



# INVESTOR PRESENTATION Q3 2014



# Resilient Turkish economic environment

	2012	2013	2014	2015
<b>GDP (USD bn)</b>	786	822	810	850
<b>GDP growth (%)</b>	2.1	4.1	2.1 <sup>1</sup>	4.0
<b>Unemployment (%)</b>	8.4	9.0	9.8 <sup>2</sup>	9.5
<b>CPI (annual) (%)</b>	6.2	7.4	8.9 <sup>3</sup>	6.3
<b>Current Account Balance/GDP (%)</b>	-6.1	-7.9	-5.7	-5.4
<b>Public Debt/ GDP (%)</b>	36.2	36.2	33.1	31.8
<b>Budget Deficit/ GDP (%)</b>	2.1	1.2	1.4	1.1

-  Fed ended its economic stimulus programme
-  Improvement in CAD due to higher exports and decreasing energy prices
-  CBRT to provide support to core liabilities by remunerating the TL component of required reserves
-  Low budget deficit and public debt to GDP among peers, continuing structural reforms
-  Realistic Medium Term Programme: %3.3 GDP growth and 9.4% CPI is guided for 2014

Source: CBRT, TURKSTAT, Ministry of Finance

1: Quarterly, (Q2 2014)

2: As of 31.07.2014

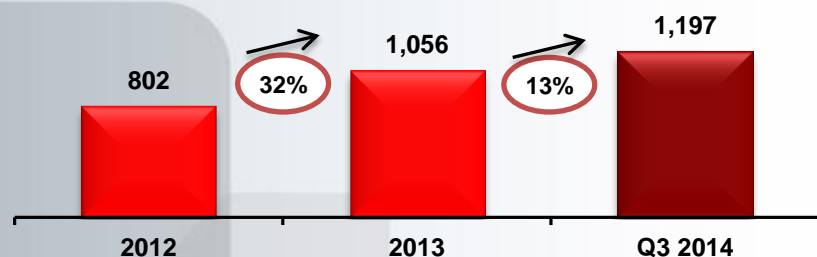
3: As of 30.09.2014

Actual

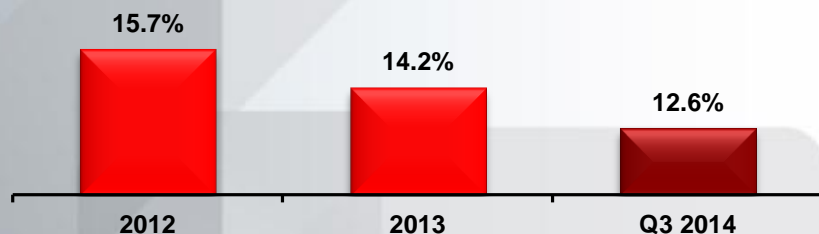
Forecast (Medium Term Programme)

# Sound and growing banking sector

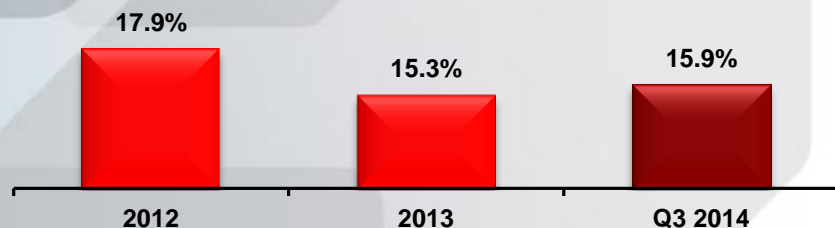
## Sector Loan (TL bn)



## Sector ROAE



## Sector CAR



## Key indicators

TL billion / %	2012	2013	Q3 2014	Chg YtD (%)
Securities	270	287	297	3.5
Deposits	772	946	1,020	7.8
Total Assets	1,371	1,732	1,930	11.4
Net Profit	24	25	19	-
NPL	2.9	2.7	2.9	20 bps
ROAA	1.8	1.6	1.4	-20 bps
NIM (*)	4.1	3.7	3.5	-20 bps
Loan/Deposit	103	111	116	500 bps
Leverage (x)	6.5	7.9	7.8	-10 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 and credit cards but compensated with business lending
- ✓ Increasing international funding opportunities with low cost of funding



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
- About 1,700 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)
- Participation Bank (2015)

# Investment grade ratings since 2012

**Fitch**Ratings



**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**  
November 2014

National  
**AAA/A-1+ Stable**  
November 2014

# 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%

Q3 2014

✓ **Customer Segmentation**

- Corporate
- SME
- Retail

✓ **Branch Segmentation**

- Corporate :5
- Commercial :27
- SME :79
- Dynamic SME: 75
- Branch: 1,475

✓ **Branch Organisation**

- Customer / market centric
- Relationship management
- Customer ownership

✓ **Alternative Distribution Channels**

- # of ATM: 5,934
- # of internet users: 3.5 mn
- Usage of non-branch channels: 81%
- Operation Center ( Around 12 million transactions/ month)

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

✓ **More efficient performance measurement**

Ziraat's  
Transformation

# Strong position in Banking Sector

Key Financials (Q3 2014) TL bn / (%)		
	Ziraat	Sector
Total assets	238	1,930
Net loans	133	1,197
Total deposits	151	1,089*
Shareholders' equity	26	219
Net Profit	3.0	18.7
ROAE	17.3	12.6
ROAA	1.8	1.4
NIM	4.7	4.5
Loan/Deposit	88.1	109.9*
Cost/Income	37.7	45.0
NPL	2.0	2.9
Tier 1 ratio	16.5	13.5
Capital Adequacy Ratio	17.6	15.9



## Change in Rankings (among top10 banks)

	2011	Q3 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	Q3 2014
Assets	13.2	11.9	12.0	12.4
Cash Loans	10.3	8.8	10.4	11.0
Securities	24.8	24.2	21.9	21.1
Deposits	15.5	14.5	14.2	13.9
Non-Cash Loans	5.5	6.4	9.0	10.2

\*Including the banks' deposits with an amount of 68.9 TL bn

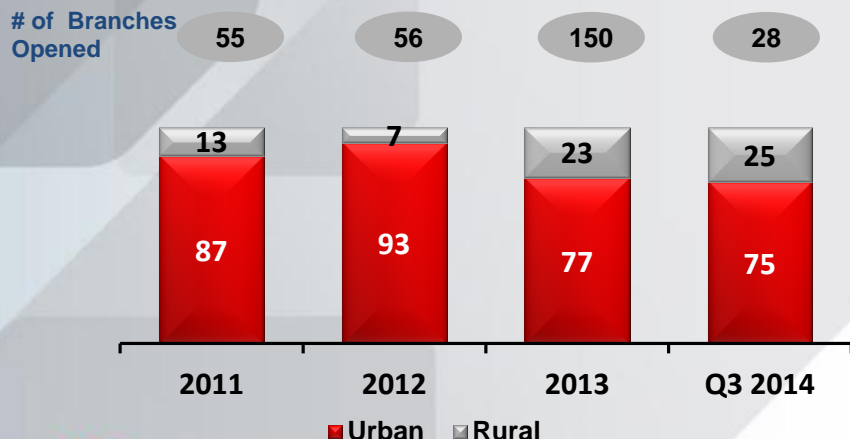


# Largest and strongest branch network in Turkey

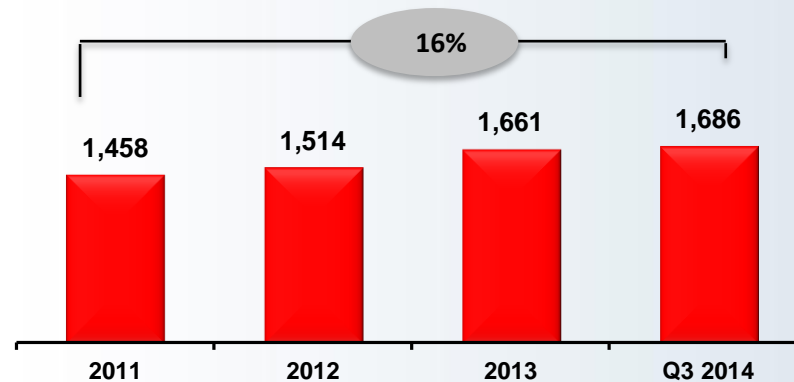
- ✓ Strong presence at the under banked parts of Turkey
- ✓ Addressing industry and trade centers with a focus on industrialized cities
- ✓ As of Q3 2014, 28 new branch opening
- ✓ Targeting to open about **60** new branches in 2014
- ✓ In 2015, expecting to open around **100** new branches

**Presence in 401 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*		
	2012	2013	3Q 2014	2012	2013	3Q 2014
Loan/Branch	47	67	79	72	87	97
Deposit/Branch	79	85	89	70	79	89
Profit/Branch	1.8	2.0	2.4**	2.1	2.1	2.0**
# of Staff /Branch	15.3	14.9	14.2	18.2	17.9	17.6

\*Source:BRSA

\*\* Profits are annualized

# Improving alternative distribution network

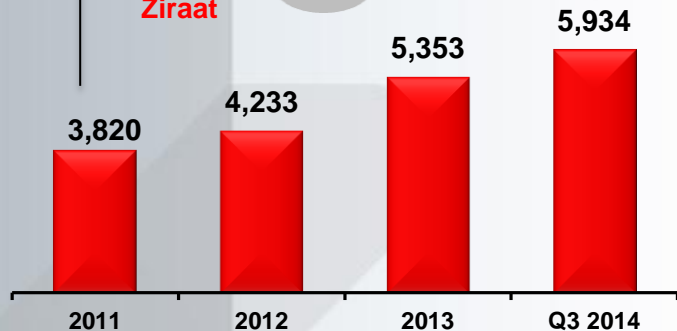
## # of ATMs

Sector Growth

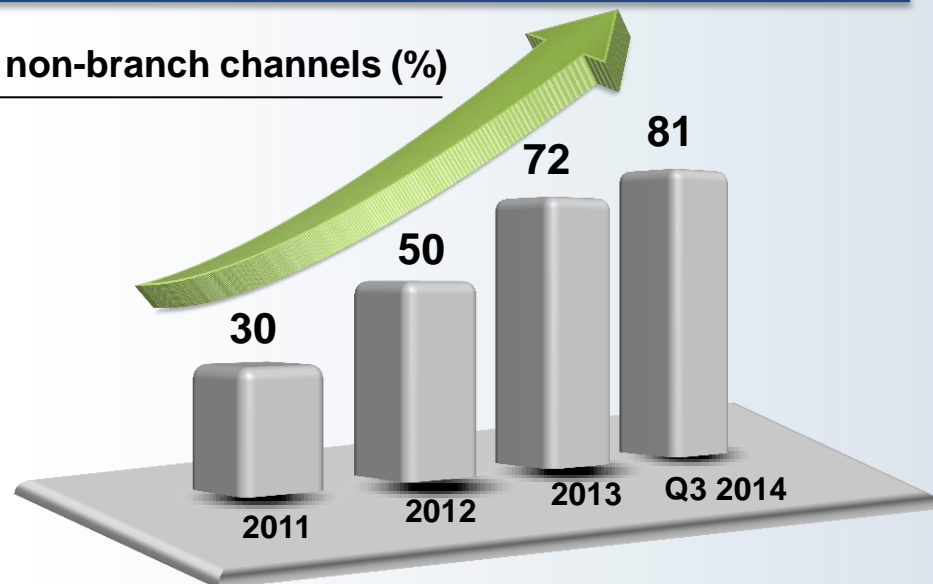
40%

55%

Ziraat

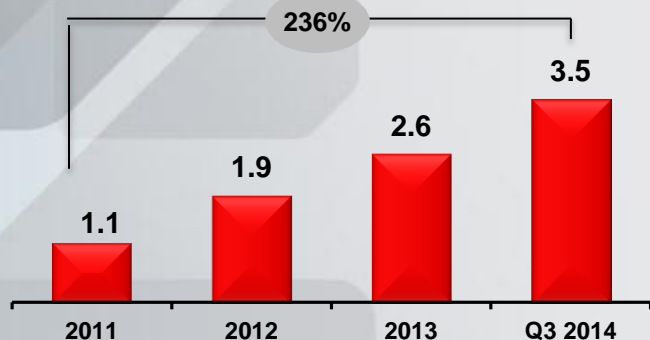


## Usage of non-branch channels (%)



## # of internet users (mn)

236%



# 1 in debit card spending, 17.7% market share (22.5 mn debit cards)

## Increasing operational efficiency

### Since 2013, in Operation Center

- Number of transactions increased by 25%
- Average processing time decreased by 50%



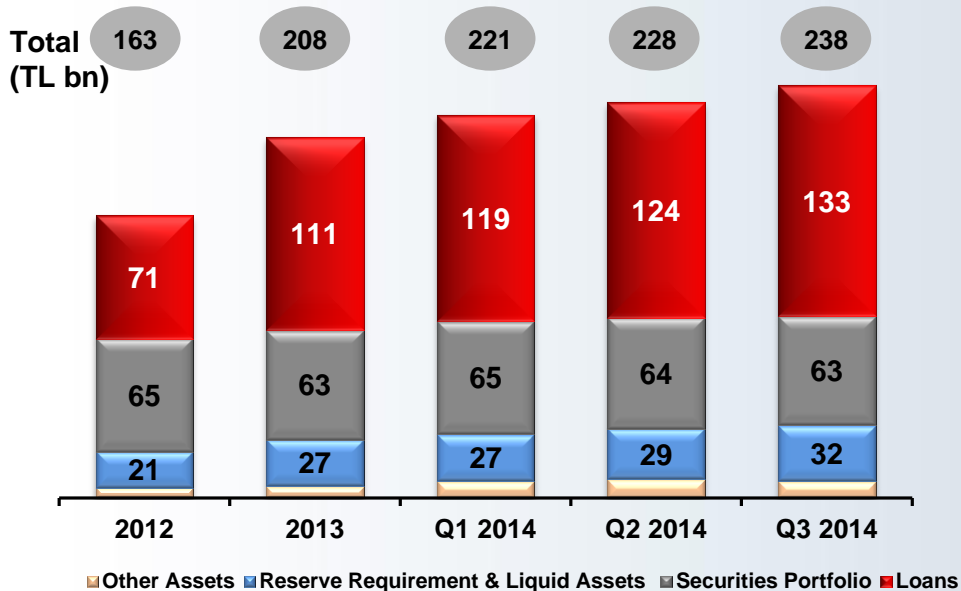
# How we did ...

*Strategies, achievements and trends*

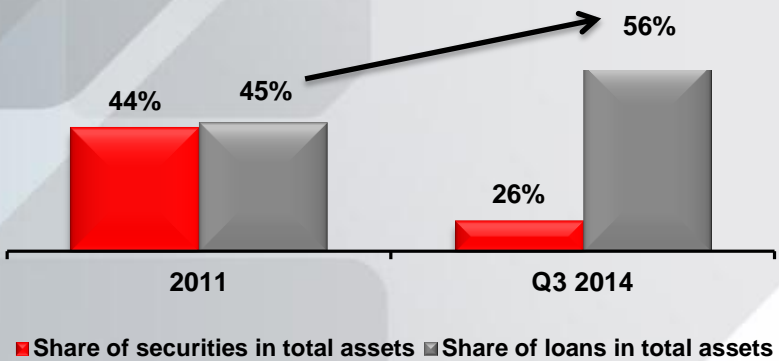
# Evolving asset composition leading to higher income generation

- ✓ Asset growth driven by loan growth
- ✓ Total loans increased 87% from 2012 and total assets grew 46%
- ✓ Well-positioned to finance the real economy
- ✓ TL denominated balance sheet (TL assets 69% of total assets)

## Successfully diversifying asset base

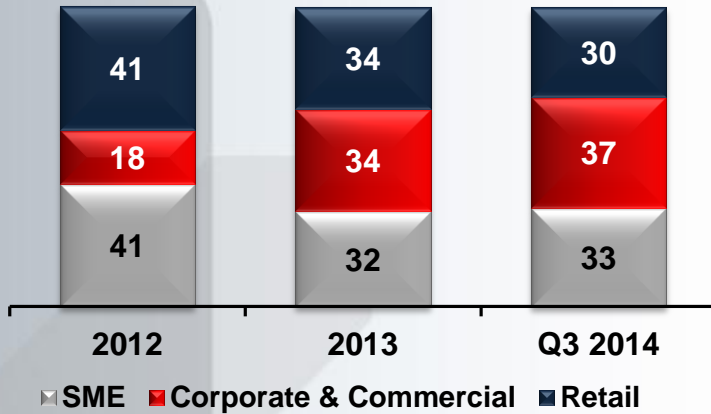


## Shifting from securities to loans



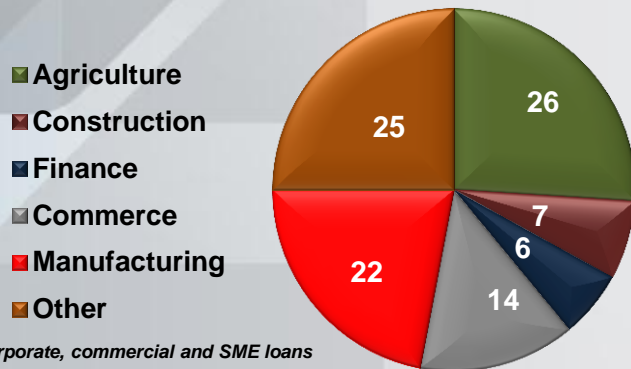
# Growing business lending consistent with strategies

Loans by customer segmentation\* (%)



\*Fund loans and accruals are excluded

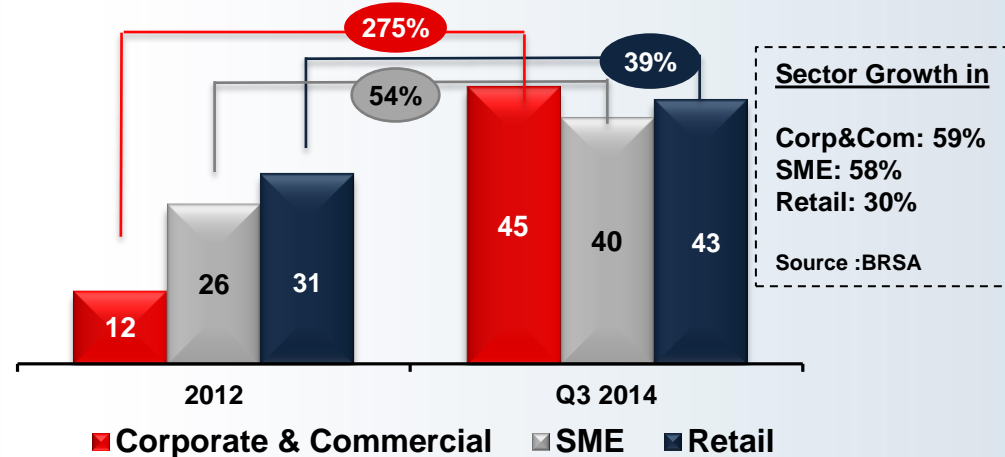
Breakdown of Business Loans\* by Sector (%), Q3 2014



\*Corporate, commercial and SME loans

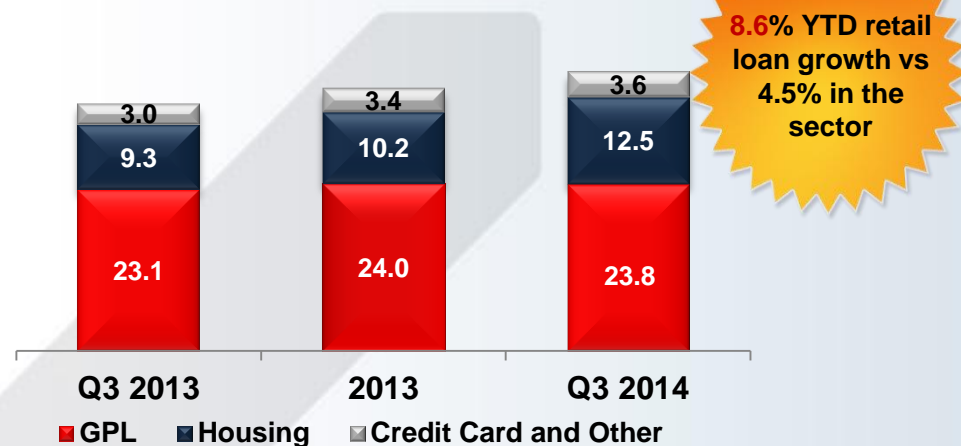


Loan growth led by business lending (TL bn)



Retail loan growth driven by housing loans

Retail Loan Amounts\* (TL bn)



\*Accruals are excluded

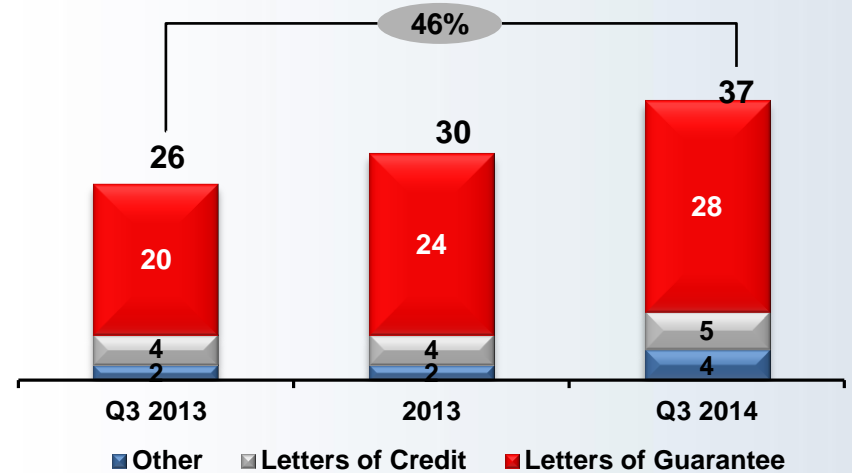
# Increasing product offerings

- ✓ 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%, Q3 2014: 10.2%)
- ✓ Remarkable increase in the post financing activities ( 2012: USD 0,8 bn, Q3 2014: USD 2.4 bn)
- ✓ Gaining strong foothold at project financing (USD 4.4 bn cash loans and USD 0.8 bn non-cash loans)

**Sector leader in non-cash loan growth (3Q13-3Q14)**



## Composition of non-cash loans (TL bn)



## More active in export/import finance

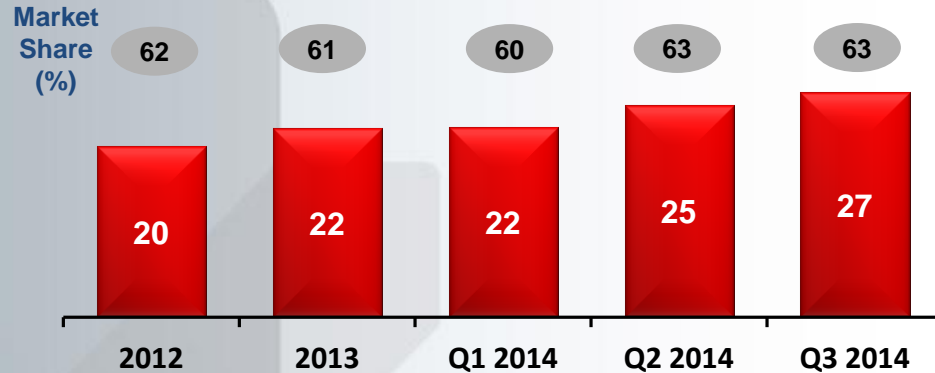
### Market Share (%)



\* Amount of transactions realized in the period

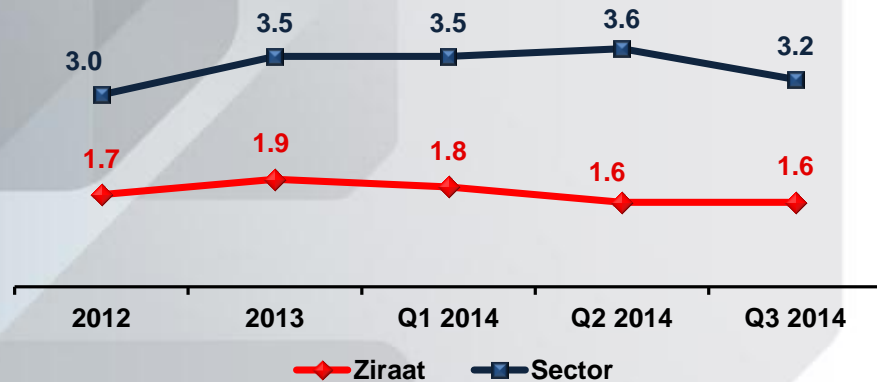
# Exclusive expertise and know-how in agricultural sector

## Loans to agricultural sector (TL bn)



Source: BRSA – for agricultural loans of the sector

## Ziraat Bank's agricultural NPL ratio (%)

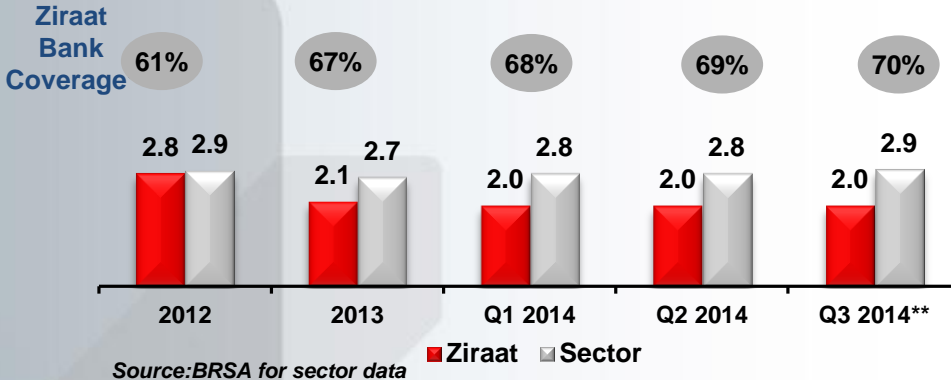


Source: BRSA – Fintürk for sector agricultural NPL. Calculated using loans to agricultural sector

- ✓ Exclusive provider of subsidized agricultural loans
- ✓ Share of investment loans increased from 30% in 2008 to 48% in Q3 2014
- ✓ 89% of agricultural loans utilized from Bank's own funds
- ✓ Consistent agro-loan maturities with production and harvest periods
- ✓ 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 (%)

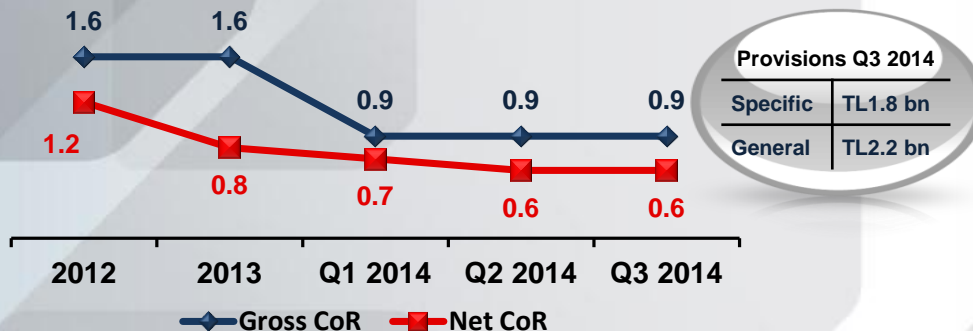


\* Fund sourced loans are excluded

\*\* Without single highest item : NPL ratio of 1.4% and adjusted coverage of 94.4%

- Prudent risk management
- Well-functioning credit evaluation policies & procedures
- Effective monitoring & strong collection capabilities
- Early warning and collection systems in practice

## CoR\* (%)



\* 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 (%)

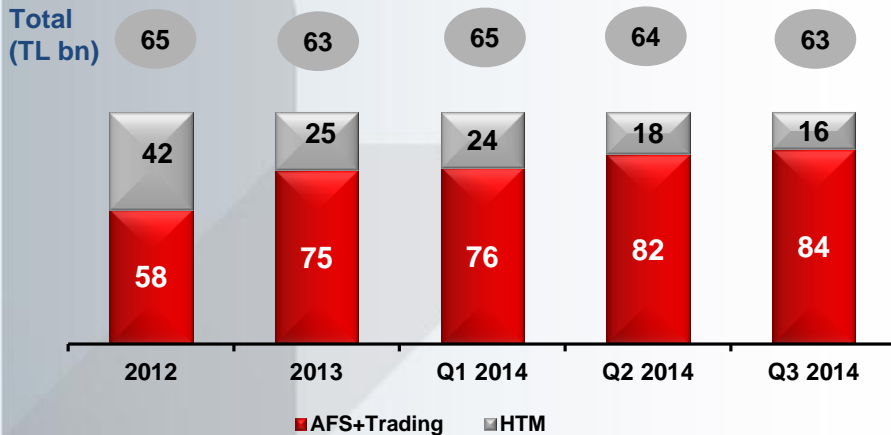
	Retail	Corporate & Commercial	SME
Ziraat	1.2	1.8	2.7
Sector*	3.4	2.5	3.2

\*Source: BRSA



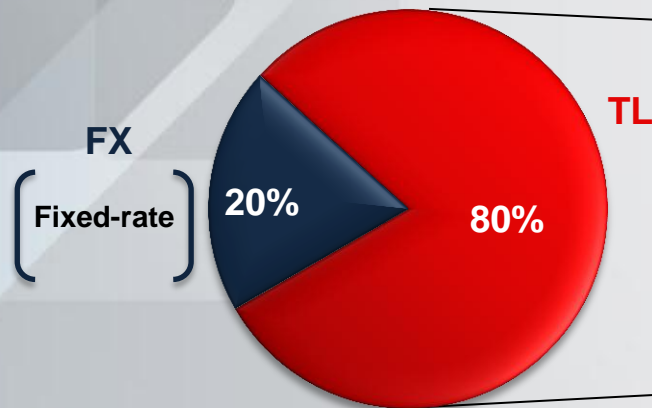
# Changing composition of securities in accordance with market dynamics

## Composition of Securities (%)

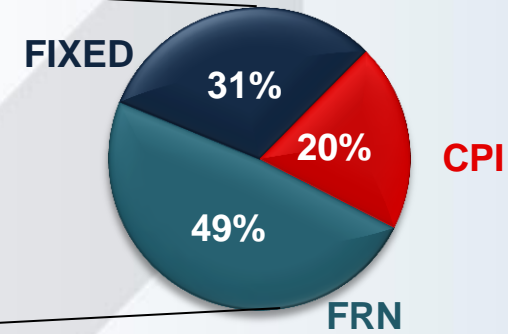


- ✓ 78% of total redemption is renewed YTD (target for 2015 is 70%)
- ✓ Decrease in TL securities (in Q3 2014 around TL 1.8 bn)
- ✓ Shift between FRN and fixed rate according to market dynamics
- ✓ Increase in AFS+ trading portfolio provides higher flexibility
- ✓ Majority of securities are held in TL providing better returns
- ✓ Increasing share of CPI Linkers (8.4% in 2012; 16.1% in Q3 2014)

## Currency Breakdown of Securities\*, Q3 2014

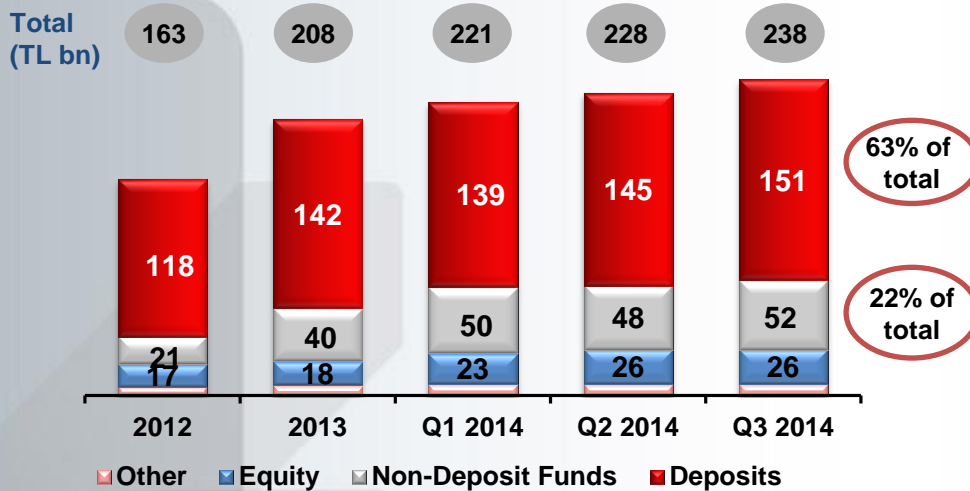


## Breakdown of TL Securities\*, Q3 2014



# Strong core deposit base and more diversified funding base

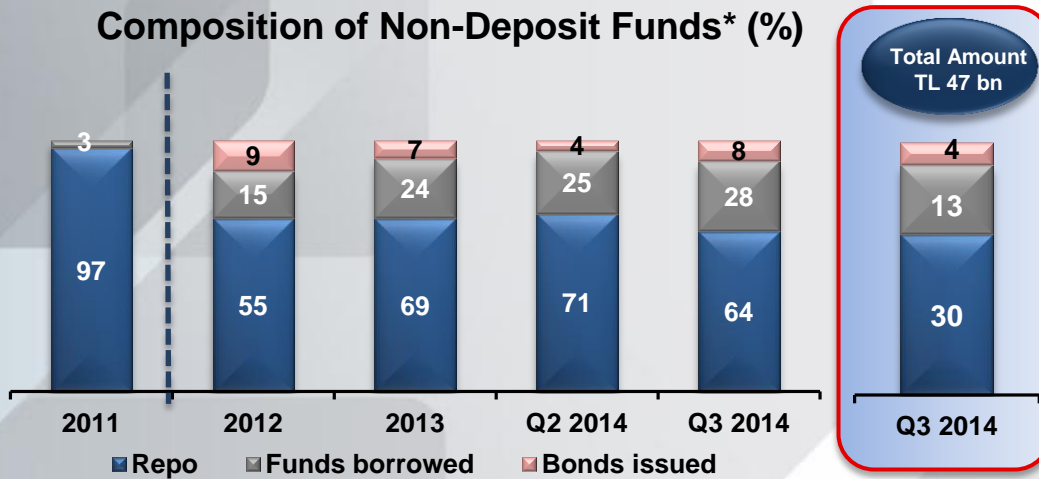
## Composition of Liabilities (%)



## ✓ Strong deposit base

- Granular, widespread deposit base
- Relatively high amount of demand deposits (20% of total deposits)
- 69% of total deposits is TL denominated
- Stable share of public deposits around 17%
- Core deposit ratio is around 95 %

## Composition of Non-Deposit Funds\* (%)



## ✓ Increasing wholesale funding

- TL 5.1 bn borrowing from IFI's (e.g World Bank, EIB, AFD)
- Euro 100 mn agreement with EIB (IPARD) in September 2014 to finance agriculture
- USD 800 mn syndicated loan facility
- Inaugural 5yr, USD 750 mn Eurobond offering
- USD 168.5 mn through private placement issuances under the GMTN program

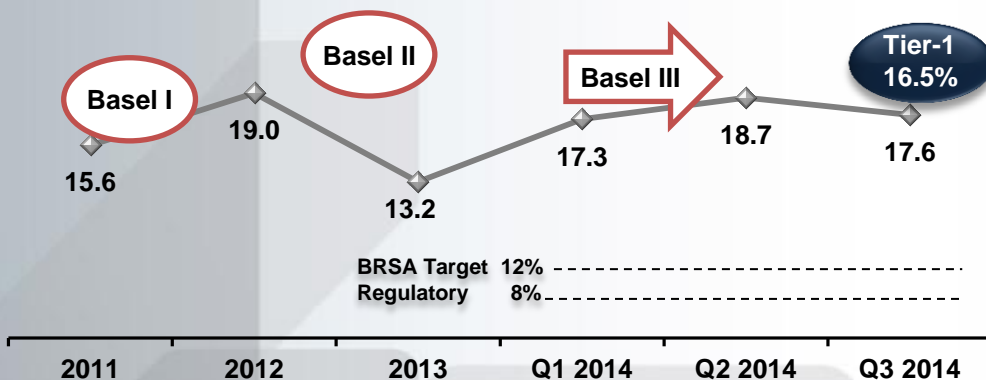
\*Excluding public funds

# Sound capital structure and internal capital generation

✓ Well-capitalized and above BRSA target limits

✓ Switching from securities to loan book resulted in a better top line and margin than the sector average

Capital Adequacy Ratio (%)



Net Interest Margin (NIM cum. %)

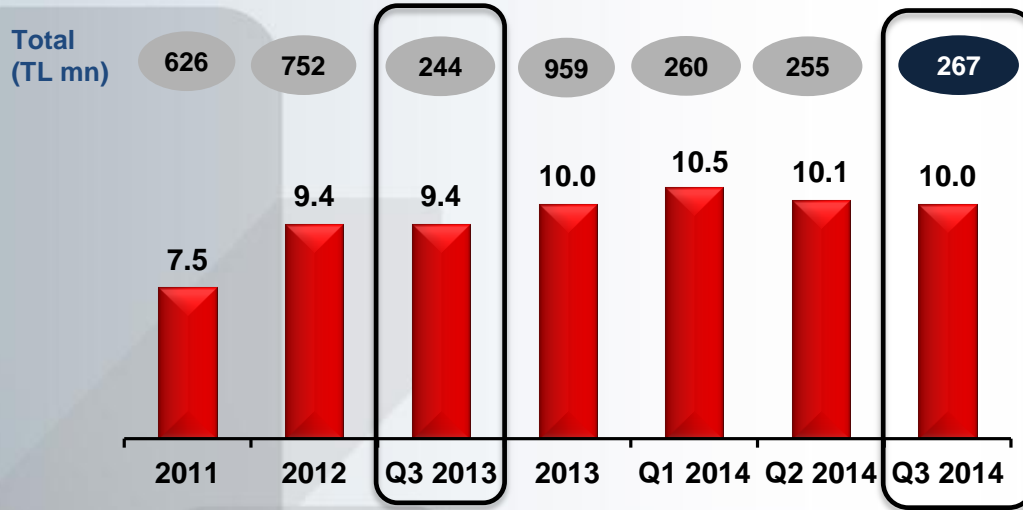


\*NIM = Net Interest Earnings / Av. IEA

- ✓ Following cautious leveraging policies, leverage from 11.2x to 8.2x between 2011-Q3 2014
- ✓ After Basel 3 regulations no major change in CAR
- ✓ Resilient capital level to support targeted loan growth
- ✓ Higher CAR level than sector average
- ✓ CAR is highly above the regulatory limits under various scenario analysis

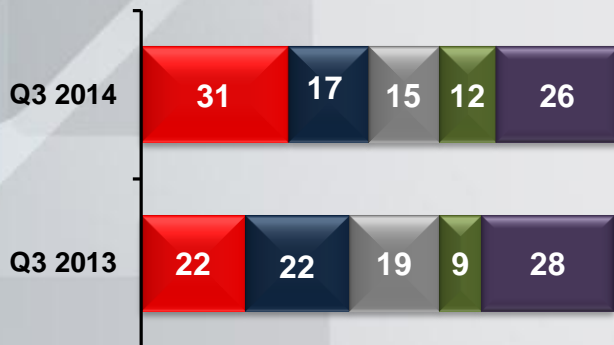
# Accelerating fee generation

## Net Fees income/ Net income (%)



- ✓ Ample room to grow further through:
  - Cross-selling fee based products
  - Institutionalised fee and commission policy and procedures.
  - Cash and non-cash loan growth especially in trade finance
  - More fee and commission contribution from SME's by increasing non-cash lending

## Breakdown of Fees and Commissions (%)



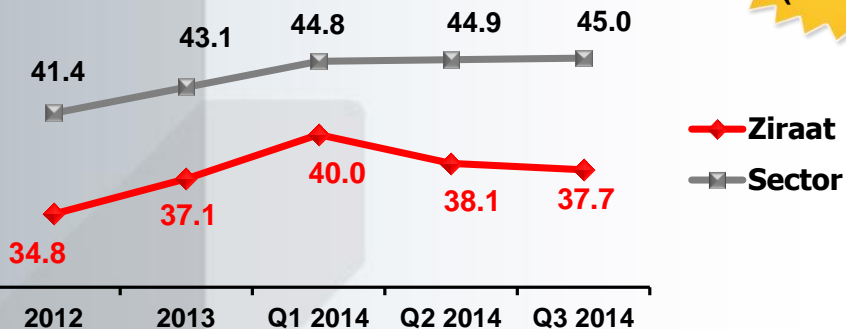
- Non Cash Loans
- Credit Card
- Money Transfer and Account Keeping Fee
- Insurance
- Other



# Consistently strong efficiency and profitability

## Cost/Income ratio evolution (%)

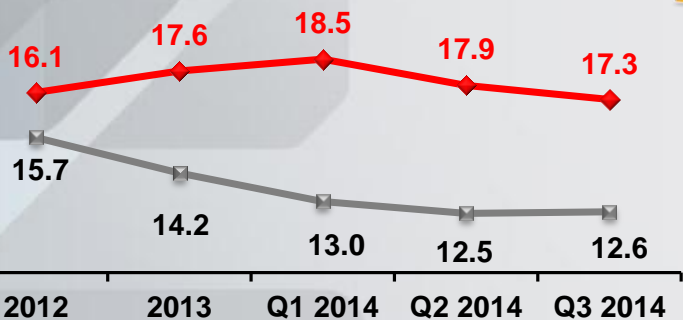
**17% growth in net profits vs Sector -5% (3Q13-3Q14)**



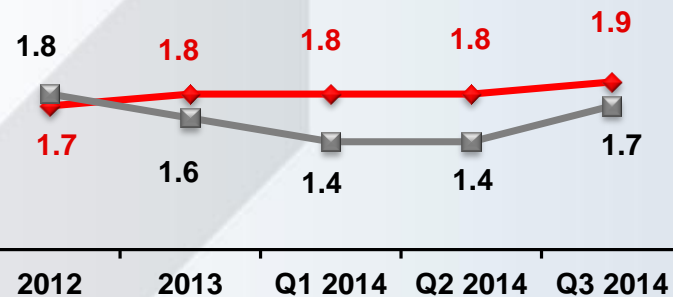
- ✓ The most profitable bank in the sector
- ✓ One of the lowest C/I ratio in the peer group
- ✓ In line with the macro strategy: asset base grew without sacrificing profitability
- ✓ Effective cost management strategies

## Return on equity (%)

**Leading ROAE & ROAA among peers**



## Return on assets (%)



# Appendix

# Balance Sheet Summary

TL MN	2012	2013	Q1 2014	Q2 2014	Q3 2014	% Change QoQ	% Change YtD
CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	20,713	26,602	27,270	29,360	31,574	7.5	18.7
BANKS	1,933	2,465	2,041	1,769	1,759	-0,6	-28.6
SECURITIES	65,469	62,798	64,668	64,027	62,620	-2.2	0.3
LOANS	71,426	111,048	118,546	124,353	132,901	6.9	19.7
-Gross NPL	2,058	2,417	2,463	2,506	2,642	5.4	9.3
-Specific Provisions (-)	1,261	1,623	1,667	1,731	1849	6.8	13.9
OTHERS	3,473	5,071	8,709	8,496	9,493	11.7	87.2
<b>TOTAL ASSETS</b>	<b>162,868</b>	<b>207,530</b>	<b>221,234</b>	<b>228,005</b>	<b>238,347</b>	<b>4.5</b>	<b>14.8</b>
DEPOSITS	118,966	141,735	139,813	145,106	150,840	4.0	6.4
FUNDS BORROWED	3,072	8,559	10,271	10,745	13,073	21.7	52.7
INTERBANK MONEY MARKET	11,162	24,571	33,736	30,637	30,339	-1.0	23.5
PROVISIONS	3,002	3,958	4,130	4,351	4,518	3.0	13.2
SHAREHOLDERS' EQUITY	17,167	18,367	23,276	25,670	25,793	0.5	40.6
OTHERS	9,499	10,340	10,008	11,496	13,784	19.9	33.3

# Income Statement Summary

TL MN	2012	Q3 2013	2013	Q1 2014	Q2 2014	Q3 2014	% Change (Q3 2013-Q3 2014)
<b>INTEREST INCOME</b>	14,811	10,355	14,370	4,214	8,785	13,354	28,9
-From Loans	8,665	6,861	9,509	2,844	5,967	9,269	35.1
-From Securities	6,111	3,460	4,814	1,349	2,777	4,027	16.4
<b>INTEREST EXPENSE</b>	7,910	4,722	6,631	2,283	4,829	7,155	51,5
-On Deposits	6,300	4,064	5,601	1,783	3,772	5,639	38.8
<b>NET INTEREST INCOME</b>	6,901	5,633	7,739	1,931	3,956	6,199	10.0
<b>NET FEES &amp; COMMISSIONS</b>	752	691	959	260	516	782	13.1
-Fees and Commissions Received	932	842	1,163	320	654	996	18.3
-Fees and Commissions Paid	180	151	205	60	139	214	41.6
<b>OTHER OPERATING INCOME</b>	429	812	1.048	263	521	719	-11.5
<b>OPEX</b>	2,828	2,621	3,661	995	1,976	2,959	12.9
<b>NET OPERATING PROFIT</b>	3,505	3,366	4,379	1,188	2,545	3,844	14.2
<b>NET PROFIT</b>	2,650	2,576	3,330	930	2,010	3,026	17.5



# Key Financial Ratios

(%)	2012	2013	Q1 2014	Q2 2014	Q3 2014
ROAA	1.7	1.8	1.8	1.8	1.9
ROAE	17.6	18.5	19.0	17.9	17.3
Cost to Income	34.8	37.1	40.0	38.1	37.7
NIM (cum.)	5.3	5.2	4.5	4.6	4.7
Loans/Deposits	60	78	85	86	88
Loans/Assets	44	54	54	55	56
Securities/Assets	40	30	29	28	26
NPL	2.8	2.1	2.0	2.0	2.0
Coverage	61	67	68	69	70
CoR (Gross)	1.6	1.6	0.9	0.9	0.9
CAR	19	13.2	17.3	18.7	17.6
Leverage	8.5	10.3	8.5	7.8	8.2
# of					
Branches	1,514	1,661	1,667	1,674	1,686
Employees	23,153	24,725	24,528	24,161	24,002
ATMs	4,233	5,353	5,573	5,756	5,934

**For further information please contact**

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