

1Q20

Consolidated

Financial Results

**AKEBANK**

# Content

## **01** Recent Developments

02 Operating Environment

03 How Akbank is positioned

04 Financials

05 Annex

# Policy response to address challenges of Covid-19

## Monetary

- ▶ Policy rate cut by 200 bps since March 2020
- ▶ Several additional liquidity measures by CBT

## Fiscal

- ▶ CGF guaranteed limit increased to TL 50 bn from TL 25 bn
- ▶ Tax payments reduced and/or deferred for various sectors affected
- ▶ Support for the unemployed, those on furlough and low income groups
- ▶ Stock refinancing for exporters
- ▶ Increase in monthly stipend for lowest paid pensioners

## Regulatory

- ▶ Forbearances for capital ratio calculations
- ▶ Payment holidays for COVID-19 affected companies for a minimum of 3 months
- ▶ Stage 2 and Stage 3 recognitions extended to 90 and 180 days, respectively
- ▶ Minimum payment ratio for credit cards reduced to 20% from the range of 30% to 40%
- ▶ LtV increased from 80% to 90% for houses worth less than TL500K
- ▶ Firms falling into default from April through June will have a force majeure note in credit registry

**Additional measures likely to be announced as the situation progresses**

# Our proactive Covid-19 measures to support our people & customers

## Our People

- ▶ Early actions: limited face to face meetings, no business travel
- ▶ Protective measures to support those working on-site
- ▶ Robust internal communication to inform and guide
- ▶ Rapid adaptation of remote working across the Bank:
  - c. 90% at HQ & Central Operations
  - c. 80% at Corporate & Commercial Branches
  - c. 50% work onsite on rotation basis at Retail Branches
- ▶ Special leaves for vulnerable employees
- ▶ Remote access for medical advice
- ▶ Daily health surveys & support line

## Our Customers

- ▶ Extensive 1-1 communication with customers to understand their needs
- ▶ Prudently extending loans to help businesses and consumers with difficulty
- ▶ Deferring loan installment payments from Apr '20 to Jun '20, to alleviate customers' cash flow burden
- ▶ Assisting businesses through CGF
- ▶ Proactive promoting of digital channels with 24/7 customer support
- ▶ Health and hygiene measures for clients visiting branches
- ▶ Close coordination with regulatory bodies and government to support financial system

## Our Business Continuity

- ▶ Immediate remote working adaptation
- ▶ Proactive measures taken to ensure business continuity and service quality
- ▶ Phygital branch (new sales and service model) enabled quick transition to remote working
- ▶ Daily planning to keep branch network active, of which c. 80% are open, with reduced working hours
- ▶ Measures taken for ATMs' service continuity
- ▶ Customer Contact Center & Central Operations work remotely with full capacity
- ▶ Reinforced measures for cyber security
- ▶ Close contact with suppliers

**AKBANK**

# Content

01 Recent Developments

**02 Operating Environment**

03 How Akbank is positioned

04 Financials

05 Annex

# 2020 Economic Outlook: Marked by Covid-19

## Economic activity

Recovery in 2H expected to partially offset negative trend in 2Q

## Inflation

Disinflationary trend to gain strength with lower demand and oil prices

## Monetary Policy

Rate cuts expected to continue in line with disinflation trend

## Fiscal Policy

Additional measures are likely to secure smooth functioning of the economy

## Credit activity

Expected to be TL loan driven

# Content

- 01 Recent Developments
- 02 Operating Environment
- 03 How Akbank is positioned**
- 04 Financials
- 05 Annex

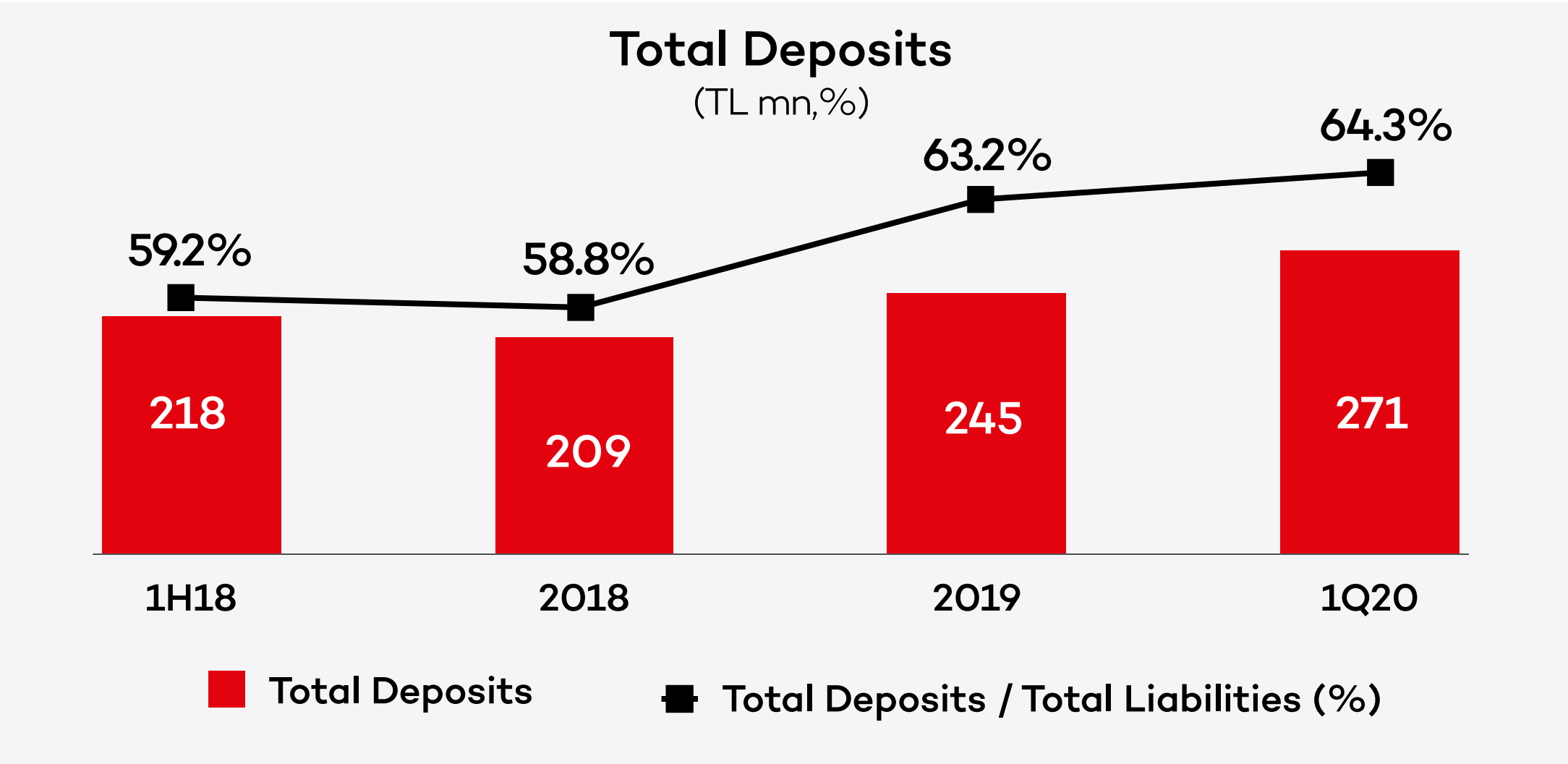
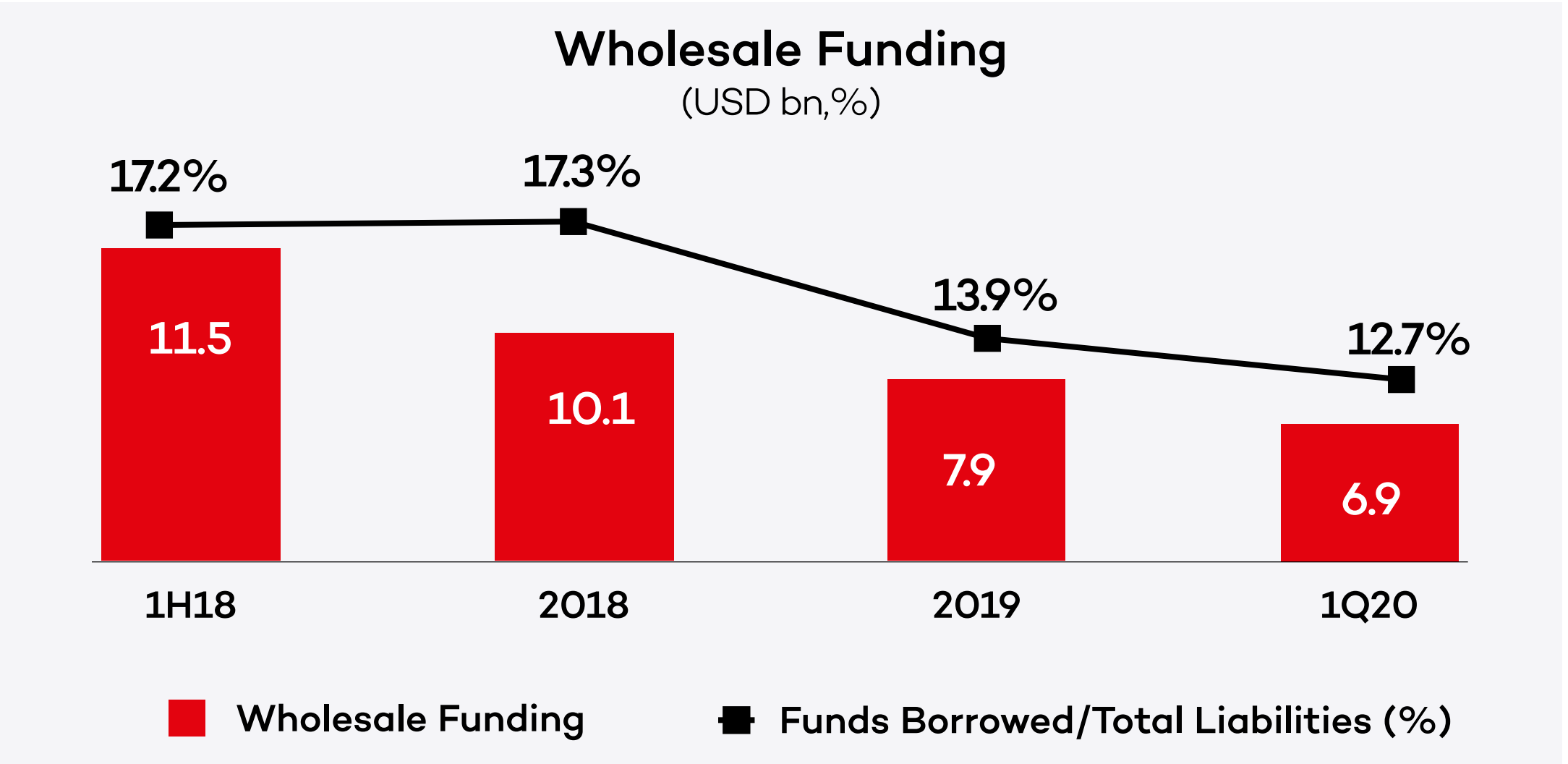
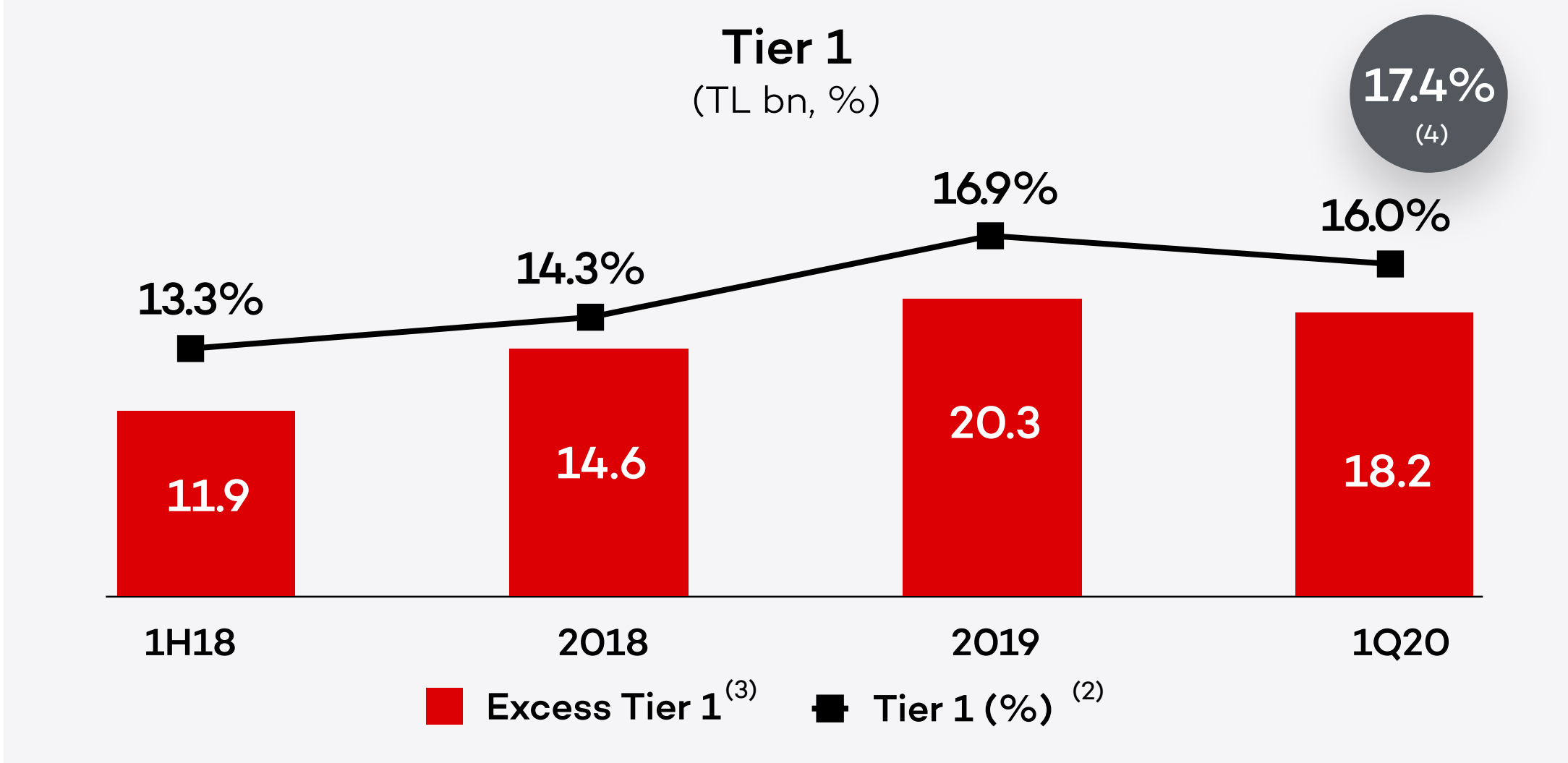
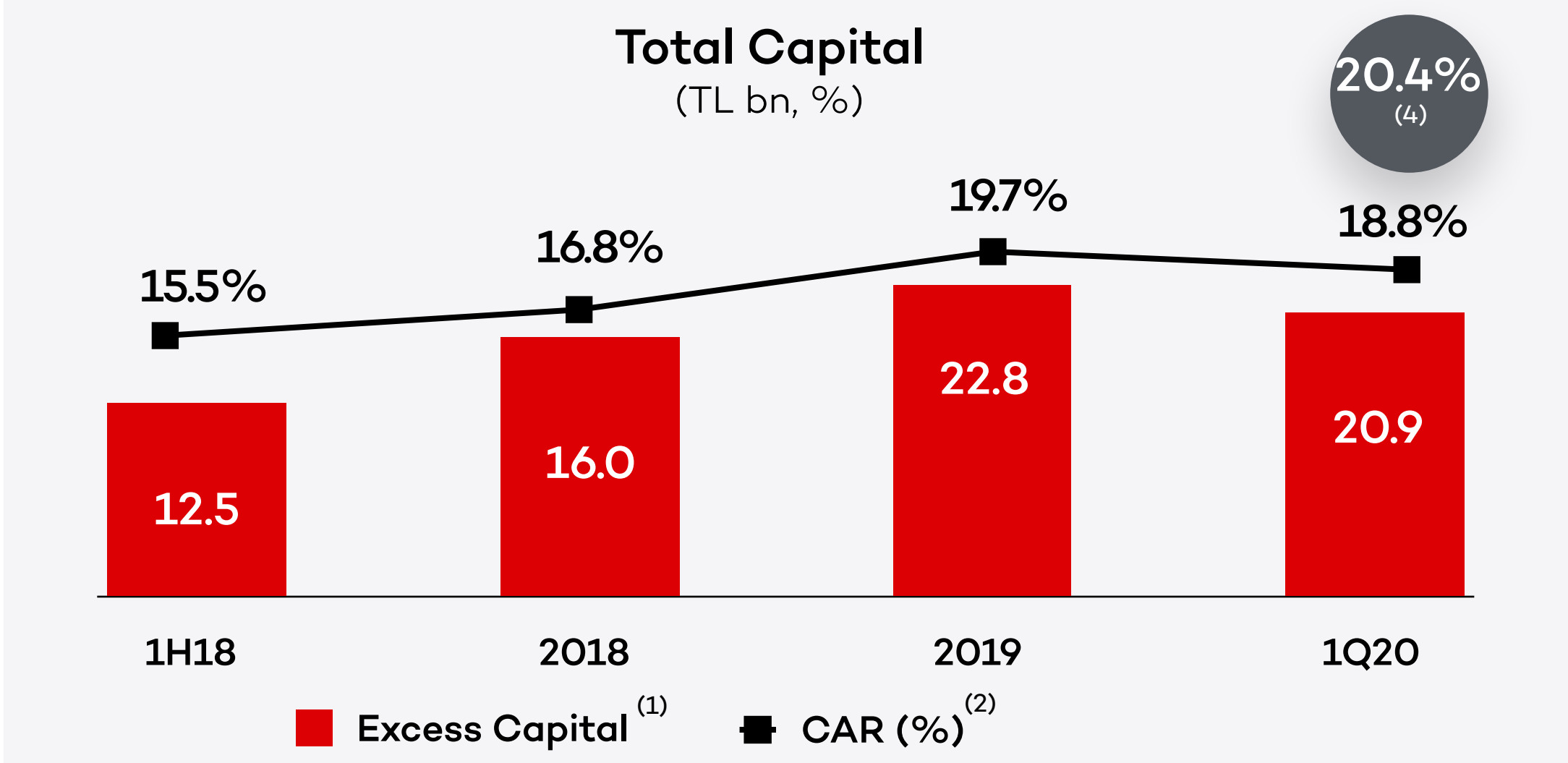


# Akbank: Best Positioned Bank to navigate through challenging times





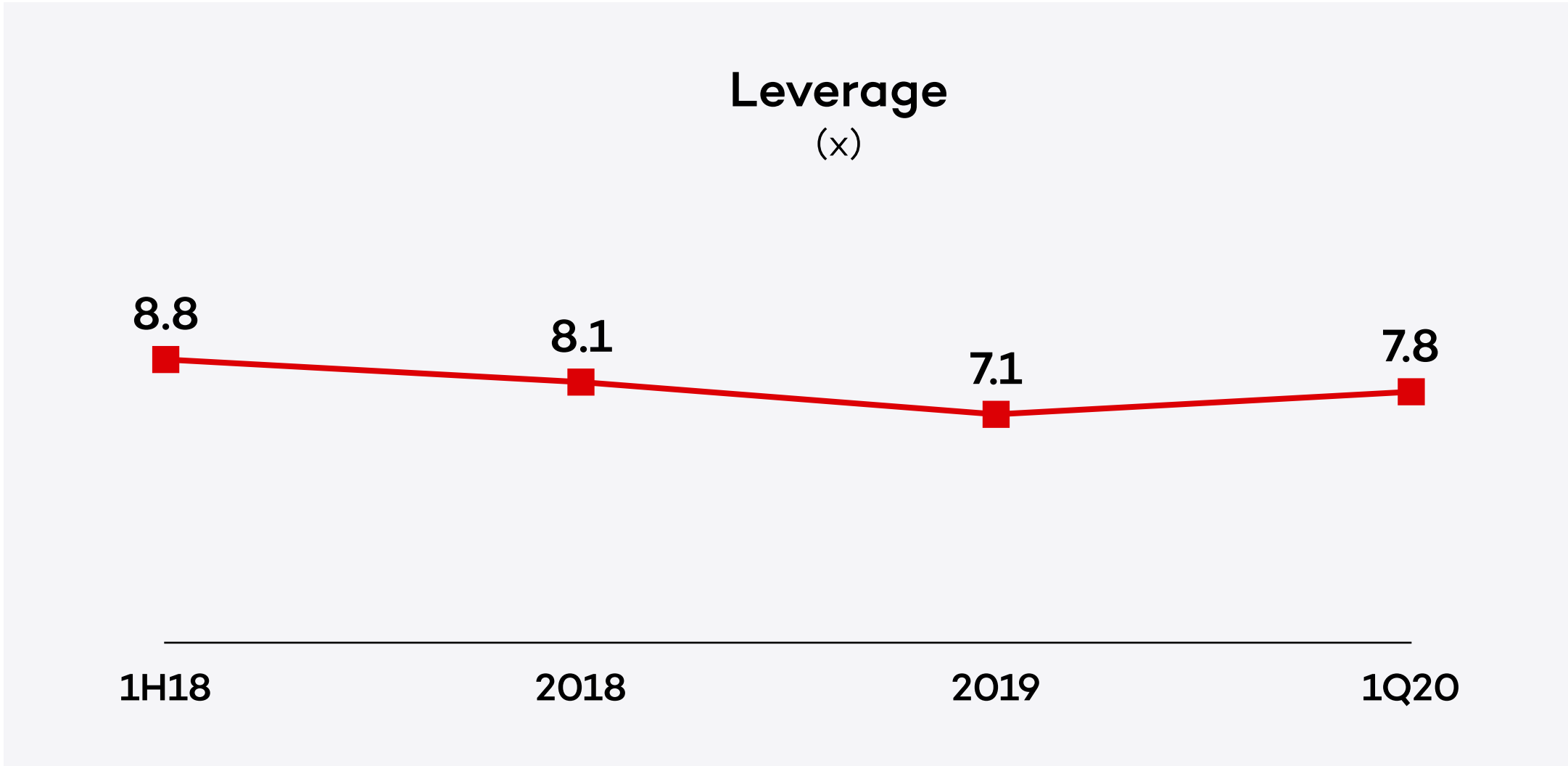
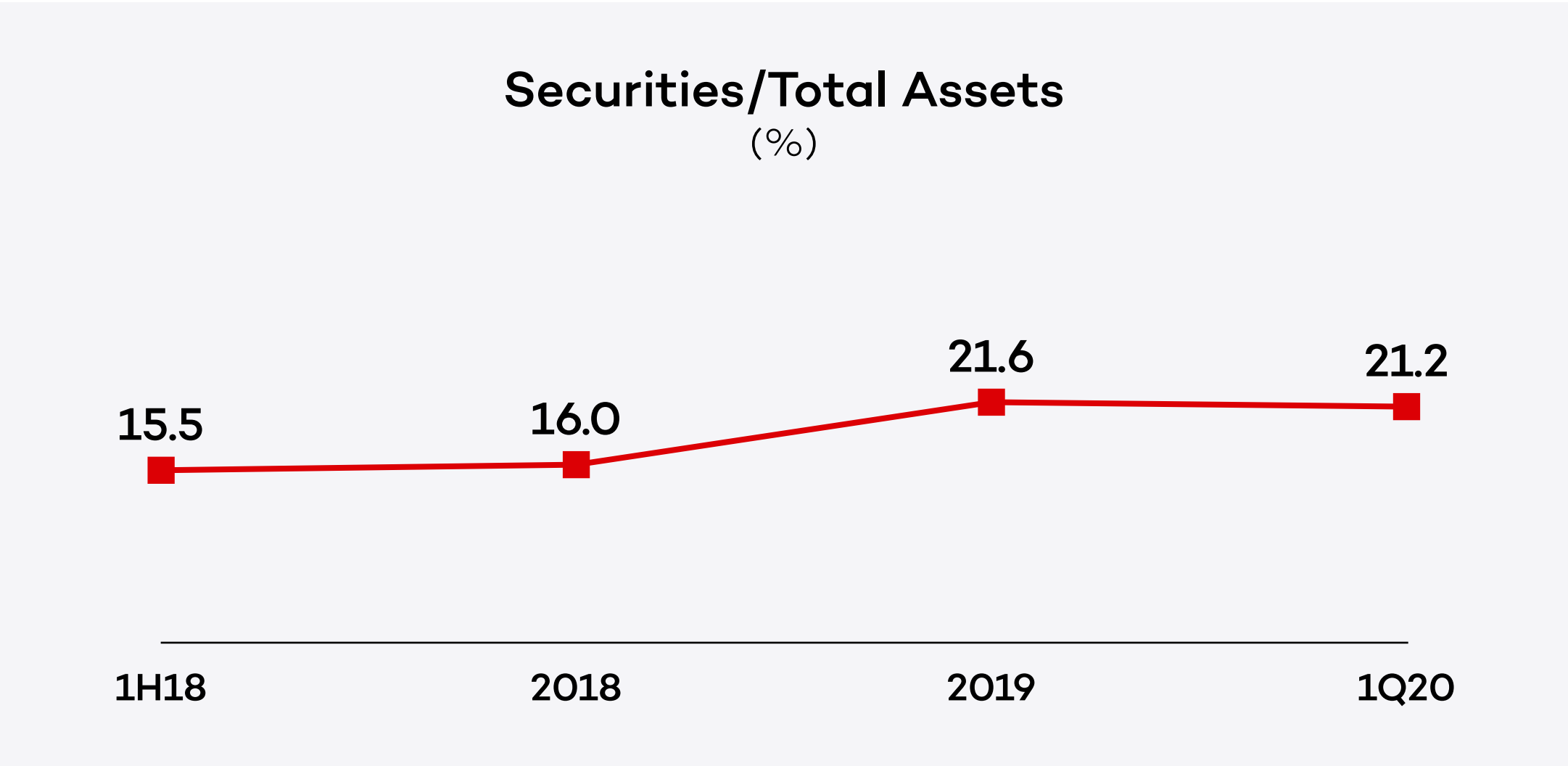
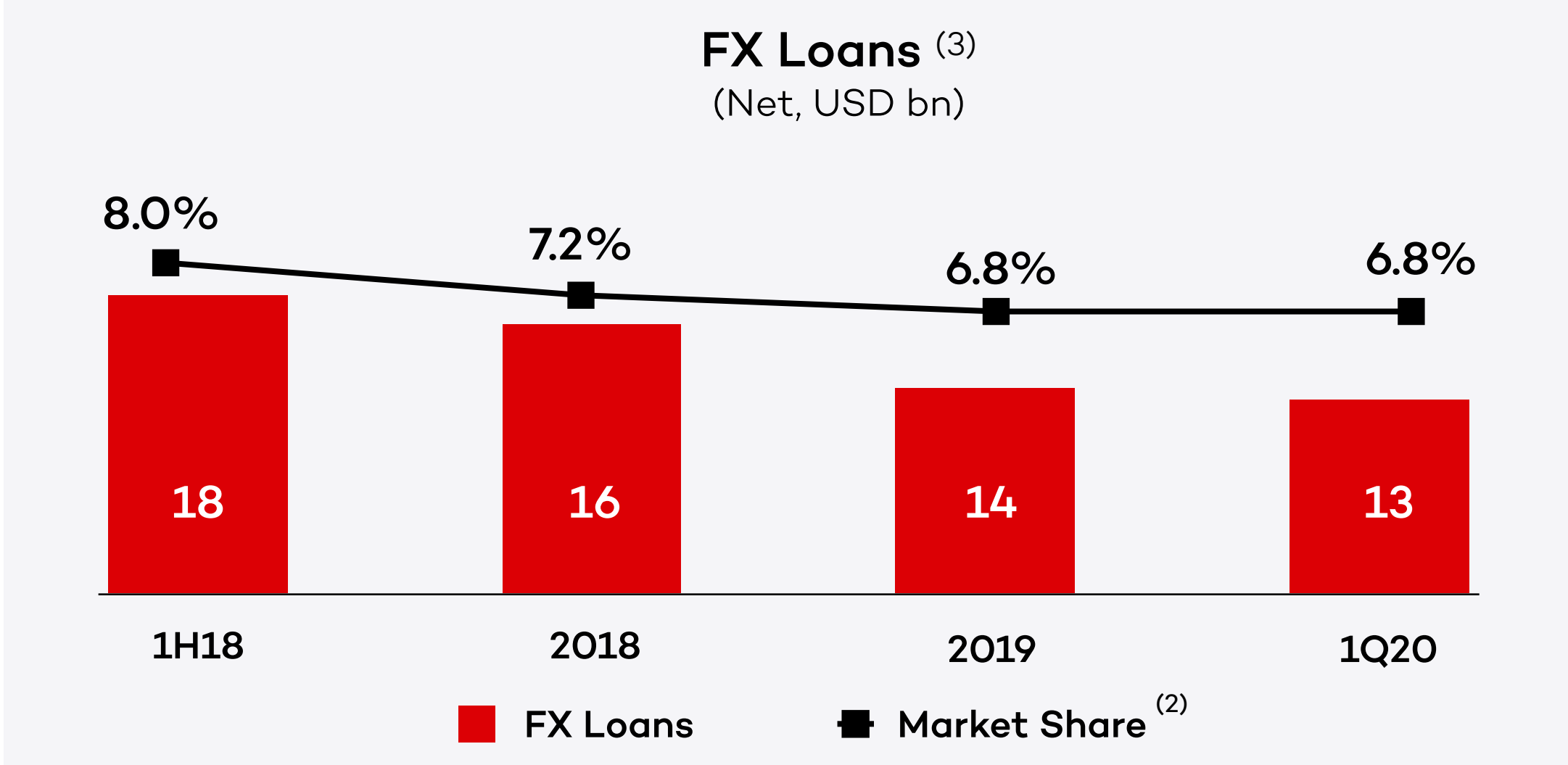
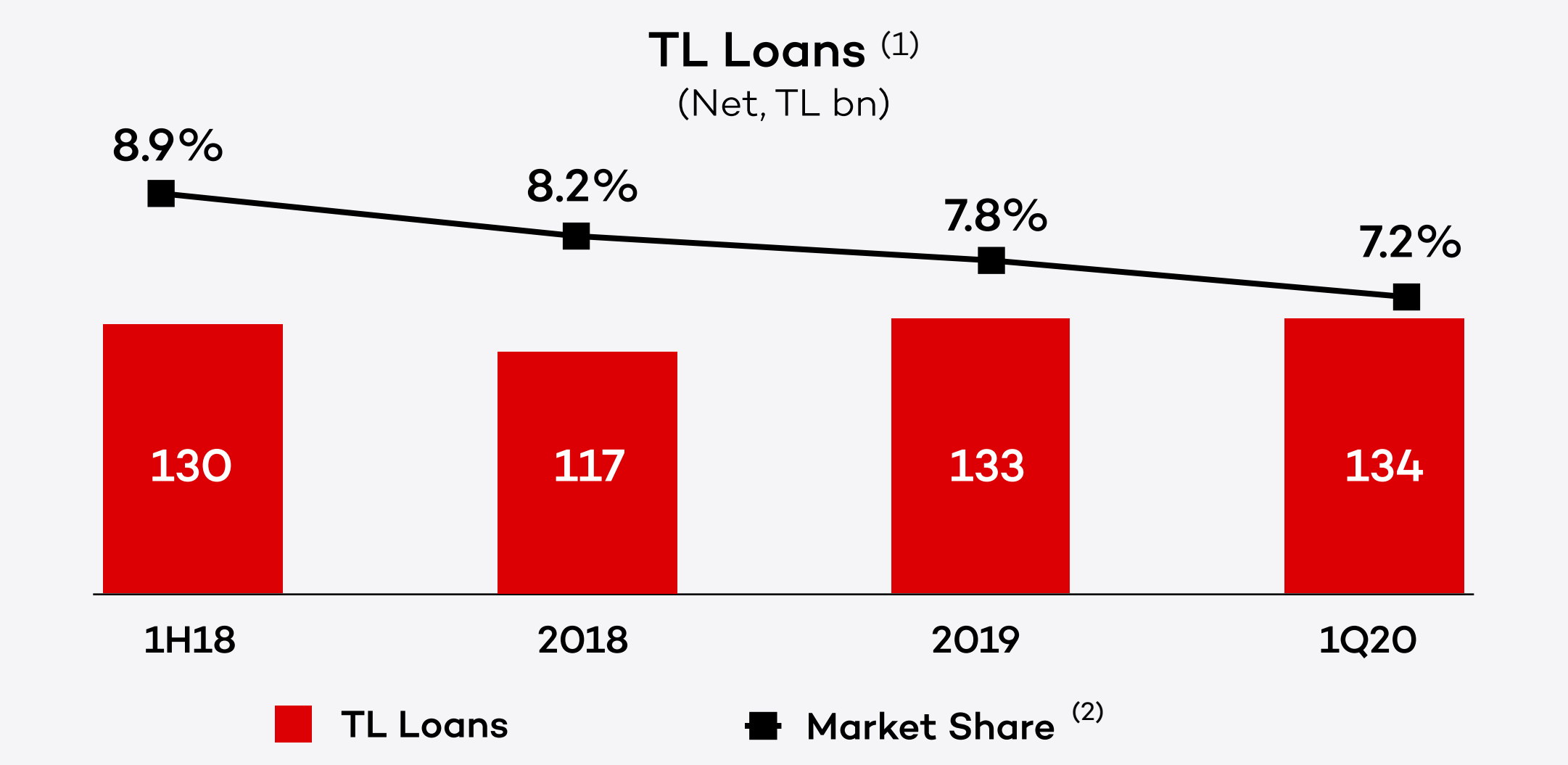
# Strong capital and robust liquidity underline resilience



9

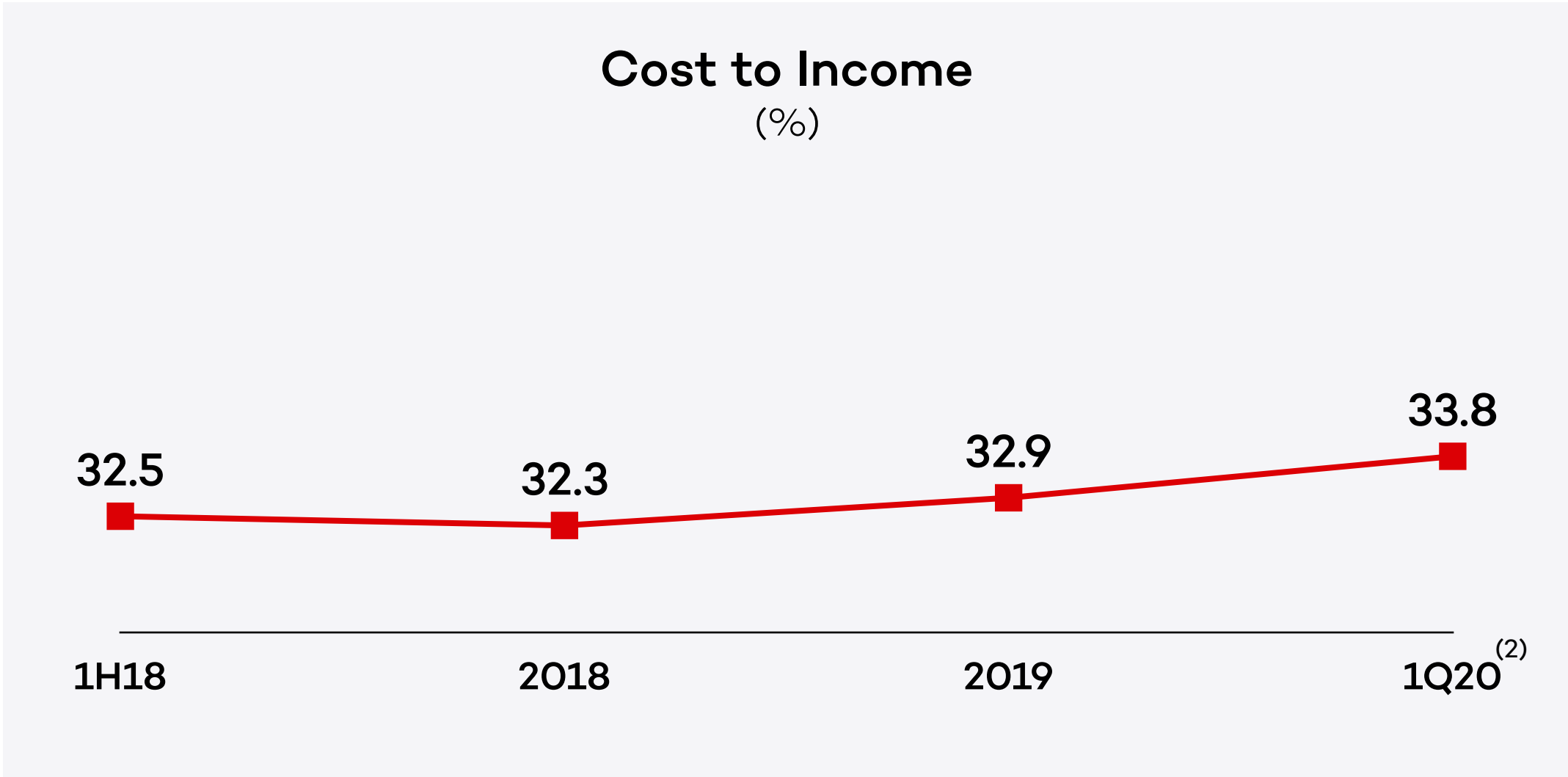
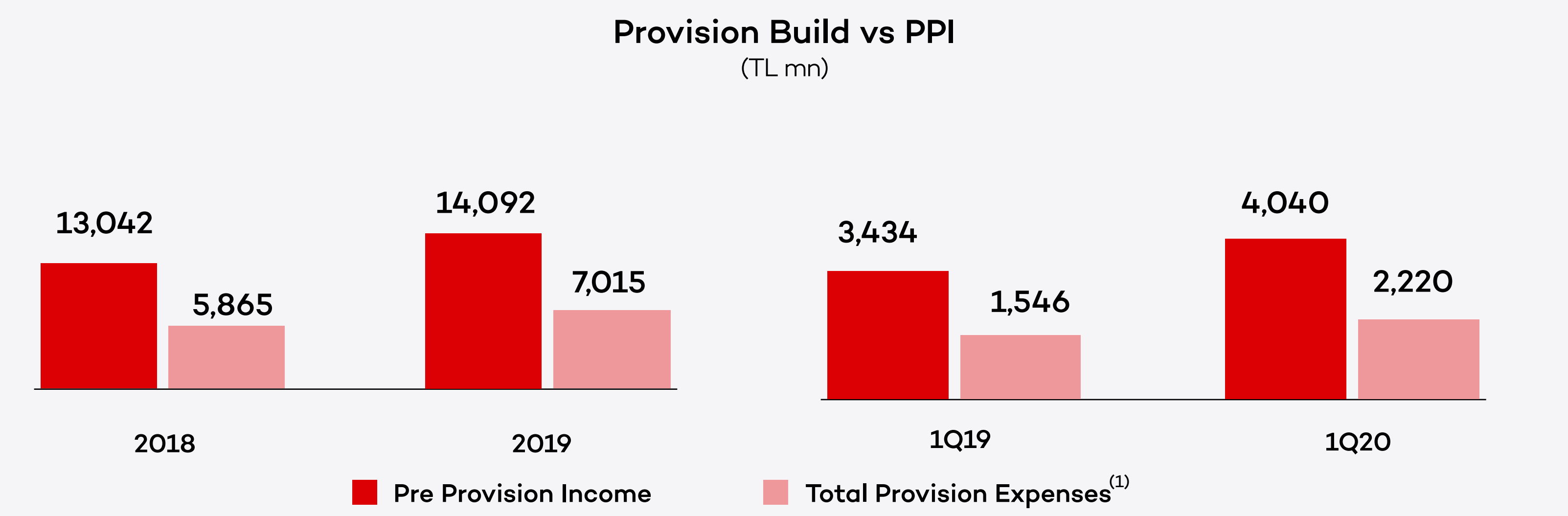
(1) Acc. to Basel III requirement 12.57%  
(2) Excluding forbearances announced by BRSA in Mar '20  
(3) Acc. to Basel III requirement 10.57%  
(4) Including forbearances announced by BRSA in Mar '20

# Well positioned asset composition & low leverage for unprecedented challenges



10 (1) TL Loans adjusted for leasing receivables  
(2) Market share data based on bank only BRSA weekly data as of March 27, 2020  
(3) FX Loans adjusted for leasing receivables and LYY

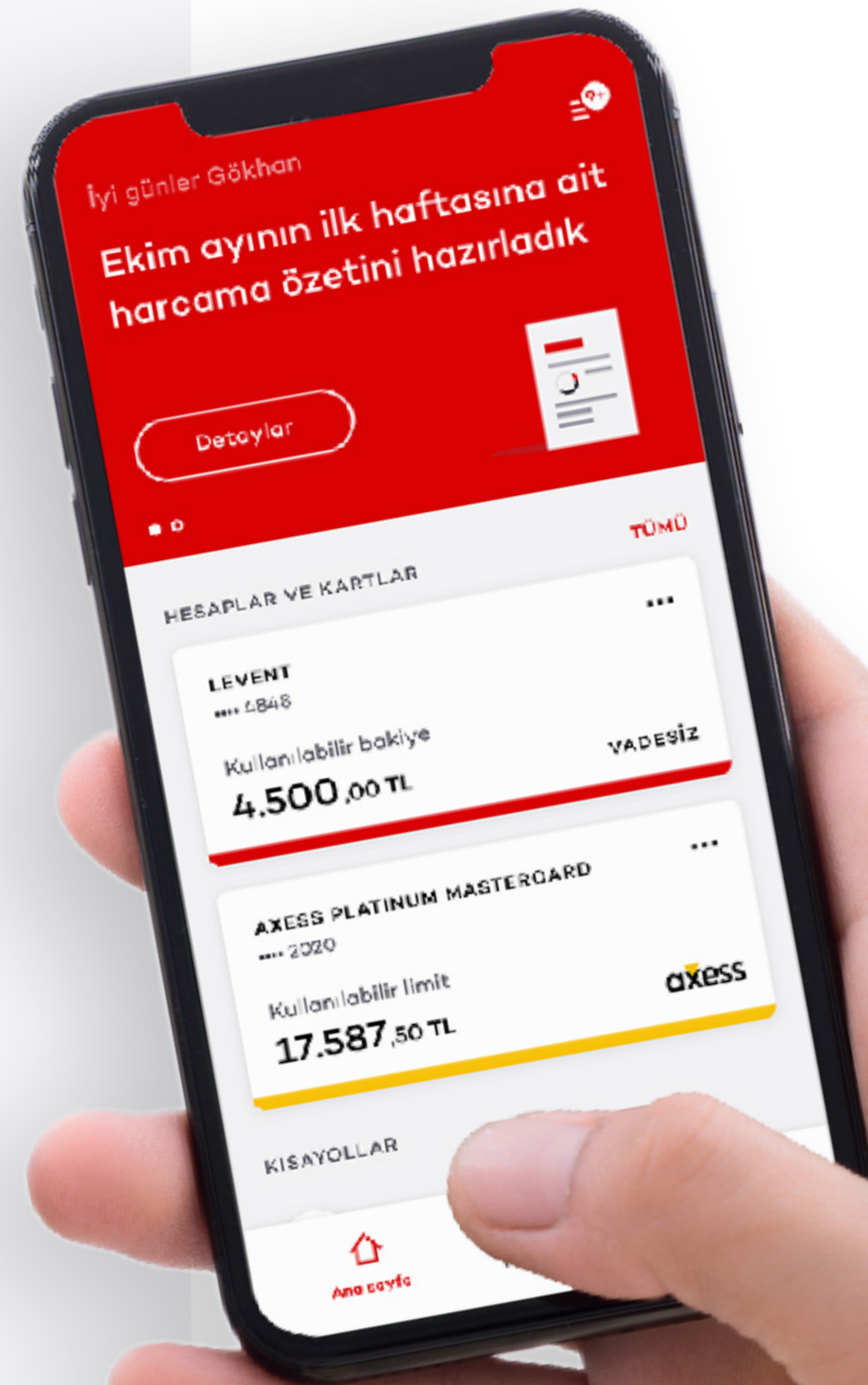
# Sound operating performance & low cost base driven solid PPI enables reserve build



<sup>(1)</sup> Including provision for loan losses net of collections, additional free provisions and MtM adjustment for LYY  
**11** <sup>(2)</sup> CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions as well as insurance penalty of TL 71 mn



# Leveraging digital capabilities with 5.2 mn digital customers



## Digital Banking in Numbers After Covid-19 <sup>(1)</sup>

# of daily financial transactions through mobile

**+16%**

Share of mobile in financial transactions

**+7 pp**

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

**78% (+9pp)**

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

**77% (+17pp)**

Mobile NPS (Jan-Apr)

**+10 pp**

# Content

- 01 Recent Developments
- 02 Operating Environment
- 03 How Akbank is positioned
- 04 Financials**
- 05 Annex

# 1Q20 Results in a nutshell

## In 1Q20 Akbank

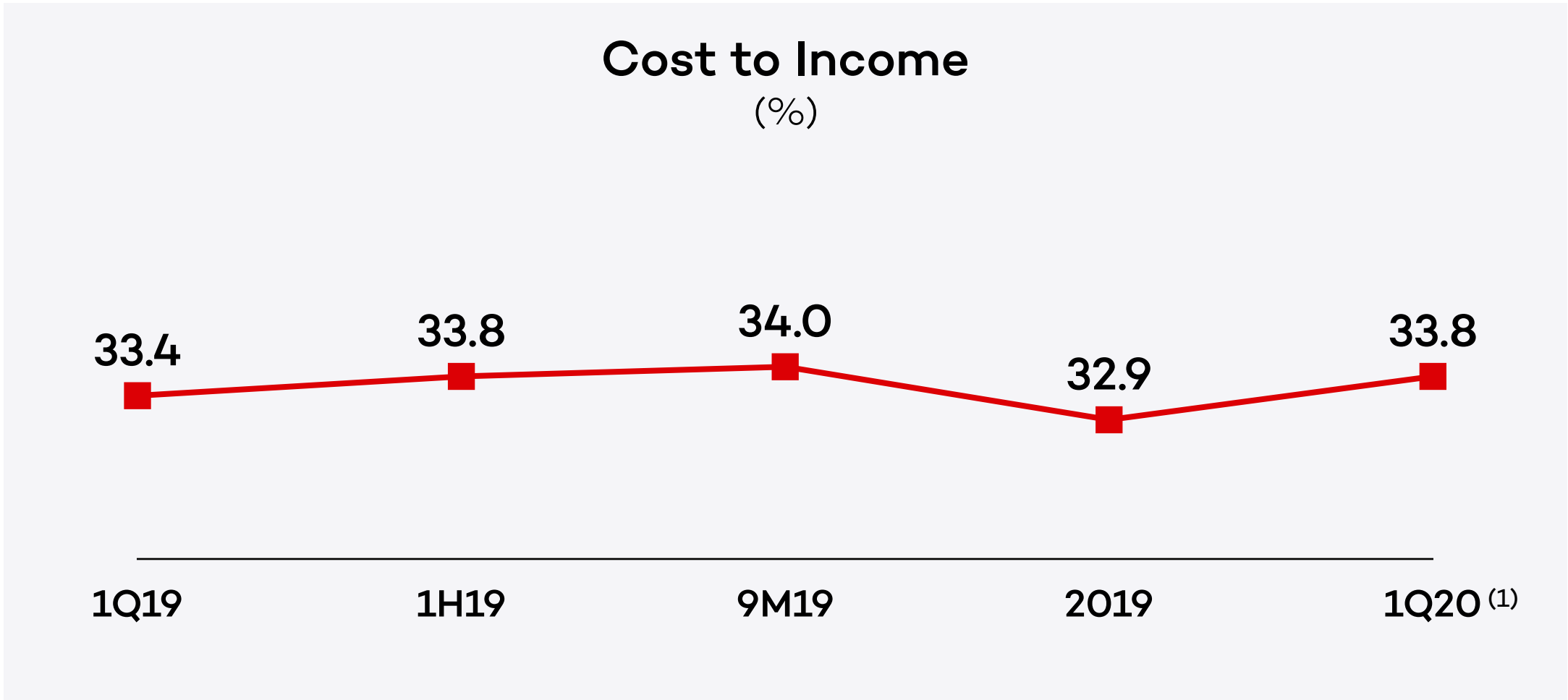
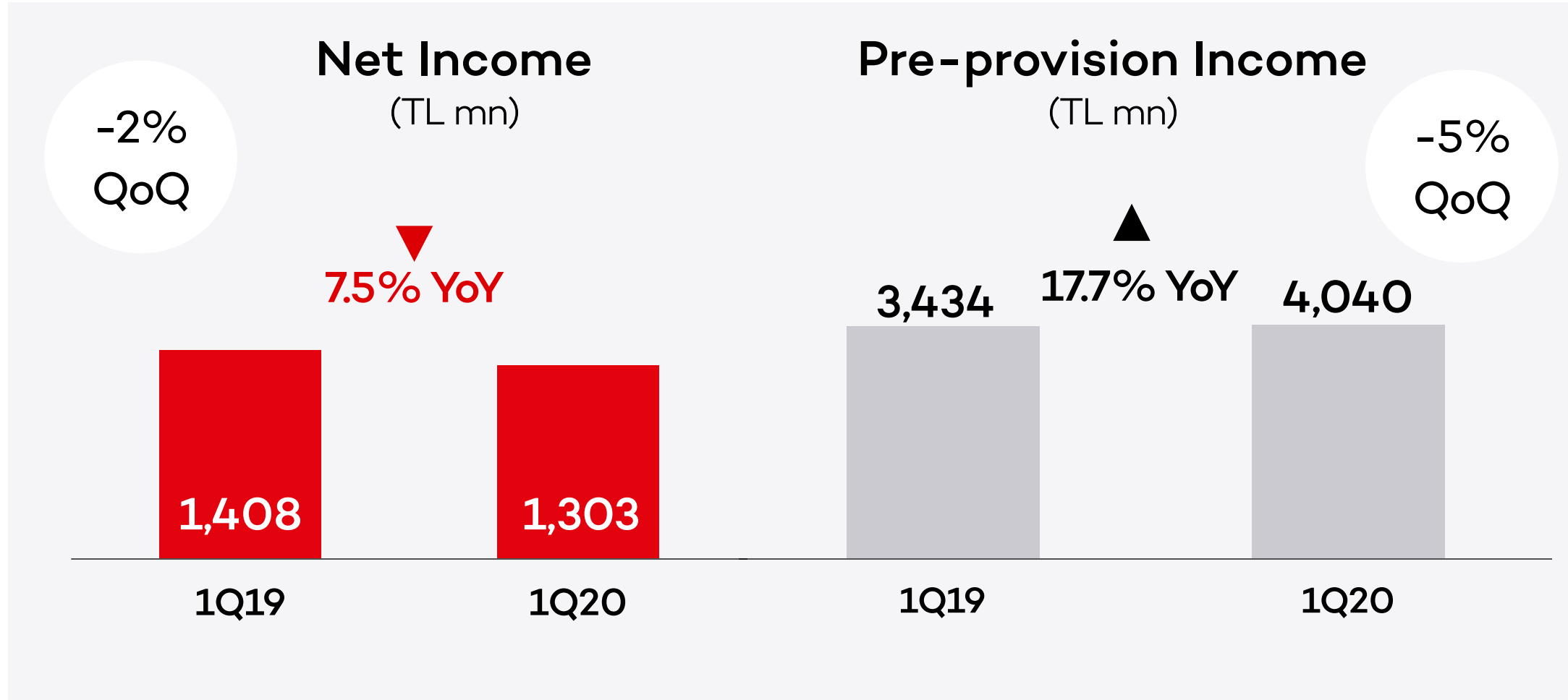
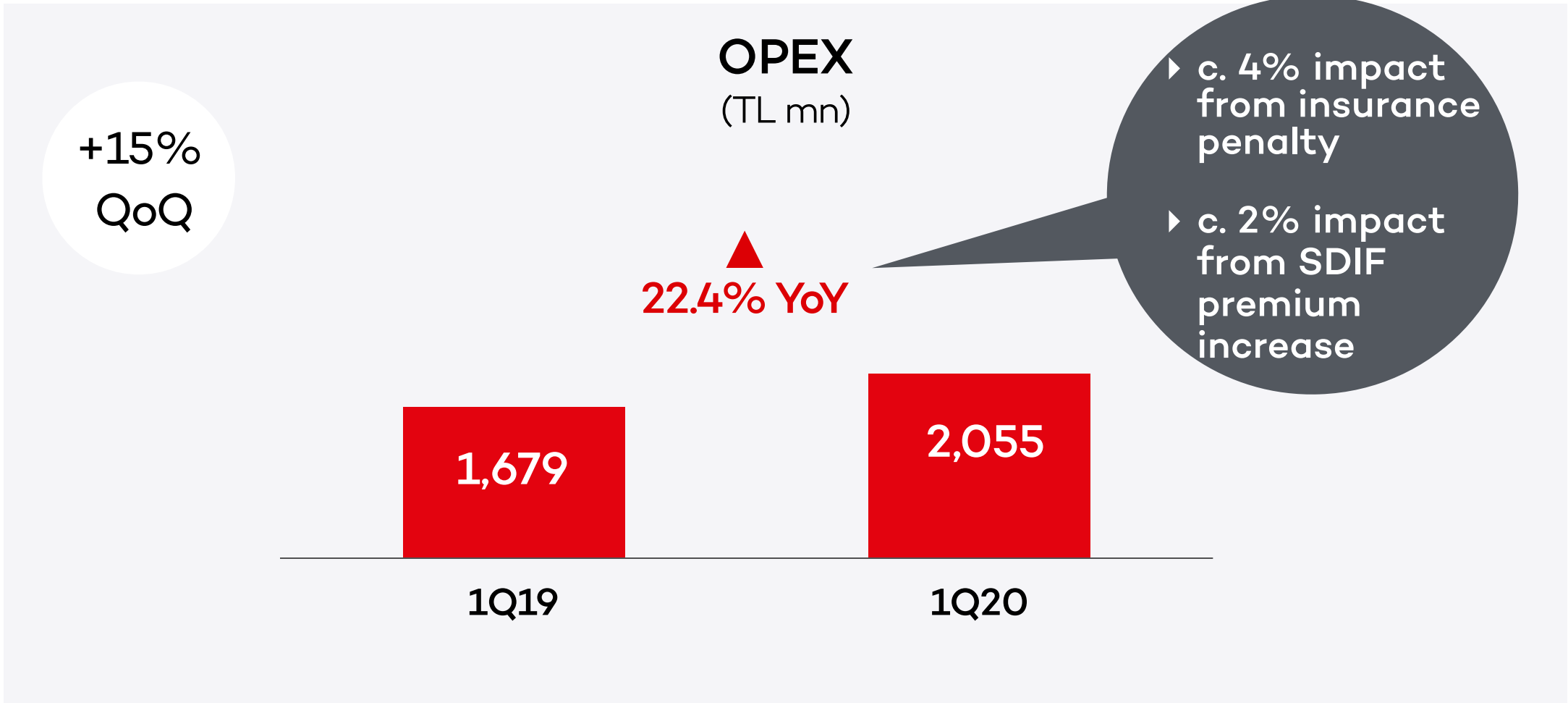
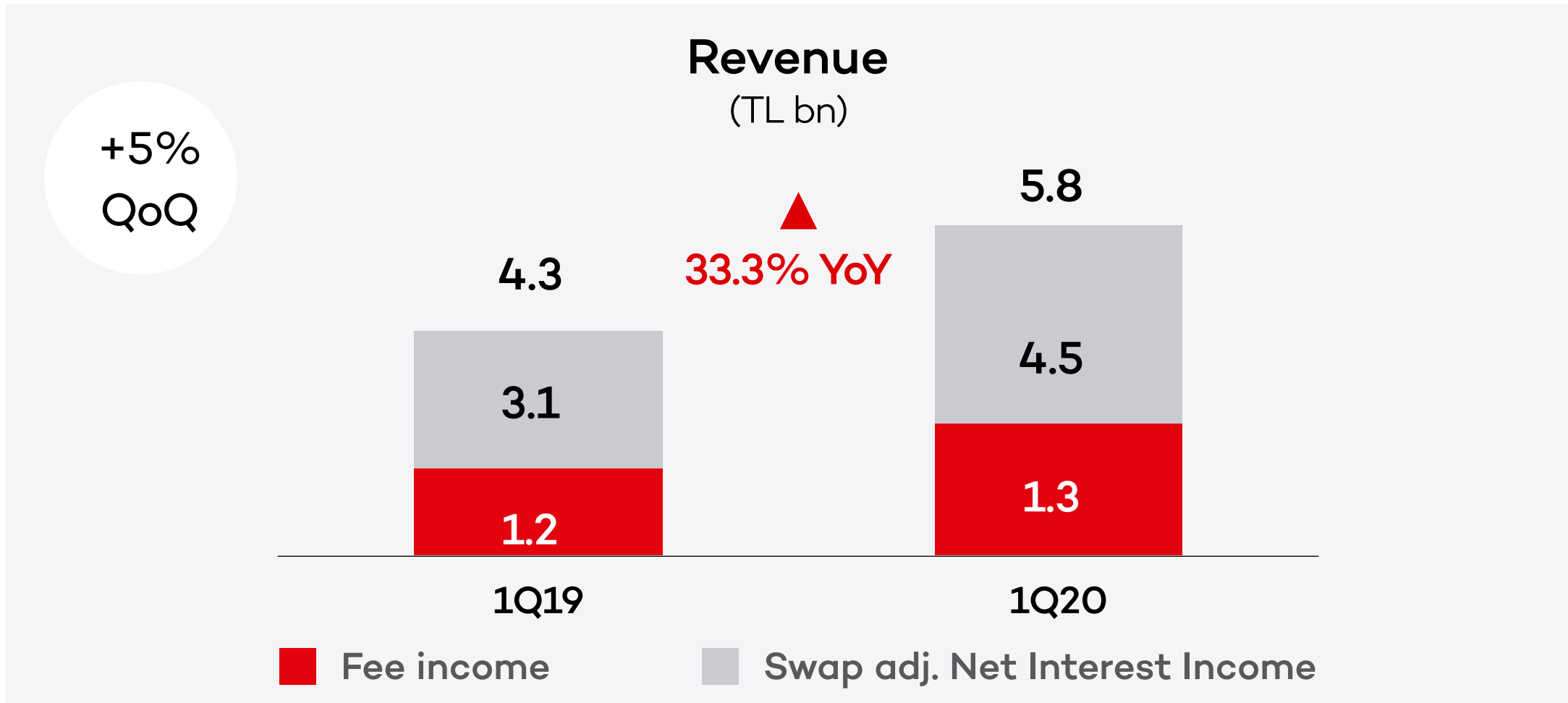
- ▶ Achieved solid core operating performance
- ▶ Preserved best-in-class CIR
- ▶ Performed in line with guidance CoC
- ▶ Maintained significant capital buffers
- ▶ Realized ROE of 9.6% (free provision adj. 11.5%)

## Despite

- ▶ Muted loan growth
- ▶ Regulatory change on fees
- ▶ LYY MtM negative adjustment of TL 871 mn
- ▶ Setting aside TL 250 mn free provision

**Best positioned to remain healthy & profitable in a challenging environment**

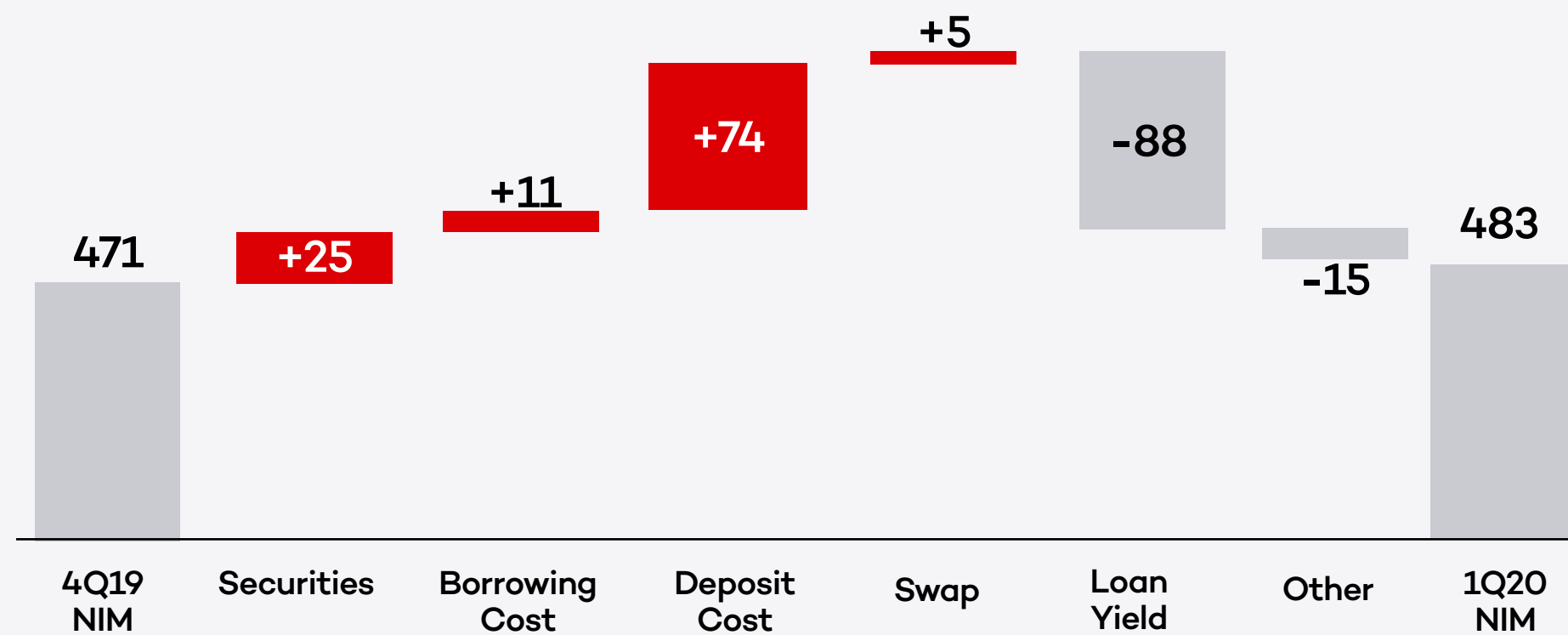
# Sound core operating performance





# Solid start in NIM creates upside to full year guidance

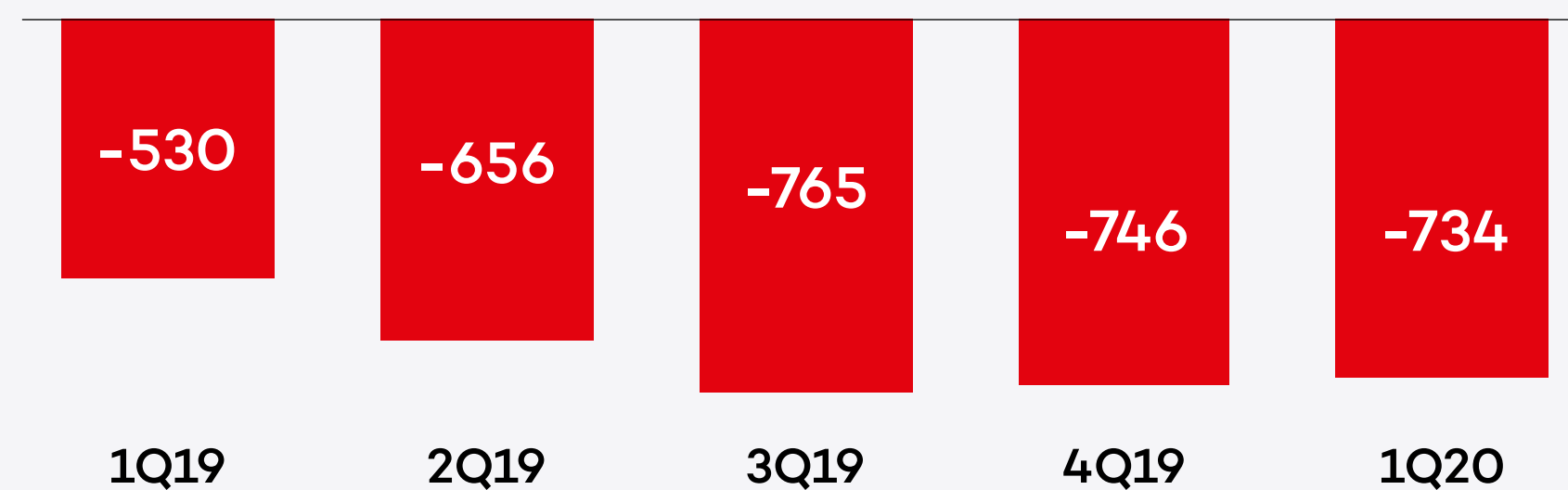
Quarterly NIM Breakdown (bps)



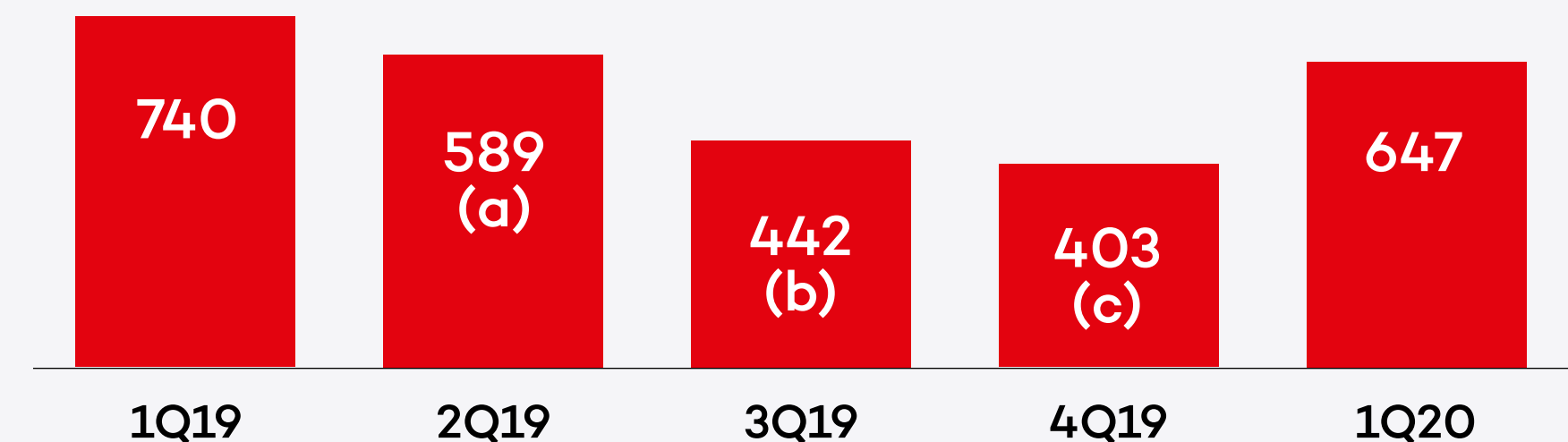
## In 1Q20

- ▶ Front-loaded rate cuts had positive impact on funding costs
- ▶ Securities mix continued to support asset yields

Quarterly Total Swap Cost <sup>(1)</sup>  
(TL mn)



CPI Linker Income (TL mn)

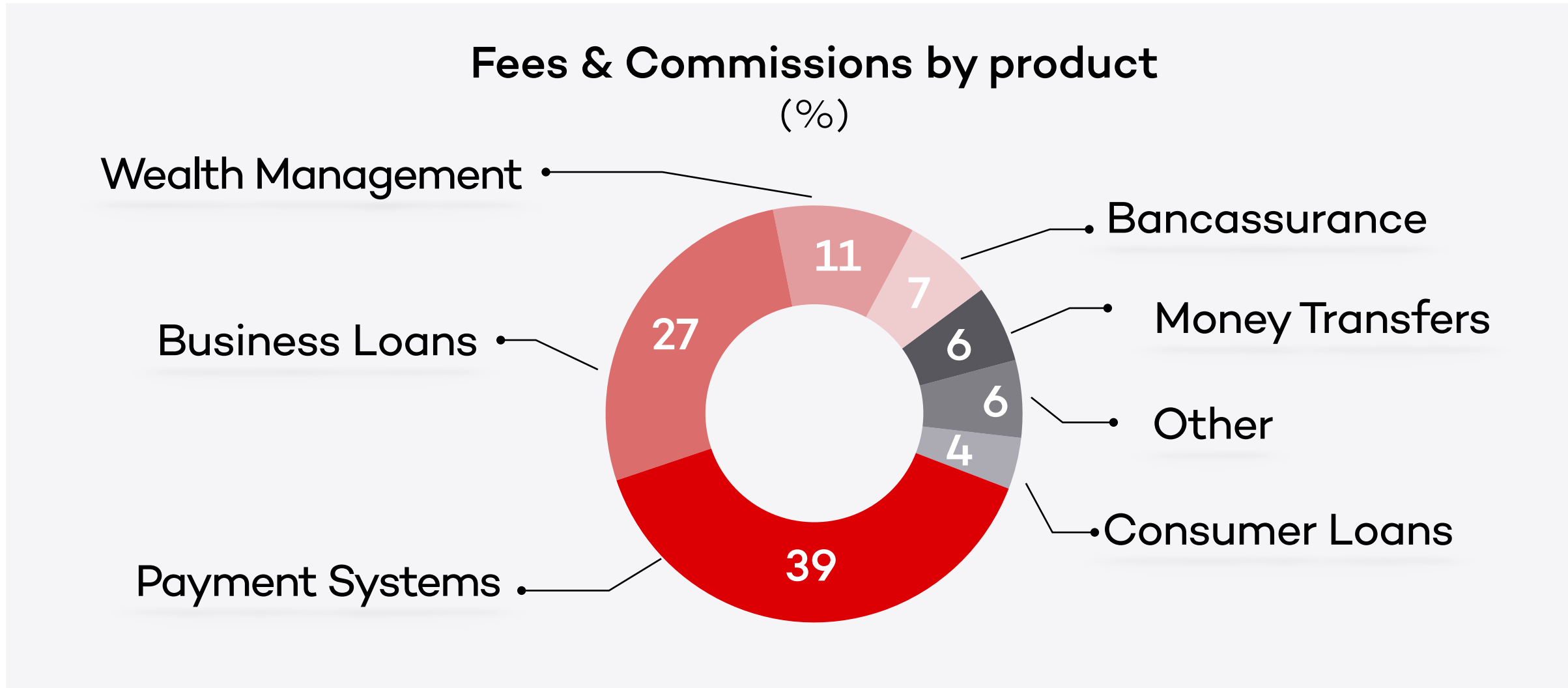
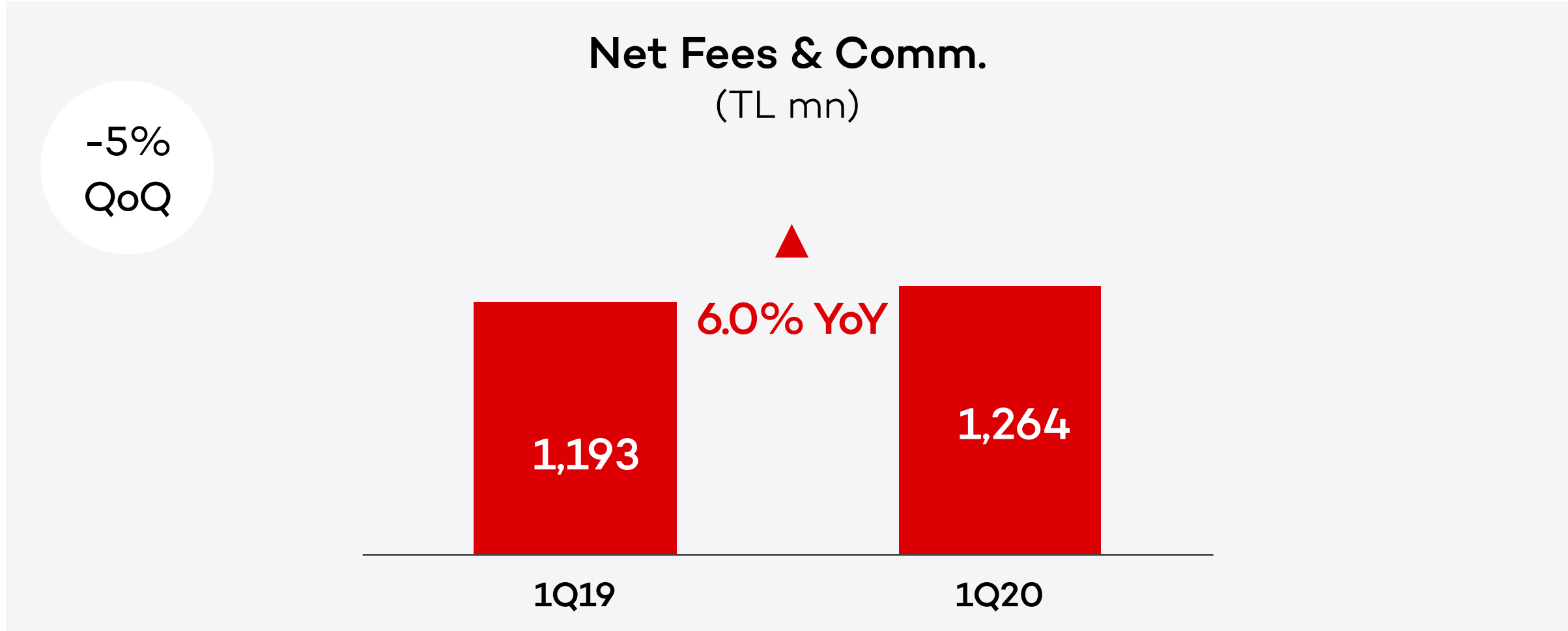


Impact of change in CPI estimation:

- (a) from 14% to 12% is - TL 190 mn gross
- (b) from 12% to 10% is - TL 295 mn gross
- (c) from 10% to 8.58% is - TL 303 mn gross

1Q20 CPI estimation is 9%

# Fee performance impacted by regulations



## Wealth Management

**+93% YoY**

Product innovation & value added services  
Accelerated WM client acquisition driven by digital channels

## Business Loans

**+24% YoY**

Strong performance in cash loan fees

## Bancassurance

**+24% YoY**

Supported by both lending and non-lending  
Digital premiums/total premiums <sup>(1)</sup> +12 pp

## Money Transfers

**-26% YoY**

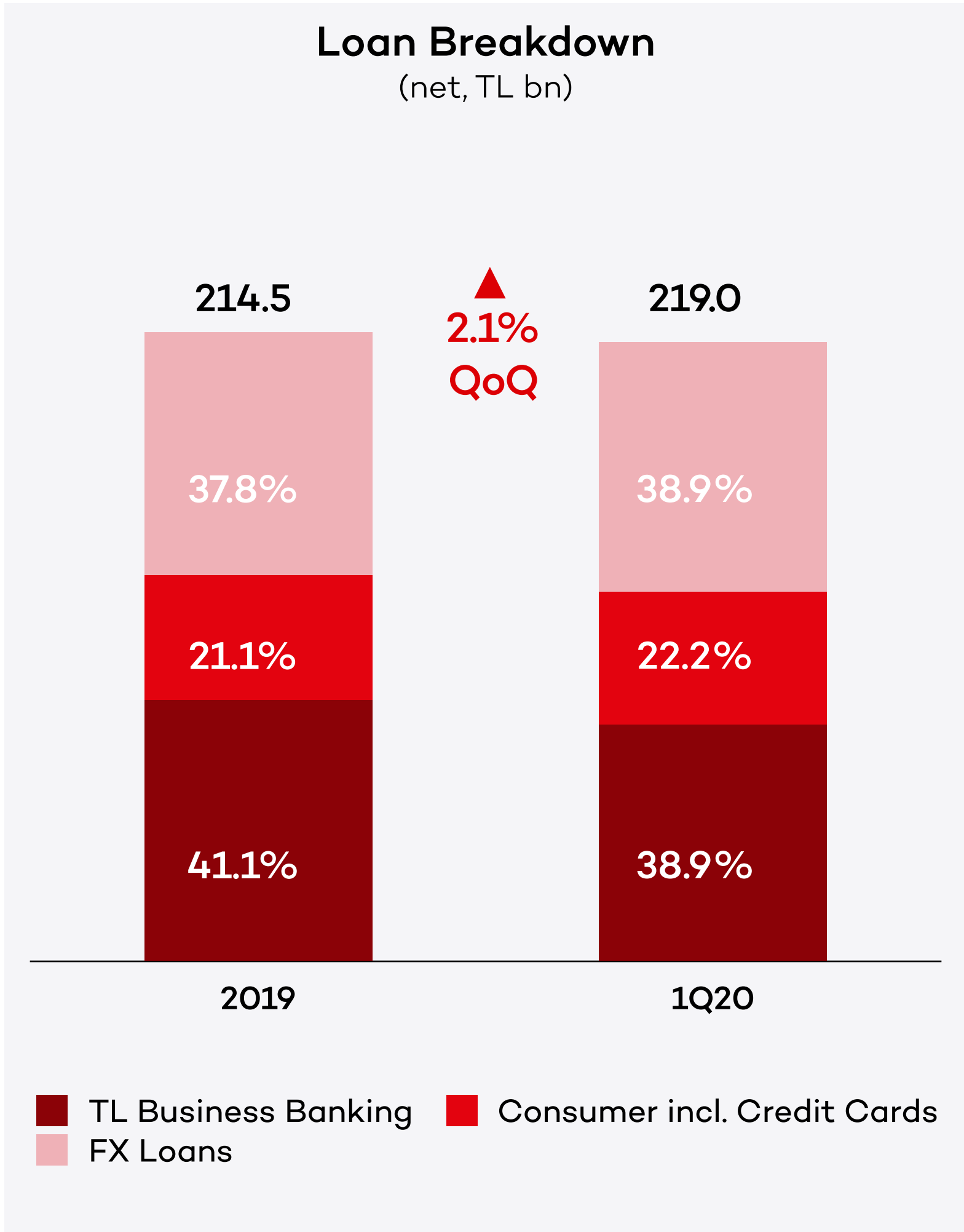
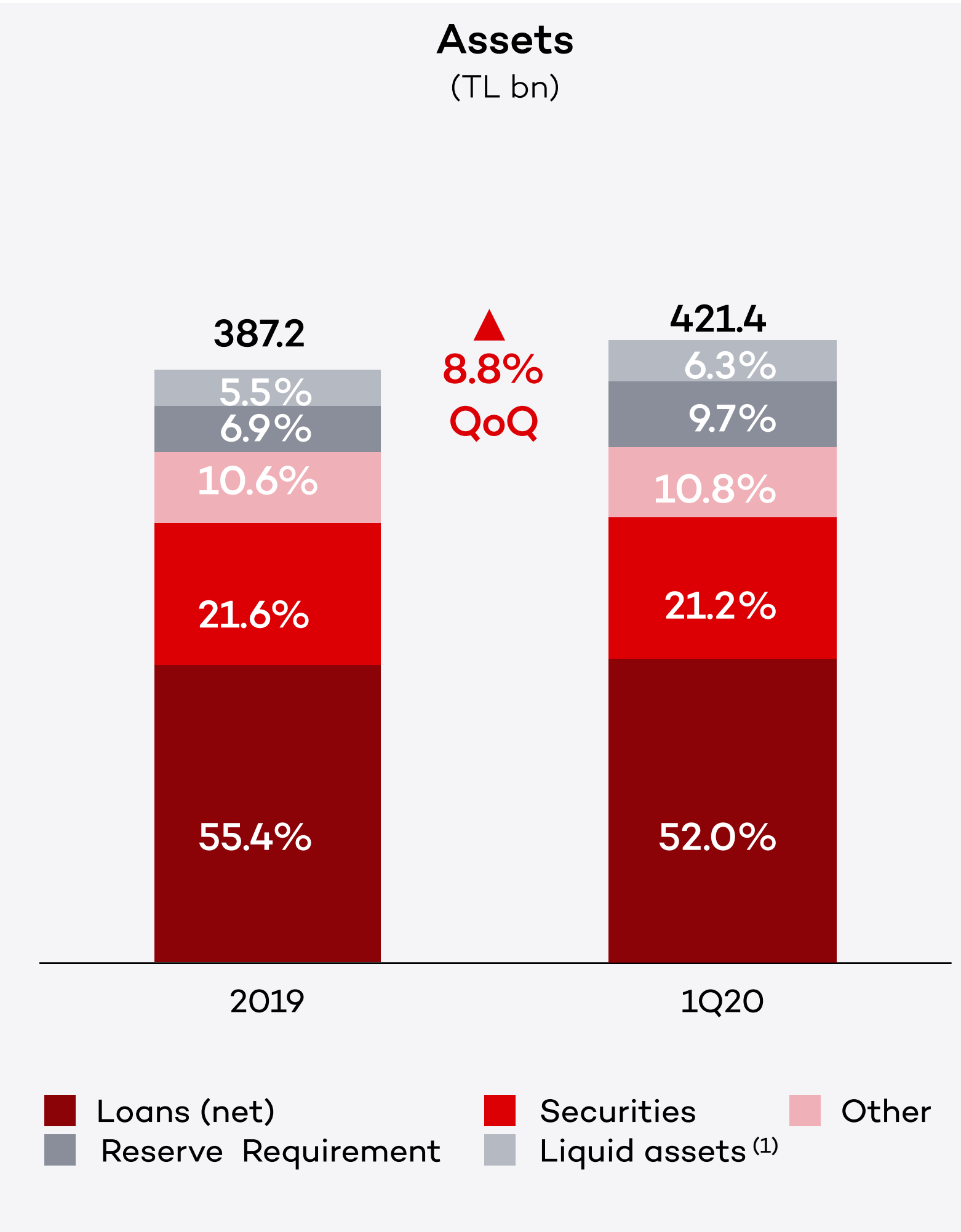
Impacted by regulatory changes

## Payment Systems

**-24% YoY**

Impacted by regulatory changes and high base

# Strategic asset allocation drives sustainable long-term shareholder value

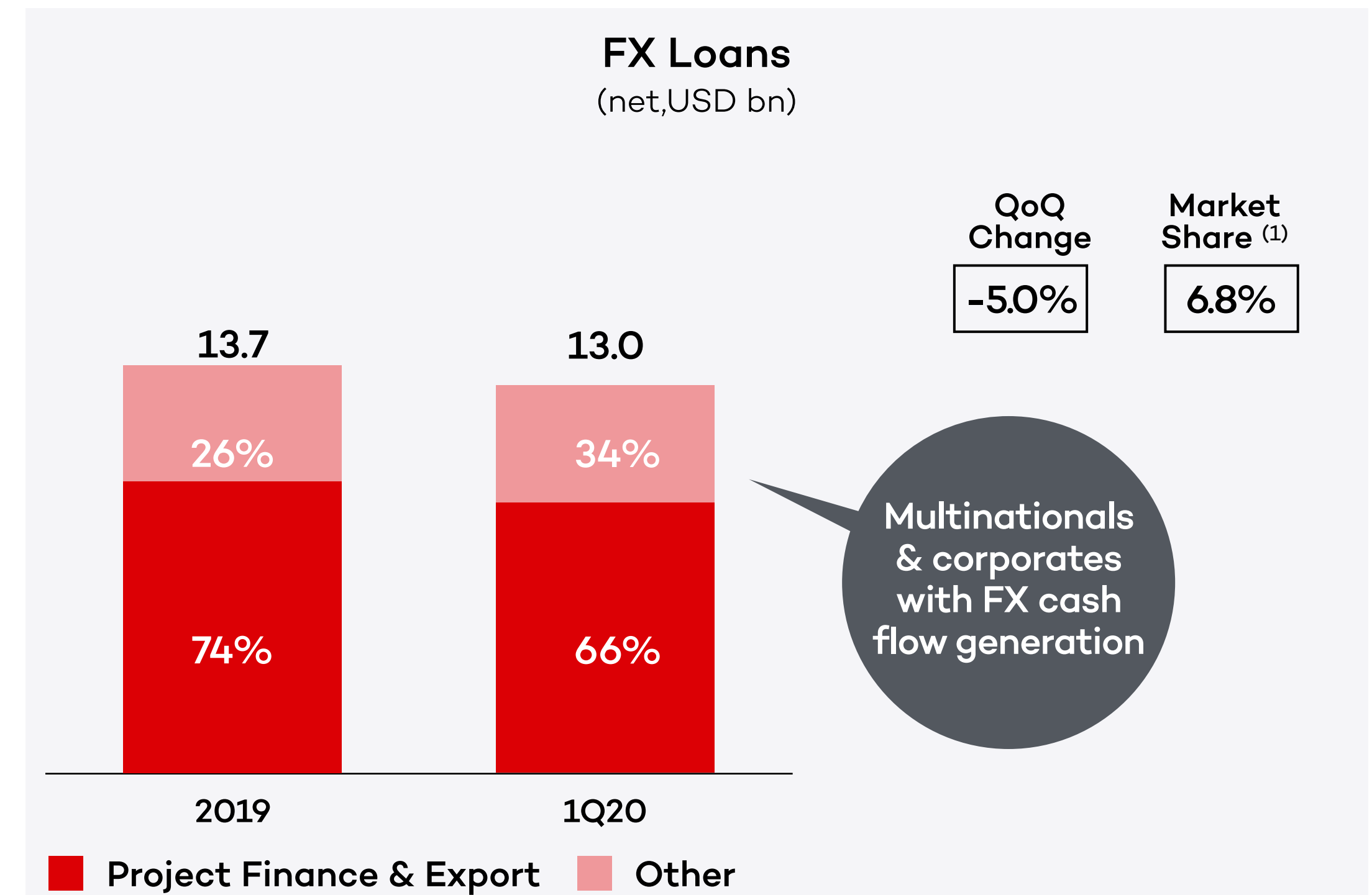
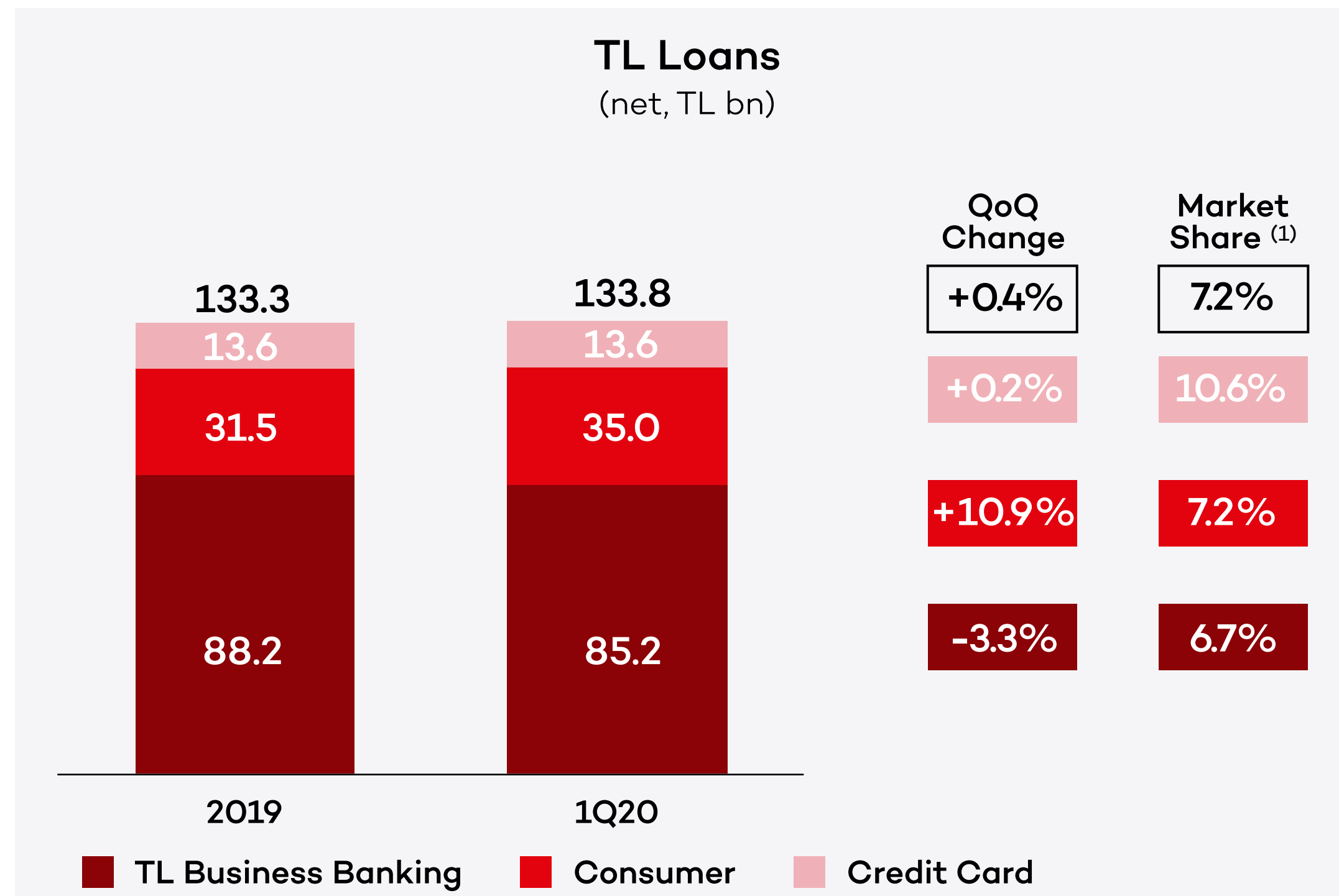


Optimized asset composition  
+  
Low leverage  
**7.8x**  
+  
Strong capital  
**18.8%** <sup>(2)</sup>  
↓  
Unique growth opportunity  
with risk & return in focus

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

<sup>(2)</sup> Excluding forbearances announced by BRSA in Mar '20

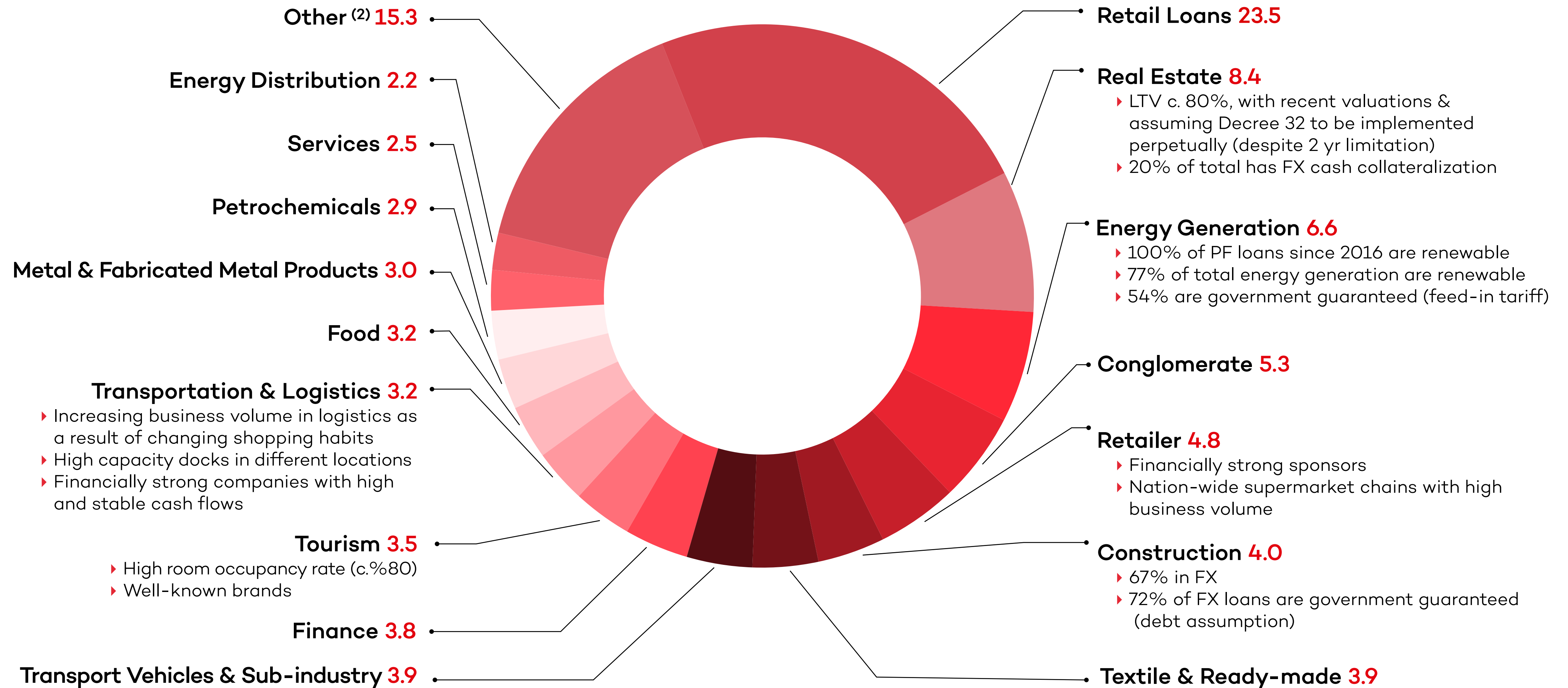
# Slower business activity underpinned loan demand



- ▶ FX loan demand continues to be muted
- ▶ TL loans dominated by consumer loan growth at +10.9% QoQ, led by 14% growth in GPLs
  - ◉ 61% of 1Q20 GPL originations were pre-approved, separately 39% were to salary customers

# Balanced loan portfolio (1)

(% of Total Gross Loans)

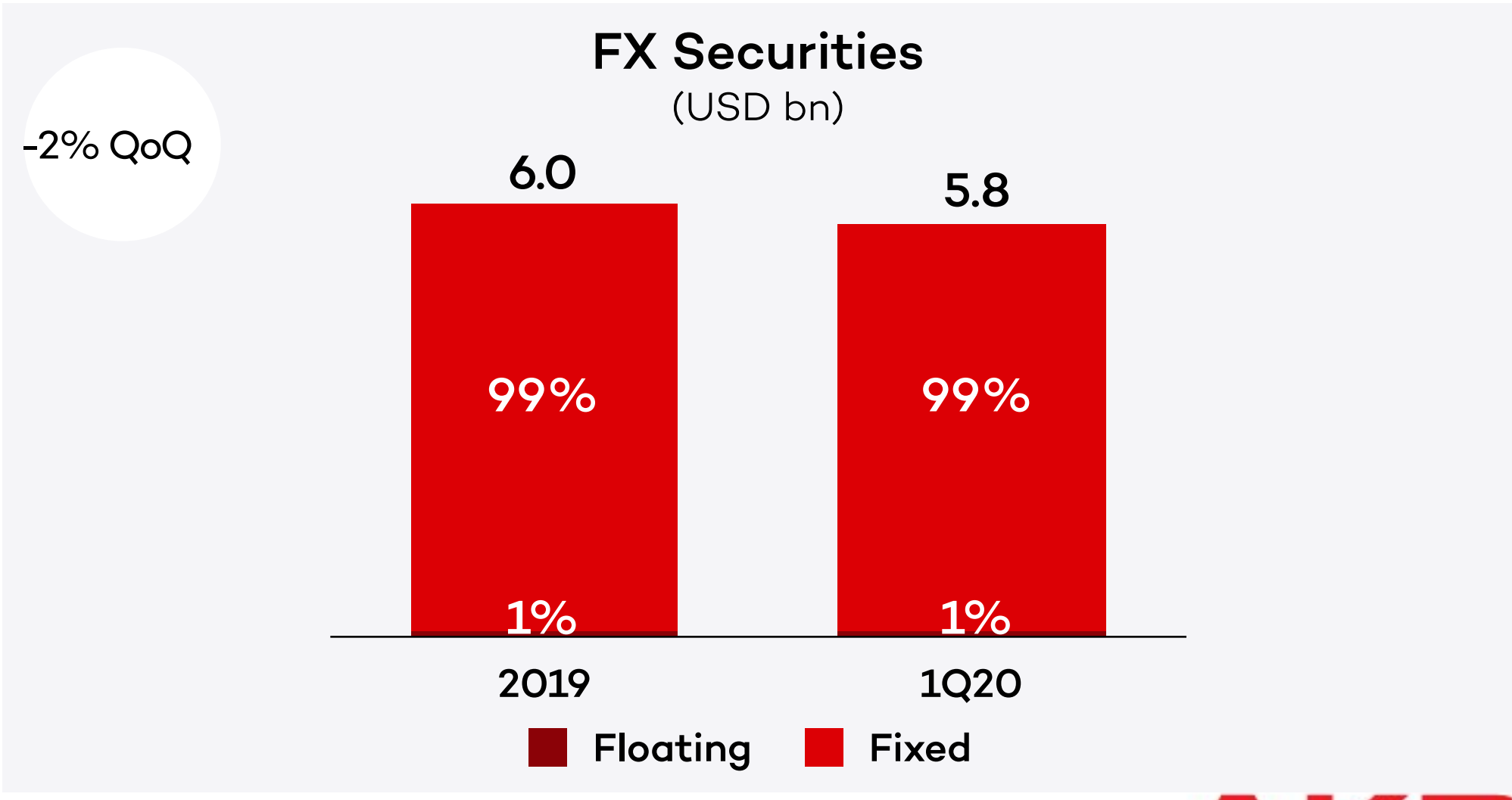
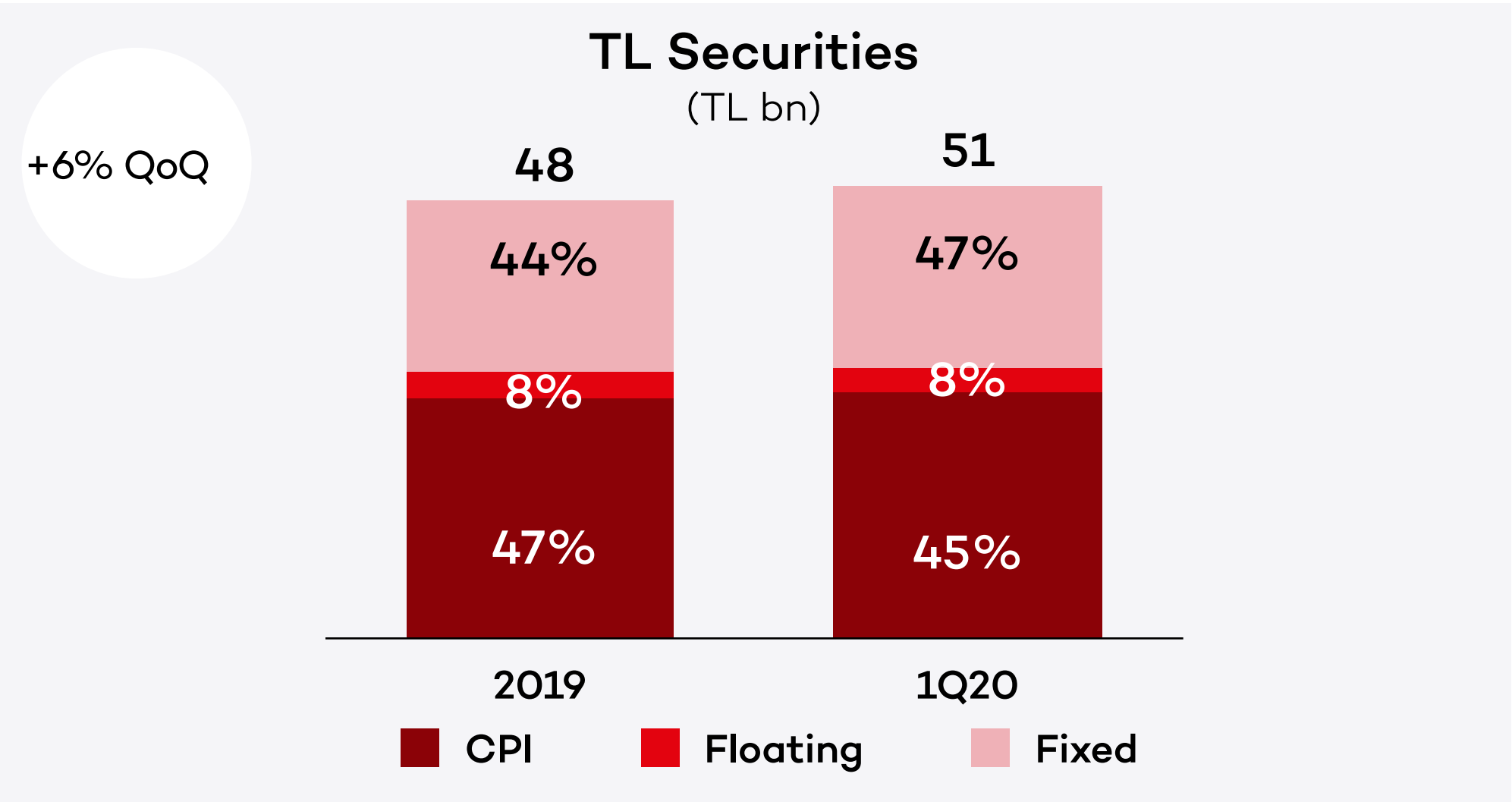
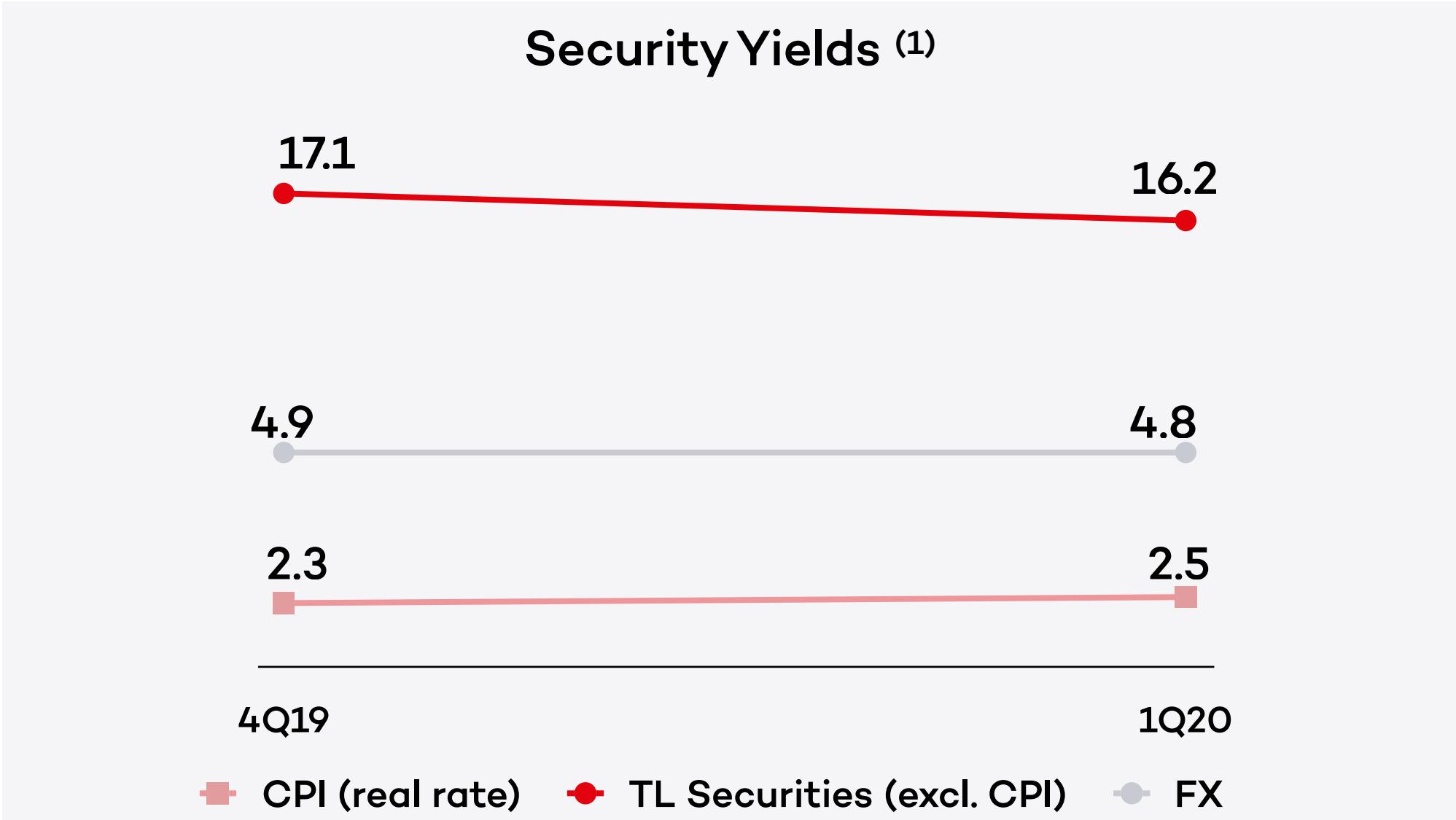
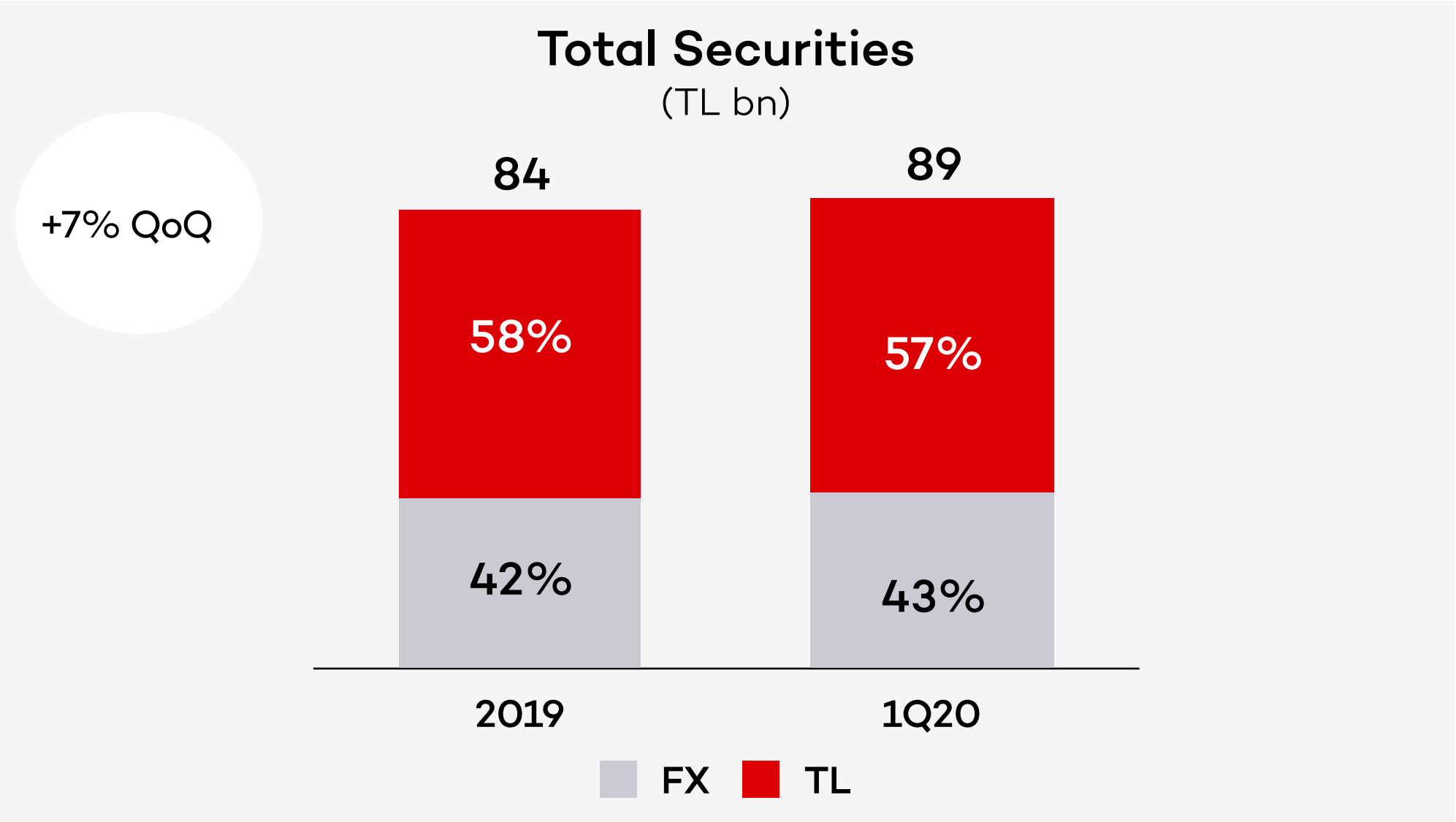


(1) Consists of consolidated performing and non-performing loans & excludes leasing receivables and adjusted for financial assets measured at fair value through P&L

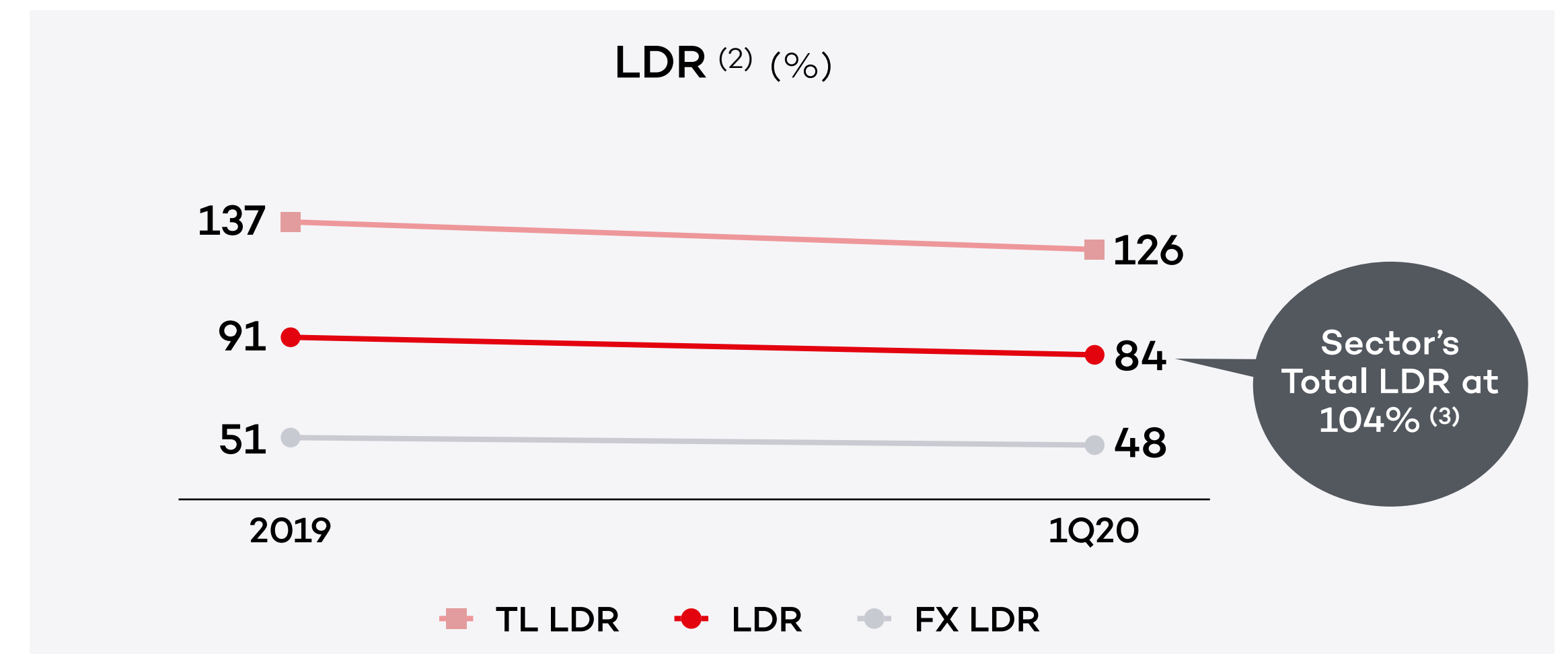
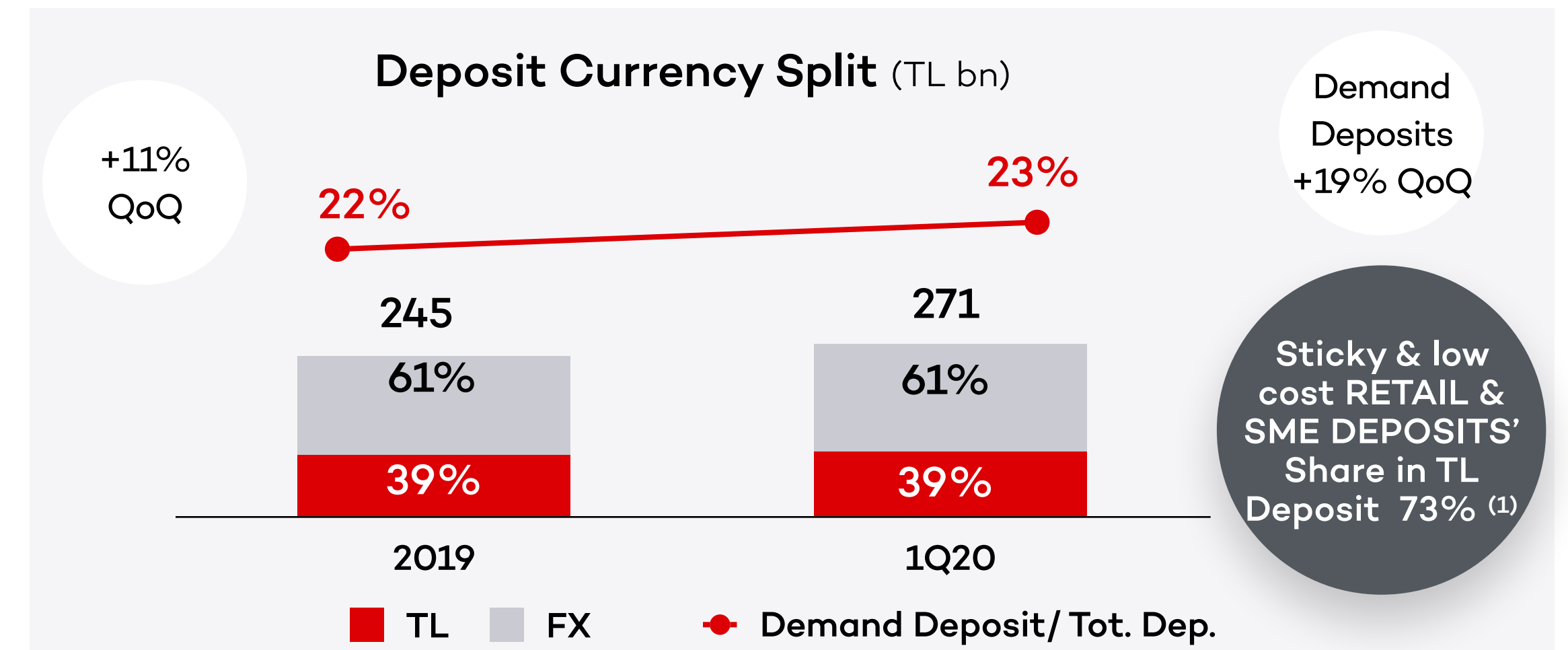
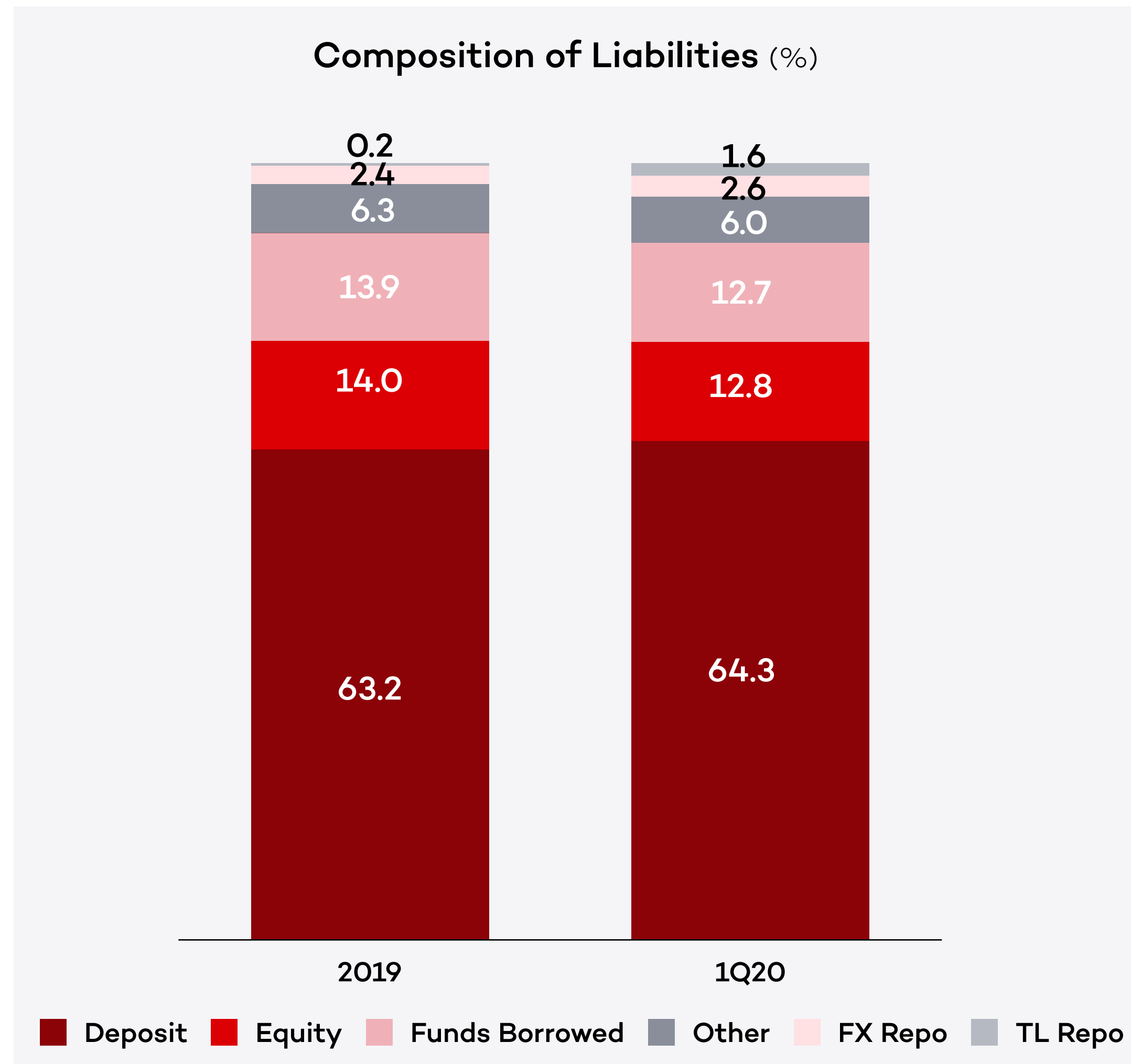
(2) Loan concentration below 2%



# Securities mix continues to support profitability



# Maintained disciplined funding mix



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

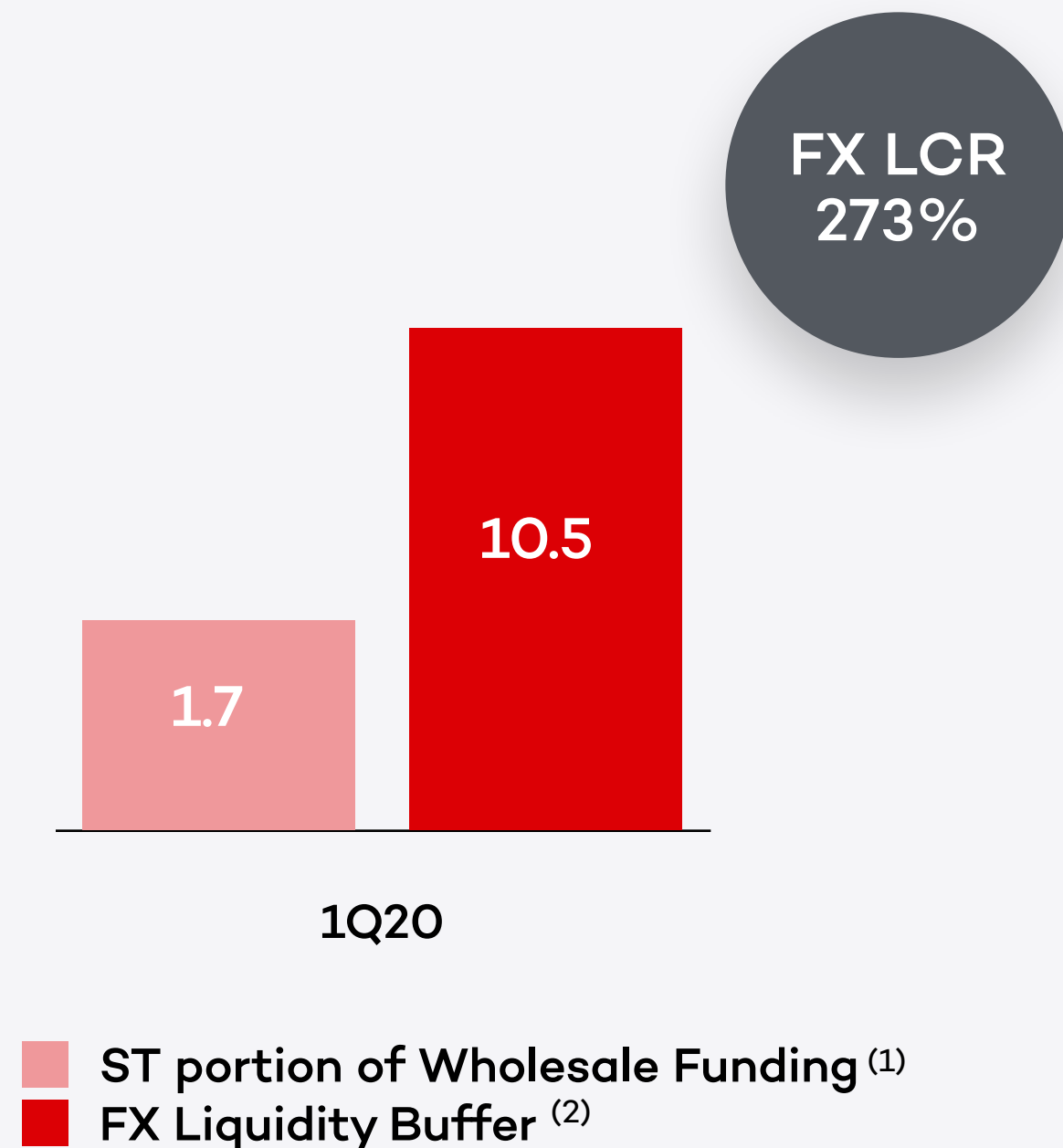
<sup>(2)</sup> Bank-only. TL LDR includes domestic TL bond issuances and merchant payables

<sup>(3)</sup> Based on BRSA weekly data dated March 27, 2020

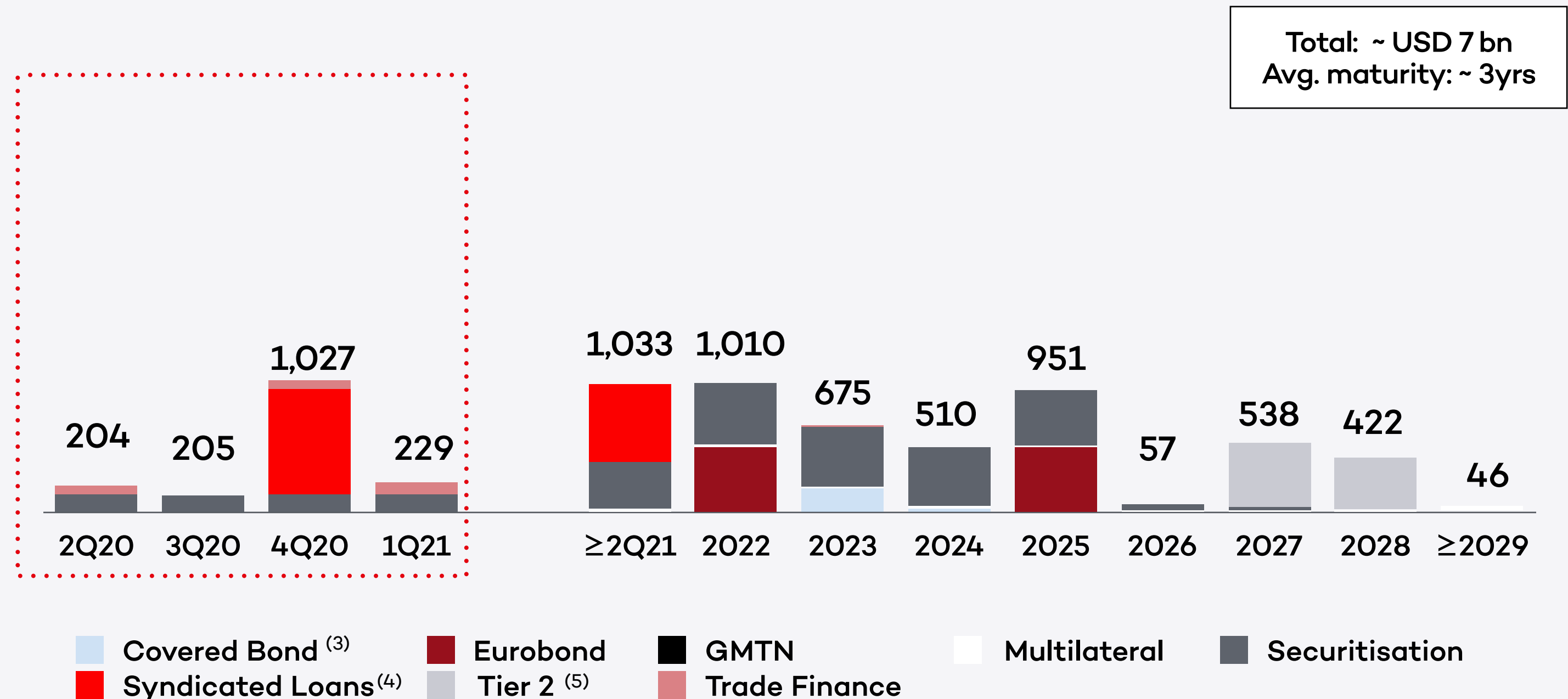


# Well established wholesale funding profile

Wholesale Funding vs FX Liquidity Buffer  
(USD bn)



Maturity Profile of Wholesale Funding  
(USD mn)



- ▶ Wholesale funding reduced down to c. USD 7 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 with an amount of c. USD 605 mn in April 2020 with 29 banks from 15 countries, in a period marked by volatility and a decrease in access to global liquidity

Balances based on principal outstanding and bank-only MIS data

<sup>(1)</sup> ≤ 1 year tenor

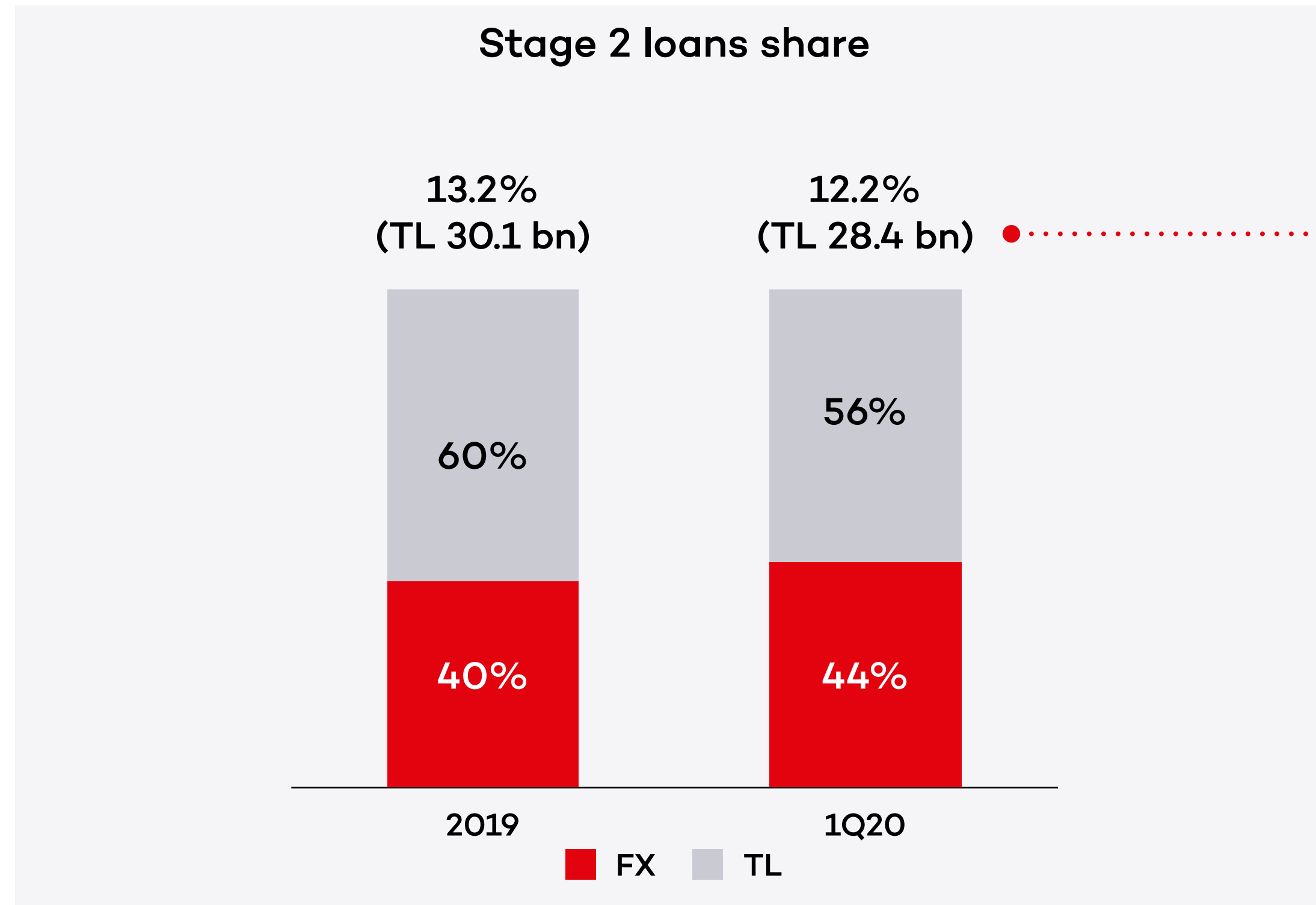
<sup>(2)</sup> FX liquidity buffer includes FX reserves under ROM, swaps, money market placements and CBRT eligible unencumbered securities

<sup>(3)</sup> USD equivalent of TL 1.4 bn Covered Bond issuance

<sup>(4)</sup> For the avoidance of doubt, syndicated loans are as of April 9<sup>th</sup>, 2020

<sup>(5)</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 <sup>(1)</sup>	15.1	5
Energy Generation	8.2	30
Retailer	7.8	13
Tourism	7.2	10
Construction	4.2	21
Transportation & Logistics	0.8	8

	<u>2019</u>	<u>1Q20</u>
Stage 2 Coverage	11.1%	11.8%
Stage 3 Coverage	56.2%	58.8%
Free Provisions	TL 650 mn	TL 900 mn

- ▶ 78% of Stage 2 loans are non-delinquent
- ▶ Only 10% of Stage 2 loans are past due 30 days
- ▶ All restructured loans (c. TL 17.6 bn, flat QoQ) are followed under Stage 2

# NPL ratio may remain elevated due to recent developments

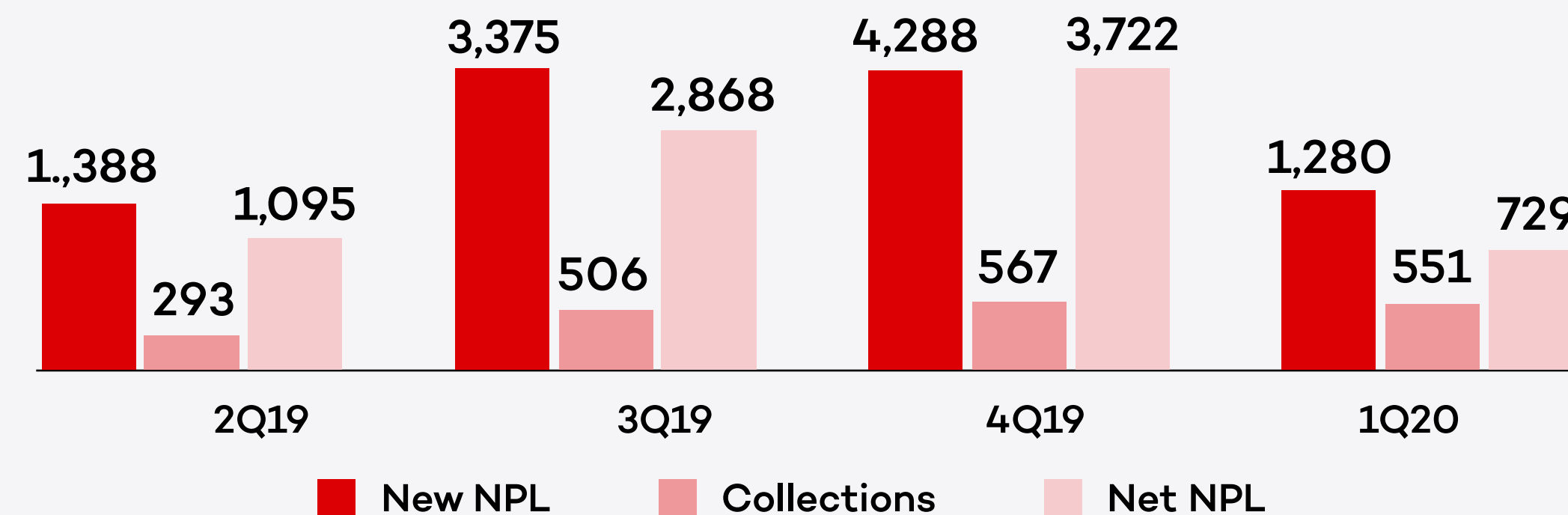
NPL Ratios by Segment  
(%)

	<u>2019</u>	<u>2020</u>
Business	7.1	7.2
Consumer	4.8	4.5
Credit Cards	6.0	6.3
Total	<u>6.6</u>	<u>6.7</u>

% of Total Stage 3      Coverage (%)

Real Estate	23.4	48
Construction	8.0	57
Energy Generation	5.6	40
Tourism <sup>(2)</sup>	2.4	35
Retailer	3.2	48
Transportation & Logistics	0.8	57

Quarterly New NPL Additions and Recoveries <sup>(1)</sup>  
(TL mn)



## In 1Q20:

- ▶ NPL formation slowed down considerably
- ▶ As guided at beginning of year, Stage 2 & 3 share started to improve
- ▶ No Write-off's or NPL sale

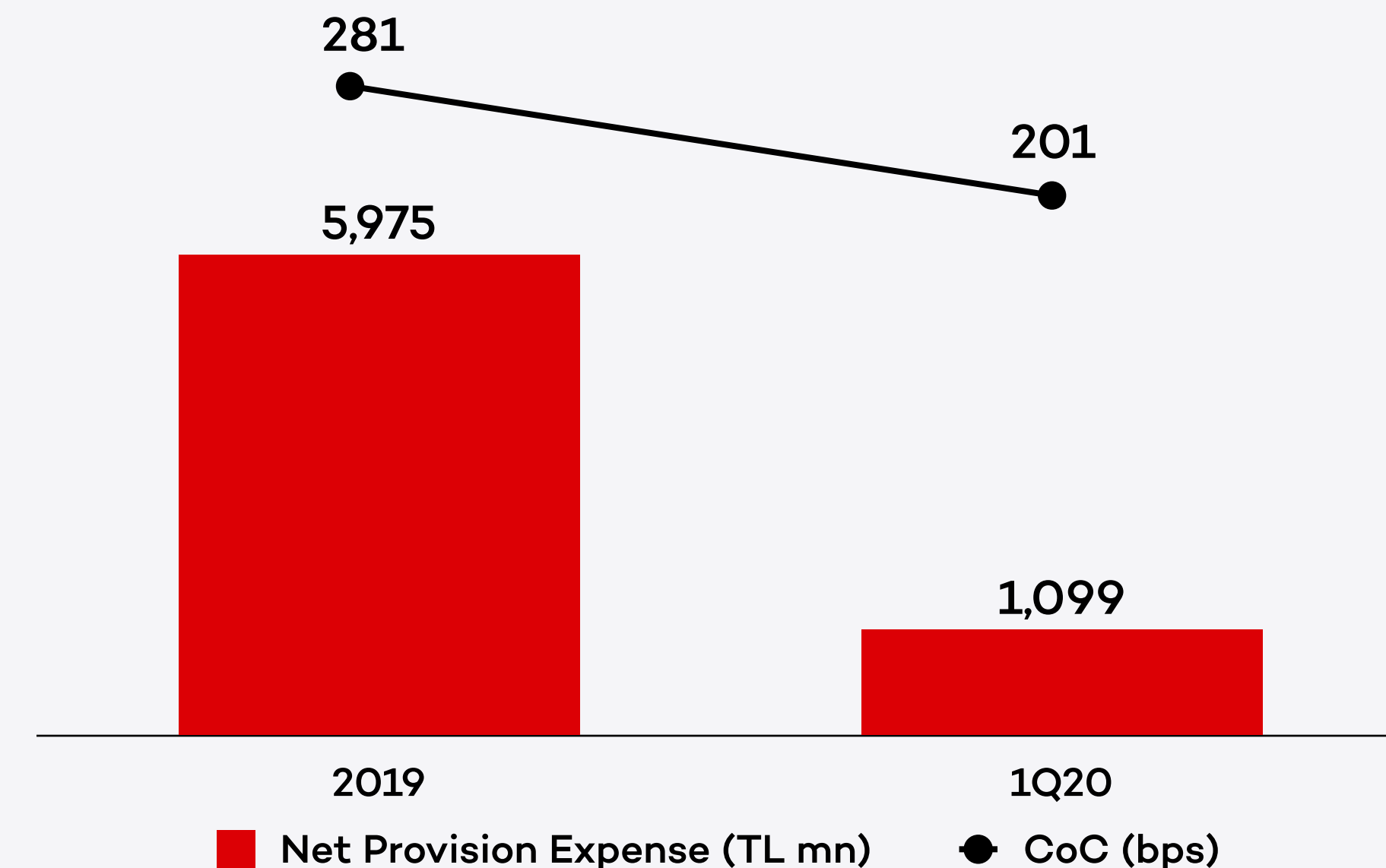
Due to sector-wide payment holidays, Covid-19 impact on asset quality expected to be seen starting 3Q20

# Prudently building reserves

1Q20 CoC & Provision Breakdown

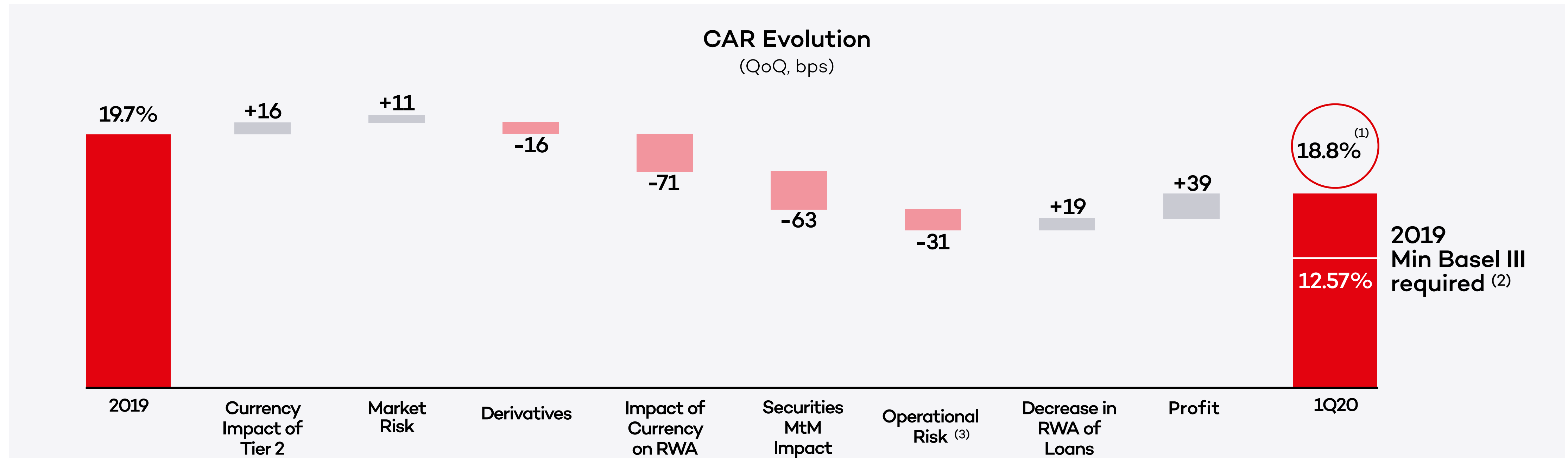
Provisions	2019		1Q20	
	TL, mn	bps	TL, mn	bps
Stage 1+2 (net)	416	20	90	17
Stage 3	6,148	289	1,141	209
Stage 3 Recoveries	(639)	(30)	(318)	(58)
Currency Impact	50	2	186	33
<b>Net CoC</b>	<b>5,975</b>	<b>281</b>	<b>1,099</b>	<b>201</b>

Cumulative CoC & Provision Evolution



- ▶ Provisions for credit losses may increase due to Covid-19
- ▶ CoC excludes LYY MtM adjustment of TL 871 mn driven by TL depreciation

# Capital remains a source of strength



	<u>Incl. forbearances</u>	<u>Excl. forbearances</u>
CAR%	20.4%	18.8%
Excess Capital- TL bn <sup>(4)</sup>	25.1	20.9
Tier 1 %	17.4%	16.0%
Excess Tier 1 - TL bn <sup>(5)</sup>	22.1	18.2

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

<sup>(1)</sup> Excluding forbearances announced by BRSA in Mar '20

<sup>(2)</sup> Including buffers (Capital Conservation Buffer: 2.50%, D-SIB Buffer: 2.00%, Countercyclical Capital Buffer: 0.07%)

<sup>(3)</sup> Updated yearly in 1Q

<sup>(4)</sup> Acc. to Basel III requirement 12.57%

<sup>(5)</sup> Acc. to Basel III requirement 10.57%



# 2020 Outlook: Challenging but manageable

	1Q20	2020B	Downside/ Upside
TL Loan Growth	+0.4%	High-teens	↓↘
FX Loan Growth (in USD)	-5.0%	Low-single digit	↓↘
Leverage	7.8x	> 8x	~
ROE	9.6%	Mid-teens	↓↘
NIM (swap adj.)	4.8%	≥4.0%	↑
Net fees&com. growth	6.0%	High-single digit	↓↘
Opex growth	22.4%	Mid-teens	~
Cost/ income <sup>(1)</sup>	33.8%	≤34%	~
NPL	6.7%	<6%	↑
Net total CoC	201 bps	~ 200 bps	↑

**RoE 11.5%**  
when adj. for  
TL 250 mn  
free  
provisions

# Content

- 01 Recent Developments
- 02 Operating Environment
- 03 How Akbank is positioned
- 04 Financials
- 05 Annex**



# Snapshot of Results

(TL mn)	1Q19	4Q19	2019	1Q20	YoY	QoQ
Total Assets	386,009	387,172	387,172	421,394	9%	9%
Loans (net)	210,796	214,471	214,471	219,047	4%	2%
Deposits	228,080	244,712	244,712	270,780	19%	11%
Net Profit	1,408	1,325	5,352	1,303	(7%)	(2%)
Net interest income	3,666	4,898	16,938	5,421	43%	7%
Net fee income	1,193	1,327	4,958	1,264	6%	(5%)
(%)						
ROE	12.3	10.0	10.9	9.6	(2.7)	(0.4)
ROA	1.5	1.4	1.4	1.3	(0.2)	(0.1)
Leverage	8.1x	7.1x	7.1x	7.8x	(0.3)	0.7
NIM	4.42	5.56	4.93	5.62	1.2	0.1
NIM (swap adj.)	3.74	4.71	4.14	4.83	1.1	0.1
Cost to Income <sup>(1)</sup>	33.4	29.7	32.9	33.8	0.3	4.1
CAR <sup>(2)</sup>	16.2	19.7	19.7	18.8	2.6	(0.9)
Tier 1 <sup>(2)</sup>	13.8	16.9	16.9	16.0	2.2	(0.9)

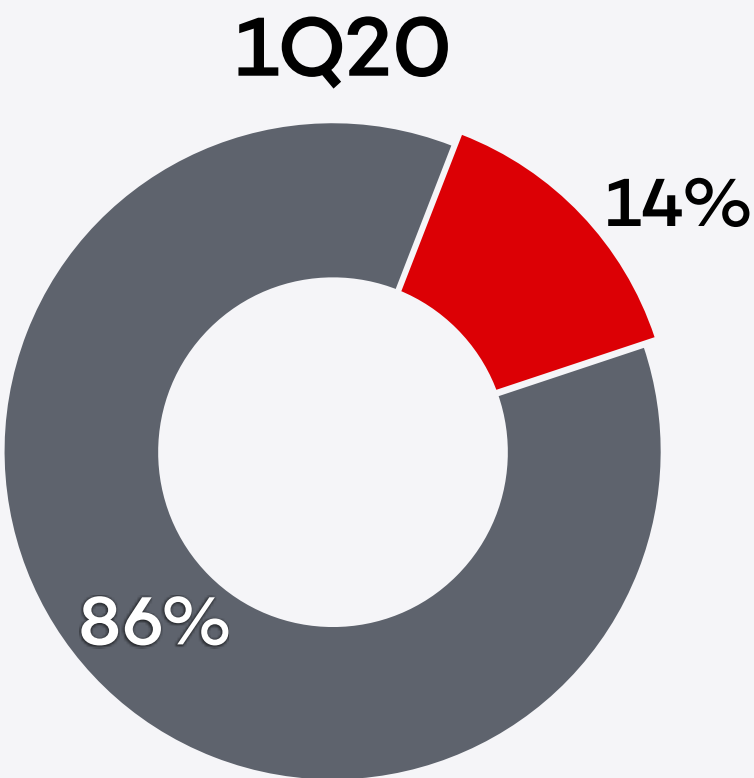
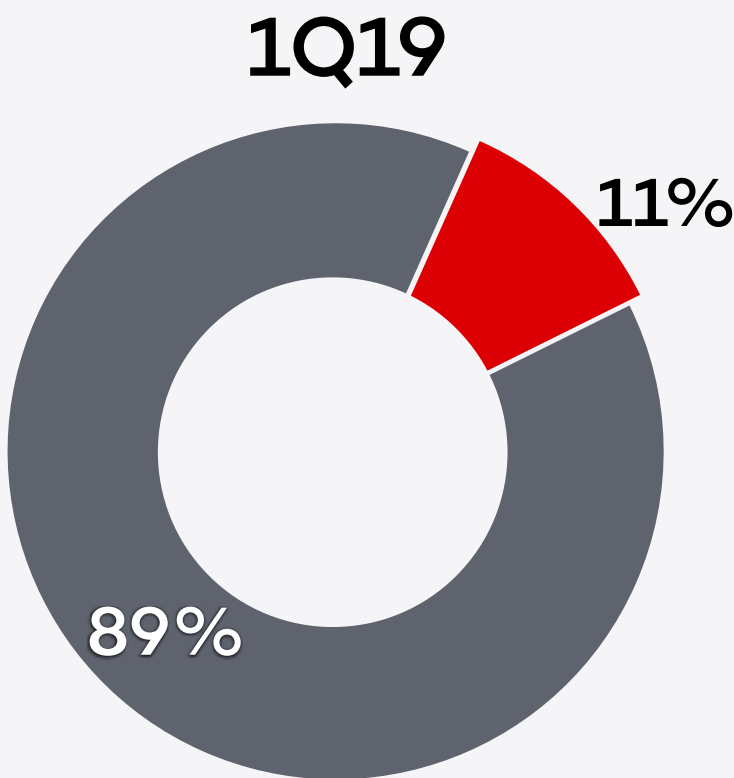
# Balance Sheet Highlights

Consolidated (TL mn)				Shares (%)		
	2018	2019	1Q20	2018	2019	1Q20
Cash and Due from Banks	49,618	47,901	67,170	14.0	12.4	15.9
Securities	56,782	83,602	89,494	16.0	21.6	21.2
Loans (net) <sup>(1)</sup>	201,332	214,471	219,047	56.8	55.4	52.0
Other	46,950	41,199	45,684	13.2	10.6	10.9
<b>Total Assets</b>	<b>354,682</b>	<b>387,172</b>	<b>421,394</b>			
Deposits	208,630	244,712	270,780	58.8	63.2	64.3
Funds Borrowed and Bonds Issued	61,506	53,755	53,458	17.3	13.9	12.7
Repo	14,275	10,107	17,874	4.0	2.6	4.2
- TL Repo	3,918	763	6,831	1.1	0.2	1.6
- FX Repo	10,357	9,343	11,043	2.9	2.4	2.6
Other	26,484	24,236	25,375	7.6	6.3	6.0
Equity	43,787	54,362	53,906	12.3	14.0	12.8
<b>Total Liabilities and S/H Equity</b>	<b>354,682</b>	<b>387,172</b>	<b>421,394</b>			

# Income Statement Highlights

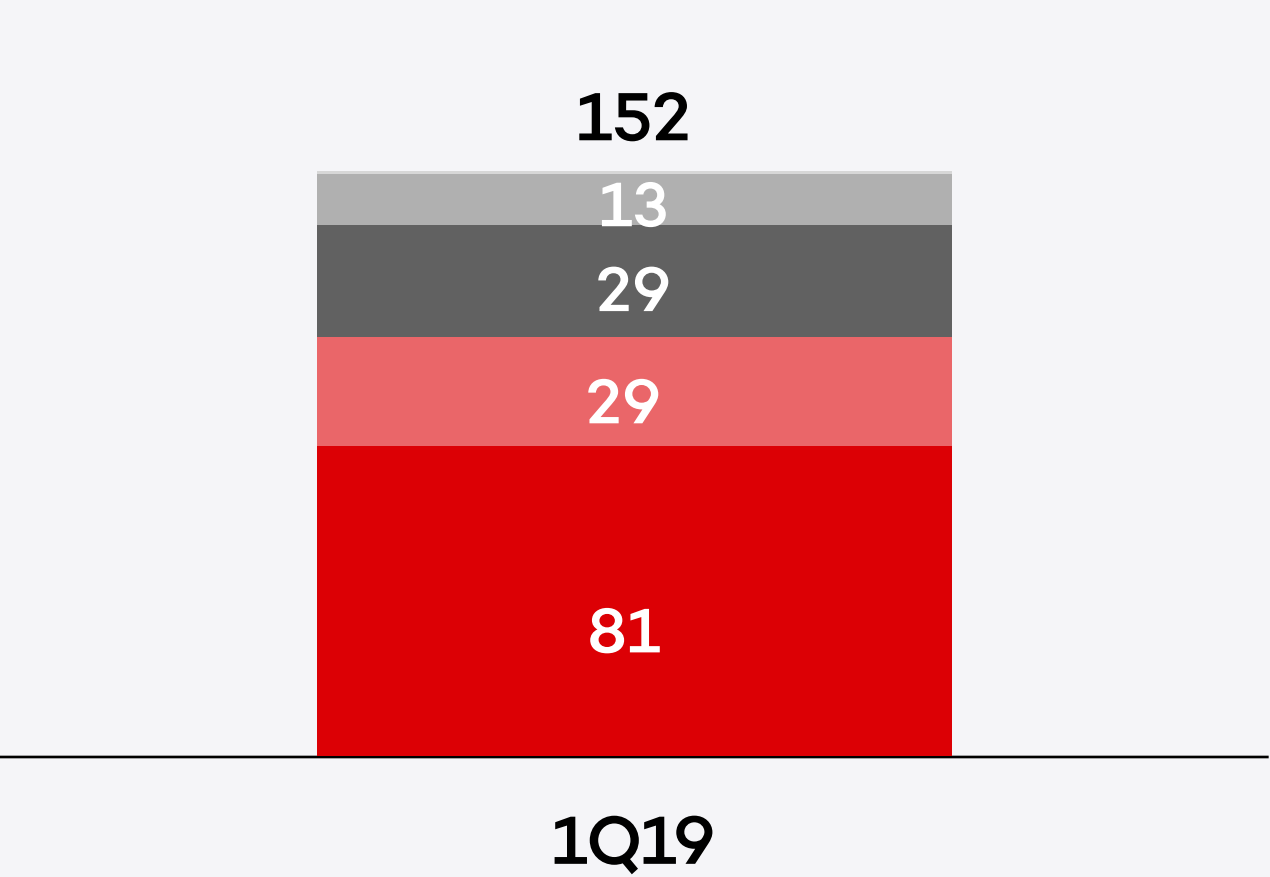
Consolidated (TL mn)	1Q19	4Q19	2019	1Q20	QoQ (%)	YoY (%)
Interest Income	9,198	8.617	36,498	8,460	(1.8)	(8.0)
Interest Expense	(5,533)	(3.720)	(19,560)	(3,219)	(13.4)	(41.8)
<b>Net Interest Income</b>	<b>3,666</b>	<b>4.898</b>	<b>16,938</b>	<b>5,241</b>	<b>7.0</b>	<b>43.0</b>
(-) Total Swap Expense	(530)	(746)	(2,697)	(734)	(1.1)	(39.1)
<b>Swap Adjusted NII</b>	<b>3,135</b>	<b>4.152</b>	<b>14,241</b>	<b>4,503</b>	<b>8.5</b>	<b>43.6</b>
Trading Gain (Loss)	731	488	1,551	252	(48.4)	(65.5)
- FX Gain (Loss) from Long Position	89	109	50	186	71.1	-
- Securities	64	121	296	(22)	-	-
- Other	578	258	1,205	88	(65.9)	(84.8)
Provision for Loan Losses, net of collections	(1,046)	(2.411)	(5,975)	(1,099)	(54.4)	(5.1)
Fees and Commissions (Net)	1,193	1.327	4,958	1,264	(4.8)	6.0
Operating Expense	(1,679)	(1.790)	(6,882)	(2,055)	14.8	22.4
Other Income	54	67	224	76	13.3	40.5
Other Provisions	(538)	(116)	(1,190)	(1,167)	-	-
- LYY MtM Loss	(387)	(249)	(939)	(871)	-	-
- Free Provisions	(100)	-	(100)	(250)	-	-
- Other	(51)	133	(151)	(46)	-	(9.2)
<b>Income Before Tax</b>	<b>1,850</b>	<b>1.717</b>	<b>6,927</b>	<b>1,774</b>	<b>3.3</b>	<b>(4.1)</b>
Tax	(442)	(392)	(1,574)	(471)	20.1	6.6
<b>Net Income</b>	<b>1,408</b>	<b>1.325</b>	<b>5,352</b>	<b>1,303</b>	<b>(1.7)</b>	<b>(7.5)</b>

# Solid contribution from subsidiaries

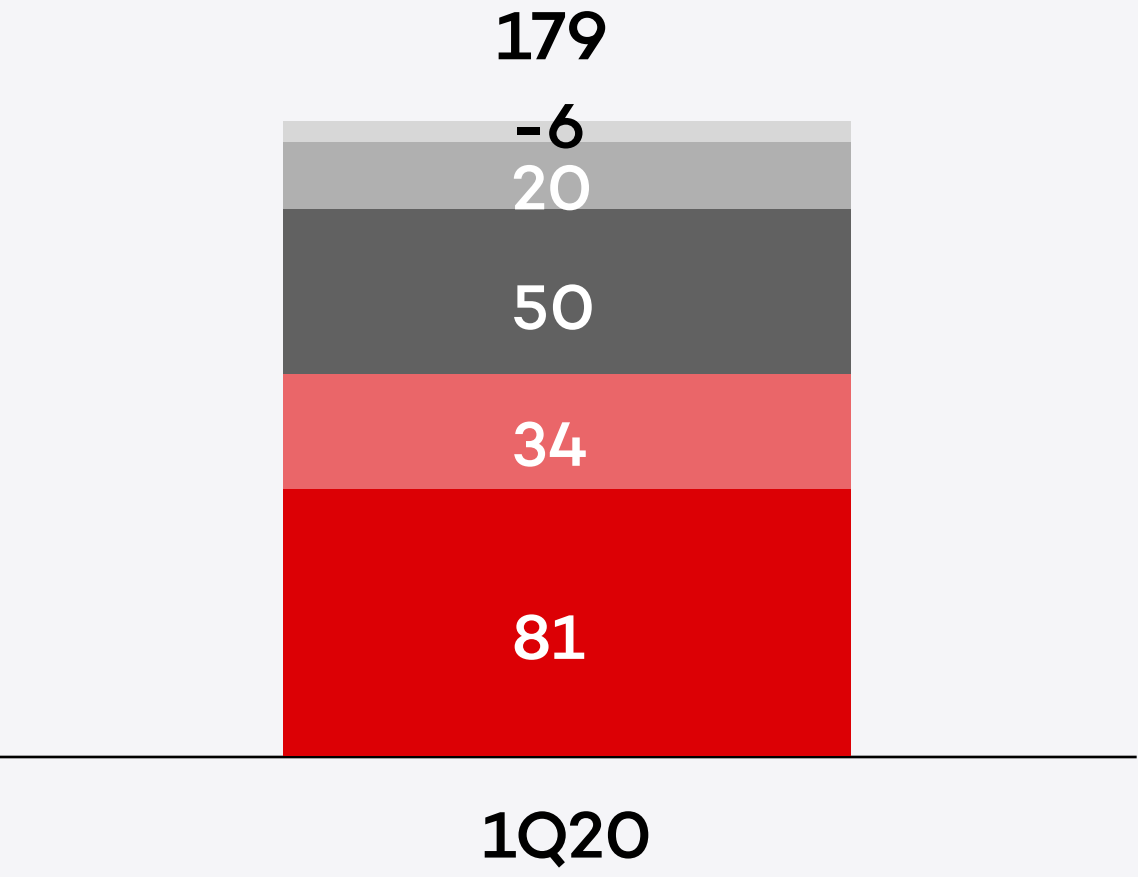


● Bank-only net income  
● Subsidiaries' Contribution

Subsidiaries' Net Income (TL mn)



▲  
18%  
YoY



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



# Disclaimer Statement



The information and opinions contained in this document have been compiled or arrived at by Akbank from sources believed to be reliable and in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness or correctness. All opinions and estimates contained in this document constitute the Company's judgement as of the date of this document and are subject to change without notice. The information contained in this document is published for the assistance of recipients, but is not to be relied upon as authoritative or taken in substitution for the exercise of judgement by any recipient. The Company does not accept any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents. This document may not be reproduced, distributed or published for any purpose.