



INVESTOR PRESENTATION Q2 2014



Resilient Turkish economic environment

	2011	2012	2013	2014
GDP (USD bn)	774	786	820	867 [*]
GDP growth (%)	8.8	2.1	4.0	4.3 ¹
Unemployment (%)	9.8	9.2	10	8.8 ²
CPI (annual) (%)	10.5	6.2	7.4	9.3 ³
Current Account Balance/GDP (%)	-9.7	-6.1	-7.9	-6.4 [*]
CAB (exl. Energy)/ GDP (%)	-3.6	0.5	-1.9	-
Public Debt/ GDP (%)	39.1	36.2	36.3	33.0 [*]
Budget Deficit/ GDP (%)	1.4	2.1	1.2	1.9 [*]

Source: CBRT, TURKSTAT, Ministry of Finance

1: Quarterly, (Q1 2014)

2: As of 31.05.2014

3: As of 31.07.2014

* Medium Term Programme Forecasts

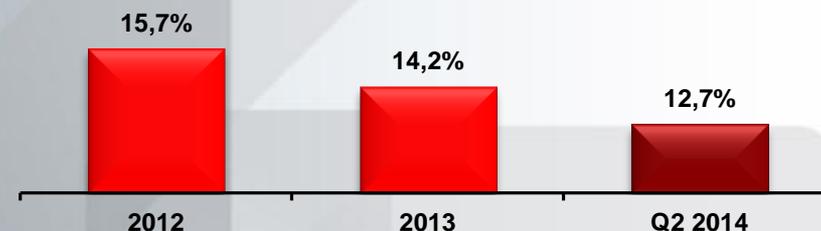
-  Fed to continue tapering and no interest rate rise is expected before 2015
-  ECB lowered deposit rates to negative, increasing fund flows to EMs
-  Decreasing political uncertainty after local and presidential elections, increasing investment sentiment
-  Improvement in CAD due to higher exports and lower domestic demand
-  Significant rate cut by CBRT since January due to more positive macro environment and improved global liquidity
-  Inflation above target, expected to slow down in H2 2014
-  Low budget deficit and public debt to GDP among peers

Sound and growing banking sector

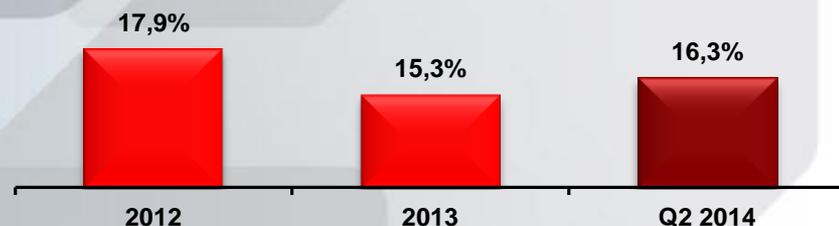
Sector Loan (TL bn)



Sector ROAE



Sector CAR



Key indicators

TL billion / %	2012	2013	Q2 2014	Chg YtD (%)
Securities	270	287	291	1.4
Deposits	772	946	975	3.1
Total Assets	1,371	1,732	1,830	5.7
Net Profit	24	25	13	
NPL	2.9	2.7	2,7	-
ROAA	1.8	1.6	1.4	-20 bps
NIM (*)	4.1	3.7	3.4	-30 bps
Loan/Deposits	103	111	115	400 bps
Leverage (x)	6.5	7.9	7.5	-40 bps

Source: BRSA

(*) BRSA calculation based on total assets

- ✓ Strong capitalization & sound asset quality
- ✓ Well regulated, closely monitored and well-governed
- ✓ Regulatory actions led to a slowdown in retail lending, but compensated with business lending especially to SMEs
- ✓ Decrease in cost of funding mainly due to CBRT rate cuts and diversified funding
- ✓ More positive NIM outlook for H2 2014



Where **Ziraat** is...

A leading bank with extensive network

" Ziraat Finance Group "

The Bank

- Established in 1863
- Commercial bank, fully owned by Turkish Undersecretariat of Treasury
- Over 1,650 branches and 24,000 employees
- Appetite to grow locally and globally
- Sound and improving financial outlook

International Network

Subsidiaries

- In 7 Countries with 57 branches:
Germany, Bosnia & Herzegovina, Kazakhstan, Russia, Azerbaijan, Turkmenistan, Uzbekistan

International Branches

- 25 foreign branches in 8 countries and 1 representative office:
In UK, USA, Georgia, Bulgaria, Greece, Saudi Arabia, Turkish Republic of Northern Cyprus, Iraq

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)

Well-established business model with a specific focus on comparative advantages

2011

✓ **Customer Segmentation**

- Retail
- Non-Retail

✓ **Branch Segmentation**

- Corporate : 4
- Commercial: 12
- Agricultural :13
- Branch :1,429

✓ **Branch Organisation**

- Product / transaction based
- No segregation between marketing & operations

✓ **Alternative Distribution Channels**

- # of ATM: 3,820
- # of internet users: 1 mn
- Usage of non-branch channels: 30%

Q2 2014

✓ **Customer Segmentation**

- Corporate
- Commercial
- SME
- Retail

✓ **Branch Segmentation**

- Corporate :5
- Commercial :27
- SME :80
- Dynamic SME: 66
- Branch: 1,471

✓ **Branch Organisation**

- Customer / market centric
- Relationship management
- Customer ownership

✓ **Alternative Distribution Channels**

- # of ATM: 5,756
- # of internet users: 3.0 mn
- Usage of non-branch channels: 88%
- Operation Center (11.7 million transactions/ month)

✓ **IT investments to improve customer relations and risk management capabilities**

✓ **More efficient performance measurement**

Ziraat's
Transformation

Investment grade ratings since 2012

FitchRatings



JCR-ER JCR Eurasia Rating

JCR-ER, Affiliate of Japan Credit Rating Agency, Ltd. **JCR**

BBB-/F3
Outlook: Stable
November 2013

National LT
AAA (TUR)-Stable
November 2013

Baa3/P-3
Outlook: Negative
June 2014

BBB-/A-3
Outlook: Stable
September 2013

National
AAA/A-1+ Stable
September 2013

Strong position in Banking Sector

Key Financials (Q2 2014) TL bn / (%)		
	Ziraat	Sector
Total assets	228	1,830
Net loans	124	1,133
Total deposits	145	975
Shareholders' equity	26	215
Net Profit	2.0	6.0
ROAE	17.9	12.5
ROAA	1.8	1.4
NIM	4.6	4.4
Loan/Deposit	85.7	115
Cost/Income	38.1	44.9
NPL	2.0	2.7
Tier 1 ratio	17.7	14.1
Capital Adequacy Ratio	18.7	16.3



Change in Rankings

	2011	Q2 2014
Total Asset	2	1
Total Loan(%)	3	2
Consumer Loan	1	1
Deposit	1	1
Equity	5	2
Non-Cash Loan	7	3
Net Profit	4	1
ROAE	5	1
ROAA	9	1
NIM	8	4
CAR	5	1

Market Shares (%)

	2011	2012	2013	Q2 2014
Assets	13.2	11.9	12.0	12.5
Cash Loans	10.3	8.8	10.4	10.9
Securities	24.8	24.2	21.9	21.9
Deposits	15.4	14.6	14.1	14.9
Non-Cash Loans	5.5	6.4	9.0	9.8

Largest and strongest branch network in Turkey

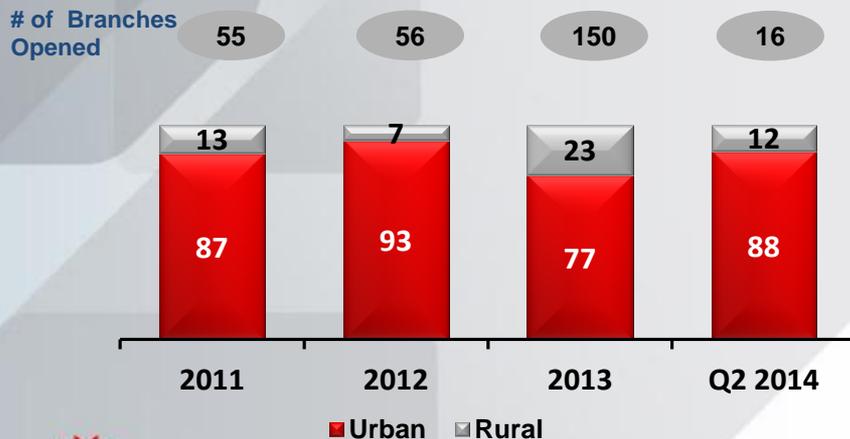
- ✓ Strong presence at the underbanked parts of Turkey
- ✓ Addressing industry and trade centers with a focus on industrialized cities
- ✓ Sub-segmentation of SME branches (**Dynamic SMEs**) to better address all segments of SMEs
- ✓ In H1 2014, 16 new branch opening and transformation of 62 existing branches to SME dynamic branches

Strong footprint across the country (# of branches *)



* Includes foreign branches

Distribution of new branches (%)



Presence in **401** locations without a competitor

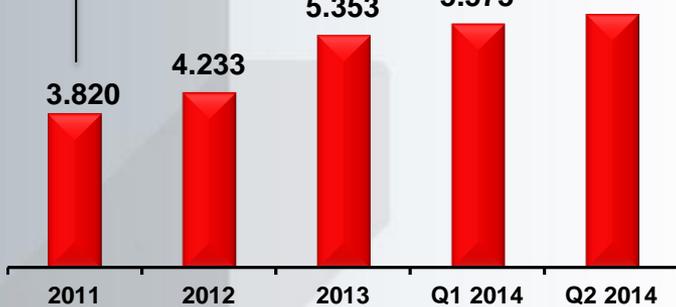
Improving alternative distribution network

of ATMs

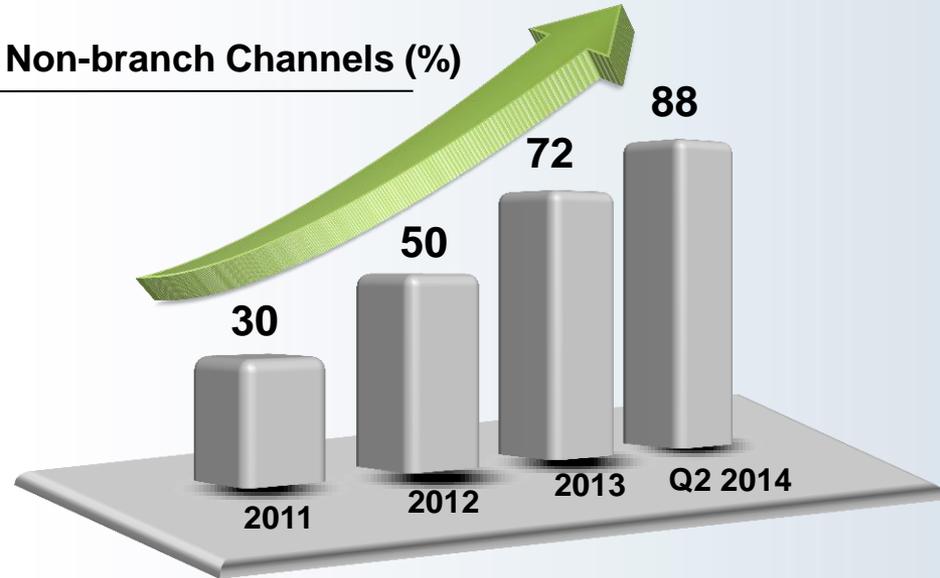
Sector Growth

31%

Ziraat



Usage of Non-branch Channels (%)



of call centre transactions per month
1.6 mn

of credit card
3.2 mn

of debit card
21.9 mn

1 in debit card spending
17.7% market share

Centralization of operations and IT investments led to a gain of 2,207 staff time in 2013

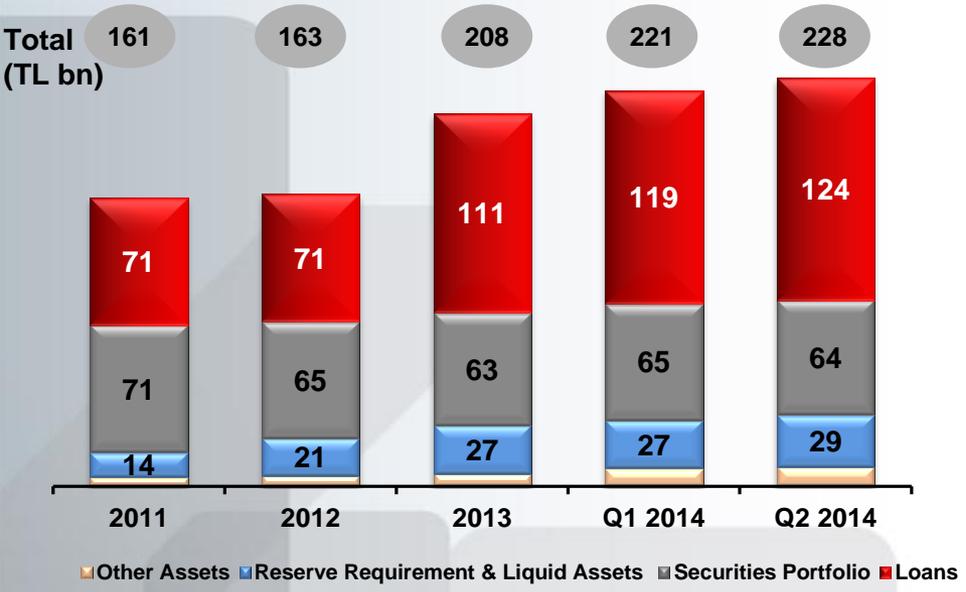


How we did ...

Strategies, achievements and trends

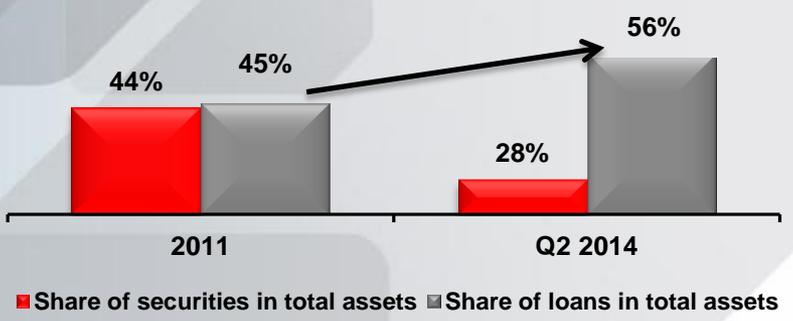
Evolving asset composition leading to higher income generation

Successfully diversifying asset base



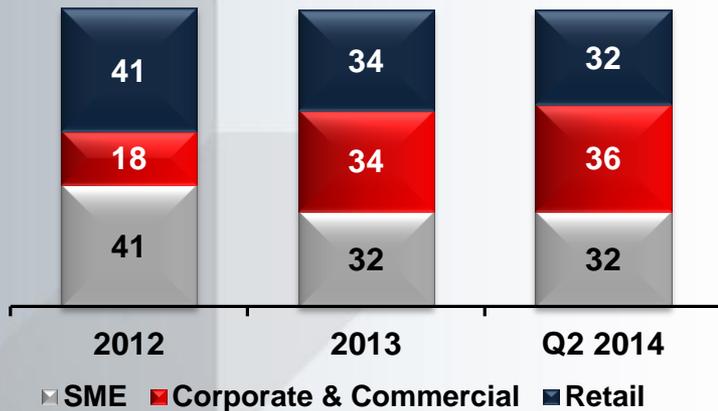
- ✓ Asset growth driven by loan growth
- ✓ Total loans increased 75% from YE 2011 and total assets grew 41%.
- ✓ Well-positioned to finance the real economy
- ✓ TL denominated balance sheet (TL assets 71% of total assets)

Shifting from securities to loans



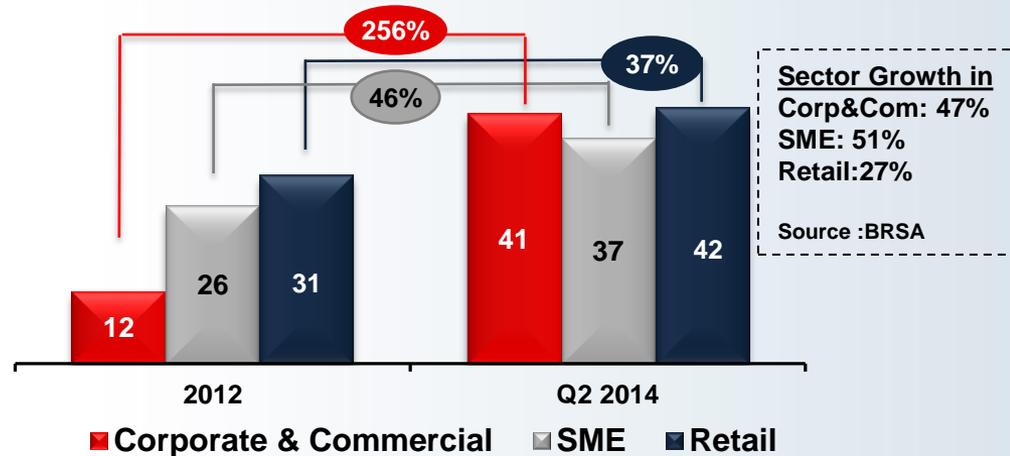
Growing loan book consistent with strategies

Loans by Customer Segmentation* (%)

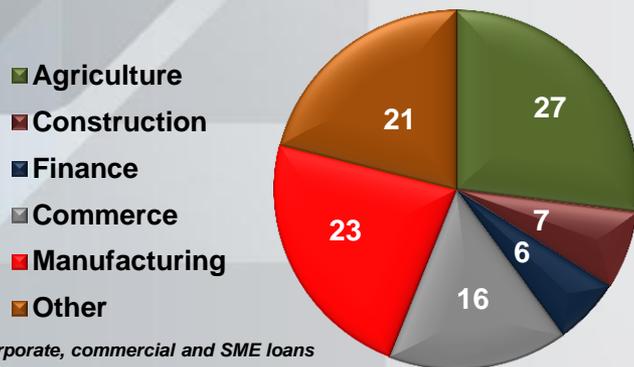


*Fund loans and accruals are excluded

Loan growth led by business lending (TL bn)

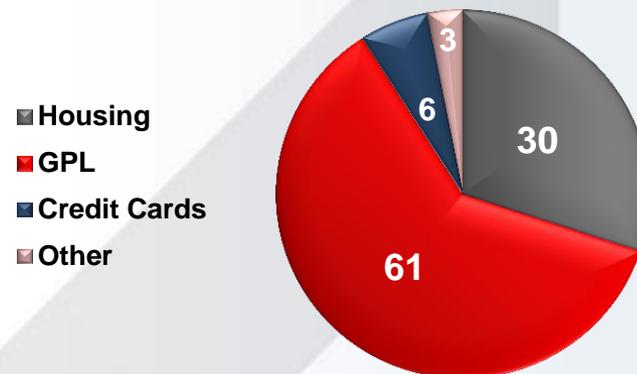


Breakdown of Business Loans* by Sector (%), Q2 2014



*Corporate, commercial and SME loans

Composition of Retail Loans Q2 2014 (%)

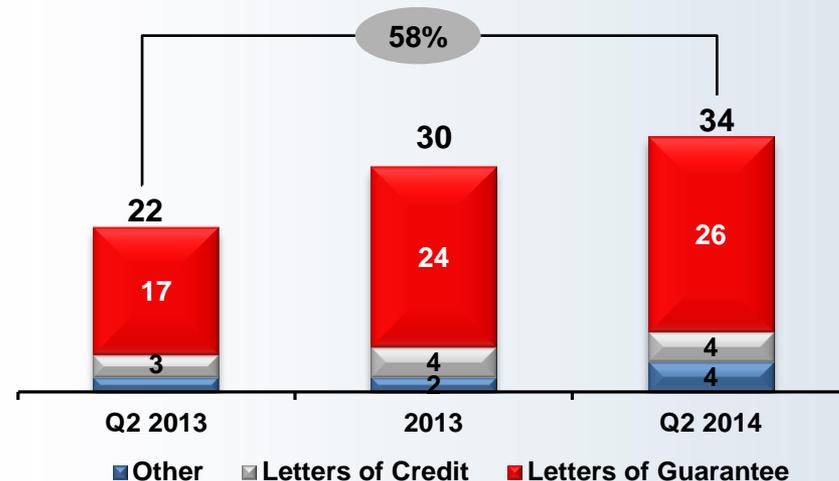


47% YoY growth in housing loans

Increasing product offerings

- ✓ Increasing non-cash lending with positive impact on net fees and commissions income
- ✓ Market share in non-cash loans doubled in the last three years (2011: 5.5%, Q2 2014: 9.8%)
- ✓ Remarkable increase in the market share of trade finance activities (2012: 2.9%, Q2 2014: 7.3%)
- ✓ Gaining strong foothold at project financing with further growth opportunities arising from 'big ticket' infrastructure projects

Composition of non-cash loans (TL bn)



**Sector leader
in non-cash
loan growth
(2Q13-2Q14)**

Exclusive expertise and know-how in agricultural sector

Loans to Agricultural Sector (TL bn)



Source: BRSA – for agricultural loans of the sector

Ziraat Bank's Agricultural NPL Ratio (%)



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

- ✓ Exclusive provider of subsidized agricultural loans
- ✓ One-fifth of total loans is agro-loans
- ✓ Share of investment loans increased from 30% in 2008 to 45% in Q2 2014
- ✓ 90% of agricultural loans utilized from Bank's own funds
- ✓ New strategy to address upper segments of the value chain by focusing on agro-industrial loans

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

NPL and coverage ratios (%)

Ziraat Bank Coverage*



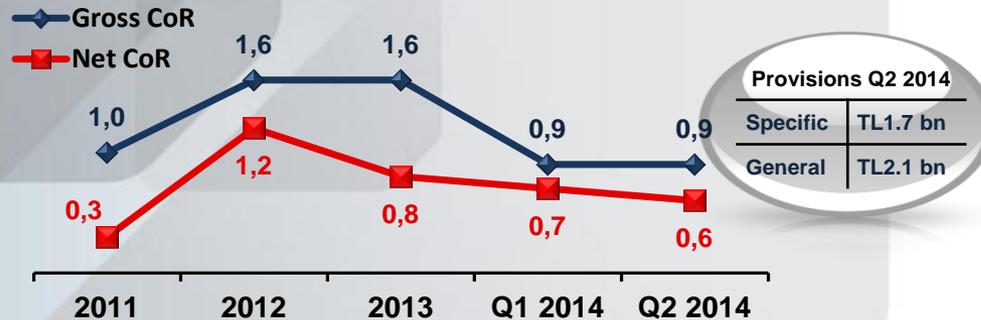
Source: BRSA for sector data

* Fund sourced loans are excluded

** Without single highest item : NPL ratio of 1.4% and adjusted coverage of 95,0%

- Prudent risk management
- Well-functioning credit evaluation policies & procedures
- Effective monitoring
- Strong collection capabilities

CoR* (%)



Provisions Q2 2014	
Specific	TL1.7 bn
General	TL2.1 bn

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

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

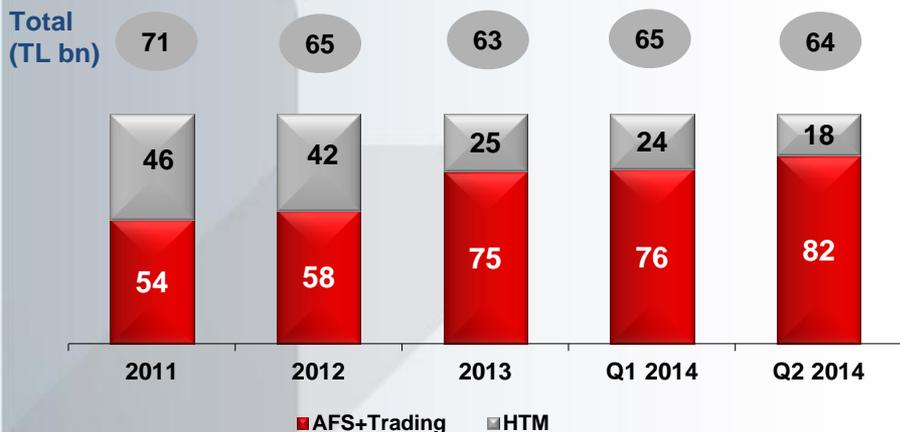
NPL Ratio by Segments (%)

	Retail	Corporate & Commercial	SME
Ziraat	1.1	1,9	2,9
Sector*	3.2	2.2	3.1

*Source: BRSA

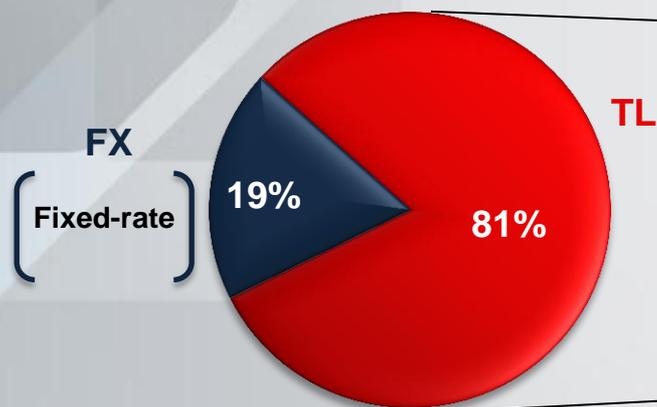
Changing composition of securities in accordance with market dynamics

Composition of Securities (%)

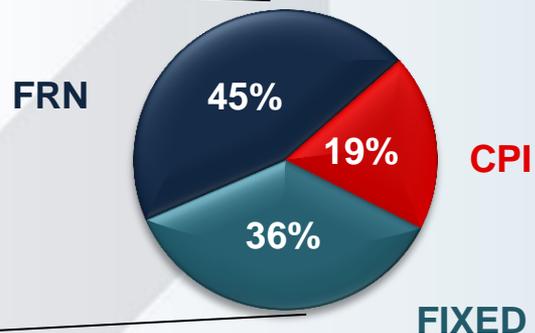


- ✓ Decrease in TL securities (in Q2 2014 around TL 1.7 bn)
- ✓ Shift between FRN and fixed rate according to market dynamics
- ✓ Majority of securities are held in TL providing better returns
- ✓ Increasing share of CPI Linkers to enhance the profitability in the inflationary environment

Currency Breakdown of Securities*, Q2 2014

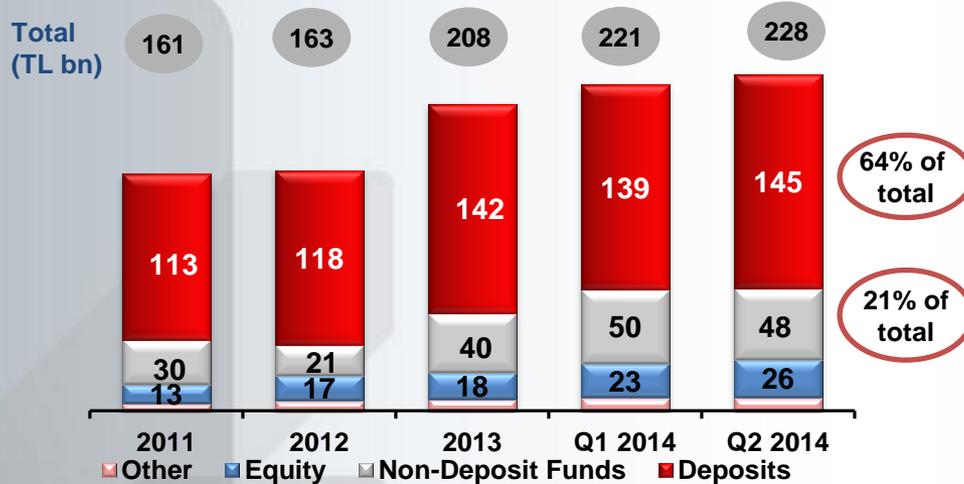


Breakdown of TL Securities*, Q2 2014



Strong core deposit base and more diversified funding base

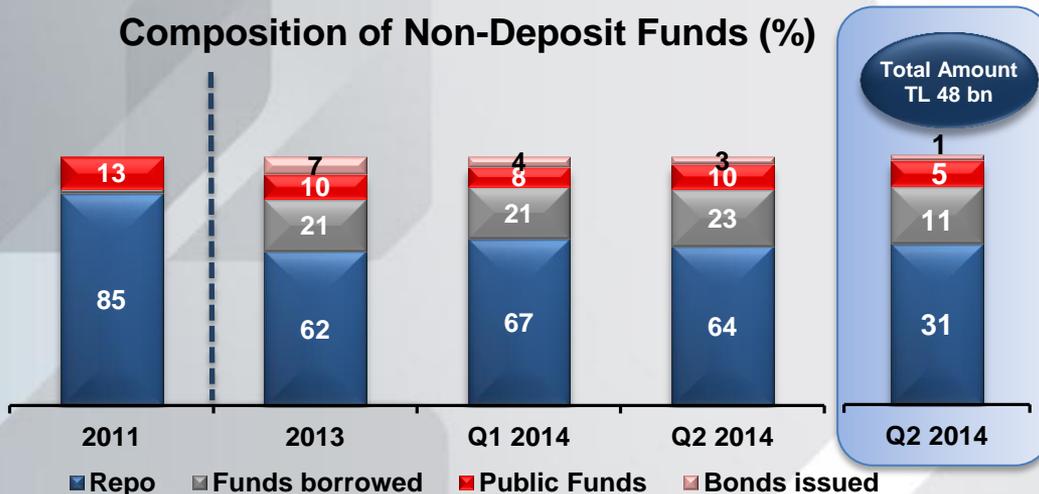
Composition of Liabilities (%)



✓ Strong deposit base

- Granular, widespread deposit base
- Relatively high amount of demand deposits (20% of total deposits)
- 70% of total deposits is TL denominated
- One of the three state banks eligible for deposits from state institutions (17.4% of total deposits)
- Core deposit ratio is around 95%

Composition of Non-Deposit Funds (%)



✓ Increasing wholesale funding

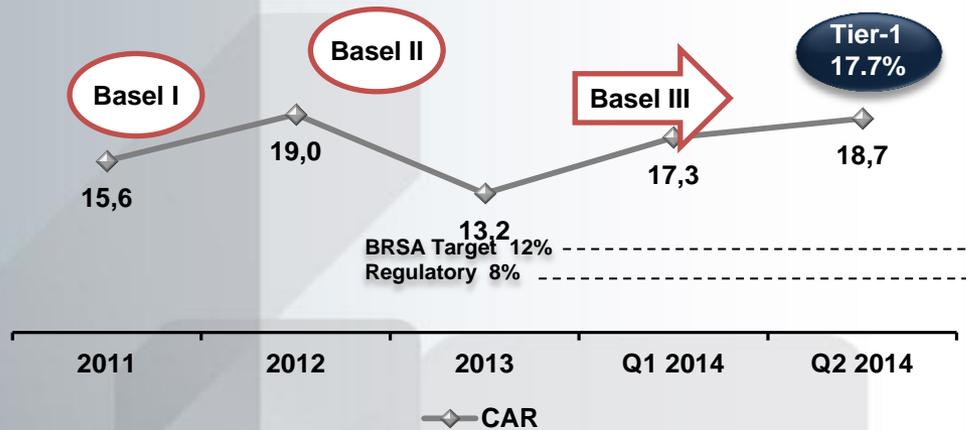
- Borrowings from IFI's (e.g World Bank, EIB, AFD) (**Total TL 3.4 bn**)
- A new Euro 150 mn agreement is signed with KfW in June 2014 to finance SMEs
- Syndicated loan facility: **USD 800 mn**
- **Issuances under GMTN programme**
Inagural USD 750 mn, 5 yr bond offering with tightest spread among Turkish Banks

Sound capital structure and NIM above sector average

- Well-capitalized and above BRSA target limits

- Switching from securities to loan book resulted in a better margin than the sector average

Capital Adequacy Ratio (%)



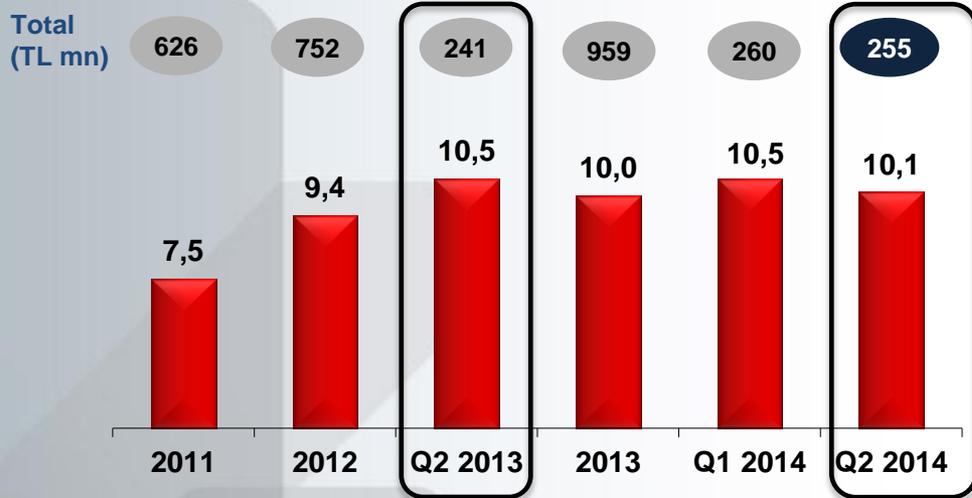
Net Interest Margin (NIM cum. %)



- ✓ Following cautious leveraging policies, reduced leverage from 11.2x to 7.8x between Q4 2011 – Q2 2014
- ✓ After Basel 3 regulations no major change in CAR
- ✓ Resilient capital level to support the targeted loan growth
- ✓ Better CAR level than sector average
- ✓ CAR is highly above the regulatory limits under various FX and interest rate scenarios

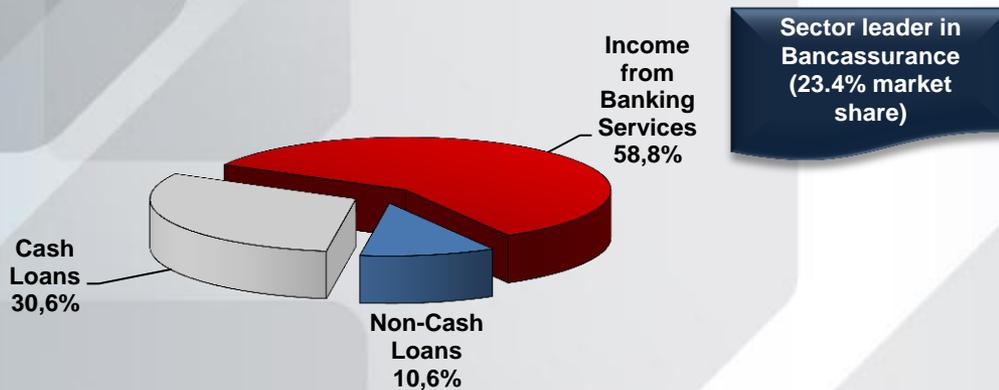
Accelerating fee generation

Net Fees income/ Net income (%)



15 % YoY fees and commissions income growth from H1 2013 (sector growth: 10%)

Breakdown of Net Fees and Commissions Q2 2014 (%)

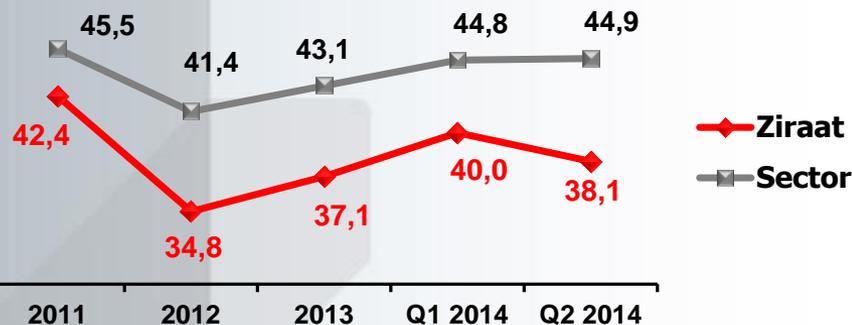


✓ Ample room to grow further through:

- Cross-selling fee based products
- Cash and non-cash loan growth especially in trade finance

Consistently strong efficiency and profitability

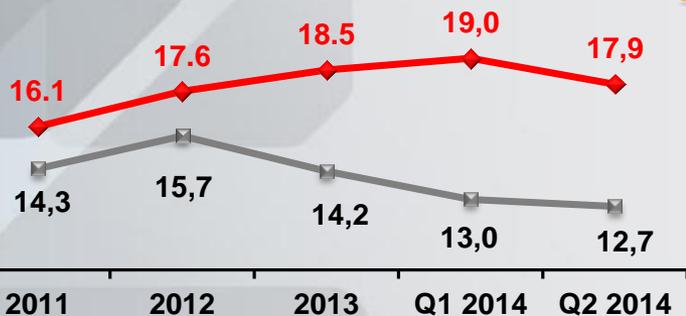
Cost/Income ratio evolution (%)



12% YoY growth in net profits vs Sector -8.4%

- ✓ One of the lowest C/I ratio in the peer group
- ✓ Only bank achieving profit growth among peers (H1 2013-H1 2014)
- ✓ In line with the macro strategy: asset base grew without sacrificing profitability
- ✓ In house applications keeping transformation costs moderate

Return on equity (%)



Leading ROAE & ROAA among peers

Return on assets (%)



Appendix

Balance Sheet Summary

TL MN	2011	2012	2013	Q1 2014	Q2 2014	% Change QoQ	% Change YtD
CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	14,272	20,713	26,602	27,270	29,360	7.7	10.4
BANKS	1,320	1,933	2,465	2,041	1,769	-13.3	-28.2
SECURITIES	69,721	65,323	62,344	64,668	64,027	1.0	2.7
LOANS	69,704	71,426	111,048	118,546	124,353	4.9	12.0
-Gross NPL	863	2,058	2,417	2,463	2,506	1.7	3.7
-Specific Provisions (-)	606	1,261	1,623	1,667	1,731	3.8	6.7
OTHERS	5,664	3,473	5,071	8,709	8,496	-2.4	67.6
TOTAL ASSETS	160,681	162,868	207,530	221,234	228,005	3.1	9.9
DEPOSITS	112,525	118,966	141,735	139,813	145,106	3.8	2.4
FUNDS BORROWED	550	3,072	8,559	10,271	10,745	4.6	25.5
INTERBANK MONEY MARKET	24,894	11,162	24,571	33,736	30,637	-9.2	24.7
PROVISIONS	1,892	3,002	3,958	4,130	4,351	5.4	9.9
SHAREHOLDERS' EQUITY	13,177	17,167	18,367	23,276	25,670	10.3	39.8
OTHERS	7,643	9,499	10,340	10,008	11,496	14.9	11.2

Income Statement Summary

TL MN	2011	2012	Q2 2013	2013	Q1 2014	Q2 2014	% Change (Q2 2013-Q2 2014)
INTEREST INCOME	13,706	14,811	6,783	14,370	4,214	8,785	29.5
-From Loans	7,392	8,665	4,438	9,509	2,844	5,967	34.5
-From Securities	6,266	6,111	2,323	4,814	1,349	2,777	19.5
INTEREST EXPENSE	8,465	7,910	3,025	6,631	2,283	4,829	59.6
-On Deposits	7,349	6,300	2,684	5,601	1,783	3,772	40.5
NET INTEREST INCOME	5,242	6,901	3,759	7,739	1,931	3,956	5.2
NET FEES & COMMISSIONS	626	752	447	959	260	516	15.4
-Fees and Commissions Received	774	932	545	1,163	320	654	20.0
-Fees and Commissions Paid	148	180	98	205	60	139	41.8
OTHER OPERATING INCOME	372	429	483	1,048	263	521	7.9
OPEX	2,622	2,828	1,682	3,661	995	1,976	17.5
NET OPERATING PROFIT	2,780	3,505	2,307	4,379	1,188	2,545	10.3
NET PROFIT	2,101	2,650	1,794	3,330	930	2,010	12.0

Key Financial Ratios

(%)	2012	2013	Q1 2014	Q2 2014
ROAA	1.7	1.8	1.8	1.8
ROAE	17.6	18.5	19.0	17.9
Cost to Income	34.8	37.1	40.0	38.1
NIM (cum.)	5.3	5.2	4.5	4.6
Loans/Deposits	60	78	85	86
Loans/Assets	44	54	54	55
Securities/Assets	40	30	29	28
NPL	2.8	2.1	2.0	2.0
Coverage	61	67	68	69
CoR (Gross)	1.6	1.6	0.9	0.9
CAR	19	13.2	17.3	18.7
Leverage	8.5	10.3	8.5	7.8
# of				
Branches	1,514	1,661	1,667	1,674
Employees	23,153	24,725	24,528	24,161
ATMs	4,233	5,353	5,573	5,756

For further information please contact

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