
AKBANK
3Q21 Earnings Call
Management Discussion
26 October 2021
Participants:
Türker Tunalı, CFO
Ebru Güvenir, SVP, IR & Sustainability
İlknur Kocaer, VP, IR

Ebru Güvenir: Dear friends,

Welcome to our third *Quarter 2021 Financial results webcast and conference call.*

This is Ebru speaking, Head of IR and Sustainability of Akbank.

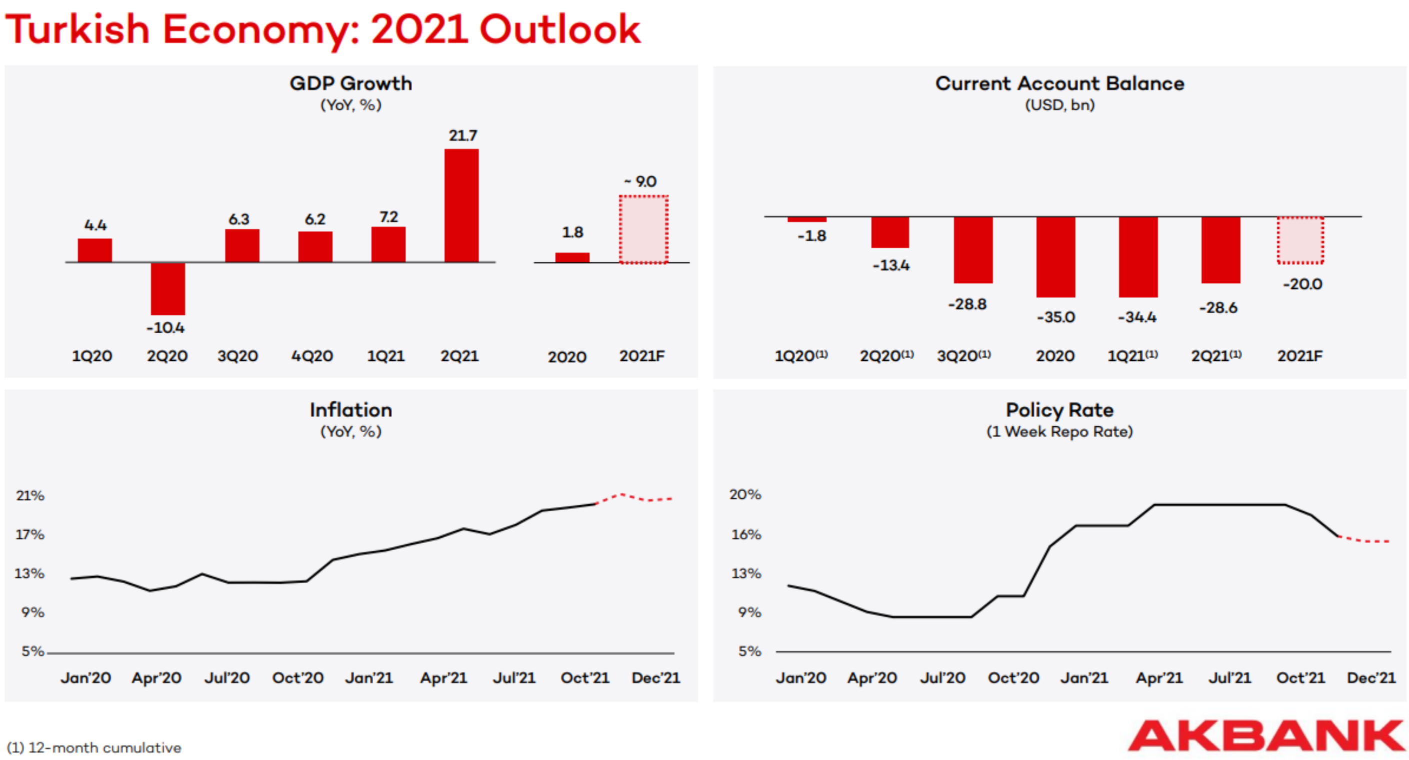
Thank you for joining us.

I hope that you are all in good health.

Today, I have with me as usual:

- Turker…our CFO and
- Ilknur…from our IR team

Before moving onto our Bank's nine months performance, I would like to share some insight of the macro environment we are operating in…



- Despite the negative impact of the ongoing pandemic, the economic activity in Turkey has been trending strong; we now expect FY growth to be around 9%.
- Looking at the demand components; domestic demand has slightly decelarated while external demand remains robust.

- Some macroprudential measures have been implemented to secure a balanced demand composition in economic activity as well as curb financial stability risks in current account balance.
- The ongoing supply demand imbalances as well as higher commodity prices and recent fx developments have increased risks on inflation…
- Looking forward, financial market conditions and currency developments will be essential for inflation outlook
- On a positive note, current account balance is in an improving trend.
- We expect full year current account deficit to decline towards USD 20 billion, below 3% of GDP.
- This will be achieved with potentially better trend in tourism revenues, robust export growth, and lower gold imports.
- We expect overall export growth to outperform import growth for this year.

Economic activity heat map

	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Jul'21	Aug'21	Sep'21
Growth (yoy, %)	4.4	-10.4	6.3	6.2	7.2	21.7			
Industrial Production (yoy, %)	5.7	-16.6	8.5	10.2	11.3	40.3	9.7	13.8	
Manufacturing PMI	50.6	42.7	54.7	52.0	52.9	50.3	54.0	54.1	52.5
Electricty Consumption (yoy, %)	3.3	-11.5	3.6	4.5	6.2	25.8	11.7	17.9	4.5
White Goods Sale (yoy, %)	11.2	-1.2	33.1	26.3	39.7	16.2	-31.0	-8.2	
Automotive Sales (yoy, %)	44.8	18.7	156.2	39.6	57.0	48.0	-47.7	0.9	
Home Sales (yoy, %)	33.0	13.8	49.2	-30.0	-22.9	2.1	-53.0	-17.0	
Real Sector Confidence Index (s.a.)	103.9	75.2	103.4	109.2	109.3	108.1	112.1	112.2	113.3
Capacity Utilization Rate (s.a.)	76.2	63.5	72.7	75.2	75.6	75.9	76.4	76.8	77.8
Consumer Confidence Index (s.a.)	80.7	81.2	81.2	80.7	84.8	79.7	79.5	78.2	79.7
Services Sector Confidence Index (s.a.)	113.5	63.1	93.8	100.8	102.6	104.7	114.8	116.1	117.8
Retail Sector Confidence Index (s.a.)	122.5	90.0	115.1	117.1	108.9	103.2	109.6	110.3	115.6
Construction Sector Confidence Index (s.a.)	87.4	70.0	96.9	90.7	82.3	79.8	86.3	92.4	91.8
Unemployment Rate (s.a.)	13.0	13.3	13.4	12.9	13.0	12.3	12.0	12.1	
Budget Balance (bn TRY)	-29.6	-79.9	-31.1	-32.2	22.8	-55.3	-45.8	40.8	-23.6
Current Account Balance (bn $)	-8.1	-11.9	-8.3	-6.7	-7.5	-6.1	-0.9	0.5	
Export (yoy, %)	-4.2	-26.1	-2.5	6.6	17.0	69.7	9.9	51.8	30.0
Import (yoy, %)	10.3	-16.3	10.8	12.0	9.6	50.4	16.8	23.6	12.2
Foreign Tourist Arrivals (yoy, %)	-22.1	-97.9	-73.0	-59.4	-53.9	1,304	367	119	

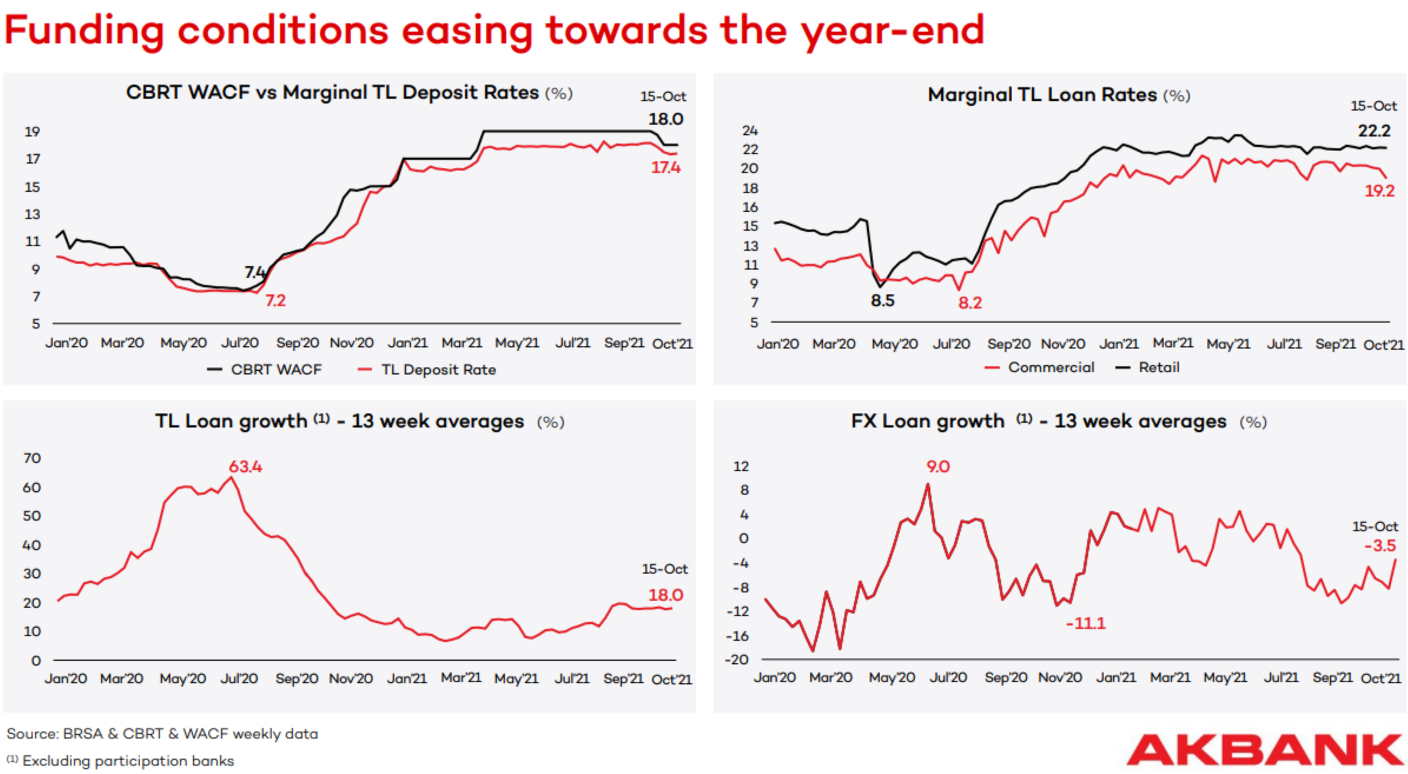
Best · Average · Worst

Sources: CBRT, Treasury, TURKSTAT, Akbank

- On this slide we have provided the heat map of many economic indicators.
- To mention a few:
  - There has been strong industrial and services sector activity in the 2nd half of this year

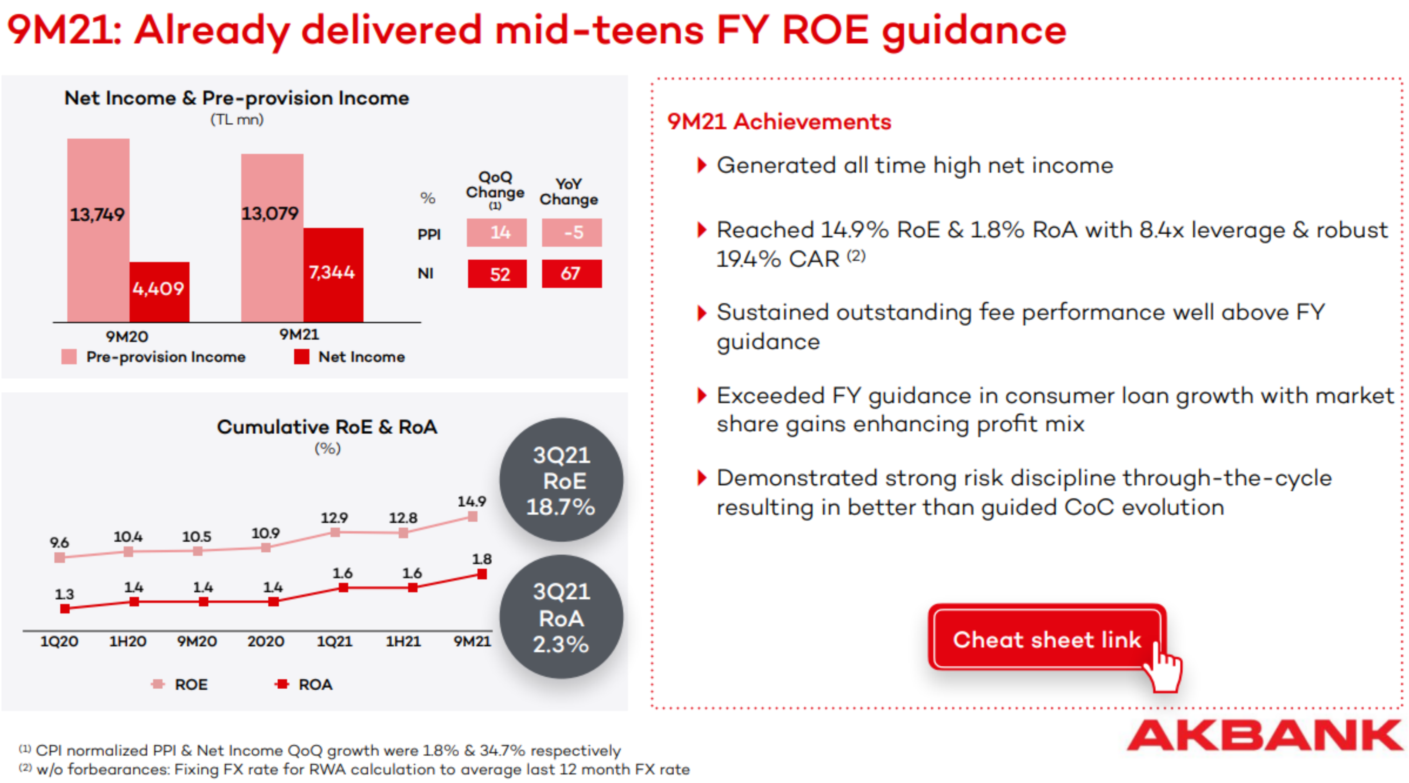
- PMI manufacturing index, real sector confidence, capacity utilization as well as most sectoral confidence indices have also improved

- As a result of the positive trend in activity, employment conditions have started to somewhat improve as well.

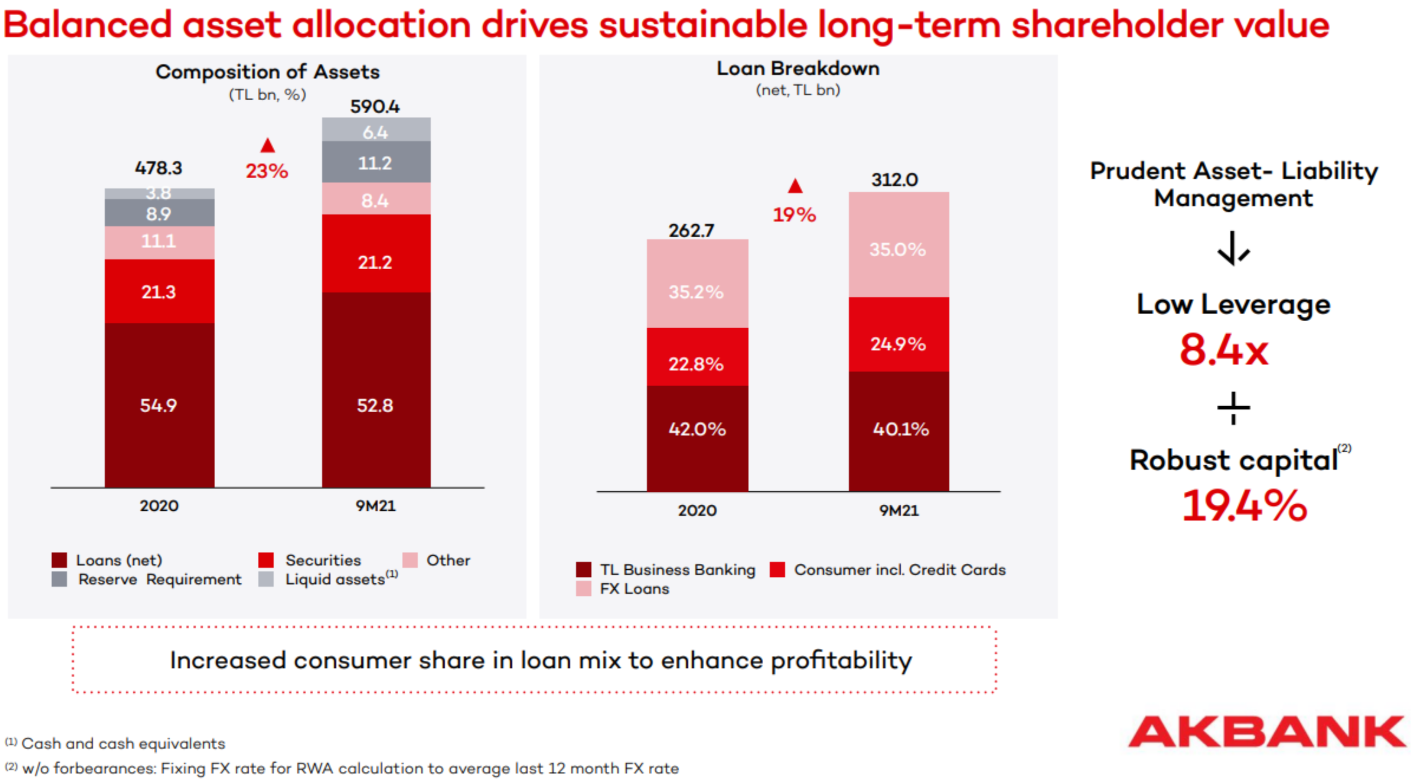


- Funding rates have started to ease with the 300bps rate cut over the last 2 months.
- TL deposit and loan rates have slightly declined as a result.
- YtD TL business banking loan growth has been moderate, but may increase with lower rates, while consumer loan growth has been relatively stronger.
- As for the FX loans, demand remains to be weak.
- So far, funding cost and inflation have both evolved above our initial guidance.
- Though there is some improvement in macro indicators, due to the high volatility in TL, operating environment still remains challenging.

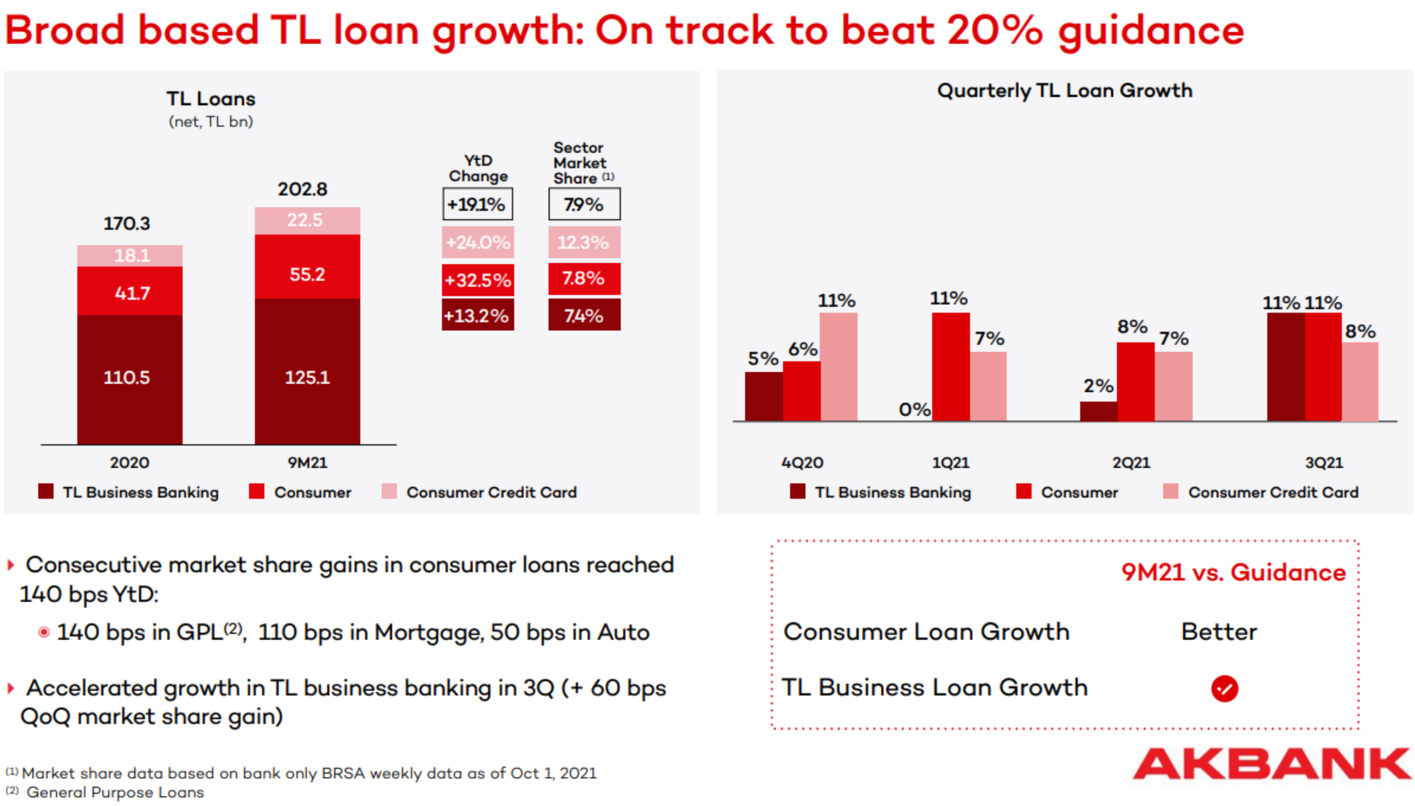
In light of all these, let's move onto our bank's performance.



- First, I'd like to touch upon a few of the achievements.
- Our nine months reported net income was up by a stellar 67% yoy, to TL 7,344mn, a record high.
- There were a number of contributors to this all time high net income.
  - First, TL loan growth has been robust. We had consecutive market share gains over the last year in relatively higher margin consumer segment,
  - Second, our strategic positioning in the CPI-linker portfolio worked as hedge in the higher than expected inflation backdrop,
  - Third, our stronger than guided across the board fee performance, underlines the success of our growth strategy and diversified business model…
  - And finally yet importantly, our net CoC evolution has fared much better than guided thanks to our strong risk discipline through the cycle.
- As a result, we reached 14.9% ROE, 1.8% ROA and 8.4x leverage. While our quarterly ROE & ROA were at 18.7% & 2.3% respectively.
- Please note that on this slide we have shared a link to our cheat sheet, which provides the data used for our presentation.
- Let's move onto the drivers in more detail:

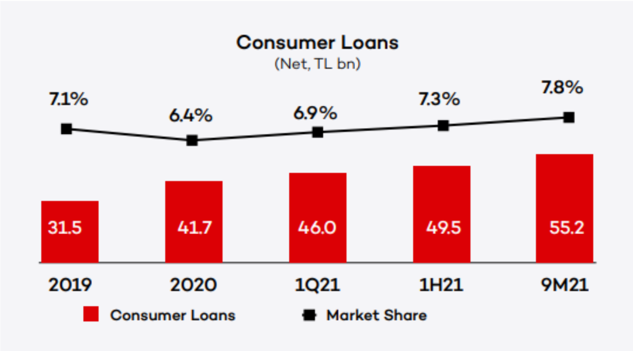


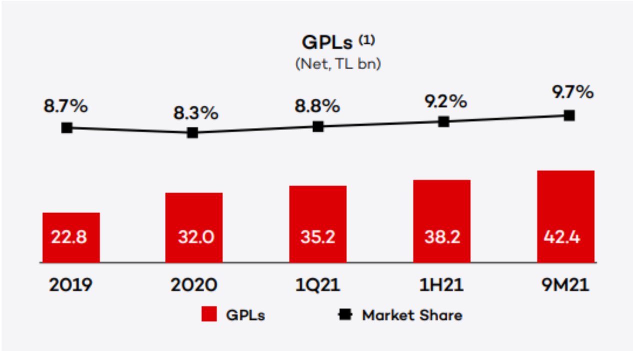
- First with the balance sheet.
- Our total assets were up 23% ytd, to almost TL 590bn.
- Net loans, which are 53% of our assets, were up by 19% in the same period to TL 312 bn, led by TL loan growth.
- As mentioned in the previous slide, we continued to grow and gain market share in the consumer segment.
- This segment now accounts for 25% of total assets, up 3 percentage points ytd.
- FX loans were 35% of our total net loans, flat Ytd, despite TL weakness, due to solid TL loan growth.
- Our securities stood at 21% of our assets with strategic positioning which I will discuss further in a few minutes.
- Our balanced & prudent asset allocation, leverage of 8.4x and and robust capital adequacy ratio 19.4% will continue to drive sustainable long-term shareholder value.



- On this slide you may find further details to our 19% Ytd TL loan growth.
- The highest YtD percentage growth was in consumer loans at 33% and we gained 140 bps market share, reaching 7.8%.
- By the way, YtD market share gains in the consumer segment were across the board:
    - 140 bps specifically in GPLs, 110 bps in mortgages and 50bps in autos
- As for TL business banking, following the heavy redemptions of the 1H, we accelerated our growth in 3Q, and also gained QoQ 60bps market share (YtD 30bps).
- We reached 13% YtD growth in business banking, on track with our FY mid-teens guidance.
- Also, on the right side of this slide, you can see the breakdown of the Qly TL loan growth.

Consumer loan growth supported by digital capabilities & AI





- Leveraging digital adoption with almost 100% automated loan decision process
- ML based decision models built on big data and ML scorecards to improve robustness of credit decisions
- 82% GPLs & 57% credit cards sold through digital channels [2]
- 69% of GPL originations were pre-approved, separately 33% were to salary customers
- Pre-approved originations [3] increased by almost 30% based on number of customers since 2019 YE

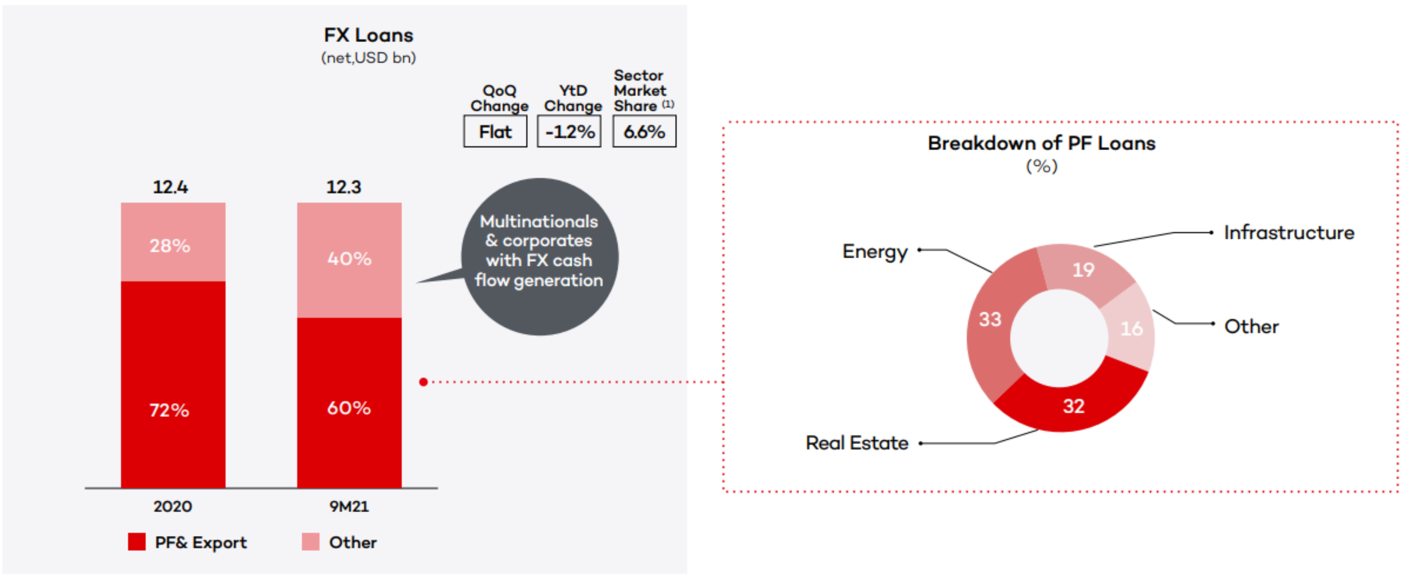
10 [1] General Purpose Loan
[2] Last 12 months
[3] MIS data, based on monthly averages

AKBANK

- As you know, digital transformation has been one of the top strategic priorities at Akbank.
- 82% of our general purpose consumer loans & 57% of our credit cards are sold through digital channels.
- High ratios of mobile use by customers had to be met with corresponding high level of decision automation on our end.
- With the help of automated decisions in consumer lending, which are close to 100%, we are able to respond to the customers' rising needs within seconds.
- The loan decision automations are made exclusively by Akbank's decision system, without any human intervention.
- Generally, the level of automation is a strong indication of the excellence in consumer credit decision systems.
- Automation levels above 90-95% requires robust scorecards, reliable data structure and real-time analytical insight on customer behavior.
- This level of decision automation provides us with;
    - a method for testing new credit rules and policies with historical big data
    - ability to measure risk taken, and to carry-out what-if scenarios in order to come up with a new advanced rule set….which aims to maximize profit while managing risk.

- To put things into perspective, in this slide we have shared our market share and balances for consumer loans and its main component GPLs since end of 2019, which is when our digital transformation in risk management picked up pace.
- Also, you can clearly see here, due to our delevered book, we are coming from a very low base.
- To sum up, we are using digital capabilities not only to enhance customer experience but equally to manage risk.
- And, our efforts have paid off with decent market share gains, which will be supportive for NII evolution going forward.

FX loan growth continued to be muted, inline with guidance

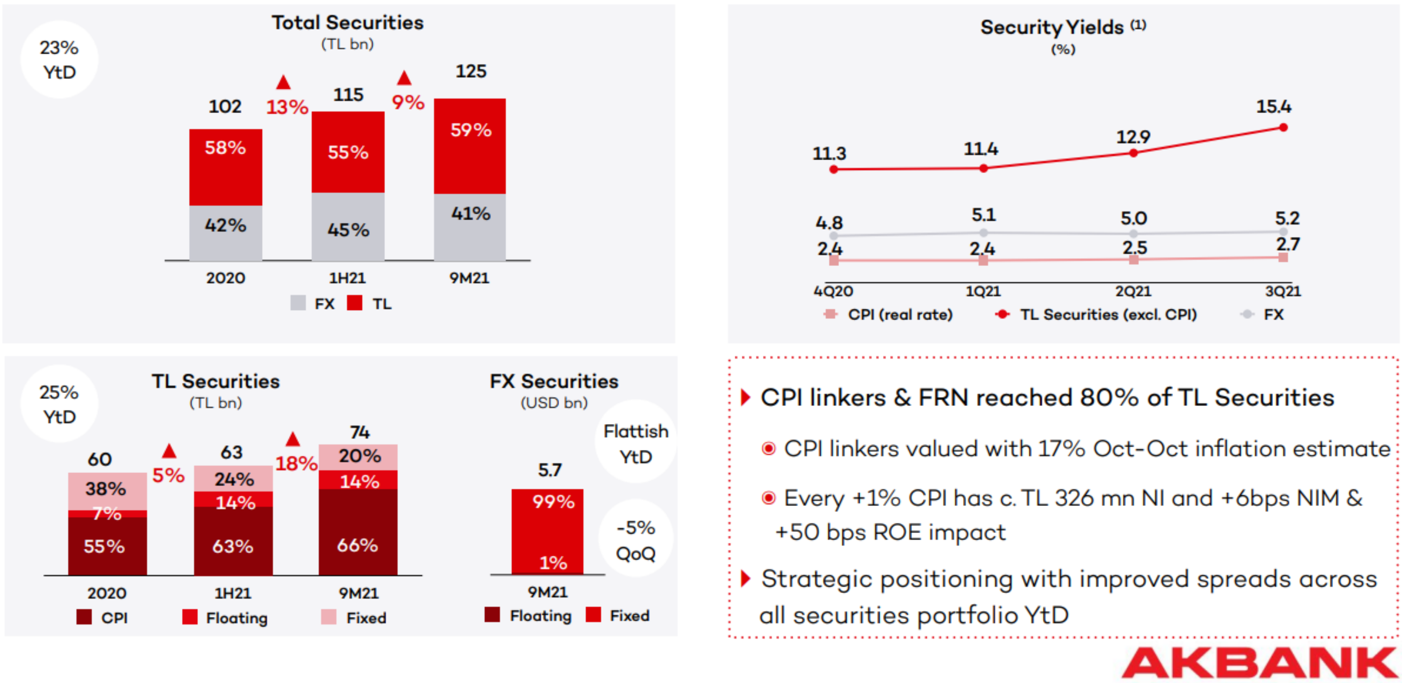


(1) Market share data based on bank only BRSA weekly data as of Oct 1, 2021

AKBANK

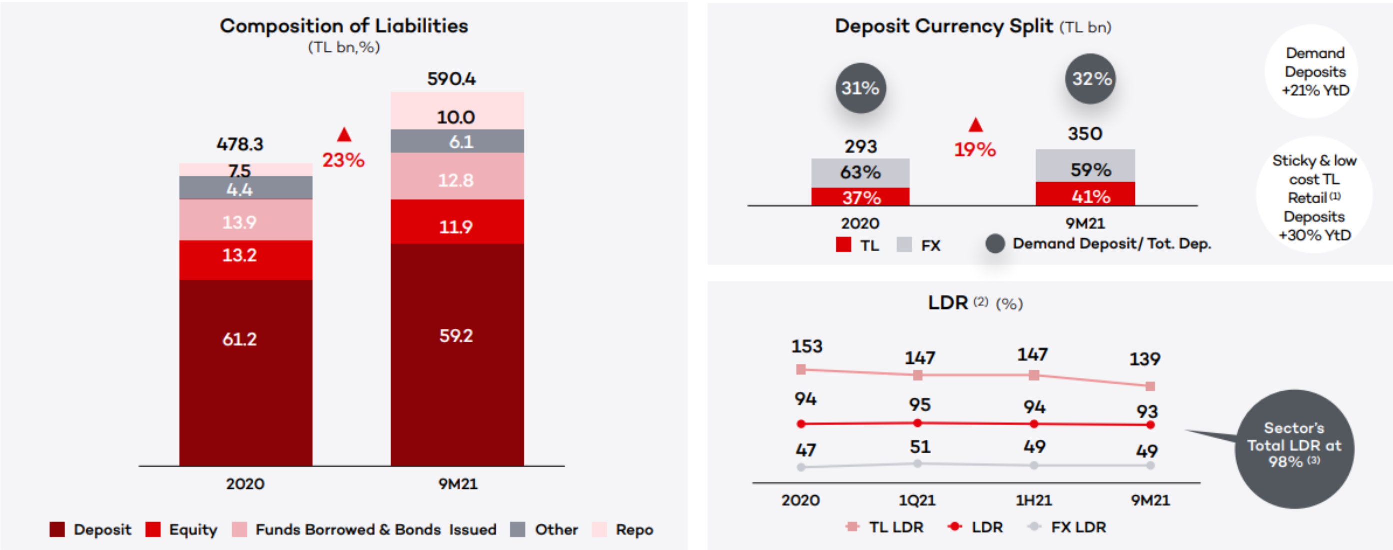
- Our net FX loans remained almost unchanged at USD 12.3bn vs end of last year and also vs last quarter…totally in line with our FY guidance.
- We still observe muted demand for investment loans… also given volatile currency enviroment, we do not expect imminent change to this trend.

Further growth in CPI-linker portfolio with better spreads



- Our total securities book is up 23% ytd at TL 125bn.
- On the TL side, share of CPI-linkers & floating rate reached 80%, underlining our proactive and strategic securities strategy.
- Ytd increase in TL securities mostly took place in CPI linkers, which are now 66% of the total.
- We further added almost TL 10bn to our CPI linkers portfolio in 3Q at real yields above 3%.
- We updated our Oct to Oct CPI valuation for 9m to 17% from 14% at 1H...
- We expect a further positive impact from CPI linker portfolio in 4th Quarter, since FY CPI is expected to be above 19%.
- In terms of sensitivity, every 1% CPI has around TL 326mn net income, 6bps NIM and 50bps ROE impact.
- Across all securities portfolio, we improved spreads visibly. Hence, considerable NIM contribution is expected in the upcoming quarters.
- Our FC securities balance stayed flat ytd (-5% qoq) …but spreads improved.
- With prevailing low FC funding costs, this portfolio should also continue to support our NIM.

Disciplined funding mix with improved TL LDR



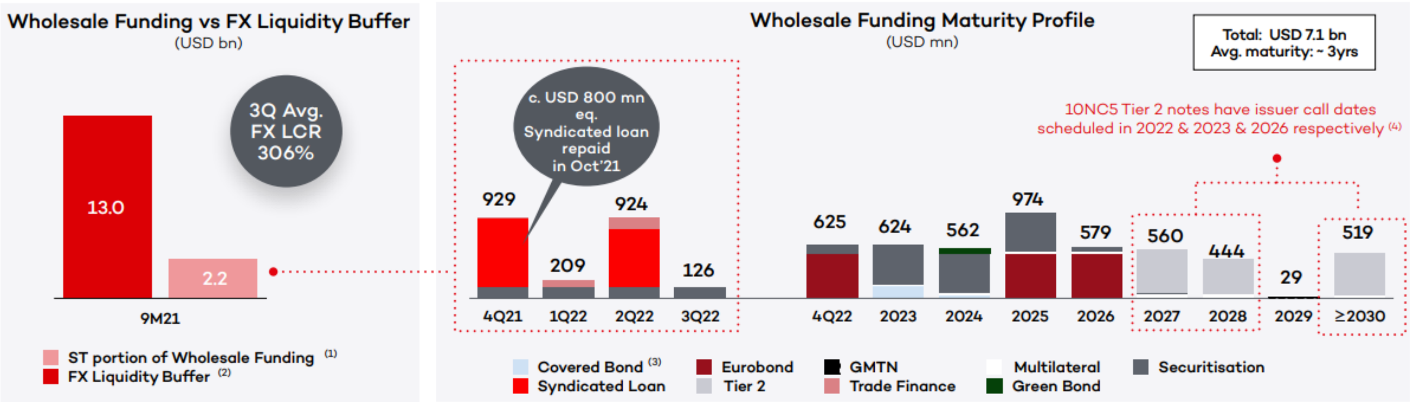
Sticky & low cost Retail [1] Deposits' Share in TL Deposit 71%

AKBANK

[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 Oct 1, 2021

- Our focus remains on well-diversified and disciplined funding mix, as deposits continue to be our main source of funding, with 59% share.
- Our total deposits were up 19% ytd to TL 350 bn.
- Demand deposits were also up by a solid 21% ytd, increasing its share to 32% in total.
- The increase in sticky & low cost deposits, such as retail (ie. consumer & SME) was also eye catching at 30% ytd, reaching 71% of total TL deposits.
- Another highlight of the quarter was the improvement in TL LDR by almost 10 pps qoq, to 139%….the YtD improvement was even more pronounced with 14pps.
- Our sound FX liquidity with an FX LDR of 49% remains as one of our strong muscles.
- As a result, our total LDR ended the quarter at low level of 93%, still below sector's 98.

ESG-linked funding prioritized throughout the year



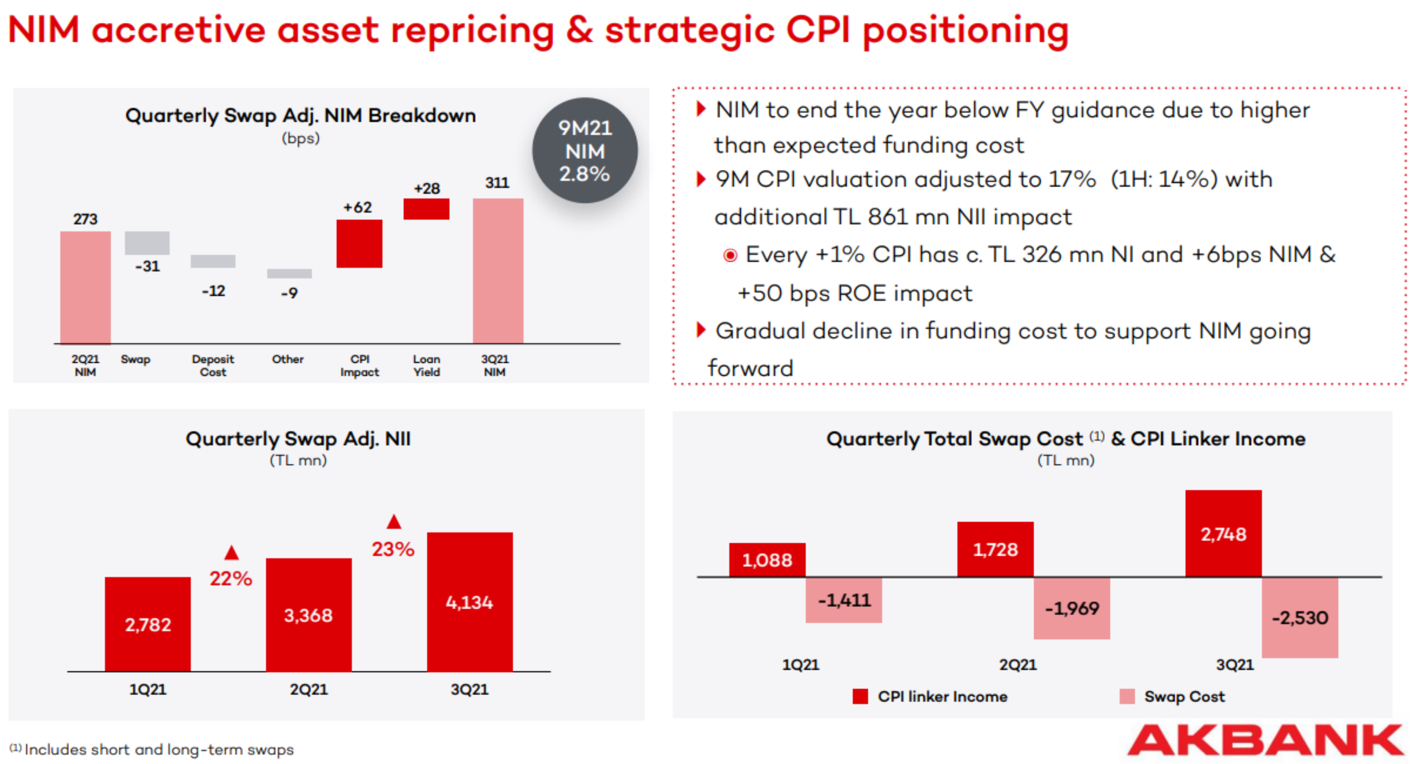
- In October, successfully rolled-over second ESG linked syndicated loan amounting to USD 700 mn
  - Performance criteria: Gender balance, non-lending to greenfield coal power plant projects & electricity sourcing of the Bank from renewable sources
  - Received USD 900 mn demand from 36 banks (7 new) from 20 countries
  - All in cost Libor + 215 bps & Euribor + 175 bps (35 bps & 50 bps lower compared to Oct'20 facility in USD & Euro tranche respectively)
  - Increased total sustainable funding share in wholesale transactions from c. 30% to over 40%

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

- We maintain a well-established and balanced wholesale funding profile along with robust FC liquidity.
- Our 3Q average FC LCR was solid at 306%.
- And our FC liquidity buffer was noteworthy at USD 13bn, versus our next 12 months rollovers at USD 2.2bn.
- Of this USD 2.2bn, we already repaid around USD 800mn equivalent in syndicated loan by successfully rolling over USD 700mn portion in October.
- Details regarding the syndication were announced last week.
- But still I'd like to share a few highlights:
  - First off all, demand was solid at USD 900mn from 36 banks across 20 countries
  - However, due to our solid FC liquidity as well as to maintain optimum cost of FC funding, we renewed USD 700mn.
  - Second, we were able to improve cost by 35 & 50bps for both USD & Euro tranches compared to lastest two transactions, respectively.
  - And lastly, it was ESG-linked, similar to our 1st ESG-linked syndication in April. The respective KPIs are in the slide.

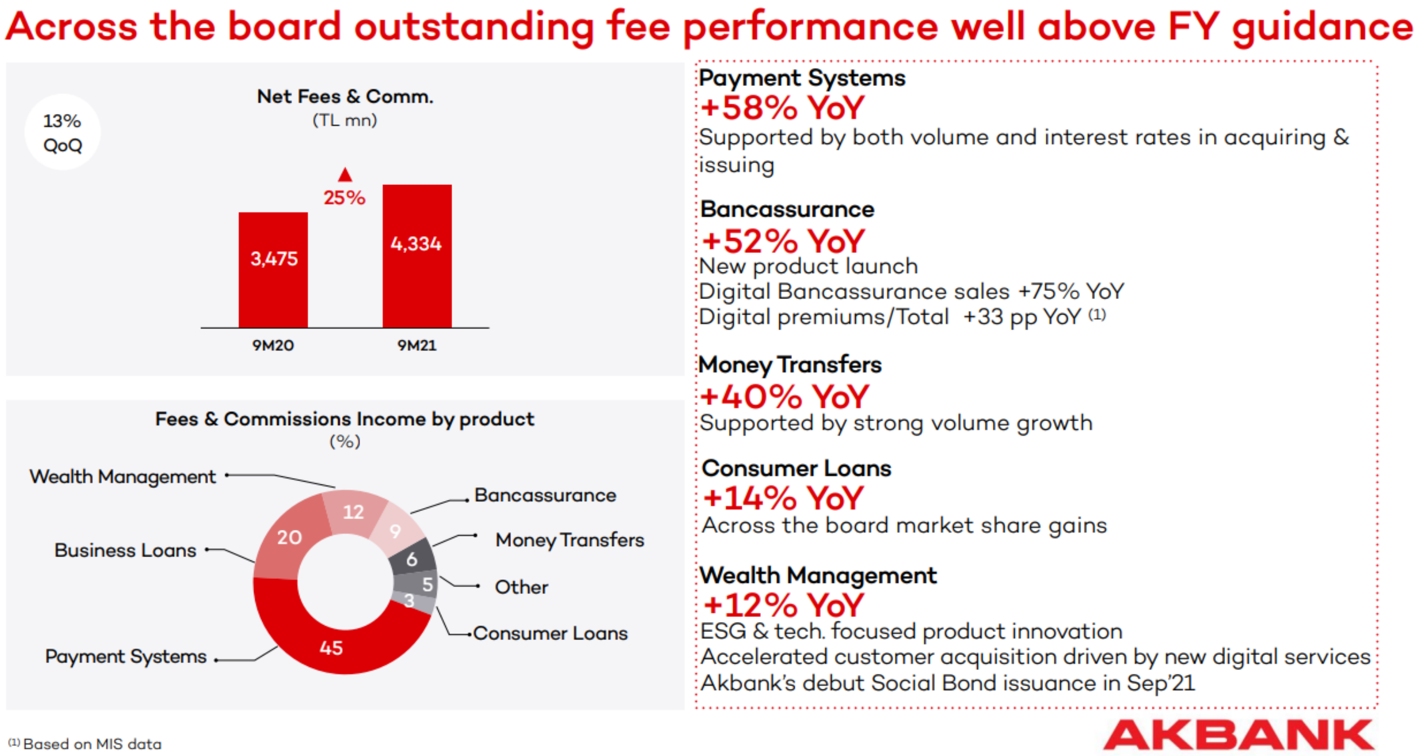
- To sum up, we have prioritized sustainable funding this year….taking its share in wholesale to over 40% vs our initially announced year-end target of 30%.
- Due to our ample FX liquidity and low FX loan demand, we will continue to be opportunistic in our borrowing strategies, prioritizing sustainable funding while extending overall maturity.

Let’s move on to the P&L in detail….



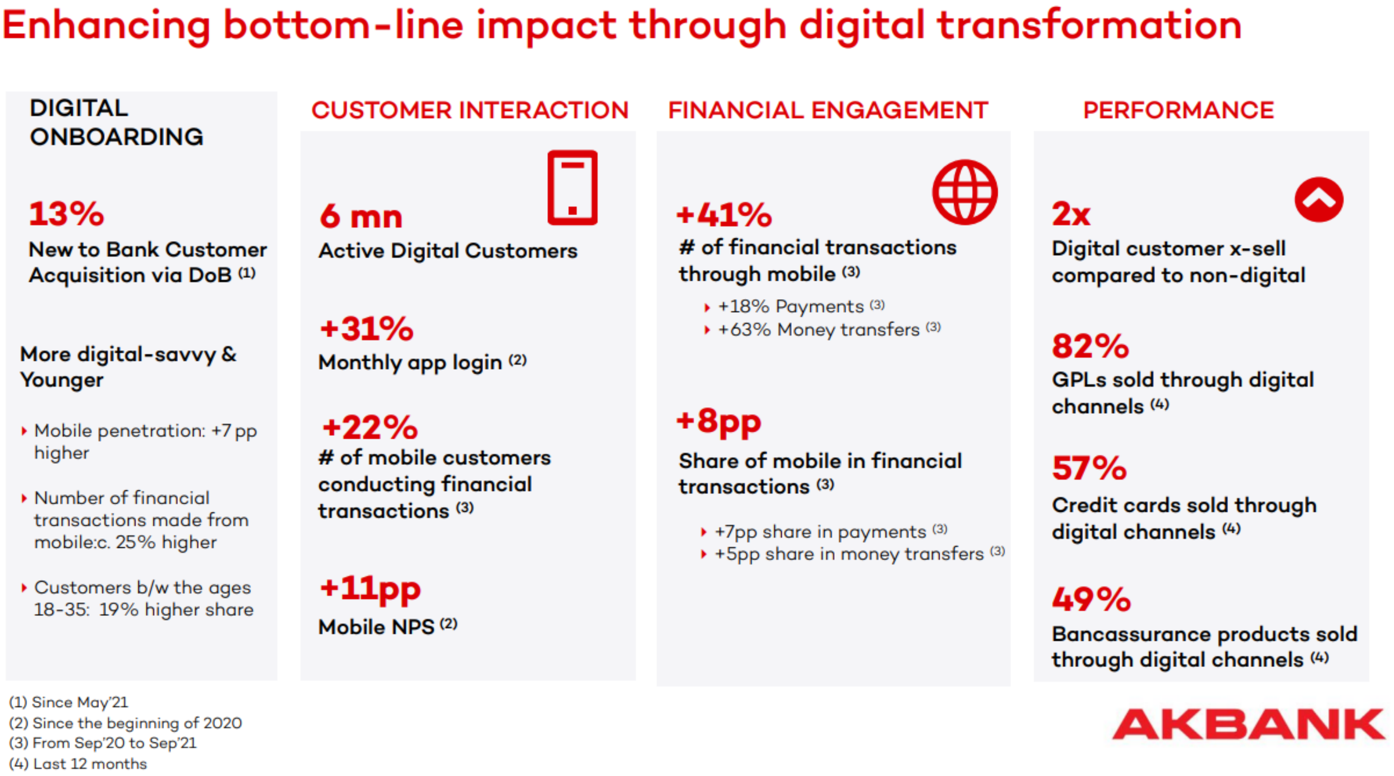
- Our Quarterly swap adjusted NIM was up 38bps QoQ to 3.11%.
- For the Qly performance, significantly higher swap cost was more than offset with higher CPI linker contribution.
- Asset repricing also supported Core NIM during the quarter.
- To put it in numbers:
  - Our average short-term and long-term swap utilization was around TL 59bn, up by around 9bn QoQ…led by higher short-term swap utilization.
  - Swap rates also increased QoQ…
  - So both higher utilisation and higher rates resulted in almost TL 2.5bn swap cost, leading to a 31bps QoQ negative impact on NIM.
  - Meanwhile, the revised Oct-Oct inflation valuation for CPI-linkers to 17%, led to 62bps QoQ positive contribution, offsetting the negative impact of the increased swap costs.

- That said, looking at the recent realisations, the upside risk for Oct-Oct inflation is still evident. and every 1% CPI will have around 6bps NIM impact.
- Gradual decline in funding cost will support NIM in the coming quarters.
- Having said this, our NIM will close the year below our initial guidance, at low 3% levels due to higher than expected funding costs through the year and worsening inflation outlook.
- Which is inline with our FY NIM indication shared during 2H results.



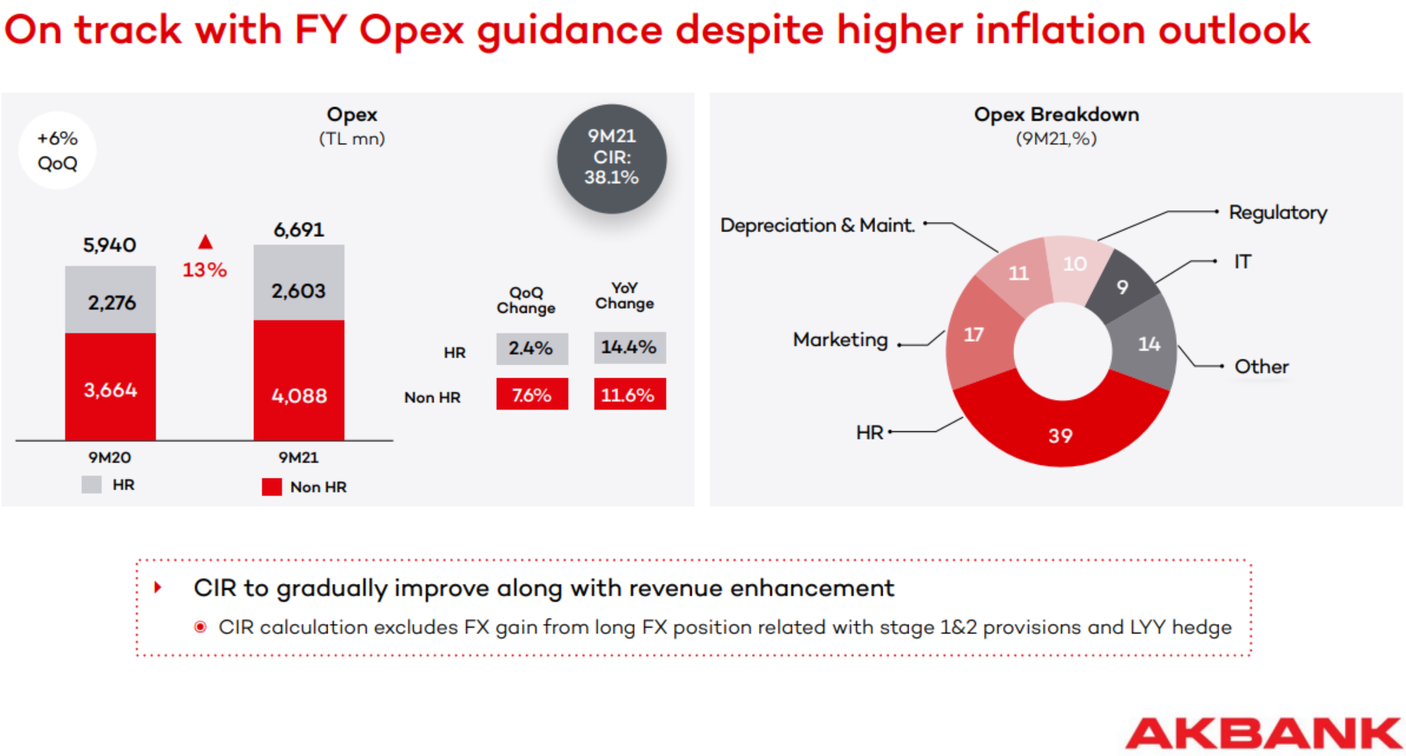
- Our fees & commissions were up a solid 25% yoy, at TL 4,334mn, well ahead of our FY guidance.
- As you can see on this slide, there are many businesses that positively contributed to the revenue base.
- The increase in payment systems performance was eye-catching, up 58% yoy, related with both volume and interest rates in acquiring and issuing.
- Bancassurance continued its strong performance, up 52% yoy, as a result of new product launches and increase of digital premiums.
    - There was significant contribution from digital bancassurance sales which were up 75% yoy, as more products are migrated to the digital platform.

- Money transfer fees were up 40%, driven by the strong volume growth.
- Also, our wealth management business continues to grow and support our revenue base with new ESG and tech focused funds as well as new digital features.
- To sum up, our 9M fee performance indicates a clear beat to our FY guidance of high-teens.



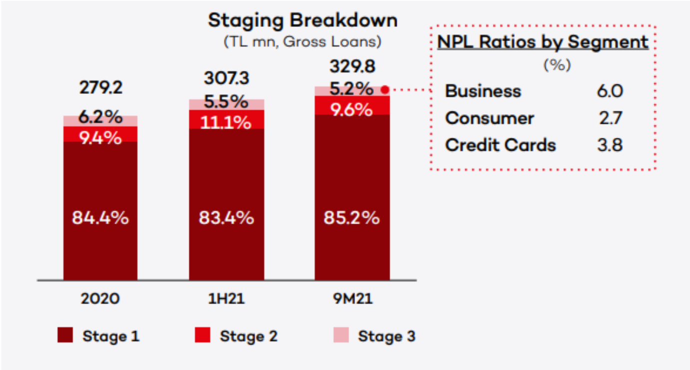
- We continue to leverage our digital capabilities with our 6mn active digital customers.
- Some of the key figures regarding interaction and financial engagement can be found on this slide.
- All of which reflect the drastic improvement in our digital channels.
- To name a few:
    - Monthly mobile app logins increased by 31% since the beginning of 2020, and more importantly our mobile net promoter score has improved by 11 percentage points during the same period.
    - Our active mobile customers not only visited Akbank Mobile almost everyday but also engaged in financial transactions which increased by 41% yoy.
- Value driven from each interaction and engagement also picked up remarkably.
- Though early days - digital onboarding's initial results are also promising.

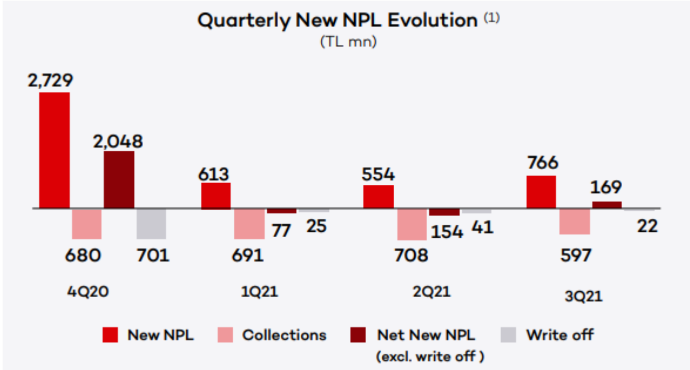
- Since it was enacted on May 1st, 13% of new to bank customers have been acquired via digital onboarding.
- So far, the trend has been actually improving… as in September only, acquisition of NTB customers via digital channels doubled (%109) from previous monthly average.
- This continues to be a potential major customer acquisition channel for the bank.
- Also worth to note that cross-sell of digital customers is twice of non-digital.



- Effective cost management is our strong muscle.
- We have a low cost base, which gives the bank a lot of flexibility.
- Still, we continuously look line by line for expense control.
- Our reported opex was up only 13% yoy, even with currency volatility.
- For the full year, despite elevated inflation outlook we are on track for the mid-teens opex growth.. mainly driven by our continued marketing efforts inline with our growth strategy.
- We expect our low cost base and solid revenue generation to be supportive of our best-in-class cost to income ratio.
- Our Cost-to –income calculation excludes FX gains from long FX positions related with our provisions and our LYY hedge on the income side.
- We will continue with our disciplined cost management approach, while investing in our future.

Proactive IFRS 9 implementation regardless of staging forbearance





- Stage 2 balance & share declined mostly due to reclassification of a TL commercial file following significant risk reduction
- Broad- based collection performance remains strong
- No NPL sale & immaterial write-off during the quarter

- BRSA staging forbearances ended effective Oct 1, 2021:
  - 30-90 days files: only TL 0.8 bn in Stage 1
  - 90-180 days files: TL 1.6 bn (If all were booked as NPL, NPL ratio impact would be +45 bps)

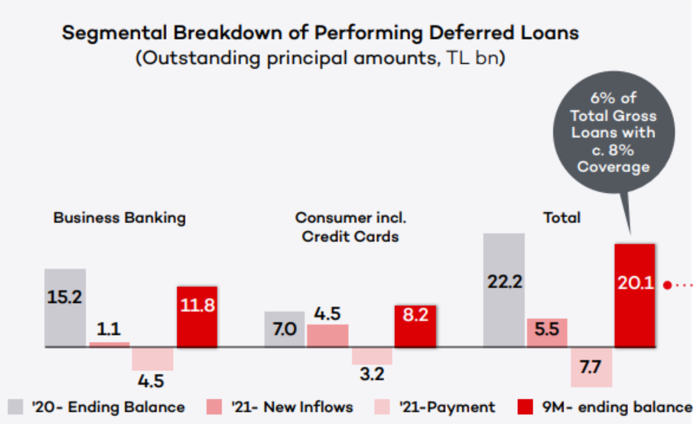
  ... with strong coverages.
- 2021 FY NPL ratio to remain below <6% guidance

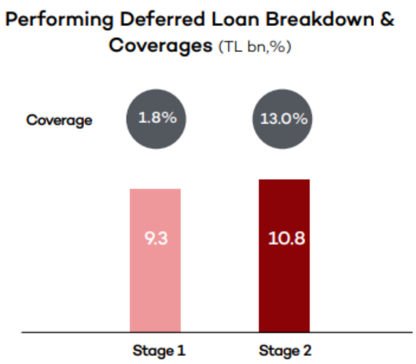
All restructured loans (TL 26.0 bn) are followed under Stage 2
(1) Bank-only

AKBANK

- Now onto Asset Quality.
- The key highlight of the quarter was reclassification of a TL commercial loan as a result of 30% risk reduction over the last 2 years.
- This loan has been in Stage 2 since 1Q18, and due to the continued risk reduction, is now classified as Stage 1.
- Accordingly, our stage 2 loans have declined to 9.6% of total gross loans.
- Also, our stage 3 loans further declined to 5.2%.
- We had only TL 22m write-off during the quarter, which had a neglible NPL impact.
- On a very positive note, collection performance continues to be robust.
- Another key highlight is the ending of staging forebearances effective Oct 1st.
- If all our 90-180 day files in Stage 2, were to be booked as NPL, the impact would be +45bps…
- But, looking at past trends, we expect around one-third of these to become NPL….and also due to our prudent coverage policy, there will be limited P&L impact.
- Adding all together, we remain confident in our less than 6% NPL guidance for the year…

Deferred loan scheme ended starting Oct 1, 2021





- Total deferred risk principal amount to date is at TL 36 bn
- 82% of deferred loans have matured installments:
  - Strong repayment performance
  - c. 60% Business Banking & c. 40% Consumer incl. credit card

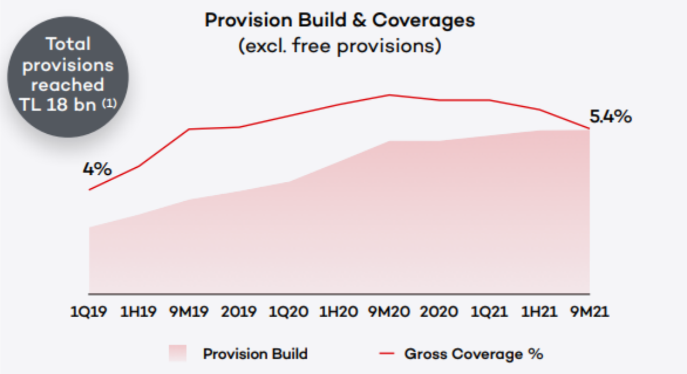
- Total coverage of performing portion at 8% up 90 bps YtD
- Limited NPL of TL 0.8 bn from total deferred loans' scheme

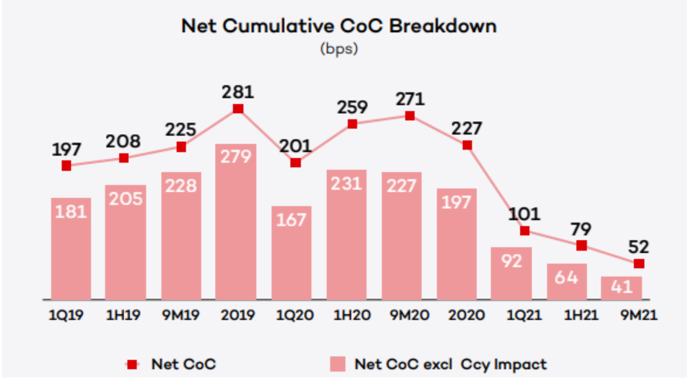
Based on MIS data

AKBANK

- On this slide, we provide details regarding our deferred loan portfolio.
- Please recall that loan deferral schemes for consumer loans has not been extended beyond September….whereas the scheme for business banking loans had already ended.
- Hence, we continued to support our customers in third quarter, while maintaining credit discipline and balance sheet strength.
- From now on, we will see more pronounced decline in this bucket as the loans are maturing…
- Total deferred risk principal amount to date has reached TL 36bn.
- But the outstanding risk has come down to TL 20bn by the end of nine months.
- Outstanding deferred loans accounted for 6% of our gross loans while total coverage was at 8%, up around 1% ytd…
- It is also comforting that 82% of the deferred loans had matured installments and the repayment performance continues to be very strong.
- Also, NPL migration of these loans have remained consistenly low, resulting in only TL 800mn NPL balance by the end of September.

CoC evolution demonstrates long-term prudent risk management





(%)	2020	9M21
Stage 1 Coverage	0.6	0.6
Stage 2 Coverage	16.4	15.2
Stage 3 Coverage	62.4	66.6
Free Provisions	TL 1,150 mn	TL 1,150 mn
Stage 2+3 Coverage (incl. free provisions)	37.3	35.7

- Solid coverage ratios
- FX provisions are hedged
- Significant risk reduction in a commercial file led to provision reversal and reclassification to Stage 1
- YtD CoC evolution underlines much better FY performance vs guidance

(1) Excluding MtM for LYY

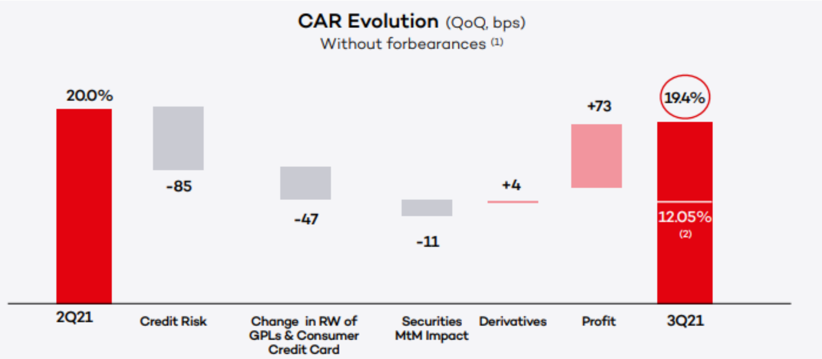
AKBANK

- Despite the BRSA staging forbearances, we did not deviate from IFRS 9, and as in the past, booked necessary provisions for potentially problematic assets even before classifying into Stage 2 or stage 3.
- As I just mentioned in the previous slide, due to significant risk reduction there was a reclassification of a TL commercial loan from stage 2 to stage 1…this led to provision reversal…
- Therefore, our net provision charges for the quarter was only TL 14mn.
- Lowest Qly, since IFRS 9 implementation, which started at the beginning of 2018.
- Other factors that feed into this performance, were:
  - Our delevered loan book
  - prudent reserve build, with our total provisions reaching TL 18bn and
  - better collection performance from both retail and corporate/ commercial customer base.
- As a result our total coverage was at 5.4%...which excludes our TL 1,150mn free provisions as additional buffer.
- Our 9m net CoC including currency impact stands at 52bps, clear indication of strong beat to our FY guidance.

- If there were no reversals from this TL commercial loan, our cumulative net CoC would have remaind at 80bps- around the 1st half levels…. still a clear a beat to our FY guidance.

- The lower level of net provision charges provides substantial offset to the net interest income headwind.
- Our LYY loan risk was hedged last year in third quarter, therefore, the mtm adjustment is offset at the trading line.
- You may find all the provision charges, trading income and hedge details in our appendix.

Capital remains a source of strength with robust buffers



Sensitivity of Solvency Ratios:

- 10% TL depreciation: c. 60 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)
Without forbearances (1)	**19.4%**	**32.3**	**15.5%**	**24.1**	**15.5%**	**30.6**
With forbearances (1)	20.0%	33.9	16.1%	25.5	16.1%	31.9

(1) Fixing 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: 0.05%)
(3) Basel III min. requirements: CAR: 12.05%, Tier-1: 10.05%, CET-1 8.55%

AKBANK

And now onto our Bank's distinctive sign of strength, our capital position.

- Our solvency ratios remain well above regulatory limits at 19.4% total capital and 15.5% Tier 1 and CET1, excluding the forbearances.
- Due to our solid growth performance and also increase of risk weighting for GPLs and consumer credit cards by BRSA during the quarter, our CAR declined by 60bps qoq.
- Meanwhile, our internal capital generation was eye catching and uplifted our capital by 73 bps in 3Q.
- All in all, our excess total capital stood at TL 32.3bn while excess CET 1 further advanced to TL 30.6bn according to Basel 3 min requirements, w/o any forbearances.
- Our sound capital buffer serves as a shield against unprecedented challenges and volatility, and also creates ammunition for sustainable profitable growth.

3Q21 Key ESG highlights

On track for our long-term targets for sustainable finance & climate change

	E	S	G
Sustainable finance [1] provided in Q3 at ~TL 6.2 bn (9M reached TL 20 bn)	✓	✓	✓
Pioneering sustainability-linked funding transactions			
• 1st sustainability-linked repo transaction in CEEMEA (USD 300 mn)	✓	✓	✓
• 1st Turkish deposit bank to secure funds from AIIB, to finance SMEs during Covid-19 (USD 100mn)		✓	✓
Total sustainable funding share in wholesale transactions from 30% to 40% [2]	✓	✓	✓
Diversifying product range for impact investing			
• AuM of ESG-themed funds launched by Ak Asset Management reached ~ TL 850 mn	✓	✓	✓
• 1st domestic retail social bond (TL 340 mn)		✓	✓
New product: Transition to Low Carbon Economy Loan	✓		✓

(1) Based on bank-only MIS data, includes: Granted SME loans (assessed through ESMS) & renewable loans, and ESG-type Eurobond & syndicated loan purchases
(2) As of October 2021

23 AKBANK

- Moving on to another focal area in our bank's strategy, I'd like to mention some of the key highlights in ESG in the 3rd quarter.
- As some of you know, we announced our sustainability strategy this year, becoming the first deposit bank in Turkey to disclose quantitative targets in sustainable finance, on both sides of the balance sheet.
- As of 3Q, it is reassuring to see that we have made significant progress in a diverse set of areas in sustainability:
- We are well on track for our long-term targets for sustainable finance and climate change.
  - In 3rd quarter we provided above TL 6bn sustainable finance, while YtD total reached TL 20bn.
- And in parallel with our increased focus on providing sustainable finance, we completed two pioneering sustainability-linked funding transactions:
  - The 1st sustainability-linked repo transaction in CEEMEA, amounting to USD 300mn.
  - And the 1st Turkish deposit bank to secure funds form AIIB. The USD 100mn proceeds will be used to support SMEs fighting the adverse effects of the pandemic.
- We have also further diversified our product base on both sides of the balance sheet this quarter to better address shifting sustainability-related needs of our customers.
- On the impact investing side, we issued the first domestic retail social bond, amounting to TL 340mn. Of course, this transaction was in line with our Sustainable Finance Framework.
  - Also in this area, the AuM of ESG-themed funds launched by Ak Asset Management reached TL 850mn as of 9m.

- We have also introduced a new product, “Transition to Low-Carbon Economy” to help companies make the necessary investments in reducing their carbon footprints.

- In addition to sustainable finance, we also supported our ecosystems and communities to achieve a more inclusive future for the next generation.
  - Akbank Youth Academy, which aims to leverage the sources and capabilities we have at the bank, provided training for 29K students YtD.
  - The Academy also held programs for improving gender diversity such as addressing gender balance in technology roles.
- In 3rd quarter, we also completed Akbank LAB’s Sustainable Finance for the Future program.
- This program trained and supported young innovators to provide solutions for the challenges of sustainable finance and financial inclusion.
- To address the long-term nature of the challenges related to climate change and social inclusion, we are also working on ways to further enhance our governance structure:
  - As a key milestone for our non-financial disclosures, we published our 1st integrated report. Whereby, 36 non-financial indicators were assured by a 3rd party.
  - We also published our “Supplier Code of Conduct”
- We will continue our efforts across the Bank to combat climate crisis and create meaningful change for our communities.

2021: Already delivered mid-teens FY ROE guidance

	9M21	2021G	vs. Guidance	
TL Loan Growth	+19.1%	~ 20%	Better performance	
FX Loan Growth (in USD)	-1.2%	Flattish	✓	
Leverage	8.4x	> 8x	✓	
ROE	14.9%	Mid-teens	✓	
NIM (swap adj.)	2.8%	20-30 bps contraction	Downside risk	Due to increase in funding costs
Net fees&com. growth	+24.7%	High-teens	Better performance	
Opex growth	+12.6%	Mid-teens	✓	
Cost/ income [(1)]	38.1%	≤34%	Slight upside risk	Due to NII miss
NPL [(2)]	5.2%	<6%	✓	
Net total CoC	52 bps	<200 bps	Better performance	

(1) CIR calculation excludes FX gain from long FX position related with stage 1&2 provisions and LYY hedge
(2) Including potential write-off & NPL sale

AKBANK

To sum up,

- We once again navigated through a volatile year maintaining our financial strength and operational resilience…
- On this slide you may find the summary of our nine months performance versus full year guidance.
  - Starting with TL loan growth, with the sound performance in both consumer and business segments, we expect to end the year better than our FY guidance of 20%
  - As shared earlier, higher than expected funding costs through the year and worsening inflation outlook pressured NIM beyond our initial expectations…
  - Accordingly, our NIM will close the year below our initially guided level, with around 50bps deviation, at low 3% levels.
  - Net COC evolution proved to be significantly better than our initial expectations of 200 bps…indicating that we could end the year somewhere between 50- 100bps
  - Therefore, better than guided performance in CoC fully offsets the ROE impact of the NII miss
  - And, also adding our robust performance in fees so far, we have already delivered our mid-teens FY ROE guidance.