

# **4Q18**

# **Consolidated**

# **Financial Results**

31 January 2019

**AKBANK**



# 2018 Highlights: Focus on asset quality, liquidity and sustainable profitability

**2018FY ROE of 13.6% & NI at TL 5,709 mn**

Core NIM compression due to rising funding cost along with deleveraging as well as high provisioning

**Healthy solvency ratios in a challenging environment: CAR 16.8%, Tier 1 14.3%**

Optimising RWA by deleveraging of loan book & FX securities  
Significant competitive advantage to capture future growth

**Prudent IFRS 9 modelling**

Conservative model & macro parameters  
Restructured loans are booked in Stage 2

**Total LDR <sup>(1)</sup> at 98% & FX LDR <sup>(1)</sup> at 72%**

Well-built and disciplined funding structure with ample FX liquidity

**Best-in-class operational efficiency with 32.3% CIR**

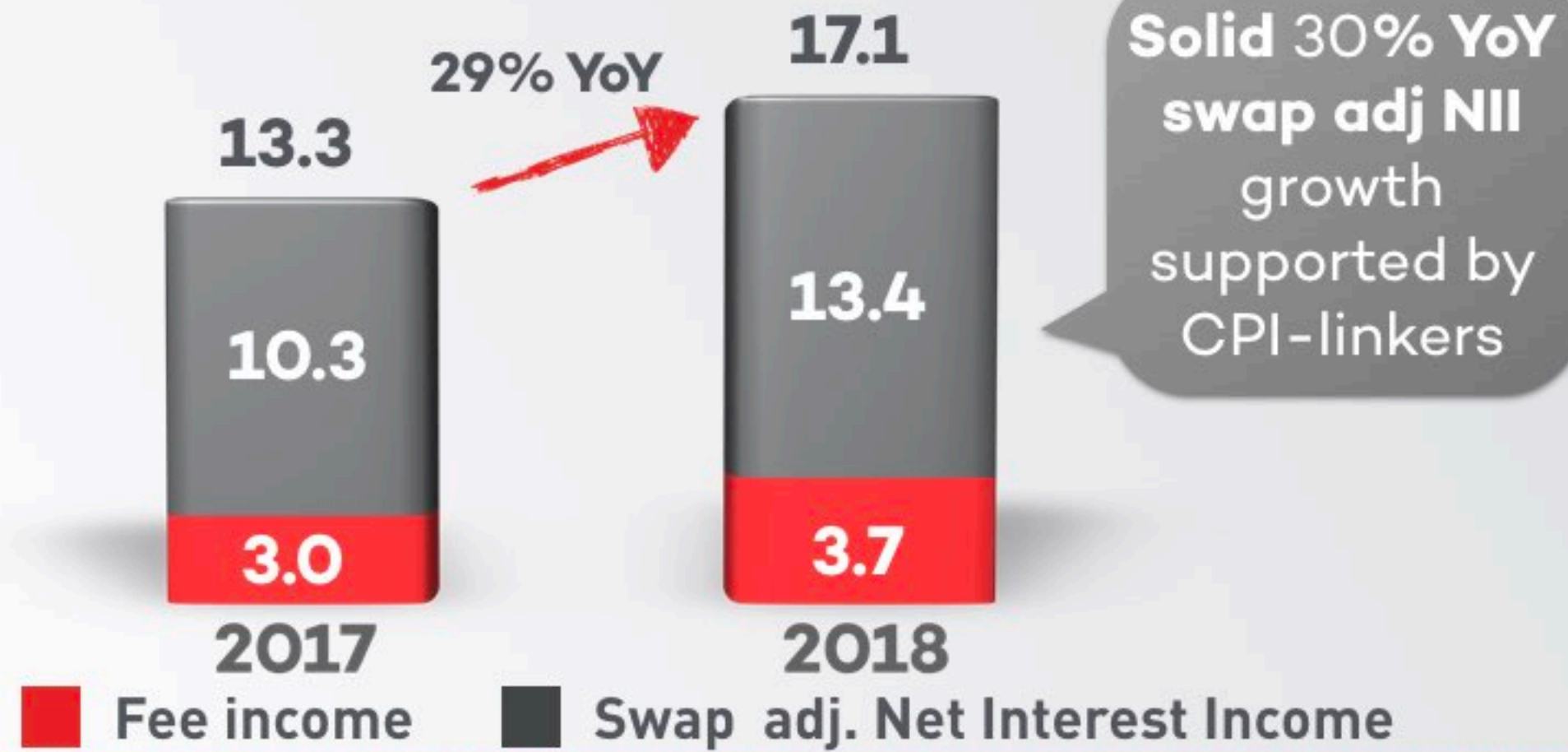
Competitive advantage in high inflation backdrop

<sup>(1)</sup> Bank-only

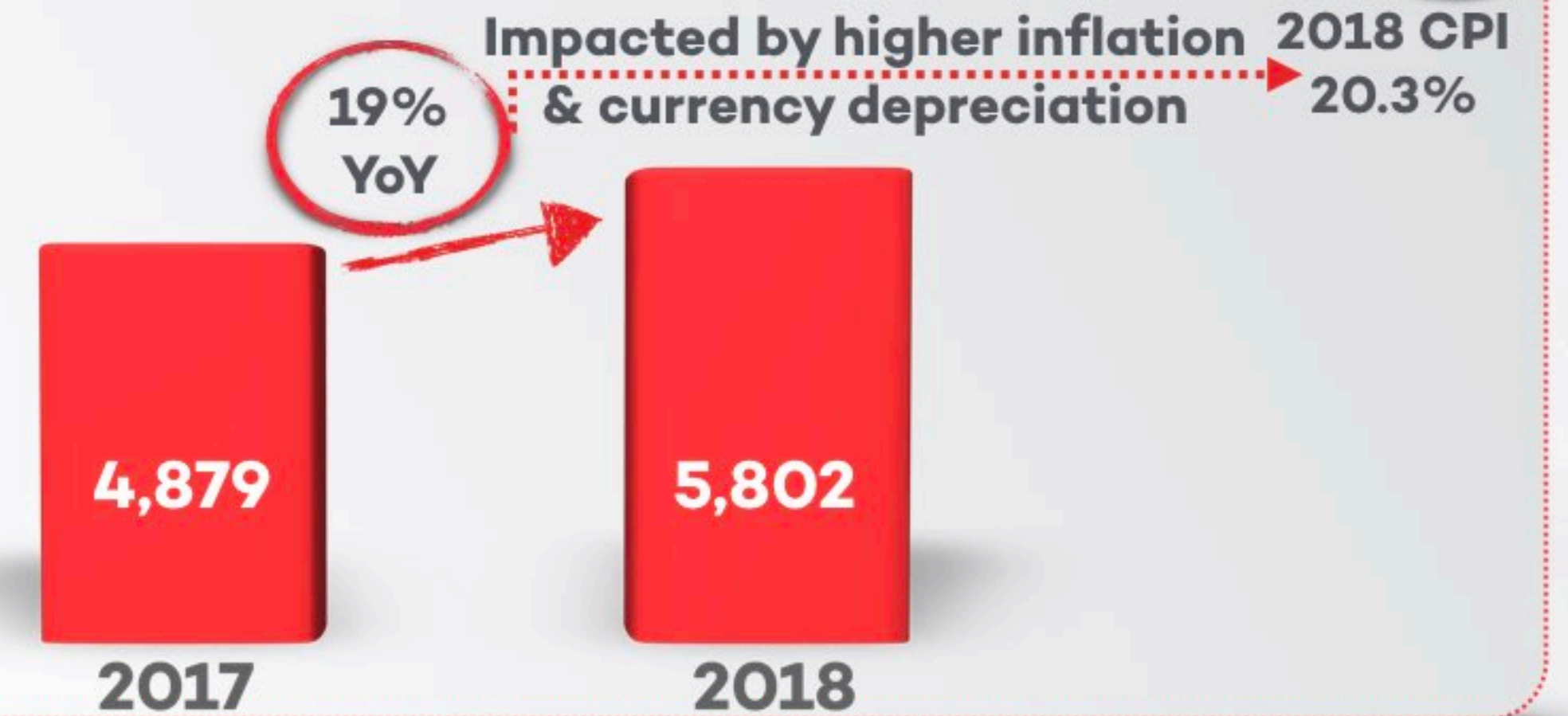


# Best-in-Class CIR maintained in a challenging year

## Revenue (TL bn)



## OPEX (TL mn)



## Net Income (TL mn)



## Cost to Income <sup>(2)</sup> (%)



(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 CPI-linkers

**2019B  
NIM  
≥3.5%**

Quarterly NIM breakdown <sup>(1)</sup> (bps)



2018FY NIM breakdown <sup>(1)</sup> (bps)



Quarterly Short-term Swap Cost (TL mn)



CPI Linker Income (TL mn)



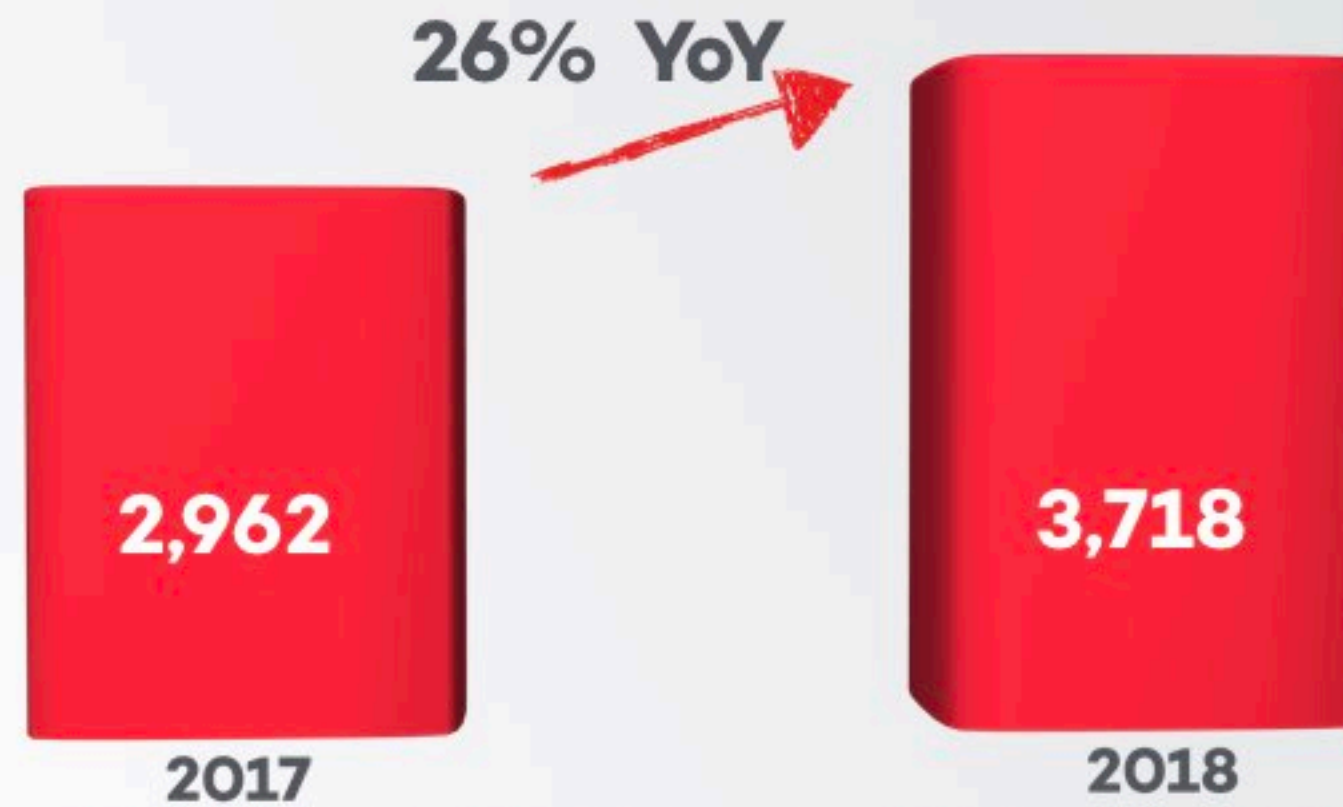
(1) Impact of higher actual October YoY CPI of 11.9% is TL 325 mn gross  
 Impact of change in CPI estimation: (2) from 9% to 11% is TL 153 mn gross  
 (3) from 11% to 17% is TL 686 mn gross  
 (4) from 17% to 25.2% is TL 1.2 bn gross

(1) Other impact mainly consists of banking receivables.



# Fee income well-ahead of guidance

Net Fees & Comm. (TL mn)



2019B  
Fee growth  
> 20%

► **Payment Systems** commissions **+43% YoY**  
Strong performance in both acquiring & issuing

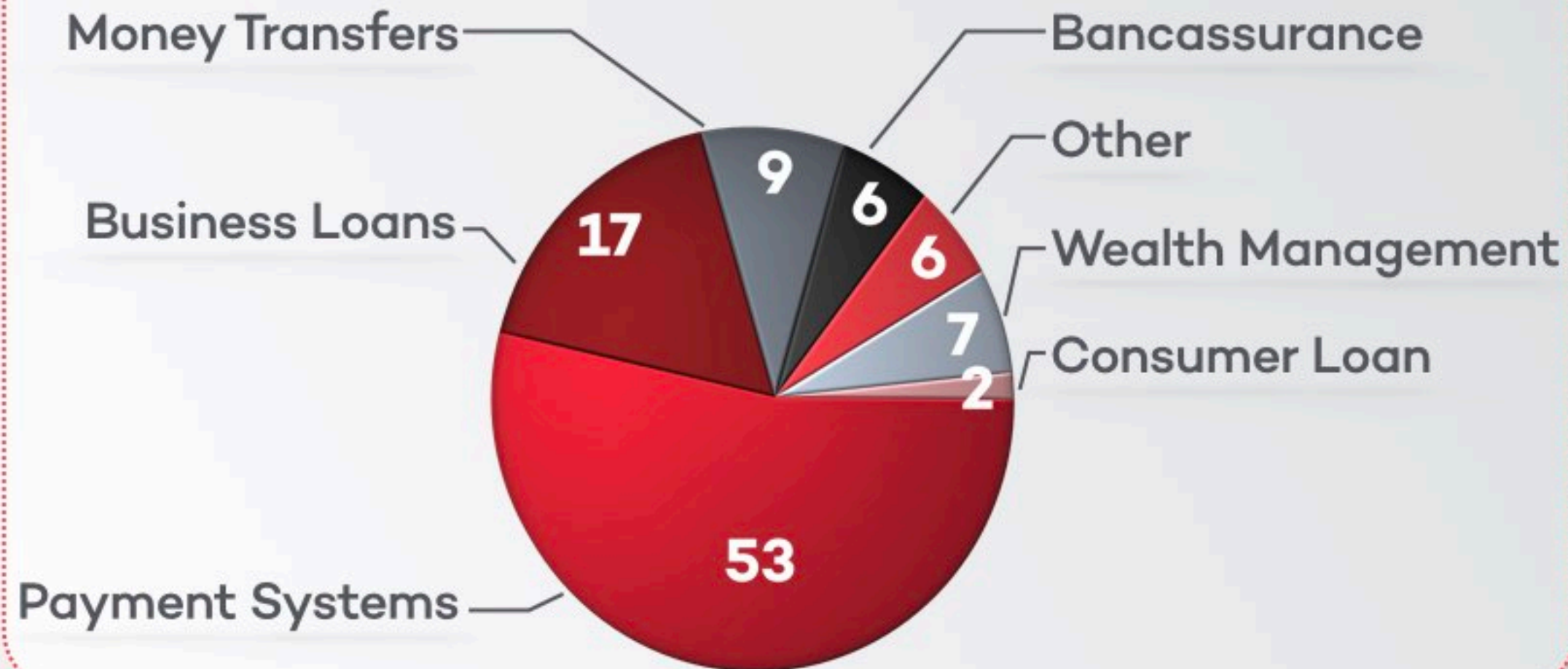
► **Business Loans**  
Strong performance in **non-cash loan fees +55% YoY**

► **Insurance**  
Strong cooperation with our partners AvivaSA & Aksigorta  
Effective organisational focus within the Bank

► **Wealth Management** fees **+31% YoY**  
Strong cooperation with our subsidiaries AkYatırım & AkPortföy  
Leveraging our digital platform & consolidated organisation

► **Direct Banking**  
**Direct banking customers at 4.7 mn (+15% YoY)**  
Share in non-credit linked fees <sup>(1)</sup> at **49%**  
**69% of GPLs** and **55% of credit cards** were sold through direct channels  
**Share of mobile in GPLs** increased from **33% in YE17** to **49% in YE18**

Fees & Commissions by product (%)



(1) Based on bank-only MIS data



# Customer experience differentiated by zero-based design



## New Branch Model in Numbers <sup>(1)</sup>

**228 branches  
transformed &  
operational  
as of 4Q18**

**Migration of cash  
transactions to  
E-tellers  
60%**

**Income Generation**

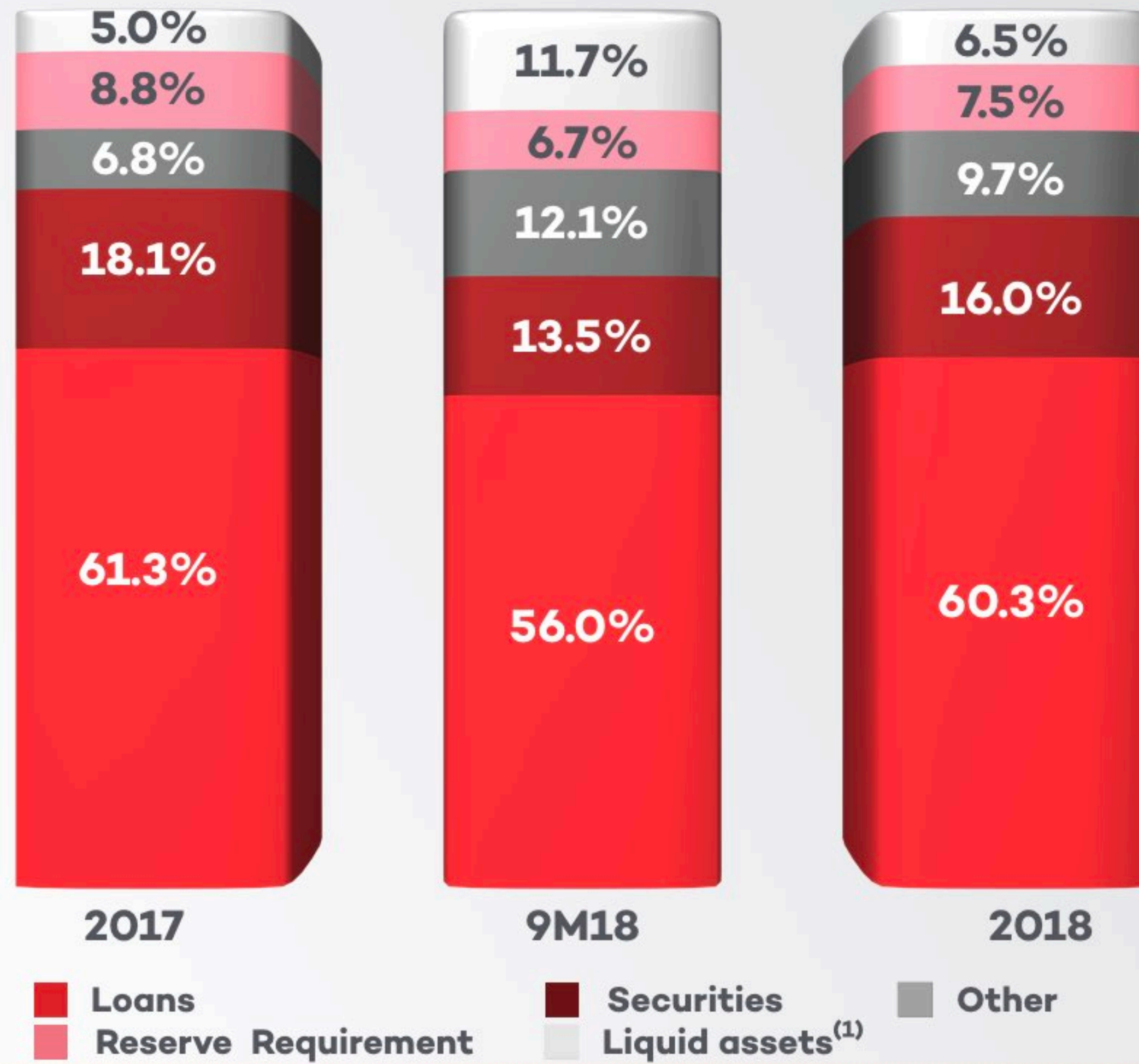
**↑  
+30% yoy**

<sup>(1)</sup> Based on performance of branches operating with the new model at least 1 months.



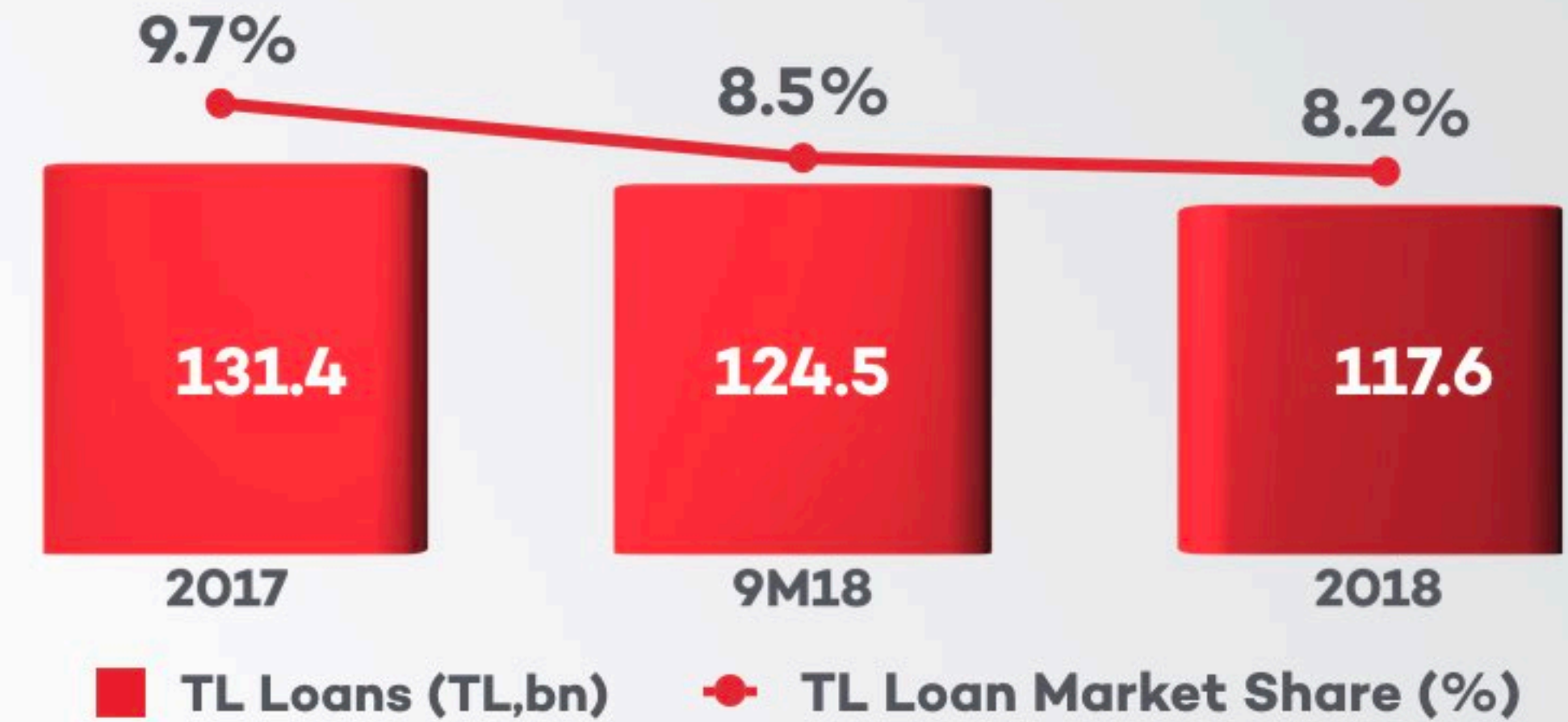
# Asset Composition: Ready for risk & return focused growth

## Assets (%)

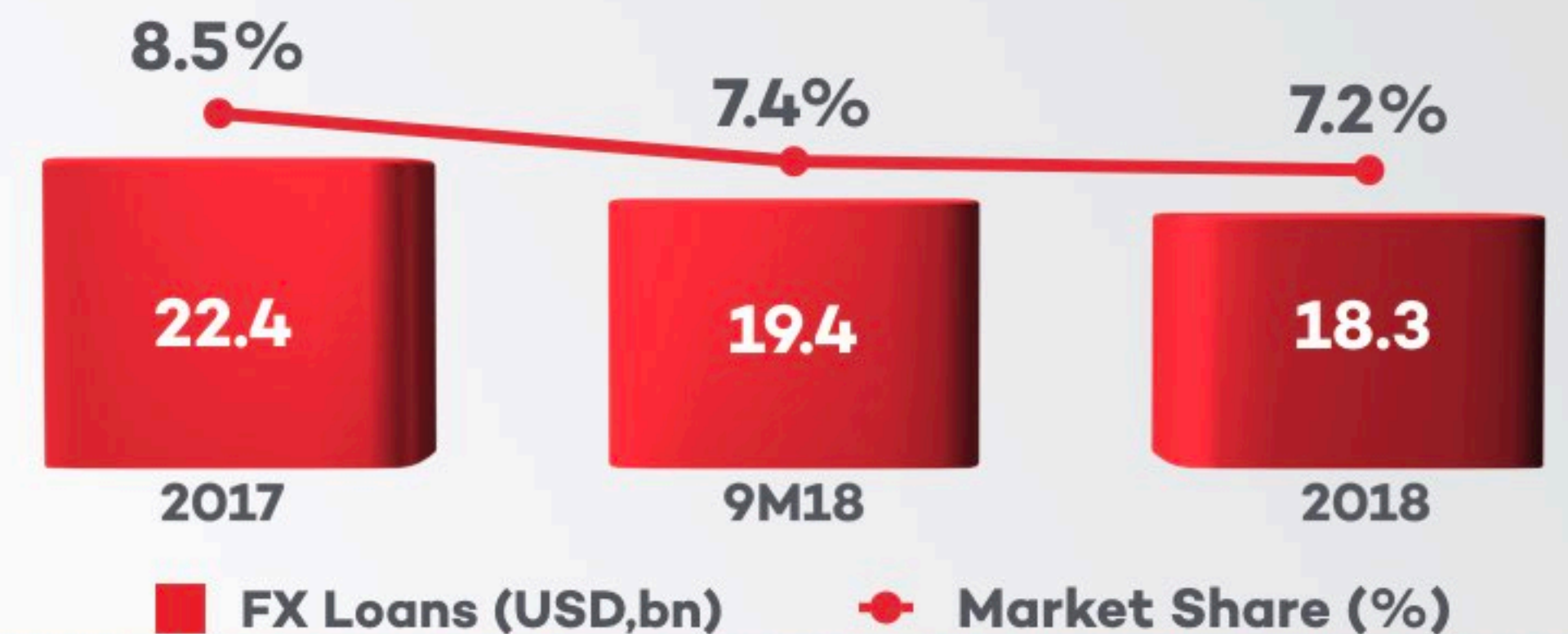


(1) Cash and cash equivalents

## TL Loans



## FX Loans



Market shares based on bank-only data



# Prudent and sound lending strategy

2019B  
Total Loan  
growth  
~ 10%

(TL bn)	2017	1Q18	2Q18	3Q18	2018	YoY (%)	% of Total
<b>TL Loans</b>	<b>131.4</b>	<b>135.6</b>	<b>131.7</b>	<b>124.5</b>	<b>117.6</b>	<b>(11)</b>	<b>55</b>
<b>Business Banking</b>	<b>86.4</b>	<b>90.0</b>	<b>86.0</b>	<b>80.1</b>	<b>75.1</b>	<b>(13)</b>	<b>35</b>
Corporate	26.3	26.8	25.9	25.7	24.5	(7)	11
Commercial	42.6	44.7	43.2	39.7	37.3	(12)	17
Other Business	17.5	18.5	16.8	14.7	13.3	(24)	6
<b>Leasing Receivables</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>	<b>1.4</b>	<b>1.3</b>	<b>(16)</b>	<b>1</b>
<b>Retail</b>	<b>43.6</b>	<b>44.1</b>	<b>44.2</b>	<b>43.0</b>	<b>41.2</b>	<b>(5)</b>	<b>19</b>
Consumer	32.1	32.8	32.6	30.8	29.1	(9)	14
- GPL	18.6	19.8	20.2	19.2	18.2	(2)	9
- Mortgage	13.2	12.8	12.2	11.4	10.8	(18)	5
- Auto	0.3	0.2	0.2	0.2	0.1	-	0
Credit Cards	11.5	11.3	11.6	12.2	12.1	5	6
(USD bn)							
<b>FX Loans <sup>(1)</sup></b>	<b>22.4</b>	<b>22.8</b>	<b>20.9</b>	<b>19.4</b>	<b>18.3</b>	<b>(18)</b>	<b>45</b>
Corporate	13.0	13.1	12.0	11.1	11.0	(16)	27
Commercial	8.2	8.6	7.9	7.4	6.4	(22)	16
Leasing Receivables	1.2	1.1	1.0	0.9	0.9	(26)	2
<b>Total Loans <sup>(2)</sup> (TL bn)</b>	<b>212.7</b>	<b>222.6</b>	<b>224.1</b>	<b>238.6</b>	<b>213.9</b>	<b>1</b>	<b>100</b>

(1) FX indexed loans are shown under FX loans

(2) For comparability, 2017 Total Loans figures have been adjusted with General Reserves of the related period. 2018 includes NPL and Loan Loss Allowances.

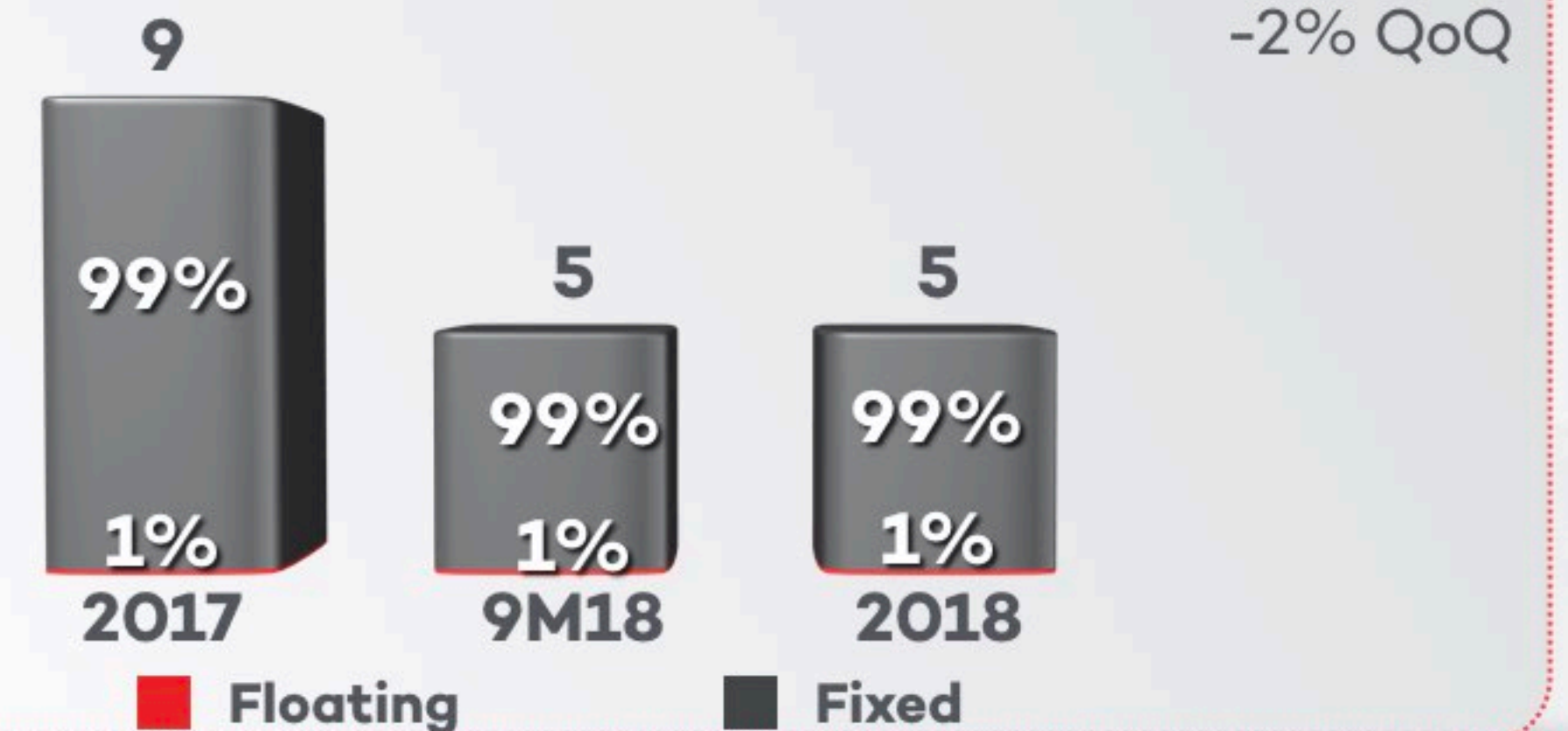


# Securities portfolio breakdown

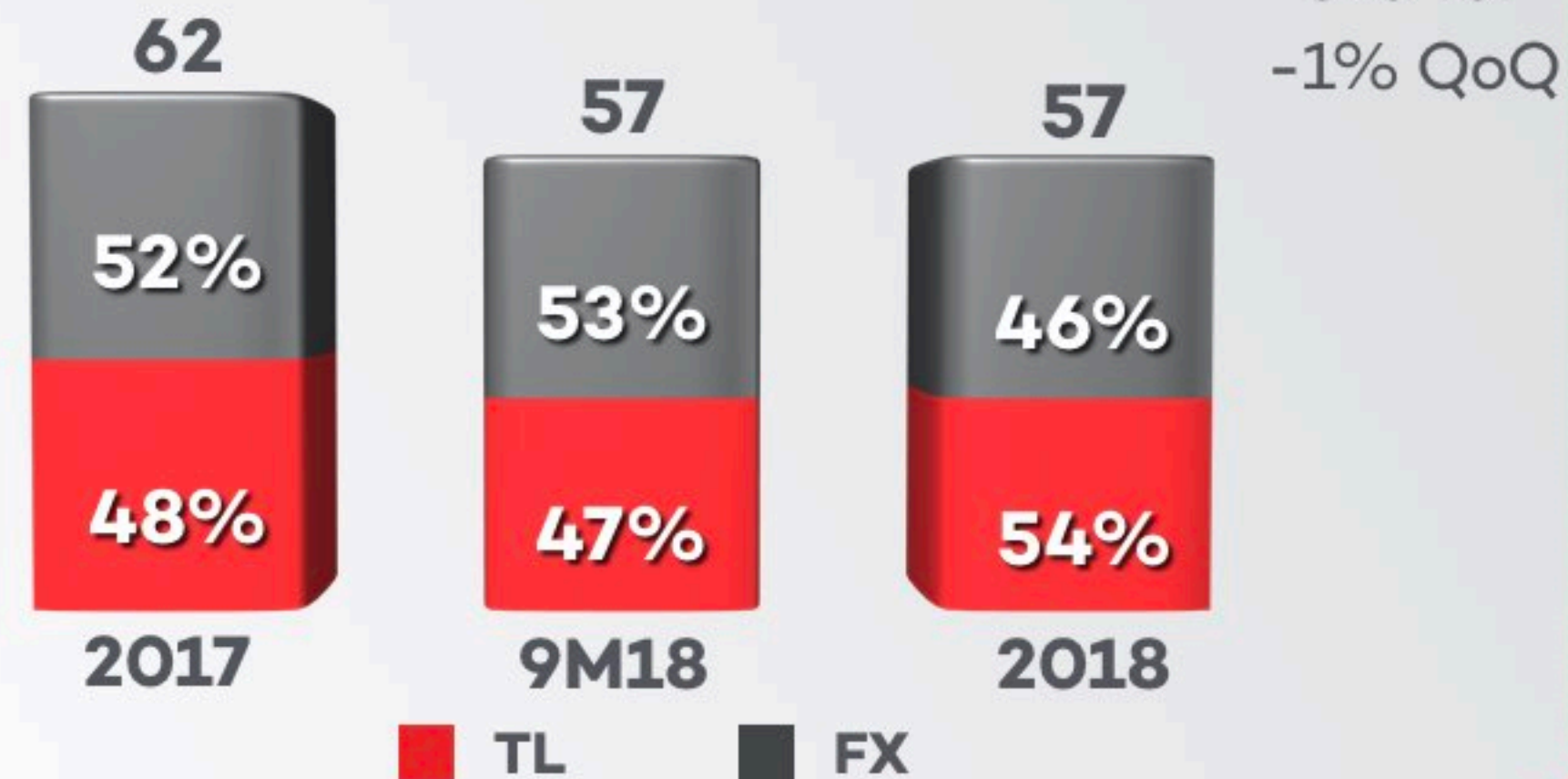
## TL Securities (TL bn)



## FX Securities (USD bn)



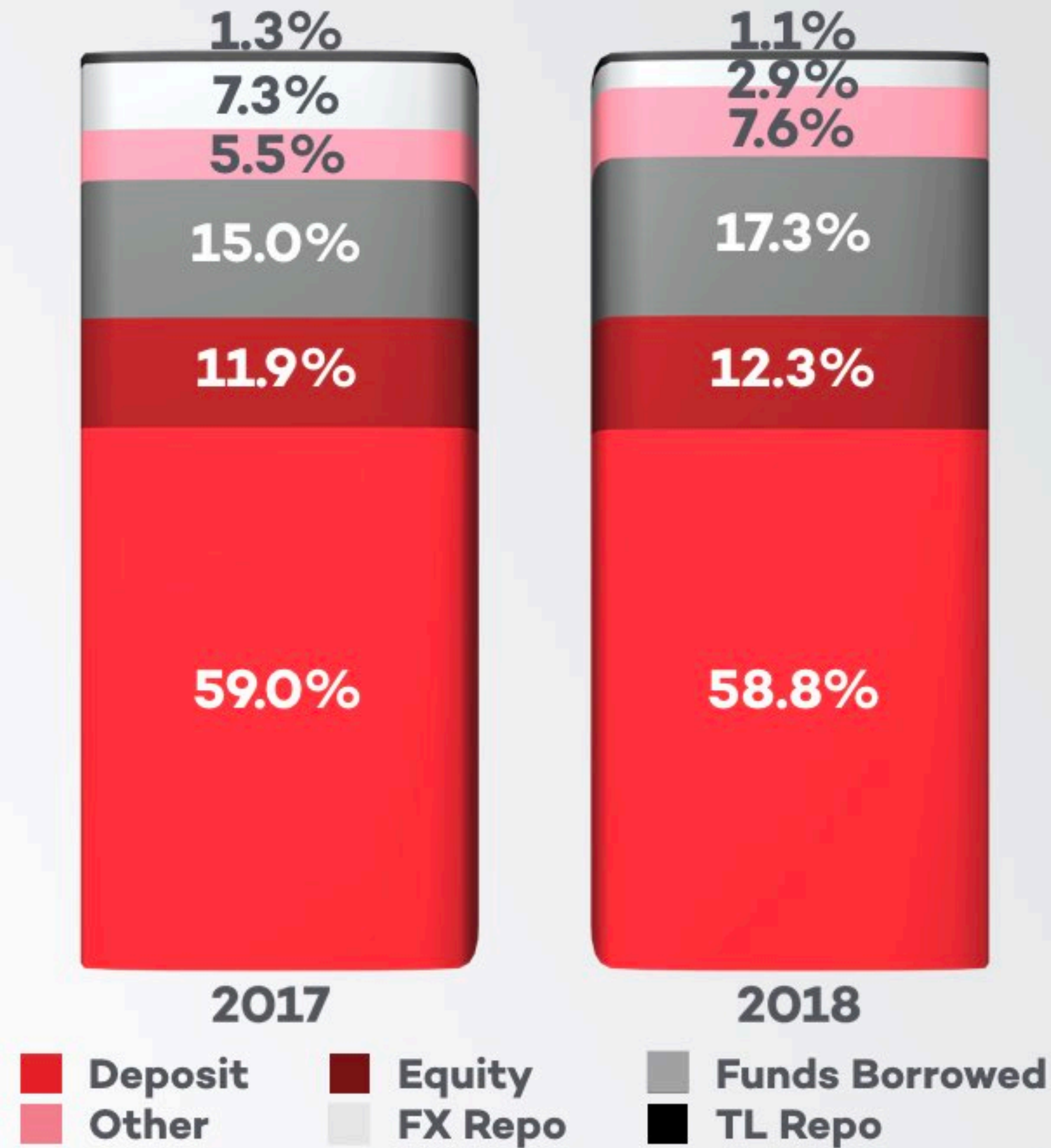
## Currency Split (TL bn)



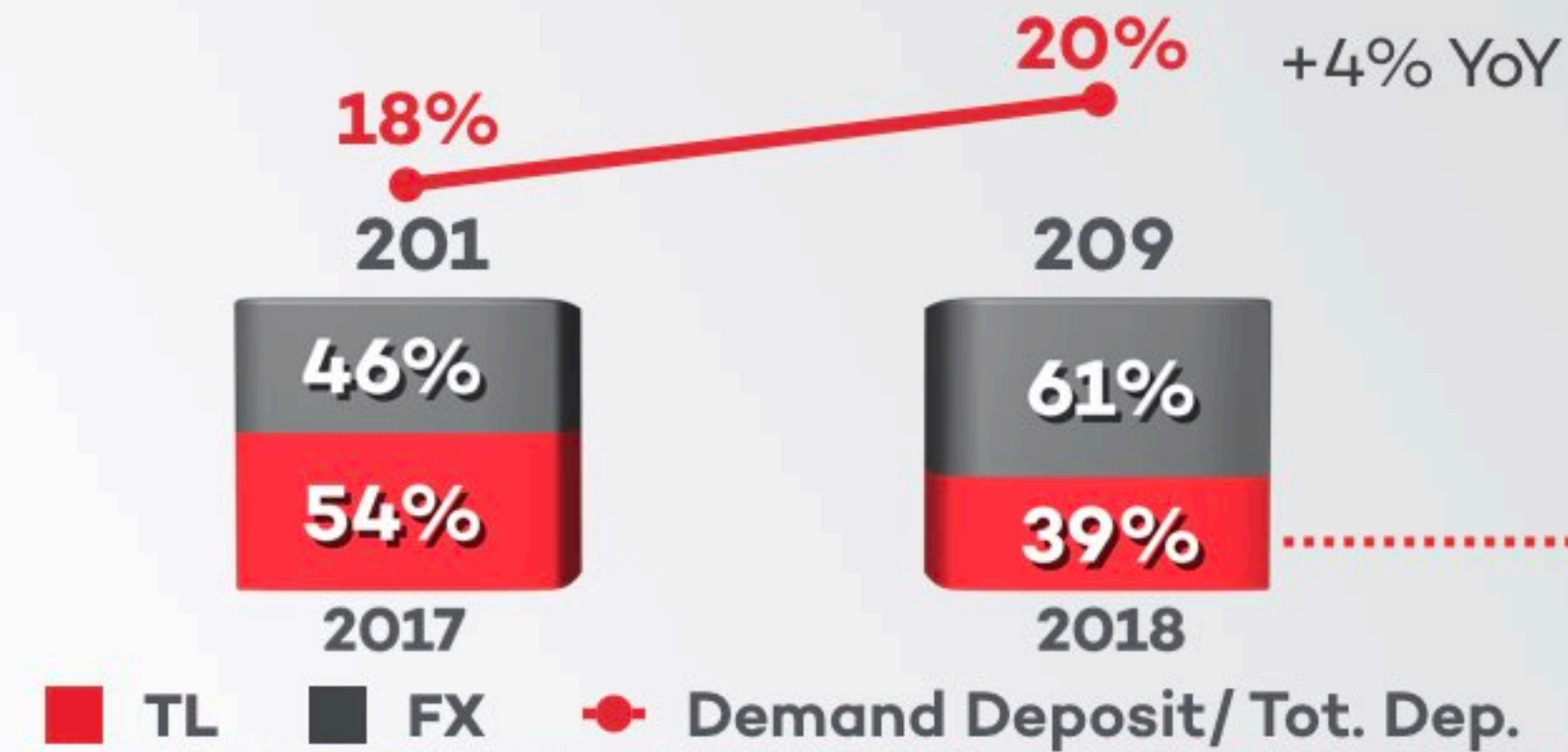


# Disciplined funding mix

## Composition of Liabilities



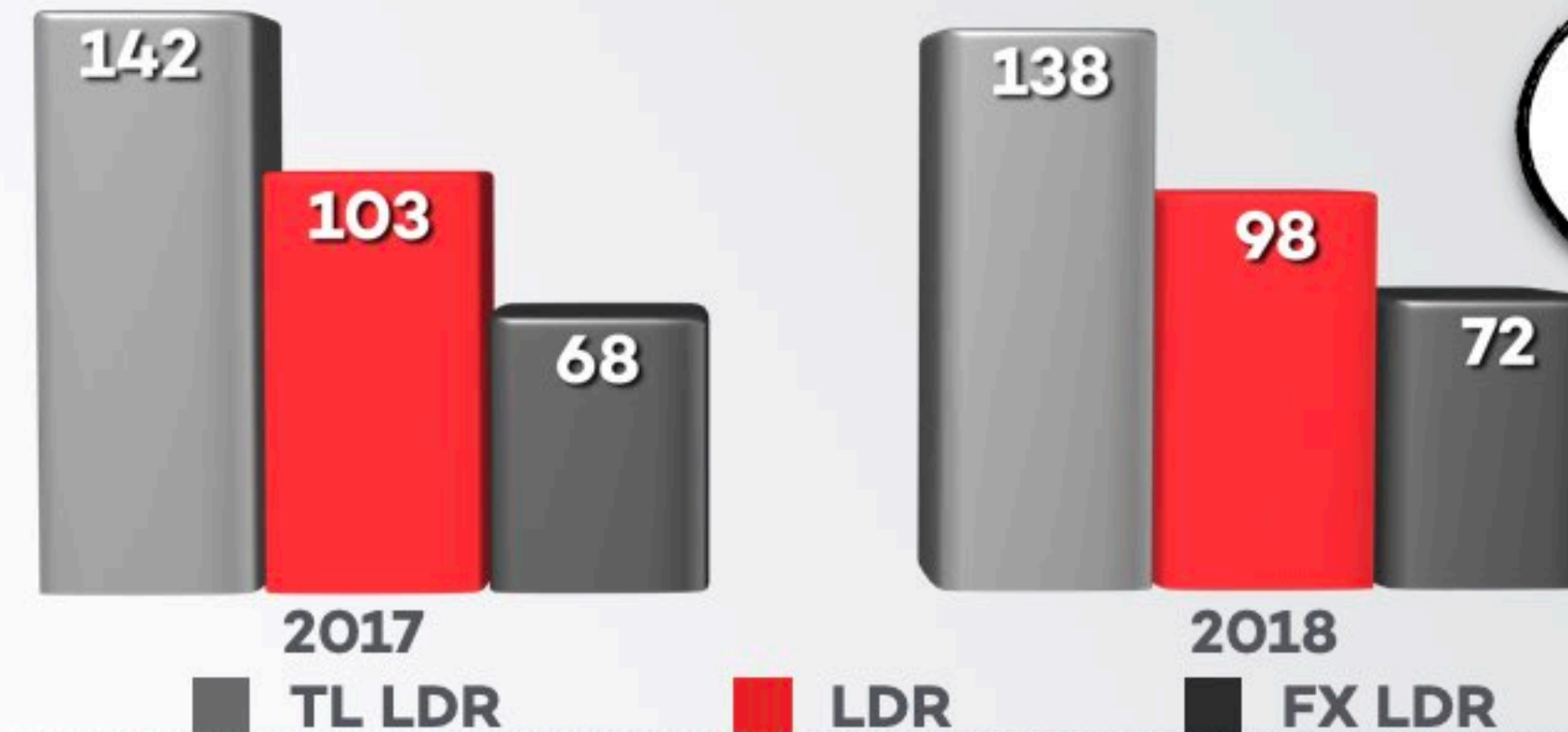
## Deposit Currency Split (TL bn)



**2019B**  
Total Deposit  
growth  
~ 10%

**RETAIL & SME  
DEPOSITS' Share  
in TL Deposit  
80% <sup>(1)</sup>**

## Loan to Deposit Ratio <sup>(2)</sup> (%)



**Sector's <sup>(3)</sup>**  
TL LDR: 135%  
FX LDR: 99%  
Total LDR: 114%

<sup>(1)</sup> MIS data

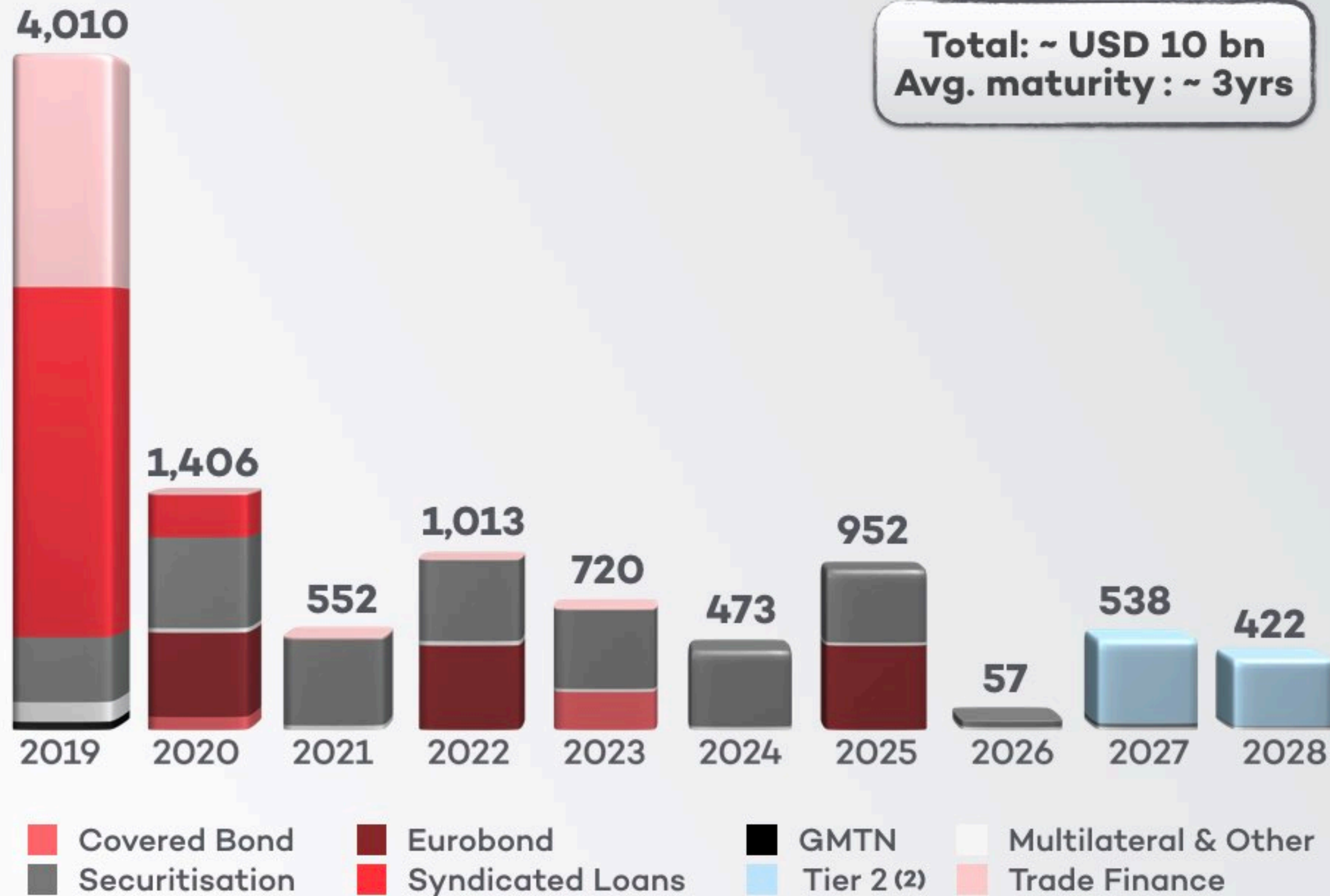
<sup>(2)</sup> Bank-only

<sup>(3)</sup> Based on bank-only BRSA weekly data December 28, 2018

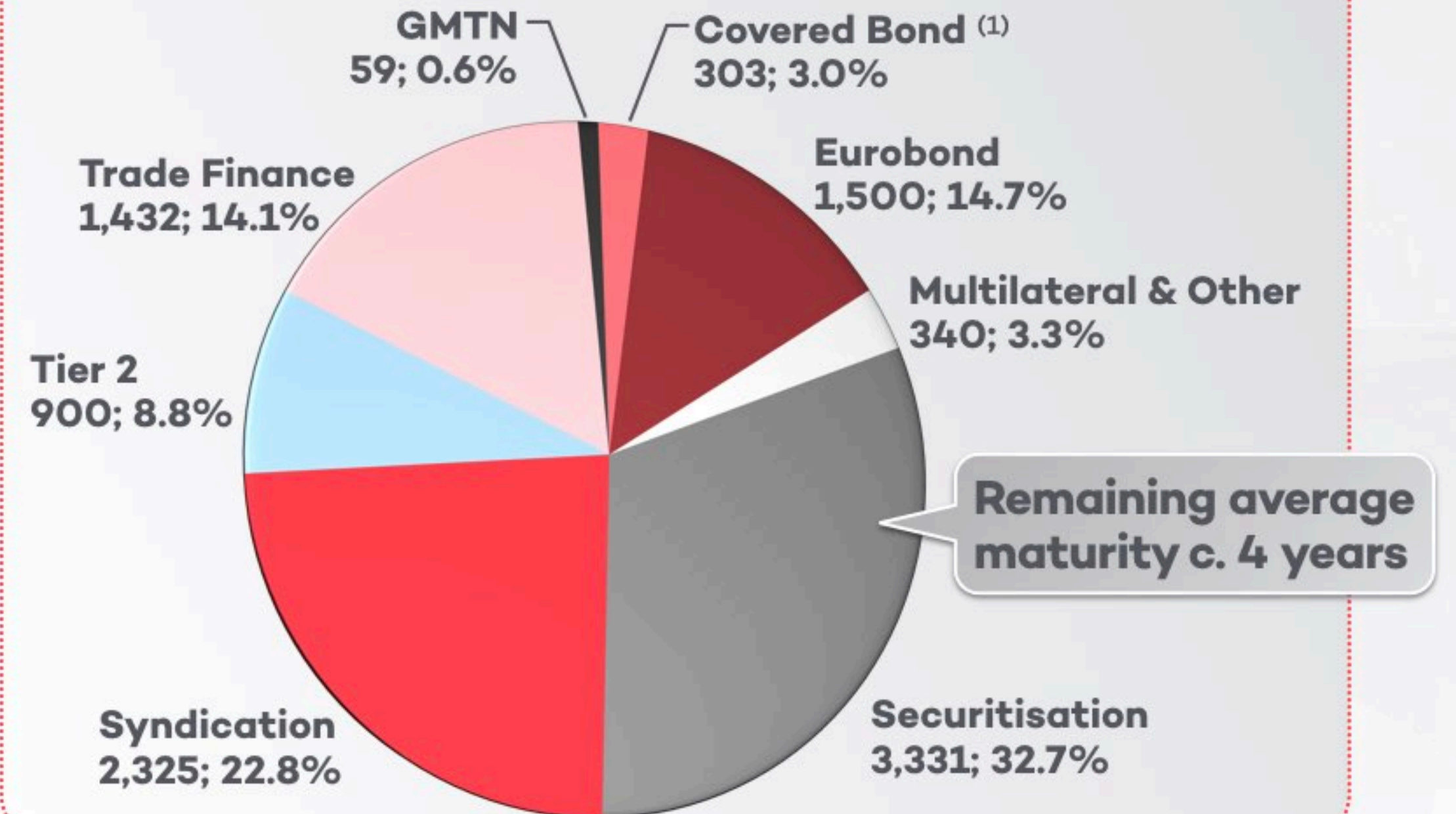


# Well-diversified borrowing mix

## Maturity Profile of Borrowings (USD mn)



## Borrowings (USD mn, %)



### In 2019

- ▶ Lower roll-overs in syndicated loans due to strong FX liquidity
- ▶ No redemption in capital market instruments

Balances based on outstanding principal and bank-only data

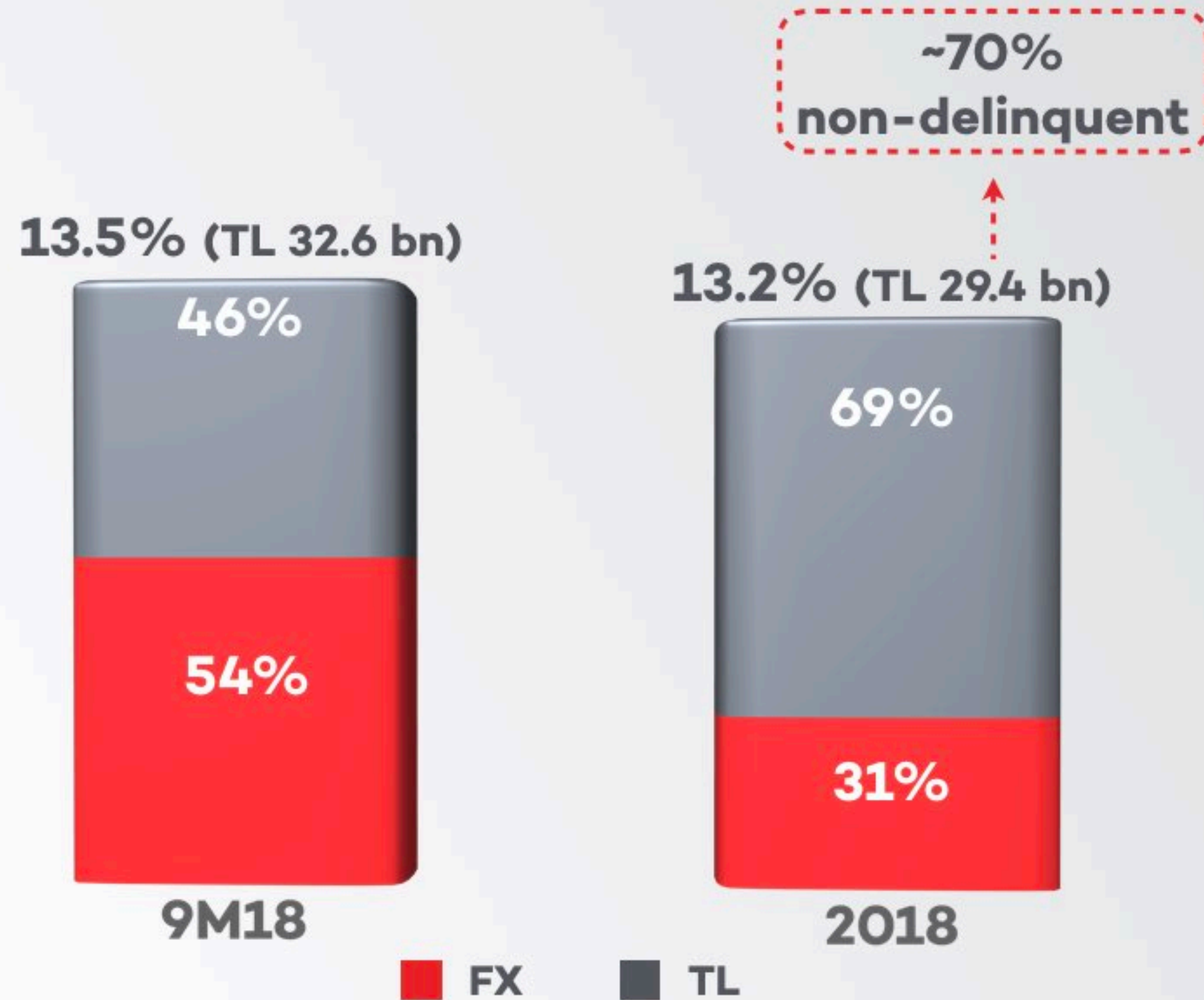
(1) USD equivalent of TL 1.6 bn Covered Bond issuance

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



# Prudent IFRS9 implementation

## Stage 2 loans share



	9M18	2018
Stage 2 Coverage	9.4% <sup>(1)</sup>	9.8%
Stage 3 coverage	58%	58%
Total Provisions <sup>(2)</sup> / NPL	95% <sup>(1)</sup>	106%
Free Provisions	TL 450 mn	TL 550 mn

## NPL Ratios by Segment (%)

	9M18	2018
Business	2.5	3.1
Consumer	3.9	4.1
Credit Cards	5.6	4.9
Total	3.1	3.8

2019B  
NPL < 6%

Private & Foreign  
Banks 4.6%<sup>(3)</sup>

(1) Excluding 30% OTAS provisioning for comparability, due to write-off in 4Q18

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

(3) BRSA weekly data as of Dec 28, 2018



# CoC impacted by Otas, model update and currency depreciation

## Total CoC Breakdown (2018)

Model Update

**40bps**

Currency impact

**50bps**

Net CoC excl. model update & ccy impact

**167bps**

Total

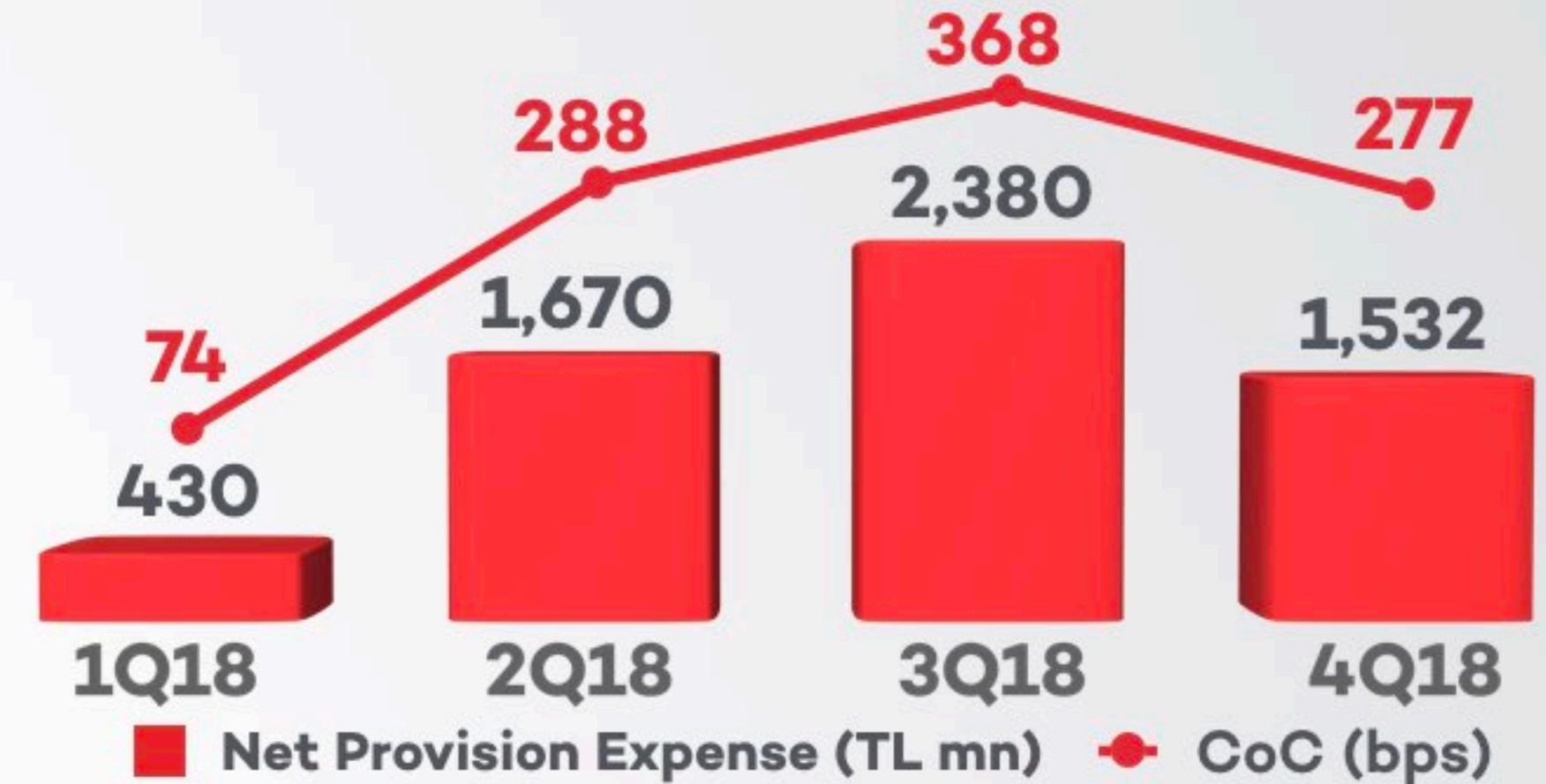
**= 257bps**

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

▶ Otas Impact 74bps

**2019B  
CoC < 300bps**

## Quarterly CoC & Provision Evolution



## P&L impact of Provisioning (2018, TLmn)

CoC including model update & ccy impact

**6,366**

Provision Recovery<sup>(1)</sup>

**604**

Other<sup>(2)</sup>

**+ 250**

Net Provision Expenses

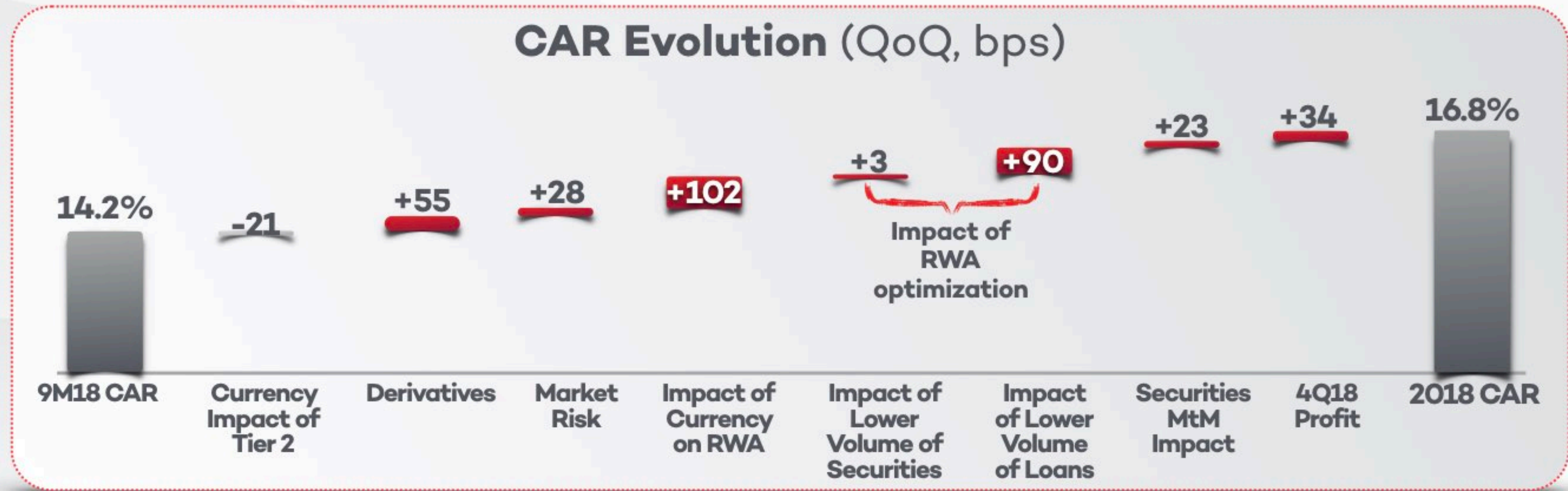
**= 6,012**

(1) Includes :  
2018 NPL sale gain at TL 54 mn (4Q18 TL 18 mn)  
2018 NPL collections from previous years cash loans at TL 550 mn (4Q18 TL 142 mn)

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



# Strong capital gives competitive advantage for growth



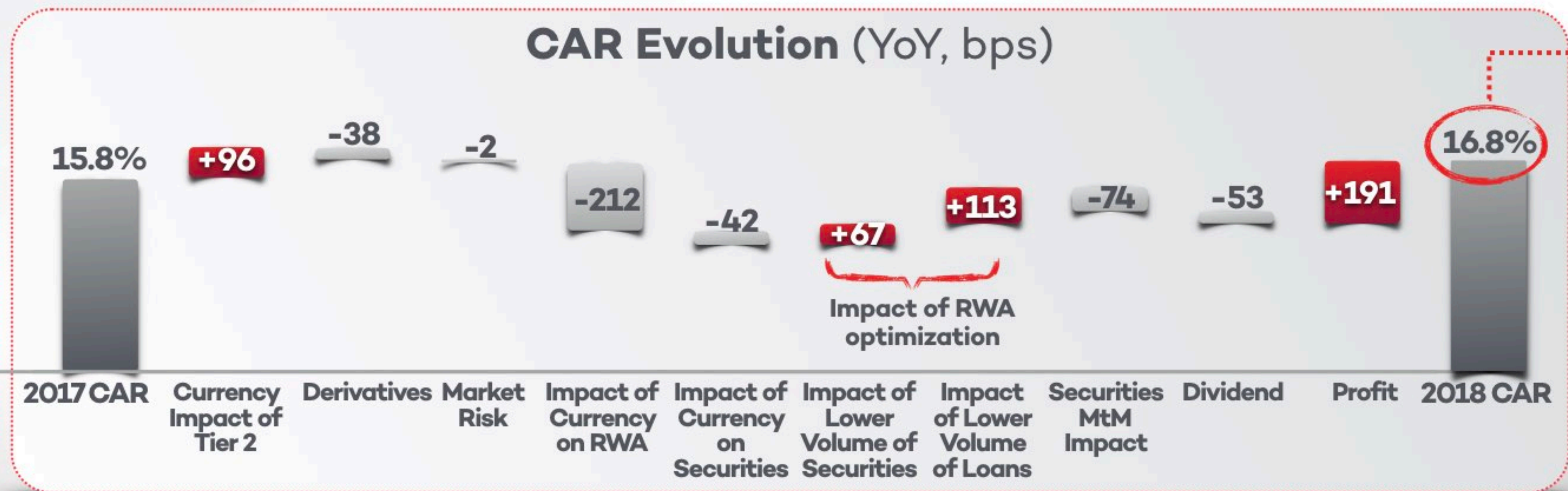
### Solvency Ratios

2018	2019B
CAR: 16.8%	CAR: ~16%
Tier 1: 14.3%	Tier 1: ~13.5%

2019 Min. Basel III Requirements

CAR: 12.55%

Tier 1: 10.55%



+c. 80 bps additional capital increase impact (completed in Jan'19) on 2019 solvency ratios



# 2018 Results in a snapshot and 2019 guidance

	2018 FY Results	2019 Guidance
ROA	1.6%	≥1.4%
ROE	13.6%	≥12%
NIM (swap adj.)	4.0%	≥3.5%
Net fees&com. growth	25.5%	> 20%
Opex growth	18.9%	~CPI
Cost/ income <sup>(1)</sup>	32.3%	≤35%
CAR	16.8%	~16%
Tier 1	14.3%	~13.5%
LDR <sup>(2)</sup>	98%	Max 105%
NPL	3.8%	<6%
Net total CoC	257 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



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



# Snapshot of Results

(TL mn, ratios in %)

	2017	2Q18	3Q18	4Q18	2018	YoY (%)	QoQ (%)
<b>Total Assets</b>	341,610	368,216	426,068	354,682	354,682	3.8	(16.8)
<b>Loans <sup>(1)</sup></b>	212,657	224,122	238,626	213,937	213,937	0.6	(10.3)
<b>Deposits</b>	201,456	217,928	244,980	208,630	208,630	3.6	(14.8)
<b>Net Profit</b>	6,020	1,586	1,409	1,021	5,709	(5.2)	(27.5)
<b>Net interest income</b>	11,293	3,889	4,108	4,276	15,596	38.1	4.1
<b>Net fee income</b>	2,962	926	947	1,035	3,718	25.5	9.3
<b>ROE</b>	16.2	15.3	13.3	9.4	13.6	(2.6)	(3.9)
<b>ROA</b>	1.9	1.8	1.4	1.0	1.6	(0.3)	(0.4)
<b>NIM</b>	3.80	4.63	4.58	4.92	4.62	0.8	0.3
<b>NIM after swap</b>	3.47	4.03	4.00	4.11	4.0	0.5	0.1
<b>Cost to Income <sup>(2)</sup></b>	35.0	30.5	30.4	33.7	32.3	(2.7)	3.3
<b>CAR</b>	15.8	15.5	14.2	16.8	16.8	1.0	2.6
<b>Tier I</b>	14.2	13.3	11.8	14.3	14.3	0.1	2.5

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

(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

Other

## Total Assets

Deposits

Funds Borrowed and Bonds Issued

Repo

- TL Repo

- FX Repo

Other

Equity

## Total Liabilities and S/H Equity

**2017  
BRSA**

**2018  
IFRS9**

46,945

49,618

61,753

56,782

209,478

213,937

23,434

34,345

**341,610**

**354,682**

201,456

208,630

51,383

61,506

29,358

14,275

4,517

3,918

24,841

10,357

18,800

26,484

40,614

43,787

**341,610**

**354,682**

## Shares (%)

**2017**

**2018**

13.7

14.0

18.1

16.0

61.3

60.3

6.9

9.7

59.0

58.8

15.0

17.3

8.6

4.0

1.3

1.1

7.3

2.9

5.5

7.6

11.9

12.3



# 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

**2017  
BRSA**

**2018  
IFRS9**

**Change (%)**

24,389

35,520

45.6

(13,097)

(19,924)

52.1

**11,293**

**15,596**

**38.1**

(530)

(637)

20.3

228

(1,112)

-

(758)

475

-

(946)

(5,899)

-

2,962

3,718

25.5

(4,879)

(5,802)

18.9

649

412

-

(895)

(250)

-

**7,654**

**7,136**

**(6.8)**

(1,634)

(1,427)

(12.6)

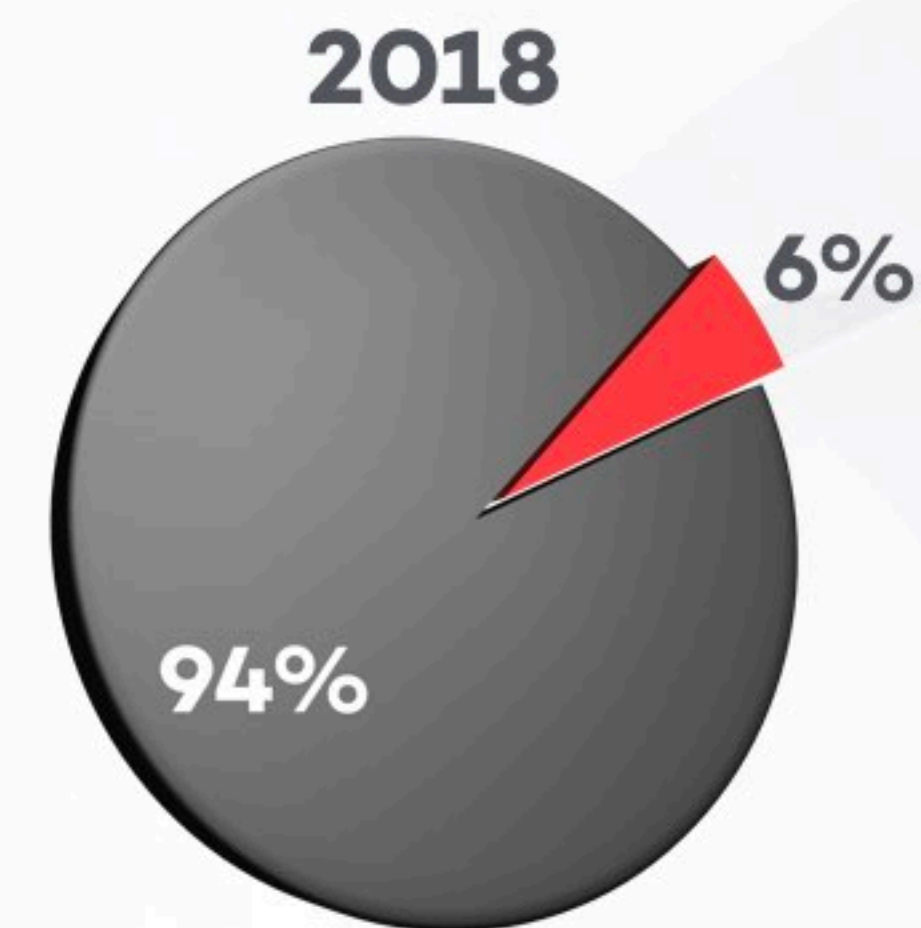
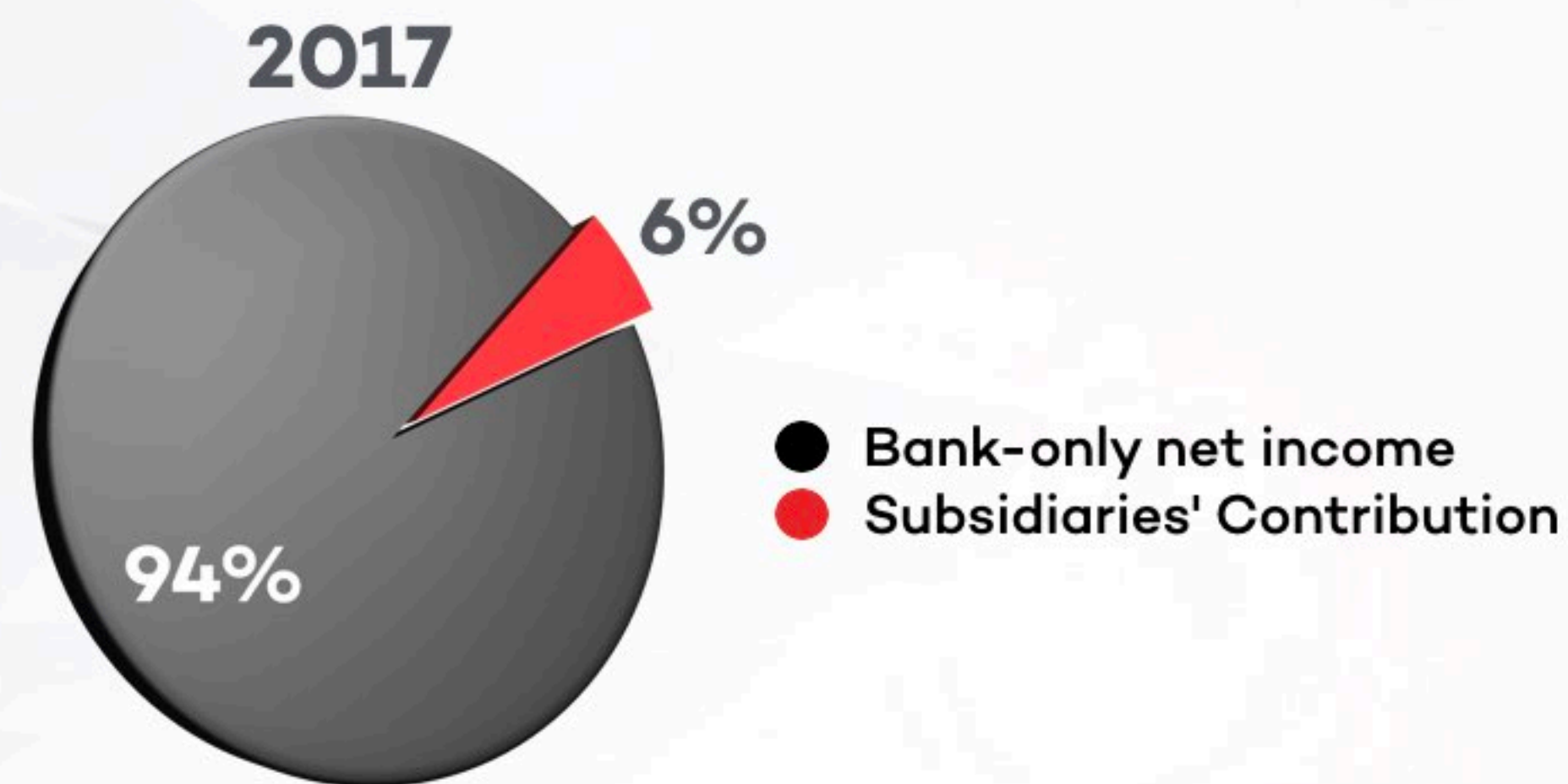
**6,020**

**5,709**

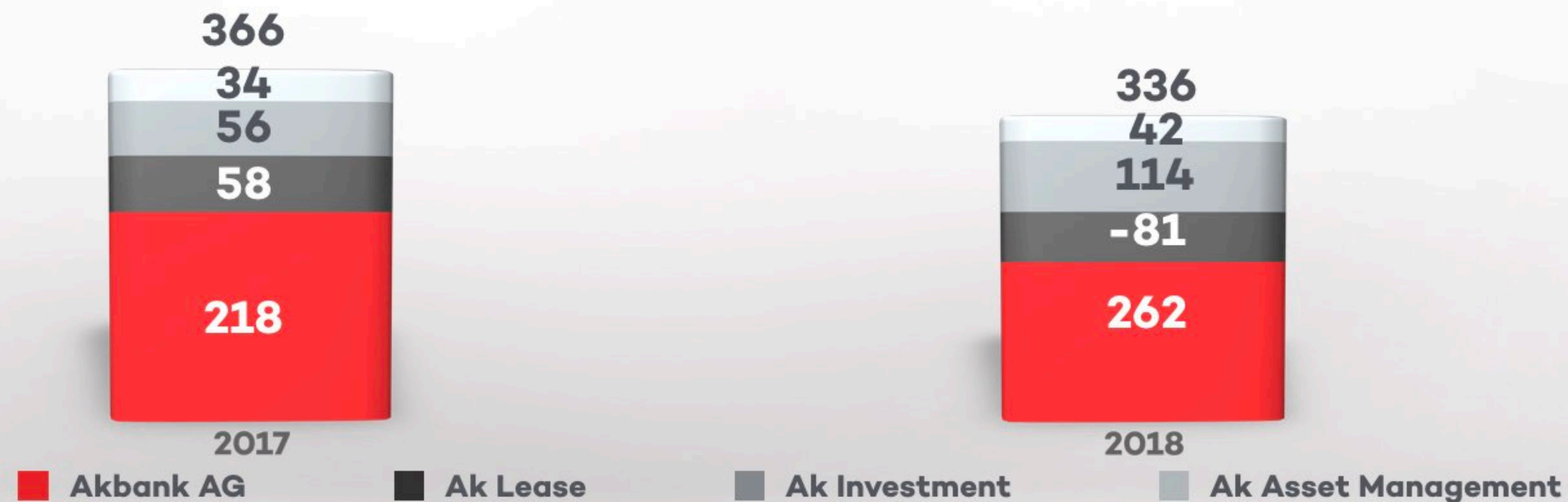
**(5.2)**



# Subsidiaries' Contribution



## Subsidiaries' Net Income (TL mn)







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