DenizBank Financial Services Group

Q3 2020 Results Presentation

Important information

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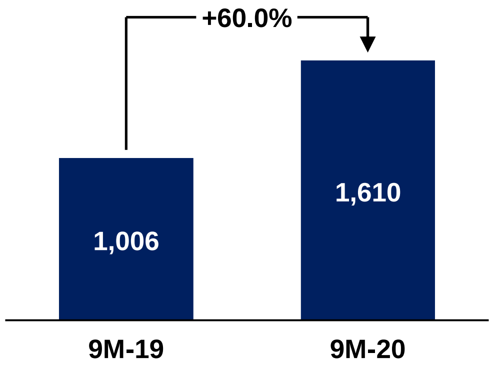
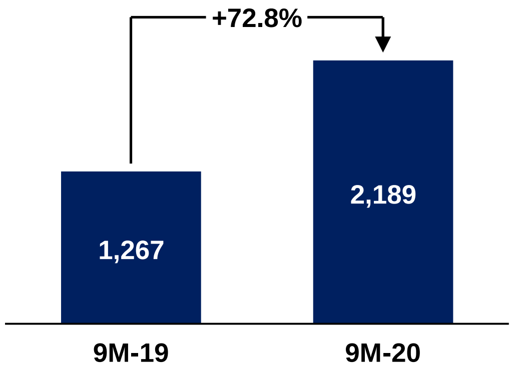
Strong profitability in 3Q20 amid challenging global economic conditions with improved provisioning buffer and capitalization

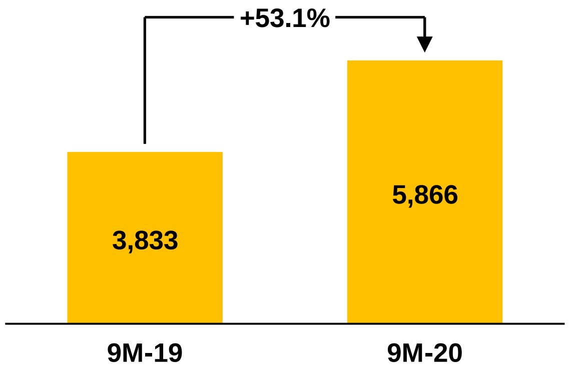
Net Profit
(mn TL)

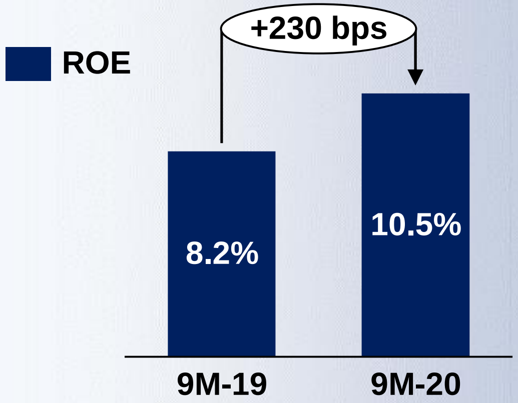


Operating Profit
(mn TL)

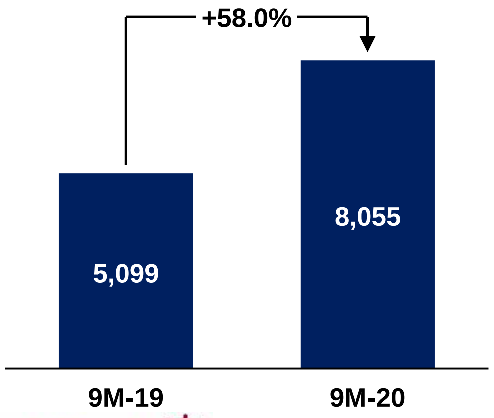


Provision
(mn TL)

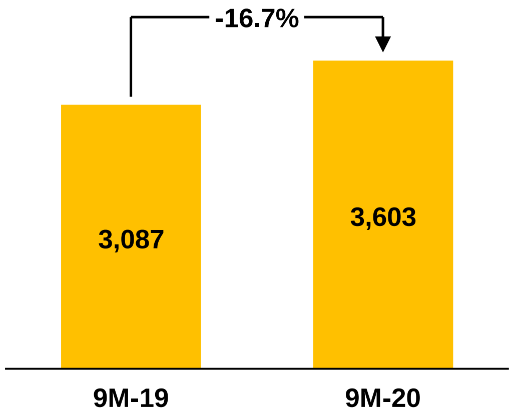




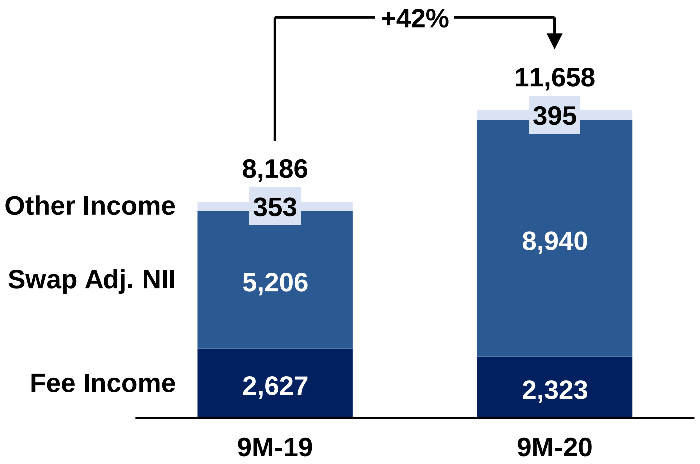
Pre-provision Operating Profit
(mn TL)

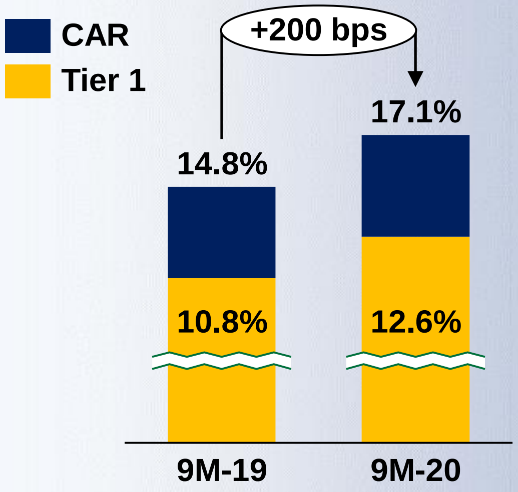


Operating Expenses
(mn TL)



Total Income
(mn TL)





9M 2020 financial results highlights

- Net Profit is significantly up by 60% y-o-y to TL 1,610 mn thanks to strong operating profit growth by 73% y-o-y to TL 2,189 mn.
- Net Interest Income grew by 42% y-o-y on the back of strong lending expansion and improved NIM.
- Net Loans grew by 20% y-t-d, mainly driven by TL consumer loans.
- Customer deposits grew by 15% y-t-d, as a result of more than 50% y-t-d rise in demand deposits.
- Net fees and commissions decreased by 12% y-o-y, due to new regulations and slower economic activity on COVID-19.
- Operating expenses increased by 17% y-o-y, slightly higher than the headline inflation, mainly due to the rise in HR cost growth and TL depreciation led rise in non-HR expenses.
- Cost/Income ratio dropped to 31% by 680 bps y-o-y thanks to stronger income generation.
- Pre-provision operating profit is up by 58% y-o-y.
- NPL ratio declined by 63 bps y-t-d to 6.9% with conservative provisioning. Stage 3 coverage ratio is up to 65.9% and Stage 2 coverage ratio is up to 18.2%, one of the highest in the Turkish banking sector universe.
- Loan loss provisions increased by 48% y-o-y to absorb the negative impacts of COVID 19.
- Strong solvency ratios, CAR at 17.1% and CET1 Ratio at 12.6%, mainly supported with extension of the maturities of current sub loans ($0.8 bn) for 5 more years in June 2020 and supportive for future lending growth.

TL mn	9M-20	9M-19	Better / (Worse)
Net Interest Income	8,063	5,680	42%
Non-funded Income	3,595	2,506	43%
Total Income	**11,658**	**8,186**	**42%**
Operating expenses	(3,603)	(3,087)	(17%)
Pre-provision operating profit	**8,055**	**5,099**	**58%**
Provisions	(5,866)	(3,833)	(53%)
Operating Profit	**2,189**	**1,267**	**73%**
Taxation Charge	(579)	(261)	(122%)
Net Profit	**1,610**	**1,006**	**60%**
Cost/ Income Ratio	30.9%	37.7%	6.8%
Net Interest Margin	4.7%	3.9%	0.8%

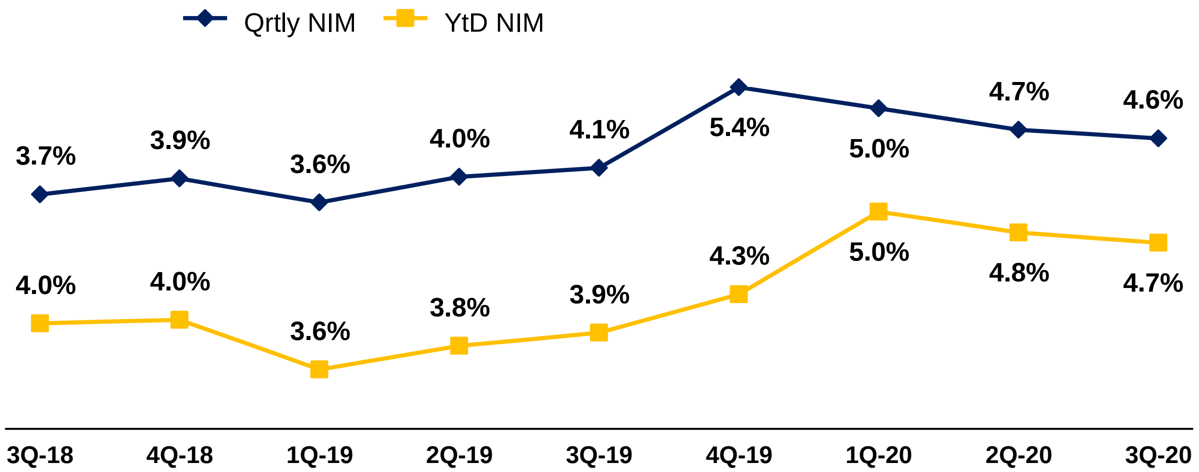
TL bn	Sep-20	Dec-19	%
Total Assets	267.6	217.3	23%
Loans	171.1	142.8	20%
Deposits	177.6	154.5	15%
LDR	96.3%	92.4%	(3.9%)
NPL	6.9%	7.5%	0.6%

Net interest income

Highlights

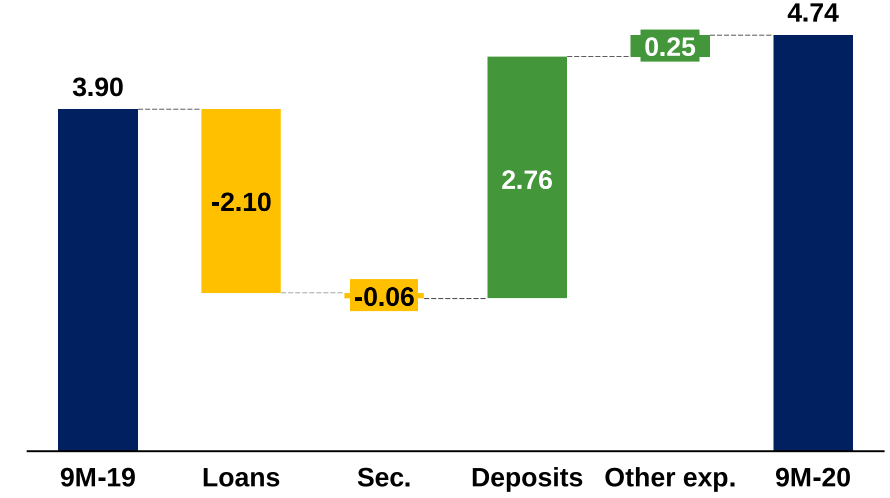
- 9M-20 NIM of 4.7% increased by 84 bps y-o-y as a result of the positive effect of TL loan growth and decrease in deposit and funding costs.
- 3Q-20 NIM decreased by 13 bps q-o-q, with a weaker positive effect of the decline in deposit costs at a slower pace on the back of strong lending expansion and improved NIM.
- 25% increase in total loan volume positively affect the NII y-o-y.

Net Interest Margin (%)

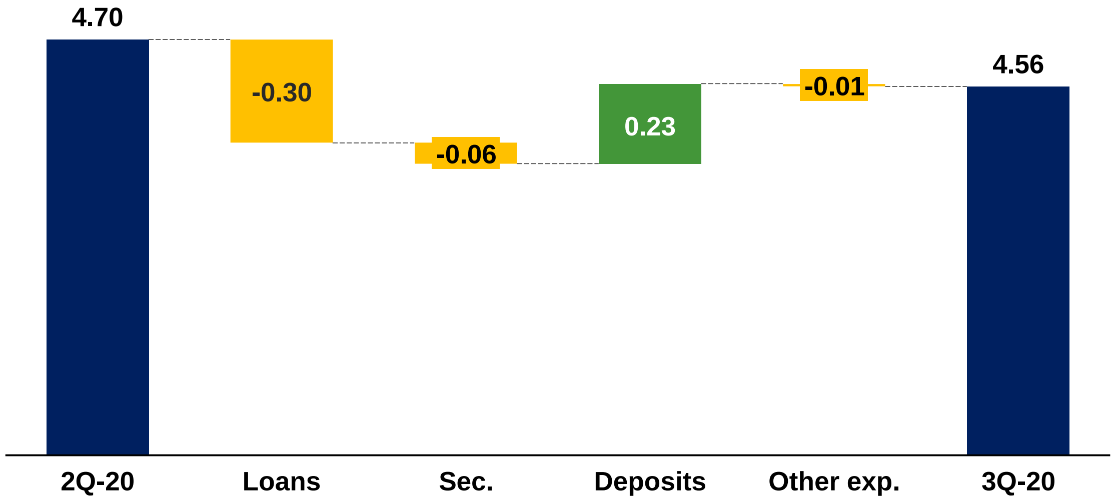


Net Interest Margin Drivers (%)

9M-20 vs. 9M-19



2Q-20 vs. 3Q-20

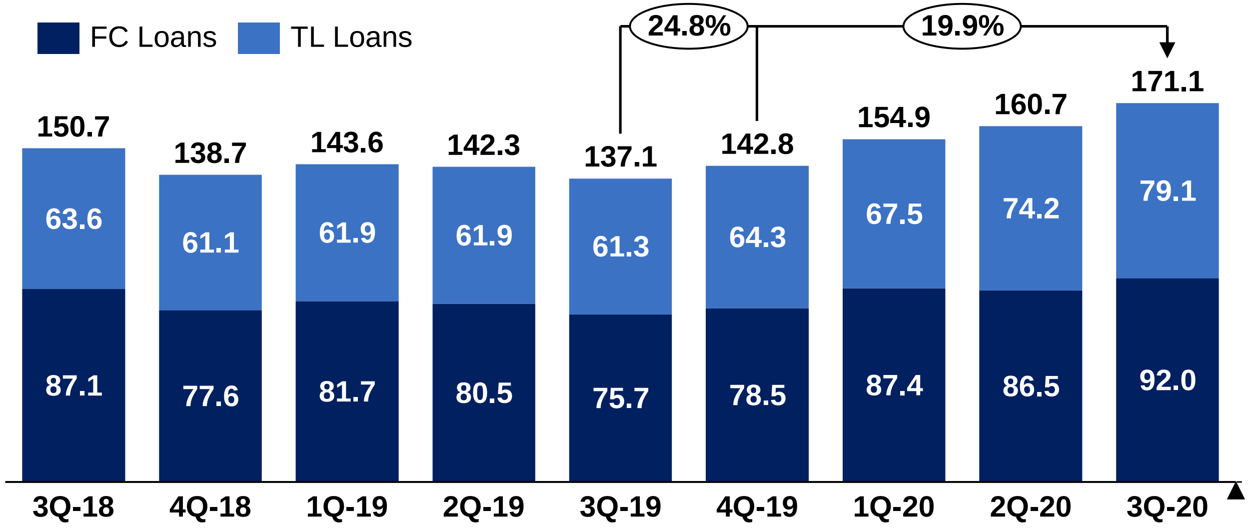


Loan and deposit trends

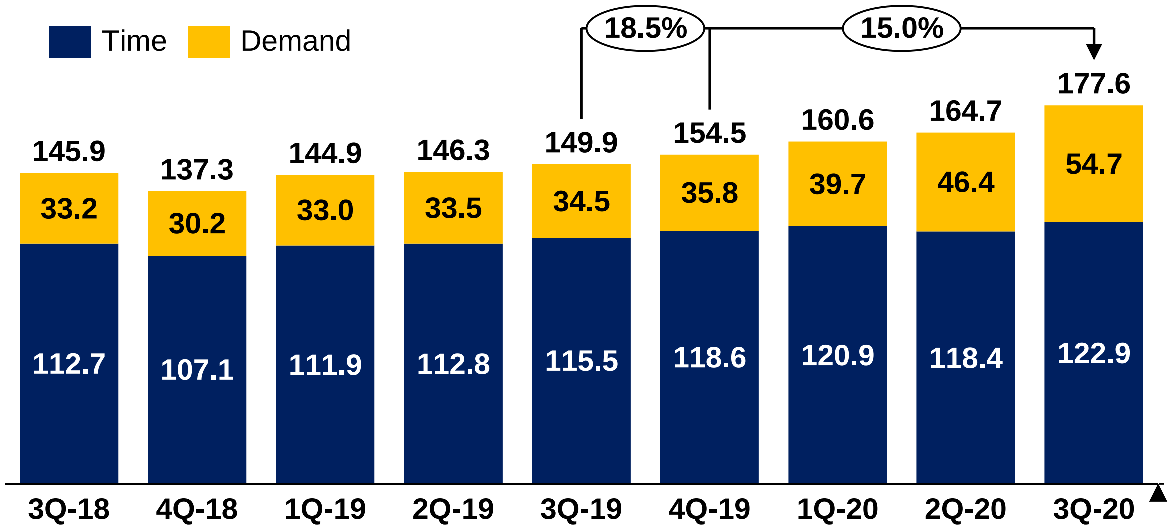
Highlights

- Net TL loans increased by 28.9% y-o-y and 23.0% y-t-d, mainly driven by consumer loans growth.
- Net FC loans (54% of total) rose by 21.5% y-o-y and 17.3% y-t-d, mainly driven by commercial loans growth.
- TL customer deposits grew by 7.5% y-o-y and 0.5% y-t-d, while FC customer deposits (71% of total) increased by 23.6% y-o-y and 22.7% y-t-d.
- Demand deposits increased by 58.8% y-o-y and 52.7% y-t-d, mainly driven by FC demand deposits. The share of demand deposits in total increased to 31% from 23% as of 4Q-19 & 3Q-19, contributing the margins.
- Time deposits consisting of 69% of total deposits increased by 6.4% y-o-y and 3.6% y-t-d.

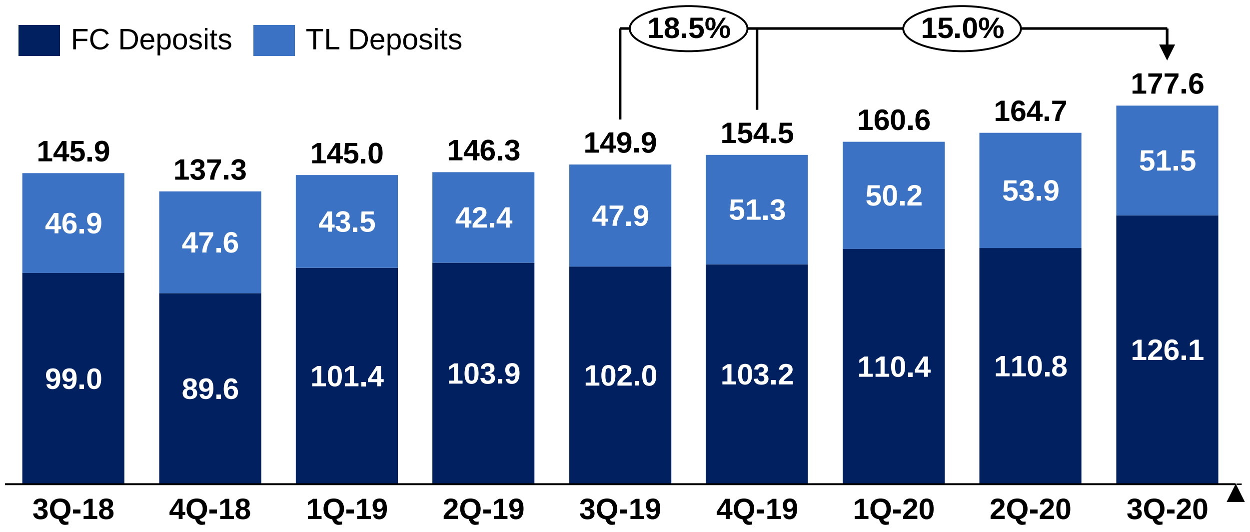
Trend in Net Loans by Currency (TL bn)



Trend in Deposit by Maturity (TL bn)



Trend in Deposit by Currency (TL bn)



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Loan and deposit trends

Highlights

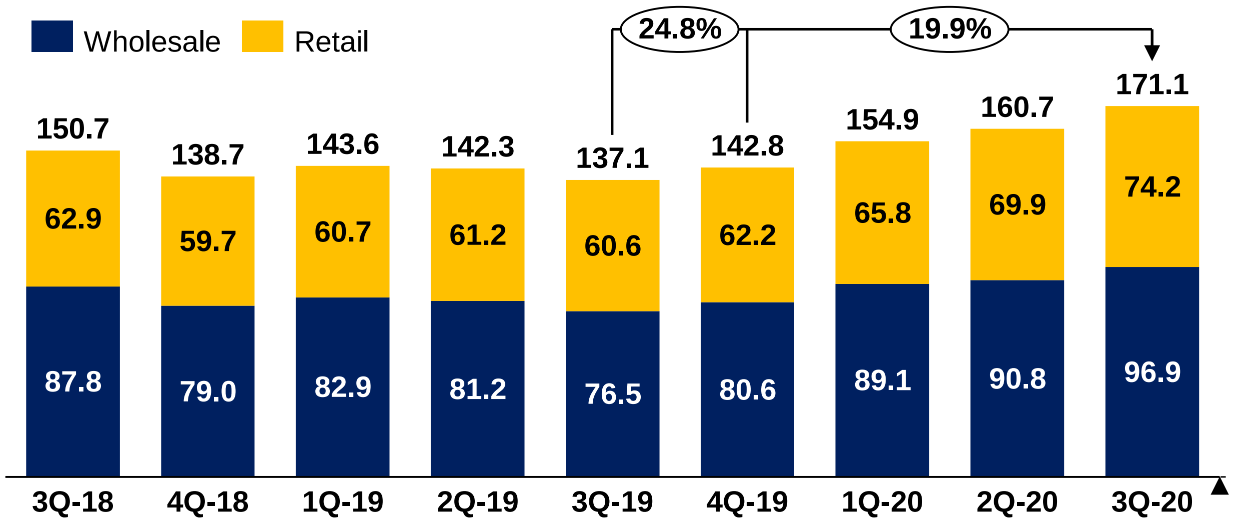
- Wholesale loans, consisting of ***Corporate and Commercial*** loans, increased by 26.7% y-o-y and 20.3% y-t-d. The share in total is 56.6%.
- Retail loans, consisting of ***SME, agri, consumer and credit card*** loans, grew by 22.4% y-o-y and 19.3% y-t-d.
- Consumer loans grew by 44.8% y-o-y and 32.8% y-t-d, mainly driven by GPL growth.
- Agri loans recorded a 17.0% y-o-y and 15.5% y-t-d increases.
- Within the scope of Economic Stability Shield Package, DenizBank cooperated with TBB and KGF and provided financial support with TL 3 bn Nefes loans and ~TL 2.2 bn op-ex and check payment support loan.

- Wholesale deposits, consisting of ***Corporate and Commercial segments' deposits***, composing 20% of total, increased by 1.7% y-o-y and remained at same level y-t-d.
- Retail deposits, consisting of ***SME, agri and consumer*** segments' deposits, grew by 23.5% y-o-y and 19.4% y-t-d. Retail deposits composing 80% of total deposits and 75% of demand deposits, supported margins and lowering cost of funding

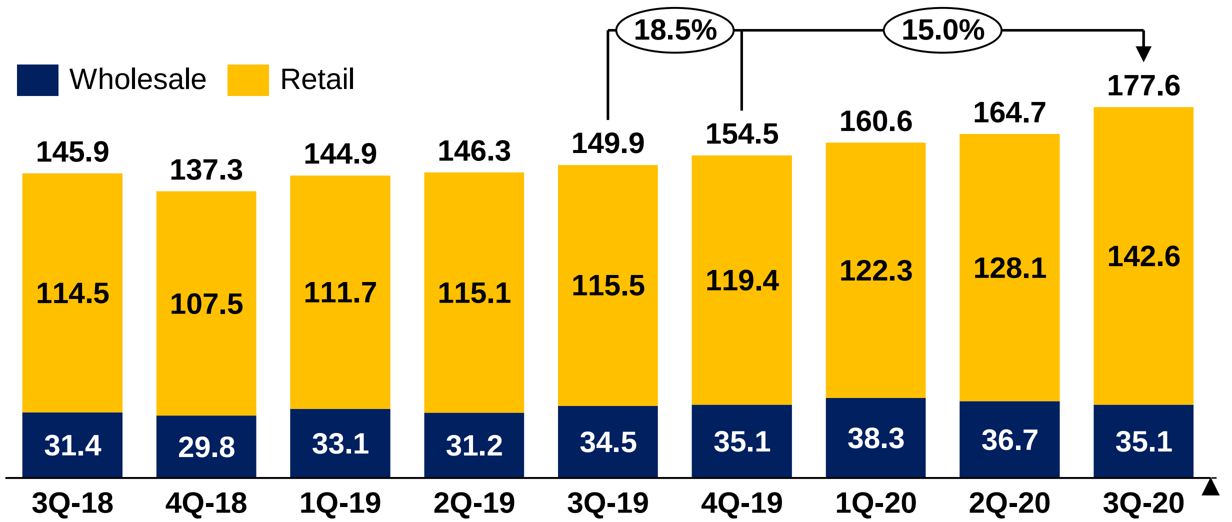
Wholesale and Retail Business Lines:

- ***Whoesale** is consisting of Corporate and Commercial Banking Segments. Commercial Banking provide services for the companies having an annual turnover above TL 40 mn and Corporate Banking provide servises for the companies having an annual turnover above TL 200 mn.*
- ***Retail** is consisting of SME (the companies having an annual turnover up to TL 25mn; TL 25-40 mn is a gray area with SME and Commercial Banking), Agriculture, Retail Banking and Credit Card Segments.*

Trend in Net Loans by Business Line (TL bn)

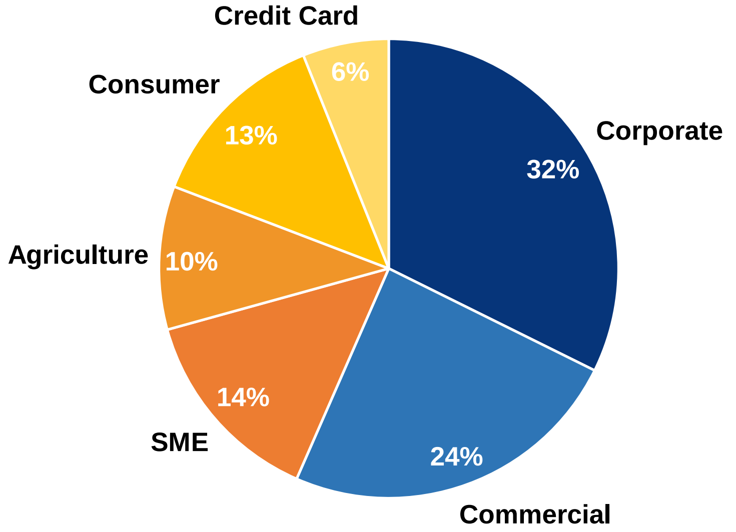


Trend in Deposit by Business Line (TL bn)

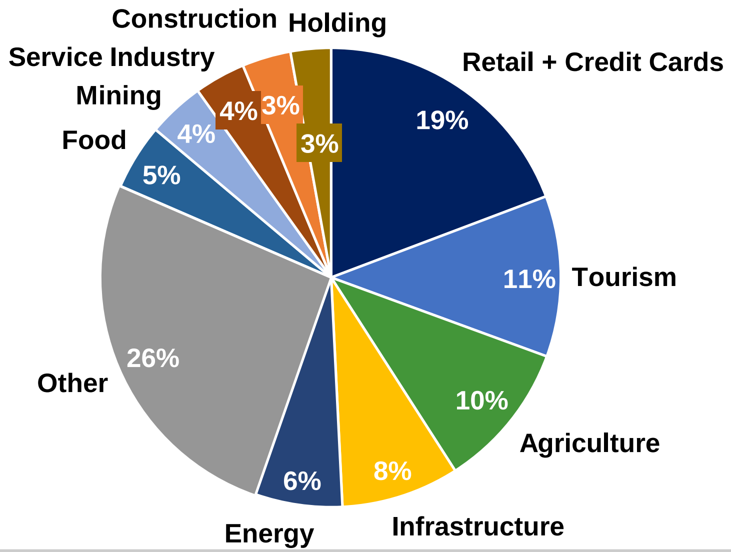


Loan composition

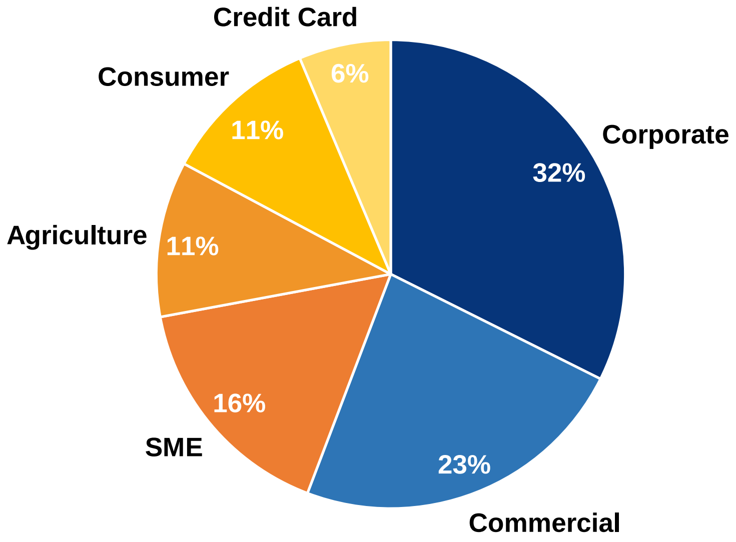
Net Loans by Segment 9M-20



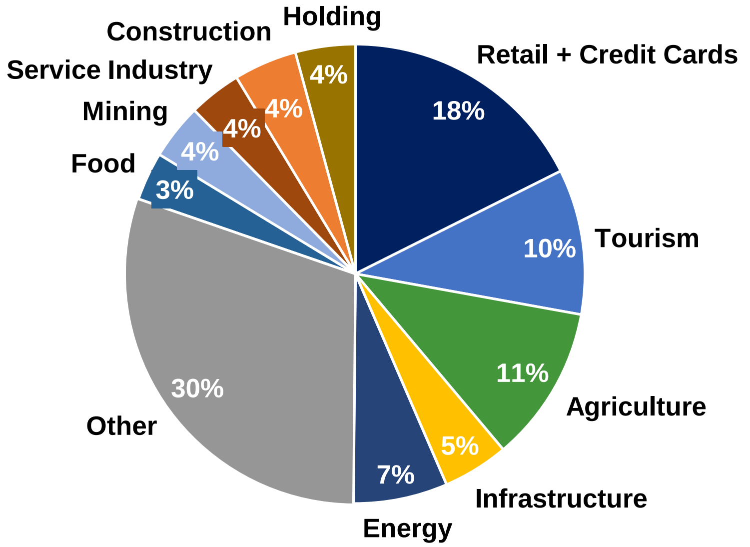
Net Loans by Sector 9M-20*



Net Loans by Segment 9M-19



Net Loans by Sector 9M-19*



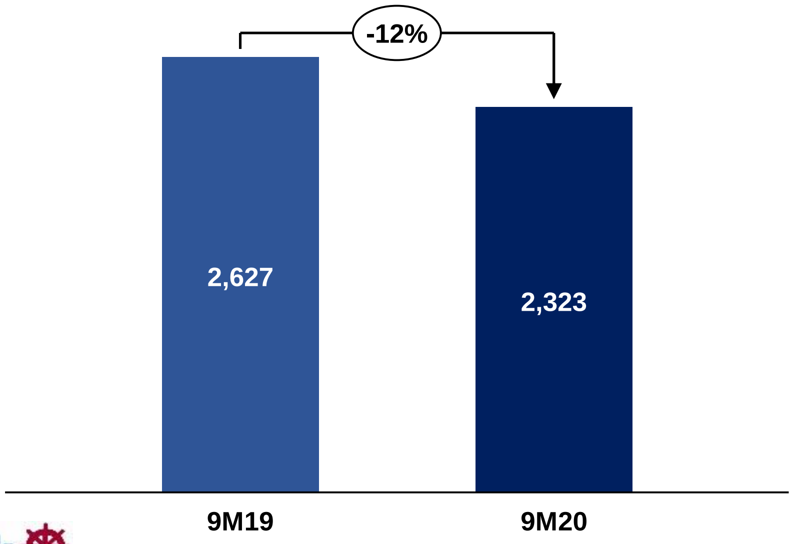
* Based on DenizBank standalone and Deniz AG figures

Net fees and commissions

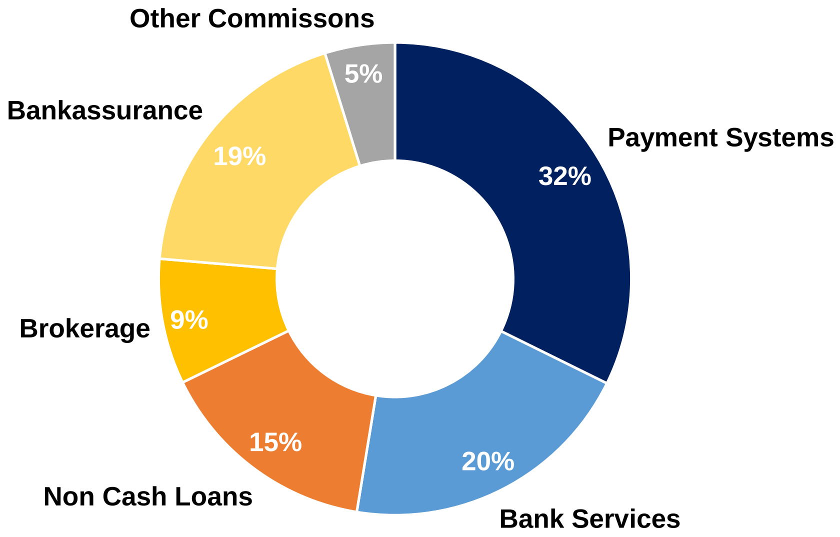
Highlights

- Net fees and commissions income decreased by 12% y-o-y basis, due to new regulation on fees and commissions limiting and introducing new rules effective from March and activity slowdown on Covid19.
- On quarterly basis, net fees and commissions showed 24% y-o-y decrease but 10% q-o-q rise in 3Q-20, due to the normalization in economic activity.
- Net commission continues to be an important component of operating income with a 20% share in total income.

Net fees and commissions income (TL mn)



Breakdown of net fees and commissions as of 9M-20



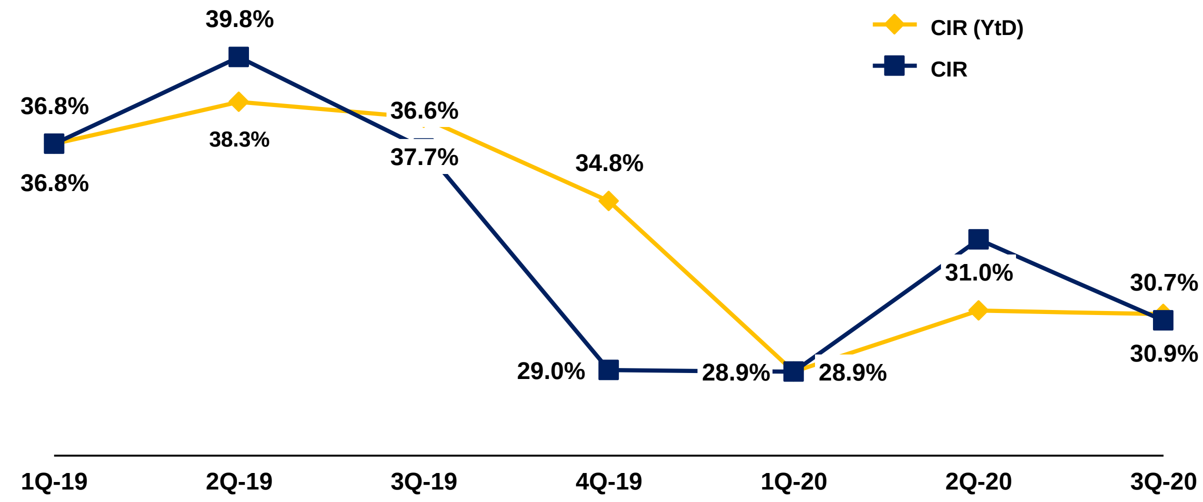
- Payment systems' commissions decreased by 44% y-o-y with the falling interchange rates as a result of funding rate decrease (3Q-20 annualized interchange rate is 13.0% vs 25.9% of 3Q-19). On quarterly basis, there is a 6% increase, due economic activity recovery.
- Banking services' fees increased by 5% y-o-y despite 14% fall in money transfer fees due to new legislation. On quarterly basis, doubling of money transfer fees resulted 34% rise in total banking services fees.
- Brokerage fees showed 20% q-o-q and 109% y-o-y rises .
- Bancassurance commissions decreased by 7% q-o-q, while increasing by 45% y-o-y.
- Non-cash loan commission recorded 10% and 6% increases q-o-q and y-o-y, respectively.

Operating expenses

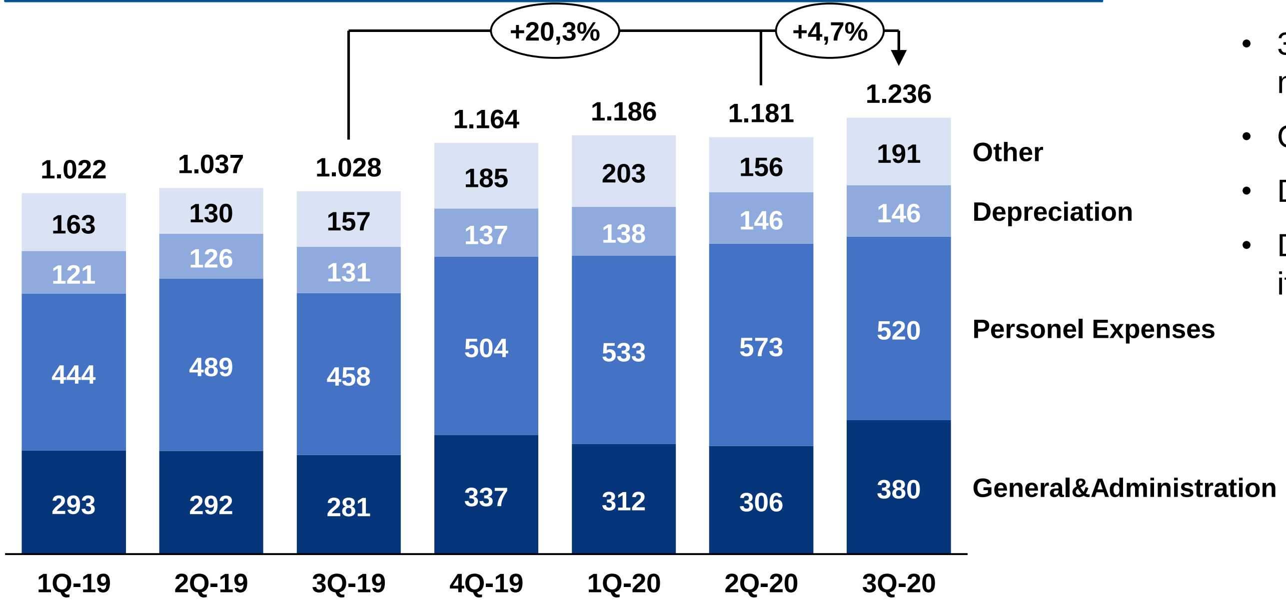
Highlights

- 9M-20 operating expenses grew by 17% y-o-y with the effect of inflation and TL depreciation, but well below the growth of operational income helping a strong C/I ratio
- While HR cost rose by 17% y-o-y, reflecting mainly the inflation adjustment on salaries, TL depreciation led 23% y-o-y rise in non-HR expenses.
- Cost/Income ratio decreased by ~6.8 pp with stronger income growth.

Cost to Income Ratio (%)



Operating Expenses Composition (TL mn)



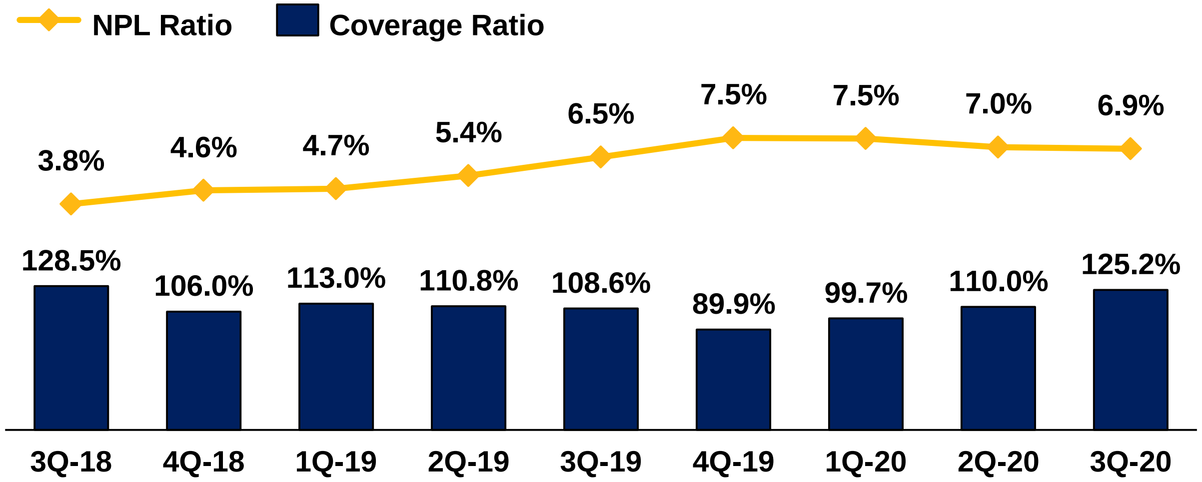
- 3Q-20 operating expenses increased by 5% q-o-q, due to 18% rise in non-HR expenses, despite of 9% decline in staff costs.
- Quarterly Cost/Income ratio improved to 30.9% from 33.5% in 2Q-20.
- DenizBank has 14,277 employees as of 30 September 2020.
- DenizBank has 707 branches in Turkey and Bahrain, and 34 branches of its subsidiary DenizBank AG in Germany and Austria.

Credit quality

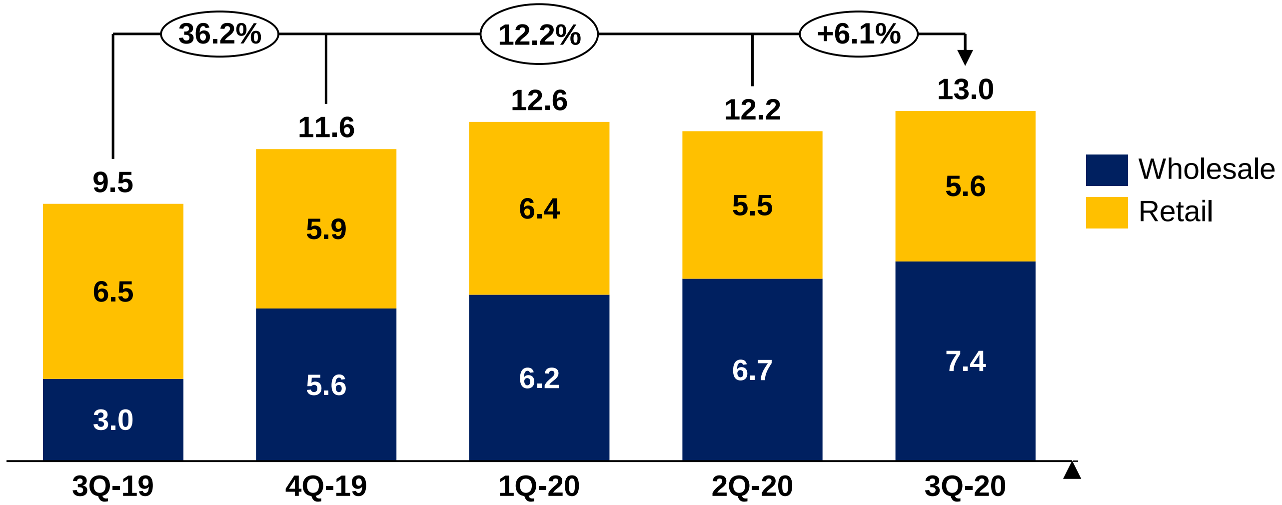
Highlights

- NPL ratio decreased to 6.9% from 7.0% on q-o-q and 7.5% on y-t-d basis, mainly lower new NPL inflow, higher collection rate and loan growth.
- Total impairment allowances grew by 56.1% y-t-d and 20.8% q-o-q.
- Coverages ratios increased with the prudent approach to provisioning.
- Total coverage ratio increased to 125.2% from 89.9% as at 4Q-19.

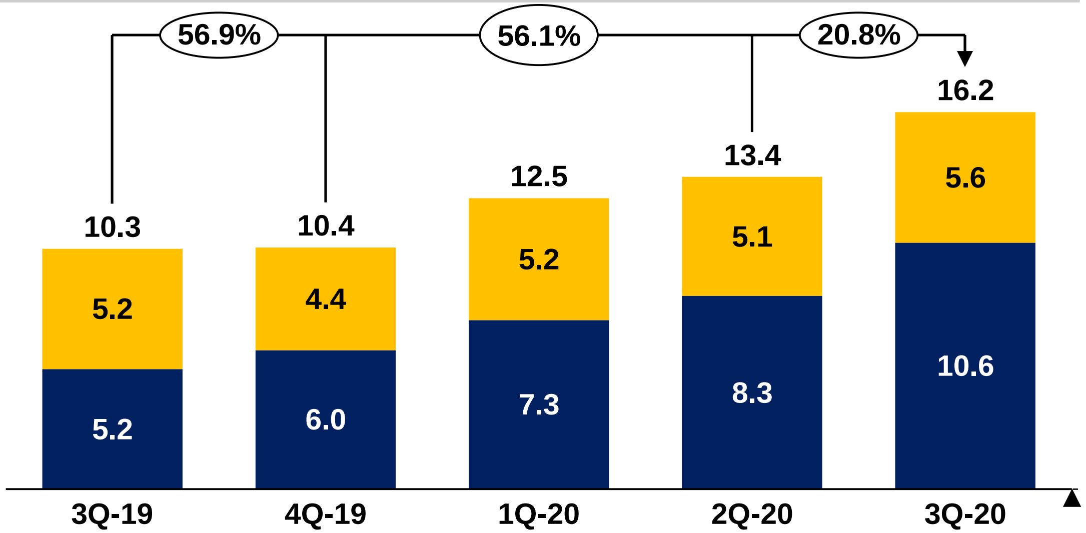
Impaired Loans and Coverage Ratios (%)



Impaired Loans (TL bn)



Impairment Allowances (TL bn)



	3Q-19	4Q-19	1Q-20	2Q-20	3Q-20
Total Prov. / Total Loans	7.0%	6.8%	7.5%	7.7%	8.7%

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Impairment allowances and stage 1, 2 and 3 coverages

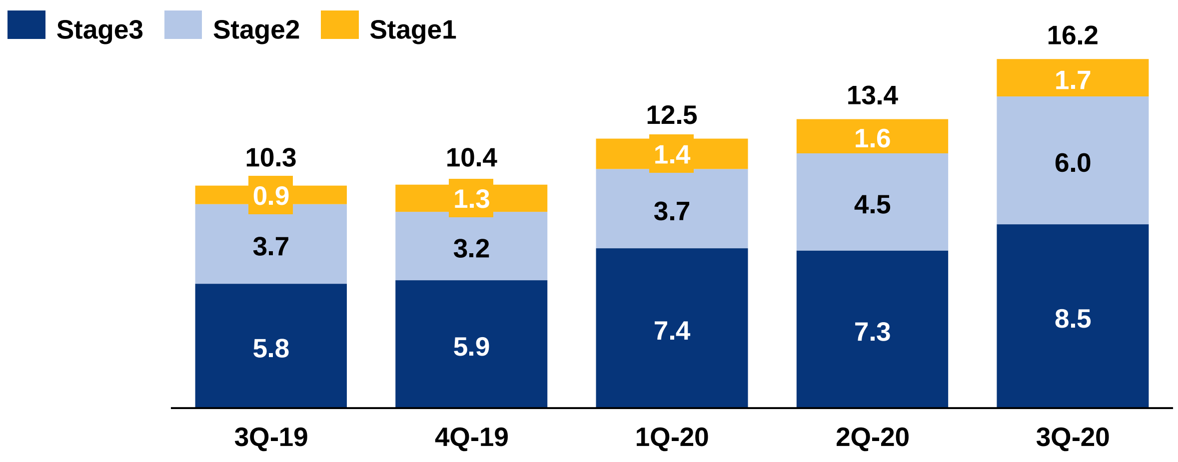
Highlights

- ECL Allowances increase by 56.2% y-t-d from TL 10.4bn to TL 16.2bn.
- Stage 1 coverage ratio stayed at almost the same level of 1.2% in 3Q-20 on y-t-d basis.
- Stage 2 coverage ratio improved to 18.2% from 12.6% as at 4Q-19.
- Stage 3 coverage ratio continued its strong level, improving to 65.9% from 51.4% as at 4Q-19.
- Customers continue to be assessed closely for provisioning despite of the reclassification according to the COVID-19 related measures.
- 90-180 days files' risk amount is TL 1.3bn with TL 635 mn provisions as of 3Q-20.

COVID-19 Related Measures:

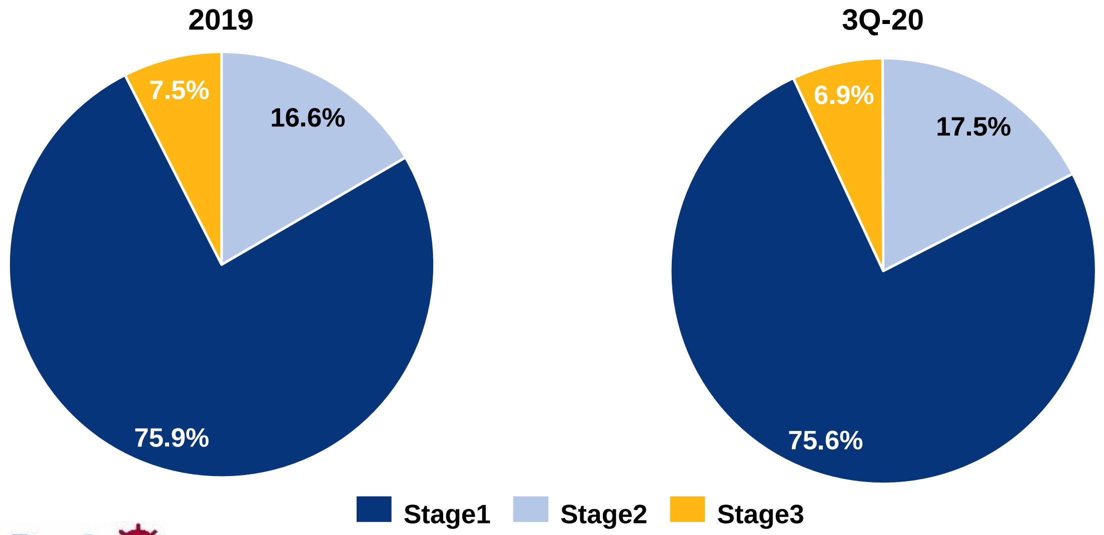
- ***NPL Delinquency Period:*** *On 17 March 2020, the BRSA announced temporary changes in NPL classification for banks until 31 December 2020 which extended the delinquency period after which loans are required to be classified as non-performing from 90 days to 180 days.*
- ***Stage II Delay Period:*** *The 30-day delay resulting in loans to fall from Stage I to Stage II will be deemed to 90 days from 17 March 2020 until 31 December 2020.*

Impaired Allowances (TL bn) and CoR (%)

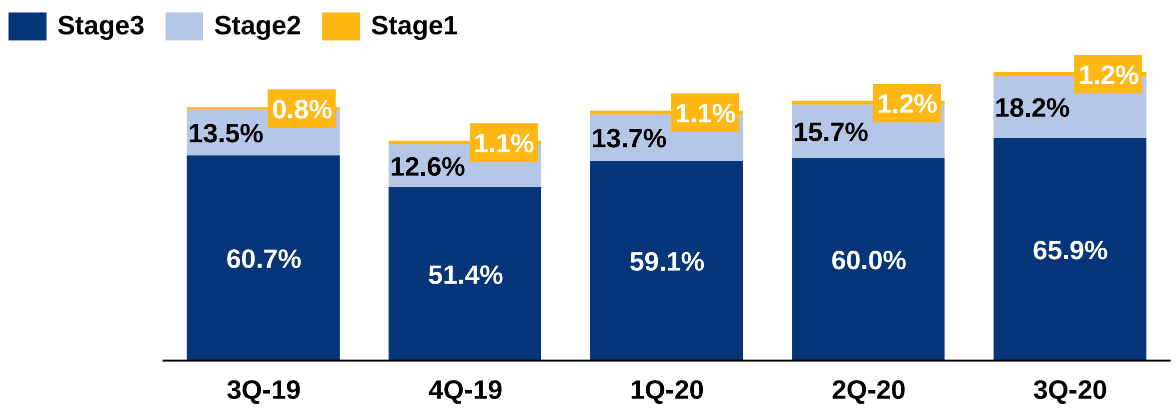


	3Q-19	4Q-19	1Q-20	2Q-20	3Q-20
CoR	3.1%	3.7%	4.9%	4.3%	4.4%

Total Gross Loans (TL bn)



Impaired Coverages (%)



	3Q-19	4Q-19	1Q-20	2Q-20	3Q-20
Total Prov. / Total Loans	7.0%	6.8%	7.5%	7.7%	8.7%

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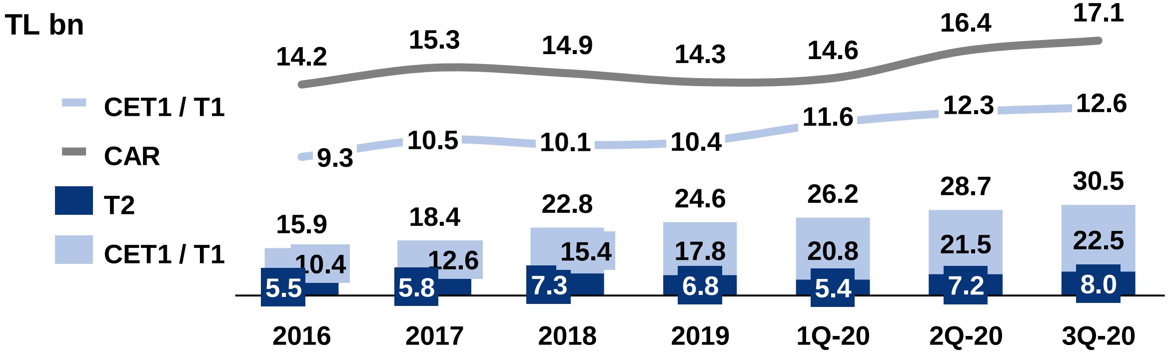
Capital adequacy

Highlights

- In 9M-20, capital ratios continued to be strong mainly supporting with extension of the maturities of current sub loans ($0.8 bn) for 5 more years in June 2020, improving CAR by ~110 bps
- Besides, the forbearance and RW change of BRSA against COVID-19 supported the capital adequacy:
  - September figures are with forbearance concerning FC depreciation and MtM of losses on securities which have a positive impact of 194 and 240 bps for Tier-I and CAR, respectively.
  - Rule change of 0% RW for FC receivables from central government have an additional positive impact of 80-100 bps on capital ratios.

Capitalisation

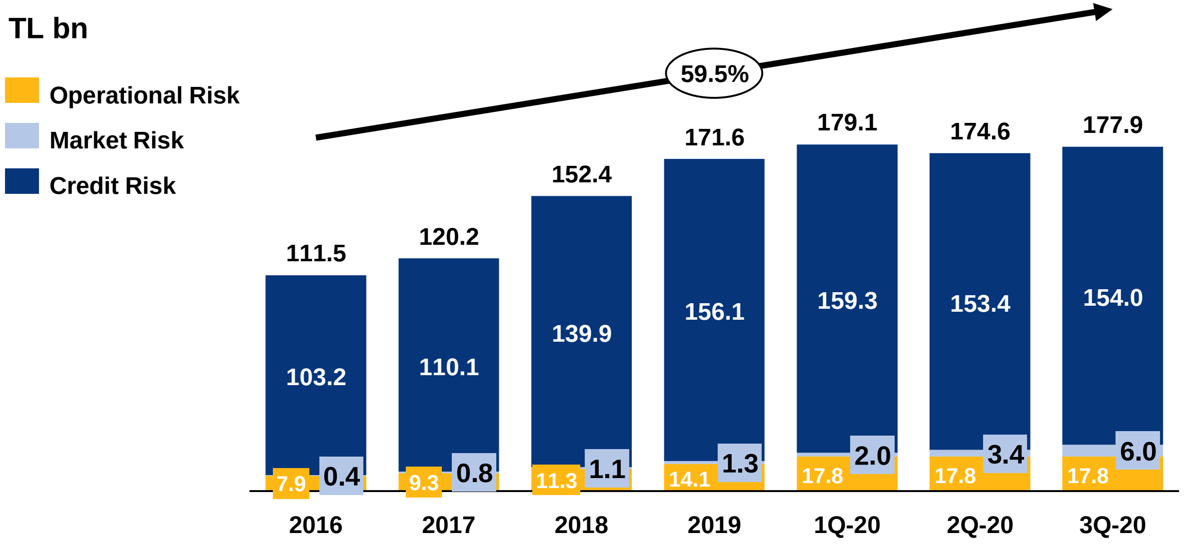


	1Q-20	2Q-20	3Q-20
CAR (wo forb. meas.)	13.6%	15.3%	14.7%
CET1 / T1 (wo forb. meas.)	10.7%	11.3%	10.7%

Capital Movements table

TL mn	CET1 / Tier1	Tier2	TOTAL
Capital as at 31-Dec-2019	**17,761**	**6,830**	**24,591**
Paid in Capital	2,380	-	2,380
Net Profit	1,603	-	1,603
Additional credit risk effect	-	336	336
Additional, subdebt effect	-	1,194	1,194
Amortization, IFRS9 first time effect	-134	-	-134
Change in reserves	683	-	683
COVID-19 effect	330	-362	-32
Other	-144	-13	-157
Capital as at 30-Sep-2020	**22,479**	**7,985**	**30,464**

Risk Weighted Assets



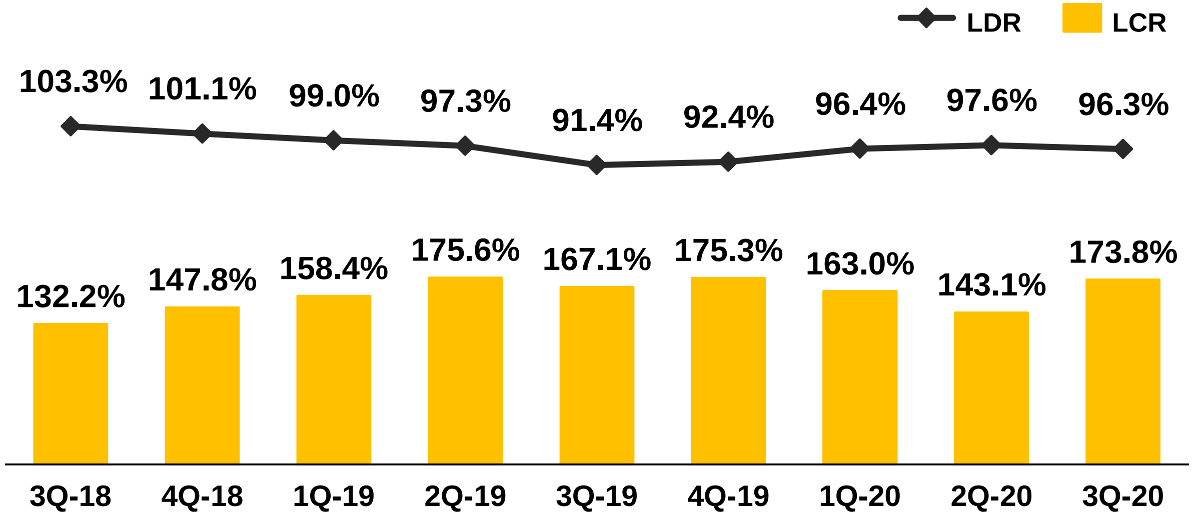
	1Q-20	2Q-20	3Q-20
Credit Risk (wo forb. meas.)	168.1	167.0	183.0
Total RWA (wo forb. meas.)	188.0	188.2	206.9

Funding and liquidity

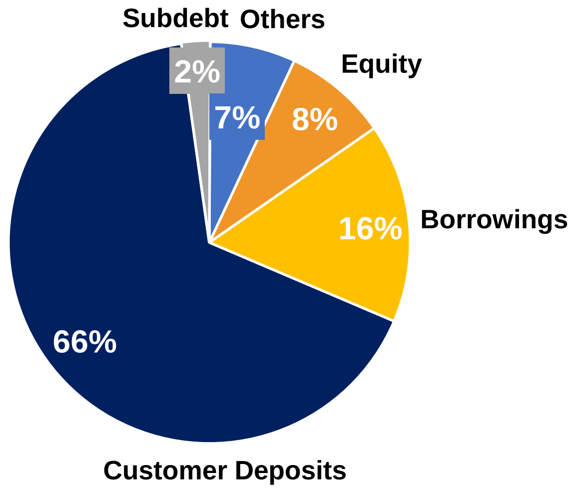
Highlights

- 9M-20 LCR of 173.8% and LDR ratio of 96.3% highlights DenizBank's healthy liquidity.
- Liquid assets reached to TL 52bn, composing 20% of assets and 29% of customer deposits.
- As of 3Q-20, the amount of securities issued domestically with a less than 1 year maturity recorded as TL 3.6bn. Besides, DenizBank established its EMTN programme in May 20 up to USD 3bn.
- Deposit is the main source of funding constituting 66% of total liabilities.
- Borrowings share in total liabilities of 16% is well below the sector average of 24%.

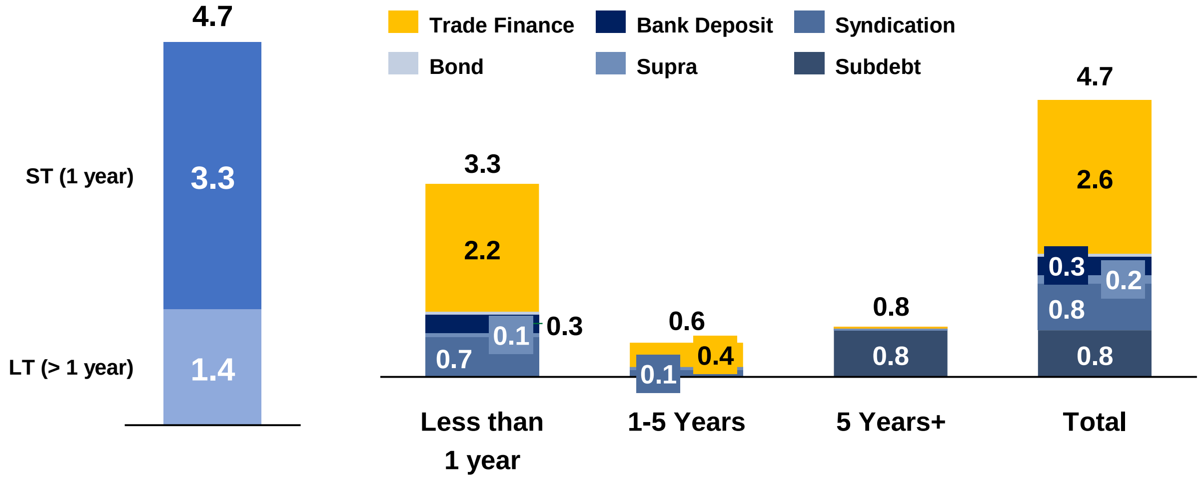
Loan to Deposit and Liquidity Coverage Ratio (%)



Composition of Liabilities (%)



Maturity Profile of FX Borrowings (USD bn)



ST Debt	USD bn 3.3
FC Liquidity Buffer*	USD bn 5.6

DenizBank

* Money market placements + unencumberred securities + reserve requirements under ROM only + Swaps

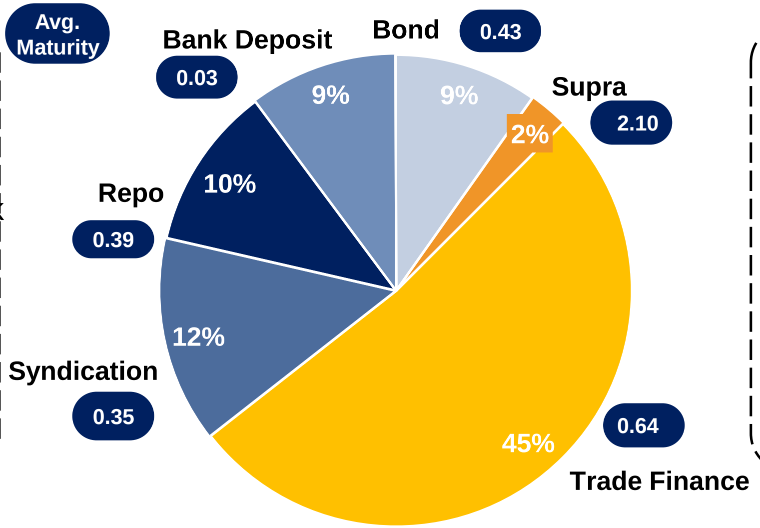
Wholesale Funding

Breakdown of Wholesale Funding

- With the new ENBD ownership, aiming to diversify sources of wholesale funding and lengthen the maturity profile with strong support of the high rated owner.

Syndicated Loan Facility:

- A successful come back to international loan markets in Dec 2019 with syndicated loan facility, which was the biggest fresh funding of 2019 with $1,082 mn demand raised for 1&2year tranches / 30% scaleback with 45 participants from 22 countries and 15 MLAs.
- Last year's $675 mn 1 year tranche was renewed as $780 mn with 115% rollover ratio in Dec 2020. Sector average is 90% for 2020. 42 banks, which was the highest number of participants in 2020 Turkish deals, participated from 20 countries and 9 MLAs.



Supranationals:

- One of the market leaders in supranational funding with 15% market share & USD 2 bn back in 2014 due to well-diversified loan book which gradually diminished under sanctions.
- Targeting to retrieve all supra relations.
- In 2020, secured fresh funding amounting to USD 230 mn with up to 2-6 years of maturity from EBRD, EFSE and GGF to be used in financing Municipalities and SMEs engaged in agriculture, energy efficiency and renewable energy.

Upcoming Transactions

Debt Capital Markets:

- Established EMTN Program in May 2020.
- Already stated to execute private placements.
- Waiting for the right time for a debut issuance.

DPR Securitization:

- One of the 7 banks having DPR Program.
- Last issuance in 2014.
- Rated BB by Fitch with stable Outlook.
- Strong incoming FX flows despite C-19.
- Updated the Program in 2020 & planning an outright issuance with a blended investor base of Supranationals, Banks, Institutional Investors.

SME Covered Bond:

- One of the 3 banks having SME CB Program.
- Last issuance in 2013.
- Underlying assets Agri+SME loans, ring-fenced structure, assets stay in BS.
- Program to be updated due to regulation change.
- Planning issuance in 1H-21.
- High interest from Supranationals

Appendix

Consolidated BRSA balance sheet

Assets (TL mn)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Share	∆YtD
Cash & Banks	37,254	43,634	38,944	48,655	52,354	19.6%	20.0%
Securities	22,506	21,454	22,982	27,216	28,652	10.7%	33.6%
Net Loans	137,093	142,786	154,870	160,713	171,134	63.9%	19.9%
Gross Loans	*147,436*	*153,174*	*167,395*	*174,151*	*187,362*	*70.0%*	*22.3%*
Fixed Assets	1,537	1,652	1,663	1,664	1,673	0.6%	1.3%
Other	8,121	7,789	9,922	10,618	13,804	5.2%	77.2%
Total Assets	**206,512**	**217,314**	**228,382**	**248,866**	**267,616**	**100.0%**	**23.1%**

Liabilities & Equity (TL mn)	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Share	∆YtD
Customer Deposits	149,940	154,459	160,599	164,747	177,619	66.4%	15.0%
Borrowings	25,760	30,649	31,815	45,944	49,103	18.3%	60.2%
Securities Issued	5,087	4,215	4,075	5,178	4,226	1.6%	0.3%
Funds Borrowed	11,474	15,645	19,887	31,457	34,383	12.8%	119.8%
Sub Debt	6,670	7,037	5,140	5,372	6,132	2.3%	-12.9%
Bank Deposits	2,530	3,751	2,713	3,937	4,363	1.6%	16.3%
Other	13,564	14,458	15,720	16,711	18,456	6.9%	27.7%
Equity	17,246	17,749	20,249	21,463	22,438	8.4%	26.4%
Total Liabilities & Equity	**206,512**	**217,314**	**228,382**	**248,866**	**267,616**	**100.0%**	**23.1%**

Consolidated BRSA income statement

Income Statements (TL mn)	3Q19	4Q19	1Q20	2Q20	3Q20	3QΔ2Q	9M19	9M20	ΔYoY
Net Interest Income	2,036	2,714	2,641	2,633	2,788	6%	5,680	8,063	42%
Derivative Expenses	-267	-25	331	119	427	259%	-474	877	-285%
Net Interest Income after Derivatives Expenses	1,769	2,689	2,972	2,752	3,216	17%	5,206	8,940	72%
Net Fees & Commissions	931	1,119	982	637	703	10%	2,627	2,323	-12%
Trading & Other Income	104	212	149	137	109	-21%	353	395	12%
Total Operating Income	2,804	4,019	4,104	3,527	4,028	14%	8,186	11,658	42%
Provisions	-1,511	-2,407	-2,068	-1,736	-2,062	19%	-3,833	-5,866	53%
Operating Expenses	-1,028	-1,164	-1,186	-1,181	-1,236	5%	-3,087	-3,603	17%
Net Operating Profit	265	449	849	610	730	20%	1,267	2,189	73%
Tax	-65	-147	-231	-163	-186	14%	-261	-579	122%
Net Profit	201	302	619	447	544	22%	1,006	1,610	60%

Consolidated BRSA key financial ratios

Asset Quality	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	∆YoY
Loan growth %	-1.2%	2.9%	8.5%	12.6%	19.9%	+21.0 pp
NPL Ratio	6.5%	7.5%	7.5%	7.0%	6.9%	+0.5 pp
NPL Provision Coverage	60.7%	51.4%	59.1%	60.0%	65.9%	+5.2 pp
Total NPL Coverage	108.6%	89.9%	99.7%	110.0%	125.2%	+16.6 pp
Total Loan Coverage	7.0%	6.8%	7.5%	7.7%	8.7%	+1.7 pp
Cost of Risk*	3.1%	3.7%	4.9%	4.3%	4.4%	+1.2 pp

Profitability-Quarterly	3Q19	4Q19	1Q20	2Q20	3Q20	∆YoY
NIM	3.9%	4.3%	5.0%	4.8%	4.7%	+0.8 pp
Cost / Income	37.7%	34.8%	28.9%	31.0%	30.9%	-6.8 pp
RoA	0.7%	0.6%	1.1%	0.9%	0.9%	+0.2 pp
RoE	8.2%	7.9%	13.1%	10.8%	10.5%	+2.3 pp

Capital	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	∆YoY
CET 1 Ratio	10.8%	10.4%	11.6%	12.3%	12.6%	+1.8 pp
CAR	14.8%	14.3%	14.6%	16.4%	17.1%	+2.3 pp

Funding and Liquidity	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	∆YoY
Loans/ Customer Deposits	91.4%	92.4%	96.4%	97.6%	96.3%	+4.9 pp
Cust. Deposits / Total Funding	85.3%	83.4%	83.5%	78.2%	78.3%	-7.0 pp

**Net Expected Credit Losses / Avg. Gross Loans*

Get in touch.

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