

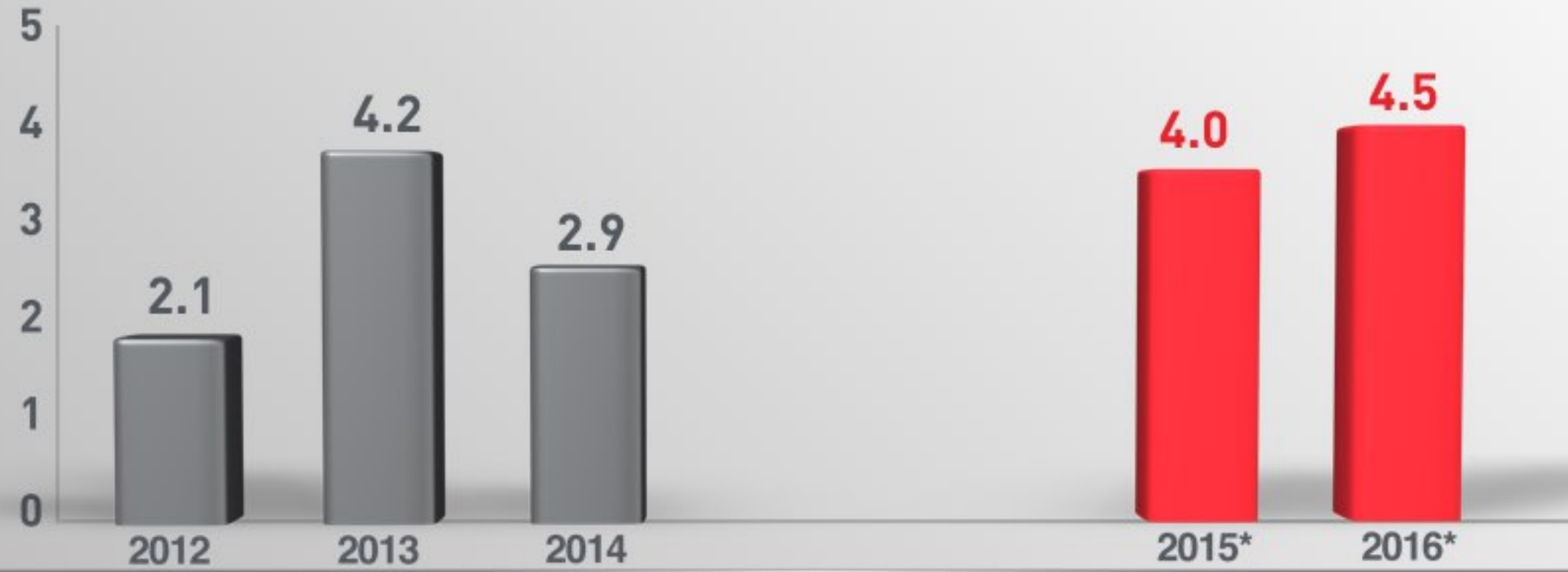
# 4Q15 Consolidated Financial Results

02 February 2016

**AKBANK**

# Macro Outlook

## Growth



▶ Economic activity has been resilient in 2015 and is expected to gain pace in 2016 according to Medium Term Plan

## Budget Deficit to GDP



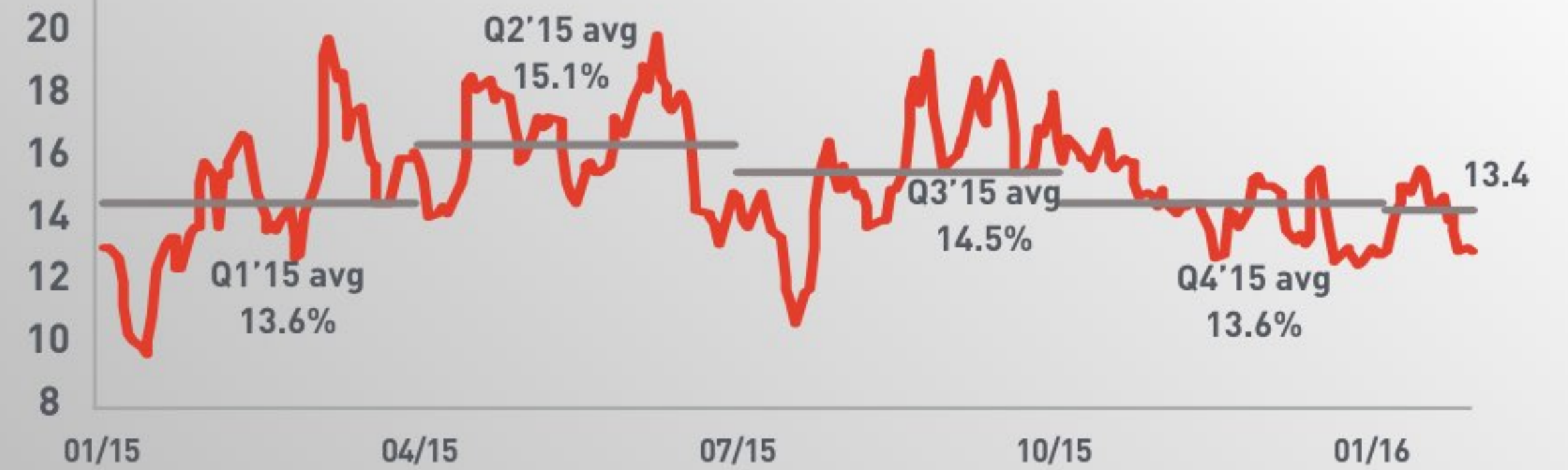
▶ Government continues to implement strong fiscal discipline

## Inflation



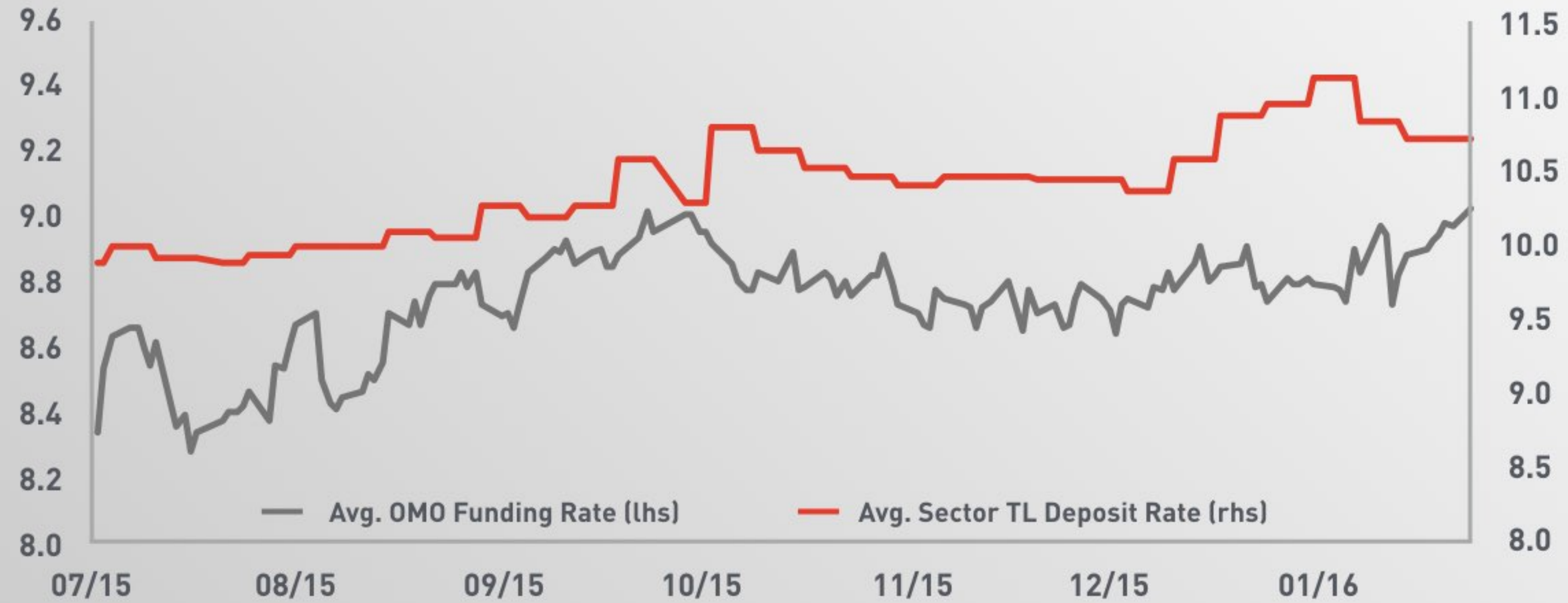
▶ CPI inflation currently stands at 8.8% and may remain elevated in 2016

## 1 Month TRY Volatility (%)



▶ Global market fluctuations continue to affect TL volatility

# Monetary Policy



- ▶ In response to continued risks on inflation outlook and heightened level of uncertainties in global economy, the Central Bank continued to implement a tight monetary policy
- ▶ The average cost of OMO funding has risen to 9.0% levels towards the end of the year vs. 8.5% at the beginning of 2015
- ▶ TL deposit cost continues to have an increasing trend

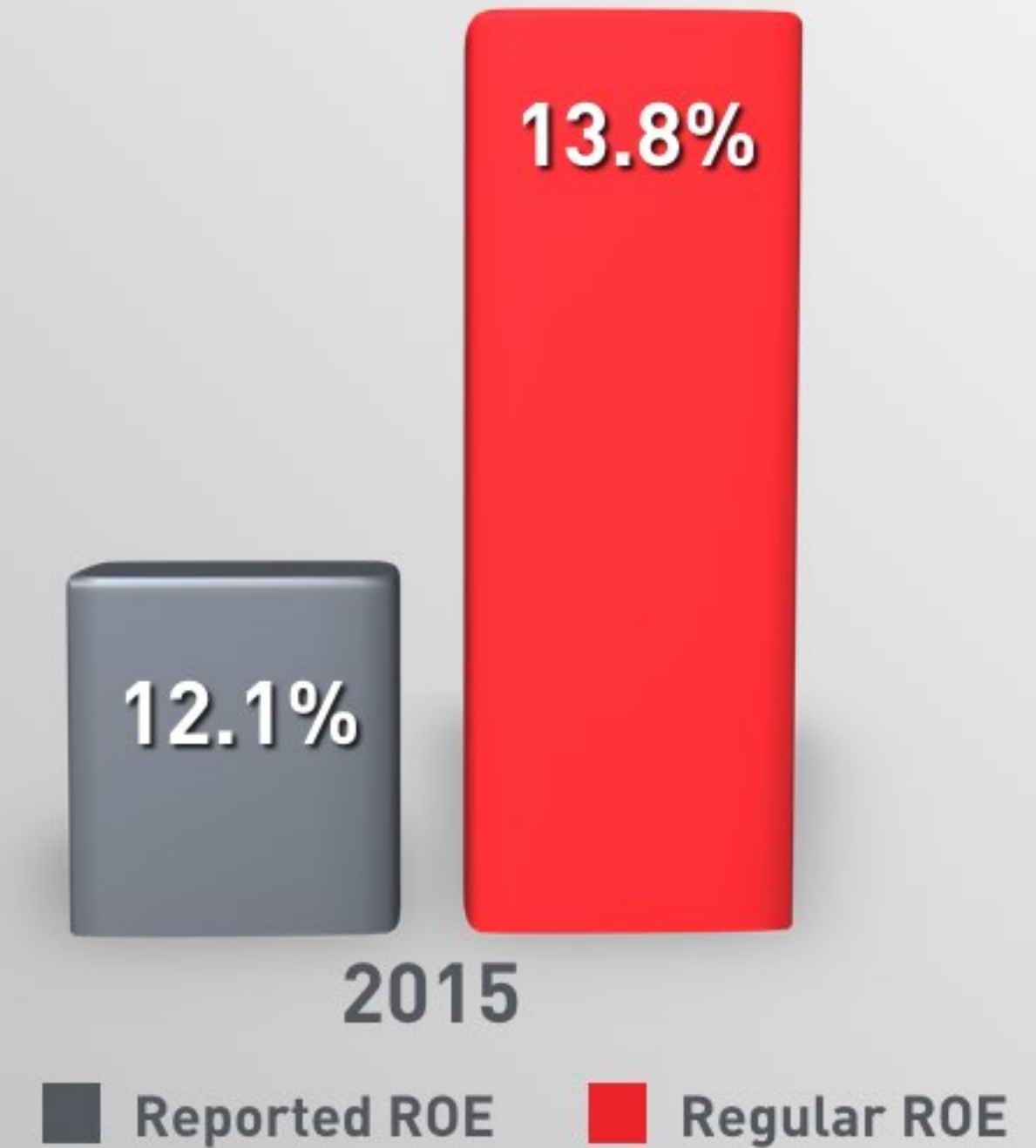
# Well formulated strategy continues to pay off

- ▶ **In 2015, Akbank has differentiated its A&L management with;**
  - ◎ Selective loan growth and strategic positioning in securities
    - Lucrative market share gain in TL business loans
    - Cautious growth in retail lending, positioned for increased profitability
    - Timely re-investment in TL securities in 4Q15
  - ◎ Focus on core liabilities
    - 59% of liabilities deposits vs. 56% at year-end
    - Lower LDR of 103% vs. 119% of sector
    - Reduced short-term FX Repo and swap position
  - ◎ Swap adjusted NIM of 3.2% sustained despite lower CPI
    - Core spread improved by 30bps
    - TL Lending yields rose 60bps
    - Blended deposit cost is flat thanks to wide-spread deposit growth and higher demand deposit share
- ▶ **Effective risk management**
  - ◎ NPL ratio at 2.2% while COR is at 92bps in line with the FY guidance
  - ◎ CAR above 14% despite significant TL depreciation
- ▶ **Superior efficiency**
  - ◎ 15% annual fee growth (on a comparative basis)
  - ◎ Lowest CIR in the sector at 39%
- ▶ **Hence, the regular ROE recognized at 13.8% in 2015**

# Regular Net Income implying an ROE of 13.8%

|                                 | <u>2015</u>  |             |
|---------------------------------|--------------|-------------|
| Consolidated (TL mio)           | Net Income   | ROE (%)     |
| Reported                        | 3,229        | 12.1        |
| <b>Non-recurring item adj.:</b> |              |             |
| Add. General provisions         | 240          | 0.9         |
| Fee rebates                     | 174          | 0.7         |
| One-off OPEX                    | 20           | 0.1         |
| <b>Regular Net Income</b>       | <b>3,663</b> | <b>13.8</b> |

## Cumulative ROE

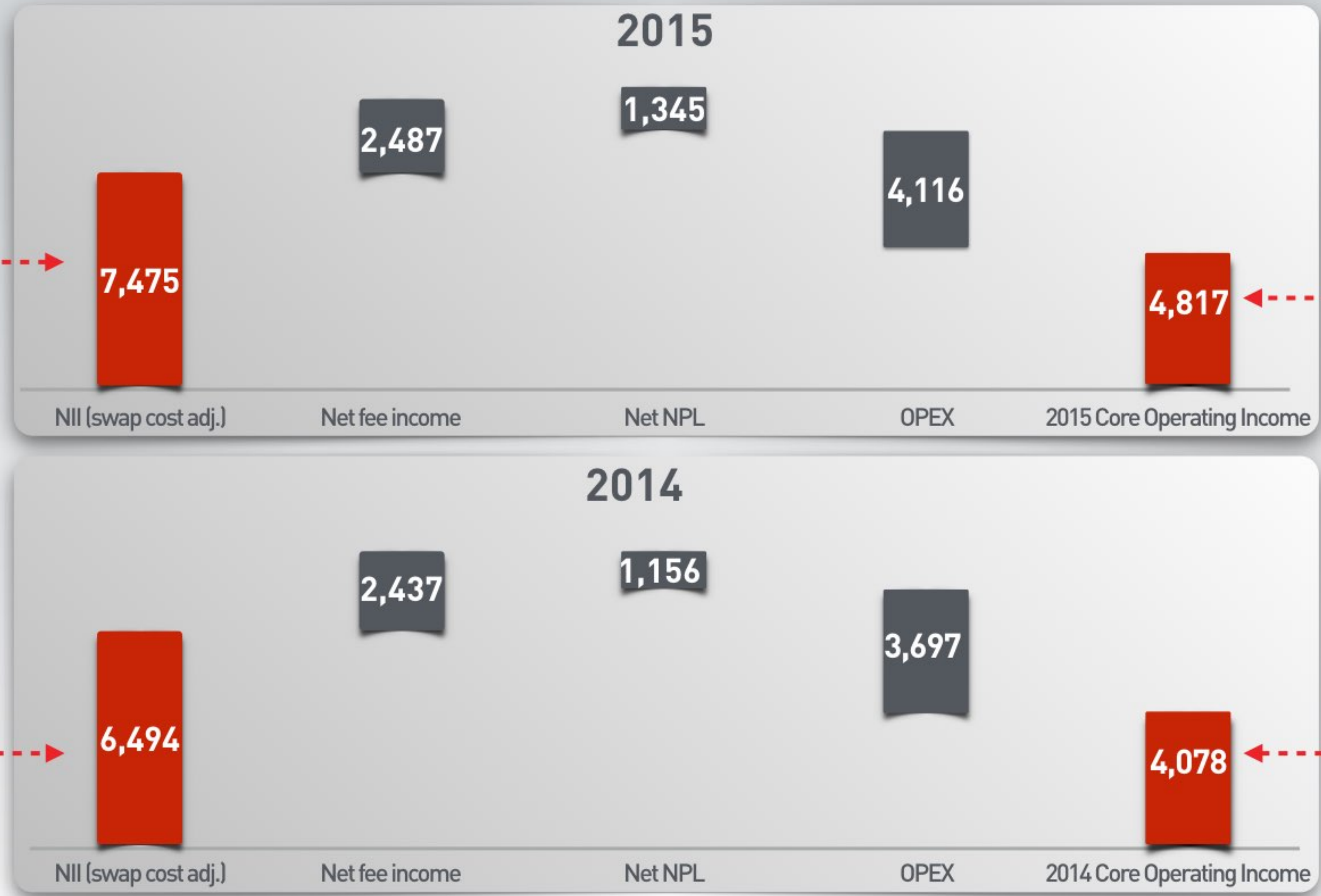


Additional general provisions requirement together with high fee rebates have almost 2ppt negative impact on reported ROE

# Core operating income up by 18% on a comparative basis

15% annual growth in swap adj. NII

18% annual growth (exc. Regulatory impact and fee rebates)



Annual growth in core operating income is a result of well formulated strategy during the year

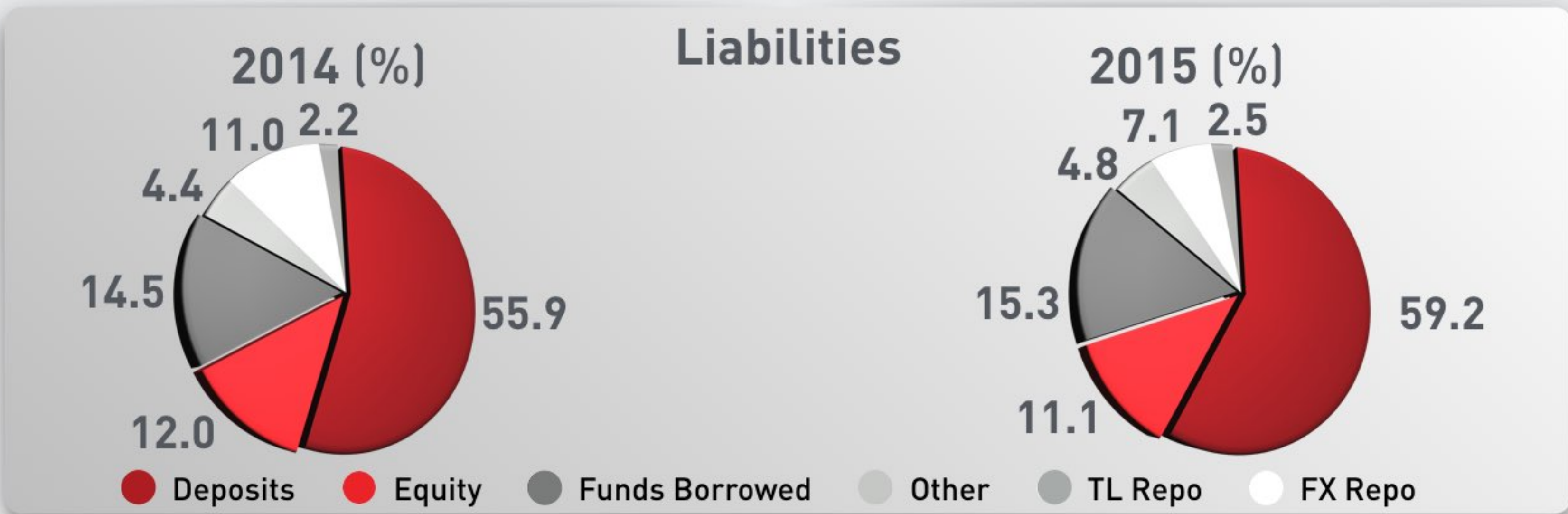
# Balanced asset mix with stronger core liabilities

- ▶ Both loans and securities continue to benefit from favorable yields
- ▶ Liquidity continues to be strong (16% of total assets are high quality liquid assets)
- ▶ More focus on core liabilities
  - Deposits share in total liabilities 59%
  - Lower share of FX repo as short term portion reduced
- ▶ Significantly improved LDR down to 103% from 111% in YE2014
- ▶ Duration gap reduced to 5.3 months

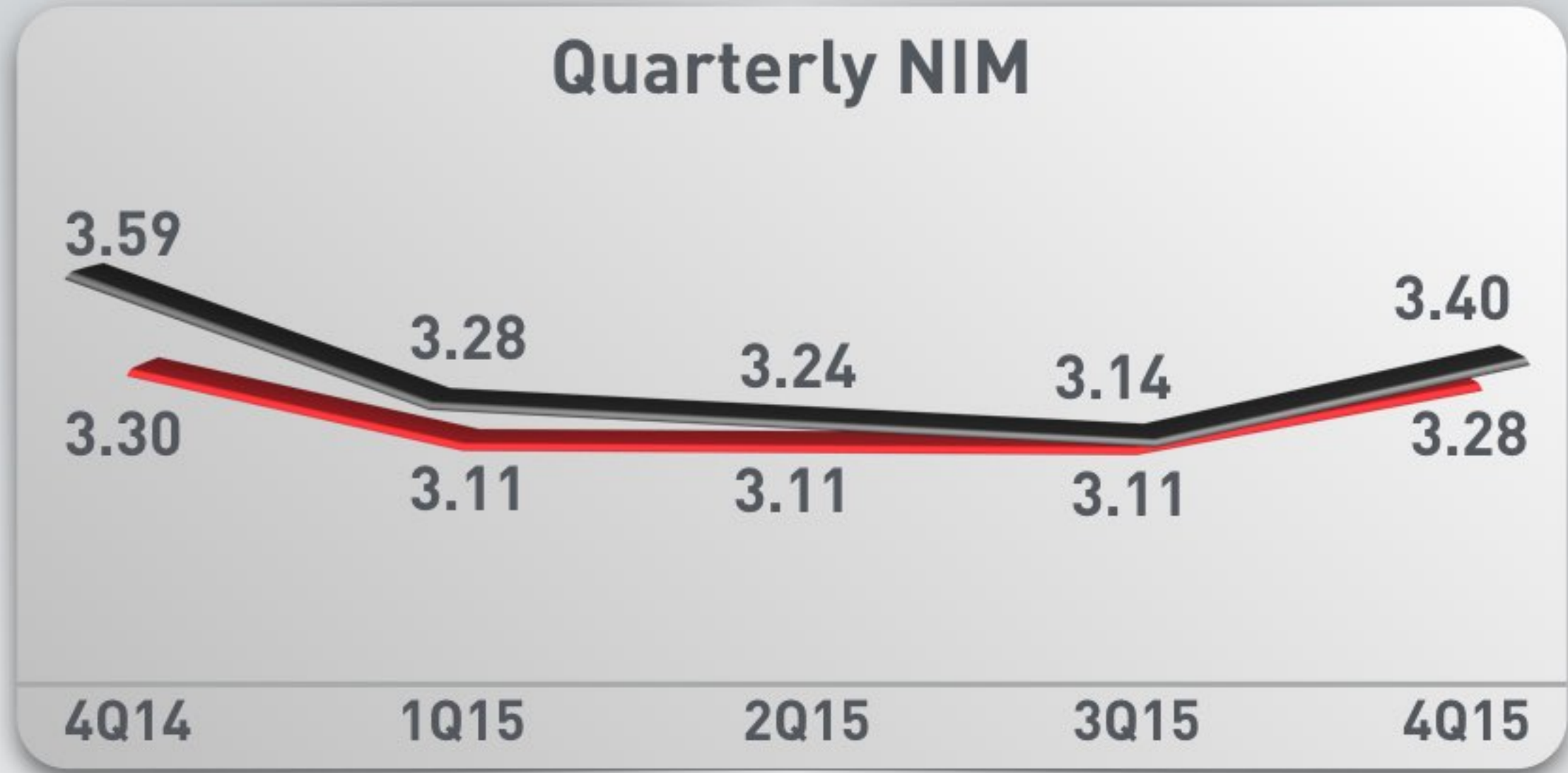
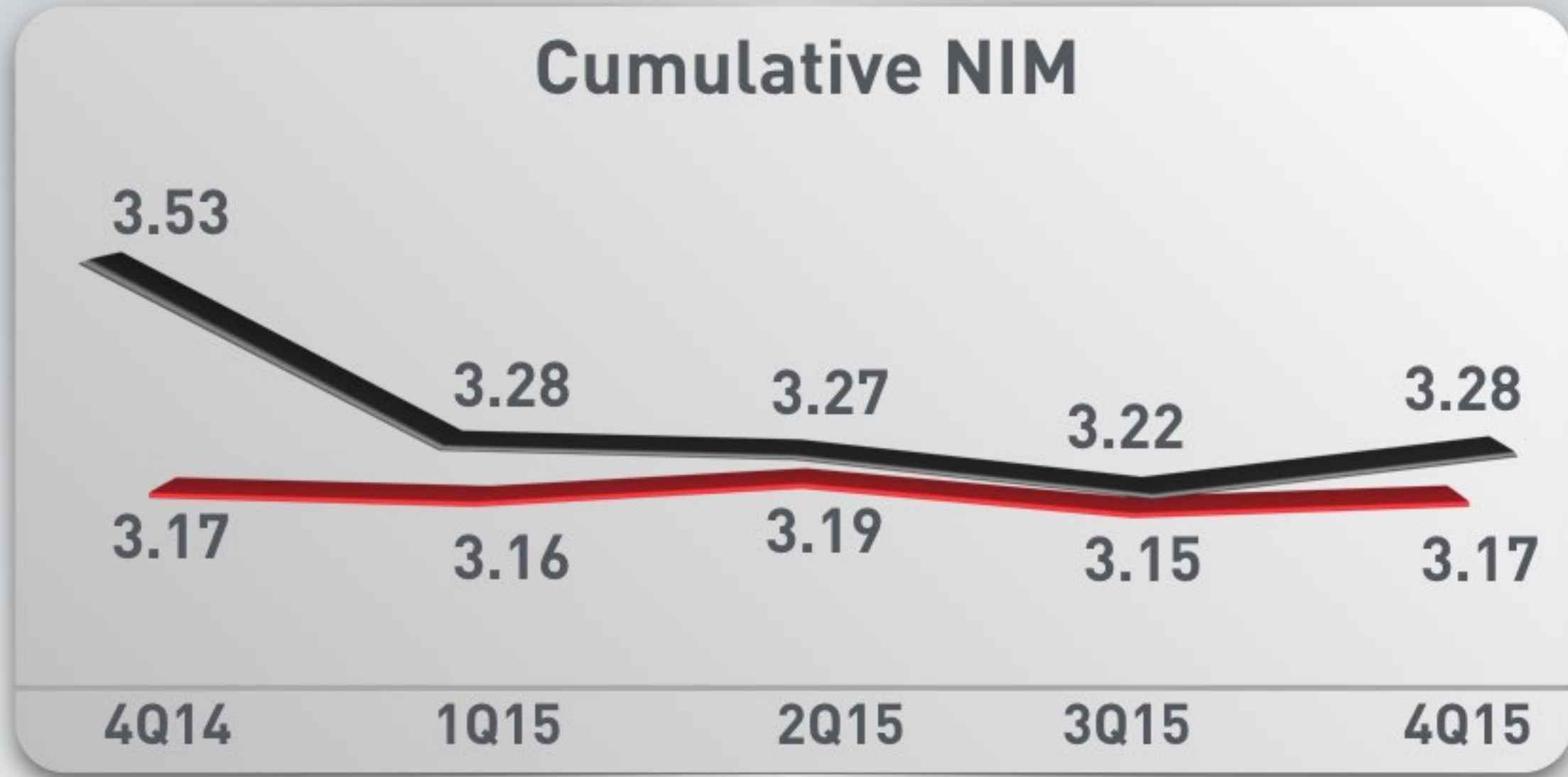


TL 218.7 bio

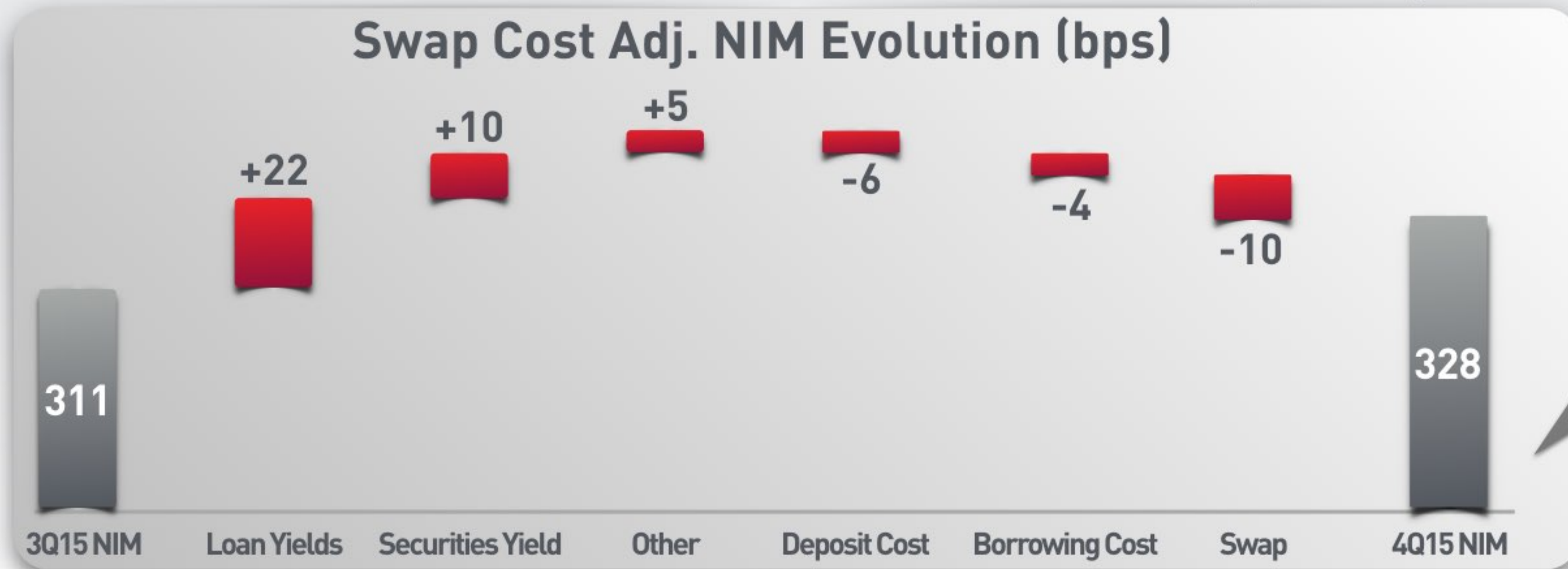
TL 252.5 bio



# Quarterly NIM trending up thanks to higher loan yields



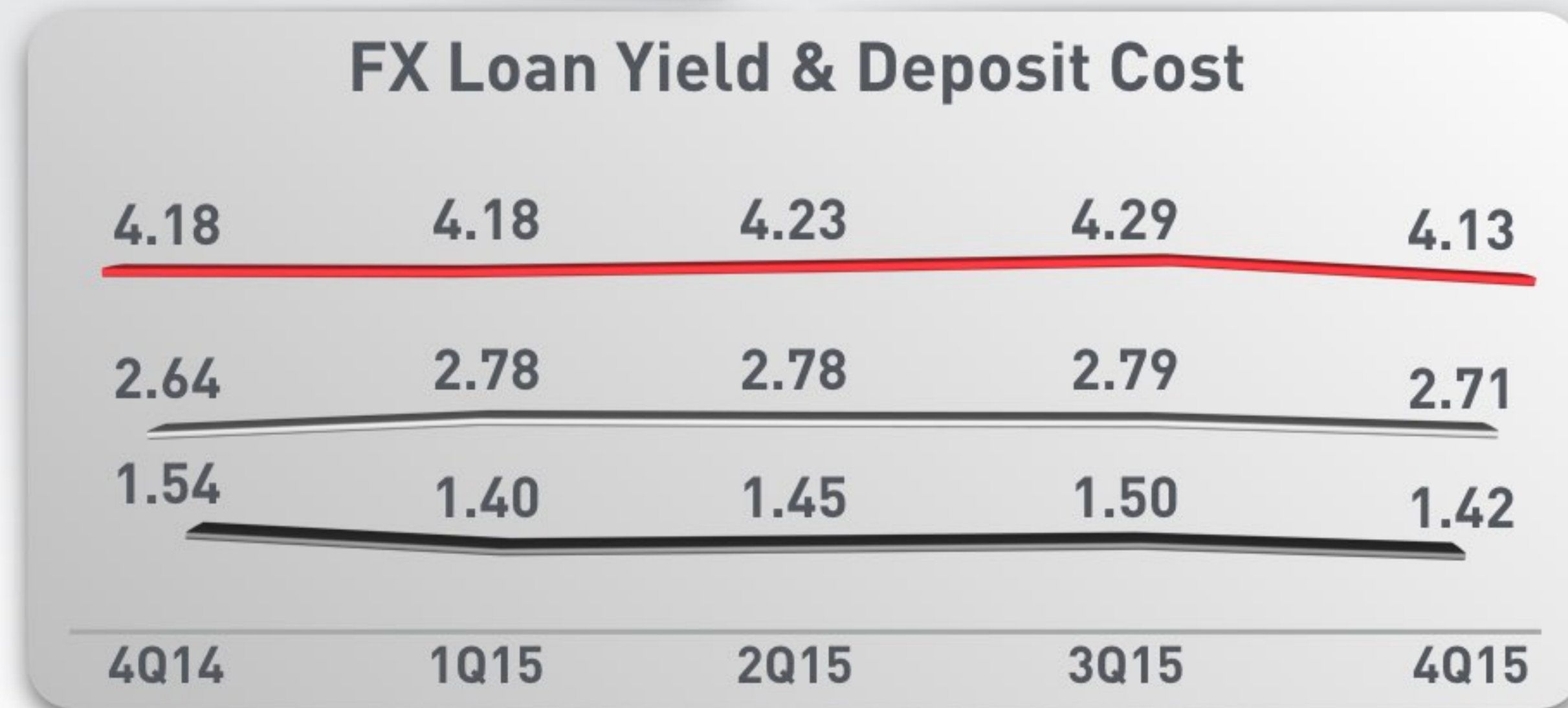
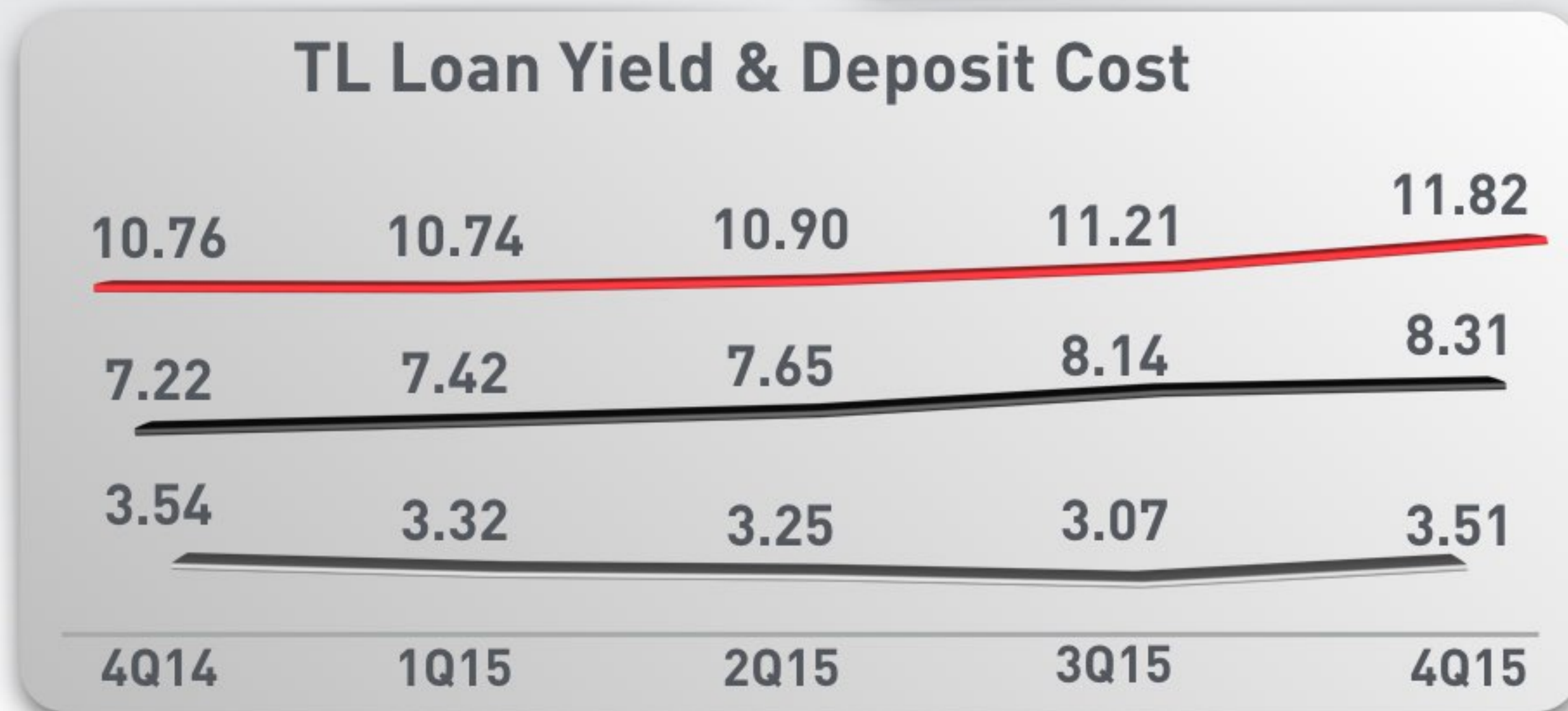
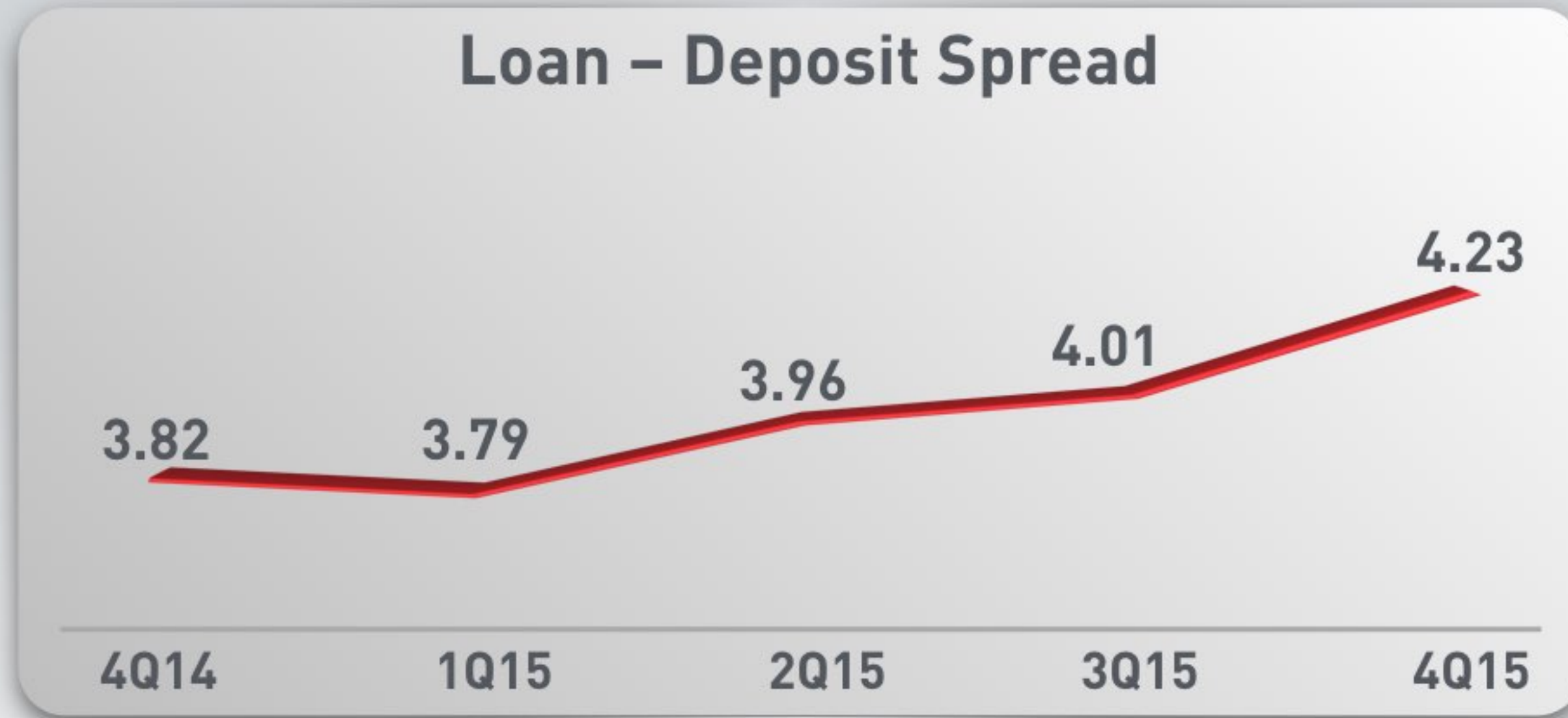
— NIM    — Swap Cost adj. NIM



Effective loan pricing is the main contributor to NIM expansion

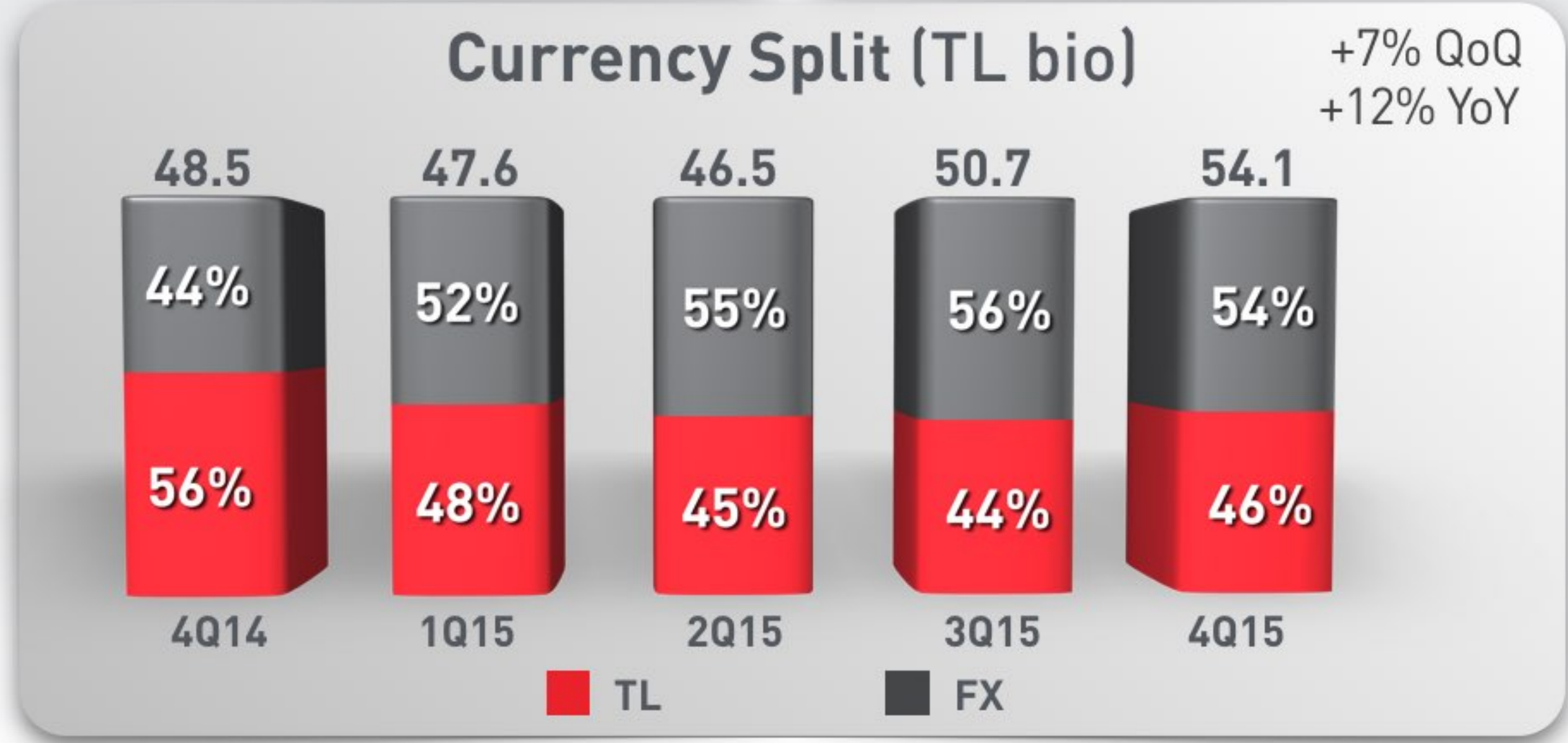
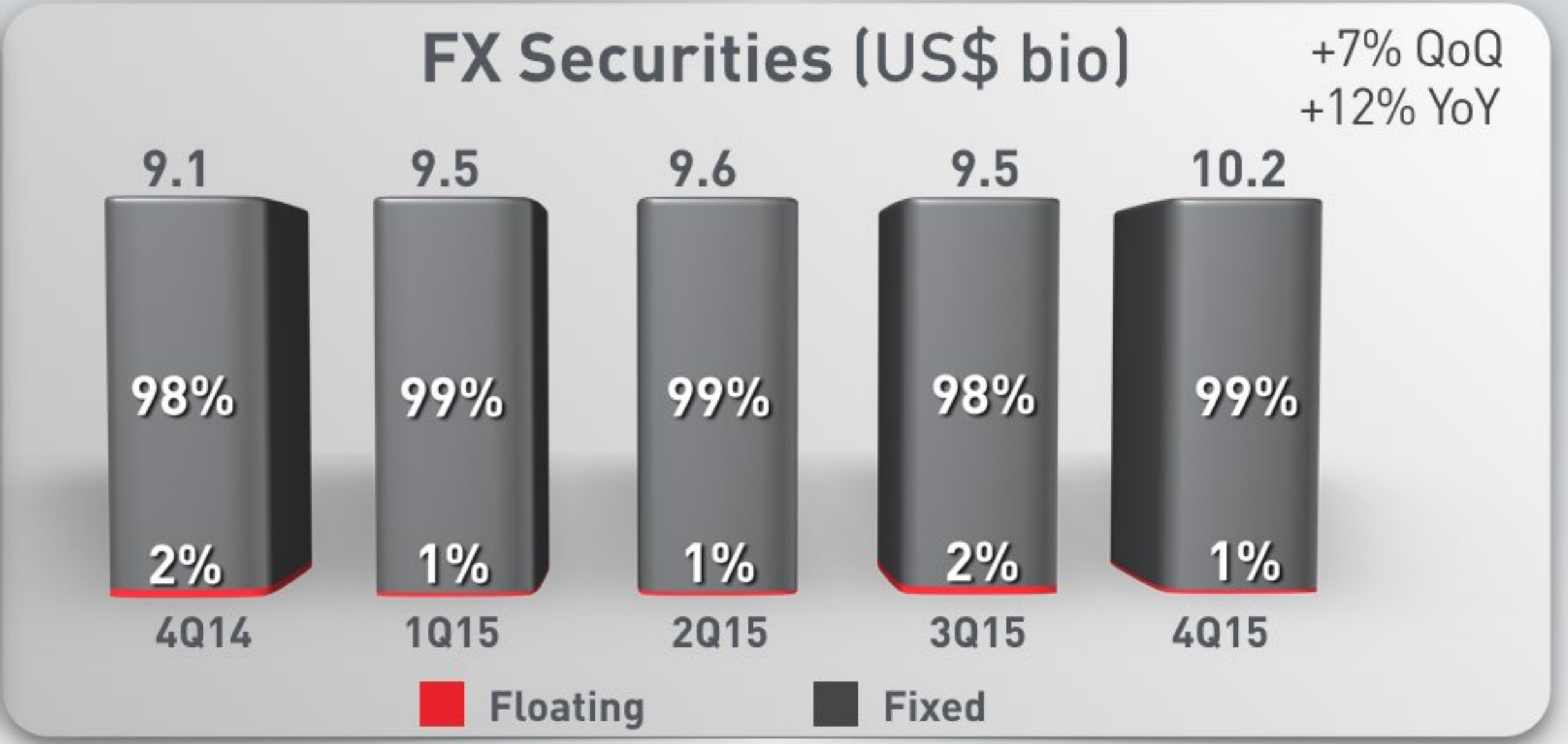
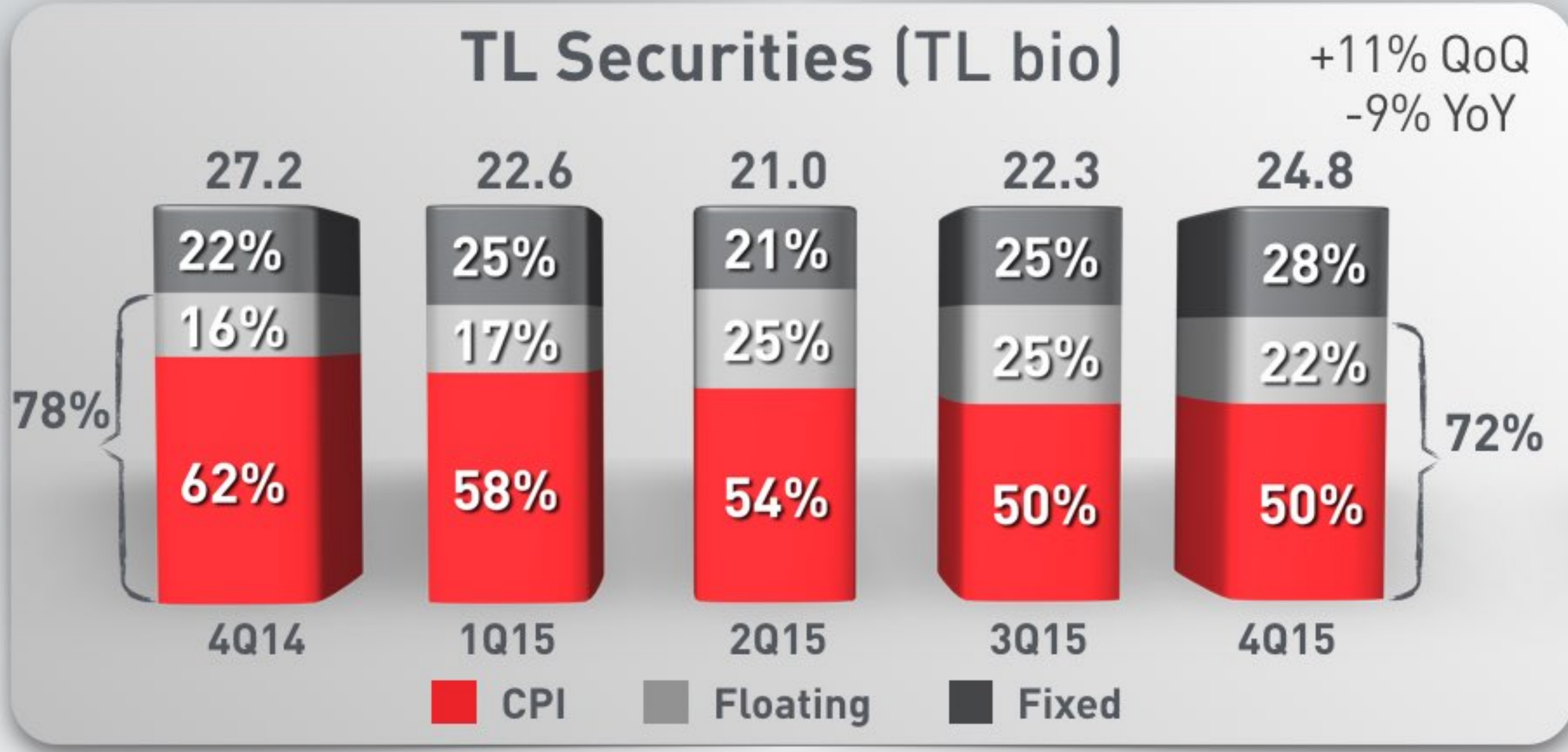


# Strong TL core spread improvement in 4Q15



— Loan — Deposit — Core Spread

# Timely re-investment in securities



20% HtM,  
80% AFS

MtM Valuation in  
Equity net,  
(-) TL 1.1 bio

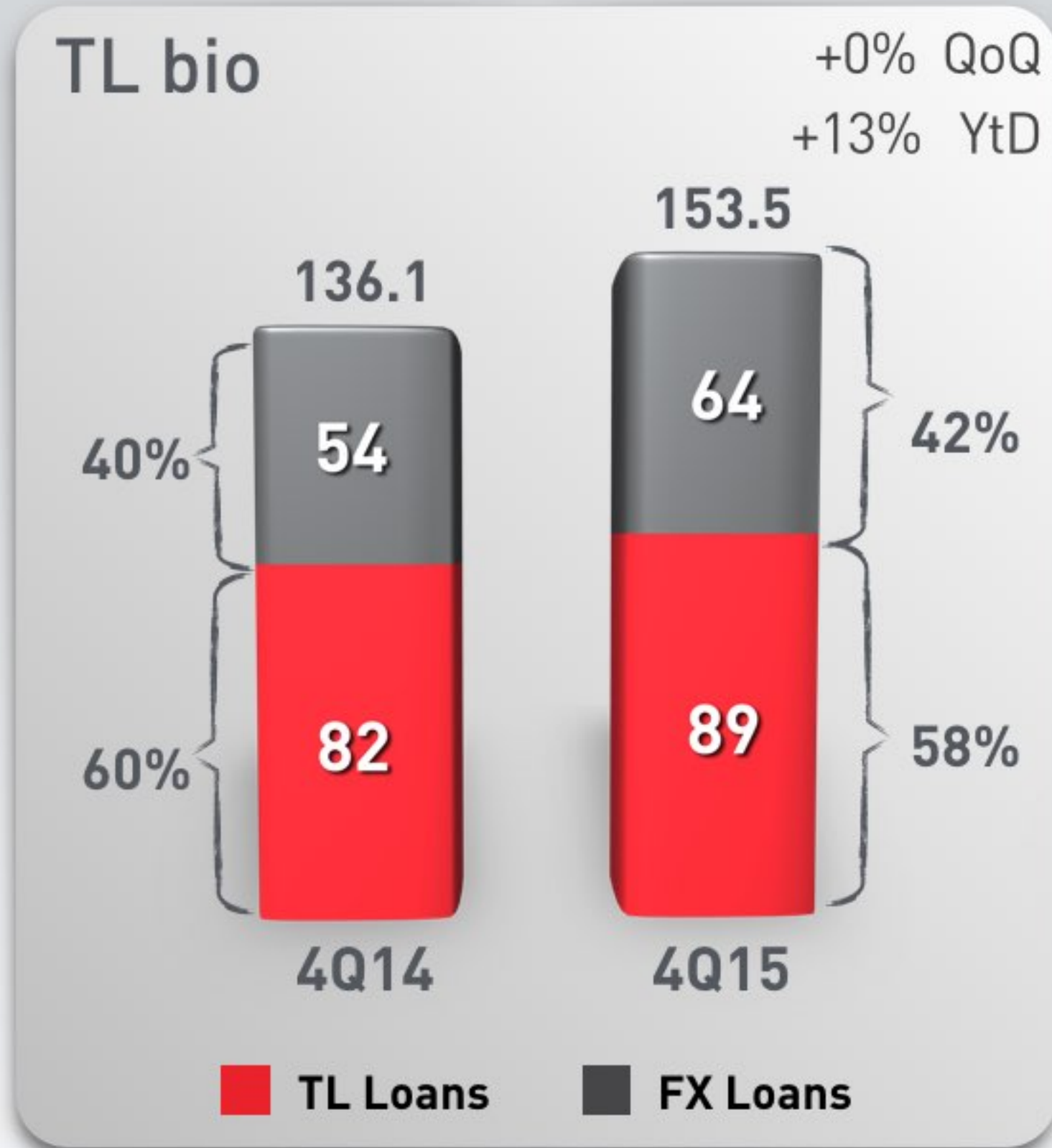
## Strong growth momentum in lucrative TL business lending

| (TL mio)                    | <b>4Q14</b>    | <b>1Q15</b>    | <b>2Q15</b>    | <b>3Q15</b>    | <b>4Q15</b>    | <b>QoQ (%)</b> | <b>YtD (%)</b> |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>TL Loans</b>             | <b>81,983</b>  | <b>82,033</b>  | <b>85,214</b>  | <b>88,011</b>  | <b>89,453</b>  | <b>2</b>       | <b>9</b>       |
| Corporate                   | 7,818          | 8,546          | 10,676         | 13,328         | 14,309         | 7              | 83             |
| Commercial *                | 19,332         | 20,239         | 21,736         | 22,369         | 22,503         | 0              | 16             |
| Small & Micro *             | 12,271         | 12,203         | 12,719         | 12,683         | 13,108         | 3              | 7              |
| Consumer                    | 30,975         | 29,902         | 29,126         | 28,719         | 28,645         | 0              | (8)            |
| Credit Cards                | 11,587         | 11,143         | 10,957         | 10,885         | 10,888         | 0              | (6)            |
| <b>(US\$ mio)</b>           |                |                |                |                |                |                |                |
| <b>FX Loans</b>             | <b>23,270</b>  | <b>22,660</b>  | <b>22,964</b>  | <b>22,086</b>  | <b>22,227</b>  | <b>1</b>       | <b>(5)</b>     |
| Corporate                   | 15,643         | 15,552         | 16,151         | 15,332         | 14,660         | (4)            | (6)            |
| Commercial                  | 7,627          | 7,108          | 6,813          | 6,754          | 7,566          | 12             | (1)            |
| <b>Total Loans (TL mio)</b> | <b>136,131</b> | <b>141,253</b> | <b>146,069</b> | <b>153,827</b> | <b>153,466</b> | <b>0</b>       | <b>13</b>      |

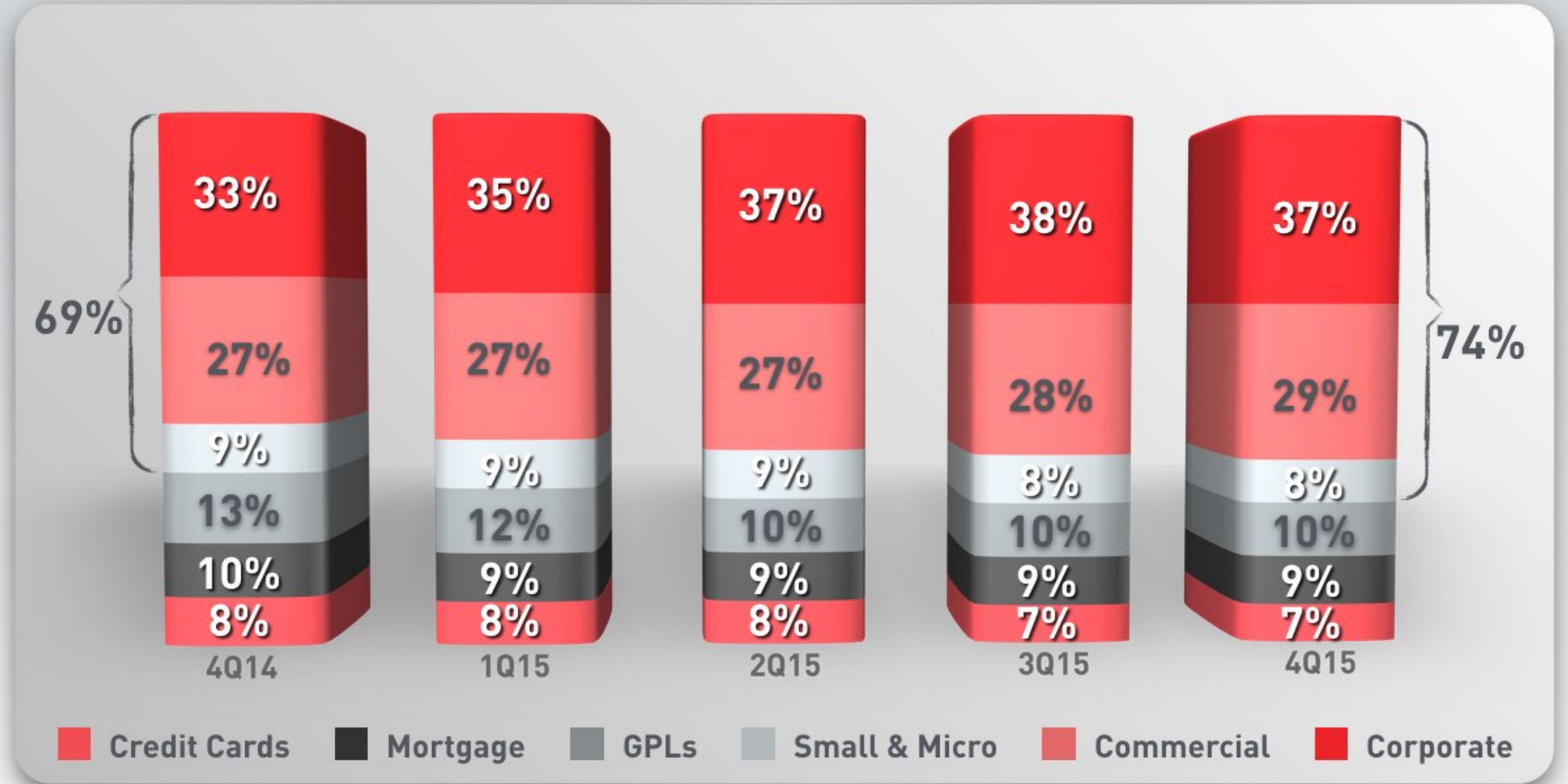
FX indexed loans are shown under FX loans

\* Due to a change in internal segment definition, some customers have been transferred to Small&Micro from Commercial

# Balanced loan mix with higher share of business banking



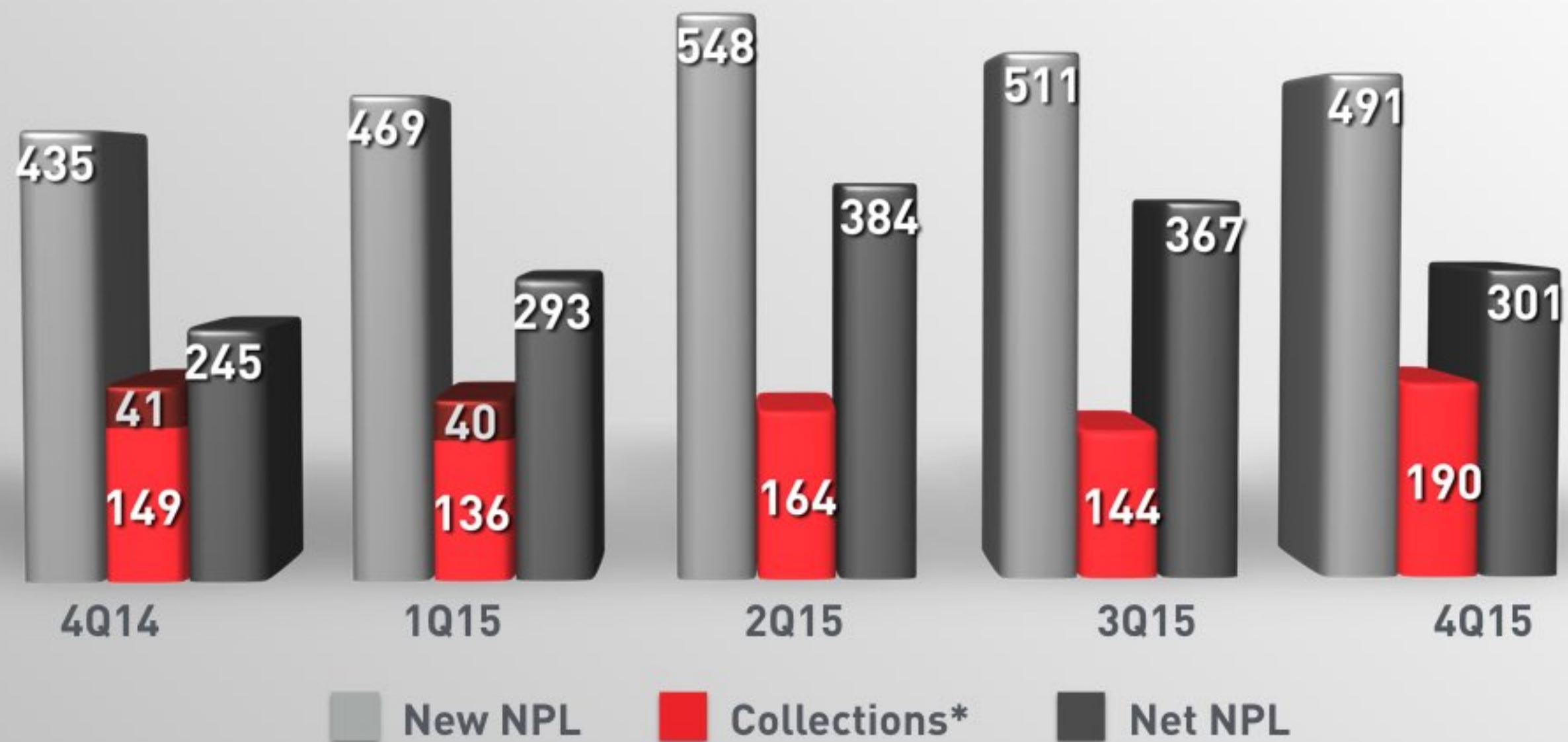
FX indexed loans are shown under FX loans



- ▶ Growth in lucrative TL business lending continues
- ▶ 27% of TL business loans are daily re-pricable

# Lowest quarterly net CoR of the year

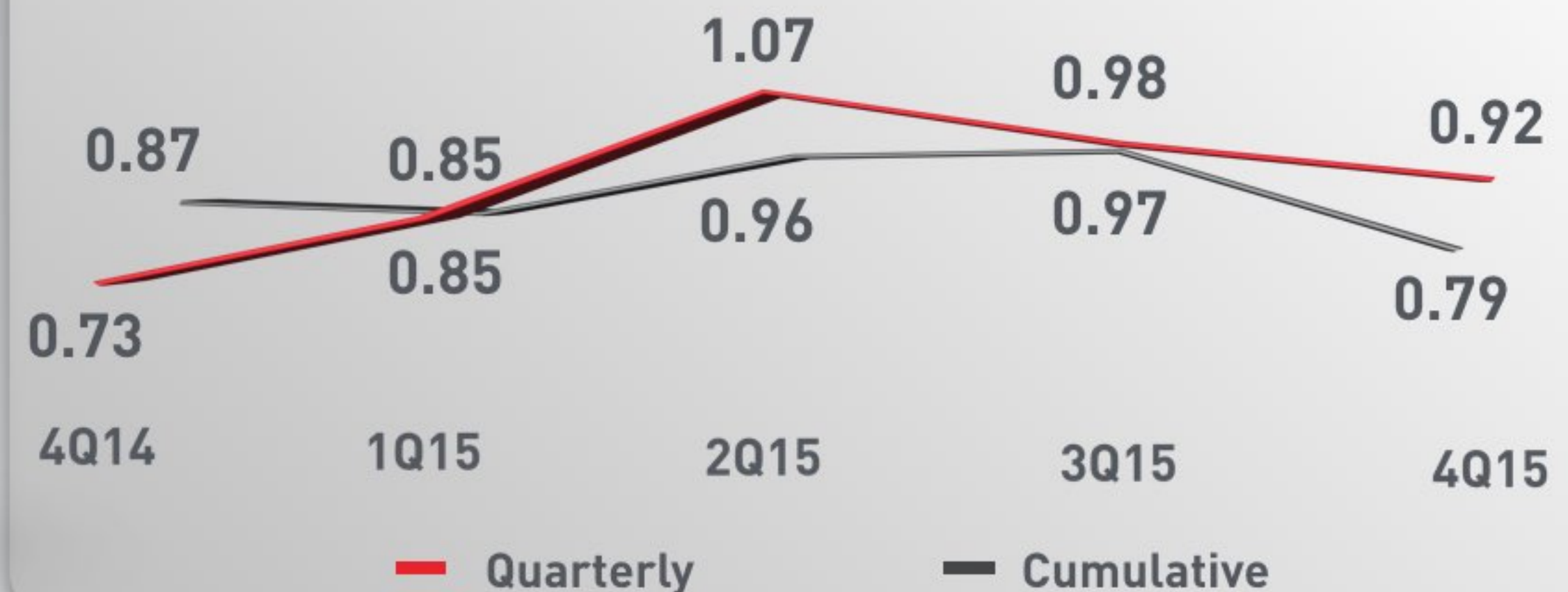
## New NPL Provisions and Recoveries (TL mio)



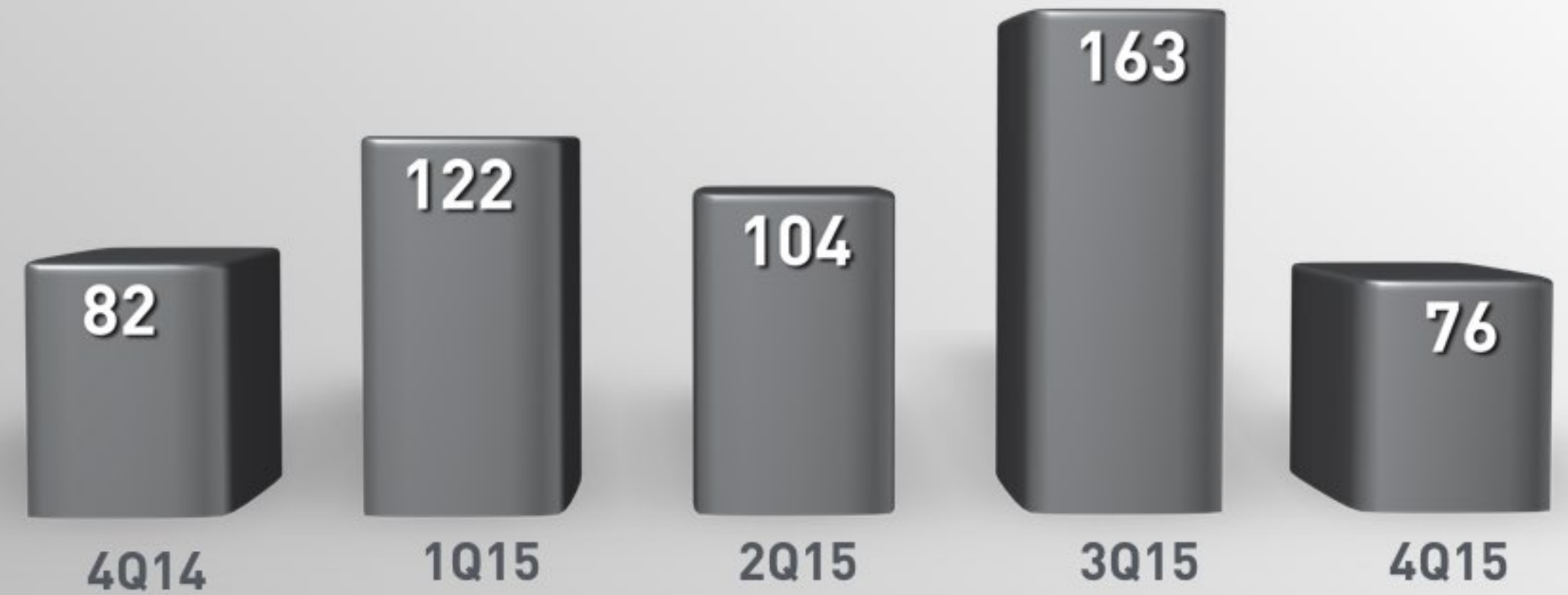
\*Collections include NPL Sales Proceeds of TL 40 mio in 1Q15, TL 41 mio in 4Q14

Impact of higher specific coverage on  
**CoR 23bps**

## Net Specific Cost of Risk (%)



## General Provisions (TL mio)



# NPL ratio within budget

## NPL Ratios by Segment (%)

|              | Akbank            |                   | Sector            |                   |
|--------------|-------------------|-------------------|-------------------|-------------------|
|              | <u>2014</u>       | <u>2015</u>       | <u>2014</u>       | <u>2015</u>       |
| Business     | 0.8               | 0.9               | 2.4               | 2.4               |
| Consumer     | 2.1               | 4.0               | 2.4               | 3.2               |
| Credit Cards | 6.6               | 8.6               | 6.8               | 8.2               |
| <b>Total</b> | <b><u>1.7</u></b> | <b><u>2.2</u></b> | <b><u>2.8</u></b> | <b><u>3.0</u></b> |

## Akbank vs. Sector NPL Ratio (%)



Higher than the sector consumer and CC NPL ratios result from the denominator impact

If the annual growth in consumer and CC were similar to the sector **NPL ratios would have been**

**3.4% and 8.1%**, respectively

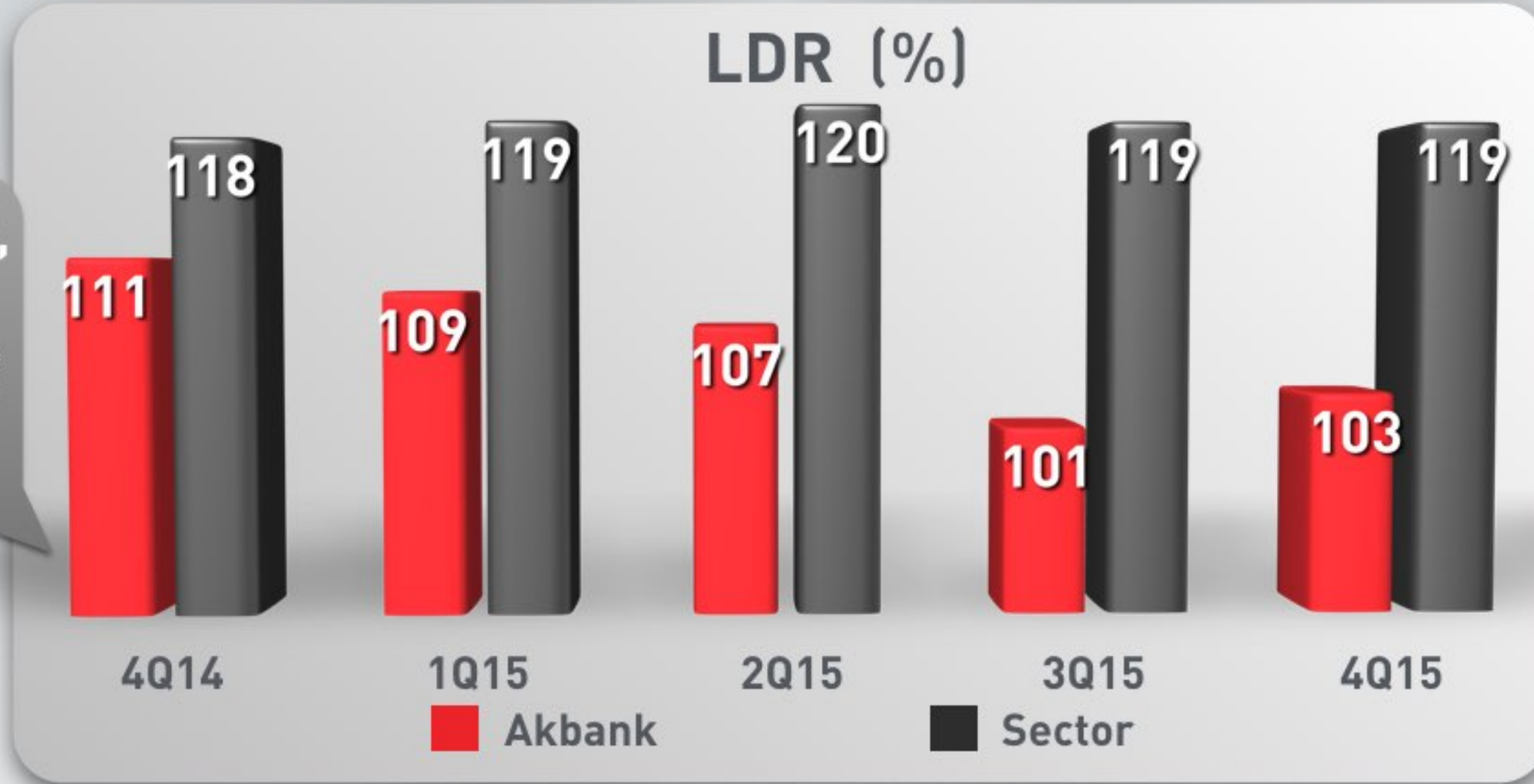
**96% Specific**

**171% Total Coverage Ratio**

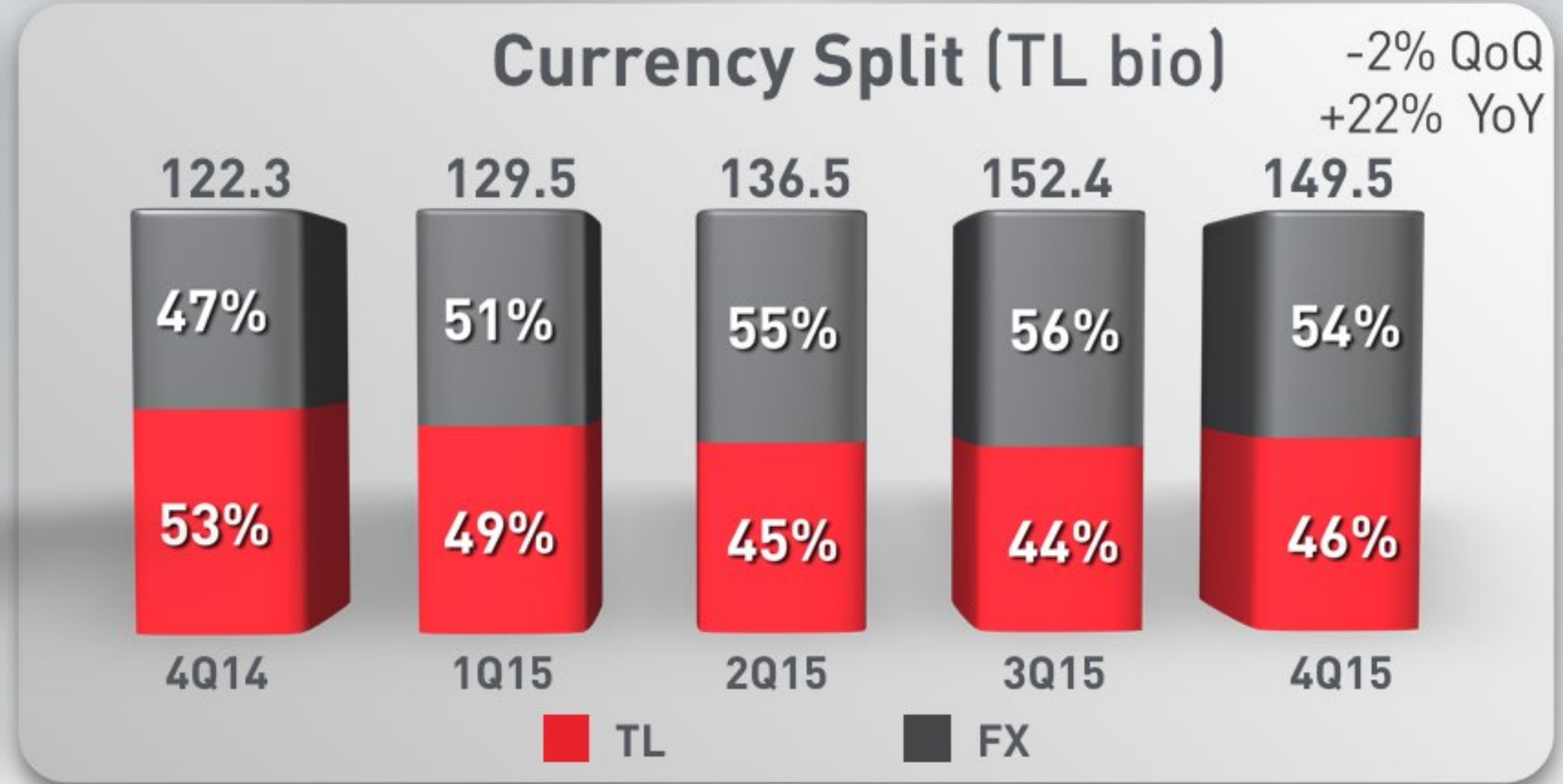
Impact of higher specific coverage on **ROE around 1%**

# Strong deposit growth with controlled pricing

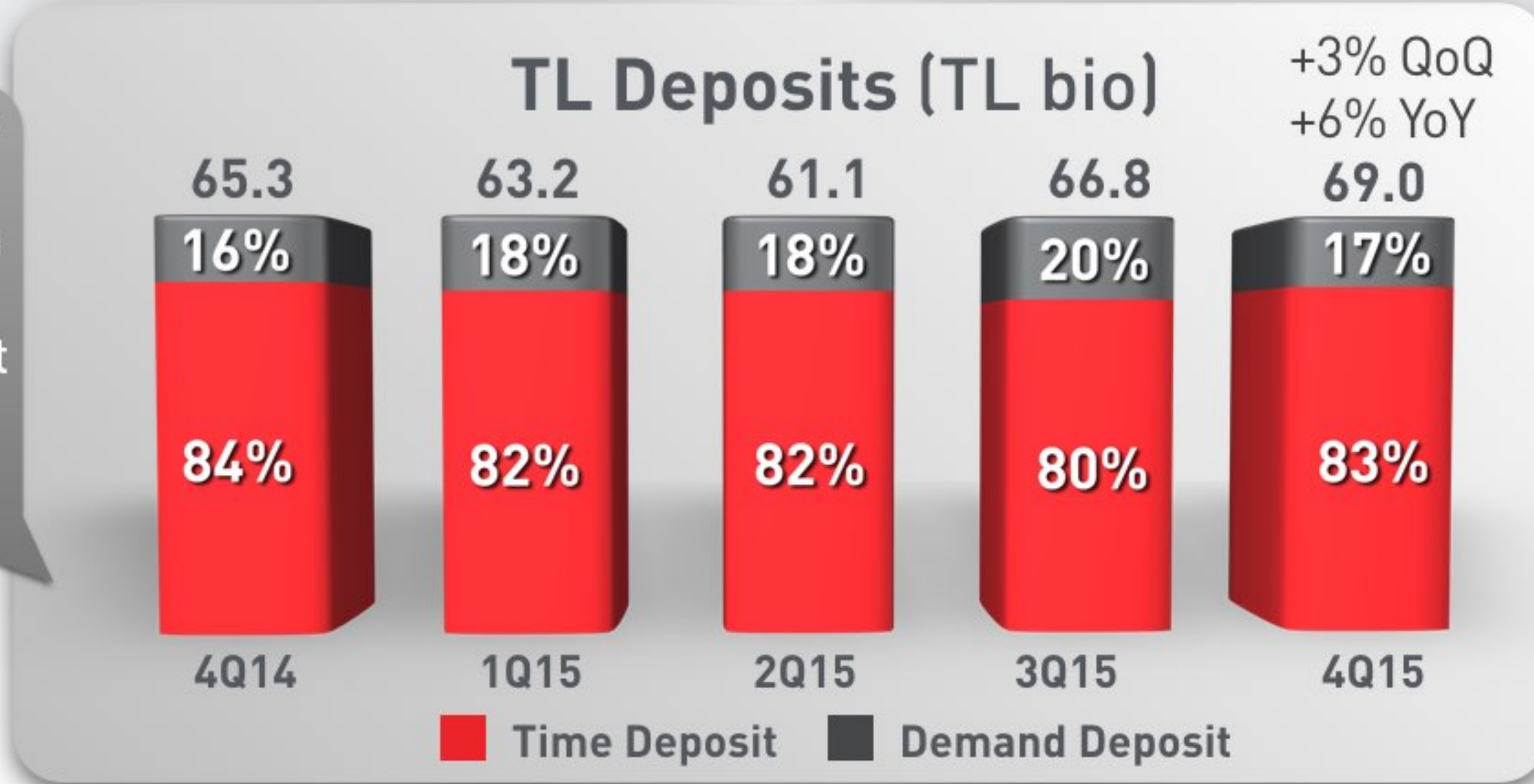
LDR at 103%,  
down by 8  
ppt since the  
beginning of  
the year



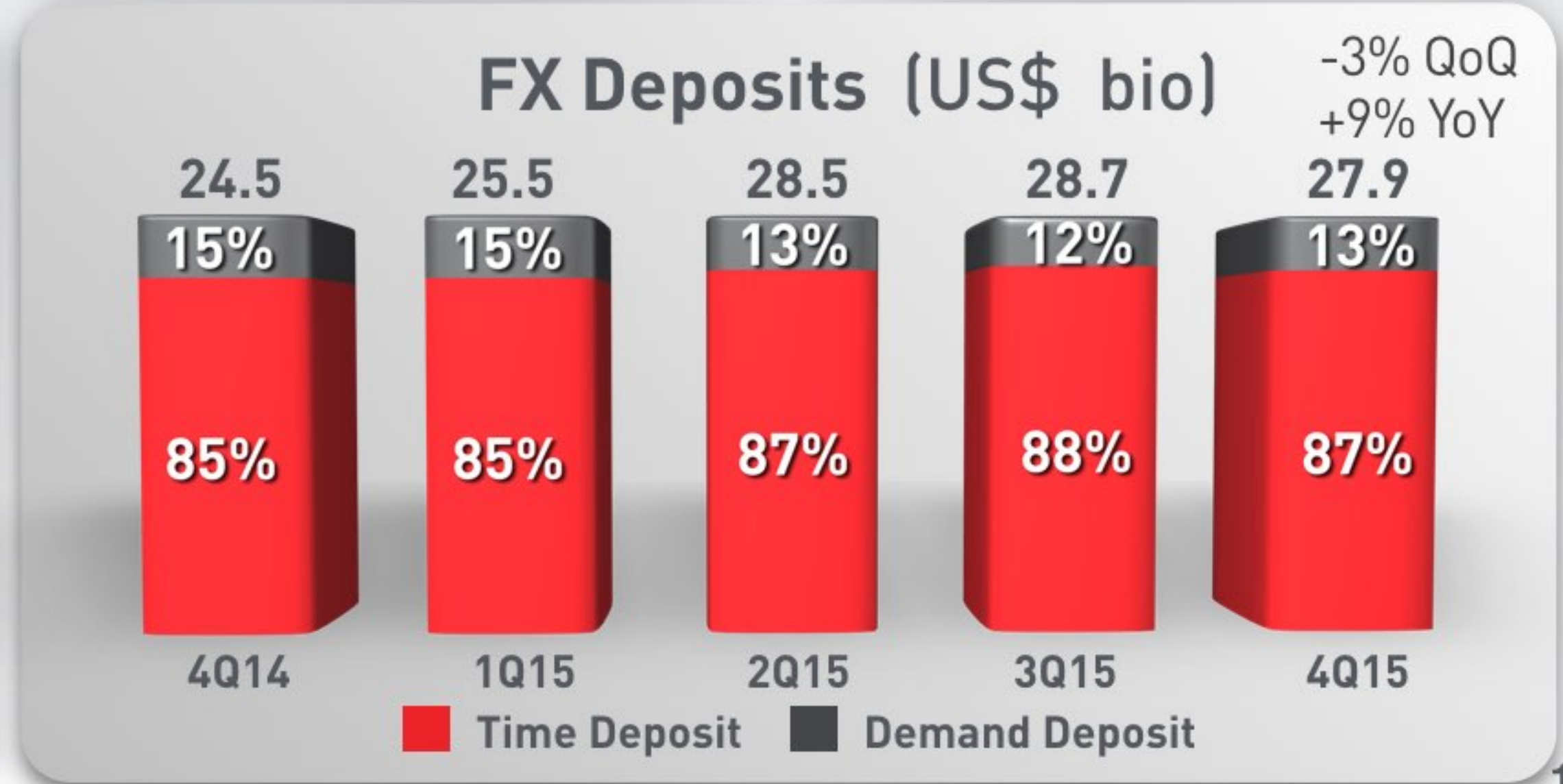
-2% QoQ  
+22% YoY



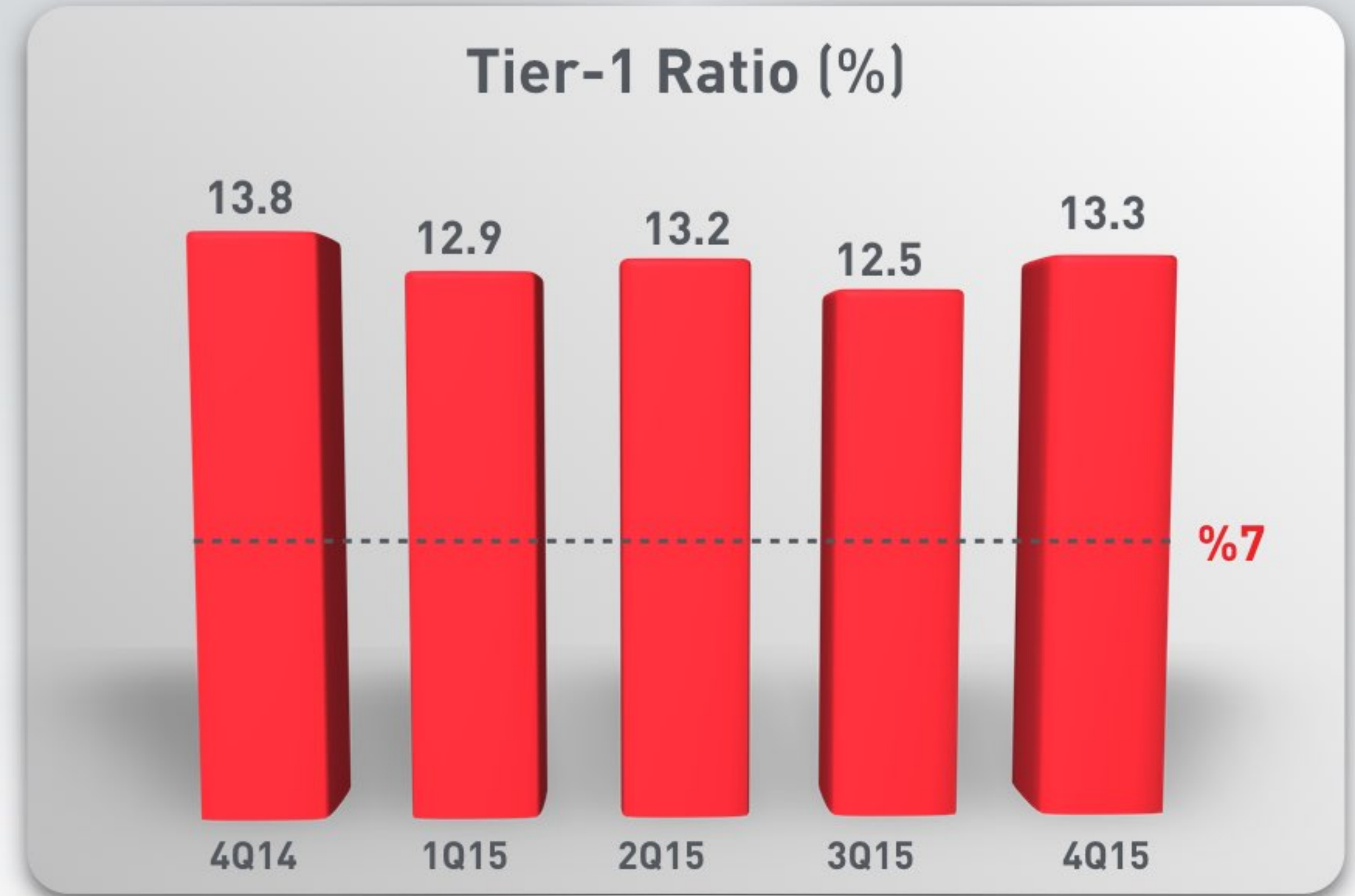
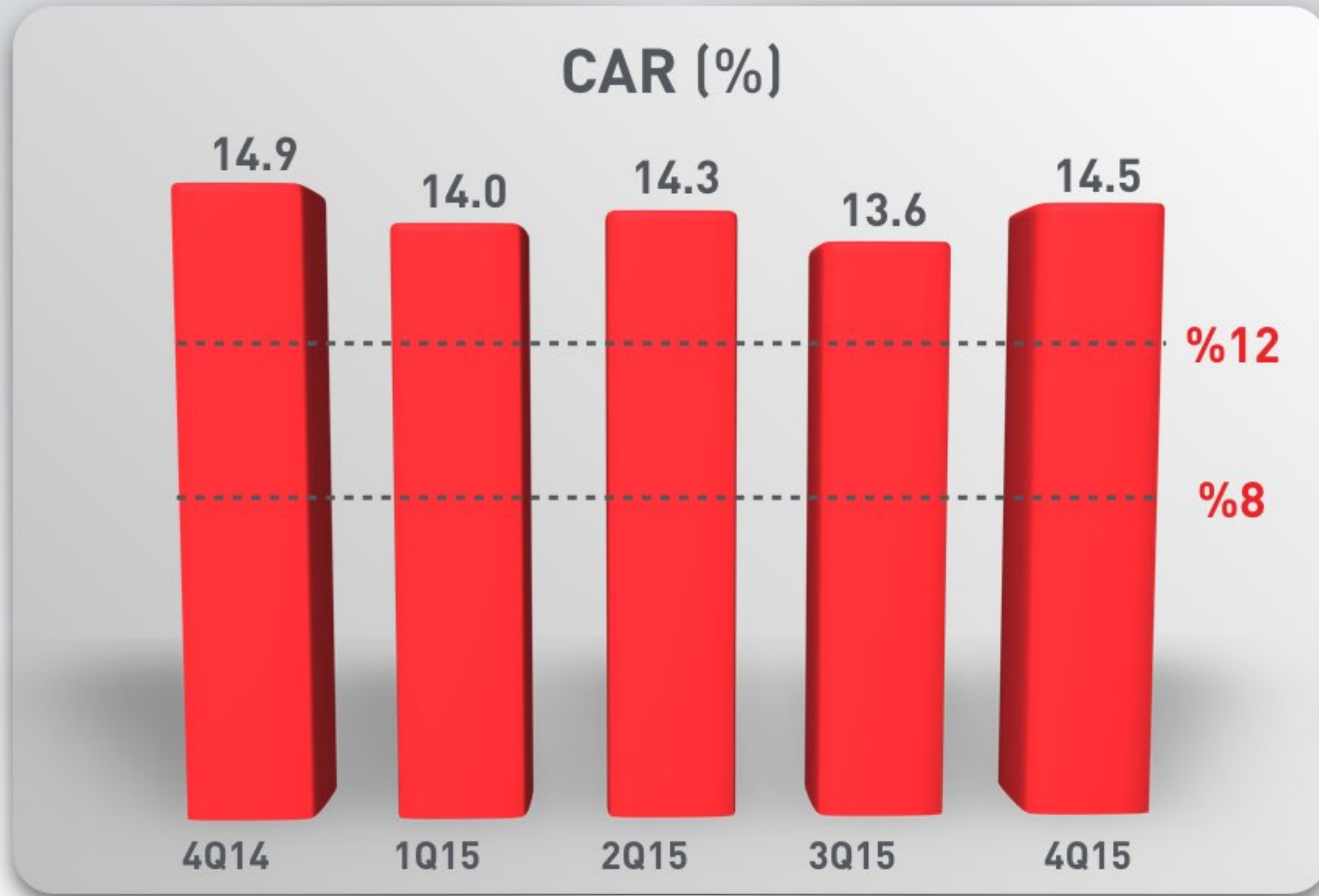
Almost 1ppt  
share gain in  
< TL250K  
deposits limit  
the rise in  
cost of TL  
deposits



-3% QoQ  
+9% YoY



## Strongest Tier-1 despite significant TL depreciation



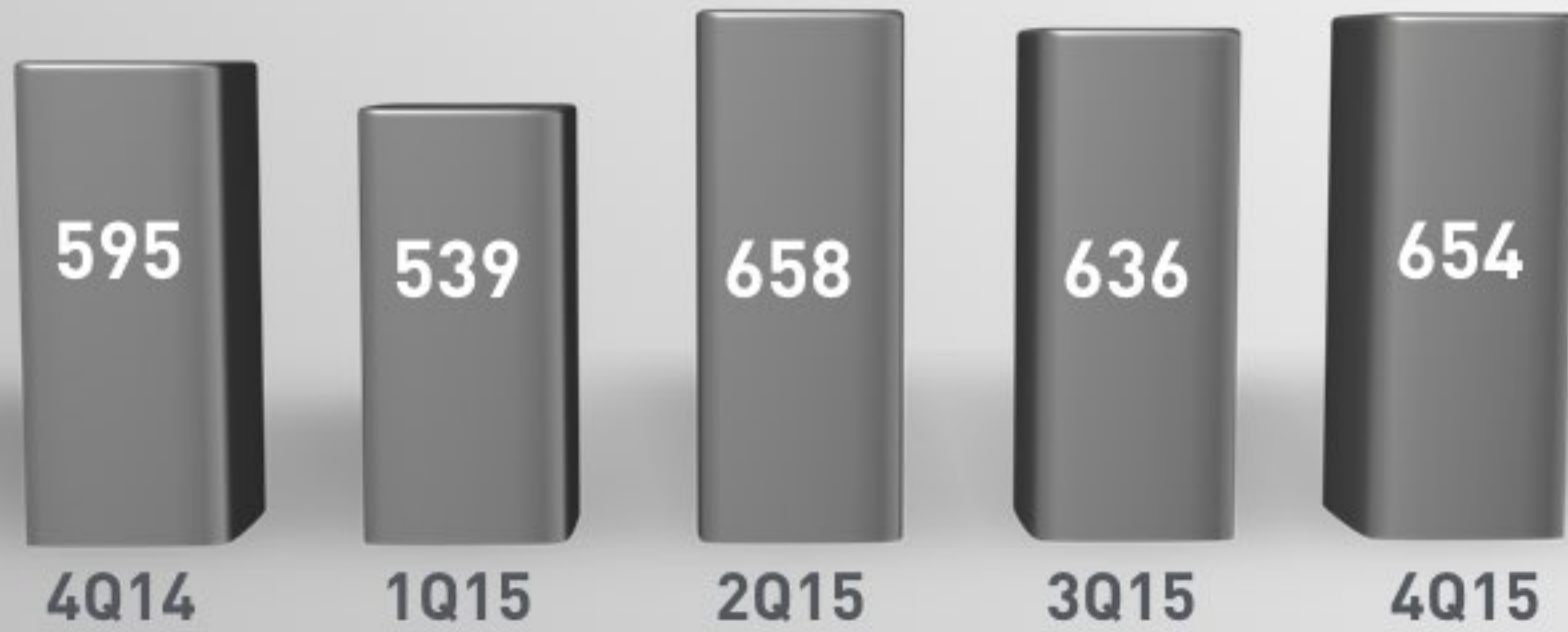
► CAR and Tier I ratios consistently well above minimum requirements



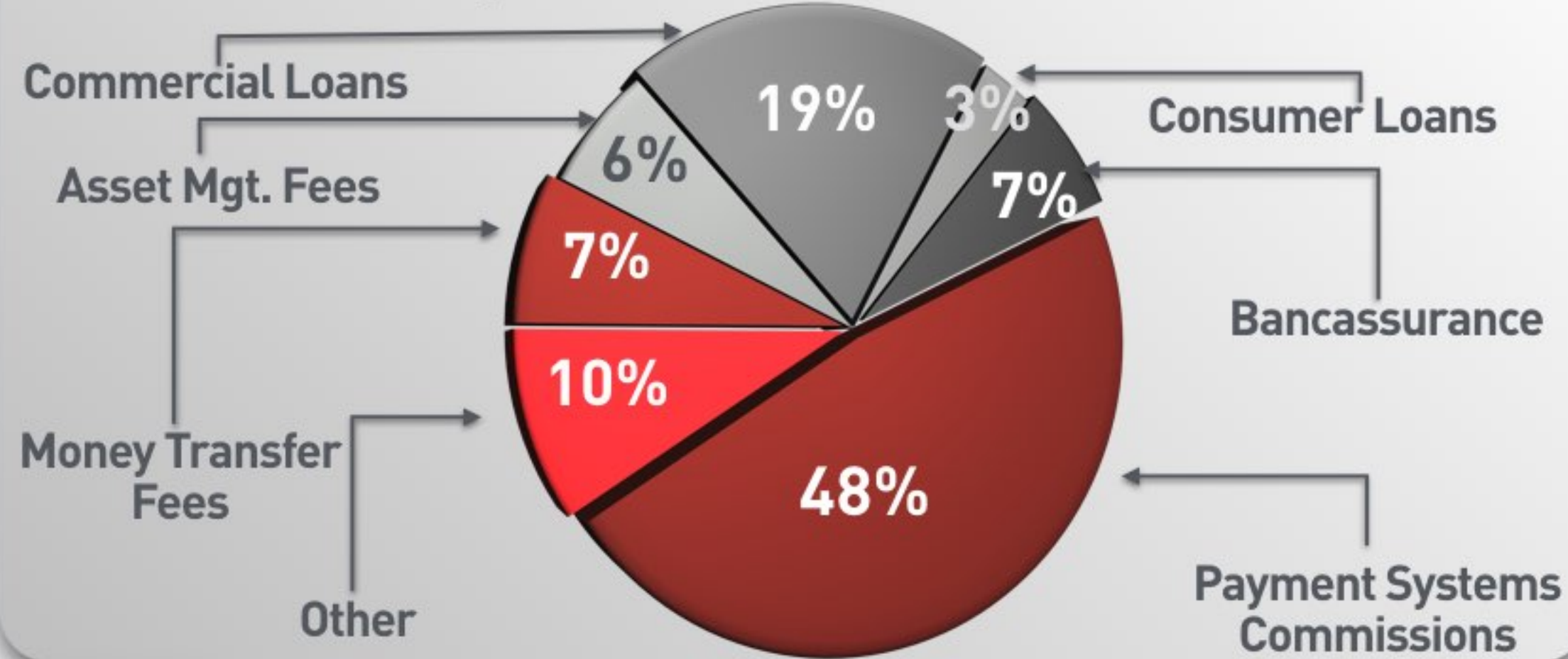
# 15% annual fee income growth on a comparative basis (TL mio)

## Quarterly Net Fees and Commissions

+3% QoQ  
+10% YoY



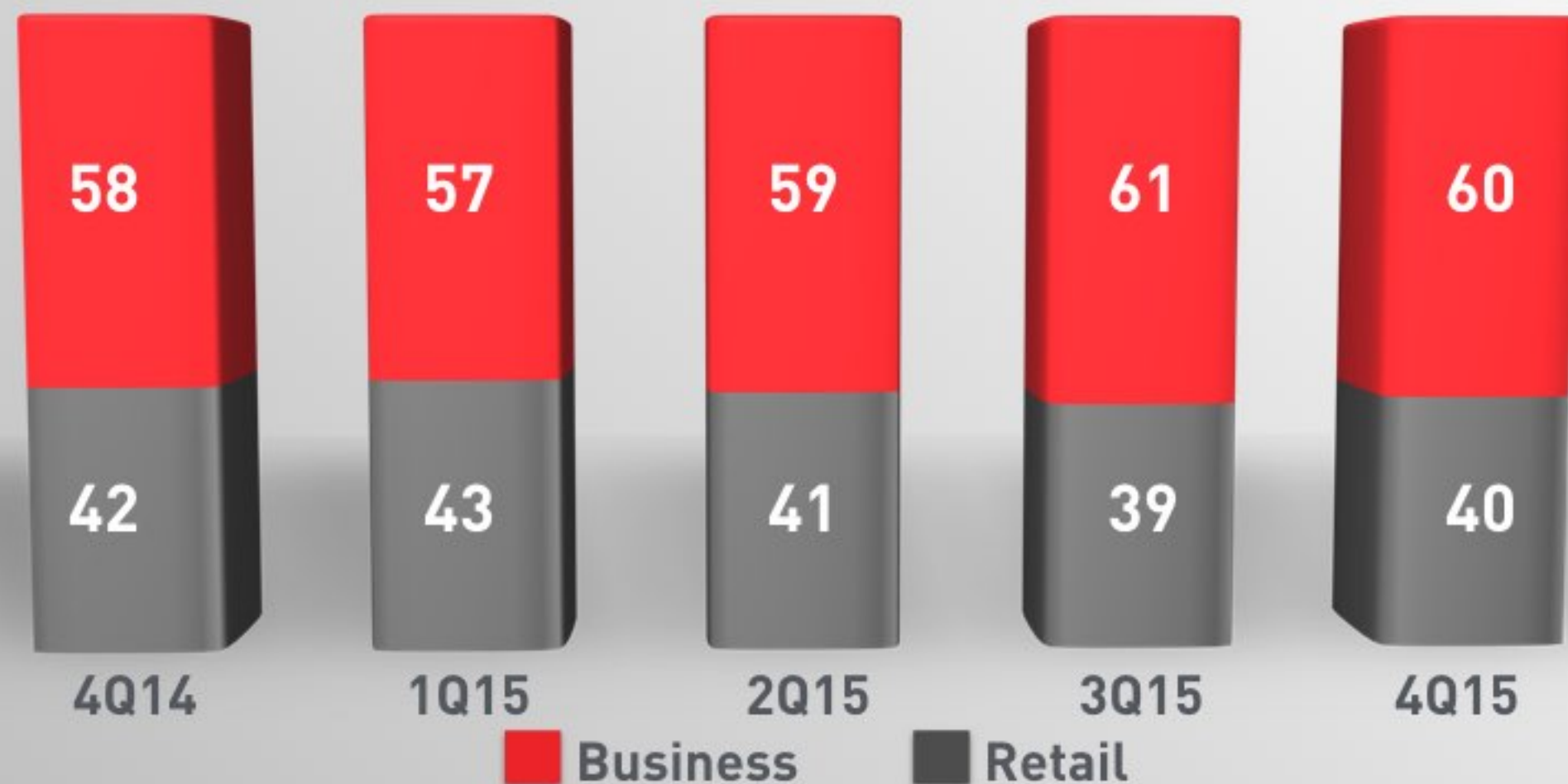
## Split of Commission Income



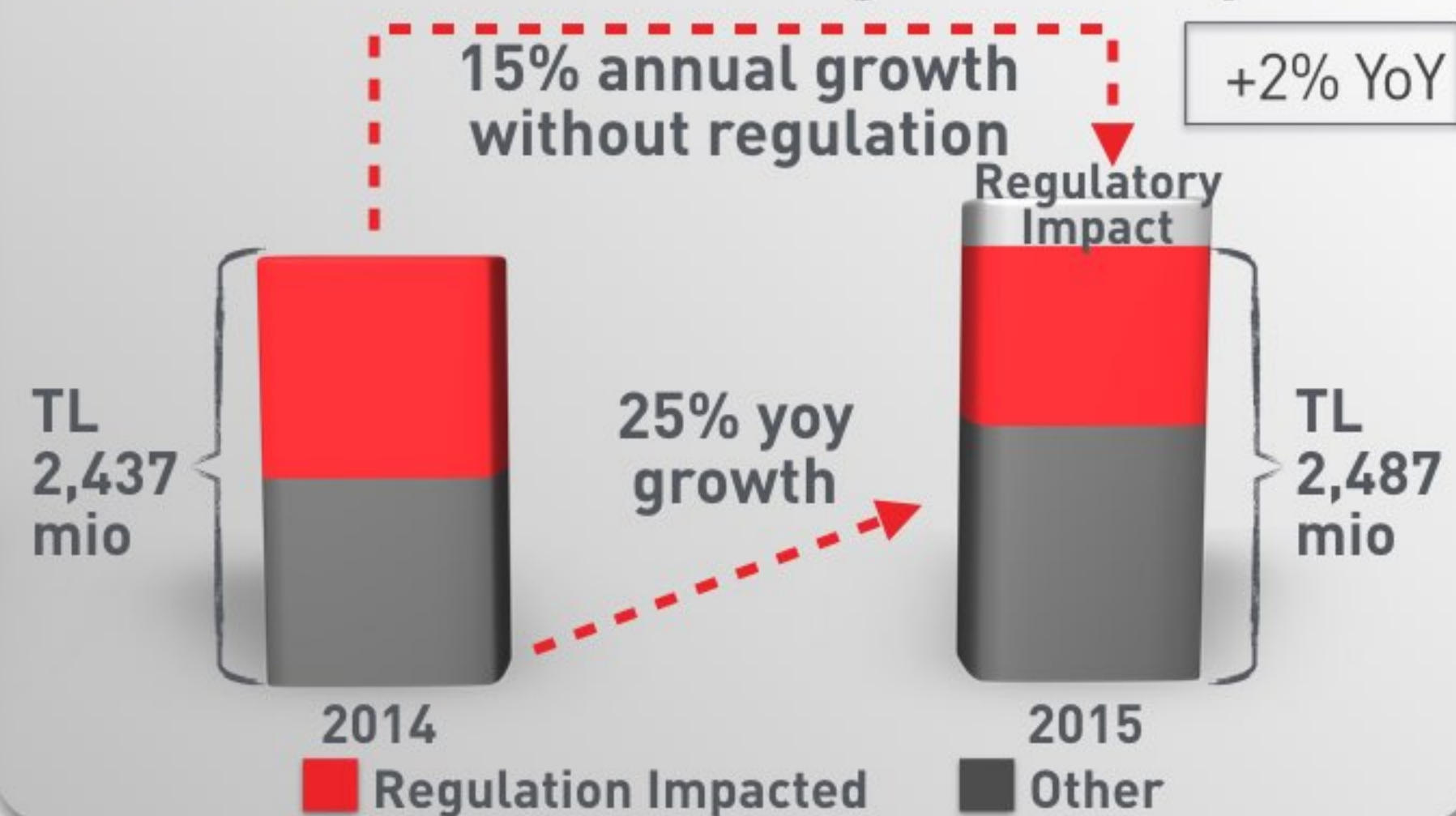
**+45% YoY**  
increase in  
Business  
Banking Fees

**+34% YoY**  
increase in  
Money Transfer  
Fees

## Segmental Composition (%)

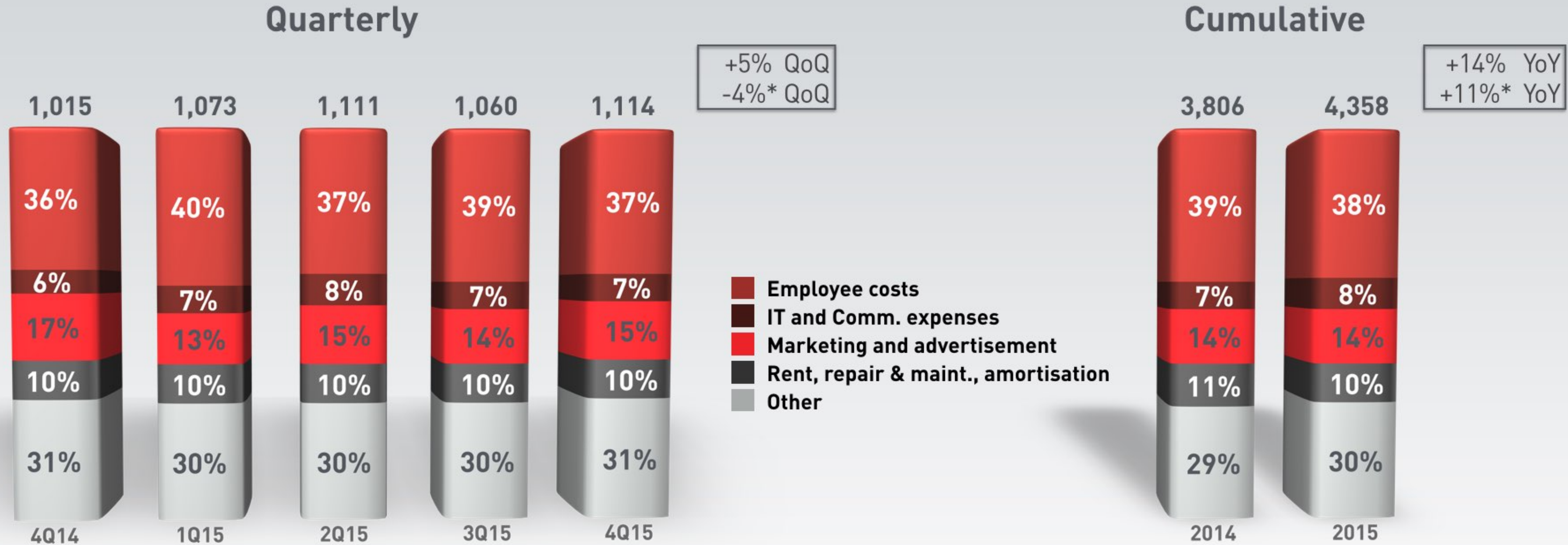


## Fee Growth without Regulation Impact



**+34% YoY**  
increase in  
Asset  
Management  
Fees

# OPEX growth broadly in line with the guidance (TL mio)



\* Non-operational items and one-off excluded; TL 109 mio in 2014 and TL 242 mio in 2015 for YoY comparison

## Continuous improvement in efficiency

### Cost/Average Assets (%)



### Cost/Income (%)



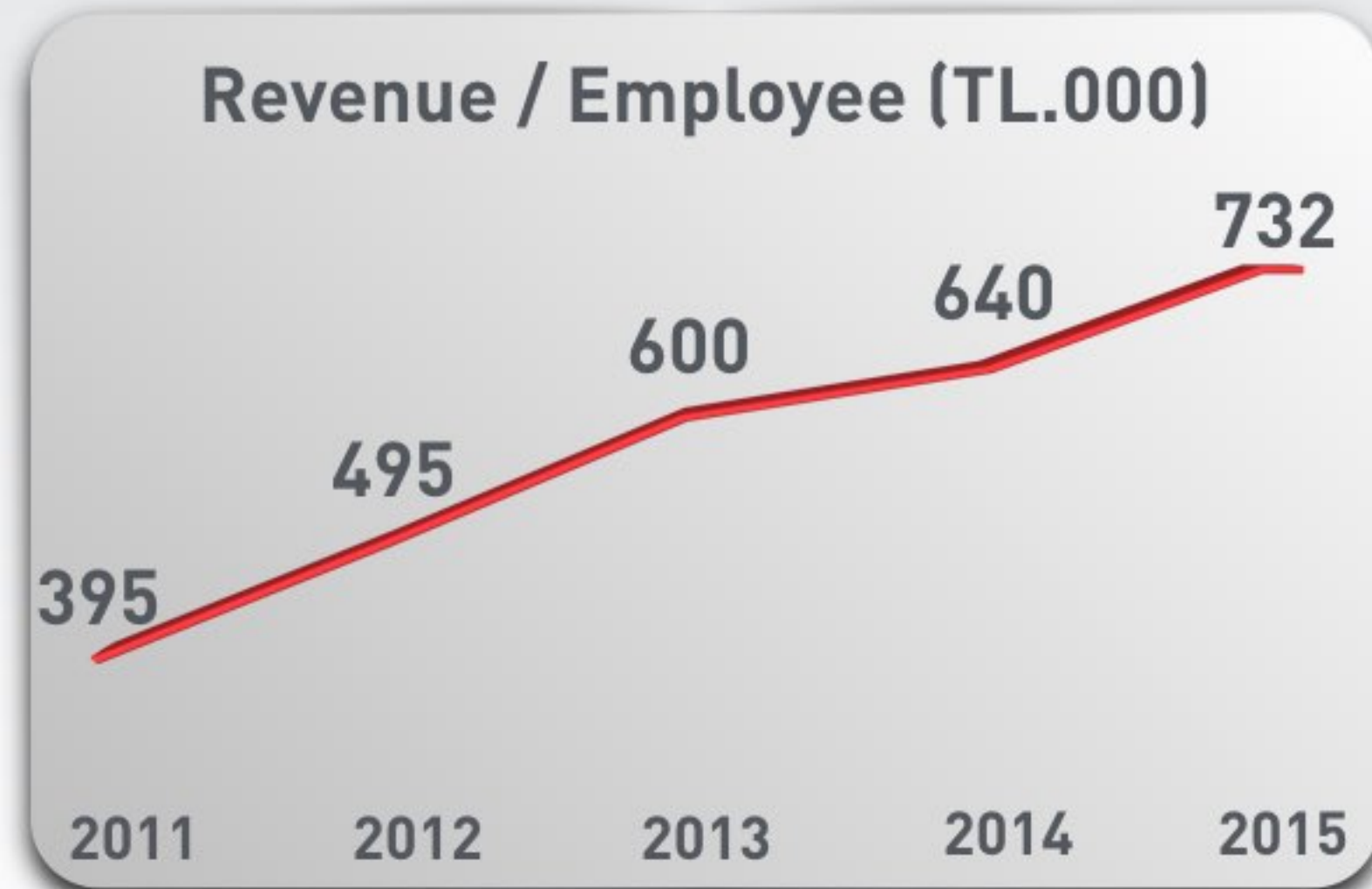
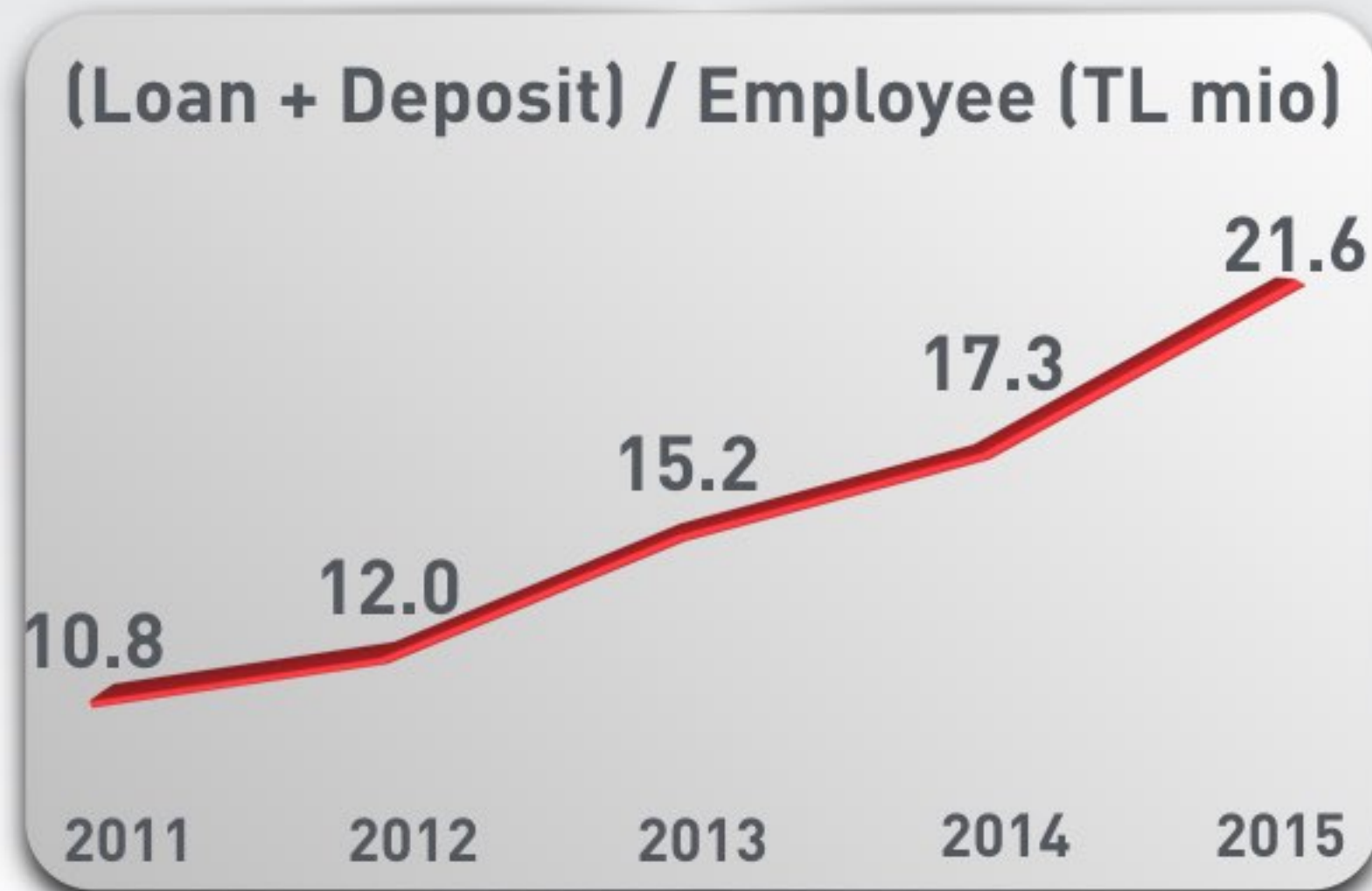
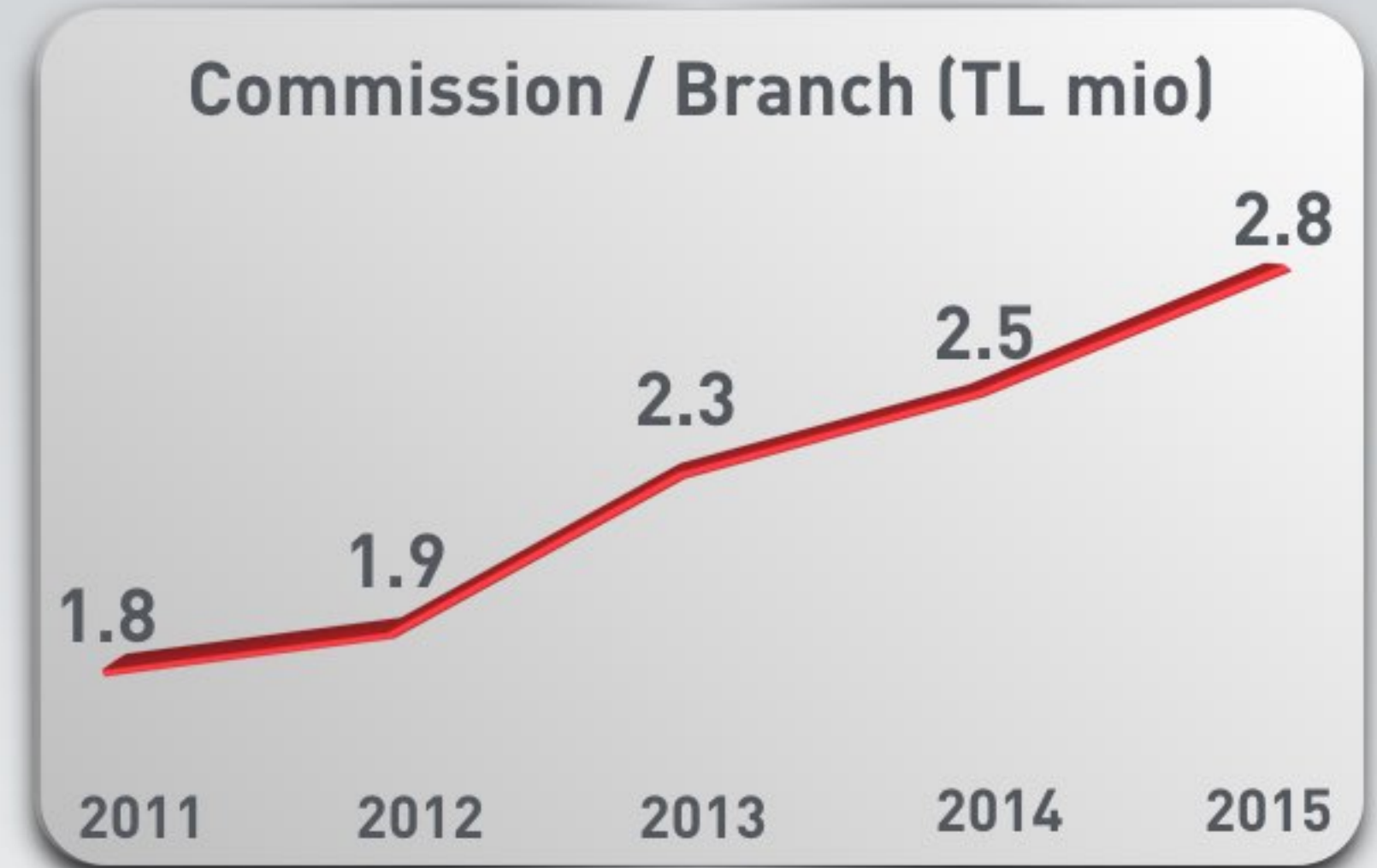
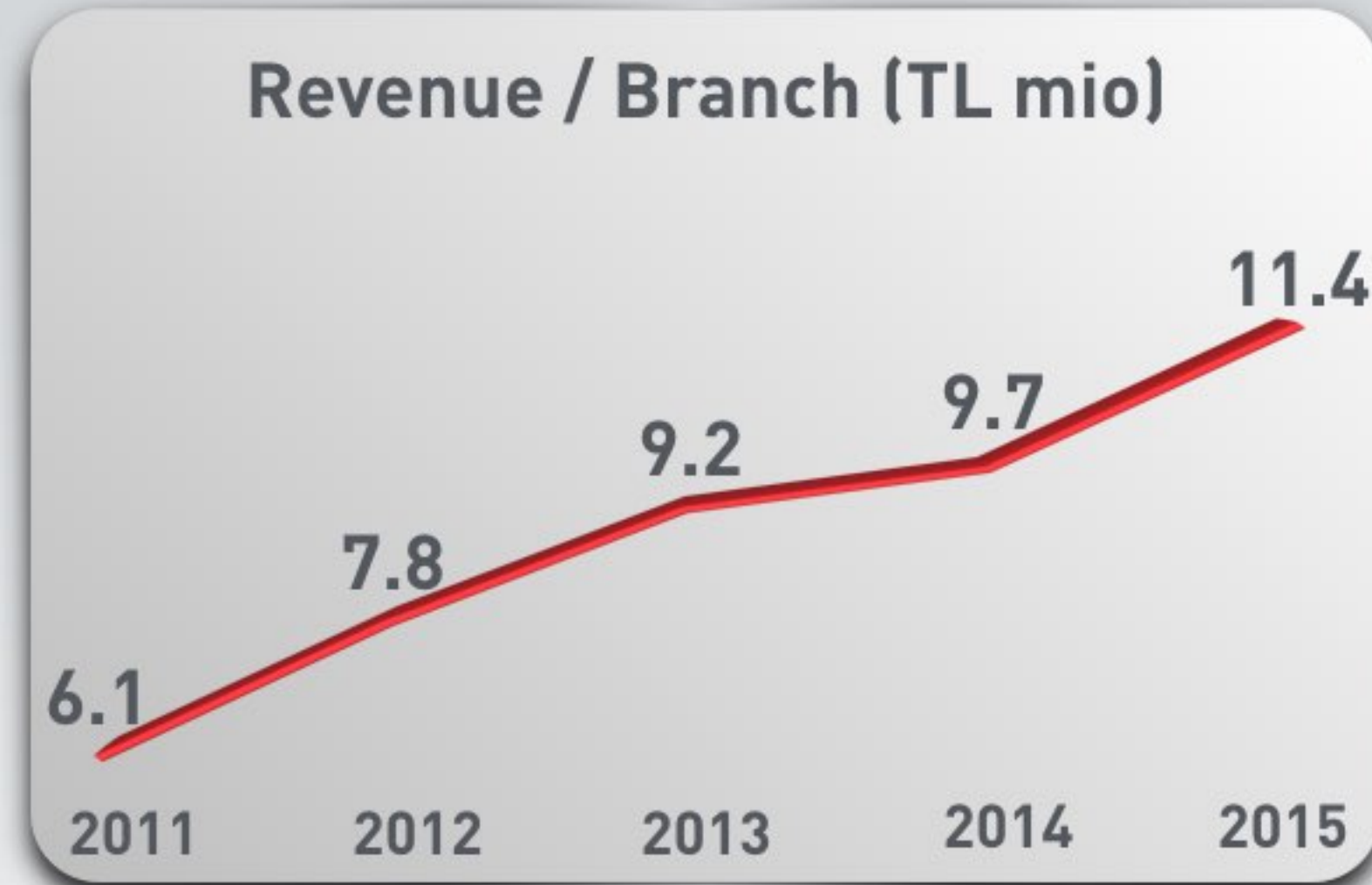
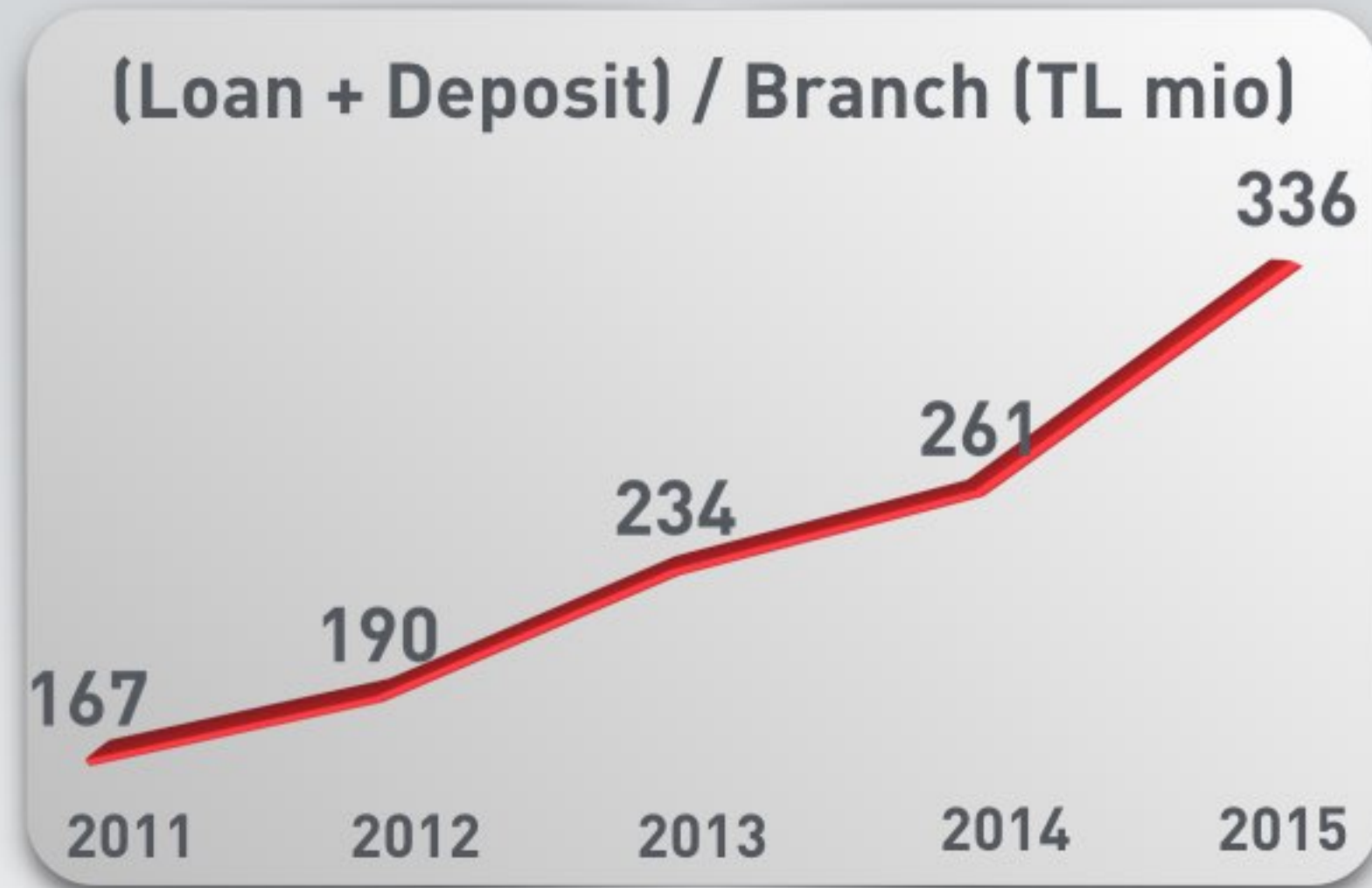
### Net Fees/Cost (%)



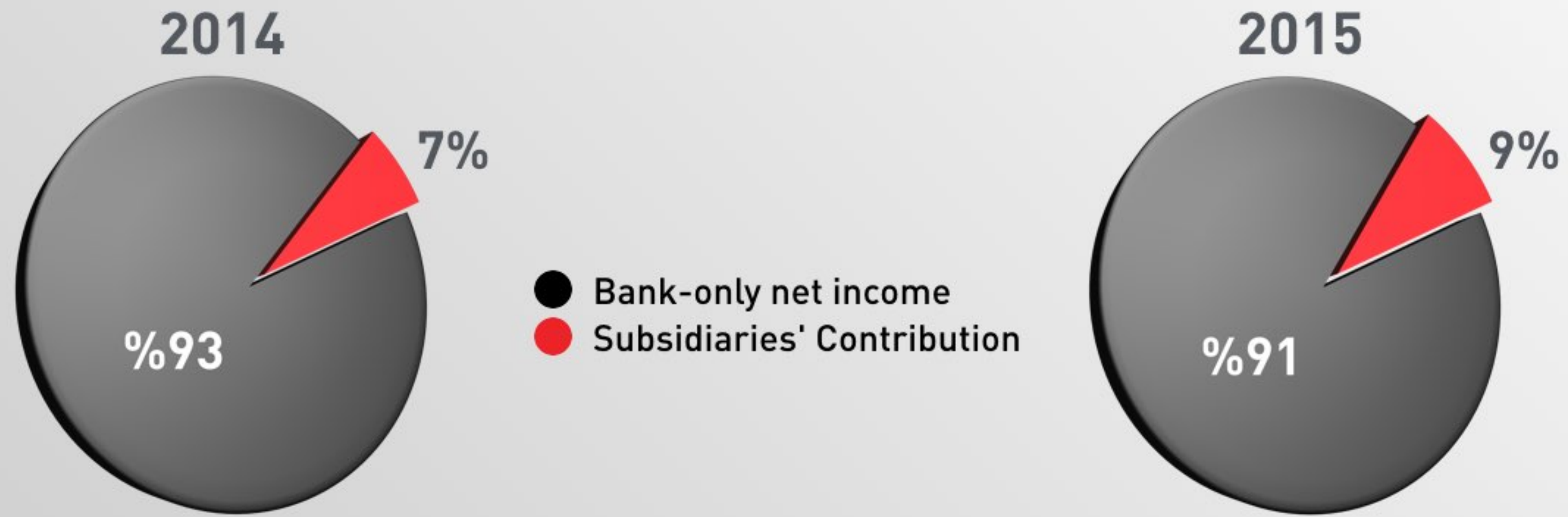
\*In all calculations non-operational items and one-off excluded;

TL 129 mio competition board penalty in 2013, TL 109 mio fee rebates in 2014, TL 217 mio fee rebates and TL 25 mio personnel indemnity related with outsourced security staff in 2015 19

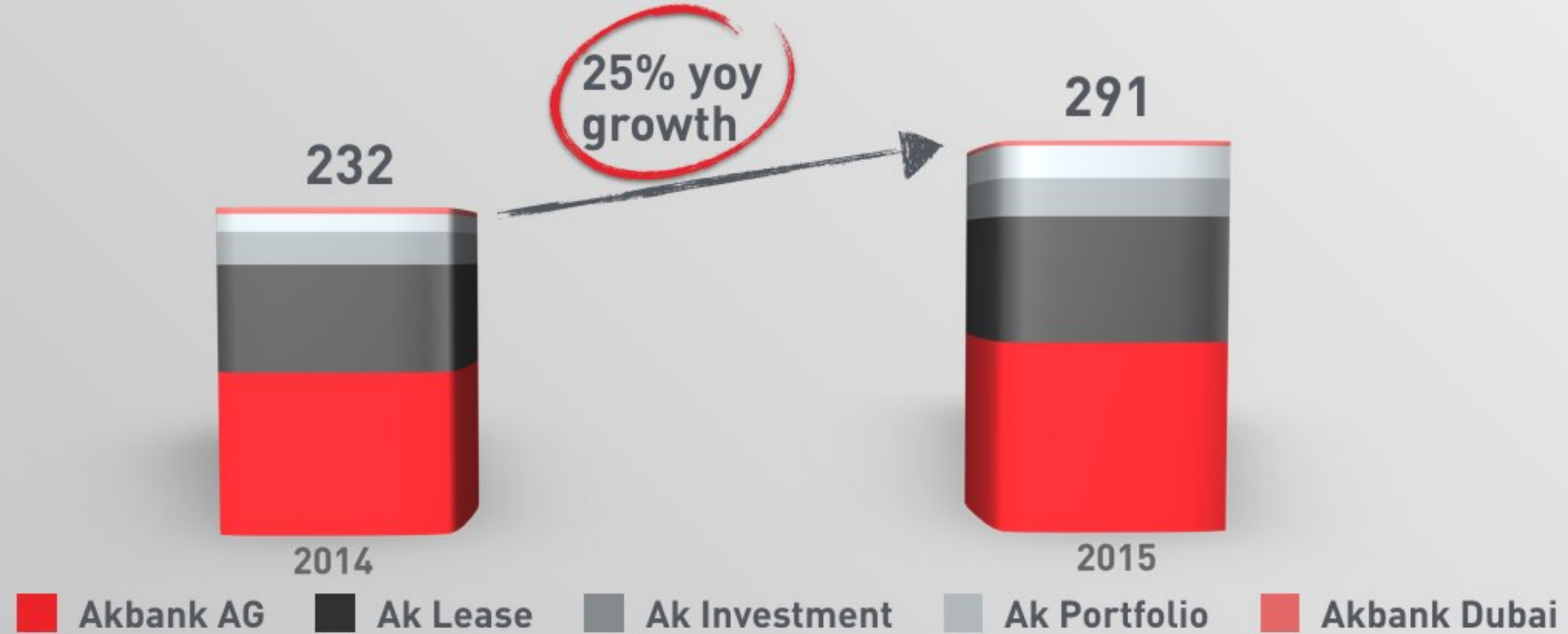
# All efficiency metrics almost doubled in last 4 years



# Sustainable contribution of subsidiaries to bottom-line



## Subsidiaries' Net Income (TL mio)



## 2015 Guidance miss mainly due to NIM

| Growth (%)     | Guidance | 2015 |
|----------------|----------|------|
| Total Assets   | 13-15    | 15 ✓ |
| Loans          | 15-17    | 13 ~ |
| Total Deposits | 15-17    | 22 ✓ |

|                      |          |        |   |
|----------------------|----------|--------|---|
| ROA                  | ~1.6%    | 1.3%   | - |
| Leverage             | ~ 8.8x   | 9.0x   | ✓ |
| ROE                  | 13-14%   | 12.1%  | - |
| NIM                  | ~3.6%    | 3.3%   | - |
| Net fees&com. growth | 5-7%     | 2%     | - |
| Opex growth*         | ~10%     | 11%    | ~ |
| Cost/ income*        | ~37%     | 39%    | ~ |
| Cost / assets        | ~1.7%    | 1.7%   | ✓ |
| CAR                  | Min 14%  | 14.5%  | ✓ |
| LDR                  | Max 108% | 103%   | ✓ |
| NPL                  | ~2.0%    | 2.2%   | ✓ |
| Cost of risk         | 90 bps   | 92 bps | ✓ |
| EPS Growth           | Mid-teen | - 4%   | - |

### Guidance

### 2015

-

✓

-

-

-

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✓

✓

✓

✓

✓

-

\*Adjusted for one-off items, CIR Formula based on generally accepted global practices

# 2016 & Beyond Guidance

## Growth (%)

|                | 2016  | CAGR<br>2016-2018 |
|----------------|-------|-------------------|
| Total Assets   | 14-16 | 14-16             |
| Loans          | 15-17 | 15-17             |
| TL             | 15-17 | 15-17             |
| FX (\$ terms)  | 7-9   | 7-9               |
| Total Deposits | 15-17 | 15-17             |
| TL             | 15-17 | 15-17             |
| FX (\$ terms)  | 7-9   | 7-9               |

|                      |          |
|----------------------|----------|
| ROA                  | ~1.5%    |
| Leverage             | ~ 9.5x   |
| ROE                  | ~14%     |
| NIM                  | Flat     |
| Net fees&com. growth | ~15%     |
| Opex growth          | ~8%      |
| Cost/ income         | ~37%     |
| Cost / assets        | ~1.6%    |
| CAR                  | ~ 14%    |
| LDR                  | Max 105% |
| NPL                  | ~2.2%    |
| Cost of risk         | 90 bps   |
| EPS Growth           | +25%     |

## 2016

|                      |          |
|----------------------|----------|
| ROA                  | ~1.5%    |
| Leverage             | ~ 9.5x   |
| ROE                  | ~14%     |
| NIM                  | Flat     |
| Net fees&com. growth | ~15%     |
| Opex growth          | ~8%      |
| Cost/ income         | ~37%     |
| Cost / assets        | ~1.6%    |
| CAR                  | ~ 14%    |
| LDR                  | Max 105% |
| NPL                  | ~2.2%    |
| Cost of risk         | 90 bps   |
| EPS Growth           | +25%     |

## 2017 and beyond

|          |            |
|----------|------------|
| ROA      | 1.5 - 1.7% |
| ROE      | 14 - 16%   |
| Leverage | ~9.5x      |

## Snapshot of Results

| (TL mio, ratios in %)      | 2014    | 1Q15    | 2Q15    | 3Q15    | 4Q15    | 2015    | YoY (%) | QoQ (%) |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Total Assets</b>        | 218,697 | 233,744 | 238,264 | 254,926 | 252,467 | 252,467 | 15.4    | -1.0    |
| <b>Loans</b>               | 136,131 | 141,253 | 146,069 | 153,827 | 153,466 | 153,466 | 12.7    | -0.2    |
| <b>Deposits</b>            | 122,294 | 129,540 | 136,485 | 152,421 | 149,471 | 149,471 | 22.2    | -1.9    |
| <b>Net Profit</b>          | 3,379   | 785     | 727     | 709     | 1,007   | 3,229   | -4.4    | 41.8    |
| <b>Net interest income</b> | 7,220   | 1,870   | 1,900   | 1,898   | 2,063   | 7,731   | 7.1     | 8.7     |
| <b>Net fee income</b>      | 2,437   | 539     | 658     | 636     | 654     | 2,487   | 2.1     | 2.7     |
| <b>ROAE</b>                | 14.1    | 12.0    | 11.1    | 10.7    | 14.8    | 12.1    | -2.0    | 4.1     |
| <b>ROAA</b>                | 1.6     | 1.4     | 1.2     | 1.2     | 1.6     | 1.3     | -0.3    | -0.4    |
| <b>NIM</b>                 | 3.53    | 3.28    | 3.24    | 3.14    | 3.40    | 3.28    | -0.2    | 0.3     |
| <b>Swap adj. NIM</b>       | 3.17    | 3.11    | 3.11    | 3.11    | 3.28    | 3.17    | 0.0     | 0.2     |
| <b>Cost of Risk</b>        | 0.91    | 0.85    | 1.1     | 0.98    | 0.79    | 0.92    | 0.0     | -0.2    |
| <b>Cost to Asset*</b>      | 1.8     | 1.7     | 1.8     | 1.7     | 1.8     | 1.7     | -0.1    | 0.1     |
| <b>CAR</b>                 | 14.9    | 14.0    | 14.3    | 13.6    | 14.5    | 14.5    | -0.4    | 0.9     |
| <b>Tier I</b>              | 13.8    | 12.9    | 13.2    | 12.5    | 13.3    | 13.3    | -0.5    | 0.8     |

\* Adjusted for non-operational items; TL 215 mio fee rebates in & TL 25 mio one-off in 2015 and TL 109 mio fee rebates in 2014



- ▶ **Balance Sheet Highlights**
- ▶ **Income Statement Highlights**
- ▶ **Loans by Segment**
- ▶ **Swap Costs & CPI Linkers Income**

## Balance Sheet Highlights

| Consolidated (TL mio)                   |                |                | Shares (%) |      | Change (%) |
|---|----------------|----------------|------------|------|------------|
|   | 2014           | 2015           | 2014       | 2015 |            |
| Cash and Due from Banks                 | 26,352         | 34,289         | 12.1       | 13.6 | 30         |
| Securities                              | 48,459         | 54,113         | 22.2       | 21.4 | 12         |
| Loans                                   | 136,131        | 153,466        | 62.2       | 60.8 | 13         |
| Other                                   | 7,754          | 10,598         | 3.5        | 4.2  | 37         |
| <b>Total Assets</b>                     | <b>218,697</b> | <b>252,467</b> |            |      | <b>15</b>  |
| Deposits                                | 122,294        | 149,471        | 55.9       | 59.2 | 22         |
| Funds Borrowed and Bonds Issued         | 31,810         | 38,588         | 14.5       | 15.3 | 21         |
| Repo                                    | 28,851         | 24,249         | 13.2       | 9.6  | (16)       |
| - TL Repo                               | 4,872          | 6,249          | 2.2        | 2.5  | 28         |
| - FX Repo                               | 23,979         | 18,000         | 11.0       | 7.1  | (25)       |
| Other                                   | 9,602          | 12,144         | 4.4        | 4.8  | 26         |
| Equity                                  | 26,140         | 28,015         | 12.0       | 11.1 | 7          |
| <b>Total Liabilities and S/H Equity</b> | <b>218,697</b> | <b>252,467</b> |            |      | <b>15</b>  |

## Income Statement Highlights

### Consolidated (TL mio)

Interest Income

Interest Expense

**Net Interest Income**

Trading Gain (Loss)

- Securities

- Other

Provision for Loan Losses, net of collect

Fees and Commissions (Net)

Operating Expense

Other Income

Other Provisions

**Income Before Tax**

Tax

**Net Income**

**2014**

**2015**

**Change (%)**

14,690

15,998

9

(7,470)

(8,267)

11

**7,220**

**7,731**

**7**

(75)

66

-

721

226

(69)

(796)

(160)

(80)

(1,095)

(1,336)

22

2,437

2,487

2

(3,806)

(4,358)

15

210

195

(7)

(557)

(606)

9

**4,334**

**4,179**

**(4)**

(955)

(950)

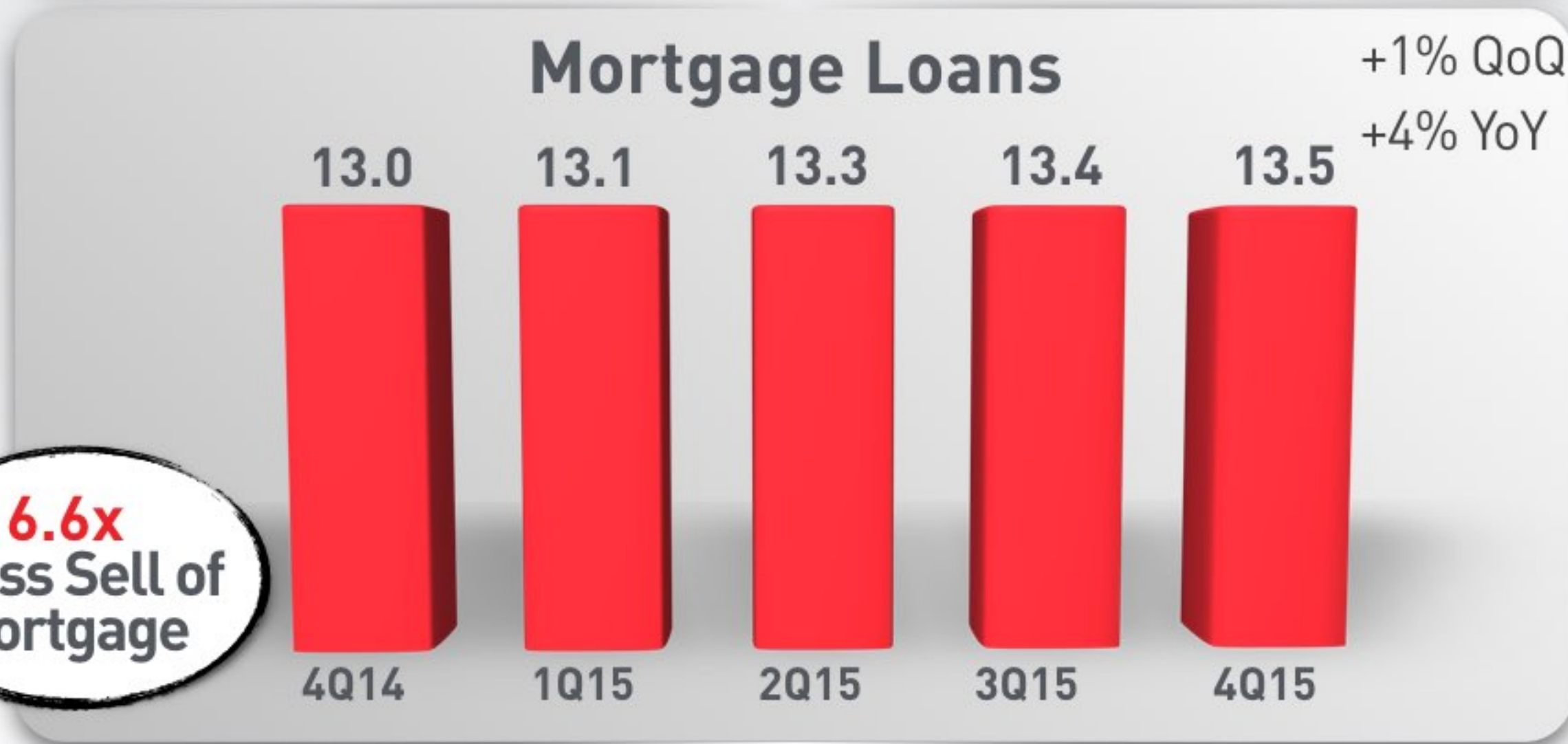
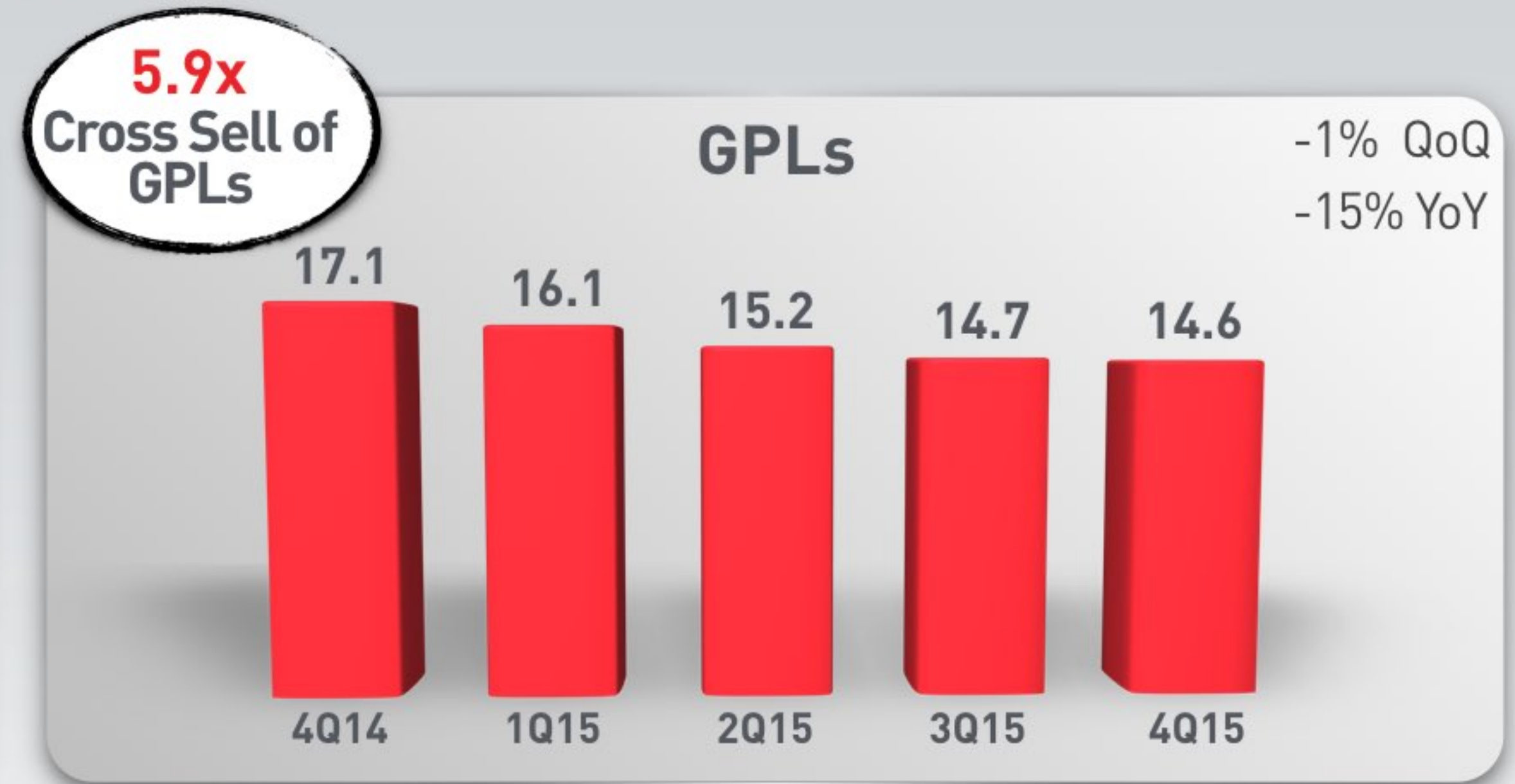
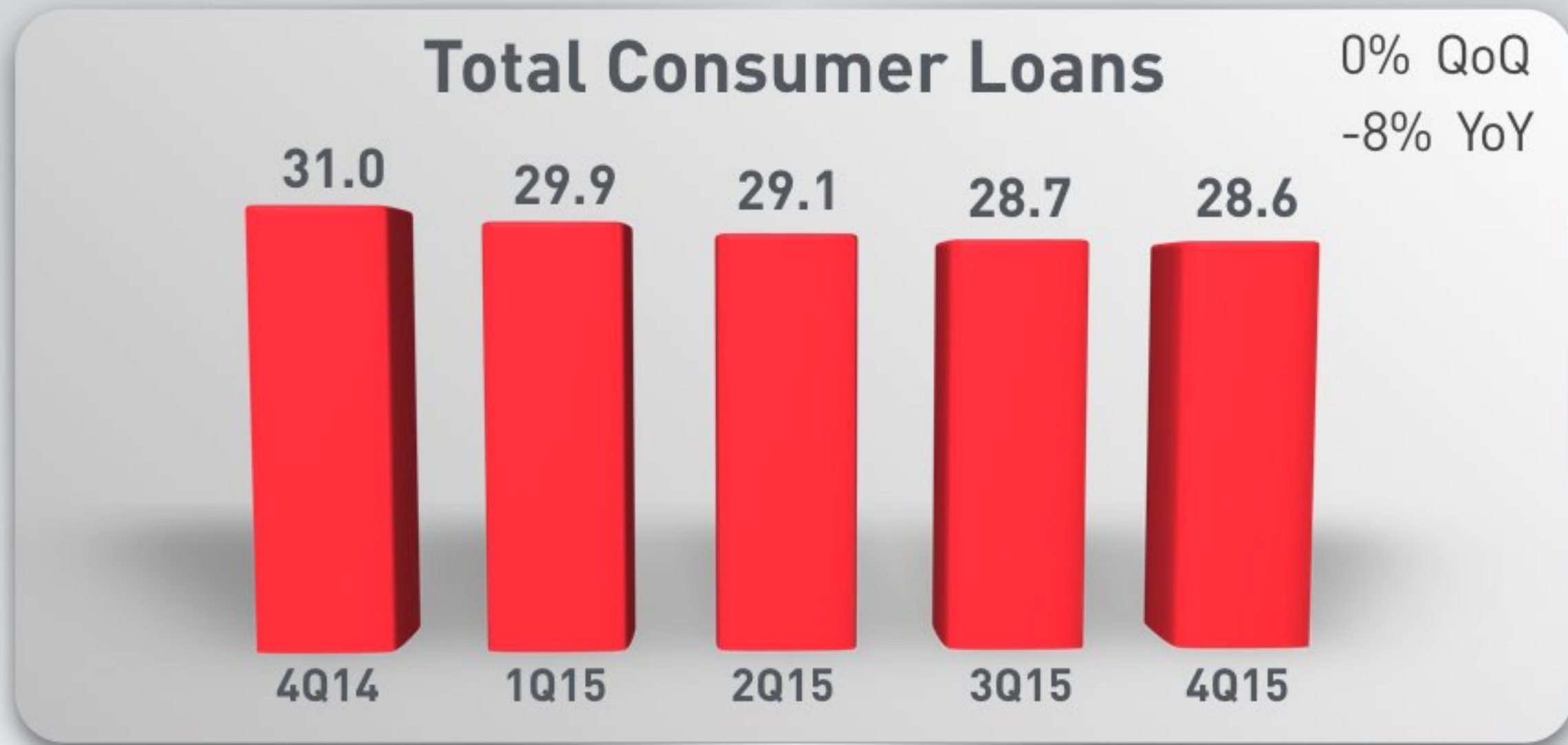
(1)

**3,379**

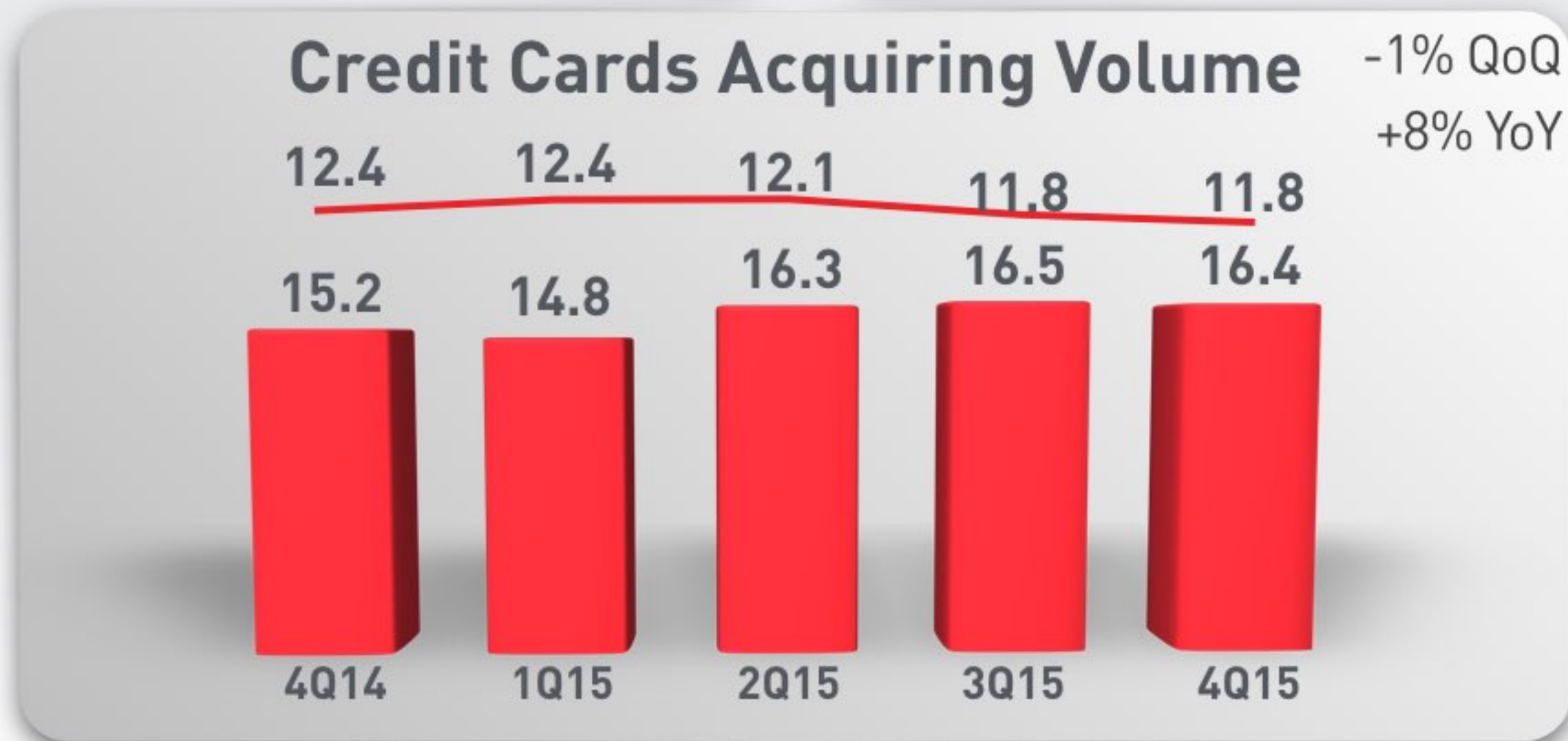
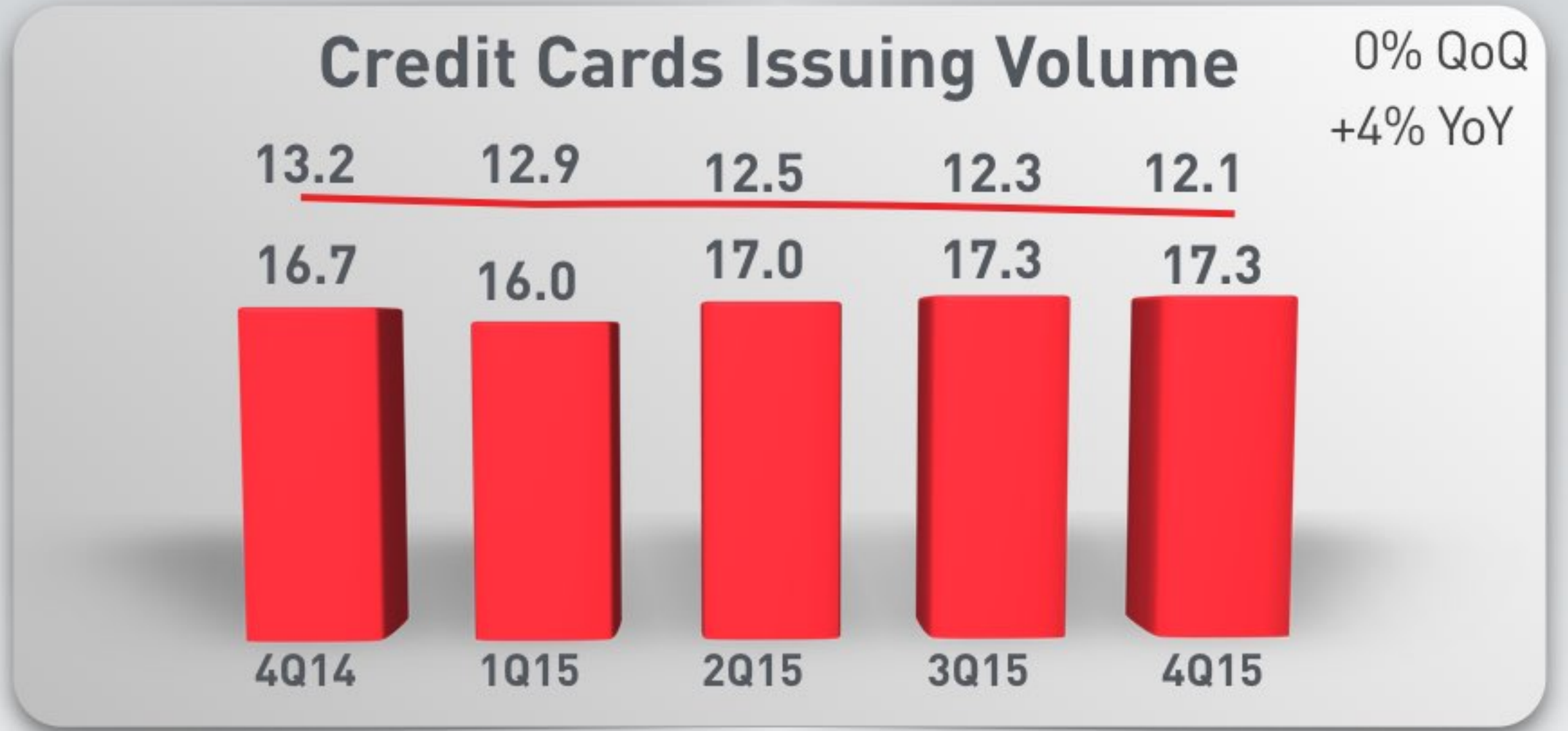
**3,229**

**(4)**

# Consumer Loans – Positioned for profitable growth (TL bio)



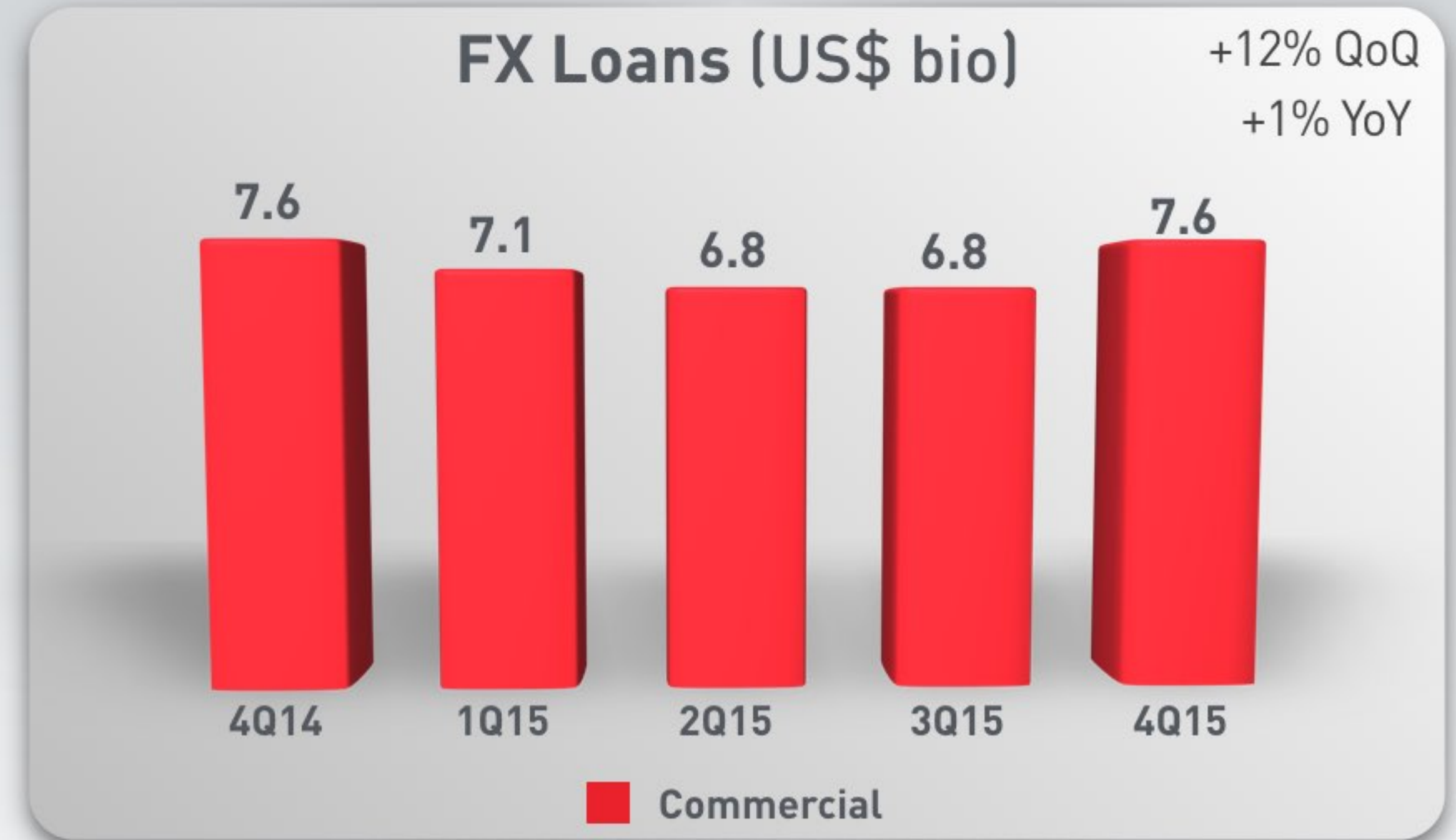
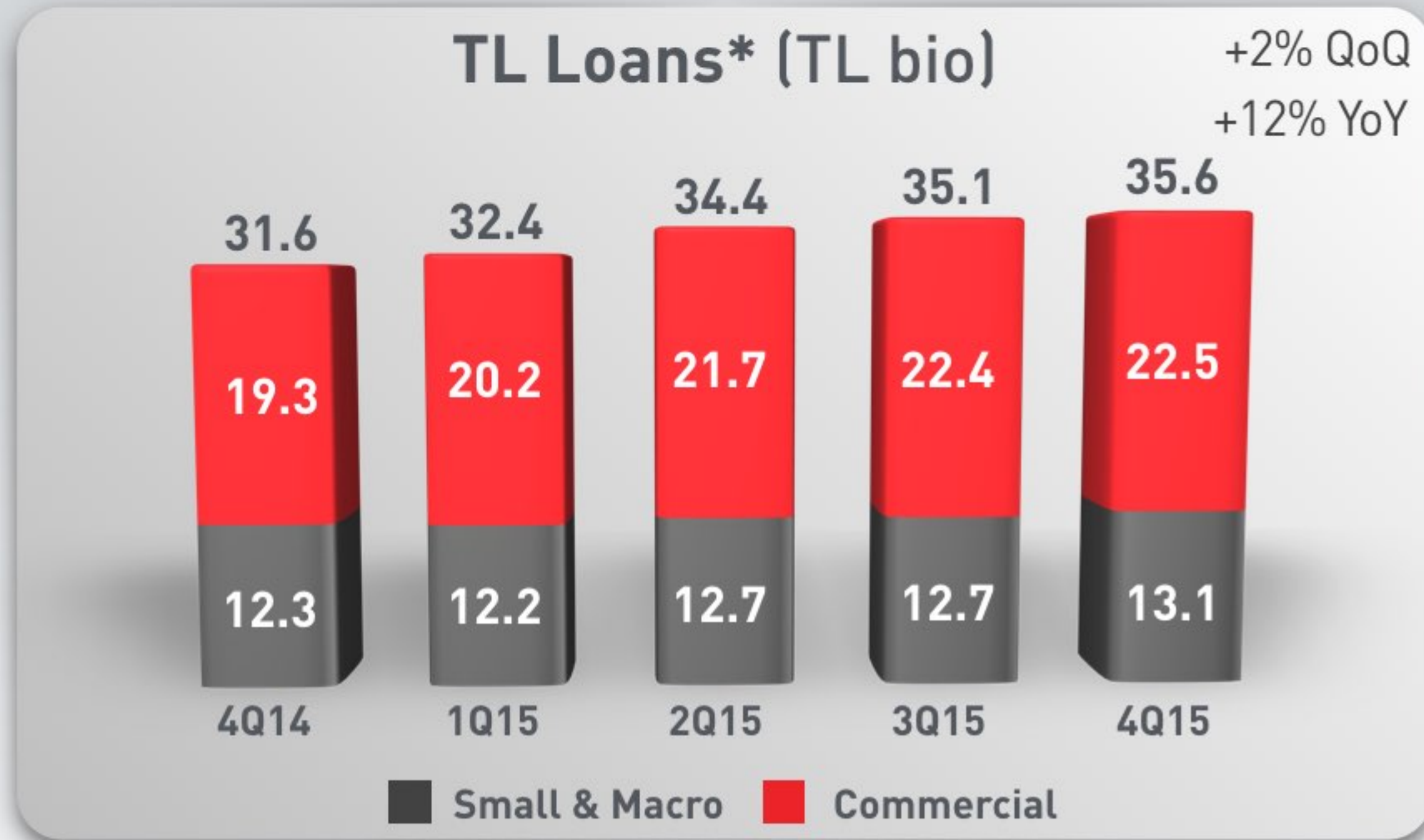
# Credit Cards – Increased focus on profitability (TL bio)



**#1**  
in Issuing Volume  
per Card in the Peer  
Group in 4Q15

■ Volume    — Market share (%)

# Growth in commercial and S&M loans keep good pace



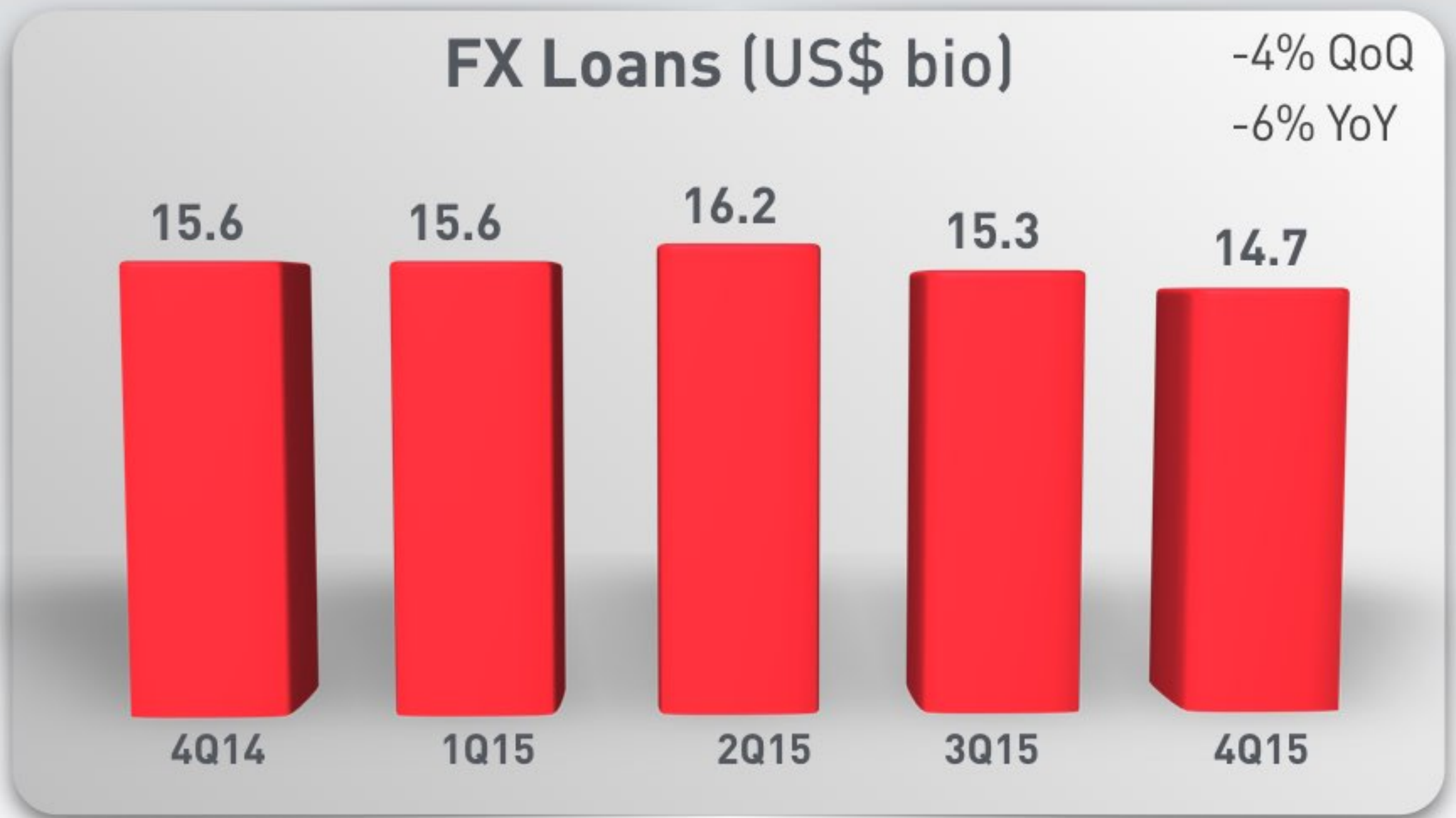
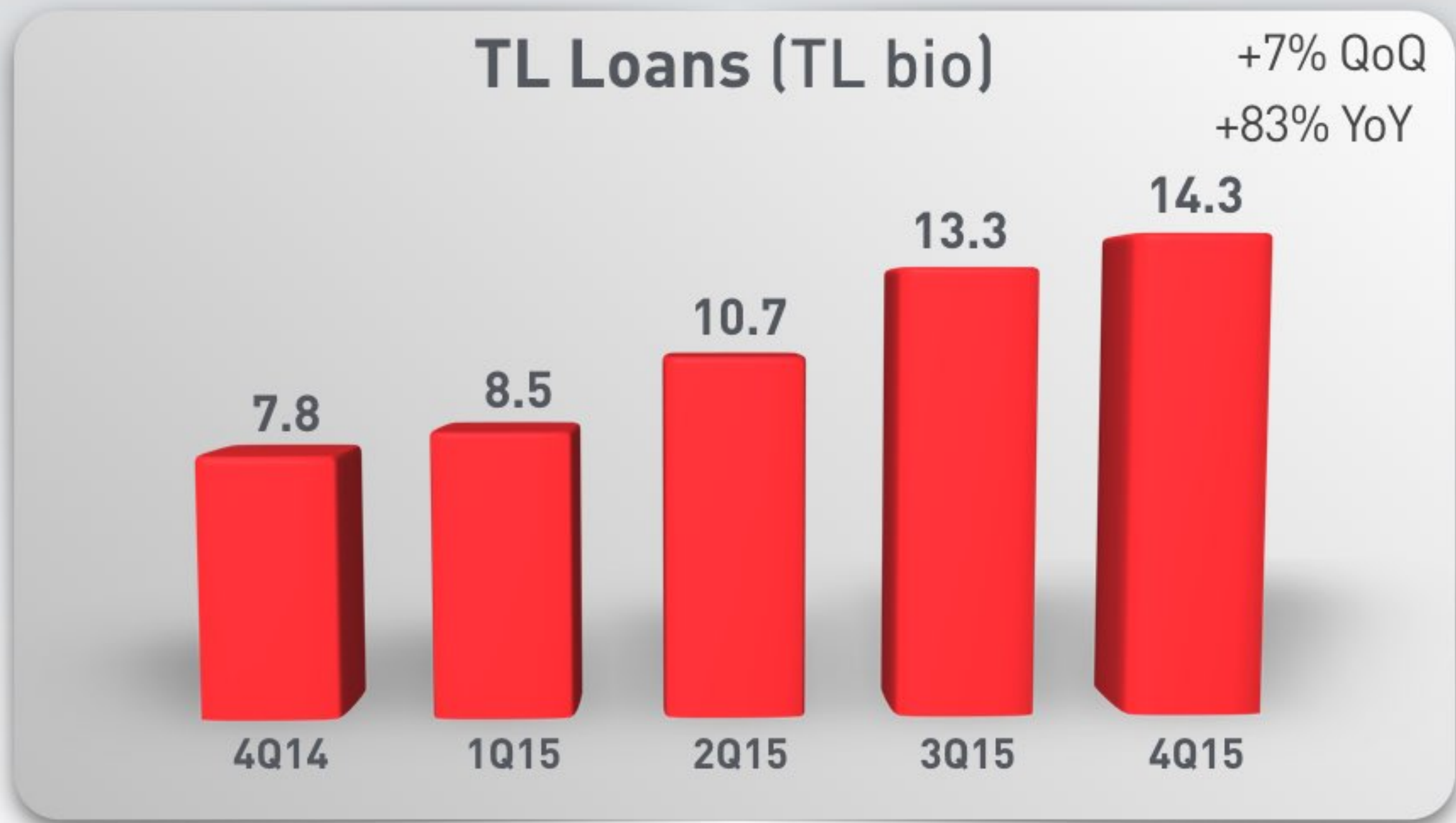
**13% YoY**  
Growth in  
Commercial and  
S&M loans

**5.4x** Cross Sell in  
Commercial  
**4.4x** Cross Sell in Small  
and Micro Loans

\* Due to a change in internal segment definition, some customers have been transferred to Small&Micro from Commercial

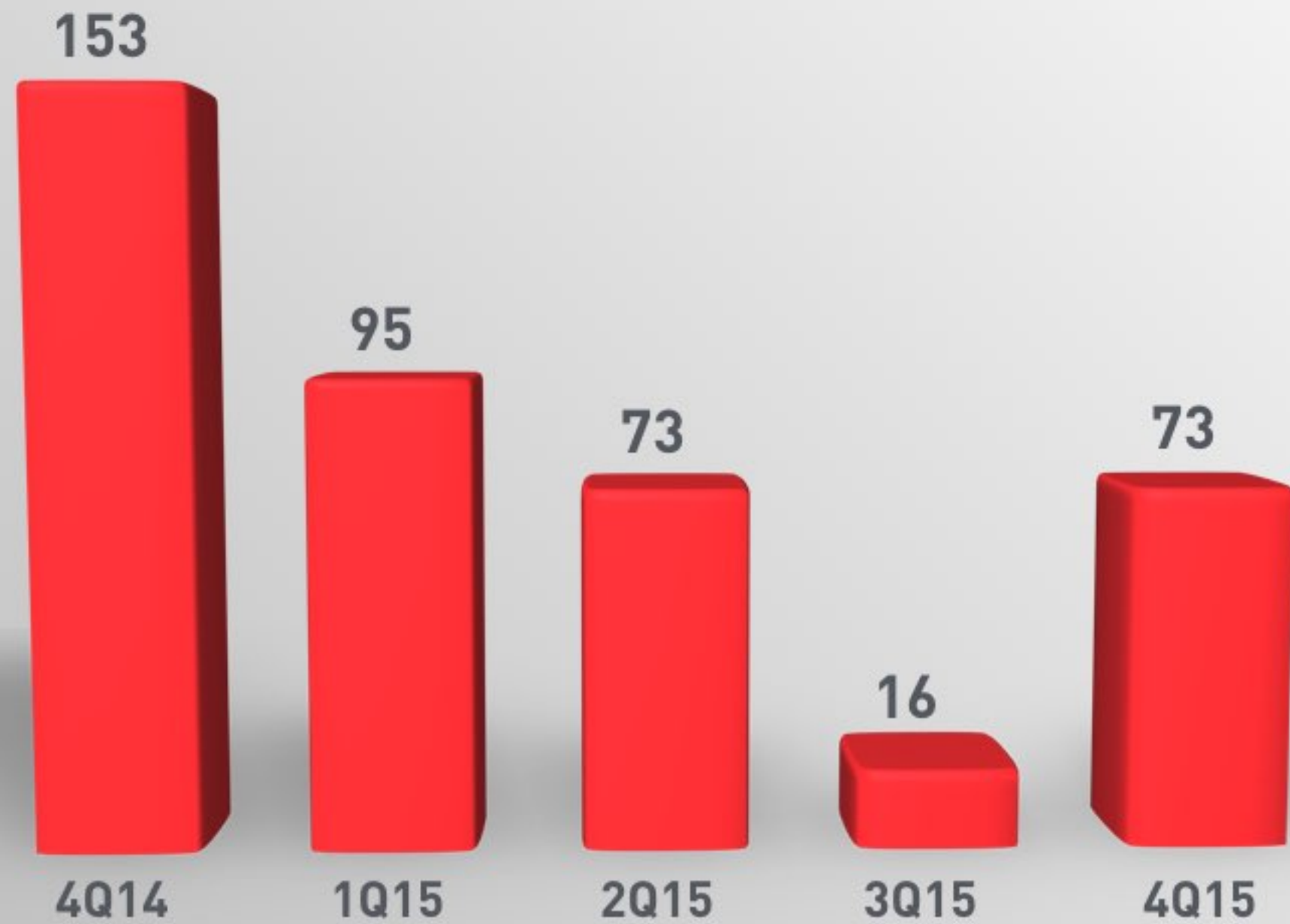
# Significant growth in lucrative TL corporate lending

**5.2x**  
Cross Sell in  
Corporate  
Loans

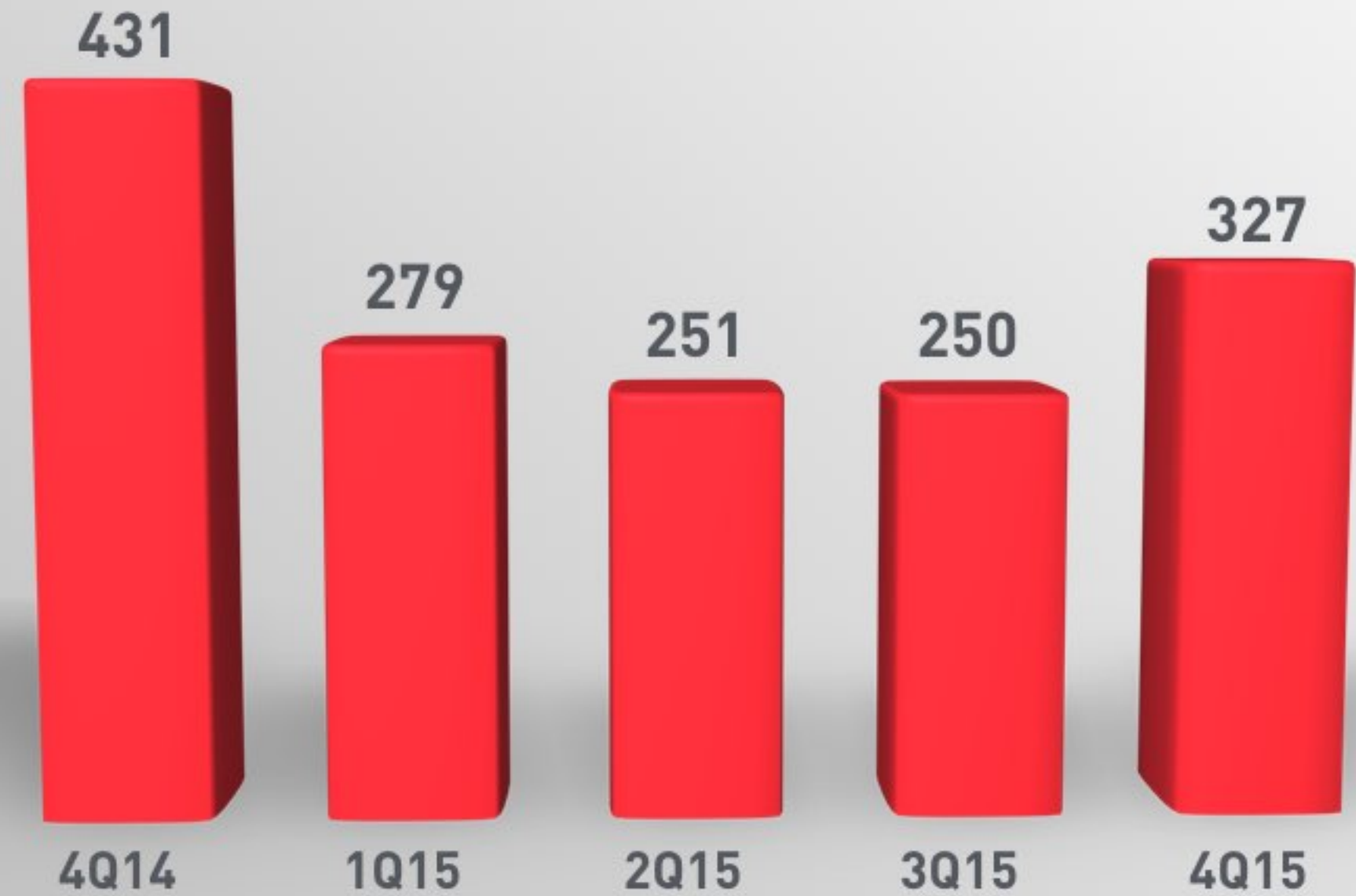


# Swap Cost & CPI Linkers Income

## Quarterly Short-term Swap Costs (TL mio)



## CPI Linker Income (TL mio)







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# 4Q15 Consolidated Financial Results

02 February 2016

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