

1Q19 Consolidated Financial Results

26 April 2019

AKBANK

A solid start to 2019

Strong start to the year with 12.3% ROE already reaching 2019FY guidance

Despite setting aside TL 100 mn free provision & ~ TL 400 mn MtM adjustment to LYY ⁽¹⁾ exposure thanks to 31% yoy increase in Pre-Provision Income

**Adj. ROE
15.8%**

NI at TL 1,408 mn, up 38% QoQ

Core NIM improvement and strong fee generation
Better than expected asset quality evolution

Robust solvency ratios at CAR 16.2%, Tier 1 13.8%

Effective capital deployment to maximize long-term sustainable shareholder value

Continued prudent IFRS 9 approach

Maintained solid coverage ratios
All restructured loans are followed under Stage 2

Total LDR ⁽²⁾ at 95% & FX LDR ⁽²⁾ at 57%

Well-built and disciplined funding structure

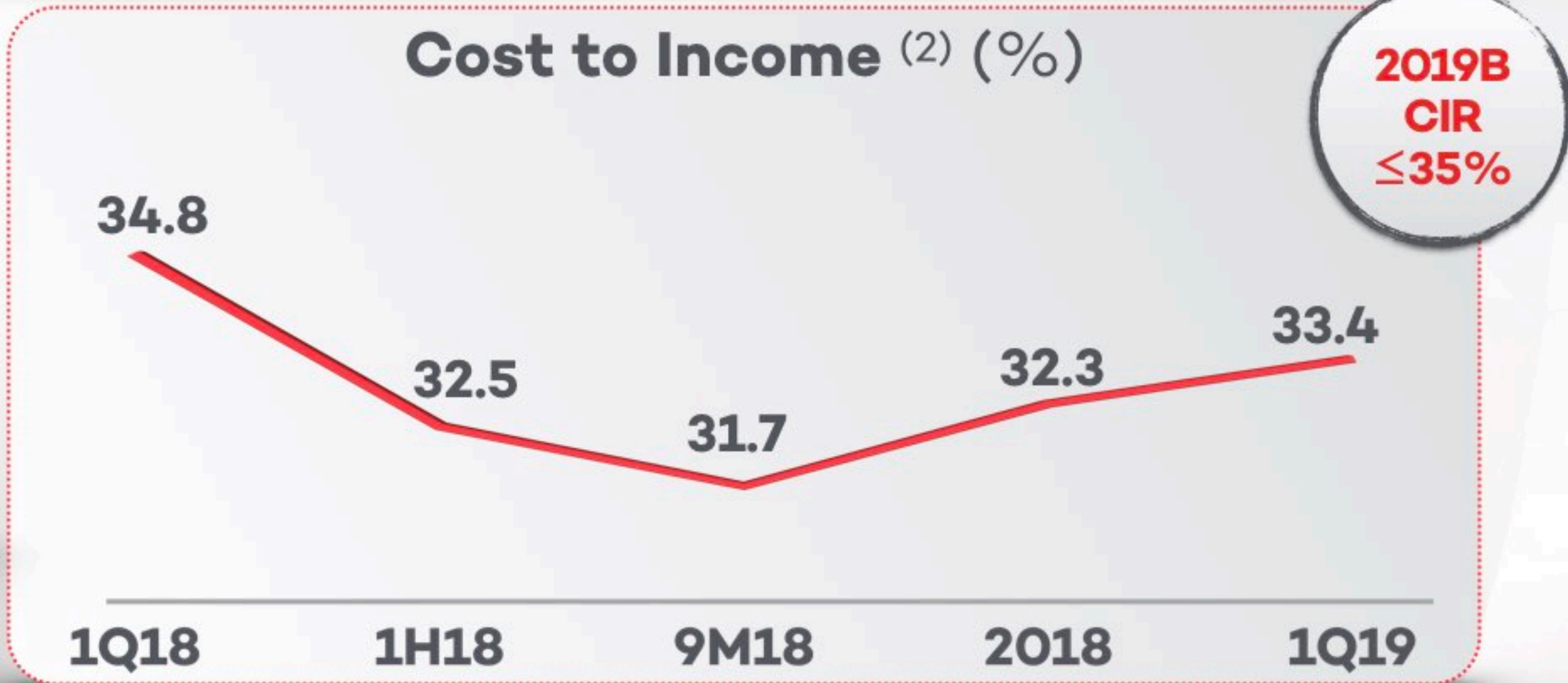
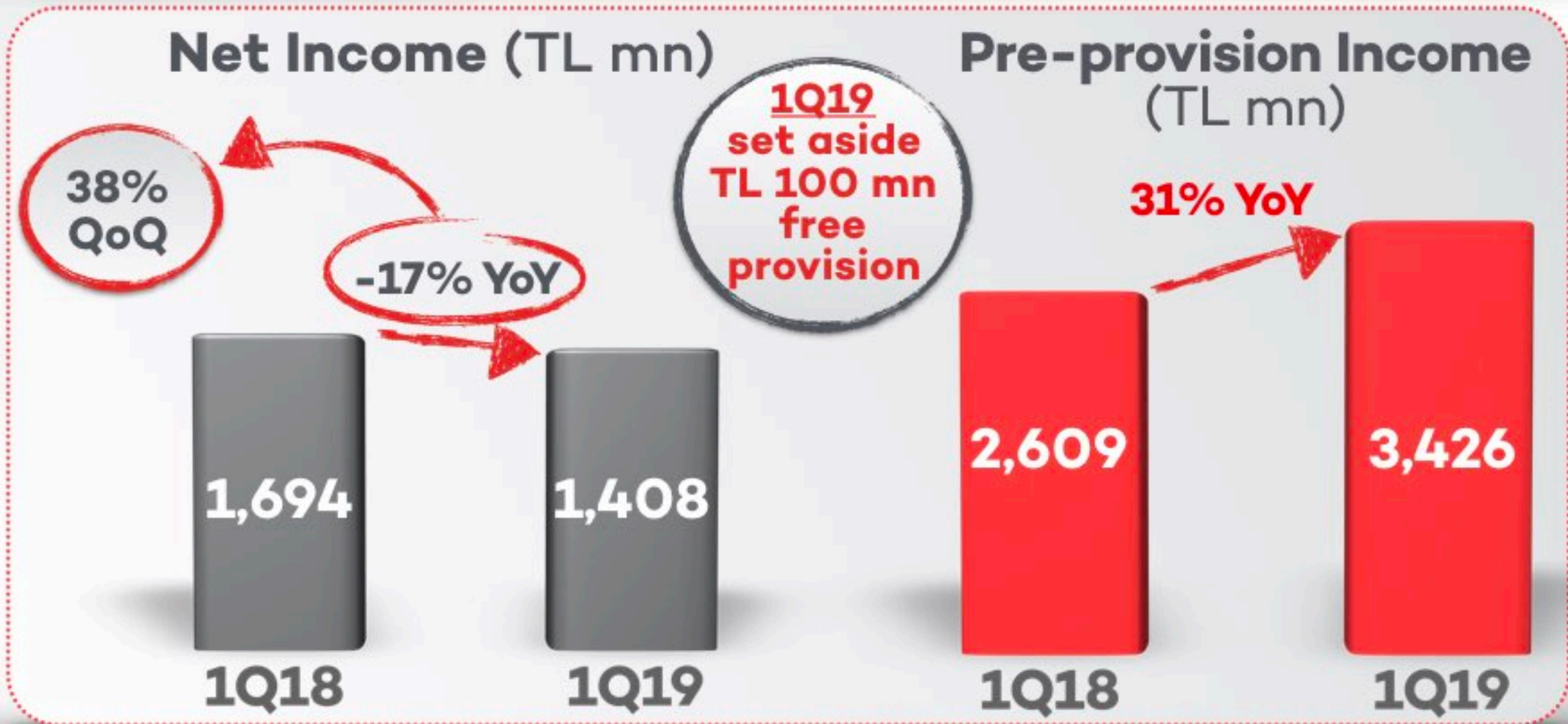
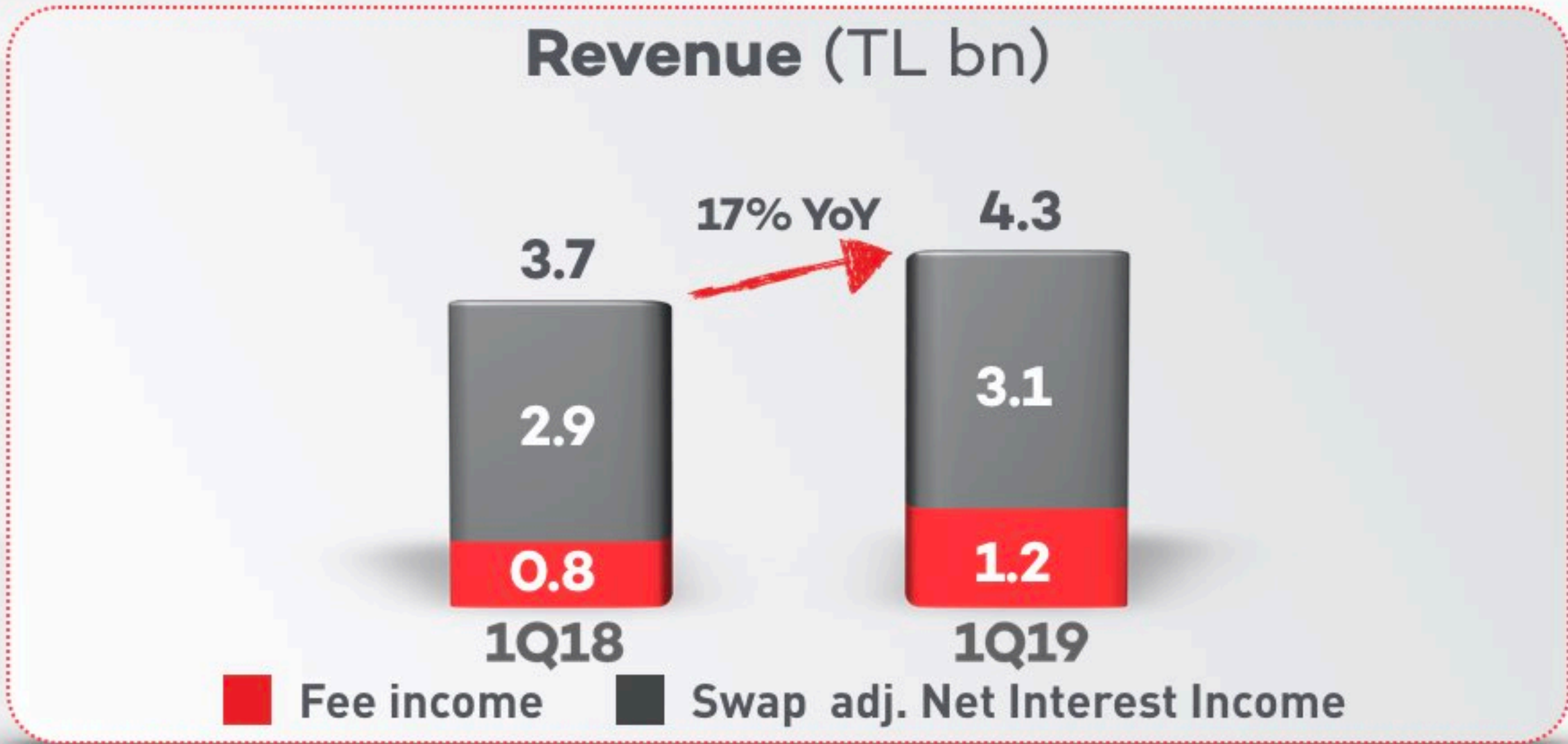
Best-in-class operational efficiency with 33.4% CIR

Competitive advantage in high inflation and low growth environment

⁽¹⁾ LYY : SPV owned by consortium of banks, holding 55% TTKOM shares

⁽²⁾ Bank-only, adjusted for financial assets measured at fair value through P&L.

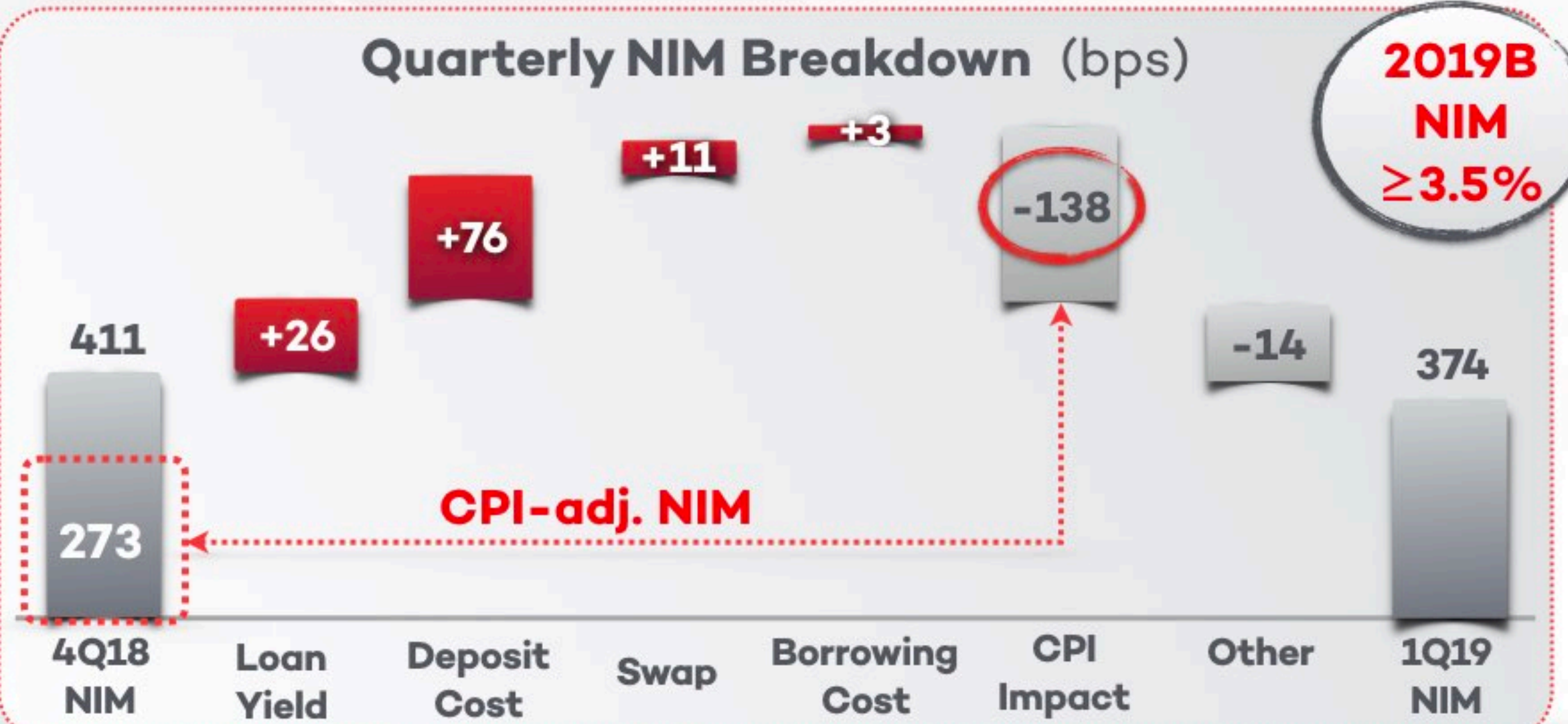
Robust Pre-Provision Income driven by strong core operating performance



(1) Rolling CPI

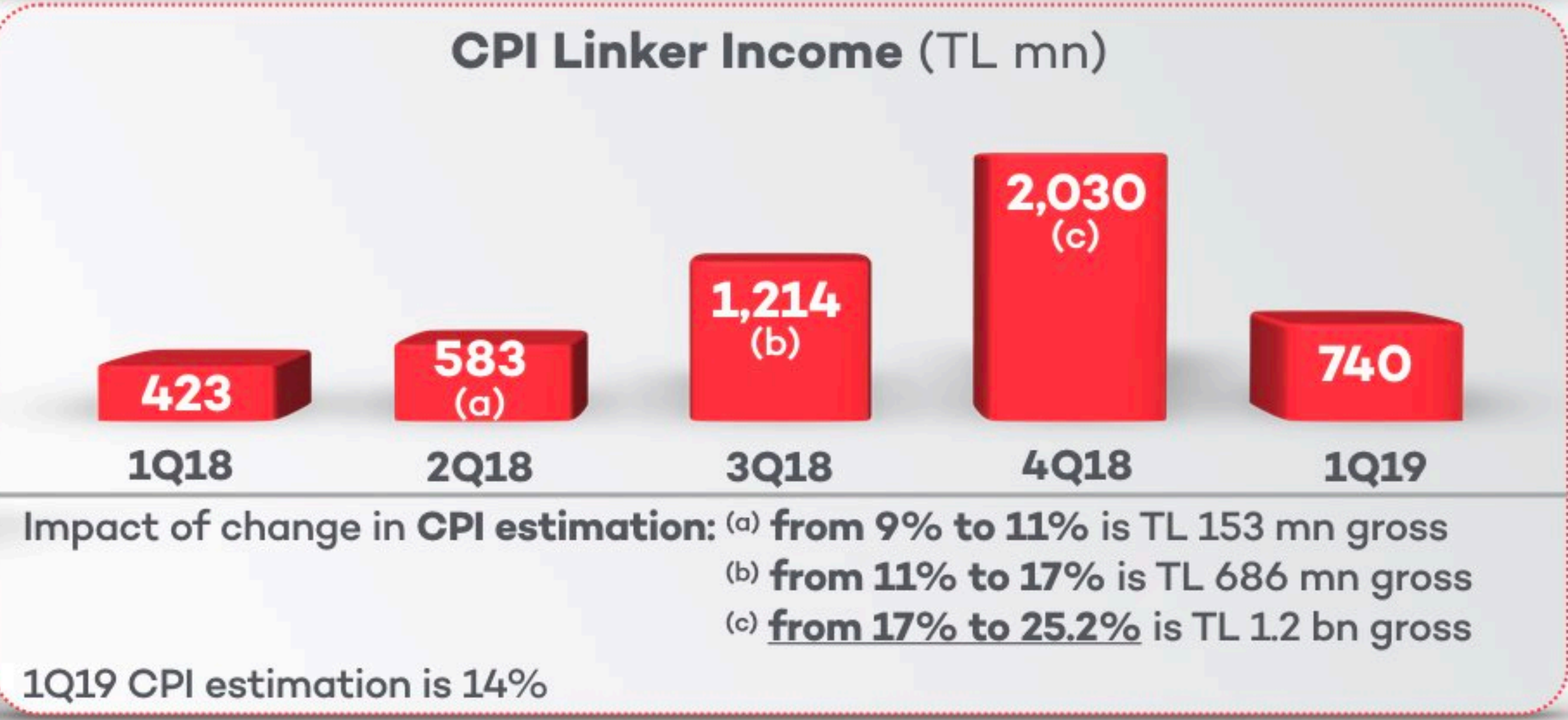
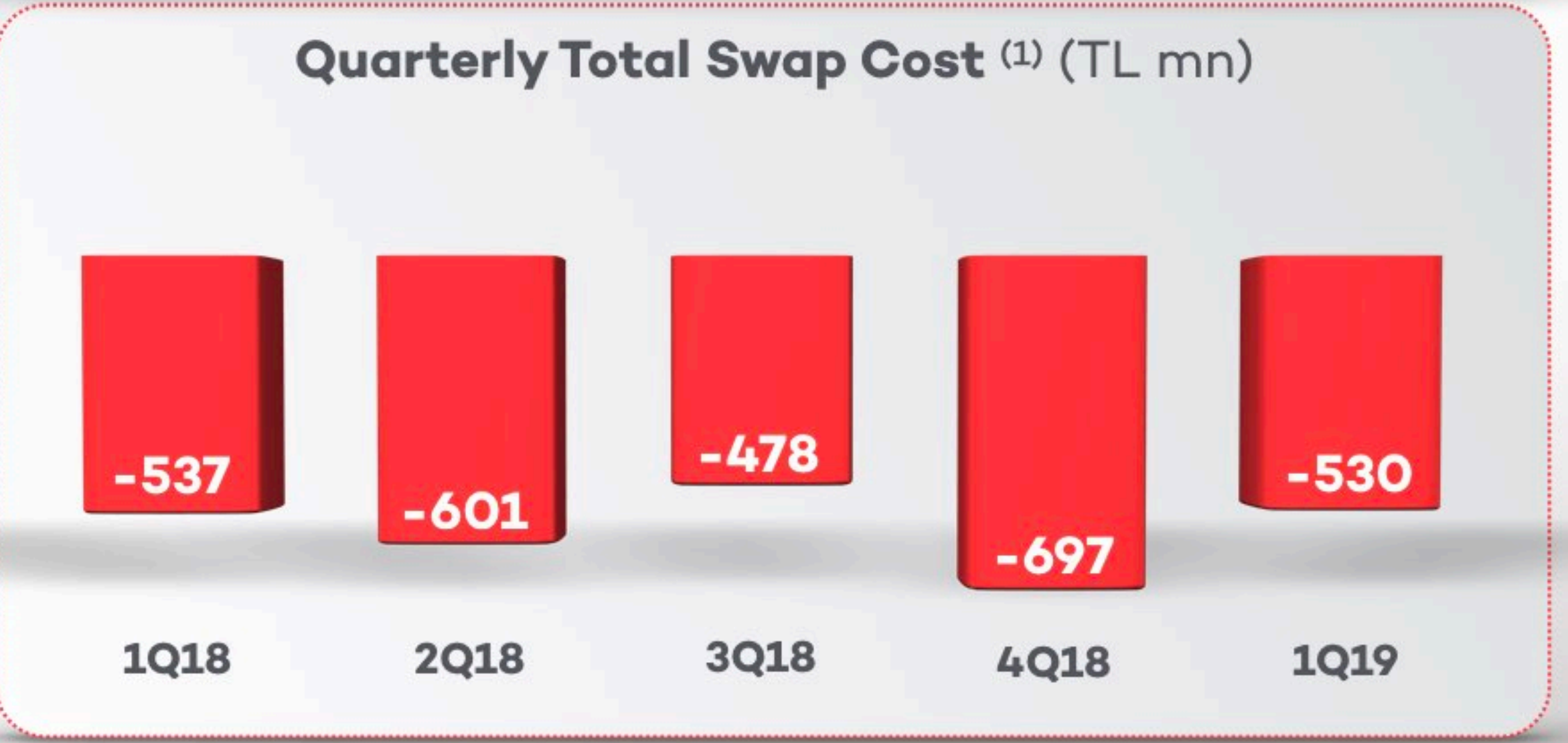
(2) CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions as well as impact of free provision reversal

NIM ahead of guidance, supported by significant core spread evolution



Despite lower CPI-linker income, core NIM improved QoQ due to strong core spread evolution led by:

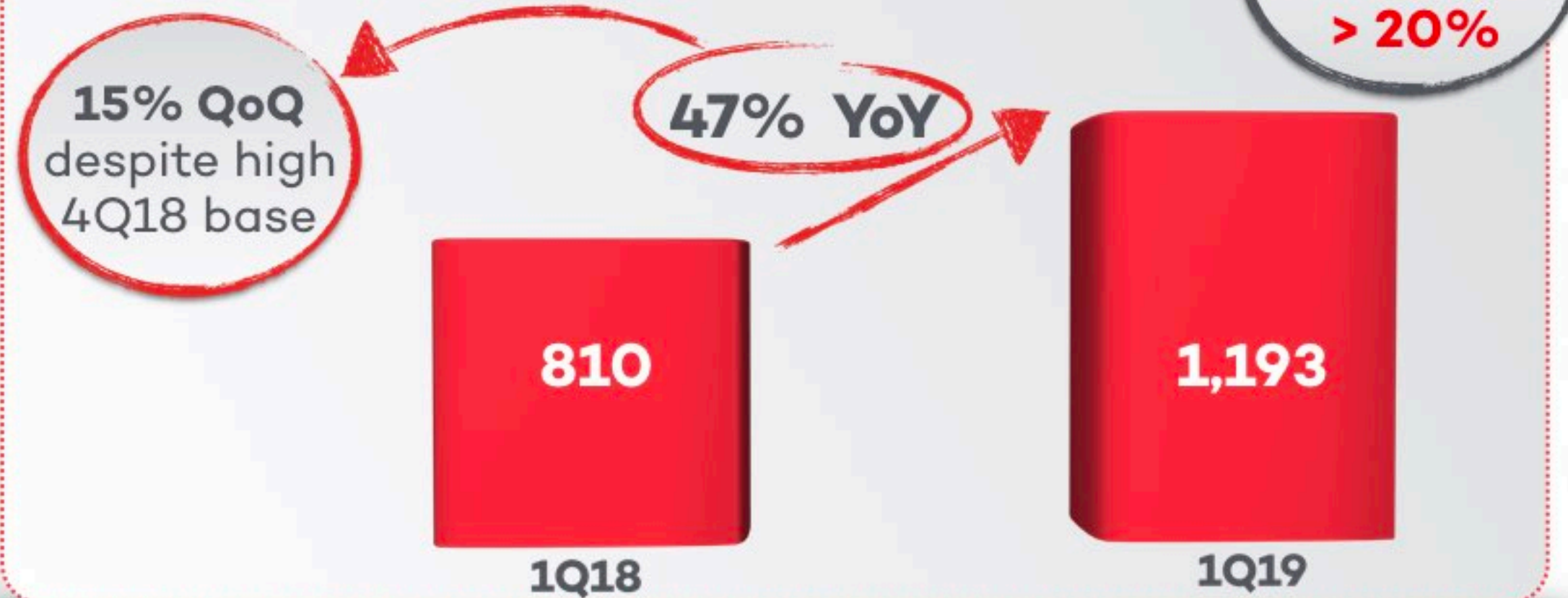
- ▶ Well-managed and optimized TL funding cost
- ▶ Loan yield improvement



(1) Includes short and long-term swaps

Superior fee income well-ahead of guidance

Net Fees & Comm. (TL mn)

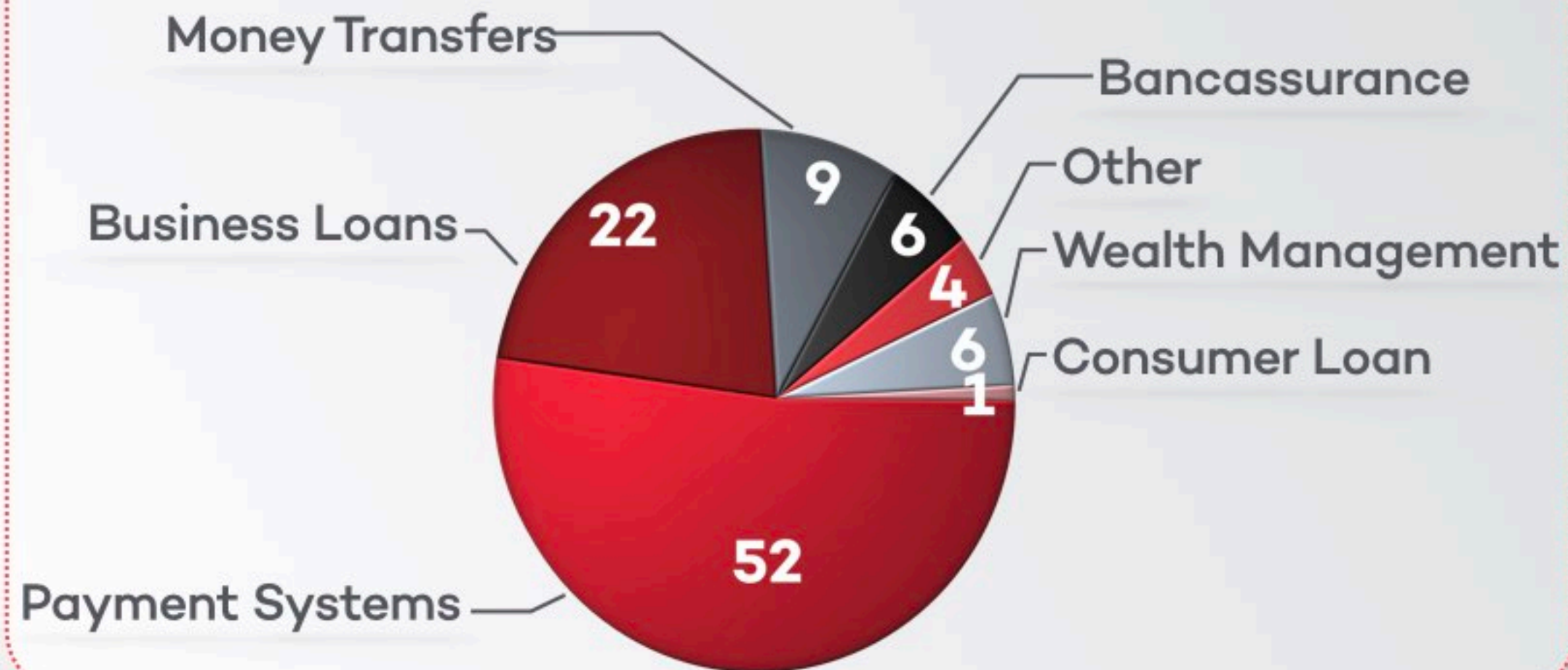


- ▶ **Payment Systems** commissions **+59% YoY**
Strong performance in both acquiring & issuing
- ▶ **Business Loans +88% YoY**
Strong performance in both cash and non-cash loan fees
- ▶ **Money Transfers +28% YoY**
Supported by increased transactions
- ▶ **Bancassurance +12 YoY**
Significant growth in non-credit linked insurance sales
Non-credit linked premiums/total premiums ⁽¹⁾ at 74% (+6ppt ytd)
- ▶ **Direct Banking ⁽¹⁾**
Direct banking customers at 4.8 mn

Share of **direct sales/total sales at 55%**
Share in **non-credit linked fees at 49%**

68% of GPLs and **49% of credit cards** were sold through direct channels
Share of mobile in GPLs at 51% in 1Q19

Fees & Commissions by product (%)



⁽¹⁾ Based on bank-only MIS data

Leveraging new technologies to create future competitive advantage



Phygital Branch in Numbers ⁽¹⁾

**241 branches
transformed &
operational
as of 1Q19**

**Migration of cash
transactions to
E-tellers
63%**

Income Generation



~ 30% yoy

Fee Generation

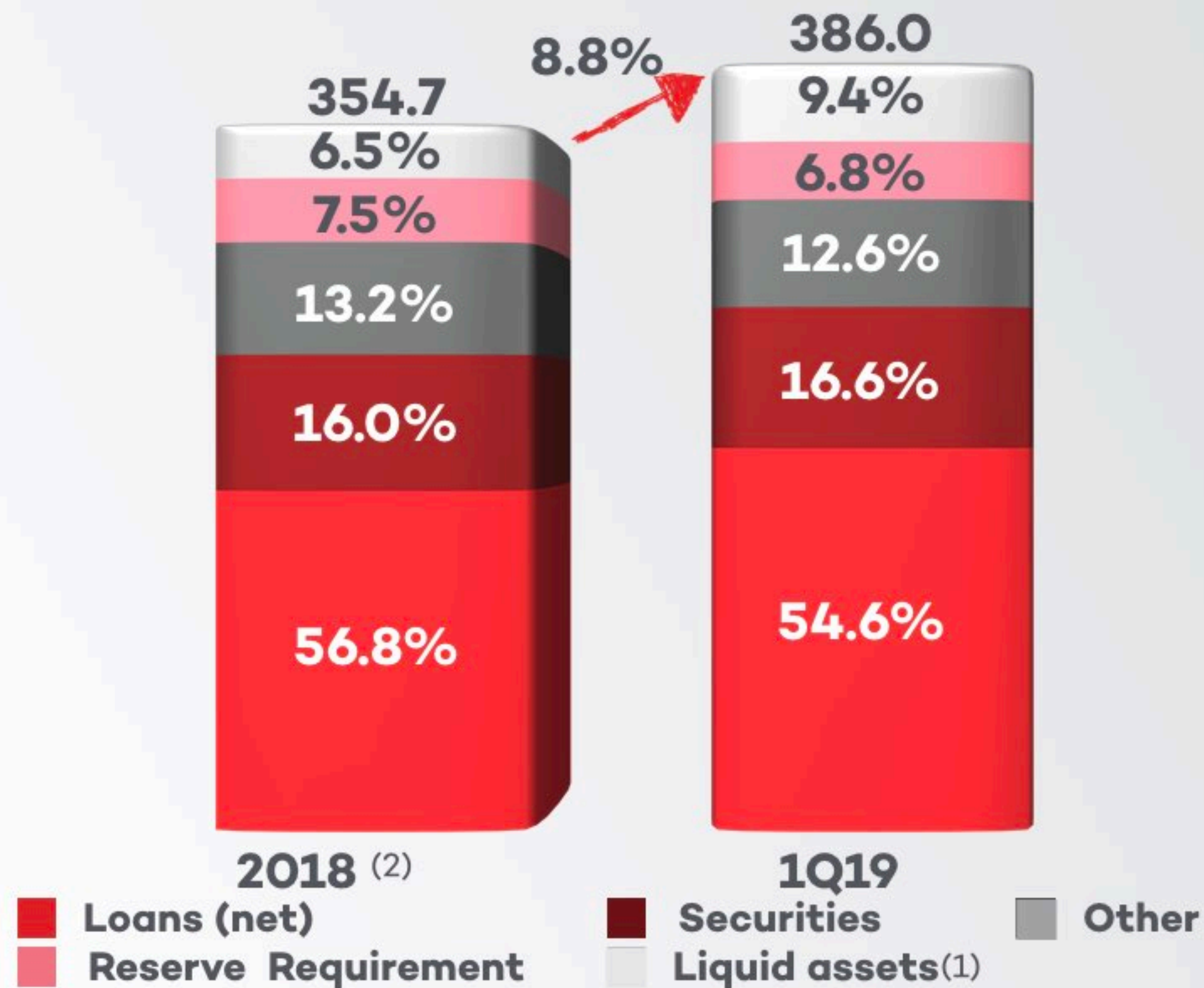


51% yoy

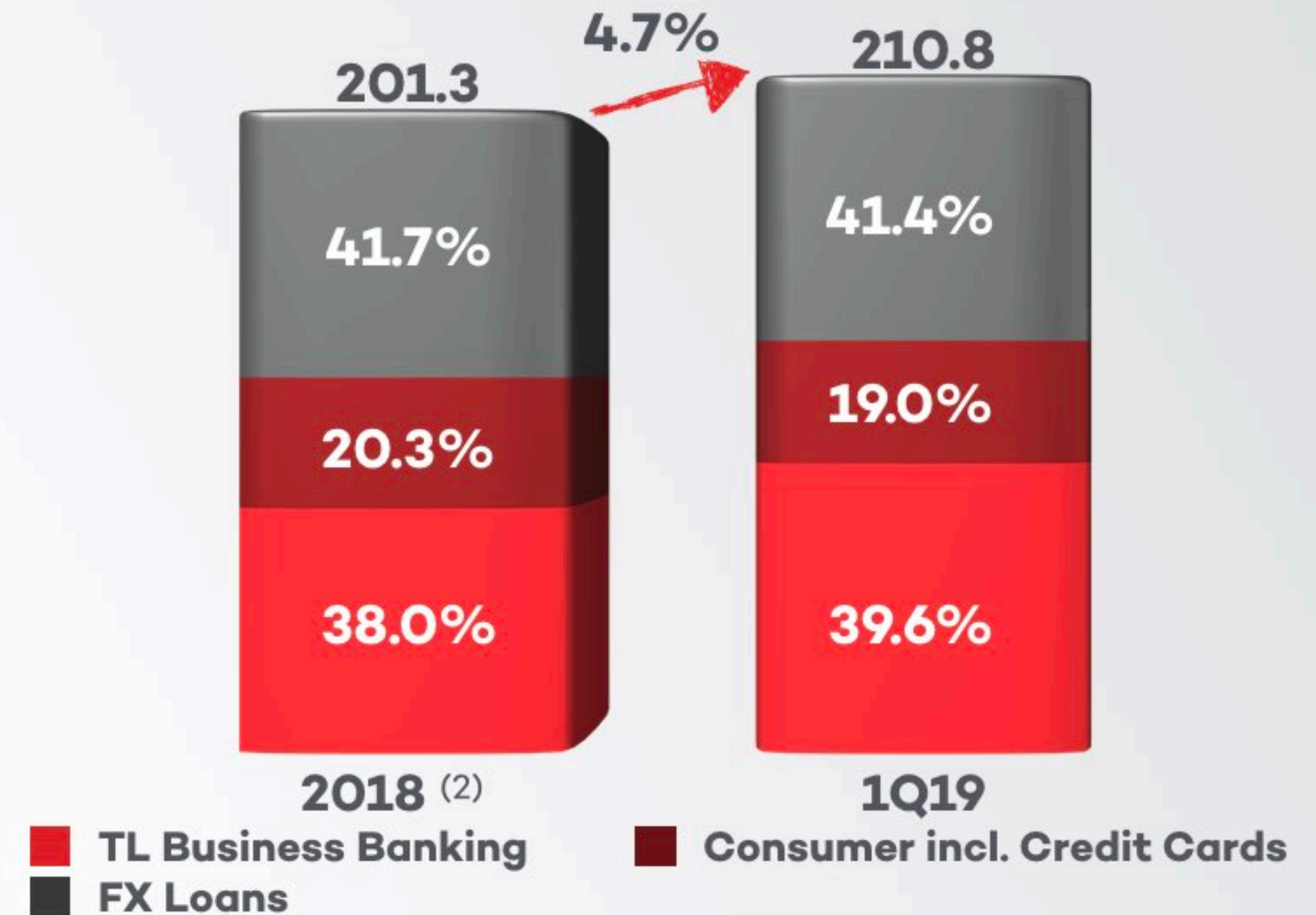
⁽¹⁾ Based on physical branches operational for at least 1 month

Capital deployment to generate sustainable long-term shareholder value

Assets (TL bn)



Loan Breakdown (net, TL bn)



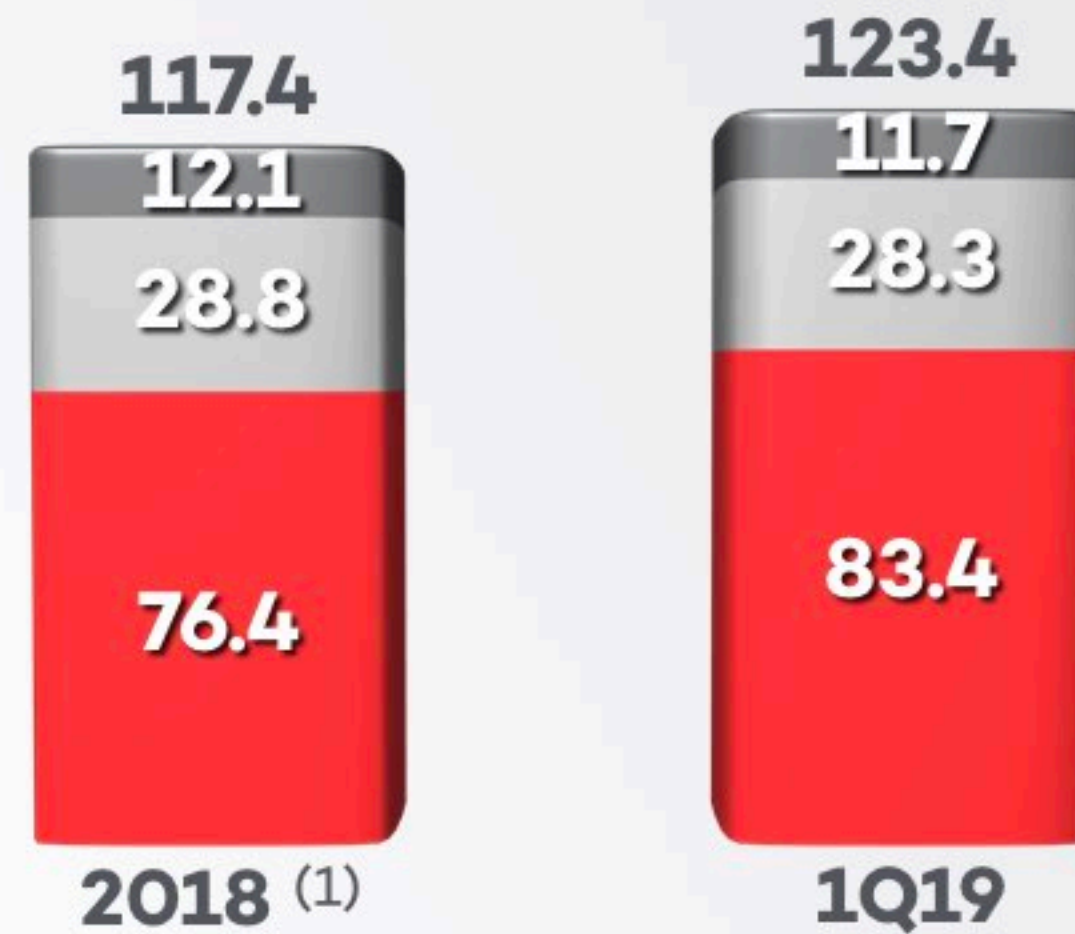
Optimized asset composition creates unique growth opportunity with risk & return in focus

(1) Cash and cash equivalents

(2) For comparability, 2018 total loan figure excludes leasing receivables and adjusted for financial assets measured at fair value through P&L

Prudent and sound lending strategy

TL Loans (net, TL bn)

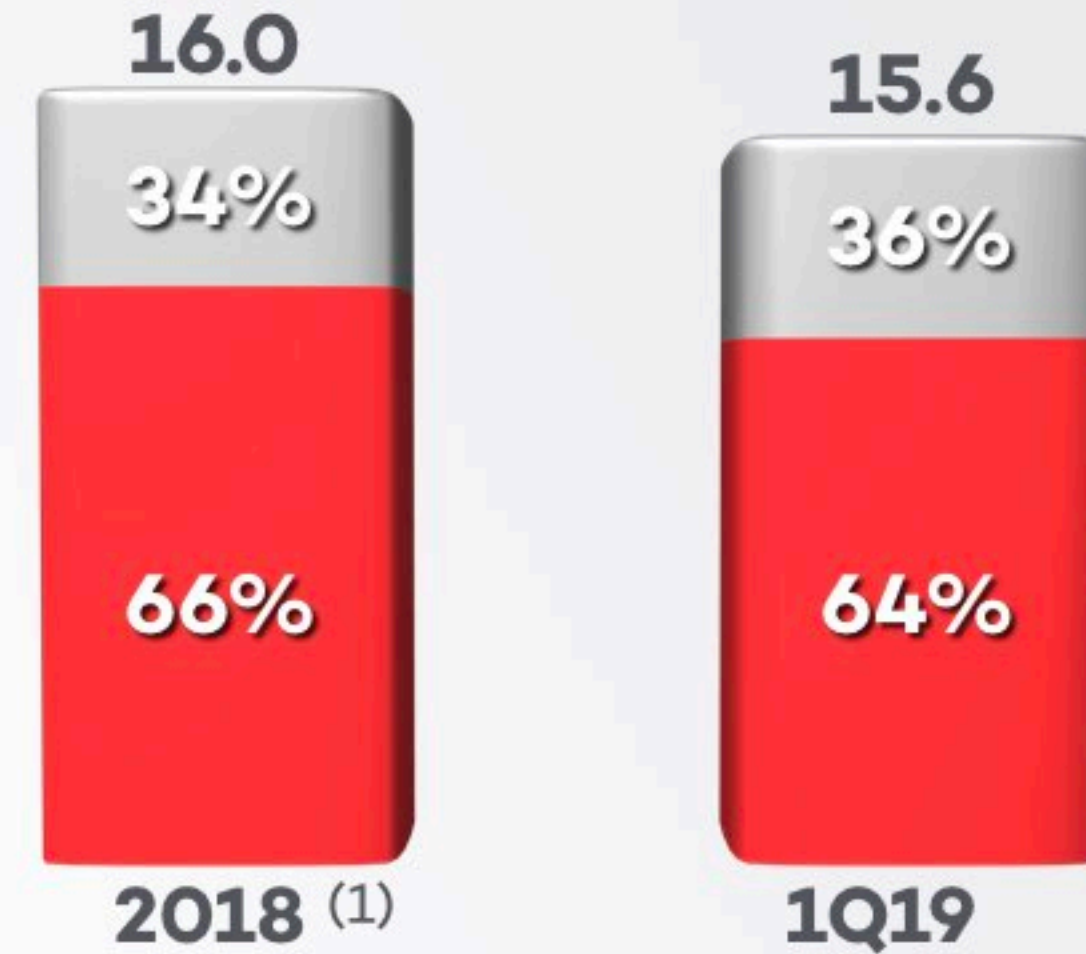


■ TL Business Banking ■ Consumer ■ Credit Card

YtD Change Market Share (2)

+5%	8.2%
-3%	10.6%
-2%	7.3%
+9%	8.2%

FX Loans (3) (net, USD bn)



■ Project Finance & Export ■ Other

YtD Change Market Share (2)

-2.3%	7.2%
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Multinationals & corporates with FX cash flow generation

- ▶ Gained market share in TL business banking loans led by short-term corporate loans
- ▶ Slight market share loss in Commercial and SME loans as a result of moderate CGF utilization
- ▶ 43% of 1Q19 GPL originations were pre-approved, separately 37% were to salary customers (4)
- ▶ FX loan demand remained muted as guided

(1) For comparability, 2018 total loan figure excludes leasing receivables and adjusted for financial assets measured at fair value through P&L

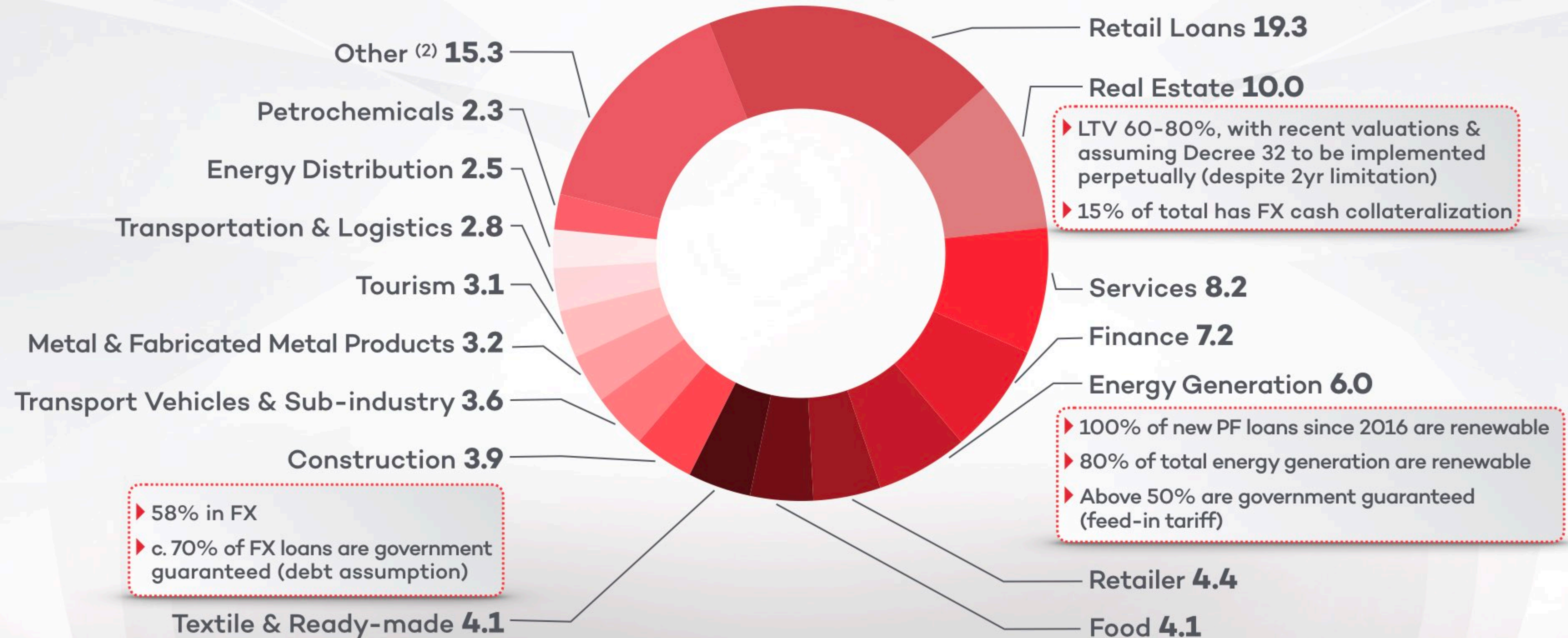
(2) Market share data based on bank only BRSA weekly data as of March 29, 2019

(3) FX indexed loans are shown under FX loans

(4) Based on MIS data

Balanced loan portfolio ⁽¹⁾

(% of Total Gross Loans)

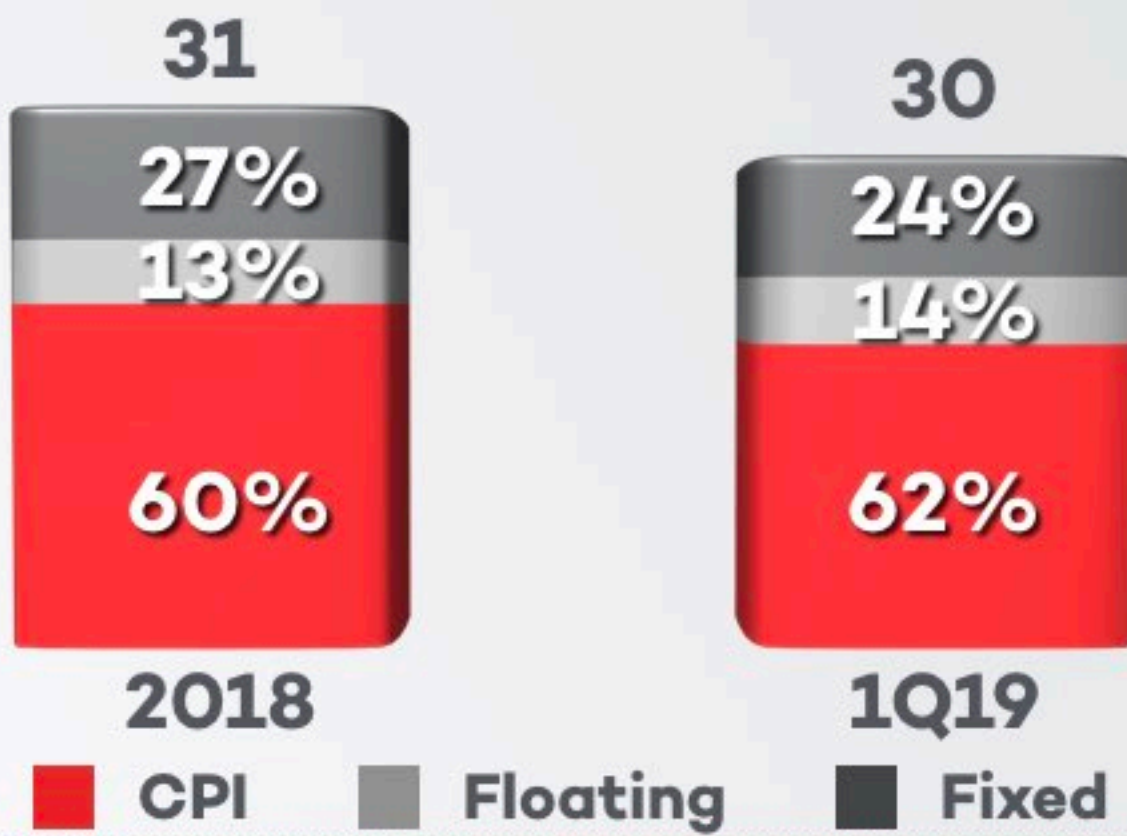


(1) Consists of consolidated performing and non-performing loans

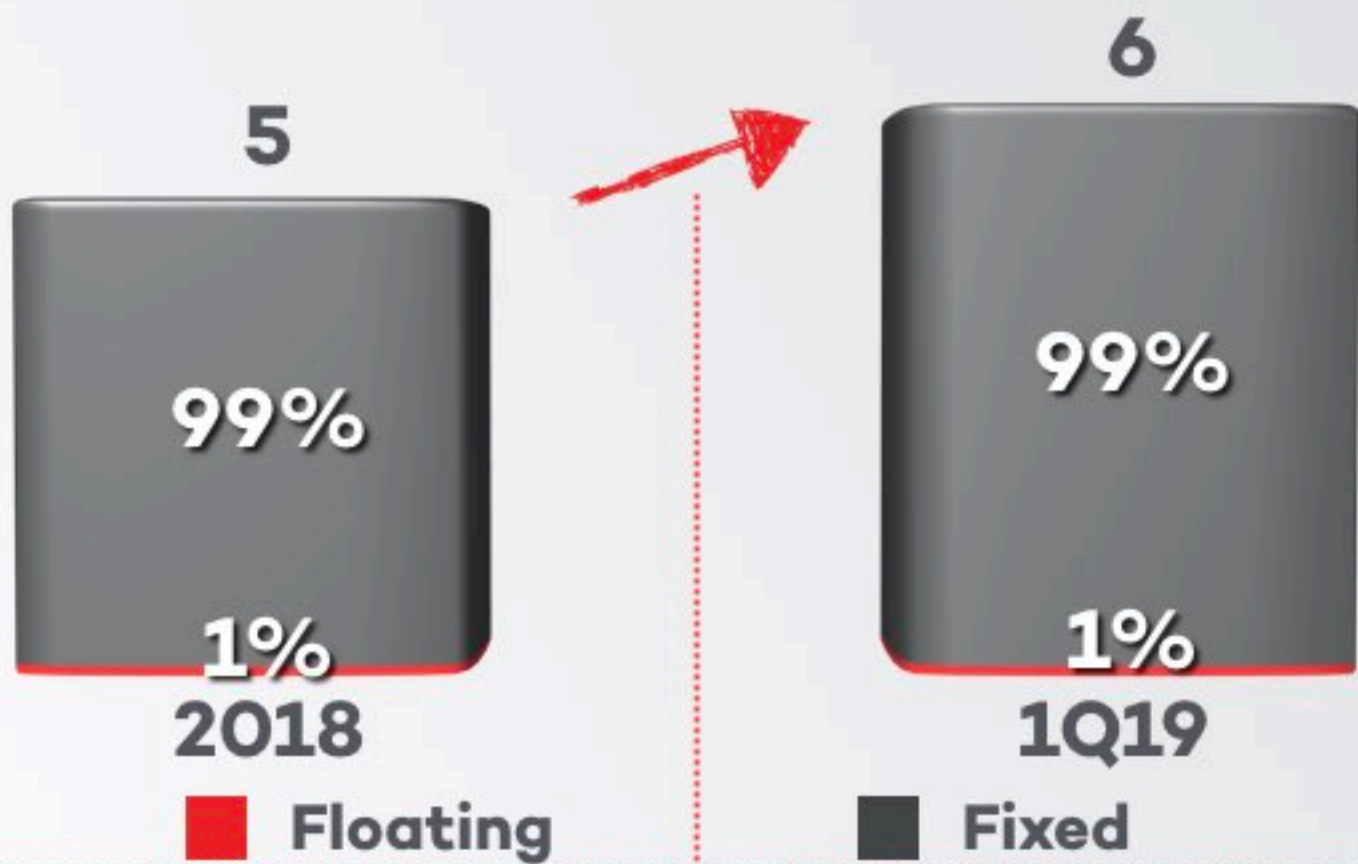
(2) Loan concentration below 2%

Securities portfolio breakdown

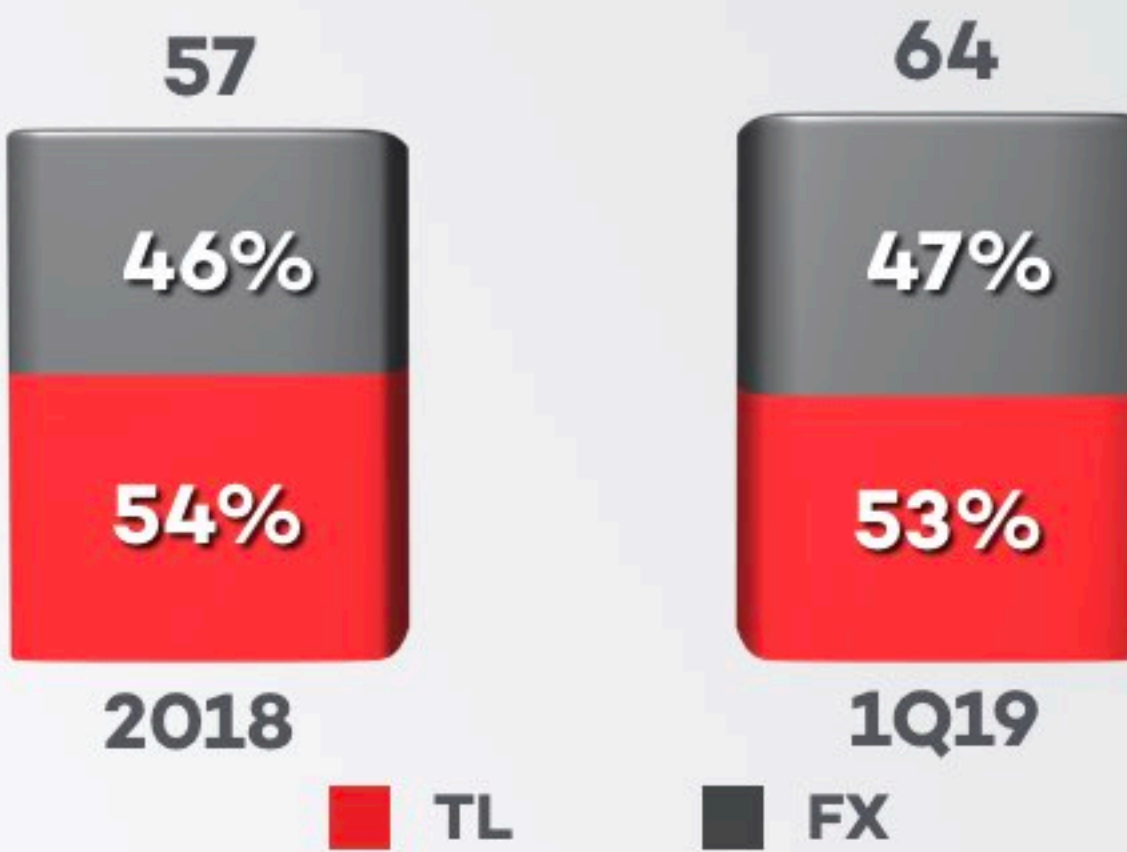
TL Securities (TL bn) -1% YtD



FX Securities (USD bn) 21% YtD



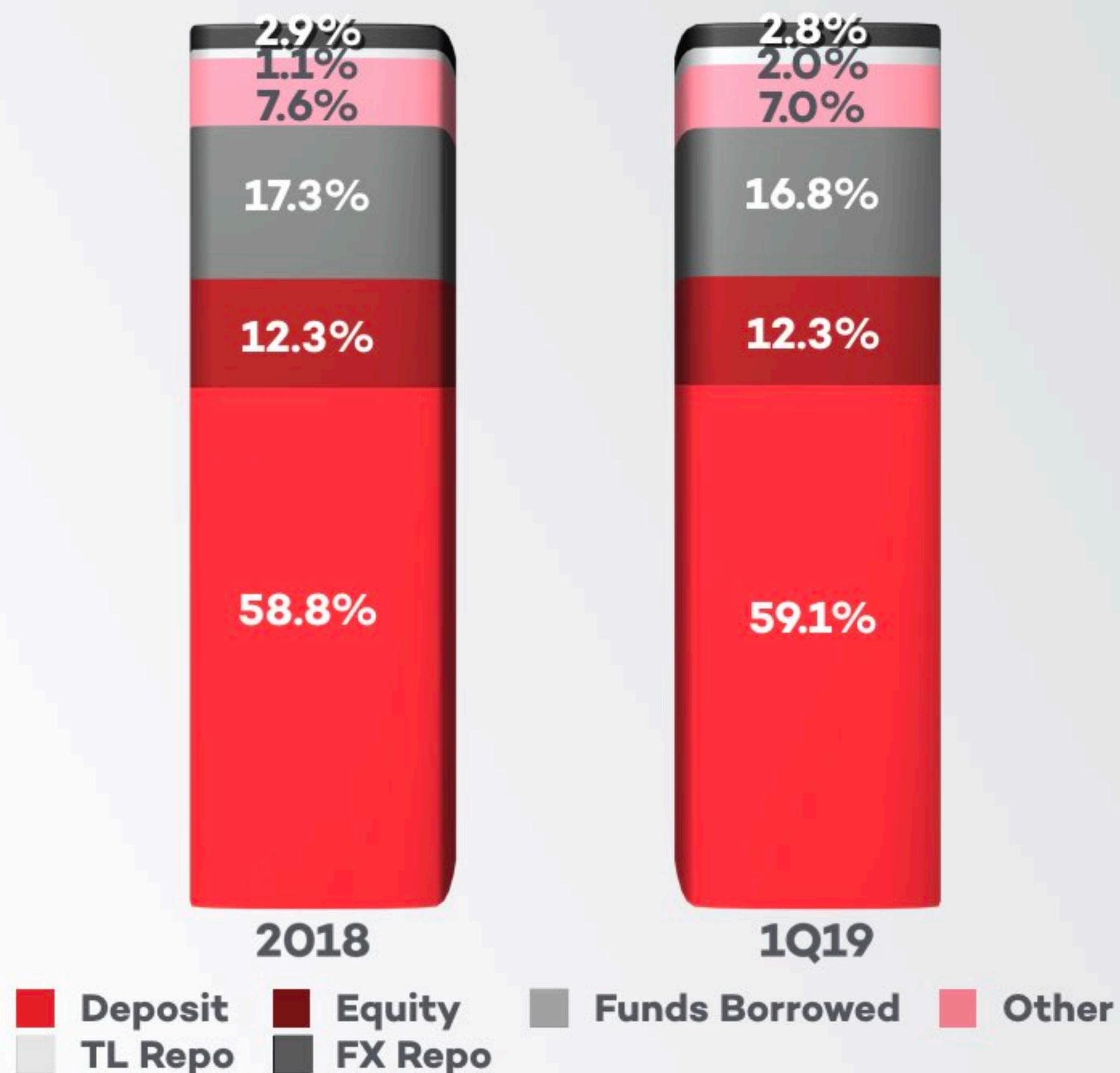
Currency Split (TL bn) 13% YtD



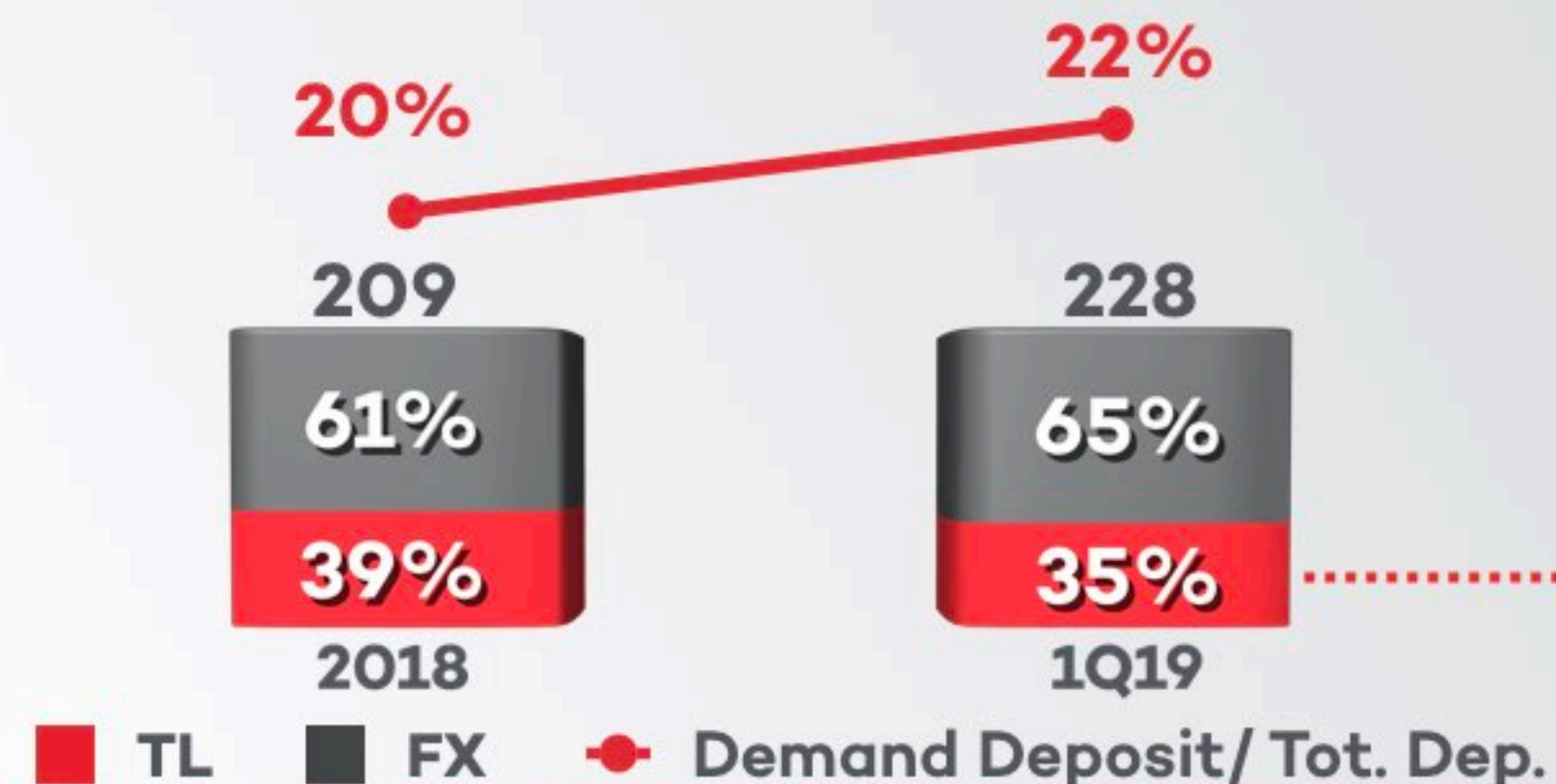
Utilizing excess FX liquidity in high yielding securities, supporting NIM expansion

Disciplined funding mix

Composition of Liabilities

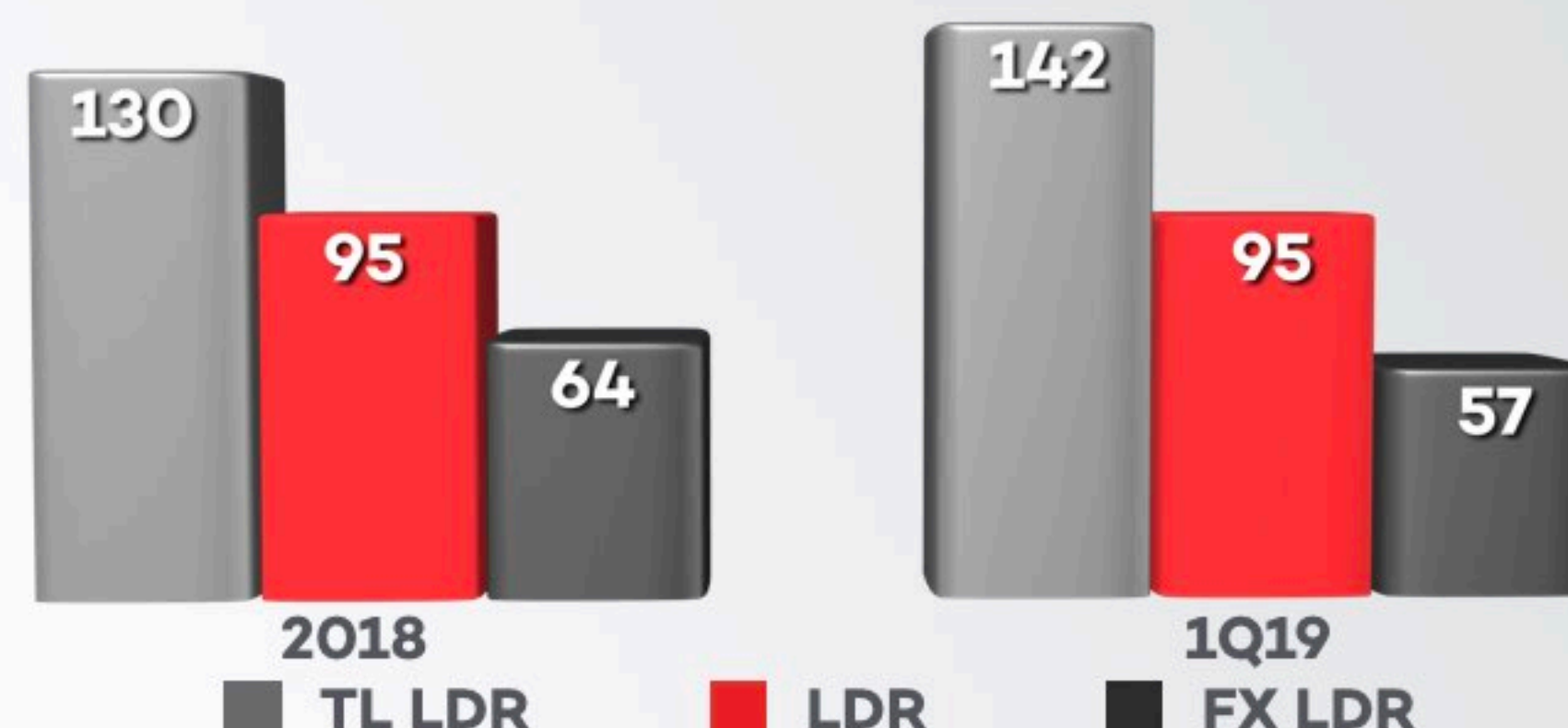


Deposit Currency Split (TL bn)



Sticky & low cost
RETAIL & SME
DEPOSITS' Share
in TL Deposit
77% ⁽¹⁾

LDR ⁽²⁾ (%)

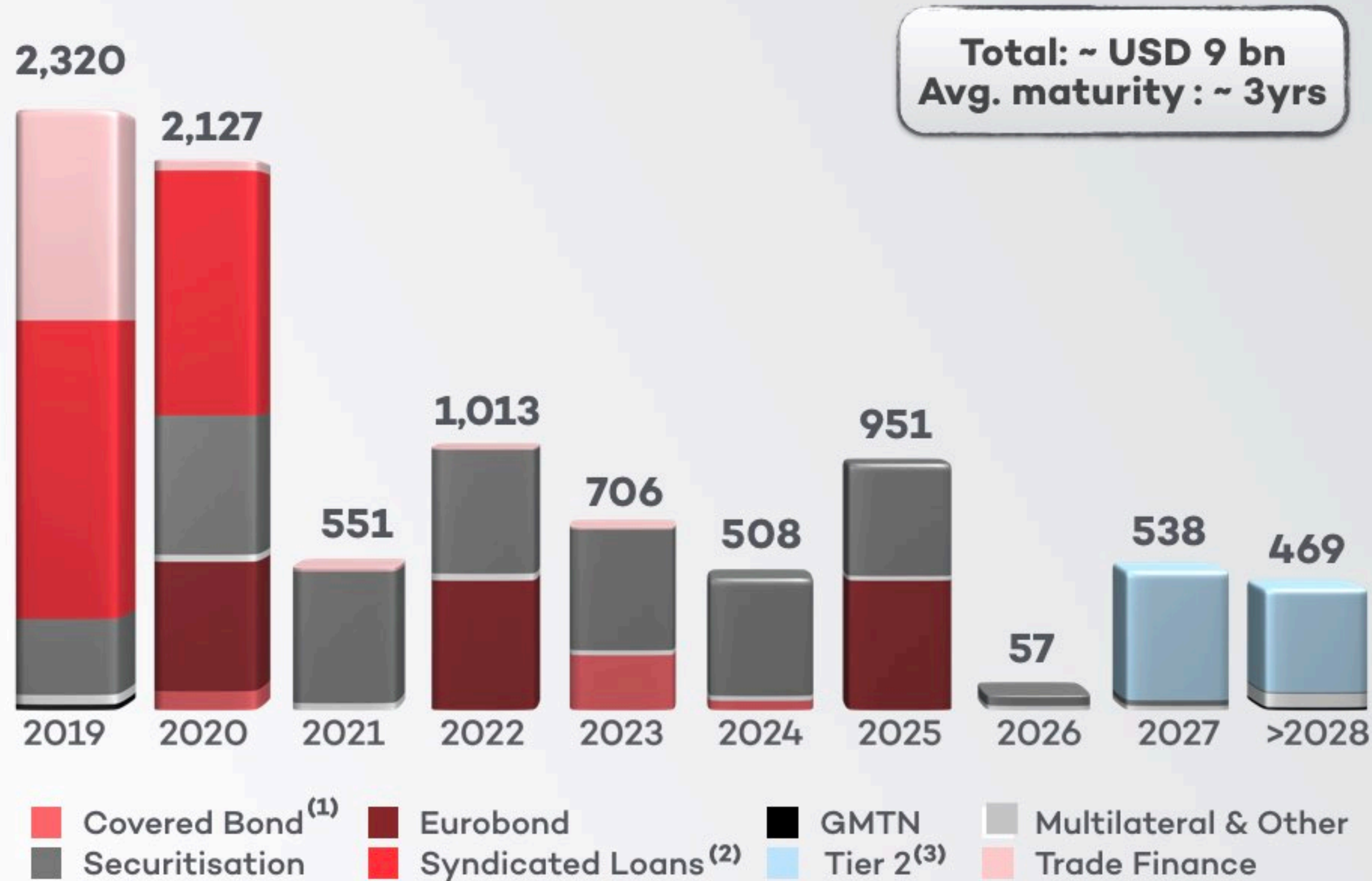


⁽¹⁾ MIS data

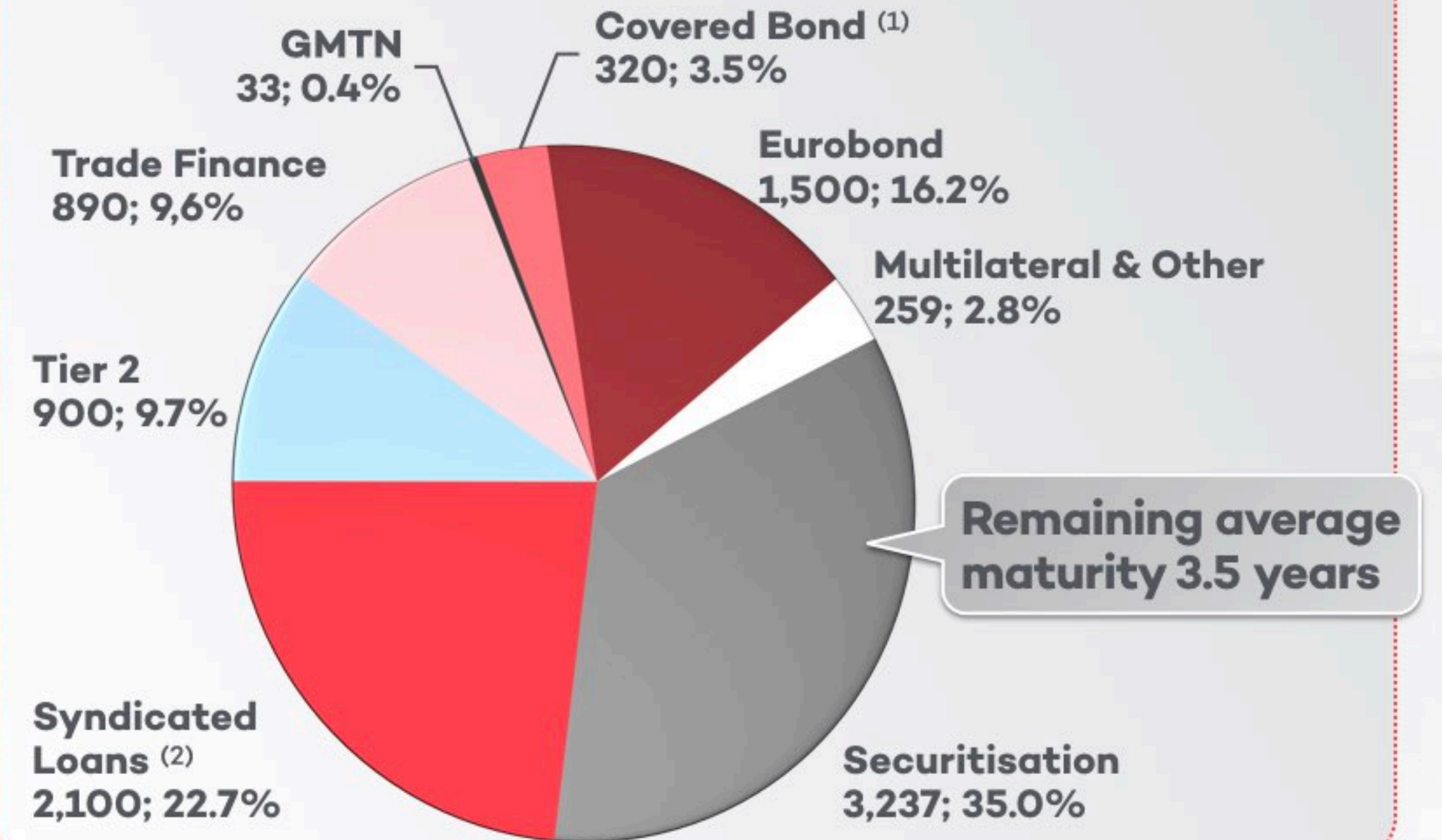
⁽²⁾ Bank-only, adjusted for financial assets measured at fair value through P&L. TL LDR includes domestic TL bond issuances and merchant payables

Well-diversified borrowing mix

Maturity Profile of Borrowings (USD mn)



Borrowings (USD mn, %)



- ▶ Successful roll-over of syndicated loan in 1Q19 with 1.6x oversubscription & 8 new lender banks
- ▶ No redemption in capital market instruments in 2019

Balances based on outstanding principal and bank-only data

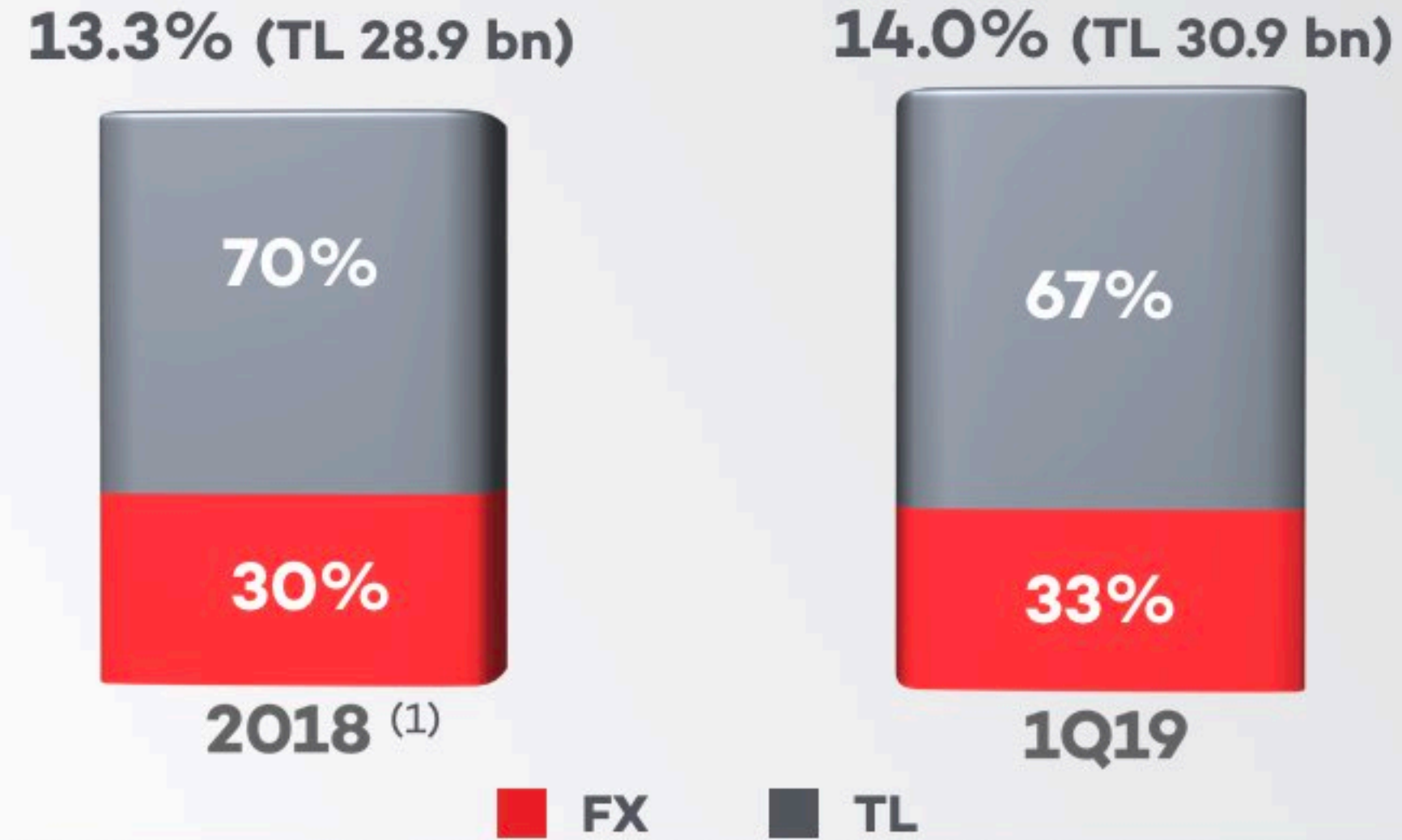
⁽¹⁾ USD equivalent of TL 1.8 bn Covered Bond issuance

⁽²⁾ Syndicated Loans figure is as of April 08, 2019

⁽³⁾ Tier 2 bonds have issuer call at 2022 and 2023, respectively

Prudent IFRS 9 implementation

Stage 2 loans share



	2018 ⁽¹⁾	1Q19
Stage 2 Coverage	9.5%	10.1%
Stage 3 Coverage	58.2%	58.1%
Total Provisions ⁽²⁾ / NPL	101.8%	101.3%
Free Provisions	TL 550 mn	TL 650 mn

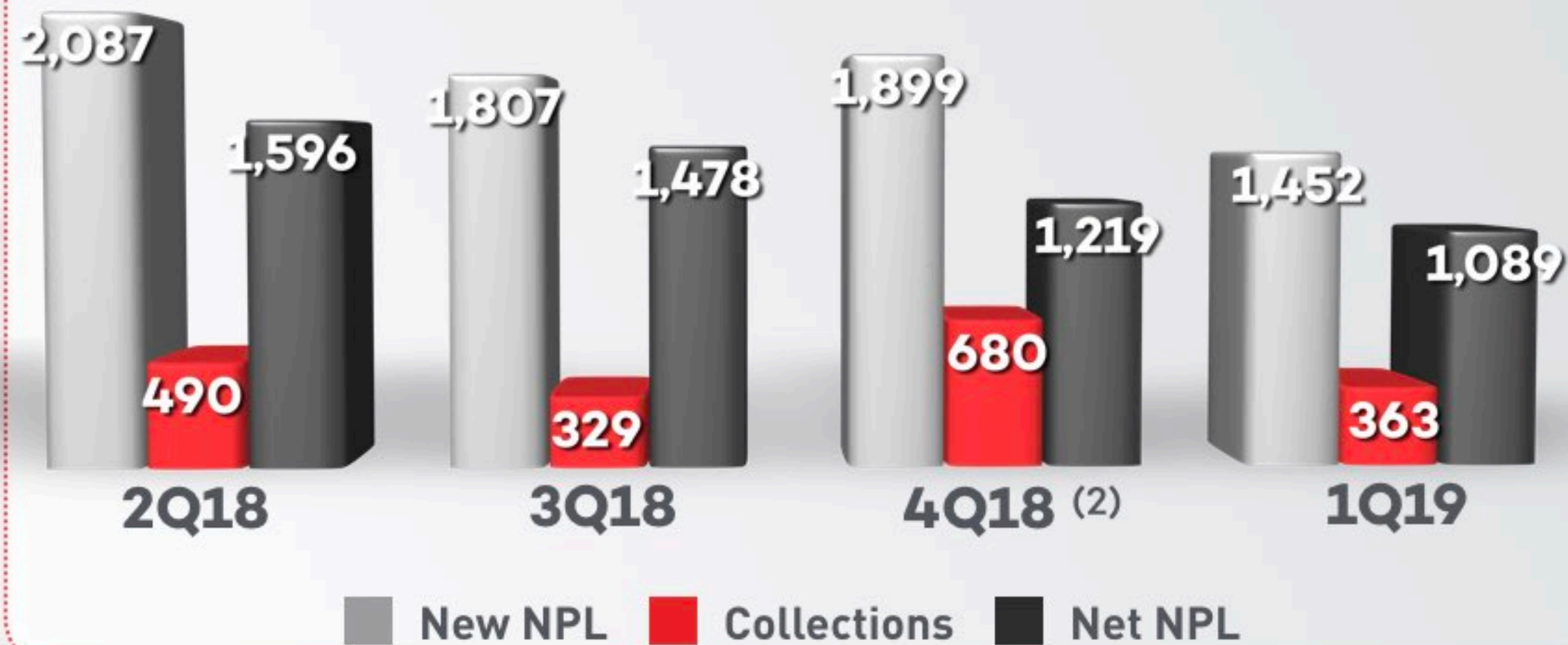
- ▶ All restructured loans are followed under Stage 2
- ▶ Only 11% of Stage 2 loans are past due 30 days
- ▶ 76% of Stage 2 loans are non-delinquent

⁽¹⁾ For comparability, 2018 Loan and provision figures exclude leasing receivables and adjusted for financial assets measured at fair value through P&L

⁽²⁾ Stage 1, 2 and 3 provisions. Excludes free provisions.

Stable asset quality

New NPL Additions and Recoveries ⁽¹⁾ (TL mn)



NPL Ratios by Segment (%)

	2018 ⁽³⁾	1Q19
Business	3.1	3.6
Consumer	4.1	4.7
Credit Cards	4.9	5.8
Total	3.6	4.1

2019B
NPL < 6%

Private & Foreign
Banks 5.1% ⁽⁴⁾

1Q19 NPL inflows and collections were diversified among corporate, SME and retail

⁽¹⁾ Bank-only

⁽²⁾ Includes NPL sale gain at TL 19 mn. Excludes OTAS loan.

⁽³⁾ For comparability 2018 Loan figures exclude leasing receivables and adjusted for financial assets measured at fair value through P&L

⁽⁴⁾ Based on bank only weekly BRSA data as of March 29, 2019

CoC evolution better than guidance

Total CoC Breakdown (1Q19)

Currency
impact

- ▶ No bottom line impact
- ▶ 100% offset by long FX position

17 bps

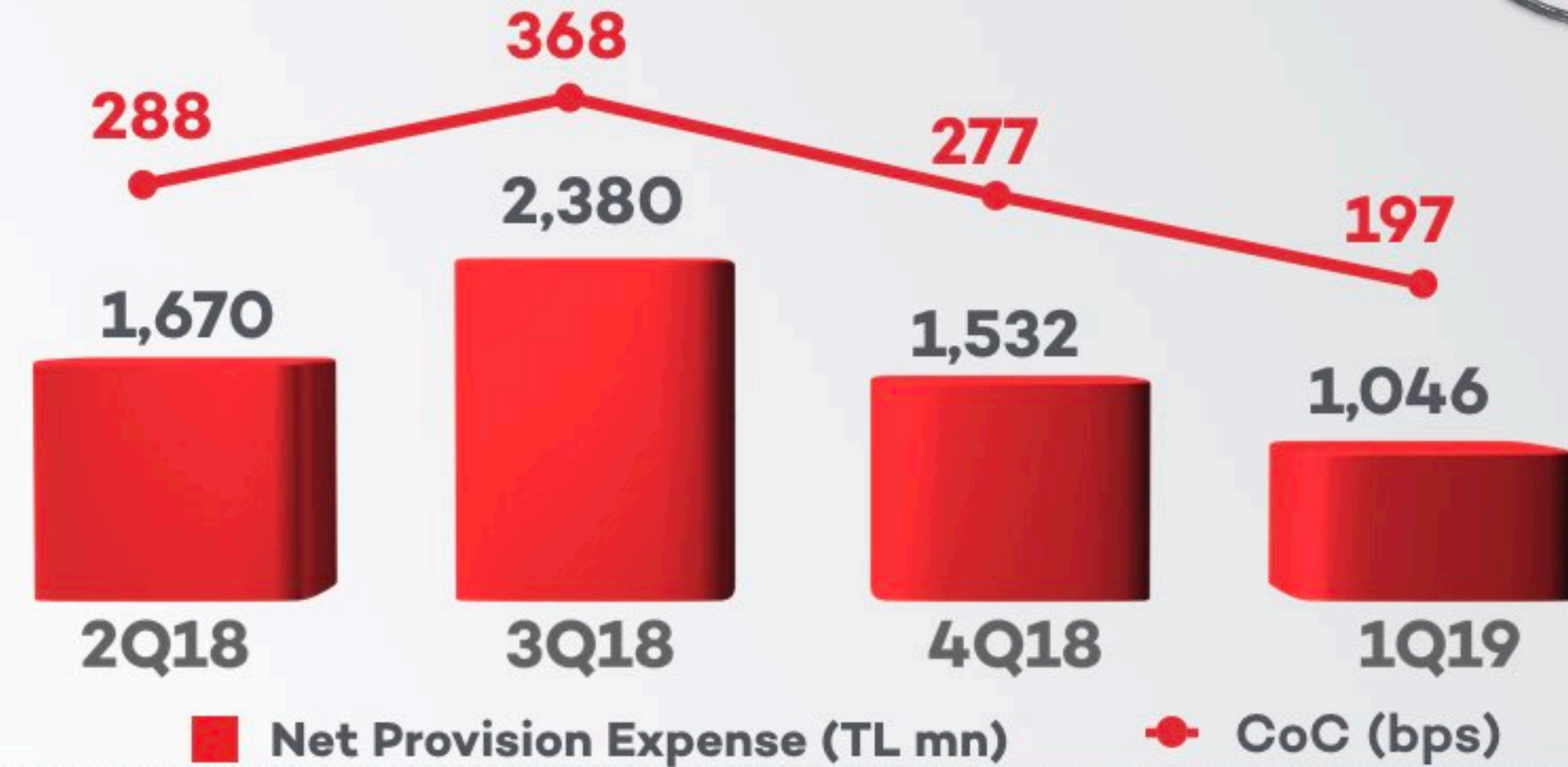
Net CoC excl.
ccy impact

180 bps

Total = 197 bps

Quarterly CoC & Provision Evolution

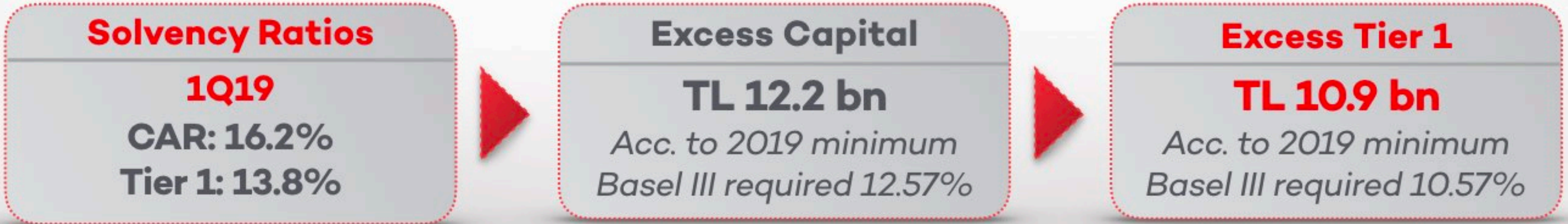
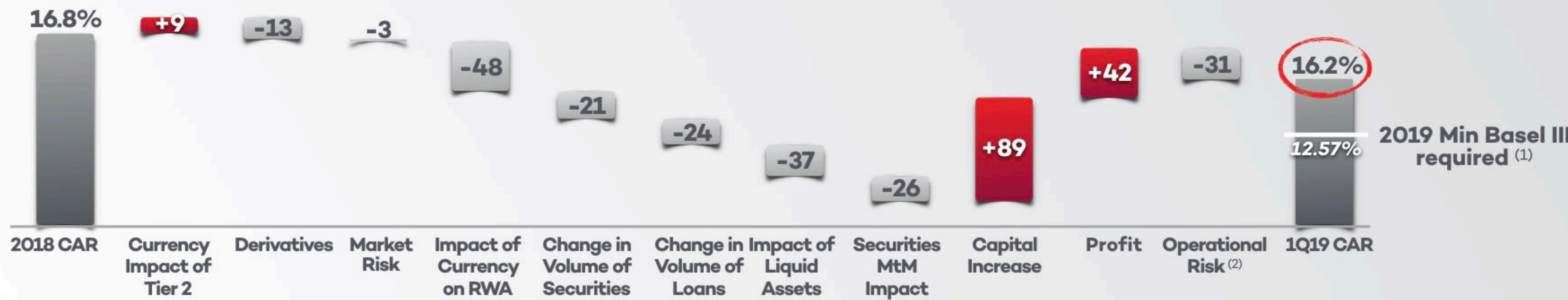
**2019B
CoC
< 300bps**



- ▶ No change in conservative macro assumptions
- ▶ Will continue to apply prudent provisioning

Strong capital gives competitive advantage for growth

CAR Evolution (QoQ, bps)



(1) Including buffers (Capital Conservation Buffer: 2.50%, D-SIB Buffer: 2.00%, Countercyclical Capital Buffer: 0.07%)
(2) Updated yearly in 1Q

1Q19 Results well on track with 2019 guidance

	1Q19 Results	2019 Guidance
ROA	1.5%	≥1.4%
ROE	12.3%	≥12%
NIM (swap adj.)	3.7%	≥3.5%
Net fees&com. growth	47.2%	> 20%
Opex growth	23.3%	~CPI
Cost/ income ⁽¹⁾	33.4%	≤35%
CAR	16.2%	~16%
Tier 1	13.8%	~13.5%
LDR ⁽²⁾	95%	Max 105%
NPL	4.1%	<6%
Net total CoC	197 bps	< 300 bps

(1) CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions as well as impact of free provision reversal

(2) Bank-only, adjusted for financial assets measured at fair value through P&L

- ▶ **Snapshot of Results**
- ▶ **Balance Sheet Highlights**
- ▶ **Income Statement Highlights**
- ▶ **Subsidiaries' Contribution**

Snapshot of Results

(TL mn, ratios in %)	1Q18	4Q18	2018	1Q19	YoY (%)	QoQ (%)
Total Assets	348,454	354,682	354,682	386,009	10.8	8.8
Loans (net) ⁽¹⁾	216,703	201,332	201,332	210,796	(2.7)	4.7
Deposits	211,173	208,630	208,630	228,080	8.0	9.3
Net Profit	1,694	1,021	5,709	1,408	(16.9)	37.9
Net interest income	3,323	4,276	15,596	3,666	10.3	(14.3)
Net fee income	810	1,035	3,718	1,193	47.3	15.3
ROE	16.6	9.4	13.6	12.3	(4.3)	2.9
ROA	2.0	1.0	1.6	1.5	(0.5)	0.5
NIM	4.09	4.92	4.62	4.42	0.3	(0.5)
NIM after swap	3.54	4.11	4.0	3.74	0.2	(0.4)
Cost to Income ⁽²⁾	34.8	33.7	32.3	33.4	(1.4)	(0.2)
CAR	15.6	16.8	16.8	16.2	0.6	(0.6)
Tier I	13.6	14.3	14.3	13.8	0.2	(0.5)

⁽¹⁾ For comparability, 2018 total loan figure excludes leasing receivables and adjusted for financial assets measured at fair value through P&L

⁽²⁾ CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions as well as impact of free provision reversal

Balance Sheet Highlights

Consolidated (TL mn)

Cash and Due from Banks

Securities

Loans (net) ⁽¹⁾

Other

Total Assets

Deposits

Funds Borrowed and Bonds Issued

Repo

- TL Repo

- FX Repo

Other

Equity

Total Liabilities and S/H Equity

2018

1Q19

49,618

62,412

56,782

64,016

201,332

210,796

46,950

48,785

354,682

386,009

208,630

228,080

61,506

64,700

14,275

18,279

3,918

7,627

10,357

10,652

26,484

27,458

43,787

47,492

354,682

386,009

Shares (%)

2018

1Q19

14.0

16.2

16.0

16.6

56.8

54.6

13.2

12.6

58.8

59.1

17.3

16.8

4.0

4.7

1.1

2.0

2.9

2.7

7.6

7.1

12.3

12.3

⁽¹⁾ For comparability, 2018 total loan figure excludes leasing receivables and adjusted for financial assets measured at fair value through P&L

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 ⁽¹⁾

Income Before Tax

Tax

Net Income

1Q18

7,158

(3,836)

3,323

(197)

7

(204)

(411)

810

(1,362)

36

(22)

2,176

(483)

1,694

1Q19

9,198

(5,533)

3,666

201

64

136

(1,046)

1,193

(1,679)

54

(538)

1,850

(442)

1,408

Change (%)

28.5

44.2

10.3

-

-

-

-

47.2

23.3

-

-

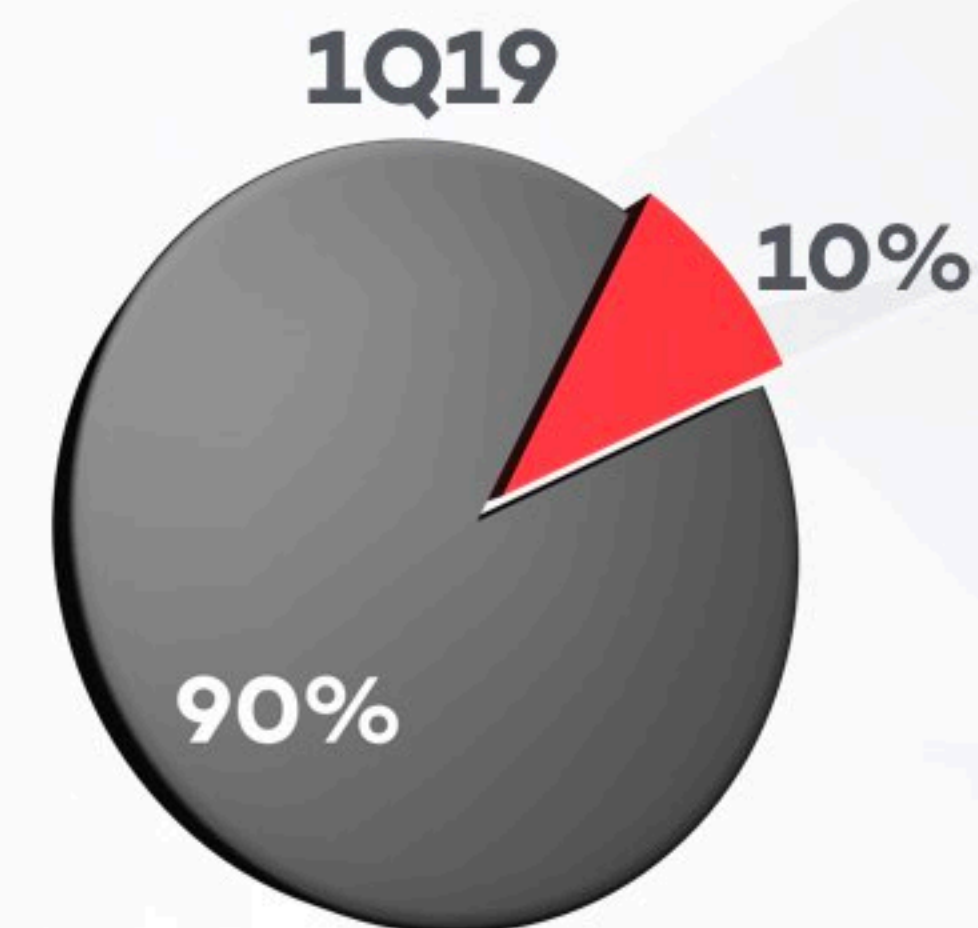
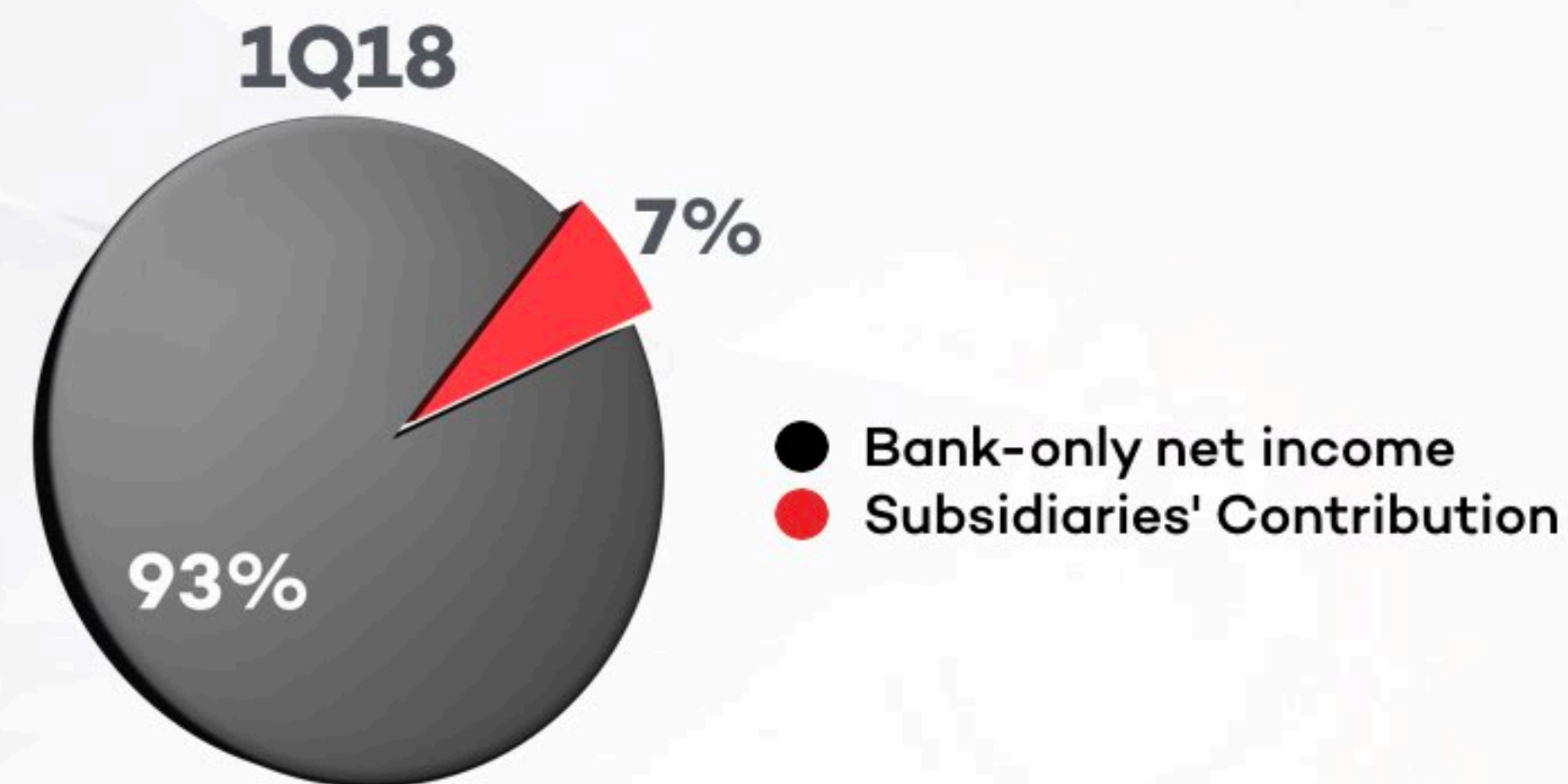
(15.0)

(8.4)

(16.9)

⁽¹⁾ 1Q19 figure includes c. TL 400 mn MtM adjustment for LYY and TL 100 mn free provision

Subsidiaries' Contribution



Subsidiaries' Net Income (TL mn)





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