

3Q19

Consolidated

Financial Results

AKEBANK

What to remember?

In 3Q19 Akbank

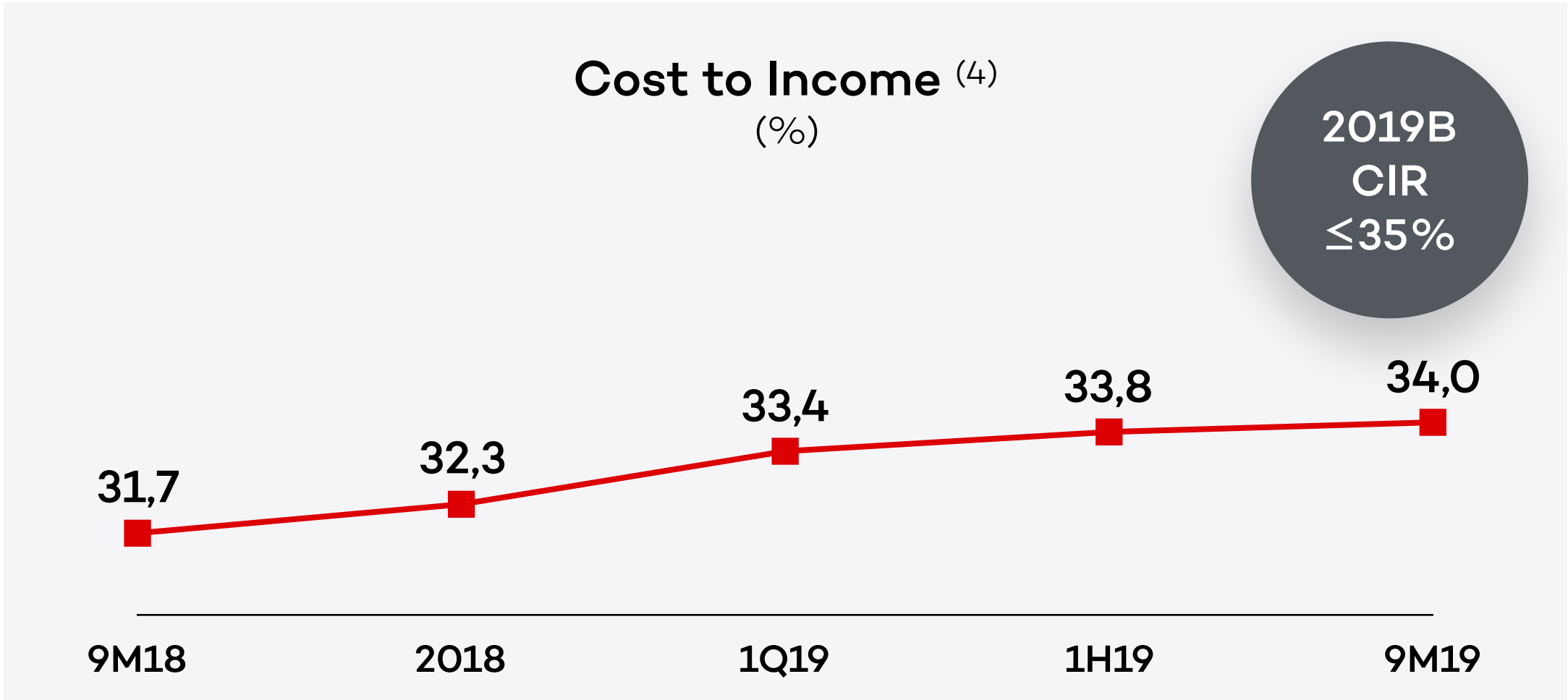
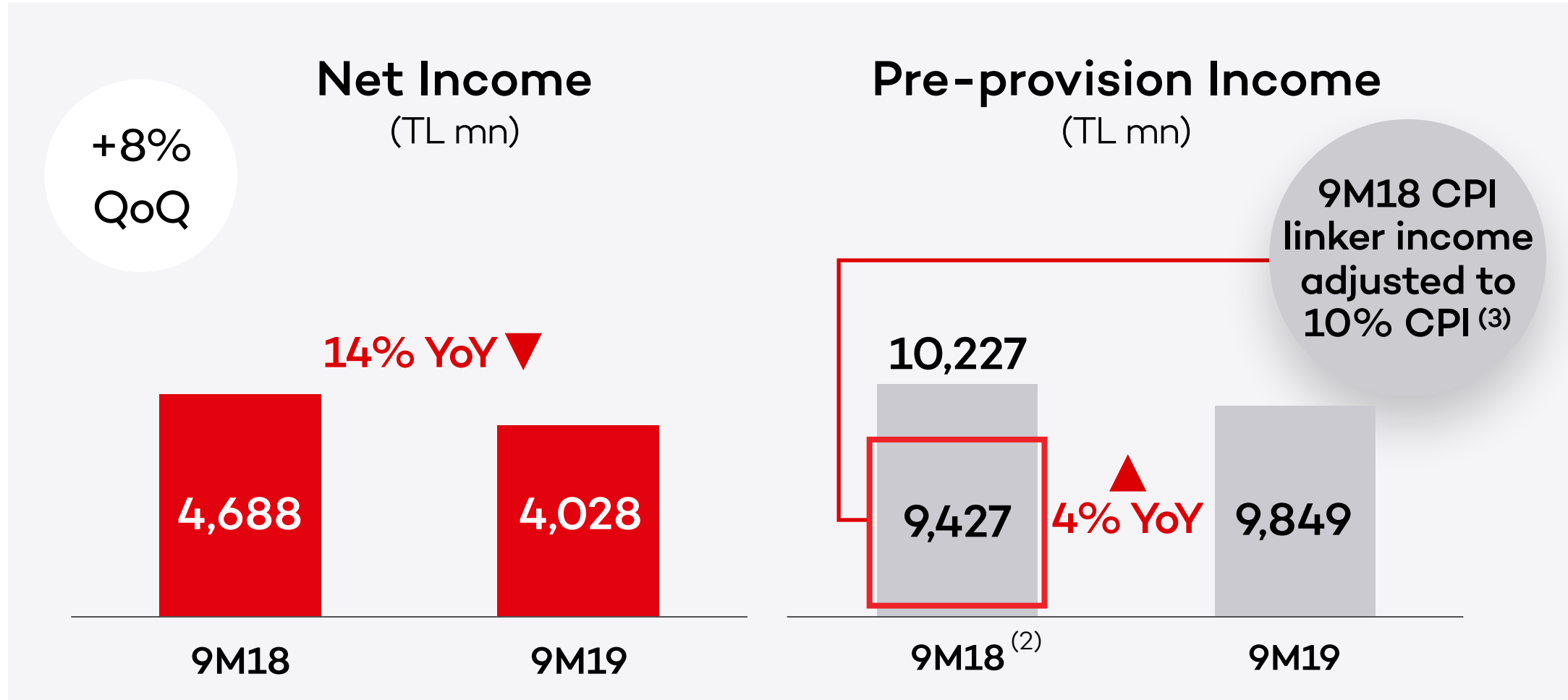
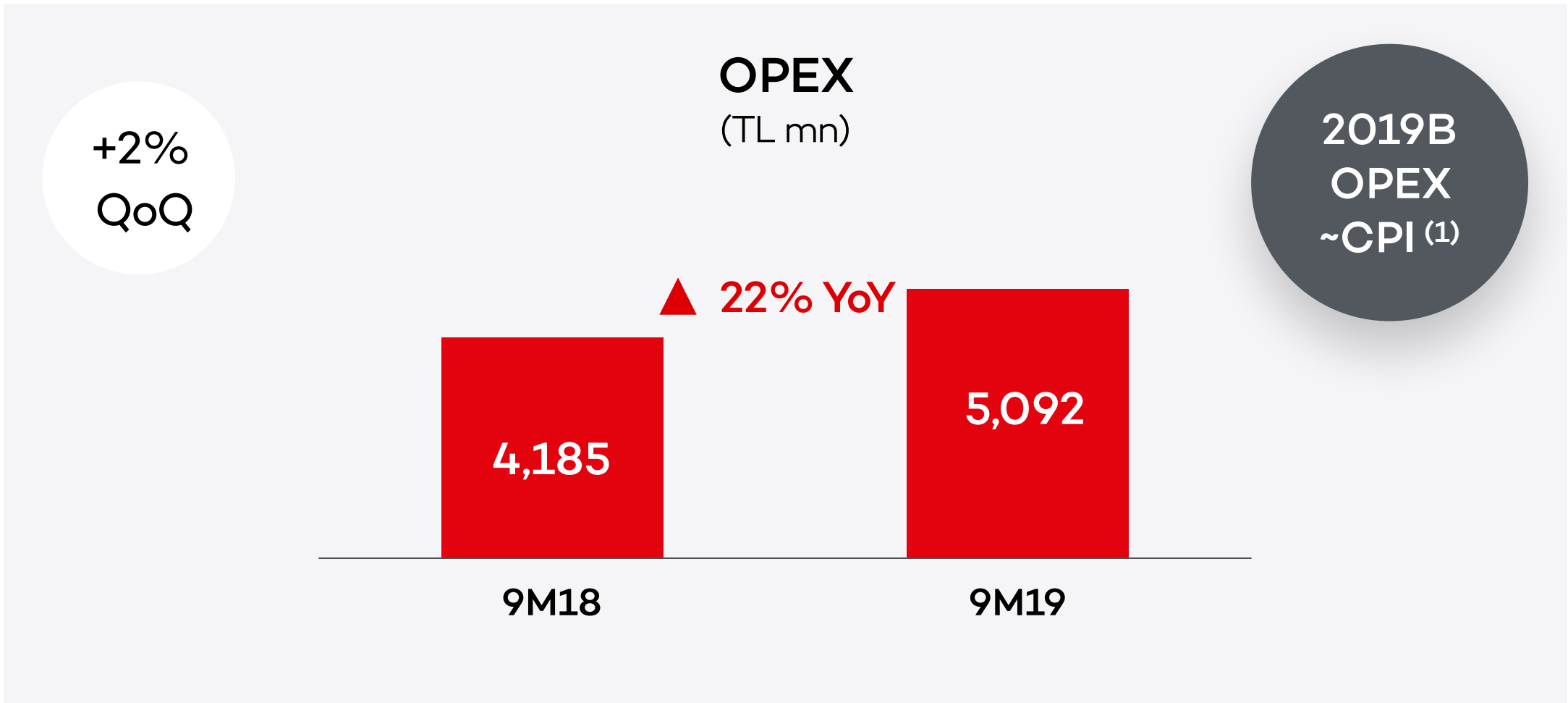
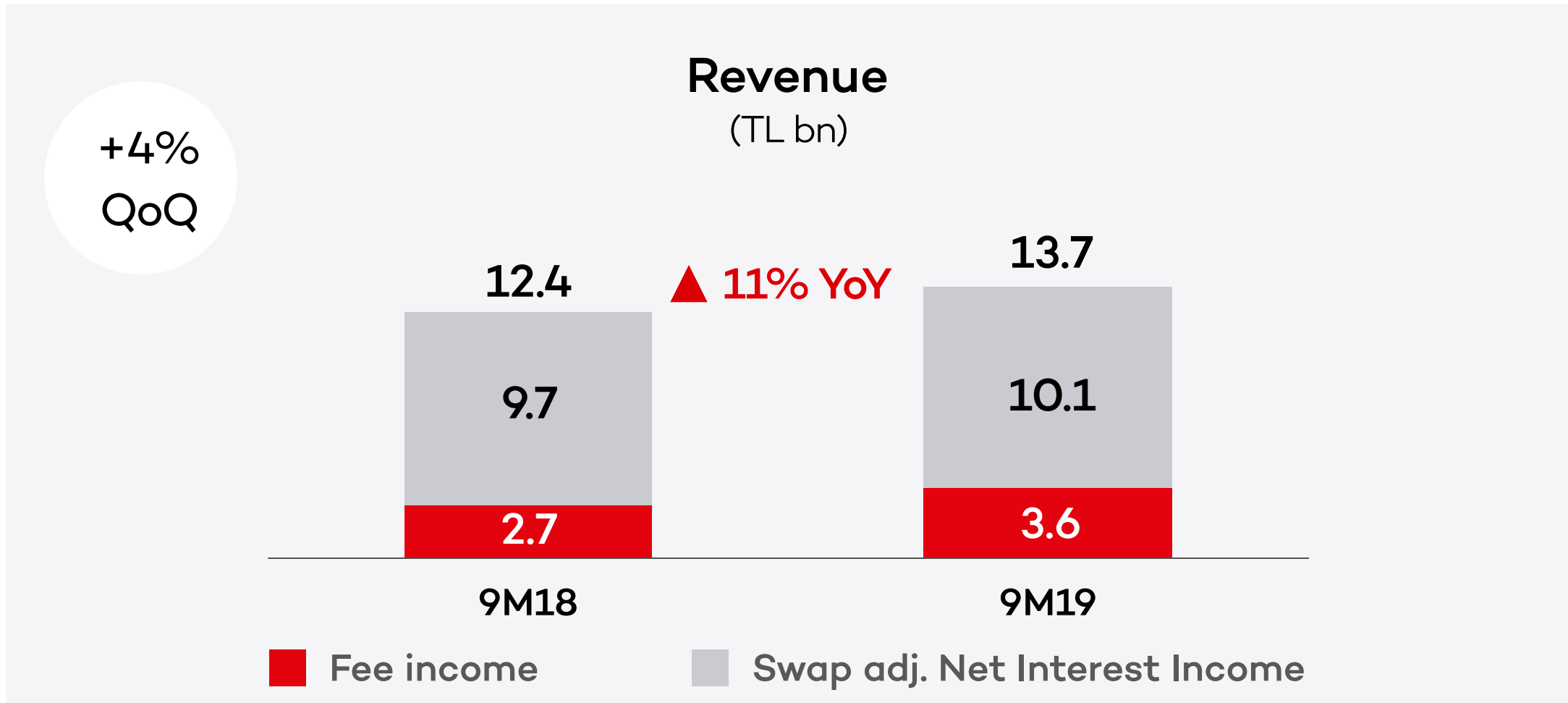
- ▶ Expanded its NIM
- ▶ Continued with superior fee generation
- ▶ Preserved best-in-class CIR
- ▶ Executed proactive securities strategy
- ▶ Sustained better than guidance CoC
- ▶ Reinforced its capital strength

Despite

- ▶ Muted loan growth
- ▶ Low leverage at 7.4x
- ▶ Fully reflected negative CPI adjustment
- ▶ Proactive NPL recognition

Best positioned to capture healthy & profitable growth in the coming period

Sound core operating performance



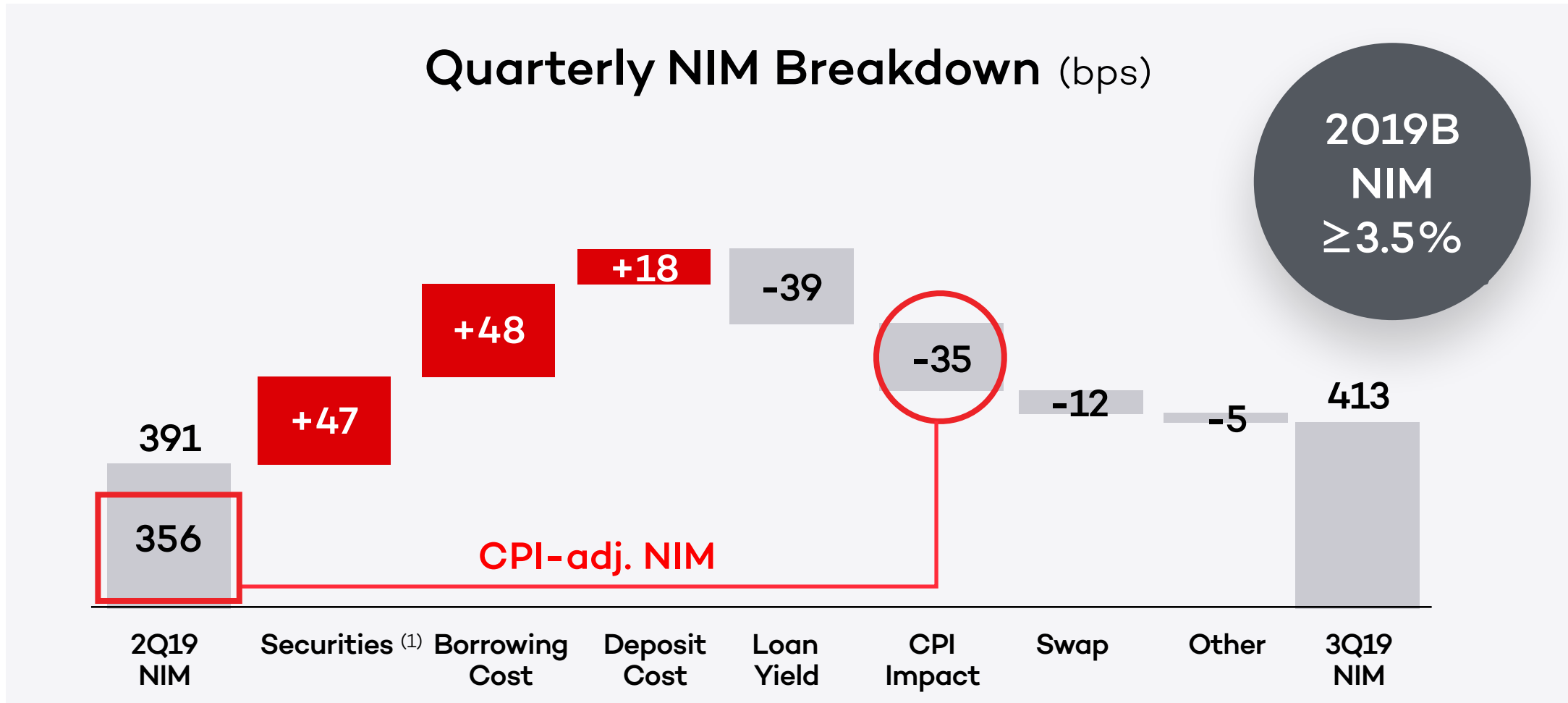
(1) Rolling CPI

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

(3) For comparability, 9M18 CPI is adjusted to 10% (vs 17%) which has an impact of TRY 800mn on PPI

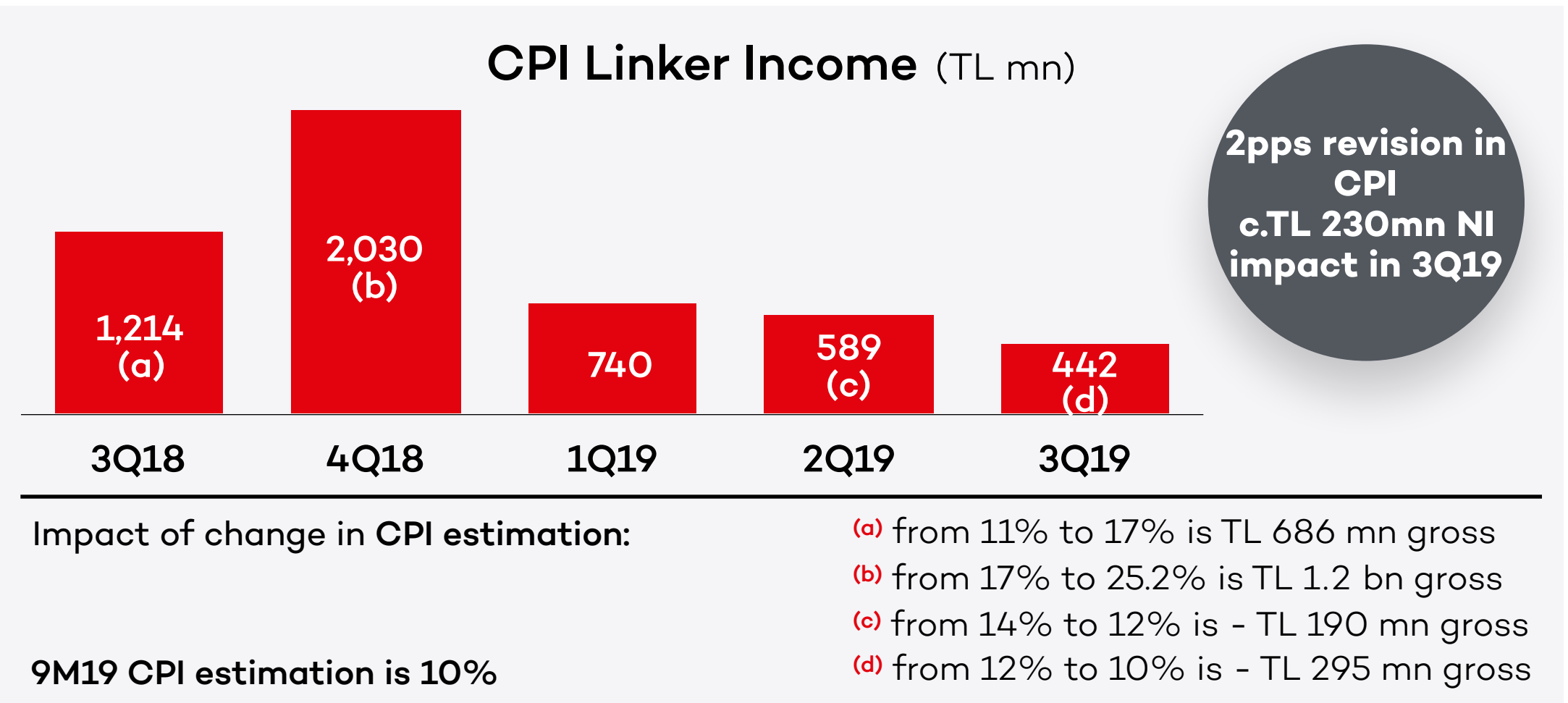
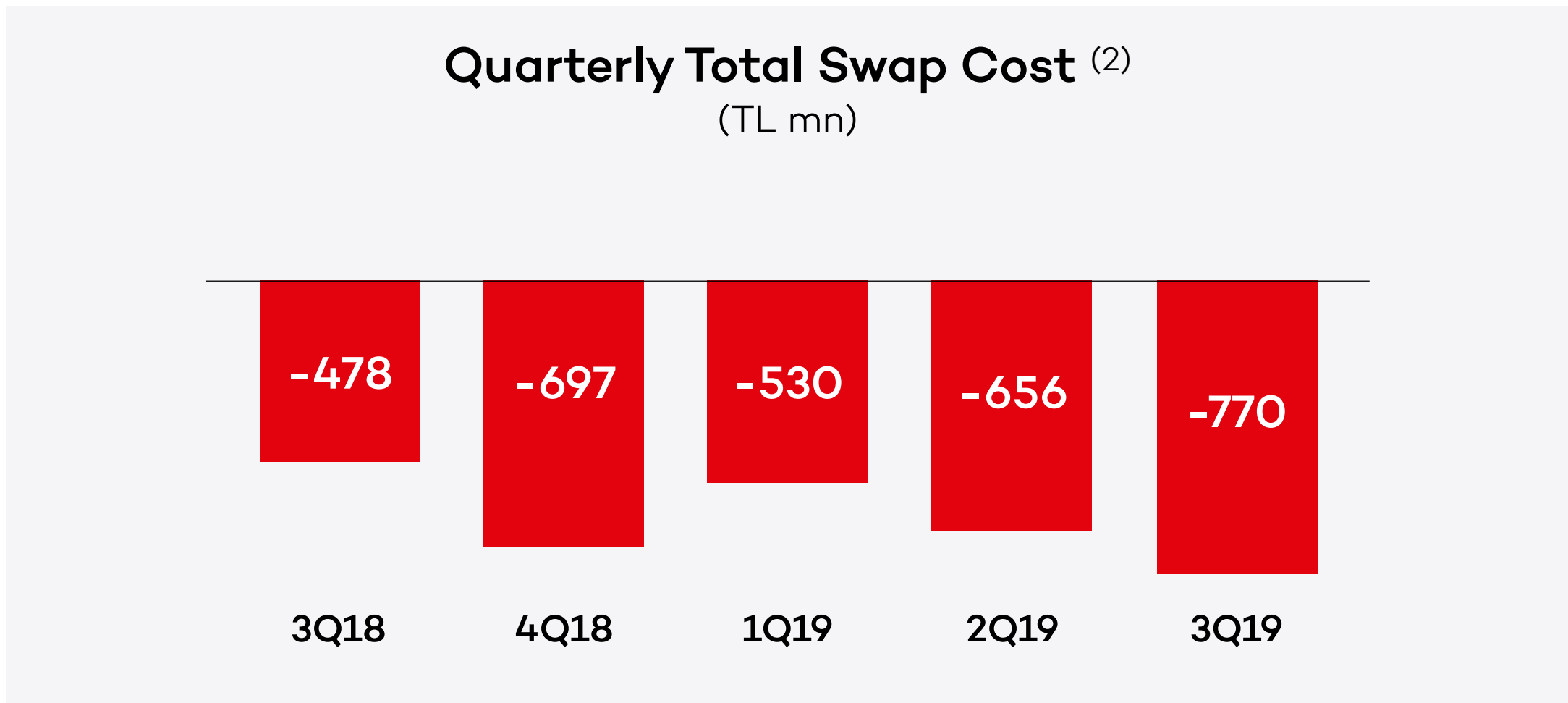
(4) CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions as well as impact of free provision reversal

NIM once again ahead of guidance despite fully reflected CPI adjustment



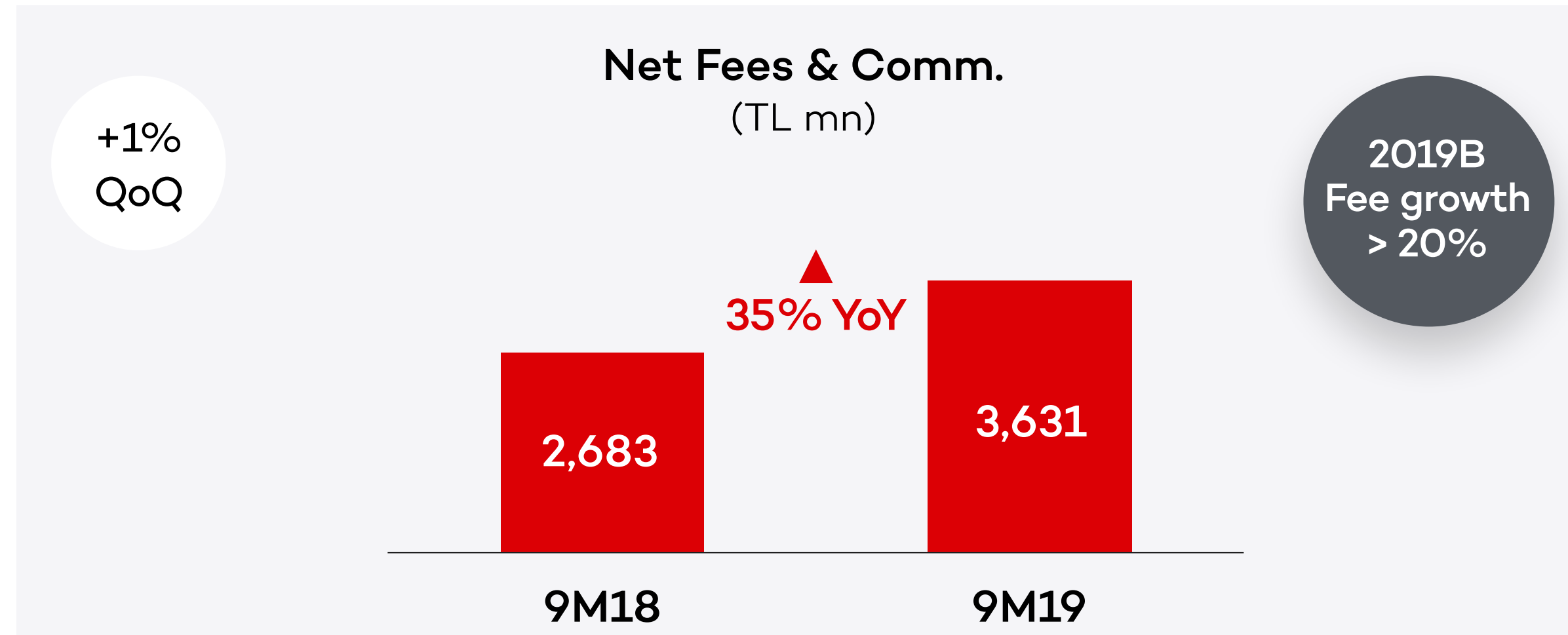
Despite fully reflected CPI adjustment as of 3Q19, NIM improved QoQ led by:

- Easing funding cost
- Effective balance sheet management with proactive securities portfolio management in muted loan growth environment



⁽¹⁾ Excluding CPI impact
⁽²⁾ Includes short and long-term swaps

Superior fee income well-ahead of guidance



Payment Systems commissions

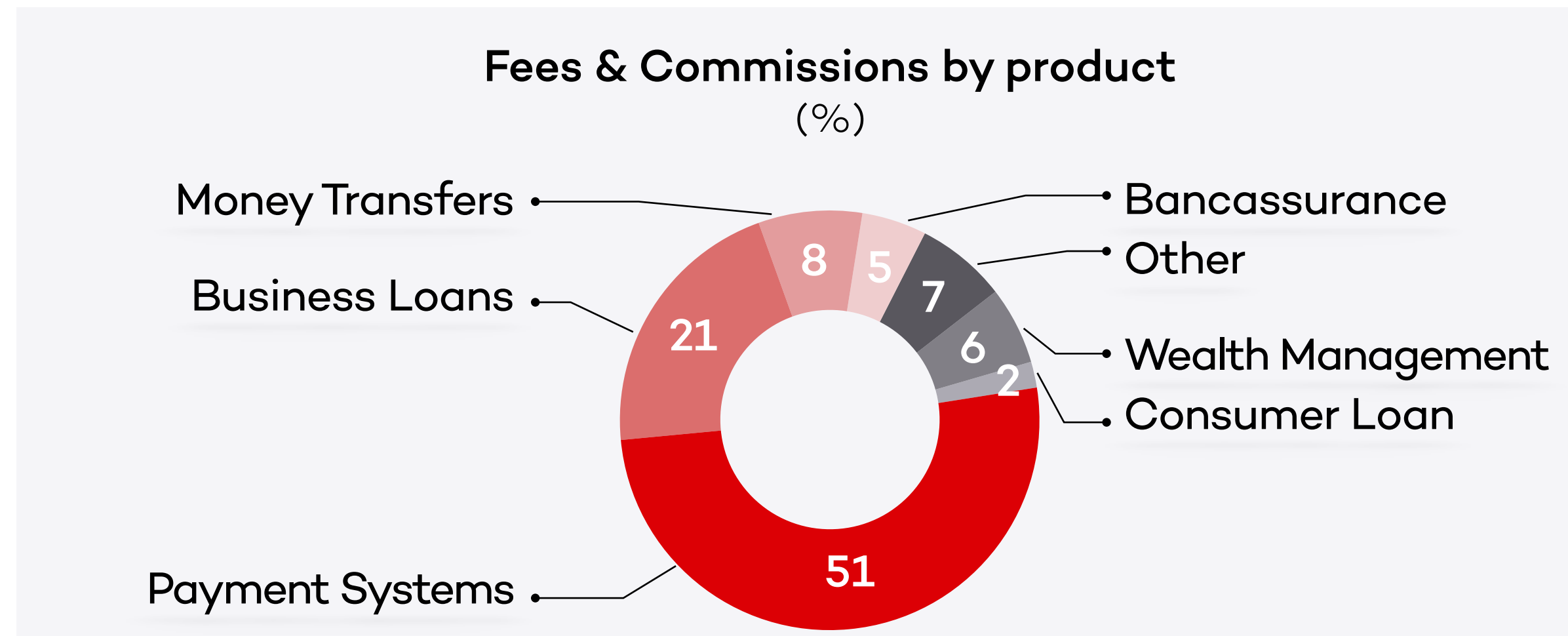
+39% YoY

Strong performance in both acquiring & issuing

Business Loans

+66% YoY

Strong performance in both cash and non-cash loan fees



Money Transfers

+20% YoY

Supported by increased transactions

Non-Lending Bancassurance Sales

+36% YoY

Non-credit linked premiums/total premiums ⁽¹⁾ at 65%

Phygital Branch: Integrated touch point with mobile-like experience



Phygital Branch in Numbers ⁽¹⁾

Branches transformed & operational

296

Migration of teller transactions to E-tellers

62%

Revenue generation (yoy)

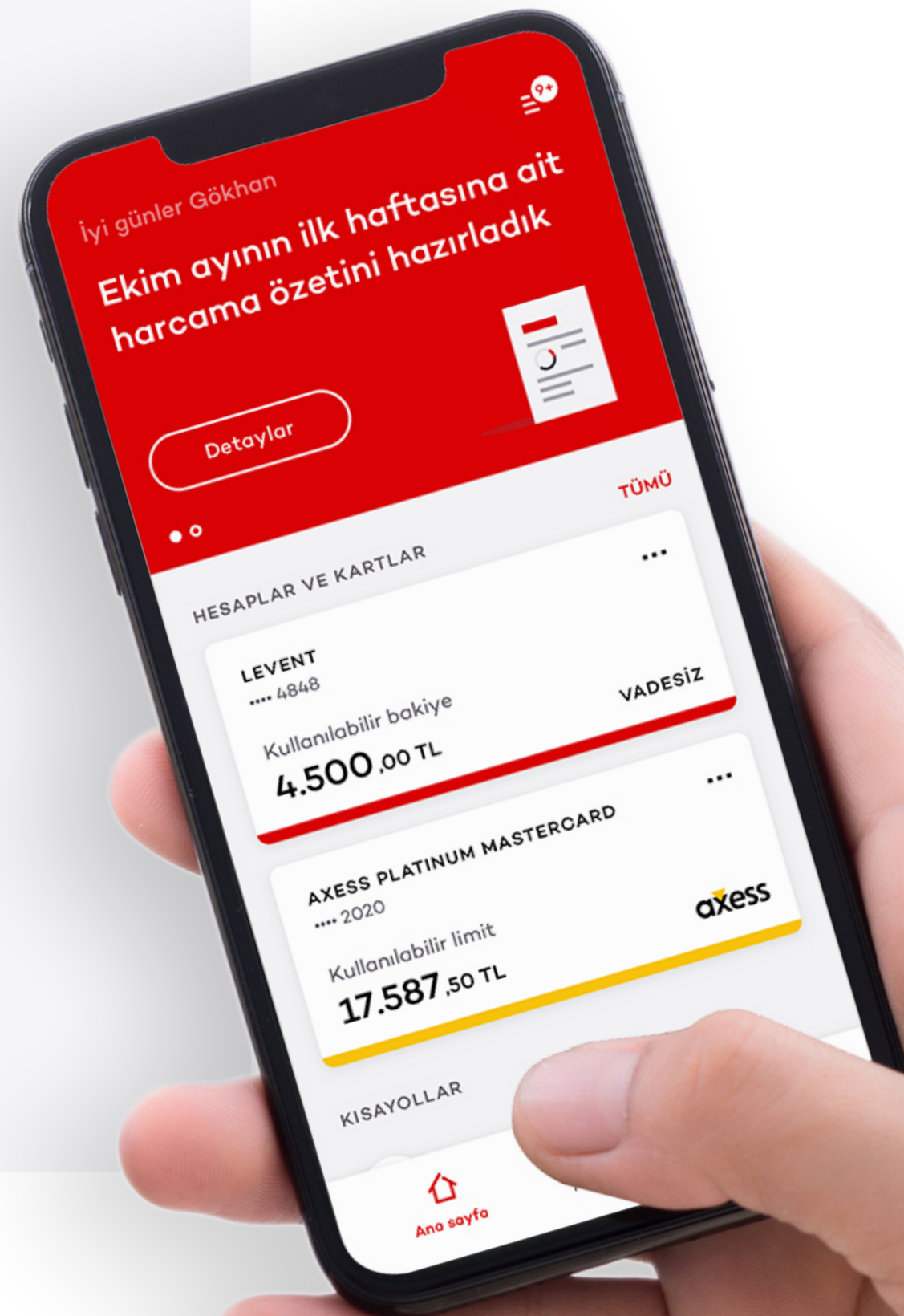
+14%

Net fees & commissions (yoy)

+33%



Simple, digital and customer experience focused new operating model



Digital Banking in Numbers ⁽¹⁾

Digital customers

5.0 mn

Digital customer cross-sell versus non-digital

2.1x

Monthly mobile log-in/customer

30x

Share in non-credit linked fees

56%

GPLs sold through digital channels ⁽²⁾

71%

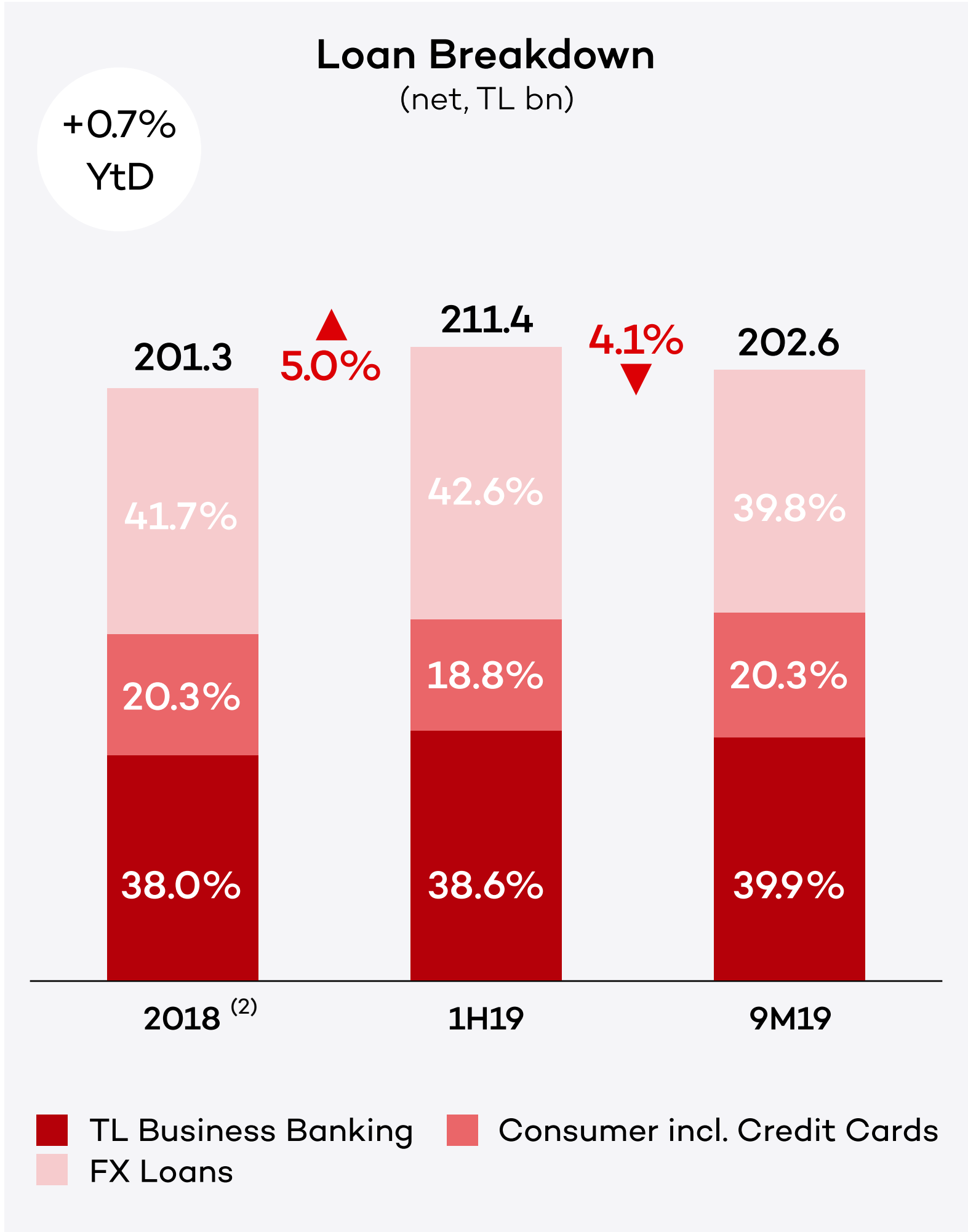
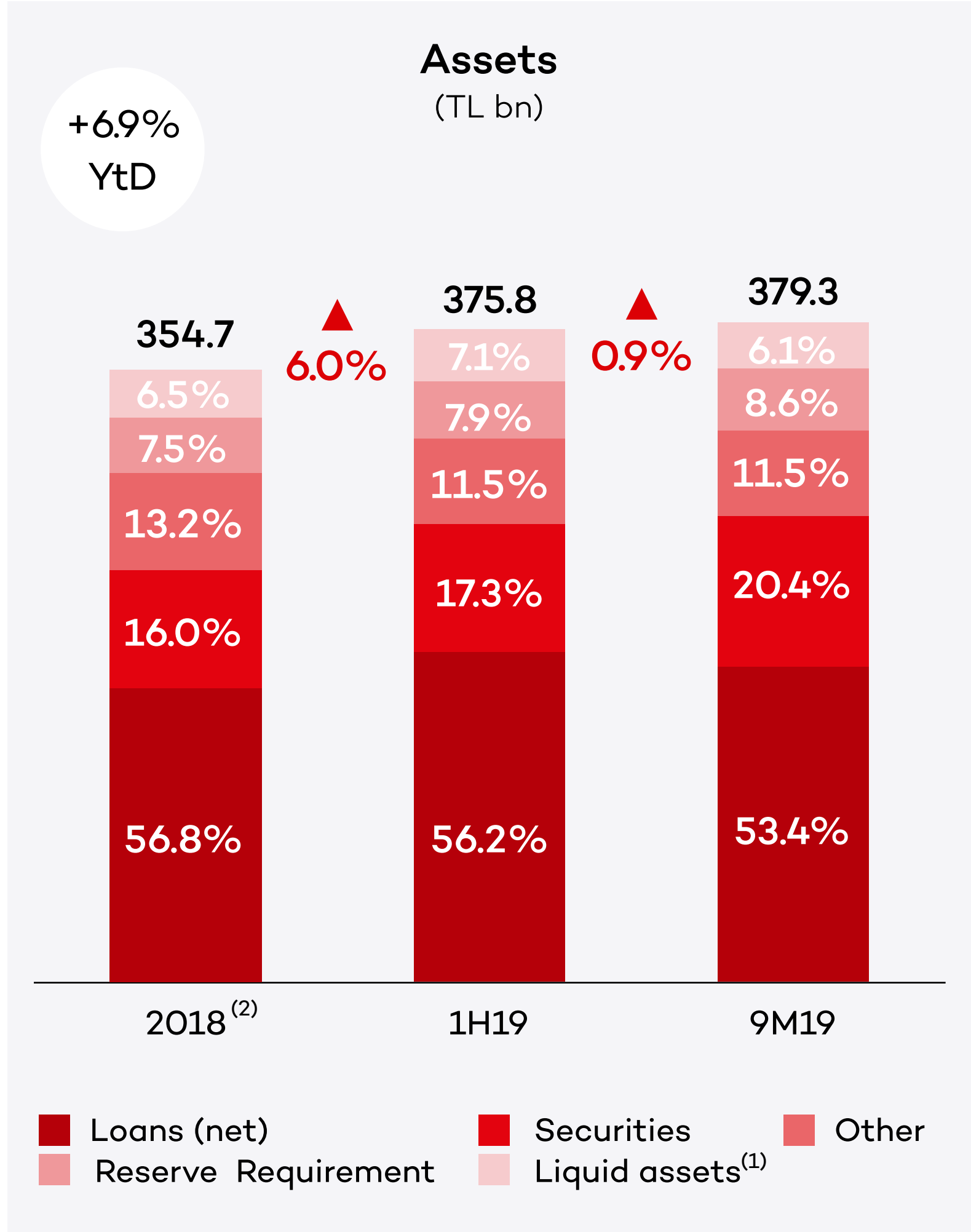
Credit cards sold through digital channels ⁽²⁾

54%

⁽¹⁾ Based on bank-only MIS data

⁽²⁾ Including non-branch channels

Strategic asset allocation to drive sustainable long-term shareholder value

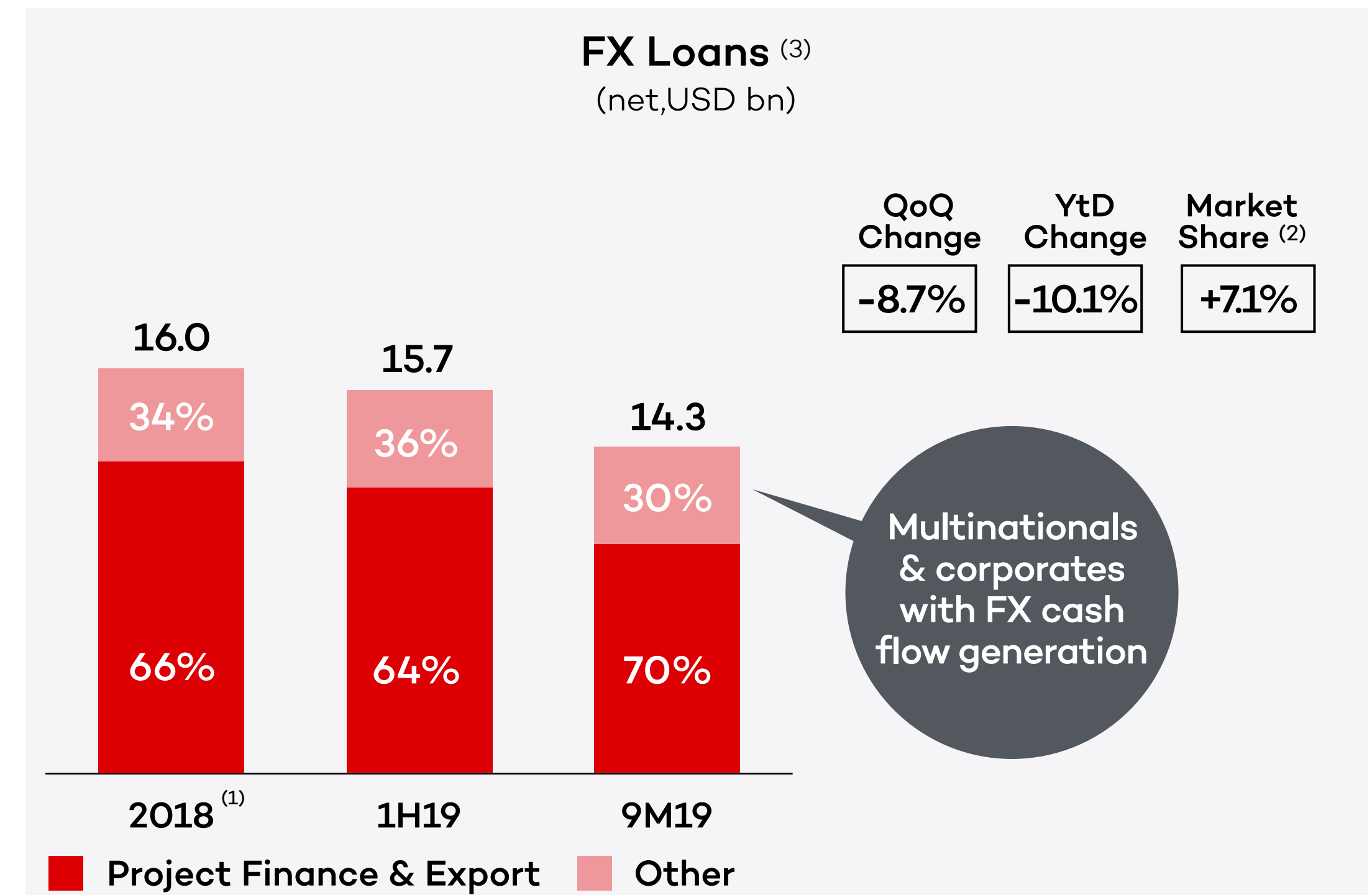
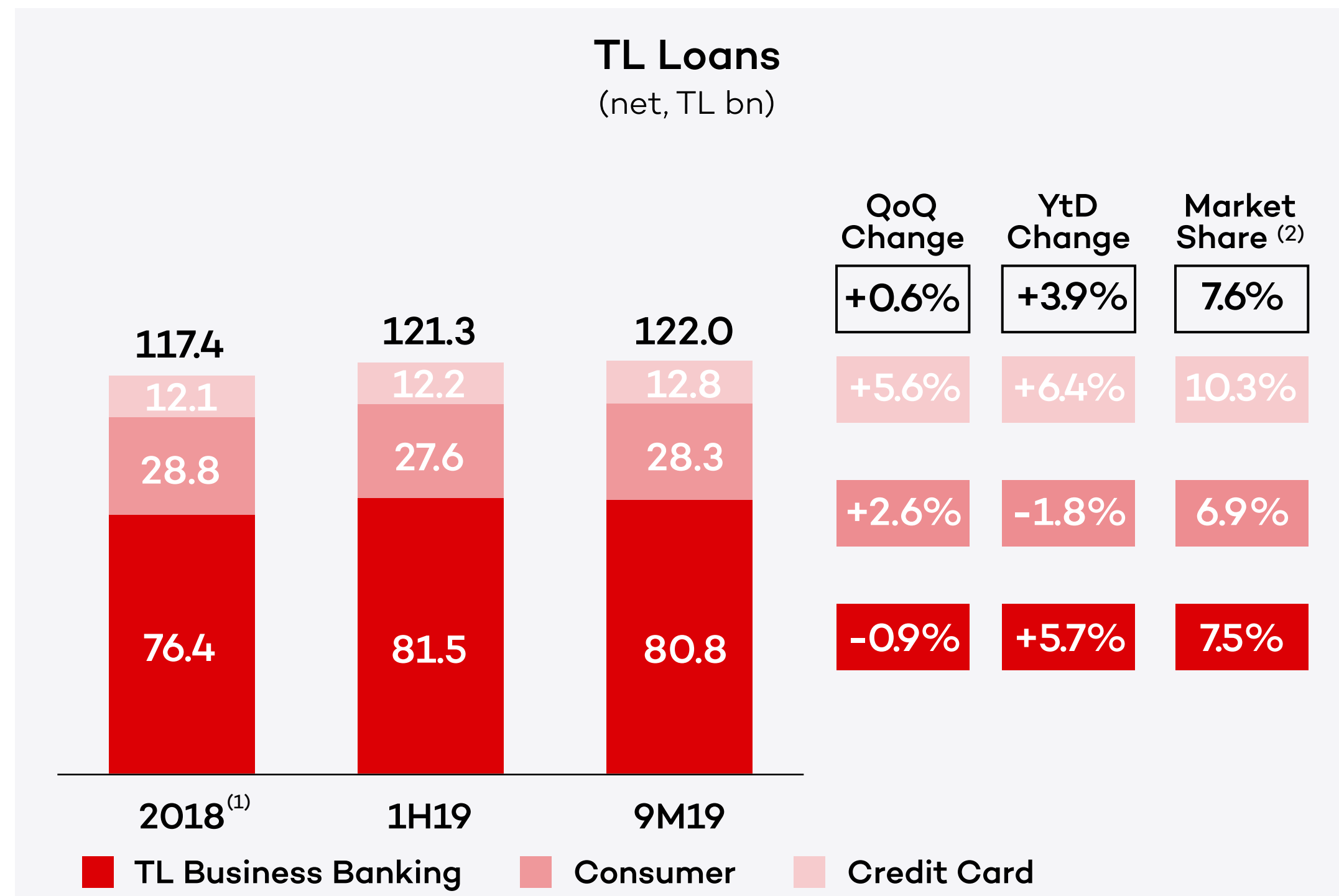


Optimized asset composition
+
Low leverage
7.4x
+
Strong capital
19.5%
↓
Create unique growth opportunity
with risk & return in focus

⁽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



- ▶ Selective loan growth with sustainable profitability in focus
- ▶ Consumer loans +2.6% QoQ, led by c.6% growth in GPLs
- ▶ 52% of 9M19 GPL originations were pre-approved, separately 41% were to salary customers ⁽⁴⁾

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

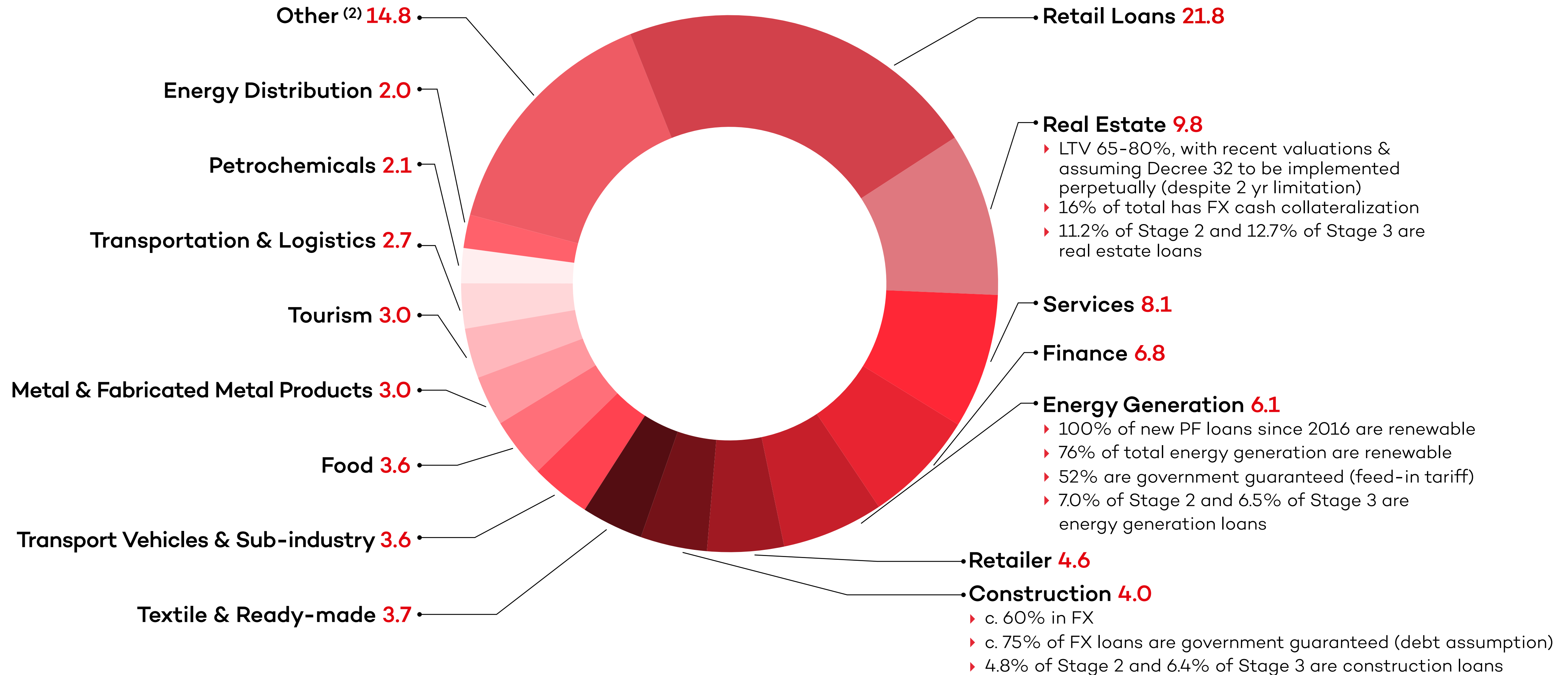
⁽²⁾ Market share data based on bank only BRSA weekly data as of September 27, 2019

⁽³⁾ FX indexed loans are shown under FX loans

⁽⁴⁾ Based on MIS data

Balanced loan portfolio (1)

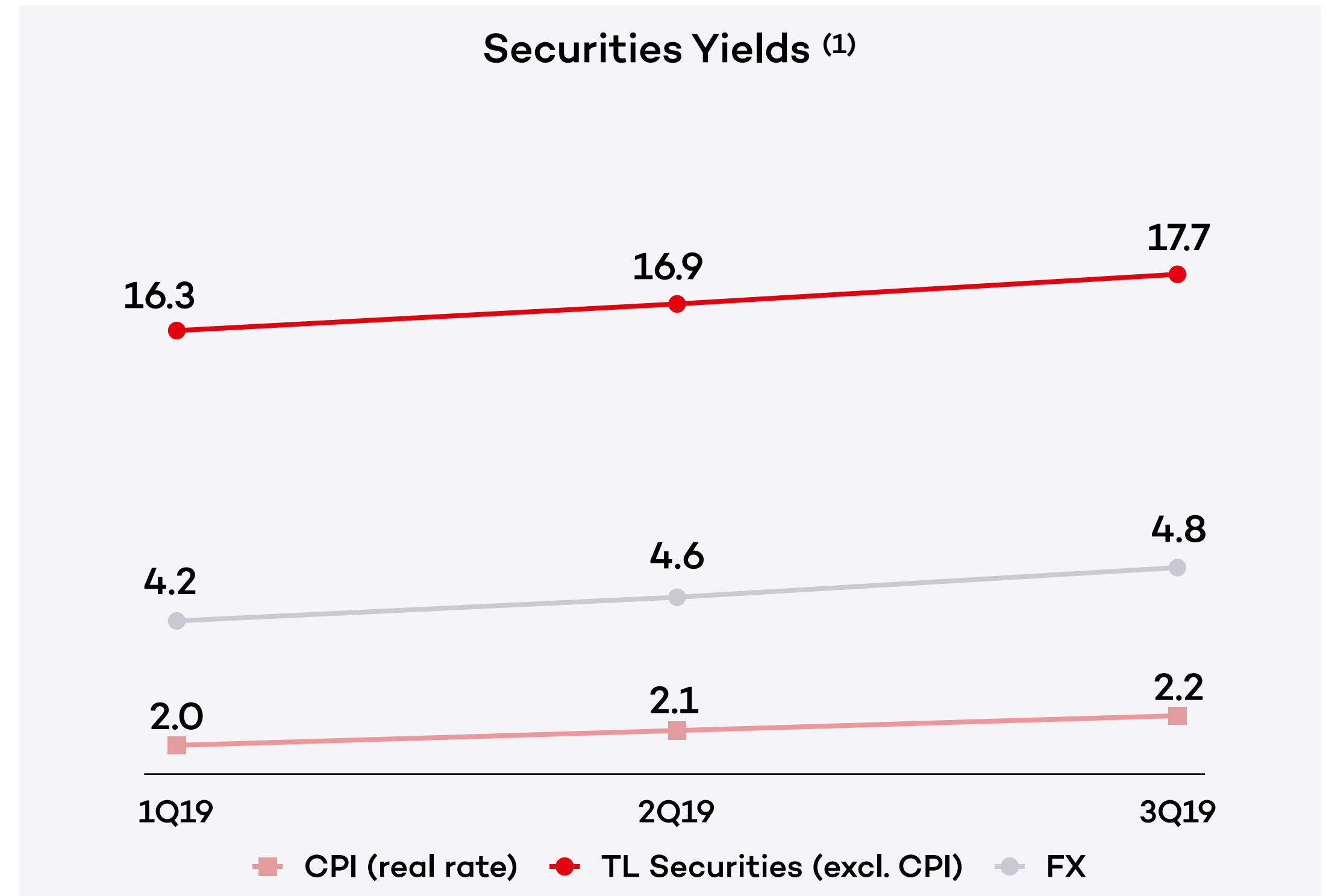
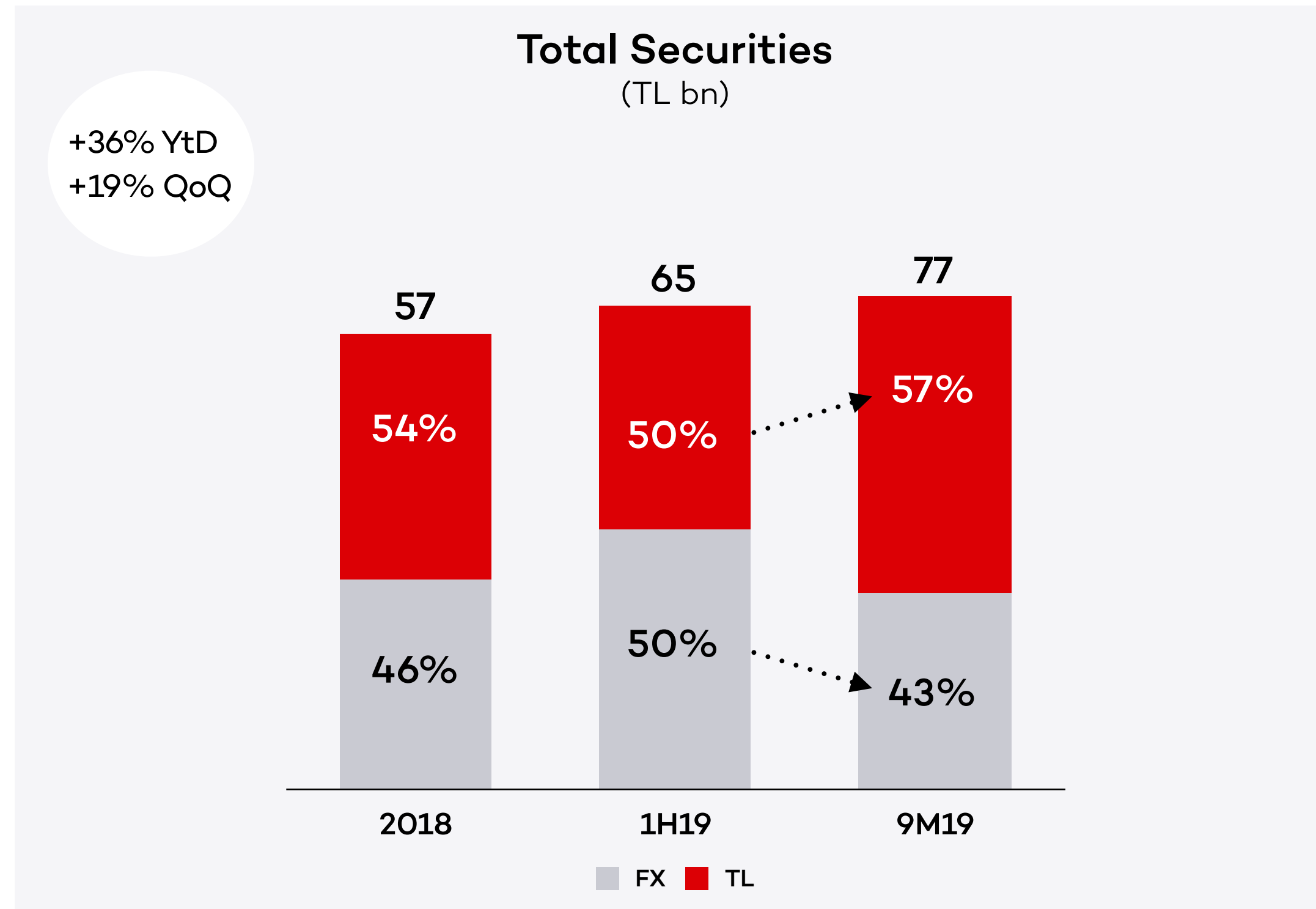
(% of Total Gross Loans)



(1) Consists of consolidated performing and non-performing loans loan & excludes leasing receivables and adjusted for financial assets measured at fair value through P&L

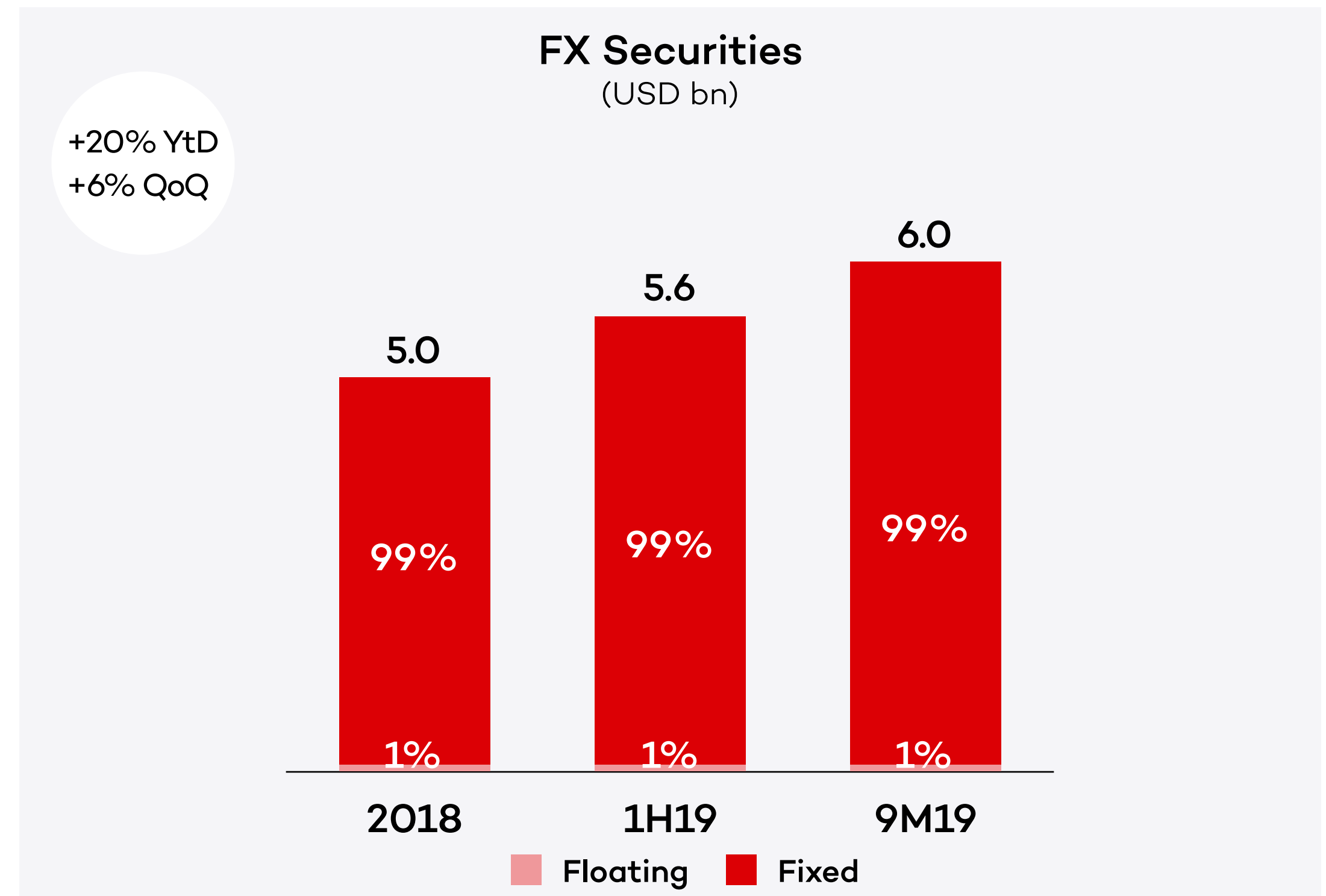
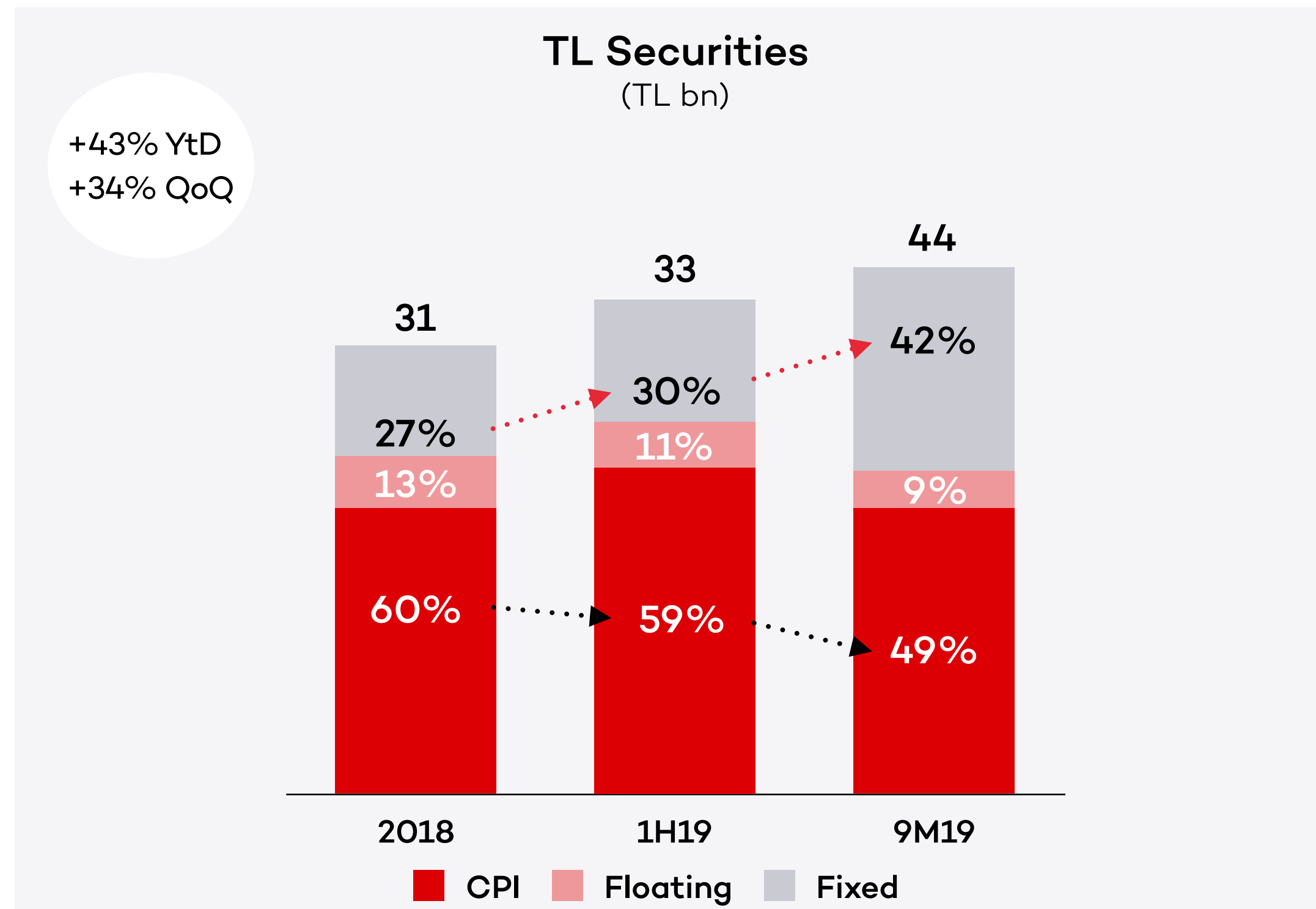
(2) Loan concentration below 2%

Yield enhancement with dynamic securities management



- ▶ Significant market share gain in securities during low loan growth environment
- ▶ Strategic positioning leads to portfolio yield enhancement

Securities mix change ahead of easing interest rate cycle



Proactive positioning with
TL fixed rate bond purchases,
ahead of easing interest rate cycle



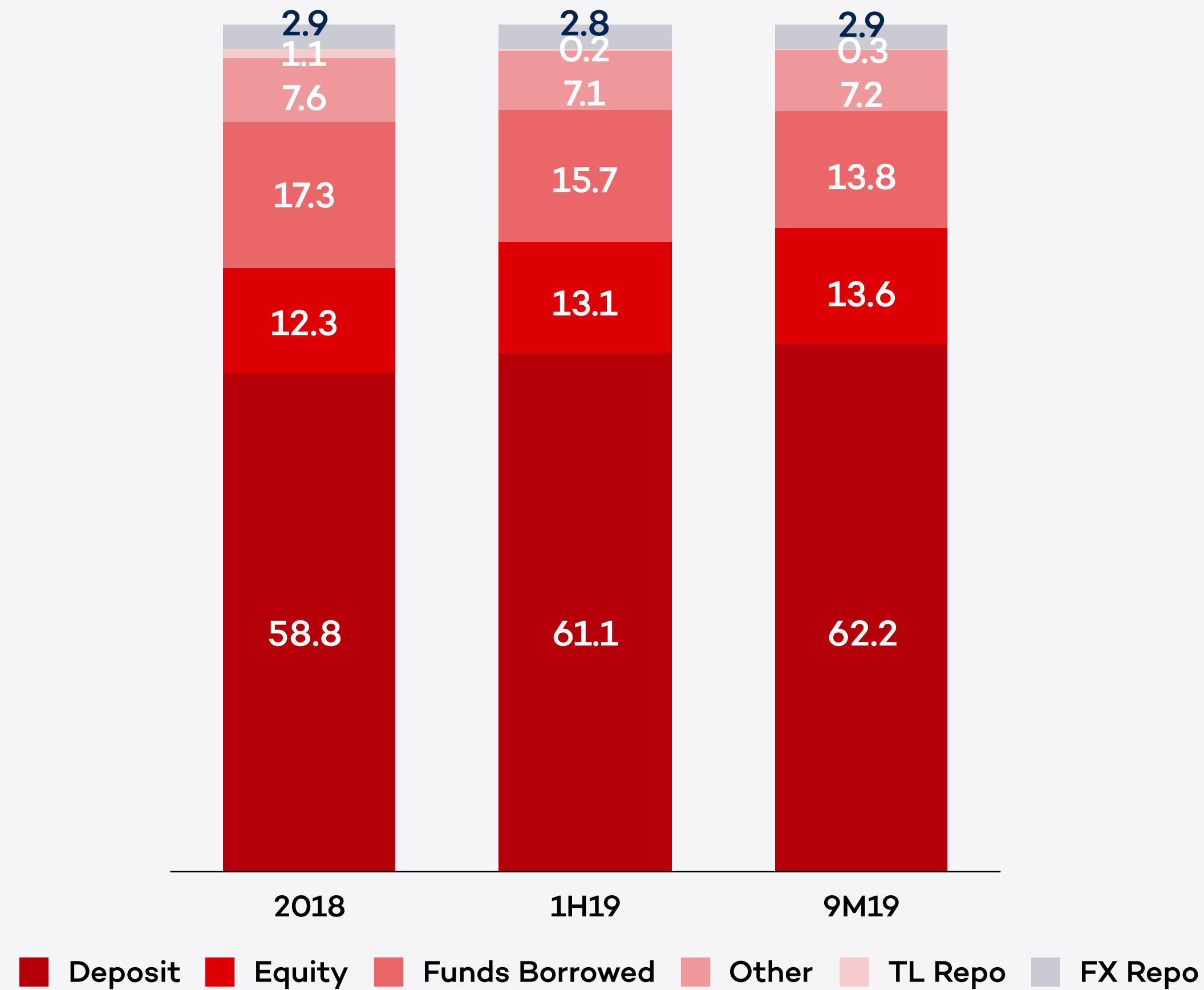
Avg. marginal rate above 19%
with
Avg. maturity c. 1.5 yrs



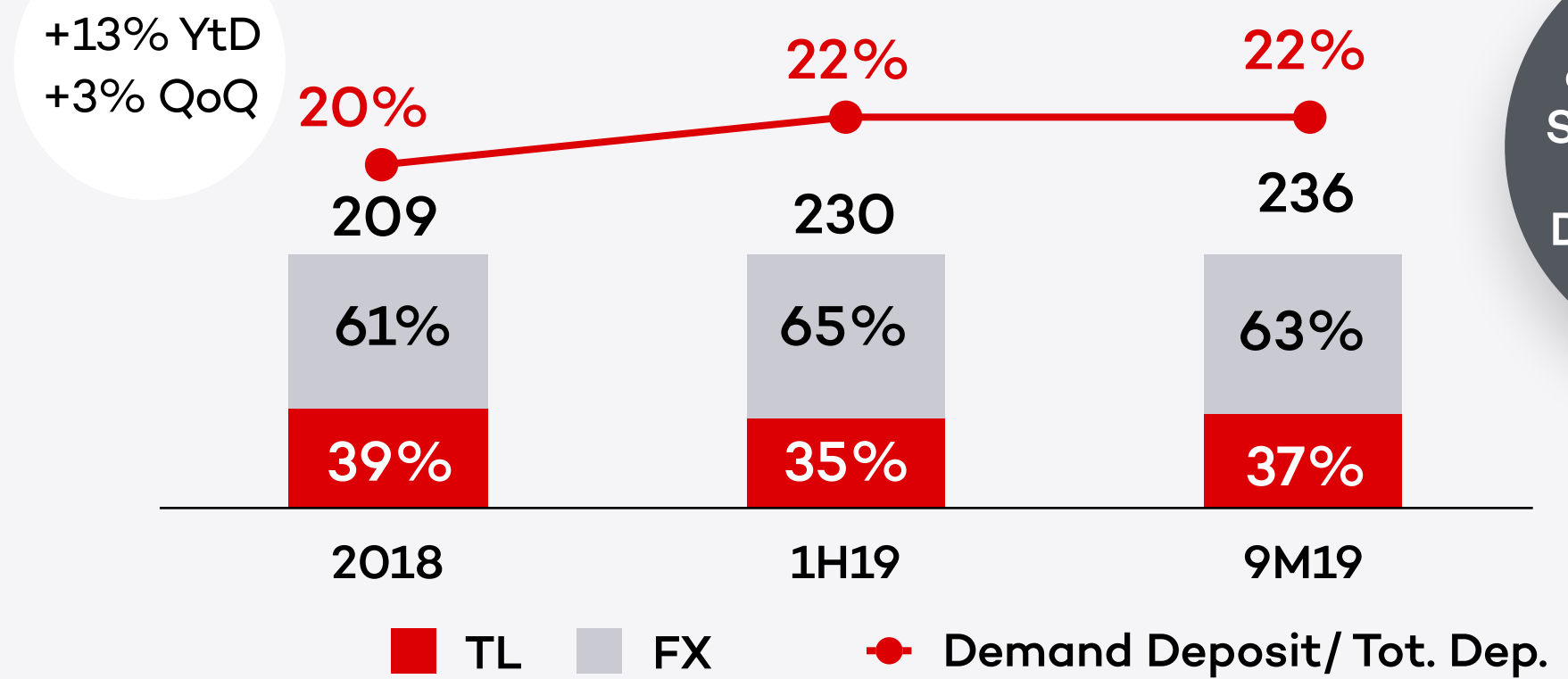
NIM accretive

Disciplined funding mix

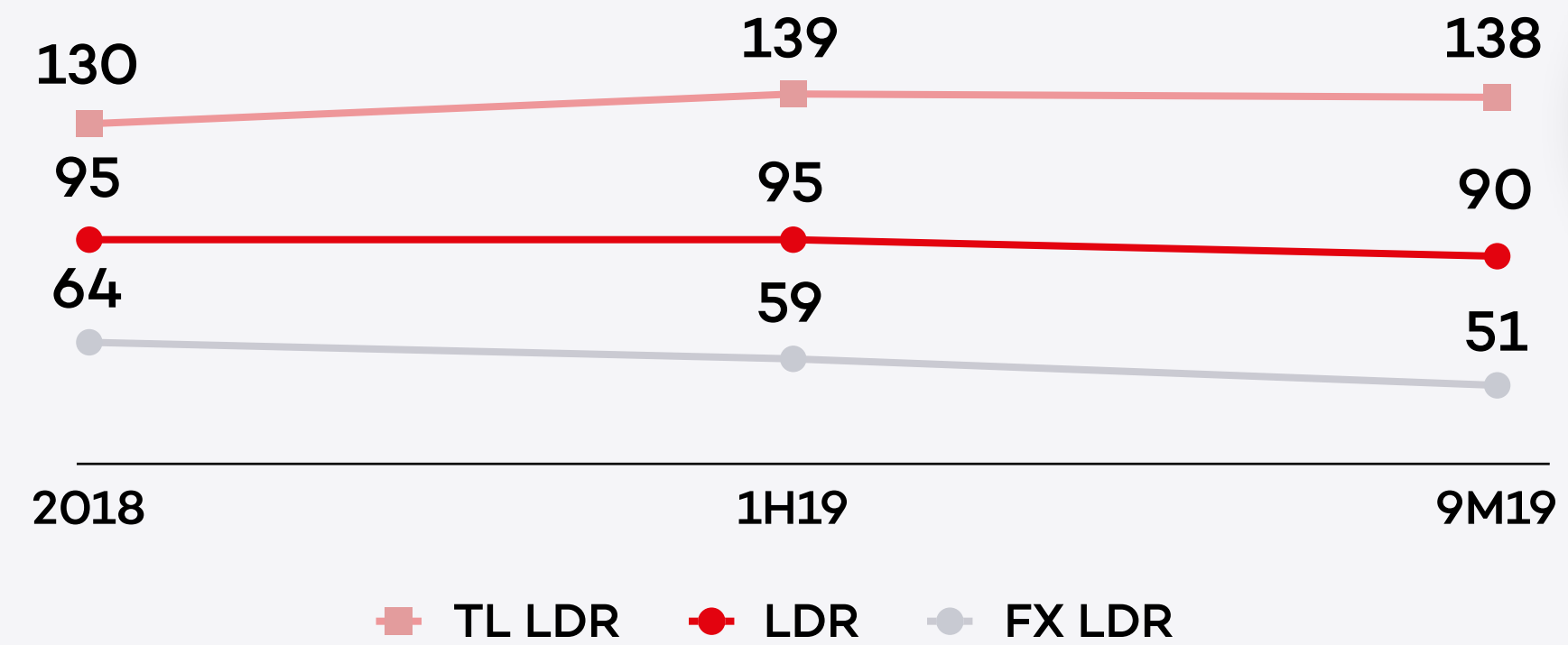
Composition of Liabilities (%)



Deposit Currency Split (TL bn)



LDR ⁽²⁾ (%)

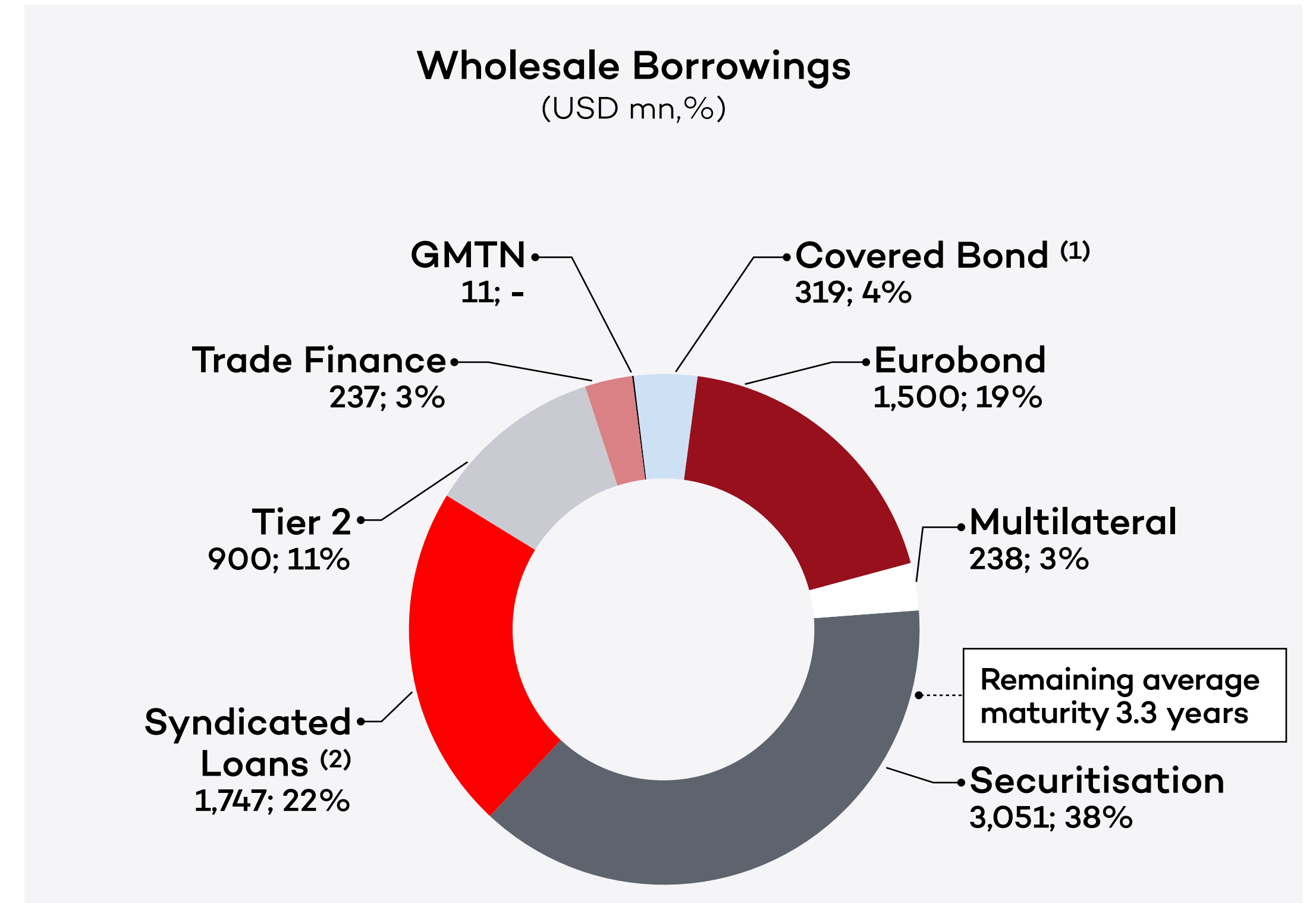
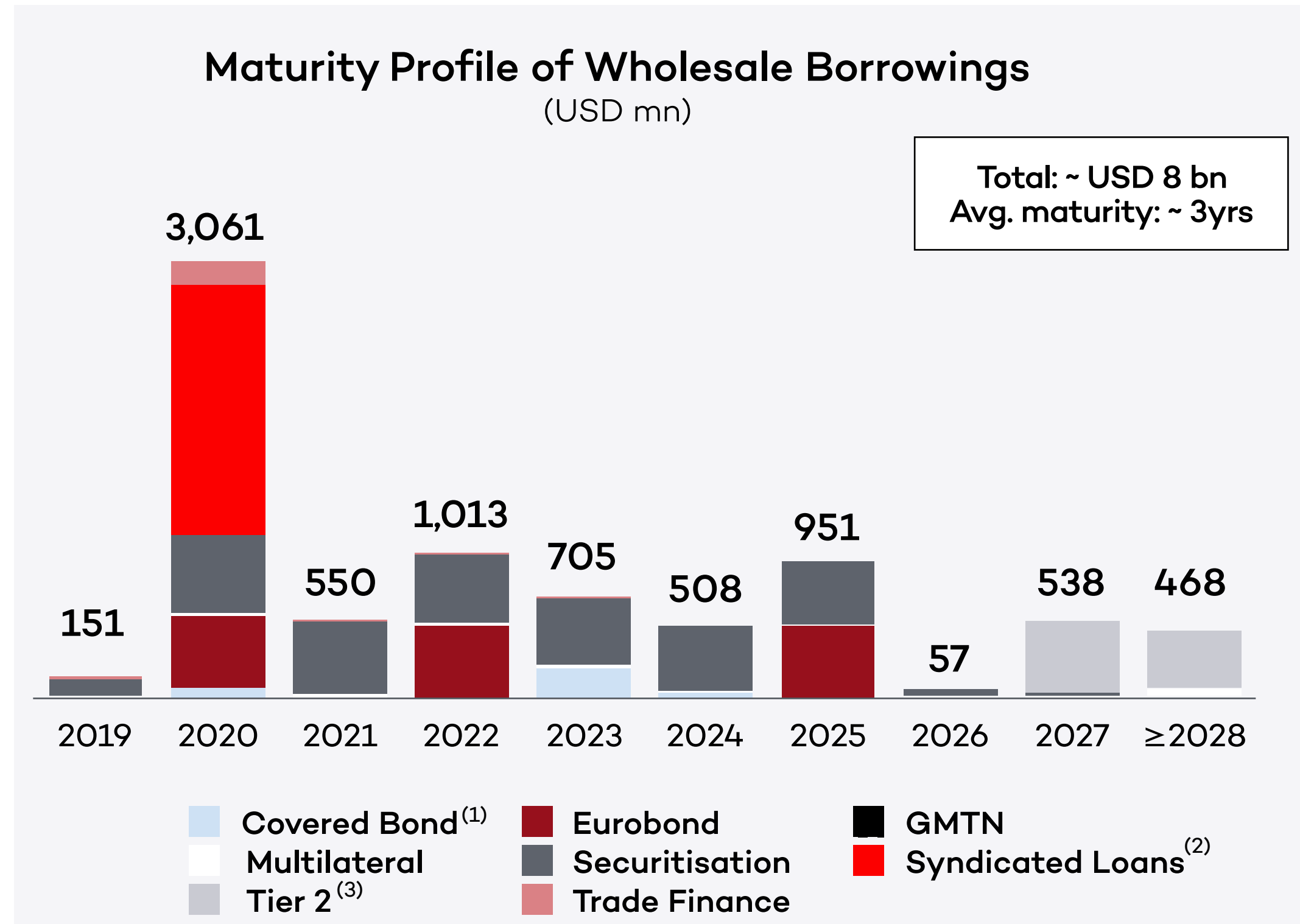


⁽¹⁾ MIS data

⁽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 September 27, 2019

Well-diversified borrowing mix



- ▶ Wholesale funding reduced down to c. USD 8 bn (c. USD 11 bn in 2017; c. USD 10 bn in 2018)
- ▶ Reduction mainly led by c. USD 2 bn decrease in short-term wholesale liabilities
- ▶ Successful roll-over of syndicated loan in October 2019 with 1.43x over-subscription & 31 banks from 19 countries
- ▶ No redemption in capital market instruments in 2019

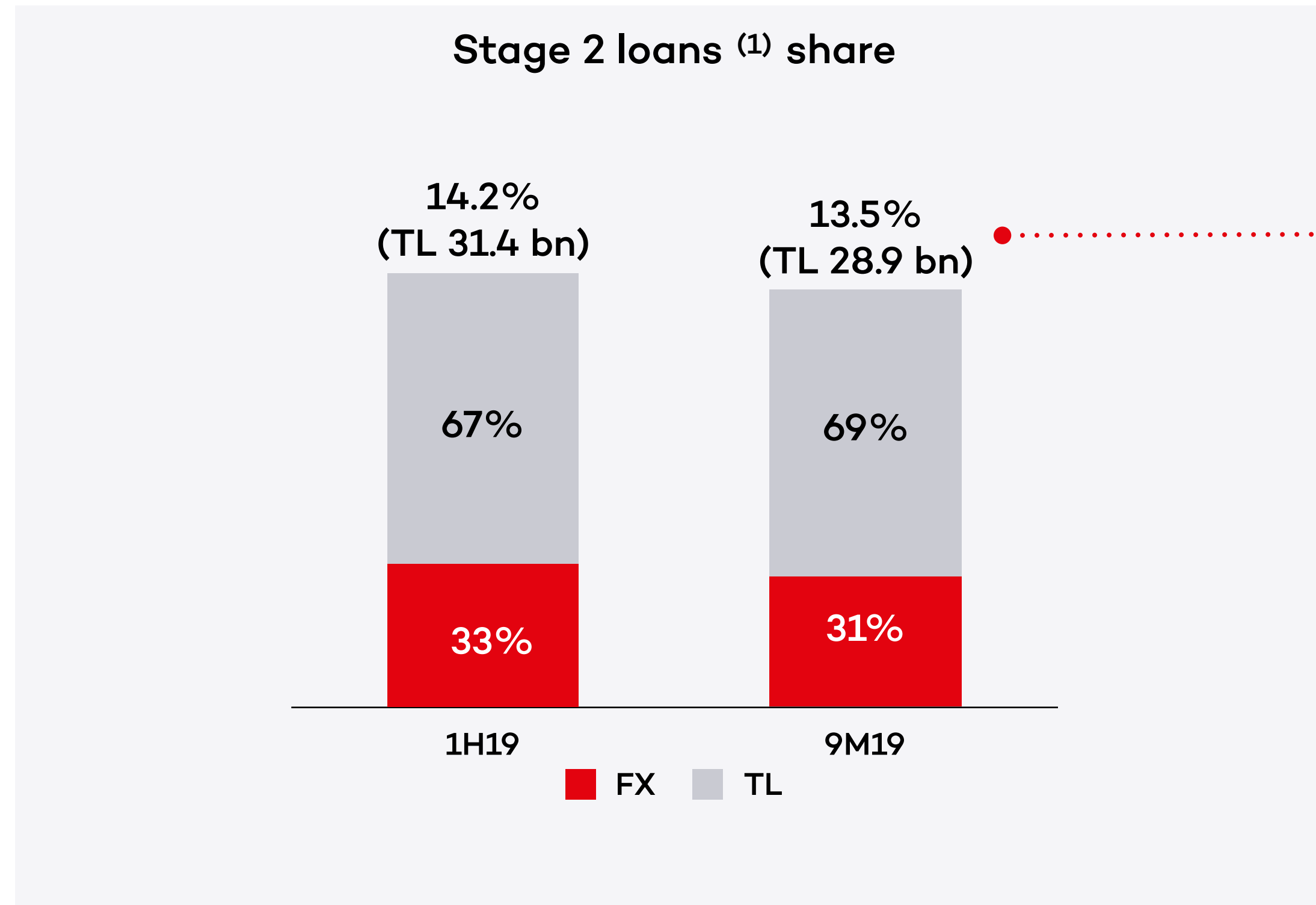
Balances based on principal outstanding and bank-only MIS data

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

⁽²⁾ For the avoidance of doubt, Syndicated Loans are as of 10.10.2019

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

Prudent IFRS 9 implementation



	<u>% of Total Stage 2</u>	<u>Coverage (%)</u>
Real Estate	11.2	12
Energy Generation	7.0	31
Construction	4.8	24

	<u>1H19</u>	<u>9M19</u>
Stage 2 Coverage	11.5%	11.9%
Stage 3 Coverage	59.2%	58.1%
Free Provisions	TL 650 mn	TL 650 mn

- ▶ c. 70% of Stage 2 loans are non-delinquent
- ▶ Only c. 10% of Stage 2 loans are past due 30 days
- ▶ All restructured loans (c. TL 17.8 bn) are followed under Stage 2

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

Proactive NPL recognition

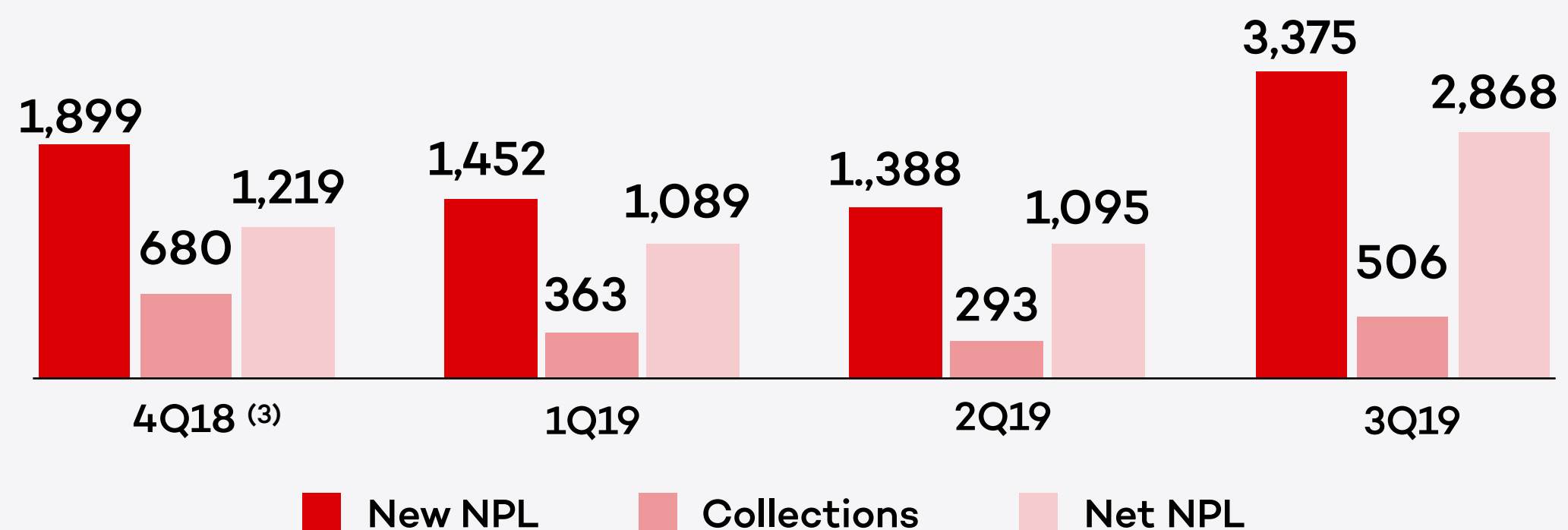
NPL Ratios by Segment
(%)

	<u>2018</u> ⁽¹⁾	<u>1H19</u>	<u>9M19</u>
Business	3.1	3.8	5.7
Consumer	4.1	5.2	5.5
Credit Cards	4.9	6.2	6.4
Total	<u>3.6</u>	<u>4.5</u>	<u>6.0</u>

2019B
NPL < 6%

	<u>% of Total Stage 3</u>	<u>Coverage (%)</u>
Real Estate	12.7	44
Energy Generation	6.5	44
Construction	6.4	54

Quarterly New NPL Additions and Recoveries ⁽²⁾
(TL mn)



- ▶ Increase in NPL inflows driven by proactive classification of some corporate/commercial files
- ▶ QoQ collection performance improved significantly
 - ◉ Diversified and no one-offs
- ▶ NPL ratio of 6% in line with FY guidance, despite lack of loan growth and no NPL sale

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

⁽²⁾ Bank-only

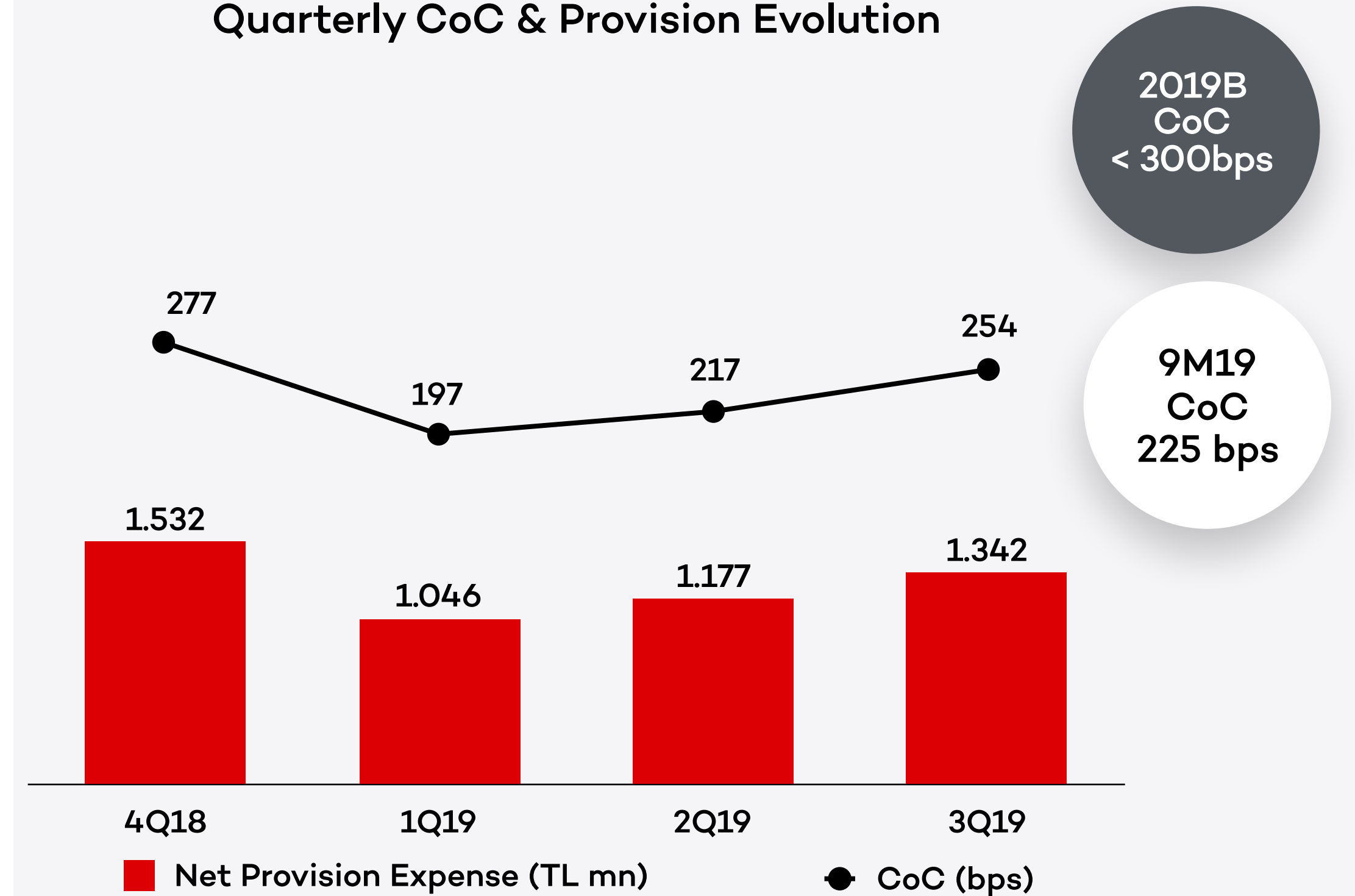
⁽³⁾ Includes NPL sale gain at TL 19 mn. Excludes OTAS loan.

CoC evolution remains better than guidance

9M19 CoC & Provision Breakdown
(TL,mn)

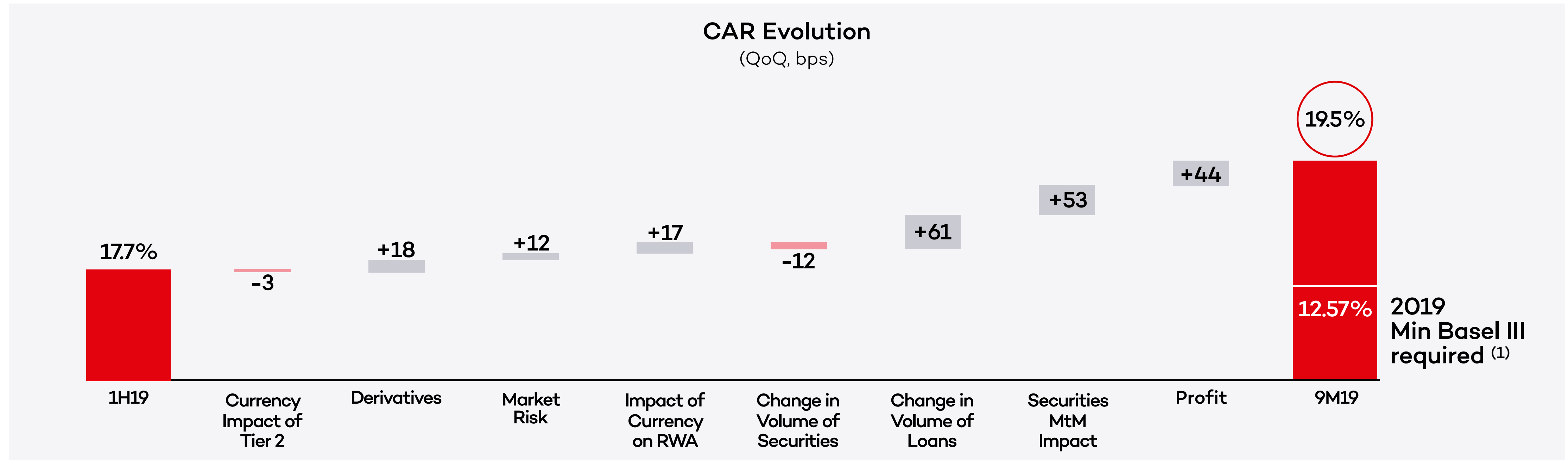
Provisions	1H19	9M19
Stage 1+2 (net)	749	690
Stage 3	1.674	3.368
Stage 3 Recoveries (-)	(300)	(435)
Currency Impact	100	(58)
Net CoC	2.223	3.565

Quarterly CoC & Provision Evolution



- ▶ 9M19 CoC remains below guidance despite proactive NPL recognition and muted loan growth
- ▶ Will continue to apply prudent provisioning
- ▶ No change in macro assumptions

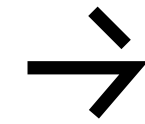
Robust capital position



Solvency Ratios

9M19

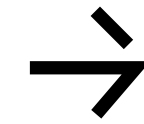
CAR: 19.5%
Tier 1: 16.7%



Excess Capital

TL 21.3 bn

Acc. to 2019 minimum
Basel III required 12.57%



Excess Tier 1

TL 18.9 bn

Acc. to 2019 minimum
Basel III required 10.57%

**Well-positioned to generate
profitable growth with solid
capital buffers**

9M19 Results: Disciplined approach with risk-return in focus

	9M19 Results	2019 Guidance
ROA	1.4%	≥1.4%
ROE	11.2%	≥12%
NIM (swap adj.)	4.0%	≥3.5%
Net fees&com. growth	35.3%	> 20%
Opex growth	21.7%	~CPI ⁽¹⁾
Cost/ income ⁽²⁾	34.0%	≤35%
CAR	19.5%	~16%
Tier 1	16.7%	~13.5%
LDR ⁽³⁾	90%	Max 105%
NPL	6.0%	<6%
Net total CoC	225 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

- 01 Snapshot of Results
- 02 Balance Sheet Highlights
- 03 Income Statement Highlights
- 04 Subsidiaries' Contribution

Snapshot of Results

(TL mn)	9M18	2018	2Q19	3Q19	9M19	YoY	QoQ
Total Assets	426,068	354,682	375,827	379,261	379,261	(11%)	1%
Loans (net) ⁽¹⁾	231,537	201,332	211,353	202,614	202,614	(12%)	(4%)
Deposits	244,980	208,630	229,503	235,832	235,832	(4%)	3%
Net Profit	4,688	5,709	1,259	1,361	4,028	(14%)	8%
Net interest income	11,320	15,596	4,044	4,331	12,041	6%	7%
Net fee income	2,683	3,718	1,210	1,228	3,631	35%	1%
(%)							
ROE	15.0	13.6	10.4	10.8	11.2	(3.8)	0.4
ROA	1.7	1.6	1.3	1.4	1.4	(0.3)	0.1
Leverage	9.9x	8.1x	7.6x	7.4x	7.4x	(2.5)	(0.2)
NIM	4.42	4.62	4.66	5.02	4.72	0.3	0.4
NIM after swap	3.84	4.0	3.91	4.13	3.95	0.1	0.2
Cost to Income ⁽²⁾	31.7	32.3	34.2	34.3	34.0	2.3	0.1
CAR	14.2	16.8	17.7	19.5	19.5	5.3	1.8
Tier 1	11.8	14.3	15.0	16.7	16.7	4.9	1.7

⁽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

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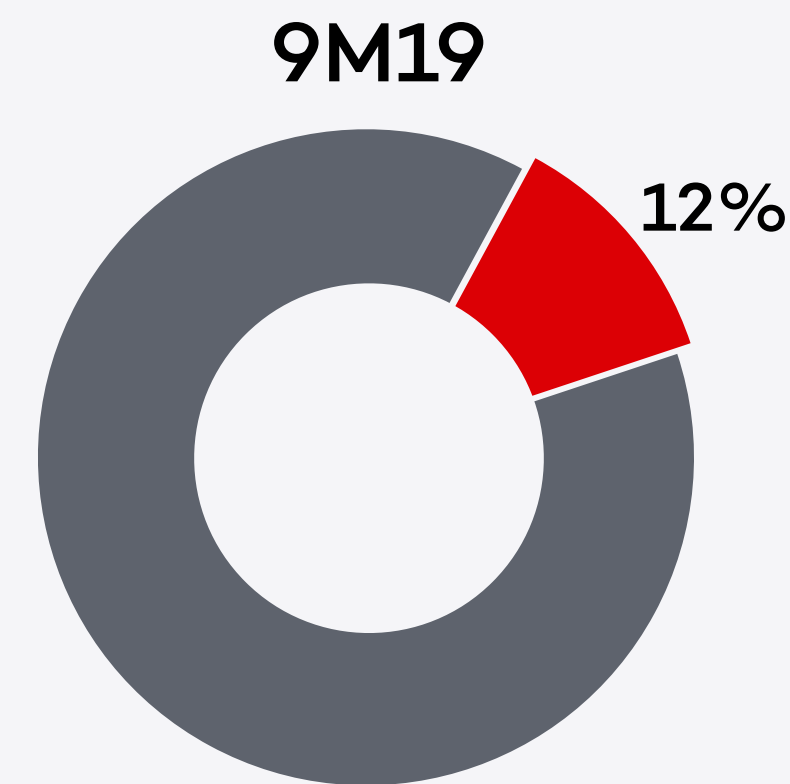
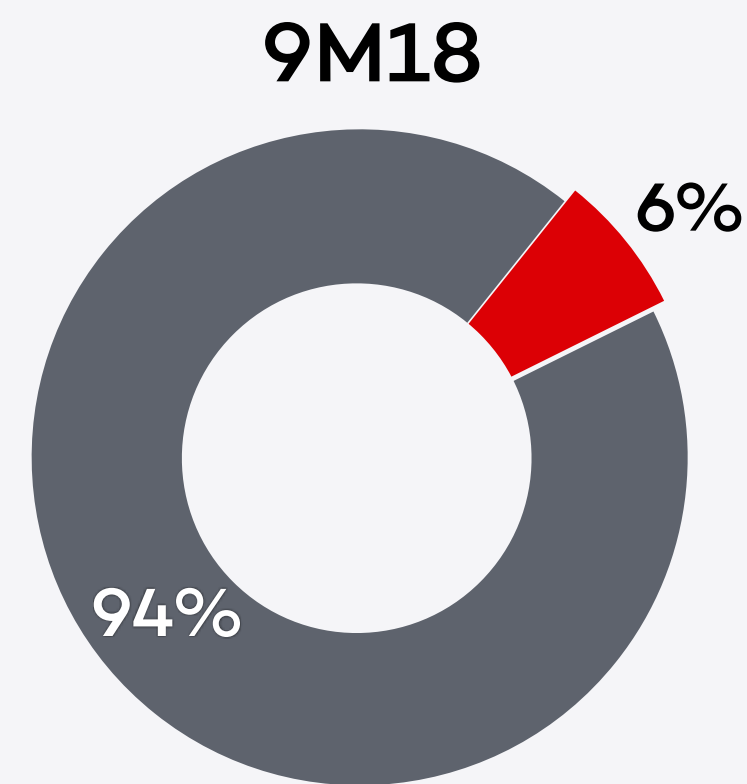
Balance Sheet Highlights

Consolidated (TL mn)			Shares (%)	
	2018	9M19	2018	9M19
Cash and Due from Banks	49,618	55,449	14.0	14.6
Securities	56,782	77,310	16.0	20.4
Loans (net) ⁽¹⁾	201,332	202,614	56.8	53.4
Other	46,950	43,888	13.2	11.6
Total Assets	354,682	379,261		
Deposits	208,630	235,832	58.8	62.2
Funds Borrowed and Bonds Issued	61,506	52,331	17.3	13.8
Repo	14,275	12,136	4.0	3.2
- TL Repo	3,918	1,200	1.1	0.3
- FX Repo	10,357	10,936	2.9	2.9
Other	26,484	27,465	7.6	7.2
Equity	43,787	51,497	12.3	13.6
Total Liabilities and S/H Equity	354,682	379,261		

Income Statement Highlights

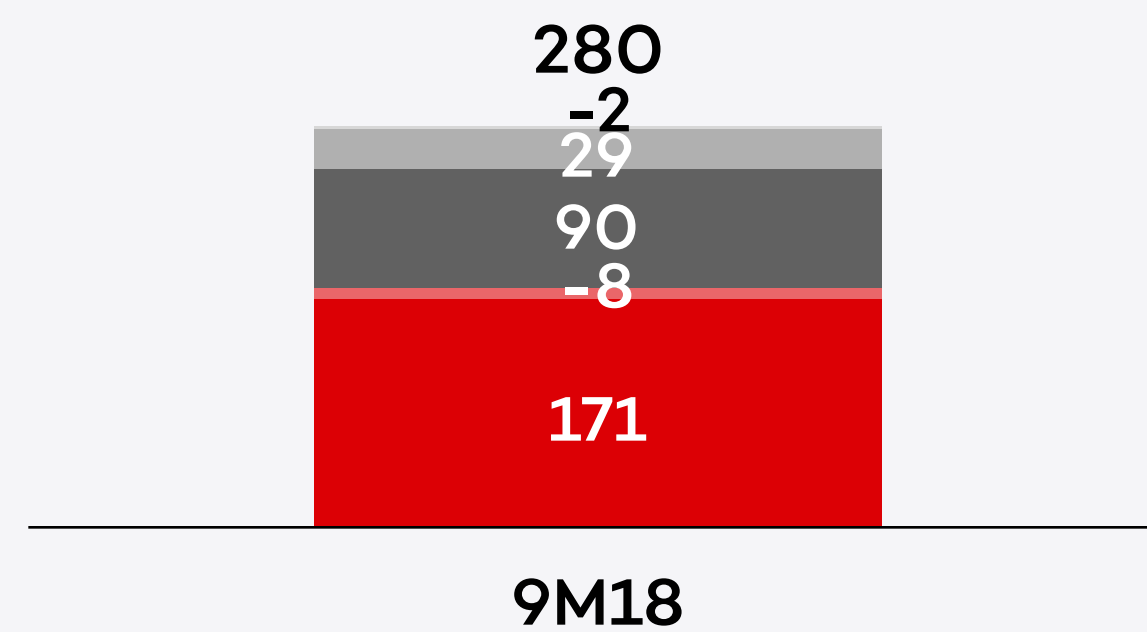
Consolidated (TL mn)	9M18	9M19	Change (%)
Interest Income	24,842	27,881	12.2
Interest Expense	(13,521)	(15,841)	17.2
Net Interest Income	11,320	12,041	6.4
Trading Gain (Loss)	293	(888)	-
- Securities	(1,050)	175	-
- Other	1,343	(1,063)	-
Provision for Loan Losses, net of collections	(4,204)	(3,565)	(15.2)
Fees and Commissions (Net)	2,683	3,631	35.3
Operating Expense	(4,185)	(5,092)	21.7
Other Income	366	157	(57.2)
Other Provisions ⁽¹⁾	(296)	(1,074)	-
Income Before Tax	5,978	5,210	(12.8)
Tax	(1,290)	(1,182)	(8.3)
Net Income	4,688	4,028	(14.1)

Solid contribution from subsidiaries

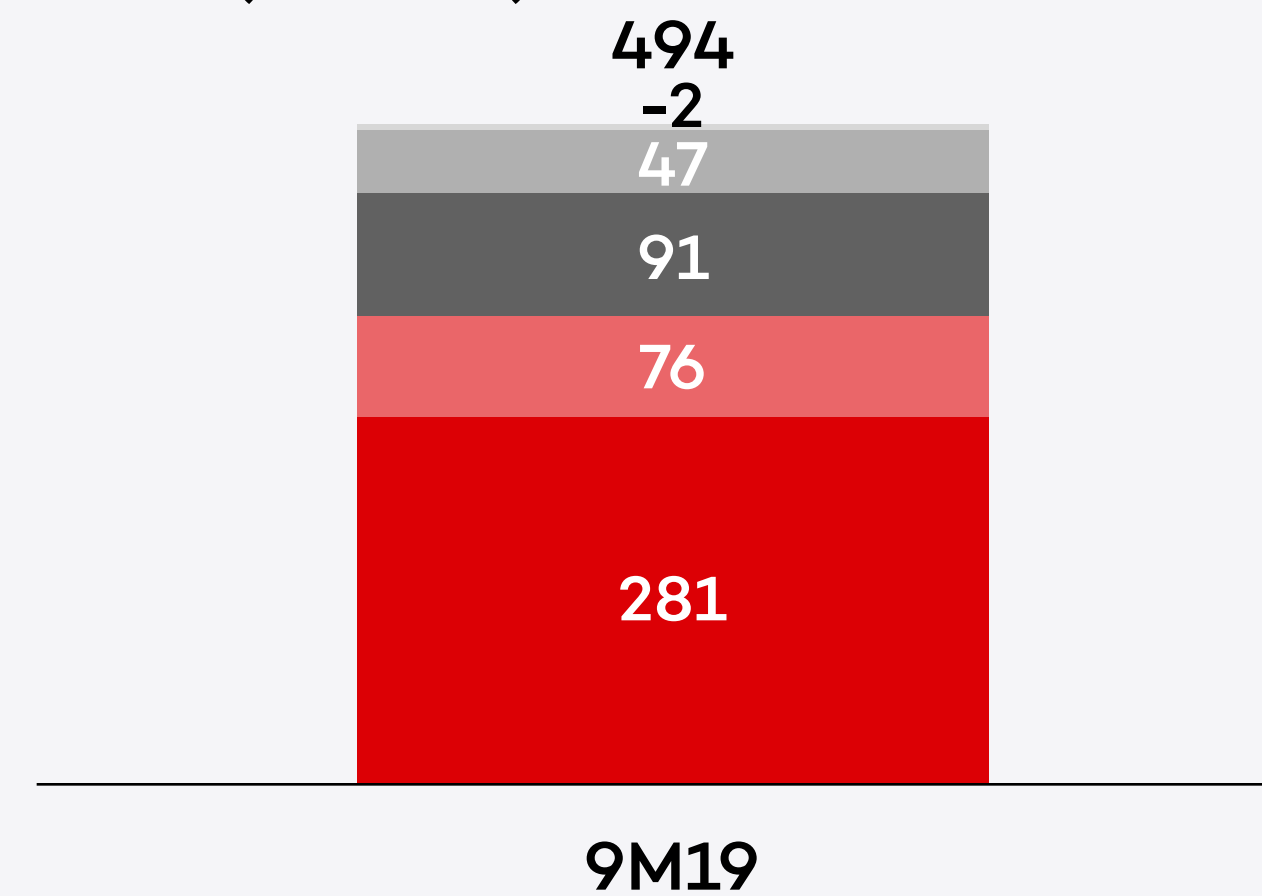


● Bank-only net income
● Subsidiaries' Contribution

Subsidiaries' Net Income (TL mn)



76% ▲



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

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