



8000
7500
7000
6500
6000
5500
5000
4500

INVESTOR PRESENTATION
September 2016



Ziraat Bank

The Bank

100% owned by Treasury

153 years of banking legacy

More than 30 mn customers

Commercial bank

Investment grade rating

Appetite to grow locally and globally

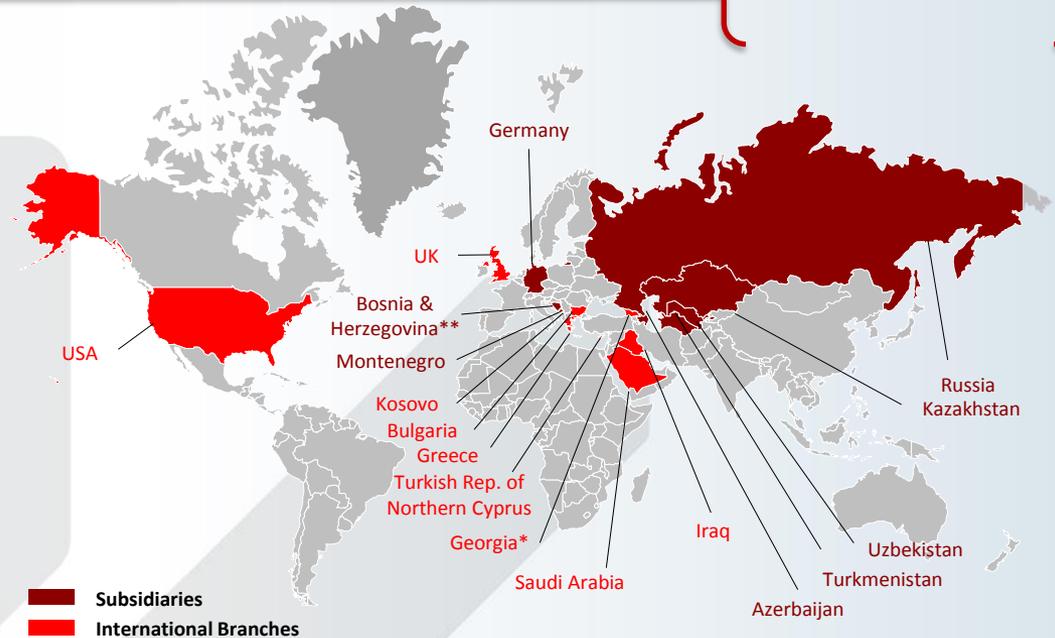
Sound and improving financial outlook

Local Subsidiaries

- ✓ Ziraat Katılım Bankası (Participation Banking)
- ✓ Ziraat Sigorta (insurance)
- ✓ Ziraat Hayat ve Emeklilik (life & pension)
- ✓ Ziraat Leasing
- ✓ Ziraat Yatırım (securities brokerage & investment house)
- ✓ Ziraat Portföy (asset management)
- ✓ Ziraat GYO (Real Estate Investment Trust)
- ✓ Ziraat Teknoloji (IT)

International Network

Bahrain Branch to be active as of November 2016



Global EM Drivers and Domestic Implications

Financial Channel

- **FED rate hike expectations** for 2017 fell after election results
- More contribution possible from **fiscal**.
- BoJ, ECB, FED → **steeper curves**.

Trade Channel

- **Global IP recovery** in 4Q.
- Brexit a temporary shock.
- **Euro Area** output-gap narrower.
- Flat **commodity** prices.

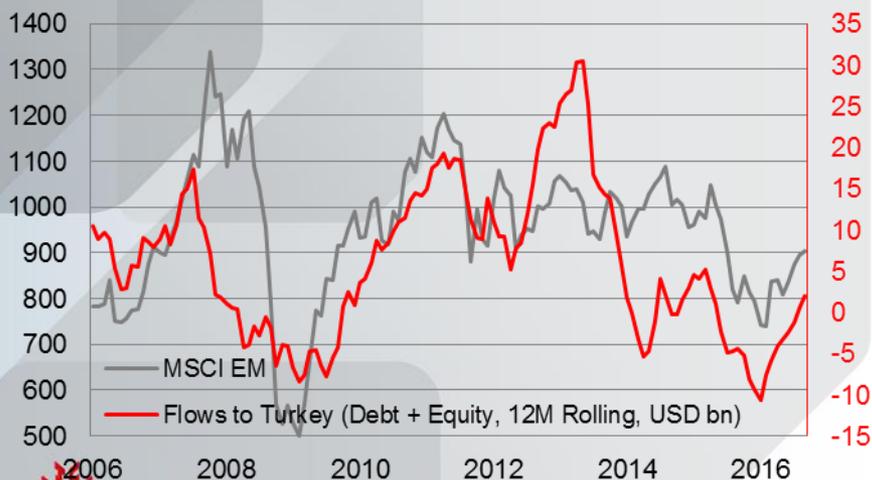
Geo-Political Events

- Turkey among more resilient countries to **US elections** outcome – EU main export market.
- Italian referendum to watch in December.
- Peace process in **Syria**.

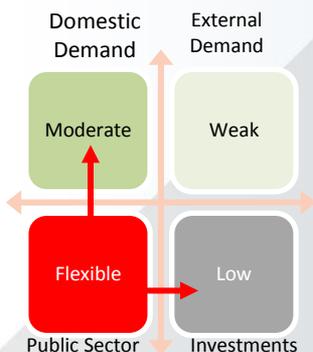
- Above **4% growth** trend possible in 2017 (2016 ~3%).
- **Fiscal** maneuverability with strict discipline in MTP* – expect a narrower deficit ~1.5% in 2018 with structural reform agenda taking hold.
- Demographics allow a strong come-back in **household consumption, investments** to revive via fiscal support.
- Simplification coming to an end, expect more **macro-pru** tools in play (consumer credit). Less emphasis on rates channel.
- **Commodity** (oil) prices stable, negligible effect on current account deficit and a temporary effect in Jan – March period on CPI (~ 0.4% YoY)
- **Rapprochement with Russia, and faster Euro Area economy, Iran** export positive.

With stellar fiscals, MTP hardly counts in as an easing.

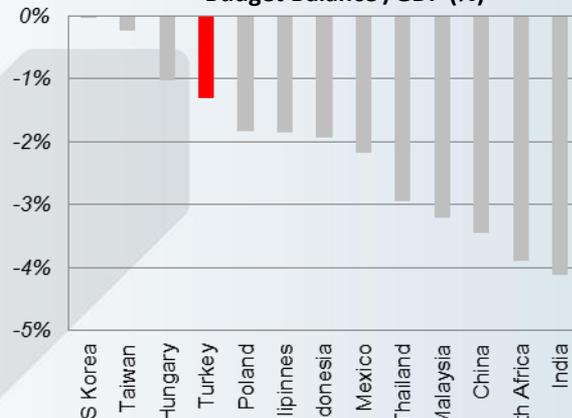
Cautiously optimistic on EMs with flows turning positive.



Envisaged Implementation of MTP



Budget Balance / GDP (%)



Source: CBRT, Bloomberg, Ziraat

A Shock-Proof Economy

Moody's downgrades Turkey's Issuer and Bond Ratings to Ba1 with a Stable Outlook in Sept 2016

Treasury managed to re-issue USD2021 EuroBond at comparable levels to March

Rates⁽¹⁾ have come down to lower levels:



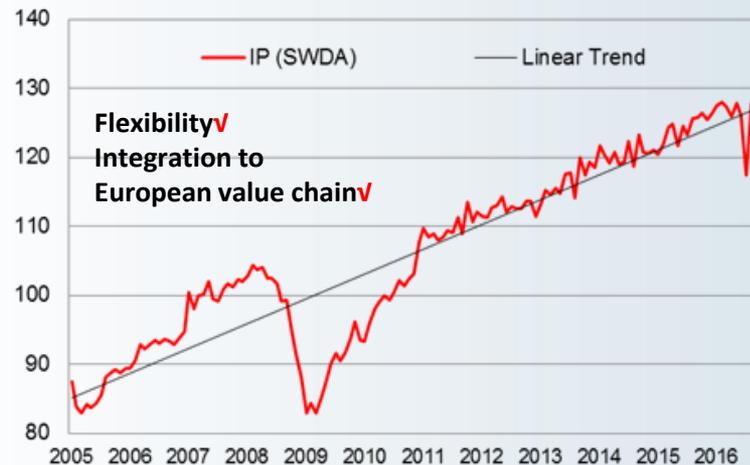
(1) Rates represents 10 Year Government Bond Rates

Risk premium⁽²⁾ has not deteriorated:



(2) Risk Premium represents 5Y CDS rates

Production trend still intact despite high level of noise in data:



FX vulnerable to speculation on market:



Banking Sector Developments

BRSA adjustment on General Provisions

**Positive impact on bottom line and capital ratios
Full impact in 2017**

Decrease provision rates on retail loans , increase rates on SME, export and non-cash loans

Support loan growth by lowering additional provision requirement

Eased restructuring conditions on retail loans

BRSA regulations on retail loan, credit cards

Support to loan growth

Extend max. maturity in GPLs from 36 to 48 months

The # of credit card installements increased to 12

Increase the LTV limit of housing loans from 75% to 80%%

Extend max. maturity for restructuring credit cards and GPLs

CBRT's liquidity supporting actions

Efficient functioning of financial markets

250 bps rate cut at the upper end of corridor in 2016

Extended TL borrowing limits to banking sector

Allow banks to place FX deposit as collateral for Turkish lira borrowing with increased limits

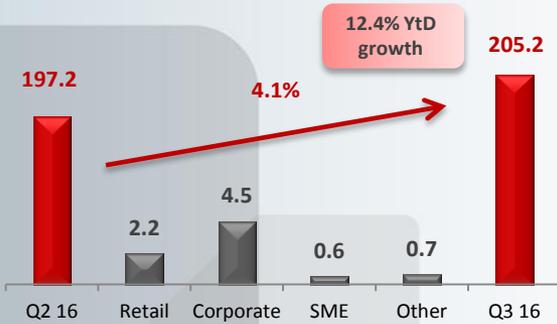
Decrease TL Reserve Requirement ratios by 50 bps



KEY HIGHLIGHTS

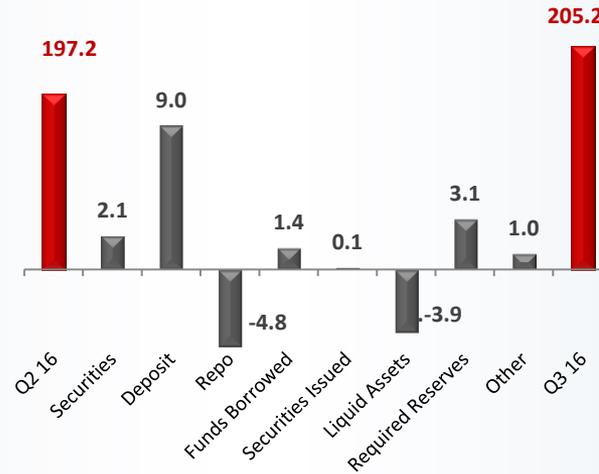
Ziraat Bank at a Glance in Q3

Loan growth composition by segments (TL bn)

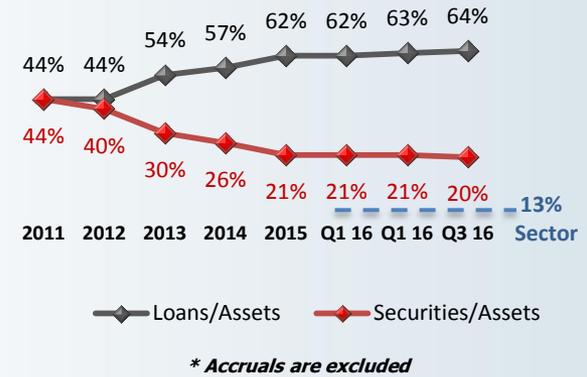


- **Other: Intermediated loans of public funds and foreign branch lending**
- **Accruals are excluded**

Loan growth finance (TL bn)

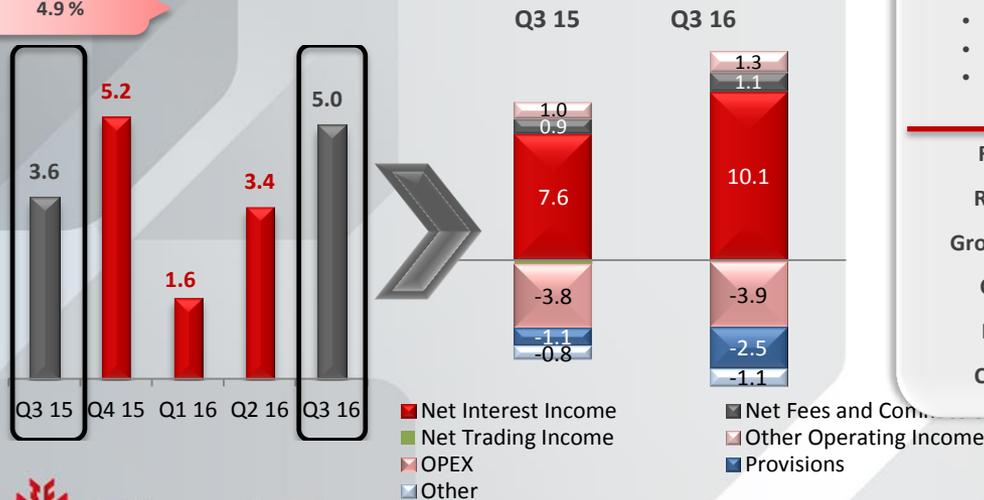


Share of loans and securities



20 bps QoQ increase in NIM to 4.9%

Net profit (TL bn)



#1

- Total Assets
- Cash and non-cash loans
- Equity
- Deposit
- Net Profit

ROA: 2.1%
 ROE: 19.4%
 Gross CoR: 1.7%
 C/I: 30.5%
 NPL: 1.8%
 CAR: 15.2%

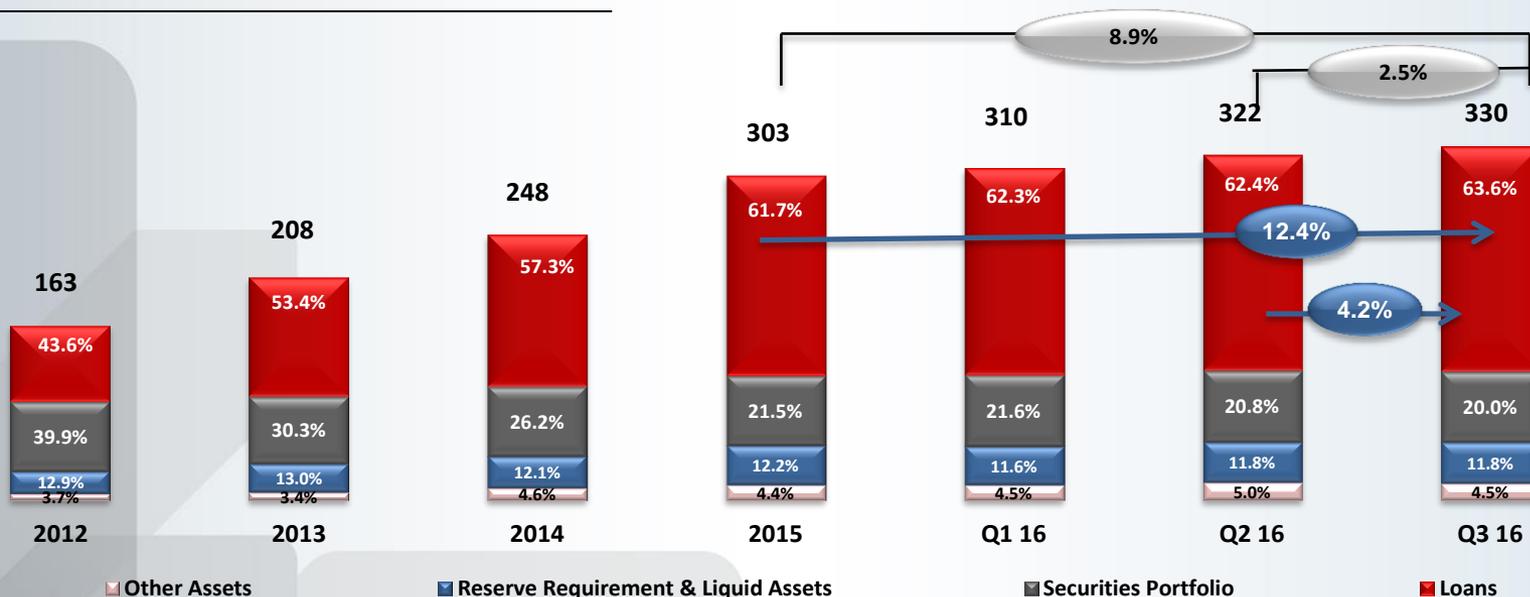
Market shares (%)



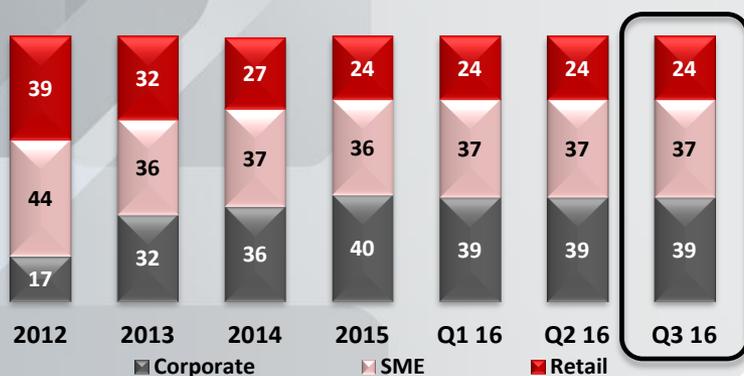
ASSET MIX

Loan growth continuing but at a slower pace, increasing share in total assets

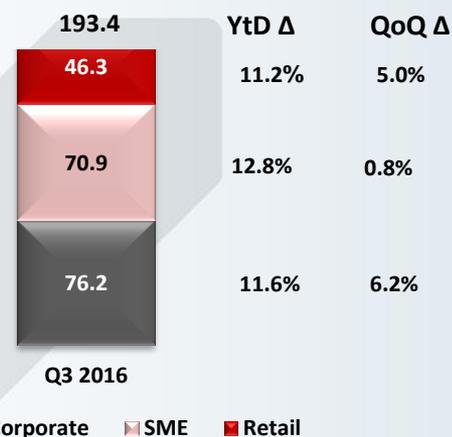
Asset base (TL bn, % share in total)



Loan book by customer segmentation*(%)



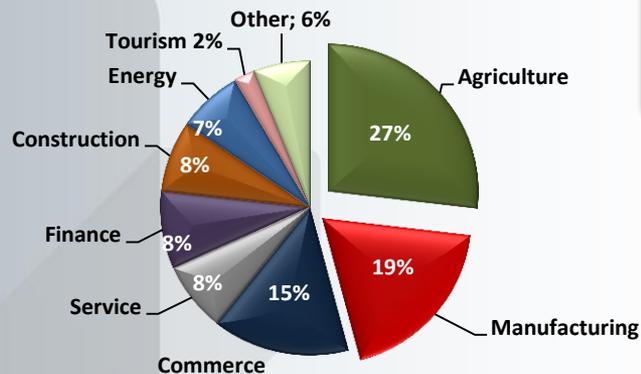
Total loan amounts* by segments (TL bn)



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

Mainly corporate and housing loan driven loan growth, no material concentration

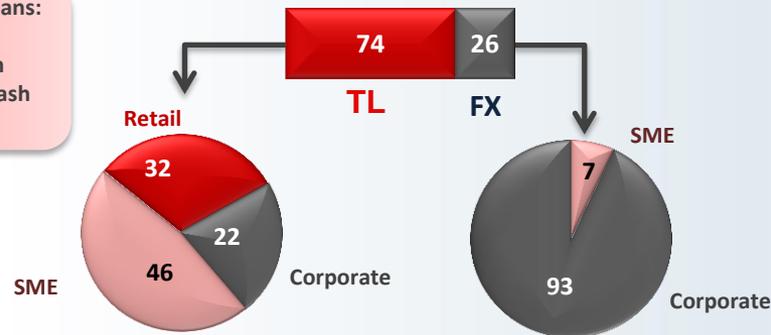
Breakdown of non-retail loans by sector Q3 2016



Project finance loans:

USD 6 bn cash
USD 1 bn non- cash

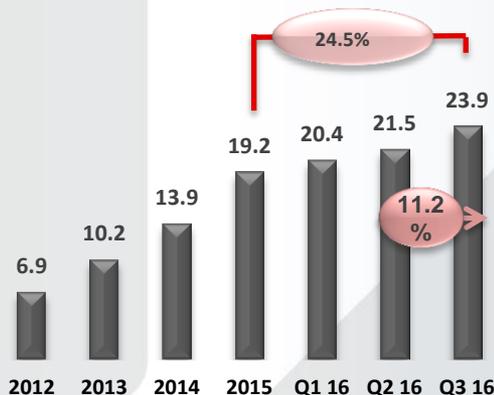
Currency breakdown of loans Q3 2016 (%)



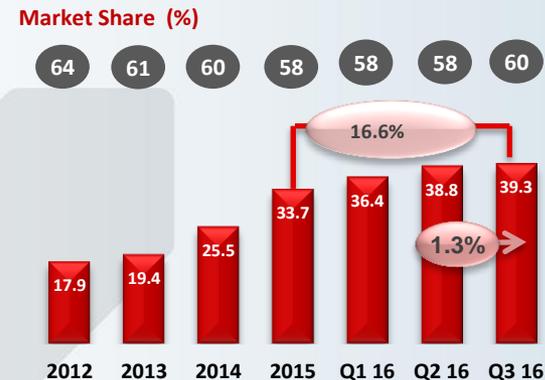
Breakdown of retail loans ⁽¹⁾ (%)



Housing loans ⁽²⁾ (TL bn)



Loans to agricultural sector ⁽³⁾ (TL bn)



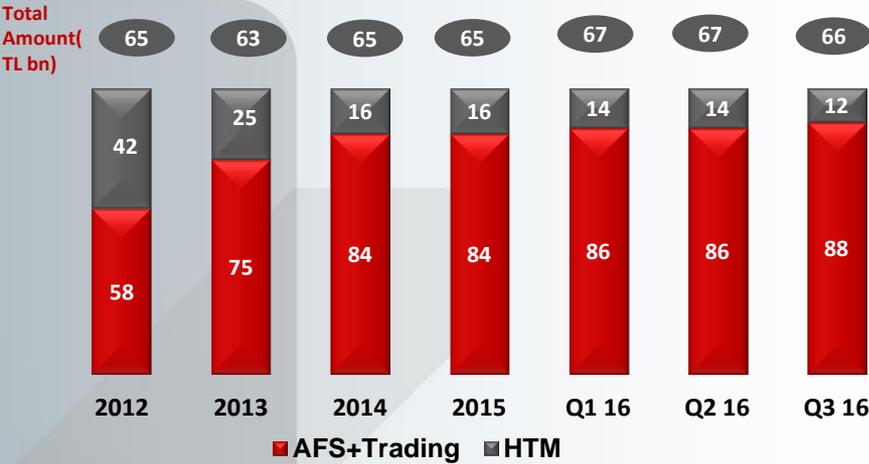
⁽¹⁾Accruals are excluded, Intermediated loans of public funds are included

⁽²⁾Accruals and Intermediated loans of public funds are excluded

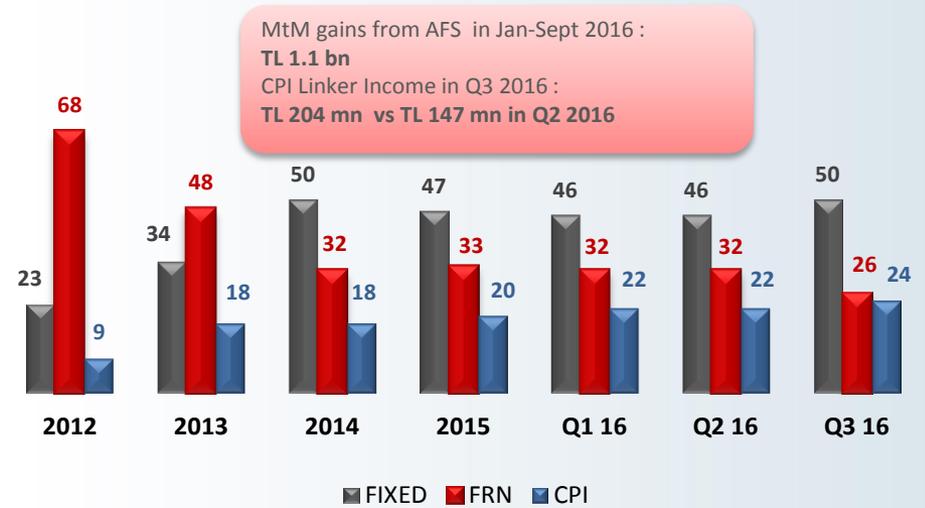
⁽³⁾Intermediated loans of public funds are excluded

Evenly distributed securities portfolio

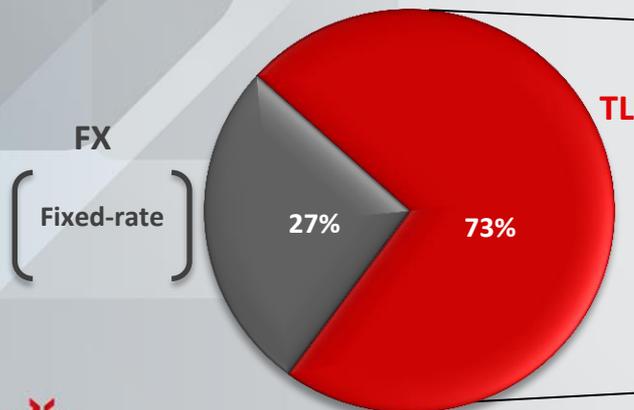
Composition of securities (%)



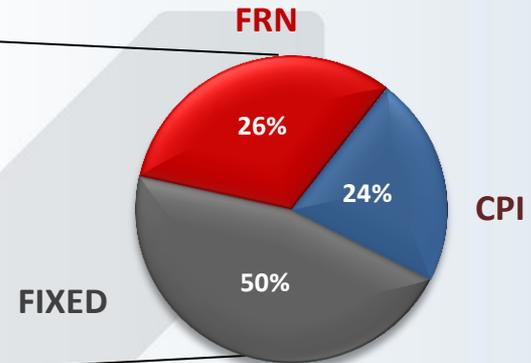
Breakdown of TL securities* (%)



Currency breakdown of securities, Q3 2016



Breakdown of TL securities*, Q3 2016



ASSET QUALITY

Still lower NPL ratio than industry average, limited impact of recent developments

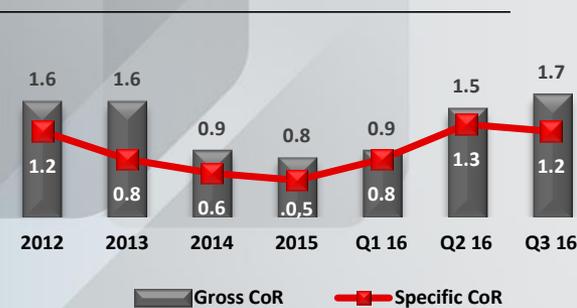
NPL (%)



*Without single highest item and intermediated loans of public funds : NPL ratio 1.4%

Source: BRSA for sector data

CoR (%)



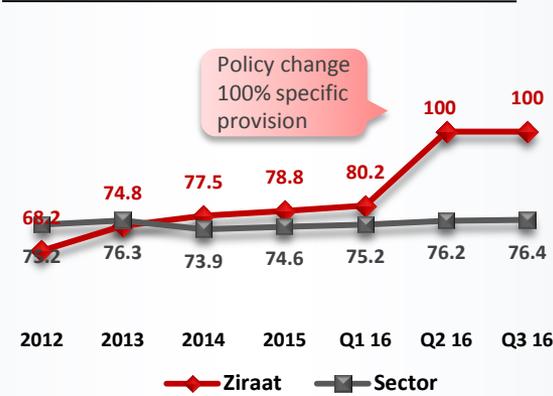
Gross CoR: (specific provisions expenses+general provisions expenses)/(average loans)

Specific CoR:(specific provisions expenses)/(average loans)

✓ TL 80 mn Free Provision reversal in Q3 2016

✓ TL 382 mn additional General Provision for SME export and non-cash loans

NPL specific coverage ratios⁽²⁾ (%)



- Highest cash coverage among peers
- Well functioning credit evaluation, effective monitoring

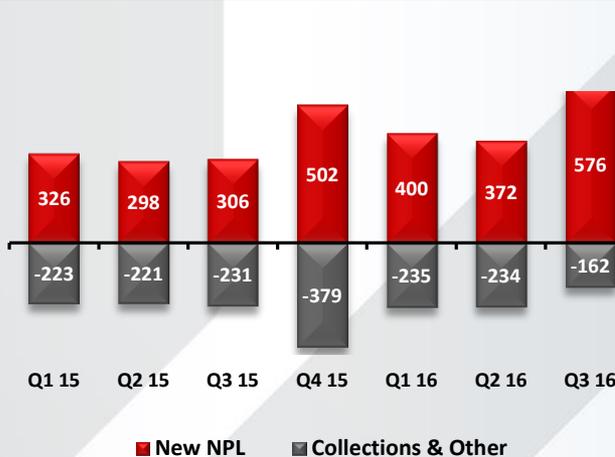
NPL by segments (%)



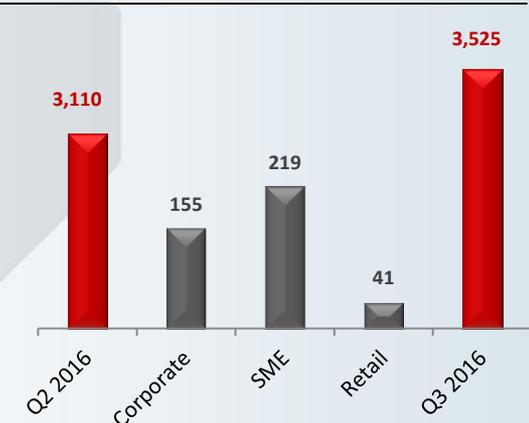
- 50 bps increase in Group II/Total Loans in Q3 2016 to 3%
- As of H1 2016 Ziraat 2,5% vs sector 4.7%^(*)

(*) Source TBA

New NPL & collections⁽¹⁾ (TL mn)



Segment breakdown of new NPL formation⁽²⁾ (TL mn)



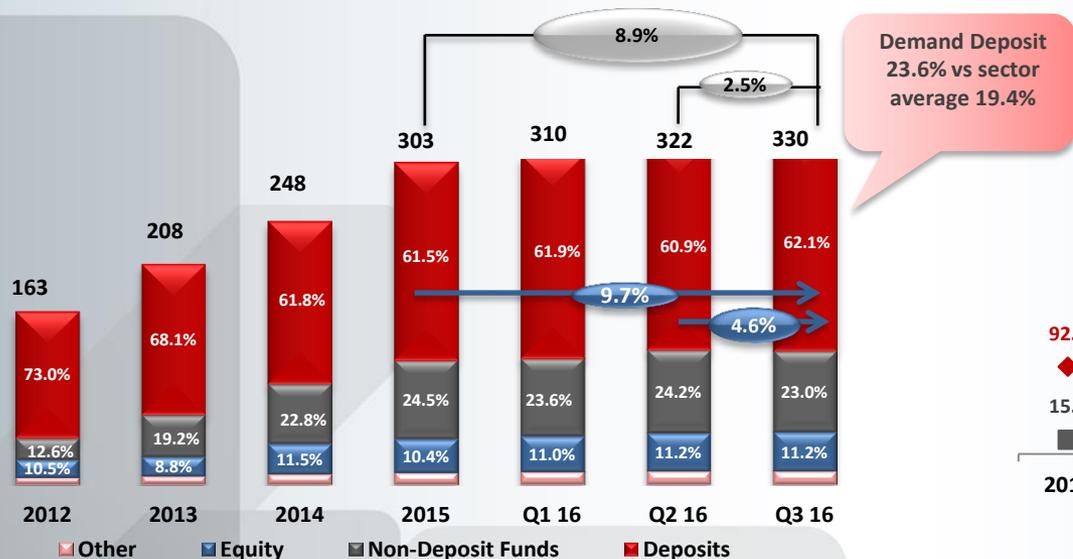
⁽¹⁾Other includes restructured NPL's

⁽²⁾Intermediated loans of public funds are excluded

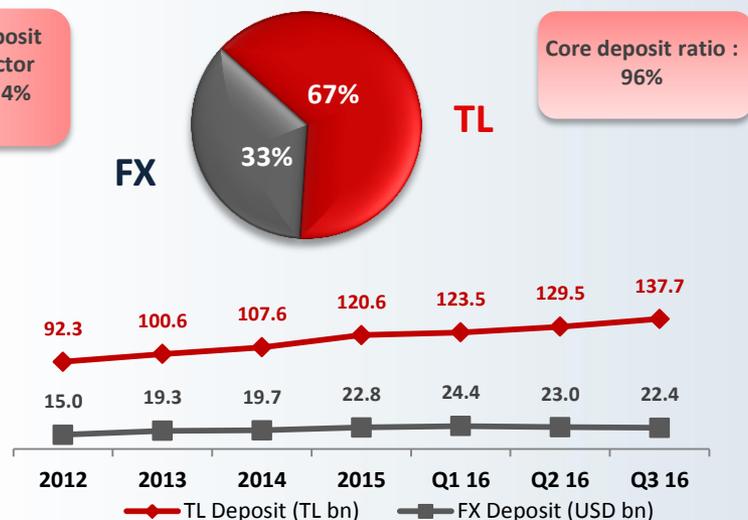


Mainly TL deposit based funding, LtD ratio at comfortable levels

Composition of liabilities (TL bn)



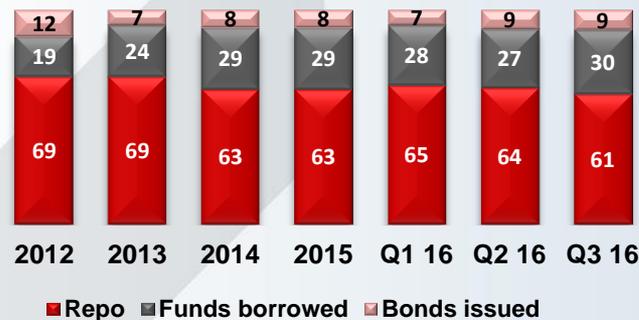
Currency breakdown of deposit Q3 2016



Loan to Deposit* (%)



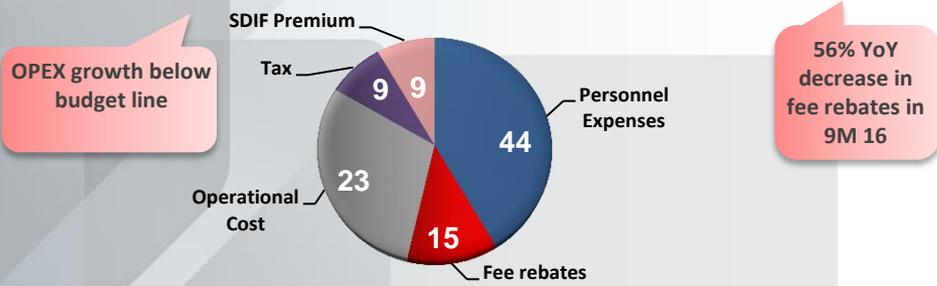
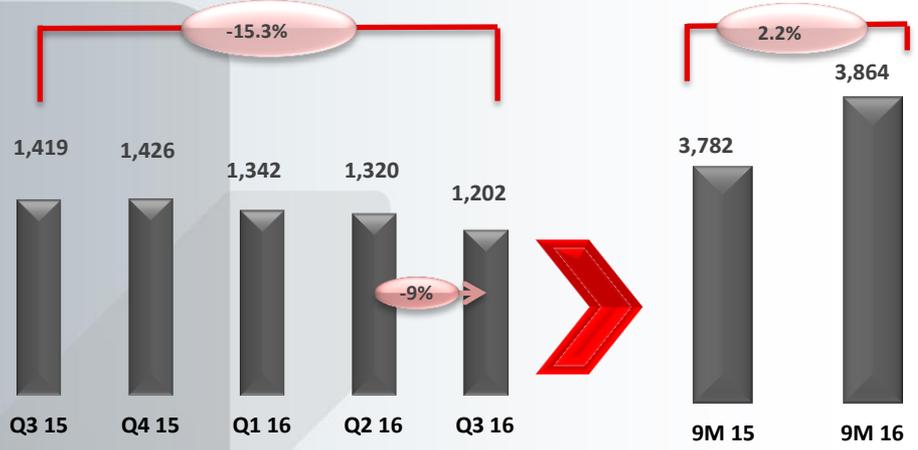
Composition of non-deposit funds* (%)



Public deposit/total deposit : 19%
 Retail time deposit/total time deposit : 61.3%

Cost conscious approach resulting in lower OPEX and C/I ratio

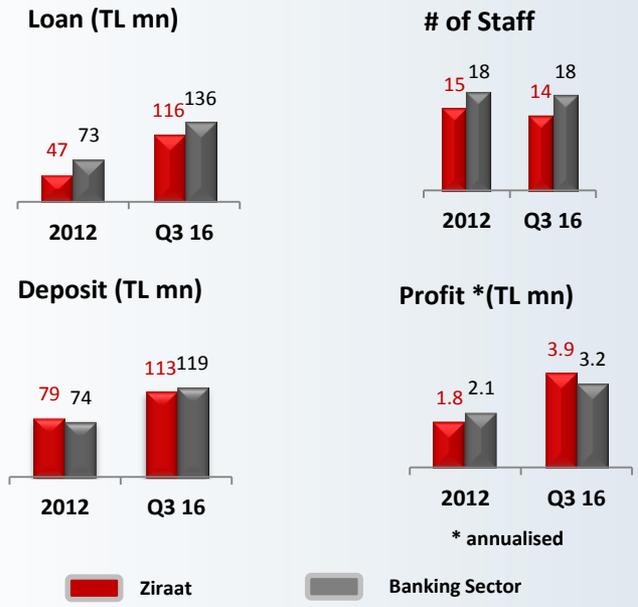
Operating expenses (TL mn)



OPEX growth below budget line

56% YoY decrease in fee rebates in 9M 16

Evolving branch efficiency (per branch)



Cost/Income ratio (%)



Operations Center
↓
3,700 staff saved and allocated to sales b/w 2012- 2015

Delivery channels : Road to digital banking

- Change from «alternative channels» to digital banking
- Digitalized work processes

- Optimal channel management & cost control

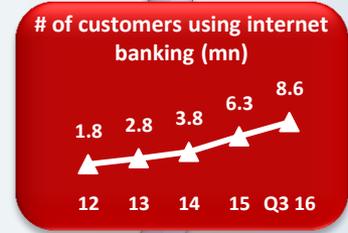
Usage of channels (%)



- ATM
- Branch
- Internet
- Mobile
- Automatic Payment
- Other



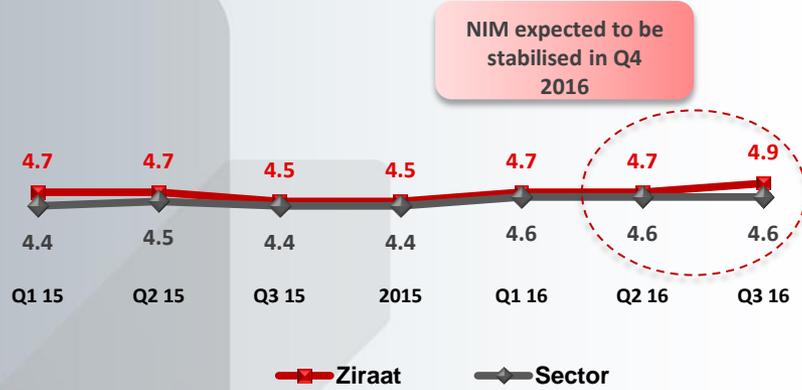
84.6% of banking transactions through non-branch channels



of branches
 2015: 1,812
 Q3 2016: 1,813

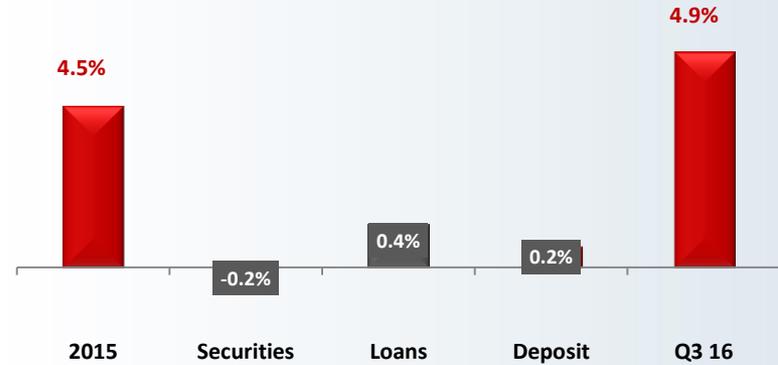
NIM increase above industry average

Net interest margin (NIM cum. %)

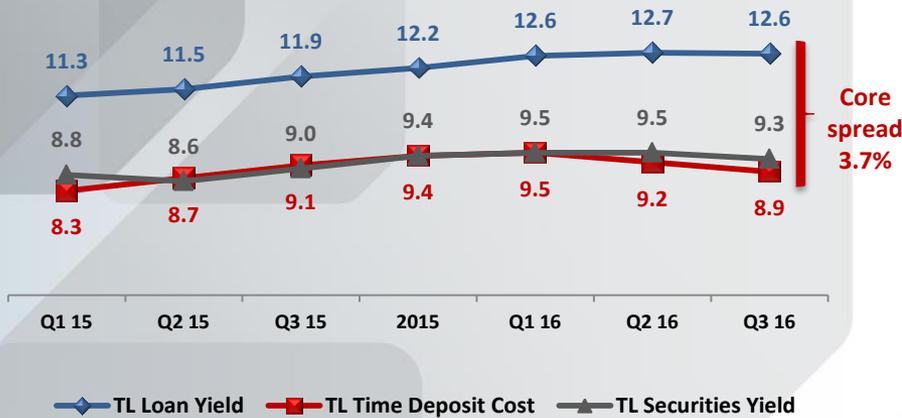


*NIM = Net Interest Earnings / Av. IEA

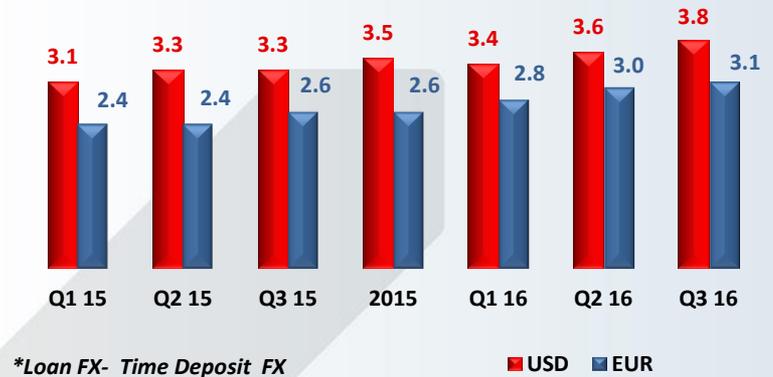
Net interest margin evolution (%)



TL loan yield and deposit costs (%)



FX spreads* (%)

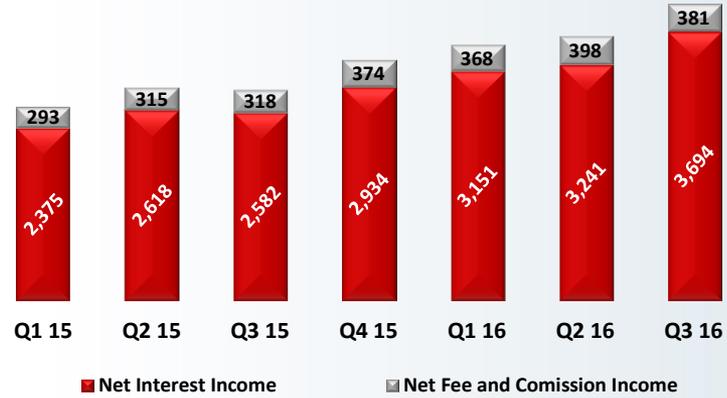


NII driven income generation

Net profit (TL bn)



Revenue (TL million quarterly)



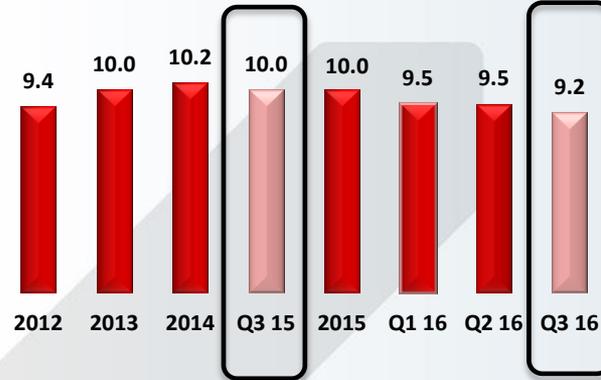
Breakdown of commissions from cash loans (%)



Breakdown of fees and commissions (%)



Net fees income/ Net income (%)

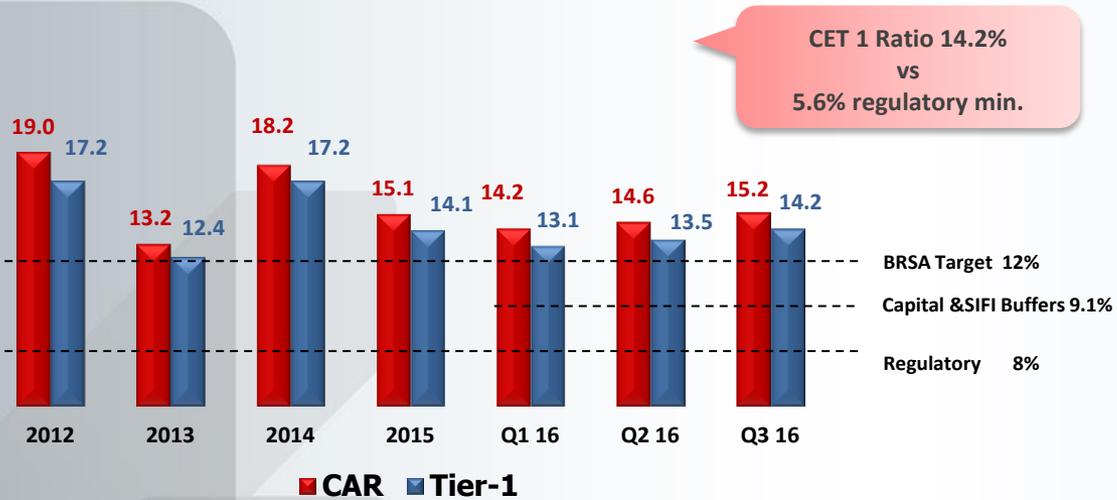


Limited contribution to net income, ample room to go

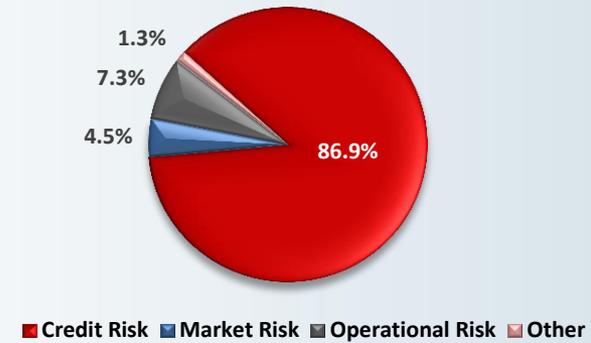
CAPITAL ADEQUACY

Sustainable profit and growth strategy contributing sound capital ratios

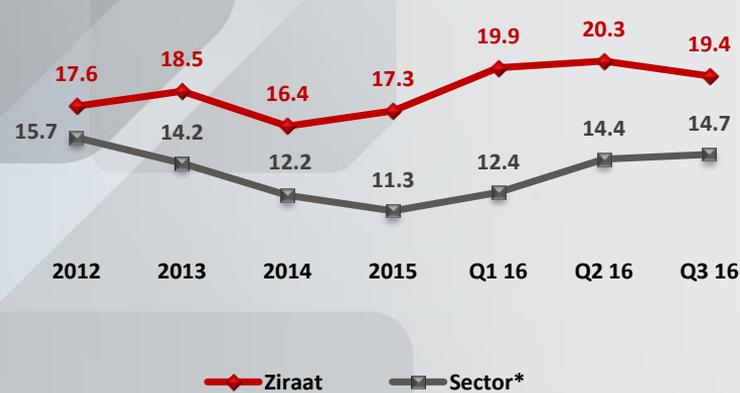
Capital ratios (%)



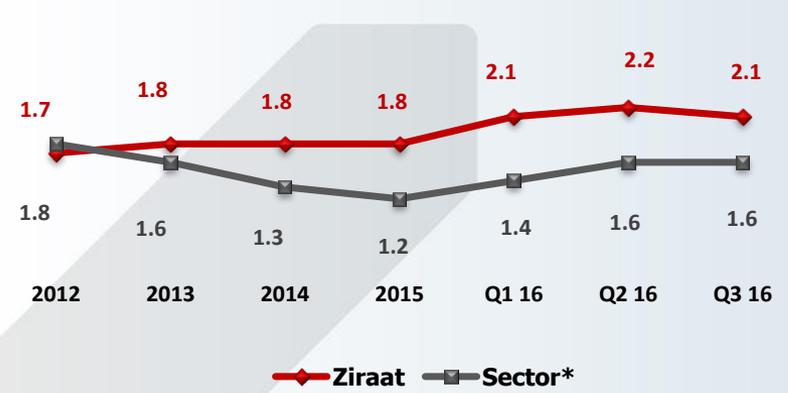
RwA components (% of total)



Return on equity (%)



Return on assets (%)



*Source: BRSA

APPENDIX

Balance Sheet Summary

TL mn	2014	Q3 2015	2015	Q1 2016	Q2 2016	Q3 2016	% Change QoQ	% Change YoY
CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	30,149	38,648	36,535	36,029	38,488	39,225	1.9	1.5
BANKS	2,191	3,869	4,447	4,555	3,539	3,587	1.4	-7.3
SECURITIES	64,563	63,823	64,871	66,523	67,314	65,865	-2.2	3.2
LOANS	141,915	181,381	186,813	193,159	201,443	209,966	4.2	15.8
-Gross NPL	2,717	3,001	3,141	3,302	3,454	3,872	12.1	29.0
-Specific Provisions (-)	1,932	2,182	2,271	2,445	3,190	3,605	13.0	65.2
OTHERS	8,782	11,363	10,182	9,756	10,975	11,106	1.2	-2.3
TOTAL ASSETS	247,600	299,084	302,848	310,022	321,759	329,749	2.5	10.3
DEPOSITS	153,255	187,984	186,469	191,846	195,608	204,516	4.6	8.8
FUNDS BORROWED	14,608	20,138	19,543	18,693	19,262	20,632	7.1	2.5
INTERBANK MONEY MARKET	31,781	39,789	43,086	43,208	45,170	41,948	-7.1	5.4
PROVISIONS	4,758	5,057	5,161	5,305	5,285	5,703	7.9	12.8
SHAREHOLDERS' EQUITY*	28,540	29,249	31,546	33,956	36,049	37,266	3.4	27.4
OTHERS	14,658	16,867	17,043	17,014	20,385	19,684	-3.4	16.7

Income Statement Summary

TL MN	2014	Q3 2015	2015	Q1 2016	Q2 2016	Q3 2016	% Change	% Change
							QoQ	YoY
INTEREST INCOME	18,165	5,600	22,050	6,448	6,511	6,971	7.1	24.5
-From Loans	12,755	4,382	16,677	4,926	5,178	5,476	5.8	25.0
-From Securities	5,333	1,175	5,197	1,450	1,265	1,426	12.7	21.4
INTEREST EXPENSE	9,558	3,018	11,542	3,298	3,270	3,277	0.2	8.6
-On Deposits	7,512	2,245	8,668	2,399	2,434	2,448	0.6	9.0
NET INTEREST INCOME	8,607	2,582	10,509	3,151	3,241	3,694	14.0	43.1
NET FEES & COMMISSIONS	1,077	318	1,300	368	398	381	-4.3	19.8
-Fees and Commissions Received	1,357	403	1,637	455	491	481	-2.0	19.4
-Fees and Commissions Paid	279	84	337	87	93	99	6.5	17.9
OTHER OPERATING INCOME	911	329	1,340	336	647	290	-55.2	-11.9
OPEX	4,095	1,419	5,208	1,342	1,320	1,202	-8.9	-15.3
NET OPERATING PROFIT	5,179	1,455	6,568	2,069	2,125	2,129	0.2	46.3
NET PROFIT	4,051	1,152	5,162	1,609	1,779	1,620	-8.9	40.6

Key Financial Ratios

(%)	2014	Q1 2015	Q2 2015	Q3 2015	2015	Q1 2016	Q2 2016	Q3 2016
ROAA	1.8	1.7	1.8	1.7	1.8	2.1	2.2	2.1
ROAE	16.4	15.3	16.7	16.3	17.3	19.9	20.3	19.4
Cost / Income Ratio	38.2	37.8	37.3	39.9	39.5	34.8	32.0	30.5
NIM (cum.)	4.7	4.7	4.7	4.5	4.5	4.7	4.7	4.9
Loans*/ Deposits	89.3	94.1	95.0	93.4	97.1	97.7	100.0	99.8
Loans/Assets	57.3	58.4	59.6	60.6	61.7	62.3	62.6	63.7
Securities/Assets	26.1	24.3	22.8	21.3	21.4	21.5	20.9	19.9
NPL	1.9	1.8	1.7	1.6	1.7	1.7	1.7	1.8
Coverage*	77.5	78.1	78.8	79.4	78.8	80.2	100.0	100.0
CoR (Gross)	0.9	1.2	1.0	0.9	0.8	0.9	1.5	1.7
CAR	18.2	16.8	16	14.3	15.1	14.2	14.6	15.2
Leverage **	7.7	8.1	8.5	9.2	8.6	8.1	7.9	7.8
# of								
Branches	1,707	1,726	1,760	1,802	1,812	1,813	1,811	1,813
Employees	23,617	24,496	24,609	24,892	25,697	25,660	25,457	25,156
ATMs	6,043	6,199	6,304	6,443	6,566	6,679	6,768	6,796

* Intermediated loans of public funds are excluded

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

For further information please contact

**Investor Relations Department
Eski Büyükdere Cad. No: 39 B Blok, 6. Kat
Maslak-İstanbul/Turkey
Phone: (+90) 212 363 11 01
E-mail: investorrelations@ziraatbank.com.tr
www.ziraatbank.com.tr**

DISCLAIMER

The information contained in this presentation has been prepared by T.C. Ziraat Bankası A.S. for informational purposes only. Although the information in this presentation has been obtained from sources which we believe to be reliable, we cannot guarantee that the information is without fault or entirely accurate. The information contained in this presentation has not been independently verified. No representation or warranty express or implied is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions contained herein. The information and opinions in this presentation are provided as at the date of this presentation and are subject to change without notice. T.C. Ziraat Bankası A.S. does not accept any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or otherwise arising in connection with this presentation. This presentation cannot be interpreted as an advice to anyone and is also strictly confidential and may not be reproduced, distributed or published for any purpose.