

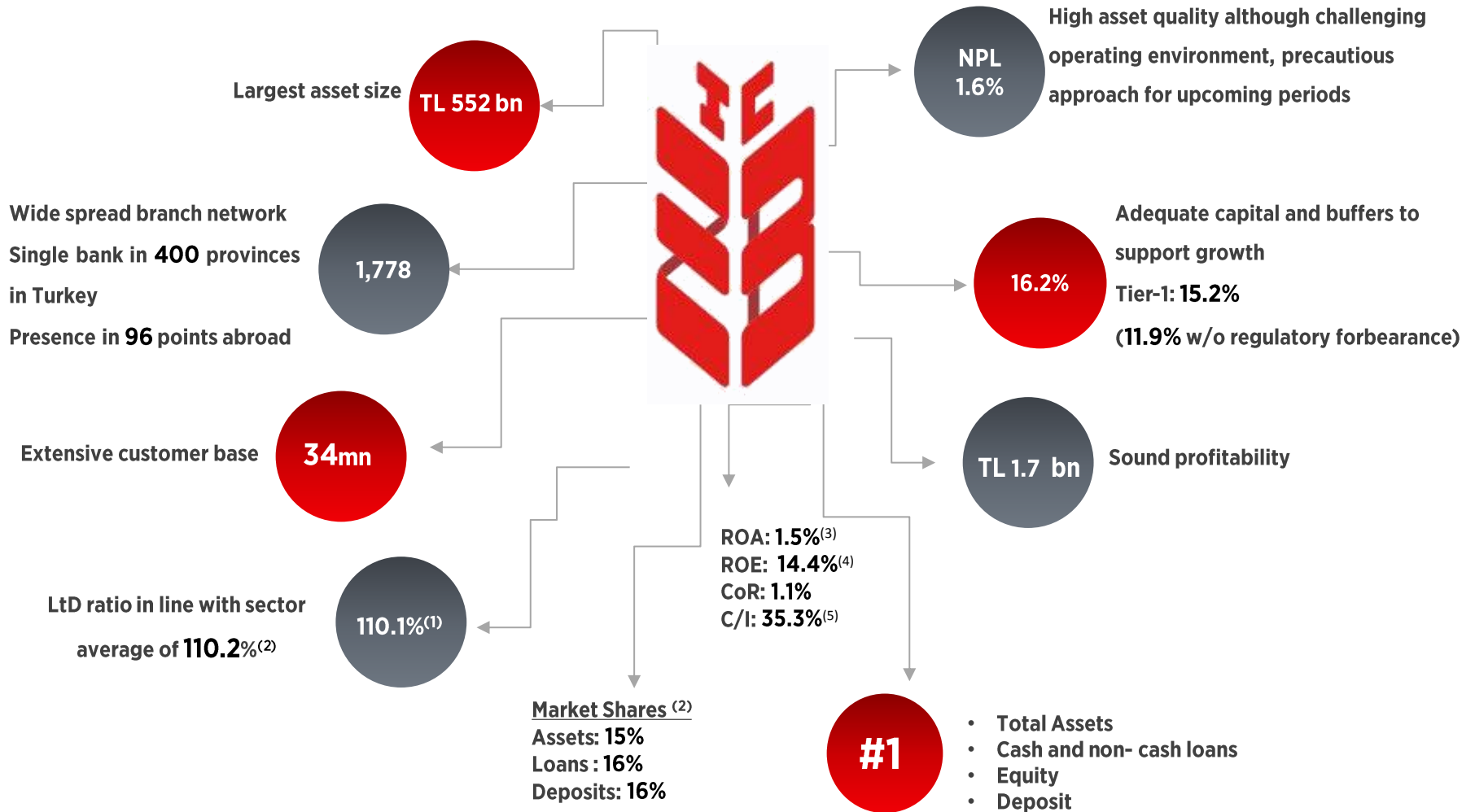
Financials Presentation  
September 2018



**Ziraat Bank**

More than a bank

# Ziraat Highlights

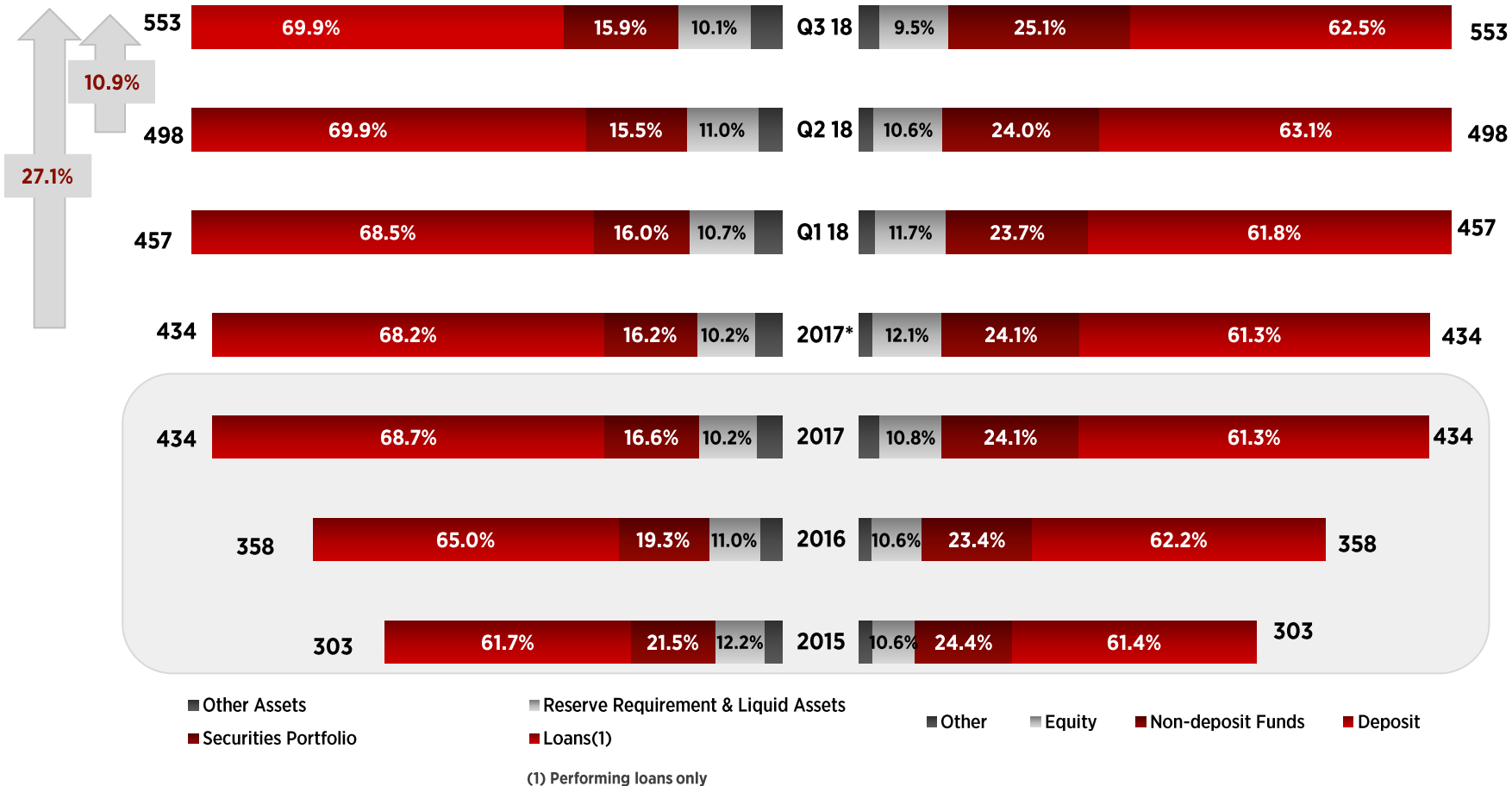


(1) Performing Loans/Total Loans (Excluding intermediated loans for public funds)  
 (2) Deposit banks  
 (3) Average total assets represent weekly averages.  
 (4) Average shareholders' equity represent weekly averages.  
 (5) Includes dividend income

# Assets & Liabilities Composition

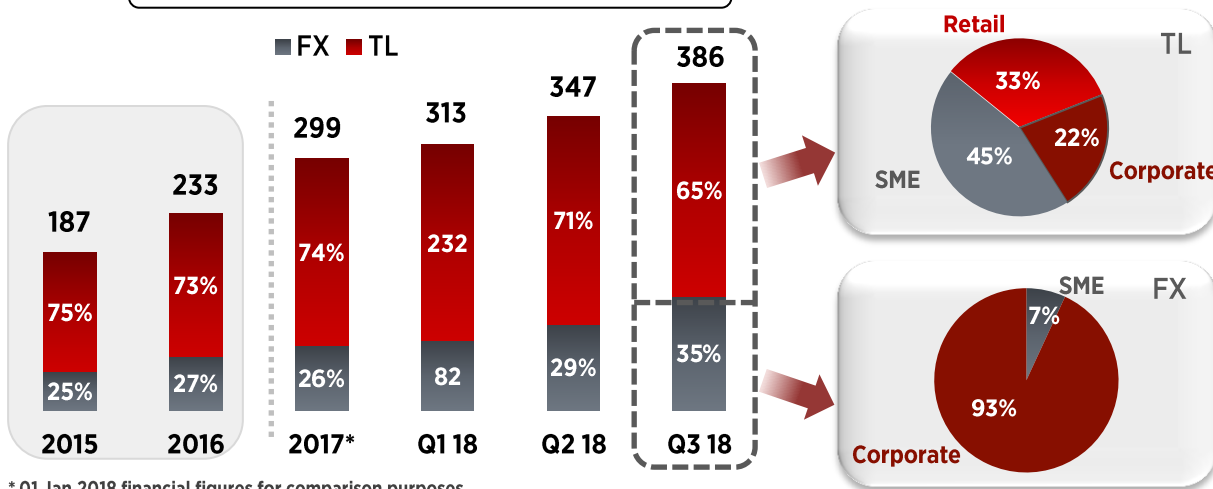
## Assets

## Liabilities



# Lending

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



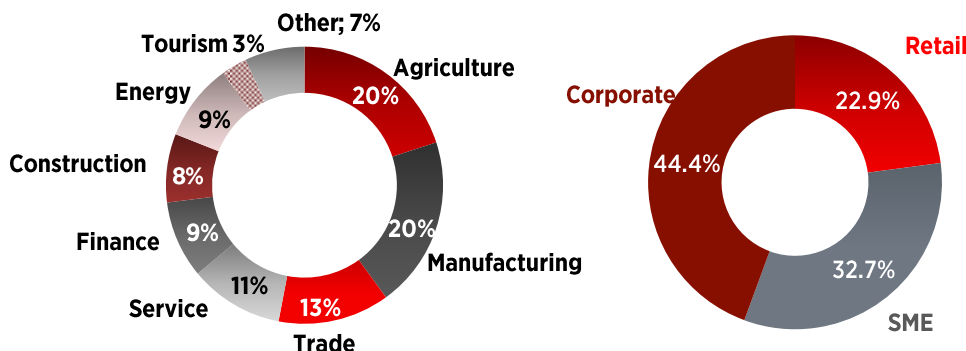
\* 01 Jan 2018 financial figures for comparison purposes

\* Performing loans only

|                    | QoQ Δ | Ytd Δ |
|--------------------|-------|-------|
| <b>Total Loans</b> | 11.1% | 29.4% |
| TL                 | 2.1%  | 13.1% |
| FX                 | 33.0% | 76.8% |
| FX(\$)             | 3.1%  | 13.5% |
| <b>Retail</b>      | 2.1%  | 9.0%  |
| Housing            | 0.8%  | 12.3% |
| <b>SME</b>         | 3.6%  | 15.2% |
| <b>Corporate</b>   | 19.3% | 50.2% |
| Corp. FX Adj.      | 1.4%  | 14.4% |

\* Performing loans only

## Breakdown of Cash Loans, Q3 18



• Of non-retail loans,  
• Figures do not include loans extended through foreign branches

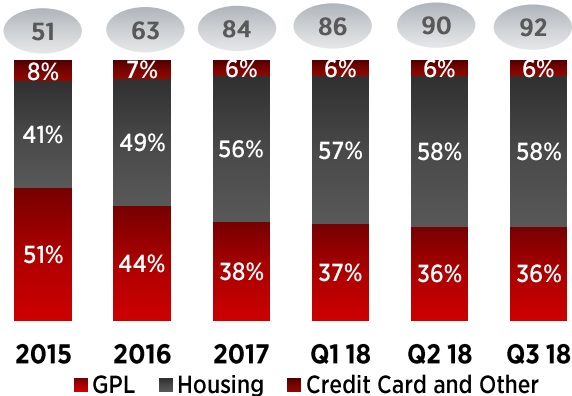
\* Accruals, intermediated loans of public funds and foreign branch lending are excluded

- No major strategy change in sector and segment distribution
- Lower FX loan exposure than sector:  
FX Loan/ Total Loan :35% vs 40% sector average
- FX adjusted loan growth slightly lower than the budget:  
**13.2% Ytd**
- Loan mix in Q3 among sectors and segments are highly impacted by TL devaluation

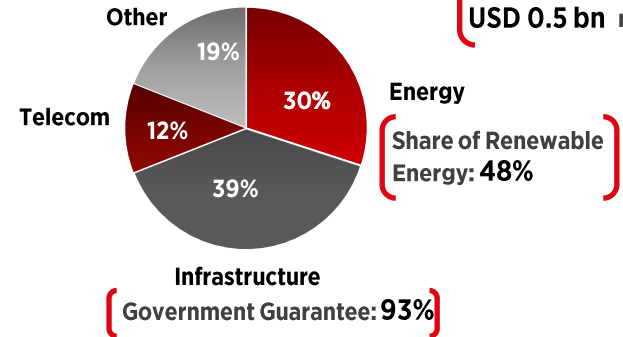
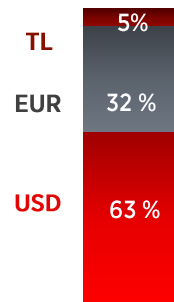
| (Segment Breakdown) | Realised | FX Adjusted |
|---------------------|----------|-------------|
| Corporate           | 44.4%    | 40.7%       |
| SME                 | 32.7%    | 34.7%       |
| Retail              | 22.9%    | 24.7%       |
| Agriculture         | 20%      | 23%         |
| Energy              | 9%       | 8%          |

# Lending

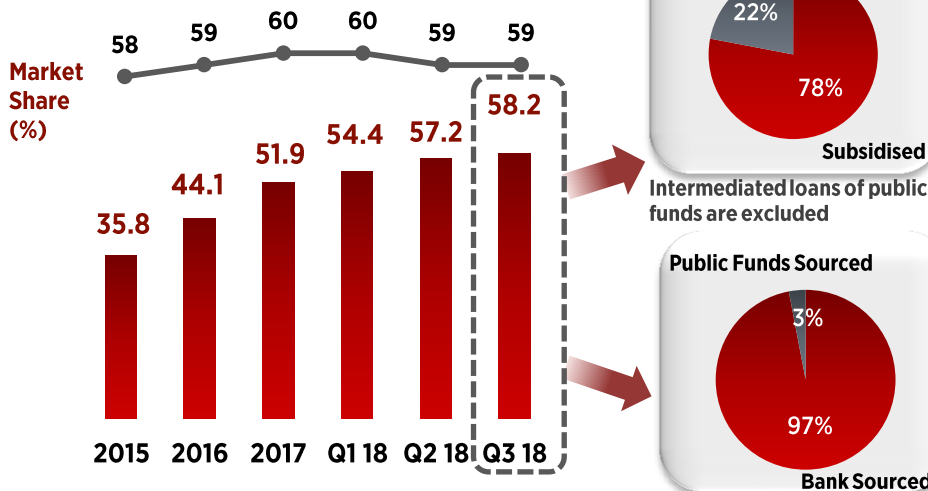
## Retail Loans<sup>(2)</sup> (TL bn, % share in total)



## Project Finance Loans, Q3 18



## Agricultural Loans (TL bn)



- Strong penetration in retail segment serving more than 30 million customer:

Housing Loans Market Share: 29%

GPL Market Share: 15%

56% of GPL loans to payroll customers and pensioners

Still limited credit card market share: 3.1%

- Strong position in housing finance with long term relationship, cross selling, additional fee generation and high asset quality and collateralization:

0.2% NPL, 53% LTV\*

- Long track record in agricultural sector with a strategy of financing whole agro value chain and special focus on agro industry

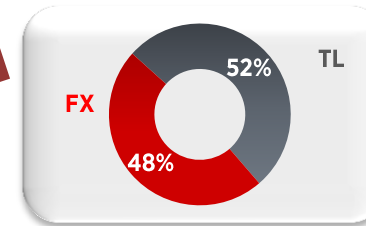
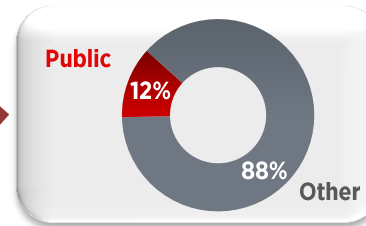
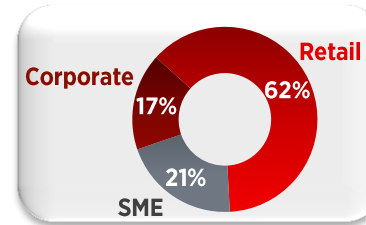
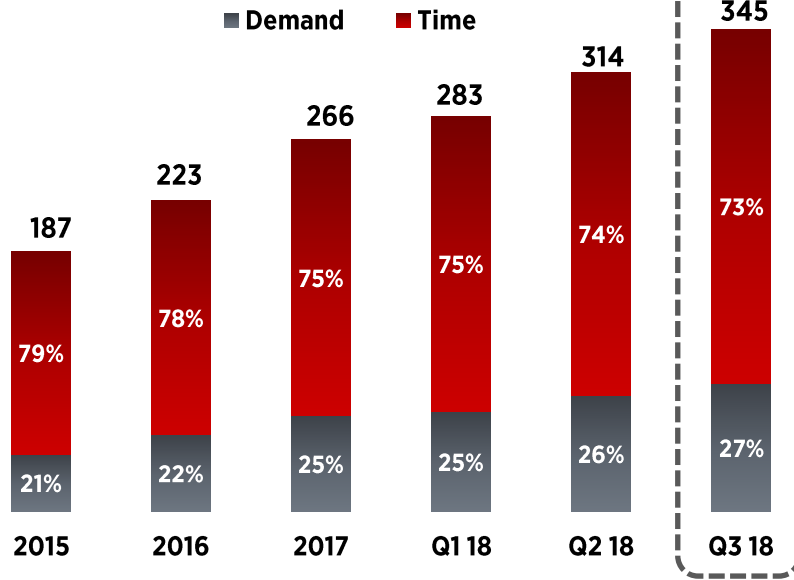
- Low agro NPL contributing to total and SME asset quality:

1.3%<sup>(1)</sup> agricultural NPL in Q3 18

\*Marginal LTV in Q3

# Funding

Total Deposit (TL bn, % share in total)

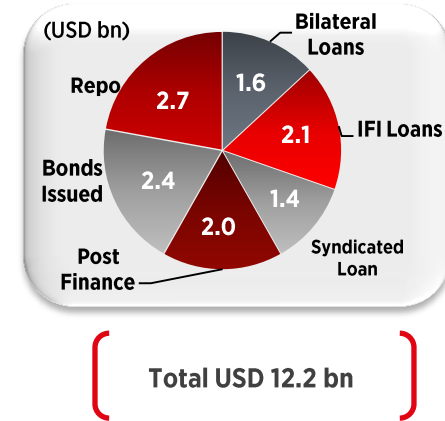
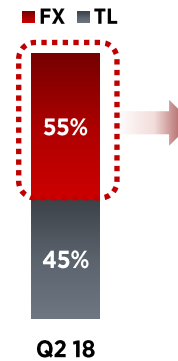
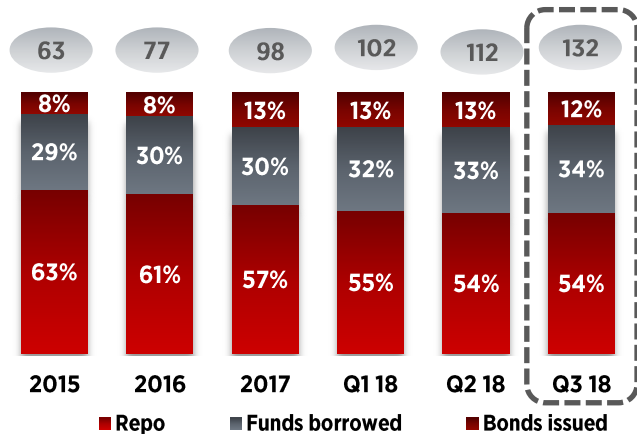


|                         | QoQ Δ | YtD Δ |
|-------------------------|-------|-------|
| <b>Total Deposit</b>    | 9.8%  | 29.5% |
| TL                      | 0.9%  | 10.5% |
| FX                      | 21.4% | 58.9% |
| FX(\$)                  | -5.9% | 2.0%  |
| <b>Customer Deposit</b> | 7.6%  | 23.9% |
| Demand                  | 10.9% | 33.7% |
| Time                    | 9.5%  | 28.1% |

- Granular deposit base with 62% retail segment
- Core Deposit Ratio: 96%
- FX adjusted deposit growth slightly below budget: 7.2% YtD

# Funding

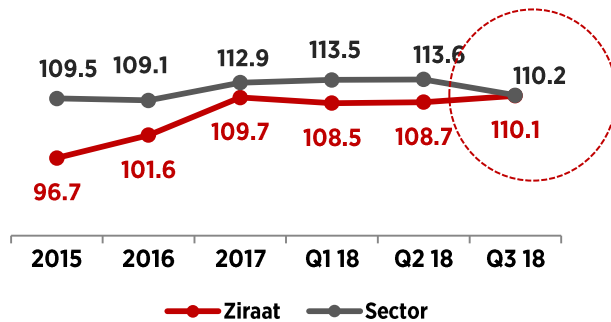
## Non-Deposit Funds (TL bn, % share in total)



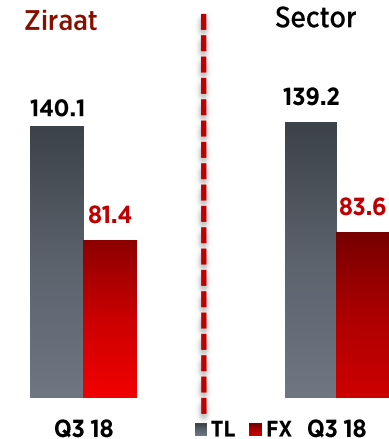
## Loan to Deposit<sup>(1)</sup> (%)

LtD ratio slightly increased mainly due to slower than guided deposit growth.

Decrease in sector LTD ratio mainly driven by slower pace/negative loan growth of peer banks.



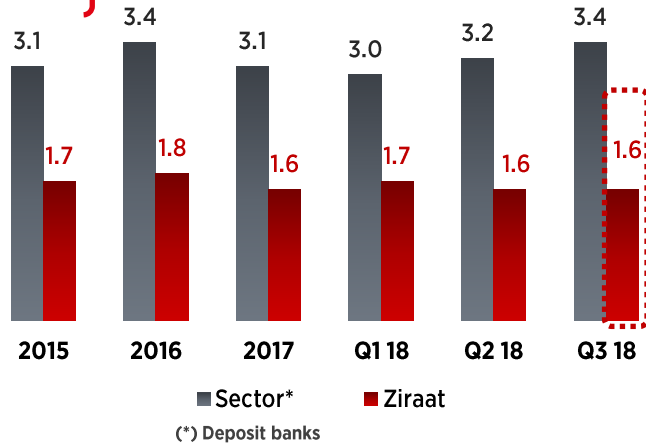
(1) Performing Loans/Total Deposit  
Intermediated loans of public funds are excluded



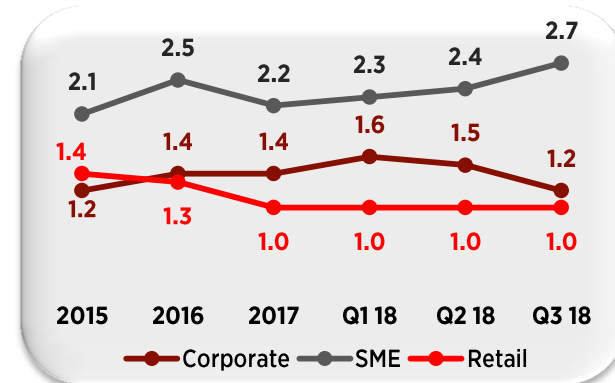
# Asset Quality

**NPL (%)**

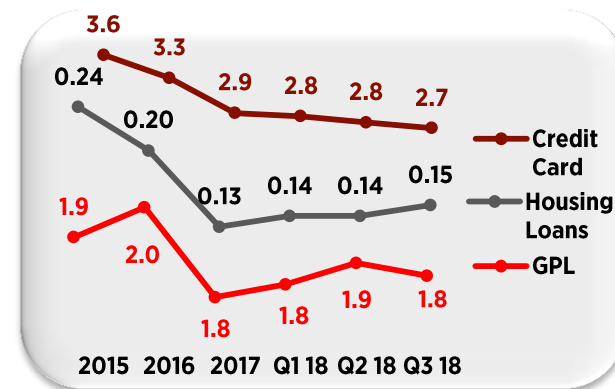
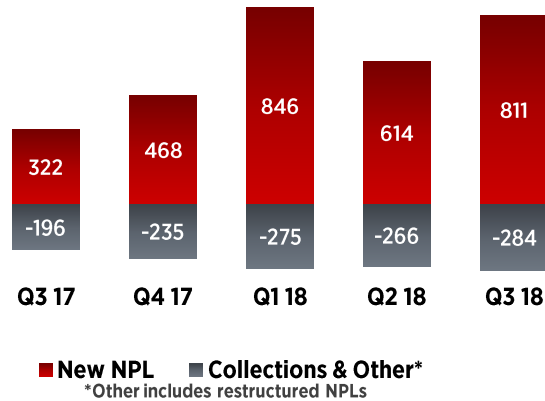
( No NPL sale )



( NPL inflow is expected to rise starting from Q4 )



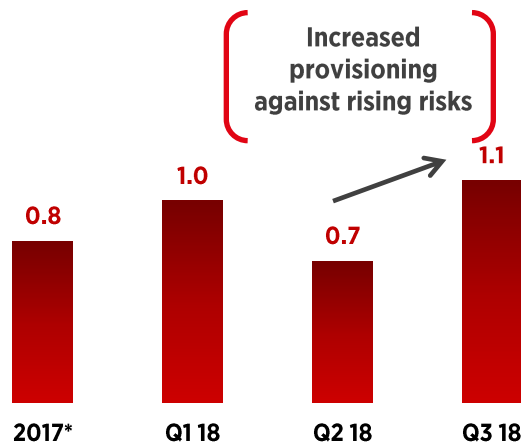
**New NPL & Collections (TL mn)**





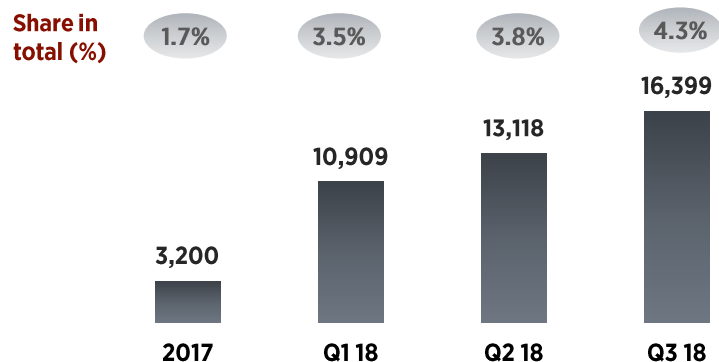
# Asset Quality

## Cost of Risk (%)<sup>(3)</sup>



- Restructured loans/Total Loans: **2.7%\***
- Increase in stage II loans provisioning in Q3:  
CoR increased **40 bps** QoQ, further increase is expected in Q4 18
- Stage II coverage ratio increased from **2.0%** in Q2 to **9.7%** in Q3
- Total coverage ratio increased from **96.6%** in Q2 to **117.7%** in Q3

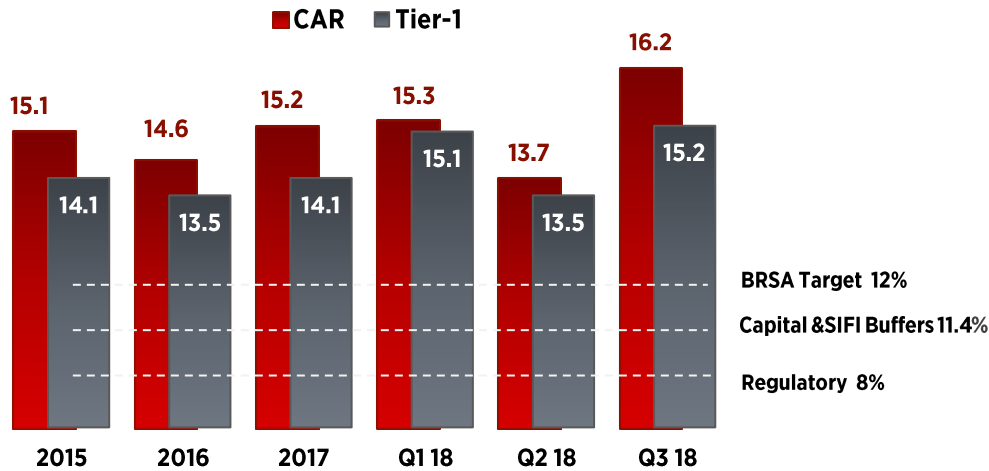
## Stage II Loans (TL mn)



Stage I coverage ratio **0.2%**  
 Stage II coverage ratio **9.7%**  
 Stage III coverage ratio<sup>(1)</sup> **79.4%**  
 Total coverage ratio<sup>(1)</sup> **117.7%**  
 Total cash coverage ratio<sup>(2)</sup> **142.7%**

# Capitalization

## Capital Ratios (%)

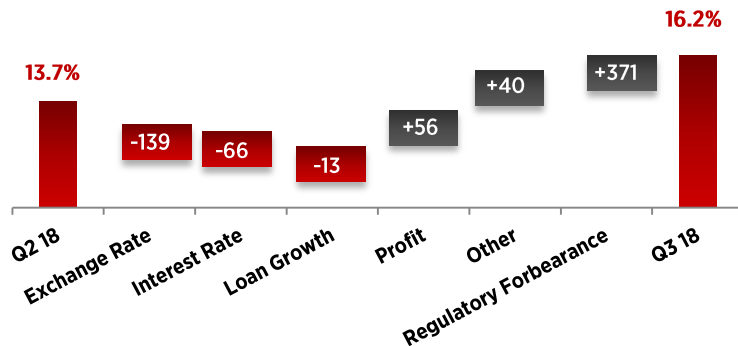


Basel III Leverage **7.0%**  
vs  
**3.0%** regulatory min.

High level of Tier-1 capital:  
**15.2%** as of Q3 18 vs **11.9%**  
without BRSA temporary  
forbearance measures impact

TL 460 mn addition to  
shareholders' equity in Q3 18 due  
to revaluation of some  
subsidiaries with current FX rate  
rather than initial cost

## Change in CAR



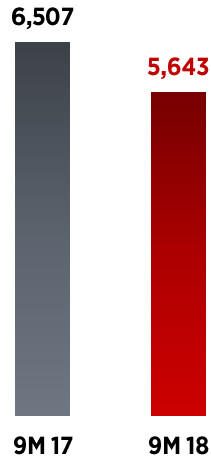
### Capital buffers:

- Strong CPI Linker income expected in Q4 18
- Internal capital generation via retained earnings
- High amount of free provision (TL 1,475 mn as of Q3 18)
- Potential capital strengthening products under consideration

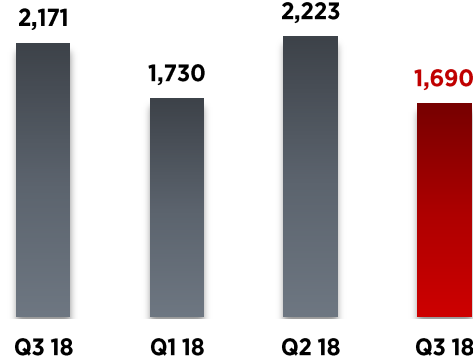
# Profitability

## Net Profit (TL mn)

Growth:  
9M YoY:  
-13.3%

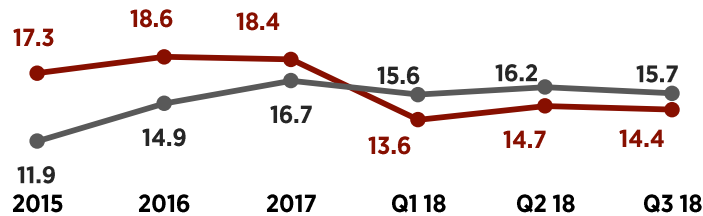


Growth:  
QoQ:  
-24.0%



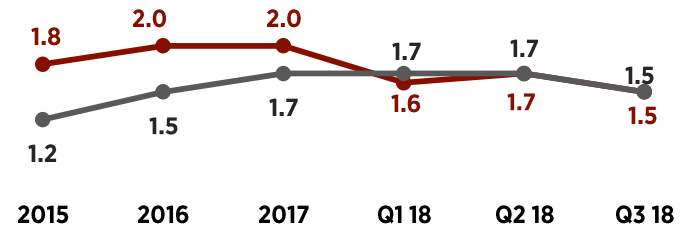
C/I:  
35.3% in Q3 18  
vs  
37.1% in Q2 18

## Return on Equity<sup>(1)</sup> (%)



● Ziraat ● Sector\*

## Return on Assets<sup>(2)</sup> (%)

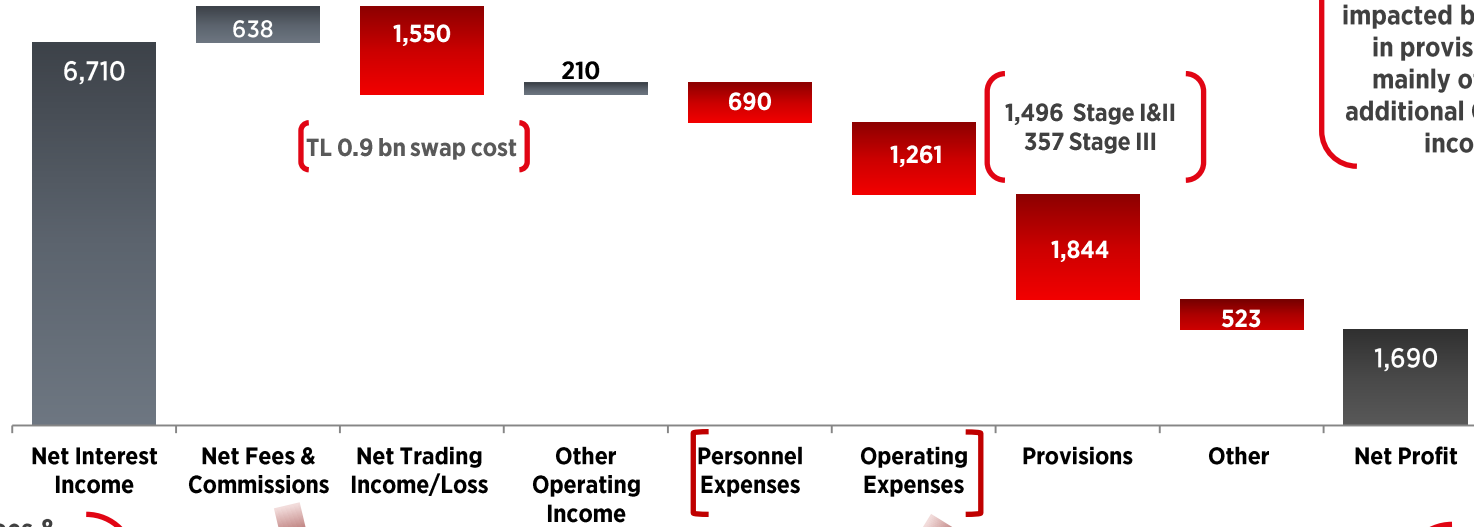


● Ziraat ● Sector\*

\* Deposit banks

# Profitability

**P&L Breakdown, Q3 18 (TL mn)**

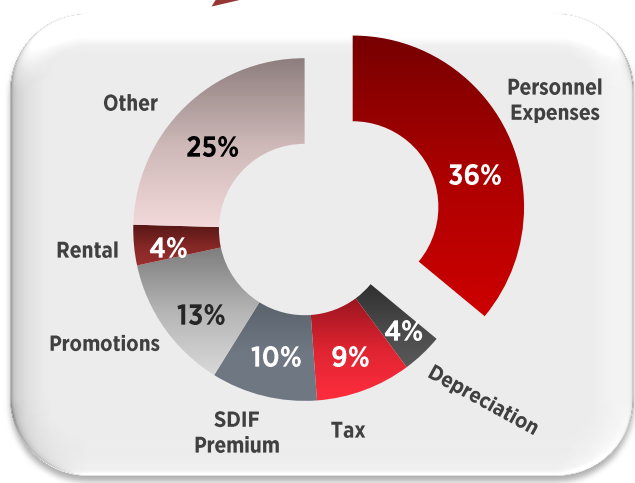
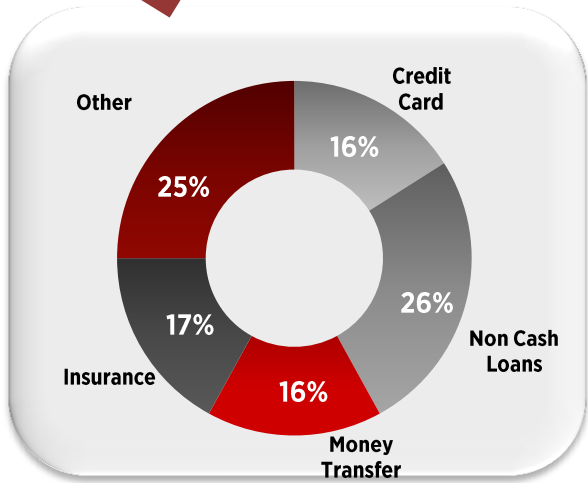


Profitability in Q3 18 impacted by increase in provision loss mainly offset by additional CPI Linker income

Net Fees & Commissions growth:  
YoY **16.4%**  
QoQ **-3.2%**

Albeit total F&C income slightly declining, cash and non-cash loan related fee and commissions increased.

48% of F&C income related with lending as of Q3 18



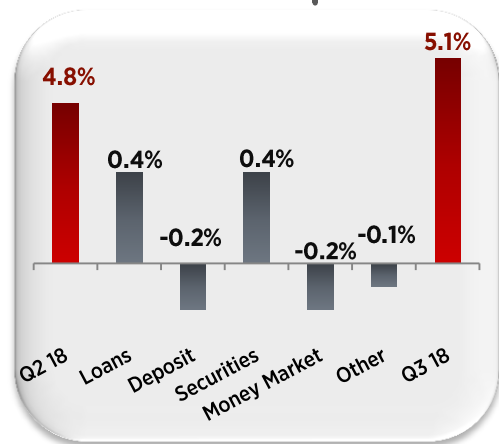
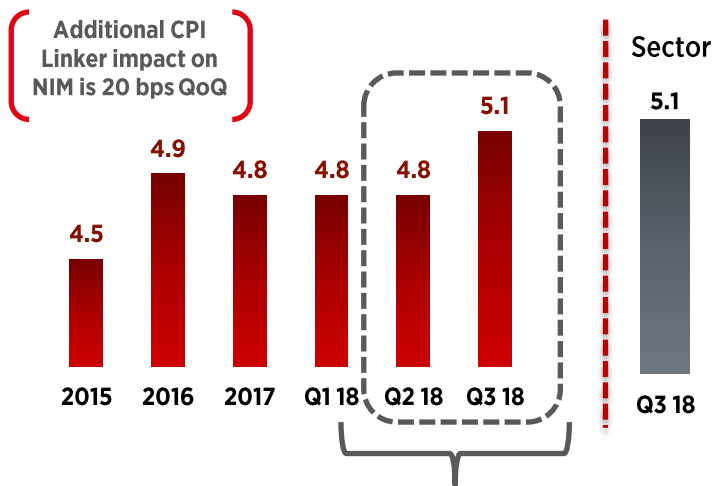
OPEX growth:  
YoY **28.3%**  
QoQ **6.2%**

Increase in OPEX mainly due to inflation and FX pass-through. Strategies to maintain cost control

HR related cost growth:  
YoY **14.4%**  
QoQ **-6.0%**

# NIM & Spreads

## Net Interest Margin<sup>(1)</sup> (NIM cum. %)



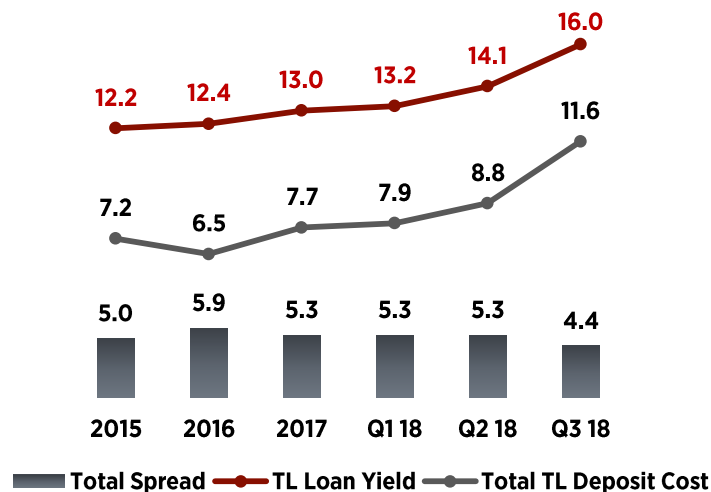
Swap Adjusted NIM:  
4.5% in Q3 18  
vs  
4.2% in Q2 18

\*NIM = Net Interest Earnings / Av. IEA

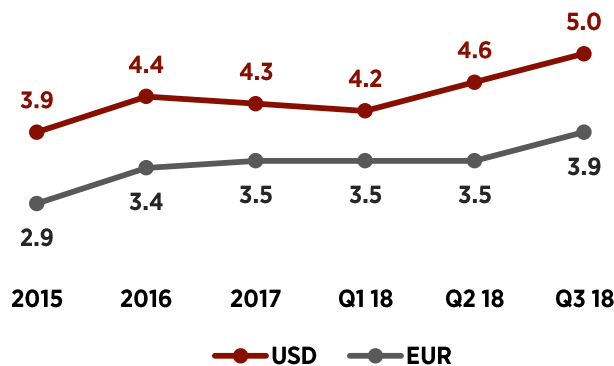
Sector: Deposit banks



## TL Loan Yield and Deposit Costs (%)



## FX spreads\* (%)



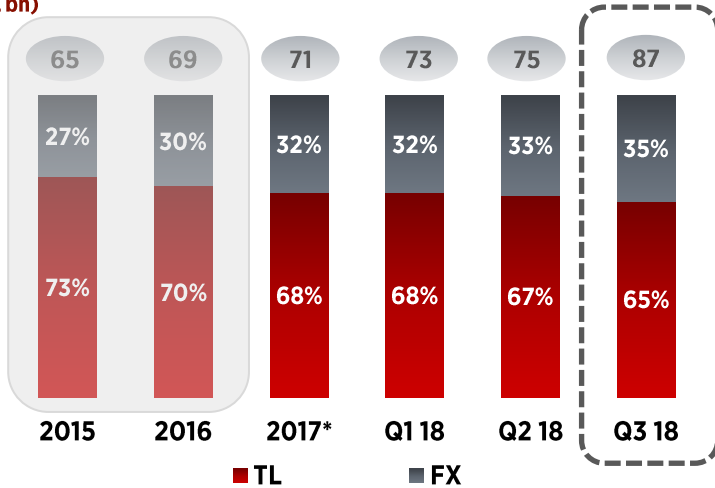
\*Loan FX- Total Deposit FX

(1) Average interest earning assets represent weekly averages.

# Securities Portfolio

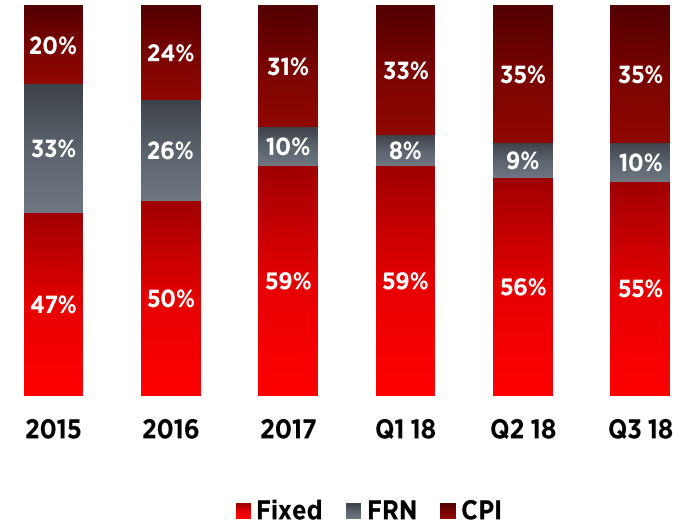
## Total Securities (% share in total)

Total Amount (TL bn)



\* 01 Jan 2018 financial figures for comparison purposes

## Breakdown of TL securities\* (% share in total)



\*Interest accruals excluded.

Financial Assets Measured at FVTPL+Financial Assets Measured at FVOCI: **88%**  
Financial Assets Measured at Amortised Cost: **12%**

CPI Linker valuation: from **8.5%** to **15.84%**

**TL 1.1 bn** additional income

CPI Linker income:

Q1 18 : **TL 450 mn**  
Q2 18 : **TL 440 mn**  
Q3 18: **TL 1.6 bn**

Significant buffer due to higher realized CPI in Q4:

Approximately **TL 1.7 bn** additional income

# APPENDIX

## Balance Sheet Summary

|  |                |                | IFRS9                            |                |                |                |                |              |              |
|--|----------------|----------------|----------------------------------|----------------|----------------|----------------|----------------|--------------|--------------|
| TL mn  | 2015           | 2016           | TL mn                            | 2017*          | Q1 18          | Q2 18          | Q3 18          | % Change QoQ | % Change YtD |
| <b>CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY</b> | 36,535         | 39,167         | <b>CASH AND CASH EQUIVALENTS</b> | 48,571         | 52,904         | 54,549         | 55,469         | 1.7%         | 14.2%        |
| <b>BANKS</b>   | 4,447          | 3,902          |                                  |                |                |                |                |              |              |
| <b>SECURITIES</b>  | 63,943         | 67,399         | <b>SECURITIES</b>                | 70,628         | 73,230         | 75,152         | 87,496         | 16.4%        | 23.9%        |
| <b>LOANS</b>   | 186,813        | 232,644        | <b>LOANS</b>                     | 298,033        | 312,877        | 347,200        | 385,782        | 11.1%        | 29.4%        |
| -Gross NPL   | 3,141          | 4,217          | -Gross NPL                       | 4,774          | 5,354          | 5,704          | 6,234          | 9.3%         | 30.6%        |
| -Specific Provisions (-)                                 | 2,271          | 3,966          | -Expected Credit Loss (-)        | 4,211          | 4,693          | 5,284          | 7,064          | 33.7%        | 67.8%        |
| <b>OTHERS</b>  | 11,110         | 14,649         | <b>OTHERS</b>                    | 17,042         | 18,358         | 20,672         | 23,247         | 12.5%        | 36.4%        |
| <b>TOTAL ASSETS</b>                                      | <b>302,848</b> | <b>357,761</b> | <b>TOTAL ASSETS</b>              | <b>434,596</b> | <b>457,369</b> | <b>497,573</b> | <b>551,994</b> | <b>10.9%</b> | <b>27.0%</b> |
| <b>DEPOSITS</b>  | 186,469        | 223,019        | <b>DEPOSITS</b>                  | 266,384        | 282,933        | 314,103        | 345,017        | 9.8%         | 29.5%        |
| <b>FUNDS BORROWED</b>                                    | 19,543         | 22,817         | <b>FUNDS BORROWED</b>            | 29,065         | 32,497         | 37,608         | 44,585         | 18.6%        | 53.4%        |
| <b>INTERBANK MONEY MARKET</b>                            | 43,086         | 47,212         | <b>INTERBANK MONEY MARKET</b>    | 56,258         | 55,995         | 60,007         | 71,640         | 19.4%        | 27.3%        |
| <b>PROVISIONS</b>  | 5,161          | 6,053          | <b>PROVISIONS</b>                | 3,283          | 3,322          | 3,246          | 3,319          | 2.2%         | 1.1%         |
| <b>SHAREHOLDERS' EQUITY</b>                              | 31,546         | 38,382         | <b>SHAREHOLDERS' EQUITY</b>      | 52,531         | 53,640         | 52,749         | 52,249         | -0.9%        | -0.5%        |
| <b>OTHERS</b>  | 17,043         | 20,278         | <b>OTHERS</b>                    | 27,075         | 28,982         | 29,860         | 35,184         | 17.8%        | 30.0%        |



## Income Statement Summary

|                                   |        |        |       |        | IFRS9                             |        |        |        |              |              |
|-----------------------------------|--------|--------|-------|--------|-----------------------------------|--------|--------|--------|--------------|--------------|
| TL mn                             | 2015   | 2016   | Q3 17 | 2017   | TL mn                             | Q1 18  | Q2 18  | Q3 18  | % Change QoQ | % Change YoY |
| <b>INTEREST INCOME</b>            | 22,050 | 27,291 | 8,806 | 35,463 | <b>INTEREST INCOME</b>            | 10,069 | 11,339 | 15,172 | 33.8%        | 72.3%        |
| -From Loans                       | 16,677 | 21,512 | 7,375 | 28,357 | -From Loans                       | 8,276  | 9,385  | 11,537 | 22.9%        | 56.4%        |
| -From Securities                  | 5,197  | 5,488  | 1,226 | 6,193  | -From Securities                  | 1,560  | 1,736  | 3,358  | 93.4%        | 173.9%       |
| <b>INTEREST EXPENSE</b>           | 11,542 | 13,342 | 4,943 | 18,561 | <b>INTEREST EXPENSE</b>           | 5,433  | 6,212  | 8,462  | 36.2%        | 71.2%        |
| -On Deposits                      | 8,668  | 9,911  | 3,219 | 12,249 | -On Deposits                      | 3,534  | 4,016  | 5,169  | 28.7%        | 60.6%        |
| <b>NET INTEREST INCOME</b>        | 10,509 | 13,948 | 3,863 | 16,902 | <b>NET INTEREST INCOME</b>        | 4,636  | 5,126  | 6,710  | 30.9%        | 73.7%        |
| <b>NET FEES &amp; COMMISSIONS</b> | 1,300  | 1,643  | 548   | 2217   | <b>NET FEES &amp; COMMISSIONS</b> | 616    | 659    | 638    | -3.2%        | 16.4%        |
| -Fees and Commissions Received    | 1,637  | 2,023  | 667   | 2673   | -Fees and Commissions Received    | 750    | 828    | 881    | 6.4%         | 32.1%        |
| -Fees and Commissions Paid        | 337    | 380    | 120   | 456    | -Fees and Commissions Paid        | 134    | 170    | 244    | 43.5%        | 103.3%       |
|                                   |        |        |       |        | Personnel Expenses                | 704    | 734    | 690    | -6.0%        | -            |
| <b>OTHER OPERATING INCOME</b>     | 1,340  | 1,555  | 303   | 1378   | <b>OTHER OPERATING INCOME</b>     | 434    | 12     | 210    | 1650.0%      | -30.7%       |
| <b>OPEX</b>                       | 5,208  | 5,303  | 1,586 | 6,490  | <b>OPEX</b>                       | 1,115  | 1,187  | 1,261  | 6.2%         | -20.5%       |
| <b>NET OPERATING PROFIT</b>       | 6,568  | 8,569  | 2,665 | 10,287 | <b>NET OPERATING PROFIT</b>       | 2,252  | 2,780  | 2,228  | -19.9%       | -16.4%       |
| <b>NET PROFIT</b>                 | 5,162  | 6,576  | 2,171 | 7,940  | <b>NET PROFIT</b>                 | 1,730  | 2,223  | 1,690  | -24.0%       | -22.2%       |

Source: Unconsolidated Financial Statements

# Key Financial Ratios

| (%)                                | 2015   | 2016   | 2017   | Q1 18  | Q2 18  | Q3 18  |
|------------------------------------|--------|--------|--------|--------|--------|--------|
| ROAA <sup>(1)</sup>                | 1.8    | 2      | 2      | 1.6    | 1.7    | 1.5    |
| ROAE <sup>(2)</sup>                | 17.3   | 18.6   | 18.4   | 13.6   | 14.7   | 14.4   |
| Cost / Income Ratio <sup>(3)</sup> | 39.5   | 30.8   | 32.5   | 35.6   | 37.1   | 35.3   |
| NIM (cum.) <sup>(4)</sup>          | 4.5    | 4.9    | 4.8    | 4.8    | 4.8    | 5.1    |
| Loans <sup>(5)(6)</sup> /Deposits  | 97.1   | 101.7  | 109.7  | 108.5  | 108.6  | 110.1  |
| Loans/Assets                       | 61.7   | 65     | 68.7   | 68.5   | 69.9   | 69.9   |
| Securities/Assets                  | 21.1   | 18.8   | 16.3   | 16     | 15.5   | 15.9   |
| NPL                                | 1.7    | 1.8    | 1.6    | 1.7    | 1.6    | 1.6    |
| Coverage <sup>(6)</sup>            | 78.8   | 100    | 100    | 96.9   | 96.6   | 117.7  |
| CoR                                | 0.8    | 1.6    | 0.8    | 1.0    | 0.7    | 1.1    |
| CAR                                | 15.1   | 14.6   | 15.2   | 15.3   | 13.7   | 16.2   |
| Leverage <sup>(7)</sup>            | 8.6    | 8.3    | 8.2    | 7.6    | 8.4    | 9.6    |
| <b># of</b>                        |        |        |        |        |        |        |
| Branches                           | 1,812  | 1,814  | 1,781  | 1,780  | 1,781  | 1,778  |
| Employees                          | 25,697 | 25,015 | 24,554 | 24,681 | 24,572 | 24,440 |
| ATMs                               | 6,566  | 6,869  | 7,085  | 7,126  | 7,171  | 7,169  |

- (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

Investor Relations Department  
Eski Büyükdere Cad. No: 39 B Blok, 6. Kat  
Maslak-İstanbul/Turkey  
Phone: (+90) 212 363 11 01  
E-mail: [investorrelations@ziraatbank.com.tr](mailto:investorrelations@ziraatbank.com.tr)  
[www.ziraatbank.com.tr](http://www.ziraatbank.com.tr)



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