

2 AUGUST 2021

2Q21 REVIEW

YAPI KREDI BUY

YKBNK TI

Solid P/L – Reiterate BUY

- Yapı Kredi posted a TRY2.23bn net profit for 2Q21, which is 19% better than TRY1.87bn consensus mean as well as our TRY1.91bn forecast that was at the higher end of the forecasts spectrum. Strong NII evolution and fees explain the bulk of the divergence. Deeper than expected trading losses are counterbalanced by better asset quality.
- This 2Q21 bottom-line of YKB is 6% better than Akbank, which has a market capitalization 35% in the north of YKB.
- Both NIM and loan deposit spread are up by ~30bp q-q fueled by rising cost free TL demand deposits and lifting up back-book loan yields. Fees are up by 31% y-y in first half on the back of a similar rise in payment system fees, which are actually a function of interest income. Opex is up by 16% y-y that is below the avg inflation and well contained. YKB is prepared for any future asset quality issues as its reserves as % of gross loans is the highest among peers. NPL recoveries on the other hand are double the size of new NPL inflows.
- Balance sheet items are almost perfectly in line with our expectations. The bank's loan growth was in line with peers. The major upbeat surprise on the funding side was a surge in TL demand deposits. TL demand deposits surged by a hefty 24% q-q. Improving cash management and invoice payments are supporting the demand deposit base
- YKB has revised up its TL loan growth target for 2021 from high-teens to low-twenties as the growth in 1H was 31%, and its fee growth from mid-teens to mid-twenties. COR target on the other has been revised down from less than 200bp to less than 150bp.
- The bank maintains its mid-teen ROE target for the full year. After posting 18% ROE for 2Q21, we now believe that this target is likely to be achieved.
- While the stock has moved up by 9% since our initiation on July 1st versus 1% performance of BIST100, we keep the stock as one of our top 2 bank picks and reiterate our BUY call with 24% upside potential. The stock is trading at 1 year forward looking multiples of just 3x P/E and 0.4x P/B.

Yapı ve Kredi Bank.

Rating	BUY
Free float	30%
Major Shareholder	Koc Group
Share of Major S.holder	50%
Mcap (USD mn)	2,375.8
Mcap (TRY mn)	20,188.5
Target Mcap (TRY mn)	25,003.3
Number of Shares	8,447.1
Share Price (TRY)	2.39
Target Price (TRY)	2.96
Upside	24%
Av. Daily Tr. Vol. (TRY mn)	476.25
Latest financials	2021/06
Weekly Return	5.3%
Monthly Return	10.6%
Y-Y Return	14.8%
Weekly Relative return	2.2%
Monthly Relative return	7.7%
Y-Y Relative return	-7.1%

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YKBNK	2Q20	1Q21	2Q21	Y-Y Δ	Q-Q Δ
B/S					
Fin. Assets Exc. Fin. A. At Amortised Cost	96,202	114,636	114,886	19%	0%
Cash And Cash Equivalents	59,874	76,637	80,510	34%	5%
Fin. Assets At Fair Value Through P/L	384	967	1,013	163%	5%
Fin. Assets At F. V. Through Other Inc.	30,252	24,479	25,470	-16%	4%
Derivative Financial Assets	5,692	12,552	7,892	39%	-37%
Financial Assets At Amortised Cost	288,249	350,148	363,868	26%	4%
Loans	266,461	313,651	324,417	22%	3%
Fin. Assets Meas. At Amortised Cost	41,901	60,384	63,549	52%	5%
Nonperforming Loans	17,744	17,022	16,955	-4%	0%
Allowance For Expected Credit Losses	20,133	24,183	24,398	21%	1%
Non Curr Assets Clas. As Held For Sale	936	1,361	1,374	47%	1%
Investments In Subsidiaries	8,827	10,837	11,484	30%	6%
Tangible Assets	4,391	4,464	4,534	3%	2%
Intangible Assets And Goodwill	1,840	1,912	1,940	5%	1%
Other Assets	16,759	18,670	20,148	20%	8%
Assets	420,166	504,877	521,003	24%	3%
Deposits	240,348	281,824	283,286	18%	1%
Loans Received	36,287	42,765	45,165	24%	6%
Money Market Funds	10,352	29,140	37,179	259%	28%
Marketable Securities Issued	21,255	23,045	24,301	14%	5%
Derivative Financial Liabilities	9,934	8,684	7,765	-22%	-11%
Lease Payables	948	1,098	1,090	15%	-1%
Provisions	4,007	4,533	4,836	21%	7%
Current Tax Liabilities	1,642	548	706	-57%	29%
Deferred Tax Liabilities	0	0	0	-	-
Subordinated Debt	21,125	25,491	26,794	27%	5%
Other Liabilities	17,577	23,565	22,915	30%	-3%
Equity	44,122	50,766	52,412	19%	3%
Equity And Liabilities	420,166	504,877	521,003	24%	3%
P/L					
NII	7,848	3,710	8,474	8%	128%
Fee And Commission Income Or Exp.	2,559	1,654	3,285	28%	99%
Dividend Income	2	2	2	7%	15%
Trading Income Or Loss	363	-234	-1,370		
Other Operating Income	639	557	994	55%	78%
Gross P/L From Op. Act.	11,411	5,690	11,385	0%	100%
Allowance For Expected Credit Losses	4,535	2,029	2,945	-35%	45%
Other Allowance Expenses	407	116	119	-71%	3%
Personnel Expenses	1,706	913	1,860	9%	104%
Other Operating Expenses	2,171	1,251	2,588	19%	107%
Profit Loss From Operating Activities	2,593	1,380	3,874	49%	181%
Share Of P/L Of Associates - Eq. M.	436	351	617	42%	76%
Profit Loss Before Tax	3,028	1,731	4,491	48%	159%
Profit Loss	2,461	1,453	3,685	50%	154%
Foreign Exchange Net Position	-18,105	-41,638	-40,870	126%	-2%
Net Off-Balance Account Position	18,498	43,253	42,661	131%	-1%
Net Position	393	1,615	1,790	356%	11%
Non-Cash Loans	65,528	81,623	86,678	32%	6%
Capital Adequacy Ratio (%)	19.10	17.10	18.09	-5%	6%

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