

2Q20

Consolidated

Financial Results

AKEBANK

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2020 Economic Outlook: Marked by Covid-19

Economic activity

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

Inflation

Disinflation trend expected in 2H with lower demand and oil prices

Monetary Policy

Policy rate to remain at current levels in line with potential disinflation trend

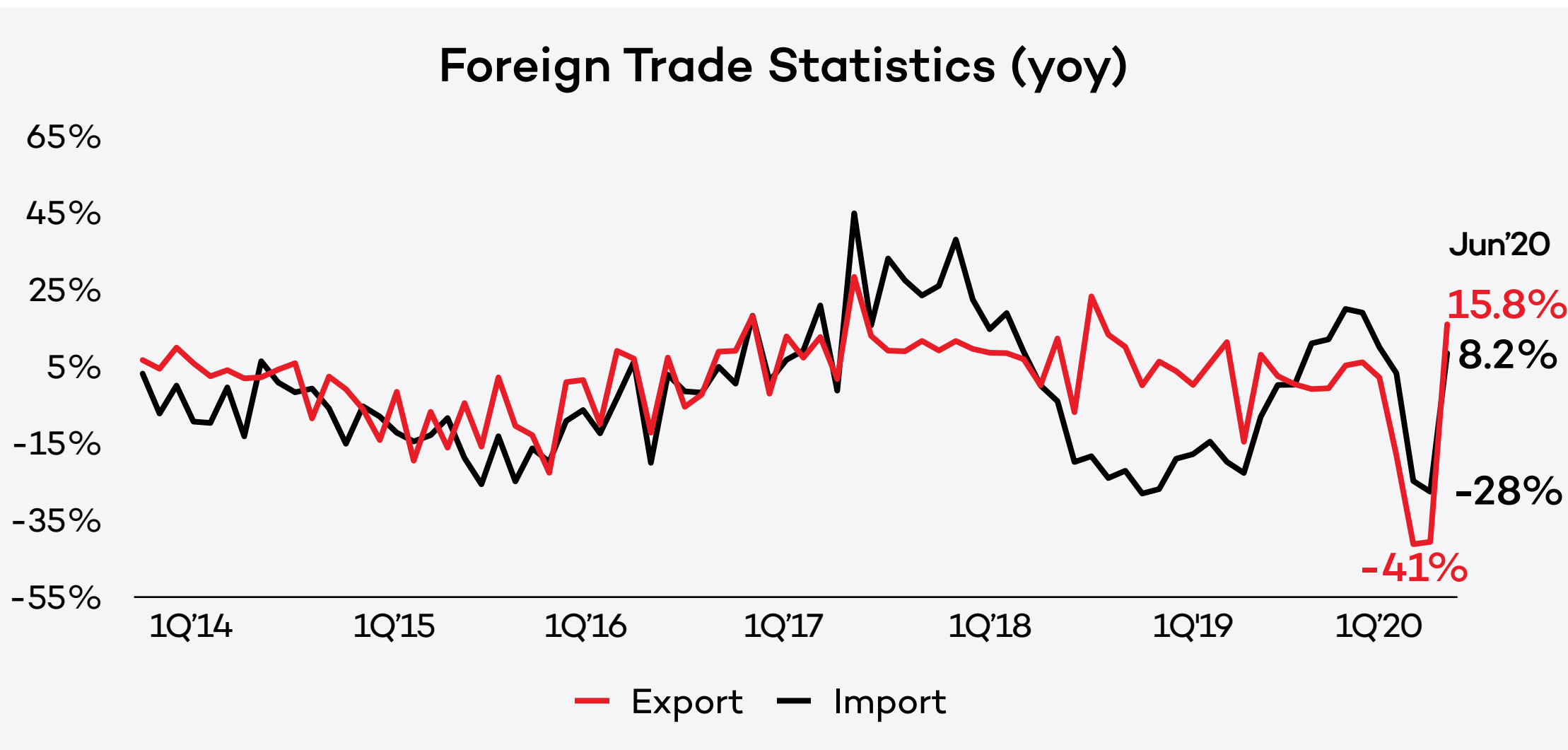
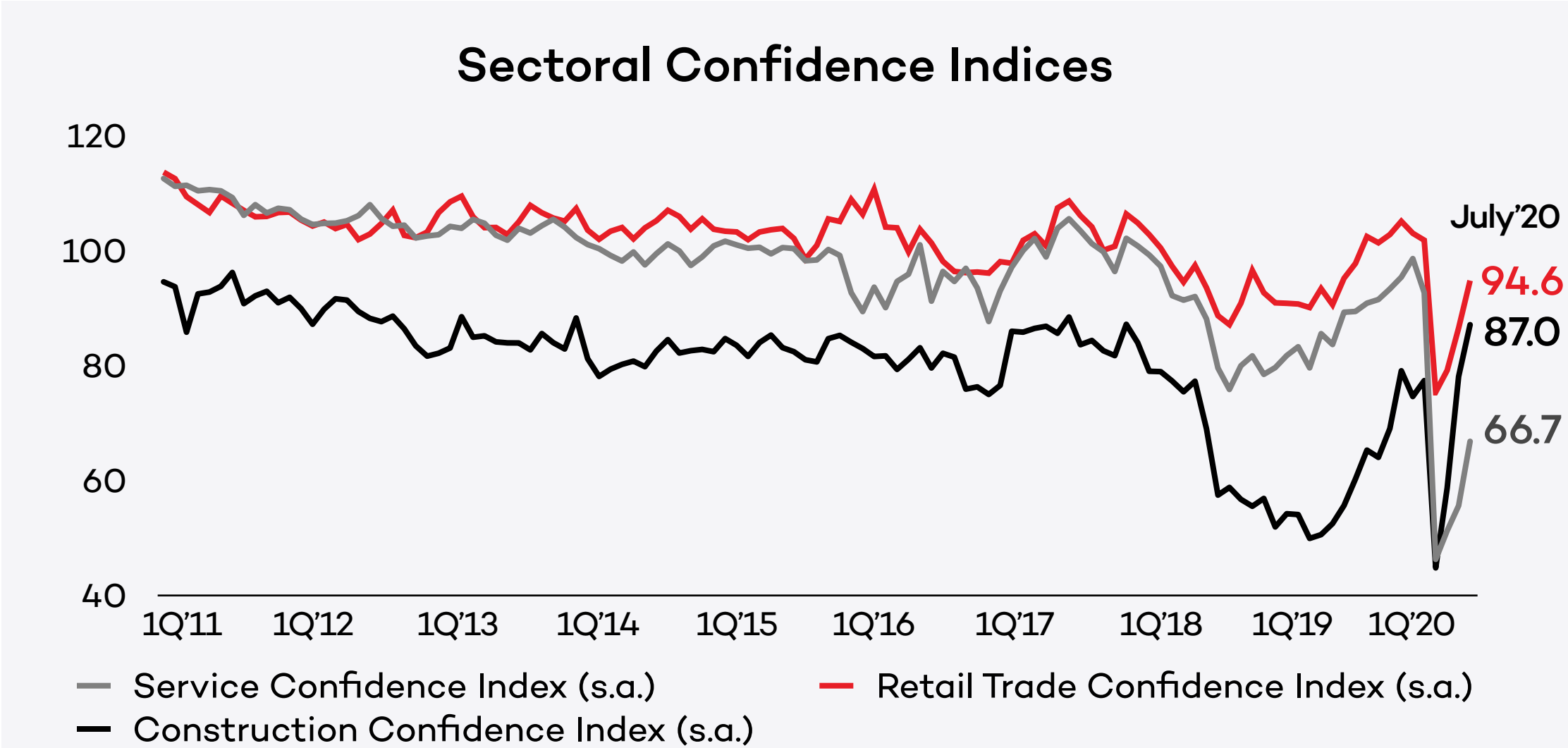
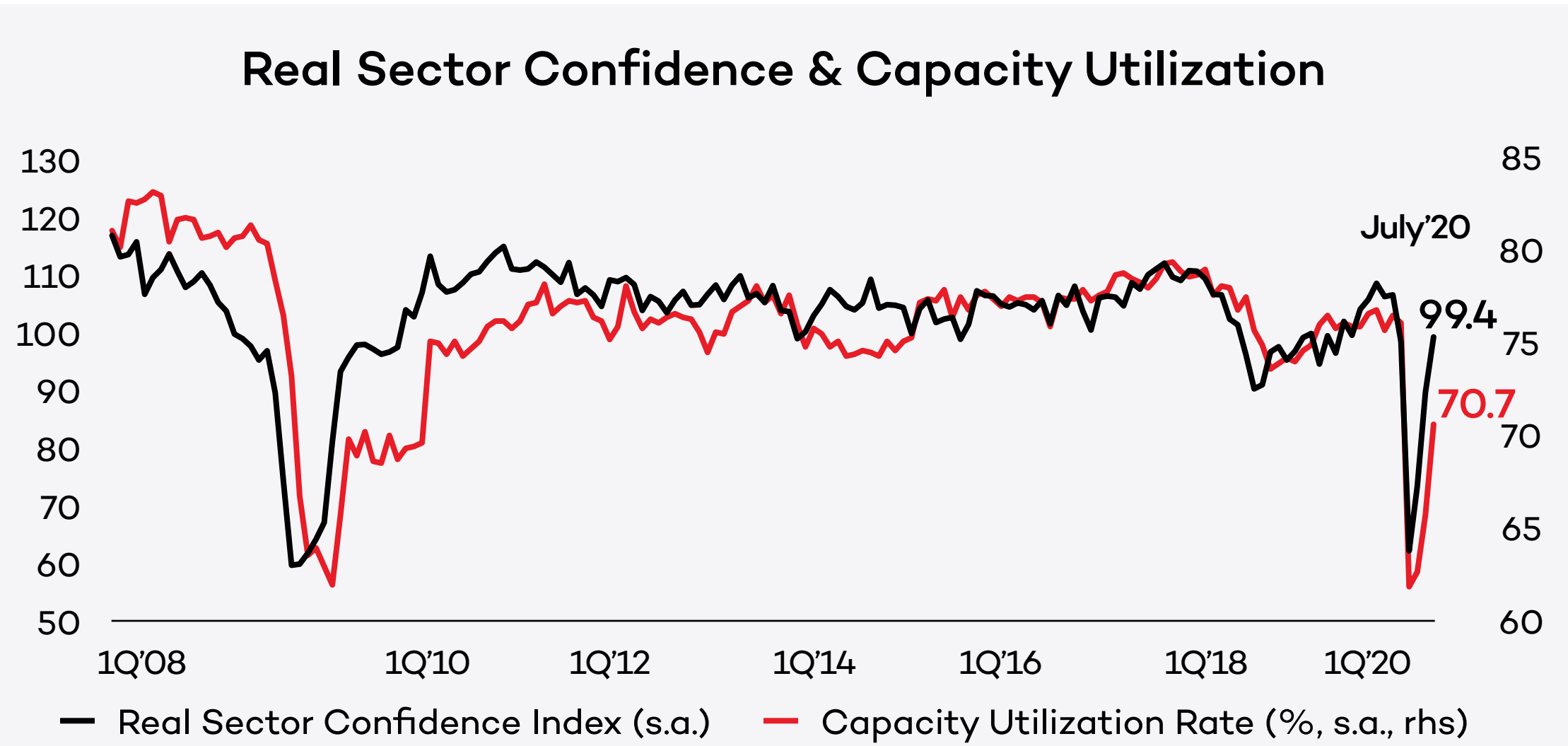
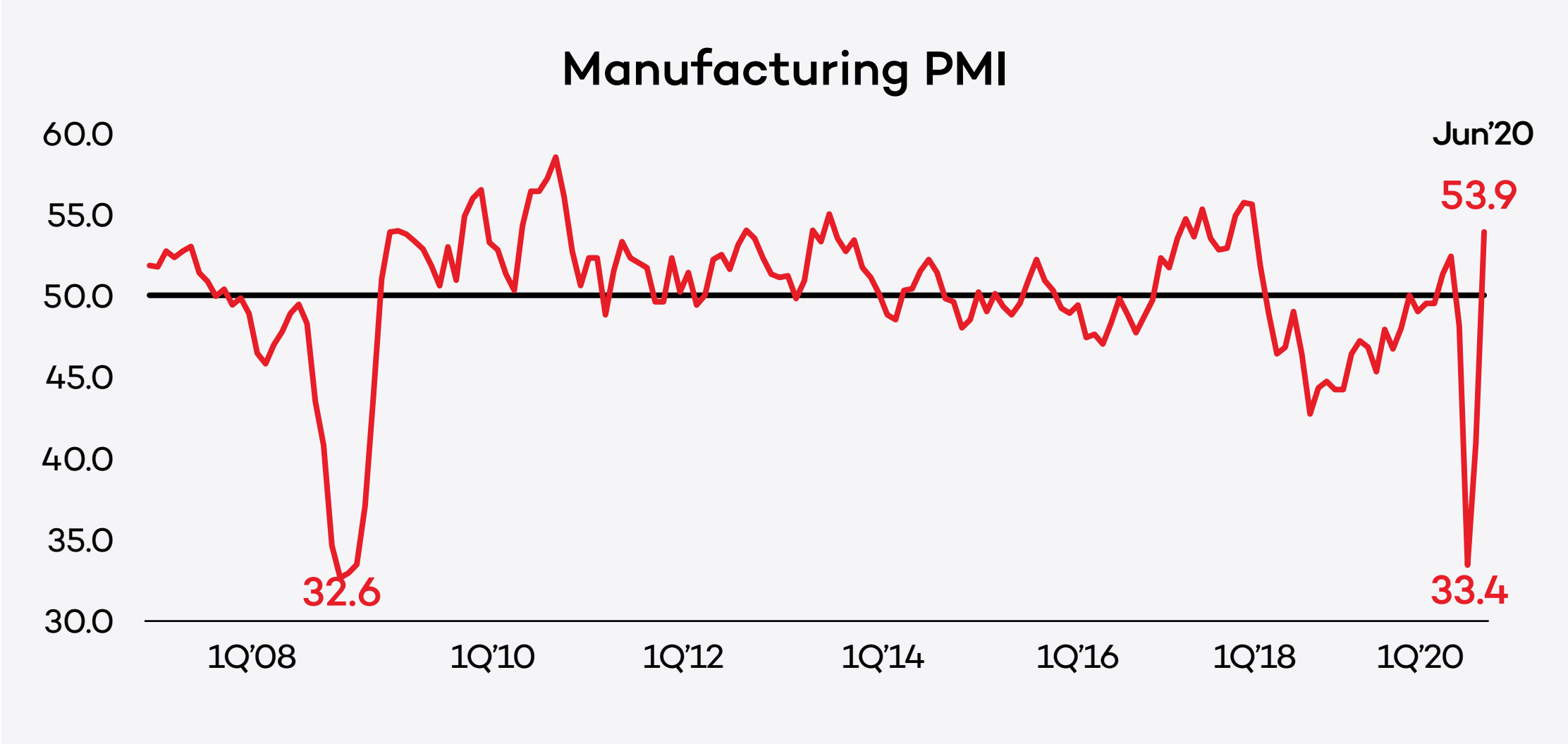
Fiscal Policy

Additional measures may be expected to enhance functioning of the economy

Credit activity

Expected to be TL loan driven

Economic activity bottoming out



Economic activity heat map

	Q1'20 ⁽¹⁾	April'20	May'20	June'20	July'20
Industrial Production (mom, %)	0.1	-29.7	14.6		
Manufacturing PMI	50.6	33.4	40.9	53.9	
Electricity Consumption (yoy, %)	3.3	-15.4	-16.7	-2.2	
White Goods Sale (yoy, %)	11.2	-11.4	-8.5		
Automotive Sales (yoy, %)	44.8	-10.6	-7.6	58.4	
Home Sales (yoy, %)	33.0	-55.5	-44.6	209.7	
Real Sector Confidence Index (s.a.)	103.9	62.3	73.5	89.8	99.4
Capacity Utilization Rate (s.a.)	76.2	61.9	62.7	65.8	70.7
Consumer Confidence Index (s.a.)	58.1	54.9	59.5	62.6	60.9
Services Sector Confidence Index (s.a.)	95.4	46.1	51.1	55.5	66.7
Retail Sector Confidence Index (s.a.)	103.2	75.2	79.0	86.4	94.6
Construction Sector Confidence Index (s.a.)	76.9	44.7	58.5	78.0	87.0
Unemployment Rate (s.a.)	12.8	13.8			

NegativeNeutralPositive

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2Q20 in a nutshell: Well positioned to remain healthy & profitable

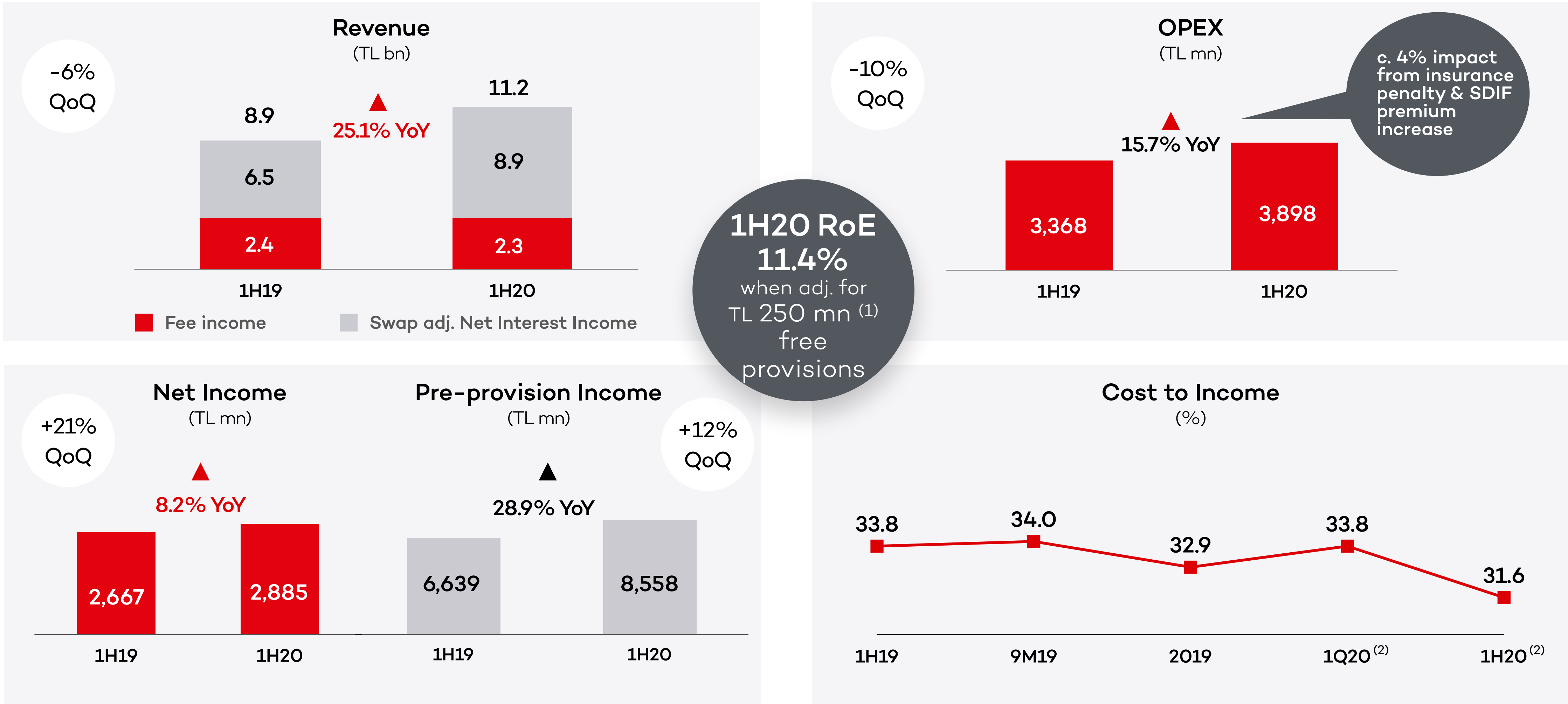
Achievements

- ▶ Maintained solid core operating performance in a challenging environment
- ▶ Realized loan growth with continued focus on risk management
- ▶ Leveraged superior digital capabilities to enhance bottom-line impact
- ▶ Sustained best-in-class CIR
- ▶ Preserved significant capital buffers

Despite

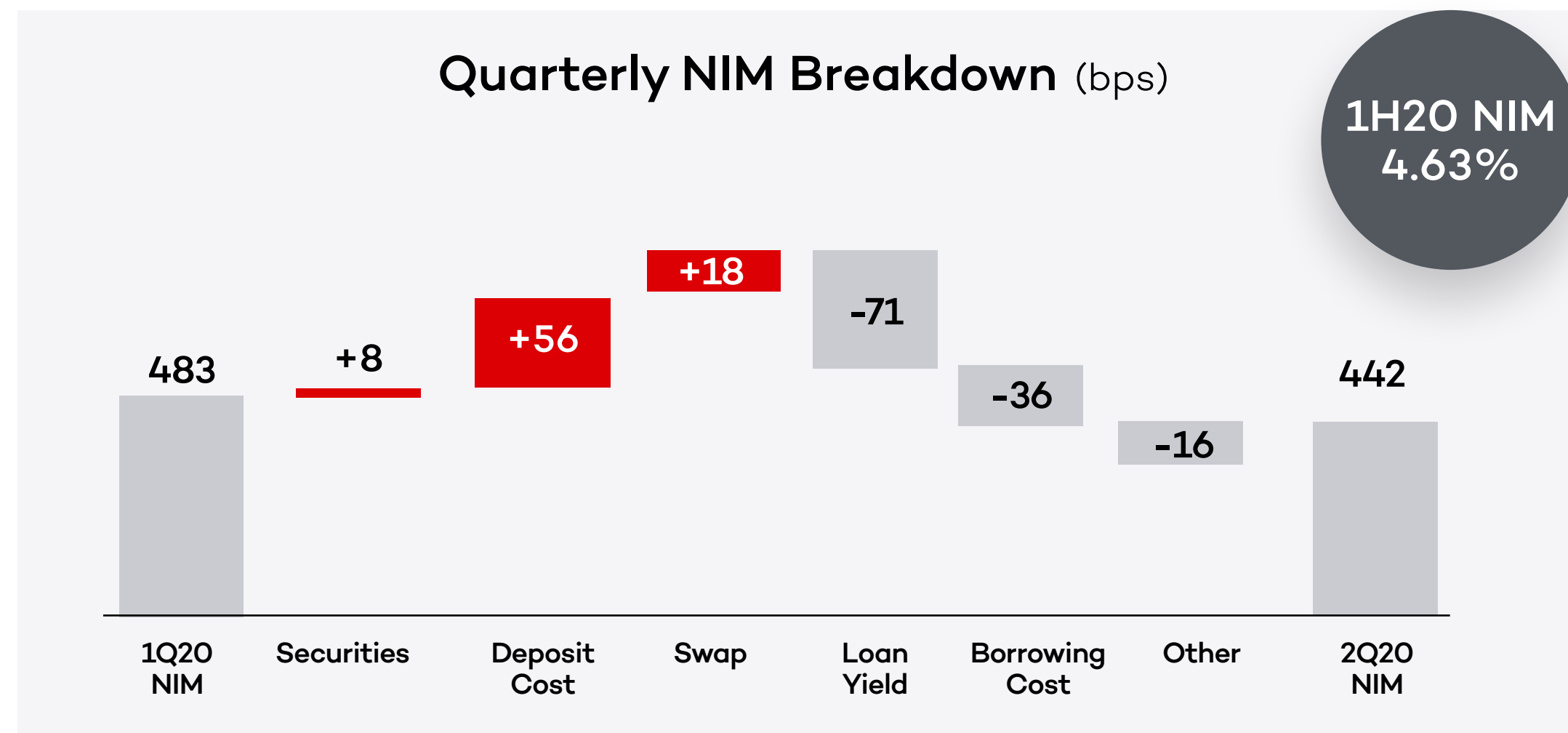
- ▶ Prudently increased loan loss provisions
- ▶ Lower fee income impacted by regulatory changes, Covid-19 related waivers & lower # of transactions
- ▶ LYY MtM negative adjustment of TL 412 mn

Sound core operating performance remains intact



⁽¹⁾ Adjusted for 1Q20 free provisions of TL 250 mn
⁽²⁾ CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions as well as insurance penalty of TL 71 mn

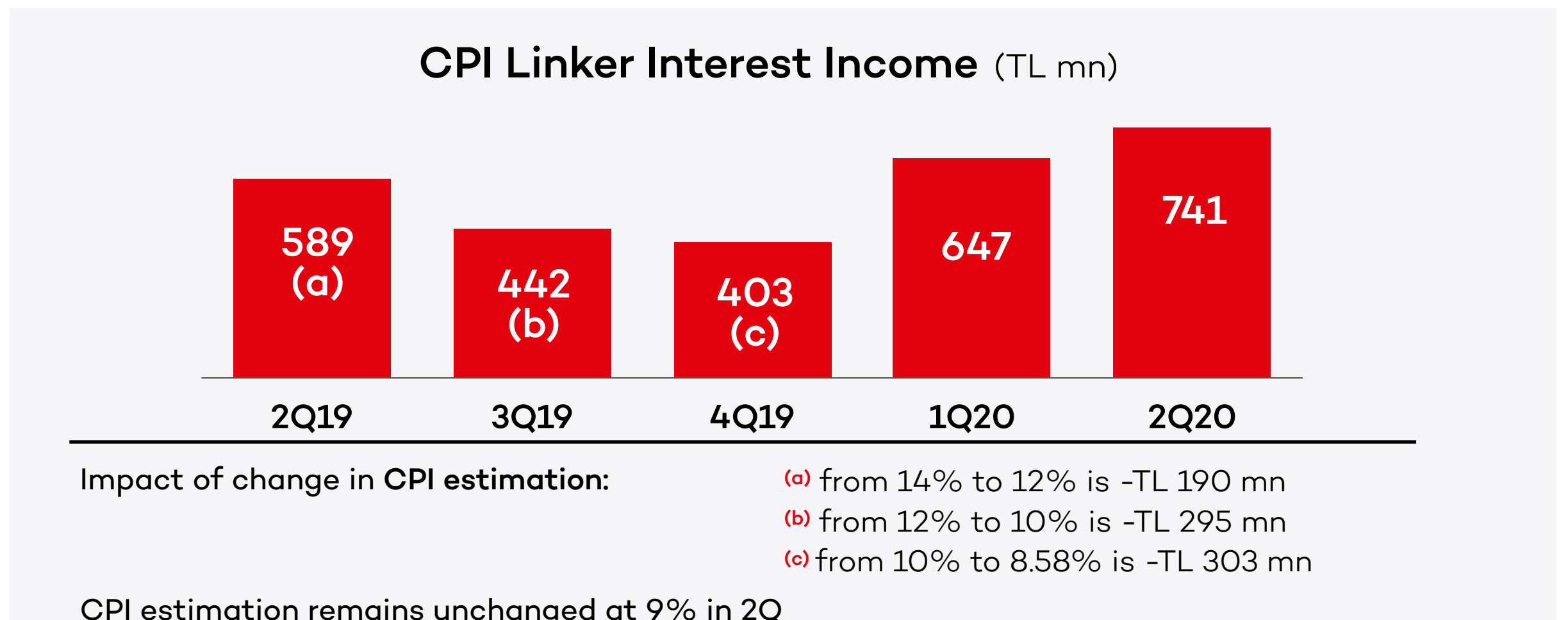
Robust NIM performance uplifts margin outlook



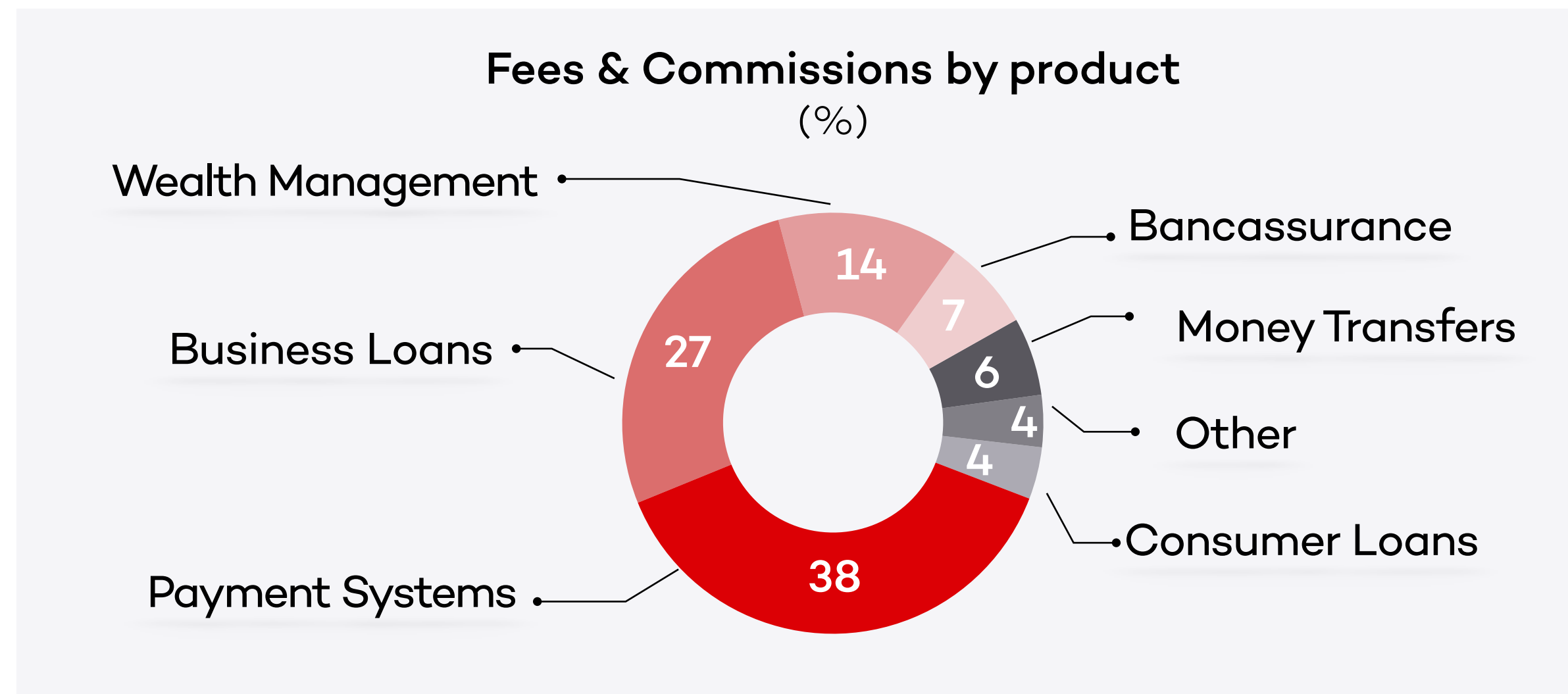
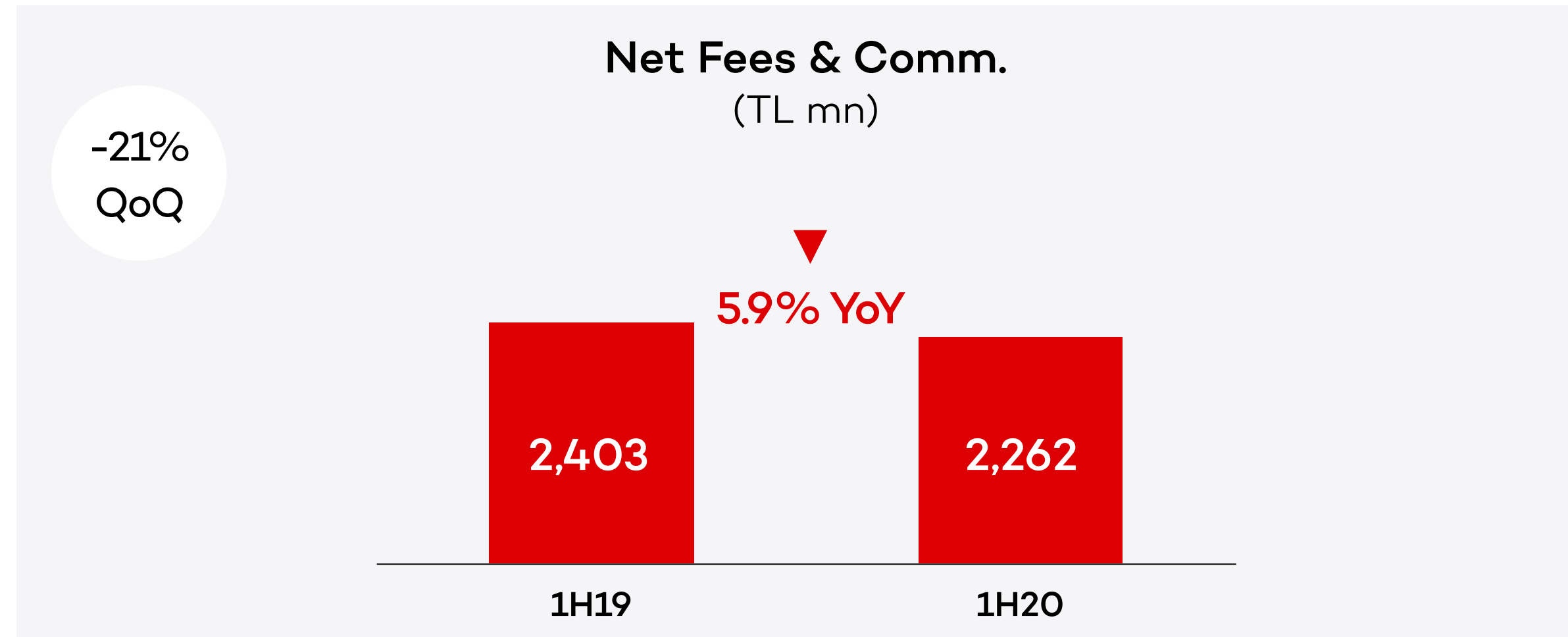
In 2Q20

- ▶ Continued rate easing cycle & additional liquidity measures by CBRT supported funding costs
- ▶ Securities mix remained supportive of asset yields

... as a result FY20 NIM guidance revised up to 4.2%-4.5%



Fee income performance expected to improve going forward



Wealth Management

+122% YoY

Product innovation & value added services

Accelerated WM client acquisition driven by digital channels

Business Loans

+15% YoY

Strong performance in cash loan fees

Bancassurance

+19% YoY

Supported by both lending & non-lending

Digital premiums/total premiums ⁽¹⁾ +12 pp YoY

Payment Systems

-35% YoY

Impacted by regulatory changes & lower rates

Money Transfers

-40% YoY

Impacted by regulatory changes & fee waivers due to Covid-19

Enhancing bottom-line impact through digital transformation

Digital banking in numbers ⁽¹⁾ with 5.3 mio customers

+16%

Monthly app login

+10pp

Mobile NPS

+11%

of mobile customers conducting financial transactions

+34%

of financial transactions through mobile

+10 pp

Share of mobile in financial transactions

c.2x

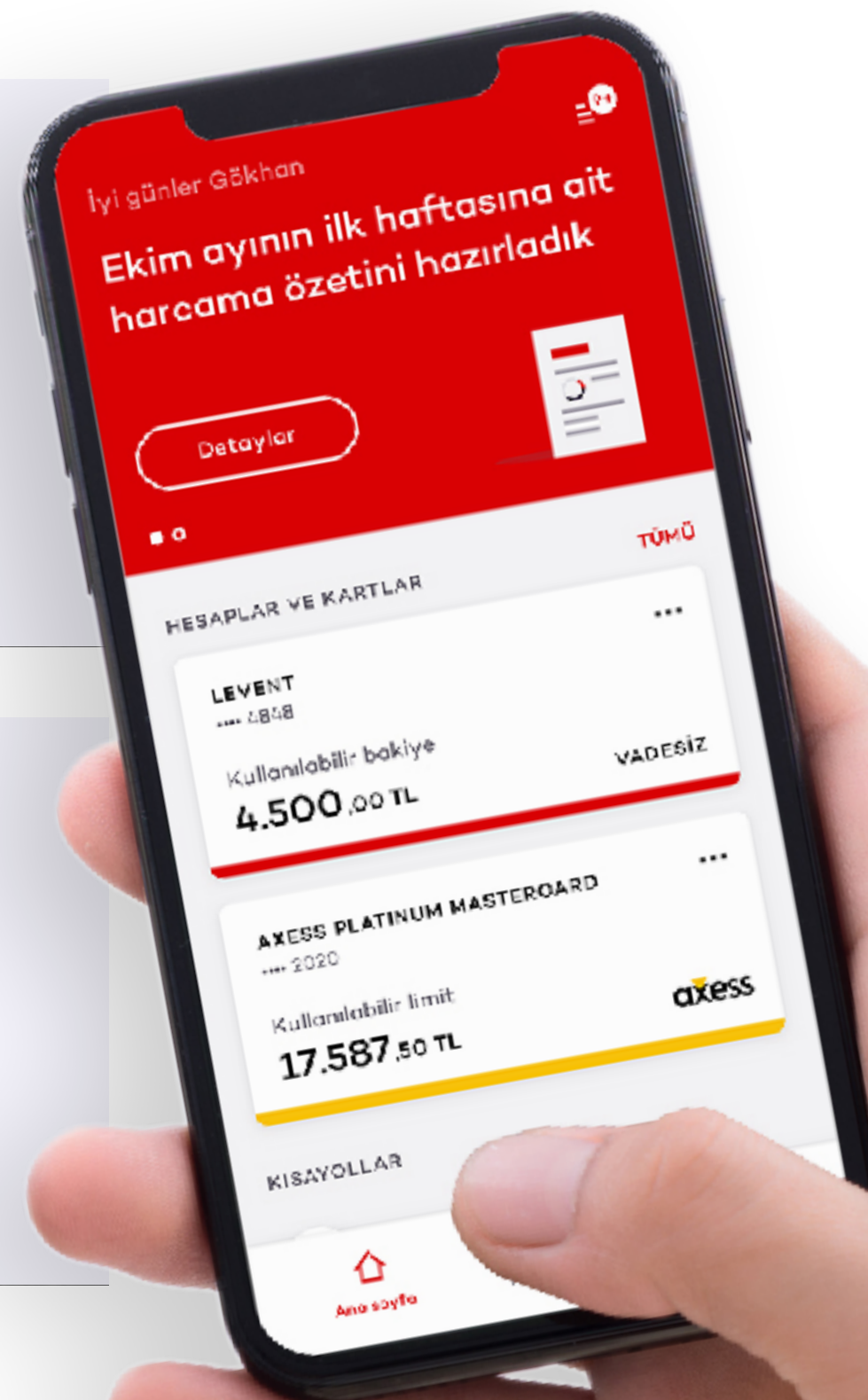
Digital customer cross-sell to non-digitals

65%

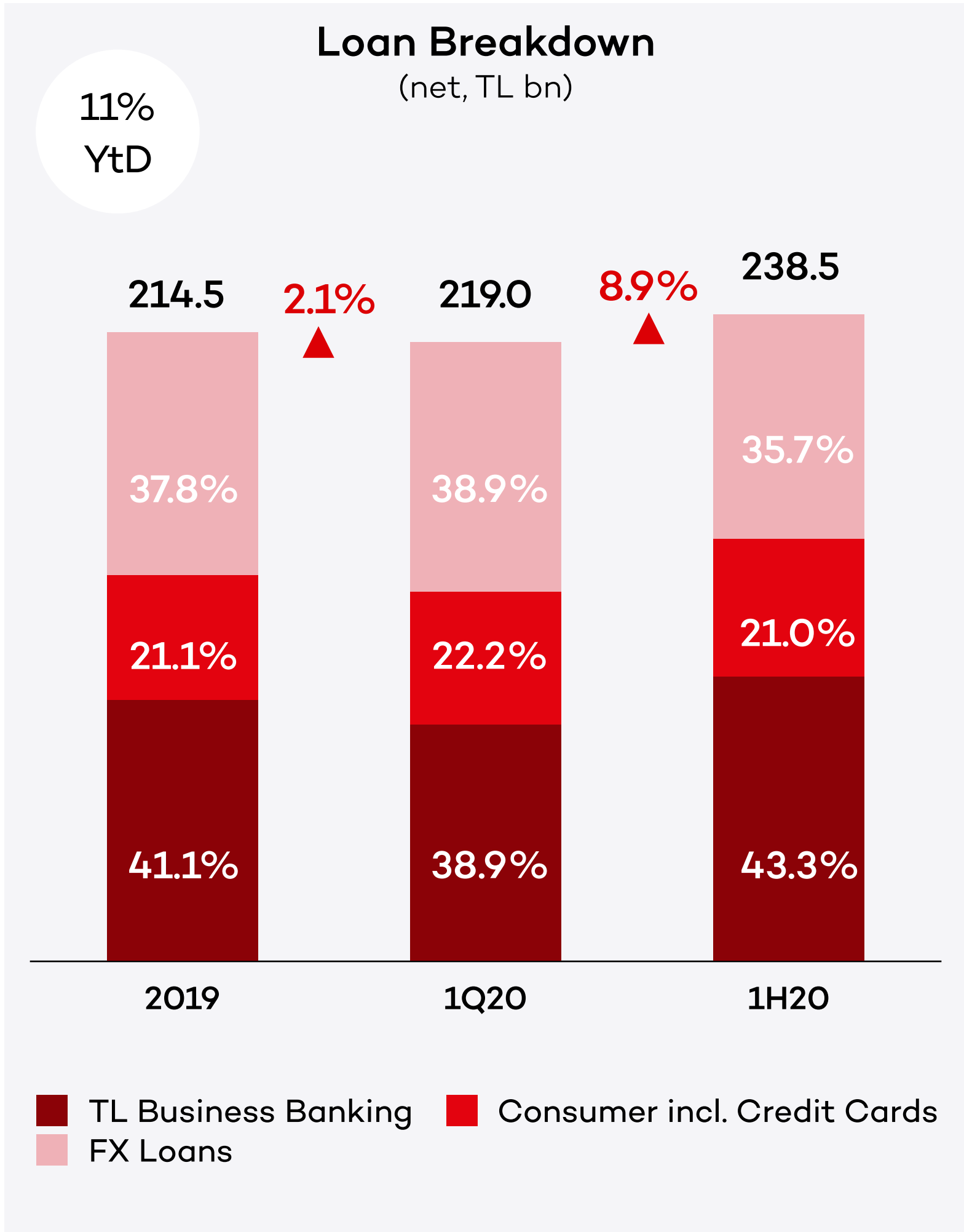
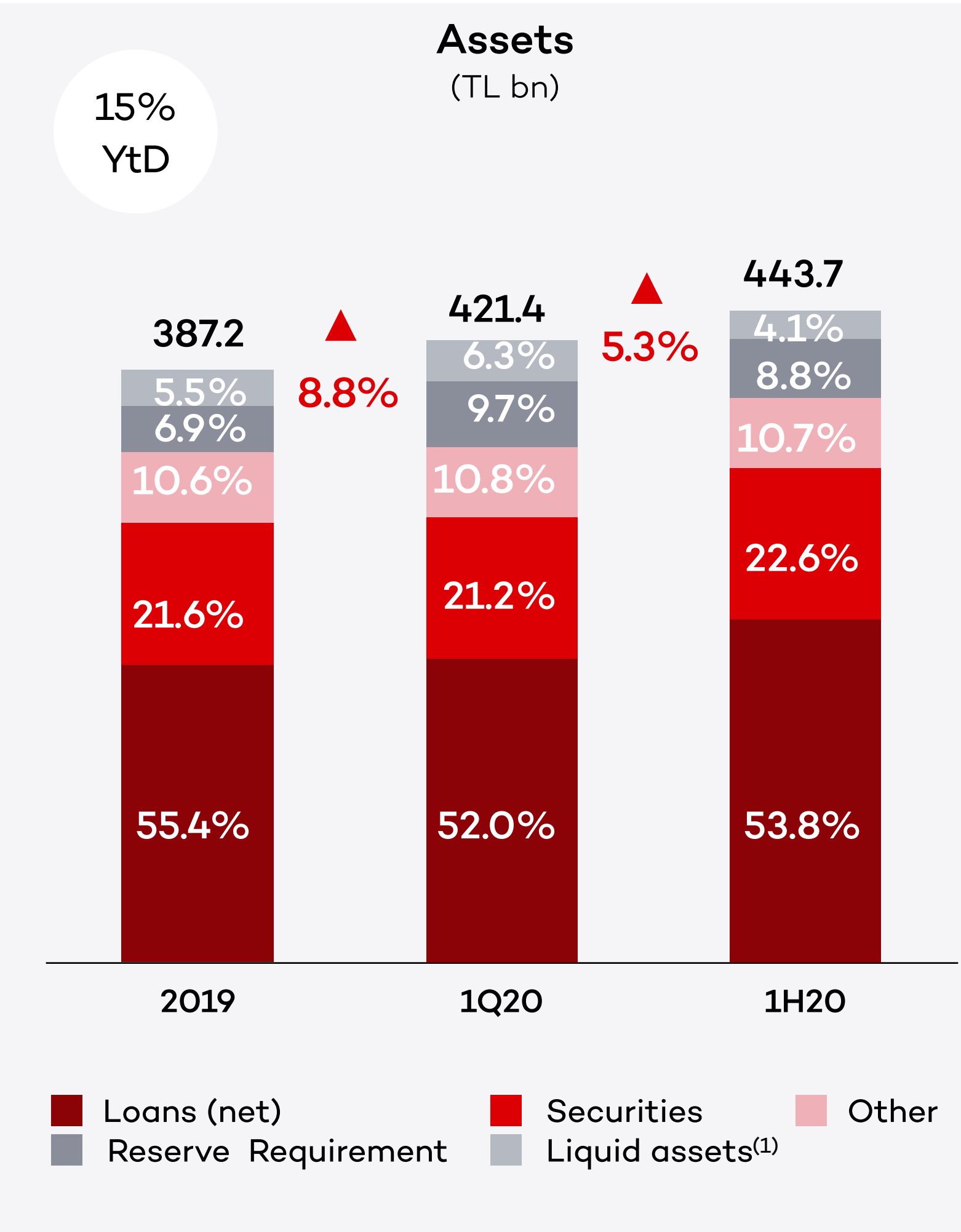
Credit cards sold through digital channels⁽²⁾

70%

GPLs sold through digital channels ⁽²⁾



Strategic asset allocation drives sustainable long-term shareholder value

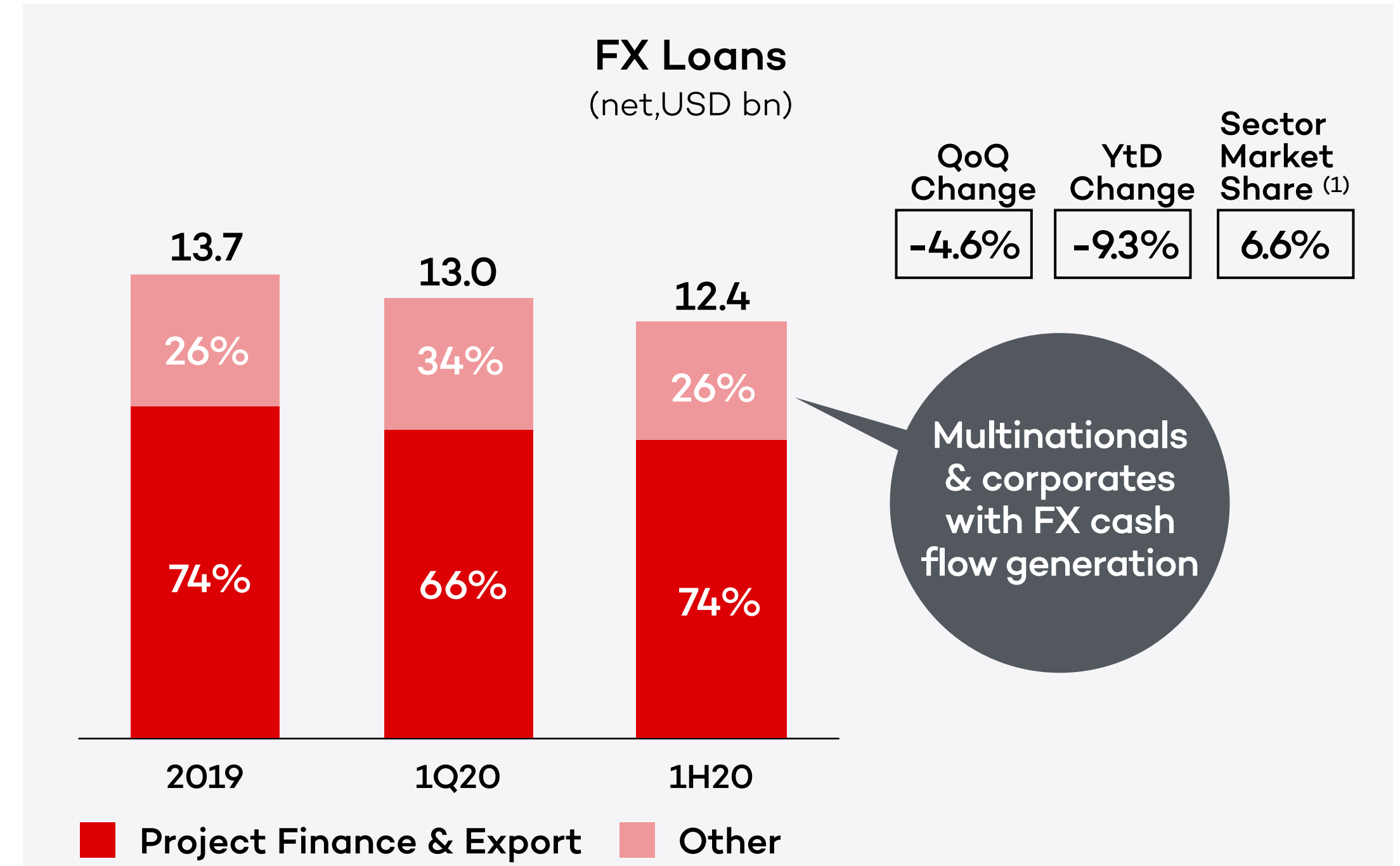
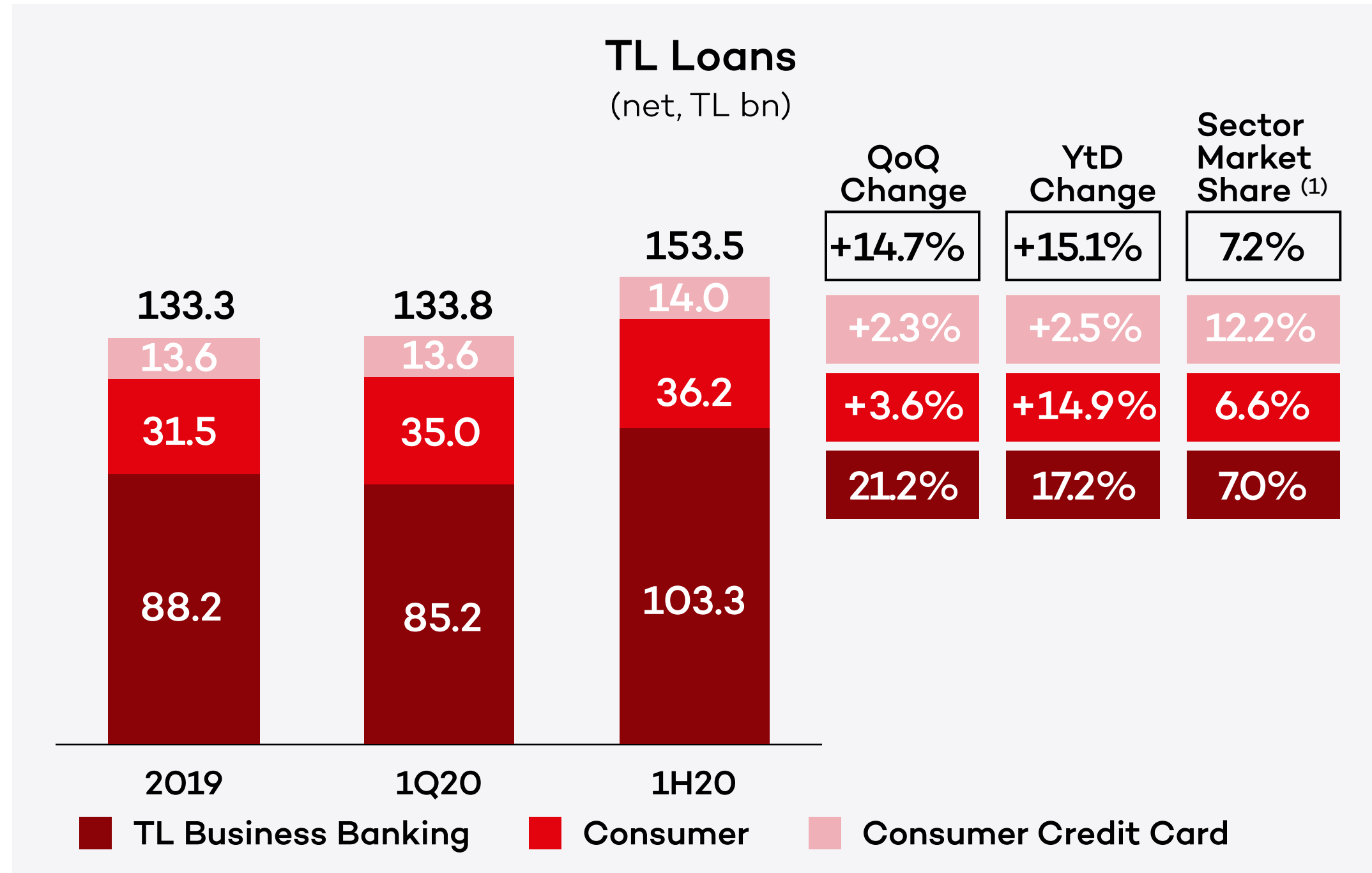


Optimized asset composition
+
Low leverage
7.7x
+
Strong capital
20.4%⁽²⁾
↓
Unique growth opportunity
with risk & return in focus

⁽¹⁾ Cash and cash equivalents

⁽²⁾ Without forbearances that will end by YE2020 (Fixing MtM losses of securities & FX rate for RWA calculation to YE2019)

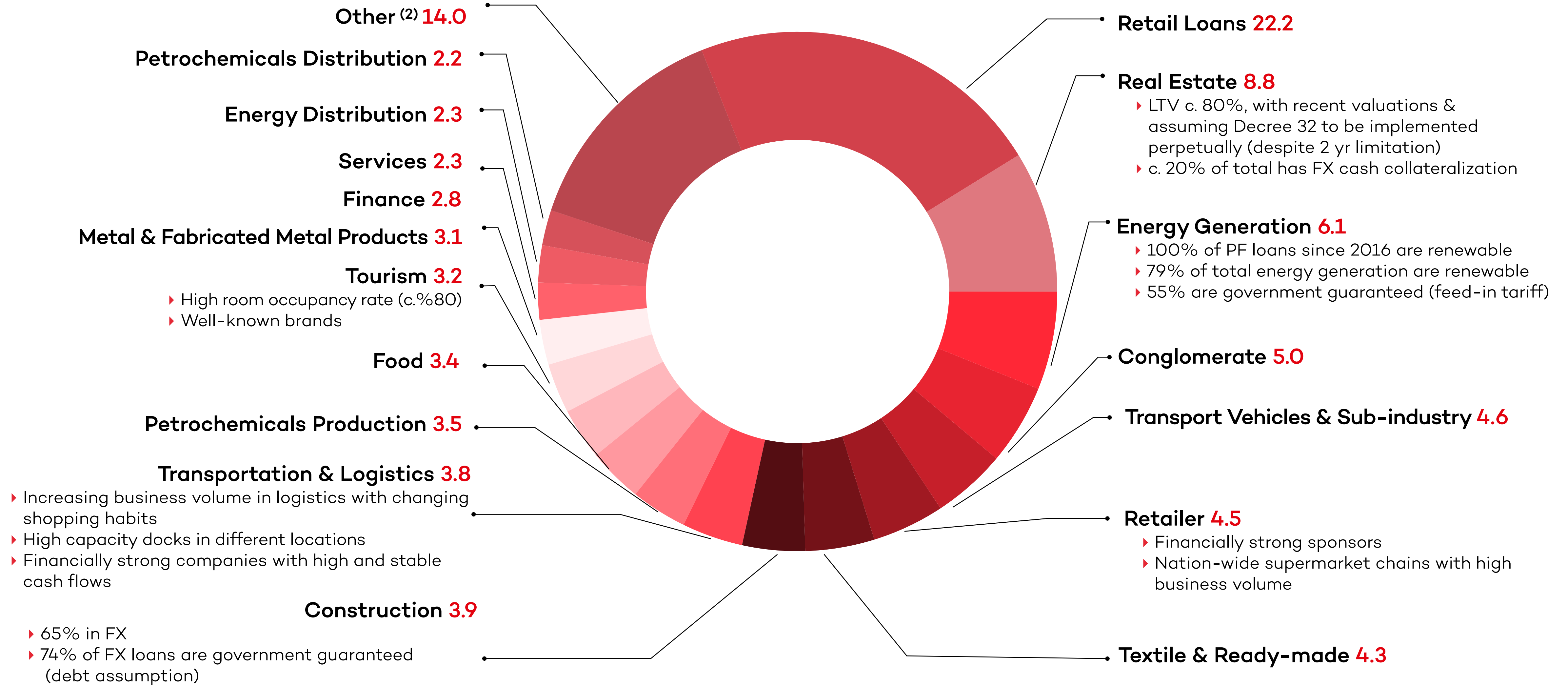
Accelerated TL loan growth while managing risks



- ▶ Gained c. 100 bps QoQ market share in TL loans vs private banks
- ▶ 2Q TL loan growth led by business banking (+21.2% QoQ)
 - ◉ Gained QoQ c. 140 bps market share vs private banks
 - ◉ CGF (opex & cheque) utilization at c. TL 3.5 bn
- ▶ Consumer loan growth +3.6% QoQ, led by +6.7% growth in GPLs
 - ◉ 63% of 2Q20 GPL originations were pre-approved, separately 42% were to salary customers

Balanced loan portfolio

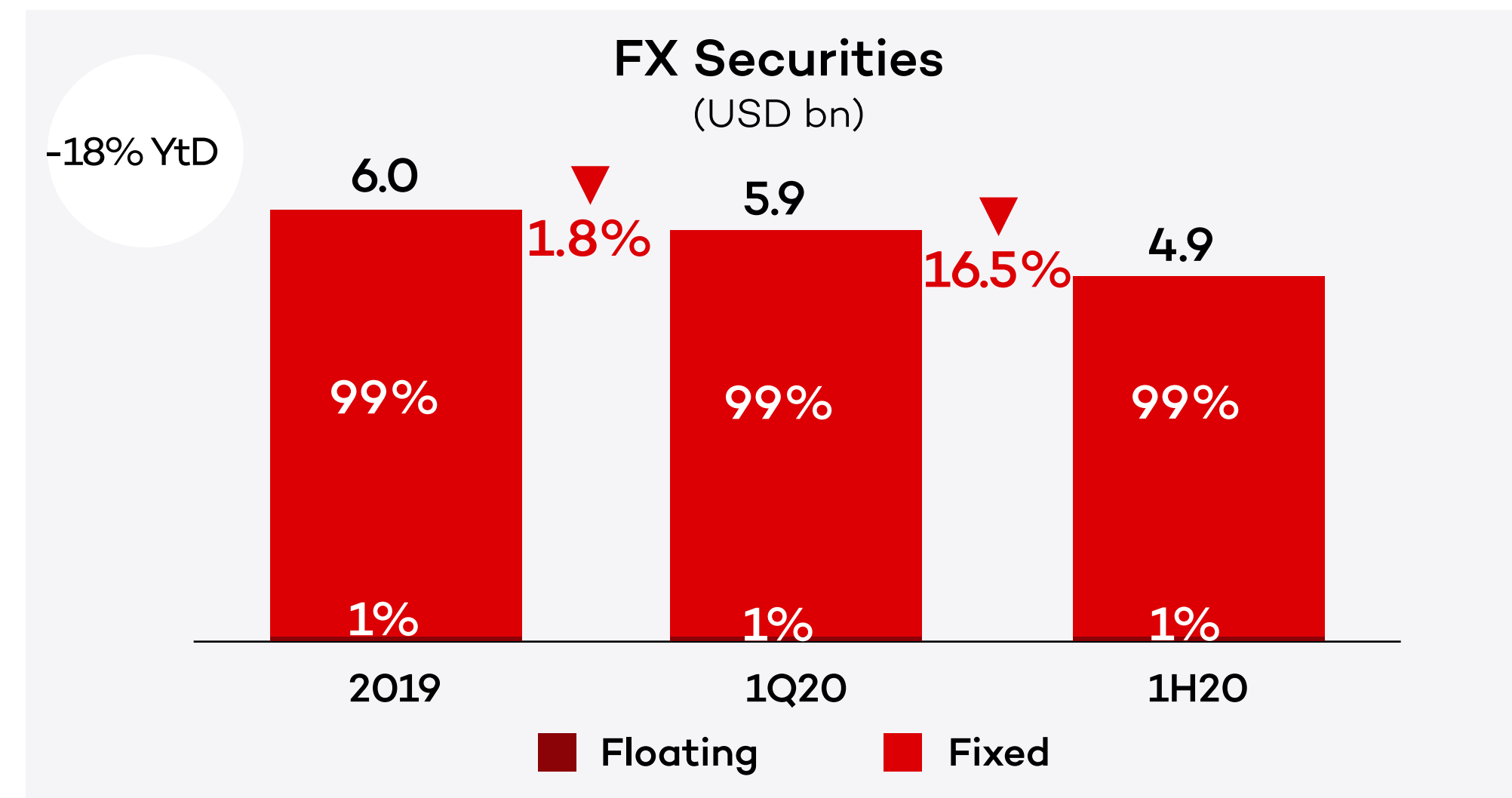
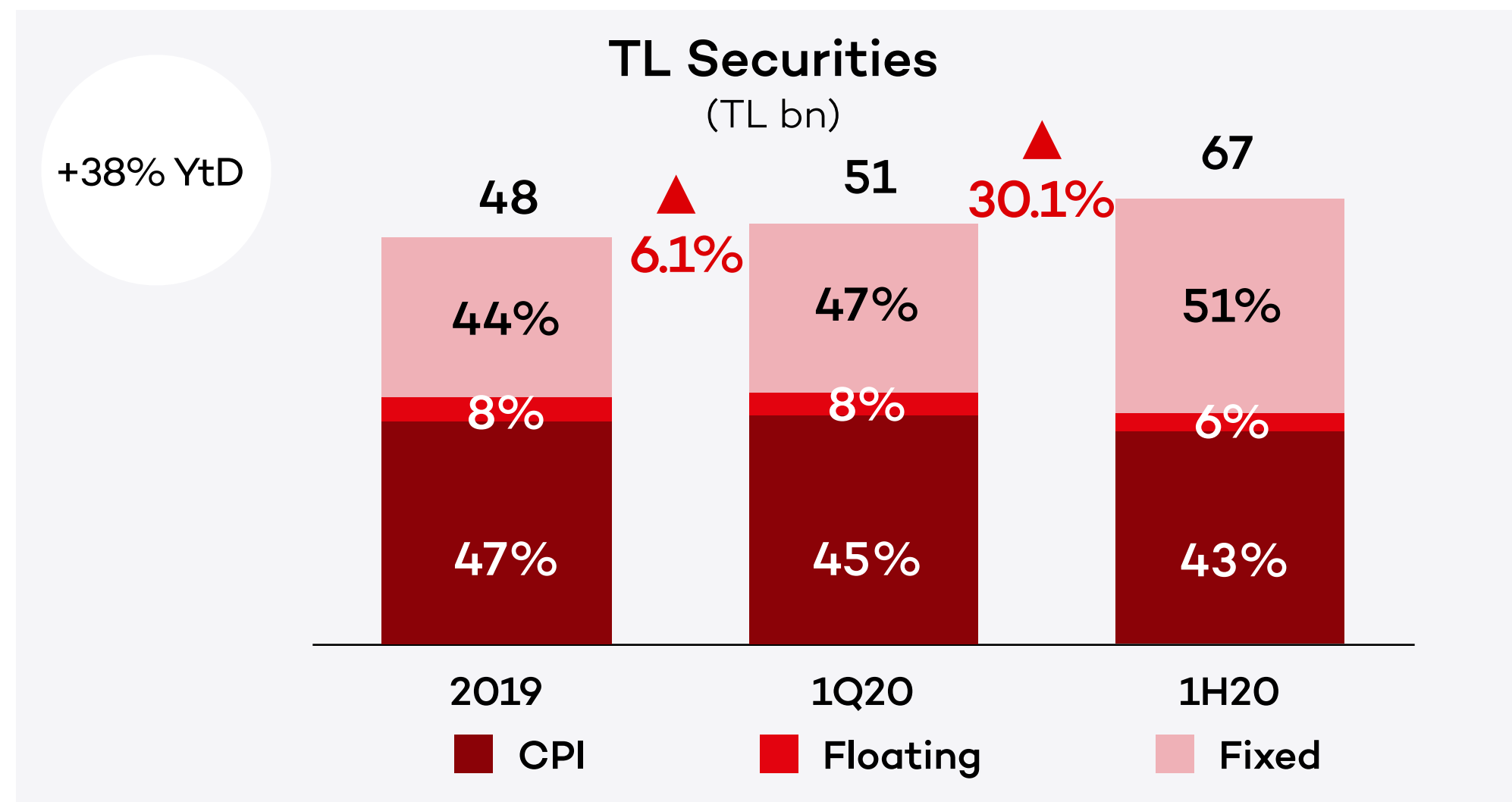
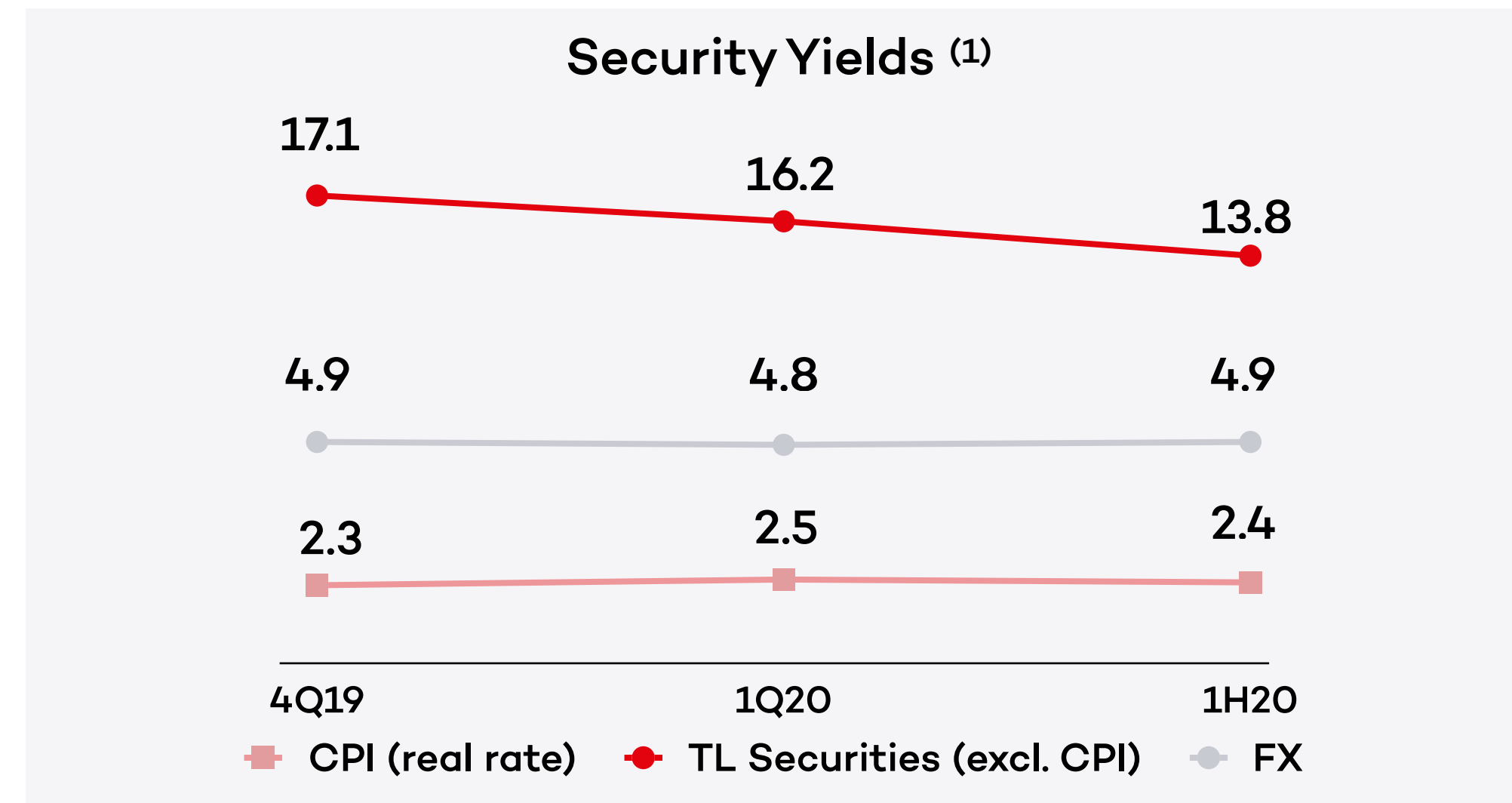
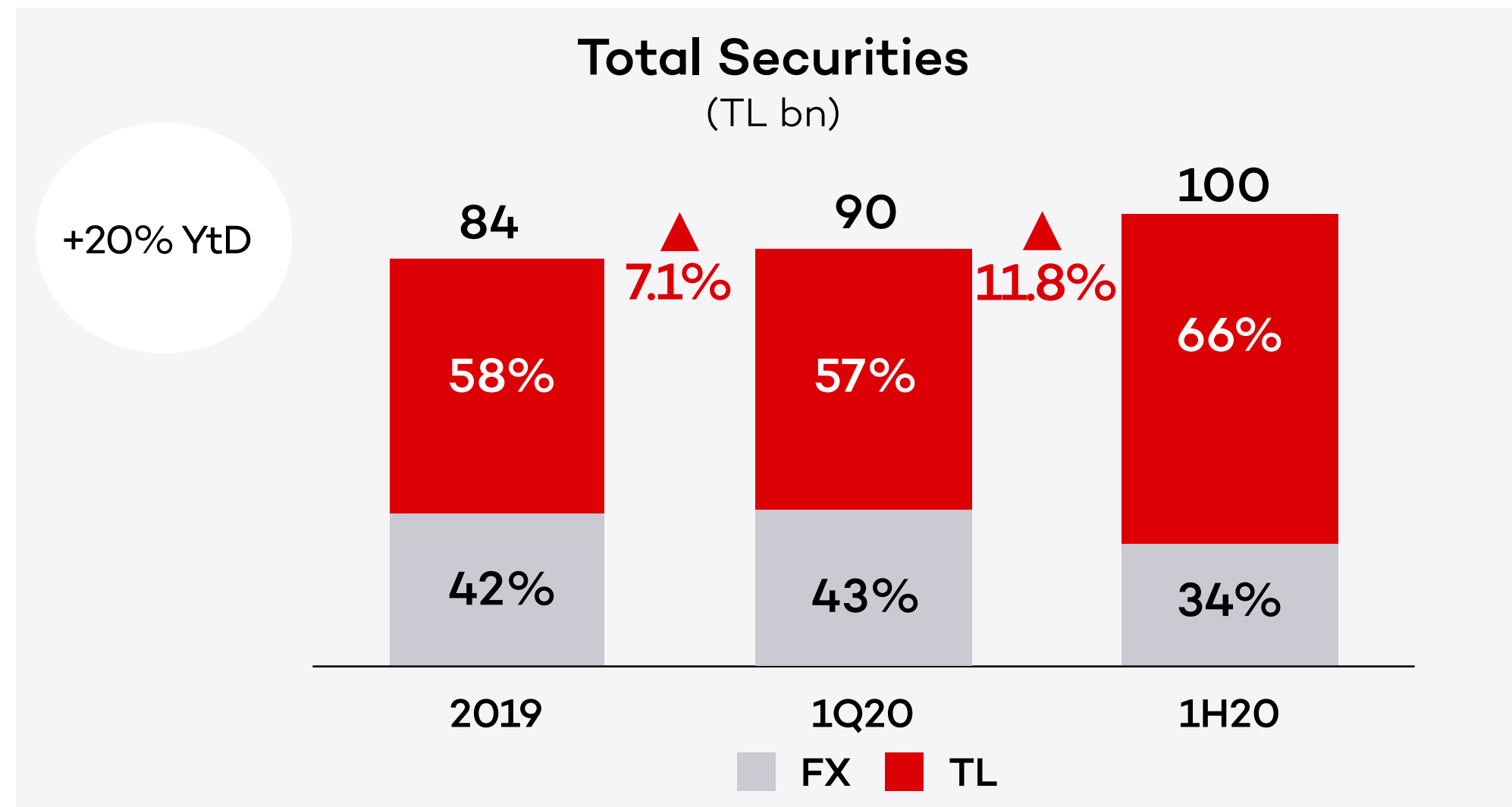
(% of Total Gross Loans ⁽¹⁾)



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

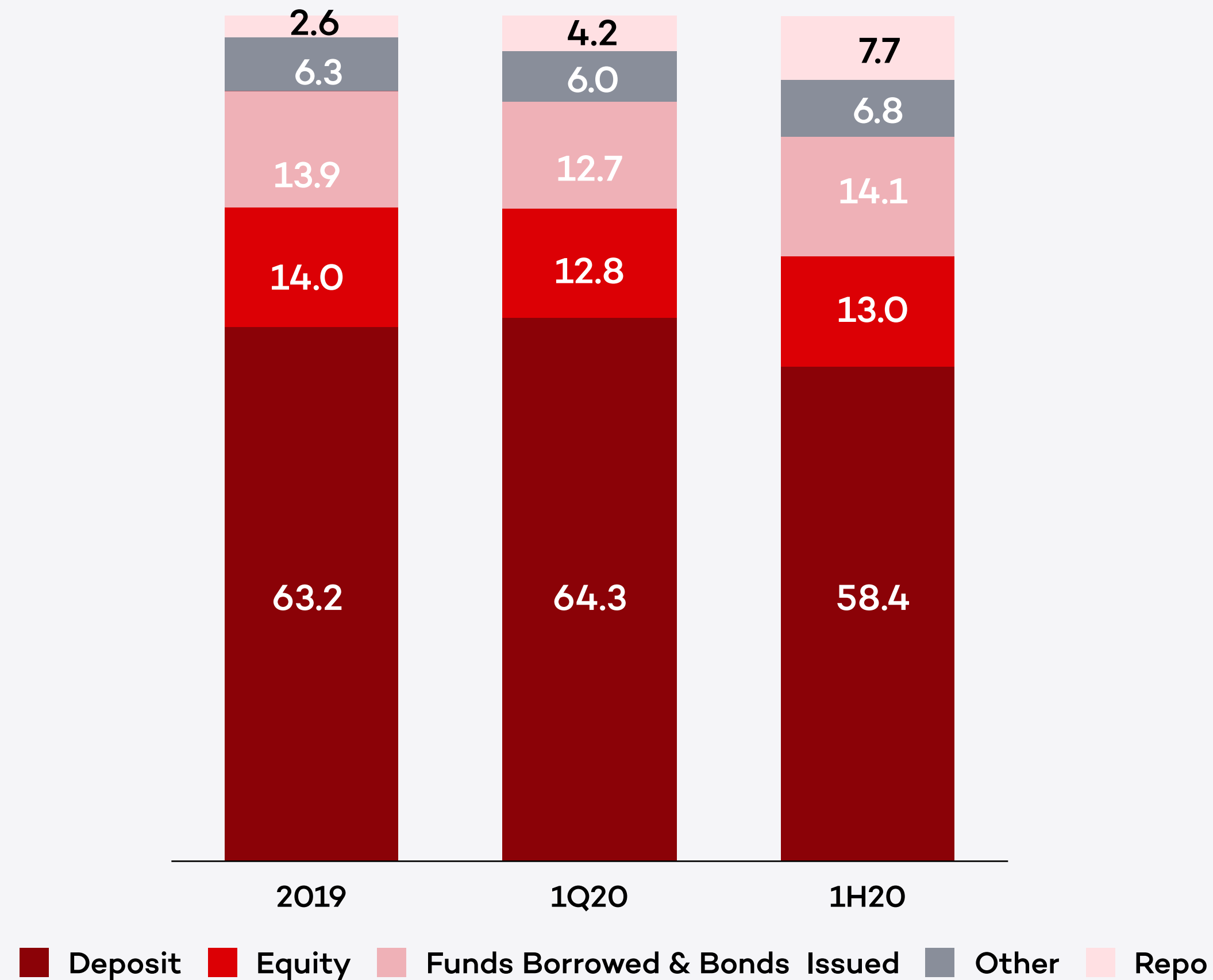
(2) Loan concentration below 2%

Securities mix continues to support profitability

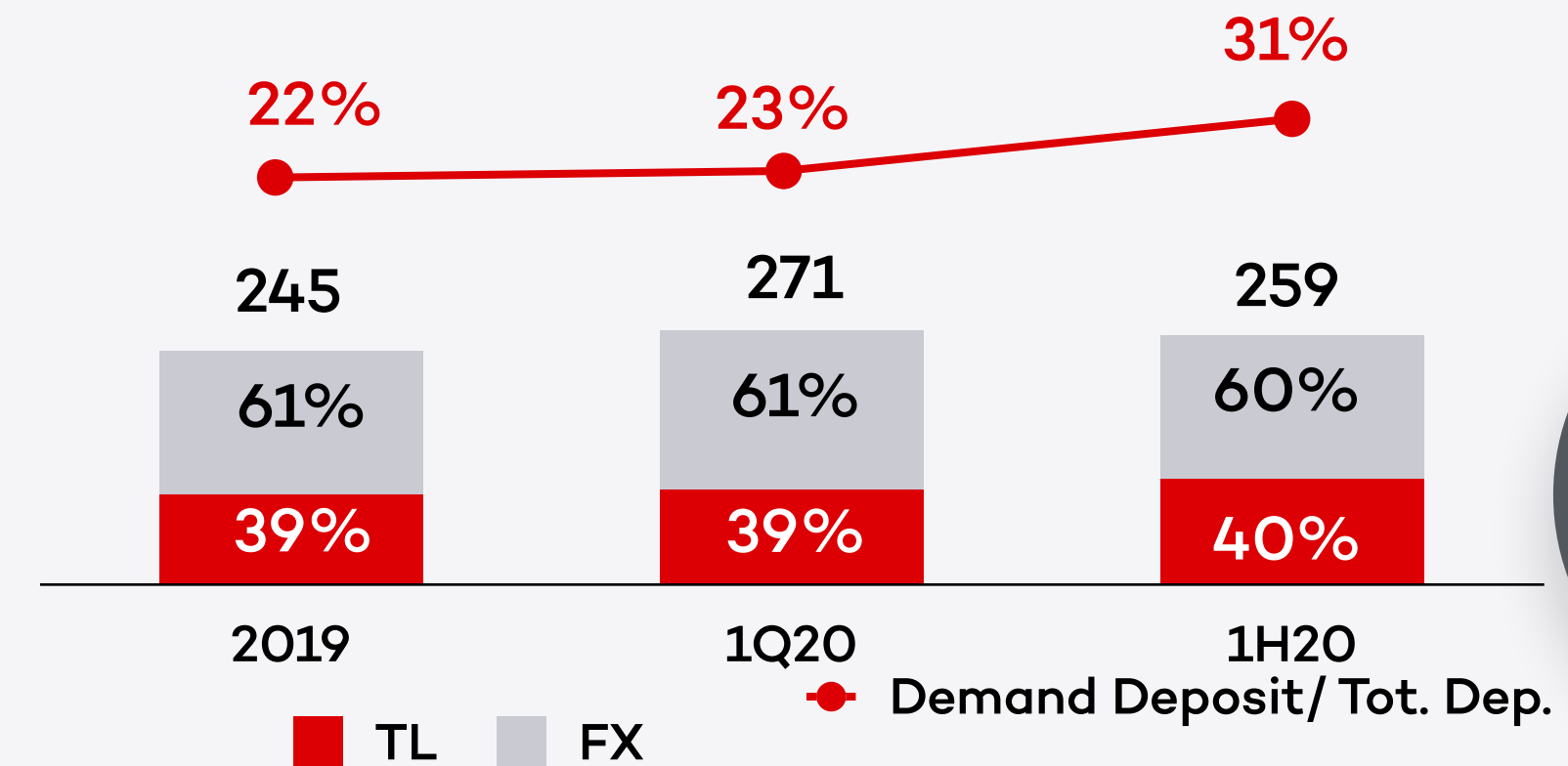


Maintained disciplined funding mix with significant increase in demand deposits

Composition of Liabilities (%)



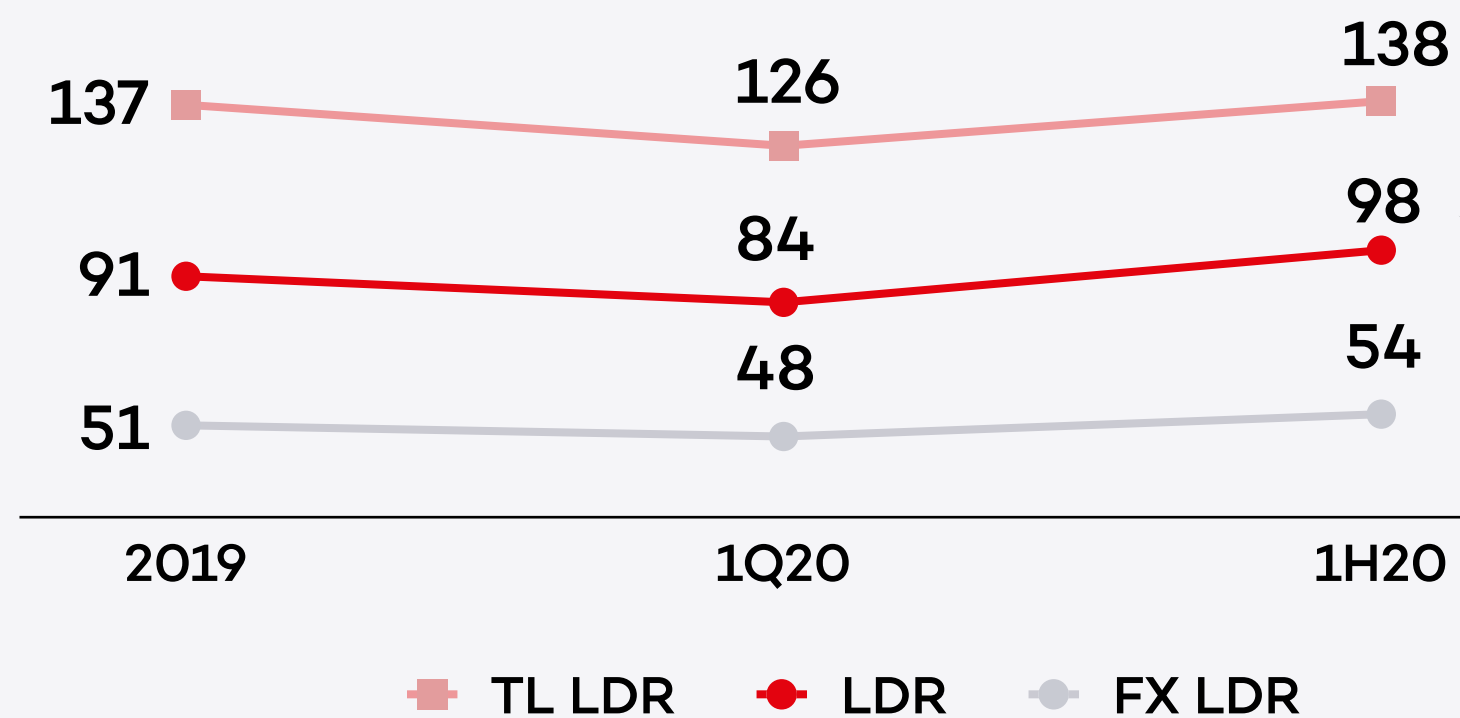
Deposit Currency Split (TL bn)



Demand Deposits
+26% QoQ
+50% YtD

Sticky & low cost RETAIL & SME DEPOSITS' Share in TL Deposit 79% ⁽¹⁾

LDR ⁽²⁾ (%)



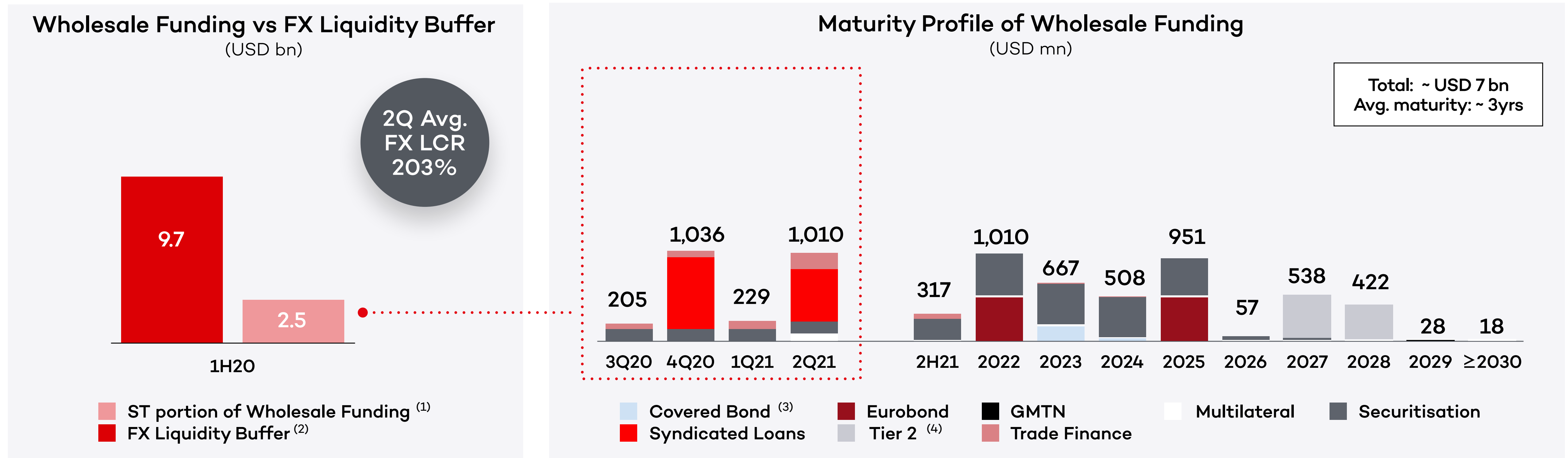
Sector's Total LDR at 106% ⁽³⁾

⁽¹⁾ MIS data

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

⁽³⁾ Based on BRSA weekly data dated June 26, 2020

Well established wholesale funding profile



- ▶ Wholesale funding reduced down to c. USD 7 bn (c. USD 10 bn in 2018), led by c. USD 2 bn decrease in short-term portion
- ▶ 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
- ▶ In July 2020, successful issuance of USD 500 mn, long 5 year senior unsecured Eurobond with c. 3x oversubscription

Balances based on principal outstanding and bank-only MIS data

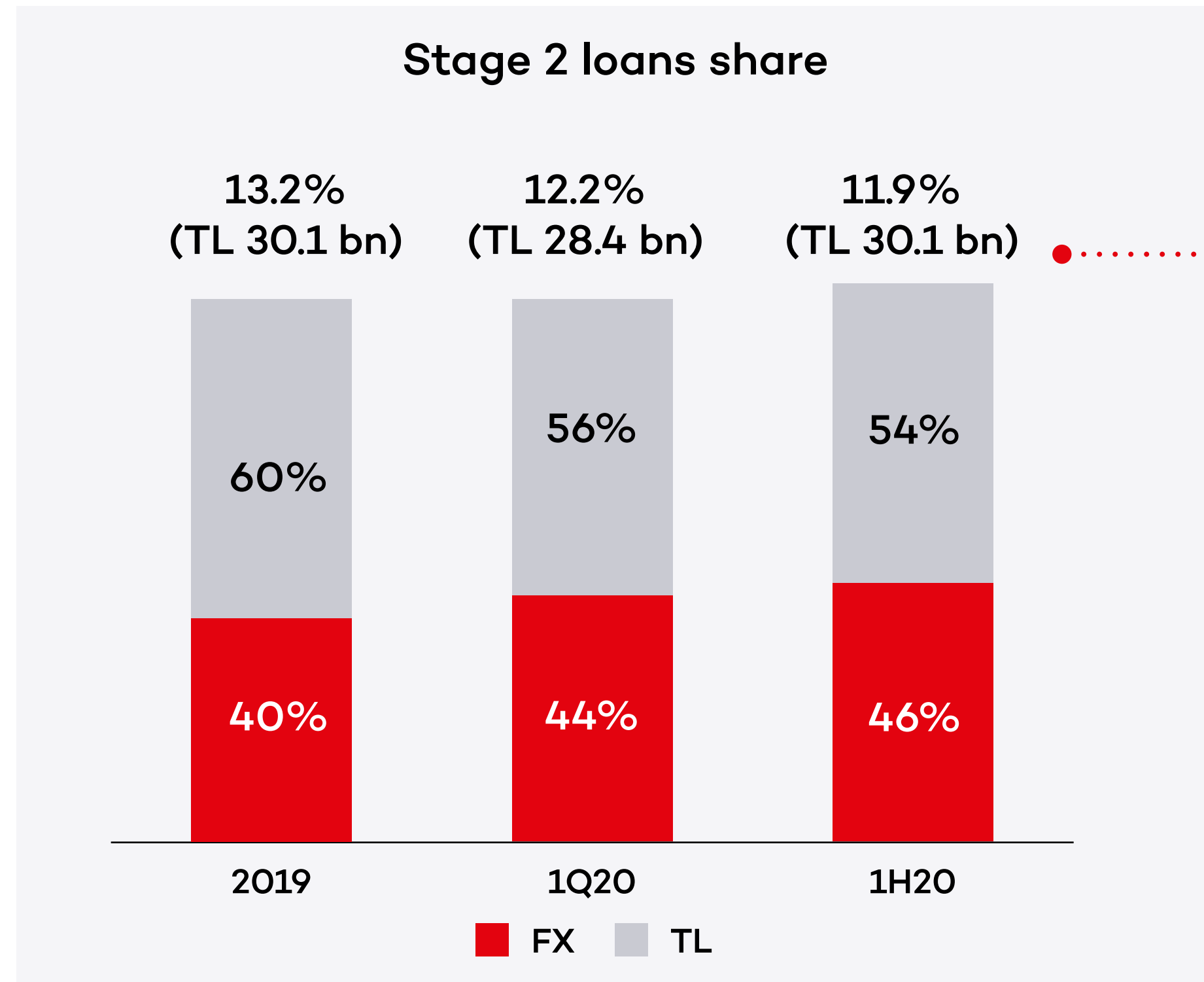
⁽¹⁾ ≤ 1 year tenor

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

⁽³⁾ USD equivalent of TL 1.4 bn Covered Bond issuances

⁽⁴⁾ Tier 2 bonds have issuer call scheduled at 2022 and 2023, respectively

Proactive IFRS 9 implementation regardless of staging forbearance



	% of Total Stage 2	Coverage (%)	Coverage ▲ bps (QoQ)
Real Estate ⁽¹⁾	16.8	6	104
Energy Generation	8.1	31	65
Retailer	8.0	33	2045
Tourism	5.8	13	305
Construction	4.0	24	267
Transportation & Logistics	0.7	10	125

	2019	1Q20	1H20
Stage 2 Coverage	11.1%	11.8%	15.1%
Stage 3 Coverage	56.2%	58.8%	61.5%
Free Provisions	TL 650 mn	TL 900 mn	TL 900 mn

- ▶ Significant increase in coverage ratios to further build up reserve buffer
 - ⊙ Forbearance loans⁽²⁾ are provisioned according to IFRS 9 regardless of staging
 - ⊙ Implemented sectoral overlays and revisited individual assessments
- ▶ 30-90 days past due loans in Stage 1 are negligible
- ▶ All restructured loans (TL 22.2 bn) are followed under Stage 2

⁽¹⁾ Real estate's share in Stage 2 is at 8.6% with 12% coverage, excluding one excessively collateralized real estate loan

⁽²⁾ Stage 2 and Stage 3 recognitions extended to 90 and 180 days, respectively

Prudent sector-wide coverage increase

NPL Ratios by Segment
(%)

	2019	1Q20	1H20
Business	7.1	7.2	6.6
Consumer	4.8	4.5	4.3
Credit Cards	6.0	6.3	6.0
Total	<u>6.6</u>	<u>6.7</u>	<u>6.2</u>

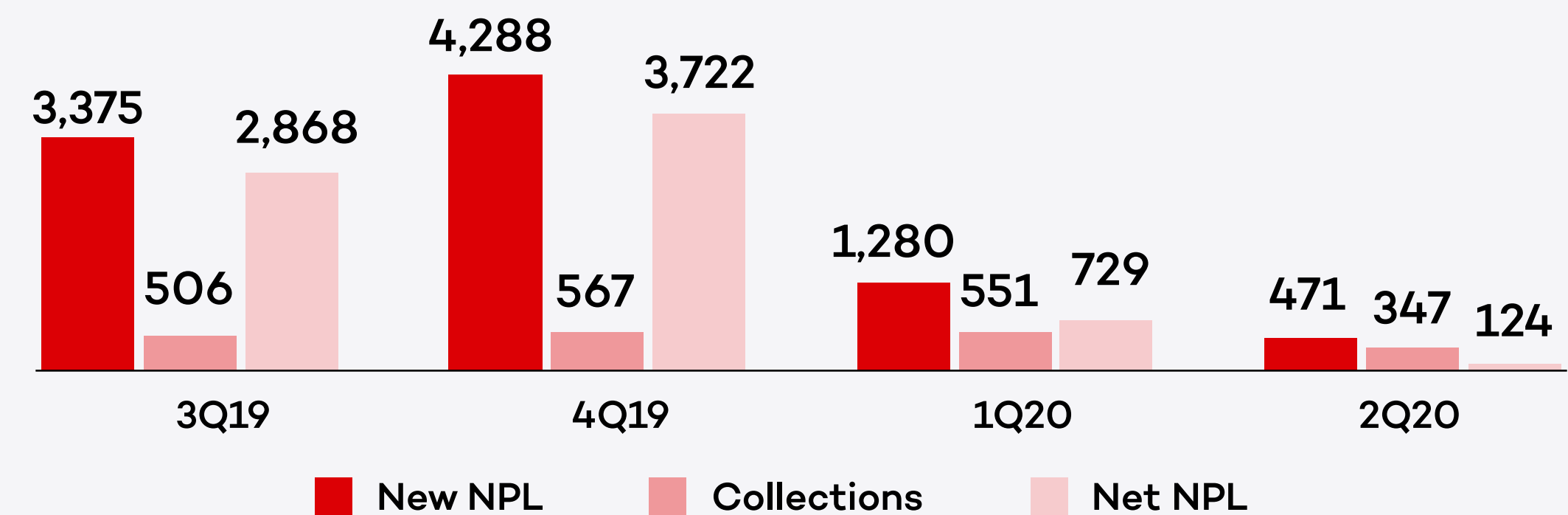
	% of Total Stage 3	Coverage (%)	Coverage ▲ bps (QoQ)
Real Estate	23.6	57	843
Construction	7.8	64	711
Energy Generation	5.5	45	477
Tourism ⁽¹⁾	2.6	45	997
Retailer	3.3	53	455
Transportation & Logistics	0.8	66	940

In 2Q20:

- ▶ Collection performance almost reached pre-Covid avg. monthly performance towards end of June
- ▶ Due to sector-wide payment holidays & staging forbearances,⁽²⁾ Covid-19 impact on NPL expected to be seen towards end of 2020

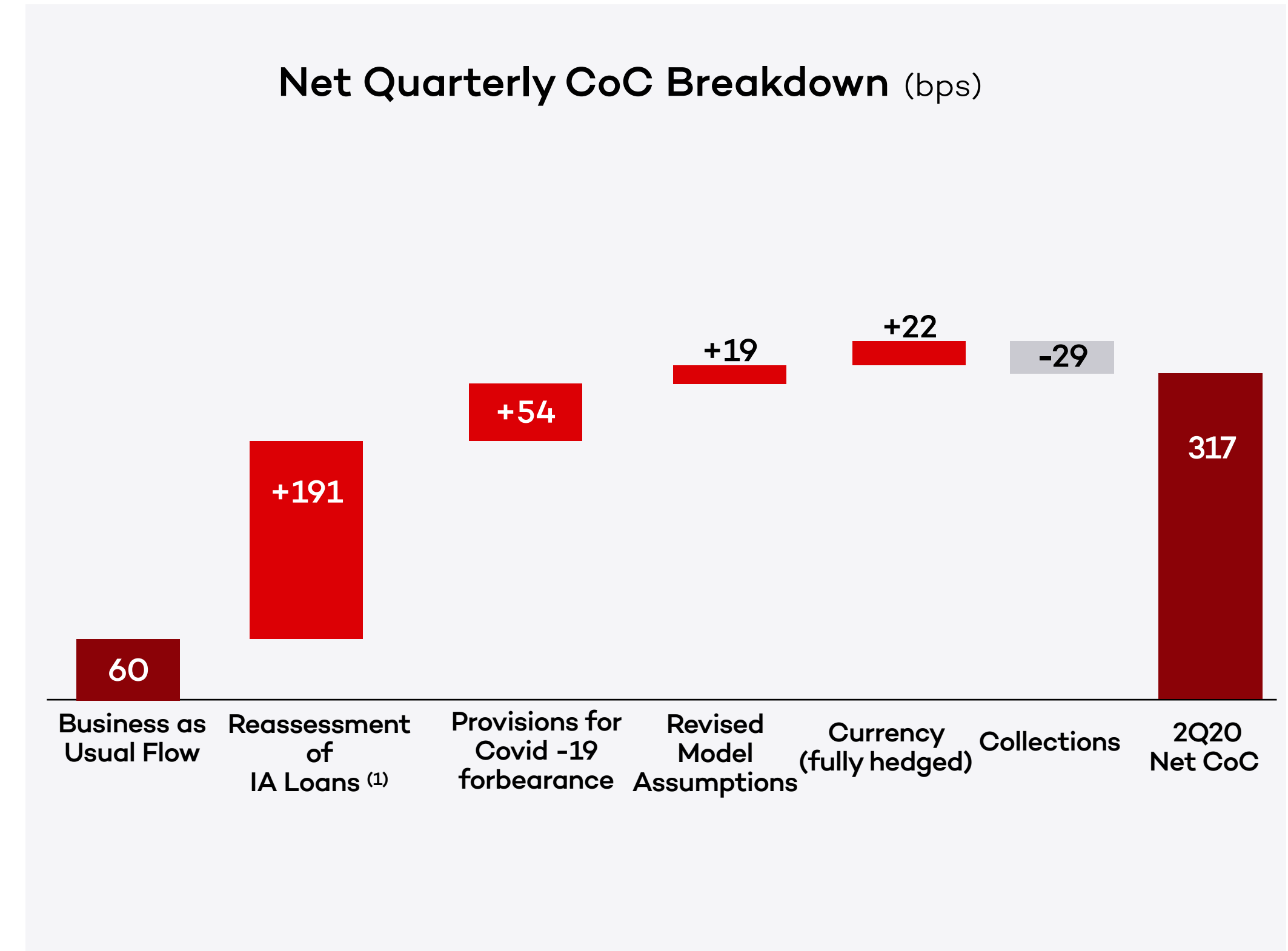
... FY20 NPL expected to be <6%

Quarterly New NPL Additions and Recoveries ⁽³⁾
(TL mn)



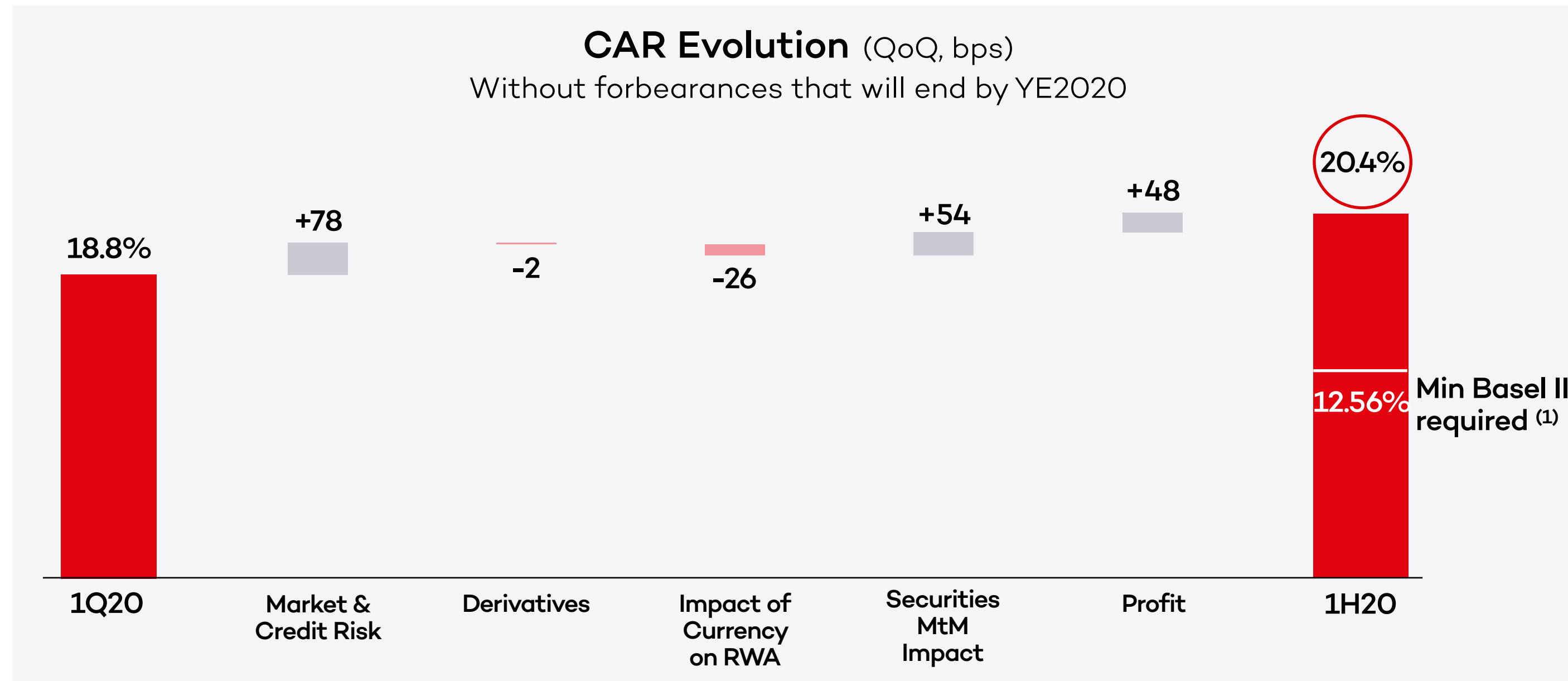
Higher provisions driven by Covid-19

Provision & CoC Breakdown				
Provisions	2Q20		1H20	
	TL, mn	bps	TL, mn	bps
Stage 1+2 (net)	1,195	206	1,286	113
Stage 3	680	117	1,822	161
Stage 3 Recoveries	(169)	(29)	(486)	(43)
Currency Impact	130	22	315	28
Net CoC	1,837	317	2,936	259



- ▶ Prudent reserve build >> Total provisions reached TL 15 bn with ytd provision charges of TL 2.9 bn
- ▶ 1H20 CoC excludes LYY MtM adjustment of TL 1,283 mn driven by TL depreciation
- ▶ FY20 CoC expected to remain between 250-300 bps

Capital remains a source of strength



Well-positioned to generate profitable growth with robust capital buffers

(%, TL bn)

Without forbearances that will end by YE2020 ⁽²⁾

With forbearances ⁽²⁾

CAR **Excess Capital** ⁽⁴⁾

20.4% **25.6**

21.9% **28.8**

Tier 1 **Excess Tier 1** ⁽⁴⁾

17.4% **22.5**

18.8% **25.5**

CET-1 **Excess CET-1** ⁽⁴⁾

17.4% **27.5**

18.8% **30.2**

(1) Including buffers (Capital Conservation Buffer: 2.50%, D-SIB Buffer: 2.00%, Countercyclical Capital Buffer: 0.06%)

(2) Fixing MtM losses of securities & FX rate for RWA calculation to YE2019

(3) Basel III min. requirements: CAR: 12.56%, Tier-1: 10.56%, CET-1 9.06%

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2020 Revised Outlook: Financial strength & operational resilience remains intact

	Previous 2020B	Revised 2020B	1H20	
TL Loan Growth	High-teens	Low-twenties	+15.1%	<div>1H20 RoE 11.4% when adj. for TL 250 mn ⁽²⁾ free provisions</div>
FX Loan Growth (in USD)	Low-single digit	Negative c. 10%	-9.3%	
Leverage	> 8x	~ 8x	7.7x	
ROE	Mid-teens	Low-teens	10.4%	
NIM (swap adj.)	≥4.0%	4.2% - 4.5%	4.6%	
Net fees&com. growth	High-single digit	Neg. high-single digit	-5.9%	
Opex growth	Mid-teens	Mid-teens	15.7%	
Cost/ income ⁽¹⁾	≤34%	≤34%	31.6%	
NPL	<6%	<6%	6.2%	
Net total CoC	~ 200 bps	250-300 bps	259 bps	

23 ⁽¹⁾ CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions as well as insurance penalty of TL 71 mn

⁽²⁾ Adjusted for 1Q20 free provisions of TL 250 mn

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Snapshot of Results

	1Q19	1H19	2019	1Q20	1H20
Profitability (%)					
ROE	12.3	11.4	10.9	9.6	10.4
ROE, Quarterly	12.3	10.4	10.0	9.6	11.4
ROA	1.5	1.4	1.4	1.3	1.4
ROA, Quarterly	1.5	1.3	1.4	1.3	1.5
Swap Adj. NIM	3.74	3.86	4.14	4.83	4.63
Swap Adj. NIM, Quarterly	3.74	3.91	4.71	4.83	4.42
CIR ⁽¹⁾	33.4	33.8	32.9	33.8	31.6
CIR, Quarterly	33.4	34.2	29.7	33.8	29.6
(%)					
Total LDR ⁽²⁾	95	95	91	84	98
TL ⁽³⁾	142	139	137	126	138
FX	57	59	51	48	54
Leverage (x)	8.1	7.6	7.1	7.8	7.7
Asset Quality (%)					
NPL Ratio	4.1	4.5	6.6	6.7	6.2
NPL Coverage	58.1	59.2	56.2	58.8	61.5
Stage 2/ Total Gross Loans	14.0	14.2	13.3	12.2	11.9
Stage 2 Coverage	10.1	11.5	11.1	11.8	15.1
Solvency ⁽⁴⁾ (%)					
CAR	16.2	17.7	19.7	18.8	20.4
CET-1	13.8	15.0	16.9	16.0	17.4
Tier-1	13.8	15.0	16.9	16.0	17.4

⁽¹⁾ CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions as well as insurance penalty of TL 71 mn

⁽²⁾ Bank-only

⁽³⁾ TL LDR includes domestic TL bond issuances and merchant payables

⁽⁴⁾ 2020 figures are w/o forbearances that will end by YE2020 (Fixing MtM losses of securities & FX rate for RWA calculation to YE2019)

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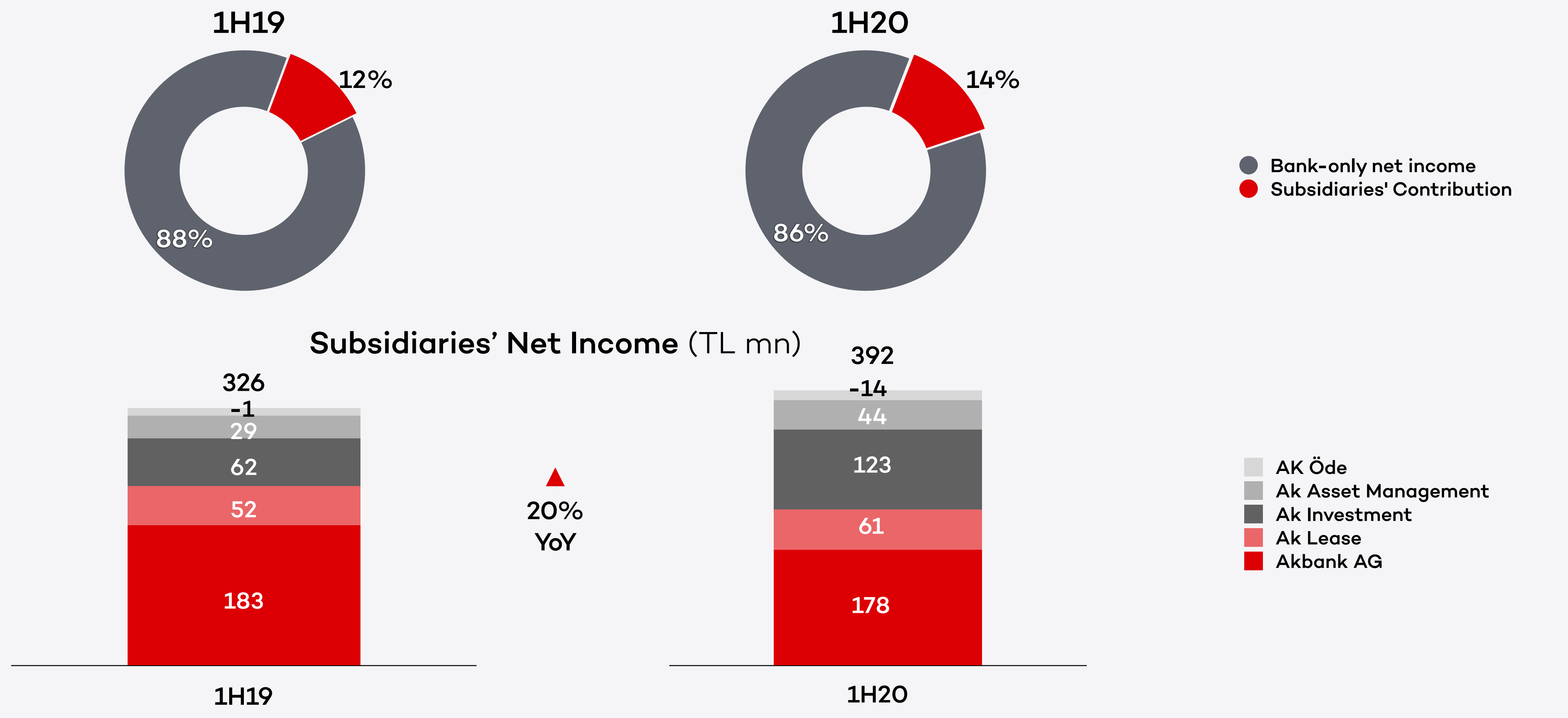
Balance Sheet Highlights

	2019	1Q20	1H20	QoQ (%)	YtD (%)
Consolidated (TL mn)					
Cash and due from Banks	47,901	67,170	57,107	(15)	19
Securities	83,635	89,552	100,108	12	20
TL	48,213	51,143	66,532	30	38
FX (USD)	5,983	5,873	4,907	(16)	(18)
Loans (net)	214,471	219,047	238,540	9	11
TL	133,307	133,841	153,489	15	15
FX (USD)	13,710	13,028	12,429	(5)	(9)
Other	41,165	45,625	47,929	5	16
Total Assets	387,172	421,394	443,684	5	15
Deposits	244,712	270,780	259,245	(4)	6
TL	95,854	105,971	104,488	(1)	9
FX (USD)	25,145	25,200	22,615	(10)	(10)
Funds Borrowed and Bonds Issued	53,755	53,458	62,734	17	17
Repo	10,107	17,874	34,326	92	240
Other	24,236	25,375	29,861	18	23
Equity	54,362	53,906	57,518	7	6
Total Liabilities and S/H Equity	387,172	421,394	443,684	5	15

Income Statement Highlights

Consolidated (TL mn)	1Q20	2Q20	QoQ(%)	1H19	1H20	YoY(%)
Net Interest Income incl. swap cost	4,503	4,403	(2)	6,523	8,906	37
NII	5,241	4,993	(5)	7,710	10,234	33
Swap Cost	(738)	(590)	(20)	(1,187)	(1,328)	12
Fees and Commissions (Net)	1,264	998	(21)	2,403	2,262	(6)
Trading Gain (Loss)	252	893	254	989	1,145	16
FX Gain (Loss) from Long Position	186	130	(30)	37	315	750
Securities	(22)	314	-	79	292	271
Other	88	449	404	873	538	(38)
Other Income	76	67	(12)	92	143	55
Operating Expense	(2,055)	(1,843)	(10)	(3,368)	(3,898)	16
Pre- Provision Income	4,040	4,518	12	6,639	8,558	29
Provision for Loan Losses, net of collections	(1,099)	(1,837)	67	(2,223)	(2,936)	32
Stage 1+2 (net)	(90)	(1,195)	1,222	(812)	(1,286)	58
Stage 3	(1,141)	(680)	(40)	(1,674)	(1,822)	9
Stage 3 Recoveries	318	169	(47)	300	486	62
Currency Impact (fully hedged)	(186)	(130)	(30)	(37)	(315)	750
Other Provisions	(1,167)	(594)	(49)	(961)	(1,761)	83
LYY MtM Loss	(871)	(412)	(53)	(628)	(1,283)	104
Free Provisions	(250)	-	-	(100)	(250)	150
Other ⁽¹⁾	(46)	(181)	293	(233)	(228)	(2)
Income Before Tax	1,774	2,087	18	3,455	3,861	12
Tax	(471)	(504)	7	(789)	(975)	24
Net Income	1,303	1,583	21	2,667	2,885	8

Solid contribution from subsidiaries



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