

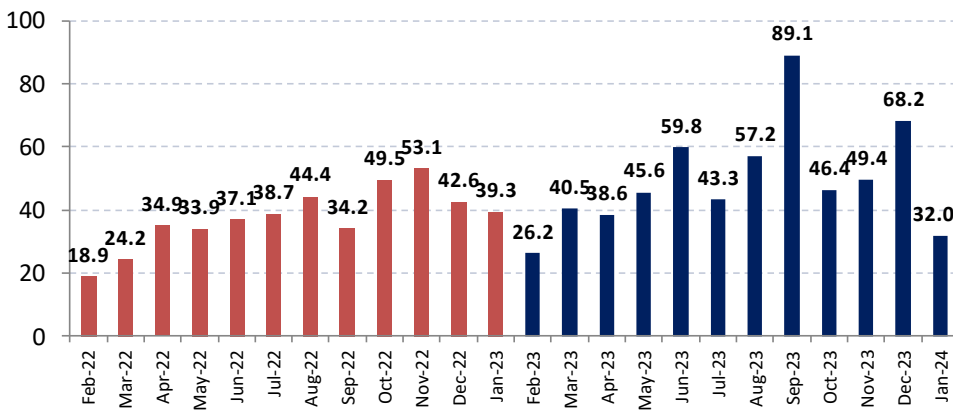
Weak start to 2024

BRSA January data shows that the financial weakness seen in core activities in the banking sector in December continued in January. While deposit rates increased in December, the fact that the redemptions of these deposits were predominantly in January caused interest expenses to increase by 6.4% and interest income to contract by 3.4% in January. However, while the contraction in the net interest margin continues, we see that items such as fee & commission income and dividend collections, which supported financials in December, also lost momentum in January. Increasing operational costs by salary increases also seem to have put some additional pressure on January figures.

When we look at the figures, we see that the sector, which achieved a net profit of 68.2 million TL in December, marked a monthly net profit contraction of 53% (19% annually) with 32.0 million TL in January. While the asset size of the sector grew by 63% year-on-year with 23.9 mlrTL, growth continued around inflation. Similarly, loans, total deposits and shareholders' equity grew by 52%, 63% and 53% year-on-year, respectively. On the income side, we see a 37% monthly contraction (3% annual increase) in net interest income with 53.9 million TL. The sector's fee & commission income and dividend income contracted by 3% and 60% monthly, respectively. As for return on equity (ROE), we calculate a significant decrease of 17.5% in the annualized data for January, compared to 32.8% seen last year.

The banking sector started 2024 with some relief in resource costs, but we are more likely to see the effects of this in the February data. On the other hand, we think that the profitability performance of the sector will be more pronounced in the coming months, especially in the second half of the year, due to positive expectations regarding the sovereign rating and risk premium, the expected improvement in inflation since the middle of the year, and this will support the sector stocks. 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

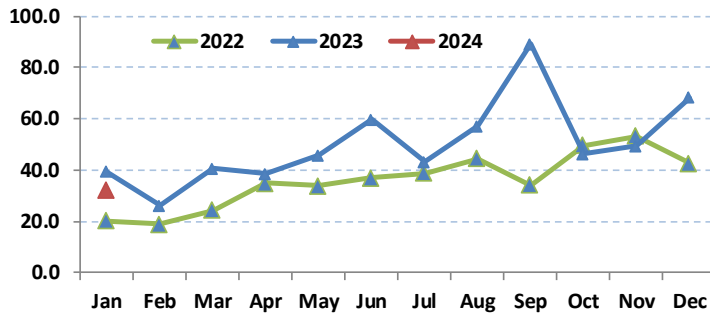
Below, you may see the monthly, annual and year-to-date cumulative performances for KPIs of the Banking Sector.

Summary of BRSA figures (TRY bn)	Monthly Data					Cumulative		
	Jan-24	Dec-23	Jan-23	MoM	YoY	Jan-24	Jan-23	Change(%)
Assets	23,887	23,519	14,689	1.6%	62.6%	23,887	14,689	62.6%
Loans	11,938	11,677	7,850	2.2%	52.1%	11,938	7,850	52.1%
Non-Performing Loans	196	192	162	2.1%	20.9%	196	162	20.9%
NPL Ratio	1.64%	1.64%	2.07%			1.64%	2.07%	
Provision (-)	0	0	0	-	-	0	0	-
Deposits	14,948	14,852	9,147	0.6%	63.4%	14,948	9,147	63.4%
Shareholders' Equity	2,175	2,122	1,419	2.5%	53.3%	2,175	1,419	53.3%
Paid In Capital	292	276	185	6.1%	57.7%	292	185	57.7%
Interest Income	364.0	377.0	133.3	-3.4%	173.2%	364.0	133.3	173.2%
Interest Income From Loans	248.3	239.3	88.6	3.8%	180.2%	248.3	88.6	180.2%
Interest Income From Securities	85.5	114.0	39.1	-25.0%	118.7%	85.5	39.1	118.7%
Interest Income From Other Activities	30.2	23.8	5.6	27.3%	443.6%	30.2	5.6	443.6%
Interest Expenses	310.1	291.4	81.1	6.4%	282.6%	310.1	81.1	282.6%
Interest Expenses For Deposits	261.6	243.2	61.0	7.6%	328.6%	261.6	61.0	328.6%
Interest Expenses For Loans	25.1	25.6	8.7	-1.8%	188.6%	25.1	8.7	188.6%
Interest Expenses For Money Market Operations	9.6	9.9	3.0	-2.2%	221.0%	9.6	3.0	221.0%
Interest Expenses For Other Activities	13.7	12.7	8.3	7.6%	64.6%	13.7	8.3	64.6%
Net Interest Income (NII)	53.9	85.6	52.2	-37.0%	3.3%	53.9	52.2	3.3%
Net Interest Margin (NIM)	3.73%	6.00%	5.75%			3.80%	5.86%	
Fees & Commission Income (Net)	41.8	43.3	16.2	-3.4%	158.1%	41.8	16.2	158.1%
Dividend Incomes	2.9	7.1	1.6	-60.0%	76.5%	2.9	1.6	76.5%
Trading Income (Net)	-11.7	-9.0	10.6	30.2%	-	-11.7	10.6	-
Capital Markets P/L	220.3	-28.9	5.4	-	3984.2%	220.3	5.4	3984.2%
FX Operations P/L	-232.0	19.9	5.3	-	-	-232.0	5.3	-
Other Operating Income	46.4	31.3	28.4	48.4%	63.5%	46.4	28.4	63.5%
Total Income From Banking Operations	133.3	158.3	109.1	-15.8%	22.2%	133.3	109.1	22.2%
Operating Expenses	59.6	56.1	32.6	6.3%	83.0%	59.6	32.6	83.0%
Net Operating Income	73.7	102.2	76.5	-27.9%	-3.7%	73.7	76.5	-3.7%
Provisions	43.4	44.1	26.1	-1.5%	66.0%	43.4	26.1	66.0%
Profit Before Tax	30.3	58.1	50.3	-47.9%	-39.9%	30.3	50.3	-39.9%
Tax	-1.7	-10.1	11.0	-83.0%	-	-1.7	11.0	-
Net Income	32.0	68.2	39.3	-53.1%	-18.6%	32.0	39.3	-18.6%
Financial Leverage	10.98	11.09	10.35			10.98	10.35	
Deposits / Liabilities	62.6%	63.1%	62.3%			62.6%	62.3%	
Loans / Assets	50.0%	49.6%	53.4%			50.0%	53.4%	
Loans / Deposits	79.9%	78.6%	85.8%			79.9%	85.8%	
Loan Yields	24.76%	24.49%	13.52%			25.23%	13.78%	
Deposit Yields	-22.66%	-21.84%	-9.12%			-23.10%	-9.30%	
Spread (Loan Spread)	2.09%	2.65%	4.40%			2.13%	4.48%	
FX Assets	13,613	13,136	8,620	3.6%	57.9%	13,613	8,620	57.9%
FX Liabilities	4,216	3,985	2,502	5.8%	68.5%	4,216	2,502	68.5%
FX Net Position	9,397	9,151	6,118	2.7%	53.6%	9,397	6,118	53.6%
ROE	17.5%	39.2%	32.8%			17.9%	33.4%	
ROA	1.6%	3.5%	3.2%			1.6%	3.2%	
EPS	1.33	2.94	2.50			1.35	2.55	

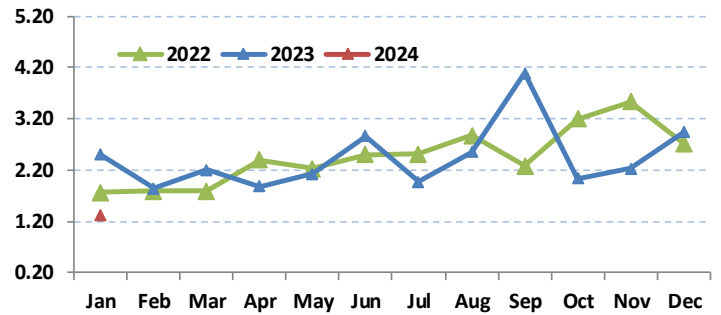
Kaynak: BRSA, Tacirler Investment Research

Performance Indicators, last three years

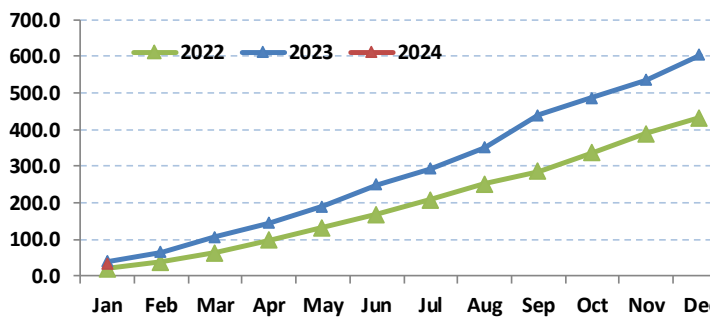
Monthly Net Incomes (bn TRY)



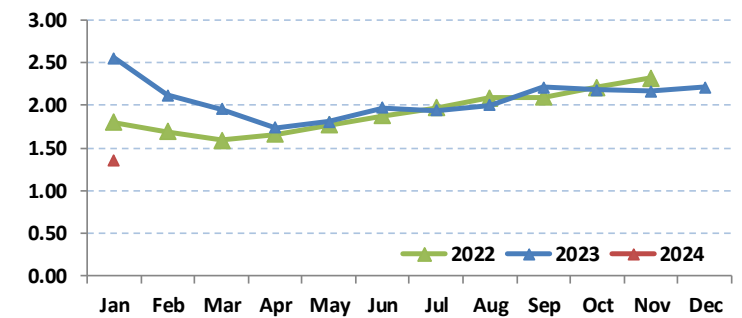
Monthly EPS



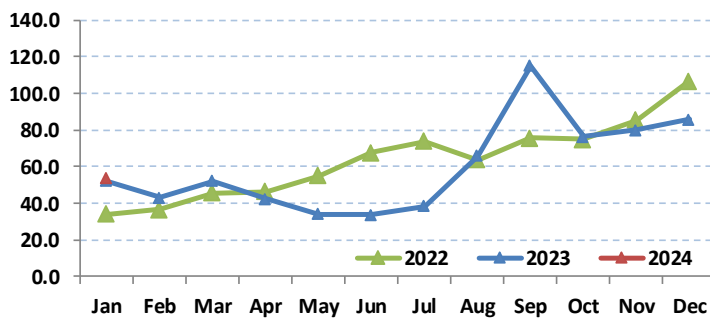
Cumulative Net Incomes (bn TRY)



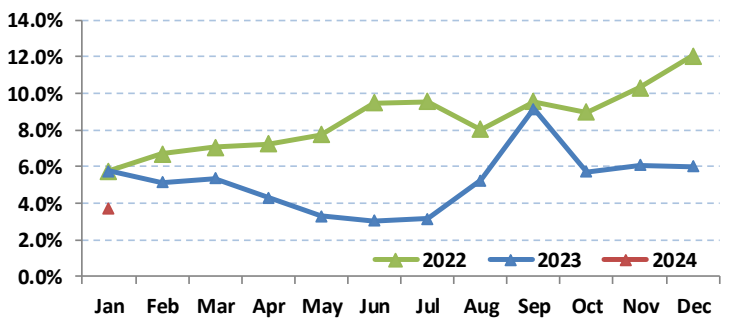
Cumulative EPS



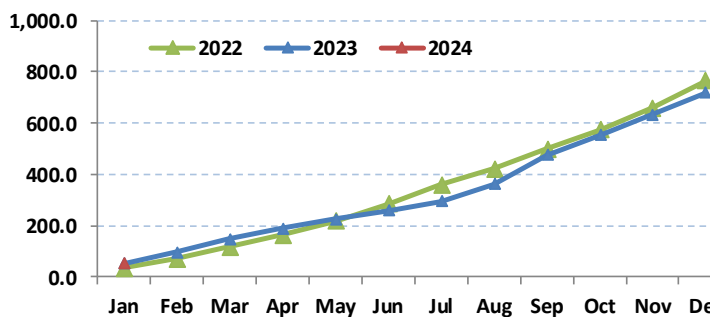
Monthly Net Interest Incomes (bn TRY)



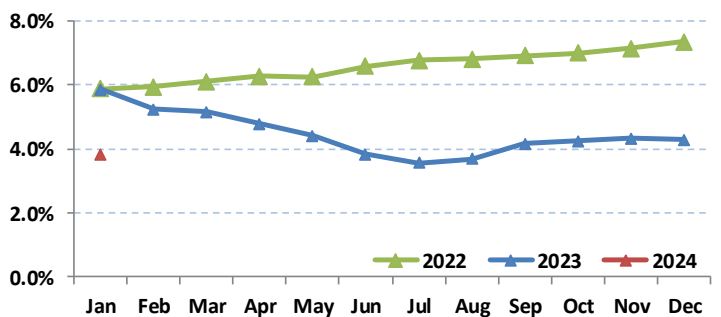
Monthly Net Interest Margins (%)



Cumulative Net Interest Incomes (bn TRY)

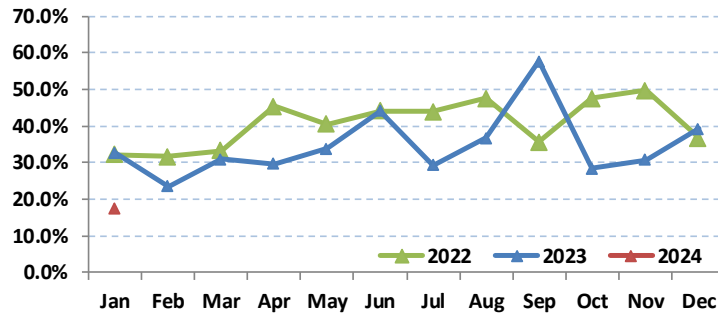


Cumulative Net Interest Margins (%)

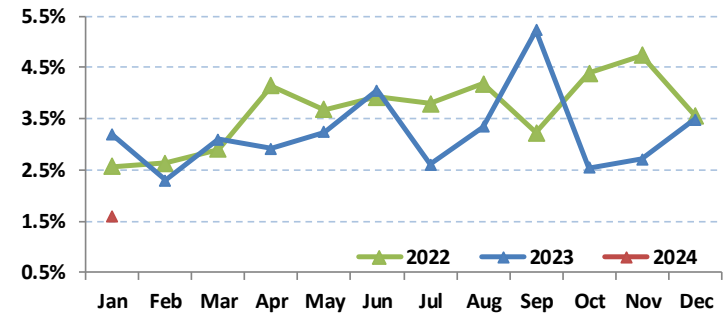


Performance Indicators, last three years

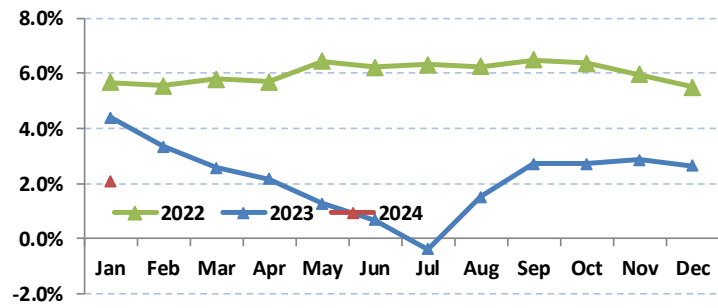
Monthly ROE



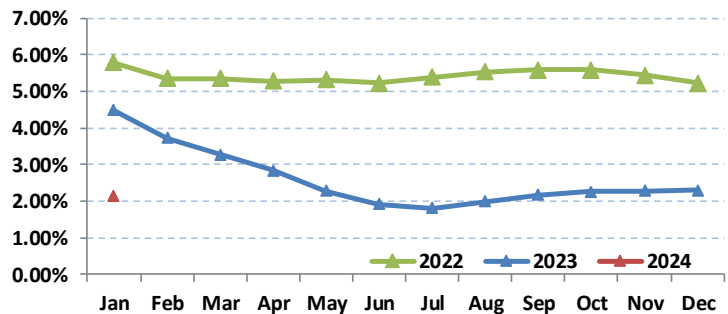
Monthly ROA



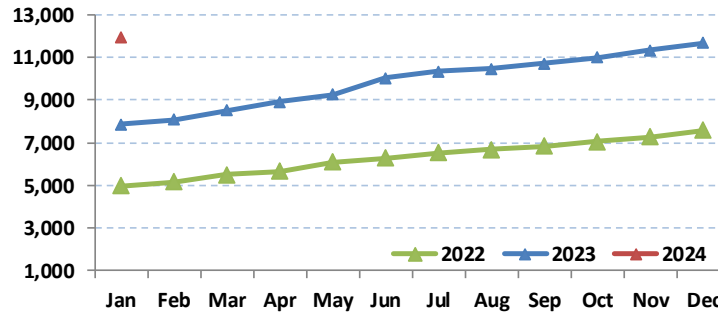
Monthly Loan Spread (%)



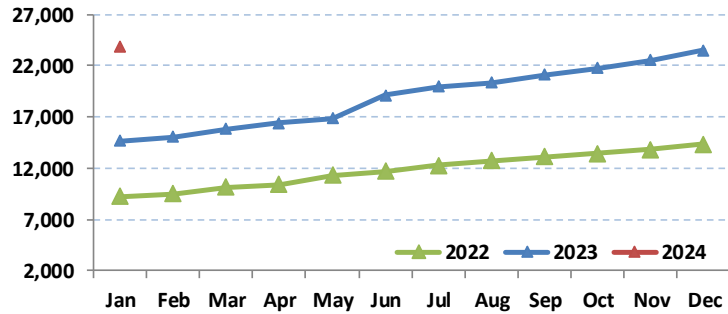
Cumulative Loan Spread (%)



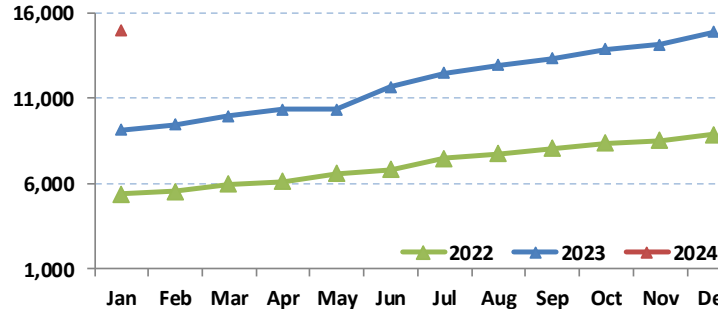
Loans (bn TL)



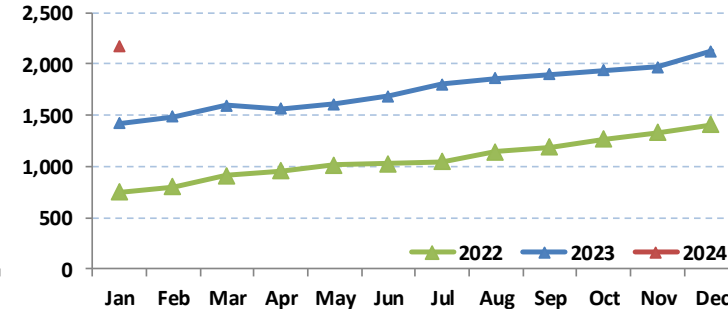
Actives (bn TL)



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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