

2Q21
Consolidated
Financial Results

AKBANK



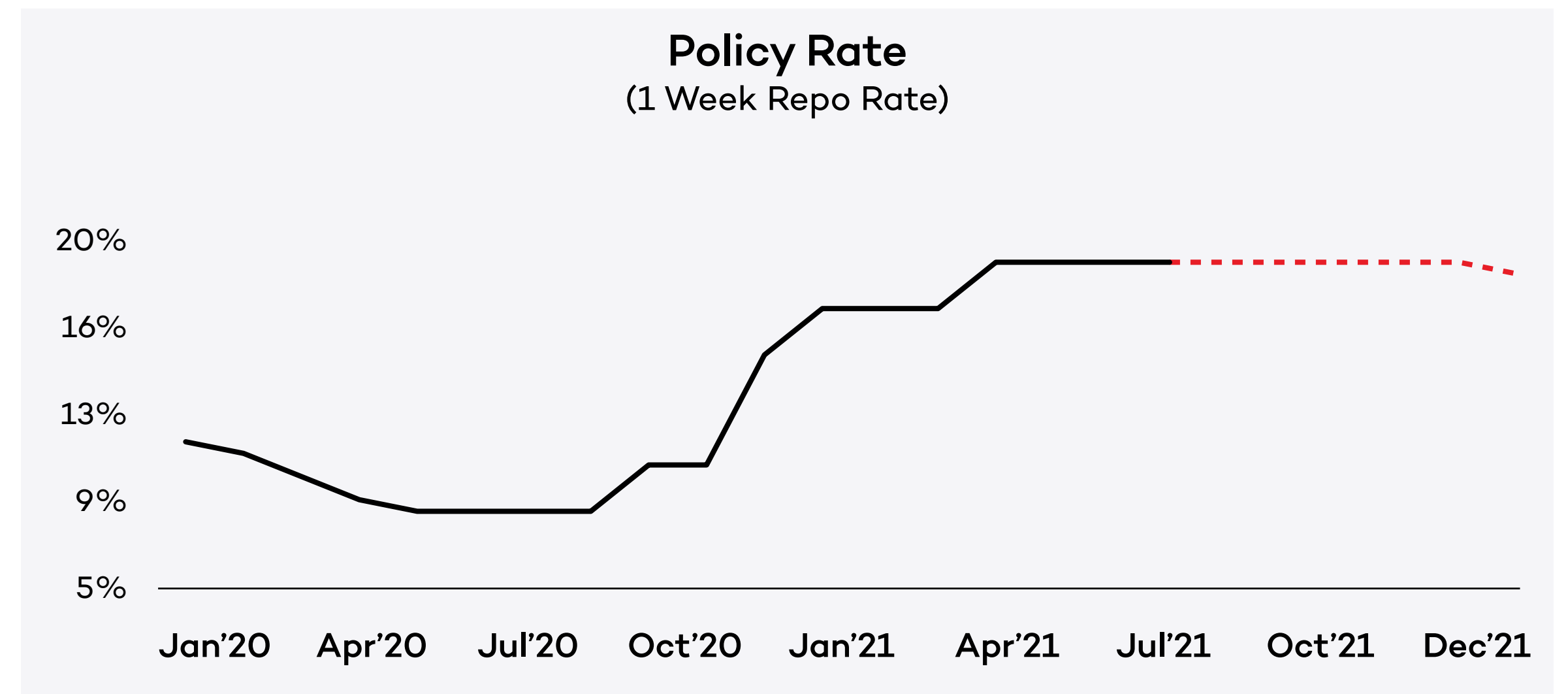
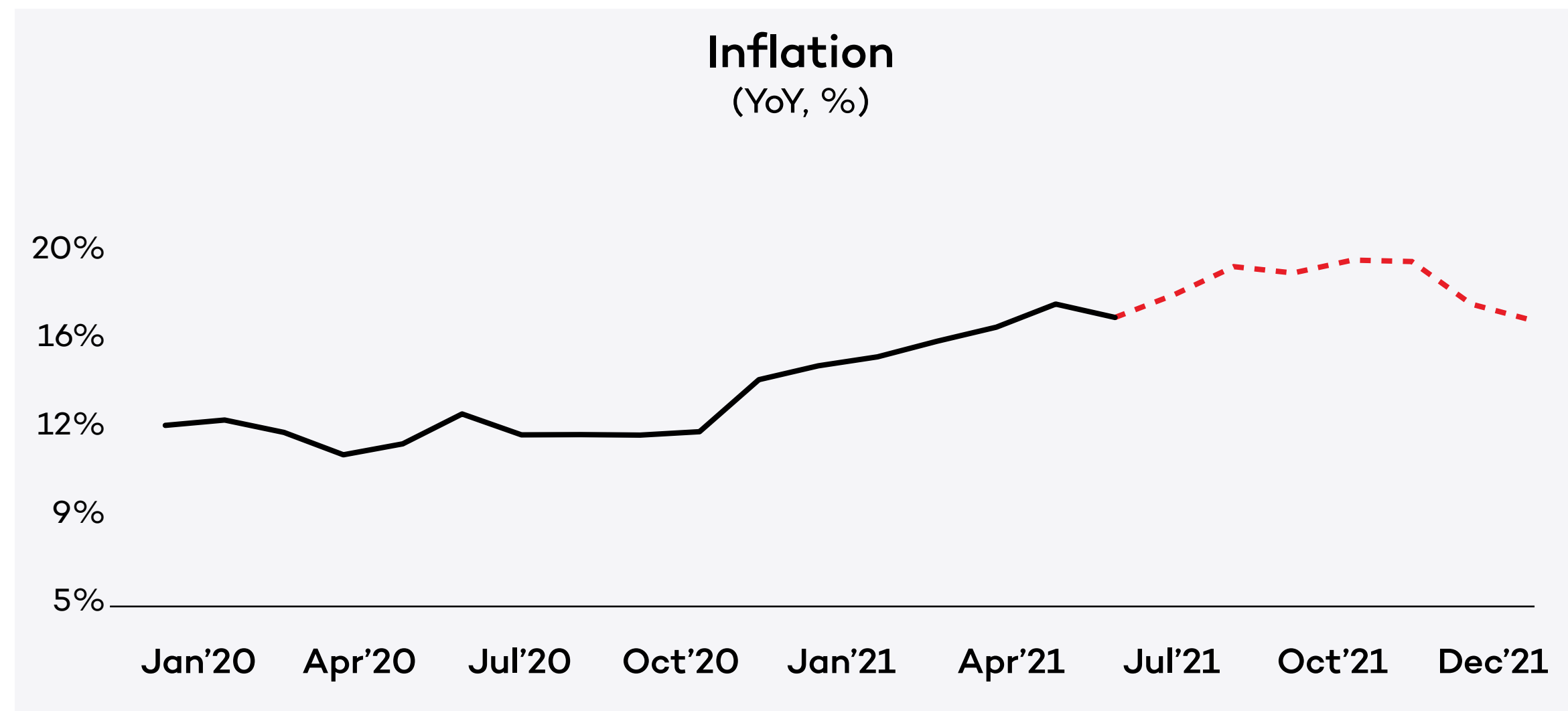
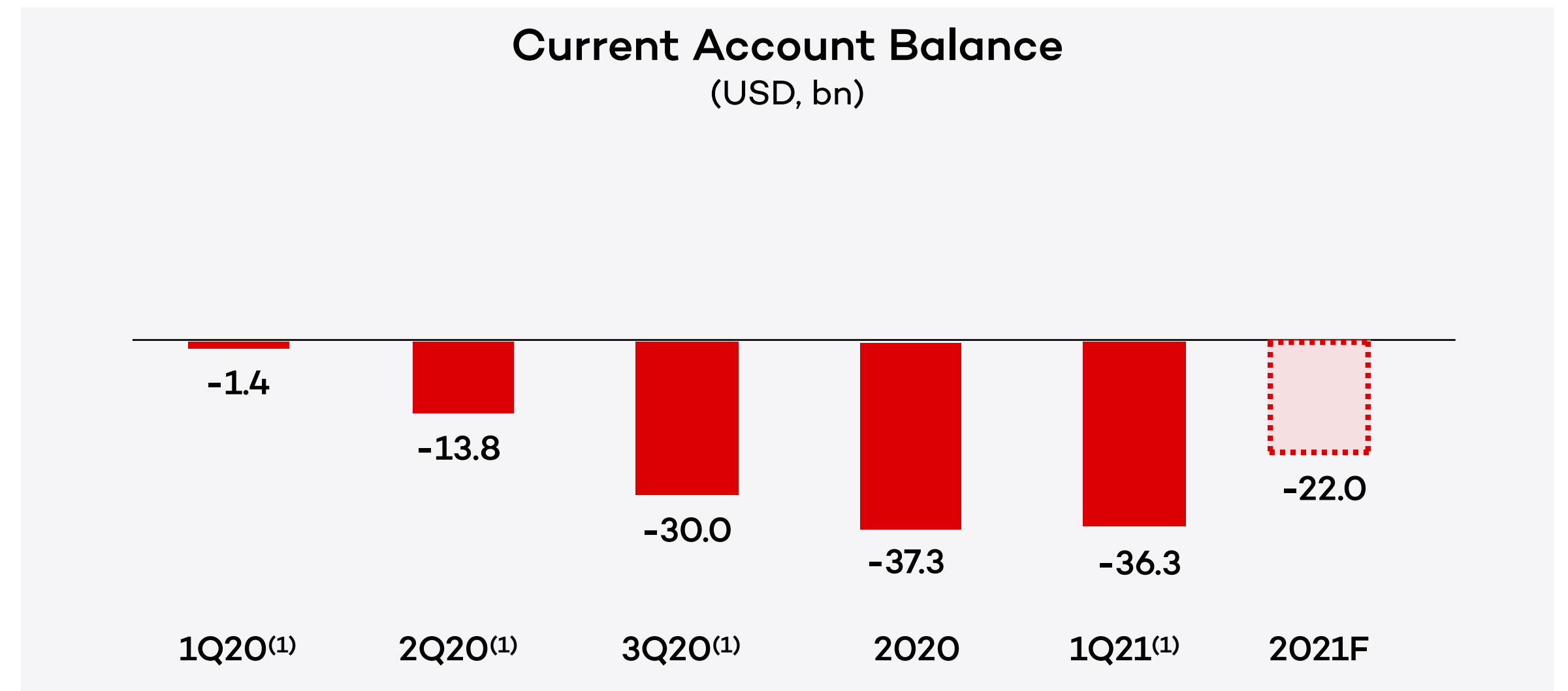
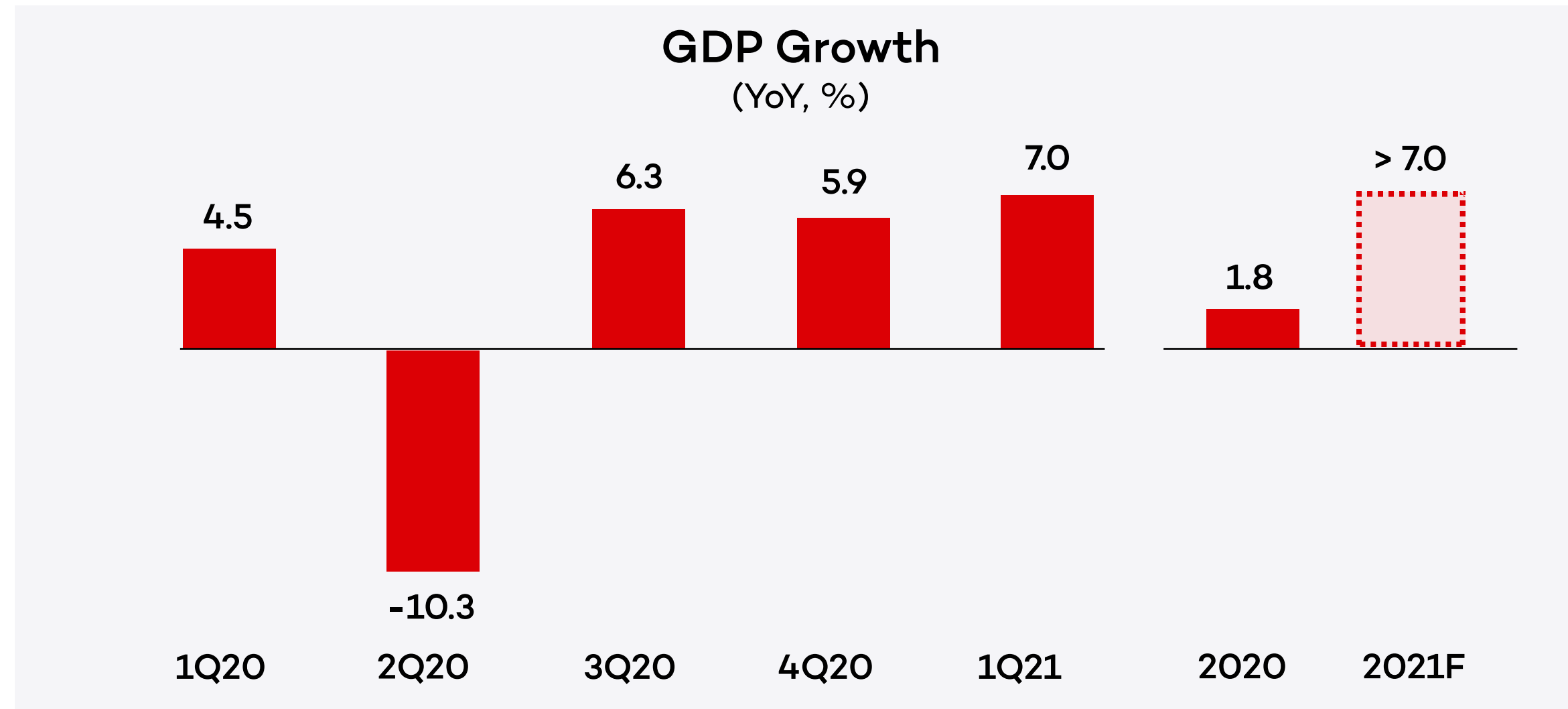
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01 Operating Environment

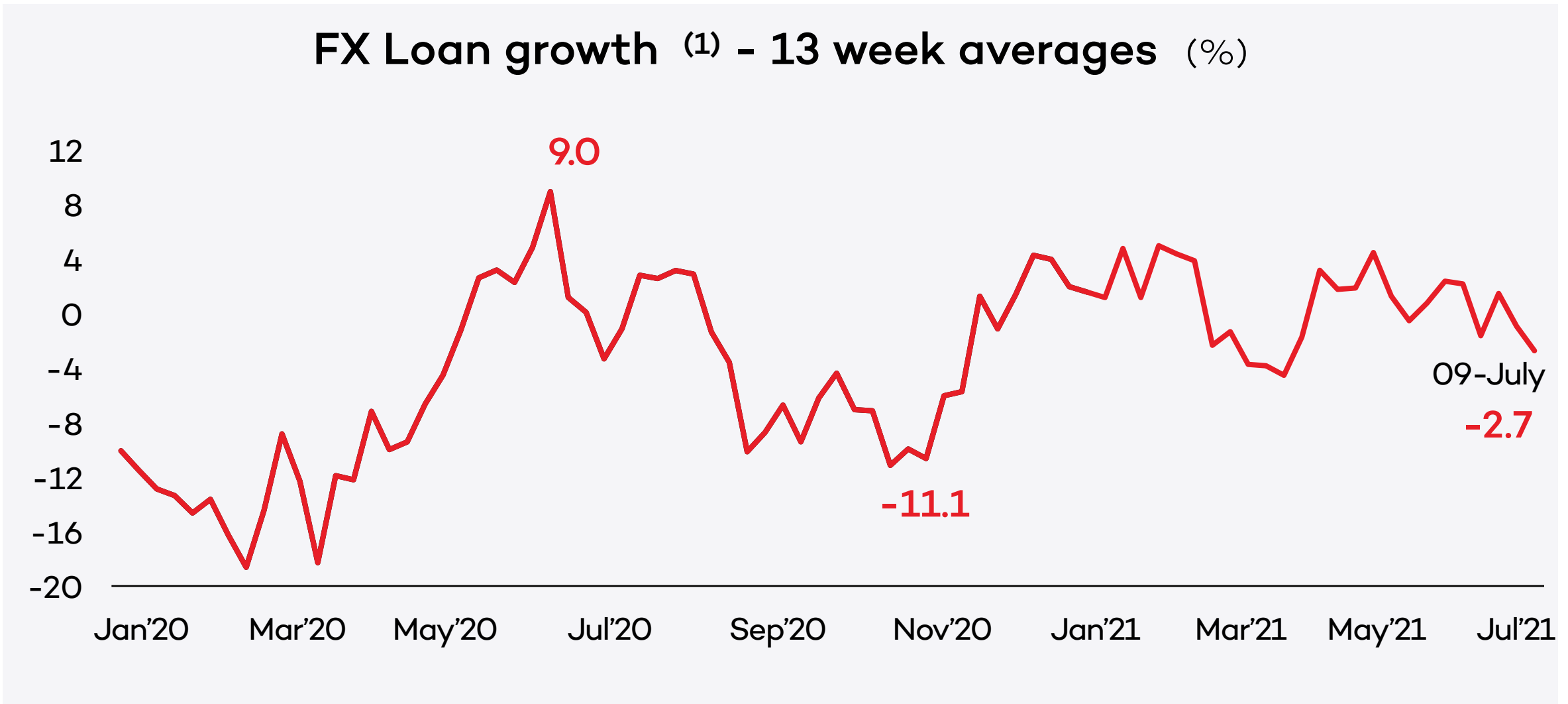
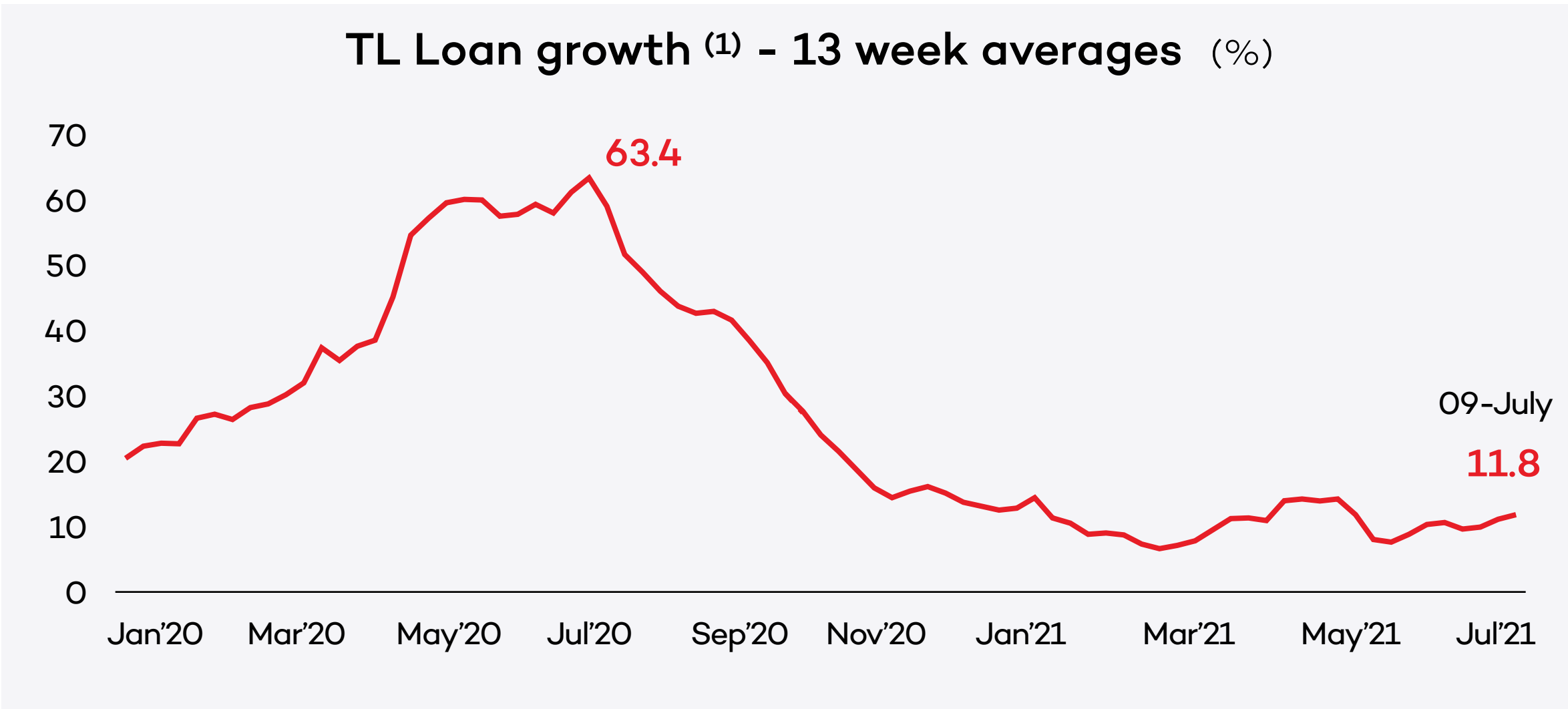
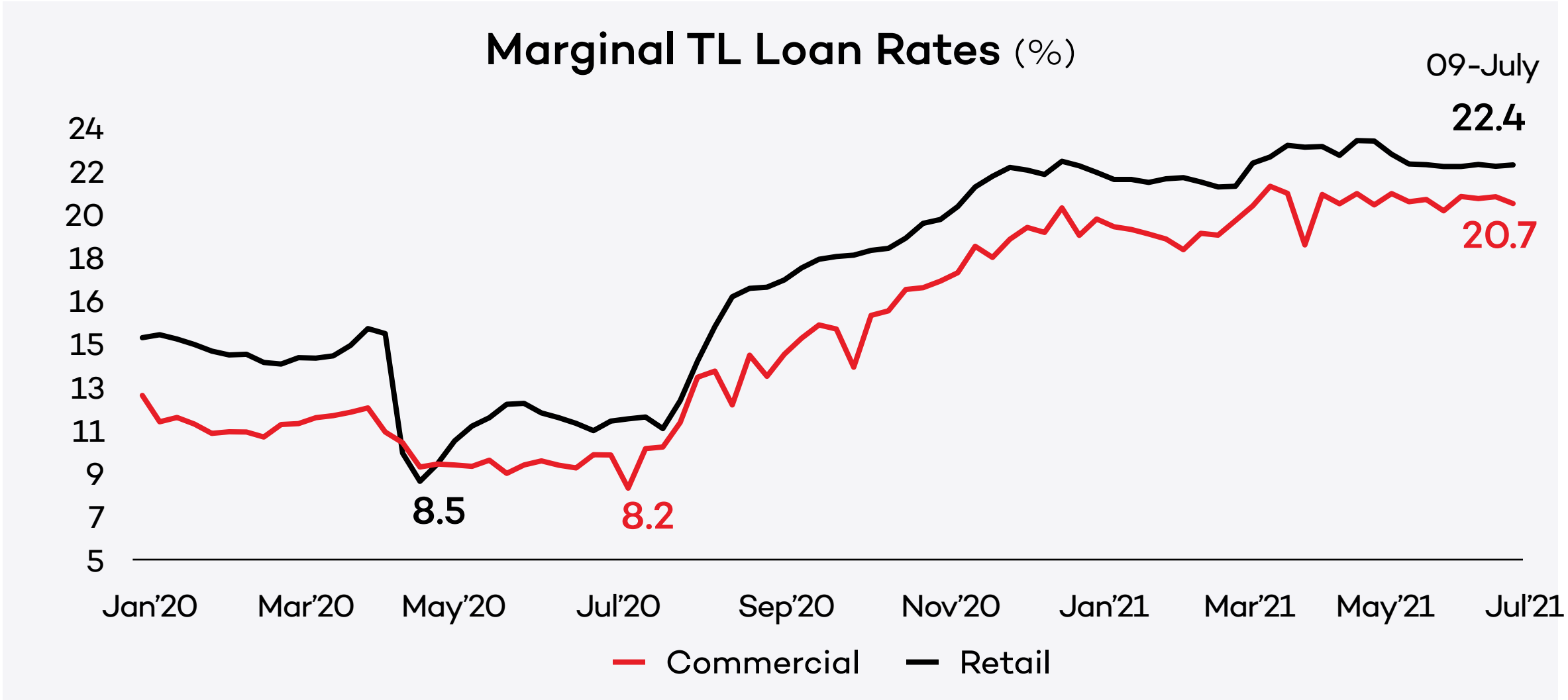
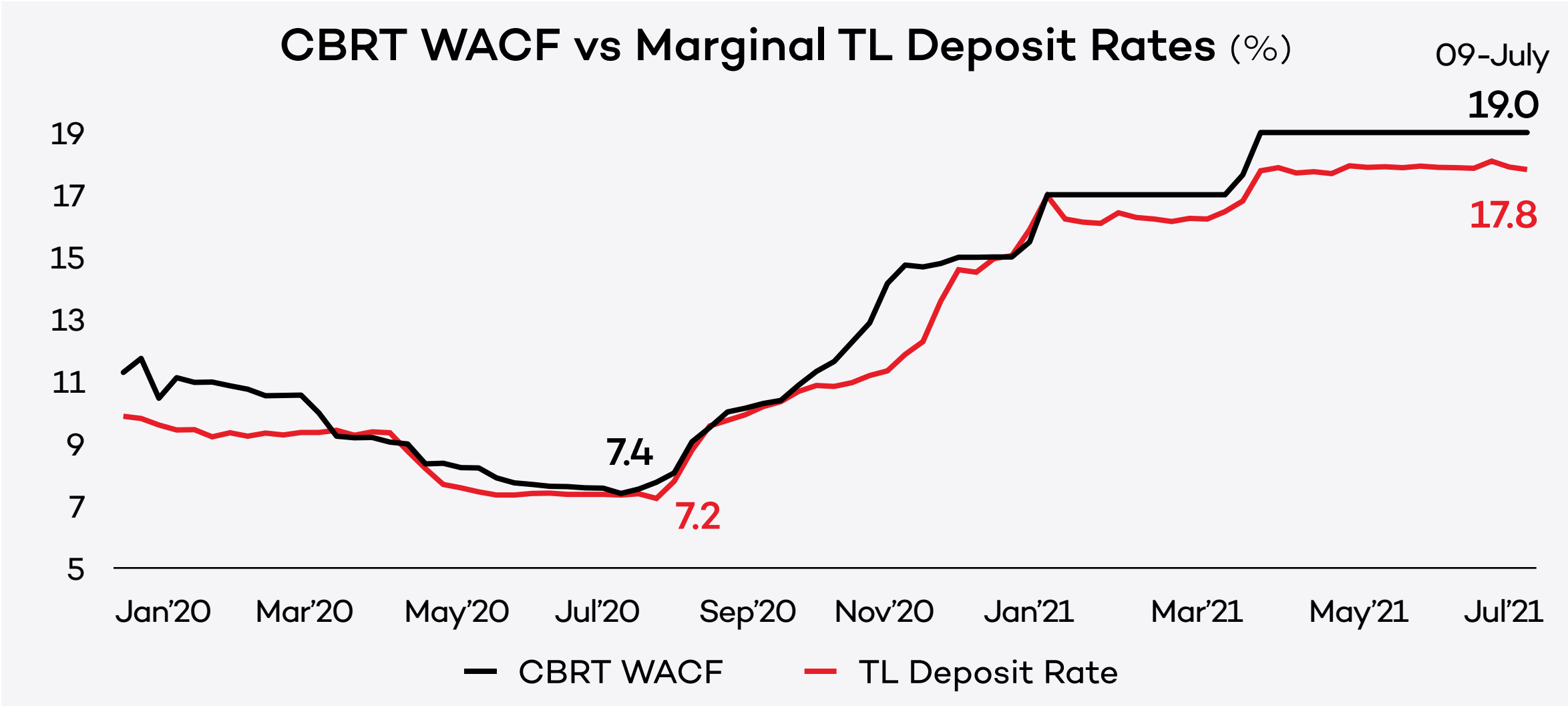
02 Financials

03 Annex

Turkish Economy: 2021 Outlook



Tight funding conditions to continue throughout the year



Source: BRSA & CBRT & WACF weekly data dated July 09, 2021

4 ⁽¹⁾ Excluding participation banks

Content

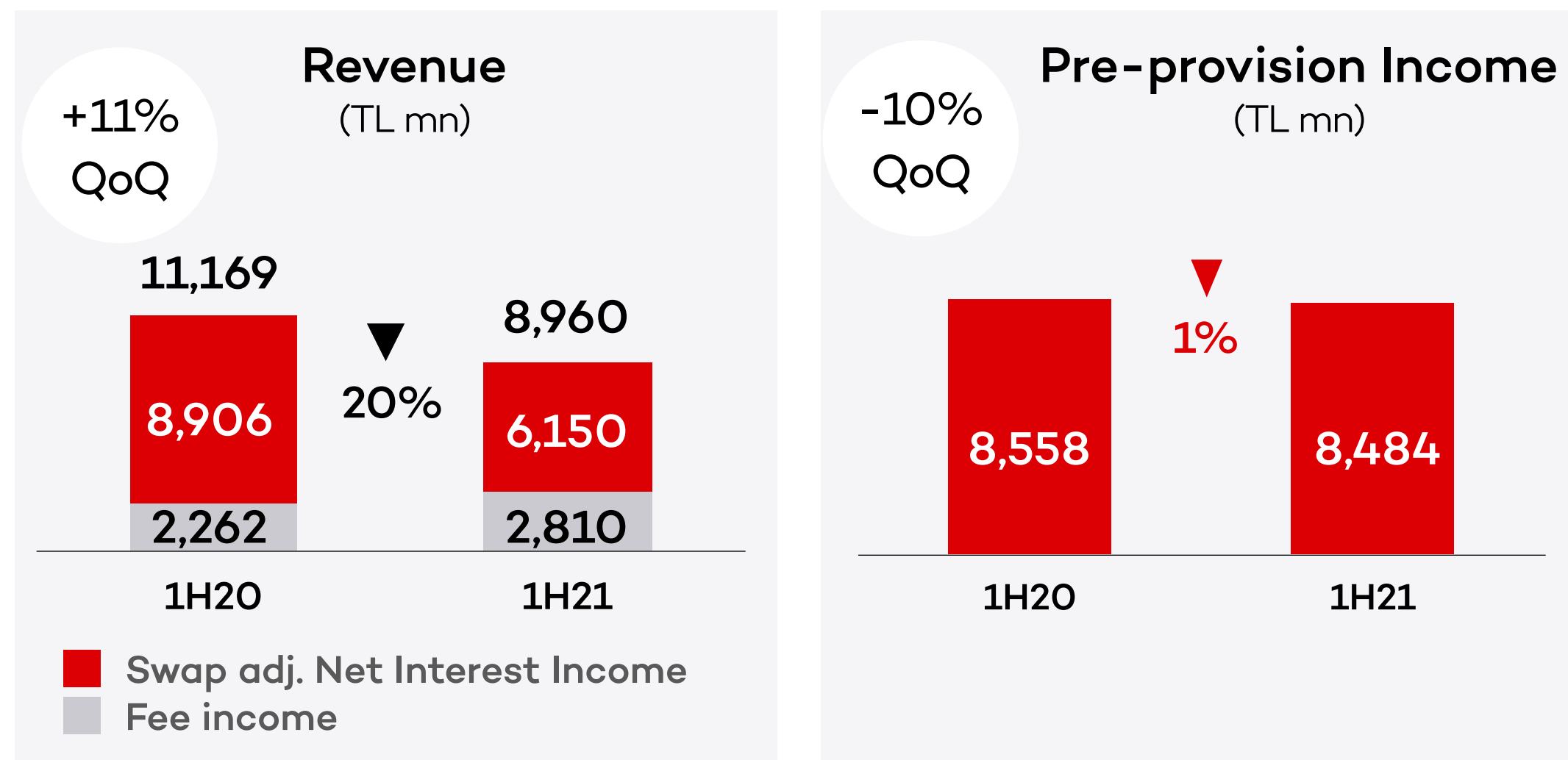
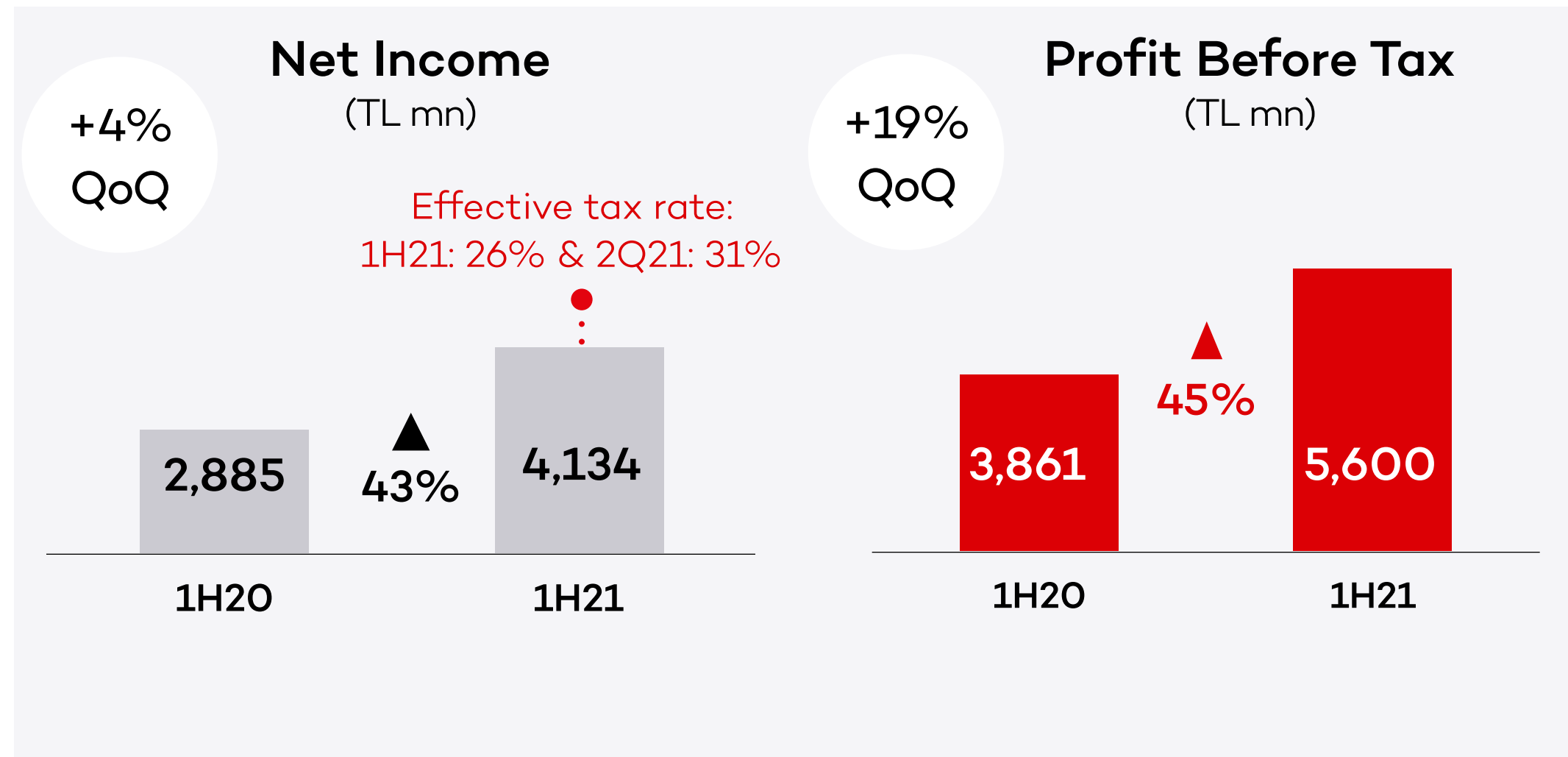
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1H21: On course for FY ROE guidance

1H21
RoE
12.8%



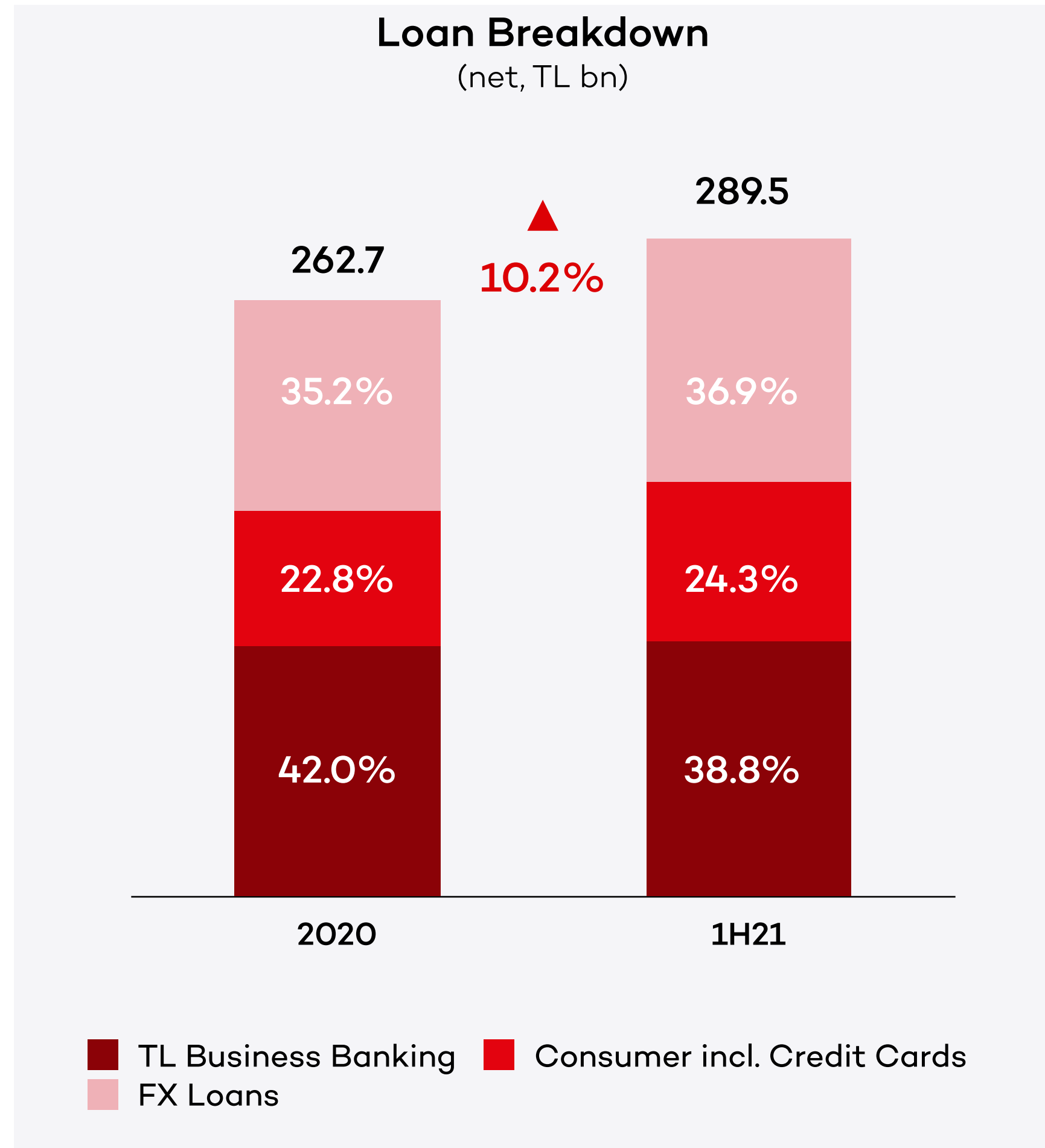
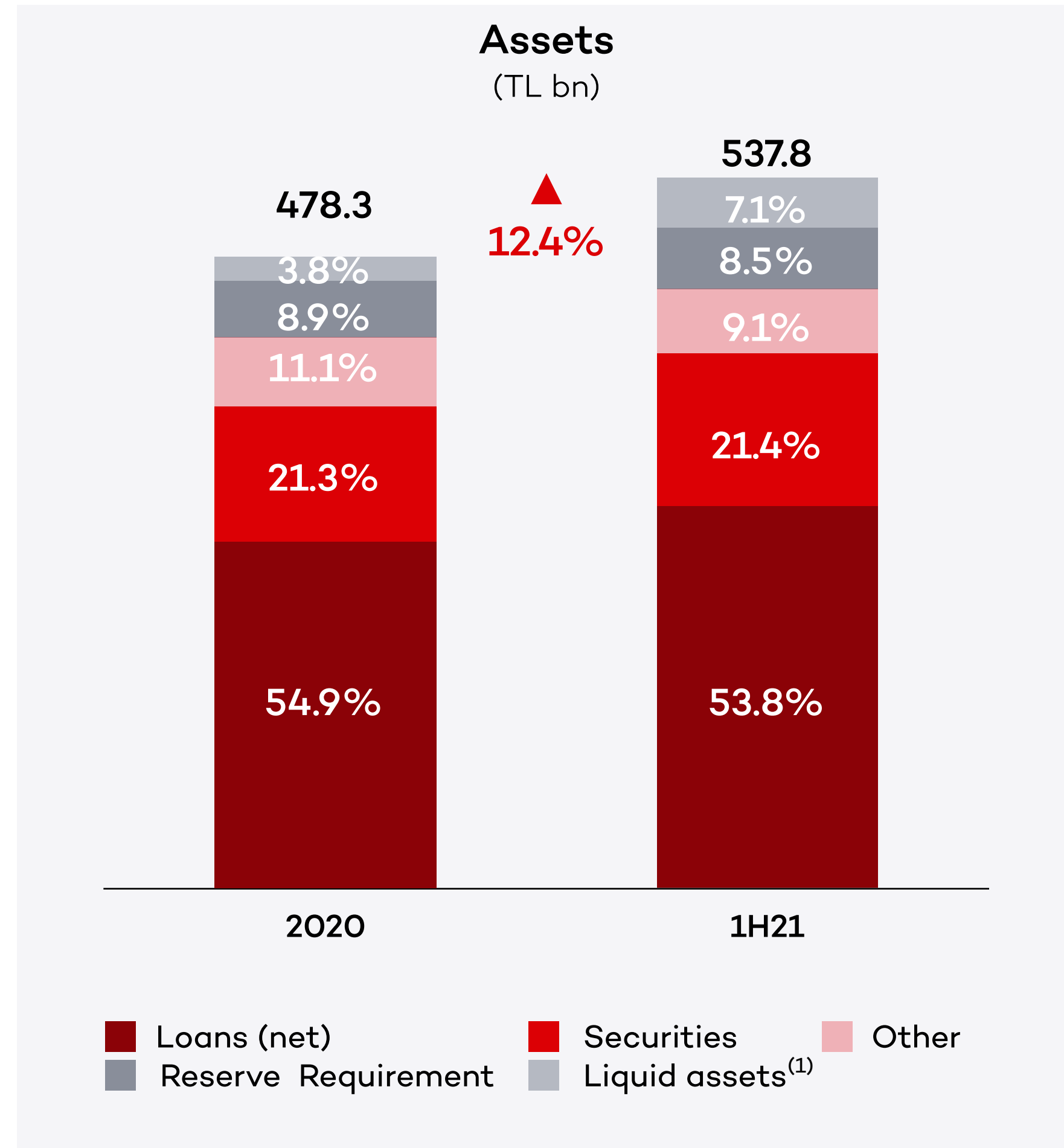
1H21 Achievements

- ▶ Generated all time high profit before tax & net income
- ▶ Sustained pre-provision income despite significant NIM pressure
 - Proactive securities positioning & strategic loan mix to alleviate funding cost pressure in 2H
- ▶ Robust fee performance across the board
- ▶ Advanced market share gains in retail ⁽¹⁾ loans enhancing profit mix
- ▶ Demonstration of long term prudent risk management confirmed with sound asset quality performance
- ▶ Preserved robust capital & solid liquidity buffers

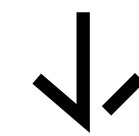
[Cheat sheet link](#)

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Balanced asset allocation drives sustainable long-term shareholder value

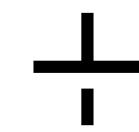


Prudent Asset- Liability
Management



Low Leverage

8.0x



Robust capital⁽²⁾

20.0%

Increased consumer share in loan mix to enhance profitability

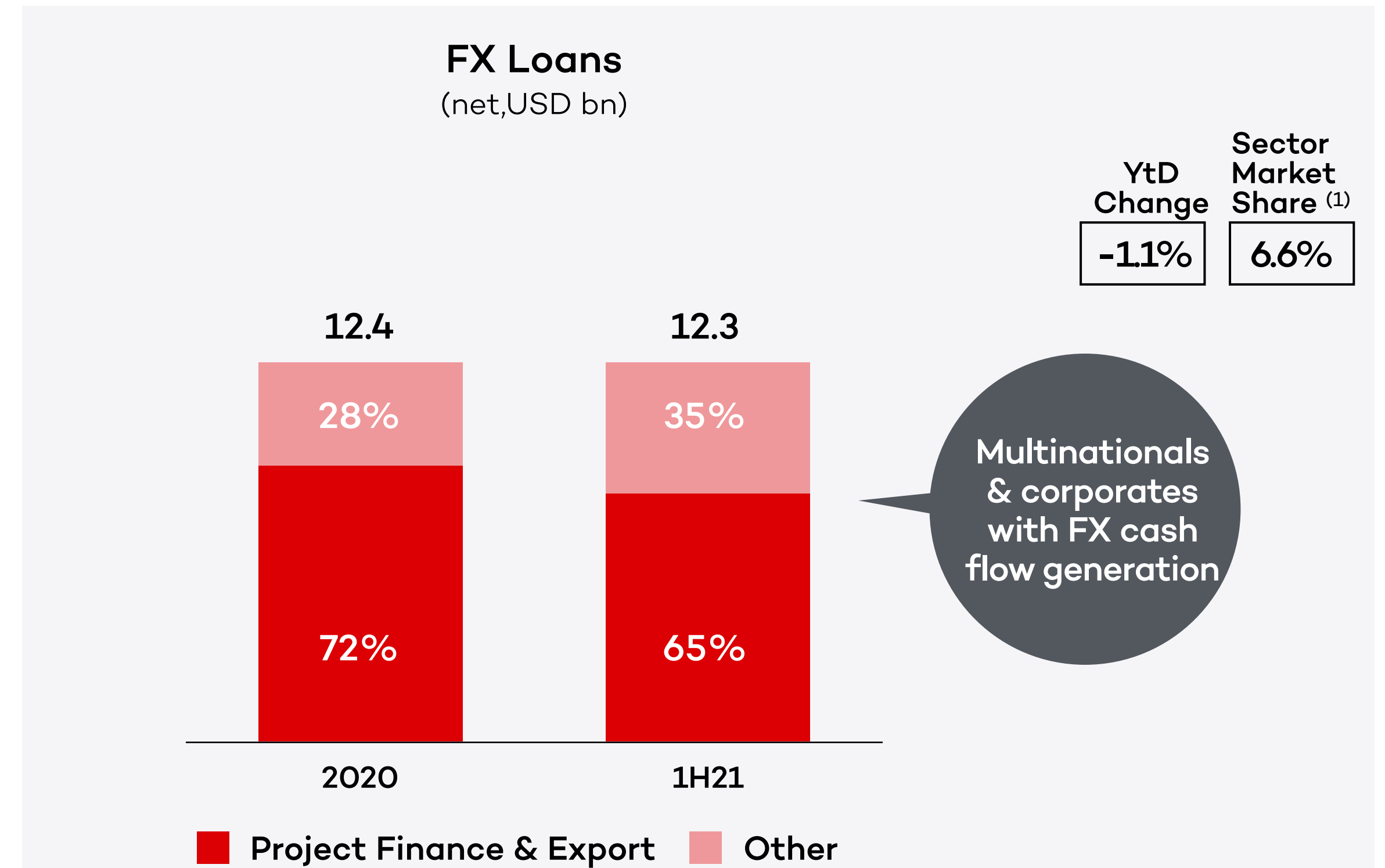
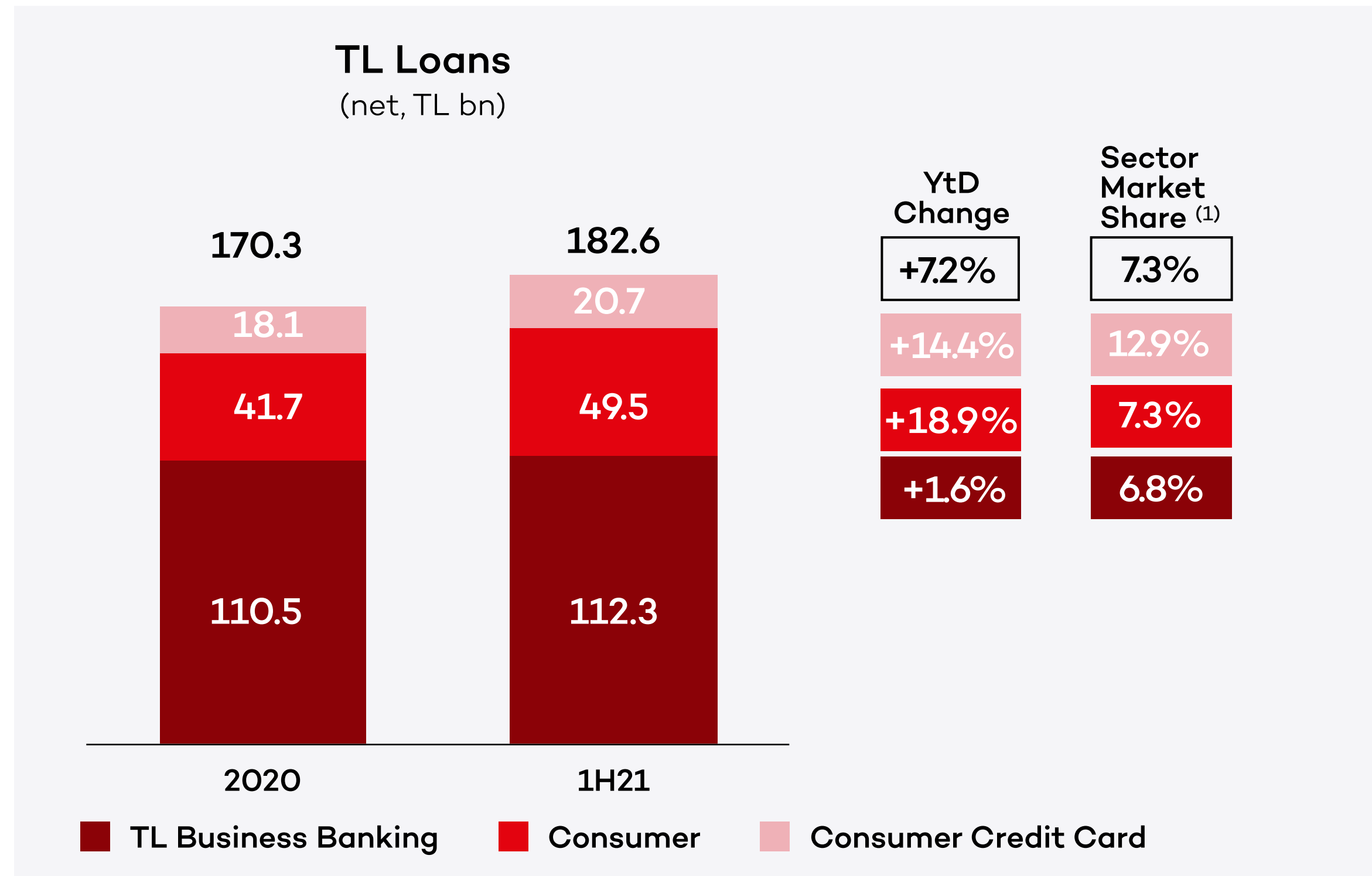
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⁽¹⁾ Cash and cash equivalents

⁽²⁾ w/o forbearances: Fixing FX rate for RWA calculation to average last 12 month FX rate

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Consecutive consumer loan market share gains

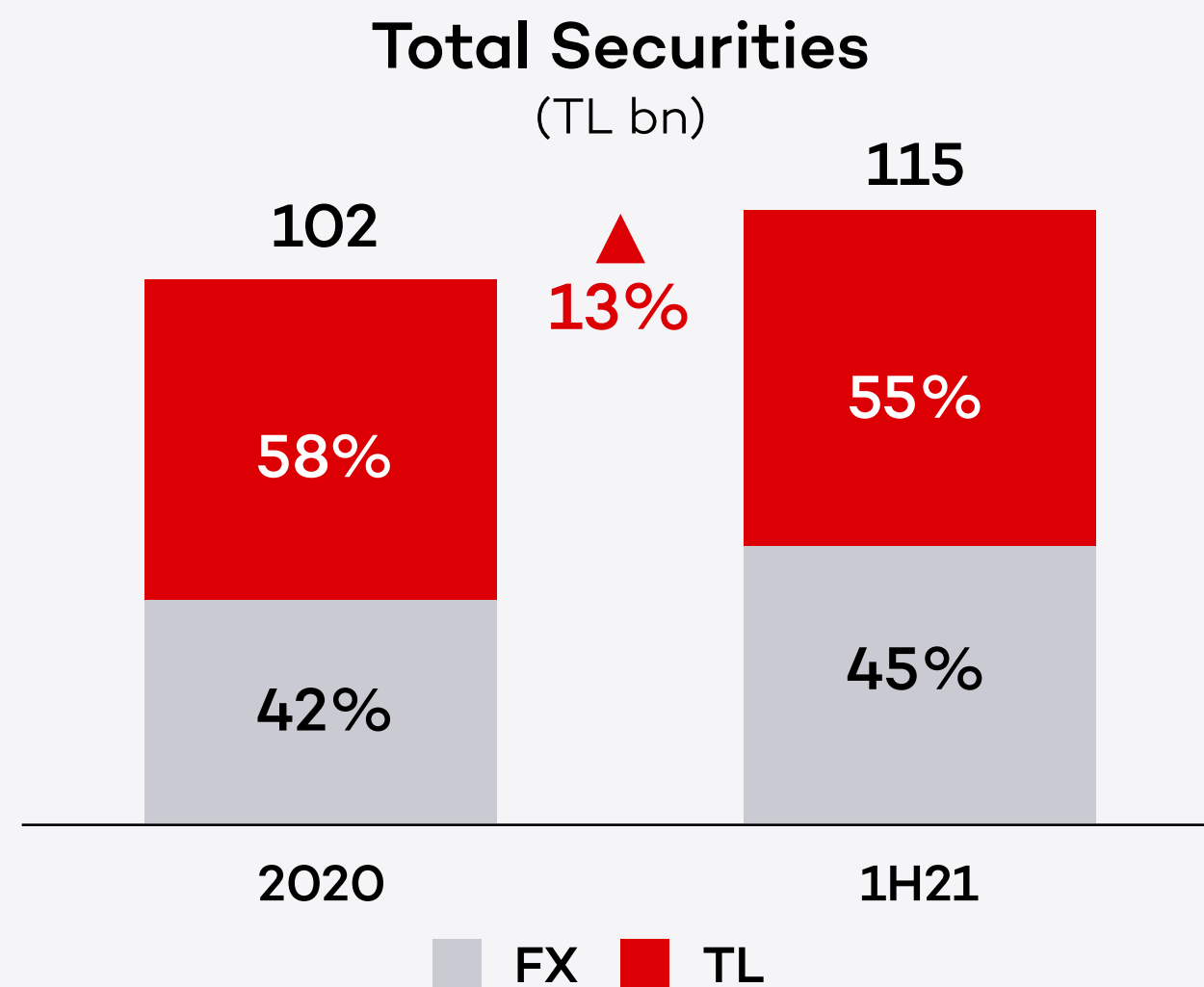
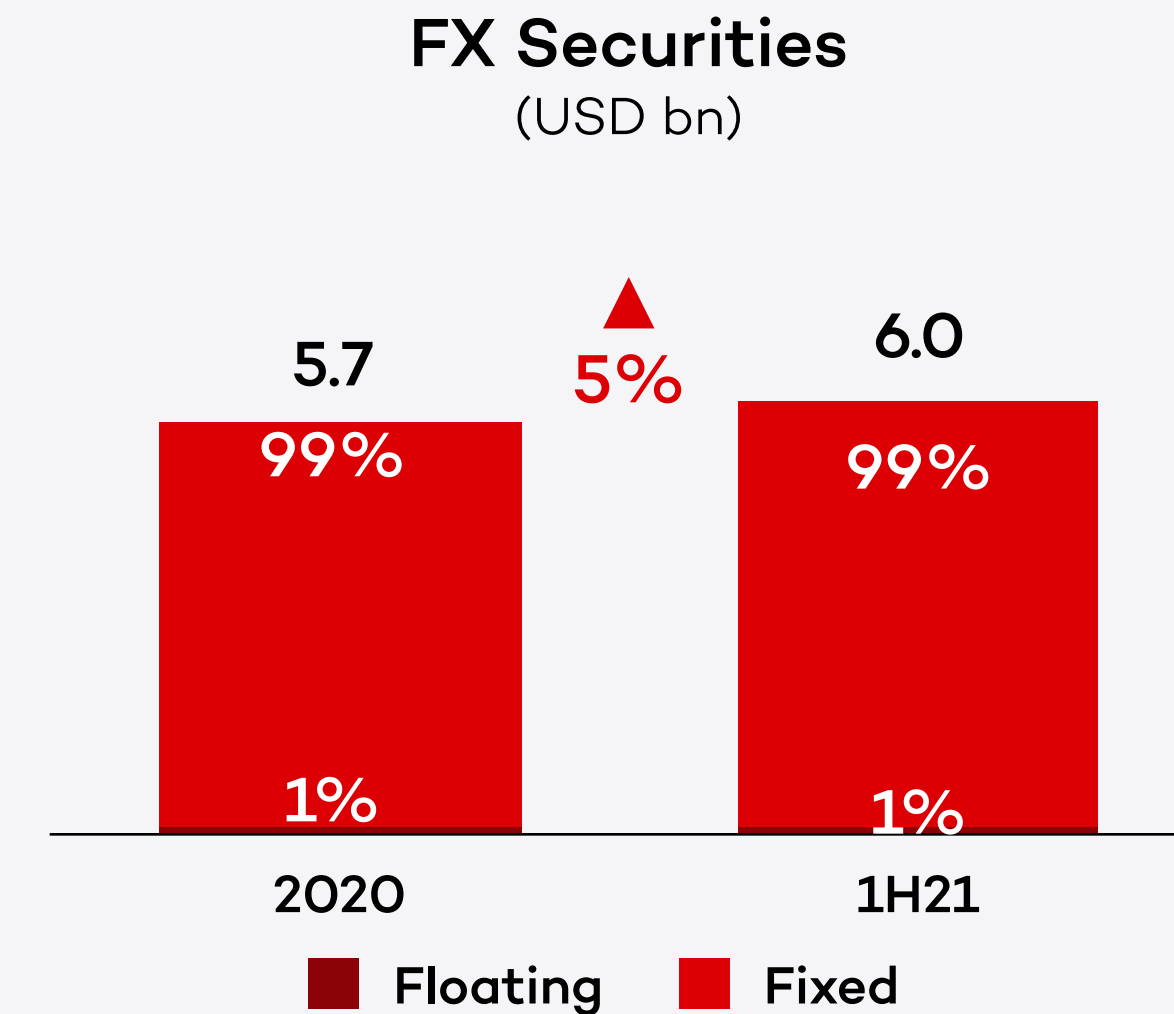
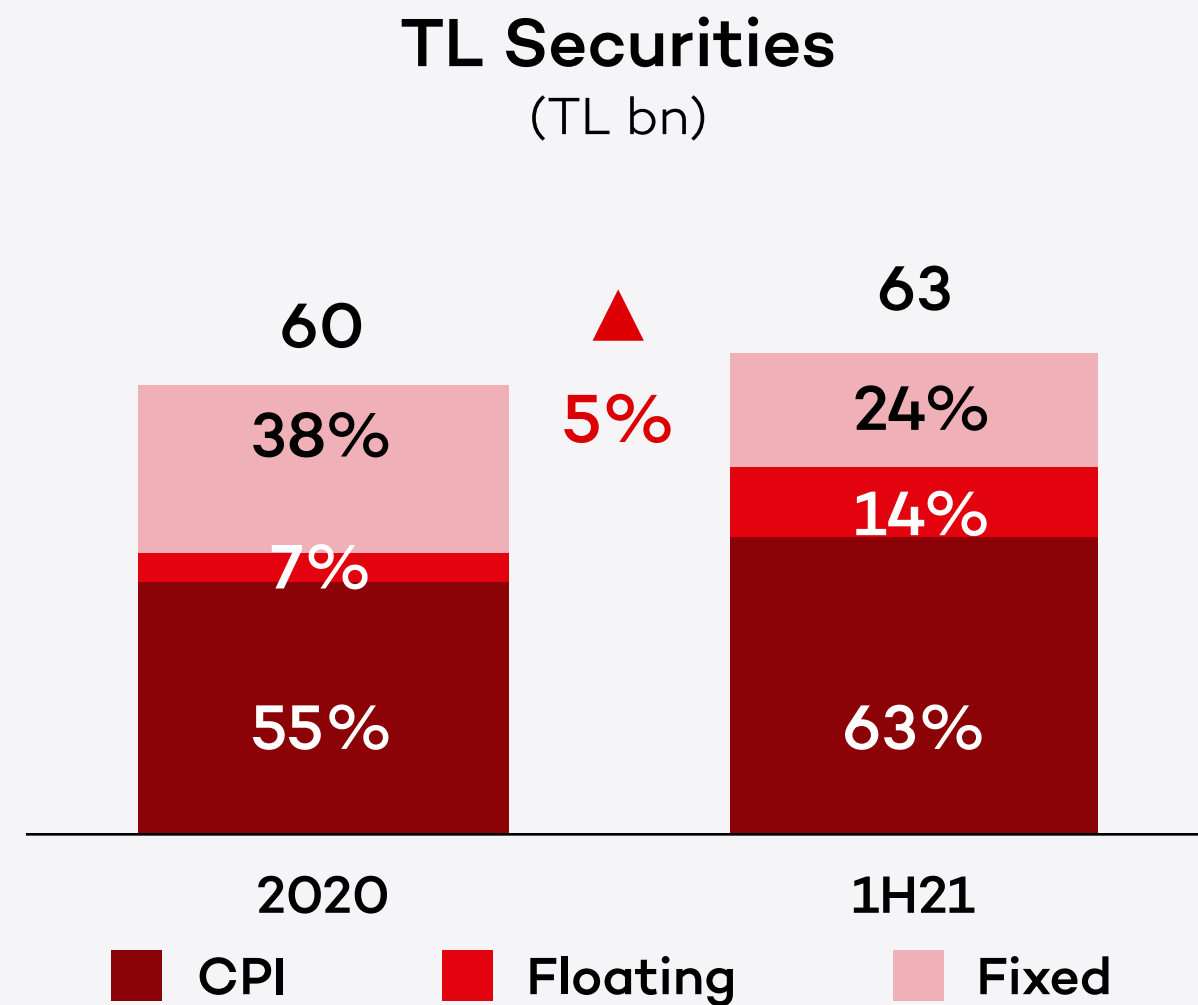


- ▶ TL loan growth in 1H driven by sustained performance in consumer loans inline with our strategy
- ▶ Market share gains in 2021:
 - ◉ 80 bps in Consumer Loans, 90 bps in GPL⁽²⁾, 10 bps in Consumer Credit Cards, 60 bps in Mortgage
- ▶ 69% of GPL originations were pre-approved, separately 30% were to salary customers
- ▶ Supported by accelerated marketing efforts & advanced analytical and digital capabilities

⁽¹⁾ Market share data based on bank only BRSA weekly data as of June 25, 2021

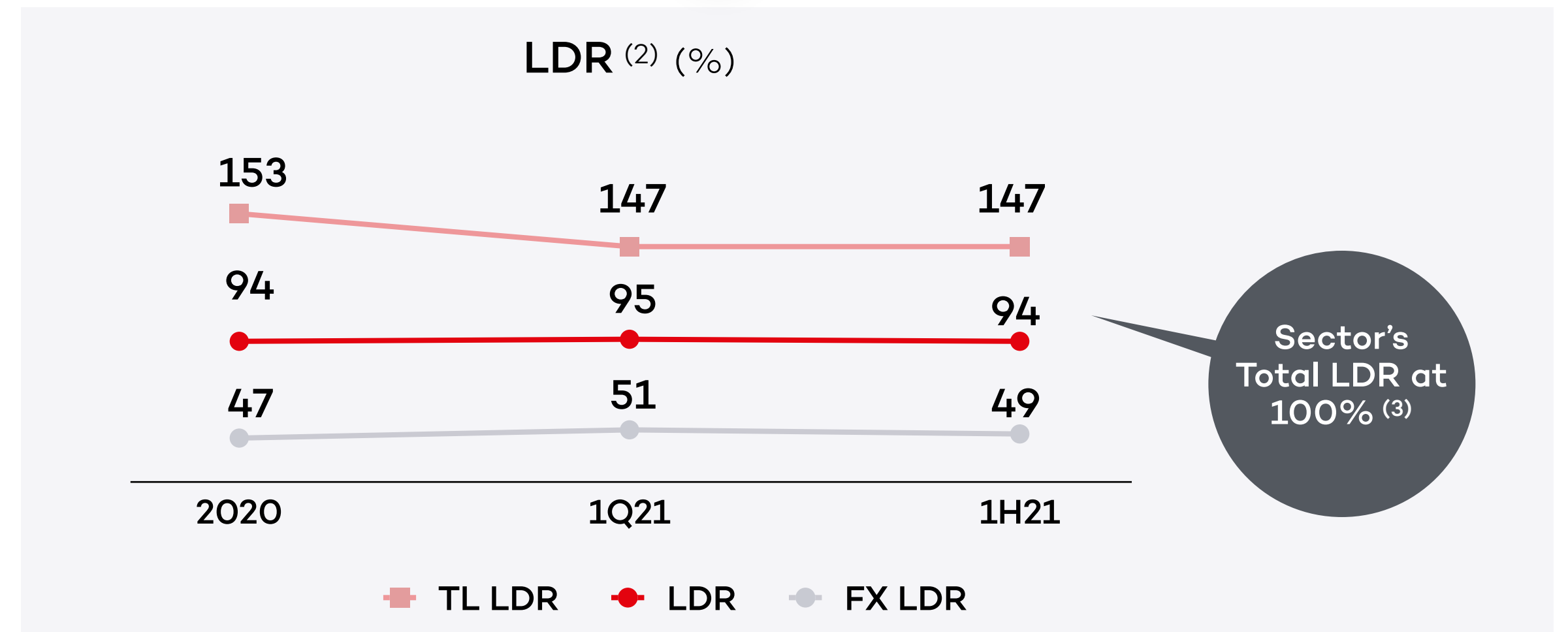
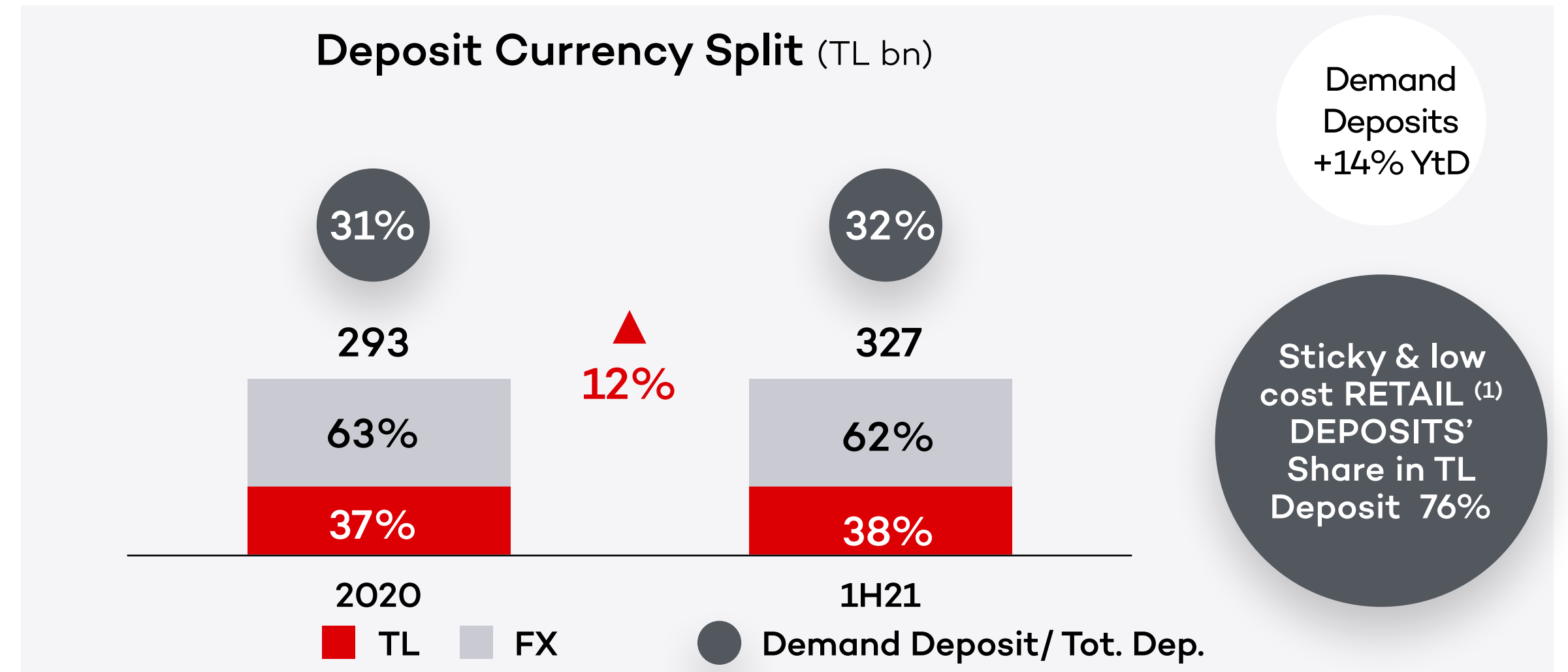
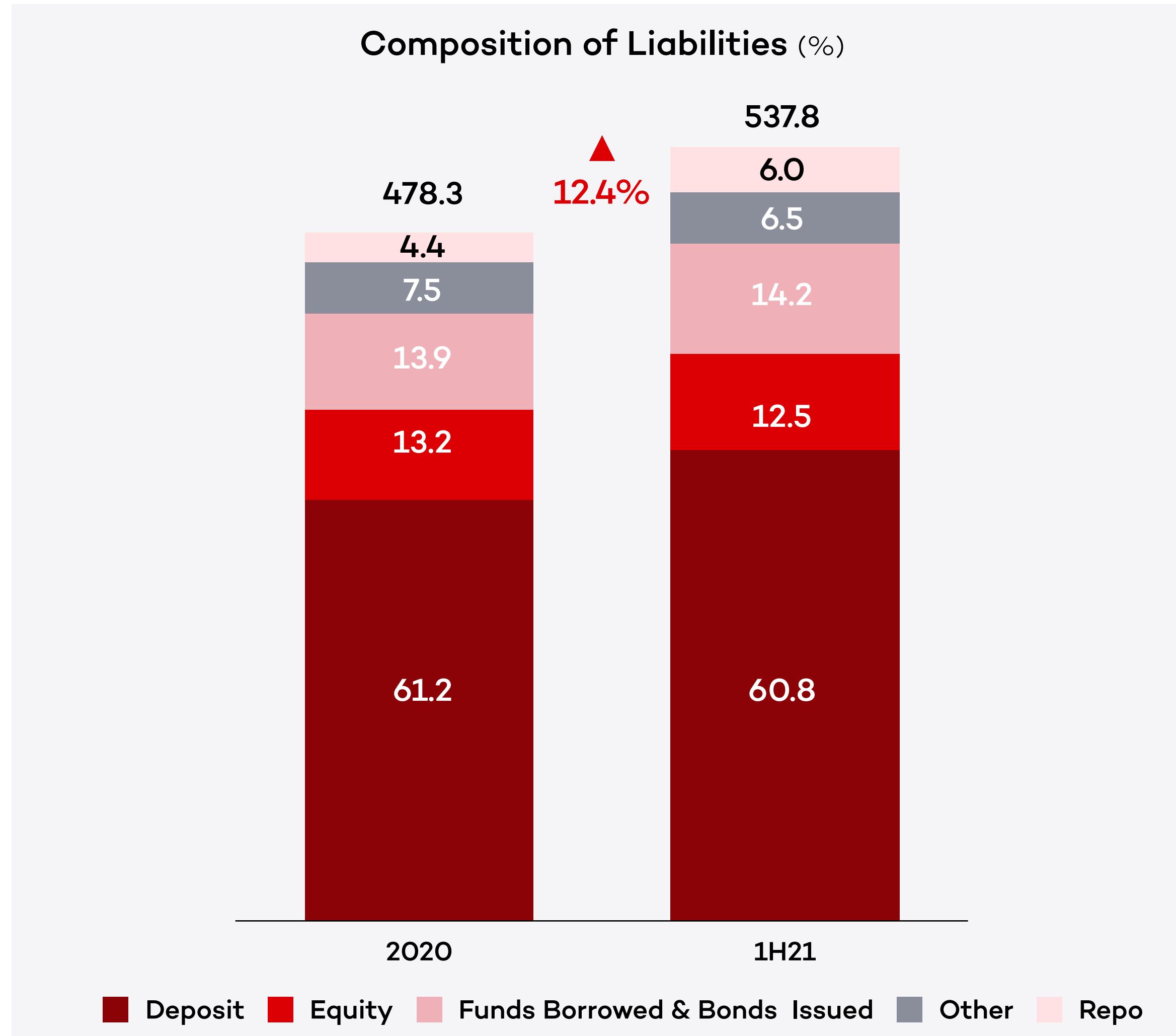
⁽²⁾ General Purpose Loans

Proactive securities positioning to be NIM accretive



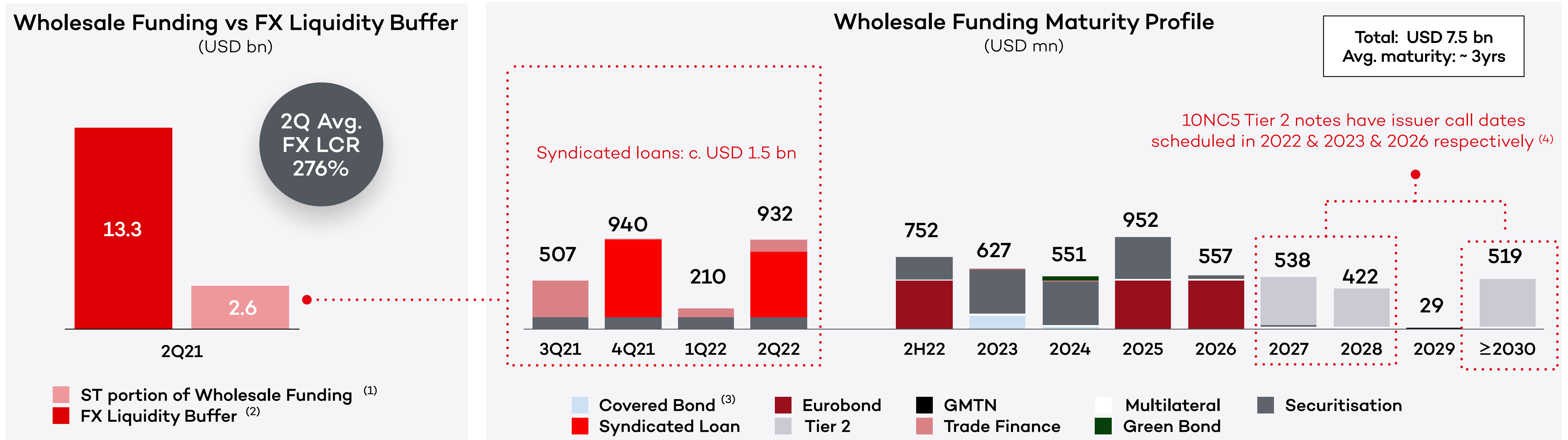
- ▶ CPI linkers & FRN reached c. 76% of TL Securities
 - ◉ CPI linkers valued with 14% Oct-Oct inflation estimate
 - ◉ Every +1% CPI has c. TL 270 mn NI and +6bps NIM & +40 bps ROE impact
- ▶ Strong FX liquidity utilized in NIM accretive Eurobond purchases

Maintained disciplined funding mix



10 ⁽¹⁾ Consumer & SME according to MIS segmentation
⁽²⁾ Bank-only. TL LDR includes domestic TL bond issuances and merchant payables
⁽³⁾ Based on BRSA weekly data dated June 25, 2021

1st benchmark sustainable Tier 2 among Turkish deposit banks



- ▶ In June, issued first ever benchmark sustainable Tier 2 among Turkish deposit banks
 - ◉ Intra-day execution with c. 3x oversubscription
 - ◉ The book attracted c. USD 1.4 bn demand from more than 150 investors
 - ◉ Priced at 6.80%, same as the senior eurobond issued in July 2020
 - ◉ 105 bps positive impact on CAR
- ▶ Total ESG-linked funding share increased from c. 20% to c. 30%

Balances based on principal outstanding and bank-only MIS data

⁽¹⁾ ≤ 1 year tenor

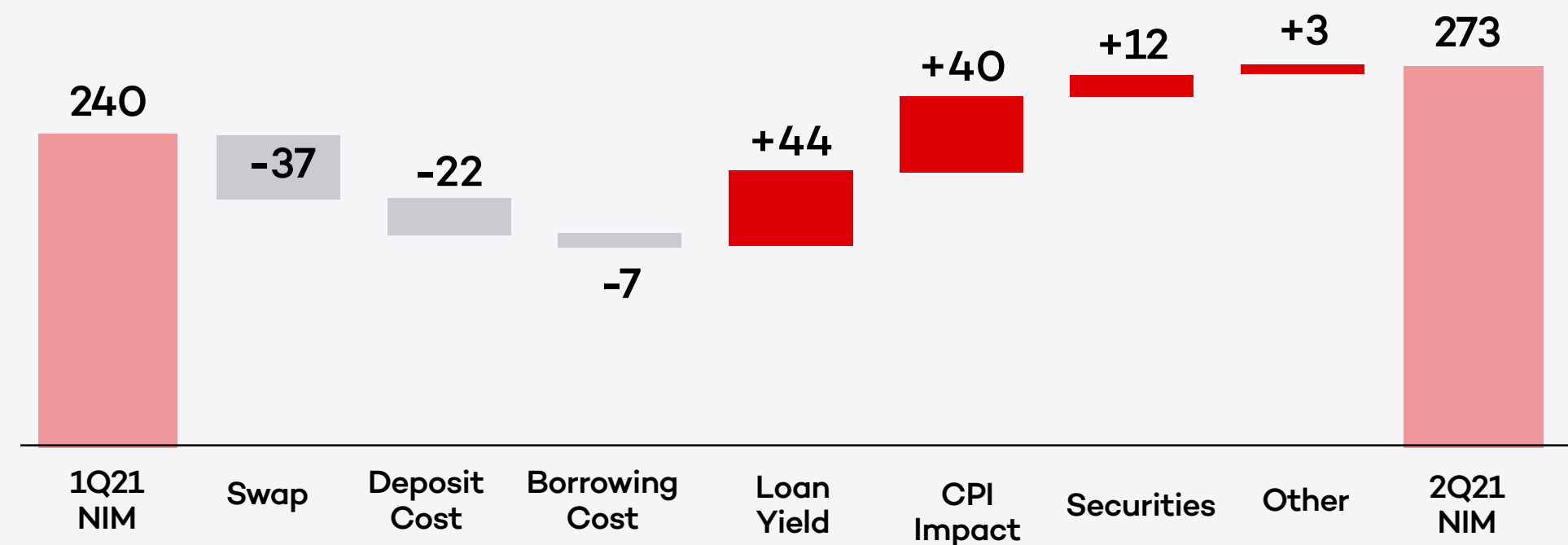
⁽²⁾ Consolidated FX liquidity buffer includes FX reserves under ROM, swaps, money market placements and CBRT eligible unencumbered securities

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

⁽⁴⁾ Call exercise in year 5 is subject to BRSA approval

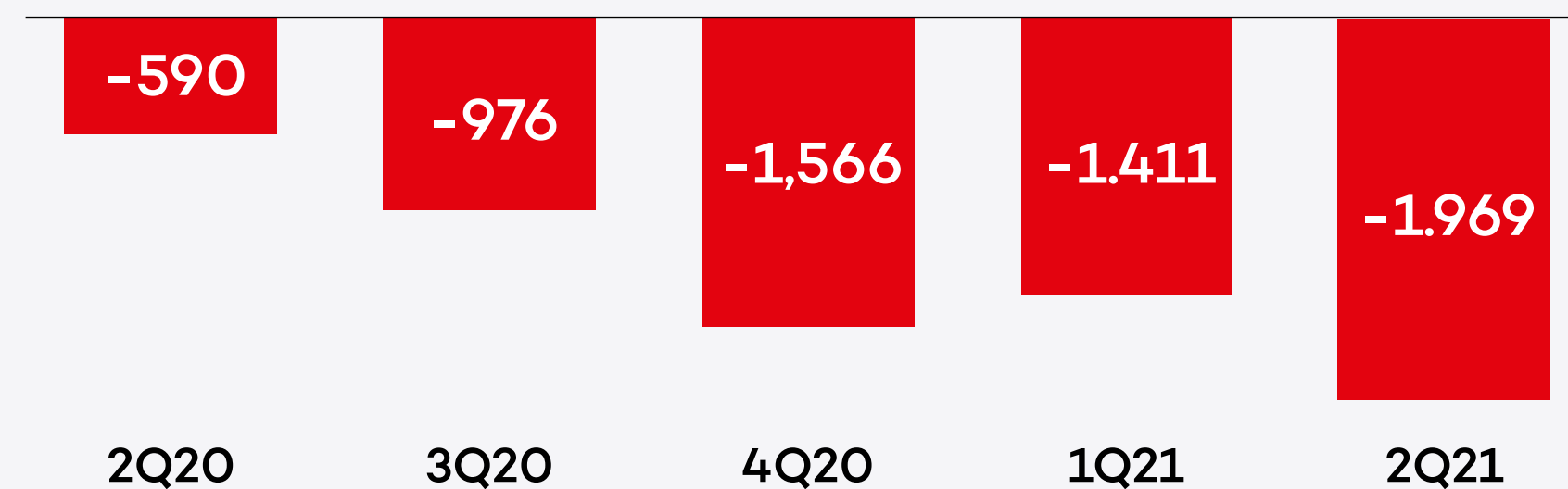
NIM accretive asset repricing & strategic CPI positioning

Quarterly NIM Breakdown (bps)

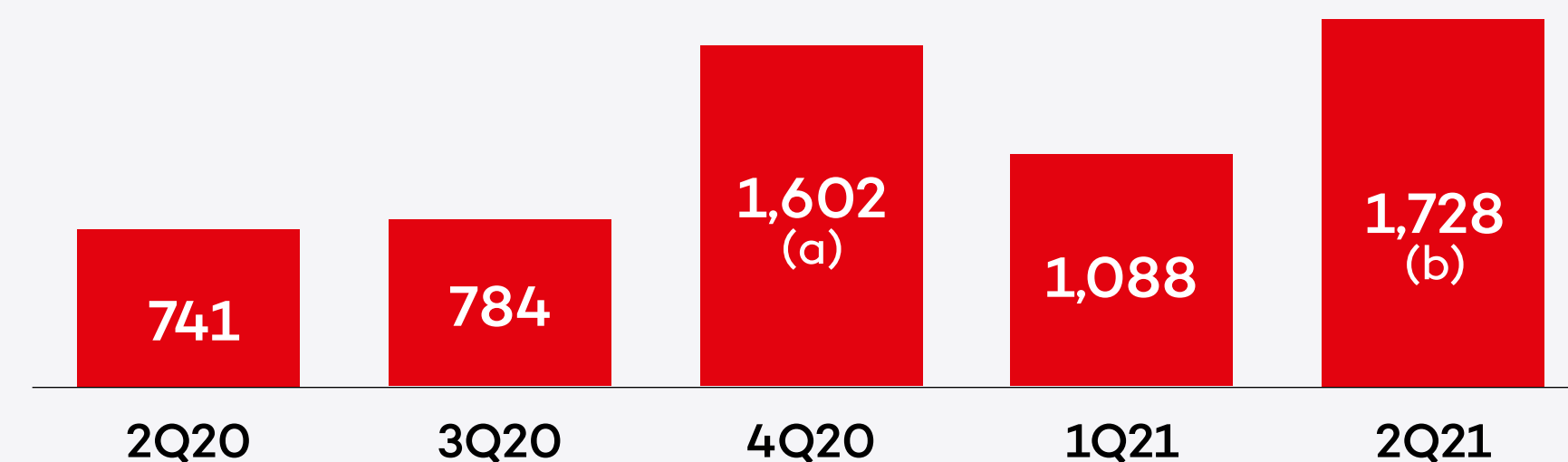


- ▶ Positive impact of asset repricing & CPI to continue in 2H
- ▶ Swap cost increased with higher utilization and rates
- ▶ Higher funding cost creates downside risk in FY NIM guidance, to be partially mitigated by CPI linker buffer
 - ◉ CPI linkers currently valued at 14%
 - ◉ Every +1% CPI has c. TL 270 mn NI and +6bps NIM & +40 bps ROE impact

Quarterly Total Swap Cost ⁽¹⁾
(TL mn)



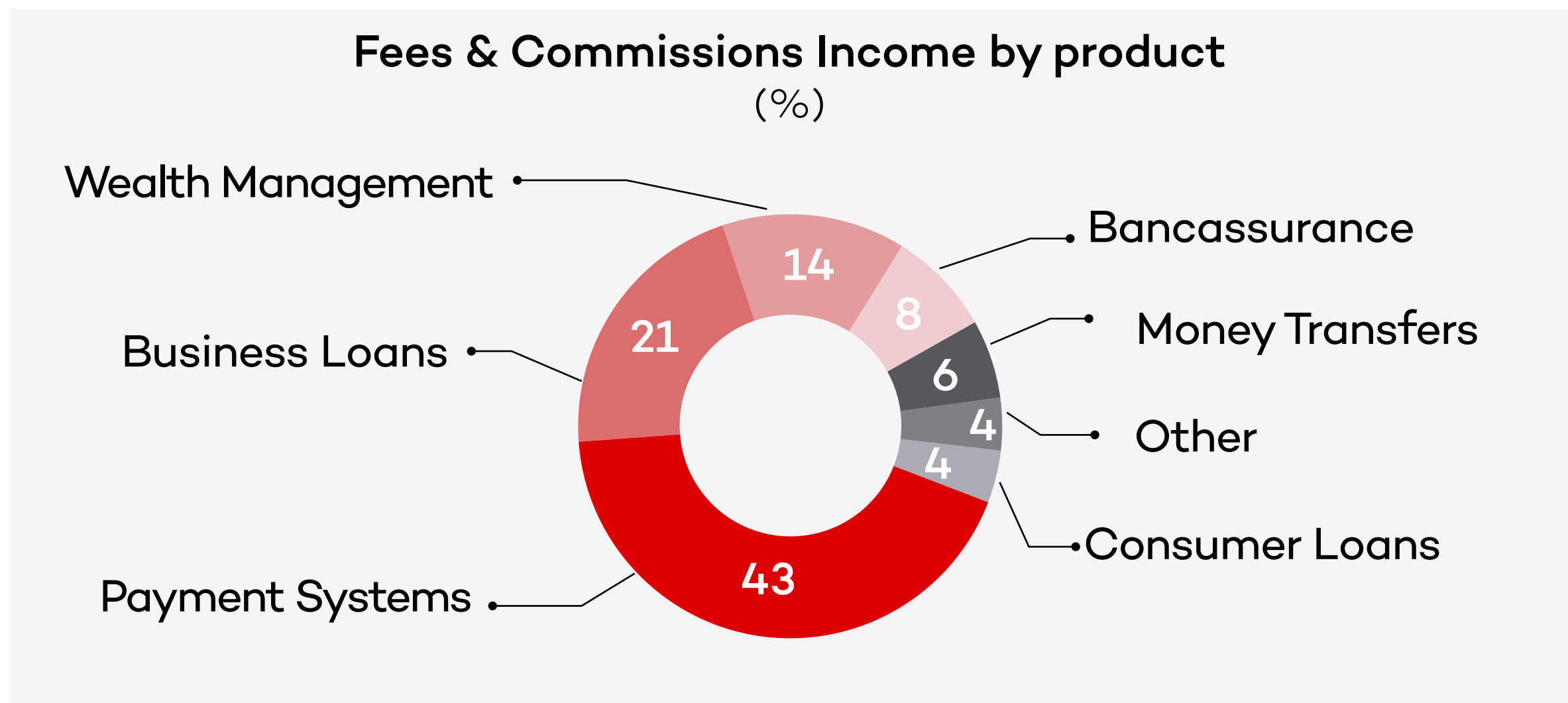
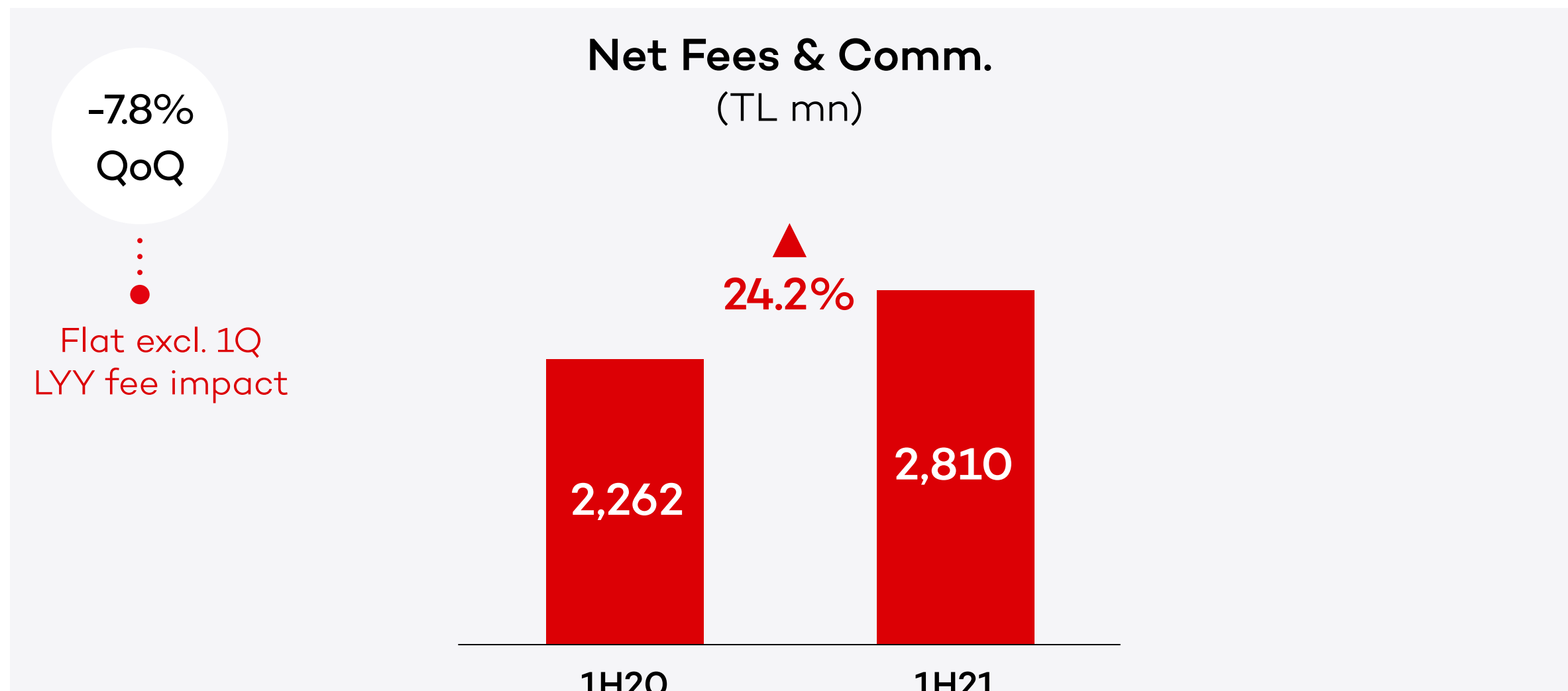
CPI Linker Interest Income (TL mn)



Impact of change in CPI estimation:
2021 Oct-Oct CPI linker valuation estimate: 14%

(a) from 9% to 11.9% is TL 785 mn
(b) from 11% to 14% is TL 491 mn

Across the board outstanding fee performance well above FY guidance



Payment Systems

+48% YoY

Predominantly related with volume increase in both acquiring & issuing

Bancassurance

+45% YoY

New product launch

Digital Bancassurance sales +84% YoY

Digital premiums/Total +14 pp YoY ⁽¹⁾

Money Transfers

+32% YoY

Supported by strong volume growth

Wealth Management

+30% YoY

ESG & tech. focused product innovation

Accelerated customer acquisition driven by new digital services

Enhancing bottom-line impact through digital transformation

Digital banking in numbers ⁽¹⁾ with 5.8 mio customers

01

Interaction

- ▶ +24% monthly app login ⁽²⁾
- ▶ +22% # of mobile customers conducting financial transactions
- ▶ +15 pp mobile NPS ⁽²⁾

02

Financial Engagement

- ▶ +56% # of financial transactions through mobile:
 - +23% payments
 - +60% money transfers
- ▶ +11 pp share of mobile in financial transactions
 - +8 pp share in payments
 - +4 pp share in money transfers

03

Performance

- ▶ 2x digital customer x-sell compared to non-digitals
- ▶ 55% credit cards sold through digital channels ⁽³⁾
- ▶ 83% GPLs sold through digital channels ⁽³⁾
- ▶ 48% of bancassurance products sold through digital channels ⁽³⁾

Active mobile customers visiting Akbank Mobile almost everyday

14 ⁽¹⁾ Based on bank-only MIS data. Increase figures from Jun'20 to Jun'21

⁽²⁾ Since the beginning of 2020

⁽³⁾ Including non-branch channels, from Jan'21 to Jun'21

New era in customer onboarding

▶ Easy and intuitive digital experience

- Process takes 6 to 8 min end-to-end (including 3 to 4 min for video call)
- Uninterrupted single session

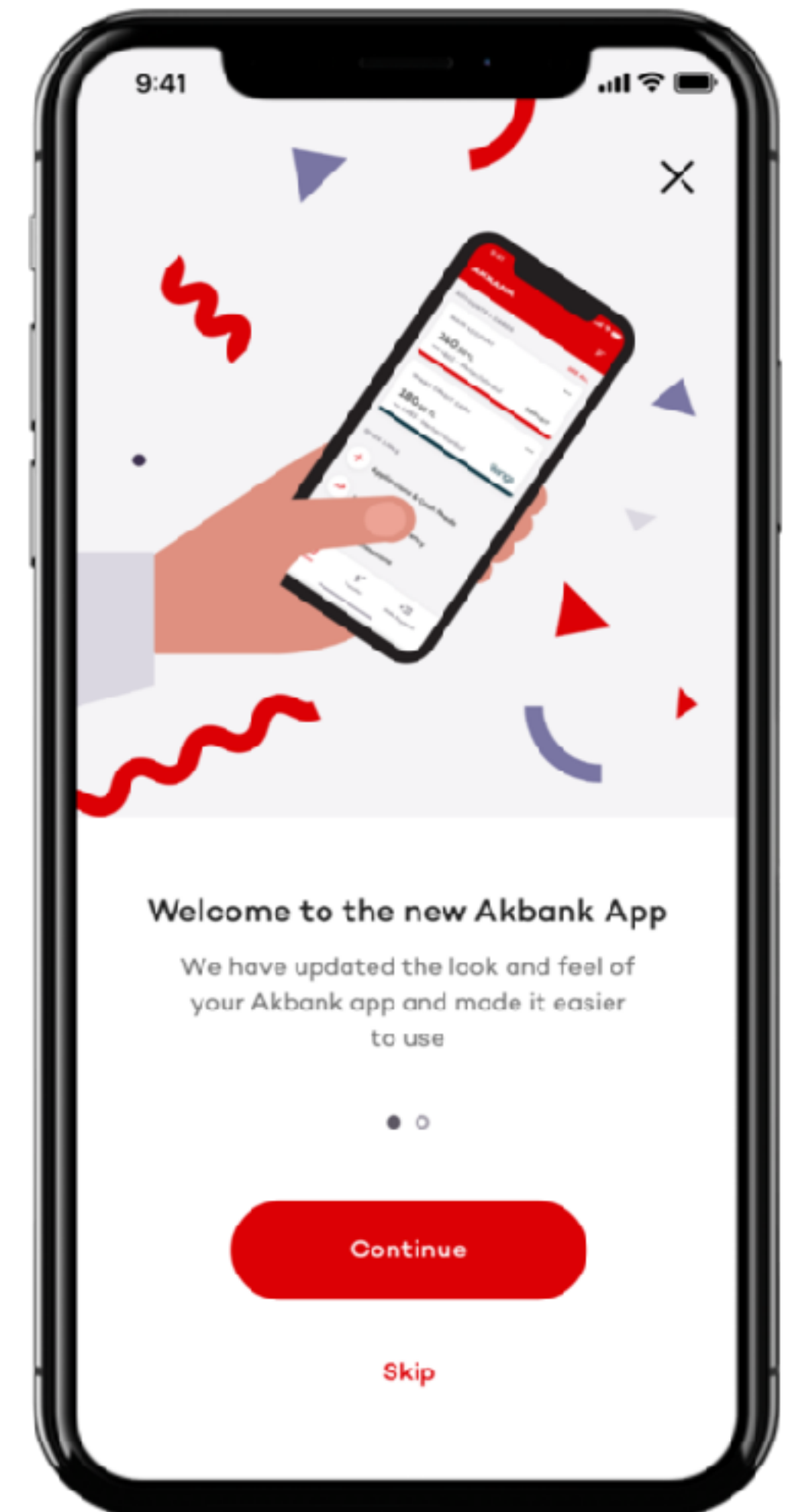
▶ Biometrics, NFC & Video Call technologies enabled

▶ Multiple product sales* from the very beginning of customer onboarding

▶ Strong value propositions* for digital savvies

▶ Inclusive process for dormant customer reactivation*

▶ 24/7 service*

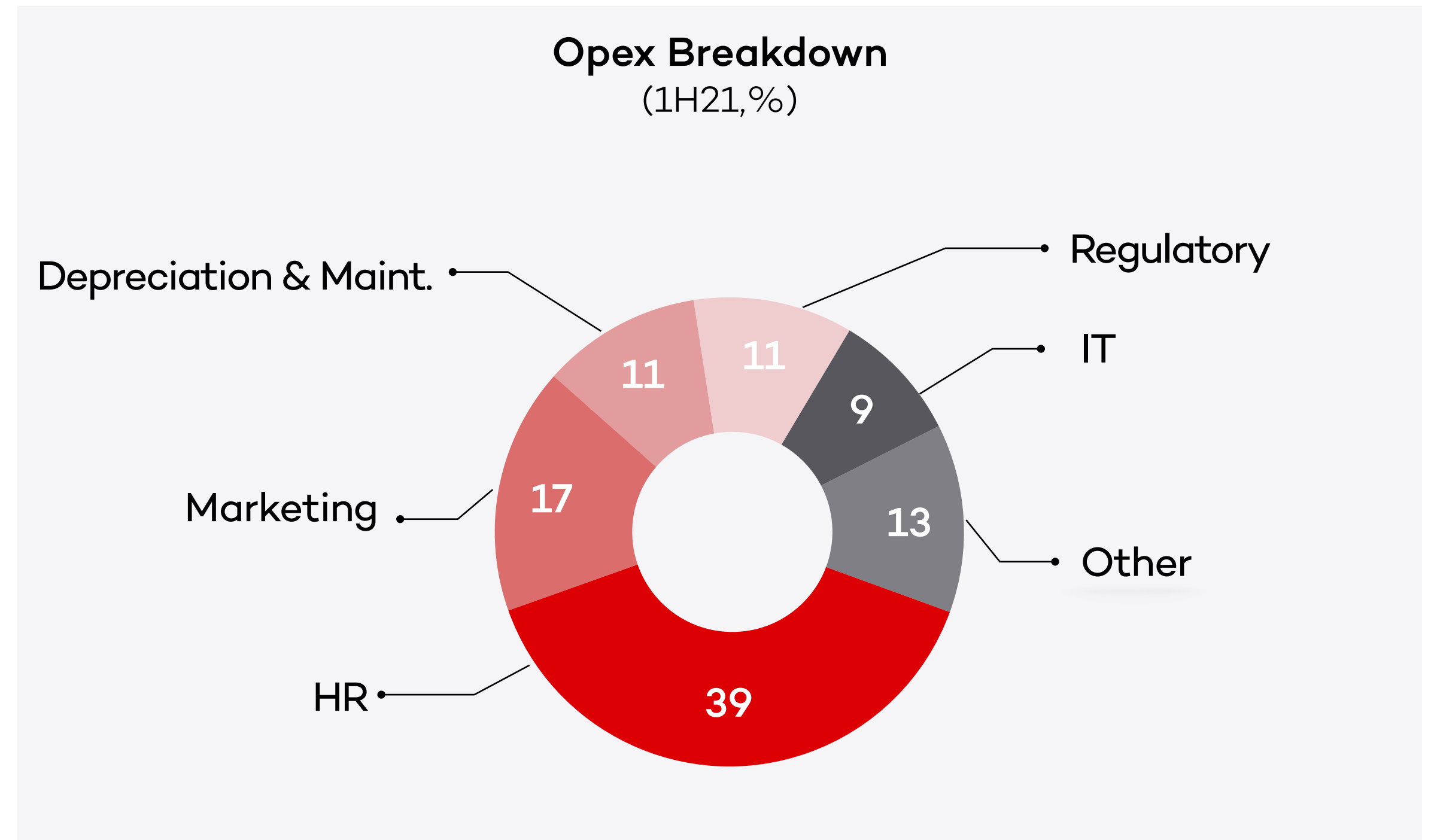
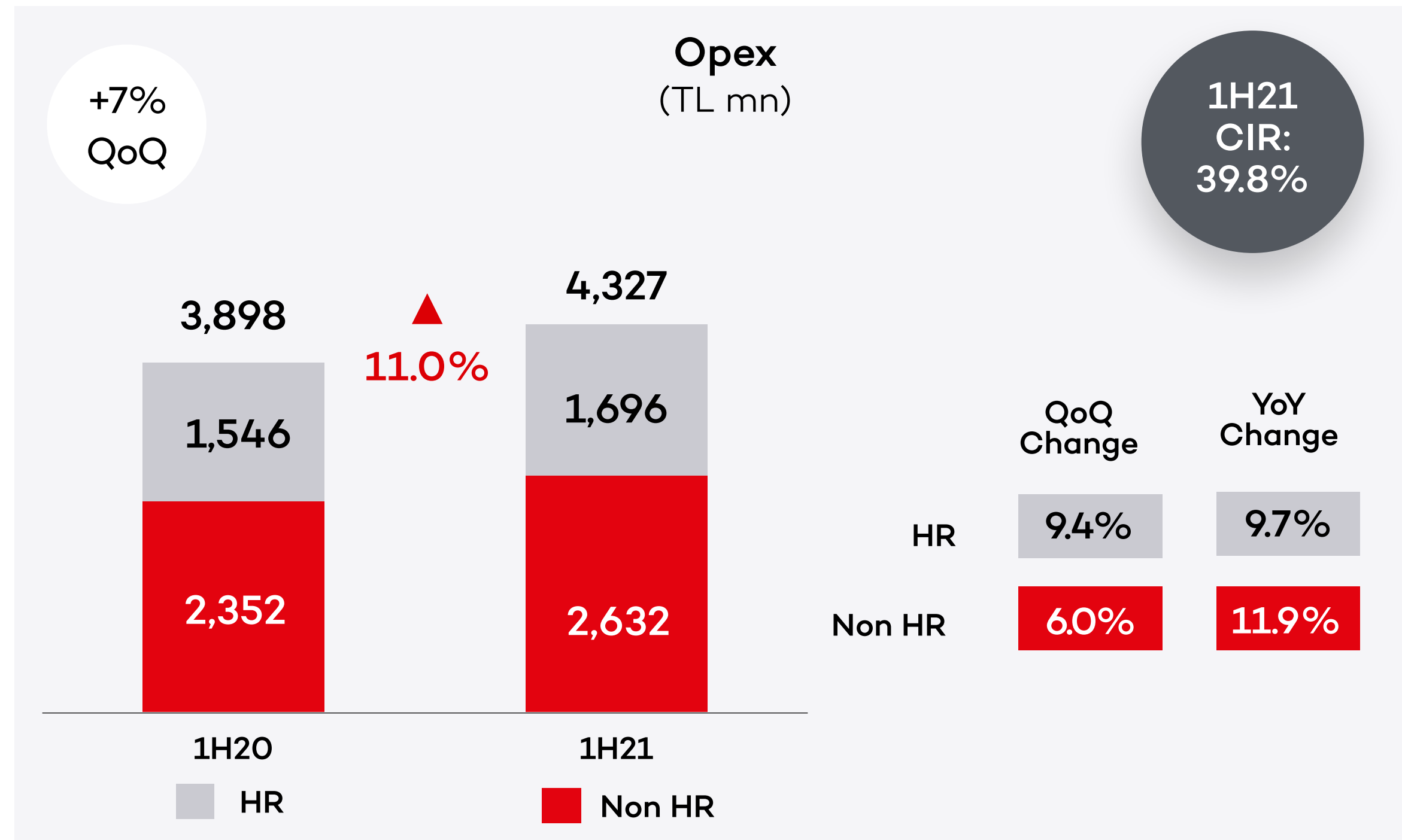


(*) Point of difference in the market

15 NFC: Near Field Communication

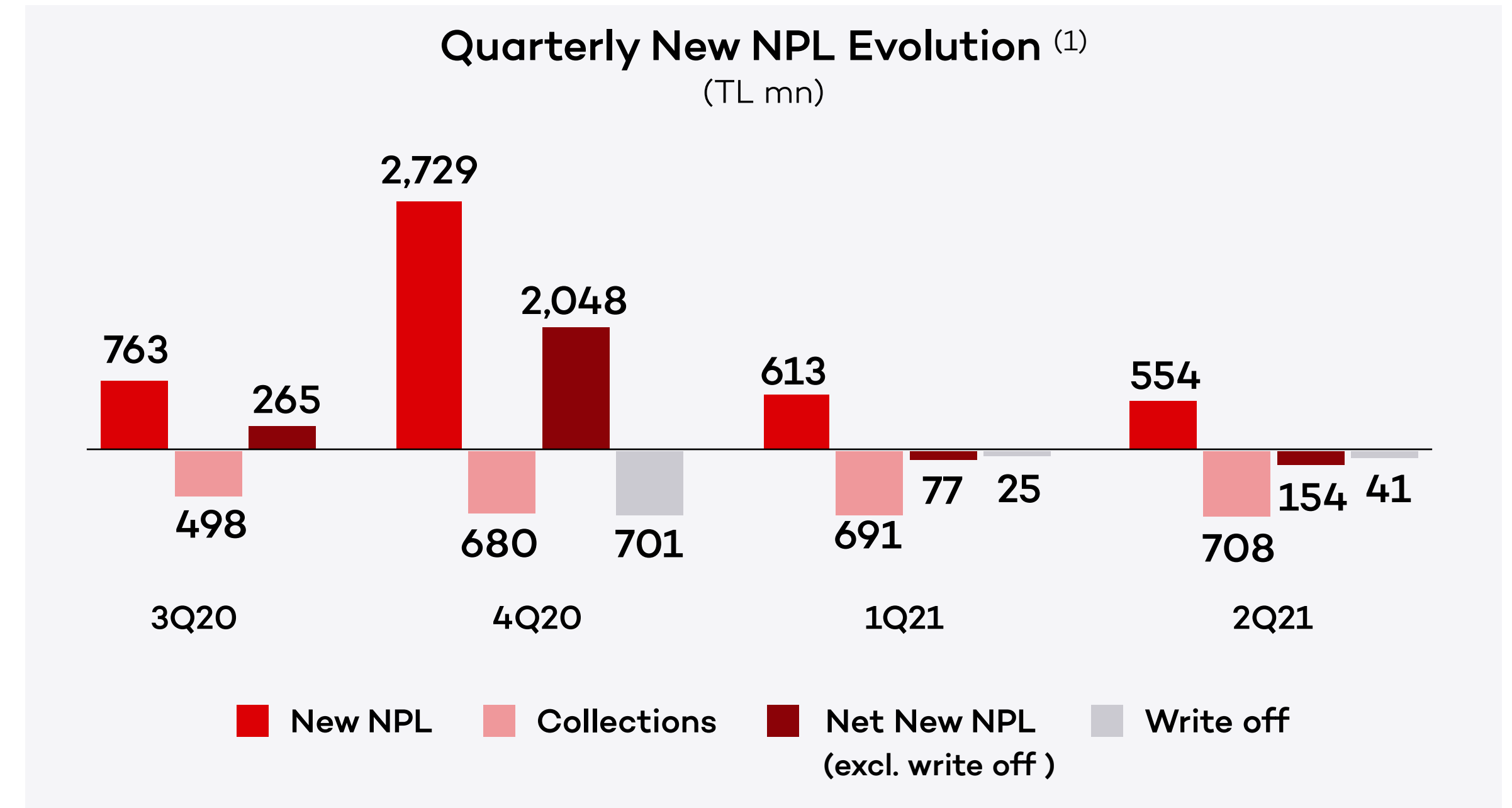
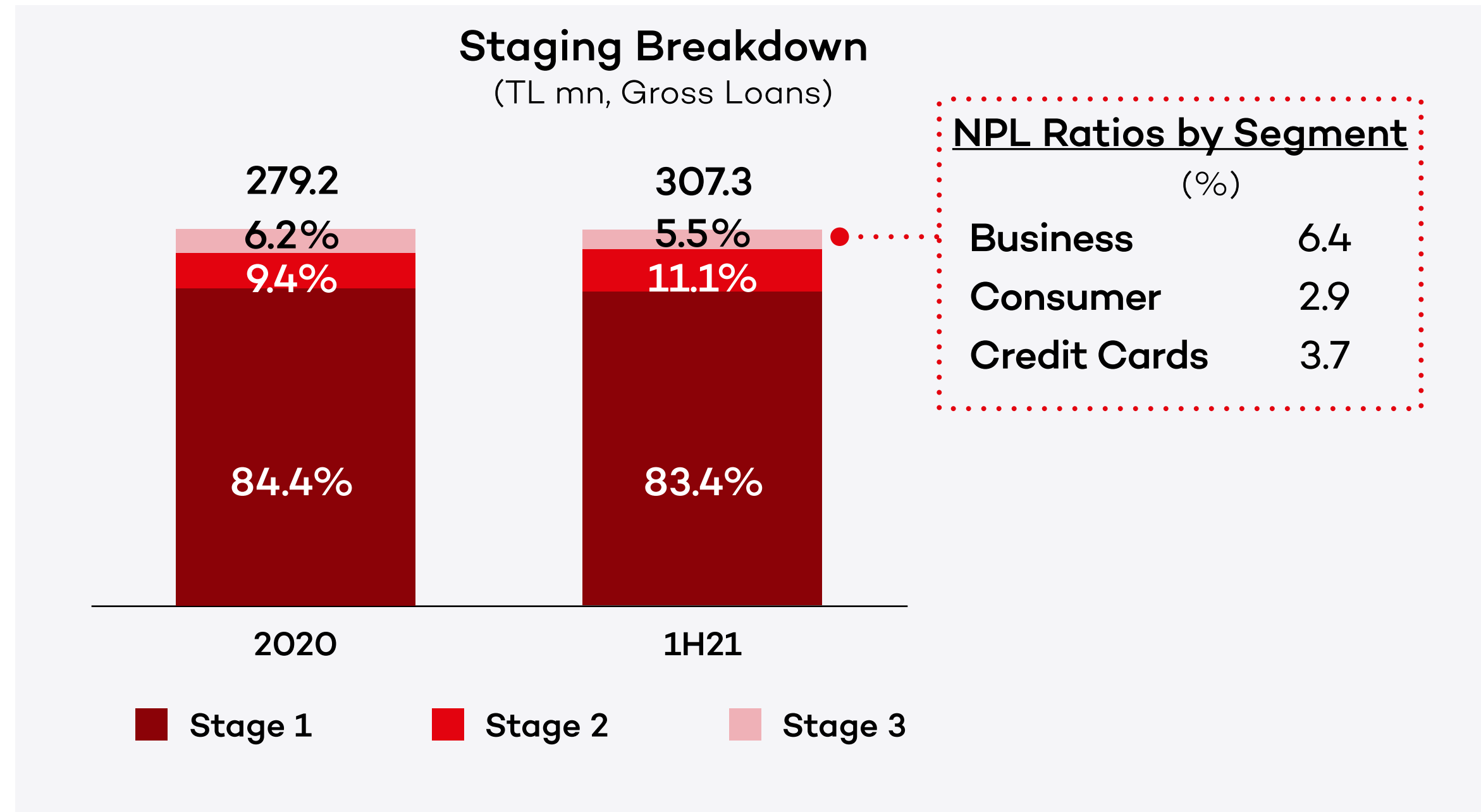
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Confident with FY Opex guidance despite higher inflation outlook



- ▶ CIR to gradually improve along with revenue enhancement
 - CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions and LYY hedge

Proactive IFRS 9 implementation regardless of staging forbearance



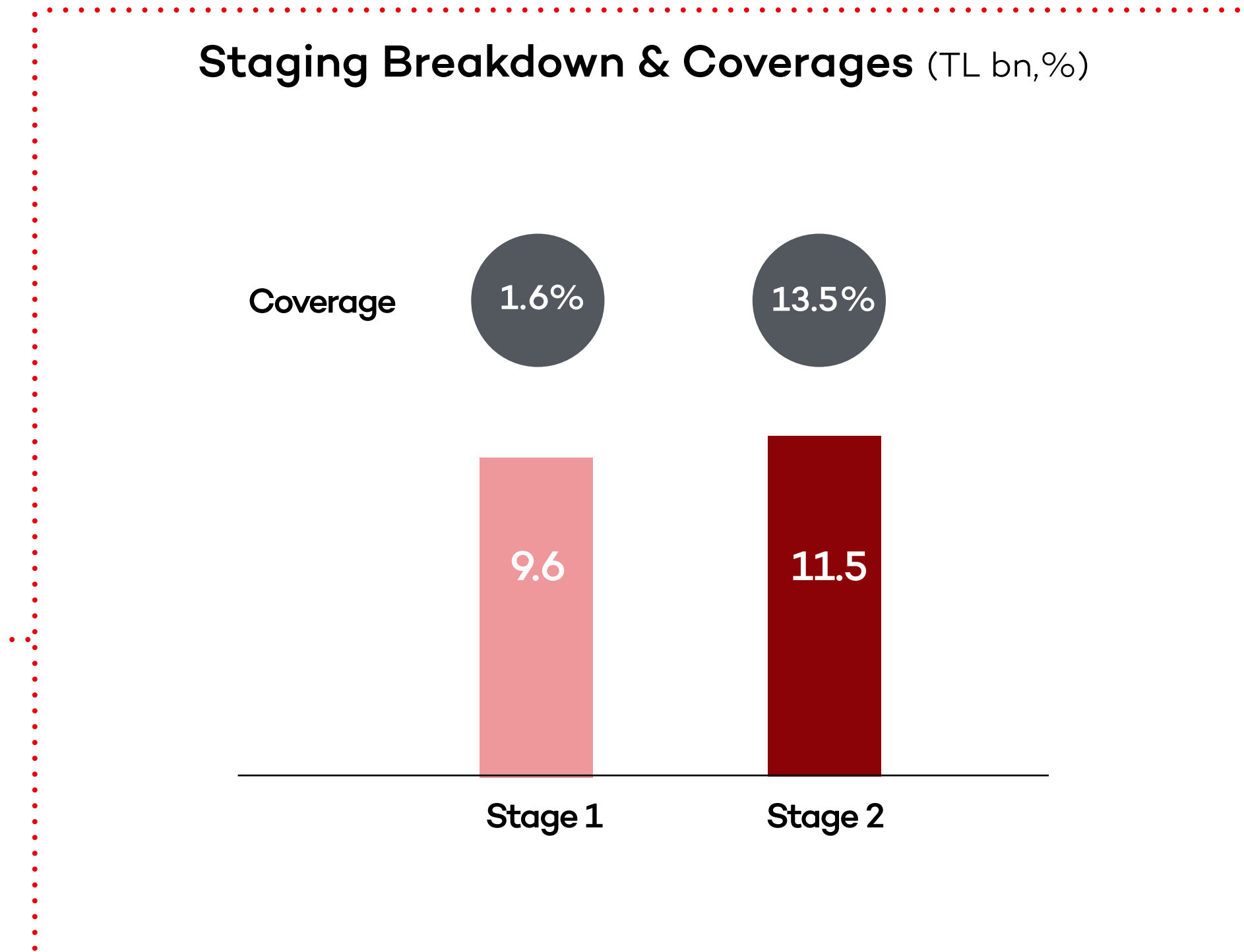
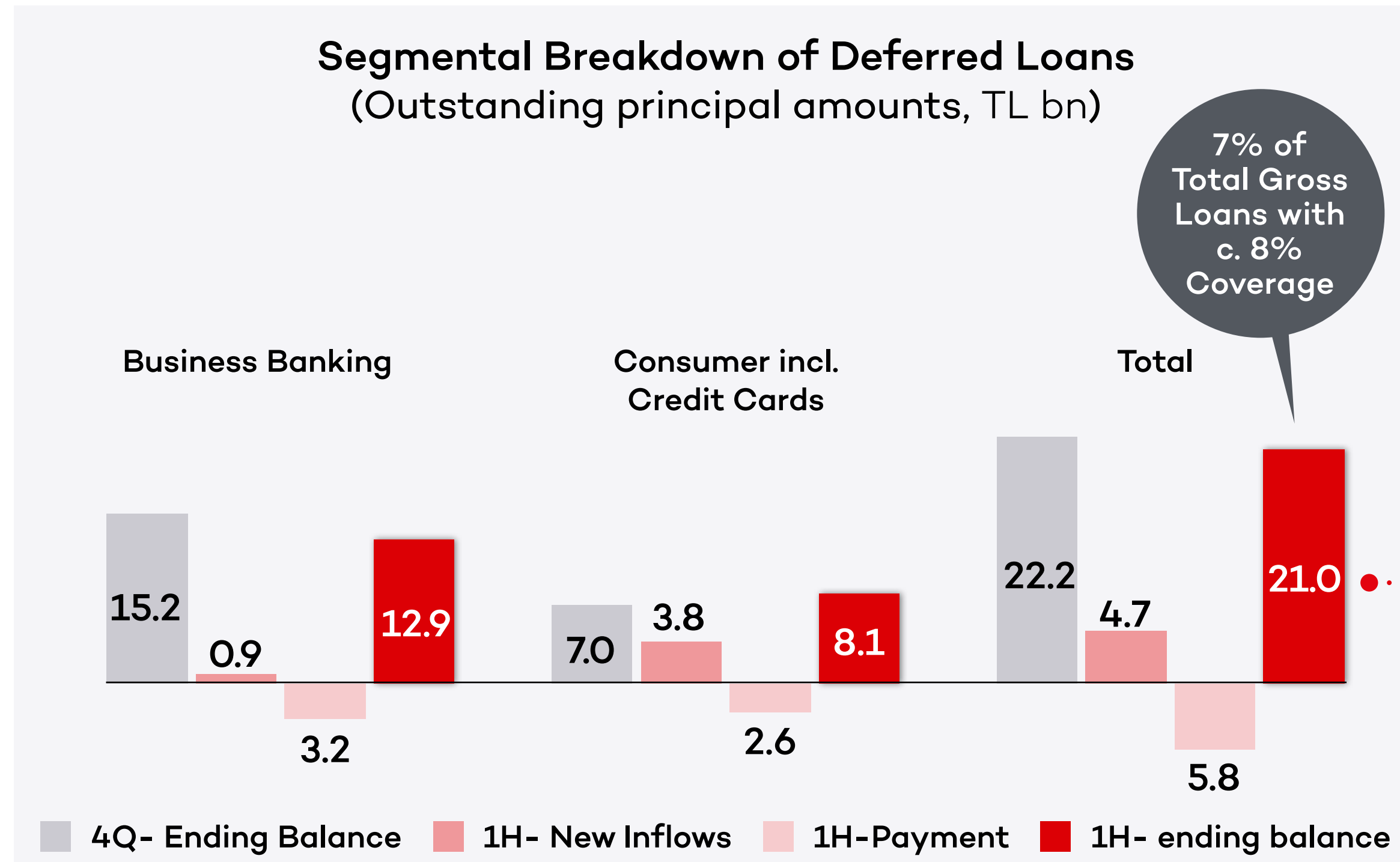
► BRSA forbearances:

- ◉ 30-90 days files: only TL 0.6 bn in Stage 1
 - ◉ 90-180 days files: TL 1.3 bn (If all were booked as NPL, NPL ratio impact would be +c. 40 bps)
- ... with strong coverages.

► Negative net new NPL inflow in 1H21

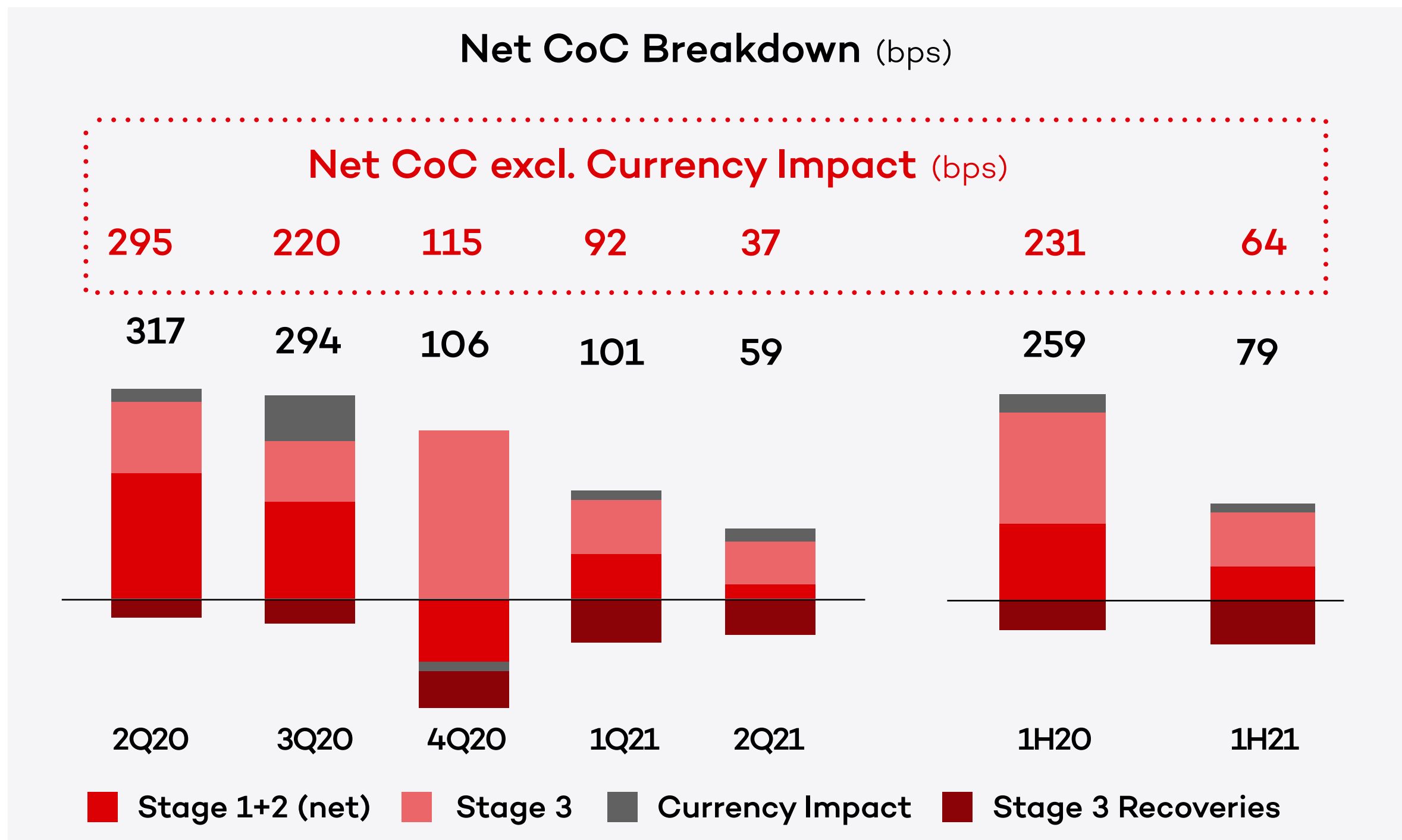
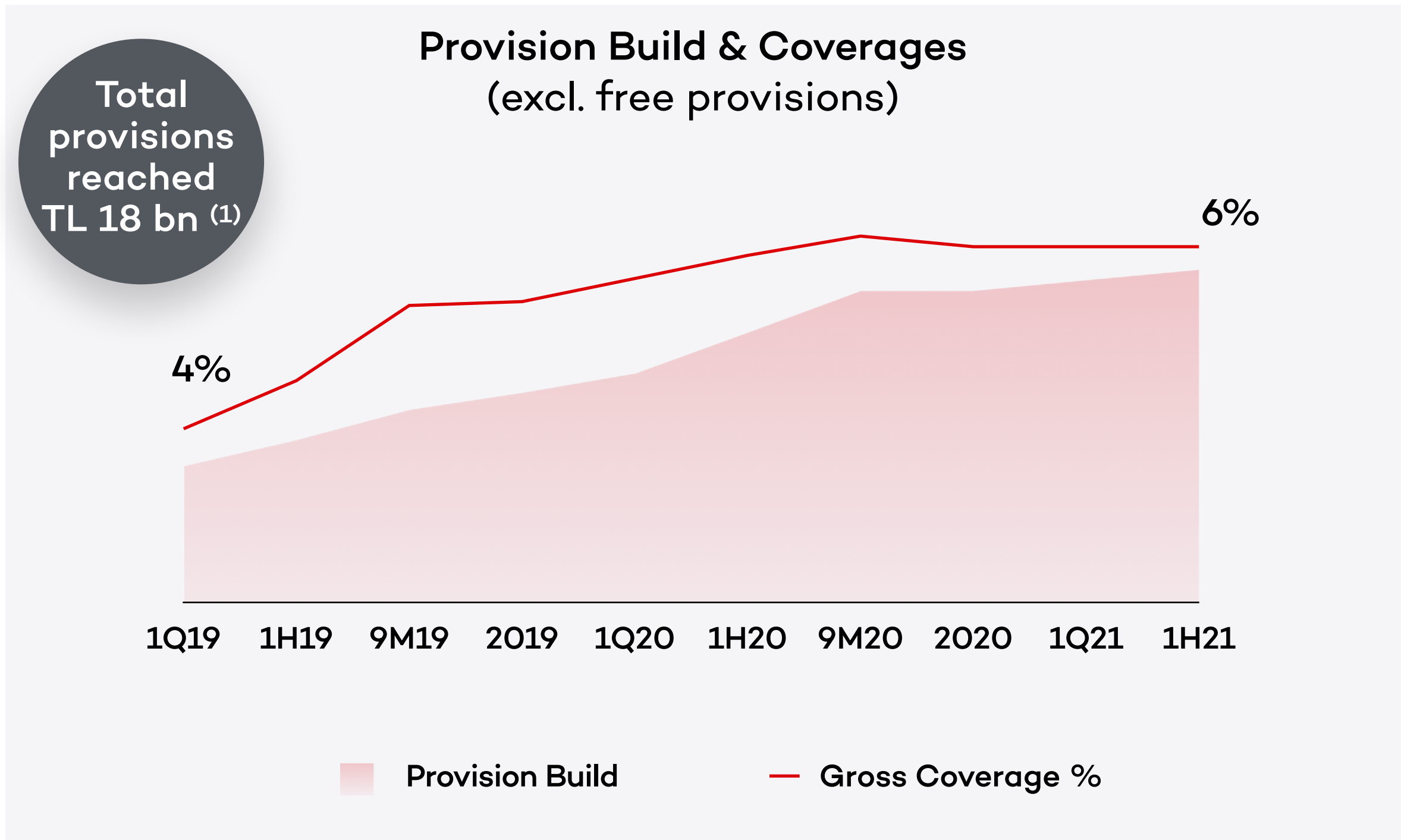
- Broad-based collection performance remains strong despite full lock down during 2Q21
- No NPL sale

Balances on deferred loans are well covered



- ▶ Total deferred risk principal amount to date is at TL 34 bn
- ▶ 4Q20 outstanding risk of TL 22.2 bn down to TL 21.0 bn (7% of gross loans) as of 1H21
 - Total coverage at 8.1% up 90 bps YtD
 - c. 60% Business Banking & c. 40% Consumer incl. credit card
 - 75% have matured installments ⁽¹⁾ & strong repayment performance

CoC evolution demonstrates long-term prudent risk management

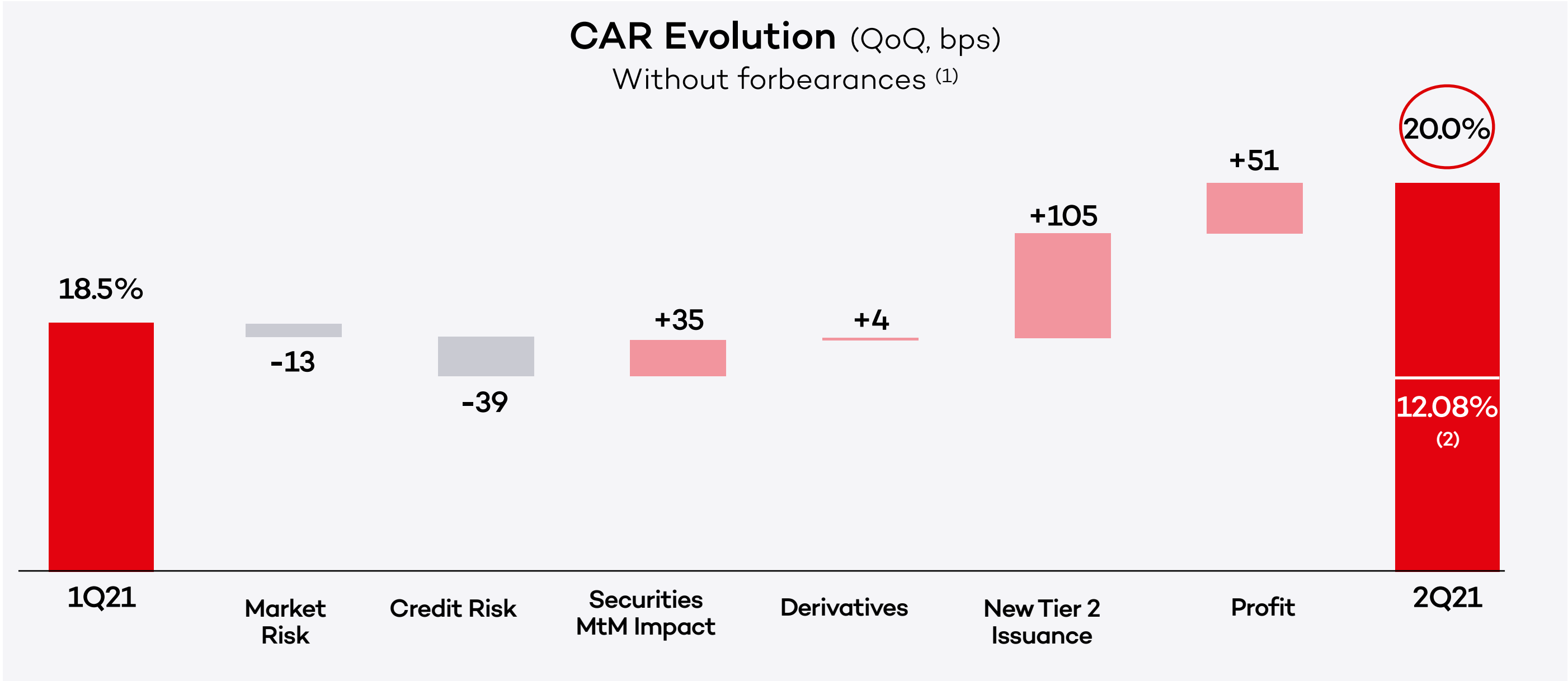


(%)	2020	1H21
Stage 1 Coverage	0.6	0.5
Stage 2 Coverage	16.4	16.1
Stage 3 Coverage	62.4	65.2
Free Provisions	TL 1,150 mn	TL 1,150 mn
Stage 2+3 Coverage (incl. free provisions)	37.3	34.7

- ▶ Solid coverage ratios
- ▶ FX provisions are hedged
- ▶ 1H CoC evolution underlines better FY performance vs guidance
- ▶ Every +10 bps change in CoC has +40 bps ROE impact



Capital remains a source of strength with robust buffers



Sensitivity of Solvency Ratios:

- ▶ 10% TL depreciation: c. 70 bps
- ▶ 100 bps interest rate increase : c. 30 bps
- ▶ 1% NPL increase : c. 25 bps

(%, TL bn)	CAR	Excess Capital ⁽³⁾	Tier 1	Excess Tier 1 ⁽³⁾	CET-1	Excess CET-1 ⁽³⁾
<u>Without forbearances</u> ⁽¹⁾	20.0%	32.4	16.0%	24.2	16.0%	30.3
<u>With forbearances</u> ⁽¹⁾	20.9%	34.5	16.8%	26.1	16.8%	32.0

(1) For 2Q21, fixing FX rate for RWA calculation to average last 12 month FX rate & for 1Q21, fixing MtM losses of securities & FX rate for RWA calculation to average last 12 month FX rate

(2) Min Basel III required: Including buffers (Capital Conservation Buffer: 2.50%, D-SIB Buffer: 1.50%, Countercyclical Capital Buffer: 0.08%)

(3) Basel III min. requirements: CAR: 12.08%, Tier-1: 10.08%, CET-1 8.58%










2Q21 Key ESG highlights

- ▶ 1st deposit bank in Turkey to issue sustainable Tier 2 (USD 500 mn)
- ▶ New products for transition to low-carbon economy, such as:
 - Green Trade Finance Campaign, (1st in Turkey)
 - Rooftop PV Investment Loans
- ▶ Sustainable finance provided in Q2 at ~ TL 7.6 bn⁽¹⁾ (1H reached ~ TL 13.8bn)
- ▶ AuM of ESG-themed funds launched by Ak Portföy almost doubled QoQ, reaching ~ TL 700 mn in 1H
 - “Innovative Companies in Health Sector” fund secured rating by Refinitiv, 1st in Turkey
- ▶ 60% of the bank’s electricity sourced from renewable resources (up from 20% in Q1)
- ▶ New policies to foster governance & culture: Diversity and Inclusion Policy, Human Rights Policy, Zero-Tolerance to Violence Policy

E	S	G
✓	✓	✓
✓	✓	✓
✓	✓	
✓	✓	✓
✓		✓
	✓	✓

⁽¹⁾ Based on bank-only MIS data, includes: Granted SME loans (assessed through ESMS) & renewable loans, and ESG-type Eurobond & syndicated loan purchases

2021: On track to meet FY ROE guidance

	1H21	 2021G	vs. Guidance
TL Loan Growth	+7.2%	~ 20%	Slight downside risk     Loan mix in favor of profitability
FX Loan Growth (in USD)	-1.1%	Flattish	
Leverage	8.0x	> 8x	
ROE	12.8%	Mid-teens	
NIM (swap adj.)	2.7%	20-30 bps contraction	Downside risk  Due to increase in funding costs
Net fees&com. growth	+24.2%	High-teens	Better performance 
Opex growth	+11.0%	Mid-teens	
Cost/ income ⁽¹⁾	39.8%	≤34%	Slight upside risk  Due to NII miss
NPL ⁽²⁾	5.5%	<6%	
Net total CoC	79 bps	<200 bps	Better performance 

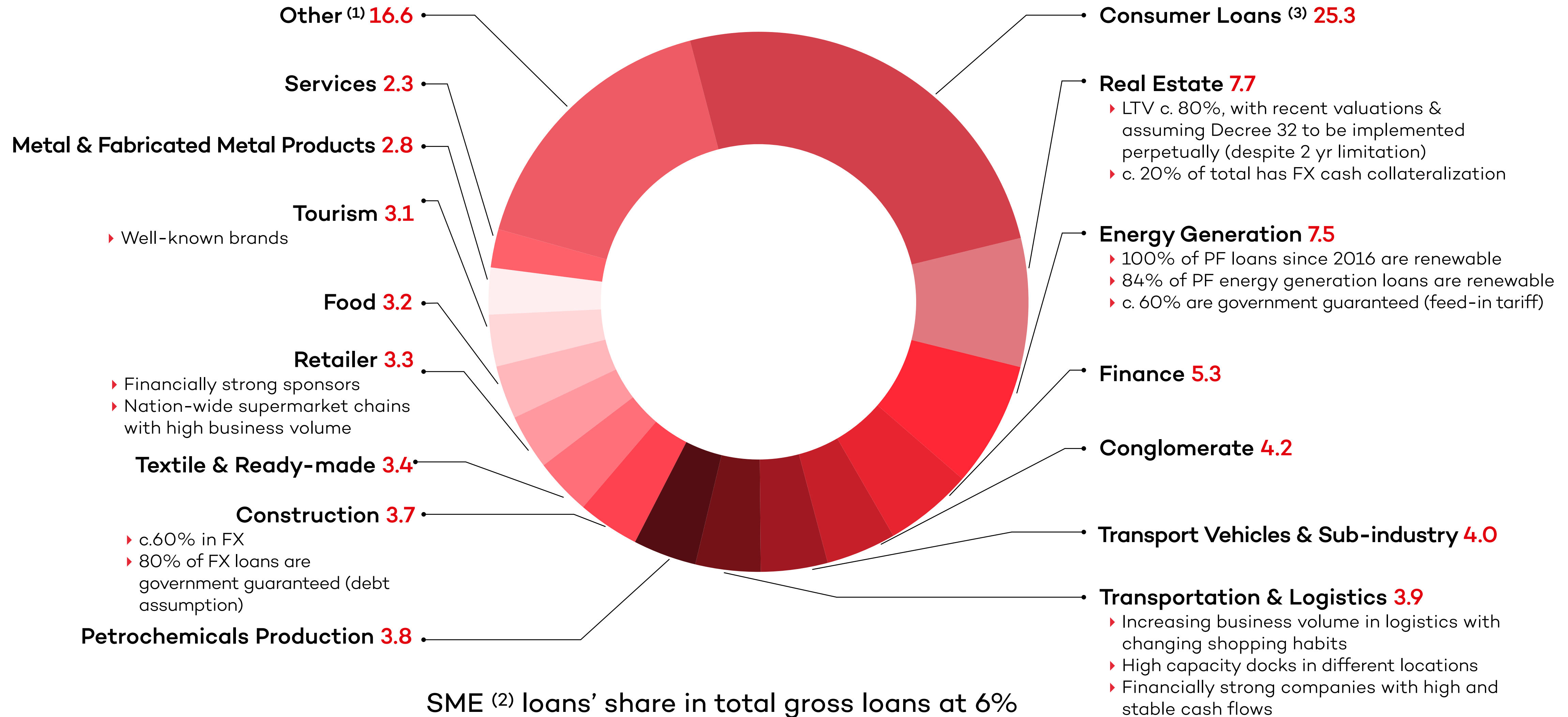
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02 Financials

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Gross Loan Sector Breakdown



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

Staging & coverage ratios of main sectors

2Q21

Stage 2 Loans

	<u>% of Total Stage 2</u>	<u>Coverage (%)</u>	<u>Coverage ▲ pp (YtD)</u>	<u>Coverage ▲ pp (QoQ)</u>
Real Estate ⁽¹⁾	28.8	12	(2)	(2)
Energy Generation	9.2	31	1	2
Tourism	4.7	19	10	Flattish
Retailer	1.4	15	4	2
Construction	1.2	26	6	5
Transportation & Logistics	0.6	13	Flattish	1

2Q21

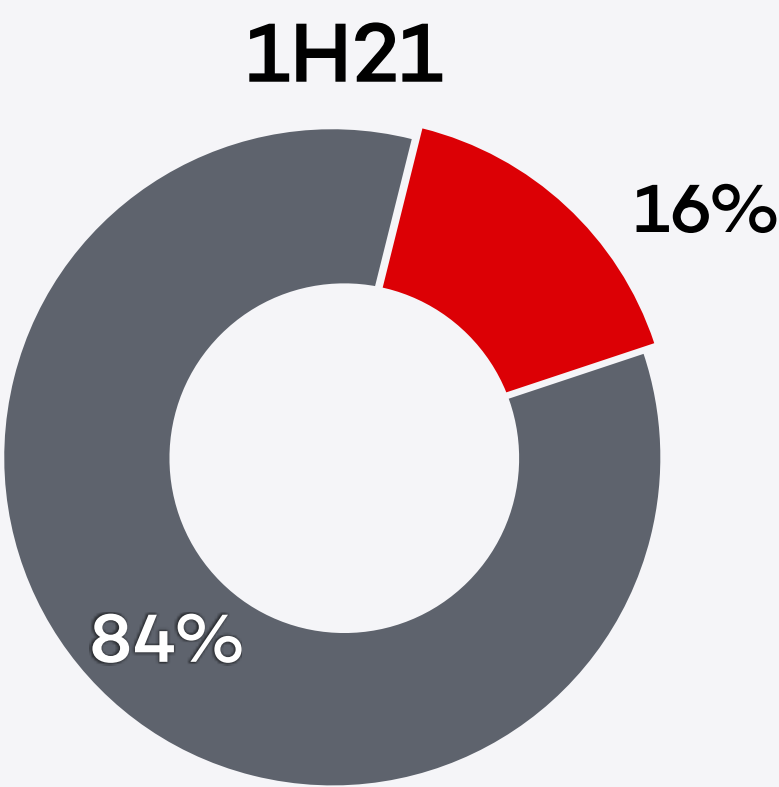
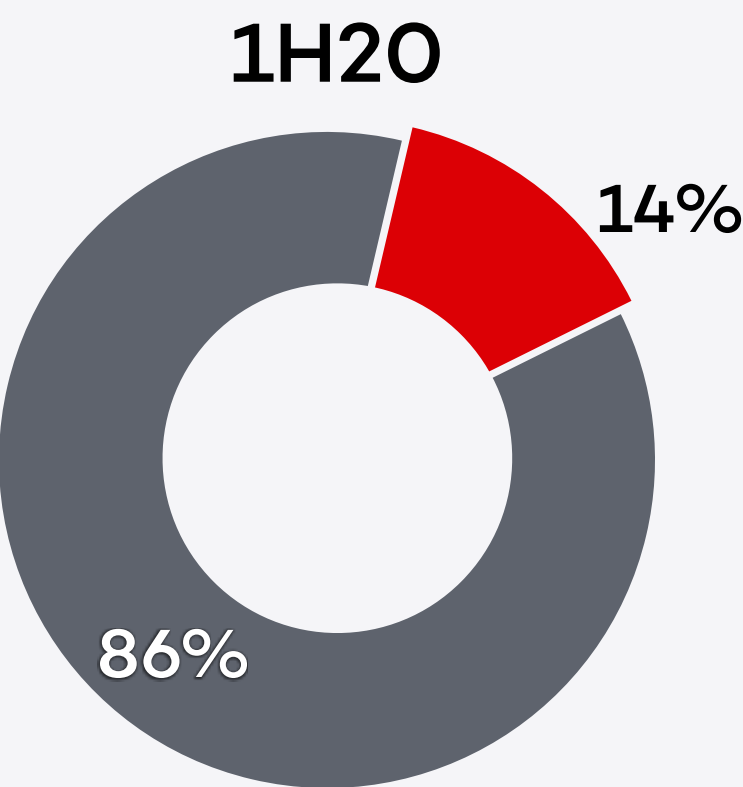
Stage 3 Loans

	<u>% of Total Stage 3</u>	<u>Coverage (%)</u>	<u>Coverage ▲ pp (YtD)</u>	<u>Coverage ▲ pp (QoQ)</u>
Real Estate	21.3	59	Flattish	Flattish
Retailer	11.7	55	8	5
Construction	9.6	81	6	4
Energy Generation	5.1	52	7	4
Tourism ⁽²⁾	2.5	56	10	9
Transportation & Logistics	0.6	76	3	1

⁽¹⁾ Real estate's share in Stage 2 is at 5.1% with 21.4% coverage, excluding one excessively collateralized real estate loan

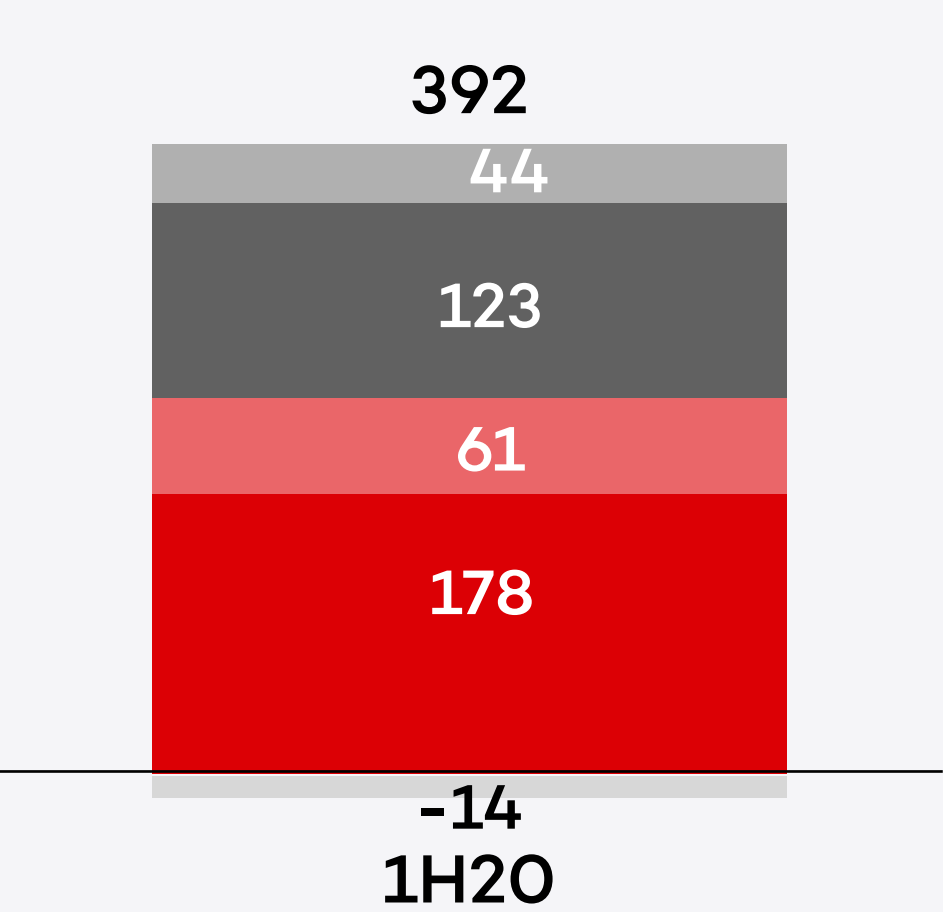
⁽²⁾ Adjusted for one excessively collateralized file

Subsidiaries' contribution

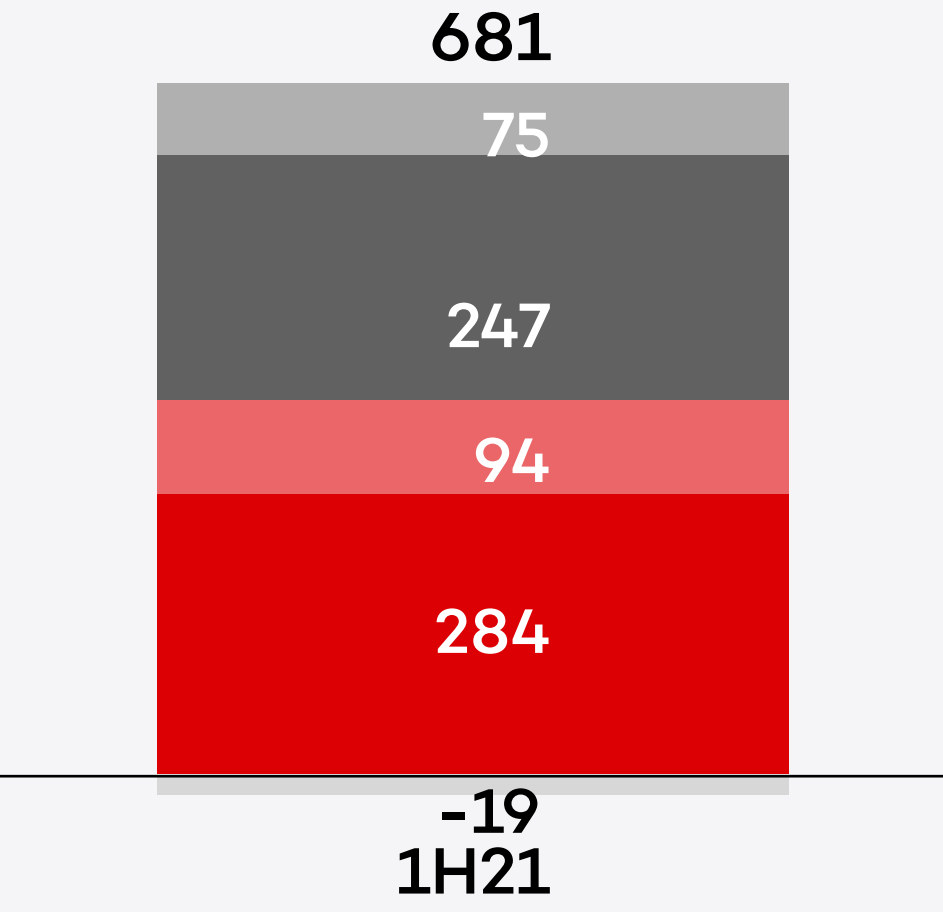


- Bank-only net income
- Subsidiaries' Contribution

Subsidiaries' Net Income (TL mn)



▲
74%
YoY



- Ak Asset Management
- Ak Investment
- Ak Lease
- Akbank AG
- Aköde

Snapshot of Results

	1Q20	1H20	2020	1Q21	1H21
Profitability (%)					
ROE	9.6	10.4	10.9	12.9	12.8
ROE, Quarterly	9.6	11.4	12.1	12.9	12.9
ROA	1.3	1.4	1.4	1.6	1.6
ROA, Quarterly	1.3	1.5	1.5	1.6	1.6
Swap Adj. NIM	4.83	4.63	4.12	2.40	2.58
Swap Adj. NIM, Quarterly	4.83	4.42	3.61	2.40	2.73
CIR ⁽¹⁾	33.8	31.6	33.8	40.0	39.8
CIR, Quarterly	33.8	29.6	38.5	40.0	39.6
(%)					
Total LDR ⁽²⁾	84	98	94	95	94
TL ⁽²⁾	126	138	153	147	147
FX	48	54	47	51	49
Leverage (x)	7.8	7.7	7.6	8.2	8.0
Asset Quality (%)					
NPL Ratio	6.7	6.2	6.2	5.8	5.5
Stage 3 Coverage	58.8	61.5	62.4	63.7	65.2
Stage 2/ Total Gross Loans	12.2	11.9	9.4	9.5	11.1
Stage 2 Coverage	11.8	15.1	16.4	16.8	16.1
Net CoC	2.01	2.59	2.27	1.01	0.79
Net CoC, Quarterly	2.01	3.17	1.06	1.01	0.59
Solvency ⁽³⁾ (%)					
CAR	18.8	20.4	19.8	18.5	20.0
CET-1	16.0	17.4	16.9	15.5	16.0
Tier-1	16.0	17.4	16.9	15.5	16.0

⁽¹⁾ CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions and LYY hedge. The calculation excludes insurance penalty of TL 71 mn for 1Q20, 1H20 & also BRSA penalty of TL 117 mn for 2020

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

⁽³⁾ w/o forbearances: For 2Q21, fixing FX rate for RWA calculation to average last 12 month FX rate. For 1Q21 & 2020, fixing MtM losses of securities & FX rate for RWA calculation to average last 12 month FX rate & for 1Q20 & 1H20 to YE 2019

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Balance Sheet Highlights

	2020	1Q21	1H21	QoQ (%)	YtD (%)
Consolidated (TL mn)					
Cash and due from Banks	60,576	76,323	84,320	10	39
Securities	101,926	106,843	115,052	8	13
TL	59,540	62,336	62,774	1	5
FX (USD)	5,713	5,346	6,023	13	5
Loans (net)	262,658	281,814	289,481	3	10
TL	170,310	175,986	182,585	4	7
FX (USD)	12,447	12,711	12,315	(3)	(1)
Other	53,157	52,310	48,986	(6)	(8)
Total Assets	478,317	517,290	537,839	4	12
Deposits	292,519	310,008	326,905	5	12
TL	108,362	118,963	122,693	3	13
FX (USD)	24,821	22,946	23,526	3	(5)
Funds Borrowed and Bonds Issued	66,287	70,962	76,488	8	15
Repo	20,907	37,029	32,111	(13)	54
Other	35,679	36,253	35,024	(3)	(2)
Equity	62,924	63,038	67,311	7	7
Total Liabilities and S/H Equity	478,317	517,290	537,839	4	12

Income Statement Highlights

Consolidated (TL mn)	1Q21	2Q21	QoQ(%)	1H20	1H21	YoY(%)
Net Interest Income incl. swap cost	2,782	3,368	21	8,906	6,150	(31)
NII	4,193	5,337	27	10,234	9,530	(7)
o/w CPI-linker income	1,088	1,728	59	1,388	2,816	103
Swap Cost	(1,411)	(1,969)	40	(1,328)	(3,380)	155
Fees and Commissions (Net)	1,462	1,348	(8)	2,262	2,810	24
Net Trading Gain (Loss)	2,031	1,494	(26)	1,145	3,526	208
LYY hedge gain/ (loss)	1,105	436	(61)	-	1,541	-
ECL hedge gain/ (loss)	62	154	150	315	216	(31)
Other	864	905	5	830	1,769	113
Other Income	267	59	(78)	143	326	128
Operating Expense	(2,087)	(2,240)	7	(3,898)	(4,327)	11
Pre- Provision Income	4,455	4,029	(10)	8,558	8,484	(1)
Provision for Loan Losses, net of collections	(697)	(427)	(39)	(2,936)	(1,123)	(62)
Stage 1+2 (net)	(515)	(185)	(64)	(1,286)	(700)	(46)
Stage 3	(621)	(517)	(17)	(1,822)	(1,138)	(38)
Stage 3 Recoveries	500	430	(14)	486	930	91
Currency Impact (fully hedged)	(62)	(154)	150	(315)	(216)	(31)
Other Provisions	(1,201)	(559)	(53)	(1,761)	(1,761)	-
LYY MtM gain/ (loss)	(1,203)	(548)	(54)	(1,283)	(1,751)	36
Free Provisions	-	-	-	(250)	-	-
Other	2	(11)	-	(228)	(10)	-
Income Before Tax	2,557	3,043	19	3,861	5,600	45
Tax	(529)	(937)	77	(975)	(1,466)	50
Net Income	2,028	2,106	4	2,885	4,134	43

Initiatives & indices



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