

TSKB

OVERWEIGHT

Expectedly strong with a peer-high 38% ROE

October 31, 2024

TSKB reported a bank-only net income of TL2,633mn in 3Q24, broadly in line with the TL2,515mn consensus and Tera estimates, taking into account the TL100mn of free provision reversal. TSKB's net income rose by a robust 42% y/y and also by 7% q/q, for a peer-high ROE of 38% in 3Q24. As such, TSKB's net income increased by 40% y/y in 9M24 for an ROE of 37%. We observe that slightly lower-than-expected NII and fees were offset by higher-than-forecast other income and lower-than-estimated CoR in 3Q24. In summary, we assess that the results remained strong with real loan growth, healthy NIM, a negative CoR despite peer-high coverage ratios, a peer-low cost-to-income ratio, and finally peer-high capital ratios.

In detail, TSKB's loans have continued to grow by a strong 4.5% q/q in FX-adjusted terms in 3Q24. Swap-adj. NIM expanded by c.60bps q/q to 6.5%, supported by steadily strong loan spreads, upward repricing in TL securities, and lower swap costs. Fees decreased by 21% y/y from the elevated base, also as the bank lacks payment system fees. Whereas, operating expenses growth also normalized but remained relatively elevated at 74% y/y on wage adjustments, albeit indicating a well under control and by far peer-low 13% cost-to-income ratio. FX-adjusted CoR dropped to negative territory in the absence of NPL inflows, thanks to strong collections and further re-classification of cat-II loans to cat-I. As such, CoR realized at negative 39bps in 9M24, despite the bank maintaining a peer-high total coverage ratio at 6.1% of loans (including TL1.65bn of free provisions). Finally, pre-BRSA forbearance capital ratios remained flattish q/q, with the rise in credit risk being offset by strong profitability, as Tier-I stood at a peer-high 19.0% as at end-3Q24 (19.8% adj. for free provisions).

TSKB management finetuned its 2024 budget guidance, further reducing its CoR target to <50bps from ~50bps previously, while raising its CAR and Tier-I ratio expectations by 2ppts each to ~20% and ~19%, respectively. We have also finetuned our estimates as we now expect 12% growth in loans in real terms, 68bps NIM contraction, FX-adj. net CoR of 22bps, 43% fee growth, and 82% opex growth to result in an ROAE of 38%. We see the stock trading at attractive multiples of 0.67x 2025E P/B and 2.5x 2025E P/E. With our 12M TP of TL18.25/share offering a 54% upside, including a 3% dividend yield, we maintain our Overweight rating for TSKB.

Price Data

Current Price (TL)	12.08			
Current Mcap (TLmn)	33,824			
12-mth Target Price (TL/share)	18.25			
12-mth Target Mcap (TLmn)	51,095			
12-mth Return Potential	51%			
Dividend yield	3%			

Financials (TL mn)

	2022	2023	2024E	2025E
Adj. NII	7,536	11,933	13,721	19,366
% ch y/y		58	15	41
Net income	4,055	7,041	10,200	13,264
% ch y/y		74	45	30
Shareholders equity	12,782	21,412	33,357	50,319
% ch y/y		68	56	51

Margins (%)

	2022	2023	2024E	2025E
Adj. NIM	7.8	8.7	7.0	7.7
Cost/income	8	10	15	15
Cost of risk	3.47	2.86	0.79	1.28

Ratios

	2022	2023	2024E	2025E
P/E (TL, x)	1.8	2.2	3.3	2.5
P/B (TL, x)	0.58	0.73	1.01	0.67
ROAE (TL, %)	45.0	42.1	38.0	32.0

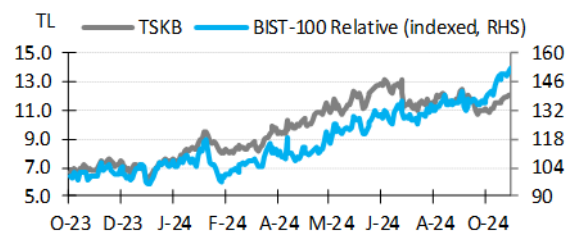
Stock Data

Ticker	TSKB.IS	TSKB TI
Sector		Banking
# of Shares (mn)		2,800
3MAv. Trd. Vol. (mn)		US\$7.0
52-week Range	TL12.08 -	TL12.08

Market Data

BIST-100	8,864
TL/US\$	34.1787

Price Chart



Price Performance

	1M	3M	YTD	YoY
TL Absolute	3%	-8%	84%	84%
BIST-100 Relative	12%	12%	55%	56%

Major Shareholders

Isbank	48%
Vakifbank	8%
Free float	44%

Cagdas Dogan

cdogan@terayatirim.com

Tel: +90 212 365 1081

TSKB P&L (TLbn)	3Q23	2Q24	3Q24	Q/Q chg	Y/Y chg	Tera 3Q24E	Deviation
NII + FX & trading	2,822	2,966	3,379	14%	20%	3,498	-3%
- of which: CPI-linkers	1,127	874	1,171	34%	4%	848	38%
- of which: swap cost	-66	-987	-425	-57%	544%	-536	-21%
Net fees and commissions	151	164	118	-28%	-21%	163	-27%
Dividends received	347	721	232	-68%	-33%	312	-26%
Other operational income	3	113	371	229%	n.m.	180	106%
Operating expenses	310	494	541	9%	74%	552	-2%
Total provisions	357	261	-52	n.m.	n.m.	143	n.m.
Specific provisions	6	165	-25	n.m.	n.m.	-97	n.m.
General provisions	207	97	-25	n.m.	n.m.	240	n.m.
Other provisions	144	0	-2	n.m.	n.m.	0	n.m.
Income before tax	2,655	3,208	3,612	13%	36%	3,459	4%
Income taxes	798	739	979	32%	23%	944	4%
Net income	1,857	2,469	2,633	7%	42%	2,515	5%
ROAE (% bps)	42.0%	39.7%	37.8%	-190	-422	35.7%	206

Source: TSKB, Rasyonet, Tera Yatirim estimates

TSKB										
SUMMARY P&L (TLmn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Interest income	1,376	1,826	3,035	3,255	3,267	4,541	10,103	17,983	28,120	31,056
Loans	845	1,301	2,111	2,219	2,377	3,172	5,281	11,299	17,370	21,674
Securities	352	432	761	669	773	1,113	4,136	4,990	7,571	8,560
Cash, banks, other	179	94	163	367	117	257	687	1,694	3,179	822
Interest expense	599	787	1,281	1,323	1,267	1,678	3,368	7,748	12,378	11,910
Borrowings	392	586	1,053	1,195	1,229	1,624	3,288	7,490	10,866	11,431
Money market	207	200	227	112	28	43	58	152	1,393	420
Other	0	1	1	17	9	11	22	106	119	59
Net interest income	777	1,039	1,753	1,932	1,999	2,863	6,735	10,234	15,742	19,146
FX & Trading gains	-55	-46	-267	-446	40	509	801	1,698	-2,020	221
Net fees and commissions	5	14	19	30	50	71	158	453	647	894
Dividends received	30	18	4	82	82	232	998	1,899	2,365	2,956
Other operational income	15	35	94	32	6	58	93	236	373	80
Total provisions	64	201	531	459	1,009	2,011	3,139	4,069	1,455	2,627
Loan loss provisions	2	5	279	223	400	416	1,188	1,311	375	861
Non-loan related provisions	34	196	38	42	124	564	602	871	1	0
General provisions	28	0	213	193	485	1,032	1,349	1,887	1,079	1,766
Operational expenses	116	132	163	202	222	263	505	1,160	2,109	2,987
Income before tax	593	727	909	969	947	1,458	5,141	9,292	13,543	17,682
Income taxes	117	132	248	193	215	369	1,086	2,251	3,343	4,418
Net income	476	596	661	776	733	1,089	4,055	7,041	10,200	13,264

TSKB										
RATIOS - MULTIPLES	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
PROFITABILITY										
ROAE	17.4%	18.6%	16.9%	15.6%	13.1%	16.9%	45.0%	42.1%	38.0%	32.0%
ROAA	2.16%	2.27%	1.87%	1.91%	1.53%	1.74%	4.07%	4.92%	4.93%	5.05%
NIM	3.61%	4.05%	5.14%	4.89%	4.07%	4.16%	6.97%	7.48%	8.01%	7.66%
FX & trading adj. NIM	3.36%	3.87%	4.35%	3.73%	4.16%	5.00%	7.80%	8.72%	6.98%	7.75%
Cost of risk	0.01%	0.02%	1.05%	0.77%	1.15%	0.91%	1.79%	1.34%	0.26%	0.45%
Cost to income	15.6%	12.8%	12.3%	15.2%	13.1%	8.5%	7.7%	10.3%	14.7%	15.3%
Effective tax rate	19.7%	18.1%	27.3%	19.9%	22.6%	25.3%	21.1%	24.2%	24.7%	25.0%
EFFICIENCY										
Cost / assets	0.52%	0.50%	0.46%	0.50%	0.46%	0.42%	0.51%	0.81%	1.02%	1.14%
Cost / loans	0.78%	0.67%	0.61%	0.69%	0.64%	0.58%	0.76%	1.18%	1.46%	1.57%
Fees / costs	4.3%	10.9%	11.7%	14.8%	22.6%	26.9%	31.4%	39.1%	30.7%	29.9%
Fees / loans	0.03%	0.07%	0.07%	0.10%	0.14%	0.16%	0.24%	0.46%	0.45%	0.47%
Assets / equity (x)	8.2	8.2	8.1	8.0	8.4	12.1	9.0	8.3	7.0	5.8
ASSET QUALITY										
NPL ratio	0.28%	0.22%	2.12%	3.51%	4.31%	3.25%	2.90%	3.03%	2.36%	2.30%
NPL provision coverage	100%	100%	28%	32%	45%	54%	92%	78%	83%	83%
Net NPL formation	-0.07%	0.01%	2.58%	1.72%	1.62%	0.82%	1.14%	1.63%	0.00%	0.00%
Loans / Assets	72%	77%	72%	74%	73%	72%	65%	69%	71%	73%
IEA / Assets	97%	97%	94%	96%	96%	97%	96%	95%	95%	95%
IBL / Liabilities	96%	96%	96%	97%	96%	96%	94%	95%	96%	96%
VOLUME GROWTH (y/y)										
Assets (in TLmn)	15.8%	20.5%	32.5%	8.4%	24.0%	63.4%	37.4%	53.0%	32.3%	25.7%
FX loans (in US\$mn)	4.9%	17.2%	-8.9%	-3.8%	-3.1%	-5.7%	-12.8%	0.8%	13.1%	7.1%
FX borrowings (in US\$mn)	4.3%	13.5%	-2.4%	-6.5%	1.3%	-4.2%	-6.7%	-3.8%	3.2%	2.3%

TSKB										
Balance Sheet (TLmn)	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
TL cash, banks, MMs	240	11	600	526	1,481	1,526	5,757	7,427	2,616	1,387
FX cash, banks, MMs	856	843	1,340	881	1,190	3,713	4,130	7,698	6,964	8,453
<i>FX cash, banks, MMs (in US\$)</i>	<i>243</i>	<i>223</i>	<i>254</i>	<i>148</i>	<i>160</i>	<i>279</i>	<i>221</i>	<i>262</i>	<i>192</i>	<i>195</i>
Total cash, banks, MMs	1,096	854	1,940	1,407	2,671	5,239	9,887	15,125	9,580	9,840
TL securities	3,370	3,577	4,673	5,126	5,239	7,715	10,900	13,045	21,411	26,025
FX securities	1,456	1,369	2,140	2,849	4,046	7,870	15,376	17,876	24,310	29,652
<i>FX securities (in US\$)</i>	<i>414</i>	<i>363</i>	<i>405</i>	<i>480</i>	<i>545</i>	<i>590</i>	<i>822</i>	<i>607</i>	<i>671</i>	<i>685</i>
Total securities	4,826	4,946	6,813	7,975	9,285	15,585	26,275	30,921	45,721	55,676
TL loans	1,280	2,143	1,728	2,731	3,705	3,759	5,042	11,251	12,924	17,554
FX loans	16,042	20,151	25,696	27,812	33,663	57,033	69,733	110,658	154,005	197,199
<i>FX loans (in US\$)</i>	<i>4,559</i>	<i>5,342</i>	<i>4,866</i>	<i>4,682</i>	<i>4,537</i>	<i>4,279</i>	<i>3,729</i>	<i>3,759</i>	<i>4,253</i>	<i>4,555</i>
Total loans	17,322	22,294	27,424	30,544	37,368	60,791	74,775	121,909	166,929	214,754
Participations	352	445	1,322	867	1,233	1,695	3,483	6,502	9,048	10,998
Property and equipment	51	51	61	91	90	97	197	450	493	545
Other	354	321	738	616	819	689	957	1,976	2,263	2,448
ASSETS	24,002	28,910	38,298	41,500	51,466	84,096	115,575	176,884	234,034	294,260
TL borrowings	100	191	127	616	120	89	0	175	703	703
FX borrowings	19,228	23,383	31,948	33,585	42,498	73,112	95,691	144,946	184,060	225,145
<i>FX borrowings (in US\$)</i>	<i>5,464</i>	<i>6,199</i>	<i>6,050</i>	<i>5,654</i>	<i>5,728</i>	<i>5,485</i>	<i>5,118</i>	<i>4,924</i>	<i>5,083</i>	<i>5,201</i>
Total borrowings	19,328	23,574	32,075	34,200	42,618	73,201	95,691	145,121	184,763	225,848
TL money markets	845	652	42	369	722	77	186	256	214	260
FX money markets	61	161	137	662	324	698	1,257	2,225	7,372	8,814
<i>FX money markets (in US\$)</i>	<i>17</i>	<i>43</i>	<i>26</i>	<i>111</i>	<i>44</i>	<i>52</i>	<i>67</i>	<i>76</i>	<i>204</i>	<i>204</i>
Total money markets	905	813	179	1,032	1,045	775	1,443	2,481	7,586	9,074
Other liabilities	840	988	1,325	1,101	1,699	3,180	5,660	7,870	8,328	9,019
LIABILITIES	21,073	25,376	33,579	36,333	45,362	77,156	102,793	155,472	200,677	243,941
EQUITY	2,928	3,535	4,719	5,167	6,105	6,941	12,782	21,412	33,357	50,319

TSKB										
BS Composition	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
TL cash, banks, MMs	1%	0%	2%	1%	3%	2%	5%	4%	1%	0%
FX cash, banks, MMs	4%	3%	3%	2%	2%	4%	4%	4%	3%	3%
Total cash, banks, MMs	5%	3%	5%	3%	5%	6%	9%	9%	4%	3%
TL securities	14%	12%	12%	12%	10%	9%	9%	7%	9%	9%
FX securities	6%	5%	6%	7%	8%	9%	13%	10%	10%	10%
Total securities	20%	17%	18%	19%	18%	19%	23%	17%	20%	19%
TL loans	5%	7%	5%	7%	7%	4%	4%	6%	6%	6%
FX loans	67%	70%	67%	67%	65%	68%	60%	63%	66%	67%
Total loans	72%	77%	72%	74%	73%	72%	65%	69%	71%	73%
Participations	1%	2%	3%	2%	2%	2%	3%	4%	4%	4%
Property and equipment	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Other	1%	1%	2%	1%	2%	1%	1%	1%	1%	1%
ASSETS (TLmn)	24,002	28,910	38,298	41,500	51,466	84,096	115,575	176,884	234,034	294,260
TL borrowings	0%	1%	0%	1%	0%	0%	0%	0%	0%	0%
FX borrowings	80%	81%	83%	81%	83%	87%	83%	82%	79%	77%
Total borrowings	81%	82%	84%	82%	83%	87%	83%	82%	79%	77%
TL money markets	4%	2%	0%	1%	1%	0%	0%	0%	0%	0%
FX money markets	0%	1%	0%	2%	1%	1%	1%	1%	3%	3%
Total money markets	4%	3%	0%	2%	2%	1%	1%	1%	3%	3%
Other liabilities	3%	3%	3%	3%	3%	4%	5%	4%	4%	3%
LIABILITIES	88%	88%	88%	88%	88%	92%	89%	88%	86%	83%
EQUITY	12%	12%	12%	12%	12%	8%	11%	12%	14%	17%

Tera Yatirim Stock Ratings

Rating	Definition
OVERWEIGHT	The analyst expects that the stock will generate a return above that of the BIST-100 index over the next twelve months.
MARKETWEIGHT	The analyst expects that the stock will generate a return in line with that of the BIST-100 index over the next twelve months.
UNDERWEIGHT	The analyst expects that the stock will generate a return below that of the BIST-100 index over the next twelve months.

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