

Financial Presentation
March 2020



Ziraat Bank

More than a bank

Largest Bank in Turkey with
~ USD 107 bn. asset size

TL 695bn

Widest local and international geographic footprint with 1,733 branches

- Only bank in more than 400 points in Turkey
- Operating in 18 countries

Extensive Customer Base

> 36 mn

1,733

Market Leadership

- Total Assets
- Total Loans
- Equity
- Deposits

High level of funding intermediation through moderate LtD level

94.3%

#1

Robust Asset Quality maintained

Prudent risk management approach for future NPL inflows

Sound CAR

Above regulatory limits w/o forbearance
Tier 1 capital ratio 15.3%

16.4%

2.7%

The largest deposit base in the sector

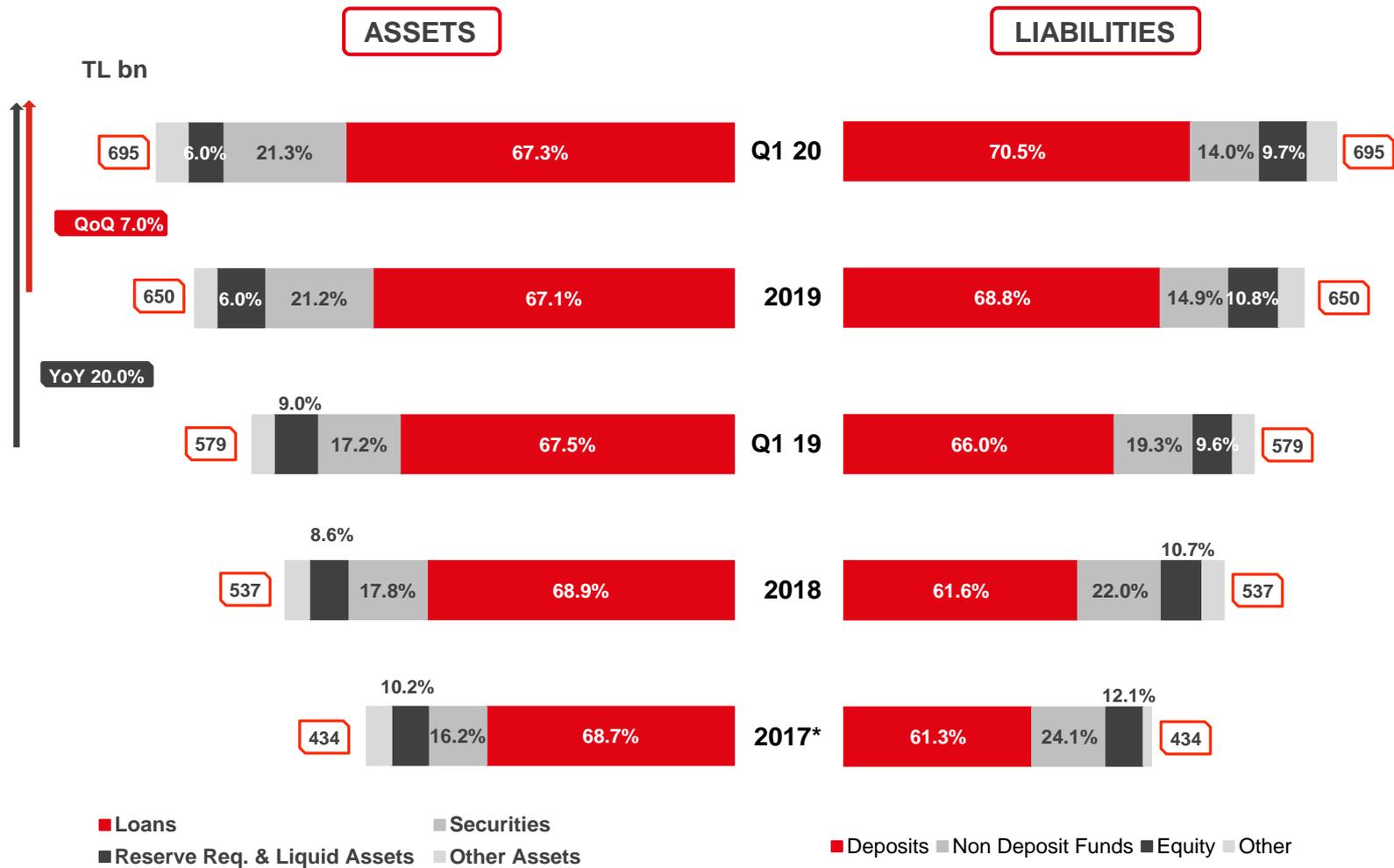
Core deposit ratio 96%

Undisputed Agricultural Loans Leader in Terms of Market Share

- High market penetration
- Only bank authorised for government subsidised agro-lending

60%

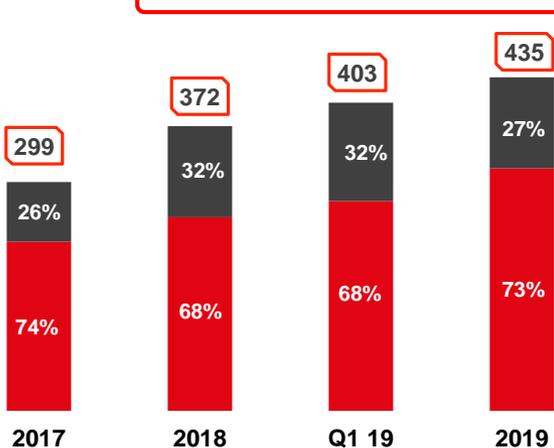
TL 490 bn



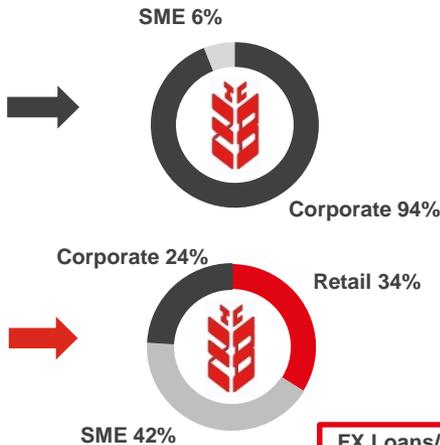
(1) Performing loans only

* All 2017 figures in the presentation are calculated over 01.01.2018 numbers for comparison purposes

Total Loans (TL bn, % share in total)



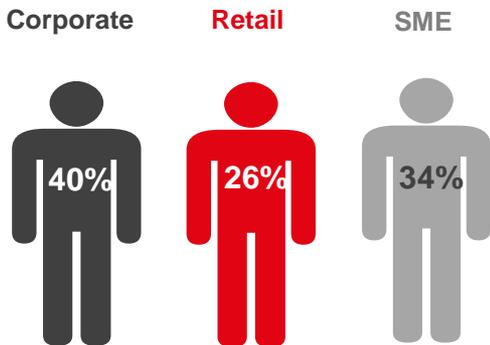
■ TL ■ FX



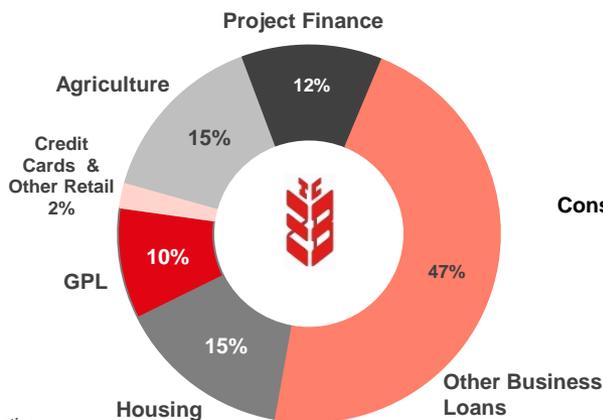
FX Loans/Total Loans
26% vs. **sector's 38%**

	QoQ Δ	YoY Δ
Total Loans	7.5%	16.3%
Total Loans (FX adj.)	4.8%	11.9%
TL	8.8%	25.0%
FX(\$)	-6.0%	-16.6%
Retail	9.8%	32.3%
Housing	6.1%	31.6%
SME	7.4%	18.5%
Corporate	5.7%	6.3%
Corp. FX Adj.	-5.1%	-1.8%

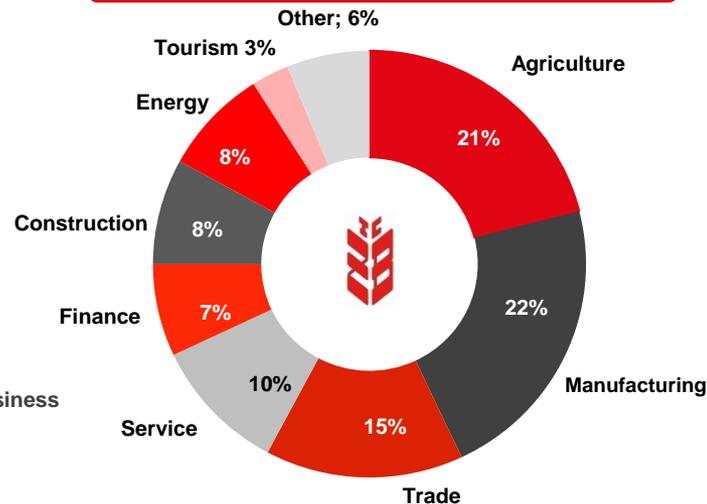
Cash Loans by Customer Segment



Cash Loans by Product

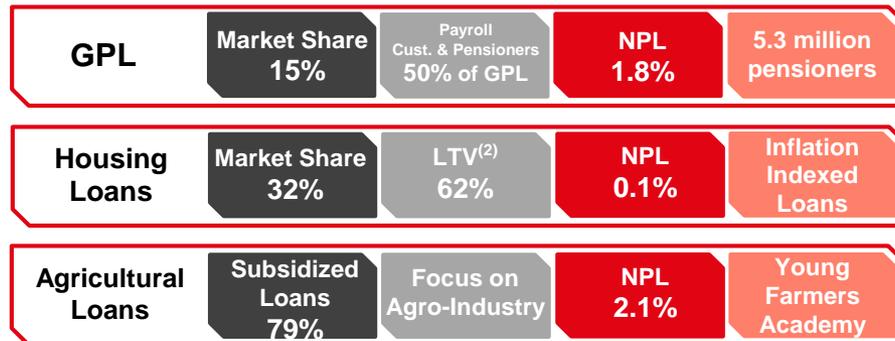
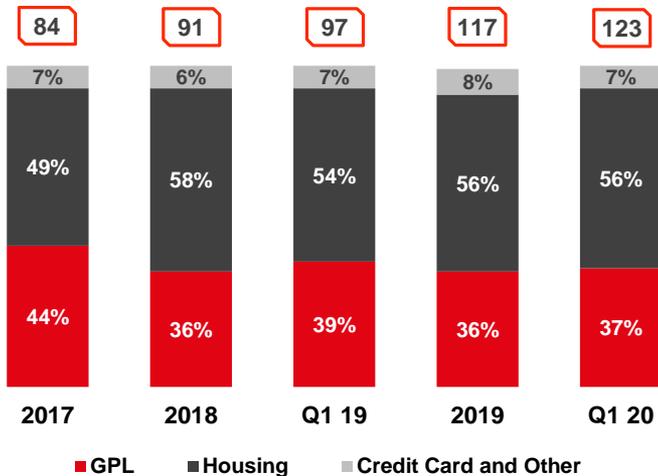


Sector Breakdown of Cash Business Loans

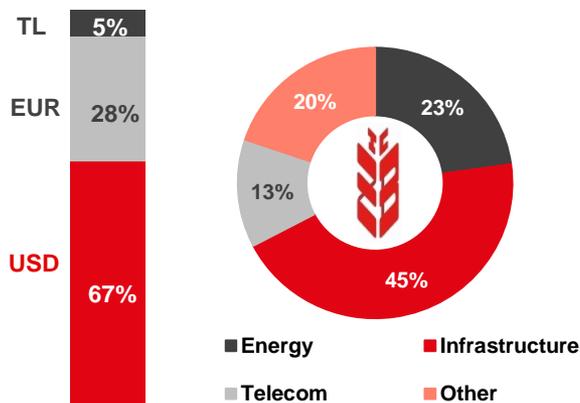


- Based on customer segmentation data, totals may differ from product classification
- Accruals, intermediated loans of public funds and overseas branch lending are excluded from segment distribution

Retail Loans⁽¹⁾ (TL bn, % share in total)



Project Finance Loans



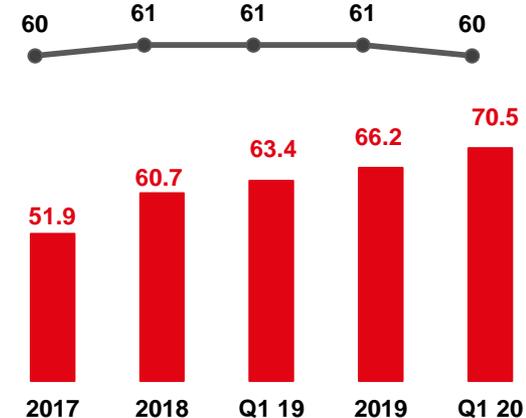
USD 8.8 bn cash
USD 0.2 bn non-cash

Share of Renewables in energy loans: 57%

Share of Infrastructure projects with debt assumption: 91.5%

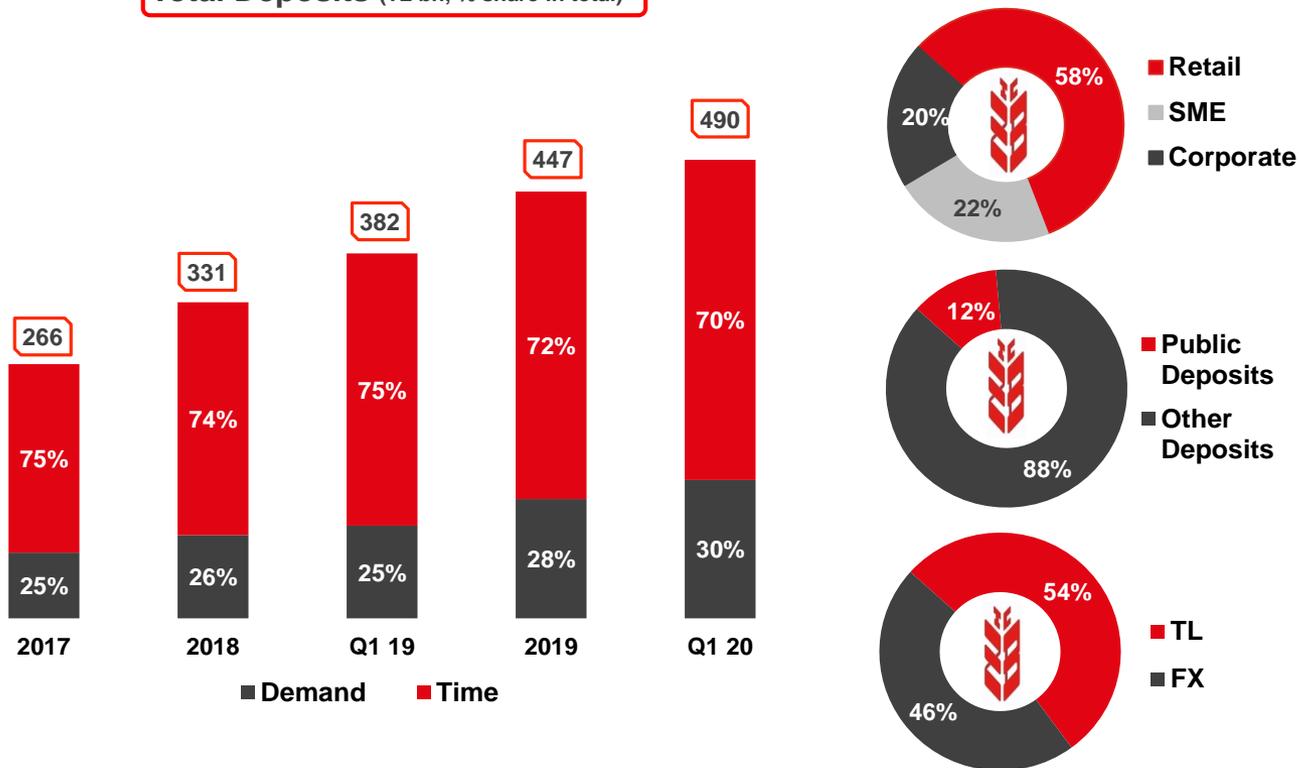
Agricultural Loans (TL bn)

Market Share⁽³⁾ (%)



(1) Accruals are excluded
(2) Marginal LTV
(3) Among sector deposit banks

Total Deposits (TL bn, % share in total)



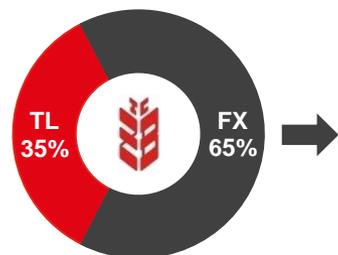
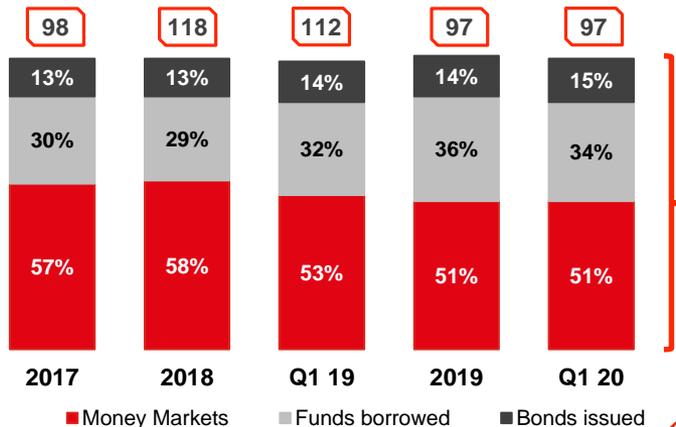
	QoQ Δ	YoY Δ
Total Deposits	9.6%	28.1%
<i>Total Deposit (FX adj.)</i>	4.7%	19.8%
TL	9.9%	38.5%
FX(\$)	-1.3%	1.0%
Customer Deposit	9.7%	26.1%
Demand	16.8%	49.1%
Time	6.8%	21.0%

✓ Granular and sticky deposit base with c. 60% share of retail segment in total deposits

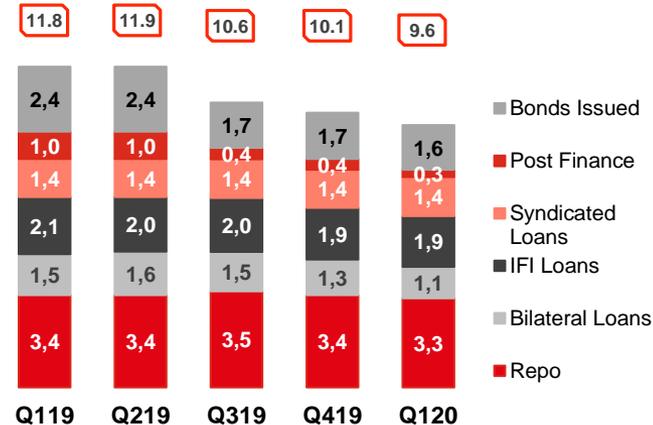
✓ 57% of demand deposits comprised of retail deposits

Core deposit ratio 96%	Sector Demand/Total Deposits 27%
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Non-Deposit Funds (TL bn,% share in total)



Total Amount (USD bn)



✓ Cost oriented, adaptive wholesale funding management

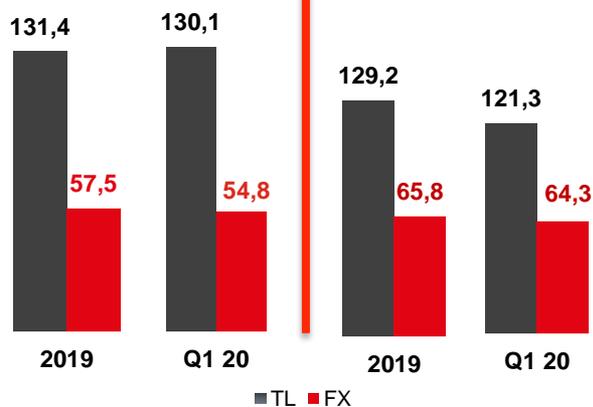
- More than adequate FX liquidity, ST liability coverage ~ 200%
- 461.9% FX LCR, 141.1% Total LCR
- USD 1.1 bn syndicated loan in April with 38 banks from 22 countries

Loan to Deposit⁽¹⁾ (%)



Ziraat

Sector⁽²⁾

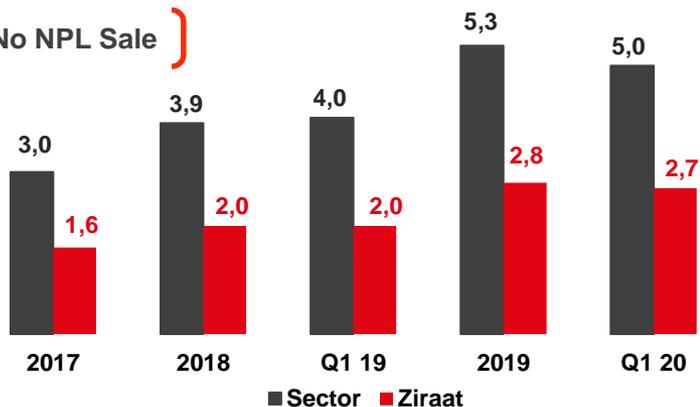


(1) Performing Loans/Total Deposit Intermediated loans of public funds are excluded

(2) Sector: Deposit banks

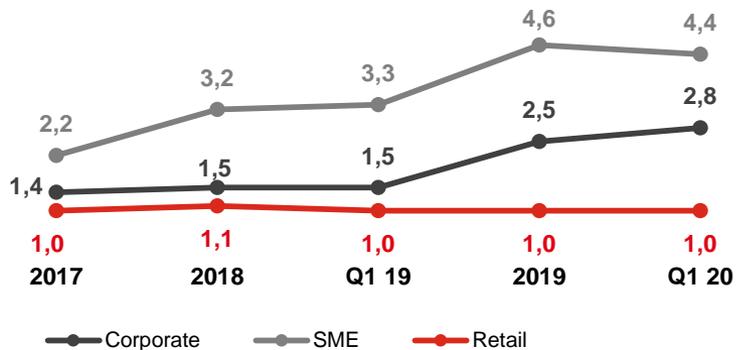
NPL Ratios (%)

(No NPL Sale)



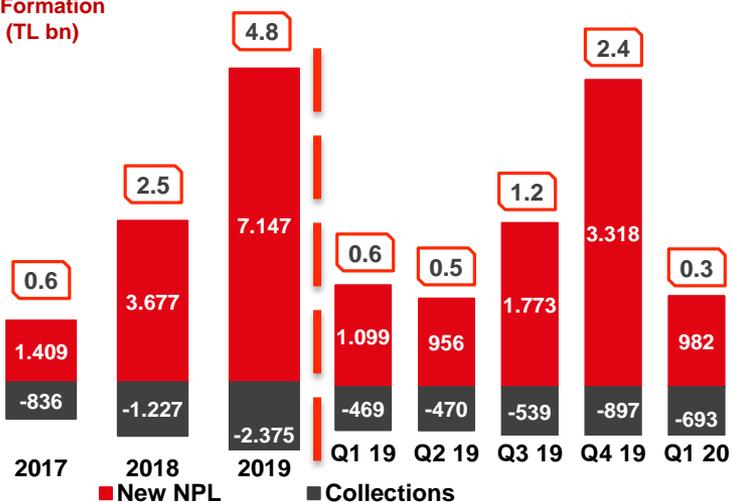
- ✓ Around **35%** of loan portfolio allocated to structurally low NPL generating products/segments
- ✓ Comparably lower NPL formation and high collection performance in Q1 2020.
- ✓ Limited impact of ~ **15 bps** from change in NPL and Stage 2 recognition periods
- ✓ YtD denominator impact on NPL ratio ~ **20 bps**

NPL Ratios by Segment (%)

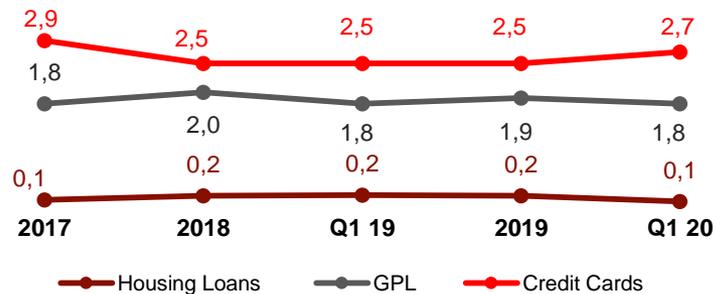


New NPL & Collections (TL mn)

Net NPL Formation (TL bn)

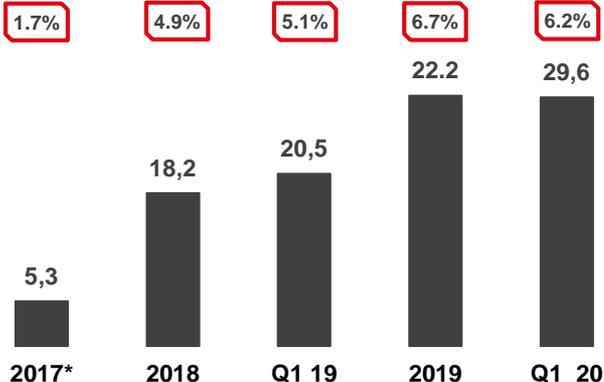


Retail NPL Ratios by Product (%)



Share in total (%)

Stage II Loans (TL bn)



*01 Jan 2018 financial figures for comparison purposes

Restructured Loans⁽²⁾ in Total Loans: 4.8%

Share in Stage II
Construction: 17%
Energy: 8%
Agriculture: 11%

Total Coverage⁽³⁾ 105.7%

Cash Coverage⁽³⁾ 119.5%

TL 910 mn free provision in Q1 20
Reaching a strong buffer of TL 1.7 bn

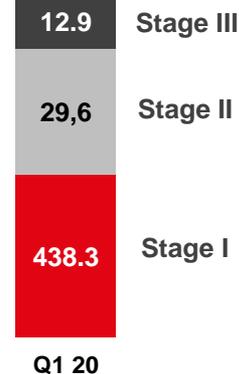
Loan Classification (TL bn)

Coverage

69.7%⁽³⁾

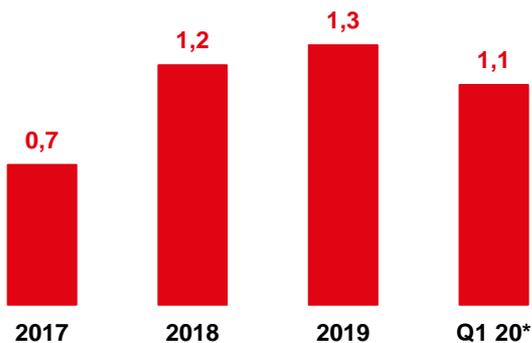
12.5%

0.3%

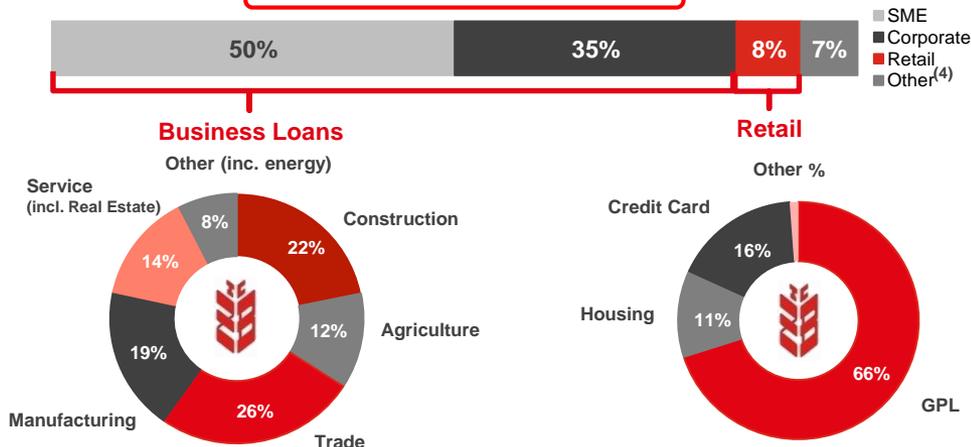


Q1 20

Cost of Risk⁽¹⁾ (%)



Total NPL by Segment



■ SME
 ■ Corporate
 ■ Retail
 ■ Other⁽⁴⁾

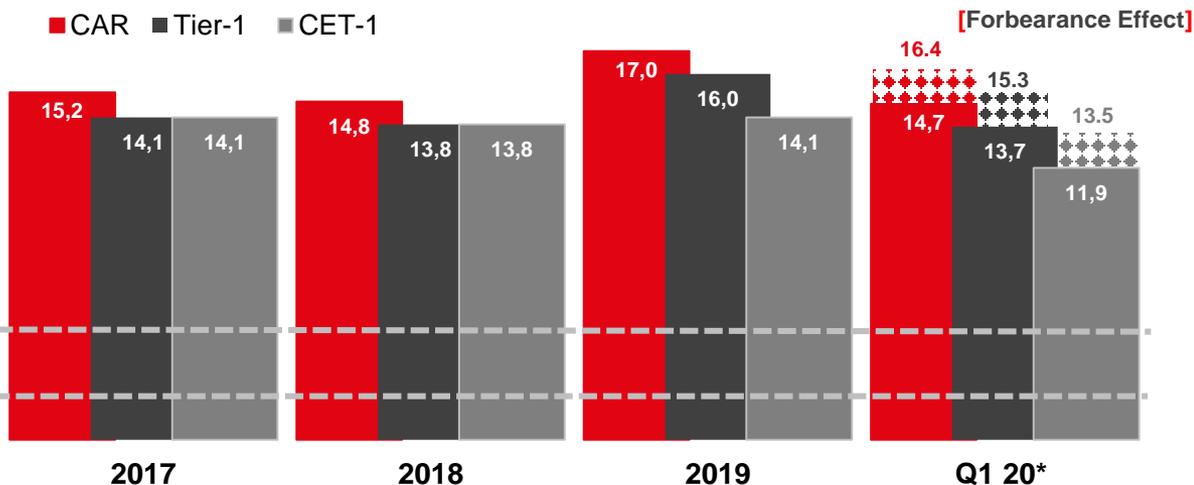
(1) CoR: Expected Credit Loss-Reversals / Average Loan Amount

(2) Total figure including restructured loan amount before BRSA regulation published on 2 March 2019. According to regulation defining restructured loans, restructured loan amount between March 2018 to March 2020 is TL 6,589 mn

(3) Excluding intermediated loans for public funds

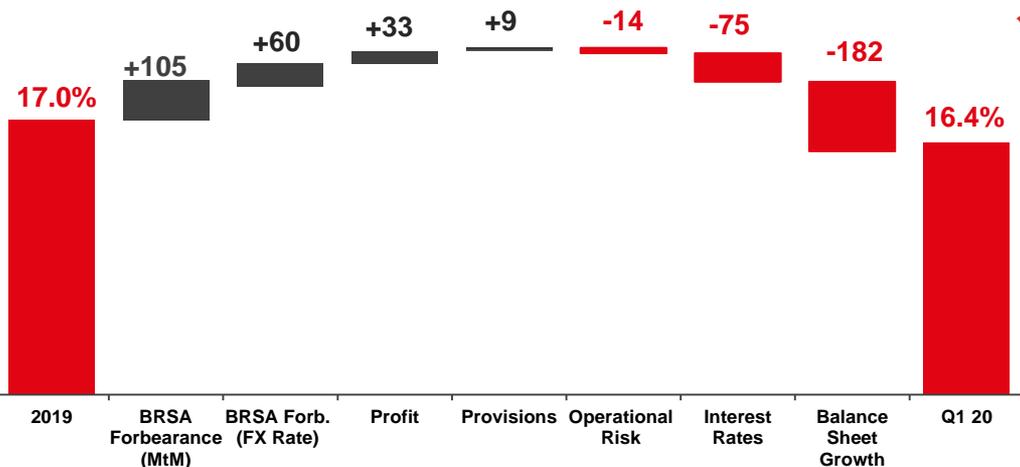
(4) Includes loans excluded from segment classification, intermediated loans from public funds and overseas branch lending
 * Annualized figure

■ CAR ■ Tier-1 ■ CET-1



**Basel III
Leverage 8.9% vs
regulatory min of 3.0%**

Change in CAR (QoQ bps)



✓ TL 7 bn. core capital injection by TWF in progress, 110-115 bps positive impact on CET 1 expected

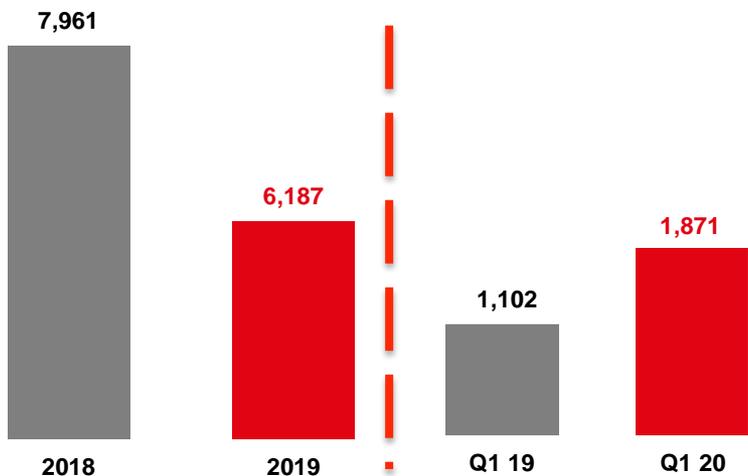
✓ TL 23.2 bn. excess capital*

	Solo	Cons.
CET1 Capital Ratio	4.5%	4.5%
Capital Conservation Buffer	2.5%	2.5%
D-SIB Buffer*	-	2.0%
Countercyclical Buffer	0.07%	0.07%
TOTAL**	7.1%	9.1%

*Calculated over solo Basel III requirement of 12,07%

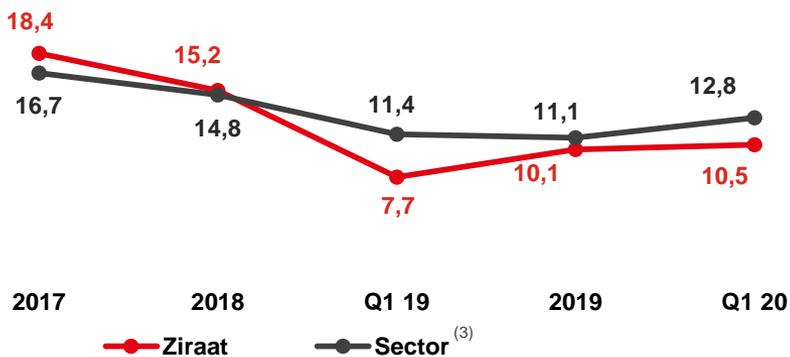
**D-SIB Buffer is applied only to consolidated ratios
Total buffers including AT1 and Tier-2 buckets is 12.5% in consolidated basis

Net Profit (TL mn)

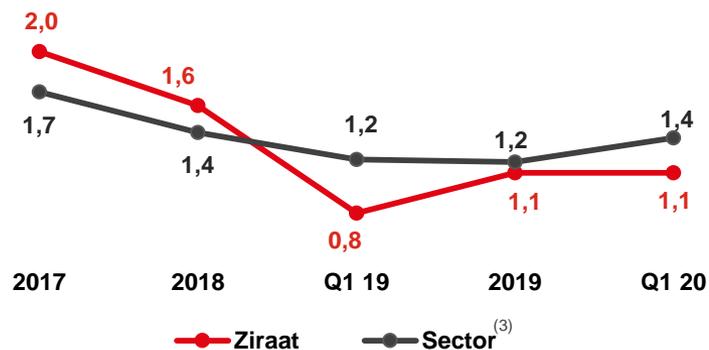


- ✓ Higher profitability due to better NII which compensates higher OPEX and lower net fee and commission income
- ✓ Continuation of the positive impact of decreasing funding costs

Return on Equity⁽¹⁾ (%)



Return on Assets⁽²⁾ (%)

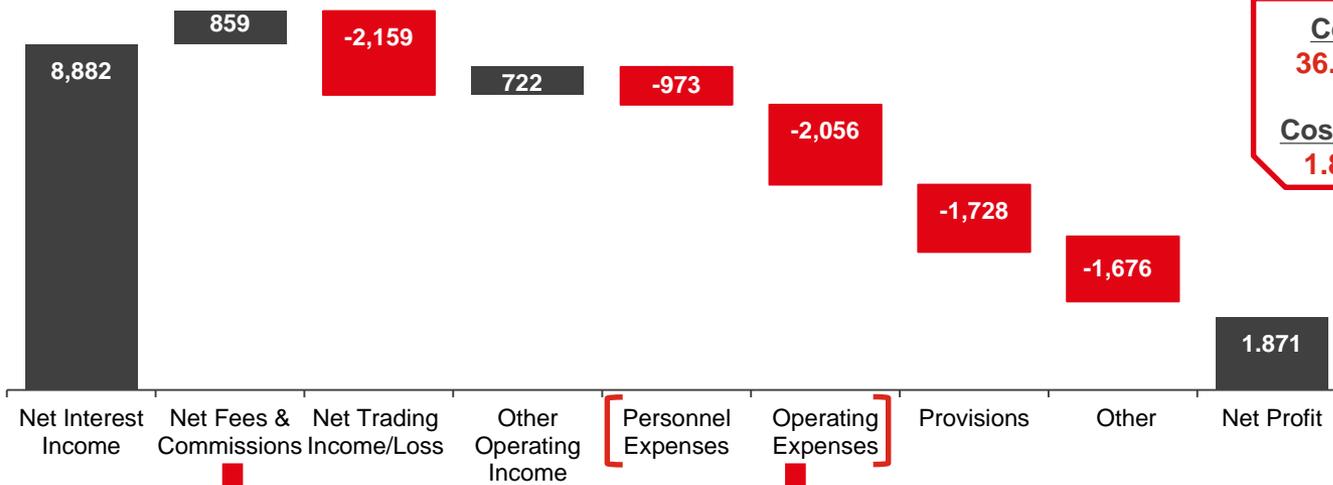


(1) Average shareholders' equity represent monthly averages until 2017 and weekly averages since Q1 18

(2) Average total assets represent monthly averages until 2017 and weekly averages since Q1 18

(3) Sector: Deposit Banks

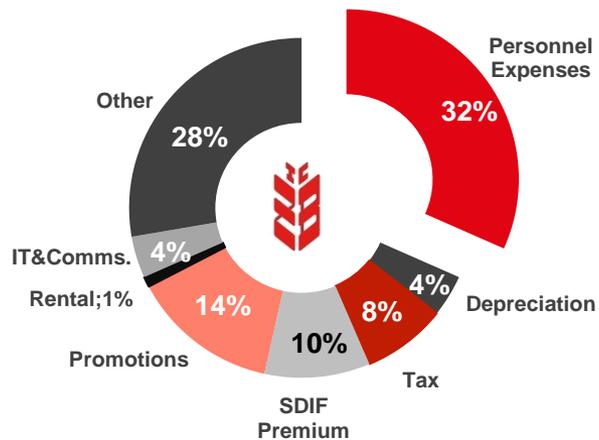
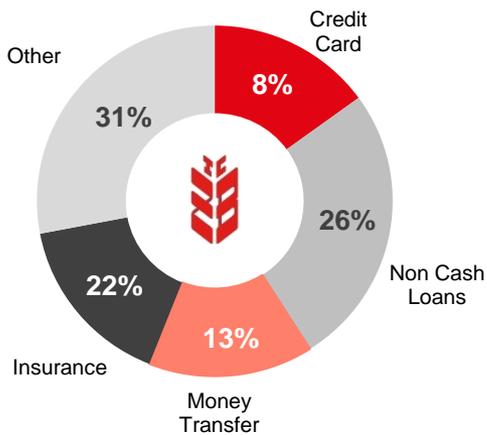
P&L Breakdown, Q1 2020 (TL mn)



Cost/Income
36.5% in Q1 20

Cost/Avg. Assets
1.8% in Q1 20

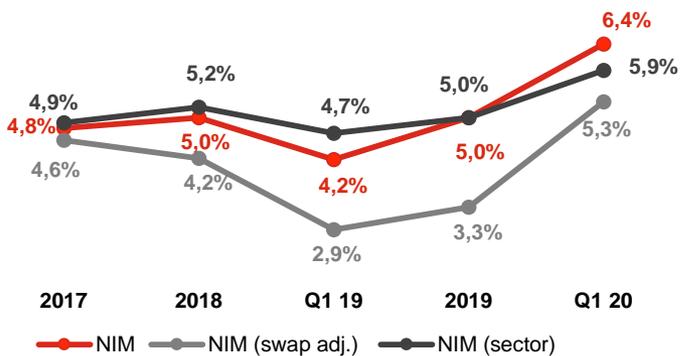
Net Fees & Commissions growth:
4.5% (YoY)



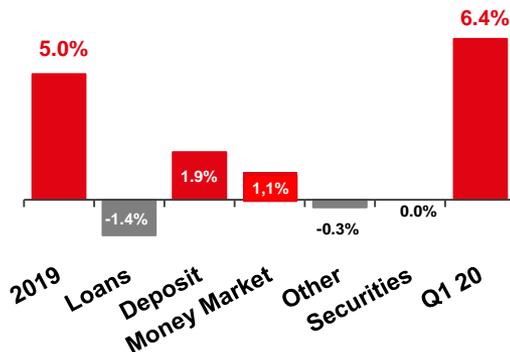
OPEX⁽¹⁾ growth
YoY 27.4%

(1) Personnel expenses are not included

Net Interest Margin⁽¹⁾⁽²⁾ (NIM cum. %)

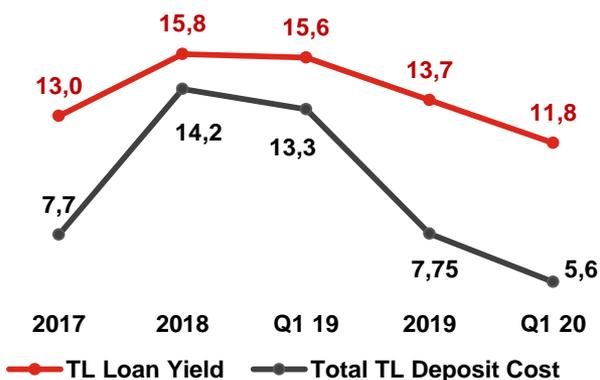


NIM Evolution

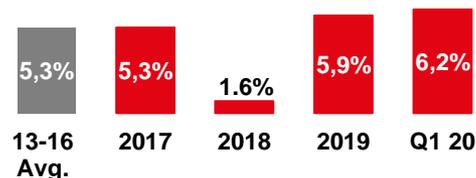


- ✓ Continuation of rate cut cycle from CBRT
- ✓ Improvement in core spreads due to lower funding costs in decreasing interest rate environment
- ✓ TL Core Spread above historic averages
- ✓ Strong recovery in Swap adj. NIM with swap costs down to TL 1.5 bn.
- ✓ Repricing impact of loans to become more visible during the rest of the year

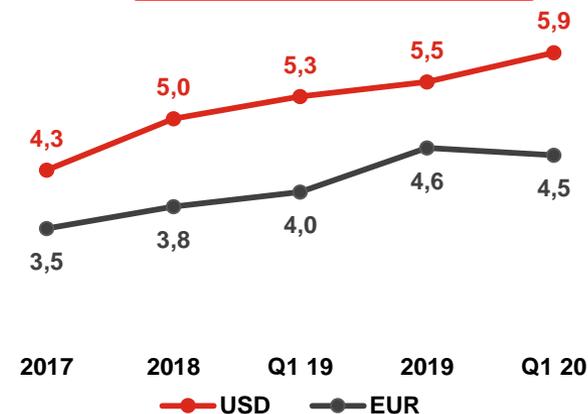
TL Loan Yield and Deposit Costs (%)



TL Core Spreads (%)



FX Core Spreads⁽³⁾ (%)



(1) Sector: Deposit banks

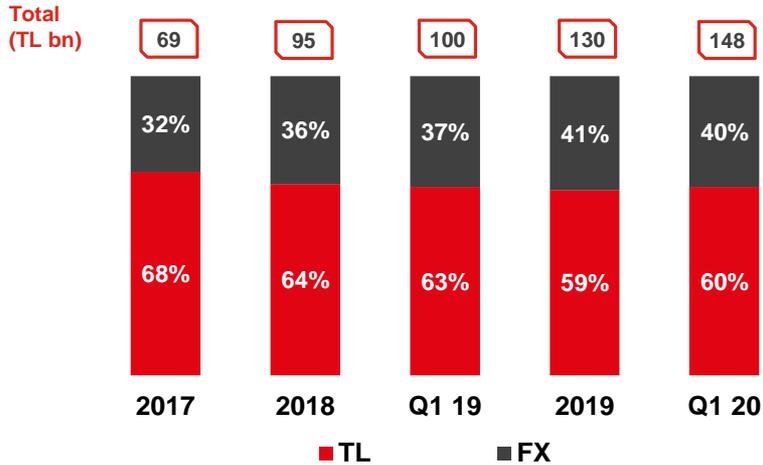
(2) NIM = Net Interest Earnings / Av. IEA

(3) FX Loan - FX Deposits (Total)

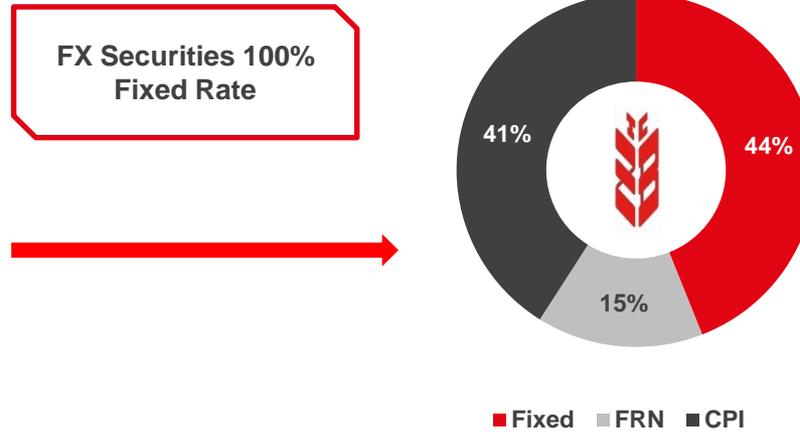
APPENDIX

Ziraat Bank – Securities Portfolio

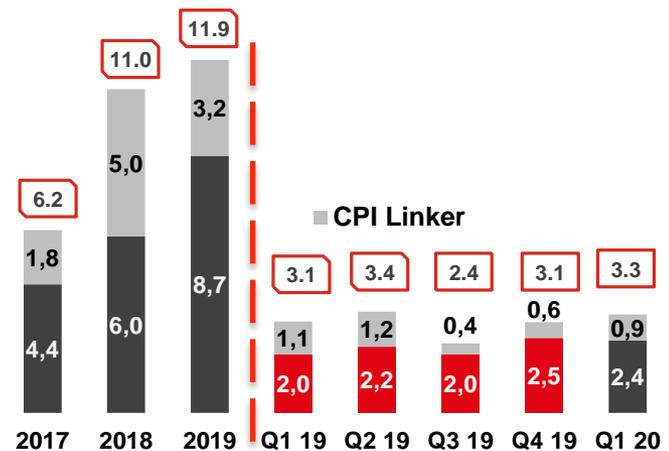
Total Securities (% share in total)



Breakdown of TL securities⁽¹⁾ (% share in total)



Interest Income from Securities (TL bn)



FVTPL+ FVOCI
87%
 Fin. Assets
 Measured at
 Amortised Cost
13%
 of total securities

(1) Interest accruals excluded.

In 2018, the Bank's own credit card brand, 'Bankkart' was launched in line with our new marketing approach

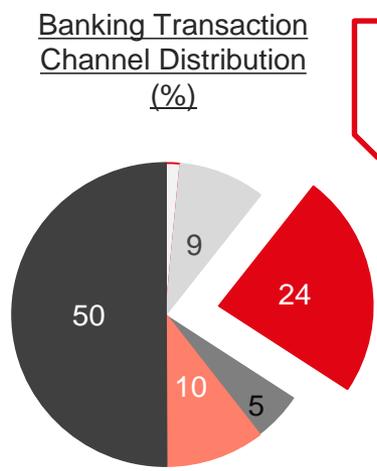
- Special emphasis on digital channels during pandemic
- Facilitating measures to promote non-branch
- Increased transaction limits for ATM and digital channels
- Mutual use of ATMs among public banks for cost efficiency

		2016		Q1 2020	
		Market Share	Ranking	Market Share	Ranking
Credit Debit	Turnover	25.2%	1	23.7%	1
	Ownership	21.3%	1	21.4%	1
	Turnover	3.4%	8	6.1%	6
	Ownership	6.9%	6	10.8%	4

91% of banking transactions through non-branch channels

Digital Banking Customers: **16.2 mn**

Internet Banking Customers: **8.7 mn**



Low Credit Card NPL:
1.6% vs 5.0% sector avg.

Mid to Long Term Strategy
Gradual customer acquisition and credit card market share gain

Increase in market share of credit card balance:
From **3.3%** in 2016 to **6.1%** in Q1 2020

30% improvement in transaction costs since 2016

Largest ATM network:
7,253 ATMs
13.7% market share



Ziraat Bank – Balance Sheet Summary

IFRS9							
TL mn	2017	2018	Q1 19	2019	Q1 20	% Change QoQ	% Change YoY
CASH AND CASH EQUIVALENTS	48,571	46,238	52,006	57,389	41,829	-27.1%	-19.6%
SECURITIES	70,628	95,374	99,602	130,335	148,115	13.6%	48.7%
LOANS	298,033	371,871	402,506	435,917	467,930	7.3%	16.3%
-Gross NPL	4,774	7,460	8,120	12,690	12,939	2.0%	59.3%
-Expected Credit Loss (-)	4,211	8,385	8,975	13,011	14,009	7.7%	56.1%
OTHERS	17,364	23,673	25,362	26,435	23,555	-10.9%	-7.1%
TOTAL ASSETS	434,596	537,156	579,377	649,756	695,438	7.0%	20.0%
DEPOSITS	266,384	331,066	382,434	447,251	490,053	9.6%	28.1%
FUNDS BORROWED	29,065	34,172	35,904	34,528	33,282	-3.6%	-7.3%
INTERBANK MONEY MARKET	56,258	68,351	59,697	49,275	49,683	0.8%	-16.8%
PROVISIONS	3,283	2,832	3,054	3,819	4,998	30.9%	63.7%
SHAREHOLDERS' EQUITY	52,531	57,401	55,748	70,065	67,597	-3.5%	48.7%
OTHERS	27,075	43,334	42,540	44,818	49,825	11.2%	17.1%



Ziraat Bank – Income Statement Summary

TL mn	2017	2018	2019	Q1 19	Q4 19	Q1 20	% Chg. QoQ	% Chg. YoY
INTEREST INCOME	35,463	53,054	65,602	15,584	16,528	16,051	-2,9%	3,0%
-From Loans	28,357	41,028	52,764	12,198	13,361	12,543	-6,1%	2,8%
-From Securities	6,193	10,977	11,966	3,098	3,081	3,555	15,4%	14,8%
INTEREST EXPENSE	18,561	31,138	40,290	10,662	7,901	7,169	-9,3%	-32,8%
-On Deposits	12,249	19,675	27,989	7,199	5,721	5,005	-12,5%	-30,5%
NET INTEREST INCOME	16,902	21,916	25,312	4,992	8,627	8,882	3,0%	77,9%
NET FEES & COMMISSIONS	2,217	2,638	3,590	822	1,114	859	-22,9%	4,5%
OTHER OPERATING INCOME	1,378	1,434	1,614	448	480	722	50,4%	61,2%
OPEX ⁽¹⁾	6,490	7,691	9,797	2,380	2,715	1,151	-57,6%	-51,6%
NET OPERATING PROFIT	10,287	10,034	7,648	1,423	2,928	3,945	34,7%	177,2%
NET PROFIT	7,940	7,961	6,187	1,102	2,343	1,871	-20,1%	69,8%



Ziraat Bank – Key Financial Ratios

(%)	2017	2018	2019
ROAA ⁽¹⁾	2.0	1.6	1.1
ROAE ⁽²⁾	18.4	15.2	10.1
Cost / Income Ratio ⁽³⁾	32.5	34.3	40.8
NIM (cum.) ⁽⁴⁾	4.8	5.0	5.0
Loans ⁽⁵⁾⁽⁶⁾ /Deposits	109.7	110.6	96.0
Loans/Assets	68.7	68.9	67.1
Securities/Assets	16.3	17.8	20.1
NPL	1.6	2.0	2.8
Stage III Coverage ⁽⁶⁾	100	73.9	66.4
CoR	0.7	1.2	1.3
CAR	15.2	14.8	17.0
Leverage ⁽⁷⁾	8.2	8.4	8.3
# of			
Branches	1,781	1,773	1,758
Employees	24,554	24,647	24,563
ATMs	7,085	7,155	7,239

Q1 19	Q2 19	Q3 19	Q4 19	Q1 20
0.8	0.8	0.8	1.1	1.1
7.7	8.1	8.1	10.1	10.5
49.8	47.6	47.0	40.8	36.5
4.2	4.5	4.4	5.0	6.4
103.7	103.5	103.2	96.0	94.3
69.5	67.5	68.3	67.1	67.3
17.2	19.1	19.7	20.1	21.3
2.0	2.1	2.3	2.8	2.7
71.8	71.9	69.2	66.4	69.7
-	-	-	-	-
13.2	16	16.9	17.0	16.4
9.4	9.1	8.5	8.3	9.3
1,766	1,764	1,763	1,758	1,733
24,650	24,533	24,380	24,563	24,642
7,189	7,206	7,236	7,239	7,253

(1) Average total assets represent monthly averages until 2017 and weekly averages since Q1 18
(2) Average shareholders' equity represent monthly averages until 2017 and weekly averages since Q1 18
(3) Includes dividend income
(4) Average interest earning assets represent weekly averages.

(5) Performing Loans
(6) Intermediated loans of public funds are excluded
(7) Leverage = (Assets/Shareholders' Equity)-1

For further information please contact

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