

9 AUGUST 2021

2Q21 REVIEW

VAKIFBANK HOLD

VAKBN TI

Softer than expected pre-tax profit

- Vakifbank posted a TRY660mn bottom-line for 2Q21 that is parallel to the TRY639mn consensus mean. Pre-tax profit however is 28% below our forecast due to deeper than expected trading losses. Effective tax rate of a mere 3% has supported the net profit. ROE for the quarter is just 5.5%.
- Worst is over in terms of NIM evolution. The NIM adjusted for swaps is up by 15bp q-q to 0.9%, which is still one of the lowest among the peers, yet relieving to see its improvement.
- Despite relatively less presence in credit card business, Vakifbank's fee growth of 42% y-y in 2Q21 is hovering around private peers. We are expecting fee growth to speed up in the quarters to follow as tight fee collection limitations have somewhat been lessened this week.
- We liked the bank's strict cost control for 2Q21. Personnel expenses are down by 2% y-y, while the 14% other opex expansion remained below the inflation. The 2Q21 C/I, however, is at the highest end of the peers at 51% due to low core business earnings.
- Vakifbank's gross COR of 127bp is even better than some private peers. Net COR is almost non-existent at 11bp thanks to recoveries.
- The bank is intentionally losing market share in TL loans to preserve capitalization in our view. Quarterly TL loan growth of 0.9% lags behind the 2.6% sector growth. One of the fastest growing loan types is mortgages (+7%), that have lower risk weighting and consume less CAR. CET I is at 10%, which is at the sector's lower end if we are to exclude the forbearances. Vakif's 2% TL deposit growth also remains below the 5% sector growth.
- We stick to our Hold rating on the bank.

Vakıflar Bankası

Rating	BUY
Free float	16%
Major Shareholder	TWF & Tr.
Share of Major S.holder	73%
Mcap (USD mn)	1,601.1
Mcap (TRY mn)	13,708.7
Target Mcap (TRY mn)	17,809.6
Number of Shares	3,905.6
Share Price (TRY)	3.51
Target Price (TRY)	4.56
Upside	30%
Av. Daily Tr. Vol. (TRY mn)	331.44
Latest financials	2021/06
Weekly Return	0.9%
Monthly Return	-0.3%
Y-Y Return	-13.5%
Weekly Relative return	-1.5%
Monthly Relative return	-4.1%
Y-Y Relative return	-36.0%

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VAKBN	2Q20	1Q21	2Q21	Y-Y Δ	Q-Q Δ
B/S					
Fin. Assets Exc. Fin. A. At Amortised Cost	95,151	195,392	192,508	102%	-1%
Cash And Cash Equivalents	37,647	85,328	80,400	114%	-6%
Fin. Assets At Fair Value Through P/L	7,963	8,821	11,207	41%	27%
Fin. Assets At F. V. Through Other Inc.	42,245	87,739	93,556	121%	7%
Derivative Financial Assets	7,295	13,505	7,344	1%	-46%
Financial Assets At Amortised Cost	417,737	502,547	515,368	23%	3%
Loans	386,126	465,270	476,297	23%	2%
Fin. Assets Meas. At Amortised Cost	49,973	58,717	60,664	21%	3%
Nonperforming Loans	16,606	16,974	17,426	5%	3%
Allowance For Expected Credit Losses	18,361	21,440	21,593	18%	1%
Non Curr Assets Clas. As Held For Sale	2,091	1,190	1,165	-44%	-2%
Investments In Subsidiaries	3,424	6,974	5,616	64%	-19%
Tangible Assets	4,167	5,170	5,012	20%	-3%
Intangible Assets And Goodwill	233	249	275	18%	10%
Other Assets	14,542	8,010	8,026	-45%	0%
Assets	538,677	720,729	729,040	35%	1%
Deposits	335,869	430,320	432,412	29%	0%
Loans Received	42,677	57,092	59,731	40%	5%
Money Market Funds	36,364	87,589	95,577	163%	9%
Marketable Securities Issued	38,103	47,939	44,521	17%	-7%
Derivative Financial Liabilities	5,087	6,038	2,481	-51%	-59%
Lease Payables	1,062	985	886	-17%	-10%
Provisions	2,339	3,024	3,203	37%	6%
Current Tax Liabilities	2,140	698	655	-69%	-6%
Deferred Tax Liabilities	0	0	0	-	-
Subordinated Debt	17,756	20,570	21,159	19%	3%
Other Liabilities	13,587	18,483	20,558	51%	11%
Equity	43,690	47,988	47,853	10%	0%
Equity And Liabilities	538,677	720,729	729,040	35%	1%
P/L					
NII	5,467	2,680	3,178	-42%	19%
Fee And Commission Income Or Exp.	743	874	1,054	42%	21%
Dividend Income	16	16	104	549%	563%
Trading Income Or Loss	-218	-505	-1,462	571%	189%
Other Operating Income	1,336	3,513	1,436	8%	-59%
Gross P/L From Op. Act.	7,344	6,578	4,311	-41%	-34%
Allowance For Expected Credit Losses	3,194	3,024	1,444	-55%	-52%
Other Allowance Expenses	20	402	1	-97%	-100%
Personnel Expenses	882	937	869	-2%	-7%
Other Operating Expenses	1,159	1,213	1,319	14%	9%
Profit Loss From Operating Activities	2,088	1,002	678	-68%	-32%
Share Of P/L Of Associates - Eq. M.	0	0	0	-	-
Profit Loss Before Tax	2,088	1,002	678	-68%	-32%
Profit Loss	1,525	750	660	-57%	-12%
Foreign Exchange Net Position	-57,828	-54,250	-45,034	-22%	-17%
Net Off-Balance Account Position	45,074	55,088	47,322	5%	-14%
Net Position	-12,754	838	2,288		173%
Non-Cash Loans	47,939	70,411	77,108	61%	10%
Capital Adequacy Ratio (%)	17.61	15.50	15.13	-14%	-2%

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