

3Q20
Consolidated
Financial Results

AKBANK



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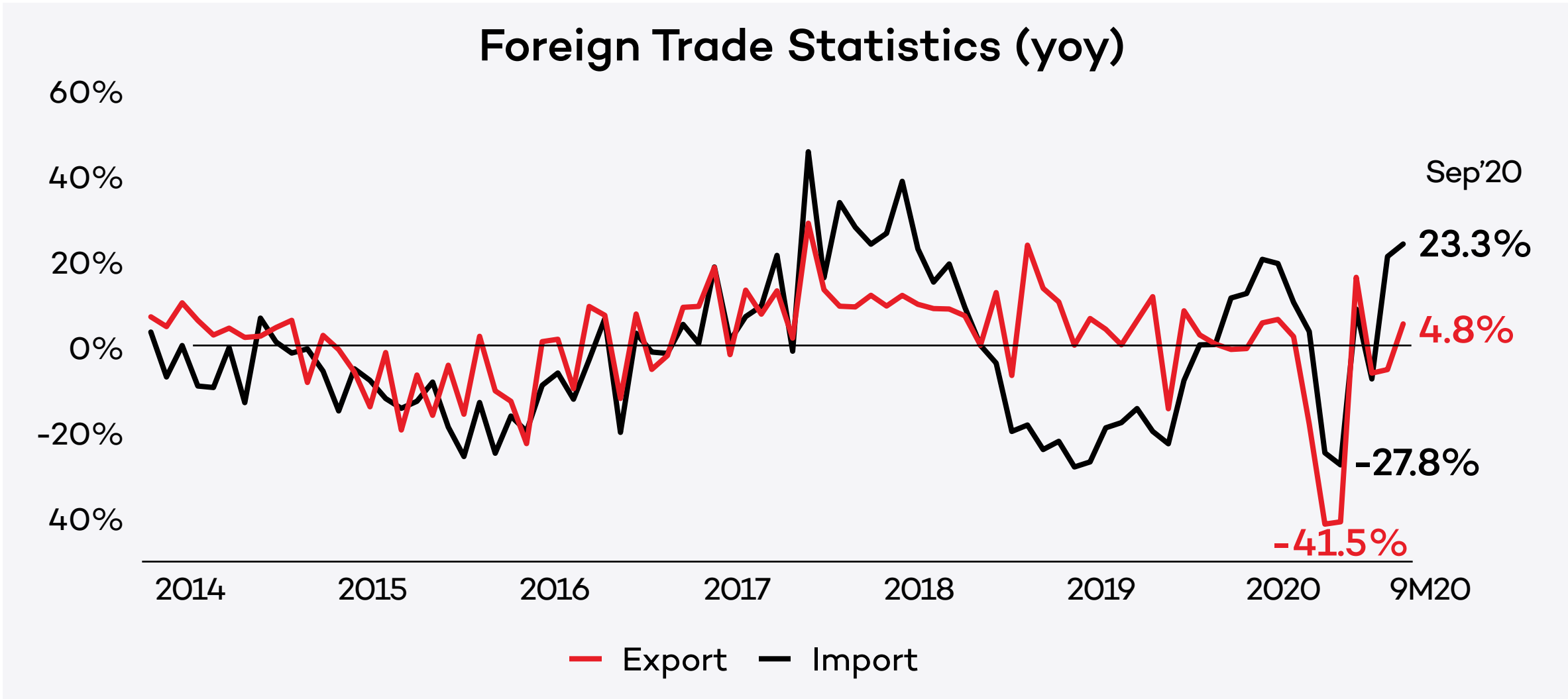
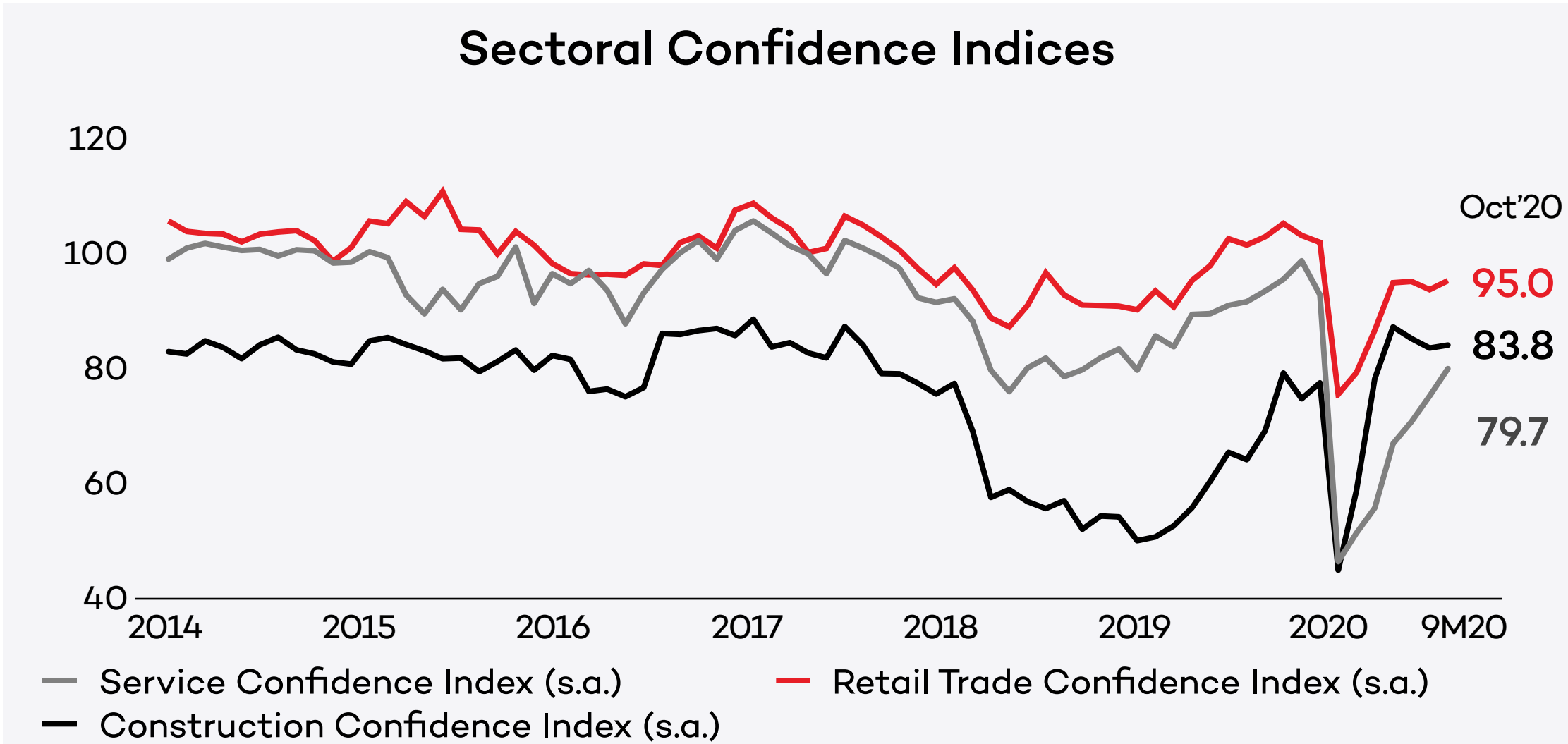
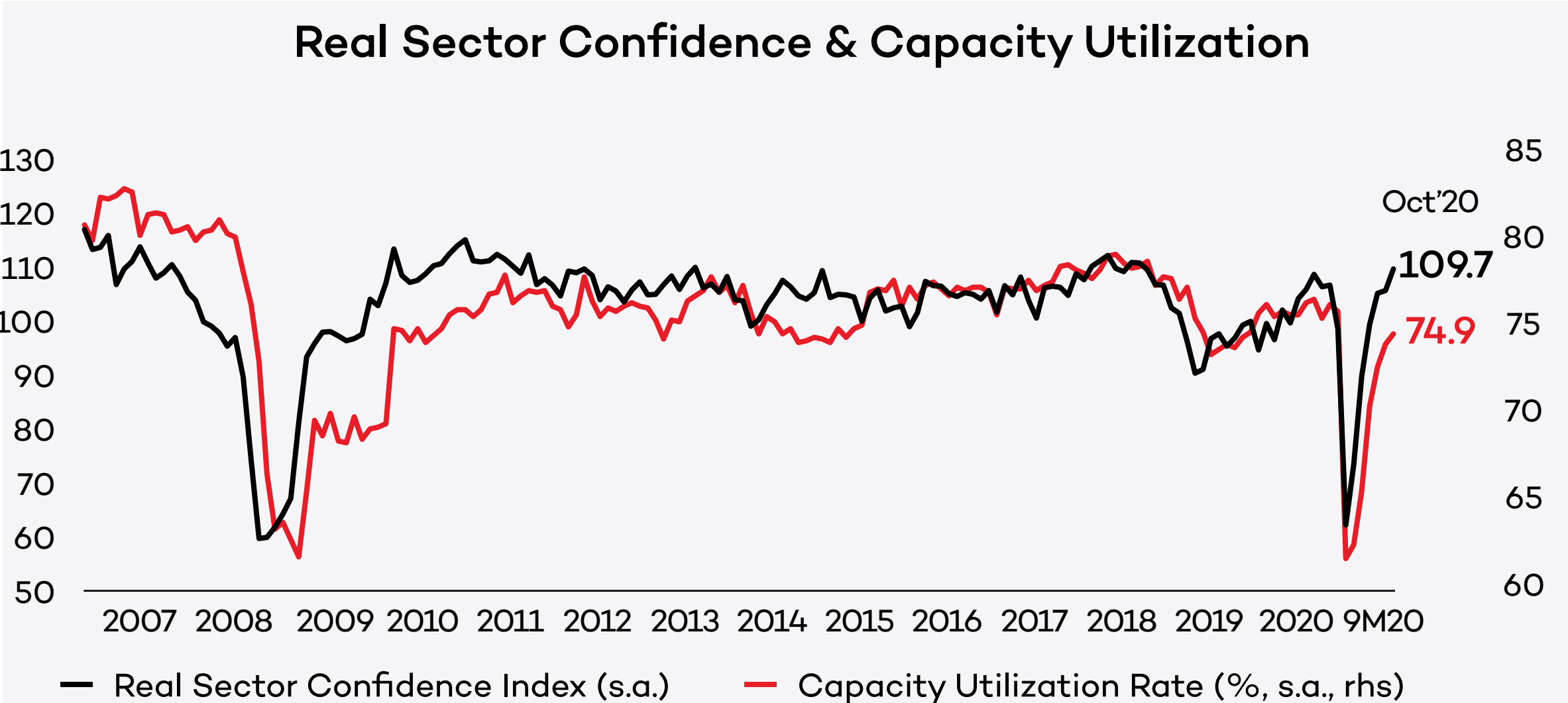
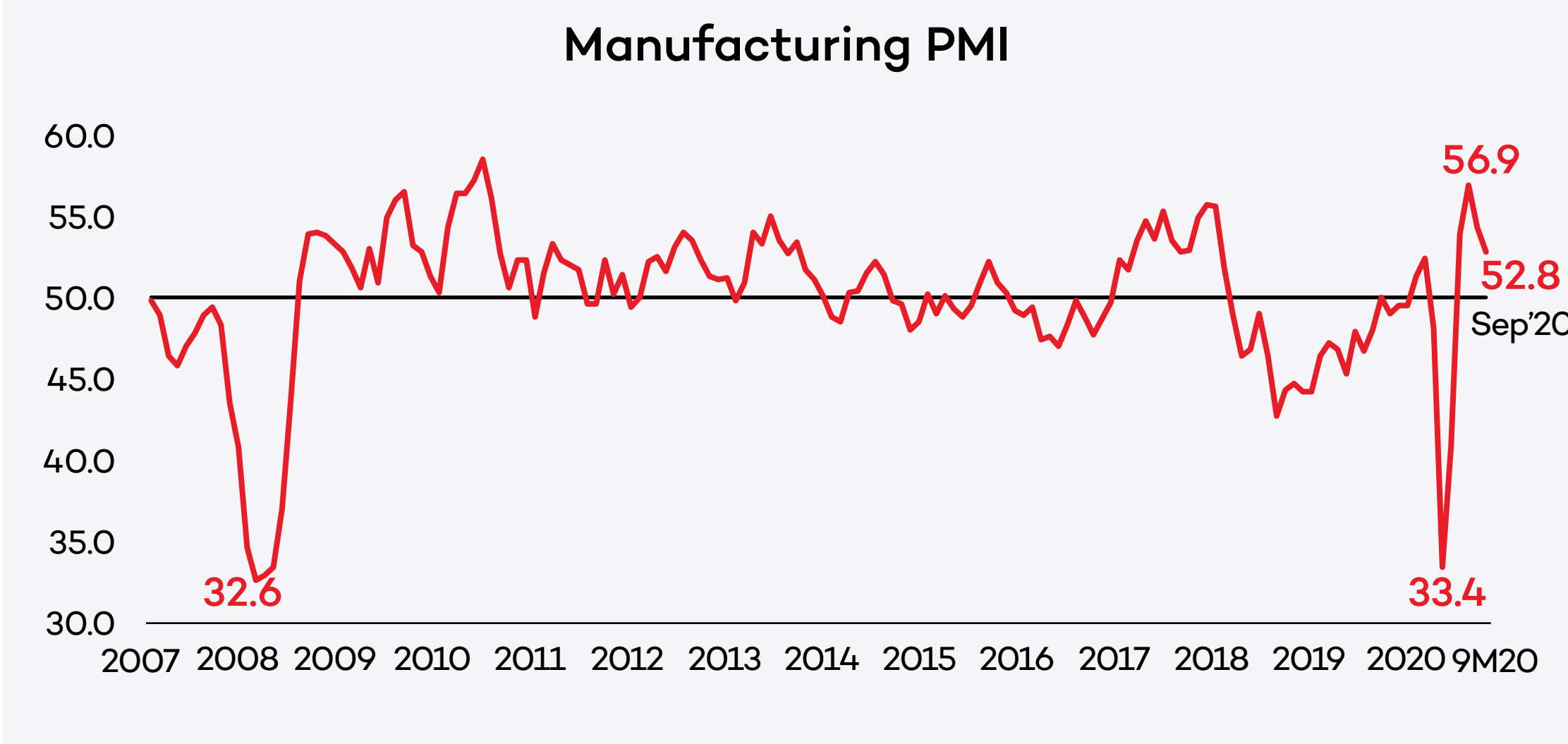
01 **Operating Environment**

02 Financials

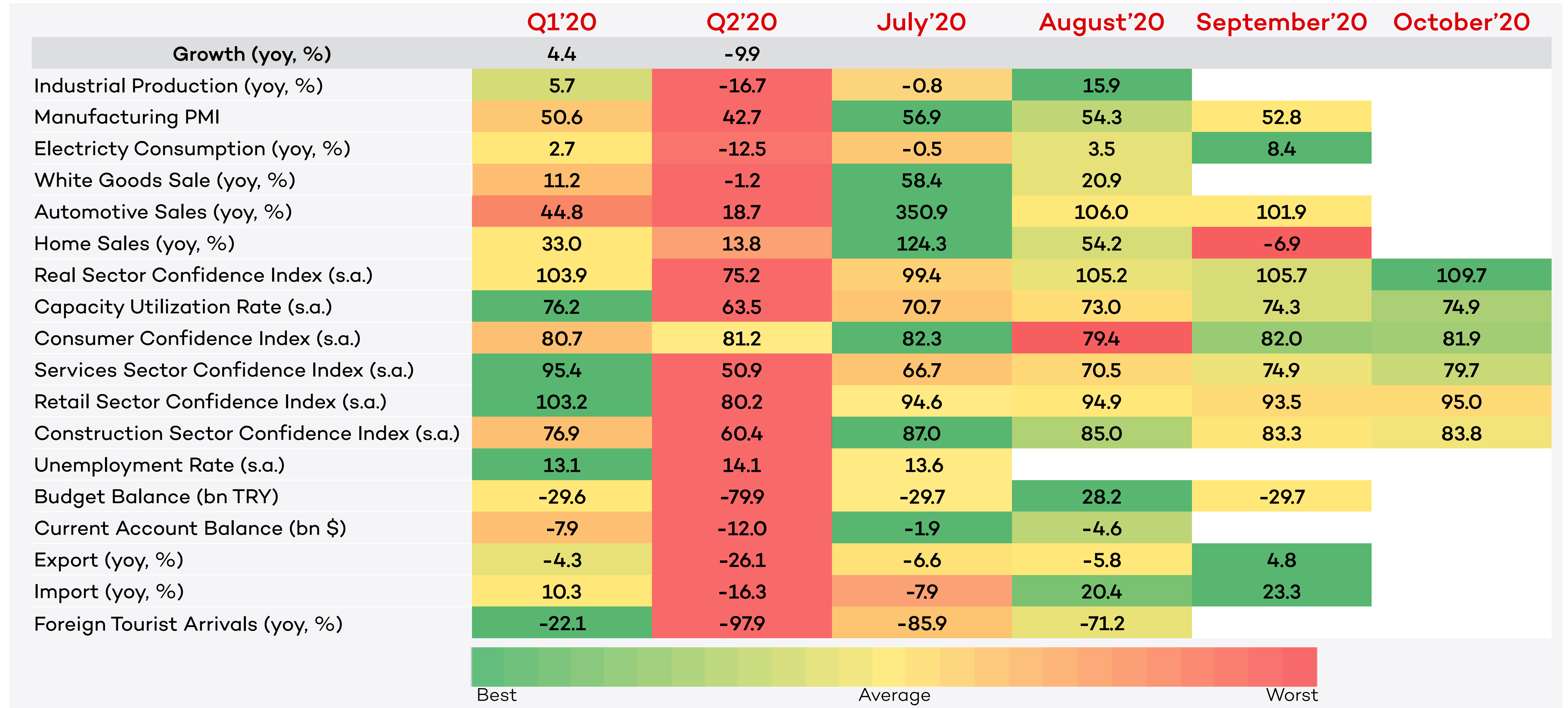
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Economic activity bottomed out; but fragile



Economic activity heat map



Normalization initiatives during 3Q...

July

- ▶ Capital Markets Board lifted ban on short selling in BIST-30 Index
- ▶ FX reserve requirement ratios were increased by 300 bps in all liability types and maturity brackets

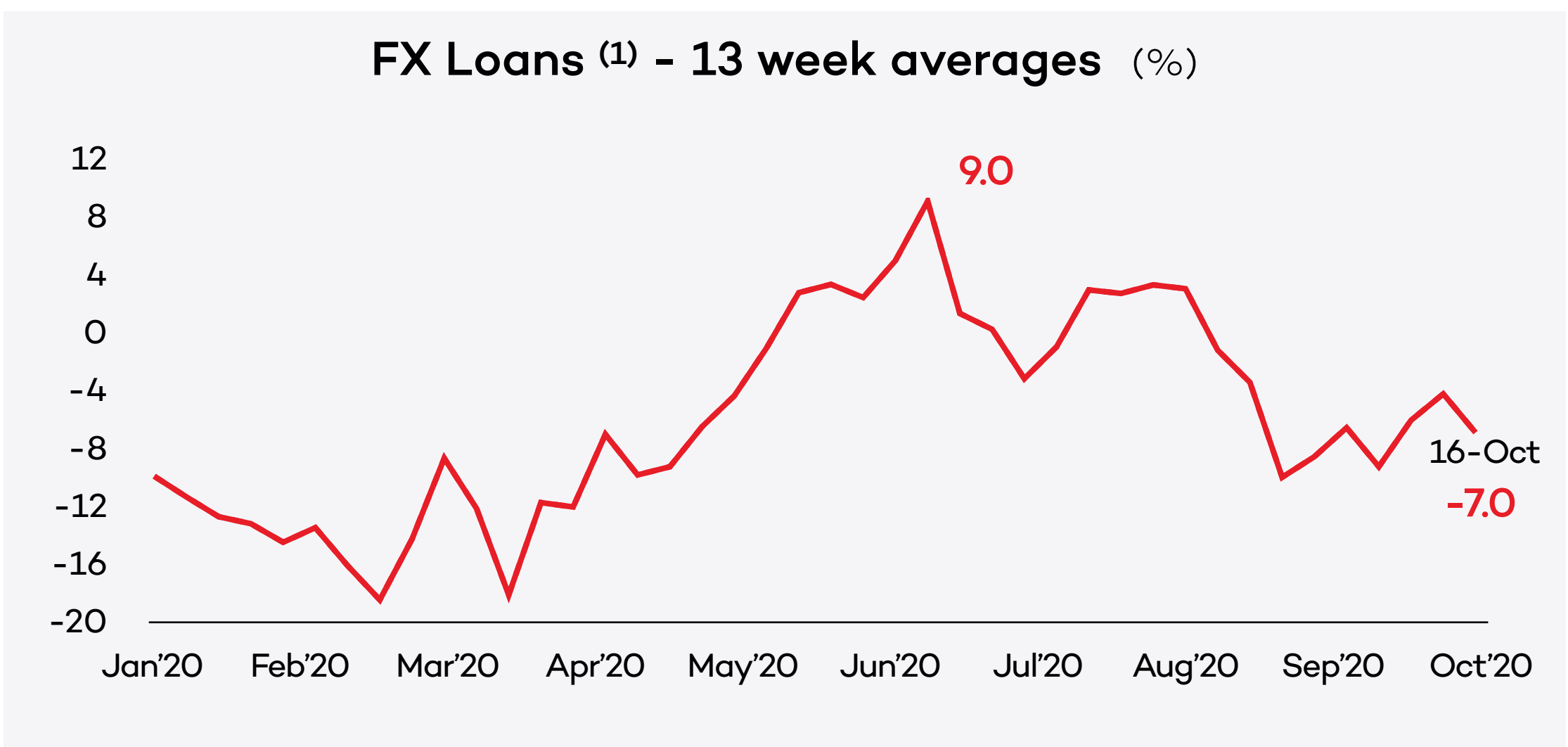
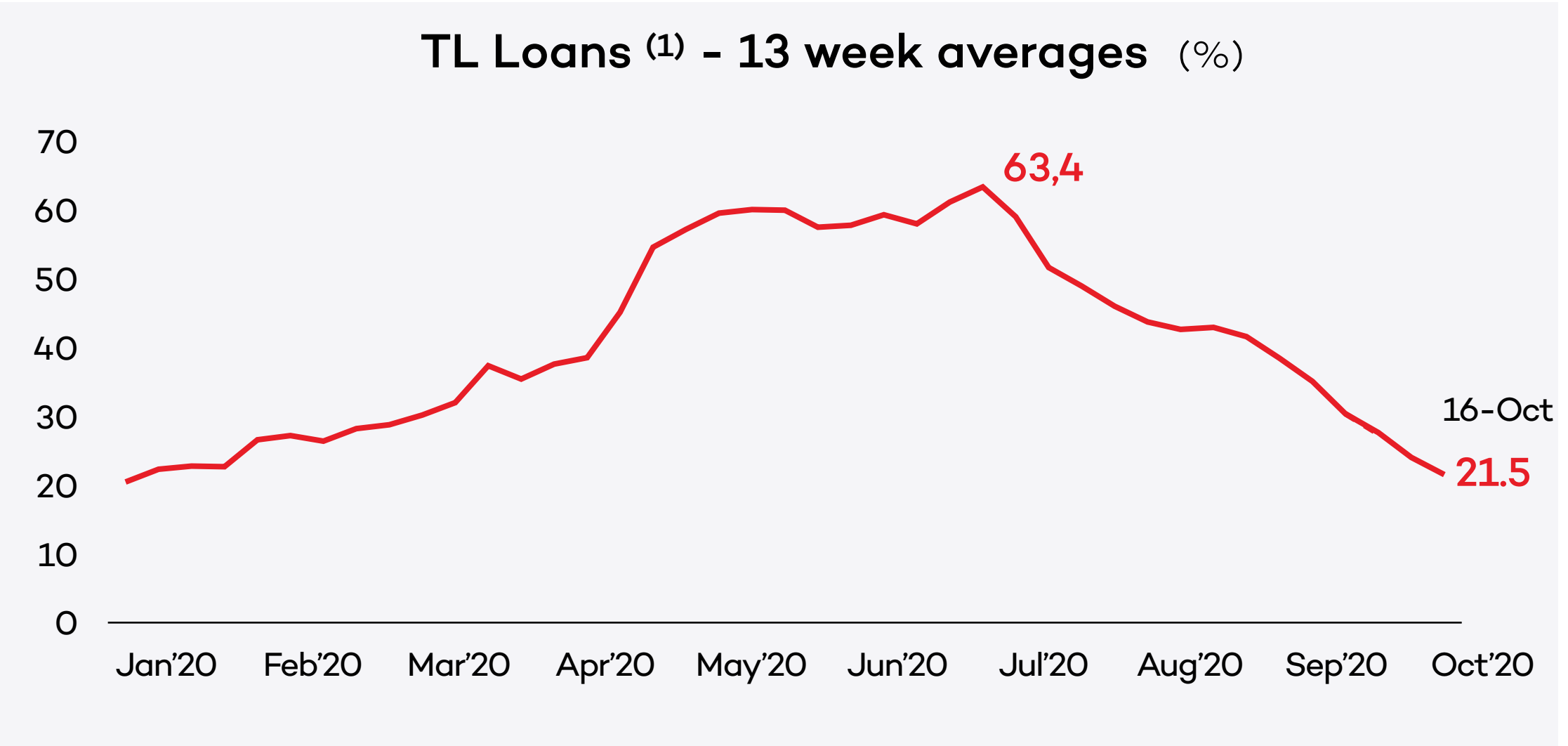
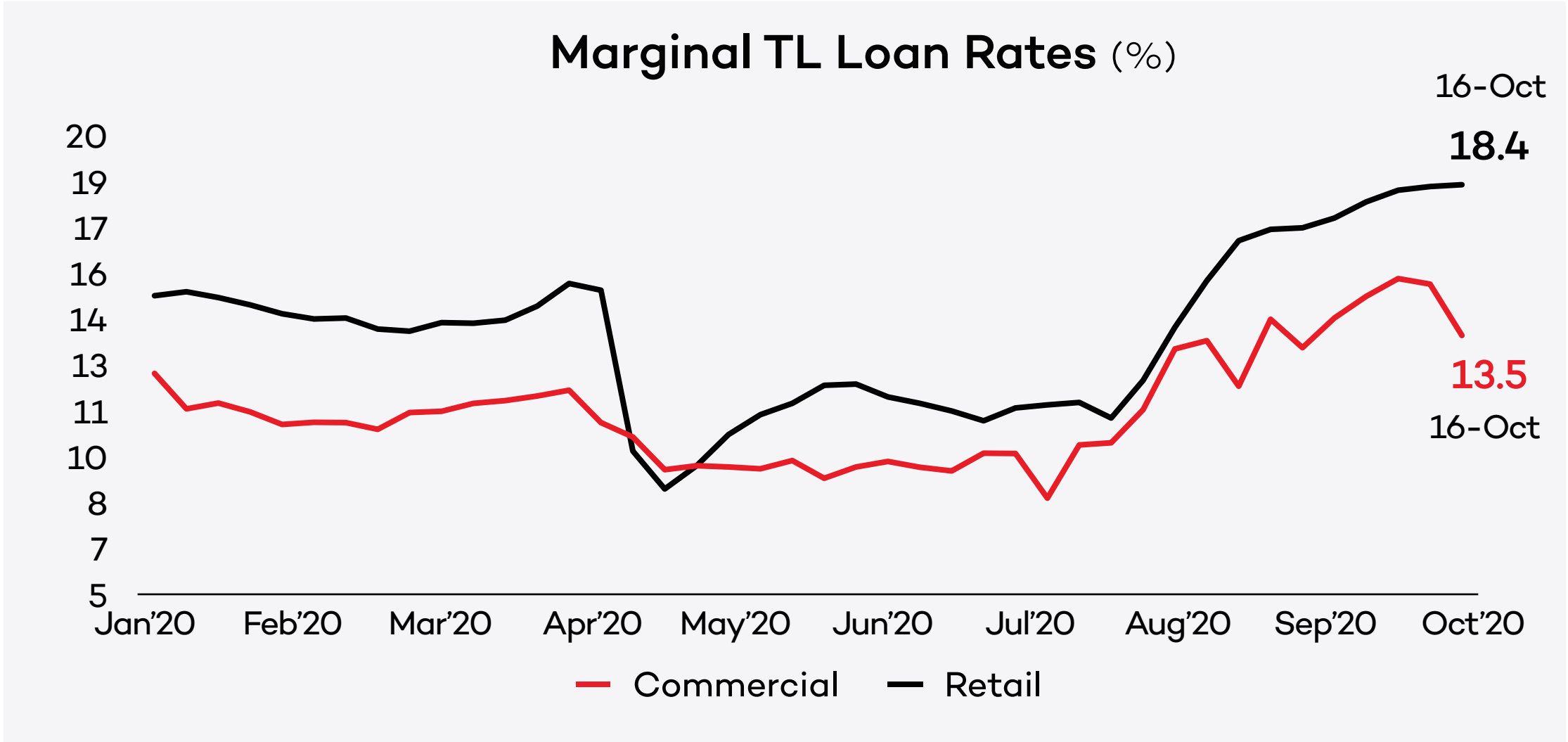
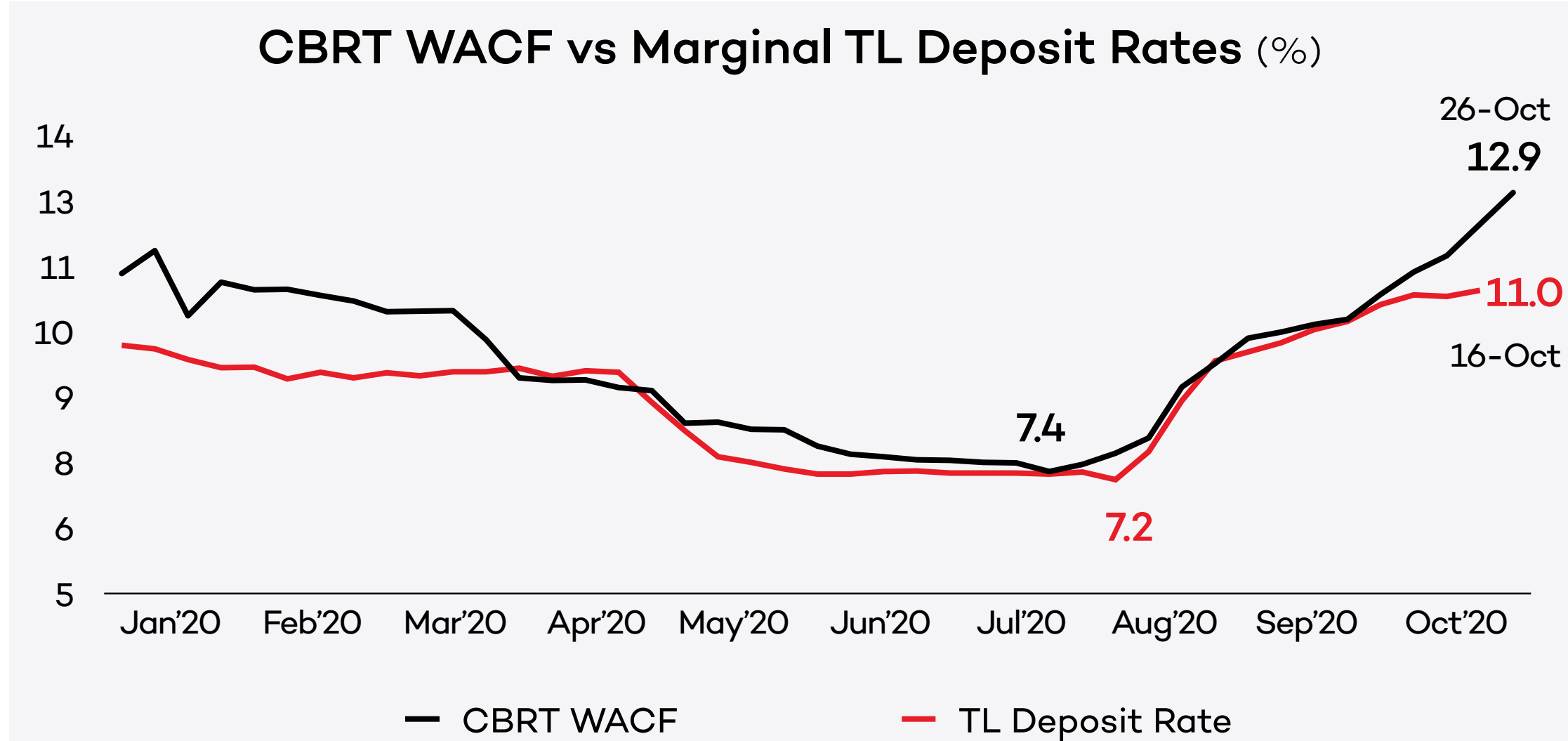
August

- ▶ Targeted additional liquidity facilities started to be gradually phased down
- ▶ Liquidity limits offered to Primary Dealers in Open Market Operations was first reduced to half of their limits and then lifted
- ▶ CBRT started conducting repo auctions via traditional monthly auction method
- ▶ Banks' borrowing limits at the CBRT for O/N borrowing transactions reduced to half
- ▶ TL and FX reserve requirement ratios raised for banks fulfilling real credit growth conditions
- ▶ Asset Ratio was reduced from 100% to 95% for deposit banks

September

- ▶ Maximum term of consumer loans decreased from 60 to 36 months
- ▶ CBRT increased the policy rate by 200 bps to 10.25%
- ▶ Off-shore right way & wrong way swap limits were increased
- ▶ Asset Ratio was reduced from 95% to 90% for deposit banks
- ▶ Banking & insurance transaction tax on FX purchases was reduced to 0.2% from 1%
- ▶ Withholding tax on bank deposits was lowered

... increased market rates & slowed loan growth



Source: BRSA & CBRT weekly data dated October 16,2020 & WACF as of Oct 26th, 2020

⁽¹⁾ Excluding participation banks



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3Q20 in a nutshell: Well positioned to remain healthy & profitable

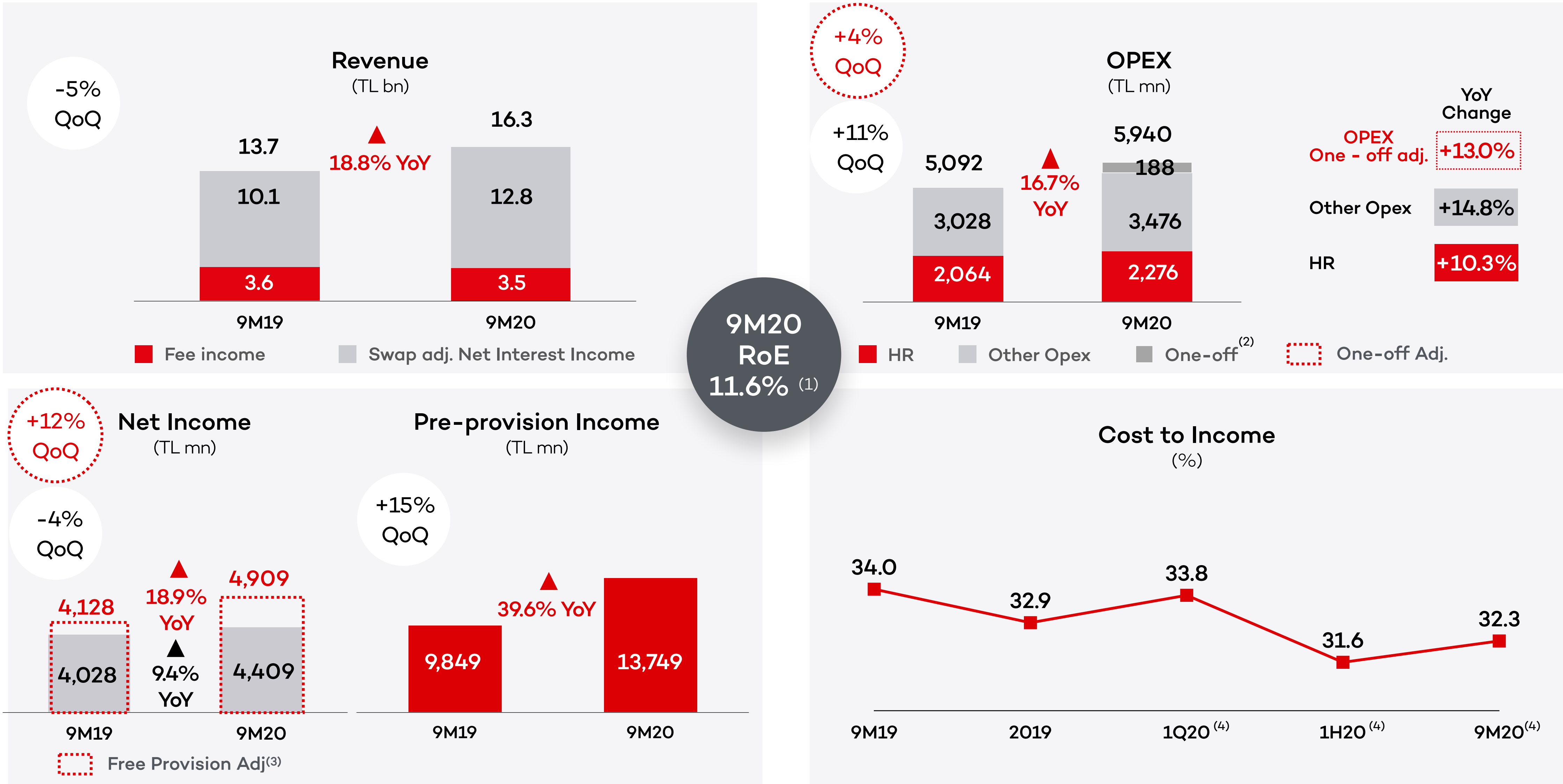
Achievements

- ▶ Maintained solid core operating performance in a challenging environment
- ▶ Improved fee income almost to pre- Covid levels
- ▶ Sustained best-in-class CIR
- ▶ Almost fully hedged LYY⁽¹⁾ in 3Q
- ▶ Set aside TL 250 mn free provision, reaching TL 1,150 mn in total
- ▶ Continued prudent ALM with a focus on maturity mismatch
- ▶ Preserved significant capital buffers

Despite

- ▶ Increased funding costs due to CBRT tightening
- ▶ Still elevated CoC level

Sound core operating performance continues



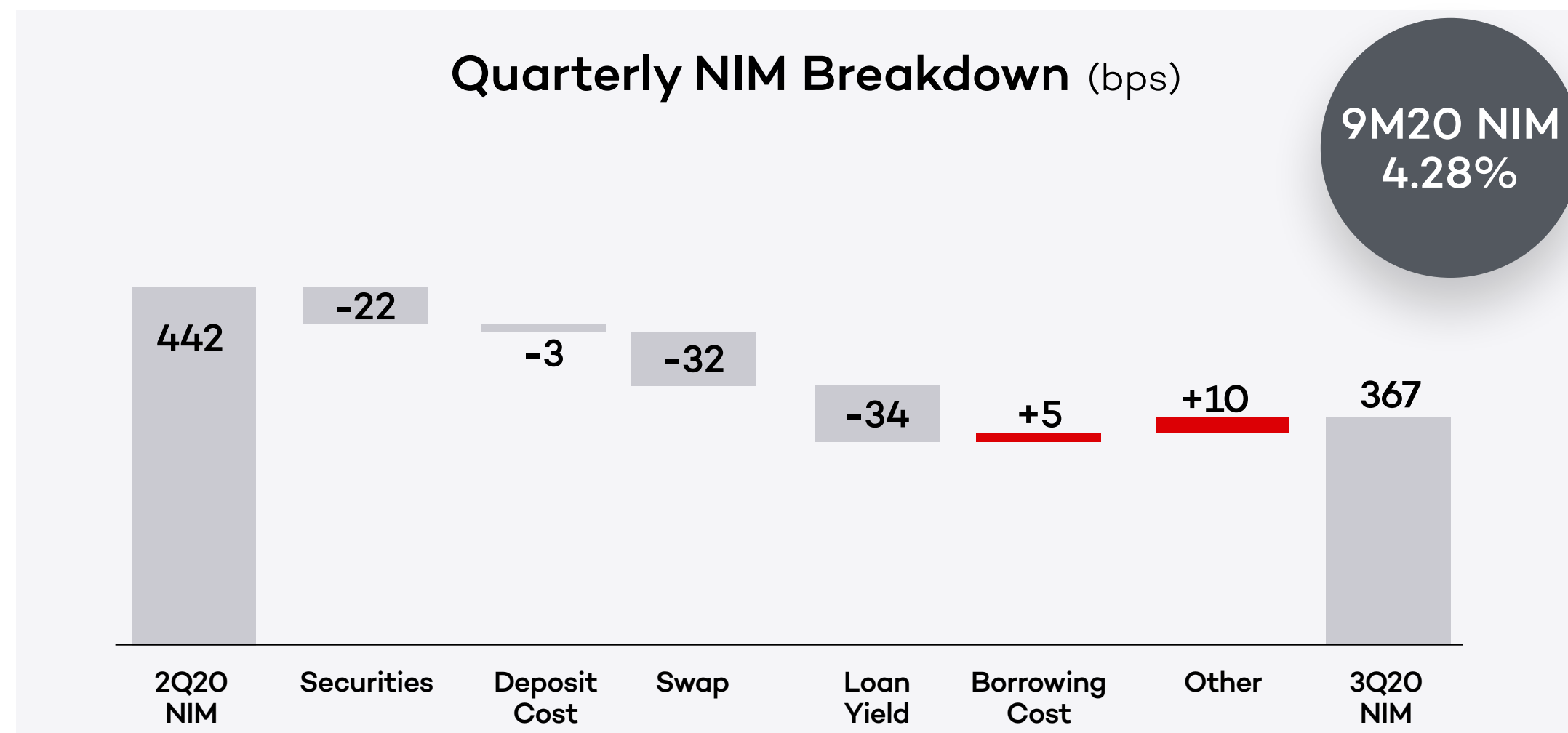
(1) Adjusted for 1Q20 free provisions of TL 250 mn & 3Q20 free provisions of TL 250 mn

(2) Including insurance penalty of TL 71 mn & BRSA penalty of TL 117 mn

(3) 9M19 net income adjusted for TL 100 mn & 9M20 net income adjusted for TL 500 mn free provisions

(4) CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions and LYY hedge as well as insurance penalty of TL 71 mn & BRSA penalty of TL 117 mn

FY NIM to remain within guidance

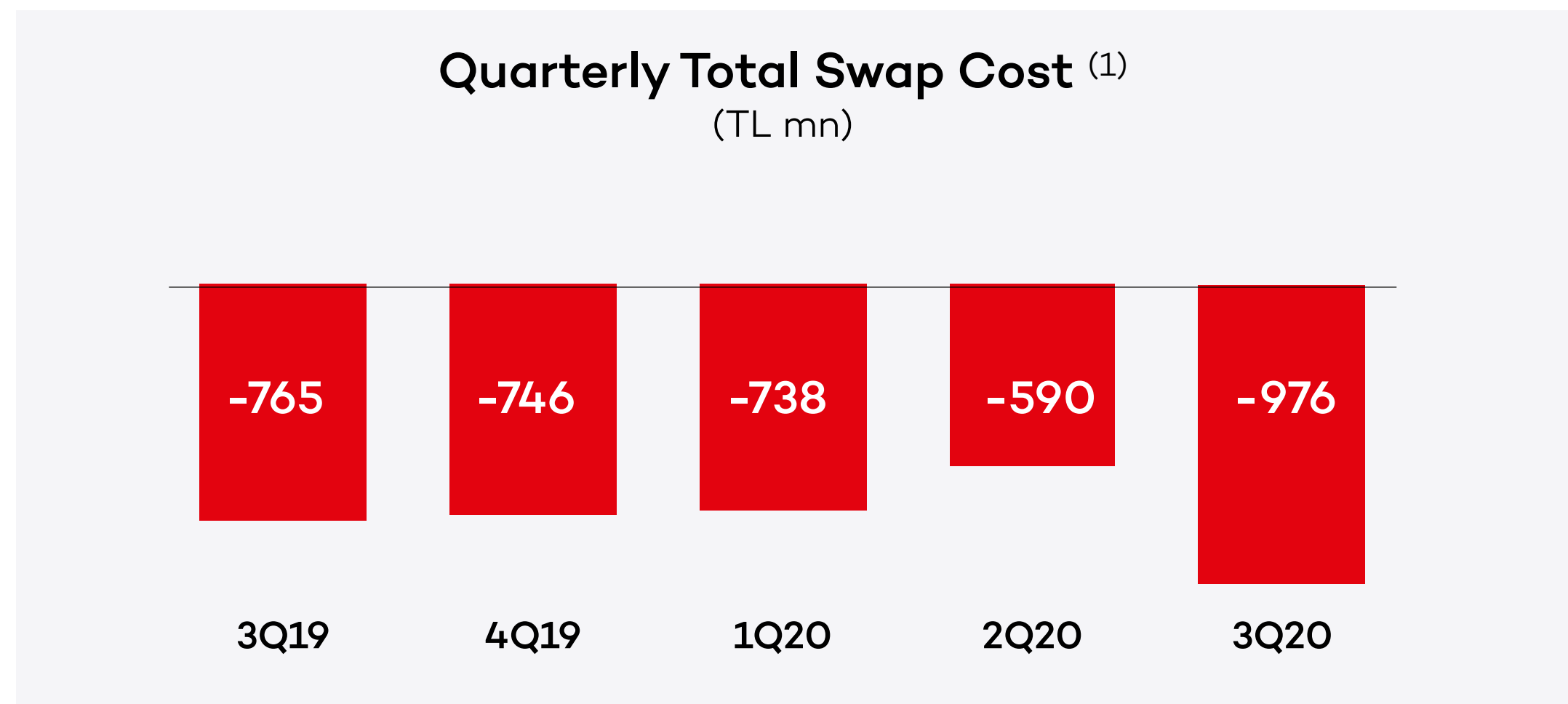


In 3Q20:

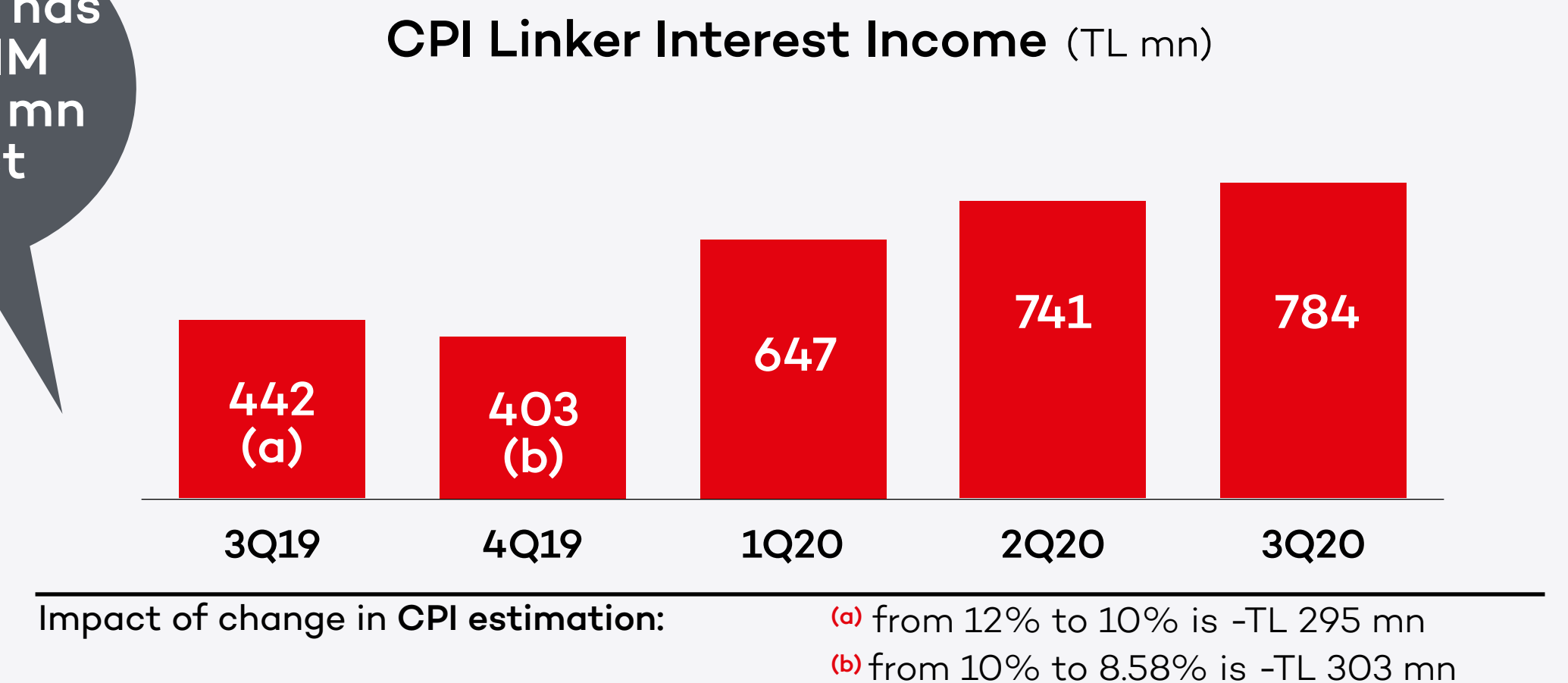
- ▶ Funding cost increased due to CBRT tightening
- ▶ CPI estimation remained unchanged at 9%

Looking forward, upward asset repricing & CPI adjustment expected to support NIM

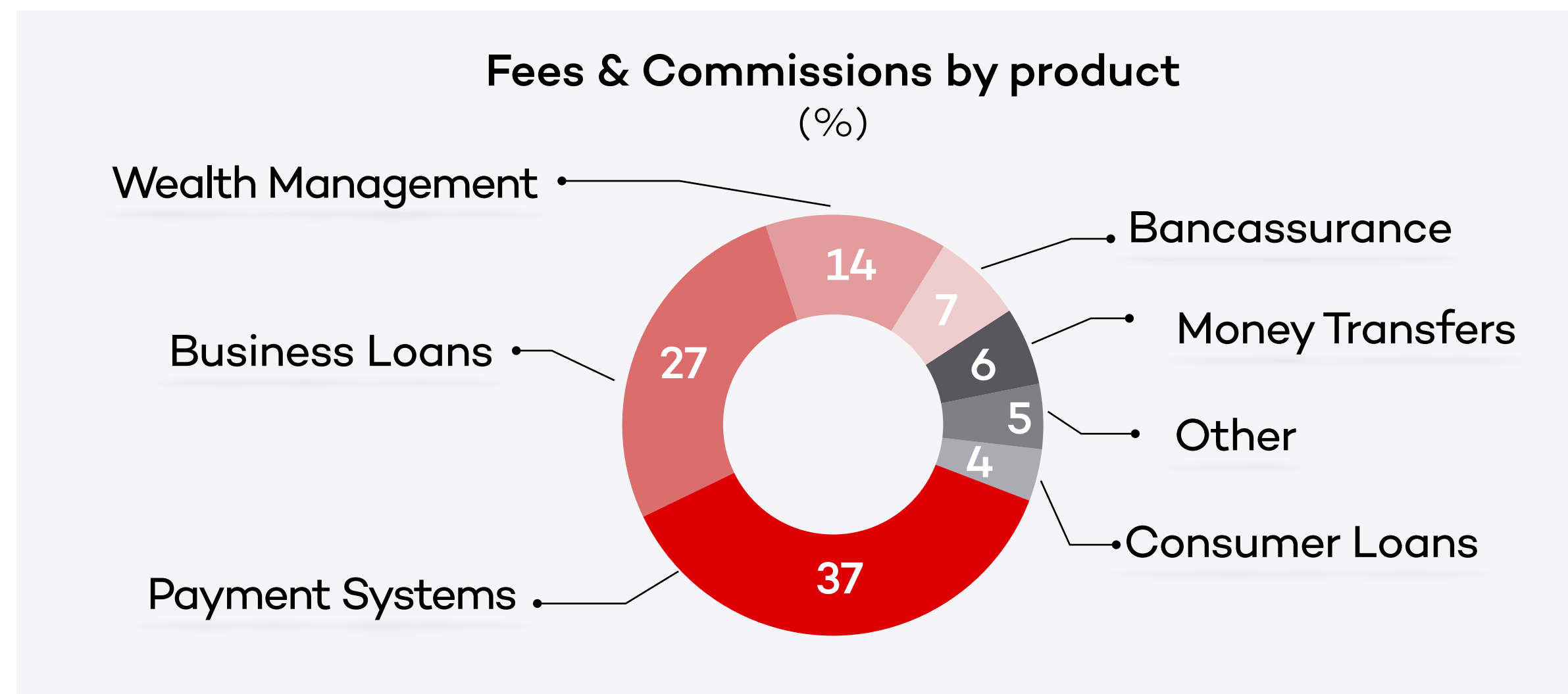
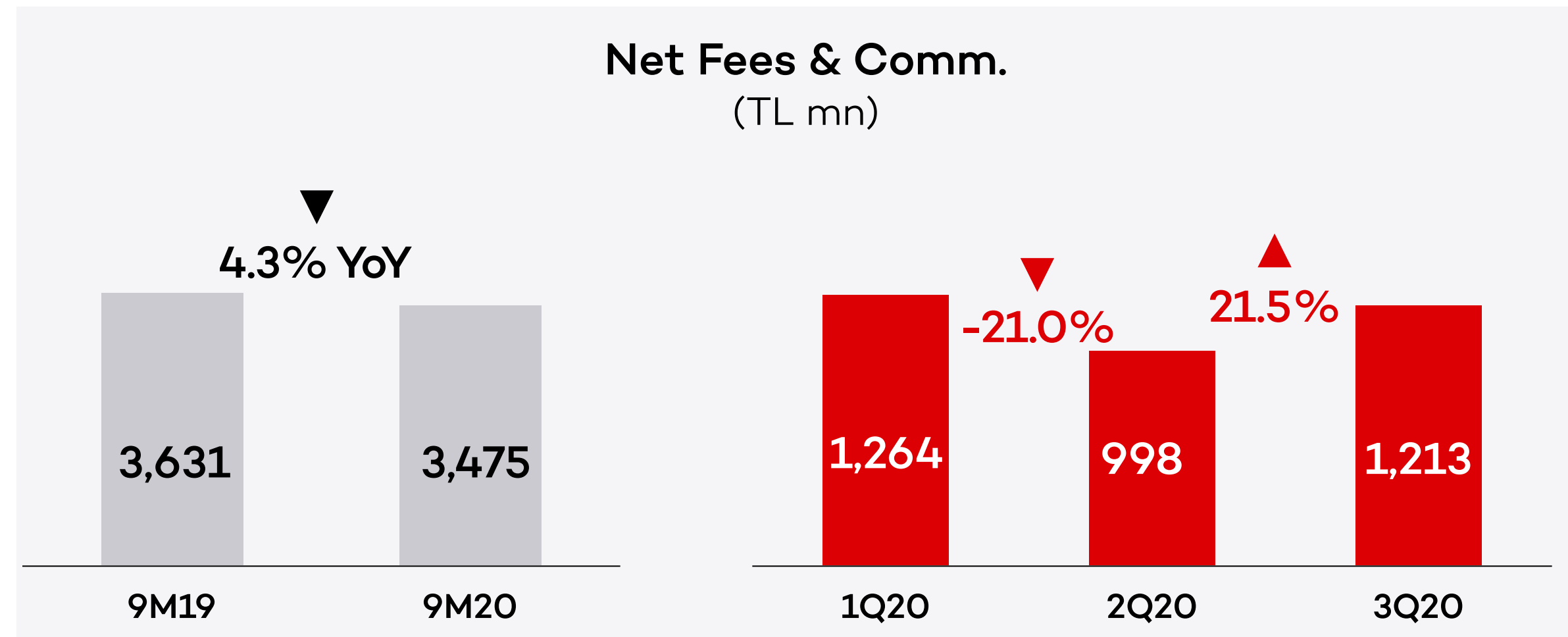
2020B
NIM
4.2-4.5%



+1% CPI has
+5bps NIM
& TL 212 mn
NI impact



Fee income performance improved back to pre-pandemic levels



Wealth Management (+118% YoY)

+10% QoQ

Product innovation & value added services

Accelerated WM client acquisition driven by digital channels

Consumer Loans (+115% YoY)

+13% QoQ

Pick up in consumer spending

Bancassurance (+21% YoY)

+22% QoQ

Supported by both lending & non-lending

Digital premiums/total premiums ⁽¹⁾ +8 pp YoY

Payment Systems (-35% YoY)

+21% QoQ

Supported by both acquiring & issuing volume growth

Money Transfers (-40% YoY)

+10% QoQ

YoY impacted by regulatory changes & Covid related waivers in 2Q

A few of new prominent digital features launched during 2020

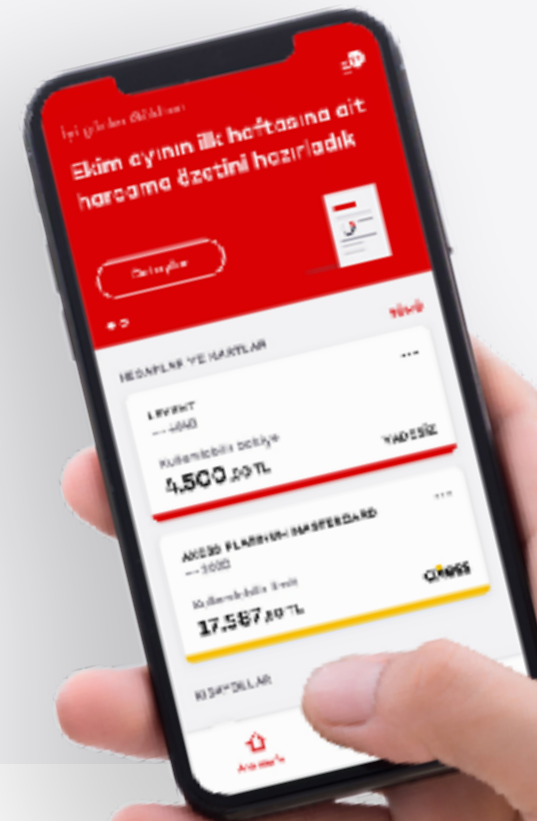
User-centered

- ▶ New brand attitude and look & feel
- ▶ Lean experience, simplified language & new tone of voice
- ▶ Personalized communication area
- ▶ Native promo and sales areas
- ▶ Mobile youth proposition: Akbank FAV
- ▶ Turkey's first digital-first credit card
- ▶ Add & rename "contacts" infrastructure
- ▶ Lean money transfer experience
- ▶ Akbank Mobile recognized with 3 key design awards:
 - iF Design Best Mobile App Design
 - A'Design Award & Competition
 - Red Dot Award in Brand & Communication Design



Smart

- ▶ AI-based personalized financial insights
- ▶ AI and need-based smart offers
- ▶ Campaigns and offers from favorite brands powered w/ AI
- ▶ Akbank Assistant chatbot: First point of help integrated into mobile
- ▶ Explore tab with search & help capabilities
- ▶ Proactive money transfer & payment suggestions
- ▶ Personalized small talk & info sharings
- ▶ Ready for upcoming regulations: Digital Onboarding, Single Factor login



Daily Banking

One-Stop Shop for Wealth Management

- ▶ New investment dashboard
- ▶ Aggregated view of all assets
- ▶ Total portfolio and asset performance tracking
- ▶ New and enriched investment product rail
- ▶ FX platform with customized currency prices
- ▶ Crypto-currency menu integrated with prominent crypto-platforms

Socialized Banking Experience in Money Transfers & Payments

- ▶ Mobile payments with QR, NFC, OCR and barcode reading
- ▶ Nearby money transfers
- ▶ Money transfers and payments with QR
- ▶ Money transfers to contacts and groups
- ▶ Istanbulcard registration and top-up payments

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Enhancing bottom-line impact through digital transformation

Digital banking in numbers ⁽¹⁾ with 5.3 mio customers

Interaction

- ▶ +21% monthly app login
- ▶ +15% # of mobile customers conducting financial transactions
- ▶ +8 pp mobile NPS

Financial Engagement

- ▶ +62% # of financial transactions through mobile:
 - +20% *payments*
 - +28% *money transfers*
 - +96% *investment transactions*
- ▶ +13 pp share of mobile in financial transactions
 - +11 pp *share in payments*
 - +5 pp *share in money transfers*
 - +10 pp *share in investment transactions*

Performance

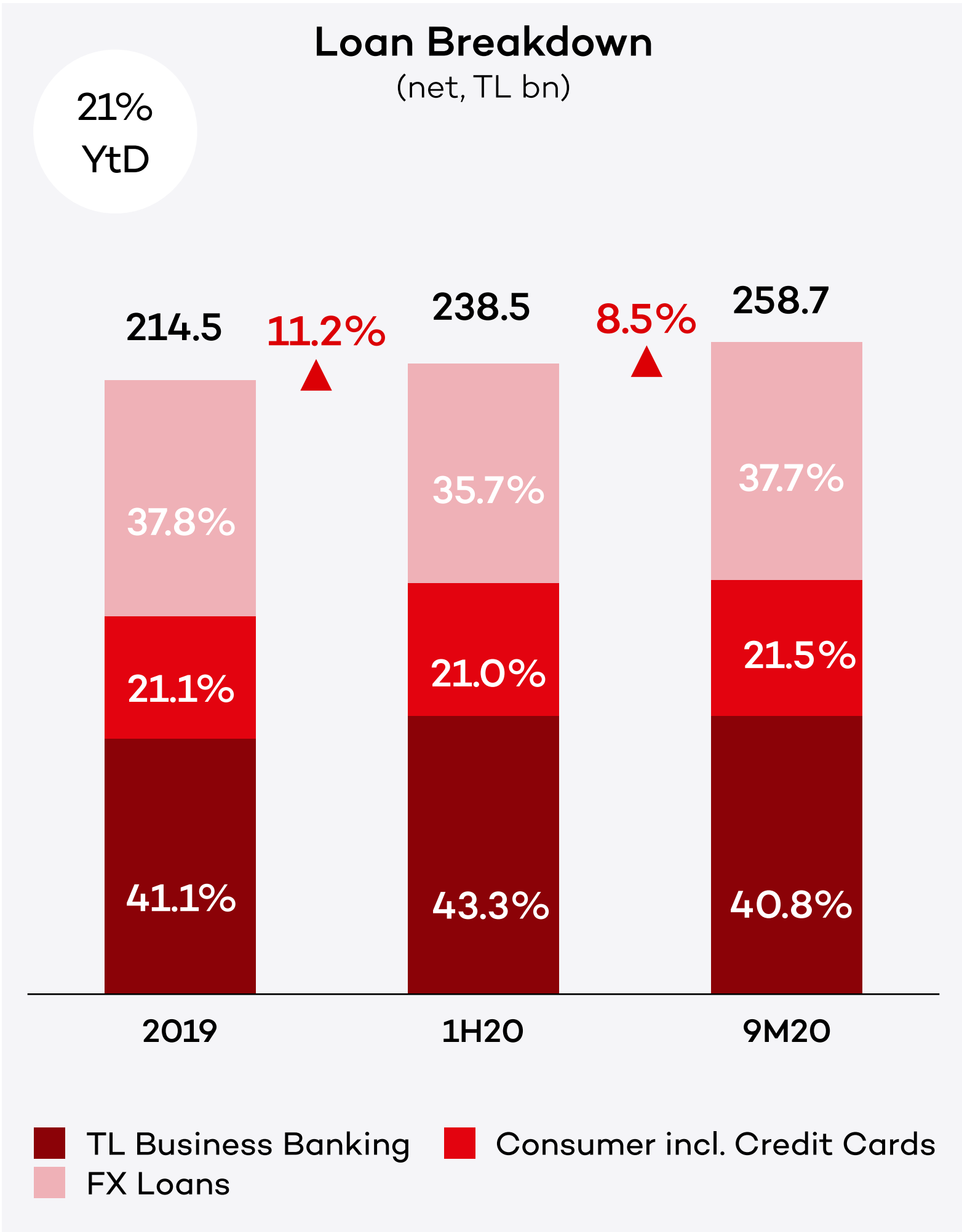
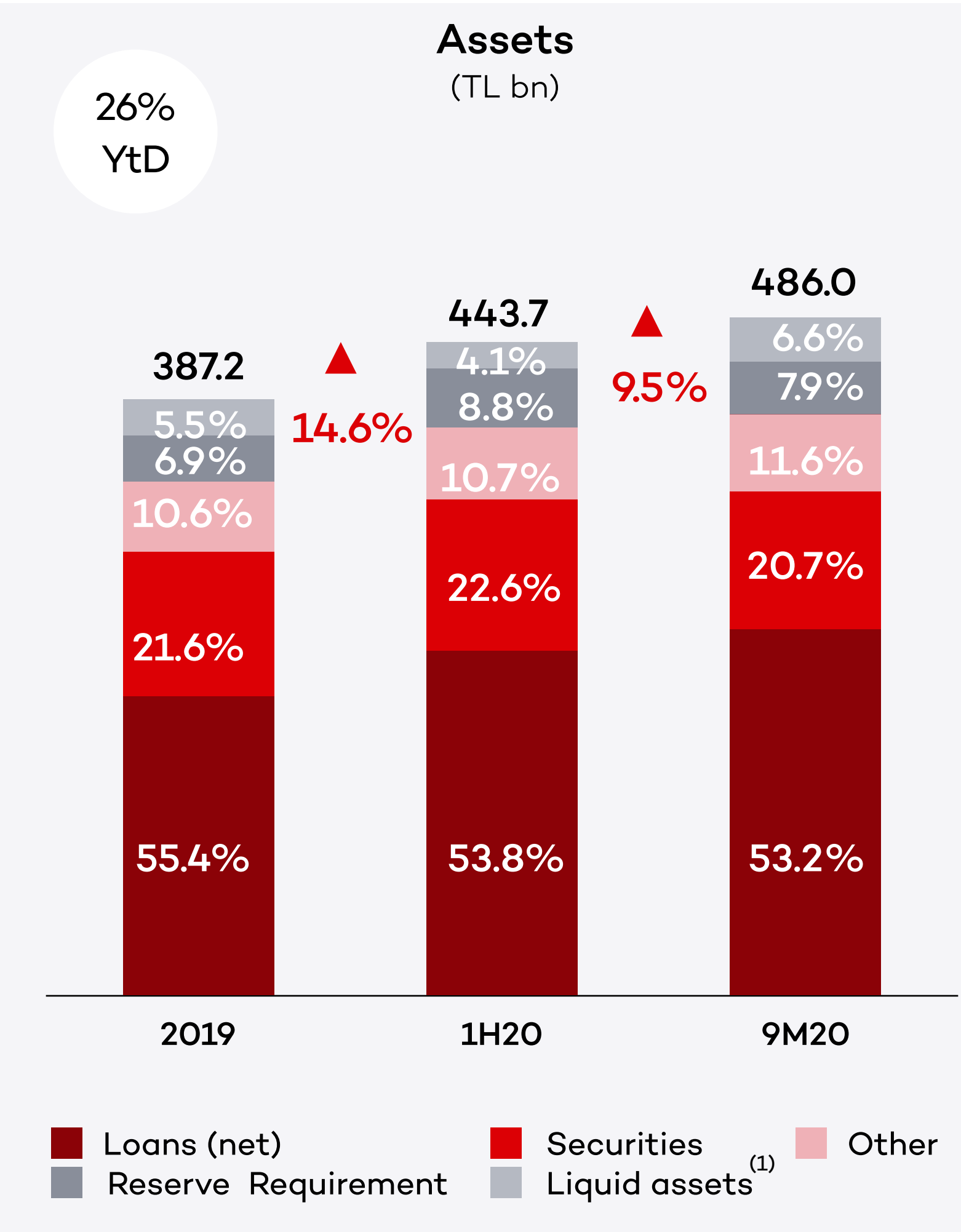
- ▶ ~ 2x digital customer x-sell compared to non-digitals
- ▶ 60+% credit cards sold through digital channels
- ▶ 70+% GPLs sold through digital channels

Active mobile customers visiting Akbank Mobile almost everyday

⁽¹⁾ Based on bank-only MIS data. Increase figures from Dec'19 to Sep'20

⁽²⁾ Including non-branch channels, year-to-date sales

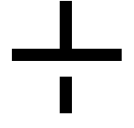
Strategic asset allocation drives sustainable long-term shareholder value



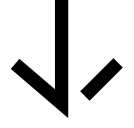
Prudent Asset- Liability
Management



Well-structured
maturity mismatch



Strong capital⁽²⁾
19.1%

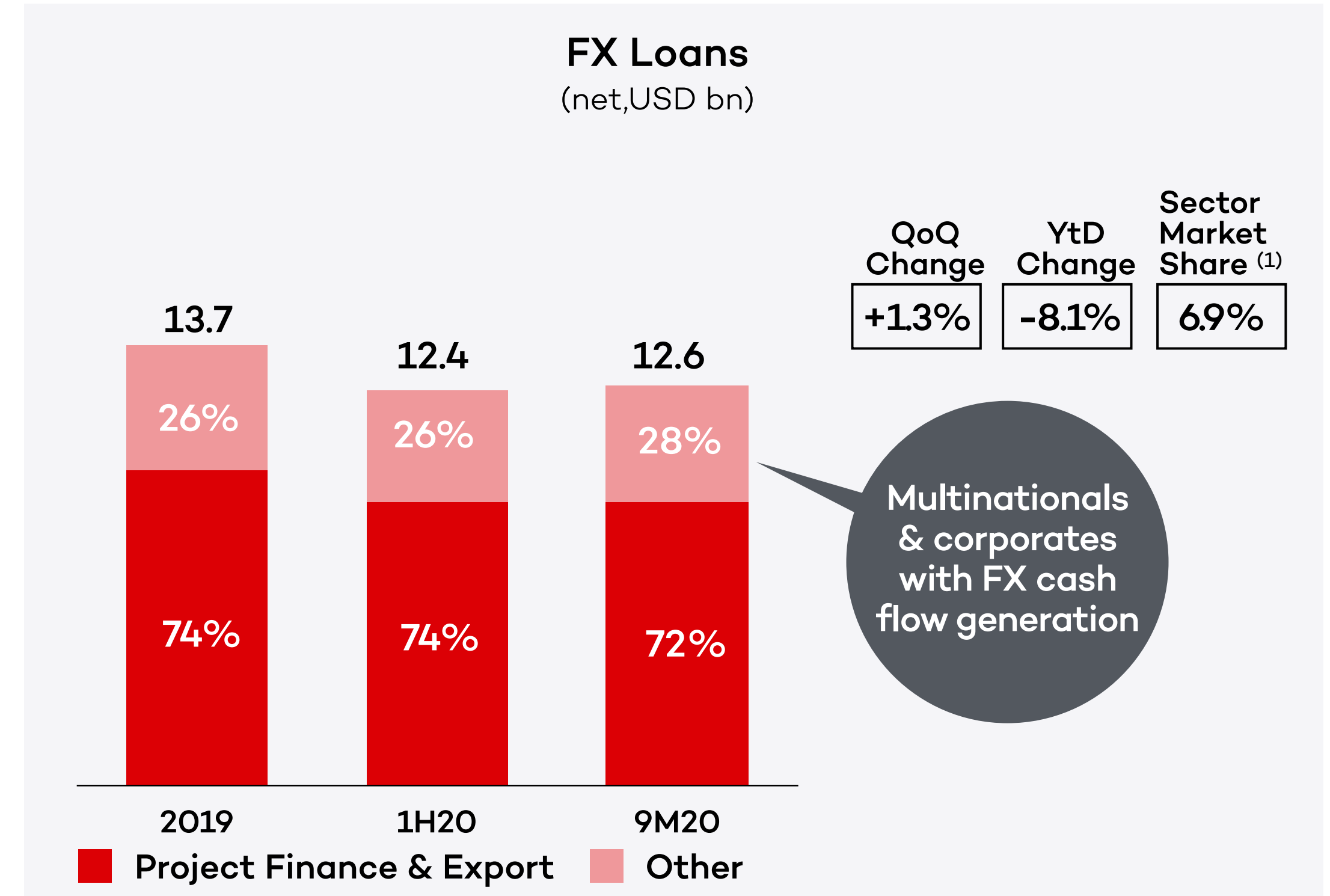
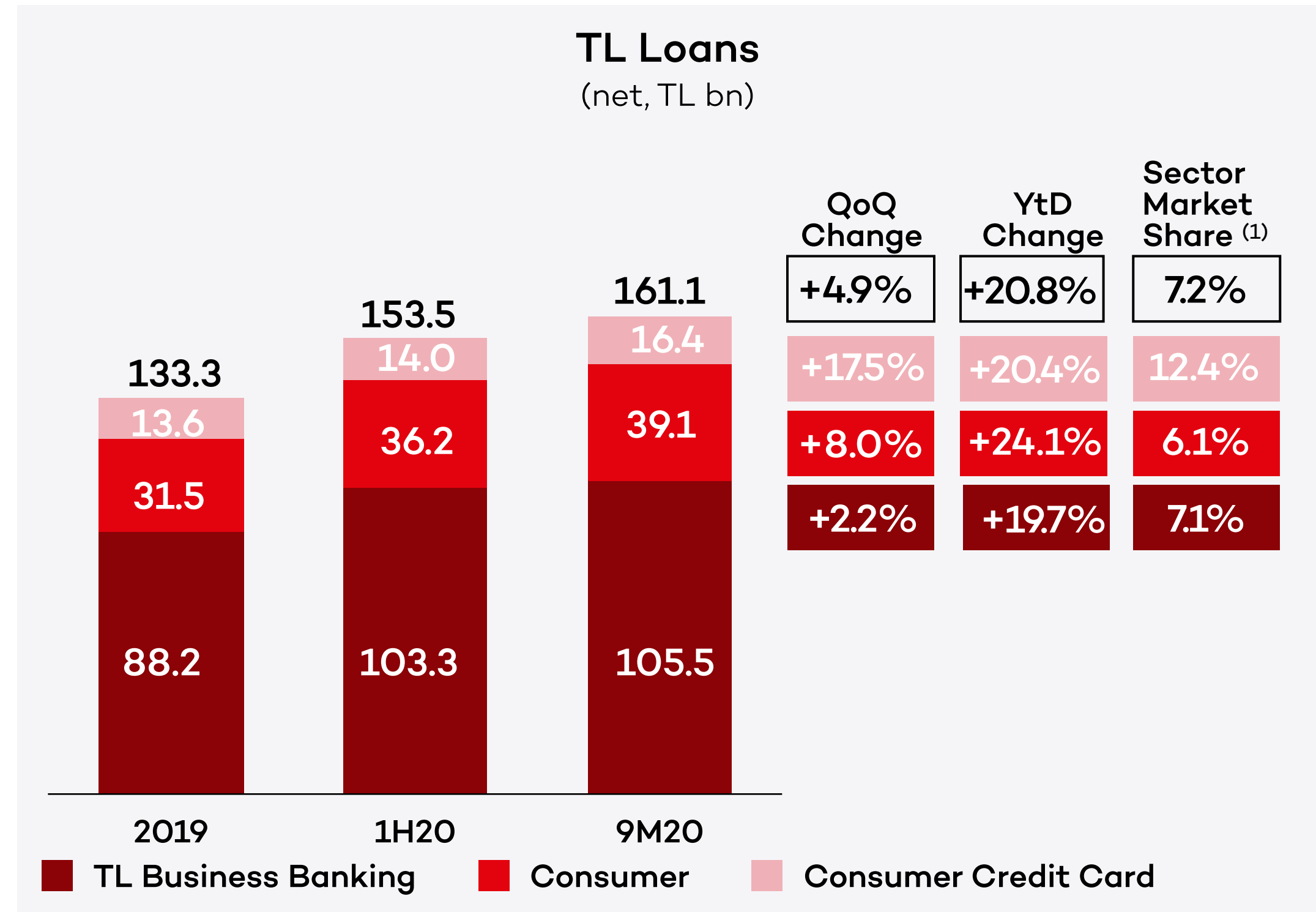


Unique growth
opportunity
with risk & return in focus

(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)

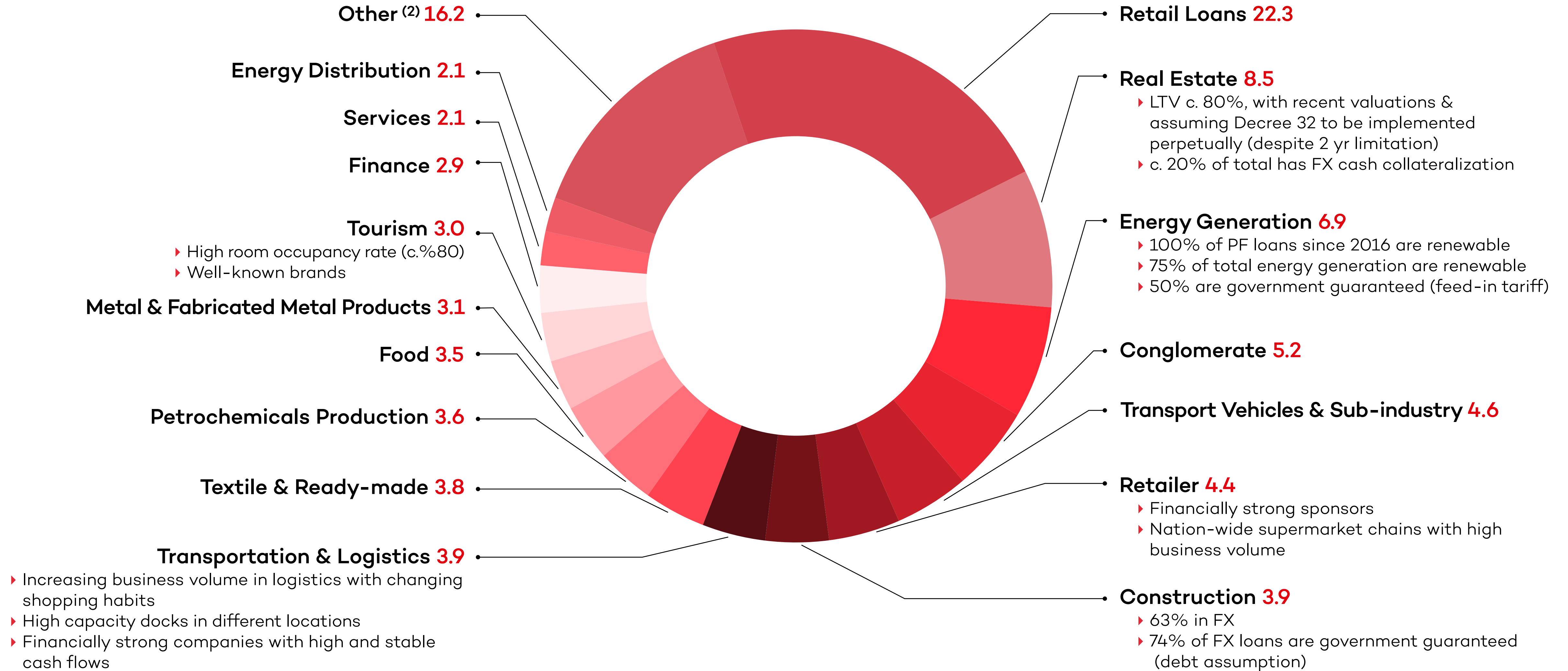
Maintained prudent & sound lending strategy



- ▶ 3Q TL loan growth dominated by consumer loans supported by recovery in consumer spending (+8.1% in General Purpose Loans & + 17.5% in Credit Cards, QoQ)
 - ◉ 59% of 3Q20 GPL originations were pre-approved, separately 39% were to salary customers
- ▶ TL loan market share maintained QoQ, in business banking and consumer credit cards
- ▶ CGF (opex & cheque) utilization in 9M20 at TL 3.7 bn. Total CGF exposure at TL 8.9 bn

Balanced loan portfolio

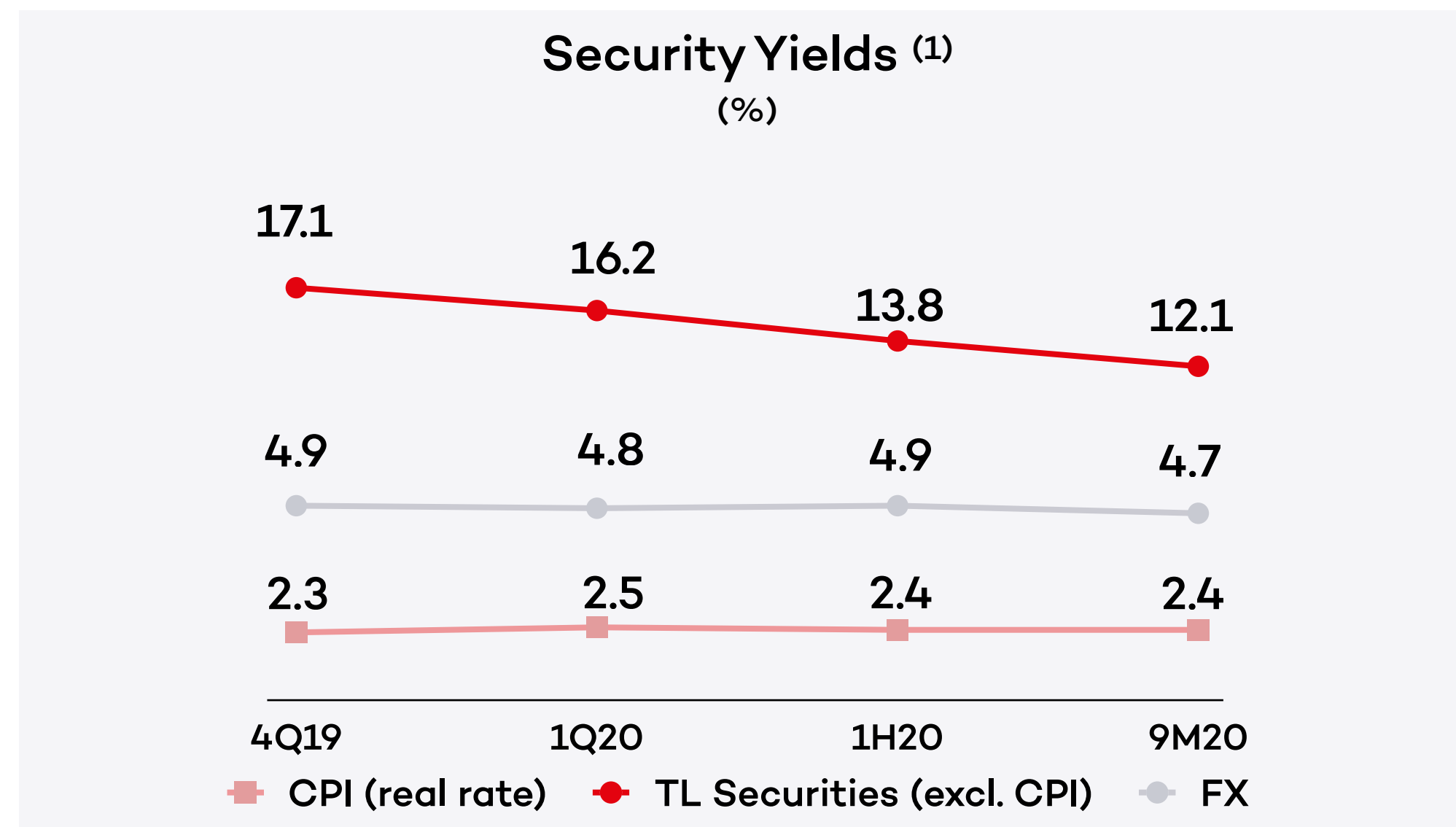
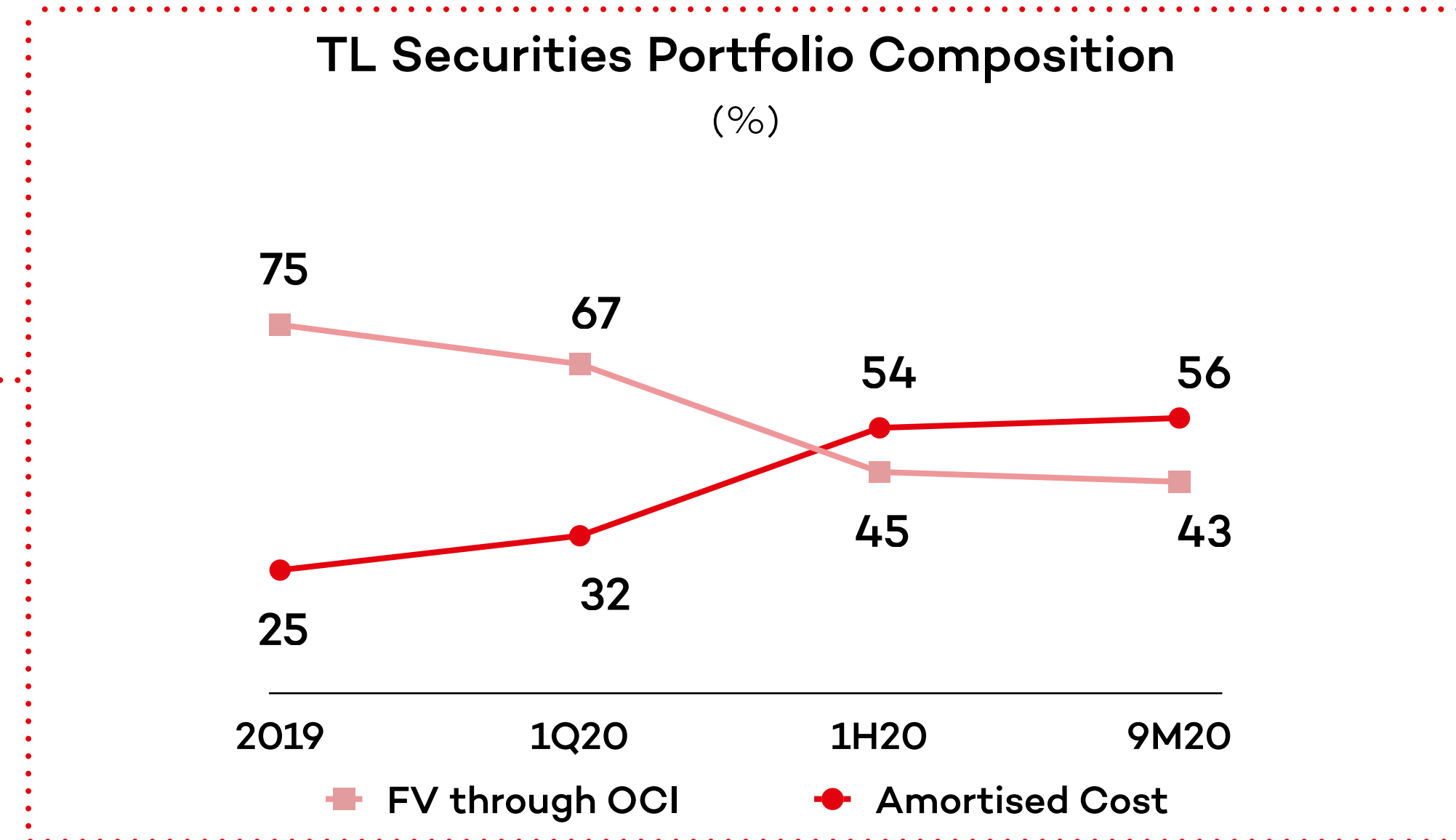
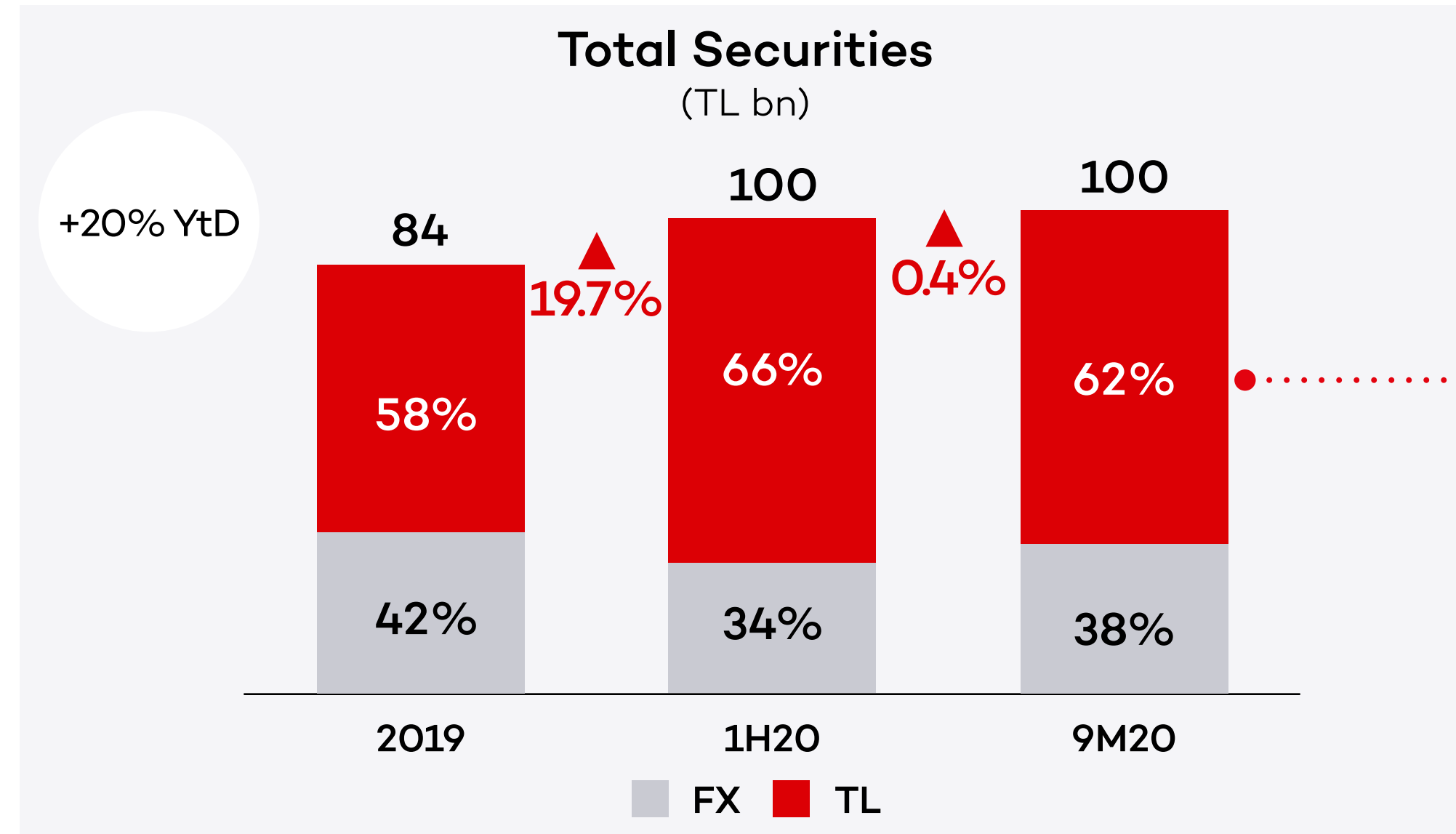
(% of Total Gross Loans ⁽¹⁾)



⁽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%

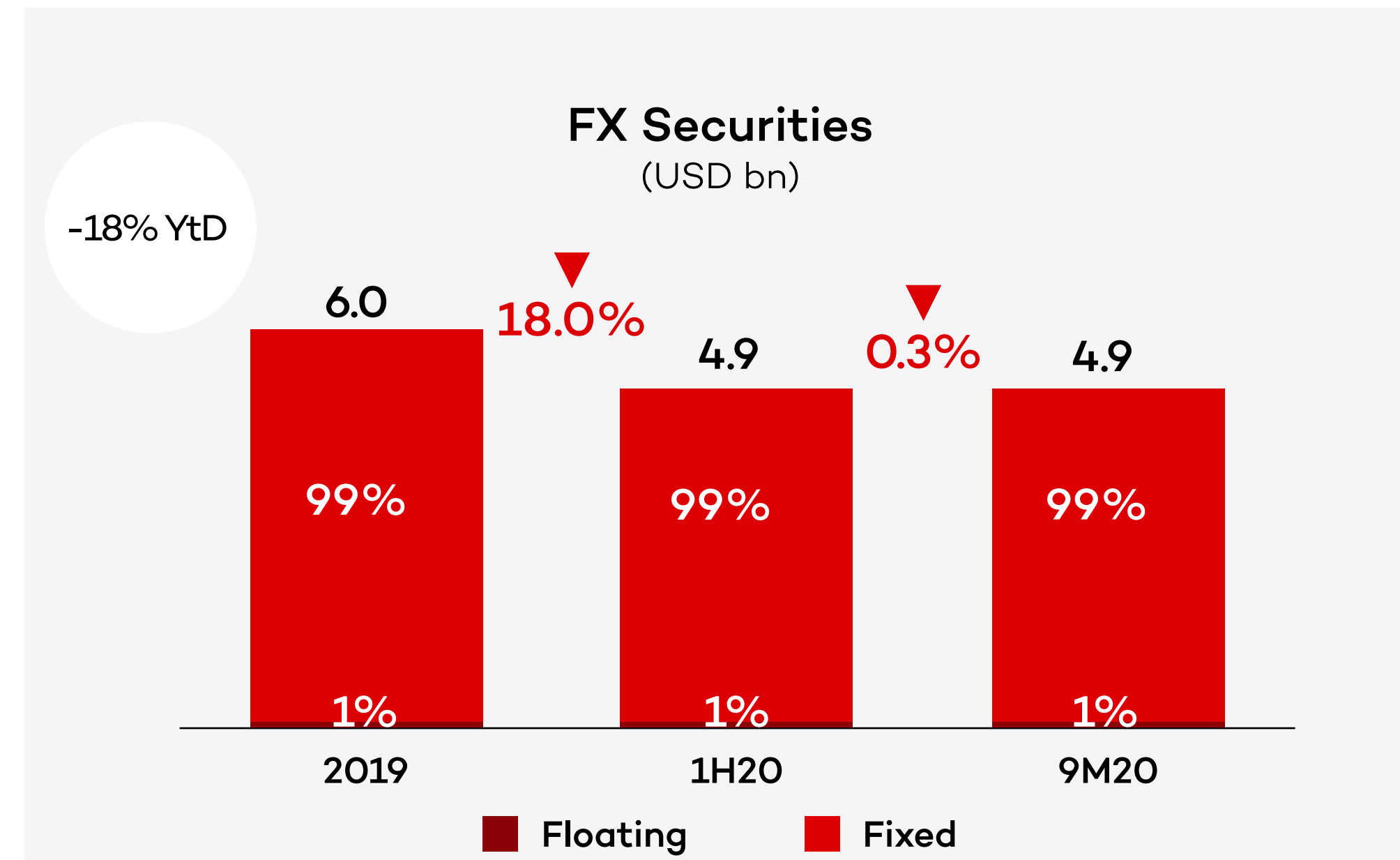
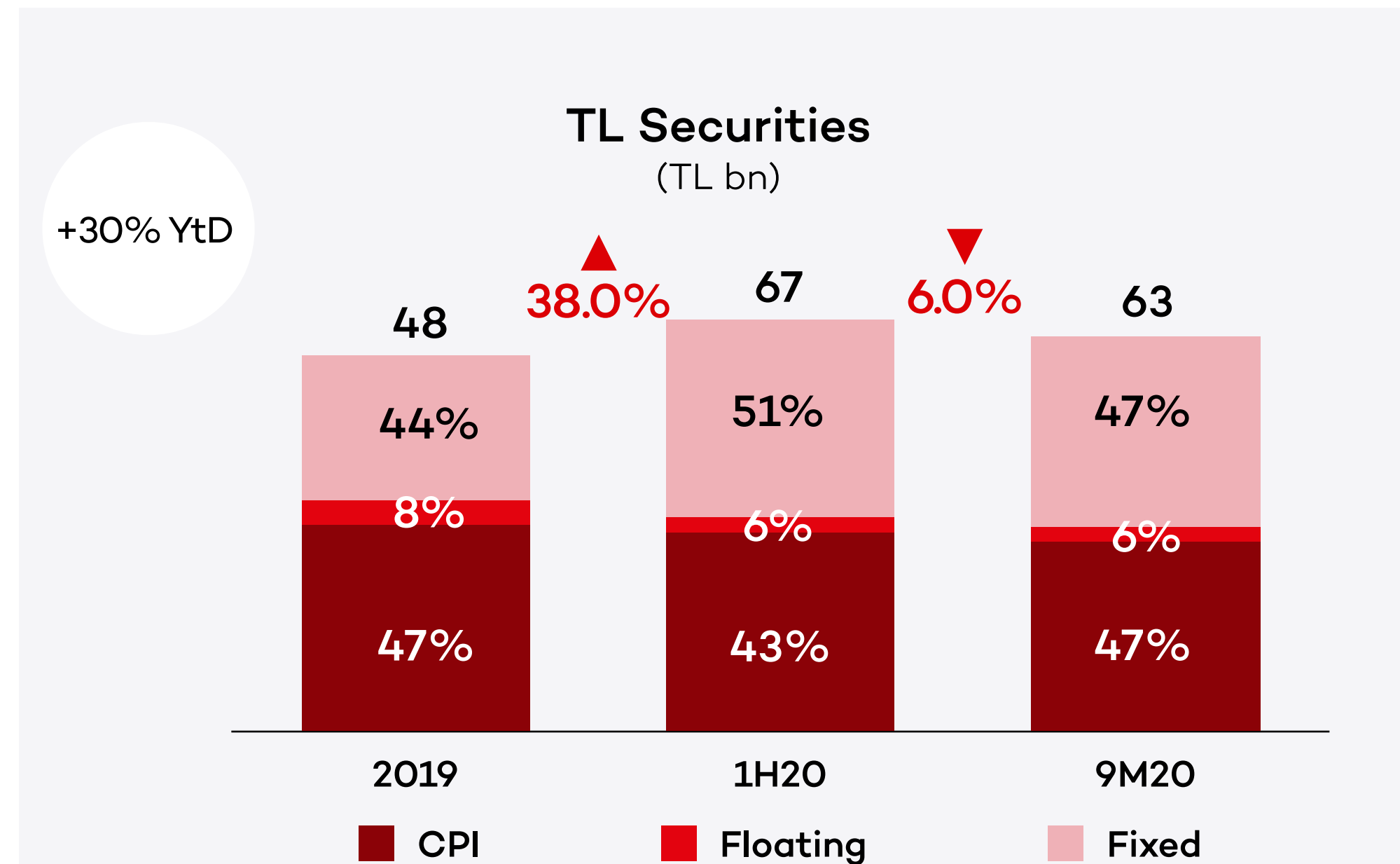
Proactive securities positioning



- ▶ More balanced TL securities portfolio classification to limit MtM fluctuations in equity
- ▶ Redemption of fixed rate bonds during 3Q

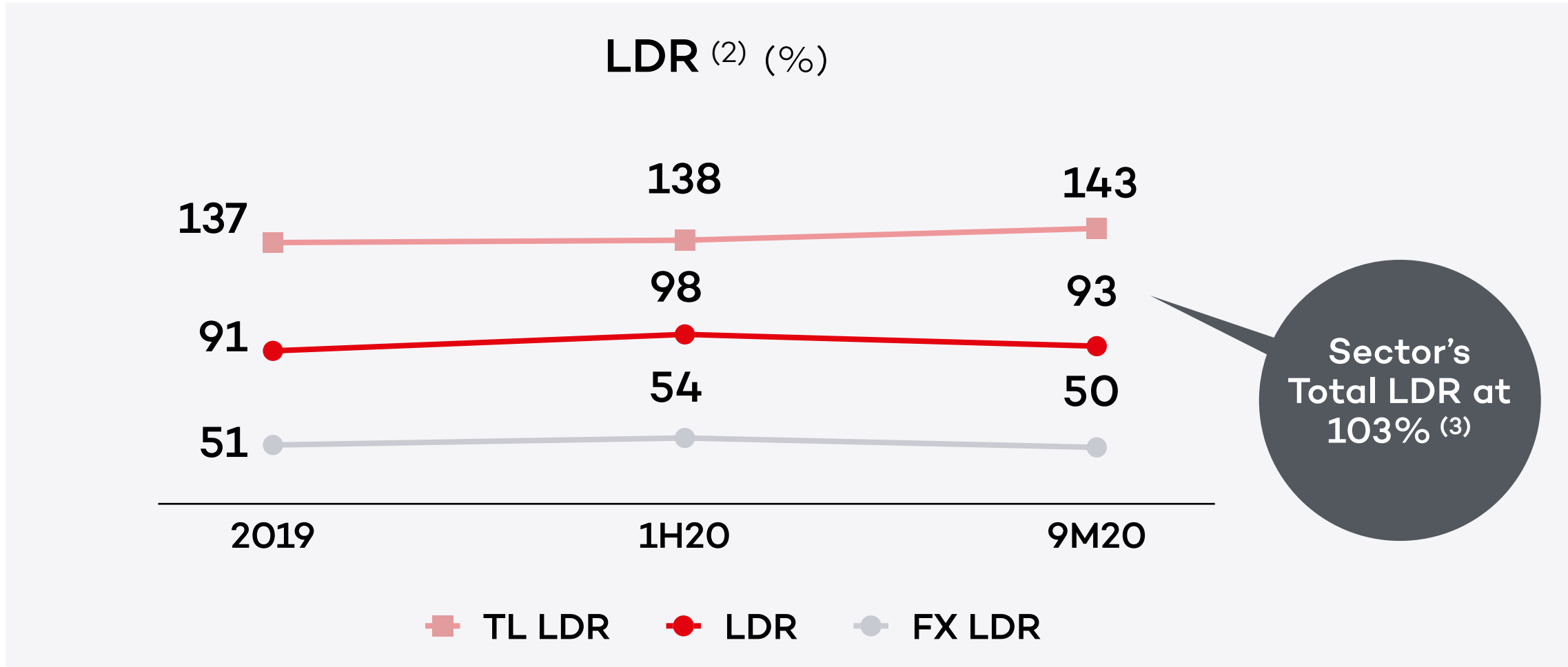
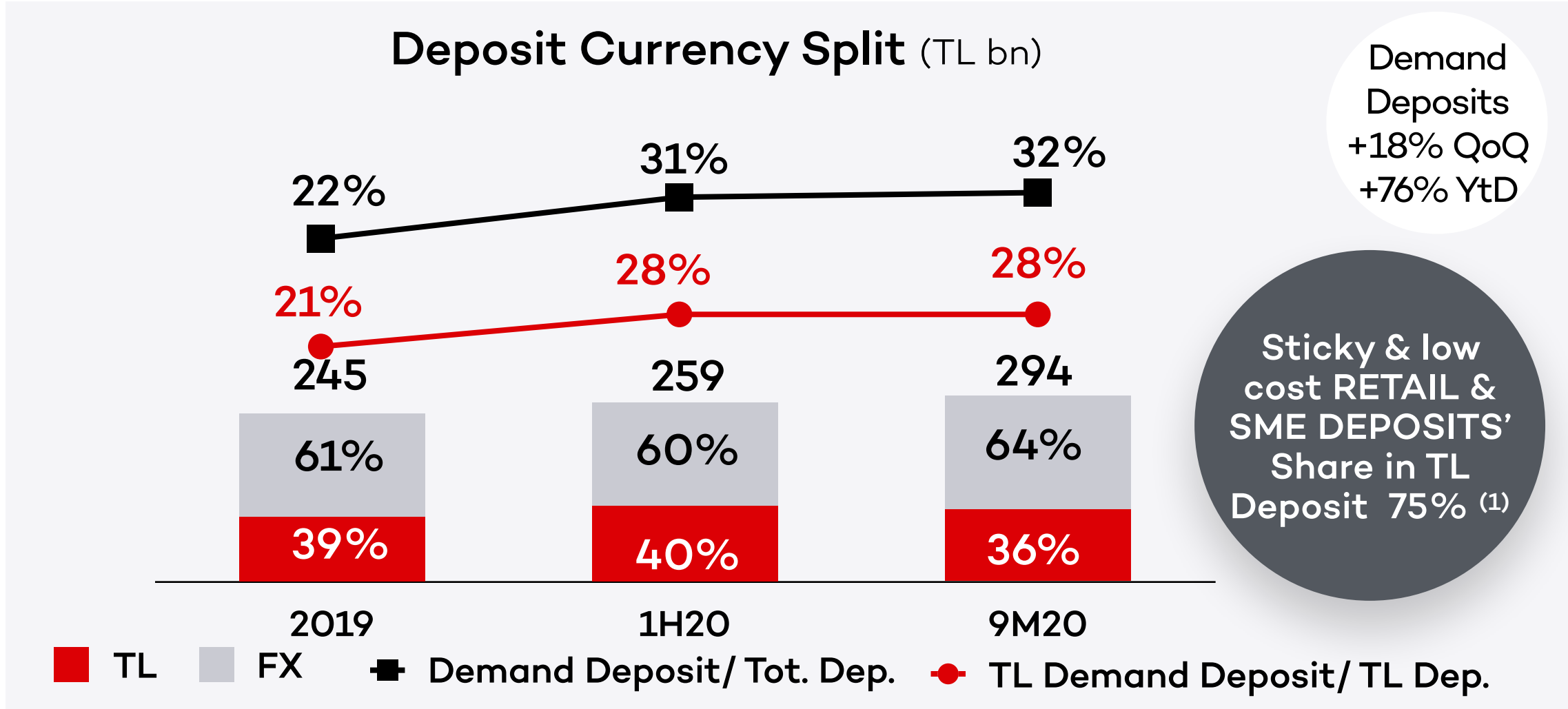
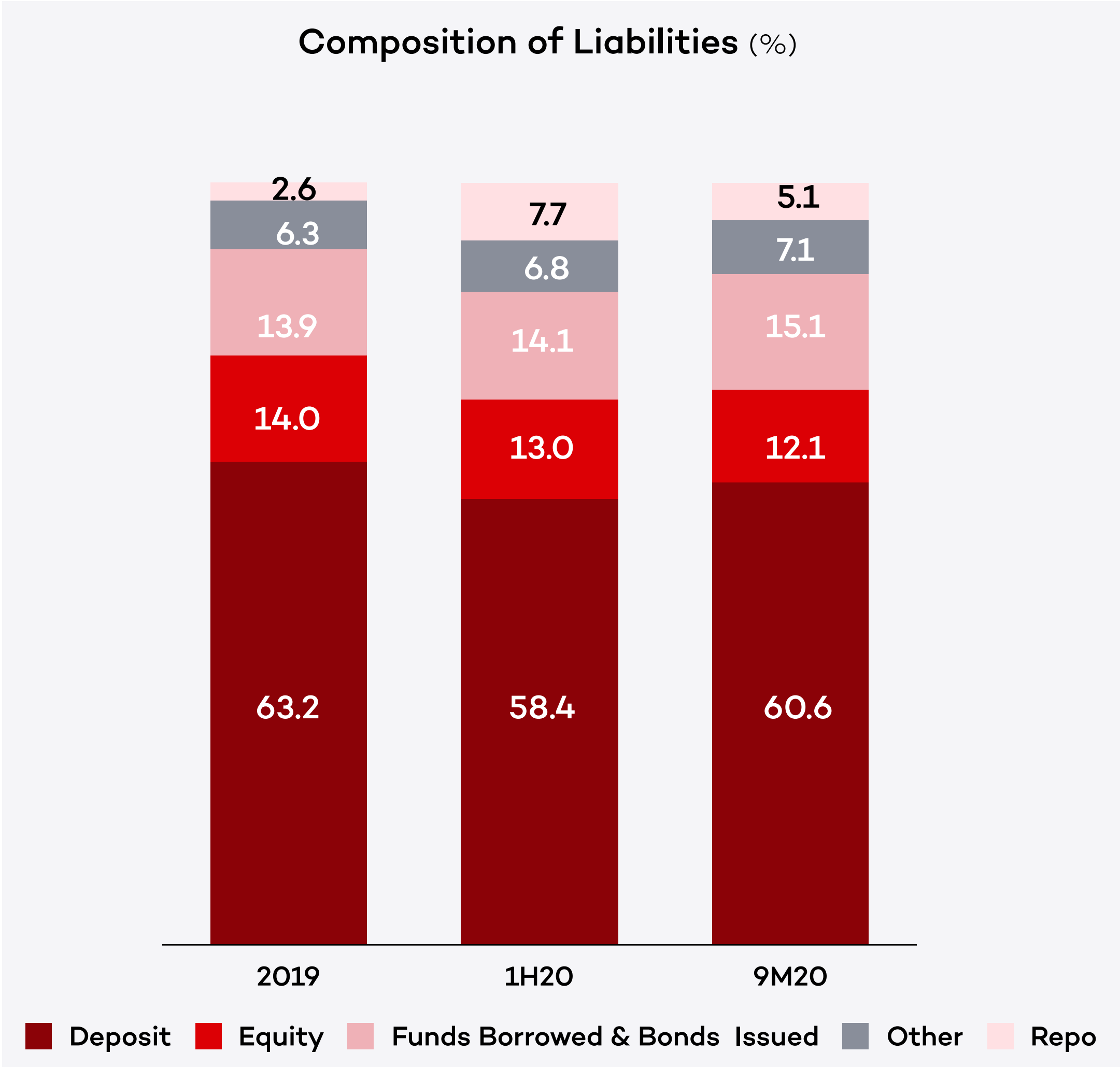
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Proactive securities positioning



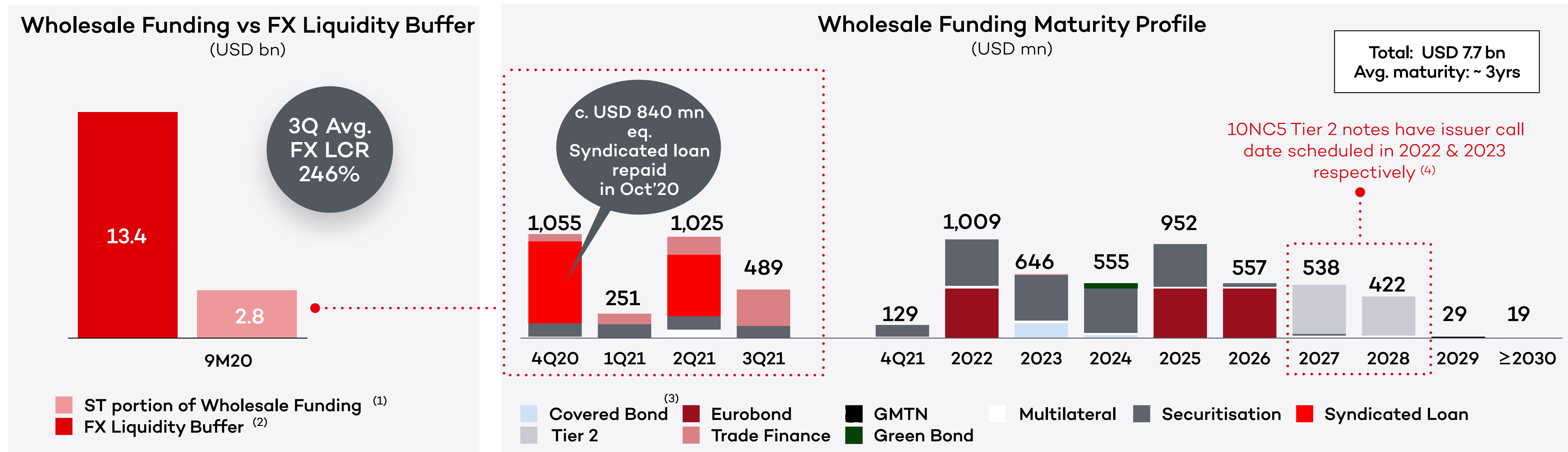
- ▶ Proactive positioning in TL fixed rate bonds by reducing avg. maturity to c. 1 year & share in portfolio
- ▶ Increasing CPI linker securities' share to be NIM accretive
 - ⊙ Oct-Oct CPI estimation remained unchanged at 9% in 3Q
 - ⊙ Every +1% CPI has +5bps NIM & TL 212 mn NI impact

Maintained disciplined funding mix



⁽¹⁾ MIS data
⁽²⁾ Bank-only. TL LDR includes domestic TL bond issuances and merchant payables
⁽³⁾ Based on BRSA weekly data dated September 25, 2020

Well established wholesale funding profile



- ▶ Wholesale funding reduced down to c. USD 8 bn (c. USD 10 bn in 2018), led by c. USD 2 bn decrease in short-term portion
- ▶ In July, successfully issued USD 500 mn, long 5 year senior unsecured Eurobond with c. 3x oversubscription
- ▶ In August, issued milestone Green Bond transaction of USD 50 mn with c. 4 yrs maturity reflecting sustainability goals
- ▶ In October, successfully rolled-over syndicated loan with c. USD 800 mn from 36 banks (9 new) & 19 countries

Balances based on principal outstanding and bank-only MIS data

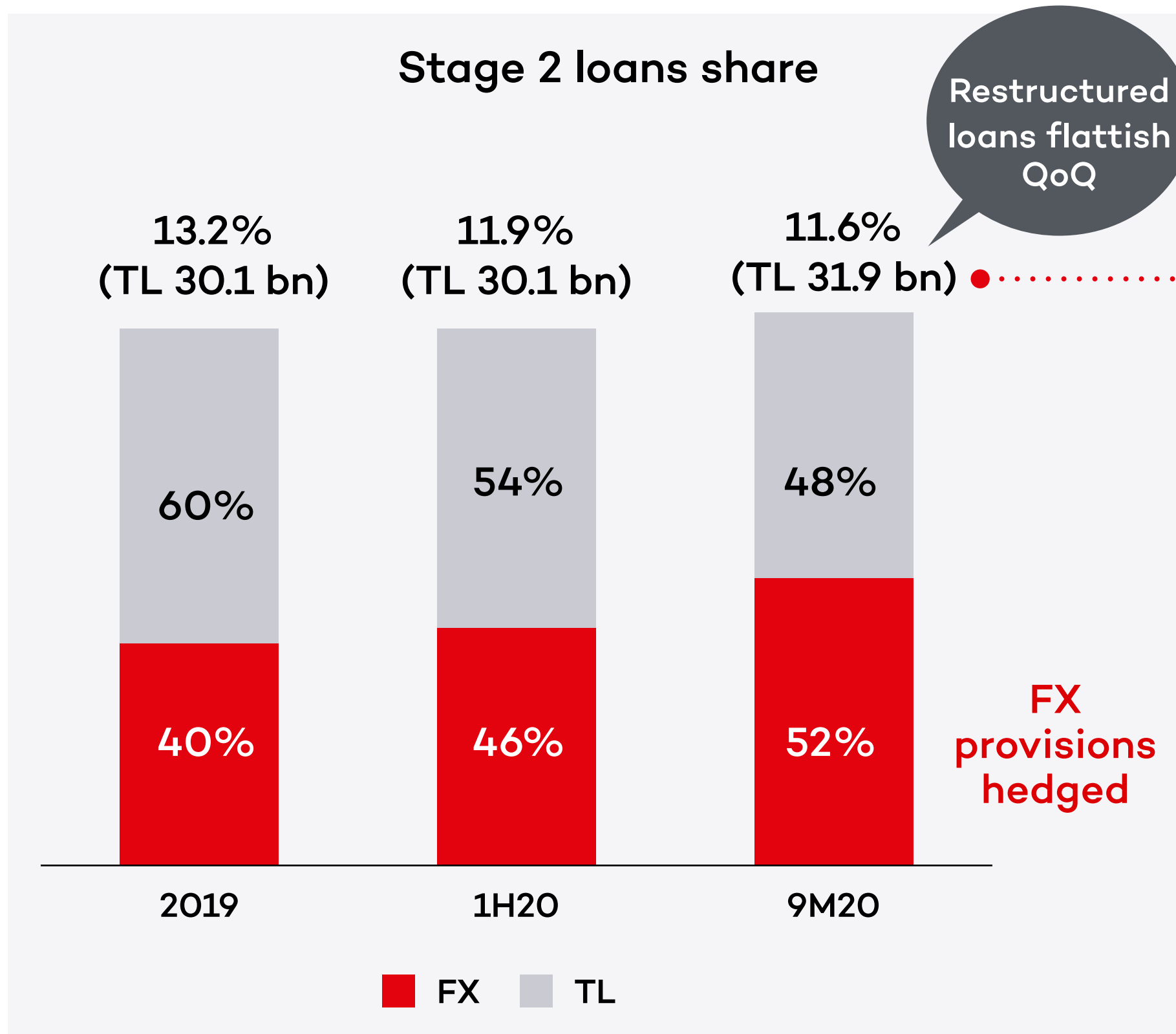
⁽¹⁾ ≤ 1 year tenor

⁽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

Proactive IFRS 9 implementation regardless of staging forbearance



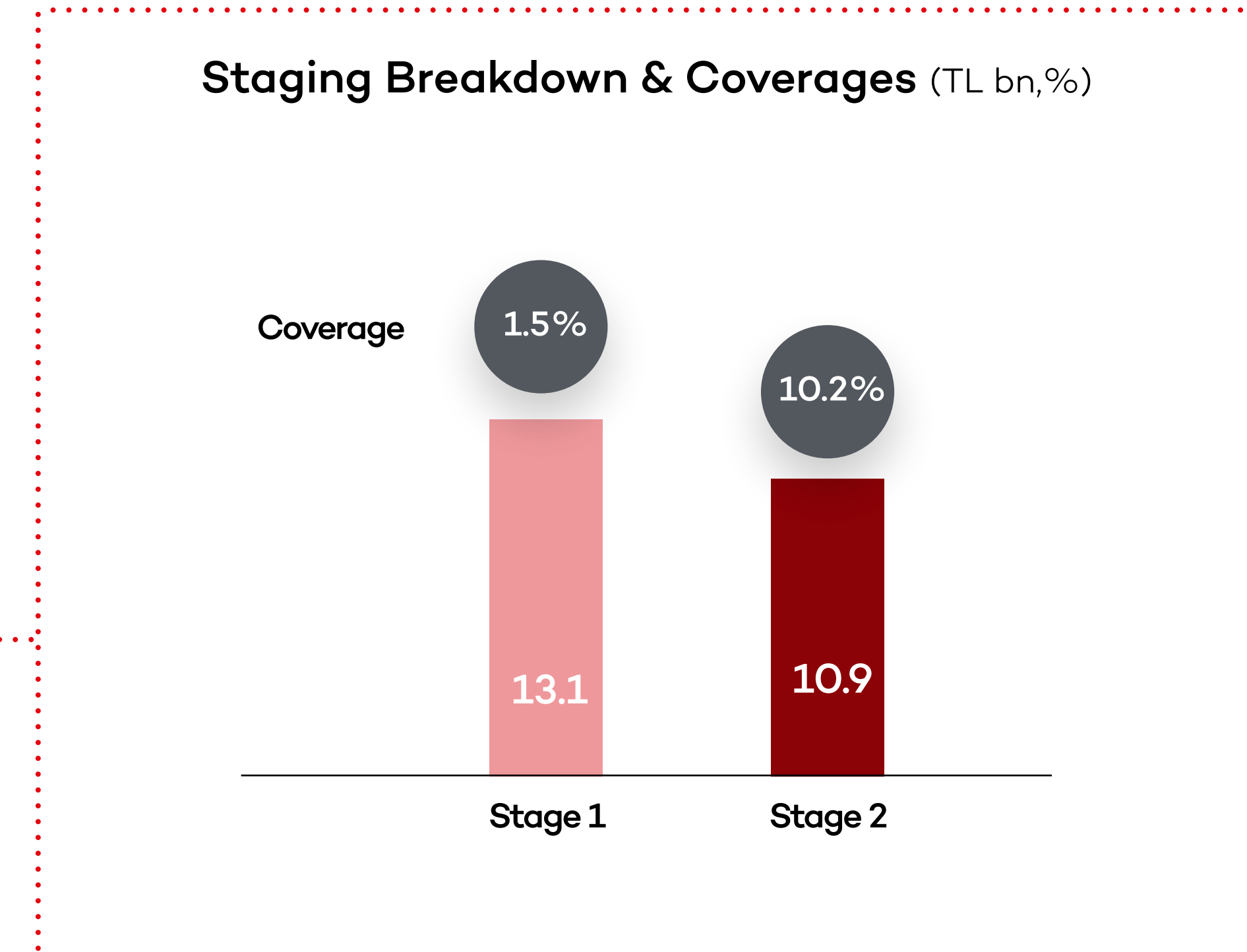
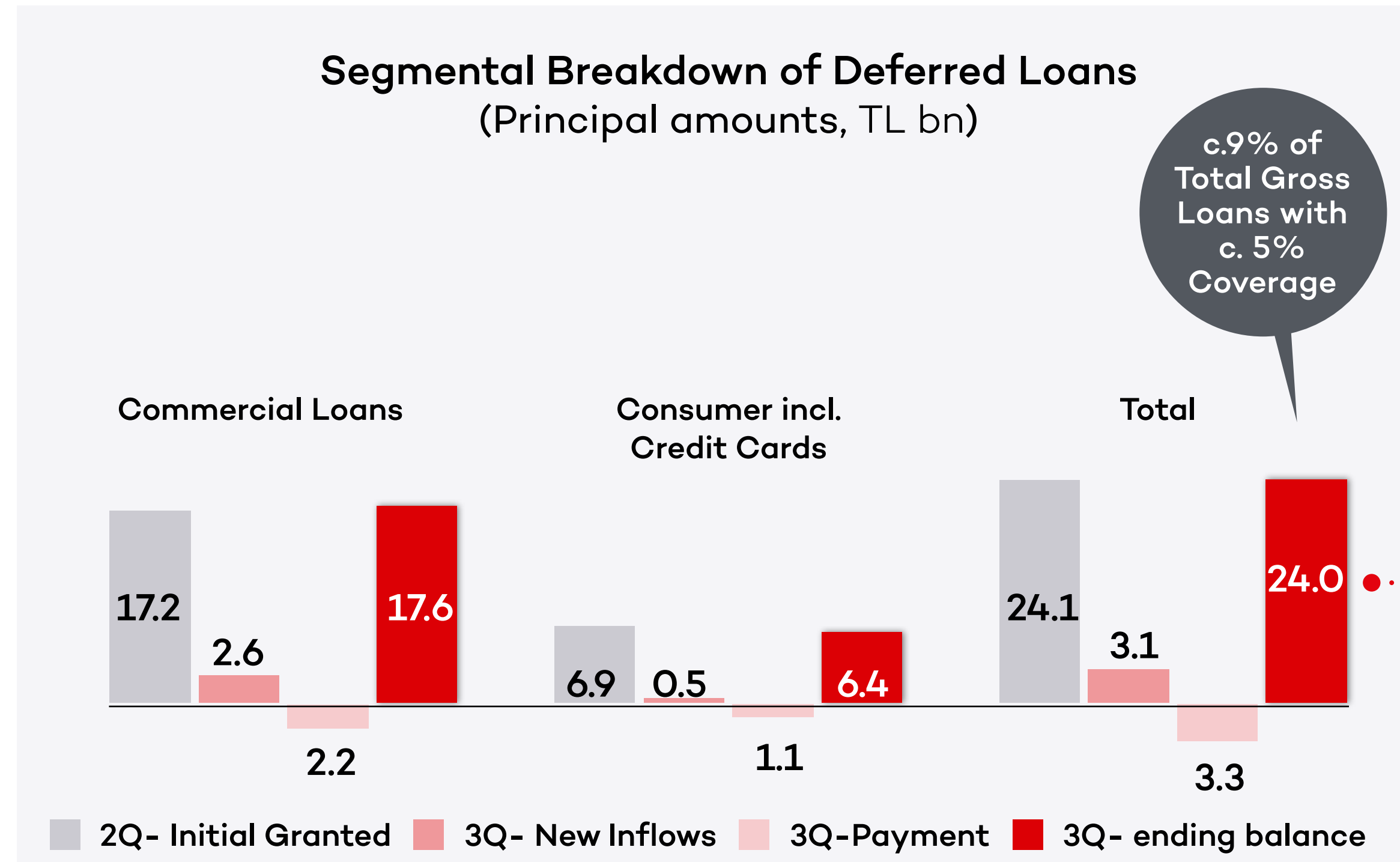
	% of Total Stage 2	Coverage (%)	Coverage ▲ pp (Ytd)
Real Estate ⁽¹⁾	15.3	12	7
Retailer	10.8	29	21
Energy Generation	8.5	28	(2)
Tourism	4.4	8	Flattish
Construction	4.0	32	6
Transportation & Logistics	0.7	10	2

	2019	1H20	9M20
Stage 1 Coverage	0.3%	0.4%	0.6%
Stage 2 Coverage	11.1%	15.1%	16.8%
Stage 3 Coverage	56.2%	61.5%	62.9%
Free Provisions	TL 650 mn	TL 900 mn	TL 1,150 mn

► BRSA forbearances:

- 30-90 days files: c. 90% in Stage 2
- 90-180 days files: TL 1.9 bn
- ... with strong coverages

Balances on deferred loans are well covered



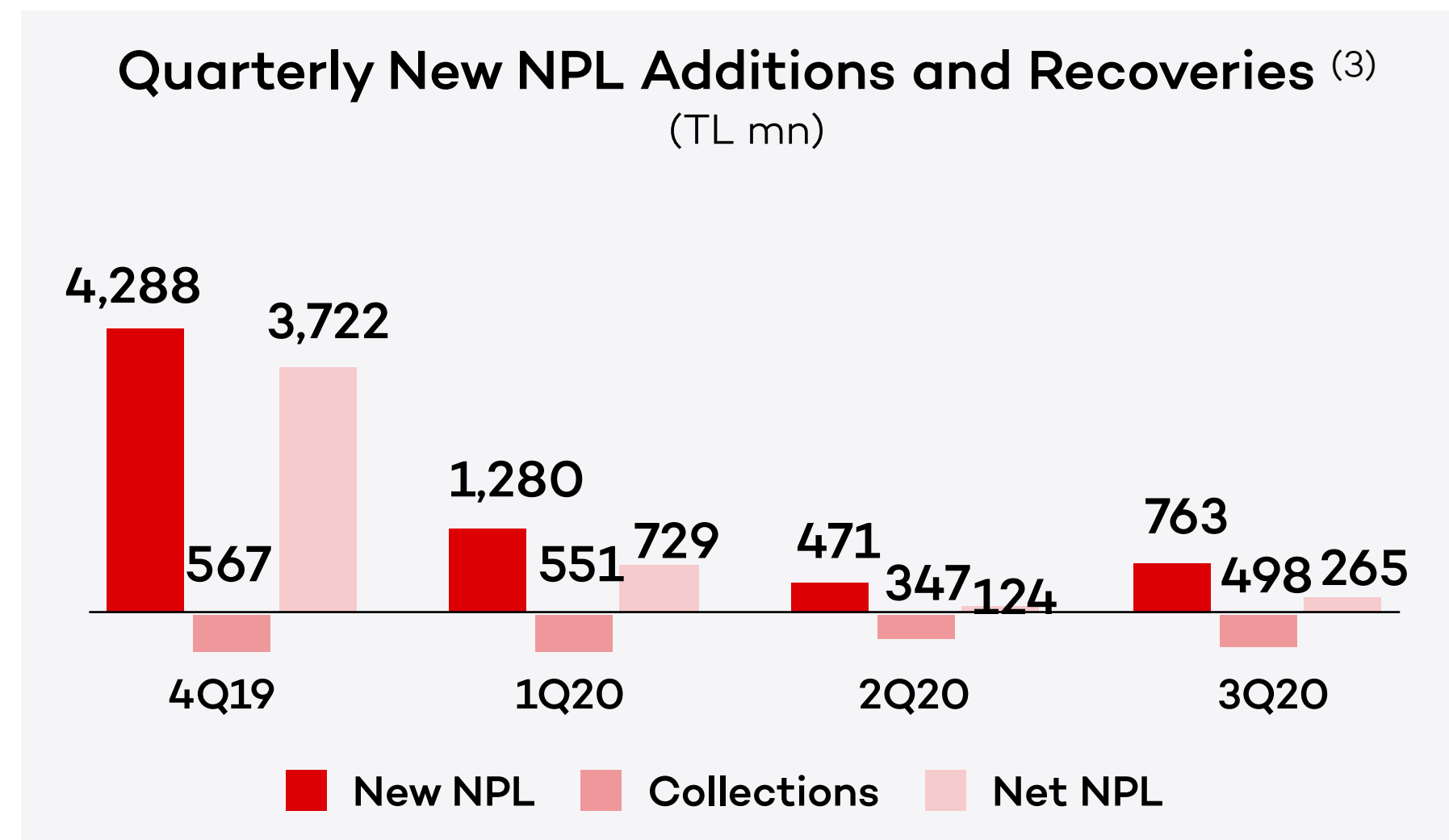
- ▶ Deferred installments are at TL 8.5 bn with principal amount of c. TL 24 bn
- ▶ New loan deferral applications have gone down by 90% QoQ
- ▶ Payment holiday risk well captured as 45% of outstanding risk in Stage 2 and provisioned accordingly
- ▶ c. 55% of the deferred loans have matured installments; with very strong repayment performance so far

Prudent sector-wide coverage increase

9M20
Stage 3
Coverage
62.9%

	NPL Ratios by Segment (%)		
	<u>2019</u>	<u>1H20</u>	<u>9M20</u>
Business	7.1	6.6	6.2
Consumer	4.8	4.3	4.1
Credit Cards	6.0	6.0	5.4
Total	<u>6.6</u>	<u>6.2</u>	<u>5.8</u>

	% of Total Stage 3	Coverage (%)	Coverage ▲ pp (Ytd)
Real Estate	23.4	57	5
Construction	7.5	69	13
Energy Generation	5.6	45	2
Retailer	3.4	53	3
Tourism ⁽¹⁾	2.7	48	12
Transportation & Logistics	0.7	68	9



In 3Q20:

- ▶ Broad-based collection performance almost reached pre-Covid levels
- ▶ Due to sector-wide payment holidays & staging forbearances,⁽²⁾ Covid-19 impact on NPL expected to be seen towards end of 2020
 - If all 90+ forbearance loans were booked as NPL, impact would be +60 bps

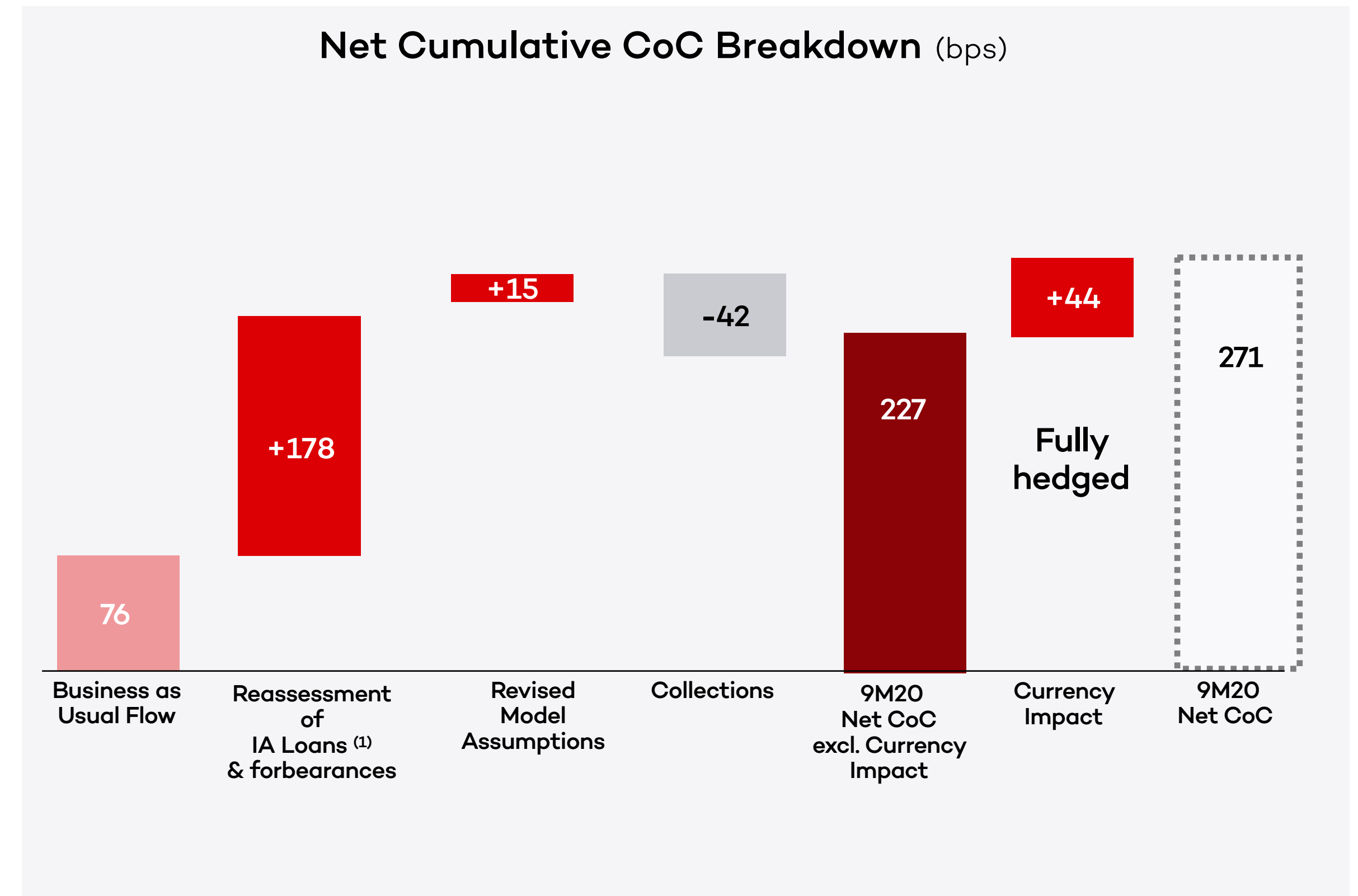
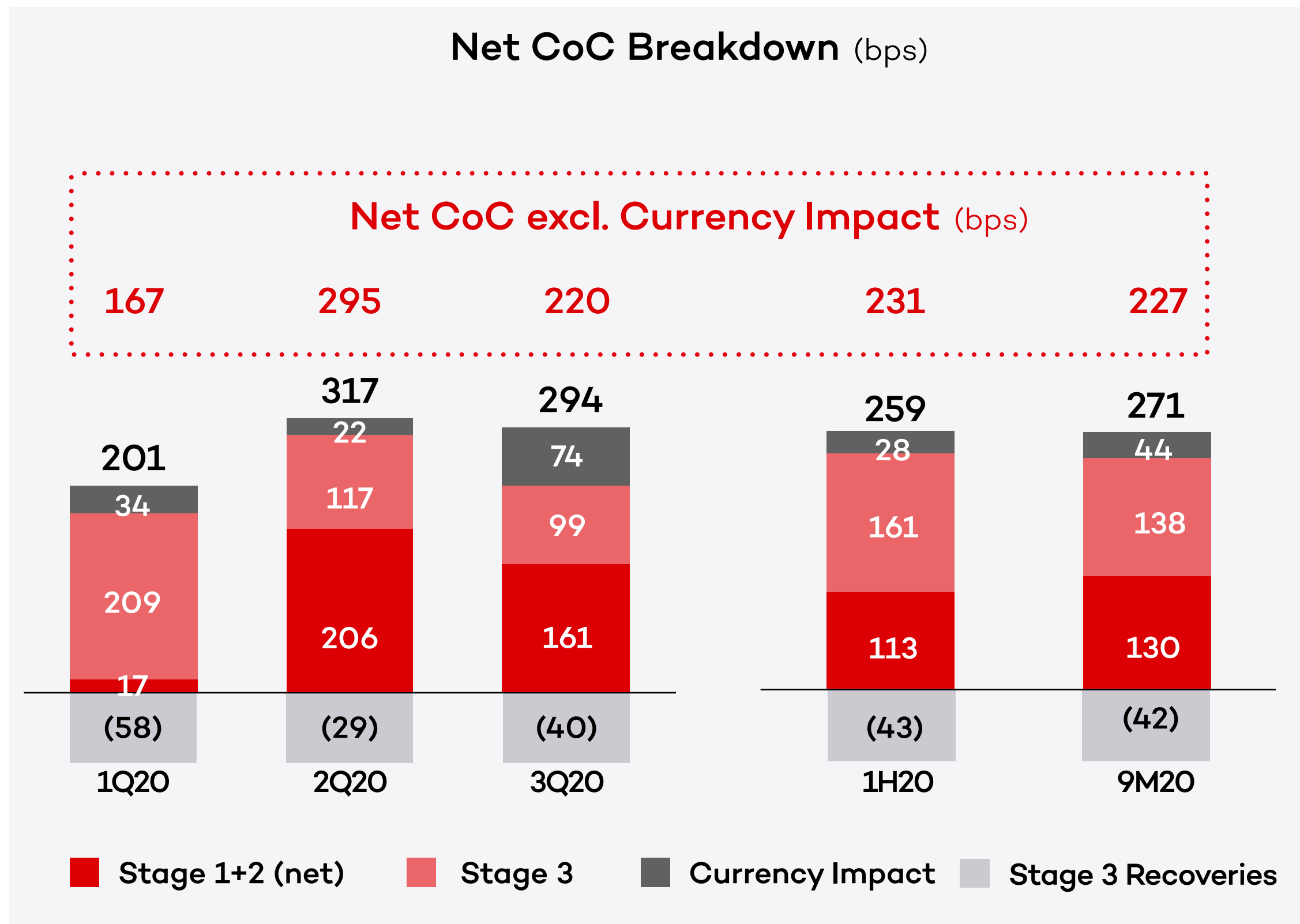
... FY20 NPL expected to be <6%

⁽¹⁾ Adjusted for one excessively collateralized file

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

⁽³⁾ Bank-only, does not include write-off and NPL sale

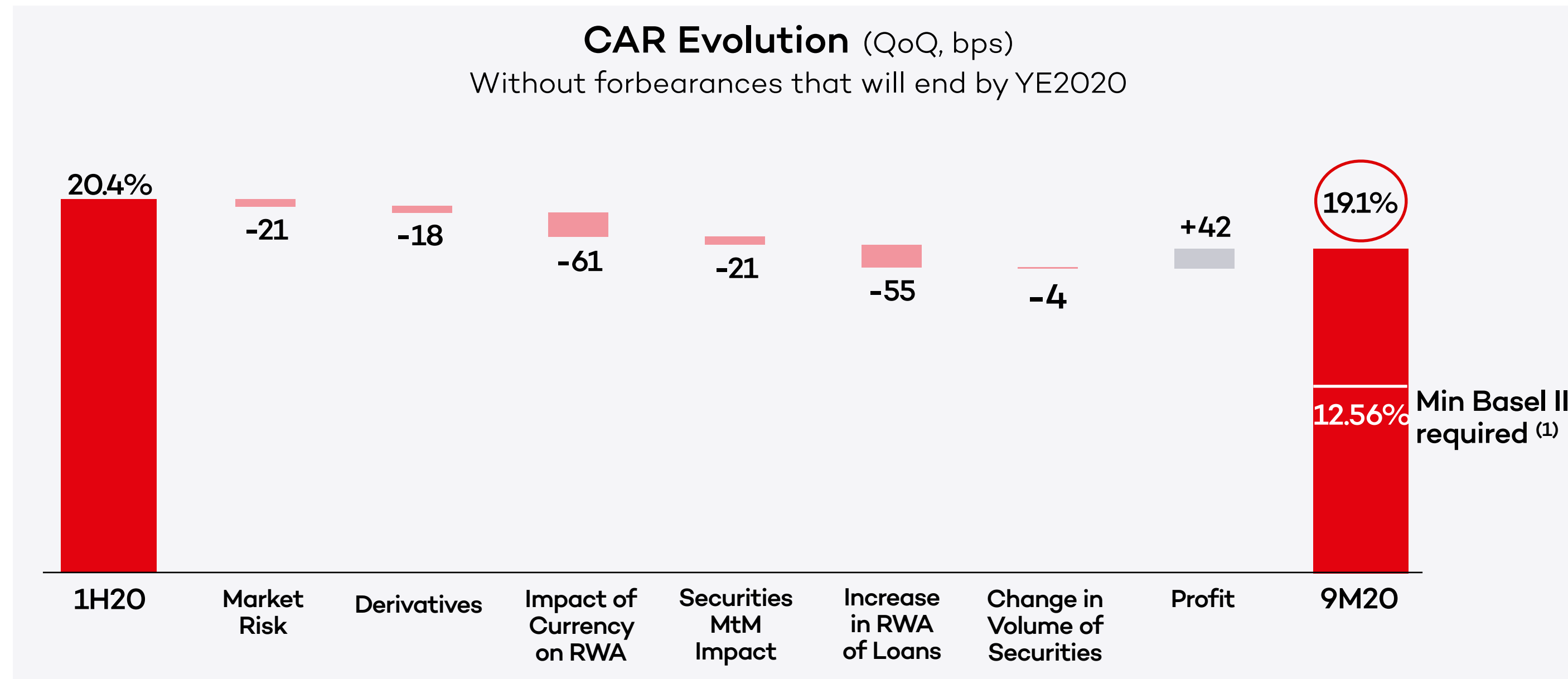
CoC started to improve despite weaker TL



- ▶ Prudent reserve build >> Total provisions reached TL 17 bn with ytd provision charges of TL 4.8 bn
- ▶ 9M20 CoC excludes LYY MtM adjustment
 - LYY almost fully hedged in 3Q20
 - TL 1,057 mn MtM adjustment during 3Q has been offset with TL 1,013 mn currency gain

... confident with our FY'20 CoC guidance of 250-300 bps

Capital remains a source of strength



Sensitivity of Solvency Ratios:

- ▶ 10% TL depreciation: c. 60 bps
- ▶ 100 bps interest rate increase : c. 20 bps
- ▶ 1% NPL increase : c. 20 bps

(%, TL bn)

Without forbearances that will end by YE2020 ⁽²⁾

With forbearances ⁽²⁾

CAR **Excess Capital ⁽³⁾**

19.1% **23.7**

21.8% **29.7**

Tier 1 **Excess Tier 1 ⁽³⁾**

16.1% **20.1**

18.6% **25.7**

CET-1 **Excess CET-1 ⁽³⁾**

16.1% **25.5**

18.6% **30.5**

(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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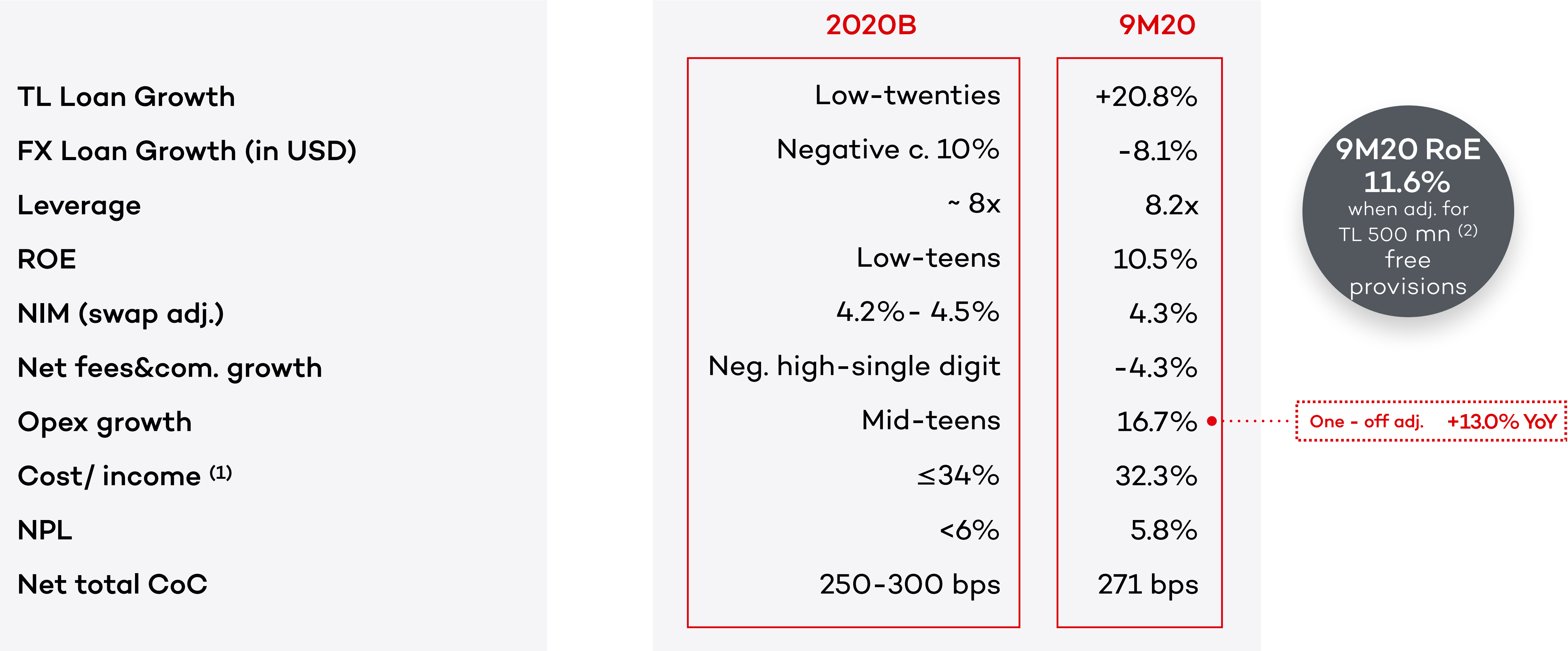
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2020 Outlook: Financial strength & operational resilience remains intact



27 ⁽¹⁾ CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions and LYY hedge as well as insurance penalty of TL 71 mn & BRSA penalty of TL 117 mn

⁽²⁾ Adjusted for 1Q20 free provisions of TL 250 mn & 3Q20 free provisions of TL 250 mn

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Snapshot of Results

	1H19	9M19	2019	1H20	9M20
Profitability (%)					
ROE	11.4	11.2	10.9	10.4	10.5
ROE, Quarterly	10.4	10.8	10.0	11.4	10.5
ROA	1.4	1.4	1.4	1.4	1.4
ROA, Quarterly	1.3	1.4	1.4	1.5	1.3
Swap Adj. NIM	3.86	3.95	4.14	4.63	4.28
Swap Adj. NIM, Quarterly	3.91	4.13	4.71	4.42	3.67
CIR ⁽¹⁾	33.8	34.0	32.9	31.6	32.3
CIR, Quarterly	34.2	34.3	29.7	29.6	33.7
(%)					
Total LDR ⁽²⁾	95	90	91	98	93
TL ⁽³⁾	139	138	137	138	143
FX	59	51	51	54	50
Leverage (x)	7.6	7.4	7.1	7.7	8.2
Asset Quality (%)					
NPL Ratio	4.5	6.0	6.6	6.2	5.8
Stage 3 Coverage	59.2	58.1	56.2	61.5	62.9
Stage 2/ Total Gross Loans	14.2	13.5	13.3	11.9	11.6
Stage 2 Coverage	11.5	11.9	11.1	15.1	16.8
Solvency ⁽⁴⁾ (%)					
CAR	17.7	19.5	19.7	20.4	19.1
CET-1	15.0	16.7	16.9	17.4	16.1
Tier-1	15.0	16.7	16.9	17.4	16.1

⁽¹⁾ CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions and LYY hedge as well as insurance penalty of TL 71 mn & BRSA penalty of TL 117 mn

29 ⁽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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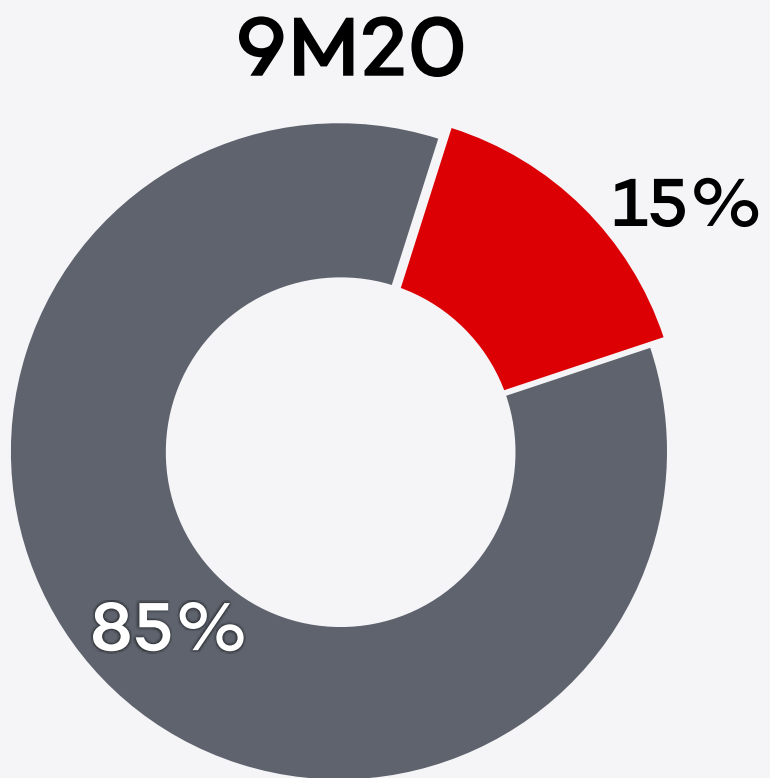
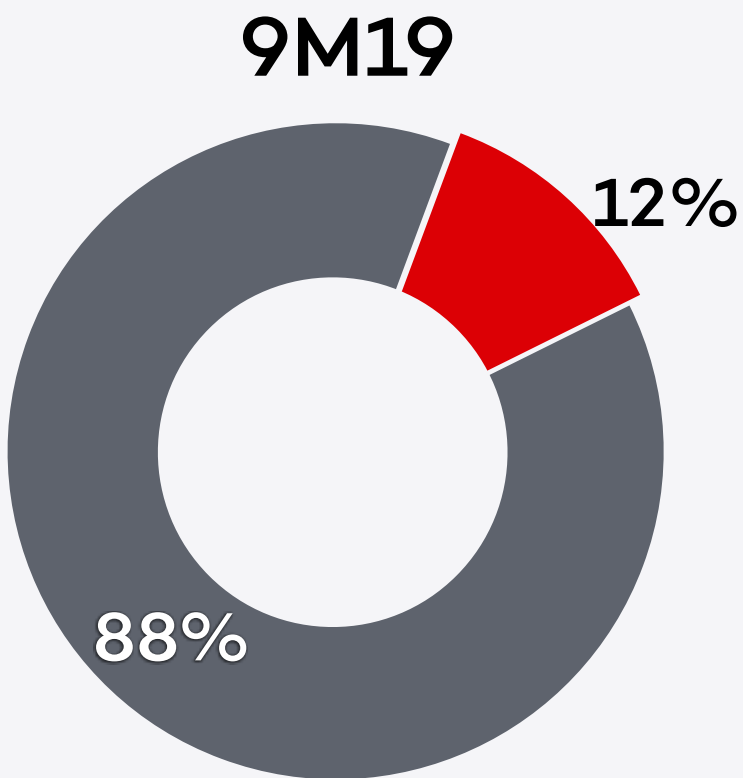
Balance Sheet Highlights

	2019	1H20	9M20	QoQ (%)	YtD (%)
Consolidated (TL mn)					
Cash and due from Banks	47,901	57,107	70,314	23	47
Securities	83,635	100,108	100,483	-	20
TL	48,213	66,532	62,566	(6)	30
FX (USD)	5,983	4,907	4,891	-	(18)
Loans (net)	214,471	238,540	258,717	8	21
TL	133,307	153,489	161,085	5	21
FX (USD)	13,710	12,429	12,594	1	(8)
Other	41,165	47,929	56,473	18	37
Total Assets	387,172	443,684	485,986	10	26
Deposits	244,712	259,245	294,332	14	20
TL	95,854	104,488	106,601	2	11
FX (USD)	25,145	22,615	24,217	7	(4)
Funds Borrowed and Bonds Issued	53,755	62,734	73,522	17	37
Repo	10,107	34,326	24,968	(27)	147
Other	24,236	29,861	34,189	14	41
Equity	54,362	57,518	58,975	3	8
Total Liabilities and S/H Equity	387,172	443,684	485,986	10	26

Income Statement Highlights

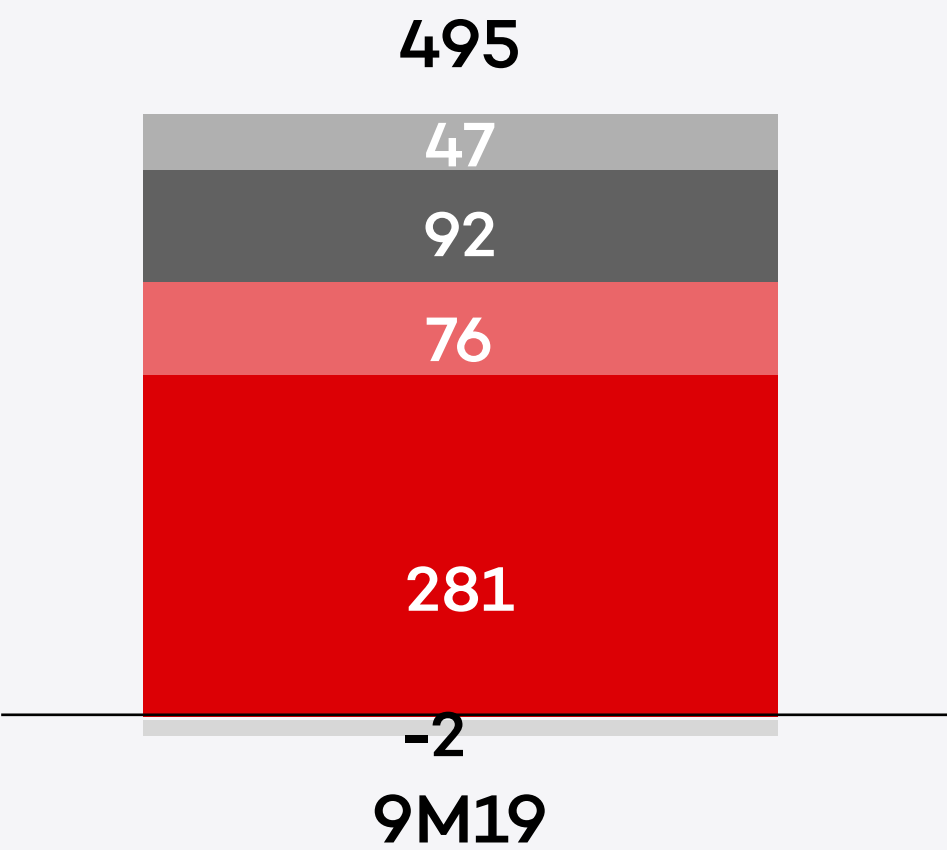
Consolidated (TL mn)	2Q20	3Q20	QoQ(%)	9M19	9M20	YoY(%)
Net Interest Income incl. swap cost	4,403	3,924	(11)	10,090	12,830	27
NII	4,993	4,900	(2)	12,041	15,134	26
Swap Cost	(590)	(976)	65	(1,951)	(2,304)	18
Fees and Commissions (Net)	998	1,213	22	3,631	3,475	(4)
Trading Gain (Loss)	893	2,057	130	1,064	3,201	201
FX Gain (Loss) from Long Position ⁽¹⁾	130	1,484	1,041	(59)	1,798	-
Securities	314	(1)	-	175	291	66
Other	449	575	28	947	1,112	17
Other Income	67	40	(40)	157	183	17
Operating Expense	(1,843)	(2,042)	11	(5,092)	(5,940)	17
Pre- Provision Income	4,518	5,192	15	9,849	13,749	40
Provision for Loan Losses, net of collections	(1,837)	(1,864)	1	(3,565)	(4,800)	35
Stage 1+2 (net)	(1,195)	(1,021)	(15)	(690)	(2,307)	234
Stage 3	(680)	(628)	(8)	(3,368)	(2,450)	(27)
Stage 3 Recoveries	169	256	52	435	742	71
Currency Impact (fully hedged)	(130)	(470)	262	59	(785)	-
Other Provisions	(594)	(1,283)	116	(1,074)	(3,044)	183
LYY MtM Loss	(412)	(1,057)	156	(690)	(2,341)	239
Free Provisions	-	(250)	-	(100)	(500)	400
Other	(181)	25	-	(284)	(203)	(29)
Income Before Tax	2,087	2,046	(2)	5,210	5,907	13
Tax	(504)	(523)	4	(1,182)	(1,498)	27
Net Income	1,583	1,524	(4)	4,028	4,409	9

Solid contribution from subsidiaries

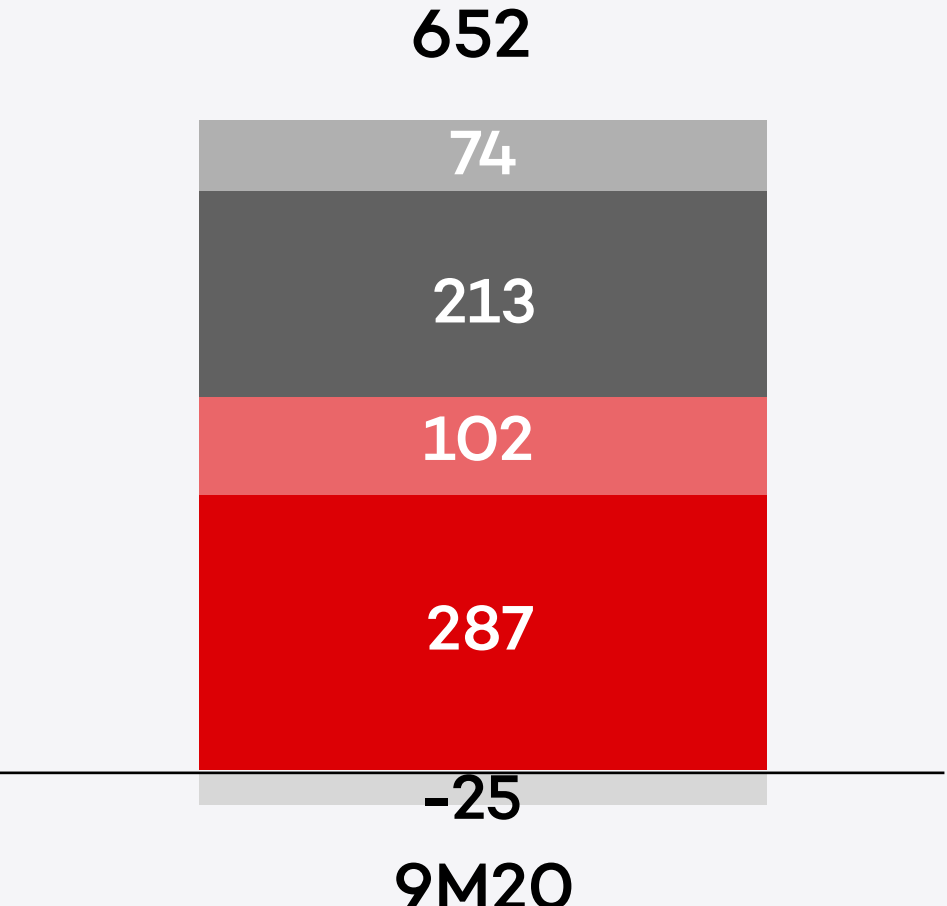


● Bank-only net income
● Subsidiaries' Contribution

Subsidiaries' Net Income (TL mn)



▲
32%
YoY



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

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