Halkbank

2Q26 Earnings Review

Margin pressure persists; tax income supports the bottom line

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Halkbank posted a net profit of TRY 8,223mn in its 2Q26 bank-only financials (-13.5% QoQ, +65.1% YoY). The reported figure came in 16.6% above both the market median estimate of TRY 7,054mn and our TRY 7,053mn forecast. The quarterly decline stemmed from a jump in funding costs and operating expenses, with a TRY 3,577mn tax benefit limiting the fall.

Strong CPI-linker income was not sufficient to offset rising swap costs and the erosion in core margins. Income from CPI-indexed securities rose 70.5% QoQ to TRY 42,589mn from TRY 24,984mn, based on a 28% valuation rate for 2026. On the back of this contribution, net interest income increased by TRY 4,460mn to TRY 39,307mn. However, the 78.2% rise in swap costs erased the remaining improvement, and swap-adjusted net interest income came in at TRY 28,088mn, down 1.6% QoQ.

On the funding side, the cost of TL time deposits rose 307bps, while the TL loan yield declined 65bps. CPI-linker income was the factor keeping the margin meaningfully higher. The bank's swap-adjusted net interest margin narrowed to 2.68% from 2.84%.

Fee growth remained limited. Net fees and commissions rose 5.9% QoQ and 28.4% YoY to TRY 18,061mn, with 1H26 fee income up 31.1% YoY. However, on the back of the jump in operating expenses, the fee-to-opex coverage ratio fell to 45.6% from 52.0%.

Operating expenses were the weak item of the quarter. Opex rose 20.6% QoQ and 50.3% YoY to TRY 39,577mn. The bank noted that cyclical wage increases had temporarily halted the improvement on the cost side. In 1H26, operating expense growth of 51.5% YoY ran markedly above inflation (Jul-26: 31.8%).

Moderate deterioration in asset quality. Net cost of risk rose to 160bps from 78bps (1H26 cumulative: 120bps). Gross specific provisioning expense increased to TRY 10,661mn from TRY 9,730mn, with the rise mainly driven by collections falling to TRY 1,536mn from TRY 5,668mn.

We assess the reported 2Q26 results as "**Neutral**". While the recovery in profitability depends on the pace of normalization in TL deposit costs, we expect the meaningful improvement to come in 4Q26. Our 2026 year-end ROE estimate stands at 21.7%. **Following our year-end revisions, we update our 12-month target price to TRY 46.38 from TRY 48.80 while maintaining our "Market Perform" recommendation.** Our target price implies 25% upside potential from current levels. Halkbank trades at 5.1x 2026E P/E and 0.99x P/BV, with an average ROE of 21.7%.

Rating	**Marketperform**
Target price (TRY)	**46.38**
Upside	**25%**
Previous rating	Marketperform
Previous target price (TRY)	**48.80**

	TRY	US$
Close	37.02	0.78
BIST 100	13,779	290
US$/TRY (CBT Bid Rate):	47.51	
52 Week High:	52.50	1.19
52 Week Low:	23.38	0.57
Bloomberg Ticker:	HALKB.TI	

Number of Shares (Mn):	7,185

	(TRY Mn)	(US$ Mn)
Current Mcap:	265,980	5,599
Free Float Mcap:	23,938	504
Avg. Daily Volume:	2,313	53

Expectations (TRY mn)	Actual	Seker	Diff.	Cons.	Diff.
Net income	8,223	7,053	16.6%	7,054	16.6%

	1Q26	2Q26	QoQ	2Q25	YoY
Net income (TRY mn)	9,506	8,223	-13%	4,981	65%

Forecasts (TRY mn)	2023A	2024A	2025A	2026E	2027E
Net income	10,112	15,105	27,131	52,023	106,981
BV	128,406	152,565	218,333	268,896	368,074

Valuation	2023A	2024A	2025A	2026E	2027E
P/E (x)	8.5	7.7	9.7	5.1	2.5
P/BV (x)	0.67	0.76	1.21	0.99	0.72
ROAA	0.5%	0.6%	0.7%	1.1%	1.7%
ROAE	8.8%	11.0%	15.2%	21.7%	34.2%

Returns (%)	1 M	3M	6M	12M	YtD
TRY Return:	-14.8	-8.2	-14.7	31.0	0.7
US$ Return:	-16.2	-12.7	-22.0	11.9	-9.2
BIST 100 Relative:	-10.3	0.2	-16.3	4.2	-17.7

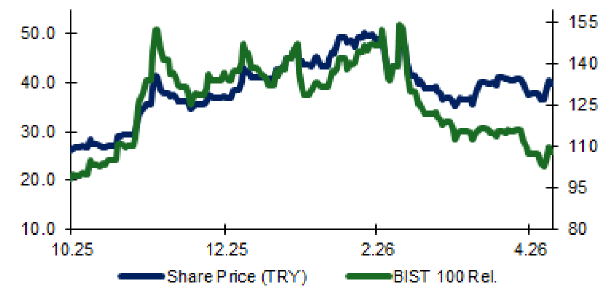


Figure 1: Summary balance sheet

(Bank-only, TRYmn)	6M25	3M26	6M26	QoQ	YoY	YtD
Security portfolio	996,704	1,183,642	1,244,911	5.2%	24.9%	4.9%
Loans	1,628,335	2,106,440	2,311,758	9.7%	42.0%	19.8%
Total assets	**3,650,045**	**4,432,822**	**4,721,843**	**6.5%**	**29.4%**	10.0%
Deposits	**2,972,266**	**3,371,303**	**3,655,676**	**8.4%**	**23.0%**	**4.8%**
TRY deposits	1,874,681	2,098,876	2,307,581	9.9%	23.1%	4.1%
FC deposits	1,097,585	1,272,427	1,348,095	5.9%	22.8%	6.1%
Shareholder's equity	168,310	226,029	234,602	3.8%	39.4%	7.5%
Total liabilities	**3,650,045**	**4,432,822**	**4,721,843**	**6.5%**	**29.4%**	**10.0%**

Source: Bank financials, Seker Invest Research

Figure 2: Summary income statement

(Bank-only, TRYmn)	2Q25	1Q26	2Q26	QoQ	YoY	Jun.25	Jun.26	YoY
Net interest income (Swap adj)	19,380	28,553	28,088	-1.6%	44.9%	33,644	56,641	68.4%
Net fee and commission income	14,066	17,056	18,061	5.9%	28.4%	26,790	35,117	31.1%
Dividends	227	4,134	4,203	1.7%	1749.1%	1,779	8,337	368.6%
Net trading gain/loss	-529	-914	1,881	n.m.	n.m.	-1,414	967	n.m.
Other operating income	1,145	1,858	1,125	-39.5%	-1.8%	2,428	2,983	22.9%
Provisions (net)	3,663	4,073	9,134	124.3%	149.4%	5,958	13,207	121.7%
OPEX	26,339	32,818	39,577	20.6%	50.3%	47,789	72,395	51.5%
Net operating profit before taxes	4,288	13,797	4,646	-66.3%	8.3%	9,479	18,443	94.6%
Tax provision	-693	4,291	-3,577	n.m.	416.0%	-2,554	714	n.m.
Net profit	**4,981**	**9,506**	**8,223**	**-13.5%**	**65.1%**	**12,032**	**17,729**	**47.3%**

Source: Bank financials, Seker Invest Research

Figure 3: Balance sheet ratios

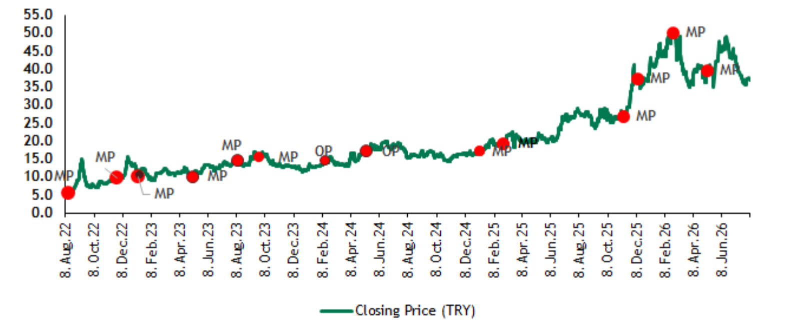
Funding structure	2Q25	1Q26	2Q26	QoQ	YoY	YtD
LDR	54.78%	62.48%	63.24%	0.76%	8.45%	7.92%
TRY LDR	61.25%	70.94%	69.93%	-1.01%	8.68%	9.06%
FX LDR	43.77%	48.53%	51.79%	3.26%	8.02%	6.13%
Demand deposits/Deposits	25.74%	29.48%	29.11%	-0.37%	3.37%	0.51%
Time deposits/Deposits	74.26%	70.52%	70.89%	0.37%	-3.37%	-0.51%
Asset quality	**2Q25**	**1Q26**	**2Q26**	**QoQ**	**YoY**	**YtD**
NPL Ratio	2.78%	4.21%	4.39%	0.18%	1.61%	0.43%
Total CoR (Quarterly)	0.92%	0.78%	1.60%	0.82%	0.68%	-0.45%
Total CoR (Cumulative)	0.74%	0.78%	1.20%	0.42%	0.47%	-0.16%
Stage 1 loans/Total loans	88.37%	87.15%	86.22%	-0.93%	-2.15%	-0.72%
Stage 2 loans/Total loans	8.84%	8.64%	9.38%	0.74%	0.54%	0.29%
Total provisions/NPL	101.79%	75.53%	74.43%	-1.10%	-27.37%	-7.97%
Capital adequacy and leverage	**2Q25**	**1Q26**	**2Q26**	**QoQ**	**YoY**	**YtD**
CET1	9.35%	8.44%	8.73%	0.30%	-0.62%	-1.96%
Tier I	11.88%	11.18%	11.86%	0.68%	-0.02%	-1.71%
CAR	14.80%	13.40%	14.05%	0.65%	-0.75%	-2.13%
Leverage	21.7	19.6	20.1	0.52	(1.56)	0.47
Currency breakdown	**2Q25**	**1Q26**	**2Q26**	**QoQ**	**YoY**	**YtD**
TRY Loans/Loans	70.51%	70.68%	69.80%	-0.89%	-0.71%	-0.13%
FX Loans /Loans	29.50%	29.32%	30.20%	0.89%	0.70%	0.12%
TRY Deposits/Deposits	63.07%	62.26%	63.12%	0.87%	0.05%	-0.43%
FX Deposits/Deposits	36.93%	37.74%	36.88%	-0.87%	-0.05%	0.43%

Source: Bank financials, Seker Invest Research

Figure 4: Profitability ratios (Quarterly)	2Q25	1Q26	2Q26	QoQ	YoY	YtD
ROAA	0.58%	0.87%	0.72%	-0.15%	0.14%	0.05%
ROAE	12.20%	17.11%	14.28%	-2.83%	2.08%	0.97%
NIM (Swap adj.)	2.41%	2.84%	2.68%	-0.16%	0.27%	0.36%
Figure 5: Profitability ratios (Cumulative)	**2Q25**	**1Q26**	**2Q26**	**QoQ**	**YoY**	**YtD**
ROAA	0.73%	0.87%	0.79%	-0.08%	0.06%	0.05%
ROAE	15.07%	17.11%	15.67%	-1.45%	0.60%	0.52%
NIM (Swap adj.)	2.18%	2.84%	2.75%	-0.09%	0.58%	0.56%
Efficiency ratios	**2Q25**	**1Q26**	**2Q26**	**QoQ**	**YoY**	**YtD**
Cost/Assets	3.07%	3.01%	3.46%	0.45%	0.39%	0.46%
Fees (net)/Assets	1.64%	1.56%	1.58%	0.01%	-0.06%	-0.13%
Fees (net)/OPEX	53.40%	51.97%	45.64%	-6.34%	-7.77%	-11.39%

Source: Bank financials, Seker Invest Research

Historical Recommendation and Target Prices (TRY)



Source: Seker Invest Research

Date	Recommendation	Target Price (TRY)
28.Apr.15	Outperform (OP)	16.47
31.Jul.15	Outperform (OP)	16.07
03.Nov.15	Outperform (OP)	12.99
25.Feb.16	Outperform (OP)	12.38
02.May.16	Outperform (OP)	12.59
02.Aug.16	Outperform (OP)	12.13
01.Nov.16	Outperform (OP)	11.04
14.Feb.17	Market Perform (MP)	11.56
10.May.17	Market Perform (MP)	11.52
22.Jan.18	Market Perform (MP)	11.20
11.May.18	Market Perform (MP)	9.52
08.Aug.18	Market Perform (MP)	8.27
09.Nov.18	Market Perform (MP)	6.85
17.Jan.19	Market Perform (MP)	7.73
14.May.19	Market Perform (MP)	6.18
07.Jun.19	Market Perform (MP)	5.72
09.Aug.19	Market Perform (MP)	6.34
09.Oct.19	Market Perform (MP)	7.05
15.Nov.19	Market Perform (MP)	6.50
14.Jan.20	Market Perform (MP)	7.82
13.Apr.20	Market Perform (MP)	5.86
15.May.20	Market Perform (MP)	5.75
13.Jul.20	Market Perform (MP)	6.97
13.Nov.20	Market Perform (MP)	6.20
18.Jan.21	Market Perform (MP)	6.60
10.May.21	Market Perform (MP)	5.30
11.Nov.21	Market Perform (MP)	5.70
20.Jan.22	Market Perform (MP)	7.05
13.May.22	Market Perform (MP)	6.45
15.Aug.22	Market Perform (MP)	7.10
14.Nov.22	Market Perform (MP)	10.75
12.Jan.23	Market Perform (MP)	14.62
10.May.23	Market Perform (MP)	15.00
01.Aug.23	Market Perform (MP)	15.65
10.Nov.23	Market Perform (MP)	17.15
12.Jan.24	Market Perform (MP)	17.53
10.May.24	Market Perform (MP)	21.44
12.Aug.24	Market Perform (MP)	21.44
13.Nov.24	Market Perform (MP)	21.44
07.Jan.25	Market Perform (MP)	22.88
26.Feb.25	Market Perform (MP)	22.88
10.Nov.25	Market Perform (MP)	34.19
09.Jan.26	Market Perform (MP)	46.32
23.Feb.26	Market Perform (MP)	53.90
11.May.26	Market Perform (MP)	48.80

Source: Seker Invest Research

Basis for 12M Recommendations

Outperform:	The total return is expected to exceed the return of the BIST-100 by more than 10%.
Underperform:	The total return is expected to fall below the return of the BIST-100 by more than 10%.
Market Perform:	The total return is expected to be in line with the return of the BIST-100.

Source: Seker Invest Research

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