1 JULY 2021

TURKISH BANKING SECTOR

TURKISH BANKS

Initiation of coverage

Got the brains, got the looks

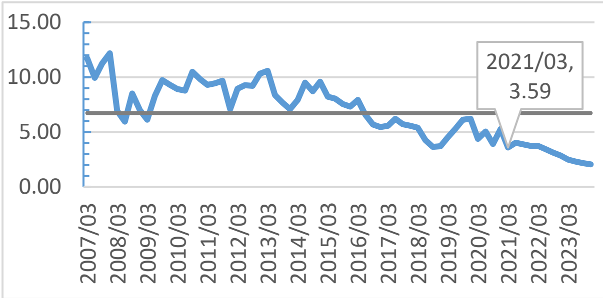
- **Profitability recovers, valuations depressed**
  Profitability trend turned up following a trough of margins in the first quarter thanks to the recovery of back-book loan yields. Fees are supported by credit card acquiring income, costs grow below inflation, CPI linkers defend P/Ls and COR remains contained.

- **Hefty capitalization & liquidity provide relief**
  Liquidity coverage is hovering around 150%. Latest syndicated loans are rolled more than 100%. Coupled with high liquidity, solid capitalizations also provide relief. The sector's CAR is at 18% that is well above ~12% Basel III requirement even if we are to deduct 2pp for forbearances.

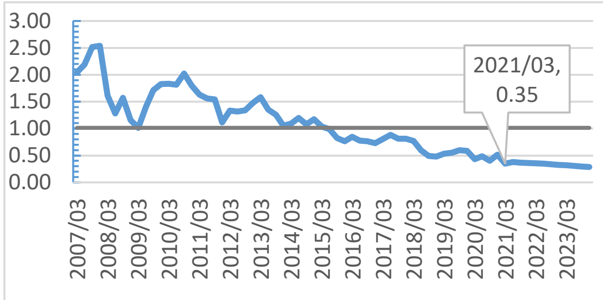
- **Sufficient provisions to cope with asset quality problems**
  Banking sector's total reserves correspond to 7% of the total loans while NPL ratio is at 4%. Under certain assumptions, even if we are to exclude the excess provisioning, the sector's CAR remains above domestic and international requirements when the NPL ratio climbs up to 10%.

- **Opportunities are Akbank, Garanti and YKB**
  We strongly advise investors not to focus just on their near term valuation multiples but take into consideration the low leverages of Akbank and Garanti, which provide further ROE upside implying higher P/B multiples. We like YKB for its hefty provisioning and sector high CPI linker exposure. Go long on these picks while hedging currency risk. With this report we are ditching basic Gordon growth model and applying EVA approach as our main valuation tool. We are after excess ROE beyond CoE on an annual basis. EVA clearly identifies value generation and destruction from banking activities year by year. Accordingly we have 41% aggregate upside for the banks in our coverage.

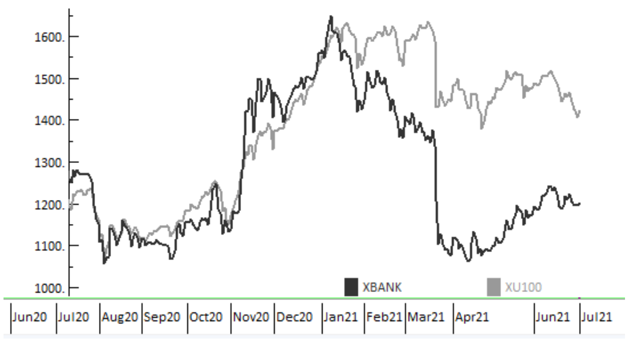
Coverage P/E



Coverage P/B



XBANK Index versus BIST100



TRY	AKBNK	GARAN	ISCTR	YKBNK	HALKB	VAKBN
Rating	BUY	BUY	HOLD	BUY	HOLD	HOLD
T. Price	8.32	12.49	6.90	2.96	5.13	4.56
Price	5.28	8.30	5.10	2.16	5.05	3.50
Upside	58%	50%	35%	37%	2%	30%
Mcap mn	27,716	35,112	23,220	18,415	12,592	13,826
Vol./Day	487	1,687	280	489	321	371
Multiples						
P/E 21F	3.43	4.19	3.07	3.11	16.25	5.60
P/E 22F	2.71	3.23	2.62	2.69	5.12	3.18
P/B 21F	0.40	0.48	0.31	0.35	0.33	0.27
P/B 22F	0.35	0.42	0.28	0.31	0.31	0.25

Source: The Banks, A1 Capital Estimates

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A. Executive Summary

Valuation multiples of the Turkish banking sector are hovering around all-time lows. Bank shares that in general have higher international institutional ownership have been underperforming for the last two years. Low valuations are understandable to some extent given the increase in interest rates, worries on asset quality and contracting profitability, however we think that valuations for some banks are unjustifiably low.

With the pick-up in loan yields, stabilized deposit costs, contained costs, rising fees and surprisingly strong asset quality the trough of ROE cycle is behind us in our view. This leaves us with better ROE prospects, very low valuation multiples and limited room for foreign institutional investors to sell as not much Turkey exposure is left in discretionary positions.

With this report we are initiating coverage on 7 large cap banks. Akbank and Garanti are our two top picks due to low leverage, solid capitalization, high profitability, strong liquidity and conservative provisioning. While the multiples are not at the lowest end of the spectrum for these two banks, the potential to generate much higher profits thanks to their sector low leverages is distinctive. We also attach a Buy rating on Yapi Kredi for its hefty provisioning and sector high CPI linker exposure that will support earnings as inflation goes north.

Akbank - Buy: Digitalization helps the bank cut down the costs. Cost/Interest Earning Assets is the lowest among peers and on a declining trajectory. As well as cost containment, we like the bank for its sector high liquidity coverage, the lowest loans to deposits that gives the bank an edge to grow when opportunities arise, sector best capitalization that provides the upper hand to cope with any unexpected NPL issues and finally the low leverage that implies higher prospective earnings. Akbank already has the highest ROA among peers. The ROE can potentially climb up to sector topping levels even if the leverage climbs to the low teen average of the banks in our peer universe. Throughout the banks in our coverage our EVA valuation grants the highest upside potential to Akbank.

Garanti - Buy: Garanti has always been one of the most profitable banks from an ROE point of view despite its massive TRY4.8bn discretionary reserve stock and sector low leverage. The bank's profit evolution is set to be better than peers even when it starts not setting aside additional free provisions let alone reversing those. Garanti is in our top picks as; i. provisions provide cushion at times of asset quality problems, ii. lowest leverage among peers to support already sector topping ROE as balance sheet expands, iii. highest net long FX position to escalade earnings as USDTRY goes north, iv. highest cash net interest income collections as percentage of NII strengthens the bank's cash position. Garanti offers the highest upside after Akbank among the banks in our coverage.

Isbank - Hold: We are attaching a Hold rating on Isbank as we believe that return potential generated through our EVA model is less than the peers. The biggest plus point of Isbank is its low cost deposit base supported by less interest rate sensitive customers, wide branch network that operates in areas, which are not in the top priority of competition and its successful cash management business. Isbank has the highest market share among private banks in all key items. Isbank does not sacrifice profitability simply to grab market share. Thanks to its low cost deposit base Isbank either has the highest or the second best loan-deposit spread among peers every quarter. Isbank's free provision buffer and net long FX position to equity are both are close to the highest end and will be supportive for the bank's earnings in the quarters to follow.

Yapı Kredi Bank - Buy: We are initiating coverage on YKB with a BUY rating due to the bank's sector high provision buffer that will protect the bank's P/L in the quarters to follow as well as the sector topping CPI linker portfolio, which will support earnings as inflation goes north. While impending share supply from UCI following 3Q financials could be downbeat for the price, its longer run impact will be upbeat in our view. Such a stake sale may help the bank's free float market capitalization, trading volume and pave the way for possible re-inclusion to MSCI TR Index.

Halkbank - Hold: We include Halkbank to our coverage with a Hold rating due to limited upside to our share price. ROE generation is the key to sustainable loan growth. A bank can be self-sufficient from a capitalization point of view as long as ROEs surpass risk weighted asset growth. Halk should focus on profitable growth if it aims to continue supporting the economy with loans. Otherwise it might end up asking for capital injection, which is not a difficult task for the sturdy shareholder the Turkey Wealth Fund (TWF) to fulfill. In our base case, which actually is the best case, we are assuming that the bank will lose slight market share in loans, increase its spreads and muddle through without a going for a rights offering.

Vakifbank - Hold: While we initiate our Vakifbank coverage with a Hold rating, we want to note that it is our preferred state bank pick between the two. We are more upbeat about profitability prospects and capitalization. We also like the bank's diversified funding base and its strength in wholesale funding. Historically Vakifbank has always been a pioneer in wholesale funding. Wholesale funding to assets ratio is peer topping 30% in Vakifbank despite its very high 12% deposit market share. Securitizations, syndicated loans and subordinated debt dominate this wholesale liability base. Vakifbank is the fastest growing bank both in TRY and FX loans. TRY loans expanded by 42% Y-Y in 1Q21, whereas FX loans are up by 12% in US$ terms. Despite such volume growth, 1Q21 loan to deposit spread at 2.9% is way better than 1.3% of Halk. We expect Vakif's spreads to start expanding from 2Q onwards thanks to higher loan yields.

B. Investment highlights

Country	Mcap (USD m) Current	Target	Upside (%)	P/B 21E	22E	P/E 21E	22E	ROE (%) 21E	22E
Turkey	15,795	21,276	35	0.31	0.28	3.63	2.49	9.2	11.8
Akbank			43	0.39	0.35	3.30	2.49	12.8	14.8
Garanti Bank			32	0.49	0.42	3.57	2.66	14.7	16.9
Halkbank			(2)	0.27	0.24	7.11	3.02	3.8	8.4
Isbank			41	0.28	0.25	2.97	2.01	10.5	13.4
Vakifbank			29	0.27	0.24	3.84	2.22	7.4	11.6
Yapi Kredi Bank			52	0.31	0.27	3.04	2.21	11.0	13.1
Argentina	2,257	1,224	(46)	0.92	0.79	7.90	5.54	13.4	15.4
Brazil	121,812	142,932	17	1.40	1.30	8.67	7.79	17.0	17.3
Chile	25,704	32,672	27	1.56	1.44	11.78	10.03	13.6	14.9
Colombia	13,621	17,412	28	0.73	0.66	15.98	8.24	5.2	8.4
Peru	14,348	18,079	26	1.30	1.18	4.11	3.05	33.6	40.6
Mexico	24,979	27,010	8	1.28	1.20	10.19	9.11	12.8	13.6
Czech Republic	6,702	7,337	9	1.21	1.21	14.82	12.32	8.3	9.8
Hungary	15,353	16,558	8	1.53	1.37	11.00	9.82	14.7	14.7
Poland	28,281	29,210	3	1.02	0.98	12.33	10.63	8.3	9.4
Russia	91,057	110,959	22	1.19	1.07	6.41	5.89	19.7	19.1
South Africa	41,378	46,220	12	1.29	1.18	10.33	8.27	12.7	14.9
Egypt	4,911	7,241	47	1.13	1.00	6.20	5.21	19.7	20.3
China	1,100,788	1,489,253	35	0.40	0.37	5.35	4.97	7.9	7.8
Indonesia	111,360	142,812	28	2.04	1.86	16.40	12.81	13.1	15.2
India	50,322	61,386	22	1.32	1.16	9.99	8.26	14.0	15.0
Malaysia	48,684	54,630	12	0.98	0.94	11.79	10.13	8.5	9.5
Philippines	22,988	25,954	13	1.08	1.01	13.72	10.96	8.1	9.5
Thailand	38,202	47,822	25	0.60	0.57	8.86	8.17	7.0	7.2
Turkey (A1 Capital Est.)	130,880	183,975	41	0.36	0.33	3.95	3.00	10%	12%
EM EMEA*	203,477	238,802	17	0.98	0.89	7.40	6.26	13.9	15.0
EM Asia**	1,372,343	1,821,857	33	0.47	0.43	6.03	5.54	8.0	8.1
EM LatAm***	200,464	238,105	19	1.32	1.21	8.71	7.34	15.9	17.2
EM****	1,778,542	2,299,988	29	0.54	0.50	6.39	5.78	8.8	8.9
MSCI WORLD BANKS	3,815,601	n.a.	-	0.99	0.94	11.10	10.02	7.9	8.4
MSCI EM BANKS	3,043,904	n.a.	-	0.93	0.85	8.04	7.26	11.8	12.5

Source: Bloomberg, A1 Capital Estimates

** : Czech Rep., Hungary, Poland, Russia, Egypt, Morocco, South Africa, and Turkey*

*** : China, Indonesia, India, Malaysia, Philippines, South Korea, Taiwan, and Thailand*

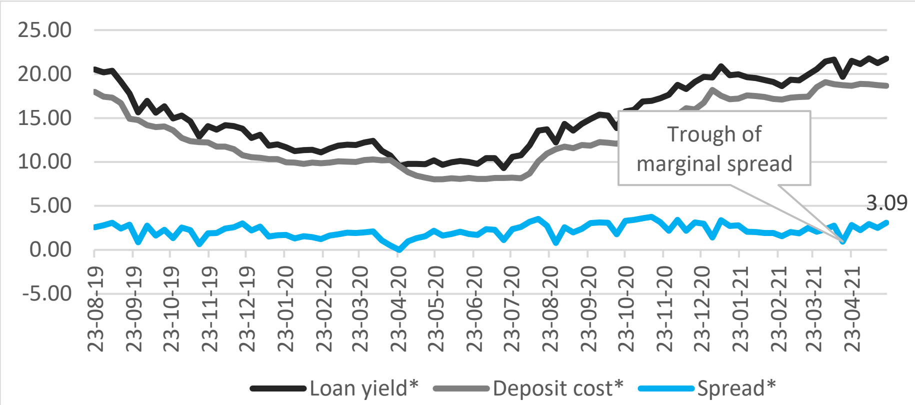
**** : Brazil, Chile, Colombia, Mexico, Peru*

*****: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, South Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, Turkey*

While Turkish banks were trading at par with EM peers up until 8 years ago, they started to trade with a discount that has been widening since then. Currently TR banks are trading at 4.0x 2021F earnings, that is less than half that of EM peers. We do not like basing relative valuations on P/B multiple as it does not make much sense without the ROE factor. The denominators are eliminated when P/B is divided to ROE and the equation naturally ends up with the good old P/E as (P/B)/ROE=P/E. We think that we are bouncing back from the bottom of the P/E cycle for TR banks on the back of the factors we tried to explain below.

Profitability expansion in sight. Banks are leaving the trough of spreads behind in 1Q as loan yields expand faster than deposit costs. While there needs to be 2 more quarters for the back-book spreads to reflect the increasing this adjustment, it is relieving to see the start of the upcycle. Spread appreciation may speed up after the CBRT starts an easing cycle likely for late 2021 after visible signs of a downswing in inflation. Sliding rates will not only support spread evolution but they will also generate windfall gains on TRY bond portfolios.

Marginal loan yields and deposit costs %

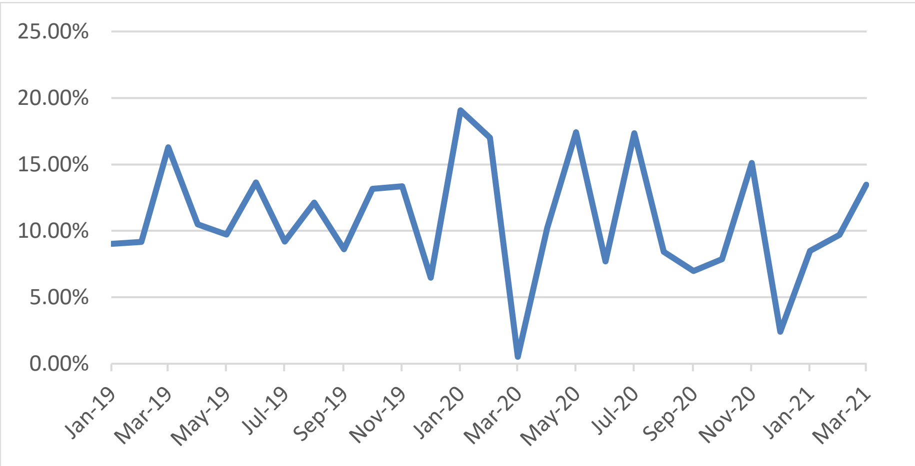


** Loan yields are on commercial lending. Deposit costs are on up-to-3-month deposits. Spreads are not for back-books but for marginal originations.*

Source: The CBRT, A1 Capital

Parallel to an upswing in spread evolution ROE of the banking sector also started picking up. As the economy administration changed their approach from stimulating the economy through loans to curbing down the current account deficit we expect the profitability of the sector to start climbing up. This new attitude is likely to slow down loan growth in return for better profits. Coming from a very high loan growth base and squeezed spreads, we expect the state bank financials to react faster than the private banks to this new era.

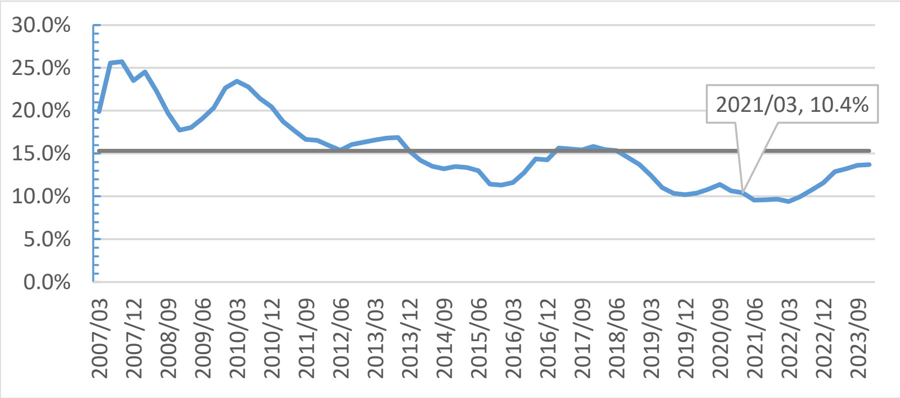
Monthly ROE of the Turkish banking sector (Annualized)



Source: The BRSA, A1 Capital

We are expecting the average ROE of the banks in our coverage to climb up from the current 10% levels up to mid-teens until 2023-end. Dissipating loan growth obsession of state banks is set to support spreads and easing competition will help fee generation.

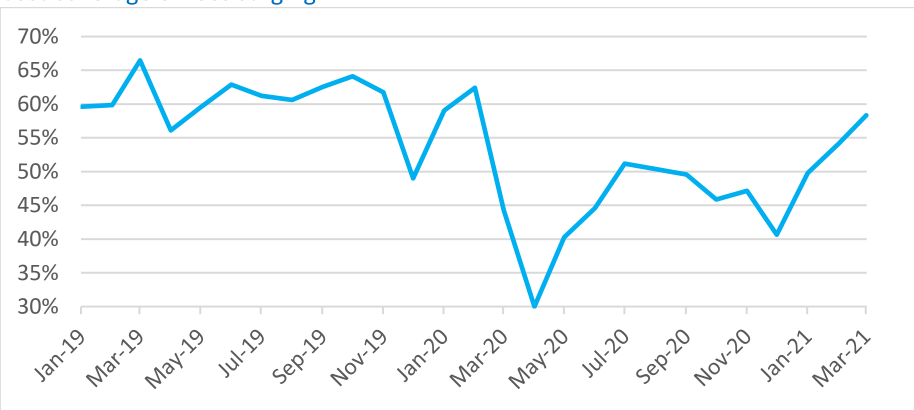
ROE evolution and ROE expectations of coverage



Source: Bank financials, A1 Capital estimates

Credit card acquiring related portion constitutes a third of the fees of the top tier banks leading the business. This segment's fees are actually very similar to overdraft credit account yields that are at the highest end. So basically fee generation improves as interest rates climb. Other segments that support fees are equity brokerage and insurance. Fees that troughed in early 2020 due to regulatory limitations and intensified competition are recovering fast. Cost coverage of fees have eventually reached pre-2020 run-rates.

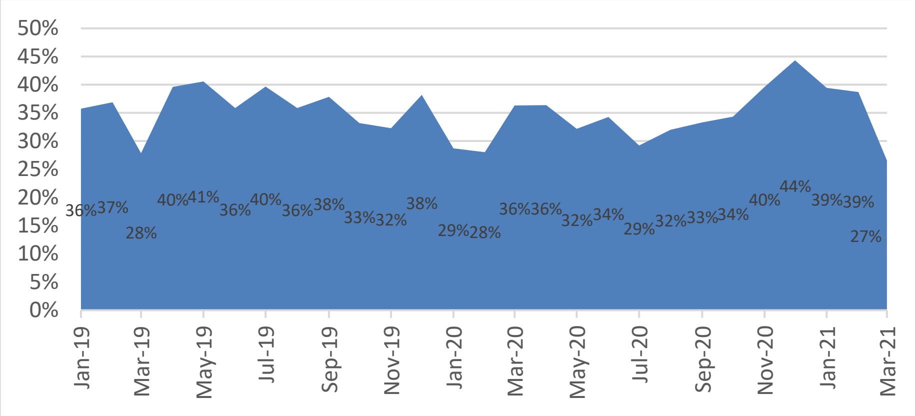
Cost coverage of fees surging



Source: The BRSA, A1 Capital

As well as the expected recovery in spreads and fee generation, cost containment is set to be another factor that will support ROEs. Cost/Income is hovering around all time low levels.

Cost/Income at all-time lows



Source: The BRSA, A1 Capital

Funding and capitalization are the sector's strengths. After two years of gradual slide in the foreign currency wholesale funding balance, finally the sector started having some fresh inflow. Latest syndicated loans are rolled over at more than 100% levels across the board and at costs comparable to last year.

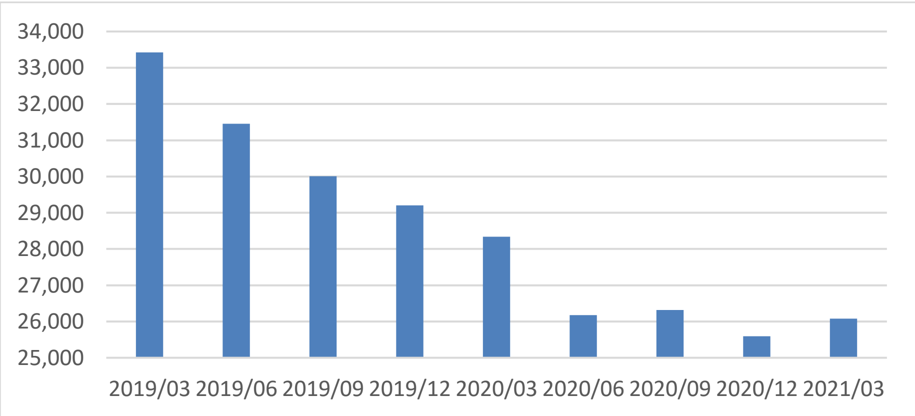
Syndicated loan rollover ratios are above 100%

	Date	Amount (US$bn)	Cost	Rollover ratio
Akbank	02-04-21	0.68	L+250bp	107%
Garanti	26-05-21	0.64	L+250bp	100%
Isbank	27-05-21	0.96	L+250bp	111%
Yapi Kredi	21-05-21	0.96	L+250bp	103%
Vakifbank	29-04-21	1.10	L+250bp	105%
Ziraat	13-04-21	1.30	L+250bp	121%

Source: The banks

While the banks were guiding for around 70% rollover ratios in early year, they ended up with net positives since the global liquidity looking for an address has shown better than expected interest on those issuances. We are envisaging a similar picture for the last quarter rollovers as well.

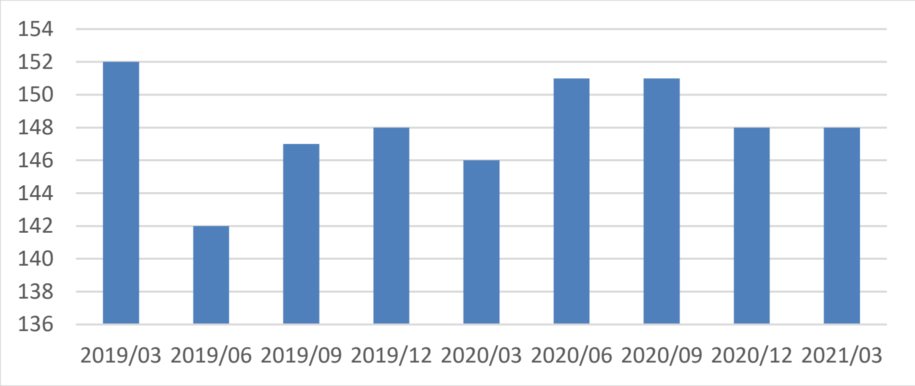
The contraction in syndicated loans and securitizations is coming to an end



Source: The BRSA, A1 Capital

Liquid assets in the banking sector are almost 50% higher than liabilities that might be served in a month thanks to ongoing wholesale financing flows and inflating deposits. High liquidity as well as solid capitalization to work as cushion against asset quality problems that might be faced in the quarters to follow.

Liquidity coverage ratio (LCR) evolution of the banking sector



Source: The BRSA, A1 Capital

Sufficient provisions to cope with asset quality problems

Our adjusted NPL ratio consists of gross NPLs, S1, S2 and other provisions. Accordingly the current adjusted NPL ratio level corresponds to 8%. In other words the banking sector is prepared for doubling of the NPL ratio from a provisioning point of view. It is worth noting that we are assuming in our adjusted NPL ratio analysis that the banks are realistically assessing the VARs and required provisions for S1 and S2.

	2019/03	2019/06	2019/09	2019/12	2020/03	2020/06	2020/09	2020/12	2021/03
NPL ratio	4.2%	4.6%	5.2%	5.7%	5.2%	4.6%	4.2%	4.3%	4.0%
NPL coverage	69%	68%	66%	65%	69%	71%	74%	75%	76%
Adj. NPL ratio*	7.4%	7.7%	8.5%	9.0%	8.6%	8.4%	7.9%	8.4%	7.9%

** Gross NPLs + S1, S2 and other provisions*

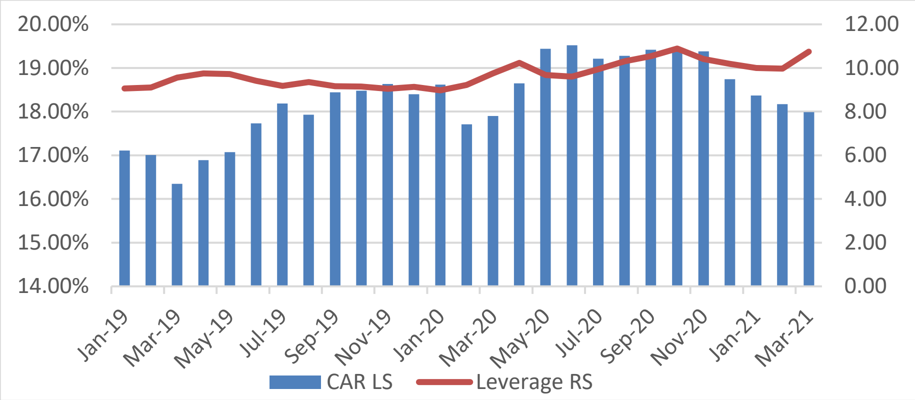
If we attach 10% NPL ratio instead of the current 4% with stable provision coverage ceteris paribus, the headline CAR still remains at a comfortable 14.6%. Such level of capitalization is sufficient even after disregarding the forbearances. In the worst case scenario if we do not apply the prevailing NPL coverage but set aside full provisions for the additional 6pp NPLs (TRL228bn lower capital base and lower RWA), the sector's CAR stands at 13.5% including forbearances that could be around 2pp.

In our analysis we are not only disregarding the TRY90bn S1+S2 provisions but also the TRY14bn free provisions as well. While the sector's CAR remains above the 12% Basel III threshold even when the NPL ratio climbs up to 10%, one should keep in mind that the capitalization is not distributed evenly in the sector. The largest private banks with their very high CARs dominate the total figure. So those top tier players can endure better than the rest should there be such a worsening in asset qualities.

	2019/03	2019/06	2019/09	2019/12	2020/03	2020/06	2020/09	2020/12	2021/03
NPL ratio assumption	10%	10%	10%	10%	10%	10%	10%	10%	10%
Additional NPLs/Loans	5.8%	5.4%	4.8%	4.3%	4.8%	5.4%	5.8%	5.7%	6.0%
Current CAR	16.4%	17.7%	18.5%	18.4%	17.9%	19.5%	19.4%	18.7%	18.0%
Adj. CAR base case*	13.7%	15.3%	16.4%	16.6%	15.7%	16.7%	16.1%	15.6%	14.6%
Adj. CAR worst c.**	12.5%	14.1%	15.3%	15.6%	14.7%	15.5%	14.9%	14.5%	13.5%

**Base case: Assuming stable coverage. All else being equal.*
***Worst case: Assuming 100% provision coverage on new NPLs and no reversal from discretionary reserves*
Source: A1 Capital

CARs sliding but still at comfortable levels

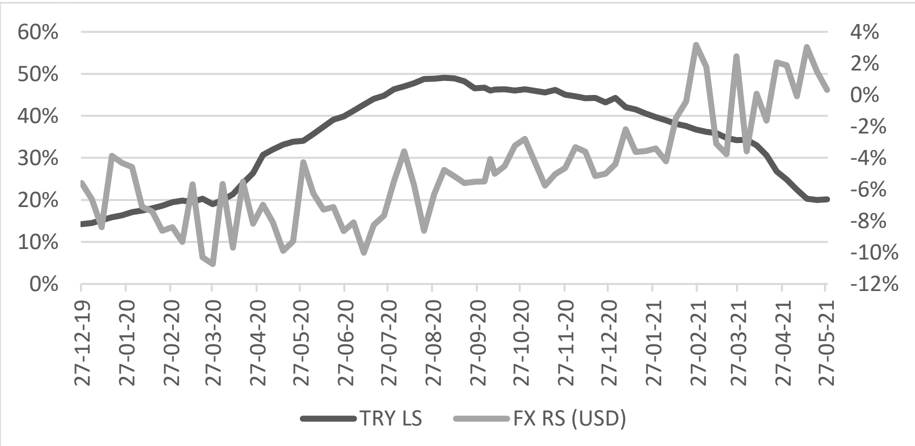


Source: The BRSA, A1 Capital

Loan growth normalizes

Last year the TRY loan growth of the sector surged to 50% levels due to Credit Guarantee Fund backed lending spree and asset ratio driven enforced lending. This lending based stimulus prevented a decline in GDP but excess liquidity partially ended up in FX purchases and consumption good imports damaging the macro balances. Current economy administration is more sensitive on current account control than stimulating the economy through loans. This line of attack will curb down TRY loan growth to mid-teens, which is 7-8pp below interest accruals. In return, the sector's spreads are likely to improve as we have discussed earlier.

Loan growth normalizes Y-Y



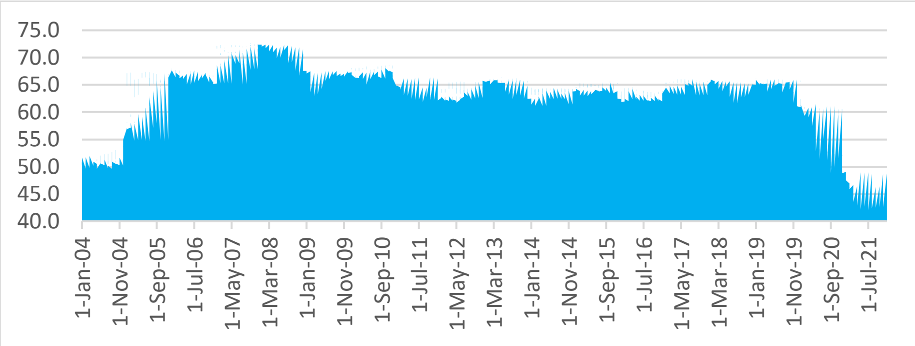
Source: The CBRT

Foreign ownership at all-time lows

After having ~65% foreign ownership in free float for over a decade foreign ownership started to contract in late 2019 down to the current all-time low level of 42% on the back of issues on foreign currency reserves and debates over CBRT's policies, geopolitical distress, regulatory pressure on banks to lend with limitations on loan yields coupled with restrictions on fee collections, actions by rating agencies, talks over the magnitude of CAATSA sanctions and decision of some large funds such as CalSTRS and CalPERS to divest Turkish portfolio investments. IPOs of many small companies that foreigners refrained from participating also pulled down foreign share in total.

Obviously long before the start of the slide in foreign ownership international institutional investors started questioning their investments in Turkey following the allegations on breaching sanctions against Iran, Pastor Brunson case and continuous election cycles, all of which have increased the risk premiums.

Foreign share in free float of BIST



Source: Data provider Matriks

What will reverse this course? The sine qua non of reversing the negative perception is to improve relations with the EU and the US. We perceive a clear will from the government to develop bilateral affairs with the EU (https://www.dailysabah.com/politics/eu-affairs/turkey-fully-committed-to-eu-membership-erdogan-says). To reach this target Turkey is working on a country by country basis with EU countries it previously had tension with such as France (https://www.hurriyetdailynews.com/turkey-aims-to-strengthen-relations-with-france-fm-cavusoglu-165363) and Greece (https://www.yenisafak.com/en/news/turkey-says-ready-for-dialogue-to-improve-relations-with-greece-3573445). Turkey also aims to improve its bilateral relations with the US (https://www.aa.com.tr/en/politics/turkey-looks-forward-to-erdogan-biden-meeting-with-positive-agenda/2268874).

Presidential elections will take place in June 2023. Macro stability will be the road to success of President Erdogan. Recent polls are showing a pickup in the popularity of opposition parties (https://www.arabnews.com/node/1860081/middle-east).

JUNE 2021

BANKING SECTOR

AKBANK BUY

AKBNK TI

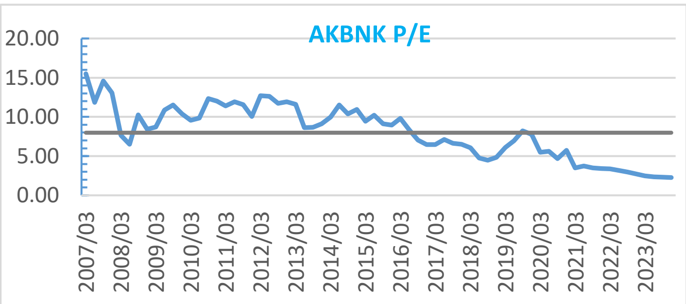
Digitalization pays off

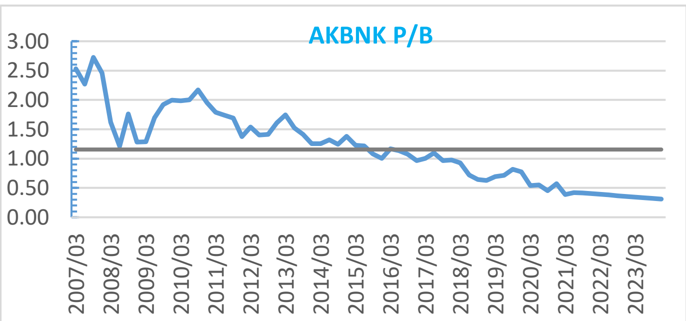
- **Strategic vision**
  While all Turkish banks are claiming to focus on digitalization backed efficiency gains, Akbank clearly delivers. The Bank operates with a branch count of 200 less than close peers and has 3 less personnel per branch. Cost/Interest Earning Assets of the bank is by far the lowest among private peers and still on a downward trajectory.

- **Massive liquidity**
  The bank has the highest liquidity coverage ratio (LCR) in the sector, which provides cushion at times of liquidity outflow. Akbank also has the lowest loans to deposits ratio (LDR) giving the bank an edge to lend when opportunities arise. So the bank dominates on both ends of the court.

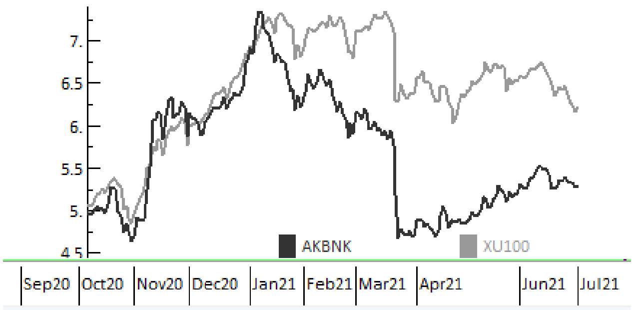
- **Unmatched capitalization, sector best ROA**
  Akbank is operating with the highest CAR and highest core Tier1 capitalizations in the system, giving bank the power to cope with any unexpected surge in NPLs. The bank's very low leverage when combined with sector topping ROA shows a potential to lift up the ROE to levels matching the CoE.

- **Valuation appeal**
  With further leverage we believe that Akbank has room to expand its ROE close to its CoE, implying 1x P/B, while it trades at 2021F P/B of 0.4x. Our EVA valuation method which displays net present value generated or destructed by banking activities on an annual basis provides 58% upside potential.





AKBNK	01-07-21
Akbank	
Rating	BUY
Free float	52%
Major Shareholder	Sabancı Gr.
Share of Major Shareholder	49%
Mcap (USD mn)	3,193.0
Mcap (TRY mn)	27,716.0
Target Mcap (TRY mn)	43,289.9
Share Price (TRY)	5.28
Target Price (TRY)	8.32
Upside	58%
Avg. Daily Trading Vol. (TRY mn)	486.61
Latest financials	2021/03
Weekly Return	-1.1%
Monthly Return	0.4%
Y-Y Return	-8.0%
Weekly Relative return	1.8%
Monthly Relative return	4.8%



Ratios			
Multiples	**2020**	**2021**	**2022**
P/E	5.75	3.40	2.68
P/B (tangible)	0.58	0.40	0.35
Profitability	**2020**	**2021**	**2022**
ROE tangible	11.1%	12.4%	14.0%
ROE headline	10.9%	12.3%	14.0%
ROA	1.5%	1.7%	1.8%
Leverage	7.2	7.4	7.7
NIM	4.0%	2.5%	2.7%
LTD spread	1.9%	2.5%	3.4%
Efficiency Ratios	**2020**	**2021**	**2022**
C/I	41%	36%	34%
Net Fees/Costs	42%	42%	43%
Asset Quality	**2020**	**2021**	**2022**
NPL Ratio	6.8%	6.4%	6.4%
NPL Coverage	62%	65%	65%

Investment thesis

Digitalization helps the bank cut down the costs. Cost/Interest Earning Assets is the lowest among peers and on a declining trajectory.

As well as cost containment, we like the bank for its sector high liquidity coverage, the lowest loans to deposits that gives the bank an edge to grow when opportunities arise, sector best capitalization that provides the upper hand to cope with any unexpected NPL issues and finally the low leverage that implies higher prospective earnings.

Akbank already has the highest ROA among peers. The ROE can potentially climb up to sector topping levels even if the leverage climbs to the low teen average of the banks in our coverage universe. Our EVA valuation grants the highest upside potential among the banks in our coverage to Akbank.

Catalysts

Rising leverage is set to support earnings evolution. Continued digitalization to continue help bank cut down costs as percentage of interest earning assets. With its cautious features the bank can end up being a relative winner should there be any liquidity or asset quality related banking sector turmoil.

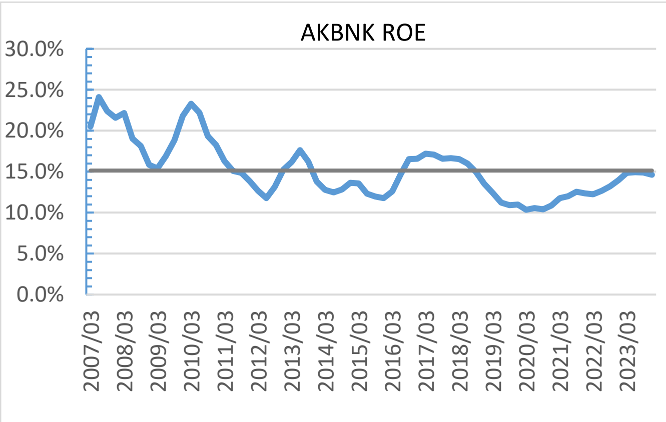
Risks

Bank specific large ticket NPLs is a risk. The bank's branch network market share is almost at the level of mid-sized banks as Akbank has been emphasizing digital platforms for growth. Branch consolidation is one of the main themes for global banking industry and we are also favoring Akbank for its innovative approaches on this front. However tide may turn if demand for physical branches picks up on reasons such as more frequent safety box visit needs or increase in cash real estate transactions.

Company background

Akbank was founded as a privately-owned commercial bank in Adana on January 30, 1948. Established originally with the core objective of providing funding to local cotton growers, the Bank opened its first Istanbul branch in the Sirkeci district on July 14, 1950. Initially offered to the public in 1990, Akbank stock began trading in international markets and as an American Depository Receipt (ADR) after its second public offering in 1998.

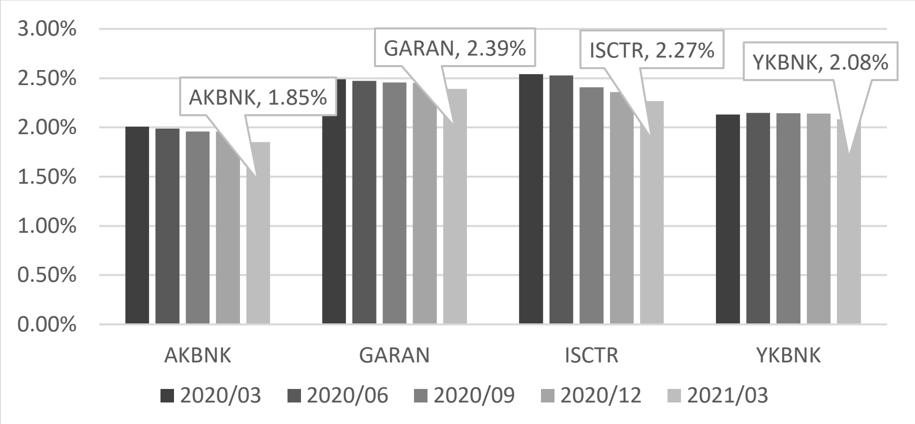
ROE Evolution



Investment highlights

Impressive cost management. We are tracking sector best cost evolution of Akbank as percentage of interest earning assets. As operating income items fluctuate dramatically on the back of CPI linkers, provision reversals and discretionary reserves C/IEA is a better cost evolution indicator than C/I in our view. While historically having the lowest cost base, Akbank manages to pull it down even further on the back of ongoing digitalization efforts. Just a mere 10% of Akbank's headcount is full time working onsite, while the bulk of rest is full time remote working.

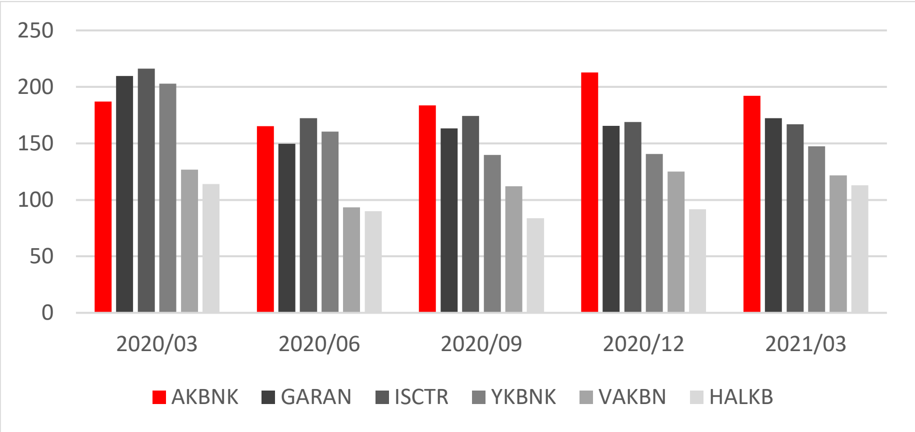
Costs / Interest Earning Assets*



** Costs are trailing 4Q, IEA are last 1 year average*
Source: Bank financials, A1 Capital

High liquidity is a relief. LCR which is the ratio of highly liquid assets as a percentage of liabilities that will be serviced in a month is the highest for Akbank among listed top tier peers. Due to ongoing era of loan restructurings having excess liquidity is much vital than it was in the past. Although high liquidity is not P/L supportive, the bank continues posting sector topping ROAs. The reason why we are mentioning ROA instead of ROE on this subject is the bank's very low leverage that again serves to defensive qualities in volatile times.

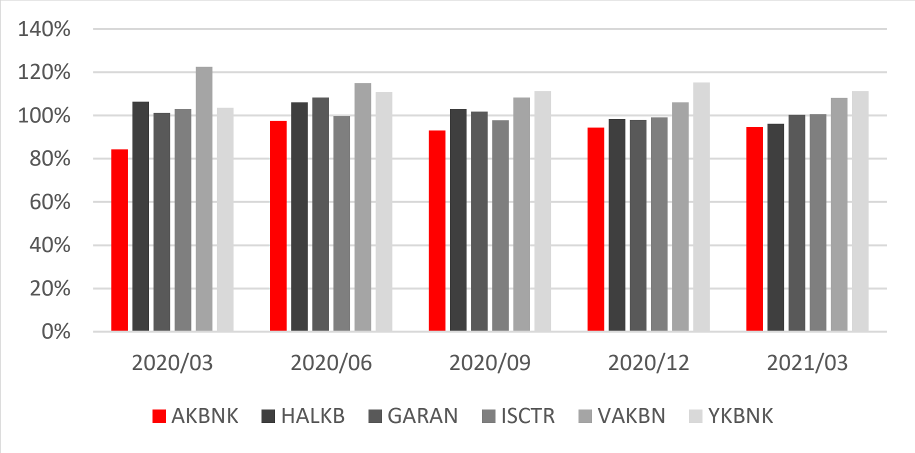
Top notch total liquidity coverage ratio % (LCR)



Source: Bank financials, A1 Capital

Low loans to deposits ratio indicates extra lending capacity when opportunities arise. This indicator is also another ratio demonstrating the bank's highly liquid positioning. Liquidity does not only provide cushion at times of distress but also acts as an ammunition at revival. Akbank has the lowest loans to deposits ratio among peers, indicating is advantage to lend once the conditions become more suitable.

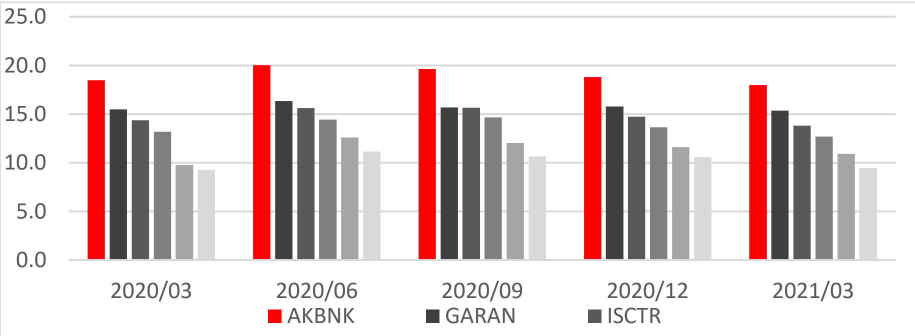
Loans to deposits ratio (LDR) is the lowest for Akbank



Source: Bank financials, A1 Capital

Capitalization strength is unmatched. Akbank is operating with the highest CAR and highest core Tier1 at 21.1% and 18% respectively. The forbearances by the BRSA has 150bp positive impact on total capitalization ratios of Akbank, which does not change the ranking as peers also benefit from those advantages at least at par with Akbank if not more. Fixing the mark to market losses on securities and plugging the average of last 12 month exchange rate for risk weighted asset calculations are the primary moderations. It is worth mentioning that Basel III requires 12.1% CAR and 8.6% CET1 including 2.5pp capital conservation buffer, 1.5pp domestic systematically important bank buffer and 0.08pp countercyclical buffer for Akbank. With such a solid capital strength the bank is one of the rare players that can endure NPL ratios in the north of 15%.

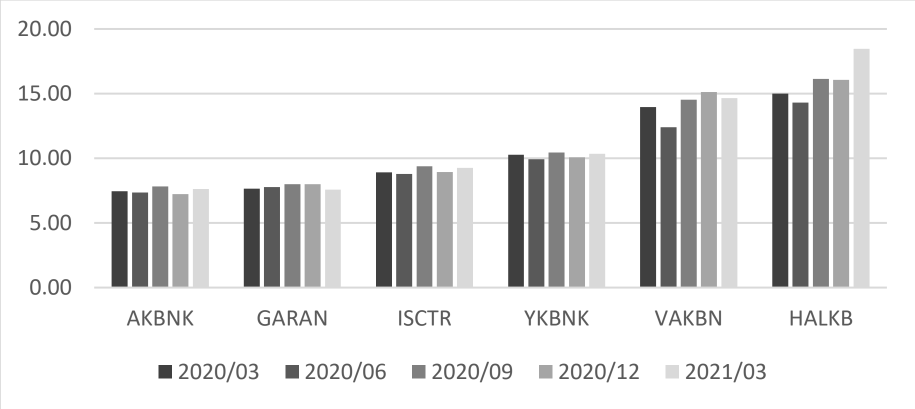
CET1* is by far the strongest for Akbank %



** Core Tier1 capital adequacy ratio*
Source: Bank financials, A1 Capital

High CAR means low leverage. Amount of assets created per unit of equity is leverage (Assets/Equity). A bank can borrow more, lend more and make additional return when it levers up. Akbank is capable of doubling its ROE to over 20% levels if it pushes up its leverage to those of state banks. With such a high ROE, the bank can even deserve 1x P/B multiple instead of 2021F 0.4x. Obviously a bank needs management determination to expand leverage, which is not limited to words but can also be tracked through actions in the case of Akbank. The bank's loans surged by 28% y-y in 1Q21; the highest among private peers.

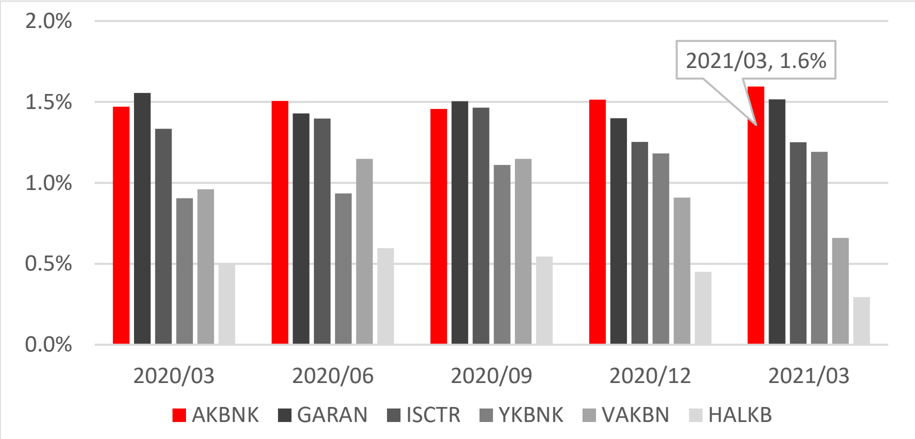
Low leverage (Assets/Equity) is the road to high ROE



Source: Bank financials, A1 Capital

Sector topping ROA confirms that it is the lack of leverage that pressures down Akbank's ROE. The bank's 12M backward looking ROA for 1Q21 is sector high 1.6%. By simply increasing the leverage to 10x, the bank can easily achieve 16% ROE.

ROA* is sector high and going north for Akbank



** Trailing 4Q*
Source: Bank financials, A1 Capital

Valuation

We are valuing Akbank through our EVA model. This model calculates the economic profit surpassing the cost of equity. Unfortunately neither Akbank nor any of the peers is capable of achieving a positive return in excess of the equity cost. While the negative spread decreases over time we are not expecting any positive economic profit in our forecast horizon. The bank deserves being traded below the book value as the banking business is value destructive. Yet we think that current P/B multiple is pointing to a deeply oversold level.

	2021	2022	2023	2024	2025
P/B	0.40	0.35	0.31	0.27	0.24
TP/B	0.63	0.55	0.48	0.43	0.37
P/E	3.4	2.7	2.3	2.0	1.7
TP/E	5.4	4.2	3.5	3.1	2.7

EVA - Econ. value add		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Core business ROE		12.3%	14.2%	15.1%	15.5%	15.6%	15.7%	16.2%	16.5%	16.7%	16.9%
Rf		18.4%	17.9%	17.2%	16.5%	15.8%	15.2%	14.6%	14.0%	13.5%	12.9%
Risk premium		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Beta		1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24
CoE		23.4%	22.8%	22.1%	21.4%	20.8%	20.2%	19.6%	19.0%	18.4%	17.9%
Incremental spread		-11%	-8.6%	-7.0%	-6.0%	-5.1%	-4.4%	-3.4%	-2.5%	-1.7%	-1.0%
Tangible core equity		57,966	65,203	73,688	83,181	94,081	106,559	121,301	138,639	158,850	182,334
Value add		-6,387	-5,585	-5,157	-4,970	-4,843	-4,723	-4,120	-3,398	-2,688	-1,905
Discount factor		1.00	0.81	0.67	0.55	0.45	0.38	0.32	0.27	0.22	0.19
NPV of EP		-6,391	-4,550	-3,441	-2,731	-2,203	-1,788	-1,304	-904	-604	-363
NPV terminal EP	-2,716										
Core bus. econ. Val.	**-26,995**										
Core bus. equity 1yFL	60,721										
Subs. 1yFL 20% disc.	9,565										
Target mcap	43,290										
Market cap	27,716										
Upside	56%										
Number of shares	5,200										
Target price/share	8.32										
Current price/share	5.28										
Upside	58%										

Ratios and Financial statements

Ratios						
Multiples	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
P/E	5.75	3.40	2.68	2.25	1.94	1.70
P/B (tangible)	0.58	0.40	0.35	0.31	0.27	0.24
Profitability	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
ROE tangible	11.1%	12.4%	14.0%	14.7%	15.0%	15.1%
ROE headline	10.9%	12.3%	14.0%	14.6%	14.9%	15.0%
ROA	1.5%	1.7%	1.8%	1.9%	1.9%	1.8%
Leverage	7.2	7.4	7.7	7.9	8.1	8.3
NIM	4.0%	2.5%	2.7%	2.6%	2.5%	2.4%
LTD spread	1.9%	2.5%	3.4%	2.6%	2.5%	2.4%
Efficiency Ratios	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
C/I	41%	36%	34%	36%	37%	37%
Net Fees/Costs	42%	42%	43%	43%	44%	45%
Asset Quality	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
NPL Ratio	6.8%	6.4%	6.4%	6.3%	6.3%	6.3%
NPL Coverage	62%	65%	65%	65%	65%	65%
Capitalisation	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Core T1	18.8	18.5	17.9	17.5	17.1	16.8
T1	18.8	18.5	17.9	17.5	17.1	16.8
CAR	21.8	21.7	21.0	20.5	20.1	19.7
% of Total Assets	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	57%	56%	56%	56%	56%	56%
Securities	23%	22%	22%	22%	22%	22%
Deposits	60%	62%	62%	63%	63%	64%
Equity	14%	13%	13%	13%	12%	12%
Loans/Deposits	94%	89%	89%	89%	88%	87%
Currency Breakdown	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
TL Loans/Loans	73%	71%	71%	71%	71%	71%
TL Deposits/Deposits	40%	42%	42%	42%	43%	43%
Net FX pos./Sh. Eq.	8%	9%	8%	8%	8%	8%
Market Share	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	7%	7%	7%	7%	7%	7%
Securities	18%	18%	18%	18%	18%	18%
Deposits	8%	8%	8%	8%	8%	8%
Sh Equity	10%	11%	10%	10%	10%	10%
Assets	7%	7%	7%	7%	8%	8%
Growth	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	24%	13%	17%	17%	16%	16%
Securities	19%	11%	17%	16%	16%	15%
Deposits	20%	19%	18%	18%	17%	17%
Sh Equity	16%	10%	14%	14%	14%	14%
Assets	24%	15%	17%	17%	16%	16%
Net Profit	**16%**	**29%**	**27%**	**19%**	**16%**	**15%**
NII	*24%*	*-9%*	*20%*	*11%*	*11%*	*11%*
Fees	*-17%*	*12%*	*15%*	*17%*	*16%*	*16%*
Dividend	*-27%*	*104%*	*13%*	*17%*	*17%*	*16%*
Subsidiary profits	*49%*	*37%*	*15%*	*17%*	*16%*	*16%*
Trading	*-13%*	*-254%*	*-52%*	*5%*	*5%*	*5%*
Personnel Expenses	*10%*	*11%*	*15%*	*15%*	*14%*	*14%*
Other Opex	*22%*	*12%*	*15%*	*15%*	*14%*	*14%*
LL Provisions	*3%*	*-29%*	*12%*	*7%*	*8%*	*7%*
Other Provisions	*140%*	*29%*	*-10%*	*6%*	*6%*	*6%*

Financials	2020	2021	2022	2023	2024	2025
Loans	253,319	286,386	335,908	392,225	456,008	527,964
Securities	103,989	115,560	135,012	157,030	181,851	209,721
Deposits	268,570	320,199	376,319	442,521	518,146	604,203
Sh Equity	62,919	69,087	78,446	89,346	101,573	115,559
Assets	446,101	513,683	602,555	703,631	818,114	947,274
Net Profit	**6,267**	**8,081**	**10,228**	**12,220**	**14,120**	**16,173**
NII	*19,531*	*17,763*	*21,396*	*23,794*	*26,530*	*29,408*
Fees	*3,866*	*4,328*	*4,971*	*5,814*	*6,771*	*7,852*
Dividend	*5*	*10*	*11*	*13*	*15*	*17*
Subsidiary profits	*956*	*1,313*	*1,510*	*1,767*	*2,057*	*2,386*
Trading	*-619*	*954*	*460*	*485*	*509*	*534*
Personnel Expenses	*2,844*	*3,147*	*3,617*	*4,142*	*4,725*	*5,369*
Other Opex	*4,843*	*5,413*	*6,220*	*7,123*	*8,125*	*9,232*
LL Provisions	*6,860*	*4,890*	*5,452*	*5,853*	*6,306*	*6,777*
Other Provisions	*2,619*	*3,387*	*3,047*	*3,244*	*3,446*	*3,656*

JUNE 2021

BANKING SECTOR

GARANTI BUY

GARAN TI

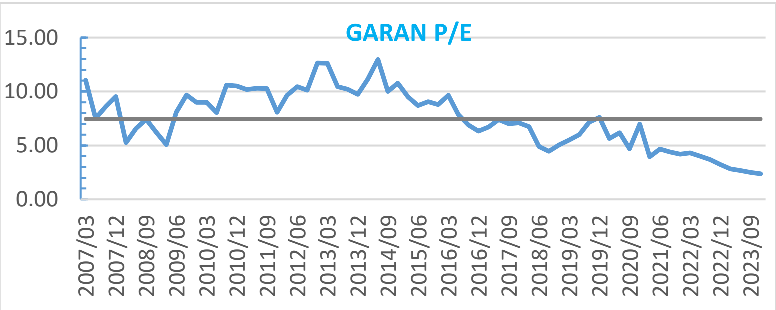
Massive free provision buffer

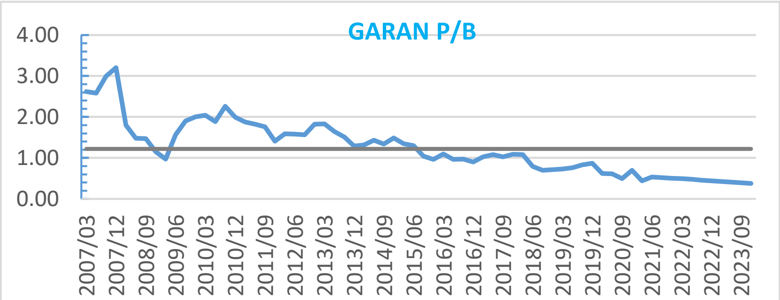
- **Already prepared for potential bad surprises**
  There are many items that differentiate Garanti from the rest of the pack. It is the Turkey proxy with the highest daily trading volume, best management as implied by the ROE level and top notch investor relations support. Increasingly a new item is climbing in this list; the free provision buffer. The bank has a massive TRY4.8bn discretionary reserves that has already passed through the P/L as a negative item and deducted from the capital. It can be reversed on the bank's discretion.

- **Lowest leverage among peers**
  The bank has the lowest asset size relative to its equity. It is extraordinary for any bank to post the best ROE among peers despite such a low leverage and continuous habit of setting aside free provisions. Garanti has huge room to support ROE by inflating its balance sheet under suitable conditions.

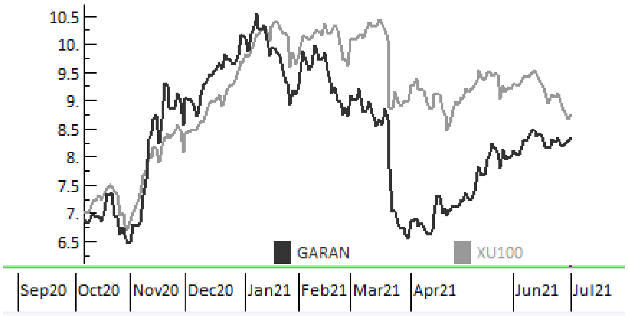
- **Highest net long FX position, highest cash NII collections**
  Garanti is the top beneficiary of weaker local currency as its net long FX position corresponds to a sector high 22% of the shareholders' equity. Each 5% increase in USDTRY generates close to TRY700mn profit for the bank. Last but not the least Garanti can actually make collections from its NII account. Cash NII/Accruals is the highest among peers.

- **Valuation appeal**
  The bank deserves being traded below the book as the ROE remains below the CoE, yet 0.5x 2021F P/B is unfair in our view. Our EVA model yields 0.75x fair P/B for Garanti.





GARAN	01-07-21
Garanti Bankası	
Rating	BUY
Free float	48%
Major Shareholder	BBVA
Share of Major Shareholder	50%
Mcap (USD mn)	4,045.0
Mcap (TRY mn)	35,112.0
Target Mcap (TRY mn)	52,444.2
Share Price (TRY)	8.36
Target Price (TRY)	12.49
Upside	49%
Avg. Daily Trading Vol. (TRY mn)	1,697.53
Latest financials	2021/03
Weekly Return	0.2%
Monthly Return	3.2%
Y-Y Return	0.2%
Weekly Relative return	3.1%
Monthly Relative return	7.8%



Ratios			
Multiples	**2020**	**2021**	**2022**
P/E	6.98	4.16	3.20
P/B (tangible)	0.71	0.47	0.42
Profitability	**2020**	**2021**	**2022**
ROE tangible	10.9%	12.1%	13.9%
ROE headline	10.8%	12.7%	14.7%
ROA	1.4%	1.6%	1.8%
Leverage	8.0	7.4	7.7
NIM	5.3%	3.2%	3.4%
LTD spread	3.6%	2.6%	3.7%
Efficiency Ratios	**2020**	**2021**	**2022**
C/I	40%	32%	30%
Net Fees/Costs	52%	51%	53%
Asset Quality	**2020**	**2021**	**2022**
NPL Ratio	4.6%	4.5%	4.4%
NPL Coverage	63%	65%	64%

Investment thesis

Garanti has always been one of the most profitable banks from an ROE point of view despite its gradually accumulated TRY4.8bn discretionary reserve stock and sector low leverage. The bank's profit evolution is set to be better than peers even when it starts not setting aside additional free provisions let alone reversing those.

Garanti is in our top picks as;

i. Discretionary provisions provide P/L cushion against potential asset quality problems,

ii. Lowest leverage among peers to support already sector topping ROE as balance sheet expands,

iii. Highest net long FX position to escalade earnings as USDTRY goes north,

iv. Highest cash net interest income collections as percentage of NII strengthens the bank's cash position.

v. Garanti offers the highest upside after Akbank among the banks in our coverage.

Catalysts

FX gains are set to support earnings as the bank carries the widest net foreign currency position among peers. ROE is likely to expand faster than peers as the bank moves the sector low leverage to peer average. We expect the bank to gradually reduce its elevated discretionary reserve book and minimize the P/L impact of asset quality issue that may arise in the quarters to follow.

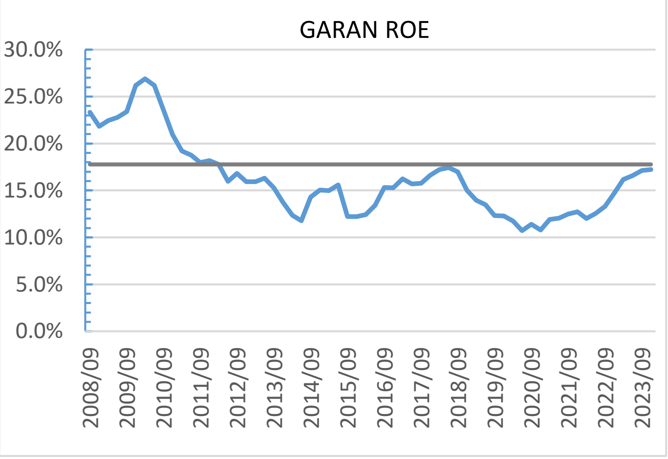
Risks

Garanti has the lowest CPI linker bond portfolio among peers. While the competition will be able to protect themselves against any pickup in inflation, it will be relatively to a lesser extent for Garanti.

Company background

Garanti Bank was established in 1946 by 103 co-founders as a joint-stock company in Ankara. The founders of the Bank consisted of traders who wanted to invest their post-WW II accumulated fortunes in profitable lines of businesses. Towards the end of 1970s, most of the shares of Garanti were acquired by Koc Group and Sabancı Group. In the early 1980s, first Koc Group then Sabancı Group sold their shares in Garanti to Dogus Group. Today BBVA is Garanti's majority shareholder with 49.85% share. The Bank has been rebranded as Garanti BBVA on June 10th 2019. Its depositary receipts are traded in the UK and the USA.

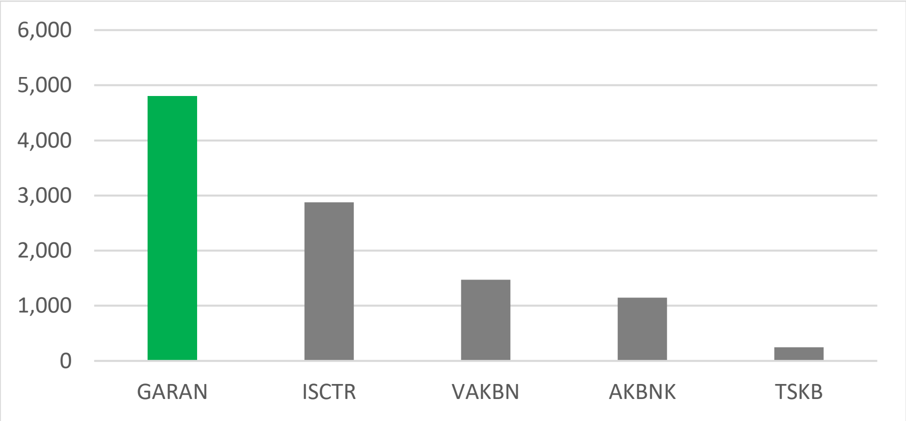
ROE Evolution



Investment highlights

Free provisions to protect earnings. Garanti's free provisions will be protecting the P/L should there be any need for provisioning stemming from any write-offs or unexpected asset quality issues. The bank has gradually collected those reserves at quarters of high profits. As they have already been deducted from the shareholders' equity the bank's book value is understated by 7%. While the bank has 18.2% capital adequacy ratio including the forbearances, the CAR actually climbs up to 19.5% if we are to add back the free provisions. Forbearances only have 80bp contribution on Garanti's CAR.

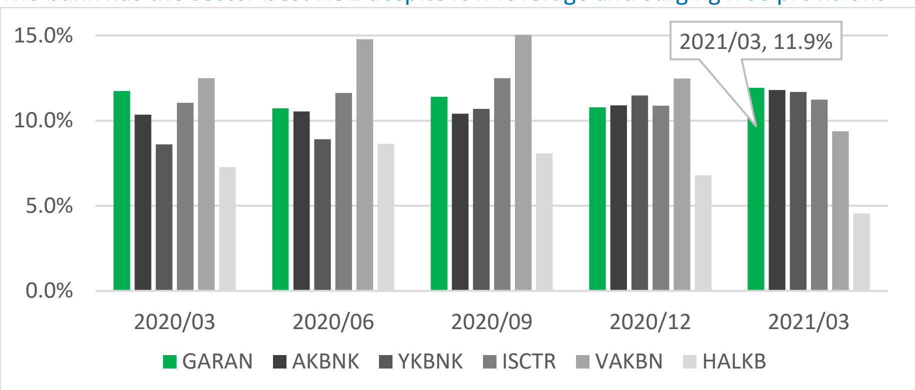
Garanti has the largest discretionary reserve buffer (TRYmn)



Source: Bank financials, A1 Capital

Garanti has the highest trailing 4Q ROE among peers. Although the bank is consistently posting the highest or one of the highest ROEs, it is accumulating discretionary reserves every quarter to get prepared for potential bad times. We like this countercyclical approach and sector low leverage. We attribute this high ROE, despite low leverage, to strong management and staff quality. The secret ingredient behind above average profitability is nothing but talented employees.

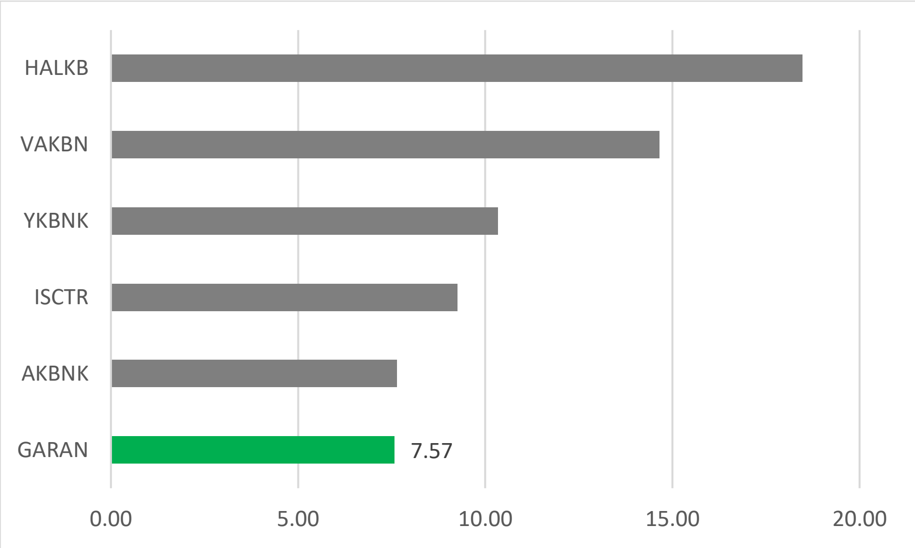
The bank has the sector best ROE despite low leverage and surging free provisions



** Trailing 4Q*
Source: Bank financials, A1 Capital

Lowest leverage provides room for ROE accretion. Having the best ROE, despite sector low leverage with such an ongoing practice of setting aside free provisions is astounding. We expect the bank to expand its leverage, gradually release its free provisions and display an above average ROE evolution.

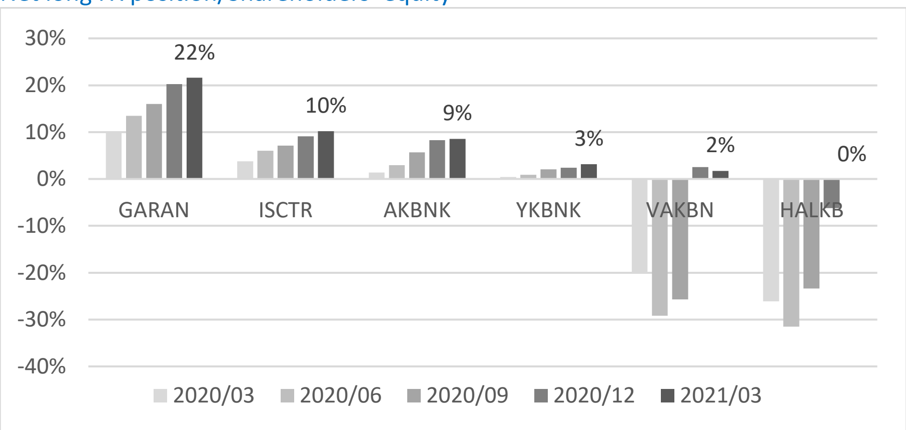
The bank has the lowest leverage as of 1Q21



Source: Bank financials, A1 Capital

Long FX position provides P/L support as TRY weakens. Garanti's TRY14bn bank-only net long FX position corresponds to 22% of 1Q21 shareholders' equity, which is the highest among peers with a wide margin. Each 5% increase in USDTRY lifts up the annualized quarterly ROE by 4pp. Pre-tax P/L contribution of such a change is close to TRY700mn. From a regulatory point of view Garanti's net long FX position to regulatory capital stands at 18%, which is still below the 20% ceiling.

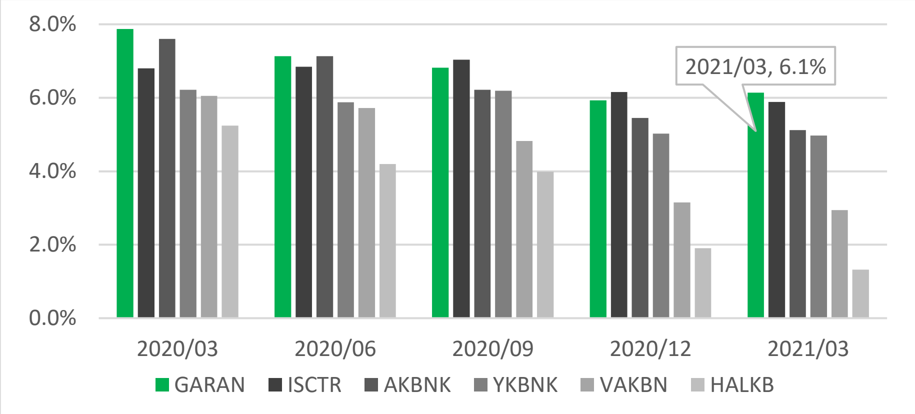
Net long FX position/Shareholders' equity*



** This is not the regulatory shareholders' equity but the standard bank-only accounting figure.*
Source: Bank financials, A1 Capital

The bank generates the widest spread. Garanti has always been one of the frontrunners in loan-deposit spread generation. Only Isbank managed to surpass the bank on spread side in the past thanks to its less rate sensitive clientele obtained through wide distribution network, yet Garanti climbed back to the leading position in 1Q. Sector best spreads is one of the key factors explaining the bank's consistently high ROEs.

Loan-Deposit spreads (Quarterly annualized)



Source: Bank financials, A1 Capital

Garanti actually makes the cash collections. One of the biggest obstacles Turkish banks are facing is the lack of cash collections from accrued interest income. Less collections relative to interest accruals predominantly stem from accounting differentials on CPI linked bonds, partially due to restructured loans and investment loans with long grace periods. Garanti has always been among the top from a cash collection point of view when we analyze 4Q trailing NII figures.

Cash Net Interest Income / NII Accruals*

	2019/12	2020/03	2020/06	2020/09	2020/12	2021/03
GARAN	88%	92%	104%	102%	93%	93%
ISCTR	85%	86%	86%	87%	87%	91%
AKBNK	64%	72%	69%	79%	88%	88%
YKBNK	88%	96%	99%	101%	82%	75%
VAKBN	65%	65%	61%	63%	59%	61%
HALKB	49%	64%	56%	60%	54%	43%

** Last 4Q trailing*

Source: Bank financials, A1 Capital

Valuation

We are valuing Garanti through our EVA valuation method. Just like the peers Garanti is not able to generate economic profit. We expect the ROE to remain below the CoE for the whole forecast horizon. Yet the 2021 P/B multiple of 0.5x is undeserved in our view. We think that 0.75x should be the base given such a profit potential.

	2021	2022	2023	2024	2025
P/B	0.50	0.44	0.37	0.32	0.27
TP/B	0.75	0.66	0.56	0.48	0.41
P/E	4.2	3.2	2.4	2.0	1.6
TP/E	6.3	4.8	3.5	2.9	2.4

EVA - Econ value add		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Core business ROE		11.6%	13.8%	16.9%	17.8%	18.5%	18.8%	18.8%	18.6%	18.2%	17.9%
Rf		18.4%	17.9%	17.2%	16.5%	15.8%	15.2%	14.6%	14.0%	13.5%	12.9%
Risk premium		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Beta		1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
CoE		23.8%	23.2%	22.5%	21.9%	21.2%	20.6%	20.0%	19.4%	18.9%	18.3%
Incremental spread		-12%	-9%	-6%	-4%	-3%	-2%	-1%	-1%	-1%	0%
Tangible core equity		60,844	68,501	79,274	91,867	107,207	125,582	147,125	172,136	200,964	234,037
Value add		-7,395	-6,466	-4,443	-3,744	-2,919	-2,184	-1,738	-1,434	-1,223	-1,038
Discount factor		1.00	0.81	0.66	0.54	0.45	0.37	0.31	0.26	0.22	0.18
NPV of EP		-7,399	-5,250	-2,944	-2,036	-1,309	-812	-539	-372	-267	-192
NPV terminal EP	-1,391										
Core bus. econ. Val.	**-22,512**										
Core bus. Eq. 1yFL	63,651										
Subs. 1yFL 20% disc.	11,305										
Target mcap	52,444										
Market cap	34,860										
Upside	50%										
Number of shares	4,200										
Target price/share	12.49										
Current price/share	8.30										
Upside	50%										

Ratios & Forecasts

Multiples	2020	2021	2022	2023	2024	2025
P/E	6.98	4.16	3.20	2.35	1.95	1.63
P/B (tangible)	0.71	0.47	0.42	0.36	0.31	0.27
Profitability	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
ROE tangible	10.9%	12.1%	13.9%	16.4%	17.1%	17.7%
ROE headline	10.8%	12.7%	14.7%	17.2%	17.8%	18.3%
ROA	1.4%	1.6%	1.8%	2.1%	2.2%	2.3%
Leverage	8.0	7.4	7.7	7.8	7.8	7.7
NIM	5.3%	3.2%	3.4%	3.4%	3.3%	3.1%
LTD spread	3.6%	2.6%	3.7%	3.4%	3.2%	3.1%
Efficiency Ratios	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
C/I	40%	32%	30%	30%	30%	30%
Net Fees/Costs	52%	51%	53%	54%	55%	56%
Asset Quality	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
NPL Ratio	4.6%	4.5%	4.4%	4.4%	4.4%	4.4%
NPL Coverage	63%	65%	64%	64%	64%	64%
Capitalisation	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Core T1	15.8	15.7	15.3	15.3	15.4	15.6
T1	15.8	15.7	15.3	15.3	15.4	15.6
CAR	18.5	18.6	18.1	18.1	18.2	18.4
% of Total Assets	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	64%	65%	65%	65%	65%	65%
Securities	15%	14%	14%	14%	14%	14%
Deposits	65%	68%	68%	69%	69%	70%
Equity	13%	13%	12%	12%	12%	13%
Loans/Deposits	98%	95%	95%	94%	93%	93%
Curr. Breakdown	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
TL Loans/Loans	68%	68%	68%	68%	68%	68%
TL Deposits/Dep.	45%	44%	44%	44%	45%	45%
Net FX pos./Sh. Eq.	20%	24%	23%	22%	21%	20%
Market Share	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	9%	9%	9%	9%	9%	9%
Securities	13%	12%	12%	12%	12%	12%
Deposits	9%	9%	9%	9%	9%	10%
Sh Equity	10%	11%	11%	11%	11%	11%
Assets	8%	8%	8%	8%	8%	8%
Growth	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	25%	13%	17%	17%	16%	16%
Securities	26%	6%	17%	16%	16%	15%
Deposits	29%	17%	18%	18%	17%	17%
Sh Equity	15%	12%	14%	17%	17%	17%
Assets	26%	12%	17%	17%	16%	16%
Net Profit	**1%**	**34%**	**30%**	**36%**	**21%**	**20%**
NII	*25%*	*8%*	*19%*	*16%*	*11%*	*12%*
Fees	*-2%*	*11%*	*15%*	*17%*	*16%*	*16%*
Dividend	*114%*	*32%*	*14%*	*17%*	*17%*	*16%*
Subsidiary profits	*48%*	*31%*	*15%*	*17%*	*16%*	*16%*
Trading	*-109%*	*-179%*	*105%*	*5%*	*5%*	*5%*
Personnel Expenses	*5%*	*15%*	*15%*	*15%*	*14%*	*14%*
Other Opex	*22%*	*14%*	*15%*	*15%*	*14%*	*14%*
LL Provisions	*25%*	*27%*	*6%*	*8%*	*8%*	*7%*
Other Provisions	*359%*	*10%*	*8%*	*6%*	*6%*	*6%*

Financials	2020	2021	2022	2023	2024	2025
Loans	315,085	355,933	417,493	487,502	566,794	656,248
Securities	73,208	77,706	90,787	105,592	122,283	141,023
Deposits	321,512	375,431	441,255	519,023	607,890	709,049
Sh Equity	62,082	69,585	79,584	93,022	108,632	127,377
Assets	492,798	550,203	645,393	753,654	876,276	1,014,619
Net Profit	**6,238**	**8,377**	**10,878**	**14,807**	**17,848**	**21,441**
NII	*23,768*	*25,786*	*30,582*	*35,559*	*39,628*	*44,210*
Fees	*5,978*	*6,652*	*7,645*	*8,942*	*10,413*	*12,075*
Dividend	*19*	*25*	*29*	*34*	*39*	*45*
Subsidiary profits	*1,323*	*1,737*	*1,992*	*2,331*	*2,715*	*3,149*
Trading	*181*	*-143*	*-294*	*-310*	*-326*	*-342*
Personnel Expenses	*3,707*	*4,256*	*4,891*	*5,602*	*6,390*	*7,262*
Other Opex	*6,331*	*7,243*	*8,324*	*9,532*	*10,873*	*12,354*
LL Provisions	*13,394*	*17,059*	*18,050*	*19,459*	*20,963*	*22,525*
Other Provisions	*3,766*	*4,160*	*4,495*	*4,784*	*5,083*	*5,392*

JUNE 2021

BANKING SECTOR

ISBANK HOLD

ISCTR TI

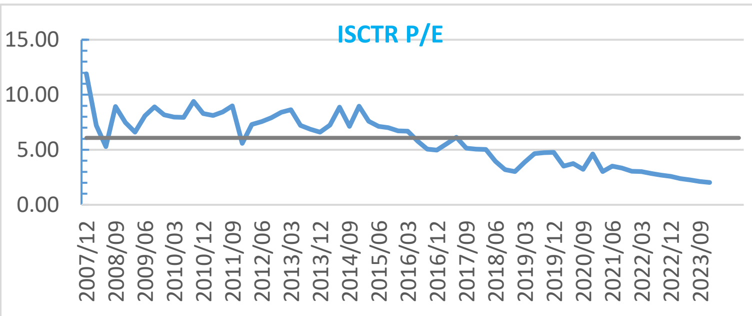
Solid deposit base edge

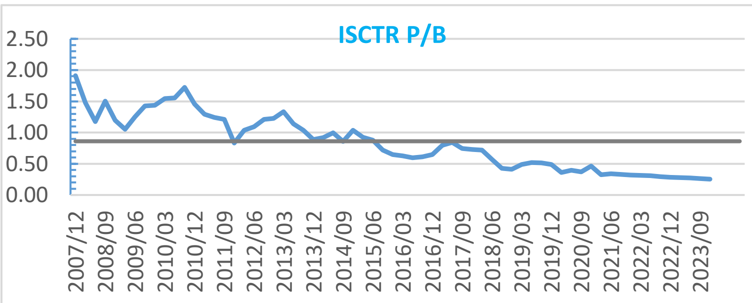
- **Widest branch network**
  Isbank wide branch network gives the bank the advantage to build a less interest rates sensitive, low cost funding base. The bank also has the highest demand deposits as percentage of total due to this network as well as its cash management edge.

- **Market leader among private banks**
  All the way from loans to equity Isbank has the highest market share among private banks. It is easy to grab market share for a bank when it charges lower interest on loans and offer higher return on deposits. This is not the case for Isbank. Thanks to its low cost deposit base Isbank either has the highest or the second best loan-deposit spread among peers every quarter.

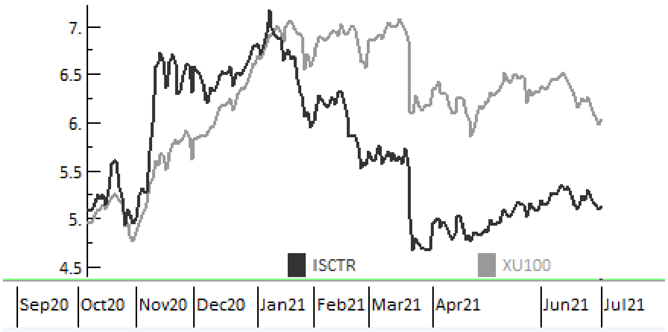
- **Free provisions and long FX position to support P/L**
  Isbank's TRY2.9bn free provision buffer and net long FX position to equity at 10% are both the second highest among peers after Garanti and will be supportive for the bank's earnings in the quarters to follow.

- **Lower CPI linker exposure**
  Isbank has less exposure in CPI linked bonds relative to peers and quarterly income volatility is less than others as the bank prefers using expectations survey results as the base for CPI component rather than its own estimate. So unlike some of the peers no additional profit support likely for 2Q21.





ISCTR	01-07-21
İş Bankası (C)	
Rating	HOLD
Free float	31%
Major Shareholder	Is. Pens. F.
Share of Major Shareholder	37%
Mcap (USD mn)	2,675.0
Mcap (TRY mn)	23,219.8
Target Mcap (TRY mn)	31,034.7
Share Price (TRY)	5.10
Target Price (TRY)	6.90
Upside	35%
Avg. Daily Trading Vol. (TRY mn)	279.80
Latest financials	2021/03
Weekly Return	-2.6%
Monthly Return	-0.8%
Y-Y Return	-2.4%
Weekly Relative return	0.2%
Monthly Relative return	3.6%



Ratios			
Multiples	**2020**	**2021**	**2022**
P/E	4.62	3.04	2.59
P/B (tangible)	0.47	0.31	0.28
Profitability	**2020**	**2021**	**2022**
ROE tangible	11.1%	10.8%	11.5%
ROE headline	10.9%	11.0%	11.7%
ROA	1.3%	1.2%	1.2%
Leverage	8.9	9.1	9.7
NIM	4.4%	2.1%	2.1%
LTD spread	3.3%	2.6%	1.9%
Efficiency Ratios	**2020**	**2021**	**2022**
C/I	43%	41%	42%
Net Fees/Costs	51%	50%	51%
Asset Quality	**2020**	**2021**	**2022**
NPL Ratio	5.6%	5.3%	5.3%
NPL Coverage	64%	64%	64%

Investment thesis

We are attaching a Hold rating on Isbank as we believe that return potential generated through our EVA model is less than the peers. The biggest plus point of Isbank is its low cost deposit base supported by less interest rate sensitive customers, wide branch network that operates in areas, which are not in the top priority of competition and its successful cash management business.

Isbank has the highest market share among private banks in all key items. Isbank does not sacrifice profitability simply to grab market share. Thanks to its low cost deposit base Isbank either has the highest or the second best loan-deposit spread among peers every quarter.

Isbank's free provision buffer and net long FX position to equity are both are close to the highest end and will be supportive for the bank's earnings in the quarters to follow.

Isbank has less exposure in CPI linked bonds relative to peers and quarterly income volatility is less than others as the bank prefers using expectations survey results rather than its own estimate. So no additional profit support likely for 2Q21.

Catalysts

Other than its core financial subsidiaries dealing with insurance, leasing, asset management, investment bank and equity brokerage businesses the bank also has 57% stake in the glass company Sisecam. Isbank does not have any intention to sell the majority stake but we believe that up to 7pp of it can be sold. Such a divestiture can generate TRY1.7bn cash flow to the bank.

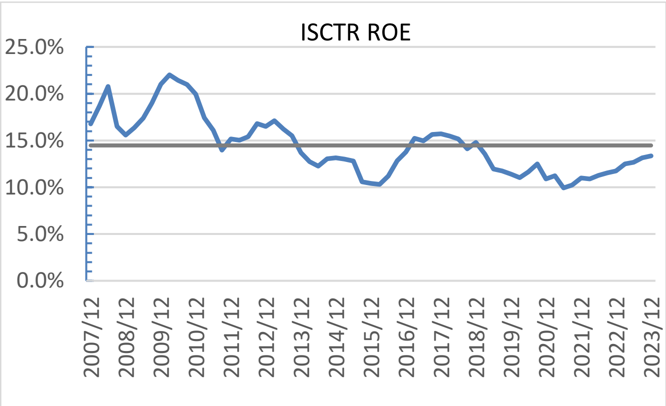
Risks

A possible change in the ownership of 28% stake from the political party CHP to the Treasury is deemed as a major risk factor by some participants of the investor community. We disagree. Isbank Pension Fund is the majority owner with 37% stake. There is no obligation for the general assembly to provide any seats at the 11 strong board for those Ataturk shares currently represented by the CHP. Regardless of the owner of Ataturk shares, Isbank Pension Fund will continue to have the right to prepare a list of board member candidates and have it voted at the general assembly.

Company background

The inception of the country's first national bank following the promulgation of the Republic dates back to 26 August 1924, mandated by Atatürk, consequent to the First Economy Congress in İzmir. Isbank begun to operate with two branches and 37 staff under the leadership of Celal Bayar, the first General Manager to run the bank. In May 1998, 12.3% of the Bank's total shares previously held by the Turkish Treasury have been sold to national and international investors in a public offering.

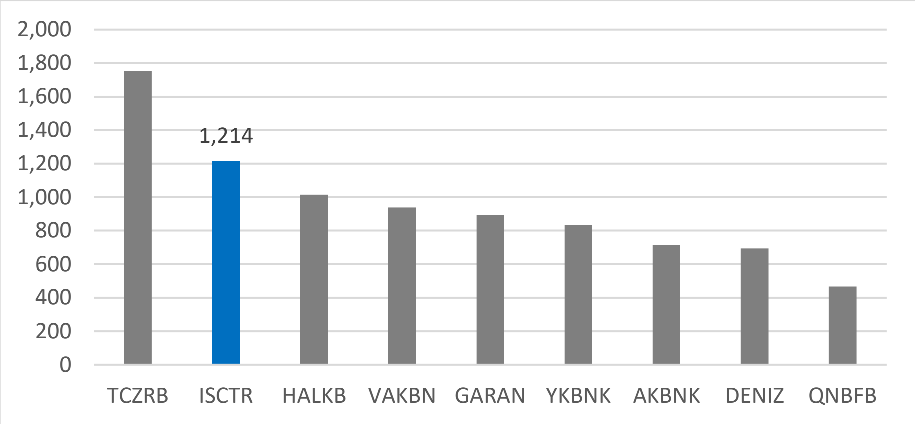
ROE Evolution



Investment highlights

Wide distribution network helps funding costs. Isbank has the most extensive distribution network with 1,214 branches among private banks. Only Ziraatbank has a larger coverage. While such a large branch network increases the costs, it also allows reach to a larger deposit base that does not fiercely bargain for higher rates. In many branch locations Isbank is the only bank in the near proximity, which reduces price competition.

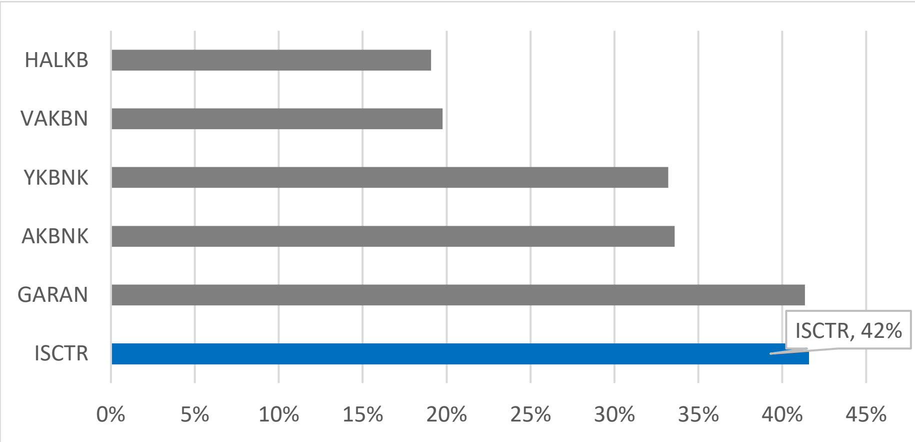
Isbank has the widest branch network



Source: Turkish Banks Association

Branch network supports demand deposits. The bank has the largest demand deposit base as percentage of total deposits. More visibility of branch premises and lack of peer alternatives help raise demand deposits, coupled with cash management and salary payments of corporates.

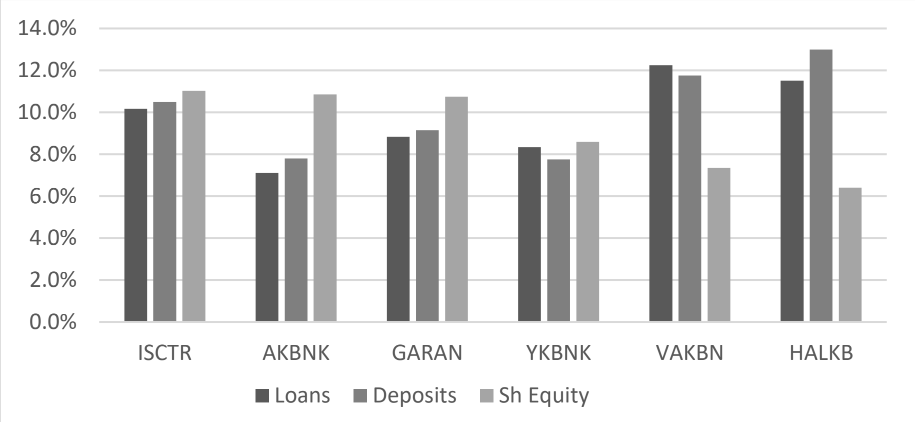
Demand Deposits/Total Deposits



Source: Bank financials

Isbank has the largest market share in all key items among private banks. All the way from loans to balance sheet size Isbank has the highest market share among private banks. However, state banks have higher share in loans and deposits with the support of Credit Guarantee Fund backed loans. Still, the bank has the largest shareholders' equity among all banks in our coverage. It is easy to grab market share for a bank when it charges lower interest on loans and offer higher return on deposits. This certainly is not the case for Isbank. As we have analyzed at Garanti bank section, Isbank either has the highest or the second best loan-deposit spread among peers.

Market shares*



** Ranked by shareholders' equity shares*
Source: Bank financials

Valuation

EVA - Econ. val. add		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Core business ROE		7.3%	8.1%	10.8%	11.0%	11.1%	11.1%	10.7%	11.0%	12.7%	14.1%
Rf		18.4%	17.9%	17.2%	16.5%	15.8%	15.2%	14.6%	14.0%	13.5%	12.9%
Risk premium		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta		1.21	1.21	1.21	1.21	1.21	1.21	1.21	1.21	1.21	1.21
CoE		24.4%	23.9%	23.2%	22.5%	21.9%	21.2%	20.6%	20.1%	19.5%	19.0%
Incremental spread		-17.2%	-15.7%	-12.4%	-11.5%	-10.8%	-10.1%	-10.0%	-9.0%	-6.8%	-4.8%
Tangible core equity		44,906	47,687	51,835	56,085	60,902	66,339	72,157	79,077	88,403	100,371
Value add		-7,712	-7,509	-6,442	-6,473	-6,550	-6,698	-7,193	-7,148	-6,013	-4,856
Discount factor		1.00	0.81	0.66	0.54	0.44	0.36	0.30	0.25	0.21	0.18
NPV of EP		-7,716	-6,064	-4,224	-3,464	-2,876	-2,426	-2,160	-1,788	-1,258	-854
NPV terminal EP	-5,928										
Core bus. econ. Val.	**-38,758**										
Core bus. equity 1yFL	44,796										
Subs. 1yFL 20% disc.	24,997										
Target mcap	31,035										
Market cap	23,220										
Upside	34%										
Number of shares	4,500										
Target price/share	6.90										
Current price/share	5.10										
Upside	35%										

Ratios & Forecasts

Multiples	2020	2021	2022	2023	2024	2025
P/E	4.62	3.04	2.59	2.03	1.79	1.58
P/B (tangible)	0.47	0.31	0.28	0.25	0.22	0.20
Profitability	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
ROE tangible	11.1%	10.8%	11.5%	13.2%	13.4%	13.6%
ROE headline	10.9%	11.0%	11.7%	13.4%	13.5%	13.6%
ROA	1.3%	1.2%	1.2%	1.3%	1.3%	1.3%
Leverage	8.9	9.1	9.7	10.1	10.5	10.9
NIM	4.4%	2.1%	2.1%	2.2%	2.0%	1.9%
LTD spread	3.3%	2.6%	1.9%	1.4%	0.9%	0.4%
Efficiency Ratios	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
C/I	43%	41%	42%	43%	44%	46%
Net Fees/Costs	51%	50%	51%	52%	53%	54%
Asset Quality	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
NPL Ratio	5.6%	5.3%	5.3%	5.2%	5.2%	5.2%
NPL Coverage	64%	64%	64%	64%	64%	64%
CoR Gross	2.9%	2.8%	2.8%	2.8%	2.8%	2.8%
CoR Net	1.5%	1.9%	1.9%	1.9%	1.9%	1.9%
Capitalisation	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Core T1	14.7	14.0	13.3	12.8	12.4	12.0
T1	14.7	14.0	13.3	12.8	12.4	12.0
CAR	18.7	18.1	17.1	16.5	15.9	15.4
% of Total Assets	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	62%	61%	61%	61%	61%	61%
Securities	19%	17%	17%	17%	17%	17%
Deposits	62%	64%	64%	65%	65%	65%
Equity	11%	11%	10%	10%	9%	9%
Loans/Deposits	99%	95%	95%	94%	94%	93%
Currency Breakdown	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
TL Loans/Loans	63%	63%	63%	63%	63%	63%
TL Deposits/Deposits	36%	37%	37%	38%	38%	38%
Net FX pos./Sh. Eq.	9%	10%	10%	9%	9%	8%
Market Share	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	10%	10%	10%	10%	10%	10%
Securities	19%	18%	18%	18%	18%	18%
Deposits	11%	11%	11%	11%	11%	11%
Sh Equity	11%	11%	11%	10%	10%	10%
Assets	10%	10%	10%	10%	10%	10%
Growth	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	26%	12%	17%	17%	16%	16%
Securities	29%	4%	17%	16%	16%	15%
Deposits	25%	17%	18%	18%	17%	17%
Sh Equity	15%	7%	11%	13%	12%	12%
Assets	27%	13%	17%	17%	16%	16%
Net Profit	**12%**	**11%**	**17%**	**27%**	**14%**	**13%**
NII	*27%*	*0%*	*10%*	*12%*	*8%*	*7%*
Fees	*1%*	*11%*	*15%*	*17%*	*16%*	*16%*
Dividend	*136%*	*20%*	*13%*	*17%*	*17%*	*16%*
Subsidiary profits	*21%*	*31%*	*15%*	*17%*	*16%*	*16%*
Trading	*-48%*	*53%*	*-12%*	*5%*	*5%*	*5%*
Personnel Expenses	*21%*	*7%*	*15%*	*15%*	*14%*	*14%*
Other Opex	*20%*	*17%*	*15%*	*15%*	*14%*	*14%*
LL Provisions	*31%*	*6%*	*11%*	*7%*	*8%*	*7%*
Other Provisions	*360%*	*-7%*	*19%*	*6%*	*6%*	*6%*

Financials	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	365,522	410,365	481,369	562,123	653,590	756,785
Securities	111,372	116,365	135,953	158,125	183,119	211,183
Deposits	368,876	431,299	506,822	595,548	696,815	811,950
Sh Equity	67,781	72,308	80,327	90,432	101,430	113,860
Assets	593,902	673,528	790,055	922,582	1,072,689	1,242,041
Net Profit	**6,811**	**7,555**	**8,876**	**11,313**	**12,844**	**14,527**
NII	*25,242*	*25,124*	*27,730*	*31,132*	*33,484*	*35,891*
Fees	*5,618*	*6,219*	*7,162*	*8,376*	*9,754*	*11,310*
Dividend	*21*	*26*	*29*	*34*	*40*	*46*
Subsidiary profits	*3,406*	*4,449*	*5,124*	*5,993*	*6,978*	*8,092*
Trading	*-3,341*	*-5,109*	*-4,499*	*-4,740*	*-4,979*	*-5,222*
Personnel Expenses	*5,192*	*5,558*	*6,388*	*7,316*	*8,346*	*9,485*
Other Opex	*6,605*	*7,751*	*8,908*	*10,202*	*11,637*	*13,224*
LL Provisions	*10,214*	*10,791*	*11,968*	*12,853*	*13,848*	*14,880*
Other Provisions	*2,516*	*2,341*	*2,781*	*2,959*	*3,144*	*3,336*

JUNE 2021

BANKING SECTOR

YAPI KREDI BANK BUY

YKBNK TI

Provisions and linkers guard P/L

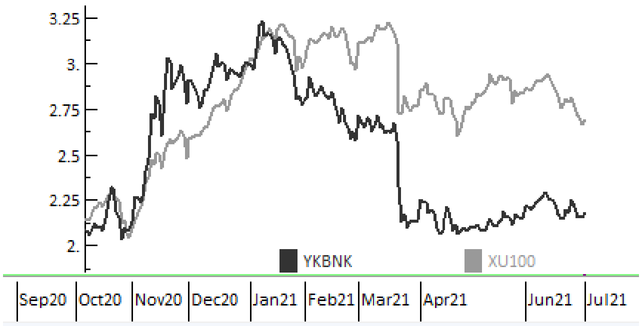
- **P/L protection through CPI linked bonds**
  YKB is the top direct beneficiary of increasing inflation thanks to its sector-high CPI linker bond exposure. The bank does not only have the highest amount of inflation indexed bonds in absolute terms but the highest as a percentage of shareholders' equity as well.

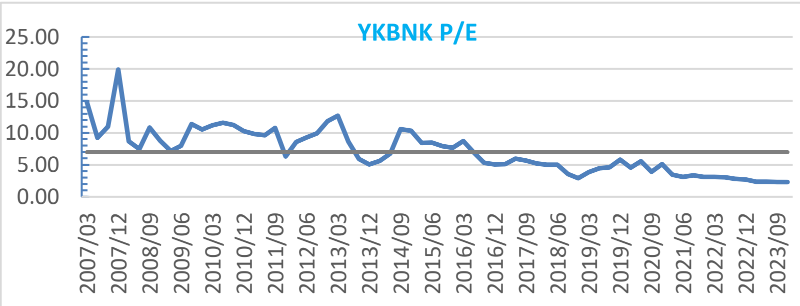
- **UCI's stake sale will be the road to MSCI re-inclusion**
  Yapı Kredi Bank was out of MSCI Turkey index starting from May 2021. We expect the free float market cap and daily trading volume to increase following the divestiture of UCI's remaining shares, eventually ending up with re-inclusion of YKB to the Index.

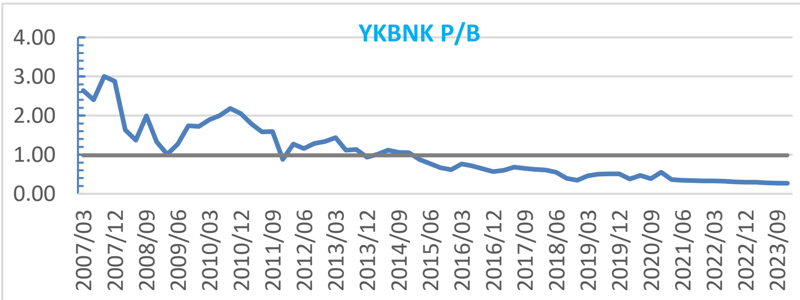
- **Placement impending**
  Unicredit still has 20% stake of YKB, the lock up on which will end in mid-November. We are not envisaging such a stake sale to materialize in 2021 as UCI is not in urgent need of capital and YKB's multiples are near all-time lows.

- **Hefty provision buffer**
  Instead of boosting its provision buffer through discretionary reserves that hamper auditor opinion, YKB preferred boosting its general and loan loss provisions instead. The share of provisions both on asset side and liability side of the balance sheet to total loans is the highest for YKB. Such high provisioning is set to protect the P/L at times of distress.

YKBNK	01-07-21
Yapı ve Kredi Bank.	
Rating	BUY
Free float	30%
Major Shareholder	Koc Group
Share of Major Shareholder	41%
Mcap (USD mn)	2,121.4
Mcap (TRY mn)	18,414.6
Target Mcap (TRY mn)	25,004.7
Share Price (TRY)	2.16
Target Price (TRY)	2.96
Upside	37%
Avg. Daily Trading Vol. (TRY mn)	489.44
Latest financials	2021/03
Weekly Return	-3.1%
Monthly Return	-1.4%
Y-Y Return	-6.3%
Weekly Relative return	-0.3%
Monthly Relative return	3.0%







Ratios			
Multiples	**2020**	**2021**	**2022**
P/E	5.12	3.08	2.66
P/B (tangible)	0.57	0.34	0.31
Profitability	**2020**	**2021**	**2022**
ROE tangible	12.0%	11.8%	12.3%
ROE headline	11.5%	11.4%	11.8%
ROA	1.2%	1.2%	1.2%
Leverage	10.1	10.1	10.7
NIM	3.8%	2.5%	2.5%
LTD spread	2.9%	2.7%	2.5%
Efficiency Ratios	**2020**	**2021**	**2022**
C/I	44%	45%	45%
Net Fees/Costs	52%	51%	52%
Asset Quality	**2020**	**2021**	**2022**
NPL Ratio	6.4%	5.4%	5.4%
NPL Coverage	69%	73%	74%

Investment thesis

We are initiating coverage on YKB with a BUY rating due to the bank's sector high provision buffer that will protect the bank's P/L in the quarters to follow as well as the sector topping CPI linker portfolio, which will support earnings as inflation goes north.

While impending share supply from UCI following 3Q financials could be downbeat for the price, its longer run impact will be upbeat in our view. Such a stake sale may help the bank's free float market capitalization, trading volume and pave the way for possible re-inclusion to MSCI TR Index.

YKB is the top direct beneficiary of increasing inflation thanks to its sector-high CPI linker bond exposure. However, YKB has the lowest cash collections in NII as CPI linkers generate interest income accruals but no cash inflow until the due date.

YKB prefers boosting its general and loan loss provisions instead of accumulating free provisions. The share of provisions both on asset side and liability side of the balance sheet to total loans is the highest for YKB. Such high provisioning is set to protect the P/L at times of distress.

Catalysts

Re-inclusion to MSCI Index and completion of UCI's placement of the 20% stake could be positive for the stock. YKB benefits the most from inflation increase due to its sector high CPI linked bond exposure. Higher inflation is a positive factor for YKB.

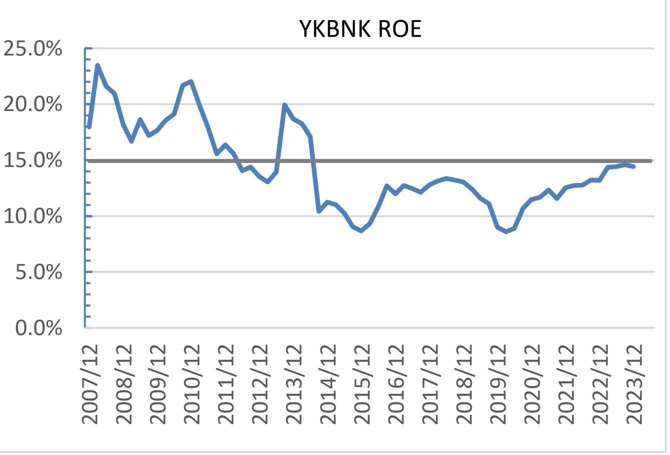
Risks

Unexpected large ticket NPLs. UCI's gradual divestiture of its shares directly in the market or via ABBs with discounts. Some funds will prefer softening their YKB positioning before the sale to replace them back at a discount at the placement.

Company background

Yapı Kredi is known for its retail banking edge through a customer-centric approach and focus on innovation since its establishment in 1944. YKB was acquired by Mehmet Emin Karamehmet's Cukurova Holding in 1984, and Husnu Ozyegin was its general manager until 1987. In 2005 the majority of shares in Yapı Kredi were acquired by Koc Group. In 2006 Kocbank was merged into Yapı Kredi.

ROE Evolution



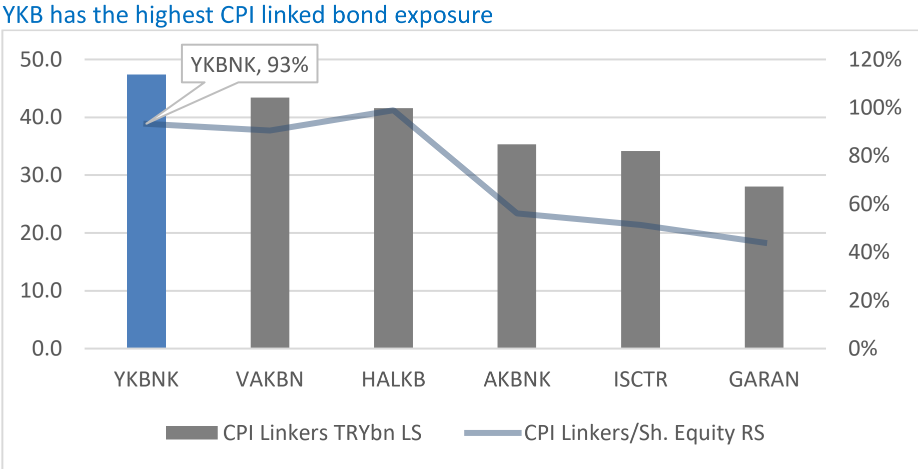
Investment highlights

A placement will eventually be underway after mid-November. As can be recalled UCI and Koc Holding JV was terminated at the beginning of 2020 after UCI sold a 9% direct stake in YKB to Koc. UCI still has 20% remaining stake in YKB the lock up period on which ends with the release of 3Q21 financials or latest on November 15, 2021. Free float is 30% and Koc Group has 49.99% stake in YKB. We believe that Koc Holding will not show interest in these shares as even a slightest increase in ownership would increase the Group's ownership to above 50% and automatically trigger a tender offer for the minorities. So we believe that UCI will prefer an SPO or a combination of an SPO and an ABB for those shares. Koc Holding needs to approve ABBs over 5% and block sales surpassing 10% of paid in capital for 8 years following the expiry of the lock up period in November. We do not expect a stake sale immediately after the expiry of lock up period as UCI comfortably meets ECB's capital requirements and YKB is hovering around all time low P/B levels.

Why did UCI end the JV in early 2020. JV shares are deducted from the capital base Under Basel III, while minority stakes just increase the risk weighted assets. Minority shares consume less capital than controlling shares. UCI reduced its ownership in YKB to optimize its capital adequacy ratio.

Yapı Kredi Bank has the largest CPI linker exposure. YKB is the top direct beneficiary of increasing inflation thanks to its largest CPI linker bond portfolio. To put the figures under context we have divided the portfolios to shareholders' equity providing an indirect sensitivity to ROE or valuation impact as well. YKB is the most sensitive private bank from a valuation point of view to inflation fluctuations with CPI linked bonds corresponding to 93% of the shareholders' equity. However, YKB has the lowest cash collections in NII as CPI linkers generate interest income but no cash inflow until the maturity. Please check Garanti section of this report for further insight on cash collections from interest accruals.

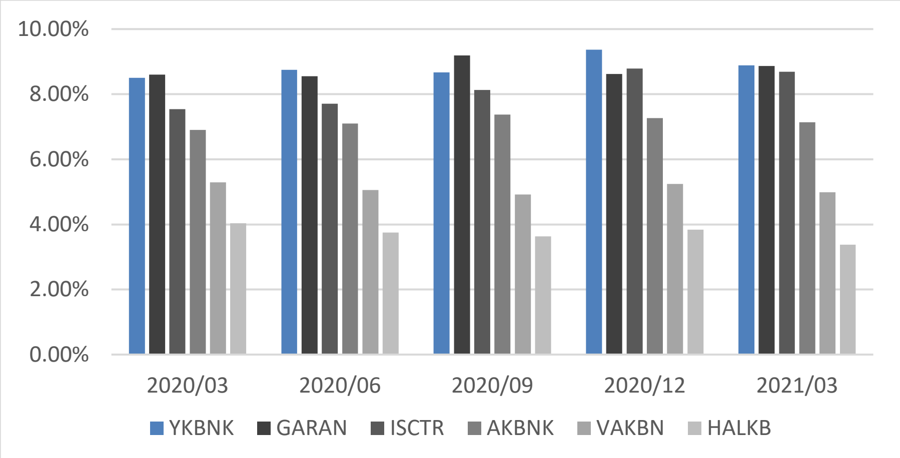
YKB has the highest CPI linked bond exposure



Source: Earnings presentations and financials

Highest provision buffer as percentage of loans. Instead of boosting its provision buffer through discretionary reserves that hamper auditor opinion, YKB prefers boosting its general and loan loss provisions instead. The share of provisions both on asset side and liability side of the balance sheet to total loans is the highest for YKB. Such high provisioning is set to protect the P/L at times of distress.

Provisions/Loans



Source: Bank financials, A1 Capital estimates

Valuation

	2021	2022	2023	2024	2025
P/B	0.33	0.30	0.27	0.24	0.22
TP/B	0.45	0.41	0.37	0.33	0.30
P/E	3.1	2.7	2.3	2.1	1.9
TP/E	4.2	3.6	3.2	2.8	2.6

EVA - Econ. val. add		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Core business ROE		12.2%	12.8%	13.4%	13.6%	13.6%	14.4%	14.5%	14.6%	14.6%	14.6%
Rf		18.4%	17.9%	17.2%	16.5%	15.8%	15.2%	14.6%	14.0%	13.5%	12.9%
Risk premium		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Beta		1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23
CoE		24.5%	24.0%	23.3%	22.6%	22.0%	21.3%	20.7%	20.2%	19.6%	19.1%
Incremental spread		-12%	-11%	-9.9%	-9.0%	-8.3%	-7.0%	-6.2%	-5.6%	-5.1%	-4.5%
Tangible core equity		41,617	45,463	49,792	54,332	59,295	65,224	71,784	79,087	87,170	96,190
Value add		-5,147	-5,096	-4,928	-4,914	-4,948	-4,539	-4,472	-4,420	-4,409	-4,329
Discount factor		1.00	0.81	0.65	0.53	0.44	0.36	0.30	0.25	0.21	0.17
NPV of EP		-5,150	-4,113	-3,226	-2,623	-2,166	-1,638	-1,336	-1,099	-917	-756
NPV terminal EP	-5,212										
Core bus. econ. Val.	**-28,235**										
Core bus. equity 1yFL	43,209										
Subs. 1yFL 20% disc.	10,031										
Target mcap	25,005										
Market cap	18,246										
Upside	37%										
Number of shares	8,447										
Target price/share	2.96										
Current price/share	2.16										

Ratios

Multiples	2020	2021	2022	2023	2024	2025
P/E	5.12	3.11	2.69	2.32	2.08	1.88
P/B (tangible)	0.57	0.35	0.31	0.28	0.25	0.23
Profitability	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
ROE tangible	12.0%	11.8%	12.3%	12.7%	12.8%	12.8%
ROE headline	11.5%	11.4%	11.8%	12.2%	12.3%	12.2%
ROA	1.2%	1.2%	1.2%	1.2%	1.1%	1.1%
Leverage	10.1	10.1	10.7	11.2	11.8	12.3
NIM	3.8%	2.5%	2.5%	2.4%	2.2%	2.1%
LTD spread	2.9%	2.7%	2.5%	1.6%	1.4%	1.1%
Efficiency Ratios	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
C/I	44%	45%	45%	48%	49%	50%
Net Fees/Costs	52%	51%	52%	54%	55%	56%
Asset Quality	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
NPL Ratio	6.4%	5.4%	5.4%	5.4%	5.3%	5.3%
NPL Coverage	69%	73%	74%	74%	74%	74%
CoR Gross	3.4%	2.6%	2.6%	2.6%	2.6%	2.6%
CoR Net	2.5%	0.9%	0.9%	0.9%	0.9%	0.9%
Capitalisation	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Core T1	13.6	12.9	12.3	11.7	11.2	10.7
T1	15.0	14.4	13.7	13.0	12.5	11.9
CAR	18.2	17.4	16.5	15.8	15.1	14.5
% of Total Assets	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	64%	62%	62%	62%	62%	62%
Securities	17%	17%	17%	17%	17%	17%
Deposits	55%	59%	59%	60%	60%	60%
Equity	10%	10%	10%	9%	9%	8%
Loans/Deposits	115%	105%	105%	104%	104%	103%
Curr. Breakdown	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
TL Loans/Loans	64%	63%	63%	63%	63%	63%
TL Deposits/Deposits	43%	43%	43%	43%	43%	44%
Net FX pos./Sh. Eq.	2%	3%	3%	3%	3%	3%
Market Share	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	8%	8%	8%	8%	8%	8%
Securities	13%	14%	14%	14%	14%	14%
Deposits	7%	8%	8%	8%	8%	8%
Sh Equity	8%	9%	8%	8%	8%	7%
Assets	8%	8%	8%	8%	8%	8%
Growth	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	22%	14%	17%	17%	16%	16%
Securities	38%	19%	17%	16%	16%	15%
Deposits	14%	25%	18%	18%	17%	17%
Sh Equity	15%	16%	11%	11%	11%	11%
Assets	19%	17%	17%	17%	16%	16%
Net Profit	**41%**	**16%**	**16%**	**16%**	**12%**	**11%**
NII	*15%*	*2%*	*13%*	*8%*	*8%*	*7%*
Fees	*-1%*	*15%*	*15%*	*17%*	*16%*	*16%*
Dividend	*-68%*	*67%*	*14%*	*17%*	*17%*	*16%*
Subsidiary profits	*13%*	*29%*	*15%*	*17%*	*16%*	*16%*
Personnel Expenses	*14%*	*13%*	*15%*	*15%*	*14%*	*14%*
Other Opex	*18%*	*15%*	*15%*	*15%*	*14%*	*14%*
LL Provisions	*8%*	*-6%*	*13%*	*7%*	*8%*	*7%*
Other Provisions	*1031%*	*-41%*	*-19%*	*6%*	*6%*	*6%*

Financials	2020	2021	2022	2023	2024	2025
Loans	293,225	334,894	392,836	458,736	533,377	617,589
Securities	76,605	91,363	106,742	124,150	143,774	165,808
Deposits	254,280	318,123	373,886	439,697	514,882	600,448
Sh Equity	47,564	55,228	61,429	68,437	76,010	84,395
Assets	459,694	539,036	632,295	738,359	858,492	994,027
Net Profit	**5,080**	**5,915**	**6,858**	**7,921**	**8,840**	**9,799**
NII	*16,977*	*17,296*	*19,515*	*21,066*	*22,770*	*24,474*
Fees	*5,247*	*6,013*	*6,912*	*8,085*	*9,416*	*10,920*
Dividend	*3*	*5*	*6*	*7*	*8*	*9*
Subsidiary profits	*884*	*1,142*	*1,310*	*1,532*	*1,785*	*2,070*
Trading	*257*	*-377*	*-198*	*-208*	*-219*	*-229*
Personnel Expenses	*3,576*	*4,040*	*4,642*	*5,316*	*6,064*	*6,890*
Other Opex	*4,848*	*5,566*	*6,396*	*7,325*	*8,354*	*9,492*
LL Provisions	*9,491*	*8,912*	*10,087*	*10,816*	*11,654*	*12,523*
Other Provisions	*464*	*275*	*222*	*236*	*251*	*266*

JUNE 2021

BANKING SECTOR

HALKBANK HOLD

HALKB TI

Fairly valued

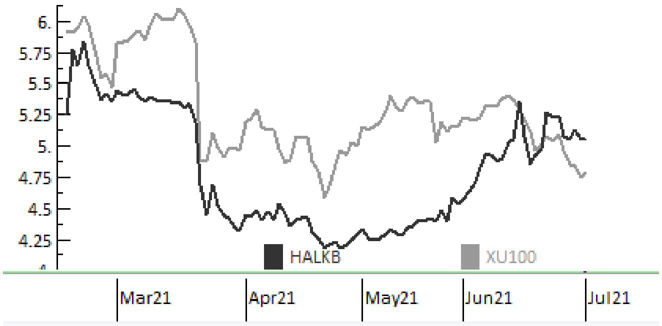
- **Growth moderates**
  Halkbank's loan growth, which used to be the highest among peers couple of quarters ago is now normalizing back to sector norms. The assertive loan originations in 2Q20 with a large Credit Guarantee scheme are redeemed gradually. TRY loans, which grew by 71% y-y at its peak in 2Q20 were up by a softer 38% in 1Q21. The bank still grabs market share in both loans and deposits but expansion cuts pace.

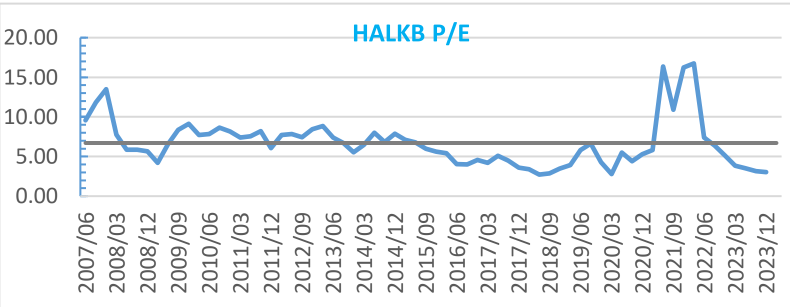
- **Leverage is high**
  We attribute this slowdown in loan growth to stretched leverage. Halkbank's leverage is at a sector high of 18.5x. Such a leverage doubling the average of private banks should defer ROE accretion through asset growth.

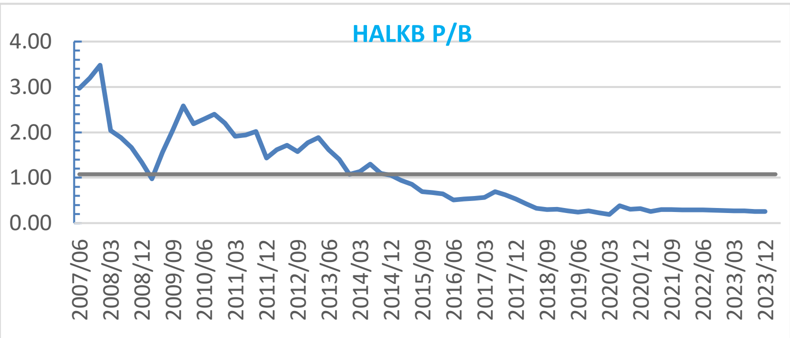
- **Profitability should be increased to limit CAR slide**
  Halk is the only bank in our coverage with a single digit CET1 that is at 8.5%. Going forward we believe that the bank's loan growth will slow down to levels in the south of sector average. We expect the bank to direct the funding more into lower risk weighted assets instead of loans to slow down RWA growth.

- **Shareholder can provide capital if need be**
  A bank can be self-sufficient from a capitalization point of view as long as ROEs surpass RWA growth. Halk should focus on profitable growth if it aims to continue supporting the economy with loans. Otherwise it might end up asking for capital injection, which is not a difficult task for the sturdy shareholder the Turkey Wealth Fund (TWF) to fulfill.

HALKB	01-07-21
T. Halk Bankası	
Rating	HOLD
Free float	23%
Major Shareholder	TWF
Share of Major Shareholder	75%
Mcap (USD mn)	1,450.6
Mcap (TRY mn)	12,591.5
Target Mcap (TRY mn)	12,686.7
Share Price (TRY)	5.05
Target Price (TRY)	5.13
Upside	2%
Avg. Daily Trading Vol. (TRY mn)	320.71
Latest financials	2021/03
Weekly Return	-2.9%
Monthly Return	11.4%
Y-Y Return	-18.2%
Weekly Relative return	0.0%
Monthly Relative return	16.3%







Ratios			
Multiples	**2020**	**2021**	**2022**
P/E	5.29	16.25	5.12
P/B (tangible)	0.32	0.33	0.31
Profitability	**2020**	**2021**	**2022**
ROE tangible	6.8%	2.0%	6.3%
ROE headline	6.8%	1.8%	5.6%
ROA	0.5%	0.1%	0.3%
Leverage	16.1	18.7	19.8
NIM	3.4%	0.3%	0.7%
LTD spread	-1.3%	-0.6%	0.4%
Efficiency Ratios	**2020**	**2021**	**2022**
C/I	56%	63%	56%
Net Fees/Costs	30%	28%	28%
Asset Quality	**2020**	**2021**	**2022**
NPL Ratio	3.8%	3.5%	3.5%
NPL Coverage	65%	64%	65%

Investment thesis

We include Halkbank to our coverage with a Hold rating due to limited upside to our target price. ROE generation is the key to sustainable loan growth. A bank can be self-sufficient from a capitalization point of view as long as ROEs surpass risk weighted asset growth. Halk should focus on profitable growth if it aims to continue supporting the economy with loans. Otherwise it might end up asking for capital injection, which is not a difficult task for the sturdy shareholder the Turkey Wealth Fund (TWF) to fulfill. All-in-all the bank needs to lay more emphasis on profitability. In our base case we are assuming that the bank will sacrifice loan growth, increase its spreads and muddle through without a going for a rights offering.

Catalysts

Winning the court case in the US would be positive for the share price. Sacrificing growth in return for higher spreads can be positive for shareholder value.

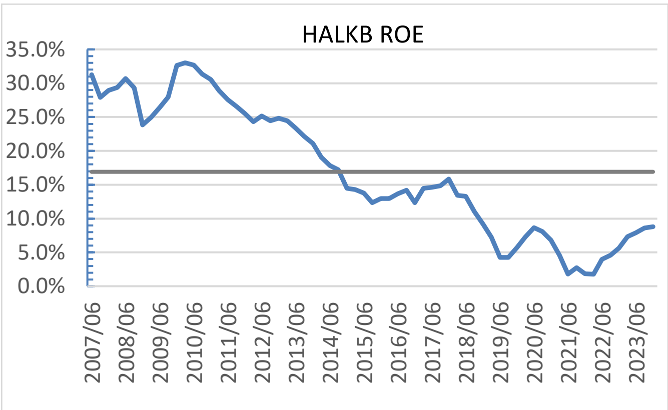
Risks

Continuation of low profitability is a risk. Evolution of the US court should be closely monitored.

Company background

Halbank was established to support tradesmen and artisans in 1933 as a credit union by small cooperatives and began its operations in 1938. Halkbank was authorized to directly open branches and grant loans to customers in 1950. Throughout 1990s and early 2000s, Halkbank's assets grew rapidly through the absorption of banks such Tobank, Sumerbank, Etibank, Emlakbank (partially) and Pamukbank. Particularly the merger with Pamukbank significantly strengthened the bank's retail banking capabilities. Halk's IPO took place in May 2007.

ROE Evolution



Investment highlights

Loan growth cuts pace: Halkbank's loan growth, which used to be the highest among peers couple of quarters ago is now normalizing back to sector norms. The aggressive loan originations that were triggered in 2Q20 with a large Credit Guarantee scheme as well as other state bank driven support loans are being redeemed gradually. FX loans have been contracting for the last two years y-y, TRY loans however, which grew by 71% y-y in 2Q20 were up by 38% in 1Q21. The bank still grabs market share in both loans and deposits but expansion cuts pace.

We attribute this slowdown in loan growth to stretched leverage. Halkbank's leverage that we track as assets/equity is at a sector high of 18.5x (See Akbank our analysis for further details). Such a leverage doubling the average of private banks should limit the bank from increasing the ROE by expanding its balance sheet. High leverage is a function of low capitalization. Halk is the only bank in our coverage with a single digit CeT1 that is at 8.5%. Going forward we believe that the bank's loan growth will even slow down to levels in the south of sector average. Deposit inflow will continue in our view. We expect the bank to direct the funding more into Treasury papers instead of loans to slow down risk weighted asset growth.

Y-Y loan growth

	2020/03	2020/06	2020/09	2020/12	2021/03
Loans	23%	48%	49%	45%	30%
TRY	34%	71%	62%	59%	38%
FX USD terms	-15%	-17%	-16%	-12%	-12%
Deposits	21%	52%	55%	54%	44%
TRY	38%	90%	76%	57%	42%
FX USD terms	-12%	-3%	-3%	19%	18%

Source: Bank financials

ROE generation is the key to sustainable loan growth. A bank can be self-sufficient from a capitalization point of view as long as ROEs surpass risk weighted asset growth (RWA growth is roughly the loan growth if we are to isolate Treasury guaranteed Credit Guarantee Fund backed low risk weighted lending). Halk should focus on profitable growth if it aims to continue supporting the economy with loans. Otherwise it might end up asking for capital injection, which is not a difficult task for the sturdy shareholder the Turkey Wealth Fund (TWF) to fulfill. However further capital injections needs may arise going forward if the profitability remains at the current substandard levels. All-in-all the bank needs to lay more emphasis on profitability. In our base case, which actually is the best case, we are assuming that the bank will lose slight market share in loans, increase its spreads and muddle through without a going for a rights offering.

Valuation

	2021	2022	2023	2024	2025
P/B	0.29	0.28	0.25	0.23	0.21
TP/B	0.30	0.28	0.26	0.23	0.21
P/E	16.2	5.1	3.0	2.5	2.0
TP/E	16.4	5.2	3.0	2.5	2.0

EVA - Eco. value add		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Core business ROE		-0.1%	4.9%	9.1%	10.4%	11.6%	12.3%	12.6%	15.6%	18.3%	19.8%
Rf		18.4%	17.9%	17.2%	16.5%	15.8%	15.2%	14.6%	14.0%	13.5%	12.9%
Risk premium		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Beta		1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07
CoE		25%	24%	24%	23%	22%	22%	21%	20%	20%	19%
Incremental spread		-25%	-19%	-14%	-13%	-11%	-9%	-8%	-5%	-2%	0%
Tangible core equity		31,576	33,152	36,364	40,446	45,572	51,759	59,013	69,383	83,780	102,757
Value add		-7,879	-6,431	-5,259	-5,056	-4,860	-4,833	-4,971	-3,340	-1,372	454
Discount factor		1.00	0.81	0.65	0.53	0.43	0.36	0.29	0.24	0.20	0.17
NPV of EP		-7,883	-5,178	-3,427	-2,681	-2,108	-1,724	-1,465	-817	-280	78
NPV terminal EP	526										
Core bus. econ. Val.	**-24,959**										
Core bus. equity 1yFL	32,007										
Subs. 1yFL 20% disc.	5,639										
Target mcap	12,687										
Market cap	12,592										
Upside	1%										
Number of shares	2,474										
Target price/share	5.13										
Current price/share	5.05										
Upside	2%										

Ratios & Forecasts

Multiples	2020	2021	2022	2023	2024	2025
P/E	5.29	16.25	5.12	3.03	2.47	2.03
P/B (tangible)	0.32	0.33	0.31	0.28	0.25	0.23
Profitability	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
ROE tangible	6.8%	2.0%	6.3%	9.8%	10.8%	11.8%
ROE headline	6.8%	1.8%	5.6%	8.8%	9.8%	10.8%
ROA	0.5%	0.1%	0.3%	0.5%	0.5%	0.6%
Leverage	16.1	18.7	19.8	20.1	20.1	19.8
Efficiency Ratios	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
C/I	56%	63%	56%	56%	55%	54%
Net Fees/Costs	30%	28%	28%	29%	29%	29%
Asset Quality	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
NPL Ratio	3.8%	3.5%	3.5%	3.5%	3.5%	3.5%
NPL Coverage	65%	64%	65%	65%	65%	65%
CoR Gross	0.9%	1.2%	1.2%	1.1%	1.1%	1.1%
CoR Net	0.2%	0.4%	0.4%	0.4%	0.4%	0.4%
Capitalisation	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Core T1	10.6	9.7	9.2	9.0	8.9	9.0
T1	12.6	11.8	11.1	10.9	10.8	10.8
CAR	15.2	14.3	13.5	13.2	13.1	13.2
% of Total Assets	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	66%	65%	65%	65%	65%	65%
Securities	23%	25%	26%	27%	28%	29%
Deposits	67%	74%	78%	82%	87%	91%
Equity	6%	6%	6%	6%	5%	5%
Loans/Deposits	98%	88%	84%	80%	75%	71%
Curr. Breakdown	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
TL Loans/Loans	79%	78%	78%	78%	78%	78%
TL Deposits/Deposits	57%	56%	56%	56%	57%	57%
Net FX pos./Sh. Eq.	-6%	0%	0%	0%	0%	0%
Market Share	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	13%	12%	11%	11%	10%	10%
Securities	28%	28%	28%	28%	28%	28%
Deposits	13%	13%	13%	13%	13%	14%
Sh Equity	7%	7%	6%	6%	5%	5%
Assets	11%	10%	10%	10%	9%	9%
Growth	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	45%	4%	12%	12%	11%	11%
Securities	55%	11%	17%	16%	16%	15%
Deposits	54%	16%	18%	18%	17%	17%
Sh Equity	33%	0%	6%	9%	10%	11%
Assets	49%	5%	12%	12%	11%	11%
Net Profit	**51%**	**-70%**	**217%**	**69%**	**23%**	**22%**
NII	*77%*	*-80%*	*101%*	*35%*	*15%*	*16%*
Fees	*-6%*	*3%*	*10%*	*12%*	*11%*	*11%*
Dividend	*21%*	*60%*	*9%*	*12%*	*12%*	*11%*
Trading	*62%*	*-50%*	*15%*	*16%*	*16%*	*15%*
Personnel Expenses	*25%*	*13%*	*12%*	*12%*	*11%*	*11%*
Other Opex	*28%*	*13%*	*12%*	*12%*	*11%*	*11%*
LL Provisions	*50%*	*-31%*	*5%*	*5%*	*5%*	*5%*
Other Provisions	*-88%*	*314%*	*42%*	*3%*	*5%*	*4%*

Financials	2020	2021	2022	2023	2024	2025
Loans	449,745	467,745	524,860	586,310	652,130	722,332
Securities	159,200	176,150	205,802	239,365	277,200	319,682
Deposits	457,286	532,307	625,854	737,489	865,330	1,011,168
Sh Equity	42,931	42,774	45,233	49,395	54,494	60,705
Assets	680,026	715,643	803,161	897,335	998,224	1,105,846
Net Profit	**2,600**	**775**	**2,458**	**4,162**	**5,099**	**6,211**
NII	*18,753*	*3,766*	*7,566*	*10,209*	*11,790*	*13,635*
Fees	*2,615*	*2,682*	*2,949*	*3,300*	*3,676*	*4,078*
Dividend	*511*	*818*	*891*	*997*	*1,112*	*1,235*
Trading	*-5,281*	*-2,630*	*-3,014*	*-3,512*	*-4,073*	*-4,704*
Personnel Expenses	*3,579*	*4,053*	*4,536*	*5,059*	*5,620*	*6,218*
Other Opex	*4,382*	*4,935*	*5,523*	*6,160*	*6,841*	*7,569*
LL Provisions	*6,831*	*4,716*	*4,963*	*5,231*	*5,511*	*5,792*
Other Provisions	*17*	*72*	*103*	*106*	*111*	*116*

JUNE 2021

BANKING SECTOR

VAKIFBANK HOLD

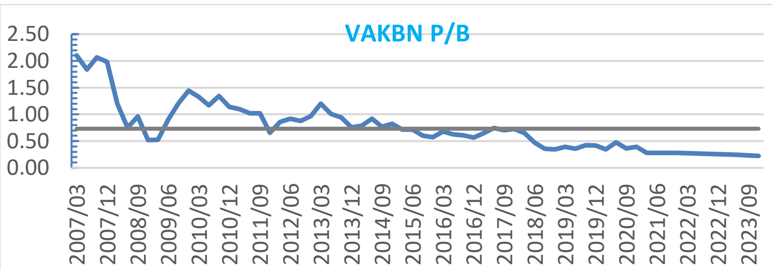
VAKBN TI

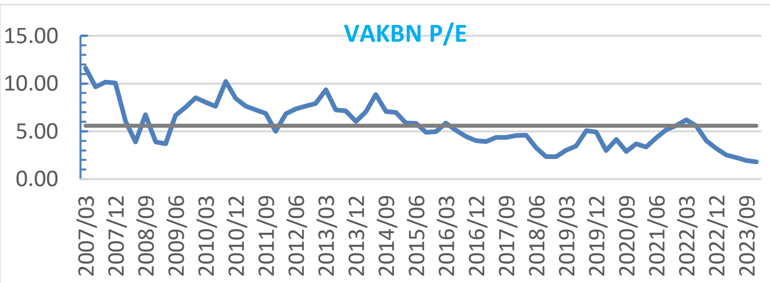
Banking on a keen management

- **Unmatched volume expansion**
Vakifbank is the fastest growing bank both in TRY and FX loans. TRY loans expanded by 42% Y-Y in 1Q21, whereas FX loans are up by sector topping 12% in US$ terms. The bank's deposit growth is unmatched as well. FX deposits are up by a massive 46% Y-Y in US$ terms, which explains the above average FX lending spree. TL deposits on the other hand are up by sector high 60% in the same period. During times of volatility depositors prefer keeping their savings in state banks. Despite such volume growth, 1Q21 loan to deposit spread at 2.9% is way better than 1.3% of Halk. We expect Vakif's spreads to start expanding from 2Q onwards thanks to higher loan yields.

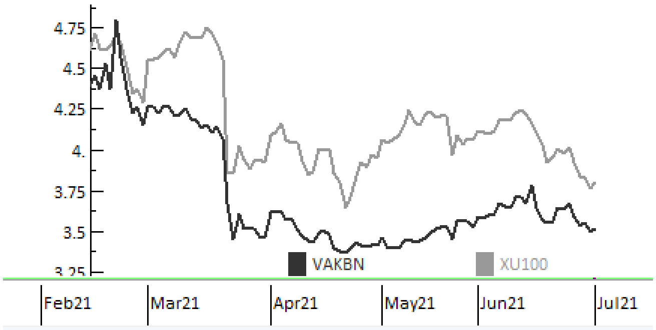
- **Surprisingly strong foreign funding performance**
Historically Vakifbank has always been a pioneer in wholesale funding. Wholesale funding to assets ratio is peer topping 30% in Vakifbank despite its very high 12% deposit market share. Securitizations, syndicated loans and subordinated debt dominate this wholesale liability base.

- **Capitalization to limit future growth**
High leverage is likely to deter Vakif's fast balance sheet growth going forward despite inflows to its well diversified funding base. The bank's leverage that we measure as assets to equity is at 15 times. While being not as high as that of Halkbank, this multiple is close to doubling Akbank's or Garanti's. Thereby CET1 capitalization of Vakifbank is close to the bottom of the sector at 10.9%. We are not envisaging any rights issue for the bank as we are expecting its market share to slide in our forecast horizon and ROE to recover.





VAKBN	01-07-21
Vakıflar Bankası	
Rating	HOLD
Free float	16%
Major Shareholder	TWF & Tr.
Share of Major Shareholder	73%
Mcap (USD mn)	1,592.8
Mcap (TRY mn)	13,825.9
Target Mcap (TRY mn)	17,824.8
Share Price (TRY)	3.50
Target Price (TRY)	4.56
Upside	30%
Avg. Daily Trading Vol. (TRY mn)	370.85
Latest financials	2021/03
Weekly Return	-3.5%
Monthly Return	-1.4%
Y-Y Return	-32.2%
Weekly Relative return	-0.7%
Monthly Relative return	3.0%



Ratios			
Multiples	**2020**	**2021**	**2022**
P/E	3.67	5.60	3.18
P/B (tangible)	0.40	0.27	0.25
Profitability	**2020**	**2021**	**2022**
ROE tangible	12.5%	5.0%	8.2%
ROE headline	12.5%	5.1%	8.4%
ROA	0.9%	0.3%	0.5%
Leverage	15.1	15.0	16.1
Efficiency	2020	2021	2022
C/I	36%	40%	36%
Net Fees/Costs	**36%**	**35%**	**35%**
Asset Quality	2020	2021	2022
NPL Ratio	4.0%	3.6%	3.6%
NPL Coverage	**76%**	**82%**	**83%**

Investment thesis

While we initiate our Vakifbank coverage with a Hold rating, we want to note that it is our preferred state bank pick between the two. We are more upbeat about profitability prospects and capitalization. We also like the bank's diversified funding base and its strength in wholesale funding. Historically Vakifbank has always been a pioneer in wholesale funding. Wholesale funding to assets ratio is peer topping 30% in Vakifbank despite its very high 12% deposit market share. Securitizations, syndicated loans and subordinated debt dominate this wholesale liability base.

Vakifbank is the fastest growing bank both in TRY and FX loans. TRY loans expanded by 42% Y-Y in 1Q21, whereas FX loans are up by 12% in US$ terms. Despite such volume growth, 1Q21 loan to deposit spread at 2.9% is way better than 1.3% of Halk. We expect Vakif's spreads to start expanding from 2Q onwards thanks to higher loan yields.

High leverage is likely to deter Vakif's fast balance sheet growth going forward despite inflows to its well diversified funding base. The bank's leverage that we measure as assets to equity is at 15 times. While being not as high as that of Halkbank, this multiple is close to doubling Akbank's or Garanti's. Thereby CET1 capitalization of Vakifbank is close to the bottom of the sector at 10.9%. We are not envisaging any rights issue for the bank as we are expecting its market share to slide in our forecast horizon and ROE to recover.

Catalysts

Slowdown in loan growth and a pickup in margins expected for the quarters ahead is the primary positive.

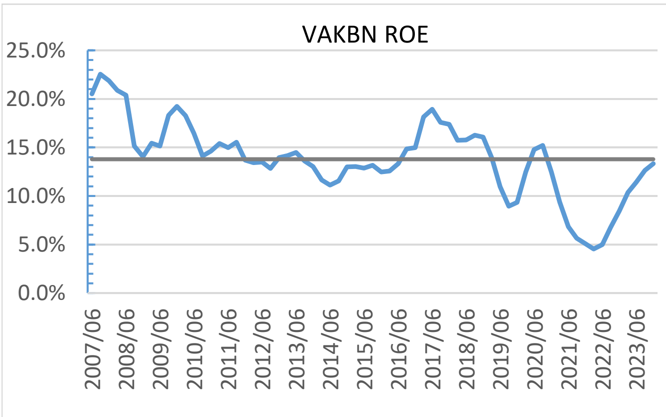
Risks

Restart of low yielding loans to support economic activity could be potential negative.

Company background

VakifBank was established in January 1954 with the purpose of managing the wealth of the foundations. In December 2019, 58.51% shares of General Directorate of Foundations have been transferred to the Ministry of Treasury. In May 20, 2020, Turkey Wealth Fund became a shareholder of with 36% stake. Turkish Treasury and TWF together control 73% of the bank. Currently, Vakif is the second largest bank in Turkey in terms of assets.

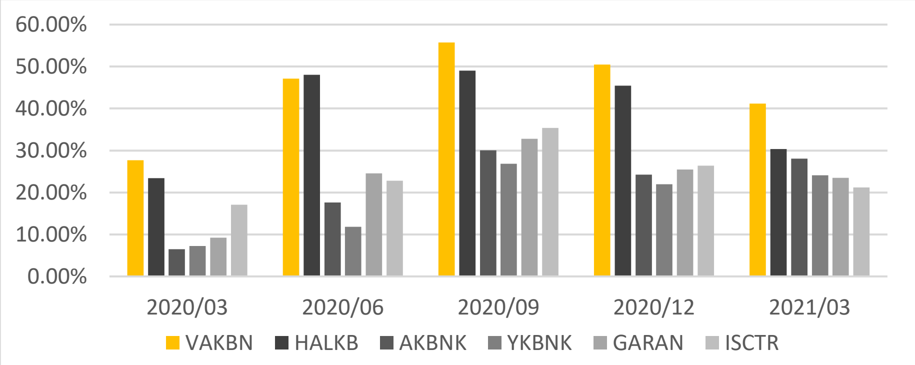
ROE Evolution



Investment highlights

Vakif has the highest lending expansion. Vakifbank is the fastest growing bank both in TRY and FX loans. TRY loans expanded by 42% Y-Y in 1Q21, whereas FX loans are up by 12% in US$ terms. TL loan growth of the sector is also strong at 34% Y-Y, but FX loans are contracting for most banks in our coverage and it is flat for the sector. So Vakif actually differentiates itself on FX lending. The bank's deposit growth is unmatched. FX deposits are up by a massive 46% Y-Y in US$ terms, which explains the above average FX lending spree. TL deposits on the other hand are up by sector topping 60% in the same period. During times of volatility depositors prefer keeping their savings in state banks.

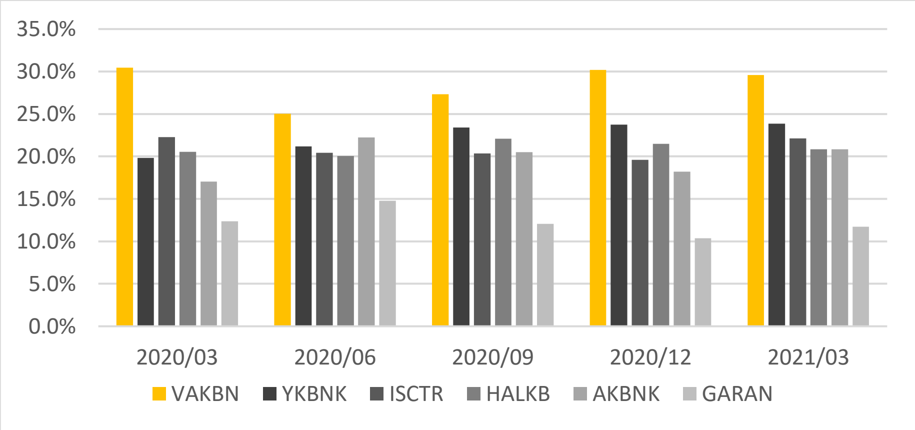
Vakifbank's loan growth is the highest among peers Y-Y



Source: Financial statements

Historically Vakifbank has always been a pioneer in wholesale funding. Wholesale funding to assets ratio is peer topping 30% in Vakifbank despite its very high 12% deposit market share. Securitizations, syndicated loans and subordinated debt dominate this wholesale liability base.

Wholesale financing/Assets



Source: Financial statements

High leverage is likely to deter Vakif's fast balance sheet growth going forward despite inflows to its well diversified funding base. The bank's leverage that we measure as assets to equity is at 15 times. While being not as high as that of Halkbank, this multiple is close to doubling Akbank's or Garanti's. Thereby CET1 capitalization of Vakifbank is close to the bottom of the sector at 10.9%. We are not envisaging any rights issue for the bank as we are expecting its market share to slide in our forecast horizon and ROE to recover.

Valuation

	2021	2022	2023	2024	2025
P/B	0.28	0.26	0.22	0.19	0.16
TP/B	0.36	0.33	0.29	0.25	0.21
P/E	5.6	3.2	1.8	1.4	1.1
TP/E	7.2	4.1	2.3	1.8	1.4

EVA - Econ. val. add		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Core business ROE		5.7%	9.6%	15.4%	17.2%	18.5%	19.1%	19.1%	18.8%	18.9%	19.4%
Rf		18.4%	17.9%	17.2%	16.5%	15.8%	15.2%	14.6%	14.0%	13.5%	12.9%
Risk premium		7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Beta		1.31	1.31	1.31	1.31	1.31	1.31	1.31	1.31	1.31	1.31
CoE		27.6%	27.0%	26.3%	25.6%	25.0%	24.4%	23.8%	23.2%	22.6%	22.1%
Incremental spread		-22%	-17%	-11%	-8%	-7%	-5%	-5%	-4%	-4%	-3%
Tangible core equity		43,512	46,606	52,874	61,155	71,684	84,722	100,277	118,527	140,345	167,316
Value add		-9,526	-8,121	-5,789	-5,143	-4,690	-4,443	-4,674	-5,184	-5,308	-4,562
Discount factor		1.00	0.79	0.62	0.50	0.40	0.32	0.26	0.21	0.17	0.14
NPV of EP		-9,532	-6,398	-3,610	-2,553	-1,862	-1,419	-1,206	-1,086	-906	-638
NPV terminal EP	-3,663										
Core bus. econ. val.	**-32,873**										
Core bus. Eq. 1yFL	44,307										
Subs. 1yFL 20% disc.	6,391										
Target mcap	17,825										
Market cap	13,826										
Upside	29%										
Number of shares	3,906										
Target price/share	4.56										
Current price/share	3.50										
Upside	30%										

Ratios & Forecasts

Multiples	2020	2021	2022	2023	2024	2025
P/E	3.67	5.60	3.18	1.80	1.40	1.12
P/B (tangible)	0.40	0.27	0.25	0.22	0.19	0.16
Profitability	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
ROE tangible	12.5%	5.0%	8.2%	13.1%	14.6%	15.7%
ROE headline	12.5%	5.1%	8.4%	13.3%	14.8%	15.9%
ROA	0.9%	0.3%	0.5%	0.8%	0.9%	1.0%
Leverage	15.1	15.0	16.1	16.4	16.4	16.1
Efficiency Ratios	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
C/I	36%	40%	36%	35%	35%	34%
Net Fees/Costs	36%	35%	35%	36%	36%	37%
Asset Quality	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
NPL Ratio	4.0%	3.6%	3.6%	3.6%	3.6%	3.6%
NPL Coverage	76%	82%	83%	84%	84%	84%
CoR Gross	2.4%	2.6%	2.6%	2.6%	2.6%	2.6%
CoR Net	1.6%	1.6%	1.6%	1.6%	1.6%	1.5%
Capitalisation	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Core T1	11.6	10.6	10.0	9.8	9.9	10.1
T1	14.5	13.3	12.4	12.2	12.3	12.6
CAR	16.4	15.1	14.2	14.0	14.0	14.3
% of Total Assets	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	63%	65%	65%	65%	65%	64%
Securities	21%	22%	22%	22%	22%	22%
Deposits	59%	63%	63%	63%	63%	63%
Equity	7%	6%	6%	6%	6%	6%
Loans/Deposits	106%	102%	102%	102%	102%	102%
Currency Breakdown	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
TL Loans/Loans	72%	70%	70%	70%	70%	70%
TL Deposits/Deposits	52%	50%	50%	50%	50%	50%
Net FX pos./Sh. Eq.	3%	2%	2%	2%	2%	1%
Market Share	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	12%	12%	12%	12%	12%	12%
Securities	25%	26%	26%	26%	26%	26%
Deposits	12%	12%	12%	12%	12%	12%
Sh Equity	8%	8%	7%	7%	7%	7%
Assets	11%	11%	11%	11%	11%	11%
Growth	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	50%	12%	16%	16%	15%	15%
Securities	101%	13%	17%	16%	16%	15%
Deposits	65%	17%	16%	16%	15%	15%
Sh Equity	41%	7%	9%	14%	16%	17%
Assets	67%	9%	16%	16%	15%	15%
Net Profit	**79%**	**-51%**	**76%**	**77%**	**28%**	**25%**
NII	*53%*	*-38%*	*31%*	*27%*	*14%*	*13%*
Fees	*-15%*	*6%*	*14%*	*16%*	*16%*	*15%*
Dividend	*229%*	*-71%*	*12%*	*16%*	*16%*	*15%*
Trading	*-1%*	*-8%*	*8%*	*5%*	*5%*	*5%*
Personnel Expenses	*18%*	*16%*	*15%*	*15%*	*14%*	*14%*
Other Opex	*49%*	*-3%*	*15%*	*15%*	*14%*	*14%*
LL Provisions	*40%*	*-3%*	*8%*	*7%*	*7%*	*7%*
Other Provisions	*388%*	*255%*	*-23%*	*6%*	*6%*	*6%*

Financials	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Loans	439,487	493,477	574,198	665,125	767,128	881,103
Securities	146,510	165,038	192,434	223,369	258,159	297,128
Deposits	414,044	482,808	561,913	651,039	751,040	862,801
Sh Equity	46,485	49,705	54,055	61,736	71,602	83,903
Assets	698,897	764,890	890,074	1,031,097	1,189,307	1,366,097
Net Profit	**5,010**	**2,468**	**4,349**	**7,682**	**9,866**	**12,301**
NII	*19,887*	*12,321*	*16,119*	*20,454*	*23,322*	*26,407*
Fees	*3,395*	*3,601*	*4,109*	*4,768*	*5,507*	*6,335*
Dividend	*168*	*49*	*56*	*65*	*75*	*86*
Subsidiary profits	*0*	*0*	*0*	*0*	*0*	*0*
Trading	*-2,551*	*-2,353*	*-2,551*	*-2,686*	*-2,819*	*-2,955*
Personnel Expenses	*3,334*	*3,874*	*4,453*	*5,099*	*5,817*	*6,610*
Other Opex	*5,630*	*5,434*	*6,245*	*7,151*	*8,157*	*9,269*
LL Provisions	*11,514*	*11,185*	*12,070*	*12,952*	*13,895*	*14,871*
Other Provisions	*256*	*909*	*702*	*745*	*789*	*835*

i. Financial Statements

AKBNK	2018/12	2019/12	2020/12	2020/03	2021/03	Y-Y chg
B/S						
FIN. ASSETS EXC. FIN. A. AT AMORTISED COST	126,072	134,783	142,360	156,481	166,272	6.3%
Cash And Cash Equivalents	48,655	46,490	57,612	65,001	73,469	13.0%
Fin. Assets At Fair Value Through P/L	144	7,240	9,021	7,732	9,007	16.5%
Fin. Assets At F. V. Through Other Income	42,374	64,642	53,083	64,104	56,335	-12.1%
Derivative Financial Assets	22,670	16,410	22,644	19,644	27,460	39.8%
FINANCIAL ASSETS AT AMORTISED COST	185,125	207,119	278,675	217,630	294,366	35.3%
Loans	172,964	203,834	253,319	209,551	268,408	28.1%
Fin. Assets Meas. At Amortised Cost	12,263	15,575	41,885	21,227	43,219	103.6%
Nonperforming Loans	7,839	14,857	17,313	15,584	17,210	10.4%
Allowance For Expected Credit Losses	7,942	12,290	16,529	13,148	17,261	31.3%
NON CURR ASSETS CLAS. AS HELD FOR SALE	90	636	173	164	193	17.8%
INVESTMENTS IN SUBSIDIARIES	5,458	6,736	9,620	6,997	10,333	47.7%
TANGIBLE ASSETS	3,948	4,864	5,957	4,997	5,855	17.2%
INTANGIBLE ASSETS AND GOODWILL	624	934	1,168	948	1,159	22.4%
OTHER ASSETS	6,039	5,427	8,059	6,717	2,868	-57.3%
ASSETS	**327,642**	**360,501**	**446,101**	**393,932**	**481,131**	**22.1%**
DEPOSITS	188,391	224,055	268,570	248,481	283,661	14.2%
LOANS RECEIVED	39,727	31,371	36,264	32,309	38,893	20.4%
MONEY MARKET FUNDS	13,062	8,812	19,008	17,237	34,741	101.6%
MARKETABLE SECURITIES ISSUED	12,152	13,518	19,158	11,695	19,047	62.9%
DERIVATIVE FINANCIAL LIABILITIES	12,956	8,859	15,017	10,851	12,232	12.7%
LEASE PAYABLES	25	575	506	575	510	-11.4%
PROVISIONS	1,295	1,531	2,417	1,768	2,447	38.4%
CURRENT TAX LIABILITIES	504	759	1,572	614	772	25.8%
DEFERRED TAX LIABILITIES	284	704	16	249	0	-
SUBORDINATED DEBT	4,784	5,382	6,718	5,919	7,522	27.1%
OTHER LIABILITIES	10,652	10,554	13,936	10,334	18,272	76.8%
EQUITY	43,809	54,382	62,919	53,902	63,033	16.9%
EQUITY AND LIABILITIES	**327,642**	**360,501**	**446,101**	**393,932**	**481,131**	**22.1%**
P/L						
NII	**14,566**	**15,713**	**19,531**	**4,979**	**3,850**	**-22.7%**
FEE AND COMMISSION INCOME OR EXP.	3,450	4,634	3,866	1,126	1,228	9.1%
DIVIDEND INCOME	5	7	5	0	4	1520.4%
TRADING INCOME OR LOSS	-336	-710	-619	-434	620	-243.1%
OTHER OPERATING INCOME	986	819	1,373	382	753	97.2%
GROSS P/L FROM OP. ACT.	16,548	20,463	24,156	6,053	6,455	6.6%
ALLOWANCE FOR EXPECTED CREDIT LOSSES	6,471	6,662	6,860	1,438	1,181	-17.9%
OTHER ALLOWANCE EXPENSES	0	1,091	2,619	1,124	1,203	7.0%
PERSONNEL EXPENSES	2,123	2,590	2,844	760	751	-1.2%
OTHER OPERATING EXPENSES	3,406	3,959	4,843	1,192	1,214	1.9%
PROFIT LOSS FROM OPERATING ACTIVITIES	6,671	6,161	6,989	1,538	2,105	36.9%
SHARE OF P/L OF ASSOCIATES - EQ. METHOD	305	640	956	174	344	97.2%
PROFIT LOSS BEFORE TAX	6,976	6,801	7,945	1,713	2,449	43.0%
PROFIT LOSS	**5,690**	**5,417**	**6,267**	**1,310**	**2,027**	**54.7%**
FOREIGN EXCHANGE NET POSITION	-22,509	-29,345	-55,777	-29,311	-50,142	71.1%
NET OFF-BALANCE ACCOUNT POSITION	24,536	32,408	60,978	30,034	55,539	84.9%
NET POSITION	2,027	3,063	5,201	723	5,397	646.2%
NON-CASH LOANS	31,187	23,535	27,331	24,110	33,737	39.9%
CAPITAL ADEQUACY RATIO (%)	18.16	20.97	21.84	21.52	21.13	-1.8%

GARAN	2018/12	2019/12	2020/12	2020/03	2021/03	Y-Y chg
B/S						
FIN. ASSETS EXC. FIN. A. AT AMORTISED COST	115,892	96,235	121,086	99,108	132,144	33.3%
Cash And Cash Equivalents	62,801	63,773	77,793	65,684	85,701	30.5%
Fin. Assets At Fair Value Through P/L	363	4,891	7,508	6,349	7,481	17.8%
Fin. Assets At F. V. Through Other Income	23,468	24,683	31,358	22,679	30,063	32.6%
Derivative Financial Assets	3,952	2,888	4,427	4,396	8,899	102.4%
FINANCIAL ASSETS AT AMORTISED COST	223,288	263,969	329,979	282,404	347,299	23.0%
Loans	197,853	251,165	315,085	270,020	333,511	23.5%
Fin. Assets Meas. At Amortised Cost	25,432	28,617	34,341	30,609	35,457	15.8%
Nonperforming Loans	11,407	17,299	14,383	17,589	14,924	-15.2%
Allowance For Expected Credit Losses	11,405	15,814	19,447	18,226	21,669	18.9%
NON CURR ASSETS CLAS. AS HELD FOR SALE	787	1,291	768	1,013	637	-37.2%
INVESTMENTS IN SUBSIDIARIES	7,060	8,587	11,418	8,646	12,214	41.3%
TANGIBLE ASSETS	4,106	4,991	5,319	4,971	5,215	4.9%
INTANGIBLE ASSETS AND GOODWILL	301	351	455	383	469	22.4%
OTHER ASSETS	5,988	13,315	19,559	17,950	13,452	-25.1%
ASSETS	**359,477**	**391,152**	**492,798**	**417,416**	**515,336**	**23.5%**
DEPOSITS	218,058	248,751	321,512	266,698	332,596	24.7%
LOANS RECEIVED	31,941	25,123	25,438	27,908	27,011	-3.2%
MONEY MARKET FUNDS	45	504	72	820	8,904	985.5%
MARKETABLE SECURITIES ISSUED	20,007	16,408	18,991	16,909	17,186	1.6%
DERIVATIVE FINANCIAL LIABILITIES	4,204	4,085	8,344	7,237	6,239	-13.8%
LEASE PAYABLES	16	1,006	873	1,070	810	-24.3%
PROVISIONS	4,820	5,732	9,051	6,170	9,237	49.7%
CURRENT TAX LIABILITIES	566	1,134	2,164	1,124	477	-57.6%
DEFERRED TAX LIABILITIES	0	0	0	0	0	-
SUBORDINATED DEBT	3,977	4,730	6,599	6,051	7,343	21.4%
OTHER LIABILITIES	16,868	15,622	21,691	15,104	25,133	66.4%
EQUITY	46,688	53,766	62,082	54,874	63,737	16.2%
EQUITY AND LIABILITIES	**359,477**	**391,152**	**492,798**	**417,416**	**515,336**	**23.5%**
P/L						
NII	**19,110**	**19,027**	**23,768**	**5,644**	**6,300**	**11.6%**
FEE AND COMMISSION INCOME OR EXP.	4,870	6,089	5,978	1,678	1,859	10.8%
DIVIDEND INCOME	5	9	19	1	1	83.2%
TRADING INCOME OR LOSS	-1,153	-1,940	181	529	70	-86.8%
OTHER OPERATING INCOME	2,219	3,965	4,568	1,908	2,931	53.6%
GROSS P/L FROM OP. ACT.	22,035	27,150	34,514	9,760	11,161	14.4%
ALLOWANCE FOR EXPECTED CREDIT LOSSES	9,883	10,701	13,394	4,861	4,927	1.4%
OTHER ALLOWANCE EXPENSES	0	821	3,766	728	946	30.0%
PERSONNEL EXPENSES	3,016	3,524	3,707	895	1,023	14.3%
OTHER OPERATING EXPENSES	4,459	5,182	6,331	1,550	1,745	12.6%
PROFIT LOSS FROM OPERATING ACTIVITIES	7,694	6,922	7,316	1,726	2,520	46.0%
SHARE OF P/L OF ASSOCIATES - EQ. METHOD	752	894	1,323	321	541	68.4%
PROFIT LOSS BEFORE TAX	8,445	7,816	8,639	2,047	3,061	49.5%
PROFIT LOSS	**6,638**	**6,159**	**6,238**	**1,631**	**2,529**	**55.0%**
FOREIGN EXCHANGE NET POSITION	-17,733	-25,695	-35,811	-18,254	-42,478	132.7%
NET OFF-BALANCE ACCOUNT POSITION	19,779	29,642	48,393	23,778	56,229	136.5%
NET POSITION	2,046	3,947	12,582	5,524	13,751	148.9%
CAPITAL ADEQUACY RATIO (%)	18.31	19.57	18.54	18.22	18.15	-0.4%

ISCTR	2018/12	2019/12	2020/12	2020/03	2021/03	Y-Y chg
B/S						
FIN. ASSETS EXC. FIN. A. AT AMORTISED COST	121,722	125,449	159,184	137,534	179,252	30.3%
Cash And Cash Equivalents	48,519	66,160	84,412	73,571	98,773	34.3%
Fin. Assets At Fair Value Through P/L	592	3,373	4,181	3,386	5,925	75.0%
Fin. Assets At F. V. Through Other Income	40,814	51,872	65,531	53,631	63,221	17.9%
Derivative Financial Assets	5,093	4,044	5,060	6,946	11,333	63.2%
FINANCIAL ASSETS AT AMORTISED COST	260,195	304,644	383,817	332,481	400,423	20.4%
Loans	233,588	289,244	365,522	317,126	384,318	21.2%
Fin. Assets Meas. At Amortised Cost	26,728	30,888	41,659	32,582	40,173	23.3%
Nonperforming Loans	11,192	18,883	20,371	19,081	12,835	-32.7%
Allowance For Expected Credit Losses	11,313	15,488	23,364	17,227	24,068	39.7%
NON CURR ASSETS CLAS. AS HELD FOR SALE	243	1,102	1,220	1,127	1,193	5.9%
INVESTMENTS IN SUBSIDIARIES	17,639	21,071	26,002	21,127	27,006	27.8%
TANGIBLE ASSETS	5,130	6,463	6,610	6,566	6,709	2.2%
INTANGIBLE ASSETS AND GOODWILL	623	914	1,331	1,027	1,352	31.7%
OTHER ASSETS	9,342	6,586	12,317	10,048	11,095	10.4%
ASSETS	**416,388**	**468,059**	**593,902**	**511,926**	**630,846**	**23.2%**
DEPOSITS	245,269	295,922	368,876	308,028	382,067	24.0%
LOANS RECEIVED	44,793	40,251	40,431	43,920	44,875	2.2%
MONEY MARKET FUNDS	9,072	1,188	22,997	13,152	36,667	178.8%
MARKETABLE SECURITIES ISSUED	29,445	31,117	30,841	37,009	33,633	-9.1%
DERIVATIVE FINANCIAL LIABILITIES	3,705	2,134	7,934	4,105	4,855	18.3%
LEASE PAYABLES	0	1,396	1,389	1,473	1,497	1.6%
PROVISIONS	6,256	7,042	10,225	7,983	10,905	36.6%
CURRENT TAX LIABILITIES	1,489	1,223	2,420	567	509	-10.2%
DEFERRED TAX LIABILITIES	0	0	0	0	0	-
SUBORDINATED DEBT	11,159	13,547	22,139	19,859	24,466	23.2%
OTHER LIABILITIES	15,479	15,366	18,869	17,298	24,765	43.2%
EQUITY	49,721	58,873	67,781	58,531	66,606	13.8%
EQUITY AND LIABILITIES	**416,388**	**468,059**	**593,902**	**511,926**	**630,846**	**23.2%**
P/L						
NII	**17,052**	**19,859**	**25,242**	**5,756**	**6,058**	**5.3%**
FEE AND COMMISSION INCOME OR EXP.	4,405	5,569	5,618	1,446	1,554	7.5%
DIVIDEND INCOME	6	9	21	7	8	11.0%
TRADING INCOME OR LOSS	-4,072	-6,397	-3,341	-938	-1,851	97.2%
OTHER OPERATING INCOME	1,912	3,147	2,436	804	1,312	63.2%
GROSS P/L FROM OP. ACT.	15,629	22,187	29,976	7,073	7,080	0.1%
ALLOWANCE FOR EXPECTED CREDIT LOSSES	6,344	7,779	10,214	2,475	2,660	7.5%
OTHER ALLOWANCE EXPENSES	0	547	2,516	405	357	-11.8%
PERSONNEL EXPENSES	3,676	4,284	5,192	1,628	1,459	-10.3%
OTHER OPERATING EXPENSES	4,364	5,509	6,605	1,479	1,856	25.5%
PROFIT LOSS FROM OPERATING ACTIVITIES	4,921	4,068	5,449	1,087	747	-31.2%
SHARE OF P/L OF ASSOCIATES - EQ. METHOD	2,809	2,806	3,406	617	1,272	106.3%
PROFIT LOSS BEFORE TAX	7,730	6,874	8,856	1,703	2,020	18.6%
PROFIT LOSS	**6,769**	**6,068**	**6,811**	**1,456**	**1,854**	**27.3%**
FOREIGN EXCHANGE NET POSITION	-29,665	-39,138	-72,254	-48,853	-74,887	53.3%
NET OFF-BALANCE ACCOUNT POSITION	30,215	42,346	78,435	51,073	81,680	59.9%
NET POSITION	550	3,207	6,181	2,219	6,793	206.1%
CAPITAL ADEQUACY RATIO (%)	16.49	17.87	18.68	18.41	17.77	-3.5%

YKBNK	2018/12	2019/12	2020/12	2020/03	2021/03	Y-Y chg
B/S						
FIN. ASSETS EXC. FIN. A. AT AMORTISED COST	114,742	106,477	99,163	107,737	114,636	6.4%
Cash And Cash Equivalents	57,310	74,470	67,686	72,277	76,637	6.0%
Fin. Assets At Fair Value Through P/L	241	567	999	495	967	95.4%
Fin. Assets At F. V. Through Other Income	26,716	26,691	24,864	28,769	24,479	-14.9%
Derivative Financial Assets	8,960	4,748	5,615	6,196	12,552	102.6%
FINANCIAL ASSETS AT AMORTISED COST	211,338	252,057	320,758	266,829	350,148	31.2%
Loans	190,976	240,464	293,225	252,727	313,651	24.1%
Fin. Assets Meas. At Amortised Cost	21,675	28,306	50,742	31,821	60,384	89.8%
Nonperforming Loans	12,380	18,275	18,797	17,877	17,022	-4.8%
Allowance For Expected Credit Losses	13,693	17,360	23,910	18,422	24,183	31.3%
NON CURR ASSETS CLAS. AS HELD FOR SALE	288	320	710	289	1,361	371.3%
INVESTMENTS IN SUBSIDIARIES	6,790	7,827	10,057	8,286	10,837	30.8%
TANGIBLE ASSETS	3,270	4,281	4,474	4,284	4,464	4.2%
INTANGIBLE ASSETS AND GOODWILL	1,749	1,845	1,916	1,829	1,912	4.5%
OTHER ASSETS	9,296	12,708	19,052	20,792	18,670	-10.2%
ASSETS	**348,044**	**387,496**	**459,694**	**412,262**	**504,877**	**22.5%**
DEPOSITS	202,549	222,790	254,280	244,171	281,824	15.4%
LOANS RECEIVED	37,349	38,111	38,280	37,847	42,765	13.0%
MONEY MARKET FUNDS	1,546	3,696	27,705	3,177	29,140	817.2%
MARKETABLE SECURITIES ISSUED	16,385	20,704	20,517	20,643	23,045	11.6%
DERIVATIVE FINANCIAL LIABILITIES	7,281	7,076	10,584	10,041	8,684	-13.5%
LEASE PAYABLES	0	899	1,076	927	1,098	18.4%
PROVISIONS	3,308	3,620	4,369	3,854	4,533	17.6%
CURRENT TAX LIABILITIES	1,091	839	1,921	667	548	-17.8%
DEFERRED TAX LIABILITIES	0	0	0	0	0	-
SUBORDINATED DEBT	13,557	18,580	22,655	20,033	25,491	27.2%
OTHER LIABILITIES	18,008	16,809	17,854	16,425	23,565	43.5%
EQUITY	39,003	41,188	47,564	41,941	50,766	21.0%
EQUITY AND LIABILITIES	**348,044**	**387,496**	**459,694**	**412,262**	**504,877**	**22.5%**

P/L						
NII	**13,942**	**14,776**	**16,977**	**3,973**	**3,710**	**-6.6%**
FEE AND COMMISSION INCOME OR EXP.	4,016	5,287	5,247	1,423	1,654	16.2%
DIVIDEND INCOME	6	9	3	0	2	370.6%
TRADING INCOME OR LOSS	-648	-1,885	257	210	-234	-211.1%
OTHER OPERATING INCOME	1,211	1,428	1,563	430	557	29.7%
GROSS P/L FROM OP. ACT.	15,692	19,616	24,047	6,036	5,690	-5.7%
ALLOWANCE FOR EXPECTED CREDIT LOSSES	7,122	8,772	9,491	2,521	2,029	-19.5%
OTHER ALLOWANCE EXPENSES	0	41	464	383	116	-69.8%
PERSONNEL EXPENSES	2,836	3,149	3,576	858	913	6.5%
OTHER OPERATING EXPENSES	3,490	4,095	4,848	1,096	1,251	14.2%
PROFIT LOSS FROM OPERATING ACTIVITIES	5,080	3,558	5,668	1,178	1,380	17.2%
SHARE OF P/L OF ASSOCIATES - EQ. METHOD	776	781	884	207	351	69.6%
PROFIT LOSS BEFORE TAX	5,855	4,339	6,552	1,384	1,731	25.0%
PROFIT LOSS	**4,667**	**3,600**	**5,080**	**1,129**	**1,453**	**28.6%**

FOREIGN EXCHANGE NET POSITION	-30,240	-31,285	-38,427	-22,605	-41,638	84.2%
NET OFF-BALANCE ACCOUNT POSITION	30,528	32,307	39,560	22,766	43,253	90.0%
NET POSITION	288	1,023	1,133	161	1,615	903.2%
CAPITAL ADEQUACY RATIO (%)	16.07	17.81	18.23	17.51	17.10	-2.3%

HALKB	2018/12	2019/12	2020/12	2020/03	2021/03	Y-Y chg
B/S						
FIN. ASSETS EXC. FIN. A. AT AMORTISED COST	115,694	69,907	142,528	65,860	144,784	119.8%
Cash And Cash Equivalents	40,098	38,229	65,602	26,558	65,534	146.8%
Fin. Assets At Fair Value Through P/L	14,497	16,267	15,678	16,267	15,716	-3.4%
Fin. Assets At F. V. Through Other Income	3,987	14,259	58,901	21,078	60,733	188.1%
Derivative Financial Assets	1,061	1,152	2,347	1,958	2,801	43.0%
FINANCIAL ASSETS AT AMORTISED COST	250,624	370,005	517,723	406,840	527,791	29.7%
Loans	194,473	309,208	449,745	347,943	453,479	30.3%
Fin. Assets Meas. At Amortised Cost	56,073	72,208	84,621	72,244	89,034	23.2%
Nonperforming Loans	8,528	15,920	16,918	16,540	15,822	-4.3%
Allowance For Expected Credit Losses	8,451	11,411	16,643	13,346	14,722	10.3%
NON CURR ASSETS CLAS. AS HELD FOR SALE	39	2,577	0	2,616	0	-
INVESTMENTS IN SUBSIDIARIES	4,771	3,750	6,249	3,854	6,438	67.1%
TANGIBLE ASSETS	3,148	7,537	7,877	7,326	8,327	13.7%
INTANGIBLE ASSETS AND GOODWILL	140	162	573	154	549	256.1%
OTHER ASSETS	3,643	2,752	4,395	4,208	4,309	2.4%
ASSETS	**378,422**	**457,045**	**680,026**	**491,214**	**692,884**	**41.1%**
DEPOSITS	248,855	297,734	457,286	327,205	471,623	44.1%
LOANS RECEIVED	11,916	11,017	10,387	11,338	10,379	-8.5%
MONEY MARKET FUNDS	38,162	53,201	103,956	60,310	107,711	78.6%
MARKETABLE SECURITIES ISSUED	15,048	17,591	13,195	13,453	10,751	-20.1%
DERIVATIVE FINANCIAL LIABILITIES	410	354	534	653	595	-8.8%
LEASE PAYABLES	0	580	783	598	869	45.2%
PROVISIONS	1,854	1,663	2,084	1,968	1,864	-5.3%
CURRENT TAX LIABILITIES	670	1,298	741	938	1,120	19.4%
DEFERRED TAX LIABILITIES	453	310	332	383	74	-80.7%
SUBORDINATED DEBT	6,182	12,185	14,861	12,746	15,414	20.9%
OTHER LIABILITIES	22,977	25,706	29,319	25,611	30,346	18.5%
EQUITY	29,021	32,197	42,931	32,910	42,059	27.8%
EQUITY AND LIABILITIES	**378,422**	**457,045**	**680,026**	**491,214**	**692,884**	**41.1%**
P/L						
NII	**8,080**	**10,612**	**18,753**	**5,288**	**-99**	**-101.9%**
FEE AND COMMISSION INCOME OR EXP.	1,950	2,778	2,615	721	724	0.4%
DIVIDEND INCOME	510	422	511	0	139	32541.5%
TRADING INCOME OR LOSS	149	-3,267	-5,281	-1,266	-642	-49.3%
OTHER OPERATING INCOME	624	2,407	1,441	613	3,361	448.1%
GROSS P/L FROM OP. ACT.	8,920	12,952	18,039	5,357	3,483	-35.0%
ALLOWANCE FOR EXPECTED CREDIT LOSSES	3,135	4,552	6,831	2,326	1,246	-46.4%
OTHER ALLOWANCE EXPENSES	0	146	17	141	0	-
PERSONNEL EXPENSES	2,394	2,854	3,579	896	1,047	17.0%
OTHER OPERATING EXPENSES	3,067	3,432	4,382	1,004	1,152	14.7%
PROFIT LOSS FROM OPERATING ACTIVITIES	2,718	1,968	3,230	989	38	-96.1%
SHARE OF P/L OF ASSOCIATES - EQ. METHOD	0	0	0	0	0	-
PROFIT LOSS BEFORE TAX	2,718	1,968	3,230	989	38	-96.1%
PROFIT LOSS	**2,522**	**1,720**	**2,600**	**825**	**59**	**-92.8%**
FOREIGN EXCHANGE NET POSITION	-1,665	-16,524	-19,619	-26,004	-25,387	-2.4%
NET OFF-BALANCE ACCOUNT POSITION	2,068	11,300	16,937	17,406	25,340	45.6%
NET POSITION	403	-5,224	-2,682	-8,598	-47	-99.5%
CAPITAL ADEQUACY RATIO (%)	13.80	14.33	15.23	13.86	14.55	5.0%

VAKBN	2018/12	2019/12	2020/12	2020/03	2021/03	Y-Y chg
B/S						
FIN. ASSETS EXC. FIN. A. AT AMORTISED COST	90,703	72,850	192,453	77,758	195,392	151.3%
Cash And Cash Equivalents	37,273	42,347	95,959	28,143	85,328	203.2%
Fin. Assets At Fair Value Through P/L	71	2,299	7,331	6,523	8,821	35.2%
Fin. Assets At F. V. Through Other Income	9,002	23,703	80,432	36,050	87,739	143.4%
Derivative Financial Assets	4,411	4,501	8,731	7,043	13,505	91.8%
FINANCIAL ASSETS AT AMORTISED COST	221,547	323,457	476,640	359,419	502,547	39.8%
Loans	181,626	292,091	439,487	329,488	465,270	41.2%
Fin. Assets Meas. At Amortised Cost	39,981	47,015	58,747	46,247	58,717	27.0%
Nonperforming Loans	10,800	17,314	17,444	17,474	16,974	-2.9%
Allowance For Expected Credit Losses	10,860	15,649	21,594	16,316	21,440	31.4%
NON CURR ASSETS CLAS. AS HELD FOR SALE	1,619	4,660	1,256	3,394	1,190	-64.9%
INVESTMENTS IN SUBSIDIARIES	3,051	2,801	5,046	2,745	6,974	154.1%
TANGIBLE ASSETS	2,568	3,019	4,826	4,142	5,170	24.8%
INTANGIBLE ASSETS AND GOODWILL	218	221	255	221	249	12.8%
OTHER ASSETS	11,621	11,670	17,296	15,490	8,010	-48.3%
ASSETS	**331,356**	**419,426**	**698,897**	**463,704**	**720,729**	**55.4%**
DEPOSITS	179,408	251,531	414,044	268,969	430,320	60.0%
LOANS RECEIVED	41,350	41,079	46,987	42,796	57,092	33.4%
MONEY MARKET FUNDS	28,724	24,946	99,051	44,198	87,589	98.2%
MARKETABLE SECURITIES ISSUED	22,347	29,176	45,513	36,875	47,939	30.0%
DERIVATIVE FINANCIAL LIABILITIES	2,549	3,312	6,085	4,331	6,038	39.4%
LEASE PAYABLES	0	929	975	997	985	-1.3%
PROVISIONS	2,271	2,210	2,972	2,294	3,024	31.9%
CURRENT TAX LIABILITIES	776	1,116	903	523	698	33.5%
DEFERRED TAX LIABILITIES	0	0	0	0	0	-
SUBORDINATED DEBT	13,022	19,245	19,459	17,323	20,570	18.7%
OTHER LIABILITIES	12,555	12,852	16,421	11,929	18,483	54.9%
EQUITY	28,350	33,026	46,485	33,466	47,988	43.4%
EQUITY AND LIABILITIES	**331,356**	**419,426**	**698,897**	**463,704**	**720,729**	**55.4%**
P/L						
NII	**10,841**	**13,015**	**19,887**	**4,908**	**2,680**	**-45.4%**
FEE AND COMMISSION INCOME OR EXP.	2,293	3,979	3,395	1,021	874	-14.4%
DIVIDEND INCOME	130	51	168	151	16	-89.6%
TRADING INCOME OR LOSS	644	-2,584	-2,551	-642	-505	-21.3%
OTHER OPERATING INCOME	2,004	4,035	6,273	2,546	3,513	38.0%
GROSS P/L FROM OP. ACT.	13,719	18,496	27,173	7,985	6,578	-17.6%
ALLOWANCE FOR EXPECTED CREDIT LOSSES	4,884	8,212	11,514	3,086	3,024	-2.0%
OTHER ALLOWANCE EXPENSES	0	52	256	32	402	1155.5%
PERSONNEL EXPENSES	2,192	2,837	3,334	780	937	20.1%
OTHER OPERATING EXPENSES	3,682	3,781	5,630	1,959	1,213	-38.1%
PROFIT LOSS FROM OPERATING ACTIVITIES	5,154	3,613	6,439	2,128	1,002	-52.9%
SHARE OF P/L OF ASSOCIATES - EQ. METHOD	0	0	0	0	0	-
PROFIT LOSS BEFORE TAX	5,154	3,613	6,439	2,128	1,002	-52.9%
PROFIT LOSS	**4,154**	**2,802**	**5,010**	**1,716**	**750**	**-56.3%**
FOREIGN EXCHANGE NET POSITION	-5,959	-28,872	-31,238	-39,022	-54,250	39.0%
NET OFF-BALANCE ACCOUNT POSITION	7,802	23,655	32,429	32,262	55,088	70.8%
NET POSITION	1,843	-5,217	1,191	-6,759	838	-112.4%
CAPITAL ADEQUACY RATIO (%)	16.99	16.61	16.44	14.73	15.50	5.2%

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