

Financials Presentation
December 2017



Ziraat Bank

More than a bank

Global EM Drivers and Domestic Implications

Financial Channel

“**Synchronization**” in global growth keeps risk appetite high.
Direction of fund flows from DM towards EM.
Neither FED nor ECB in hurry for normalization.

Trade Channel

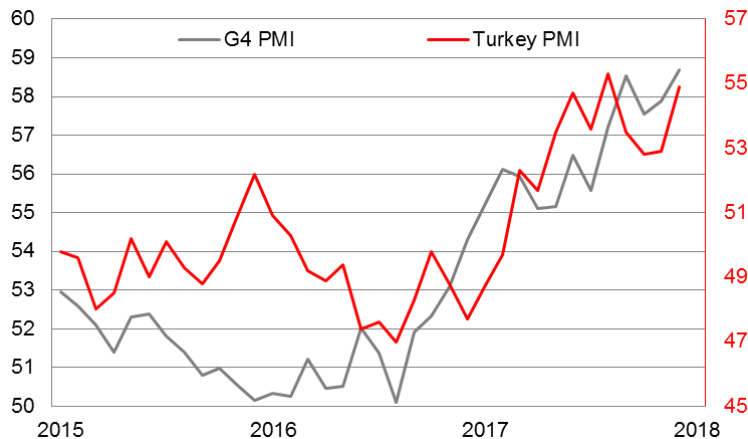
Europe started to turn into a trade power house.
Manufacturing front-footed globally.
US infrastructure push bodes well for global growth prospects.

Geo-Political Events

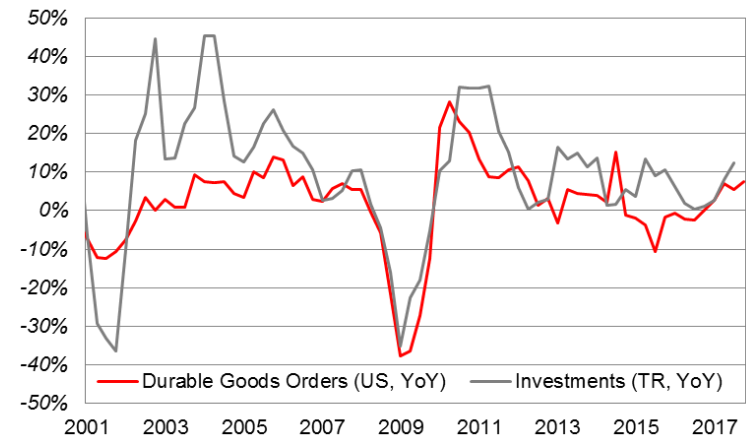
Afrin peace operation code-named “Operation Olive Branch” runs smoothly in respect to sensitivities of international community and in line with international laws.

- **Envisaged inflation path** implies a dis-inflationary period in the first quarter to be followed by a flat trend in the second and third quarters to finish the year with an additional dis-inflationary round in the fourth quarter.
- Central bank entrenched its forward guidance “**decisively**” with “**tighter for longer**” attitude.
- **FX borrowing related regulations** to curb external vulnerabilities and strengthen financial stability.
- **Tourism** recovery that started in 2017 will turn into a source of dynamism in 2018, early bookings data show.
- Continuation of **employment mobilization scheme** will further improve macro dynamics.
- **Expect 5+% growth performance** to ensue on the back of solid external demand.
- Government working on “**targeted**” policies to curb inefficiencies and to improve productivity.

A manufacturing led revival across the board...



... harbingers new investments due to capacity constraints.

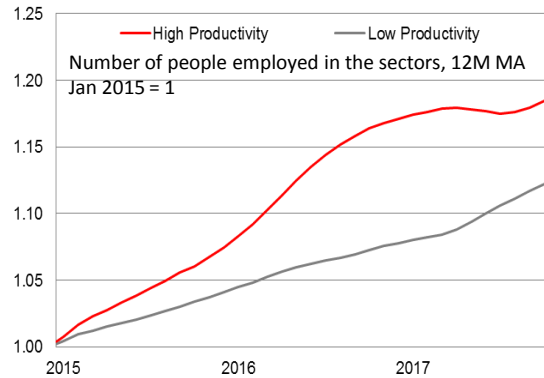


Getting More Comfortable at 5% Growth Rate

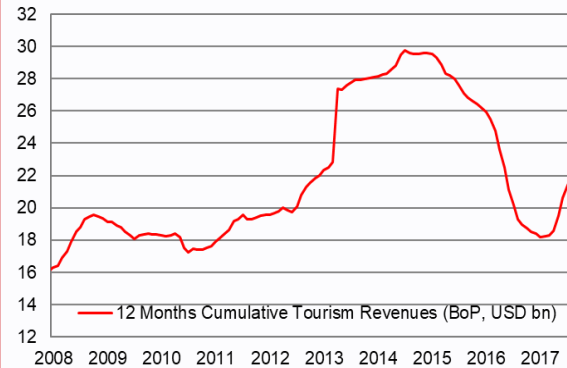
Quality Preferred over Quantity in the Job Market

>1,3 mn new jobs offered year-to-date.

High productivity sectors such as defense, bio-technology, health etc. adding to their workforce.



Recovery in Tourism Will Give Way to Higher Revenue Generation



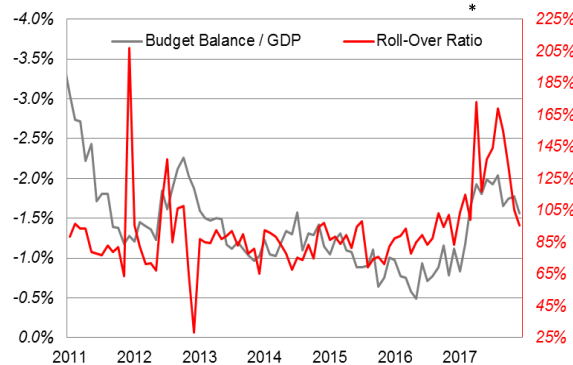
EUR and RUB appreciation a positive for Turkish tourism.

Early bookings data looking solid.

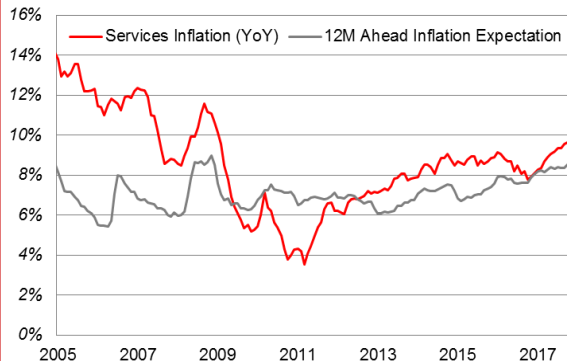
This year expect higher revenues from tourism.

Budget deficit has improved to ~1,6% at the end of the year.

Borrowing requirements will diminish on the back of a stronger fiscal state.



Fiscal Discipline – An Anchor That Was Never Lost



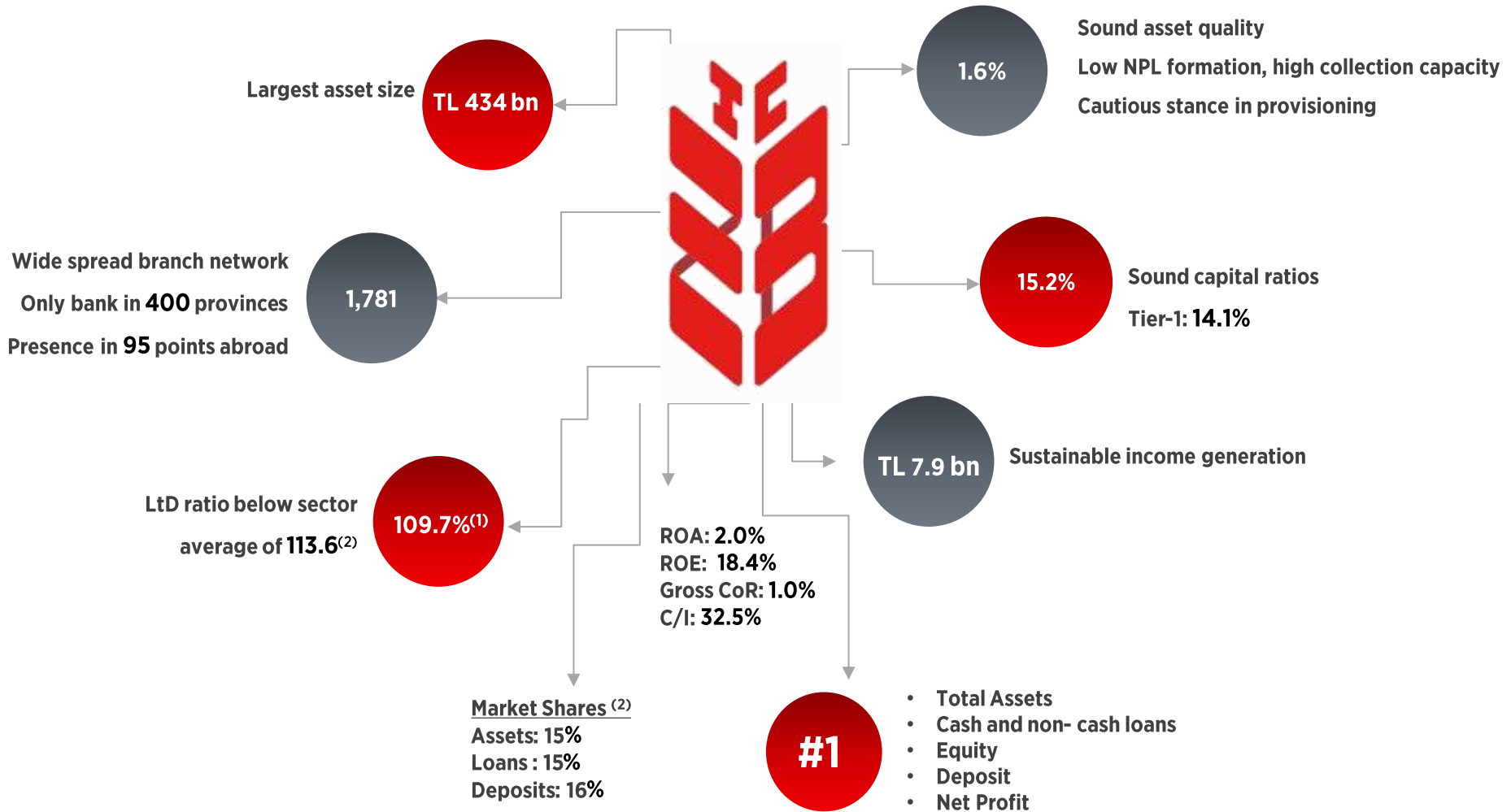
Services inflation a function of backward looking expectations.

Headline and core may diverge in Q1.

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

Interaction between Services Inflation and Expectations

Ziraat Highlights



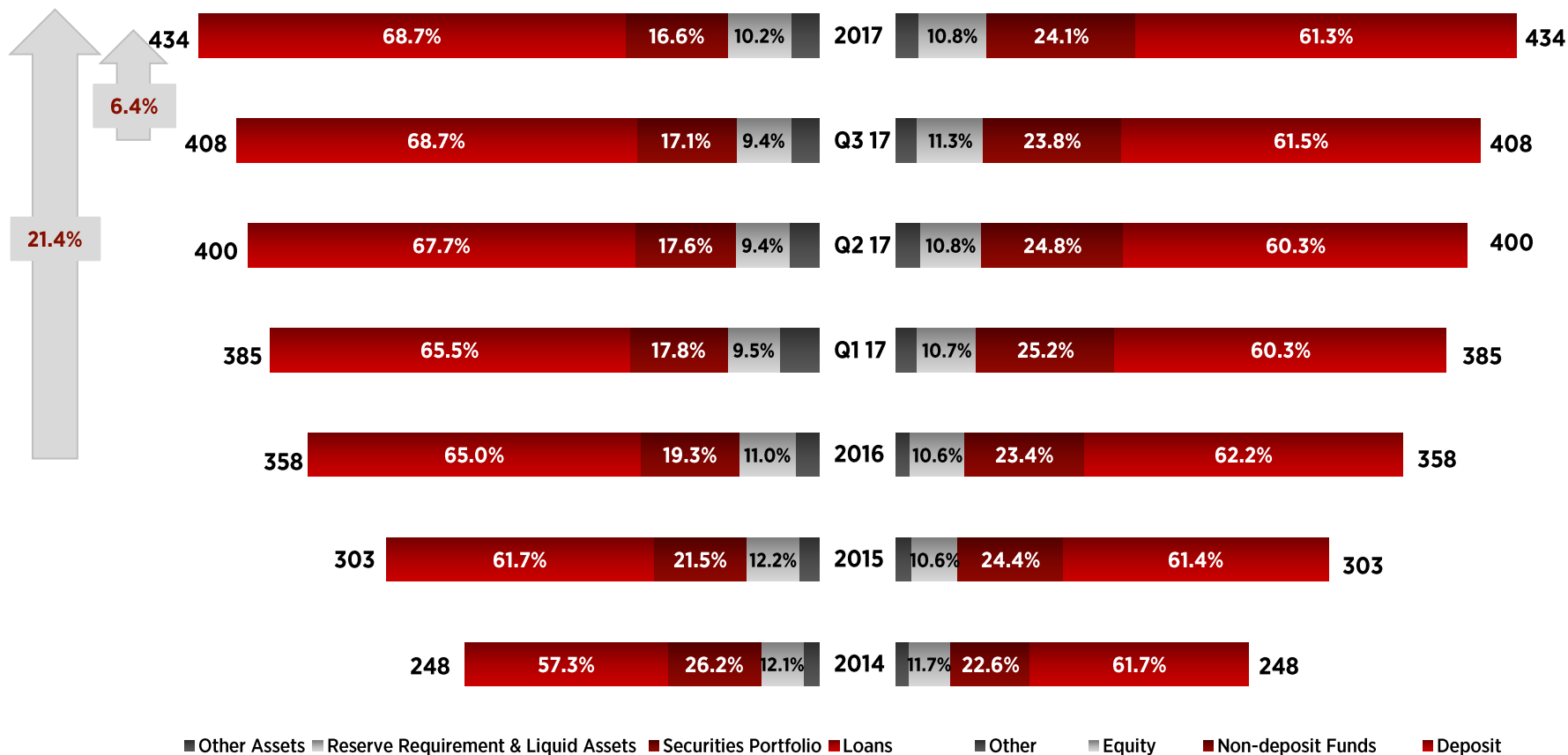
(1) Excluding intermediated loans for public funds

(2) Deposit banks

Assets & Liabilities Composition

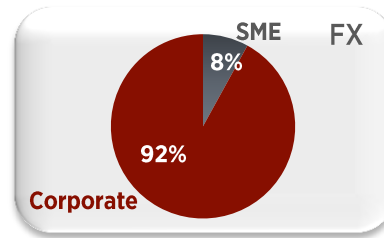
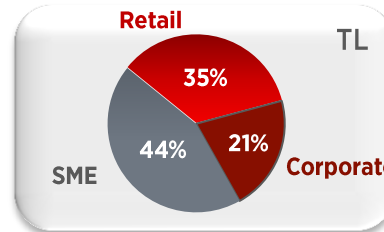
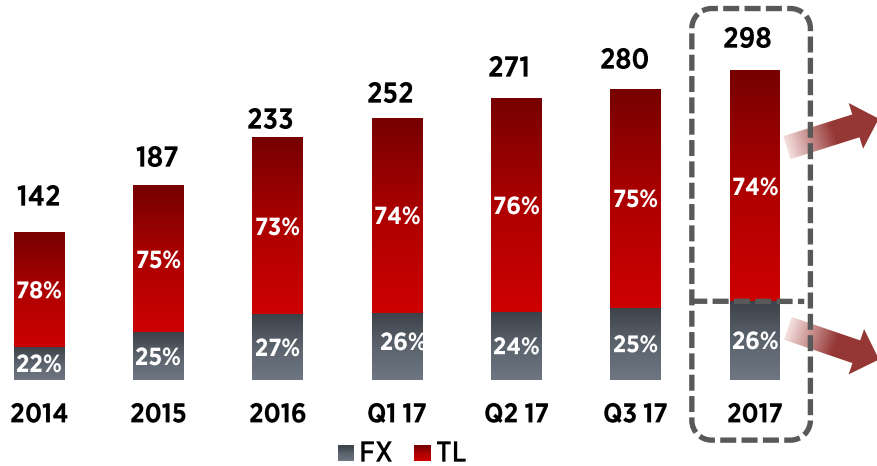
Assets

Liabilities



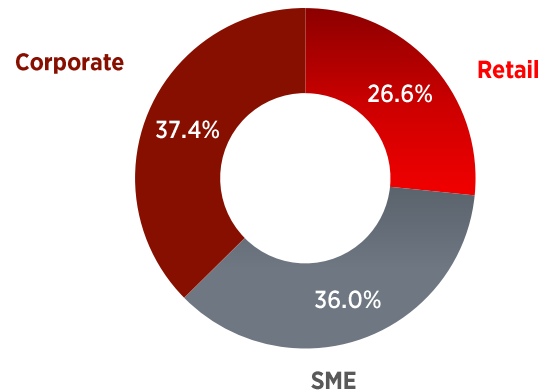
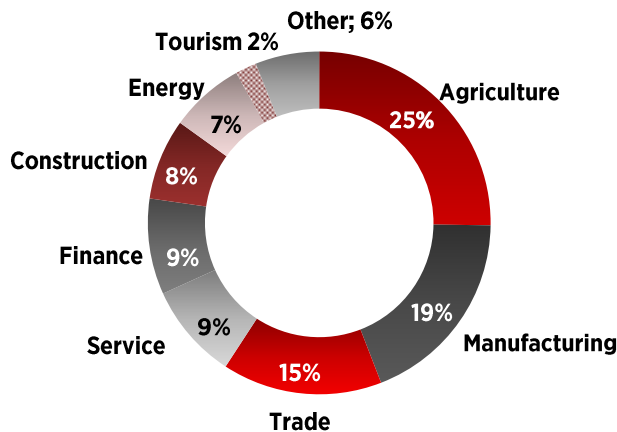
Lending

Total Loans (TL bn, % share in total)



	QoQ Δ	YoY Δ
Total Loans	6.4%	28.2%
TL	5.4%	31.3%
FX	9.4%	20.0%
FX(\$)	2.6%	11.5%
Retail	4.0%	39.8%
Housing	5.5%	51.6%
SME	6.5%	29.2%
Corporate	8.5%	20.4%

Breakdown of Loans, 2017

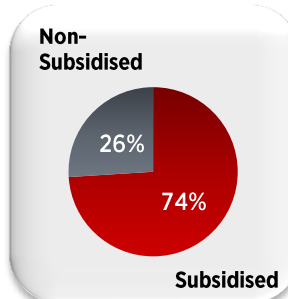
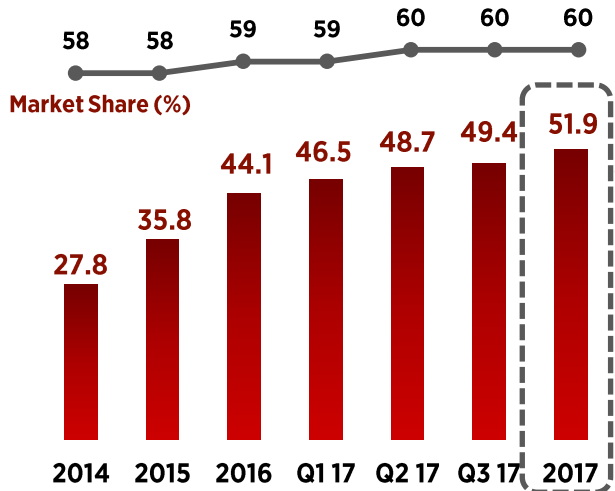


* Of non-retail loans

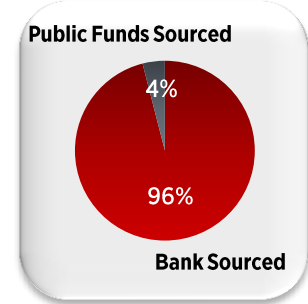
* Accruals, intermediated loans of public funds and foreign branch lending are excluded

Lending

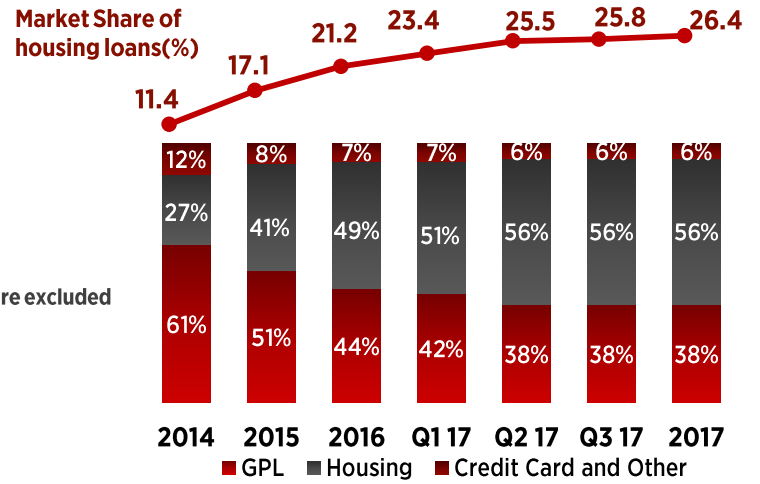
Agricultural Loans (TL mn)



Intermediated loans of public funds are excluded

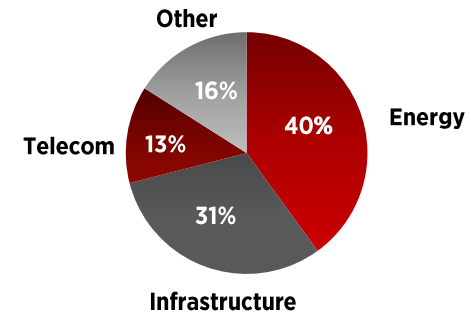
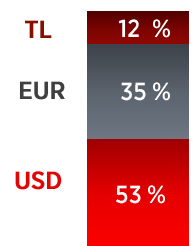


Retail Loans⁽¹⁾ (% share in total)



Project Finance Loans, 2017

Project finance loans:
USD 8 bn cash
USD 1 bn non-cash

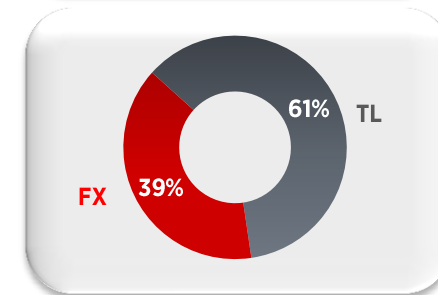
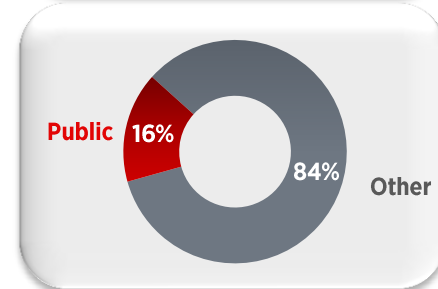
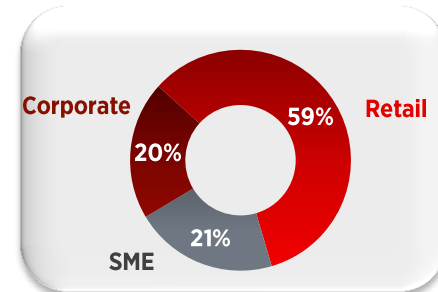
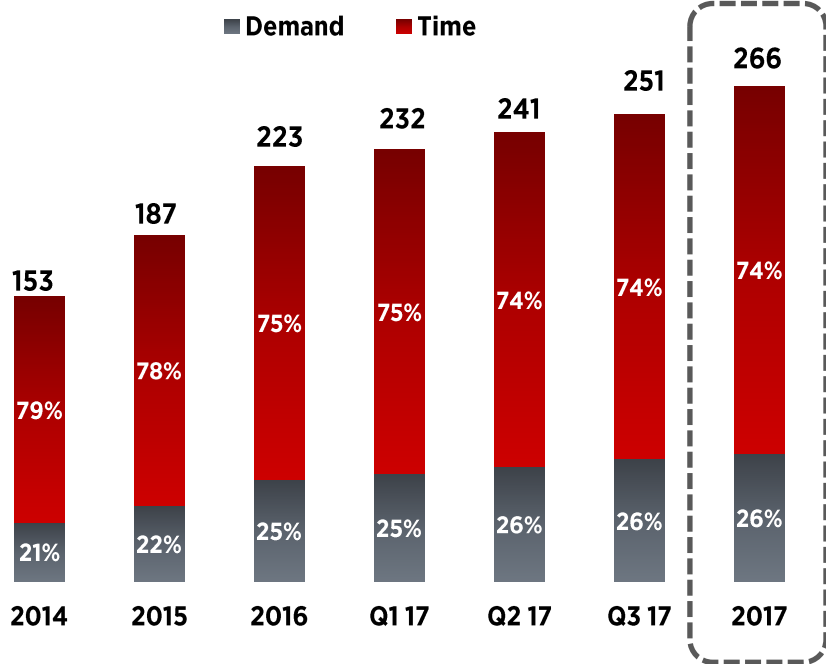


- Long track record in agricultural sector
- High sector penetration
- Financing whole agro value chain
- Strategy to focus on agro industry
- Payment period designed in terms of planting time and harvesting time contributes to asset quality: **0.9%⁽²⁾ agricultural NPL in 2017**

Sector: BRSA data deposit banks only
 (1) Accruals, intermediated loans of public funds and foreign branch lending are excluded
 (2) Intermediated loans of public funds are excluded

Funding

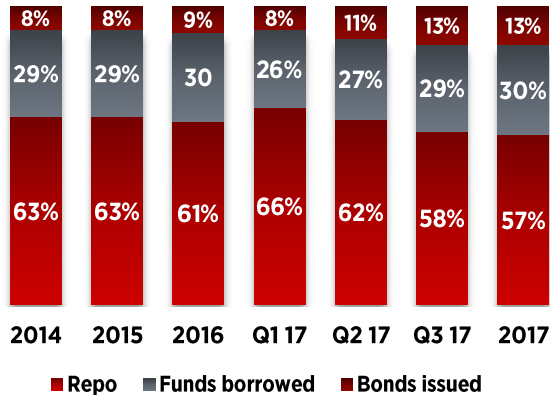
Total Deposit (TL bn, % share in total)



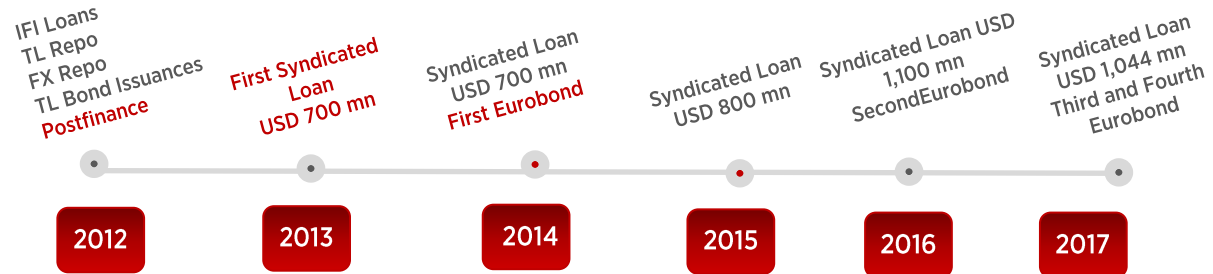
	QoQ Δ	YoY Δ
Total Deposit	6.3%	19.4%
TL	2.6%	8.1%
FX	12.6%	42.8%
FX(\$)	5.6%	32.7%
Demand	4.7%	25.5%
Time	6.9%	17.5%

Funding

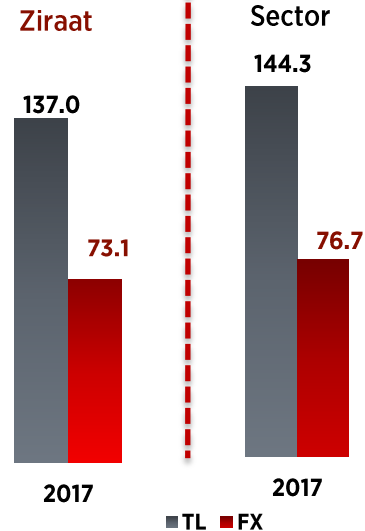
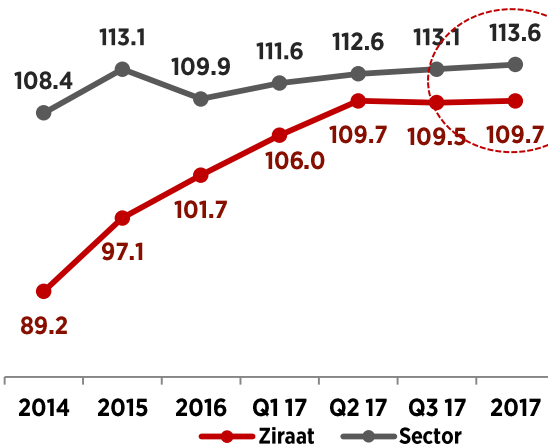
Non-deposit funds(% share in total)



Diversifying the funding base

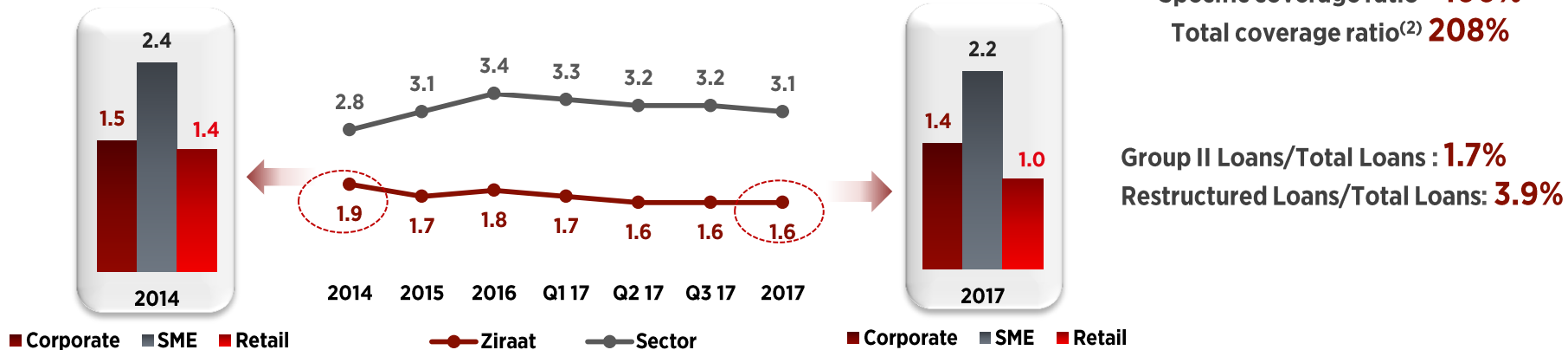


Loan to Deposit (%)

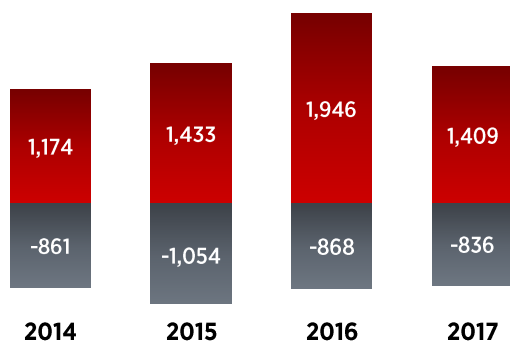


Asset Quality

NPL (%)

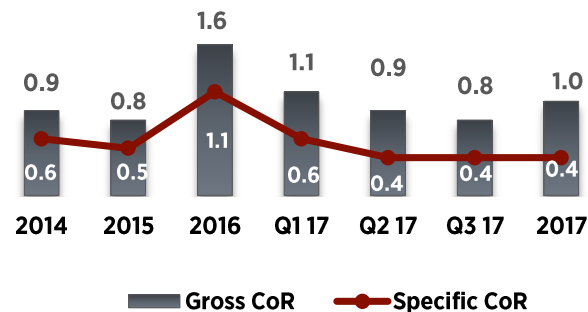


New NPL & Collections (TL bn)



■ New NPL ■ Collections & Other(3)

CoR (%)

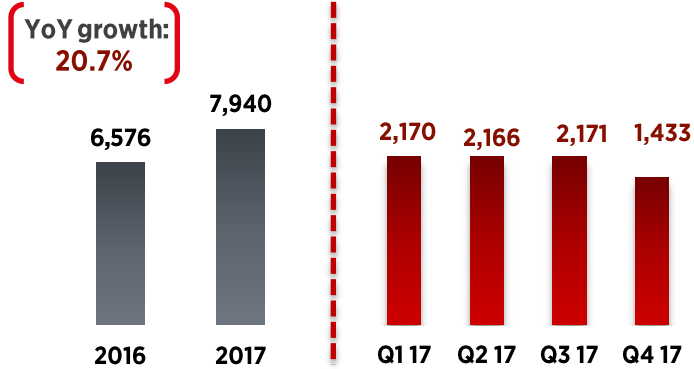


■ Gross CoR ■ Specific CoR

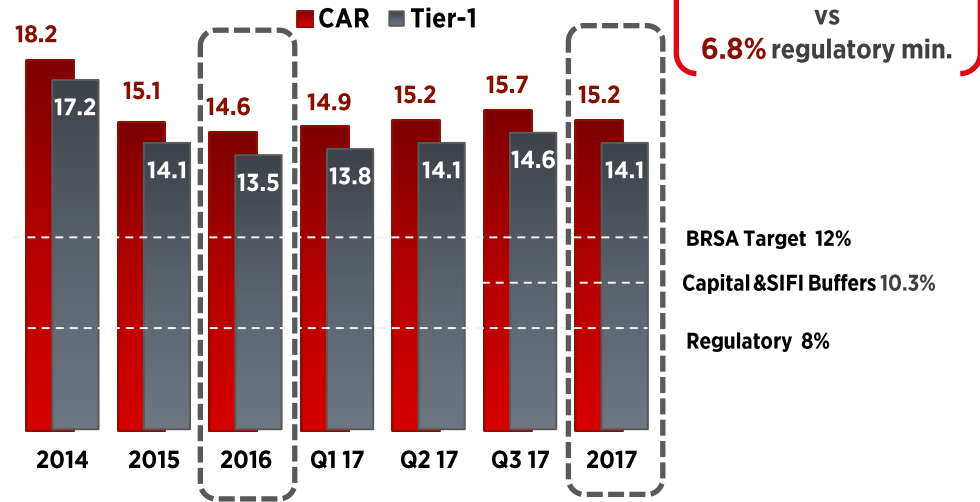
(1) Excluding intermediated loans for public funds
 (2) Total Coverage includes specific and general provisions
 (3) Other includes restructured NPLs

Profitability & Capitalization

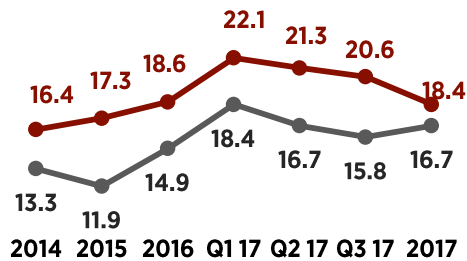
Net Profit (TL mn)



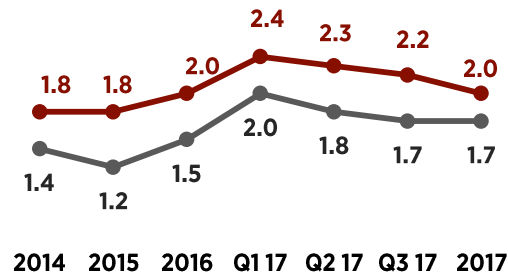
Capital Ratios (%)



Return on equity (%)

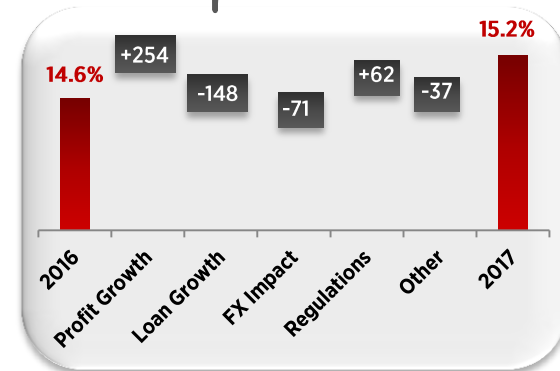


Return on assets (%)



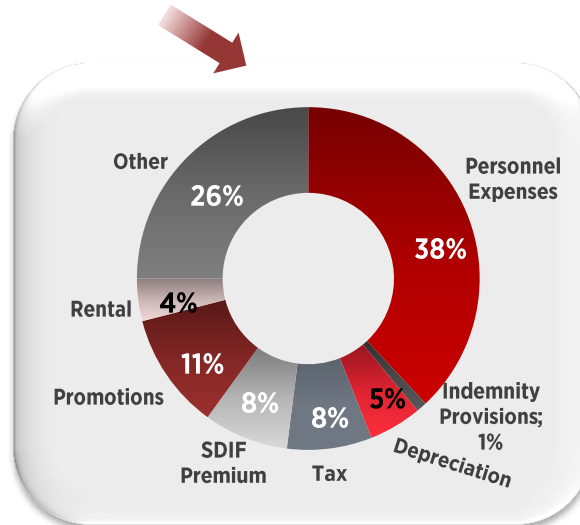
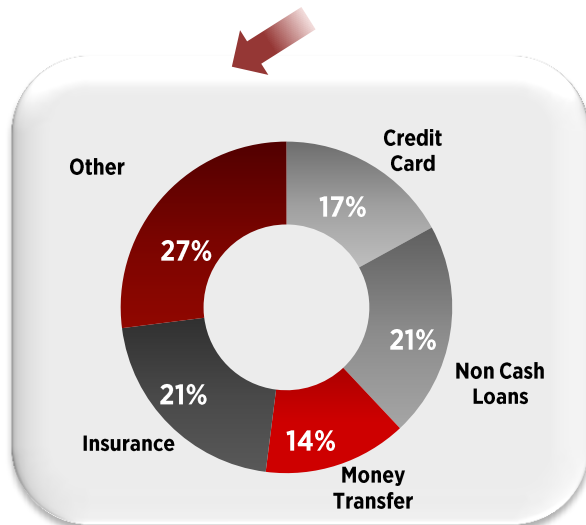
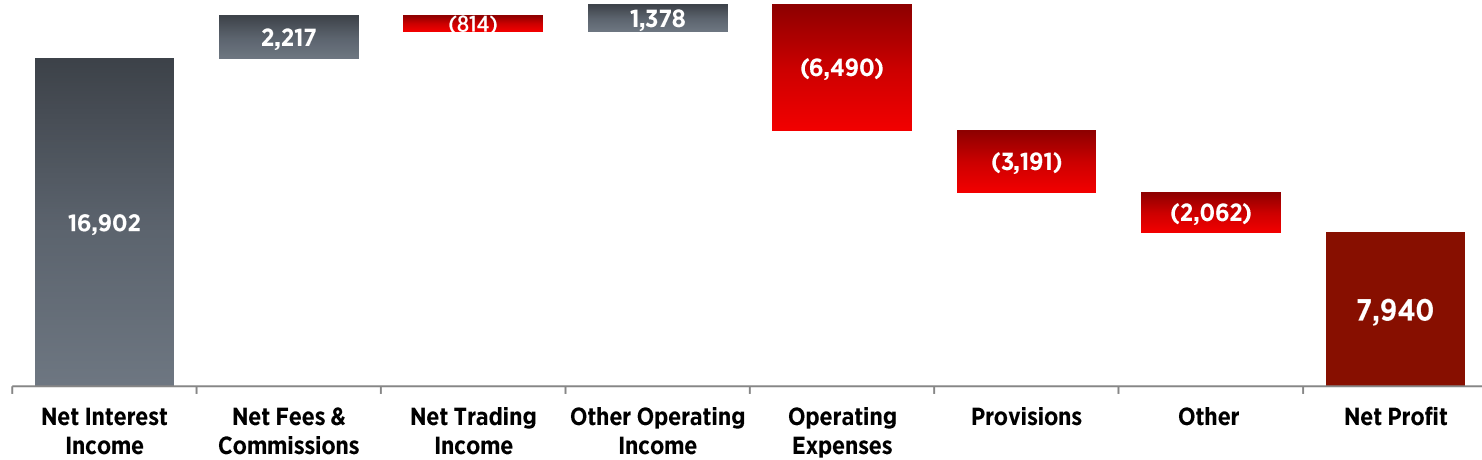
— Ziraat — Sector*

Sector: BRSA data deposit banks only



Profitability

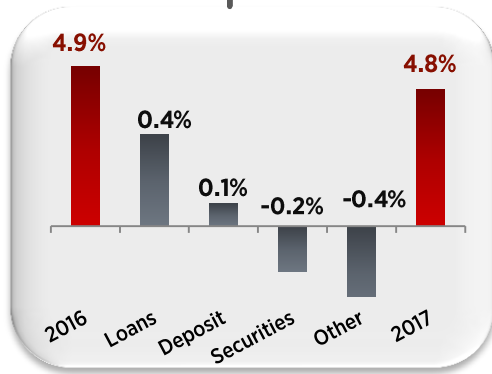
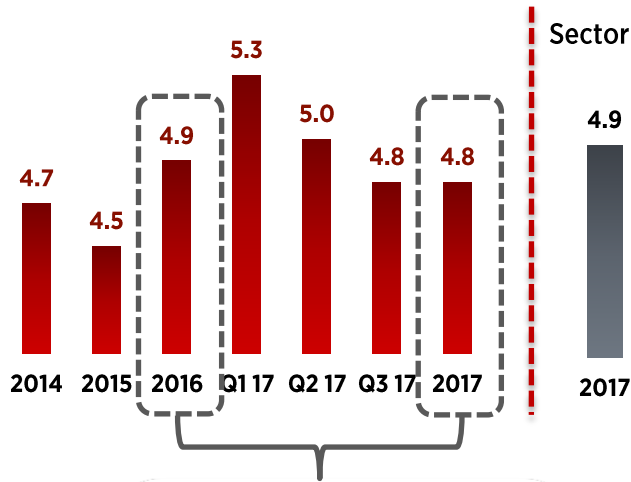
P&L Breakdown (TL mn)



Temporary impact of promotion payment to pensioners,
OPEX growth: YoY 22.4% QoQ 5.0%

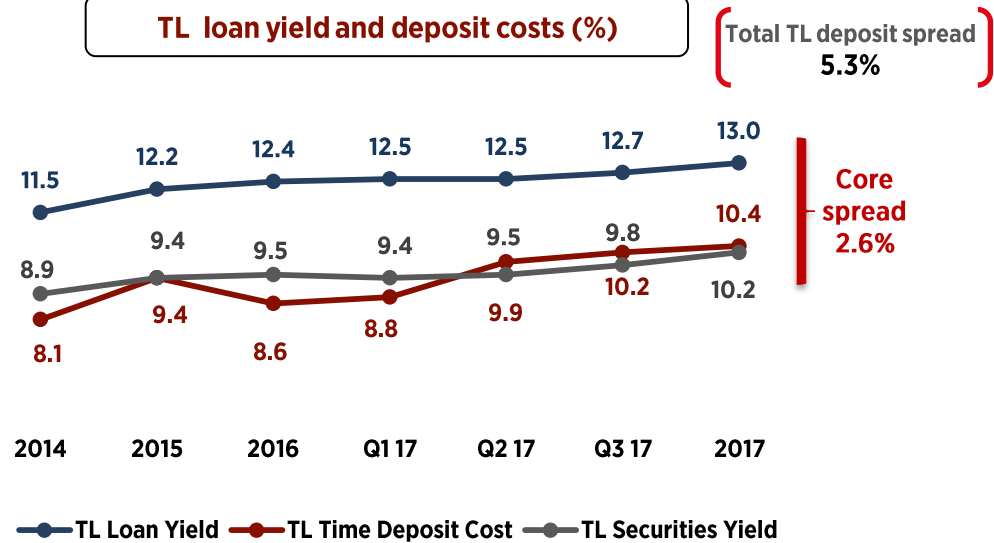
NIM & Spreads

Net Interest margin (NIM cum. %)

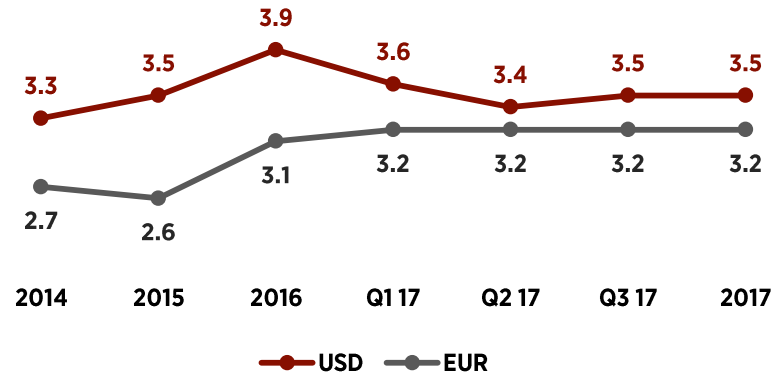


*NIM = Net Interest Earnings / Av. IEA
Sector: BRSA data deposit banks only

TL loan yield and deposit costs (%)



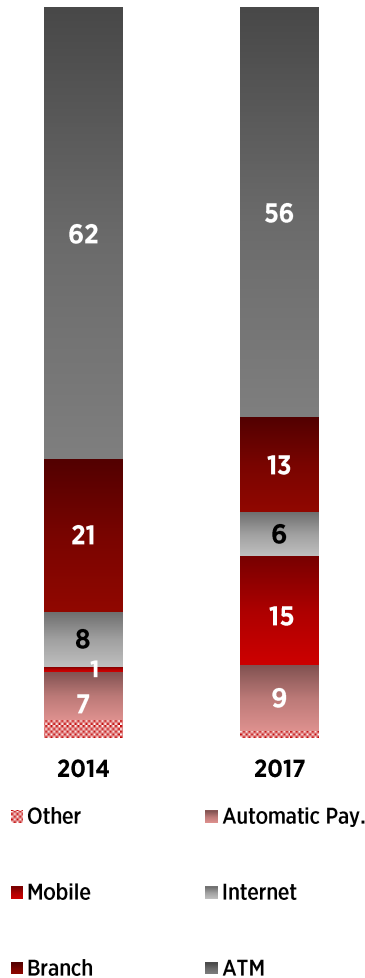
FX spreads* (%)



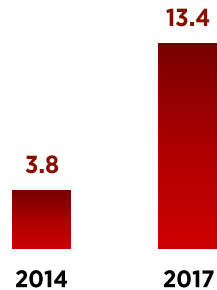
*Loan FX- Time Deposit FX

Efficiency

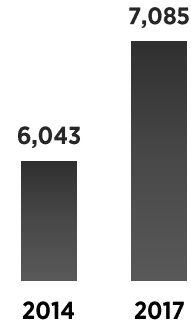
Banking Transaction Channel Distribution (%)



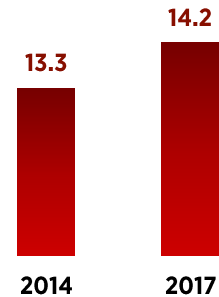
of customers having internet banking (mn)



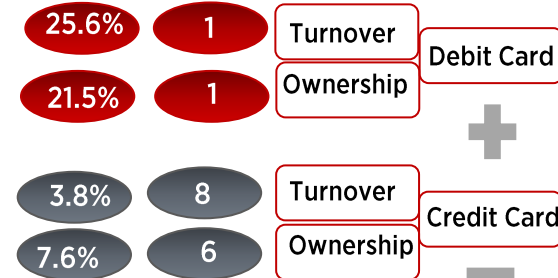
Number of ATMs



ATM Market share (%)



Marketshare Ranking



87% of banking transactions through non-branch channels



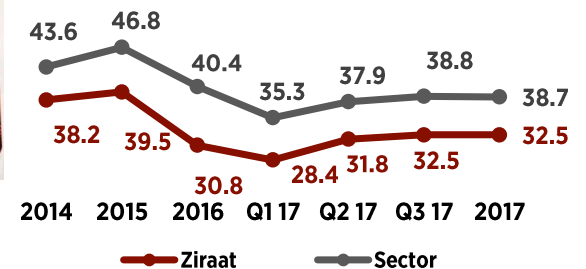
30% decrease in average transaction cost in 2017

Limited OPEX growth

Channel optimization

Better C/I ratio than sector

Cost/Income ratio (%)

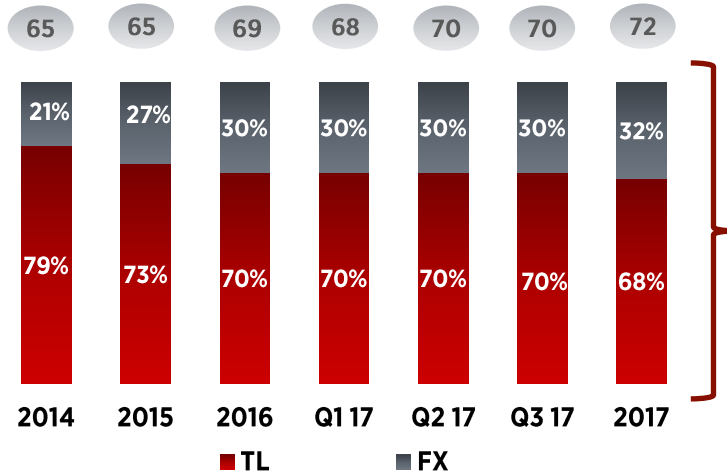


Sector: BRSA data deposit banks only

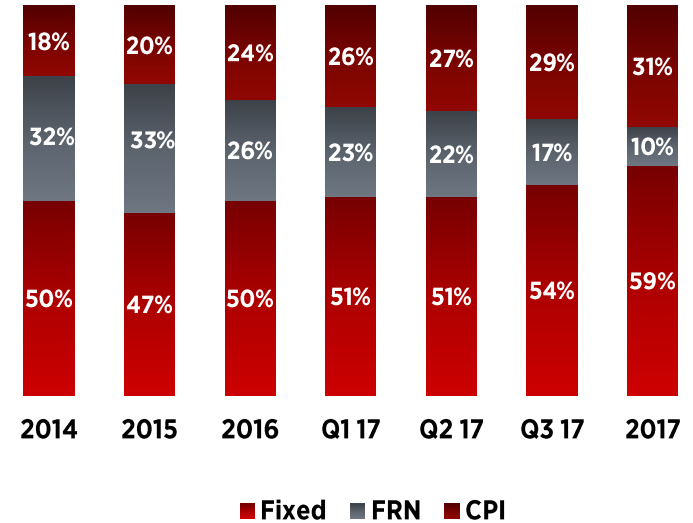
Securities Portfolio

Total Securities (% share in total)

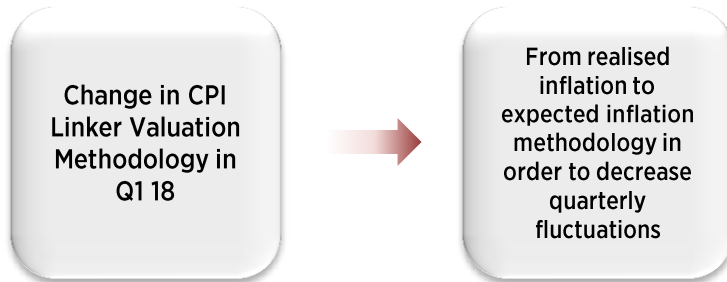
Total Amount (TL bn)



Breakdown of TL securities* (% share in total)



*Interest accruals excluded.



CPI Linker income:

Q4 17 TL 578 mn

vs

Q3 17 TL 141 mn
Q2 17 490 mn
Q1 17 626 mn

APPENDIX

Balance Sheet Summary

TL mn	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	2017	% Change QoQ	% Change YoY
CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	30,149	36,535	39,167	36,708	37,690	38,487	44,269	15.0%	13.0%
BANKS	2,191	4,447	3,902	4,264	3,218	3,310	4,303	30.0%	10.3%
SECURITIES	64,563	64,871	69,066	68,492	70,440	69,644	72,019	3.4%	4.3%
LOANS	141,915	186,813	232,644	251,900	270,855	280,255	298,258	6.4%	28.2%
-Gross NPL	2,717	3,141	4,217	4,332	4,414	4,542	4,774	5.1%	13.2%
-Specific Provisions (-)	1,932	2,271	3,966	4,106	4,182	4,313	4,549	5.5%	14.7%
OTHERS	8,782	10,182	4,806	14,893	9,148	7,636	6,103	-20.1%	27.0%
TOTAL ASSETS	247,600	302,848	357,761	384,695	399,947	408,187	434,275	6.4%	21.4%
DEPOSITS	153,255	186,469	223,019	232,084	241,471	250,522	266,384	6.3%	19.4%
FUNDS BORROWED	14,608	19,543	22,817	23,739	24,991	25,672	29,065	13.2%	27.4%
INTERBANK MONEY MARKET	31,781	43,086	47,212	59,223	57,871	52,614	56,258	6.9%	19.2%
PROVISIONS	4,758	5,161	6,053	6,719	7,133	7,341	8,519	16.0%	40.7%
SHAREHOLDERS' EQUITY	28,540	31,546	38,382	41,206	43,341	45,872	47,010	2.5%	22.5%
OTHERS	14,658	17,043	20,278	21,725	25,140	26,166	27,039	3.3%	33.3%

Income Statement Summary

TL mn	2014	2015	Q4 2016	2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	% Change QoQ	% Change YoY	% Change YoY (Cum.)
INTEREST INCOME	18,165	22,050	7,361	27,291	8,205	8,618	8,806	9,835	35,463	11.7%	33.6%	29.9%
-From Loans	12,755	16,677	5,932	21,512	6,255	6,810	7,375	7,917	28,357	7.4%	33.5%	31.8%
-From Securities	5,333	5,197	1,347	5,488	1,691	1,561	1,226	1,714	6,193	39.8%	27.2%	12.8%
INTEREST EXPENSE	9,558	11,542	3,497	13,342	3,896	4,534	4,943	5,188	18,561	5.0%	48.4%	39.1%
-On Deposits	7,512	8,668	2,630	9,911	2,644	2,914	3,219	3,471	12,249	7.8%	32.0%	23.6%
NET INTEREST INCOME	8,607	10,509	3,863	13,948	4,309	4,084	3,863	4,647	16,902	20.3%	20.3%	21.2%
NET FEES & COMMISSIONS	1,077	1,300	496	1,643	499	556	548	614	2,217	12.0%	23.8%	34.9%
-Fees and Commissions Received	1,357	1,637	596	2,023	601	663	667	742	2,673	11.2%	24.5%	32.1%
-Fees and Commissions Paid	279	337	100	380	101	107	120	128	456	6.7%	28.0%	20.0%
OTHER OPERATING INCOME	911	1,340	281	1,555	417	317	303	340	1,378	12.2%	21.0%	-11.4%
OPEX	4,095	5,208	1,439	5,303	1,516	1,723	1,586	1,666	6,490	5.0%	15.8%	22.4%
NET OPERATING PROFIT	5,179	6,568	3,110	11,655	2,847	2,701	2,665	3,469	13,193	24.4%	11.5%	13.2%
NET PROFIT	4,051	5,162	1,568	6,576	2,170	2,166	2,171	1,433	7,940	-34.0%	-8.6%	20.7%

Key Financial Ratios

(%)	2014	2015	2016	Q1 2017	Q2 2017	Q3 2017	2017
ROAA	1.8	1.8	2.0	2.4	2.3	2.2	2.0
ROAE	16.4	17.3	18.6	22.1	21.3	20.6	18.4
Cost / Income Ratio	38.2	39.5	30.8	28.4	31.8	32.5	32.5
NIM (cum.)	4.7	4.5	4.9	5.3	5.0	4.8	4.8
Loans*/Deposits	89.2	97.1	101.7	106	109.7	109.5	109.7
Loans/Assets	57.3	61.7	65.0	65.5	67.7	68.7	68.7
Securities/Assets	26.1	21.4	19.3	17.8	17.6	17.1	16.6
NPL	1.9	1.7	1.8	1.7	1.6	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	1.6	1.1	0.9	0.8	1.0
CAR	18.2	15.1	14.6	14.9	15.2	15.7	15.2
Leverage**	7.7	8.6	8.3	8.3	8.2	7.9	8.2
# of							
Branches	1,707	1,812	1,814	1,818	1,813	1,802	1,781
Employees	23,617	25,697	25,015	25,008	24,709	24,558	24,554
ATMs	6,043	6,566	6,869	6,949	7,002	7,044	7,085

* Intermediated loans of public funds are excluded

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

For further information please contact

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