



INVESTOR PRESENTATION

September 2015



Ziraat Bank

Resilient Turkish economic environment

	2014	2015	2016
GDP growth (%)	2.9	3.0	4.0
Unemployment (annual) (%)	9.9	10.5	10.3
CPI (annual) (%)	8.2	7.6	6.5
Current Account Balance/GDP (%)	-5.8	-5.2	-4.9
Public Debt/GDP (%)	33.5	34.0	32.8
Budget Deficit/GDP (%)	1.3	1.3	0.7

Source: CBRT, TURKSTAT, Ministry of Finance

1: As of July 2015, unemployment 9.8%

2: As of October 2015, CPI 7.58%

Actual
Forecast (MTP)

**Medium
Term
Programme
2016-2018**

- Decreasing political uncertainty in 2016
- Gradual increase in global GDP growth
- Moderate growth in our main trade partners
- Decreasing financial volatility and geopolitical risks
- Limited impact from the FED's anticipated interest rate increases
- Continuation of the FDI inflows and momentum in foreign trade

- Improving market sentiment and better economic outlook after the November elections
- Temporary rises in inflation due to FX pass through and rise in food prices
- 800 bn USD economy with moderate GDP growth (Q2: 3.8%)
- Positive effect of lower energy and commodity prices on inflation and CAD
- Sustained fiscal discipline: Low budget deficit and public debt to GDP ratio among peers
- Well-regulated, highly capitalized and well-governed banking sector

Macroeconomic stability

Structural reforms and sustainable growth

Decreasing CAD and inflation gradually

Increasing domestic savings, private sector investments



Where **Ziraat** is...

Ziraat's perspective in Q3 2015

Strategy & Organization



- ✓ Expanding local and international network
- ✓ Channel optimization in ADCs
- ✓ Accessing untapped client segments with participation banking

Lending



- ✓ Corporate driven loan growth
- ✓ Loan/Asset ratio close to sector average
- ✓ Increase in the rankings for cash and non-cash loans

Funding



- ✓ Mainly deposit driven funding base
- ✓ More favorable international funding facilities anticipated

Profitability and Capitalization



- ✓ Temporary affects of TRY devaluation and increase in interest rates on equity and CAR
- ✓ High capital level and sound profitability

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

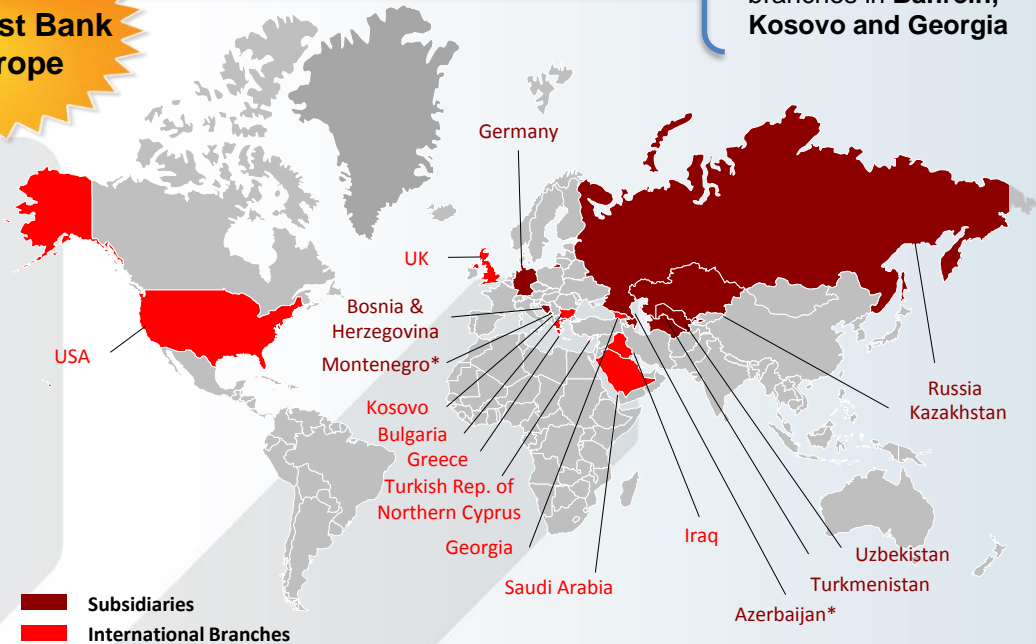
Local Subsidiaries

- ✓ 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 (Islamic Banking)

The Banker**
2nd safest Bank
in Europe

International Network

Plans to open new
branches in **Bahrein,**
Kosovo and Georgia



Sound KPIs and strong market penetration

Key Financials (Q3 2015) (TL bn / (%))		
	Ziraat	Sector
Total Assets	299	2,396
Cash Loans	181	1,496
Securities	64	322
Total Deposits	188	1,348*
Shareholders' equity	29	247
Net Profit	3.6	18.9
ROAE	16.3	11.0
ROAA	1.7	1.1
NIM	4.5	4.4
Loan/Deposit	96.5	111.0
Cost/Income	39.9	47.0
NPL	1.6	2.9
Tier 1 ratio	13.3	12.4
Capital Adequacy Ratio	14.3	14.7

*Including the banks' deposits with an amount of 78.3 TL bn



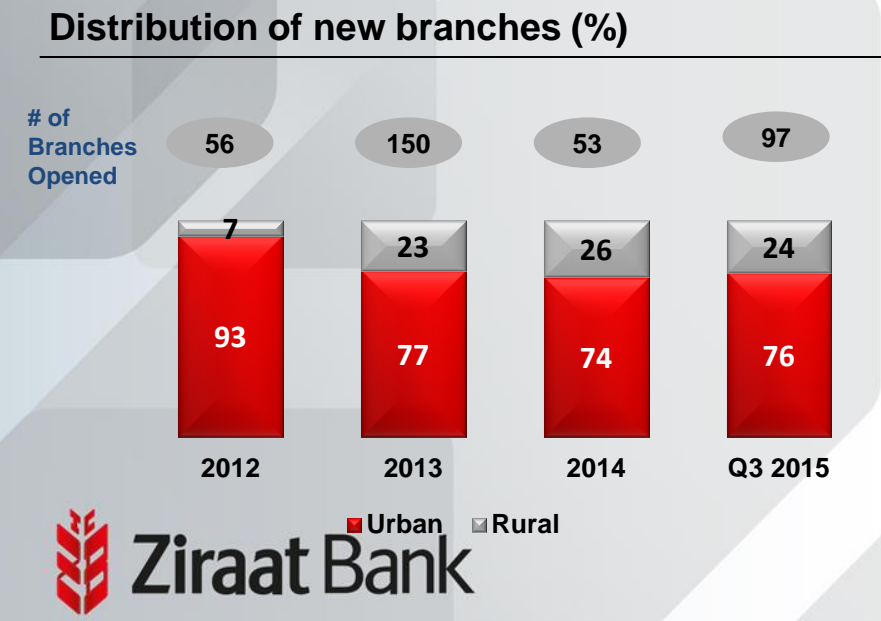
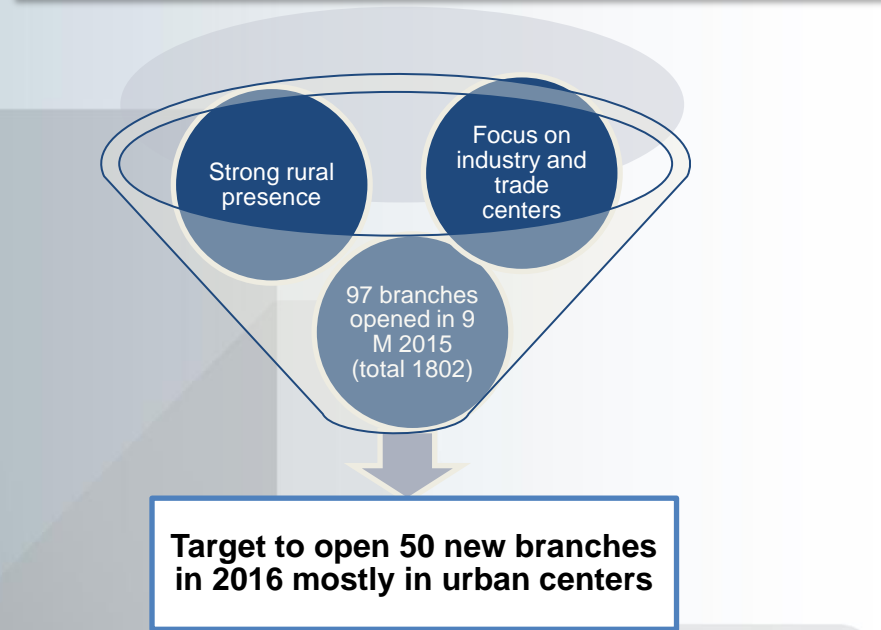
Rankings (among top 7 banks)

	2012	Q3 2015	Chg in Q.
Total Asset	2	1	
Cash Loans	5	1	↑
Consumer Loan	4	1	
Deposit	1	1	
Equity	4	2	↓
Non-Cash Loan	7	2	↑
Net Profit	4	1	
ROAE	2	1	
ROAA	5	1	
NIM	2	1	
CAR	1	1	

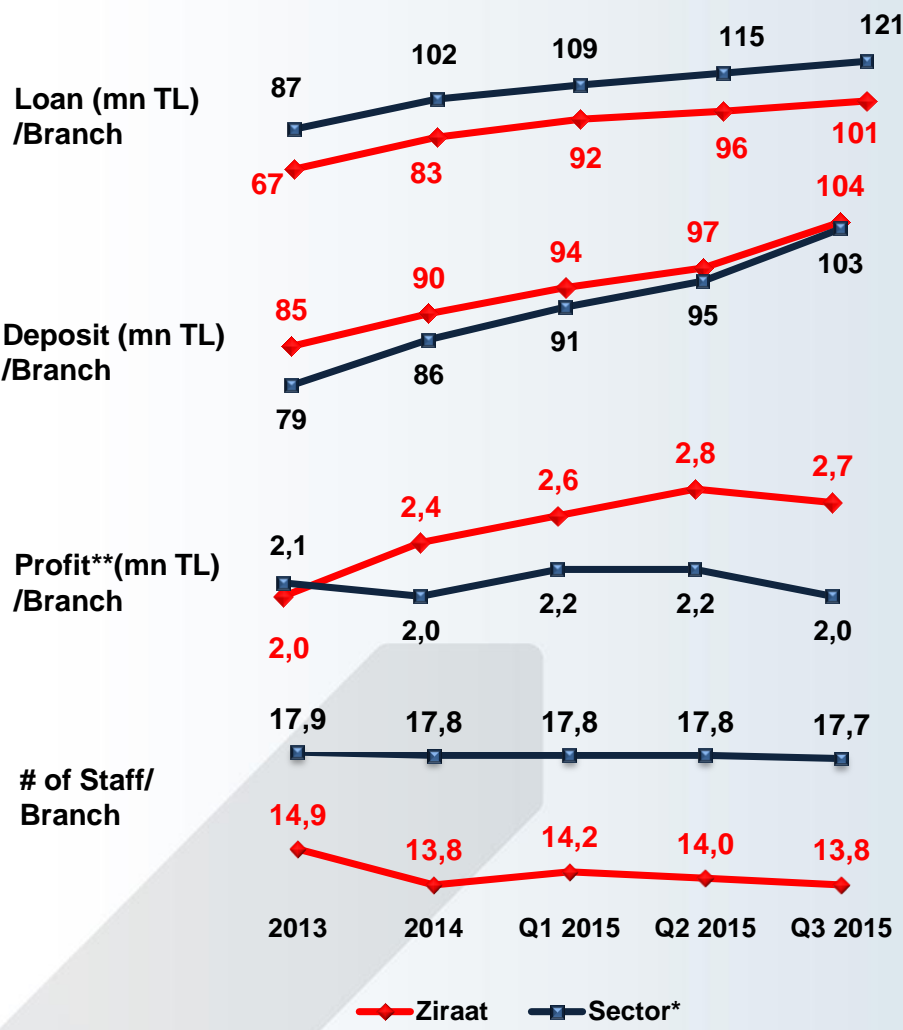
Market Shares (%)

	2012	2013	2014	Q3 2015
Assets	11.9	12.0	12.4	12.5
Cash Loans	8.8	10.4	11.4	12.1
Securities	24.2	21.9	21.4	19.8
Deposits	14.5	14.2	13.7	13.9
Non-Cash Loans	6.4	9.0	10.7	12.1

Largest branch network in Turkey with efficient branches



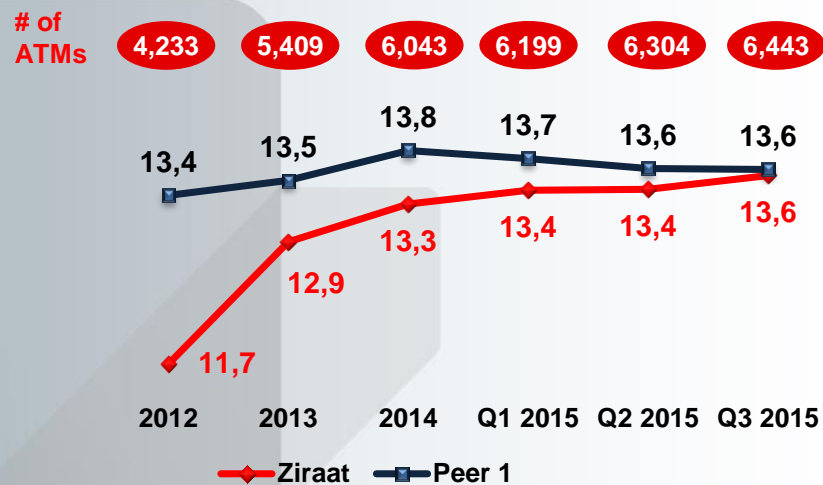
Evolving branch efficiency



* Source:BRSA
** Profits are annualized

Effective banking through alternative distribution channels

Market share in # of ATMs

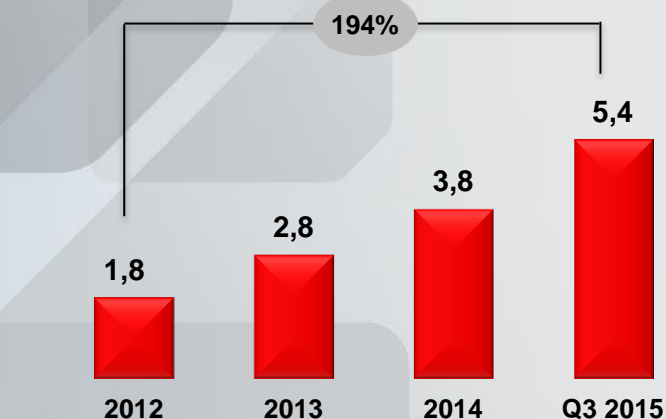


Market share in debit card ownership Q3 2015 (%)



Source: Interbank Card Center

of customers using internet banking (mn)



 **Ziraat Bank**

- ✓ Serving customers through the most efficient channel
- ✓ More transactions performed through ADCs (2012: 50% Q3 2015: 93%)
- ✓ Strategies to increase usage of debit cards
- ✓ Distinctive sector leadership in number of debit cards with more than 24 mn customers
- ✓ Increasing number and capacity of call centers
- ✓ Dual debit & credit card for young customers
- ✓ Continuing IT investments (in 2011-2015 around TL 800 mn)

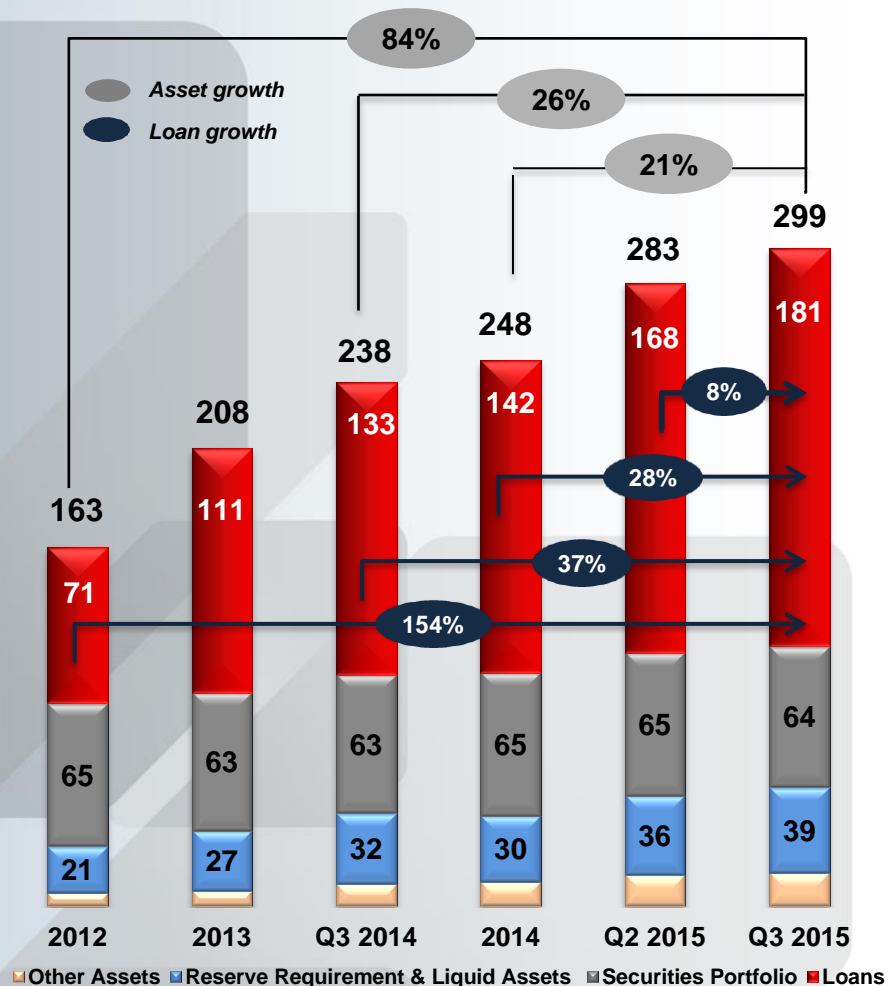


How we did ...

Achievements and trends

Growth targets compatible with strategies

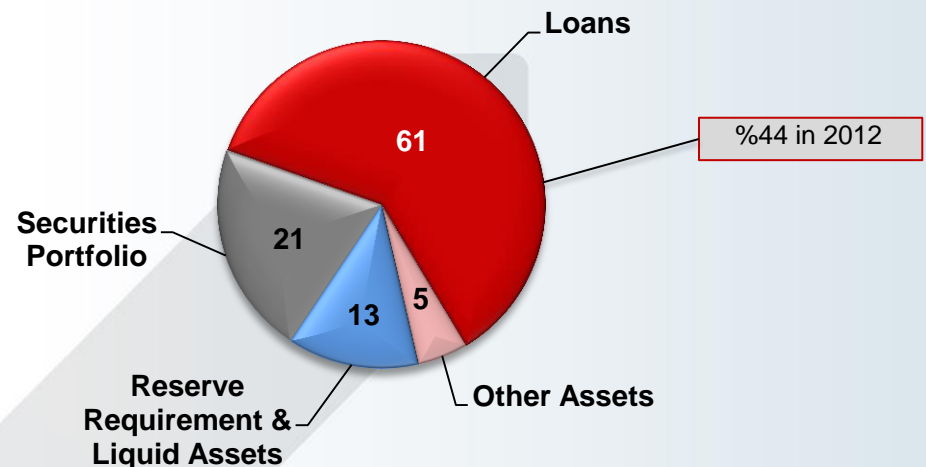
Successfully diversifying asset base



Moderate growth in line with market environment

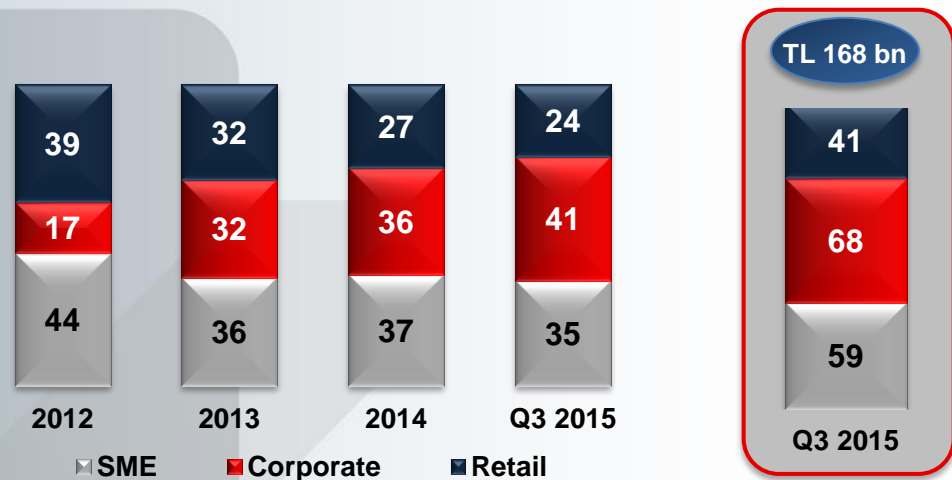
- ✓ 6% asset growth QoQ (FX adjusted growth 2%)
- ✓ Asset growth mainly driven by business loan growth
- ✓ TL denominated balance sheet (TL assets 65% of total assets)
- ✓ Loan/Asset ratio reached 61% (sector 62%)

Composition of assets Q3 2015(%)

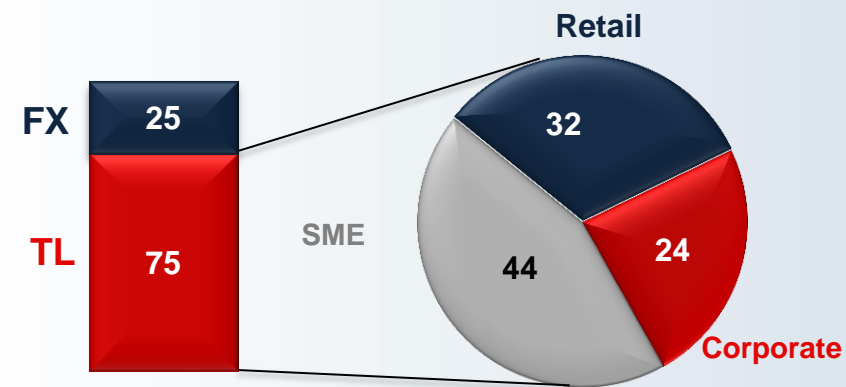


Growing business lending

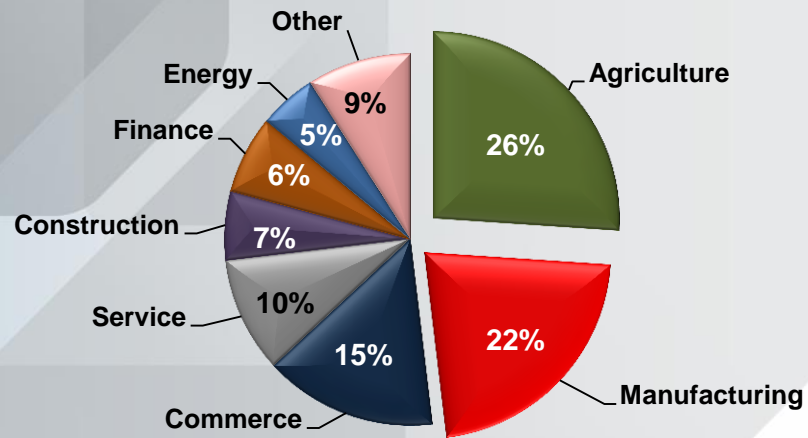
Loan book by customer segmentation*(%) Total amount* Currency breakdown of loans Q3 2015 (%)



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



Breakdown of business loan book by sector Q3 2015 (%)



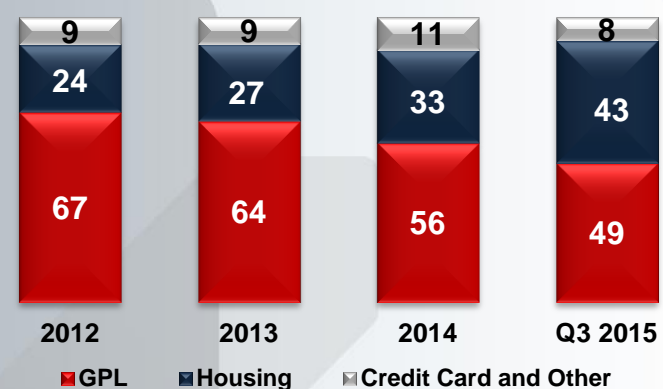
Sectors are classified according to NACE Codes

YtD
 TL loan growth 22%
 FX loan growth 12%
 (in USD terms)

- ✓ No material risk concentration
- ✓ Aim to achieve a balanced loan portfolio breakdown
- ✓ Mostly TL denominated lending
- ✓ Total project finance loan portfolio commitment reached to USD 8.7 bn

Retail loan growth led by housing loans

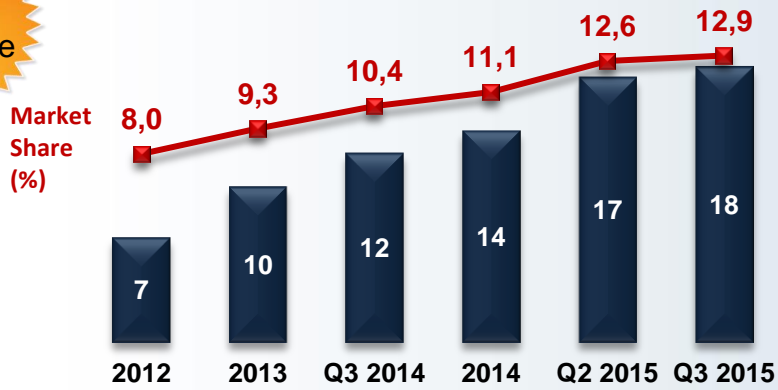
Breakdown of retail loans * (%)



*Accruals are excluded

Sector leader in mortgage loans

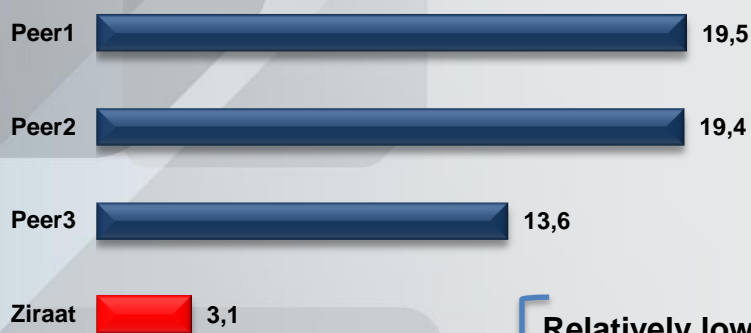
Housing loan amounts* (TL bn)



High asset quality
NPL: 0.26%

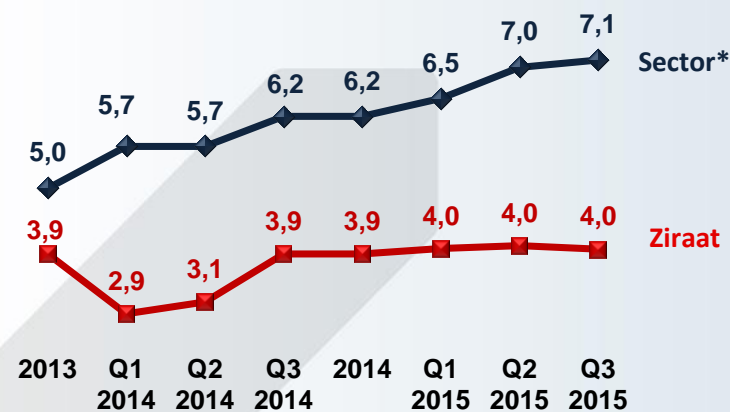
*Accruals and intermediated loans of public funds are excluded

Credit Card Market Share, Q3 2015



Relatively low market share in highly competitive credit card market

Credit Card NPLs

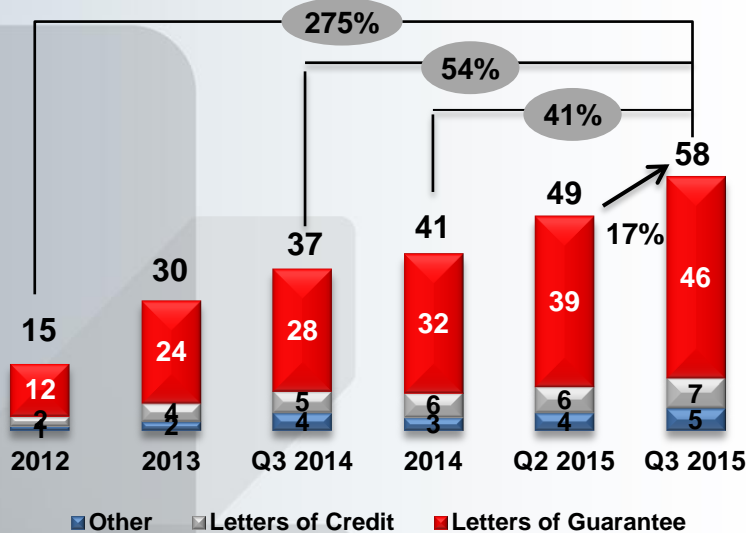


*Source: BRSA

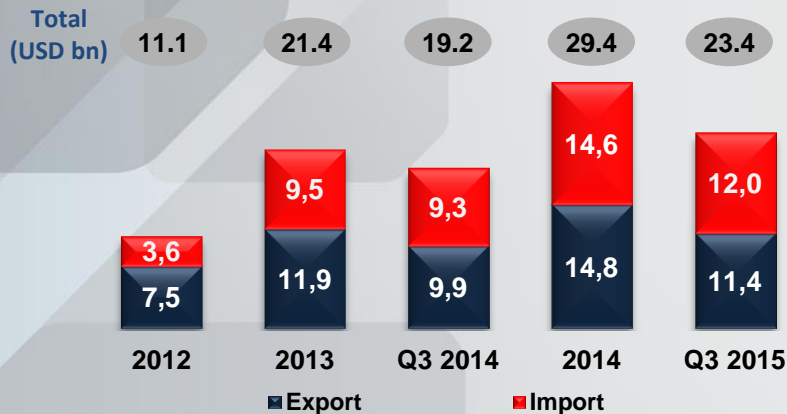


More pivotal in intermediating international trade

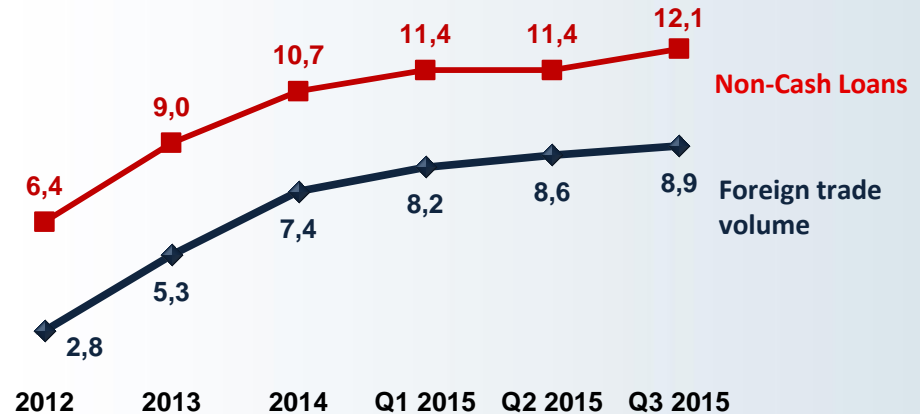
Composition of non-cash loans (TL bn)



Foreign trade volume (USD bn)



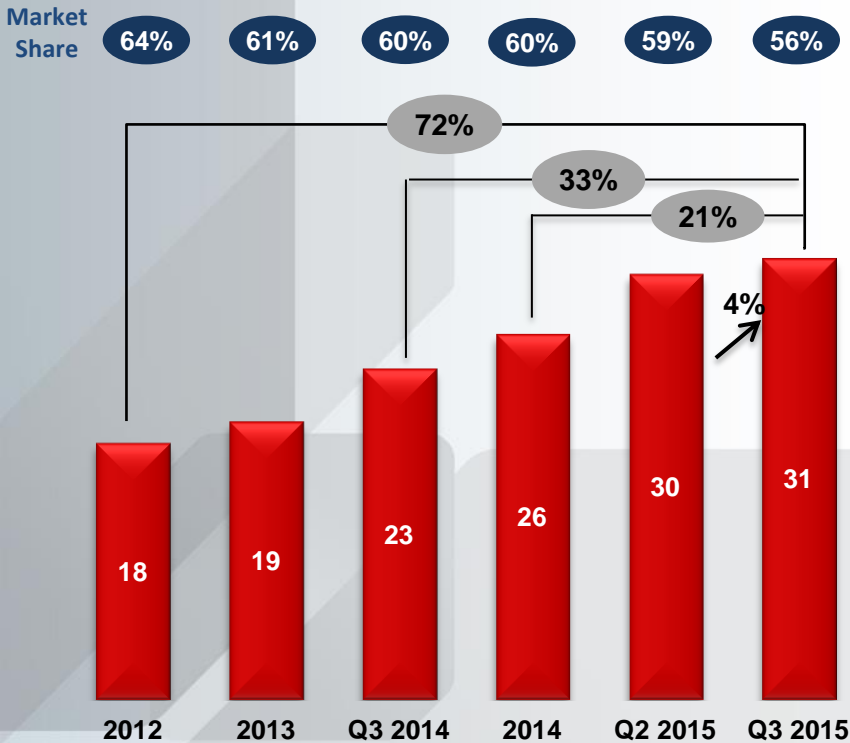
Robust growth in market shares (%)



- ✓ More robust foreign trade with expanding country coverage and correspondent banking relationship
- ✓ Increasing non-cash lending with positive impact on fees and commissions income
- ✓ Growth in trade finance activities provide alternative funding source

Deep expertise in agricultural sector

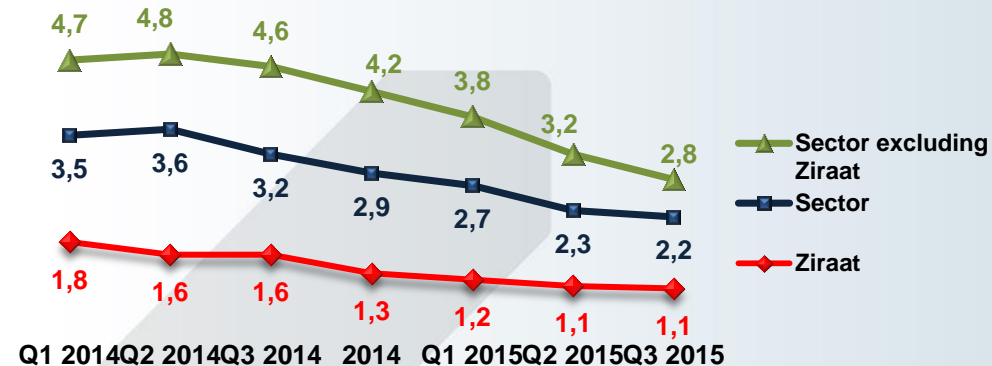
Loans to agricultural sector (TL bn)



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

- ✓ Exclusive provider of subsidized agricultural loans
- ✓ 93% of agricultural loans utilized from Bank's own funds
- ✓ Investment loans constitute 39% of agro-loans as of Q3 2015
- ✓ Agro-loan maturities consistent with production and harvest periods

Consistently low agricultural NPL ratio (%)

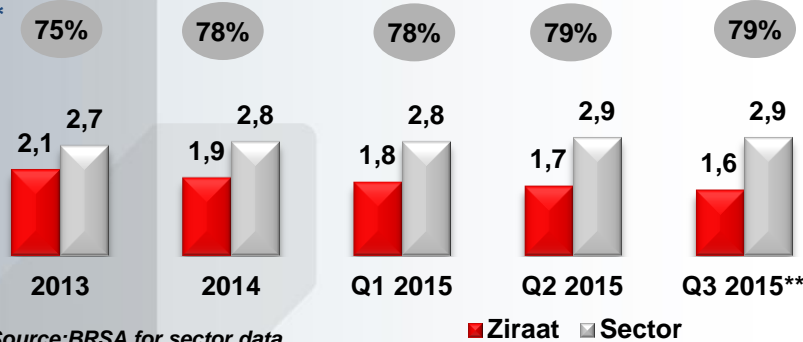


Source: BRSA – Fintürk for sector.
Agricultural NPL calculated using loans to agricultural sector

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

NPL and coverage ratios * (%)

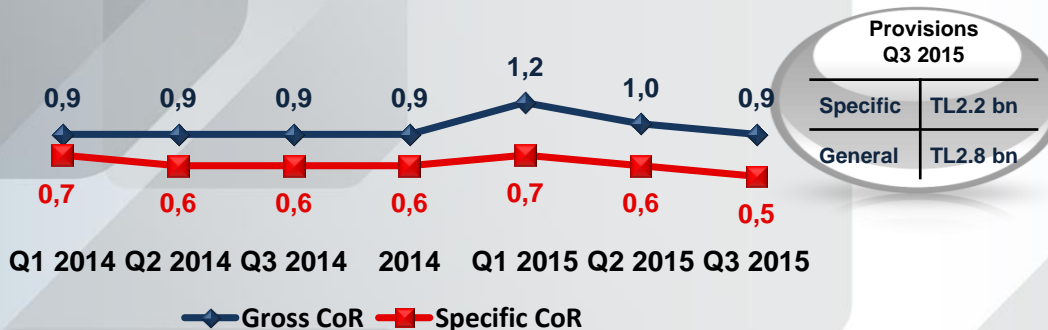
Ziraat Bank
Coverage*



* 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)



Prudent risk management & resilient asset quality

- ✓ Low stock of NPLs with high provisioning
- ✓ Well-functioning credit evaluation policies & procedures
- ✓ Effective monitoring & strong collection systems in practice
 - Early warning ratings
 - Action plan offering
- ✓ Asset quality remained flat among all segments

NPL ratio by segments (%)

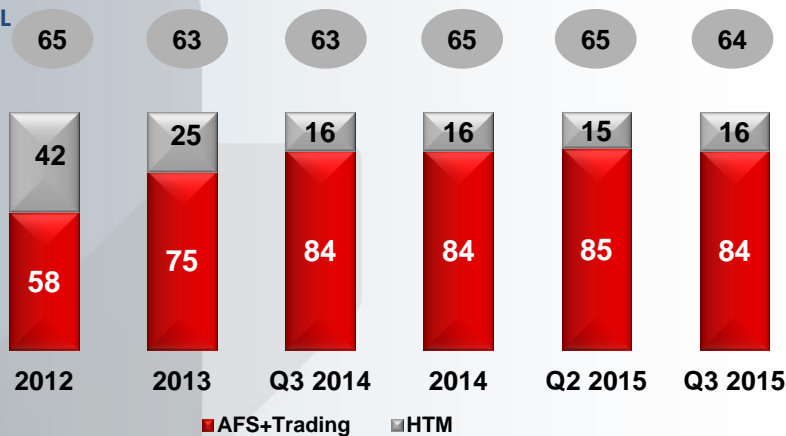
	Retail		Corporate		SME	
	Q2	Q3	Q2	Q3	Q2	Q3
2015						
Ziraat	1.4	1.5	1.3	1.3	2.2	2.2
Sector*	3.8	4.1	2.0	1.9	3.5	3.7

*Source: BRSA

Adaptive securities portfolio management

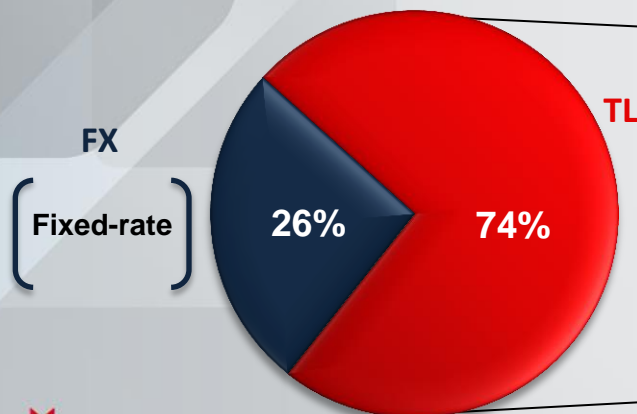
Composition of securities (%)

Total (TL bn)

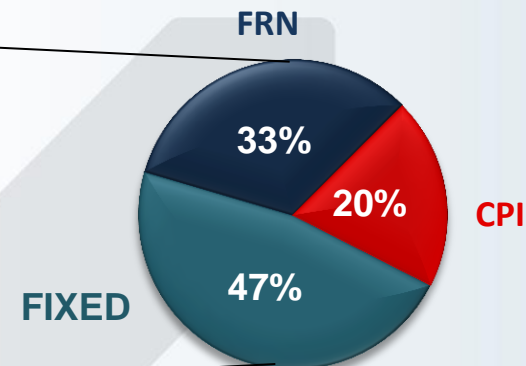


- ✓ Limited securities sell-off in the secondary market
- ✓ Large share of AFS+trading portfolio providing flexibility
- ✓ Majority of securities are held in TL
- ✓ Relatively low share of CPI linkers (14.8% as of Q3 2015)
- ✓ Securities/total assets ratio decreased to % 21 (23% in Q2 2015)

Currency breakdown of securities*, Q3 2015

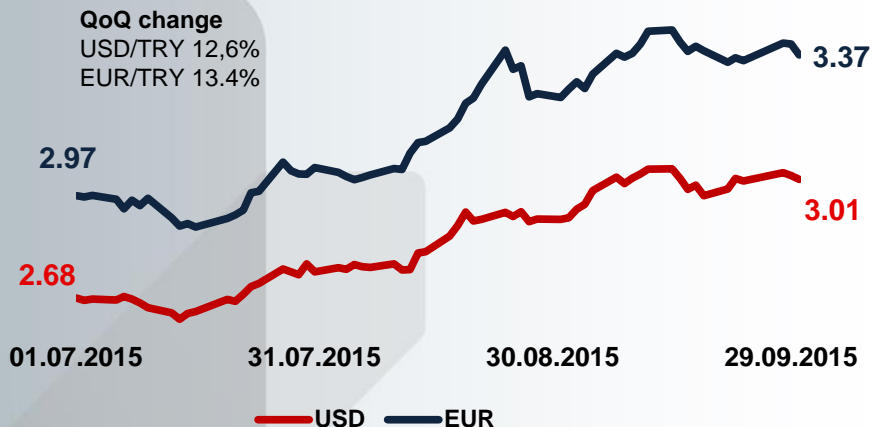


Breakdown of TL securities*, Q3 2015

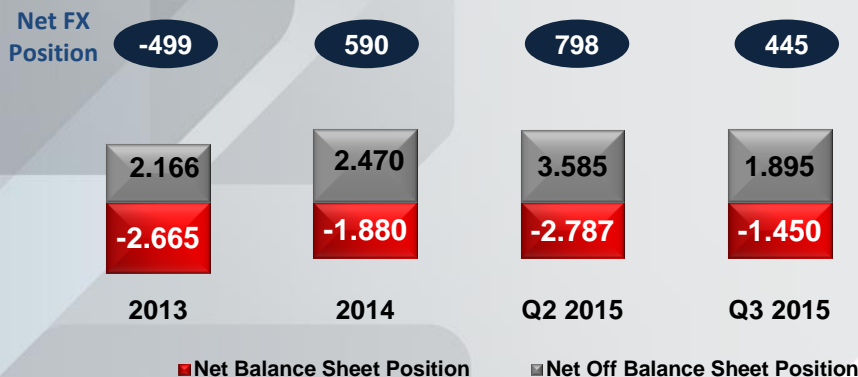


Limited exposure to TRY depreciation

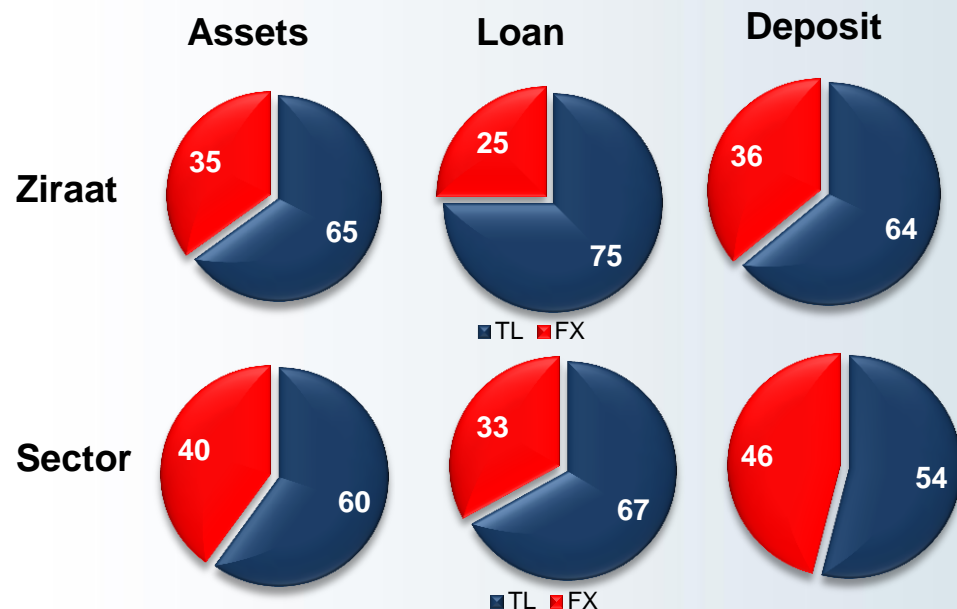
The change in TRY versus EUR and USD



FX open position (mn TL)



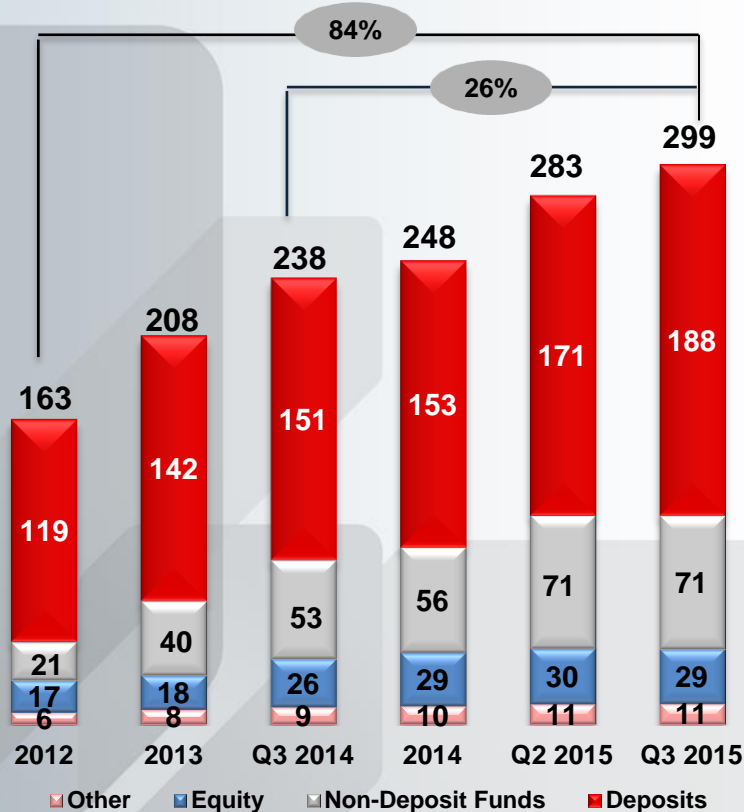
Currency Breakdown, Q3 2015



- ✓ TL dominated balance sheet structure
- ✓ No FX lending in retail segment and limited FX lending to SMEs (6% vs 8% in the sector)
- ✓ FX lending to corporates with FX revenues giving a natural hedge

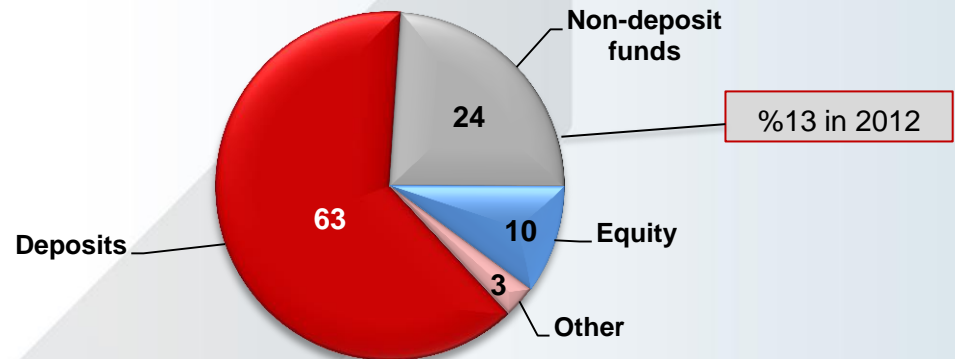
Strong deposit base with diversified funding sources

Composition of liabilities (TL bn)



- ✓ Lowest L/D ratio among peers
- ✓ Strong funding through deposits
- ✓ TL 6.5 bn borrowing from IFI's (e.g World Bank, EIB, AFD)
- ✓ Outstanding USD 1.1 bn syndicated loan facility
- ✓ USD 135.5 mn and EUR 21 mn through private placement issuances in Q3 2015 under the GMTN program

Composition of liabilities Q3 2015 (%)



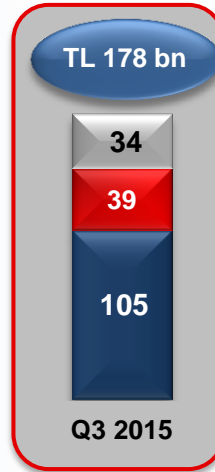
Growth (%)	QoQ	YtD	YoY	2012-Q3 2015
Deposits	10	23	25	58
Non-Deposit Funds	-	26	35	247
Equity	-2	3	13	70

Diversified and widespread deposit base

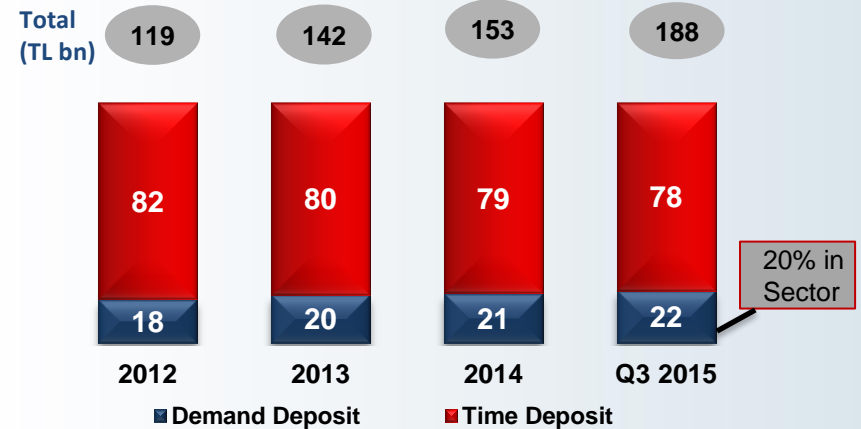
Deposits by customer segmentation* (%)



Total amount*

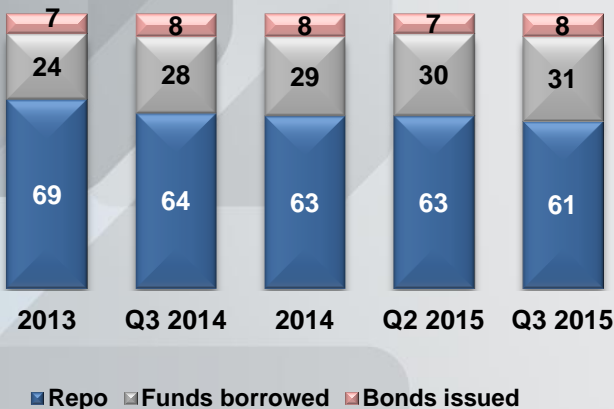


Demand vs time deposits (% of total)

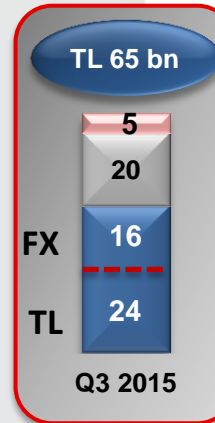


* Excluding the Bank's deposits.

Composition of non-deposit funds* (%)



Total amount*

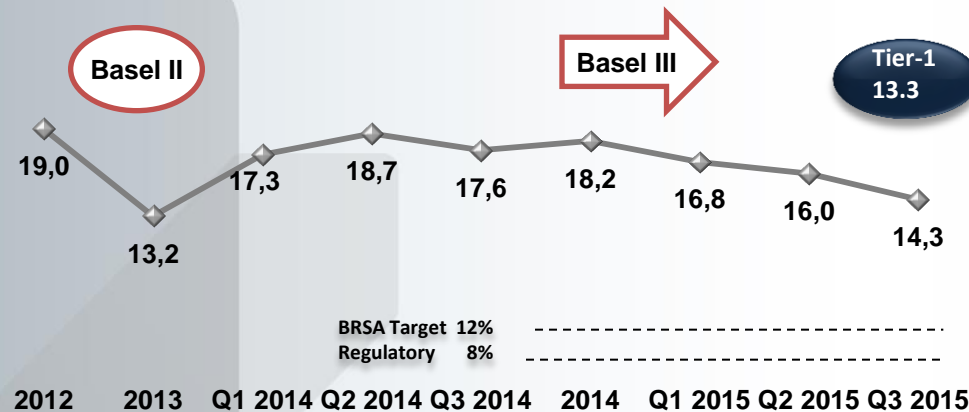


* Intermediated loans of public funds are excluded

- ✓ Granular and domestically diversified deposit portfolio
- ✓ Core deposit ratio is around 96%
- ✓ Accounts greater than TL 1 million / total deposits is 40% (sector average is 53 %)
- ✓ Non-retail deposits (excluding the Bank deposits) increased 10% QoQ (5% FX adjusted)

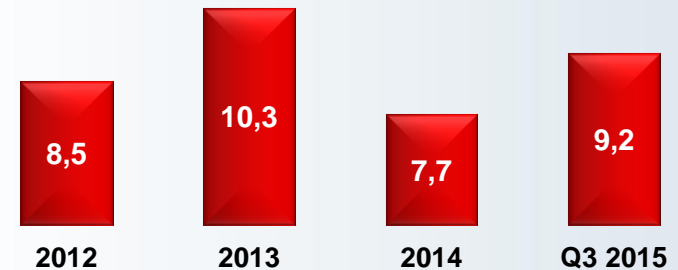
Sound capital structure and internal capital generation

Capital adequacy ratio (%)



Leverage decreased to industry levels

Leverage(x)*



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

**High Tier 1 /
Total Capital
(93%)**

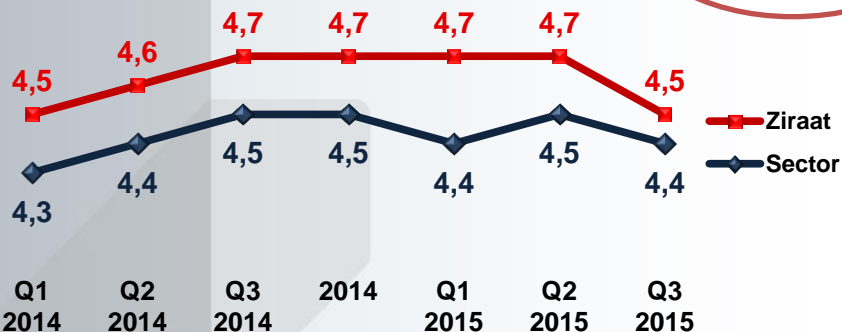
Strong capitalisation assuring sustainable growth

- ✓ Following cautious leveraging policies
- ✓ Resilient capital level to support targeted loan growth
- ✓ 170 bps decline in CAR QoQ: depreciation of TL (c13% in Q3 2015); loan growth (8%); MtM losses of AFS securities on equity (c1.6 bn)
- ✓ CAR is highly above the regulatory limits under various scenario analysis

Net Interest Margin levels above sector average

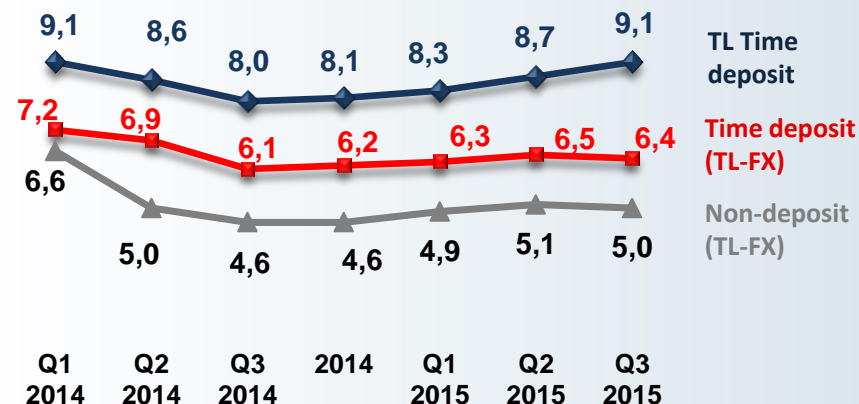
Net interest margin (NIM cum. %)

CBRT Remuneration
Policy on RR:
IEA/Total Assets
increased from 79% in Q1
to 88% in Q3

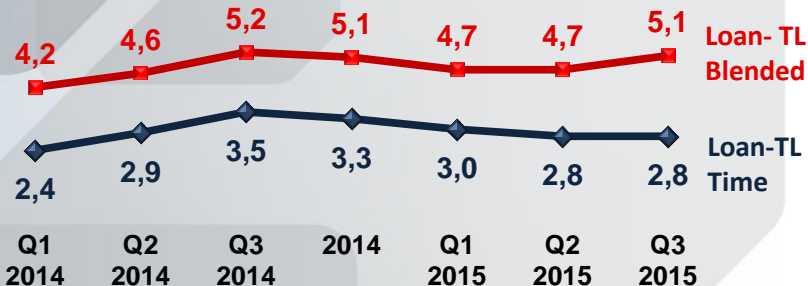


*NIM = Net Interest Earnings / Av. IEA

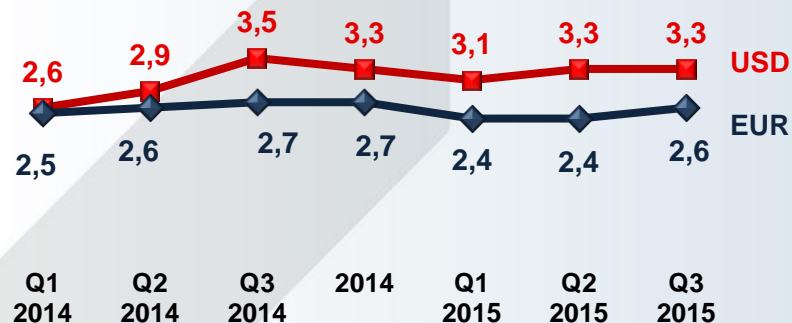
Cost of time deposit vs non-deposit funds (%)



TL loan spreads (%)



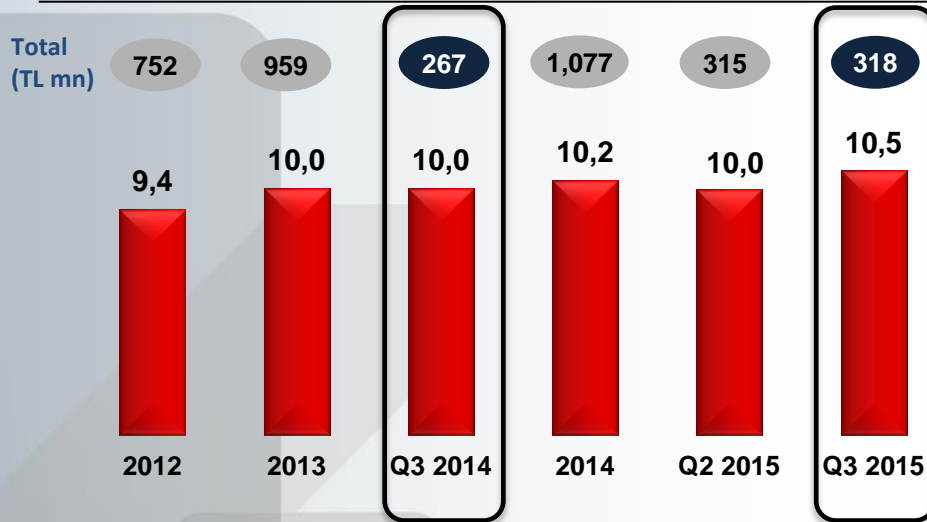
FX loan spreads* (%)



*Loan-FX Time

Accelerating fee generation

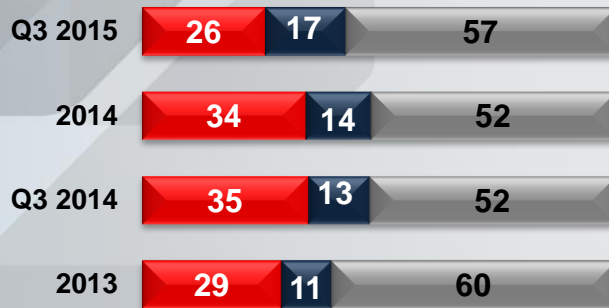
Net fees income/ Net income (%)



✓ Ample room to grow further through:

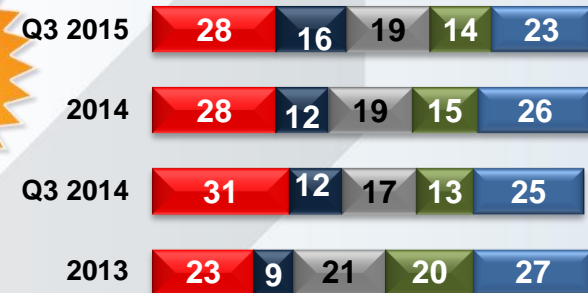
- Cross-selling fee based products
- Institutionalized fee and commission policy and procedures
- Cash and non-cash loan growth
- More fee and commission generation from SMEs by increased non-cash lending

Breakdown of commissions from cash loans (%)



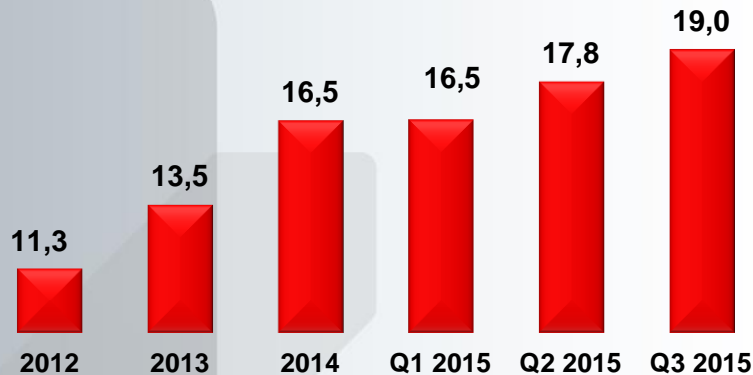
Sector leader in Bancassurance (22% market share)

Breakdown of fees and commissions (%)



Outperforming sector in profitability

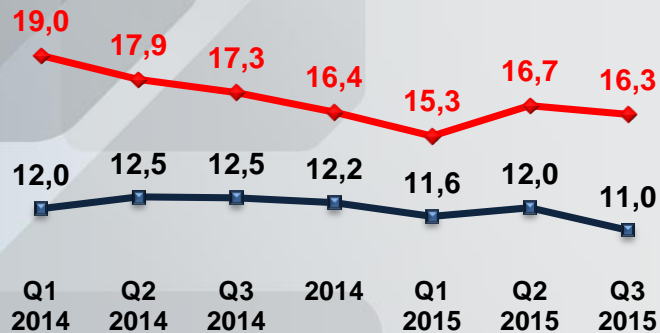
Ziraat's share in sector profits* (%)



*Profit generated in the period

- ✓ Sector leader in profitability (Q3 2015: TL1.2 billion; 9M 2015: TL3.6 billion)
- ✓ Temporary effects of market volatility and TRY depreciation on profitability in Q3
- ✓ Effective cost management strategies
- ✓ *Performance Bonus System* for rewarding higher performance in the Bank

Return on equity (%)

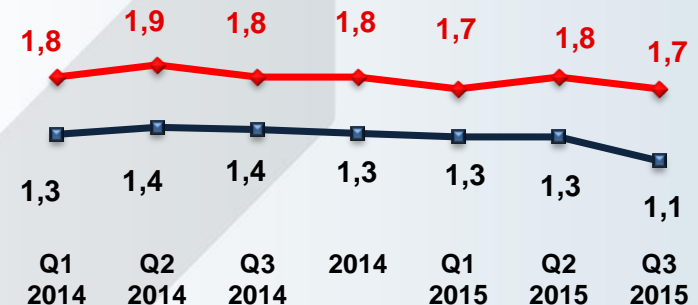


Leading ROAE & ROAA among peers

◆ Ziraat
■ Sector*

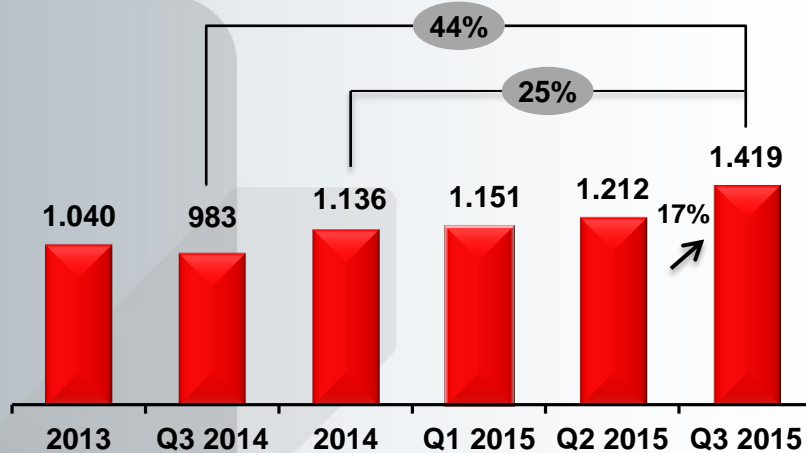
*Source: BRSA

Return on assets (%)

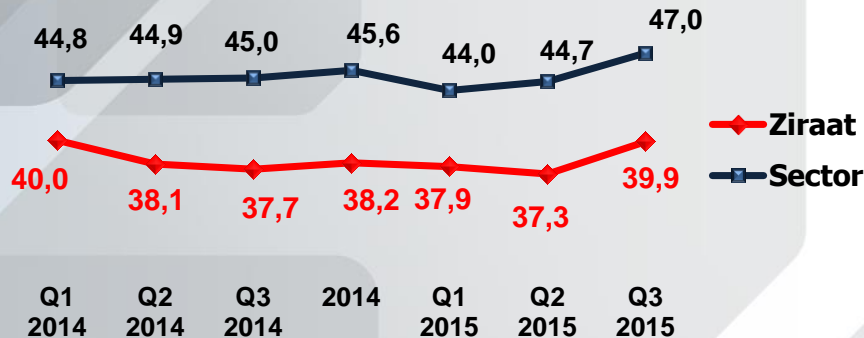


Regulatory and one-off increases in OPEX

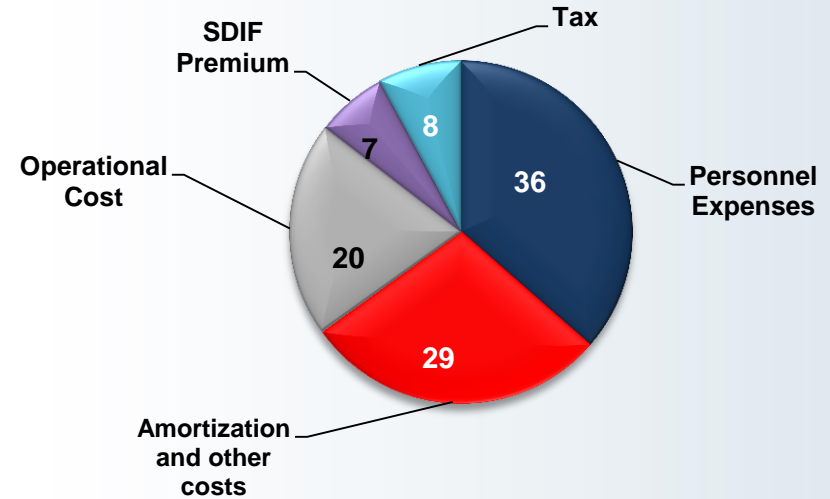
Other operating expenses (TL mn)



Cost/Income ratio (%)



Breakdown of OPEX, Q3 2015 (%)



- ✓ Increasing branch and ATM network
- ✓ C/I ratio still significantly below sector average
- ✓ OPEX increases partially driven by fee rebates

Appendix

Balance Sheet Summary

TL MN	2013	Q3 2014	2014	Q2 2015	Q3 2015	% Change QoQ	% Change YtD	% Change YoY
CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	26,602	31,574	30,149	35,752	38,648	8.1	28.2	22.4
BANKS	2,465	1,759	2,191	3,867	3,869	0.1	76.6	120.0
SECURITIES	62,798	62,620	64,563	64,500	63,823	-1.0	-1.1	1.9
LOANS	111,048	132,901	141,915	168,315	181,381	7.8	27.8	36.5
-Gross NPL	2,417	2,642	2,717	2,929	3,001	2.5	10.5	13.6
-Specific Provisions (-)	1,623	1,849	1,932	2,107	2,182	3.6	12.9	18.0
OTHERS	4,617	9,493	8,782	10,075	11,363	12.8	29.4	19.7
TOTAL ASSETS	207,530	238,347	247,600	282,509	299,084	5.9	20.8	25.5
DEPOSITS	141,735	150,840	153,255	171,231	187,984	9.8	22.7	24.6
FUNDS BORROWED	8,559	13,073	14,608	19,182	20,138	5.0	37.9	54.0
INTERBANK MONEY MARKET	24,571	30,339	31,781	41,013	39,789	-3.0	25.2	31.1
PROVISIONS	3,958	2,208	4,758	5,113	5,057	-1.1	6.3	129.0
SHAREHOLDERS' EQUITY	18,367	25,793	28,540	29,690	29,249	-1.5	2.5	13.4
OTHERS	10,340	16,094	14,658	16,280	16,867	3.6	15.1	4.8

Income Statement Summary

TL MN	Q4 2013	Q3 2014	Q4 2014	Q2 2015	Q3 2015	% Change QoQ	% Change (Q3 15 / Q4 14)	% Change YoY
INTEREST INCOME	4,015	4,570	4,811	5,442	5,600	2.9	16.4	22.5
-From Loans	2,609	3,302	3,443	3,984	4,382	10.0	27.3	32.7
-From Securities	1,354	1,250	1,306	1,429	1,175	-17.8	-10.0	-6.0
INTEREST EXPENSE	1,909	2,326	2,403	2,824	3,018	6.9	25.6	29.8
-On Deposits	1,537	1,867	1,874	2,117	2,245	6.0	19.8	20.2
NET INTEREST INCOME	2,106	2,243	2,408	2,618	2,582	-1.4	7.2	15.1
NET FEES & COMMISSIONS	268	267	295	315	318	1.0	7.8	19.1
-Fees and Commissions Received	321	342	361	405	403	-0.5	11.6	17.8
-Fees and Commissions Paid	54	75	66	91	84	-7.7	27.3	12.0
OTHER OPERATING INCOME	235	197	192	289	329	13.8	71.4	67.0
OPEX	1,040	983	1,136	1,212	1,419	17.1	24.9	44.4
NET OPERATING PROFIT	1,013	1,299	1,334	1,673	1,455	-13.0	9.1	12.0
NET PROFIT	754	1,016	1,025	1,328	1,152	-13.3	12.4	13.4

Key Financial Ratios

(%)	2013	Q1 2014	Q2 2014	Q3 2014	2014	Q1 2015	Q2 2015	Q3 2015
ROAA	1.8	1.8	1.9	1.8	1.8	1.7	1.8	1.7
ROAE	18.5	19.0	17.9	17.3	16.4	15.3	16.7	16.3
Cost to Income	37.1	40.0	38.1	37.7	38.2	37.8	37.3	39.9
NIM (cum.)	5.2	4.5	4.6	4.7	4.7	4.7	4.7	4.5
Loans/Deposits	78	85	86	88	93	97	98	96
Loans/Assets	54	54	55	56	57	58	60	61
Securities/Assets	30	29	28	26	26	24	23	21
NPL	2.1	2.0	2.0	2.0	1.9	1.8	1.7	1.6
Coverage	75	75	76	76	78	78	79	79
CoR (Gross)	1.6	0.9	0.9	0.9	0.9	1.2	1.0	0.9
CAR	13.2	17.3	18.7	17.6	18.2	16.8	16.0	14.3
Leverage	10.3	8.5	7.8	8.2	7.7	8.1	8.5	9.2
# of								
Branches	1,661	1,667	1,674	1,686	1,707	1,726	1,760	1,802
Employees	24,725	24,528	24,161	24,002	23,617	24,496	24,609	24,892
ATMs	5,409	5,573	5,756	5,934	6,043	6,199	6,304	6,443



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