



INVESTOR PRESENTATION December 2014



Ziraat Bank

Resilient Turkish economic environment

	2013	2014	2015
GDP (USD bn)	822	810	850
GDP growth (%)	4.1	2.8 ¹	4.0
Unemployment (%)	9.0	10.7 ²	9.5
CPI (annual) (%)	7.4	8.2 ³	6.3
Current Account Balance/GDP (%)	-7.9	-5.7	-5.4
Public Debt/ GDP (%)	36.2	33.1	31.8
Budget Deficit/ GDP (%)	1.2	1.4	1.1

- ✦ Positive effect of lower energy and commodity prices on inflation and CAD
- ✦ 50 bps rate cut by CBRT in January, ample room for further rate cuts
- ✦ Well-regulated, highly capitalised and well-governed banking sector
- ✦ CBRT policies aiming to extend maturity of FX denominated liabilities and corporate debt
- ✦ Low budget deficit and public debt to GDP ratio among peers, continuing structural reforms

To watch in 2015

- FED interest rate policy
- General elections in June
- Effects of ECB QE
- Oil prices outlook
- Geopolitics

Source: CBRT, TURKSTAT, Ministry of Finance

1: Annual rate (Q3 2014)

2: As of 30.11.2014

3: As of 31.12.2014 / January 2015 CPI 7.2%

Actual

Forecast (Medium Term Programme)



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
- Total 32 mn customers
- Appetite to grow locally and globally
- Sound and improving financial outlook
- Investment grade ratings since 2012
 - Fitch (BBB-)
 - Moody's (Baa3)
 - JCR (BBB-)

International Network

Subsidiaries

- In 7 Countries with 59 branches: Germany, Bosnia & Herzegovina, Kazakhstan, Russia, Azerbaijan, Turkmenistan, Uzbekistan

New subsidiary banks in Montenegro and Azerbaijan

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

New branches in Kosovo

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)

New Participation Bank

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

✓ Customer Segmentation

- Corporate
- SME
- Retail

✓ Branch Segmentation

- Corporate :24
- SME :80 (*Medium & Large SMEs*)
- Dynamic SME: 90 (*Micro & Small SMEs*)
- Branch: 1,488

✓ Alternative Distribution Channels

- Increasing internet banking usage
- Usage of non-branch channels more effectively
- Expansion of ATM network
- Centralized operations

✓ Customer/market centric business model

✓ Relationship management and customer ownership

✓ Focus on customer penetration

✓ 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

Strong position in Banking Sector

Key Financials (2014) (TL bn / (%))

	Ziraat	Sector
Total assets	248	1,994
Cash Loans	142	1,250
Securities	65	302
Total deposits	153	1,120*
Shareholders' equity	29	232
Net Profit	4.0	24.7
ROAE	16.4	12.2
ROAA	1.8	1.3
NIM	4.7	4.5
Loan/Deposit	92.6	111.6
Cost/Income	38.2	45.6
NPL	1.9	2.8
Tier 1 ratio	17.2	13.9
Capital Adequacy Ratio	18.2	16.3

*Including the banks' deposits with an amount of 67.7 TL bn



Rankings (among top10 banks)

	2011	2014
Total Asset	2	1
Cash Loans	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

*Number one among top peers

Market Shares (%)

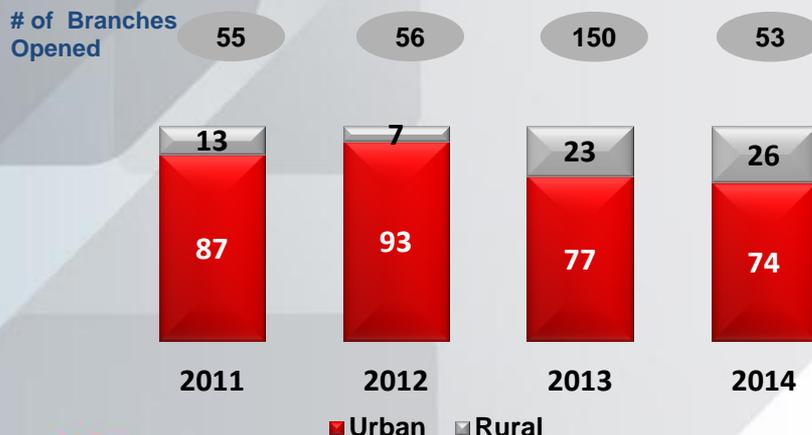
	2011	2012	2013	2014
Assets	13.2	11.9	12.0	12.4
Cash Loans	10.3	8.8	10.4	11.4
Securities	24.8	24.2	21.9	21.4
Deposits	15.5	14.5	14.2	13.7
Non-Cash Loans	5.5	6.4	9.0	10.7

Largest branch network in Turkey

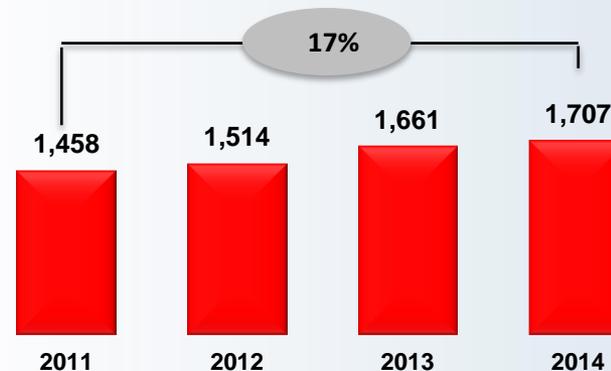
- ✓ Strong presence at the under banked parts of Turkey
- ✓ Addressing industry and trade centers with a focus on industrialized cities
- ✓ In 2014, 53 new branch opened mostly in big cities
- ✓ In 2015, expecting to open more than **100** new branches

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	2014	2012	2013	2014
Loan/Branch	47	67	83	72	87	102
Deposit/Branch	79	85	90	70	79	86
Profit/Branch	1.8	2.0	2.4	2.1	2.1	2.0
# of Staff /Branch	15.3	14.9	13.8	18.2	17.9	17.8

* Source:BRSA

Transactions moving to alternative distribution channels (ADC)

of ATMs

Sector Growth

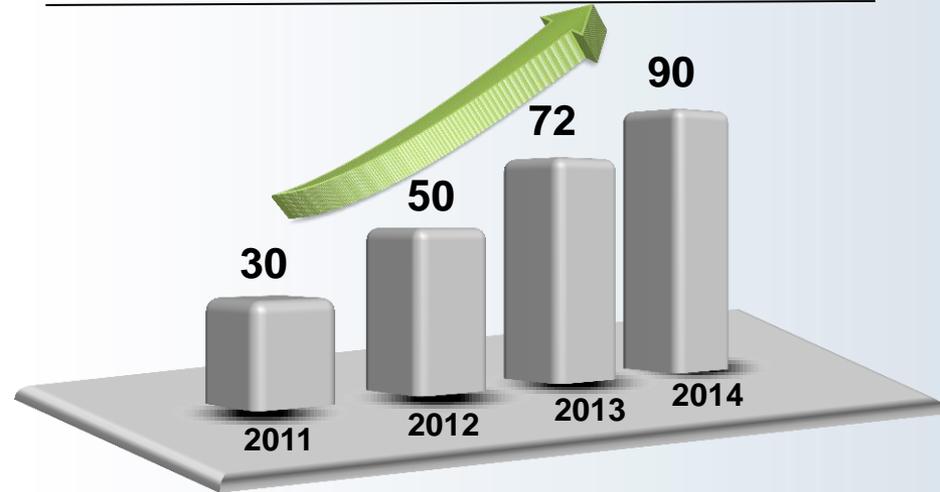
38%

58%

Ziraat



Share of transactions performed through ADC (%)



of customers using internet banking (mn)

265%



Market share in debit card ownership 2014 (%)

1 in debit card business with 18% market share (23.4 mn debit cards)

Ziraat Bank

22.2

Peer 1

10.8

Peer 2

9.6

Peer3

9.4

Source: Interbank Card Center

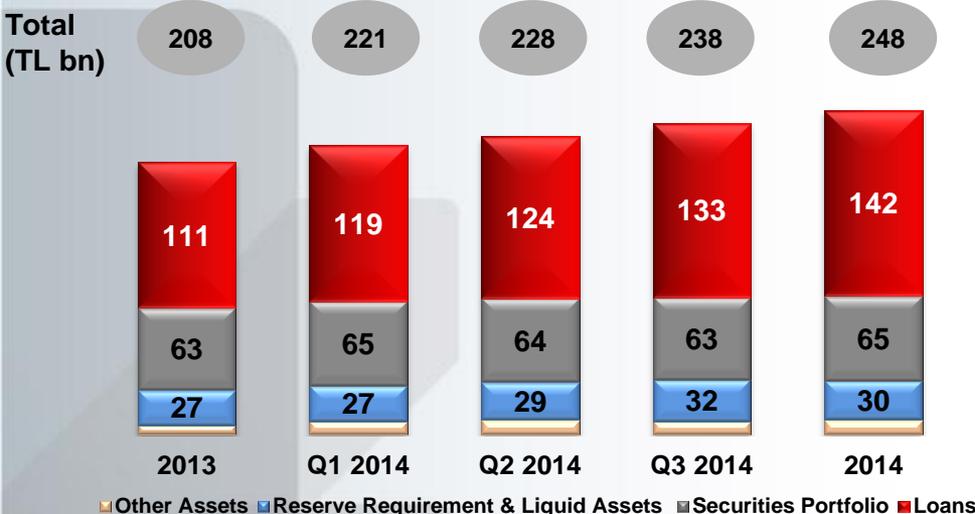


How we did ...

Achievements and trends

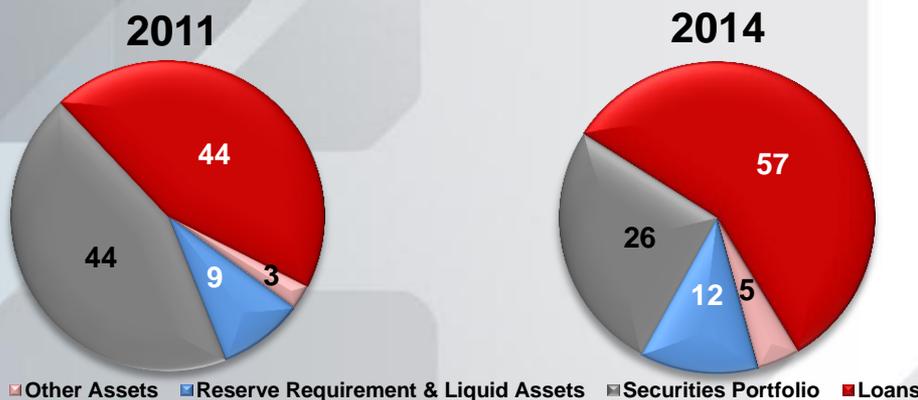
Changing asset composition leading to higher income generation

Successfully diversifying asset base



Accruals are included

Composition of assets (%)



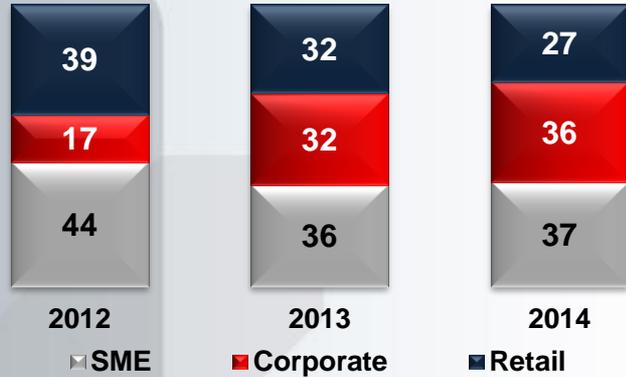
- ✓ Total assets grew 19% and total loans increased 28% in 2014
- ✓ Asset growth driven by business loan growth
- ✓ Strong focus to finance the *real economy*
- ✓ TL denominated balance sheet (TL assets 69% of total assets)

Switching to assets with higher yields (%)



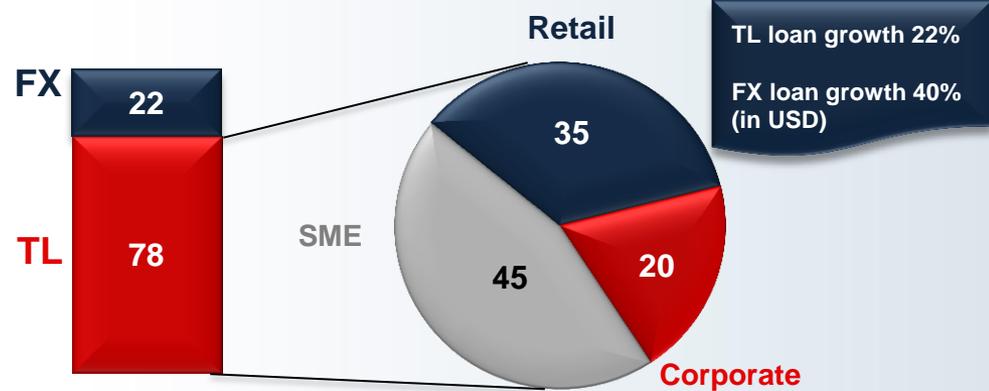
Growing business lending consistent with strategies

Loan book by customer segmentation* (%)

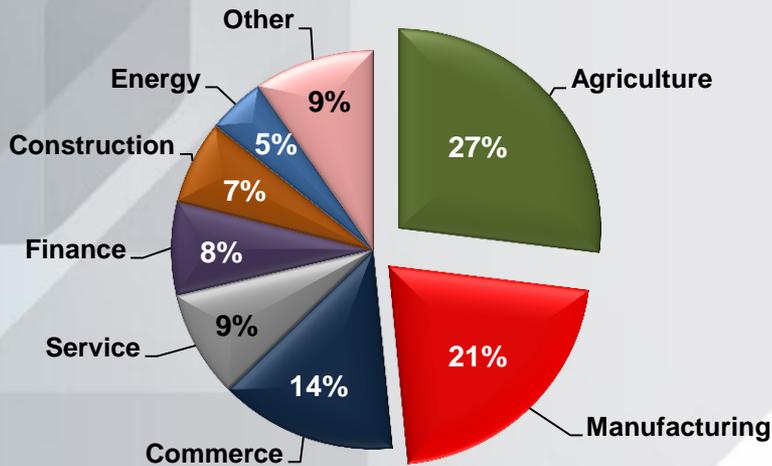


* Accruals and intermediated loans of public funds are excluded

Currency breakdown of loans 2014 (%)



Breakdown of non-retail loan book by sector 2014 (%)

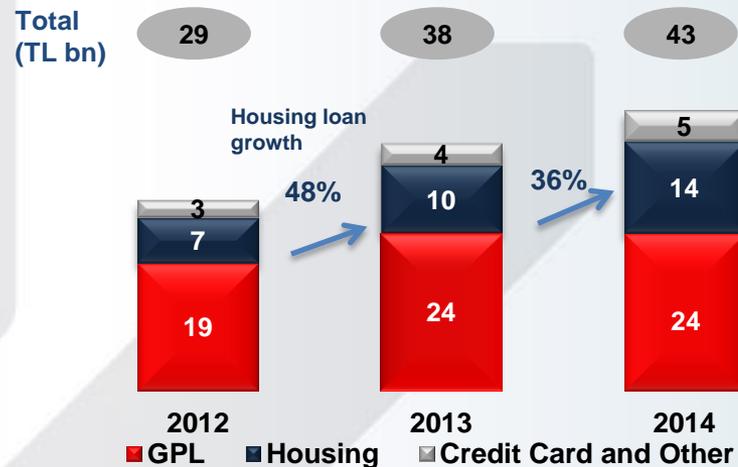


Sectors are classified according to NACE Codes



Retail loan growth driven by housing loans

Retail loan amounts* (TL bn)

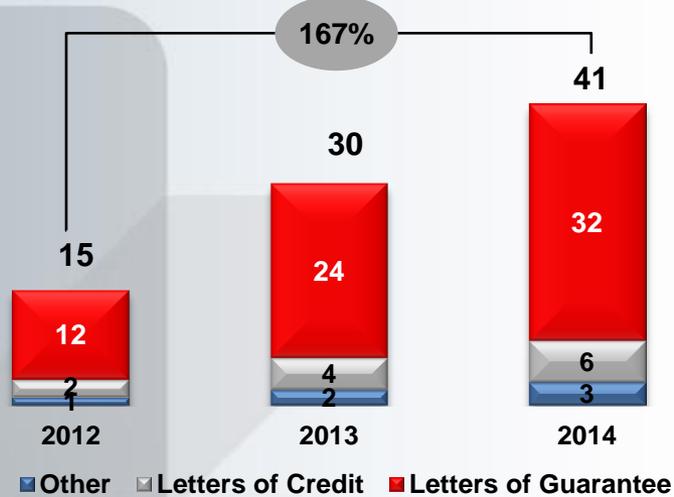


11% growth on retail loans vs 7% in the sector in 2014

*Accruals are excluded

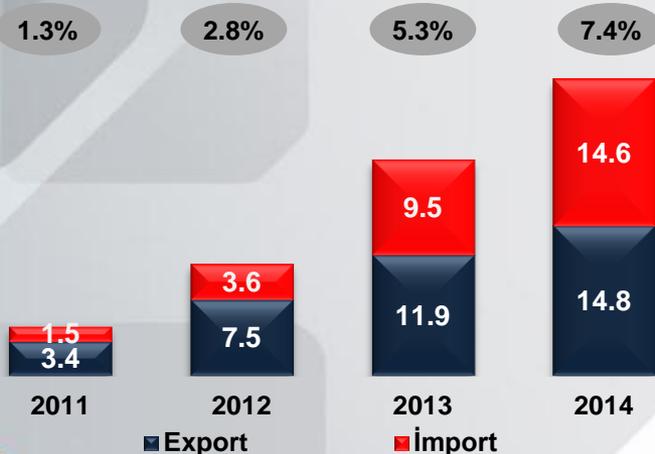
Increasing contribution of trade finance and project finance

Composition of non-cash loans (TL bn)



Foreign Trade Volume (USD bn)

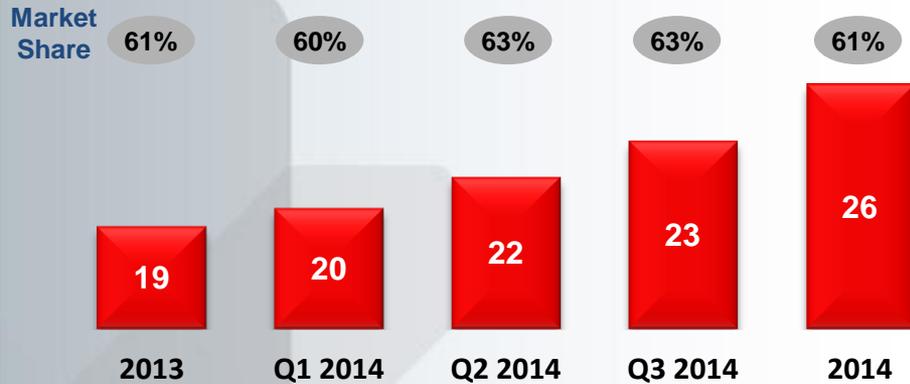
Market Share



- ✓ Increasing non-cash lending with positive impact on fees and commissions income
- ✓ More active in export/import finance
- ✓ Market share in non-cash loans increased from 6.4% in 2012 to 10.7% in 2014
- ✓ Gaining strong foothold at project finance (132% growth in cash loans and 31% growth in non-cash loans in 2014)
- ✓ Total project finance loan portfolio reached to USD 8.5 bn
- ✓ Increase in trade finance activities provide alternating funding (Post – financing volume reached to USD 3.7 bn in 2014)

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

Consistently low agricultural NPL ratio (%)

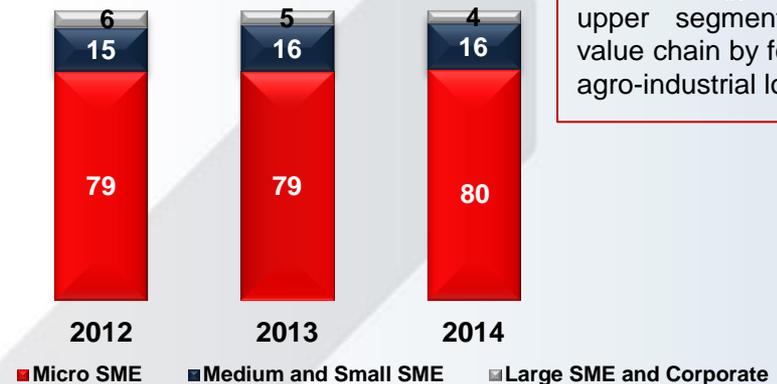


Source: BRSA – Fintürk for sector. Agricultural NPL calculated using loans to agricultural sector



- ✓ Exclusive provider of subsidized agricultural loans
- ✓ Share of investment loans increased from 30% in 2008 to 42% in 2014
- ✓ 92% of agricultural loans utilized from Bank's own funds
- ✓ Consistent agro-loan maturities with production and harvest periods

Agricultural loan by segments (%)



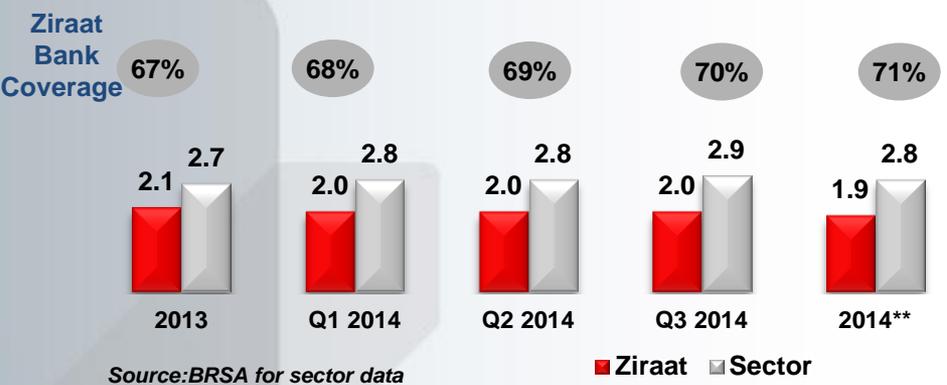
New strategy to address upper segments of the value chain by focusing on agro-industrial loans

Accruals and intermediated loans of public funds are excluded

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

Small Enterprise
Module for
evaluating micro
and small SMEs

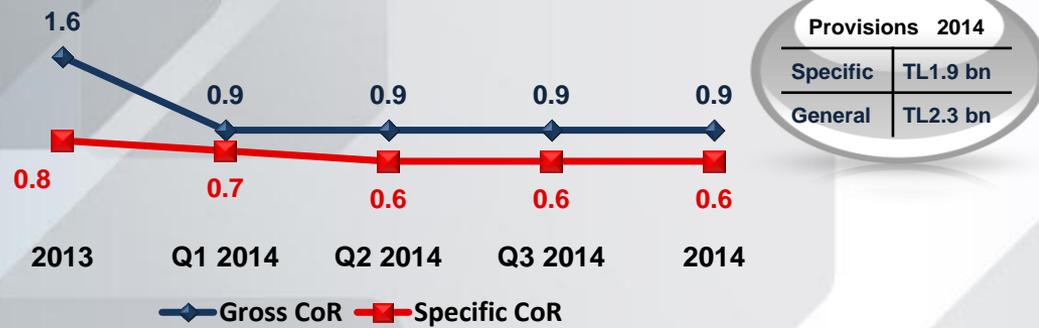
NPL and coverage ratios * (%)



- ✓ Prudent risk management
- ✓ Well-functioning credit evaluation policies & procedures
- ✓ Effective monitoring & strong collection systems in practice
 - Early warning ratings
 - Action plan offering

* Intermediated loans of public funds are excluded
 ** Without single highest item : NPL ratio of 1.3% and adjusted coverage of 95%

CoR* (%)



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

NPL ratio by segments (%)

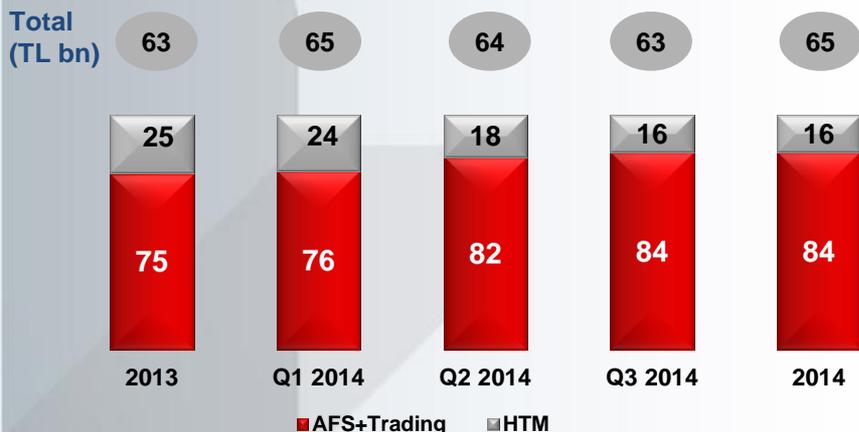
	Retail	Corporate	SME
Ziraat	1.4	1.5	2.4
Sector*	3.4	2.2	3.3

*Source: BRSA



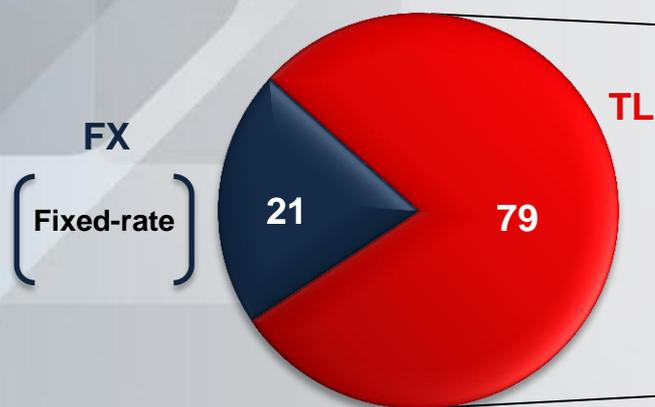
Changing composition of securities in accordance with market dynamics

Composition of securities (%)

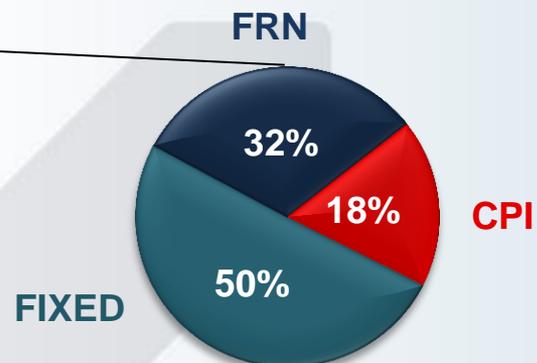


- ✓ 68% of securities' redemptions rolled in 2014 (target for 2015 is 70%)
- ✓ Large share of AFS+trading portfolio provides high flexibility
- ✓ Majority of securities are held in TL providing better returns
- ✓ Share of CPI linkers to total securities was flat in 2014 around 14%

Currency breakdown of securities*, 2014

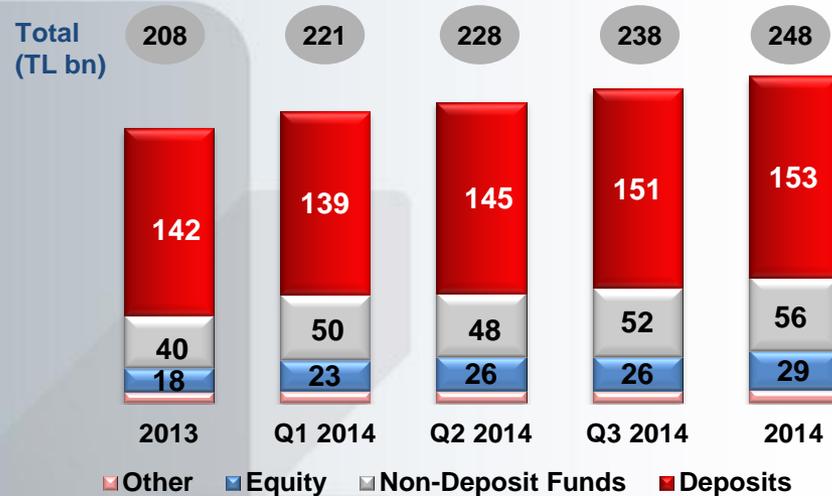


Breakdown of TL securities*, 2014

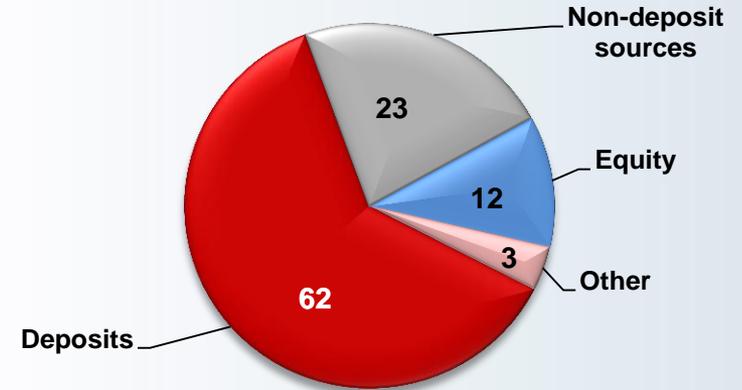


Strong deposit base with diversified funding sources

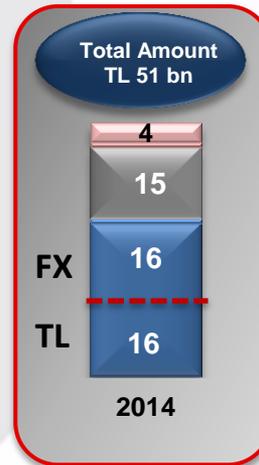
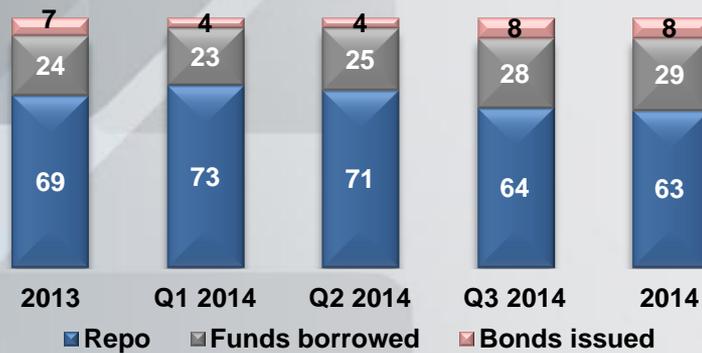
Composition of liabilities (TL bn)



Composition of liabilities (%)



Composition of non-deposit funds* (%)

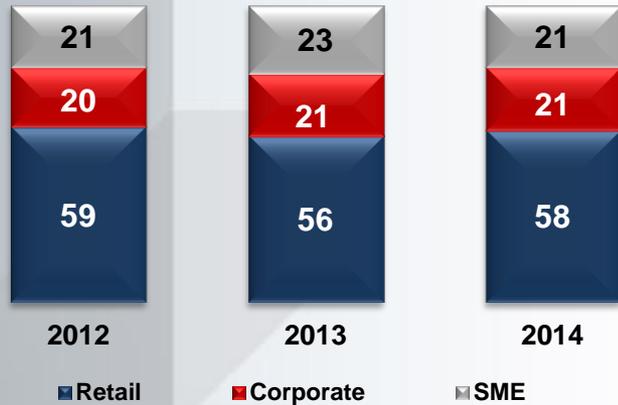


- ✓ In 2014 wholesale funding (excluding repos) increased 68%
- ✓ TL 5.6 bn borrowing from IFI's (e.g World Bank, EIB, AFD)
- ✓ USD 800 mn syndicated loan facility in 2014
- ✓ Inaugural 5yr, USD 750 mn Eurobond offering
- ✓ USD 430.5 mn through private placement issuances under the GMTN program
- ✓ Post- financing volume increased four times from 2012 to 2014

* Intermediated loans of public funds are excluded

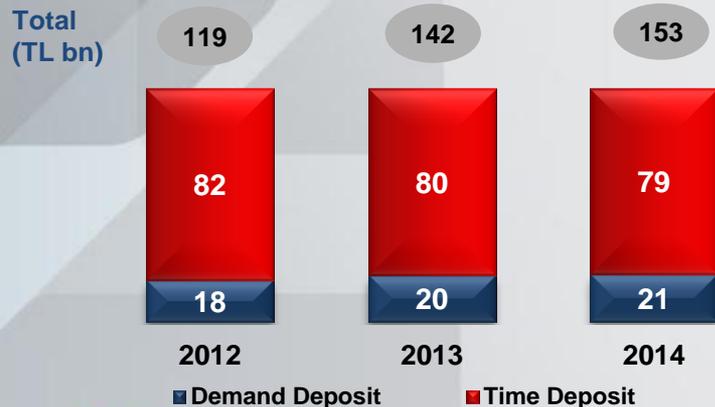
Diversified and wide spread deposit base

Deposits by customer segmentation* (%)



* Excluding the Bank's deposits.

Demand vs time deposits (% of total)



- ✓ Core deposit ratio is around 96%
- ✓ Demand Deposit/Total Deposit is 21% (sector average is 18.5%)
- ✓ Accounts greater than TL 1 million / total deposits is 44% (sector average is 51%)
- ✓ Non-retail deposits (excluding the Bank deposits) increased 34% from 2012 to 2014

Sector leader in deposits with almost 14% market share

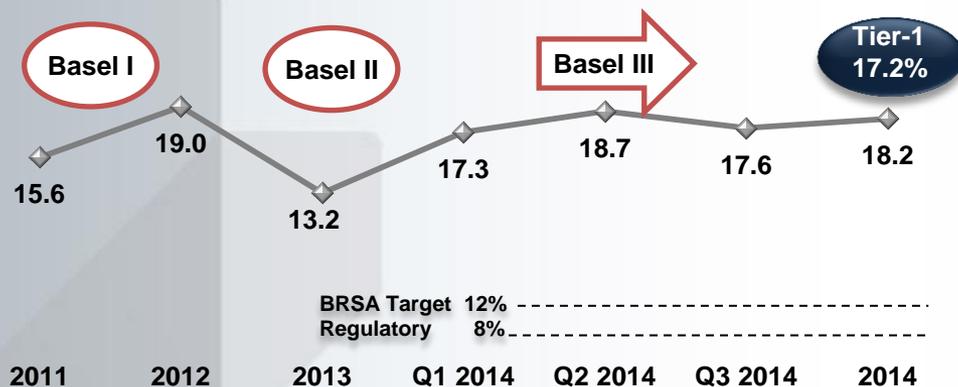
Public Deposit/Total Deposit* (%)



* Excluding the Bank's deposits

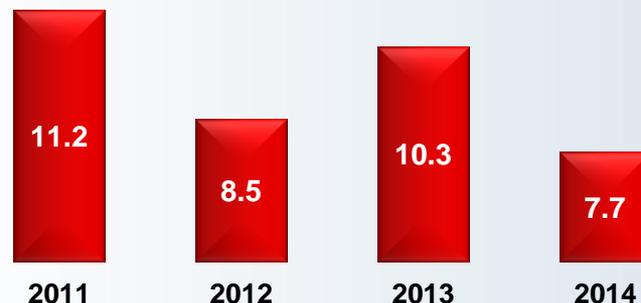
Sound capital structure and internal capital generation

Capital adequacy ratio (%)



Leverage decreased to industry levels

Leverage(x)*



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

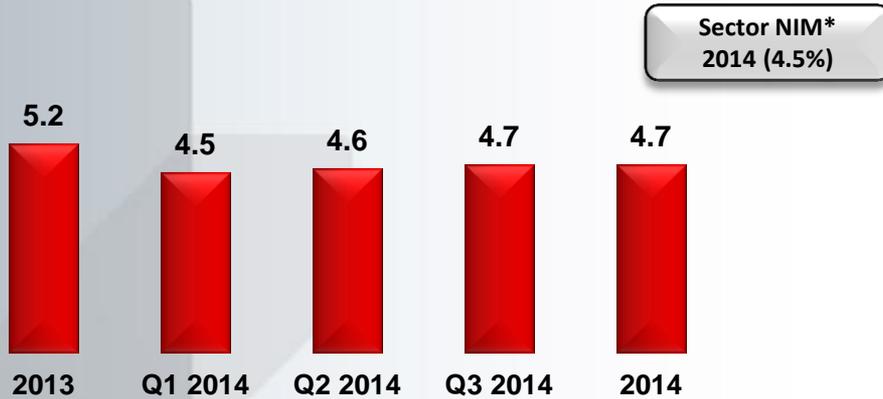
No holding of Tier-2 capital

Strong capitalisation assuring sustainable growth

- ✓ Following cautious leveraging policies
- ✓ Resilient capital level to support targeted loan growth
- ✓ Higher CAR level than sector average and peer banks
- ✓ CAR is highly above the regulatory limits under various scenario analysis

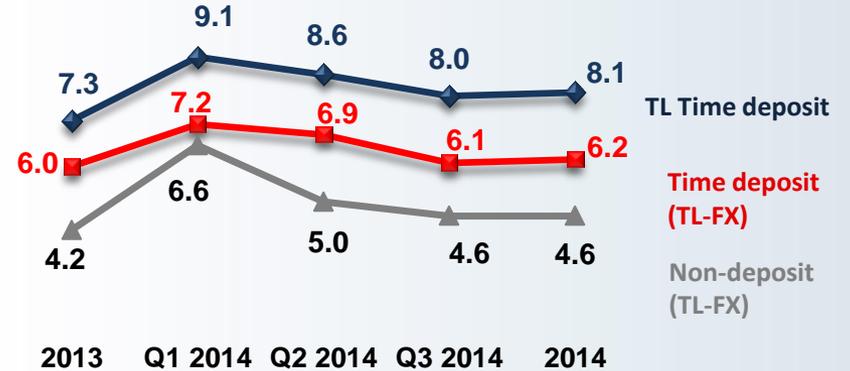
Net interest margin above sector average

Sustainable net interest margin (NIM cum. %)

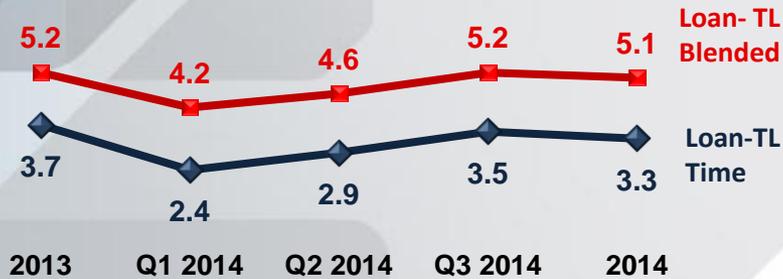


*NIM = Net Interest Earnings / Av. IEA

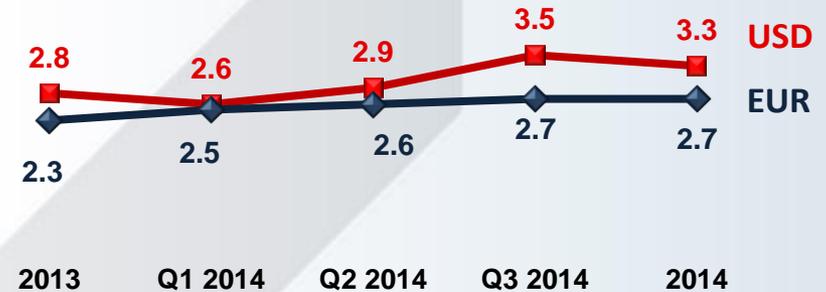
Cost of time deposit vs non-deposit funds (%)



TL loan spreads (%)



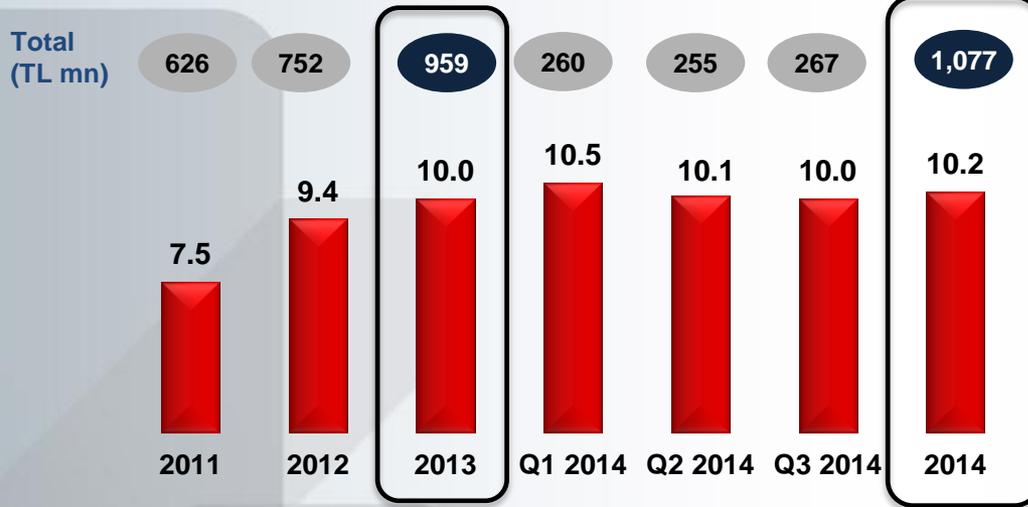
FX loan spreads* (%)



*Loan-FX Time

Accelerating fee generation

Net fees income/ Net income (%)



✓ Ample room to grow further through:

- Cross-selling fee based products
- Institutionalised 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 (21% market share)

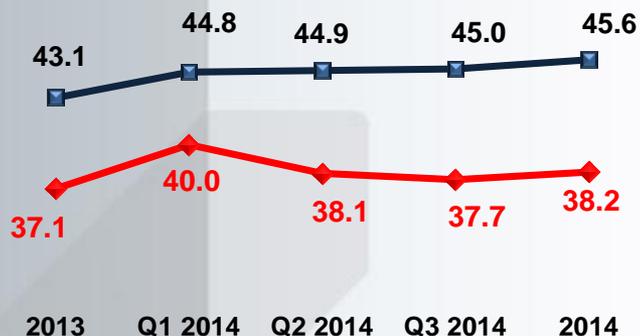
Breakdown of fees and commissions (%)



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

Sustainable efficiency and profitability

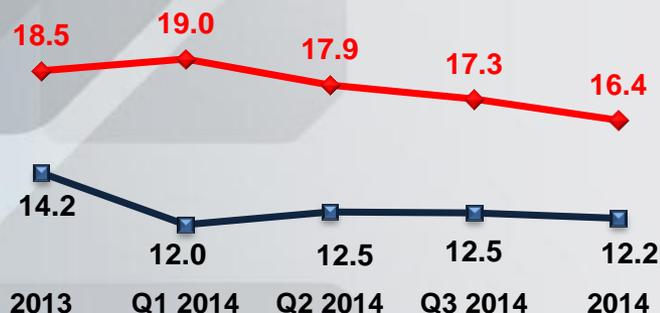
Cost/Income ratio evolution (%)



22% growth in net profits vs flattish sector average in 2014

- ✓ Most profitable bank in the sector in 2014
- ✓ In line with the macro strategy: asset base grew without sacrificing profitability
- ✓ One of the lowest Cost/Income ratio among peers
- ✓ Effective cost management strategies
- ✓ "Cost Management Module" put into practice to monitor all cost items centrally

Return on equity (%)

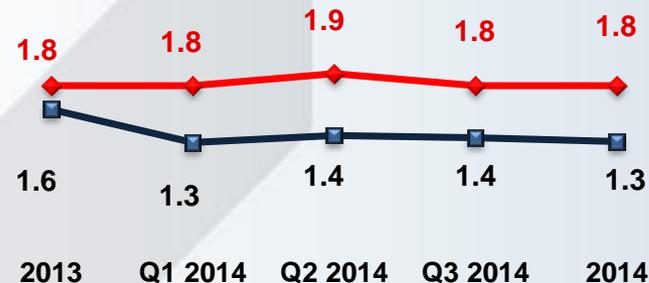


Leading ROAE & ROAA among peers

◆ Ziraat
■ Sector*

*Source: BRSA

Return on assets (%)



2015 Outlook & Projects



- ✓ Increasing focus on SMEs through new customer and branch segmentation
- ✓ Growing share of employed working-age customers in retail segment
- ✓ Increasing contribution of subsidiaries and foreign branches to Bank's profit and assets
- ✓ Increase the Bank's paid-up capital from TL 2.5 bn to TL 5 bn from own funds
- ✓ Establishing the Participation Bank (with USD 300 mn Capital)
- ✓ Organic/inorganic growth abroad (establishment of two branches in **Kosovo** and subsidiary banks in **Montenegro** and **Azerbaijan**)
- ✓ Recruiting 2,000 new personnel in the next few years

Appendix

Balance Sheet Summary

TL MN	2013	Q1 2014	Q2 2014	Q3 2014	2014	% Change QoQ	% Change YtD
CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	26,602	27,270	29,360	31,574	30,149	-4.5	13.3
BANKS	2,465	2,041	1,769	1,759	2,191	24.6	-11.1
SECURITIES	62,798	64,668	64,027	62,620	64,563	3.1	2.8
LOANS	111,048	118,546	124,353	132,901	141,915	6.8	27.8
-Gross NPL	2,417	2,463	2,506	2,642	2,717	2.9	12.4
-Specific Provisions (-)	1,623	1,667	1,731	1,849	1,932	4.5	19.1
OTHERS	4,617	8,709	8,496	9,493	8,782	-7.5	90.2
TOTAL ASSETS	207,530	221,234	228,005	238,347	247,600	3.9	19.3
DEPOSITS	141,735	139,813	145,106	150,840	153,255	1.6	8.1
FUNDS BORROWED	8,559	10,271	10,745	13,073	14,608	11.7	70.7
INTERBANK MONEY MARKET	24,571	33,736	30,637	30,339	31,781	4.8	29.3
PROVISIONS	3,958	4,130	4,351	4,518	4,758	5.9	20.2
SHAREHOLDERS' EQUITY	18,367	23,276	25,670	25,793	28,540	10.6	55.4
OTHERS	10,340	10,008	11,496	13,784	14,658	6.3	41.2

Income Statement Summary

TL MN	2013	Q1 2014	Q2 2014	Q3 2014	2014	% Change (2013-2014)
INTEREST INCOME	14,370	4,214	8,785	13,354	18,165	26.4
-From Loans	9,509	2,844	5,967	9,269	12,755	34.1
-From Securities	4,814	1,349	2,777	4,027	5,333	10.8
INTEREST EXPENSE	6,631	2,283	4,829	7,155	9,558	44.1
-On Deposits	5,601	1,783	3,772	5,639	7,512	34.1
NET INTEREST INCOME	7,739	1,931	3,956	6,199	8,607	11.2
NET FEES & COMMISSIONS	959	260	516	782	1,077	12.3
-Fees and Commissions Received	1,163	320	654	996	1,357	16.6
-Fees and Commissions Paid	205	60	139	214	279	36.6
OTHER OPERATING INCOME	1,048	263	521	719	911	-13.0
OPEX	3,661	995	1,976	2,959	4,095	11.8
NET OPERATING PROFIT	4,379	1,188	2,545	3,844	5,179	18.3
NET PROFIT	3,330	930	2,010	3,026	4,051	21.6

Key Financial Ratios

(%)	2013	Q1 2014	Q2 2014	Q3 2014	2014
ROAA	1.8	1.8	1.9	1.8	1.8
ROAE	18.5	19.0	17.9	17.3	16.4
Cost to Income	37.1	40.0	38.1	37.7	38.2
NIM (cum.)	5.2	4.5	4.6	4.7	4.7
Loans/Deposits	78	85	86	88	93
Loans/Assets	54	54	55	56	57
Securities/Assets	30	29	28	26	26
NPL	2.1	2.0	2.0	2.0	1.9
Coverage	67	68	69	70	71
CoR (Gross)	1.6	0.9	0.9	0.9	0.9
CAR	13.2	17.3	18.7	17.6	18.2
Leverage	10.3	8.5	7.8	8.2	7.7
# of					
Branches	1,661	1,667	1,674	1,686	1,707
Employees	24,725	24,528	24,161	24,002	23,617
ATMs	5,353	5,573	5,756	5,934	6,043

For further information please contact

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