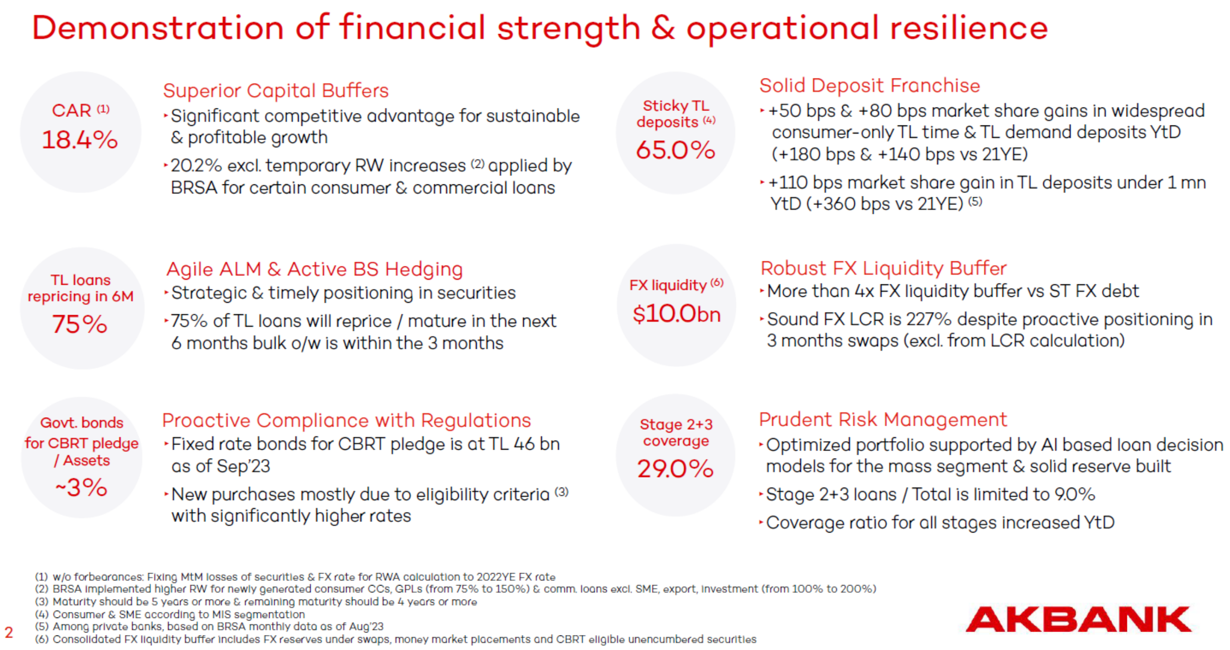
Akbank 3Q23 Earnings Call

Dear Friends,

- **This is Kaan Gür speaking, CEO of Akbank.**
- **Thank you all for joining our third quarter earnings call.**
- **This is my first presentation as CEO of Akbank, but as many of you know, I'm not new at the bank.**
- **I am delighted to be back and truly honoured to take the leadership of this great organisation, as we celebrate our 75th year.**
- **This is particularly an important year as we are also celebrating the hundredth year of the Republic of Türkiye.**
- **May this historic milestone be celebrated with joy and the Republic of Türkiye prosper for centuries to come.**



- **Akbank with its outstanding achievements stands at the forefront of the robust banking sector.**
- **I am proud to see that decisions taken over the last few years, have delivered excellent results.**

- **This can easily be seen in the significant contribution coming from our internal capital generation.**

- **As a result, we have remarkable capital buffers, giving us important competitive advantage.**

- **This is extremely important especially in an environment whereby global economy is still struggling with highly persistent inflation, and monetary policies are geared toward staying tight for longer.**

- **Thanks to our agile ALM, our balance sheet is well-built.**

- **We continued to focus on keeping our balance sheet intact, by avoiding maturity mismatch, and keeping long duration, fixed-rate bond purchases at minimum levels.**

- **As shown on this slide, 75% of our TL loans will be maturing or repricing over the next 6 months.**

- **We are aware that the recent geopolitical tensions also pose further uncertainties on growth and inflation outlook.**

- **As a result, the period ahead seems to be more challenging for emerging markets.**

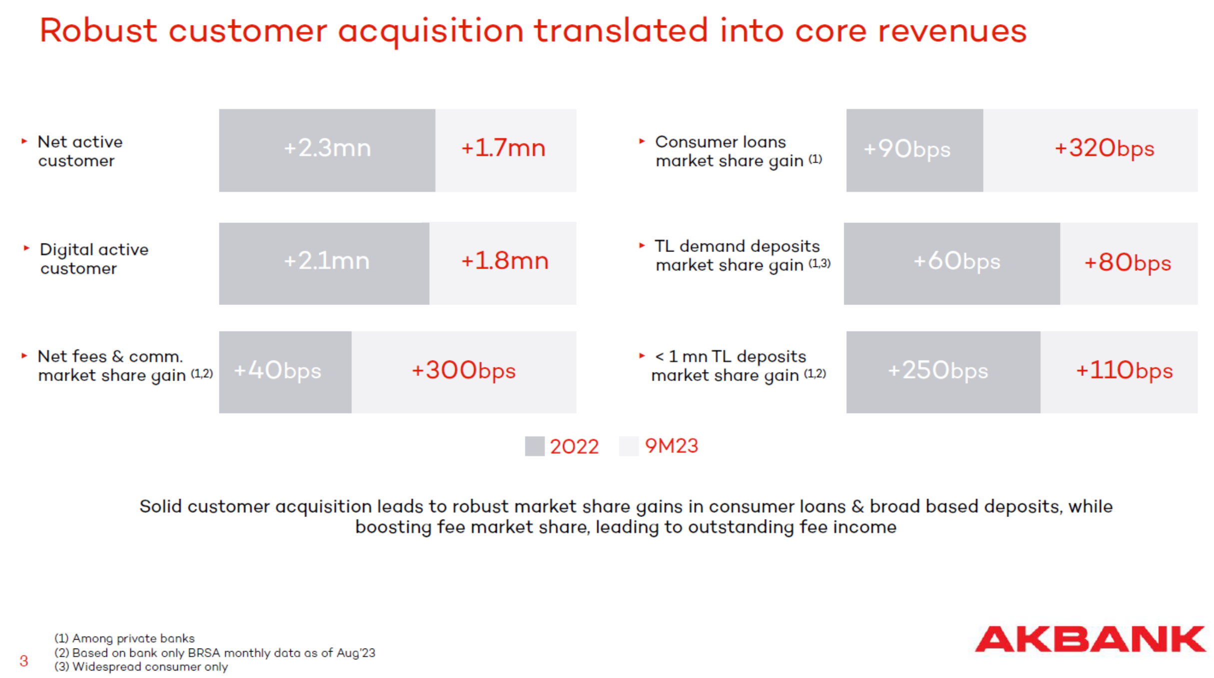
- **Therefore, in Türkiye, the recent shift towards restoring monetary policy visibility and simplification steps are much appreciated.**

- **I believe, the transition to a more market-friendly policy approach will definitely be helpful for the business environment, financial sector, and investors.**

- **For sure, we are aware of the potential costs of inflation stabilization with regards to profitability and asset quality.**

- **Having said this, I'd like underline that we remain well-positioned against weaker core business conditions as we have a well-diversified customer & product mix with prudent risk management, cautious provisioning policy and significant capital buffers.**

- **Looking forward, I assure you that our journey ahead will continue to be one of progressive growth, collaboration and full of energy.**



- **At the beginning of this year, we set out with the ambition to increase our customer base by 5 million in the next 3 years, while expanding our footprint in the retail segment, both consumer and SME.**

- **The performance so far has been outstanding with ytd net customer additions of 1.7m. Looks like we may exceed our 5 m target.**

- **More importantly, while growing we managed to further increase our cross-sell.**

- **I am pleased to share that we have already met our 2025 market share ambition in consumer loans.**

- **We will continue to grow but obviously, the regulatory growth caps may limit further market share gains.**

- **In addition, thanks to our strong franchise, we are fully on track with our 2025 market share ambitions in TL demand and sticky broad-based TL deposits, as well.**

- **Which is especially important in an environment where deposit costs continue to rise.**

- **On top of this impressive performance, we have also gained an eye-catching 300bps market share among private banks in fee income.**

- **As you all know, we aim to increase our customer-based revenues and to reach a fee to opex ratio of above 80% by 2025.**

- **The figures are clearly showing that we also are on track for our strategic ambition to increase the fee to opex ratio.**

- **All of these prove, that the investments we have made to serve the ever-changing customer needs are paying off, ensuring sustainable profitability.**

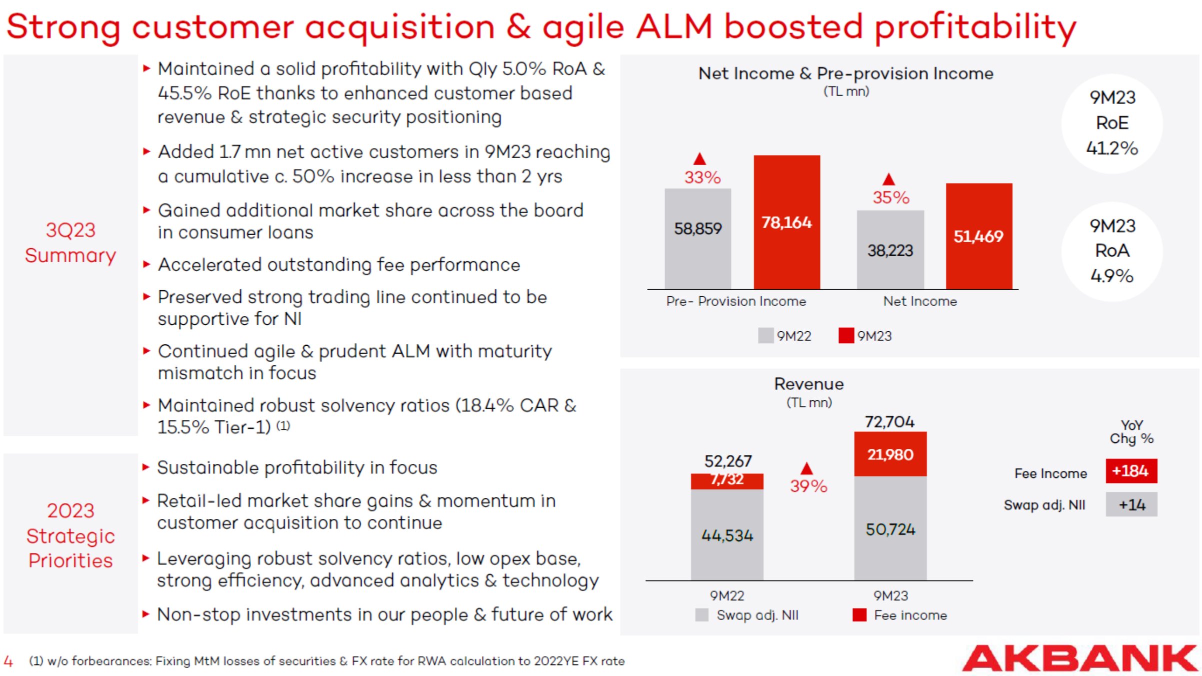
- **Innovation and digitalisation remain crucial to meet the needs of our customers and partners.**

- **We will continue to invest in our customer’s journey, and set industry benchmarks.**

- **I’d like to thank all my team and Hakan Bey for such a solid performance.**

- **I am excited to be a part of the next chapter, where I have full belief that we will achieve even greater heights.**

- **Ebru the floor is now yours. Following Ebru’s presentation, Turker & I would be more than happy to answer your questions.**



Thank you Kaan bey.

- **I'd like to also start by celebrating the centenary of the Turkish Republic.**

- **May the future be filled with prosperity and success.**

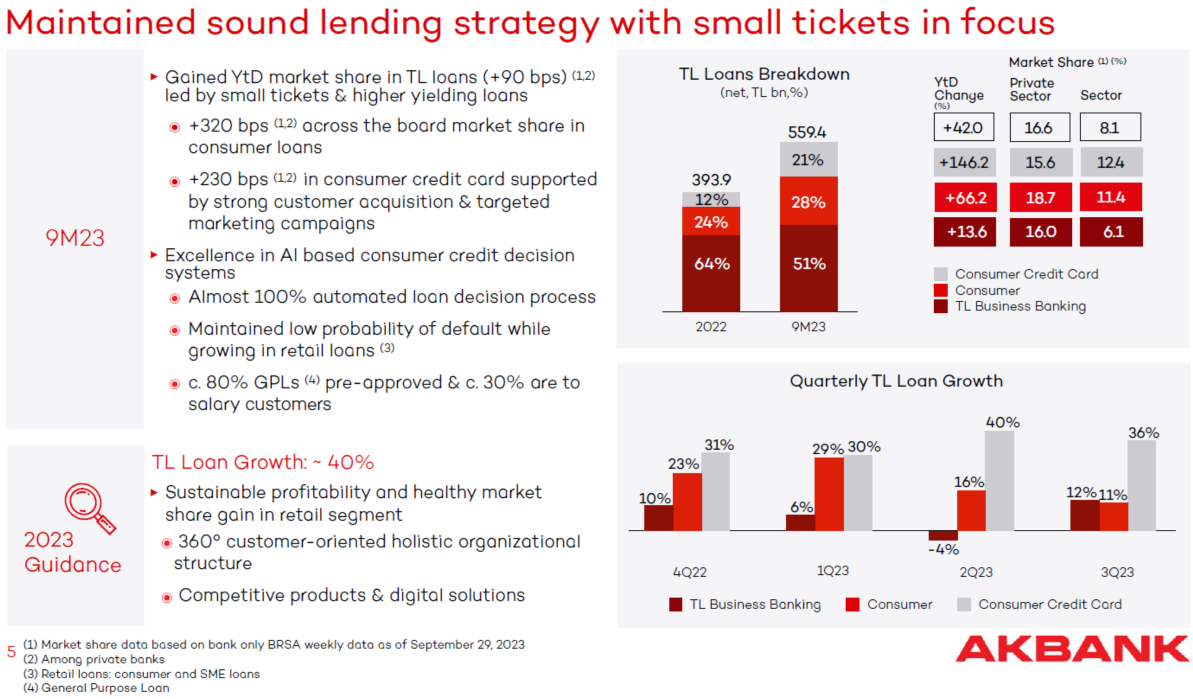
- **We ended the quarter with a new record high 20 billion, 4 hundred and 50 million net income, resulting in solid 5.0% ROA and 45.5% ROE.**

- **This takes our 9M net income to a robust 51 billion, up 35% yoy, with an ROA of 4.9% and ROE of 41.2%, which is well ahead of our full year guidance.**

- **Our strong momentum in customer acquisition has continued to enhance our fee income, up by a remarkable 52% qoq and reaching a yoy growth of 184%, supporting our core revenue generation.**

- **With the agility in balance sheet management, timely hedges and strong customer related business, our exquisite treasury management which is one of the strong muscles of Akbank, continued to be supportive for net income evolution.**

- **Our customer-centric organization with advanced digital capabilities, sound balance sheet management and strong capital buffers, puts us in a position of strength.**



- **Moving onto the key drivers of our solid 9M performance in more detail**

- **Our TL loans were up by 42% ytd, reaching our full year guidance.**

- **Main contributor was consumer loans, up 66% ytd while consumer credit cards also up remarkably, by 146%.**

- **Our motivation in high yielding small tickets continues at full pace.**

- **This motivation has resulted in a new record high & broad-base 320 bps market share gain ytd in consumer loans, among private banks. As shared by Kaan Bey earlier, already reaching our 2025 ambition.**

- **As for consumer credit cards, the market share gain ytd has also reached an eye-catching 230bps as of September.**

- Strong customer acquisition, advanced analytics & technology at the heart of targeted marketing campaigns are also turning into sound growth in consumer CCs.

- We had refrained to grow in business banking during the first half of this year due to regulatory pricing caps.

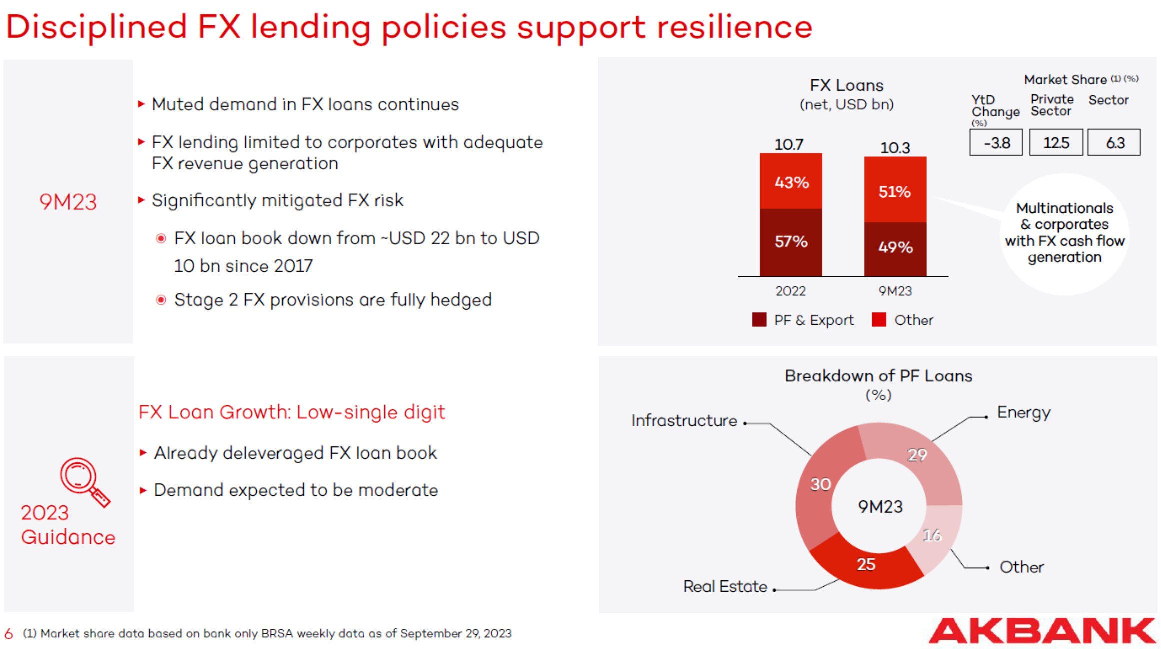
- However, with more favorable pricing environment in 3Q, we grew in business banking as well, gaining market share on a quarterly basis.

- Thanks to our 100% automated loan decision process with an excellence in AI based consumer credit models, the PDs of the retail loan portfolio still remain at low levels.

- Going forward, due to the rising interest rate environment, inflows from the retail side may increase.

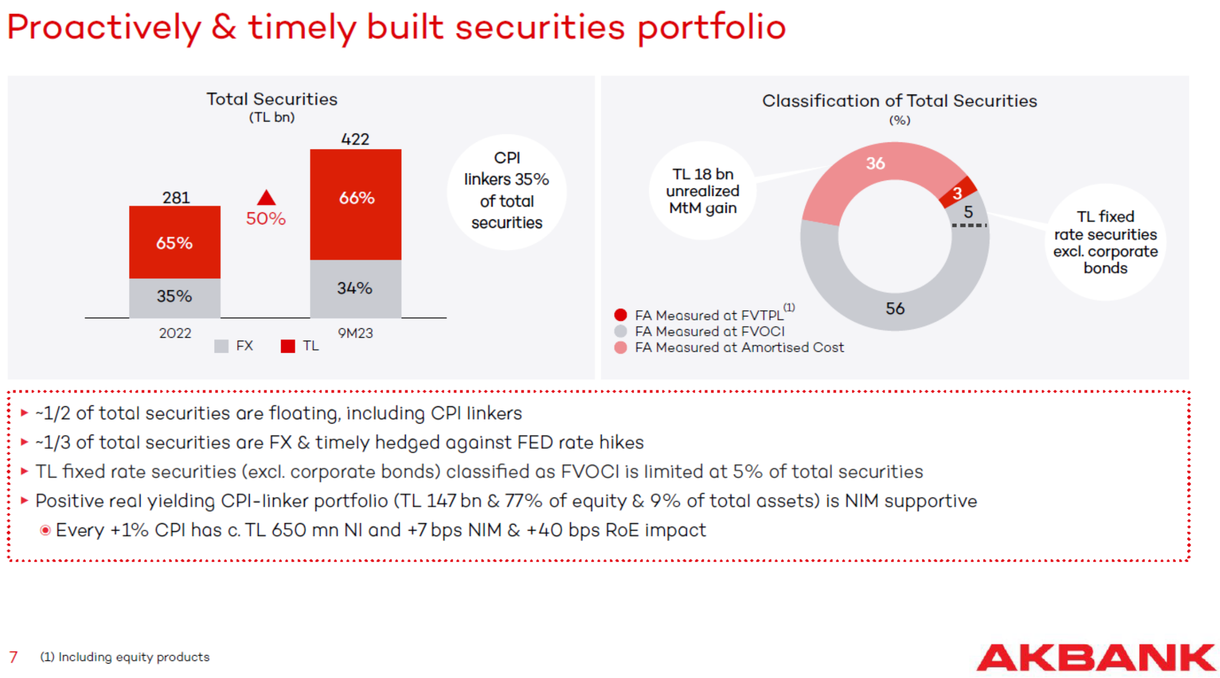
- However, thanks to our prudent provisioning policies as well as these loans being wide-spread, it should be manageable.

- Our 360 degree customer oriented holistic organization structure, competitive products and advanced digital solutions will continue to be supportive factors for growth and asset quality evolution.



- **On the FX loan side, demand remains muted in the first 9 month of the year.**

- **Our net FX loans were down by 3.8% to USD 10.3bn as of 3Q23.**



- **Moving onto the securities side.**

- **Interest rate risk management remains in focus for our securities positioning as well.**

- **Almost half of our total securities portfolio consists of floating rates, which include CPI-linkers.**

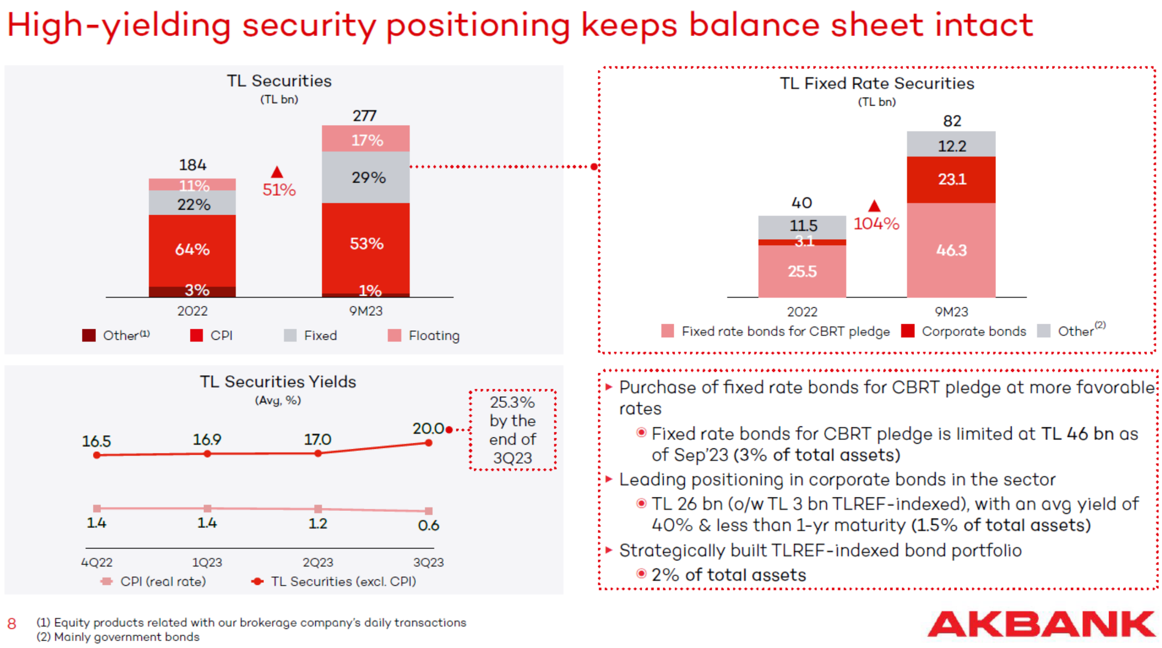
- **As for TL securities alone, more than 70% is floating.**

- **TL fixed rate securities, excluding the corporates bonds classified under fair value through other comprehensive income, or in other words available for sale, is limited to only 5% of total securities.**

- **Also, our Treasury's proactive positioning in positive yielding CPI linkers is helping to mitigate the negative impact of inflation.**

- **Our CPI-linker portfolio now stands at TL 147bn, which equates 77% of our equity, or 9% of our total assets.**

- **As shared in several occasions, our FC securities, which make up around one-third of total and were timely hedged against Fed rate hikes.**



- **Our TL securities were up by 51% ytd mainly led by, our strategically build CPI linker portfolio, 53% of TL securities which mainly grows with IRR, high yielding, TL corporate bond purchases from primary issuances, as well as our leading positioning in TLREF indexed bonds with significant positive spread.**

- **I would especially like to underline that our CPI-linker portfolio has a positive real rate of 0.6%.**

- **Our proactive and cautious stance in building our CPI-linker portfolio with positive real rates will also be a differentiating factor when the spread between the policy rate and inflation tightens.**

- **Having met the regulations proactively, we were able to manage the regulatory fixed rate securities portfolio of around only 2% of our total assets during first half, well below our peers back then.**

- **Similar to first half, we continued to be proactive in terms of complying with the regulations.**

- **Despite the new purchases in the third quarter, which are mostly due to eligibility criteria with significantly higher rates, our fixed rate security portfolio subject to the regulations is still low around TL 46bn or only around 3% of our total assets.**

- **Similar to first half, we maintained our leading positioning in corporate bond primary issuances.**

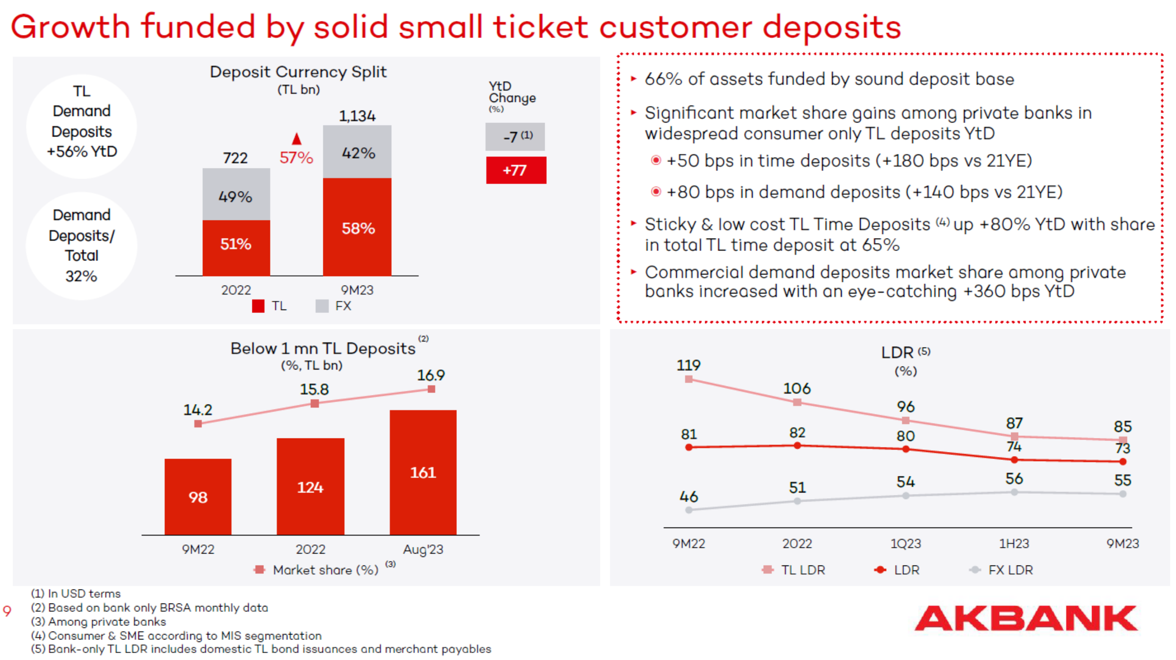
- **Our high-yielding corporate bonds which has an average of 40% yield stand at TL 26bn, or around 1.5% of our total assets.**

- **On top of this, we have a strategic positioning in TLREF indexed bonds.**

- **These make up around 2% of total assets.**

- **This positioning will also help to mitigate negative impact of the lower yielding regulatory fixed rate government bonds.**

- **As a result of our strategic and proactive approach in building our securities portfolio, our average TL securities yield, excluding CPI, reached 25% at the end of the quarter.**



- **On the funding side, we maintain our focus on well-diversified and disciplined funding mix.**

- **Deposits continue to be our main source of funding with 66% share in total liabilities.**

- **Our total TL deposits were up by a 77% ytd while our sticky low cost TL time deposits surged by 80% in the same period.**

- **The share of sticky low cost TL time deposits now stand at a solid 65%.**

- **Our zero cost TL demand deposits were also up by an outstanding 56% ytd.**

- **Thanks to our sound customer franchise and our success in gaining further 1.7 mn customers just in the first 9 months of the year, our market share in widespread small ticket consumer only TL deposit among private banks has increased significantly.**

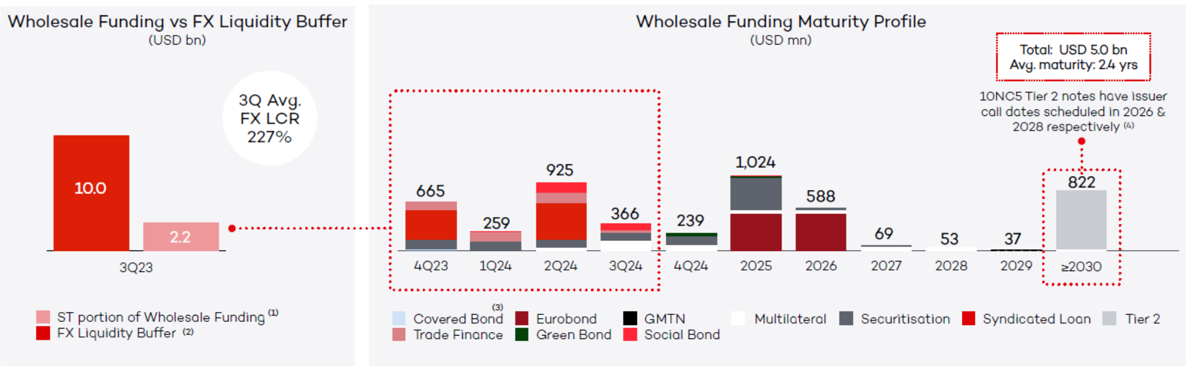
- **We achieved an additional 50 bps market share in TL time deposits in the first 9 month of this year on top of 180 bps gained in 2022.**

- **Our market share in demand deposits among private banks also increased by 80 bps ytd in addition to 140 bps gained in 2022.**

- **While our commercial demand deposit market share among private banks increased by an eye-catching 360bps in only 9 months.**

- **This successful performance is especially important for NIM evolution as cost of funding continues to rise in the sector.**

ESG remains key priority in wholesale funding



- Sound FX LCR is 227% despite proactive positioning in 3 months swaps (excl. from LCR calculation)
- Issuance of Sustainable & Gender themed **Tier 2, USD 300 mn, priced at 9.60%** (10NC5, self-arranged issuance to AIIB, IFC & DFC) on July 25, 2023
- Total sustainable funding share in wholesale transactions is at **57%**

As communicated regularly to our investors, we continuously evaluate opportunities as part of our prudent and diligent liquidity and capital management and to duly take the necessary actions. In this regard, we continuously monitor windows of opportunities to issue debt instruments in Turkish lira or foreign currency, domestically or abroad, including senior and/or Tier 2 issuances. We will promptly inform our investors on any developments accordingly.

Balances based on principal outstanding and bank-only MIS data
(1) ≤1 year tenor
(2) Consolidated FX liquidity buffer includes FX reserves under swaps, money market placements and CBRT eligible unencumbered securities
(3) USD equivalent of TL 14 bn Covered Bond issuances
(4) Call exercise in year 5 is subject to BRSA approval

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- **We have a sound FC liquidity buffer of USD 10bn, which is twice of our total wholesale funding, and more than 4x of the short-term portion.**

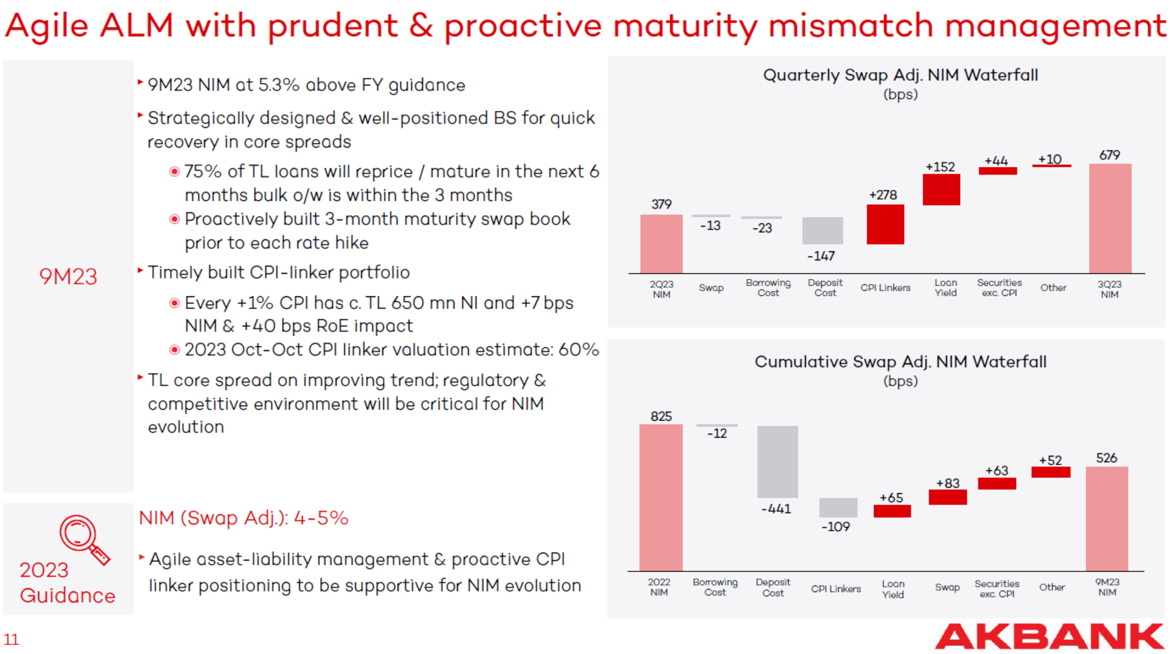
- **Our FC LCR stands at 227%.**

- **This is despite our proactive positioning in 3 month swaps, which is excluded in our LCR calculation.**

- **Adjusted for this, our FC LCR would be above 400%.**

- **Managing the maturity profile of the wholesale funding book efficiently with sophisticated funding solutions is a priority for us.**

- **Our goal is to increase the share of sustainable transactions in our wholesale funding book in order to reach our 2030 sustainable loan financing target.**



- **We ended first 9 month of the year with 5.3% NIM, above our guidance we shared at the beginning of the year.**

- **Our strategically designed BS for a quick recovery paid off as we are now operating with positive spreads even in back book following the policy rate hikes and easing of loan rate caps.**

- **Management's focus remained on maintaining low maturity mismatch.**

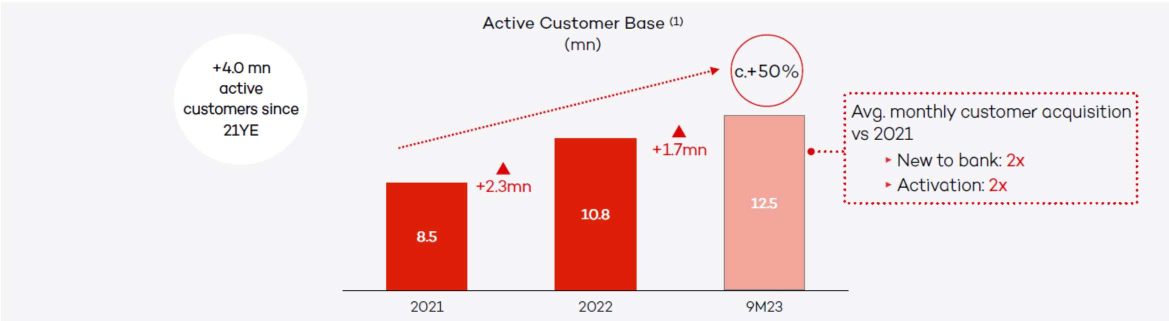
- **As Kaan Bey shared earlier, 75% of our TL loans will either reprice or mature in the next 6 months, bulk of which is within the next 3 months.**

- **Our strategically built 3-month maturity swap book, prior to each rate hike, will continue to be supportive for our NIM evolution as well.**

- **Going forward, regulatory and competitive environment will be critical for NIM evolution.**

- **Thanks to agile ALM with prudent and proactive maturity mismatch management as well as our solid customer deposit franchise we expect to end the year above 5% NIM.**

Accelerated momentum in customer acquisition & activation



- Strong momentum in digital customer acquisition via DoB (2)
  - ~60% of new to bank customer acquisition (+20pp vs 2022)
  - ~2x monthly digital customer acquisition YoY
  - ~40% young customer acquisition (+16pp YtD)
- Further penetrated in demand deposits and daily cash flow by almost doubling salary & pension customers last 1.5 year

- Boosted customer acquisitions with innovative offerings
- Customer-based revenue generation solidified with active product portfolio(3) +28% YoY, reaching all time high thanks to
  - Accelerated customer activation / acquisition
  - Continued improvement in x-sell
- Active young customer base (18-26) reached 1.4x YoY

12 (1) Based on MIS data
(2) Digital Onboarding
(3) Active customer base (x) avg. cross sell per active customer based on MIS data

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- **I mentioned earlier, our momentum in customer acquisition continues at full pace.**

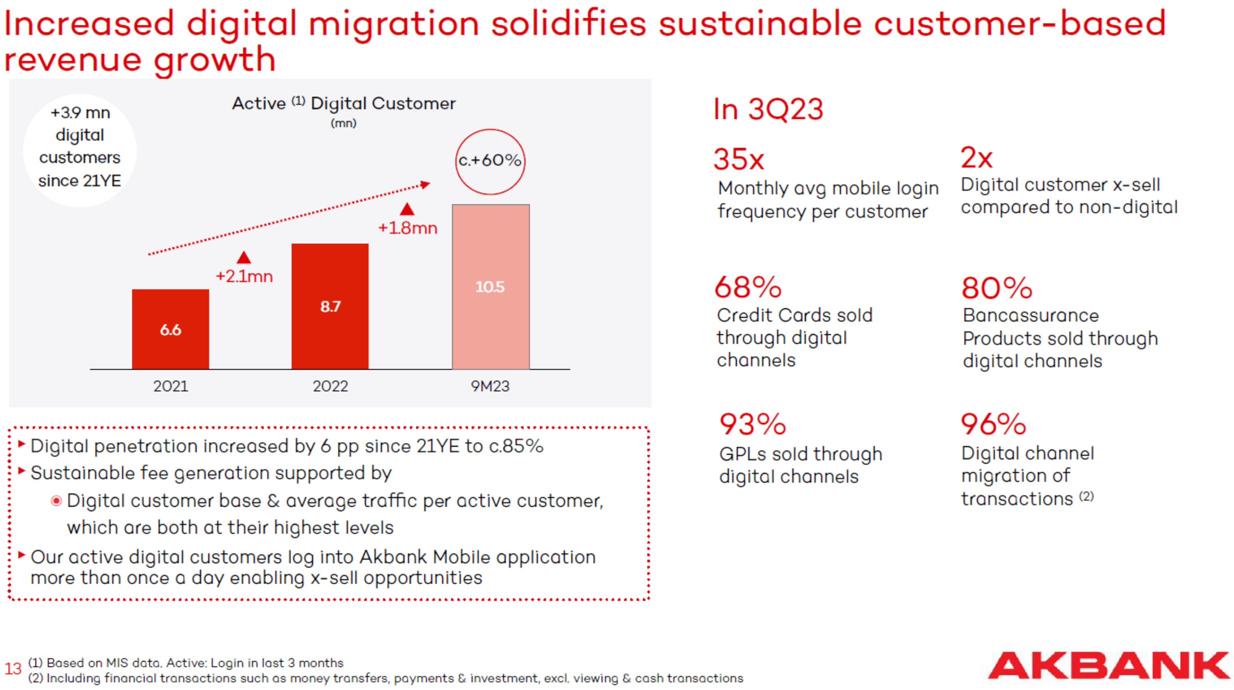
- **Our active customer base reached 12.5 million, up around 50%, in less than 2 years - since the end of 2021.**

- **Similar to first half, 60% of our new to bank customers were acquired via digital onboarding, underlining the strength of our digital capabilities.**

- **We continue to leverage digital on boarding and holistically revamp our value proposition for young customers.**

- **Our active product portfolio, a function of active customer base and average cross-sell per customer, has increased close to 30% yoy, thanks to accelerated customer activation and acquisition as well as continued improvement in x-sell.**

- **On top of active product portfolio which reached its all-time high, our growing active young customer base also solidifies the sustainability of our customer-based revenue generation for the coming years.**

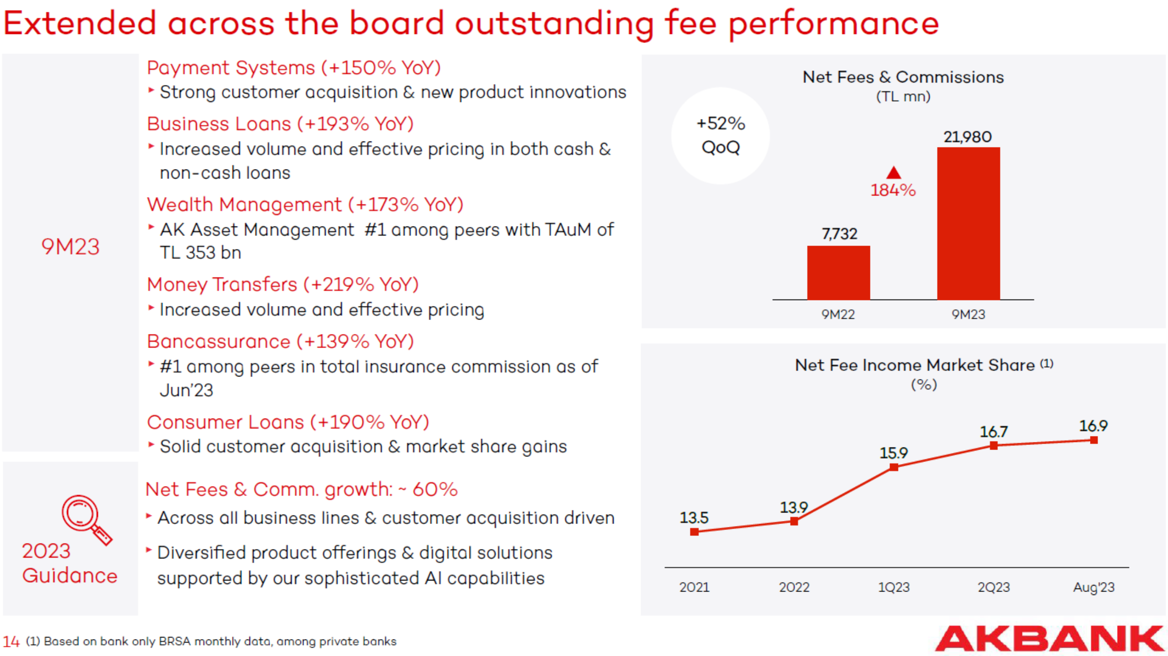


- **Our digital strategy which is based on our customer's journey, continues to show in the numbers.**

- **We exceeded 10 million digital customers, achieving around 60% increase in less than 2 years - since the end of 2021.**

- **Digital penetration increased by 6 pp since the end of 2021 to 85% while migration of transactions to the digital channels have already reached 96%.**

- **A digital customer enters our mobile app 35 times a month, so more than once a day, playing a significant role both in our sustainable fee income generation as well as asset quality evolution.**



- **On the fee & commission income side, we are on track with our strategic ambition to enhance our fee chargeable customer base, which reached a new all-time high in Q3.**

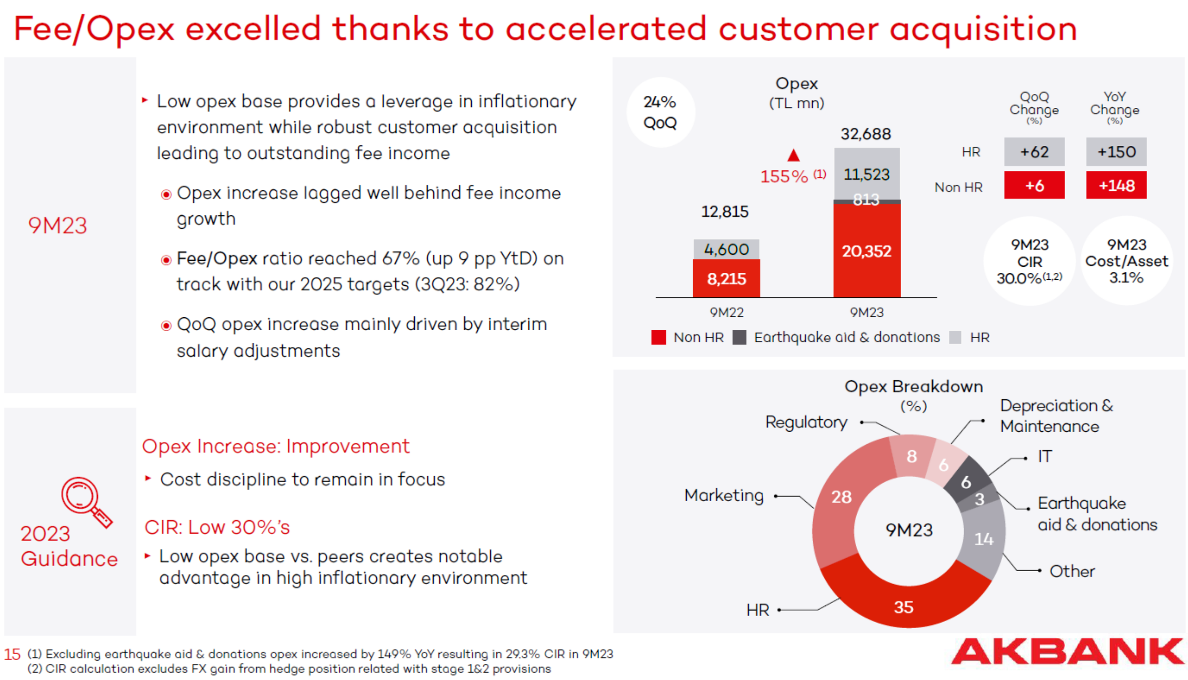
- **Our net fees & commission income is up by an eye-catching 184% yoy and 52% qoq.**

- **This is well ahead of our full year guidance of around 60%, clearly indicating a significant upside.**

- **You can see on this slide that all business lines continue to contribute positively.**

- **As a result of this strong performance, we have gained a remarkable 300bps market share among private banks ytd in fee income, according to latest BRSA monthly data.**

- **The importance of especially investing through cycles has been a key driver in this performance.**



- **Our opex up 24% qoq mainly due to interim wage increase in July.**

- **Challenges remain on the opex side. However, our low opex base provides leverage and gives us a significant competitive advantage, and a lot more flexibility during inflationary environment.**

- **Our CIR remained low at 30%, in the first 9 month, in line with our full year guidance.**

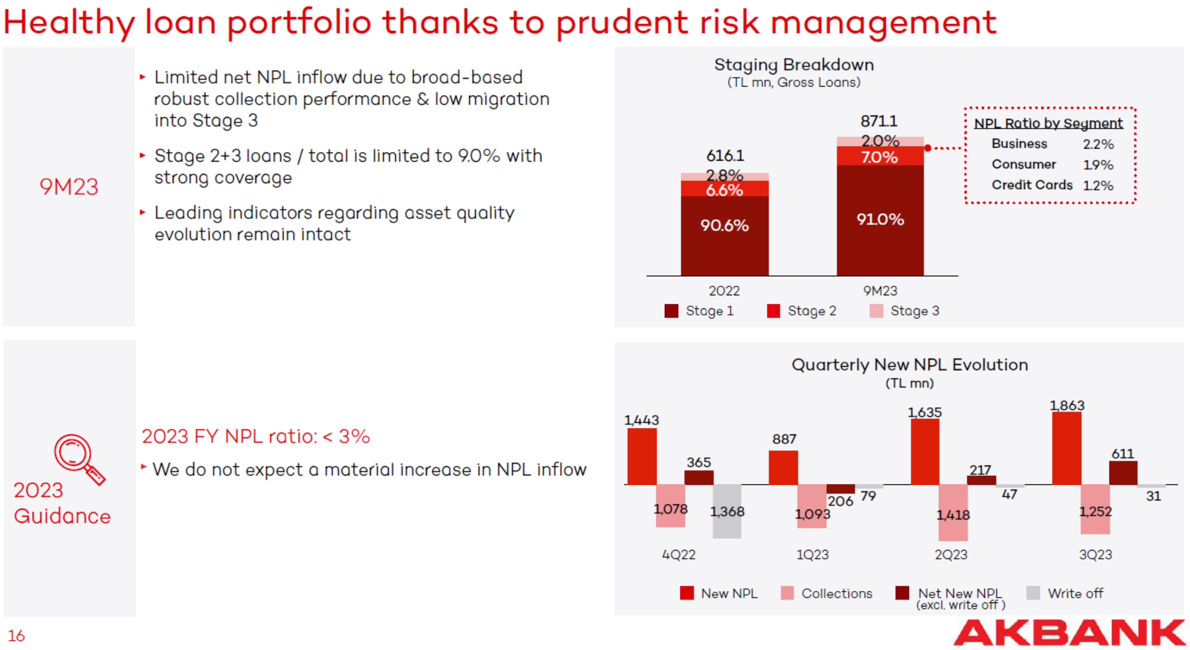
- **Our non-HR opex increase was mainly related with our investments to grow our business.**

- **The success of these investments shows itself in the numbers.**

- **We are also on track with our strategic target to increase fee to opex ratio thanks to our enhanced customer based revenues while cost discipline remains intact.**

- **As proof, our quarterly fee/opex ratio reached 82% in Q3, carrying the cumulative figure to 67%, up 9 pp ytd.**

- **Meanwhile, our cost to assets remains intact at 3.1% as of 9M23.**



- **Moving onto asset quality, our loan portfolio also remained intact with strong repayment performance and only a limited net NPL inflow into stage 3.**

- **Collection performance remains robust and broad-based.**

- **We completed the quarter with a further improvement in NPL ratio, reaching a cumulative of 80 bps ytd.**

- **Our NPL ratio is now stands at 2.0% - which is in line with our FY guidance of below 3%.**

- **Share of stage 2 + 3 in our gross loans – which would be deemed potentially problematic, continued to be limited at 9.0%, with strong coverage.**

- **Meanwhile, all leading indicators regarding asset quality evolution still remain intact, thanks to our prudent risk management and healthy loan portfolio composition.**

Further provision build with robust coverages in all stages

9M23

- Increased coverage across all stages reaching total provisions of TL 29.6 bn excluding free provisions
- CoC performance underlines proactive provisioning & healthy loan composition
- Net total CoC (excl. ccy impact) at 107 bps
- FX provisions are hedged

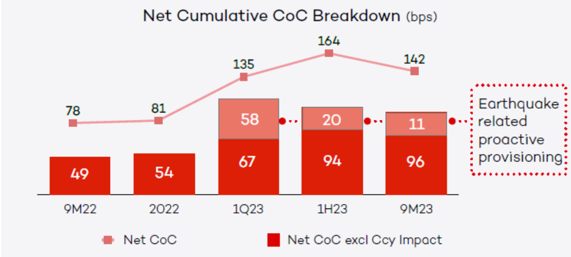
Provision Build & Coverages

(%)	2022	9M23
Stage 1 Coverage	0.7	0.9
Stage 2 Coverage	16.4	17.1
Stage 3 Coverage	67.6	70.7
Stage 2+3 Coverage	31.6	29.0
Total Provision Build [1] (TL bn)	21.9	29.6
Free Provisions (TL mn)	1,400	1,400

2023 Guidance

2023 CoC (excl. currency): ~ 100 bps

- Significant provision build & solid collateral values to limit additional provision need
- Already strong coverages



 (1) Excluding free provisions

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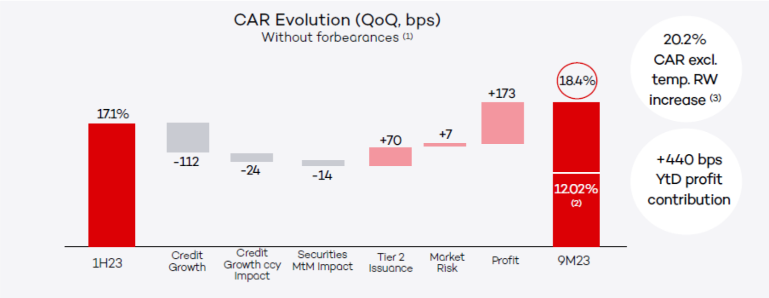
- **Our coc evolution underlines our proactive provisioning as well as our healthy loan portfolio composition.**
- **We ended the first 9 month of the year at 107 bps net coc excluding currency impact.**
- **Despite our solid loan growth, our strong coverage ratios have increased ytd with an additional loan loss provision build of TL 7.7 bn.**
- **For stage 1, our coverage ratio is at 0.9% up from 0.7%. For stage 2 and stage 3 loans, our coverage ratios increased by more than 70 bps and 300 bps ytd to 17.1% and 70.7%, respectively.**
- **We believe our robust provision build and solid collateral values will limit the need for additional provisions going forward.**
- **Please also note that, as usual, we plan to have our IFRS model update for the mass segment in Q4 and that the big-ticket loans are assessed individually on a monthly.**

Superior capital buffers remain as significant competitive advantage



Sensitivity of Solvency Ratios (not linear) (4)

- 10% TL depreciation: 40 bps
- 100 bps TL interest rate increase: 7 bps (5)
- 1% NPL increase: 25 bps

(%, TL bn)	CAR	Excess Capital (6)	Tier 1	Excess Tier 1 (6)	CET-1	Excess CET-1(6)
Without forbearances	18.4%	75.3	15.5%	64.3	15.5%	82.0
With forbearances (1)	20.7%	91.4	17.6%	79.4	17.6%	95.2

(1) Fixing MtM losses of securities & FX rate for RWA calculation to 2022YE FX rate
(2) Min Basel III required: Including buffers (Capital Conservation Buffer: 2.50%, D-SIB Buffer: 1.50% Countercyclical Capital Buffer: 0.02%)
(3) BRSA implemented higher RW for newly generated consumer CCs, GPLs (from 75% to 150%) & comm. loans excl. SME, export, investment (from 100% to 200%)
(4) Diminishing sensitivity for higher amount of changes
(5) Sensitivity calculation includes 20 bps real rate change for CPI-linkers (FVOCI)
(6) Basel III min. requirements: CAR: 12.02%, Tier-1: 10.02%, CET-1 8.52%

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- **Our total capital, Tier 1 and CET 1 ratios without forbearances remain robust at 18.4% and 15.5%, respectively.**
- **Our sound profitability is reflected onto our capital position as our internal capital generation added a solid 173 bps to our total capital qoq, reaching a cumulative 440 bps ytd.**
- **Worth to note that, adjusted for the temporary Risk Weight increases applied by BRSA, our Capital would be further 180 bps higher at an outstanding 20.2%.**
- **To give some sensitivity, the first 10% TL depreciation results in around 40 bps decrease in our capital ratios while the impact diminishes for higher amount of changes and 100 bps increase in TL interest rate results in a 7 bps decline in our solvency ratios, again with diminishing impact.**
- **Sound capital buffers continue to serve as shield against unprecedented challenges and volatility, and create significant ammunition for sustainable profitable growth.**

Upside potential to 2023 profitability guidance

	2023 Guidance	9M23
TL Loan Growth	~ 40%	42.0%
FX Loan Growth (in USD)	Low-single digit	-3.8%
NIM (swap adj.)	4-5%	5.3%
Net fees & com. growth	~ 60%	184.0%
Opex increase	Improvement(1)	155.0%
Cost/ income (2)	Low 30%'s	30.0%
NPL	< 3%	2.0%
Net total CoC (excl. ccy impact)	~ 100 bps	107 bps
ROE	~ 30%	41.2%

2023 Guidance Key Drivers

Momentum across all business lines & subsidiaries continue as we advance in innovative offerings, using AI & cutting-edge technology while investing in our people

1 Retail driven growth with sustainable profitability & healthy market share gains in focus

2 Boosting customer acquisition with disruptive new offerings

3 Leveraging robust solvency ratios & strong efficiency

4 Taking advantage of advanced analytics & cutting-edge technology

5 Non-stop investments in our people & future of work

6 Mitigating environmental footprint while increasing positive impact

3Q23 Cheat sheet

19 (1) Indicates lower increase YoY compared to 2022
(2) CIR calculation excludes FX gain from hedge position related with stage 1&2 provisions

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- **On this slide, you may find the summary of our solid 9m performance.**

- **Though there are challenges on the opex side, the revenue generation capabilities of the bank, including the outstanding performance in fee generation, create upside potential to our FY ROE guidance.**

Sustainable finance for green & inclusive transformation

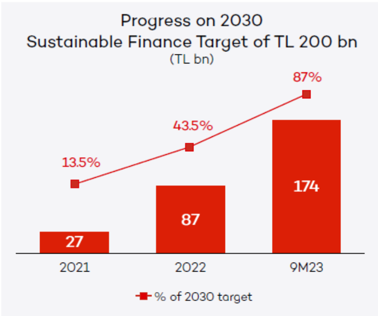
9M23

On track for long-term goals in sustainable finance

- Provided TL 87 bn in sustainable finance (1)
- Total ESG-themed funds AuM reached TL 1.5 bn, with 88K investors
- Published revised Sustainable Finance Framework with SPO in April

ESG share in total wholesale funding transactions reached 57%

- USD 300 mn Sustainability and Gender themed Tier-2 in July 2023, issued to AIIB, DFC and IFC (first gender Tier 2 globally)
- Turkey's first syndicated social loan in April 2023, providing USD 500 mn for trade finance transactions in the earthquake area
- Secured USD 65 mn under EBRD's DRF in support of regions impacted by the earthquakes



2023 Outlook

- Sustainable Finance Framework revised with recent trends, to be published with SPO
- Continue focus on ESG-linked funding
- Introduce Responsible Investment Policy
- Support decarbonization by engaging with customers and product innovation

For more on sustainable finance

20 (1) Based on bank-only MIS data, includes: Granted SME loans (assessed through ESMS) & renewable loans, other green and social loans in line with Sustainable Framework, and ESG-type Eurobond & syndicated loan purchases

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- **Moving onto a few highlights regarding our ESG performance.**

- **In 3Q23, we remained committed to our long-term ambition to support the sustainable transformation of our economy.**

- **We have provided TL 87 bn sustainable finance ytd, totalling our support to TL 174 bn since beginning of 2021.**

- **I am proud to say that we have almost reached 90% of our target already.**

- **In addition, our ESG-themed funds are receiving good attention from investors.**

- **Since the beginning of the year we see a 40% increase in the number of investors.**

- **We also continued to contribute to our ecosystem for a more inclusive, innovative economy.**

- **As one of the founding signatory of UN Financial Health and Inclusion Commitment, we disclosed our related measurable target.**

- **We aim to achieve a growth rate of 10% annually, in the number of women-led business customers, to increase financial resilience and support sustainable business growth by 2025.**

- **Once again, we are proud to introduce a first in the industry with our partner Export Development Cooperation.**

- **With this Green Transformation Guarantee Support Package, we aim to increase SMEs' access of green financing by facilitating collateral solutions for them.**

- **In addition, we kicked off Akbank Hackathon, DisasterTech in September. Disaster Tech aims to use technology for effective solutions during and after disasters.**

- **Lastly, I am happy to say that we started the second term of Akbank+ Program which allows Akbank members to work on their entrepreneurial ideas on a full-time basis.**

- **For more details on our ESG developments, please check the annex of this presentation as well as our ESG presentation on our website.**

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- **This concludes our presentation.**

- **Please feel free to reach out to Investor Relations for any follow-ups you may have.**