



8000
7500
7000
6500
6000
5500
5000
4500

INVESTOR PRESENTATION

March 2015



Ziraat Bank

Resilient Turkish economic environment

	2013	2014	2015	
GDP (USD bn)	823	800	850	Positive effect of lower energy and commodity prices on inflation and CAD
GDP growth (%)	4.2	2.9	4.0	Low budget deficit and public debt to GDP ratio among peers, continuing structural reforms
Unemployment (annual) (%)	9.0	10.3	9.5 ¹	CBRT to keep interest rates on hold due to global uncertainties and elevated food prices after 75 bps cut in early 2015
CPI (annual) (%)	7.4	8.2	6.3 ²	CBRT policies aiming to extend maturity of FX denominated liabilities and corporate debt
Current Account Balance/GDP (%)	-7.9	-5.7	-5.4	Well-regulated, highly capitalized and well-governed banking sector
Public Debt/ GDP (%)	36.1	33.5	31.8	
Budget Deficit/ GDP (%)	1.2	1.3	1.1	

Source: CBRT, TURKSTAT, Ministry of Finance

1: As of 31.01.2015 unemployment 11.3%

2: As of 30.04.2015 CPI 7.9%

Actual

Forecast (Medium Term Programme)



Where **Ziraat** is...

A leading bank with extensive network

The Bank

Owned by Turkish Undersecretariat of Treasury

Over 150 years of banking legacy

More than 32 mn customers

Commercial bank

Investment grade ratings since 2012

Appetite to grow locally and globally

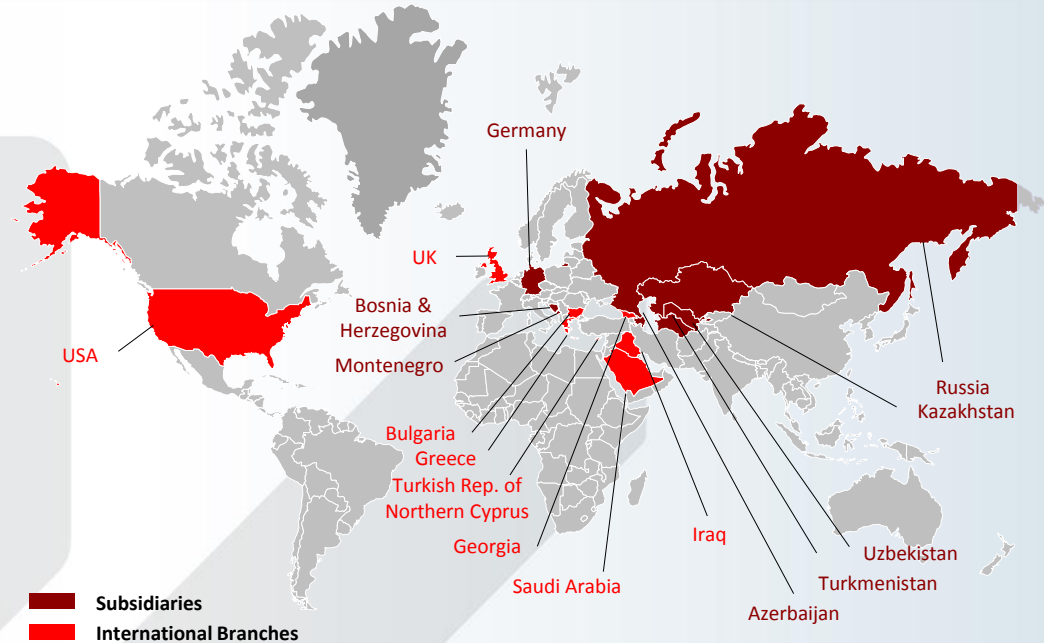
Sound and improving financial outlook

Local Subsidiaries

- ✓ Ziraat Sigorta (insurance)
- ✓ Ziraat Hayat ve Emeklilik (pension)
- ✓ Ziraat Leasing
- ✓ Ziraat Yatırım (securities brokerage & investment house)
- ✓ Ziraat Portföy (asset management)
- ✓ Ziraat Teknoloji (IT)

Ziraat Participation Bank

International Network



Presence in **16** countries, **84** service points

Well-established business model

✓ Customer Segmentation

- Corporate
- SME
- Retail

✓ Branch Segmentation

- Corporate : 24
- SME : 79 (*Medium & Large SMEs*)
- Dynamic SME : 89 (*Micro & Small SMEs*)
- Branch : 1,509

✓ Alternative Distribution Channels

- Increasing internet banking usage
- Usage of non-branch channels more effectively
- Expansion of ATM network
- Mobile banking
- Centralized operations

✓ Customer/market centric business model

✓ Relationship management and customer ownership

✓ Focus on customer penetration

✓ Expand retail banking based on behavior, age, income and potential for cross-selling

✓ Separation of sales and marketing functions

✓ Increased focus on SMEs

✓ Efficient channeling of customers for banking services

✓ Increasing number and capacity of call centers

✓ Dual debit & credit card for young customers

✓ One-stop webpage for housing loans

Strong position in Banking Sector

Key Financials (Q1 2015) (TL bn / (%))

	Ziraat	Sector
Total assets	271	2,128
Cash Loans	158	1,333
Securities	66	313
Total deposits	163	1,188*
Shareholders' equity	30	235
Net Profit	1.1	6.7
ROAE	15.3	11.6
ROAA	1.7	1.3
NIM	4.7	4.4
Loan/Deposit	97.4	112.2
Cost/Income	37.9	44.0
NPL	1.8	2.8
Tier 1 ratio	15.8	13.2
Capital Adequacy Ratio	16.8	15.5

*Including the banks' deposits with an amount of 71.8 TL bn



Rankings (among top10 banks)

	2012	Q1 2015
Total Asset	2	1
Cash Loans	5	2
Consumer Loan	4	1
Deposit	1	1
Equity	4	1
Non-Cash Loan	7	3
Net Profit	4	1
ROAE	3	2*
ROAA	7	1
NIM	5	4*
CAR	1	1

*Number one among top peers

Market Shares (%)

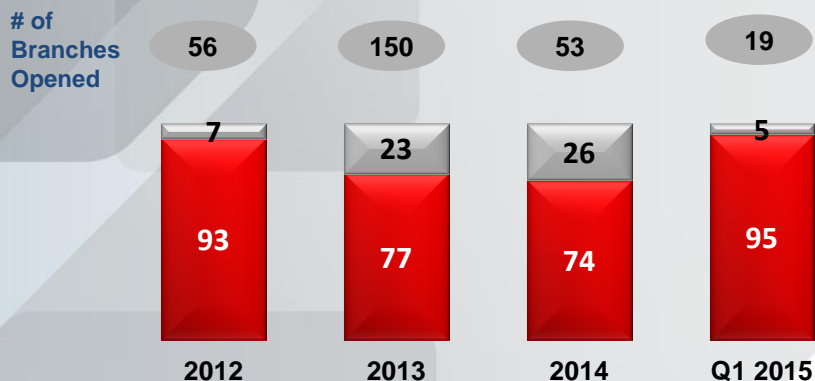
	2012	2013	2014	Q1 2015
Assets	11.9	12.0	12.4	12.7
Cash Loans	8.8	10.4	11.4	11.9
Securities	24.2	21.9	21.4	21.1
Deposits	14.5	14.2	13.7	13.7
Non-Cash Loans	6.4	9.0	10.7	11.4

Largest branch network in Turkey

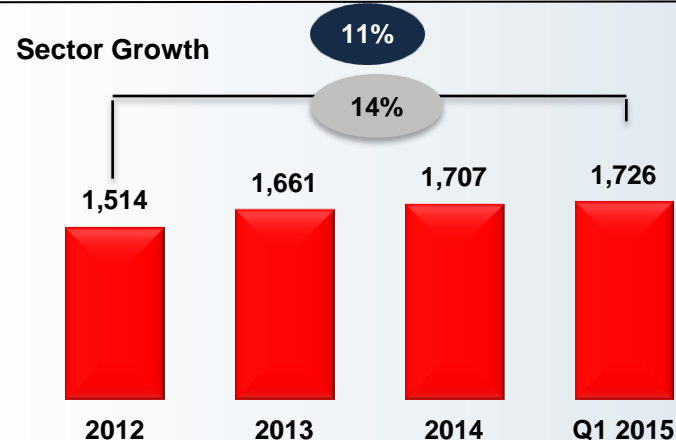
- ✓ Strong presence at the under banked parts of Turkey
- ✓ Addressing industry and trade centers with a focus on industrialized cities
- ✓ In Q1 2015, 19 new branch opened mostly in big cities
- ✓ In 2015, expecting to open more than **100** new branches

Presence in 400 locations without a competitor

Distribution of new branches (%)



Strong footprint across the country (# of branches*)



* Includes foreign branches

Evolving branch efficiency

TL mn	Ziraat			Sector*		
	2013	2014	Q1 2015	2013	2014	Q1 2015
Loan/Branch	67	83	92	87	102	109
Deposit/Branch	85	90	94	79	86	91
Profit/Branch	2.0	2.4	2.6**	2.1	2.0	2.2**
# of Staff /Branch	14.9	13.8	14.2	17.9	17.8	17.8

* Source:BRSA

** Profits are annualized

More effective banking through alternative distribution channels

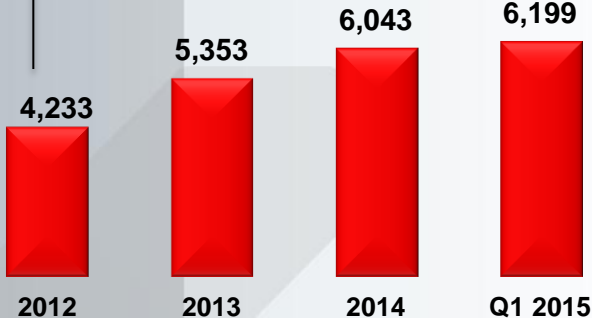
of ATMs

Sector Growth

27%

46%

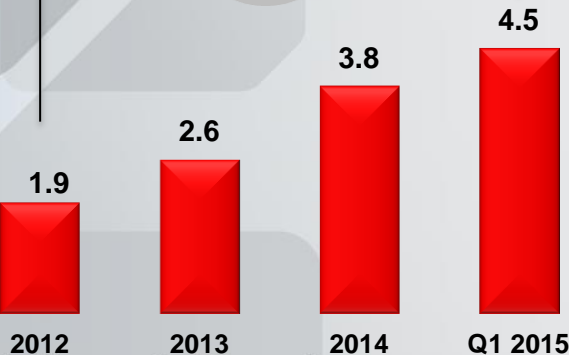
Ziraat



- ✓ Serving customers through the most efficient channel
- ✓ Share of transactions performed through ADCs increased from 50% in 2012 to 92% in Q1 2015
- ✓ Strategies to focus more on debit cards
- ✓ Sector leadership in number of debit cards with 23.8 mn and debit card spending with 20% market share

of customers using internet banking (mn)

139%



Market share in debit card ownership Q1 2015 (%)



Source: Interbank Card Center

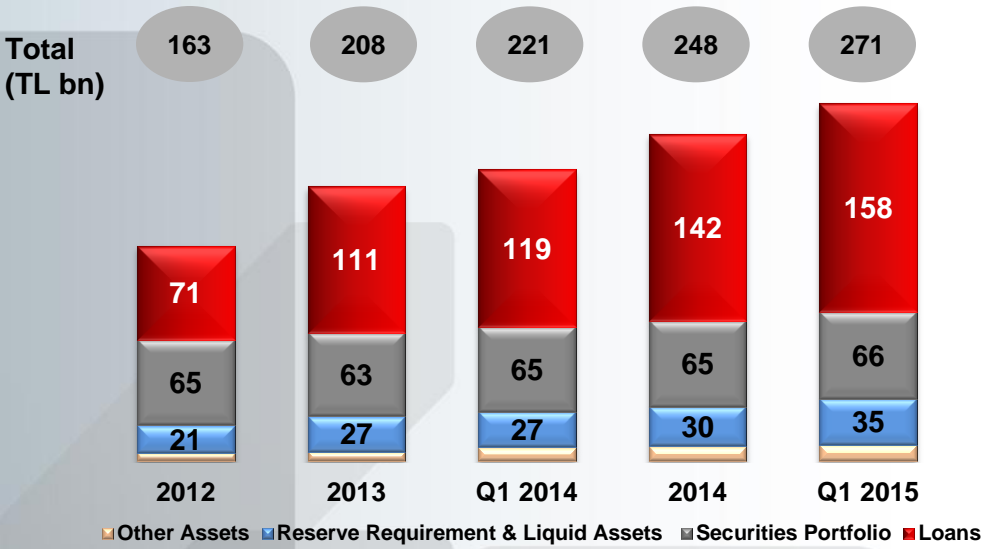


How we did ...

Achievements and trends

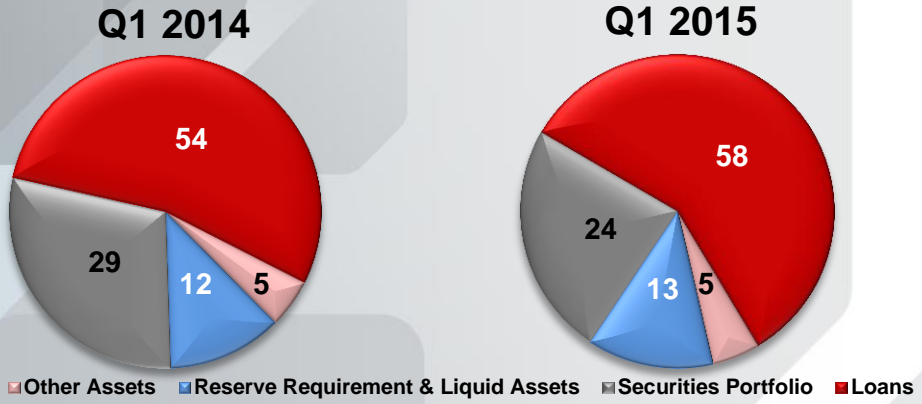
Reshuffling asset composition leading to higher income generation

Successfully diversifying asset base



Accruals are included

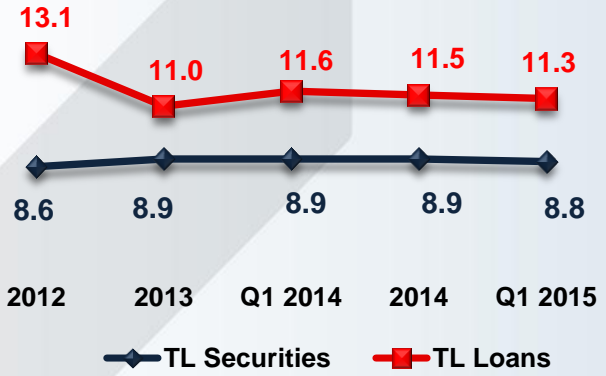
Composition of assets (%)



Strong growth prospects in line with strategies

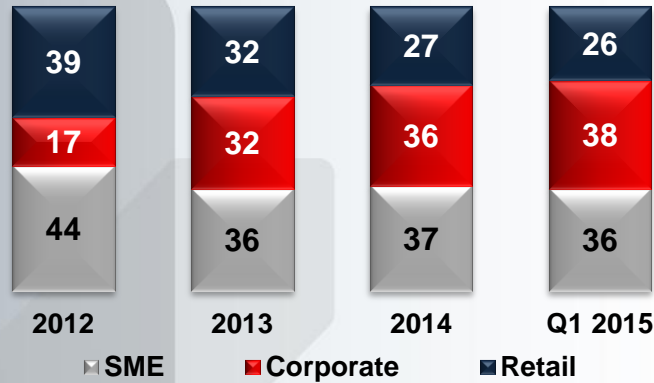
- ✓ Total assets grew 9.6% QoQ vs sector 6.7% and total loans increased 11.6% vs sector 6.6%
- ✓ Customer driven asset mix
- ✓ Asset growth mainly driven by business loan growth
- ✓ Strong focus to finance the real economy
- ✓ TL denominated balance sheet (TL assets 68% of total assets)

Switching to assets with higher yields (%)



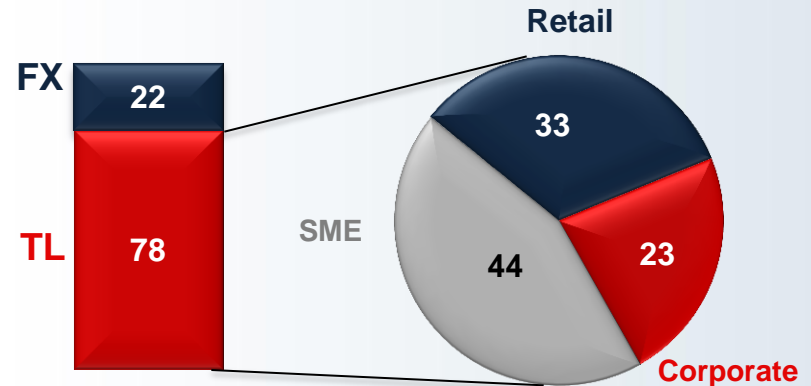
Growing business lending consistent with strategies

Loan book by customer segmentation* (%)



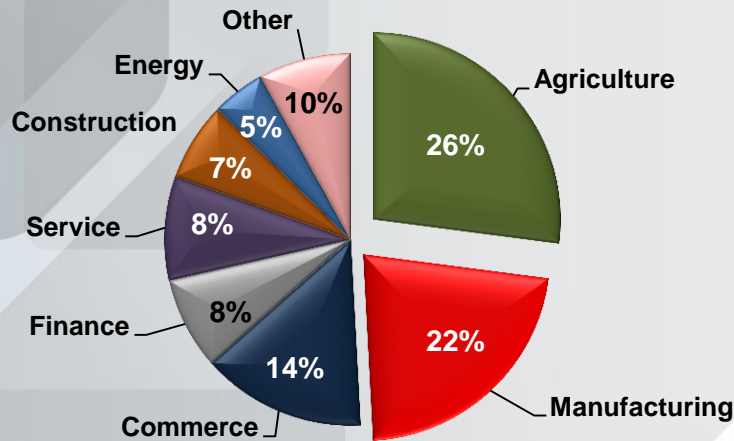
* Accruals and intermediated loans of public funds are excluded

Currency breakdown of loans Q1 2015 (%)



QoQ
 TL loan growth 11%
 FX loan growth 12%
 (Flat in USD terms)

Breakdown of non-retail loan book by sector Q1 2015 (%)

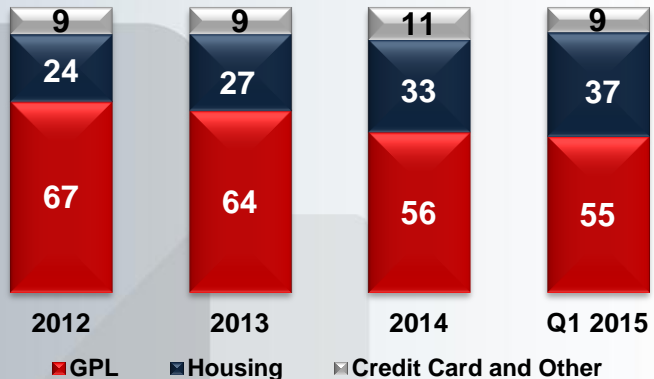


Sectors are classified according to NACE Codes

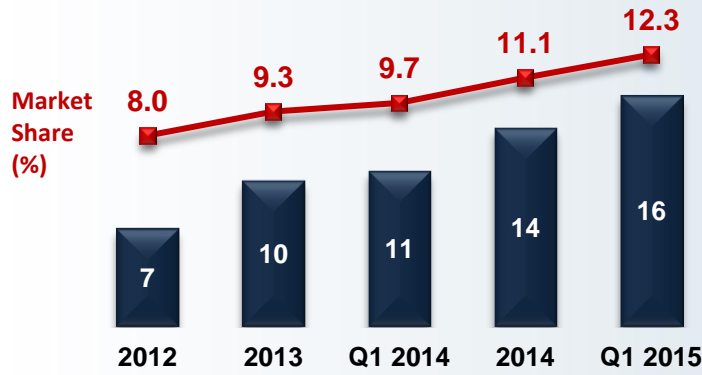
- ✓ No material risk concentration
- ✓ Strategies to achieve balanced loan portfolio breakdown
- ✓ TL heavy lending
- ✓ FX lending proportional to the FX revenues of corporates for risk mitigation purposes

Retail loan growth driven by housing loans

Breakdown of retail loans (%)



Housing loan amounts* (TL bn)

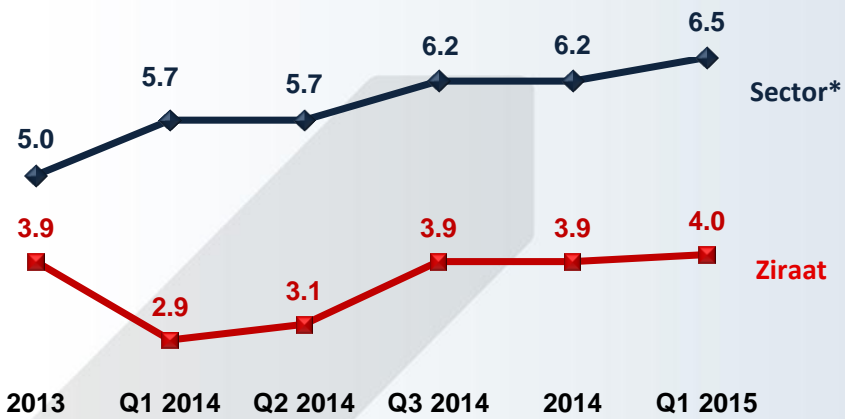


*Accruals and intermediated loans of public funds are excluded

15.1% growth on retail loans vs 10.3% in the sector YoY

Credit Card NPLs

Lower regulatory effects relative to peers

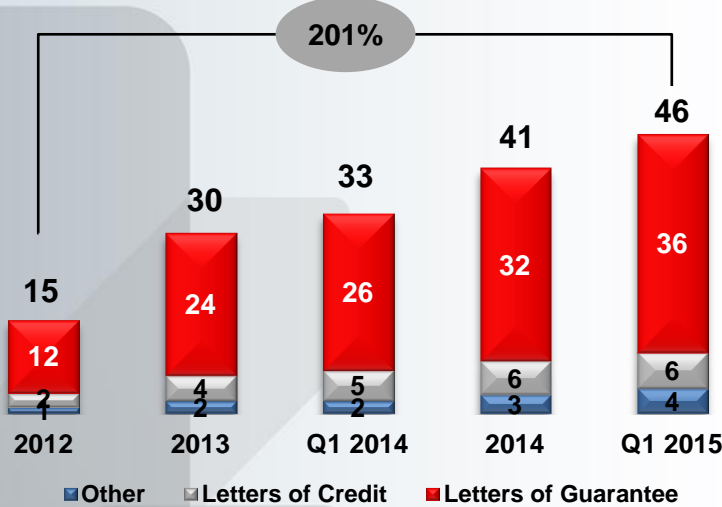


*Source: BRSA

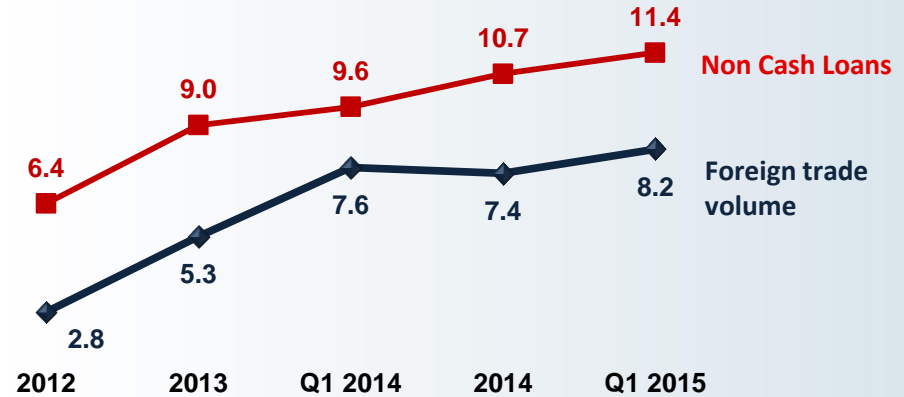


Increasing contribution of trade finance and project finance

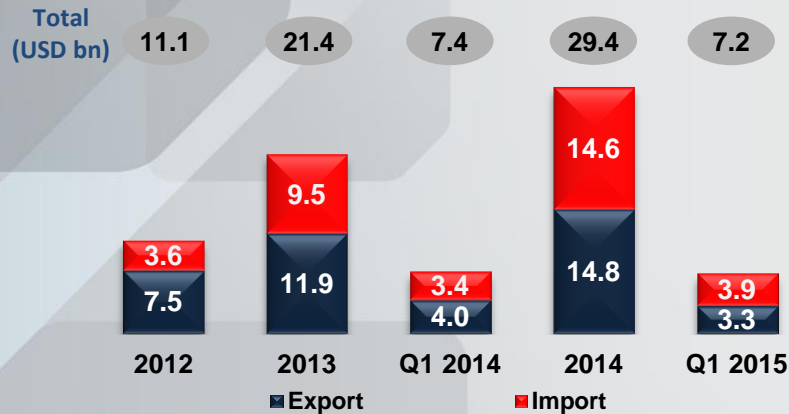
Composition of non-cash loans (TL bn)



Robust growth in market shares



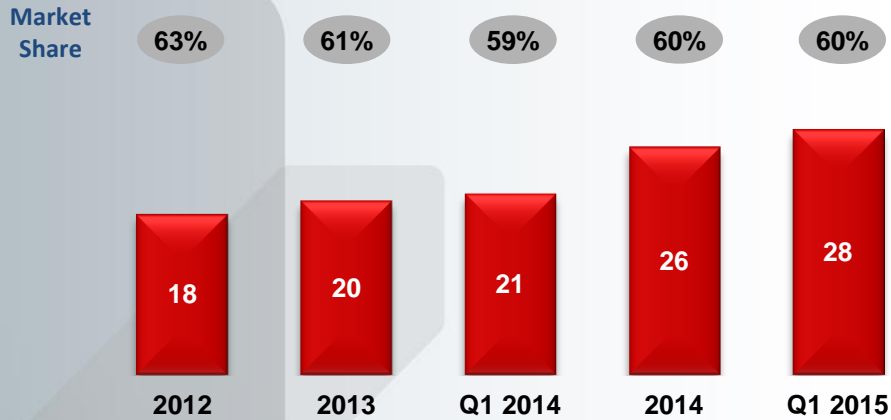
Foreign trade volume (USD bn)



- ✓ Increasing non-cash lending with positive impact on fees and commissions income
- ✓ Gaining strong foothold at project finance (31% YoY growth in cash loans and 84% YoY growth in non-cash loans in Q1 2015)
- ✓ Total project finance loan portfolio reached to USD 8.4 bn
- ✓ Increase in trade finance activities provide alternating funding

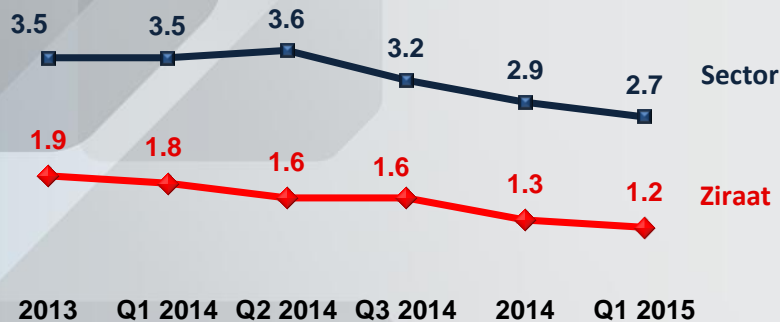
Exclusive expertise and know-how in agricultural sector

Loans to agricultural sector (TL bn)



Source: BRSA – for agricultural loans of the sector
Accruals and intermediated loans of public funds are excluded

Consistently low agricultural NPL ratio (%)

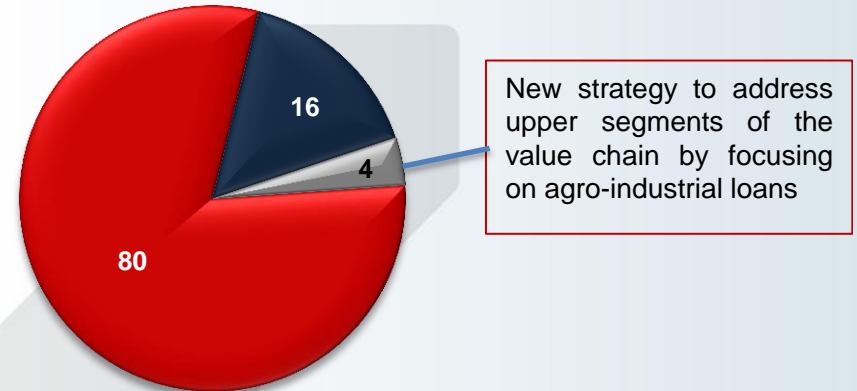


Source: BRSA – Fintürk for sector.
Agricultural NPL calculated using loans to agricultural sector



- ✓ Exclusive provider of subsidized agricultural loans
- ✓ Share of investment loans increased from 30% in 2008 to 40% in Q1 2015
- ✓ 92% of agricultural loans utilized from Bank's own funds
- ✓ Consistent agro-loan maturities with production and harvest periods

Agricultural loans by segments (%) Q1 2015

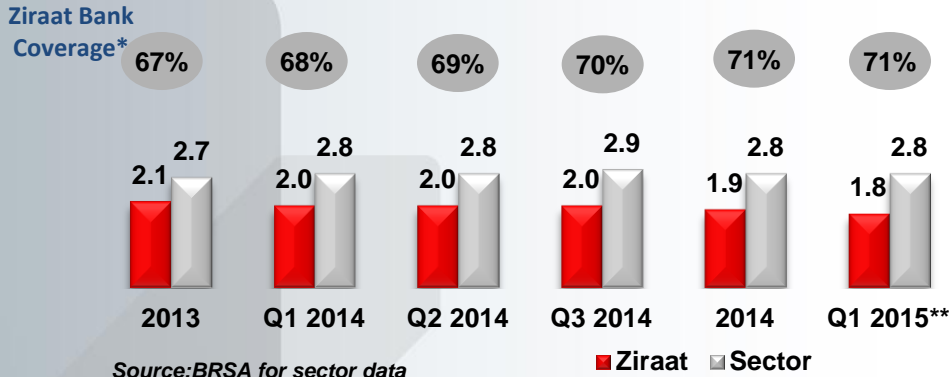


Accruals and intermediated loans of public funds are excluded

■ Micro SME ■ Medium and Small SME ■ Large SME and Corporate

NPLs below sector average, without any sale or write-off

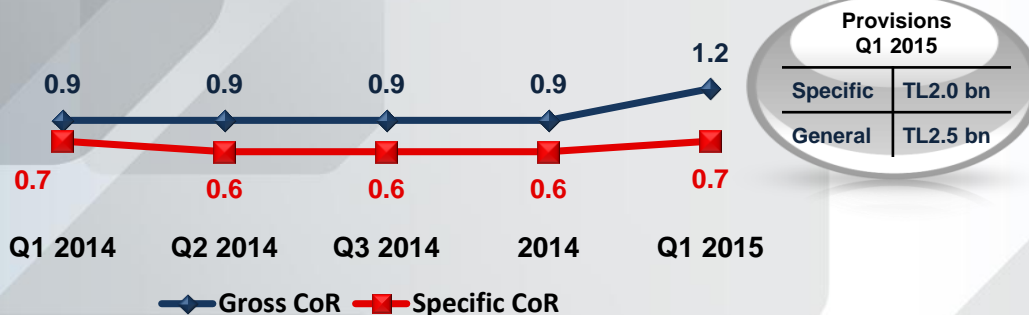
NPL and coverage ratios * (%)



* Intermediated loans of public funds are excluded

** Without single highest item : NPL ratio of 1.3% and adjusted coverage of 95%

CoR* (%)



* Gross CoR: $(\text{specific provisions expenses} + \text{general provisions expenses}) / (\text{average loans})$

Specific CoR: $(\text{specific provisions expenses}) / (\text{average loans})$



High asset quality preserved through proactive measures

- ✓ Prudent risk management
- ✓ Well-functioning credit evaluation policies & procedures
- ✓ Effective monitoring & strong collection systems in practice
 - Early warning ratings
 - Action plan offering
- ✓ Small Enterprise Module for evaluating micro and small SMEs

NPL ratio by segments (%)

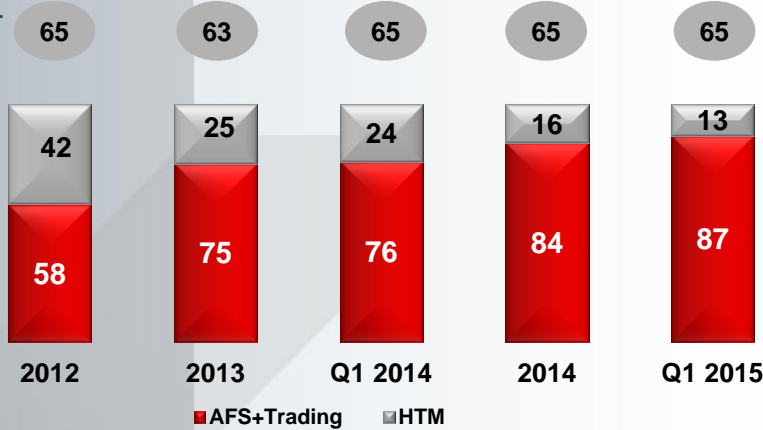
	Retail	Corporate	SME
Ziraat	1.4	1.3	2.3
Sector*	3.5	2.1	3.4

*Source: BRSA

Changing composition of securities in accordance with market dynamics

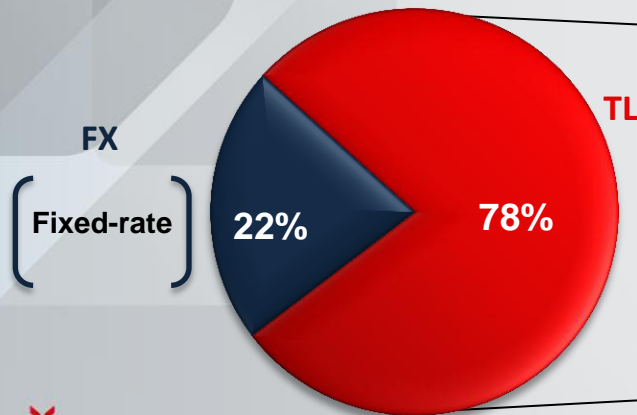
Composition of securities (%)

Total (TL bn)

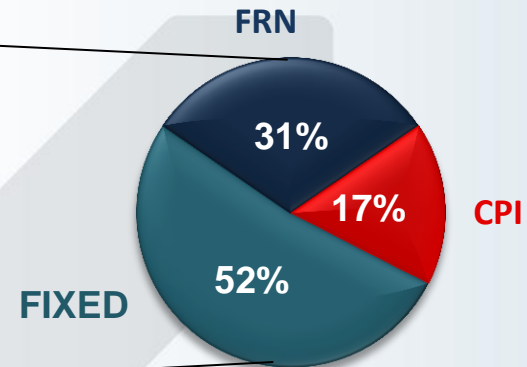


- ✓ Limited securities sell-off in the secondary market
- ✓ Larger share of AFS+trading portfolio providing higher flexibility
- ✓ Majority of securities are held in TL providing better returns
- ✓ Share of CPI linkers to total securities decreased from 14.3% in Q4 2014 to 13.5 % Q1 2015

Currency breakdown of securities*, Q1 2015

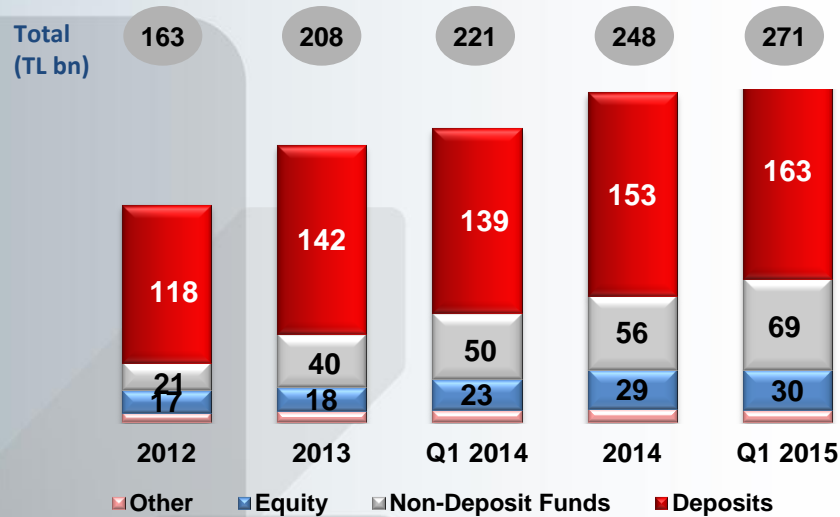


Breakdown of TL securities*, Q1 2015

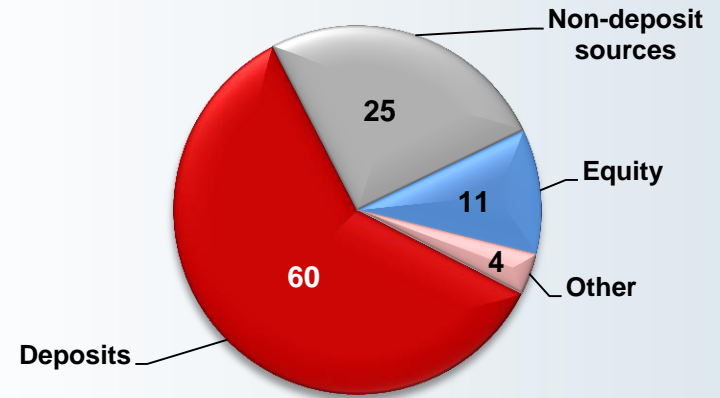


Strong deposit base with diversified funding sources

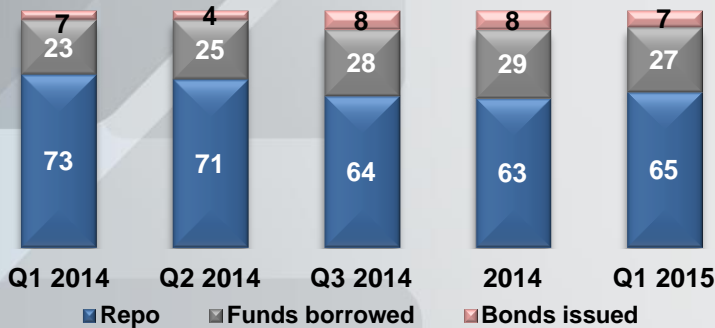
Composition of liabilities (TL bn)



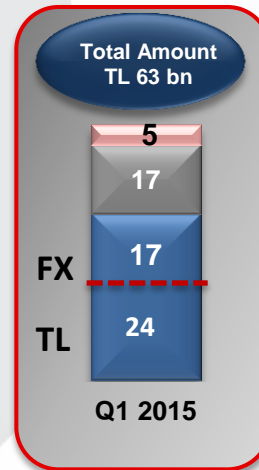
Composition of liabilities (%)



Composition of non-deposit funds* (%)



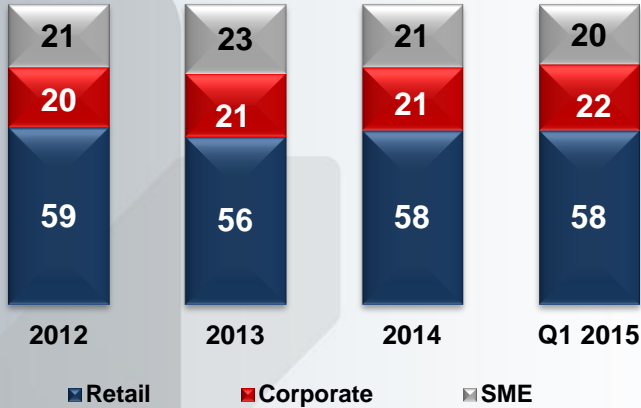
* Intermediated loans of public funds are excluded



- ✓ Lowest L/D ratio among peers
- ✓ TL 5.8 bn borrowing from IFI's (e.g World Bank, EIB, AFD)
- ✓ USD 1.1 bn syndicated loan facility in Q1 2015
- ✓ GMTN programme size increased from USD 2 bn to USD 4 bn
- ✓ Inaugural 5yr, USD 750 mn Eurobond offering in 2014
- ✓ Potential further issuances depending on market conditions
- ✓ USD 257.6 mn through private placement issuances in Q1 2015 under the GMTN program
- ✓ Post- financing volume increased four times from 2012 to 2014

Diversified and widespread deposit base

Deposits by customer segmentation* (%)

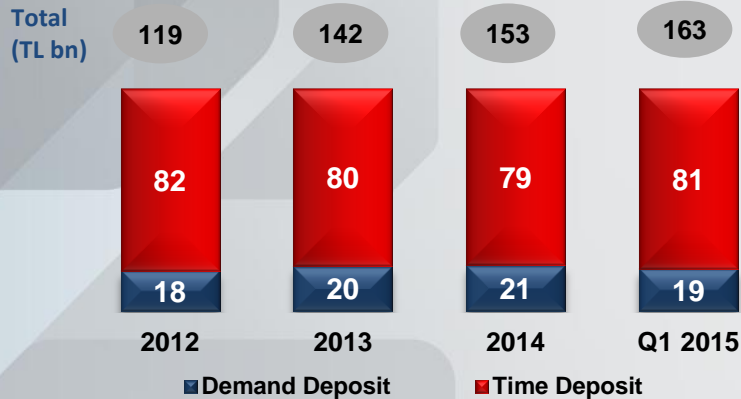


* Excluding the Bank's deposits.

- ✓ A granular and domestically diversified deposit portfolio
- ✓ Core deposit ratio is around 96%
- ✓ Accounts greater than TL 1 million / total deposits is 39% (sector average is 52%)
- ✓ Non-retail deposits (excluding the Bank deposits) increased 42% from 2012 to Q1 2015

Sector leader in deposits with almost 14% market share

Demand vs time deposits (% of total)



Demand Deposit / Total Deposit
19.2 %
vs sector 18.4%

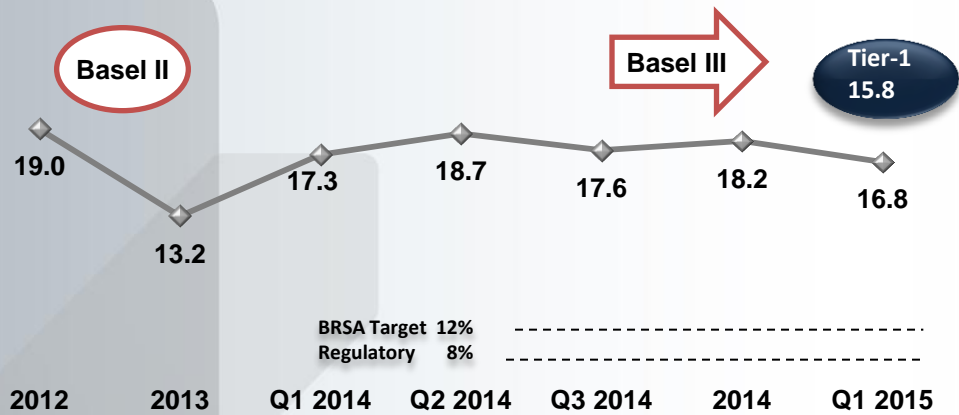
Public Deposit/Total Deposit(%)



Source: BRSA Unconsolidated Financial Statements

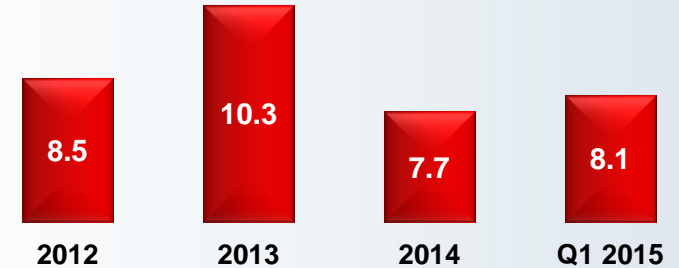
Sound capital structure and internal capital generation

Capital adequacy ratio (%)



Leverage decreased to industry levels

Leverage(x)*



* Leverage (x) : (Assets/Shareholders' Equity) – 1

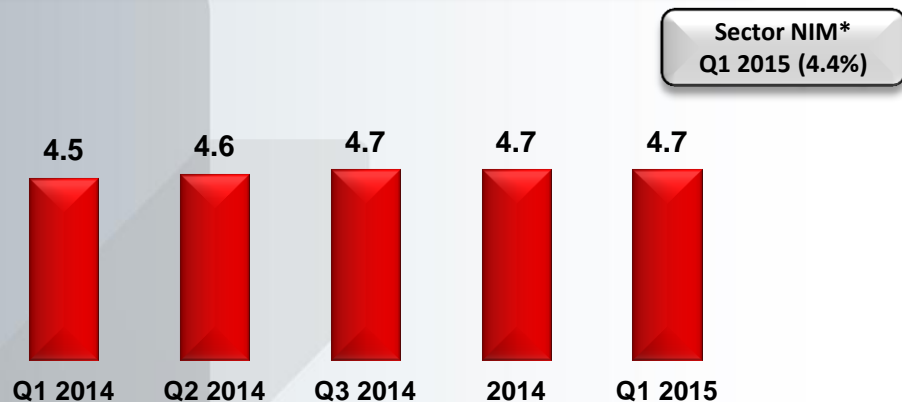
High Tier 1 to total capital (93.7%)

Strong capitalisation assuring sustainable growth

- ✓ Increase in paid-in capital from TL 2.5 bn to 5 bn.
- ✓ Slight decrease in CAR due to TL depreciation and MtM losses in Q1 2015 in line with the sector
- ✓ Following cautious leveraging policies
- ✓ Resilient capital level to support targeted loan growth
- ✓ Higher CAR level than sector average and peer banks
- ✓ CAR is highly above the regulatory limits under various scenario analysis

Solid Net Interest Margin levels which are above sector average

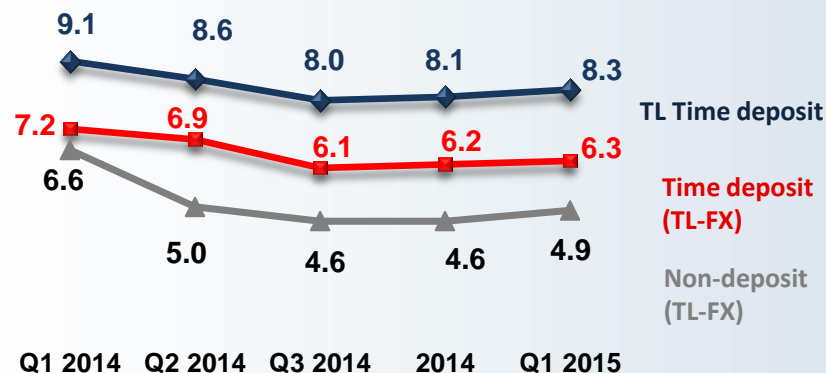
Sustainable net interest margin (NIM cum. %)



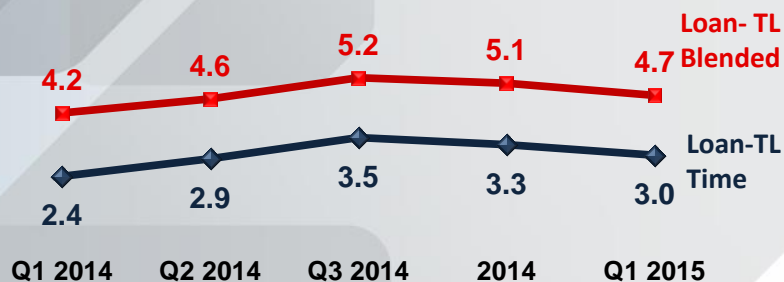
*NIM = Net Interest Earnings / Av. IEA

Cautious stance in deposit pricing

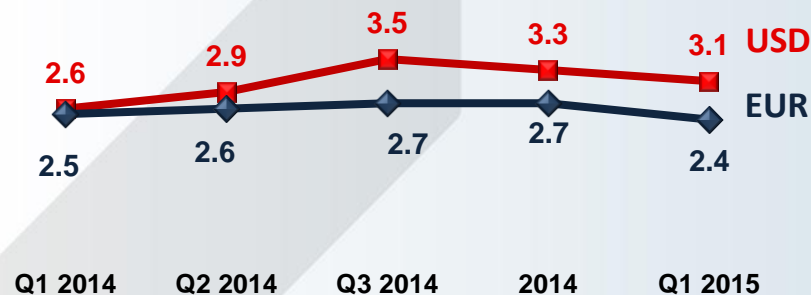
Cost of time deposit vs non-deposit funds (%)



TL loan spreads (%)



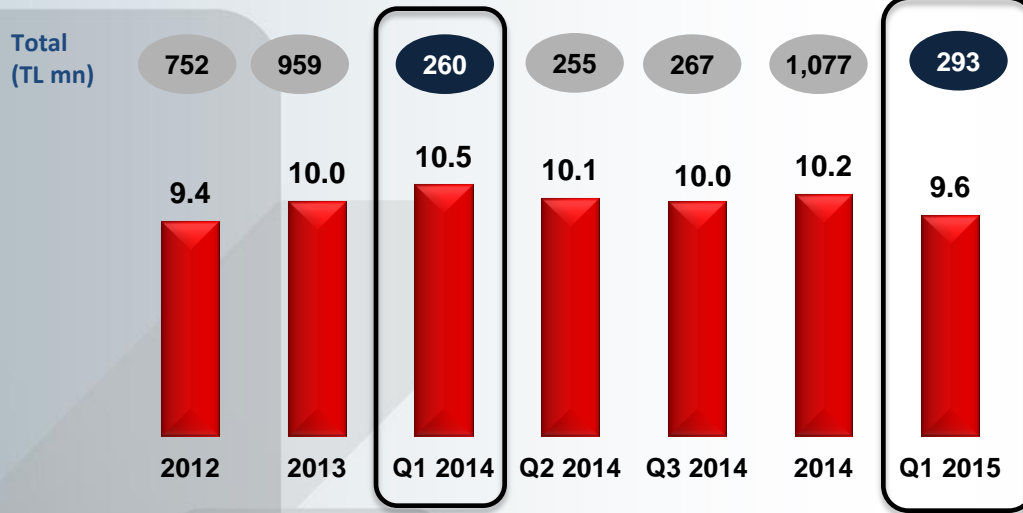
FX loan spreads* (%)



*Loan-FX Time

Accelerating fee generation

Net fees income/ Net income (%)



✓ Ample room to grow further through:

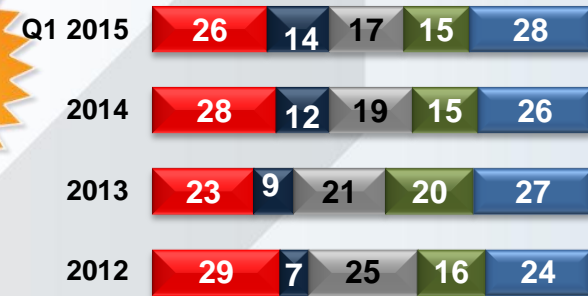
- Cross-selling fee based products
- Institutionalized fee and commission policy and procedures
- Cash and non-cash loan growth especially in trade finance
- More fee and commission generation from SMEs by increased non-cash lending

Breakdown of commissions from cash loans (%)



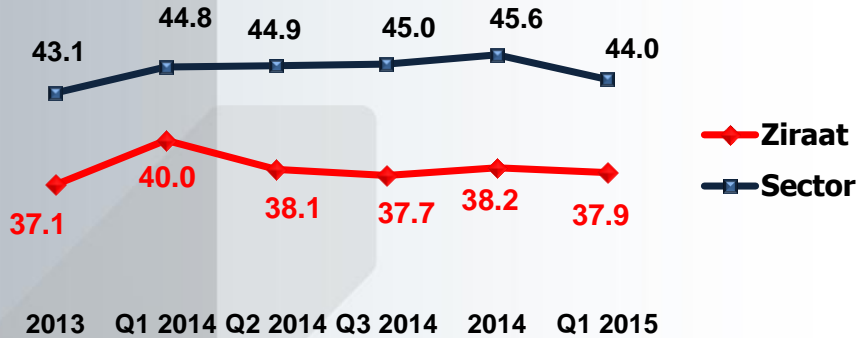
Sector leader in Bancassurance (27% market share)

Breakdown of fees and commissions (%)



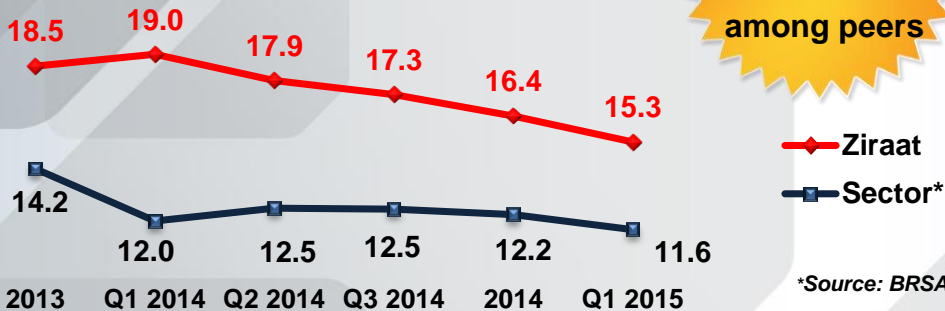
Sustainable efficiency and profitability

Cost/Income ratio evolution (%)

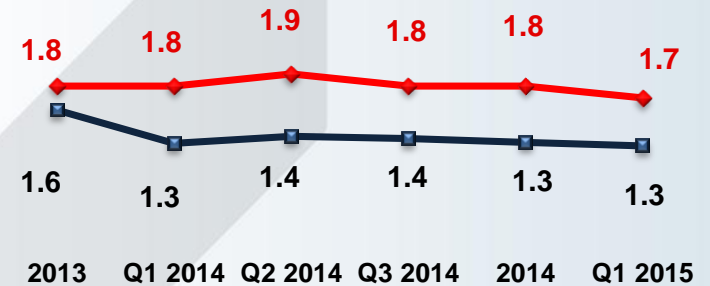


- ✓ Most profitable bank in the sector
- ✓ In line with the macro strategy: asset base grew without sacrificing profitability
- ✓ Decreasing C/I ratio, well below market standards
- ✓ Effective cost management strategies
- ✓ “Cost Management Module” put into practice to monitor all cost items centrally

Return on equity (%)



Return on assets (%)



2015 Outlook & Projects



- ✓ Increasing focus on SMEs through new customer and branch segmentation
- ✓ Growing share of employed working-age customers in retail segment
- ✓ Increasing contribution of subsidiaries and foreign branches to Bank's profit and assets
- ✓ Establishing the Participation Bank (with TL 675 mn Capital)
- ✓ Intention to establish Real Estate Investment Trust
- ✓ Further diversify funding via securitization or other non deposit funding sources (market dependent)
- ✓ Organic/inorganic growth abroad (establishment of two branches in **Kosovo** and subsidiary banks in **Montenegro** and **Azerbaijan**)
- ✓ Recruiting 2,000 new personnel in the next few years

Appendix

Balance Sheet Summary

TL MN	2013	Q1 2014	Q2 2014	Q3 2014	2014	Q1 2015	% Change QoQ	% Change YoY
CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	26,602	27,270	29,360	31,574	30,149	34,784	15.4	27.6
BANKS	2,465	2,041	1,769	1,759	2,191	2,450	11.8	20.0
SECURITIES	62,798	64,668	64,027	62,620	64,563	65,833	2.0	1.8
LOANS	111,048	118,546	124,353	132,901	141,915	158,353	11.6	33.6
-Gross NPL	2,417	2,463	2,506	2,642	2,717	2,842	4.6	15.4
-Specific Provisions (-)	1,623	1,667	1,731	1,849	1,932	2,026	4.9	21.5
OTHERS	4,617	8,709	8,496	9,493	8,782	9,860	12.3	13.2
TOTAL ASSETS	207,530	221,234	228,005	238,347	247,600	271,280	9.6	22.6
DEPOSITS	141,735	139,813	145,106	150,840	153,255	162,509	6.0	16.2
FUNDS BORROWED	8,559	10,271	10,745	13,073	14,608	17,339	18.7	68.8
INTERBANK MONEY MARKET	24,571	33,736	30,637	30,339	31,781	41,521	30.6	23.1
PROVISIONS	3,958	4,130	4,351	4,518	4,758	4,900	3.0	20.0
SHAREHOLDERS' EQUITY	18,367	23,276	25,670	25,793	28,540	29,836	4.5	28.4
OTHERS	10,340	10,008	11,496	13,784	14,658	15,175	3.5	51.6

Income Statement Summary

TL MN	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	% Change QoQ	% Change YoY
INTEREST INCOME	4,015	4,214	4,570	4,570	4,811	4,958	3.1	17.6
-From Loans	2,609	2,844	3,089	3,267	3,443	3,712	7.8	30.5
-From Securities	1,354	1,349	1,428	1,250	1,306	1,188	-9.0	-11.9
INTEREST EXPENSE	1,909	2,283	2,545	2,326	2,403	2,583	7.5	13.1
-On Deposits	1,537	1,783	1,989	1,867	1,874	1,988	6.1	11.5
NET INTEREST INCOME	2,106	1,931	2,025	2,243	2,408	2,375	-1.4	23.0
NET FEES & COMMISSIONS	268	260	255	267	295	293	-0.6	12.7
-Fees and Commissions Received	321	320	334	342	361	372	37.0	16.2
-Fees and Commissions Paid	54	60	79	75	66	79	31.5	31.5
OTHER OPERATING INCOME	235	263	258	197	192	381	98.4	44.7
OPEX	1,040	995	981	983	1,136	1,151	1.3	15.8
NET OPERATING PROFIT	1,013	1,188	1,357	1,299	1,334	1,452	8.8	22.2
NET PROFIT	754	930	1,080	1,016	1,025	1,102	7.5	18.5

Key Financial Ratios

(%)	2013	Q1 2014	Q2 2014	Q3 2014	2014	Q1 2015
ROAA	1.8	1.8	1.9	1.8	1.8	1.7
ROAE	18.5	19.0	17.9	17.3	16.4	15.3
Cost to Income	37.1	40.0	38.1	37.7	38.2	37.9
NIM (cum.)	5.2	4.5	4.6	4.7	4.7	4.7
Loans/Deposits	78	85	86	88	93	97
Loans/Assets	54	54	55	56	57	58
Securities/Assets	30	29	28	26	26	24
NPL	2.1	2.0	2.0	2.0	1.9	1,8
Coverage	67	68	69	70	71	71
CoR (Gross)	1.6	0.9	0.9	0.9	0.9	1,2
CAR	13.2	17.3	18.7	17.6	18.2	16,8
Leverage	10.3	8.5	7.8	8.2	7.7	8.1
# of						
Branches	1,661	1,667	1,674	1,686	1,707	1,726
Employees	24,725	24,528	24,161	24,002	23,617	24,496
ATMs	5,353	5,573	5,756	5,934	6,043	6,199

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