



INVESTOR PRESENTATION

March 2016










Ziraat Bank

Better global sentiment and improved capital inflows to EMs

| | 2014 | 2015 | 2016F |
|--|------|------|-------|
| GDP growth (%) | 3.0 | 4.0 | 4.5 |
| Unemployment (annual) (%) | 9.9 | 10.3 | 10.2 |
| CPI (annual) (%) | 8.2 | 8.8 | 7.5 |
| Current Account Balance/GDP (%) | -5.4 | -4.5 | -3.9 |
| Public Debt/ GDP (%) | 33.5 | 32.9 | 31.7 |
| Budget Deficit/ GDP (%) | 1.3 | 1.2 | 1.3 |

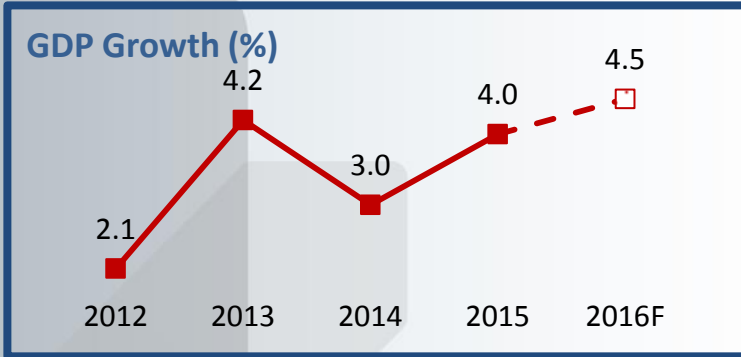
Source: CBRT, TURKSTAT, Ministry of Finance

Actual
 Forecast (Medium Term Programme)

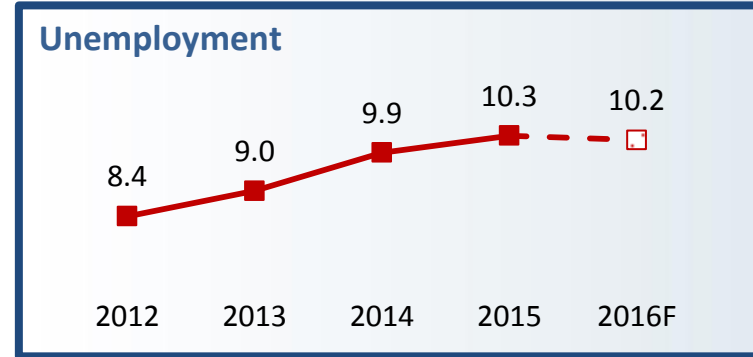
-  Decrease in FED's rate hike expectations
-  Improving operating environment due to increasing global sentiment and decreasing market volatility
-  CBRT cut the upper band of interest rate corridor by total 75bps and kept the policy rate unchanged
-  Favorable inflation outlook for the rest of the year (CPI decreased to 6.6% in April 2016)
-  Low energy and commodity prices contribute to lower CAD (12m CAD decreased to USD 29.5 bn in March 2016)
-  Sound fiscal performance and structural reform agenda in Turkey
-  S&P Ratings revised its negative outlook on Turkey to stable.

Macroeconomic outlook for Turkey

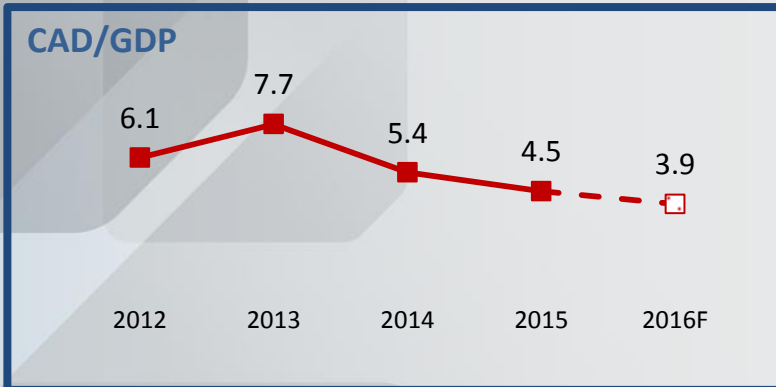
Higher than expected GDP growth



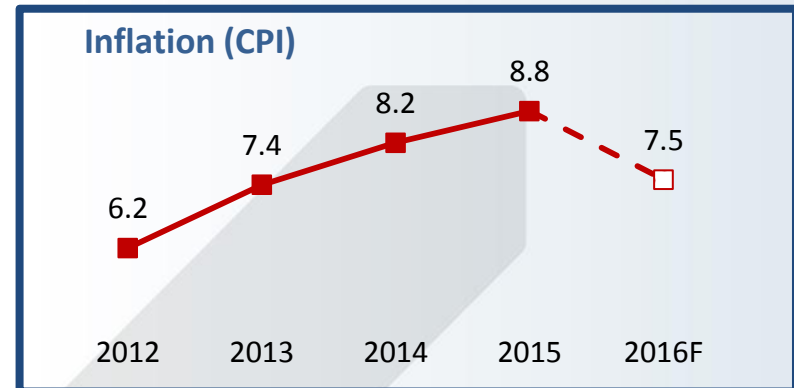
Relatively higher unemployment but with also high participation rate



Decreasing CAD due to low energy & commodity prices



Improving inflation due to lower food and energy prices



Source: CBRT, TURKSTAT, Ministry of Finance
F: Forecast (Medium Term Programme)



Where **Ziraat** is...

Ziraat's perspective through 2016

Strategy & Organization



- ✓ Expanding local and international network
- ✓ Channel optimization in ADCs
- ✓ More focus on digital banking
- ✓ Big data and behavior analysis for improved customer experience
- ✓ Pivotal role in intermediating international trade and expanded country coverage
- ✓ Accessing untapped client segments with participation banking

Lending



- ✓ Corporate and SME driven loan growth
- ✓ Contribution from project financing (> 6 bn USD)
- ✓ Asset quality supported by prudent monitoring
- ✓ Loan/Asset ratio below sector average
- ✓ Continue to grow cash and non-cash lending

Funding



- ✓ Deposit driven funding base
- ✓ Increasing international borrowing

Profitability and Capitalization



- ✓ Lower interest rate volatility
- ✓ Sustained focus on risk management
- ✓ High capital level and sound profitability

A leading bank with extensive network

The Bank

Owned by Turkish Undersecretariat of Treasury

152 years of banking legacy

More than 30 mn customers

Commercial bank

Investment grade ratings since 2012

Appetite to grow locally and globally

Sound and improving financial outlook

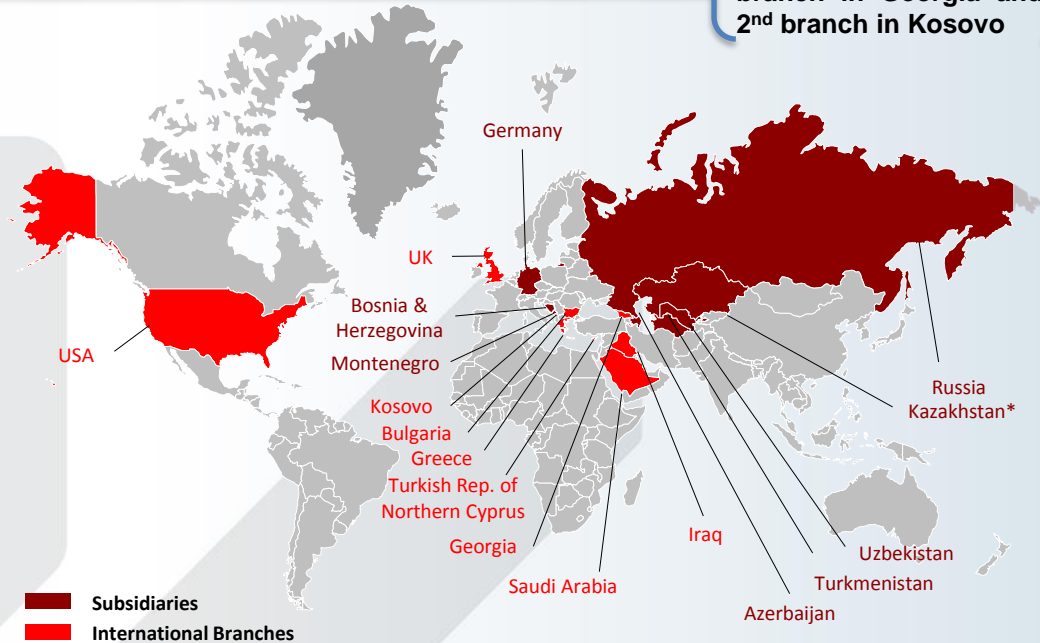
Local Subsidiaries

- ✓ 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 (Islamic Banking)

Plans to establish Real Estate Investment Trust

International Network

Plans to open a new branch in Bahrain, 3rd branch in Georgia and 2nd branch in Kosovo



Presence in **18** countries, **97** service points

*Aktau branch in Kazakhstan was opened in Q1 2016

Sound KPIs and strong market penetration

Key Financials Q1 2016 (TL bn / (%))

| | Ziraat | Sector |
|------------------------|-------------------|----------------------|
| Total Assets | 310 | 2,408 |
| Cash Loans | 193 | 1,528 ⁽⁴⁾ |
| Securities | 67 | 331 |
| Total Deposits | 192 | 1,357 ⁽¹⁾ |
| Shareholders' equity | 34 | 273 |
| Net Profit | 1.6 | 8.2 |
| ROAE | 19.9 | 12.4 ⁽²⁾ |
| ROAA | 2.1 | 1.4 ⁽²⁾ |
| NIM | 4.7 | 4.6 |
| Loan/Deposit | 98 ⁽³⁾ | 111.4 |
| Cost/Income | 34.8 | 42.3 |
| NPL | 1.7 | 3.3 |
| Tier 1 ratio | 13.1 | 13.4 |
| Capital Adequacy Ratio | 14.2 | 15.5 |

1) Including the banks' deposits with an amount of 82.5 TL bn

2) Annualised

3) Excluding intermediated loans for public funds

4) Including the banks' loans with an amount of 16.9 TL bn



Ziraat Bank

Loan Growth

| Ziraat | Sector |
|----------|----------|
| QoQ 3.4% | QoQ 1.8% |
| YoY 22% | YoY 14% |

Deposit Growth

| Ziraat | Sector |
|-----------|-----------|
| QoQ 2.9% | QoQ 2.7% |
| YoY 18.1% | YoY 14.2% |

Net Profit Growth

| Ziraat | Sector |
|----------|-----------|
| QoQ 1.8% | QoQ 12.3% |
| YoY 46% | YoY 22.5% |

Rankings (among top 7 banks)

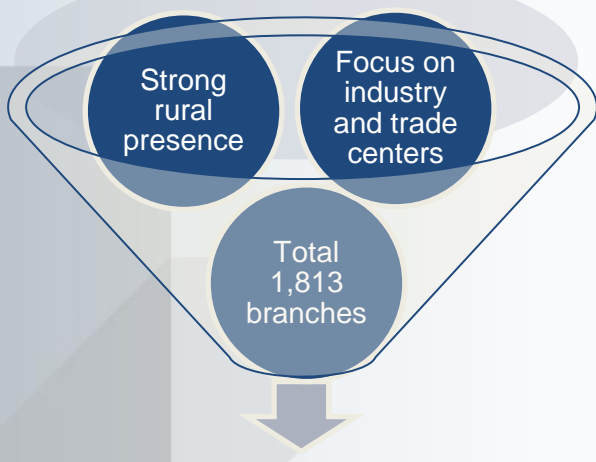
| | 2012 | Q1 2016 |
|----------------|------|---------|
| Total Asset | 2 | 1 |
| Cash Loans | 5 | 1 |
| Consumer Loan* | 4 | 2 |
| Deposit | 1 | 1 |
| Equity | 4 | 1 |
| Non-Cash Loan | 7 | 1 |
| Net Profit | 4 | 1 |
| ROAE | 2 | 1 |
| ROAA | 5 | 1 |
| NIM | 2 | 1 |

* #1 in total GPL and Mortgage Loans

Market Shares (%)

| | 2012 | 2013 | 2014 | 2015 | Q1 2016 |
|----------------|------|------|------|------|---------|
| Assets | 11.9 | 12.0 | 12.4 | 12.8 | 12.9 |
| Cash Loans | 8.8 | 10.4 | 11.4 | 12.5 | 12.6 |
| Securities | 24.2 | 21.9 | 21.4 | 19.7 | 20.1 |
| Deposits | 14.5 | 14.2 | 13.7 | 14.1 | 14.1 |
| Non-Cash Loans | 6.4 | 9.0 | 10.7 | 13.1 | 13.5 |

Largest branch network, highly efficient



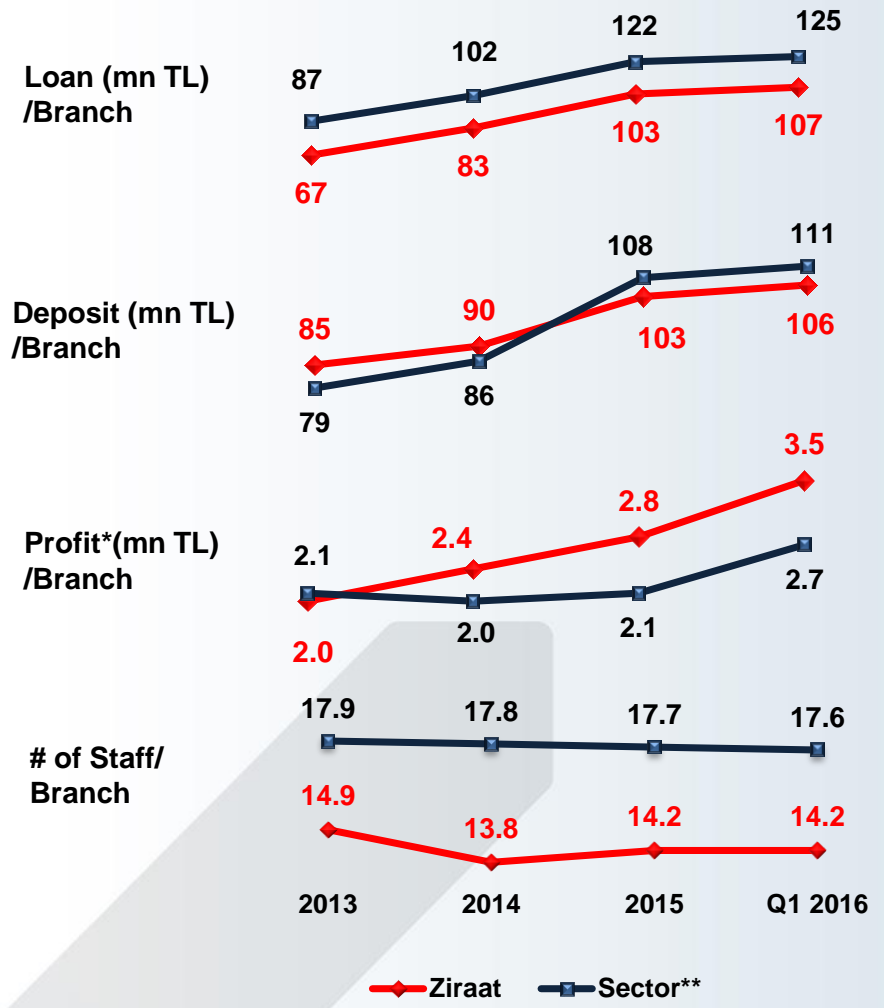
Target to open 40-50 new branches in 2016
 Efficient, small branches (# of staff ≤ 10)

Since 2012 **372** new branches are opened

78% of these branches are in urban areas



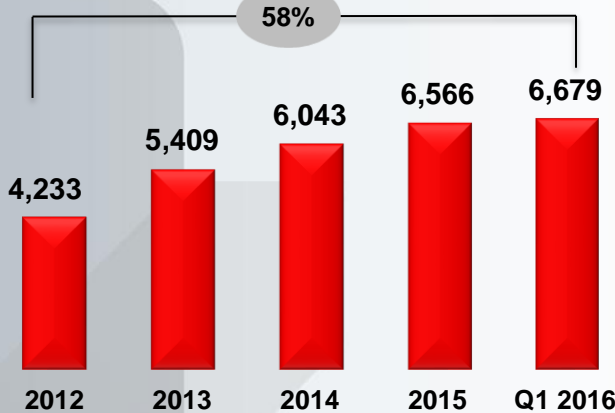
Evolving branch efficiency



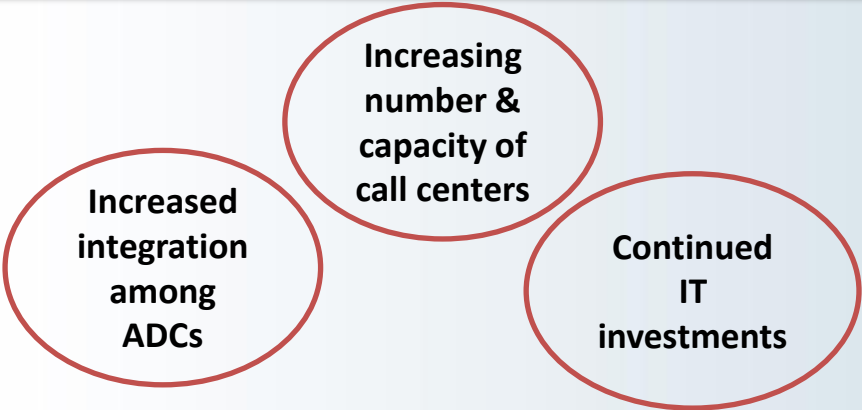
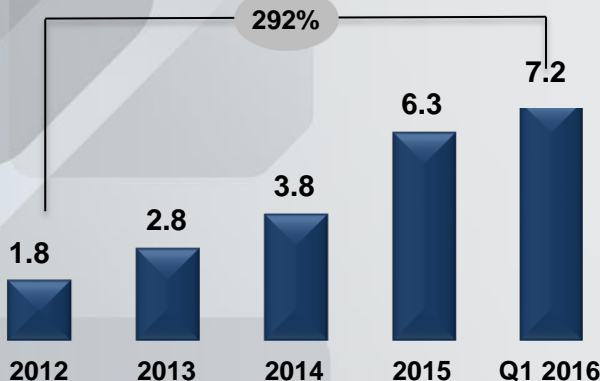
*Annualised
 **Source:BRSA

More focus on digital banking

Number of ATMs



of internet banking customers (mn)



94% transactions performed through ADCs

#1 rank in total ATM market share

13.7% market share in ATMs

23 mn # of debit cards

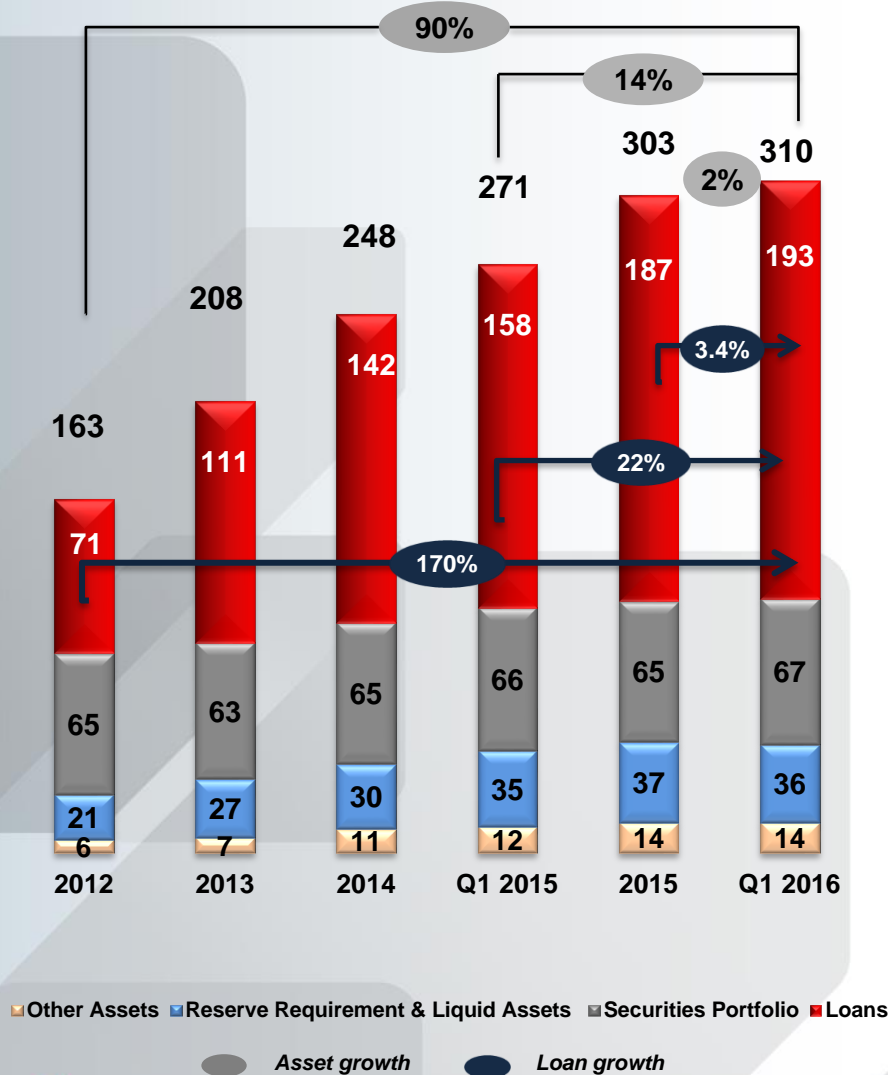


How we did ...

Achievements and trends

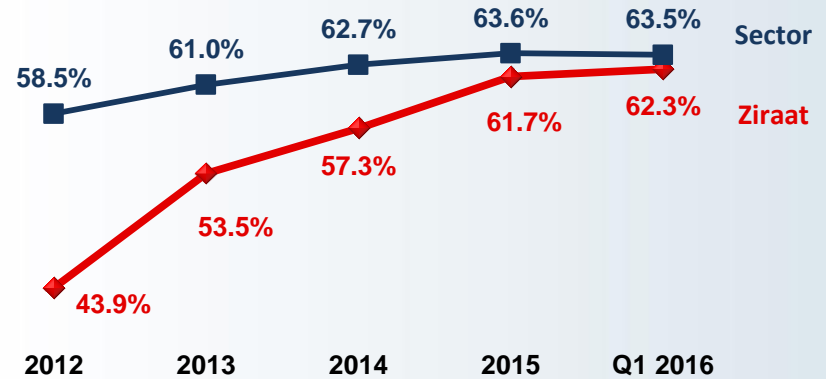
Asset mix compatible with main strategies

Successfully diversifying asset base



More customer driven balance sheet

Loan / Asset



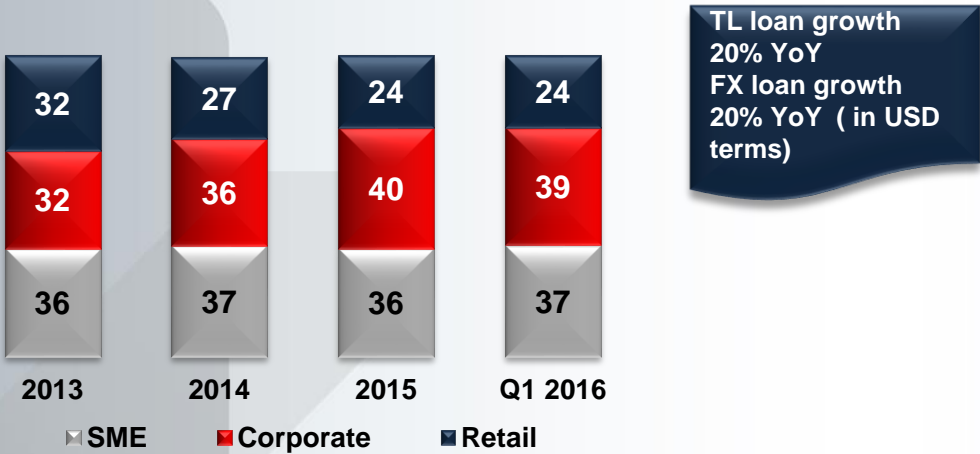
Source: Sector data BRSA

Moderate growth in line with market environment

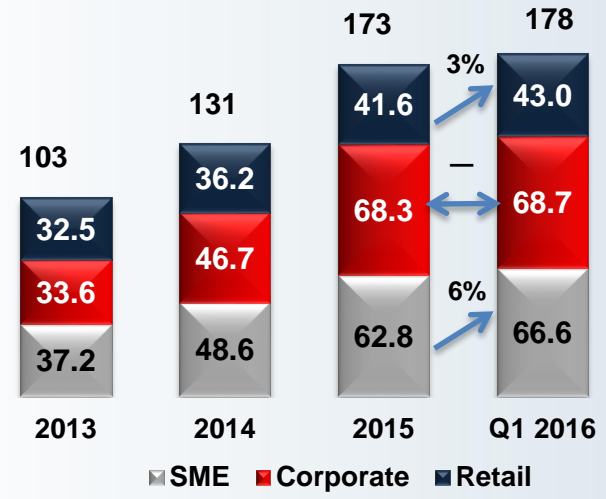
- ✓ TL appreciation limits the loan and the asset growth for the sector and Ziraat Bank in Q1 2016.
- ✓ Asset growth mainly driven by business loan growth
- ✓ 3.4% loan growth QoQ (Currency adjusted growth: 3.6%)
- ✓ TL Asset / Total Assets : 67%

Selective growth in business loans, no material risk concentration

Loan book by customer segmentation*(%)

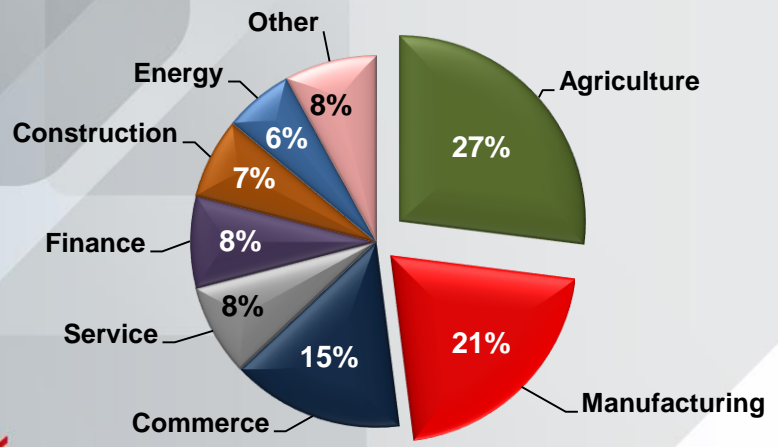


Total loan amounts* by segments (TL bn)

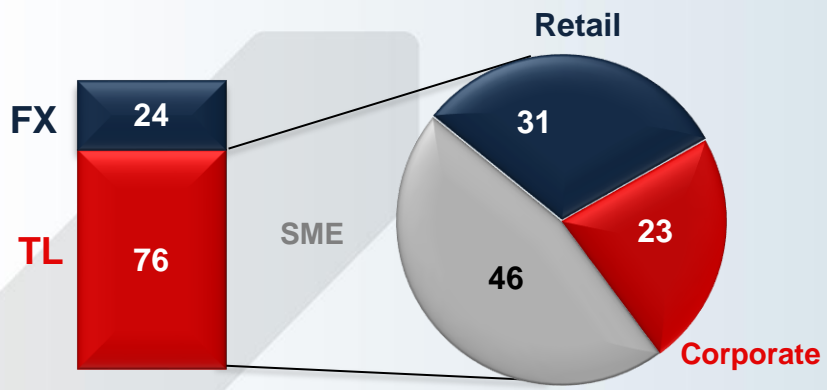


* Accruals, intermediated loans of public funds and foreign branch lending are excluded

Breakdown of business loan book by sector Q1 2016 (%)

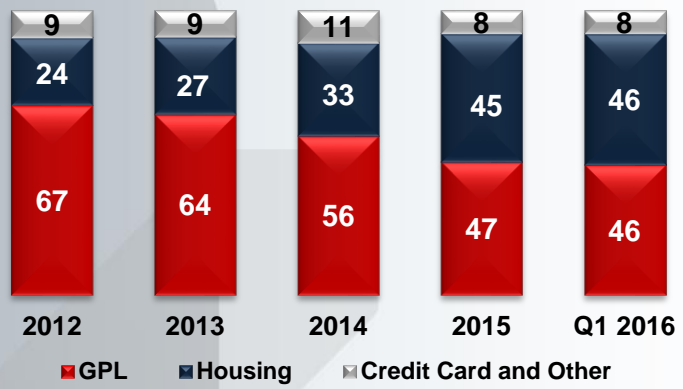


Currency breakdown of loans Q1 2016 (%)



Retail loan growth led by housing loans

Breakdown of retail loans * (%)



*Accruals are excluded
*Intermediated loans of public funds are included

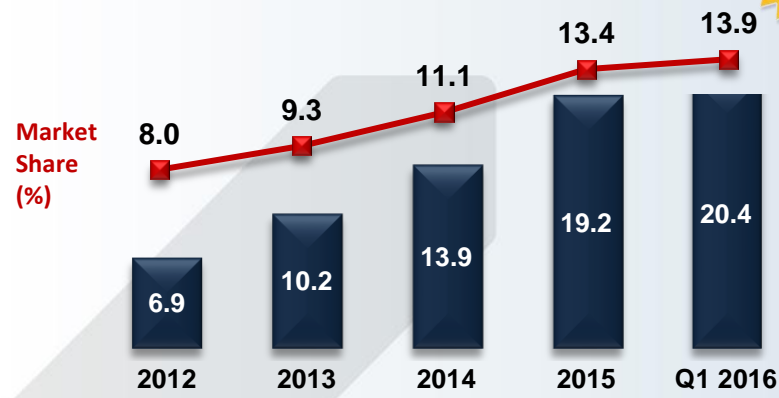
- ✓ Strong presence in retail banking (6 mn payroll accounts)
- ✓ Sector leader in mortgage lending
- ✓ Retail segment loan yield increased 30 bps QoQ
- ✓ Conservative L/V in mortgage lending (< 60%)
- ✓ Cautious growth in credit card business with credit card NPL below peers (Ziraat: 3.5% vs sector: 7.6%)
- ✓ Regulatory easing on retail loans will contribute to the bottom line

GPL amounts* (TL bn)



*Accruals and intermediated loans of public funds are excluded

Housing loan amounts* (TL bn)

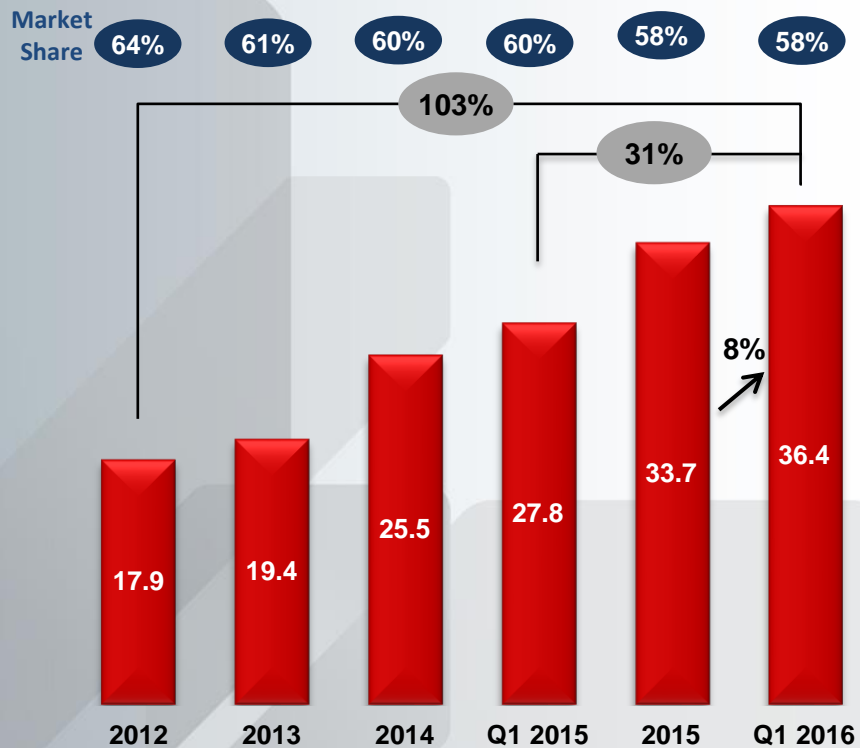


High asset quality
NPL:0.23%



High expertise in agricultural sector

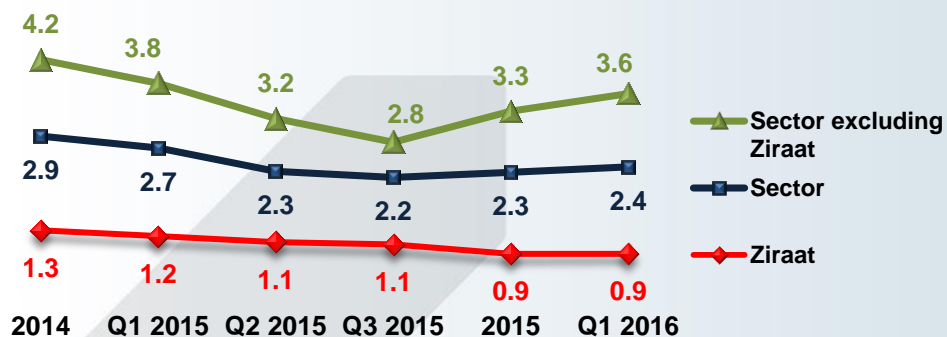
Loans to agricultural sector (TL bn)



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

- ✓ Exclusive provider of subsidized agricultural loans
- ✓ 94% of agricultural loans utilized from Bank's own funds
- ✓ Investment loans constitute 37% of agro-loans (Q1 2016)
- ✓ Strategy to focus on agro-industry loans

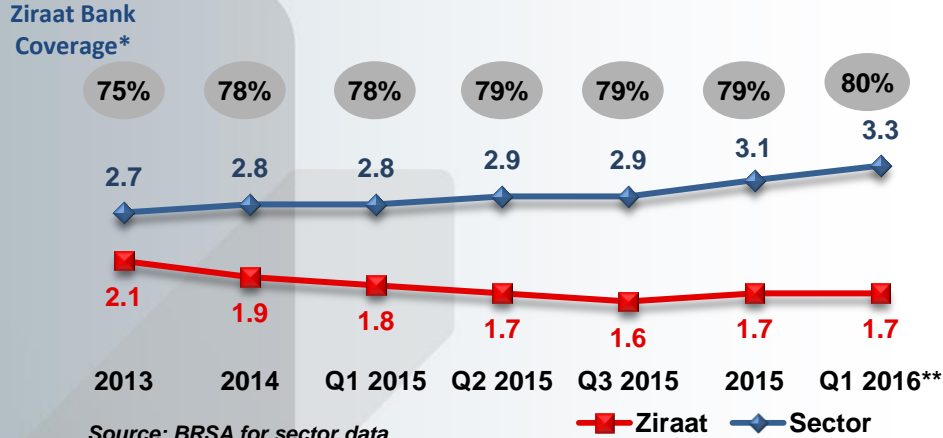
Consistently low agricultural NPL ratio (%)



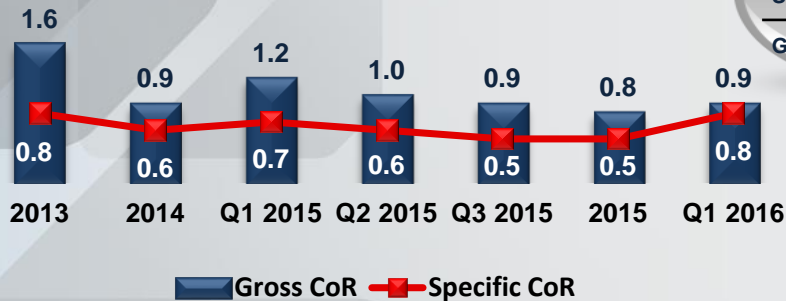
Source: BRSA
Agricultural NPL calculated using loans to agricultural sector

Robust asset quality

NPL and coverage ratios * (%)



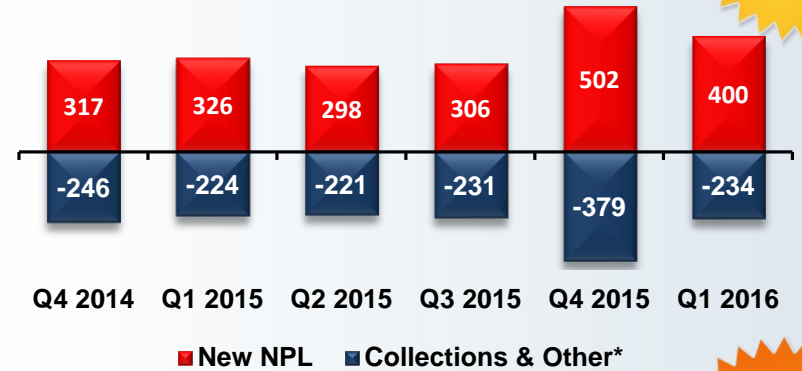
CoR* (%)



* Gross CoR: (specific provisions expenses+general provisions expenses)/(average loans)
 Specific CoR:(specific provisions expenses)/(average loans)

| Provisions Q1 2016 | |
|--------------------|----------|
| Specific | TL2.4 bn |
| General | TL2.9 bn |

New NPL & Collections (TL mn)



Gross NPL formation YoY
Ziraat 16%
Sector 22%

*Restructured NPL's

NPL ratio by segments(%)

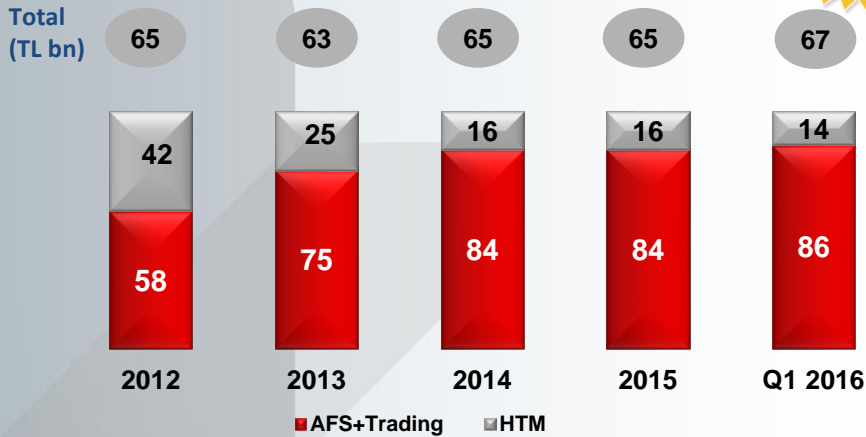
Early warning rating system in practice

| | Retail | | Corporate | | SME | |
|---------|--------|---------|-----------|---------|------|---------|
| | 2015 | Q1 2016 | 2015 | Q1 2016 | 2015 | Q1 2016 |
| Ziraat | 1.4 | 1.4 | 1.2 | 1.3 | 2.1 | 2.2 |
| Sector* | 4.3 | 4.4 | 2.0 | 2.2 | 3.9 | 4.1 |

*Source: BRSA

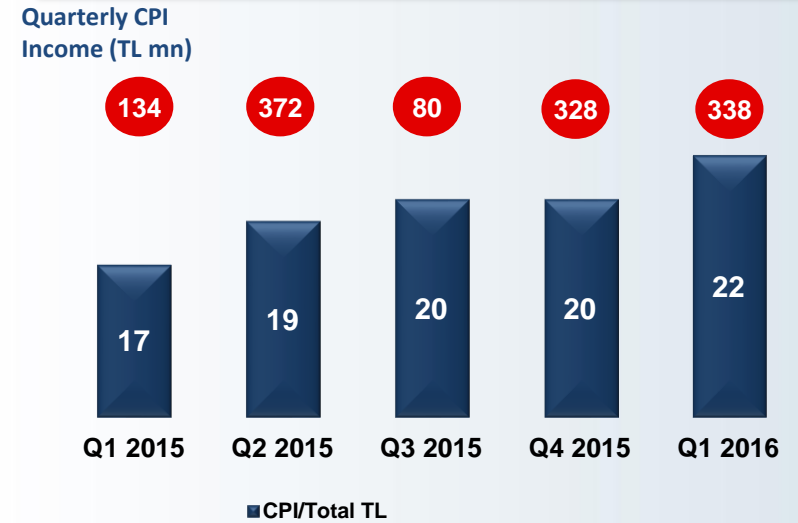
Adaptive securities portfolio management

Composition of securities (%)

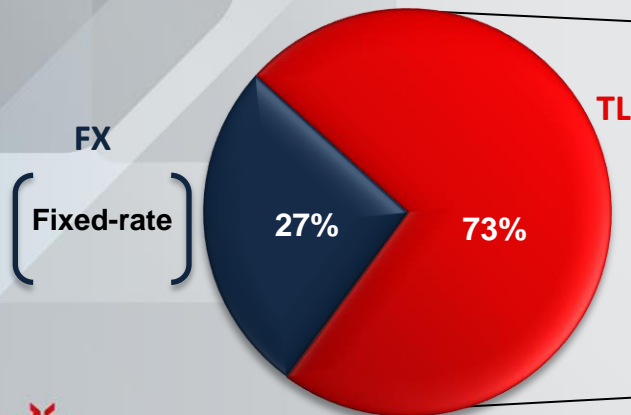


MtM gains from AFS : TL 815 mn QoQ

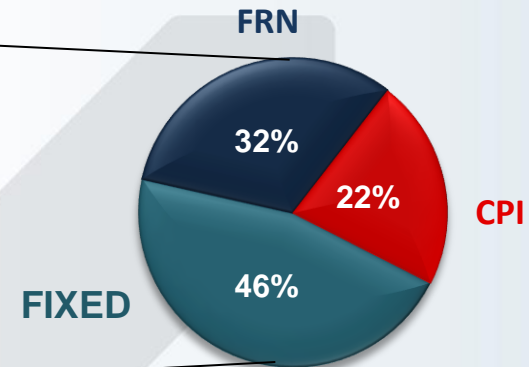
CPI Linker / Total TL Securities (%)



Currency breakdown of securities, Q1 2016

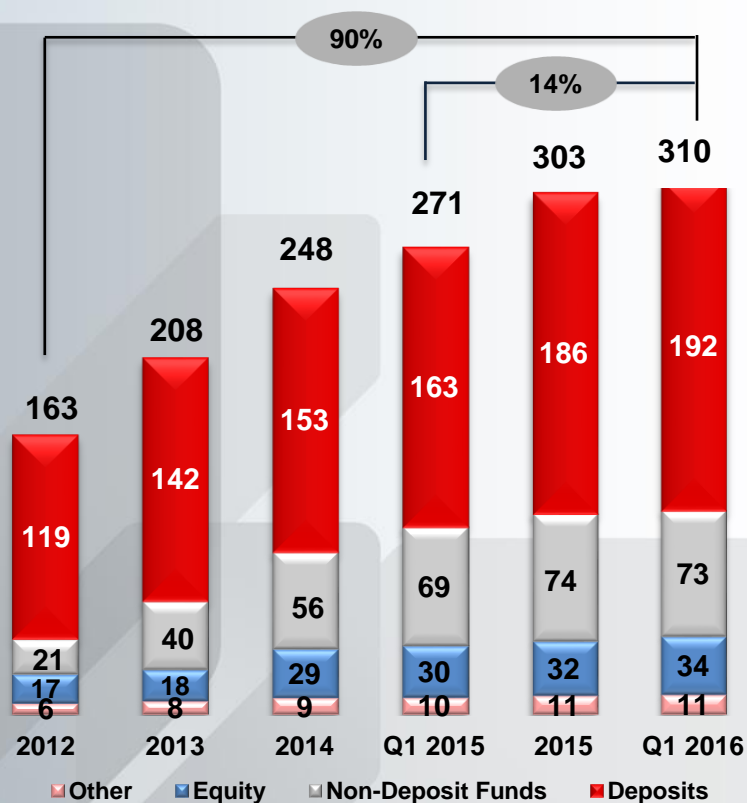


Breakdown of TL securities*, Q1 2016



Strong deposit base, diversified funding sources

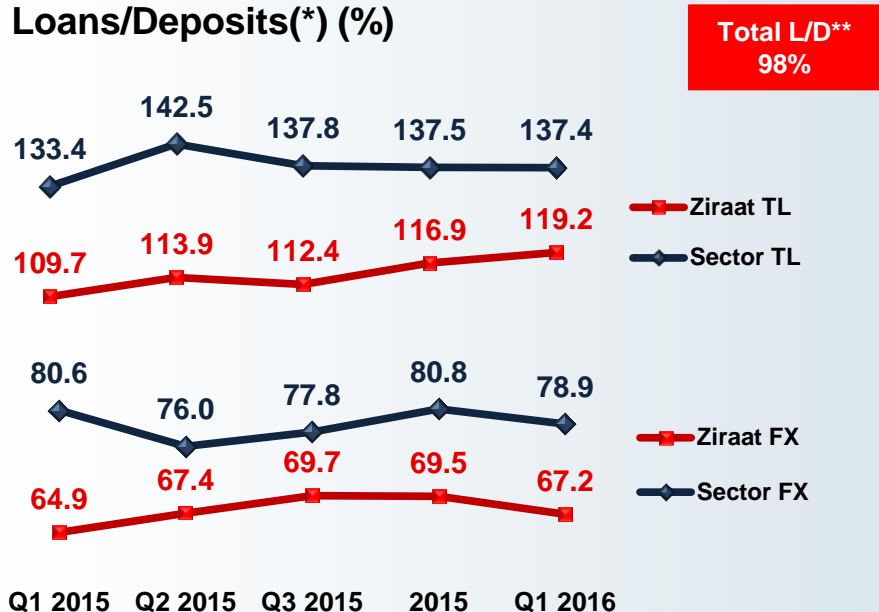
Composition of liabilities (TL bn)



| Growth (%) | QoQ | YoY | 2012- Q1 2016 |
|-------------------|-----|-----|---------------|
| Deposits | 3 | 18 | 61 |
| Non-Deposit Funds | -2 | 6 | 256 |
| Equity | 8 | 13 | 98 |

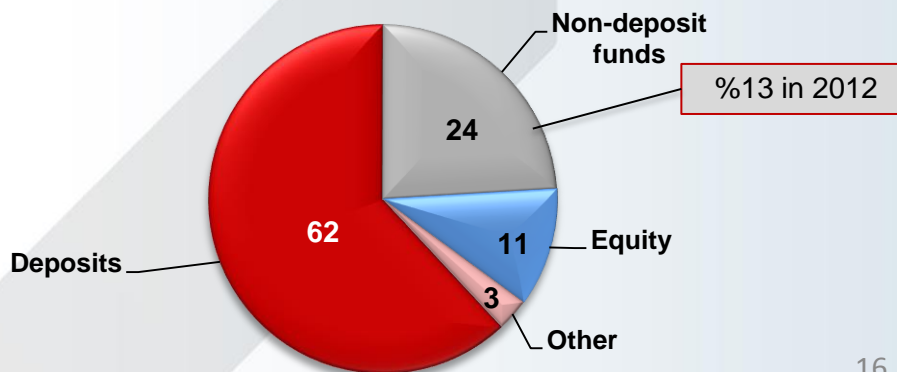
L/D lower than sector average

Loans/Deposits(*) (%)



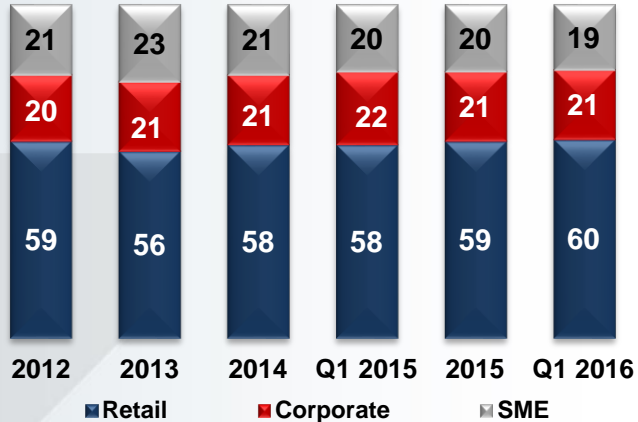
Source: BRSA
*Reported data ** Excluding intermediated loans for public funds

Composition of liabilities Q1 2016 (%)



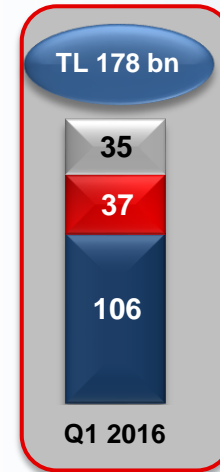
Widespread deposit base

Deposits by customer segmentation* (%)

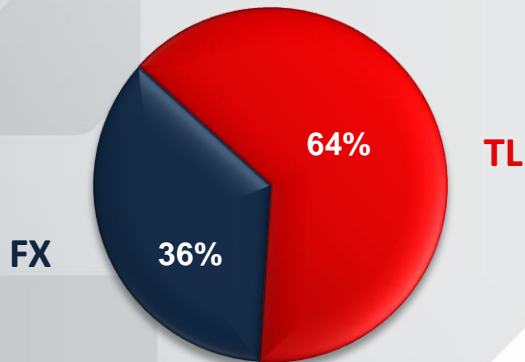


* Bank deposits and foreign branch deposits are excluded.

Total amount*



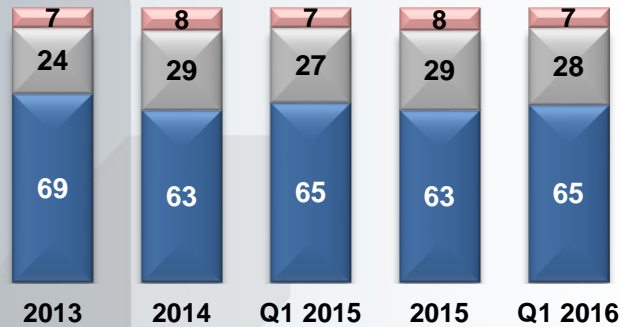
Currency breakdown of deposits Q1 2016



- ✓ Granular and diversified deposit portfolio
- ✓ Demand Deposits / Total Deposits 22% (Sector average 19%)
 - ✓ DD/TD has been steadily increasing since 2012
- ✓ Core deposit ratio around 96%
- ✓ Accounts greater than TL 1 million / total deposits 39.4% (sector average 52%)

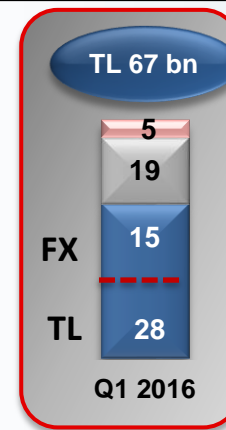
Diversified non-deposit funds

Composition of non-deposit funds* (%)



■ Repo ■ Funds borrowed ■ Bonds issued

Breakdown of non deposit funds* (TL bn)



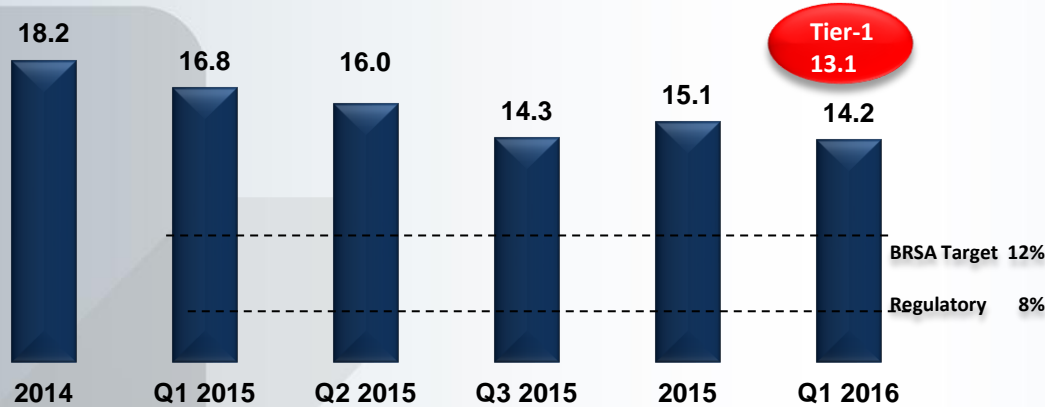
* Intermediated loans of public funds are excluded

Non-Deposit Funding in Q1 2016

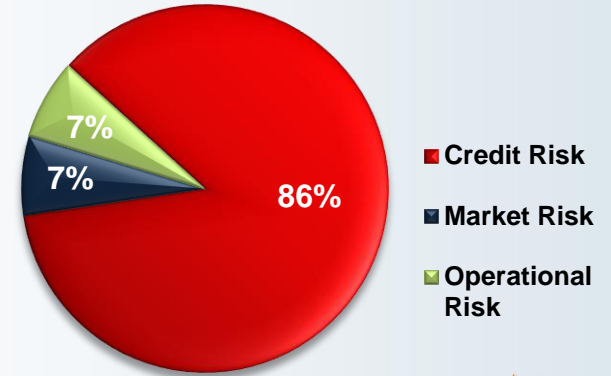
- **IFI's** (e.g World Bank, EIB, AFD): More than 6.5 bn TL equivalent
- **Syndicated Loan Facility**: On March 2016, syndicated loan facility rolled 100% (USD 240.5 mn and EUR 762,0 mn (USD 1.1 bn equivalent)).
- **Benchmark Eurobond Issuance**: 5yr, USD 500 mn eurobond offering in April 2016 with 4.75 % coupon and 4.818% yield. (MS+350bps)
- **GMTN Private Placements**
- **FX repo funding** increased to USD 5.2 bn:

Sound capital structure and internal capital generation

Capital adequacy ratio (%)



Risk Weighted Assets (%) March 2016



High
Tier 1 / Total
Capital ratio
(93%)

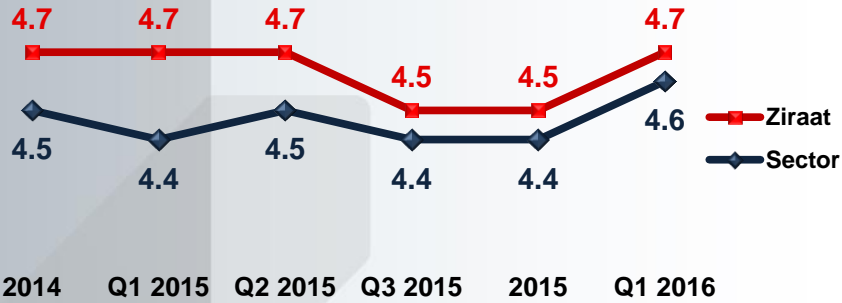
Strong capitalisation assuring sustainable growth

- ✓ Leverage* is close to sector average: Ziraat 8.1 (Sector: 8.0)
- ✓ Negative impact of BRSA regulations (due to Basel III) on CAR offset by increasing profit
- ✓ Moderate market risk (7% of total RWAs)
- ✓ Low credit risk due to prudent credit evaluation policies
- ✓ High profitability supporting further loan growth
- ✓ CAR is highly above the regulatory limit under various scenario analyses (including SIFI buffers)

*Leverage (x) = (Assets/Shareholders' Equity)-1

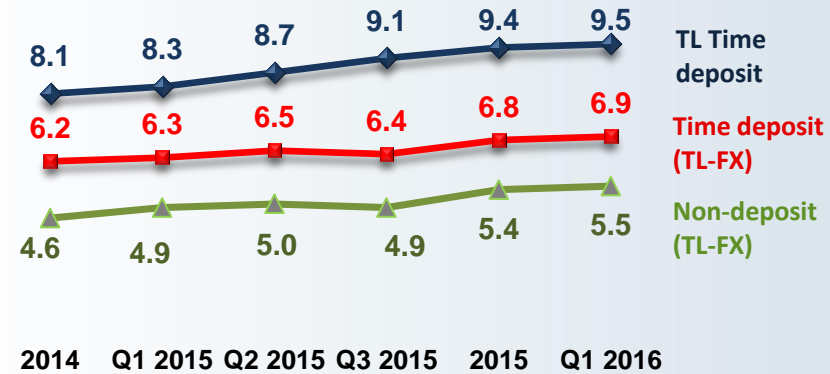
Core spread evaluation and increasing NIM

Net interest margin (NIM cum. %)

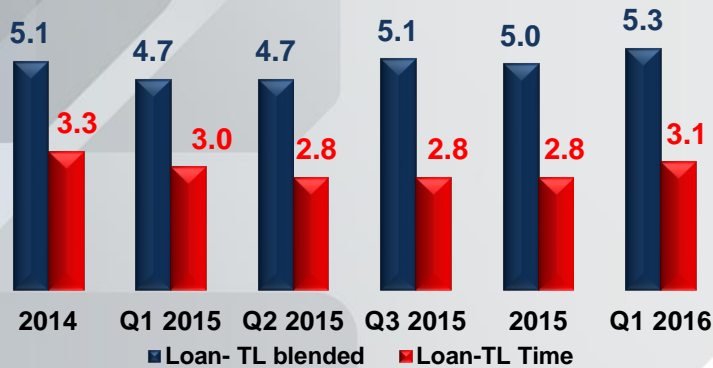


*NIM = Net Interest Earnings / Av. IEA

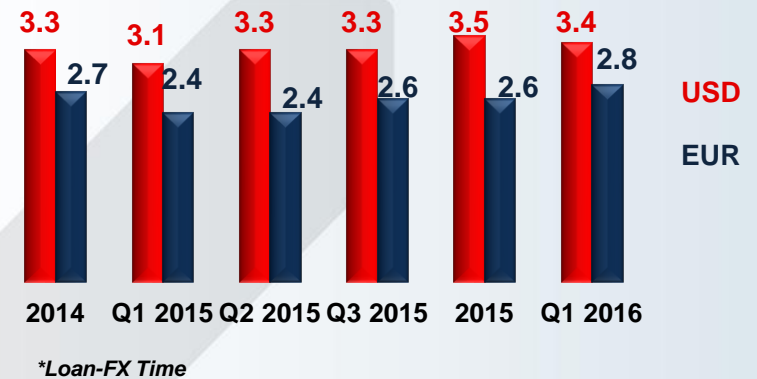
Cost of time deposit vs non-deposit funds (%)



TL loan spreads (%)



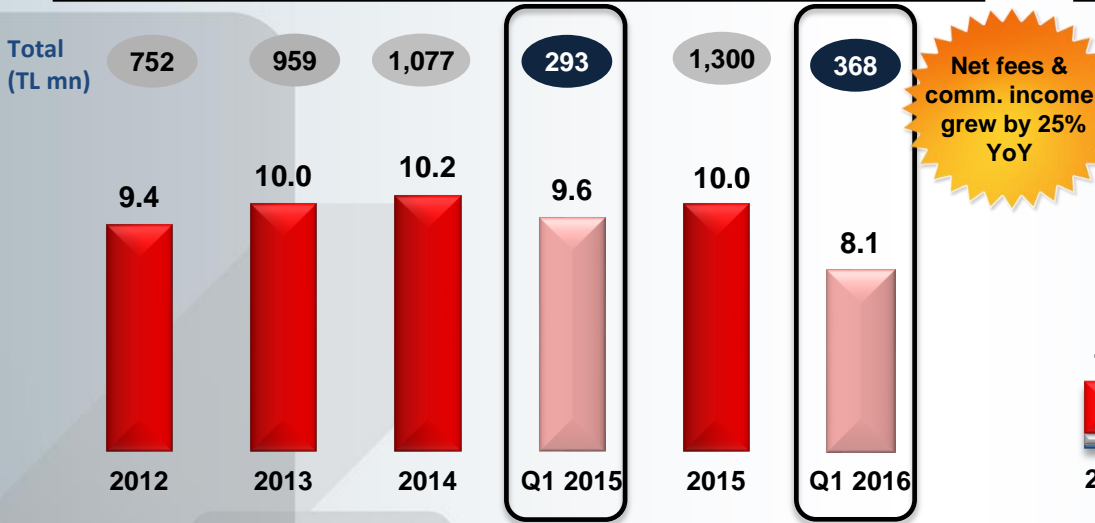
FX loan spreads* (%)



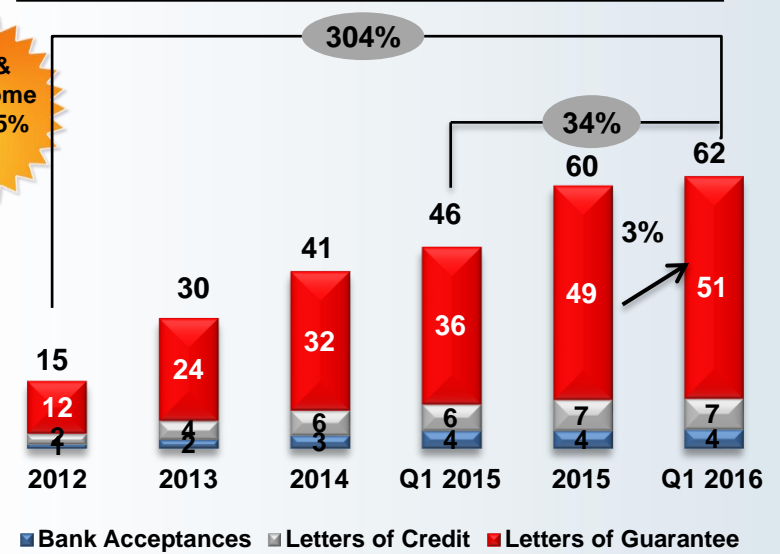
*Loan-FX Time

Accelerating fee generation supported by non-cash loan growth

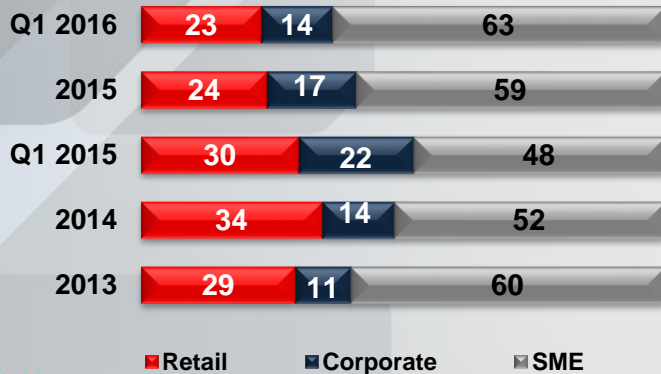
Net fees income/ Net income (%)



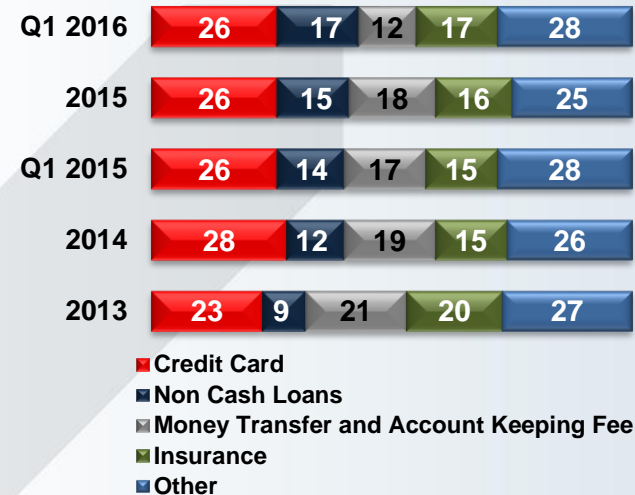
Composition of non-cash loans (TL bn)



Breakdown of commissions from cash loans (%)



Breakdown of fees and commissions (%)



Account Keeping Fee/Total Fee %6.8 in 2015

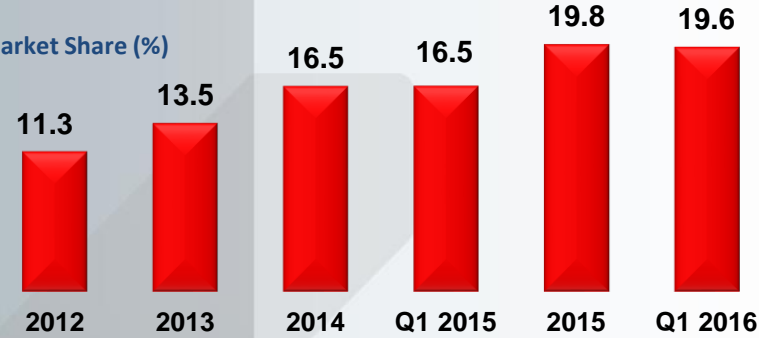
Solid core banking income generation

Net profit* and market share (%)

Net Profit (TL bn)



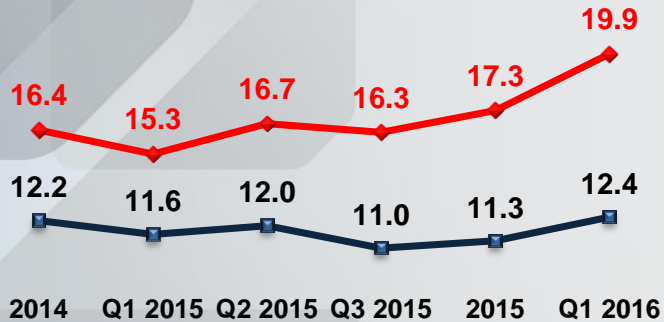
Market Share (%)



*Profit generated in the period

- ✓ Sector leader in total profits since 2013
- ✓ TL 1,6 bn profit generated in 1Q16; 46% YoY growth
- ✓ Strong ROAE and ROAA
- ✓ Loan growth and increasing fee income contributing to bottom line (increasing fee income contribution from SME segment)
- ✓ Effective cost management policies

Return on equity (%)

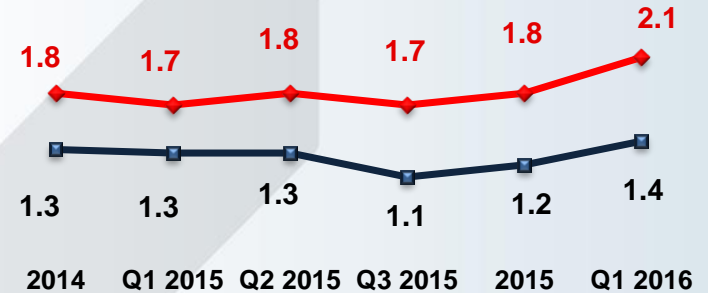


Leading ROAE & ROAA among peers

◆ Ziraat
■ Sector*

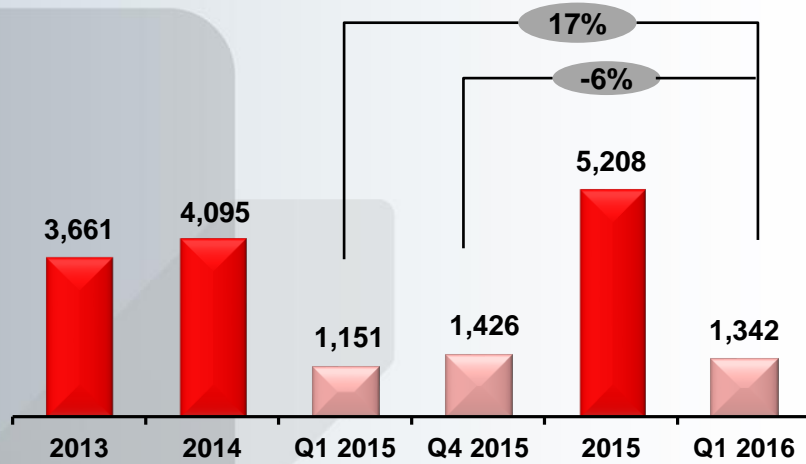
*Source: BRSA

Return on assets (%)

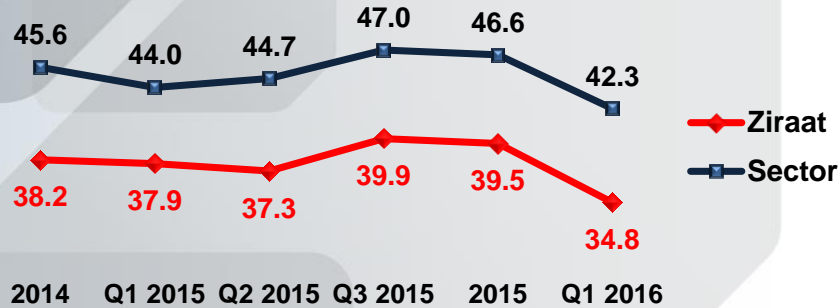


Manageable OPEX evolution

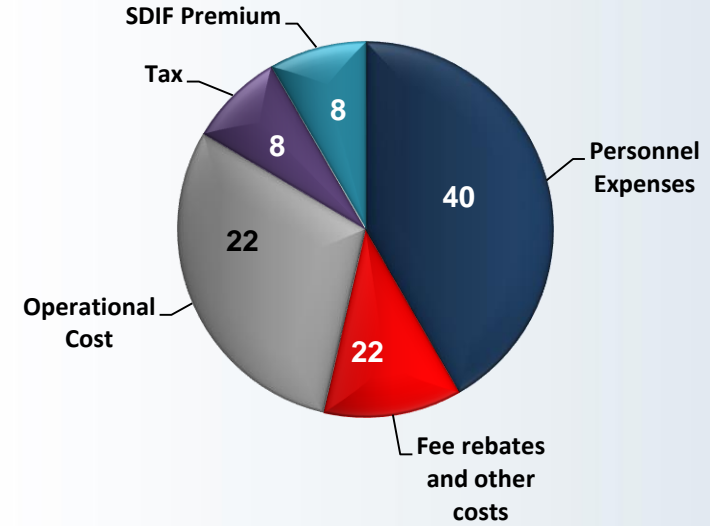
Other operating expenses (TL mn)



Cost/Income ratio (%)



Breakdown of OPEX, Q1 2016 (%)



C/I improvement due to:

- ✓ Decrease in fee rebates and other non-recurring costs
- ✓ Less branch openings expected in 2016
- ✓ Improvements in cost efficiency
- ✓ Moderate growth in personnel expenses (10.4% YoY)

APPENDIX

Balance Sheet Summary

| TL mn | 2013 | 2014 | Q1 2015 | 2015 | Q1 2016 | % Change QoQ | % Change YoY |
|---|----------------|----------------|----------------|----------------|----------------|--------------|--------------|
| CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY | 26,602 | 30,149 | 34,784 | 36,535 | 36,029 | -1.4 | 3.6 |
| BANKS | 2,465 | 2,191 | 2,450 | 4,447 | 4,555 | 2.4 | 85.9 |
| SECURITIES | 62,798 | 64,563 | 65,833 | 64,871 | 66,523 | 2.5 | 1.0 |
| LOANS | 111,048 | 141,915 | 158,353 | 186,813 | 193,159 | 3.4 | 22.0 |
| -Gross NPL | 2,417 | 2,717 | 2,842 | 3,141 | 3,302 | 5.1 | 16.2 |
| -Specific Provisions (-) | 1,623 | 1,932 | 2,026 | 2,271 | 2,445 | 7.7 | 20.7 |
| OTHERS | 4,617 | 8,782 | 9,860 | 10,182 | 9,756 | -4.2 | -1.1 |
| TOTAL ASSETS | 207,530 | 247,600 | 271,280 | 302,848 | 310,022 | 2.4 | 14.3 |
| DEPOSITS | 141,735 | 153,255 | 162,509 | 186,469 | 191,846 | 2.9 | 18.1 |
| FUNDS BORROWED | 8,559 | 14,608 | 17,339 | 19,543 | 18,693 | -4.3 | 7.8 |
| INTERBANK MONEY MARKET | 24,571 | 31,781 | 41,521 | 43,086 | 43,208 | 0.3 | 4.1 |
| PROVISIONS | 3,958 | 4,758 | 4,900 | 5,161 | 5,305 | 2.8 | 8.3 |
| SHAREHOLDERS' EQUITY | 18,367 | 28,540 | 29,836 | 31,546 | 33,956 | 7.6 | 13.8 |
| OTHERS | 10,340 | 14,658 | 15,175 | 17,043 | 17,014 | -0.2 | 12.1 |

Income Statement Summary

| TL MN | 2014 | Q1 2015 | Q4 2015 | 2015 | Q1 2016 | % Change QoQ | % Change YoY |
|-----------------------------------|--------|---------|---------|--------|---------|-----------------|-----------------|
| INTEREST INCOME | 18,165 | 4,958 | 6,051 | 22,050 | 6,448 | 6.6 | 30.1 |
| -From Loans | 12,755 | 3,712 | 4,598 | 16,677 | 4,926 | 7.1 | 32.7 |
| -From Securities | 5,333 | 1,188 | 1,404 | 5,197 | 1,450 | 3.3 | 22.1 |
| INTEREST EXPENSE | 9,558 | 2,583 | 3,116 | 11,542 | 3,298 | 5.8 | 27.7 |
| -On Deposits | 7,512 | 1,988 | 2,319 | 8,668 | 2,399 | 3.4 | 20.7 |
| NET INTEREST INCOME | 8,607 | 2,375 | 2,934 | 10,509 | 3,151 | 7.4 | 32.7 |
| NET FEES & COMMISSIONS | 1,077 | 293 | 374 | 1,300 | 368 | -1.6 | 25.6 |
| -Fees and Commissions Received | 1,357 | 372 | 457 | 1,637 | 455 | -0.4 | 22.3 |
| -Fees and Commissions Paid | 279 | 79 | 83 | 337 | 87 | 4.8 | 10.1 |
| OTHER OPERATING INCOME | 911 | 381 | 341 | 1,340 | 336 | -1.5 | -11.8 |
| OPEX | 4,095 | 1,151 | 1,426 | 5,208 | 1,342 | -5.9 | 16.6 |
| NET OPERATING PROFIT | 5,179 | 1,452 | 1,987 | 6,568 | 2,069 | 4.1 | 42.5 |
| NET PROFIT | 4,051 | 1,102 | 1,581 | 5,162 | 1,609 | 1.8 | 46.0 |

Key Financial Ratios

| (%) | 2013 | 2014 | Q1 2015 | Q2 2015 | Q3 2015 | 2015 | Q1 2016 |
|-------------------|--------|--------|---------|---------|---------|--------|---------|
| ROAA | 1.8 | 1.8 | 1.7 | 1.8 | 1.7 | 1.8 | 2.1 |
| ROAE | 18.4 | 16.4 | 15.3 | 16.7 | 16.3 | 17.3 | 19.9 |
| Cost to Income | 37.1 | 38.2 | 37.9 | 37.3 | 39.9 | 39.5 | 34.8 |
| NIM (cum.) | 5.2 | 4.7 | 4.7 | 4.7 | 4.5 | 4.5 | 4.7 |
| | | | | | | | |
| Loans/Deposits | 78 | 93 | 97 | 98 | 96 | 100 | 101 |
| Loans/Assets | 54 | 57 | 58 | 60 | 61 | 62 | 62 |
| Securities/Assets | 30 | 26 | 24 | 23 | 21 | 21 | 21 |
| | | | | | | | |
| NPL | 2.1 | 1.9 | 1.8 | 1.7 | 1.6 | 1.7 | 1.7 |
| Coverage | 75 | 78 | 78 | 79 | 79 | 79 | 80 |
| CoR (Gross) | 1.6 | 0.9 | 1.2 | 1 | 0.9 | 0.8 | 0.9 |
| | | | | | | | |
| CAR | 13.2 | 18.2 | 16.8 | 16 | 14.3 | 15.1 | 14.2 |
| Leverage | 10.3 | 7.7 | 8.1 | 8.5 | 9.2 | 8.6 | 8.1 |
| | | | | | | | |
| # of | | | | | | | |
| Branches | 1,661 | 1,707 | 1,726 | 1,760 | 1,802 | 1,812 | 1,813 |
| Employees | 24,725 | 23,617 | 24,496 | 24,609 | 24,892 | 25,697 | 25,660 |
| ATMs | 5,409 | 6,043 | 6,199 | 6,304 | 6,443 | 6,566 | 6,679 |

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