

2Q19

Consolidated

Financial Results

AKBANK

25 July 2019

What to remember?

In 2Q19 Akbank

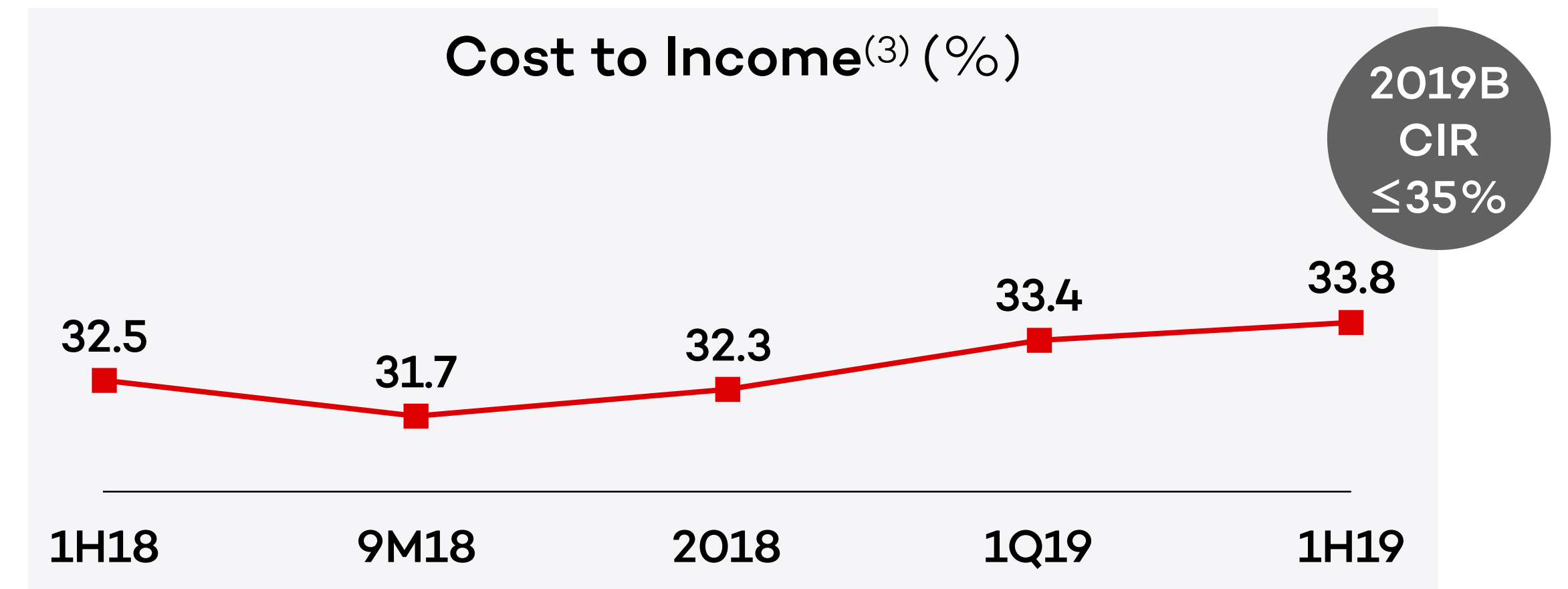
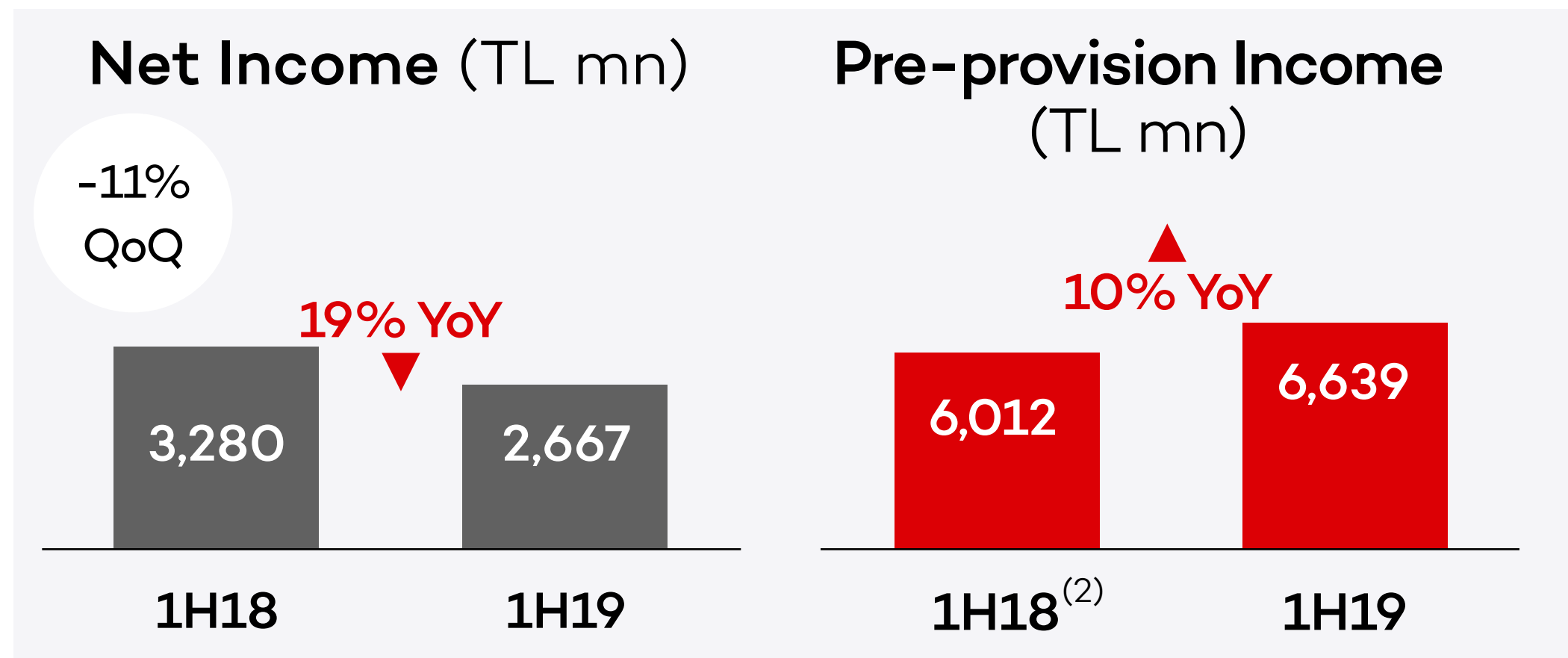
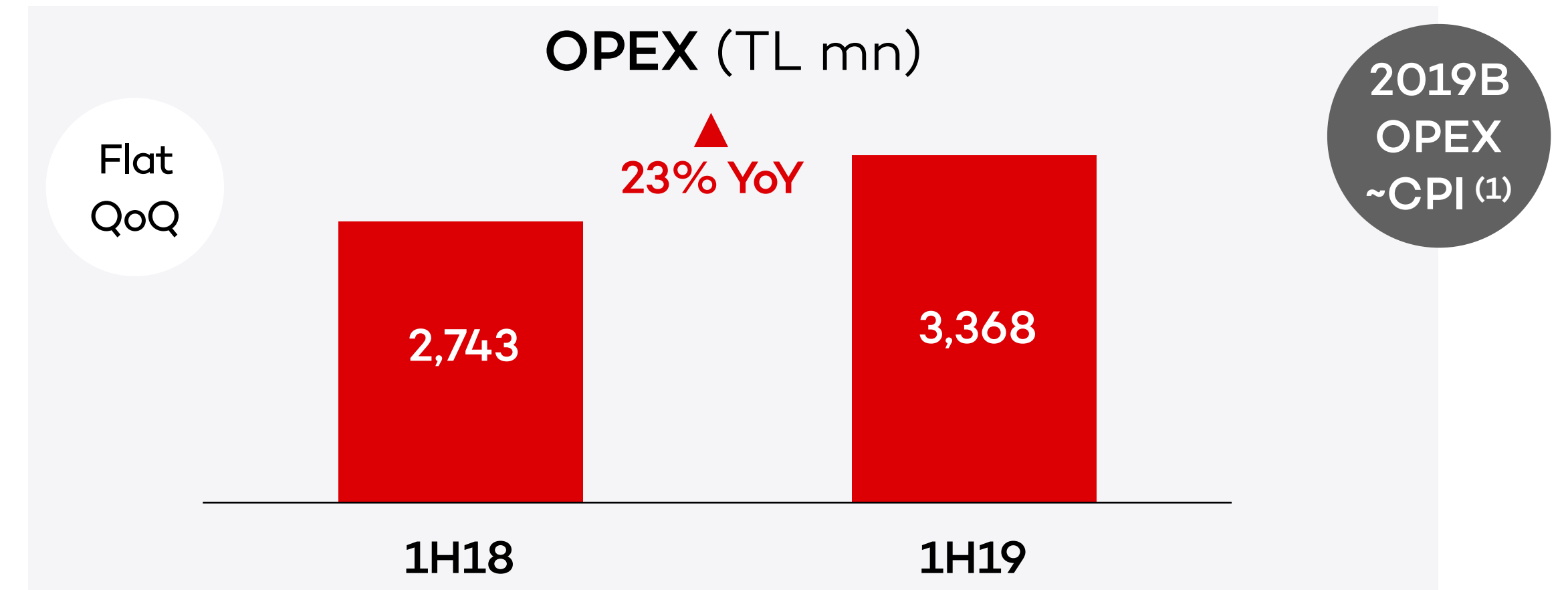
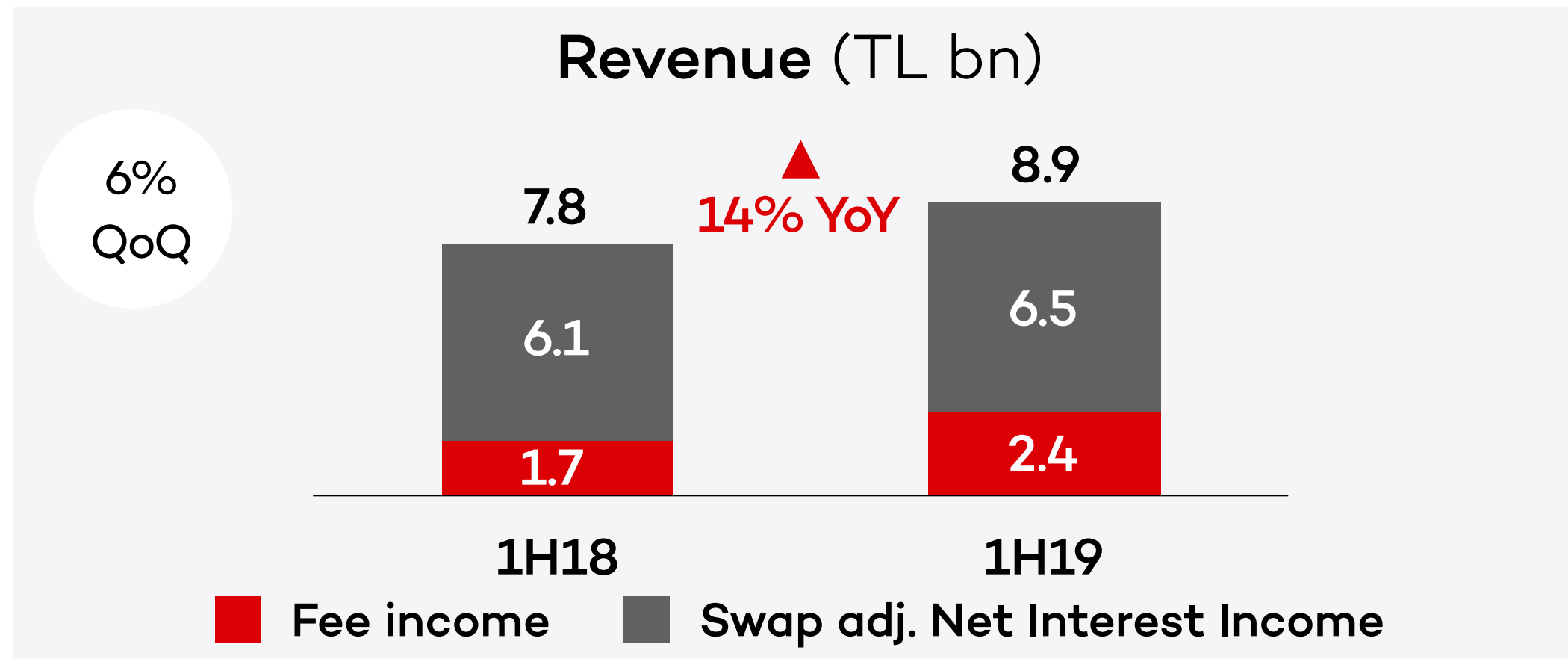
- ▶ Expanded its NIM
- ▶ Continued superior fee generation
- ▶ Preserved best-in-class CIR
- ▶ Maintained benign asset quality performance
- ▶ Reinforced its capital strength
- ▶ Continued to invest in its future

Despite

- ▶ Muted loan growth
- ▶ Higher TL deposit and swap costs
- ▶ Fully reflected CPI adjustment
- ▶ Lower trading income

All empowering the Bank to capture profitable growth with its outstanding capital strength and low leverage

Sound core operating performance

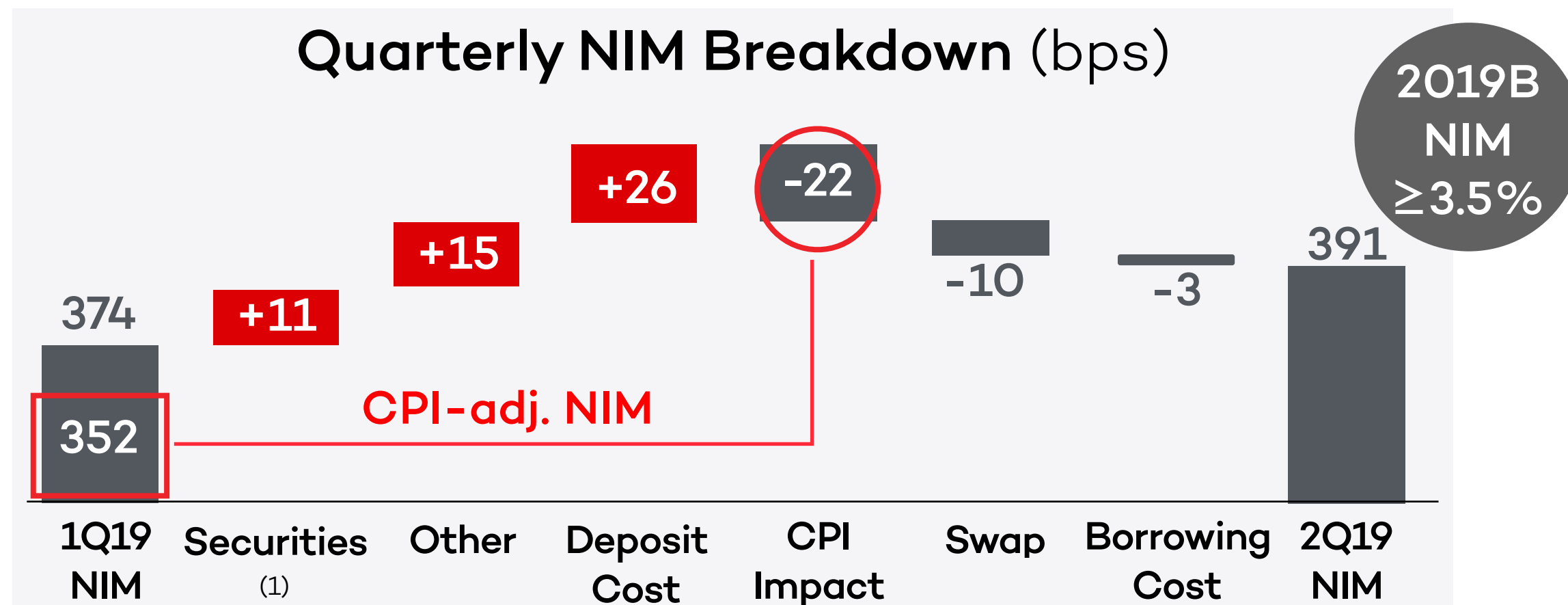


⁽¹⁾ Rolling CPI

⁽²⁾ Excluding TRY 250mn free provision reversal in 2Q18

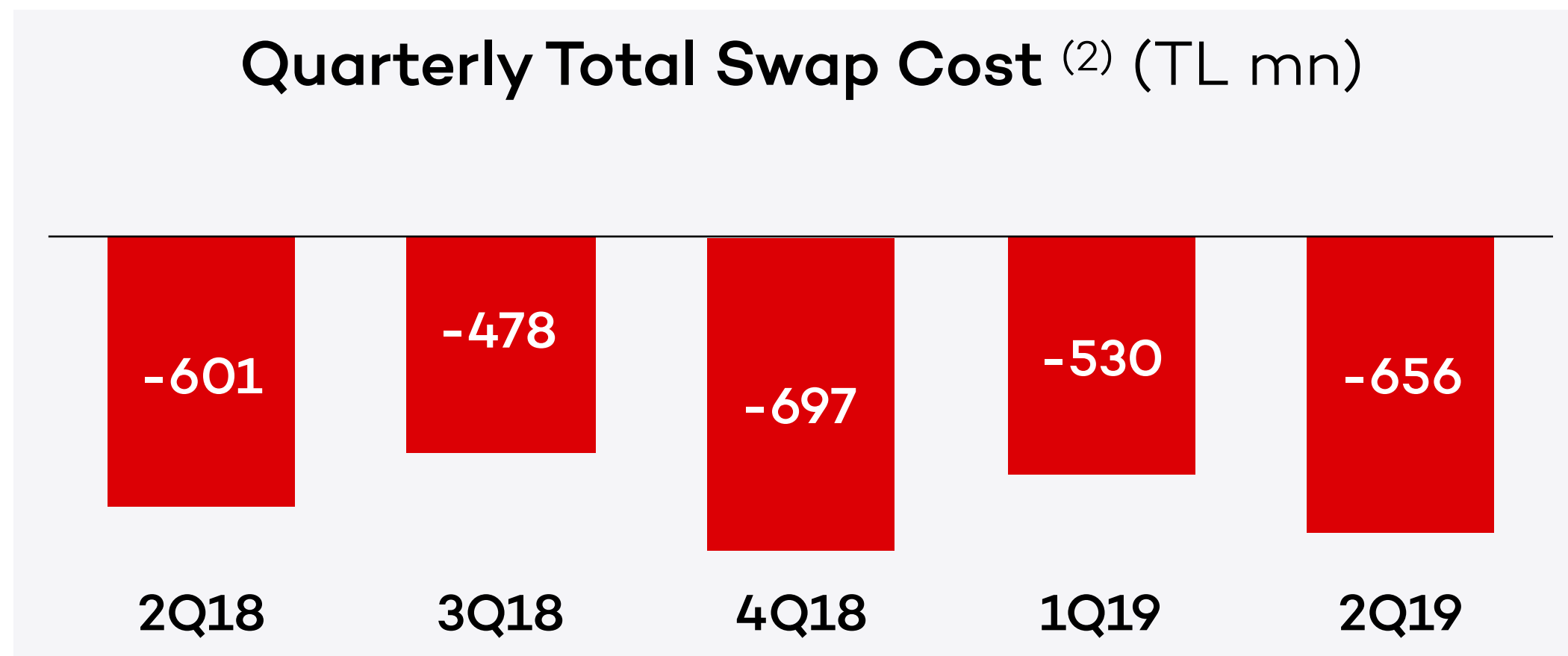
⁽³⁾ CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions as well as impact of free provision reversal

NIM once again ahead of guidance despite fully reflected CPI adjustment



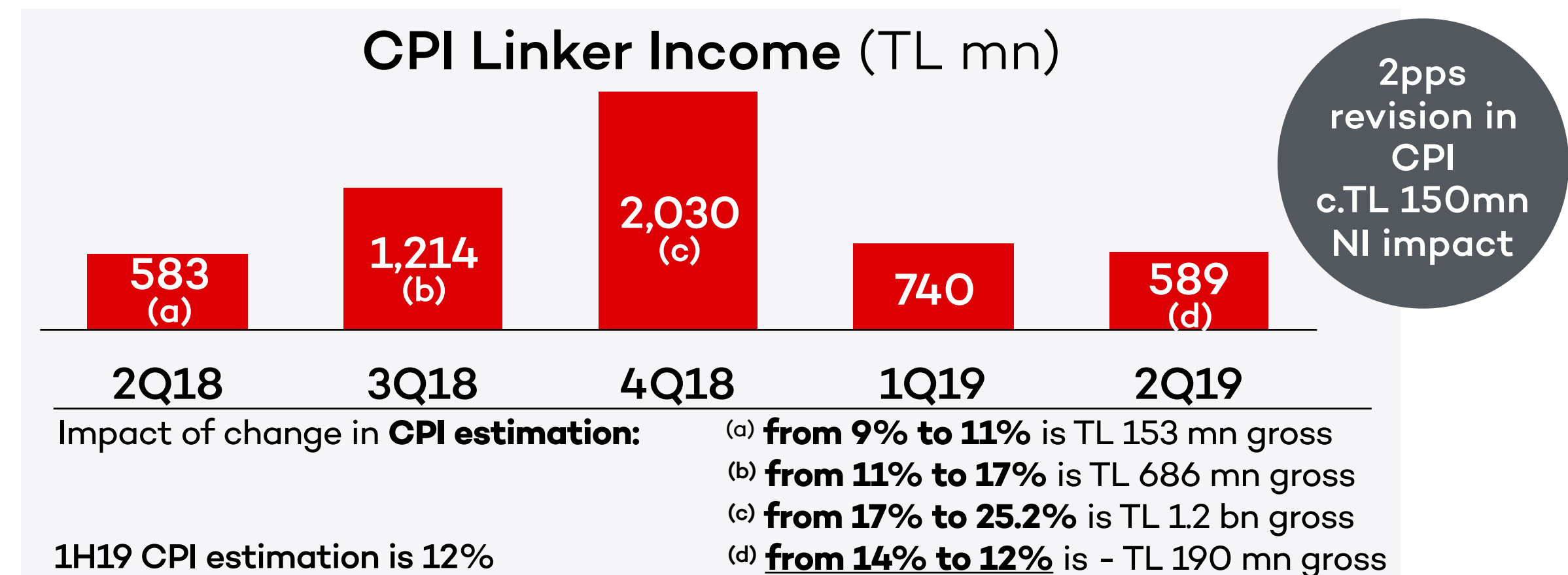
Despite fully reflected CPI adjustment as of 2Q19, NIM improved QoQ led by:

- ▶ Well-managed funding cost
- ▶ Effective balance sheet management in low growth environment

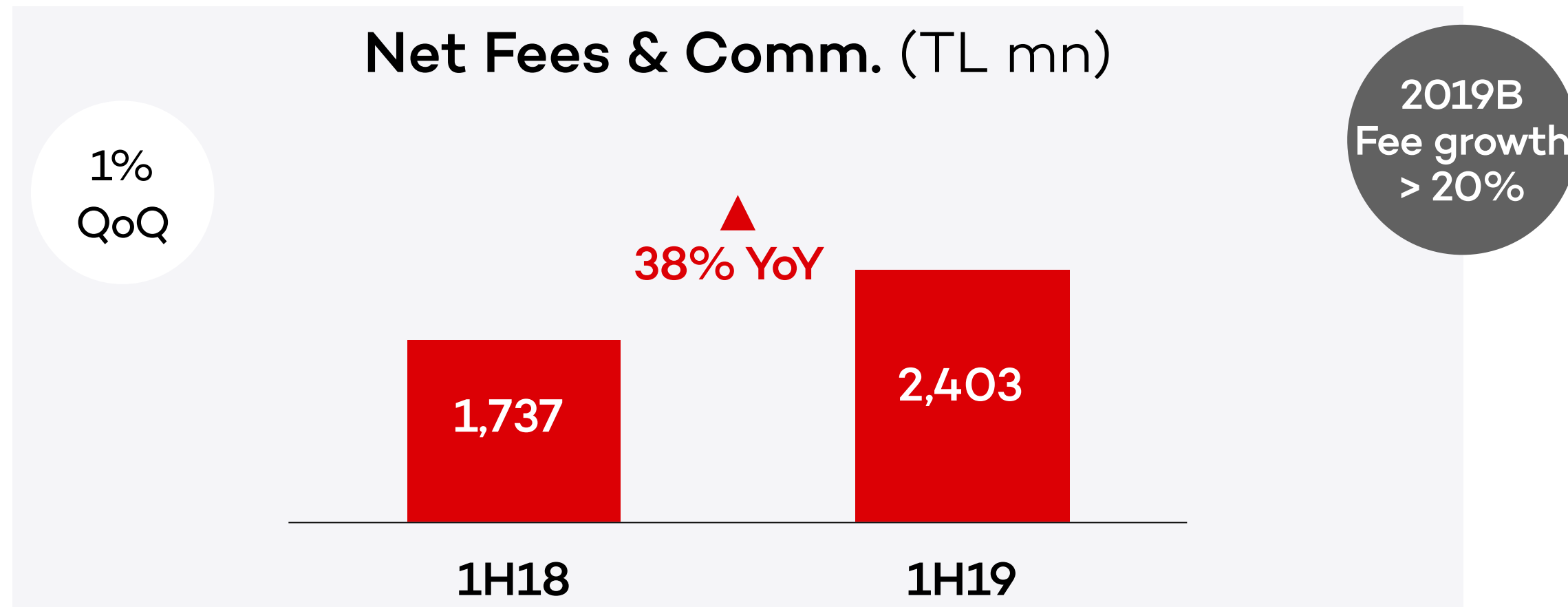


(1) Excluding CPI impact

(2) Includes short and long-term swaps

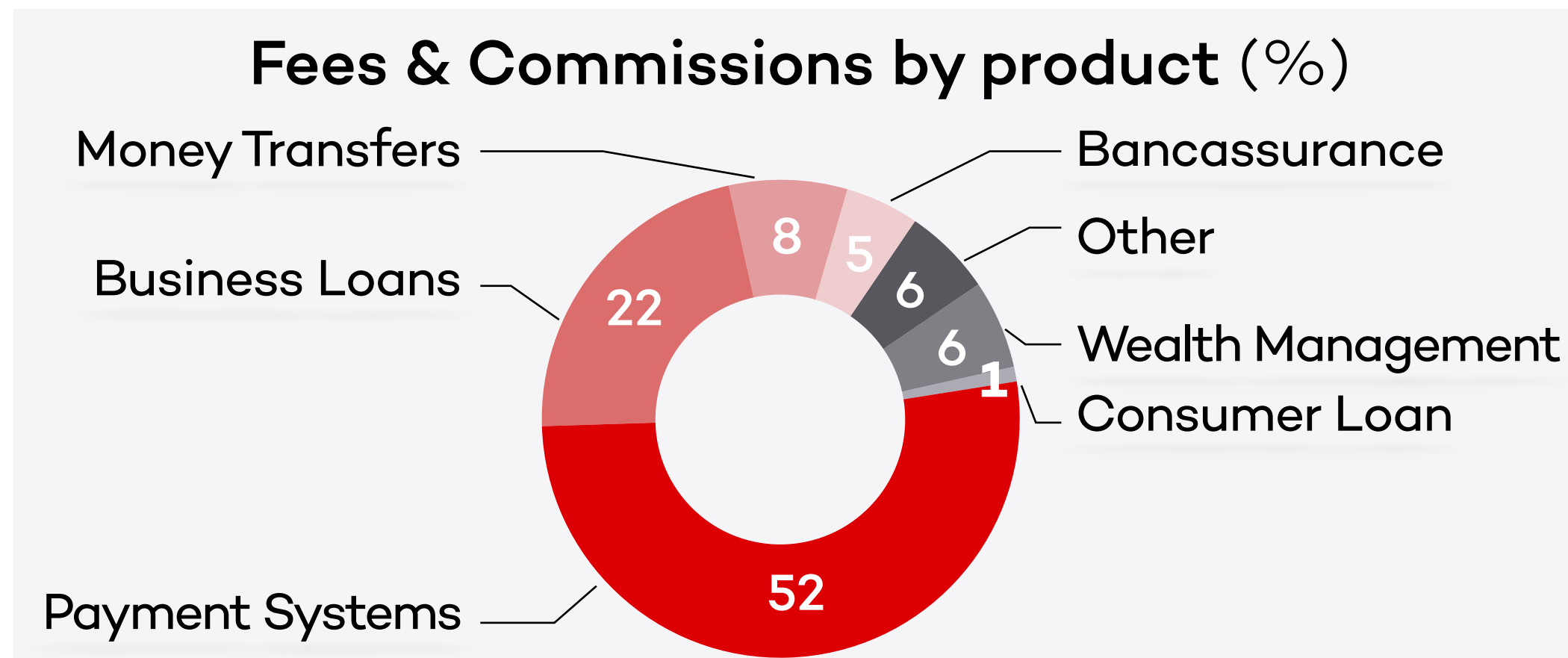


Superior fee income well-ahead of guidance



Strong performance driven by:

- ▶ **Payment Systems** commissions **+50% YoY**
Strong performance in both acquiring & issuing
- ▶ **Business Loans** **+69% YoY**
Strong performance in both cash and non-cash loan fees
- ▶ **Money Transfers** **+22% YoY**
Supported by increased transactions
- ▶ **Non-Lending Bancassurance** **+18% YoY**
Non-credit linked premiums/total premiums ⁽¹⁾ at 70% (up from 65% of last year)



⁽¹⁾ Based on bank-only MIS data

Leveraging new technologies to create future competitive advantage

Phygital Branch in Numbers ⁽¹⁾

276 branches transformed & operational
as of 1H19

Migration of teller transactions to E-tellers
65% ⁽²⁾

Income Generation

▲
22% yoy

Fee Generation

▲
~40% yoy



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

⁽²⁾ Total transactions outside of the branch reached 95% (including inquiries)

“World’s Best Digital Bank 2019” by Euromoney Awards for Excellence

Digital Banking in Numbers ⁽¹⁾

4.8 mn digital customers

Monthly mobile log-in/customer 30x

Digital customer cross-sell
2.2x of non-digital

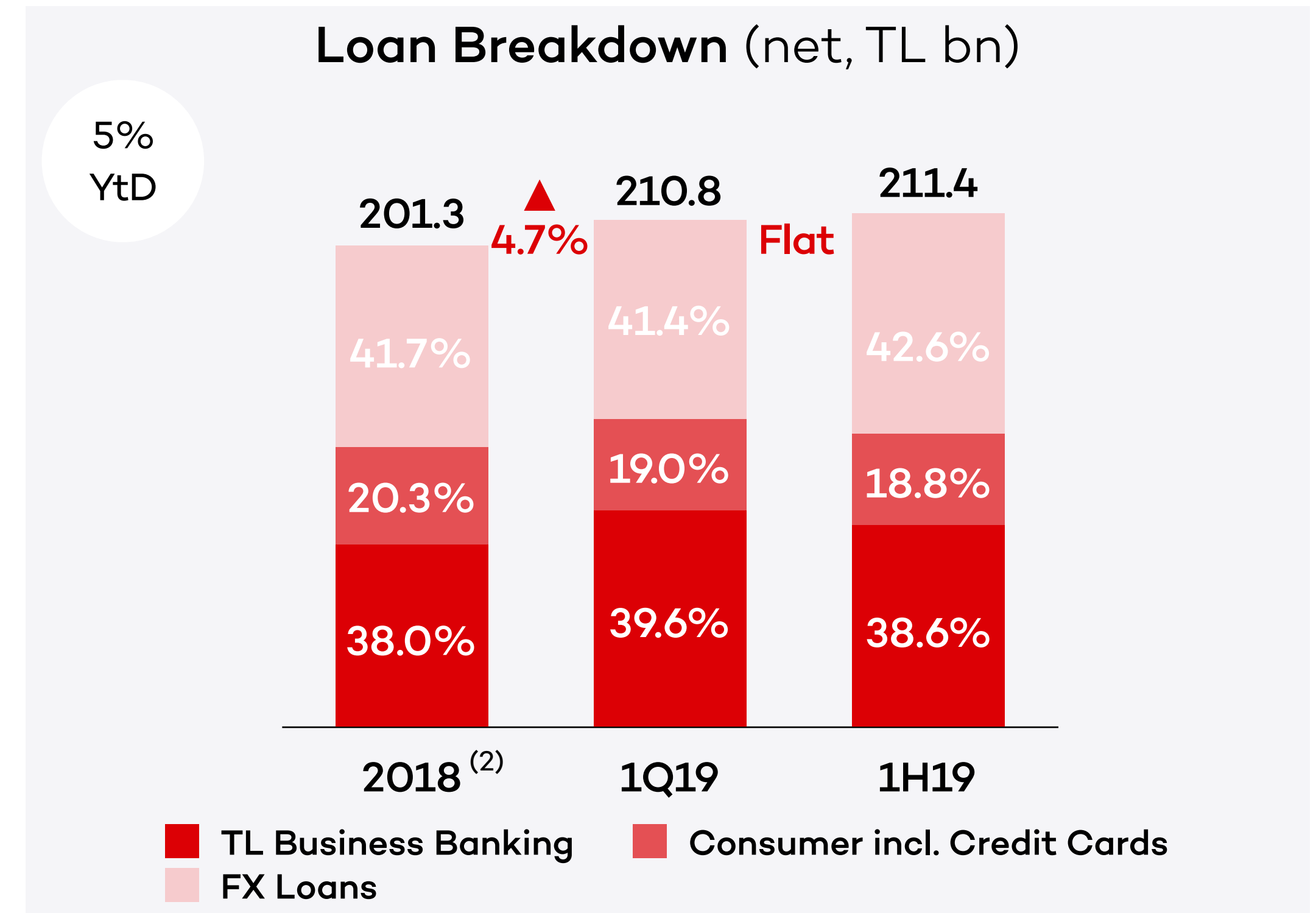
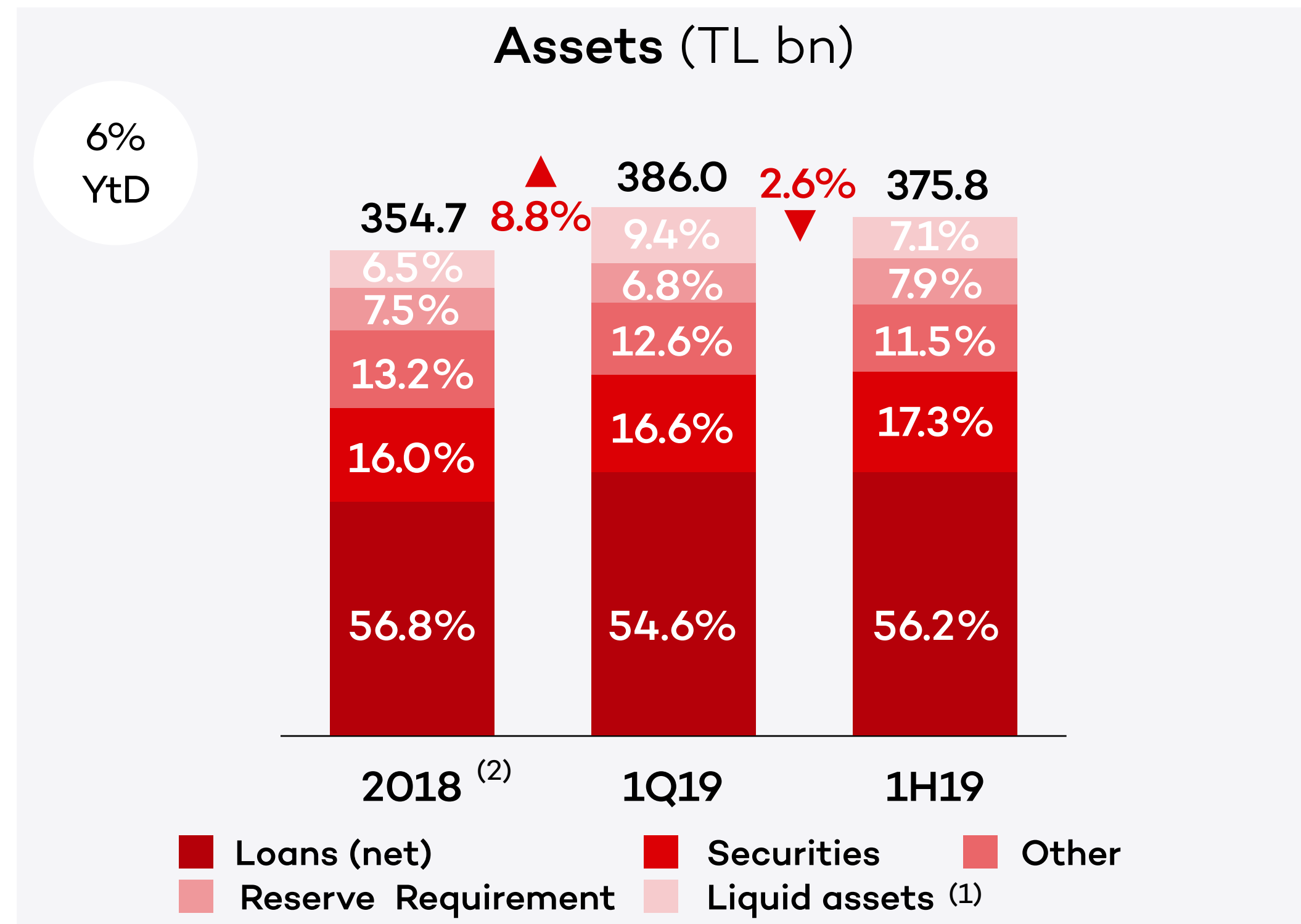
Share in non-credit linked fees at 48%

70% of GPLs and 51% of credit cards
were sold through direct channels



⁽¹⁾ Based on bank-only MIS data

Responsible asset allocation to drive sustainable long-term shareholder value



Optimized asset composition



Low leverage at 7.6x



Strong capital at 17.7%

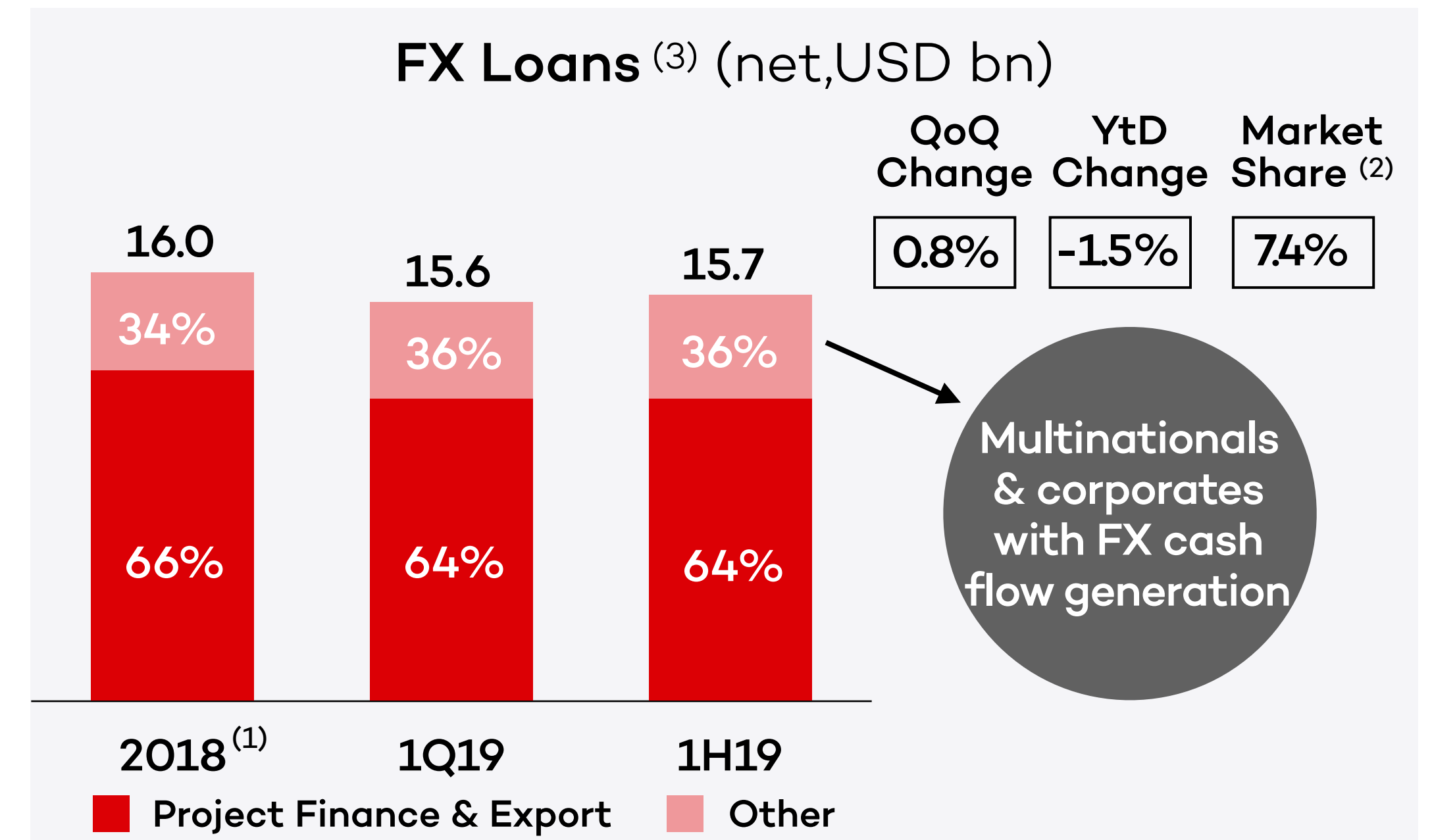
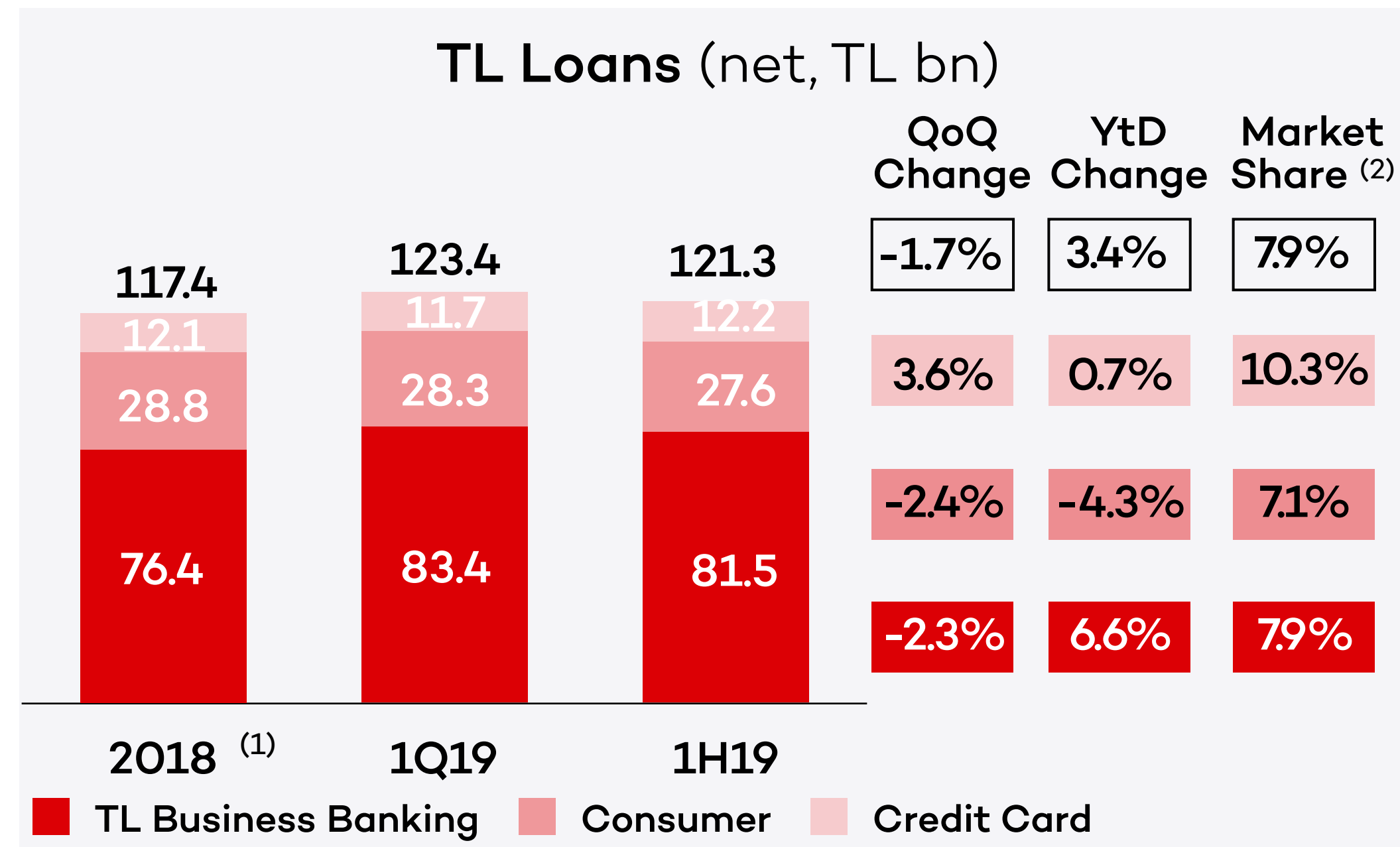


Create unique growth opportunity with risk & return in focus

(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



- ▶ 47% of 1H19 GPL originations were pre-approved, separately 38% were to salary customers ⁽⁴⁾
- ▶ FX loan demand remained muted as guided
- ▶ Confident with our 10% FY loan growth guidance as lending activity is expected to resume in 2H19

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

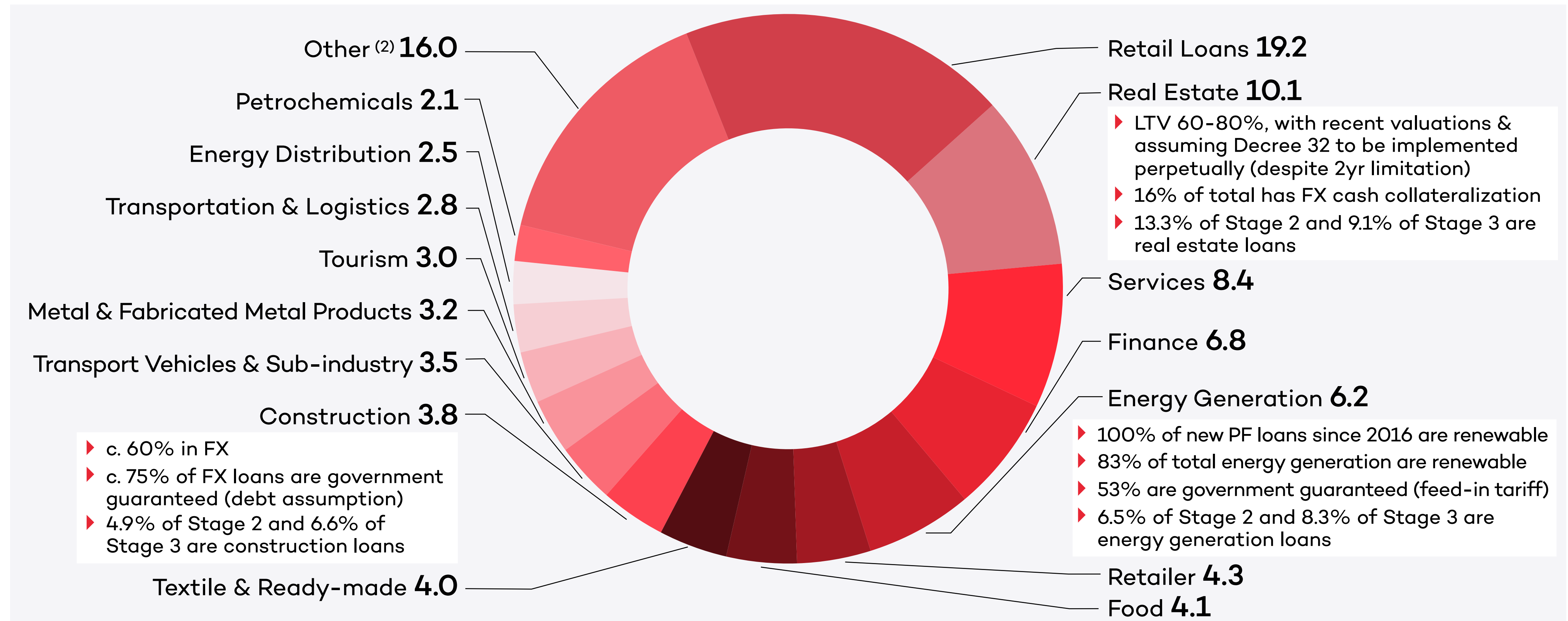
⁽²⁾ Market share data based on bank only BRSA weekly data as of June 28, 2019

⁽³⁾ FX indexed loans are shown under FX loans

⁽⁴⁾ Based on MIS data

Balanced loan portfolio (1)

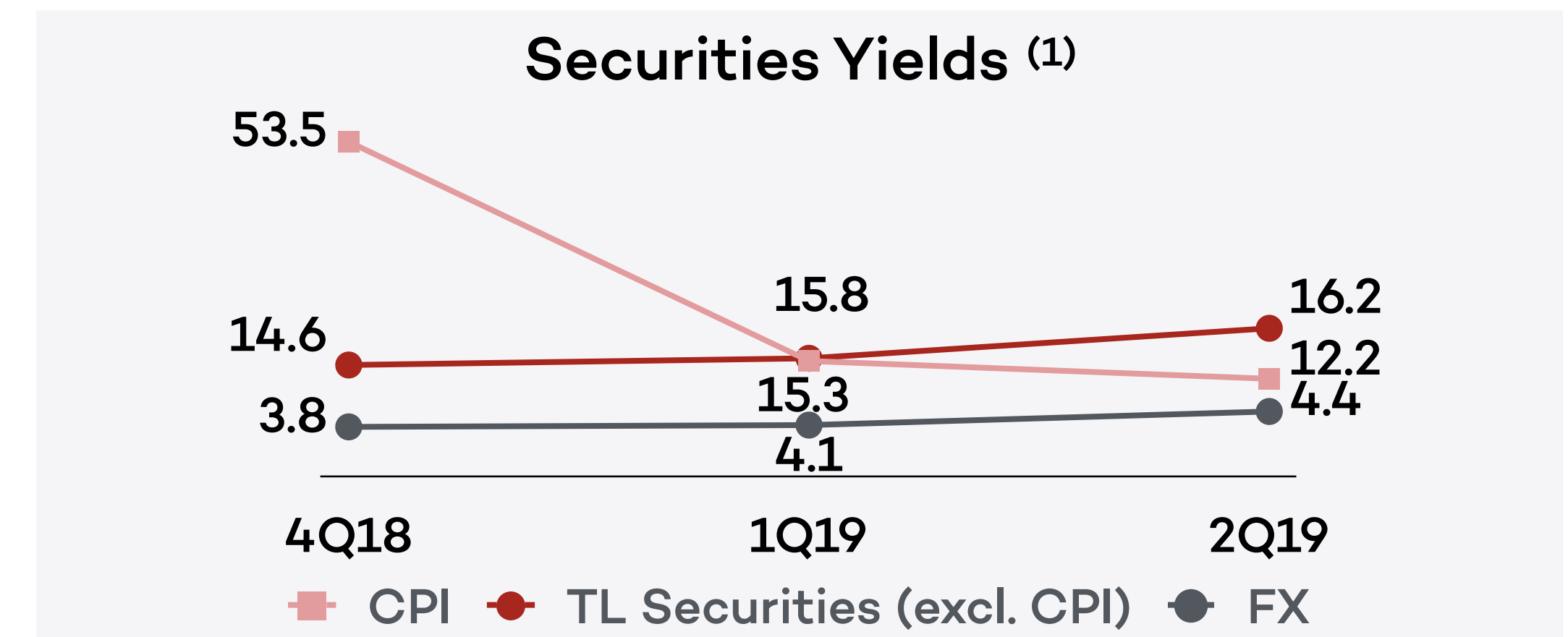
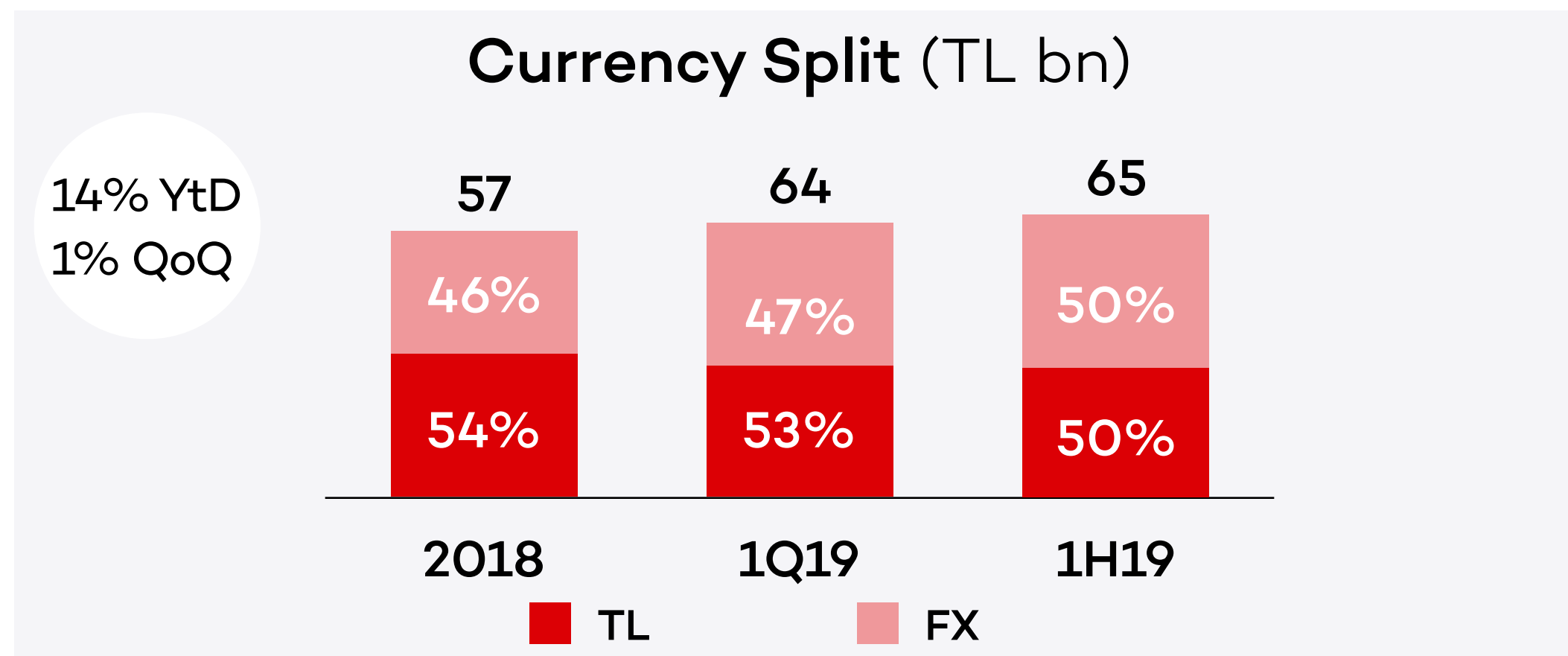
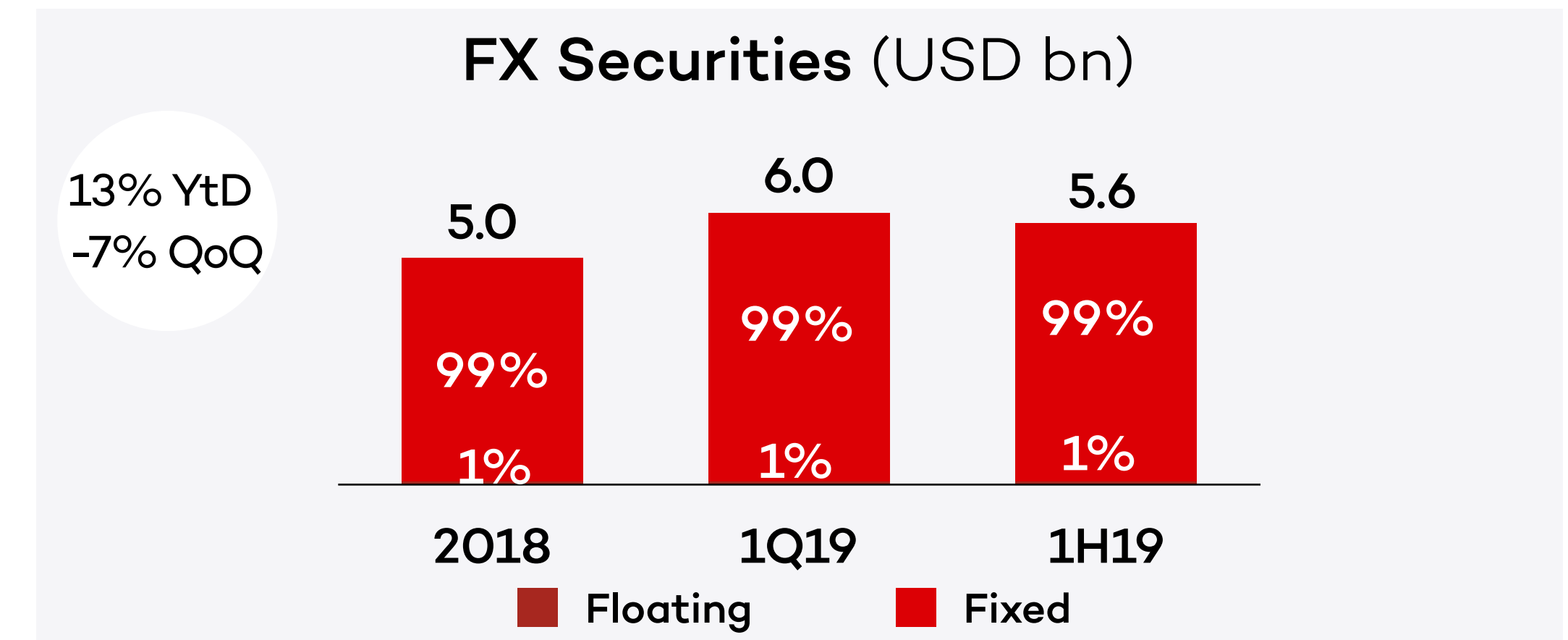
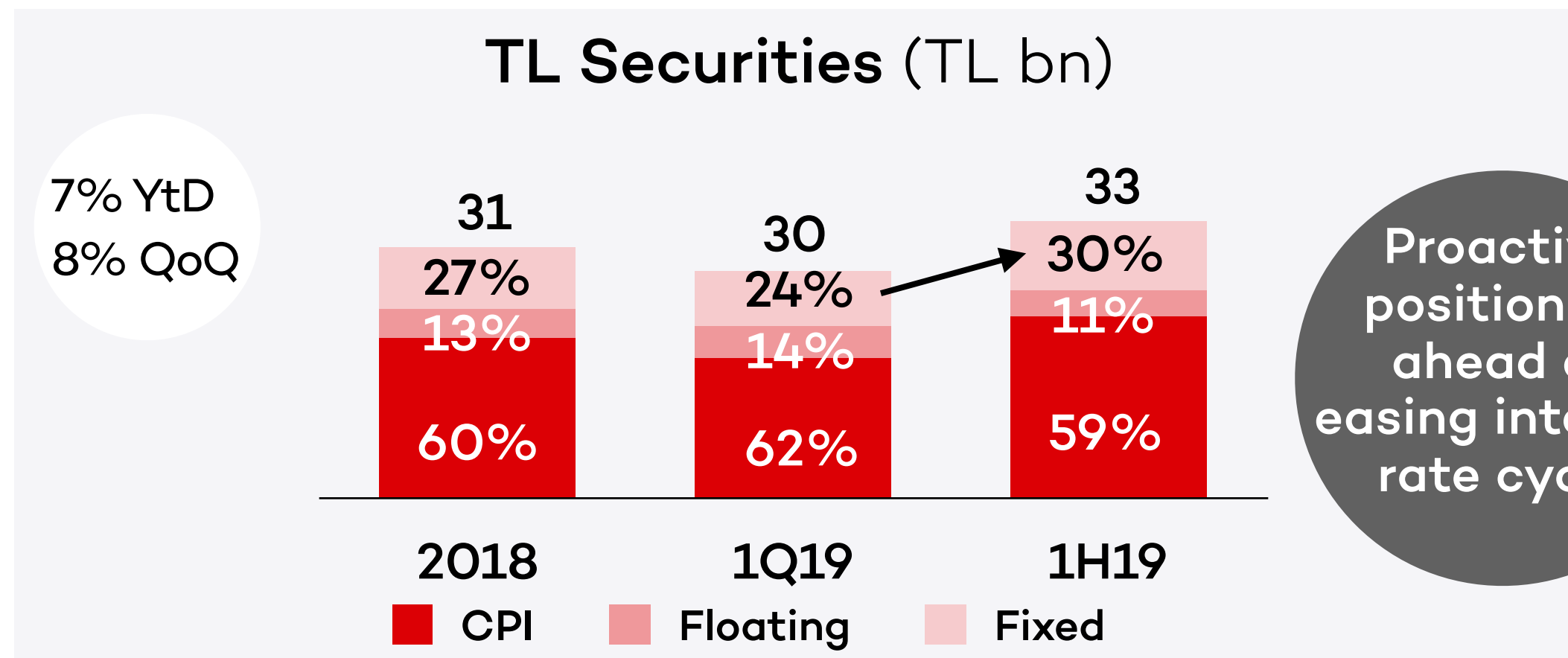
(% of Total Gross Loans)



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

(2) Loan concentration below 2%

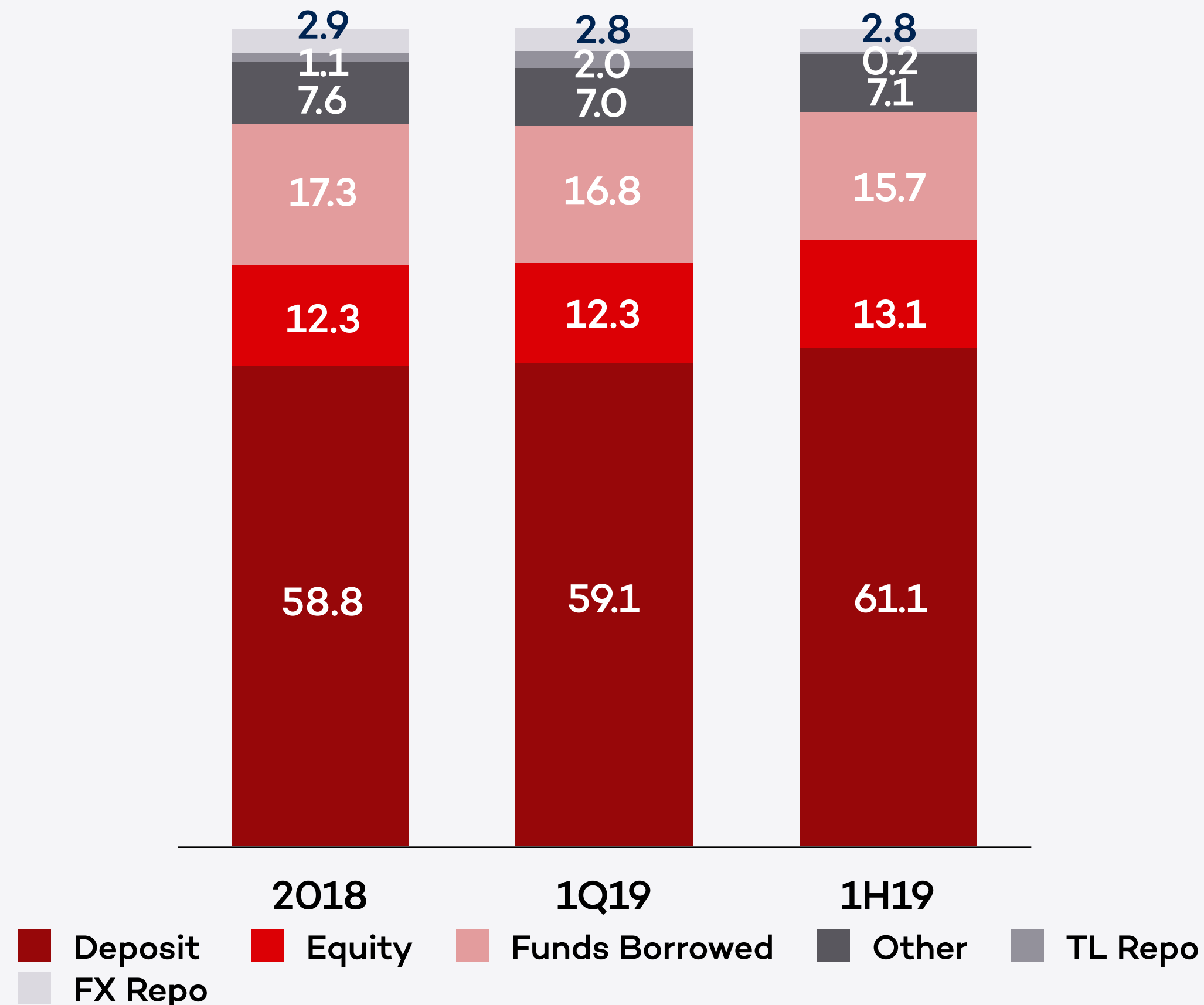
Yield enhancement with dynamic securities management



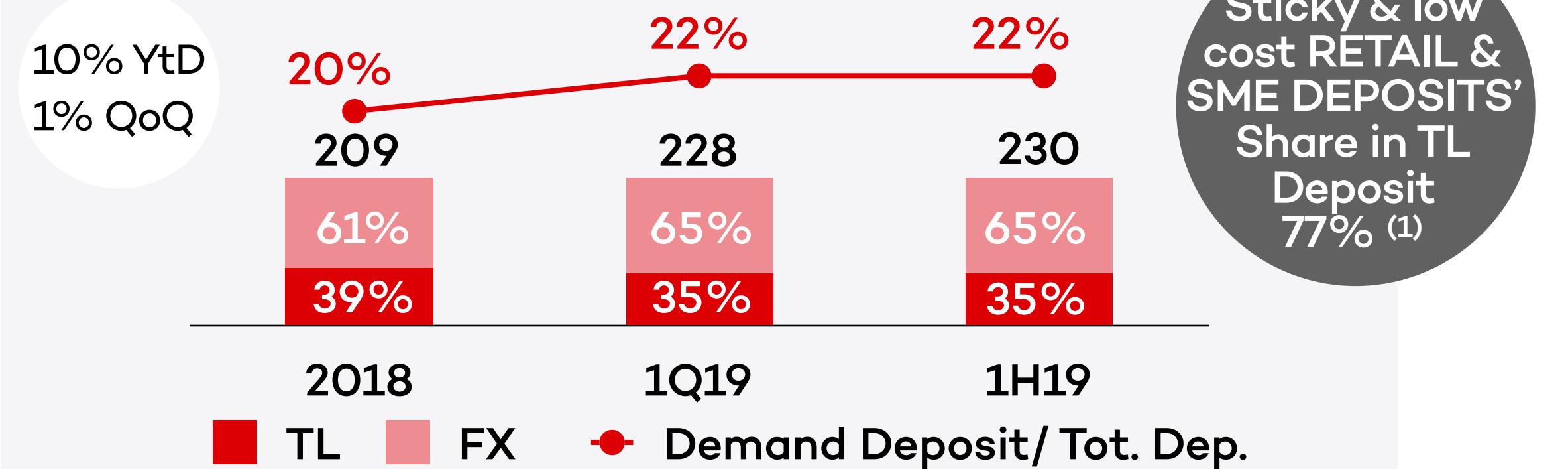
(1) MIS data

Disciplined funding mix

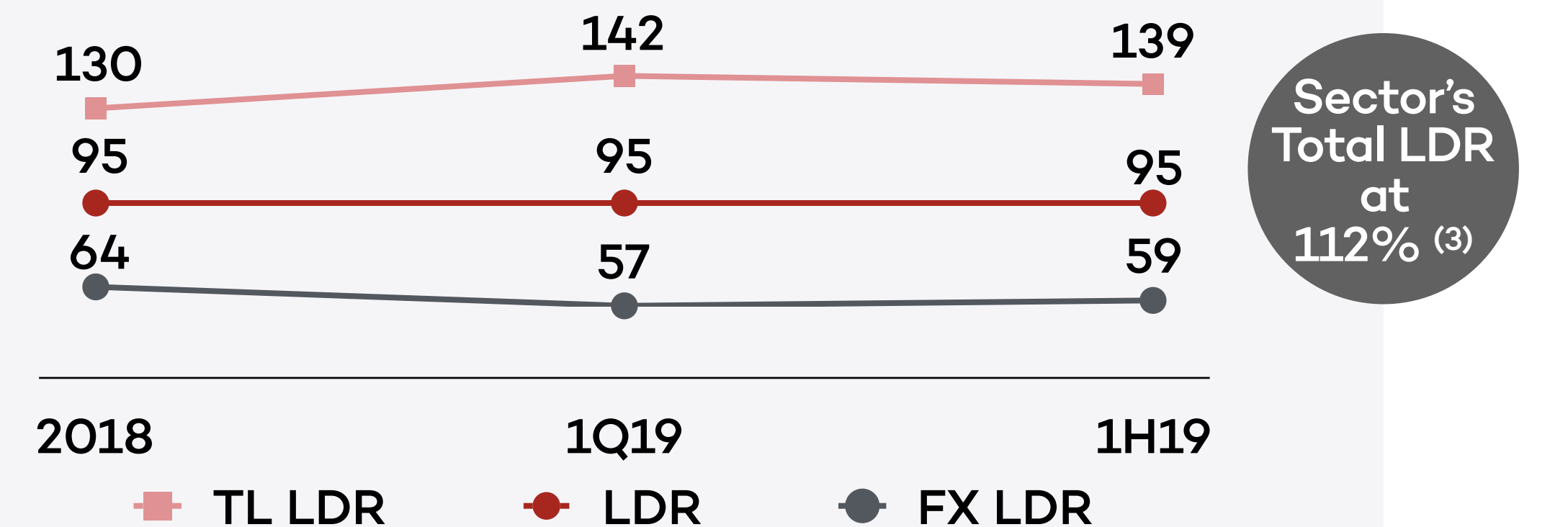
Composition of Liabilities (%)



Deposit Currency Split (TL bn)



LDR ⁽²⁾ (%)

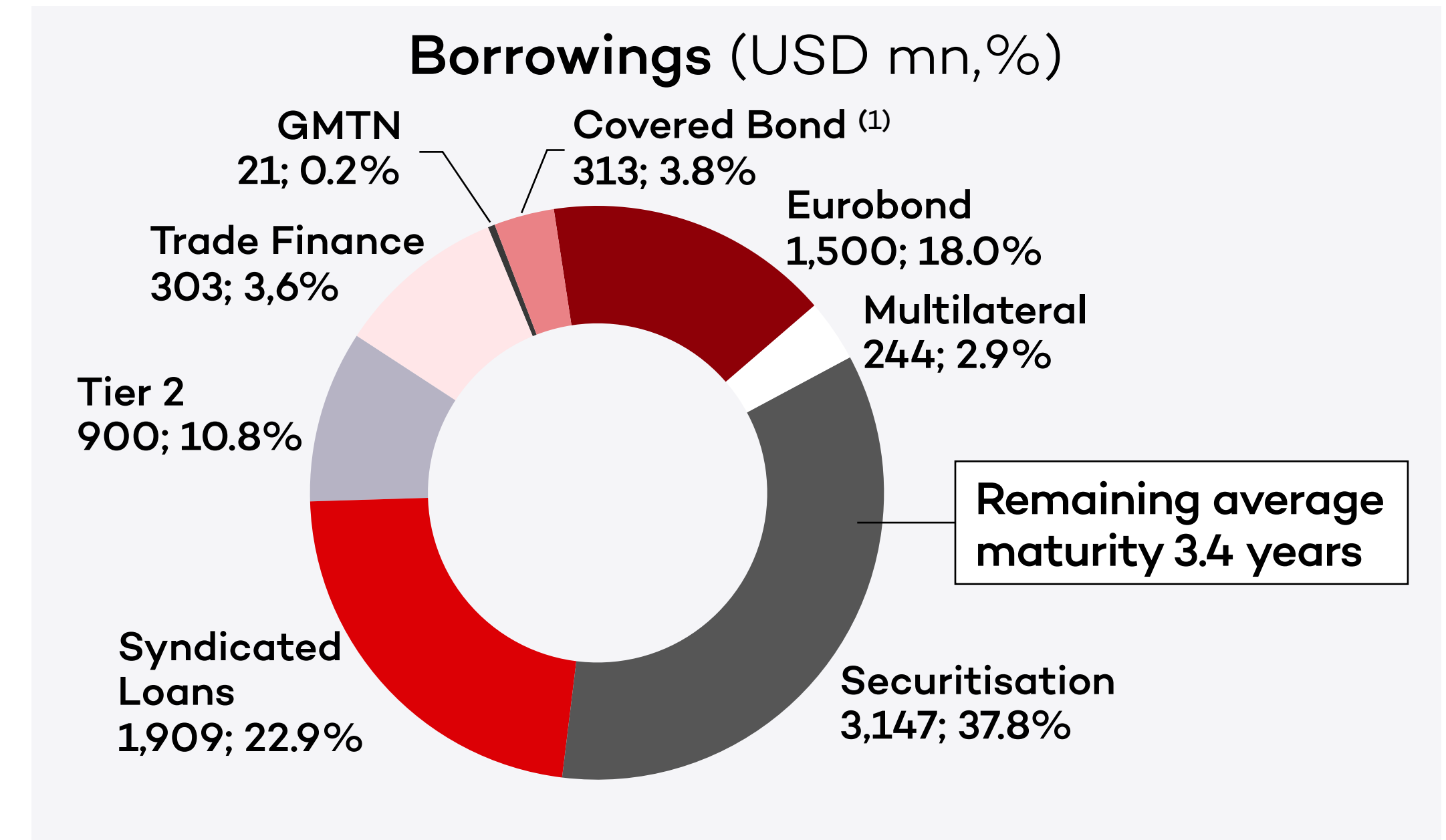
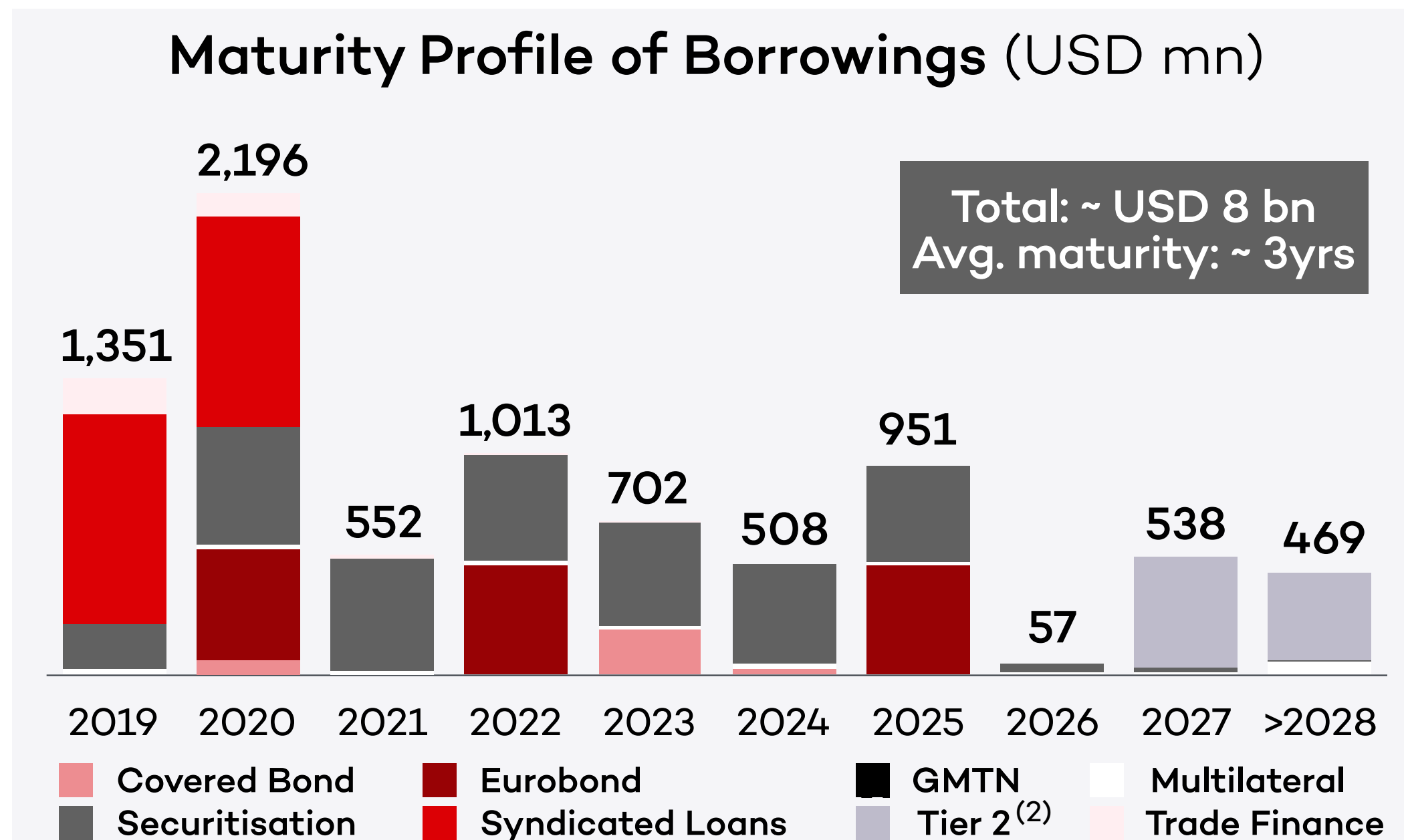


⁽¹⁾ MIS data

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

⁽³⁾ Based on BRSA weekly data dated June 28, 2019

Optimizing well-diversified borrowing mix



- ▶ We continue to optimize our wholesale funding which has been reduced to USD 8 bn (c. USD 11 bn in 2017 ; c. USD 10 bn in 2018)
- ▶ This reduction was mainly led by c. USD 2 bn decrease in short-term wholesale liabilities
- ▶ Successful roll-over of syndicated loan in 1Q19 with 1.6x over-subscription & 8 new lender banks
- ▶ No redemption in capital market instruments in 2019

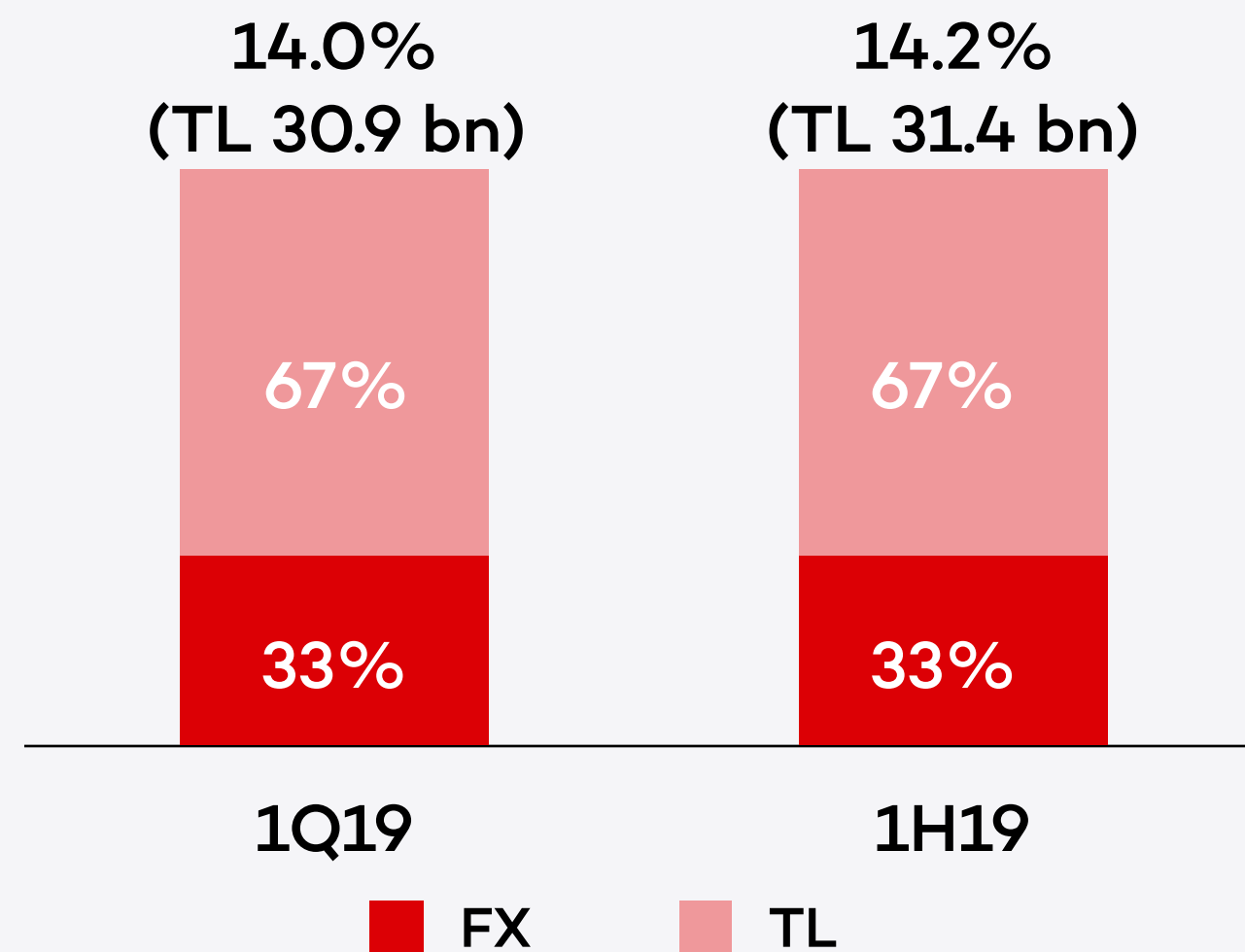
Balances based on outstanding principal and bank-only MIS data

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

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

Prudent IFRS 9 implementation

Stage 2 loans share



	<u>1Q19</u>	<u>1H19</u>
Stage 2 Coverage	10.1%	11.5%
Stage 3 Coverage	58.1%	59.2%
Total Provisions ⁽¹⁾ / NPL	101.3%	101.9%
Free Provisions	TL 650 mn	TL 650 mn

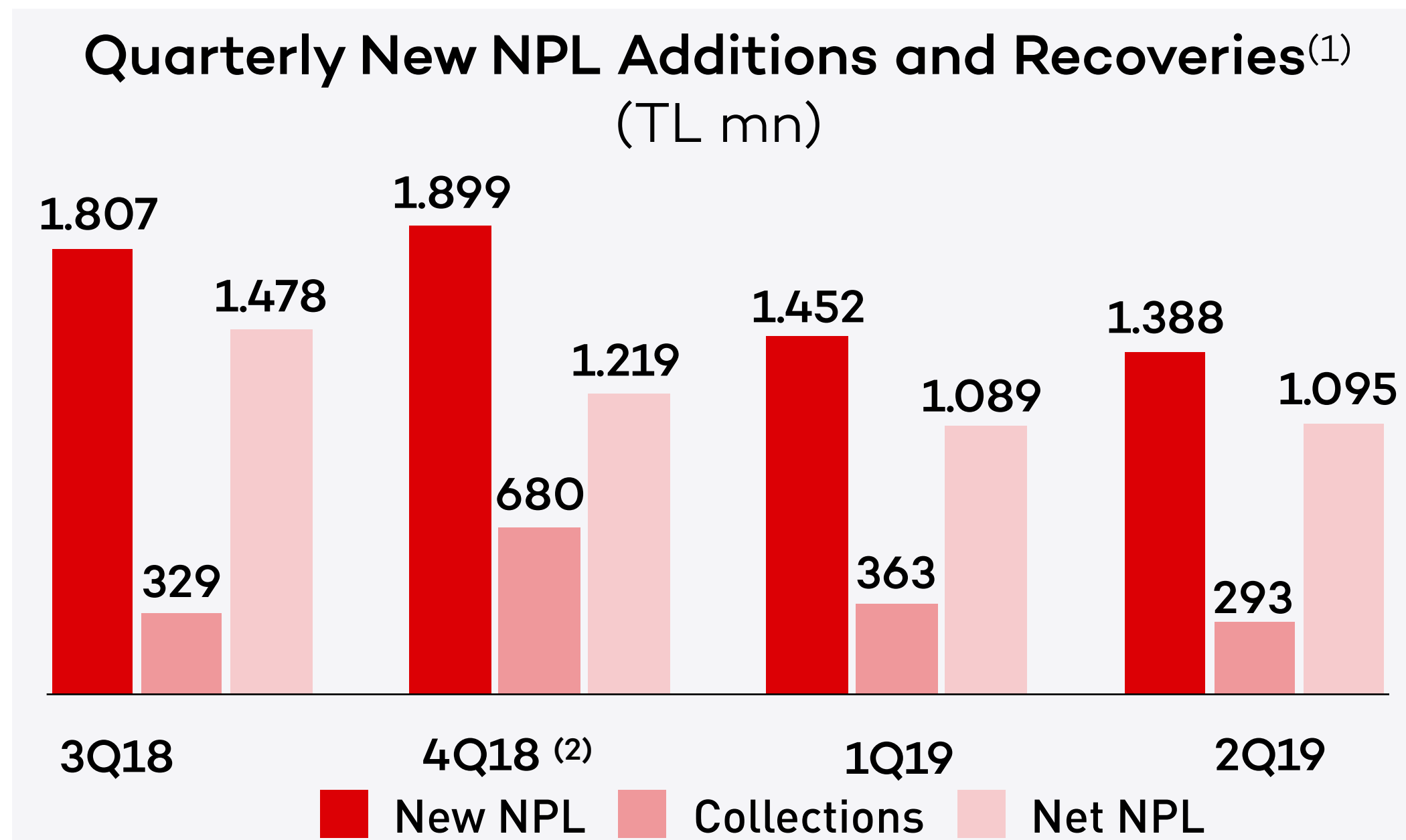
► All restructured loans (TL 19 bn) are followed under Stage 2

► Only 12% of Stage 2 loans are past due 30 days

► 73% of Stage 2 loans are non-delinquent

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

NPL prevails better than guidance



NPL Ratios by Segment (%)

	2018 ⁽³⁾	1Q19	1H19
Business	3.1	3.6	3.8
Consumer	4.1	4.7	5.2
Credit Cards	4.9	5.8	6.2
Total	3.6	4.1	4.5

2019B NPL < 6%

► 1H19 NPL inflows and collections were diversified among corporate, SME and retail

► QoQ lower collections were mostly due to less working days

⁽¹⁾ Bank-only

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

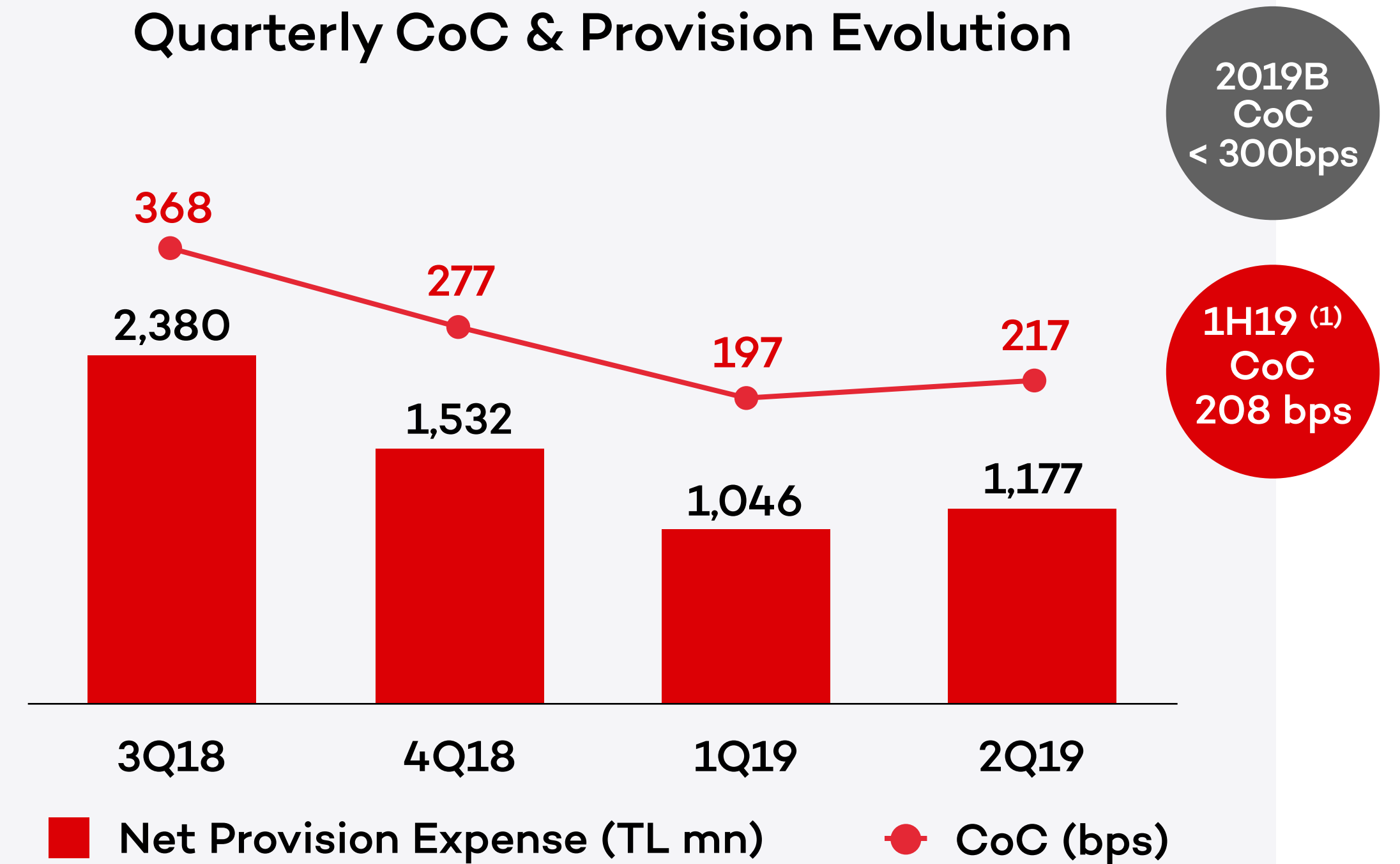
⁽³⁾ For comparability 2018 Loan figures exclude leasing receivables and adjusted for financial assets measured at fair value through P&L

CoC evolution remains better than guidance

1H19 CoC & Provision Breakdown (TL,mn)

Provisions	1Q19	1H19
Stage 1+2 (net)	334	749
Stage 3	799	1,674
Stage 3 Recoveries (-)	(176)	(300)
Currency Impact	89	100
Net CoC	1,046	2,223

Quarterly CoC & Provision Evolution

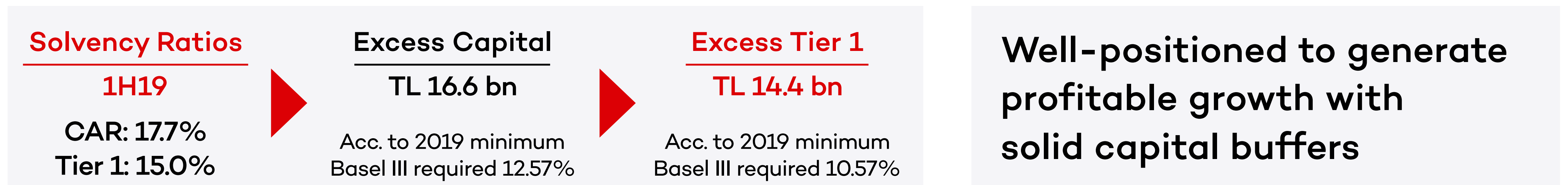
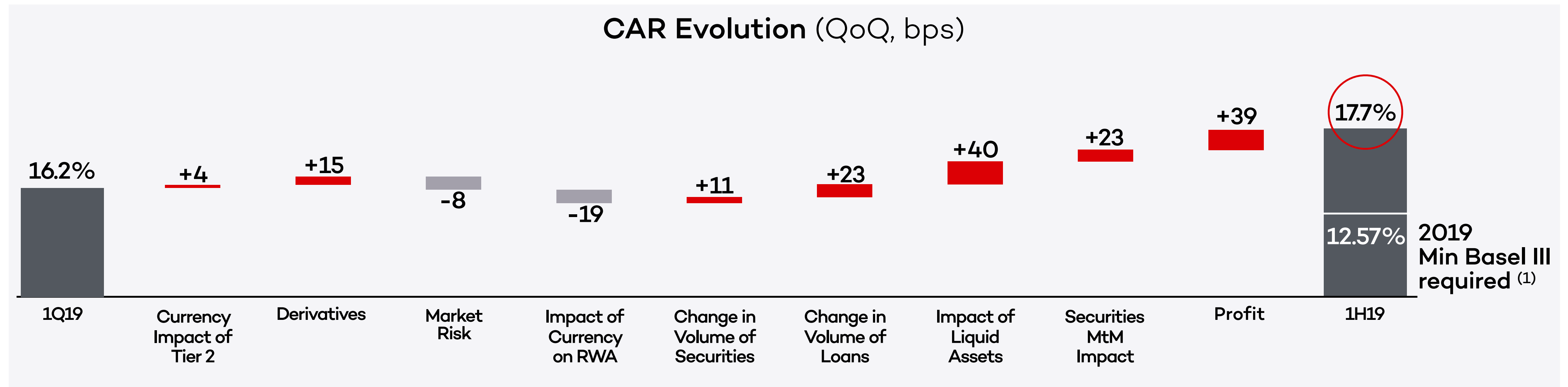


► No change in macro assumptions

► Will continue to apply prudent provisioning

⁽¹⁾ Excludes MtM adjustments for financial assets measured at fair value through P&L (negative c. TL 630 mn in 1H19 for LYY loan)

Further improving capital strength



⁽¹⁾ Including buffers (Capital Conservation Buffer: 2.50%, D-SIB Buffer: 2.00%, Countercyclical Capital Buffer: 0.07%)

1H19 Results on track with 2019 guidance

	1H19 Results	2019 Guidance
ROA	1.4%	≥1.4%
ROE	11.4%	≥12%
NIM (swap adj.)	3.9%	≥3.5%
Net fees&com. growth	38.4%	> 20%
Opex growth	22.7%	~CPI ⁽¹⁾
Cost/ income ⁽²⁾	33.8%	≤35%
CAR	17.7%	~16%
Tier 1	15.0%	~13.5%
LDR ⁽³⁾	95%	Max 105%
NPL	4.5%	<6%
Net total CoC	208 bps	< 300 bps

⁽¹⁾ Rolling CPI

⁽²⁾ CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions

⁽³⁾ Bank-only, adjusted for financial assets measured at fair value through P&L

Annex

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

Snapshot of Results

(TL mn)	1H18	2018	1Q19	2Q19	1H19	YoY	QoQ
Total Assets	368,216	354,682	386,009	375,827	375,827	2%	-3%
Loans (net) ⁽¹⁾	218,007	201,332	210,796	211,353	211,353	-3%	flat
Deposits	217,928	208,630	228,080	229,503	229,503	5%	1%
Net Profit	3,280	5,709	1,408	1,259	2,667	-19%	-11%
Net interest income	7,212	15,596	3,666	4,044	7,710	7%	10%
Net fee income	1,737	3,718	1,193	1,210	2,403	38%	1%
(%)							
ROE	15.9	13.6	12.3	10.4	11.4	-4.5	-1.9
ROA	1.9	1.6	1.5	1.3	1.4	-0.5	-0.2
Leverage	8.8x	8.1x	8.1x	7.6x	7.6x	-0.9	-0.5
NIM	4.36	4.62	4.42	4.66	4.56	0.2	0.2
NIM after swap	3.78	4.0	3.74	3.91	3.86	0.1	0.2
Cost to Income ⁽²⁾	32.5	32.3	33.4	34.2	33.8	1.3	0.7
CAR	15.5	16.8	16.2	17.7	17.7	2.2	1.5
Tier I	13.3	14.3	13.8	15.0	15.0	1.7	1.2

⁽¹⁾ For comparability, 2018 total loan figures exclude 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)			Shares (%)	
	2018	1H19	2018	1H19
Cash and Due from Banks	49,618	56,345	14.0	15.0
Securities	56,782	64,951	16.0	17.3
Loans (net) ⁽¹⁾	201,332	211,353	56.8	56.2
Other	46,950	43,178	13.2	11.5
Total Assets	354,682	375,827		
Deposits	208,630	229,503	58.8	61.1
Funds Borrowed and Bonds Issued	61,506	59,181	17.3	15.7
Repo	14,275	11,375	4.0	3.0
- TL Repo	3,918	910	1.1	0.2
- FX Repo	10,357	10,465	2.9	2.8
Other	26,484	26,427	7.6	7.1
Equity	43,787	49,341	12.3	13.1
Total Liabilities and S/H Equity	354,682	375,827		

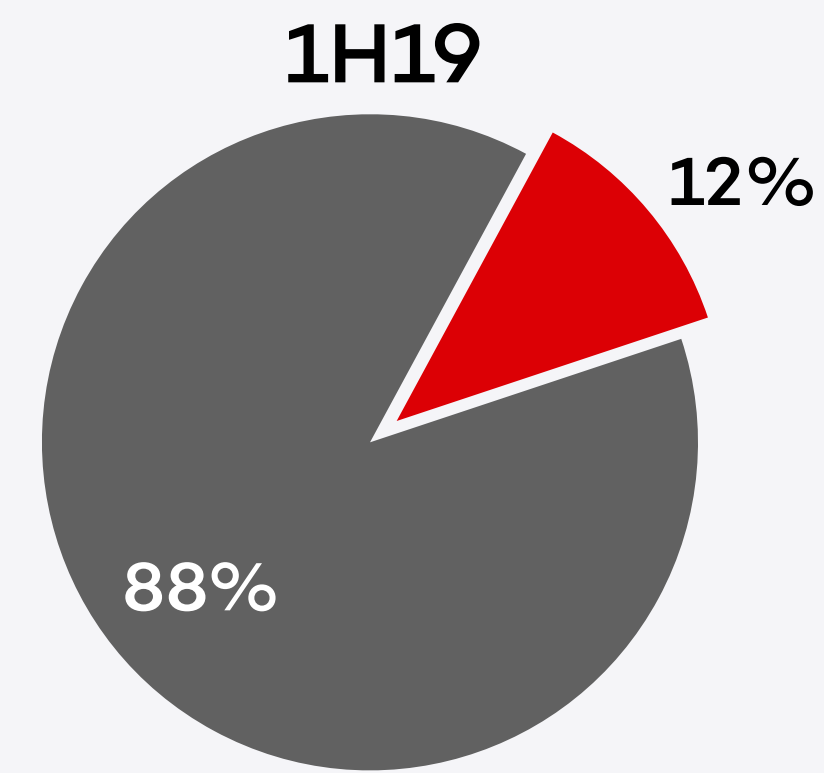
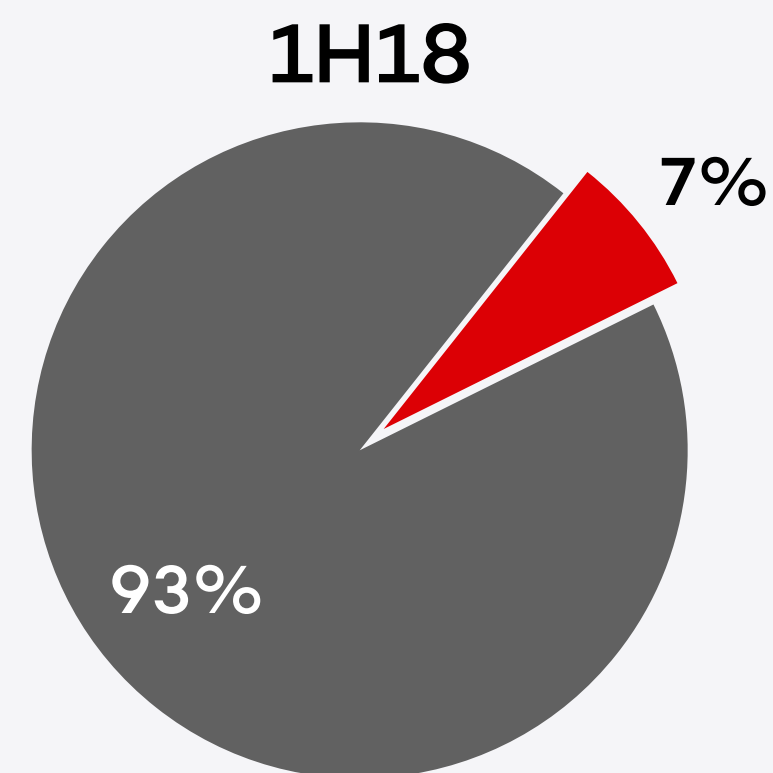
⁽¹⁾ For comparability, 2018 total loan figure excludes leasing receivables and adjusted for financial assets measured at fair value through P&L

Income Statement Highlights

Consolidated (TL mn)	1H18	1H19	Change (%)
Interest Income	15,203	18,724	23.2
Interest Expense	(7,992)	(11,014)	37.8
Net Interest Income	7,212	7,710	6.9
Trading Gain (Loss)	(272)	(198)	-27.3
- Securities	(10)	79	-
- Other	(263)	(277)	5.4
Provision for Loan Losses, net of collections	(2,034)	(2,223)	9.3
Fees and Commissions (Net)	1,737	2,403	38.4
Operating Expense	(2,743)	(3,368)	22.8
Other Income	328	92	-
Other Provisions ⁽¹⁾	(66)	(961)	-
Income Before Tax	4,162	3,456	(17.0)
Tax	(882)	(789)	(10.6)
Net Income	3,280	2,667	(18.7)

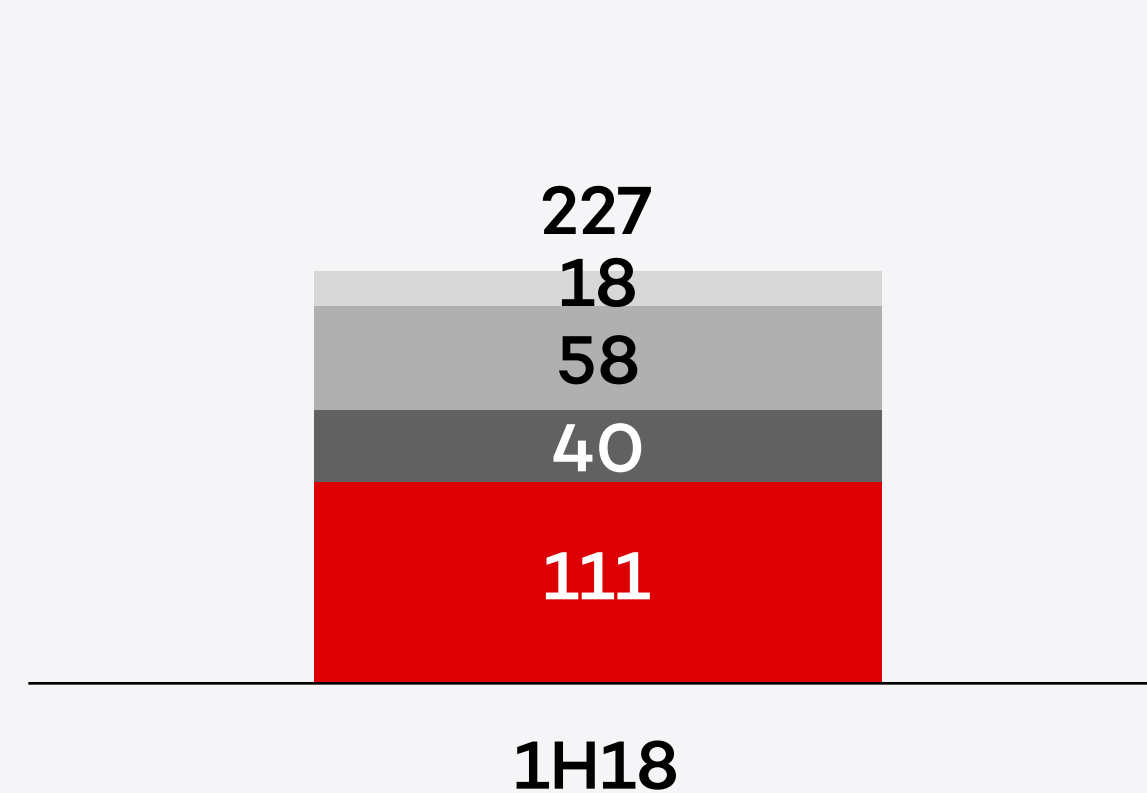
⁽¹⁾ 1H19 figure includes c. TL 630 mn MtM adjustment for LYY and TL 100 mn free provision

Solid contribution from subsidiaries

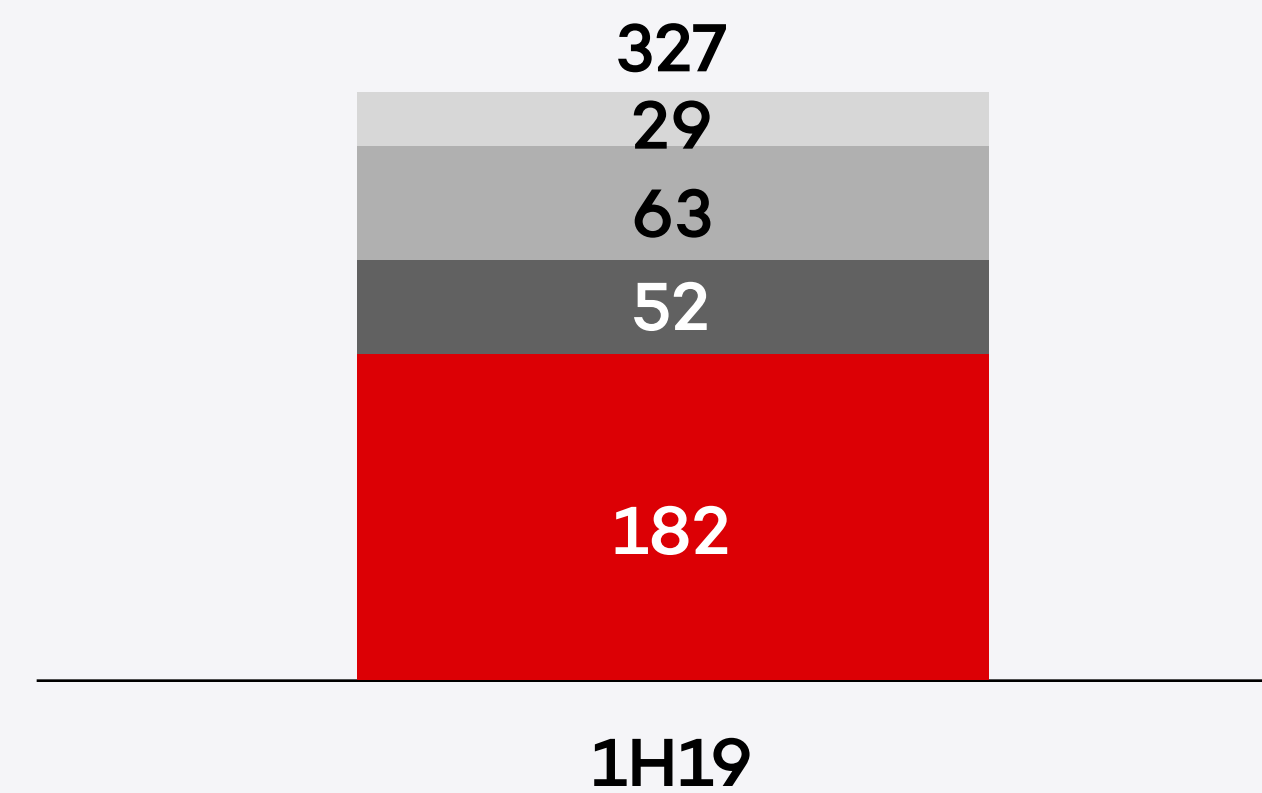


● Bank-only net income
● Subsidiaries' Contribution

Subsidiaries' Net Income (TL mn)



▲
44%



■ Ak Asset Management
■ Ak Investment
■ Ak Lease
■ Akbank AG

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