

4Q19

Consolidated

Financial Results

**AKKEBANK**

# What to remember?

## In 2019 Akbank

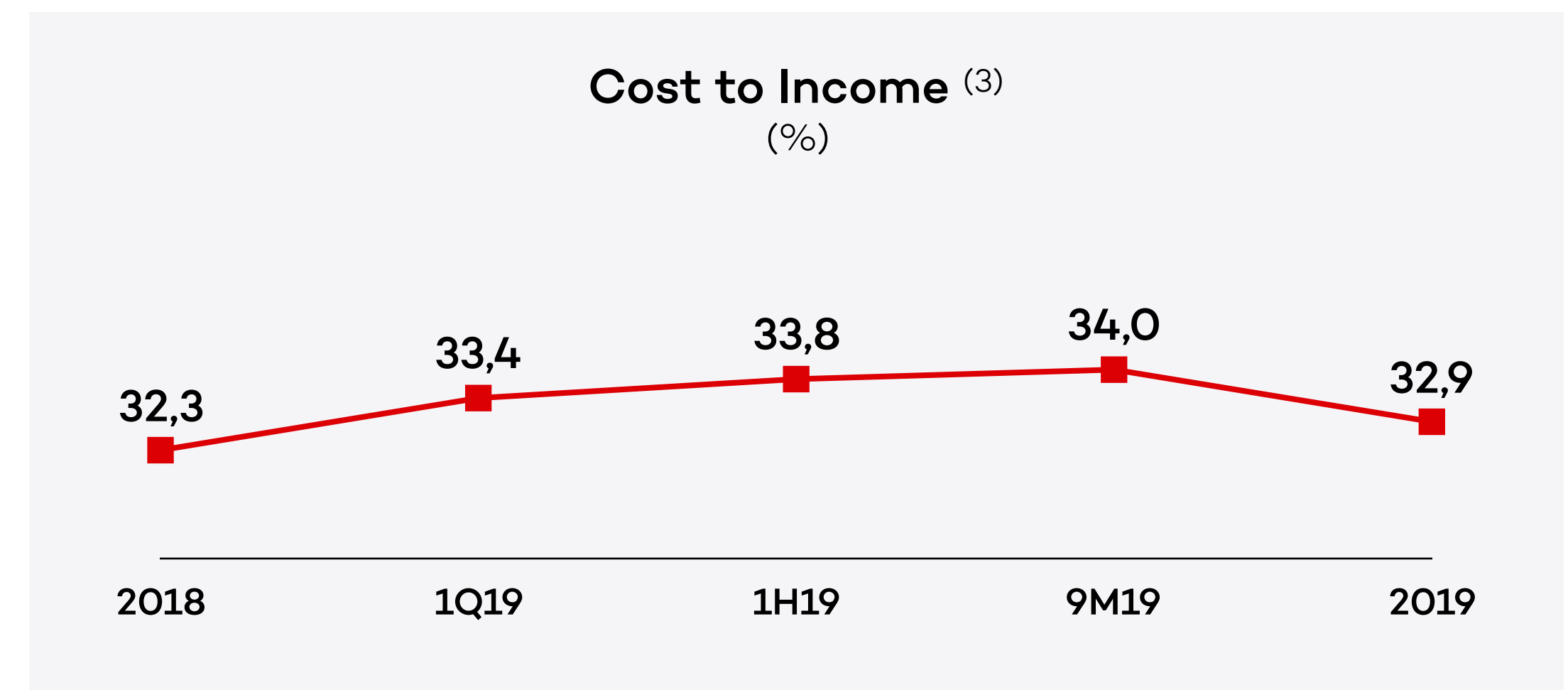
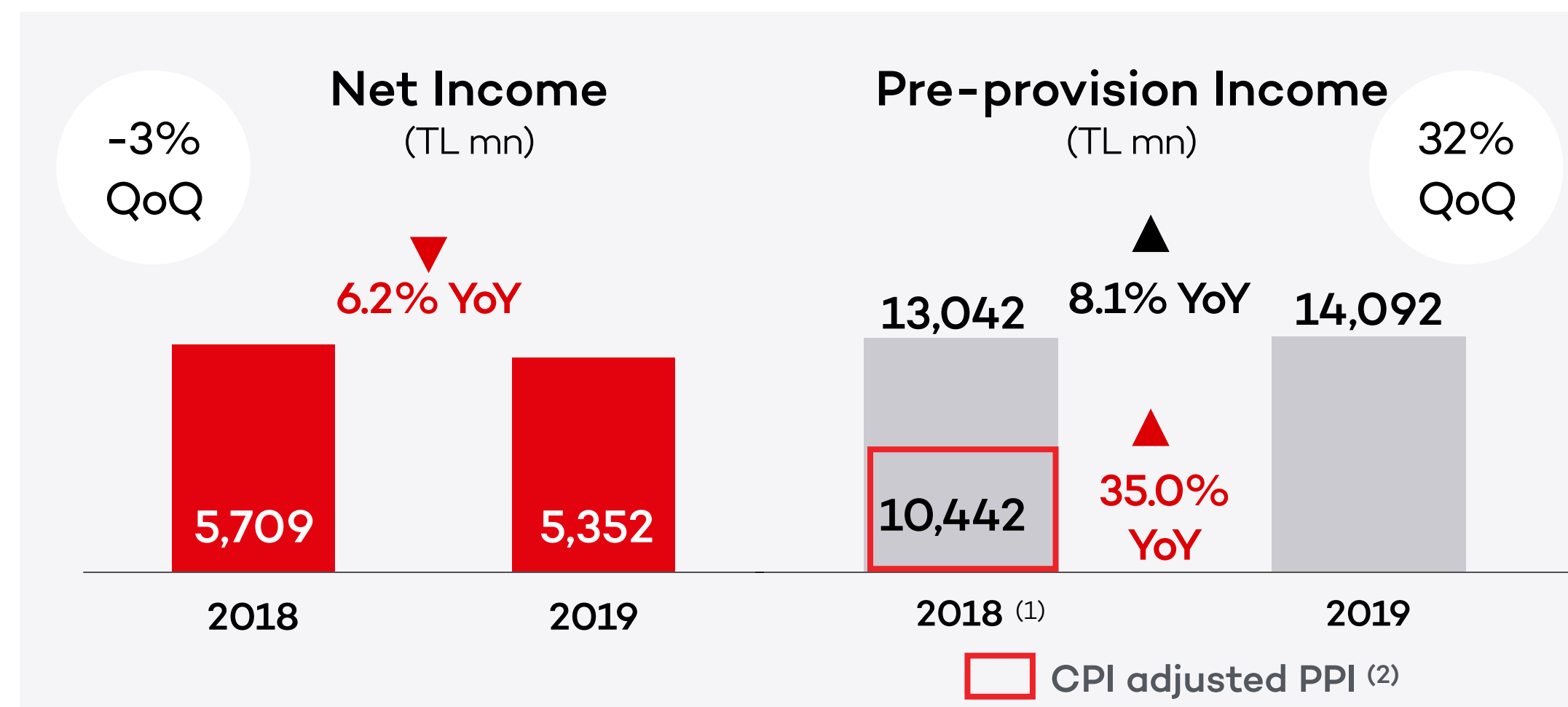
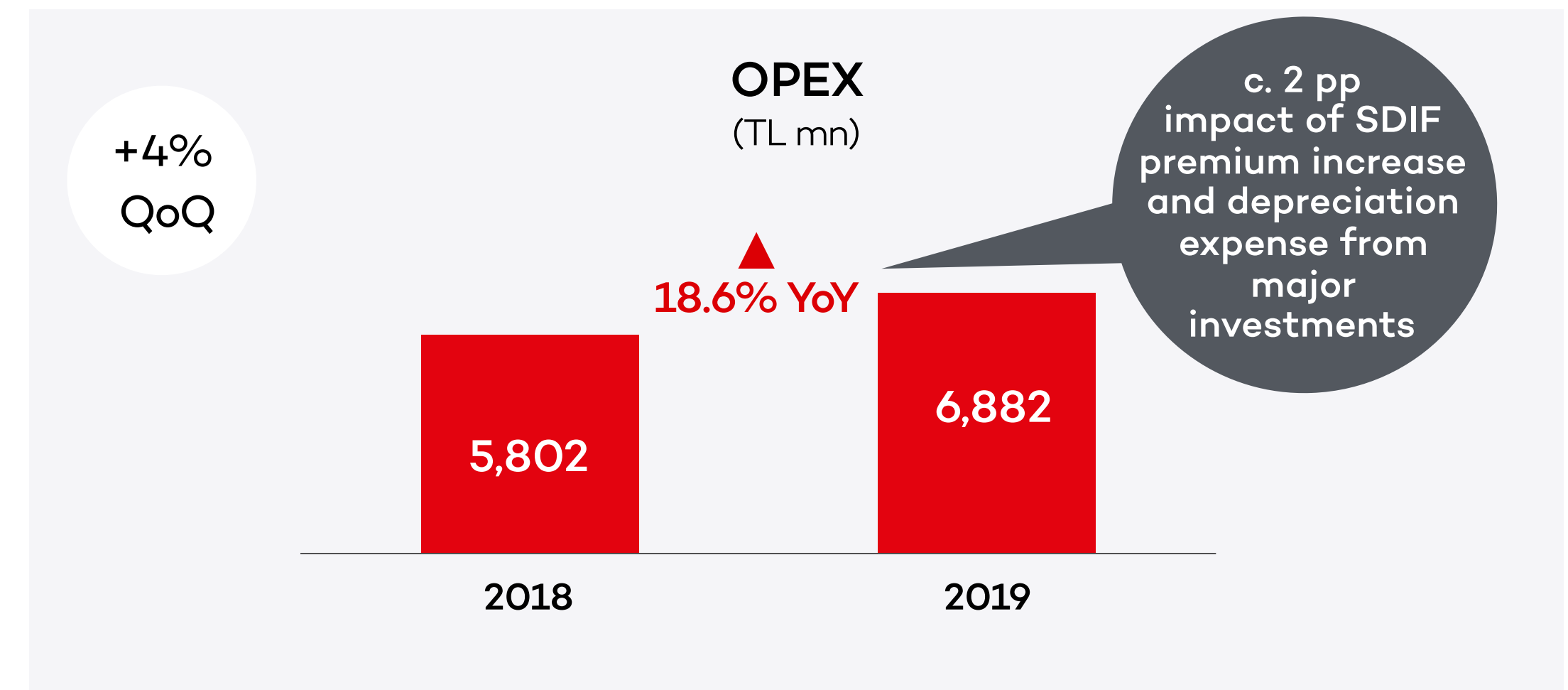
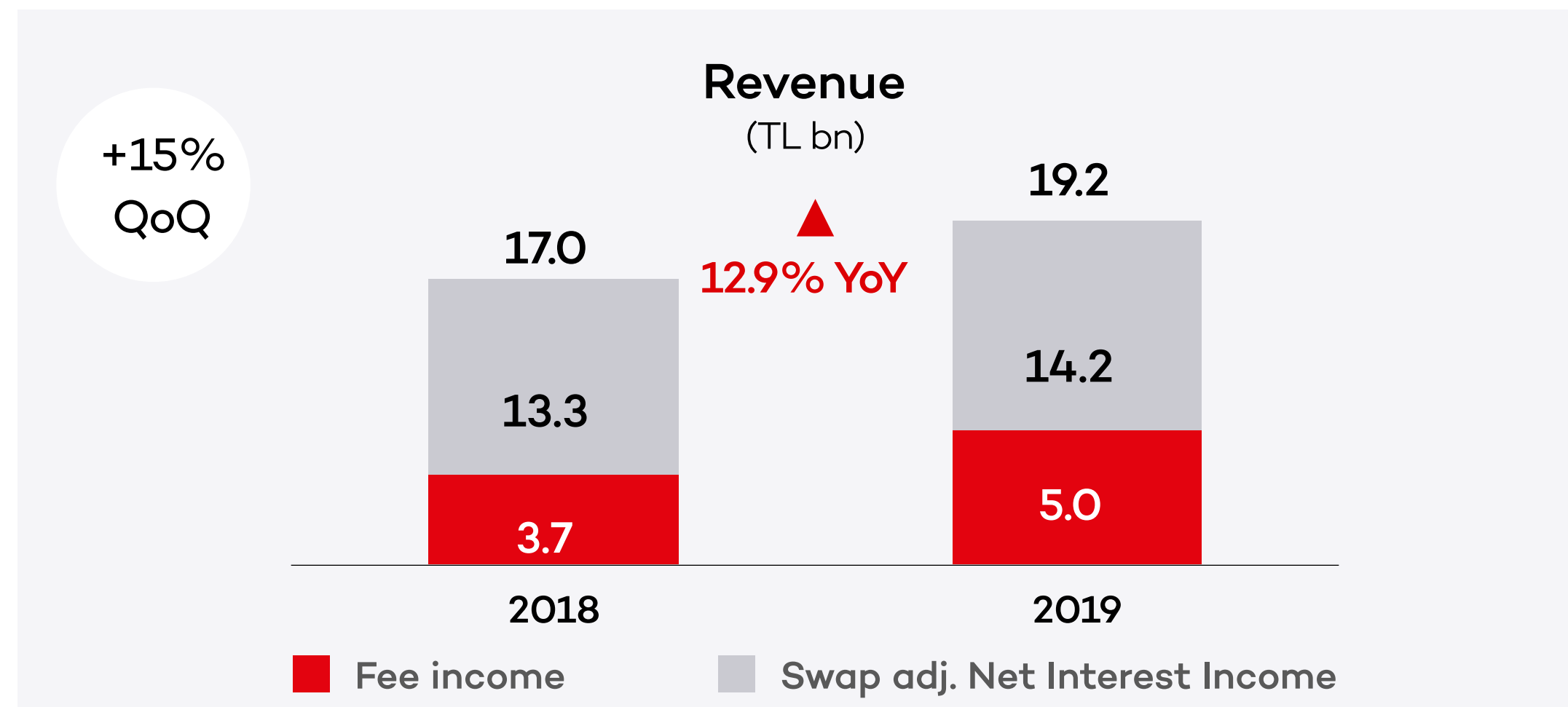
- ▶ Expanded its NIM well ahead of guidance
- ▶ Achieved superior fee generation
- ▶ Preserved best-in-class CIR
- ▶ Realized better than guidance CoC
- ▶ Reinforced its capital strength

## Despite

- ▶ Negative CPI adjustment
- ▶ Delayed loan growth
- ▶ Low leverage at 7.1x
- ▶ Proactive NPL recognition

**Best positioned to capture healthy & profitable growth**

# Sound core operating performance

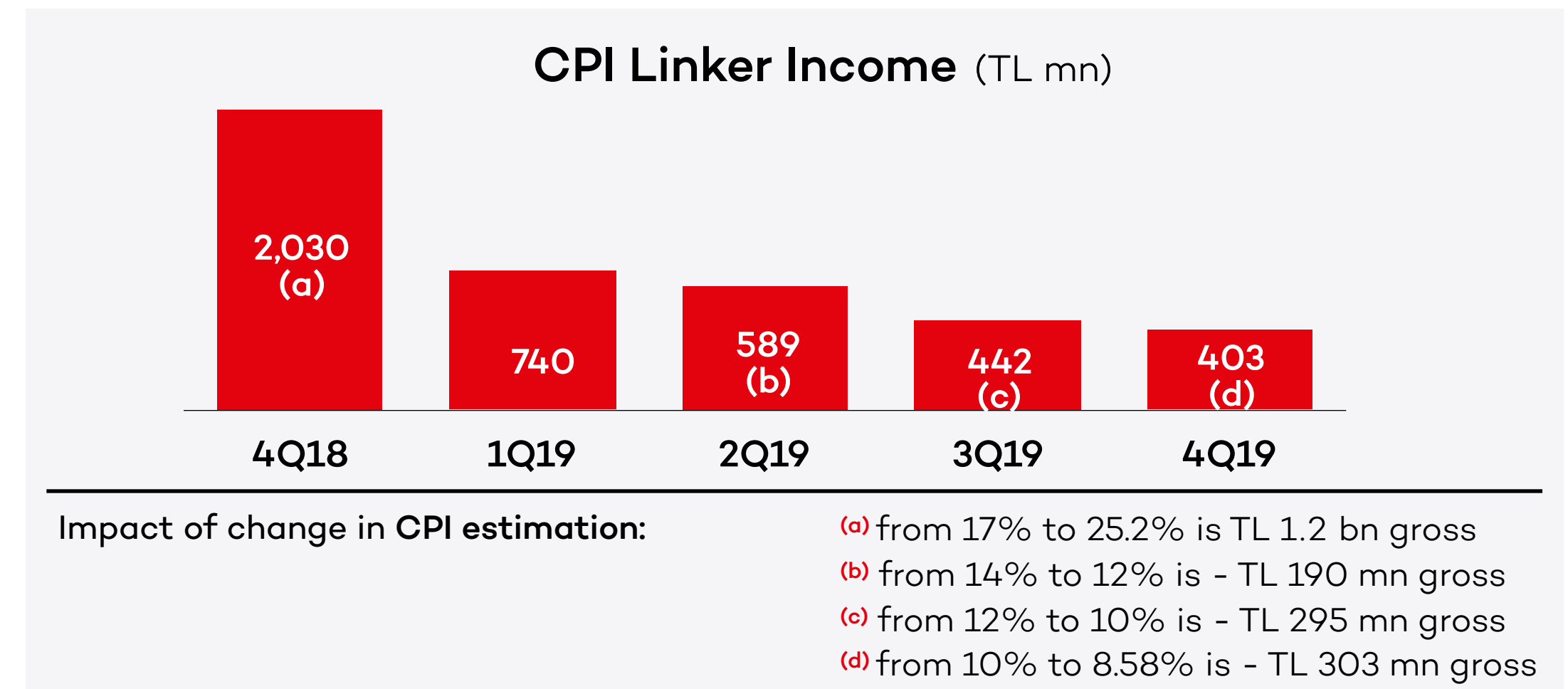
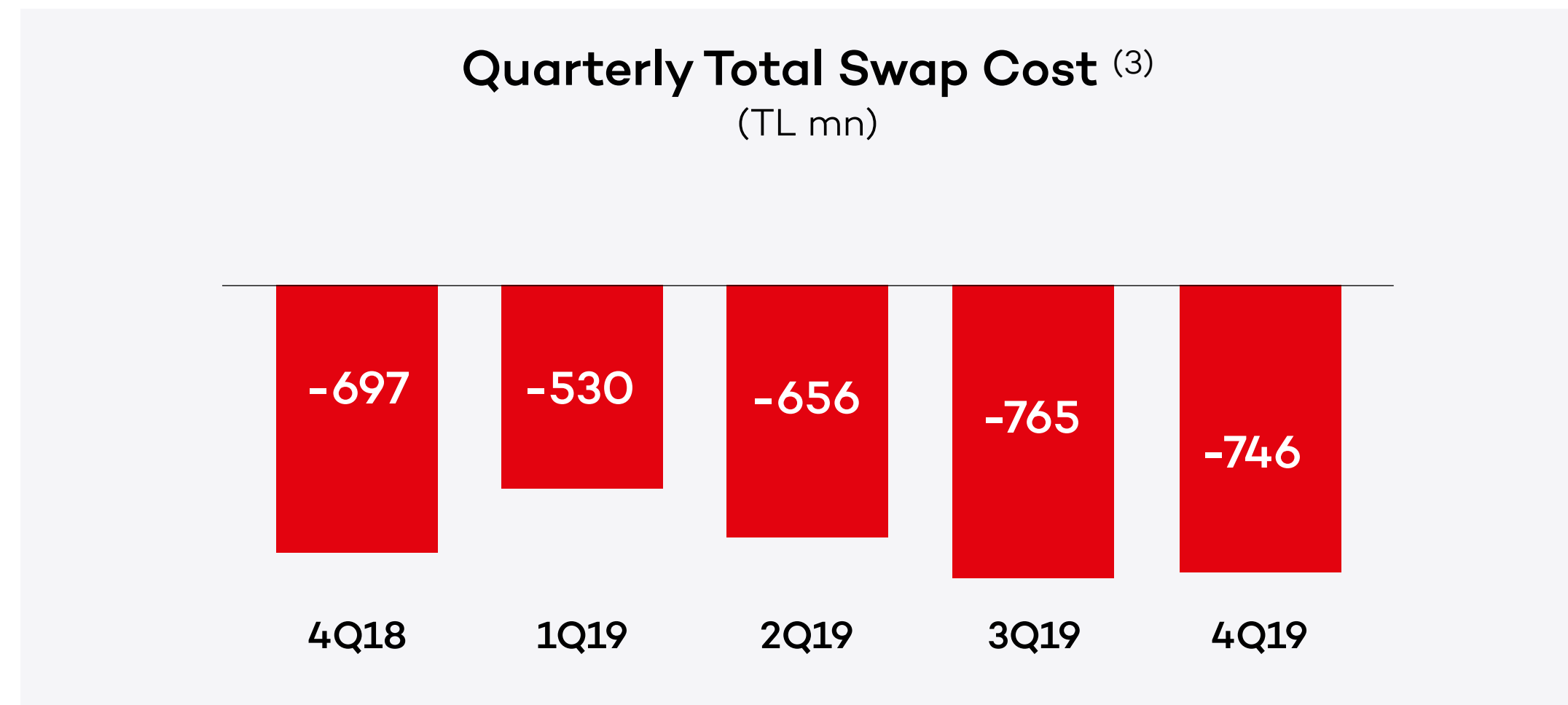
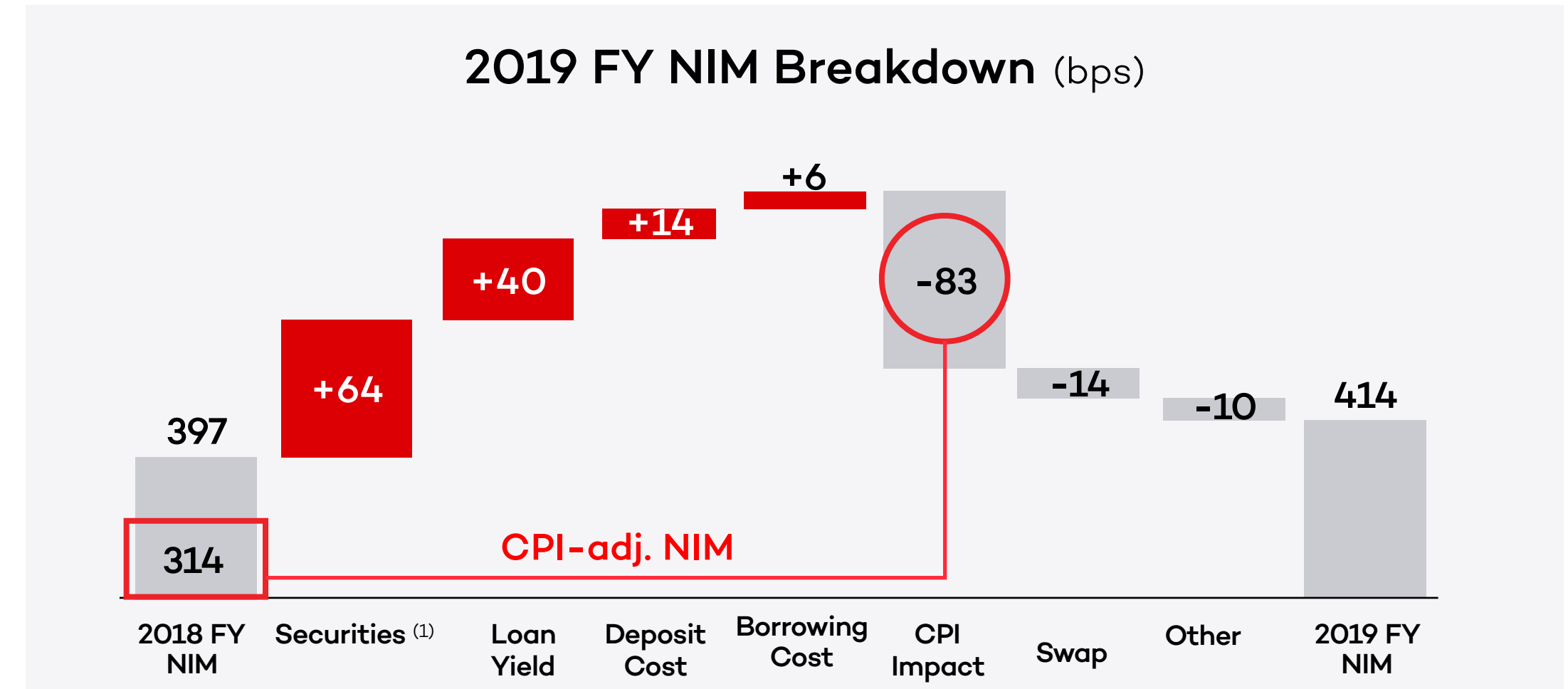
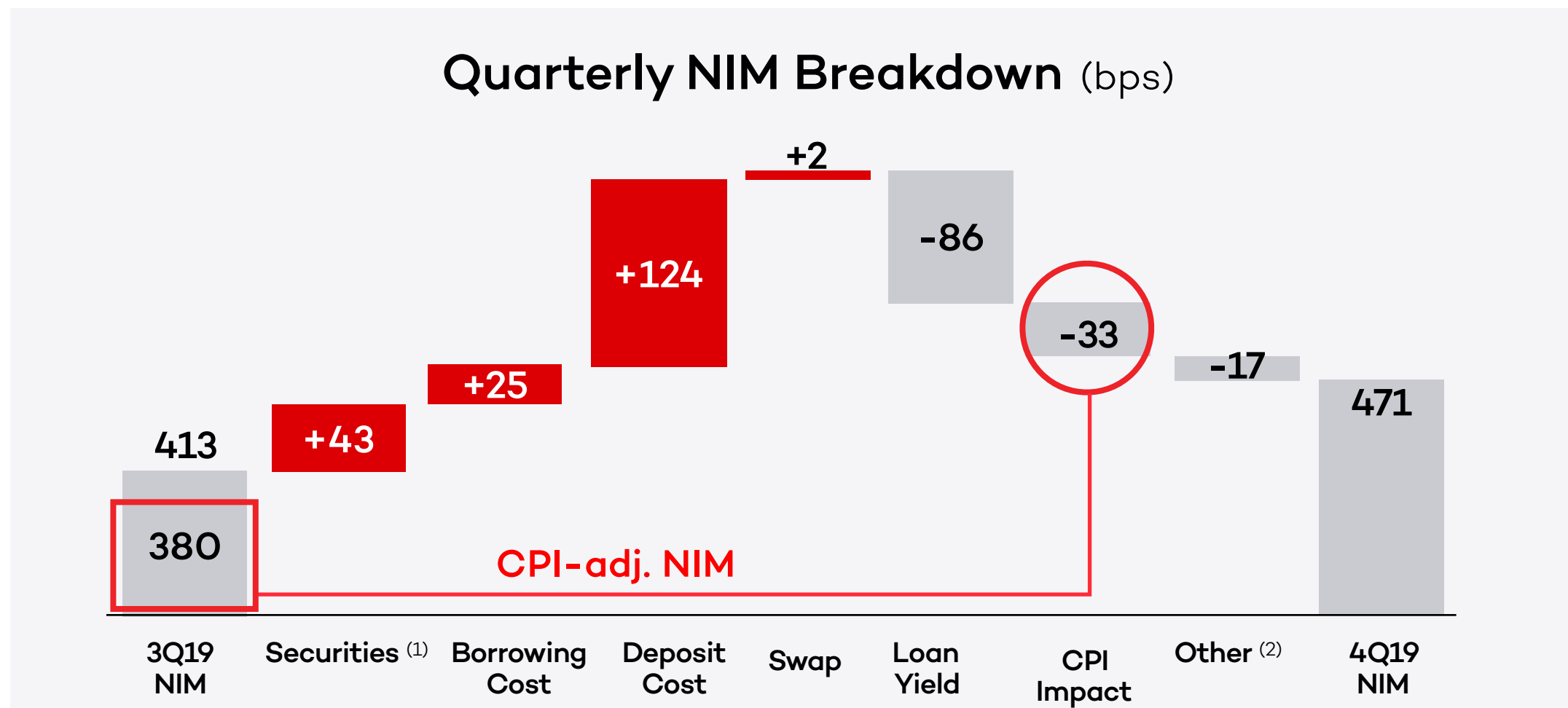


(1) Excluding TRY 250 mn free provision reversal in 2Q18

(2) For comparability, FY18 CPI is adjusted to 8.58% (vs 25.2%) which has an impact of TRY 2.6 bn on 2018 PPI

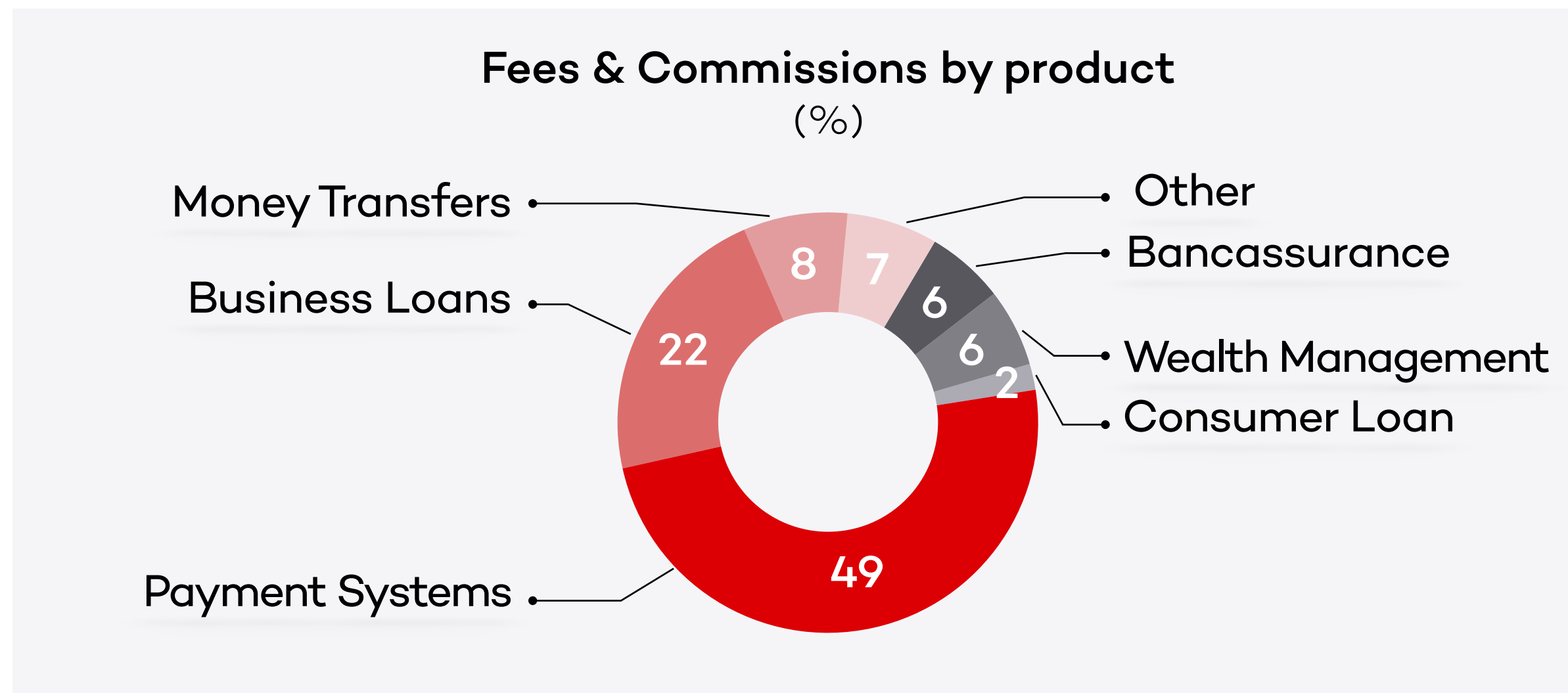
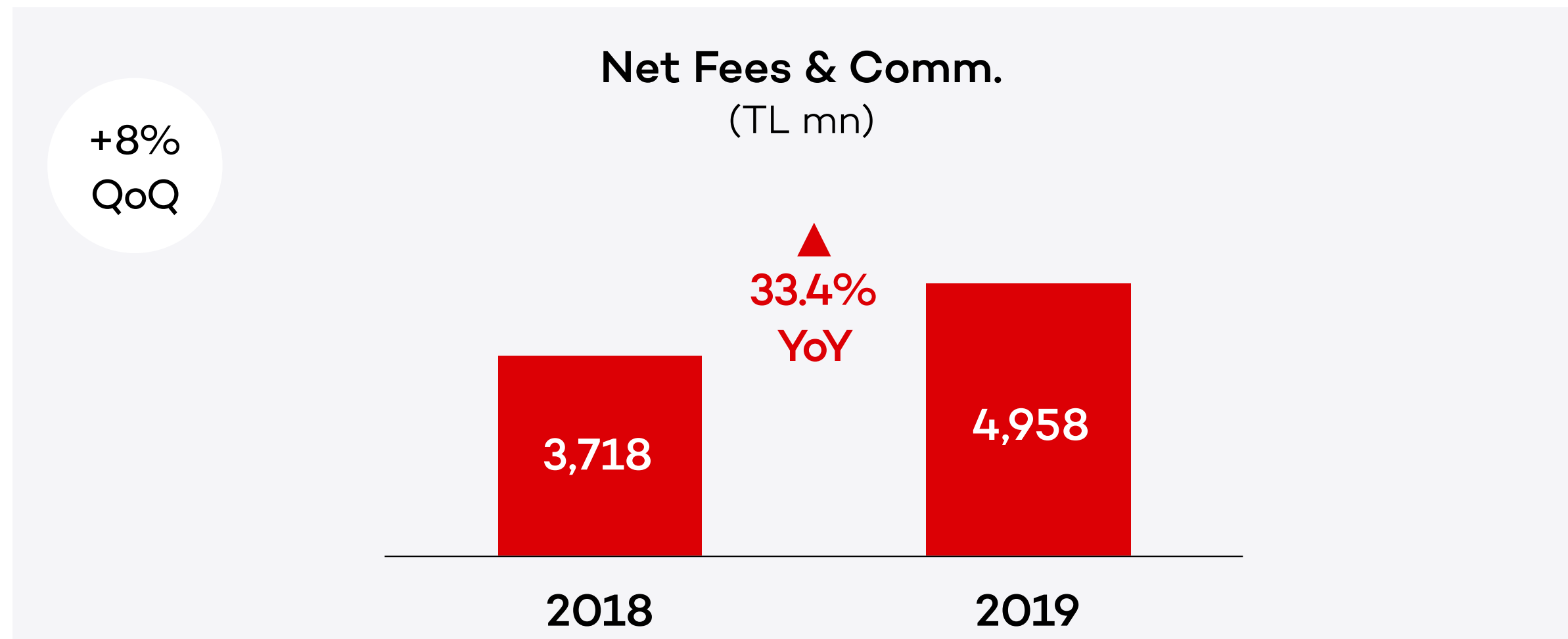
(3) CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions as well as impact of free provision reversal

# NIM significantly exceeds guidance despite CPI adjustment



4 (1) Excluding CPI impact  
 (2) 4Q19 other impact mainly consists of lower interest income from RR  
 (3) Includes short and long-term swaps

# Remarkable beat in fee income growth



## Payment Systems

**+22% YoY**

Strong performance in both acquiring & issuing

## Business Loans

**+69% YoY**

Strong performance in both cash and non-cash loan fees

## Money Transfers

**+17% YoY**

Supported by increased transactions and repricing

## Bancassurance

**+41% YoY**

Strong performance in both lending and non-lending

## Wealth Management

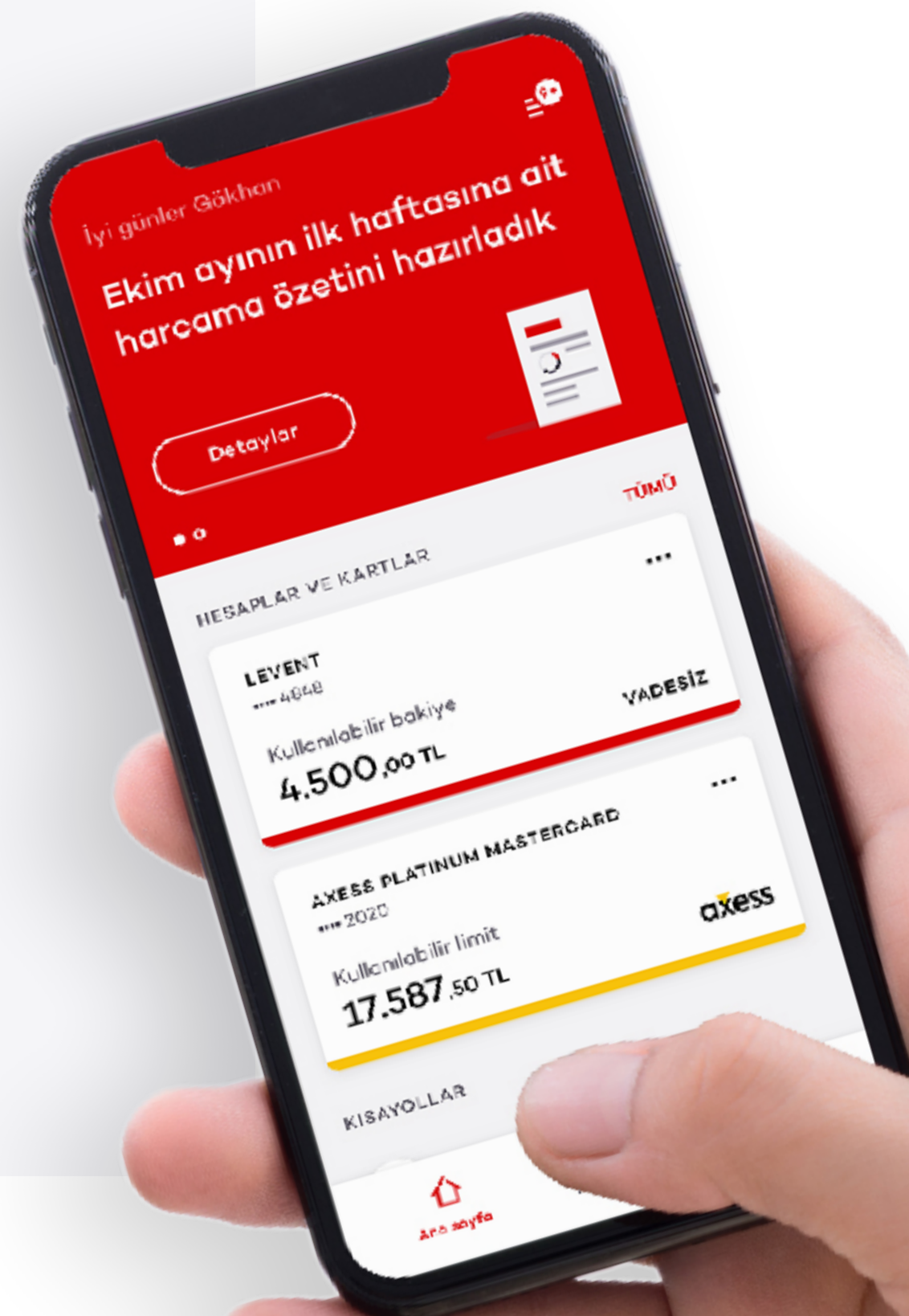
**+22% YoY**

Strong innovative product development & state-of-the-art investment experience in mobile

# Simple, digital and experience focused operating model

**The World's  
Best Digital  
Bank**

EUROMONEY



## Digital Banking in Numbers <sup>(1)</sup>

Digital customers

**5.1 mn**

Digital customer cross-sell versus non-digital

**2x**

Share in non-credit linked fees

**49%**

Credit cards sold through digital channels <sup>(2)</sup>

**55%**

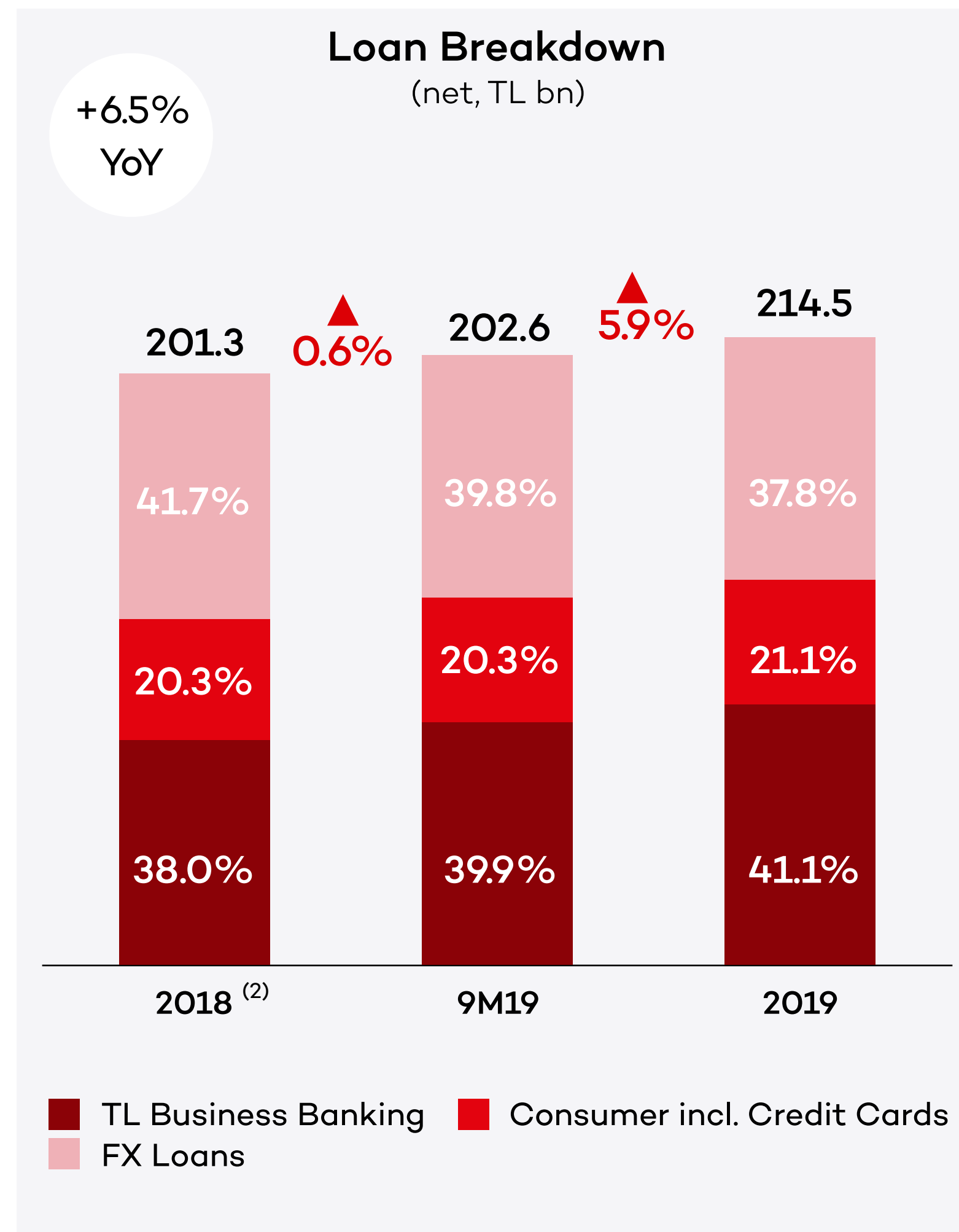
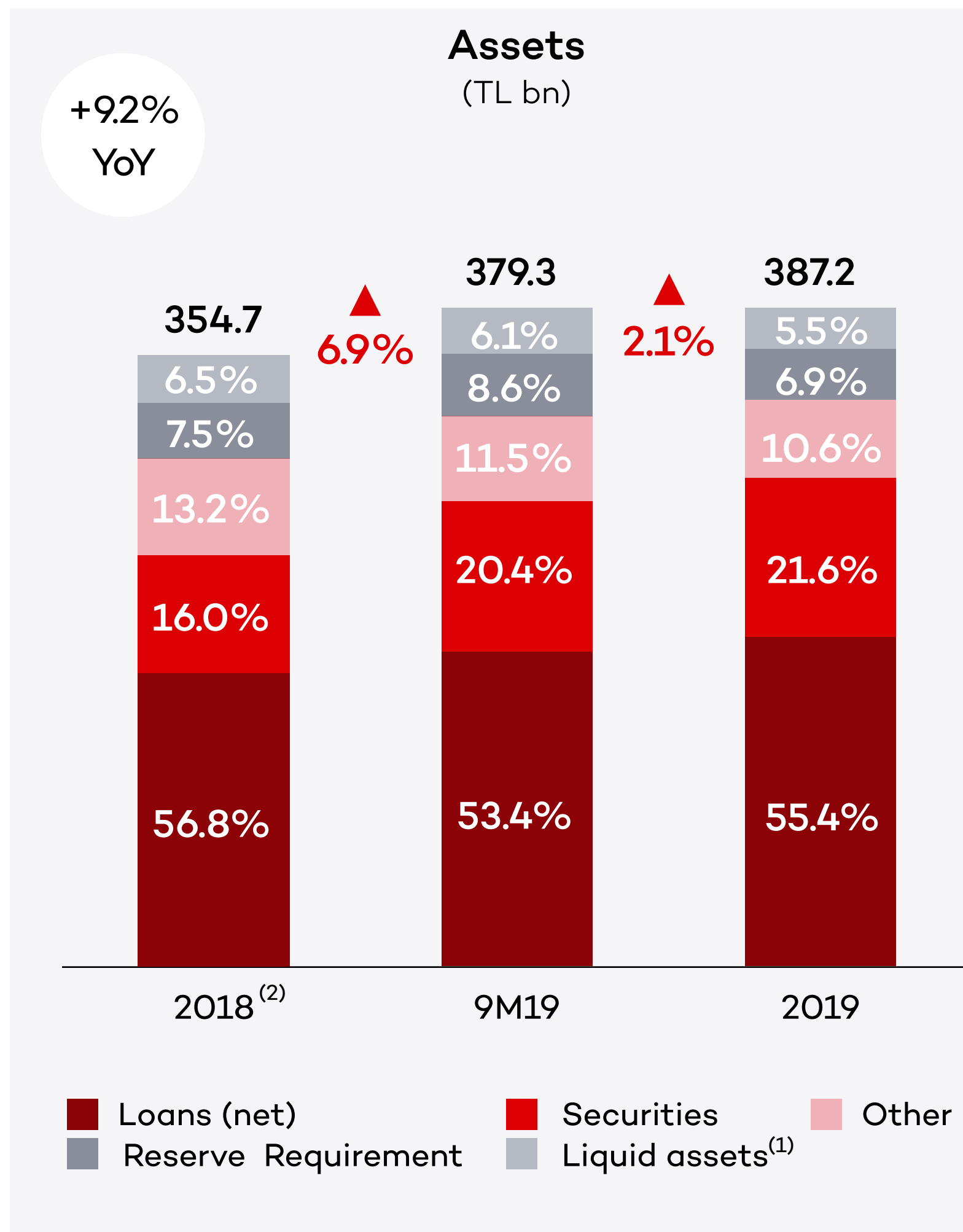
GPLs sold through digital channels <sup>(2)</sup>

**69%**

<sup>(1)</sup> Based on bank-only MIS data

<sup>(2)</sup> Including non-branch channels

# Strategic asset allocation drives sustainable long-term shareholder value

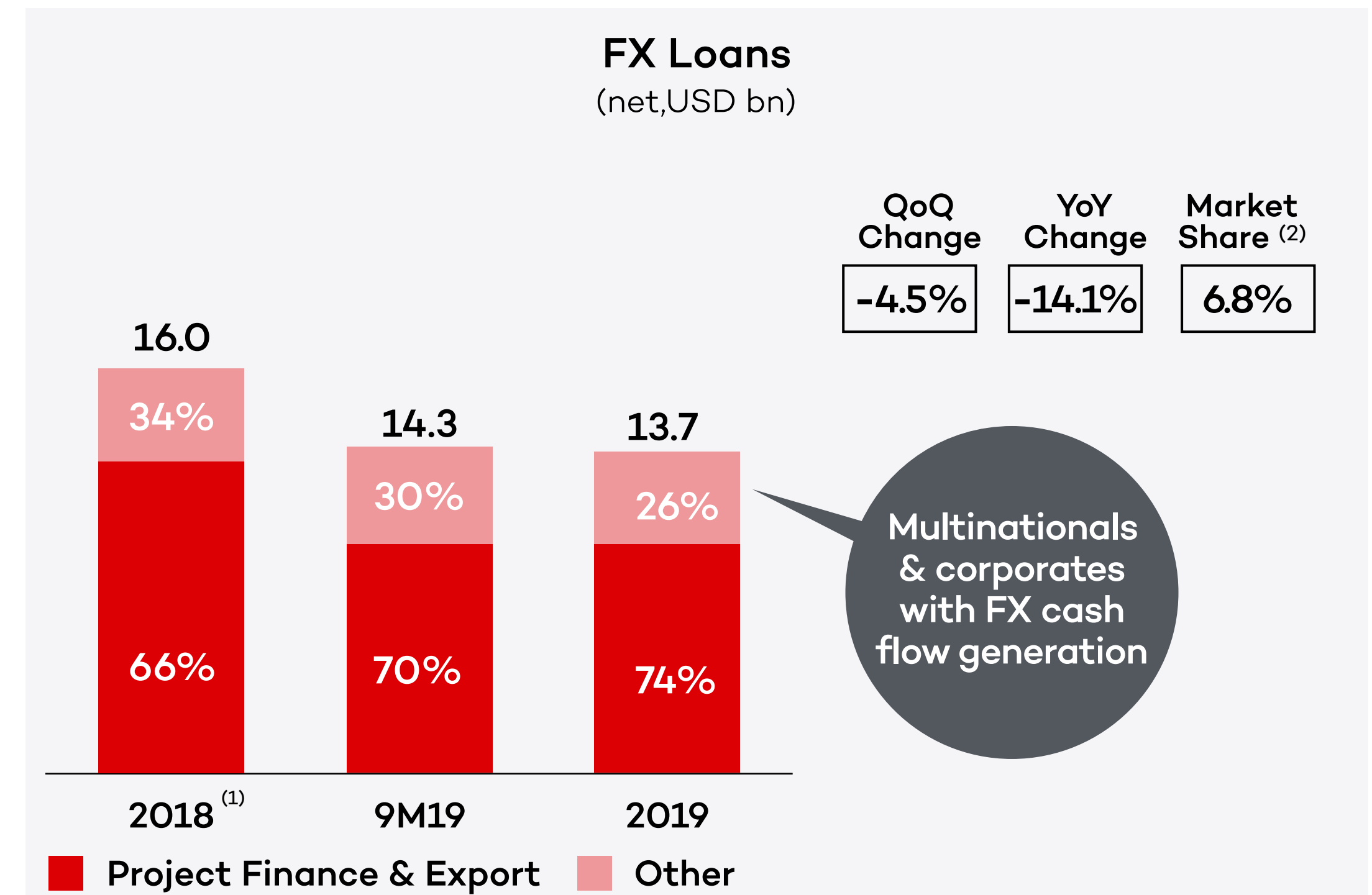
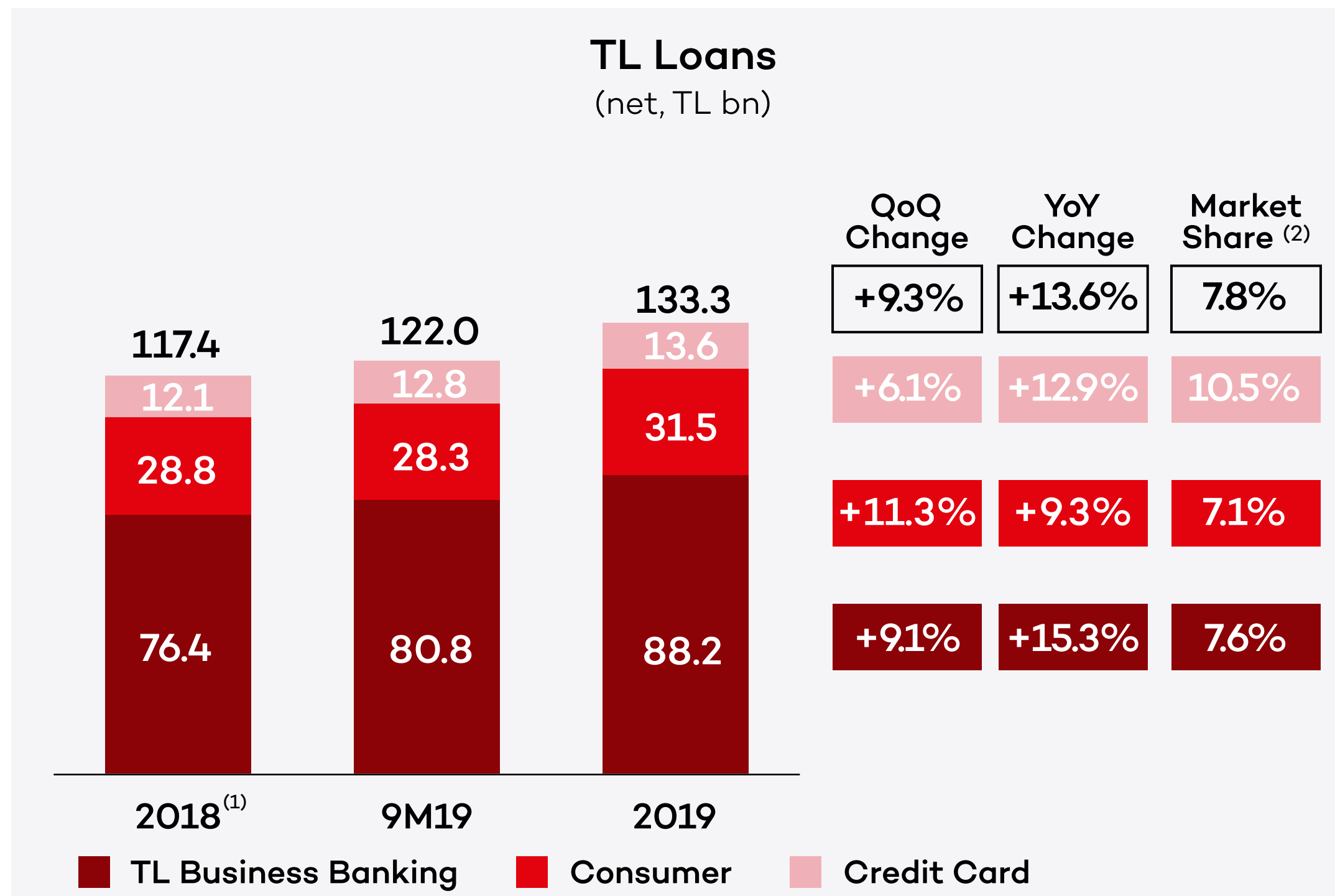


Optimized asset composition  
+  
Low leverage  
**7.1x**  
+  
Strong capital  
**19.7%**  
↓  
Unique growth opportunity  
with risk & return in focus

<sup>(1)</sup> Cash and cash equivalents

<sup>(2)</sup> For comparability, 2018 total loan figure excludes leasing receivables and adjusted for financial assets measured at fair value through P&L

# Broad-based TL loan growth gained pace in 4Q19



Increased business activity with diversified customer acquisition drives:

- ▶ Commercial loan growth at +9.1% QoQ,
- ▶ Consumer loan growth at +11.3% QoQ, led by c. 20% growth in GPLs
  - ◉ 60% of 2019 GPL originations were pre-approved, separately 41% were to salary customers

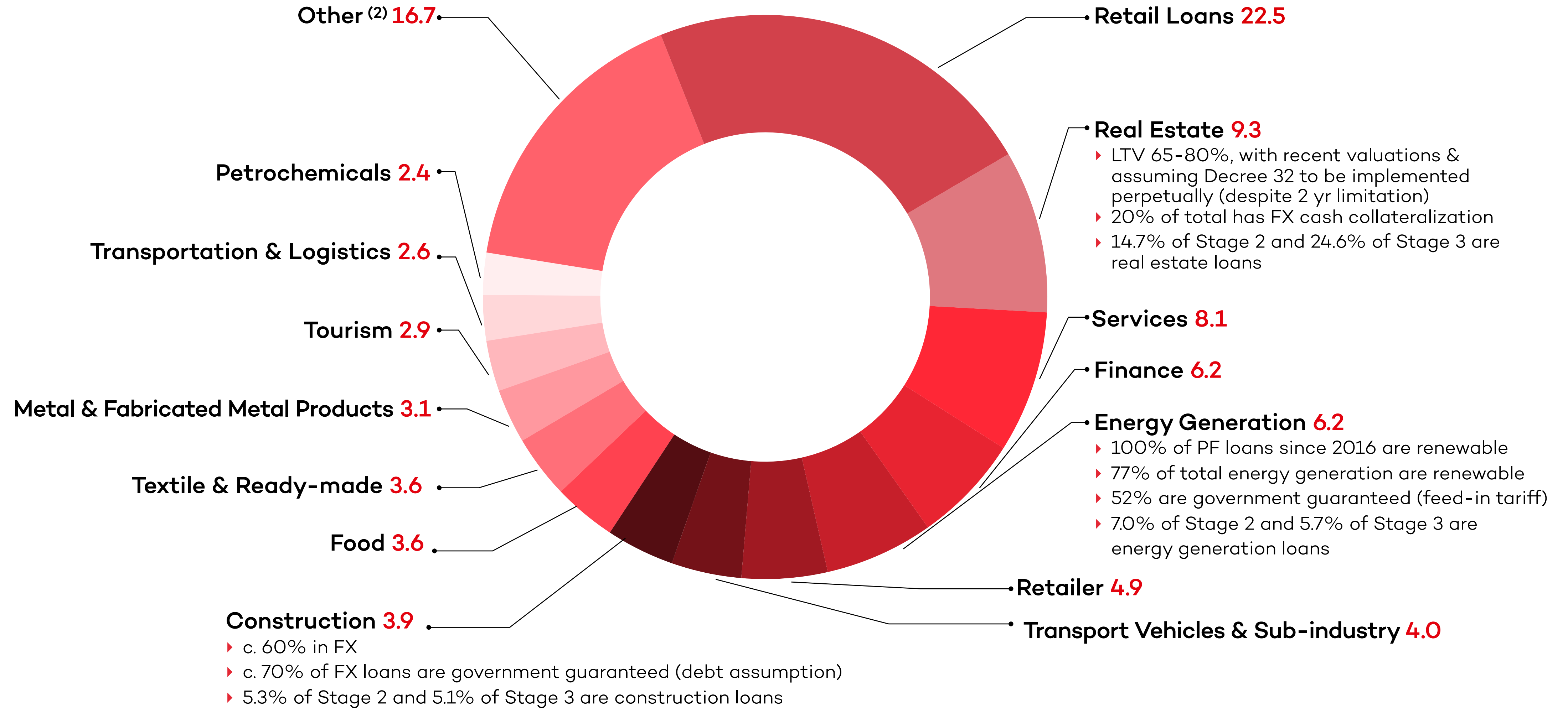
(1) For comparability, 2018 total loan figure excludes leasing receivables and adjusted for financial assets measured at fair value through P&L

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



# Balanced loan portfolio (1)

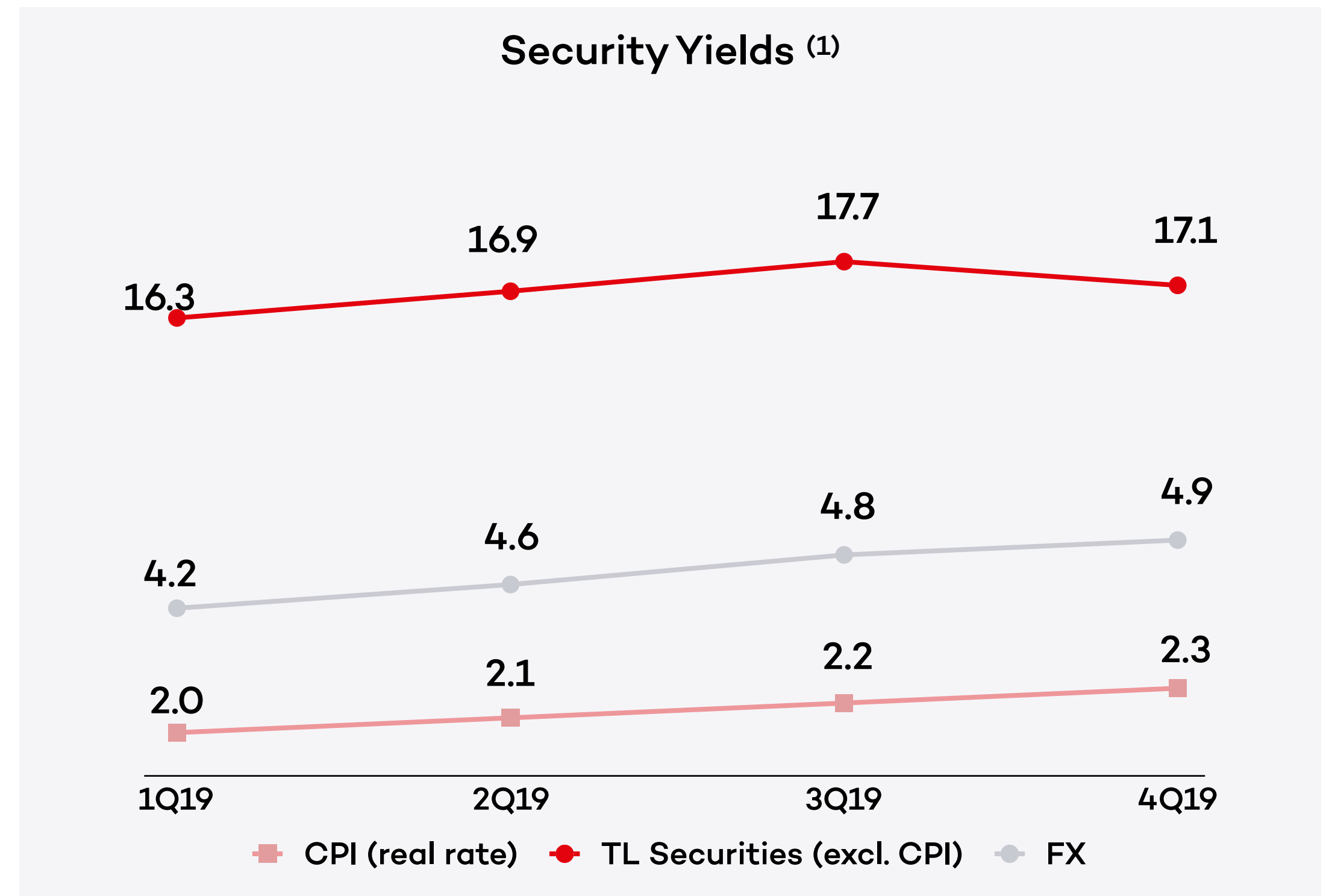
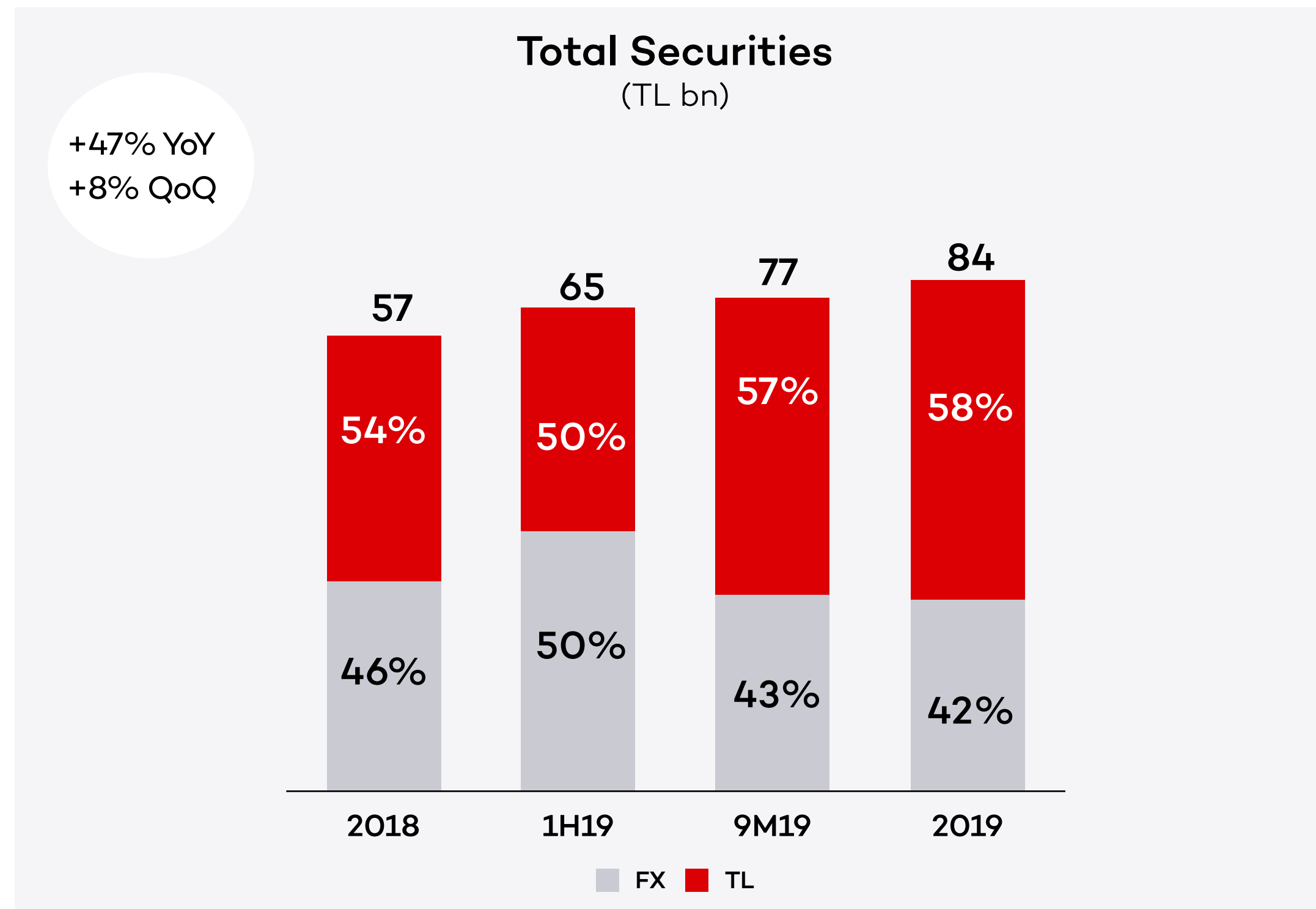
(% of Total Gross Loans)



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

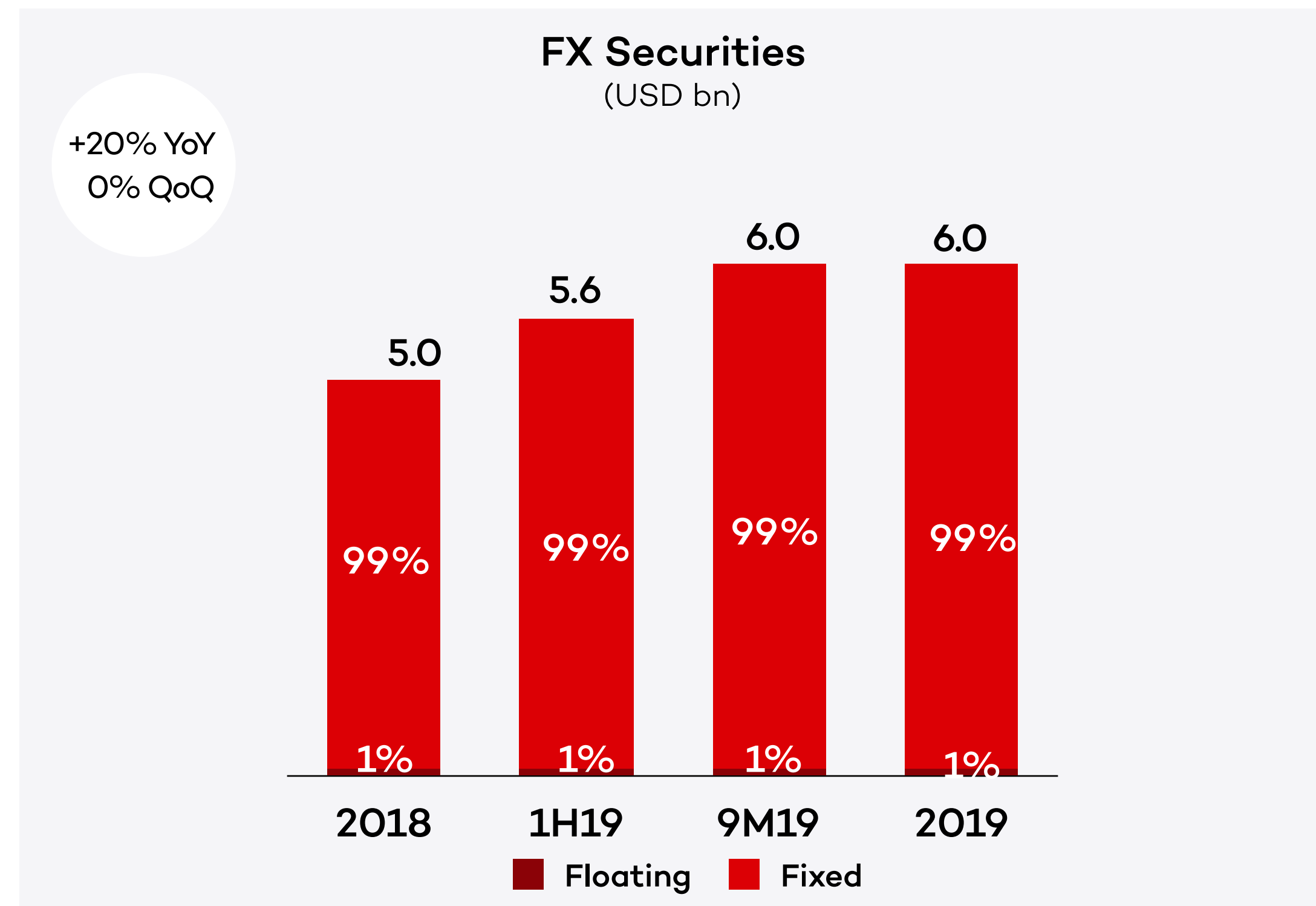
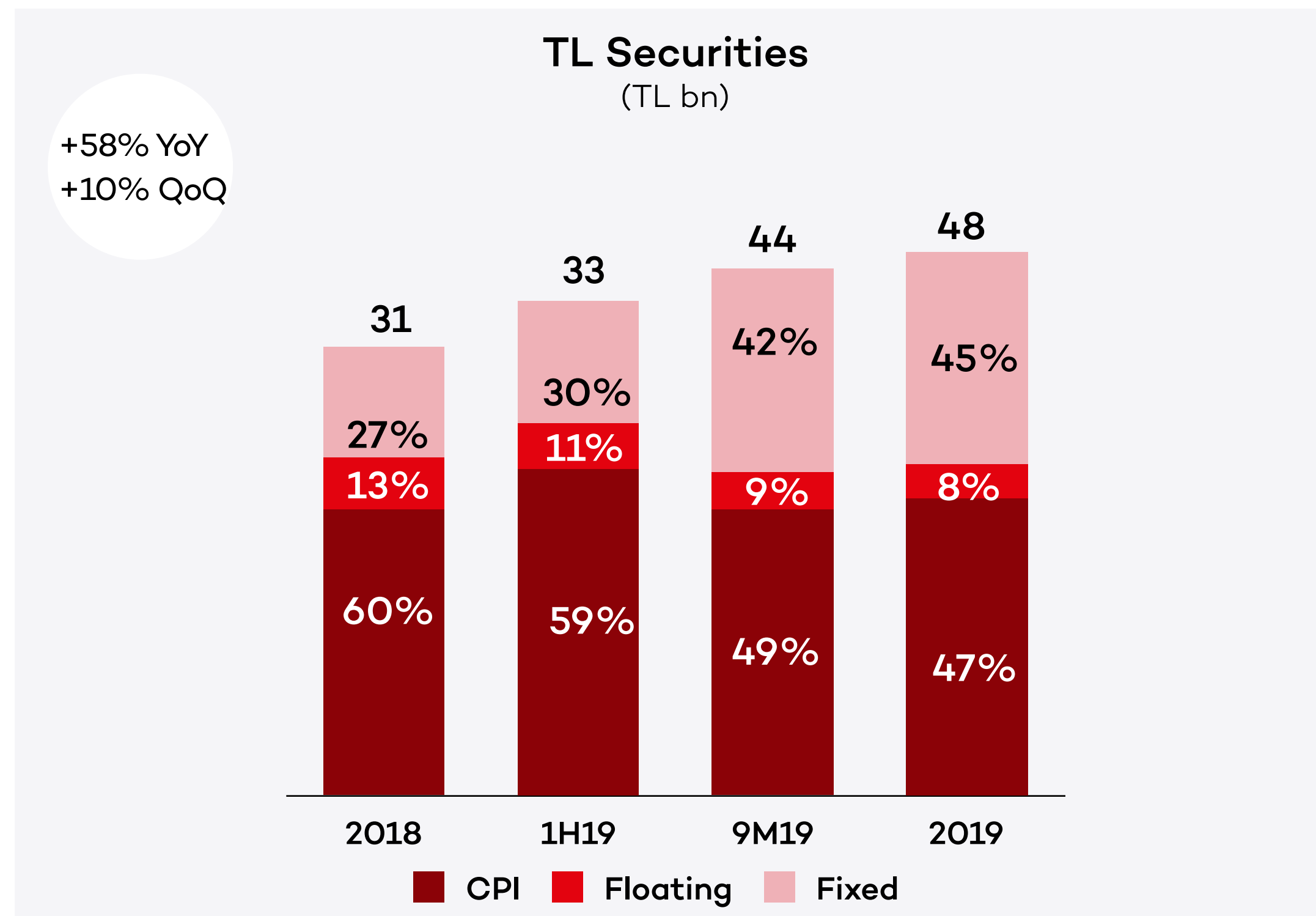
(2) Loan concentration below 2%

# Yield enhancement with dynamic securities management



- ▶ Significant market share gain in securities during low loan growth environment
- ▶ Strategic positioning in 2019 will continue to be NIM accretive in 2020

# Securities mix change ahead of easing interest rate cycle



Proactive positioning in both fixed rated TL and FX securities ahead of easing interest rate cycle

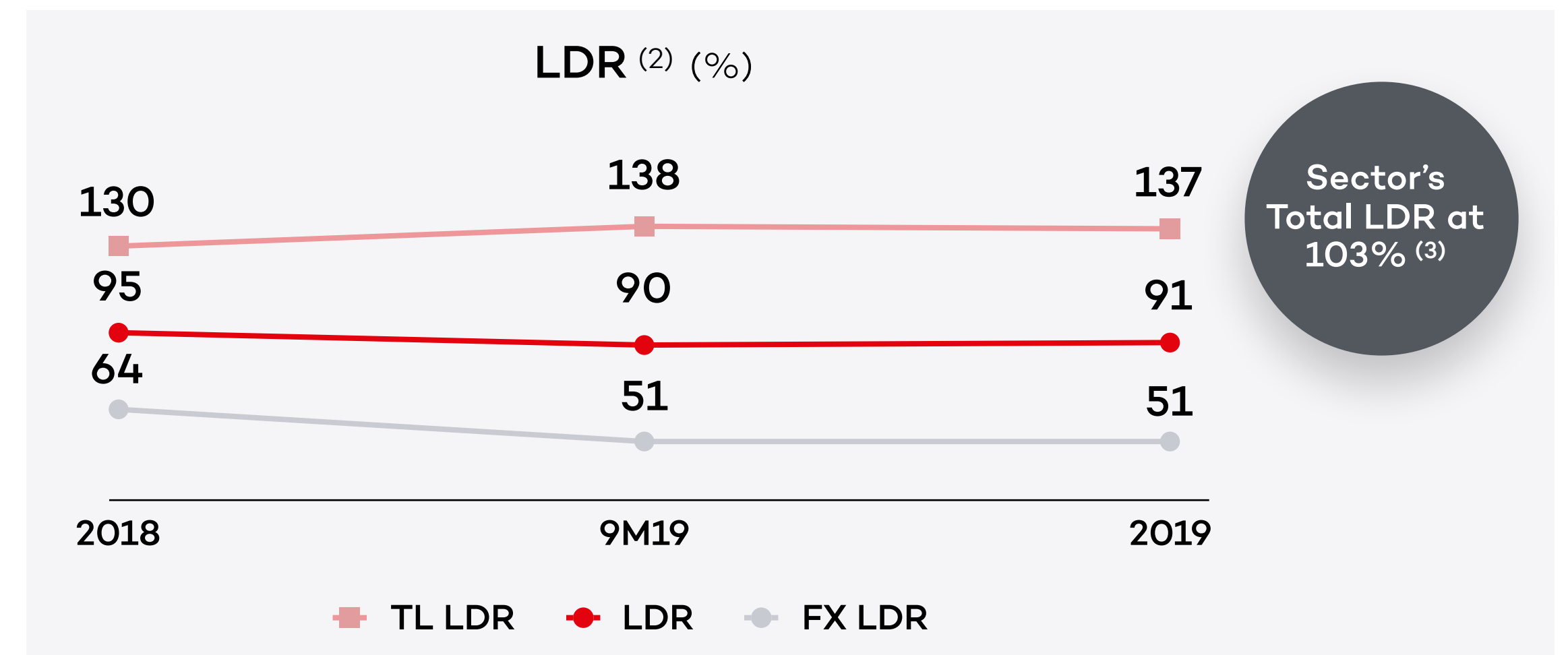
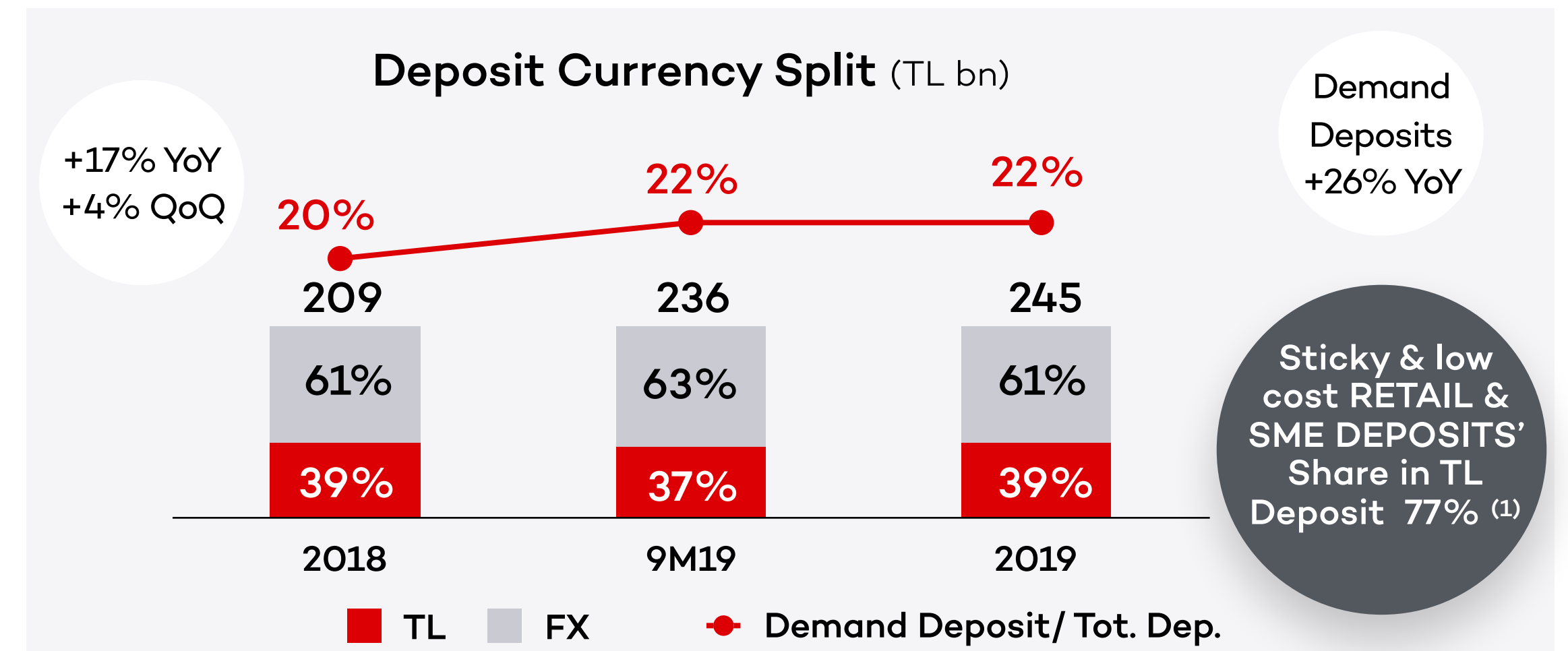
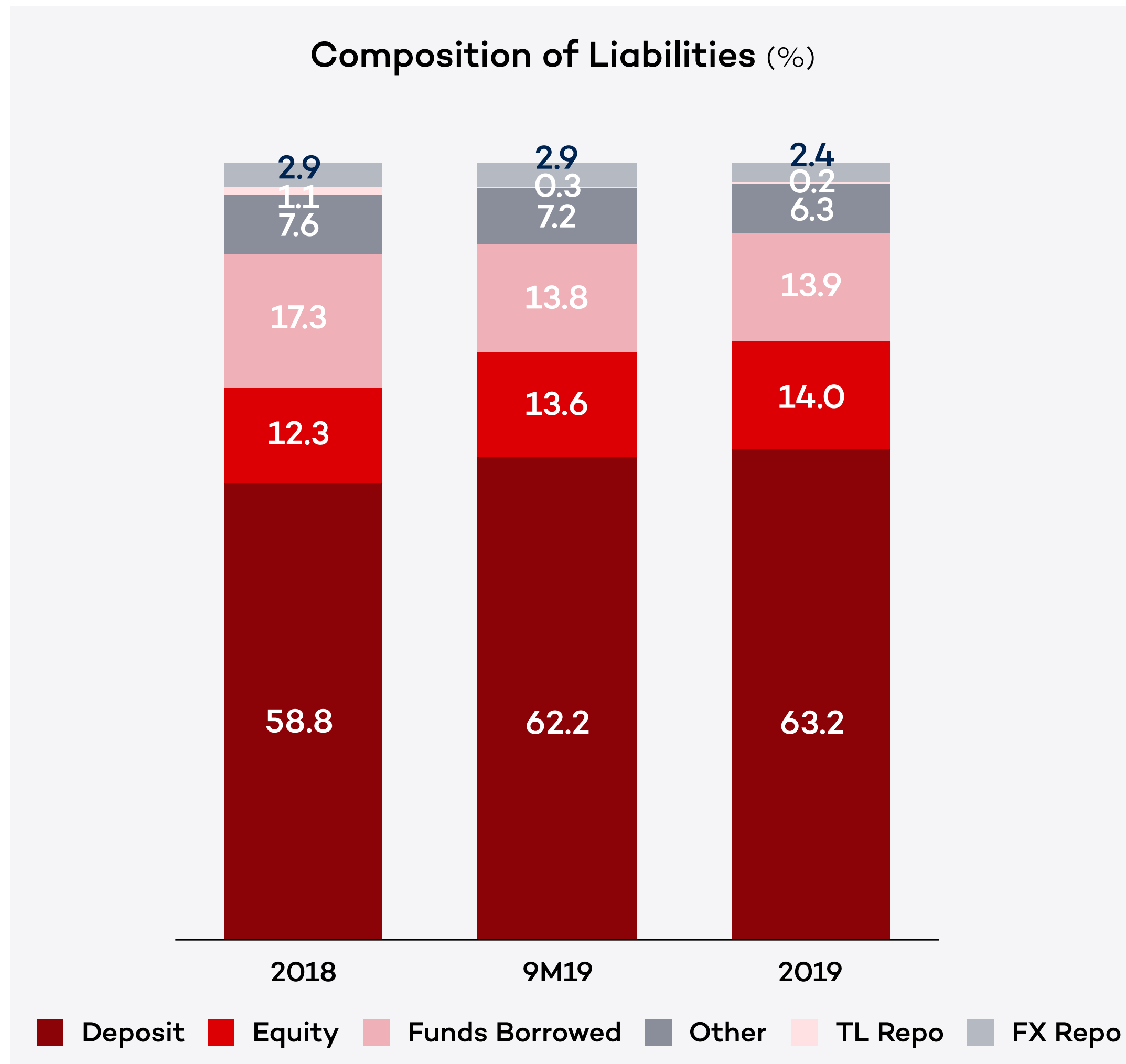


Avg. maturity c. 1.5 yrs (Fixed TL) and c. 3.5 yrs (FX)



NIM accretive

# Maintained disciplined funding mix while growing

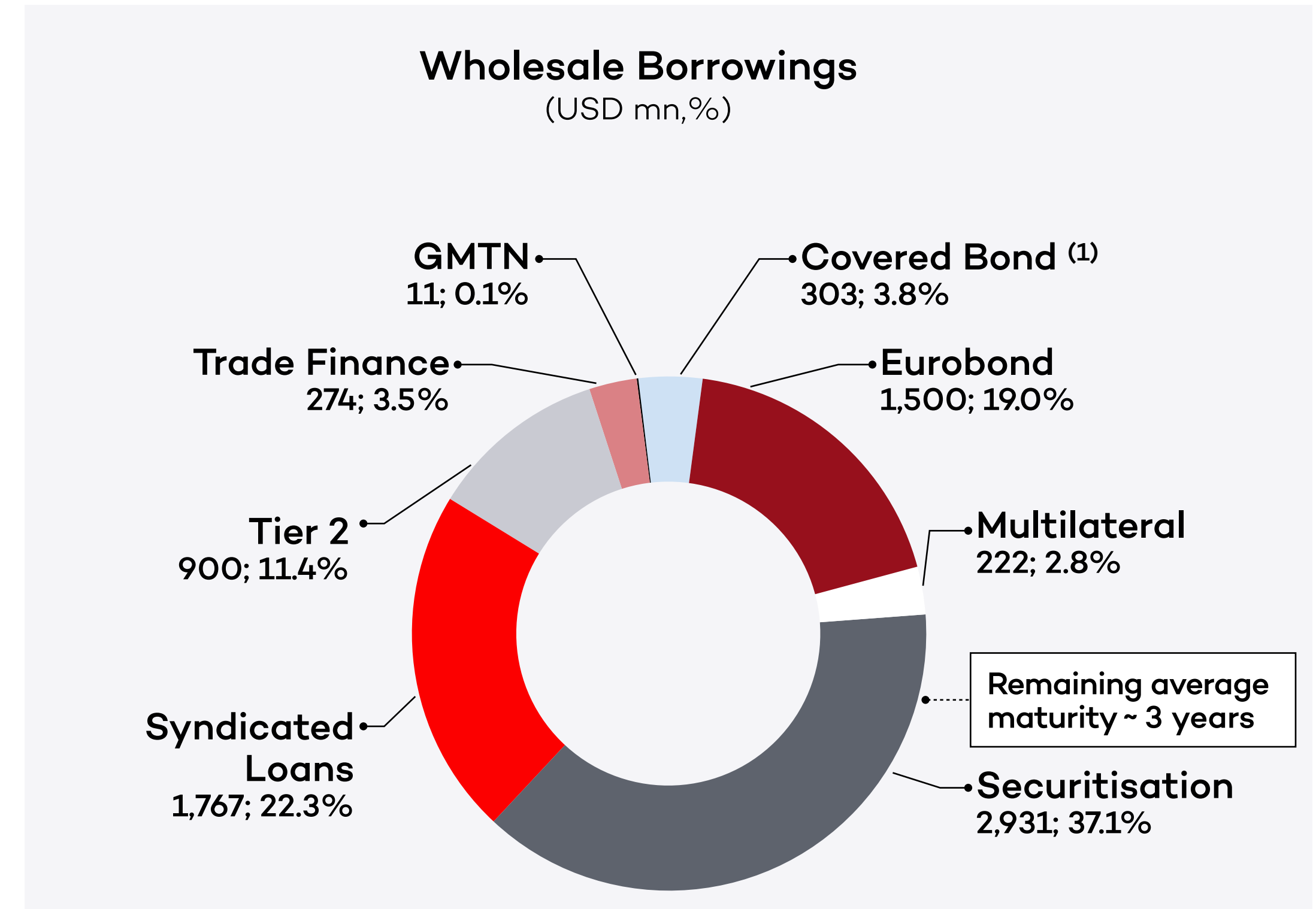
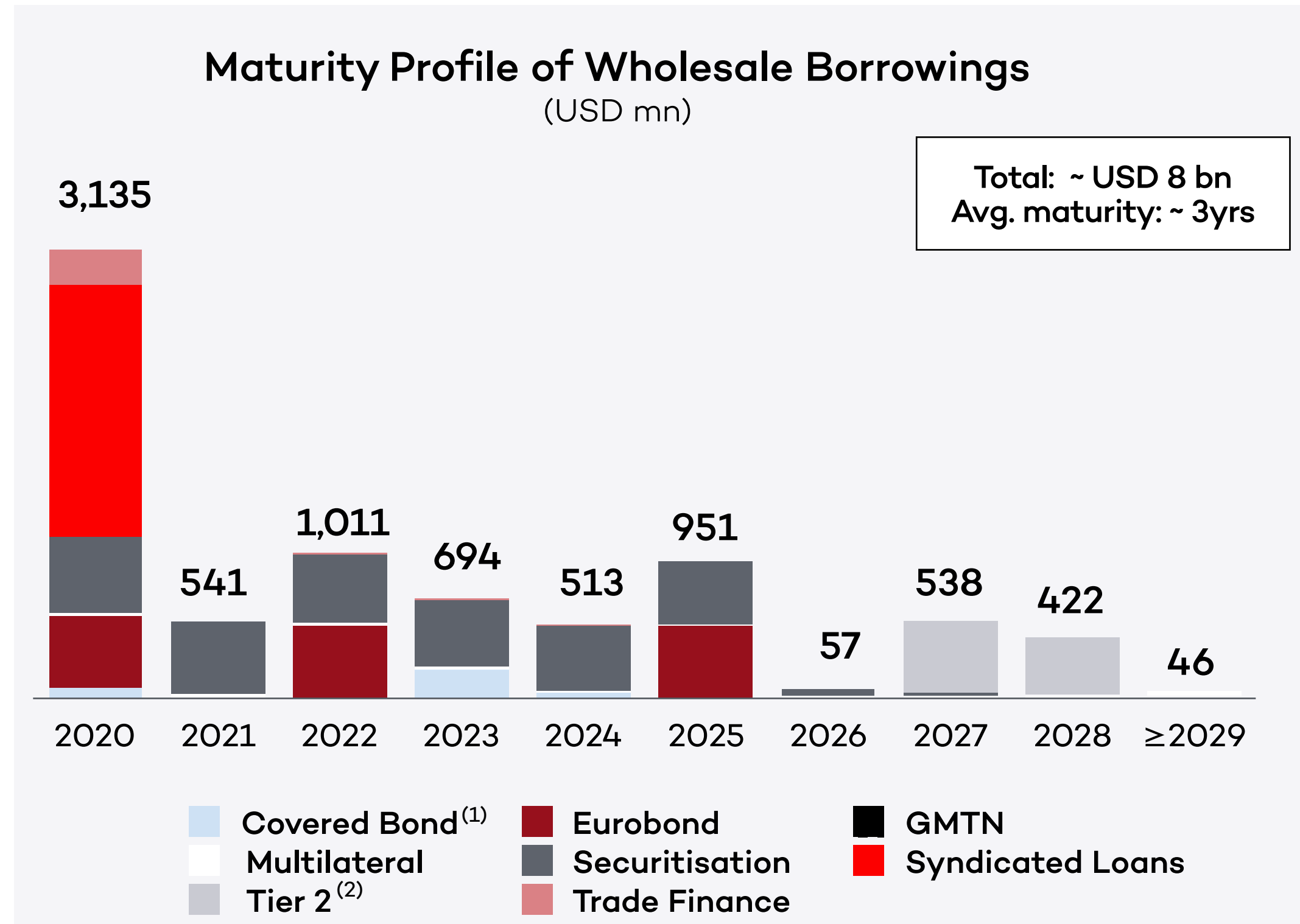


(1) MIS data

(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 December 27, 2019

# Well-diversified borrowing mix



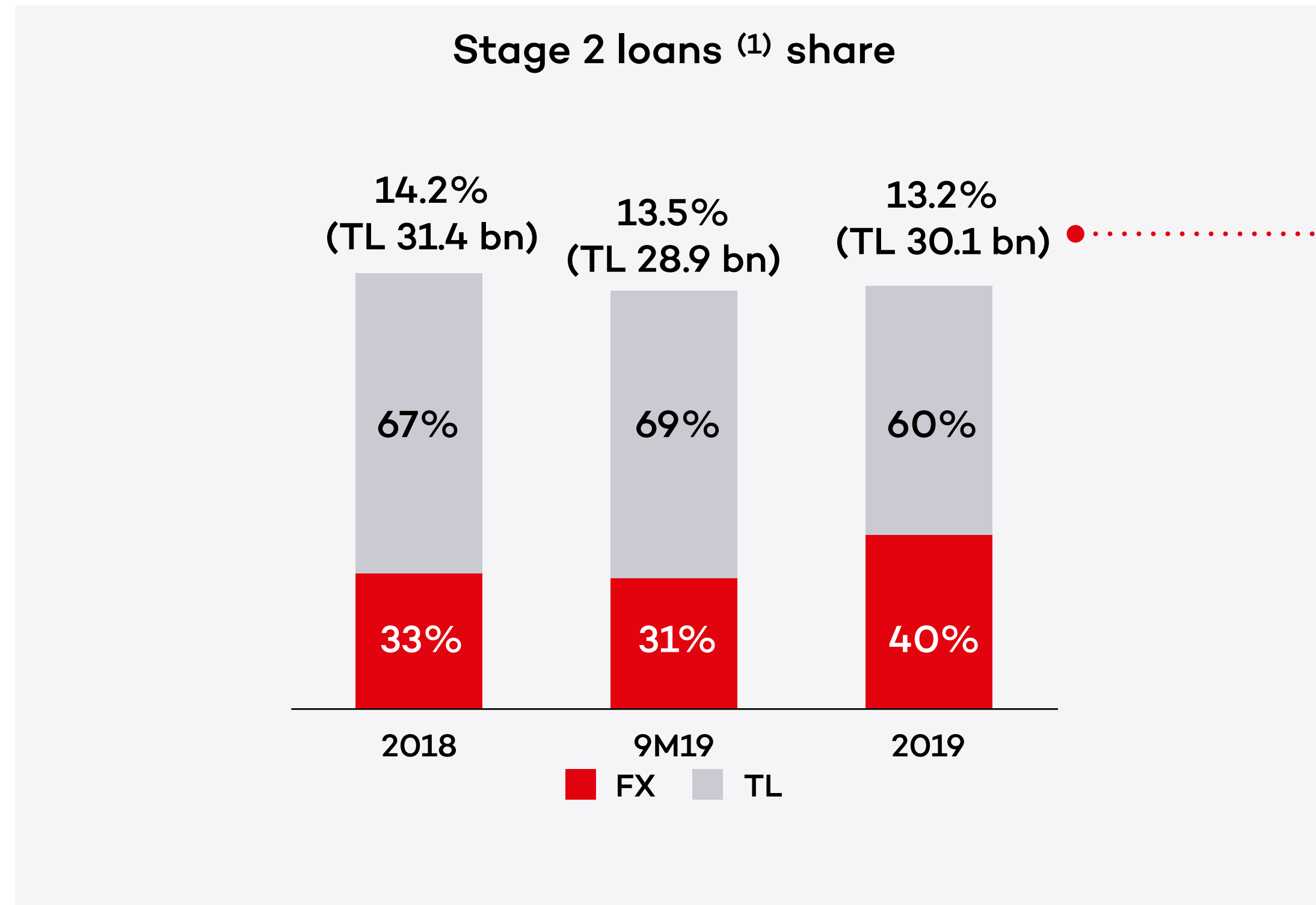
- ▶ Wholesale funding reduced down to c. USD 8 bn (c. USD 10 bn in 2018)
- ▶ Reduction mainly led by c. USD 2 bn decrease in short-term wholesale liabilities
- ▶ Successful roll-over of syndicated loan in October 2019 with 1.43x over-subscription & 31 banks from 19 countries

Balances based on principal outstanding and bank-only MIS data

<sup>(1)</sup> USD equivalent of TL 1.8 bn Covered Bond issuance

<sup>(2)</sup> 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	14.7	6
Energy Generation	7.0	30
Construction	5.3	25

	<u>9M19</u>	<u>2019</u>
Stage 2 Coverage	11.9%	11.1%
Stage 3 Coverage	58.1%	56.2%
Free Provisions	TL 650 mn	TL 650 mn

- ▶ 77% of Stage 2 loans are non-delinquent
- ▶ Only 8% of Stage 2 loans are past due 30 days
- ▶ All restructured loans (c. TL 17.8 bn, flat QoQ) are followed under Stage 2
- ▶ Excluding write off and NPL sale impact Stage 3 coverage increases above 60%

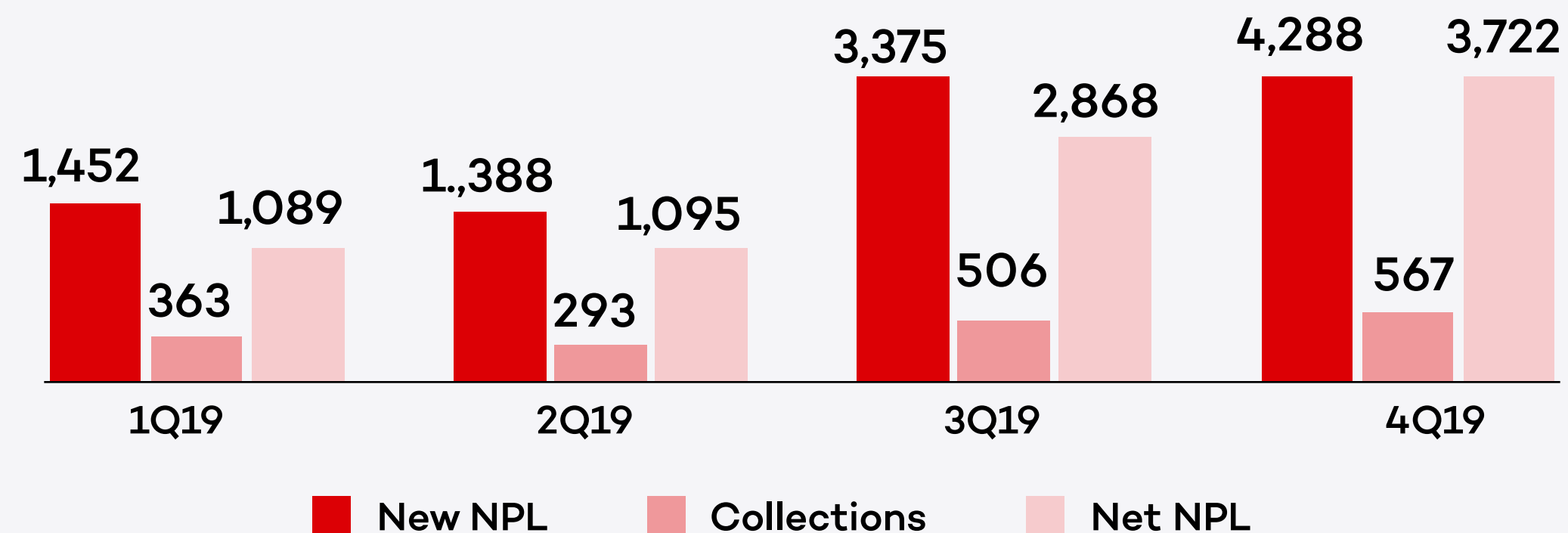
# New NPL formation to ease in 2020

NPL Ratios by Segment (%)

	<u>2018</u> <sup>(1)</sup>	<u>9M19</u>	<u>2019</u>
Business	3.1	5.7	7.1
Consumer	4.1	5.5	4.8
Credit Cards	4.9	6.4	6.0
<b>Total</b>	<b><u>3.6</u></b>	<b><u>6.0</u></b>	<b><u>6.6</u></b>

	<u>% of Total Stage 3</u>	<u>Coverage (%)</u>
Real Estate	24.6	52
Energy Generation	5.7	42
Construction	5.1	56

Quarterly New NPL Additions and Recoveries <sup>(2)</sup>  
(TL mn)



- ▶ Major drivers of NPL ratio in 4Q19:
  - ◉ Prudent classification of a large commercial file (c. +90 bps)
  - ◉ Write-off's and NPL sale (c. -70 bps)
- ▶ Positive collection performance trend expected to continue in 2020

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

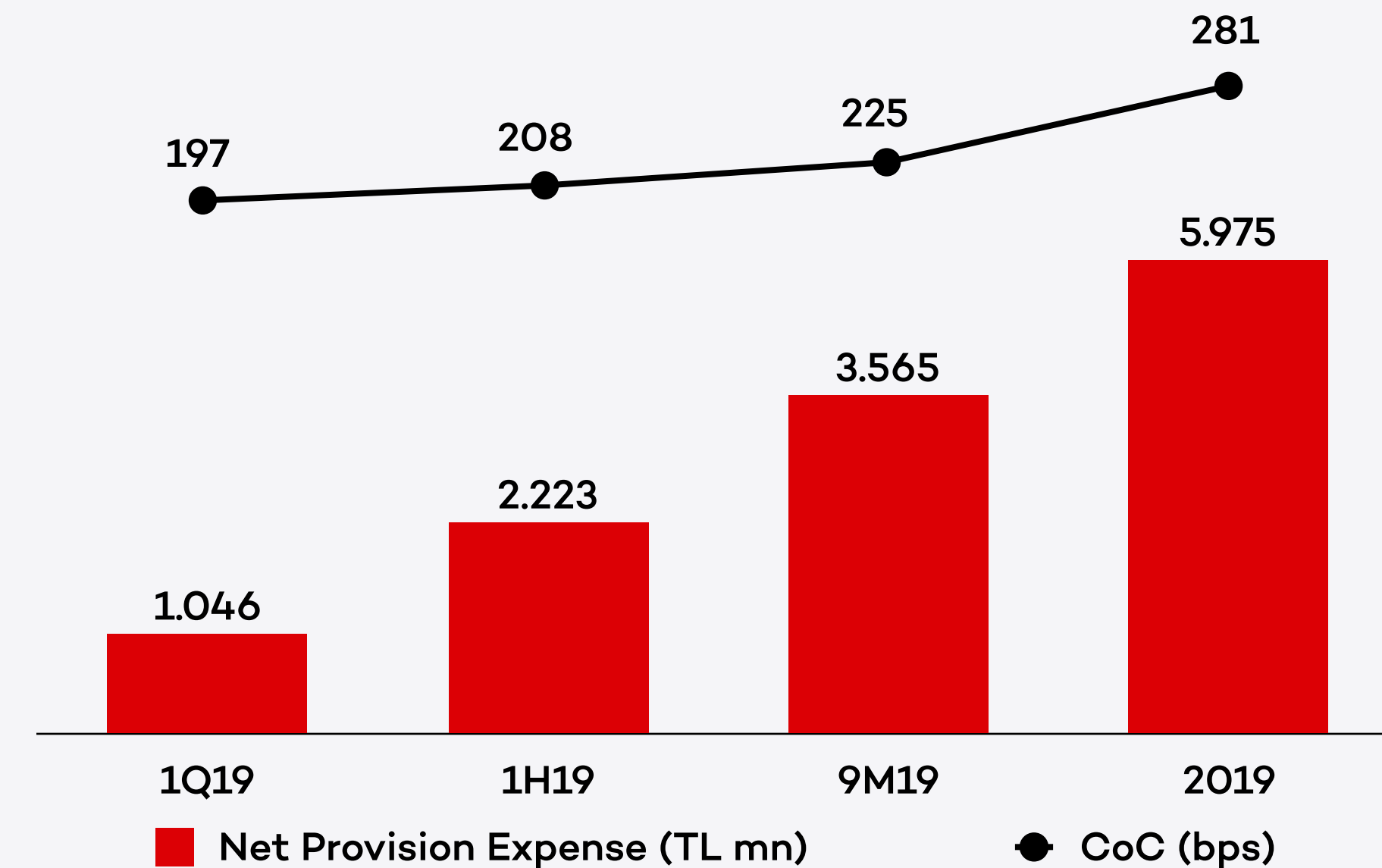
<sup>(2)</sup> Bank-only

# CoC peaked and set to improve

2019 CoC & Provision Breakdown

Provisions	9M19		2019	
	TL, mn	bps	TL, mn	bps
Stage 1+2 (net)	690	44	416	20
Stage 3	3,368	212	6,148	289
Stage 3 Recoveries	(435)	(27)	(639)	(30)
Currency Impact	(58)	(4)	50	2
<b>Net CoC</b>	<b>3,565</b>	<b>225</b>	<b>5,975</b>	<b>281</b>

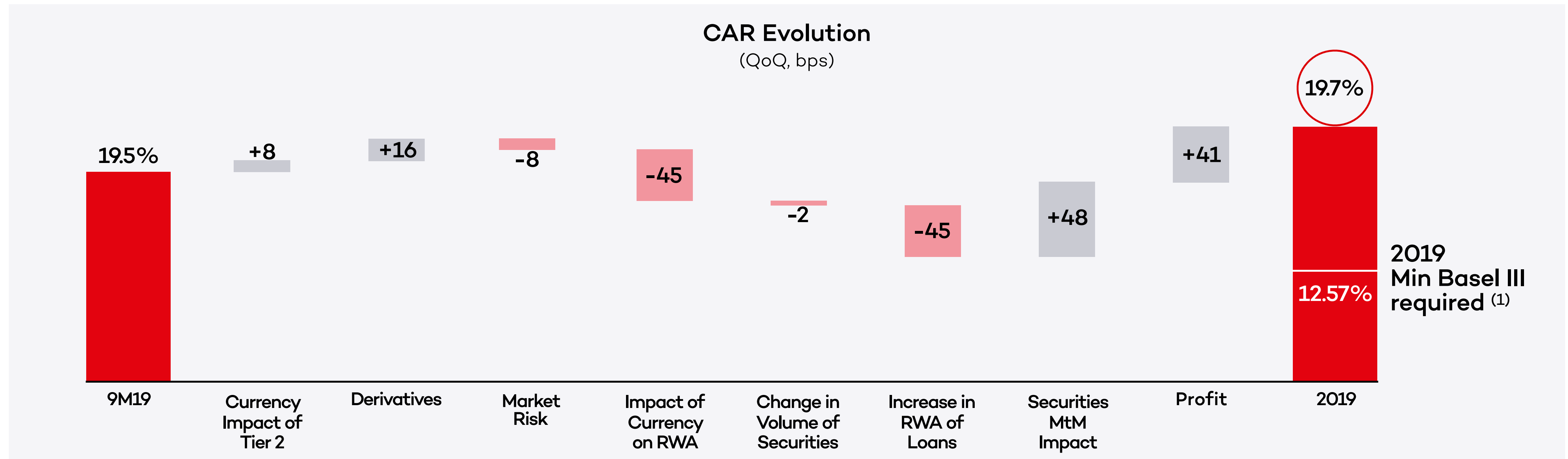
Cumulative CoC & Provision Evolution



CoC improvement to start in 1Q20



# Superior capital position



## Solvency Ratios

**2019**

**CAR: 19.7%**

**Tier 1: 16.9%**

## Excess Capital

**TL 22.8 bn**

Acc. to 2019 minimum  
Basel III required 12.57%

## Excess Tier 1

**TL 20.3 bn**

Acc. to 2019 minimum  
Basel III required 10.57%

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

# 2019 Results: Strong operating performance

	2019 Results	2019 Guidance
ROA	1.4%	≥1.4%
ROE	10.9%	≥12%
NIM (swap adj.)	4.1%	≥3.5%
Net fees&com. growth	33.4%	> 20%
Opex growth	18.6%	~CPI (1)
Cost/ income (2)	32.9%	≤35%
CAR	19.7%	~16%
Tier 1	16.9%	~13.5%
LDR (3)	91%	Max 105%
NPL	6.6%	<6%
Net CoC	281 bps	< 300 bps

- ▶ Significant beat in NIM and fee income growth
- ▶ CoC below guidance despite proactive NPL recognition
- ▶ ROE slightly below guidance impacted by LYY MtM adjustments (-1.5 pp) and delayed growth
- ▶ Set aside TL 100 mn free provision

(1) Rolling CPI

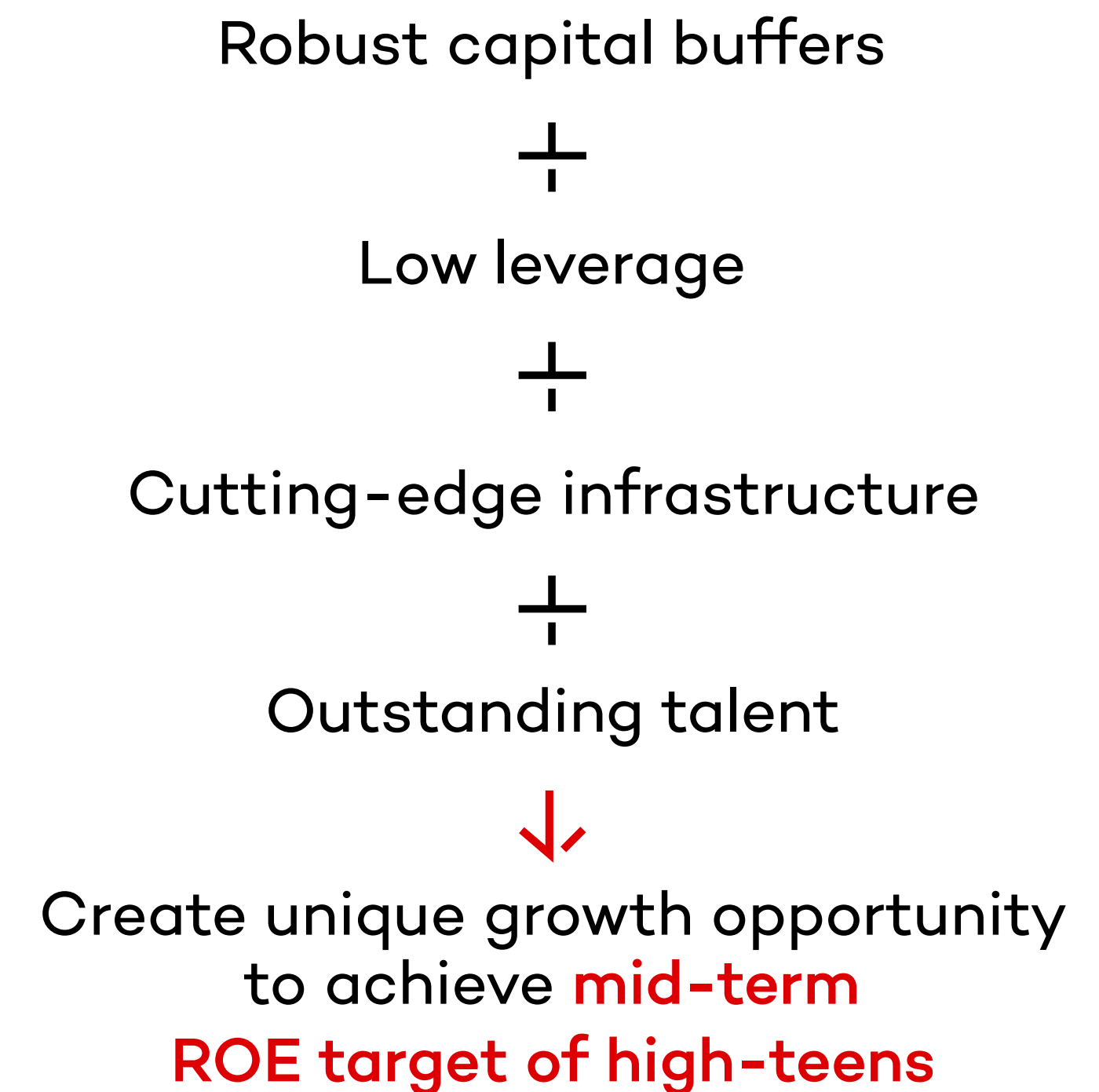
(2) CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions

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

# 2020 Guidance Outlook: Addressing the numerator

## 2020B

TL Loan Growth	High-teens
FX Loan Growth (in USD)	Low-single digit
Leverage	> 8x
ROE	Mid-teens
NIM (swap adj.)	≥4.0%
Net fees&com. growth	High-single digit
Opex growth	Mid-teens
Cost/ income <sup>(1)</sup>	≤34%
NPL	<6%
Net total CoC	~ 200 bps



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

# Annex

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

# Snapshot of Results

(TL mn)	2018	3Q19	4Q19	2019	YoY	QoQ
Total Assets	354,682	379,261	387,172	387,172	9%	2%
Loans (net) <sup>(1)</sup>	201,332	202,614	214,471	214,471	7%	6%
Deposits	208,630	235,832	244,712	244,712	17%	4%
Net Profit	5,709	1,361	1,325	5,352	(6%)	(3%)
Net interest income	15,596	4,331	4,898	16,938	9%	13%
Net fee income	3,718	1,228	1,327	4,958	33%	8%
(%)						
ROE	13.6	10.8	10.0	10.9	(2.7)	(0.8)
ROA	1.6	1.4	1.4	1.4	(0.2)	(0.1)
Leverage	8.1x	7.4x	7.1x	7.1x	(1.0)	(0.3)
NIM	4.62	5.02	5.56	4.93	0.3	0.5
NIM after swap	4.0	4.13	4.71	4.14	0.1	0.6
Cost to Income <sup>(2)</sup>	32.3	34.3	29.7	32.9	0.6	(4.6)
CAR	16.8	19.5	19.7	19.7	2.9	0.2
Tier 1	14.3	16.7	16.9	16.9	2.6	0.2

<sup>(1)</sup> For comparability, 2018 total loan figures exclude leasing receivables and adjusted for financial assets measured at fair value through P&L

**21** <sup>(2)</sup> 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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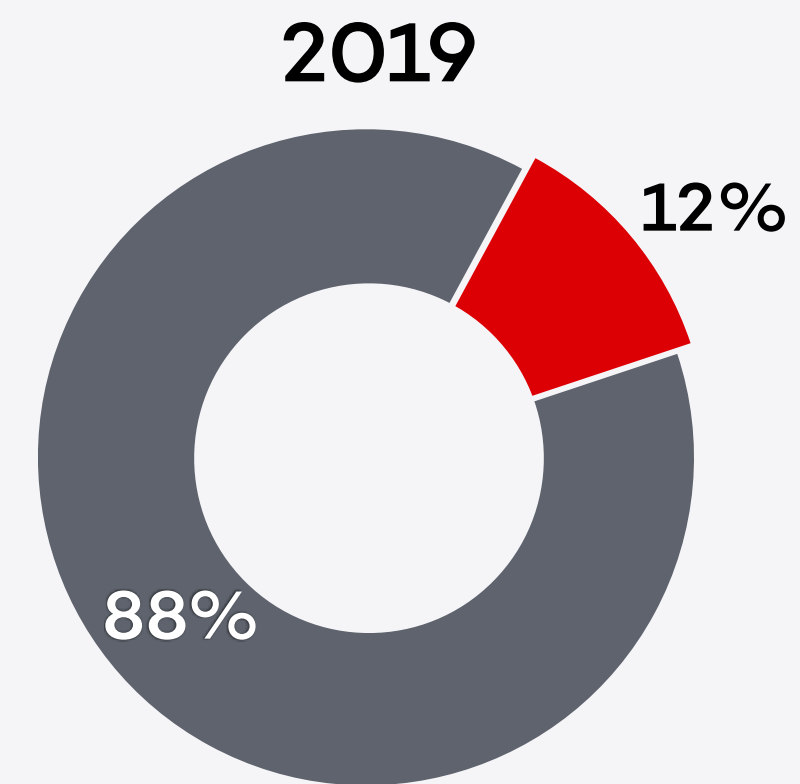
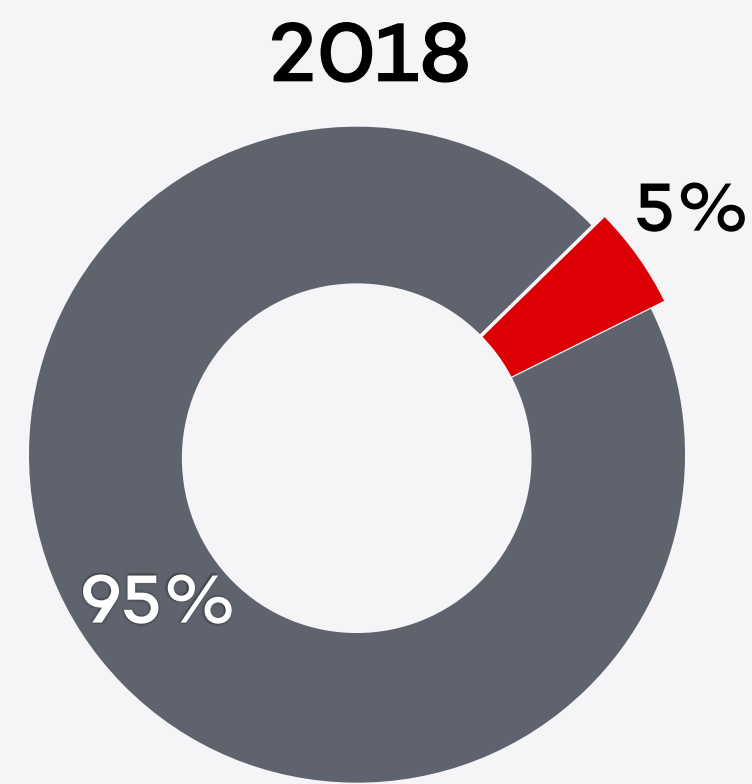
# Balance Sheet Highlights

Consolidated (TL mn)			Shares (%)	
	2018	2019	2018	2019
Cash and Due from Banks	49,618	47,901	14.0	12.4
Securities	56,782	83,602	16.0	21.6
Loans (net) <sup>(1)</sup>	201,332	214,471	56.8	55.4
Other	46,950	41,199	13.2	10.6
<b>Total Assets</b>	<b>354,682</b>	<b>387,172</b>		
Deposits	208,630	244,712	58.8	63.2
Funds Borrowed and Bonds Issued	61,506	53,755	17.3	13.9
Repo	14,275	10,107	4.0	2.6
- TL Repo	3,918	763	1.1	0.2
- FX Repo	10,357	9,343	2.9	2.4
Other	26,484	24,236	7.6	6.3
Equity	43,787	54,362	12.3	14.0
<b>Total Liabilities and S/H Equity</b>	<b>354,682</b>	<b>387,172</b>		

# Income Statement Highlights

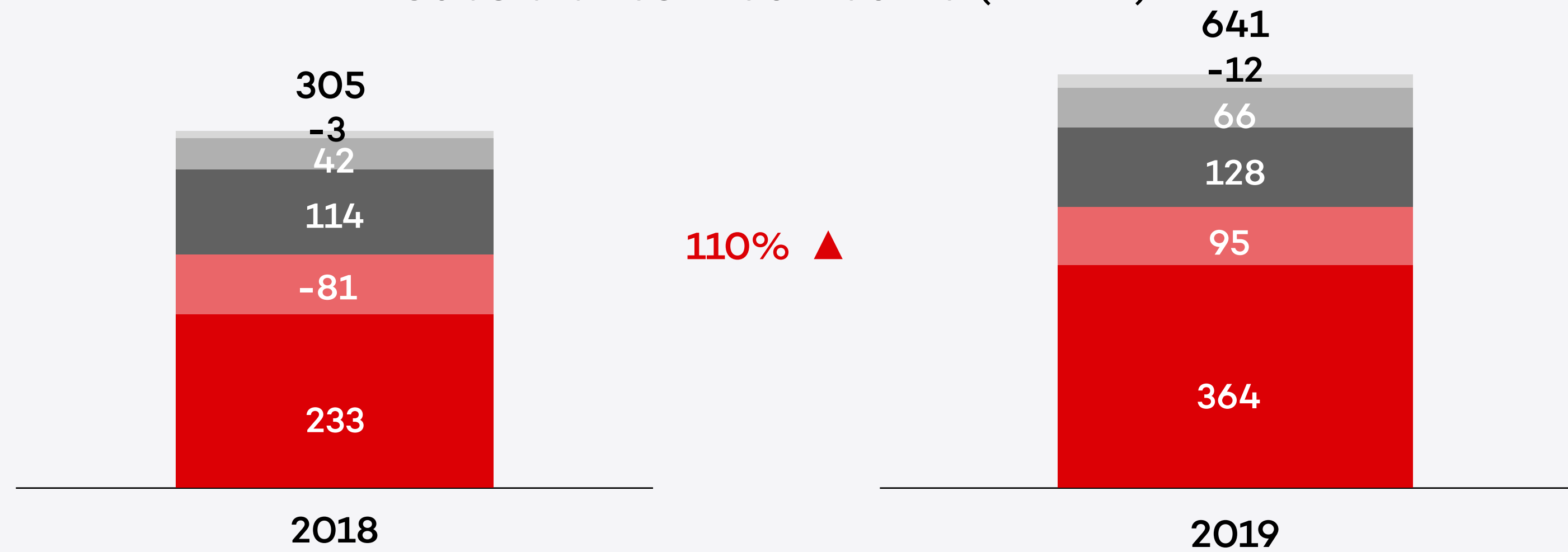
Consolidated (TL mn)	2018	2019	Change (%)
Interest Income	35,445	36,498	3.0
Interest Expense	(19,849)	(19,560)	(1.5)
<b>Net Interest Income</b>	<b>15,596</b>	<b>16,938</b>	<b>8.6</b>
Trading Gain (Loss)	(637)	(1,146)	-
- Securities	(1,112)	296	-
- Other	475	(1,442)	-
Provision for Loan Losses, net of collections	(5,765)	(5,975)	3.7
Fees and Commissions (Net)	3,718	4,958	33.4
Operating Expense	(5,802)	(6,882)	18.6
Other Income	418	224	(46.5)
Other Provisions <sup>(1)</sup>	(391)	(1,190)	-
<b>Income Before Tax</b>	<b>7,136</b>	<b>6,927</b>	<b>(2.9)</b>
Tax	(1,427)	(1,574)	10.3
<b>Net Income</b>	<b>5,709</b>	<b>5,352</b>	<b>(6.2)</b>

# Solid contribution from subsidiaries



- Bank-only net income
- Subsidiaries' Contribution

Subsidiaries' Net Income (TL mn)



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



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