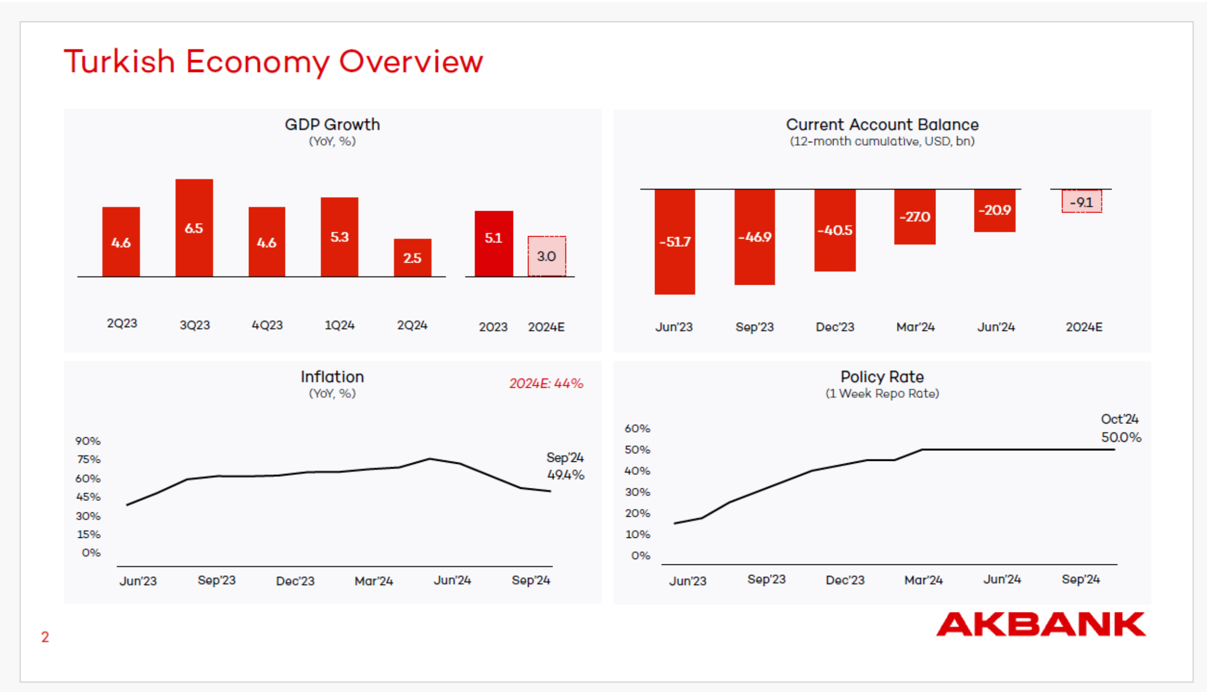
Participants:
Kaan Gür, CEO
Türker Tunalı, CFO
Ebru Güvenir, SVP IR & Sustainability

AKBANK

Akbank 3Q24 Earnings Call

- Dear Friends, this is Kaan Gür speaking, CEO of Akbank.
- Hope you are all well.
- Thank you for joining our third quarter earnings call.
- I am speaking to you from Washington, where I am attending the IMF and World Bank Annual Meetings.
- While I’m here, I wanted to take a moment to connect with you all to share my thoughts on the operating environment and how we are navigating and positioning ourselves for the future.
- After my remarks, I’ll leave the floor to Türker, Ebru and our Investor Relations team, who will go through the detailed financial results and handle the Q&A.
- Although I’m not able stay for the entire call, I look forward to keeping in touch with you in the near future and continuing our discussions.
- Before we get into the numbers, I want to touch on the broader macroeconomic backdrop, especially in Türkiye.



- **The policy makers efforts toward fiscal discipline and structural reforms provide cautious optimism for a more stable economic environment moving forward.**

- **That being said, we forecast economic growth to be around 3% this year, as the weak global backdrop and the lagged effects of monetary tightening weigh on economic activity.**

- **The pledge of the Medium-Term-Plan to considerably tighten fiscal stance in 2025, is expected to restrain economic growth next year as well.**

- **On a positive note, external balance continues to improve and seems to be less of a concern.**

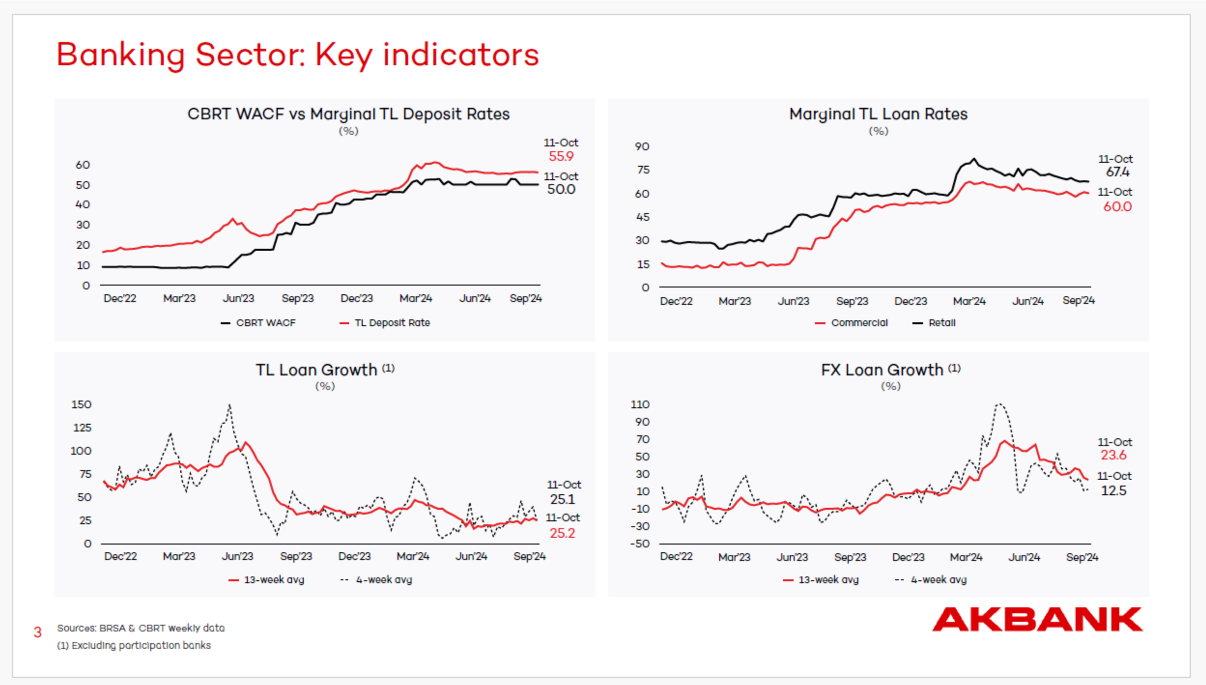
- **It is encouraging to see that despite real appreciation of TL, tight credit policies are preventing the worsening in current account balance.**

- **Underlying trend in inflation still remains high, and sticky services inflation underlines the need for a tight monetary policy stance for an extended period of time, narrowing the room for rate cuts this year.**

- **We expect inflation to end the year around 44%.**

- **We are in the budgeting process, but our initial expectation for inflation next year is around 25%.**

- **Moving onto the key indicators of the banking sector.**



- **Tight monetary stance and quantitative restraints continue to keep borrowing rates high.**

- **As a result, TL loan growth slowed down significantly, while the growth cap introduced to FX loans in May has also limited growth on that side.**

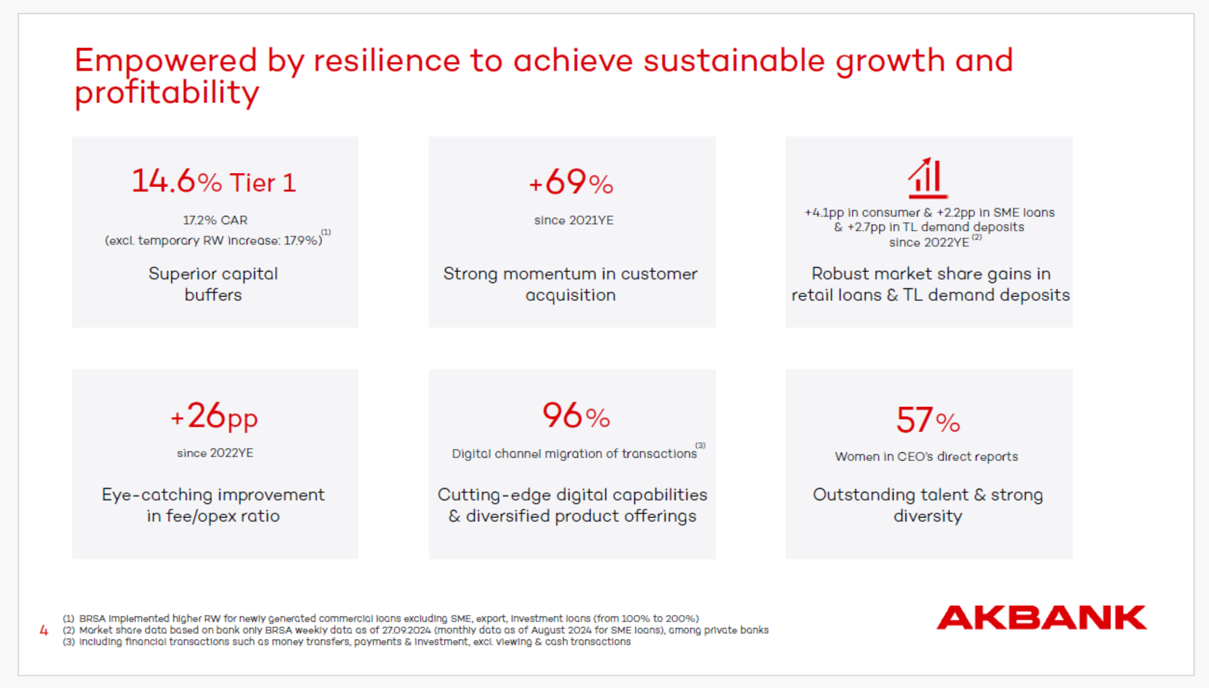
- **Looking forward, total credit impulse implies a gradual, but not a sharp, softening in economic activity, which will reduce the demand-pull inflationary pressures.**

- **The rebalancing process brings some challenges in the short term.**

- **The slowdown in loan growth and the decline in LDR put additional pressure on the core operating profitability of the sector.**

- **Going forward, the regulation induced low LDRs provide a large room for improvement in NIM, once the economy heads towards a lower inflation environment.**

- **Moving onto our bank.**



- **In this dynamic environment, our team has remained resilient, agile and focused on what we do best.**

- **Executing our customer-centric strategy for recurring revenues, identifying areas for sustainable growth while maintaining prudence in risk management and cost control.**

- **The dedication and experience of our people continue to drive our success.**

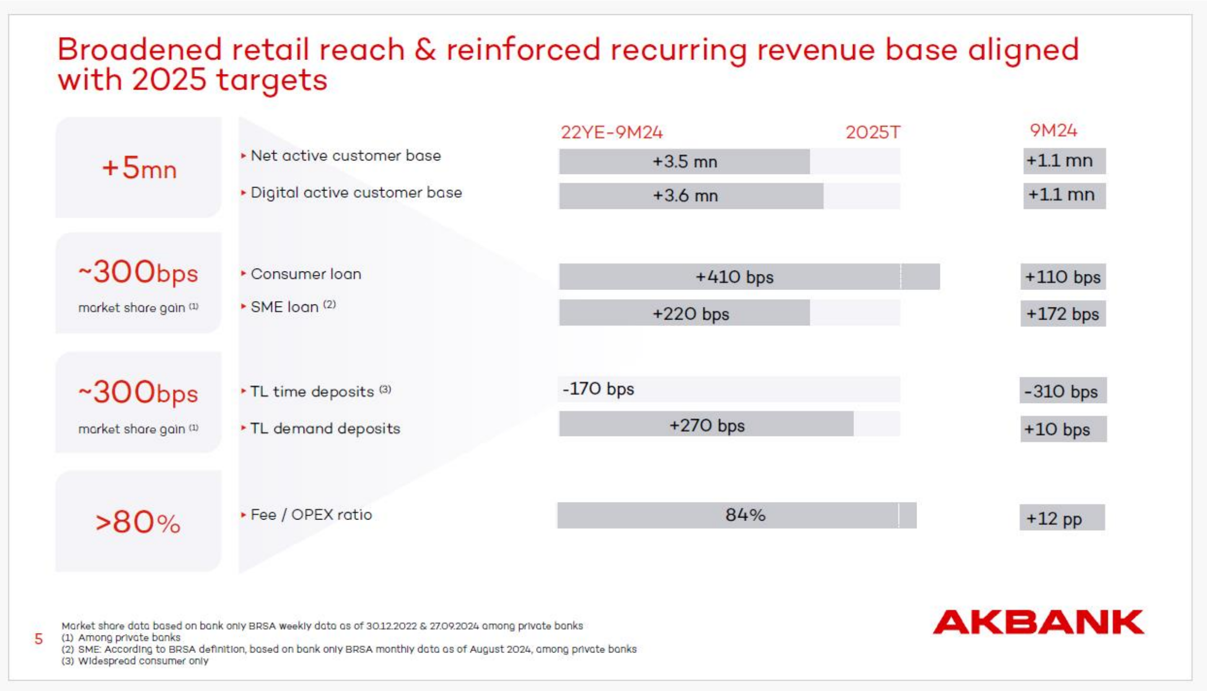
- **With a solid total capital of 17.2% and Tier 1 of 14.6%, we are well equipped to serve the interests of all stakeholders.**

- **Key factors behind our profitability include effective balance sheet management, agility in regulatory matters, and continuous momentum in fee performance.**

- **Our active customer base exceeded 14 million, resulting in our fee to opex ratio to excel by 26 percentage points in just 7 quarters.**

- **Ongoing organic customer growth strategy strengthens our recurring revenues, ensuring the bank's long-term success in dynamic markets.**

- **We remain committed to investing in our businesses and people to drive future growth and maintain long-term profitability.**



- **I'm pleased to once again share with you that we are consistently moving forward to achieve our 2025 targets.**

- **Similar to second quarter, we intentionally scaled back in TL wide-spread consumer only deposit market share, in order to optimize our funding cost and manage NIM.**

- **Similar to previous quarter, our TL LDR remains low at 82%, which is the reason behind our decision, given the regulatory environment.**

- **As stated earlier, our low TL LDR offers considerable potential for enhancing margins moving forward.**

- **Another point I'd like to leave you with is the improvement in our Fee-to-Opex ratio.**

- **It increased substantially and is already at 84%. In third quarter alone, it was at 91%.**

- **This reflects a major accomplishment, largely due to our persistent efforts in acquiring new customers.**

- **To wrap up, despite the challenging environment, we believe we've reached a trough in earnings and are well-positioned for a gradual recovery.**

- **Our NIM is showing early signals of an upward trend.**

- **We've strategically structured our balance sheet to prosper in a disinflationary environment, enabling us to manage risk effectively while maintaining flexibility in response to macroprudential measures and regulatory developments.**

- **Our customer-related recurring revenues continue to grow, providing us with a resilient revenue base that will support our long-term performance.**

- **We are committed to managing risk prudently, and we believe our approach allows us to navigate this environment while unlocking growth opportunities.**

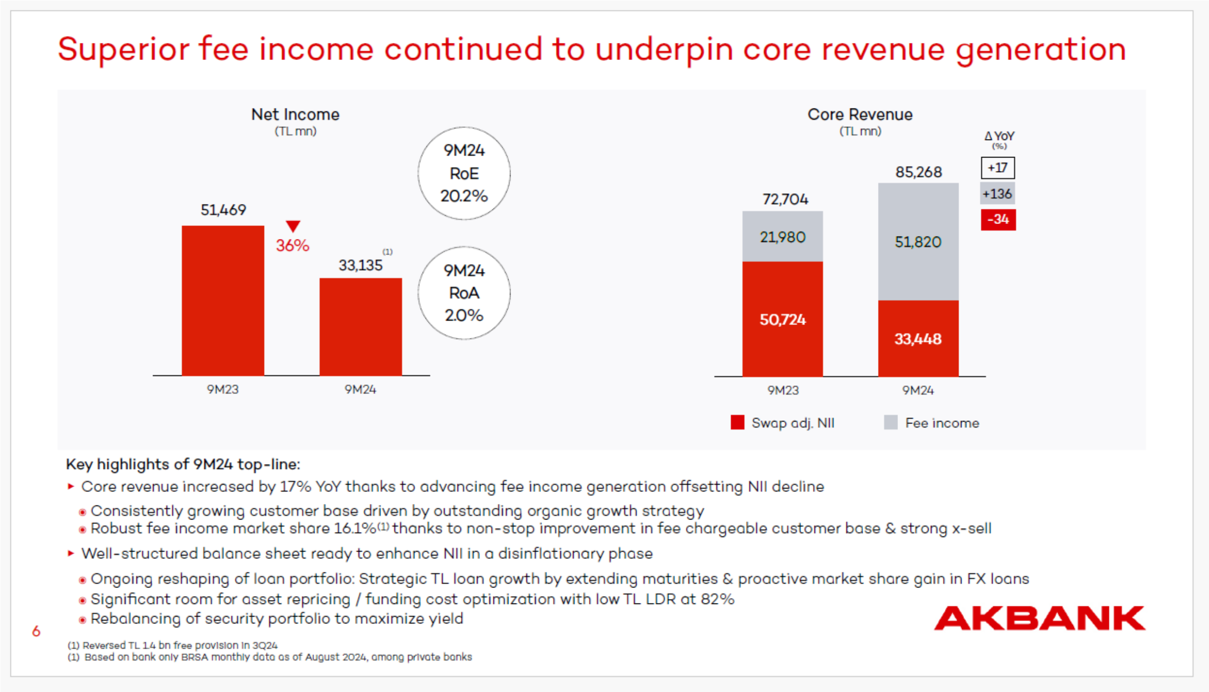
- **I'd like to leave you with these key messages: We are recovering, managing risk proactively, and positioned for gradual but sustained growth.**

- **I'm proud of our teams' hard work and dedication.**

- **I'd like to take this opportunity to sincerely thank all our people.**

- **Dear Friends, thank you all for your ongoing trust as we continue to build toward a stronger future, and I look forward to meeting you all soon, bye for now.**

- **Türker and Ebru, I am now handing the webcast over to you.**



- **Thank you Kaan Bey, hearing your insights once more in our webcast was invaluable.**

- **As Kaan Bey just highlighted, we are navigating a transitional period where the monetary policy transmission mechanism has largely been restored, but elevated funding costs along with restrictions on loan growth continue to strain our margins.**

- **Despite the sector-wide challenges in net interest income, the strength of our fee income continues to support core revenue generation.**

- **Our core revenues increased by 17% yoy in the first 9 months of the year, thanks to advancing fee income generation more than offsetting NII decline.**

- **Without any doubt, our strong commitment to enhance our recurring revenues and non-stop enhancement in fee chargeable customer base and our strong x-sell ratio continued to be the driving force behind our success.**

- **Please also note in the third quarter we maintained our prudent approach in building provision buffers, which added pressure to quarterly net income evolution.**

- **Meanwhile, this quarter we reversed our free provision of TL 1 billion 4 hundred.**

- **Adding all up, our NI decreased by 36% yoy to 33 billion 1 hundred and 35 million, resulting in a RoE of 20.2%, RoA of 2.0% for 9M.**

- **Going forward, our BS is well positioned to expand margin and NII in disinflationary environment thanks to our:**

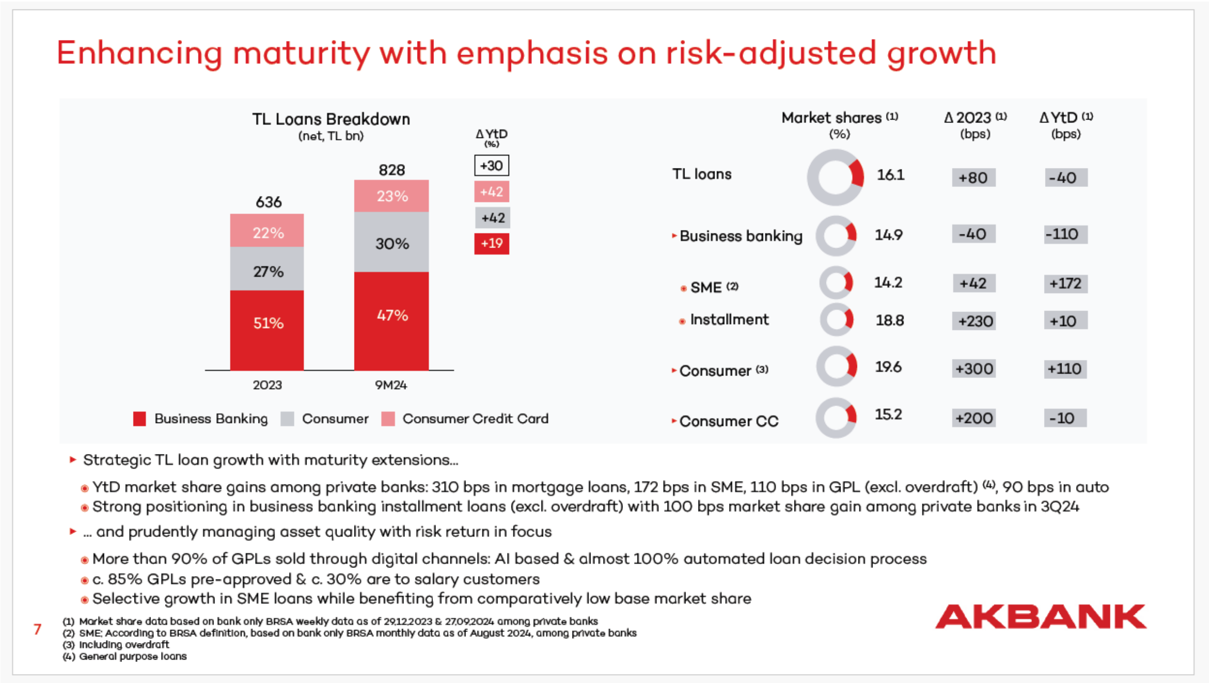
- **Small-tickets led growth strategy while proactively extending maturities of loan book & substantial market share gain in FX loans,**

- **Relative advantage in asset repricing considering the low TL LDR of 82% and**

- **Dynamic rebalancing of security portfolio towards higher yielding assets.**

- **Let's now take a closer look at the main factors contributing to our solid performance in a challenging environment.**

- **Starting with the balance sheet.**



- In first 9 months of the year, our TL loans were up by 30% led mainly by small tickets, in line with our strategic target to enhance our retail footprint.

- Considering the disinflation outlook, we have strategically and proactively reshaped our loan portfolio by prioritizing the growth in segments where we can effectively extend maturities.

- As a testament of our growth strategy, on top a phenomenal 300 bps market share gain in consumer loans among private banks last year, we successfully further increased our market share by 110 bps year-to-date.

- Our market share gain in mortgages has also been eye-catching at more than 300 bps year-to-date.

- Please note that, in addition to the maturity extension, mortgages offer significant cross-sell opportunities, with delinquencies being nearly non-existent for this product.

- On the business banking front, our robust positioning in installment loans with a solid 18.8% market share among private

banks, enables us to capitalize on opportunities for extending maturities.

- **Following an eye-catching 230 bps market share gain last year in this product, we added 100 bps market share in just 3rd quarter alone.**

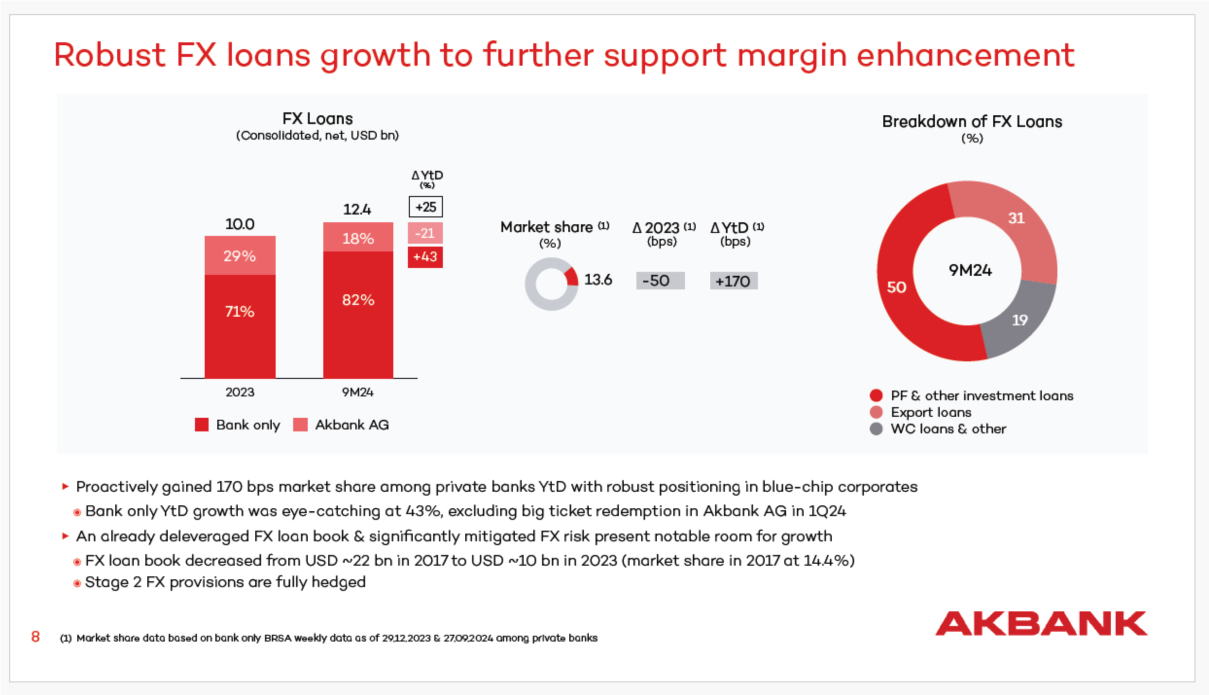
- **In SME loans, through a prudent and selective growth strategy we expanded our market share by 172 bps year-to-date.**

- **Please also keep in mind, while benefiting from our comparatively low market share in SME loans, we have been managing maturity extensions based on pricing.**

- **Our organic growth strategy also features a prudent balance between risk and return, with timely adjustments to lending criteria as required.**

- **Advanced analytics and excellence in technology are central to our growth strategy, driving our robust asset quality, enabling us to take quick and timely actions.**

- **Please also note that, in terms of volume, around 85% of GPLs are pre-approved and around 30% are to salary customers.**

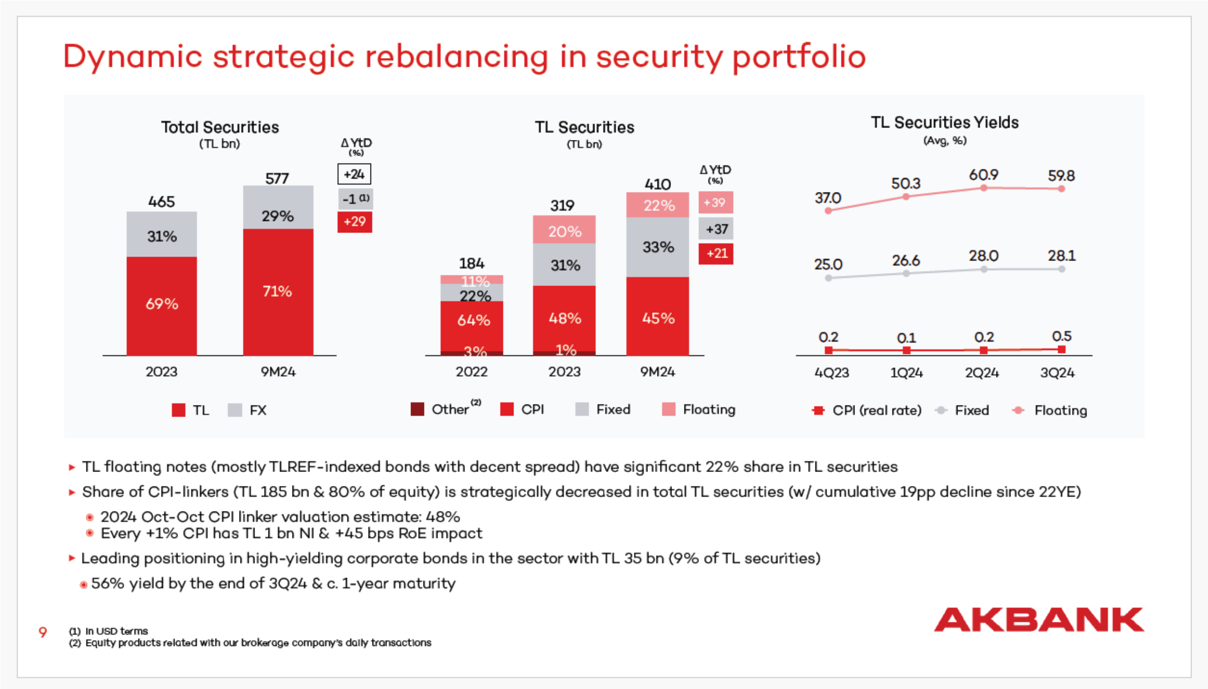


- **On the FC loan side, we successfully grew the loan book by a solid 25% year-to-date, already reaching our FY guidance of above 20%.**

- **Our bank-only growth was even stronger at 43%, excluding the impact of the big-ticket redemption during 1Q in our fully owned subsidiary Akbank AG.**

- **This robust growth led us to gain 170 bps market share among private banks year-to-date with strong foothold within high-profile blue-chip corporates.**

- **Thanks to our already deleveraged FX loan book, we have significantly mitigated our risk and remain committed to expand the portfolio, which will also be margin supportive.**



- Moving onto the securities side.

- In light of the disinflationary environment, we have also actively adjusted composition of our TL security portfolio by incorporating higher-yielding assets.

- We adopt a strategic and balanced approach in FRNs and fixed rate bonds.

- We have been increasing our positioning in TL floating notes since the beginning of last year.

- It's share in our TL securities is up 11 percentage points over the last 7 quarters.

- Accordingly, FRNs majority of which are TLREF indexed bonds, have a decent 60% average yield and a solid 22% share in our TL securities.

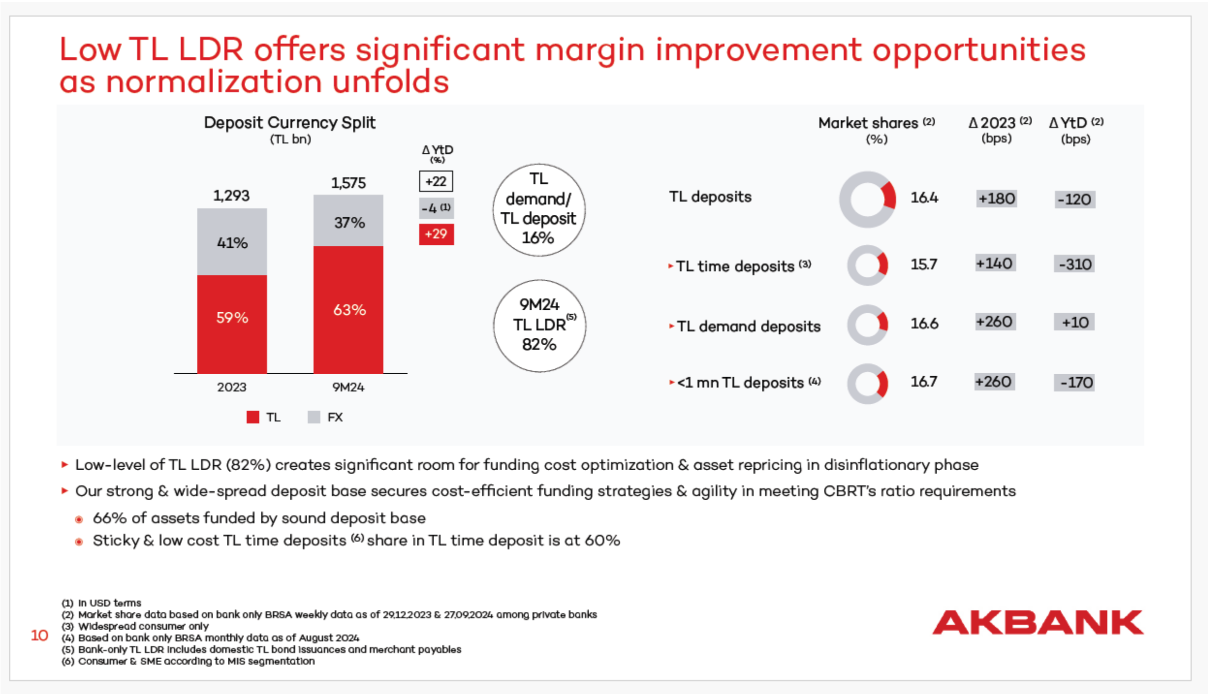
- In TL fixed rate securities, while we are positioning strategically at favorable rates, we continued to lead the sector with our strong positioning TL corporate bonds.

- Our high-yielding corporate bond portfolio, with at end of quarter 56% yield, stands at TL 35bn, or around 9% of our TL securities.

- Our strategic approach also incorporates to decrease the share of CPI linkers in TL securities.

- This strategy already resulted in a cumulative reduction of 19 percentage points since end of 2022.

- Meanwhile, our Treasury’s proactive positioning in CPI linkers with positive real rate continues to be a differentiating factor, considering the tightening spread between the policy rate and inflation.



- On the funding side, we maintained our disciplined funding mix, whereby deposits have continued to be main source of funding.

- We have a well-diversified deposit base, making up 66% of our total liabilities.

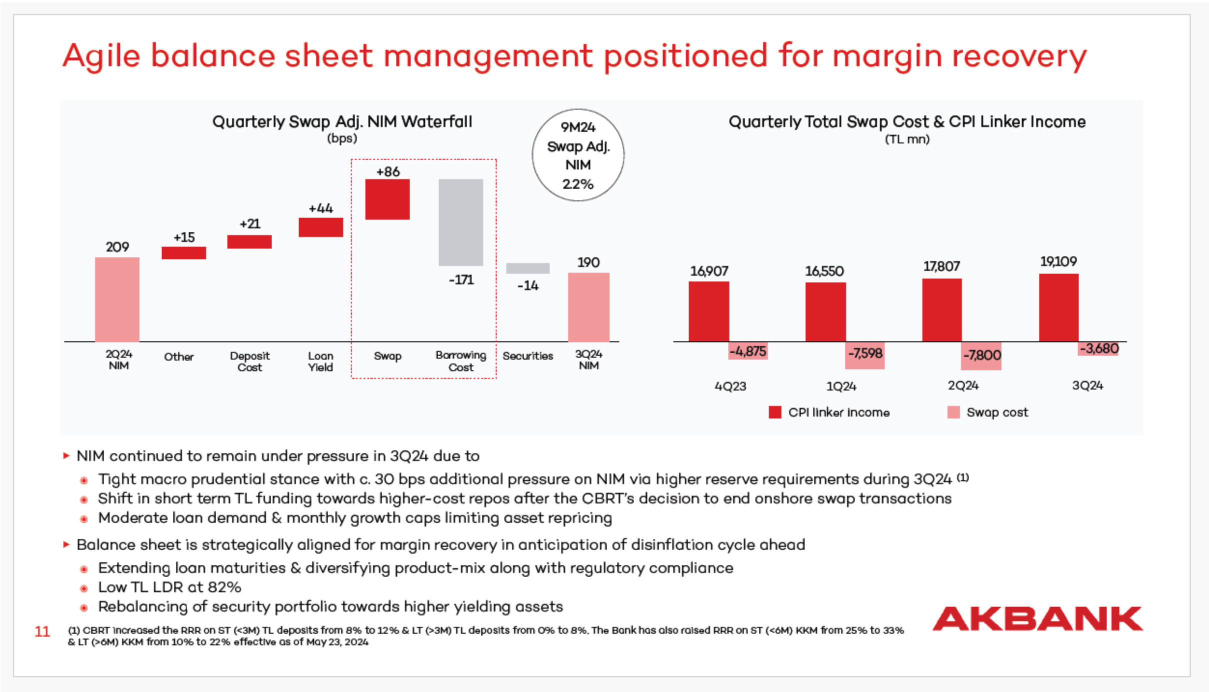
- While our TL time deposits remain resilient, with 60% of total consisting of low-cost and sticky TL time deposits.

- **On top of our strong & wide-spread deposit base, our TL LDR remains low at 82%.**

- **This low LDR has enabled cost effective funding strategies and tactical shift in market positioning, providing edge in cost optimization this year.**

- **Please also note that, as highlighted by Kaan Bey, our low TL LDR will also be crucial in supporting our margins going forward, offering significant capacity for future growth, asset repricing and margin enhancement.**

- **Moving onto the P&L.**



- **Without any doubt, pressures on spread and margin evolution were the major challenges faced by the sector this year.**

- **The tight monetary policies targeting disinflation, along with competitive pressures and growth caps, which have limited asset repricing, continued to put pressure on NIM evolution in the third quarter.**

- **To put into figures higher reserve requirement ratios, effective as of May 23rd put additional 30 bps pressure on NIM in Q3.**

- **Please note that even though the Bank is eligible to for maximum remuneration from its reserve requirements, the interest earned remains significantly below the funding rate.**

- **To put into figures, on average our reserve requirements make up c.10% of TL assets & c.25% of our FX assets.**

- **Last but the not least, change in the composition of short-term TL funding towards higher cost repos following the CBRT's decision to terminate swap transactions with the banks, has put significant pressure on quarterly NIM evolution.**

- **Our cumulative 9 month swap-adjusted NIM stands at 2.2%, which creates downward risk to our FY NIM guidance, especially when considering high underlying trend in inflation, which requires tightness of monetary and macropudential stance.**

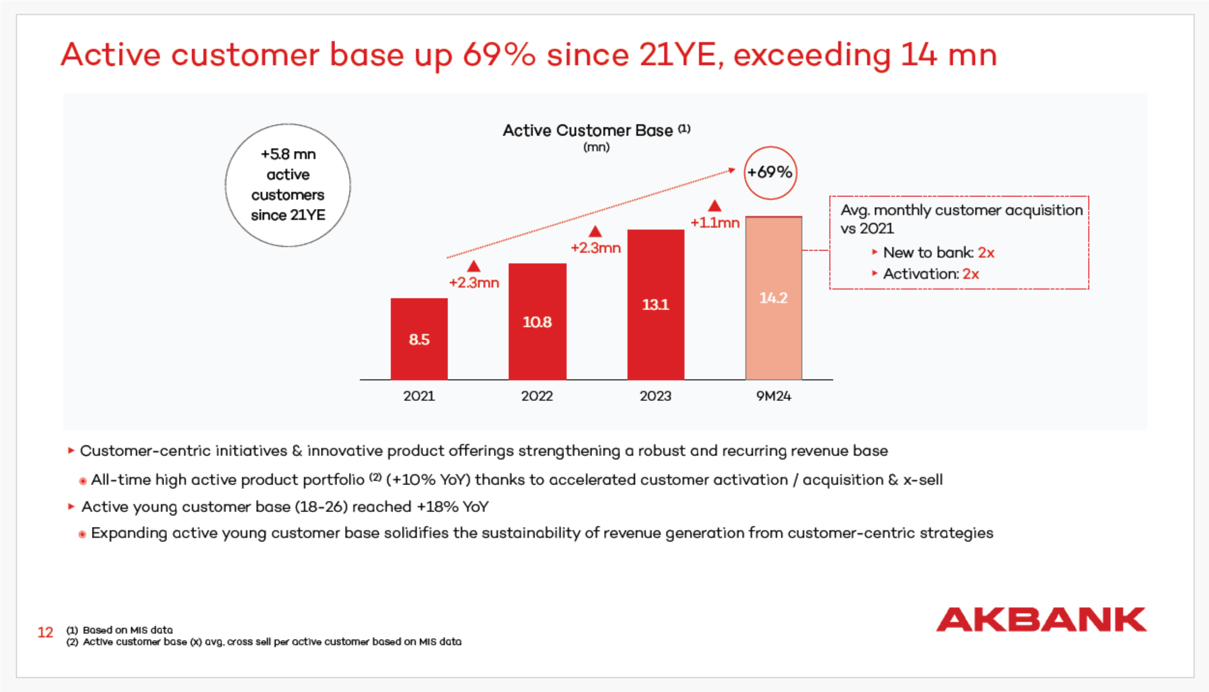
- **On the other hand, our BS is ready expand margin and NII in the upcoming disinflationary phase thanks to our agile and proactive asset liability management.**

- **On the asset side:**

- **We have strategically increased our TL loans by focusing on maturity extensions and have also seen significant growth in FX loans while adjusting our lending criteria to manage risk and**

- **Additionally, our balanced approach to the security portfolio will create substantial opportunities for NIM enhancement in the coming period.**

- **On the funding front, our robust TL deposit base and low TL LDR will provide additional opportunities for margin improvement going forward.**



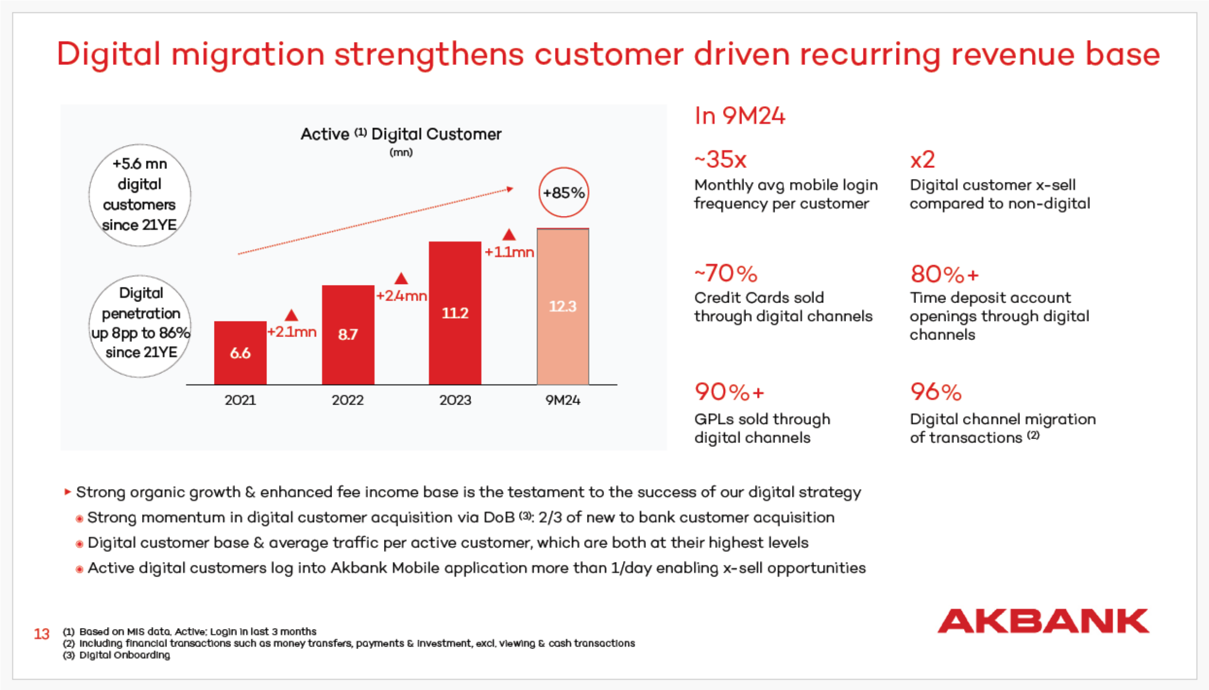
- **As highlighted earlier, we are committed to grow our customer base and enhance our customer-driven recurring revenues.**

- **In line with our strategic targets, our active customer base reached 14.2 mn, up 69% since 2021YE with an eye-catching 5.8 mn net active customer growth.**

- **Without any doubt, the success of our organic growth strategy lies in our customer centric initiatives with a focus on customer satisfaction, and continual innovations.**

- **Our active product portfolio, a function of active customer base and average cross-sell per customer, has enhanced further by 10% yoy, reaching a new all-time high.**

- **Meanwhile, our growing young customer base, which increased further 18% yoy, strengthens our robust and recurring revenue base.**



- **Our digital strategies have proven successful through the expansion of our customer base and the advancement in our sustainable fee income.**

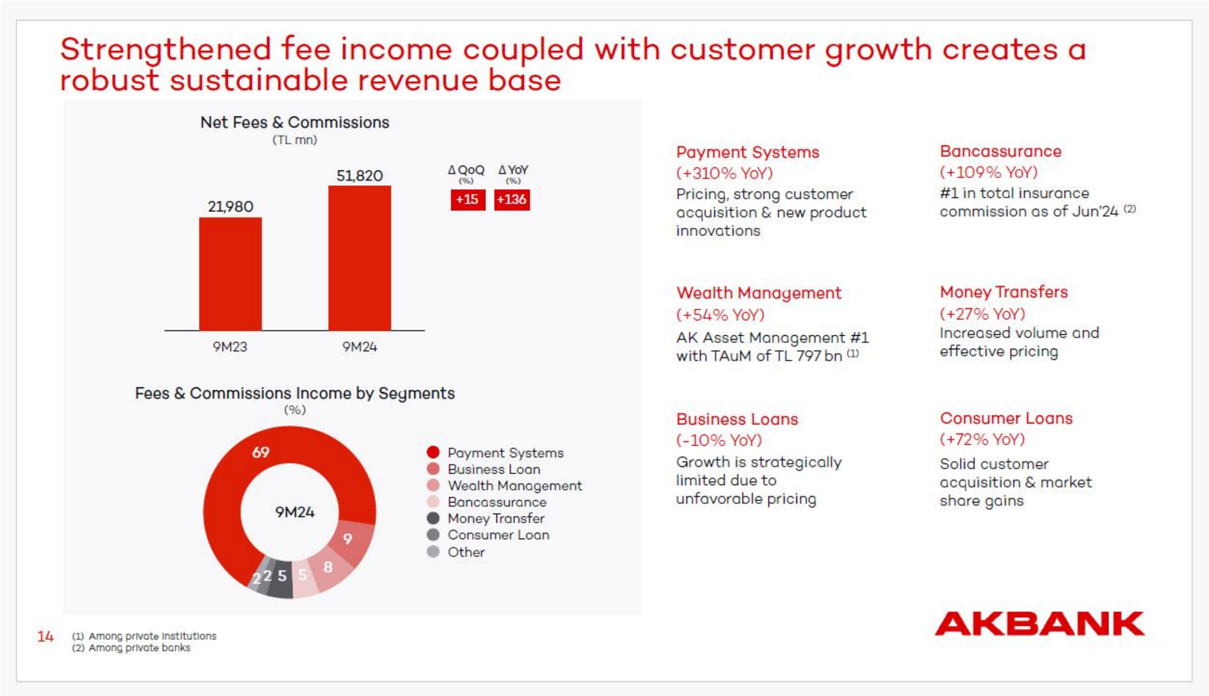
- **Similar to last year, two-thirds of our new to bank customers were acquired via digital onboarding.**

- **Number of our digital customers reached 12.3 mn with a robust 85% growth since 2021 year-end, well exceeding net active customer growth in the same period.**

- **Accordingly, digital penetration continues to excel, up by 8 pp to 86% since 2021YE, while migration of transactions to the digital channels already reaching 96%.**

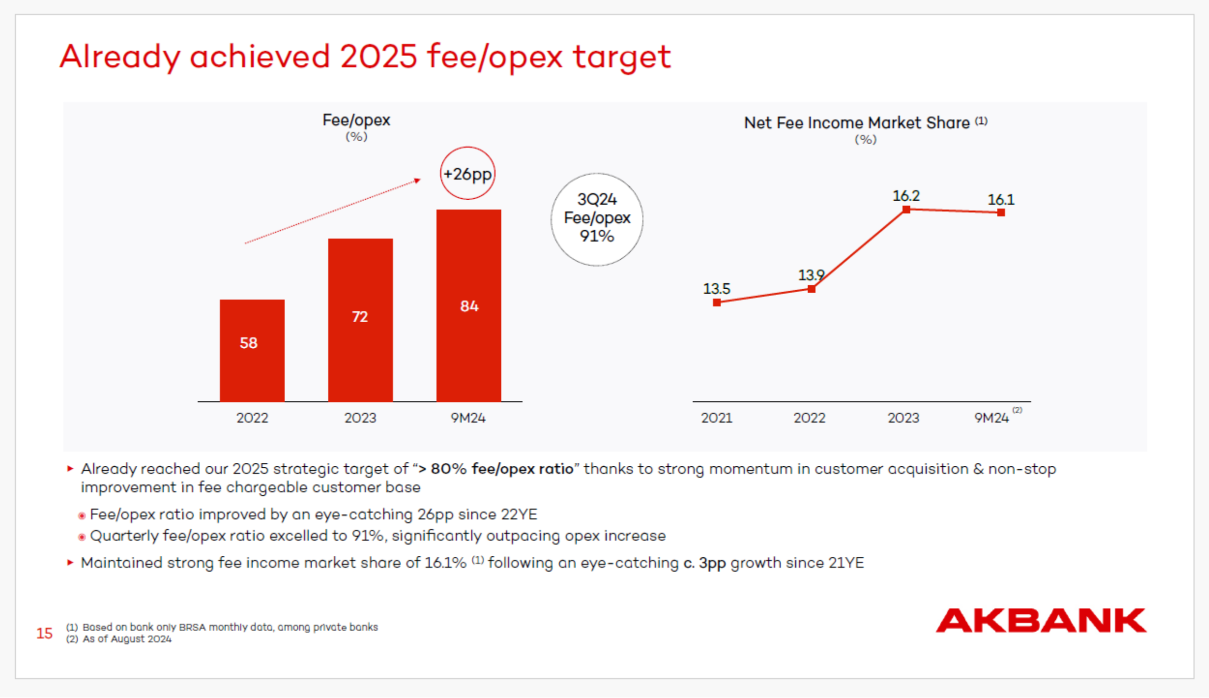
- **We continuously leverage our digital excellence, innovative solutions to revamp our value proposition and to maximize the number customer touch-points.**

- **Please note that our digital channels have achieved an impressive share, accounting for around 70% of credit card sales, over 90% of GPLs, and more than 80% of time deposit account openings.**



- **On the fee & commission income side, we achieved 136% year-on-year growth in the first nine month of the year, significantly outpacing the opex growth and well on track with our full year guidance of around 100% growth.**

- **This outstanding fee performance is without question driven by our dedicated investments, strong customer acquisition track record, broad product portfolio, and diverse fee income base.**



- **I am delighted to share that we have already reached our 2025 strategic target to increase fee/opex ratio above 80%.**

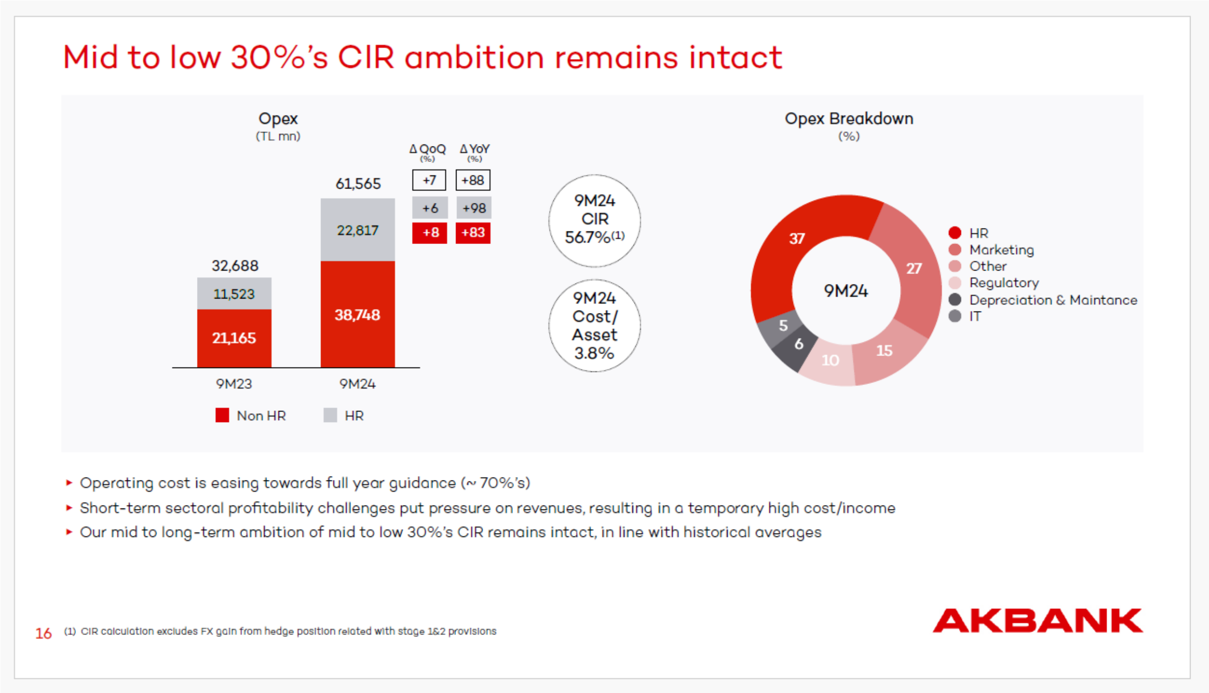
- **Our fee income more than doubled yoy.**

- **This resulted in our fee/opex ratio to improve by an outstanding 26 pp in 7 quarters to 84%, with even a higher quarterly figure of 91%, thanks to all time high fee chargeable customer base and strong x-sells.**

- **It is important to underline that we had an impressive around 3 pp market share gain since 2021YE until the beg of this year.**

- **Our fee income market share among private banks remained unchanged year-to-date at 16.1% as a result of our intensified commitment to enlarge our customer base while deepening the relationships.**

- **So, the message is that the bank is now operating at a higher plateau in fees in terms of market share.**

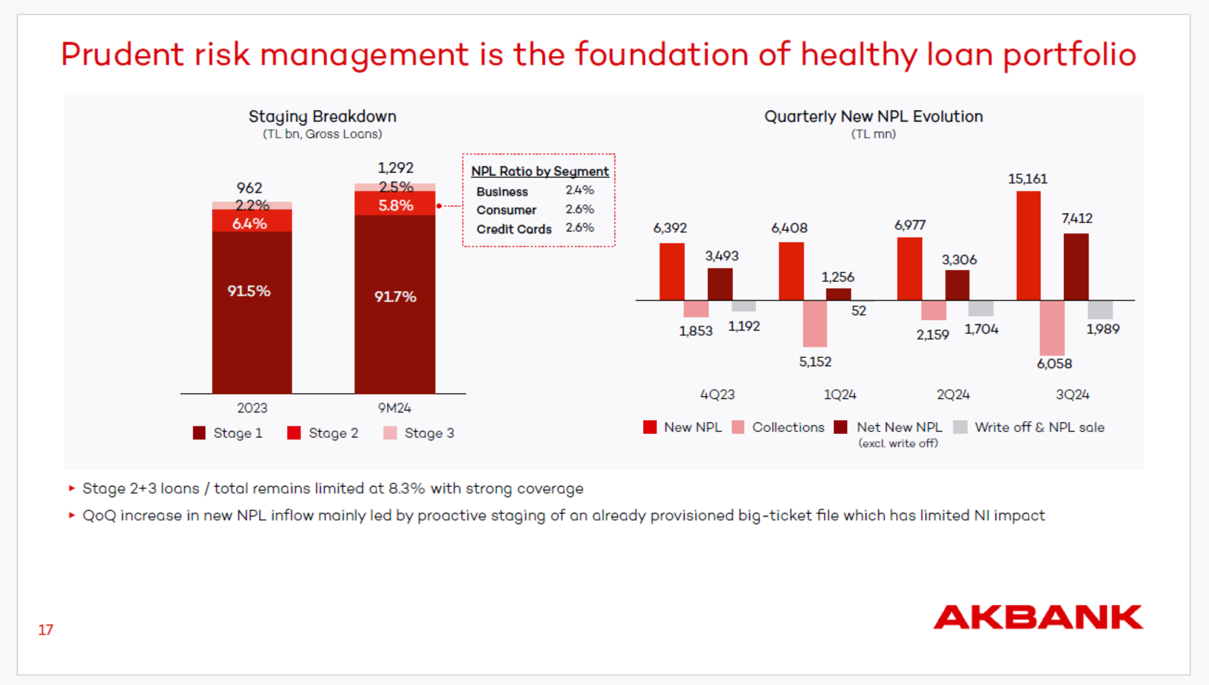


- **On the cost side, our opex was up by 88% yoy in the first nine month of the year while quarterly increase was limited at single digit, second quarter in a row.**

- **Accordingly, despite the on-going challenges in opex, cost growth trend has been easing towards our FY guidance of around 70% levels.**

- **Meanwhile, tight monetary and macro prudential policies put pressure on revenues, resulting in a temporary high cost/income ratio.**

- **However, our mid to long-term ambition of mid to low 30%'s remains firmly in place, in line with historical averages thanks to our dedicated investment for sustainable growth and profitability as well as the disciplined cost management.**



- **Moving onto asset quality.**

- **Our focus on risk-return supported by proactive provisioning, excellence in advanced analytical capabilities across retail segments, machine learning based credit decision models have enabled us to maintain sound asset quality.**

- **For GPLs, we have 100% automated credit decision models where we differentiate ourselves in terms of sophistication with substantial number of score cards in decision processes.**

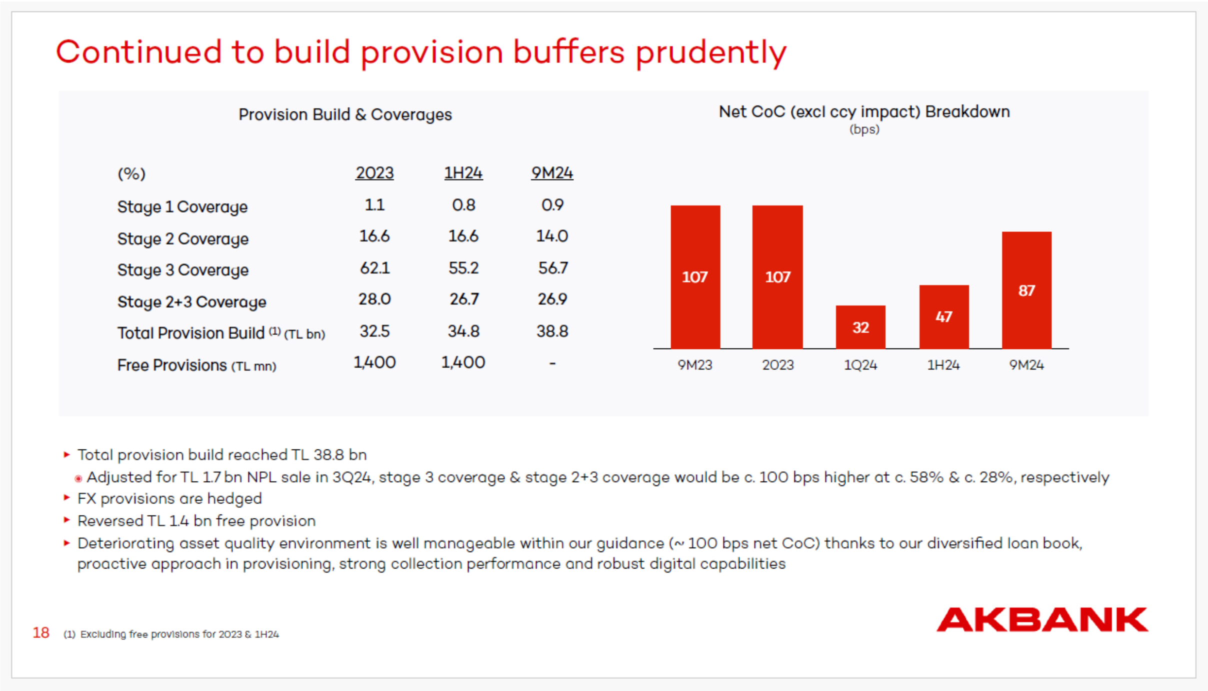
- **For credit cards, on top of machine learning based decision models, advanced mathematical optimization in limit decisions enables us to secure quality.**

- **For SME loans, this year we have also applied our proven analytical capabilities to already digitized micro segment, not only enabling a substantial market share growth but also to manage the quality while growing.**

- **Please note that the uptick in new NPL inflow is driven mainly by our proactive approach in staging of a big-ticket file, which was** already provisioned adequately and has limited net income impact.

- **While robust and broad-based collection performance across all customer segments supported the NPL ratio to remain at 2.5%.**

- **Share of stage 2 + 3 in our gross loans, which would be considered potentially problematic, remained limited at 8.3%, while coverage remained strong.**



- **During the quarter, our continuous provision buffer build-up has carried our total provisions to around TL 39 billion.**

- **While our stage 3 coverage remained solid even with the negative 100 bps impact, due to the TL 1.7 bn NPL sale during the quarter.**

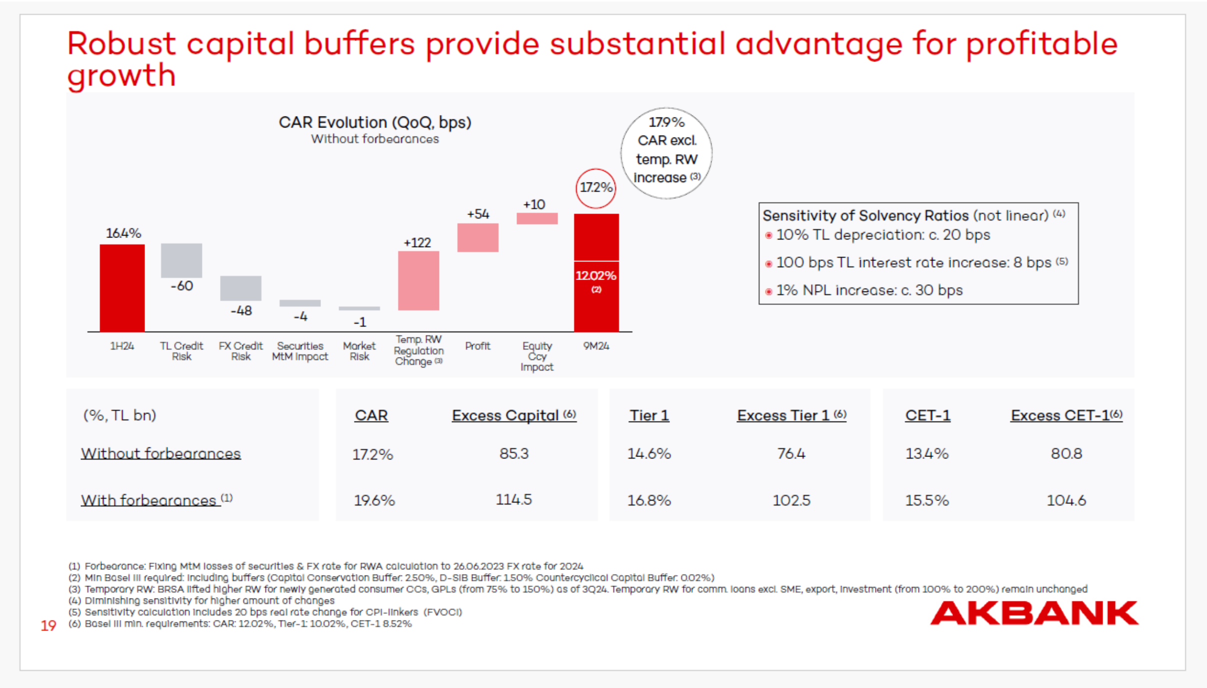
- **Adjusting for this NPL sale, our stage 3 coverage would be 58% and our stage 2 + stage 3 coverage would be at 28%.**

- **Also, please note that the coverage of stage 2 came slightly down due to the previously mentioned big ticket file migration to stage 3. Otherwise, stage 2 coverage would have remained flattish.**

- **All in all, we ended the first nine month of the year at 87 bps net COC, excluding currency impact.**

- **Despite the deteriorating asset quality environment, net COC is well manageable within our guidance of around 100 bps thanks to our well-diversified loan book, sophisticated digital capabilities along with our proactive provisioning.**

- **Looking ahead, we anticipate that any potential uptick in COC will be offset by the strengthening of net interest income during the disinflationary phase.**



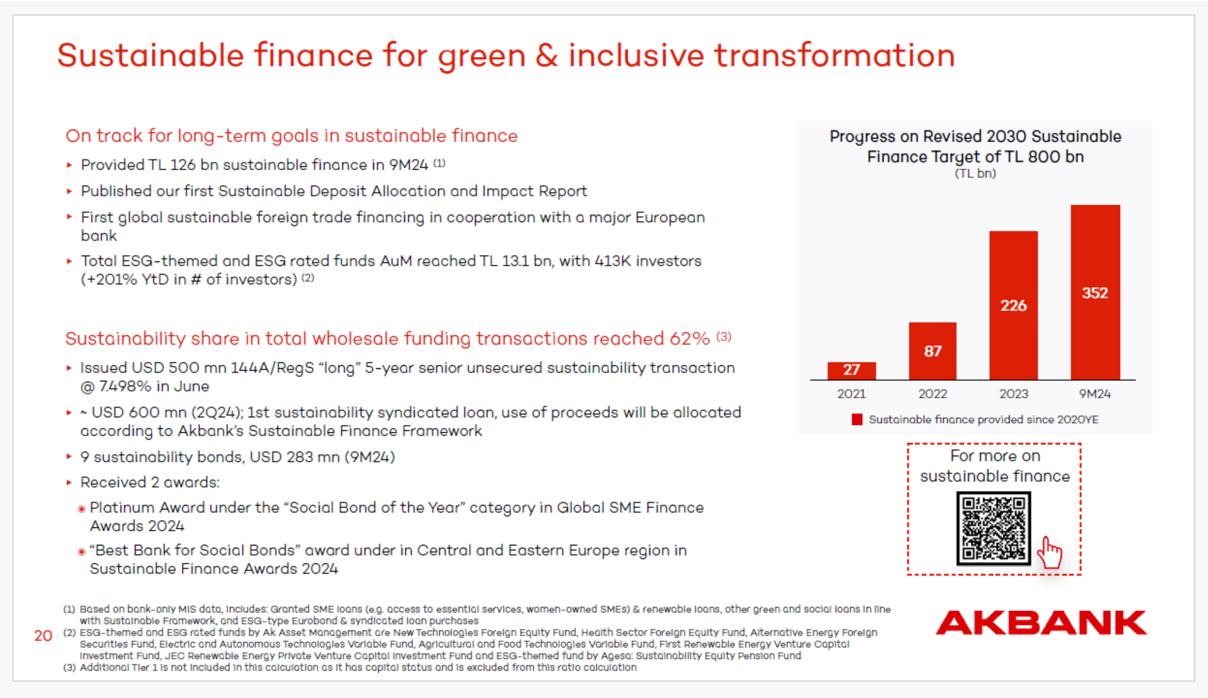
- **Despite the sector-wide profitability challenges, which limit internal capital generation capabilities, our total capital, Tier 1 and CET 1 ratios without forbearances remain outstanding at 17.2%, 14.6% and 13.4% as of 9M24.**

- **BRSA lifted temporary higher RW for newly generated consumer CCs and GPLs in Q3, which had a positive 122bps impact on our total capital.**

- **On top of this, when adjusted for the temporary RW for commercial loans, which remained unchanged, our CAR would be even 50 bps higher at a robust 17.9%.**

- **Strong capital reserves continue to provide protection against extraordinary market challenges and fluctuations, offering critical resources for long-term, profitable growth.**

- **Before moving onto Q&A, I'd like to share a few highlights regarding our ESG journey.**



- **As mentioned in our ESG video at the start of our presentation, we continue to embed sustainability into the core of our operations.**

- **And we are proud to be honored with Integrated Report and ESG awards, underlining our commitment to sustainability,**

responsible banking, with a strong dedication to transparency and accountability.

- **During 3Q, we have provided TL 126 bn sustainable finance, bringing the cumulative to TL 352 billion since 2021. This accounts 44% of our 2030 target.**

- **In addition, 62% of our wholesale funding is sustainable-theme.**

- **In Ecosystem Management, our commitment to financial inclusion is evident in our efforts to provide more accessible services.**

- **We have successfully completed our first mentor check-up event in Istanbul with 30+ startups, to fulfill the needs of our entrepreneur customers.**

- **To encourage eco-friendly transportation for our customers, we offered monthly refunds on charging transactions and advantageous vehicle loan pricing with a special campaign package.**

Empowering our people and communities

Updated Remuneration Policy

- Updated Remuneration Policy in line with our sustainability strategy

Joined Business Against Domestic Violence Network

- In alignment with our zero tolerance policy towards violence, we are actively working on practices to support victims of violence

Akbank Academy reached 30K young people in 9M24 (165K since 2020)

- Assisted youth in competency development trainings by covering subjects related to sustainability & sustainable Finance

Upcycle - Transformation Holds the Future Project

- Through upcycling efforts, over 6K furniture from the Akbank renovation project has been donated to 415 schools impacted by earthquakes

For more, please see our Board of Directors Diversity Policy

For more, please see our D&I Policy

22

AKBANK

- **As for people & community pillar, we continue to take important steps in Diversity & Inclusion, youth and education projects.**
- **In alignment with our zero tolerance policy towards violence, we have joined the Business Against Domestic Violence Network and will work on concrete steps for the victims of violence.**

Advance efforts to mitigate environmental footprint & manage climate risk

Loan portfolio emissions – Step by step towards our 2050 net zero target

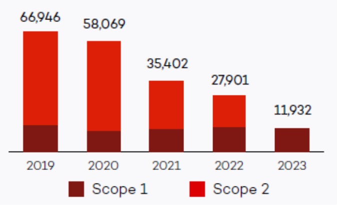
- A member of the Net-Zero Banking Alliance
- Disclosed interim emission reduction targets in line with PCAF (1) methodology for 4 asset classes and 4 prioritized carbon intensive sectors
- Published our **Net Zero Strategy** together with our loan portfolio baseline emissions and sectoral approaches
- Committed to phasing out coal by 2040, considering the principles of a just transition
- Continued our active role in Climate Finance Accelerator Program Türkiye
- Continued to engage with our corporate customers with a focus on Net Zero

Decarbonization of our operational emissions

- 82% reduction in our operational emissions in 2023 since base year 2019
- Set interim emission reduction target in line with 1.5°C scenario: Reduce absolute Scope 1 and Scope 2 GHG emissions 90% by 2030 from 2019 base year
- 100% of bank's electricity sourced from renewable resources since the beginning of 2023
- Extended capacity building in energy efficiency and waste management
  - ISO 50001 (Energy Management) & 14001 (Environmental Management) trainings completed in 165 locations in 9M24 (723 locations in total)

Sectors	2030 Target (base year 2021)
Power ($kgCO_2/MWh$)	-60%
Cement ($kgCO_2/ton$)	-23.8%
Iron-Steel ($kgCO_2/ton$)	-29%
Commercial Real Estate ($kgCO_2/m^2$)	
Service Buildings	-40.8%
Residential Buildings	-49.3%

Operational Emissions (Scope 1 & 2, ton CO_2e)



23 (1) Partnership for Carbon Accounting Financials

AKBANK

- Our commitment to becoming a Net Zero Bank by 2050 remains central to our Climate Change pillar.

- We are pleased to be the first deposit bank in Türkiye to reveal our Net Zero strategy, baseline emissions, and sectoral approaches.

- In addition, we have announced our commitment to phasing out coal by 2040, considering the principles of a just transition.

Navigating challenges in a transitionary year

	9M24	2024E	Outlook
TL Loan Growth	30.2%	~ 40%	*In line*
FX Loan Growth (in USD)	24.8%	> 20%	*Better*
NIM (swap adj.)	2.2%	~ 3%	*Downside risk*
Net fees&com. growth	135.8%	> 100%	*Better*
Opex growth	88.3%	~ 70%'s	*In line*
Cost/ income [1]	56.7%	High-40%'s	*Downside risk*
NPL	2.5%	~ 2%	*Downside risk*
Net total CoC (excl. ccy impact)	87 bps	~ 100 bps	*In line*
ROE	20.2%	Mid to high 20%'s	*Downside risk*

3Q24 Cheat sheet

24 (1) CIR calculation excludes FX gain from hedge position related with stage 1&2 provisions

AKBANK

- As a final note, while our fee generation has been robust, due to the ongoing sector-wide challenges, it is evident that there is downside risk to our NIM and therefore our ROE guidance.

- However, as Kaan Bey mentioned at the start of the call, based on latest trends, we believe that 3Q was the bottom in earnings and we are well-positioned for better profitability ahead.

Thank you for joining us today.

If you have any further questions, feel free to reach out our Investor Relations team is always happy to help.

We look forward to meeting and updating you on our progress in the future.

Have a great day.