

# **4Q17** **Consolidated** **Financial Results**

31 January 2018

**AKBANK**



# 2017 Results: Healthy Beat

Growth (%)	Guidance	Actual
Total Assets	10-12	16
Loans	10-12	17
TL	10-12	24
FX (USD terms)	2-4	flat
Total Deposits	10-12	16
TL	10-12	10
FX (USD terms)	2-4	14

	Guidance	Actual	
ROA	~1.7%	1.9%	+
Leverage	~ 9.0x	8.4x	+
ROE	~15%	16.2%	+
NIM	~3.4%	~3.5%	+
Net fees&com. growth	~10%	15%	+
Opex growth	~6%	9%	-
Cost/ income*	~36%	35%	+
Cost / assets	~1.5%	1.5%	+
CAR	~ 14%	15.8%	+
LDR	Max 105%	104%	+
NPL	~2.5%	2.1%	+
Cost of risk	90 bps	49 bps	+
EPS Growth	~10%	24%	+

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



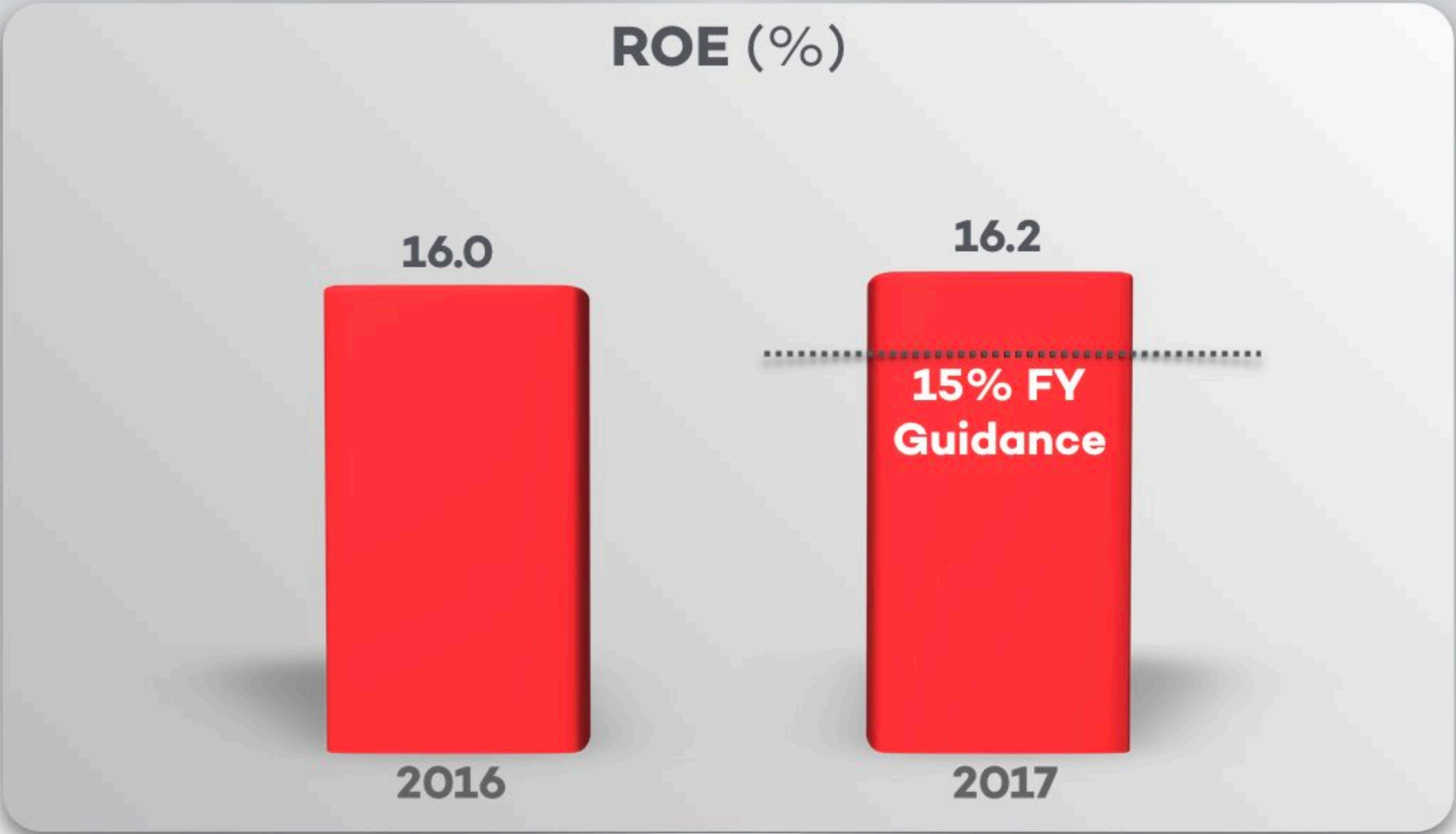
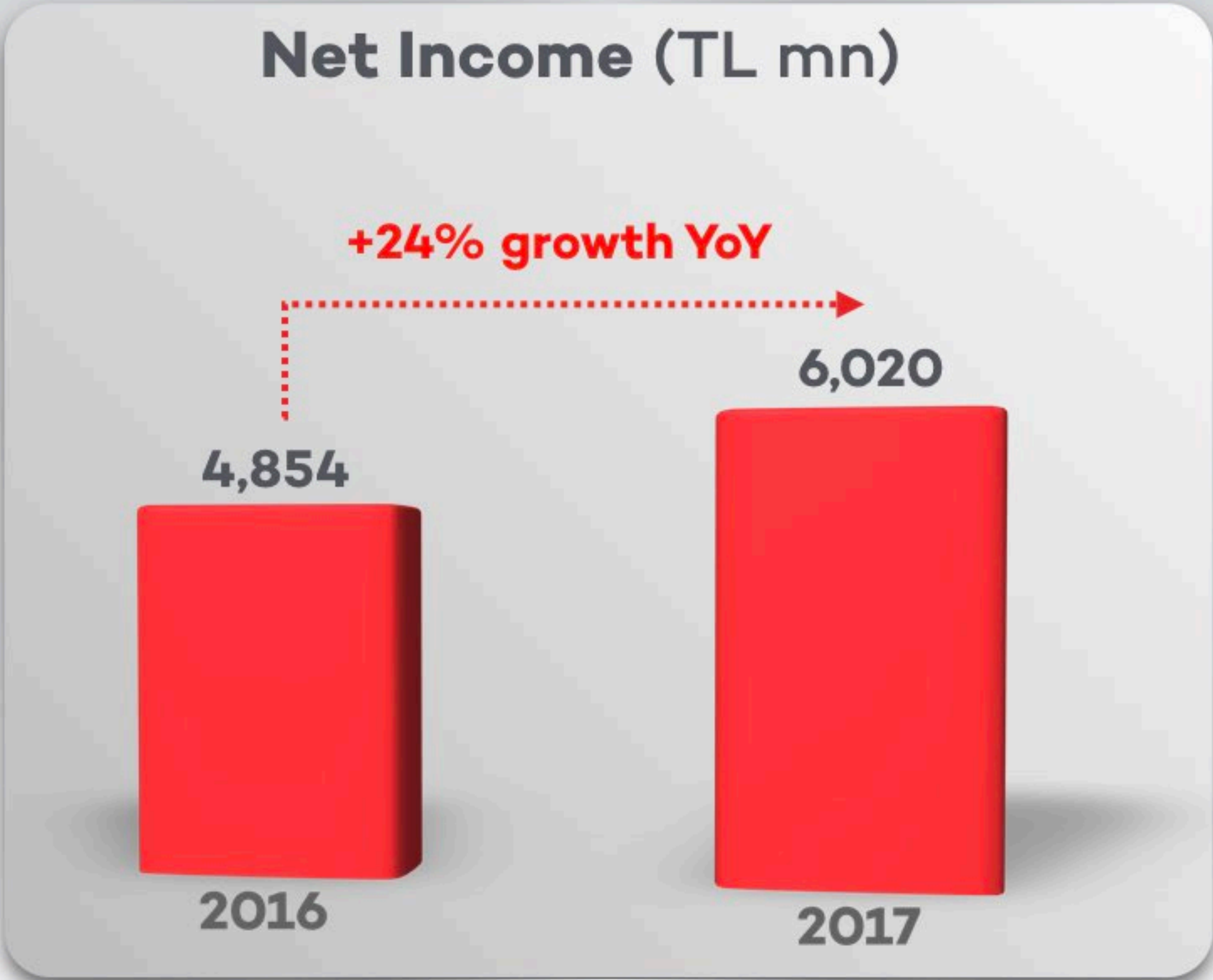
# Reshaping Banking Experience



Trusted Partner   Dynamic   Simple   Innovative   People-Centric



# Profitable Growth: 2017 ROE well above guidance



**Higher ROE generation at 16.2% in 2017**

with

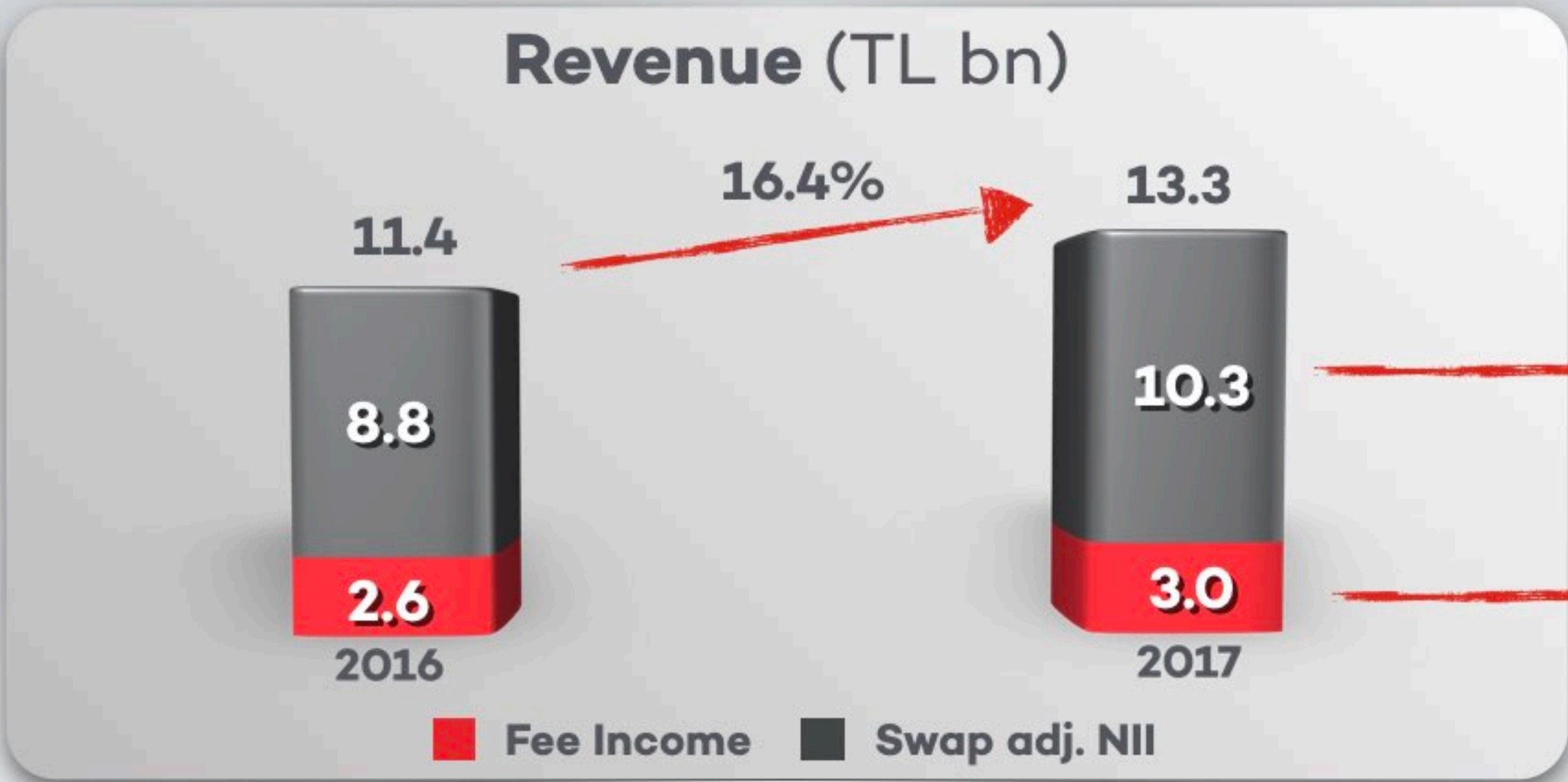
**enhanced ROA of 1.9% from 1.8% in 2016**

despite

**lower leverage of 8.4x vs 9.1x in 2016**



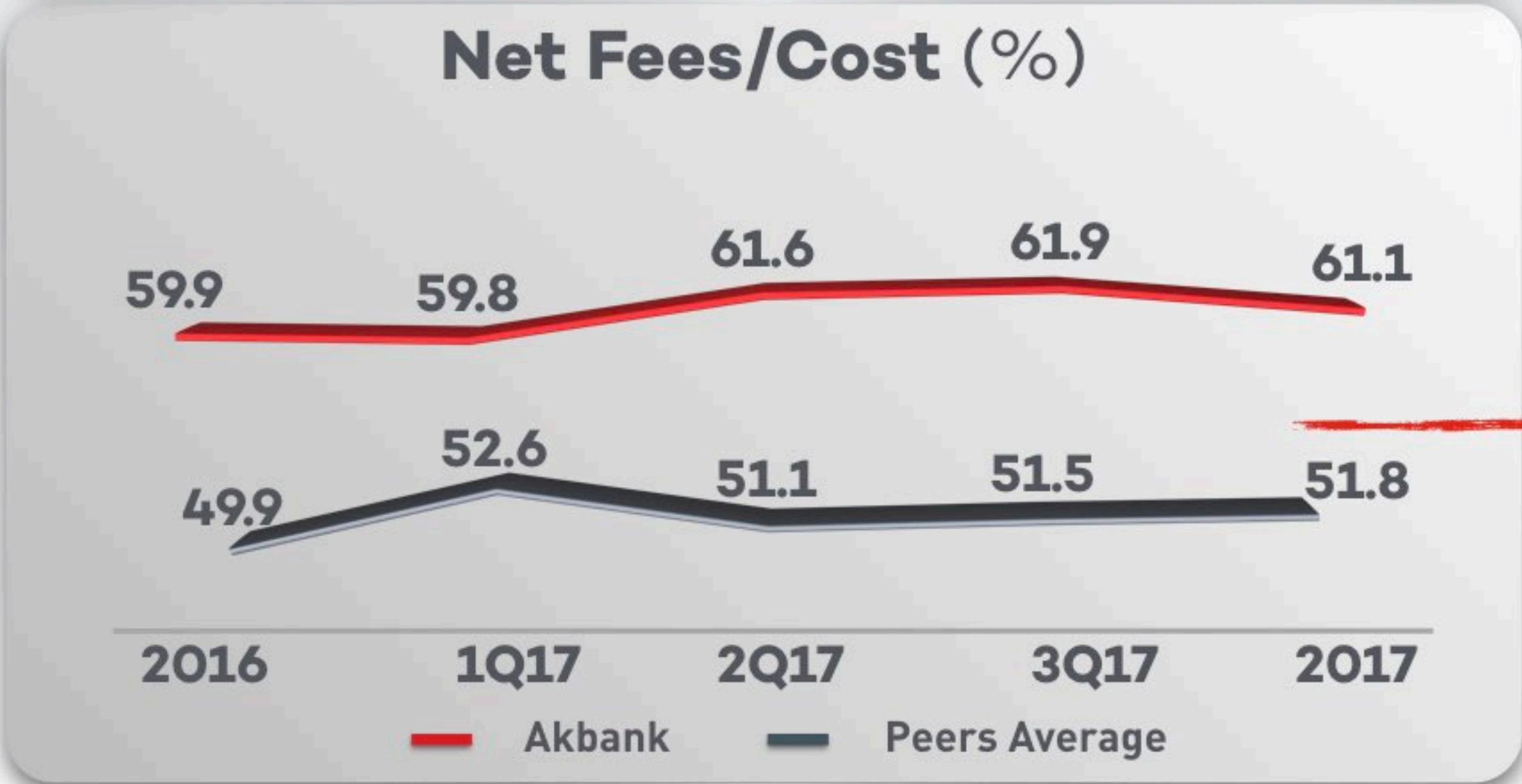
# Revenue fueled by Solid NII & Robust Fee Income



#### 16.7% swap adj. NII growth

- ▶ Strategic A&L management
- ▶ Accelerated Lucrative Lending growth

Bank-wide initiatives drive **fee income** growth by **15.3%** well above 10% guidance



Cost disciplined approach in fee generation



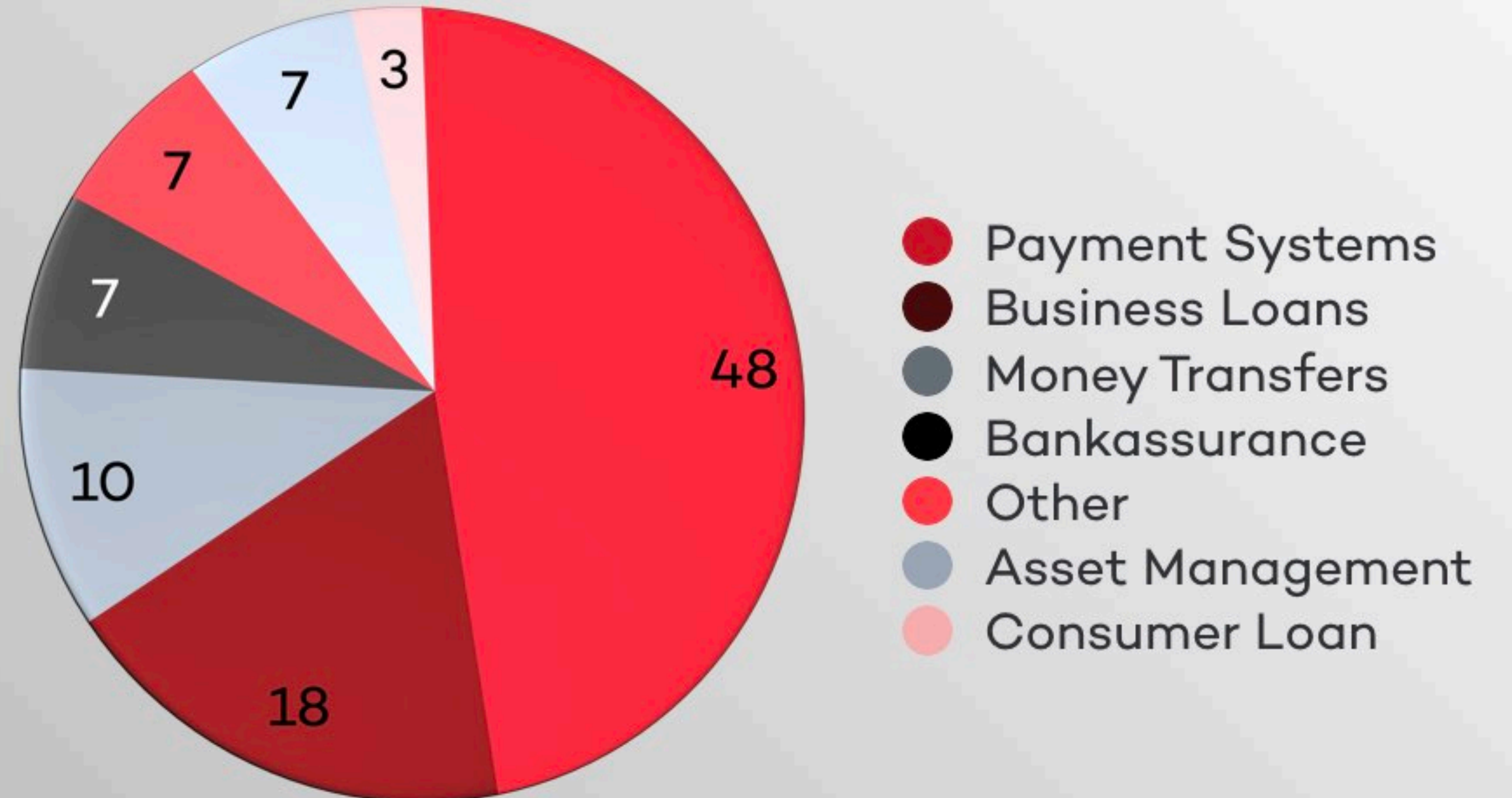
# Noteworthy Fee Generation thanks to Proactive Initiatives

Cumulative Net Fees & Comm.

(TL mn)



2017 Fees & Commissions by Product (%)



**Remarkable 71% YoY** increase in **Direct Banking Fees**, share in total fees & comm. is up to **21% in 2017** vs. 15% in 2016

**+43% YoY** increase in **Money Transfer Fees**

**+27% YoY** increase in fees from **Asset Management**

**+21 YoY** increase in **Bancassurance commissions**



# Customer Driven Optimization

**Branch Optimization** (number of branches)



including Malta branch

**Total Customer Evolution** (mn)



- ▶ Akbank is a **pioneer** in '**mobile first**' strategy → **share of mobile in distribution channels** has **increased from 40% to 78% since 2014** → **+9pps in 2017**
- ▶ We have **added 2.6 mn mobile customers since 2014** → **+1 mn in 2017**, reaching 3.8 mn.
- ▶ Outstanding increase in **fee per mobile customer** of **170% since 2014** → **+47% in 2017**



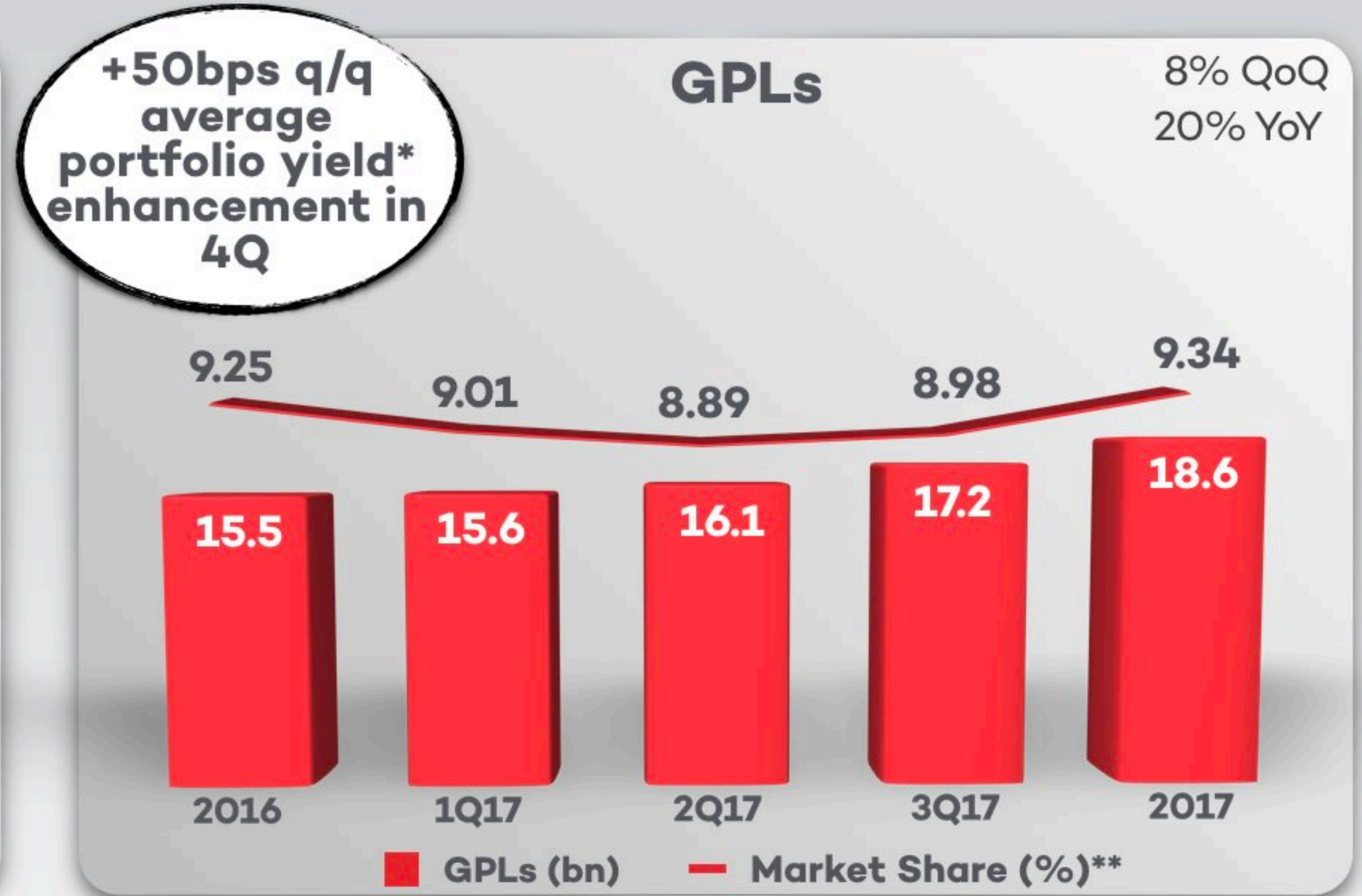
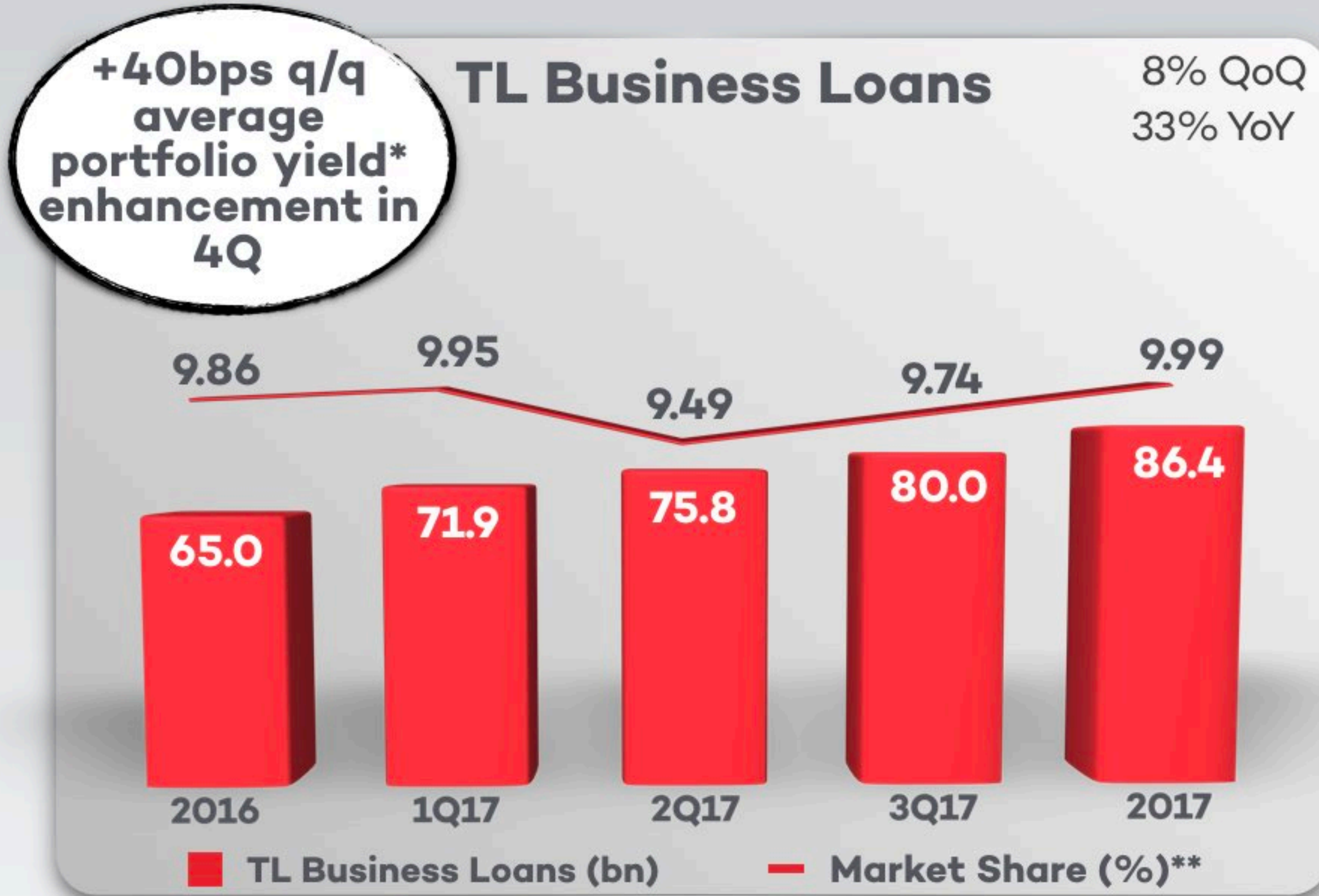
# Strong Loan Growth Momentum in 2017

(TL bn)	2016	1Q17	2Q17	3Q17	2017	QoQ (%)	YoY (%)
<b>TL Loans</b>	<b>105.0</b>	<b>112.5</b>	<b>116.6</b>	<b>122.2</b>	<b>129.9</b>	<b>6</b>	<b>24</b>
<b>Business Banking</b>	<b>65.1</b>	<b>71.9</b>	<b>75.8</b>	<b>80.0</b>	<b>86.4</b>	<b>8</b>	<b>33</b>
Corporate	20.1	22.9	22.5	22.5	26.3	17	31
Commercial	31.2	34.1	37.2	40.5	42.6	5	37
Other Business	13.7	14.9	16.1	17.0	17.5	3	28
<b>Retail</b>	<b>40.0</b>	<b>40.5</b>	<b>40.8</b>	<b>42.2</b>	<b>43.6</b>	<b>3</b>	<b>9</b>
Consumer	29.4	30.0	30.1	30.9	32.1	4	9
- GPL	15.5	15.6	16.1	17.2	18.6	8	20
- Mortgage	13.5	14.0	13.7	13.4	13.2	(1)	(2)
- Auto	0.4	0.3	0.3	0.3	0.3	-	-
Credit Cards	10.6	10.6	10.7	11.3	11.5	2	8
(USD bn)							
<b>FX Loans</b>	<b>21.1</b>	<b>20.6</b>	<b>21.0</b>	<b>20.8</b>	<b>21.2</b>	<b>2</b>	<b>1</b>
Corporate	13.8	13.4	13.7	13.4	13.0	(2)	(5)
Commercial	7.3	7.2	7.3	7.5	8.2	10	12
<b>Total Loans (TL bn)</b>	<b>178.9</b>	<b>186.6</b>	<b>186.6</b>	<b>195.5</b>	<b>209.5</b>	<b>7</b>	<b>17</b>

FX indexed loans are shown under FX loans



# Lucrative Lending Growth further advanced in 4Q17



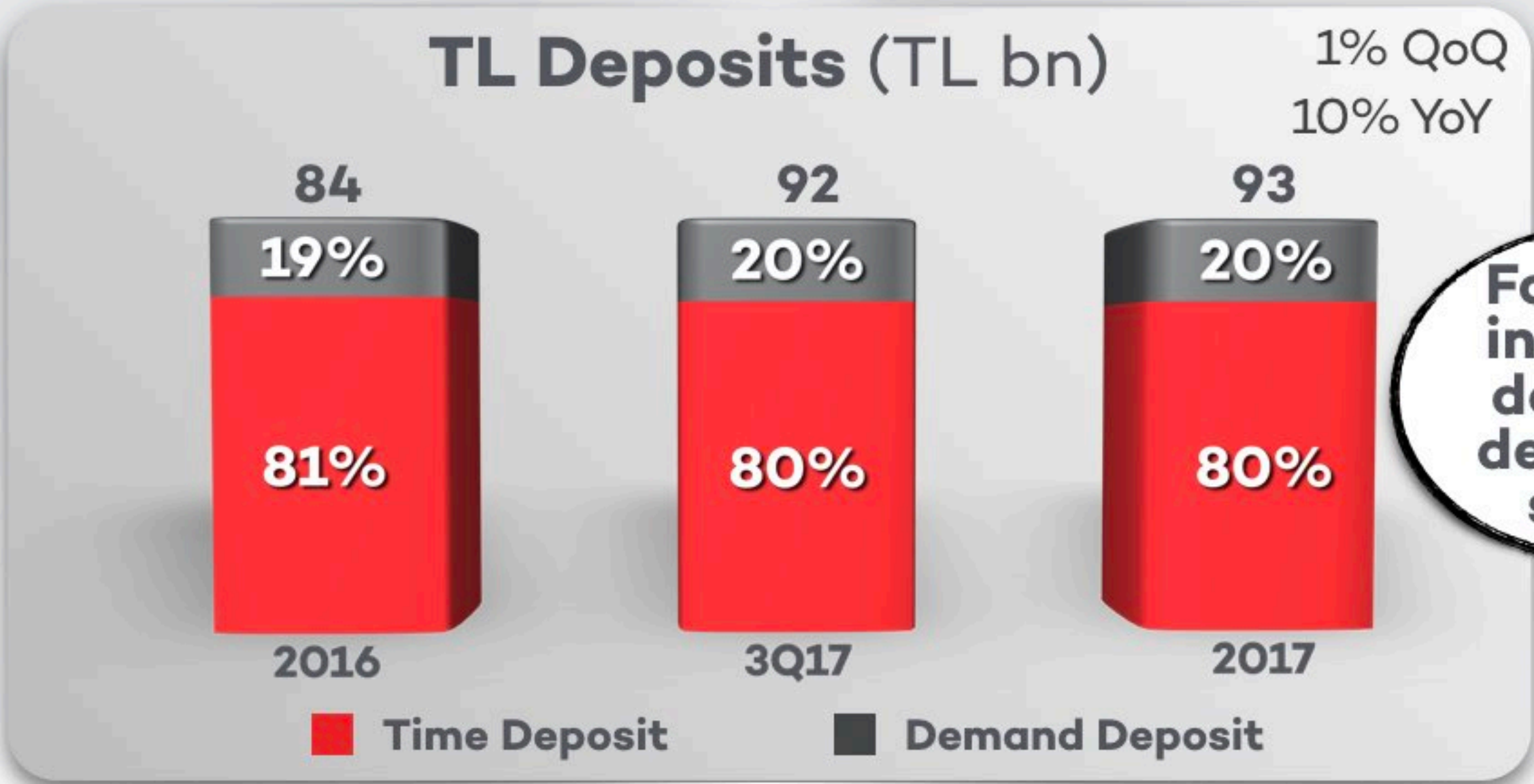
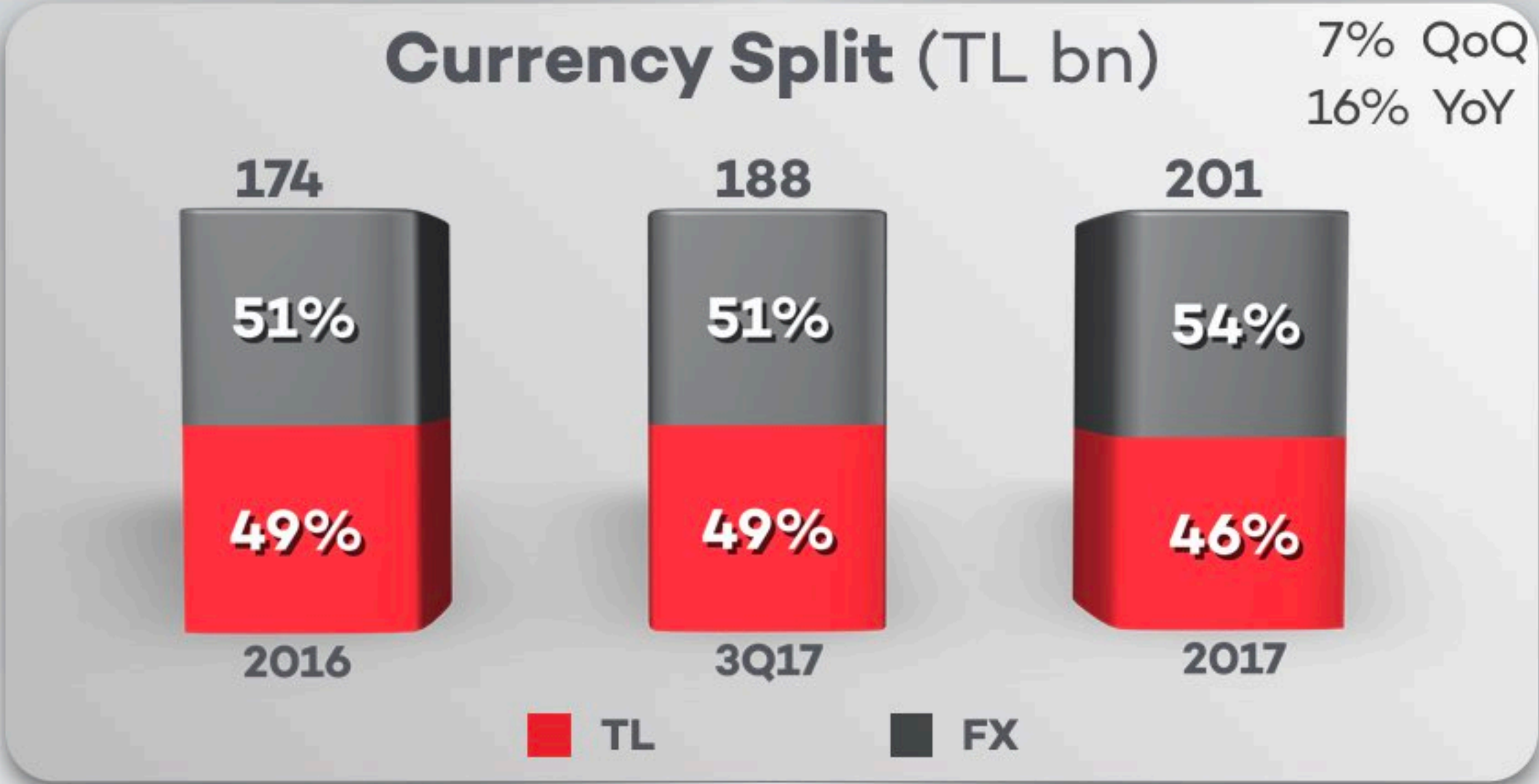
QoQ volume growth accelerated in lucrative TL business and general purpose loans, where yield enhancement excelled most supporting our core operating income.

\*Average portfolio yield based on MIS data

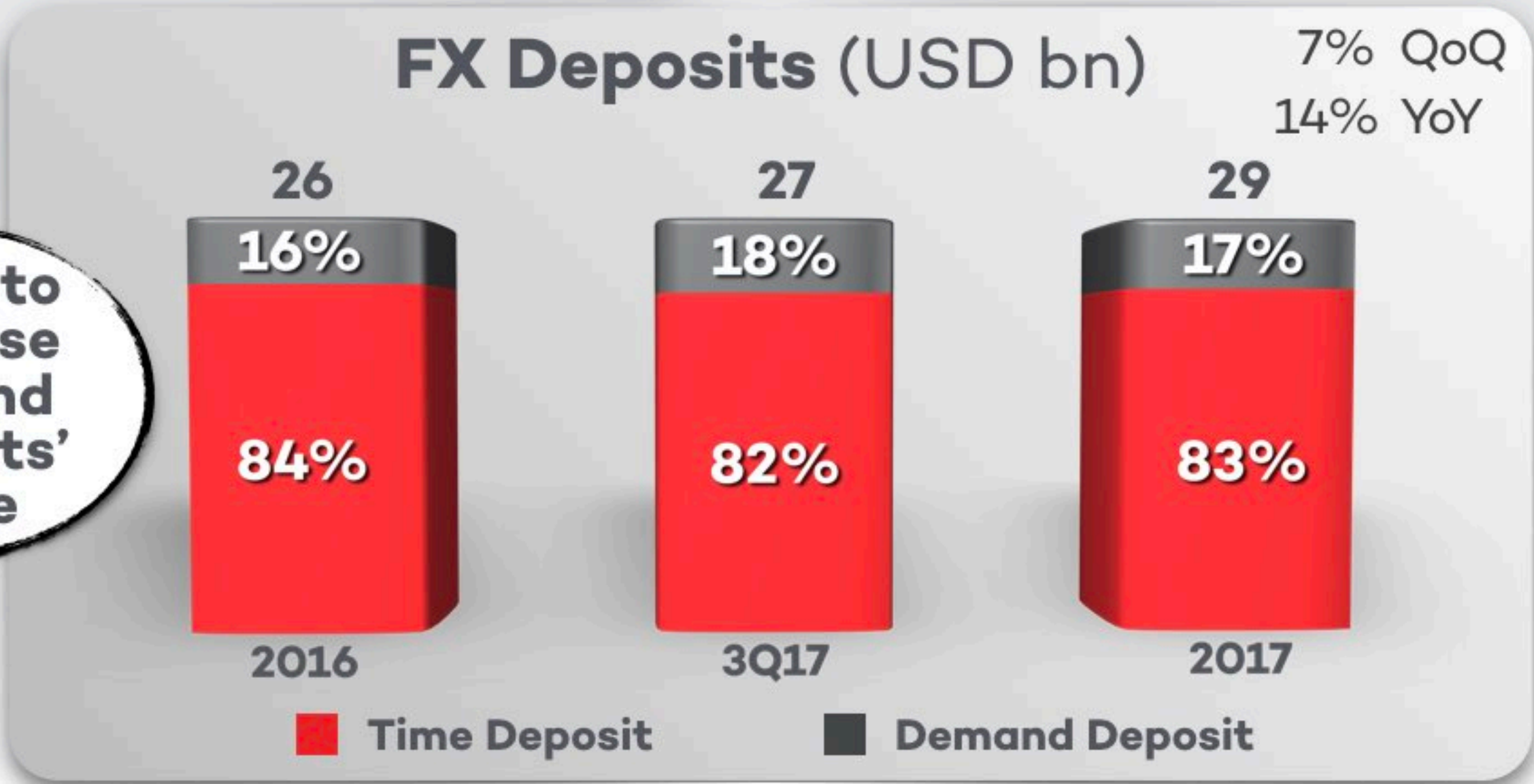
\*\*Market shares are calculated based on weekly BRSA data



# Deposit Growth with Profitability in Focus

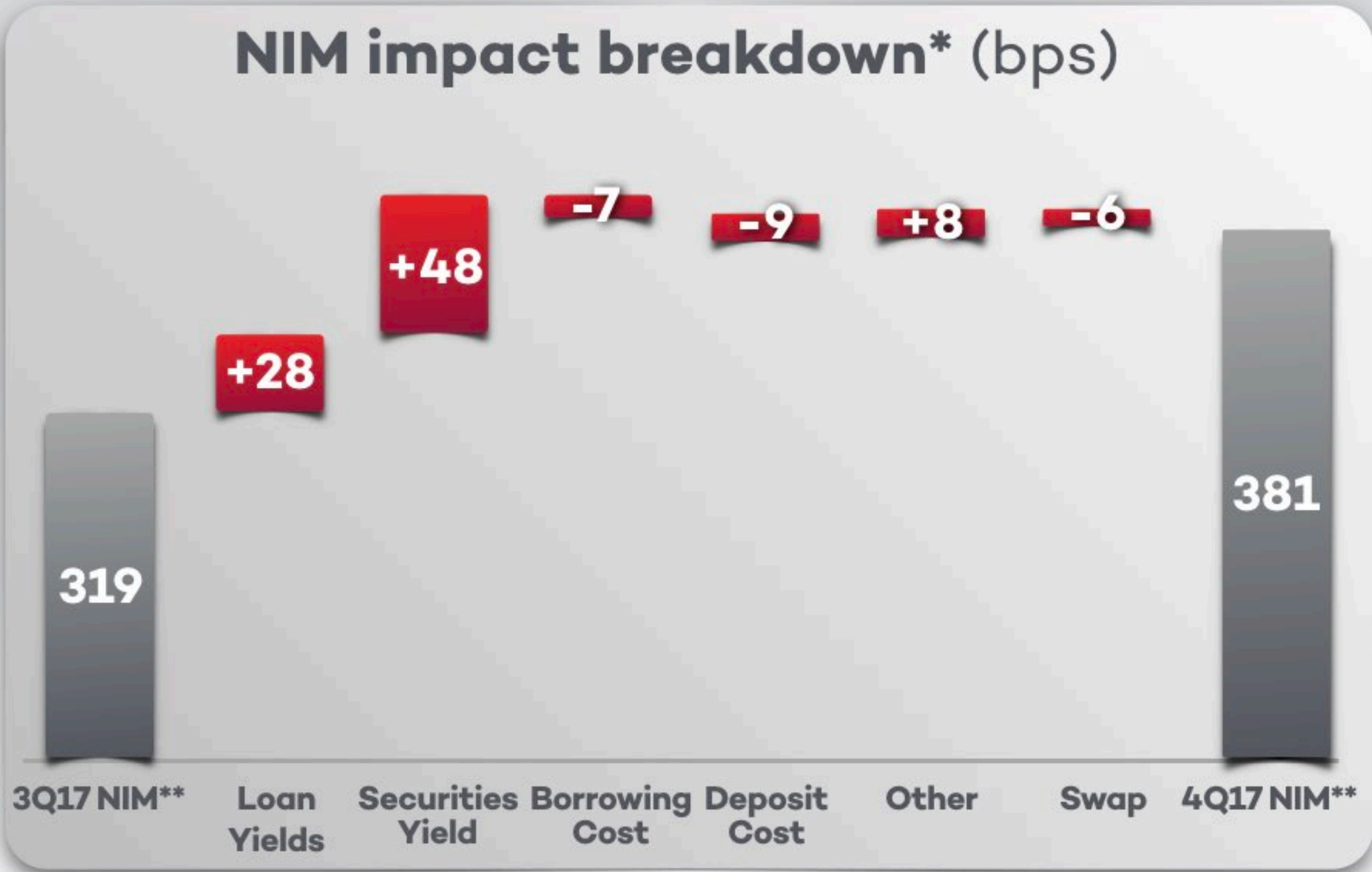
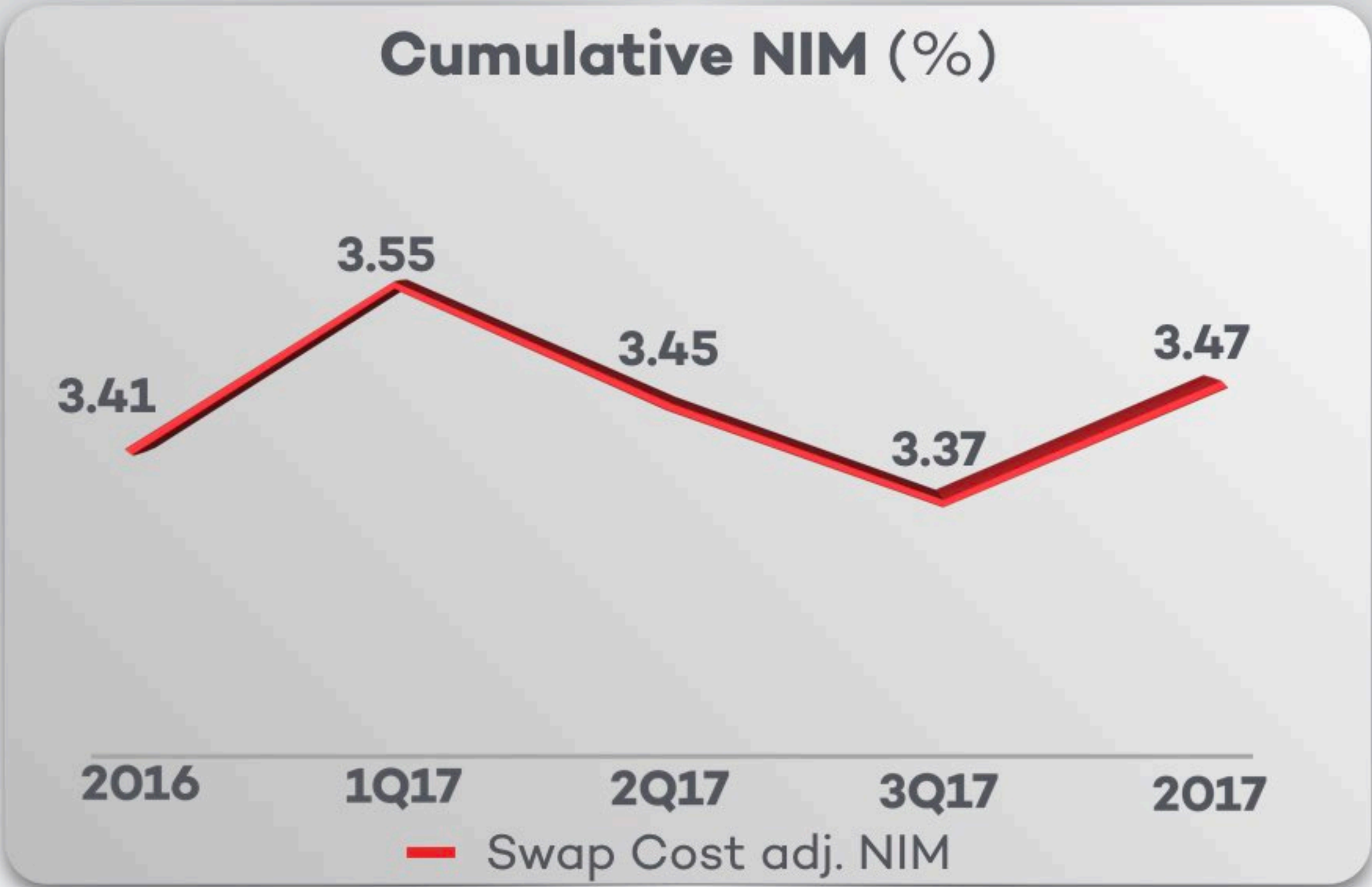


Focus to increase demand deposits' share





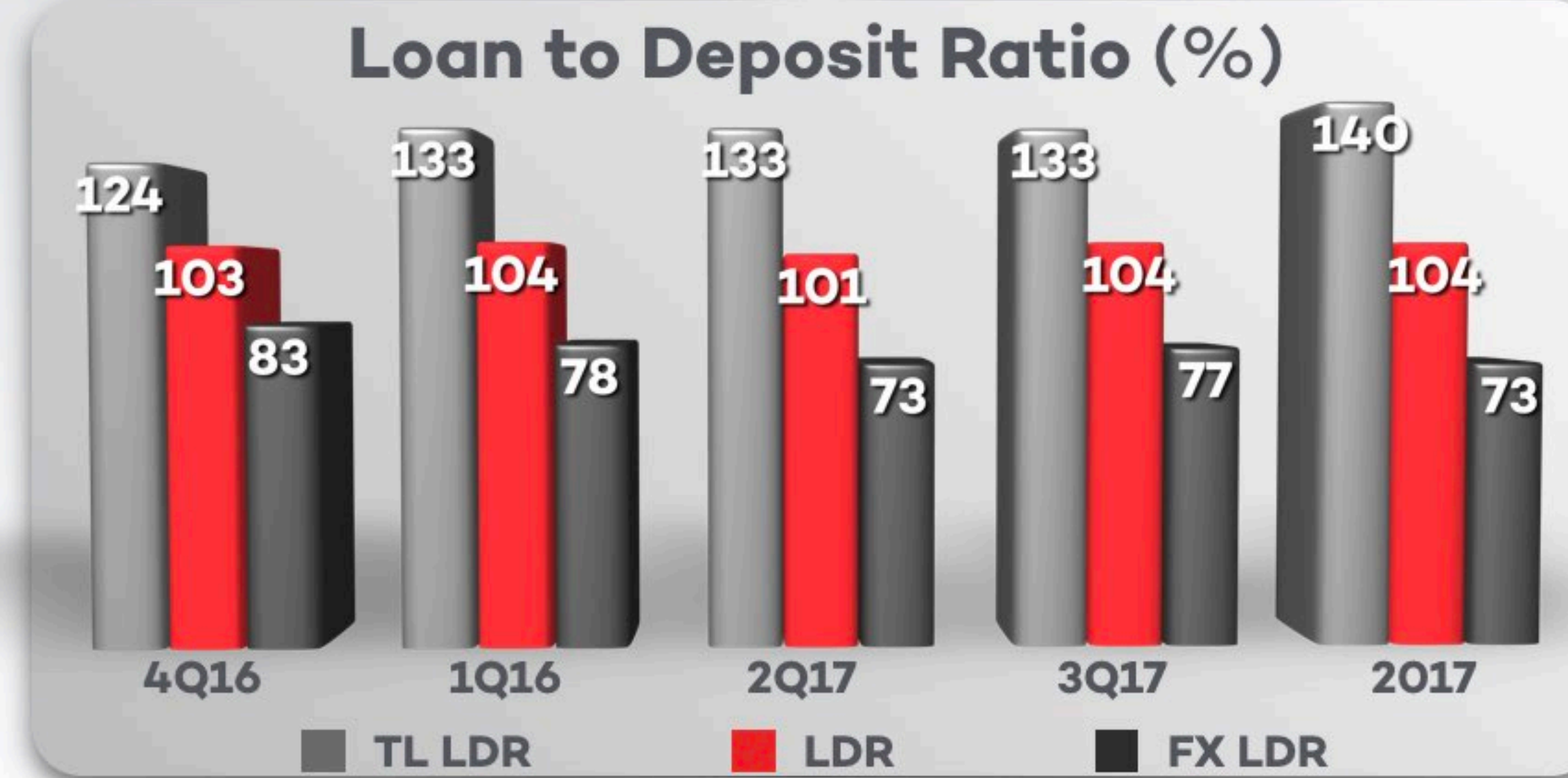
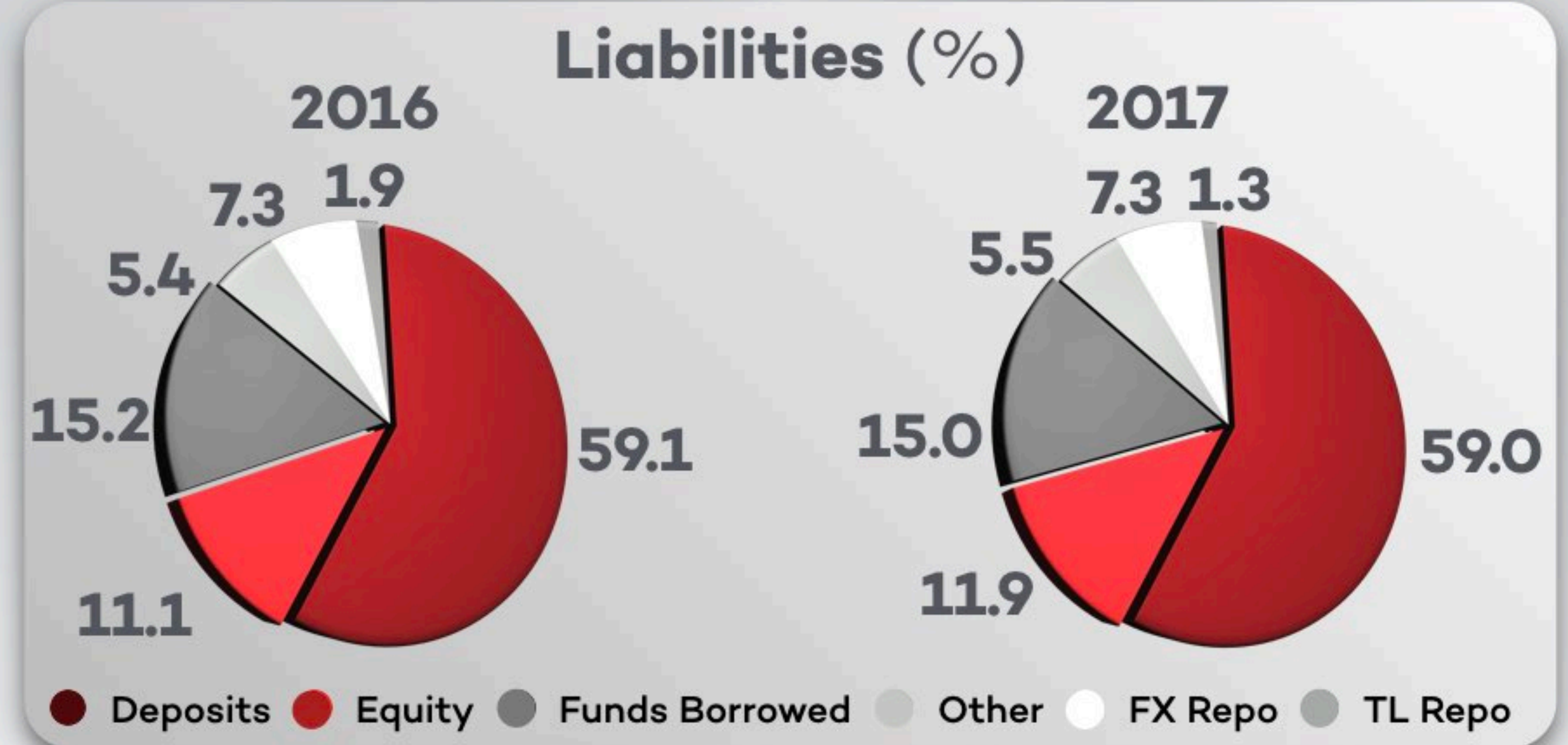
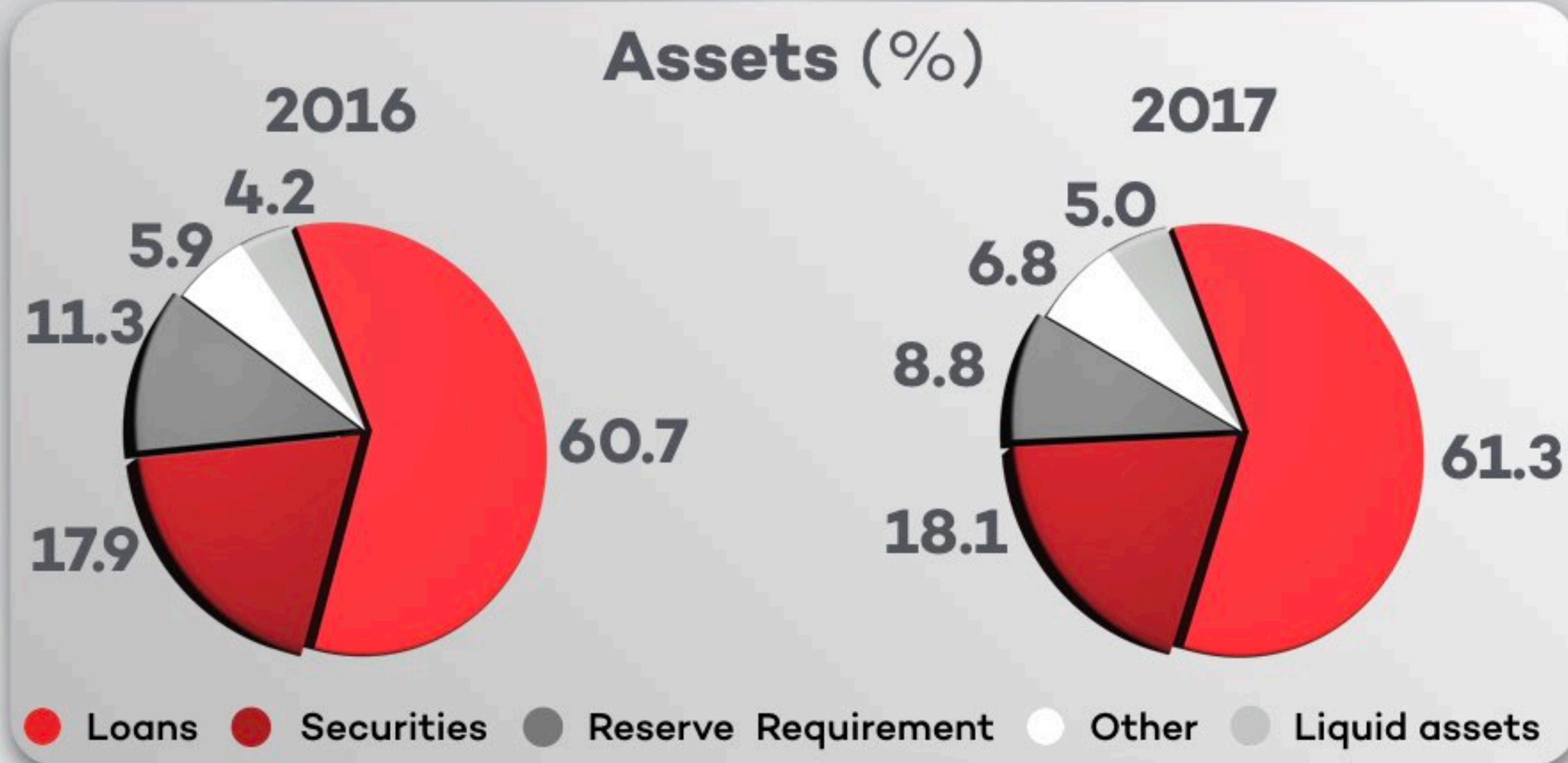
# NIM beats Guidance supported by Core Spread Evolution



\* Calculation based on quarter-end averages  
\*\*CPI-normalized 4Q17 NIM :3.50%, 3Q17 NIM :3.30%



# Growth supported by Disciplined Funding Policy



**TL LDR, FX LDR and total LDR of 140%, 73% & 104%, significantly below sector's\* 148%, 90% & 123%, respectively**

\*According to BRSA monthly data as of December'17

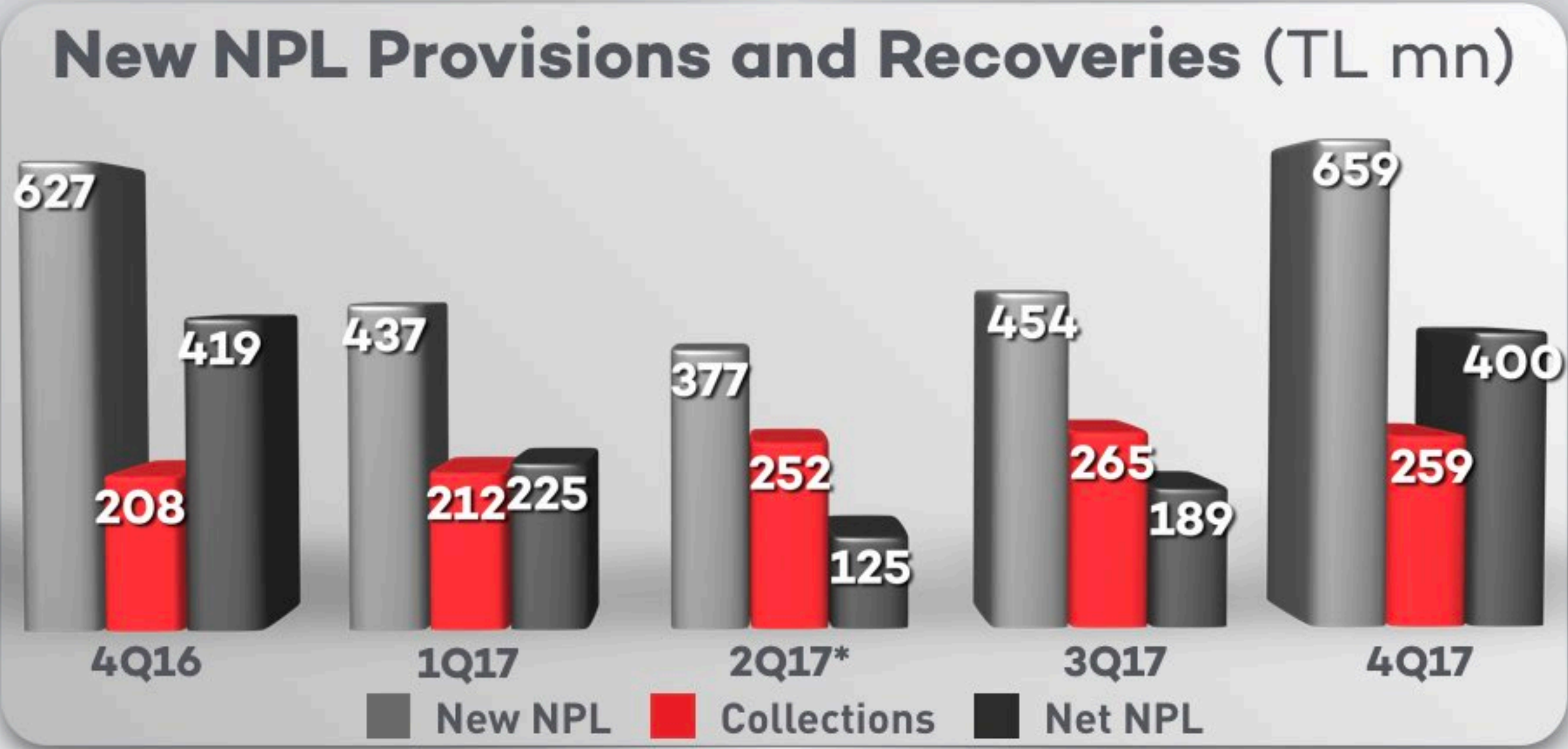


# Successful Wholesale Borrowing

<b>Basel III Compliant Tier II</b>	<b>1Q17</b> <ul style="list-style-type: none"> <li>▶ USD 500 million</li> <li>▶ 10NC5</li> <li>▶ First ever issuance in Akbank's history</li> <li>▶ Final book attracted around USD 2billion from 180 investors</li> <li>▶ 4x oversubscription</li> </ul>
<b>Syndications</b>	<b>1Q17</b> <ul style="list-style-type: none"> <li>▶ <b>March 2017 Syndication:</b> <ul style="list-style-type: none"> <li>• USD 219.5 million, 367 day tranche @ Libor+1.45</li> <li>• EUR 738.3 million, 367 day tranche @ Euribor+1.35</li> <li>• USD 185 million, 2 year + 1 day tranche @ Libor+2.20</li> <li>• Oversubscription by over 100%, participation of 38 banks, attracted 8 new banks from China, India, Italy, Saudi Arabia, UAE, Austria and Japan</li> </ul> </li> </ul>
	<b>3Q17</b> <ul style="list-style-type: none"> <li>▶ <b>August 2017 Syndication:</b> <ul style="list-style-type: none"> <li>• USD 337.6 million, 367 day tranche @ Libor+1.35</li> <li>• EUR 515.1 million, 367 day tranche @ Euribor+1.25</li> <li>• USD 205 million, 2 year + 1 day tranche @ Libor+2.20</li> <li>• Tightened the pricing on the deal vis-à-vis 1Q17 facilities</li> <li>• 38 banks participated with significant oversubscription by c. 1.26x, record for Turkish banks</li> <li>• Deal attracted 11 new banks from China, Taiwan, India and South Korea</li> </ul> </li> </ul>
<b>Covered Bond</b>	<b>3Q17</b> <ul style="list-style-type: none"> <li>▶ 6-yrs maturity TL 650 million</li> <li>▶ The longest tenor offshore TL bond issuance ever by a Turkish institution</li> </ul>
	<b>4Q17</b> <ul style="list-style-type: none"> <li>▶ 6-yrs maturity TL 536.3 million</li> </ul>



# Superior Credit Risk Management



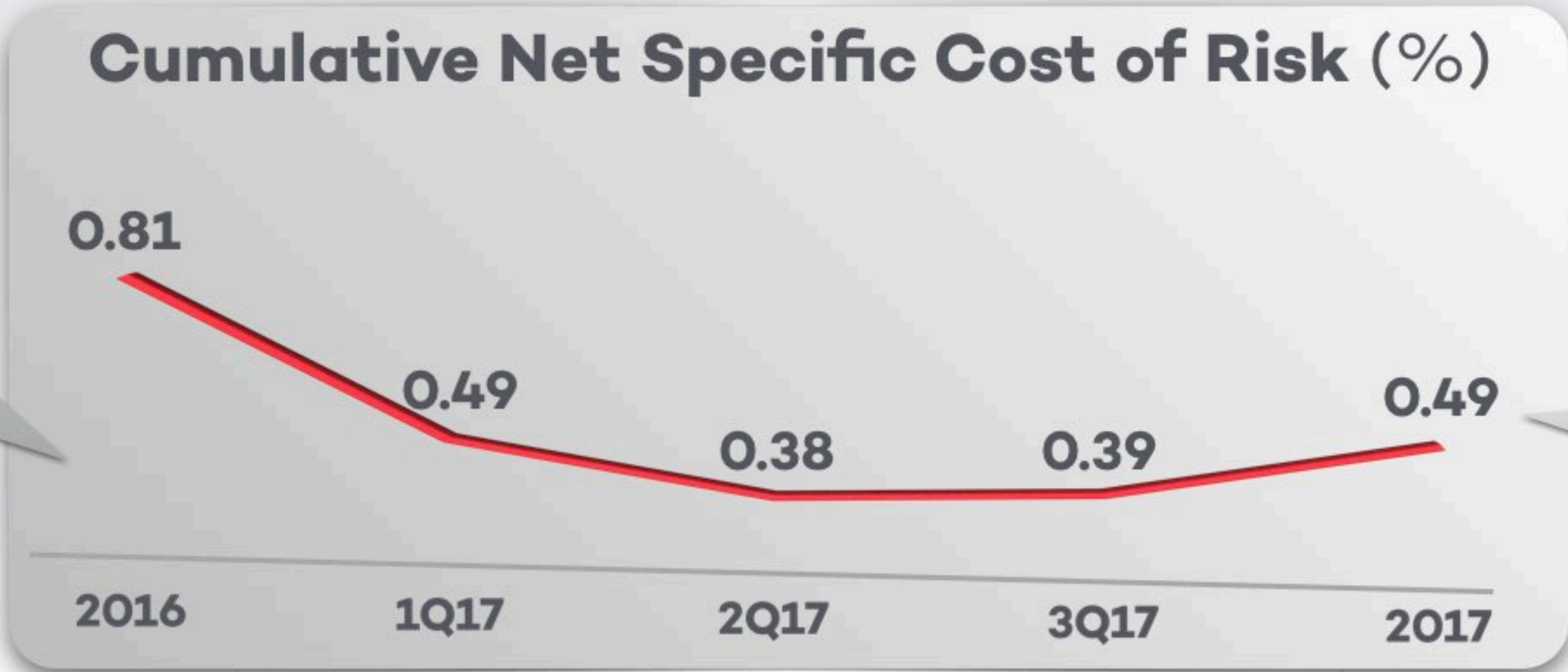
\*NPL sale of TL40mn included in collections

### COR and NPL Ratios by Segment (%)

	COR		NPL	
	2016	2017	2016	2017
Business	0.6	0.6	1.2	1.2
Consumer	1.1	0.5	4.6	3.9
Credit Cards	2.3	1.0	9.4	7.7
Total	0.8	0.5	2.3	2.1

\*According to BRSA monthly data as of December'17

10-year average Net Specific COR stands at c.0.70% with 100% coverage



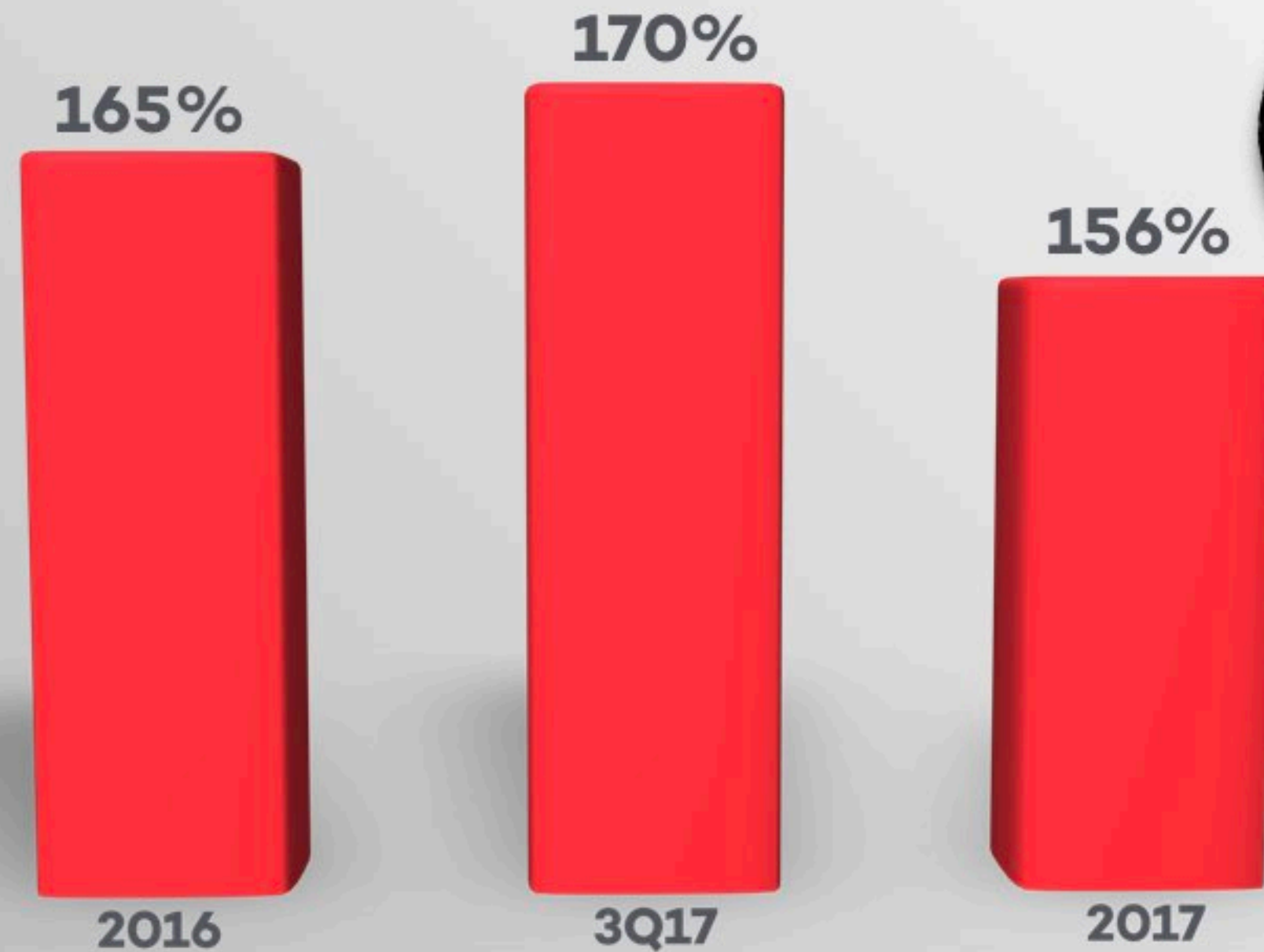
Notably below sector avg\* of c.3.0%

Proactive NPL classification of some commercial files in 4Q17



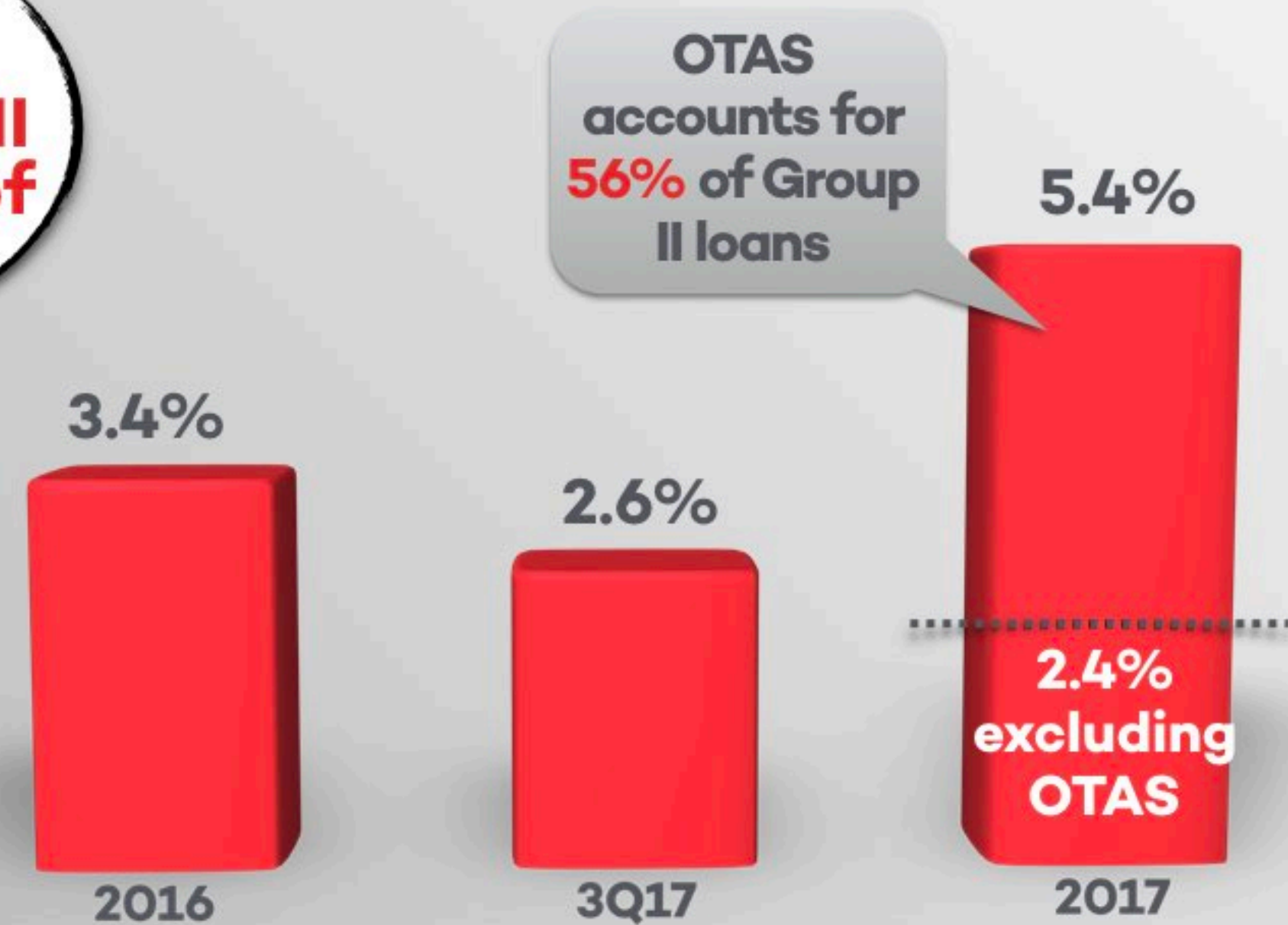
# Coverage remains high following recycling of excess provisions

**Total Coverage (general+specific)**



**Avg. peers coverage at 129% & Group II loans c.4% as of 3Q17**

**Group II loans share**

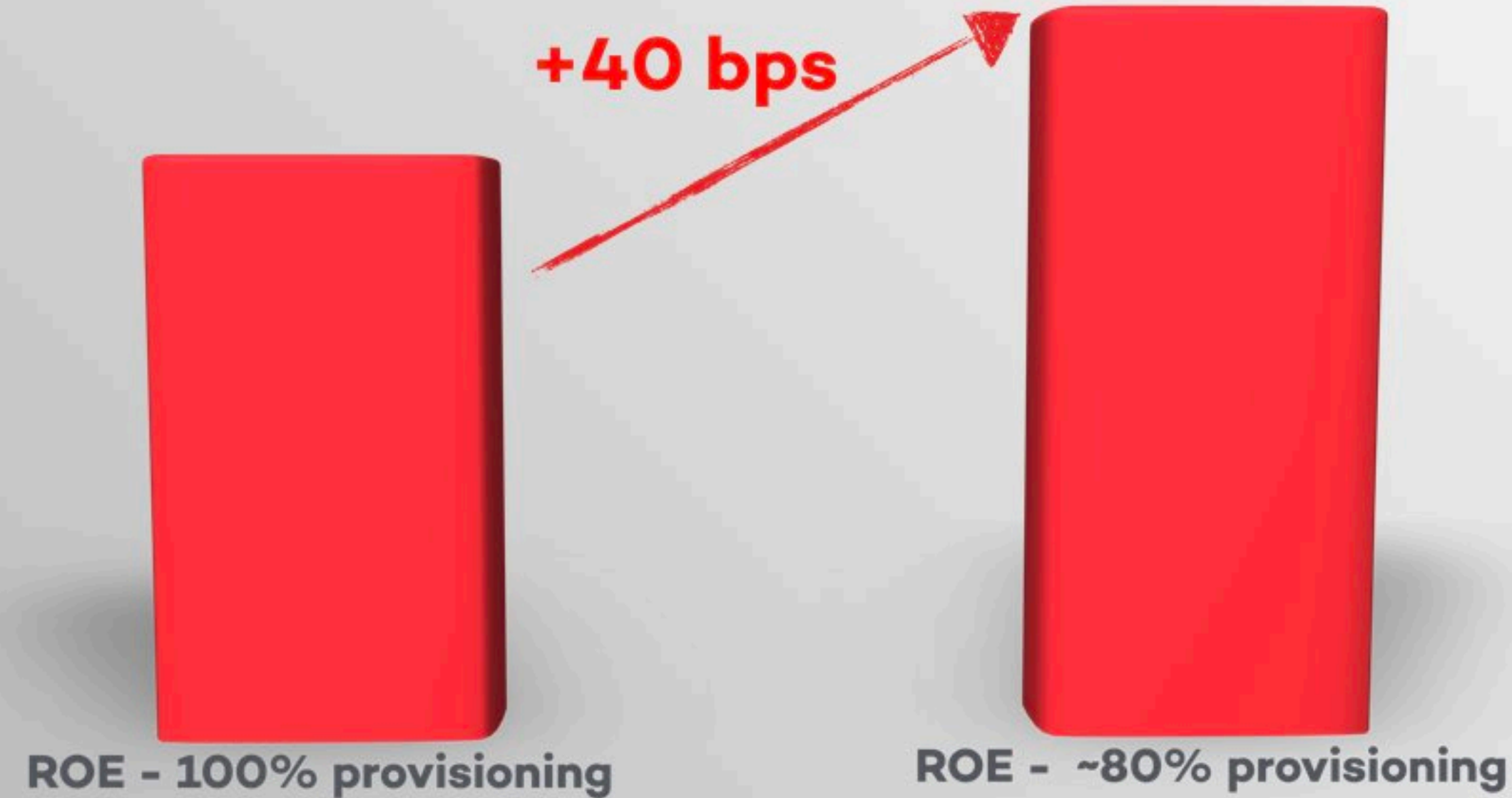


- ▶ OTAS loan classified in Group II at the end of 2017.
- ▶ TL 500 mn excess general provisions has been recycled into free provisions at 2017YE, reaching TL 700 mn in total.



# IFRS 9 in effective since January 1, 2018

## 2018 ROE Impact of Lower NPL Provisioning



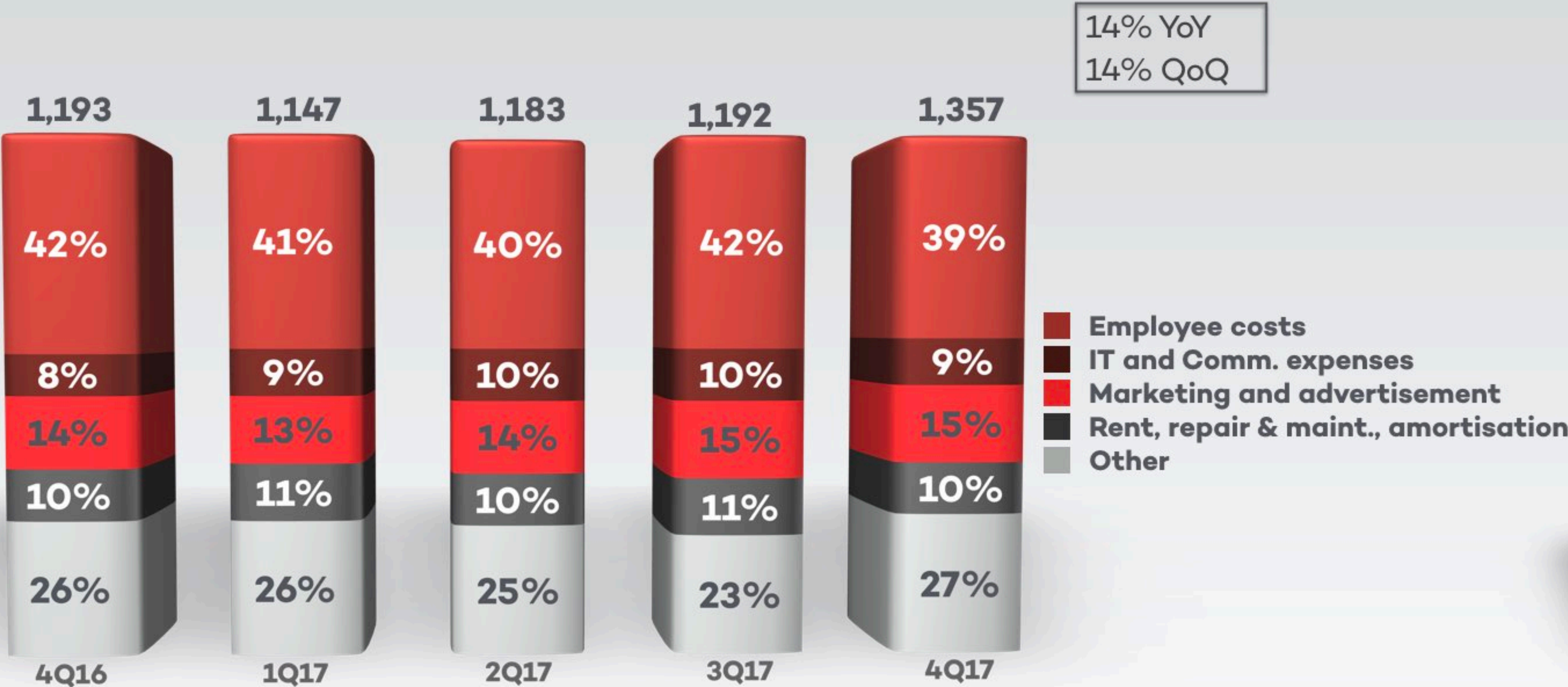
- ▶ **Specific loan loss coverage ratio declines to ~80%** with the implementation of IFRS 9 as of Jan 1, 2018
- ▶ Lower specific provisioning will have **40bps positive impact** on **2018 ROE**



# Cost Discipline maintained despite Inflationary Pressure

(TL mn)

## Quarterly



## Cumulative





# 2018 Macro and Growth Assumptions

## Macroeconomic Assumptions (%)

GDP growth, real terms  
CPI Inflation

2018

~4.5  
~9.0

## Growth Assumptions (%)

Asset  
Loan  
Deposit

Sector

2018

12-14  
12-14  
12-14

Akbank

2018

13-15  
13-15  
13-15



# 2018 & Beyond Profitability Guidance

	2018T
ROA	~1.8%
Leverage	~ 9.0x
ROE	15.5-16%
NIM	~3.5%
Net fees&com. growth	~15%
Opex growth (*)	~ 13%
Cost / income	~ 35%
Cost / assets	~1.6%
CAR	~15%
LDR	Max.105%
NPL	~ 2.1%
Cost of risk (**)	~ 50 bps
EPS Growth	~12%

## 2019 and Beyond

- ▶ ROA: 1.7 – 1.9%
- ▶ Leverage: 9.0x – 9.5x
- ▶ ROE: 15 – 17%

(\*) ~2% of OPEX increase in non-recurring due to investments

(\*\*) Based on IFRS 9, according to ~80% specific coverage



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



# Snapshot of Results

(TL mn, ratios in %)	2016	1Q17	2Q17	3Q17	4Q17	2017	YoY (%)	QoQ (%)
<b>Total Assets</b>	294,501	305,910	315,298	315,475	341,610	341,610	16	8
<b>Loans</b>	178,893	186,550	189,956	195,460	209,478	209,478	17	7
<b>Deposits</b>	173,968	179,353	188,044	187,876	201,456	201,456	16	7
<b>Net Profit</b>	4,854	1,452	1,571	1,494	1,504	6,020	24	1
<b>Net interest income</b>	8,490	2,552	2,749	2,686	3,306	11,293	33	23
<b>Net fee income</b>	2,569	680	745	742	795	2,962	15	7
<b>ROAE</b>	16.0	17.0	17.0	15.5	15.1	16.2	0.2	-0.4
<b>ROAA</b>	1.8	1.9	2.0	1.9	1.8	1.9	-0.1	-0.1
<b>NIM</b>	3.28	3.59	3.75	3.61	4.27	3.80	0.5	0.7
<b>NIM after swap</b>	3.43	3.55	3.36	3.19	3.81	3.47	0.1	0.6
<b>Cost of Risk</b>	0.81	0.49	0.28	0.39	0.79	0.49	-0.3	0.4
<b>Cost to Income*</b>	35.0	34.8	34.8	35.7	34.6	35.0	flat	-1.1
<b>CAR</b>	14.2	15.2	16.0	16.3	15.8	15.8	1.6	-0.5
<b>Tier I</b>	13.1	13.4	14.2	14.5	14.2	14.2	1.1	-0.3

\*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**

**2017**

45,399

46,945

52,848

61,753

178,893

209,478

17,361

23,434

**294,501**

**341,610**

173,968

201,456

44,838

51,383

27,320

29,358

5,726

4,517

21,594

24,841

15,883

18,800

32,492

40,614

**294,501**

**341,610**

## Shares (%)

**2016**

**2017**

15.4

13.7

17.9

18.1

60.7

61.3

5.9

6.9

59.1

59.0

15.2

15.0

9.3

8.6

1.9

1.3

7.3

7.3

5.4

5.5

11.0

11.9

## Change (%)

3

17

17

35

**16**

16

15

8

(21)

15

18

25

**16**



# Income Statement Highlights

## Consolidated (TL mn)

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

## 2016

18,962

(10,471)

**8,490**

946

185

761

(1,324)

2,569

(4,465)

417

(431)

**6,203**

(1,348)

**4,854**

## 2017

24,389

(13,097)

**11,293**

(530)

228

(758)

(946)

2,962

(4,879)

649

(895)

**7,654**

(1,634)

**6,020**

## Change (%)

29

25

**33**

n.m.

23

n.m.

(29)

15

9

56

108

**23**

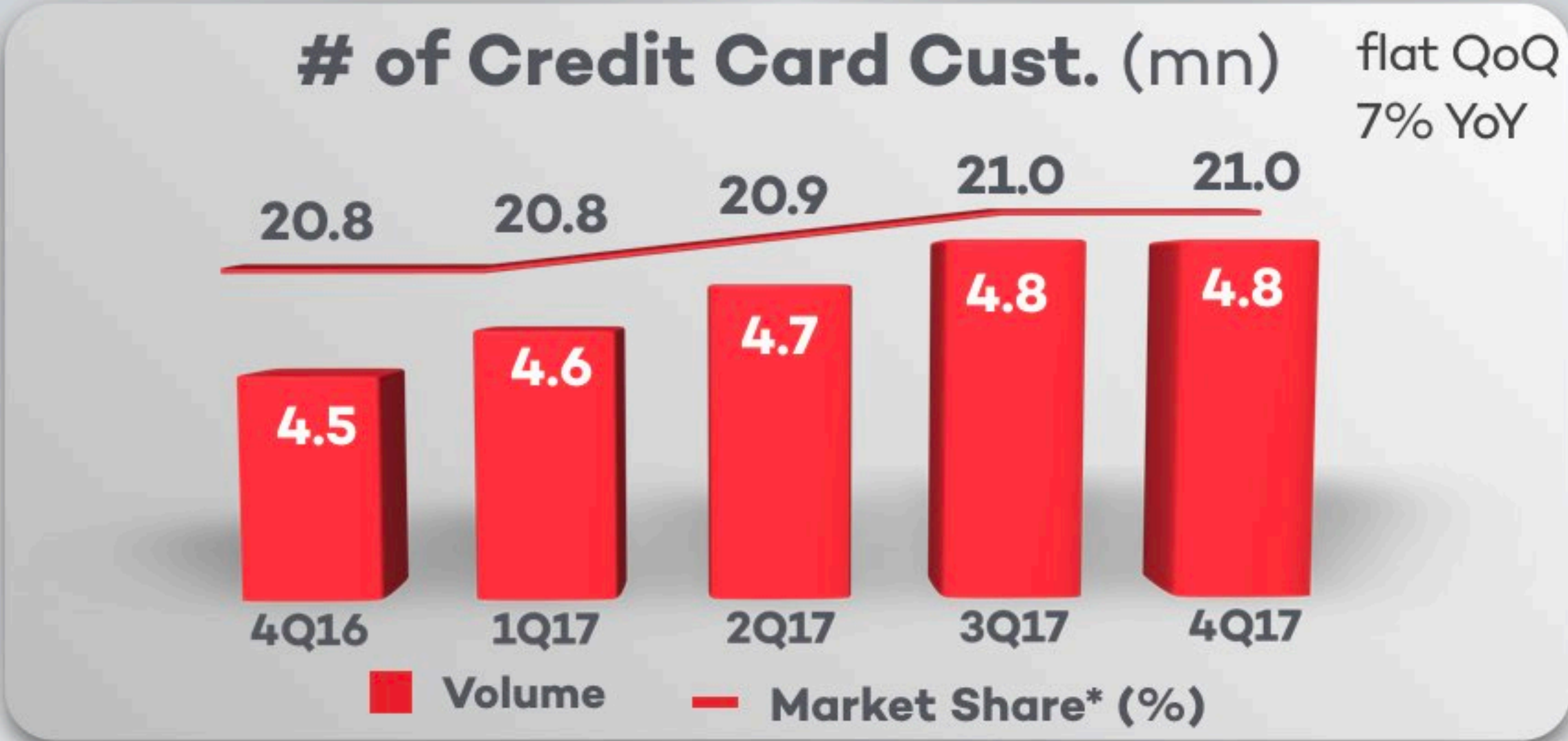
21

**24**

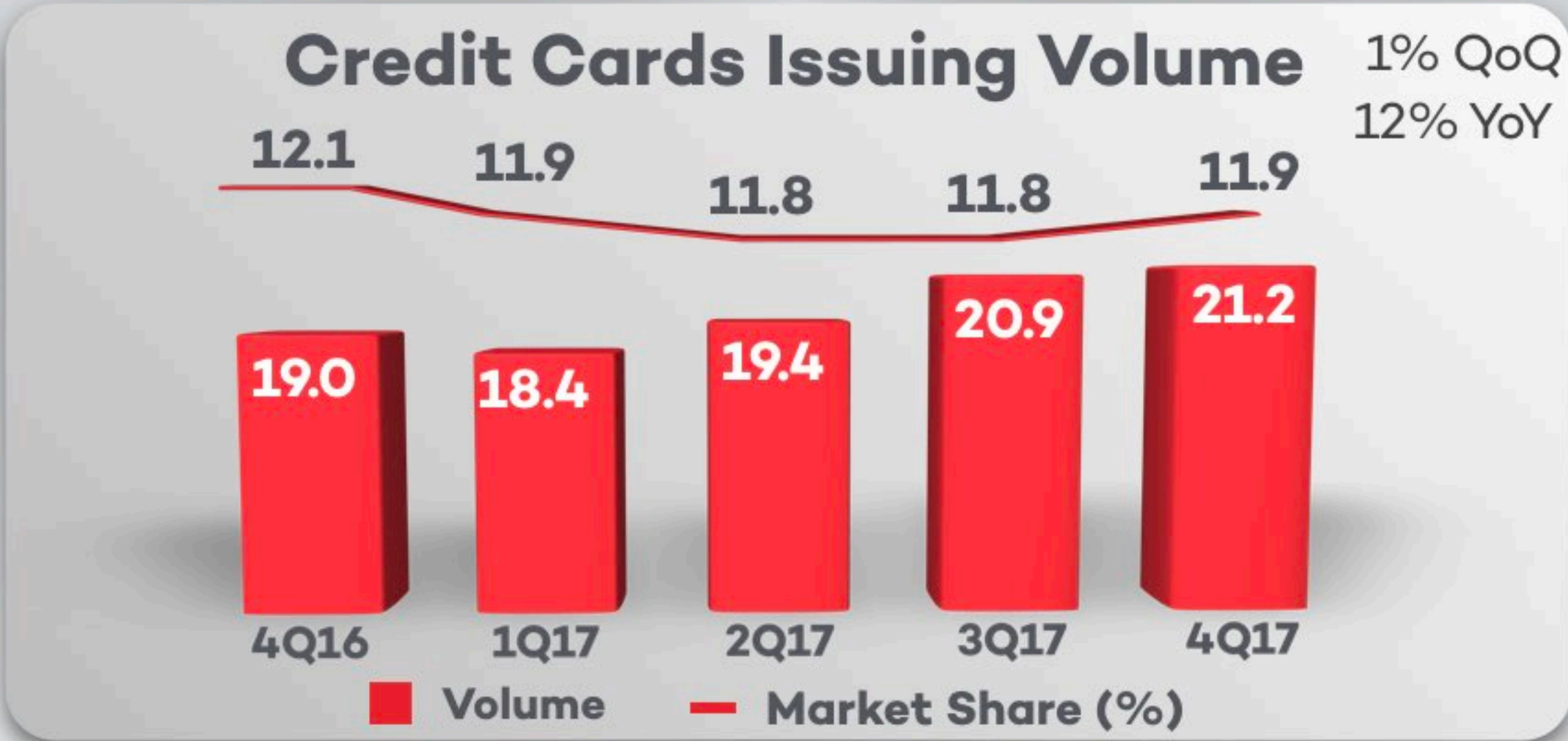


# Customer Growth in Credit Cards to support Volume and Profitability

(TL bn)

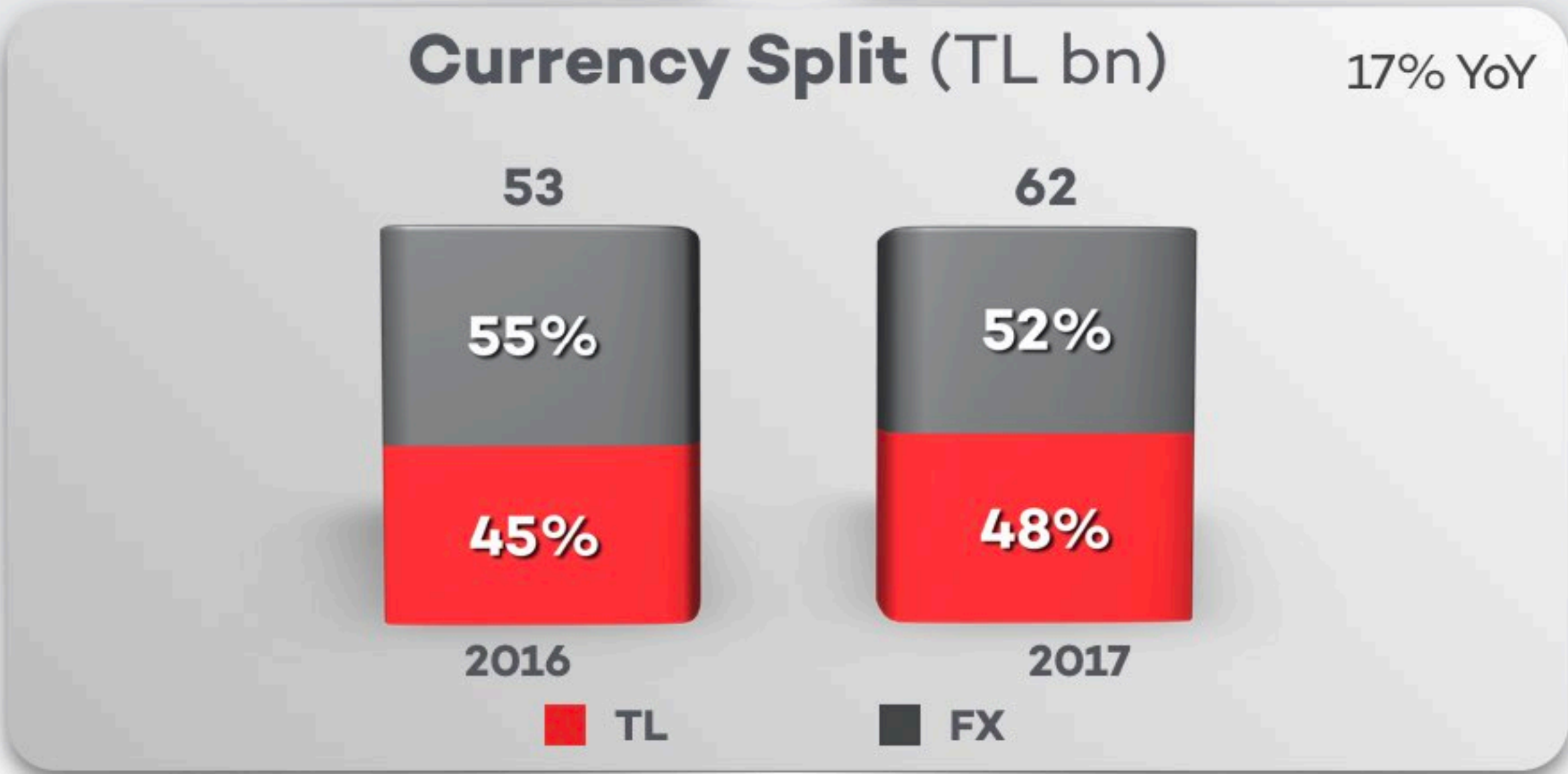
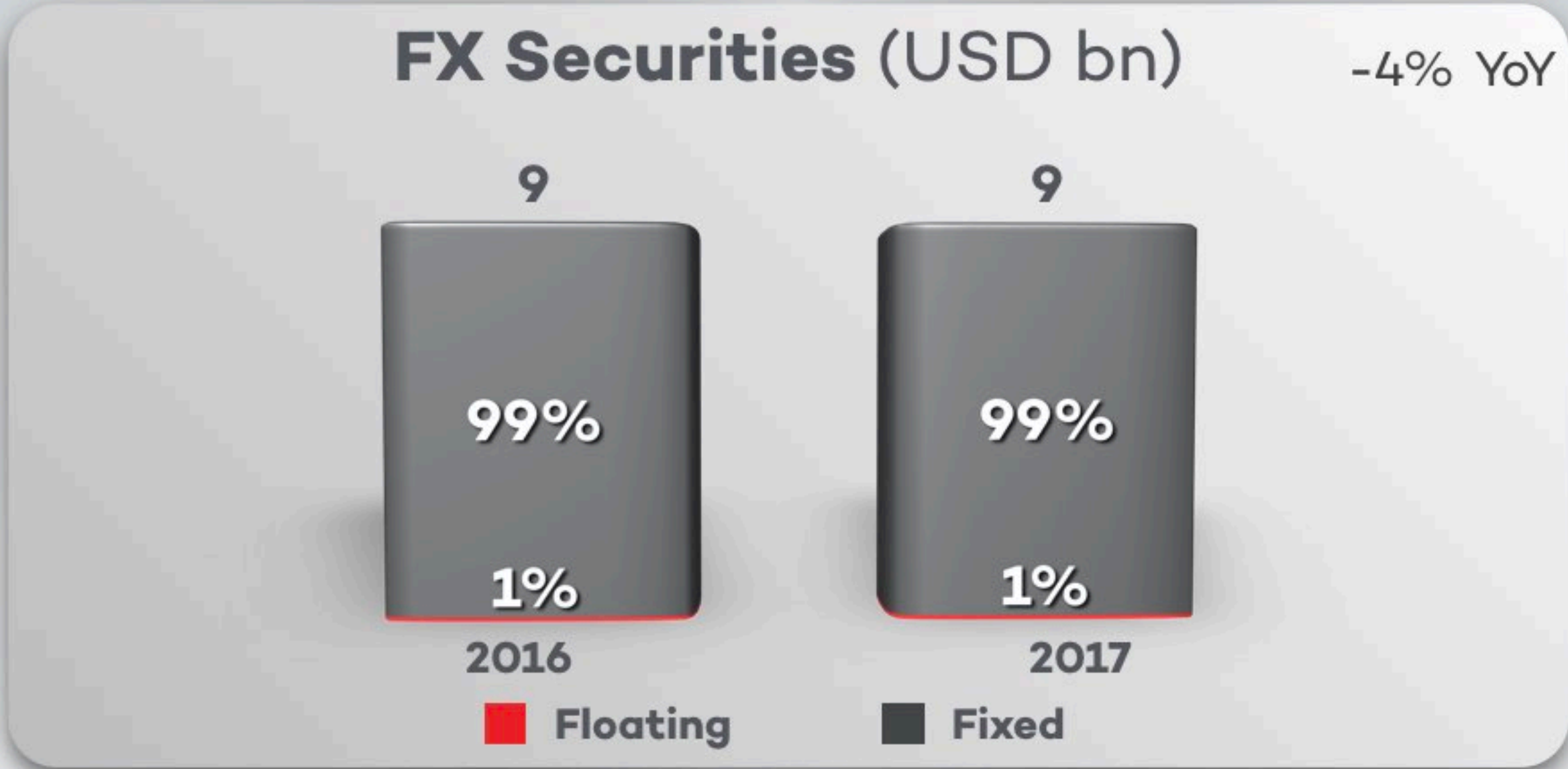
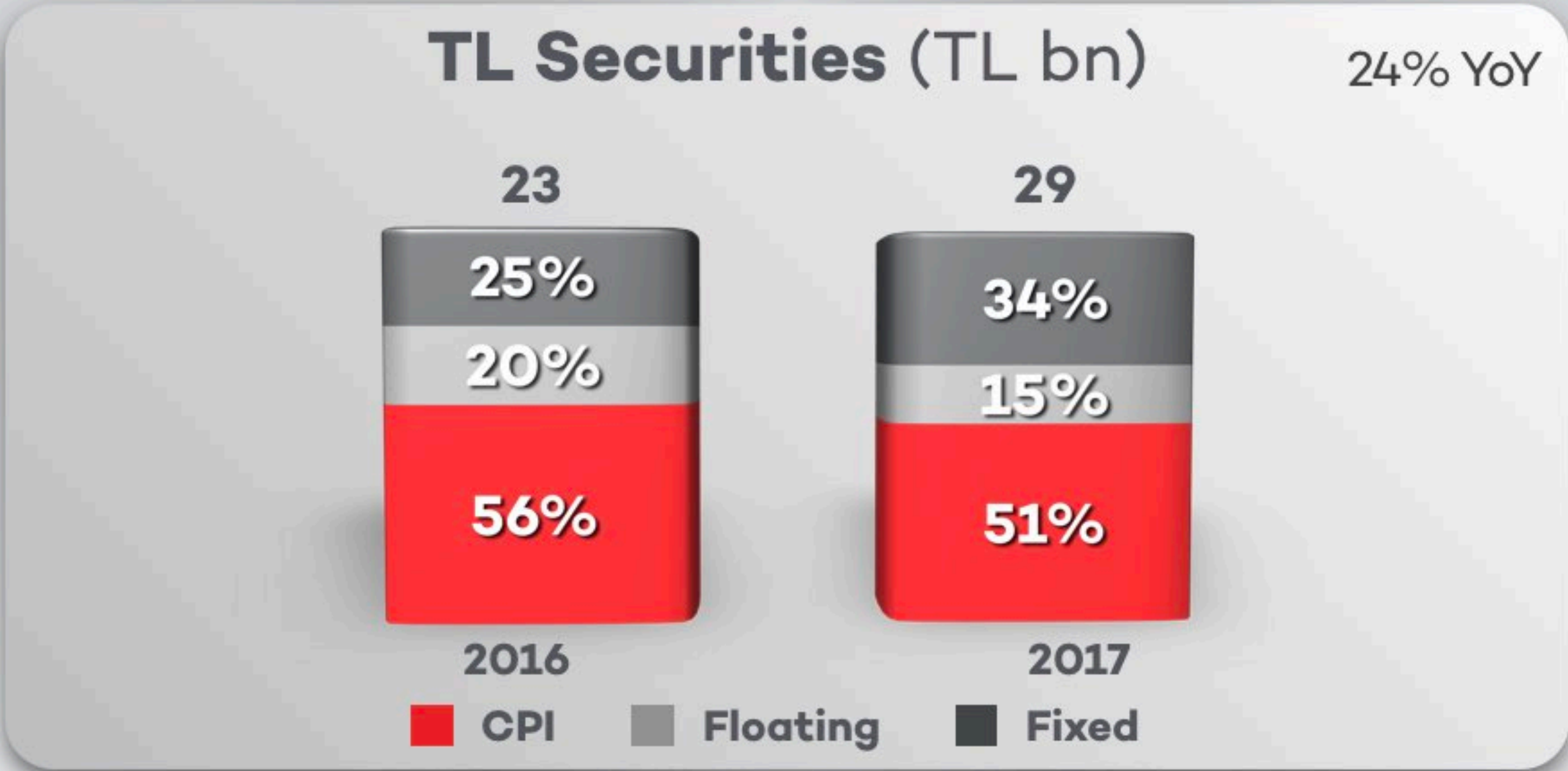


\* Market share among private peers





# Strategic Treasury Management

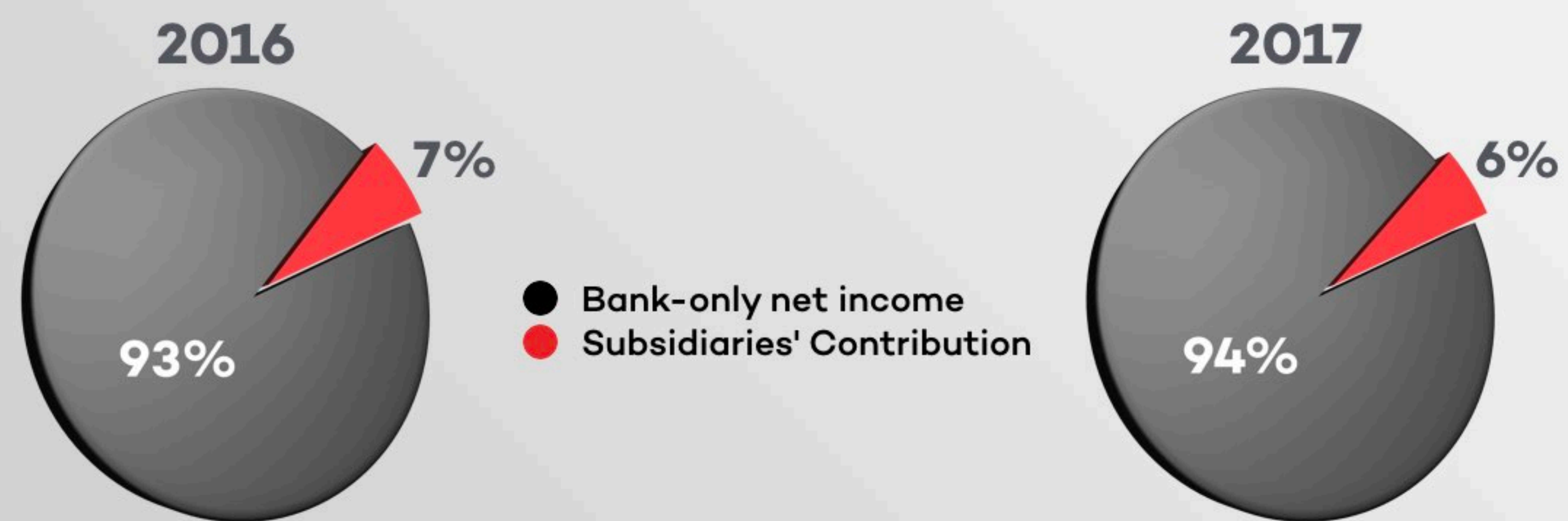


31% HtM,  
69% AFS

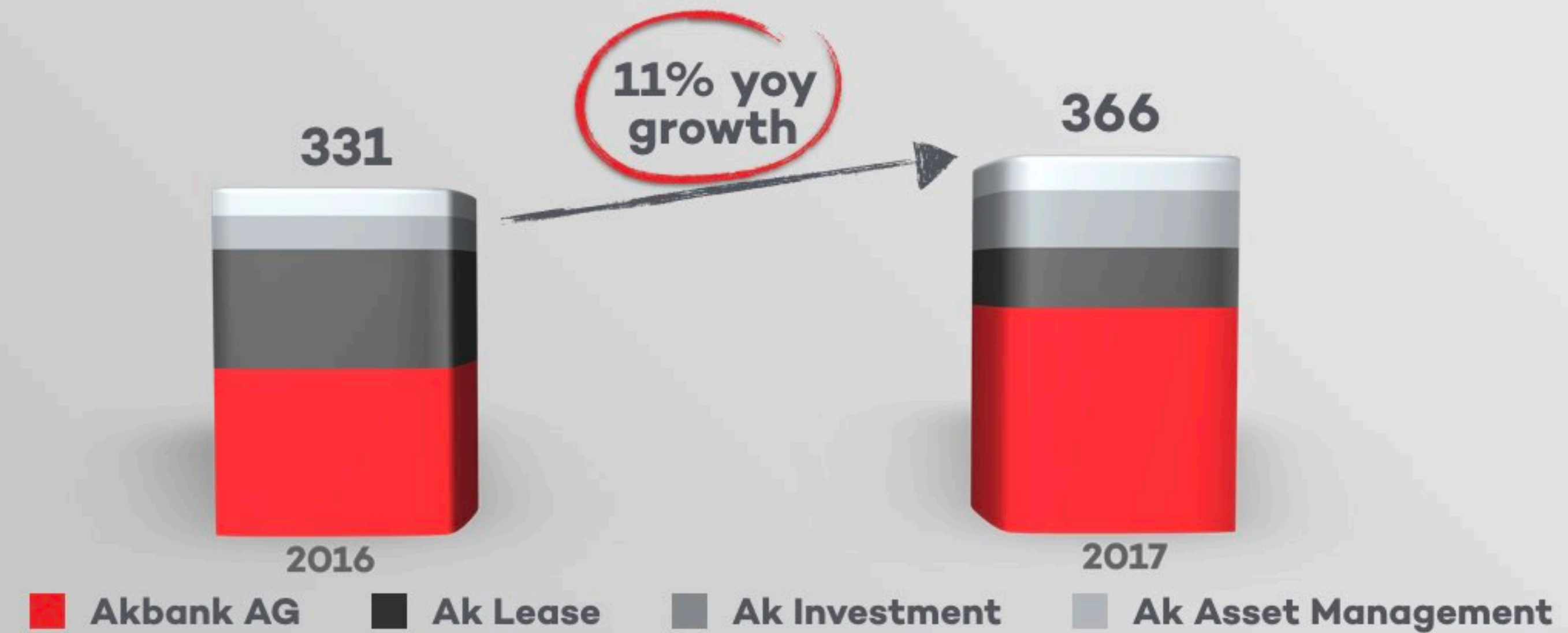
MtM Valuation in  
Equity net,  
**(-) TL 0.8 bn**



# Subsidiaries Net Income is up by 11% yoy



Subsidiaries' Net Income (TL mn)





# Swap Costs/Gains & CPI Linker Income

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



**CPI Linker Income**  
(TL mn)



\*Annual inflation estimate was revised from 8% to 9.5% in 2Q17

\*\*Impact of higher actual October YoY CPI of 11.9% is TL 325 mn gross





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