

Financials Presentation
September 2017



Global EM Drivers and Domestic Implications

Financial Channel

“Goldilocks” continues to be the main theme.
FED not in a hurry expecting her leadership change at the helm.
ECB trades quantity for longer duration.
EM related financial risks abating.

Trade Channel

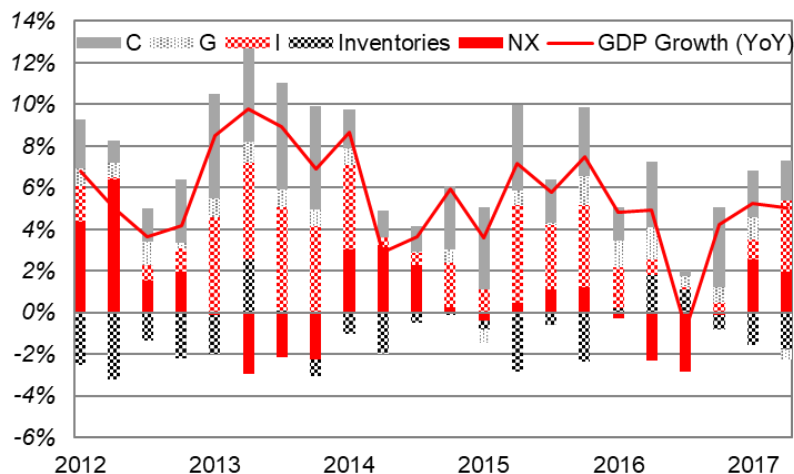
Oil “Synchronization” becomes the new norm.
European economic prospects looking good.
Consumption demand keeps high production and trade levels intact, globally.

Geo-Political Events

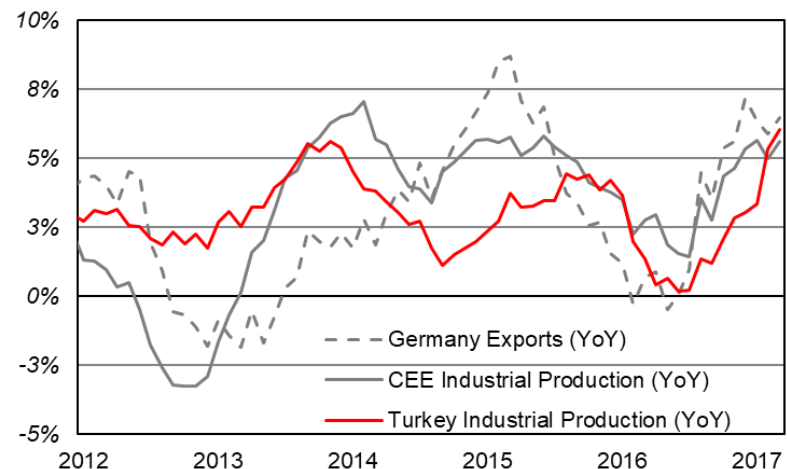
Calm prevailed regarding developments in **northern Iraq**, no crisis in sight.
 Turkey emphasizing **diplomatic channel** to improve relations with US and Germany.
Catalonia seems an isolated occurrence.

- Central bank strengthened its forward guidance with **“tighter for longer”** attitude.
- Rates on hold** despite an oncoming dis-inflation process at the beginning of next year.
- Growth performance** not just beating expectations but also very well balanced with net exports contributing positively.
- Nominal GDP growth** running at a high level creating room to maneuver on the fiscal space.
- Increasing employment** generates income for house-hold consumption and tax revenues for government’s fiscal measures.
- High asset quality** in banking sector and **solid profit margins** in real sector keeps financial conditions in good shape.
- Expect 5+% growth performance** to ensue on the back of external demand.
- Government working on **“targeted”** policies to curb inefficiencies and to improve productivity.

A well balanced growth performance...



... on the back of strong European value chain



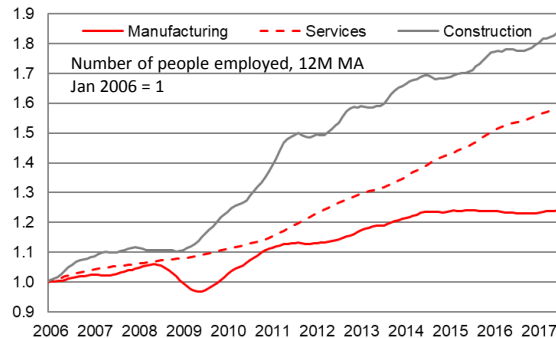
At Cruise Altitude With 5+% Growth Rate

Job Opportunities Gives Consumers The Power

800K new jobs offered year-to-date.

Domestically produced car sales rose by 60% YoY in Q3.

Tax collection increased by a real 12.1% YoY thanks to faster economic activity.

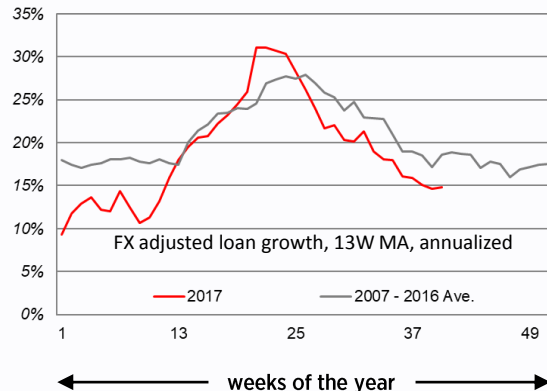


Loan Growth As ForeSeen

Two factors played a role in fast loan growth:

1. State guarantee fund,
2. Seasonal effects.

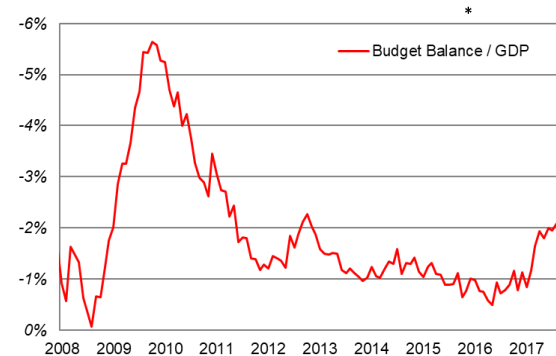
A quitter pace in line with historic pattern in H2 ensures financial stability.



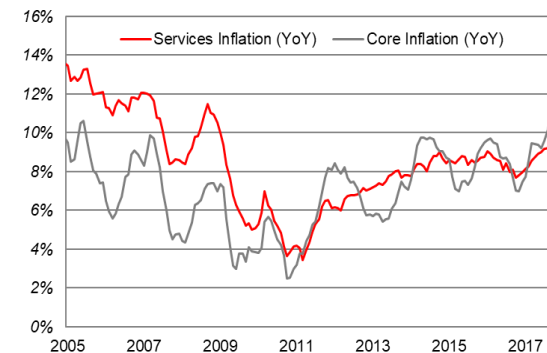
Budget deficit has improved to 1.7% as of September.

Strong third quarter GDP will further decrease the ratio.

Discipline maintained over the years despite busy election calendar.



Nominal Part of the Economy Provides Flexibility



Services inflation a function of backward looking expectations.

Headline and core may diverge in Q1.

Core to stay sticky due to expectations negative feedback loop till February once new year adjustments complete.

CBRT Opts For “Tighter For Longer” Due To Stickiness in Core

Source: Undersecretary of Treasury, TurkStat, Bloomberg, Ziraat

Banking Sector Developments

Turkish Banking Sector⁽¹⁾ Outlook (TL bn)

	2016	Q2 17	Q3 17	QoQ Change	YtD Change
Total Assets	2,455	2,678	2,740	2.3%	11.6%
Cash Loans⁽²⁾	1,607	1,777	1,837	3.4%	14.3%
Securities⁽²⁾	350	370	378	2.2%	8.0%
Total Deposits⁽²⁾	1,463	1,579	1,623	2.8%	10.9%
Shareholders' equity	263	290	302	4.1%	14.8%
Net Profit (Quarterly)	8.0	11.0	10.7	-2.7%	33.8%
ROAE⁽³⁾	14.9%	16.7%	15.8%	-90 bps	90 bps
ROAA⁽³⁾	1.5%	1.8 %	1.7%	-10 bps	20 bps
Capital Adequacy Ratio	15.1%	16.4 %	16.8%	40 bps	170 bps

1) Deposit banks only

2) Loans include accruals, the loans granted to banks and net NPL, Deposits include accruals, and the banks' deposits, securities include accruals.

3) Figures annualised

Sound capital structure
Higher CAR supported by market conditions, revenue generation and Tier2 issuances

Stable core spread
Limited change in cost of funding and asset re-pricing

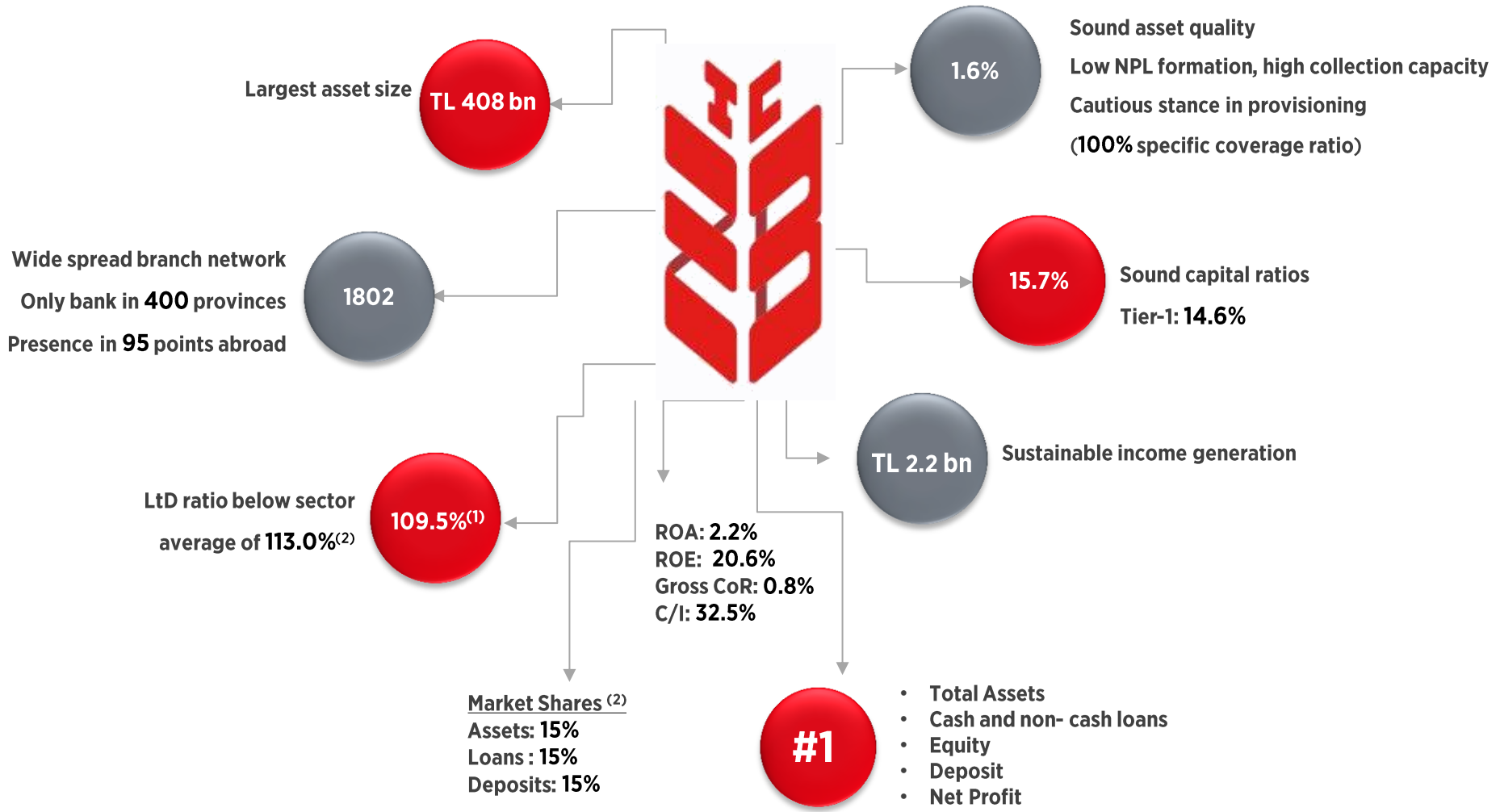
High asset quality preserved.

Stabilization of LDR
More balanced loan and deposit growth leading to more stable LDR

Normalized lending through CGF
System-wide lower loan growth QoQ

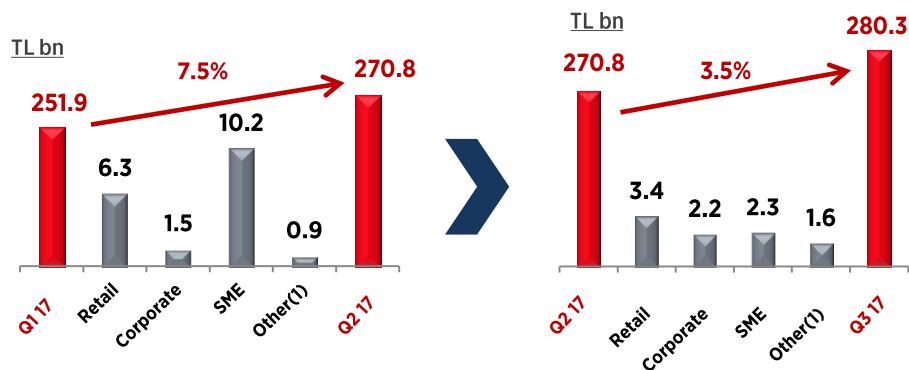
Channel optimization through digitalisation
Decrease in branch and head count numbers

Ziraat Highlights

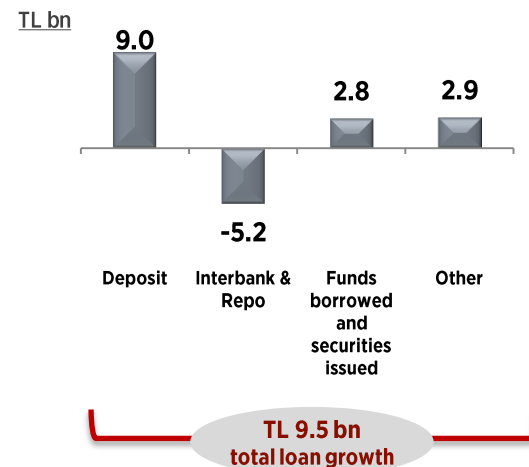


Ziraat at a Glance in Q3 17

Slower paced and more balanced loan growth



Loan growth financed mainly by deposit: Stable LtD ratio



NIM: In line with guidance despite CPI-Linker effect

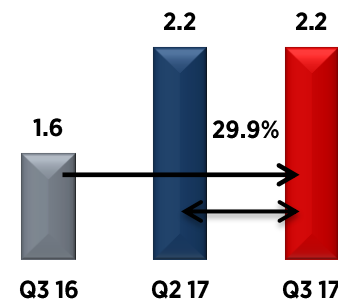
NIM:
Q2 17 5.0%
vs
Q3 17 4.8%

Higher share of customer deposit contributes to broad based deposit book

Customer Deposit/Total Deposit⁽²⁾:

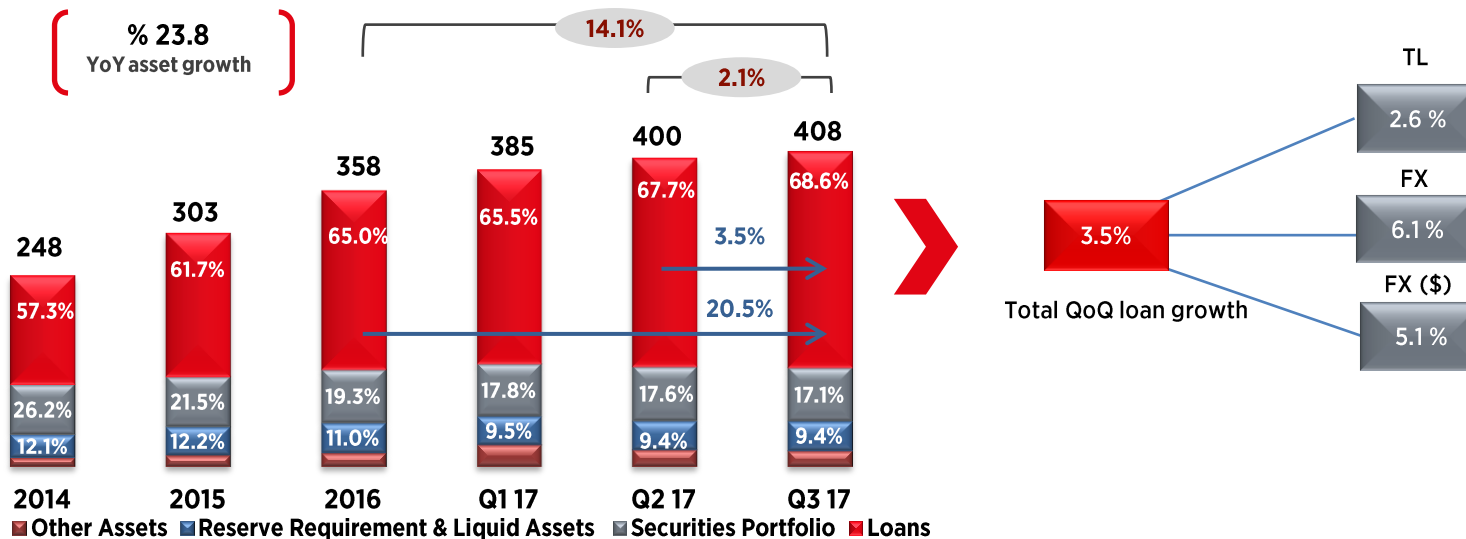
Q2 17 77.4%
vs
Q3 17 78.5%

Solid Income Generation (TL bn)

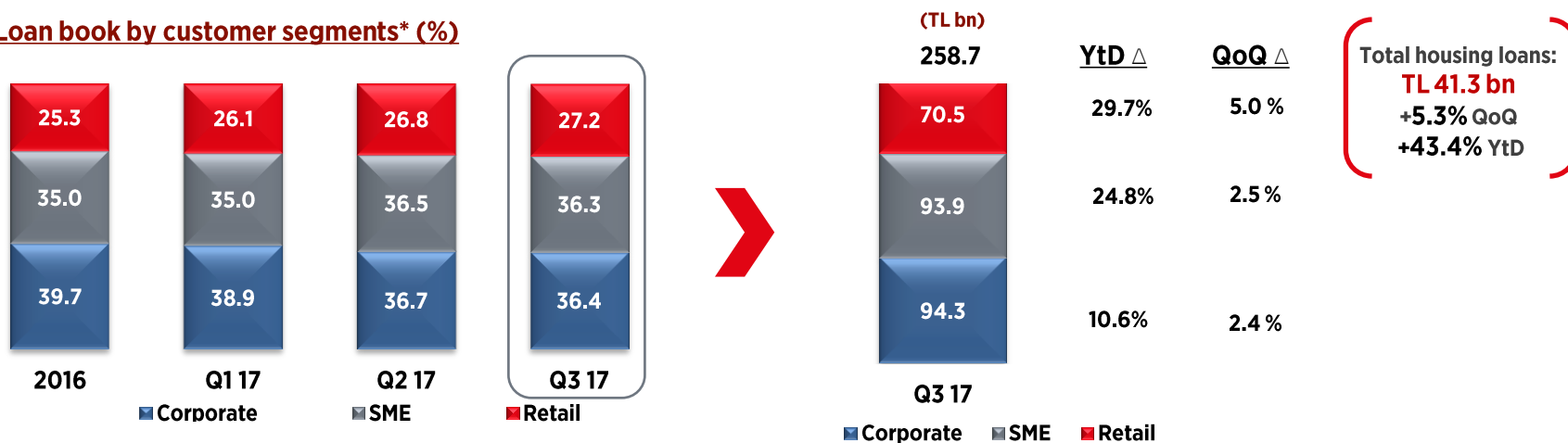


Asset Base & Loan Book

Asset base (TL bn, % share in total)



Loan book by customer segments* (%)

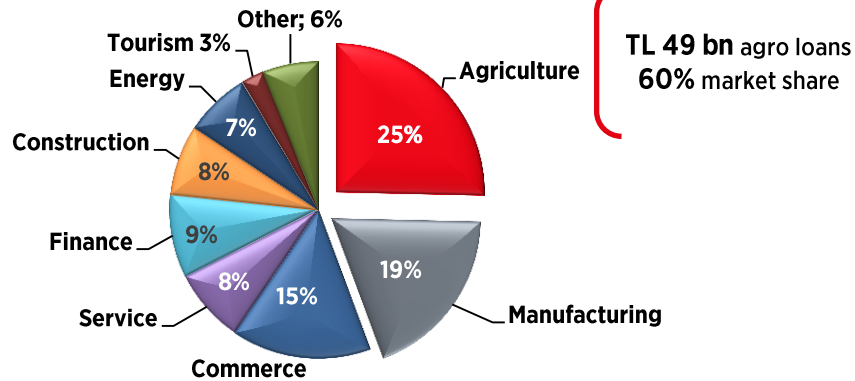


Ziraat Bank

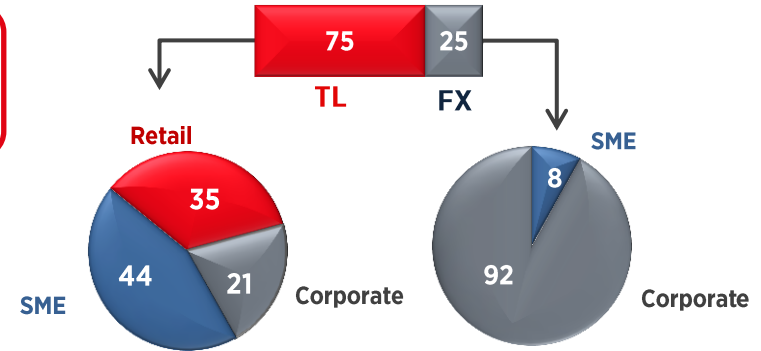
* Accruals, intermediated loans of public funds and foreign branch lending are excluded

Loan Book Composition

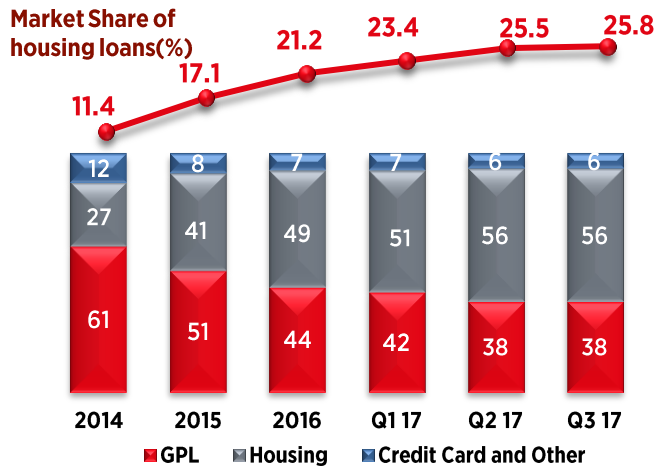
Sector breakdown of non-retail loans Q3 17



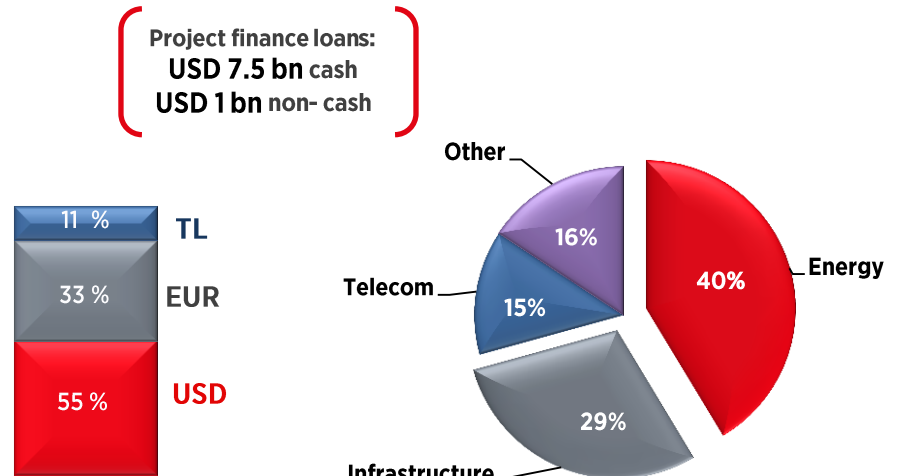
Currency breakdown Q3 17 (%)



Retail loans * (%)



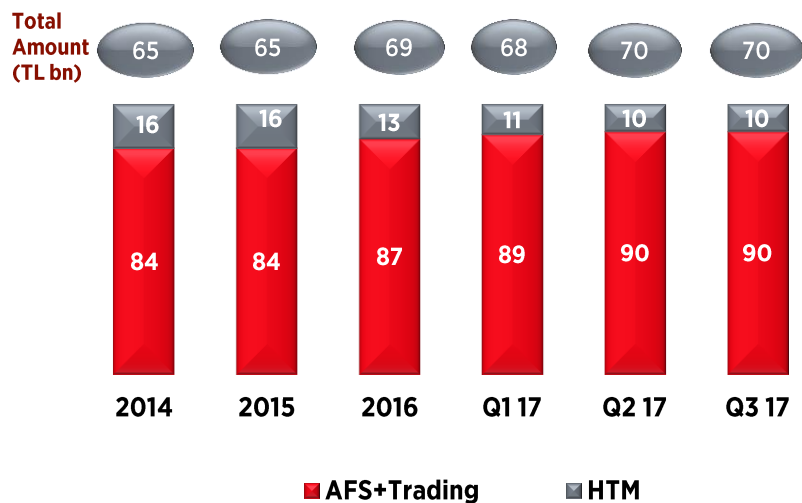
Project finance loans outstanding as of Q3 17 (%)



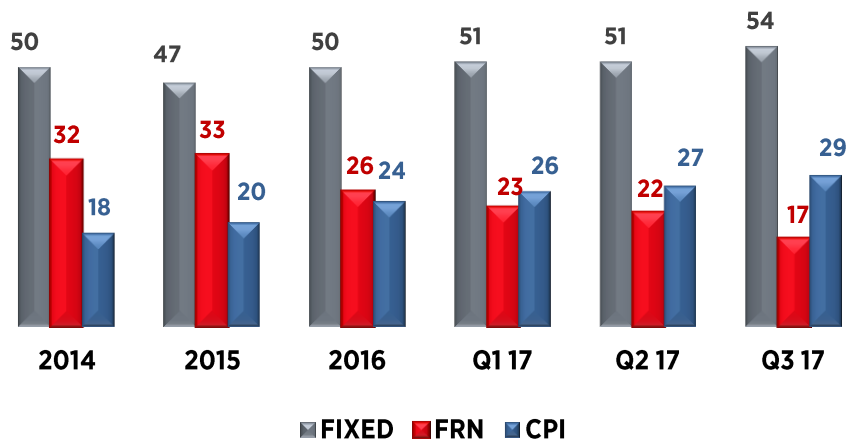
Sector: BRSA data deposit banks only * Accruals, intermediated loans of public funds and foreign branch lending are excluded

Securities Portfolio

Composition (%)

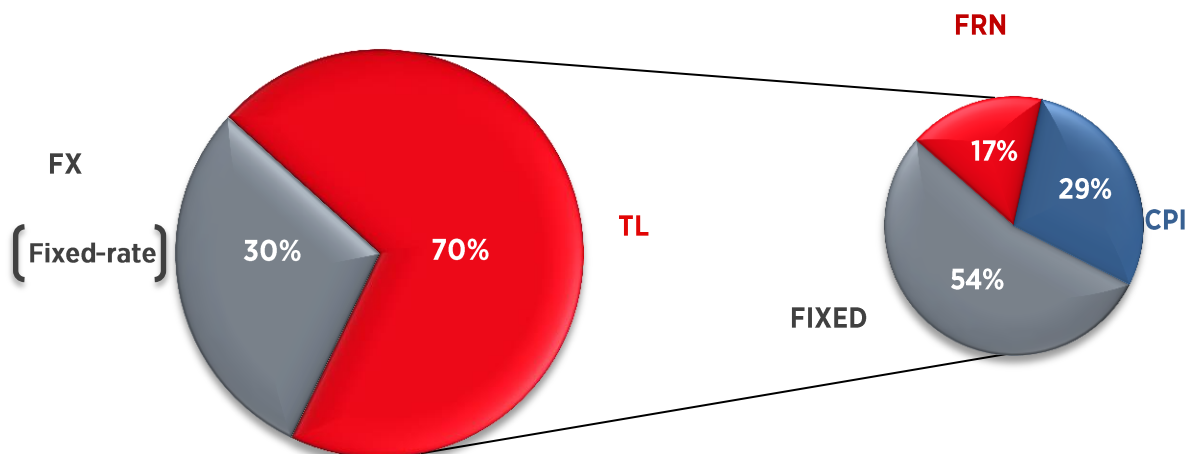


Breakdown of TL securities *(%)



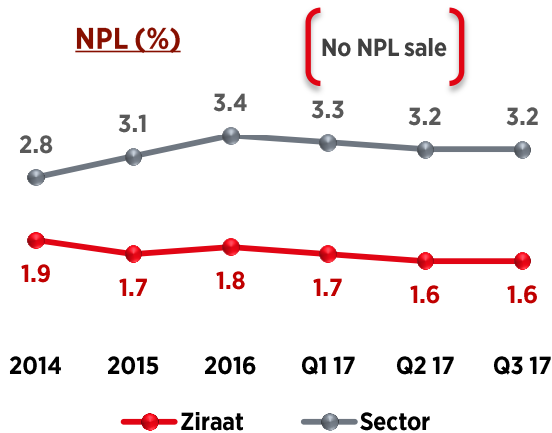
*Interest accruals excluded.

Currency breakdown, Q3 17



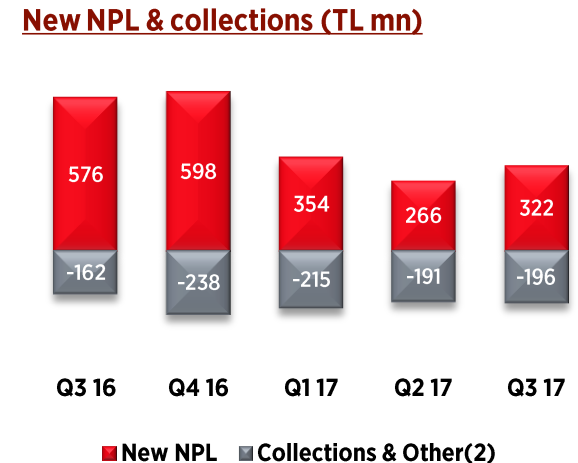
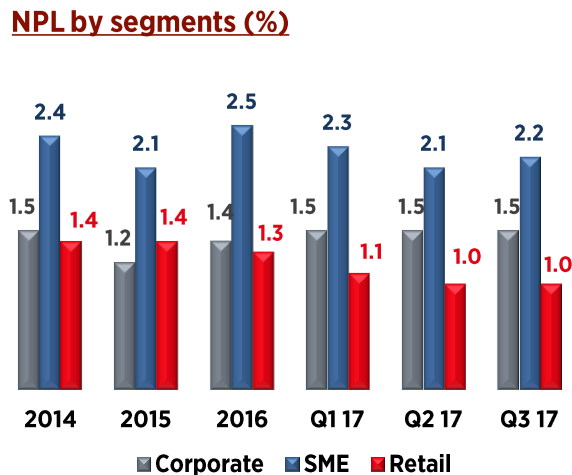
Low CPI Linker income
 Q3 17 TL 140.5 mn
 vs
 Q2 17 TL 490 mn
 expected to rise in Q4 17

Asset Quality & Provisioning

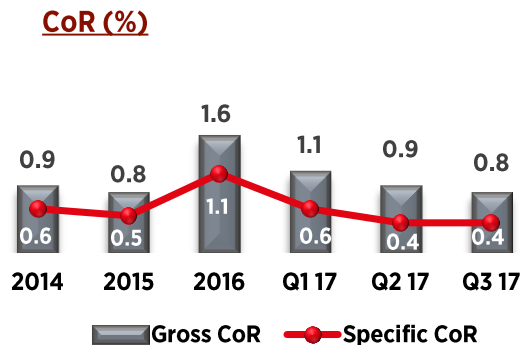


*Without single highest item and intermediated loans of public funds : NPL ratio 1.3%

Sector: BRSA data deposit banks only

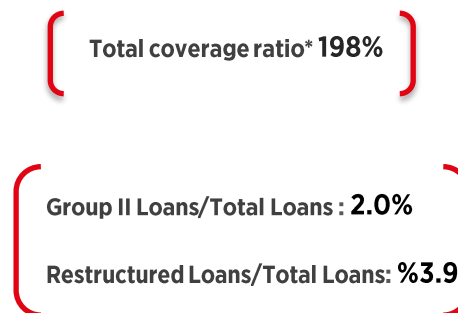


(2) Other includes restructured NPLs



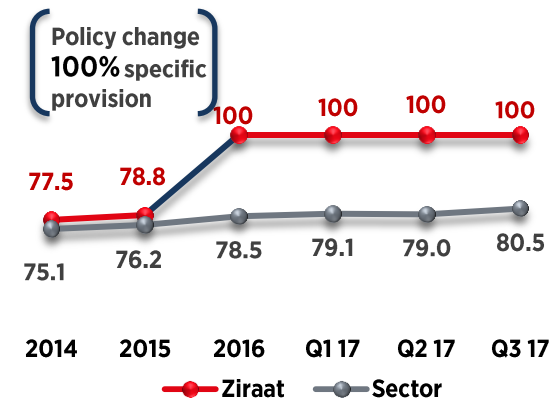
Gross CoR: (specific provisions expenses+general provisions expenses)/(average loans)

Specific CoR:(specific provisions expenses)/(average loans)



*Total Coverage includes specific and general provisions

NPL specific coverage ratios⁽¹⁾ (%)

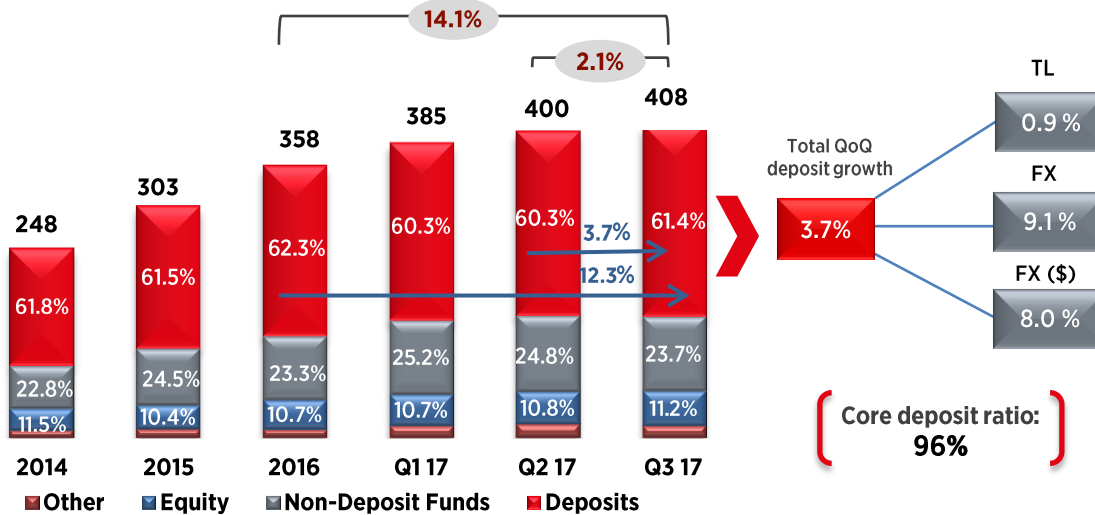


Sector: BRSA data deposit banks only

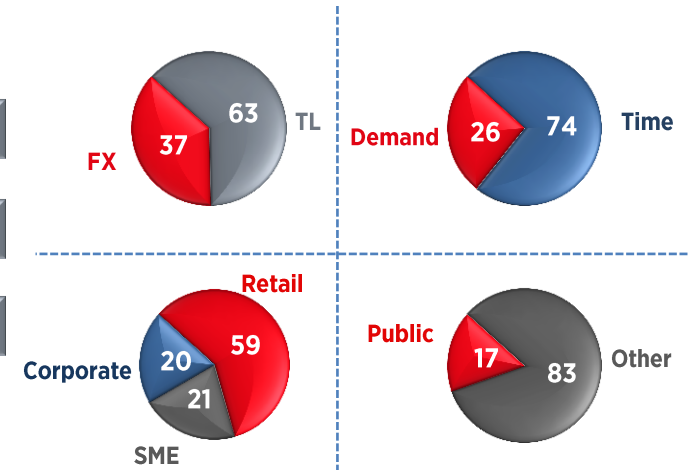
(1) Excluding intermediated loans for public funds

Liabilities & Deposit Composition

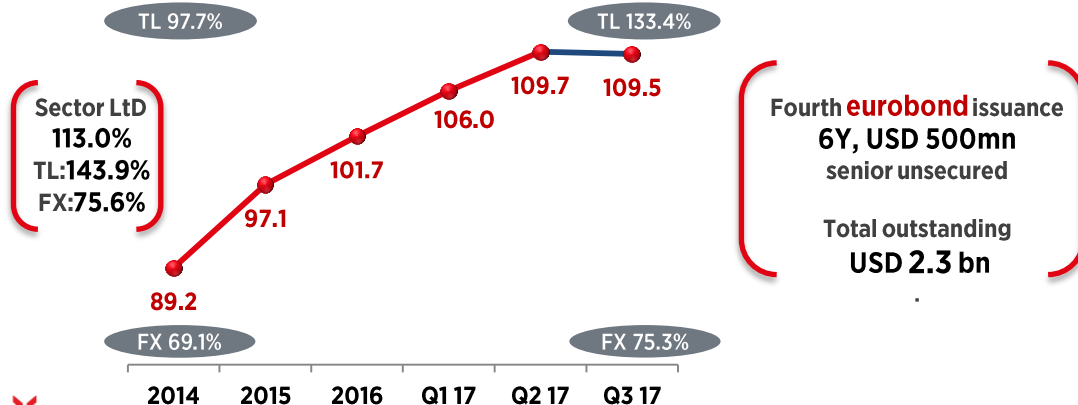
Composition of liabilities (TL bn, % share in total)



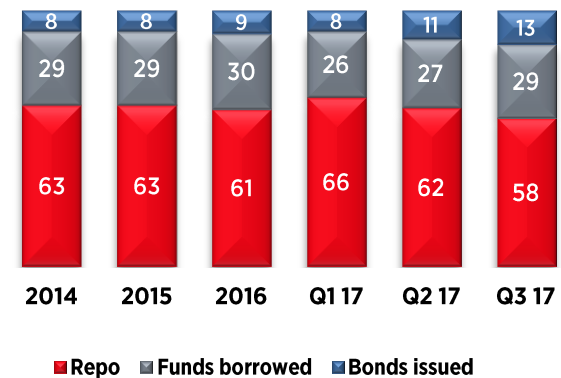
Breakdown of deposits Q3 17 (%)



Loan to Deposit* (%)

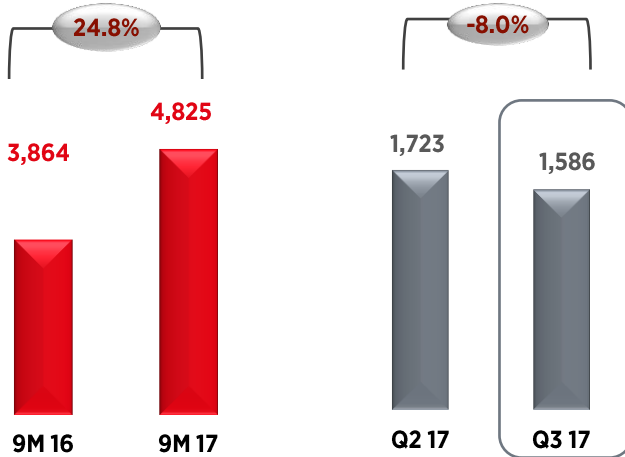


Composition of non-deposit funds* (%)

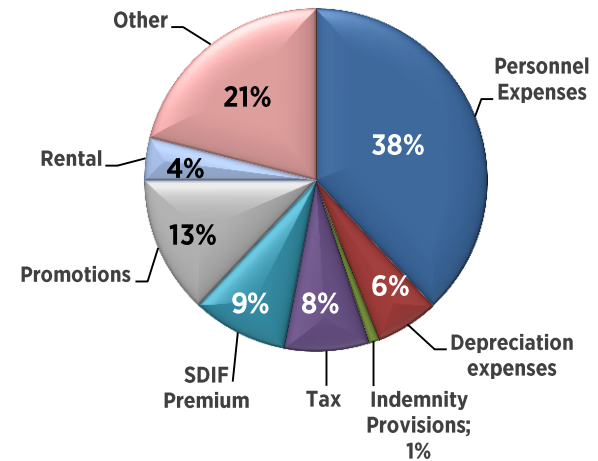


Cost & Efficiency

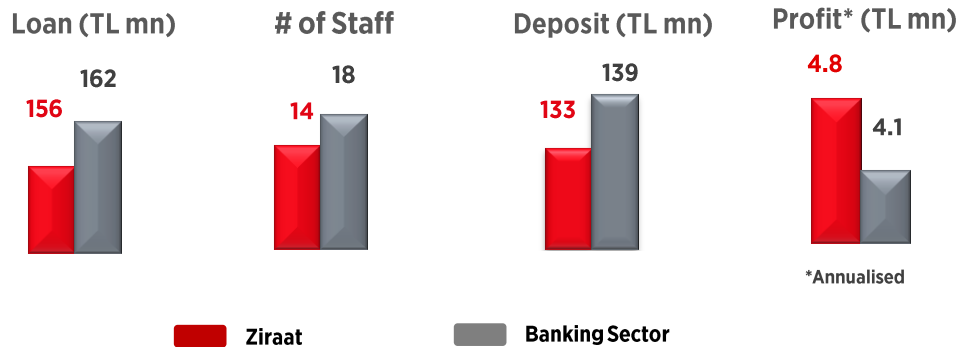
OPEX (TL mn)



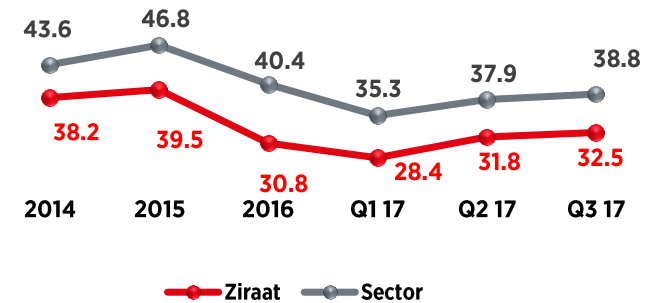
Breakdown of OPEX



Evolving branch efficiency (per branch), Q3 17

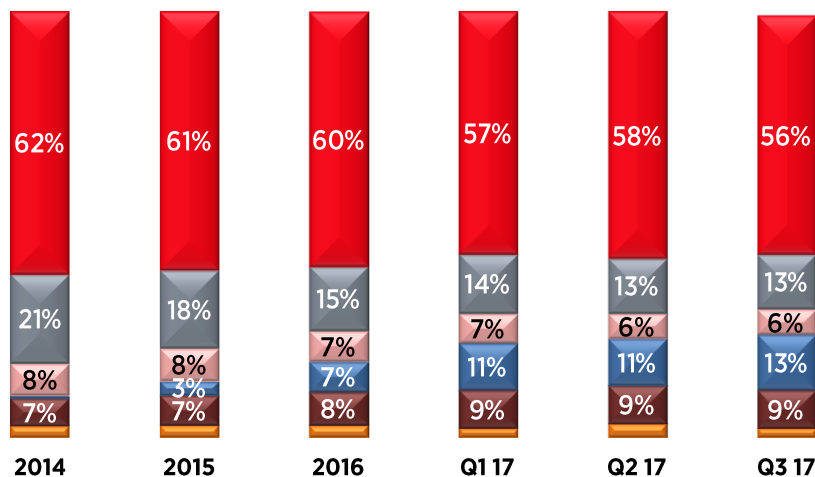


Cost/Income ratio (%)



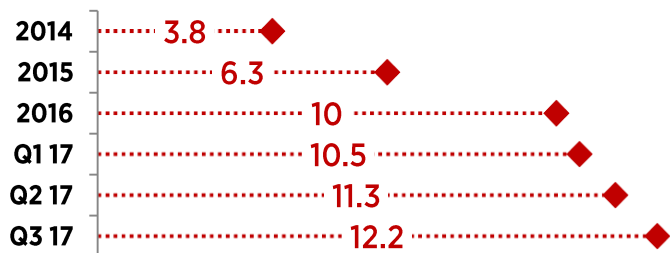
Road to Digital Banking

87% of banking transactions through non-branch channels
Increasing share of mobile banking



Other Automatic Payment Mobile Internet Branch ATM

of customers having internet banking (mn)



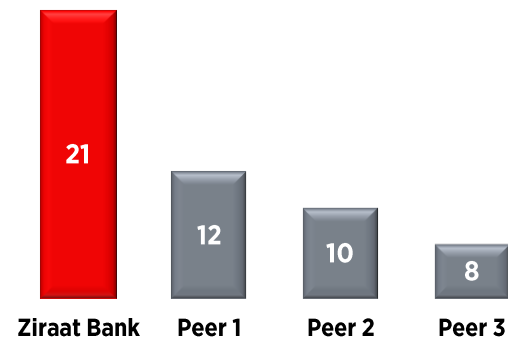
«Alternative channels»
to digital banking

Digitalized processes

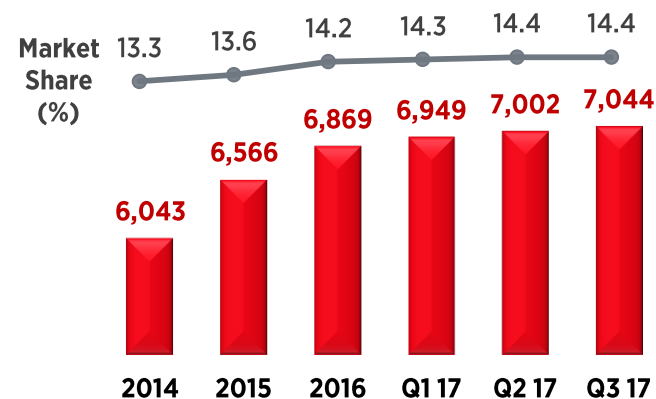
Optimal channel
management & cost
control

Around 50% higher
ATM turnover
compared to the
closest peer

Debit card ownership market share Q3 17

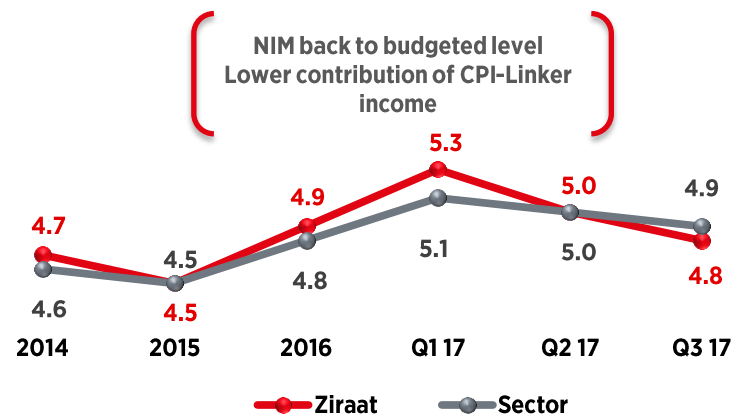


Number of ATMs and market share



NIM & Spreads

Net interest margin (NIM cum. %)



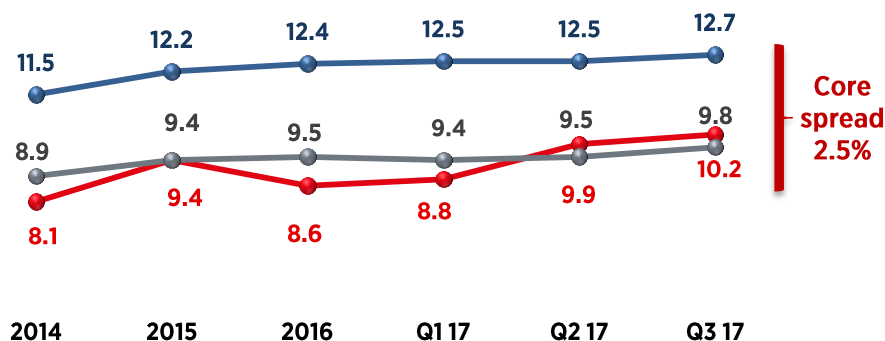
*NIM = Net Interest Earnings / Av. IEA

Sector: BRSA data deposit banks only

NIM evolution (%)

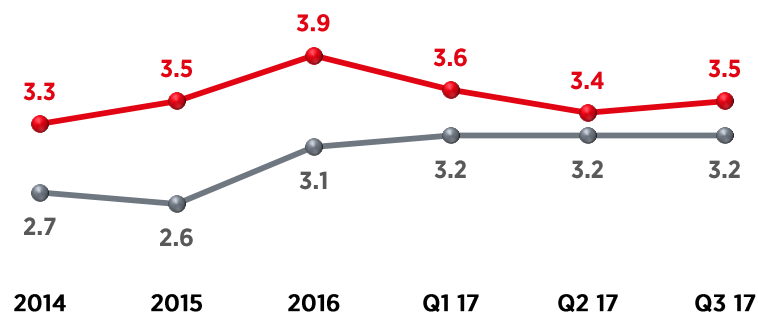


TL loan yield and deposit costs (%)



● TL Loan Yield ● TL Time Deposit Cost ● TL Securities Yield

FX spreads* (%)

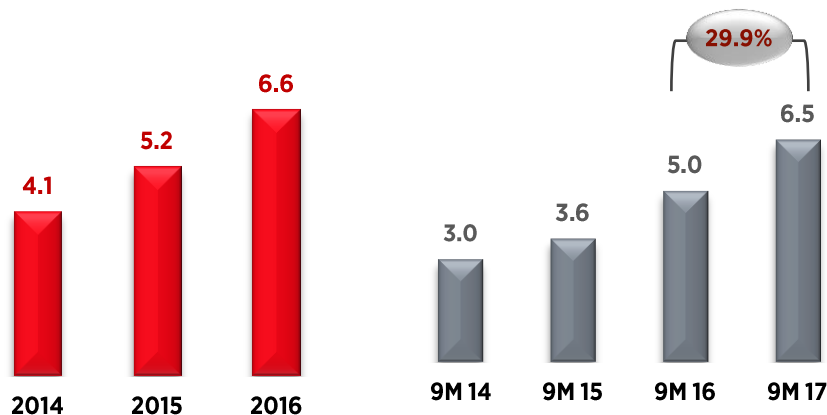


*Loan FX- Time Deposit FX

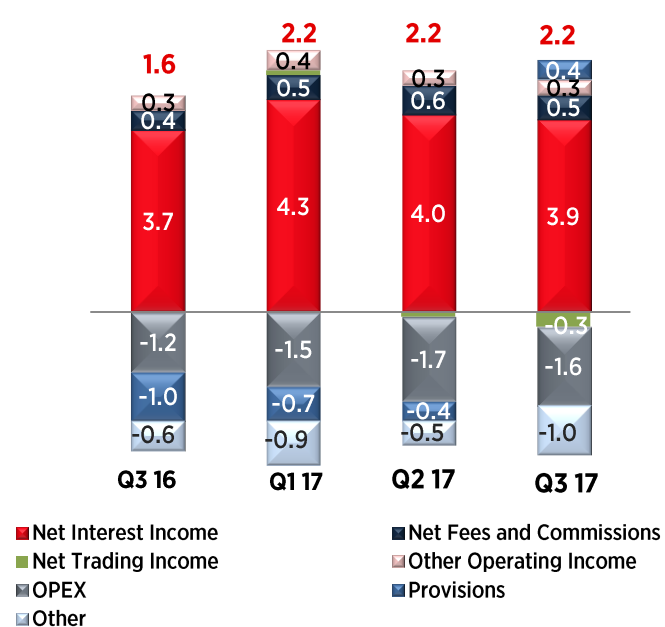
● USD ● EUR

Profitability & Income Generation

Net profit (TL bn)



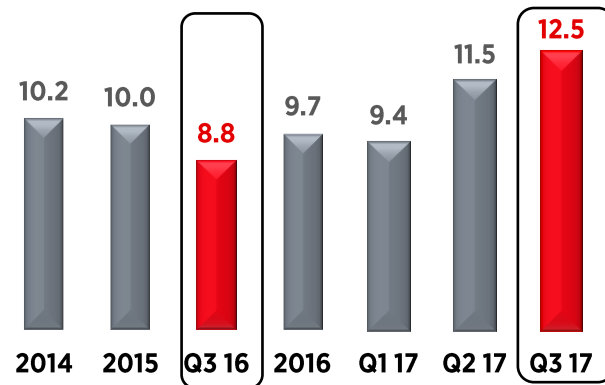
P&L Breakdown (TL bn)



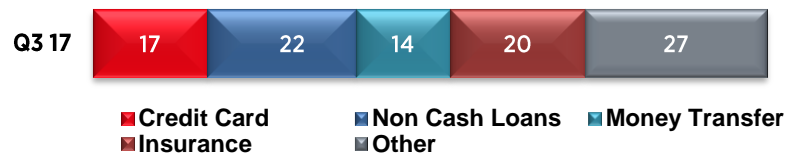
Fees & commissions from cash loans (%)



Net fees income/ Net income (%)

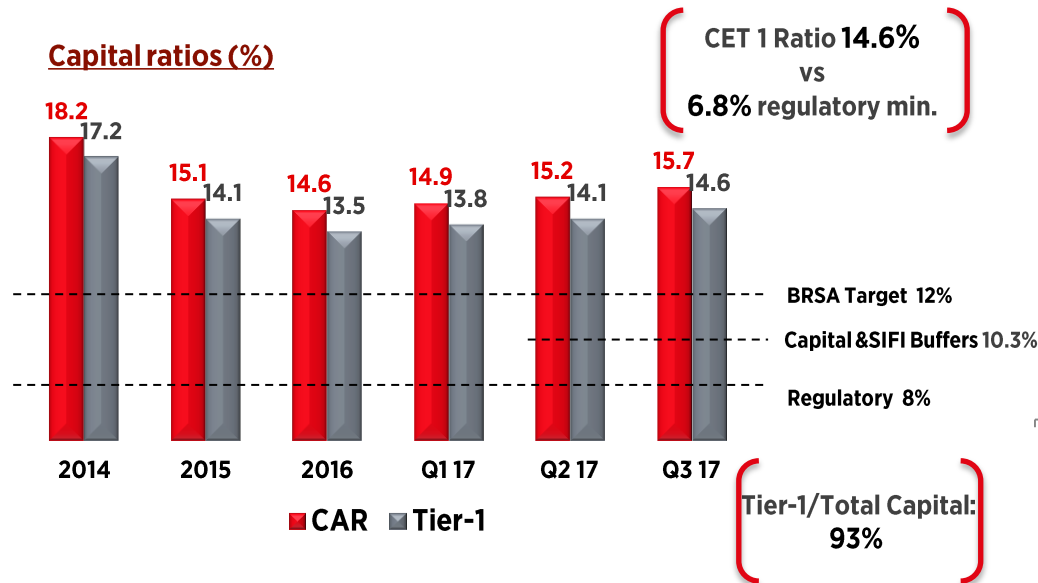


Breakdown of fees & commissions (%)

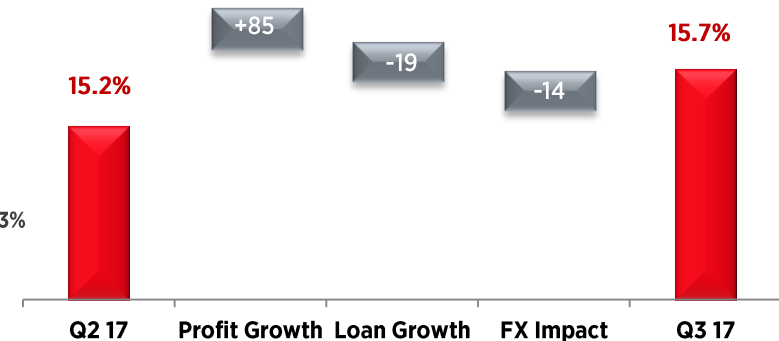


Capital Ratios & Profitability

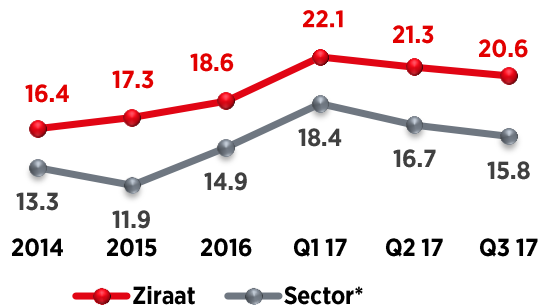
Capital ratios (%)



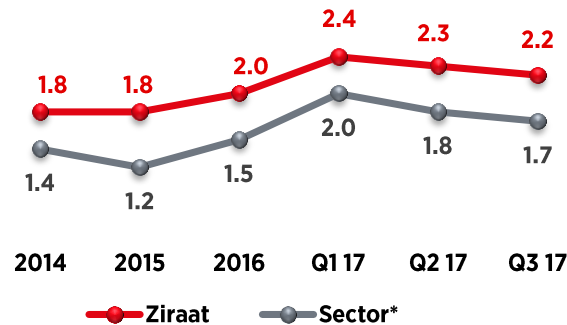
CAR evolution (bps)



Return on equity (%)



Return on assets (%)



RwA components (% of total)



Sector: BRSA data deposit banks only

APPENDIX

Balance Sheet Summary

TL mn	2014	2015	Q3 2016	2016	Q1 2017	Q2 2017	Q3 2017	% Change QoQ	% Change YoY
CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	30,149	36,535	39,225	39,167	36,708	37,690	38,487	2.1%	-1.9%
BANKS	2,191	4,447	3,587	3,902	4,264	3,218	3,310	2.9%	-7.7%
SECURITIES	64,563	64,871	65,865	69,066	68,492	70,440	69,644	-1.1%	5.7%
LOANS	141,915	186,813	209,966	232,644	251,900	270,855	280,255	3.5%	33.5%
-Gross NPL	2,717	3,141	3,872	4,217	4,332	4,414	4,542	2.9%	17.3%
-Specific Provisions (-)	1,932	2,271	3,605	3,966	4,106	4,182	4,313	3.1%	19.6%
OTHERS	8,782	10,182	11,106	4,806	14,893	9,148	7,636	-16.5%	-31.2%
TOTAL ASSETS	247,600	302,848	329,749	357,761	384,695	399,947	408,187	2.1%	23.8%
DEPOSITS	153,255	186,469	204,516	223,019	232,084	241,471	250,522	3.7%	22.5%
FUNDS BORROWED	14,608	19,543	20,632	22,817	23,739	24,991	25,672	2.7%	24.4%
INTERBANK MONEY MARKET	31,781	43,086	41,948	47,212	59,223	57,871	52,614	-9.1%	25.4%
PROVISIONS	4,758	5,161	5,703	6,053	6,719	7,133	7,341	2.9%	28.7%
SHAREHOLDERS' EQUITY	28,540	31,546	37,266	38,382	41,206	43,341	45,872	5.8%	23.1%
OTHERS	14,658	17,043	19,684	20,278	21,725	25,140	16,166	-35.7%	-17.9%

Income Statement Summary

TL mn	2014	2015	Q3 2016	9M 2016	2016	Q1 2017	Q2 2017	Q3 2017	9M 2017	% Change QoQ	% Change YoY	% Change YoY (Cum.)
INTEREST INCOME	18,165	22,050	6,971	19,930	27,291	8,205	8,618	8,806	25,629	2.2%	26.3%	28.6%
-From Loans	12,755	16,677	5,476	15,580	21,512	6,255	6,810	7,375	20,440	8.3%	34.7%	31.2%
-From Securities	5,333	5,197	1,426	4,141	5,488	1,691	1,561	1,226	4,478	-21.5%	-14.0%	8.1%
INTEREST EXPENSE	9,558	11,542	3,277	9,845	13,342	3,896	4,534	4,943	13,374	9.0%	50.8%	35.8%
-On Deposits	7,512	8,668	2,448	7,281	9,911	2,644	2,914	3,219	8,778	10.5%	31.5%	20.6%
NET INTEREST INCOME	8,607	10,509	3,694	10,085	13,948	4,309	4,084	3,863	12,255	-5.4%	4.6%	21.5%
NET FEES & COMMISSIONS	1,077	1,300	381	1,147	1,643	499	556	548	1,603	-1.4%	43.8%	39.8%
-Fees and Commissions Received	1,357	1,637	481	1,427	2,023	601	663	667	1,931	0.6%	38.7%	35.3%
-Fees and Commissions Paid	279	337	99	280	380	101	107	120	328	12.1%	21.2%	17.1%
OTHER OPERATING INCOME	911	1,340	290	1,273	1,555	417	317	303	1,038	-4.4%	4.5%	-18.5%
OPEX	4,095	5,208	1,202	3,864	5,303	1,516	1,723	1,586	4,825	-8.0%	31.9%	24.9%
NET OPERATING PROFIT	5,179	6,568	2,129	6,324	8,569	2,847	2,701	2,665	8,214	-1.3%	25.2%	29.9%
NET PROFIT	4,051	5,162	1,620	5,009	6,576	2,170	2,166	2,171	6,507	0.2%	34.0%	29.9%



Key Financial Ratios

(%)	2014	2015	Q3 2016	2016	Q1 2017	Q2 2017	Q3 2017
ROAA	1.8	1.8	2.1	2.0	2.4	2.3	2.2
ROAE	16.4	17.3	19.3	18.6	22.1	21.3	20.6
Cost / Income Ratio	38.2	39.5	30.5	30.8	28.4	31.8	32.5
NIM (cum.)	4.7	4.5	4.9	4.9	5.3	5.0	4.8
Loans*/Deposits	89.2	97.1	99.8	101.7	106	109.7	109.5
Loans/Assets	57.3	61.7	63.7	65.0	65.5	67.7	68.7
Securities/Assets	26.1	21.4	20.0	19.3	17.8	17.6	17.1
NPL	1.9	1.7	1.8	1.8	1.7	1.6	1.6
Coverage*	77.5	78.8	100.0	100.0	100.0	100.0	100.0
CoR (Gross)	0.9	0.8	1.7	1.6	1.1	0.9	0.8
CAR	18.2	15.1	15.2	14.6	14.9	15.2	15.7
Leverage **	7.7	8.6	7.8	8.3	8.3	8.2	7.9
# of							
Branches	1,707	1,812	1,813	1,814	1,818	1,813	1,802
Employees	23,617	25,697	25,156	25,015	25,008	24,709	24,558
ATMs	6,043	6,566	6,679	6,869	6,949	7,002	7,044

* Intermediated loans of public funds are excluded

** Leverage = (Assets/Shareholders' Equity)-1

For further information please contact

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