

# **1Q17**

# **Consolidated**

# **Financial Results**

25 April 2017

**AKBANK**

# Spectacular ROE of 17%

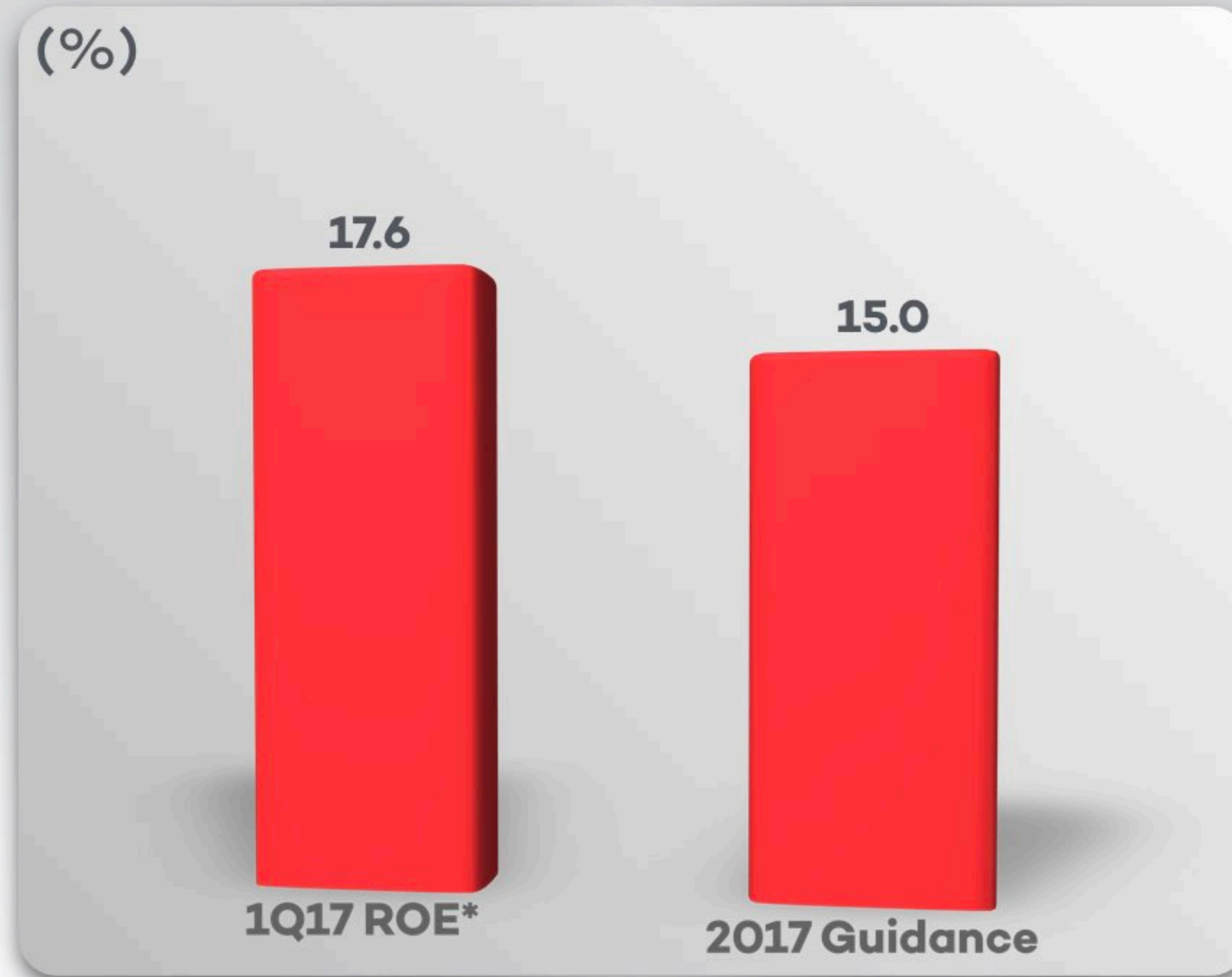
Net Income (TL mio)



ROE (%)



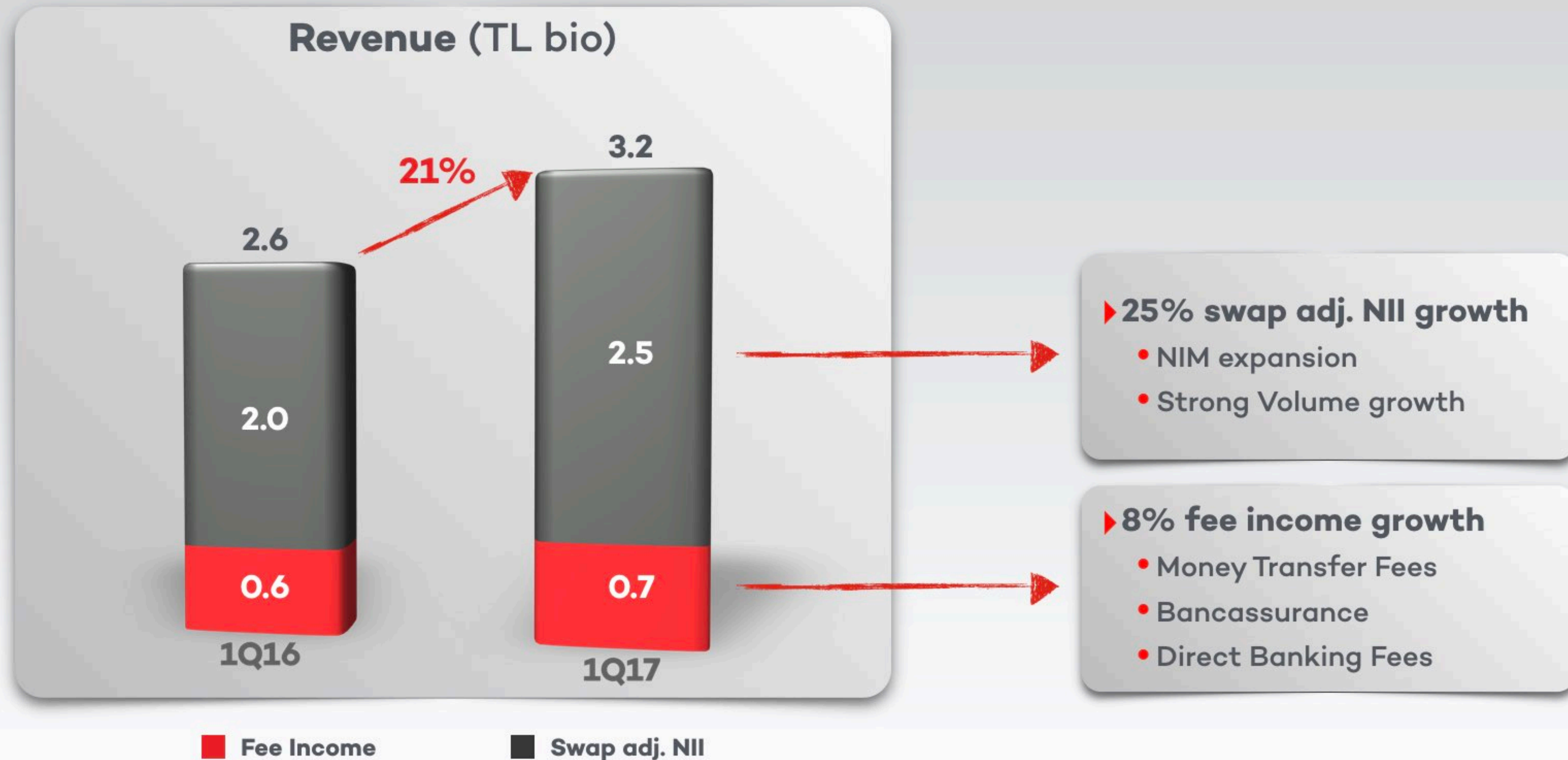
# Strong beat to Guidance



\* For the purpose of budget comparison real estate revaluation is excluded as our guidance of 15% does not incorporate asset revaluation



# Outstanding Revenue growth





# Revenue and volume growth driven further efficiency

## Positive Jaws



Positive Jaws  
of 12%

## CIR (%)



CIR is also  
one of the  
lowest among  
global peers

## Cost/Assets (%)



In cost ratio calculations, non-operational items and one-offs excluded; TL 129 mio competition board penalty in 2013, TL 109 mio fee rebates in 2014, TL 217 mio fee rebates, TL 25 mio personnel indemnity related with outsourced security staff in 2015 and TL 80 mio fee rebates, TL181 mio visa gain and TL91 mio fine in 2016.



# Expanded NIM coupled with strong volume growth

## Cumulative NIM



CPI Linkers income calculated with 8% inflation estimate, upside risk on FY NIM

## Total Loans (TL/USD bio)

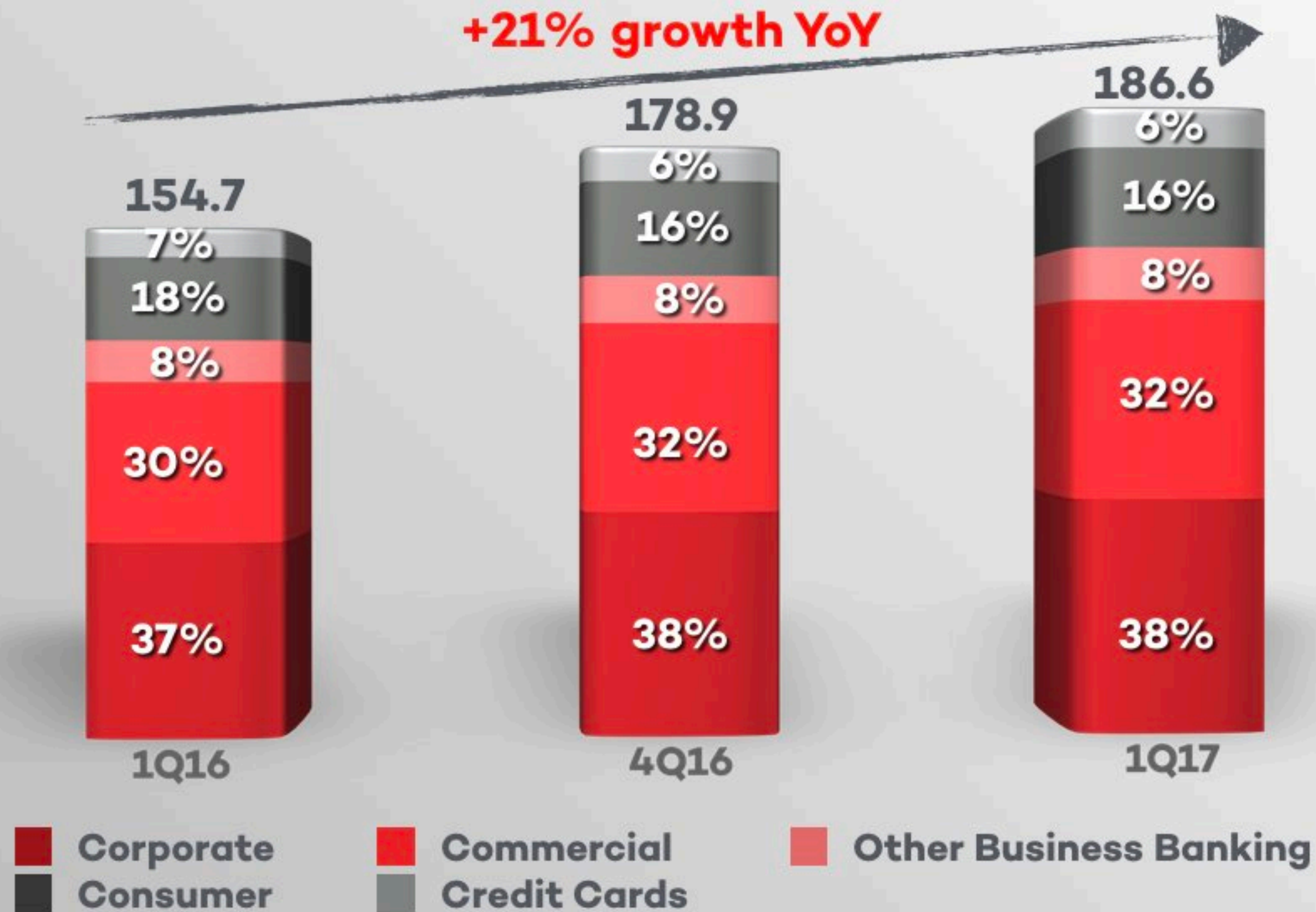


TL loan growth is front-loaded and driven by TL business banking loans (+11%)

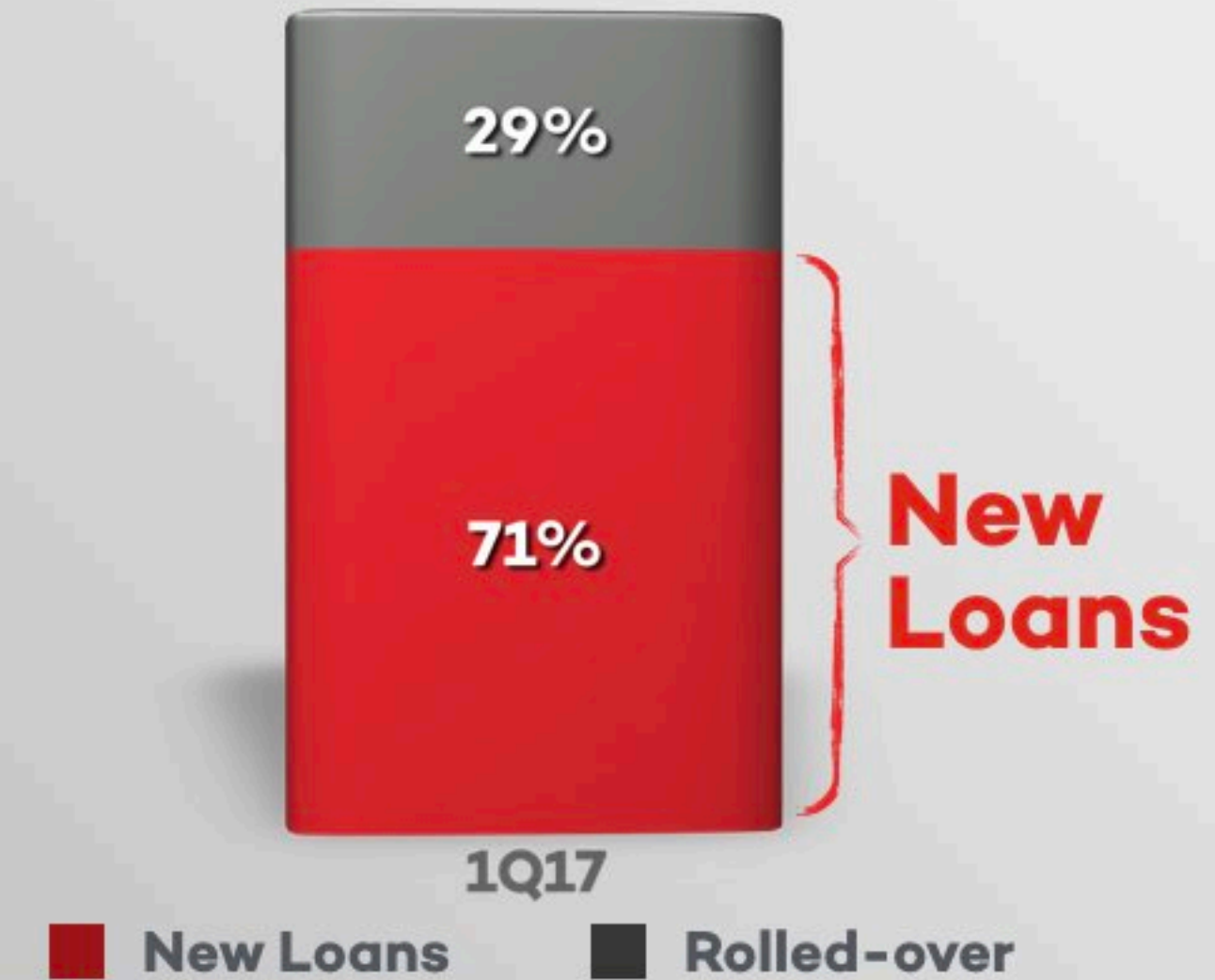


# Benefiting from strategic lending mix

## Loan Breakdown by major segments (TL bio)



## CGF Loans Portfolio Split

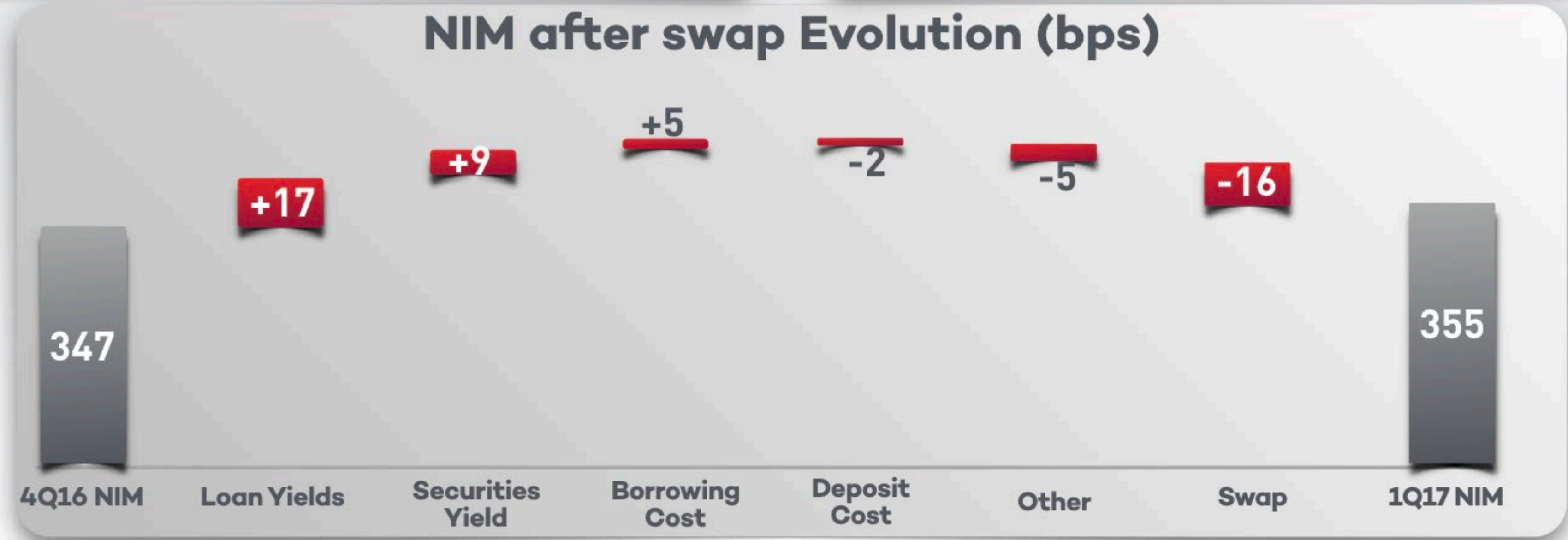


- ▶ Re-priceable, shorter term, TL commercial heavy loan portfolio
- ▶ High quality CGF portfolio
  - 71% of CGF is new loans
  - Significantly low probability of default c.5% (in line with regular Akbank practice) vs. guaranteed 10%
  - Already highly collateralized SME loan portfolio (75%)



# Core spread expansion through good A&L management

Quarterly TL Loan Yield & Deposit Cost					Quarterly FX Loan Yield & Deposit Cost				
12.06	12.32	12.32	12.26	12.44	4.34	4.41	4.44	4.52	4.65
8.98	9.17	8.75	8.32	8.41	2.63	2.88	2.92	2.79	2.84
3.08	3.15	3.57	3.94	4.03	1.71	1.53	1.52	1.73	1.81
1Q16	2Q16	3Q16	4Q16	1Q17	1Q16	2Q16	3Q16	4Q16	1Q17
— Loan — Deposit — TL Loan - Deposit Spread					— Loan — FX Loan - Deposit Spread — Deposit				

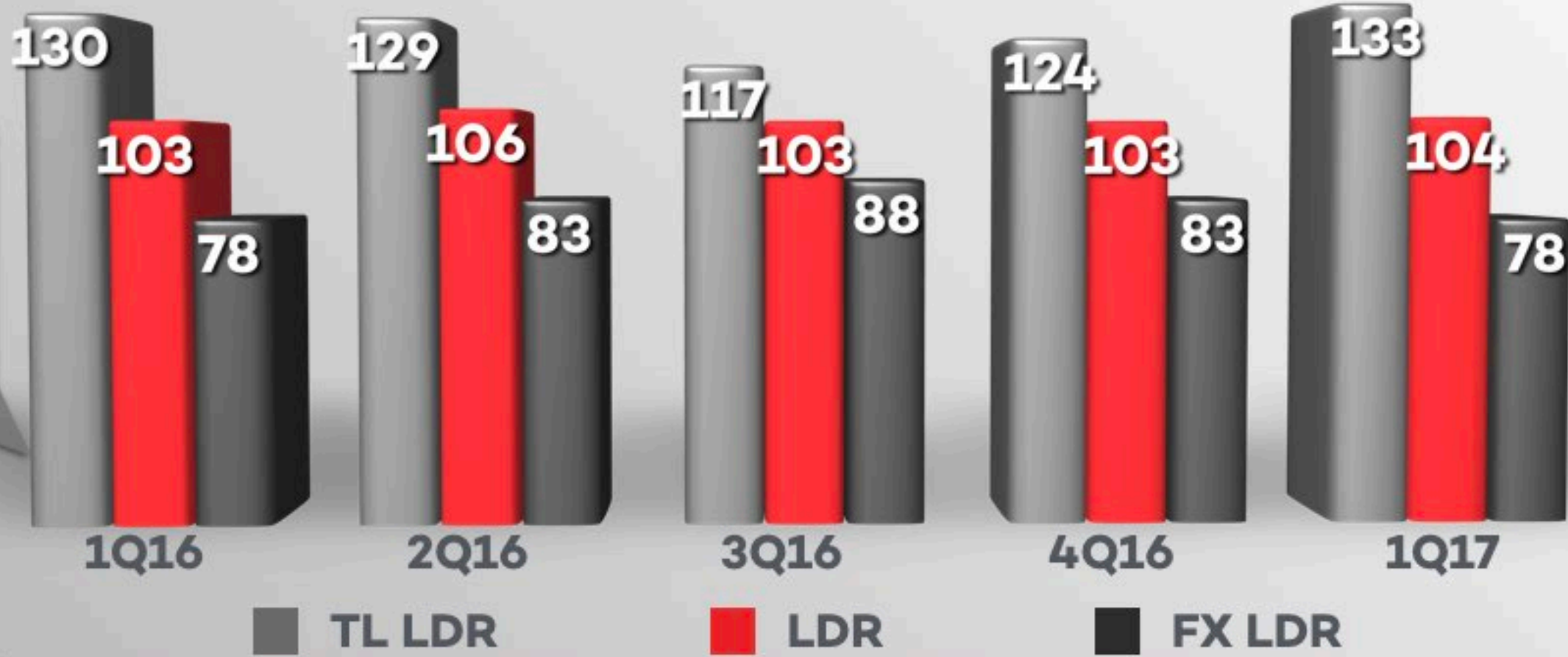




# Low LDR with Increased Demand Deposit Ratio

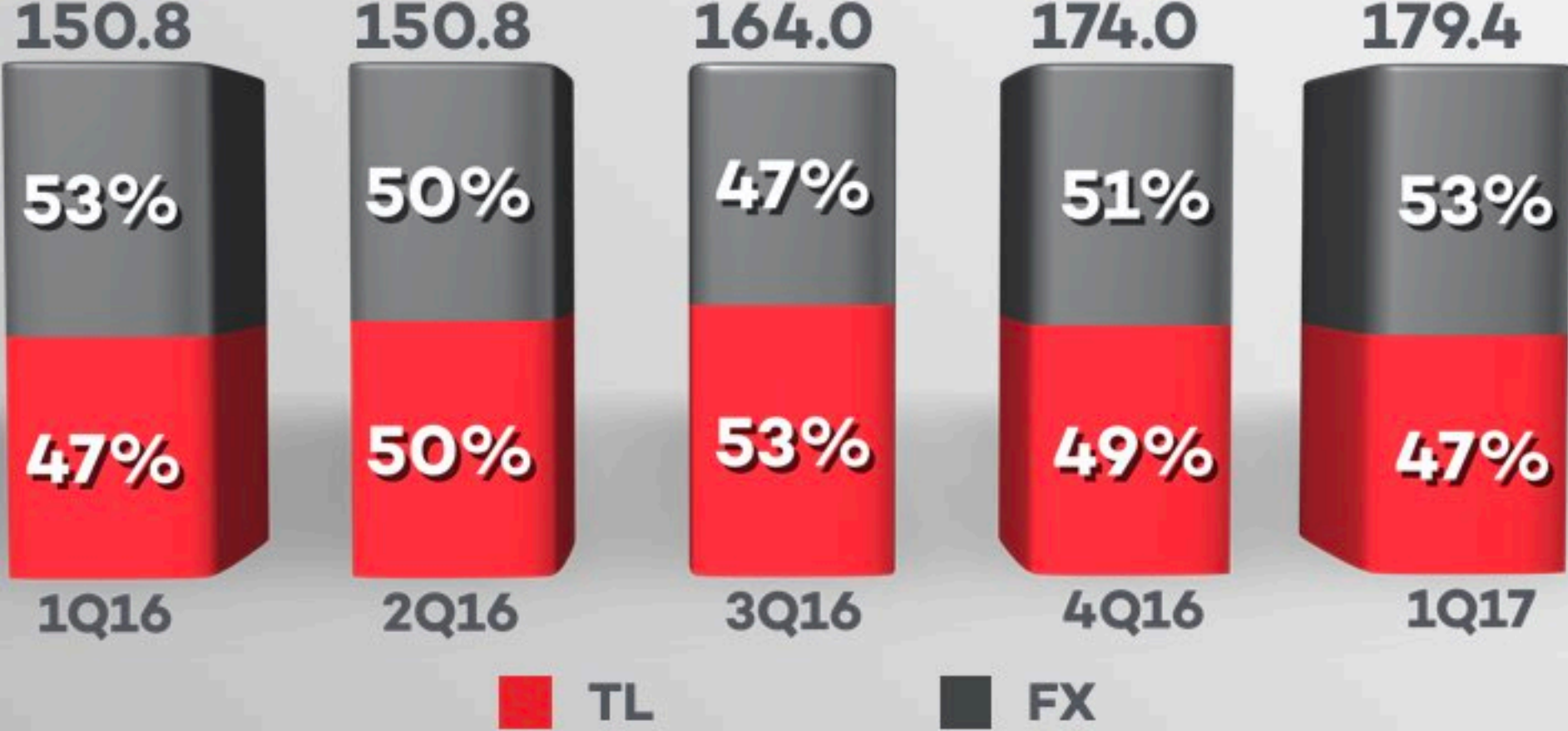
Loan to Deposit Ratio (%)

No utilization of Late Liquidity Window



Currency Split (TL bio)

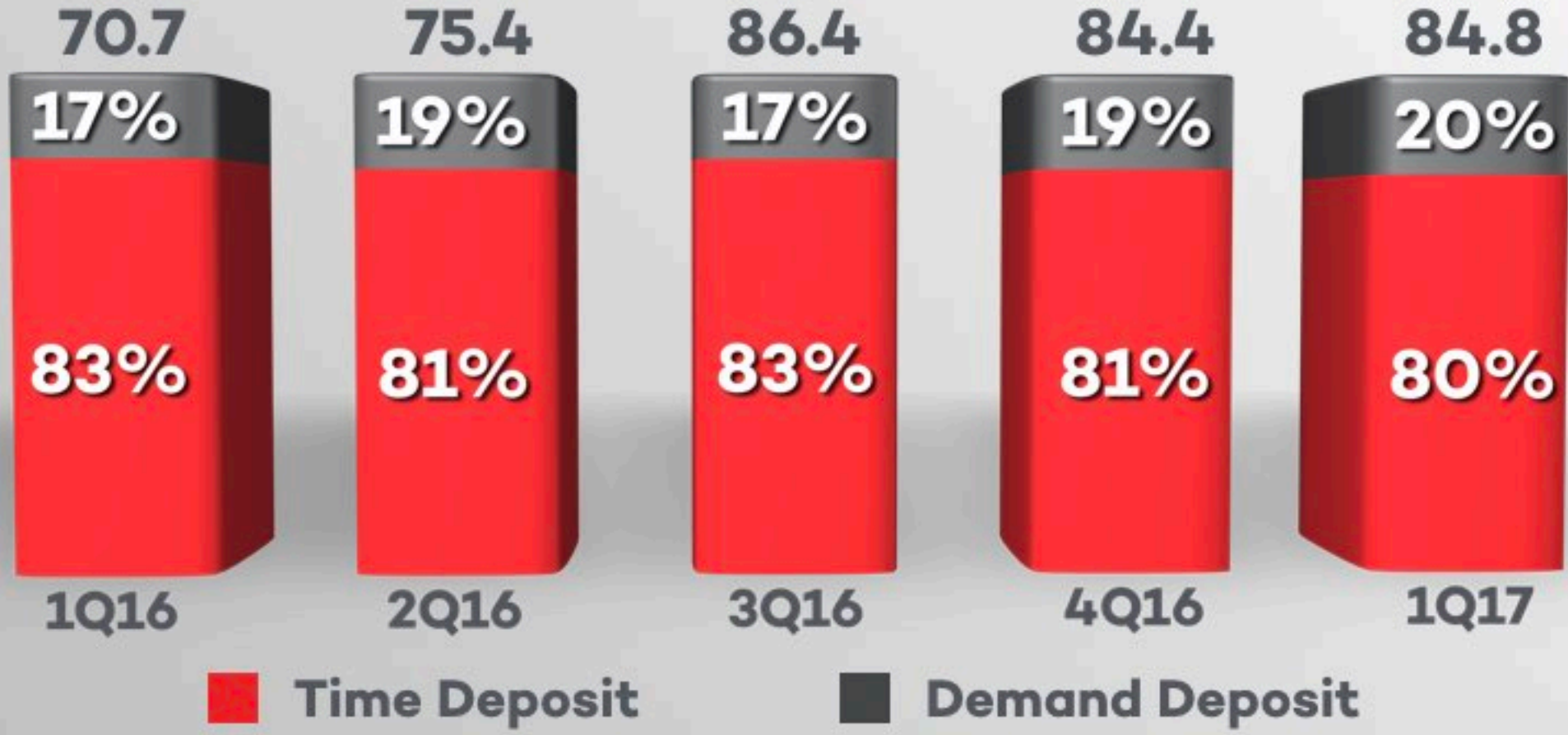
+3% QoQ  
+19% YoY



TL Deposits (TL bio)

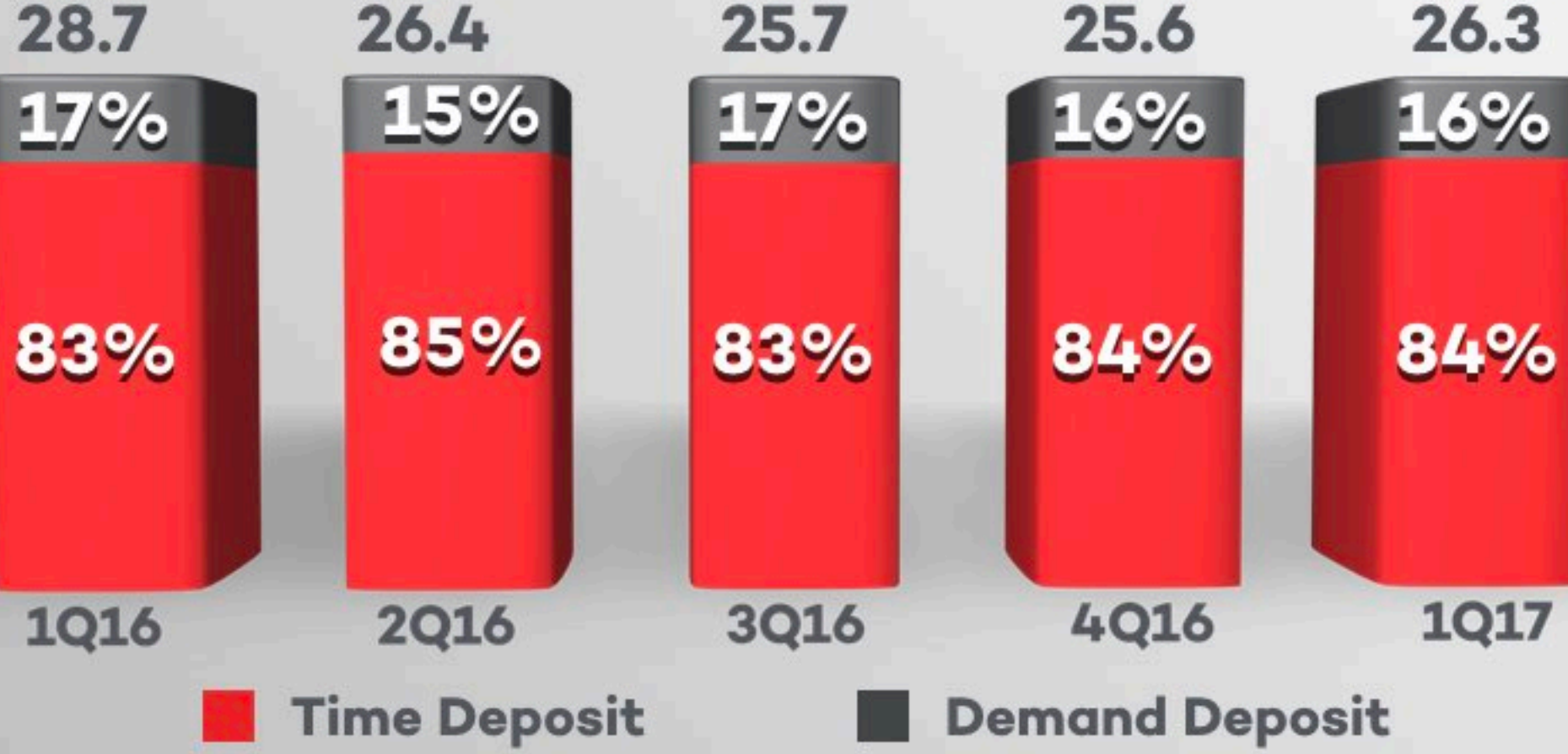
0% QoQ  
+20% YtD

4% q/q rise in savings deposits



FX Deposits (USD bio)

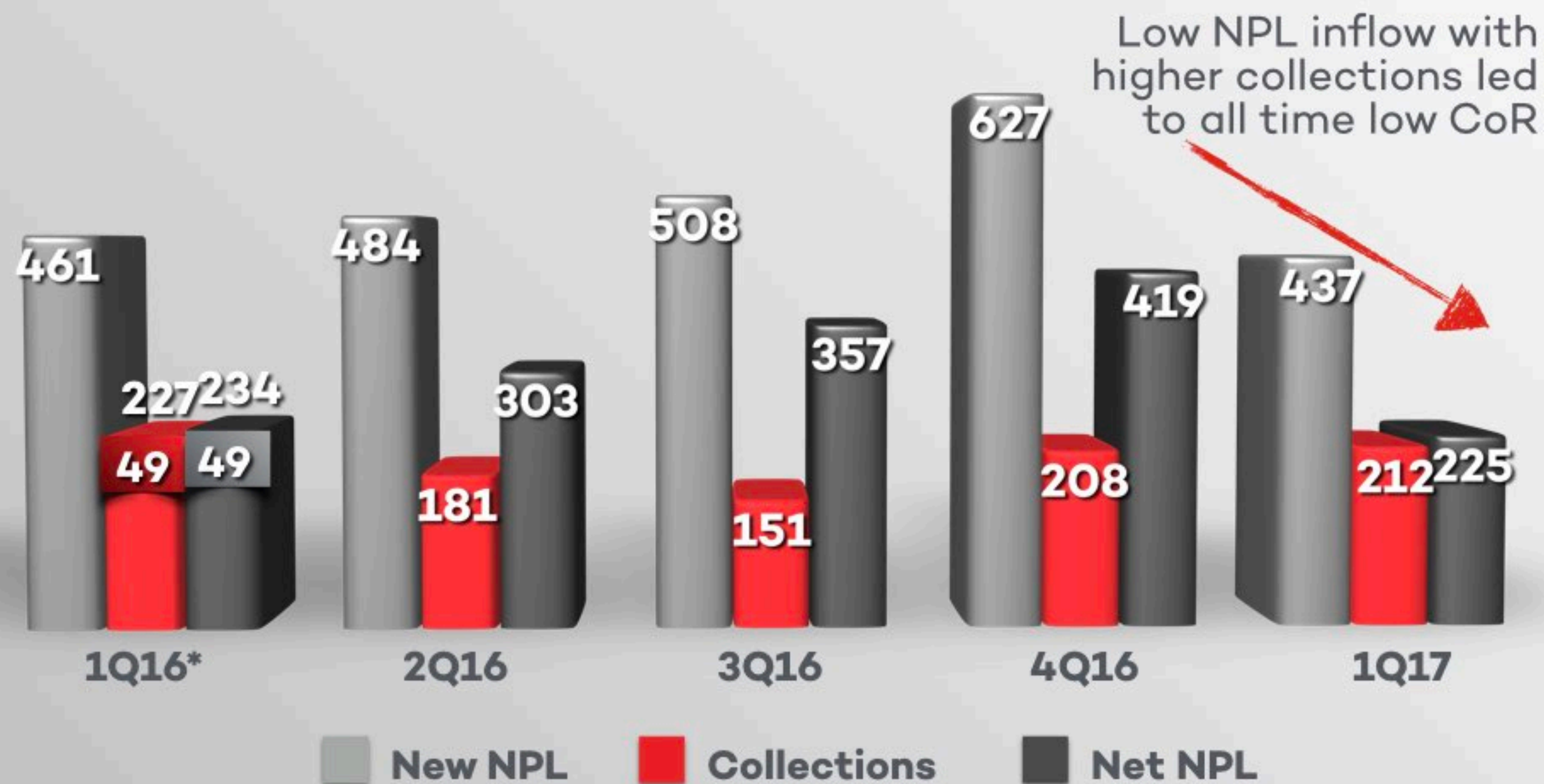
3% QoQ  
-9% YtD





# Significant Improvement in COR...

## New NPL Provisions and Recoveries (TL mio)



## Net Specific Cost of Risk (%)



\* W/o NPL sales of TL 49 mio in 1Q16, collection amount would be TL 178 mio while Net NPL would be TL 283 mio



# ...together with a sharp decline in Group II

## COR and NPL Ratios by Segment (%)

	COR		NPL	
	<u>2016</u>	<u>1Q17</u>	<u>2016</u>	<u>1Q17</u>
Business	0.6	0.4	1.2	1.3
Consumer	1.1	0.4	4.6	4.7
Credit Cards	2.3	1.3	9.4	9.7
Total	<u>0.8</u>	<u>0.5</u>	<u>2.3</u>	<u>2.4</u>

**97%** Specific  
**163%** Total  
Coverage Ratio

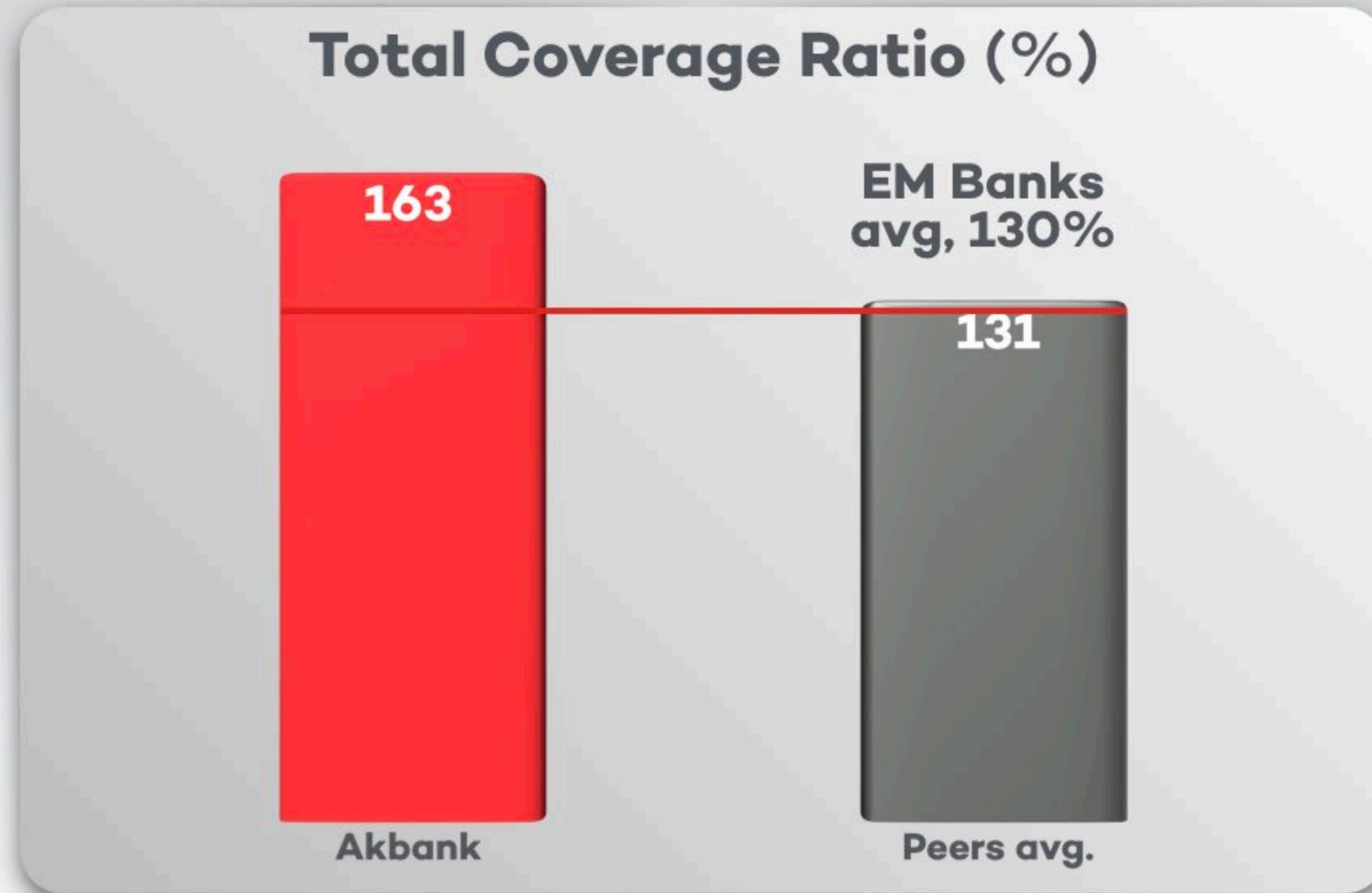
## Group II loans ratio



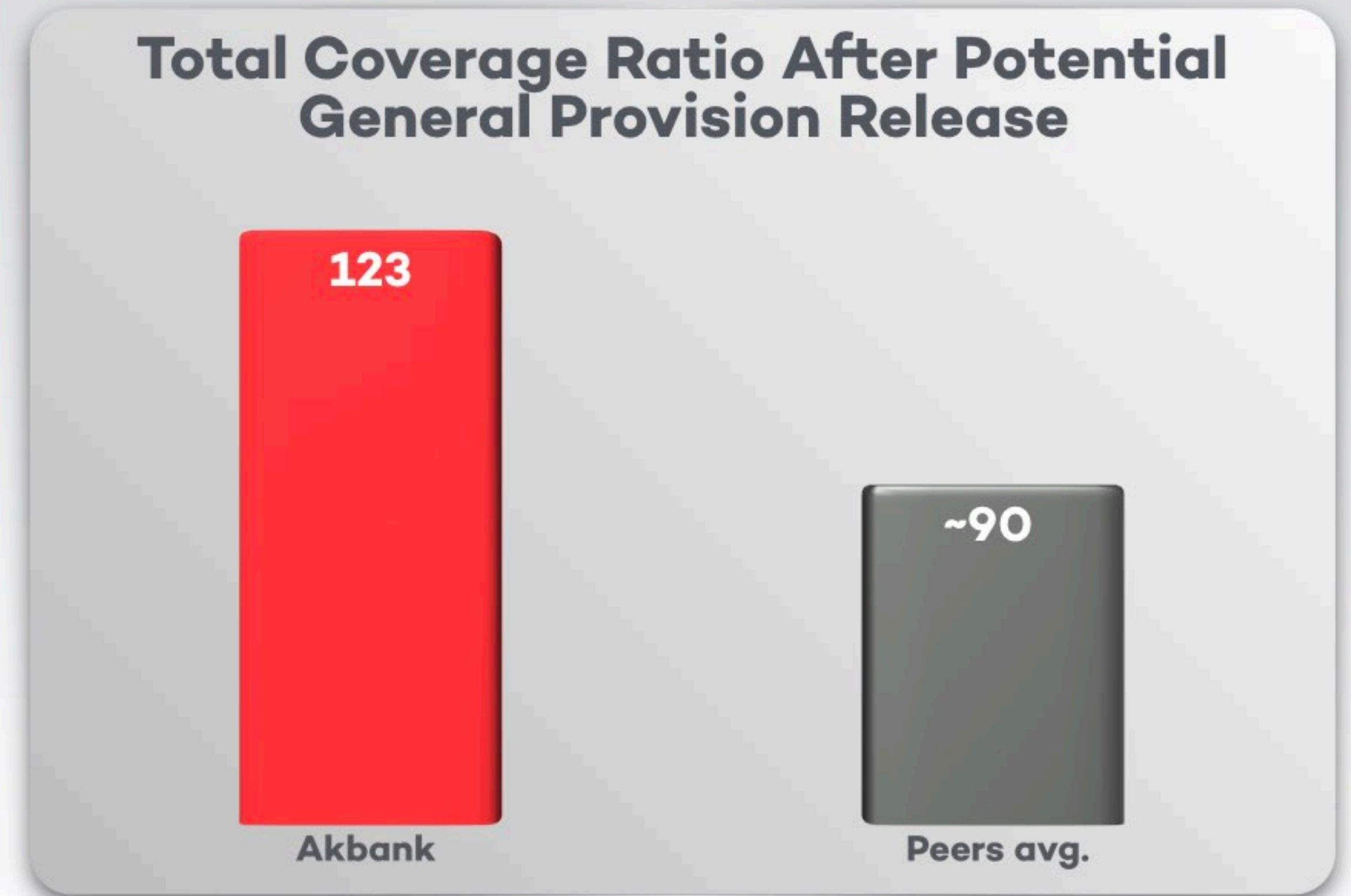
Impact of higher specific  
coverage in 1Q17;  
**CoR c.15bps**  
**ROE around c.50bps**



# Strongest Buffer



Potential **general provision** release amount  
**TL1.8bio + TL 200mio free** provisions  
=  
**TL2.0 bio total available buffer (TL 2.5 bio pretax equivalent), which covers 1/2 of our current NPL balance**



Based on 2016 consolidated figures for peers

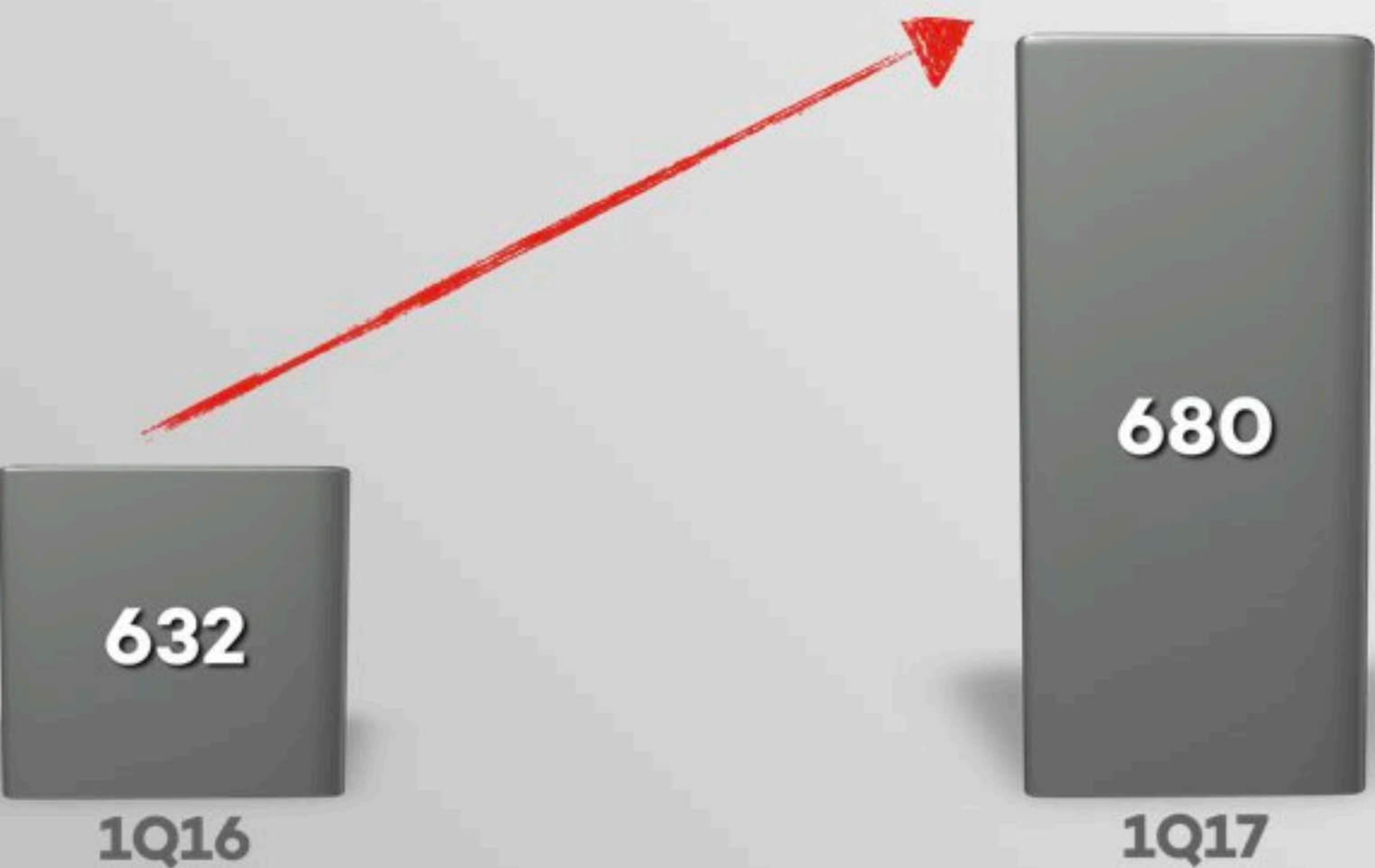


# Decent Growth in Fees with significant contribution from Direct Banking

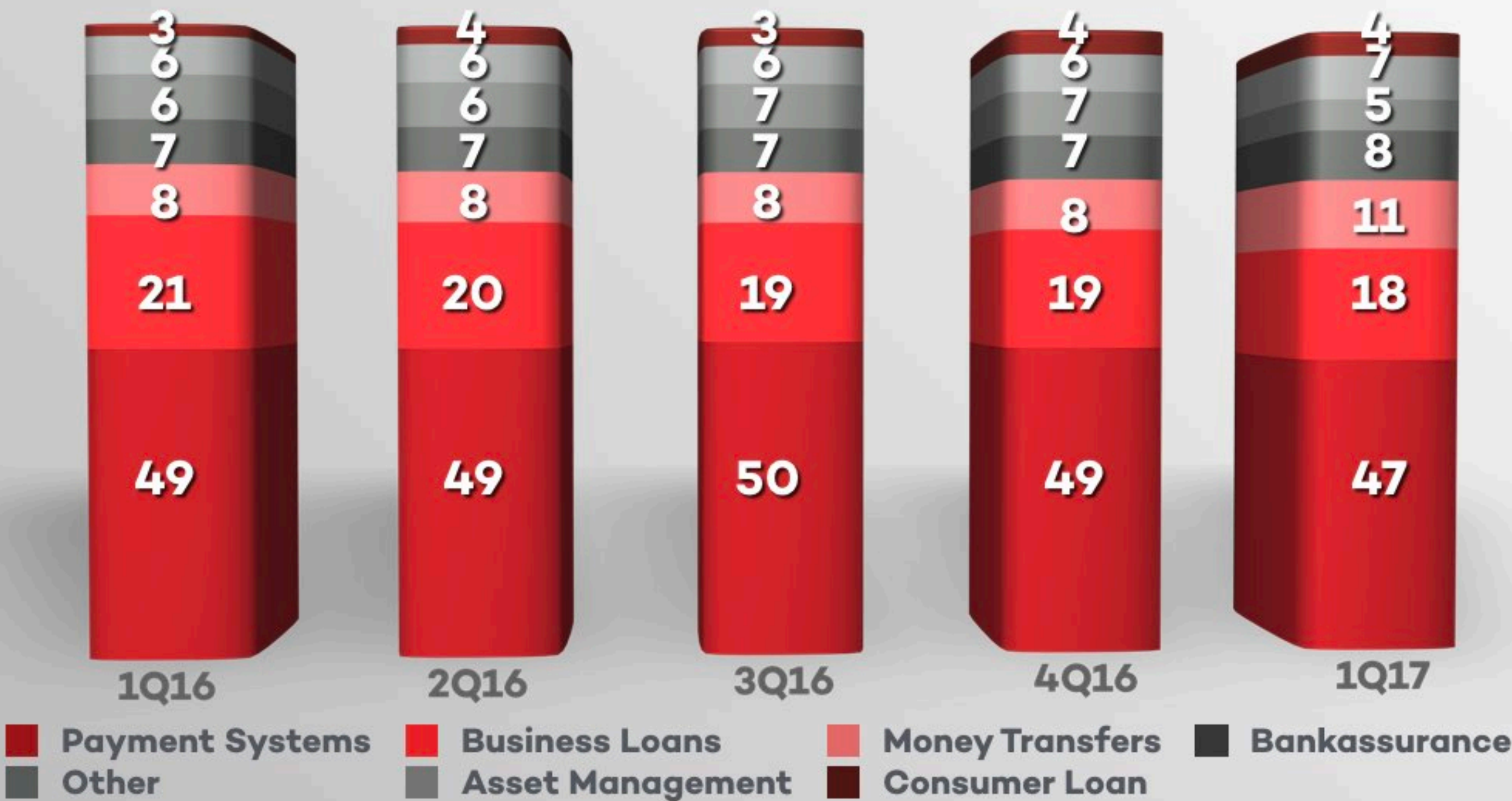
## Cumulative Net Fees & Comm.

(TL mio)

8% YoY



## Split of Comissions by product (%)



**65% YoY** increase in Direct Banking Fees, **share in total fees is up to 21%** vs. 14% of last year

**+40 YoY** increase in Bankassurance commissions

**+58% YoY** increase in Money Transfer Fees

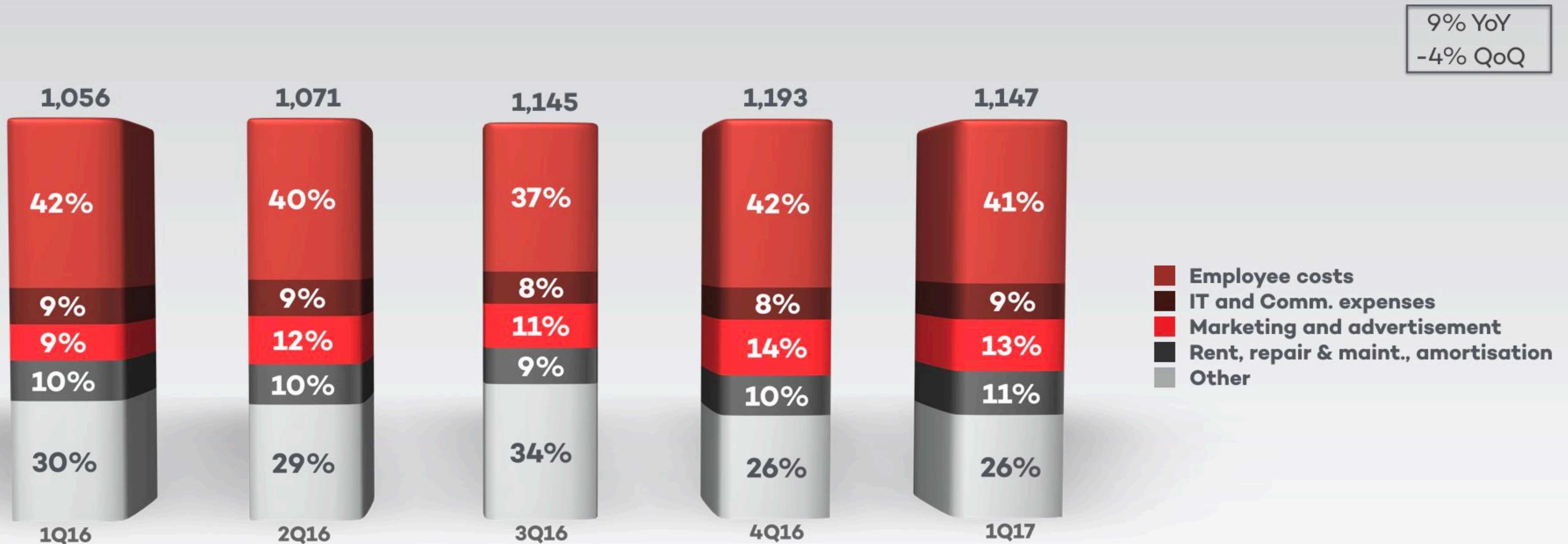
**+36% YoY** increase in Consumer Loan fees



# Cost progression in line with budget

(TL mio)

## Quarterly





# 1Q17 results significantly outperformed guidance

Growth (%)	2017T	1Q17A*
Total Assets	10-12	16
Loans	10-12	17
TL	10-12	27
FX (in USD terms)	2-4	-10
Total Deposits	10-12	12
TL	10-12	2
FX (in USD terms)	2-4	10

\* 1Q17 growth figures are annualised

	2017T	1Q17A	
ROA	~1.7%	1.9%	+
Leverage	~ 9.0x	8.5x	+
ROE	~15%	17%	+
NIM	~3.4%	+15bps	+
Net fees&com. growth	~10%	8%	~
Opex growth	~6%	9%	~
Cost/ income	~36%	35%	+
Cost / assets	~1.5%	1.5%	+
CAR	~ 14%	15.2%	+
LDR	Max 105%	104%	+
NPL	~2.5%	2.4%	+
Cost of risk	90 bps	49 bps	+
EPS Growth	~10%	36%	+

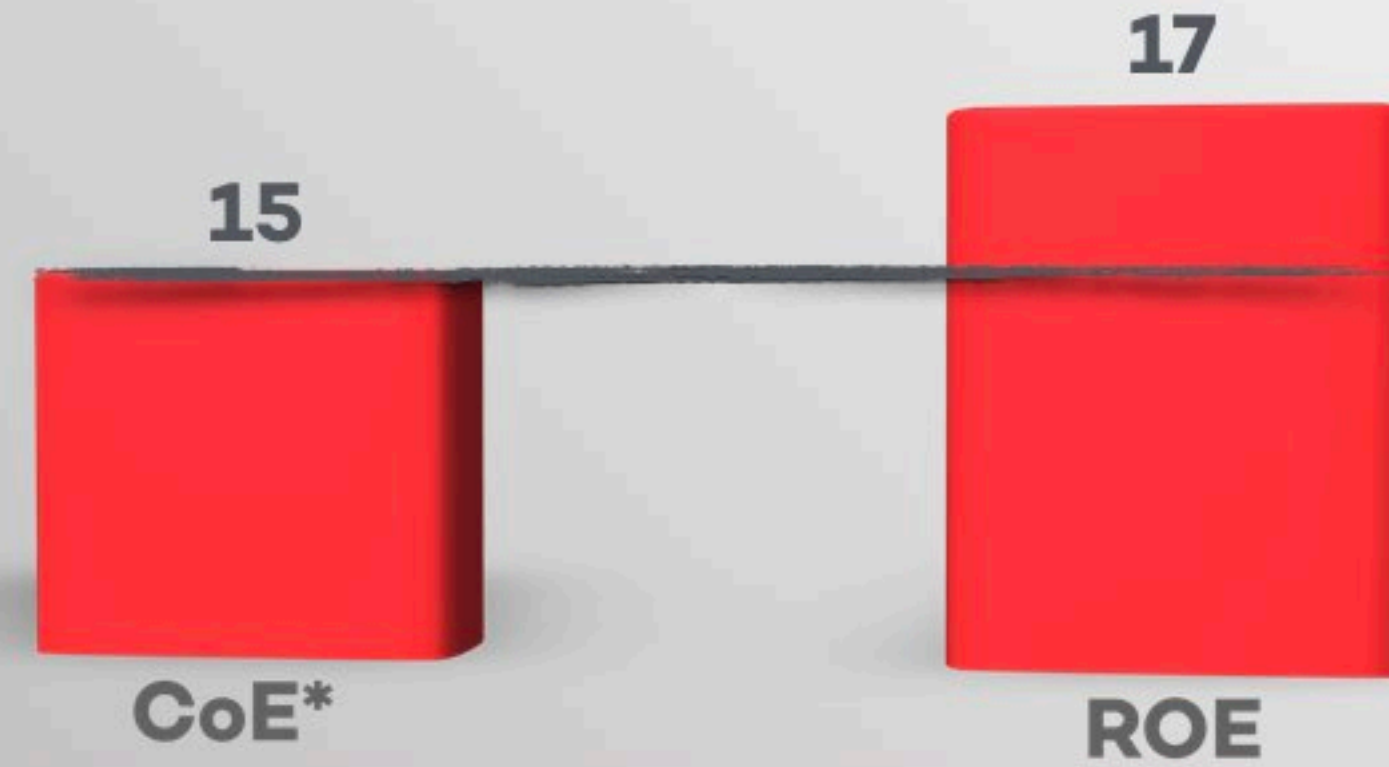


# Upside in value

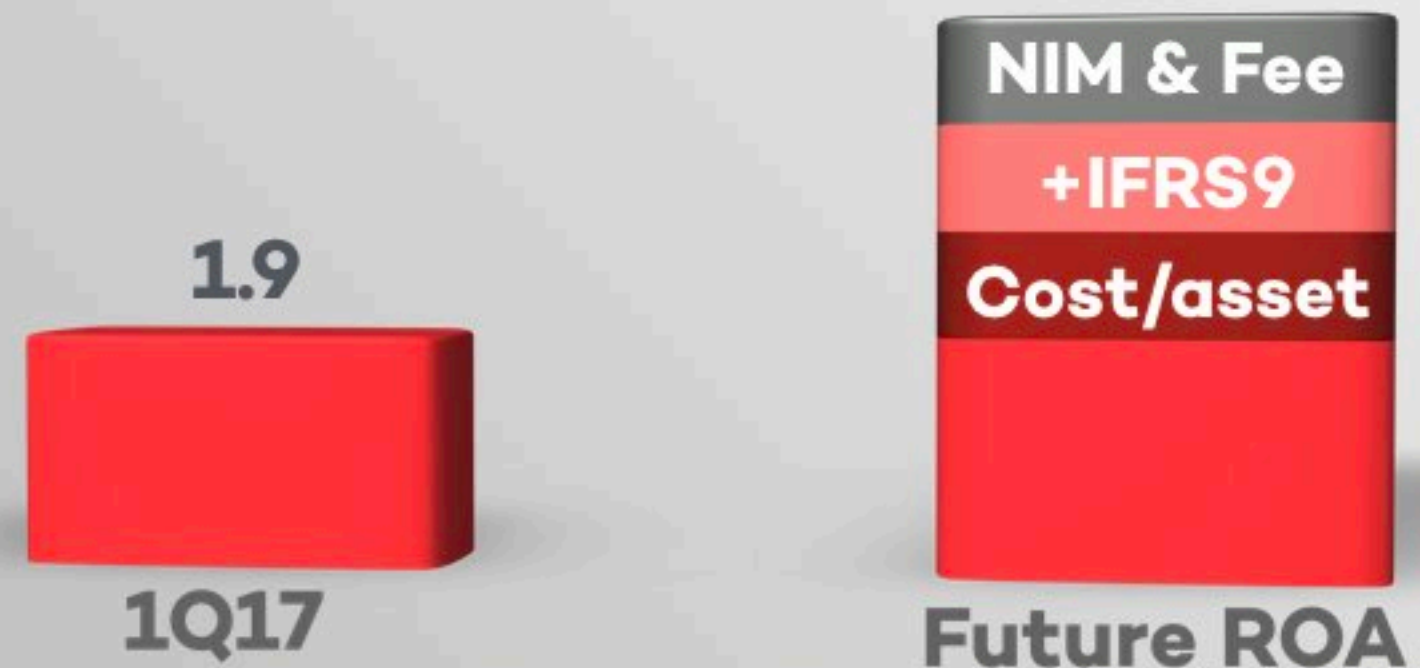
Book Value (TL bio)



ROE well over COE



ROA (%)



Solvency Ratios (%)



\* Average COE of investment community.



- ▶ **Snapshot of Results**
- ▶ **Balance Sheet Highlights**
- ▶ **Income Statement Highlights**
- ▶ **A&L mix**
- ▶ **Loans growth by Segments**
- ▶ **Securities Portfolio Breakdown**
- ▶ **Mobile Banking**
- ▶ **Subsidiaries Contribution**
- ▶ **Loans growth by Segments**
- ▶ **Swap Gains/(Costs) & CPI Linkers Income**



# Snapshot of Results

(TL mio, ratios in %)

	1Q16	4Q16	1Q17	YoY (%)	QoQ (%)
<b>Total Assets</b>	259,175	294,500	305,910	18.0	3.9
<b>Loans</b>	154,705	178,893	186,550	20.6	5.3
<b>Deposits</b>	150,788	173,968	179,353	18.9	3.1
<b>Net Profit</b>	1,071	1,173	1,452	35.6	23.9
<b>Net interest income</b>	1,988	2,210	2,552	28.4	15.4
<b>Net fee income</b>	632	664	680	7.6	2.5
<b>ROAE</b>	15.0	14.6	17.0	2.0	2.4
<b>ROAA</b>	1.7	1.6	1.9	0.2	0.3
<b>NIM</b>	3.17	3.35	3.59	0.4	0.2
<b>NIM after swap</b>	3.16	3.47	3.55	0.4	0.1
<b>Cost of Risk</b>	0.61	0.96	0.49	-0.1	-0.5
<b>Cost to Income*</b>	37.4	35.7	34.8	-2.6	-0.9
<b>CAR</b>	14.6	14.2	15.2	0.6	1.0
<b>Tier I</b>	13.5	13.1	13.4	-0.1	0.3

\*Adjusted for non-operational items; one-offs and fee rebates



# Balance Sheet Highlights

## Consolidated (TL mio)

Cash and Due from Banks

Securities

Loans

Other

## Total Assets

Deposits

Funds Borrowed and Bonds Issued

Repo

- TL Repo

- FX Repo

Other

Equity

## Total Liabilities and S/H Equity

**2016**

**1Q17**

45,399

41,265

52,848

57,037

178,893

186,550

17,361

21,058

**294,501**

**305,910**

173,968

179,353

44,838

48,326

27,320

24,578

5,726

2,280

21,594

22,298

15,883

17,672

32,492

35,981

**294,501**

**305,910**

## Shares (%)

**2016**

**1Q17**

15.4

13.5

17.9

18.6

60.7

61.0

5.9

6.9

59.1

58.6

15.2

15.8

9.3

8.0

1.9

0.7

7.3

7.3

5.4

6.4

11.0

11.8

## Change (%)

(9)

8

4

21

4

16

8

(10)

(60)

3

11

11

4



# Income Statement Highlights

## Consolidated (TL mio)

Interest Income

Interest Expense

### Net Interest Income

Trading Gain (Loss)

- Securities

- Other

Provision for Loan Losses, net of collections

Fees and Commissions (Net)

Operating Expense

Other Income

Other Provisions

### Income Before Tax

Tax

### Net Income

## 1Q16

4,521

(2,533)

**1,988**

39

31

8

(238)

632

(1,056)

65

(71)

**1,359**

(288)

**1,071**

## 1Q17

5,378

(2,827)

**2,552**

(16)

37

(52)

(233)

680

(1,147)

52

(49)

**1,839**

(387)

**1,452**

## Change (%)

19

27

**28**

n.m.

19

n.m.

-2

8

9

-20

-31

**35**

35

**36**





TL 294.5 bio

TL 305.9 bio





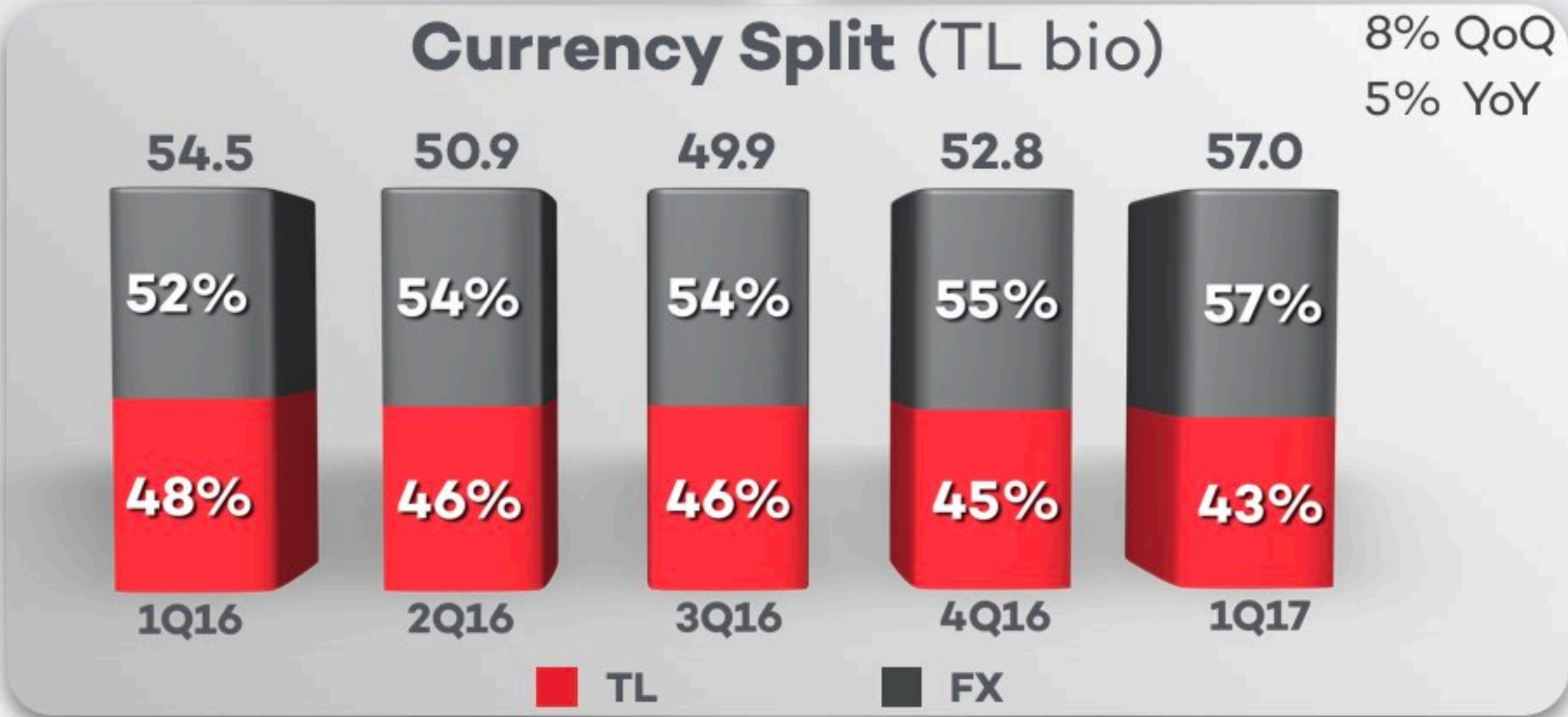
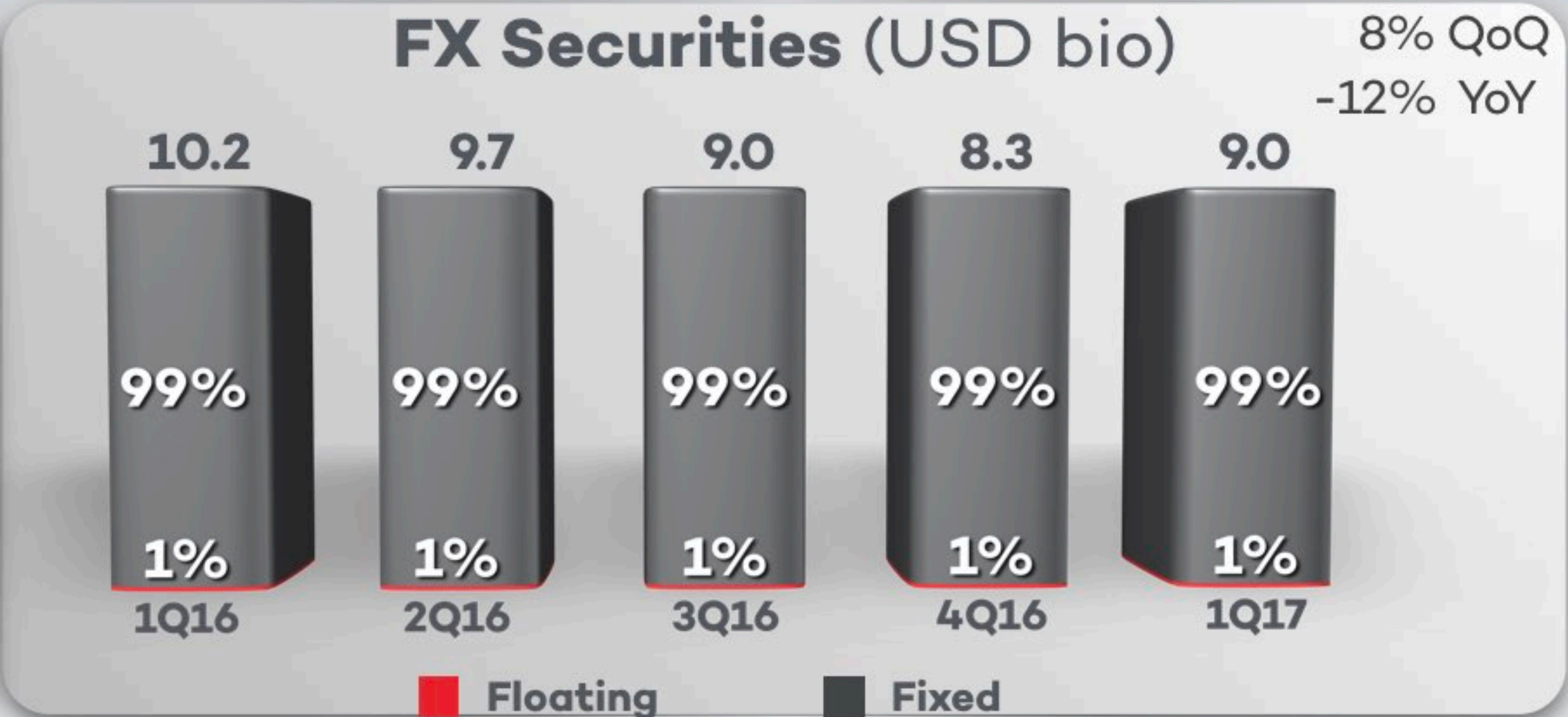
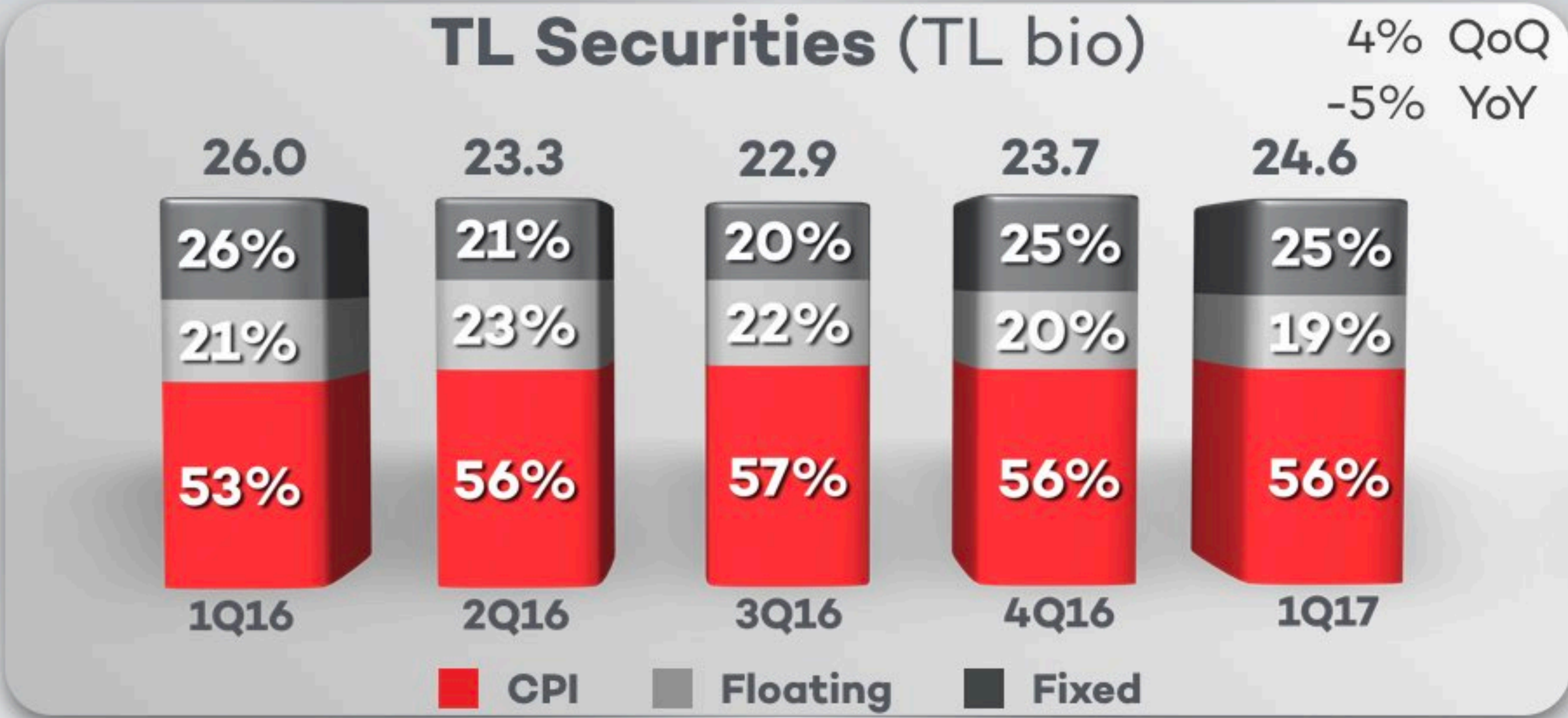
## Strong growth in TL business banking loans

(TL bio)	1Q16	2Q16	3Q16	4Q16	1Q17	QoQ (%)	YoY (%)
<b>TL Loans</b>	<b>91.9</b>	<b>97.3</b>	<b>101.3</b>	<b>105.0</b>	<b>112.5</b>	<b>7</b>	<b>22</b>
<b>Business Banking</b>	<b>52.9</b>	<b>57.3</b>	<b>61.6</b>	<b>65.1</b>	<b>71.9</b>	<b>11</b>	<b>36</b>
Corporate	15.1	16.1	17.9	20.1	22.9	14	52
Commercial	25.0	27.7	30.0	31.2	34.1	9	37
Other Business	12.9	13.5	13.7	13.7	14.9	8	16
<b>Retail</b>	<b>39.0</b>	<b>40.0</b>	<b>39.7</b>	<b>40.0</b>	<b>40.5</b>	<b>1</b>	<b>4</b>
Consumer	28.5	29.5	29.0	29.4	30.0	2	5
Credit Cards	10.5	10.5	10.6	10.6	10.6	0	1
(USD bio)							
<b>FX Loans</b>	<b>22.5</b>	<b>22.0</b>	<b>22.6</b>	<b>21.1</b>	<b>20.6</b>	<b>(3)</b>	<b>(9)</b>
Corporate	14.7	14.1	14.5	13.8	13.7	(3)	(9)
Commercial	7.8	7.9	8.1	7.3	7.2	(2)	(7)
<b>Total Loans (TL bio)</b>	<b>154.7</b>	<b>160.1</b>	<b>169.1</b>	<b>178.9</b>	<b>186.6</b>	<b>4</b>	<b>21</b>

FX indexed loans are shown under FX loans



# Benefiting from strategic treasury management both in liquidity and profitability



32% HtM,  
68% AFS

MtM Valuation in  
Equity net,  
(-) TL 0.6 bio



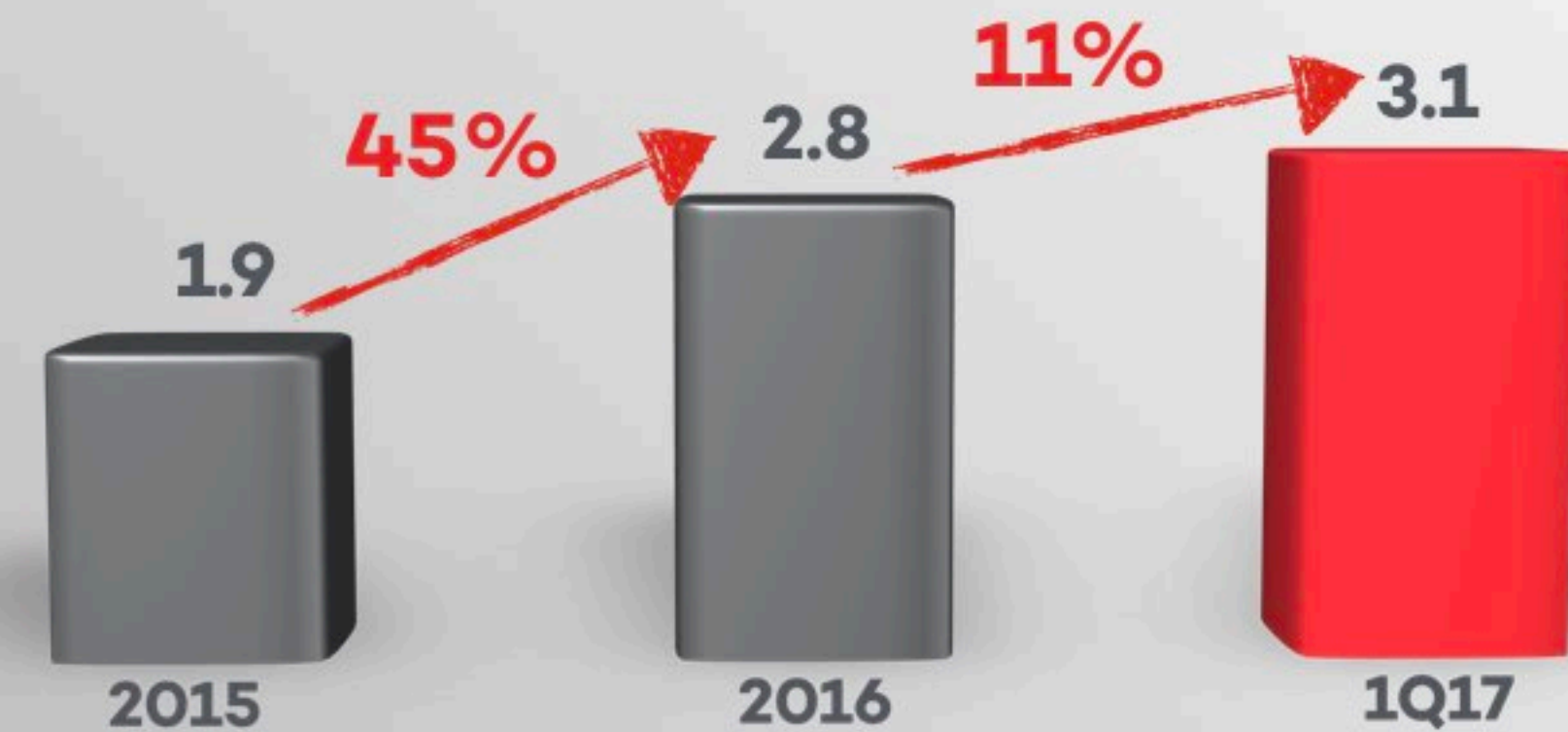
# Best Mobile Banking – Akbank Direkt

## Mobile Banking Penetration (%)

Over USD  
100mio  
investment  
in IT&digital  
each year

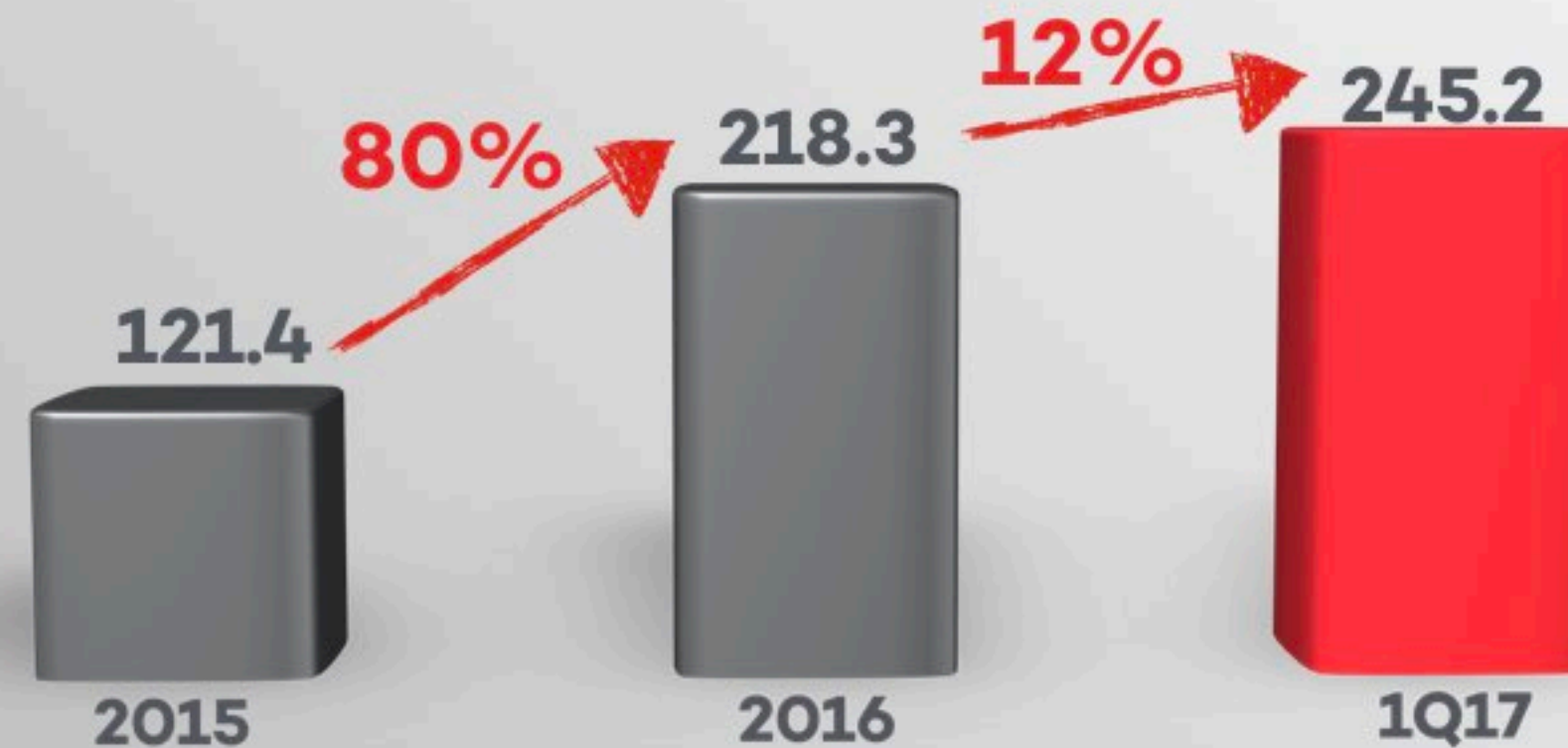


## Total Mobile Customers (mio)



**Significant increase  
in mobile banking  
penetration up to  
43% as of March  
2017**

## # of Transactions in Mobile Channels (mio, monthly)

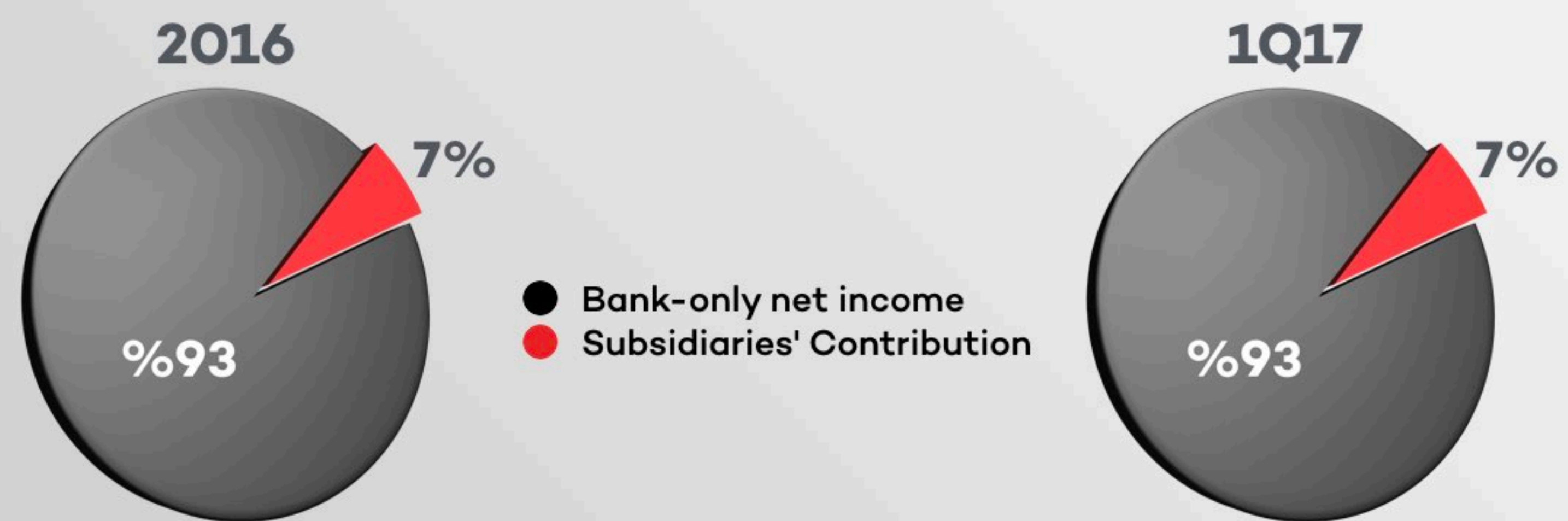


**43% of GPL  
origination is fully  
digital through  
Direct channels\***

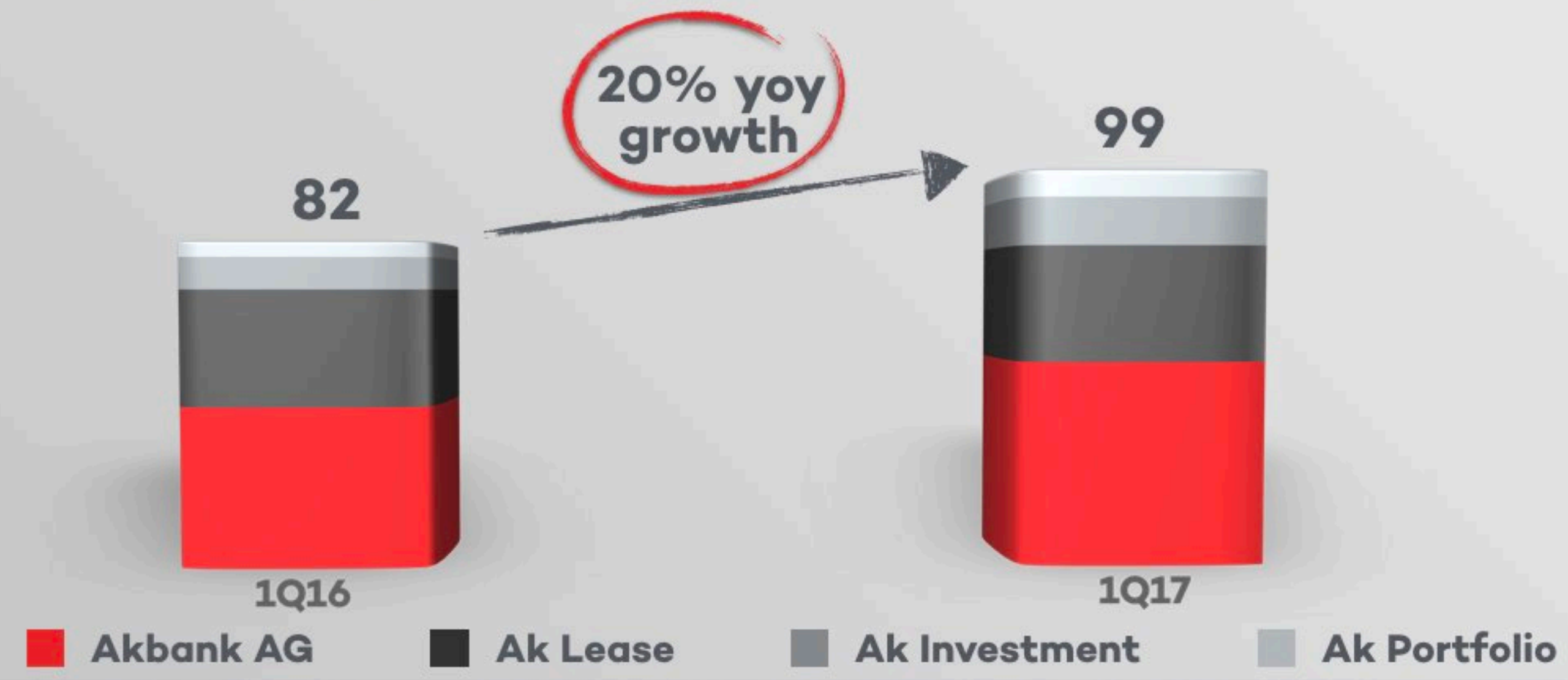
\*Direct channels include Call Center, Internet Banking, Mobile Banking and Web



# Subsidiaries net income is up by 20% YoY



Subsidiaries' Net Income (TL mio)





# Significant growth in TL corporate lending

**5.4x**  
Cross Sell in  
Corporate  
Loans

**TL Loans (TL bio)**

+14% QoQ  
+52% YoY



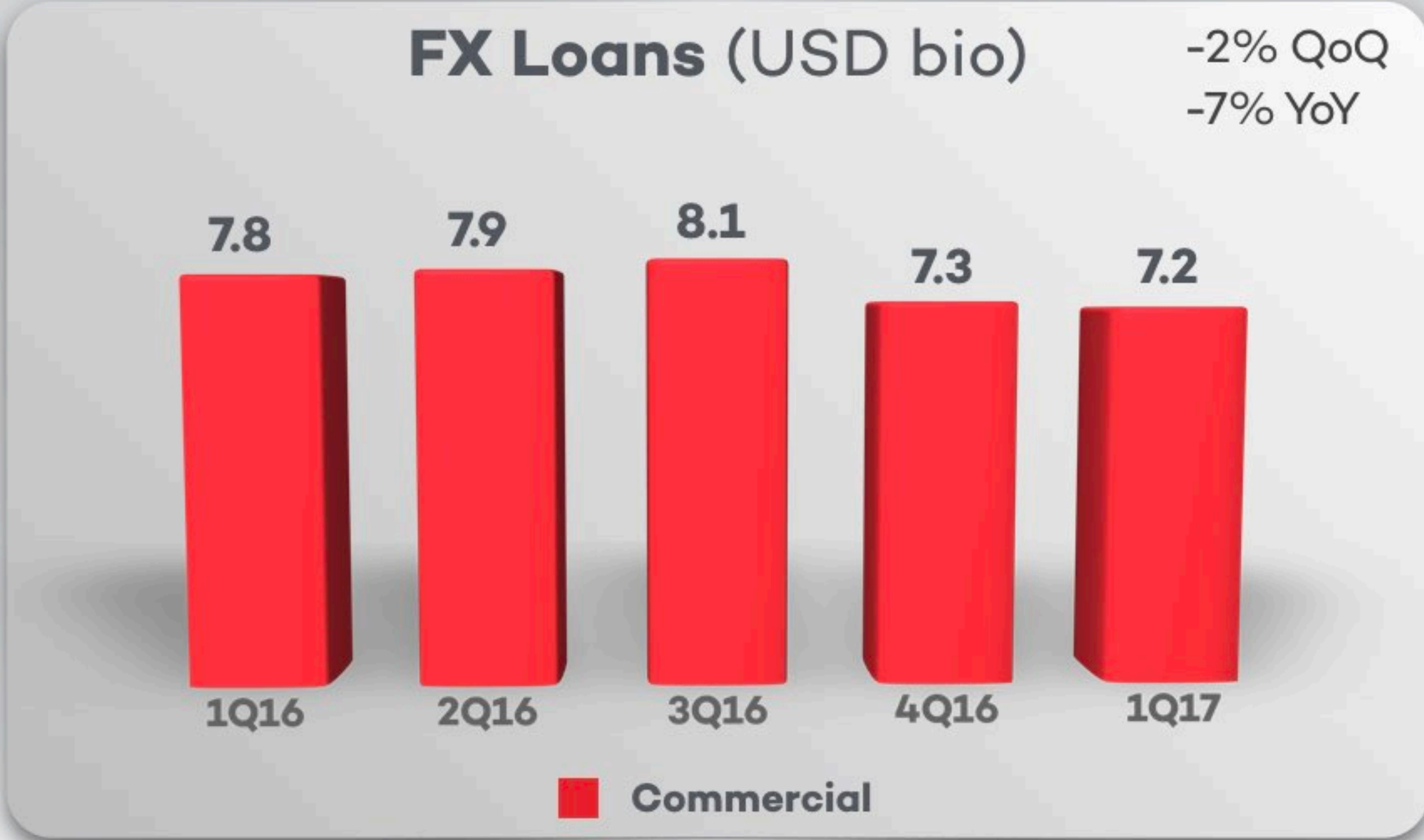
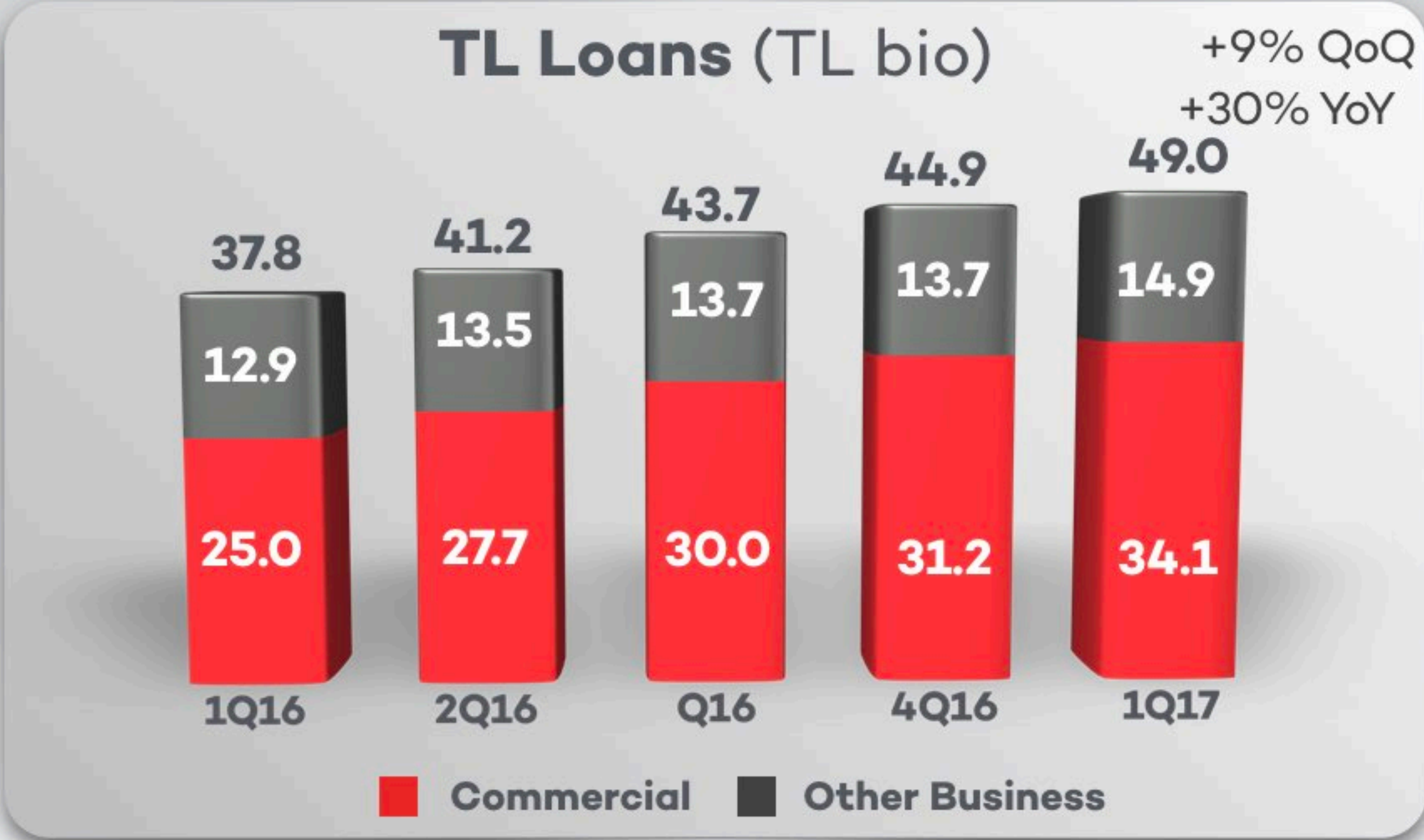
**FX Loans (USD bio)**

-3% QoQ  
-9% YoY





# Double digit growth in TL commercial loans

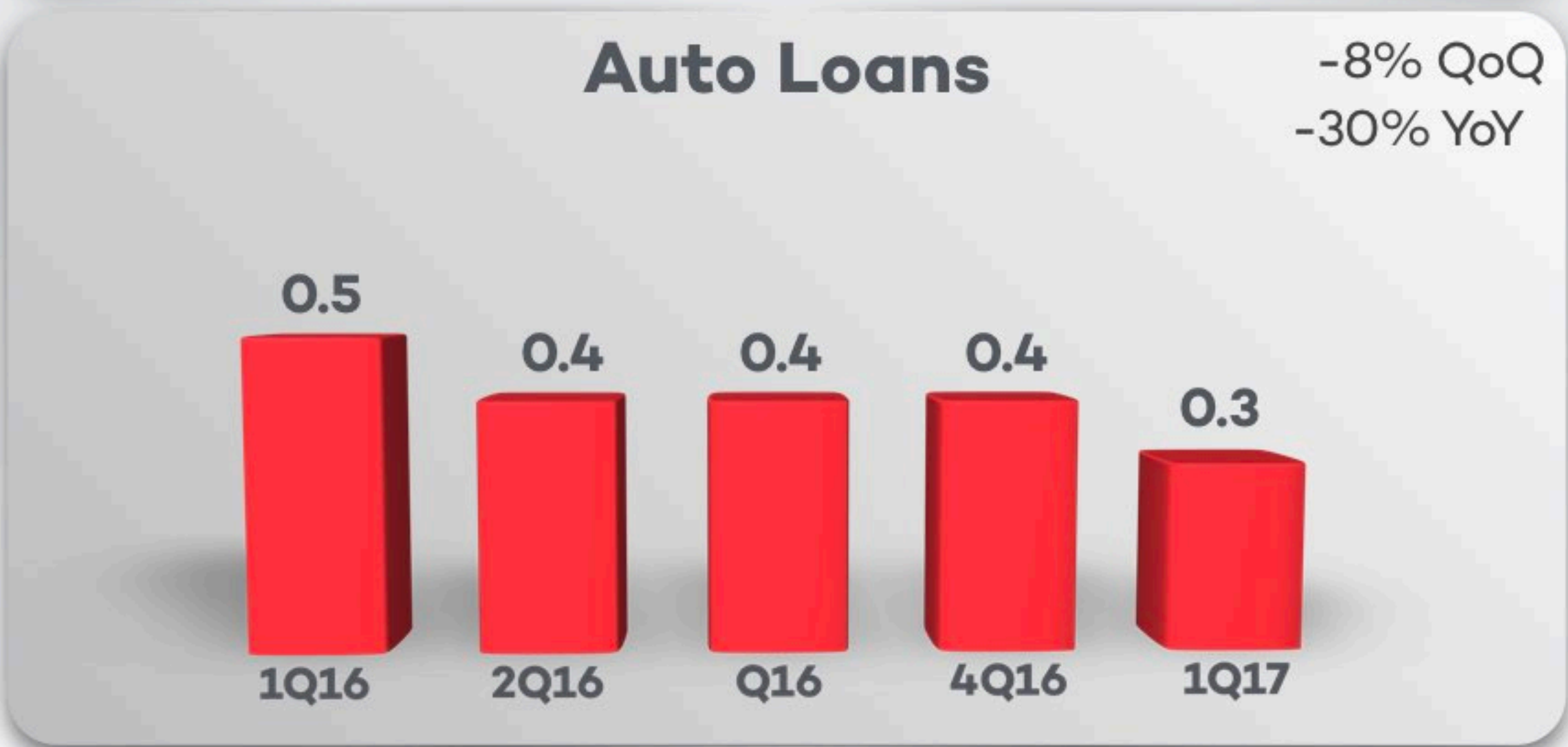
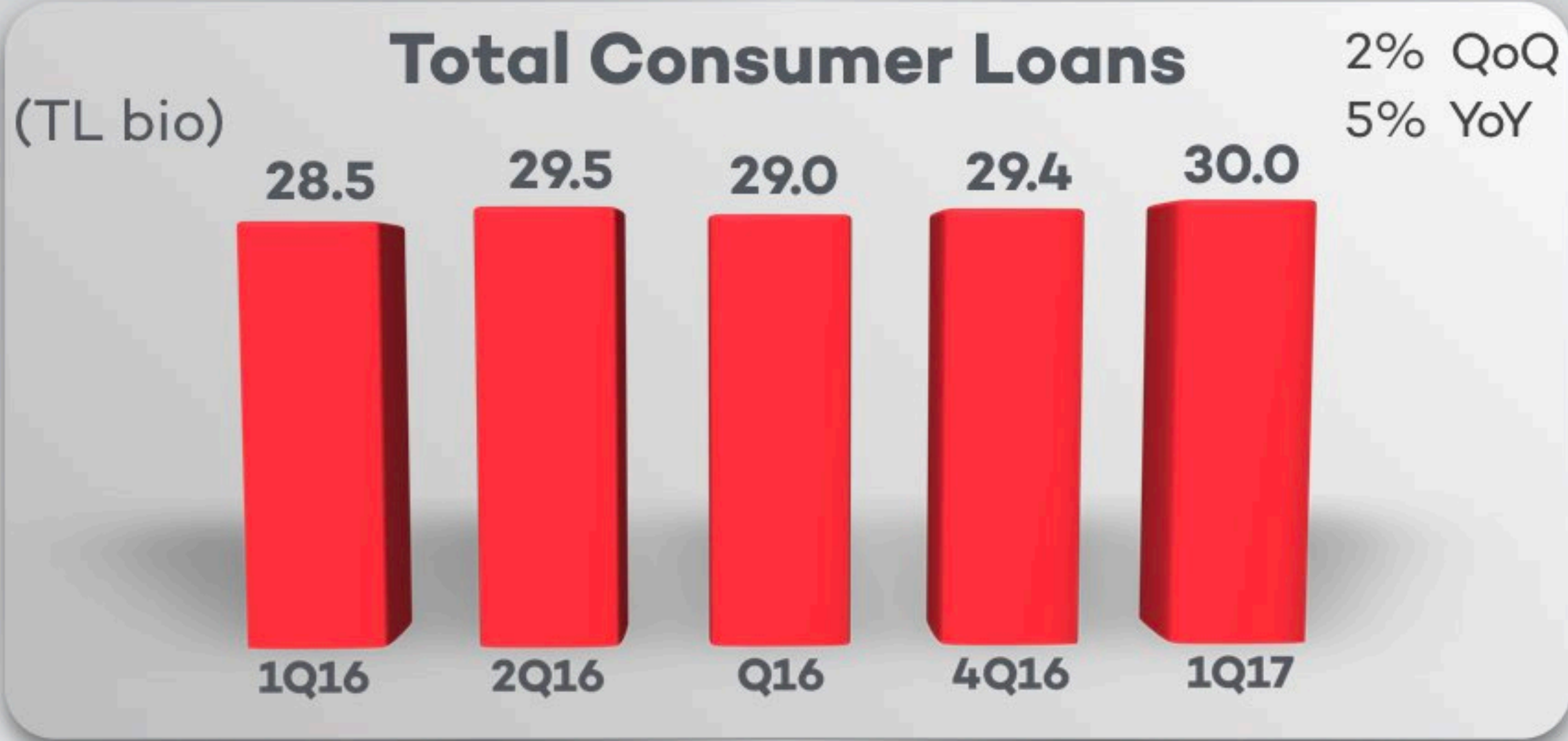


**37% YtD**  
Growth in TL  
Commercial loans

**5.6x** Cross Sell in  
Commercial  
Loans



# Stable market share in GPLs





# Healthy Credit Cards portfolio

(TL bio)

## Credit Card Loans

0% QoQ  
1% YoY



## Credit Cards Issuing Volume

-3% QoQ  
+12% YoY



## Credit Cards Acquiring Volume

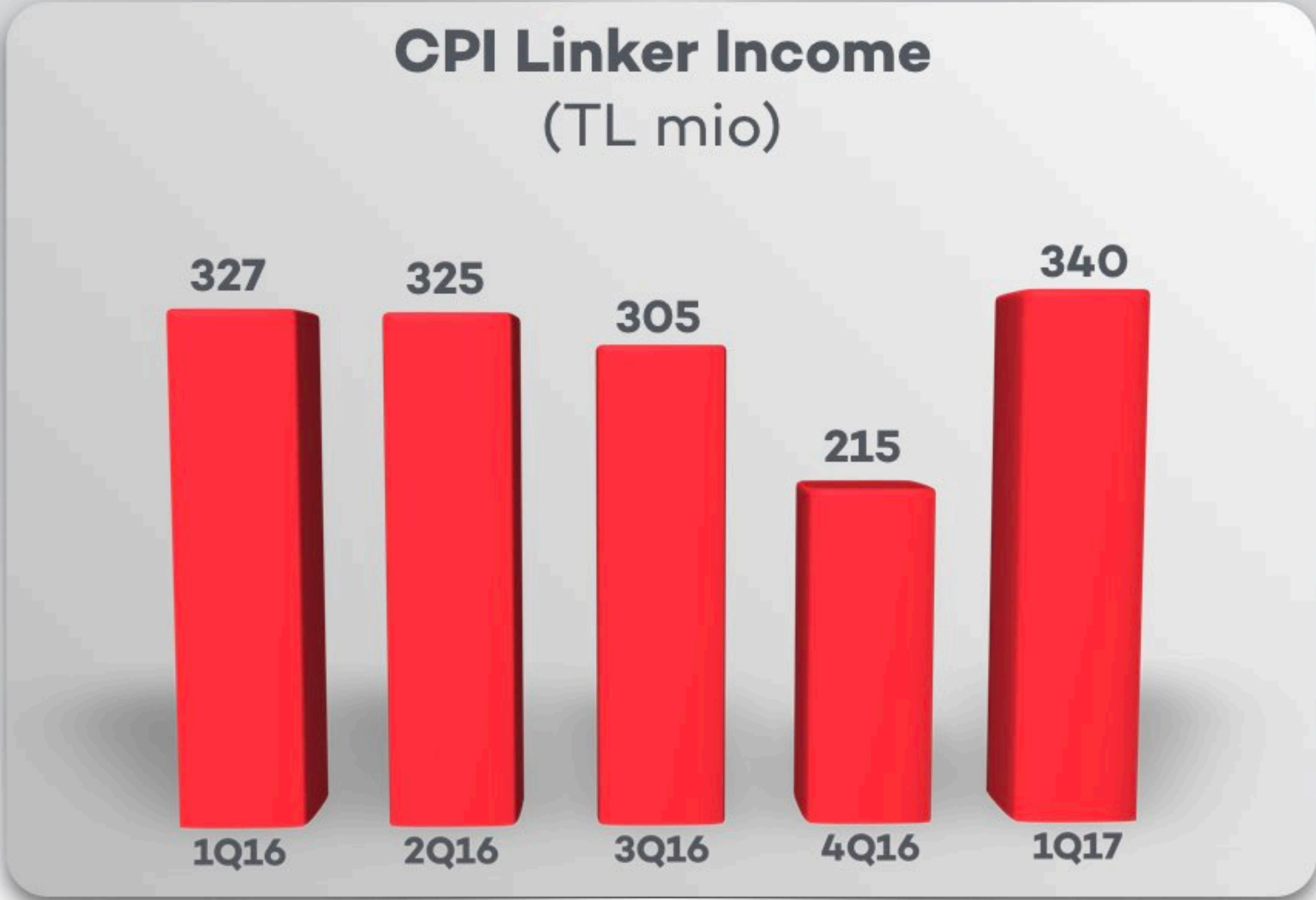
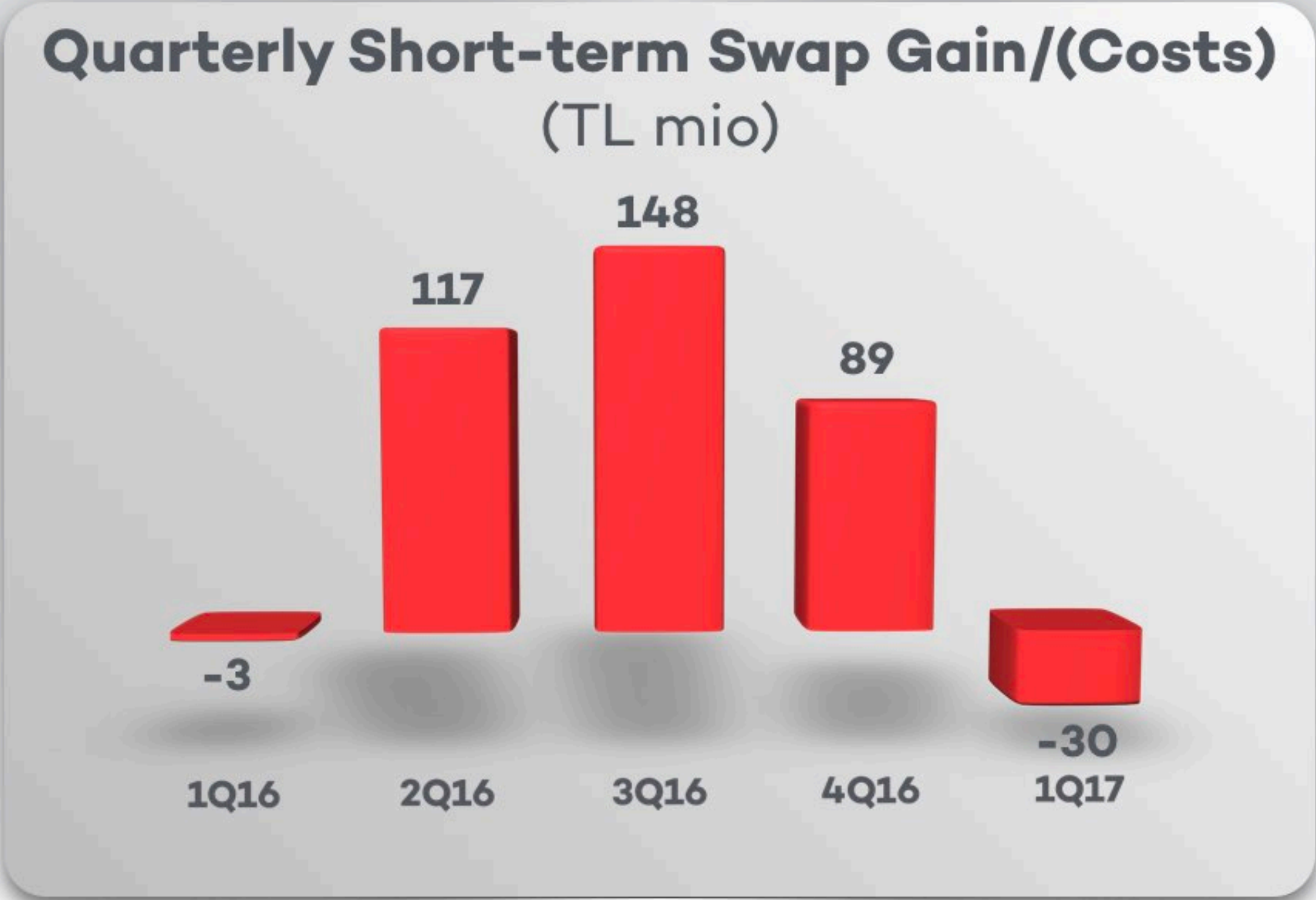
0% QoQ  
+19% YoY



■ Volume    — Market share (%)



# Swap Gains/(Costs) & CPI Linkers Income



\*Based on our 8% annual inflation estimate





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