

**Financials Presentation
September 2019**



Ziraat Bank

More than a bank

Largest Bank in Turkey with
~ USD 110 bn. asset size

TL 618 bn

Widest local and international geographic footprint with 1,763 branches

1,763

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

Extensive Customer Base

> 35 mn

Market Leadership

#1

- Total Assets
- Total Loans
- Equity
- Deposits

High level of funding intermediation through moderate LtD level
Loan growth mainly financed by deposits

103.2%

2.3%

Robust Asset Quality
Below sector average NPL

Sound and improved capital structure
Tier 1 capital ratio 15.9%

16.9%

TL 404 bn

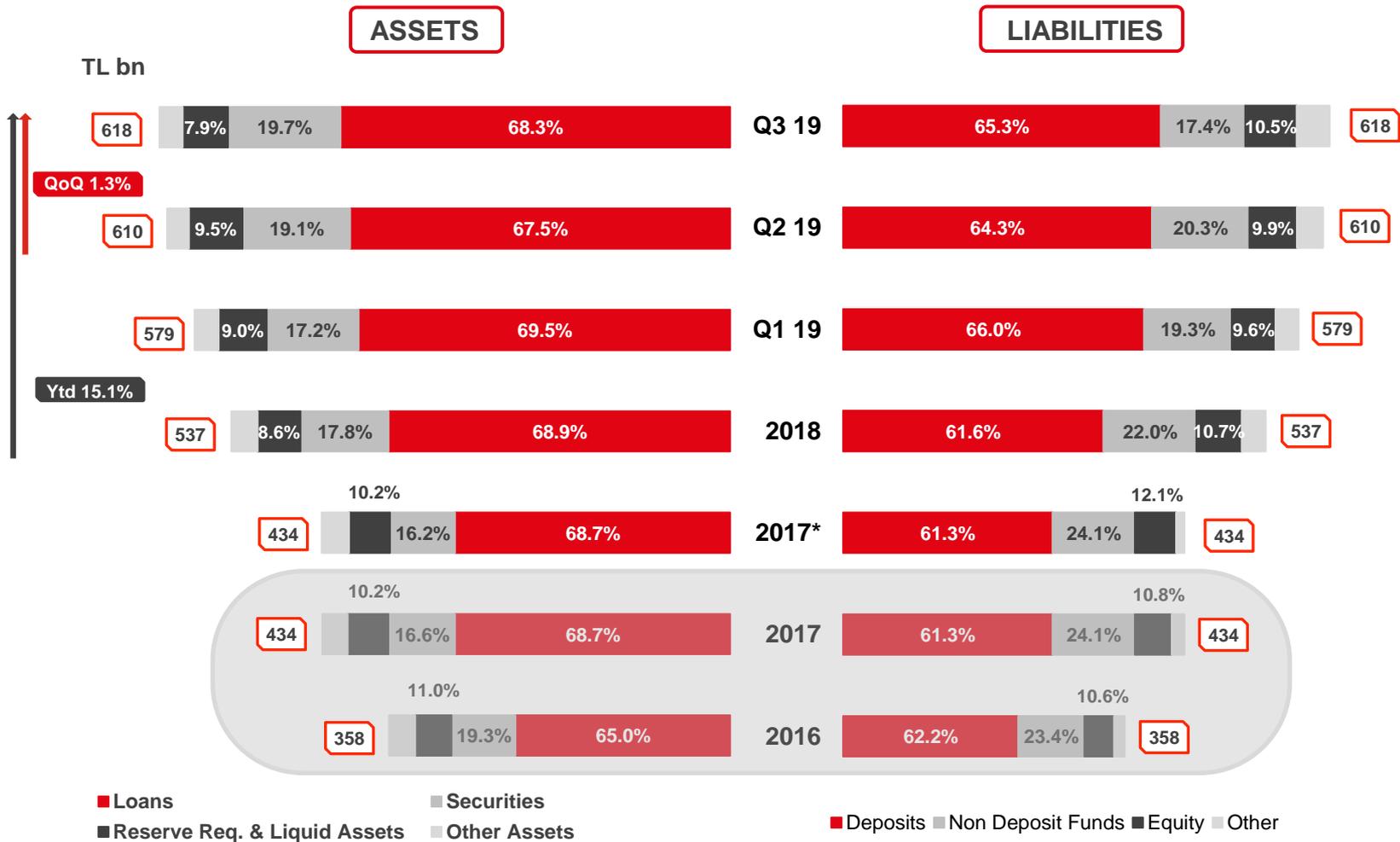
The largest deposit base in the sector
Core deposit ratio 96%

Undisputed leadership in agricultural loans

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

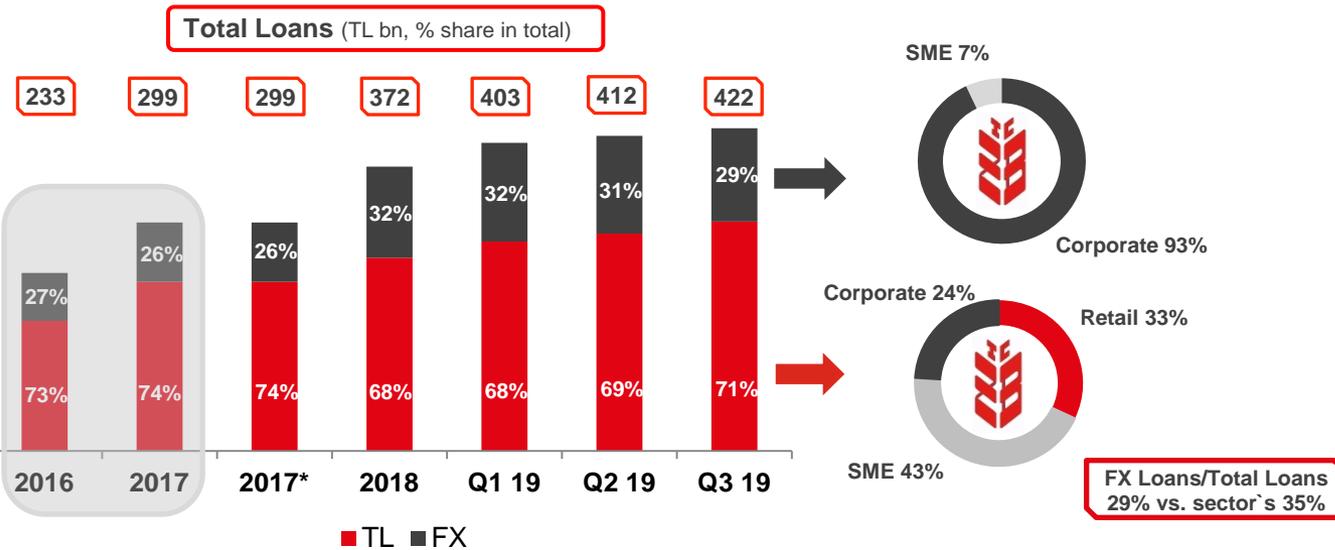
61%

Ziraat Bank – Assets/Liabilities



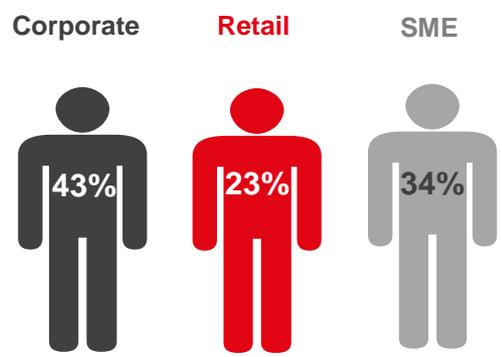
(1) Performing loans only

• 01 Jan 2018 financial figures for comparison purposes

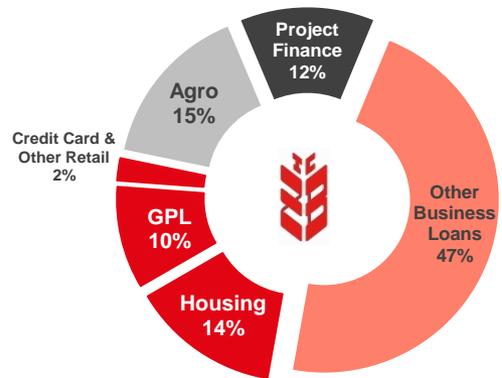


	QoQ Δ	YoY Δ	YtD Δ
Total Loans	2.4%	9.4%	13.5%
Total Loans (FX adj.)	3.1%	11.0%	11.5%
TL	5.8%	19.6%	18.6%
FX(\$)	-2.9%	-4.8%	-3.8%
Retail	7.5%	17.2%	19.4%
Housing	9.2%	9.5%	12.5%
SME	4.1%	14.0%	13.7%
Corporate	-1.3%	3.1%	10.4%
Corp. FX Adj.	1.3%	6.1%	6.5%

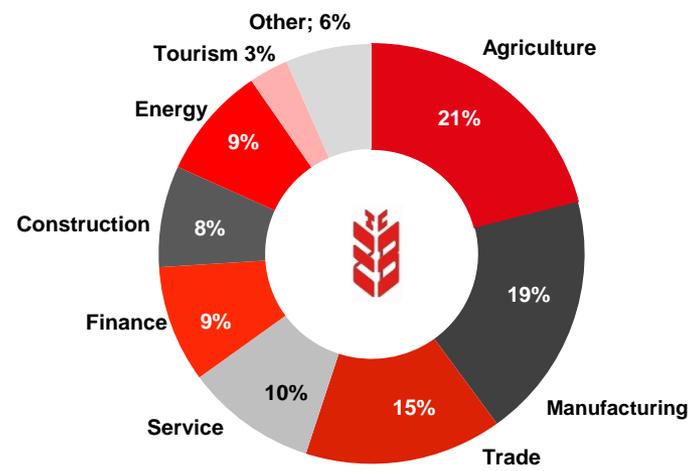
Cash Loans by Customer Segment



Cash Loans by Product

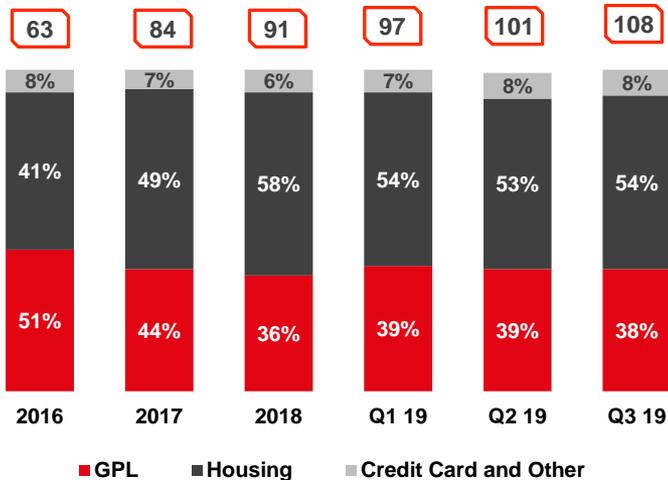


Sector Breakdown of Cash Business Loans



- 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)



Market Shares

	2018 YE	Q3 19
Total Loans	14.9%	15.9%
<i>TL Loans</i>	16.9%	18.4%
<i>FX Loans</i>	11.9%	11.8%

GPL

Market Share
18%

Payroll
Cust. & Pensioners
48% of GPL

4.7 million
pensioners

NPL
1.9%

Housing Loans

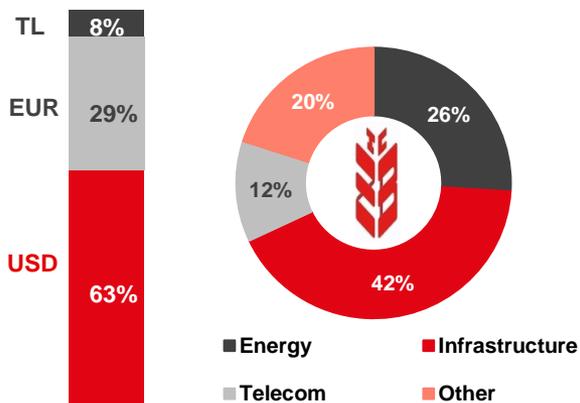
Market Share
31%

LTV⁽³⁾
61%

NPL
0.2%

Inflation Indexed Loans

Project Finance Loans



USD 9.4 bn cash
USD 0.4 bn non-cash

Share of Renewables
in energy loans: 56%

Share of Infrastructure
projects with debt
assumption: 91%

Share of Subsidized
Loans: 82%

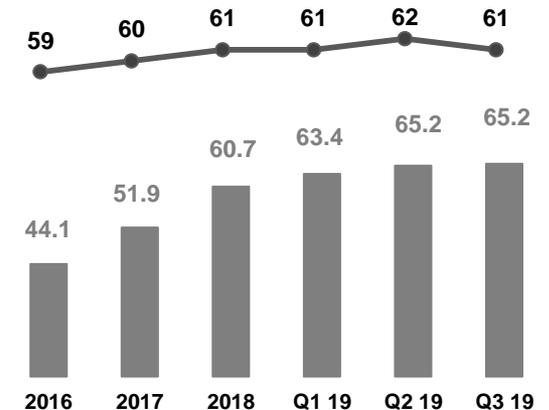
Low Agro-NPL:
1.8%⁽²⁾

Focus on
Agro-Industry

Young Farmers
Academy

Agricultural Loans (TL bn)

Market Share⁽²⁾ (%)

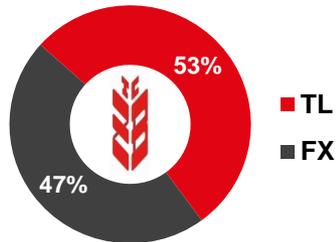
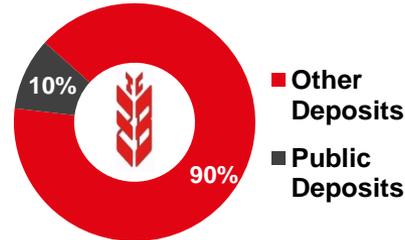
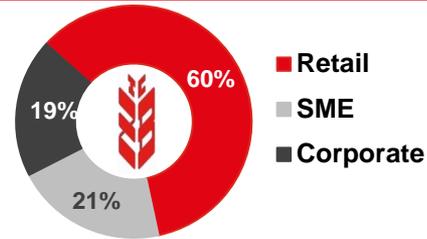
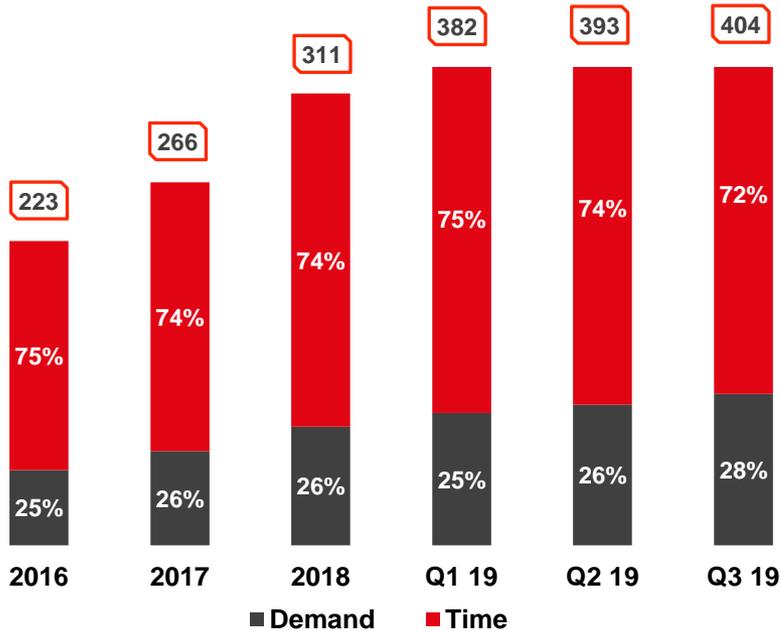


(1) Accruals are excluded

(2) Among deposit banks

(3) Marginal LTV

Total Deposits (TL bn, % share in total)



	QoQ Δ	YoY Δ	YtD Δ
Total Deposits	2.8%	17.0%	21.9%
<i>Total Deposit (FX adj.)</i>	3.9%	19.7%	18.3%
TL	8.6%	20.0%	20.6%
FX(\$)	-0.9%	19.4%	15.7%
Customer Deposit	3.4%	19.9%	22.1%
Demand	7.8%	21.0%	28.0%
Time	1.0%	15.5%	19.7%

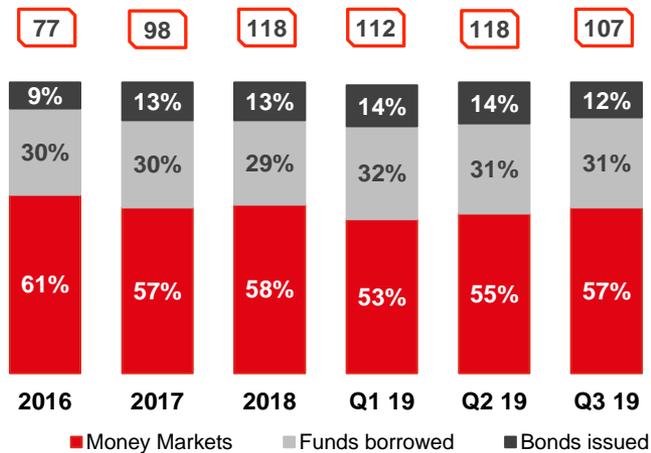
Market Shares	2018 YE	Q3 19
Total Deposits	15.3%	16.2%
<i>TL Deposits</i>	16.3%	18.1%
<i>FX Deposits</i>	14.3%	14.5%

✓ Granular deposit base with 60% share of retail segment in total deposits

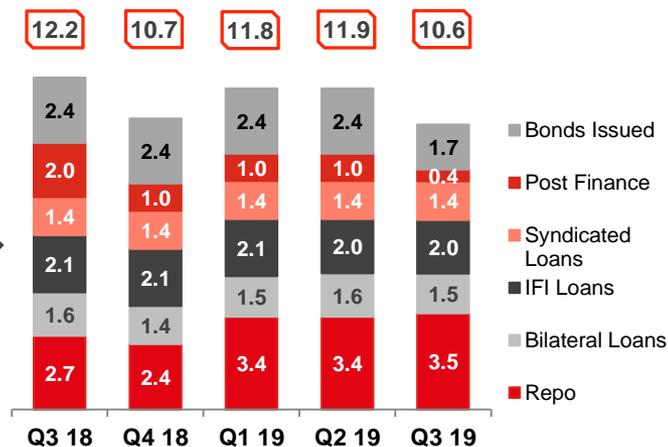
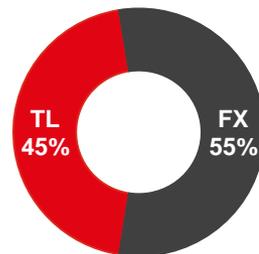
Core deposit ratio
96%

Inflation Ind. Deposits
Total Deposits
7.1%

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

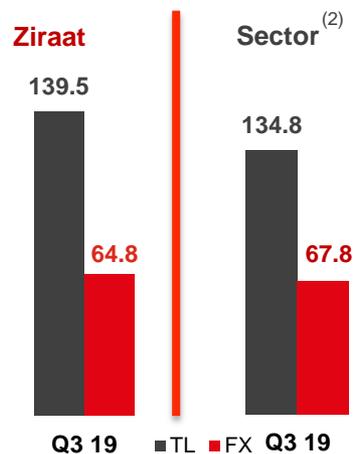
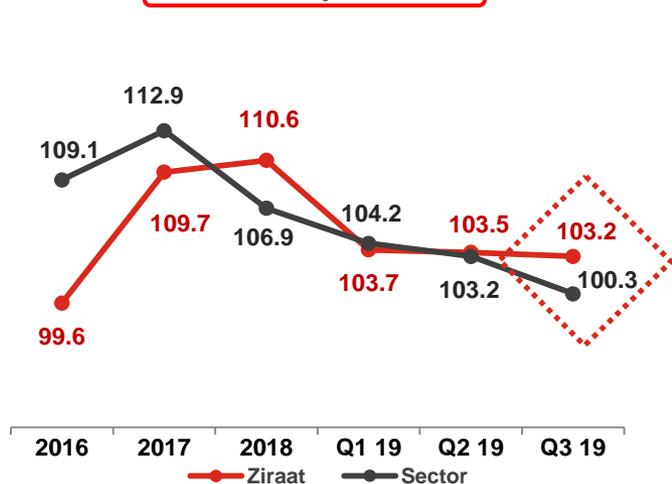


Total Amount (USD bn)



✓ Cost oriented, adaptive wholesale funding management

Loan to Deposit⁽¹⁾ (%)



Adequate FX liquidity to cover all FX external funding

FX LCR:

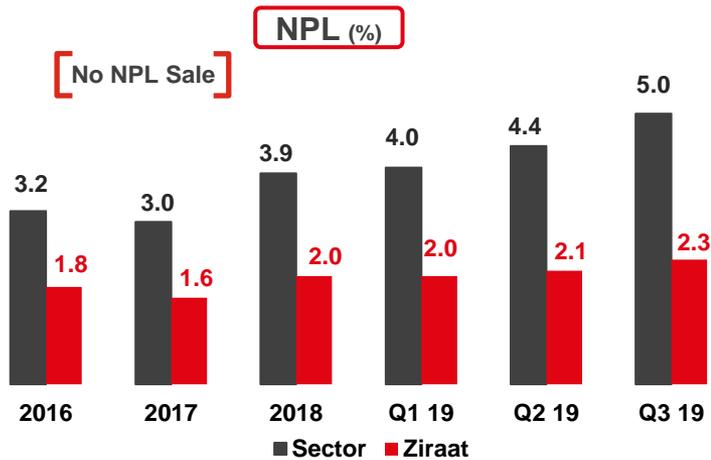
471.5% in Q3 19

USD 750 mn 5 yr. Eurobond redeemed in July 2019

No Eurobond Redemptions in 2020

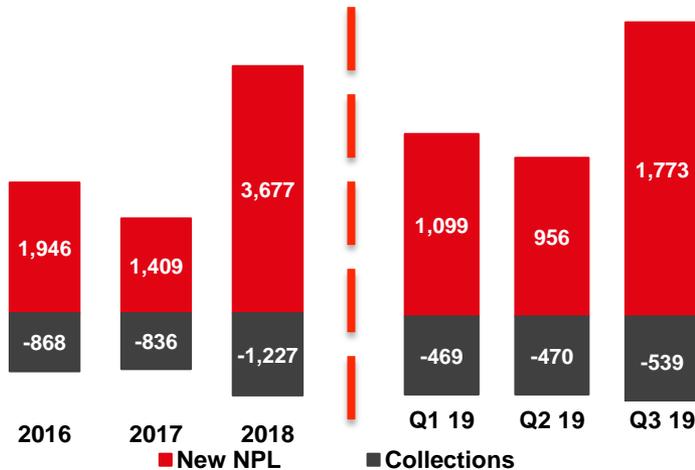
(1)Performing Loans/Total Deposit Intermediated loans of public funds are excluded

(2)Sector: Deposit banks



- ✓ Increasing NPL formation, mainly from the SME segment
- ✓ NPLs at manageable levels, cautious stance preserved for the coming periods
- ✓ More than **30%** of loan portfolio allocated to structurally low NPL generating products/segments
- ✓ Denominator impact ~ **40 bps** ytd

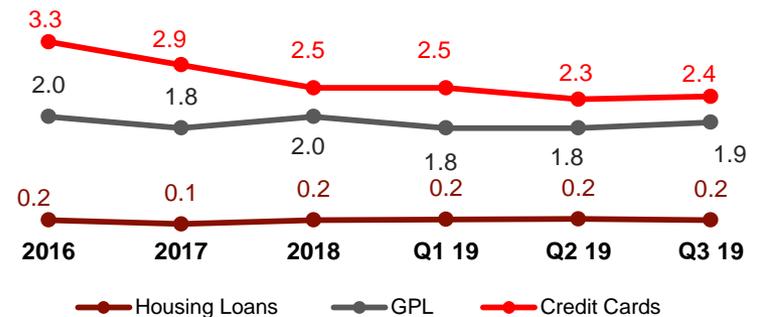
New NPL & Collections (TL mn)

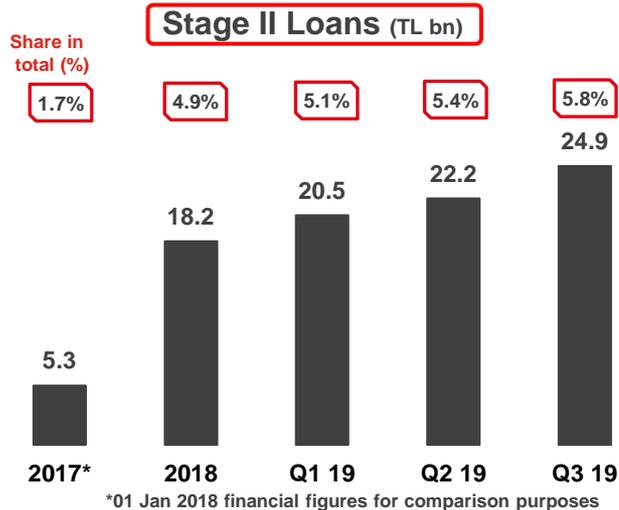


NPLs by Segment



Retail NPLs by Product

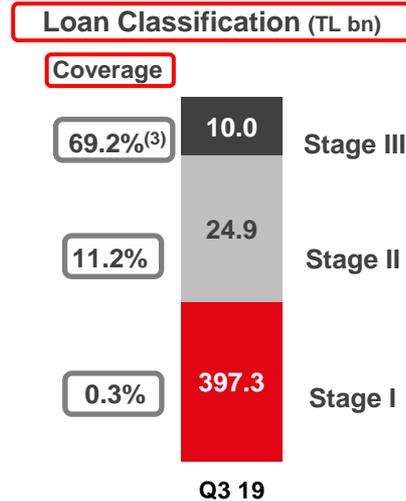




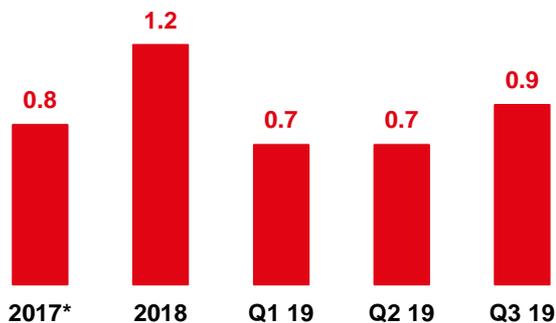
Total Coverage 108.4%

Cash Coverage 118.1%

TL 952 mn. in Free Provisions



Cost of Risk⁽¹⁾ (%)

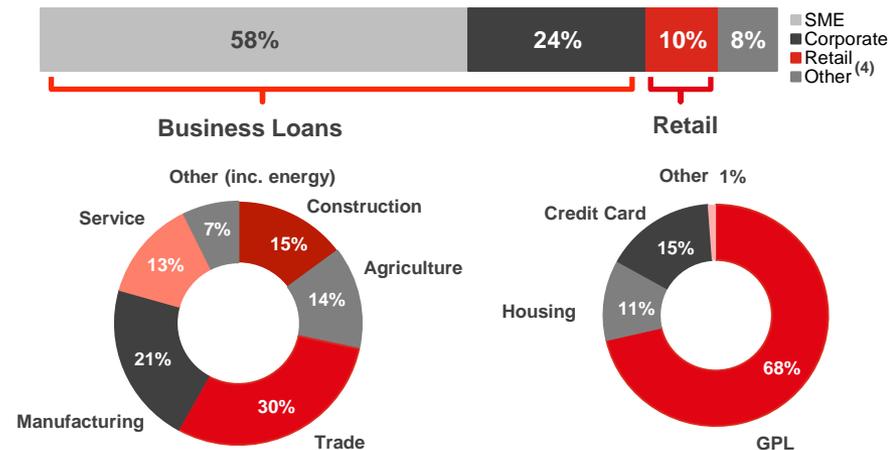


Stage III and Total Coverage Ratios above sector averages

Lower Stage I coverage due to historically and structurally low NPL generation

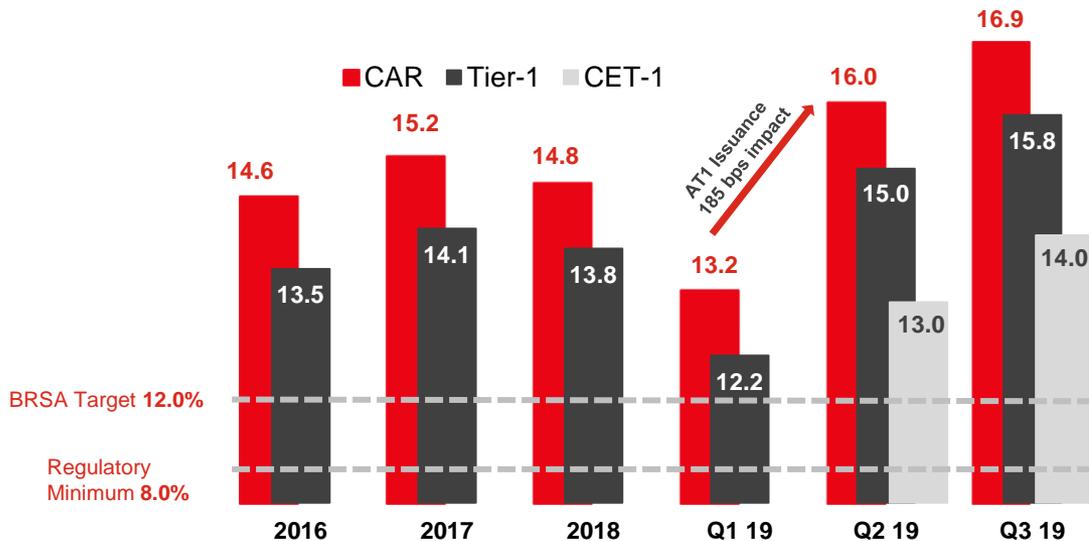
Restructured Loans⁽²⁾ in Total Loans: 3.8%

Total NPL by Segment



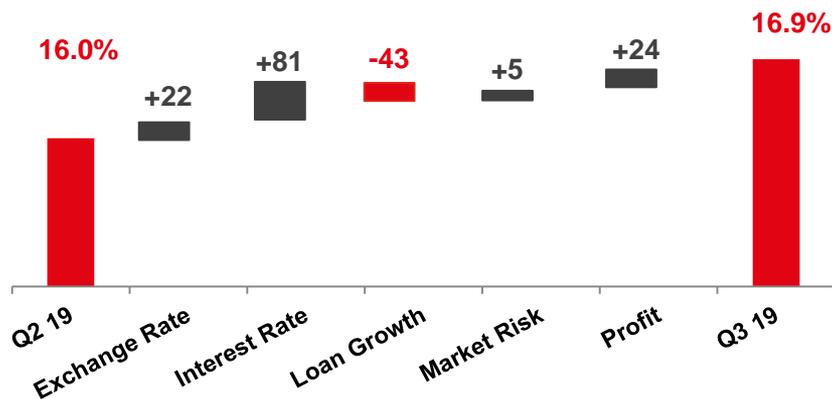
(1) CoR: Expected Credit Loss-Reversals / Average Loan Amount
 (2) Total figure including restructured loan amount before BRSR regulation published on 2 March 2019. According to regulation defining restructured loans, restructured loan amount between March 2018 to September 2019 is TL 6,301 mn
 (3) Excluding intermediated loans for public funds

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



For the periods before Q2 2019 Tier-1 ratios are equal to CET-1 ratios

Change in CAR (QoQ, bps)



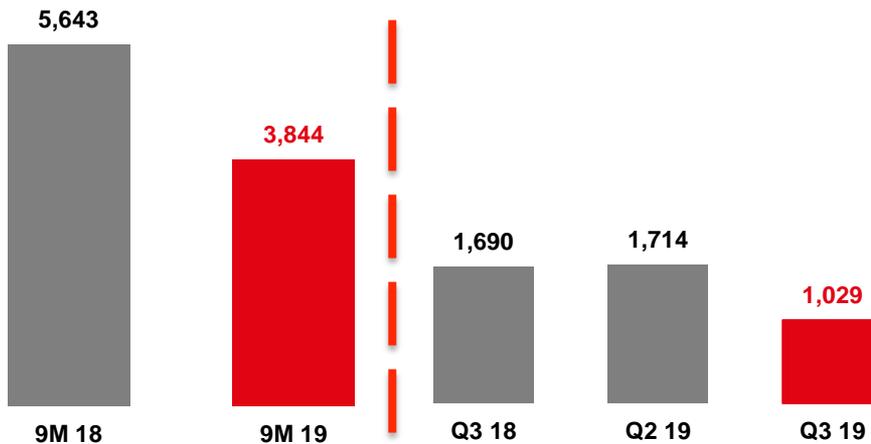
Basel III
Leverage **8.9%** vs
regulatory min of **3.0%**

CET1 Capital Ratio	4.5%
Capital Conservation Buffer	2.5%
D-SIB Buffer*	2.0%
Countercyclical Buffer	0.02%
TOTAL*	9.0%

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

- ✓ Positive impact of improved market conditions on CAR
- ✓ EUR 1.4 bn AT1 issuance strengthened the capital base
- ✓ Stronger capital structure through profit generation and retained earnings

Net Profit (TL mn)

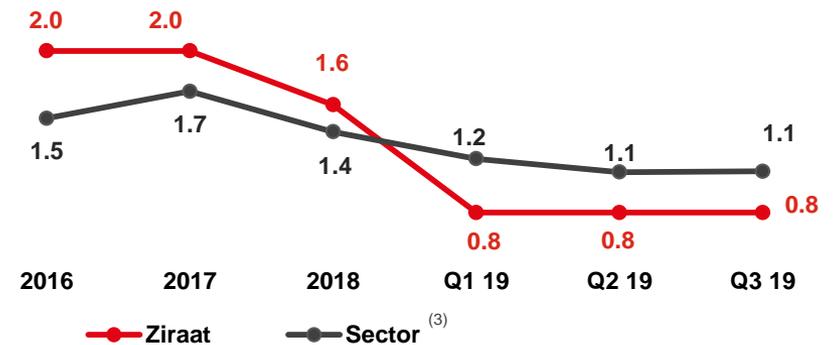


- ✓ Positive impact of decreasing swap costs with lower interest rate environment
- ✓ Lower CPI Linker income offset by stronger core spreads

Return on Equity⁽¹⁾ (%)

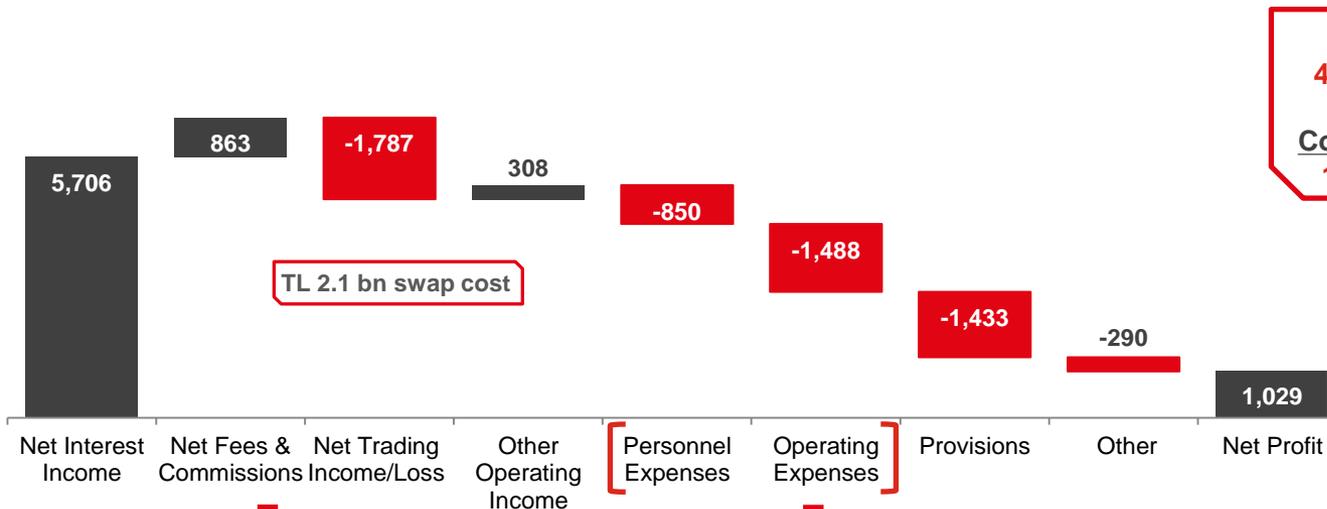


Return on Assets⁽²⁾ (%)



(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

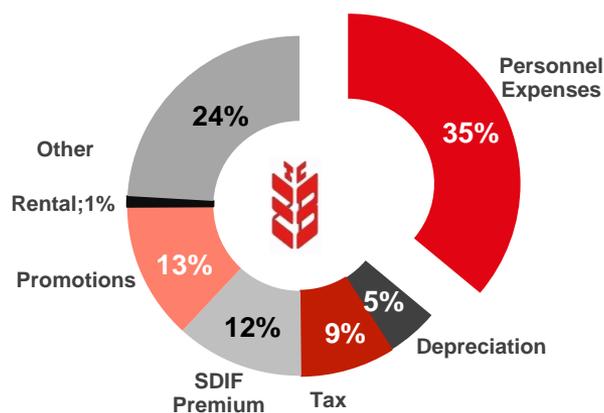
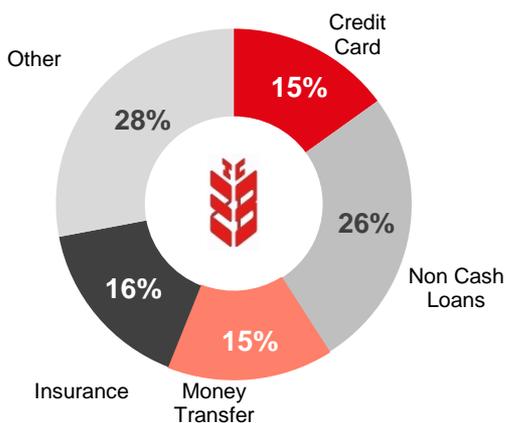
P&L Breakdown, Q3 19 (TL mn)



Cost/Income
47.0% in Q3 19

Cost/Avg. Assets
1.6% in Q3 19

Net Fees & Commissions growth:
YoY 35.4%
QoQ 9.1 %

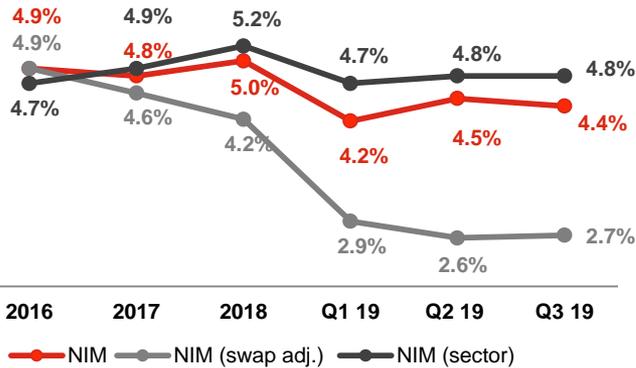


OPEX⁽¹⁾ growth:
YoY 18.0%
QoQ 1.3%

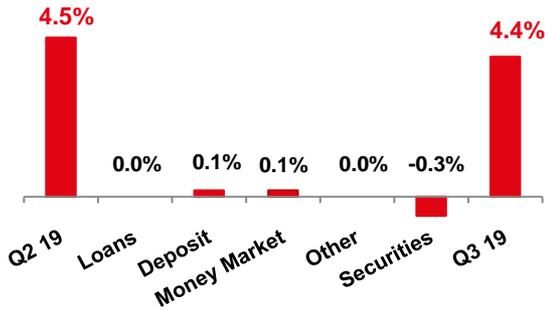
(1) Personnel expenses are not included

Ziraat Bank – NIM & Spreads

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

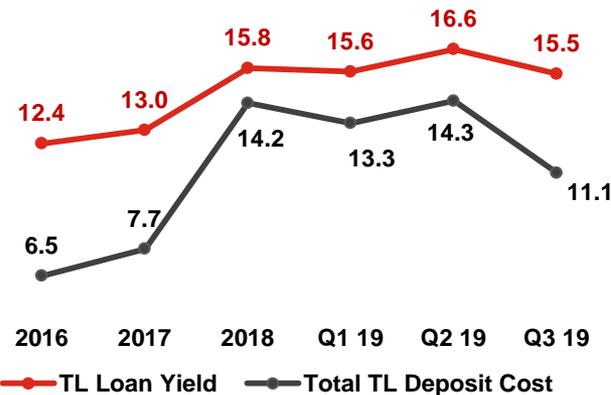


NIM Evolution

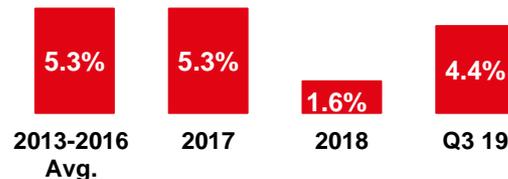


- ✓ Improvement in core spreads due to lower funding costs in decreasing interest rate environment
- ✓ TL Core Spread improving but still below historic averages
- ✓ Recovery in Swap adj. NIM

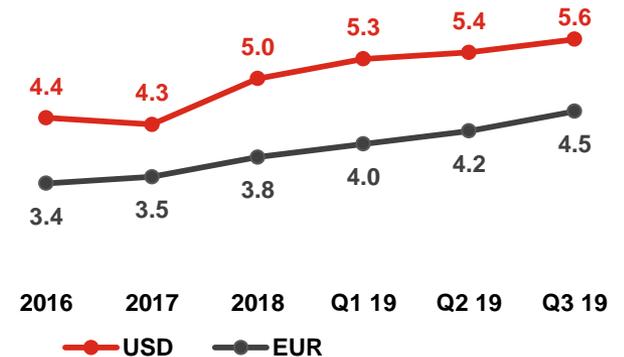
TL Loan Yield and Deposit Costs (%)



TL Core Spreads (%)



FX Core Spreads⁽³⁾ (%)



(1) Sector: Deposit banks

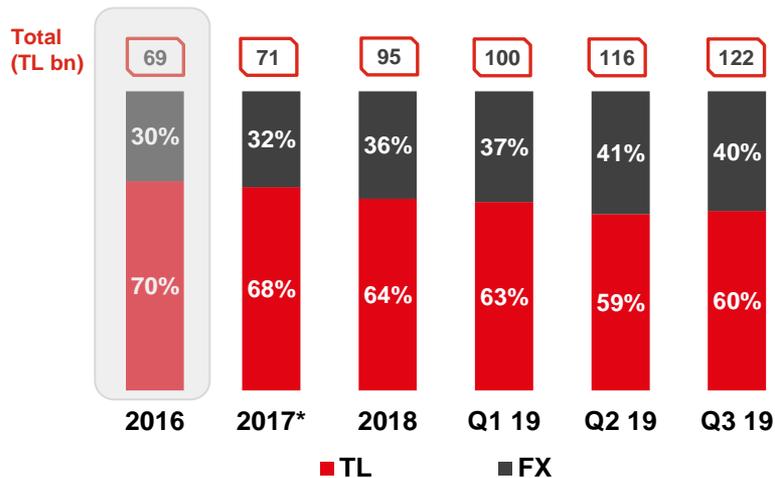
(2) NIM = Net Interest Earnings / Av. IEA

(3) Loan FX- Total Deposit FX

APPENDIX

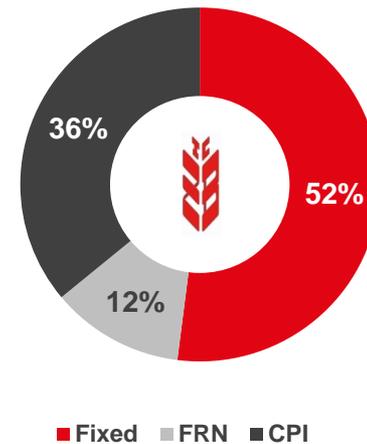
Ziraat Bank – Securities Portfolio

Total Securities (% share in total)

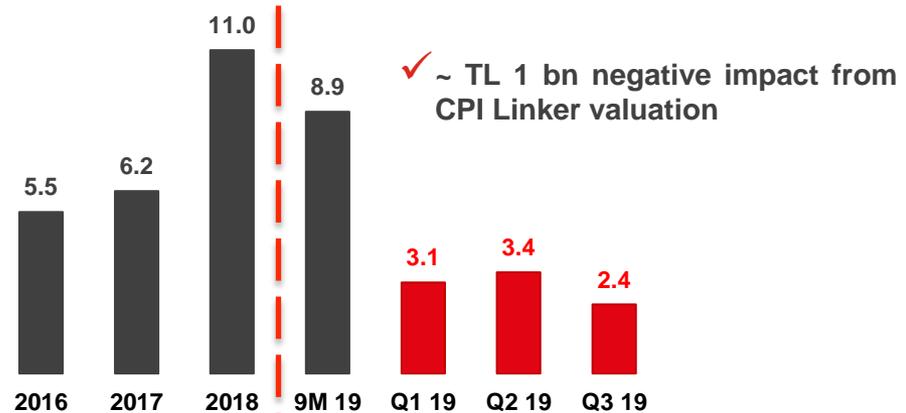


* 01 Jan 2018 financial figures for comparison purposes

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



Interest Income from Securities (TL bn)



FVTPL+ FVOCI
86%
 Fin. Assets
 Measured at
 Amortised Cost
14%

CPI Linker valuation
 revised to 10%
 from 17% in H1

FX Securities 100%
 Fixed Rate

(1) Interest accruals excluded.

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

- Renewed mobile and internet banking processes
- Increasing digital service diversity
- More efficient use of internet banking for retail loan applications
- Mutual use of ATMs among public banks for cost efficiency

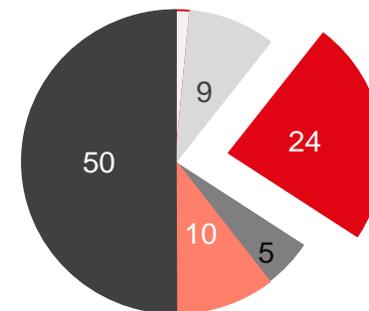
		2016		Q3 19	
		Market Share	Ranking	Market Share	Ranking
Credit Debit	Turnover	25.2%	1	24.6%	1
	Ownership	21.3%	1	21.8%	1
	Turnover	3.4%	8	6.6%	6
	Ownership	6.9%	6	10.3%	4

90% of banking transactions through non-branch channels

Digital Banking Customers: **13.1 mn**

Internet Banking Customers: **19.2 mn**

Banking Transaction Channel Distribution (%)



Other Automatic Pay. Mobile Internet Branch ATM

30% improvement in transaction costs since 2016

Largest ATM network: **7,236** ATMs **13.7%** market share

Low Credit Card NPL: **2.4% vs 5.4% 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 Q3 2019



Ziraat Bank – Balance Sheet Summary

TL mn	2016	2017
CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	39,167	44,269
BANKS	3,902	4,303
SECURITIES	67,399	72,019
LOANS	232,644	298,033
-Gross NPL	4,217	4,774
-Specific Provisions (-)	3,966	4,549
OTHERS	14,649	15,651
TOTAL ASSETS	357,761	434,275
DEPOSITS	223,019	266,384
FUNDS BORROWED	22,817	29,065
INTERBANK MONEY MARKET	47,212	56,258
PROVISIONS	6,053	3,283
SHAREHOLDERS' EQUITY	38,382	52,531
OTHERS	20,278	27,075

IFRS9							
TL mn	2017*	Q3 18	2018	Q2 19	Q3 19	% Change QoQ	% Change YoY
CASH AND CASH EQUIVALENTS	48,571	55,469	46,238	57,659	48,968	-15.1%	-11.7%
SECURITIES	70,628	87,497	95,374	116,364	121,889	4.7%	39.3%
LOANS	298,033	385,782	371,871	412,302	422,141	2.4%	9.4%
-Gross NPL	4,774	6,234	7,460	8,638	10,014	15.9%	60.6%
-Expected Credit Loss (-)	4,211	7,064	8,385	9,543	10,594	10.2%	48.9%
OTHERS	17,364	23,246	23,673	24,035	25,230	5.2%	8.8%
TOTAL ASSETS	434,596	551,994	537,156	610,360	618,228	1.3%	12.0%
DEPOSITS	266,384	345,017	331,066	392,606	403,507	2.8%	17.0%
FUNDS BORROWED	29,065	44,584	34,172	36,938	33,722	-8.7%	-24.4%
INTERBANK MONEY MARKET	56,258	71,640	68,351	65,098	61,134	-6.1%	-14.7%
PROVISIONS	3,283	3,318	2,832	2,952	3,248	10.0%	-2.1%
SHAREHOLDERS' EQUITY	52,531	52,249	57,401	60,367	65,125	8.0%	24.8%
OTHERS	27,075	35,186	43,334	52,399	51,492	-1.7%	46.3%



Ziraat Bank – Income Statement Summary

TL mn	2016	2017	2018	9M 18	9M 19	% Chg. YoY	Q2 19	Q3 19	% Chg. QoQ
INTEREST INCOME	27,291	35,463	53,054	36,579	49,075	34.2%	17,181	16,309	-5.1%
-From Loans	21,512	28,357	41,028	29,198	39,404	35.0%	13,458	13,747	2.2%
-From Securities	5,488	6,193	10,977	6,694	8,885	32.7%	3,434	2,353	-31.5%
INTEREST EXPENSE	13,342	18,561	31,138	20,108	32,389	61.1%	11,124	10,603	-4.7%
-On Deposits	9,911	12,249	19,675	12,720	22,268	75.1%	7,651	7,418	-3.1%
NET INTEREST INCOME	13,948	16,902	21,916	16,472	16,685	1.3%	6,057	5,706	-5.8%
NET FEES & COMMISSIONS	1,643	2,217	2,638	1,912	2,476	29.5%	791	863	9.1%
OTHER OPERATING INCOME	1,555	1,378	1,434	656	1,134	72.9%	379	308	-18.7%
OPEX ⁽¹⁾	5,303	6,490	7,691	5,692	7,078	24.3%	2,363	2,338	-1.1%
NET OPERATING PROFIT	8,569	10,287	10,034	7,260	4,720	-35.0%	1,949	1,348	-26.5%
NET PROFIT	6,576	7,940	7,961	5,643	3,844	-31.9%	1,714	1,029	-36.2%



Ziraat Bank – Key Financial Ratios

(%)	2016	2017	2018
ROAA ⁽¹⁾	2.0	2.0	1.6
ROAE ⁽²⁾	18.6	18.4	15.2
Cost / Income Ratio ⁽³⁾	30.8	32.5	34.3
NIM (cum.) ⁽⁴⁾	4.9	4.8	5.0
Loans ⁽⁵⁾⁽⁶⁾ /Deposits	101.7	109.7	110.6
Loans/Assets	65	68.7	68.9
Securities/Assets	18.8	16.3	17.8
NPL	1.8	1.6	2.0
Stage III Coverage ⁽⁶⁾	100	100	73.9
CoR	1.6	0.8	1.2
CAR	14.6	15.2	14.8
Leverage ⁽⁷⁾	8.3	8.2	8.4
# of			
Branches	1,814	1,781	1,773
Employees	25,015	24,554	24,647
ATMs	6,869	7,085	7,155

Q1 19	Q2 19	Q3 19
0.8	0.8	0.8
7.7	8.1	8.1
49.8	47.6	47.0
4.2	4.5	4.4
103.7	103.5	103.2
69.5	67.5	68.3
17.2	19.1	19.7
2.0	2.1	2.3
71.8	71.9	69.2
0.7	0.7	0.9
13.2	16	16.9
9.4	9.1	8.5
1,766	1,764	1,763
24,650	24,533	24,380
7,189	7,206	7,236

(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
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