

Slowdown in profits becomes more evident

According to BRSA November data, the pressure of increases in resource costs on bank margins continues as the tightening process of CBRT continues. Following October, the annual contraction in the sector's total profit figures continued in the second month of 4Q23. Thus, we saw a limited decline (-7%) in the profitability of the sector in the 28th month after the 27th month, which has seen annual growth for 26 consecutive months.

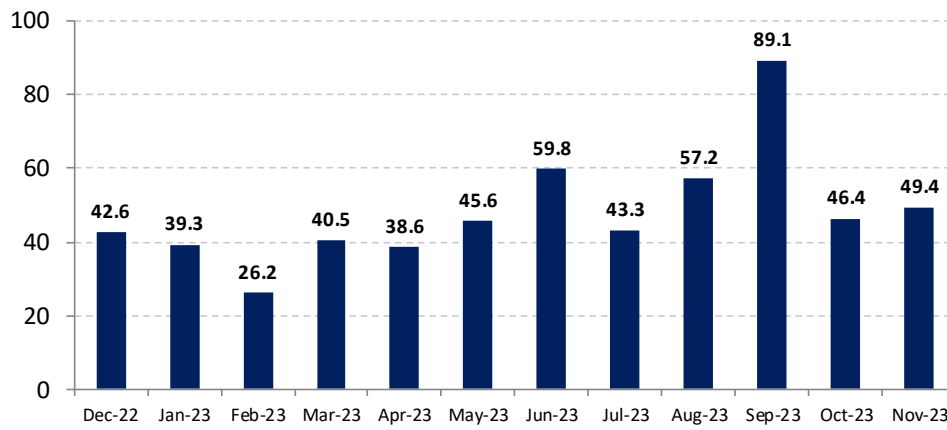
If we look at the figures, the sector's net profit in November increased by 7% monthly with 49.4 billion TL, but decreased by 7% annually. However, the sector's eleven-month total net profit was 535.5 billion TL, recording the slowest growth of this year, with an annual increase of 38% compared to the same period in 2022. The 12-month cumulative net profit growth rate continued its downward trend and fell to 42%, the lowest rate of the last two years.

The CBRT has approached the end of its tightening cycle, but tight monetary conditions will continue for a while. The increasing trend in deposit rates may reverse as we enter 2024. However, the banking sector will continue to lose momentum in December data. However, we think that the profitability performance of the sector will recover again with the relief in resource costs, the decline in country risk premiums and the increases in loan interest rates in the first months of 2024, which will balance the market perception of weak 4Q23 results.

The sector's asset size grew by 63% annually with 25.5 billion TL in the first eleven months, while the growth continued around inflation. Similarly, annual growth of 56%, 66% and 48% is observed in loans, total deposits and equity, respectively. On the revenue side, we see a 6% annual contraction in net interest income with 79.8 billion TL. The sector's fee & commission income and dividend income increased by 173% and 84% annually, respectively. As for ROE, we calculate a significant decrease of 30.8% in the annualized data for November, compared to 49.8% seen last year.

In 2023, we witnessed a 36% increase in the BIST 100 index and a 30% increase in the XUSIN Industrial index, while the XBANK Banking index increased by 73%. Current valuations and targets offer a limited 12-month potential of around 18% for the XBANK index, reflecting expectations that banks may underperform the broader stock market, which is expected to return 36% in 2024. 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

Serhan Yenigün
Strategist
serhan.yenigun@tacirler.com.tr

+90 212 355 26 22

Banking Sector, Summary of Figures

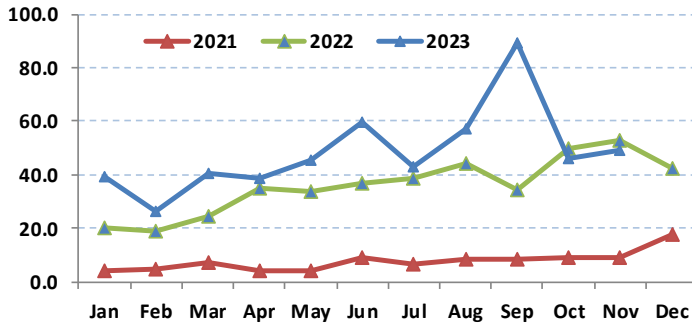
Below, you may see the monthly, annual and year-to-date cumulative performances for KPIs of the Banking Sector.

Summary of BRSA figures (TRY bn)	Monthly Data					Cumulative		
	Nov-23	Oct-23	Nov-22	MoM	YoY	Nov-23	Nov-22	Change(%)
Assets	22,540	21,758	13,807	3.6%	63.3%	22,540	13,807	63.3%
Loans	11,327	10,991	7,275	3.1%	55.7%	11,327	7,275	55.7%
Non-Performing Loans	176	173	162	1.5%	8.8%	176	162	8.8%
NPL Ratio	1.55%	1.58%	2.22%			1.55%	2.22%	
Provision (-)	0	0	0	-	-	0	0	-
Deposits	14,131	13,848	8,507	2.0%	66.1%	14,131	8,507	66.1%
Shareholders' Equity	1,968	1,935	1,330	1.7%	48.0%	1,968	1,330	48.0%
Paid In Capital	271	269	183	0.5%	47.7%	271	183	47.7%
Interest Income	330.1	302.2	151.2	9.2%	118.3%	2,246.2	1,224.4	83.5%
Interest Income From Loans	210.5	191.6	82.1	9.8%	156.2%	1,398.8	733.3	90.8%
Interest Income From Securities	101.4	91.9	64.8	10.4%	56.5%	722.7	454.2	59.1%
Interest Income From Other Activities	18.1	18.6	4.3	-2.7%	323.7%	124.7	36.9	237.7%
Interest Expenses	250.3	226.0	66.0	10.7%	279.4%	1,613.6	566.7	184.7%
Interest Expenses For Deposits	207.8	187.8	48.2	10.6%	330.6%	1,302.1	388.2	235.4%
Interest Expenses For Loans	23.1	20.7	7.2	11.7%	220.4%	160.0	55.2	189.6%
Interest Expenses For Money Market Operations	8.2	6.9	3.1	19.2%	165.4%	60.2	55.3	8.7%
Interest Expenses For Other Activities	11.3	10.7	7.4	5.7%	51.5%	91.4	67.9	34.6%
Net Interest Income (NII)	79.8	76.2	85.2	4.7%	-6.4%	632.6	657.7	-3.8%
Net Interest Margin (NIM)	6.06%	5.72%	10.30%			4.31%	7.12%	
Fees & Commission Income (Net)	37.1	34.1	13.6	8.8%	173.4%	274.0	112.8	142.9%
Dividend Incomes	2.2	2.3	1.2	-4.6%	83.7%	27.6	14.7	87.1%
Trading Income (Net)	-3.1	-2.1	6.5	44.3%	-	218.8	67.3	225.3%
Capital Markets P/L	0.0	17.9	4.1	-	-	115.1	8.8	1204.8%
FX Operations P/L	-3.0	-20.0	2.4	-84.9%	-	103.6	58.4	77.3%
Other Operating Income	15.9	13.4	5.9	18.2%	167.2%	228.3	99.8	128.8%
Total Income From Banking Operations	131.9	123.9	112.5	6.5%	17.3%	1,381.3	952.3	45.0%
Operating Expenses	46.9	44.5	24.0	5.3%	95.5%	420.9	191.2	120.1%
Net Operating Income	85.0	79.4	88.5	7.1%	-3.9%	960.4	761.1	26.2%
Provisions	22.0	19.6	19.1	12.1%	15.0%	242.4	246.9	-1.8%
Profit Before Tax	62.9	59.6	69.4	5.5%	-9.3%	673.9	514.2	31.0%
Tax	13.5	13.3	16.2	1.7%	-16.9%	138.4	125.2	10.5%
Net Income	49.4	46.4	53.1	6.6%	-6.9%	535.5	389.0	37.6%
Financial Leverage	11.45	11.24	10.38			11.45	10.38	
Deposits / Liabilities	62.7%	63.6%	61.6%			62.7%	61.6%	
Loans / Assets	50.3%	50.5%	52.7%			50.3%	52.7%	
Loans / Deposits	80.2%	79.4%	85.5%			80.2%	85.5%	
Loan Yields	22.95%	20.80%	13.97%			13.67%	11.18%	
Deposit Yields	-20.08%	-18.08%	-8.01%			-11.40%	-5.74%	
Spread (Loan Spread)	2.87%	2.72%	5.96%			2.27%	5.44%	
FX Assets	12,917	12,314	8,573	4.9%	50.7%	12,917	8,573	50.7%
FX Liabilities	4,037	3,776	2,444	6.9%	65.2%	4,037	2,444	65.2%
FX Net Position	8,880	8,537	6,129	4.0%	44.9%	8,880	6,129	44.9%
ROE	30.8%	28.5%	49.8%			29.9%	32.7%	
ROA	2.7%	2.5%	4.7%			2.6%	3.1%	
EPS	2.23	2.04	3.53			2.16	2.32	

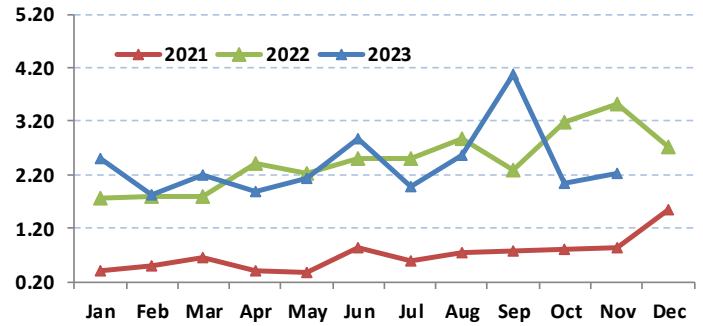
Kaynak: BRSA, Tacirler Investment Research

Performance Indicators, last three years

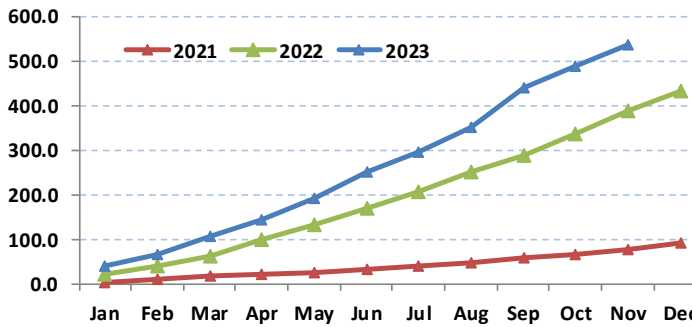
Monthly Net Incomes (bn TRY)



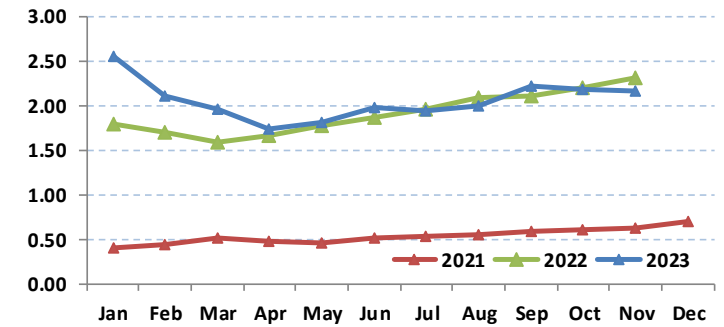
Monthly EPS



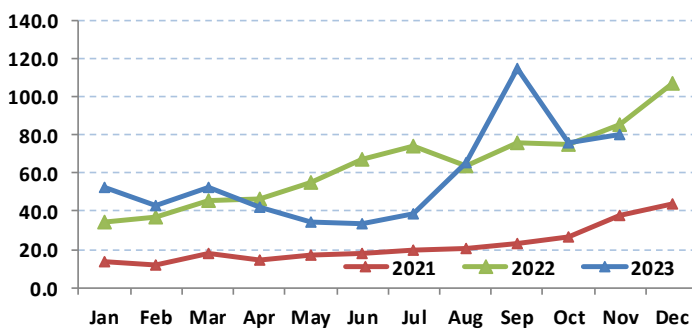
Cumulative Net Incomes (bn TRY)



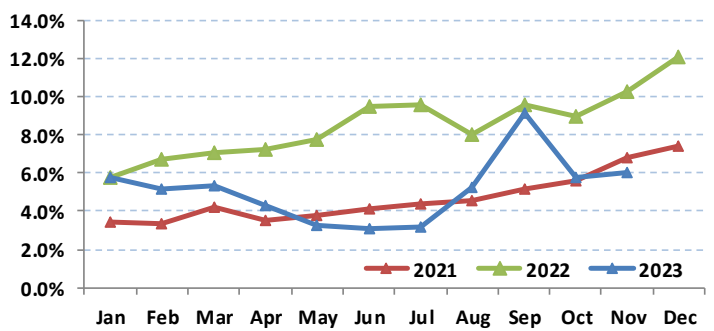
Cumulative EPS



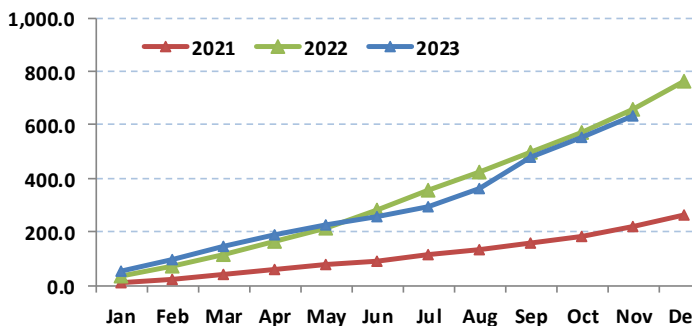
Monthly Net Interest Incomes (bn TRY)



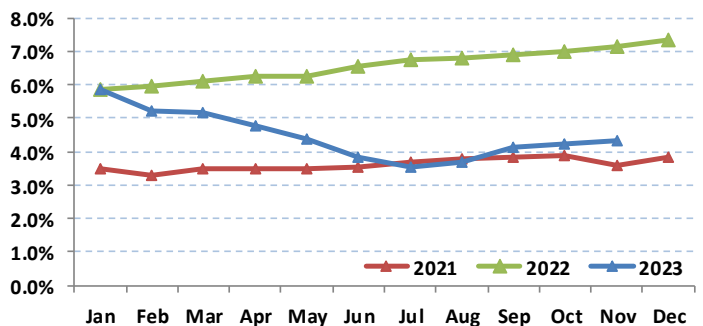
Monthly Net Interest Margins (%)



Cumulative Net Interest Incomes (bn TRY)

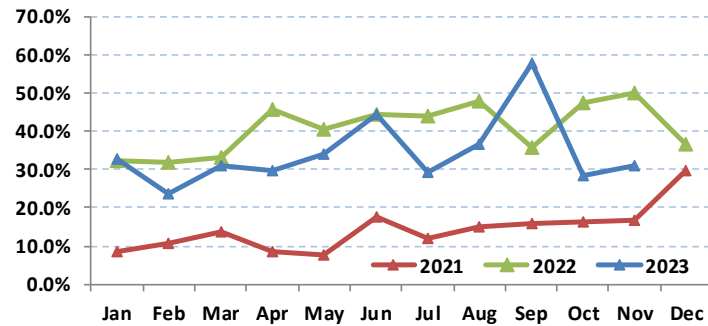


Cumulative Net Interest Margins (%)

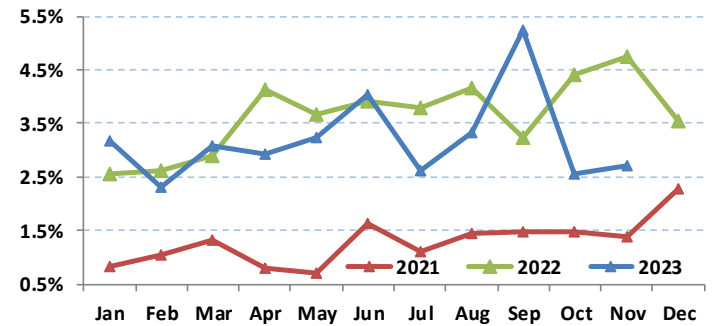


Performance Indicators, last three years

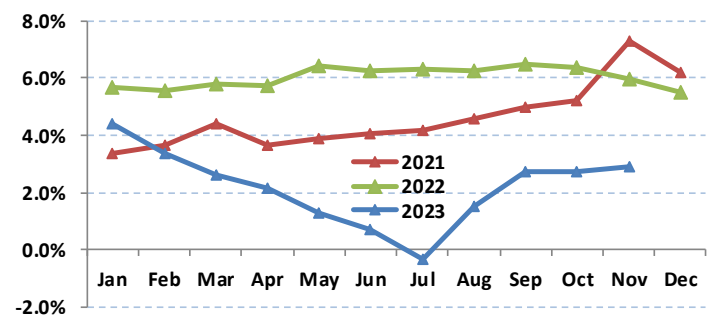
Monthly ROE



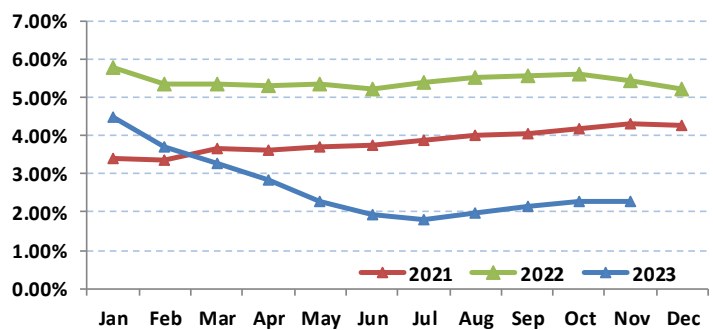
Monthly ROA



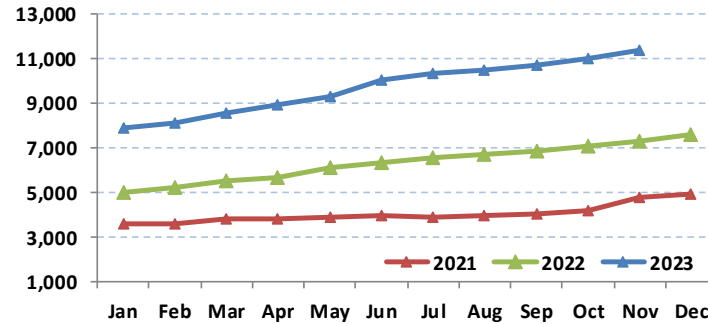
Monthly Loan Spread (%)



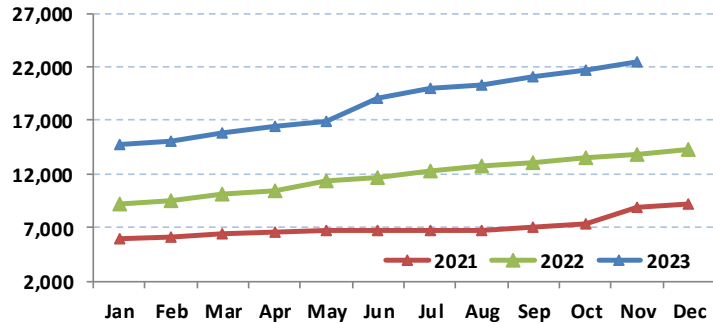
Cumulative Loan Spread (%)



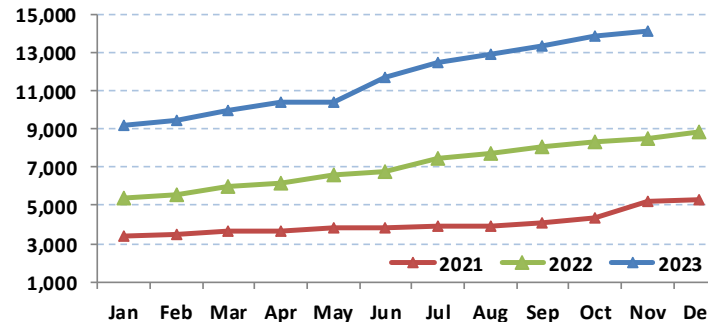
Loans (bn TL)



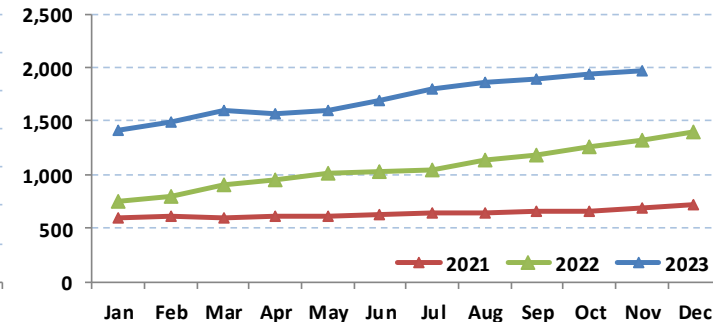
Actives (bn TL)



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.

Disclaimer

This document was produced by Tacirler Yatırım Menkul Değerler A.Ş. ("Tacirler Investment"), solely for information purposes and for the use of the recipient. It is not to be reproduced under any circumstances and is not to be copied or made available to any person other than the recipient.

This document does not constitute an offer of, or an invitation by or on behalf of Tacirler Investment to any person to buy or sell any security. The information contained herein has been obtained from published information and other sources which Tacirler Investment considers to be reliable. Tacirler Investment does not accept any liability or responsibility whatsoever for the accuracy or completeness of any such information. All estimates, expressions of opinion and other subjective judgments contained herein are made as of the date of this document.

Recipients of this document are urged to base their investment decisions upon their own appropriate investigations that they deem necessary and they should make their own independent decisions as to whether an investment or instrument is proper or appropriate based on their own individual judgment and their risk-tolerance. Any loss or other consequence arising from the use of the material contained in this publication shall be the sole and exclusive responsibility of the investor and Tacirler Investment accepts no liability for any such loss or consequence. Not all investment strategies are appropriate at all times, and past performance is not necessarily a guide to future performance.

Tacirler Investment may, from time to time, have a long or short position in any of the securities mentioned herein and may buy or sell those securities or their derivative securities thereon either on their own account or on behalf of their clients.

Tacirler Investment may perform or seek to perform securities, investment banking or other services for such issuer or its affiliates presented in this document.