

4Q20  
Consolidated  
Financial Results

# AKBANK



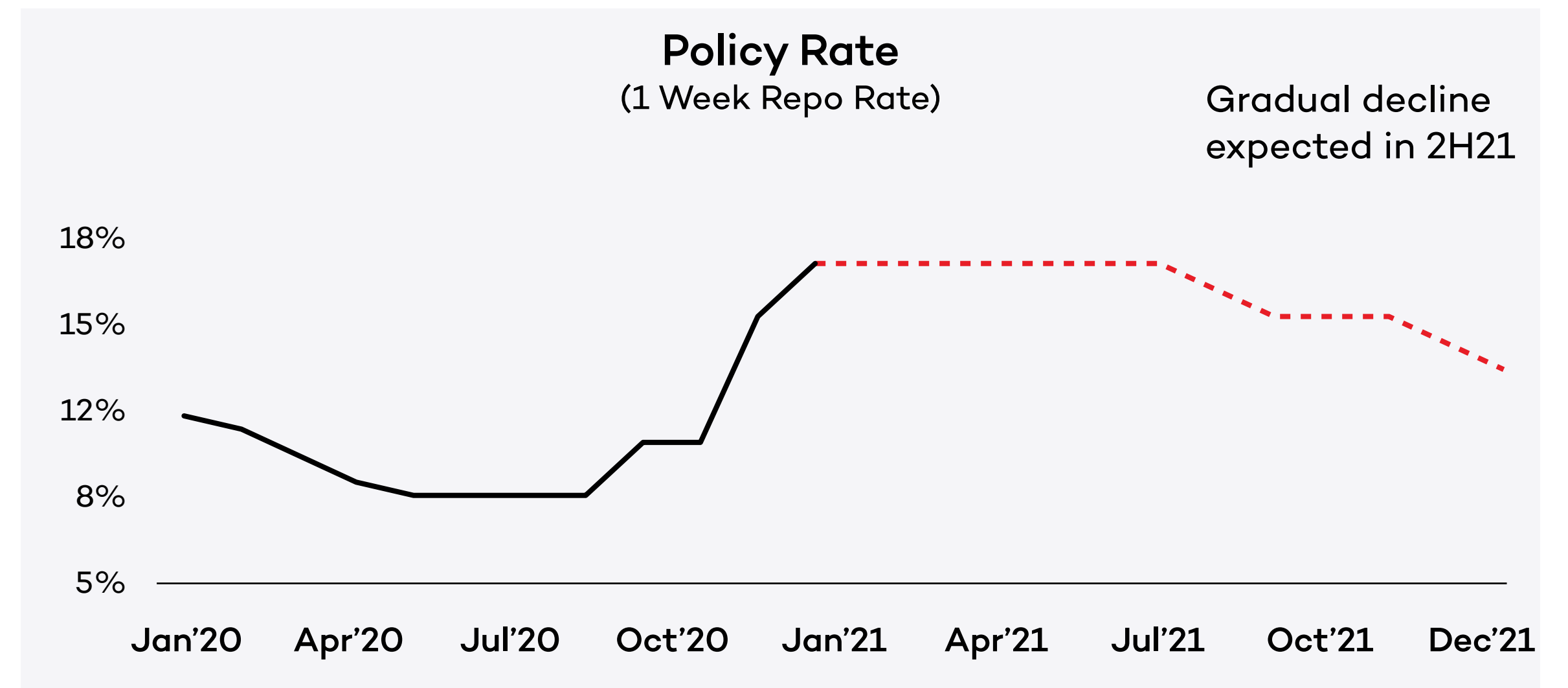
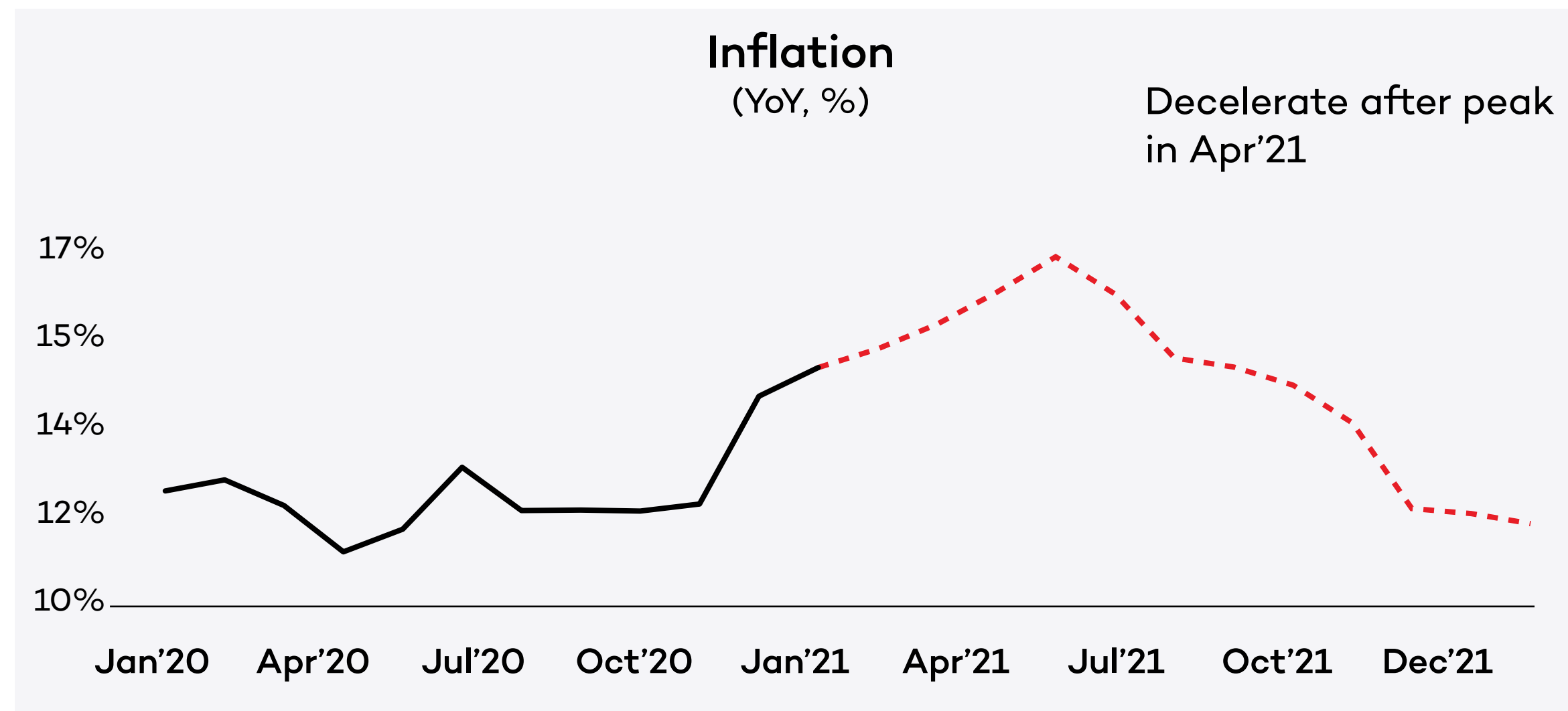
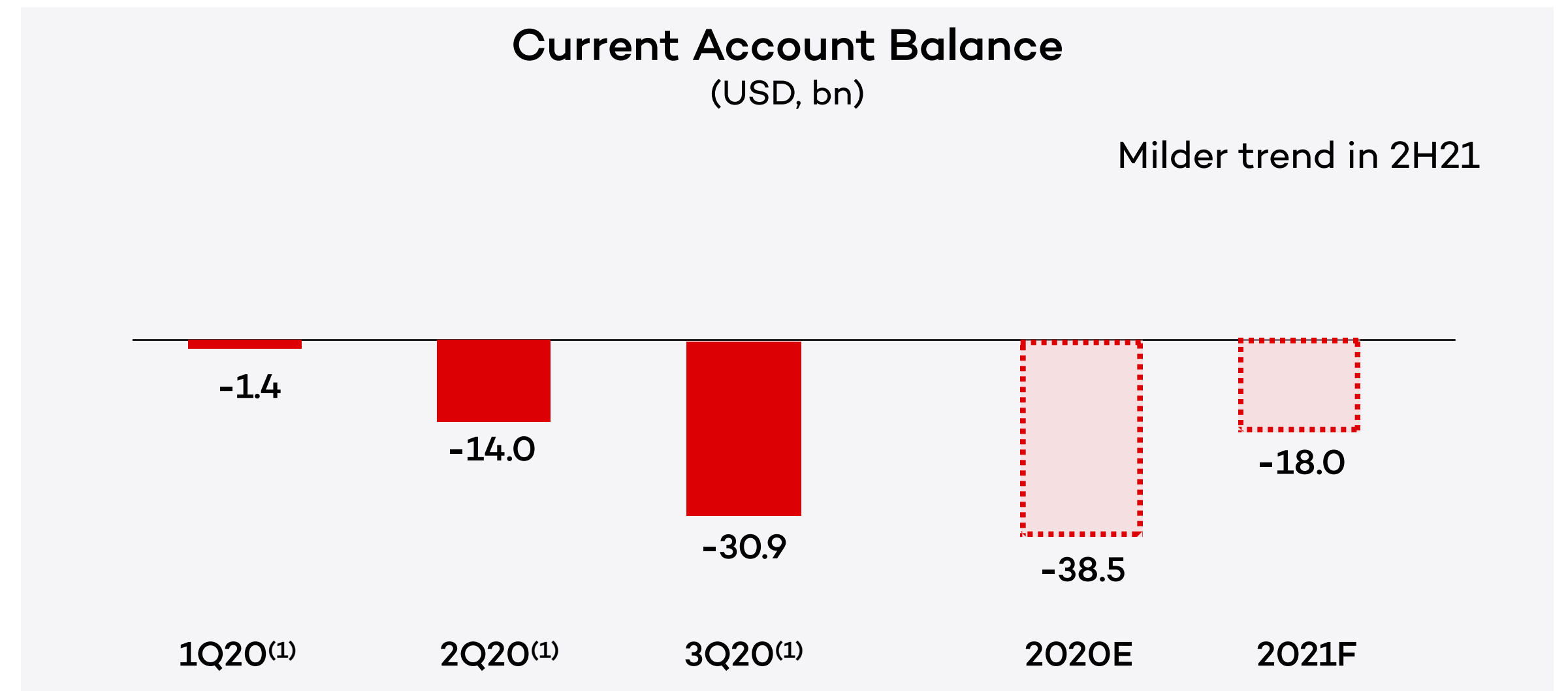
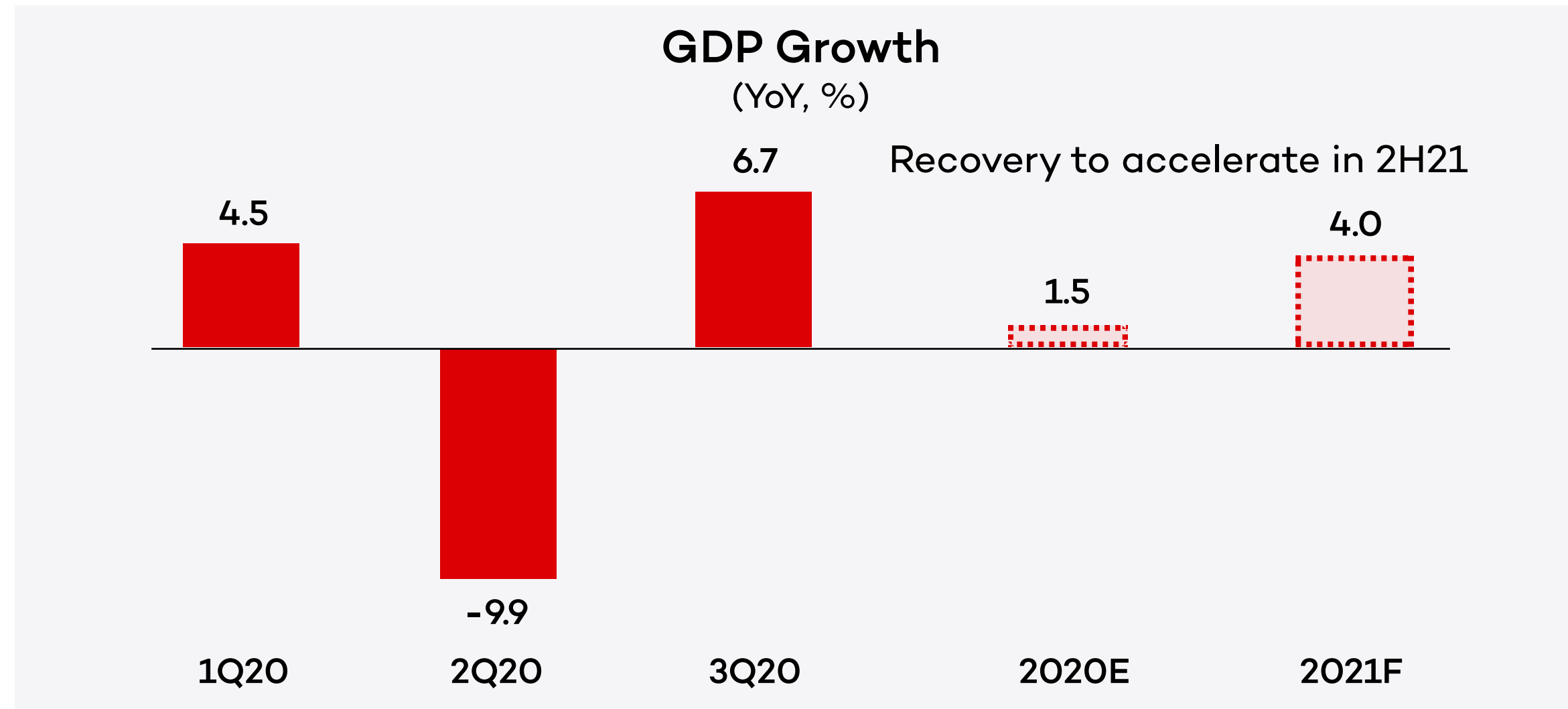
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**01** Operating Environment

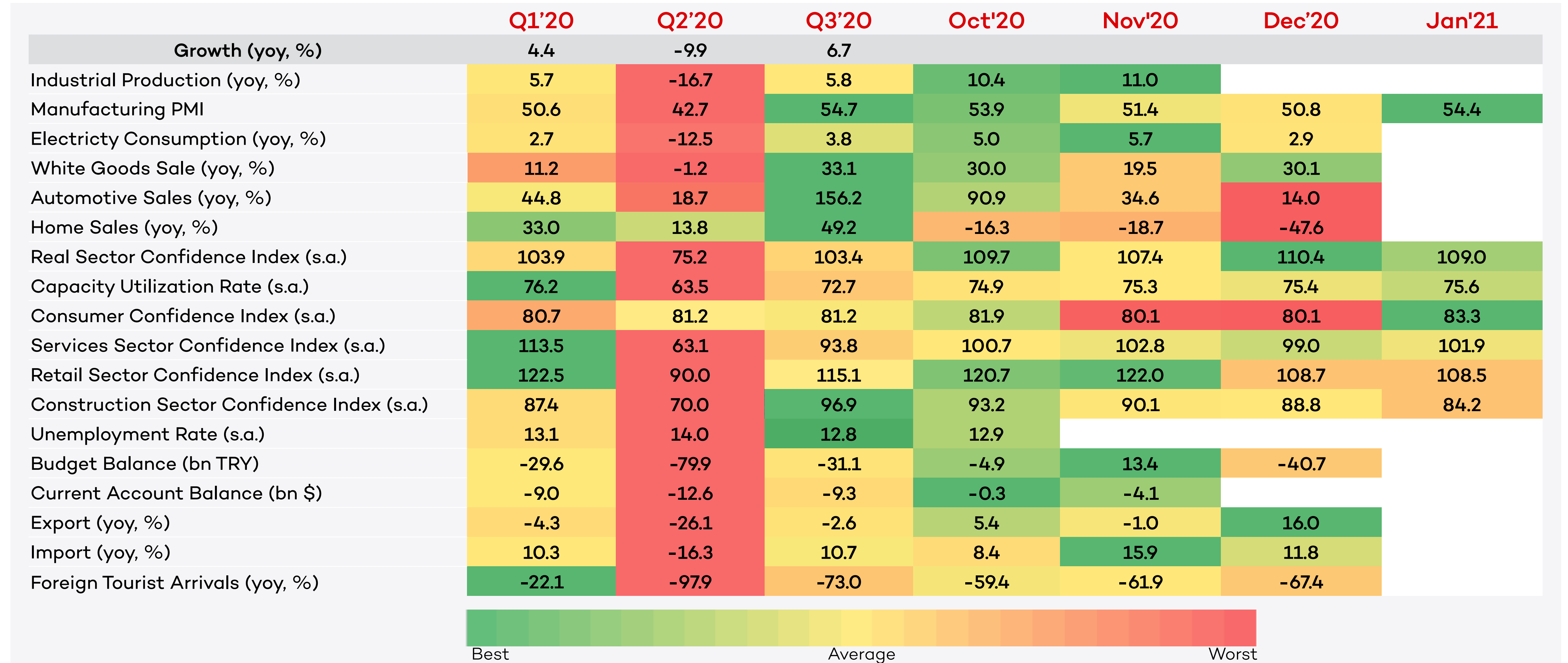
02 Financials

03 Annex

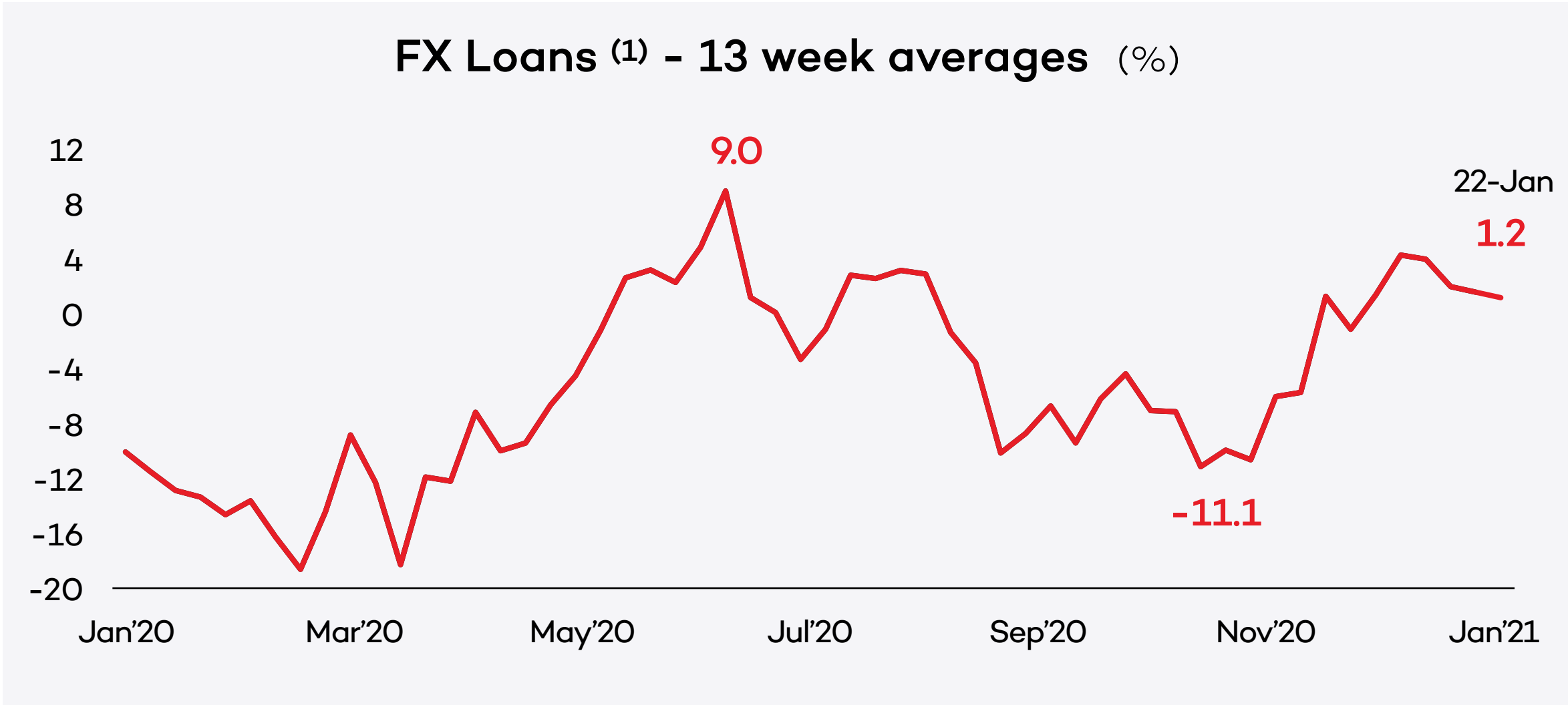
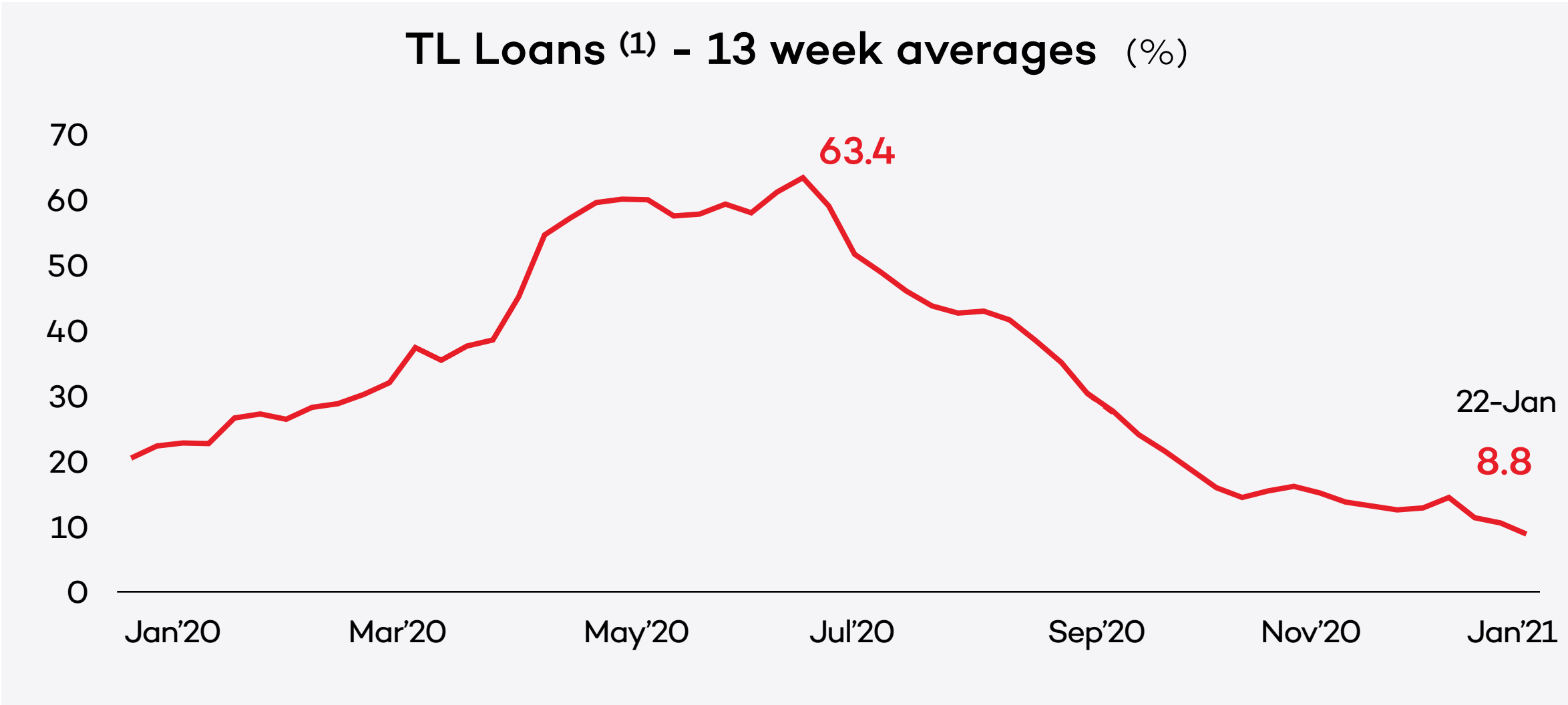
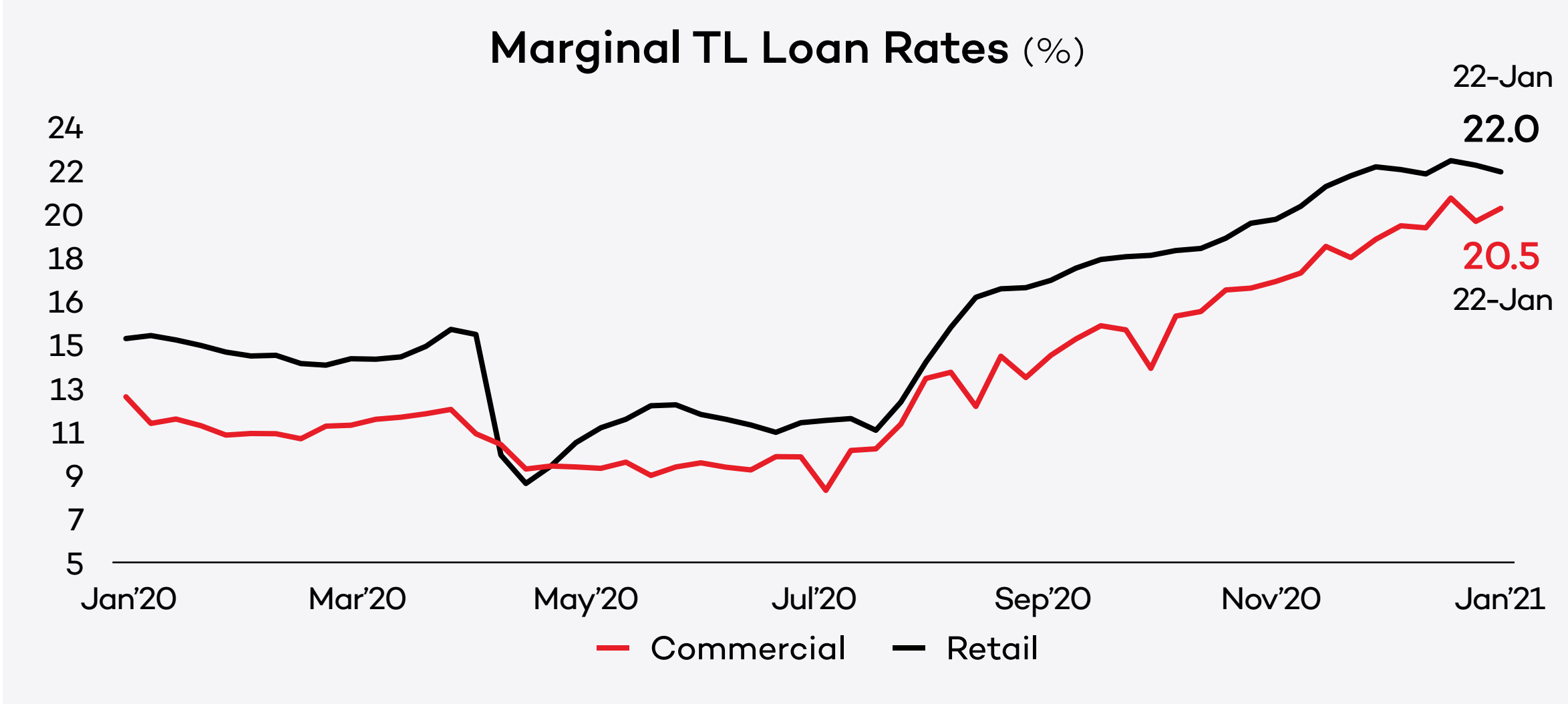
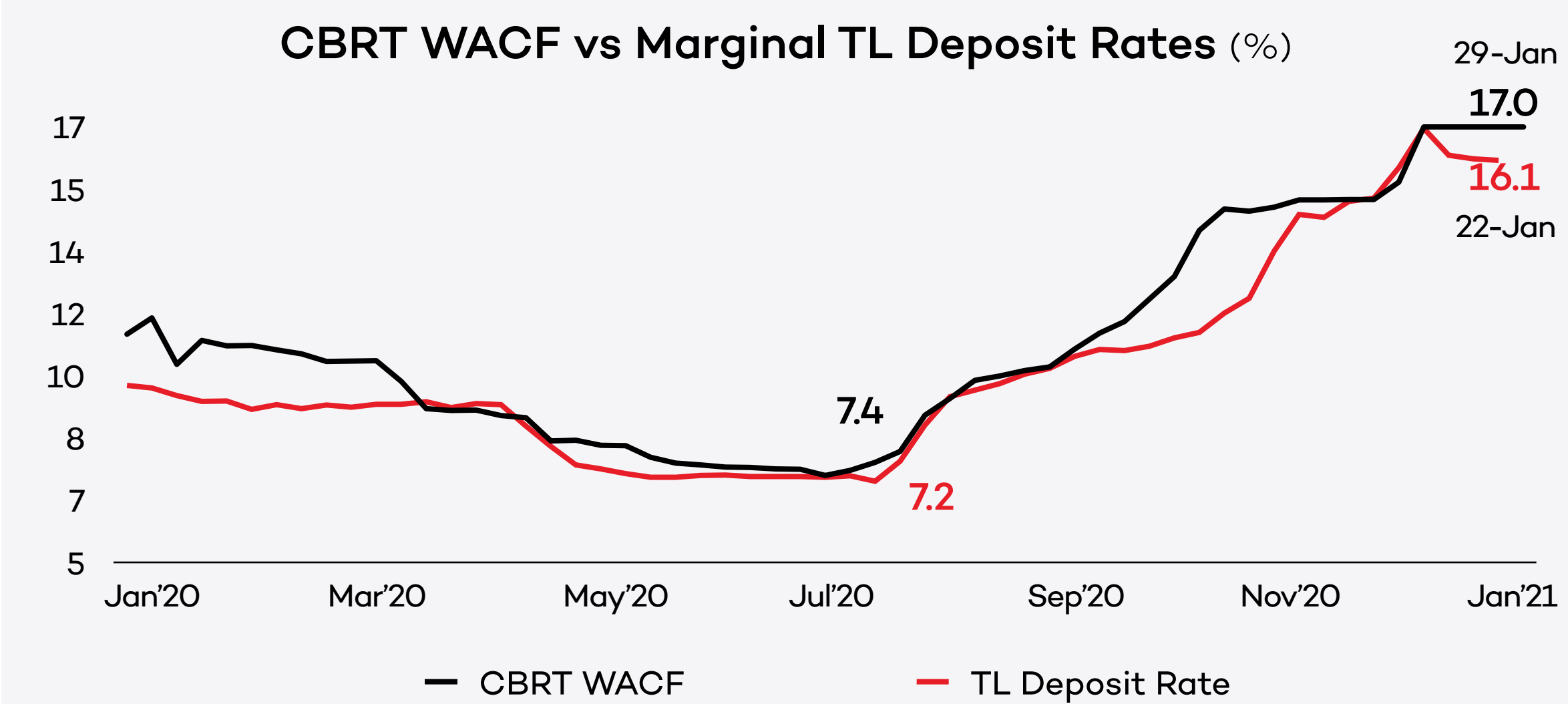
# Turkish Economy: 2020 Overview & 2021 Outlook



# Economic activity heat map



# Economic policies lead to loan growth normalization



Source: BRSA & CBRT weekly data dated Jan 22,2021 & WACF as of Jan 29th, 2021

5 <sup>(1)</sup> Excluding participation banks

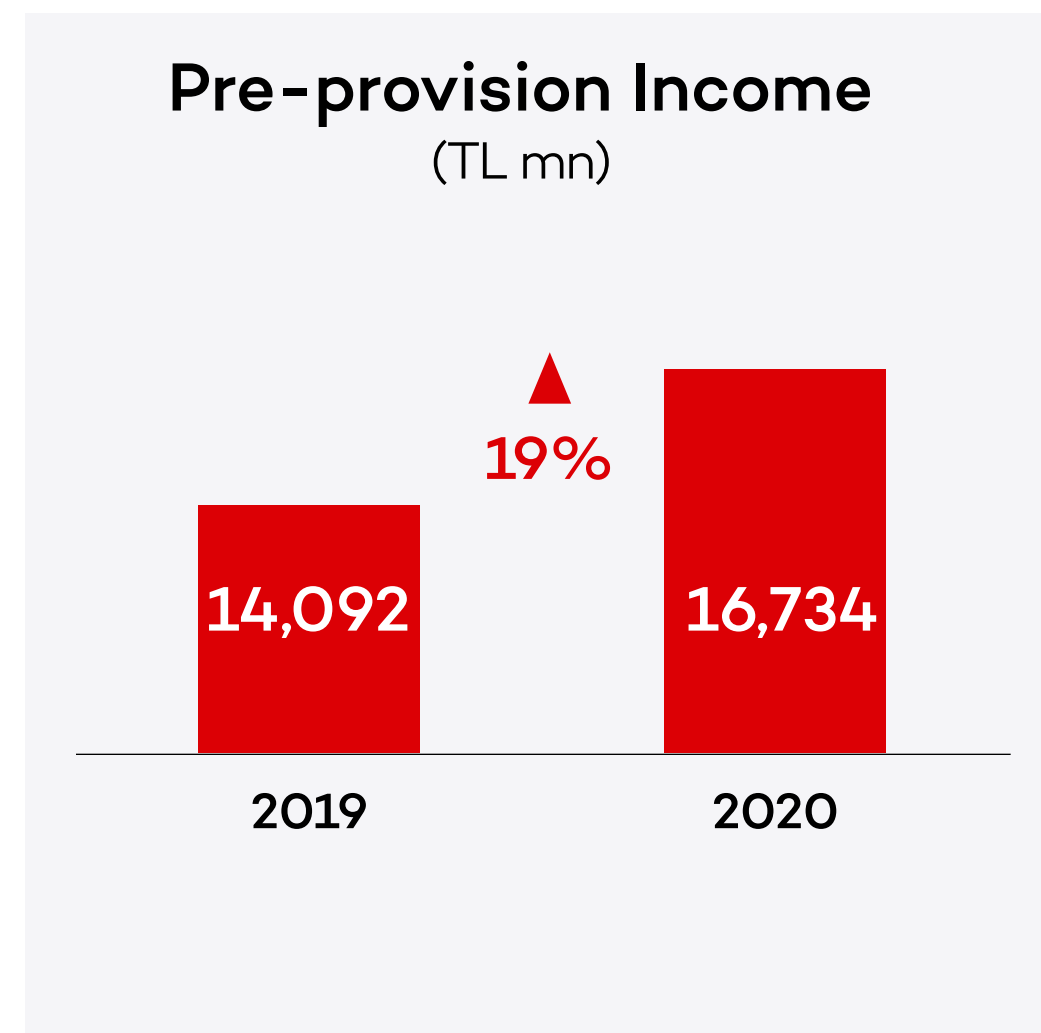
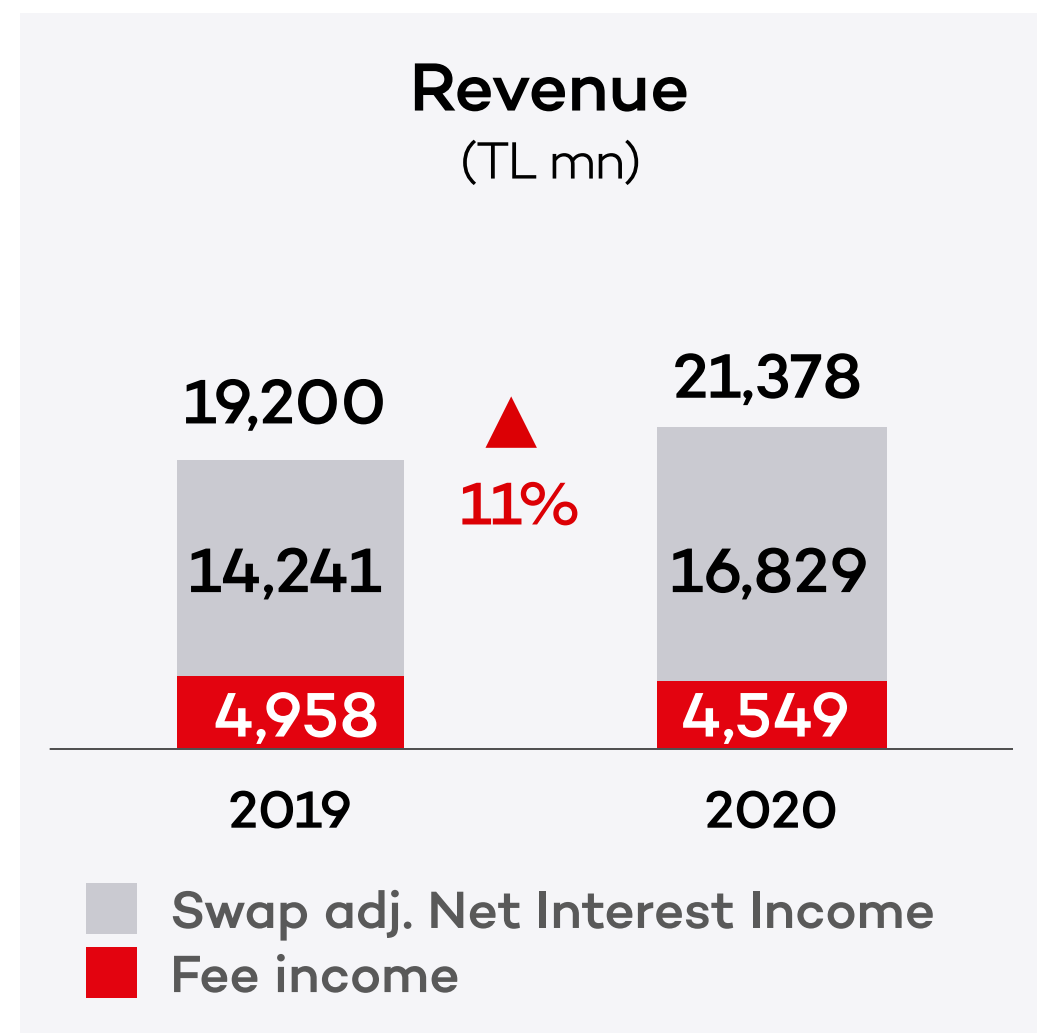
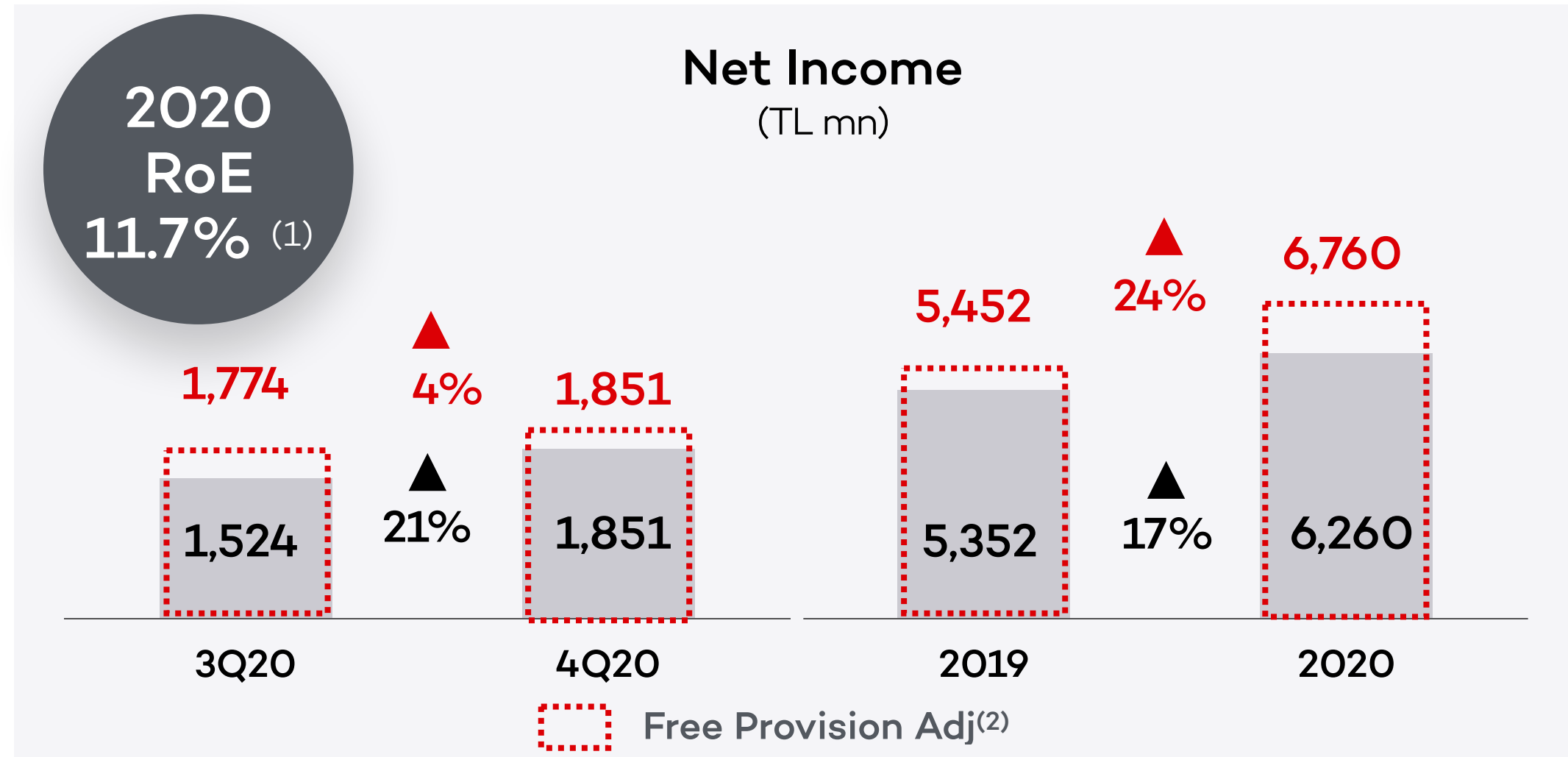
# Content

01 Operating Environment

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# 4Q20: Ending the year on a positive note



## 4Q20 Achievements

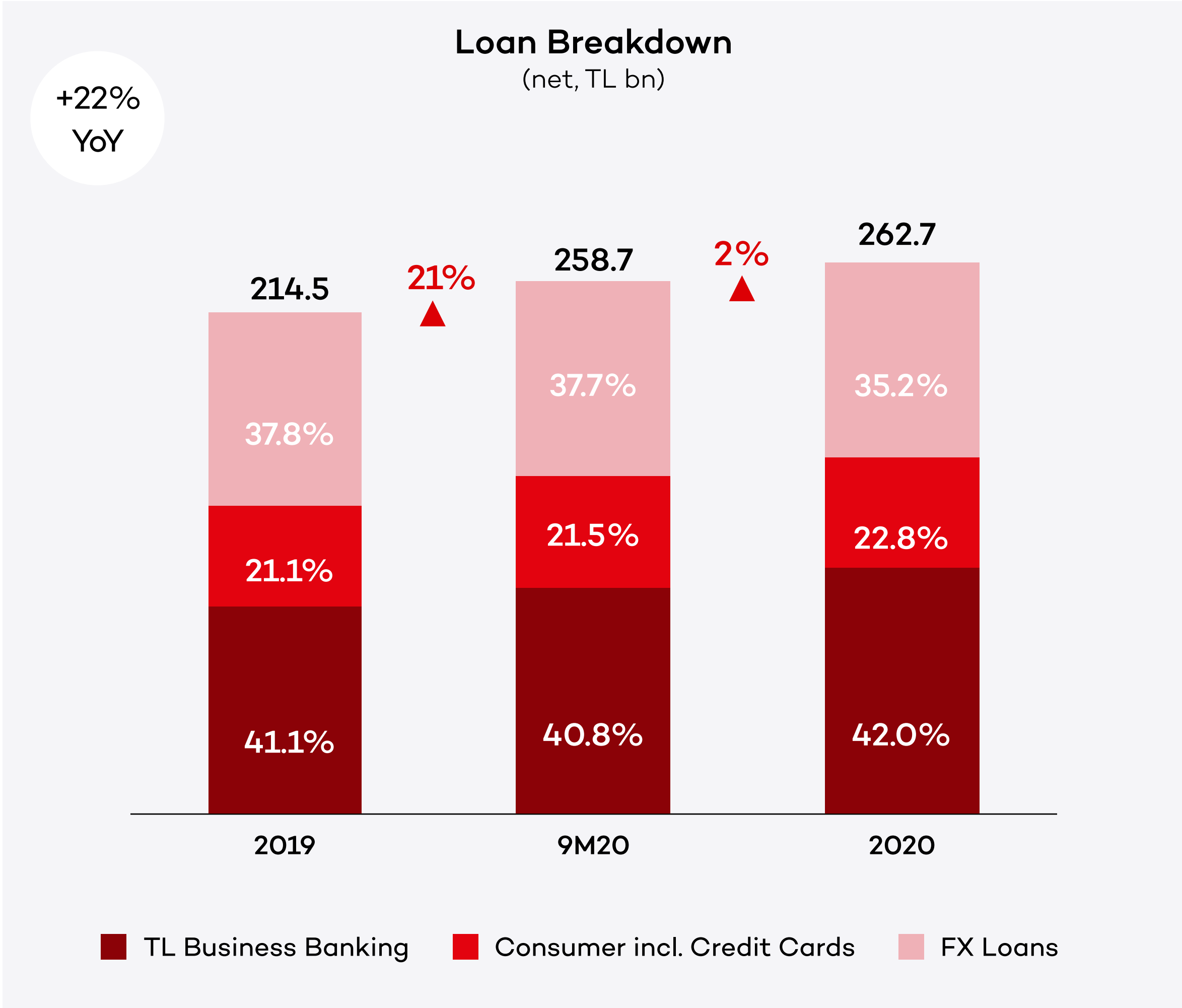
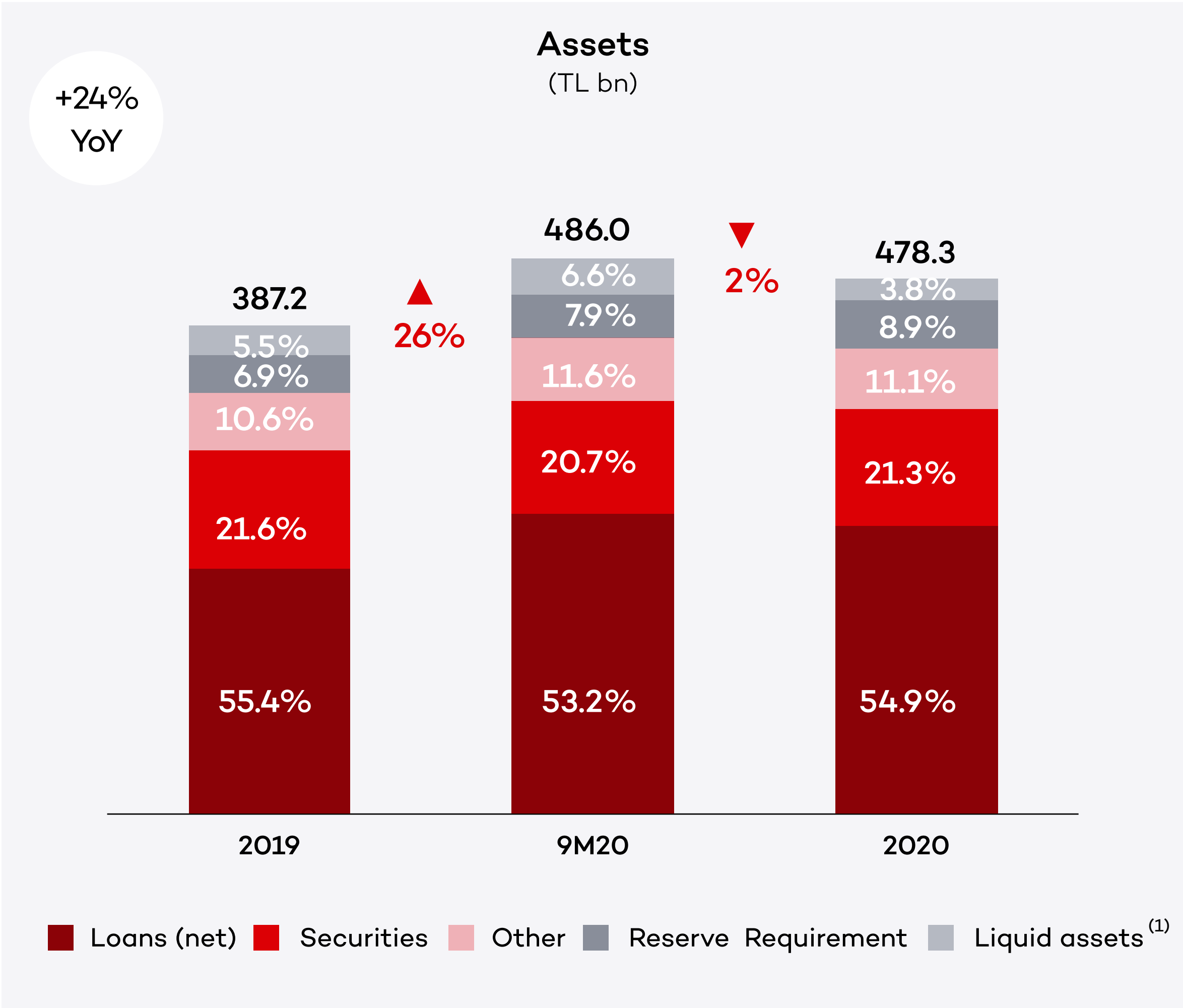
- ▶ Maintained solid core operating performance despite increased funding costs
- ▶ Sustained best-in-class CIR
- ▶ Continued prudent ALM with maturity mismatch focus
- ▶ Market share gains in consumer loans in line with 2021 guidance
- ▶ Improved CoC is a harbinger of gradual normalization for 2021 (no provision reversal)
- ▶ Further enhanced capital buffers to be supportive of growth in 2021

<sup>(1)</sup> Adjusted for TL 500 mn free provisions in 2020

<sup>(2)</sup> 2019 net income adjusted for TL 100 mn & 2020 net income adjusted for TL 500 mn free provisions

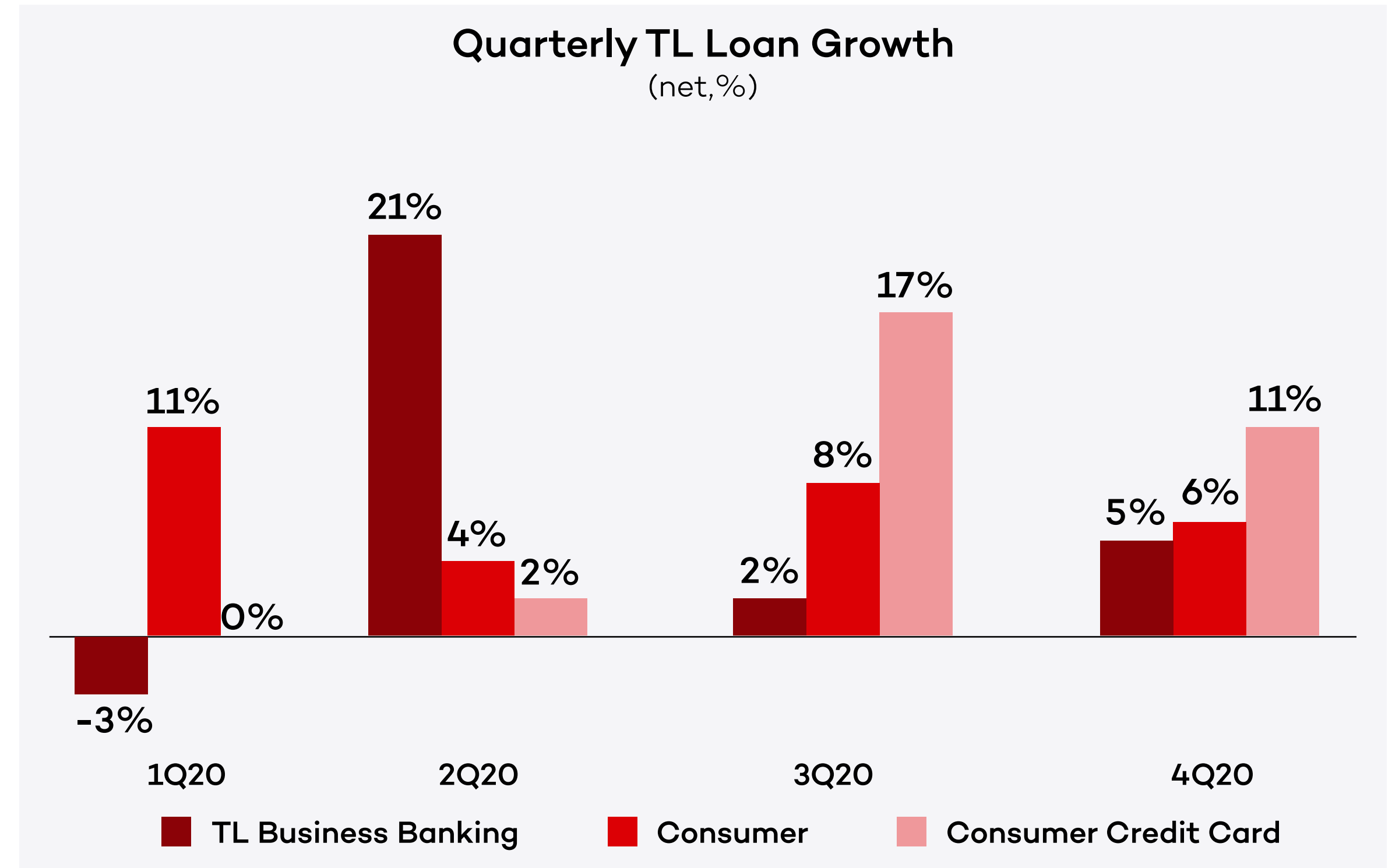
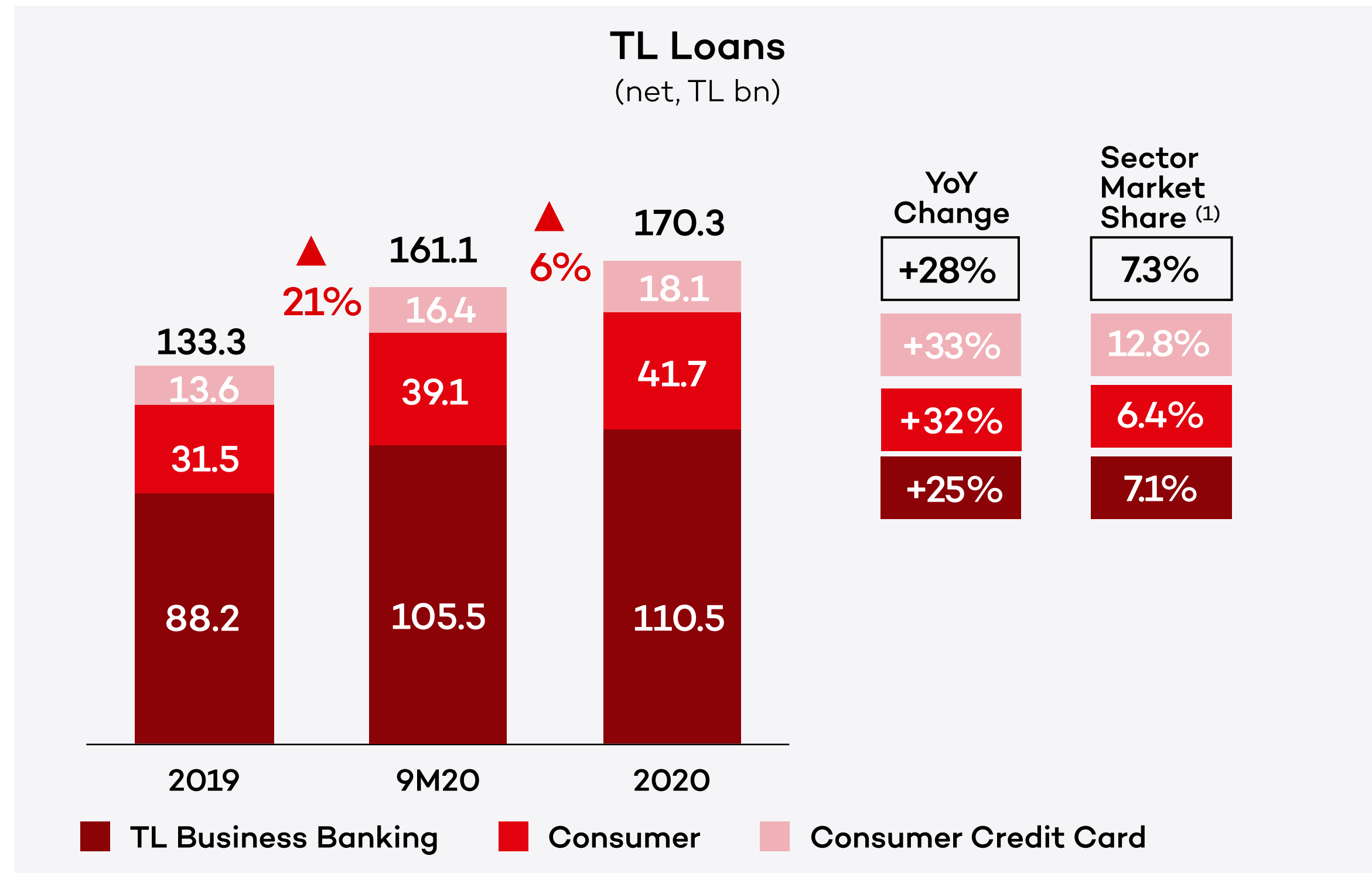


# Balanced asset allocation drives sustainable long-term shareholder value





# Consumer led market share gain to continue

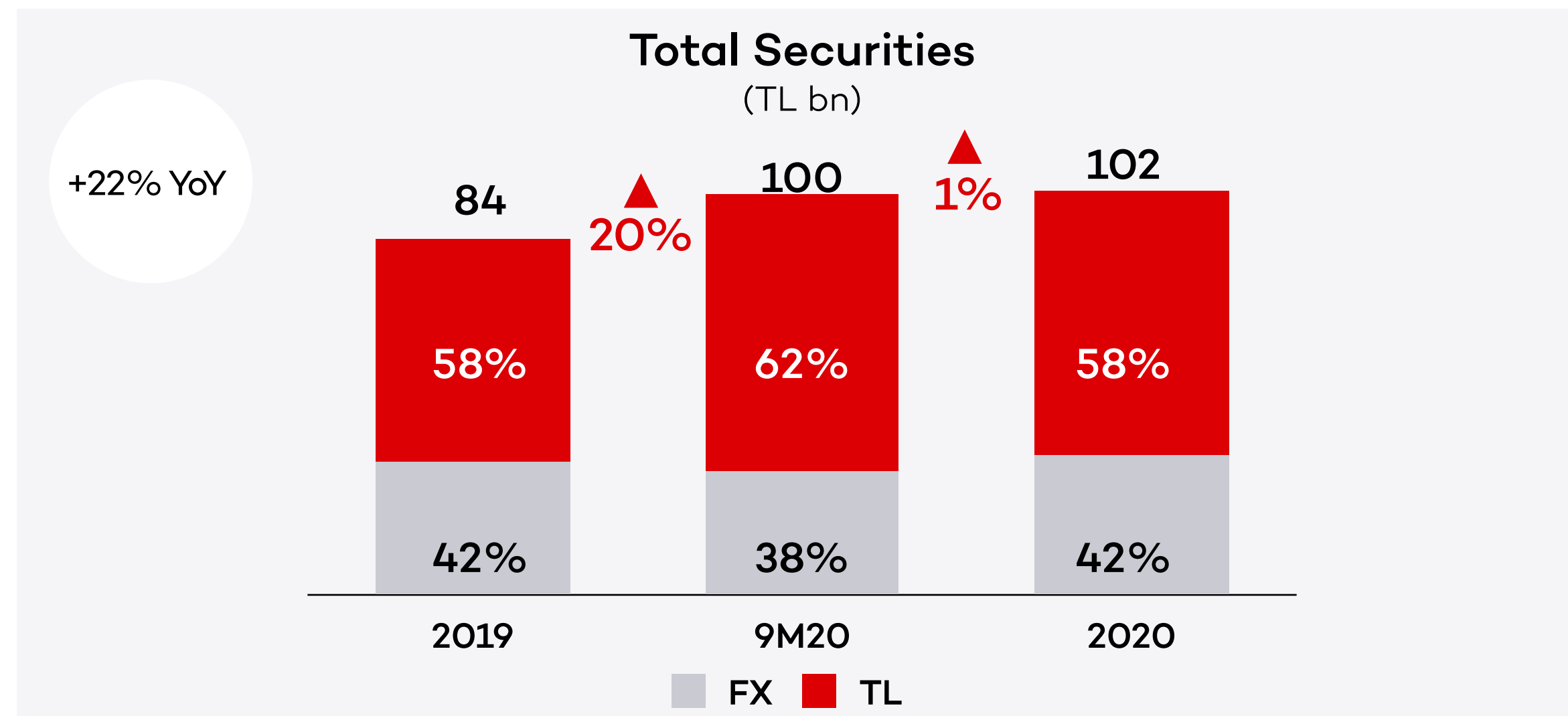
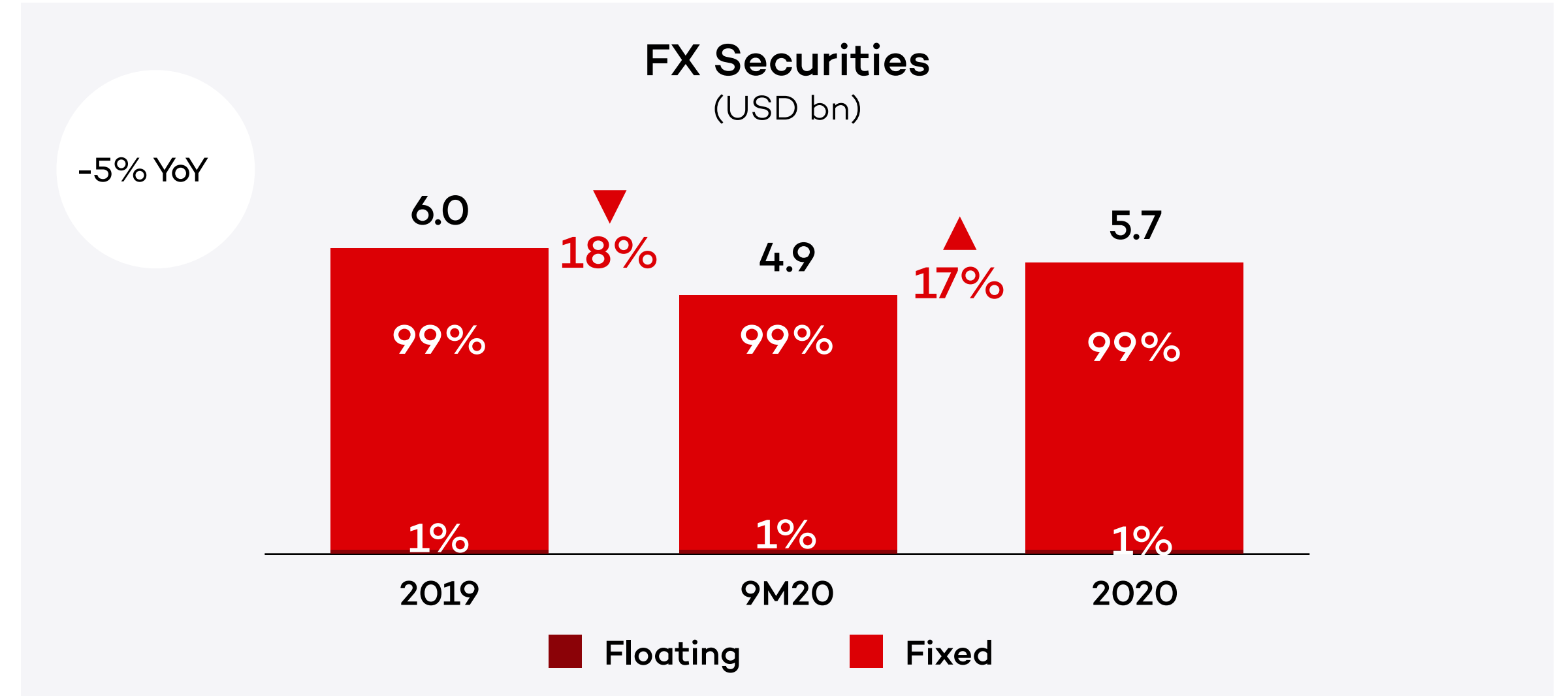
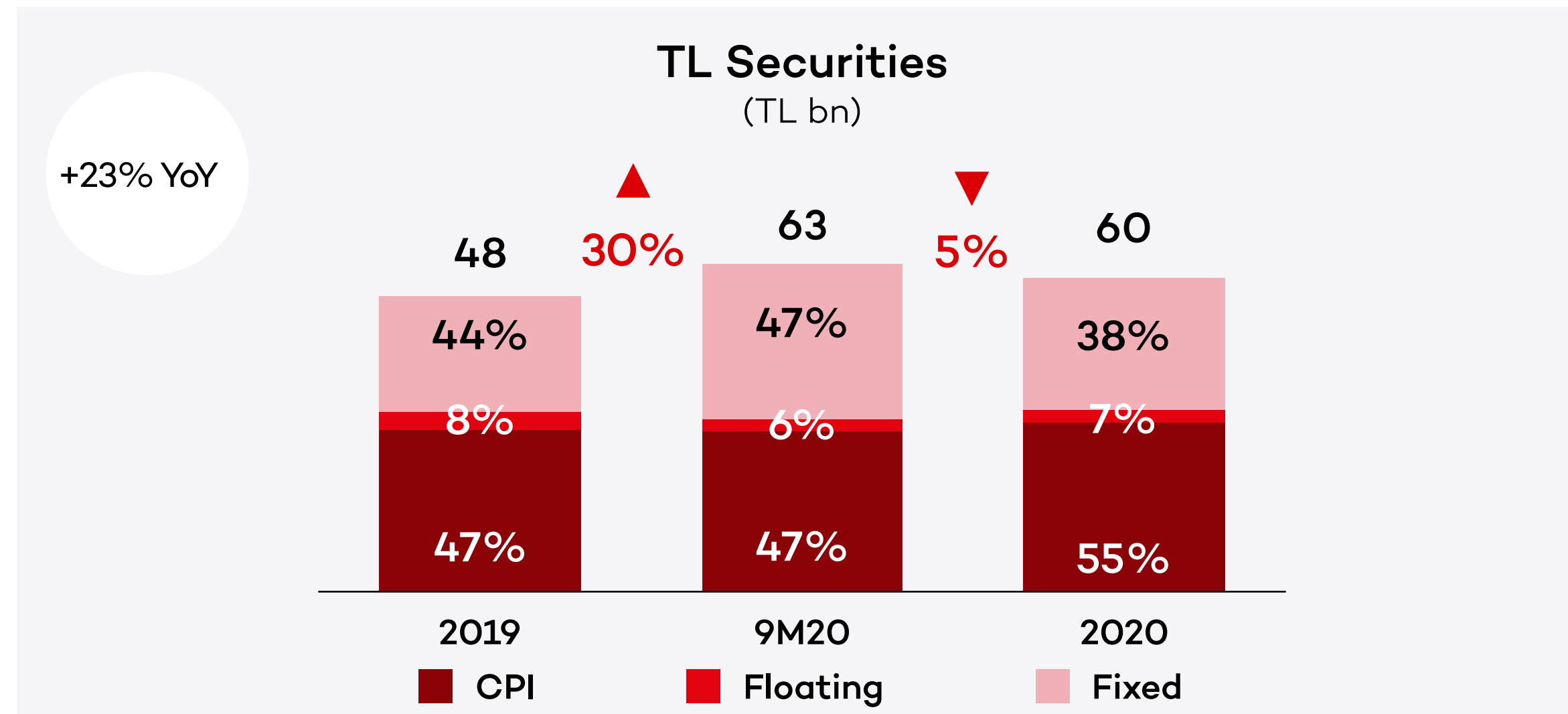


- ▶ Across the board TL loan growth in 4Q with 30 bps market share gain in consumer loans:
  - ◉ c. 35 bps in GPL<sup>(2)</sup>, c. 15 bps in Mortgage, c. 70 bps in Auto
  - ◉ 62% of 4Q20 GPL originations were pre-approved, separately 31% were to salary customers
  - ◉ Supported by accelerated marketing efforts & advanced analytical and digital capabilities
- ▶ QoQ c. 35 bps market share gain in consumer credit cards supported by targeted marketing campaigns

<sup>(1)</sup> Market share data based on bank only BRSA weekly data as of December 31, 2020

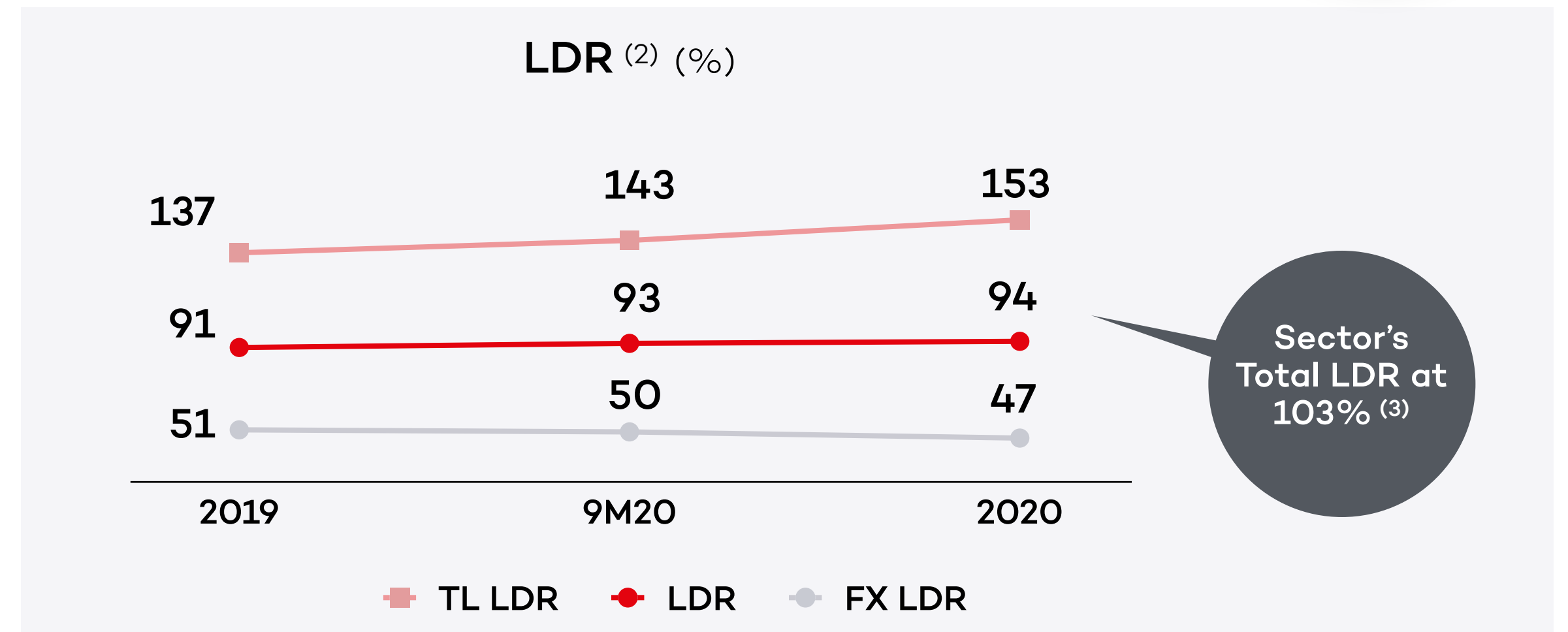
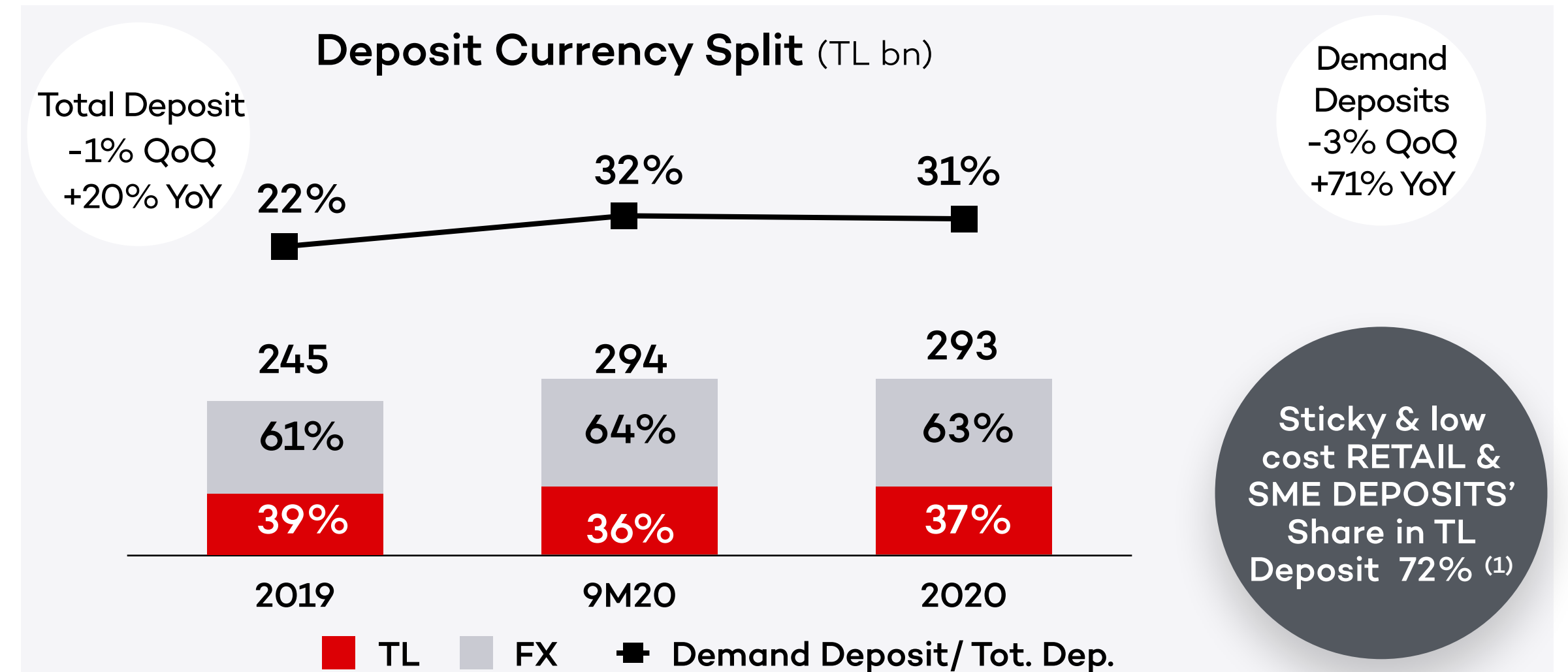
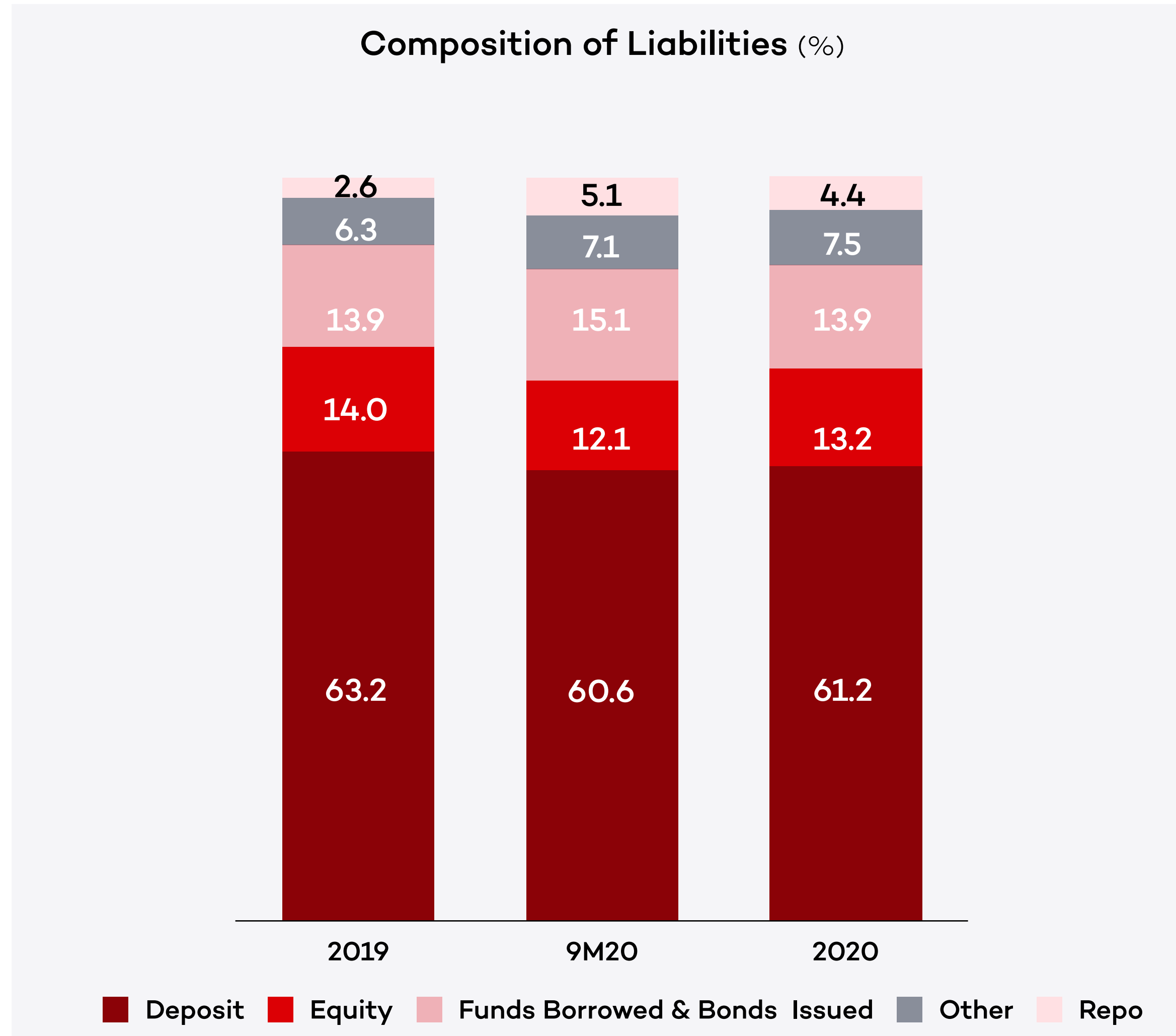
<sup>(2)</sup> General Purpose Loans

# Proactive securities positioning



- ▶ Higher share of CPI linkers & FRN in TL Securities to be NIM accretive
  - Every +1% CPI has c. TL 250 mn NI and +6bps NIM impact
- ▶ Reducing avg. maturity of TL fixed rate bonds to c. 1 year & major portion maturing in 1H21
- ▶ Increased FX Securities QoQ with high-yield Eurobond purchases

# Maintained disciplined funding mix

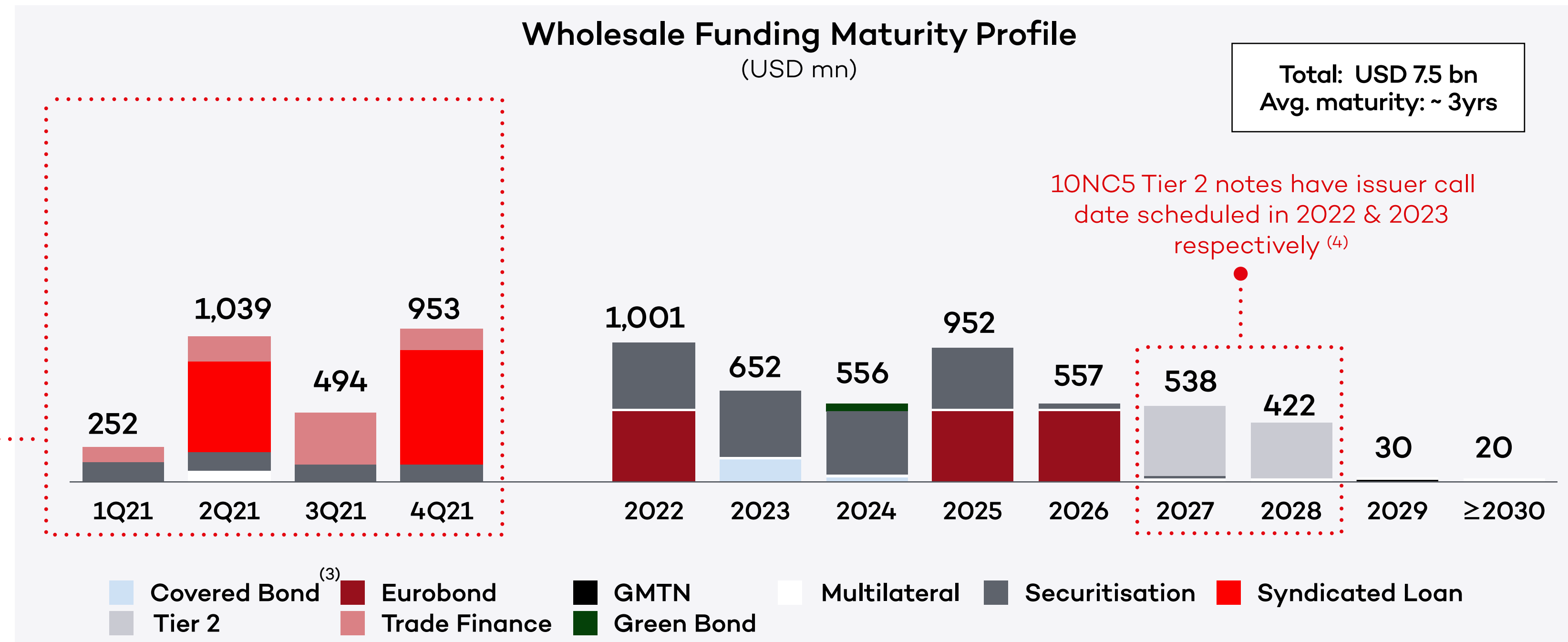
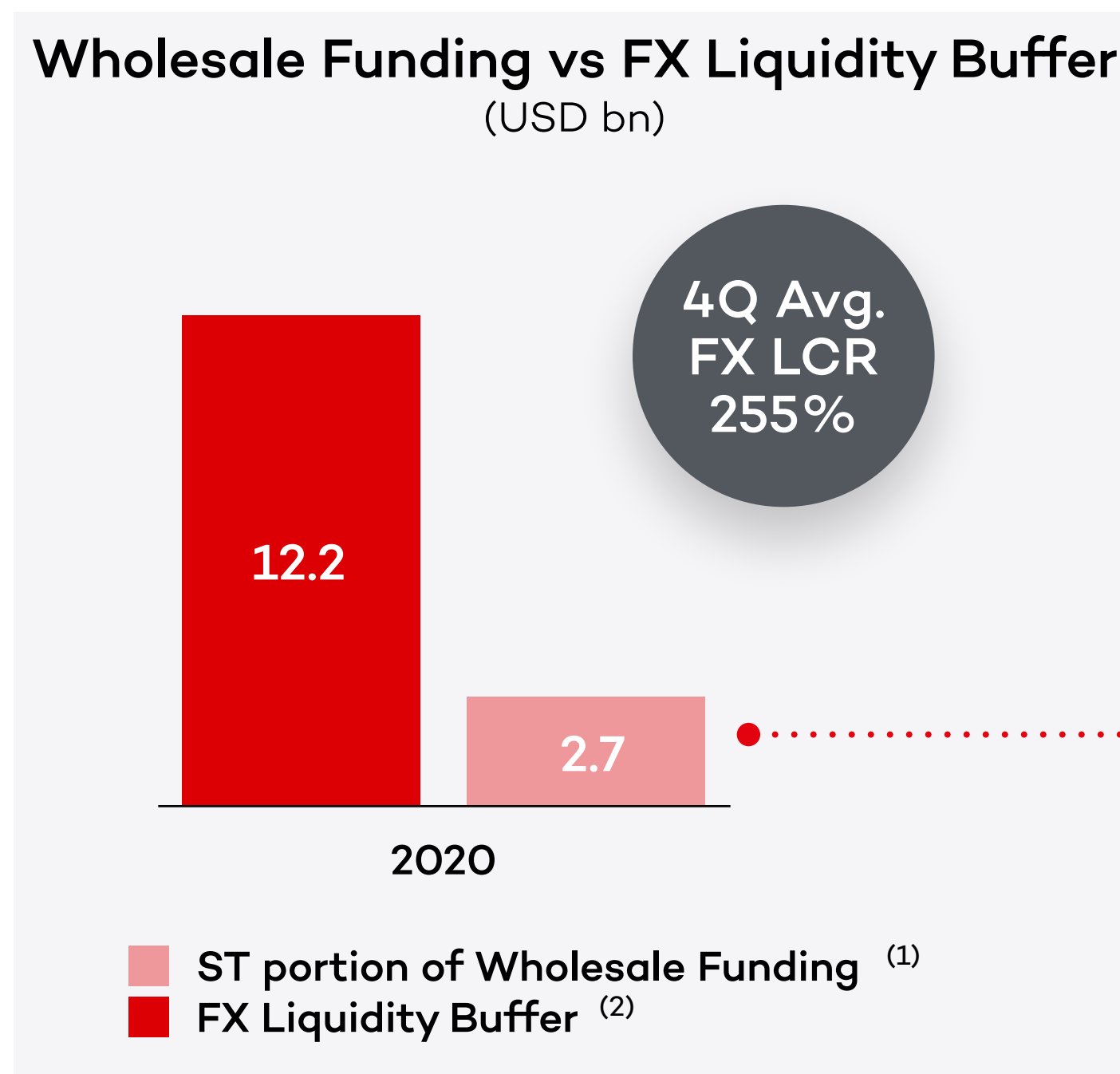


<sup>(1)</sup> MIS data

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

<sup>(3)</sup> Based on BRSA weekly data dated December 31, 2020

# Well established wholesale funding profile



- ▶ Wholesale funding down to USD 7.5 bn (c. USD 10 bn in 2018), led by USD 1.6 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
- ▶ **2021 & beyond:** Increasing ESG-linked funding's share from ~ 10% to ~30%

Balances based on principal outstanding and bank-only MIS data

<sup>(1)</sup> ≤ 1 year tenor

<sup>(2)</sup> Consolidated 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 issuances

<sup>(4)</sup> Call exercise in year 5 is subject to BRSA approval



# 4Q NIM: Increased funding cost offset by CPI contribution

Quarterly NIM Breakdown (bps)



FY NIM Breakdown (bps)



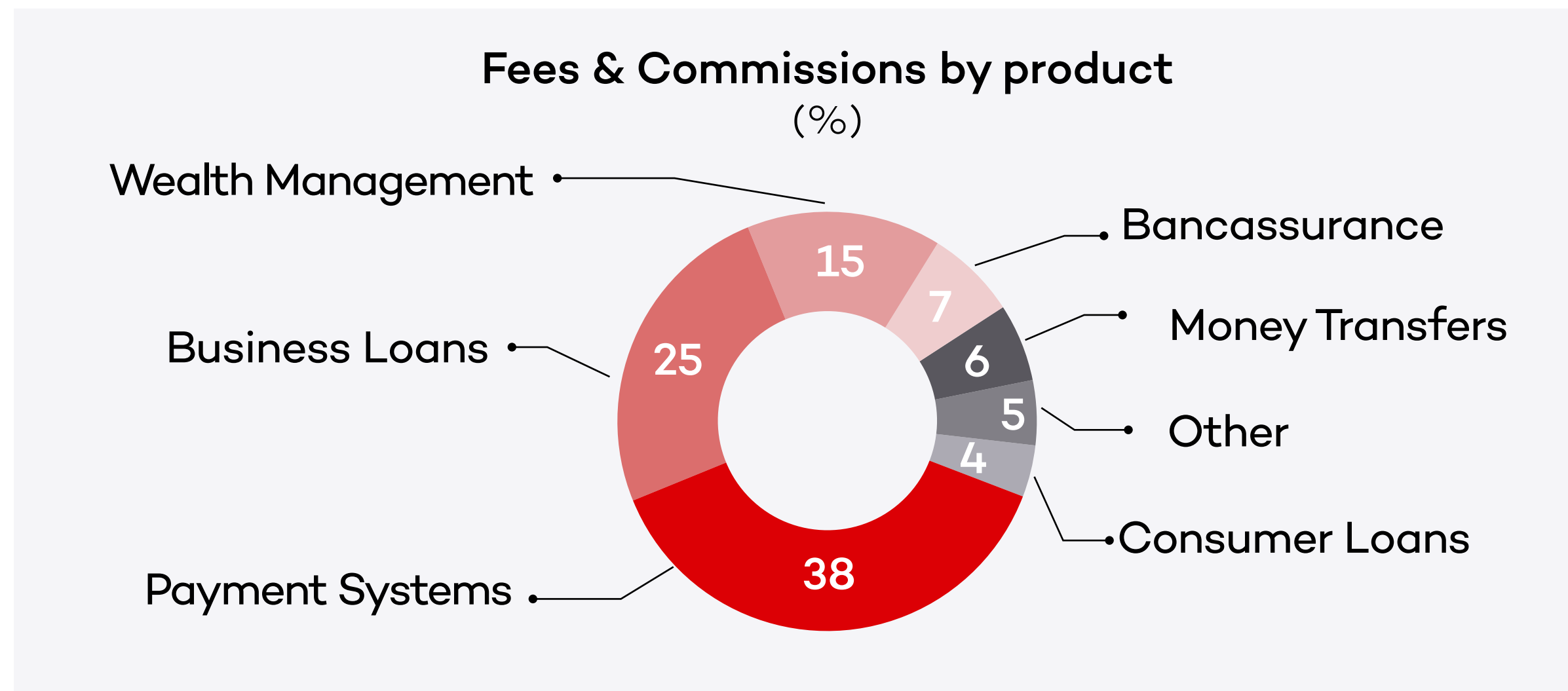
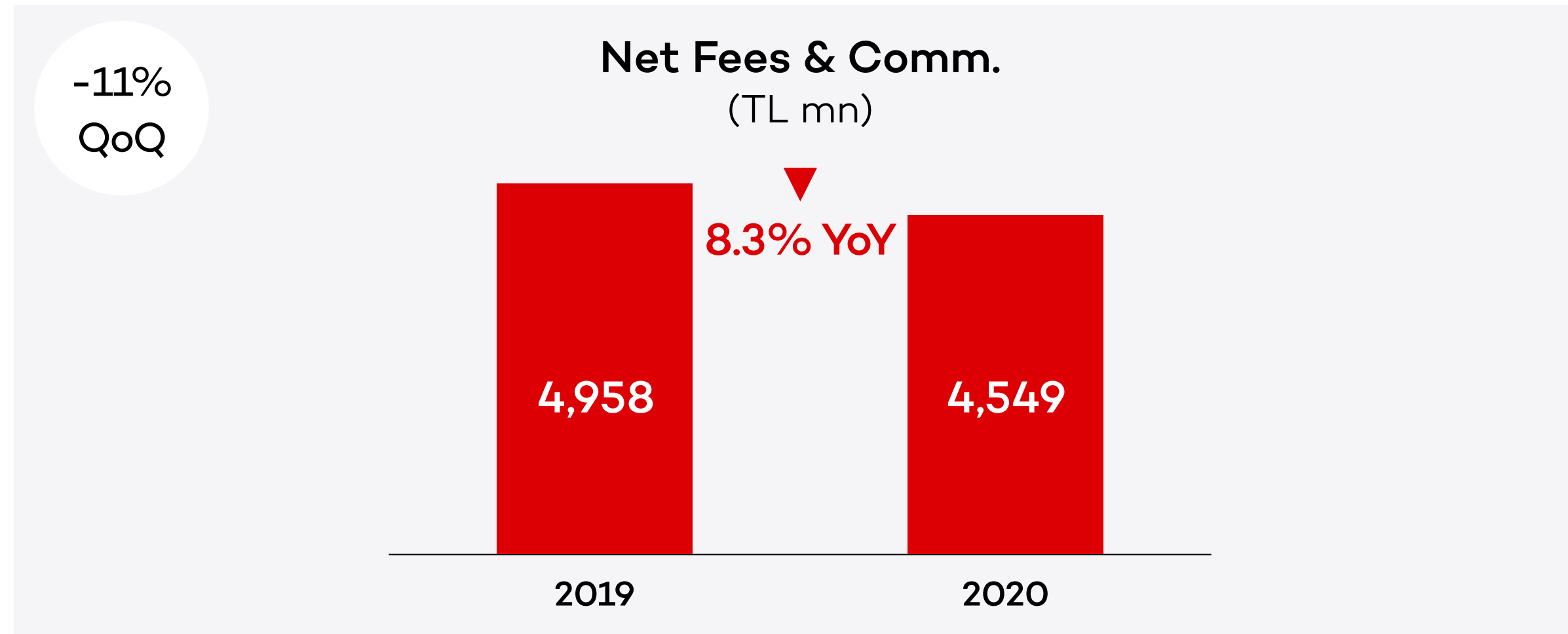
## In 4Q20:

- ▶ Funding cost increased due to CBRT tightening
- ▶ Swap costs increased led by higher swap rates & utilization
- ▶ NII impact of CPI adjustment is TL 785 mn (+71 bps NIM impact)

## Looking forward:

- ▶ NIM expected to bottom out in 1Q21
- ▶ Favorable positioning for asset repricing in 1H21
  - ◉ Low maturity mismatch
  - ◉ c. 40% of TL loans & fixed rate TL securities to mature in 1H21
- ▶ Proactive securities management to be margin accretive
- ▶ 2021G NIM: 20-30 bps YoY contraction

# Fee income to rebound in 2021



## Wealth Management

**+117% YoY**

Product innovation & value added services

Accelerated WM client acquisition driven by digital channels

## Consumer Loans

**+47% YoY**

Pick up in consumer spending

## Payment Systems

**-30% YoY**

Impacted by regulatory changes

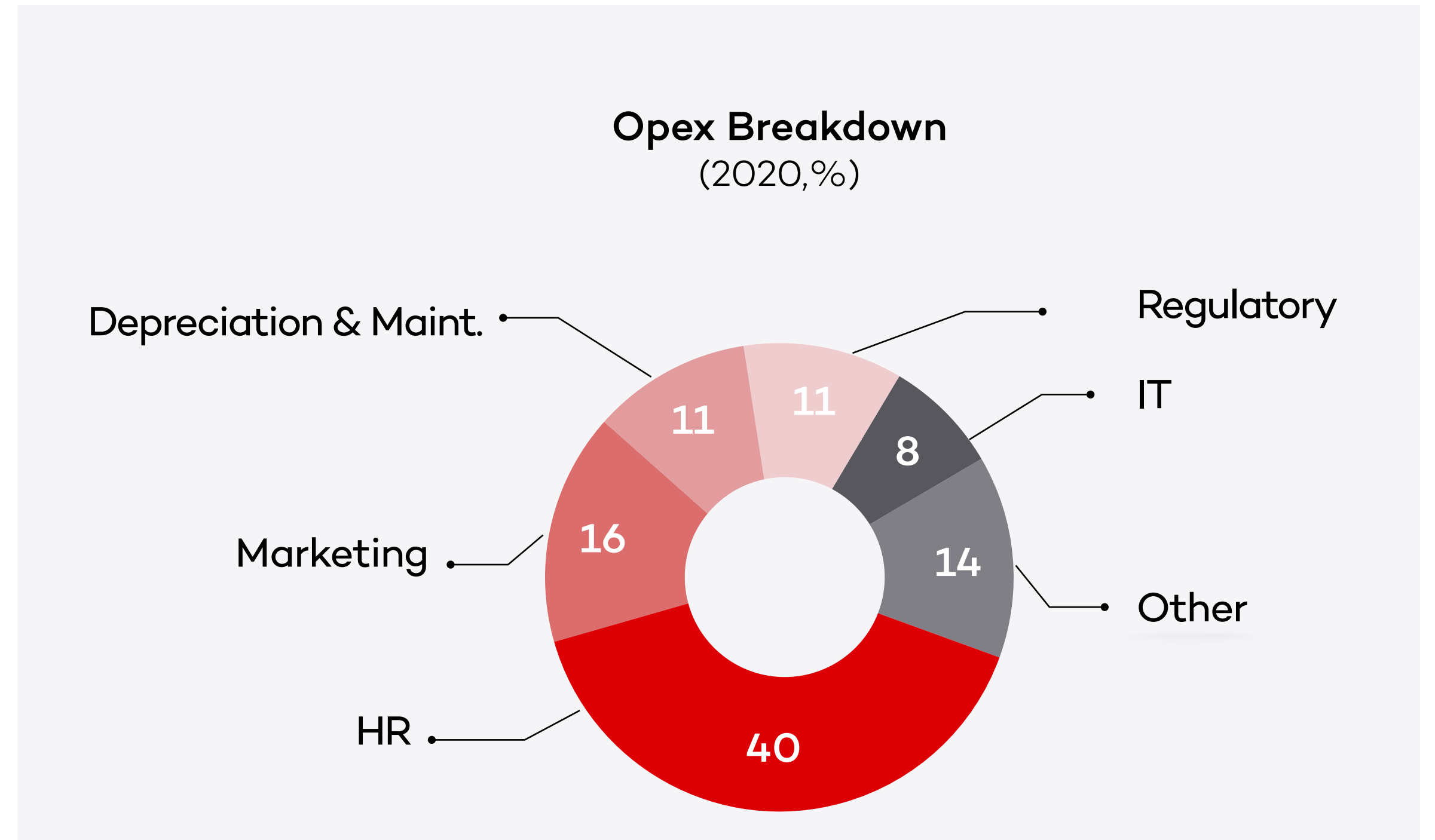
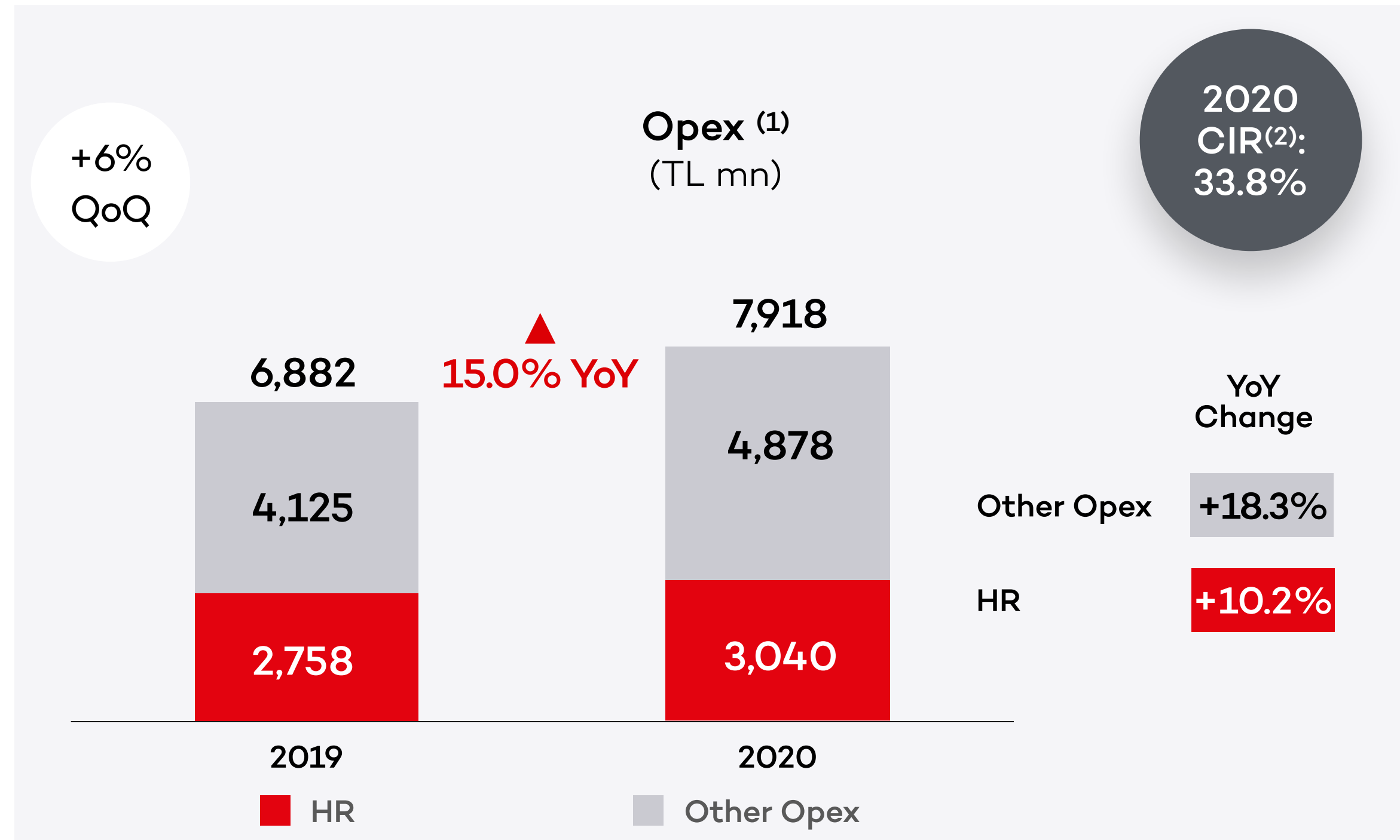
## Money Transfers

**-43% YoY**

Impacted by regulatory changes & Covid related waivers in 2Q

**AKBANK**

# CIR to remain best-in-class



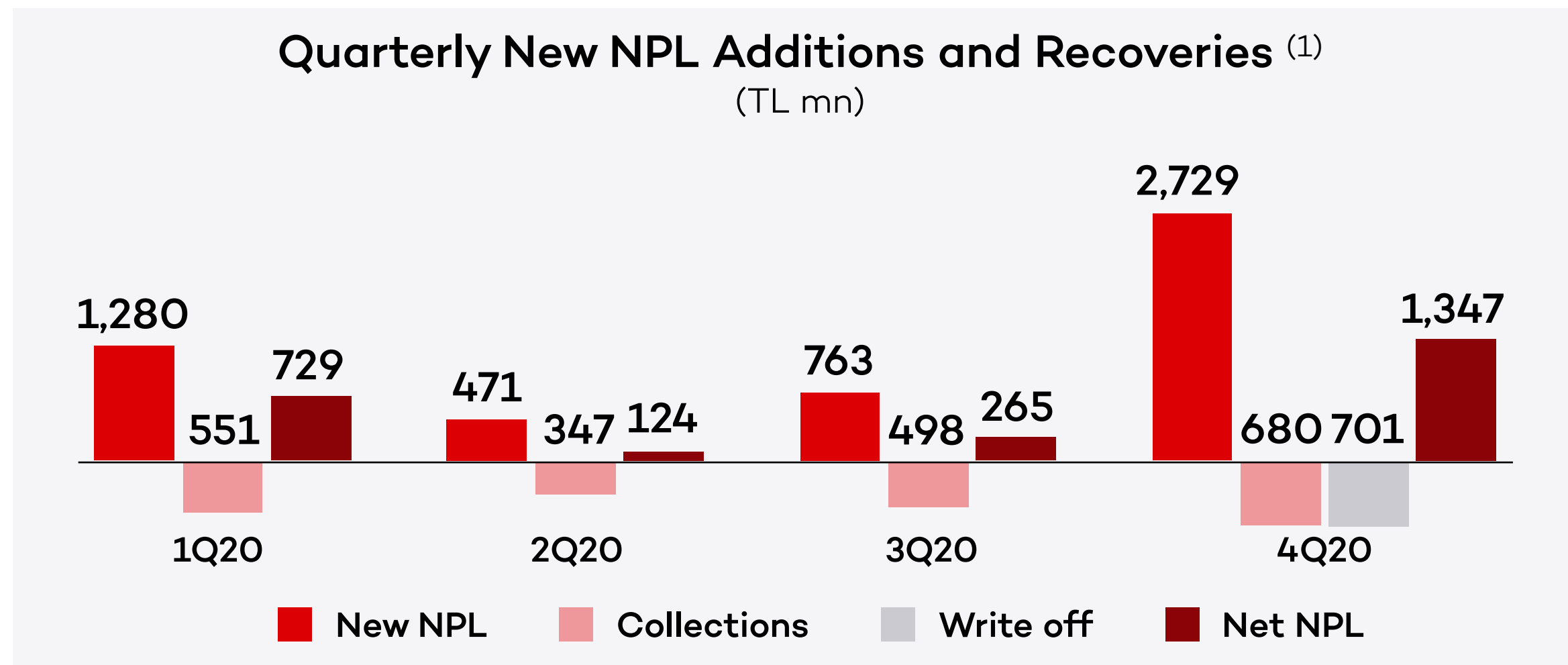
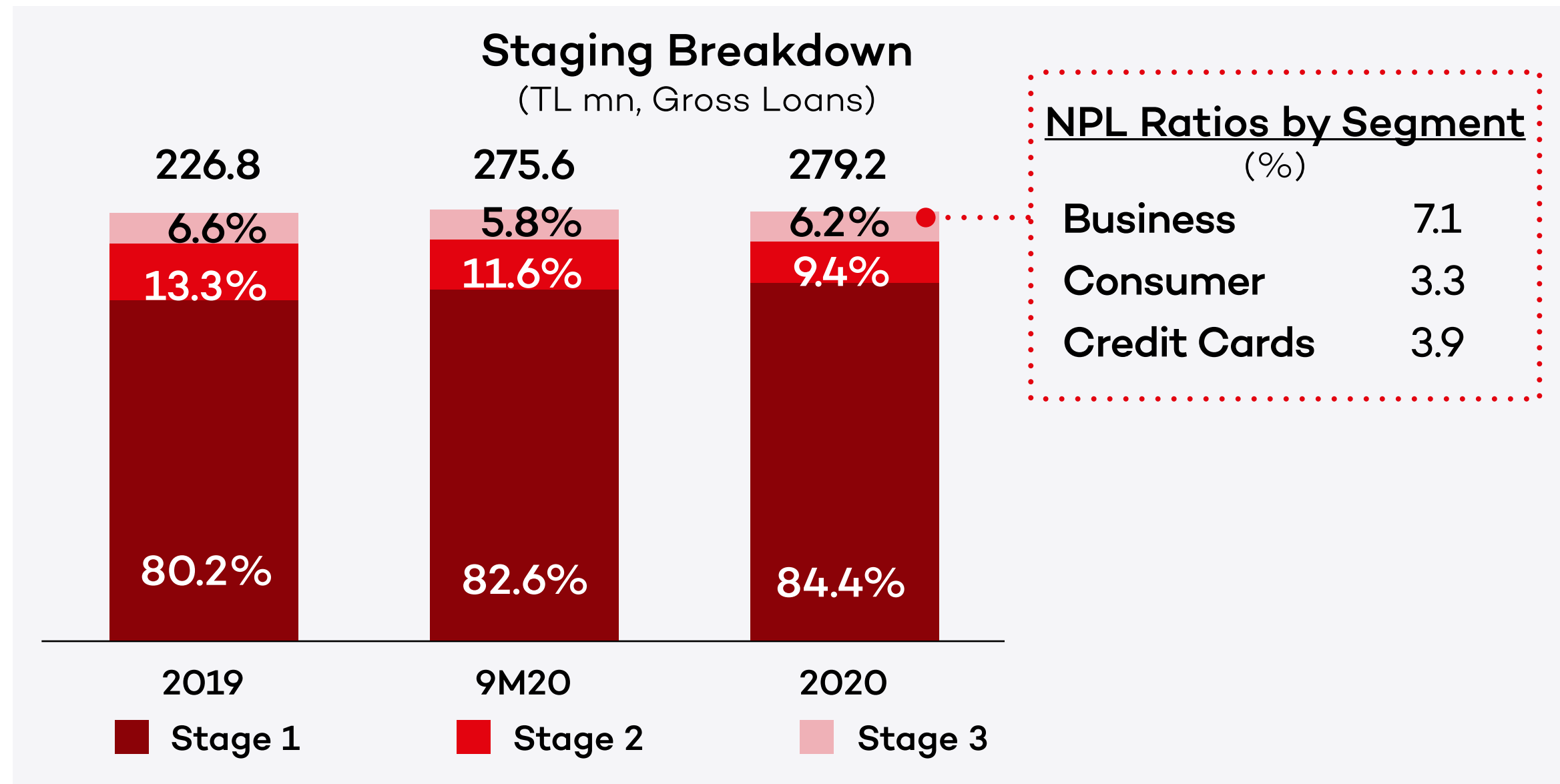
Low cost base & solid revenue generation to support best-in-class CIR

<sup>(1)</sup> 2020 Opex is adjusted for insurance penalty of TL 71 mn & BRSA penalty of TL 117 mn

<sup>(2)</sup> 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



# Proactive IFRS 9 implementation regardless of staging forbearance



## In 4Q20:

### ► BRSA forbearances:

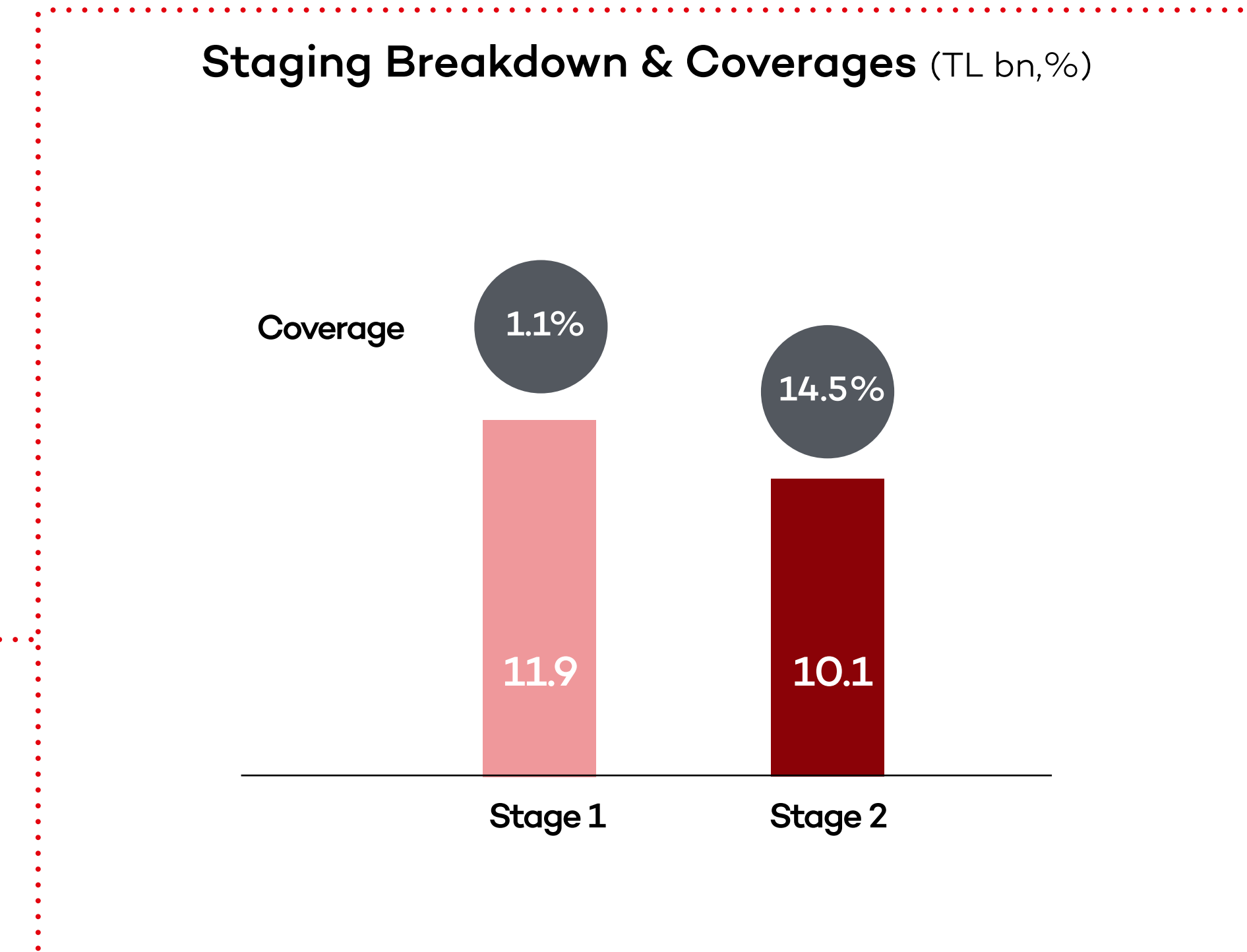
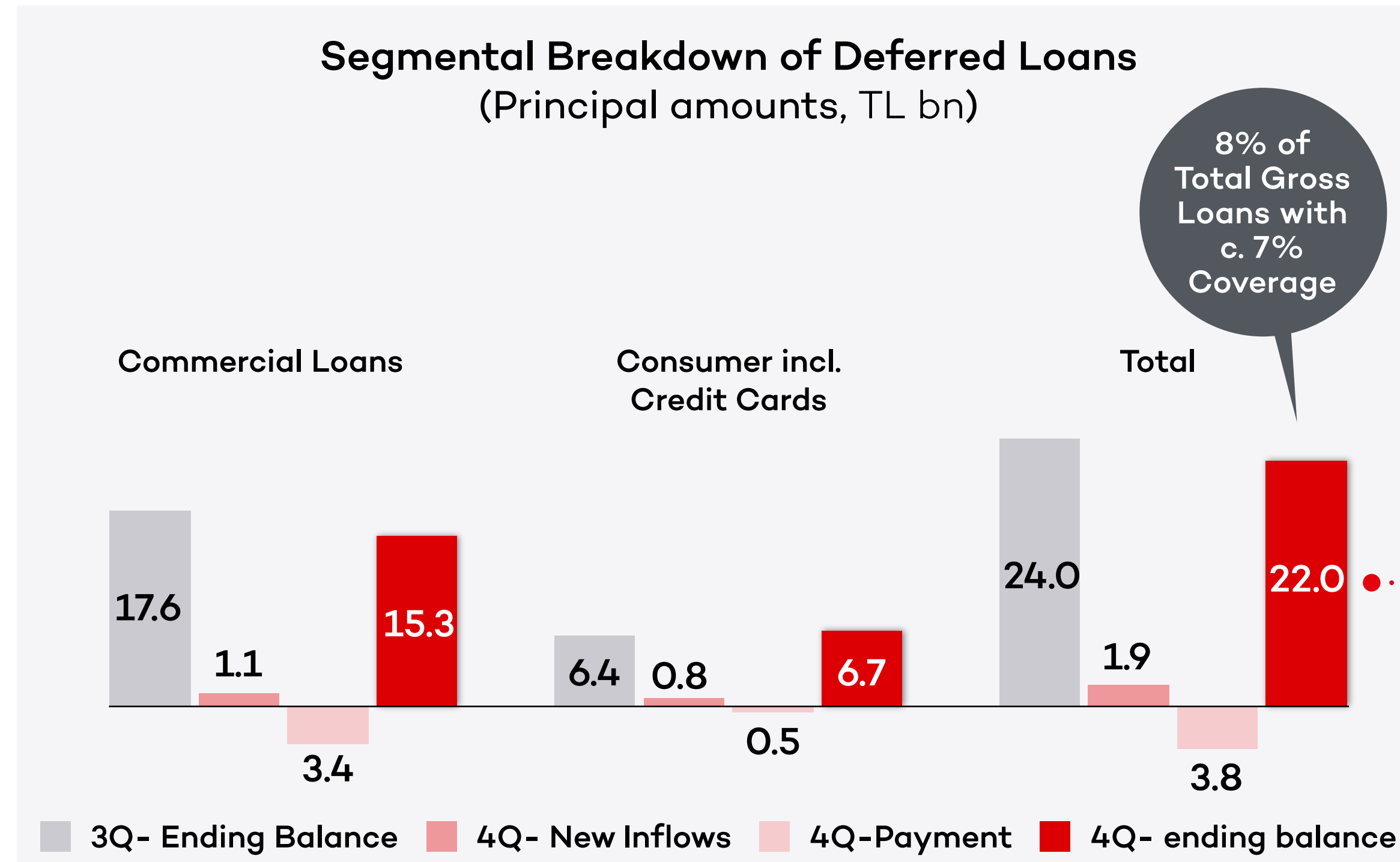
- ◉ 30-90 days files: only TL 0.5 bn in Stage 1
  - ◉ 90-180 days files: TL 1 bn (If all were booked as NPL, NPL ratio impact would be +c. 40 bps)
- ... with strong coverages.

### ► NPL classification of some highly provisioned commercial files, with immaterial P&L impact

### ► TL 701 mn write-off: - 25 bps NPL ratio impact

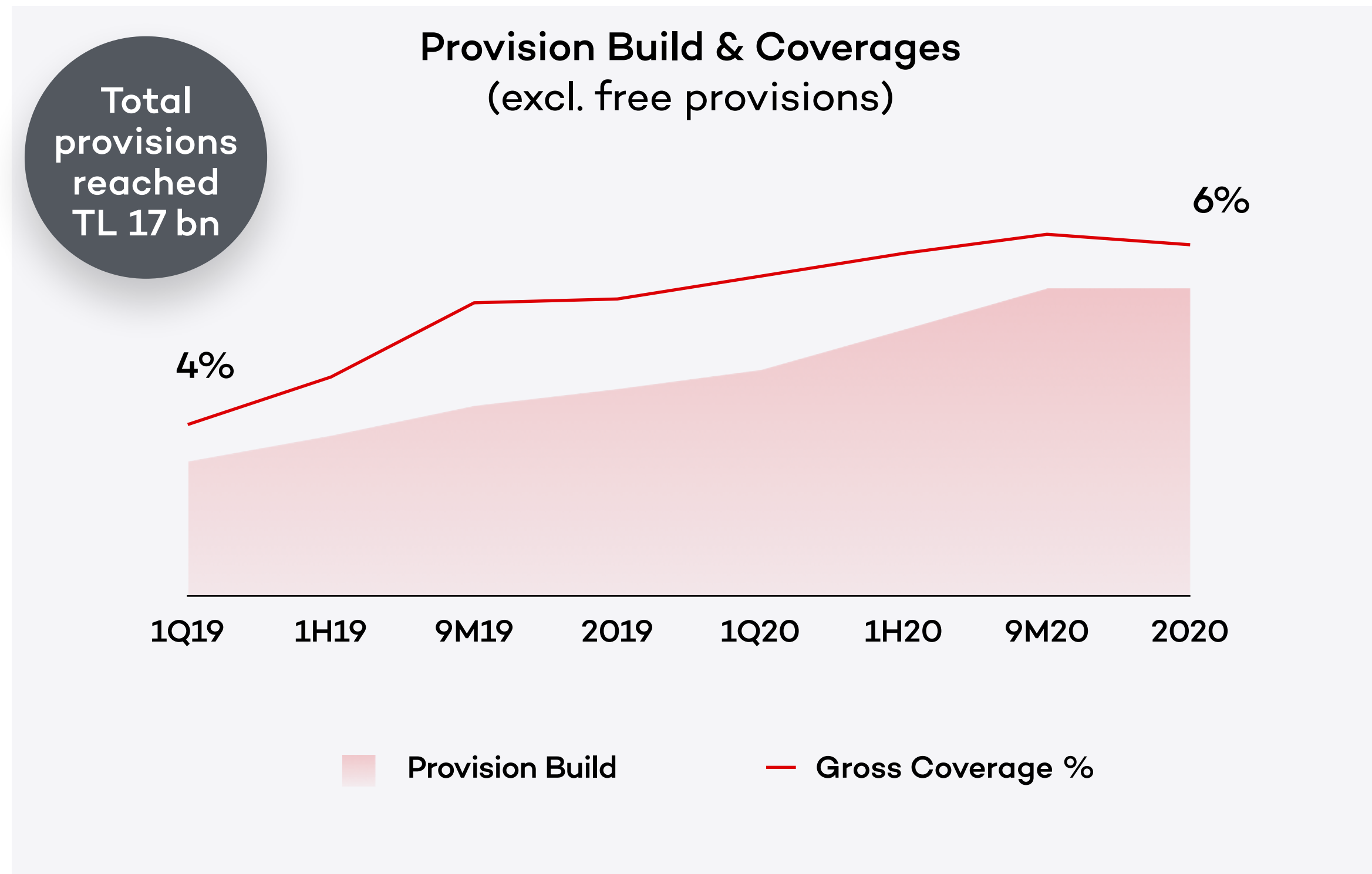
### ► Collection performance reached pre-Covid levels

# Balances on deferred loans are well covered

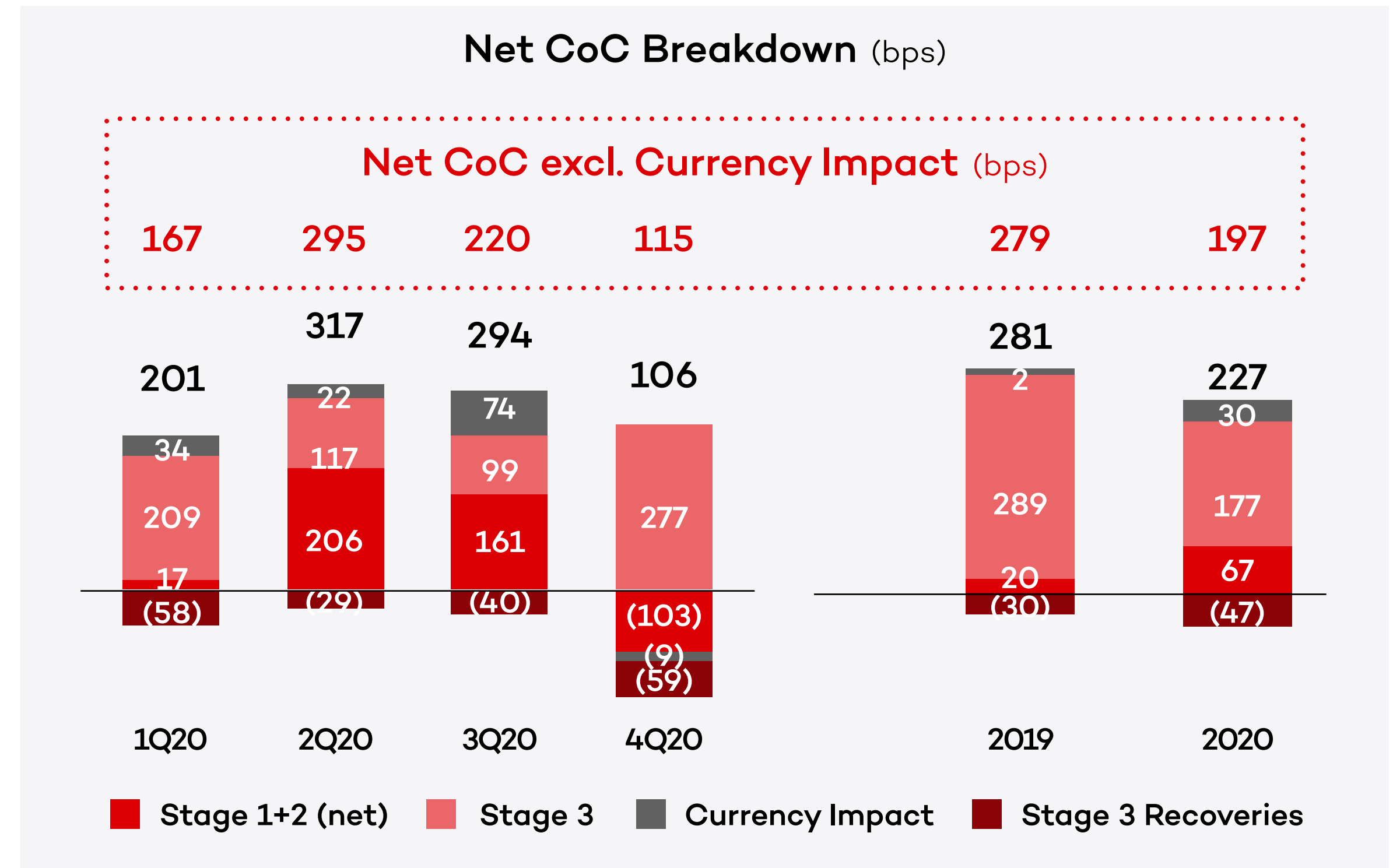


- ▶ Initial deferred risk principal amount of TL 28 bn reduced to c. TL 22 bn (c. 8% of gross loans) as of YE20
  - Total coverage at 7.2% up 200 bps QoQ
  - c. 70% Business Banking & c. 30% Retail
  - c. 70% have matured installments & strong repayment performance

# CoC to improve following prudent reserve build

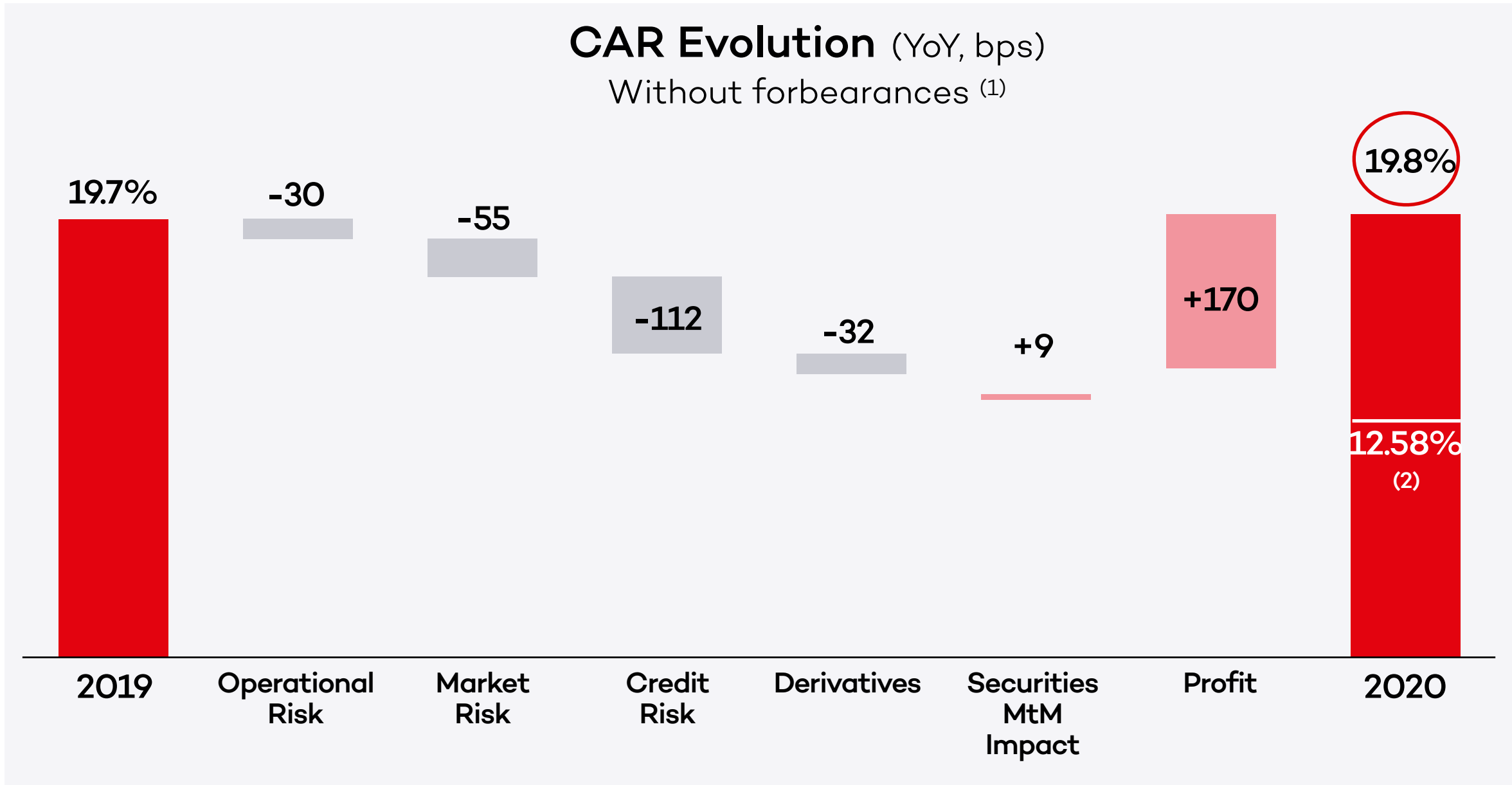
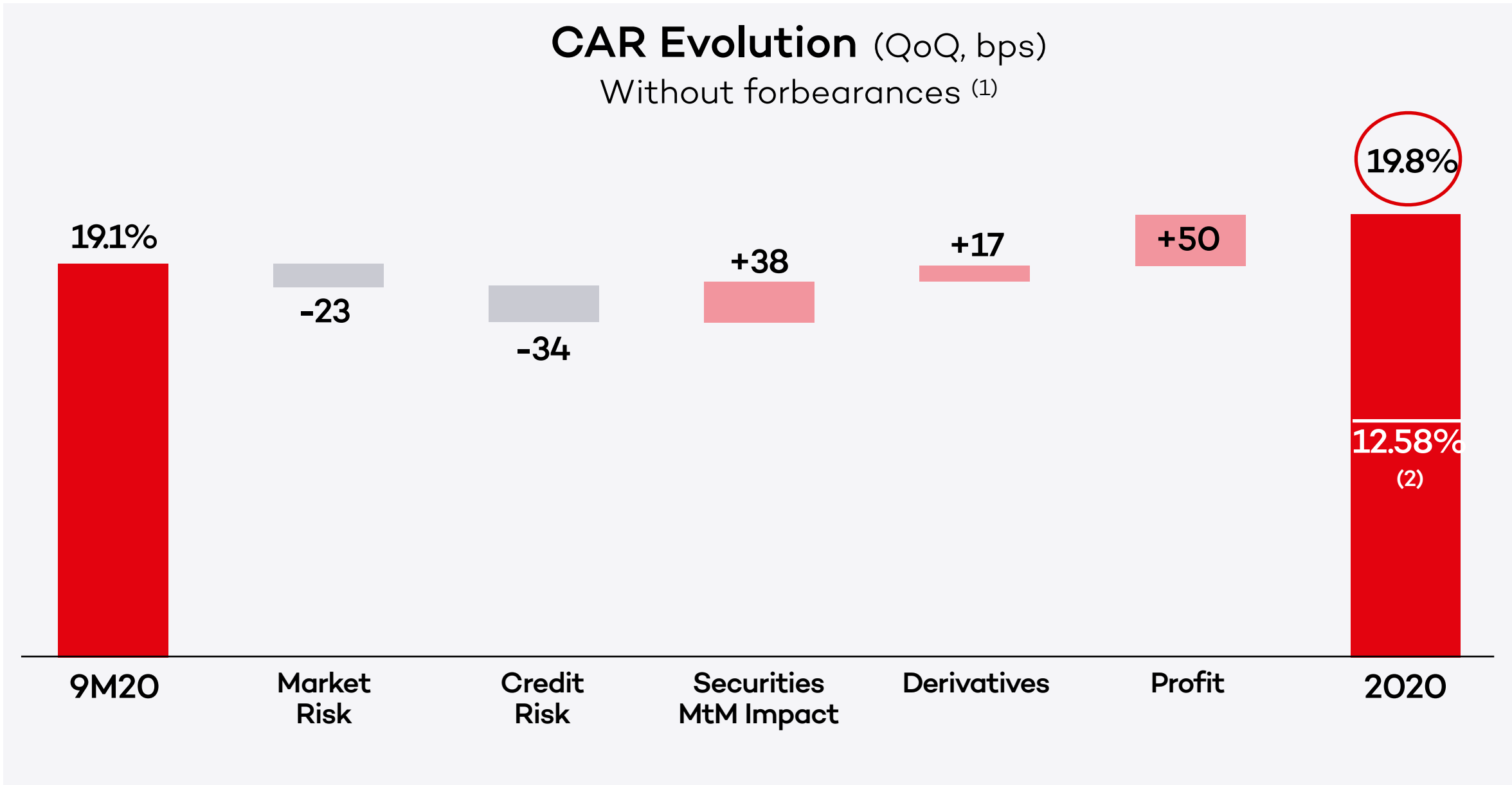


(%)	2019	2020
Stage 1 Coverage	0.3	0.6
Stage 2 Coverage	11.1	16.4
Stage 3 Coverage	56.2	62.4
Free Provisions	TL 650 mn	TL 1,150 mn



- ▶ No provision reversals
- ▶ FY net provision charges reached TL 5.5 bn
- ▶ FX provisions hedged
- ▶ Improved CoC in 4Q is a harbinger of gradual normalization for 2021

# Capital remains a source of strength



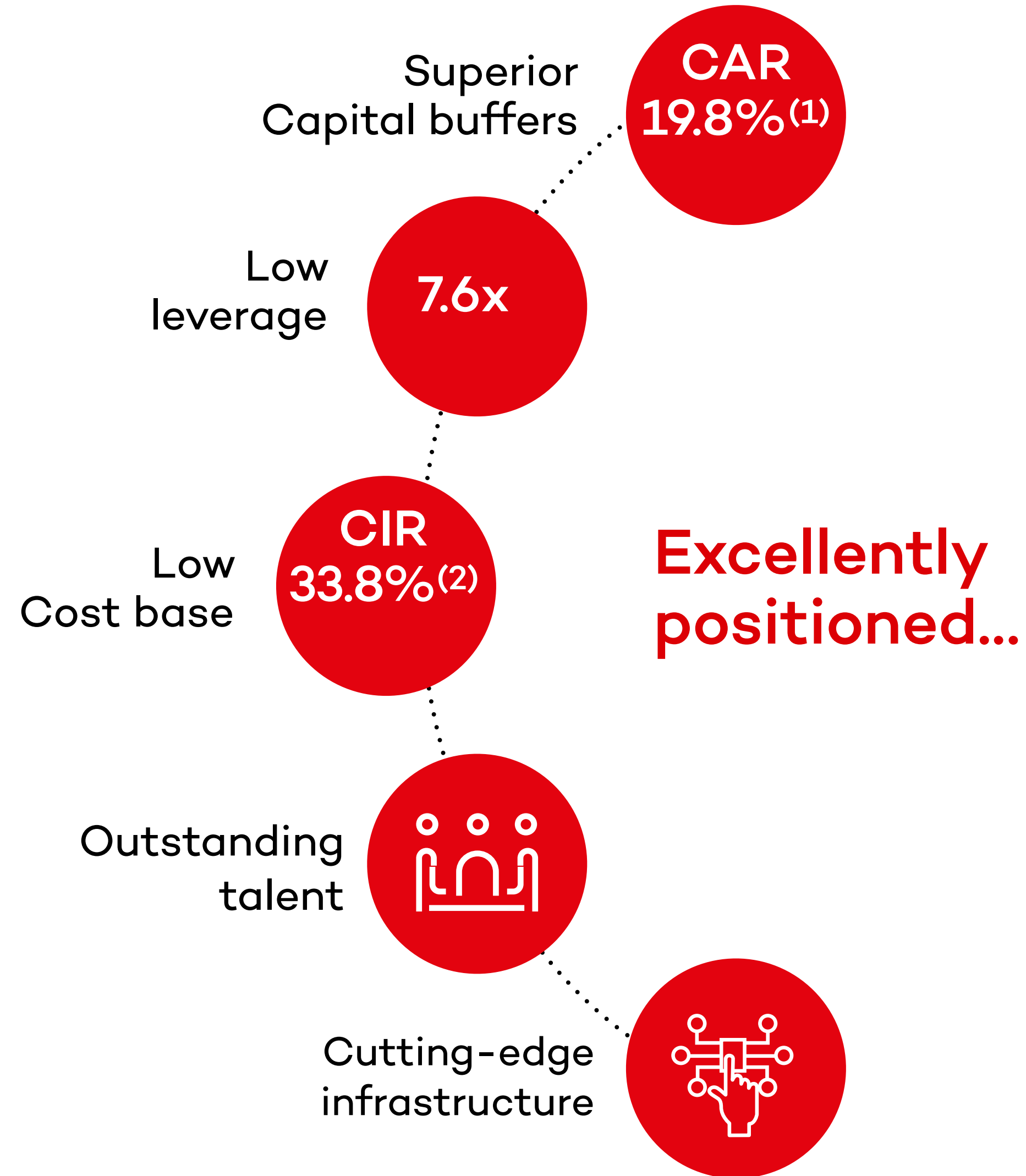
(%, TL bn)	CAR	Excess Capital <sup>(3)</sup>	Tier 1	Excess Tier 1 <sup>(3)</sup>	CET-1	Excess CET-1 <sup>(3)</sup>
Without forbearances <sup>(1)</sup>	19.8%	26.5	16.9%	23.3	16.9%	28.8
With forbearances <sup>(1)</sup>	20.7%	28.8	17.8%	25.5	17.8%	30.8

(1) Fixing MtM losses of securities & FX rate for RWA calculation to YE2019 for 9M20 & to 2020 average for FY20

(2) Min Basel III required: Including buffers (Capital Conservation Buffer: 2.50%, D-SIB Buffer: 2.00%, Countercyclical Capital Buffer: 0.08%)

(3) Basel III min. requirements: CAR: 12.58%, Tier-1: 10.58%, CET-1 9.08%

# Leveraging our strength while carrying out priorities



**... to improve profitability**

- ▶ Solid growth
- ▶ Customer acquisition
- ▶ CoC normalization

**... to continue building our future**


- ▶ People & Culture
- ▶ Digitization & AI
- ▶ Sustainability

<sup>(1)</sup> w/o forbearances, fixing MtM losses of securities & FX rate for RWA calculation to 2020 average

<sup>(2)</sup> Excludes FX gain from long FX position related with stage 1&2 provisions & LYY hedge as well as insurance penalty of TL 71 mn &



# 2020: Financial strength & operational resilience remains intact

	2020	2020E vs. Guidance	 2021G
TL Loan Growth	+27.8%	✓	~ 20%
FX Loan Growth (in USD)	-9.2%	✓	Flattish
Leverage	7.6x	✓	> 8x
ROE	10.9%	✓	Mid-teens
NIM (swap adj.)	4.1%	Slightly lower	20-30 bps contraction
Net fees&com. growth	-8.3%	✓	High-teens
Opex growth <sup>(1)</sup>	15.0%	✓	Mid-teens
Cost/ income <sup>(2)</sup>	33.8%	✓	≤34%
NPL	6.2%	✓	<6%
Net total CoC	227 bps	✓	<200 bps

2020 RoE  
11.7%  
when adj. for  
TL 500 mn  
free  
provisions

<sup>(1)</sup> Adjusted by insurance penalty of TL 71 mn & BRSA penalty of TL 117 mn

<sup>(2)</sup> 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

# Content

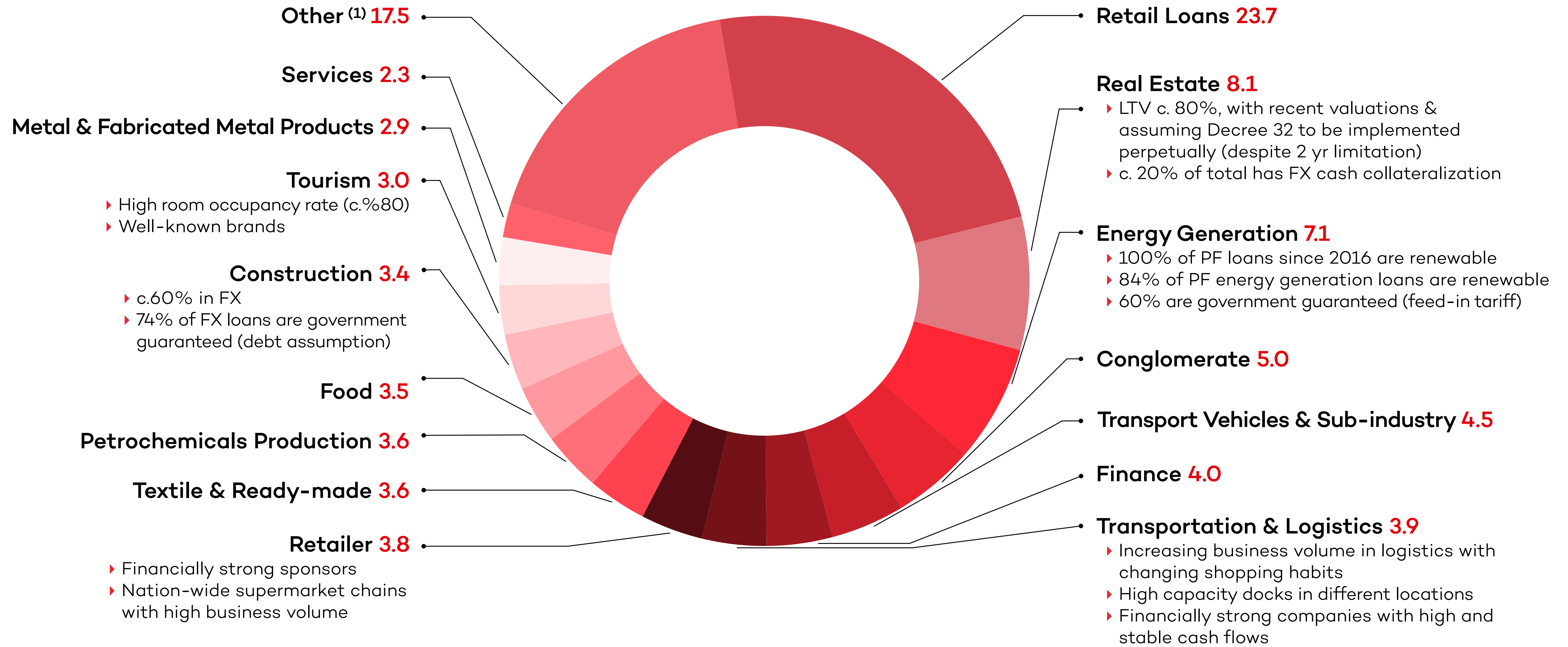
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# Gross Loan Sector Breakdown



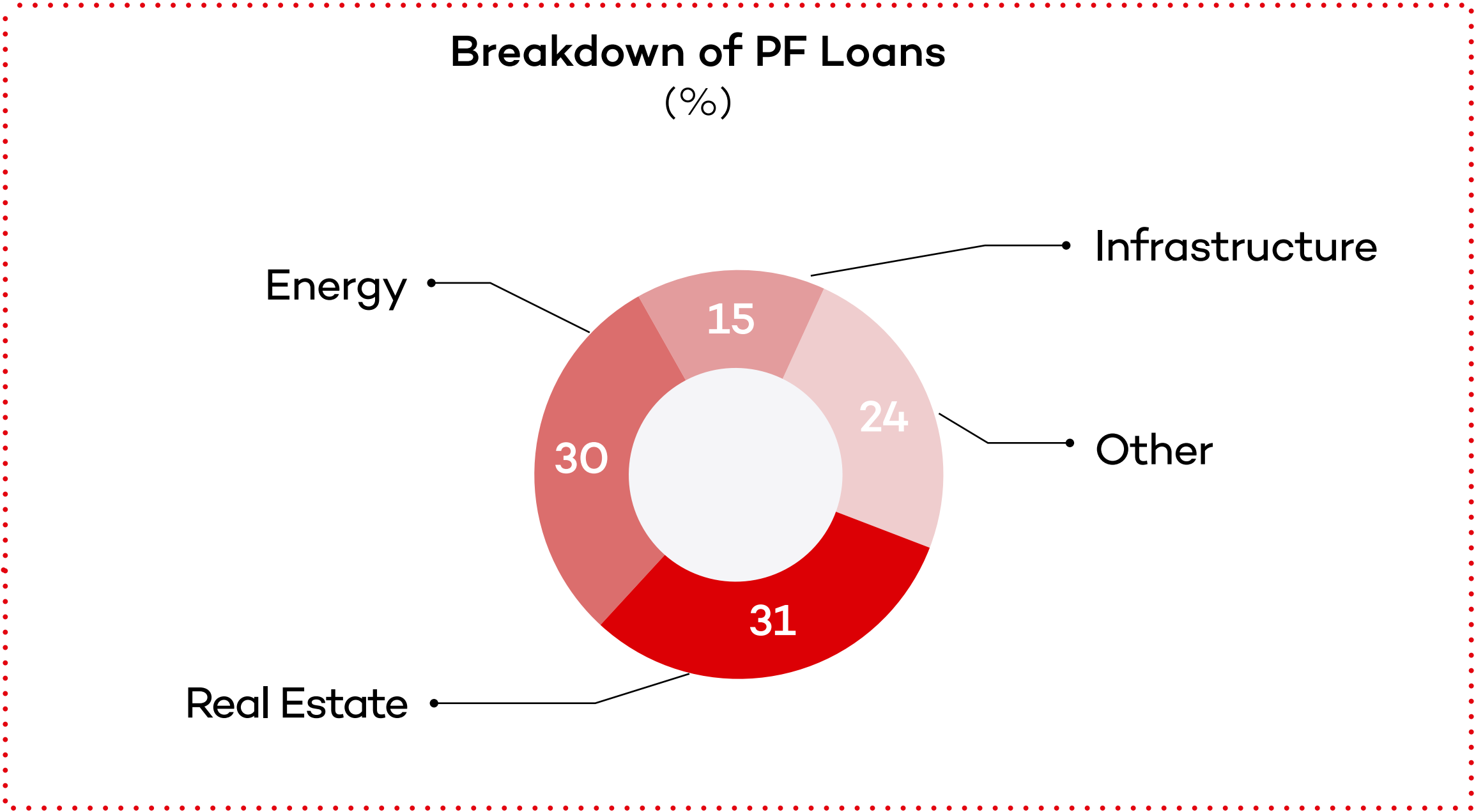
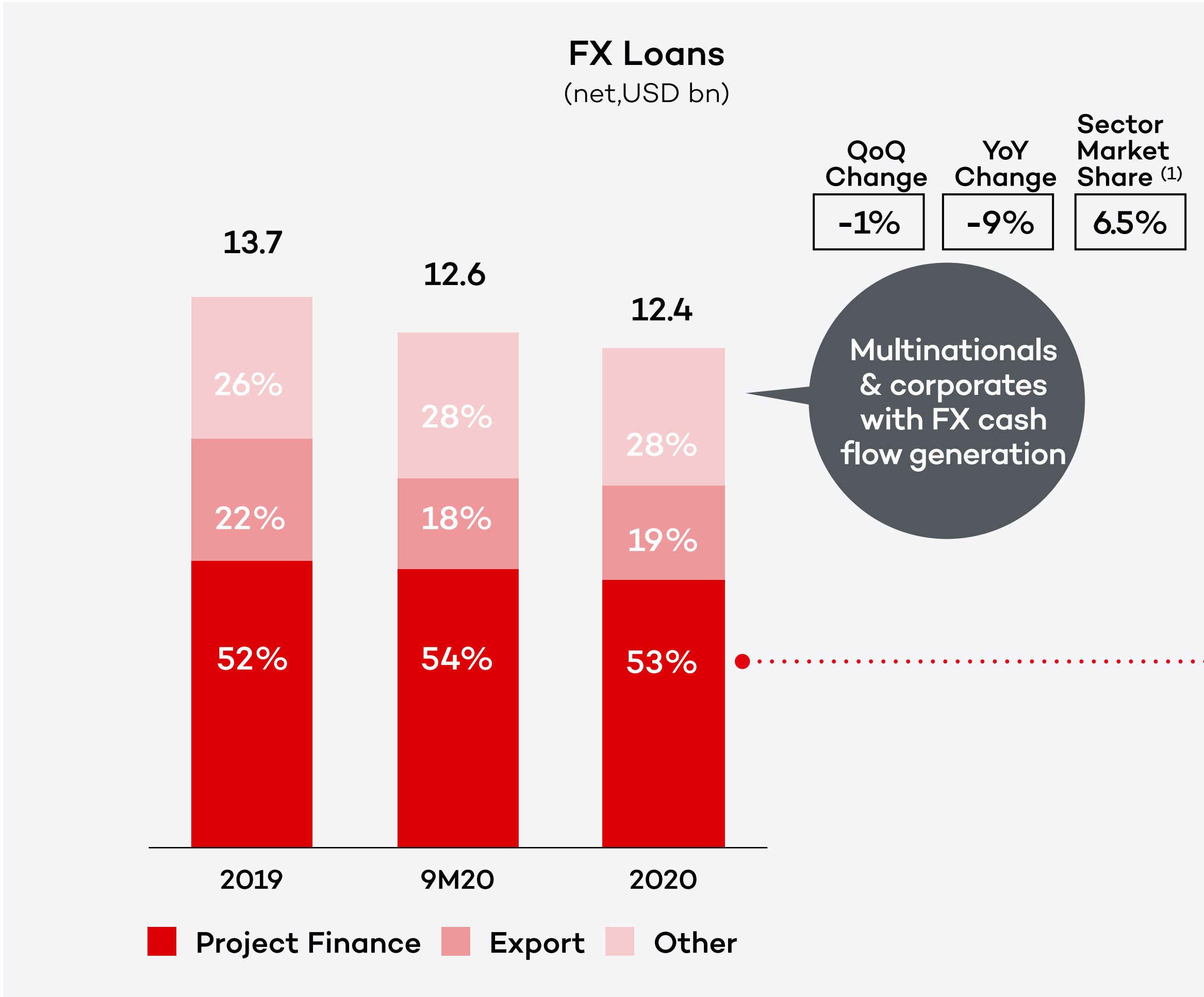
SME <sup>(2)</sup> loans' share in total gross loans at c. 6%

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

<sup>(1)</sup> Loan concentration below 2%

<sup>(2)</sup> According to MIS segmentation

# FX loan portfolio 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

<u>Stage 2 Loans</u>	<u>% of Total Stage 2</u>	<u>Coverage (%)</u>	<u>Coverage ▲ pp (YoY)</u>
Real Estate <sup>(1)</sup>	17.9	14	8
Retailer	1.7	10	2
Energy Generation	10.3	31	Flattish
Tourism	5.2	9	Flattish
Construction	1.9	20	(6)
Transportation & Logistics	0.7	12	4

<u>Stage 3 Loans</u>	<u>% of Total Stage 3</u>	<u>Coverage (%)</u>	<u>Coverage ▲ pp (YoY)</u>
Real Estate	21.2	59	7
Construction	10.1	75	19
Energy Generation	5.1	45	3
Retailer	12.4	48	(2)
Tourism <sup>(2)</sup>	2.6	46	10
Transportation & Logistics	0.6	73	13

<sup>(1)</sup> Real estate's share in Stage 2 is at 6.6% with 16% coverage, excluding one excessively collateralized real estate loan

<sup>(2)</sup> Adjusted for one excessively collateralized file

# Enhancing bottom-line impact through digital transformation

Digital banking in numbers <sup>(1)</sup> with 5.5 mio customers

01

## Interaction

- ▶ +29% monthly app login
- ▶ +22% # of mobile customers conducting financial transactions
- ▶ +10 pp mobile NPS <sup>(2)</sup>

02

## Financial Engagement

- ▶ +86% # of financial transactions through mobile:
  - +26% payments
  - +46% money transfers
  - +119% investment transactions
- ▶ +16 pp share of mobile in financial transactions
  - +14 pp share in payments
  - +5 pp share in money transfers
  - +10 pp share in investment transactions

03

## Performance

- ▶ 2x digital customer x-sell compared to non-digitals
- ▶ 65% credit cards sold through digital channels <sup>(3)</sup>
- ▶ 74% GPLs sold through digital channels <sup>(3)</sup>

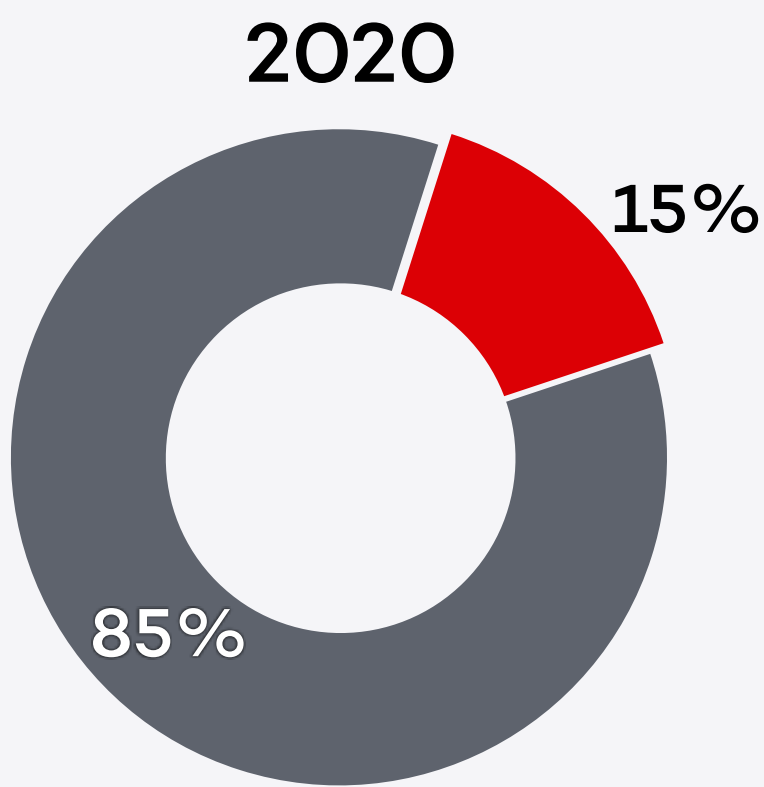
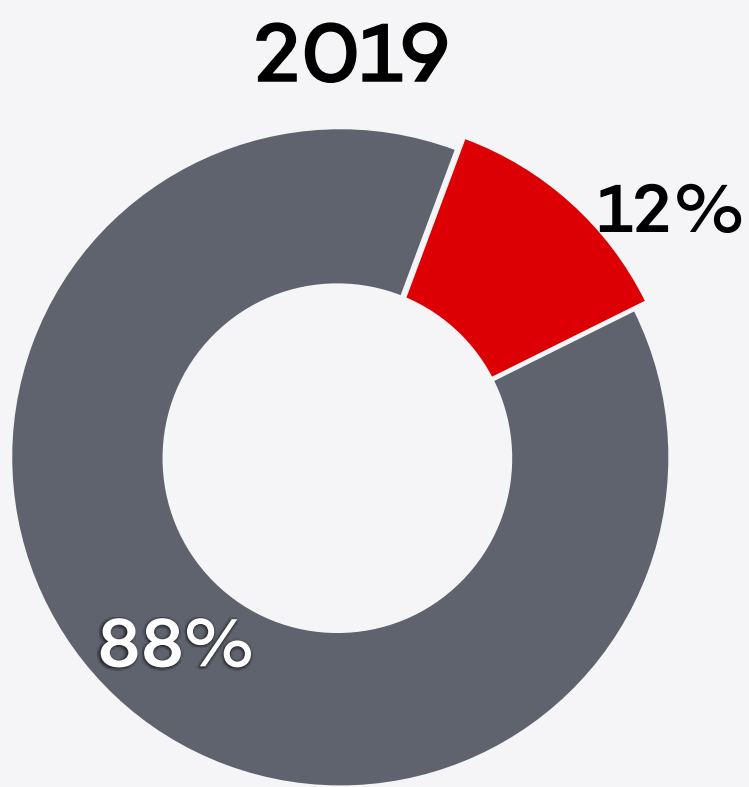
**Active mobile customers visiting Akbank Mobile almost everyday**

<sup>(1)</sup> Based on bank-only MIS data. Increase figures from Dec'19 to Dec'20

<sup>(2)</sup> Dec'19 to Dec'20 YoY

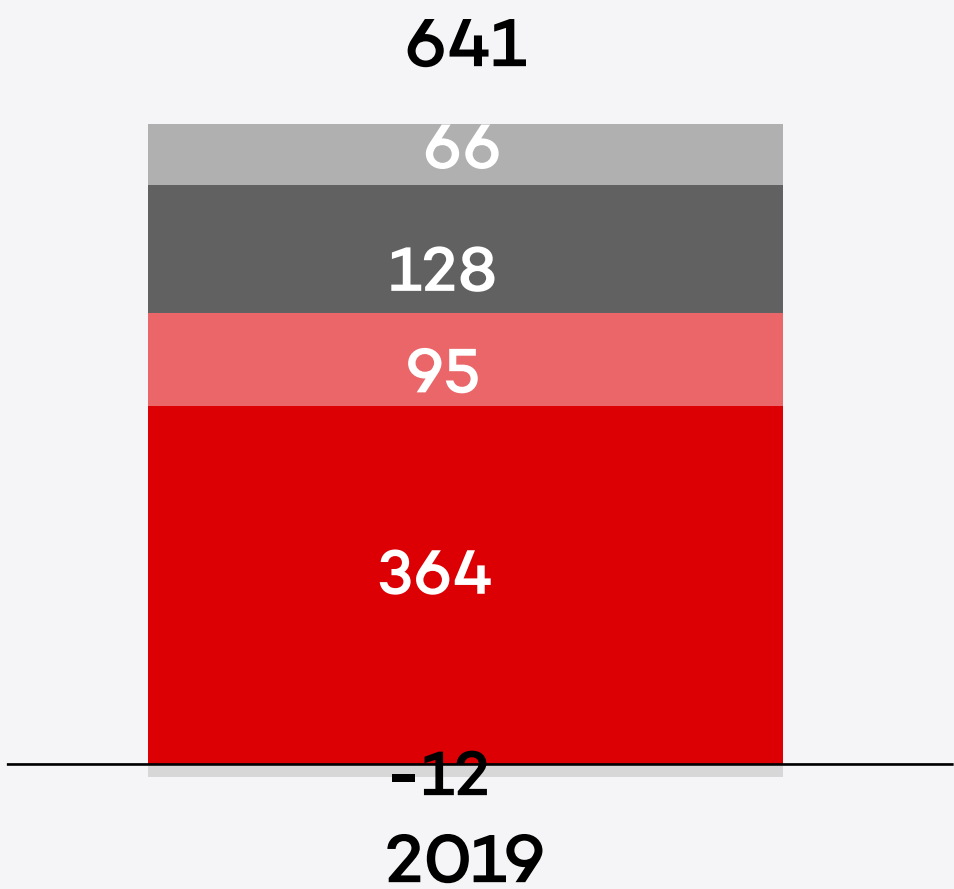
<sup>(3)</sup> Including non-branch channels, year-to-date sales

# Subsidiaries' contribution

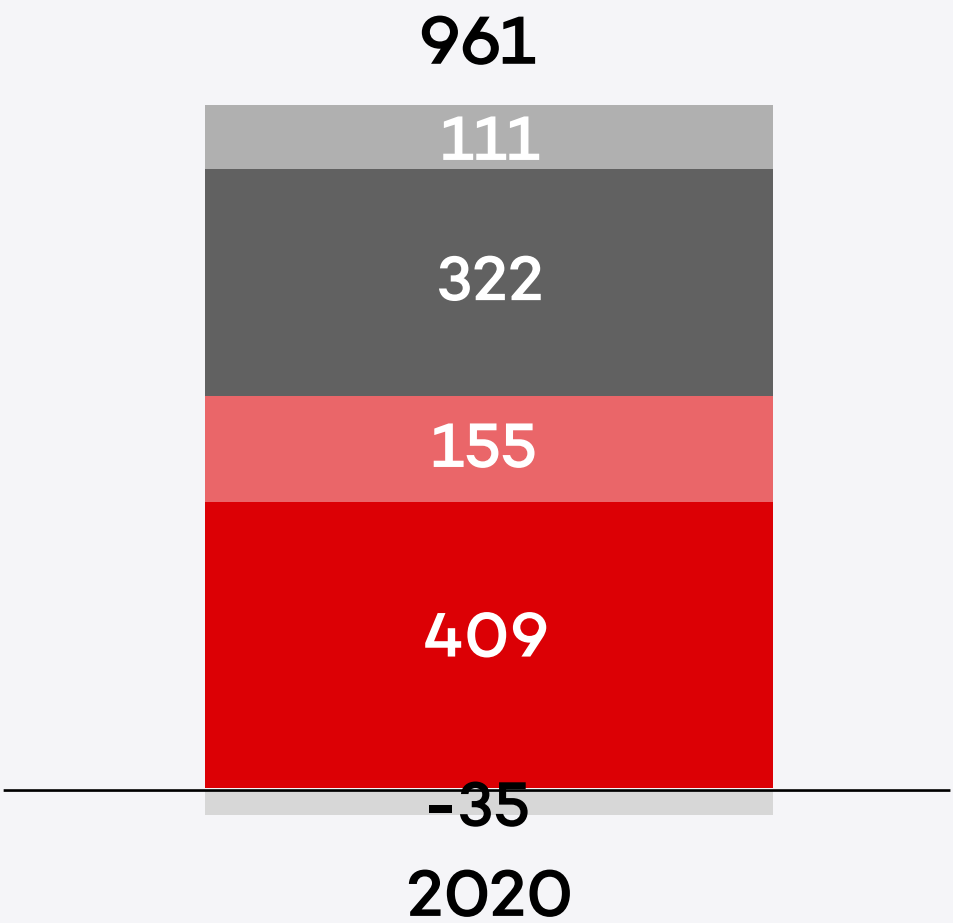


- Bank-only net income
- Subsidiaries' Contribution

Subsidiaries' Net Income (TL mn)



▲  
50%  
YoY



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



# Snapshot of Results

## Profitability (%)

ROE	
ROE, Quarterly	
ROA	
ROA, Quarterly	
Swap Adj. NIM	
Swap Adj. NIM, Quarterly	
CIR <sup>(1)</sup>	
CIR, Quarterly	

9M19	2019	9M20	2020
11.2	10.9	10.5	10.9
10.8	10.0	10.5	12.1
1.4	1.4	1.4	1.4
1.4	1.4	1.3	1.5
3.95	4.14	4.28	4.12
4.13	4.71	3.67	3.61
34.0	32.9	32.3	33.8
34.3	29.7	33.7	38.5

2020 RoE  
11.7%  
when adj. for  
TL 500 mn  
free  
provisions

## (%)

Total LDR <sup>(2)</sup>	
TL <sup>(3)</sup>	
FX	
Leverage (x)	

90	91	93	94
138	137	143	153
51	51	50	47
7.4	7.1	8.2	7.6

## Asset Quality (%)

NPL Ratio	
Stage 3 Coverage	
Stage 2/ Total Gross Loans	
Stage 2 Coverage	
Net CoC	
Net CoC, Quarterly	

6.0	6.6	5.8	6.2
58.1	56.2	62.9	62.4
13.5	13.3	11.6	9.4
11.9	11.1	16.8	16.4
2.25	2.81	2.71	2.27
2.54	4.57	2.94	1.06

## Solvency <sup>(4)</sup> (%)

CAR	
CET-1	
Tier-1	

19.5	19.7	19.1	19.8
16.7	16.9	16.1	16.9
16.7	16.9	16.1	16.9

<sup>(1)</sup> 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

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

<sup>(3)</sup> TL LDR includes domestic TL bond issuances and merchant payables

<sup>(4)</sup> w/o forbearances: Fixing MtM losses of securities & FX rate for RWA calculation to YE2019 for 9M20 & to 2020 average for FY20

# Balance Sheet Highlights

	2019	9M20	2020	QoQ (%)	YoY (%)
<b>Consolidated (TL mn)</b>					
Cash and due from Banks	47,901	70,314	60,576	(14)	26
Securities	83,635	100,483	101,926	1	22
TL	48,213	62,566	59,540	(5)	23
FX (USD)	5,983	4,891	5,713	17	(5)
Loans (net)	214,471	258,717	262,658	2	22
TL	133,307	161,085	170,310	6	28
FX (USD)	13,710	12,594	12,447	(1)	(9)
Other	41,165	56,473	53,157	(6)	29
<b>Total Assets</b>	<b>387,172</b>	<b>485,986</b>	<b>478,317</b>	<b>(2)</b>	<b>24</b>
Deposits	244,712	294,332	292,519	(1)	20
TL	95,854	106,601	108,362	2	13
FX (USD)	25,145	24,217	24,821	2	(1)
Funds Borrowed and Bonds Issued	53,755	73,522	66,287	(10)	23
Repo	10,107	24,968	20,907	(16)	107
Other	24,236	34,189	35,679	4	47
Equity	54,362	58,975	62,924	7	16
<b>Total Liabilities and S/H Equity</b>	<b>387,172</b>	<b>485,986</b>	<b>478,317</b>	<b>(2)</b>	<b>24</b>



# Income Statement Highlights

Consolidated (TL mn)	3Q20	4Q20	QoQ(%)	2019	2020	YoY(%)
<b>Net Interest Income incl. swap cost</b>	<b>3,924</b>	<b>3,999</b>	<b>2</b>	<b>14,241</b>	<b>16,829</b>	<b>18</b>
NII	4,900	5,565	14	16,938	20,699	22
o/w CPI-linker income	784	1,602	104	2,174	3,774	74
Swap Cost	(976)	(1,566)	60	(2,697)	(3,870)	43
<b>Fees and Commissions (Net)</b>	<b>1,213</b>	<b>1,074</b>	<b>11</b>	<b>4,958</b>	<b>4,549</b>	<b>(8)</b>
<b>Net Trading Gain (Loss)</b>	<b>2,057</b>	<b>(7)</b>	<b>-</b>	<b>1,552</b>	<b>3,194</b>	<b>106</b>
LYY hedge gain/ (loss)	1,013	(429)	-	-	584	-
ECL hedge gain/ (loss)	470	(61)	-	49	724	-
Other	573	482	(16)	1,502	1,885	26
<b>Other Income</b>	<b>40</b>	<b>85</b>	<b>111</b>	<b>224</b>	<b>267</b>	<b>20</b>
<b>Operating Expense</b>	<b>(2,042)</b>	<b>(2,166)</b>	<b>6</b>	<b>(6,882)</b>	<b>(8,106)</b>	<b>18</b>
<b>Pre- Provision Income</b>	<b>5,192</b>	<b>2,984</b>	<b>(43)</b>	<b>14,092</b>	<b>16,734</b>	<b>19</b>
<b>Provision for Loan Losses, net of collections</b>	<b>(1,864)</b>	<b>(703)</b>	<b>(62)</b>	<b>(5,975)</b>	<b>(5,503)</b>	<b>(8)</b>
Stage 1+2 (net)	(1,021)	685	-	(416)	(1,622)	290
Stage 3	(628)	(1,840)	193	(6,148)	(4,290)	(30)
Stage 3 Recoveries	256	391	53	639	1,133	77
Currency Impact (fully hedged)	(470)	61	-	(49)	(724)	-
<b>Other Provisions</b>	<b>(1,283)</b>	<b>97</b>	<b>-</b>	<b>(1,190)</b>	<b>(2,947)</b>	<b>148</b>
LYY MtM gain/ (loss)	(1,057)	237	-	(939)	(2,104)	124
Free Provisions	(250)	-	-	(100)	(500)	400
Other	25	(140)	-	(151)	(343)	127
<b>Income Before Tax</b>	<b>2,046</b>	<b>2,377</b>	<b>16</b>	<b>6,927</b>	<b>8,284</b>	<b>20</b>
Tax	(523)	(526)	1	(1,574)	(2,025)	29
<b>Net Income</b>	<b>1,524</b>	<b>1,851</b>	<b>21</b>	<b>5,352</b>	<b>6,260</b>	<b>17</b>

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