

Halkbank

10.08.2025

HOLD

Review of 2Q25 Financials and Target Price Revision

Upside Potential 19%

Halkbank beat the estimates in 2Q25

Actual vs Estimates

Higher than the estimates, Halkbank posted TL4.9bn net earnings in 2Q25. Halkbank announced TL 4.9 bn net income in 2Q25, down 29% QoQ and up 45% on an annual comparative basis. Halkbank generated 12% annualized RoAE in 2Q25. The announced figure is higher than ours and the consensus call of TL 4.4bn. The main factor behind the deviation is that the core revenues where NII and fee income included came out slightly better than we had forecast while net trading loss also turned out to be lower than expected while provision expenses are higher than we had pencilled in. Swap adjusted NIM improved 59bps in the quarter to 2.9% mainly owing to an accounting rule change that allowed to recognise the CPI linker revenue on a front-loaded basis which resulted in TL 50bn revenue vs TL 30bn booked in 1Q25. The bank's CPI linker revenue will streamline in the period to come as roughly TL 20bn will be recorded per quarter until the end of 2025. Net fees increased 11% in the quarter, which continued to contribute to the overall bottom line profitability. Net CoR turned out to be at 95bps due to the elevated NPL inflow even though the collections remained rather strong. Operating costs increased 23% in the quarter mainly on non-hr expense impact.

Highlights of the Quarter

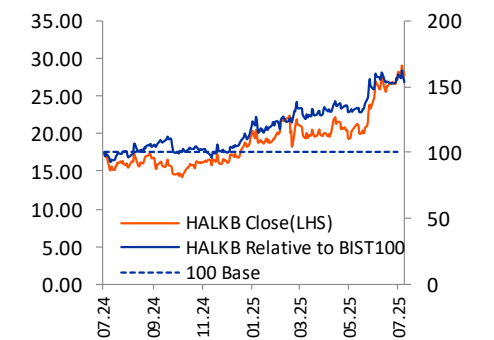
NIM improved on robust CPI linker gains. Swap adjusted NIM improved to 2.9% gaining 59bps in the quarter as the gains booked on the CPI linkers surged to TL 50bn as an accounting change allowed the bank to recognise the revenue on a front-loaded fashion. The bank will be booking c. TL 20bn CPI linker revenue per quarter until the end of 2025. Note that the bank used 30% annual inflation assumption to value its CPI linker book. Although 4% NIM target seems hard to attain, the bank's TL heavy balance sheet structure may surprise on the positive side.

Stock Data	TL
Price	27.74
Target Price*	33.00
Prev.TP	22.00
Mcap (mn)	199,306
Float Mcap (mn)	16,921
Avg.Daily Volume (3M, mn)	924.7
No. of Shares Outstanding (mn)	7,185
Free Float (%)	8
Foreign Share (%)	1

Price Perf. (%)	1 Mn	Ytd	12 Mn
TL	7.2	71.2	76.2
US\$	5.6	48.9	45.4
Rel.to BIST-100	-2.3	53.4	62.2

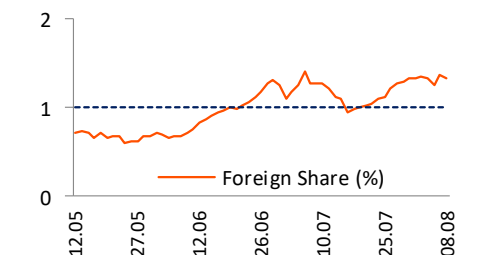
Multiples	2024	2025	2026
P/E	13.2	5.3	4.3
P/BV	1.3	1.0	0.8

Price / Relative Price



52 Week Range (Close TL) 14.33 29.02

Foreign Share (%) Cur.(%) : 1.36



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Halkbank

Net fee income growth is on track in 2Q25. Net fee income growth turned out to be 11% in the quarter, on the back of support of the payment systems and other lending-related activities. Non-cash loan fees, payment system commissions and lending related fees boosted the overall fee income momentum.

Net CoR came out as 94bps. Net inflow reached TL 9.5 bn as credit cards and SME loans inflow as well as consumer loan picked up in the quarter. However, due to the continuation of strong collections and lower coverage ratios, net CoR turned out to be at 94bps, some 39bps higher on QoQ but significantly lower than the peer group average.

Operating costs increased by 2Q25. Operating costs increased 23% on a quarterly basis due to the non-HR expenses. Net trading loss also came out as lower than expected, shouldering the better profitability recorded in the quarter.

Impact on Valuation & Outlook

We expect slightly positive reaction to the better results. Halkbank's management keeps its 2025 targets for now, but we see some headwinds for the 4% NIM target, which could continue to be under pressure following the volatility seen in the markets. The bank ensured profitability through changing an accounting application regarding its CPI linker recognition, which recognized the income on a front-loaded basis. Still, we think that the bank is well positioned to benefit from the easing cycle. We raise our TP to TL 33 per share, but we maintain our rating as HOLD..

Halkbank

Company Description

Halkbank is a Turkey-based bank that provides banking products and services to a range of customers, including tradesmen, small to medium-sized enterprises (SME) and large corporations.

Shareholder Structure (%)

Türkiye Varlık Fonu
Diğer

91.49

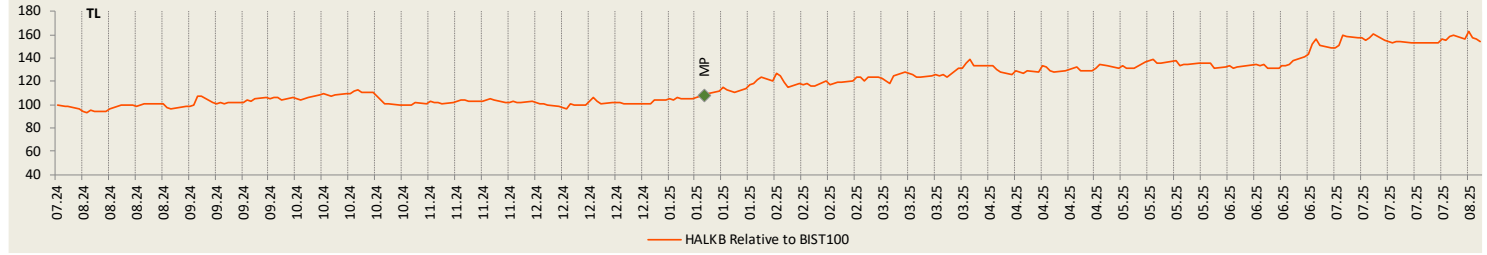
8.51

HALKB							
Income Statement (TL mn)	2Q24	3Q24	4Q24	1Q25	2Q25	QoQ	YoY
Net interest income	9,751	6,621	8,772	16,331	22,916	40%	135%
Net fees & commissions	9,573	10,811	10,963	12,724	14,066	11%	47%
Trading and investments	(8,215)	(1,624)	(449)	(1,400)	(3,838)	174%	(53%)
<i>Securities trading</i>	3,305	958	2,707	(639)	(526)	(18%)	n.m.
<i>Swap & derivatives</i>	(11,641)	(2,671)	(3,158)	(2,313)	(3,539)	53%	(70%)
<i>Dividend income</i>	121	88	2	1,552	227	(85%)	88%
Other income	3,704	6,124	4,175	4,793	4,468	(7%)	21%
Operating costs	(13,884)	(13,688)	(16,208)	(21,450)	(26,339)	23%	90%
<i>Personnel expenses</i>	(6,538)	(7,833)	(6,828)	(10,458)	(11,999)	15%	84%
PPOP	(5,729)	321	423	(1,013)	(952)	(6%)	(83%)
Provision expenses	3,258	(3,052)	(1,857)	(5,564)	(7,025)	26%	n.m.
<i>Stage III</i>	(1,246)	(3,070)	(1,410)	(4,289)	(4,697)	10%	277%
<i>Stage I&II</i>	4,504	18	(447)	(1,276)	(2,328)	82%	n.m.
<i>Others</i>	91	(250)	237	(242)	39	n.m.	(57%)
<i>Free</i>	0	0	0	0	0	n.m.	n.m.
Income from eq. method app'd subs.	0	0	0	0	0	n.m.	n.m.
PBT	4,278	4,941	5,633	5,191	4,288	(17%)	0%
Tax	838	1,981	1,745	(1,860)	(693)	(63%)	n.m.
Net profit	3,440	2,960	3,888	7,051	4,981	(29%)	45%
Balance Sheet (TL mn)	2Q24	3Q24	4Q24	1Q25	2Q25	QoQ	YoY
Customer loans	1,367,664	1,445,801	1,461,696	1,545,546	1,675,840	8%	23%
<i>Consumer</i>	11%	11%	10%	10%	10%	(2%)	(15%)
<i>Credit cards</i>	6%	6%	7%	7%	7%	(1%)	23%
<i>Commercial instalment</i>	16%	16%	16%	15%	15%	(3%)	(9%)
<i>Other</i>	66%	67%	66%	68%	68%	1%	3%
NPLs	20,902	28,547	30,398	37,170	46,669	26%	123%
<i>Additions</i>	5,322	14,795	23,031	10,512	22,781	117%	328%
<i>Collections</i>	2,790	4,617	11,001	2,999	5,766	92%	107%
<i>Write-off</i>	-167	-167	-167	0	0	n.m.	n.m.
Specific provisions (-)	15,597	17,816	18,419	20,496	24,620	20%	58%
Securities	655,202	733,404	780,734	879,477	996,704	13%	52%
<i>Trading & Afs</i>	212,254	235,874	221,757	258,378	286,788	11%	35%
<i>HtM</i>	442,948	497,530	558,977	621,098	709,915	14%	60%
Total assets	2,611,039	2,875,673	3,008,250	3,210,103	3,650,045	14%	40%
Customer deposits	2,161,565	2,334,204	2,381,754	2,623,086	2,972,266	13%	38%
Securities issued	7,067	4,906	4,649	2,046	1,554	(24%)	(78%)
Wholesale funding	194,005	246,567	350,186	330,527	359,400	9%	85%
Equity	136,081	137,957	152,565	158,202	168,310	6%	24%

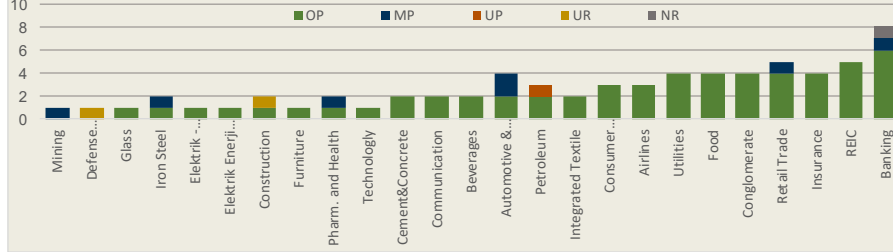
Ratio Analysis	2Q24	3Q24	4Q24	1Q25	2Q25	QoQ	YoY
NIM, quarterly	1.91%	1.23%	1.55%	2.73%	3.52%	78bps	161bps
adjusted for swap costs	-0.69%	0.61%	0.95%	2.39%	2.97%	59bps	366bps
adjusted for swap and CPI linkers	-3.58%	-3.98%	-3.40%	-2.86%	-1.61%	125bps	197bps
TL							
Loans	39.10%	41.36%	42.96%	40.28%	40.91%	63bps	182bps
Securities	36.06%	34.95%	30.16%	34.89%	46.90%	1,201bps	1,084bps
Deposits	39.74%	37.57%	38.33%	35.49%	36.75%	126bps	(299bps)
LtD spread	-0.65%	3.79%	4.63%	4.79%	4.16%	(63bps)	481bps
FX							
Loans	7.64%	8.07%	7.70%	8.00%	7.80%	(20bps)	16bps
Securities	5.14%	6.95%	6.40%	7.06%	6.77%	(29bps)	163bps
Deposits	1.14%	1.20%	0.79%	1.11%	1.34%	23bps	20bps
LtD spread	6.50%	6.88%	6.92%	6.89%	6.46%	(43bps)	(4bps)
PPOP Margin	-1.12%	0.06%	0.07%	-0.17%	-0.15%	2bps	97bps
NPL ratio	1.53%	1.97%	2.08%	2.40%	2.78%	38bps	126bps
Loan loss coverage	74.62%	62.41%	60.59%	55.14%	52.75%	(239bps)	(2,186bps)
Total risk reserves	219%	153%	141%	119%	102%	(1,707bps)	(11,699bps)
Specific CoR (stage III)	37 bps	87 bps	39 bps	114 bps	117 bps	3bps	80bps
Specific CoR (stage I&II)	(134 bps)	(1 bps)	12 bps	34 bps	58 bps	24bps	192bps
Total CoR (net of collections)	(152 bps)	(70 bps)	(12 bps)	55 bps	94 bps	39bps	246bps
Net NPL additions (annualised)	0.75%	2.89%	3.31%	2.00%	4.23%	223bps	347bps
Loans under close-watch	4.12%	4.16%	4.74%	4.49%	4.85%	36bps	73bps
Restructured or rescheduled	3.10%	3.29%	3.69%	3.74%	3.99%	25bps	89bps
Net NPL stock to Tier I (Texas Ratio)	4.13%	8.07%	8.02%	10.73%	13.51%	278bps	938bps
Net NPL stock + Group II to Tier I	48.0%	53.3%	54.4%	55.4%	63.3%	794bps	1,531bps
CIR	126%	87%	84%	82%	80%	(216bps)	(4,633bps)
Costs as % of average assets	3.3%	3.1%	3.1%	4.1%	4.5%	37bps	122bps
Net fees to operating costs	47%	50%	48%	40%	37%	(319bps)	(1,019bps)
RoAA	0.5%	0.4%	0.5%	0.9%	0.6%	(33bps)	3bps
RoAE	10.2%	8.6%	10.7%	18.2%	12.2%	(595bps)	198bps
Leverage	18.7 x	20.0 x	20.3 x	20.0 x	21.0 x	10,007bps	23,388bps
Tier-I ratio	11.69%	11.97%	11.54%	10.41%	11.88%	147bps	19bps
Total CAR	13.07%	13.45%	14.82%	13.39%	14.79%	140bps	172bps
Adj. LtD ratio *	70%	68%	67%	64%	63%	(101bps)	(746bps)
Specific prov. expense/PPOP	-22%	956%	333%	-423%	-493%	(6,972bps)	(47,146bps)
Short term re-pricing loans to total	13%	15%	31%	16%	12%	(402bps)	(99bps)
Short term re-pricing deposits to total	77%	82%	79%	80%	84%	401bps	702bps
Saving deposits to total	52%	51%	51%	54%	52%	(238bps)	(15bps)

* adjusted for securities issued, subloans, LT FX borrowing and bank deposits

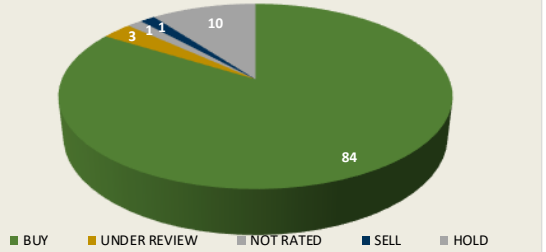
Relative to BIST 100 / Recommendations



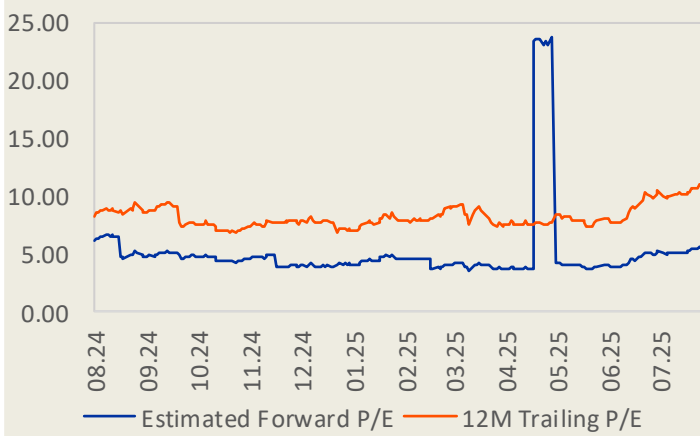
Number of Companies



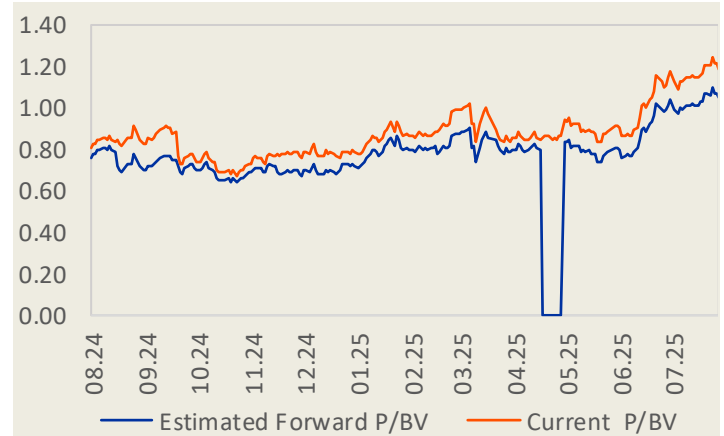
Rec. Breakdown for Coverage



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



Estimated Forward P/BV & Current P/BV



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