

Equity / Large Cap. / Banking

Vakifbank

8.08.2025

BUY

Review of 2Q25 Financials and Target Price Revision

Upside Potential 48%

Unlike the others, Vakifbank makes a positive revision to its 2025 Guidance

Actual vs Estimates

Vakifbank posts TL 10bn in 2Q25. Higher than our and the consensus call of TL 9.3bn, Vakifbank posted TL 10bn net earnings in 2Q25, c. 1% better on quarterly adjusted basis (excluding TL 11 bn free provision reversal booked in 1Q25) and up 40% on cumulative annual basis with 17% annualized RoAE level, 70bps on quarterly adjusted comparison. The main deviation between our estimate and the actual numbers arises from slightly higher than expected fee income that the bank posted and lower provision expenses registered in 2Q25. Even though the funding costs increased in the quarter, the bank managed to improve its swap adj. NIM by 14bps to 2,35%, though the swap costs were also higher, because it increased its CPI linker revenue by c. TL 4 bn though raising the inflation assumption to 26% from 23% and it also managed deposit costs well through acquiring more demand deposits. The fee income was robust, growing 13% QoQ, while net CoR also turned out to be lower than what we had pencilled, both of which worked favourably to improve the overall earnings in 2Q25. Unlike the rest of the pack, Vakifbank made some positive changes in its 2025 guidance, where it increased its TL Lon growth expectation to high20%s from mid-teens. As for the FX loan growth, the bank now expects high teen growth from high single digit growth. Vakifbank maintains its 200bps swap adj. NIM expansion for 2025. The net CoR guidance, which was shared as 100bps previously was raised to 150bps. All, the bank raised its RoAE guidance from mid-20%s to high 20%.

Highlights of the Quarter

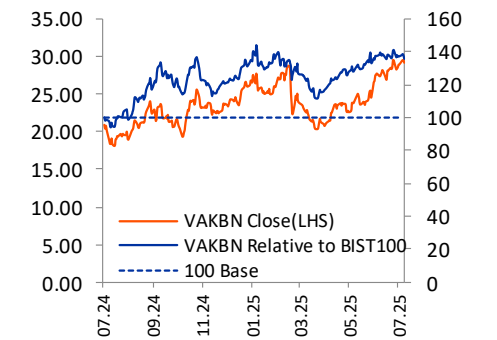
Loan spreads continued to improve. Despite the funding pressure in the quarter, TL loan to deposit spread improved by69bps to 3,26% through acquiring more low-cost demand deposits from the retail clients. Also, the bank booked TL 4bn higher revenue from its vast CPI linker portfolio by changing its full year inflation assumption to 26% from 23%. Consequently, the swap adjusted NIM improved by 14bps to 2.35%. The bank maintains its 200bps NIM expansion target following a very challenging period.

Stock Data	TL
Price	29.08
Target Price*	43.00
Prev.TP	37.00
Mcap (mn)	288,355
Float Mcap (mn)	17,272
Avg.Daily Volume (3M, mn)	697.8
No. of Shares Outstanding (mn)	9,916
Free Float (%)	6
Foreign Share (%)	3

Price Perf. (%)	1 Mn	Ytd	12 Mn
TL	6.4	24.7	58.4
US\$	4.7	8.4	30.8
Rel.to BIST-100	-1.8	11.9	44.9

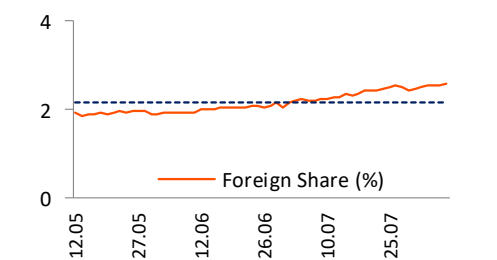
Multiples	2024	2025	2026
P/E	7.1	3.4	4.1
P/BV	1.3	1.0	0.8
EV/EBITDA	20.7	32.2	21.0

Price / Relative Price



52 Week Range (Close TL)	18.92	29.42
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Foreign Share (%)	Cur.(%) :	2.56
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Vakifbank

Net fee income is strong on payment system commissions. Net fee income increased to TL 17.3bn, growing 13% on a quarterly basis and it is up 65% YoY in the second quarter, which has been driven by the volume and market share growth in retail areas and the jump in payment system fees, induced by market share gains for the last three years and higher interest rates.

Net CoR increased as expected. VakifBank booked TL 15.8 net new NPL in the quarter, roughly 48% higher on a quarterly basis, thus the net CoR jumped to 158 bps from 134bps booked in 1Q25. Most of the new inflow is linked to retail but roughly TL 10bn is associated with mostly SMEs and smaller scaled commercial files. The bank raised its full year net CoR guidance to 150bps from 100bps.

Impact on Valuation & Outlook

Strong delivery so far and positive revision in 2025 guidance should be welcomed. The bank raised its full year RoAE guidance to toward 30% from ist previous level of 25%, which also compelled us to make some positive upward revisions in our estimates going forward. We raise our TP to TL 43 per share for Vakifbank from TL 37 per share on strong 1H25 delivery, set to increase margins and better RoAE expectations in the periods to come.

Company Description

Vakifbank is a Turkey-based commercial bank. The Bank offers products and services that cover corporate, commercial, investment and small-scale enterprise banking, as well as retail and private banking sectors.

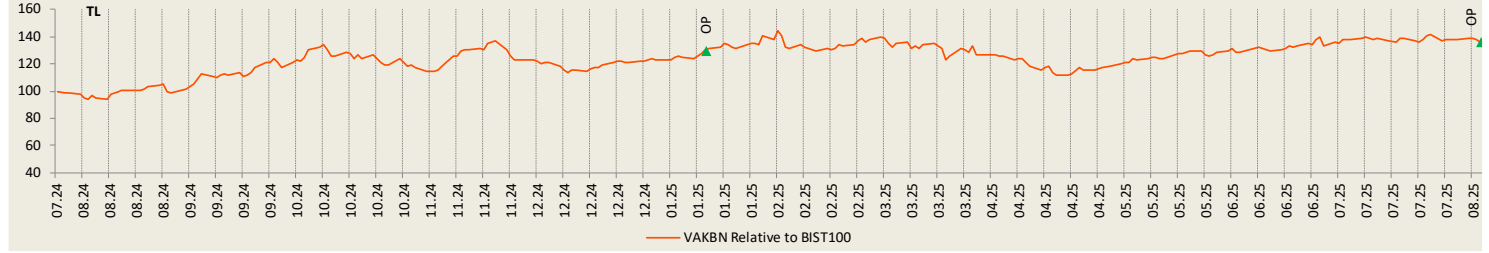
Shareholder Structure (%)

Türkiye Varlık Fonu	74.79
T.C. Hazine Ve Maliye Ba	14.75
Diğer	10.46

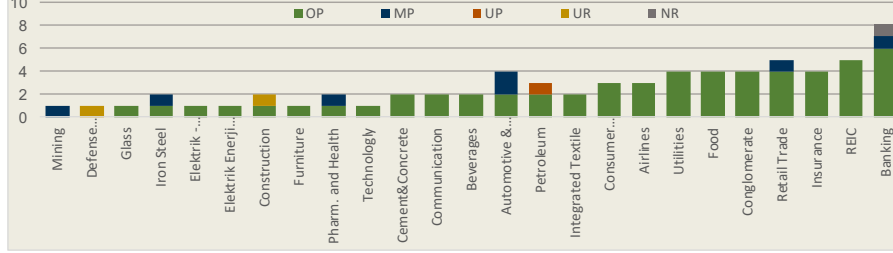
VAKBN							
Income Statement (TL mn)	2Q24	3Q24	4Q24	1Q25	2Q25	QoQ	YoY
Net interest income	18,626	19,789	42,860	21,017	27,961	33%	50%
Net fees & commissions	10,506	12,041	13,298	15,370	17,346	13%	65%
Trading and investments	(6,949)	454	792	5,978	4,728	(21%)	n.m.
<i>Securities trading</i>	849	412	467	434	4,464	929%	426%
<i>Swap & derivatives</i>	(7,911)	41	316	5,542	(250)	n.m.	(97%)
<i>Dividend income</i>	113	1	9	2	514	30,576%	356%
Other income	11,395	6,022	5,295	33,327	11,497	(66%)	1%
Operating costs	(17,643)	(18,767)	(22,092)	(24,380)	(28,216)	16%	60%
<i>Personnel expenses</i>	(7,009)	(7,961)	(9,280)	(9,274)	(11,505)	24%	64%
PPOP	8,812	11,577	30,863	42,037	21,296	(49%)	142%
Provision expenses	(6,899)	(9,057)	(11,848)	(28,222)	(18,673)	(34%)	171%
<i>Stage III</i>	(2,390)	(6,212)	(990)	(7,031)	(10,355)	47%	333%
<i>Stage I&II</i>	(4,510)	(2,845)	(10,858)	(21,190)	(8,318)	(61%)	84%
<i>Others</i>	0	(7)	(6,500)	0	0	n.m.	n.m.
<i>Free</i>	(1,372)	897	212	(148)	(180)	22%	(87%)
Income from eq. method app'd subs.	0	0	0	0	0	n.m.	n.m.
PBT	7,663	11,372	22,017	22,943	14,462	(37%)	89%
Tax	494	3,350	8,856	2,909	4,433	52%	797%
Net profit	7,169	8,023	13,161	20,034	10,029	(50%)	40%
Balance Sheet (TL mn)	2Q24	3Q24	4Q24	1Q25	2Q25	QoQ	YoY
Customer loans	1,731,833	1,888,513	2,046,069	2,287,897	2,503,036	9%	45%
<i>Consumer</i>	10%	9%	9%	9%	8%	(4%)	(16%)
<i>Credit cards</i>	9%	8%	9%	10%	10%	(1%)	10%
<i>Commercial instalment</i>	22%	24%	28%	29%	31%	5%	38%
<i>Other</i>	59%	58%	54%	52%	51%	(2%)	(13%)
NPLs	24,312	33,393	36,667	46,799	62,649	34%	158%
<i>Additions</i>	10,986	19,917	31,169	14,177	35,217	148%	221%
<i>Collections</i>	3,124	5,709	13,304	3,483	8,665	149%	177%
<i>Write-off</i>	0	0	0	0	0	n.m.	n.m.
Specific provisions (-)	18,628	23,012	23,416	28,251	37,413	32%	101%
Securities	742,617	809,521	914,676	1,007,359	1,072,057	6%	44%
<i>Trading & AfS</i>	410,916	464,924	532,789	612,105	567,120	(7%)	38%
<i>HtM</i>	331,701	344,596	381,887	395,254	504,937	28%	52%
Total assets	3,237,503	3,568,979	4,021,486	4,189,766	4,555,224	9%	41%
Customer deposits	2,152,316	2,305,003	2,537,788	2,632,649	2,924,559	11%	36%
Securities issued	142,710	183,041	213,701	208,668	245,193	18%	72%
Wholesale funding	591,687	699,429	866,551	920,685	917,264	(0%)	55%
Equity	191,259	201,166	219,194	232,990	246,456	6%	29%

Ratio Analysis	2Q24	3Q24	4Q24	1Q25	2Q25	QoQ	YoY
NIM, quarterly	2.48%	2.42%	4.68%	2.12%	2.66%	53bps	18bps
adjusted for swap costs	1.02%	1.90%	4.12%	2.21%	2.35%	14bps	133bps
adjusted for swap and CPI linkers	-0.67%	-0.48%	0.49%	0.20%	0.48%	28bps	115bps
TL							
Loans	36.73%	38.81%	39.49%	38.24%	38.05%	(19bps)	132bps
Securities	29.74%	32.50%	46.15%	26.22%	30.02%	380bps	28bps
Deposits	38.30%	38.19%	38.04%	35.67%	34.79%	(88bps)	(351bps)
LtD spread	-1.57%	0.62%	1.46%	2.57%	3.26%	69bps	483bps
FX							
Loans	8.22%	8.37%	7.53%	7.50%	7.35%	(15bps)	(88bps)
Securities	6.63%	6.69%	6.71%	6.66%	6.62%	(3bps)	(1bps)
Deposits	1.29%	1.27%	0.63%	0.84%	0.90%	6bps	(39bps)
LtD spread	6.93%	7.10%	6.90%	6.66%	6.45%	(21bps)	(48bps)
PPOP Margin	1.17%	1.41%	3.37%	4.24%	2.02%	(222bps)	85bps
NPL ratio	1.40%	1.77%	1.79%	2.05%	2.50%	46bps	110bps
Loan loss coverage	76.62%	68.91%	63.86%	60.37%	59.72%	(65bps)	(1,690bps)
Total risk reserves	233%	180%	185%	158%	133%	(2,541bps)	(10,031bps)
Specific CoR (stage III)	57 bps	137 bps	20 bps	130 bps	173 bps	43bps	116bps
Specific CoR (stage I&II)	107 bps	63 bps	221 bps	391 bps	139 bps	(252bps)	32bps
Total CoR (net of collections)	(28 bps)	106 bps	164 bps	132 bps	154 bps	23bps	183bps
Net NPL additions (annualised)	1.87%	3.14%	3.63%	1.97%	4.43%	246bps	256bps
Loans under close-watch	4.30%	4.34%	3.54%	3.66%	4.33%	67bps	3bps
Restructured or rescheduled	3.45%	3.54%	4.21%	4.49%	4.54%	5bps	109bps
Net NPL stock to Tier I (Texas Ratio)	2.92%	5.03%	5.91%	7.86%	10.13%	227bps	721bps
Net NPL stock + Group II to Tier I	41.3%	44.8%	38.2%	43.4%	53.6%	1,023bps	1,237bps
CIR	80%	58%	39%	58%	57%	(57bps)	(2,296bps)
Costs as % of average assets	3.1%	3.1%	3.3%	3.3%	3.6%	35bps	49bps
Net fees to operating costs	43%	45%	42%	46%	44%	(200bps)	105bps
RoAA	0.9%	0.9%	1.4%	2.0%	0.9%	(103bps)	0bps
RoAE	15.3%	16.4%	25.0%	16.0%	16.7%	75bps	147bps
Leverage	16.7 x	17.3 x	18.1 x	8.2 x	18.2 x	100,514bps	15,690bps
Tier-I ratio	13.12%	13.36%	13.53%	11.79%	12.43%	64bps	(69bps)
Total CAR	14.49%	15.95%	16.11%	14.16%	14.84%	68bps	35bps
Adj. LtD ratio *	73%	72%	72%	76%	77%	75bps	389bps
Specific prov. expense/PPOP	27%	54%	3%	17%	49%	3,190bps	2,151bps
Short term re-pricing loans to total	19%	21%	27%	16%	16%	48bps	(292bps)
Short term re-pricing deposits to total	67%	68%	71%	70%	72%	116bps	460bps
Saving deposits to total	57%	56%	55%	54%	53%	(95bps)	(362bps)

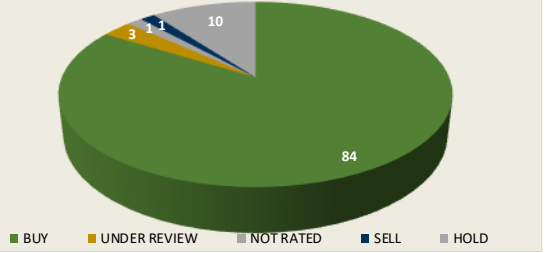
Relative to BIST 100 / Recommendations



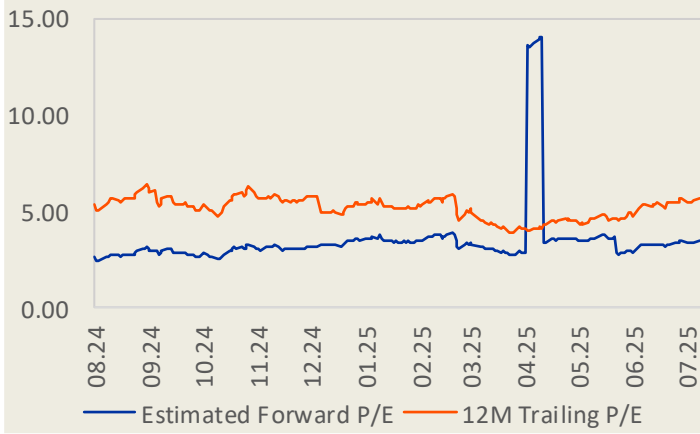
Number of Companies



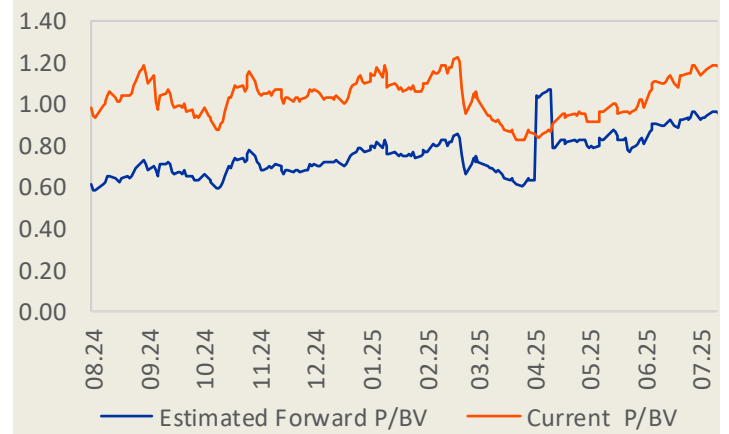
Rec. Breakdown for Coverage



Estimated Forward P/E & 12M Trailing P/E



Estimated Forward P/BV & Current P/BV



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