

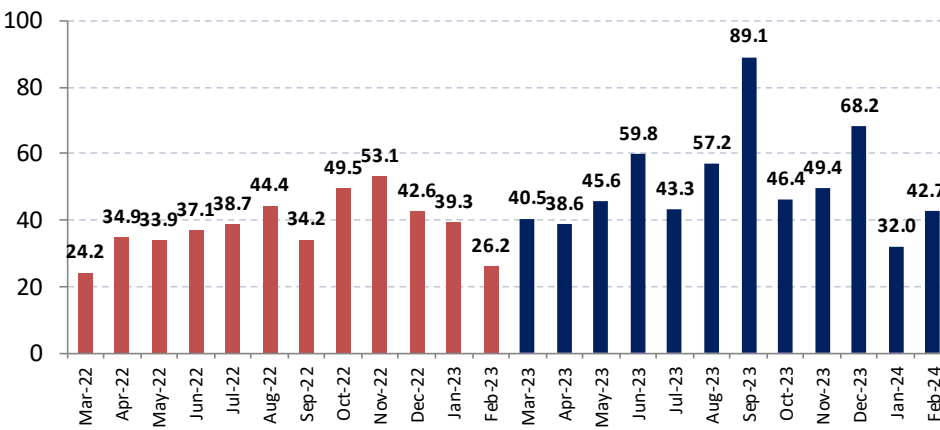
Temporary improvement in profitability

According to BRSA February data, the loss of momentum in core activities in the banking sector which seen in December and January improved in February. However, we think that this improvement is temporary because the increases in deposit interest rates in March will suppress the margins again. The overall profitability of the sector was supported by the 214% annual increase in fee & commission income and the 111% annual increase in income from other operations.

When we look at the figures, we see that the sector, which earned a net profit of 32.0 billion TL in January, showed a monthly net profit increase of 34% (63% annually) with 42.7 billion TL in February. While the sector's asset size grew by 64% annually with 24.7 billion TL, the growth continued around inflation. Similarly, there is an annual growth of 64%, 60% and 50% in loans, total deposits and equity, respectively. On the revenue side, we see a 25% monthly (56% annual) increase in net interest income with 67.2 billion TL. As for return on equity (ROE), we calculate a partial improvement of 24.4% in annualized data for February, compared to 23.5% seen last year.

In the BRSA note we shared last month, we shared that the sector started 2024 with some relief in resource costs and it could continue in February. Although we saw a more positive monthly performance than our expectations, we are not positive about the first quarter results of the banks as we expect the opposite situation for the March. However, we maintain our expectations for improvement in Turkey's credit ratings and think that this will support banks' foreign funding costs in the medium term. In addition, our positive expectations regarding the risk premium and the expected improvement in inflation from mid-year, etc. For these reasons, we think that the profitability performance of the sector will show a more significant improvement in the following quarters, especially in the second half of the year, and this will continue to support the banking shares. In addition, we believe that foreign inflows, which we expect to intensify this year, will be more evident in liquid bank stocks.

Banking Sector, Monthly Net Income (bn TL, last 24m)



Source: BRSA

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Banking Sector, Summary of Figures

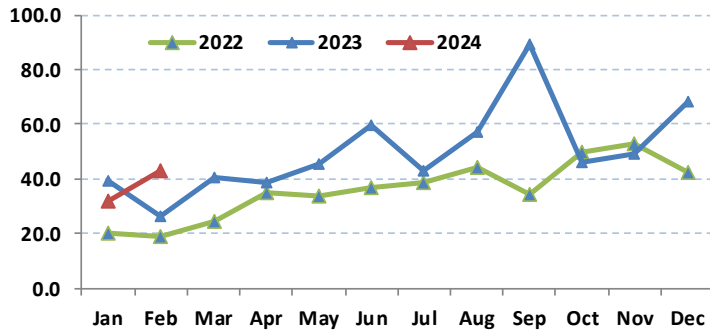
Below, you may see the monthly, annual and year-to-date cumulative performances for KPIs of the Banking Sector.

Summary of BRSA figures (TRY bn)	Monthly Data					Cumulative		
	Feb-24	Jan-24	Feb-23	MoM	YoY	Feb-24	Feb-23	Change(%)
Assets	24,662	23,887	15,034	3.2%	64.0%	24,662	15,034	64.0%
Loans	12,366	11,938	8,055	3.6%	53.5%	12,366	8,055	53.5%
Non-Performing Loans	196	196	160	0.0%	22.7%	196	160	22.7%
NPL Ratio	1.59%	1.64%	1.98%			1.59%	1.98%	
Provision (-)	0	0	0	-	-	0	0	-
Deposits	15,140	14,948	9,438	1.3%	60.4%	15,140	9,438	60.4%
Shareholders' Equity	2,231	2,175	1,488	2.6%	50.0%	2,231	1,488	50.0%
Paid In Capital	300	292	187	2.5%	60.3%	300	187	60.3%
Interest Income	363.1	364.0	123.2	-0.2%	194.8%	727.2	256.4	183.6%
Interest Income From Loans	249.2	248.3	79.8	0.4%	212.1%	497.5	168.4	195.4%
Interest Income From Securities	85.8	85.5	38.1	0.3%	125.2%	171.3	77.2	121.9%
Interest Income From Other Activities	28.2	30.2	5.3	-6.9%	436.0%	58.4	10.8	439.9%
Interest Expenses	296.0	310.1	80.2	-4.6%	269.1%	606.0	161.2	275.9%
Interest Expenses For Deposits	242.9	261.6	61.4	-7.2%	295.7%	504.5	122.4	312.1%
Interest Expenses For Loans	26.2	25.1	8.0	4.2%	226.8%	51.3	16.7	206.9%
Interest Expenses For Money Market Operations	14.5	9.6	3.2	50.6%	361.3%	24.2	6.2	292.8%
Interest Expenses For Other Activities	12.4	13.7	7.6	-9.5%	61.8%	26.0	15.9	63.2%
Net Interest Income (NII)	67.2	53.9	43.0	24.5%	56.3%	121.1	95.2	27.2%
Net Interest Margin (NIM)	4.88%	3.73%	5.14%			4.19%	5.24%	
Fees & Commission Income (Net)	43.1	41.8	13.7	3.1%	213.9%	84.9	29.9	183.7%
Dividend Incomes	2.8	2.9	0.6	-3.7%	349.6%	5.6	2.2	151.4%
Trading Income (Net)	-15.9	-11.7	12.1	35.8%	-	-27.7	22.7	-
Capital Markets P/L	-250.1	220.3	0.3	-	-	-29.8	5.7	-
FX Operations P/L	234.1	-232.0	11.8	-	1885.0%	2.1	17.0	-87.5%
Other Operating Income	39.8	46.4	18.9	-14.3%	110.6%	86.2	47.3	82.3%
Total Income From Banking Operations	136.9	133.3	88.3	2.7%	55.0%	270.2	197.4	36.9%
Operating Expenses	61.3	59.6	36.7	2.9%	67.0%	121.0	69.3	74.5%
Net Operating Income	75.6	73.7	51.6	2.6%	46.4%	149.3	128.1	16.5%
Provisions	30.1	43.4	19.9	-30.7%	51.4%	73.5	46.0	59.7%
Profit Before Tax	45.5	30.3	31.7	50.3%	43.4%	75.8	82.1	-7.7%
Tax	2.8	-1.7	5.5	-	-49.8%	1.0	16.5	-93.7%
Net Income	42.7	32.0	26.2	33.6%	62.9%	74.7	65.6	14.0%
Financial Leverage	11.05	10.98	10.11			11.05	10.11	
Deposits / Liabilities	61.4%	62.6%	62.8%			61.4%	62.8%	
Loans / Assets	50.1%	50.0%	53.6%			50.1%	53.6%	
Loans / Deposits	81.7%	79.9%	85.3%			81.7%	85.3%	
Loan Yields	25.81%	24.76%	13.09%			24.56%	12.71%	
Deposit Yields	-22.51%	-22.66%	-9.74%			-22.17%	-8.98%	
Spread (Loan Spread)	3.30%	2.09%	3.35%			2.39%	3.72%	
FX Assets	14,259	13,613	8,356	4.7%	70.6%	14,259	8,356	70.6%
FX Liabilities	4,358	4,216	2,315	3.4%	88.3%	4,358	2,315	88.3%
FX Net Position	9,900	9,397	6,041	5.4%	63.9%	9,900	6,041	63.9%
ROE	24.4%	17.5%	23.5%			20.4%	27.1%	
ROA	2.2%	1.6%	2.3%			1.8%	2.6%	
EPS	1.82	1.33	1.84			1.51	2.11	

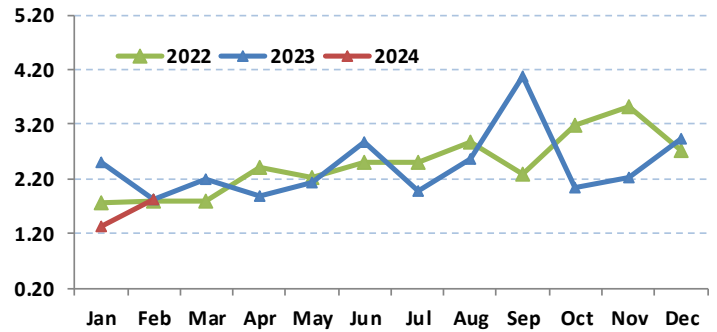
Kaynak: BRSA, Tacirler Investment Research

Performance Indicators, last three years

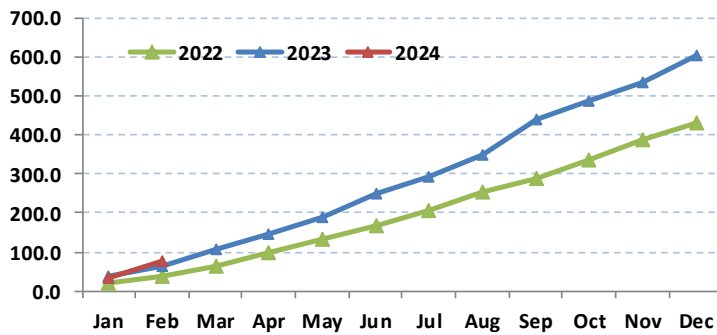
Monthly Net Incomes (bn TRY)



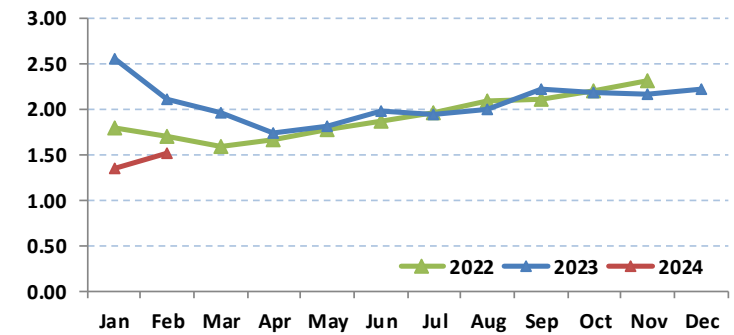
Monthly EPS



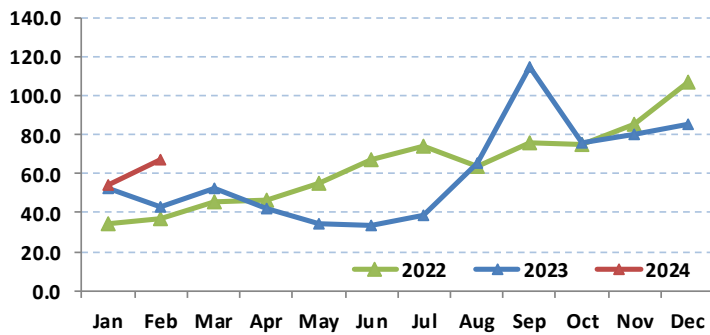
Cumulative Net Incomes (bn TRY)



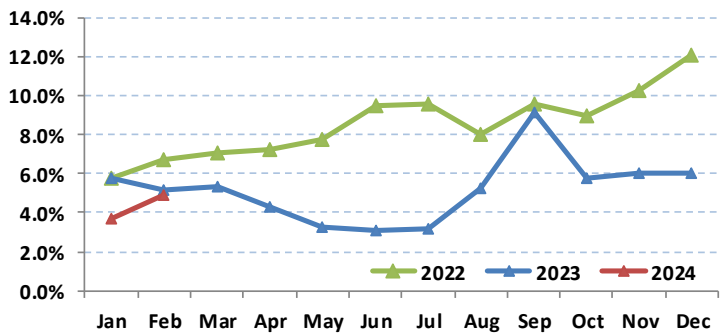
Cumulative EPS



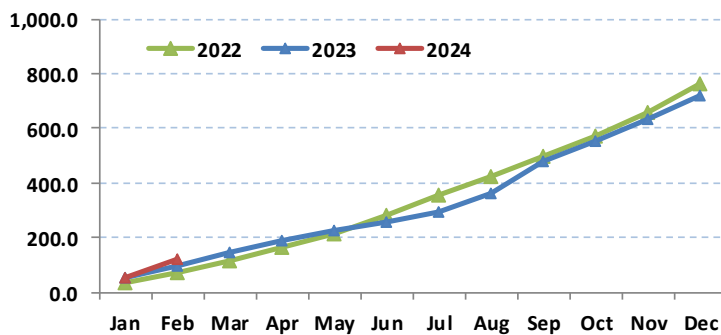
Monthly Net Interest Incomes (bn TRY)



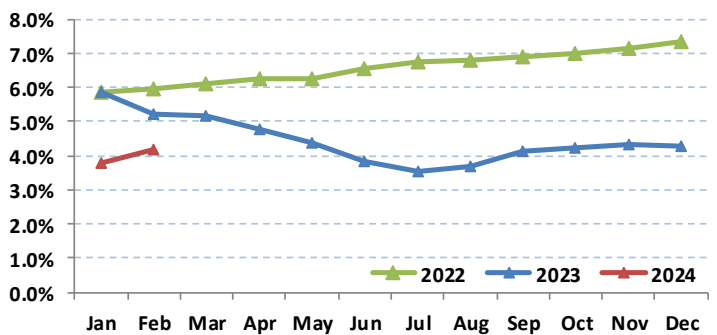
Monthly Net Interest Margins (%)



Cumulative Net Interest Incomes (bn TRY)

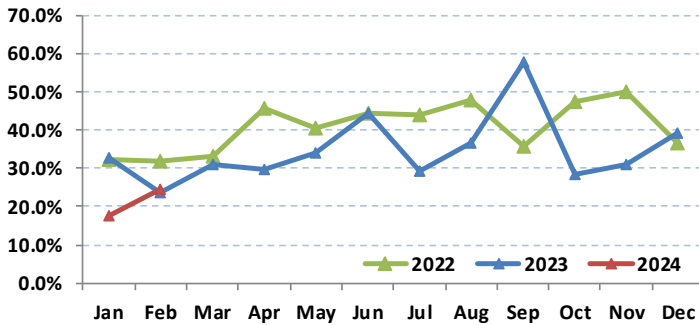


Cumulative Net Interest Margins (%)

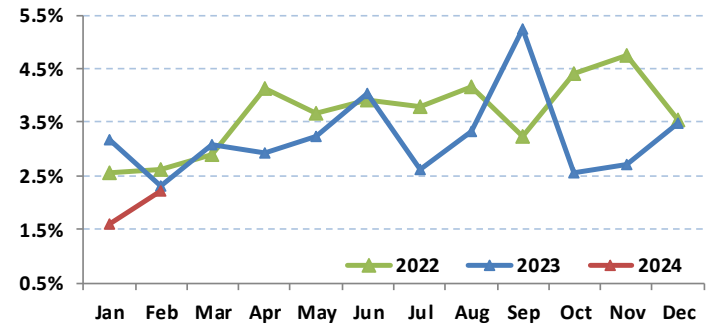


Performance Indicators, last three years

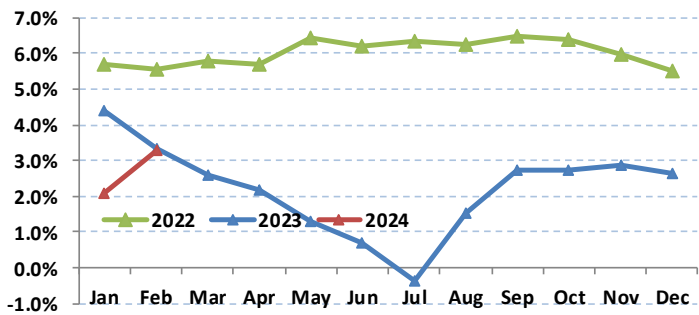
Monthly ROE



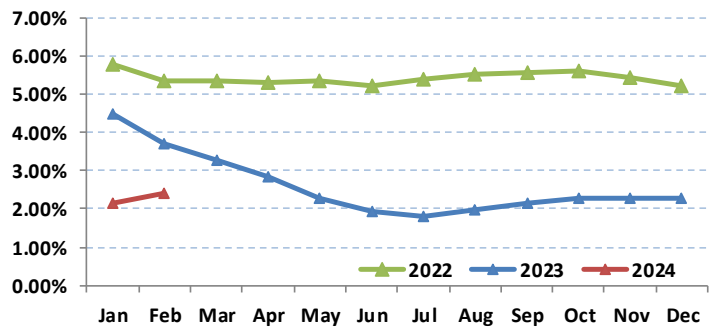
Monthly ROA



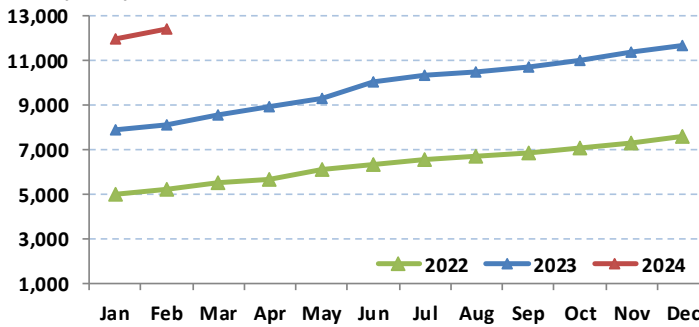
Monthly Loan Spread (%)



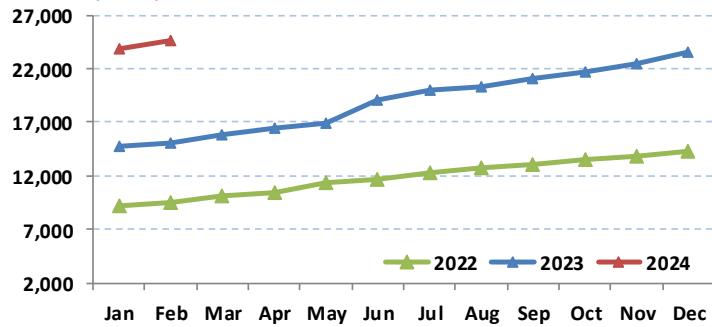
Cumulative Loan Spread (%)



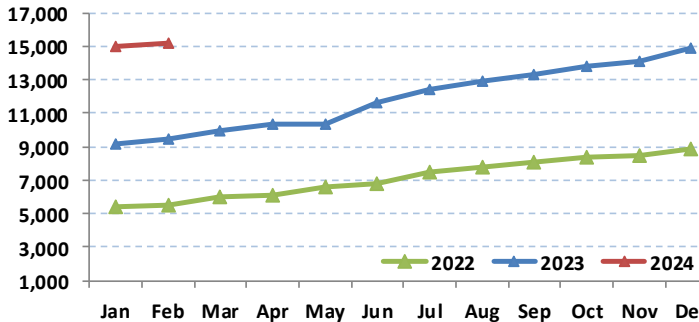
Loans (bn TL)



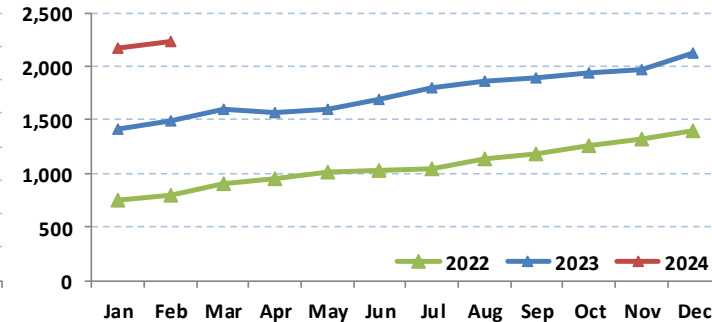
Actives (bn TL)



Deposits (bn TL)



Shareholder's Equity (bn TL)



Important Disclosures

Rating Methodology

Stock ratings are based on absolute return potential of the stock, which is defined as the percentage change in target price from the current share price. All recommendations and target prices are set with a 12-month horizon. Target prices are set by using one or more of the following methodologies: DCF, Net Asset Valuation, sum of the parts model and multiple comparison.

Rating Definition

Buy: The stock is expected to generate a return of more than 30% in TL terms.

Hold: The stock is expected to generate a return of less than 30% in TL terms.

Sell: The stock is expected to generate a negative return within the forecast horizon.

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