



INVESTOR PRESENTATION

June 2015



Ziraat Bank

Resilient Turkish economic environment

	2013	2014	2015	
GDP (USD bn)	823	800	850	Improvements in inflation outlook, correction in food prices
GDP growth (%)	4.2	2.9	4.0	Moderate GDP growth in Q1: 2.3%
Unemployment (annual) (%)	9.0	10.3	9.5 ¹	Positive effect of lower energy and commodity prices on inflation and CAD
CPI (annual) (%)	7.4	8.2	6.3 ²	Low budget deficit and public debt to GDP ratio among peers, continuing structural reforms
Current Account Balance/GDP (%)	-7.9	-5.7	-5.4	CBRT policies aiming to extend maturity of FX denominated liabilities and corporate debt
Public Debt/ GDP (%)	36.1	33.5	31.8	Well-regulated, highly capitalized and well-governed banking sector
Budget Deficit/ GDP (%)	1.2	1.3	1.1	

Source: CBRT, TURKSTAT, Ministry of Finance

1: As of 30.04.2015 unemployment 9.6%

2: As of 31.07.2015 CPI 6.8%

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 30 mn customers
- Commercial bank
- Investment grade ratings since 2012
- Appetite to grow locally and globally
- Sound and improving financial outlook

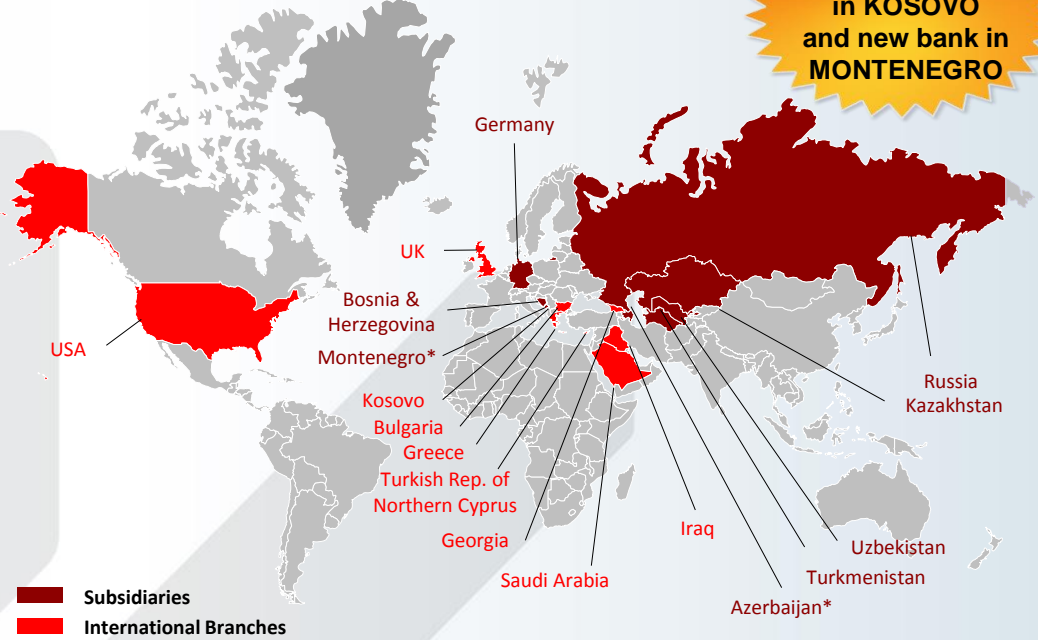
Local Subsidiaries

- ✓ 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

International Network

New foreign branch in KOSOVO and new bank in MONTENEGRO



■ Subsidiaries
■ International Branches

Presence in 18 countries, 95 service points**

*Started its operations by the end of July
 ** As of end of July



Well-established business model

✓ Customer Segmentation

- Corporate
- SME
- Retail

✓ Branch Segmentation

- Corporate : 24
- SME : 81 (*Medium & Large SMEs*)
- Dynamic SME : 91 (*Micro & Small SMEs*)
- Branch : 1,538

✓ 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, satisfaction and loyalty

✓ 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

✓ Centralization rate of operations reached 99%

✓ Basic banking system software improvements

Strong position in Banking Sector

Key Financials (Q2 2015) (TL bn / (%))

	Ziraat	Sector
Total assets	283	2,223
Cash Loans	168	1,411
Securities	65	313
Total deposits	171	1,243*
Shareholders' equity	30	244
Net Profit	2.4	13.8
ROAE	16.7	12.0
ROAA	1.8	1.3
NIM	4.7	4.5
Loan/Deposit	97.4	113.5
Cost/Income	37.3	44.7
NPL	1.7	2.9
Tier 1 ratio	15.0	13.1
Capital Adequacy Ratio	16.0	15.4

*Including the banks' deposits with an amount of 75.4 TL bn



Rankings (among top 7 banks)

	2012	Q2 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	2	1
ROAA	5	1
NIM	2	1
CAR	1	1

Market Shares (%)

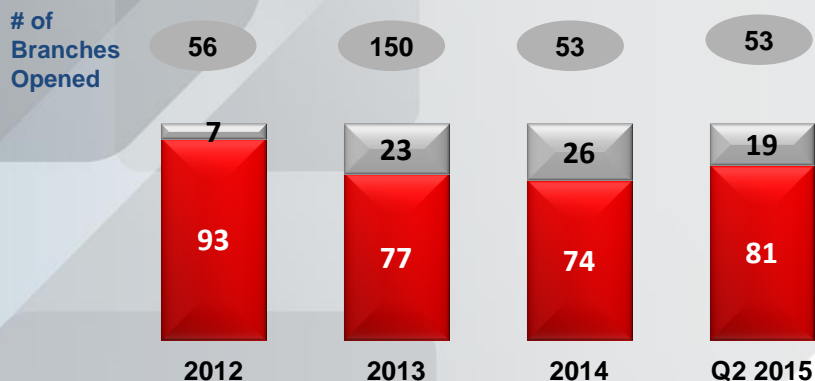
	2012	2013	2014	Q2 2015
Assets	11.9	12.0	12.4	12.7
Cash Loans	8.8	10.4	11.4	11.9
Securities	24.2	21.9	21.4	20.6
Deposits	14.5	14.2	13.7	13.8
Non-Cash Loans	6.4	9.0	10.7	11.4

Largest branch network in Turkey

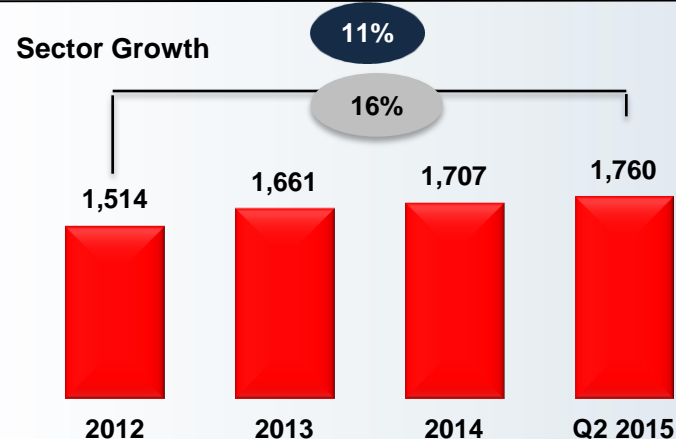
- ✓ Strong presence at the under banked parts of Turkey
- ✓ Addressing industry and trade centers with a focus on industrialized cities
- ✓ In H1 2015, 53 new branch opened mostly in big cities
- ✓ In 2015, expecting to open more than **100** new branches

Presence in 403 locations without a competitor

Distribution of new branches (%)



Strong footprint across the country (# of branches*)



* Includes foreign branches

Evolving branch efficiency

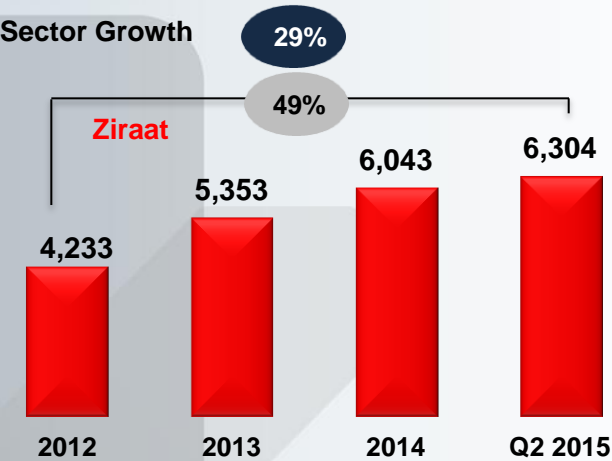
TL mn	Ziraat			Sector*		
	2013	2014	Q2 2015	2013	2014	Q2 2015
Loan/Branch	67	83	96	87	102	115
Deposit/Branch	85	90	97	79	86	95
Profit/Branch	2.0	2.4	2.8**	2.1	2.0	2.2**
# of Staff /Branch	14.9	13.8	14.0	17.9	17.8	17.8

* Source:BRSA

** Profits are annualized

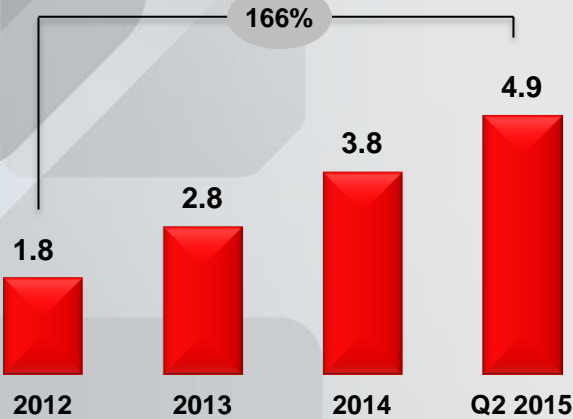
More effective banking through alternative distribution channels

of ATMs



- ✓ Serving customers through the most efficient channel
- ✓ Share of transactions performed through ADCs increased from 50% in 2012 to 93% in Q2 2015
- ✓ Strategies to increase usage of debit cards
- ✓ Sector leadership in number of debit cards with 23.5 mn and debit card spending with 19.2% market share

of customers using internet banking (mn)



Market share in debit card ownership Q2 2015 (%)



Source: Interbank Card Center



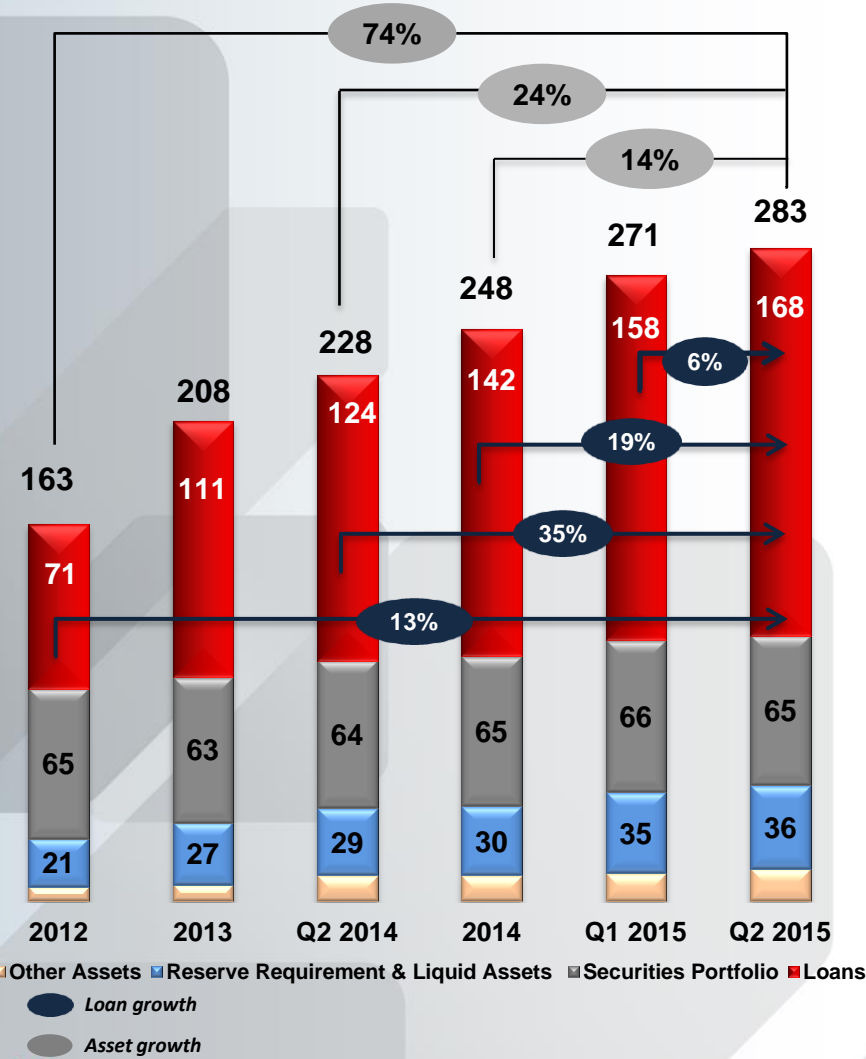


How we did ...

Achievements and trends

Reshuffling asset composition leading to higher income generation

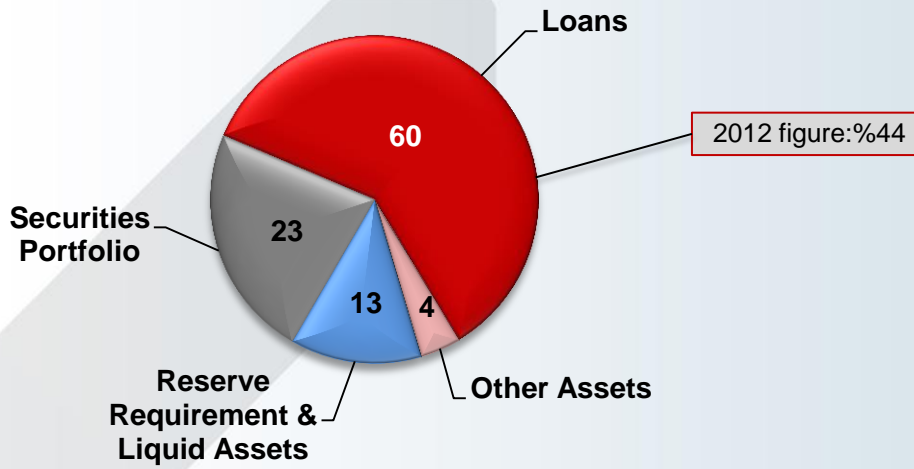
Successfully diversifying asset base



Strong growth prospects in line with strategies

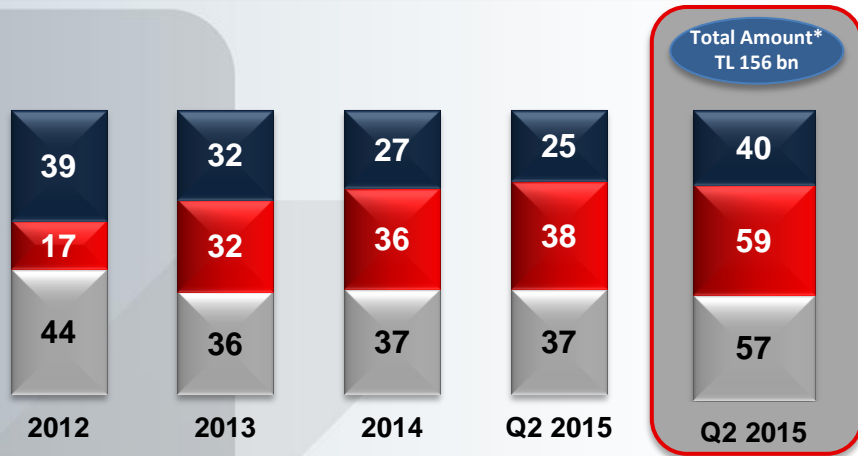
- ✓ Total assets grew 14.1% YtD vs sector 11.5% and total loans increased 18.6% vs sector 12.9%
- ✓ Asset growth mainly driven by business loan growth
- ✓ TL denominated balance sheet (TL assets 67% of total assets)

Composition of assets Q2 2015(%)



Growing business lending consistent with strategies

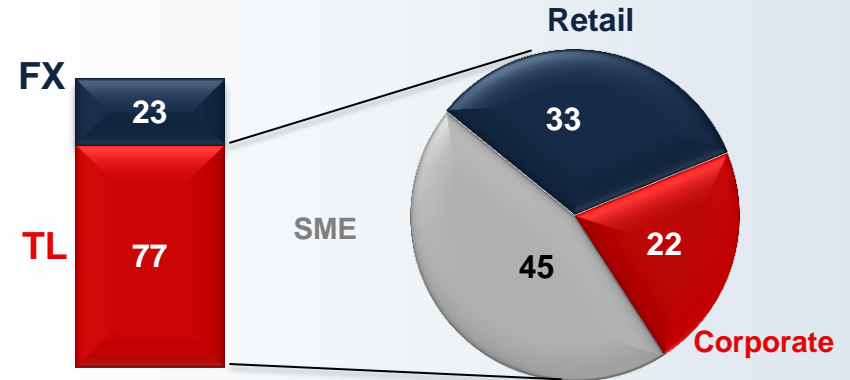
Loan book by customer segmentation* (%)



■ SME ■ Corporate ■ Retail

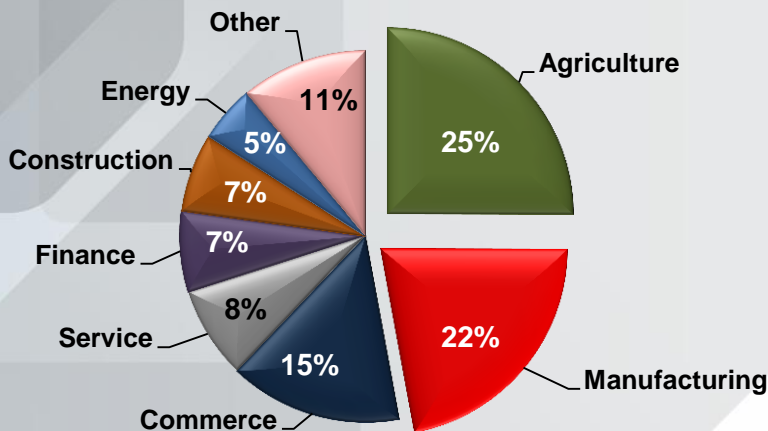
* Accruals and intermediated loans of public funds are excluded

Currency breakdown of loans Q2 2015 (%)



YtD
TL loan growth 17%
FX loan growth 6%
(in USD terms)

Breakdown of non-retail loan book by sector Q2 2015 (%)

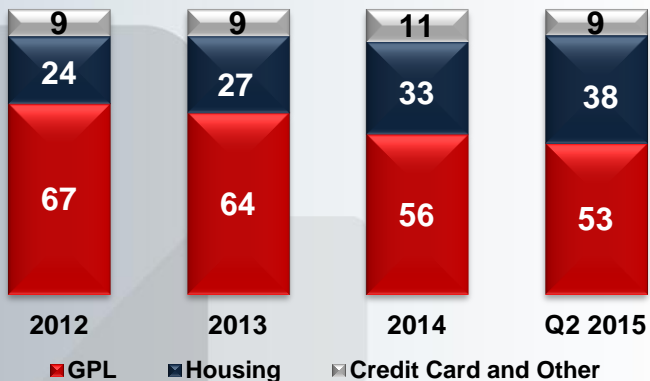


Sectors are classified according to NACE Codes

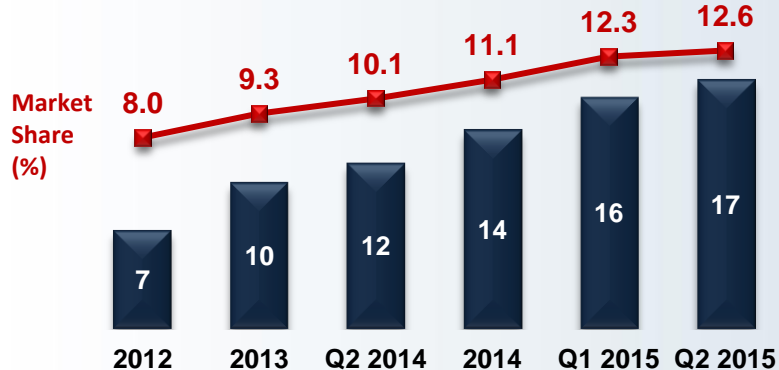
- ✓ No material risk concentration
- ✓ Strategies to achieve balanced loan portfolio breakdown
- ✓ TL heavy lending
- ✓ FX lending proportional to the FX revenues of borrowing corporates

Retail loan growth driven by housing loans

Breakdown of retail loans * (%)



Housing loan amounts* (TL bn)

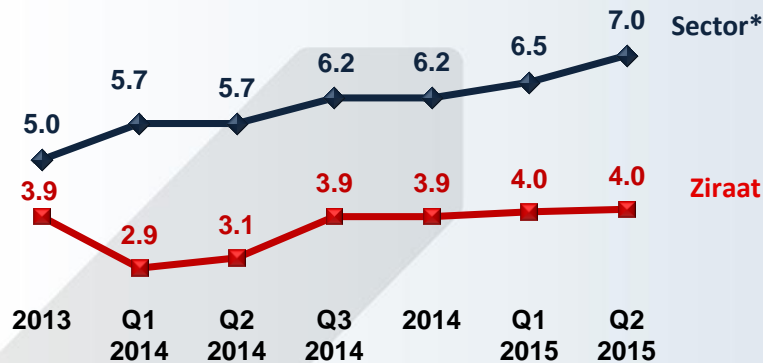


*Accruals and intermediated loans of public funds are excluded

14.3% YtD growth on retail loans vs 5.3% in the sector

- ✓ Limited exposure to Credit Card business with a market share of 3% in turnover (6% in number of cards).
- ✓ Implemented a new model to detect customer needs proactively

Credit Card NPLs

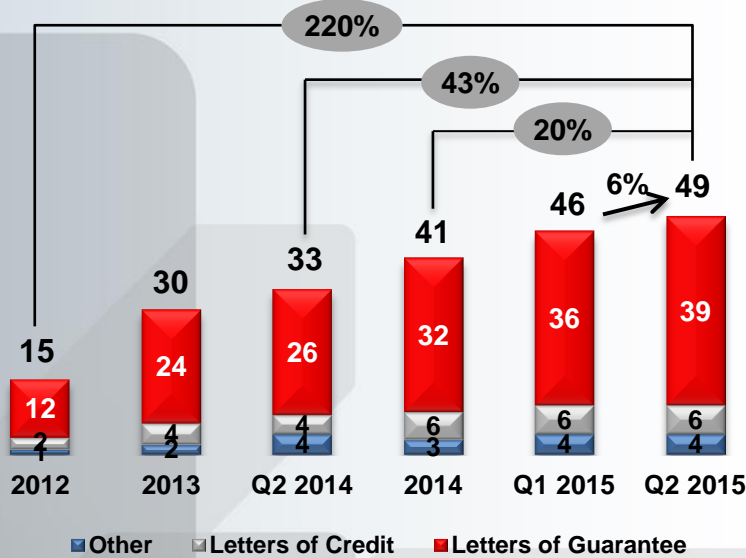


*Source: BRSA

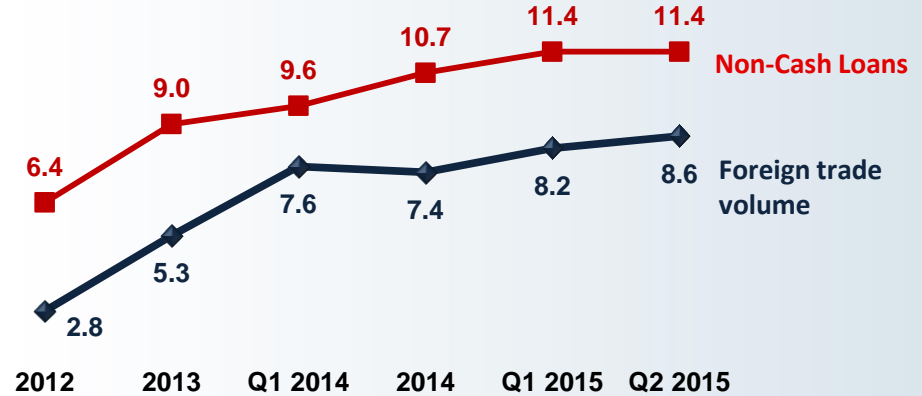


Increasing contribution of trade finance and project finance

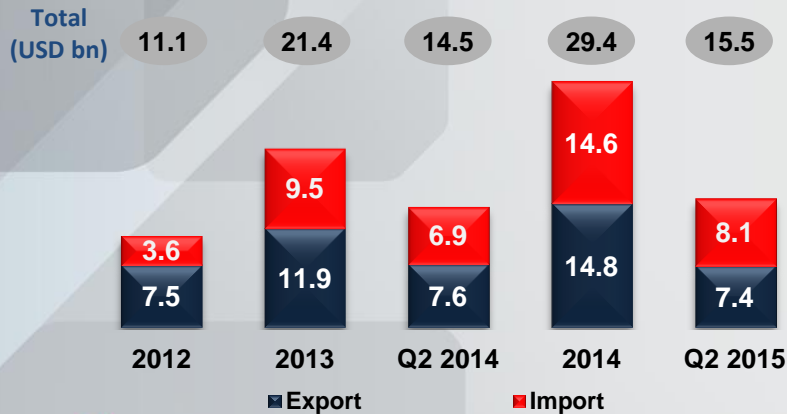
Composition of non-cash loans (TL bn)



Robust growth in market shares



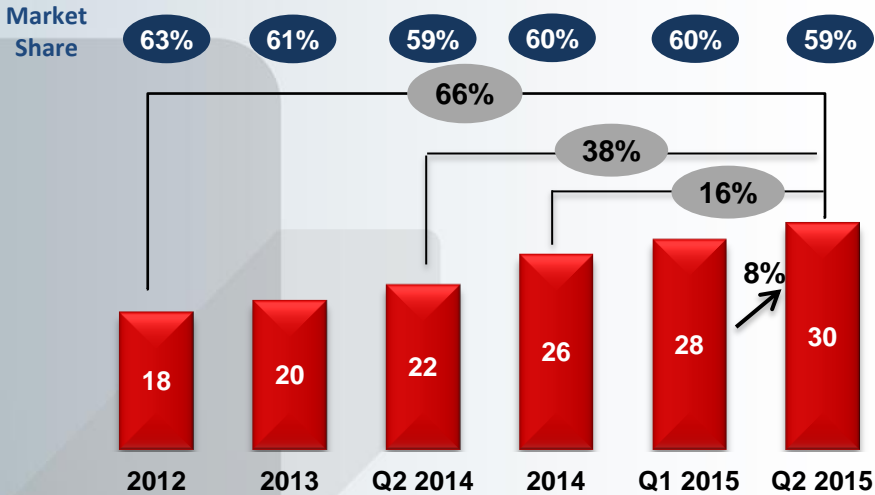
Foreign trade volume (USD bn)



- ✓ More pivotal in intermediating international trade
- ✓ Increasing non-cash lending with positive impact on fees and commissions income
- ✓ Gaining strong foothold at project finance 45% YoY growth in Q2 2015
- ✓ Total project finance loan portfolio reached to USD 8.3 bn
- ✓ Increase in trade finance activities provide alternative funding source

Exclusive expertise and know-how in agricultural sector

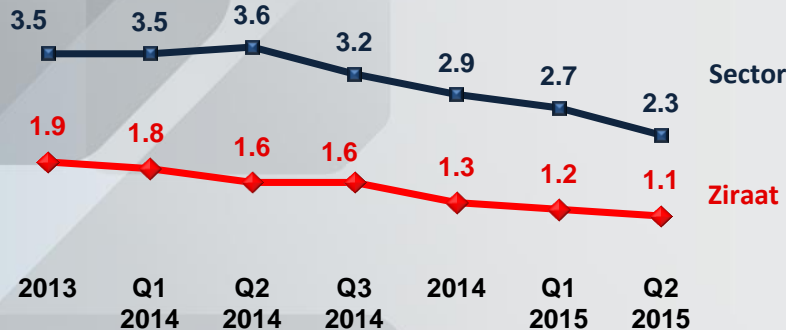
Loans to agricultural sector (TL bn)



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

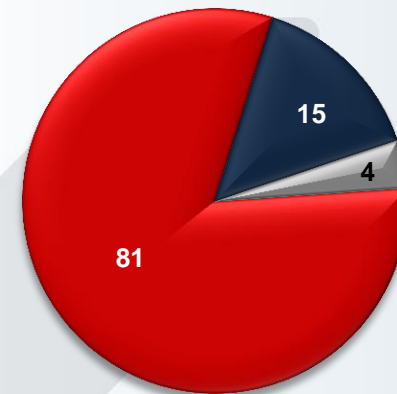
- ✓ Exclusive provider of subsidized agricultural loans
- ✓ Share of investment loans increased from 30% in 2008 to 39% in Q2 2015
- ✓ 92% of agricultural loans utilized from Bank's own funds
- ✓ Consistent agro-loan maturities with production and harvest periods

Consistently low agricultural NPL ratio (%)



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

Agricultural loans by segments * (%) Q2 2015



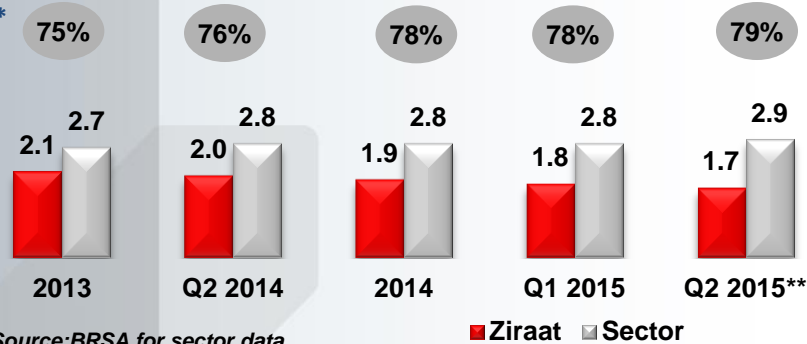
■ Micro SME ■ Medium and Small SME ■ Large SME and Corporate

*Accruals and intermediated loans of public funds are excluded

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

NPL and coverage ratios * (%)

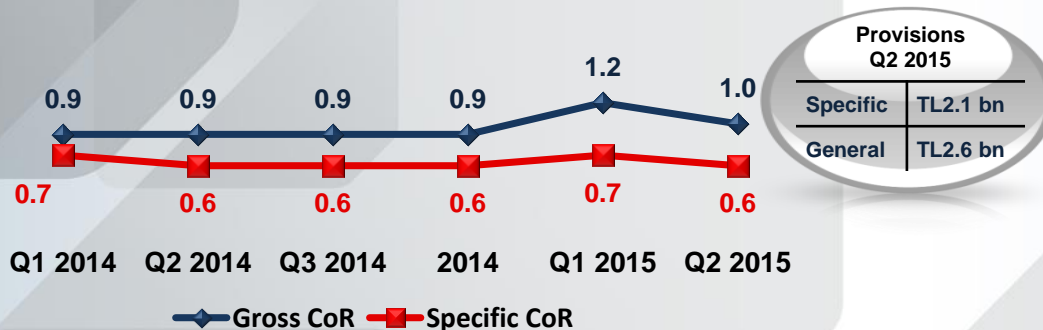
Ziraat Bank Coverage*



* Intermediated loans of public funds are excluded

** Without single highest item : NPL ratio of 1.2% and adjusted coverage of 95%

CoR* (%)



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

Specific CoR:(specific provisions expenses)/(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

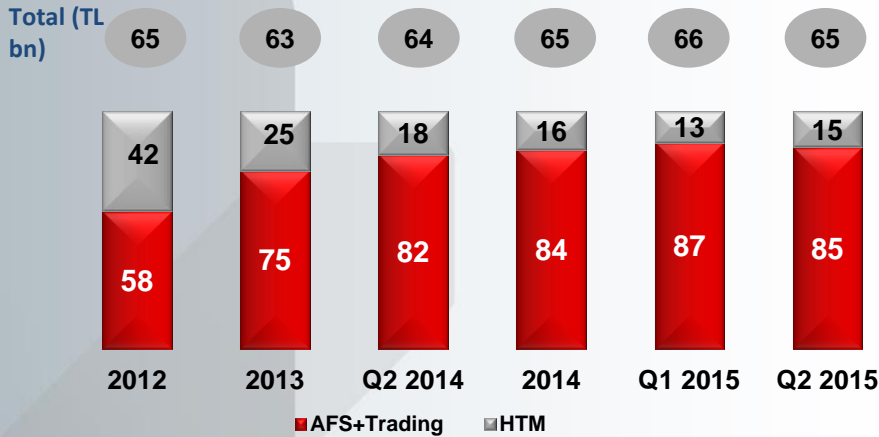
NPL ratio by segments (%)

	Retail	Corporate	SME
Ziraat	1.4	1.3	2.2
Sector*	3.8	2.0	3.5

*Source: BRSA

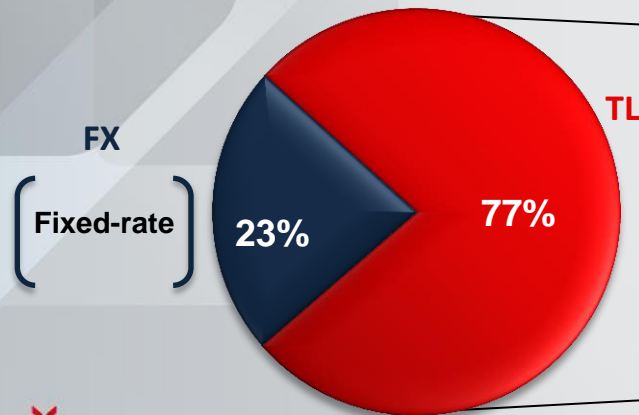
Changing composition of securities in accordance with market dynamics

Composition of securities (%)

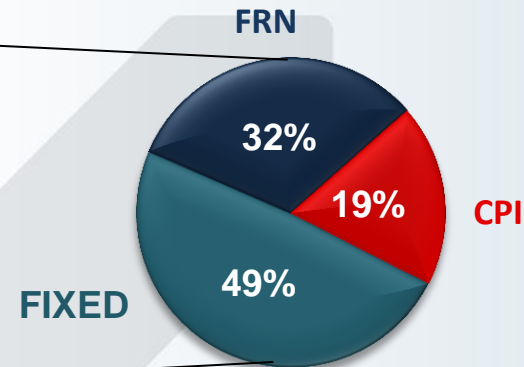


- ✓ Limited securities sell-off in the secondary market
- ✓ Larger share of AFS+trading portfolio providing higher flexibility
- ✓ Majority of securities are held in TL providing better returns
- ✓ Share of CPI linkers to total securities increased from 13.5% in Q1 2015 to 14.4 % Q2 2015
- ✓ Interest income from CPI linkers increased TL 238 mn QoQ

Currency breakdown of securities*, Q2 2015

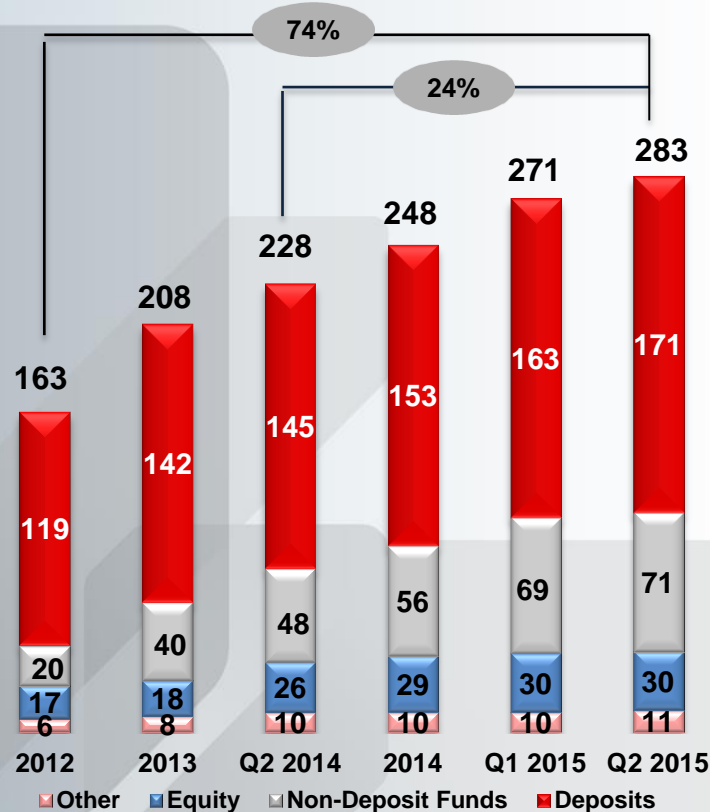


Breakdown of TL securities*, Q2 2015



Strong deposit base with diversified funding sources

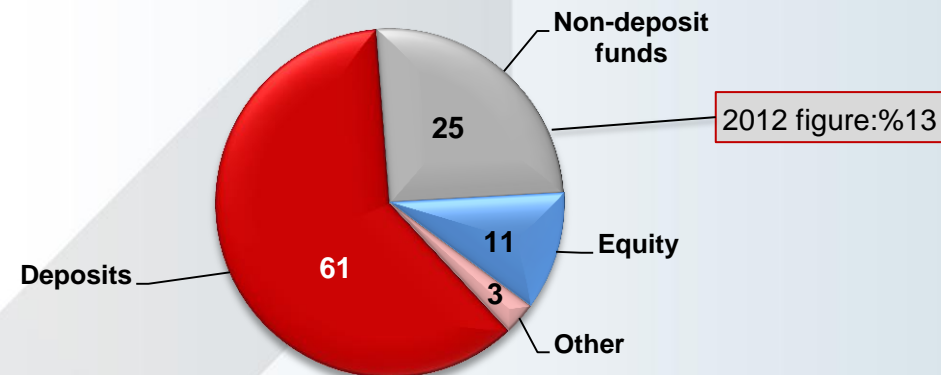
Composition of liabilities (TL bn)



- ✓ Lowest L/D ratio among peers
- ✓ TL 6 bn borrowing from IFI's (e.g World Bank, EIB, AFD)
- ✓ USD 1.1 bn syndicated loan facility in Q1 2015
- ✓ USD 503.8 mn and EUR 71 mn through private placement issuances in the first half of 2015 under the GMTN program
- ✓ Post- financing volume increased to four times from 2012 to 2015 Q2.

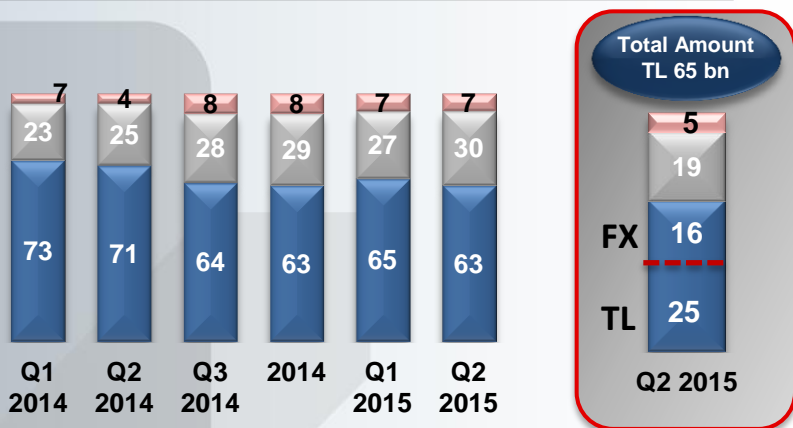
Growth (%)	QoQ	YtD	YoY	2012-Q2 2015
Deposits	5	12	18	44
Non-Deposit Funds	2	26	48	246
Equity	-1	4	16	74

Composition of liabilities Q2 2015 (%)



Diversified and widespread deposit base

Composition of non-deposit funds* (%)



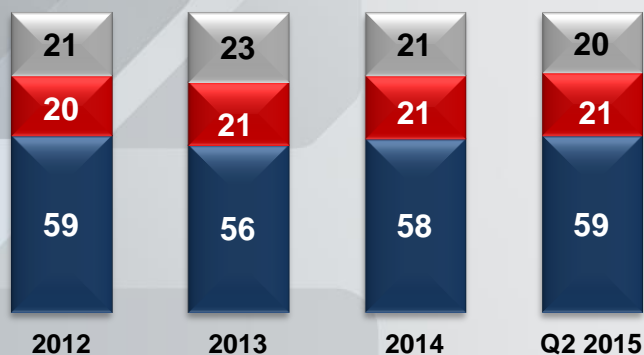
■ Repo ■ Funds borrowed ■ Bonds issued

* Intermediated loans of public funds are excluded

Sector leader in deposits with almost 14% market share

- ✓ 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 8% YtD

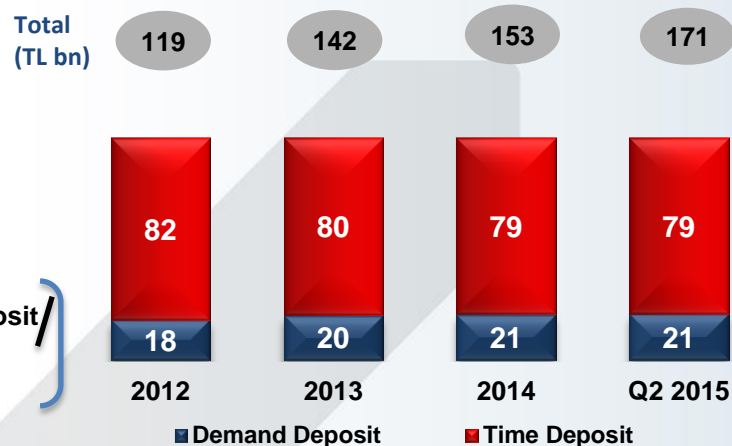
Deposits by customer segmentation* (%)



■ Retail ■ Corporate ■ SME

Demand Deposit / Total Deposit sector 19%

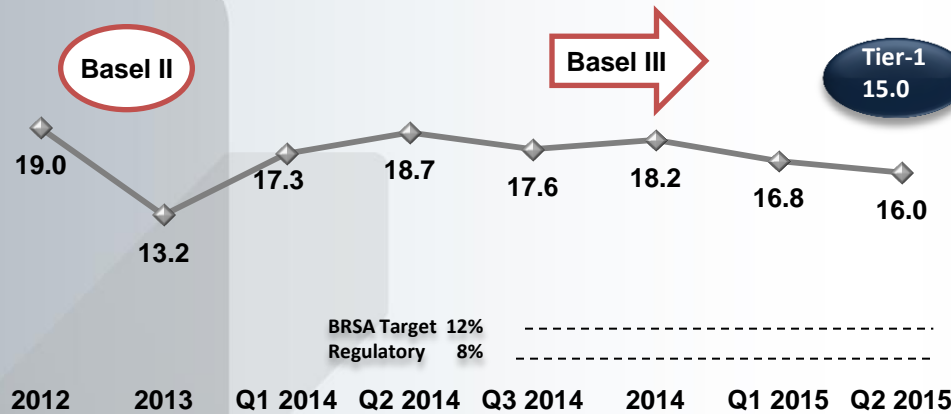
Demand vs time deposits (% of total)



* Excluding the Bank's deposits.

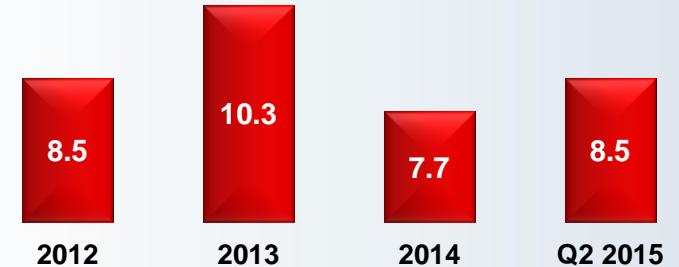
Sound capital structure and internal capital generation

Capital adequacy ratio (%)



Leverage decreased to industry levels

Leverage(x)*



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

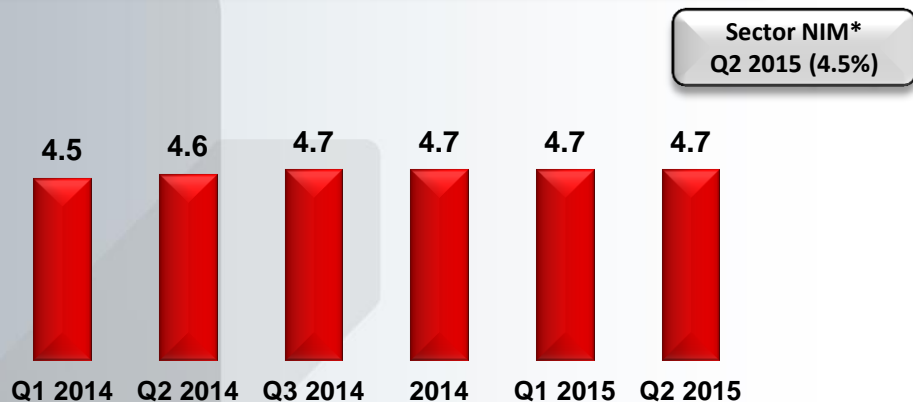
High Tier 1 to total capital (93.7%)

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 Q2 2015 in line with the sector
- ✓ Following cautious leveraging policies
- ✓ Resilient capital level to support targeted loan growth
- ✓ CAR is highly above the regulatory limits under various scenario analysis

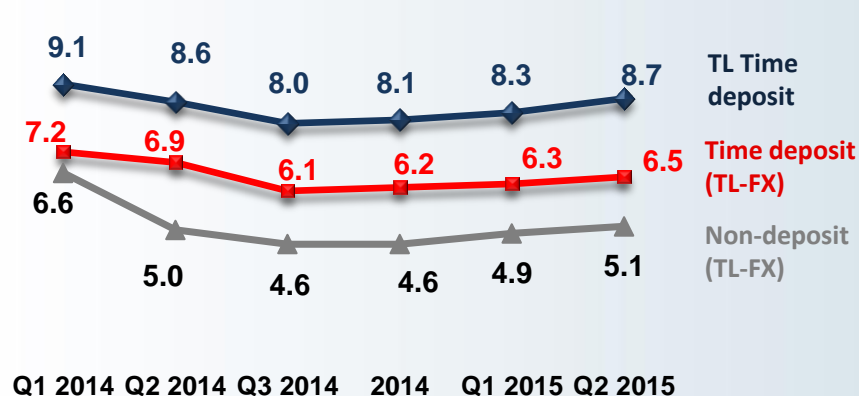
Solid Net Interest Margin levels which are above sector average

Sustainable net interest margin (NIM cum. %)

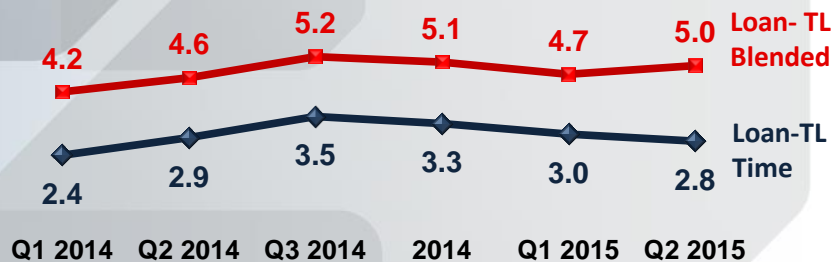


*NIM = Net Interest Earnings / Av. IEA

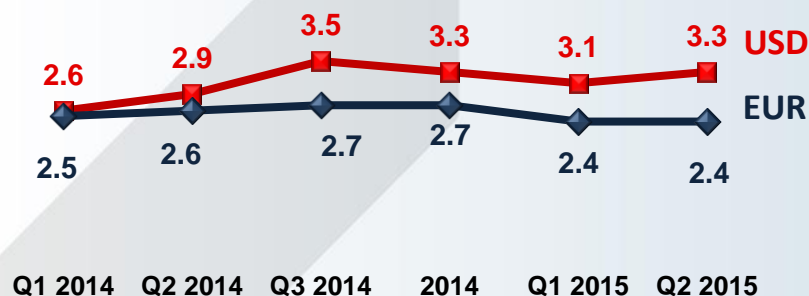
Cost of time deposit vs non-deposit funds (%)



TL loan spreads (%)



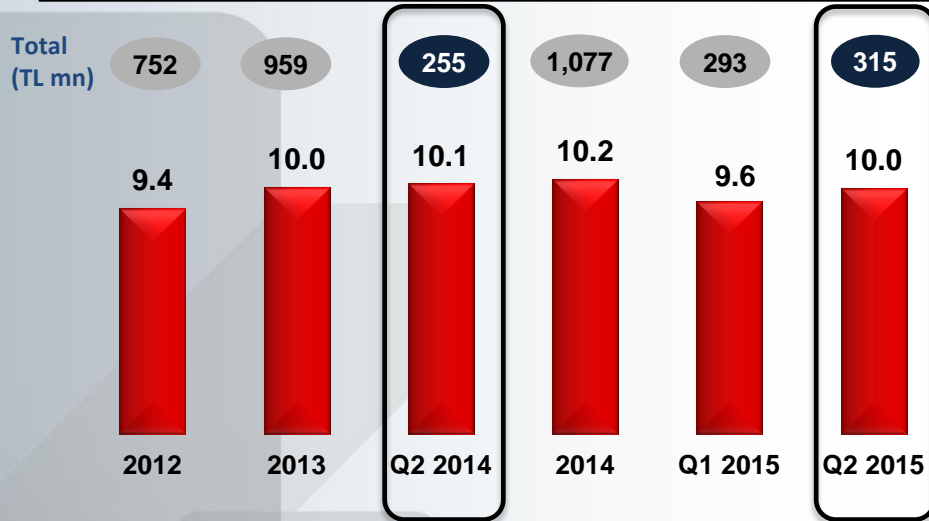
FX loan spreads* (%)



*Loan-FX Time

Accelerating fee generation

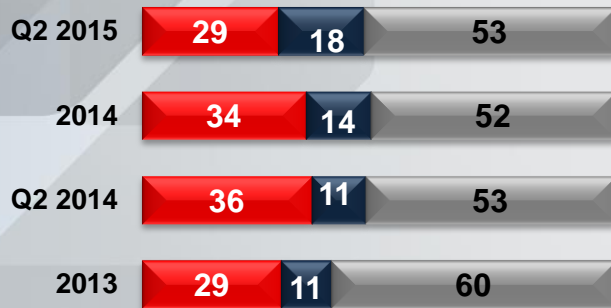
Net fees income/ Net income (%)



✓ 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 (%)



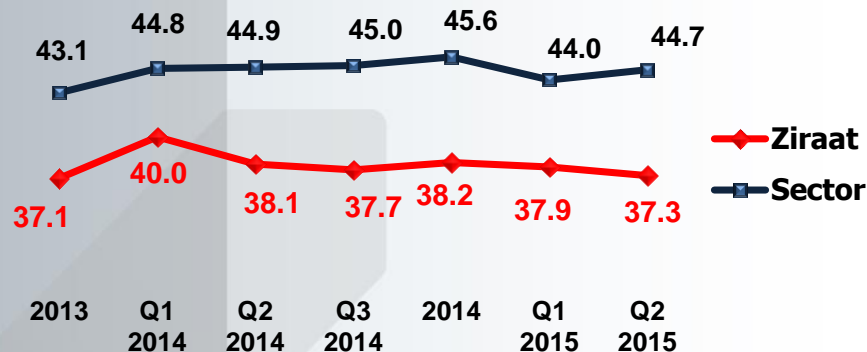
Sector leader in Bancassurance (23.2% market share)

Breakdown of fees and commissions (%)



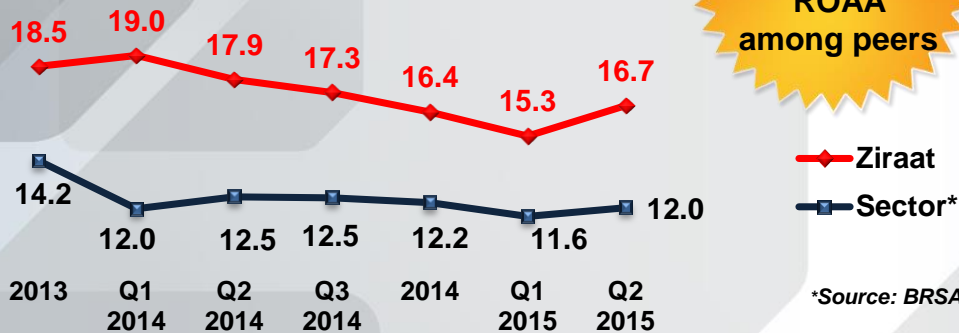
Sustainable efficiency and profitability

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
- ✓ Performance Bonus System for rewarding higher performance

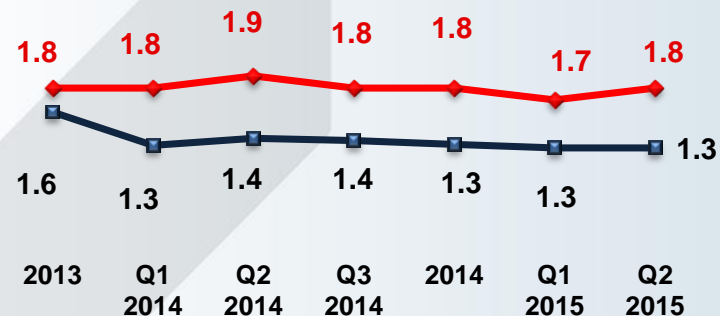
Return on equity (%)



Leading ROAE & ROAA among peers

*Source: BRSA

Return on assets (%)



2015 Outlook & Projects



- ✓ Increasing focus on SMEs through new customer and branch segmentation
- ✓ Increasing contribution of subsidiaries and foreign branches to Bank's profit and assets
- ✓ Intention to establish Real Estate Investment Trust and Factoring
- ✓ Organic growth in international network (new branch in **Bahrein**)
- ✓ Recruiting 2,000 new personnel in the next few years

Appendix

Balance Sheet Summary

TL MN	2013	Q2 2014	2014	Q1 2015	Q2 2015	% Change QoQ	% Change YtD	% Change YoY
CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	26,602	29,360	30,149	34,784	35,752	2.8	18.6	21.8
BANKS	2,465	1,769	2,191	2,450	3,867	57.8	76.5	118.6
SECURITIES	62,798	64,027	64,563	65,833	64,500	-2.0	-0.1	0.7
LOANS	111,048	124,353	141,915	158,353	168,315	6.3	18.6	35.4
-Gross NPL	2,417	2,506	2,717	2,842	2,929	3.1	7.8	16.9
-Specific Provisions (-)	1,623	1,731	1,932	2,026	2,107	4.0	9.1	21.7
OTHERS	4,617	8,496	8,782	9,860	10,075	2.2	14.7	18.6
TOTAL ASSETS	207,530	228,005	247,600	271,280	282,509	4.1	14.1	23.9
DEPOSITS	141,735	145,106	153,255	162,509	171,231	5.4	11.7	18.0
FUNDS BORROWED	8,559	10,745	14,608	17,339	19,182	10.6	31.3	78.5
INTERBANK MONEY MARKET	24,571	30,637	31,781	41,521	41,013	-1.2	29.0	33.9
PROVISIONS	3,958	4,351	4,758	4,900	5,113	4.3	7.5	17.5
SHAREHOLDERS' EQUITY	18,367	25,670	28,540	29,836	29,690	-0.5	4.0	15.7
OTHERS	10,340	11,496	14,658	15,175	16,280	7.3	11.1	41.6

Income Statement Summary

TL MN	Q4 2013	Q2 2014	Q4 2014	Q1 2015	Q2 2015	% Change QoQ	% Change YtD	% Change YoY
INTEREST INCOME	4,015	4,570	4,811	4,958	5,442	9.8	13.1	19.1
-From Loans	2,609	3,089	3,443	3,712	3,984	7.3	15.7	29.0
-From Securities	1,354	1,428	1,306	1,188	1,429	20.3	9.4	0.1
INTEREST EXPENSE	1,909	2,545	2,403	2,583	2,824	9.3	17.5	11.0
-On Deposits	1,537	1,989	1,874	1,988	2,117	6.5	13.0	6.4
NET INTEREST INCOME	2,106	2,025	2,408	2,375	2,618	10.2	8.7	29.3
NET FEES & COMMISSIONS	268	255	295	293	315	7.5	6.8	23.5
-Fees and Commissions Received	321	334	361	372	405	8.9	12.2	21.3
-Fees and Commissions Paid	54	79	66	79	91	15.2	37.9	15.2
OTHER OPERATING INCOME	235	258	192	381	289	-24.1	50.5	12.0
OPEX	1,040	981	1,136	1,151	1,212	5.3	6.7	23.5
NET OPERATING PROFIT	1,013	1,357	1,334	1,452	1,673	15.2	25.4	23.3
NET PROFIT	754	1,080	1,025	1,102	1,328	20.5	29.6	23.0

Key Financial Ratios

(%)	2013	Q1 2014	Q2 2014	Q3 2014	2014	Q1 2015	Q2 2015
ROAA	1.8	1.8	1.9	1.8	1.8	1.7	1.8
ROAE	18.5	19.0	17.9	17.3	16.4	15.3	16.7
Cost to Income	37.1	40.0	38.1	37.7	38.2	37.8	37.3
NIM (cum.)	5.2	4.5	4.6	4.7	4.7	4.7	4.7
Loans/Deposits	78	85	86	88	93	97	98
Loans/Assets	54	54	55	56	57	58	60
Securities/Assets	30	29	28	26	26	24	23
NPL	2.1	2.0	2.0	2.0	1.9	1.8	1.7
Coverage	75	75	76	76	78	78	79
CoR (Gross)	1.6	0.9	0.9	0.9	0.9	1.2	1.0
CAR	13.2	17.3	18.7	17.6	18.2	16.8	16.0
Leverage	10.3	8.5	7.8	8.2	7.7	8.1	8.5
# of							
Branches	1,661	1,667	1,674	1,686	1,707	1,726	1,760
Employees	24,725	24,528	24,161	24,002	23,617	24,496	24,609
ATMs	5,353	5,573	5,756	5,934	6,043	6,199	6,304

For further information please contact

Investor Relations Department
Eski Büyükdere St. No: 41 Block C, 4th Floor
Maslak-İstanbul/Turkey
Phone: (+90) 212 285 22 50
Fax:(+90) 212 276 52 85
E-mail: investorrelations@ziraatbank.com.tr
www.ziraatbank.com.tr

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