

Tightening and cost pressure on banks are increasing

According to BRSA October data, increases in bond and deposit interest rates began to put some pressure on banking margins. A weak start to 4Q23 may also negatively affect financial expectations for the last quarter for the banks.

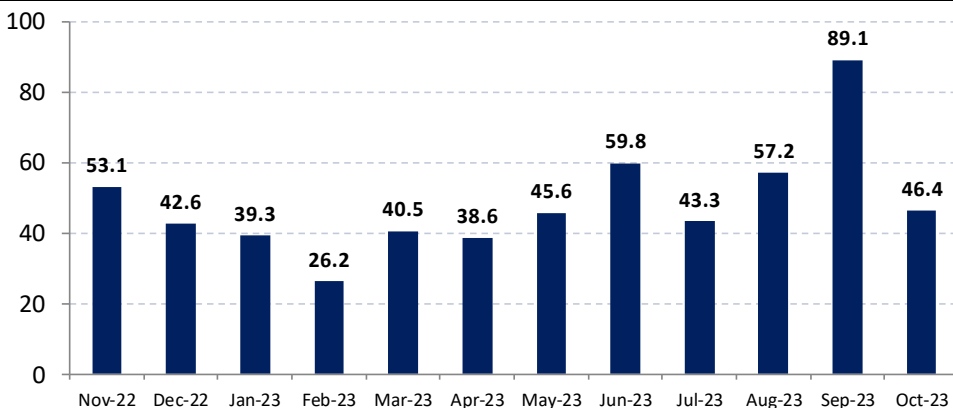
Sector's net profit in October is 46.4 billion TL, shrinking by 48% monthly and 6% annually. However, the total net profit of the sector in the first ten months increased by 45% annually compared to the same period in 2022, with 486.0 billion TL. The 12-month cumulative net profit growth continued its downward trend and fell to 60% after reaching 400% in 2022, which was an exceptional year.

CBRT is approaching the end of its tightening cycle. The increase in deposit interest rates will slow down in the coming months. In addition, with the decline in country risk premiums and increases in loan interest rates, the profitability performance of the sector may recover in the coming months and balance at much higher values than the average of previous years.

In the first ten months, the sector's asset size grew by 62% annually, reaching 21.8 billion TL, and continues to grow around inflation. Similarly, there is an annual growth of 56%, 66% and 53% in loans, total deposits and equity, respectively. On the revenue side, we see only a 2% annual increase in net interest income with 76.2 billion TL. The sector's fee & commission income and dividend income increased by 162% and 213% annually, respectively. We calculate a significant decrease to 28.5% in the annualized ROE in October, compared to 47.5% seen last year and 57.7% seen in September.

As a result, the sector lost momentum in October due to increases in resource costs and losses in portfolio assets. We are in a period where expectations and targets for banks are mixed and macro expectations for 2024 are decisive. BRSA October data may partially limit expectations for the fourth quarter following strong 2023 third quarter results. However, the transition to rational policies, the decline in credit risk premiums and the improvement in the evaluations of rating agencies will continue to remain supportive for the sector.

Banking Sector, Monthly Net Income (bn TL, last 12m)



Source: BRSA

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Banking Sector, Summary of Figures

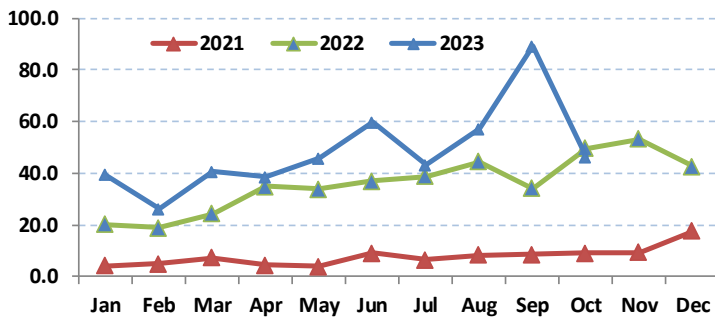
Below, you may see the monthly, annual and year-to-date cumulative performances for KPIs of the Banking Sector.

Summary of BRSA figures (TRY bn)	Monthly Data					Cumulative		
	Oct-23	Sep-23	Oct-22	MoM	YoY	Oct-23	Oct-22	Change(%)
Assets	21,758	21,099	13,453	3.1%	61.7%	21,758	13,453	61.7%
Loans	10,991	10,710	7,035	2.6%	56.2%	10,991	7,035	56.2%
Non-Performing Loans	173	168	161	3.0%	7.6%	173	161	7.6%
NPL Ratio	1.58%	1.57%	2.29%			1.58%	2.29%	
Provision (-)	0	0	0	-	-	0	0	-
Deposits	13,848	13,306	8,348	4.1%	65.9%	13,848	8,348	65.9%
Shareholders' Equity	1,935	1,898	1,266	2.0%	52.9%	1,935	1,266	52.9%
Paid In Capital	269	266	183	1.2%	47.3%	269	183	47.3%
Interest Income	302.2	299.1	140.1	1.0%	115.7%	1,916.2	1,073.2	78.6%
Interest Income From Loans	191.6	159.9	82.5	19.8%	132.4%	1,188.3	651.1	82.5%
Interest Income From Securities	91.9	124.0	54.5	-25.9%	68.6%	621.3	389.4	59.5%
Interest Income From Other Activities	18.6	15.1	3.2	23.3%	490.0%	106.6	32.7	226.4%
Interest Expenses	226.0	184.1	65.3	22.8%	246.0%	1,363.3	500.7	172.3%
Interest Expenses For Deposits	187.8	151.0	46.5	24.4%	304.2%	1,094.3	340.0	221.9%
Interest Expenses For Loans	20.7	17.9	6.7	15.5%	208.4%	136.9	48.0	185.0%
Interest Expenses For Money Market Operations	6.9	7.3	3.4	-5.7%	99.2%	52.0	52.3	-0.5%
Interest Expenses For Other Activities	10.7	7.9	8.7	35.1%	22.6%	80.1	60.4	32.5%
Net Interest Income (NII)	76.2	115.0	74.8	-33.7%	1.8%	552.9	572.5	-3.4%
Net Interest Margin (NIM)	5.72%	9.14%	8.97%			4.23%	6.99%	
Fees & Commission Income (Net)	34.1	33.4	13.0	1.9%	162.3%	237.0	99.3	138.7%
Dividend Incomes	2.3	3.7	0.7	-37.2%	213.4%	25.3	13.5	87.4%
Trading Income (Net)	-2.1	9.3	8.8	-	-	221.8	60.7	265.2%
Capital Markets P/L	17.9	-11.8	-3.0	-	-	115.2	4.7	2363.7%
FX Operations P/L	-20.0	21.1	11.9	-	-	106.6	56.1	90.2%
Other Operating Income	13.4	20.8	6.9	-35.5%	93.5%	212.4	93.8	126.3%
Total Income From Banking Operations	123.9	182.3	104.3	-32.0%	18.7%	1,249.4	839.8	48.8%
Operating Expenses	44.5	41.8	21.6	6.4%	106.4%	374.0	167.2	123.7%
Net Operating Income	79.4	140.4	82.8	-43.5%	-4.1%	875.4	672.6	30.2%
Provisions	19.6	21.2	17.4	-7.5%	13.0%	220.4	227.7	-3.2%
Profit Before Tax	59.6	119.0	65.4	-49.9%	-8.8%	610.9	444.9	37.3%
Tax	13.3	30.0	15.9	-55.7%	-16.3%	124.9	109.0	14.6%
Net Income	46.4	89.1	49.5	-47.9%	-6.4%	486.0	335.9	44.7%
Financial Leverage	11.24	11.12	10.63			11.24	10.63	
Deposits / Liabilities	63.6%	63.1%	62.1%			63.6%	62.1%	
Loans / Assets	50.5%	50.8%	52.3%			50.5%	52.3%	
Loans / Deposits	79.4%	80.5%	84.3%			79.4%	84.3%	
Loan Yields	20.80%	18.39%	14.00%			13.14%	11.27%	
Deposit Yields	-18.08%	-15.67%	-7.63%			-10.88%	-5.68%	
Spread (Loan Spread)	2.72%	2.73%	6.37%			2.26%	5.59%	
FX Assets	12,314	11,725	8,576	5.0%	43.6%	12,314	8,576	43.6%
FX Liabilities	3,776	3,475	2,446	8.7%	54.4%	3,776	2,446	54.4%
FX Net Position	8,537	8,250	6,130	3.5%	39.3%	8,537	6,130	39.3%
ROE	28.5%	57.7%	47.5%			30.4%	32.8%	
ROA	2.5%	5.2%	4.4%			2.7%	3.0%	
EPS	2.04	4.09	3.19			2.18	2.21	

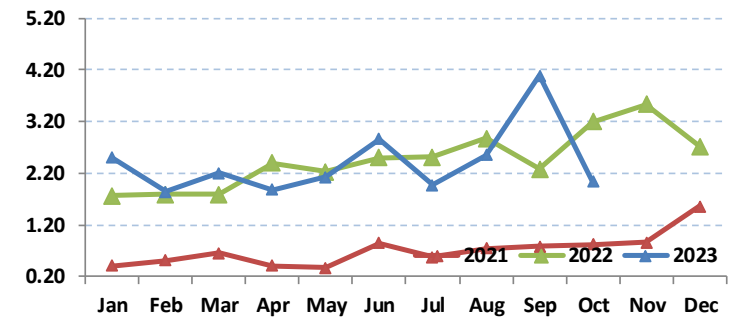
Kaynak: BRSA, Tacirler Investment Research

Performance Indicators, last three years

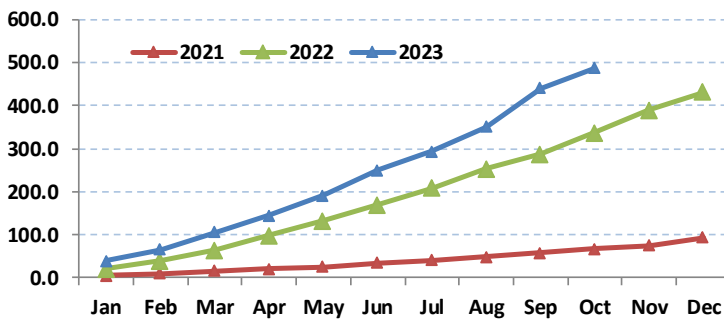
Monthly Net Incomes (bn TRY)



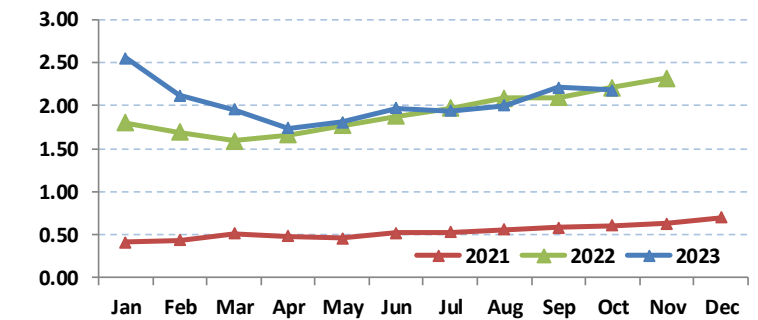
Monthly EPS



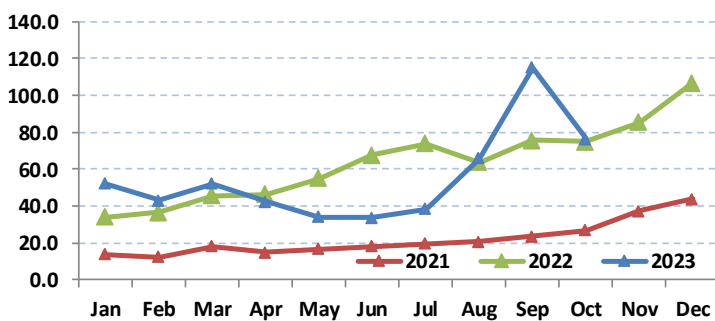
Cumulative Net Incomes (bn TRY)



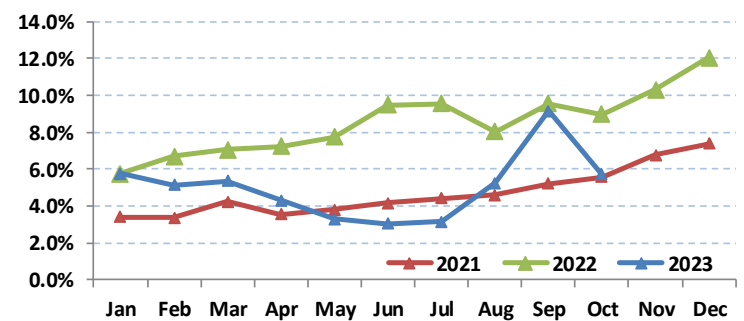
Cumulative EPS



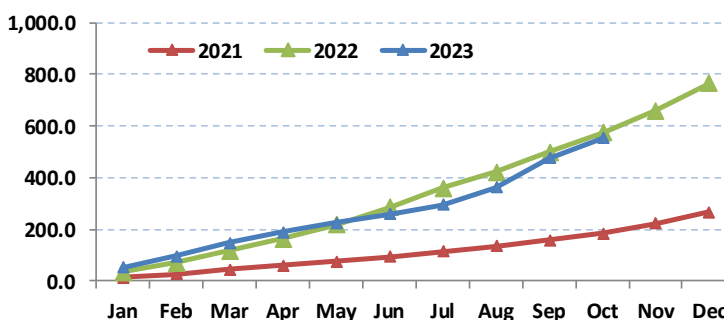
Monthly Net Interest Incomes (bn TRY)



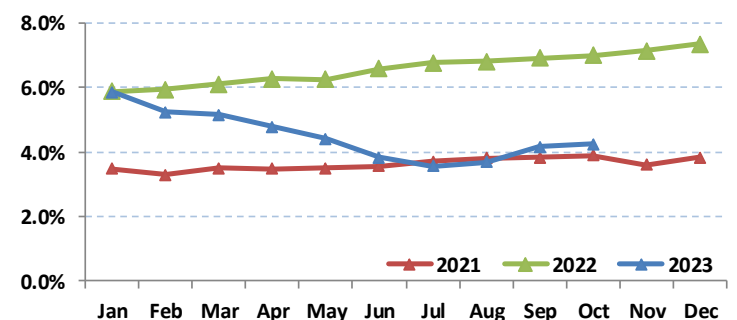
Monthly Net Interest Margins (%)



Cumulative Net Interest Incomes (bn TRY)

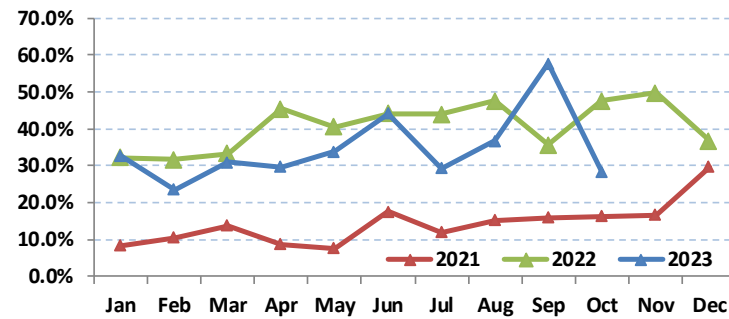


Cumulative Net Interest Margins (%)

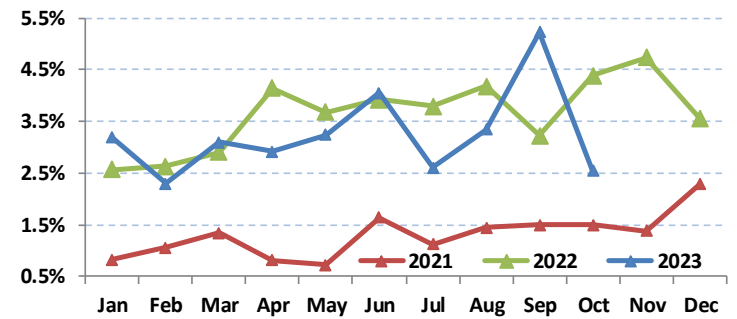


Performance Indicators, last three years

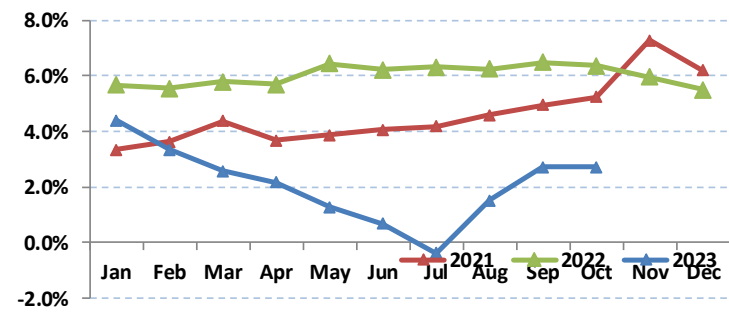
Monthly ROE



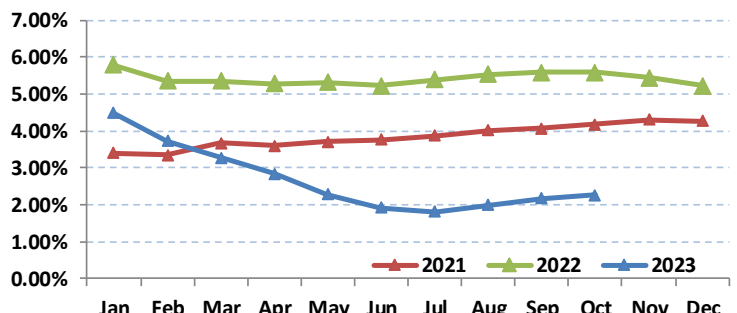
Monthly ROA



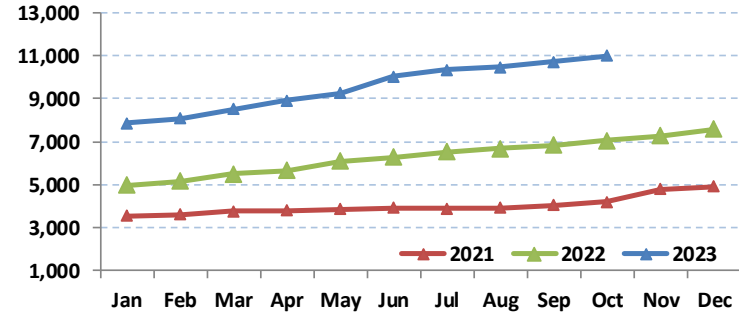
Monthly Loan Spread (%)



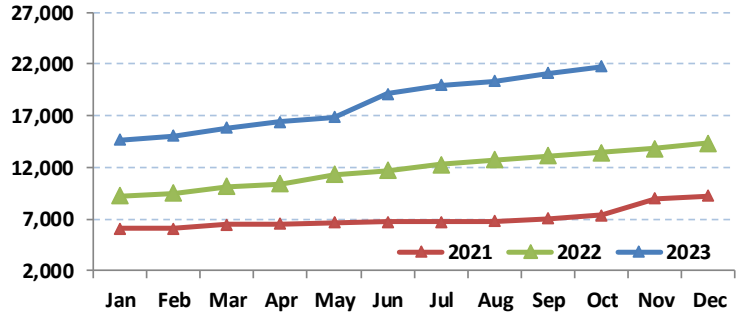
Cumulative Loan Spread (%)



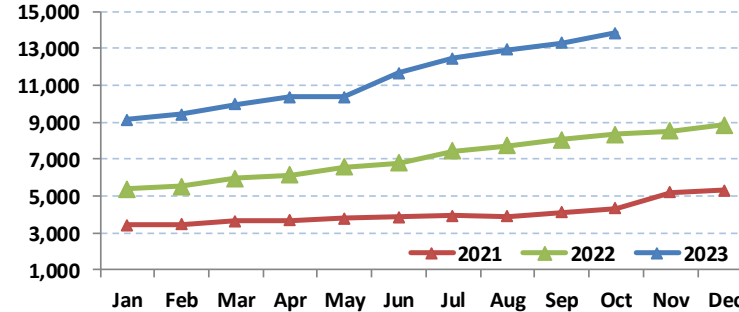
Loans (bn TL)



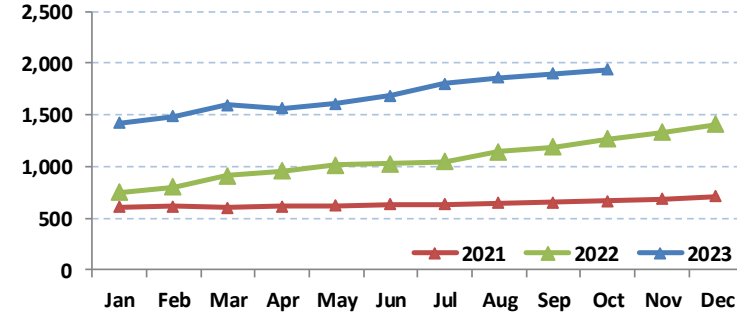
Actives (bn TL)



Deposits (bn TL)



Shareholder's Equity (bn TL)



Important Disclosures

Rating Methodology

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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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