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Fees strong; NPL coverage drops

Core revenues expand; fees strong

Isbank posted 2Q25 net income of TL17,372mn (+40% q/q, +15% y/y), above both market consensus (TL13,369mn) and our estimate (TL13,191mn). NPL coverage declined by 5ppt q/q to 66% in 2Q, which is the main culprit for our deviation. Core revenues (NII + fees) widened by 7% q/q on strong fee growth, while core spread shed 21bp q/q in 2Q. High funding costs during the quarter took its toll from the TL spread, which inched down by 63bp. Swap costs declined to TL6.3bn in 2Q from TL7.1bn in 1Q on less swap utilization. Swap-adjusted NIM contracted by 38bp q/q due to contracted core spread, despite almost flat CPI-linker income. Fees remained strong manifested by 22% q/q and 52% y/y expansion thanks to growing loans, new client acquisition and payment system contribution. Opex grew by 10% q/q and 36% y/y driven by HR-related expenses. Net total CoR declined to 154bp this quarter from 223bp in 1Q on lower NPL formation. Isbank has the highest NPL coverage (66%) among peers in 2Q. All in all, ROE inched up to 20.2% in 2Q from 15.4% in 1Q, yet down from 21.6% a year ago.

Isbank reduced its 25E ROE guidance by 5ppt to ~25% on the back of 1ppt downward revision in its NIM expansion budget forecast. We expect 70% earnings growth for Isbank in 2025 after 37% contraction in 2024 with a 25E ROE of 23%.

Valuation appears full; downgraded to MP

Isbank trades fully at 26E P/BV of 1.0x and P/E of 5.3x, while 26E ROE stands at 20%, on our estimates. Isbank has outperformed XU100 by 11% (absolute 25%) since the beginning of 2Q. Although we like the stock, we cut our rating to "Marketperform" from "Outperform" on limited upside potential. We look for better entry points going forward.

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Current Rating	Marketperform (previous: Outperform)		
Expected Market Reaction	Neutral		
Analyst Action	Rating Downgrade		
Price	TL15.31	Mcap (mnTL)	382,750
Target Price	TL18.16	Mcap (mn\$)	9,413
Upside	19%	Prev. Target Price	TL18.16
High /Low 30Day	15.2 / 11.2	Free Float	32%

BB 2025FY Consensus

Estimate Revisions	1W	4W	3M
EPS	0.0%	0.5%	-1.1%
# of Buy/Hold/Sell	17/4/1	15/7/1	15/7/1
Rel Perf. XU030	-0.6%	5.8%	20.9%
ADV (TLmn)	137.3	176.1	132.3

OYAK vs BB consensus

(25E TLmn)	OYAK	Cons.	% Diff
NI	77,428	88,162	-12%

Multiples & Ratios
(OYAK Est)

	2024	2025E	2026E
P/E	8.41x	4.94x	5.28x
P/B	1.20x	1.10x	1.02x
RoE	15.5%	23.3%	20.1%
(TLmn)	2024	2025E	2026E
Net income	45,517	77,428	72,443
Equity	318,338	346,419	374,975

Income Statement

TLm	2Q24	1Q25	2Q25	q/q (%)	y/y (%)
I. Net Interest Income	8,580	17,704	14,891	(15.9)	73.6
II. Net Fee Income	21,504	26,974	32,772	21.5	52.4
III. Net Trading Gain/Loss	-6,843	-3,956	-5,509	n.a.	n.a.
IV. Other Income	6,929	5,944	4,502	(24.3)	(35.0)
V. OPEX	25,405	31,560	34,575	9.6	36.1
VI. Pre-provisioning Income	4,765	15,106	12,081	(20.0)	153.5
VII. Provisions	5,010	12,665	10,799	(14.7)	115.6
VIII. Income From Participations	12,520	9,511	14,870	56.4	18.8
IX. Pre-Tax Income	12,275	11,951	16,152	35.2	31.6
X. Net Profit	15,103	12,418	17,372	39.9	15.0

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