

2Q17

Consolidated

Financial Results

26 July 2017

AKBANK

2Q17: On track to beat 2017FY targets...

- ▶ Recorded **+22%** YoY increase in NI at **TL 3.023mn** → supported by accelerated fee income & solid NII
- ▶ ROE reached **17.2%**, ROA at **2.0%** → high profitability with low risk
- ▶ COR declines further to **38bps** → thanks to our forward thinking growth strategy
- ▶ LDR at **101%** → avoiding overstretched balance sheet
- ▶ CAR at **16.0%** & TIER I at **14.2%** → best in class & well above regulatory requirements
- ▶ Attracted over **580K** new bank customers in 1H17 vs. 2016YE → thanks to successful acquisition of payroll and credit card customers

ROE advanced further

Net Income (TL mn)



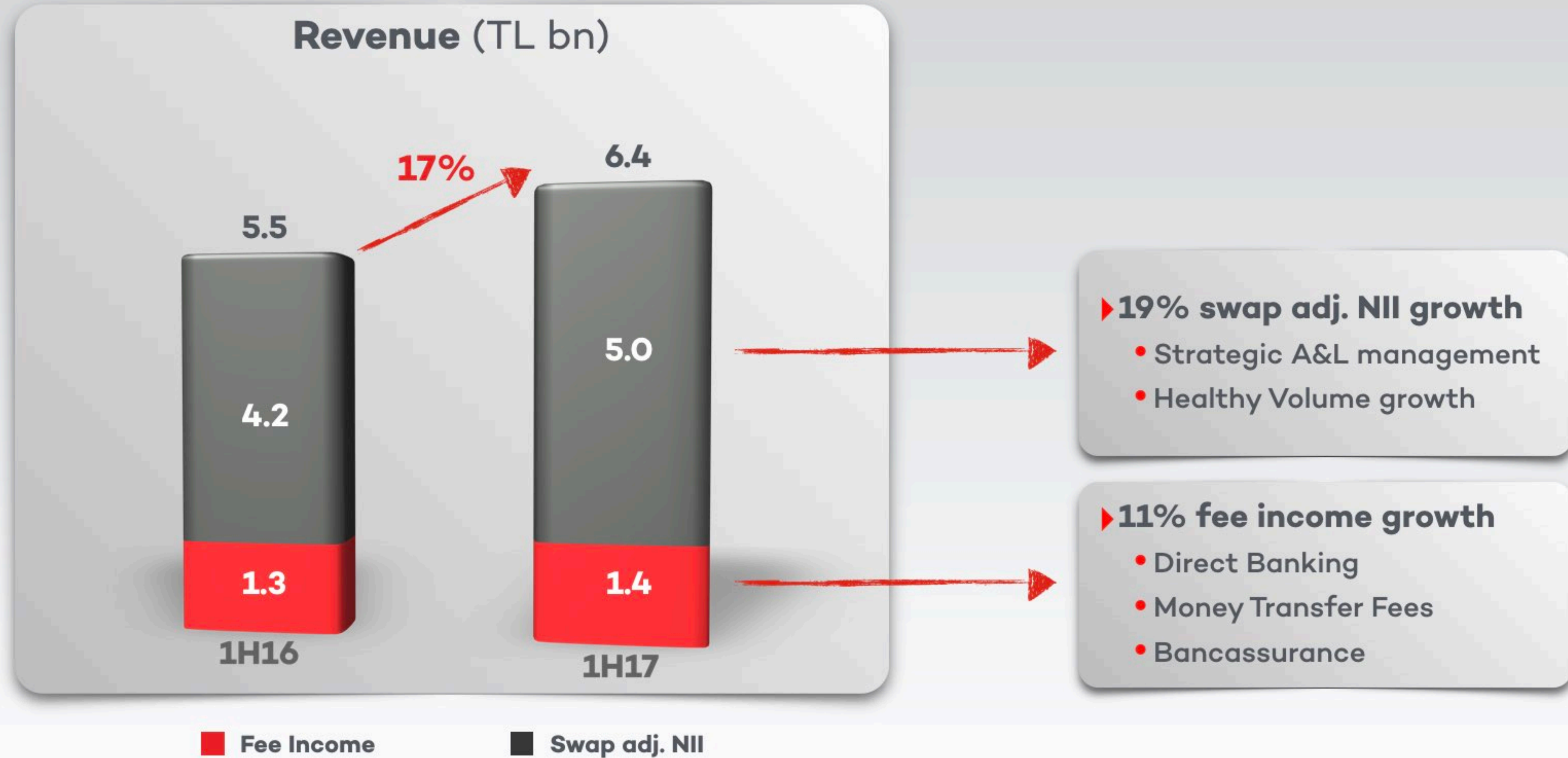
Tangible ROE is even
HIGHER at **18%**

ROE Evolution (%)

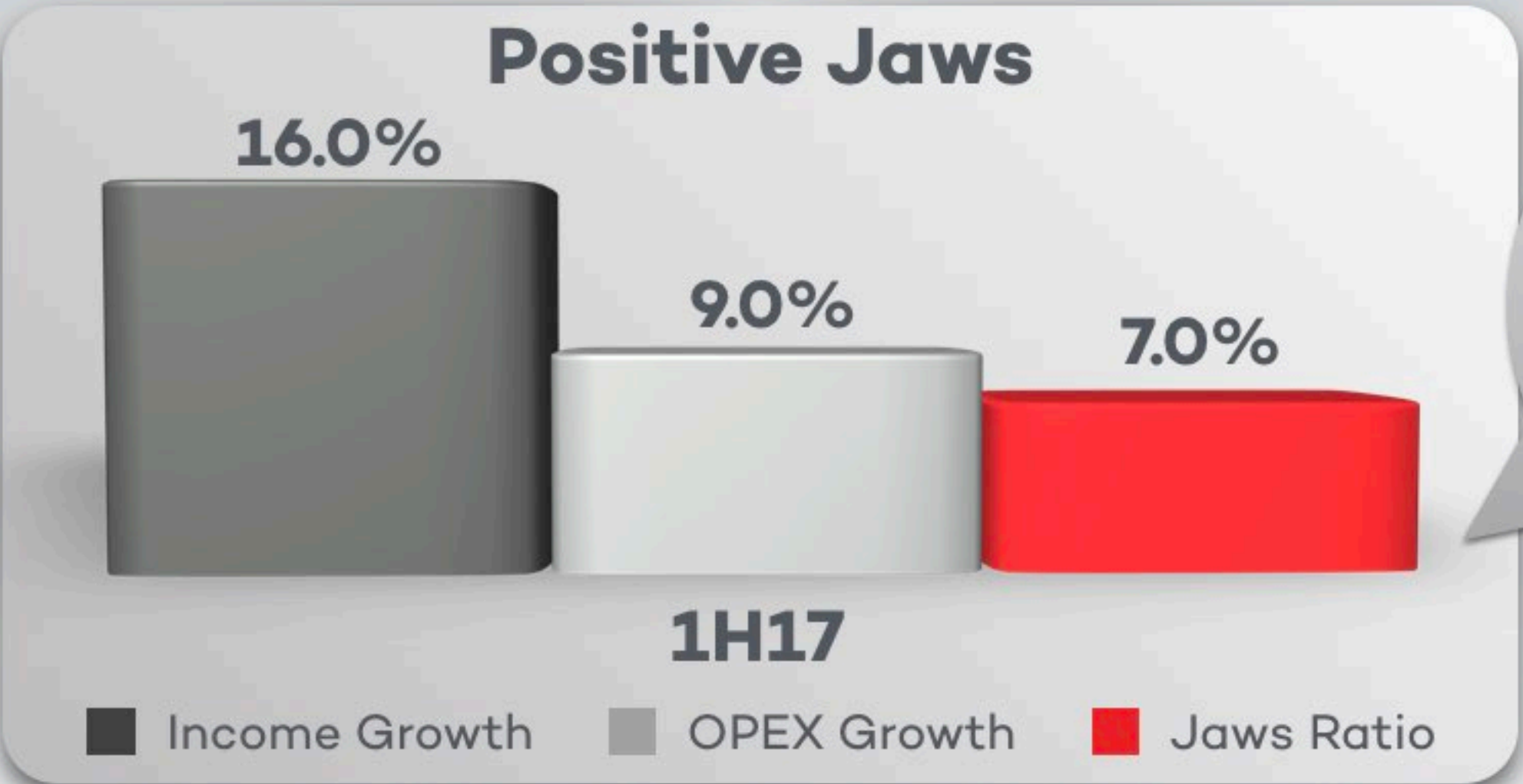


ROE is adjusted with one-offs including fee rebates, visa gains and fines for all quarters

Revenue growth driven by robust NII



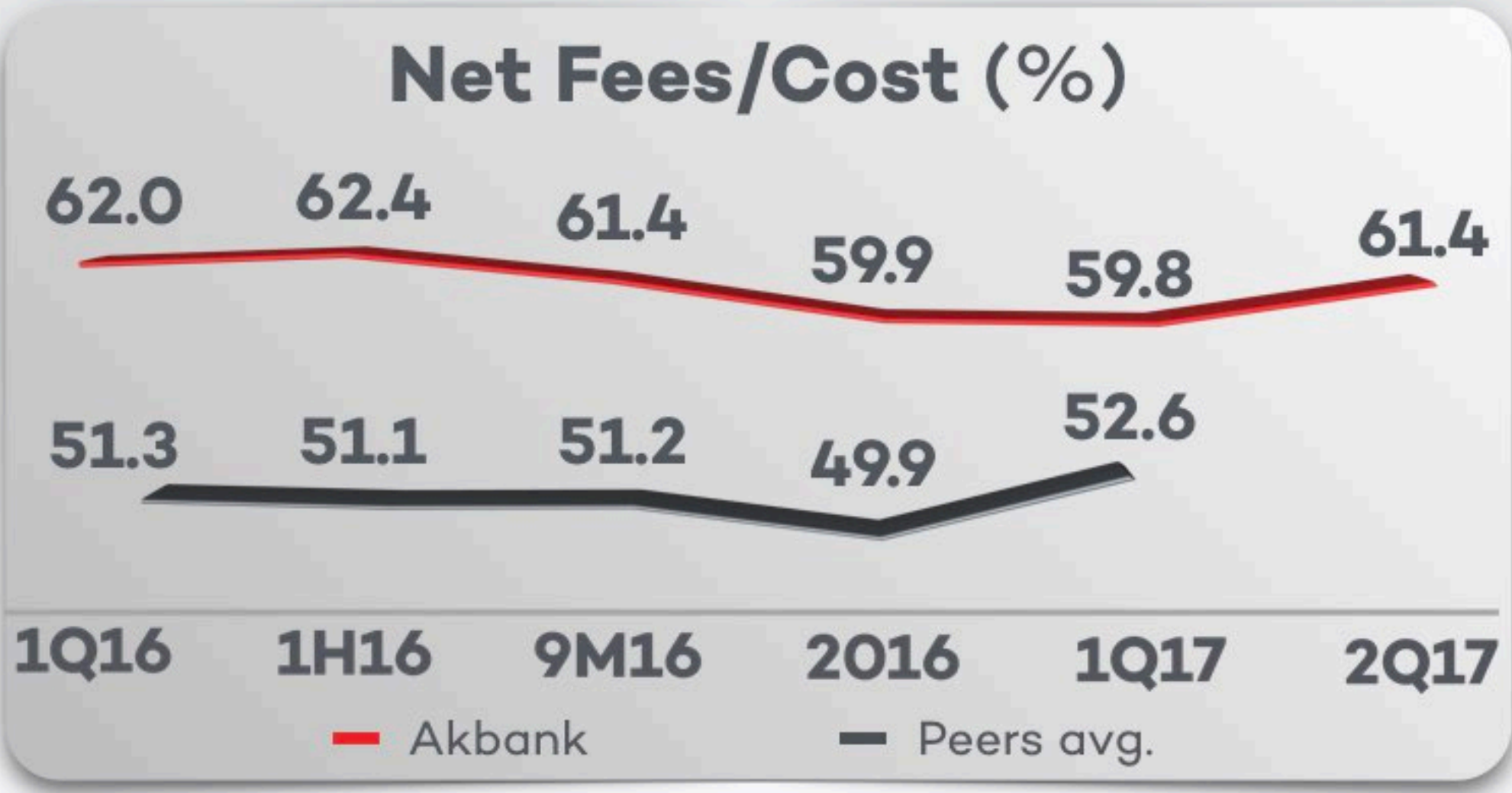
Further efficiency gains driven by Revenue & Volume Growth



Positive Jaws of 7%



CIR is one of the lowest globally



In cost ratio calculations, non-operational items and one-offs excluded

Well managed NIM with targeted lending growth

Cumulative NIM



NIM impact breakdown (bps)



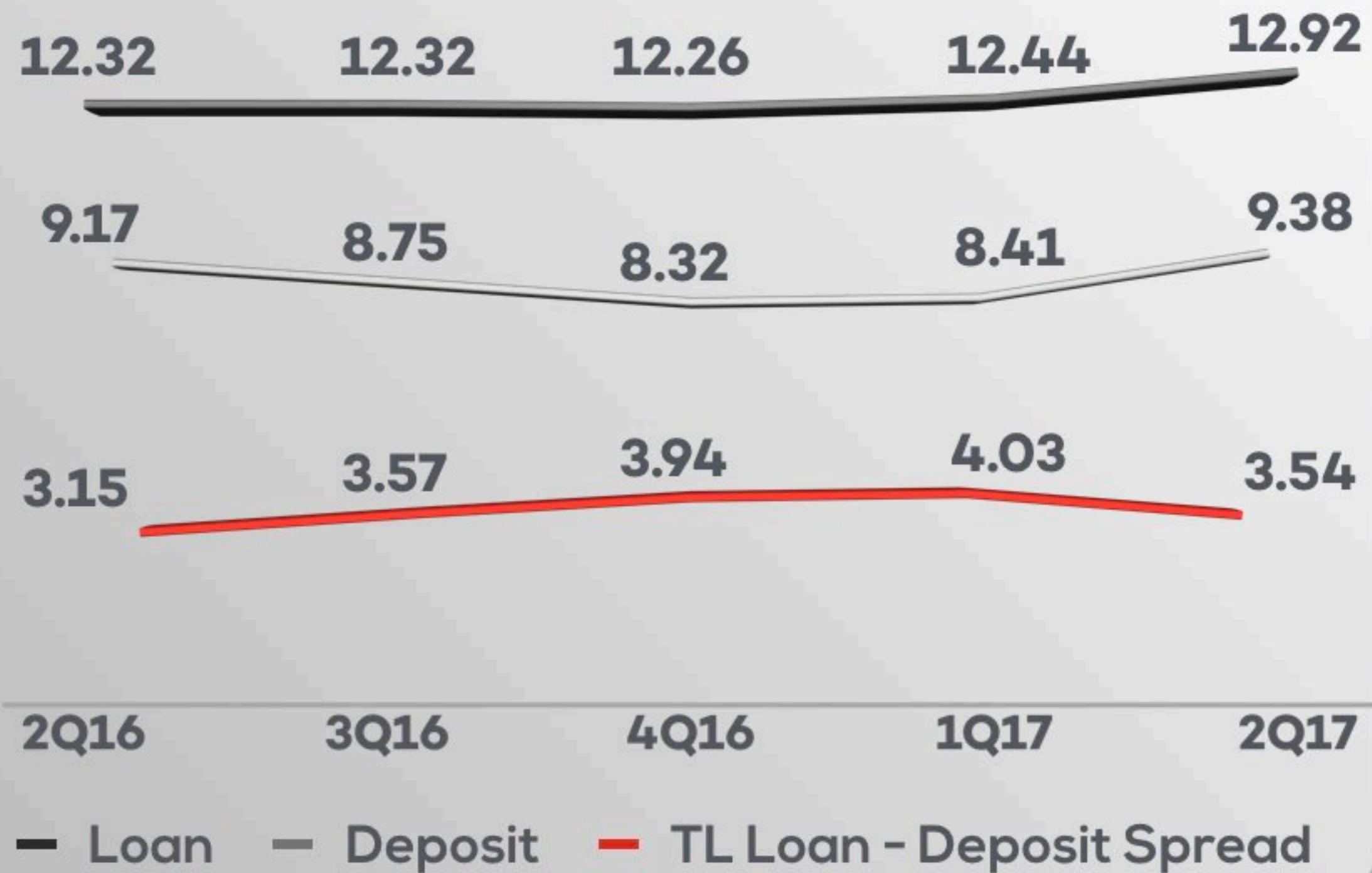
CPI Linkers income calculated with
9.5% inf. estimate, up from 8%

UPSIDE risk in CPI linker income

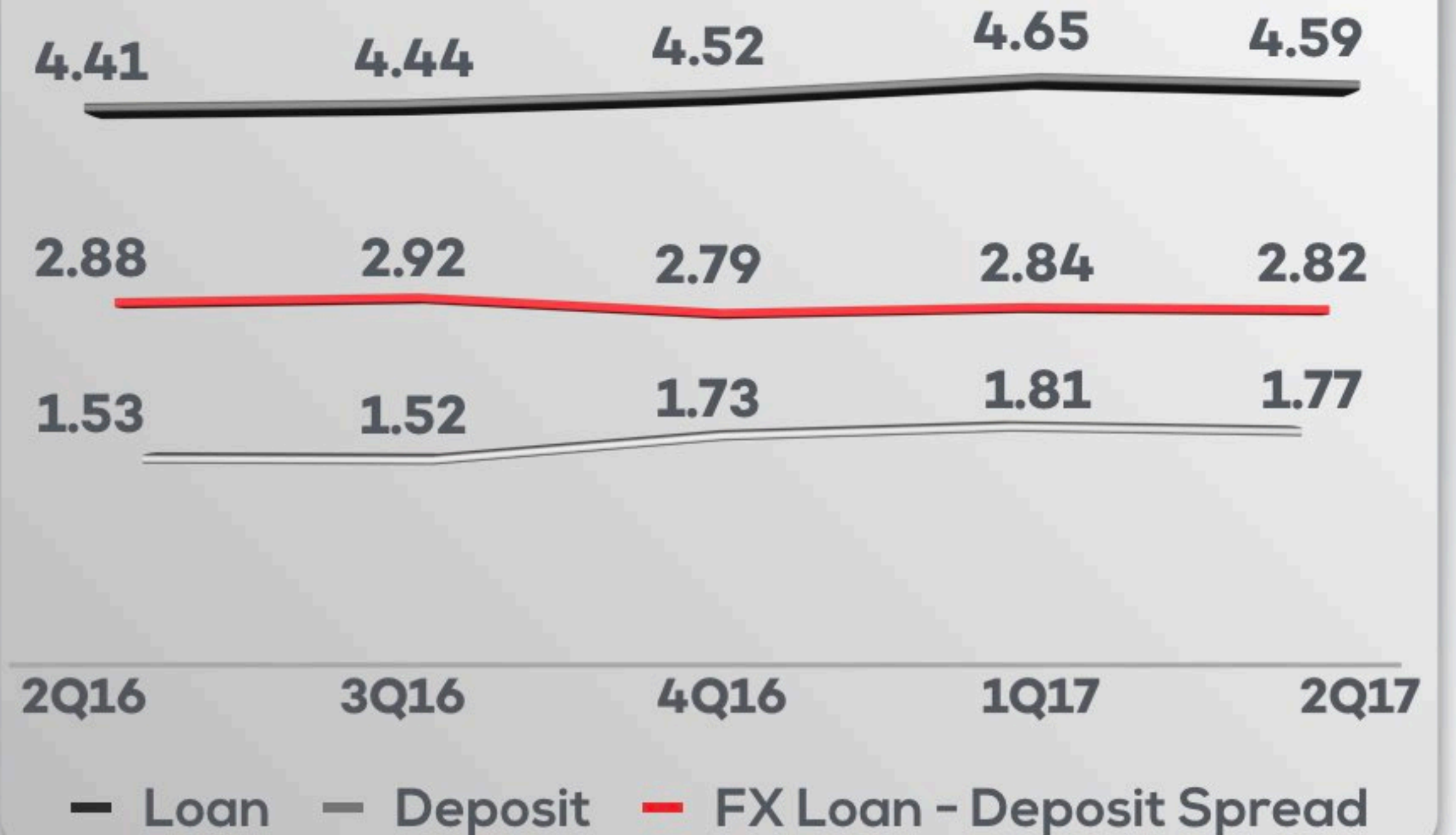
Yield enhancement
continues in all
segments

Limited Core Spread Contraction through proactive A&L management

Quarterly TL Loan Yield & Deposit Cost



Quarterly FX Loan Yield & Deposit Cost

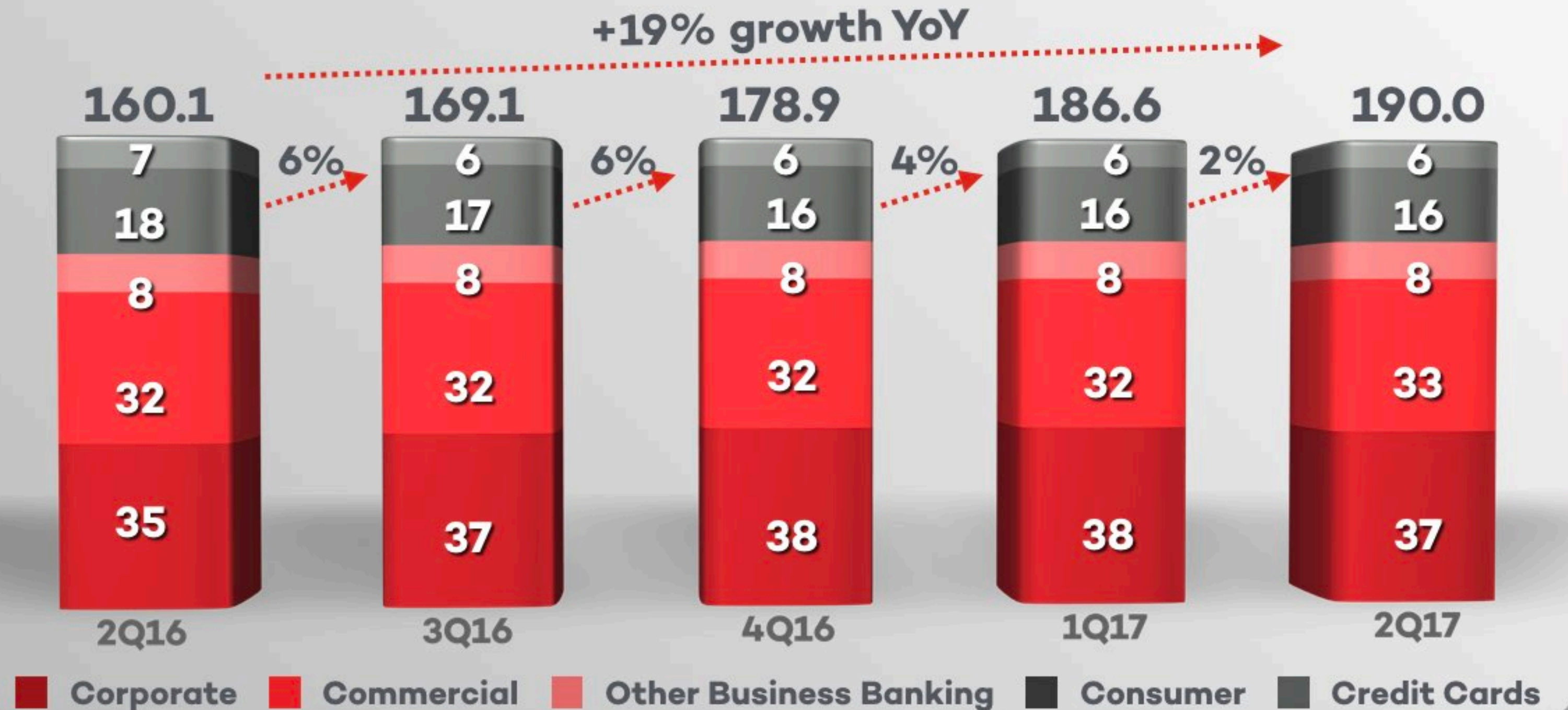


Strategic Lending Mix Management

Total Loans (TL/USD bn)



Loan Breakdown by segments (TL bn)



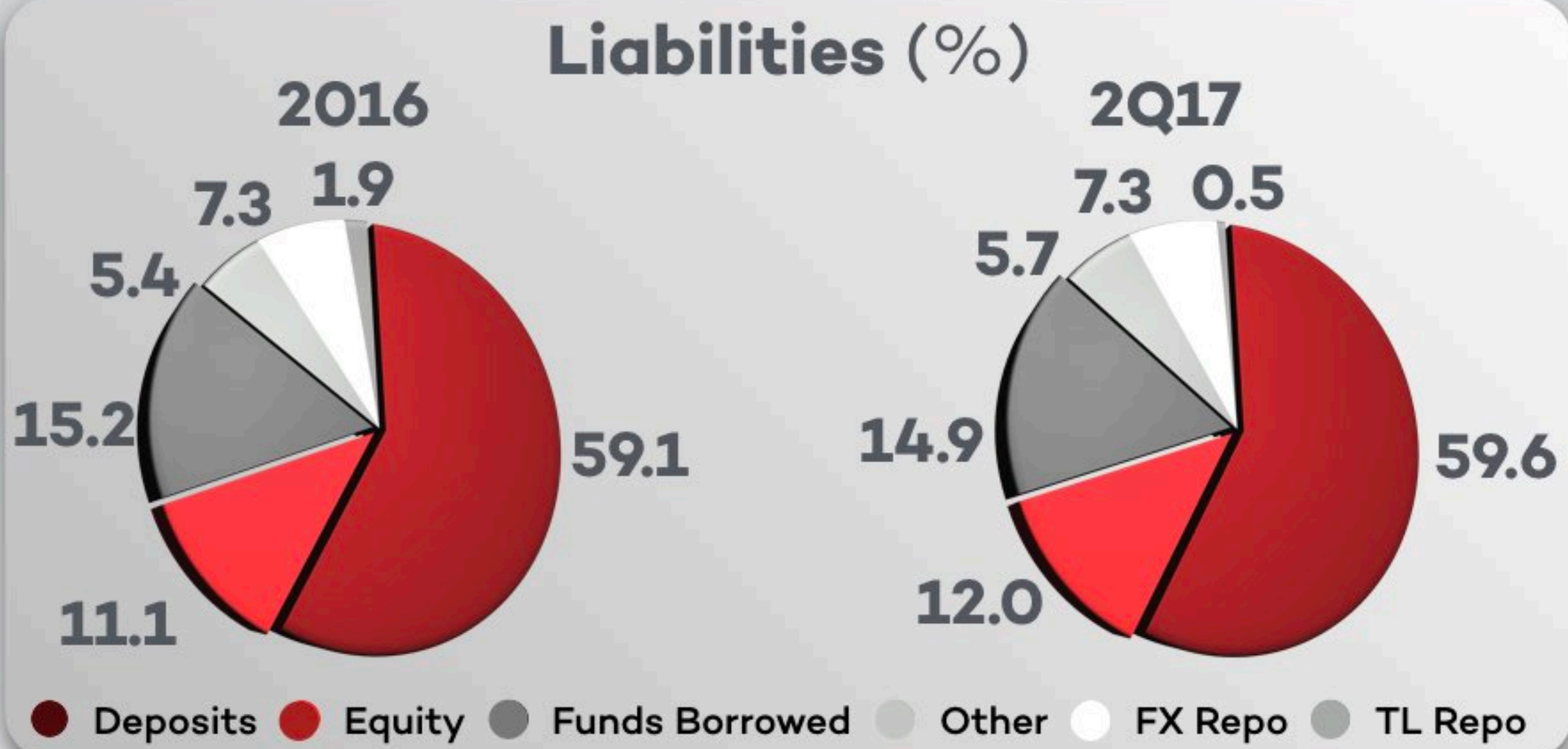
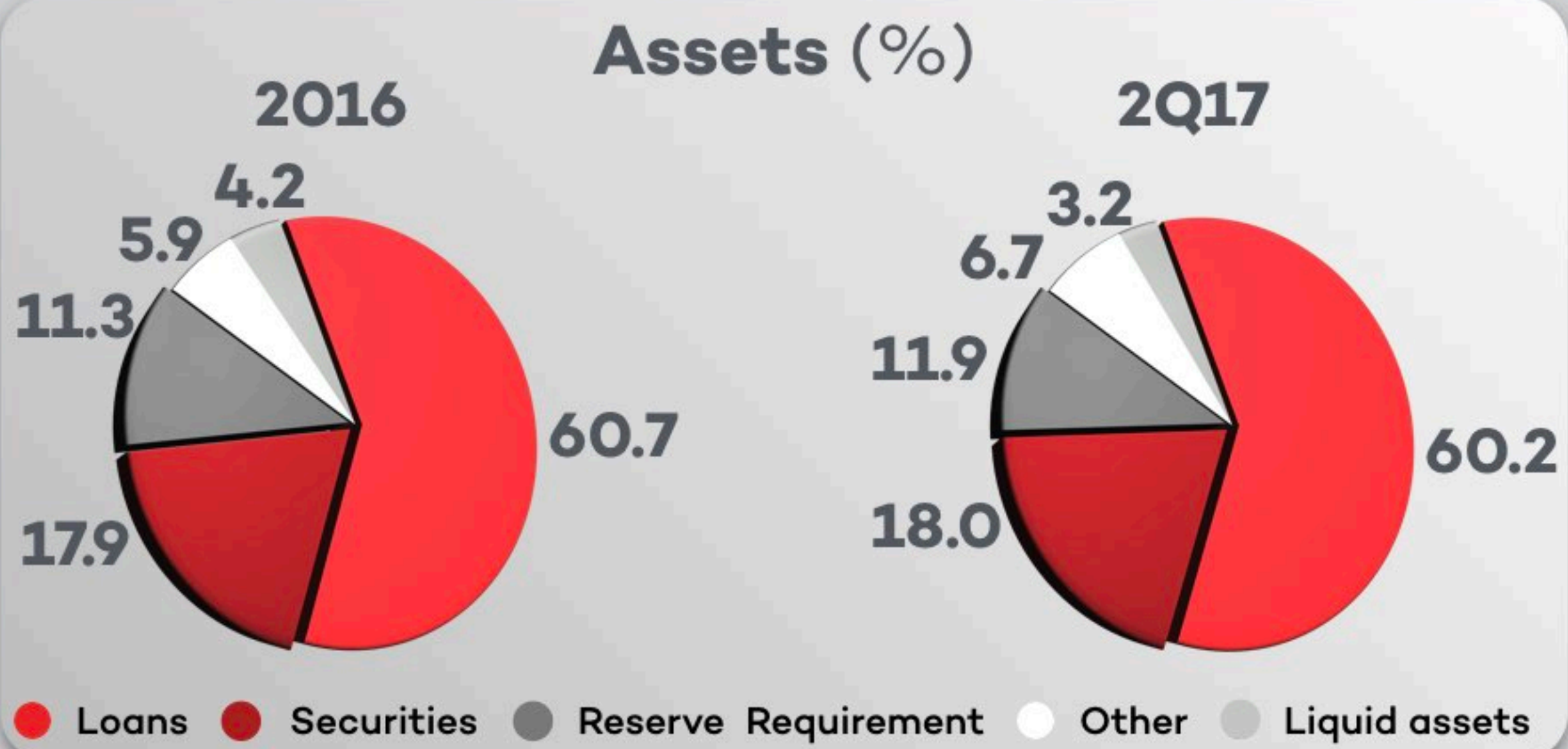
- ▶ CGF utilization reached to TL11bn with low probability of default c.5% before collections vs. guaranteed 7% net of collections
- ▶ Already highly collateralized SME loan portfolio (75%)

Growth led by TL business banking loans

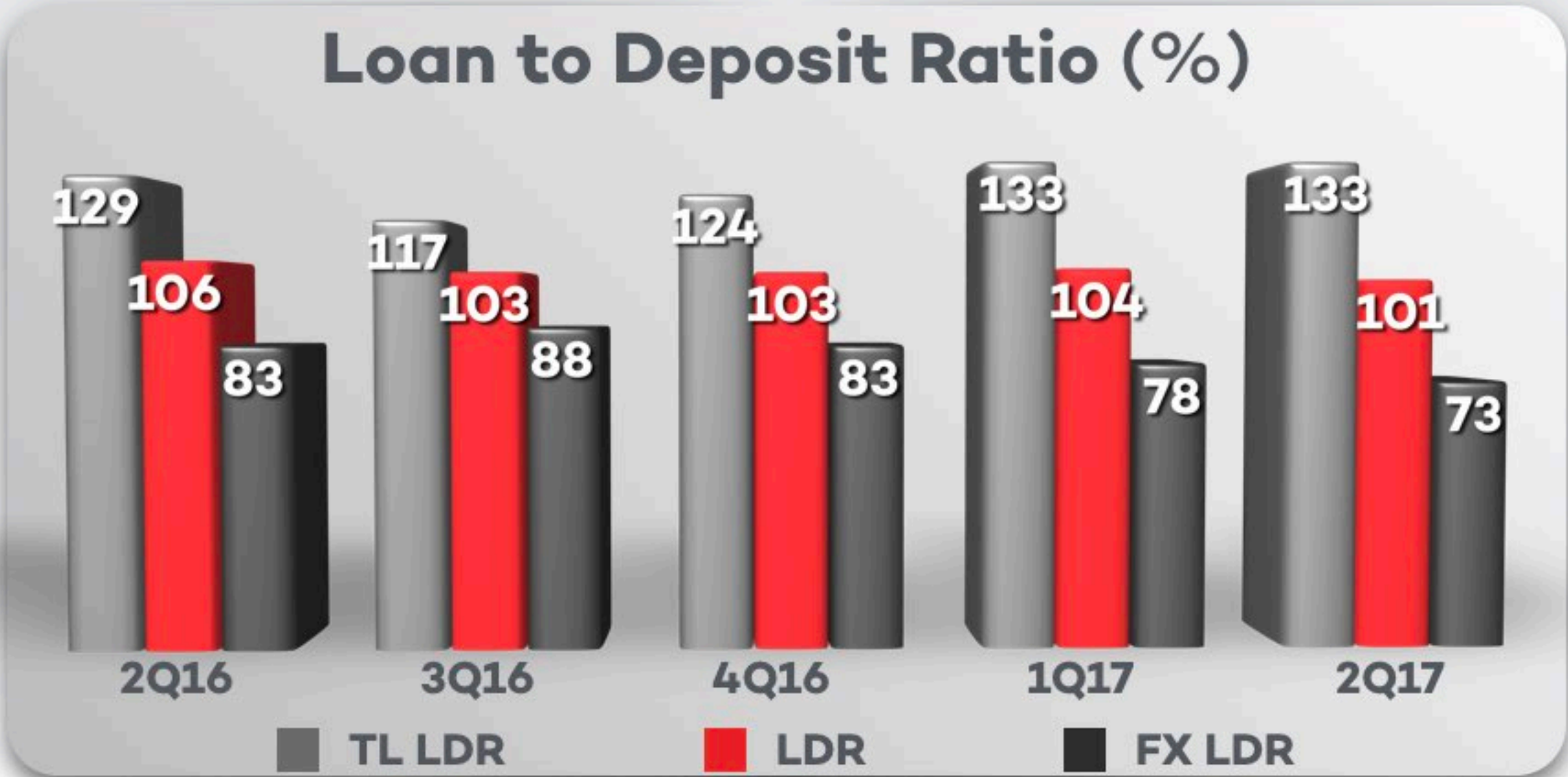
(TL bn)	2Q16	3Q16	4Q16	1Q17	2Q17	YtD (%)	YoY (%)
TL Loans	97.3	101.3	105.0	112.5	116.6	11	20
Business Banking	57.3	61.6	65.1	71.9	75.8	17	32
Corporate	16.1	17.9	20.1	22.9	22.5	12	40
Commercial	27.7	30.0	31.2	34.1	37.2	19	34
Other Business	13.5	13.7	13.7	14.9	16.1	17	20
Retail	40.0	39.7	40.0	40.5	40.8	2	2
Consumer	29.5	29.0	29.4	30.0	30.1	2	2
- GPL	15.0	15.3	15.5	15.6	16.1	4	7
- Mortgage	14.0	13.4	13.5	14.0	13.7	1	(2)
- Auto	0.4	0.4	0.4	0.3	0.3	-	-
Credit Cards	10.5	10.6	10.6	10.6	10.7	0	1
(USD bn)							
FX Loans	22.0	22.6	21.1	20.6	21.0	(1)	(5)
Corporate	14.1	14.5	13.8	13.7	13.7	(1)	(3)
Commercial	7.9	8.1	7.3	7.2	7.3	(1)	(8)
Total Loans (TL bn)	160.1	169.1	178.9	186.6	190.0	6	19

FX indexed loans are shown under FX loans

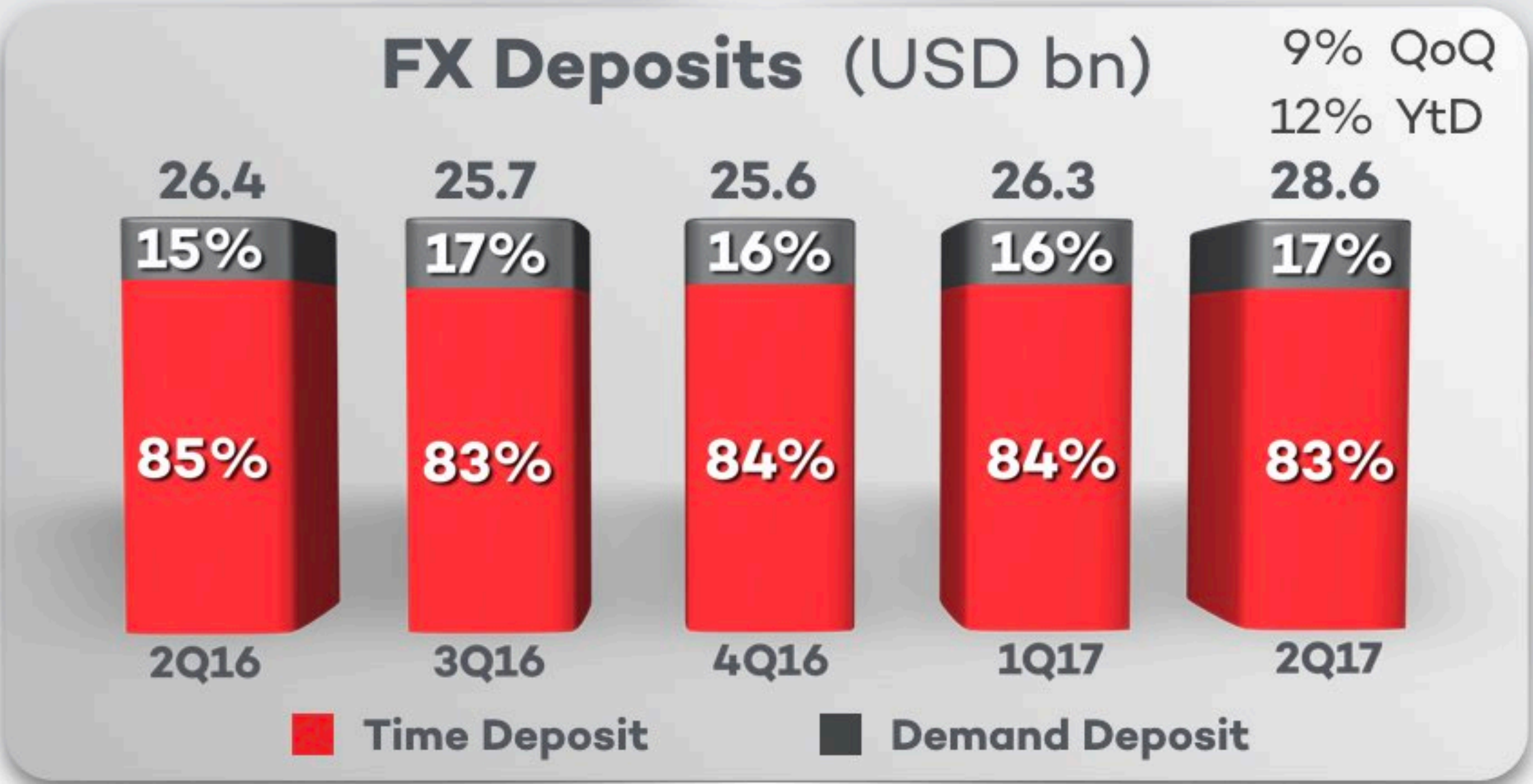
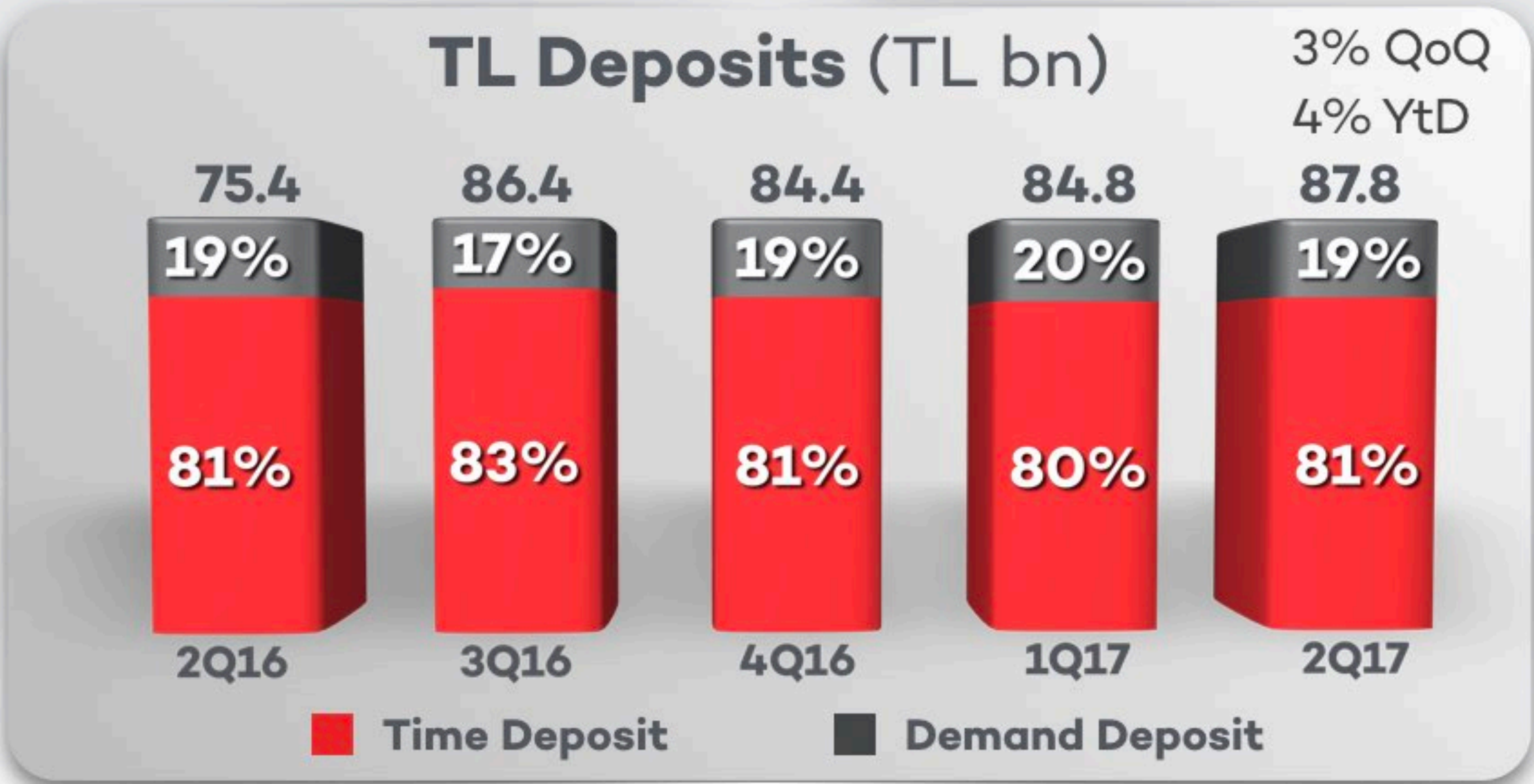
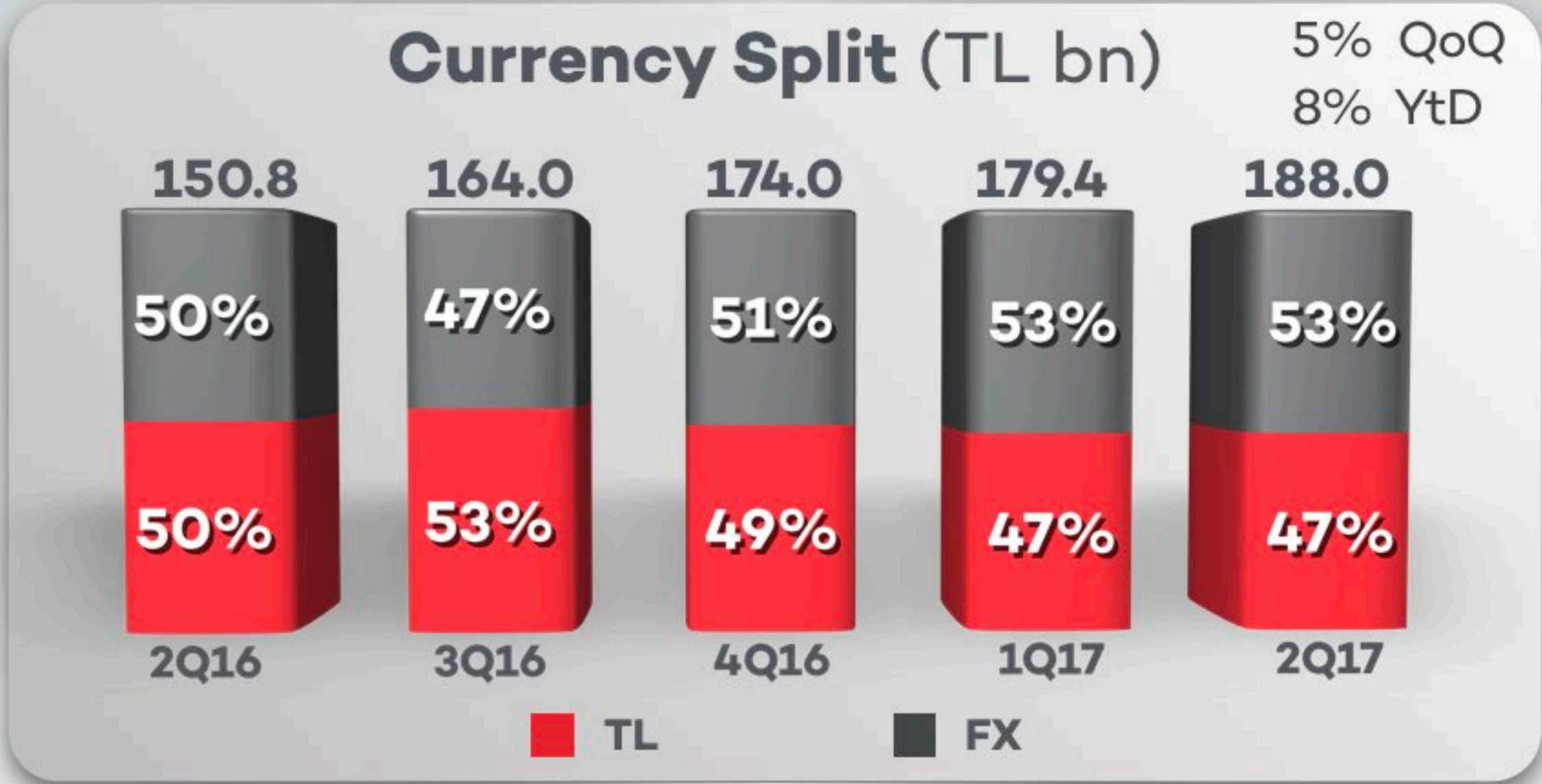
Well funded & Highly liquid balance sheet



Lowest LDR of 101% vs. sector avg. of 121%

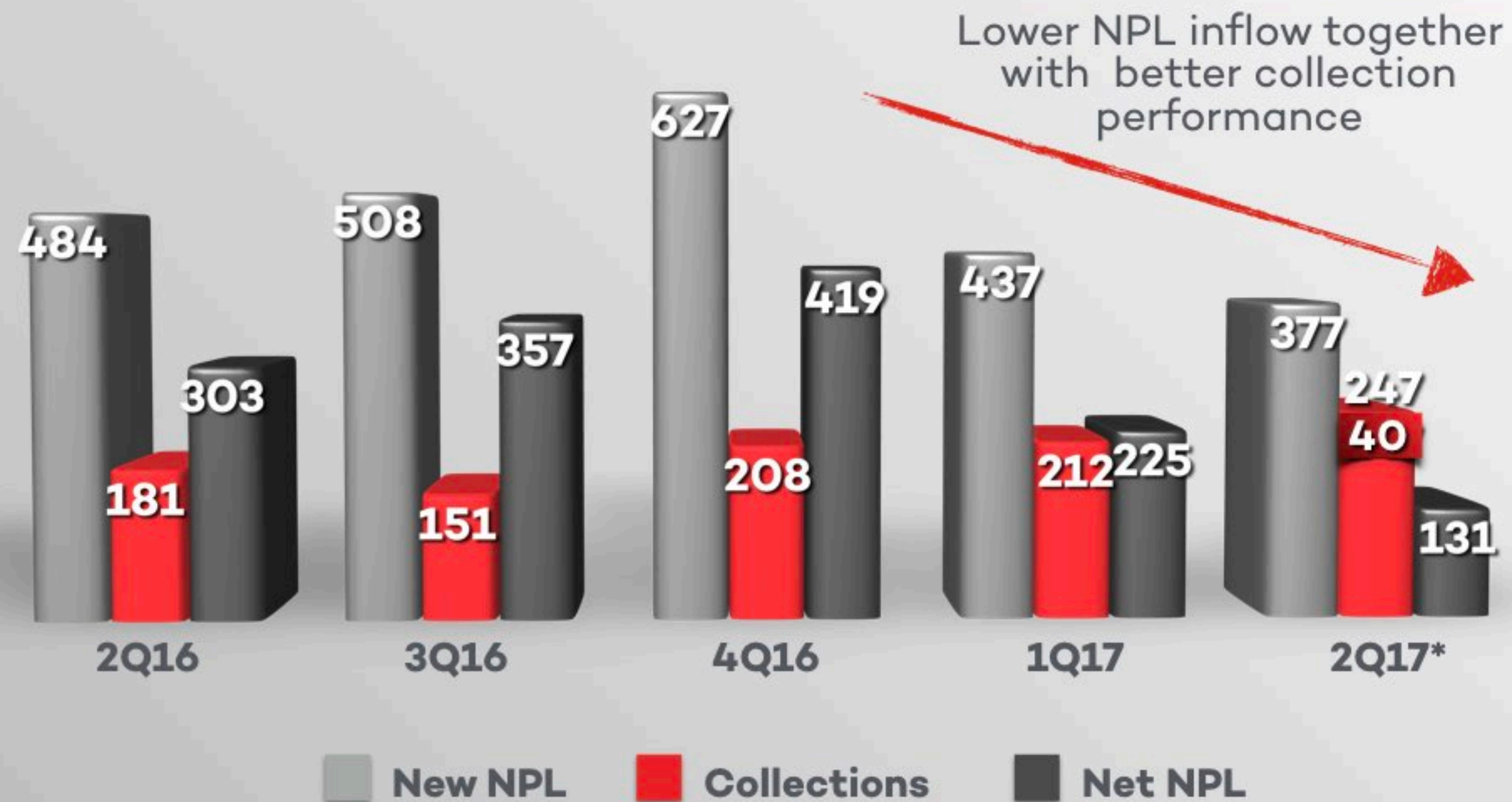


Solid Deposit Mix



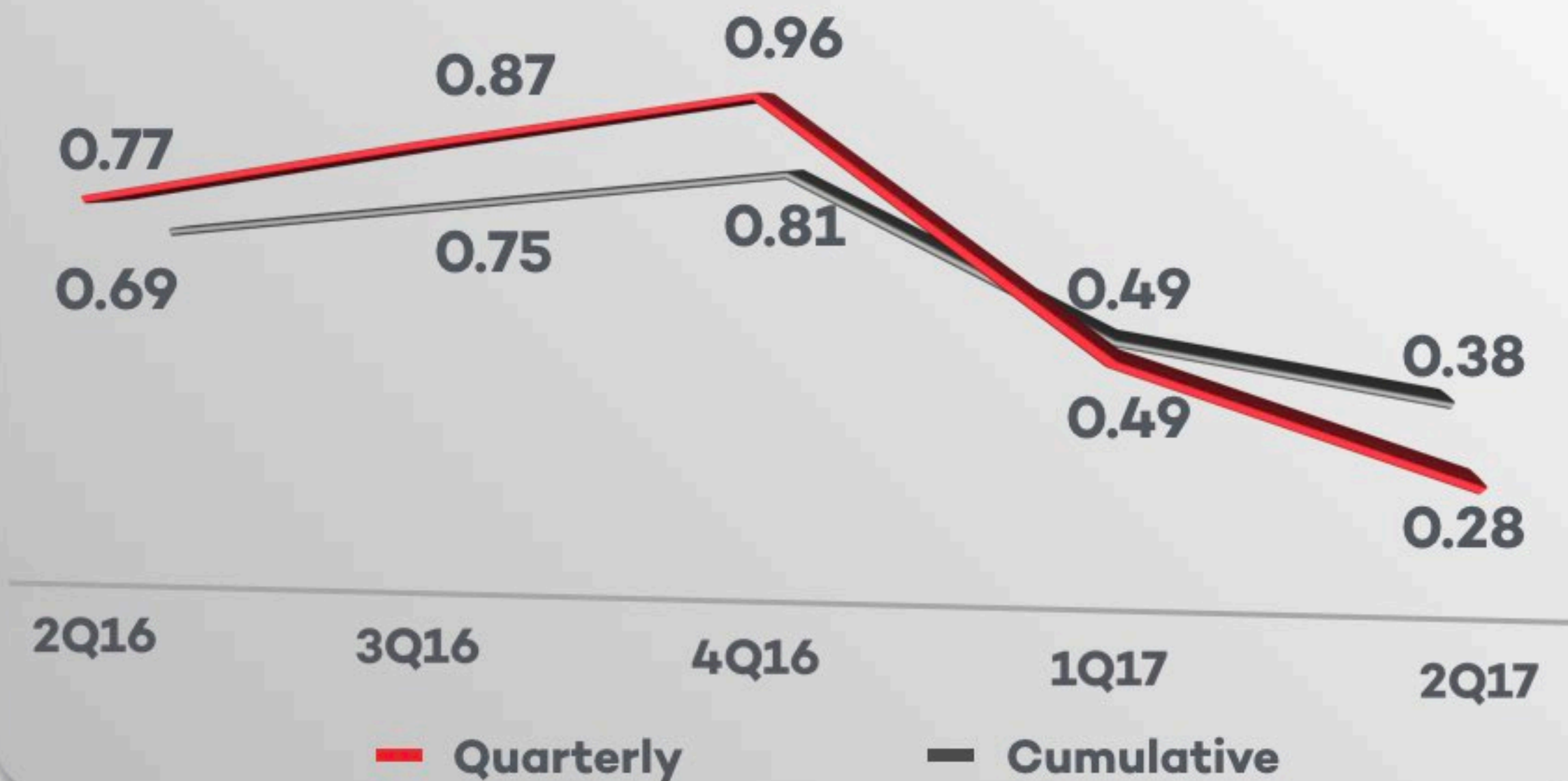
Continued improvement in COR with forward thinking strategy

New NPL Provisions and Recoveries (TL mn)



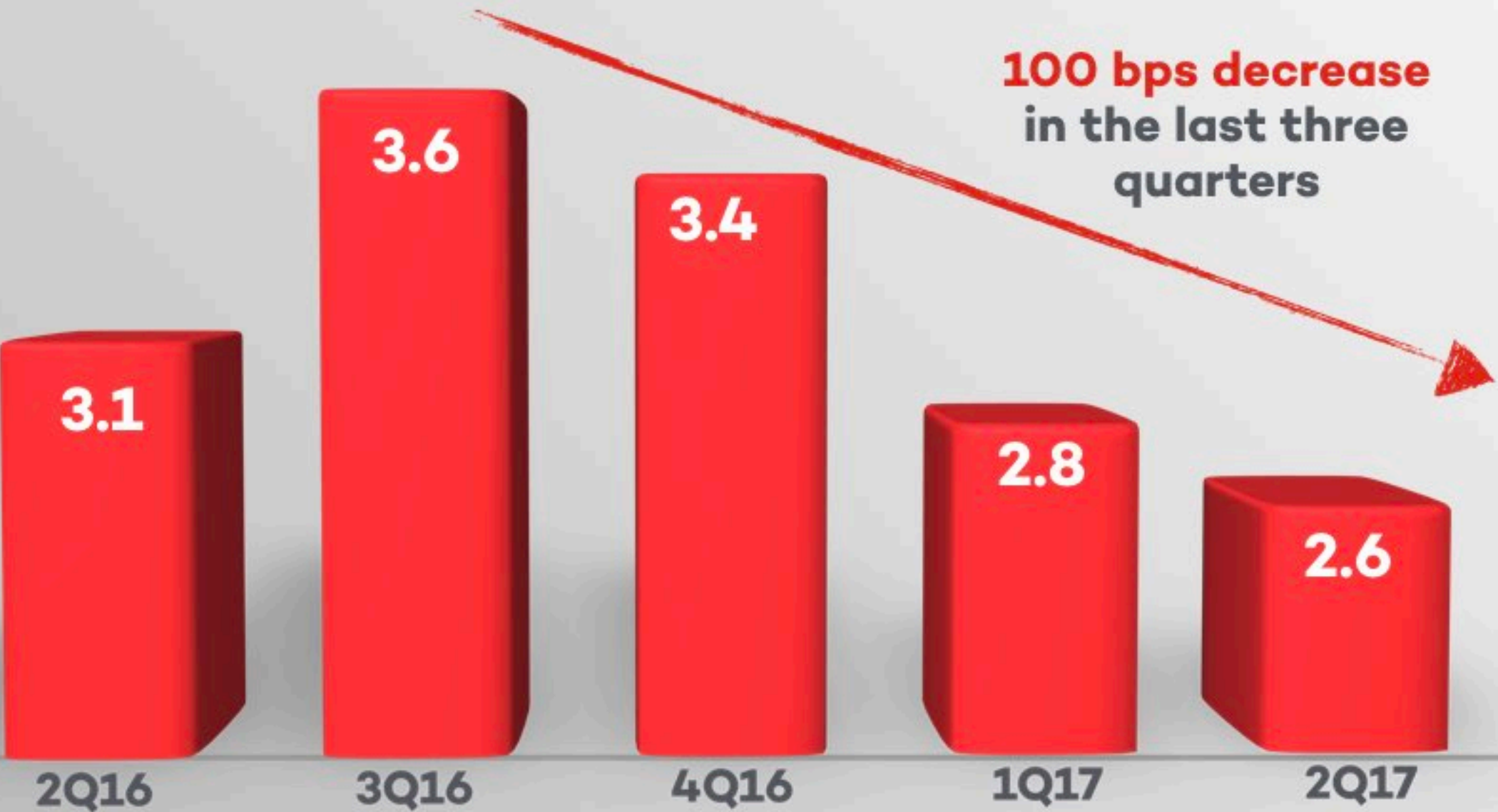
*NPL sale of TL40mn included in collections

Net Specific Cost of Risk (%)



Sharp decline in Group II

Group II loans ratio (%)



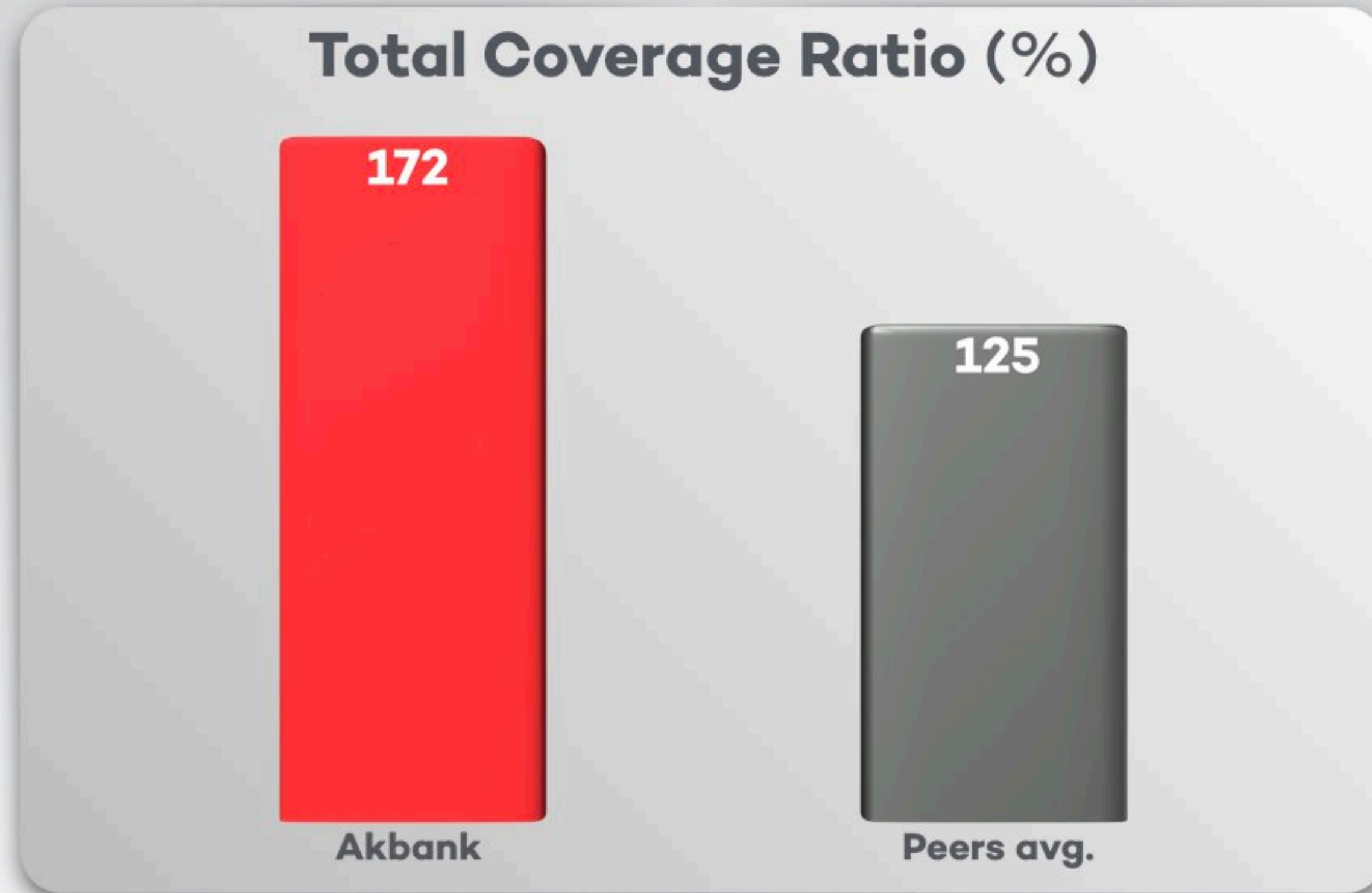
96% Specific
172% Total
Coverage Ratio

COR and NPL Ratios by Segment (%)

	COR		NPL	
	<u>2016</u>	<u>2Q17</u>	<u>2016</u>	<u>2Q17</u>
Business	0.6	0.3	1.2	1.2
Consumer	1.1	0.4	4.6	4.6
Credit Cards	2.3	1.0	9.4	9.4
Total	<u>0.8</u>	<u>0.4</u>	<u>2.3</u>	<u>2.0</u>

Impact of higher specific
coverage in 2Q17;
CoR c.10bps
ROE c.40bps

Strongest provisioning buffer



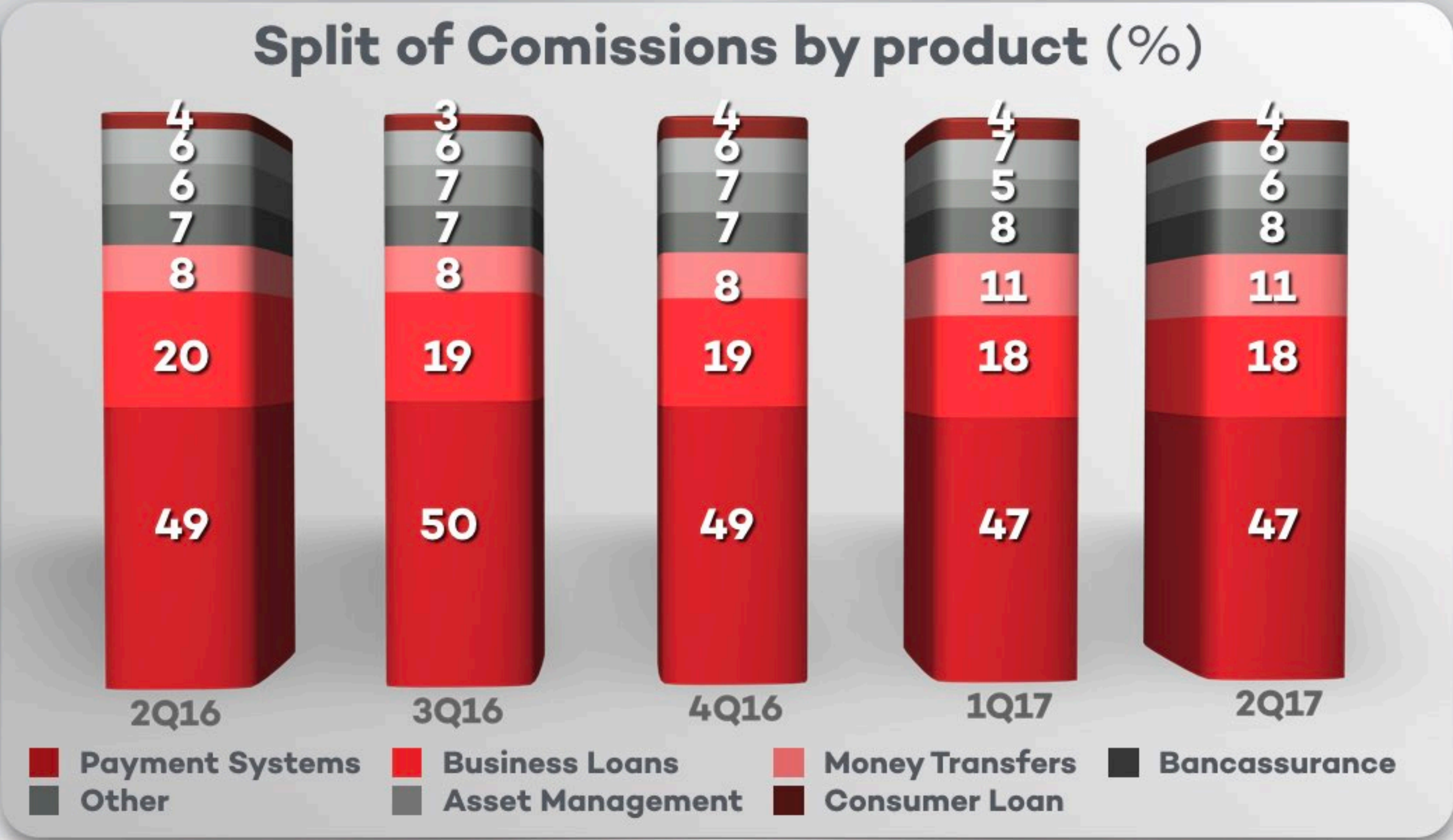
**Excess general provision of
TL1.8bn + TL200mn free provisions**

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**TL2.0 bn total available buffer
(TL2.5 bn pretax equivalent)**

Based on 1Q17 consolidated figures for peers

Fee growth accelerates thanks to successful cross-selling activities



64% YoY increase in **Direct Banking Fees**, share in total fees is up to **20%** vs. 14% in 1H16

+57% YoY increase in **Money Transfer Fees**

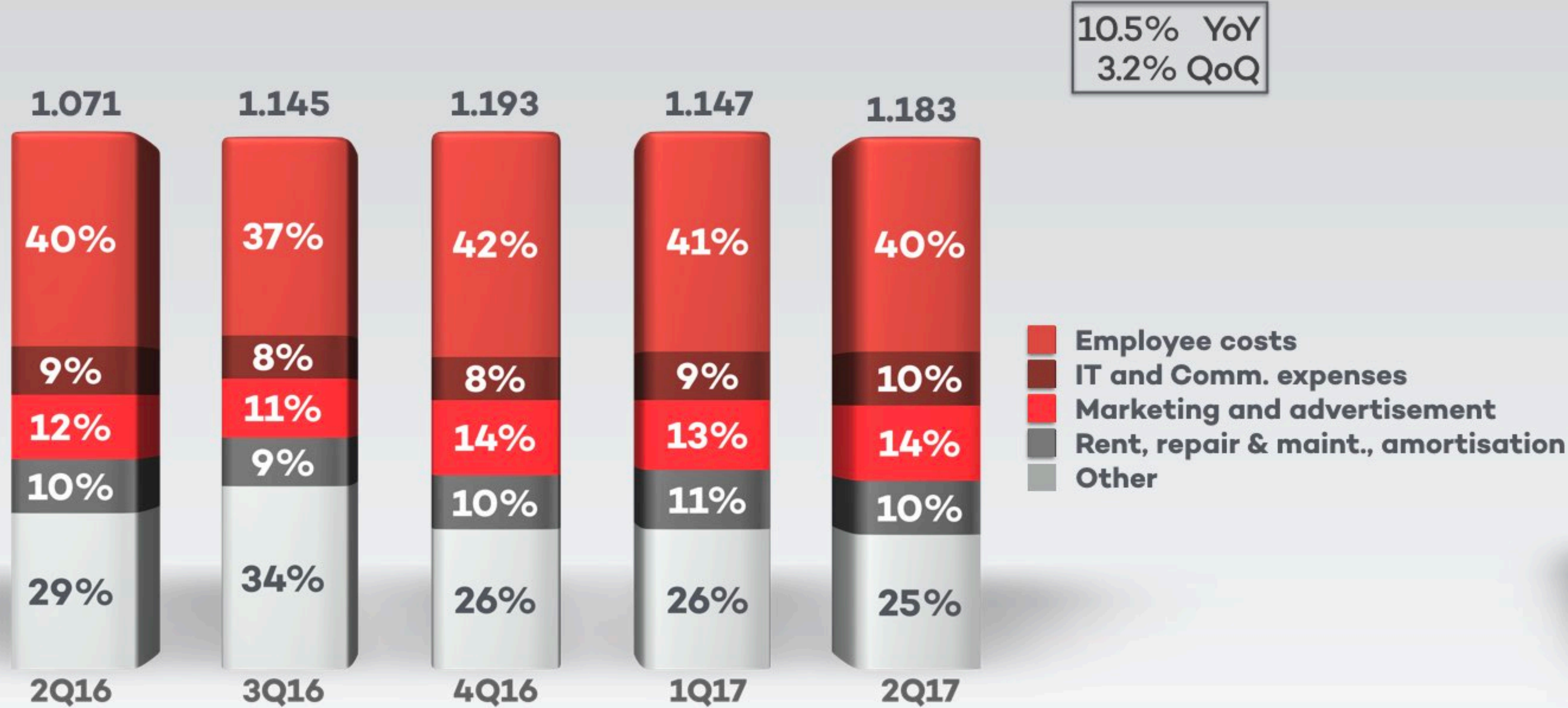
+26 YoY increase in **Bancassurance commissions**

+24% YoY increase in fees from **Asset Management**

Low cost base with disciplined approach

(TL mn)

Quarterly



Cumulative



2Q17: Successful Execution of our Strategic Roadmap

Growth (%)			2017T	2Q17A		2017T	2Q17A	
Total Assets			10-12	14	ROA	~1.7%	2.0%	+
Loans			10-12	12	Leverage	~ 9.0x	8.4x	+
TL			10-12	21	ROE	~15%	17%	+
FX (in USD terms)			2-4	-1	NIM	~3.4%	+5bps	+
Total Deposits			10-12	16	Net fees&com. growth	~10%	11%	+
TL			10-12	8	Opex growth	~6%	9.6%	~
FX (in USD terms)			2-4	24	Cost/ income	~36%	35%	+
					Cost / assets	~1.5%	1.5%	+
					CAR	~ 14%	16.0%	+
					LDR	Max 105%	101%	+
					NPL	~2.5%	2.0%	+
					Cost of risk	90 bps	38 bps	+
					EPS Growth	~10%	22%	+

* All data is based on reported figures apart from CIR (excl. one-off gain)

Upside in value

Book Value (TL bn)

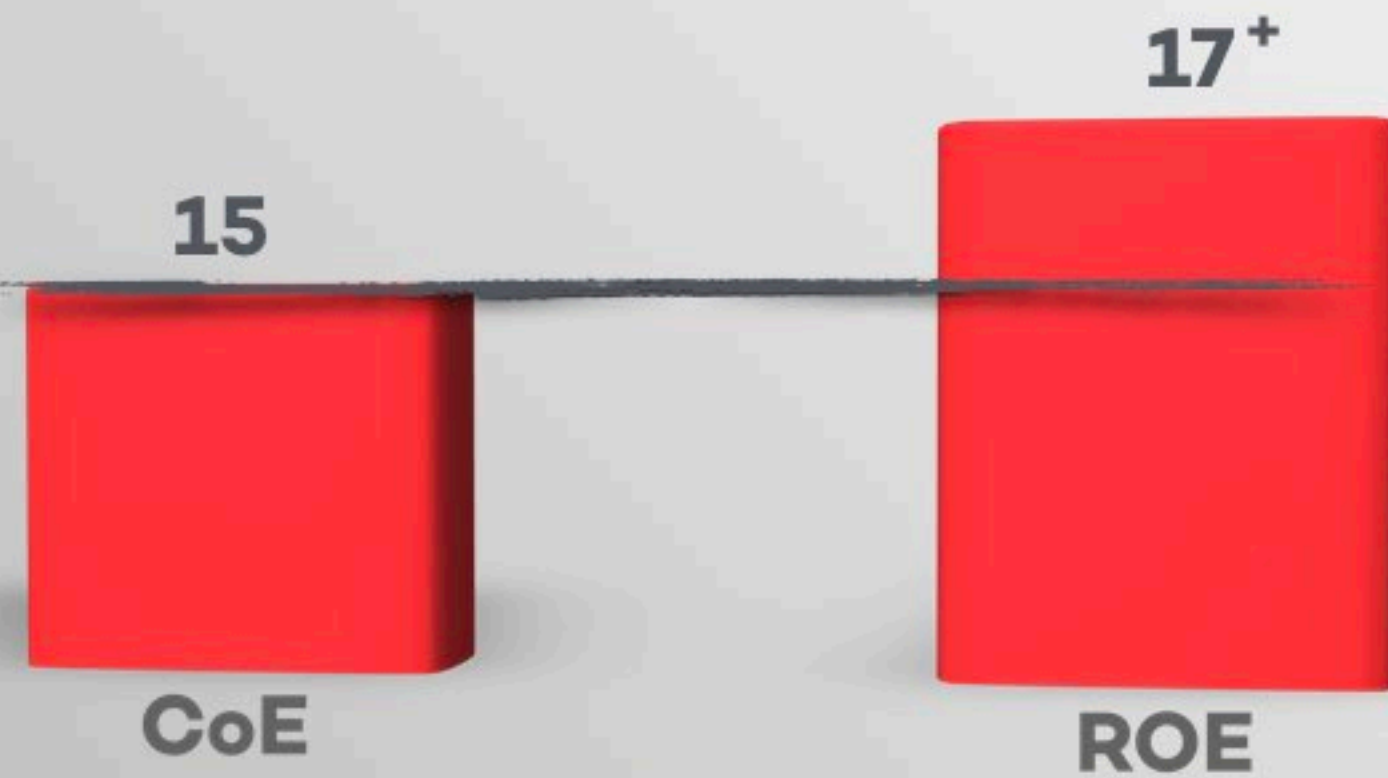


10-20 bps ROA enhancement expected with IFRS 9 implementation & our ambition to further **IMPROVE cost/assets**

ROA (%)



ROE well over COE



Solvency Ratios (%)



- ▶ **Snapshot of Results**
- ▶ **Balance Sheet Highlights**
- ▶ **Income Statement Highlights**
- ▶ **Securities Portfolio Breakdown**
- ▶ **Loan growth by Segments**
- ▶ **Subsidiaries Contribution**
- ▶ **Swap Costs/Gains & CPI Linkers Income**

Snapshot of Results

(TL mio, ratios in %)	1H16	1Q17	2Q17	1H17	YoY (%)	QoQ (%)
Total Assets	265,536	305,910	315,298	315,298	18.7	3.1
Loans	160,072	186,550	189,956	189,956	18.7	1.8
Deposits	150,824	179,353	188,044	188,044	24.7	4.8
Net Profit	2,485	1,452	1,571	3,023	21.6	8.2
Net interest income	4,068	2,552	2,749	5,301	30.3	7.7
Net fee income	1,287	680	745	1,425	10.7	9.6
ROAE	17.1	17.0	17.0	17.1	0.0	0.0
ROAA	1.9	1.9	2.0	2.0	0.1	0.1
NIM	3.26	3.59	3.75	3.67	0.4	-0.2
NIM after swap	3.35	3.55	3.36	3.45	0.1	-0.2
Cost of Risk	0.69	0.49	0.28	0.38	-0.3	-0.2
Cost to Income*	35.7	34.8	35.1	35.0	-0.7	0.3
CAR	14.8	15.2	16.0	16.0	1.2	0.8
Tier I	13.7	13.4	14.2	14.2	0.5	0.8

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

Balance Sheet Highlights

Consolidated (TL mn)

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

2Q17

45,399

47,629

52,848

56,925

178,893

189,956

17,361

20,787

294,501

315,298

173,968

188,044

44,838

47,014

27,320

24,812

5,726

1,642

21,594

23,170

15,883

17,668

32,492

37,759

294,501

315,298

Shares (%)

2016

2Q17

15.4

15.1

17.9

18.1

60.7

60.2

5.9

6.6

59.1

59.6

15.2

14.9

9.3

8.0

1.9

0.5

7.3

7.3

5.4

5.6

11.0

12.0

Change (%)

5

8

6

20

7

16

5

(9)

(71)

7

11

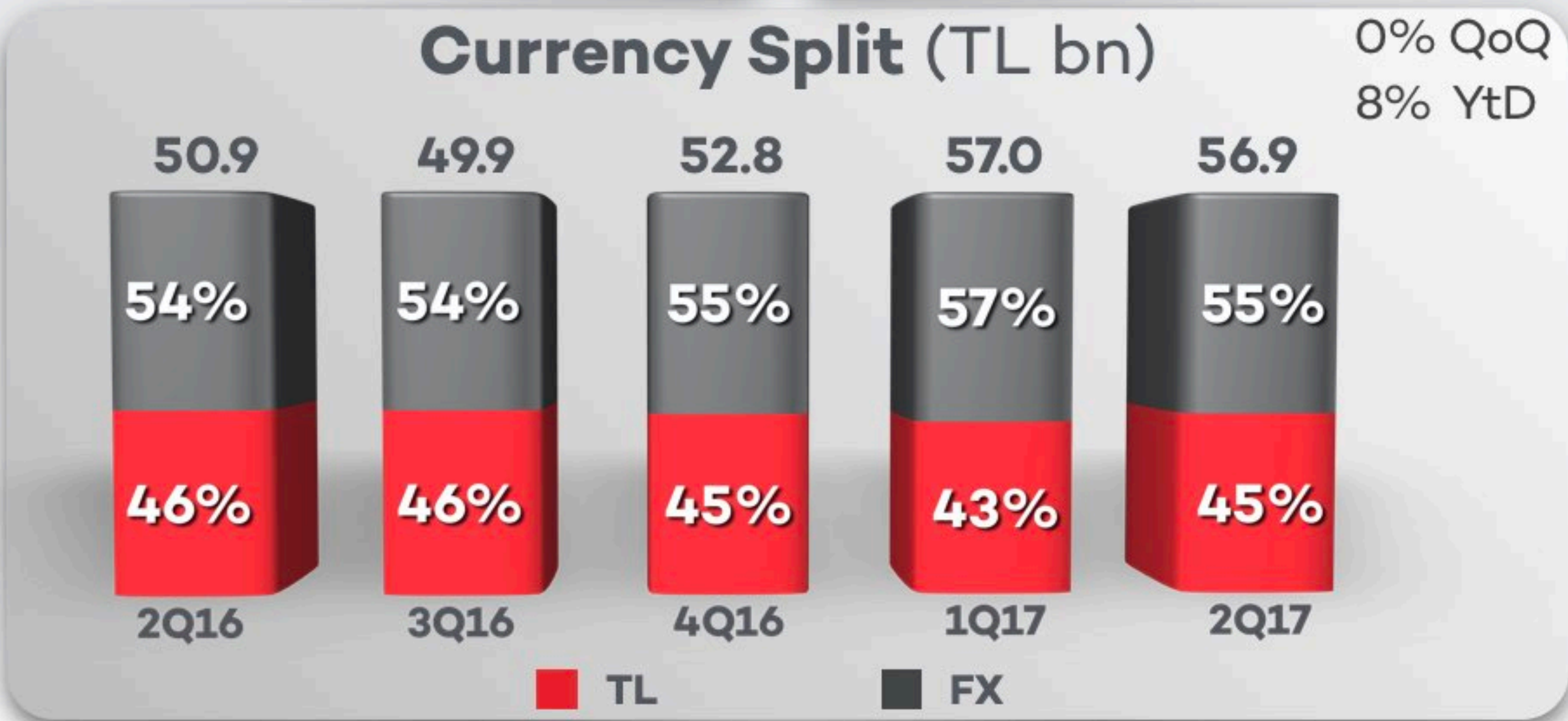
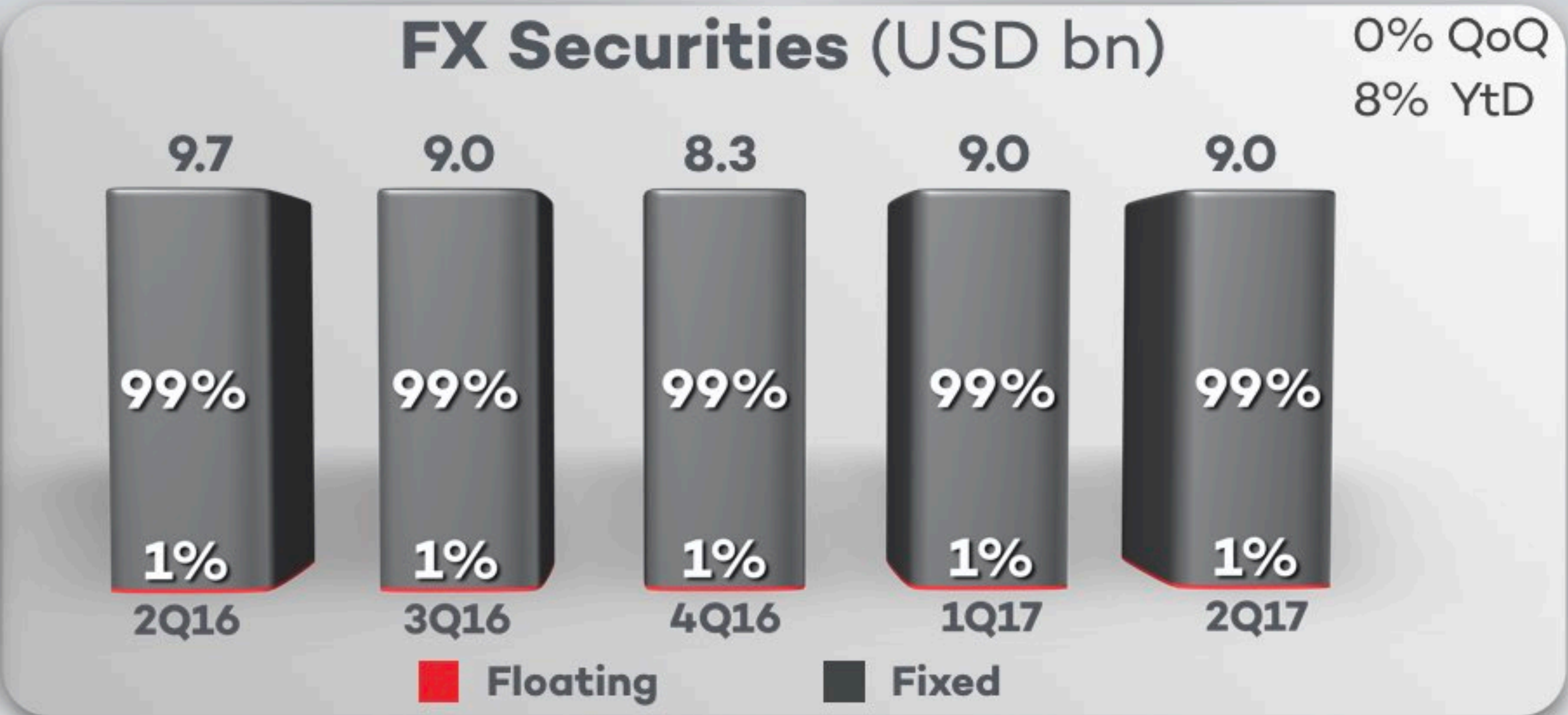
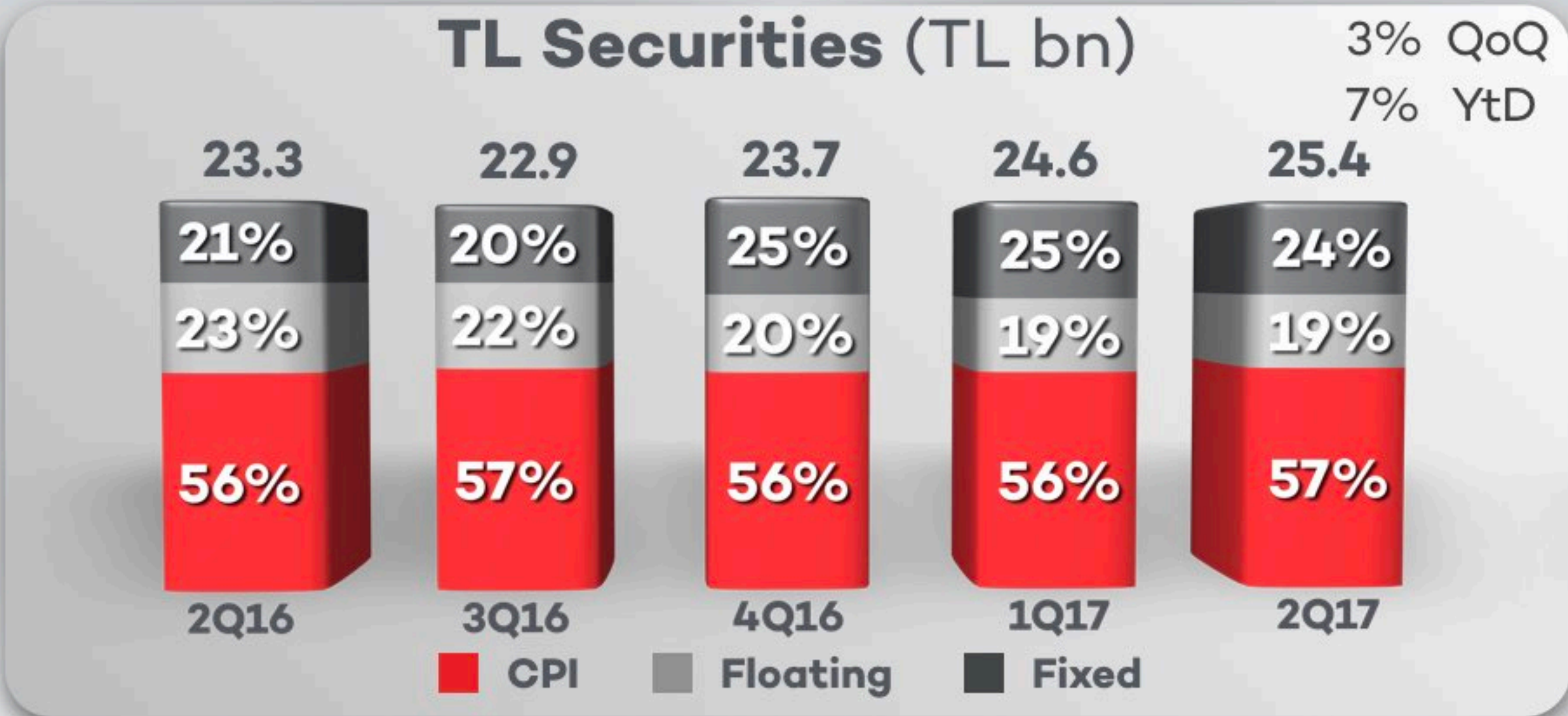
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Income Statement Highlights

Consolidated (TL mn)	2Q16	2Q17	Change (%)
Interest Income	9,195	11,244	22
Interest Expense	(5,127)	(5,943)	16
Net Interest Income	4,068	5,301	30
Trading Gain (Loss)	279	(168)	n.m.
- Securities	174	153	(12)
- Other	105	(322)	n.m.
Provision for Loan Losses, net of collections	(532)	(356)	(33)
Fees and Commissions (Net)	1,287	1,425	11
Operating Expense	(2,127)	(2,330)	10
Other Income	323	84	(74)
Other Provisions	(173)	(128)	(26)
Income Before Tax	3,126	3,827	22
Tax	(641)	(804)	25
Net Income	2,485	3,023	22

Breakdown of securities portfolio



32% HtM,
68% AFS

MtM Valuation in
Equity net,
(-) TL 0.4 bn

TL driven corporate lending growth

5.4x
Cross Sell
in Corporate
Loans

TL Loans (TL bn)

-2% QoQ
12% YtD

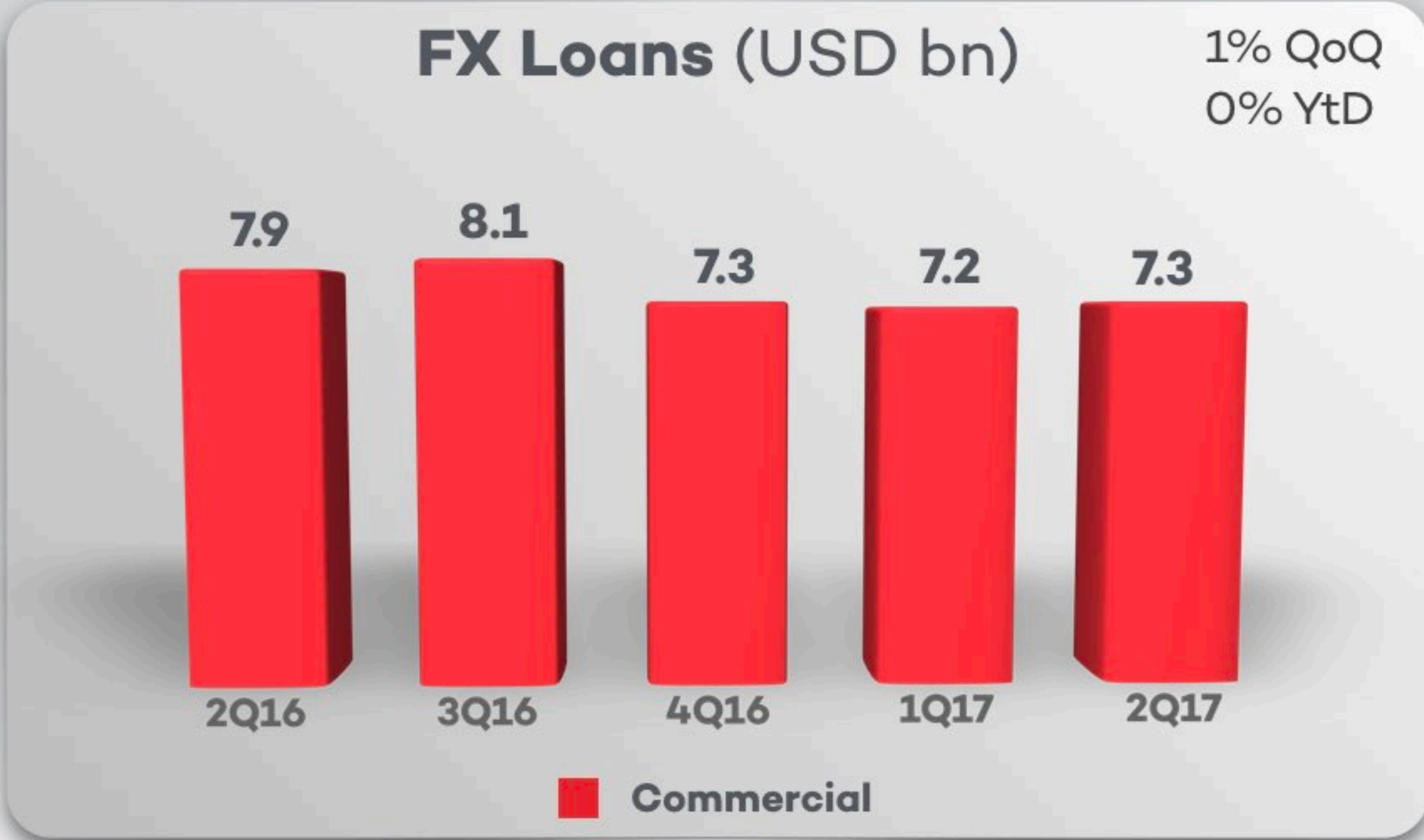
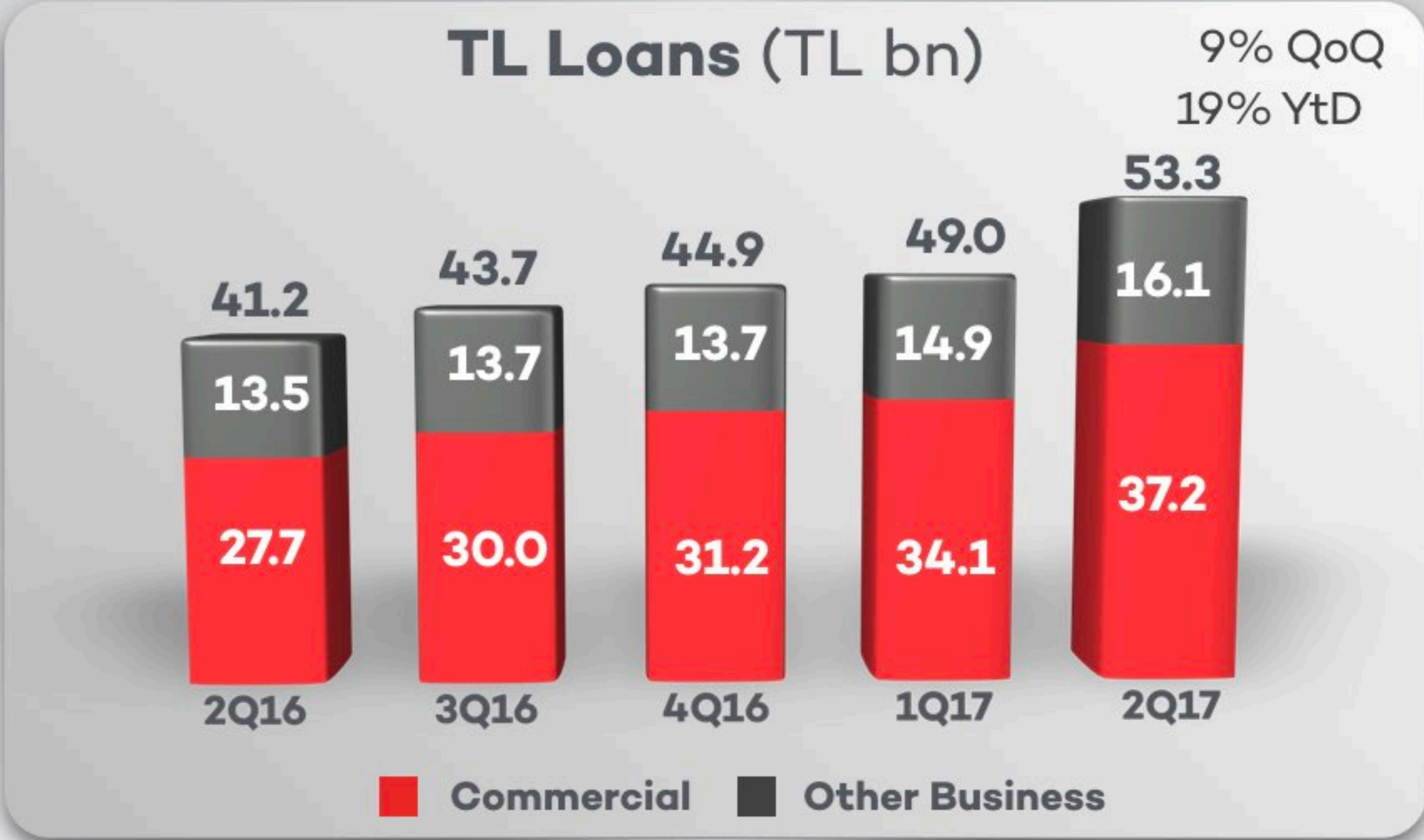


FX Loans (USD bn)

2% QoQ
-1% YtD



Strong TL loan growth in commercial and other business



34% YoY
Growth in TL
Commercial loans

5.6x Cross Sell in
Commercial
Loans

Accelerated growth in GPLs



Increase in credit card issuing and acquiring volumes (TL bn)

Credit Card Loans

2% QoQ
3% YoY



Credit Card Issuing Volume

5% QoQ
9% YoY



Credit Card Acquiring Volume

8% QoQ
17% YoY



Subsidiaries contribution to NI



Subsidiaries' Net Income (TL mn)



Swap Costs/Gains & CPI Linkers Income

Quarterly Short-term Swap Costs/Gain
(TL mn)



CPI Linker Income
(TL mn)



* Based on 8% inflation estimate in 1Q and 9.5% in 2Q



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