

2Q18

Consolidated

Financial Results

25 July 2018

AKBANK

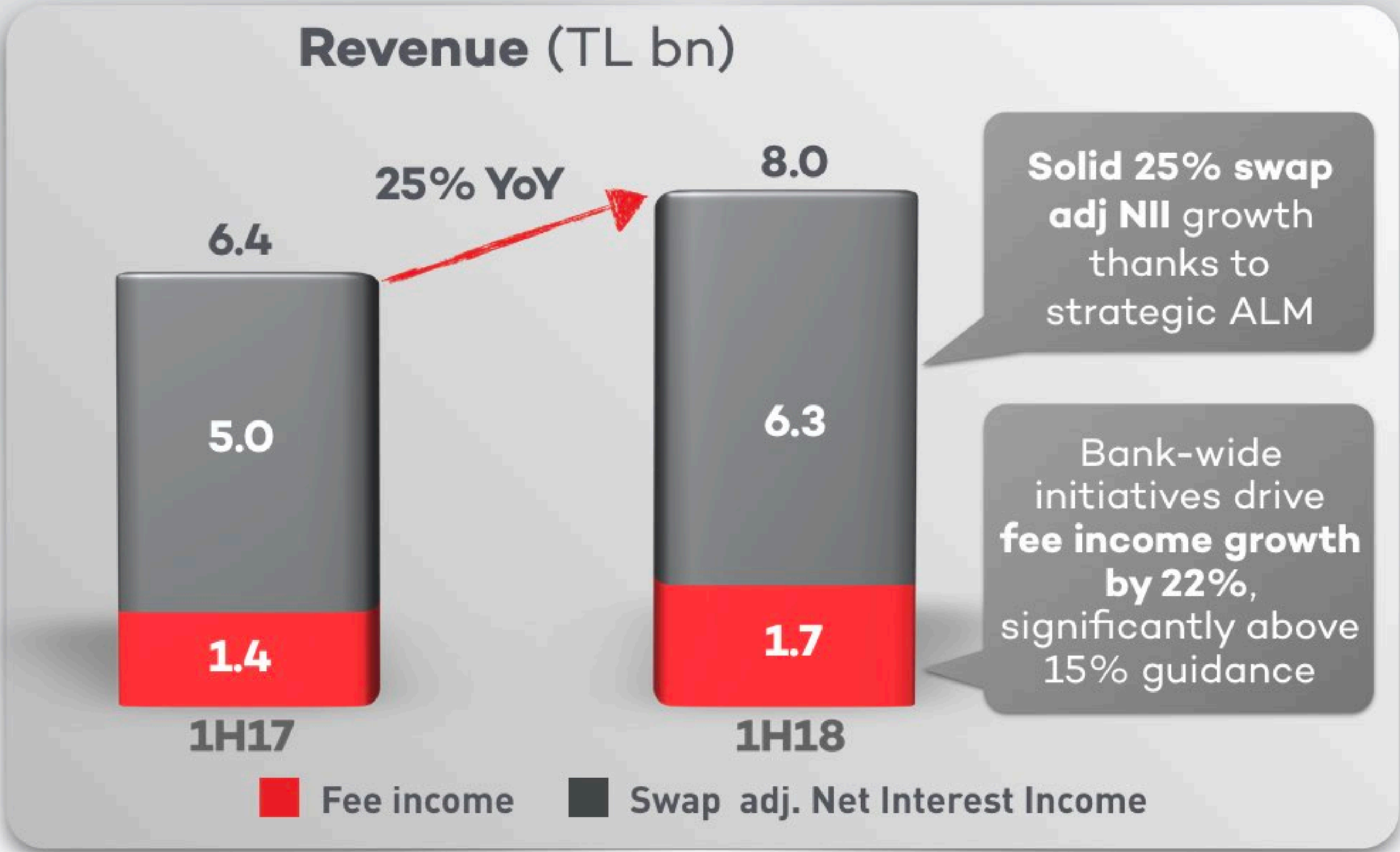
1H18: Profitability at top end of guidance despite high provisioning

- ▶ 1H18 ROE of 15.9% at upper-end of guidance with NI at TL 3,280mn, +9% yoy → supported by strong core operating income
- ▶ Strong solvency ratios : CAR 15.5%, TIER 1 13.3% → solid internal capital generation
- ▶ Disciplined and sound liquidity: LDR at 100% versus sector's 119%
- ▶ Effective A&L management: TL maturity mismatch 3 months (1Q18 4 m), FX Zero
- ▶ NIM further advanced to 3.8% from 3.54% in 1Q18 → thanks to core spread evolution
- ▶ Best-in-class operational efficiency with 32.5% CIR

Robust core operating performance



Strong **22% swap adj. NII** growth excluding revised CPI estimation impact

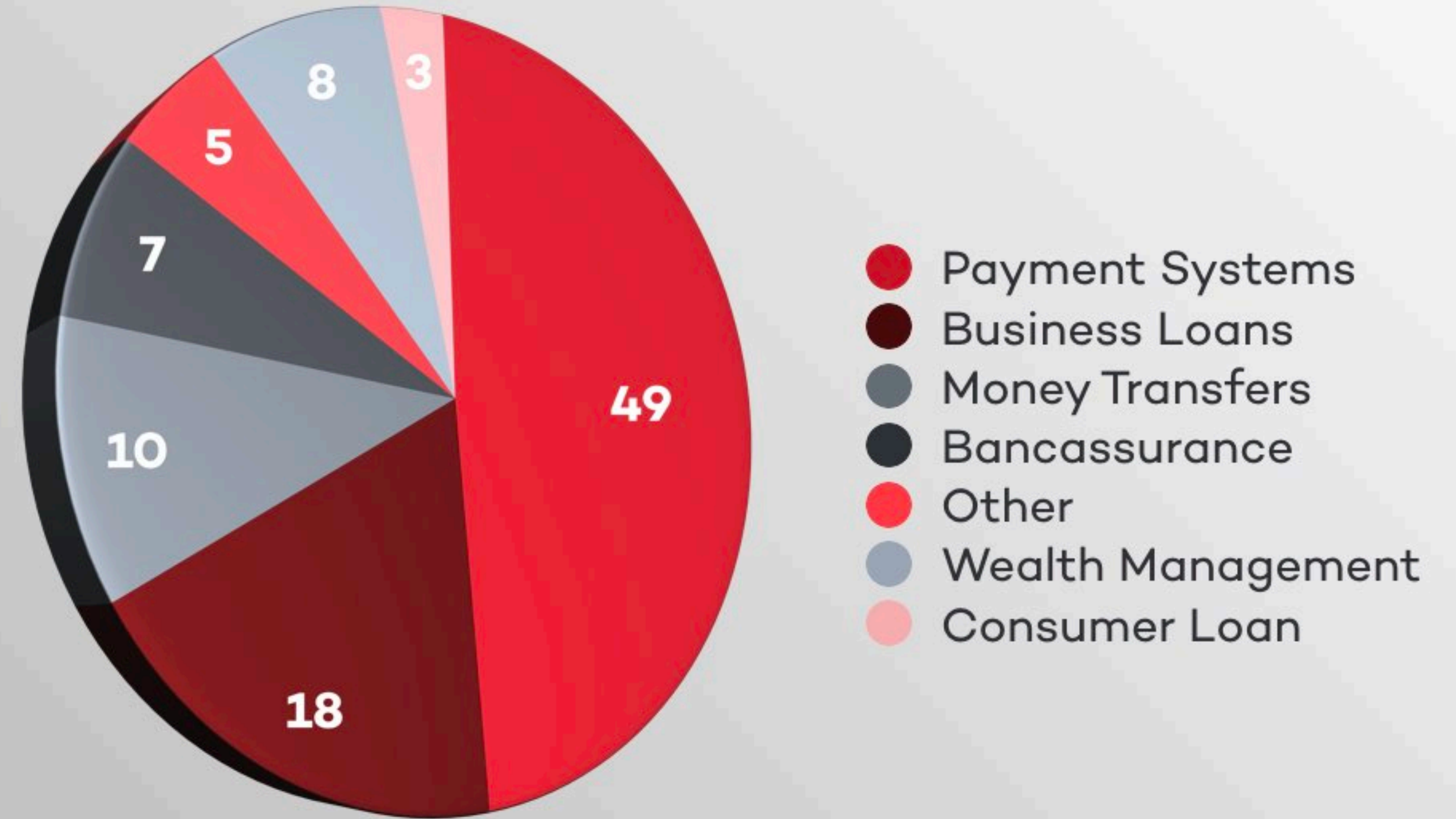


Strong fee generation continues thanks to diversification

Net Fees & Comm. (TL mn)



Fees & Commissions by product (%)



Direct Banking
Fees share in non-credit
linked fees* at 41%

Wealth Management
fees
+53% YoY

Payment Systems
commissions
+28% YoY

* Based on bank-only MIS data

Value Creation through Digitalization

New Branch Model: Initial Results*

Customer experience differentiated by zero based design

99 branches transformed & operational as of 1H18

Migration of cash transactions to E-tellers 40%

Product Sales
↑
+30% yoy

Income Generation
↑
+25% yoy

Digital Transformation

Digital Customers (mn)



Mobile Customers (mn)



New customer acquisition to the bank through digital channels +14% yoy.

67% of GPLs and 54% of credit cards sold through direct channels.

46% of GPLs sold through mobile

*Initial results are based on performance of branches operating with the new model for at least 3 months

Prudent and sound lending strategy

(TL bn)	1H17	2017	1H18	YtD (%)	YoY (%)	% of Total
TL Loans	118.1	131.4	131.7	-	12	58
Business Banking	75.8	86.4	86.0	-	13	38
Corporate	22.5	26.3	25.9	(2)	15	11
Commercial	37.2	42.6	43.2	2	16	19
Other Business	16.1	17.5	16.8	(4)	4	8
Leasing Receivables	1.6	1.5	1.5	-	(6)	1
Retail	40.7	43.6	44.2	1	9	19
Consumer	30.1	32.1	32.6	2	8	14
- GPL	16.1	18.6	20.2	9	25	9
- Mortgage	13.7	13.2	12.2	(8)	(11)	6
- Auto	0.3	0.3	0.2	-	-	0
Credit Cards	10.7	11.5	11.6	1	8	5
(USD bn)						
FX Loans	22.1	22.4	20.9	(7)	(5)	42
Corporate	13.7	13.0	12.0	(8)	(12)	24
Commercial	7.3	8.2	7.9	(4)	8	16
Leasing Receivables	1.1	1.2	1.0	(17)	(9)	2
Total Loans* (TL bn)	190.0	212.7	224.1	6	19	

8.9%
market
share** in
TL Loans

8.0%
market
share** in
FX Loans

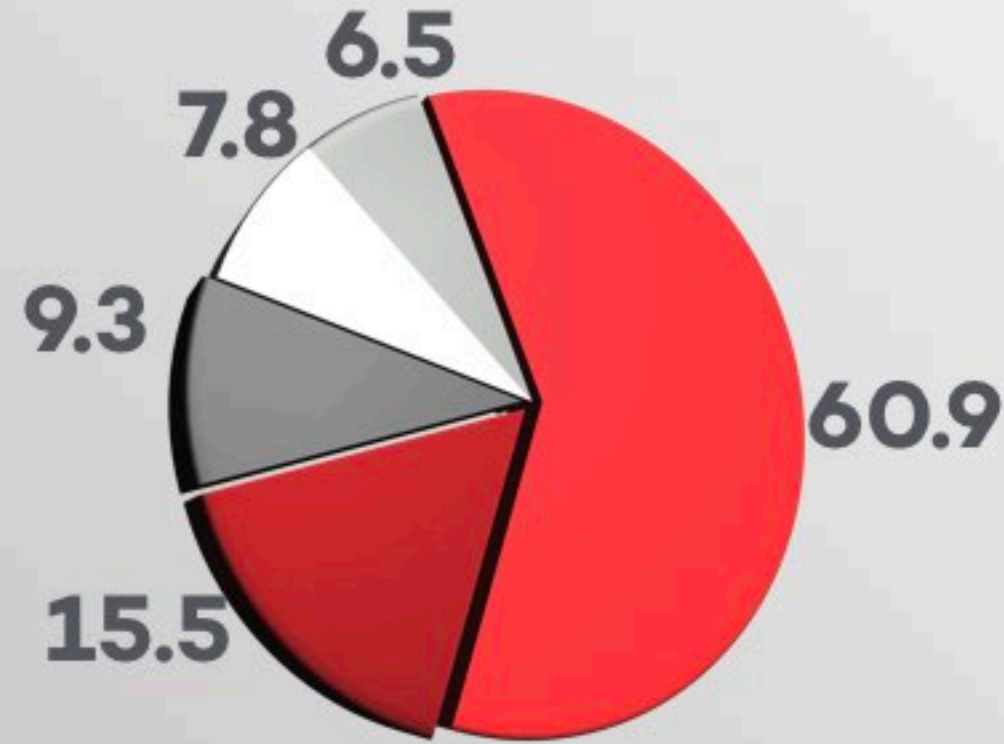
FX indexed loans are shown under FX loans

* For comparability, 2017 Total Loans figures have been adjusted with General Reserves of the related period. 1H18 includes NPL and Loan Loss Allowances.

** Based on BRSA weekly data as of June 29, 2018

Disciplined funding policy with proactive ALM

Assets (%)

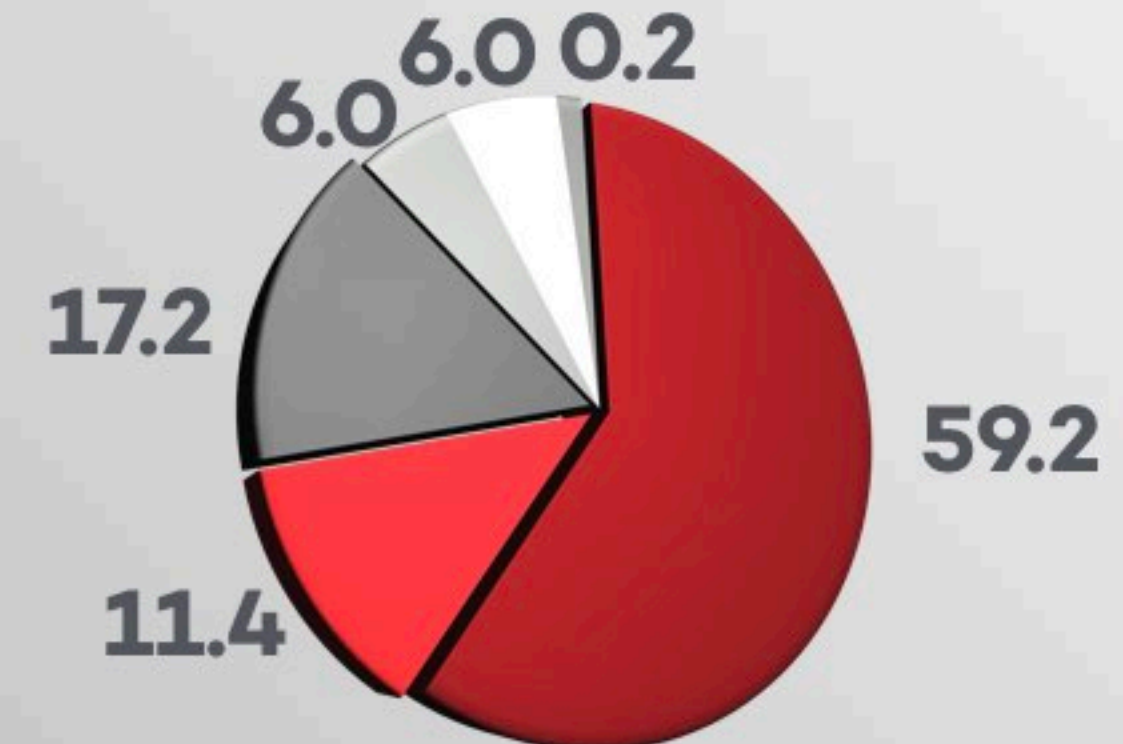


● Loans ● Securities ● Reserve Requirement ● Other ● Liquid assets

TL Maturity mismatch improves from 4 months in 1Q18 to 3 months

ZERO FX maturity mismatch

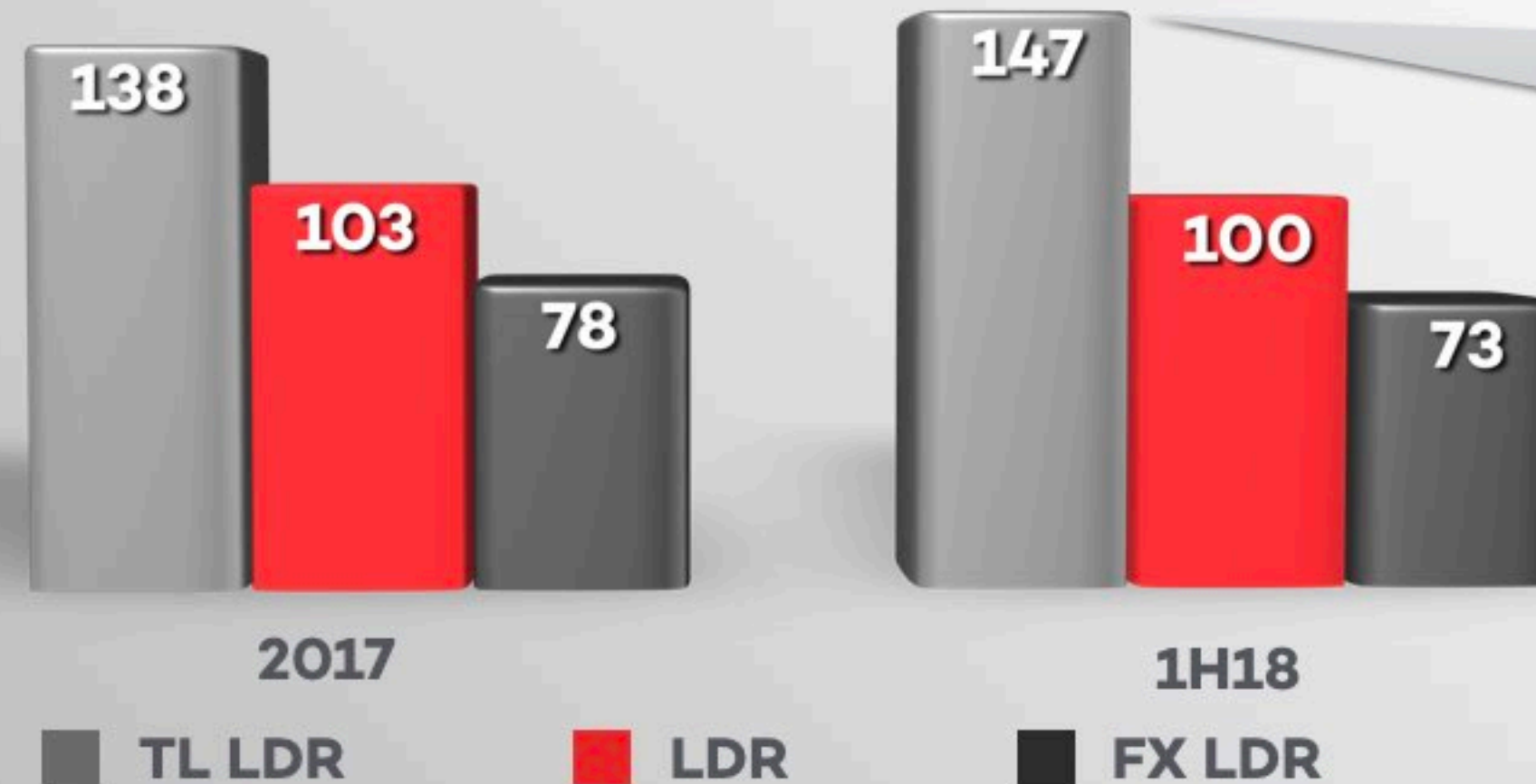
Liabilities (%)



● Deposits ● Equity ● Funds Borrowed ● Other ● FX Repo ● TL Repo

Sector's**
TL LDR: 148%
FX LDR: 88%
Total LDR: 119%

Loan to Deposit Ratio* (%)



Adjusted TL LDR at 133%
supported by deposit like instruments***

*Bank-only financials

**Based on bank-only BRSA weekly data June 29, 2018

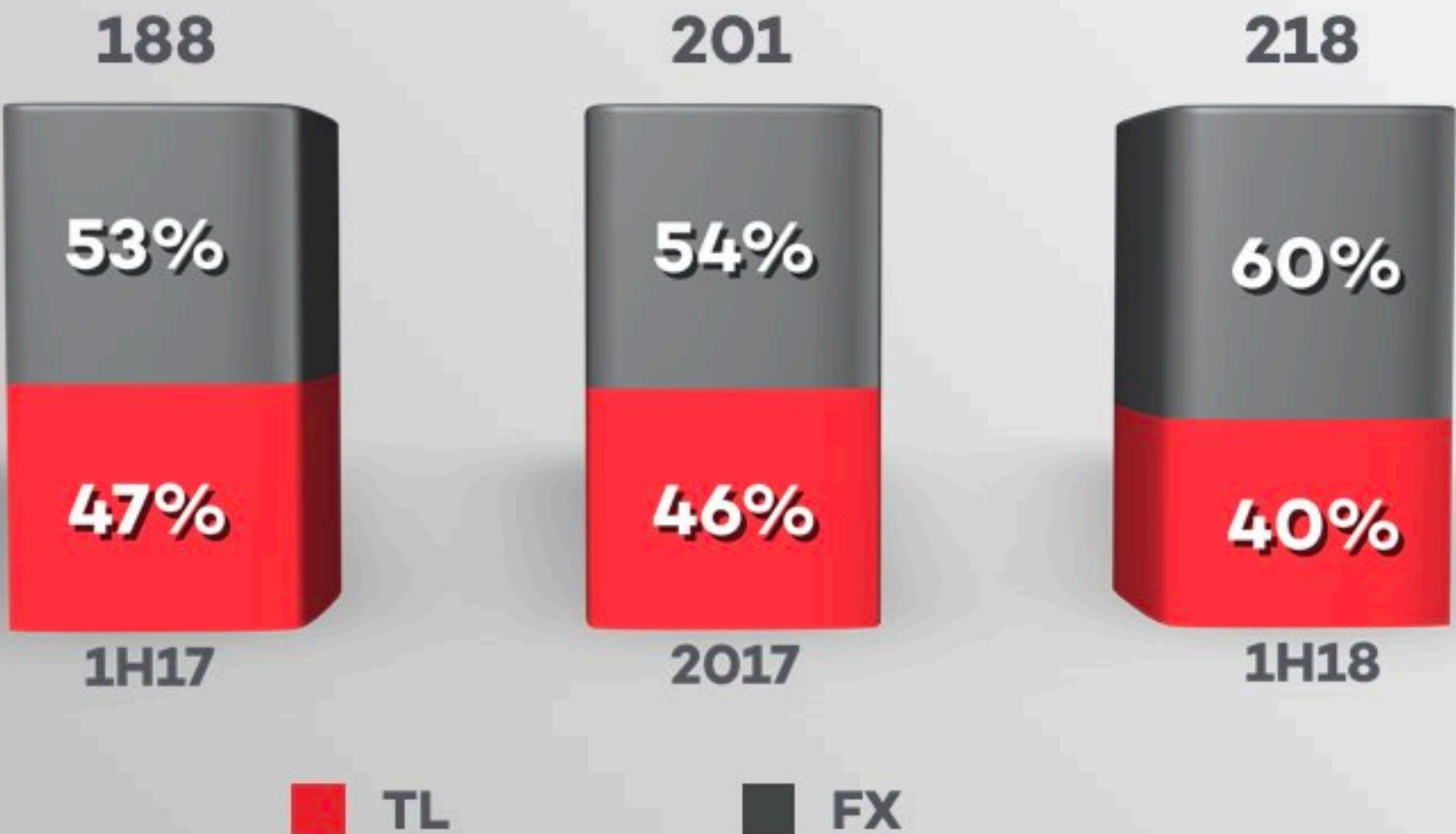
***Deposit like instruments: TL securities issued and merchant payables

Deposit growth with profitability in focus

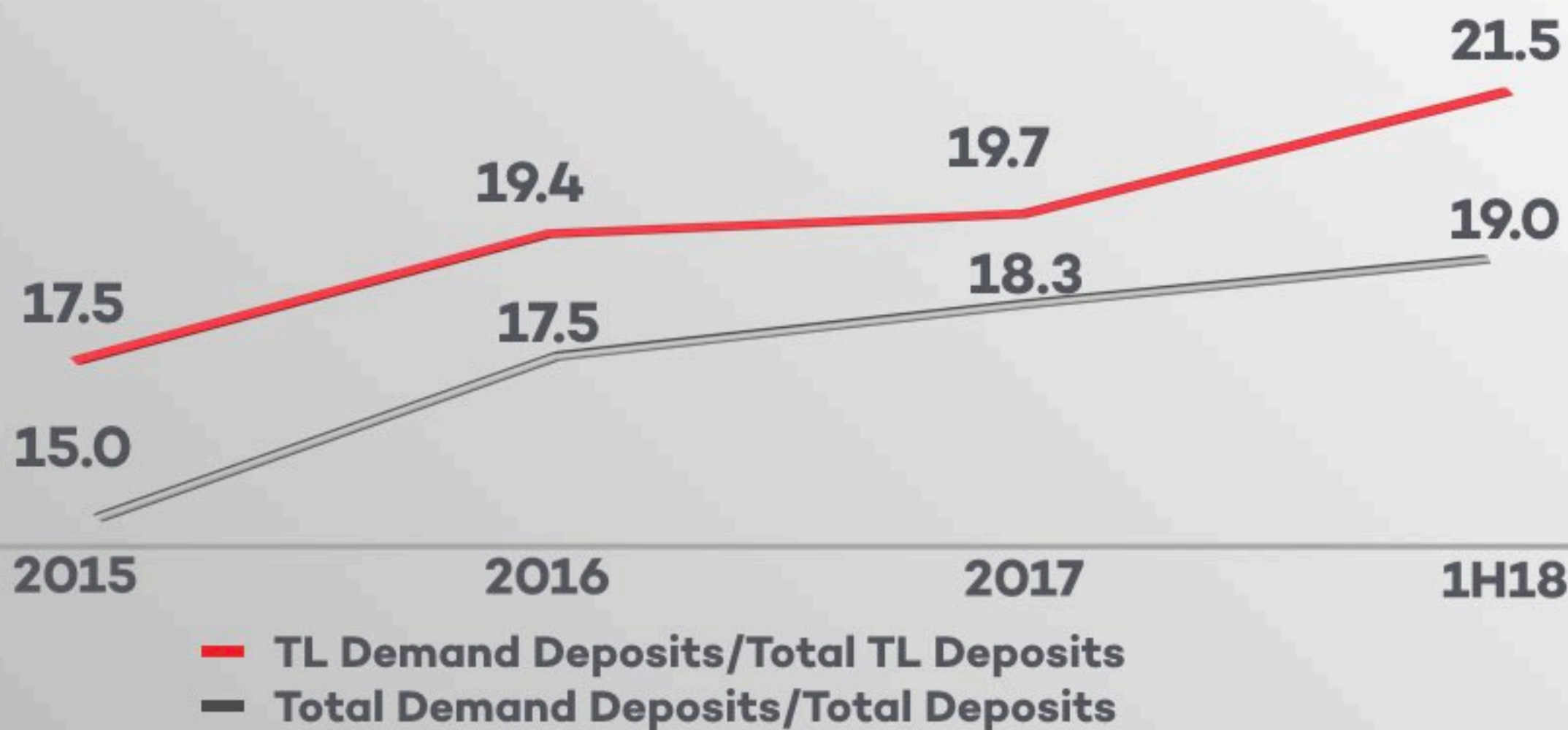
RETAIL & SME
DEPOSITS'
Share in TL
Deposit
77%*

Currency Split (TL bn)

8% Ytd
16% YoY



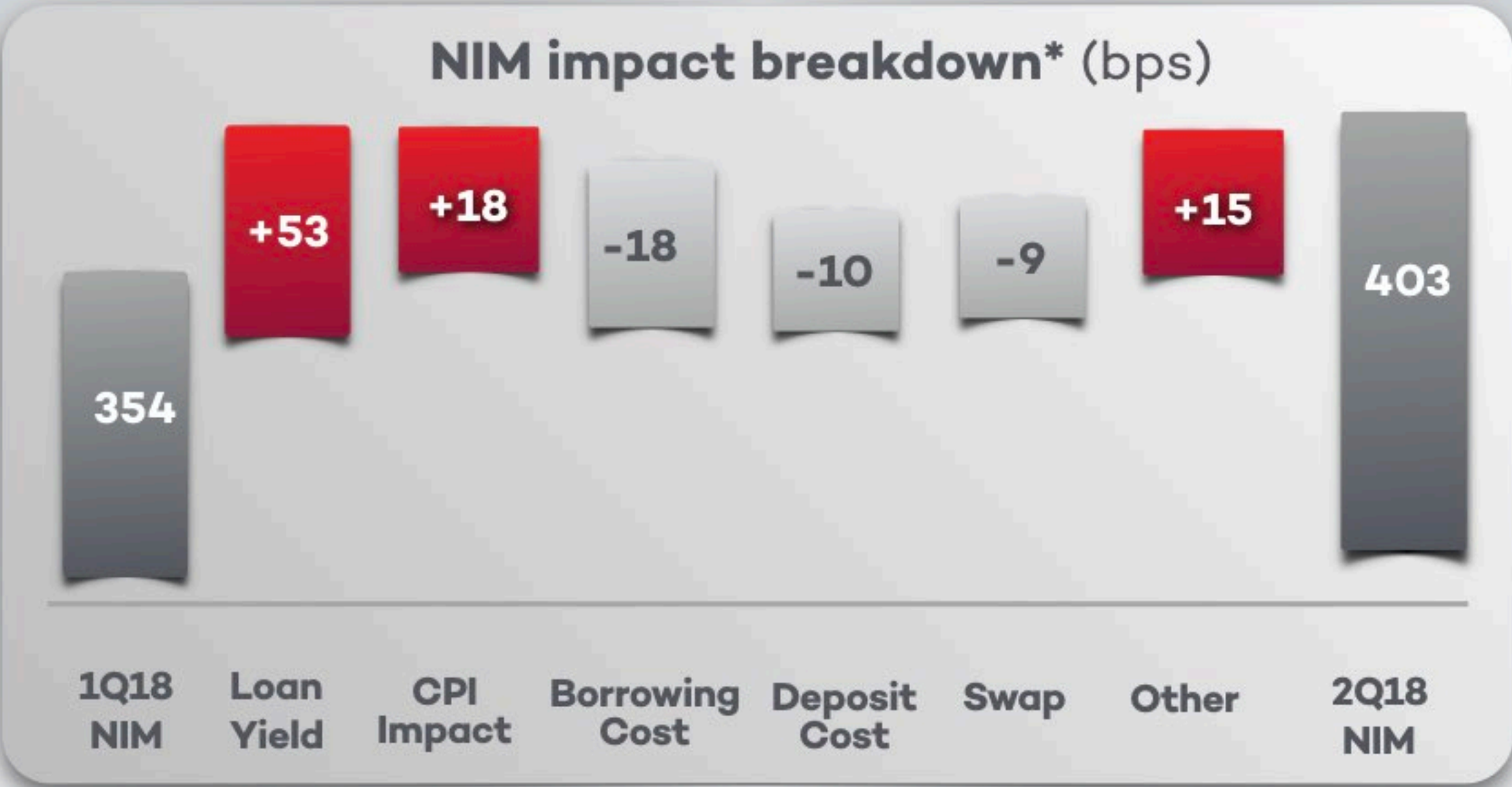
Demand Deposits Evolution (%)



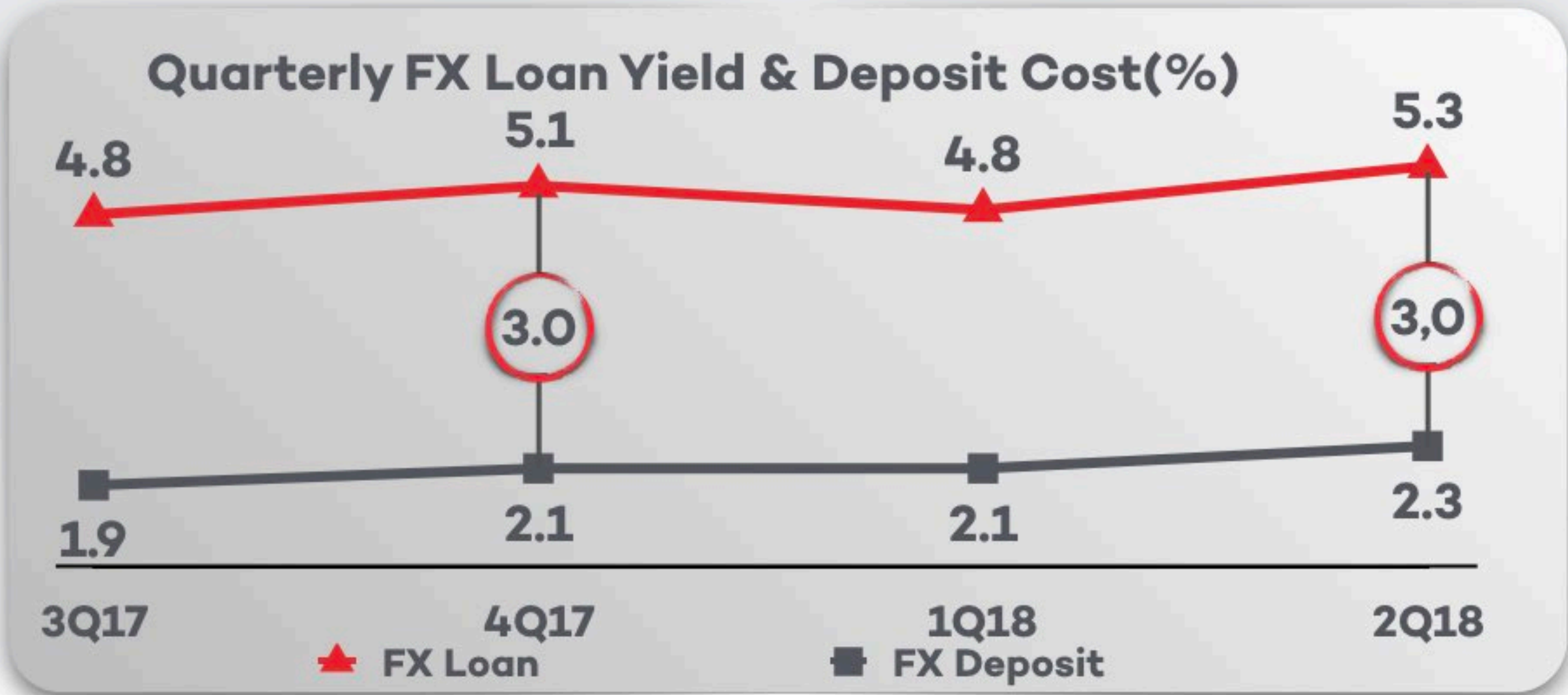
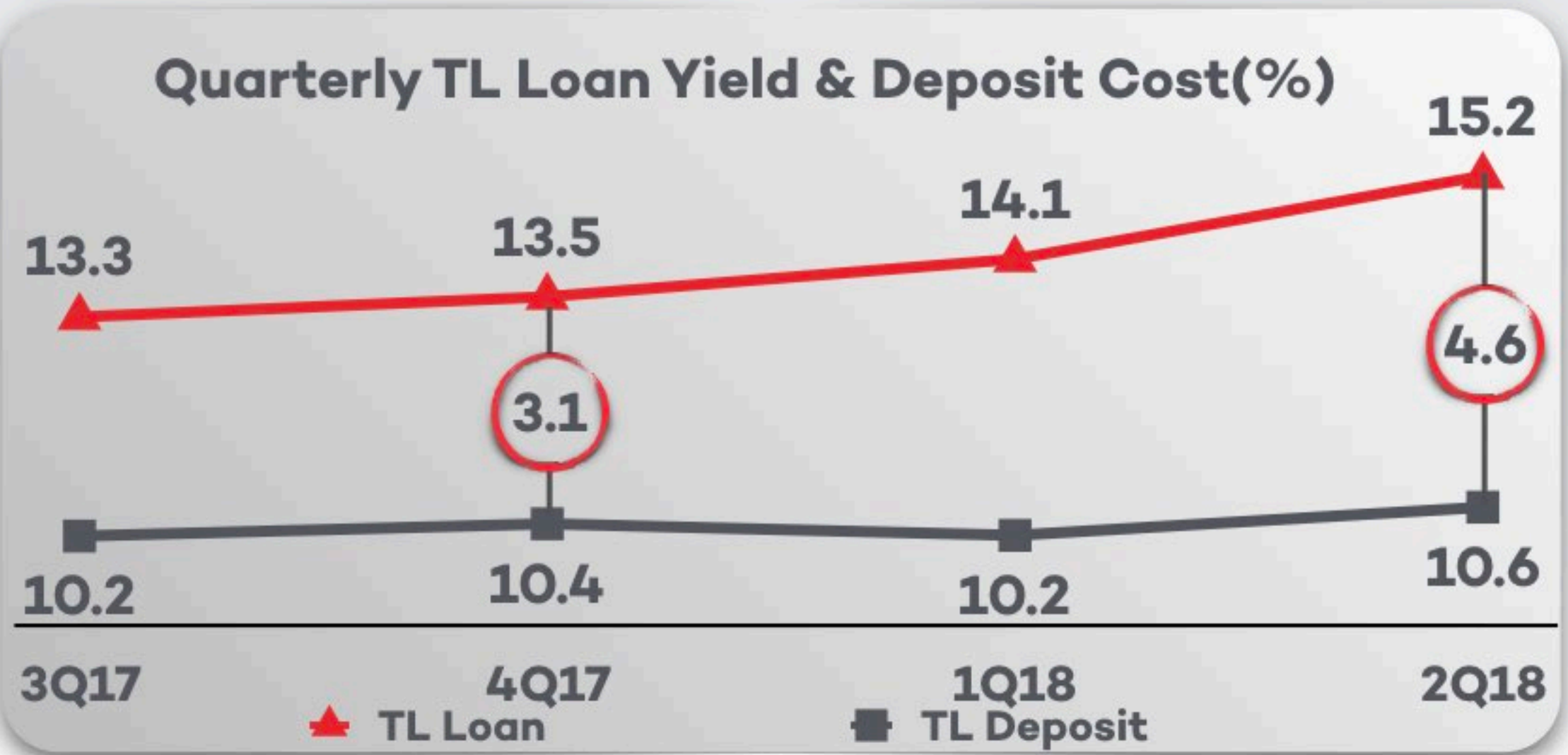
Increasing share of TL demand deposit supports NIM evolution

* Based on MIS data

NIM further enhanced thanks to core spread evolution



1H18 Swap adj.NIM well above guidance at 3.8%
(even excl. CPI adj. at 3.7%)



* Other impact mainly consists of banking receivables.

Total CoR impacted by OTAS provisioning

Total CoR Breakdown (1H18)

Increase in OTAS coverage

34bps

Currency impact of OTAS provisioning

29bps

Other stage 1&2 provisioning

46bps

Stage 3 provisioning

74bps

= 183bps

▶ **Immaterial bottom line impact**

▶ Mainly offset by TL250mn free provision reversals

▶ **No bottom line impact**

▶ 100% offset by long USD position

▶ **Prudent IFRS 9 modelling approach**

▶ Impact of some commercial files with **strong collateralization**

P&L impact of Provisioning (1H18, TLmn)

Stage 1&2

1,206

+

Stage 3

1,212

=

Provision Recovery*

384

+

Other**

66

=

Net Provision Expenses

2,100

* Includes TL 36 mn NPL sale gain

** Includes Stage 1,2 & 3 non-cash and other assets' provisions

Retained High Coverage in Stage 2 Loans



Avg. peer's total provision coverage at **126%** & Stage 2 coverage at **9.5%****

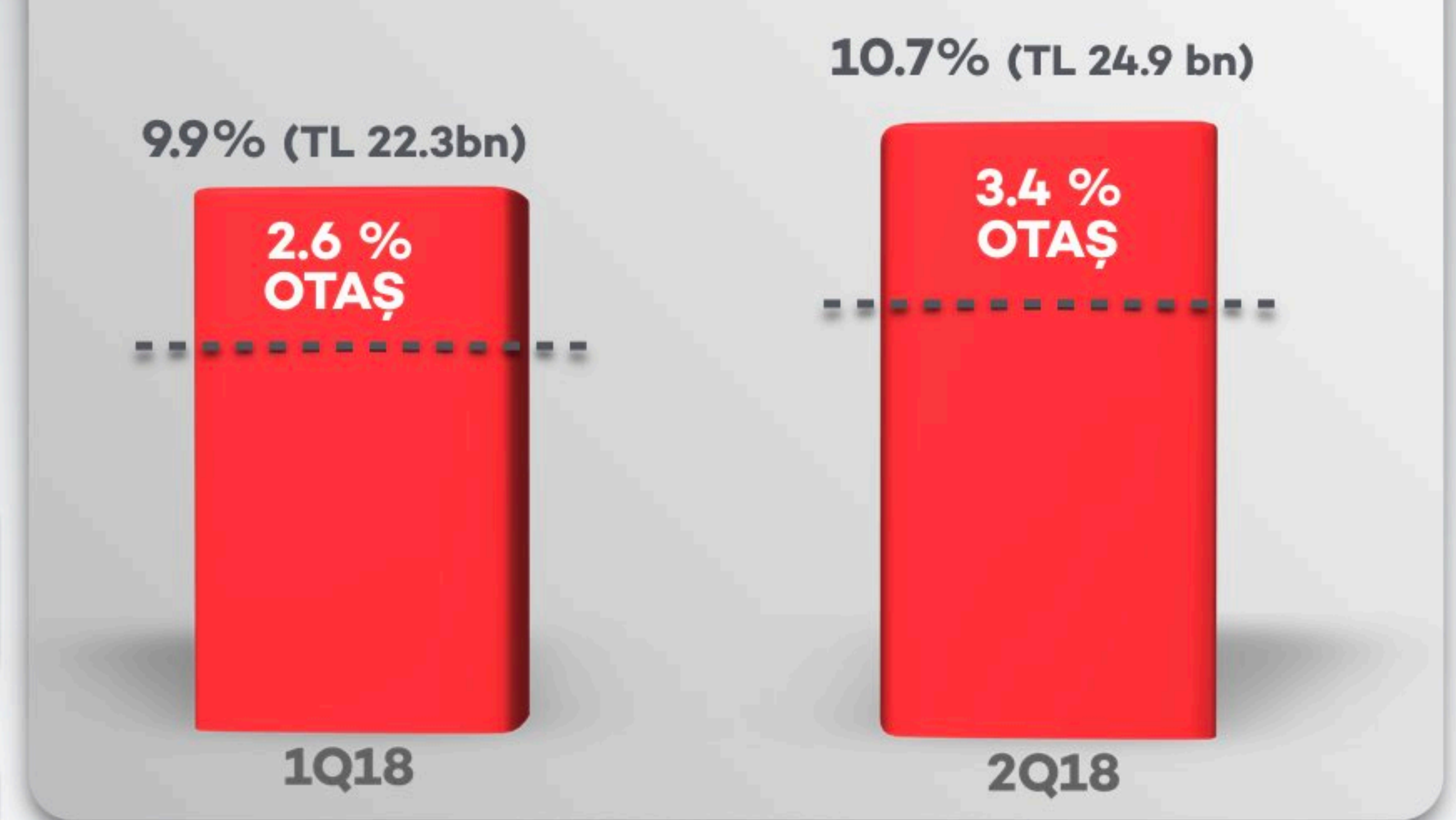
NPL Ratios by Segment (%)		
	2017	1H18
Business	1.4	2.1
Consumer	3.9	3.4
Credit Cards	6.9	5.5
Total	2.1	2.6

Major impact from a well-collateralized file

Notably below sector avg*** of **2.9%**

Stage 2 loans share

c. 30% of Stage 2 loans are a result of IFRS 9 quantitative staging rules

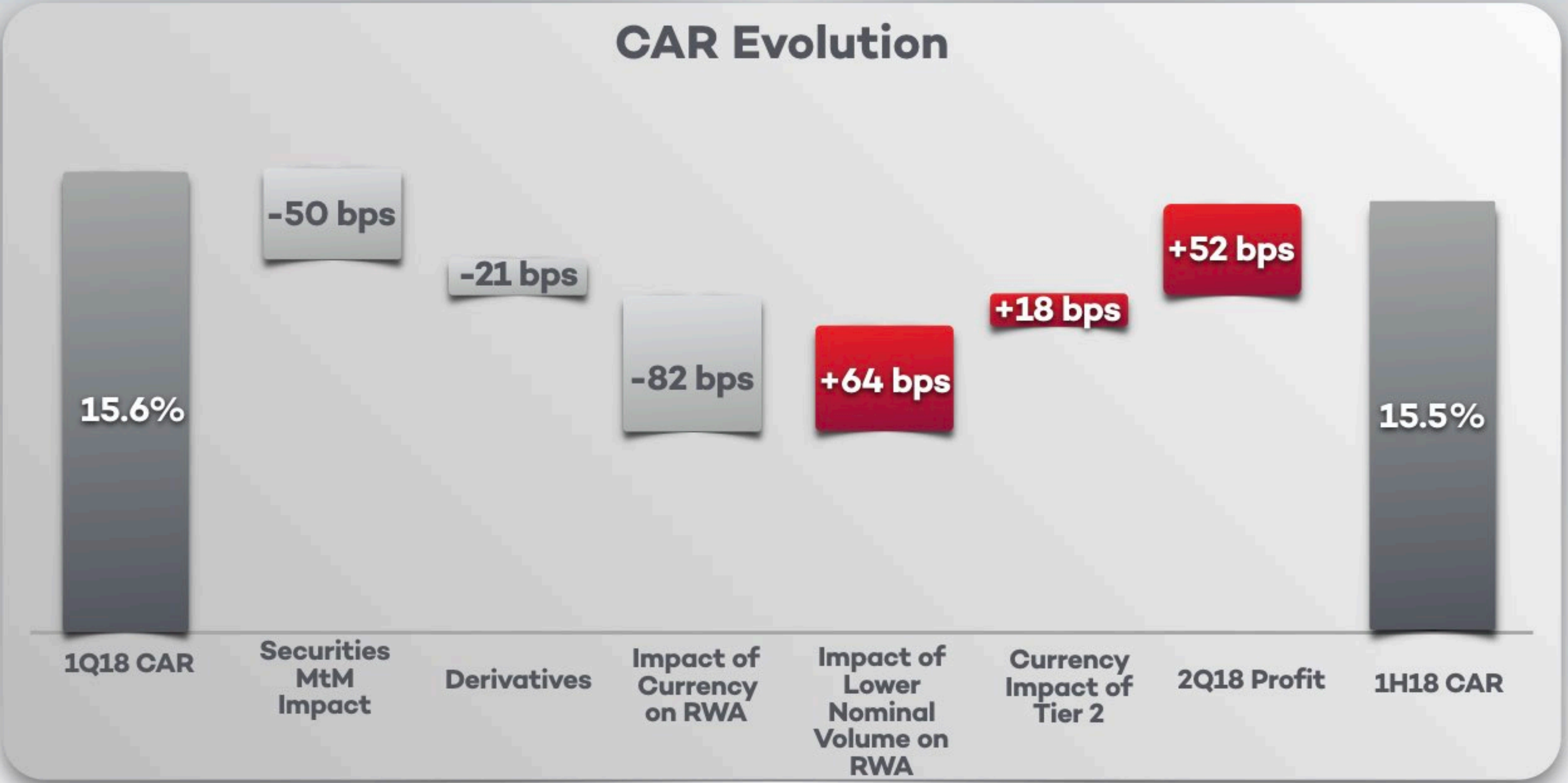
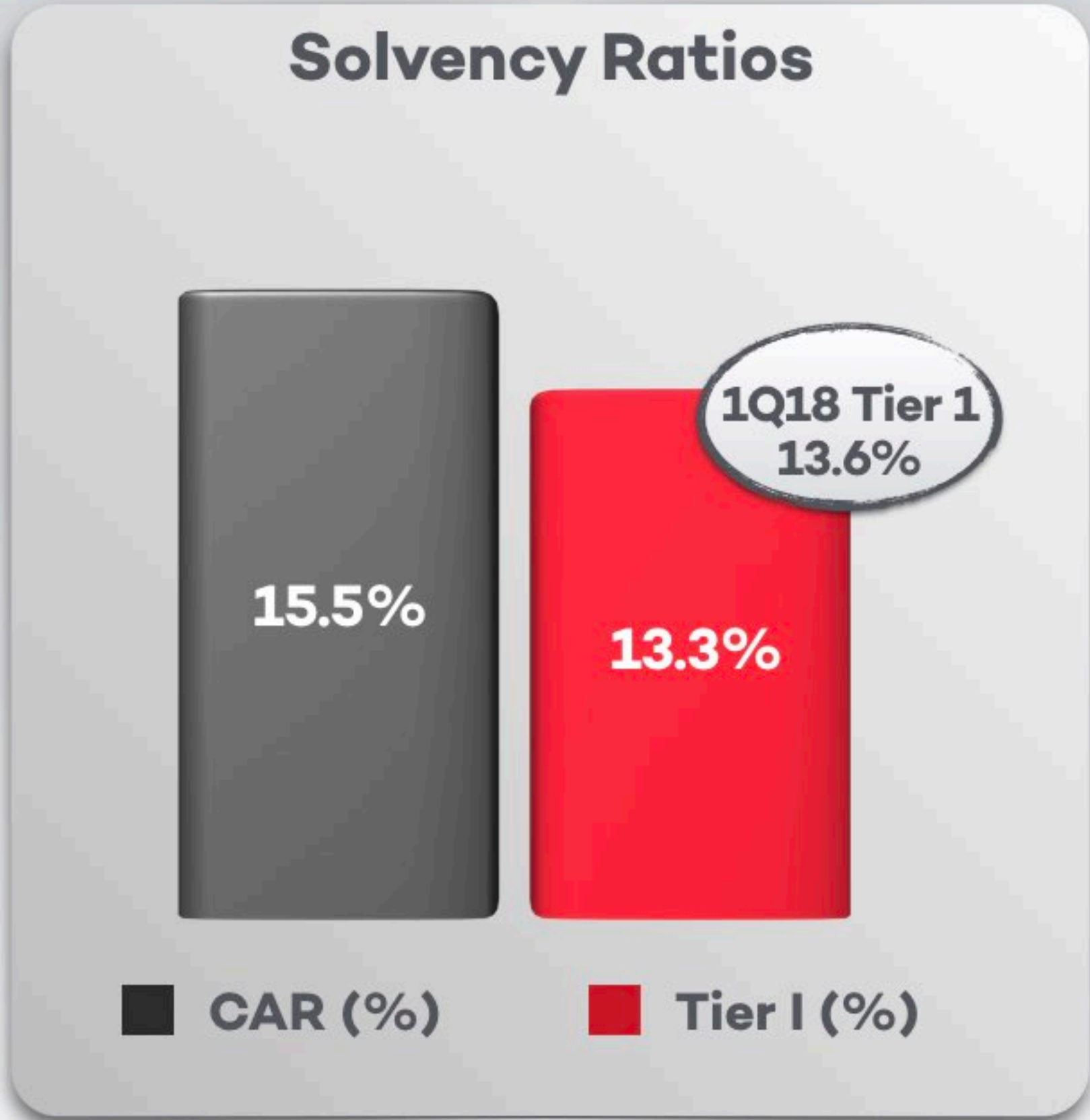


*Stage 1, 2 and 3 provisions. **Excludes TL 450m free provisions**

**Based on 1Q18 financials

***Based on bank-only BRSA weekly data June 29, 2018

Preserved solid solvency ratios thanks to strong internal capital generation



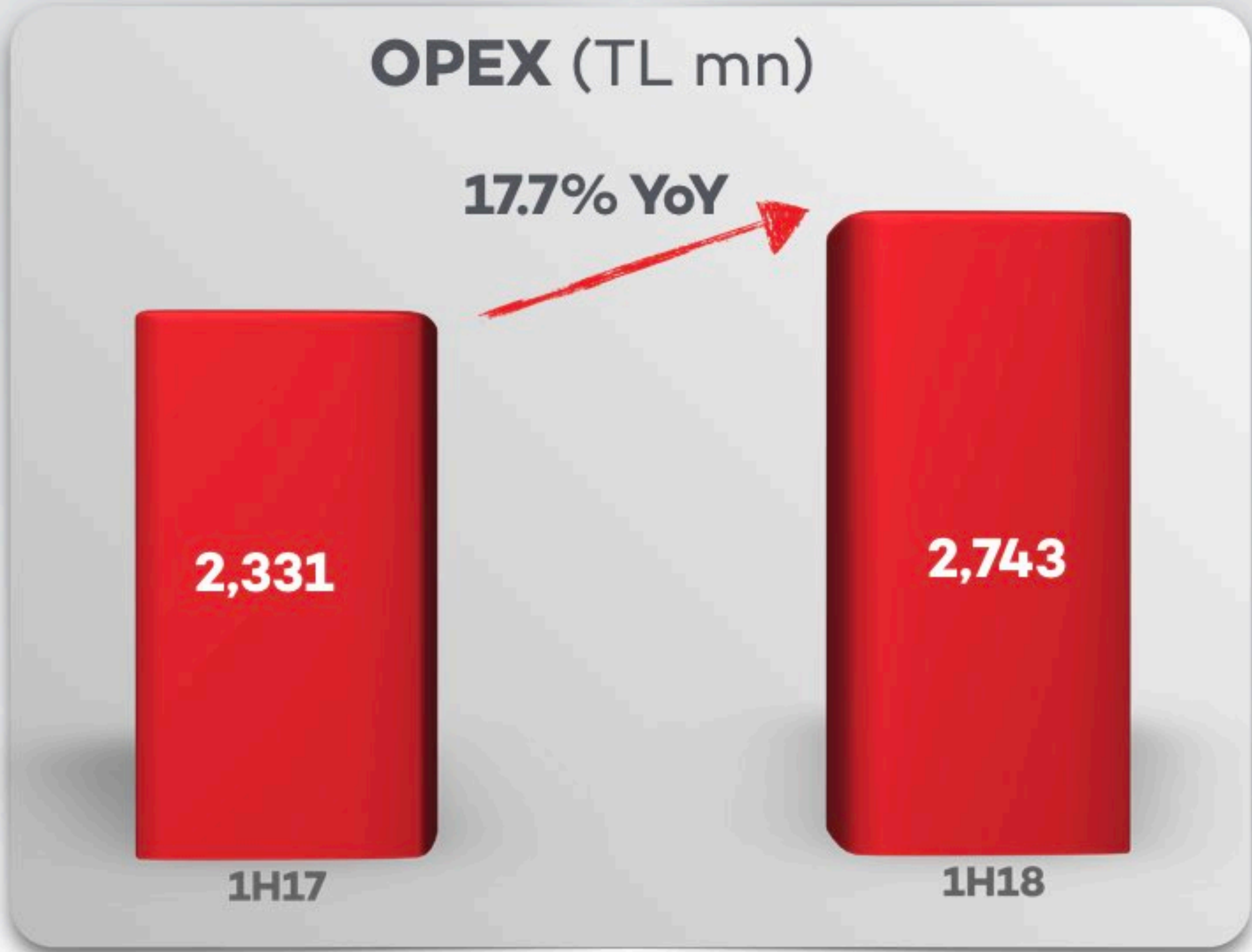
Once again ... Superior performance in Cost to Income



2018 CIR
guidance
35%

Even excluding CPI assumption
change best-in-class CIR at 33.1%

Akbank's 2017FY
Opex base of
TL 4.9bn remarkably
lower than peers
avg of TL7.2 bn



* 2Q18 CIR calculation excludes FX gain from long FX position related with stage 2 provision hedge as well as impact of free provision reversal

- ▶ **1H18 Summary**
- ▶ **Snapshot of Results**
- ▶ **Balance Sheet Highlights**
- ▶ **Income Statement Highlights**
- ▶ **Securities Portfolio Breakdown**
- ▶ **Wholesale Borrowings**
- ▶ **Subsidiaries Contribution**
- ▶ **Swap Cost & CPI Linkers Income**

1H18: ROE at upper band of guidance

Macroeconomic Assumptions (%)

2018

GDP growth, real terms

~ 4.5

CPI Inflation (revised from 9%)

11.0

Growth (%)

Guidance

1H18

(annualized)

Loans

13-15

11%

Deposits

13-15

16%

ROA

~1.8%

1.9%

Leverage

~ 9.0x

8.8x

ROE

~15.5-16%

15.9%

NIM (swap adj.)

~3.5%

3.8%

Net fees&com. growth

~15%

21.9%

Opex growth

~13%

17.7%

Cost/ income*

~35%

32.5%

Cost / assets

~1.6%

1.6%

CAR

~ 15%

15.5%

LDR

Max 105%

100%

NPL

~2.1%

2.6%

Net Specific COR**

50 bps

74 bps

EPS Growth

~12%

9%

* Excluding FX gain from long FX position related with stage 2 provision hedge as well as impact of free provision reversal

** Net Specific COR = Net Specific Loan Provision Expense / Average Total Loans

Snapshot of Results*

(TL mn, ratios in %)

	1H17	2017	1Q18	2Q18	1H18	YoY (%)	QoQ (%)
Total Assets	315,298	341,610	348,454	368,216	368,216	16.8	5.7
Loans**	192,434	212,657	222,572	224,122	224,122	16.5	0.7
Deposits	188,044	201,456	211,173	217,928	217,928	15.9	3.2
Net Profit	3,023	6,020	1,694	1,586	3,280	8.5	(6.4)
Net interest income	5,301	11,293	3,323	3,889	7,212	36.0	17.0
Net fee income	1,425	2,962	810	926	1,737	21.9	14.3
ROE	17.1	16.2	16.6	15.3	15.9	(1.2)	(1.3)
ROA	2.0	1.9	2.0	1.8	1.9	(0.1)	(0.2)
NIM	3.67	3.80	4.09	4.63	4.36	0.69	0.54
NIM after swap	3.45	3.47	3.54	4.03	3.78	0.33	0.49
Cost to Income***	35.0	35.0	34.8	30.5	32.5	(2.5)	(4.3)
CAR	16.0	15.8	15.6	15.5	15.5	(0.5)	(0.1)
Tier I	14.2	14.2	13.6	13.3	13.3	(0.9)	(0.3)

* 2017 figures are BRSA results

** For comparability, 2017 Loans figures have been adjusted with General Reserves of the related period. 2018 figures include NPL and Loan Loss Allowances.

*** 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

**2017
BRSA**

**1H18
IFRS9**

46,945

58,233

61,753

57,233

209,478

224,122

23,434

28,628

341,610

368,216

201,456

217,928

51,383

63,429

29,358

22,725

4,517

619

24,841

22,105

18,800

22,250

40,614

41,884

341,610

368,216

Shares (%)

2017

1H18

13.7

15.8

18.1

15.5

61.3

60.9

6.9

7.8

59.0

59.2

15.0

17.2

8.6

6.2

1.3

0.2

7.3

6.0

5.5

6.0

11.9

11.4

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

1H17

BRSA

1H18

IFRS9

Change (%)

11,244

15,203

35.2

(5,943)

(7,992)

34.5

5,301

7,212

36.1

(168)

(272)

-

153

(10)

-

(322)

(263)

(18.4)

(356)

(2,034)

-

1,425

1,737

21.9

(2,330)

(2,743)

17.7

84

328

-

(128)

(66)

-

3,828

4,162

8.7

(804)

(882)

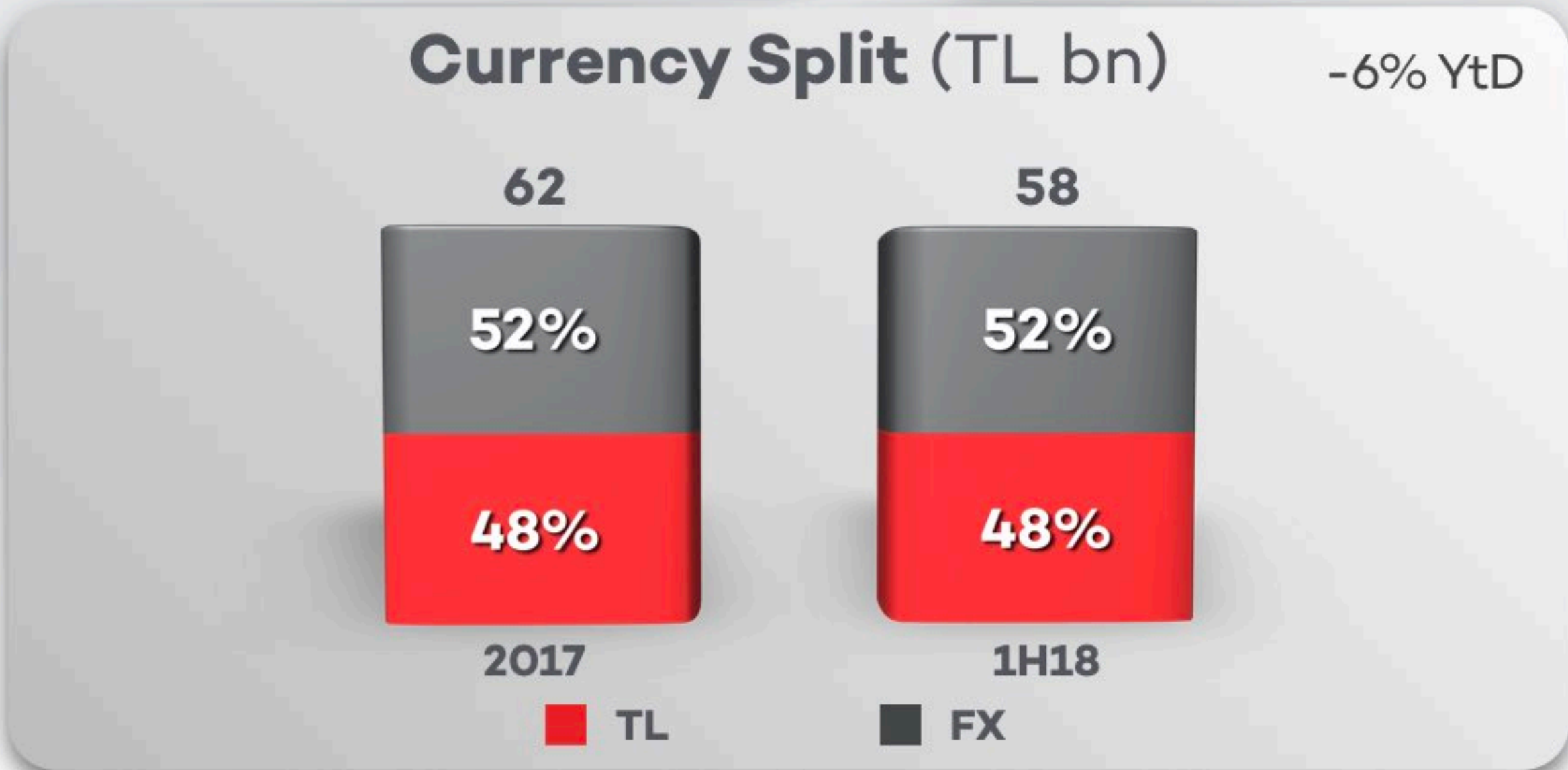
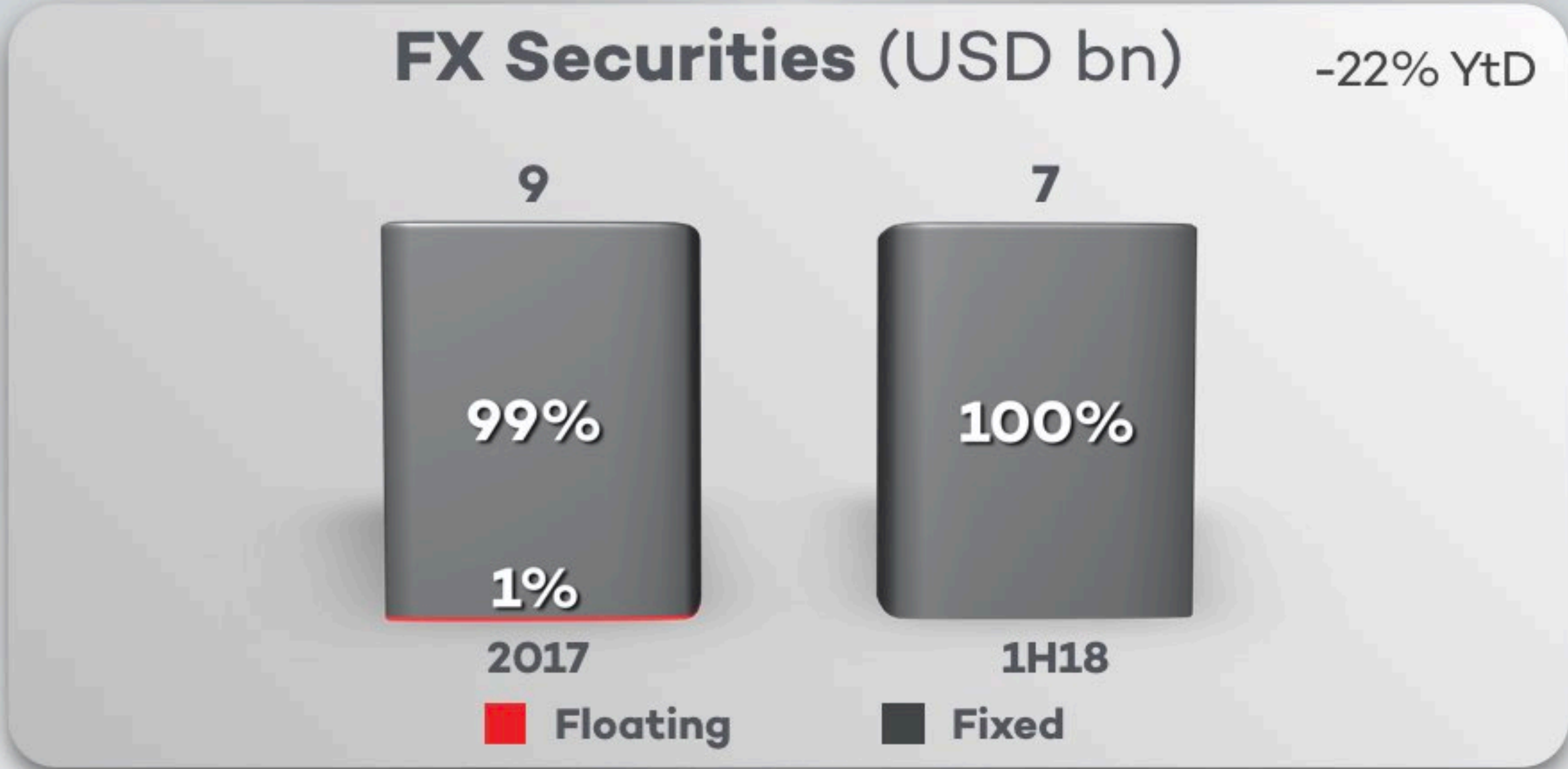
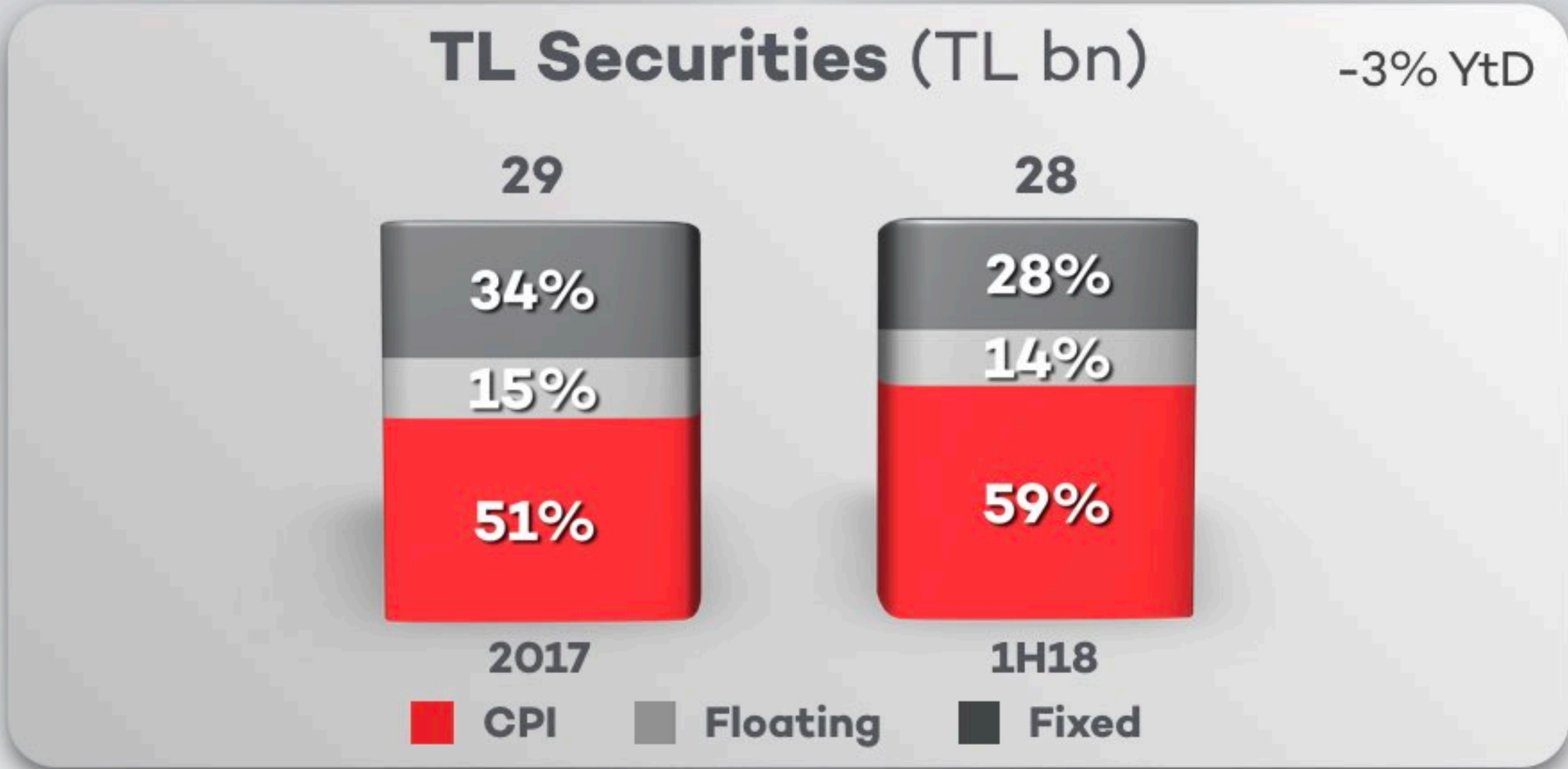
9.7

3,023

3,280

8.5

Composition of Securities Portfolio

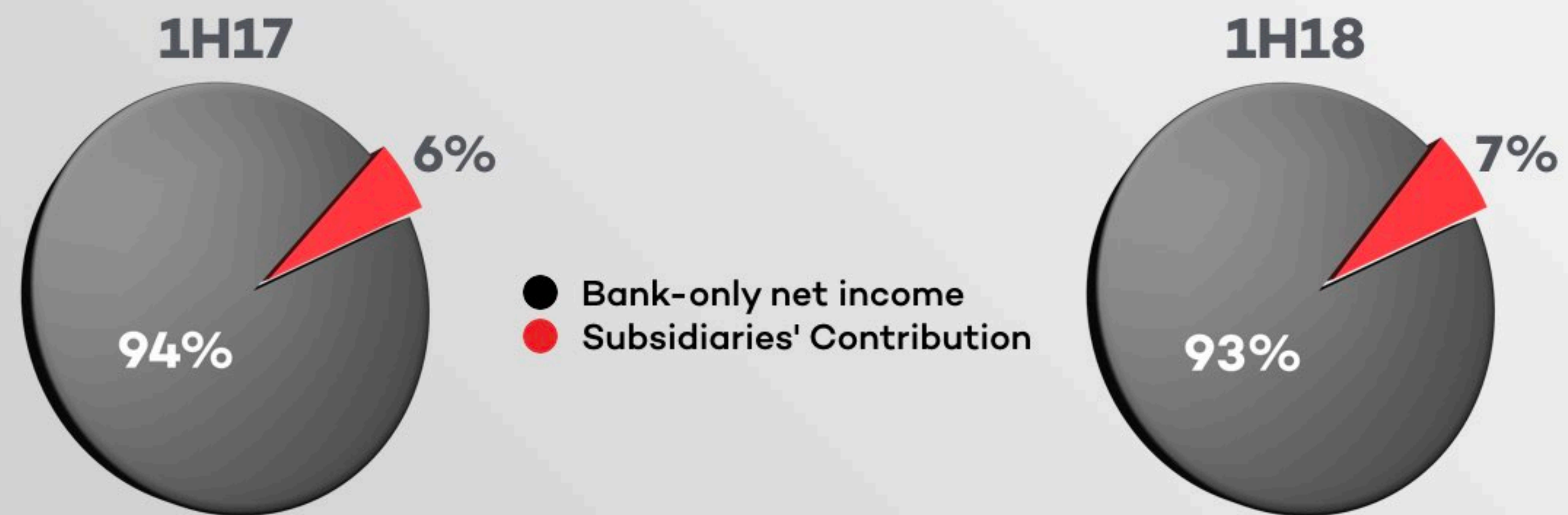


{ 20% Amortised Cost,
80% FV through OCI }

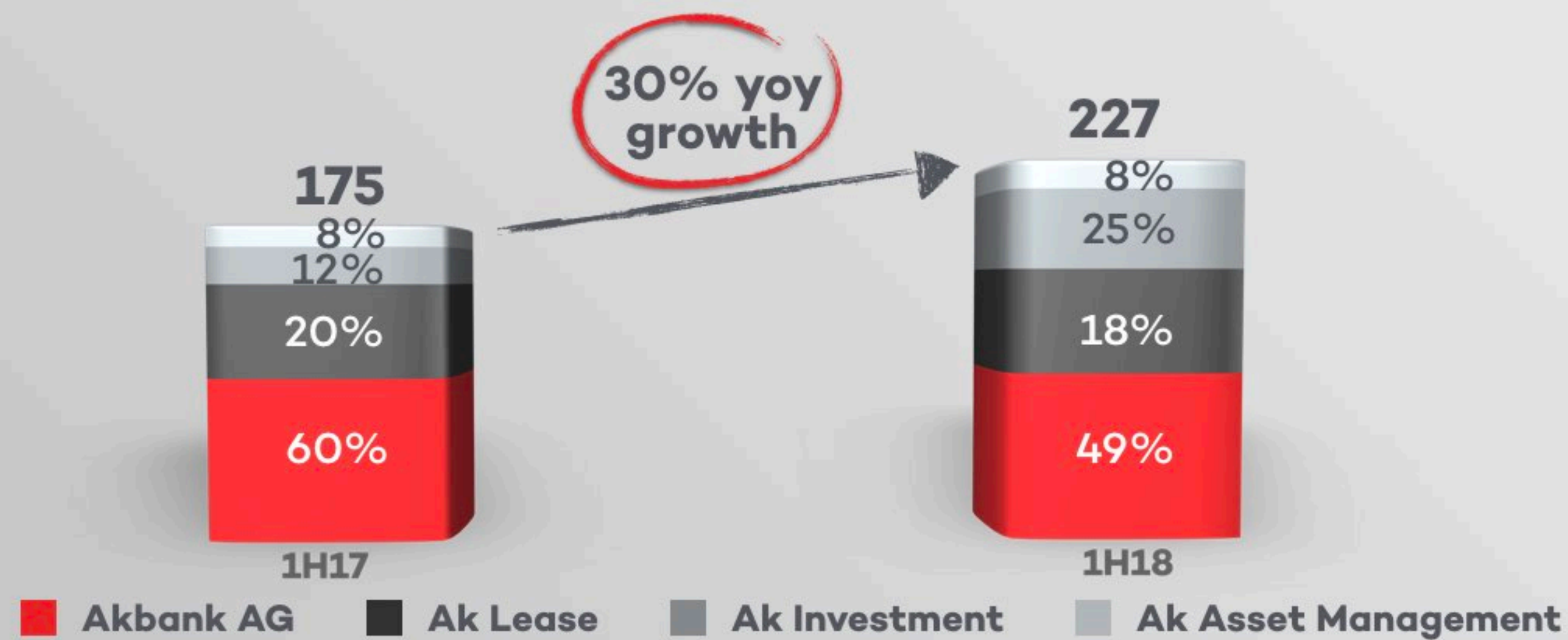
Wholesale Borrowings

Basel III Compliant Tier II	1Q17	<ul style="list-style-type: none"> ▶ USD 500 million, 10NC5 ▶ First ever issuance in Akbank's history ▶ Final book attracted around USD 2billion from 180 investors ▶ 4x oversubscription
	1Q18	<ul style="list-style-type: none"> ▶ USD 400 million, 10NC5 ▶ Lowest Basel III compliant Tier II spread to mid-swaps ever recorded in Turkey
Syndications	1Q18	<ul style="list-style-type: none"> ▶ March 2018 Syndication- USD 1.20 billion <ul style="list-style-type: none"> • USD 354.5 million, 367 day tranche @ Libor+1.30 • EUR 483 million, 367 day tranche @ Euribor+1.20 • USD 250 million, 2 year + 1 day tranche @ Libor+2.10 • 39 banks participated with a record oversubscription by over 1.30x reaching an amount of USD 1.5 billion vs USD 1.1 due. • 7 new lender banks
	3Q17	<ul style="list-style-type: none"> ▶ August 2017 Syndication- USD 1.15 billion <ul style="list-style-type: none"> • USD 337.6 million, 367 day tranche @ Libor+1.35 • EUR 515.1 million, 367 day tranche @ Euribor+1.25 • USD 205 million, 2 year + 1 day tranche @ Libor+2.20 • Tightened the pricing on the deal vis-à-vis 1Q17 facilities • 38 banks participated with significant oversubscription by c. 1.26x, record for Turkish banks • Deal attracted 11 new banks from China, Taiwan, India and South Korea
Covered Bond	3Q17	<ul style="list-style-type: none"> ▶ 6 years maturity TL 650 million ▶ The longest tenor offshore TL bond issuance ever by a Turkish institution
	4Q17	<ul style="list-style-type: none"> ▶ 6 years maturity TL 536.3 million
DPR Securitization	1Q18	<ul style="list-style-type: none"> ▶ USD 795 million ▶ Maturities up to 7.5 years

Subsidiaries net income is up by 30% YoY



Subsidiaries' Net Income (TL mn)



Swap Cost & CPI Linkers Income

Quarterly Short-term Swap Cost
(TL mn)



CPI Linker Income
(TL mn)



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

** Impact of change in CPI estimation from 9% to 11% is TL 153 mn gross



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