

Q4 2016 Financials Presentation



More than a Bank

The Bank

100% State Owned

153 years of banking legacy

More than 30 mn customers

1,786 domestic & 28 foreign branches

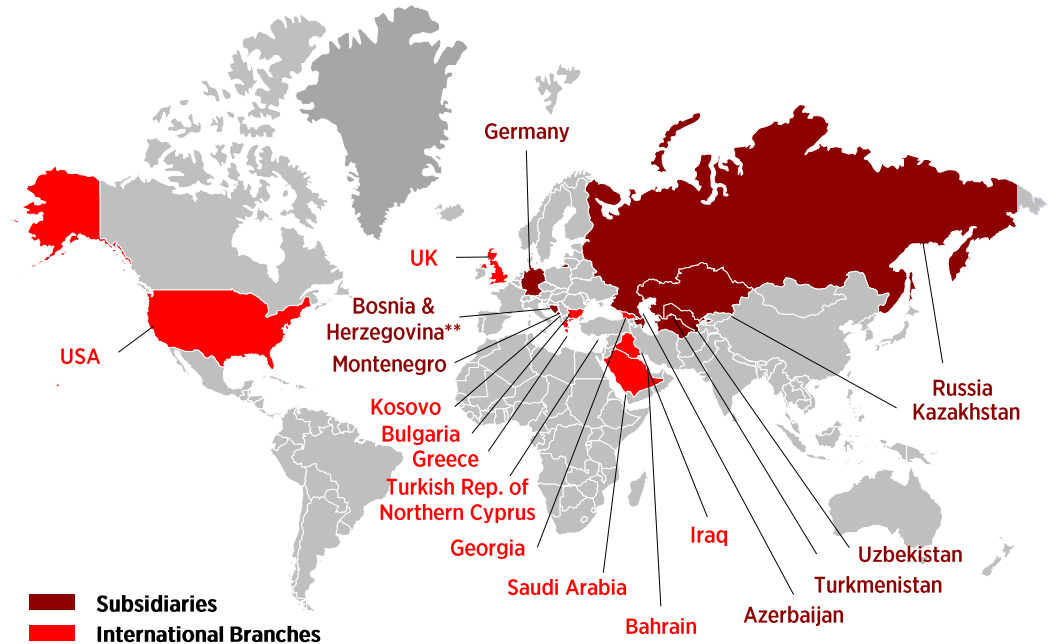
Sound and improving financial outlook

Appetite to grow locally and globally

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



Global EM Drivers and Domestic Implications

Financial Channel

- **FED still patient** with Trump's fiscal policies yet to set in.
- **DXY and US rates stabilizing.**
- **Reflation** trade main theme

Trade Channel

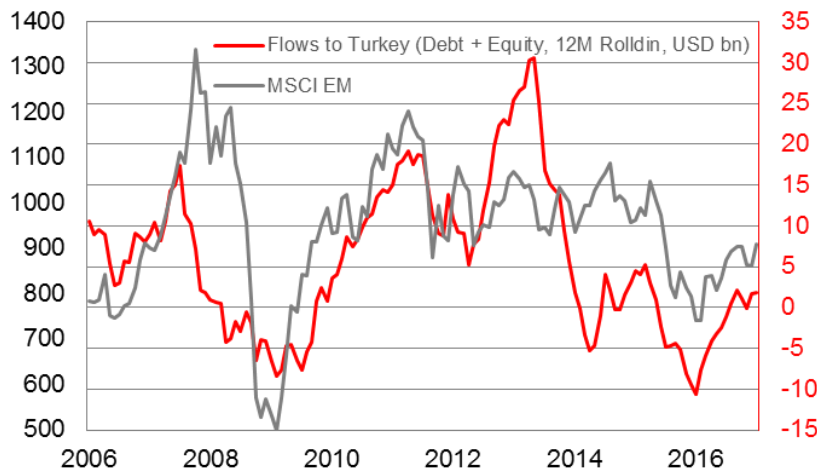
- **Global IP recovery** carries momentum.
- Euro Area growth better than expected.
- **European supply chain** provides a shelter in case of Trump's harmful trade policies.

Geo-Political Events

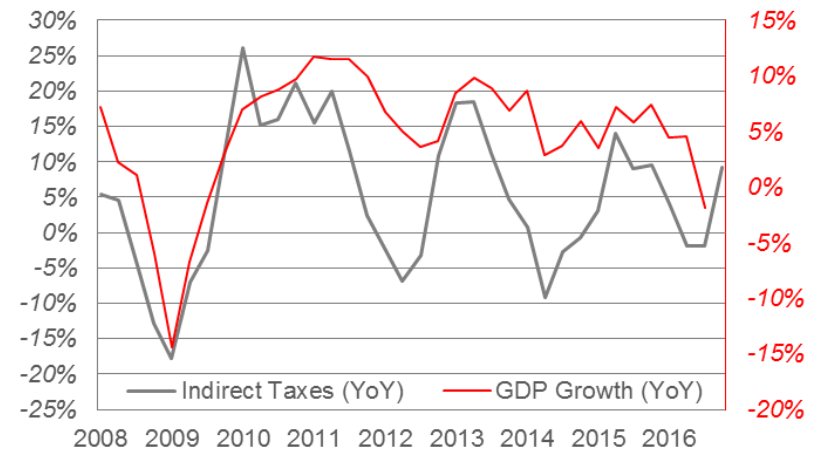
- **Rapprochement with Russia** ongoing.
- **European elections** in sight, ECB provided buffers with QE throughout 2017.
- **Referendum process** main determinant for domestic demand in H2.

- About **4% growth** still possible in 2017. No revisions in MTP.
- **Manufacturing** getting a boost from European recovery, services may be lagging due to cold weather and some security concerns.
- **External demand** may bridge the gap for domestic demand in the first half of the year.
- Major industries running close to full capacity i.e. petrochemicals, steel, and automotive – once stability emerges **investments** will contribute to growth.
- Central bank focused on **volatility of exchange rate** rather than level of it, incorporating new tools such as currency swaps to stem excessive movements.

Reflation trade keeps EM in a sweet spot again.

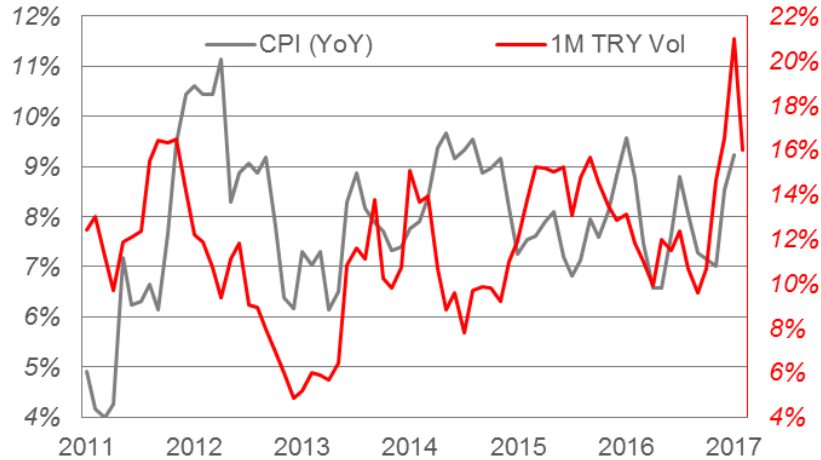


It's a fragile recovery underway, economic activity rebounded after a temporary contraction in Q3.

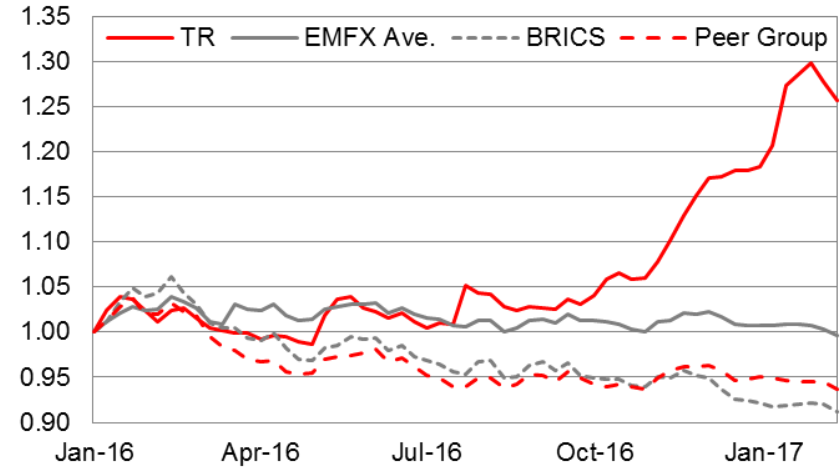


Bent But Not Broken

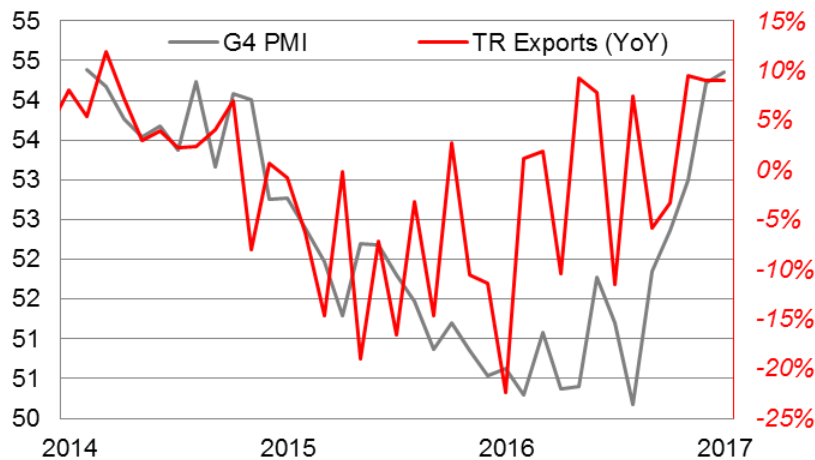
CBRT targets FX volatility through liquidity measures:



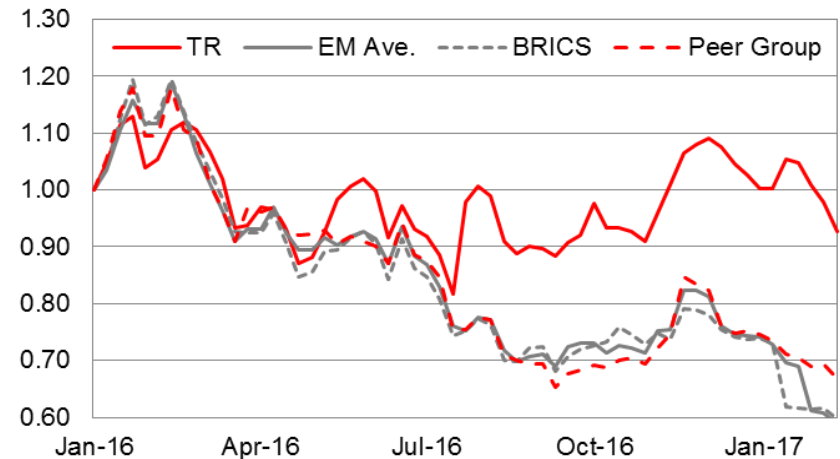
Lower volatility corresponds to stronger Lira:



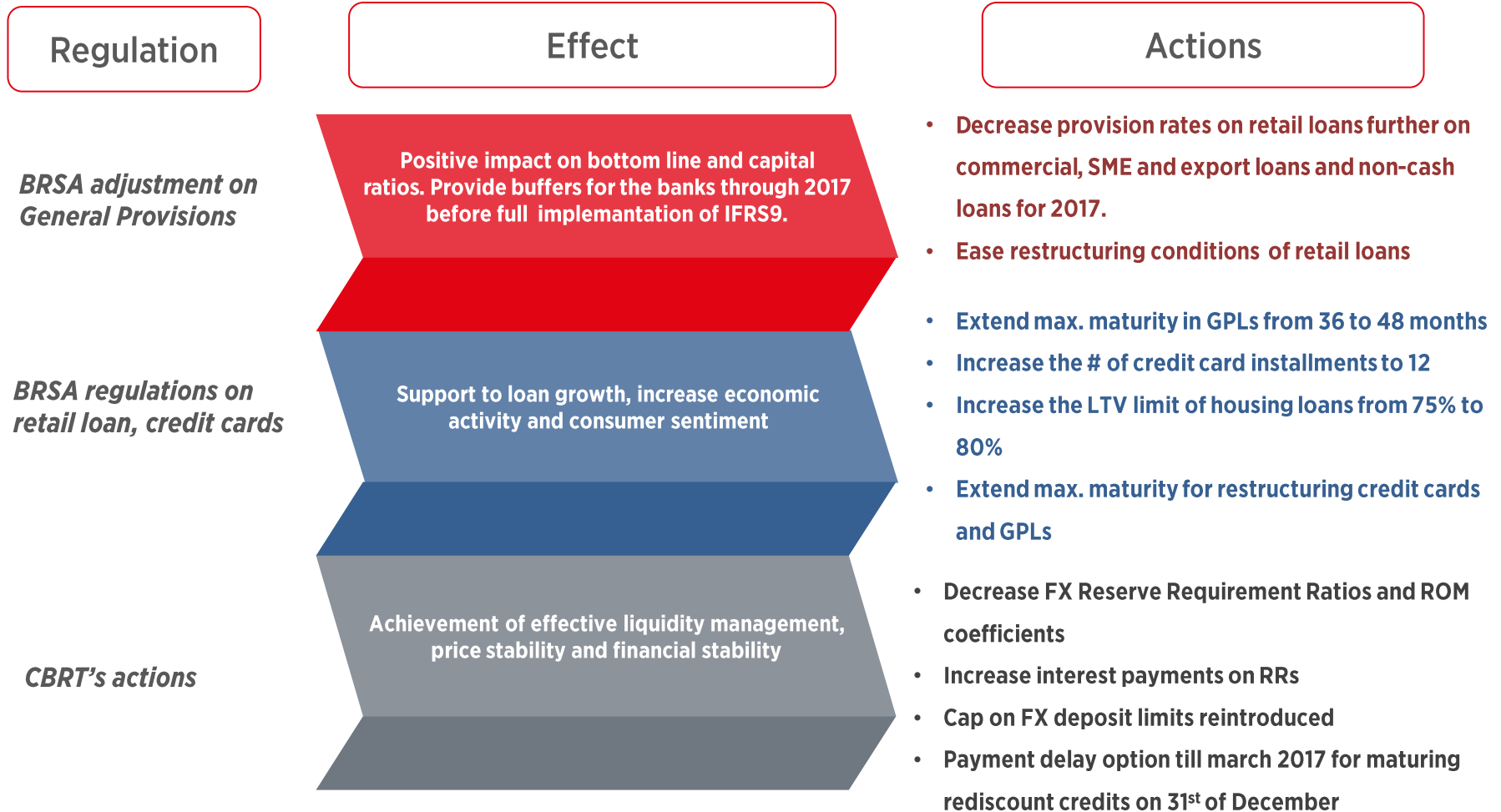
Global integration big positive for manufacturing:



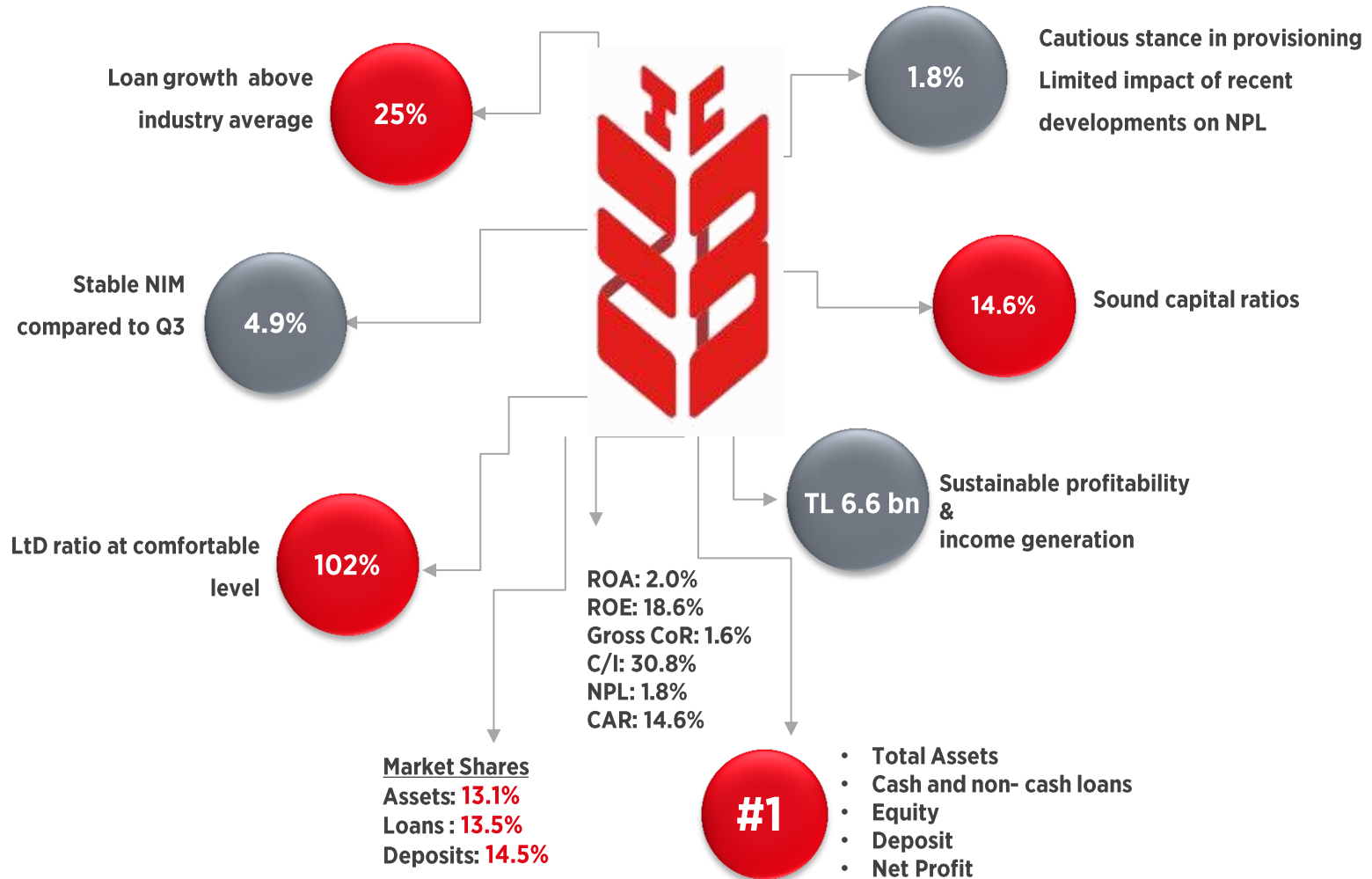
Risk premium recovered despite Fitch downgrade:



Banking Sector Developments

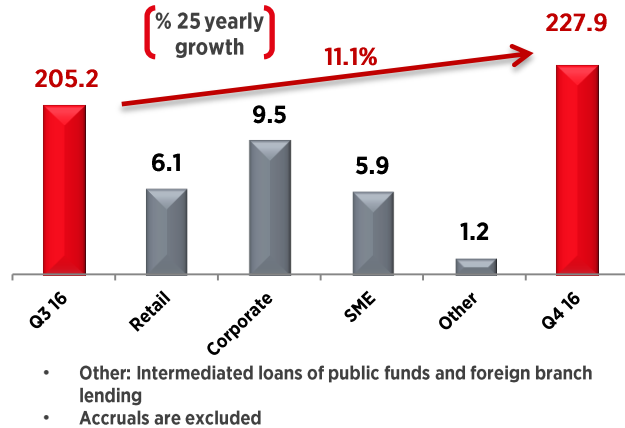


Ziraat highlights from Q4 2016

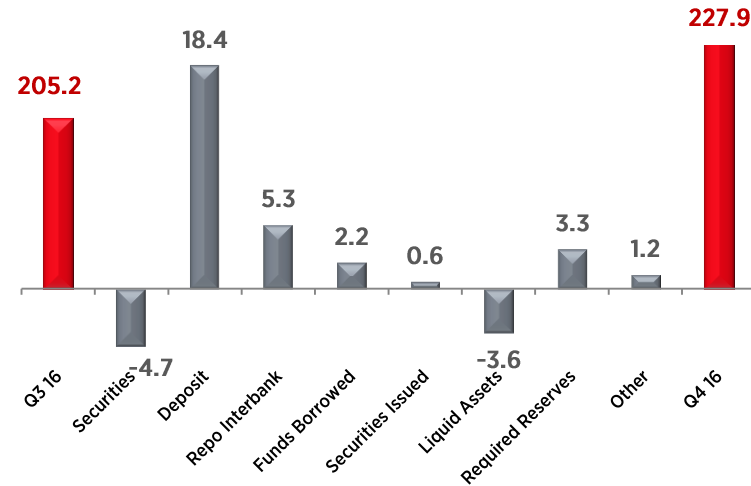


Ziraat at a glance in Q4 2016

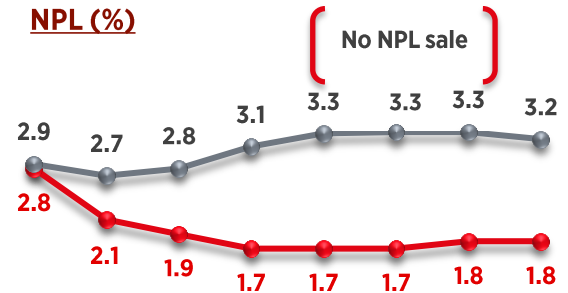
Loan growth composition by segments (TL bn)



Loan growth finance (TL bn)



NPL (%)



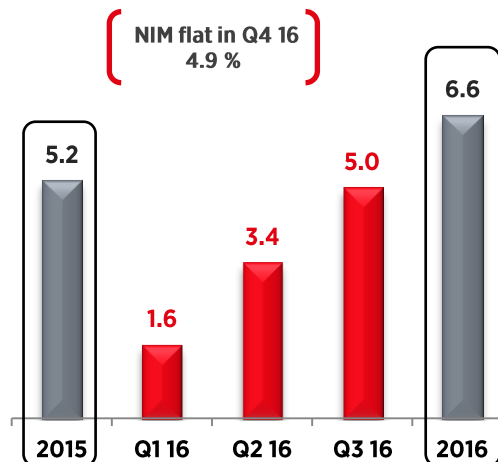
2012 2013 2014 2015 Q1 16 Q2 16 Q3 16* 2016

—●— Ziraat —●— Sector

*Without single highest item and intermediated loans of public funds : NPL ratio 1.5%

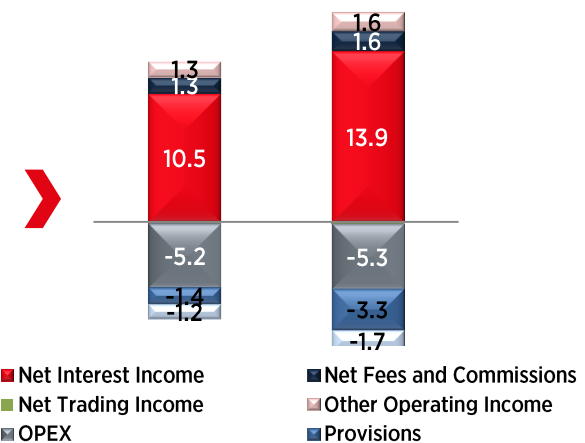
Source: BRSA for sector data

Net profit (TL bn)



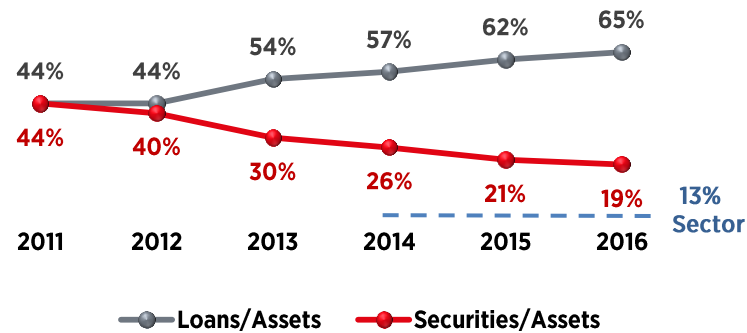
FY2015

FY2016



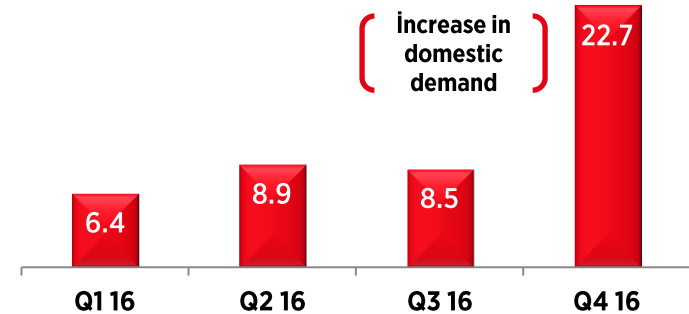
Ziraat at a glance Q4 2016

Share of loans and securities

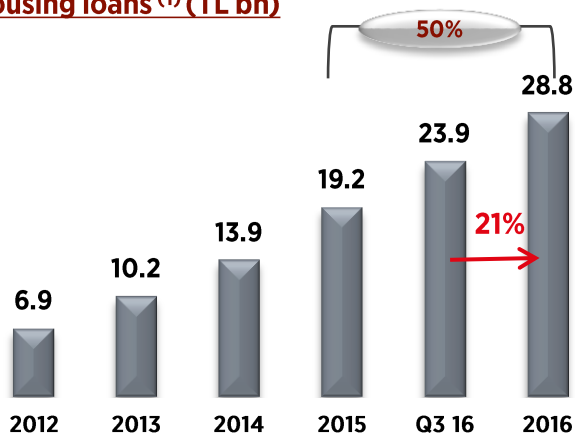


* Accruals are excluded

Quarterly loan growth 2016 (TL bn)

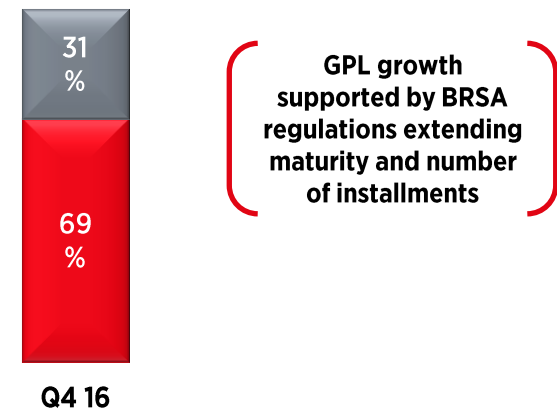


Housing loans ⁽¹⁾ (TL bn)



⁽¹⁾Accruals and Intermediated loans of public funds are excluded

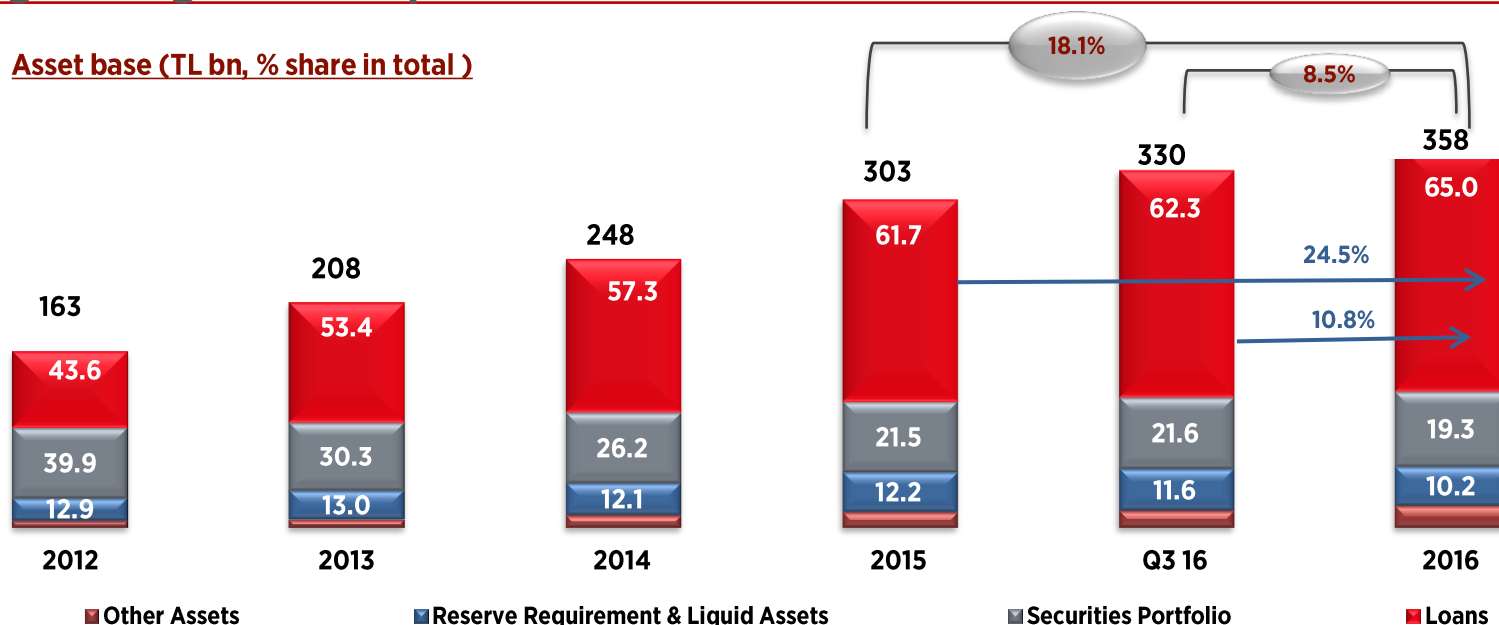
Sector GPL growth in Q4 16



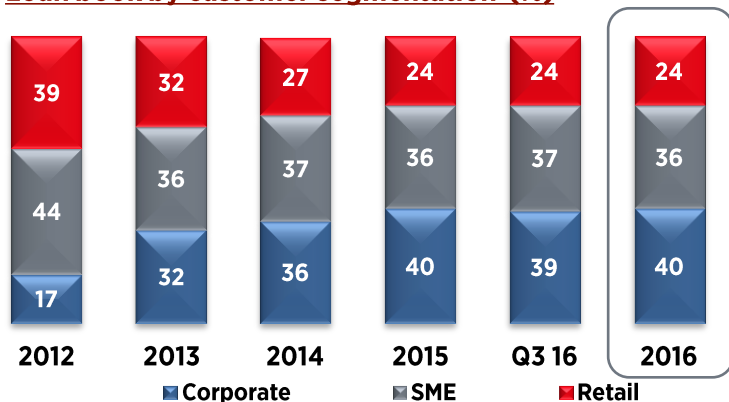
■ Other banks ■ Ziraat

Higher than sector loan growth partially driven by increase in FX rate, no significant change in segment composition

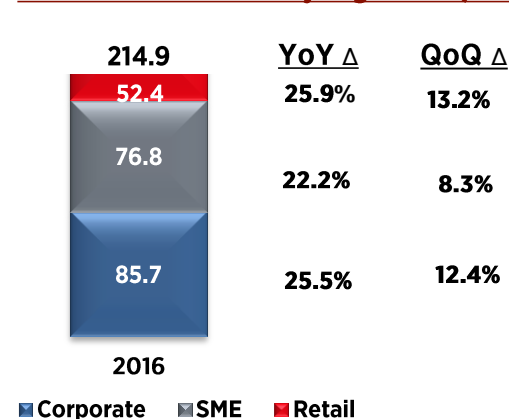
Asset base (TL bn, % share in total)



Loan book by customer segmentation* (%)



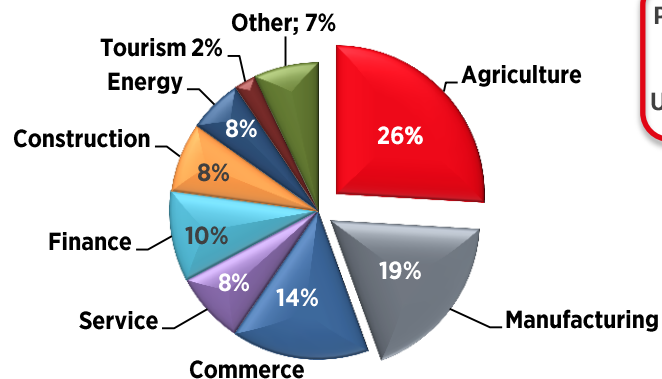
Total loan amounts* by segments (TL bn)



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

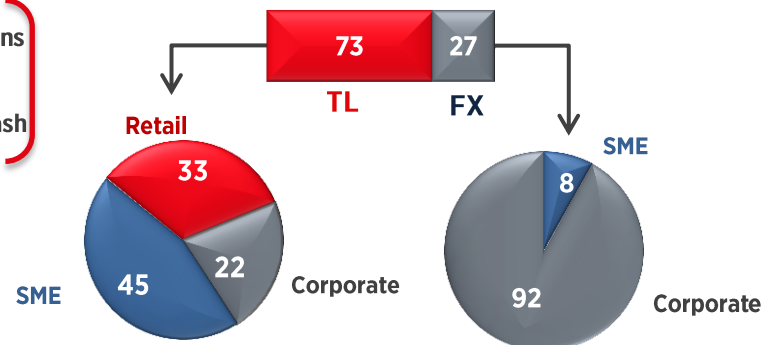
No material concentration in non-retail loans

Breakdown of non-retail loans by sector 2016

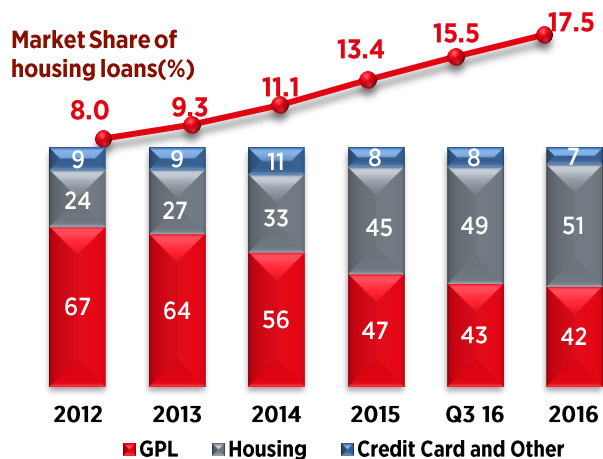


Currency breakdown of loans 2016 (%)

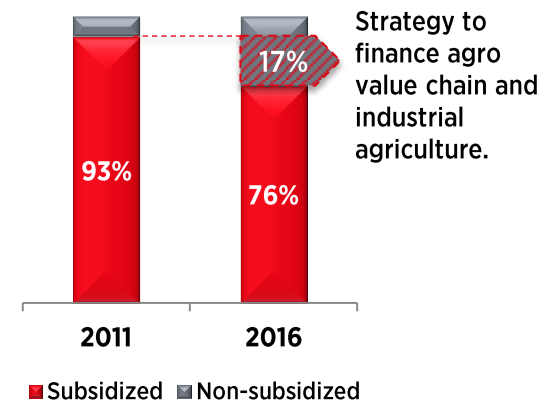
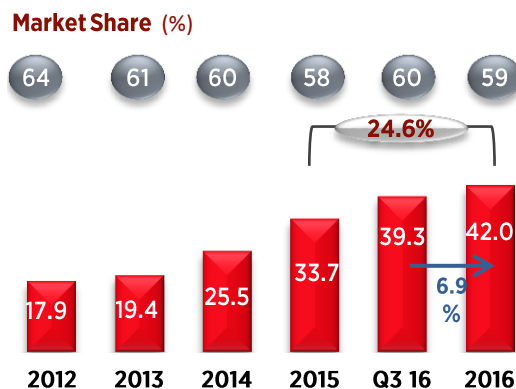
Project finance loans
USD 6.3 bn cash
USD 0.7 bn non- cash



Breakdown of retail loans ⁽¹⁾ (%)



Loans to agricultural sector ⁽²⁾ (TL bn)

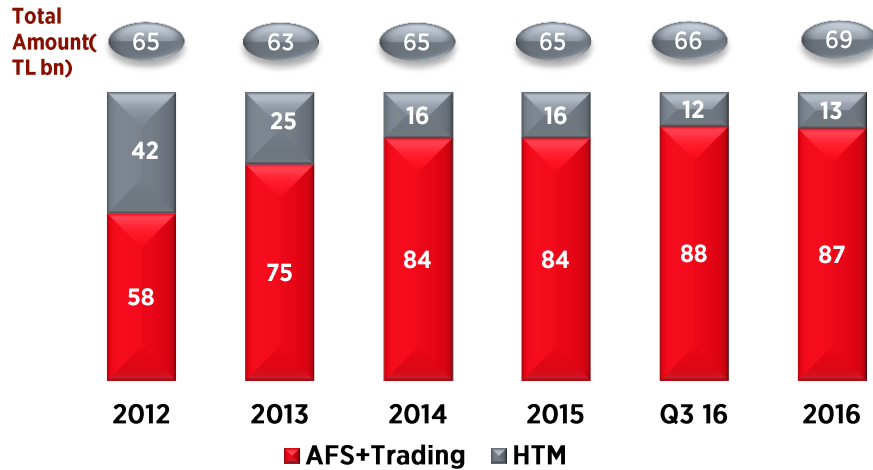


⁽¹⁾Accruals are excluded, Intermediated loans of public funds are included

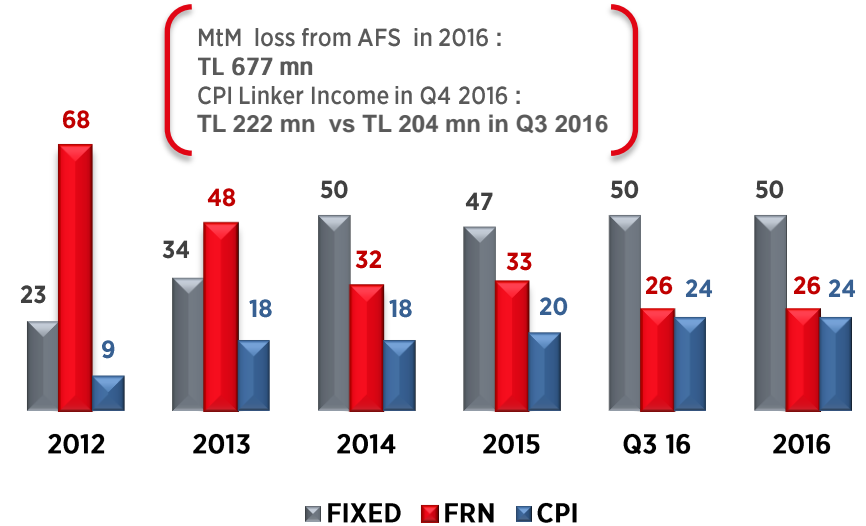
⁽²⁾Intermediated loans of public funds are excluded

Evenly distributed securities portfolio

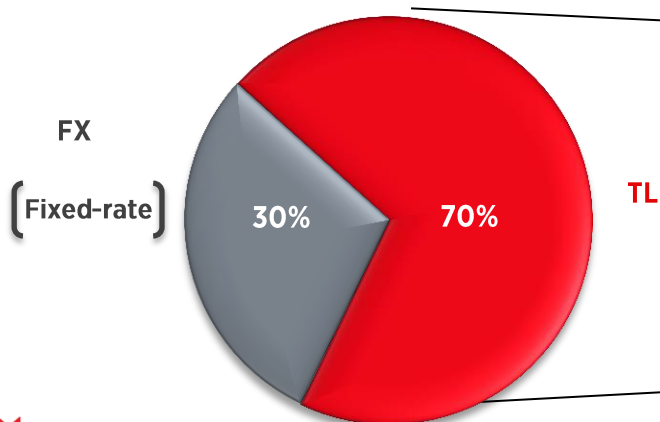
Composition of securities (%)



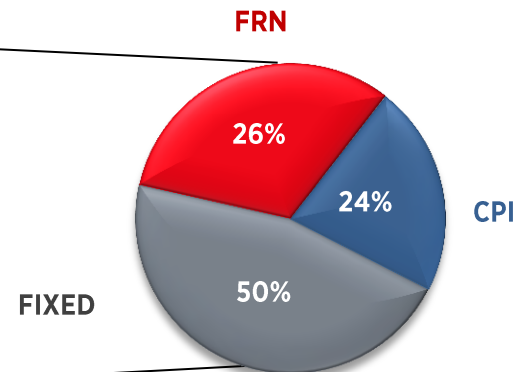
Breakdown of TL securities* (%)



Currency breakdown of securities, 2016

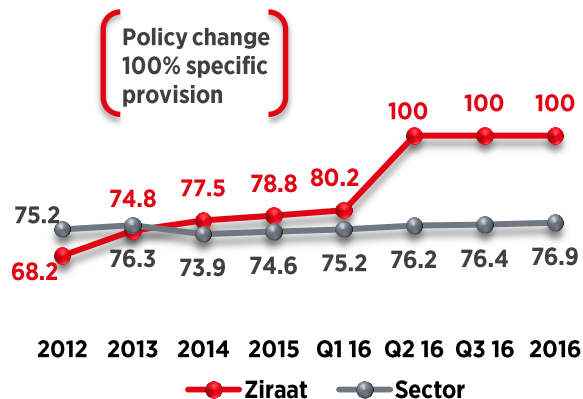


Breakdown of TL securities*, 2016



Committed to sound asset quality

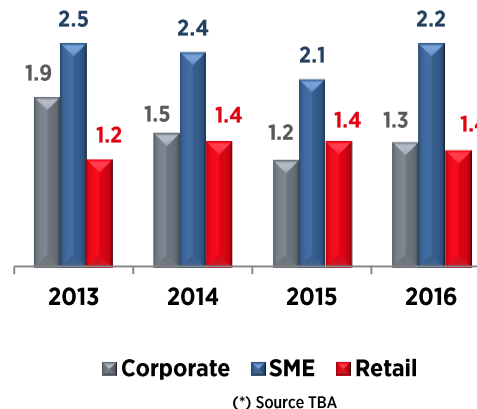
NPL specific coverage ratios⁽²⁾ (%)



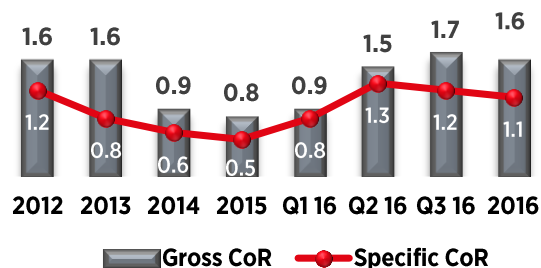
- Highest cash coverage among peers
- Well functioning credit evaluation, effective monitoring

80 bps decrease in Group II/Total Loans in Q4 2016 to 2,2%

NPL by segments (%)



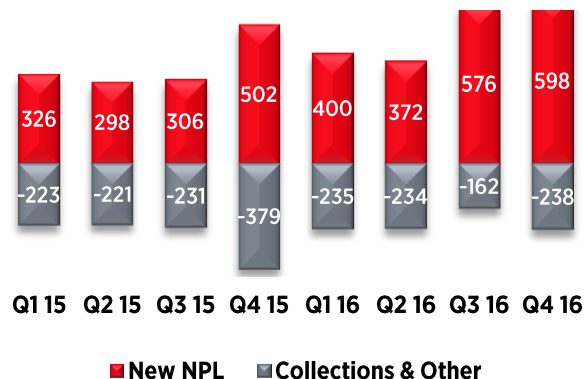
CoR (%)



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

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

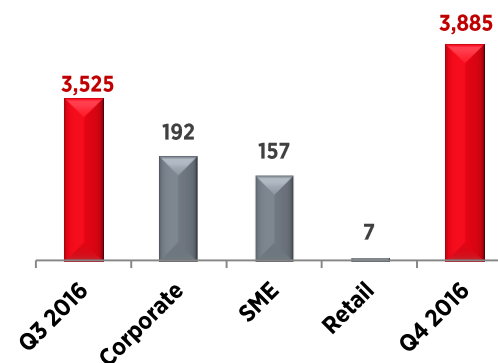
New NPL & collections⁽¹⁾ (TL mn)



⁽¹⁾Other includes restructured NPL's

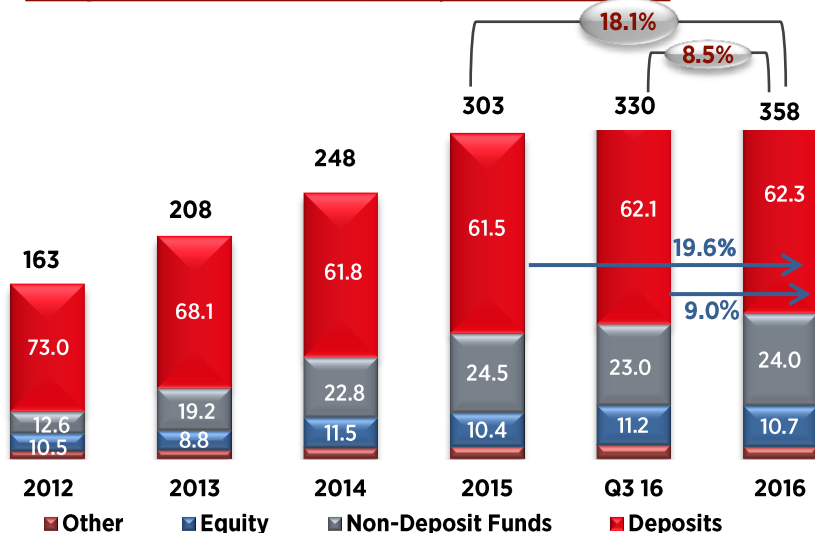
⁽²⁾Intermediated loans of public funds are excluded

Segment breakdown of new NPL formation in Q4⁽²⁾ (TL mn)

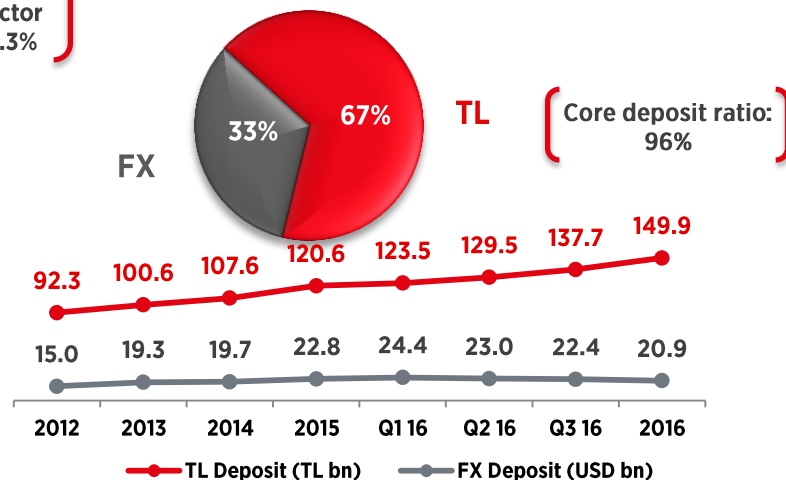


Mainly TL deposit based funding, LtD ratio at comfortable levels

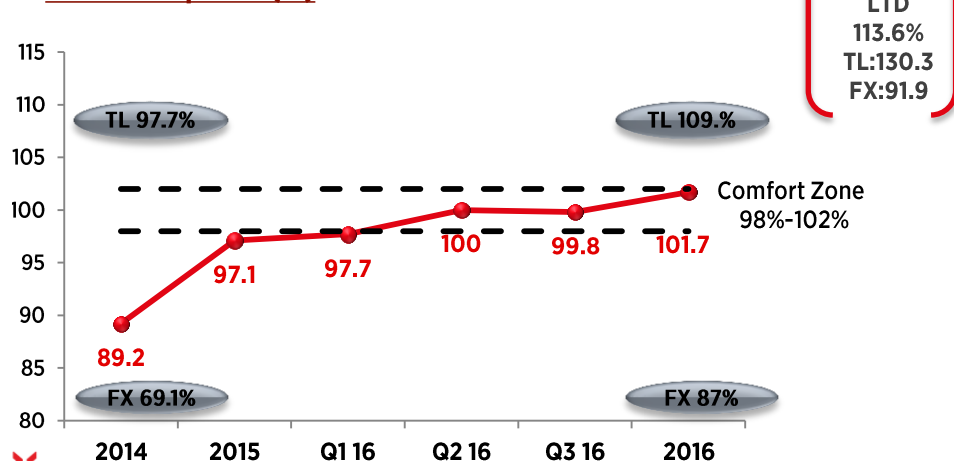
Composition of liabilities (TL bn, % share in total)



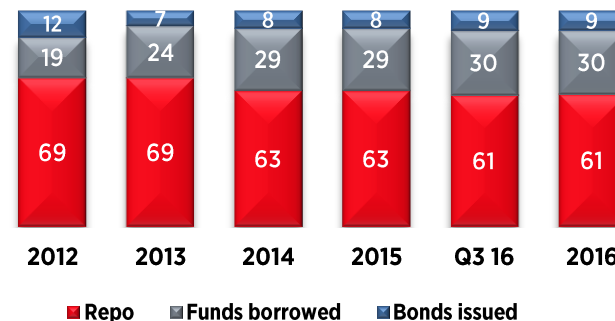
Currency breakdown of deposits 2016



Loan to Deposit* (%)



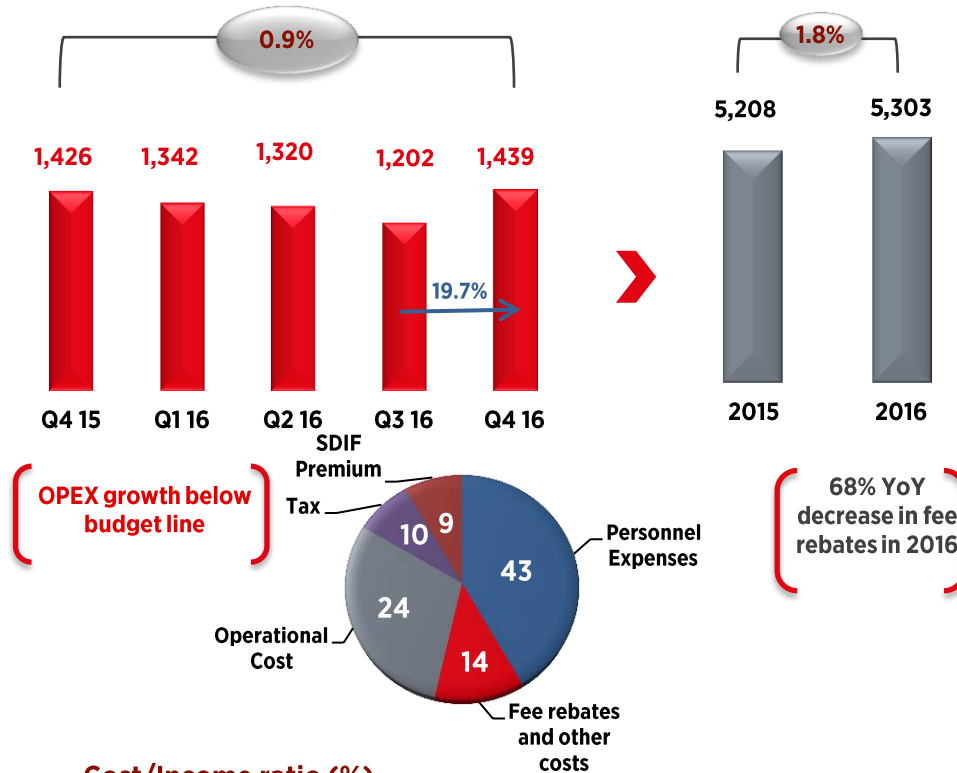
Composition of non-deposit funds* (%)



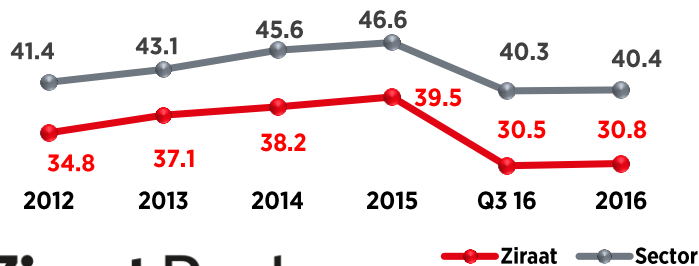
Public deposit/total deposit : 20%
Retail time deposit/total time deposit : 59.9%

Cost conscious approach and improved efficiency resulting in lower OPEX and lowest C/I ratio among peers

Operating expenses (TL mn)

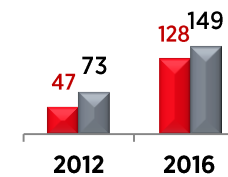


Cost/Income ratio (%)

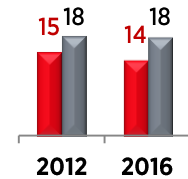


Evolving branch efficiency (per branch)

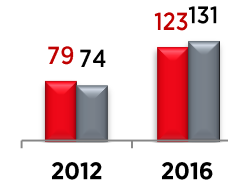
Loan (TL mn)



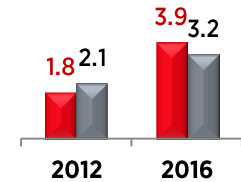
of Staff



Deposit (TL mn)



Profit (TL mn)



Ziraat

Banking Sector

Operations Center

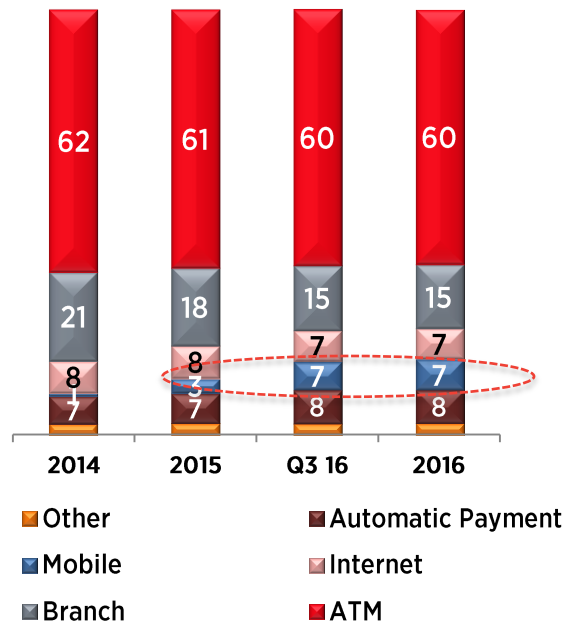
4,346 staff saved and allocated to sales b/w 2012- 2016



Ziraat Bank

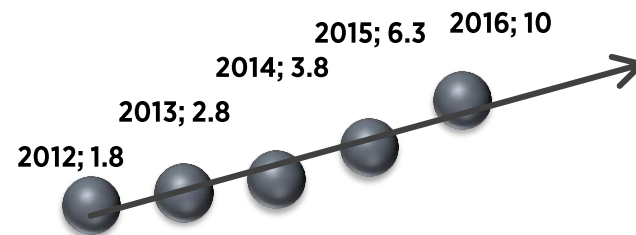
Road to digital banking

85% of banking transactions through non-branch channels
Increasing share of mobile banking

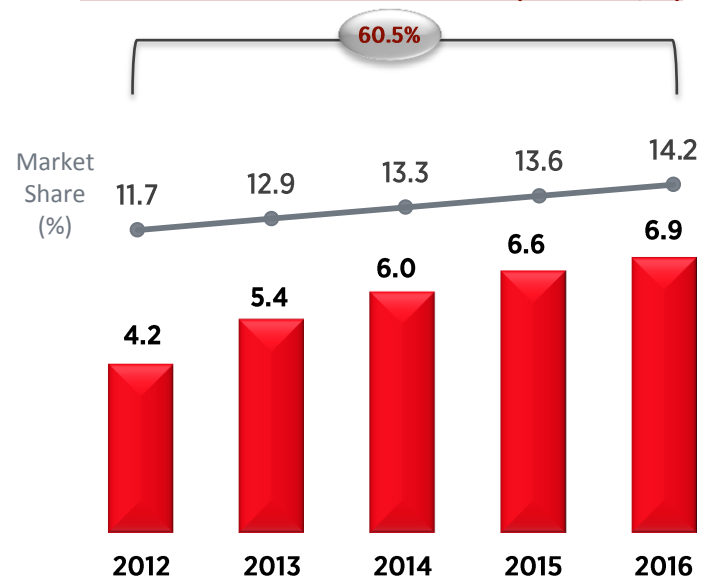


- Change from «alternative channels» to digital banking
- Digitalized business processes
- Optimal channel management & cost control

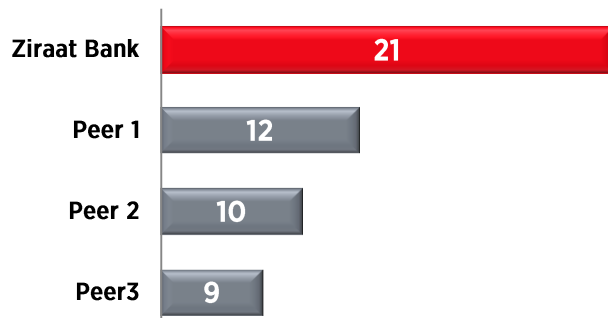
of customers having internet banking (mn)



Number of ATMs and market share (thousands, %)

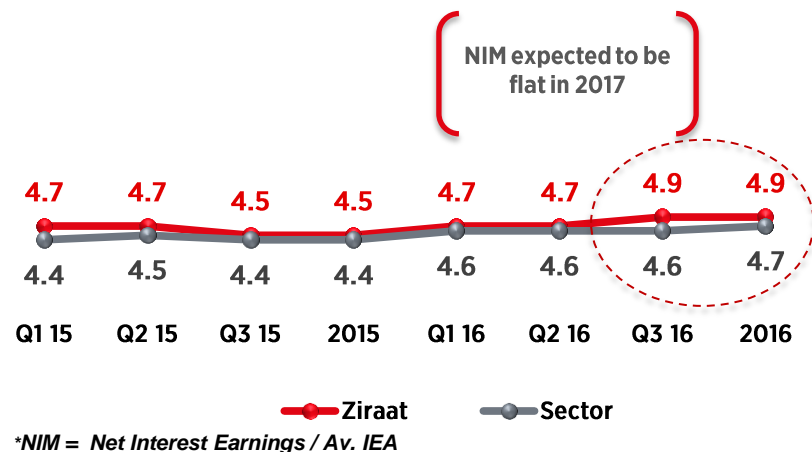


Market share in debit card ownership 2016(%)

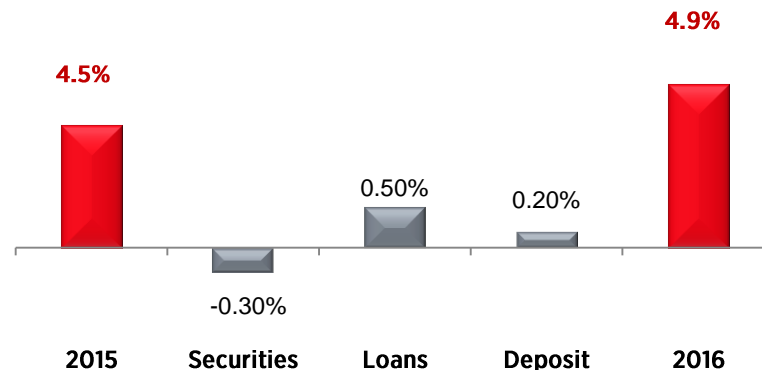


Flat NIM with increasing core spread contributed to top-line

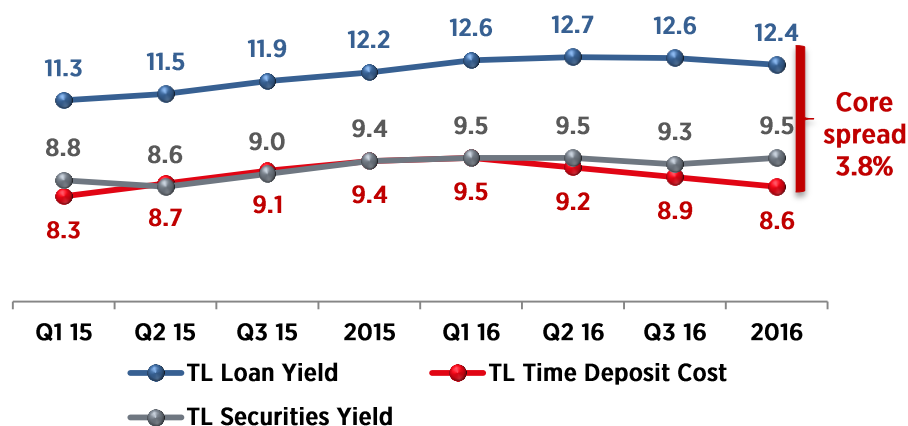
Net interest margin (NIM cum. %)



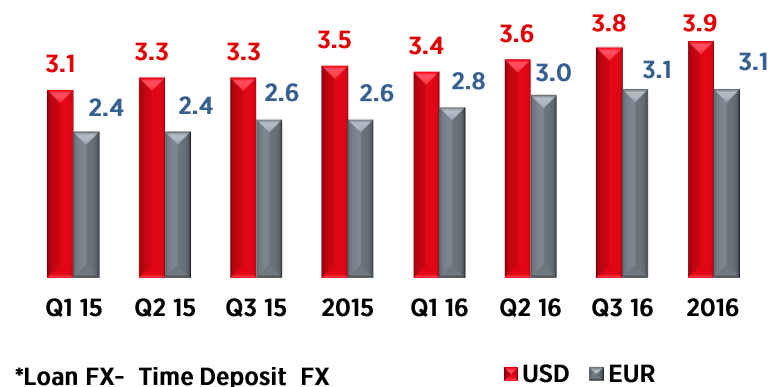
Net interest margin evolution (%)



TL loan yield and deposit costs (%)

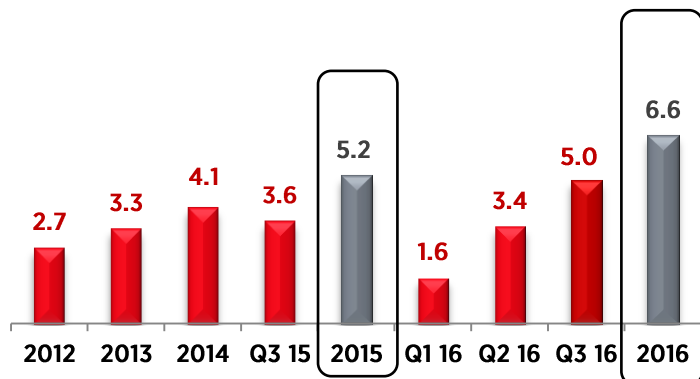


FX spreads* (%)

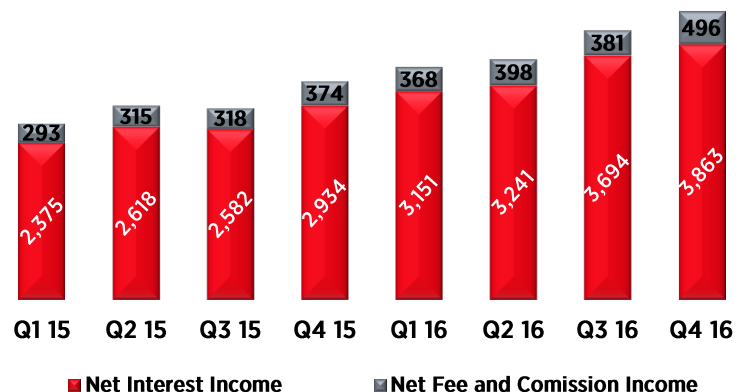


NII driven income generation supported by fee and commission income

Net profit (TL bn)



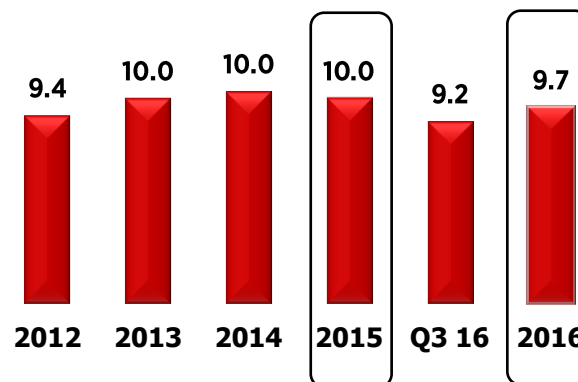
Revenue (TL million quarterly)



Breakdown of commissions from cash loans (%)

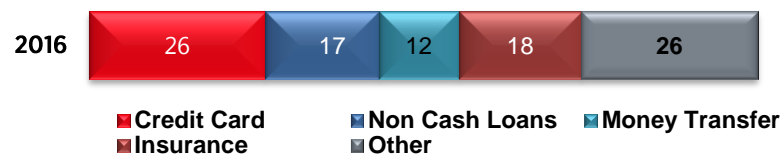


Net fees income/ Net income (%)



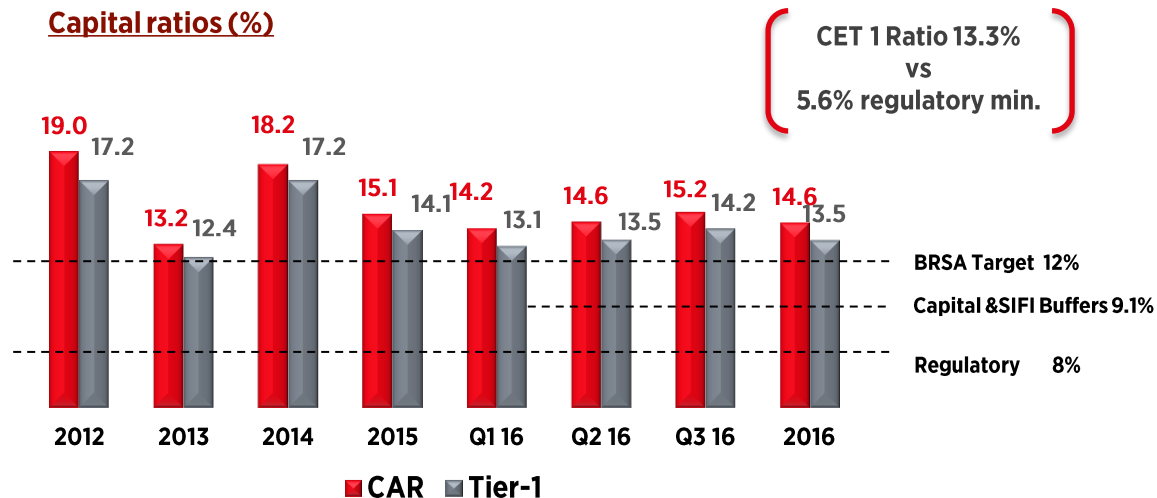
Limited contribution to net income, ample room to go

Breakdown of fees and commissions (%)



Sustainable profit and growth strategy contributing sound capital ratios

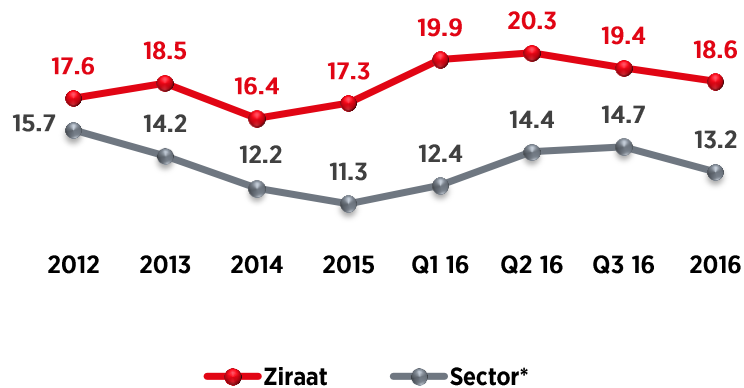
Capital ratios (%)



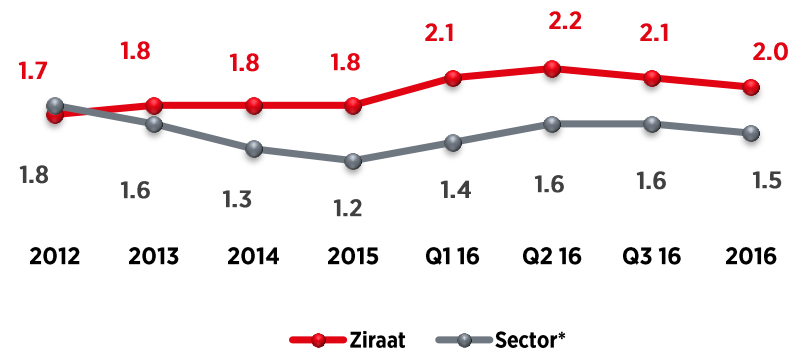
RwA components (% of total)



Return on equity (%)



Return on assets (%)



*Source: BRSA

APPENDIX

Balance sheet summary

TL mn	2014	2015	Q1 2016	Q2 2016	Q3 2016	2016	% Change QoQ	% Change YoY
CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	30,149	36,535	36,029	38,488	39,225	39,167	-0.1	7,2
BANKS	2,191	4,447	4,555	3,539	3,587	3,902	8.8	-12.3
SECURITIES	64,563	64,871	66,523	67,314	65,865	69,066	4.9	6.5
LOANS	141,915	186,813	193,159	201,443	209,966	232,644	10.8	24.5
-Gross NPL	2,717	3,141	3,302	3,454	3,872	4,217	8.9	34.3
-Specific Provisions (-)	1,932	2,271	2,445	3,190	3,605	3,966	10,0	74.6
OTHERS	8,782	10,182	9,756	10,975	11,106	4,806	56.7	-52.8
TOTAL ASSETS	247,600	302,848	310,022	321,759	329,749	357,761	8.5	18.1
DEPOSITS	153,255	186,469	191,846	195,608	204,516	223,019	9.0	19.6
FUNDS BORROWED	14,608	19,543	18,693	19,262	20,632	22,817	10.6	16.8
INTERBANK MONEY MARKET	31,781	43,086	43,208	45,170	41,948	47,212	12.5	9.6
PROVISIONS	4,758	5,161	5,305	5,285	5,703	6,053	6.1	17.3
SHAREHOLDERS' EQUITY*	28,540	31,546	33,956	36,049	37,266	38,382	3.0	21.7
OTHERS	14,658	17,043	17,014	20,385	19,684	20,278	3.0	19.0

Source: Unconsolidated Financial Statements

Income statement summary

TL mn	2014	2015	Q1 2016	Q2 2016	Q3 2016	Q4 2016	2016	% Change QoQ	% Change YoY
INTEREST INCOME	18,165	22,050	6,448	6,511	6,971	7,361	27,291	5.6	23.8
-From Loans	12,755	16,677	4,926	5,178	5,476	5,932	21,512	8.3	29.0
-From Securities	5,333	5,197	1,450	1,265	1,426	1,347	5,488	-5.5	5.6
INTEREST EXPENSE	9,558	11,542	3,298	3,270	3,277	3,497	13,342	6.7	15.6
-On Deposits	7,512	8,668	2,399	2,434	2,448	2,630	9,911	7.4	14.3
NET INTEREST INCOME	8,607	10,509	3,151	3,241	3,694	3,863	13,948	4.6	32.7
NET FEES & COMMISSIONS	1,077	1,300	368	398	381	496	1,643	30.2	26.4
-Fees and Commissions Received	1,357	1,637	455	491	481	596	2,023	23.9	23.6
-Fees and Commissions Paid	279	337	87	93	99	100	380	1.0	12.8
OTHER OPERATING INCOME	911	1,340	336	647	290	281	1,555	-3.1	16.0
OPEX	4,095	5,208	1,342	1,320	1,202	1,439	5,303	19.7	1.8
NET OPERATING PROFIT	5,179	6,568	2,069	2,125	2,129	2,245	8,569	5.4	30.5
NET PROFIT	4,051	5,162	1,609	1,779	1,620	1,568	6,576	-3.2	27.4



Key Financial Ratios

(%)	2014	2015	Q1 2016	Q2 2016	Q3 2016	2016
ROAA	1.8	1.8	2.1	2.2	2.1	2.0
ROAE	16.4	17.3	19.9	20.3	19.4	18.6
Cost / Income Ratio	38.2	39.5	34.8	32.0	30.5	30.8
NIM (cum.)	4.7	4.5	4.7	4.7	4.9	4.9
Loans*/Deposits	89.3	97.1	97.7	100.0	99.8	101.7
Loans/Assets	57.3	61.7	62.3	62.6	63.7	65.0
Securities/Assets	26.1	21.4	21.5	20.9	19.9	19.3
NPL	1.9	1.7	1.7	1.7	1.8	1.8
Coverage*	77.5	78.8	80.2	100.0	100.0	100.0
CoR (Gross)	0.9	0.8	0.9	1.5	1.7	1.6
CAR	18.2	15.1	14.2	14.6	15.2	14.6
Leverage **	7.7	8.6	8.1	7.9	7.8	8.3
# of						
Branches	1,707	1,812	1,813	1,811	1,813	1,814
Employees	23,617	25,697	25,660	25,457	25,156	25,015
ATMs	6,043	6,566	6,679	6,768	6,796	6,869

* Intermediated loans of public funds are excluded

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

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