

3Q18

Consolidated

Financial Results

24 October 2018

AKBANK

9M18: Focus on liquidity, asset quality and sustainable profitability

9M18 ROE of 15.0% with NI at TL 4,688 mn

Strong core operating income despite high provisioning & foreseen trading losses

Healthy solvency ratios* in a challenging environment: CAR 14.2%, Tier 1 11.8%

Optimizing RWA by deleveraging of loan book & reducing FX securities portfolio along with solid internal capital generation

Prudent IFRS 9 modelling

c.25% of Stage 2 loans are result of IFRS 9 quantitative staging rules (not past due 30 days) & Total Provisions**/ NPL at 135%

Total LDR* at 93% & FX LDR*** at 68%**

Well-built and disciplined funding structure with ample FX liquidity to serve ~2yr of wholesale funding

NIM kept at 3.8% as of 9M18 despite low lending pace

Low maturity mismatch and CPI at 17% leaving further buffer for 4Q18

Best-in-class operational efficiency with 31.7% CIR and low opex base

94% of all transactions take place via direct channels
Competitive advantage in higher inflation backdrop

* Not adjusted according to latest BRSA forbearance rules

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

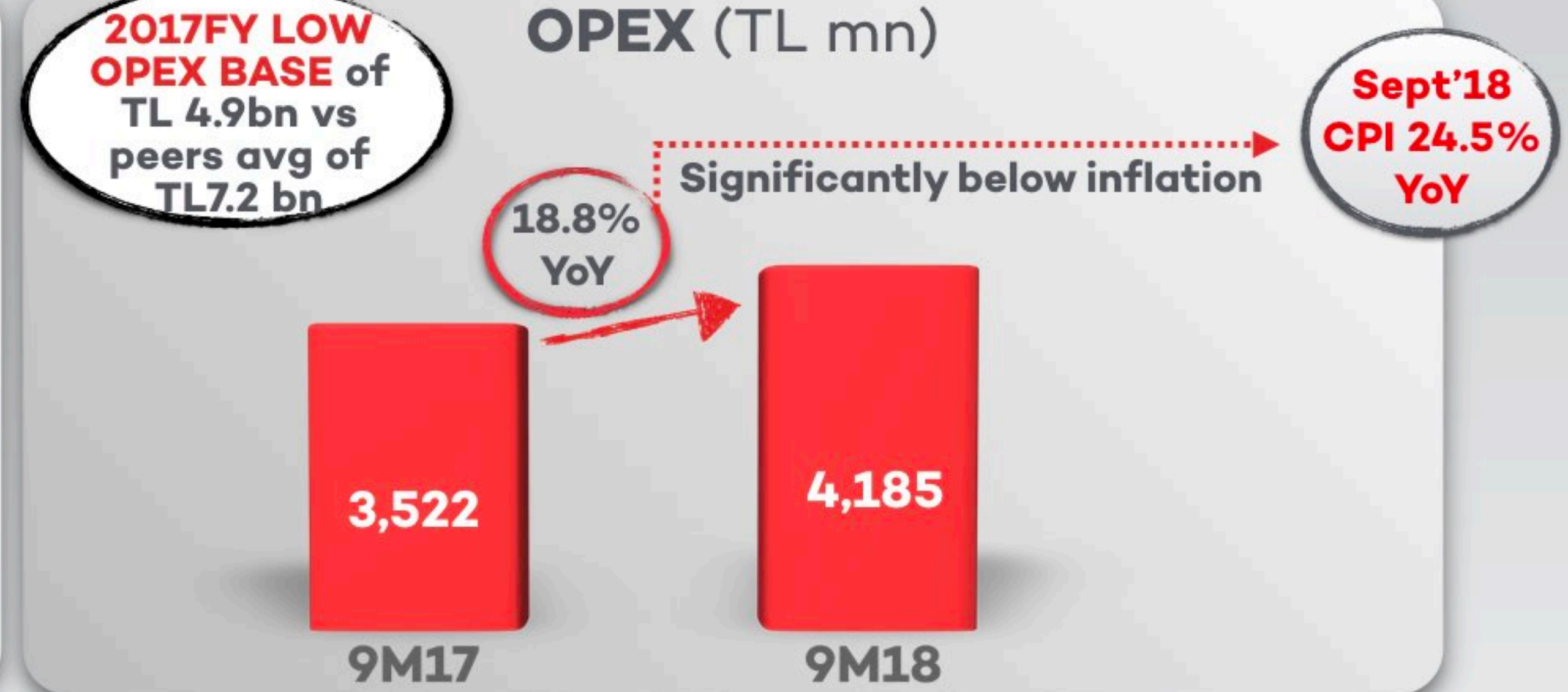
*** Bank-only

Robust core operating performance

Revenue (TL bn)



OPEX (TL mn)



Net Income (TL mn)

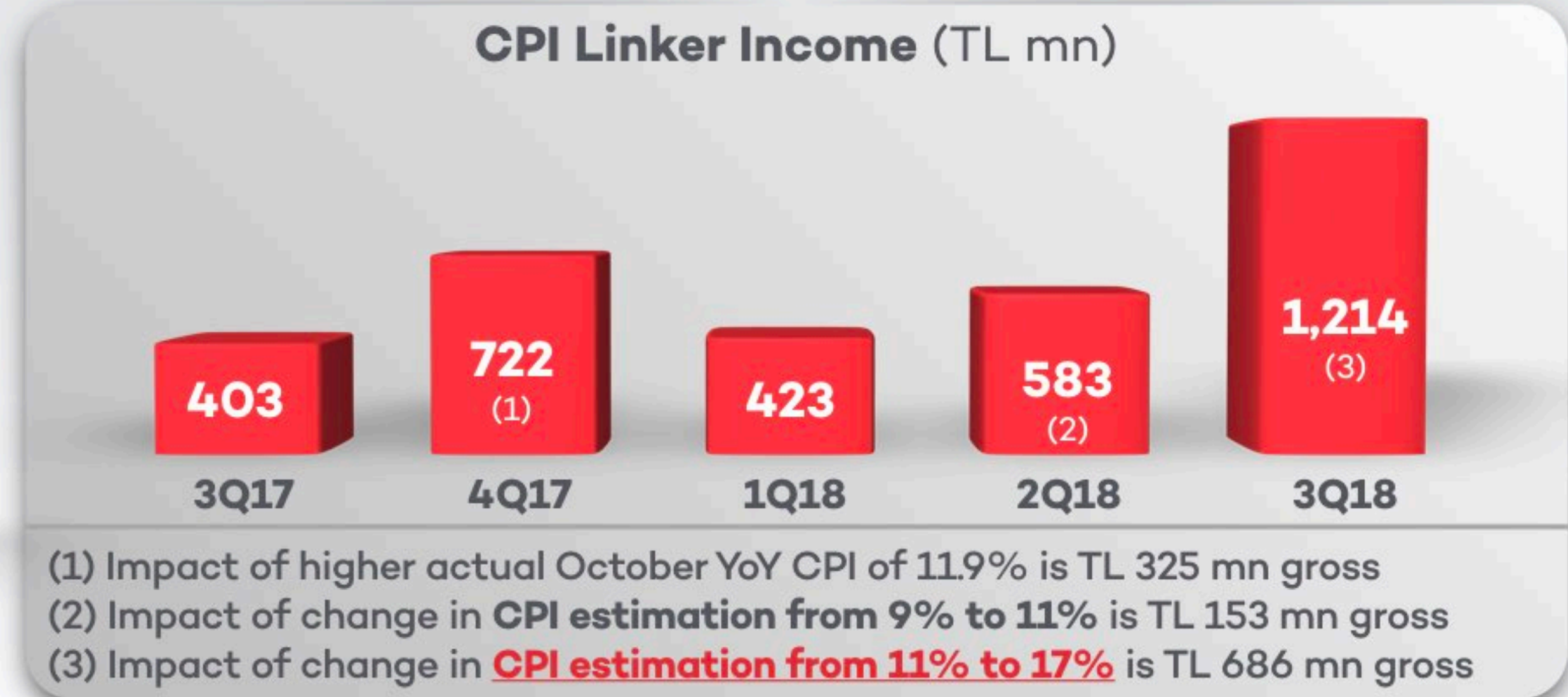
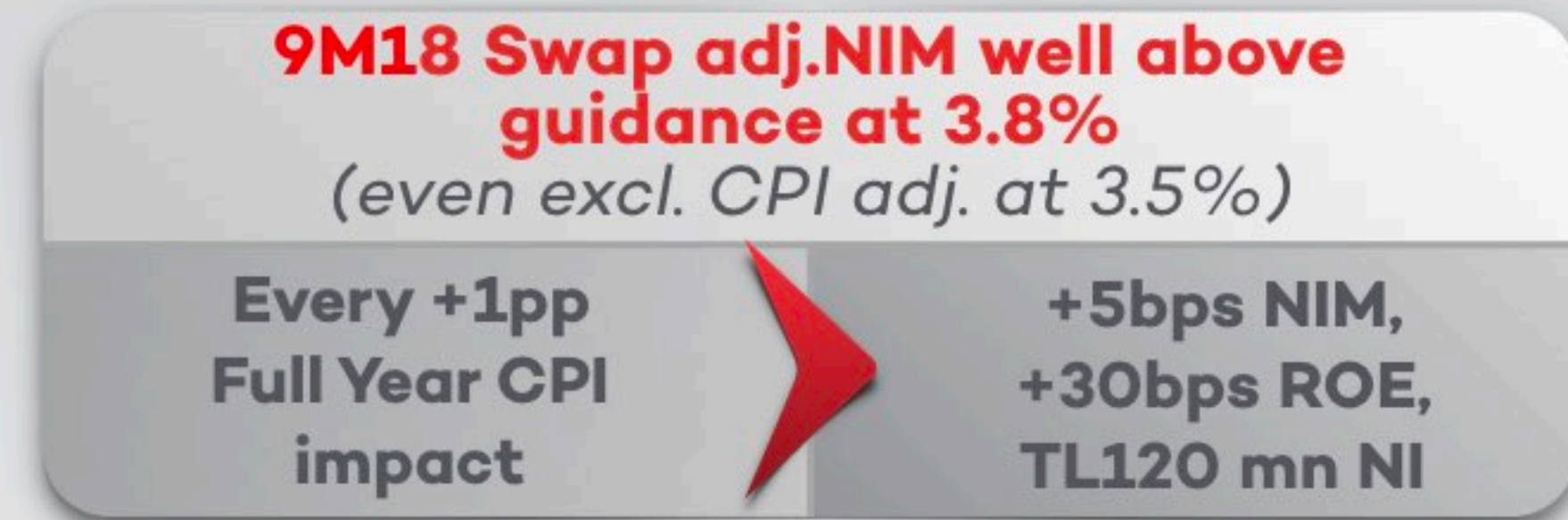
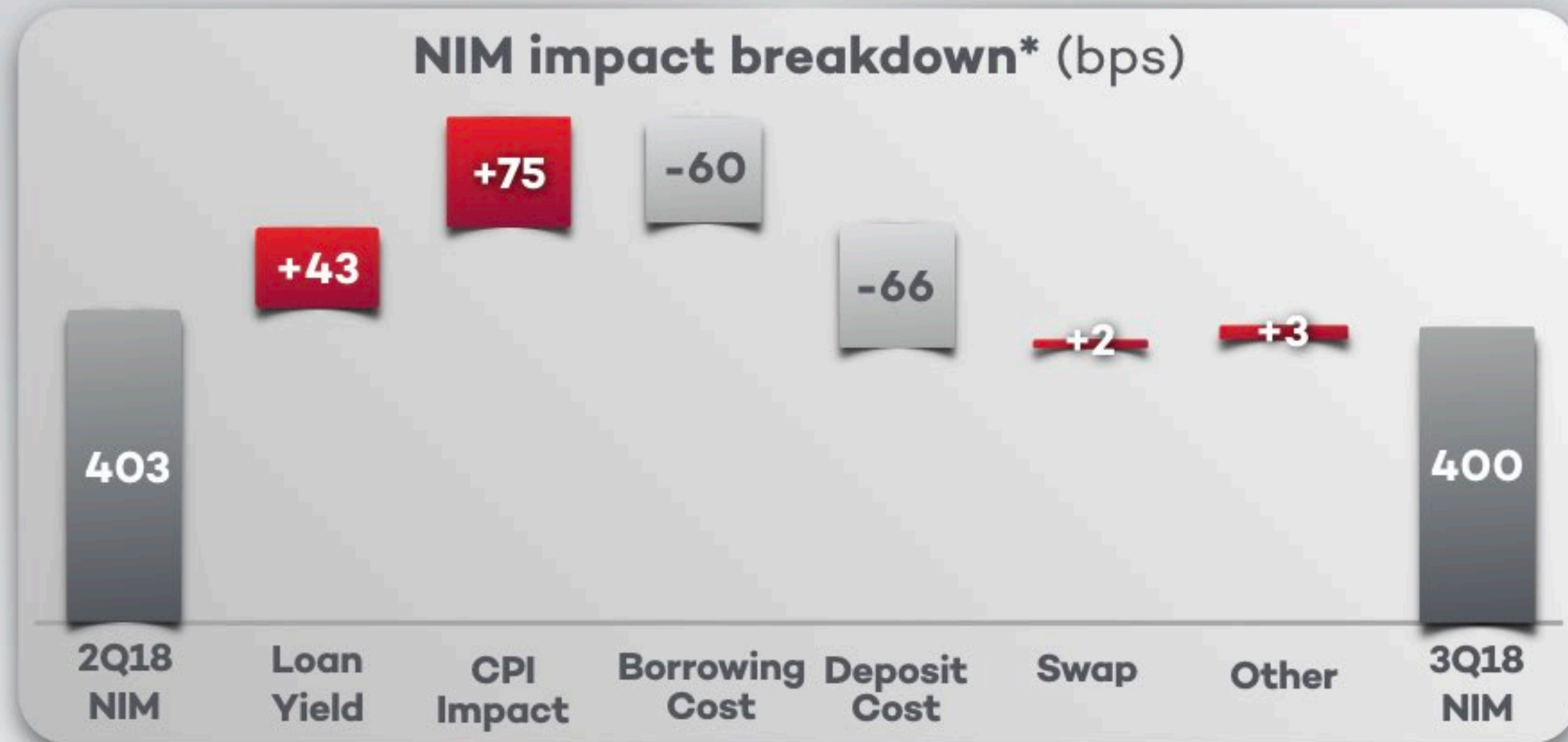


Cost to Income* (%)



* 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, CPI-linkers remain as buffer



* Other impact mainly consists of banking receivables.

Strong fee generation continues thanks to diversification

Net Fees & Comm. (TL mn)



► **Payment Systems** commissions **+33% YoY**

Strong performance in both acquiring & issuing

► **Business Loans**

Strong performance in **non-cash loan fees +45% YoY**

► **Insurance**

Strong cooperation with our partners AvivaSA & Aksigorta
Effective organizational focus within the Bank

► **Wealth Management** fees **+46% YoY**

Strong cooperation with our subsidiaries AkYatırım & AkPortföy
Leveraging our digital platform & consolidated organization

► **Direct Banking**

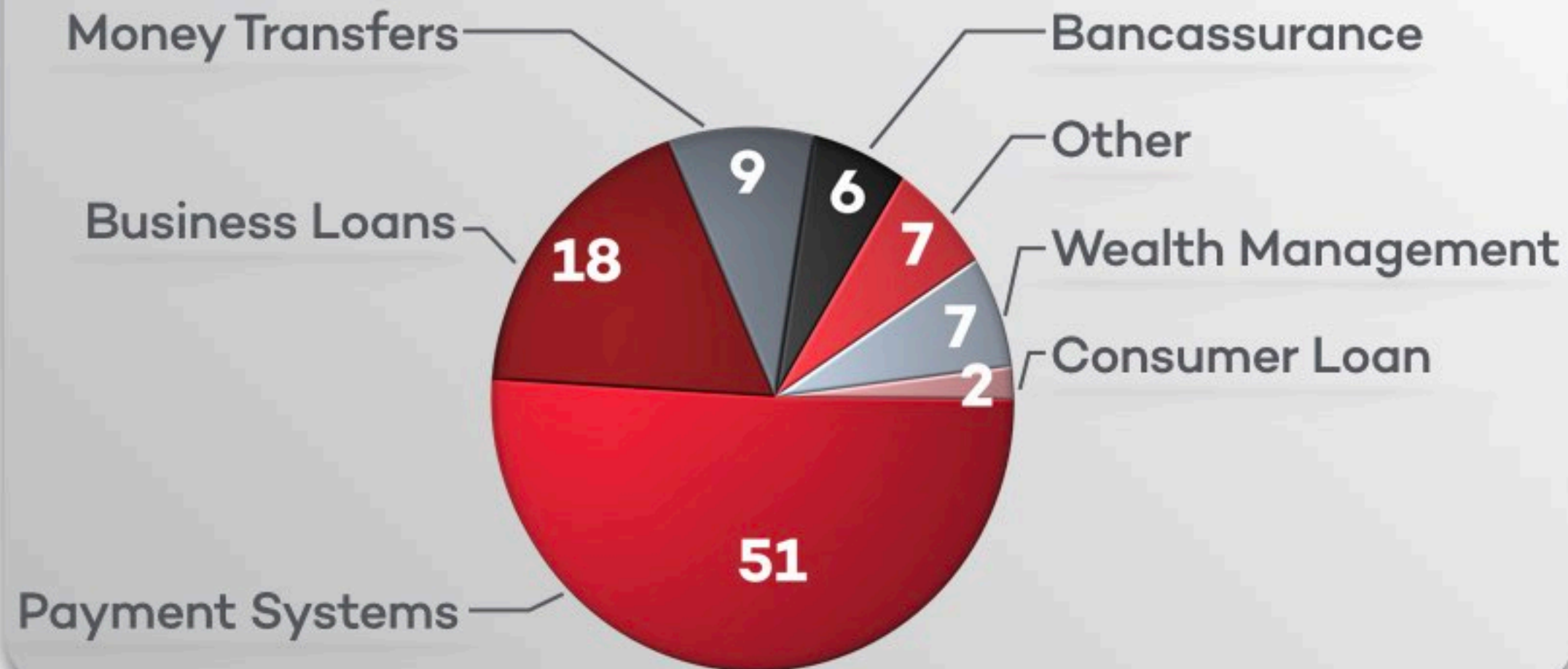
Direct banking customers at 4.5 mn (+20% YoY)

Share in non-credit linked fees* at **51%**

69% of GPLs and **55% of credit cards** were sold through direct channels

Share of mobile in GPLs increased from **31% in 9M17** to **48% in 9M18**

Fees & Commissions by product (%)



* Based on bank-only MIS data

Customer experience differentiated by zero based design



New Branch Model: Initial Results*

**162 branches
transformed &
operational as of 9M18**

**Migration of cash
transactions to
E-tellers
47%**

Product Sales

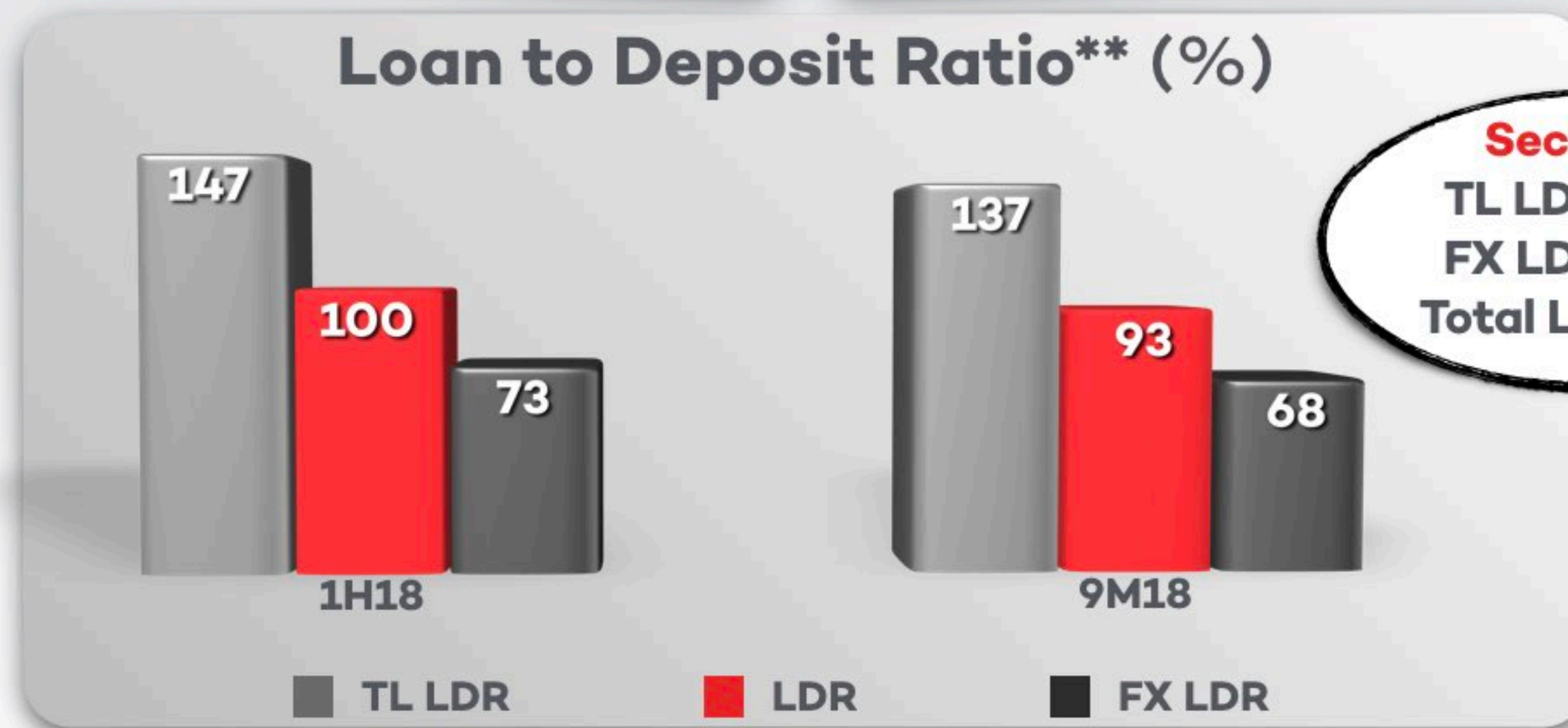
**↑
+25% yoy**

Income Generation

**↑
+30% yoy**

*Based on performance of branches operating with the new model at least 1 months.

Balance Sheet Optimization (focus on liquidity and asset quality)



TL Maturity mismatch improves
from 3 months in 2Q18 to **c.2 months**

ZERO FX
maturity mismatch

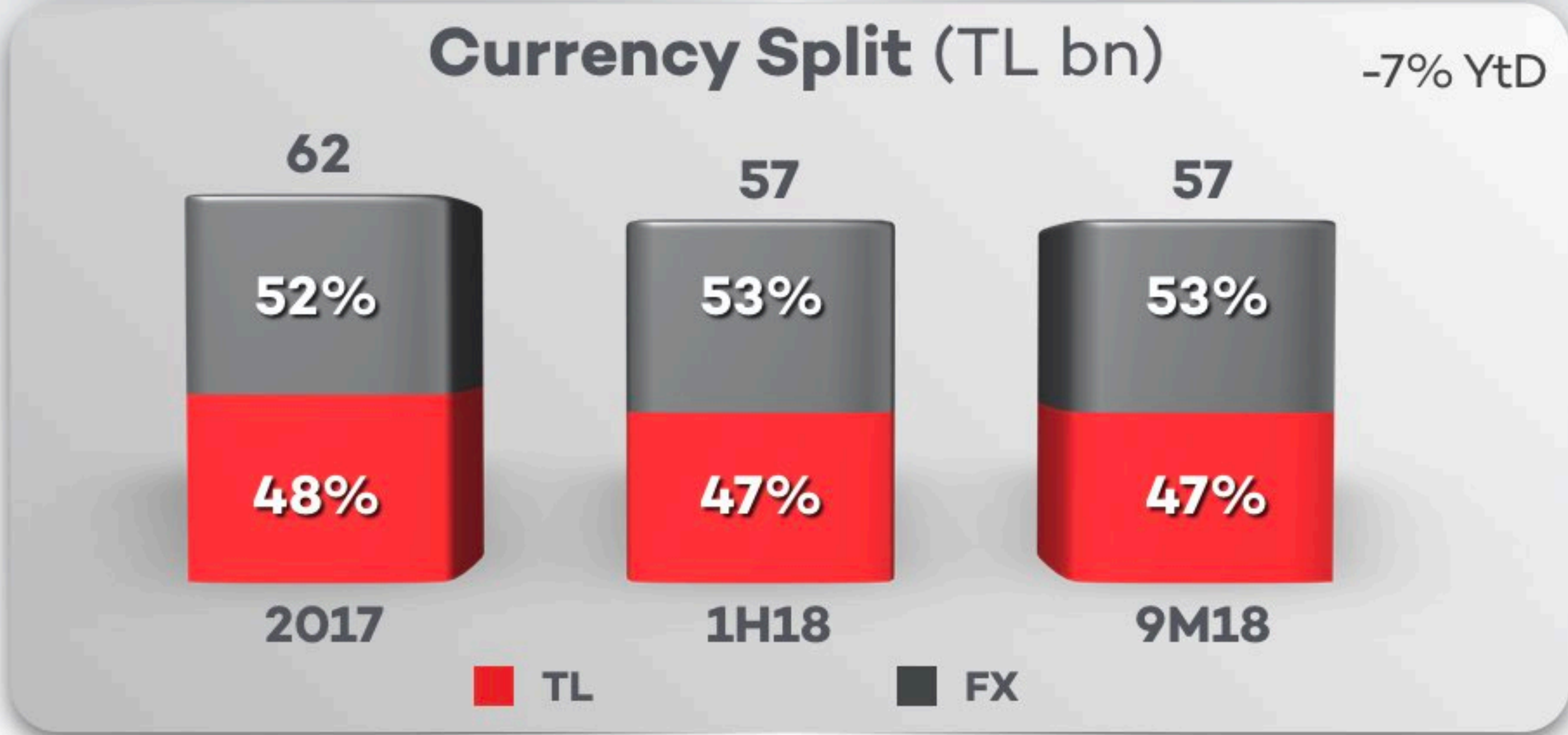
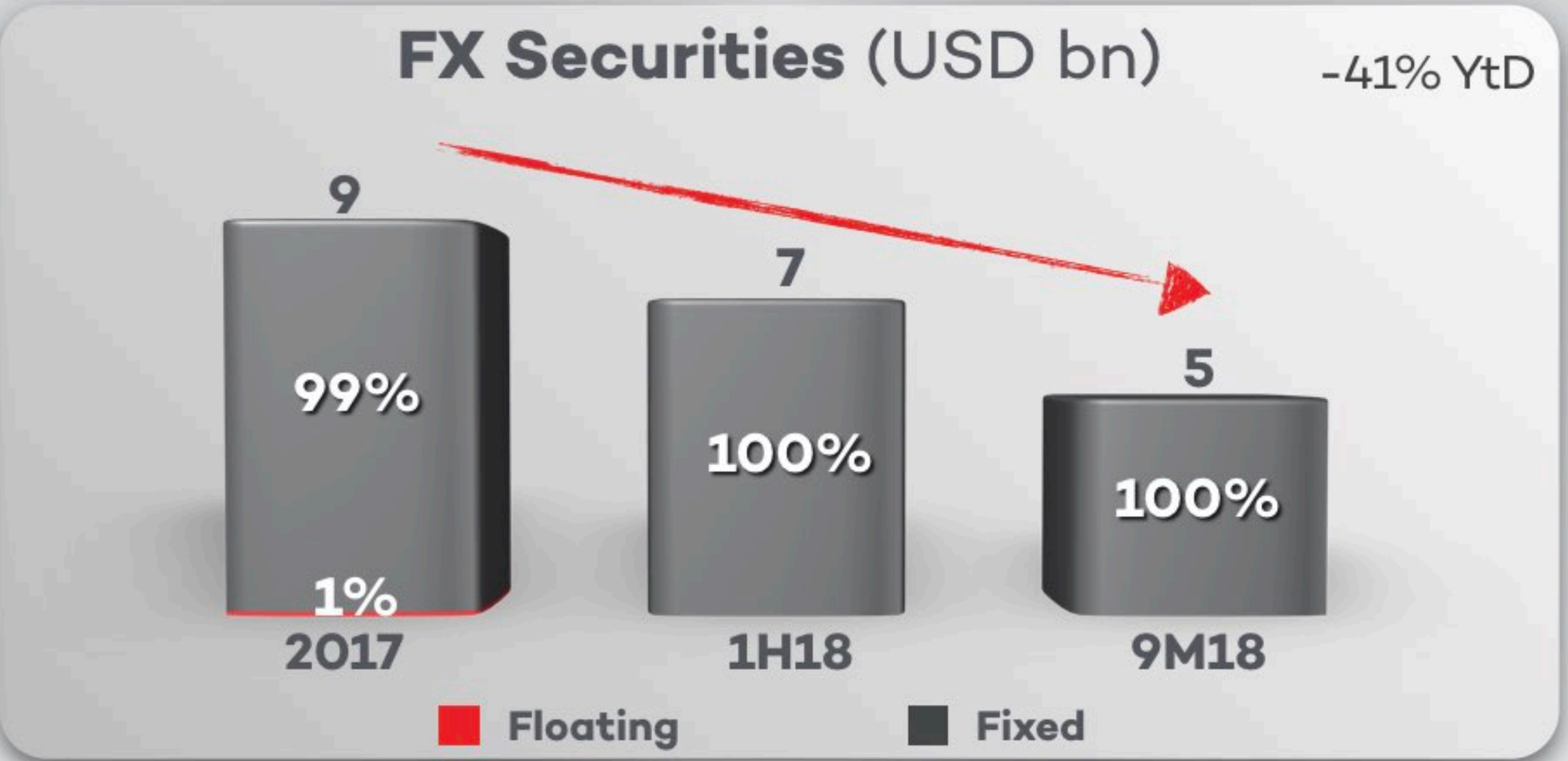
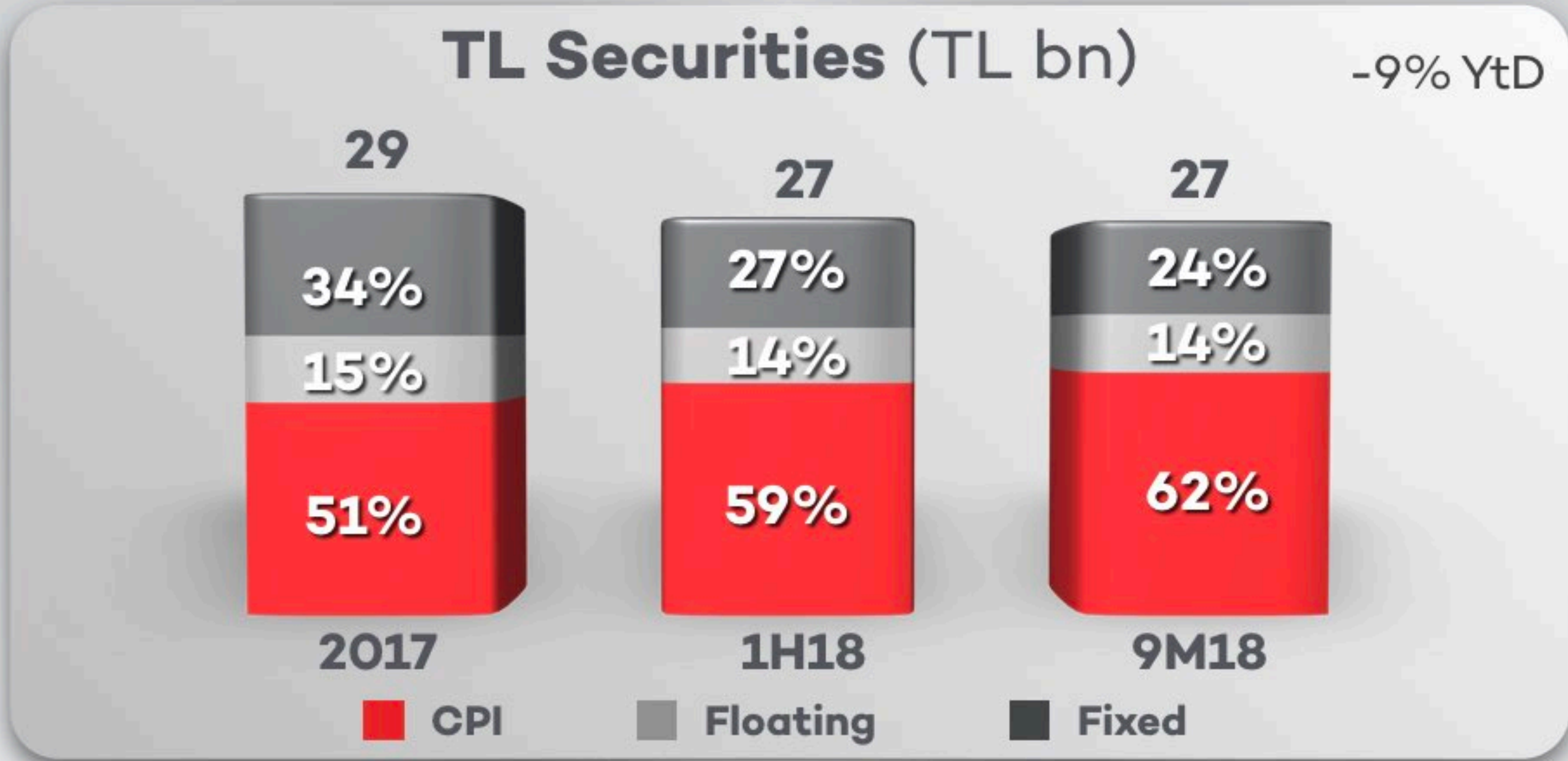
Sector's***
TL LDR: 142%
FX LDR: 101%
Total LDR: 117%

* Cash and cash equivalents

** Bank-only

*** Based on bank-only BRSA weekly data September 28, 2018

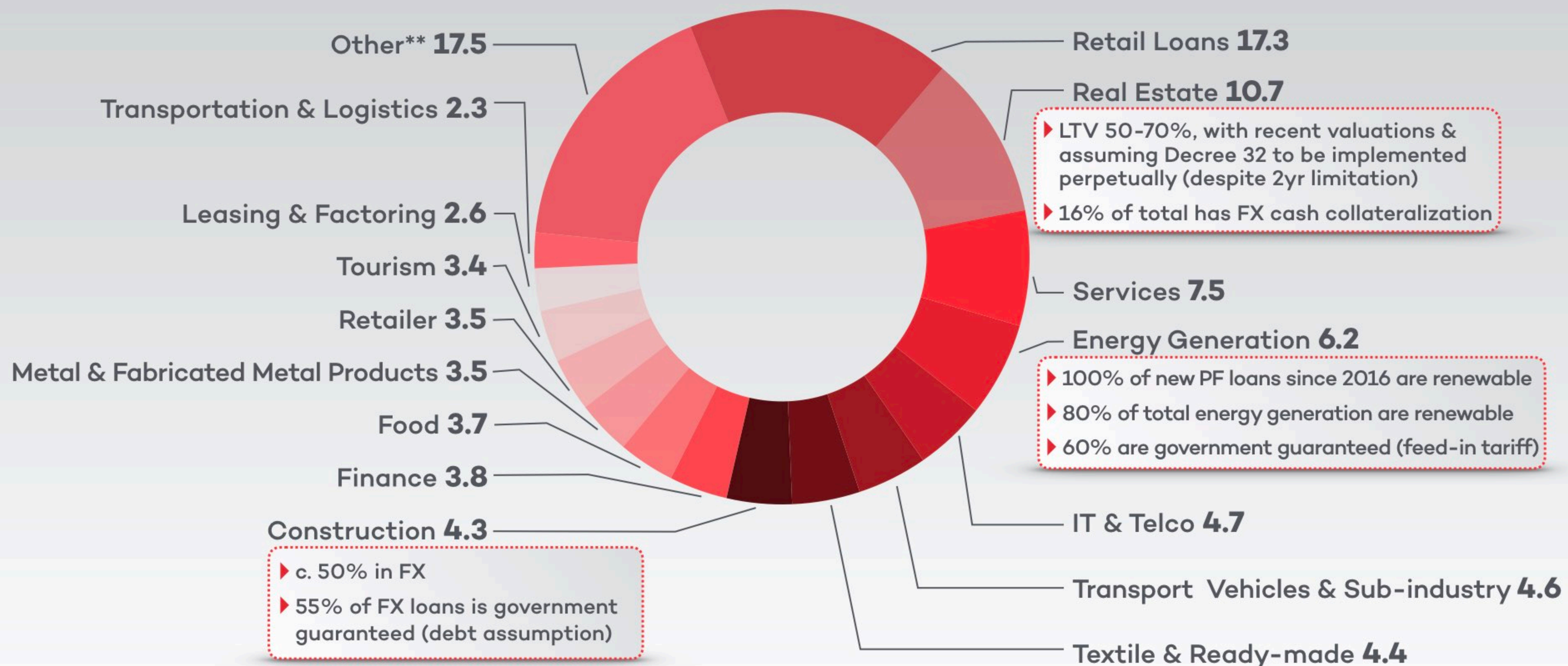
Optimization of Securities Portfolio



Impact of Lower Volume of Securities
+28 bps QoQ on CAR

Balanced Loan Portfolio*

(% of Total Gross Loans)



* Consists of consolidated performing and non-performing loans

** Loan concentration below 2%

Prudent and sound lending strategy

(TL bn)	9M17	2017	9M18	YtD (%)	YoY (%)	% of Total
TL Loans	123.8	131.4	124.5	(5)	1	52
Business Banking	80.0	86.4	80.1	(7)	0	33
Corporate	22.5	26.3	25.7	(2)	14	11
Commercial	40.5	42.6	39.7	(7)	(2)	17
Other Business	17.0	17.5	14.7	(16)	(14)	6
Leasing Receivables	1.6	1.5	1.4	(8)	(12)	1
Retail	42.2	43.6	43.0	(1)	2	18
Consumer	30.9	32.1	30.8	(4)	0	13
- GPL	17.2	18.6	19.2	3	12	8
- Mortgage	13.4	13.2	11.4	(14)	(15)	5
- Auto	0.3	0.3	0.2	-	-	0
Credit Cards	11.3	11.5	12.2	6	8	5
(USD bn)						
FX Loans*	22.0	22.4	19.4	(13)	(12)	48
Corporate	13.4	13.0	11.1	(15)	(17)	28
Commercial	7.5	8.2	7.4	(10)	(1)	18
Leasing Receivables	1.2	1.2	0.9	(23)	(24)	2
Total Loans*** (TL bn)	195.5	212.7	238.6	12	22	

8.5%
market
share** in
TL Loans

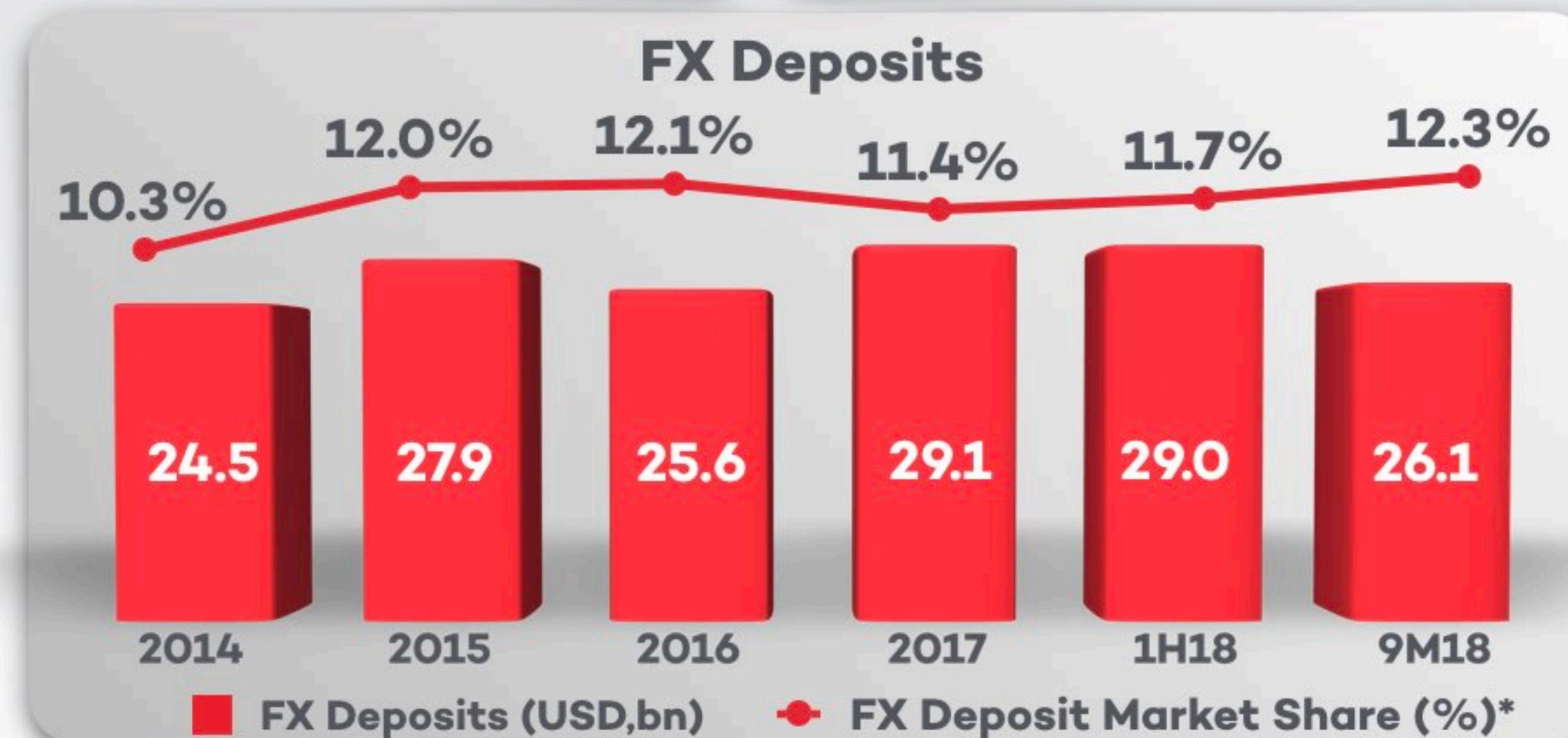
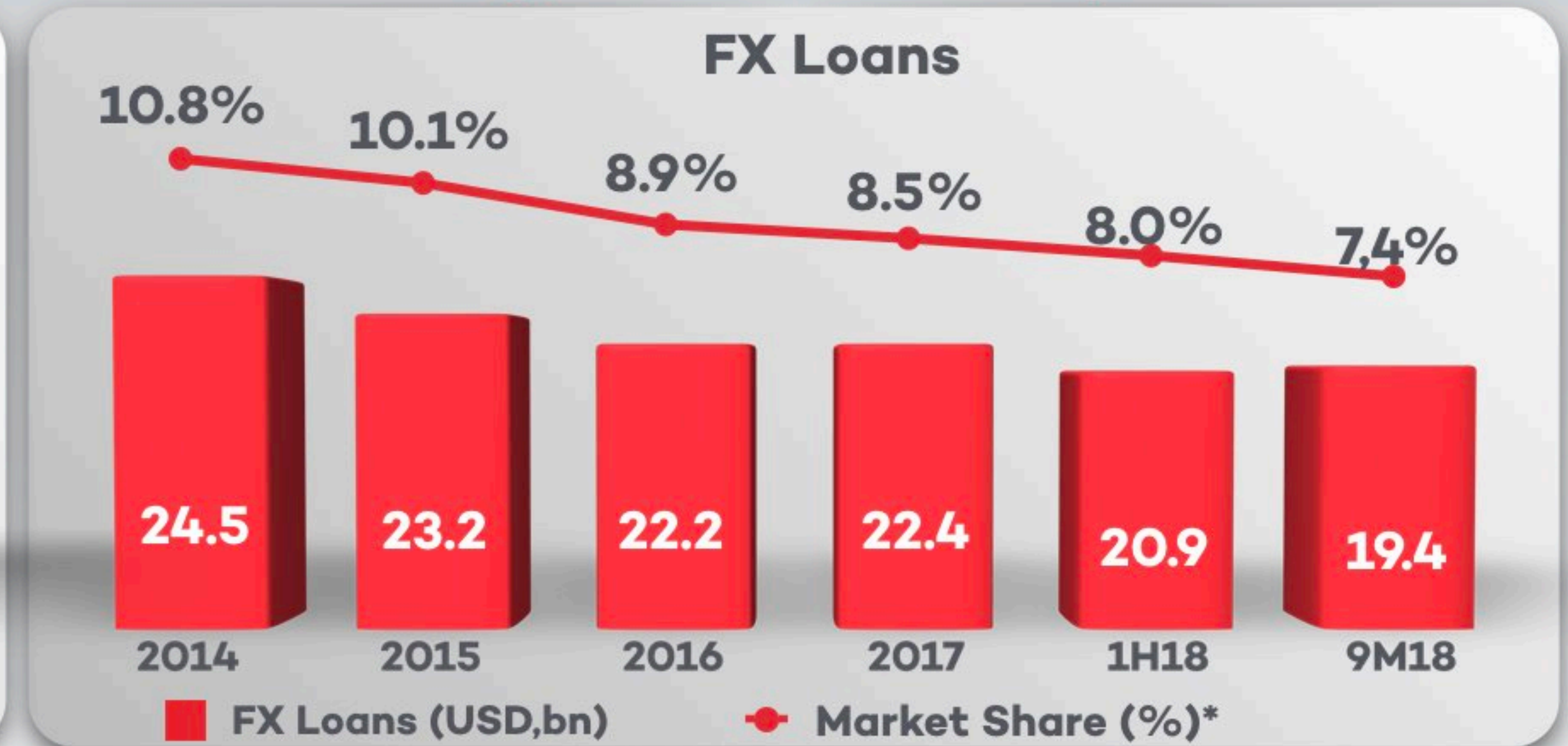
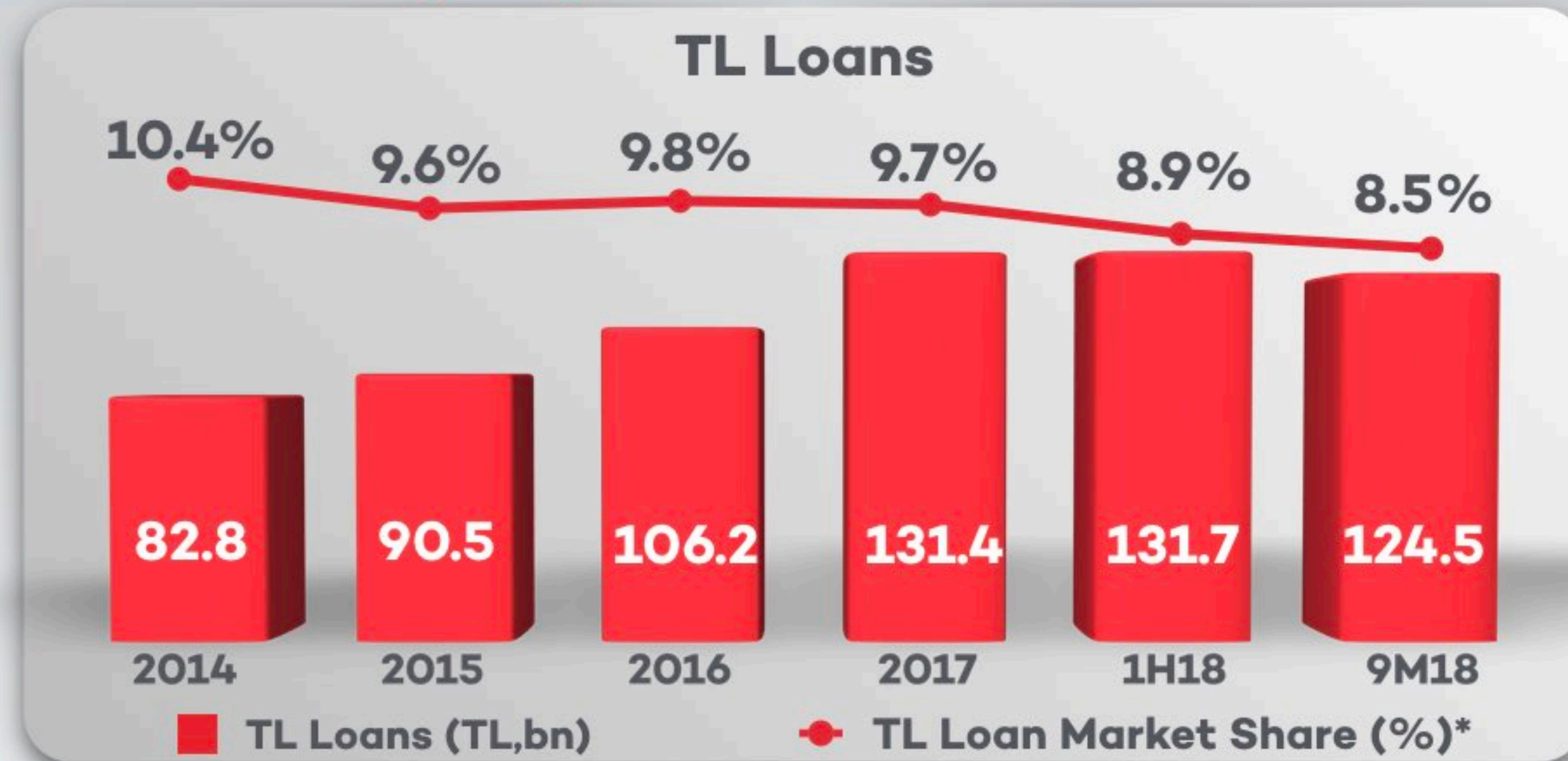
7.4%
market
share** in
FX Loans

* FX indexed loans are shown under FX loans

** Based on BRSA weekly data as of September 28, 2018

*** For comparability, 2017 Total Loans figures have been adjusted with General Reserves of the related period. 9M18 includes NPL and Loan Loss Allowances. 10

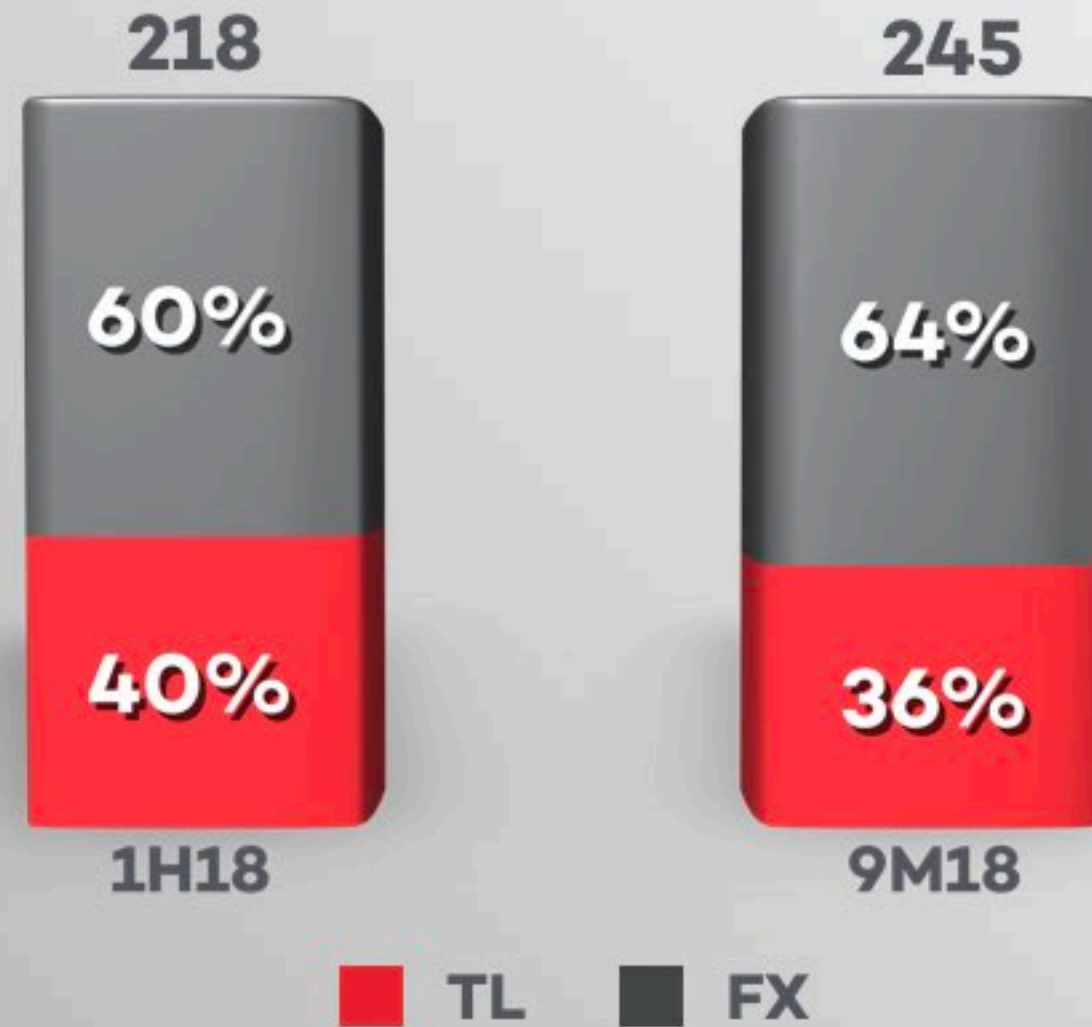
Deleveraging the loan book while maintaining solid FX deposit base



* Market Shares are based on bank-only data

Well diversified funding mix

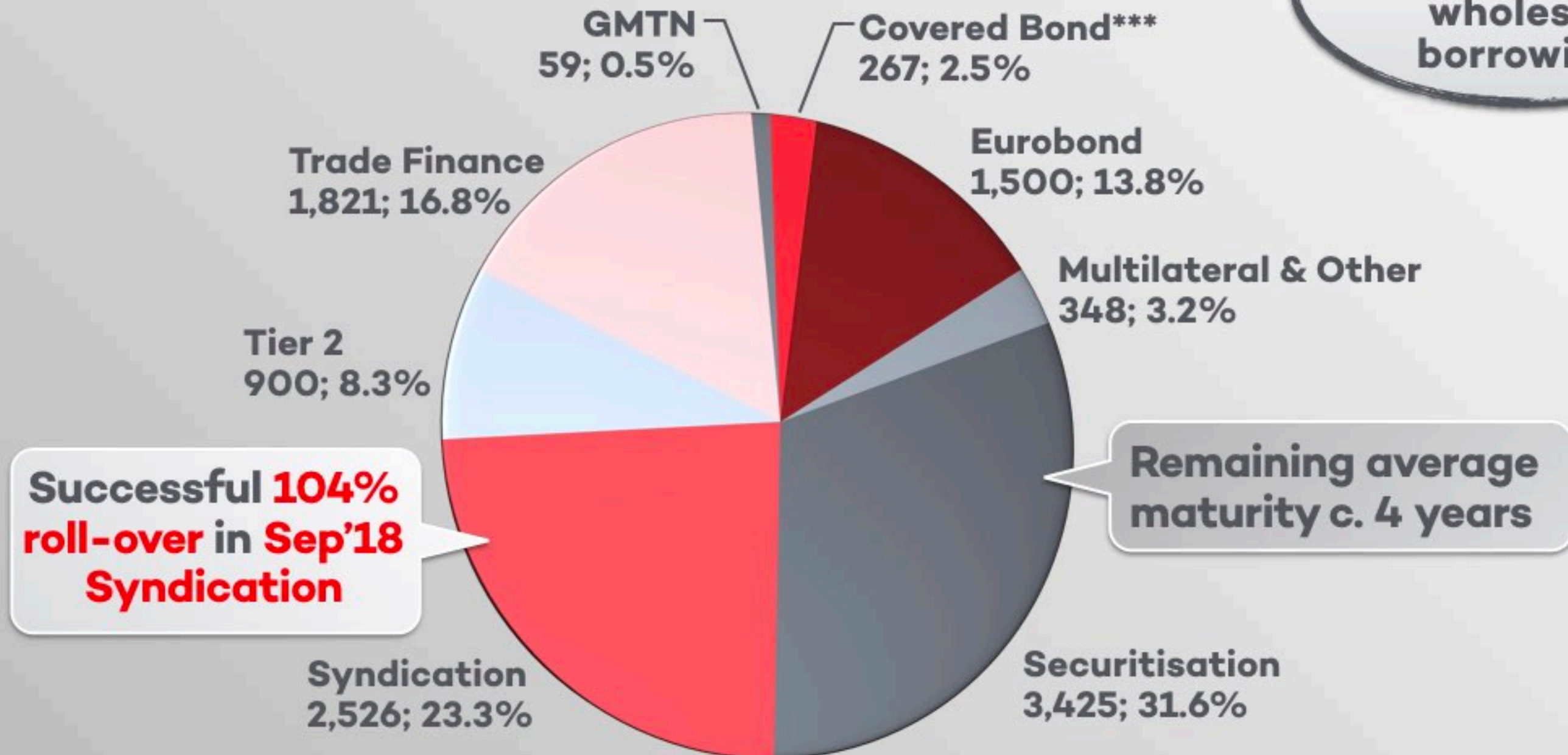
Deposit Currency Split (TL bn)



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

Deposit (% Change)	QoQ	YtD
TL	2.6	-4.2
FX (in USD)	-9.8	-10.0
Total	12.4	21.6

Borrowings (USD mn, %)**



Successful 104% roll-over in Sep'18 Syndication

Remaining average maturity c. 4 years

Ample liquidity to fund 2 yrs of wholesale borrowings

Borrowings	2013	2018
Amount	USD 11bn	USD 11bn
Avg Maturity	1.6 yrs	>3 yrs

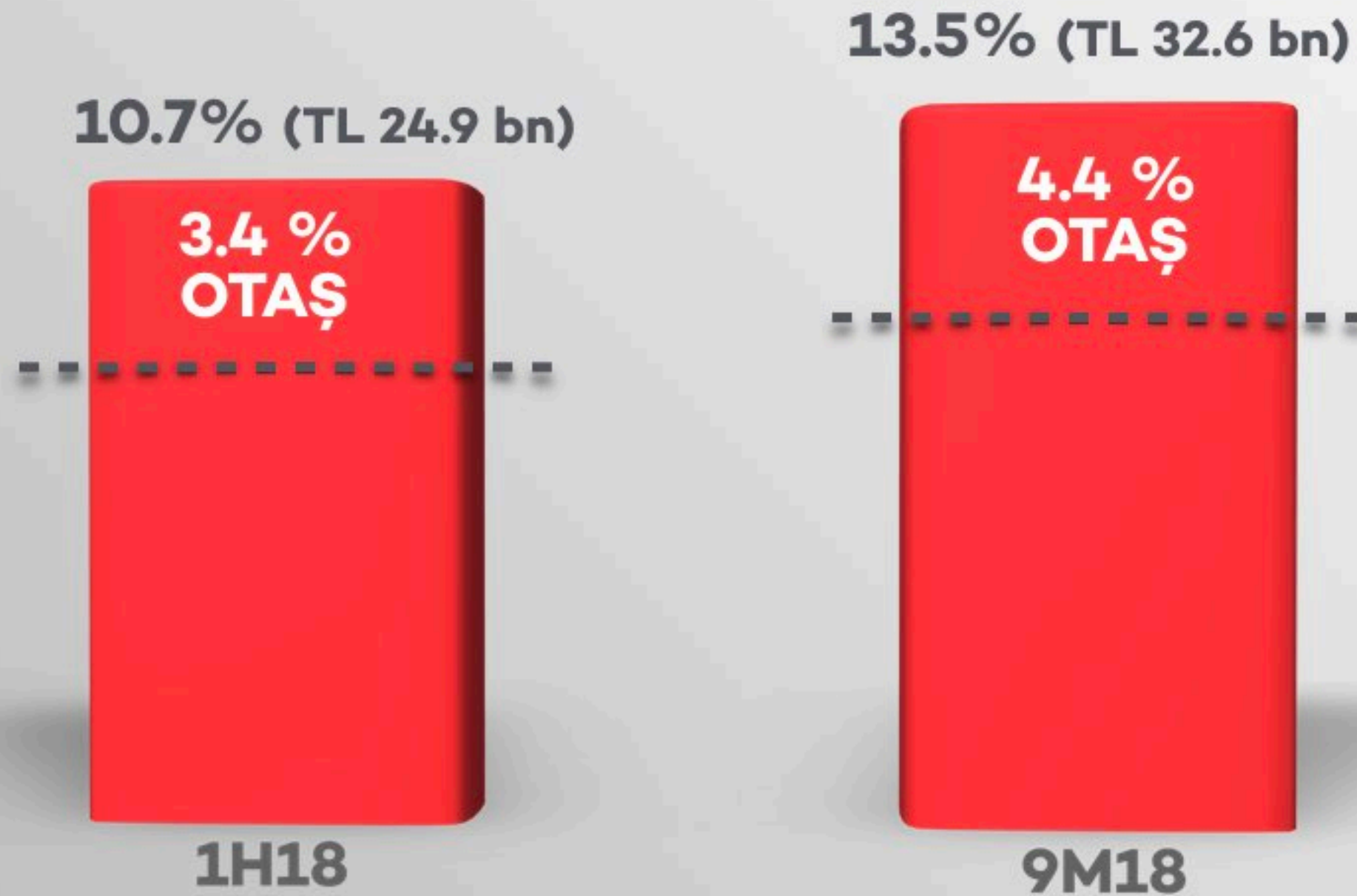
* Based on MIS data

** Bank-only, unpaid principal balance

*** USD equivalent of TL 1.6 bn Covered Bond issuance

Retained High Coverage in Stage 2 Loans

Stage 2 loans share



c.25% of Stage 2 loans are a result of IFRS 9 quantitative staging rules, which are not past due 30 days

Stage 3 coverage : **57.9%**
 Stage 2 coverage : **15.9%**
 Total Provisions* / NPL : **135%**
 Free Provisions : **TL 450m**

Avg. peer's total provision coverage at 117.1% & Stage 2 coverage at 10.2%**

NPL Ratios by Segment (%)

	1H18	9M18
Business	2.1	2.5
Consumer	3.4	3.9
Credit Cards	5.5	5.6
Total	2.6	3.1

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

** Based on 1H18 financials

CoR impacted by Currency Depreciation and Macro Parameters Update

Total CoR Breakdown (9M18)

Increase in
OTAS
coverage

22bps

+

Currency
impact

72bps

+

Macro
Parameters
Update

26bps

+

Other stage 1&2
provisioning

48bps

+

Stage 3
provisioning

78bps

=

246bps

▶ **No bottom line impact**
▶ 100% offset by long
USD position

▶ **Prudent IFRS 9
modelling approach**

P&L impact of Provisioning (9M18, TLmn)

Stage 1&2

2,861

+

Stage 3

1,785

=

Provision Recovery*

462

+

Other**

296

=

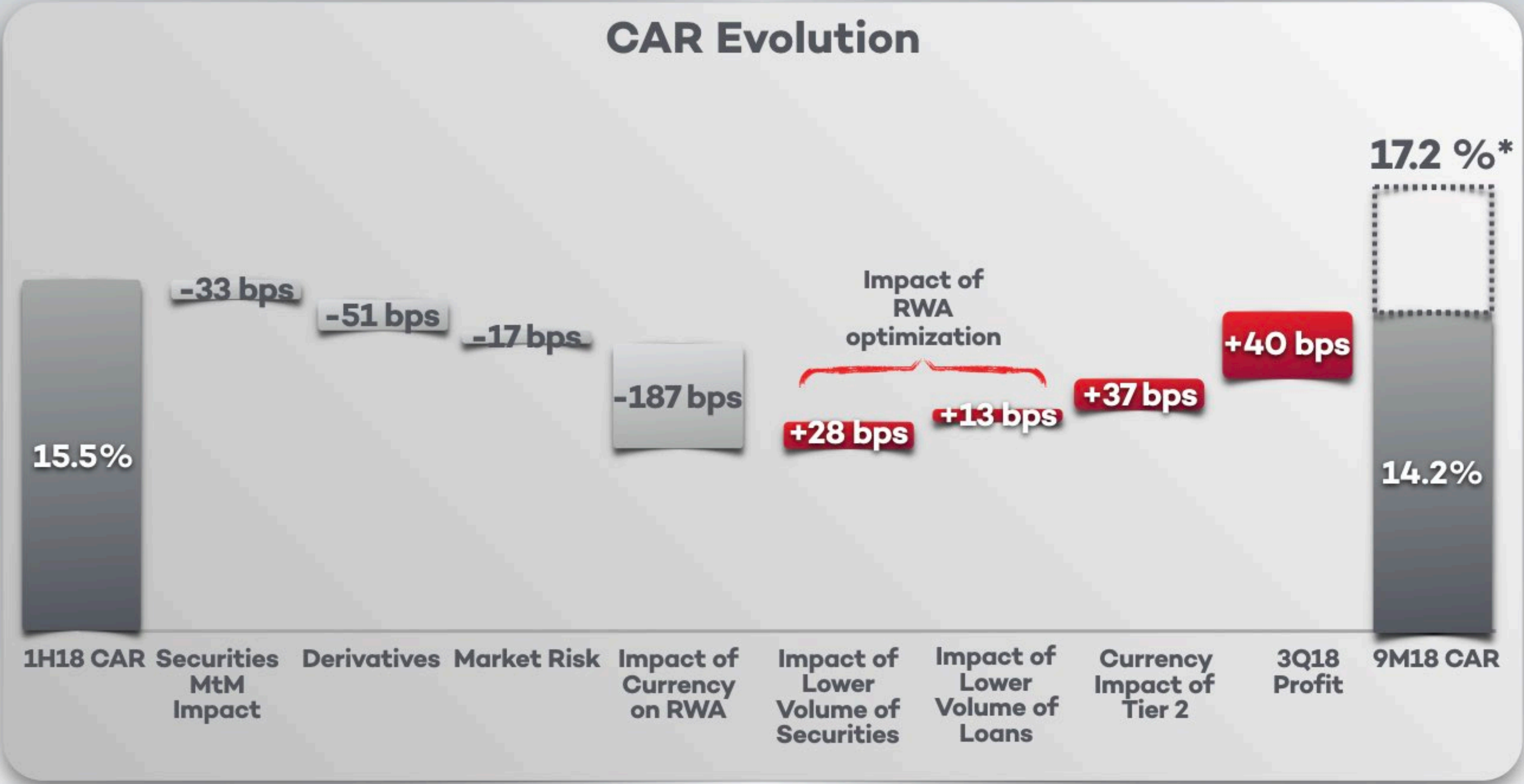
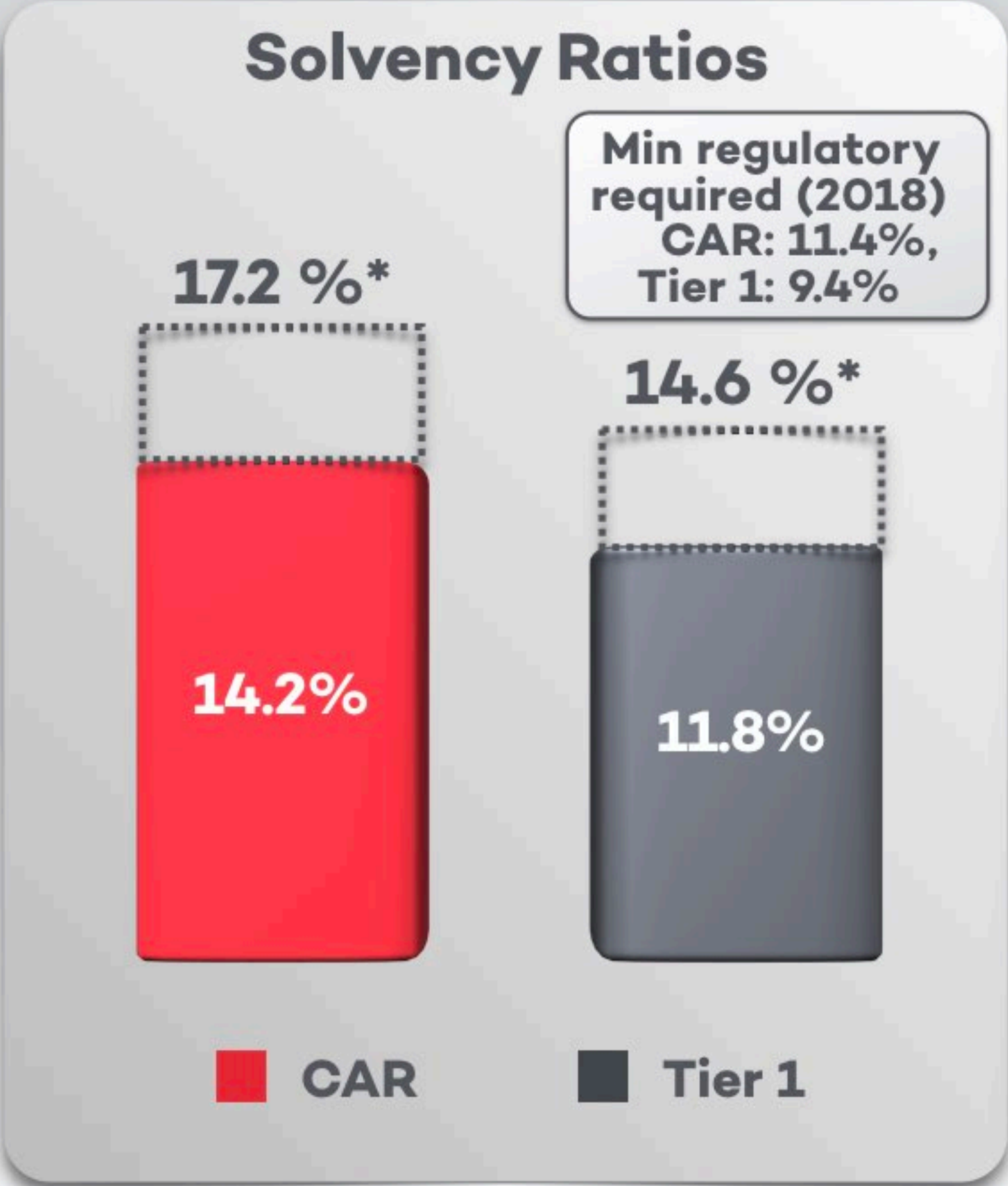
Net Provision Expenses

4,480

* Includes TL 36 mn NPL sale gain
3Q18 NPL collections from previous years at TL 78m

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

Preserved solid solvency ratios thanks to strong internal capital generation & proactive risk management



Liquidity Ratios**

FC LCR	216.3%
Total LCR	157.3%

* According to BRSA forbearance rules

** 3Q18 monthly averages. Min. requirements for 2018: 70%,90% and 2019: 80%, 100% for FC and Total LCR respectively

9M18 Snapshot

	Guidance	9M18	
ROA	~1.8%	1.7%	
Leverage	~ 9.0x	9.9x	
ROE	~15.5-16%	15.0%	
NIM (swap adj.)	~3.5%	3.8%	Buffer remains with 17% CPI forecast
Net fees&com. growth	~15%	23.9%	
Opex growth	~13%	18.8%	Significantly below Sept'18 CPI 24.5% YoY
Cost/ income*	~35%	31.7%	
Cost / assets	~1.6%	1.5%	CIR at 33.5% even excl. 17% CPI adjustment
CAR**	~ 15%	14.2%	
LDR***	Max 105%	93%	
NPL	~2.1%	3.1%	
Net Specific COR****	50 bps	78 bps	Total CoR 246 bps
EPS Growth	~12%	3.8%	

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

** CAR is not adjusted according to latest BRSA forbearance rules

*** Bank-only

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

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

Snapshot of Results

(TL mn, ratios in %)

	9M17	2017	2Q18	3Q18	9M18	YoY (%)	QoQ (%)
Total Assets	315,475	341,610	368,216	426,068	426,068	36.4	15.7
Loans*	195,460	212,657	224,122	238,626	238,626	22.1	6.5
Deposits	187,876	201,456	217,928	244,980	244,980	30.4	12.4
Net Profit	4,517	6,020	1,586	1,409	4,688	3.8	(11.2)
Net interest income	7,987	11,293	3,889	4,108	11,320	41.7	5.6
Net fee income	2,166	2,962	926	947	2,683	23.9	2.2
ROE	16.6	16.2	15.3	13.3	15.0	(1.6)	(2.0)
ROA	2.0	1.9	1.8	1.4	1.7	(0.3)	(0.4)
NIM	3.66	3.80	4.63	4.58	4.42	0.76	(0.05)
NIM after swap	3.37	3.47	4.03	4.00	3.84	0.47	(0.03)
Cost to Income**	35.1	35.0	30.5	30.4	31.7	(3.4)	(0.1)
CAR***	16.4	15.8	15.5	14.2	14.2	(2.2)	(1.3)
Tier I***	14.6	14.2	13.3	11.8	11.8	(2.8)	(1.5)

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

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

***CAR and Tier I are not adjusted according to latest BRSA forbearance rules

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**

**9M18
IFRS9**

46,945

78,538

61,753

57,407

209,478

238,626

23,434

51,497

341,610

426,068

201,456

244,980

51,383

69,356

29,358

31,496

4,517

16,341

24,841

15,155

18,800

37,090

40,614

43,146

341,610

426,068

Shares (%)

2017

9M18

13.7

18.4

18.1

13.5

61.3

56.0

6.9

12.1

59.0

57.5

15.0

16.3

8.6

7.4

1.3

3.8

7.3

3.6

5.5

8.7

11.9

10.1

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

9M17 BRSA

17,386

(9,399)

7,987

(292)

244

(536)

(578)

2,166

(3,522)

108

(151)

5,718

(1,201)

4,517

9M18 IFRS9

24,842

(13,521)

11,320

293

(1,050)

1,343

(4,204)

2,683

(4,185)

366

(296)

5,978

(1,290)

4,688

Change (%)

42.9

43.9

41.7

-

-

-

-

23.9

18.8

-

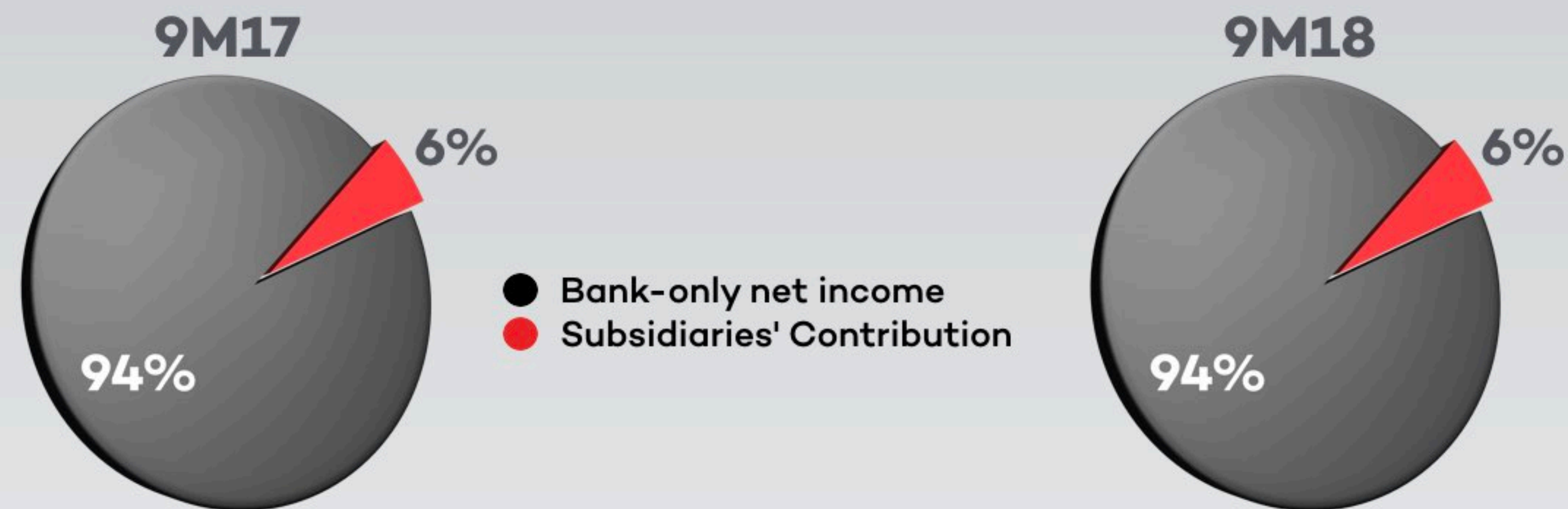
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4.5

7.4

3.8

Subsidiaries' Contribution



Subsidiaries' Net Income (TL mn)





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