

25/07/2023

Top-line weakens; trading line supportive

Core revenues retreat; backed by trading gains

Yapi Kredi posted a 2Q net income of 11,476mTL (- 9% q/q, -4% y/y), in line with both market consensus (11,421mTL) and our estimate (11,529mTL). Trading line appears to be the main supporter of earnings on the back of high FX and derivatives transaction gains. NIM decreased by 2.6ppt q/q due to contracting TL spread and downward revision in October CPI assumption of the bank to 40% in 2Q from 45% in 1Q. Fee income grew thanks to consumer driven loan growth and payment systems contribution. TL spread declined by 3.3ppt q/q on higher deposit costs. Opex grew on rising inflation and earthquake donations. ROE retreated to 34% in 2Q from 39% in 1Q. Yapi Kredi guides for <40% TL loan growth, <4ppt y/y drop in NIM, >90% fee growth and around 100bps net CoR coupled with >30% RoTE for 2023. This guidance is in line with our 23E 31% RoE expectation for Yapi Kredi, indicating 15% y/y drop in net earnings on our estimates.

NIM drops on contracted spread

TL spread shrank 3.3ppt q/q (OYAKe: -83bp) on high deposit costs, while FX spread widened 3.6ppt q/q. Adjusted for FX protected deposit commissions, the drop in TL spread is only 66bps q/q. Reflecting this and y/y lower CPI assumption (40% for Oct23; Oct22: 85.5%), NIM went down by 2.6ppt q/q. Yapi Kredi gained market share in deposits in 2Q. TL loans grew 9.3% q/q vs +11.3% for the sector, while TL deposits expanded 13.1% q/q vs +11.5% for the sector. On FX (USD) side, loans went down 8.7% q/q vs -2.5% for the sector, deposits contracted 2.3% vs -7.5% for the sector.

Asset quality appears intact; provisioning remains strong

NPL ratio went up to 3.7% (1Q: 3.2%) on some fresh NPL inflows, while NPL coverage fell to 69% from 76% in 1Q due mainly to NPL sale of 1.8bnTL. The ratio of stage 2 to total loans, on the other hand, dropped to 12.6% in 2Q (1Q: 12.8%) with 17.0% coverage.

FY23E earnings and OP rating maintained

Yapi Kredi trades attractively at 23E P/BV of 0.7x and 2.5x P/E, while 23E ROE stands at 31%. We revise our target price for Yapi Kredi to 18.18TL from 12.99TL based on our higher long-term ROE estimate for Yapi Kredi. We elevate long-term ROE estimate to 26% from 21% over our forecast period of 2023-30E as we expect now better earnings from 2024 onwards for YKBNK thanks to normalizing monetary policy. We maintain our Outperform rating for the stock.

YKBNK TI / YKBNK.IS

Current Rating			Outperform
Expected Market Reaction		→	Neutral
Analyst Action		↑	Price Revision
Price	TL12.99	Mcap	\$4,072mn
Target Price	TL18.18	Prev. Target Price	TL16.43
Upside	40%	Free Float	18%
High /Low 30Day	14.5 / 11.6		

BB 2023FY Consensus

Estimate Revisions	1W	4W	3M
EPS	3.2%	5.2%	5.9%
# of Buy/Hold/Sell	13/7/1	13/7/1	13/7/1
Rel Perf. XU030	-6.9%	-13.9%	-3.8%
ADV (USDmn)	137.1	166.1	121.7

OYAK vs BB consensus (23E TLmn)

	OYAK	Cons.	% Diff
NI	44,843	41,184	9%

Multiples & Ratios (OYAK Est)

	2021	2022	2023E
P/E	10.47x	2.08x	2.45x
P/B	1.73x	0.87x	0.69x
RoE	18.9%	55.6%	31.3%

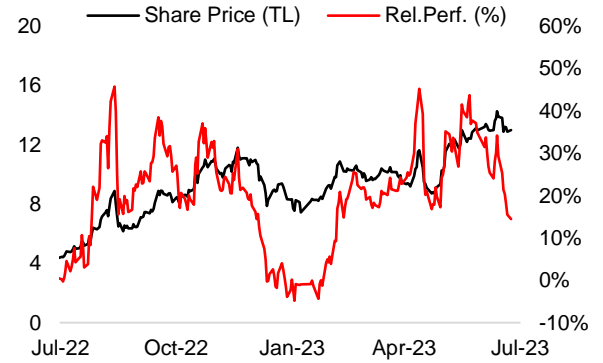
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Exhibit 1: Summary Financial Statements (solo)

Income Statement					
TLm	2Q22	1Q23	2Q23	q/q (%)	y/y (%)
I. Net Interest Income	15,533	13,827	7,601	(45.0)	(51.1)
II. Net Fee Income	3,198	5,144	6,583	28.0	105.8
III. Net Trading Gain/Loss	2,738	3,948	13,895	251.9	407.5
IV. Other Income	1,415	6,398	3,568	(44.2)	152.2
V. OPEX	4,333	8,854	10,394	17.4	139.9
HR	1,778	2,660	3,661	37.6	105.9
Non-HR	2,556	6,194	6,733	8.7	163.5
VI. Pre-provisioning Income	18,551	20,463	21,253	3.9	14.6
VII. Provisions	4,569	6,804	8,322	22.3	82.1
Loan Loss Provisions	4,541	6,781	8,300	22.4	82.8
Other	29	23	23	(1.5)	(20.7)
VIII. Income From Participations	769	1,606	1,825	13.6	137.3
IX. Pre-Tax Income	14,750	15,266	14,755	(3.3)	0.0
X. Net Profit	11,922	12,640	11,476	(9.2)	(3.7)

Balance Sheet						
TLm	2Q22	1Q23	2Q23	q/q (%)	ytd (%)	y/y (%)
Loans	512,559	644,140	727,750	13.0	20.4	42.0
LC	325,216	470,990	514,643	9.3	18.9	58.2
FC (USDm)	11,244	9,040	8,253	(8.7)	(10.1)	(26.6)
Security Portfolio	185,302	263,588	320,214	21.5	32.9	72.8
Assets	930,019	1,167,471	1,378,169	18.0	24.4	48.2
Deposits	497,066	754,641	903,372	19.7	34.3	81.7
LC	218,708	485,417	548,772	13.1	41.6	150.9
FC (USDm)	16,707	14,056	13,732	(2.3)	(10.0)	(17.8)
Equity	94,430	131,424	139,245	6.0	10.3	47.5

Source: Company, Oyak Securities Research

Exhibit 2: Key Financial Ratios (solo)

(%)	2Q22	1Q23	2Q23
RoE	55.3	39.2	33.9
L/D Spread	8.1	4.4	3.4
LC L/D Spread	6.3	1.1	(2.2)
FC L/D Spread	6.0	7.3	11.0
Swap adjusted NIM	8.9	6.2	3.6
Net CoR (bps)	314	75	288
NPL Ratio	3.7	3.2	3.7
NPL Provision Rate	69	76	69
Loans / Deposits	103	85	81
Loans / Total Assets	55	55	53
Securities Portfolio / Total Assets	20	23	23
Deposits / Total Assets	53	65	66
Demand Deposit Share	43	41	42
CAR	19.5	17.9	20.1
Tier-I Ratio	17.2	16.1	17.9

Source: Company, Oyak Securities Research

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