



2Q23 Review & Target Price Revision

OUTPERFORM
(maintained)

Yapi Kredi

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[Genel / Public](#)

TL11.5bn net income in 2Q23 parallel to estimates

The bank announced its 2Q23 solo net income as TL11.5bn (-9% q/q, -4% y/y) in line with the estimates of TL11.3bn, corresponding to 34.3% (1Q23: 39.6%) quarterly ROE. NII decreased by 45% q/q to TL7.6bn (-51% y/y, YFe: TL7.5bn) due to lower CPI-linker income of TL8.3bn (YFe: TL8.2bn, 1Q: TL9.7bn) and lower TL spread. Despite higher positive swap figure of TL1.6bn (1Q: +TL480mn, YFe: TL1.5bn), NIM decreased to 3.7% in 2Q from 5.2% in 1Q due to lower NII. On the other hand, trading gain increased by 252% q/q to TL13.9bn (YFe: TL13.2bn) on higher hedge gains. Fee income was up by 106% y/y to TL6.6bn (YFe: TL6.5bn) whereas OPEX was up by 140% y/y to TL10.4bn (YFe: TL10.4bn). On the asset quality side, NPL ratio increased to 3.7% in 2Q from 3.2% in 1Q due to NPL inflow of TL8.9bn. Provisioning expenses increased by 22% q/q to TL8.3bn (+3816% y/y, YFe: TL7.9bn), while net CoC (excluding currency impact) realized at 30bps in 2Q. CAR and Tier-I ratios stand at strong levels of 17.0% and 15.0%, respectively.

Raising our 2023 net income estimate to TL47.7bn from TL37.7bn

We revise our 2023 net income estimate to TL47.7bn (-9% y/y) from TL37.7bn on strong fee income generation (+98% y/y) and upward trend in inflation, implying 32.1% ROE. We believe that we might observe improvement in NII in 2H23 with simplification steps in regulations, rate hikes and upward trend in inflation. With the simplification steps, TL deposit rate target declined to 57%, which would limit deposit costs and additional TL security maintenance, while rate hikes would result in higher loan rates. Hence, we expect improvement in core spreads in 2023 year-end. Besides, upper trend in inflation would support CPI linker (TL121bn portfolio as of 2Q23, 87% of the equity) yields as well as the bank's margin (2023E: 5.0%). Additionally, we forecast strong performance in fee income generation to sustain with 98% y/y growth. On the other hand, we expect OPEX (+113% y/y) to limit bottom line due to high inflation trend. Additionally, provisioning expenses (+97% y/y) would continue to be significant factor for profitability in view of possible FX rate volatilities.

Target Price revised to TL18.40/sh from TL15.15/sh

We revised our Target Price to TL18.40/sh from TL15.15/sh, while maintaining Outperform recommendation on 44% upside potential. Our valuation is based on 24.2% sustainable ROE (previously 23.1%), 20.0% risk free rate (unchanged) and a 5% equity risk premium (unchanged). The stock trades at 2022E P/BV of 0.62x and P/E of 2.3x. We forecast TL7.2bn dividend to be distributed from 2023 earnings with 15% pay-out ratio, implying 6.6% dividend yield.

Risks

We underline the macro risks circling around GDP growth in Turkey, policy rate pushing up risk-free rate and TL depreciation on the back of global developments (rising rates, lower risk appetite) as downside risks to our valuation.

Rating

Outperform

Target Price	18.40
Last Price (24/07/2023)	12.78
Return Potential	44%

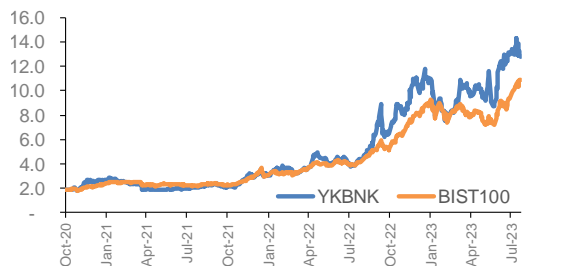
Bloomberg Ticker	YKBNK TI
Market Cap. (TLmn)	107,953
Free Float	30%
Outstanding Shares (mn)	8447
3-Month Avg. Trading Vol. (TLmn)	3239

Price Performance	1M	3M	12M
BIST100	5,583	5,023	2,517
Share Price (TL)	12.84	10.16	4.28
Nominal (TL)	-0.5%	25.8%	189.8%
Relative Return	-17.0%	-5.6%	12.2%

Estimates	2020	2021	2022	2023E
Net Income	5,080	10,490	52,745	47,742
Growth (y/y)	-23%	107%	403%	-9%

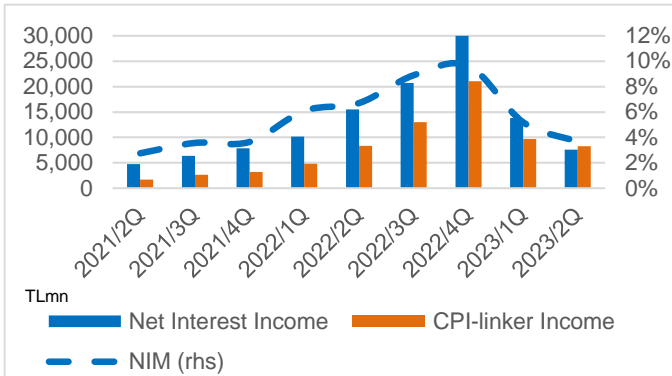
Valuation	2020	2021	2022	2023E
ROE	12.4%	19.6%	56.6%	32.1%
ROA	1.2%	1.8%	5.4%	3.8%
P/E (x)	21.3	10.3	2.0	2.3
P/BV (x)	2.27	1.70	0.86	0.62
Dividend Yield	0.5%	0.9%	7.3%	6.6%

Price Chart

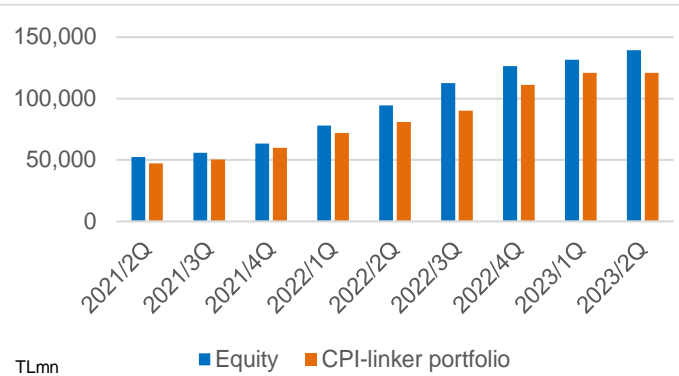


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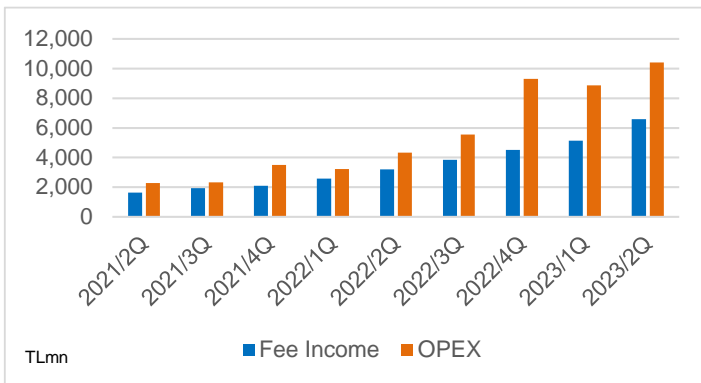
Lower NIM due to lower spreads and CPI-linker income



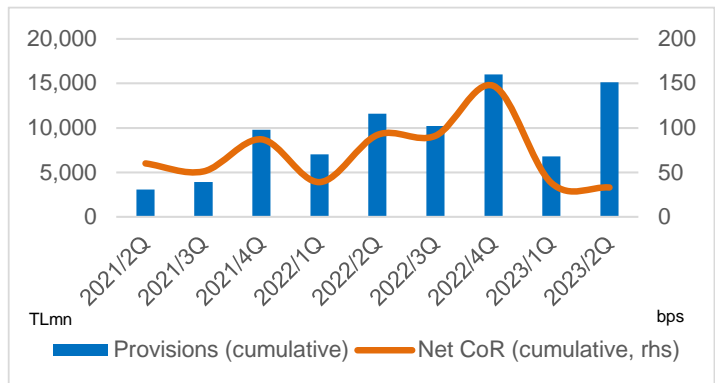
CPI-linker portfolio covering 87% of equity



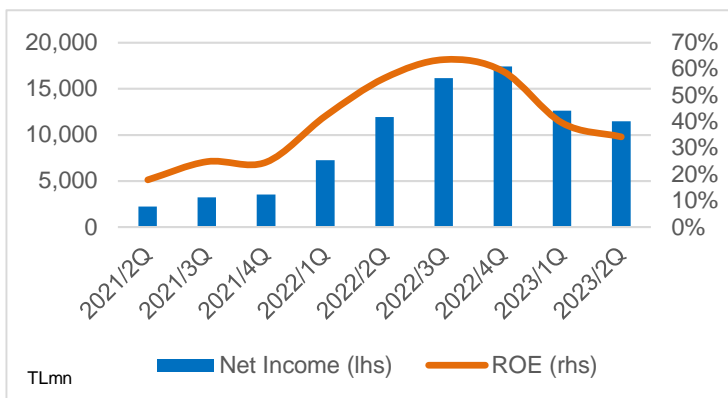
Fee/OPEX ratio at 66%



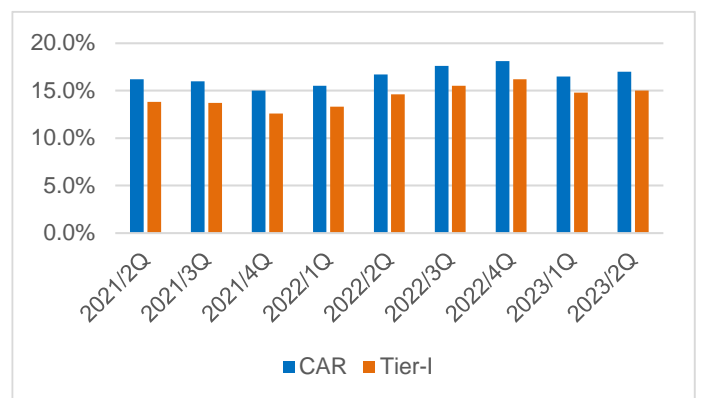
Total coverage at 5.65%



Normalization of ROEs at around 30%



Capital ratios at comfortable levels



YKBANK BRSA Solo estimates (TLm)											
P & L	2021	2022	2023E	y/y	2Q22	3Q22	4Q22	1Q23	2Q23	y/y	q/q
Interest Income	51,629	128,152	178,065	39%	26,569	35,989	46,240	35,282	40,233	51%	14%
Interest Expense	28,932	51,204	116,704	128%	11,036	15,285	15,704	21,454	32,633	196%	52%
Net Interest Income	22,697	76,948	61,361	-20%	15,533	20,705	30,536	13,827	7,601	-51%	-45%
Trading gain/loss	175	8,988	28,121	213%	2,738	3,656	1,276	3,948	13,895	407%	252%
Fee Income	7,315	14,134	28,013	98%	3,198	3,840	4,511	5,144	6,583	106%	28%
Income from subsidiaries	1,293	3,103	5,811	87%	769	902	903	1,605	1,824	137%	14%
Other Income	2,060	3,497	19,765	465%	1,415	-3,727	797	6,398	3,568	152%	-44%
Total Income	33,544	106,720	143,074	34%	23,653	25,378	38,024	30,923	33,471	42%	8%
Operating Expenses	10,287	22,417	47,766	113%	4,333	5,562	9,292	8,854	10,394	140%	17%
Provision Costs	9,771	15,990	31,431	97%	4,569	-1,391	5,786	6,804	8,322	82%	22%
Profit before tax	13,486	68,314	63,877	-6%	14,750	21,208	22,946	15,266	14,755	0%	-3%
Tax expense	2,996	15,569	16,134	4%	2,828	5,073	5,517	2,626	3,279	16%	25%
Net Income	10,490	52,745	47,742	-9%	11,922	16,135	17,429	12,640	11,476	-4%	-9%
Volumes	2021	2022	2023E		2Q22	3Q22	4Q22	1Q23	2Q23		
Loans	407,001	606,114	805,297	32.9%	513,269	560,003	606,114	646,240	729,546	42.1%	13%
TL loans	243,127	432,703	600,280	38.7%	325,216	374,055	432,703	470,990	514,643	58.2%	9%
FX loans (US\$m)	12,295	9,274	7,830	-15.6%	11,287	10,041	9,274	9,150	8,322	-26.3%	-9%
Deposits	401,095	672,765	978,375	45.4%	497,066	605,191	672,765	754,641	903,372	81.7%	20%
TL deposits	146,177	387,421	640,088	65.2%	218,708	307,360	387,421	485,417	548,772	150.9%	13%
FX deposits (US\$m)	19,125	15,260	12,920	-15.3%	16,707	16,083	15,260	14,056	13,732	-17.8%	-2%
Total LDR (%)	101	90	82		103	93	90	86	81		
TL LDR (%)	166	112	94		149	122	112	97	94		
FX LDR (%)	64	61	61		68	62	61	65	61		
Ratios	2021	2022	2023E		2Q22	3Q22	4Q22	1Q23	2Q23		
NIM (swap adjusted)	3.2%	9.1%	5.0%		6.7%	7.6%	9.7%	5.2%	3.7%		
Fee / Total Income	22%	13%	20%		14%	15%	12%	17%	20%		
Cost-Income	31%	21%	33%		18%	22%	24%	29%	31%		
CoR (bps)	87	147	40		139	87	229	38	30		
NPL ratio	4.7%	3.4%	4.3%		3.7%	3.4%	3.4%	3.2%	3.7%		
NPL coverage	73%	76%	72%		69%	73%	76%	76%	69%		
Effective tax rate	25%	23%	25%		20%	25%	25%	19%	25%		
ROE	19.6%	56.6%	32.1%		56.6%	63.6%	59.2%	39.6%	34.3%		
ROA	1.8%	5.4%	3.6%		5.5%	6.6%	6.5%	4.4%	3.6%		
CAR	15.0%	18.1%	17.6%		16.7%	16.5%	18.1%	16.5%	17.0%		
Tier - I	12.6%	16.2%	15.7%		14.6%	14.4%	16.2%	14.8%	15.0%		

Source: Company Financials, YF estimates

Yapı Kredi - BRSA Solo estimates (TLm)							
P&L	2018	2019	2020	2021	2022	2023E	2024E
Net Interest Income	13,942	14,776	16,977	22,697	76,948	61,361	84,841
Net Trading Gains/Losses	-648	-1,885	257	175	8,988	28,121	10,231
Fee Income	4,016	5,287	5,247	7,315	14,134	28,013	39,218
Dividend Income	6	9	3	3	50	2	3
Other Income	1,211	1,428	1,563	2,060	3,497	19,765	20,754
Income from subsidiaries	776	781	884	1,293	3,103	5,811	6,683
Total Revenues	19,304	20,397	24,931	33,544	106,720	143,074	161,730
Provisions	7,122	8,813	9,954	9,771	15,990	31,431	23,779
OPEX	3,490	7,244	8,424	10,287	22,417	47,766	62,430
Income Before Tax	8,692	4,339	6,552	13,486	68,314	63,877	75,521
Tax Expense	1,188	739	1,472	2,996	15,569	16,134	22,656
Net Income	7,504	3,600	5,080	10,490	52,745	47,742	52,865
NI growth	108%	-52%	41%	107%	403%	-9%	11%
B/S	2018	2019	2020	2021	2022	2023E	2024E
Total Assets	348,044	387,496	459,694	736,770	1,108,094	1,545,642	1,617,856
Loans	225,031	241,111	293,927	407,001	606,114	814,643	982,332
Securities	49,900	57,100	78,800	131,900	315,637	1,482,515	1,552,751
Deposits	202,549	222,790	254,280	401,095	672,765	993,797	964,393
Funds Borrowed	37,349	38,111	38,280	61,124	70,048	89,435	71,953
Repo Funding	1,546	3,696	27,705	52,908	35,514	69,646	152,357
Securities Issued	29,942	39,284	43,172	73,696	79,929	86,685	67,853
Shareholders' Equity	39,003	41,188	47,564	63,484	126,256	174,050	219,976
Interest Earning Assets	318,136	347,588	393,090	608,129	875,898	1,413,701	1,450,169
Key Ratios	2018	2019	2020	2021	2022	2023E	2024E
ROE (including subs.)	21.7%	9.0%	11.4%	18.9%	55.6%	31.8%	26.8%
ROA	2.3%	1.0%	1.2%	1.8%	5.7%	3.6%	3.3%
Leverage	8.9x	9.4x	9.7x	11.6x	8.8x	8.9x	7.4x
Net Interest Margin	4.6%	4.4%	4.6%	4.5%	10.4%	5.4%	5.9%
Cost / Income	18%	36%	34%	31%	21%	33%	39%
NII Growth	51%	6%	15%	34%	239%	-20%	38%
Fee Income Growth	28%	32%	-1%	39%	93%	98%	40%
OPEX Growth	-37%	108%	16%	22%	118%	113%	31%
Net Income Growth	108%	-52%	41%	107%	403%	-9%	11%
Loan Growth	15%	7%	22%	38%	49%	34%	21%
Deposit Growth	20%	10%	14%	58%	68%	48%	-3%
Loan-to-Deposits	111%	108%	116%	101%	90%	82%	102%
Loan-to-Deposits (bonds included)	97%	92%	99%	86%	81%	75%	95%
Total Cost of Risk (bps)	339	378	372	279	316	442	265

Source: Company Data, YF Securities Equity Research

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