



INVESTOR PRESENTATION December 2015



Ziraat Bank

Promising economic environment after elections

	2014	2015	2016	
GDP growth (%)	2.9	4.0	4.5	🌾 FED's rate hike in December 2015, ECB and BOJ expansionary attitude
Unemployment (annual) (%)	9.9	10.2 ¹	10.2	🌾 Concerns on Chinese economy (slowdown of GDP growth)
CPI (annual) (%)	8.2	8.8	7.5	🌾 Geopolitical risks negatively effect fund flows to EM countries
Current Account Balance/GDP (%)	-5.7	-4.4	-3.9	🌾 Higher than expected GDP growth in Turkey for 2015
Public Debt/ GDP (%)	33.5	32.6	31.7	🌾 Declining energy and commodity prices contributing to lower CAD
Budget Deficit/ GDP (%)	1.3	1.2	1.3	🌾 A comprehensive structural reform agenda in Turkey

Source: CBRT, TURKSTAT, Ministry of Finance

1: As of November 2015, unemployment 10.5%

Actual
 Forecast (Medium Term Programme)



Where **Ziraat** is...

Ziraat's perspective through 2016

Strategy & Organization



- ✓ Expanding local and international network
- ✓ Channel optimization in ADCs
- ✓ More focus on digital banking
- ✓ Big data and behavior analysis for improved customer experience
- ✓ Accessing untapped client segments with participation banking

Lending



- ✓ Corporate and SME driven loan growth
- ✓ Loan/Asset ratio below sector average
- ✓ Continuing to grow cash and non-cash lending

Funding



- ✓ Deposit driven funding base
- ✓ Increasing international funding

Profitability and Capitalization



- ✓ Lower FX and interest rate volatility
- ✓ Sustained focus on risk management under changing regulatory environment
- ✓ High capital level and sound profitability

A leading bank with extensive network

The Bank

- Owned by Turkish Undersecretariat of Treasury
- Over 150 years of banking legacy
- More than 30 mn customers
- Commercial bank
- Investment grade ratings since 2012
- Appetite to grow locally and globally
- Sound and improving financial outlook

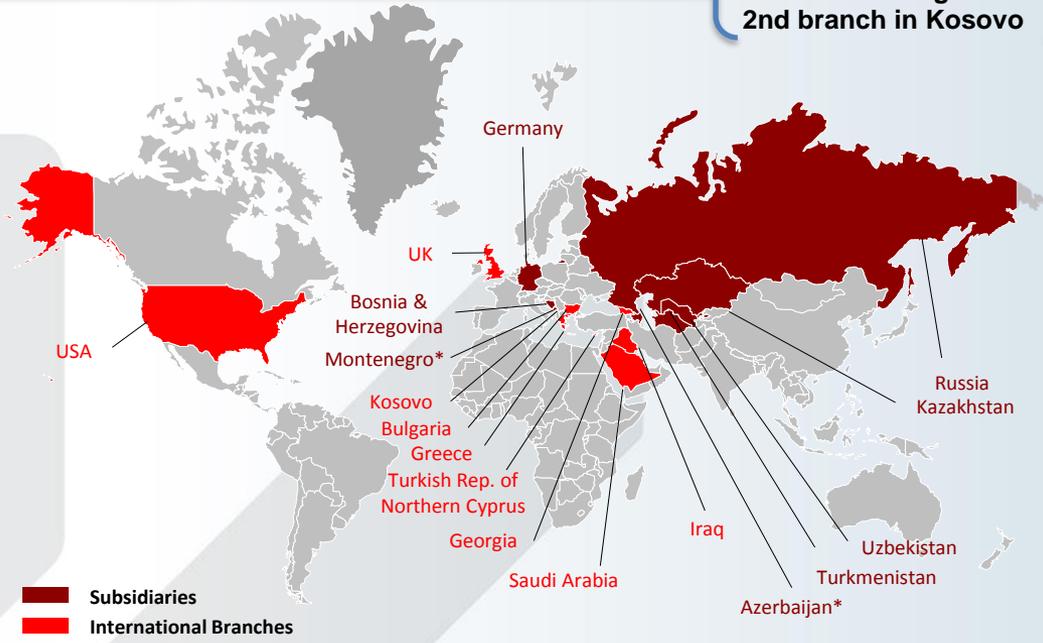
Local Subsidiaries

- ✓ Ziraat Sigorta (insurance)
- ✓ Ziraat Hayat ve Emeklilik (pension)
- ✓ Ziraat Leasing
- ✓ Ziraat Yatırım (securities brokerage & investment house)
- ✓ Ziraat Portföy (asset management)
- ✓ Ziraat Teknoloji (IT)
- ✓ Ziraat Participation Bank (Islamic Banking)

Plans to establish Real Estate Investment Trust

International Network

Plans to open a new branch in **Bahrein**, 3rd branch in **Georgia** and 2nd branch in **Kosovo**



Presence in **18** countries, **97** service points

*Started its operations as of July 2015



Sound KPIs and strong market penetration

Key Financials 2015 (TL bn / (%))

	Ziraat	Sector
Total Assets	303	2,357
Cash Loans	187	1,500
Securities	65	330
Total Deposits	187	1,321*
Shareholders' equity	32	262
Net Profit	5.2	26.1
ROAE	17.3	11.3
ROAA	1.8	1.2
NIM	4.5	4.4
Loan/Deposit	98**	113.6
Cost/Income	39.5	46.6
NPL	1.7	3.1
Tier 1 ratio	14.0	13.3
Capital Adequacy Ratio	15.1	15.6

Rankings* (among top 7 banks)

	2012	2015
Total Asset	2	1
Cash Loans	5	1
Consumer Loan	4	2
Deposit	1	1
Equity	4	2
Non-Cash Loan	7	1
Net Profit	4	1
ROAE	2	1
ROAA	5	1
NIM	2	1
CAR	1	2

* As of 15.02.2016

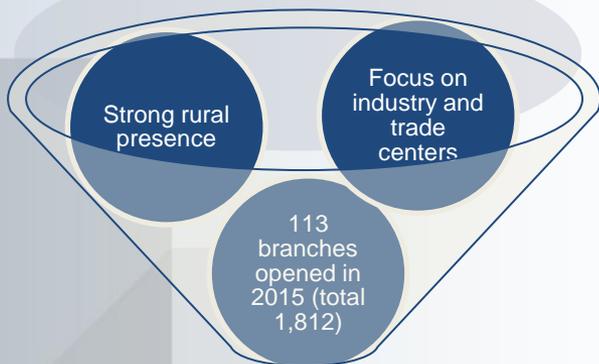
Market Shares (%)

	2012	2013	2014	2015
Assets	11.9	12.0	12.4	12.8
Cash Loans	8.8	10.4	11.4	12.5
Securities	24.2	21.9	21.4	19.7
Deposits	14.5	14.2	13.7	14.1
Non-Cash Loans	6.4	9.0	10.7	13.1

* Including the banks' deposits with an amount of 75.5 TL bn

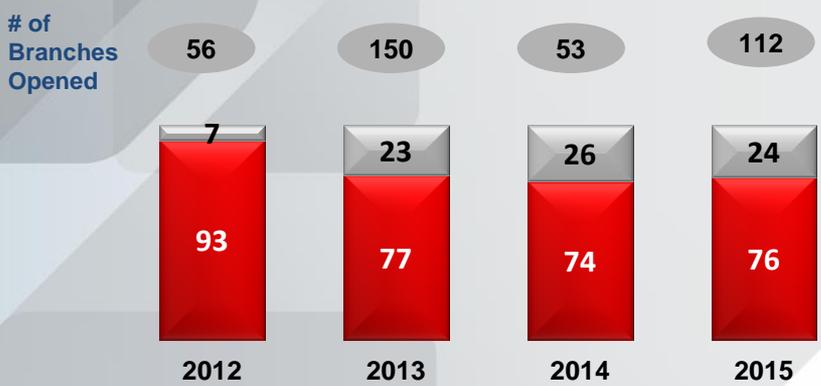
** Excluding intermediated loans for public funds

Largest branch network, highly efficient

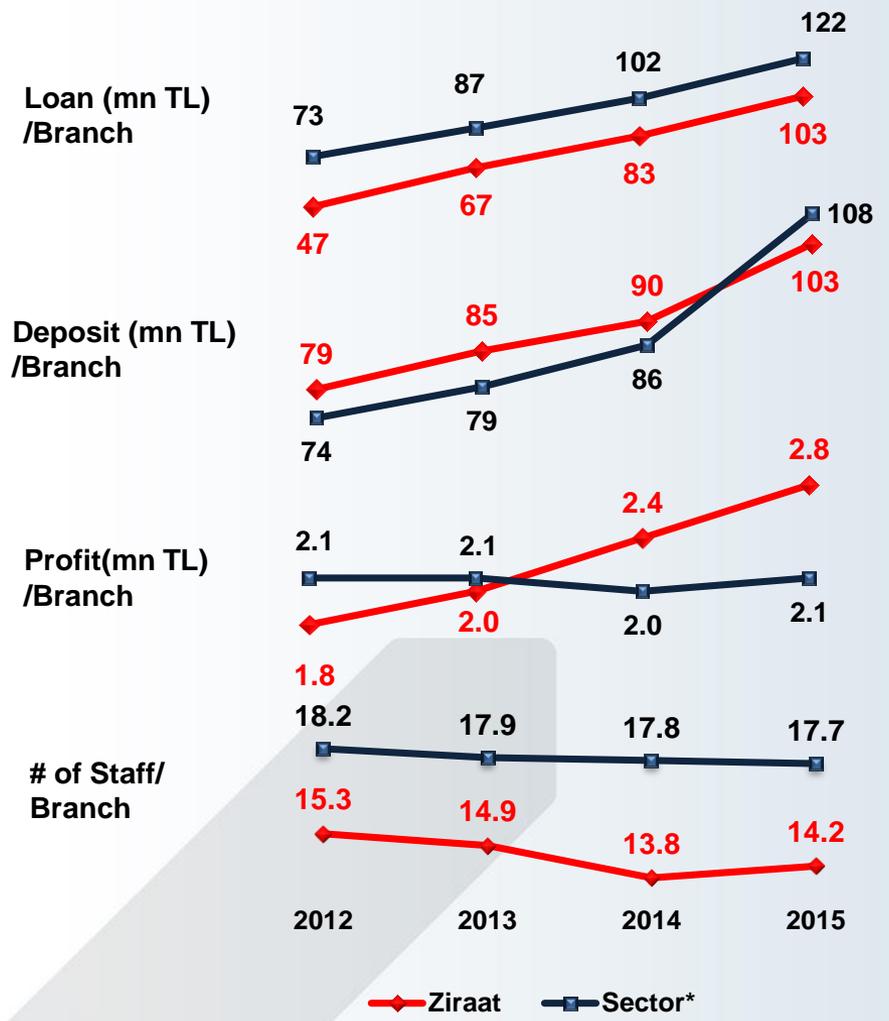


Target to open 40-50 new branches in 2016
 Efficient, small branches (# of staff ≤ 10)

Distribution of new domestic branches (%)



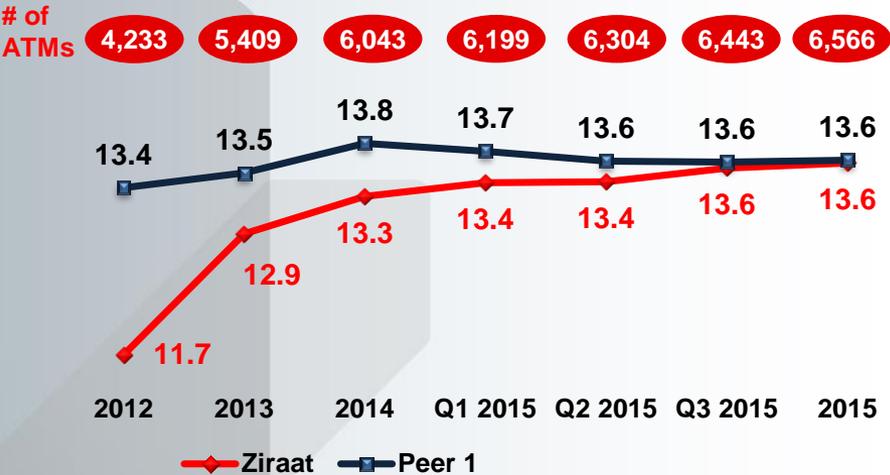
Evolving branch efficiency



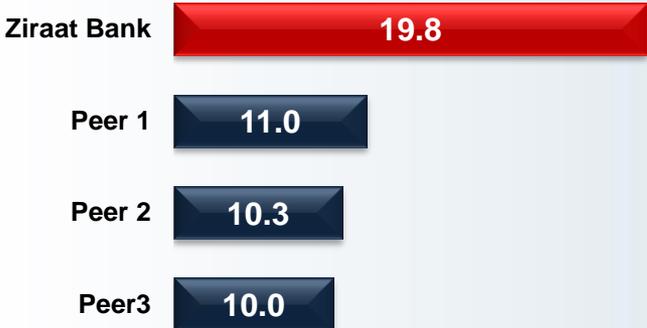
* Source:BRSA

High utilization of alternative distribution channels

Market share in # of ATMs

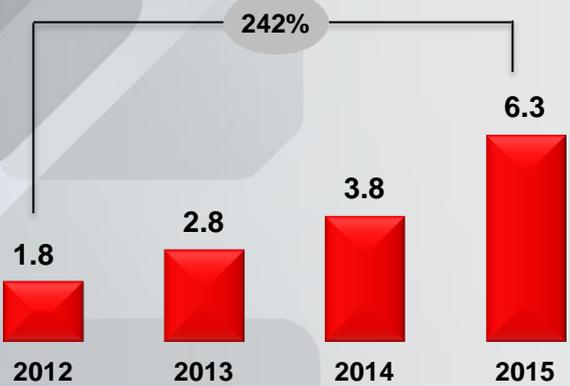


Market share in debit card ownership 2015 (%)



Source: Interbank Card Center

of customers using internet banking (mn)



- ✓ Increased integration among distribution channels
- ✓ More transactions performed through ADCs (2012: 50% 2015: 94%)
- ✓ Investments for ATMs continue
- ✓ Distinctive sector leadership in number of debit cards with more than 22 mn customers
- ✓ Increasing number and capacity of call centers



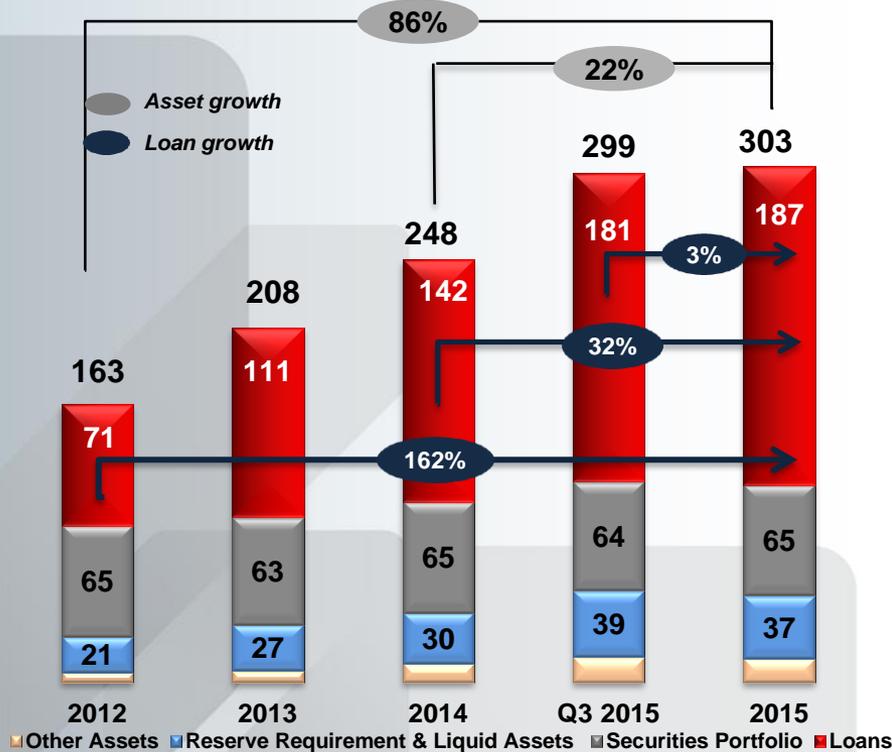


How we did ...

Achievements and trends

Sustained credit growth

Successfully diversifying asset base



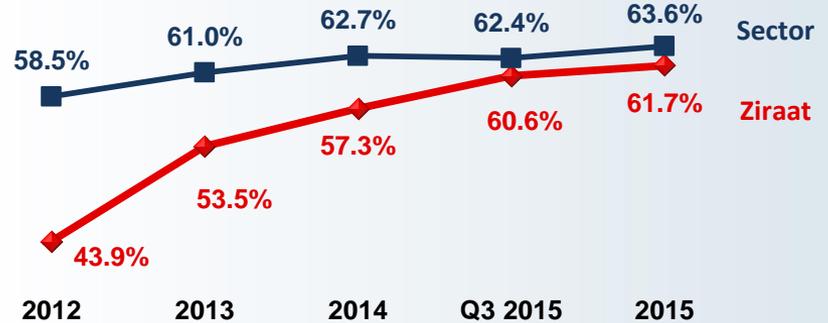
Moderate growth in line with market environment

- ✓ 22% asset growth YoY (Currency adjusted growth: 16%)
- ✓ Asset growth mainly driven by business loan growth
- ✓ TL Asset / Total Assets : 66%



More customer driven balance sheet

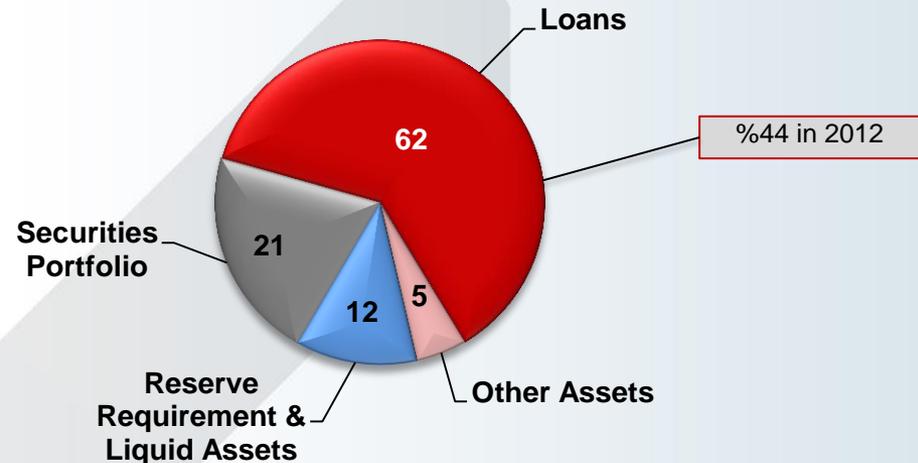
Loan / Asset



Source: Sector data BRSA

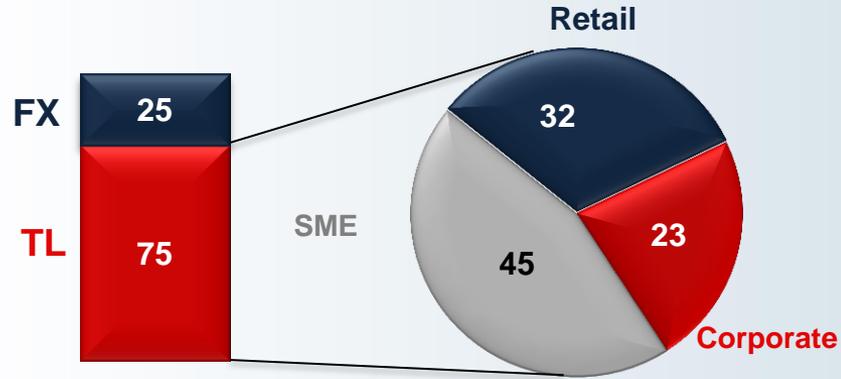
TL loan growth 28% YoY
FX loan growth 17% YoY
(in USD terms)

Composition of assets 2015 (%)



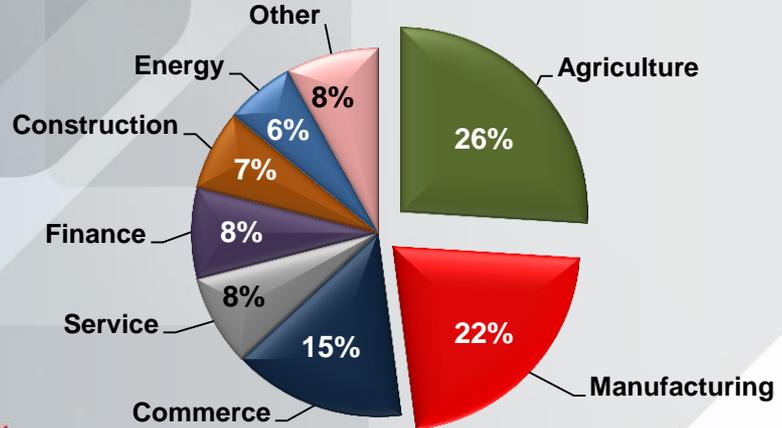
Selective growth in business loans, no material risk concentration

Loan book by customer segmentation*(%) Total amount* Currency breakdown of loans 2015 (%)

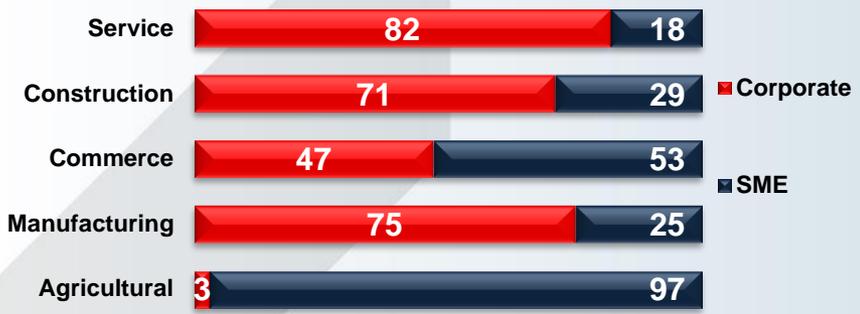


* Accruals, intermediated loans of public funds and foreign branch lending are excluded

Breakdown of business loan book by sector 2015 (%)



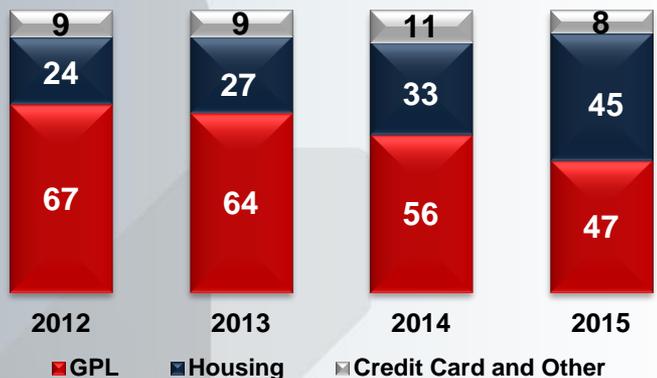
Sector loans among segments (%)



Sectors are classified according to NACE Codes

Retail loan growth led by housing loans

Breakdown of retail loans * (%)



*Accruals are excluded

- ✓ Sector leader in mortgage lending
- ✓ Participated in 28 new housing projects in 2015
- ✓ Cautious growth in credit card business with credit card NPL below peers (Ziraat: 3.8% vs sector: 7.4%)
- ✓ Regulatory easing on retail loans could effect the sector positively

GPL amounts* (TL bn)



*Accruals and intermediated loans of public funds are excluded

Housing loan amounts* (TL bn)

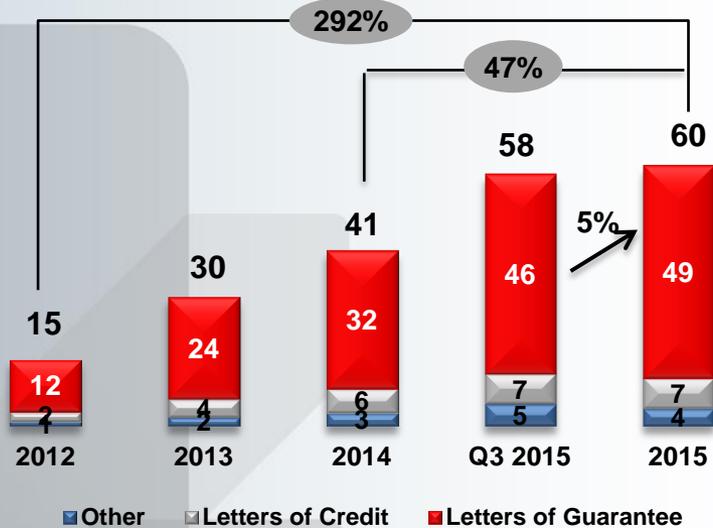


High asset quality
NPL: 0.24%

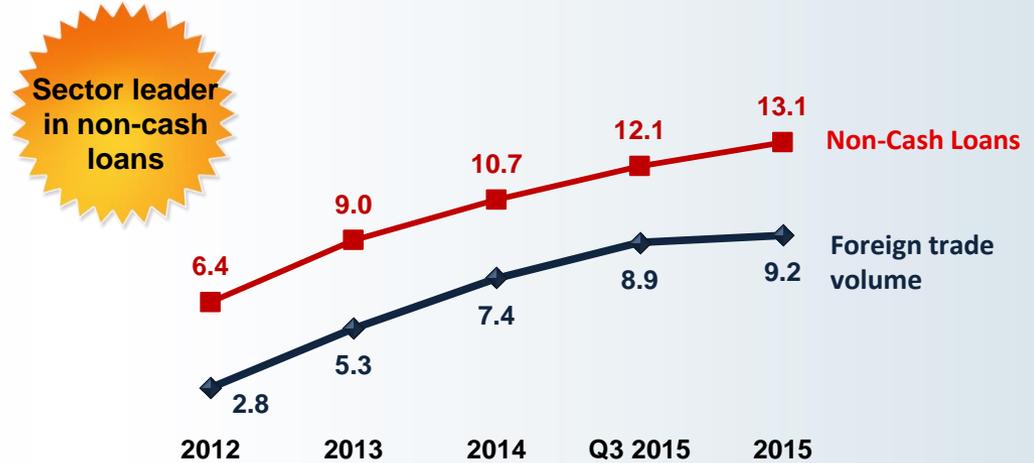


Pivotal role in intermediating international trade

Composition of non-cash loans (TL bn)



Robust growth in market shares (%)



TURKEY (2014-2015)

Change in Exports: -%9
Change in Imports: -%14

vs

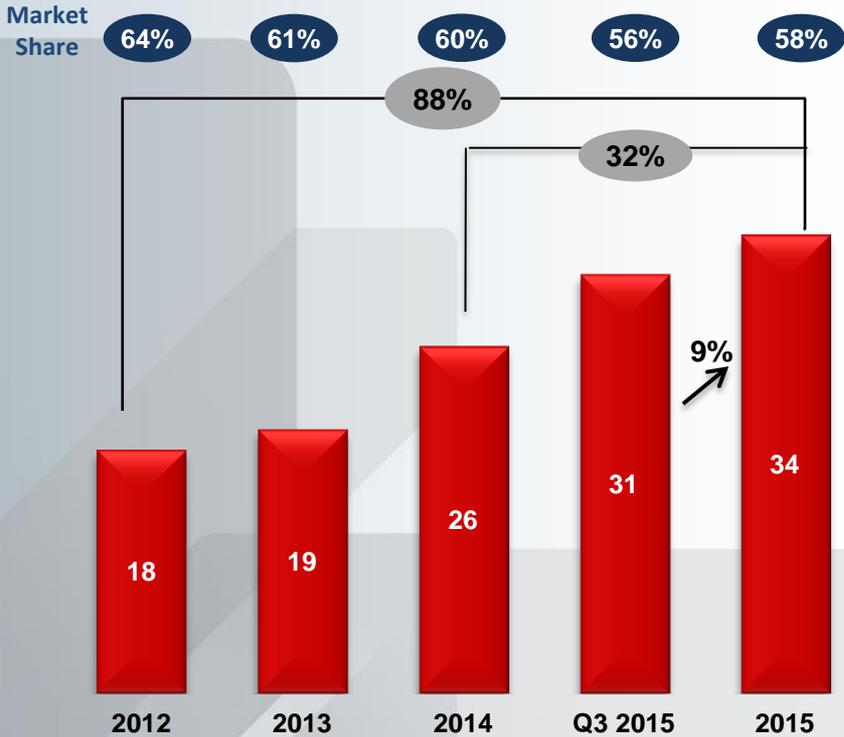
Ziraat Bank (2014-2015)

Change in Exports: %8
Change in Imports: %11

- ✓ Upward trend in foreign trade with expanding country coverage and correspondent banking relationship
- ✓ Steady increase in international money transfer volumes
- ✓ Increasing non-cash lending with positive impact on fees and commissions income

High expertise in agricultural sector

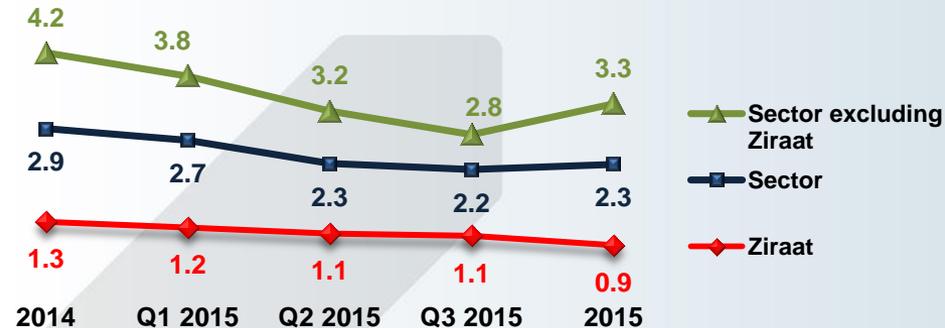
Loans to agricultural sector (TL bn)



Source: BRSA – for agricultural loans of the sector
Accruals and intermediated loans of public funds are excluded

- ✓ Exclusive provider of subsidized agricultural loans
- ✓ 94% of agricultural loans utilized from Bank's own funds
- ✓ Investment loans constitute 38% of agro-loans (YE 2015)
- ✓ Agro-loan maturities consistent with production and harvest periods
- ✓ Strategy to focus on agro-industry loans

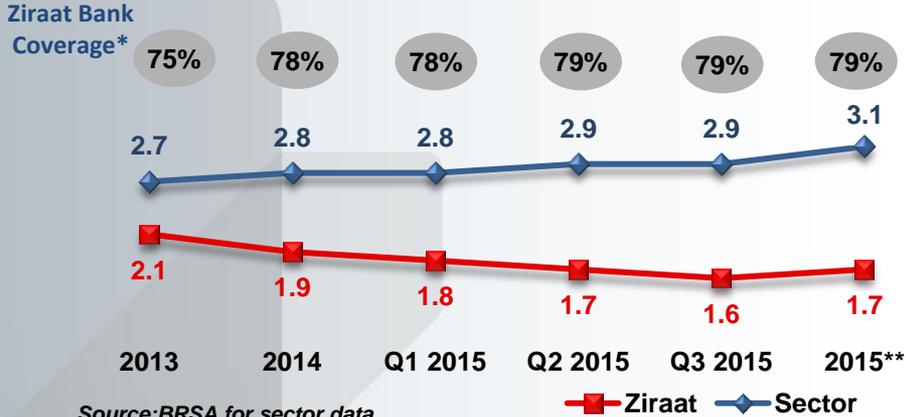
Consistently low agricultural NPL ratio (%)



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

Robust asset quality without any sale or write-off

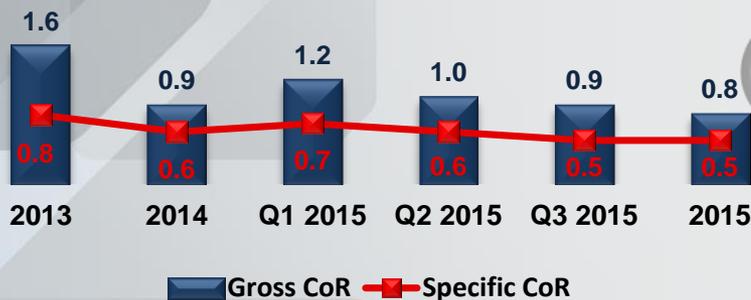
NPL and coverage ratios * (%)



* Intermediated loans of public funds are excluded

** Without single highest item: NPL ratio of 1.2% and adjusted coverage of 94%

CoR* (%)



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

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

Proactive and prudent approach in risk assessment

- ✓ Low stock of NPLs with high provisioning
- ✓ Well-functioning credit evaluation policies & procedures
- ✓ Effective monitoring & strong collection systems in practice

Gross NPL formation YoY
Ziraat 16%
Sector 31%

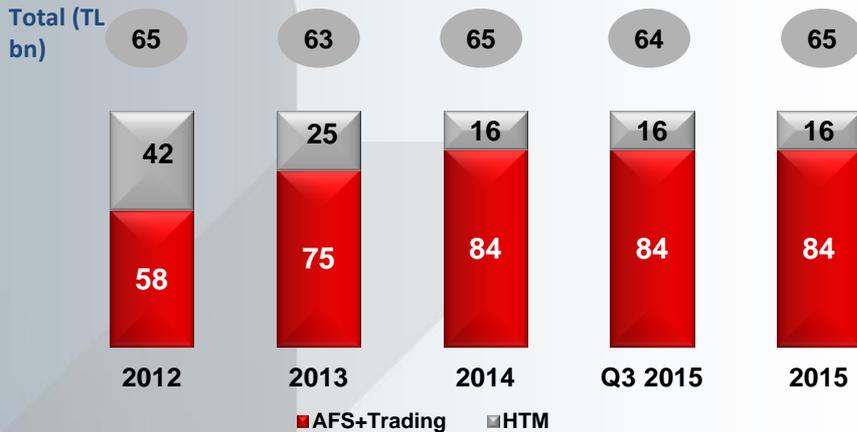
NPL ratio by segments(%)

	Retail		Corporate		SME	
	2014	2015	2014	2015	2014	2015
Ziraat	1.4	1.4	1.5	1.2	2.4	2.1
Sector*	3.4	4.3	2.2	2.0	3.3	3.9

*Source: BRSA

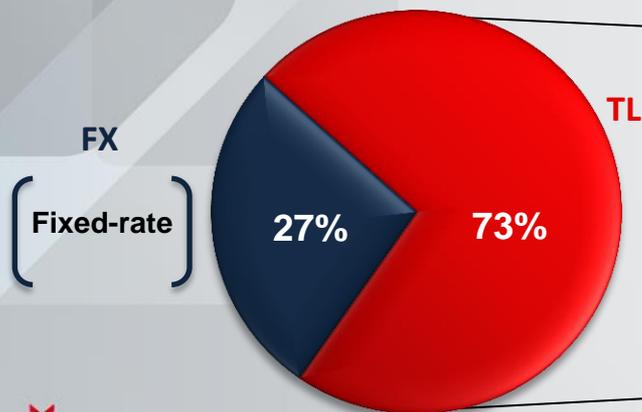
Adaptive securities portfolio management

Composition of securities (%)

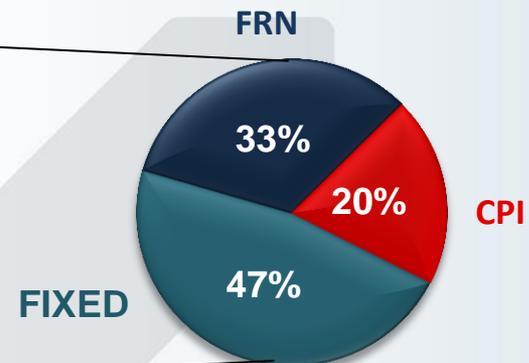


- ✓ Securities/total assets ratio decreased to %21 (26% in 2014)
- ✓ Limited securities sell-off in the secondary market
- ✓ Large share of AFS+trading portfolio providing flexibility
- ✓ Increased share of CPI linkers (CPI/Total:15% in 2015)
- ✓ Lower MtM impact from AFS on equity is expected with decreasing volatility in 2016

Currency breakdown of securities*, 2015

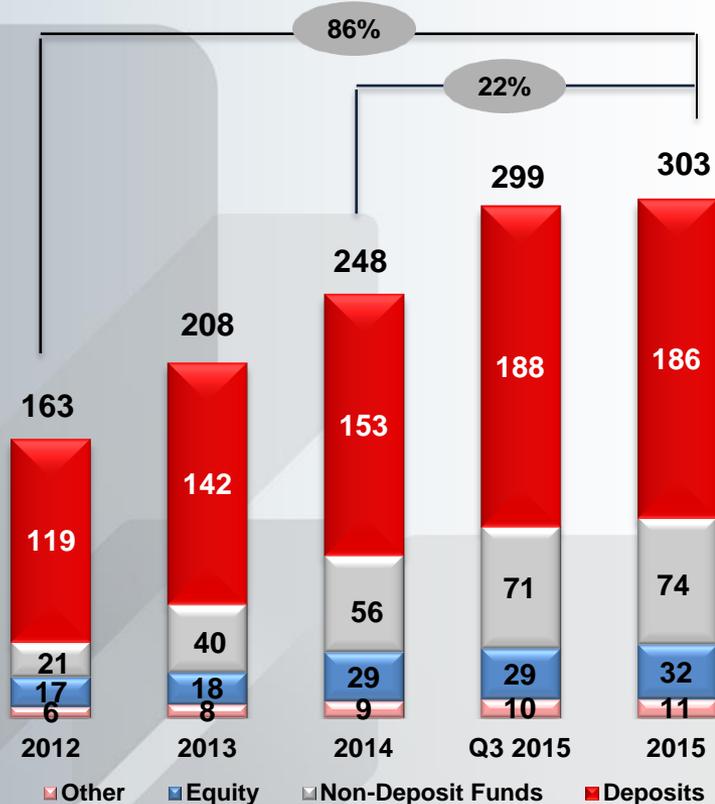


Breakdown of TL securities*, 2015



Strong deposit base, diversified funding sources

Composition of liabilities (TL bn)

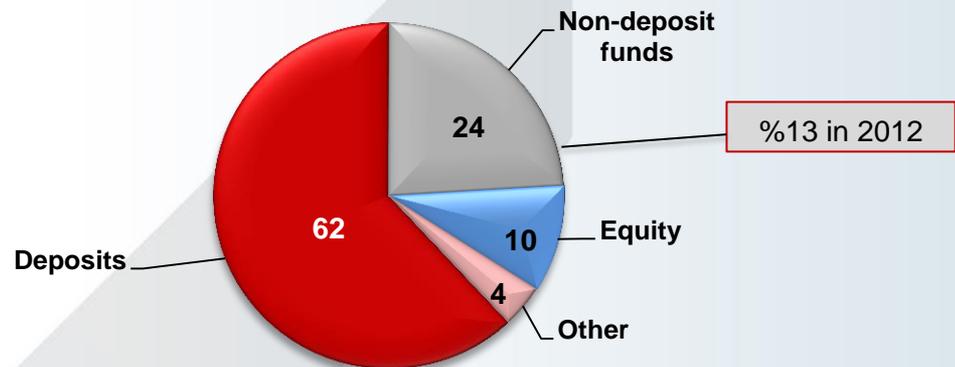


- ✓ 12% YoY TL deposit growth & 16% YoY FX Deposit (in USD terms)
- ✓ Strong funding through deposits
- ✓ Lowest L/D ratio among peers

Non-Deposit Funding in 2015

- IFI's (e.g World Bank, EIB, AFD): TL 6.6 bn
- Syndicated Loan Facility: USD 1.1 bn
- GMTN Private Placements: USD 637.7 mn and EUR 137.7 mn

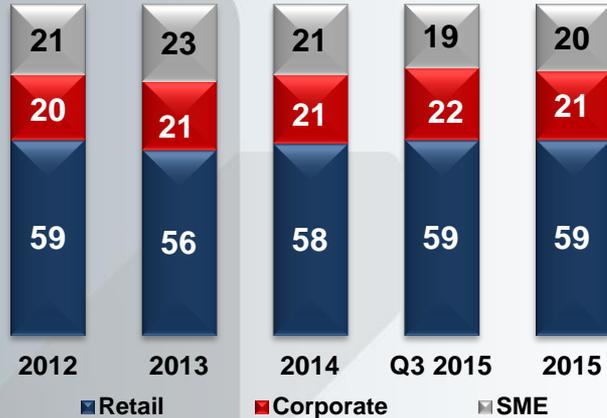
Composition of liabilities 2015 (%)



Growth (%)	QoQ	YoY	2012- 2015
Deposits	-1	22	57
Non-Deposit Funds	4	31	261
Equity	8	11	84

Widespread deposit base

Deposits by customer segmentation* (%)

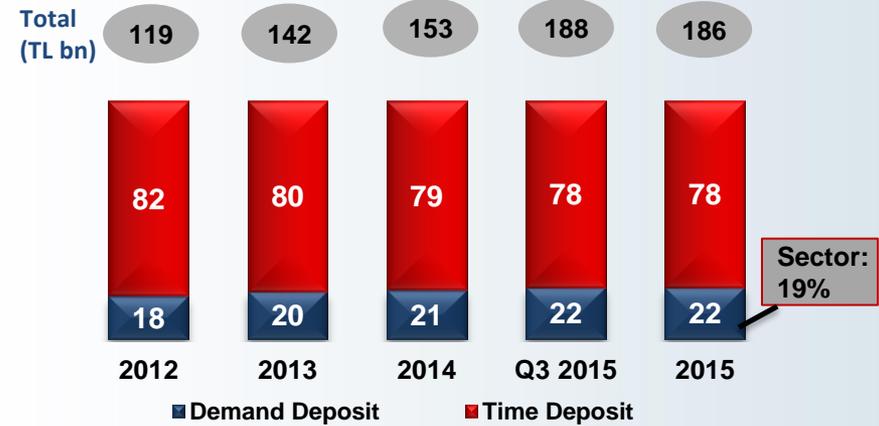


* Bank deposits and foreign branch deposits are excluded.

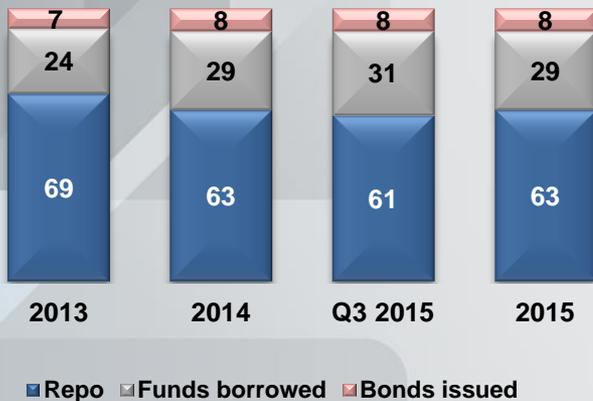
Total amount*



Demand vs time deposits (% of total)

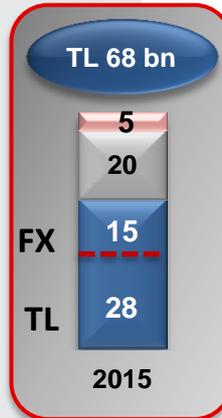


Composition of non-deposit funds* (%)



* Intermediated loans of public funds are excluded

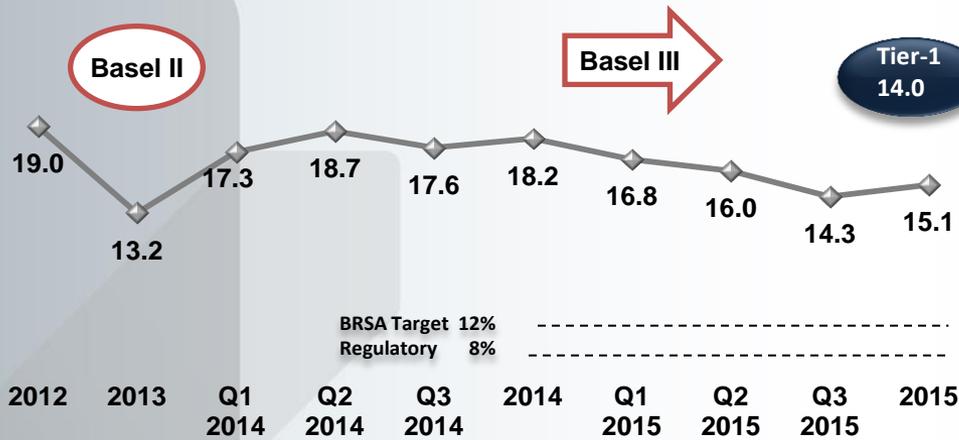
Total amount*



- ✓ Granular and diversified deposit portfolio
- ✓ Core deposit ratio around 96%
- ✓ Accounts greater than TL 1 million / total deposits 38% (sector average 52%)
- ✓ Non-retail deposits (excluding the Bank deposits) increased 17% YoY

Sound capital structure and internal capital generation

Capital adequacy ratio (%)



Leverage decreased to industry levels

Leverage(x)*



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

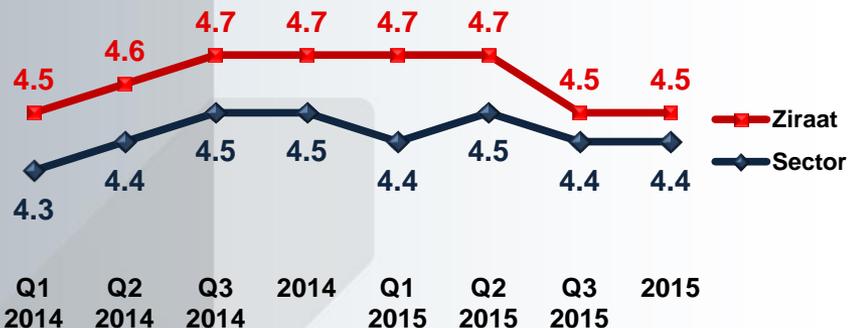
Strong capitalisation assuring sustainable growth

- ✓ Following cautious leveraging policies
- ✓ High level of retained earnings supporting loan growth
- ✓ BRSA regulations adjusting to Basel III requirements (Net effect expected to be mildly negative)
- ✓ CAR is highly above the regulatory limit under various scenario analysis
- ✓ Easing macroprudential measures

High Tier 1 /
Total Capital
(93%)

Net Interest Margin levels above sector average

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 (%)

Total (TL mn)



Net fees and commissions grew 21% YoY

✓ Ample room to grow further through:

- Cross-selling fee based products
- Standardized and bank-wide deployed fee and commission policy
- Cash and non-cash loan growth especially in SME segment

Breakdown of commissions from cash loans (%)



■ Retail ■ Corporate ■ SME

Breakdown of fees and commissions (%)

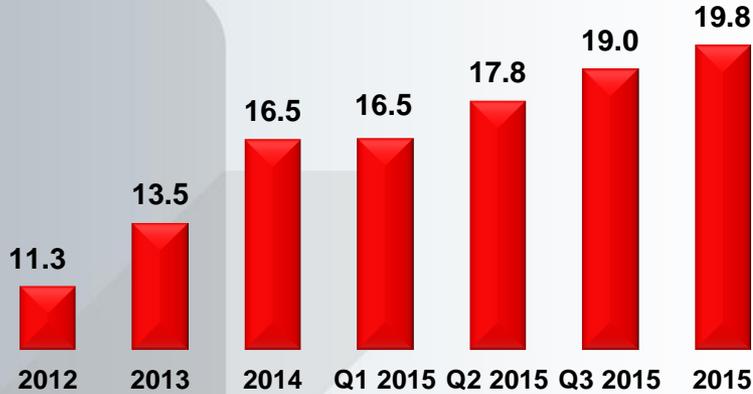


■ Credit Card
 ■ Non Cash Loans
 ■ Money Transfer and Account Keeping Fee
 ■ Insurance
 ■ Other

Sector leader in Bancassurance (21% market share)

Outperforming sector in profitability

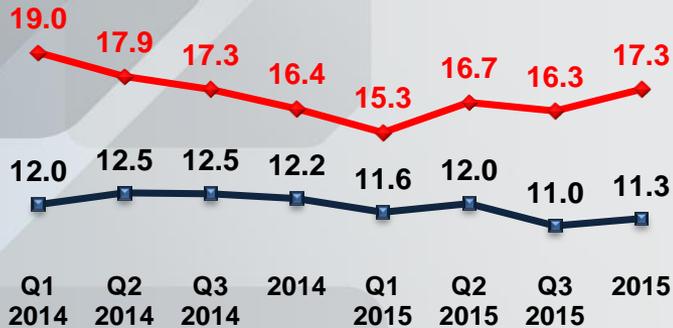
Market share in sector profits* (%)



*Profit generated in the period

- ✓ Sector leader in profitability
- ✓ Increased profitability despite market volatility and TRY depreciation in 2015
- ✓ Loan growth and increasing fee income contributing to bottom line
- ✓ Effective cost management

Return on equity (%)

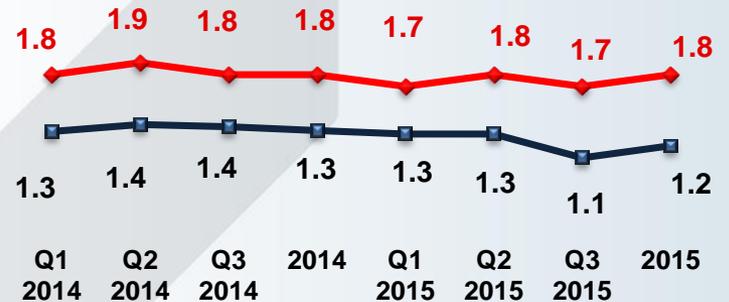


Leading ROAE & ROAA among peers

◆ Ziraat
■ Sector*

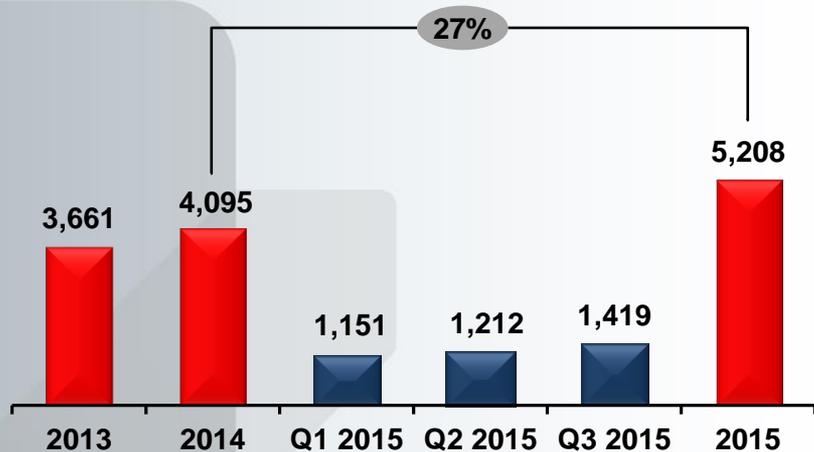
*Source: BRSA

Return on assets (%)

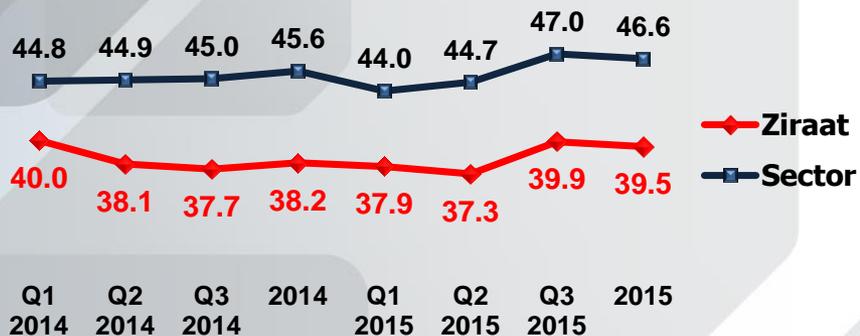


Regulatory and one-off increases in OPEX

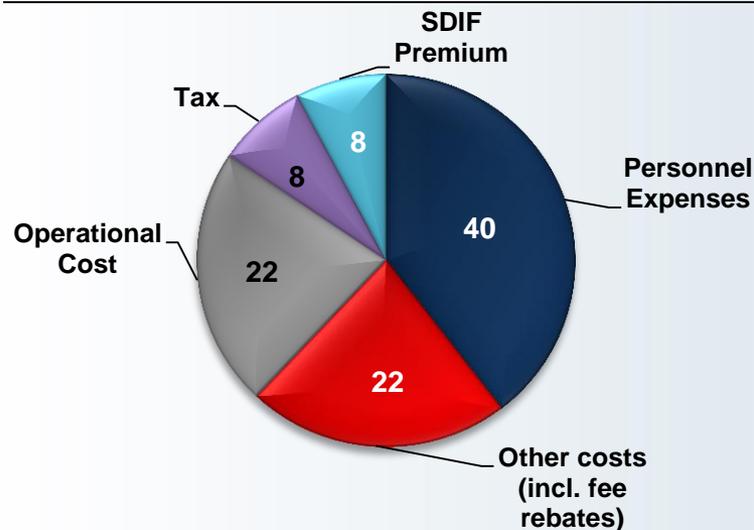
Other operating expenses (TL mn)



Cost/Income ratio (%)



Breakdown of OPEX, 2015 (%)



✓ Increasing branch and ATM network

✓ Higher OPEX partially led by fee rebates and regulatory costs

✓ Moderate growth in personnel expenses (13% YoY)

In 2016 C/I improvement is expected due to:

- Decrease in fee rebates
- Moderate personnel costs
- Relatively less branch openings vs 2015
- Improvements in cost efficiency

APPENDIX

Balance Sheet Summary

TL MN	2013	2014	Q1 2015	Q2 2015	Q3 2015	2015	% Change QoQ	% Change YoY
CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	26,602	30,149	34,784	35,752	38,648	36,535	-5.5	21.2
BANKS	2,465	2,191	2,450	3,867	3,869	4,447	14.9	103.0
SECURITIES	62,798	64,563	65,833	64,500	63,823	64,871	1.6	0.5
LOANS	111,048	141,915	158,353	168,315	181,381	186,813	3.0	31.6
-Gross NPL	2,417	2,717	2,842	2,929	3,001	3,141	4.7	15.6
-Specific Provisions (-)	1,623	1,932	2,026	2,107	2,182	2,271	4.1	17.5
OTHERS	4,617	8,782	9,860	10,075	11,363	10,182	-10.4	15.9
TOTAL ASSETS	207,530	247,600	271,280	282,509	299,084	302,848	1.3	22.3
DEPOSITS	141,735	153,255	162,509	171,231	187,984	186,469	-0.8	21.7
FUNDS BORROWED	8,559	14,608	17,339	19,182	20,138	19,543	-3.0	33.8
INTERBANK MONEY MARKET	24,571	31,781	41,521	41,013	39,789	43,086	8.3	35.6
PROVISIONS	3,958	4,758	4,900	5,113	5,057	5,161	2.1	8.5
SHAREHOLDERS' EQUITY	18,367	28,540	29,836	29,690	29,249	31,546	7.9	10.5
OTHERS	10,340	14,658	15,175	16,280	16,867	17,043	1.0	16.3

Income Statement Summary

TL MN	Q4 2013	Q4 2014	Q1 2015	Q2 2015	Q3 2015	Q4 2015	% Change QoQ	% Change YoY
INTEREST INCOME	4,015	4,811	4,958	5,442	5,600	6,051	8.1	25.8
-From Loans	2,647	3,486	3,712	3,984	4,382	4,598	4.9	31.9
-From Securities	1,354	1,306	1,188	1,429	1,175	1,404	19.5	7.5
INTEREST EXPENSE	1,909	2,403	2,583	2,824	3,018	3,116	3.2	29.7
-On Deposits	1,537	1,874	1,988	2,117	2,245	2,319	3.3	23.7
NET INTEREST INCOME	2,106	2,408	2,375	2,618	2,582	2,934	13.6	21.8
NET FEES & COMMISSIONS	268	295	293	315	318	374	17.6	26.8
-Fees and Commissions Received	321	361	372	405	403	457	13.4	26.6
-Fees and Commissions Paid	54	66	79	91	84	83	-1.2	25.8
OTHER OPERATING INCOME	235	192	381	289	329	341	3.6	77.6
OPEX	1,040	1,136	1,151	1,212	1,419	1,426	0.5	25.5
NET OPERATING PROFIT	1,013	1,334	1,452	1,673	1,455	1,987	36.6	49.0
NET PROFIT	754	1,025	1,102	1,328	1,152	1,581	37.2	54.2

Key Financial Ratios

(%)	2013	Q1 2014	Q2 2014	Q3 2014	2014	Q1 2015	Q2 2015	Q3 2015	2015
ROAA	1.8	1.8	1.9	1.8	1.8	1.7	1.8	1.7	1.8
ROAE	18.5	19.0	17.9	17.3	16.4	15.3	16.7	16.3	17.3
Cost to Income	37.1	40.0	38.1	37.7	38.2	37.8	37.3	39.9	39.5
NIM (cum.)	5.2	4.5	4.6	4.7	4.7	4.7	4.7	4.5	4.5
Loans/Deposits	78	85	86	88	93	97	98	96	100
Loans/Assets	54	54	55	56	57	58	60	61	62
Securities/Assets	30	29	28	26	26	24	23	21	21
NPL	2.1	2.0	2.0	2.0	1.9	1.8	1.7	1.6	1.7
Coverage	75	75	76	76	78	78	79	79	79
CoR (Gross)	1.6	0.9	0.9	0.9	0.9	1.2	1.0	0.9	0.8
CAR	13.2	17.3	18.7	17.6	18.2	16.8	16.0	14.3	15.1
Leverage	10.3	8.5	7.8	8.2	7.7	8.1	8.5	9.2	8.6
# of									
Branches	1,661	1,667	1,674	1,686	1,707	1,726	1,760	1,802	1,812
Employees	24,725	24,528	24,161	24,002	23,617	24,496	24,609	24,892	25,697
ATMs	5,409	5,573	5,756	5,934	6,043	6,199	6,304	6,443	6,566

For further information please contact

Investor Relations Department
Eski Büyükdere St. No: 41 Block C, 4th Floor
Maslak-İstanbul/Turkey
Phone: (+90) 212 285 22 50
Fax:(+90) 212 276 52 85
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.