

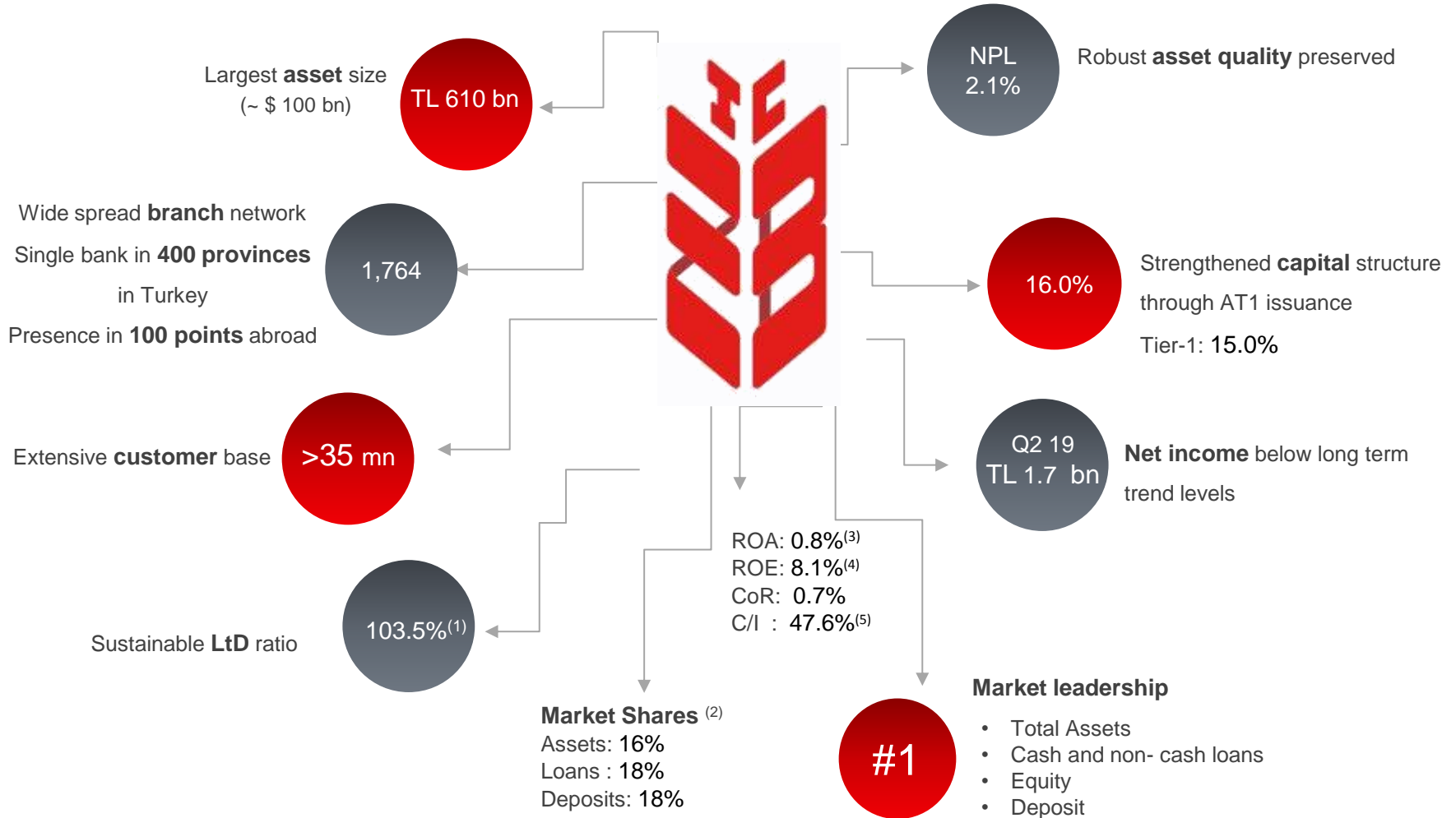
**Financials Presentation
June 2019**



Ziraat Bank

More than a bank

Ziraat Highlights

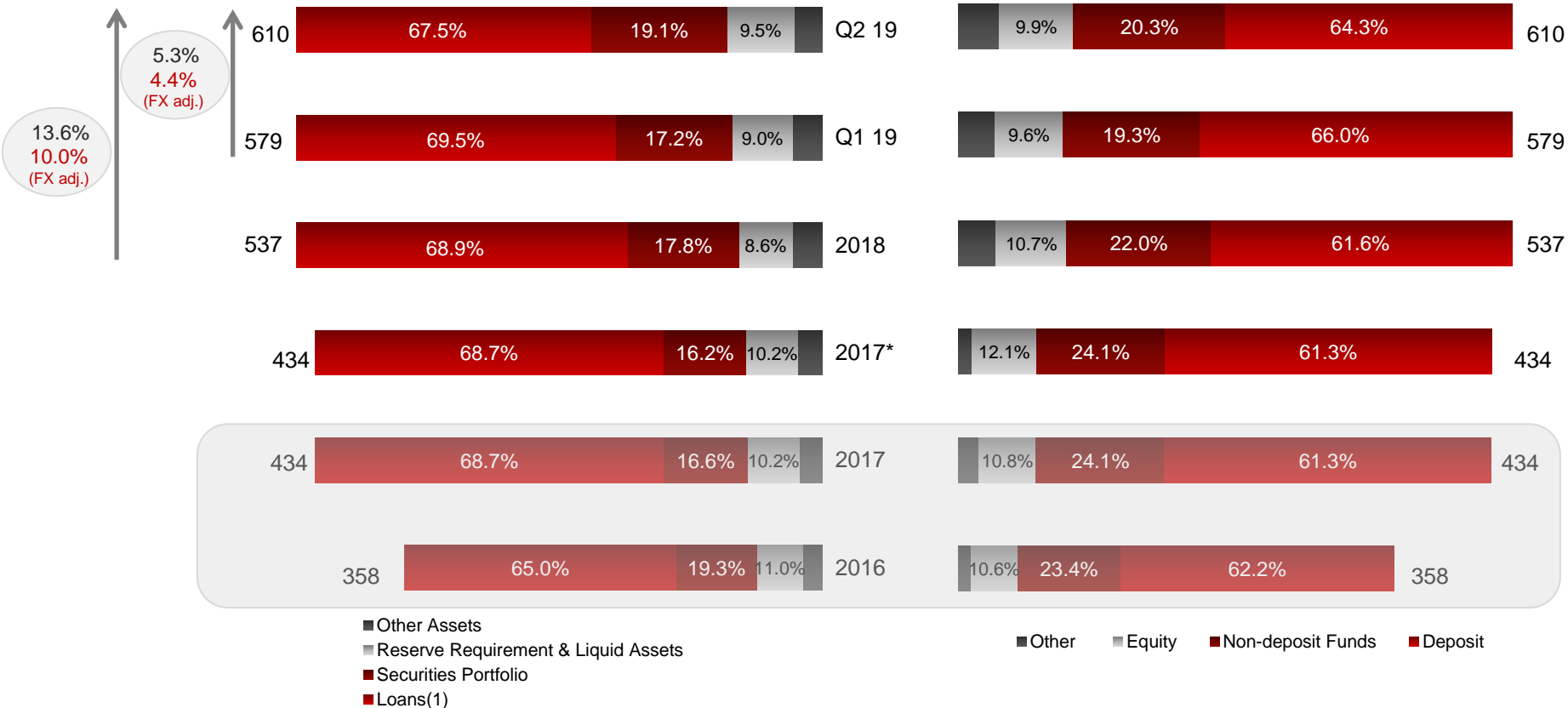


(1) Performing Loans/Total Deposit (Excluding intermediated loans for public funds)
 (2) Deposit banks
 (3) Average total assets represent weekly averages.
 (4) Average shareholders' equity represent weekly averages.
 (5) Includes dividend income

Assets & Liabilities Composition

Assets

Liabilities

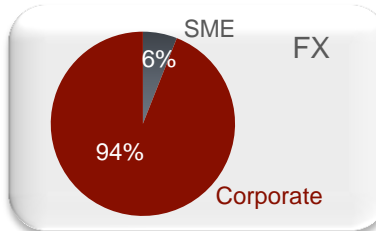
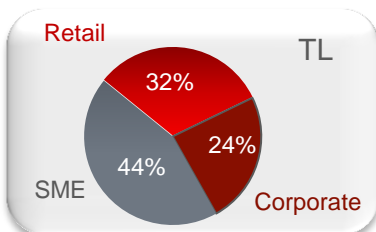
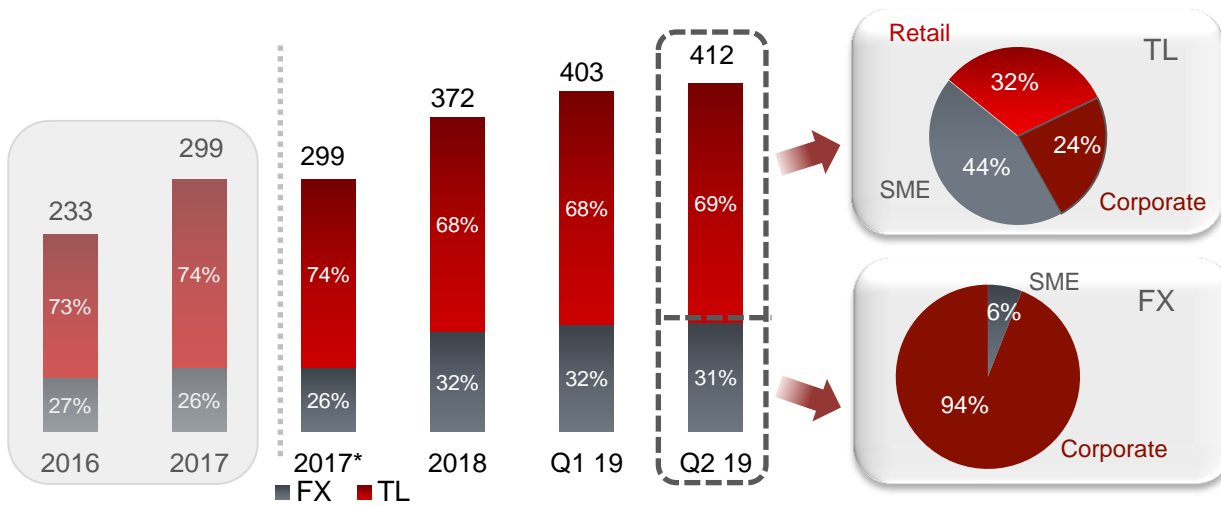


(1) Performing loans only

• 01 Jan 2018 financial figures for comparison purposes

Lending

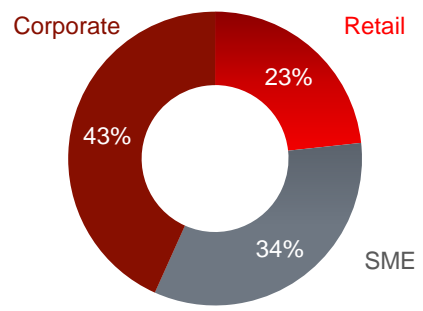
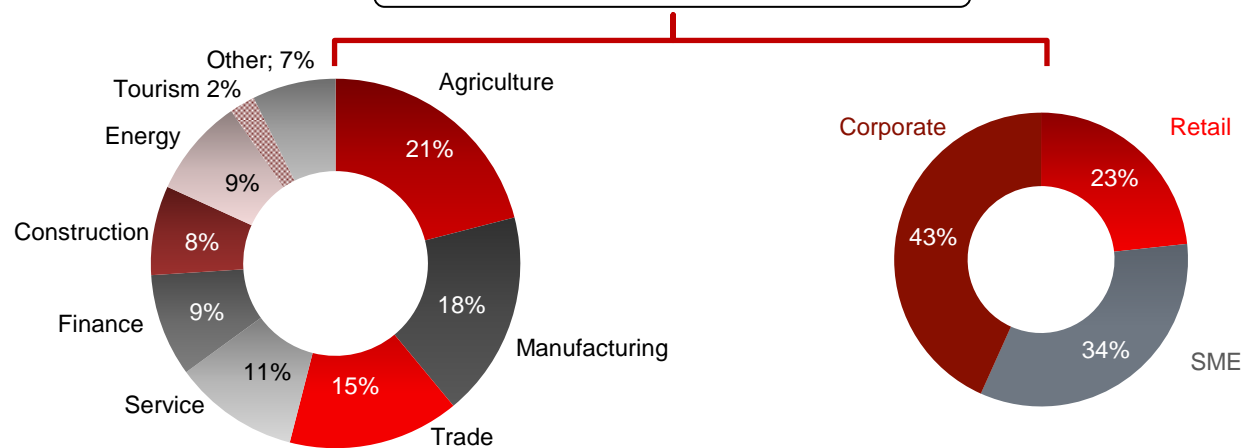
Total Loans⁽¹⁾ (TL bn, % share in total)



	QoQ Δ	YoY Δ	YtD Δ
Total Loans	2.4%	18.8%	10.9%
Total Loans (FX adj.)	1.7%	11.2%	8.0%
TL	2.9%	15.4%	12.2%
FX(\$)	-0.9%	1.0%	-0.9%
Retail	3.4%	11.4%	11.1%
Housing	2.0%	1.1%	3.0%
SME	1.9%	13.5%	9.2%
Corporate	2.1%	24.6%	11.9%
Corp. FX Adj.	-1.4%	9.2%	6.2%

* 01 Jan 2018 financial figures for comparison purposes
(1) Performing loans only

Breakdown of Cash Loans, Q2 19



FX Loans/ Total Loans
31% vs 37% sector⁽²⁾ average

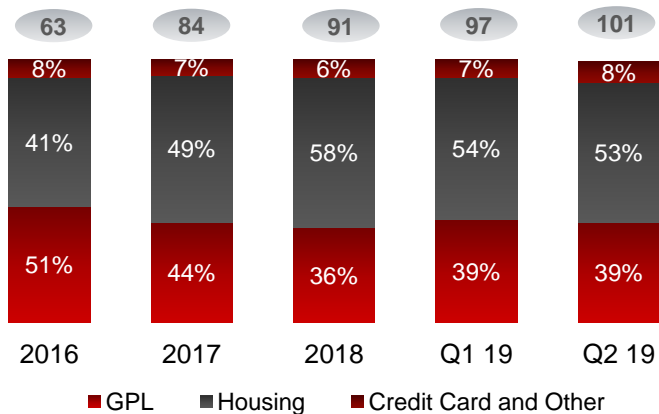
(2) Deposit banks only

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

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

Lending

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



- Strong penetration in retail segment serving more than **35 million** customers:

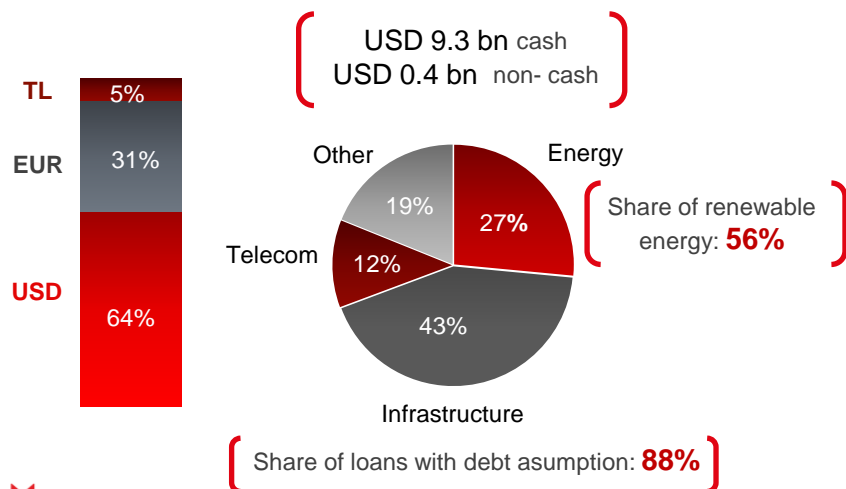
Housing Loans Market Share: **31%**

GPL Market Share: **17%**

- GPL driven retail loan growth
 - 50%** of GPLs to payroll customers and pensioners
- Inflation indexed housing finance product launched in June 2019
- High quality housing loan portfolio with **0.2% NPL**, **57% LTV***

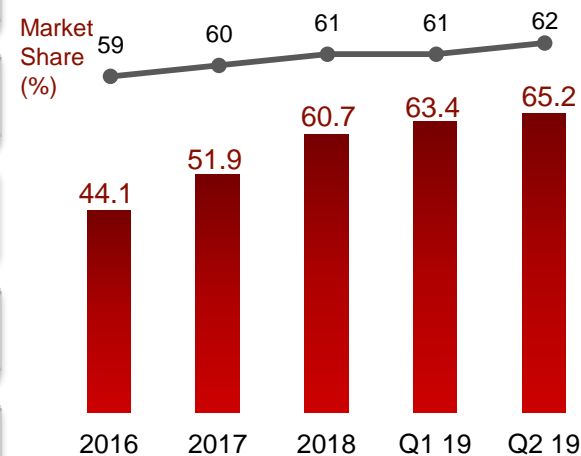
*Marginal LTV in 2018

Project Finance Loans, Q2 2019



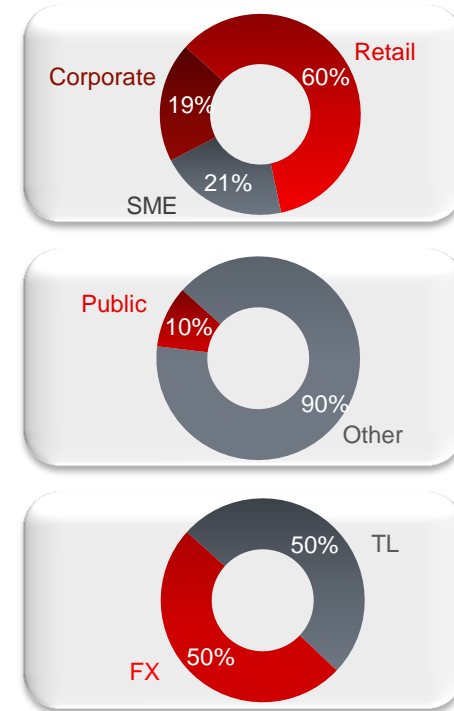
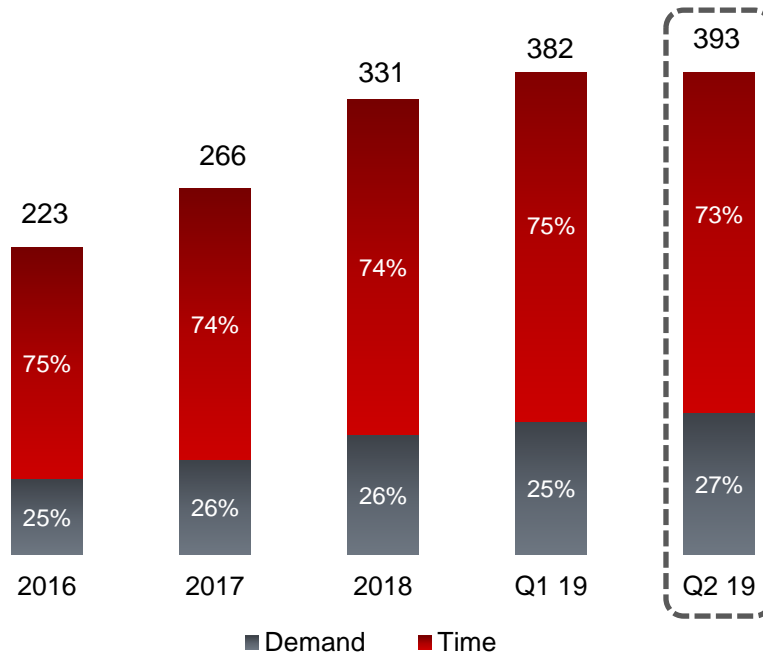
Agricultural Loans (TL bn)

- Young Farmers Academy
- Financing the whole agro value chain
- Low agro NPL: 1.6%⁽²⁾ in Q2 2019
- Special focus on agro industry
- Share of subsidised loans in agro loans: **82%**



Funding

Total Deposit (TL bn, % share in total)



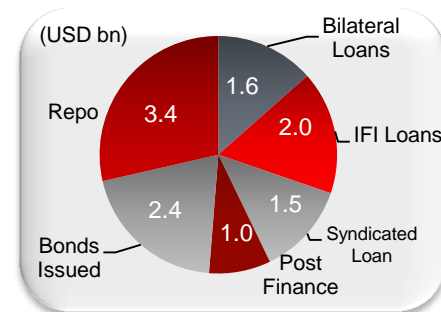
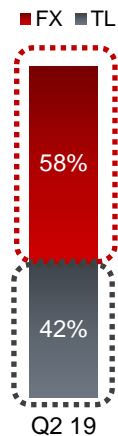
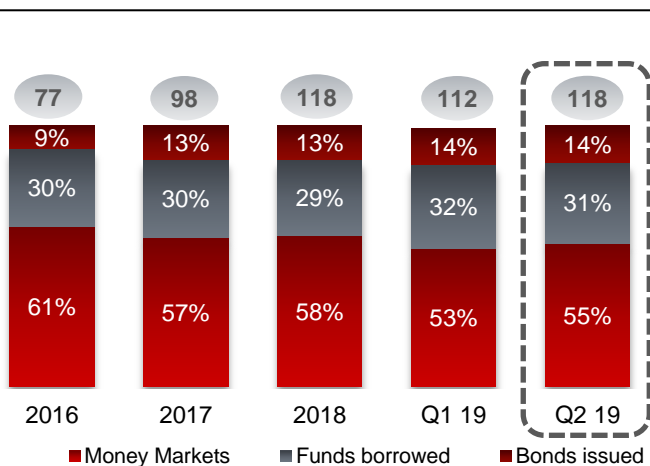
	QoQ Δ	YoY Δ	YtD Δ
Total Deposit	2.7%	25.0%	18.6%
Total Deposit (FX adj.)	1.5%	12.4%	13.7%
TL	3.5%	11.6%	11.0%
FX(\$)	-0.5%	13.5%	16.8%
Customer Deposit	2.9%	24.8%	18.1%
Demand	6.3%	24.5%	18.8%
Time	1.4%	25.2%	18.5%

- Granular deposit base with **60%** share of retail segment in total deposits
- Increasing and higher than the sector average demand deposit/total deposit ratio
- Robust core deposit ratio of **96%**
- Product diversification: 'inflation indexed' deposit products introduced in April 2019 for retail clients

Outstanding amount **TL16.2 bn** from **171 th.** customers

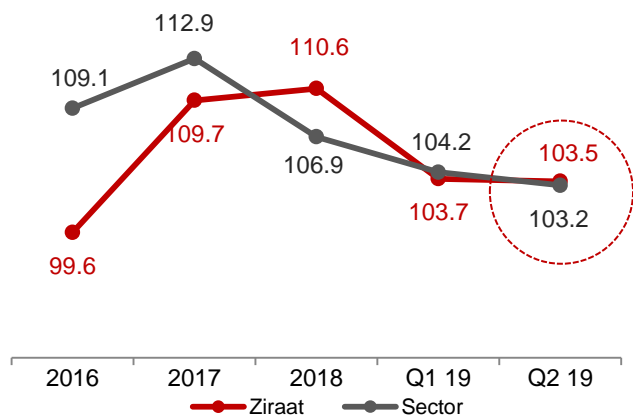
Funding

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

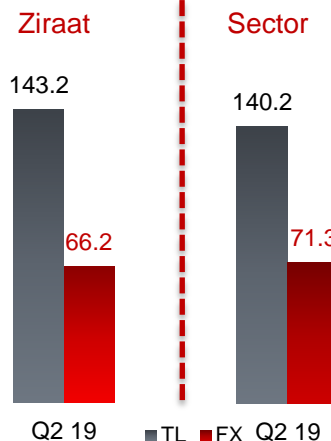


[Total USD 12 bn]

Loan to Deposit⁽¹⁾ (%)



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

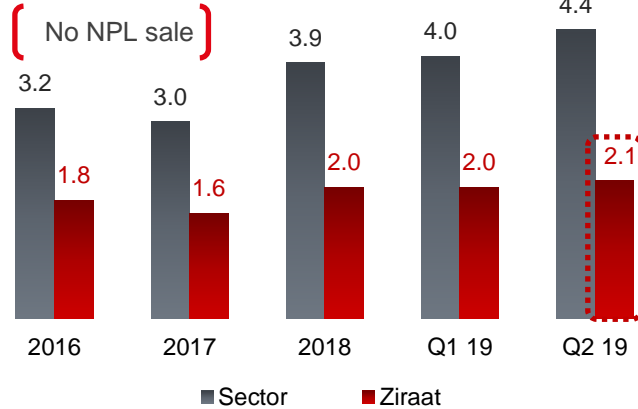


FX LCR:
374% in Q2 19

USD 750 mn 5 yr Eurobond
redeemed in July 2019

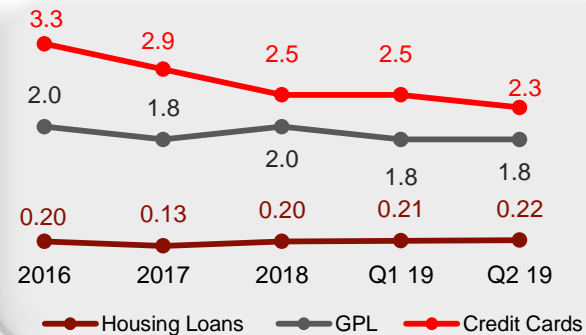
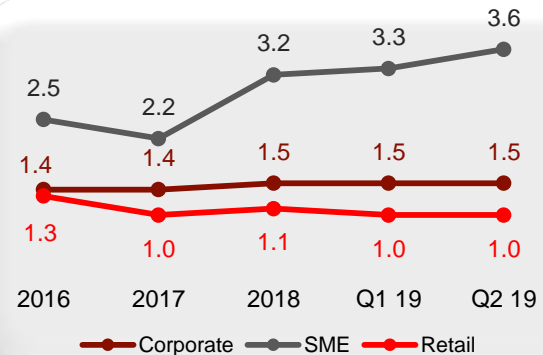
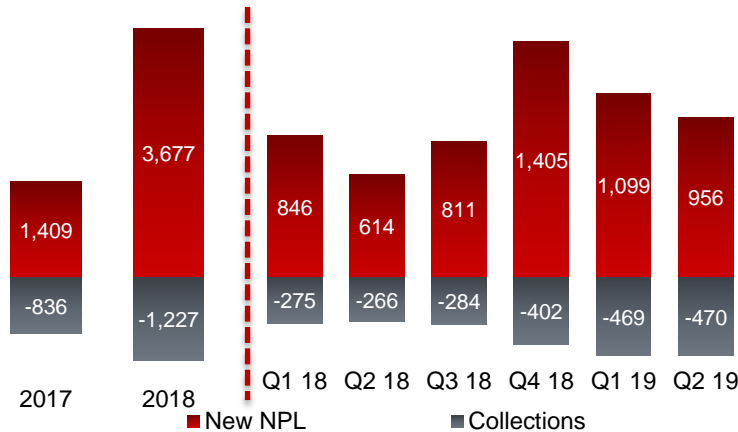
Asset Quality

NPL (%)



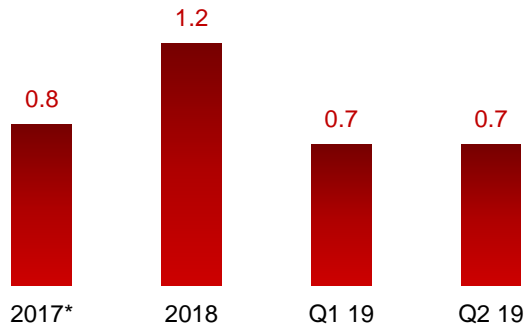
- Marginally lower NPL formation trend after Q4 18
- Strong collection capacity continues, collections are above trend level
- Slight increase in NPL, mainly SME driven
- Although better than expected NPL levels, cautious stance is preserved

New NPL & Collections (TL mn)



Asset Quality

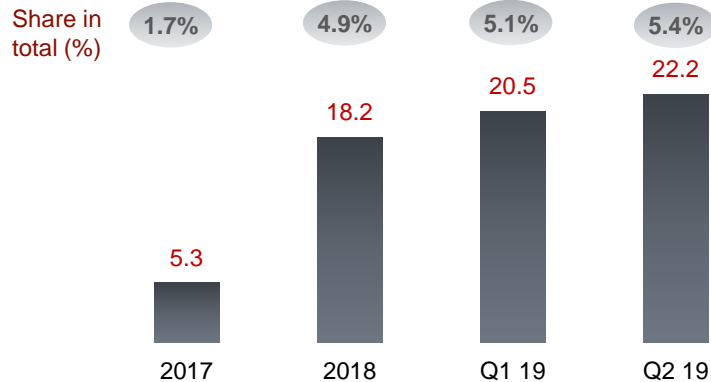
Cost of Risk (%)⁽¹⁾



* 01 Jan 2018 financial figures for comparison purposes

- No material change in asset quality indicators in Q2 19
- Restructured loans/Total Loans: **3.8%**⁽²⁾
- Strong asset quality contributing to more favorable CoR
- Stage III coverage ratio above **sector average of 67.8%**⁽⁵⁾

Stage II Loans (TL bn)



Stage I coverage ratio **0.2%**
 Stage II coverage ratio **11.6%**
 Stage III coverage ratio⁽³⁾ **71.9%**
 Total coverage ratio⁽³⁾ **113.4%**

Total cash coverage ratio⁽⁴⁾ **124.7%**

TL 952 mn. in Free Provisions

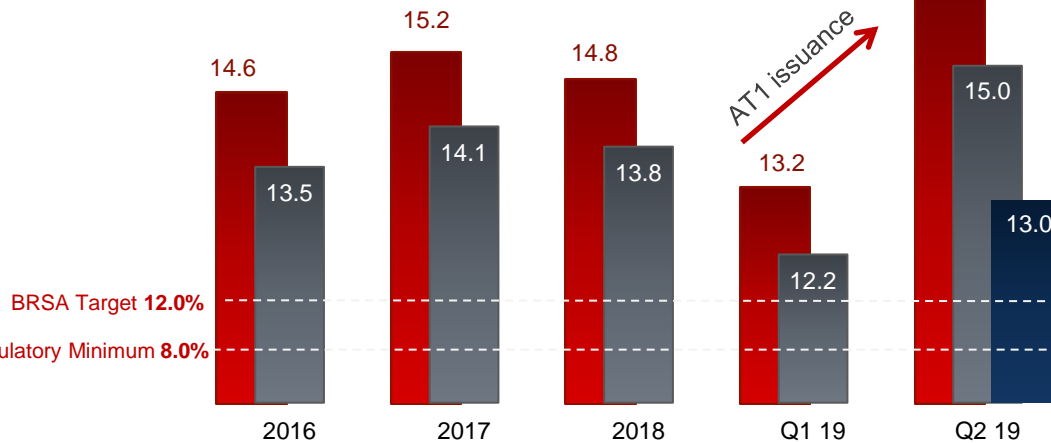
(1) CoR: Expected Credit Loss-Reversals /Average Loan Amount
 (2) Total figure including restructured loan amount before BRSA regulation published on 2 March 2019. According to regulation defining restructured loans, restructured loan amount between March 2018 to June 2019 is TL 4,966 mn
 (3) Excluding intermediated loans for public funds
 (4) Excluding intermediated loans for public funds and including TL 952 mn free provisions
 (5) Deposit banks



Capitalization

Capital Ratios (%)

■ CAR ■ Tier-1 ■ CET-1



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

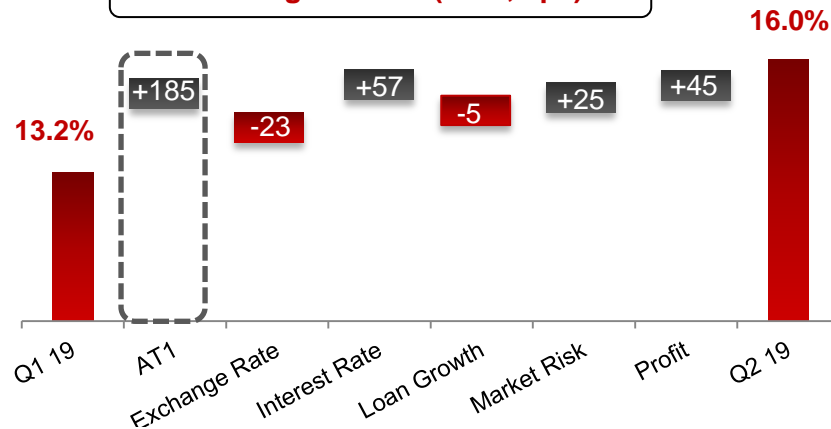
EUR 1.4 bn
Additional Tier-1
issuance in April
2019

Basel III
Leverage **8.3%**
vs
regulatory
min of **3.0%**

CET1 Capital Ratio	4.5%
Capital Conservation Buffer	2.5%
D-SIB Buffer*	2.0%
Countercyclical Buffer	0.021%
TOTAL*	9.0%

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

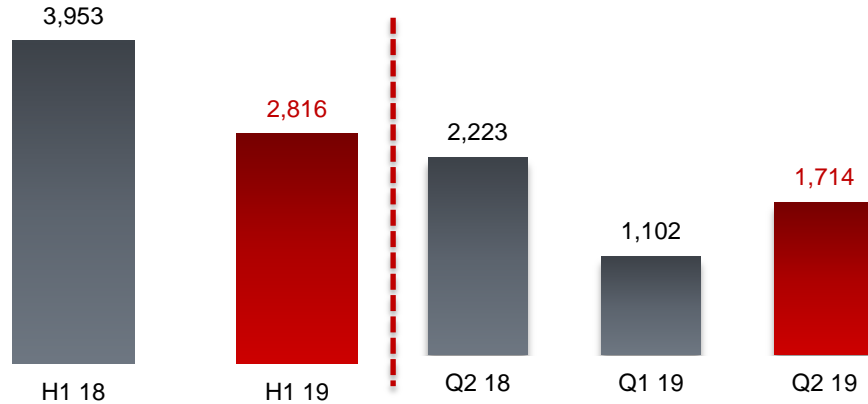
Change in CAR (QoQ, bps)



- Public Banks Recapitalization: 185 bps positive impact through AT1 issuance
- Net positive impact of market movements in Q2 2019
- No dividend distribution from 2018 earnings

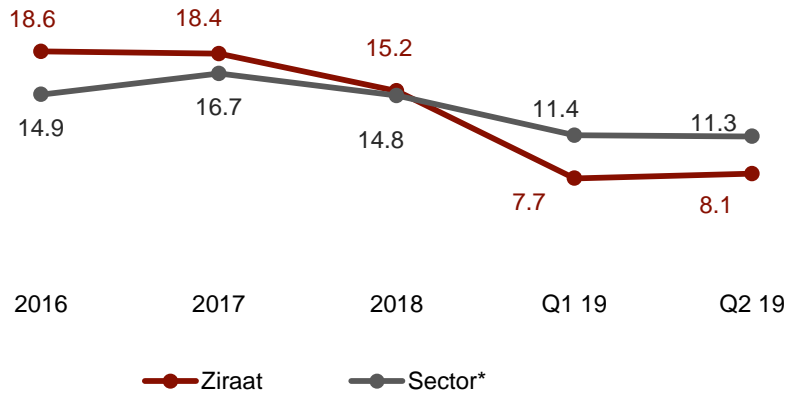
Profitability

Net Profit (TL mn)

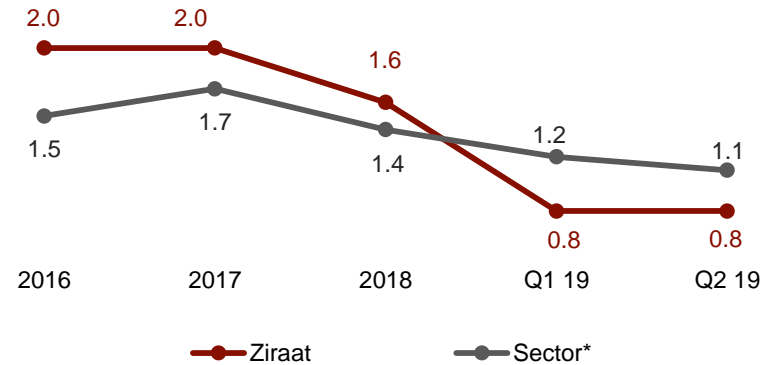


- TL 2.4 bn CPI Linker income in H1 19
- Expected to be considerably lower in H2 19 due to decreasing inflation and downward valuation revision

Return on Equity⁽¹⁾ (%)

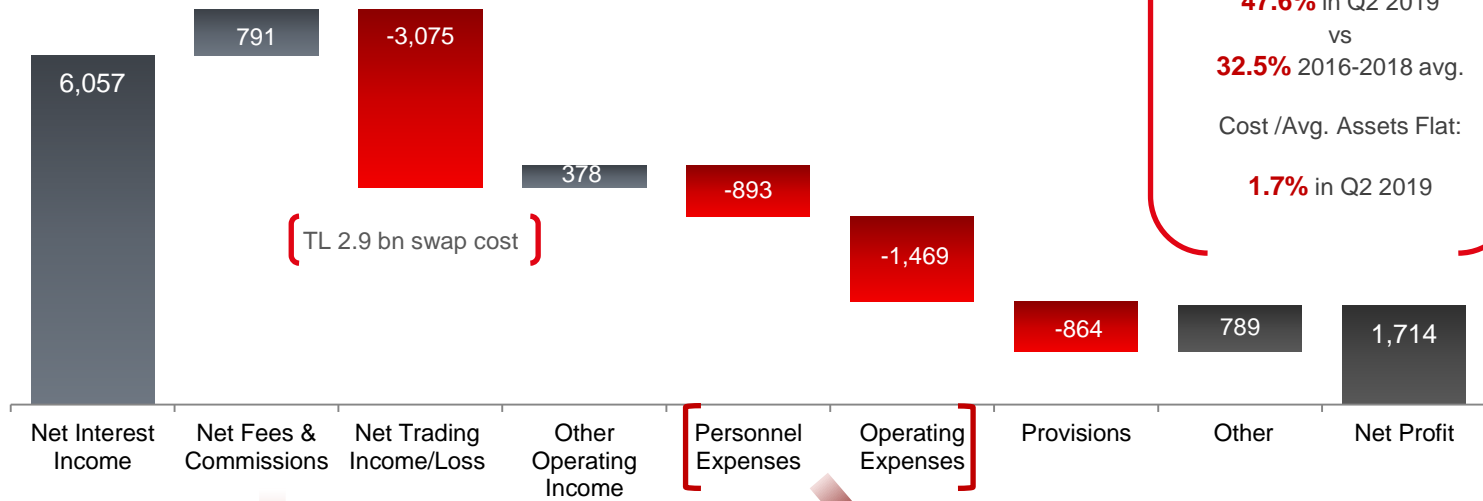


Return on Assets⁽²⁾ (%)



Profitability

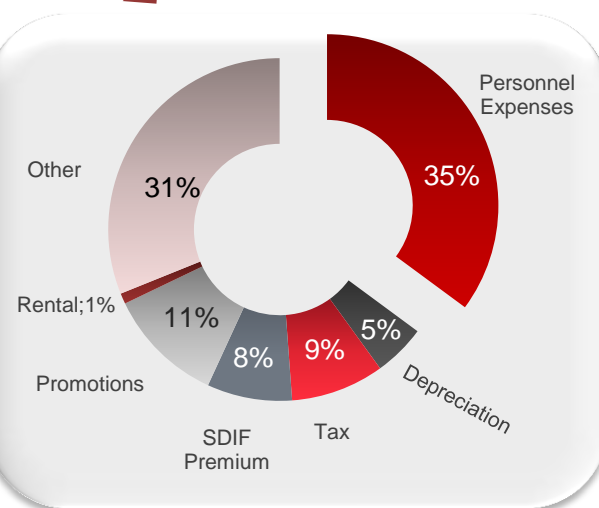
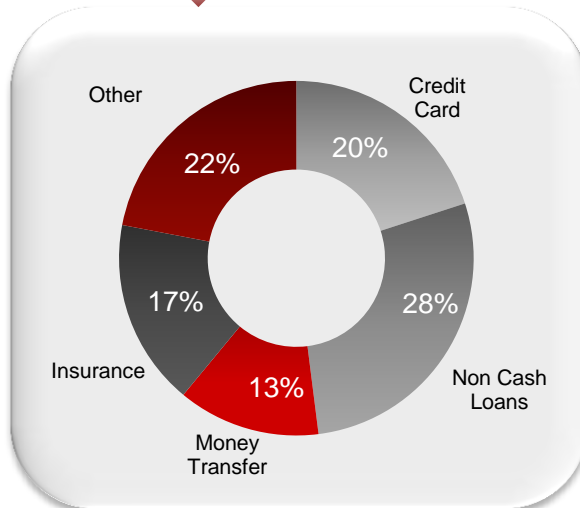
P&L Breakdown, Q2 19 (TL mn)



C/I:
47.6% in Q2 2019
 vs
32.5% 2016-2018 avg.
 Cost /Avg. Assets Flat:
1.7% in Q2 2019

Net Fees & Commissions growth:
 YoY **20.1%**
 QoQ **-3.7%**

YoY increase in F&C income mainly driven by commissions from credit card and non-cash loan fees

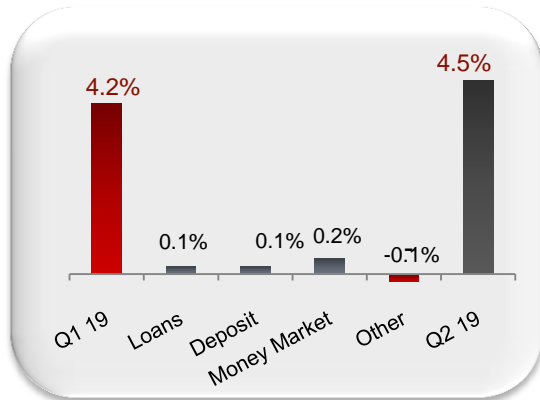
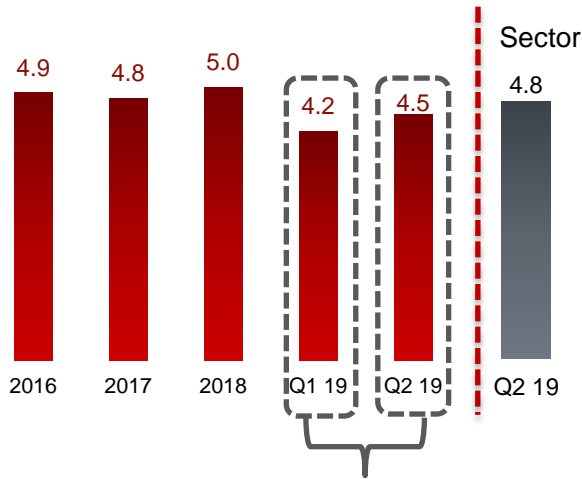


OPEX* growth:
 YoY **23.7%**
 QoQ **8.8%**

Increase in OPEX mainly due to increase in tax related costs, SDIF premiums and amortisation costs.

NIM & Spreads

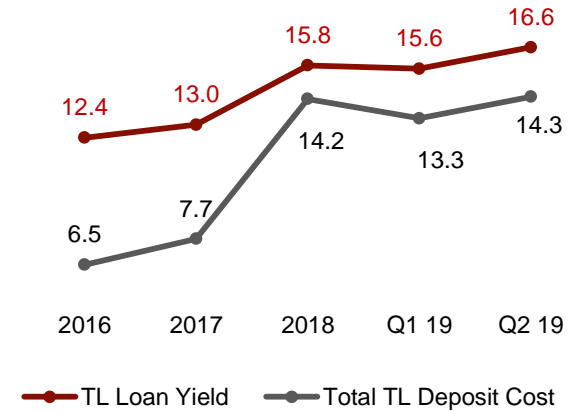
Net Interest Margin⁽¹⁾ (NIM cum. %)



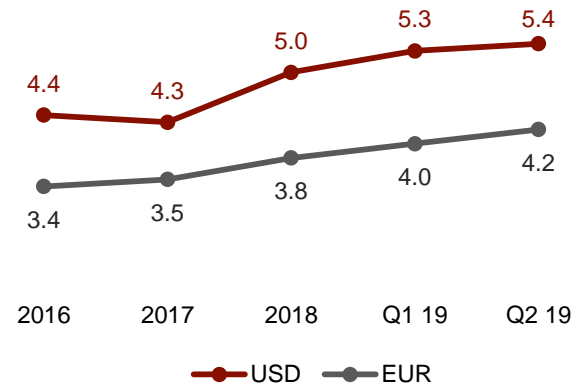
- Improvement in loan to deposit spreads is expected in H2 19 due to lower deposit costs in line with decreasing CBRT policy rate and further repricing of loans
- Increased swap costs related to higher volume
- Positive contribution of expanding FX spreads continuing

Swap Adjusted NIM:
2.6% in Q2 2019
 vs
2.9% in Q1 2019

TL Loan Yield and Deposit Costs (%)



FX spreads* (%)



*Loan FX- Total Deposit FX

Sector: Deposit banks

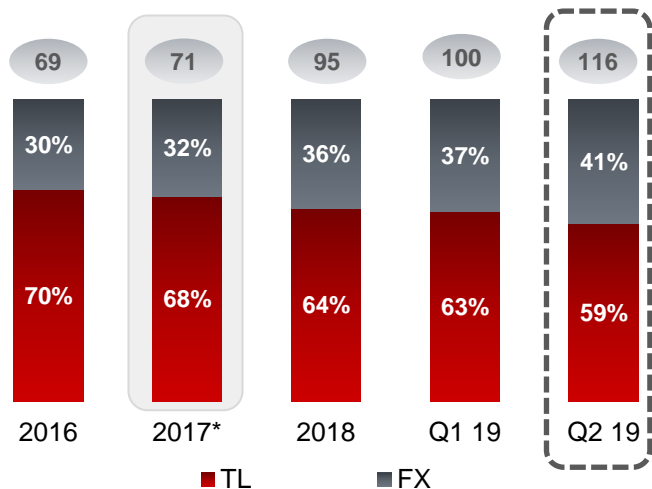


⁽¹⁾NIM = Net Interest Earnings / Av. IEA
 Average interest earning assets represent weekly averages.

Securities Portfolio

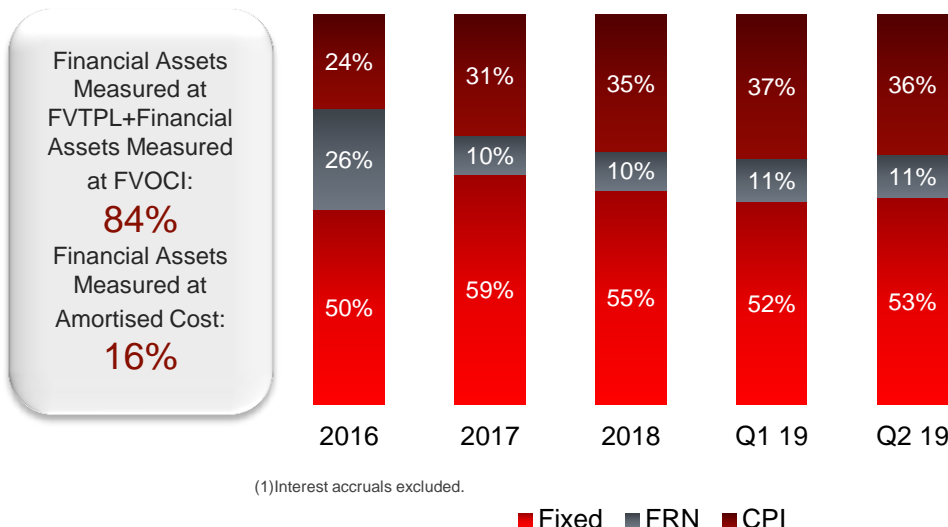
Total Securities (% share in total)

Total Amount (TL bn)



* 01 Jan 2018 financial figures for comparison purposes

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

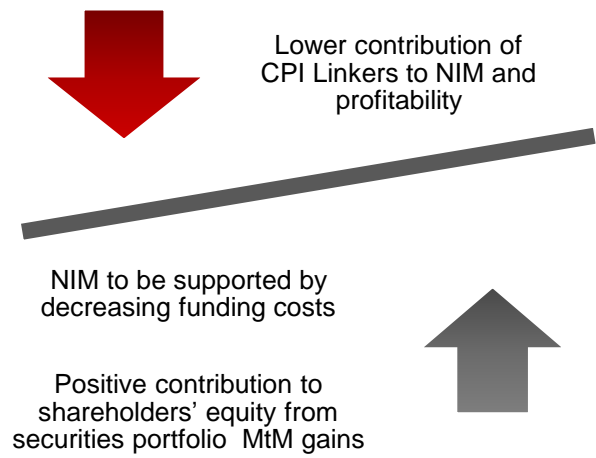


(1) Interest accruals excluded.

Financial Assets Measured at FVTPL+Financial Assets Measured at FVOCI: **84%**
 Financial Assets Measured at Amortised Cost: **16%**

Increase in FX securities portfolio related with AT1 issuance structure


Decreasing trend in inflation to continue in H2 19:
 Lower CPI Linked securities income
 Lower interest rate environment



Unique Service Delivery Scale and Efficiency

New credit card brand '**Bankkart**' launched in 2018

- 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

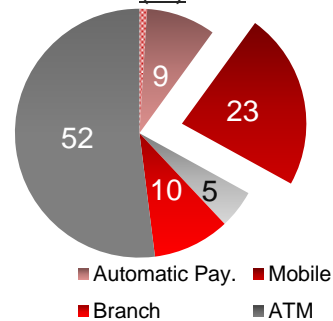
		2016		Q2 19	
		Market Share	Ranking	Market Share	Ranking
Credit Debit					
	Turnover	25.2%	1	25.5%	1
	Ownership	21.3%	1	21.8%	1
	Turnover	3.4%	8	6.4%	7
	Ownership	6.9%	6	10.1%	4

90% of banking transactions through non-branch channels

Digital Banking Customer: **11.9 mn**

Internet Banking Customer: **18.4 mn**

Banking Transaction Channel Distribution (%)



Low Credit Card NPL: **2.3%** vs **5.7%** sector average

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

Increase in market share of credit card balance:
From **3.3%** in 2016 to **5.4%** in Q2 2019

30% improvement in transaction costs since 2016

Largest ATM network: **7,202** ATMs **13.7%** market share

APPENDIX

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

TL mn	IFRS9						% Change QoQ	% Change YoY
	2017*	Q2 18	2018	Q1 19	Q2 19			
CASH AND CASH EQUIVALENTS	48,571	54,549	46,238	52,006	57,659	10.9%	5.7%	
SECURITIES	70,628	75,151	95,374	99,602	116,364	16.8%	54.8%	
LOANS	298,033	347,200	371,871	402,506	412,302			
-Gross NPL	4,774	5,704	7,460	8,120	8,638	6.4%	51.4%	
-Expected Credit Loss (-)	4,211	5,284	8,385	8,975	9,543	6.3%	80.6%	
OTHERS	17,364	20,674	23,673	25,263	24,035	-4.9%	16.3%	
TOTAL ASSETS	434,596	497,574	537,156	579,377	610,360	5.4%	22.7%	
DEPOSITS	266,384	314,103	331,066	382,434	392,606	2.7%	25.0%	
FUNDS BORROWED	29,065	37,608	34,172	35,904	36,938	2.9%	-1.8%	
INTERBANK MONEY MARKET	56,258	60,007	68,351	59,697	65,098	9.1%	8.5%	
PROVISIONS	3,283	3,246	2,832	3,054	2,952	-3.3%	-9.1%	
SHAREHOLDERS' EQUITY	52,531	52,749	57,401	55,748	60,367	8.3%	14.4%	
OTHERS	27,075	29,861	43,334	42,540	52,399	23.2%	75.5%	

Income Statement Summary

TL mn	2016	2017	2018	Q2 18	Q4 18	Q1 19	Q2 19	% Change YoY
INTEREST INCOME	27,291	35,463	53,054	11,339	16,474	15,584	17,181	51.5%
-From Loans	21,512	28,357	41,028	9,385	11,830	12,198	13,458	43.4%
-From Securities	5,488	6,193	10,977	1,736	4,323	3,098	3,434	97.8%
INTEREST EXPENSE	13,342	18,561	31,138	6,212	11,031	10,662	11,124	79.1%
-On Deposits	9,911	12,249	19,675	4,016	6,956	7,199	7,651	90.5%
NET INTEREST INCOME	13,948	16,902	21,916	5,126	5,444	4,922	6,057	18.2%
NET FEES & COMMISSIONS	1,643	2,217	2,638	658	725	822	791	20.2%
-Fees and Commissions Received	2,023	2,673	3,558	828	1,099	1,253	1,328	60.4%
-Fees and Commissions Paid	380	456	920	169	372	432	537	217.8%
OTHER OPERATING INCOME	1,555	1,378	1,434	12	778	448	379	N/M
OPEX*	5,303	6,490	7,691	1,922	2,016	2,380	2,363	22.9%
NET OPERATING PROFIT	8,569	10,287	10,034	2,780	2,774	1,423	1,949	-29.9%
NET PROFIT	6,576	7,940	7,961	2,223	2,318	1,102	1,714	-22.9%

Source: Unconsolidated Financial Statements

*OPEX includes personnel expenses and other provision expenses

Key Financial Ratios

(%)	2016	2017	2018	Q1 19	Q2 19
ROAA ⁽¹⁾	2.0	2.0	1.6	0.8	0.8
ROAE ⁽²⁾	18.6	18.4	15.2	7.7	8.1
Cost / Income Ratio ⁽³⁾	30.8	32.5	34.3	49.8	47.6
NIM (cum.) ⁽⁴⁾	4.9	4.8	5.0	4.2	4.5
Loans ⁽⁵⁾⁽⁶⁾ /Deposits	101.7	109.7	110.6	103.7	103.5
Loans/Assets	65	68.7	68.9	69.5	67.5
Securities/Assets	18.8	16.3	17.8	17.2	19.1
NPL	1.8	1.6	2.0	2.0	2.1
Coverage ⁽⁶⁾	100	100	115.9	113.7	113.4
CoR	1.6	0.8	1.2	0.7	0.7
CAR	14.6	15.2	14.8	13.2	16.0
Leverage ⁽⁷⁾	8.3	8.2	8.4	9.4	9.1
# of					
Branches	1,814	1,781	1,773	1,766	1,764
Employees	25,015	24,554	24,647	24,650	24,533
ATMs	6,869	7,085	7,155	7,189	7,206

- (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

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