

Corporate Credit Rating
Annual Review

Banking

Ziraat Bankası		Long Term	Short Term
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC	Stable
		LC	Stable
National	Local Rating	AAA (Trk)	A-1+ (Trk)
	Outlook	Stable	Stable
Sponsor Support		1	-
Stand Alone		A	-
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	FC	Stable
		LC	Stable

*Affirmed by Japan Credit Rating Agency, JCR on October 07, 2016

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T.C. Ziraat Bankası A.Ş. and Its Consolidated Subsidiaries						
Financial Data	June, 2017 *	2016*	2015*	2014*	2013*	2012*
Total Assets (000,000 USD)	118,632	105,672	106,709	109,107	99,326	92,879
Total Assets (000,000 TRY)	417,204	371,882	310,268	253,009	211,603	165,101
Total Deposit (000,000 TRY)	252,860	232,912	190,920	156,145	143,511	119,679
Total Net Loans (000,000 TRY)	288,186	246,558	194,872	147,373	114,846	73,765
Equity (000,000 TRY)	44,499	38,912	31,753	28,617	18,669	17,420
Net Profit (000,000 TRY)	4,869	6,885	5,378	4,110	3,264	2,756
Market Share (%) **	13.46	13.10	12.85	12.42	11.98	11.88
ROAA (%) ***	1.66	2.65	2.45	2.29	2.32	2.23
ROAE (%) ***	15.37	25.58	22.82	22.52	24.23	23.62
Equity/ Assets (%)	10.67	10.46	10.23	11.31	8.82	10.55
CAR - Capital Adequacy Ratio	14.63	13.86	14.56	17.47	12.88	18.69
Asset Growth Rate (Annual) (%)	25.71	19.86	22.63	19.57	28.17	1.37

* Consolidated figures ** Solo based among the Turkish Banking Sector regarding asset size
*** Pre-tax Profit to Avg. Total Assets and Equity

Overview

T.C. Ziraat Bankası A.Ş. (hereinafter Ziraat Bank or the Bank) is the largest deposit bank in Turkey and leads the sector regarding solo based figures of asset size, equity, loans, deposits, paid capital, net profit, number of branches and employees. The foundation of the Bank dates back to the establishment of the "Homeland Funds" in 1863. Accordingly, the Bank is accepted as one of the oldest banks in the Turkish Banking Sector with its over 150-year history. The Bank's shares which were entirely owned by the Prime Ministry Undersecretariat of Treasury were decided to be transferred to the Turkish Asset Fund under the Prime Ministry with the decree decision of the Council of Ministers dated January 24, 2017 and the transfer has been finalized as of September 21, 2017.

As of 1H2017, the Bank served 22.5 million customers with 24,709 employees. The Bank services through a branch network of 1,813, the widest of the Turkish Banking Sector, including 1,789 domestic and 24 overseas branches, over 7,000 automatic teller machine (ATM), online and mobile banking and call center. The Bank serves in 18 different countries at 95 service points through its international branches, subsidiaries and representative offices. Additionally, the bank has a correspondent banks network of approximately 1,800 in over 130 countries as of 1H2017.

Constraints

- Sector-wide issue of maturity mismatches despite the Bank's above sector average term structure of deposits
- Fee and commission income's contribution level to total income at below half the level of sector average together with its two-sided effects of positively in the periods of additional restrictive regulations on fee and commissions and adversely in the periods of shrinking interest margins
- Above sector average increases in operating expenses and provisioning compatible with the management strategy, restraining profit generation capacity
- Considering the size of the loan portfolio, customer credit risk concentration still at a high level despite the improvement and its manageable and further improvable composition
- Higher sensitivity level of its assets and liabilities composition to probable impacts of public authorities

Strengths

- Expanding loan portfolio together with diversified financial services and high coverage of international activities, continuously contributing positively to the financial intermediary function
- Resistive and continuously above sector average profitability ratios
- Above sector average improvement in interest revenue generation capacity due to increased interest margin and loan volume
- Steady increase in market share over the review period
- Sector leadership regarding asset size, loans, deposits, paid capital, equity, net profit, number of branches and staff and operating history
- High asset quality thanks to NPL ratio at about half of the sector figure and full provisioning level
- Ongoing diversity in funding sources together with higher average maturity days of deposits, contributing positively to funding costs, maturity mismatch and liquidity
- First-rate support level derived from its shareholding structure, leading position in the sector and high support level of the sector
- Improved credit risk concentration contributing positively to risk level

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