



# INVESTOR PRESENTATION DECEMBER 2013



# Turkish Economy

	2011	2012	2013 * (Latest)	2014E **
GDP (USD bn)	774	786	-	867
Real GDP growth (%)	8,8	2,2	4,4 <sup>a</sup>	4,0
Unemployment (%)	9,8	9,2	9,7 <sup>b</sup>	9,4
CPI (%)	10,4	6,2	7,4 <sup>b,c</sup>	5,3 <sup>d</sup>
Current Account Balance/GDP (%)	-9,7	-6,1	-	-6,4
Budget Deficit/GDP (%)	1,4	2,1	-	1,9

\*Latest announced data by Turkstat

\*\*Medium Term Programme Forecasts

(a), Quarterly (3Q 2013 )

(b), as of 31.12.2013

(c), as of 28.02.2014 CPI: 7,9%

(d) CBRT' s new forecast : 6,6%

-  Decelerating capital inflows in the second half of the year due to Fed's tapering, political events
-  Historically low interest rates replaced by gradually increasing interest rates
-  Current account deficit likely to narrow in tandem with the slowdown in growth, but will remain high
-  CBRT acted to increase policy rates sharply to adjust changing global macro environment
-  Low budget deficit and public debt to GDP among peers

# Sound and growing banking sector-I

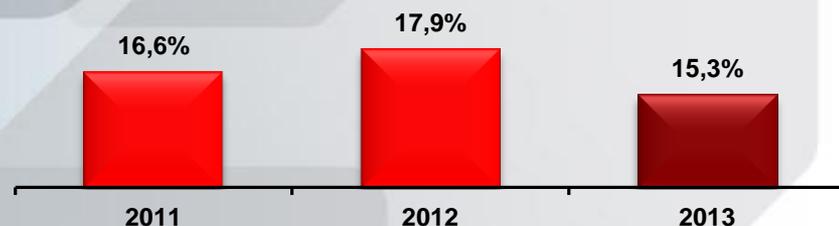
## Sector Loan (TL bn)



## Sector RoE



## Sector CAR



## Key indicators

TL billion / %	2011	2012	2013	Chg (%)
Securities	285	270	287	4,6
Deposits	696	772	946	22,5
Total Assets	1.218	1.371	1.732	26,3
Net Profit	20	24	25	-
NPL	2,7	2,9	2,7	-
ROA	1,7	1,8	1,6	-
NIM	3,5	4,1	3,7	-
Loan/Deposits	101,0	106,1	114,1	-
Leverage Ratio	8,1	8,3	7,7	-

\*Source: BRSA

- ✓ Strong capitalization and high profitability
- ✓ Sound asset quality
- ✓ Strictly regulated, closely monitored and well- governed



**Where we are...**

## " Ziraat Finance Group "

### Bank

- Established in 1863
- 100% - owned by Turkish Undersecretariat of Treasury
- Independently managed
- Over 1,600 branches and 24,000 employees
- Wide-spread alternative distribution channels

### 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)
- Ziraat Portföy (portfolio management)
- Ziraat Teknoloji (IT)



# 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: Stable**  
May 2013

**BBB-/A-3**  
**Outlook: Stable**  
September 2013

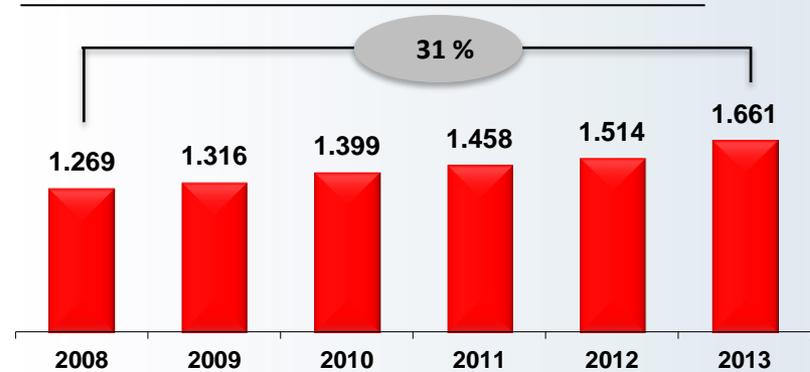
National  
**A-/A-1+ Stable**  
September 2013

# 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
- ✓ In 2013, **150** new branches were opened and almost half of these were in three major cities

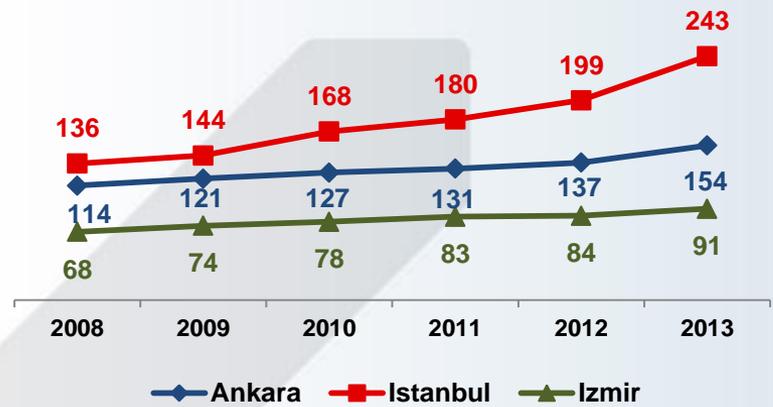
**#1 network in Turkey with 402 branches in locations without a competitor**

## # of Branches



**5 Corporate 27 Commercial 81 Entrepreneur branches**

## Increasing branch network in major cities



# Leading Bank in Turkey

## Key Financials (2013 YE)

TL bn / (%)

Total assets	207,5
Net loans	111,0
Total deposits	141,7
Shareholders' equity	18,4
Net Profit	3,3
ROE	18,5
ROA	1,8
Tier 1 ratio	12,4
Capital Adequacy Ratio	13,2



## Rankings



## Market Shares (%)

	2011	2012	2013
Assets	13,2	11,9	12
Cash Loans	10,3	8,8	10,4
Securities	24,8	24,2	21,9
Deposits	15,4	14,6	14,1
Non-Cash Loans	5,5	6,4	9,0

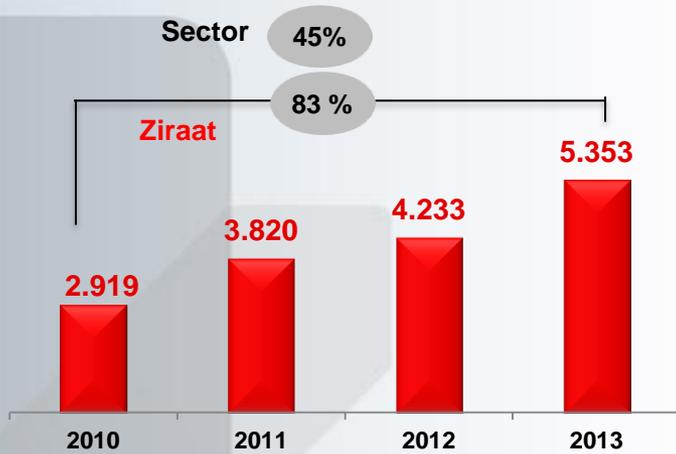
## Total Asset Growth

Change %	2010-2009	2011-2010	2012-2011	2013-2012
Ziraat	20,8	6,6	1,2	27,4
Sector	20,7	21,0	12,6	26,4

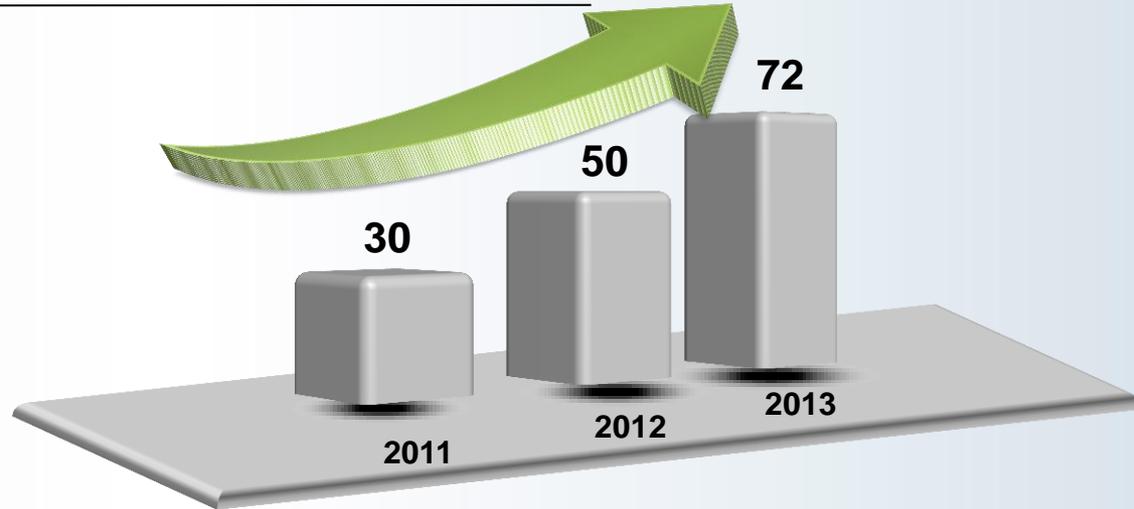
Year of Transformation

# Improving alternative distribution network

## # of ATMs



## Usage of Non-branch Channels (%)



# of POS  
116.000

# of internet users  
2,5 mn

# of call centre  
transactions per month  
4,7 mn

# of credit card  
3,3 mn

# of debit card  
21,8 mn

#1

## Our Targets



- ✓ Effective cost management to increase profitability and operational efficiency
- ✓ Increasing asset size but keeping it compatible with the equity base
- ✓ Increasing loan portfolio while reducing the share of securities in assets
- ✓ Strong, stable and well-diversified core deposit base
- ✓ Leveraging the funding base through diversification via domestic and international bond issuance, syndicated loans, IFI's long-term project loans

# Transformation with clear strategies-II



- ✓ From product / transaction based perspective to customer / market centric business model
- ✓ Segmented product and service offerings to increase SME, corporate, commercial loans
- ✓ Segregation of operations and marketing at branch level
- ✓ Centralization of operations to increase marketing capabilities and reduce transactional costs
- ✓ Improved performance measurement and human resource management
- ✓ IT infrastructure improvements to enhance marketing and risk management capabilities
- ✓ New business model is being established at foreign network

Central Operations:  
8,7 million  
transactions/month

New risk  
management and  
credit evaluation  
systems

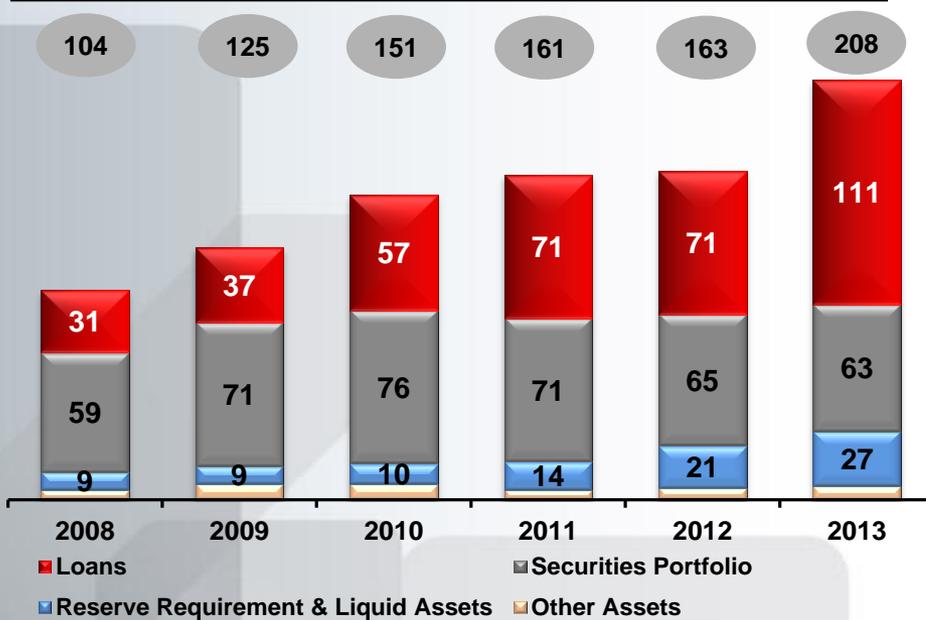
Payments based on  
personal performance



# How we did in 2013...

# Balance sheet

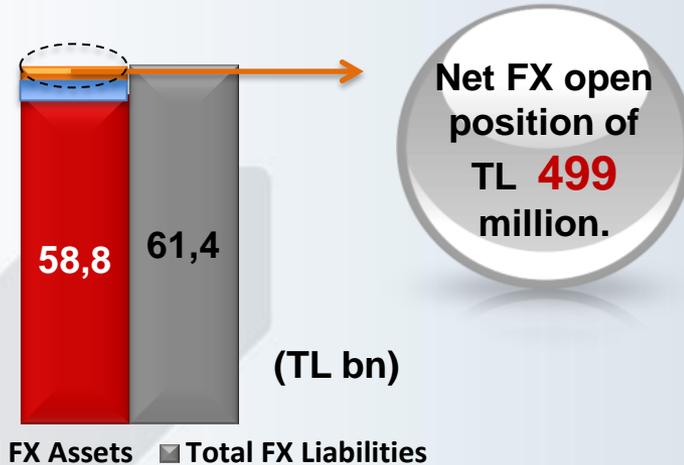
## Assets (TL bn)



- ✓ Total assets doubled and total loan book more than tripled since 2008.
- ✓ Net FX balance sheet position is TL 2,7 billion, TL 2,2 billion of which is hedged by FX derivatives.

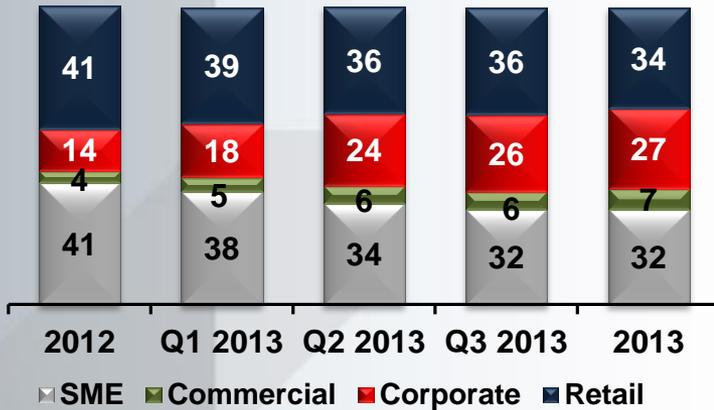
## Share in Assets (%)

	2008	2009	2010	2011	2012	2013
Loans	30	30	38	44	44	<b>54</b>
Securities	57	57	50	44	40	<b>30</b>

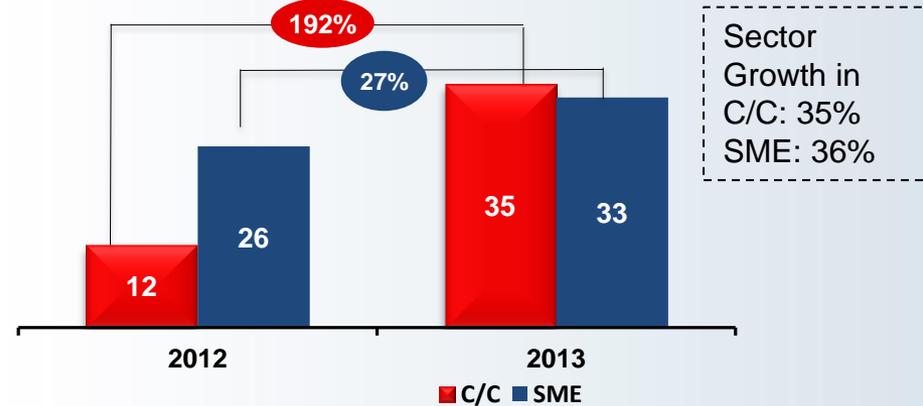


# Following new segmentation

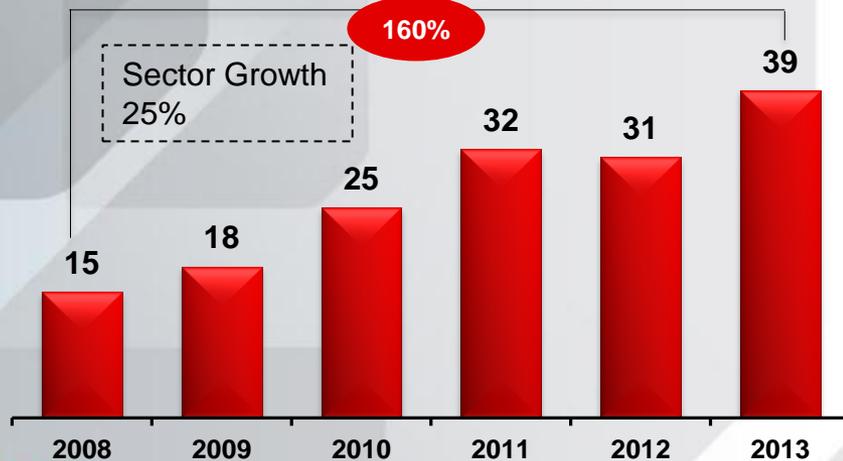
### Loans by Segmentation (%)



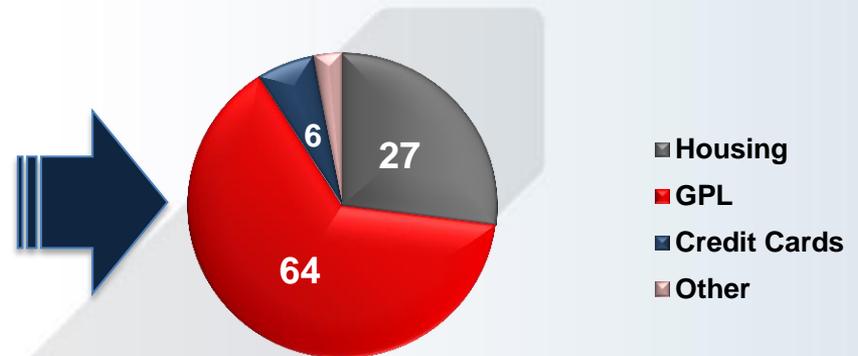
### Corporate/ commercial & SME loans (TL bn)



### Retail Loans (TL bn)

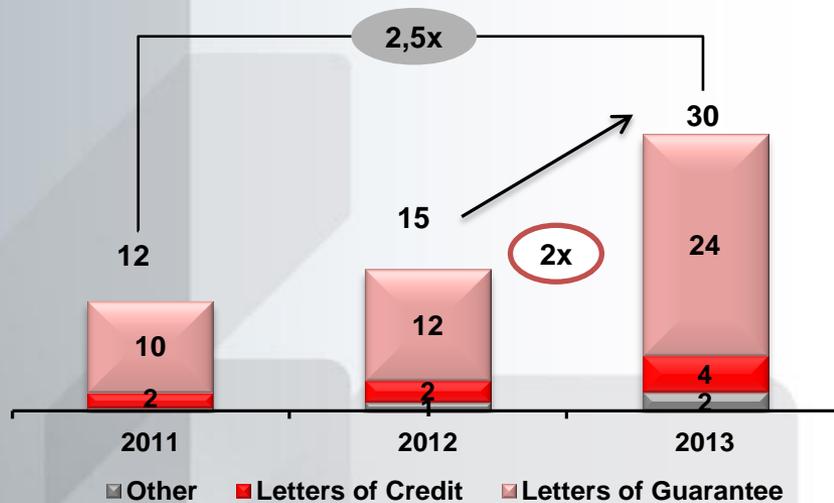


### Composition of Retail Loans 2013 (%)



# Increasing product offerings

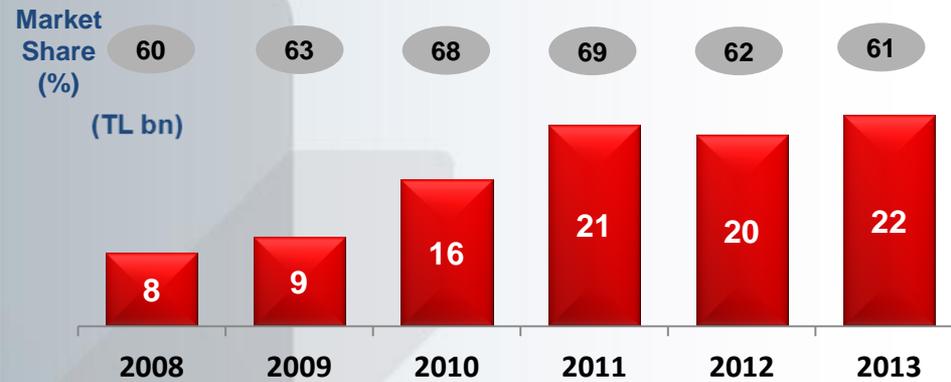
Composition of non-cash loans (TL bn)



- ✓ Increasing non-cash lending with positive impact on net fees and commissions income
- ✓ Market share in non cash loans more than doubled in the last five years.

# A proven track record and exclusive expertise in the agricultural sector

## Total Loans to Agricultural Sector



Source: BRSA – for agricultural loans of the sector

## Ziraat Bank's Agricultural NPL Ratio (%)



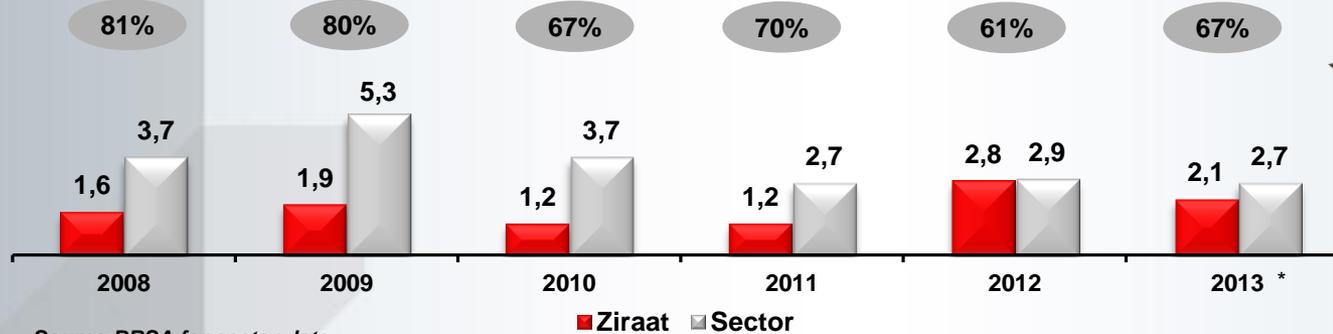
Source: BRSA – Fintürk for sector agricultural npl. Calculated using loans to agricultural sector

- ✓ Agricultural sector is integrated to customer segments
- ✓ Exclusive expertise and know-how at agricultural sector
- ✓ A well-defined strategy to address the value chain of the sector by focusing on industrial loans

# Resilient asset quality- NPLs below sector average

## NPL and coverage ratios (%)

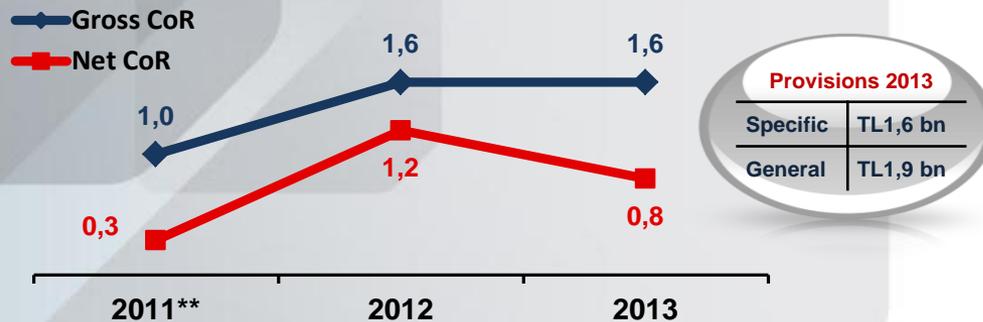
### Ziraat Bank Provisioning Coverage



Prudent credit policies,  
effective monitoring and  
strong collection  
capabilities

\* Without fund sourced loans and single highest item : NPL ratio of 1.4% and adjusted coverage of 94,8%,

### CoR\* (%)



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

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

\*\* Change in BRSA provisioning policy

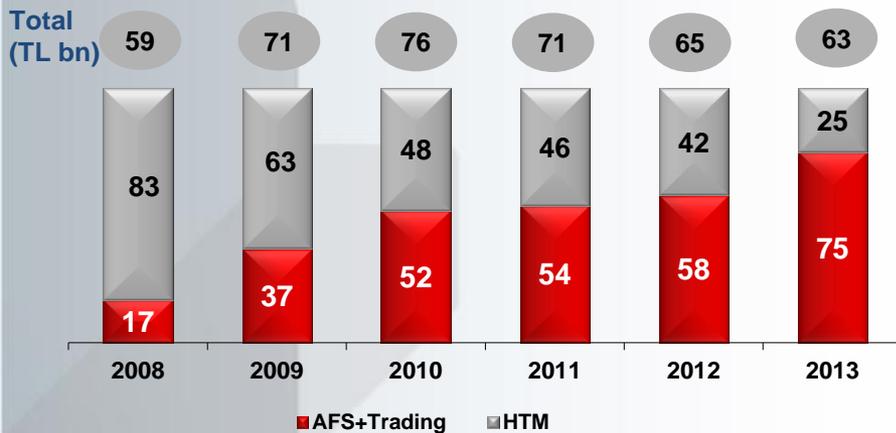
### NPL Ratio by Segments (%)

✓ No substantial change in NPL since 2011 by the prudent credit policies.

	Retail	Commercial	Corporate	SME
Ziraat	1,2	1,0	2,3	2,8
Sector	2,9	2,4		3,1

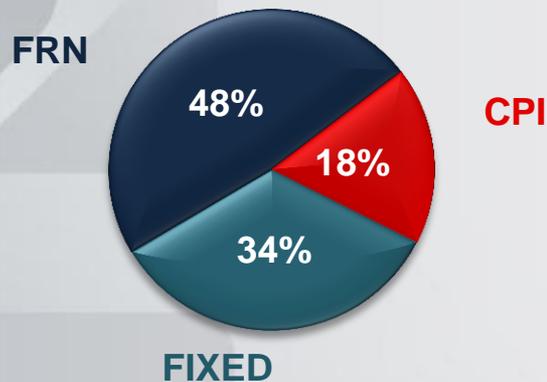
# Changing composition of securities matching with market dynamics

## Composition of Securities (%)



- ✓ Aim to increase the amount of floating rate securities consistent with risk management strategies
- ✓ Majority of securities are held in TL (81% of total) providing better returns.
- ✓ Increasing share of CPI Linkers enhancing the profitability in the inflationary environment
- ✓ FX securities portfolio is totally fix rated

## Composition of TL Securities (%)



\*Interest accruals excluded.

# Strong core deposit base and more diversified funding base

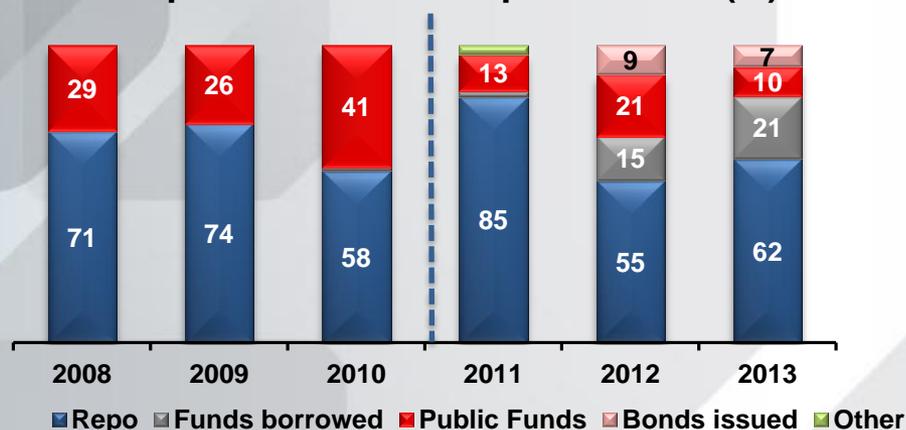
## Composition of Liabilities (%)



- ✓ Strong core deposit base
- ✓ L/D ratio increased from 36% in 2008 to **78,3%** in 2013. The ratio is 105,4% for the sector.
- ✓ Increasing wholesale funding

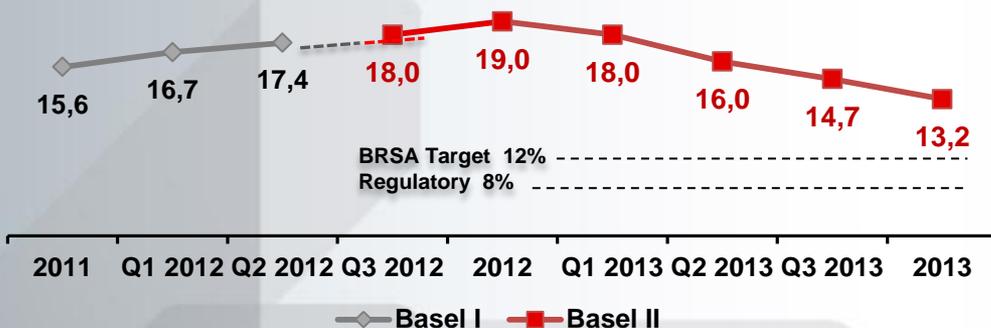
- IFI's Borrowings
- The USD 700 mn amount of syndicated loan facility closed with success in 2013 and renewal process continues.

## Composition of Non-Deposit Funds (%)

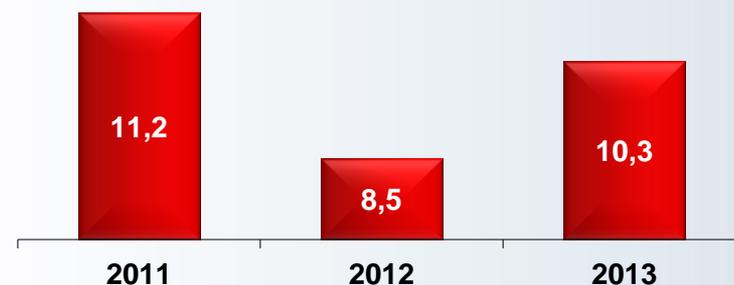


# Sound capital structure and sustainable net interest margin

## Capital Adequacy Ratio (%)



## Leverage(x)



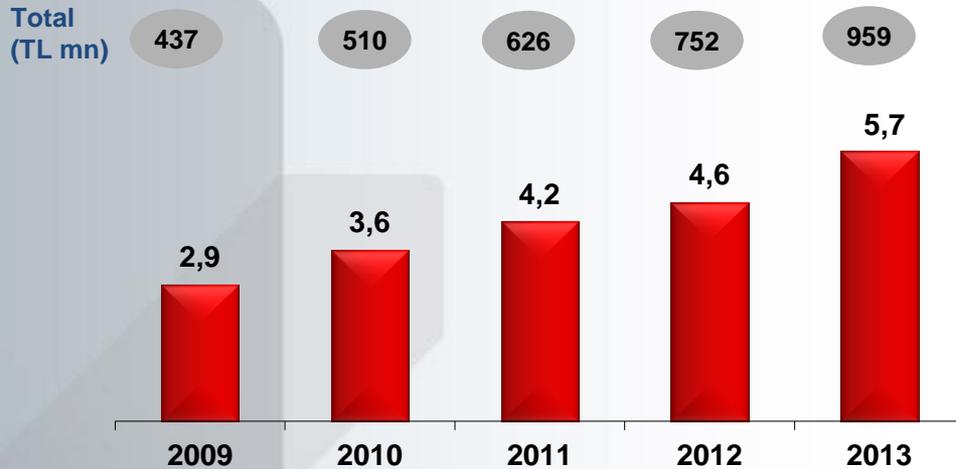
## Net Interest Margin (NIM cum. %)



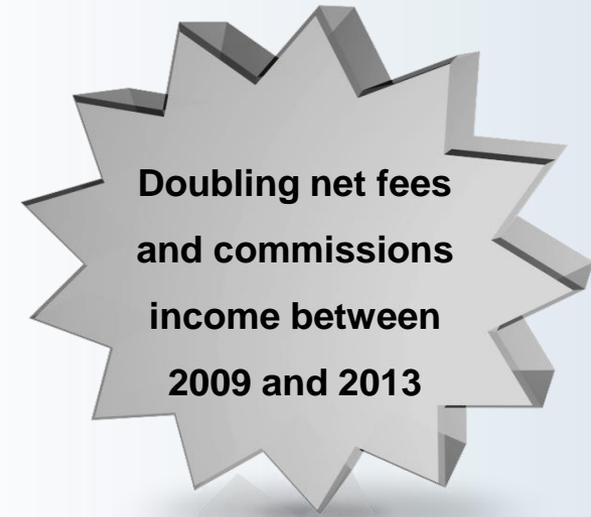
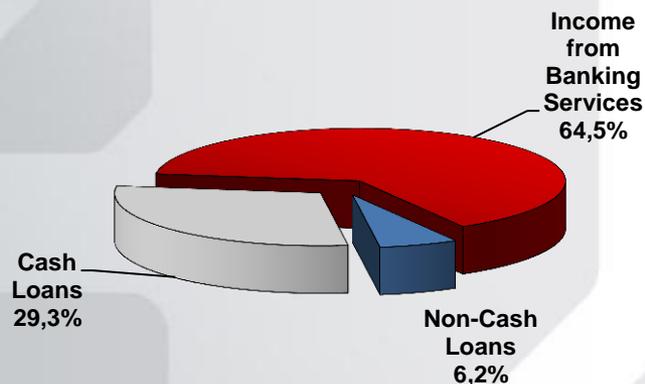
- ✓ Following cautious leveraging policies
- ✓ Well-capitalized and above regulated BRSA target limits.
- ✓ Tier-1 Ratio 12,4%

# Accelerating fee generation

Net Fees income/Total income (%)



Breakdown of Net Fees and Commissions 4Q 2013 (%)

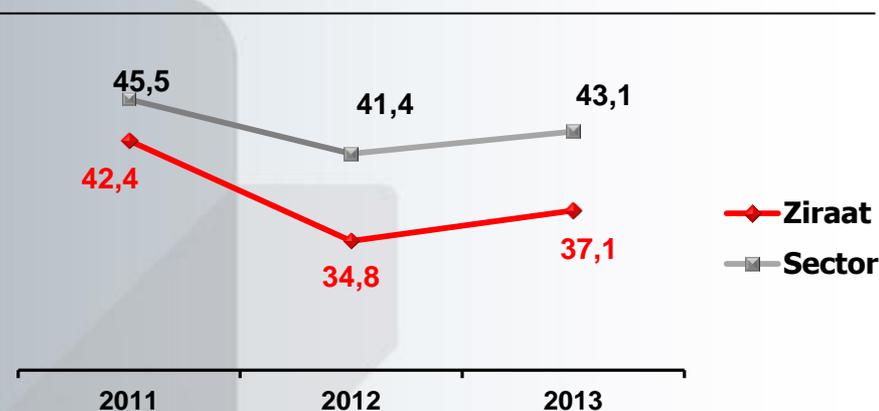


✓ Ample room to grow further through:

- Cross-selling fee based products
- Trade finance
- Non-cash loan growth
- Growth in loans

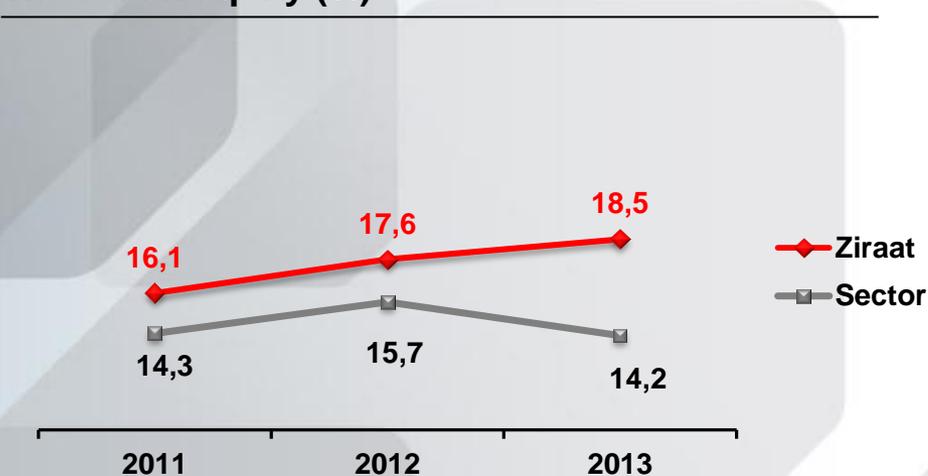
# Consistently strong efficiency and profitability

## Cost/income ratio evolution (%)

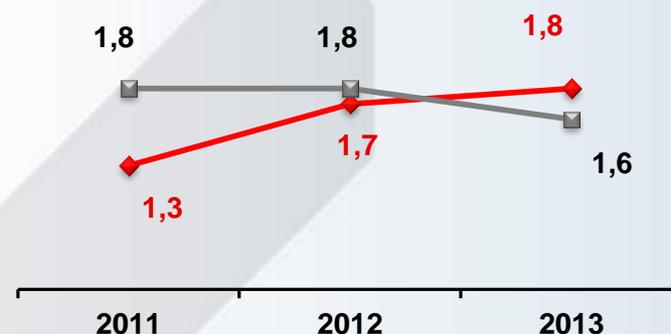


- ✓ The lowest C/I ratio in the peer group
- ✓ In line with the macro strategy: asset base grew without sacrificing profitability
- ✓ Inhouse applications keeping transformation costs moderate

## Return on equity (%)



## Return on assets (%)



# Appendix

# Balance Sheet Summary

TL MN	2011	2012	2013	% Change (2012- 2013)
CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	14.272	20.713	26.602	28,4
BANKS	1.320	1.933	2.465	27,5
SECURITIES	69.721	65.323	62.344	-4,6
LOANS	69.704	71.426	111.048	55,5
-Gross NPL	863	2.058	2.417	17,4
-Specific Provisions (-)	606	1.261	1.623	28,7
OTHERS	5.664	3.473	5.071	46,0
<b>TOTAL ASSETS</b>	<b>160.681</b>	<b>162.868</b>	<b>207.530</b>	<b>27,4</b>
DEPOSITS	112.525	118.966	141.735	19,1
FUNDS BORROWED	550	3.072	8.559	178,6
INTERBANK MONEY MARKET	24.894	11.162	24.571	120,1
PROVISIONS	1.892	3.002	3.883	29,3
SHAREHOLDERS' EQUITY	13.177	17.167	18.442	7,4
OTHERS	7.643	9.499	10.340	8,9
<b>TOTAL LIABILITIES</b>	<b>160.681</b>	<b>162.868</b>	<b>207.530</b>	<b>27,4</b>

# Income Statement Summary

TL MN	2011	2012	2013	% Change (2012 - 2013)
<b>INTEREST INCOME</b>	<b>13.706</b>	<b>14.811</b>	<b>14.370</b>	<b>-3,0</b>
-From Loans	7.392	8.665	9.509	9,7
-From Securities	6.266	6.111	4.814	-21,2
<b>INTEREST EXPENSE</b>	<b>8.465</b>	<b>7.910</b>	<b>6.631</b>	<b>-16,2</b>
-On Deposits	7.349	6.300	5.601	-11,1
<b>NET INTEREST INCOME</b>	<b>5.242</b>	<b>6.901</b>	<b>7.739</b>	<b>12,1</b>
<b>NET FEES &amp; COMMISSIONS</b>	<b>626</b>	<b>752</b>	<b>959</b>	<b>27,5</b>
-Fees and Commissions Received	774	932	1.163	24,8
-Fees and Commissions Paid	148	180	205	13,9
<b>OTHER OPERATING INCOME</b>	<b>372</b>	<b>429</b>	<b>1.048</b>	<b>144,3</b>
<b>OPEX</b>	<b>2.622</b>	<b>2.828</b>	<b>3.661</b>	<b>29,5</b>
<b>NET OPERATING PROFIT</b>	<b>2.780</b>	<b>3.505</b>	<b>4.379</b>	<b>24,9</b>
<b>NET PROFIT</b>	<b>2.101</b>	<b>2.650</b>	<b>3.330</b>	<b>25,7</b>

# Key Financial Ratios

(%)	2012	2013
ROA	1,7	1,8
ROE	17,6	18,5
Cost to Income	34,8	37,1
NIM (cum.)	5,3	5,2
Loans/Deposits	60	78
Loans/Assets	44	54
Securities/Assets	40	30
NPL	2,8	2,1
Coverage	61	67
CoR (Gross)	1,6	1,6
CAR	19	13,2
Leverage	8,5	10,3
# of		
Branches	1.514	1.661
Employees	23.153	24.725
ATMs	4.233	5.353

**For further information please contact**

**Investor Relations Department  
Eski Büyükdere Cad. No: 41 C Blok, Kat:4**

**Maslak-İstanbul/Turkey**

**Phone: (+90) 212 285 22 50**

**Fax:(+90) 212 276 52 85**

**E-mail: [investorrelations@ziraatbank.com.tr](mailto:investorrelations@ziraatbank.com.tr)**

**[www.ziraatbank.com.tr](http://www.ziraatbank.com.tr)**

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