0.55%
Fees (net)/Assets	4.51%	4.44%	4.43%	0.00%	-0.07%	0.00%
Fees (net)/OPEX	92.4%	98.0%	96.4%	-1.57%	4.02%	10.35%

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
30.Jul.26	Outperform (OP)	182.99
29.Oct.26	Outperform (OP)	169.20

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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