

Financial Presentation
June 2020



Ziraat Bank

More than a bank

Largest bank in Turkey with
~ USD 117 bn. asset size

TL 797bn

Widest local and international geographic footprint with 1,758 branches

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

Extensive customer base

> 36 mn

1,758

Market leadership

- Total Assets
- Total Loans
- Equity
- Deposits

High level of funding intermediation through moderate LtD level

95.5%

#1

Robust asset quality maintained

- BRSA forbearance measures and loan growth impacting NPL
- Prudent risk management approach for future NPL inflows

Sound CAR

- TL 7 bn. capital increase in May 2020
- CET 1 capital ratio 15.6%

18.5%

2.3%

The largest deposit base in the sector

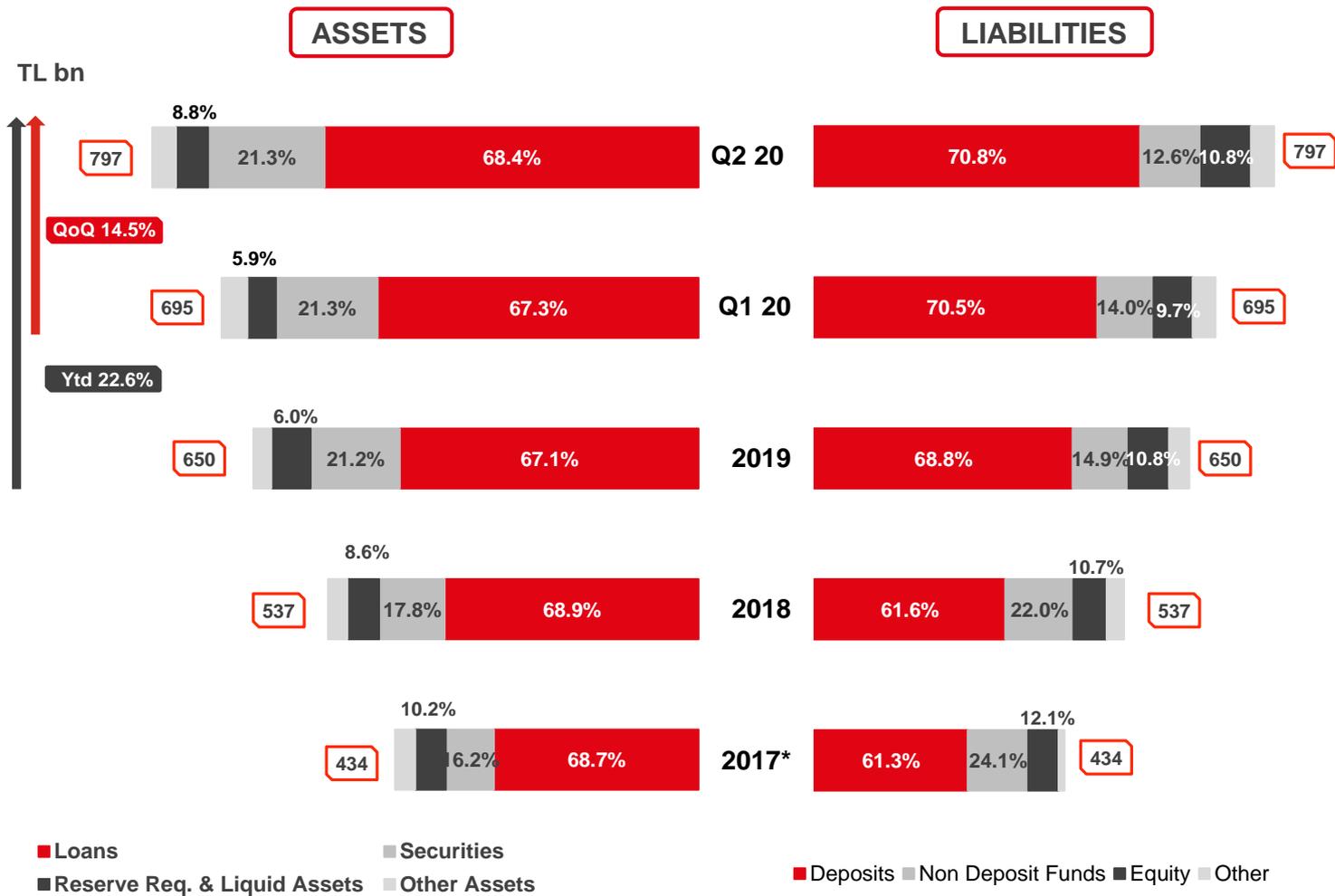
- Core deposit ratio 95.8%

Undisputed agricultural loans leader in terms of market share

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

~ 60%

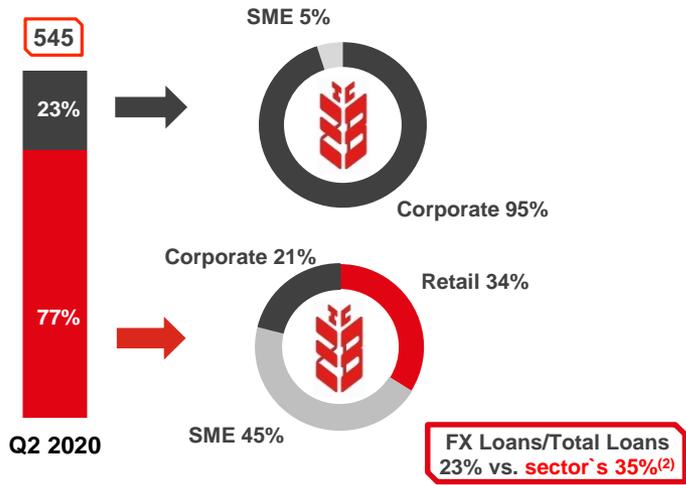
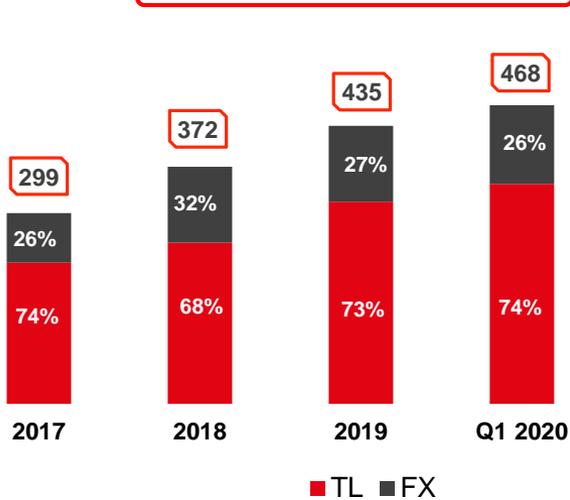
TL 564 bn



(1) Performing loans only

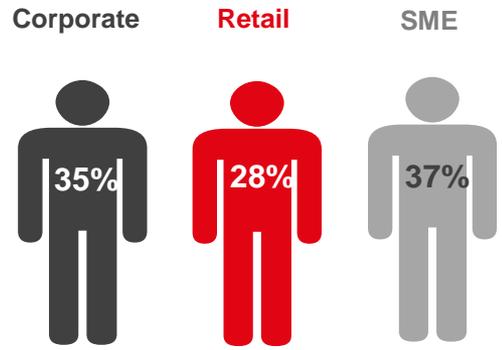
* All 2017 figures in the presentation are calculated over 01.01.2018 numbers for comparison purposes

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



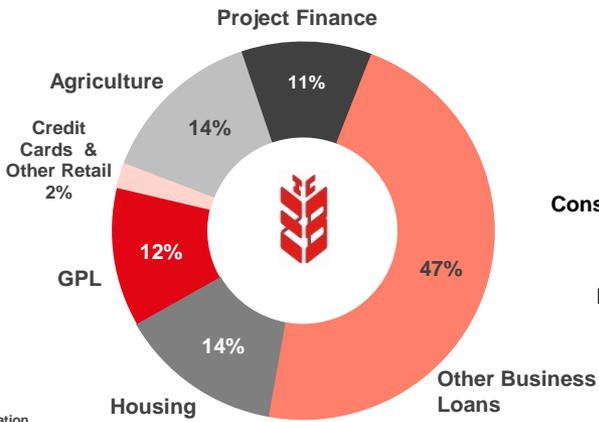
	QoQ Δ	YtD Δ
Total Loans	16.5%	25.2%
Total Loans (FX adj.)	15.4%	21.4%
TL	21.9%	32.6%
FX(\$)	-2.8%	-8.6%
Retail	23.2%	30.0%
Housing	13.2%	20.1%
SME	28.5%	38.0%
Corporate	3.9%	9.2%
Corp. FX Adj.	-2.1%	2.2%

Cash Loans by Customer Segment⁽³⁾

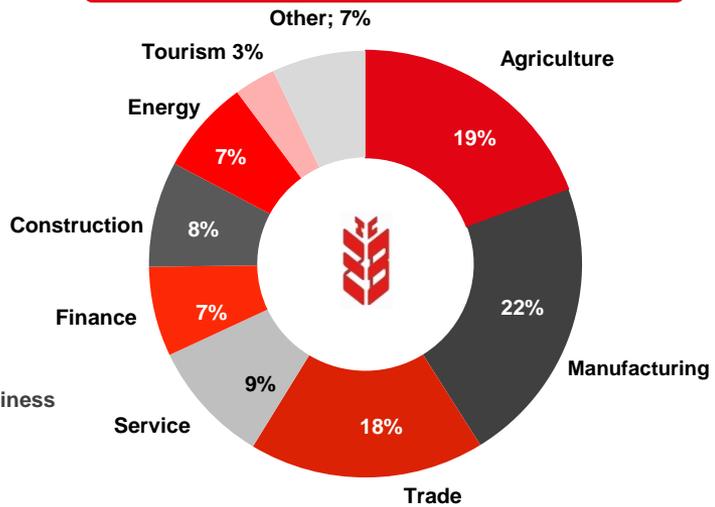


Based on customer segmentation data, totals may differ from product classification

Cash Loans by Product

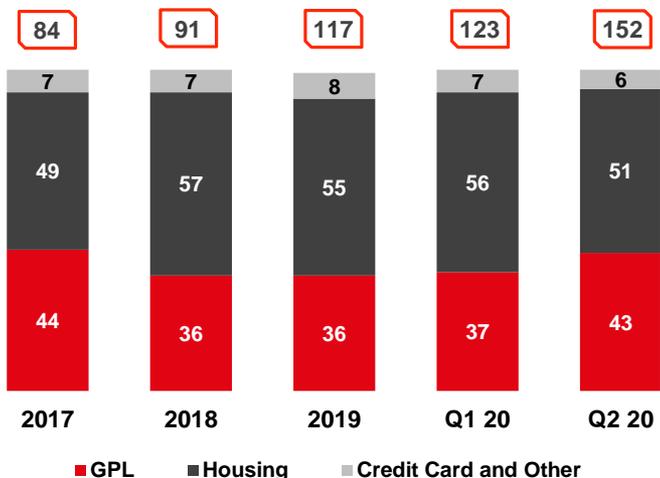


Sector Breakdown of Cash Business Loans⁽³⁾



(1) Performing loans
 (2) According to BRSA Q2 2020 data
 (3) Accruals, intermediated loans of public funds and overseas branch lending are excluded from segment distribution

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



GPL

Market Share
19%⁽³⁾

Payroll
Cust. & Pensioners
43% of GPL

NPL
1.2%

5.1 million
pensioners

Housing Loans

Market Share
33%⁽³⁾

LTV⁽²⁾
70%

NPL
0.2%

New Loan
Packages

Agricultural Loans

Subsidized
Loans
77%

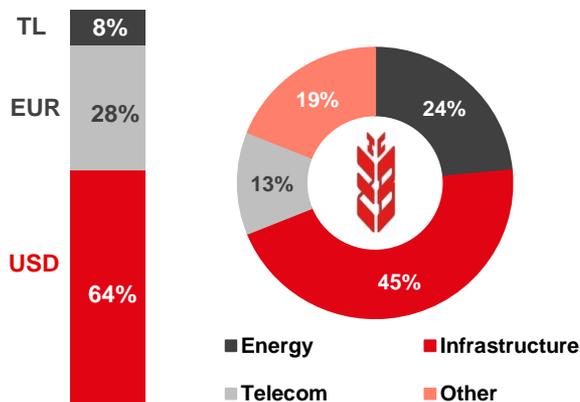
Focus on
Agro-Industry

NPL
1.9%

Young
Farmers
Academy

- Rise in the share of CGF guaranteed lending enabled by increasing size of the facility
- Retail loans included in CGF scheme
- Loan growth driven by thematic loan packages aimed at increasing economic resilience during the pandemic

Project Finance Loans



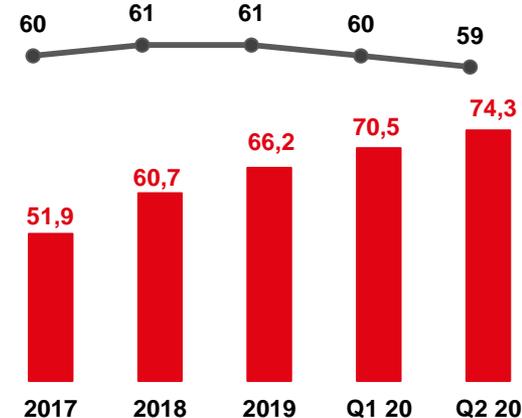
USD 9.1 bn cash
USD 0.4 bn non-cash

Share of Renewables
in energy loans: 59%

Share of Infrastructure
projects with debt
assumption: 86%

Agricultural Loans (TL bn)

Market Share⁽⁴⁾ (%)



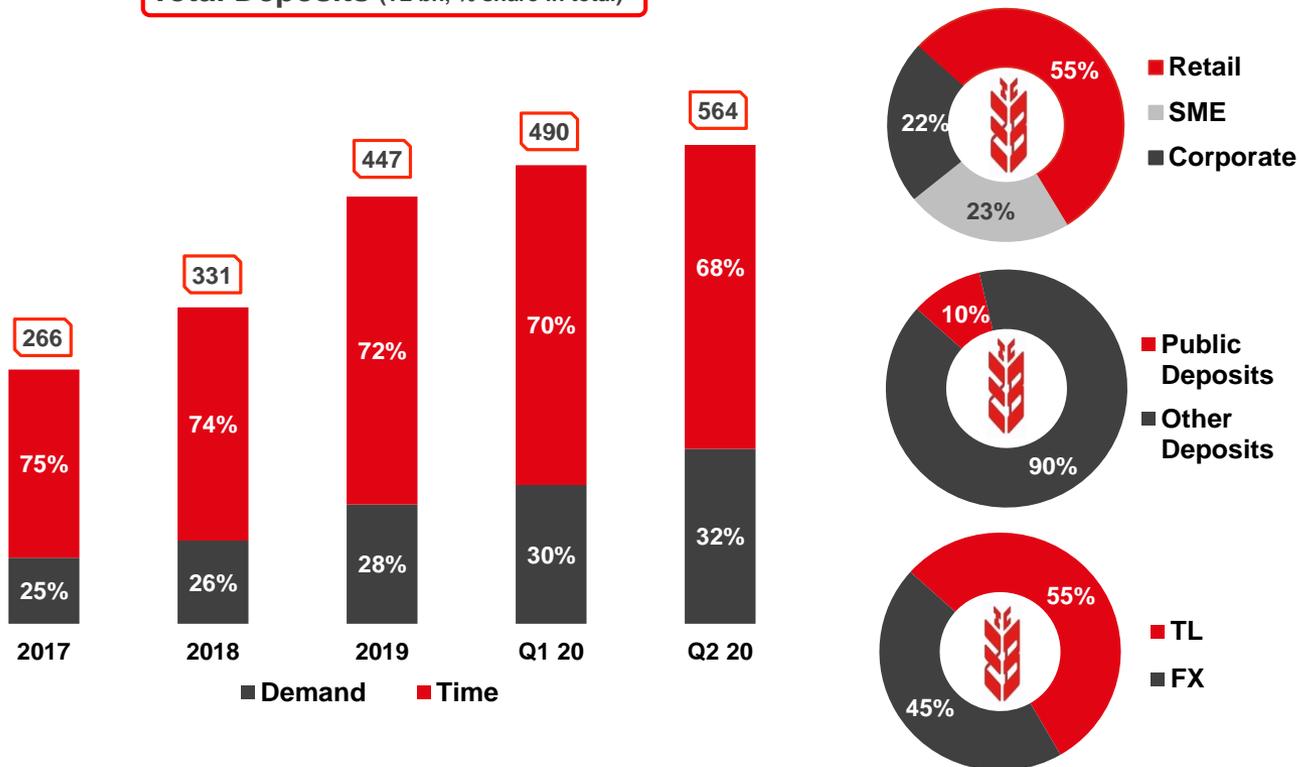
(1) Accruals are excluded

(2) Marginal LTV

(3) According to Q2 2020 BRSA data

(4) Among sector banks according to Q2 2020 BRSA data

Total Deposits (TL bn, % share in total)



	QoQ Δ	YtD Δ
Total Deposits	15.2%	26.2%
Total Deposit (FX adj.)	13.1%	18.6%
TL	16.1%	27.6%
FX(\$)	9.5%	8.0%
Customer Deposit	18.0%	29.5%
Demand	26.5%	47.8%
Time	10.4%	17.9%

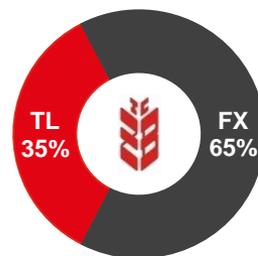
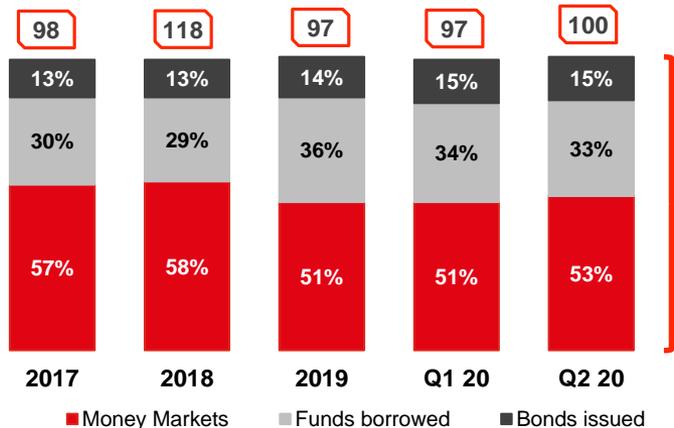
- ✓ Granular and sticky deposit base with c. 55% share of retail segment in total deposits
- ✓ 57% of demand deposits comprised of retail deposits
- ✓ Higher share of demand deposits reflects positively on P&L and margins

Core deposit ratio
95.8%

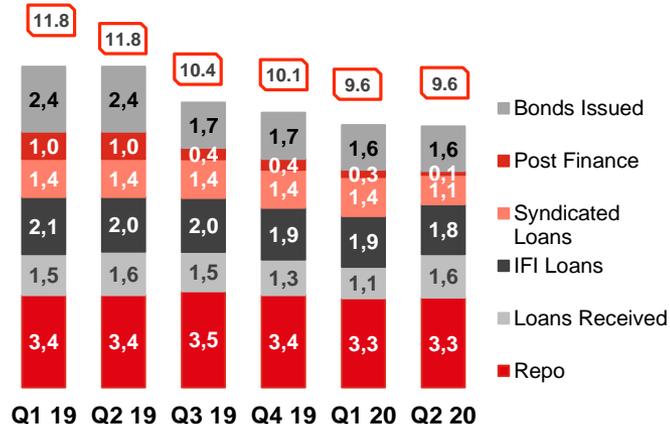
Sector
Demand/Total Deposits
31.7%⁽¹⁾

(1) According to Q2 2020 BRSA data

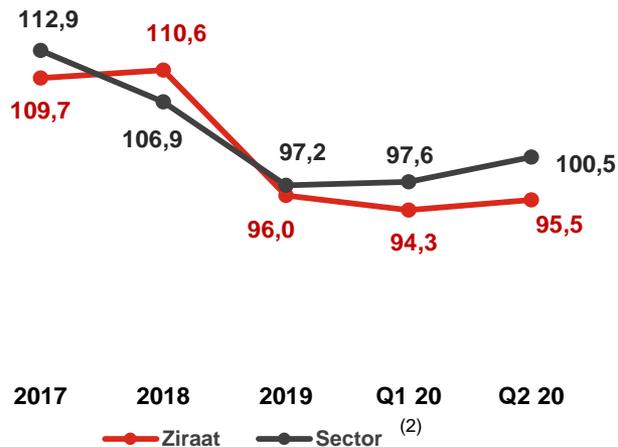
Non-Deposit Funds (TL bn,% share in total)



Total Amount (USD bn)



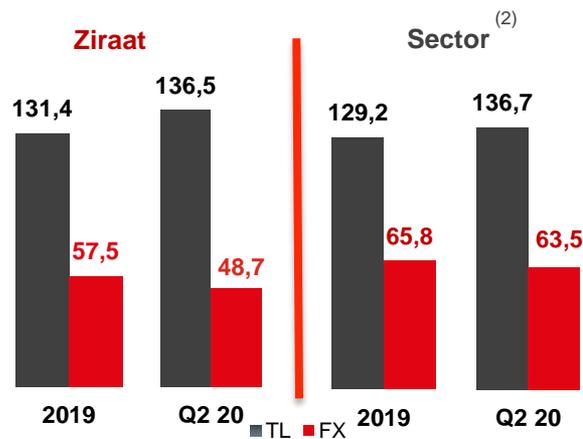
Loan to Deposit⁽¹⁾ (%)



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

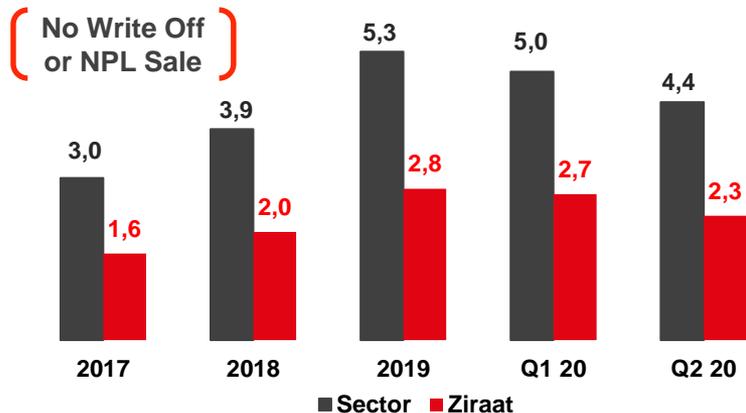
- Cost oriented, adaptive wholesale funding management
- Limited decrease and composition change in non-deposit funding mix

- More than adequate FX liquidity, ST liability coverage ~ 200%
- 322.7% FX LCR, 127.0% Total LCR
- USD 1.1 bn syndicated loan in April with 38 banks from 22 countries



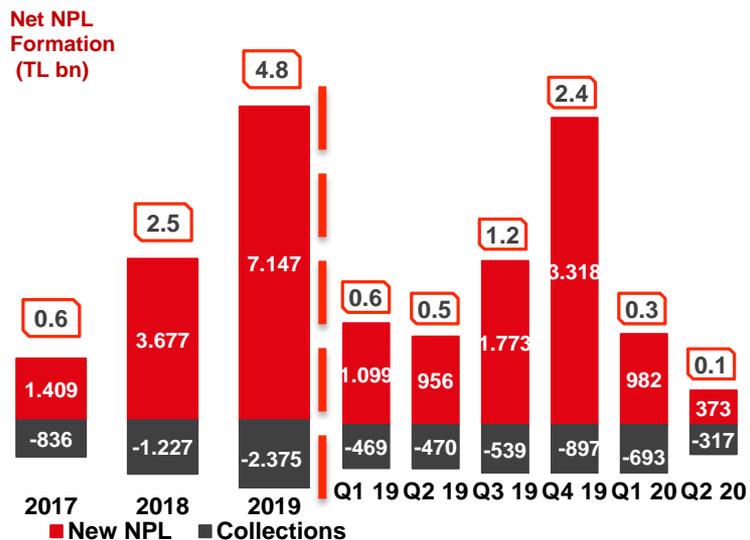
(2)Sector: Deposit banks, according to Q2 2020 BRSA data

NPL Ratios⁽¹⁾ (%)

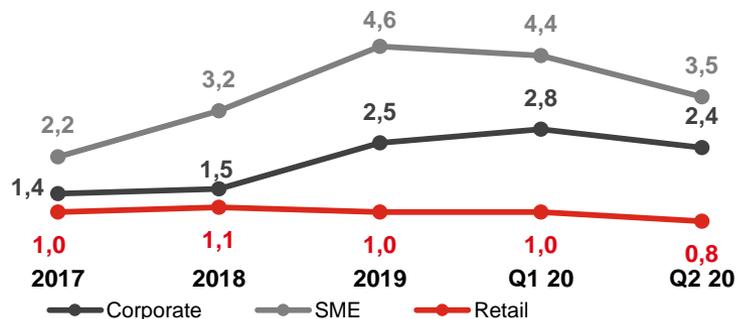


- ✓ Around **35%** of loan portfolio allocated to structurally low NPL generating products/segments
- ✓ High loan growth and BRSA forbearance measures to affect NPLs in Q2 (YtD denominator impact on NPL ratio ~ **70 bps**)
- ✓ Moderate impact of ~ **40 bps** on NPL and Stage 2 recognition period changes installed by BRSA
- ✓ Increased restructuring due to payment holidays
- ✓ Increased provisioning as part of a prudent risk management approach

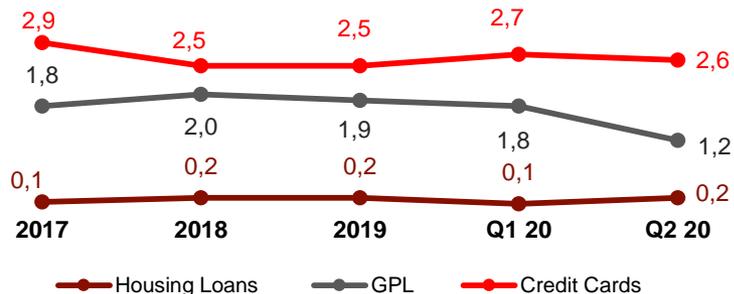
New NPL & Collections (TL mn)



NPL Ratios by Segment (%)



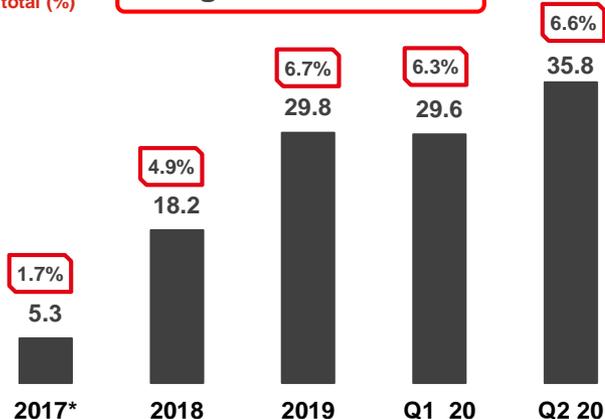
Retail NPL Ratios by Product (%)



(1) Sector banks, Q2 2020 BRSA data

Share in total (%)

Stage II Loans (TL bn)



*01 Jan 2018 financial figures for comparison purposes

Restructured Loans⁽²⁾ in Total Loans: 8.7%

Share in Stage II
 Construction: **20%**
 Energy: **8%**
 Real Estate: **2%**

Total Coverage⁽³⁾ 131.6%

Cash Coverage⁽³⁾ 153.9%

TL 1,100 mn free provision in Q2 20
 Reaching a strong buffer of **TL 2.8 bn**

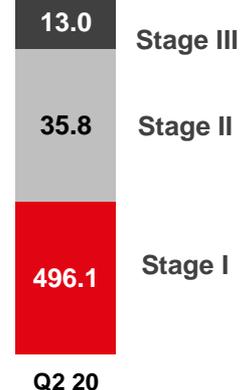
Loan Classification (TL bn)

Coverage

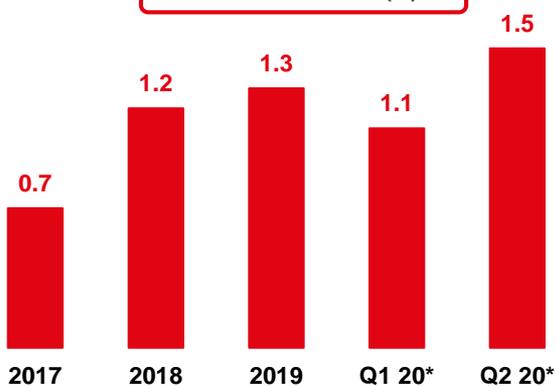
72.9%⁽³⁾

15.1%

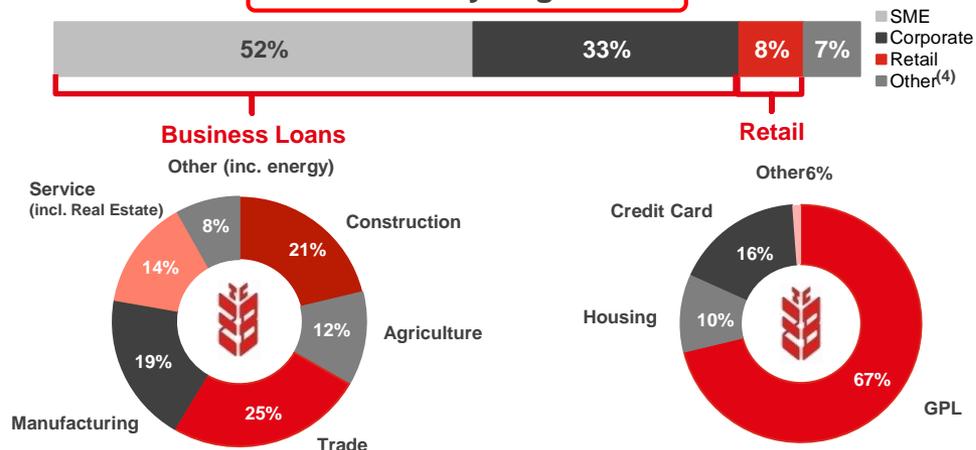
0.4%



Cost of Risk⁽¹⁾ (%)



Total NPL by Segment

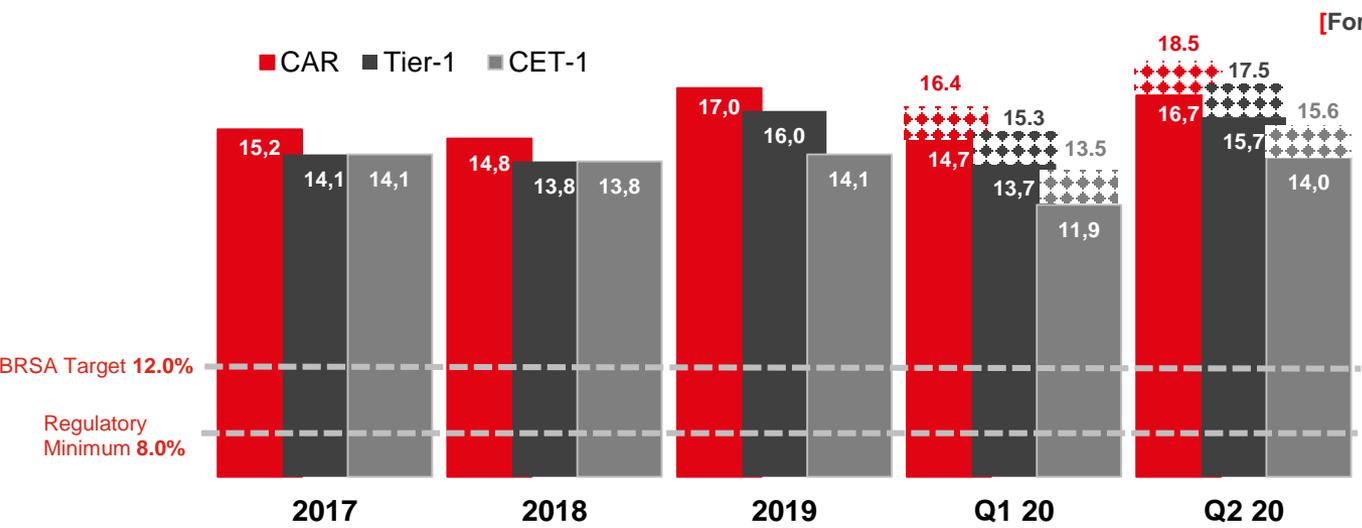


■ SME
 ■ Corporate
 ■ Retail
 ■ Other⁽⁴⁾

(1) CoR: Expected Credit Loss-Reversals / Average Loan Amount
 (2) Includes payment holidays during the COVID 19 outbreak.
 (3) Excluding intermediated loans for public funds

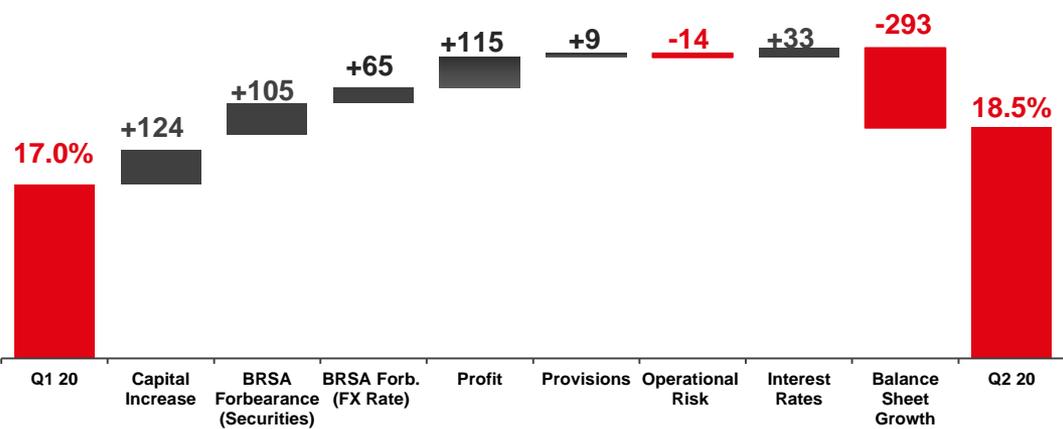
(4) Includes loans excluded from segment classification, intermediated loans from public funds and overseas branch lending
 * Annualized figure

Ziraat Bank – Capitalization



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

Change in CAR (Ytd, bps)



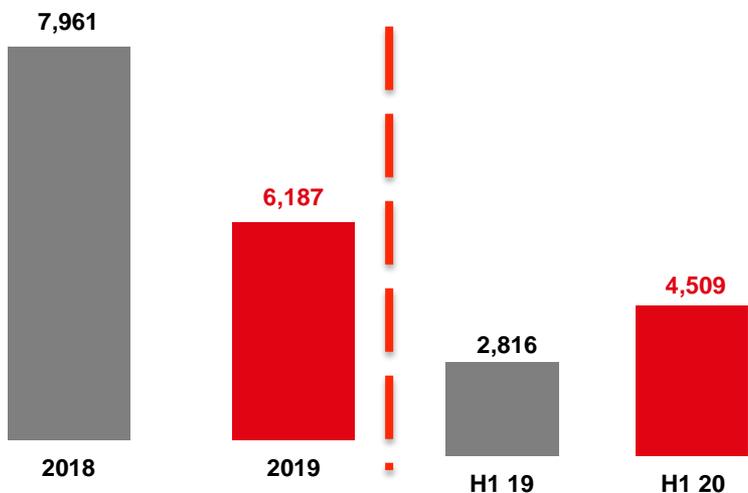
✓ TL 7 bn. paid-in capital increase by TWF in May, 110-115 bps positive impact on CET 1

✓ TL 28.4 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	0.02%	0.02%
TOTAL **	7.1%	9.1%

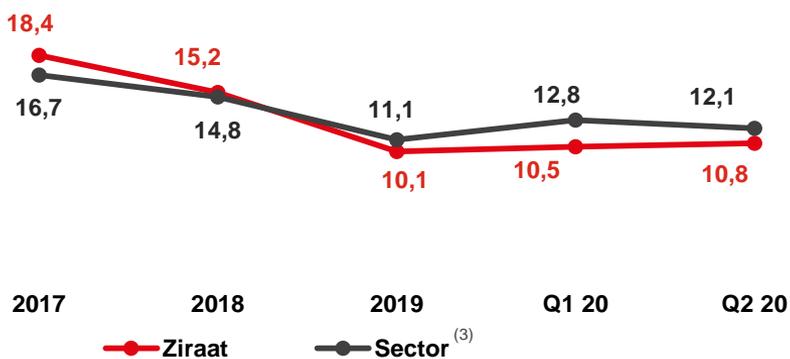
*Calculated over solo figures and 12.0% threshold
**D-SIB Buffer is applied only to consolidated ratios
Total buffers including AT1 and Tier-2 buckets is 12.5% in consolidated basis

Net Profit (TL mn)

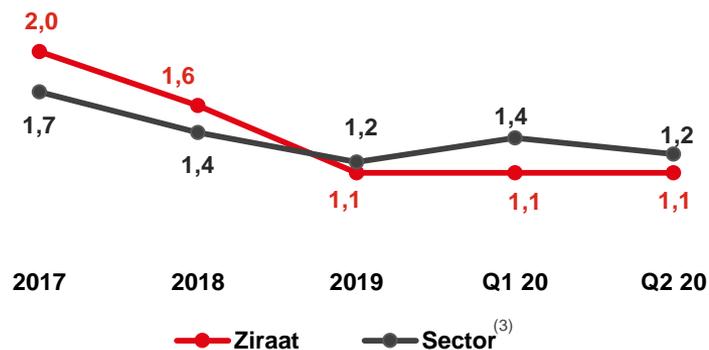


- ✓ Higher profitability due to better NII driven by high loan growth which compensates higher OPEX and lower net fee and commission income
- ✓ Continuation of the positive impact of more stable funding costs

Return on Equity⁽¹⁾ (%)



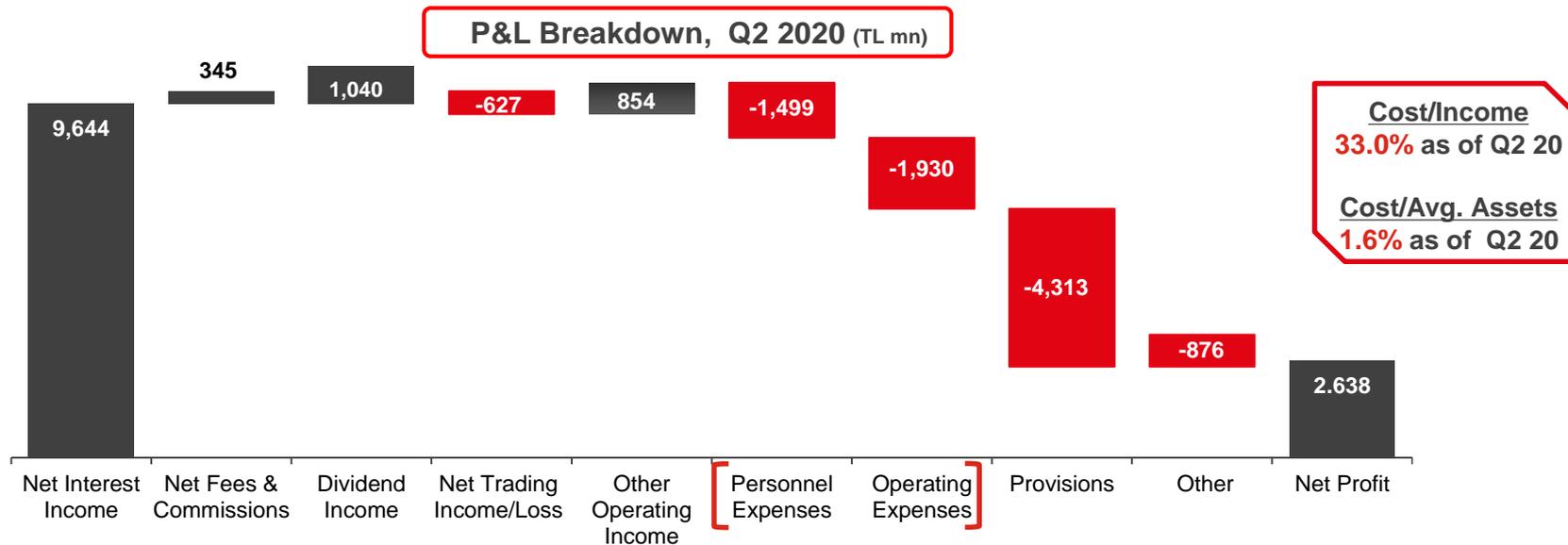
Return on Assets⁽²⁾ (%)



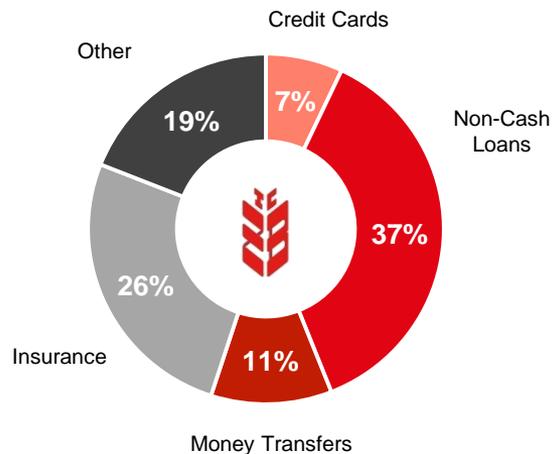
(1) Average shareholders' equity represent monthly averages until 2017 and weekly averages since Q1 18

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

(3) Sector: Deposit Banks, Q2 2020 BRSA data

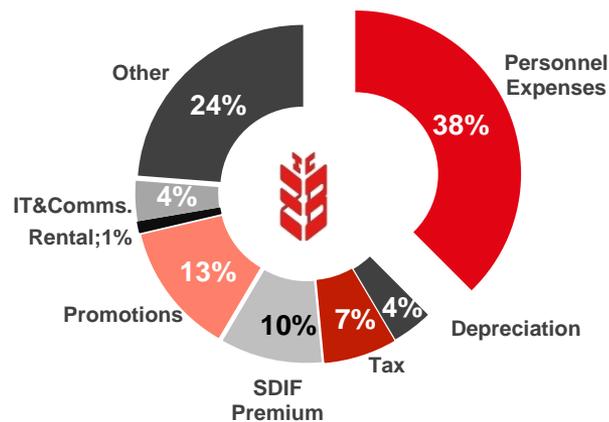


F&C Income Breakdown in H1 2020



Net Fees & Commissions growth: -56.3% (YoY)
Regulatory Impact

OPEX Breakdown in H1 2020

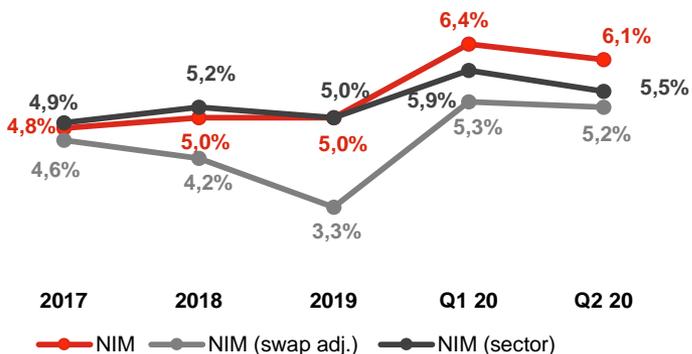


OPEX⁽¹⁾ growth YoY 31.4%

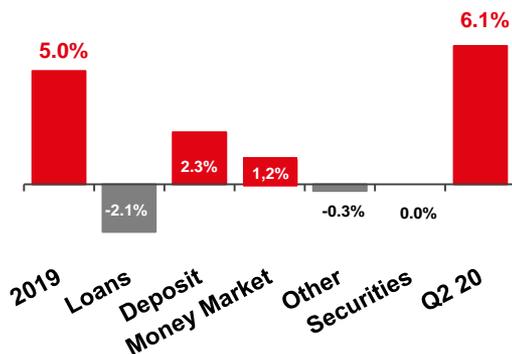
(1) Personnel expenses are not included

Ziraat Bank – NIM & Spreads

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

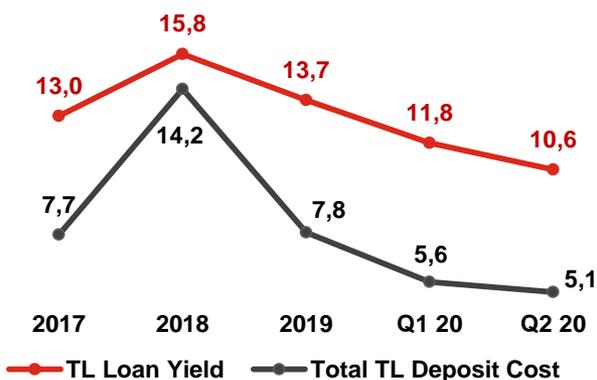


NIM Evolution

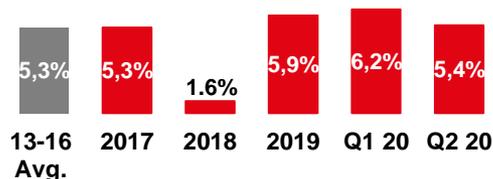


- ✓ Stable funding rate from CBRT after a significant rate cut cycle
- ✓ High level of core spreads due to lower funding costs
- ✓ Strong Swap adj. NIM with swap costs down to **TL 1.2 bn QoQ**
- ✓ Repricing impact of loans to become more visible during the second half of the year

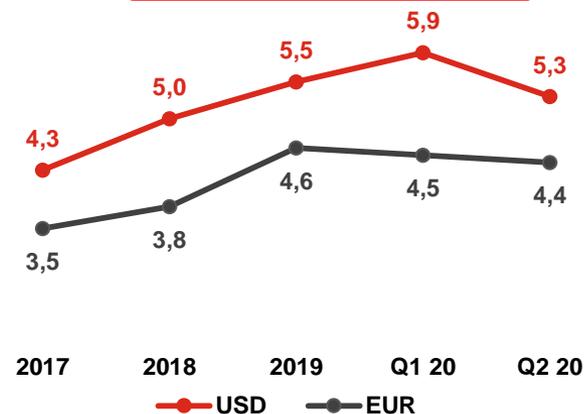
TL Loan Yield and Deposit Costs (%)



TL Core Spreads (%)



FX Core Spreads⁽³⁾ (%)



(1) Sector: Deposit banks, Q2 20 calculated over BRSA June 2020 figures

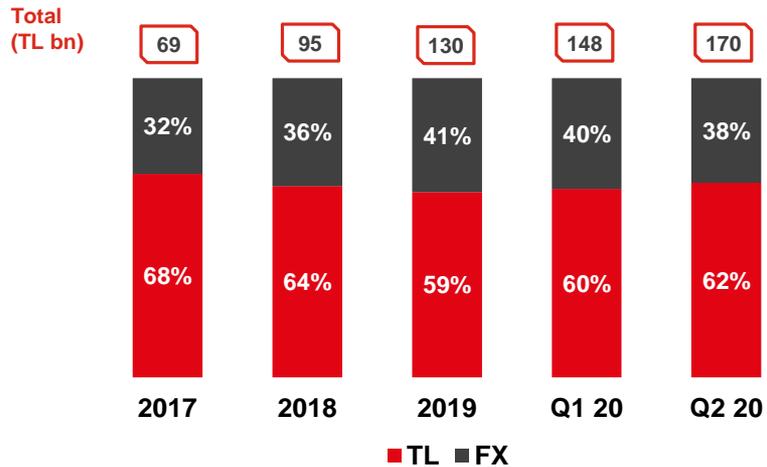
(2) NIM = Net Interest Earnings / Av. IEA

(3) FX Loan - FX Deposits (Total)

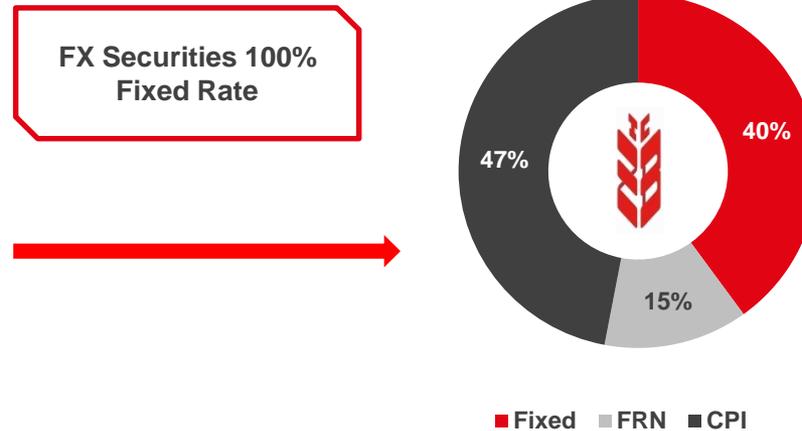
APPENDIX

Ziraat Bank – Securities Portfolio

Total Securities (% share in total)

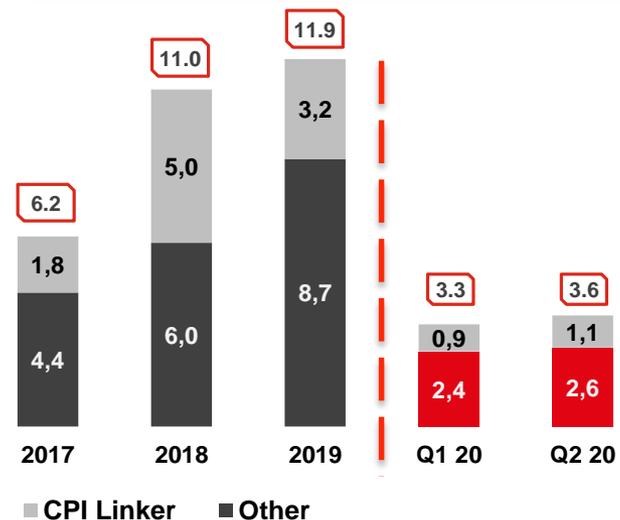


Breakdown of TL securities⁽¹⁾ (% share in total)



FVTPL+ FVOCI
85%
 Fin. Assets
 Measured at
 Amortised Cost
15%
 of total securities

Interest Income from Securities (TL bn)



(1) Interest accruals excluded.

Full scale digital mobilization to ensure operational continuity during the Covid-19 outbreak

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

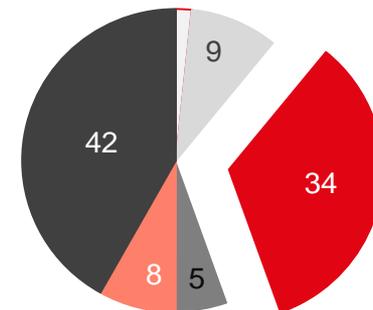
		2016		Q2 2020	
		Market Share	Ranking	Market Share	Ranking
Credit Debit	Turnover	25.2%	1	29.2%	1
	Ownership	21.3%	1	21.4%	1
	Turnover	3.4%	8	7.6%	6
	Ownership	6.9%	6	10.9%	4

92% of banking transactions through non-branch channels

Digital Banking Customers: **12.8 mn**

Banking Transaction Channel Distribution (%)

Internet Banking Customers: **21.6 mn**



Other Automatic Pay. Mobile Internet Branch ATM

Low Credit Card NPL:
2.6% vs 5.3% 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 Q2 2020

30% improvement in transaction costs since 2016

Largest ATM network:
7,257 ATMs
13.7% market share

* Q2 2020 BRSA data



Ziraat Bank – Balance Sheet Summary

TL mn	2017	2018	2019	Q1 20	Q2 20	% Change QoQ	% Change Ytd
CASH AND CASH EQUIVALENTS	48,571	46,238	57,389	41,829	46,692	11.6%	-18.6%
SECURITIES	70,628	95,374	130,335	148,115	169,955	14.7%	30.4%
LOANS	298,033	371,871	447,983	480,869	557,913	16.0%	24.5%
-Gross NPL	4,774	7,46	12,690	12,939	12,999	0.5%	2.4%
-Expected Credit Loss (-)	4,211	8,385	13,011	14,009	16,777	19.8%	28.9%
OTHERS	17,364	23,673	26,435	24,625	22,009	-10.6%	-16.7%
TOTAL ASSETS	434,596	537,156	649,756	695,438	796,569	14.5%	22.6%
DEPOSITS	266,384	331,066	447,251	490,053	564,333	15.2%	26.2%
FUNDS BORROWED	29,065	34,172	34,528	33,282	32,843	-1.3%	-4.9%
INTERBANK MONEY MARKETS	56,258	68,351	49,275	49,683	52,889	6.5%	7.3%
PROVISIONS	3,283	2,832	3,819	4,998	5,829	16.6%	52.6%
SHAREHOLDERS' EQUITY	52,531	57,401	70,065	67,597	85,686	26.8%	22.3%
OTHERS	27,075	43,334	44,818	49,825	27,989	-43.8%	-37.5%



Ziraat Bank – Income Statement Summary

TL mn	2017	2018	2019	Q2 19	Q1 20	Q2 20	% Chg. QoQ	% Chg. YoY
INTEREST INCOME	35,463	53,054	65,602	17,181	16,051	16,182	0,8%	-5,8%
-From Loans	28,357	41,028	52,764	13,459	12,543	12,497	-0,4%	-7,1%
-From Securities	6,193	10,977	11,966	3,434	3,555	3,624	1,9%	5,5%
INTEREST EXPENSE	18,561	31,138	40,290	11,124	7,169	6,538	-8,8%	-41,2%
-On Deposits	12,249	19,675	27,989	7,651	5,005	4,682	-6,5%	-38,8%
NET INTEREST INCOME	16,902	21,916	25,312	6,057	8,882	9,644	8,6%	59,2%
NET FEES & COMMISSIONS	2,217	2,638	3,590	791	859	345	-59,8%	-56,4%
OTHER OPERATING INCOME	1,378	1,434	1,614	379	722	854	18,3%	125,3%
OPEX ⁽¹⁾	6,490	7,691	9,797	2,362	3,028	3,429	13,2%	45,2%
NET OPERATING PROFIT	10,287	10,034	7,648	1,949	2,632	3,514	-10,9%	80,3%
NET PROFIT	7,940	7,961	6,187	1,714	1,871	2,638	41,0%	53,9%



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 ⁽⁸⁾	1,781	1,773	1,758
Employees	24,554	24,647	24,563
ATMs ⁽⁸⁾	7,085	7,155	7,239

Q2 19	Q3 19	Q4 19	Q1 20	Q2 20
0.8	0.8	1.1	1.1	1.1
8.1	8.1	10.1	10.5	10.8
47.6	47.0	40.8	36.5	33.0
4.5	4.4	5.0	6.4	6.1
103.5	103.2	96.0	94.3	95.5
67.5	68.3	67.1	67.3	68.4
19.1	19.7	20.1	21.3	21.3
2.1	2.3	2.8	2.7	2.3
71.9	69.2	66.4	69.7	72.9
-	-	-	-	-
16	16.9	17.0	16.4	18.5
9.1	8.5	8.3	9.3	8.3
1,764	1,737	1,758	1,757	1,758
24,533	24,380	24,563	24,642	24,480
7,206	7,230	7,239	7,253	7,257

(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
(8) Including foreign branches

For further information please contact

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