

# **STRONG FOUNDATIONS, A GLOBAL VISION**



**TAKAS**  
**İSTANBUL**

**2019 Annual Report**

RELIABLE

TECHNOLOGY



We use the most sophisticated technological products available in the finance industry at international standards, and serve as a reliable bank for organizations in Turkey and worldwide.

STEADY

GROWTH



We grow in line with our targets set in our strategic plans each year.

A ROBUST ECONOMY, A SOUND FINANCIAL

# INFRASTRUCTURE



We provide reliable infrastructure services  
in our strong economy.



ONGOING MEMBER

SATISFACTION





We provide fast solutions for our members  
and forge long-term relationships.

## Table of Contents



### 10 INTRODUCTION

### 11 ABOUT TAKAS İSTANBUL

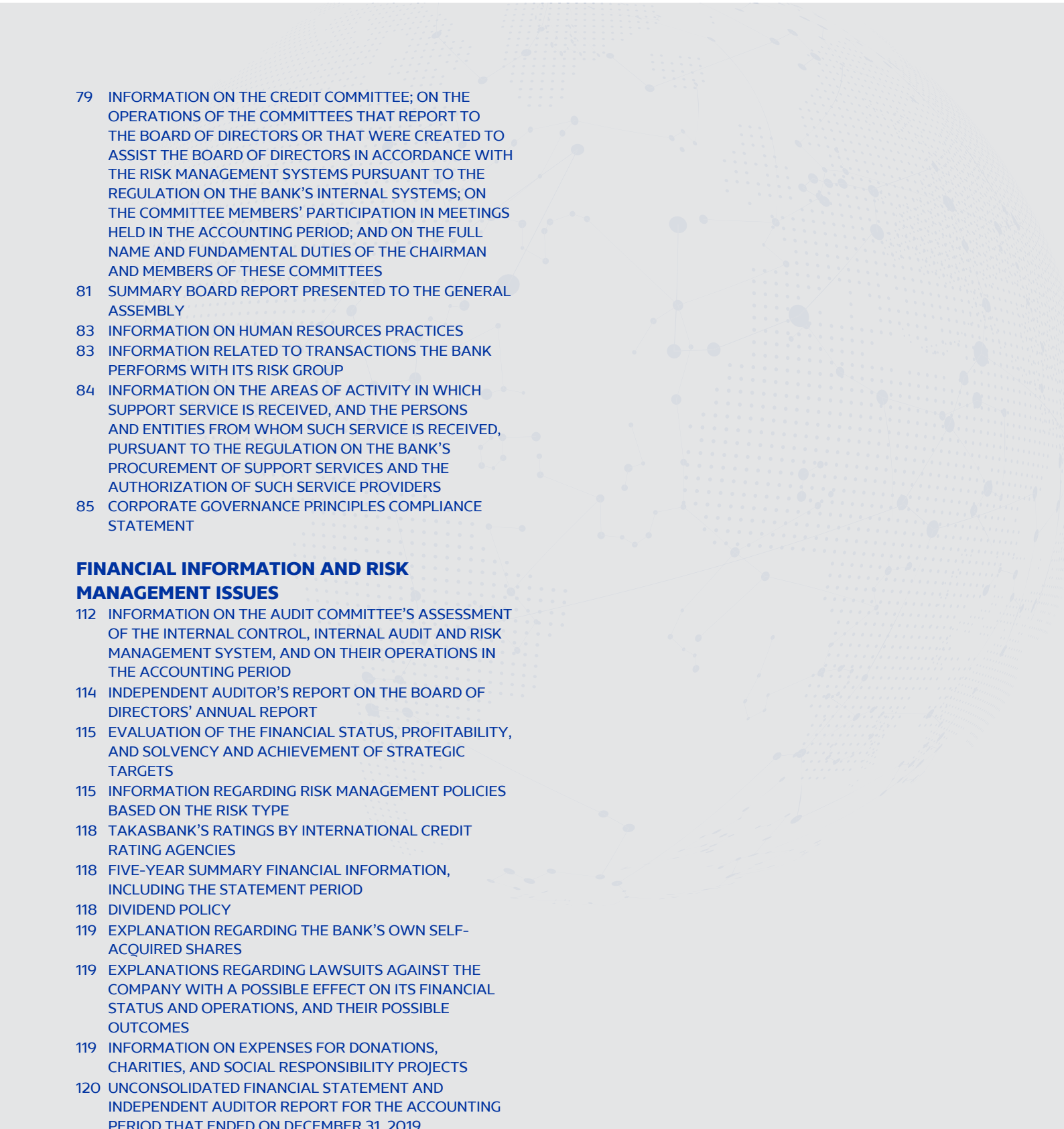
### 12 SUMMARY OF 2019 OPERATIONS

#### PRESENTATION

- 14 ACCOUNTING PERIOD ASSESSMENT AND FUTURE PROJECTIONS BY THE CHAIRMAN AND THE CEO
- 22 SUMMARY FINANCIAL INFORMATION ON OPERATING RESULTS FOR THE ACCOUNTING PERIOD
- 22 HISTORICAL DEVELOPMENT OF THE BANK AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION, IF APPLICABLE, IN THE ACCOUNTING PERIOD
- 23 CHANGES IN THE BANK'S ORGANIZATION, CAPITAL AND SHAREHOLDING STRUCTURE, AND RELATED MATTERS IN THE ACCOUNTING PERIOD; INFORMATION ON THE TITLES AND SHARES OF REAL OR LEGAL PERSONS HOLDING QUALIFYING SHARES
- 26 INFORMATION ON SHARES HELD BY THE BANK'S CHAIRMAN AND BOARD MEMBERS, CEO, AND EXECUTIVE VICE PRESIDENTS
- 27 EXPLANATIONS ABOUT THE BANK'S NUMBER OF EMPLOYEES AND BRANCHES, FUNCTIONS AND AREAS OF OPERATION, AND THE INDUSTRY ASSESSMENT OF THE BANK BASED ON THIS DATA
- 30 VISION, MISSION AND VALUES
- 36 INFORMATION TECHNOLOGIES, PROJECT DEVELOPMENT, AND RELATED OPERATIONS
- 41 2019 DEVELOPMENTS

#### MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

- 69 FULL NAME, TERM OF OFFICE, AREAS OF RESPONSIBILITY, EDUCATION, PROFESSIONAL EXPERIENCE, AND MEETING PARTICIPATION INFORMATION ON THE CHAIRMAN AND BOARD MEMBERS, AUDIT COMMITTEE MEMBERS, THE CEO AND EXECUTIVE VICE PRESIDENTS, AND THE INTERNAL SYSTEM DEPARTMENT MANAGERS; AND INFORMATION ON THE EXTRAORDINARY GENERAL ASSEMBLY
- 78 EXPLANATIONS REGARDING PRIVATE AUDIT AND PUBLIC AUDIT CONDUCTED IN THE ACCOUNTING PERIOD

- 
- 79 INFORMATION ON THE CREDIT COMMITTEE; ON THE OPERATIONS OF THE COMMITTEES THAT REPORT TO THE BOARD OF DIRECTORS OR THAT WERE CREATED TO ASSIST THE BOARD OF DIRECTORS IN ACCORDANCE WITH THE RISK MANAGEMENT SYSTEMS PURSUANT TO THE REGULATION ON THE BANK'S INTERNAL SYSTEMS; ON THE COMMITTEE MEMBERS' PARTICIPATION IN MEETINGS HELD IN THE ACCOUNTING PERIOD; AND ON THE FULL NAME AND FUNDAMENTAL DUTIES OF THE CHAIRMAN AND MEMBERS OF THESE COMMITTEES
  - 81 SUMMARY BOARD REPORT PRESENTED TO THE GENERAL ASSEMBLY
  - 83 INFORMATION ON HUMAN RESOURCES PRACTICES
  - 83 INFORMATION RELATED TO TRANSACTIONS THE BANK PERFORMS WITH ITS RISK GROUP
  - 84 INFORMATION ON THE AREAS OF ACTIVITY IN WHICH SUPPORT SERVICE IS RECEIVED, AND THE PERSONS AND ENTITIES FROM WHOM SUCH SERVICE IS RECEIVED, PURSUANT TO THE REGULATION ON THE BANK'S PROCUREMENT OF SUPPORT SERVICES AND THE AUTHORIZATION OF SUCH SERVICE PROVIDERS
  - 85 CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

## **FINANCIAL INFORMATION AND RISK MANAGEMENT ISSUES**

- 112 INFORMATION ON THE AUDIT COMMITTEE'S ASSESSMENT OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM, AND ON THEIR OPERATIONS IN THE ACCOUNTING PERIOD
- 114 INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT
- 115 EVALUATION OF THE FINANCIAL STATUS, PROFITABILITY, AND SOLVENCY AND ACHIEVEMENT OF STRATEGIC TARGETS
- 115 INFORMATION REGARDING RISK MANAGEMENT POLICIES BASED ON THE RISK TYPE
- 118 TAKASBANK'S RATINGS BY INTERNATIONAL CREDIT RATING AGENCIES
- 118 FIVE-YEAR SUMMARY FINANCIAL INFORMATION, INCLUDING THE STATEMENT PERIOD
- 118 DIVIDEND POLICY
- 119 EXPLANATION REGARDING THE BANK'S OWN SELF-ACQUIRED SHARES
- 119 EXPLANATIONS REGARDING LAWSUITS AGAINST THE COMPANY WITH A POSSIBLE EFFECT ON ITS FINANCIAL STATUS AND OPERATIONS, AND THEIR POSSIBLE OUTCOMES
- 119 INFORMATION ON EXPENSES FOR DONATIONS, CHARITIES, AND SOCIAL RESPONSIBILITY PROJECTS
- 120 UNCONSOLIDATED FINANCIAL STATEMENT AND INDEPENDENT AUDITOR REPORT FOR THE ACCOUNTING PERIOD THAT ENDED ON DECEMBER 31, 2019

## Introduction

Takas İstanbul (Takasbank) provides clearing, settlement, custody, central counterparty, and banking services to its members in the Turkish capital markets through its central settlement and clearing and banking authorities.

### **The Report Term, Trade Name of the Bank, and Contact Details Including the Address of the Head Office or Headquarters, Telephone and Fax Numbers, Website and Email Addresses:**

**Report Term:** 2019 Annual Report

**The Bank's Trade Name:** İstanbul Settlement and Custody Bank

**The Bank's Trade Name:** "TAKASBANK" or "TAKAS İSTANBUL."

**Headquarters Address:** Reşitpaşa Mahallesi, Borsa İstanbul Caddesi, No.: 4 Sarıyer 34467, İstanbul

**Telephone:** +902123152525 (pbx)

**Fax:** +902123152526 (pbx)

**Trade Registry No.:** 276870

**MERSIS No.:** 0481002693100015

#### **Email Addresses:**

**Investor Applications**

alotakas@takasbank.com.tr

**General Information**

bilgi@takasbank.com.tr

**Member Information**

uye@takasbank.com.tr

**Registered Email (KEP) Address**

takasbank.haberlesme@hs03.kep.tr

## Corporate Profile

Takasbank operates under Borsa İstanbul and provides settlement and clearing services through online connections with organized markets in a fully automated environment for the markets in which it operates.

Takas İstanbul (Takasbank) provides clearing, settlement, custody, central counterpart, and banking services to its members in the Turkish capital markets through its “central settlement and clearing status” and “banking” authorities.

Takas İstanbul is a central clearing and settlement organization authorized to conclude settlement and clearing of

- equities,
- debt securities,
- foreign capital market instruments,
- derivatives,
- and precious metals

at the markets under Borsa İstanbul. Commitments to deliver and receive securities arising from trading by Borsa İstanbul members and payment commitments in return for securities are settled on account by Takas İstanbul. Takas İstanbul provides a reliable, fast, and low-cost cash transfer service and acts as an intermediary between money and capital markets. It also provides settlement services online with organized markets in a fully automated environment for the markets operating at Borsa İstanbul within the framework of the

legislation governing the capital market, Borsa İstanbul, and payment and settlement systems.

Additionally, our Bank provides cash settlement, collateral and default management services as the Central Settlement Organization in the Natural Gas Market and Electricity Market under Enerji Piyasaları İşletme A.Ş.

Takas İstanbul brokers the settlement, clearing and collateral management of checks with the Check Settlement and Clearing System. It also provides TapuTakas (Takasbank Real Estate Title Deed Payment Transfer Service) and TaşıtTakas services designed to guarantee secure real estate and vehicle price payments. Our Bank established the “Digital Assets Transfer Platform,” which facilitates the transfer of digital assets by means of blockchain technology. The assets traded on this platform are digital values called “BiGA.” Takasbank also provides CCP, settlement and clearing, and risk management services under interest-backed TRY IRS (interest rate swap) and TRY OIS (overnight index swap) contracts.



## 2019 Summary

### R&D

Our R&D Center has undergone and passed an audit by the Ministry of Industry and Technology.

### SETTLEMENT AND CLEARING LOAN

The CBRT approves the Settlement and Clearing Loan and considers it a special loan mechanism from the beginning of 2019 as per Article 23 of the Regulation on the Operations of Payment and Settlement Systems.

### USE OF PRIVATE TERMINAL

Members begin trading by using their own terminals from the free current U.S. dollar and Euro accounts at Takasbank.

### CAPITAL MARKETS CONGRESS

Main sponsor support for the Capital Markets Congress.

### OVER-THE-COUNTER DERIVATIVE TRANSACTIONS

Over-the-counter derivative transactions have been offered settlement and clearing and central counterparty services as of December 19, 2019. The organization had 14 members, 485 million Turkish lira of open position, 185 million Turkish lira of total trade margin, and 37 million Turkish lira of guarantee fund contribution as of December 31, 2019.

### SECURITIES LENDING MARKET

The Securities Lending Market of our Bank was changed with the new market structure of the Borsa Istanbul Equity Market. Securities that may be borrowed were revised as "Shares on the Star Market Group 1 and Group 2, and on the Main Group 1 and Group 2, which are traded on the Stock Exchange Markets and can be subject to credit purchase and short-selling."

### TAKASBANK MONEY MARKET

In order to compliance with the markets for which our Bank provides Central Counterparty Service, valuation haircuts of the assets subject to the collateral were changed, and the lunch break has been abolished to ensure an uninterrupted service.

### BORSA ISTANBUL A.Ş. EQUITY MARKET SETTLEMENT AND CLEARING SERVICE

↑ **2.28–5.23%**  
growth

Compared to the previous year, the Equity Market securities settlement volume grew by 5.23 percent to 365.10 billion Turkish Lira, and the cash settlement volume grew by 2.28 percent to 108.21 billion Turkish lira.

### BORSA ISTANBUL A.Ş. DEBT SECURITIES MARKET SETTLEMENT AND CLEARING SERVICE

↑ **102.24–269.32%**  
growth

Compared to the previous year, the Debt Securities Market securities settlement volume grew by 269.32 percent to 8.98 trillion Turkish lira, and the cash settlement volume grew by 102.24 percent to 1.96 trillion Turkish lira.

### BORSA ISTANBUL A.Ş. FX SWAP MARKET SETTLEMENT AND CLEARING SERVICE

**774.39**  
billion TRY

A total of 774.39 billion Turkish lira of cash settlement took place in the FX Swap Market.

**BORSA ISTANBUL A.Ş. CLEARING, SETTLEMENT AND COLLATERAL MANAGEMENT SERVICES FOR THE FUTURES AND OPTIONS MARKET**

↑ **32–50%**  
growth

The Futures and Options Market profit/loss settlement amount increased by 32 percent to 31.4 billion Turkish lira, and the market value of the collaterals increased by 50 percent to 5.8 billion Turkish lira.

**PRIVATE PENSION SYSTEM**

↑ **37%**  
growth

The total fund size in the private pension system rose by 37 percent to 127.25 billion Turkish lira.

**NUMBER OF PRIVATE PENSION SYSTEM ACCOUNTS**

↑ **10%**  
growth

The number of private pension system participant accounts grew by 10 percent to 14.5 million.

**SECURITIES LENDING MARKET**

↑ **54.68%**  
growth

Total SLM trading volume rose by 54.68 percent.

**TAKASBANK CHECK SETTLEMENT AND CLEARING SYSTEM**

A total of 12,742,558 checks were submitted to the Check Settlement and Clearing System of Takasbank, and 11,988,772 checks were settled after the checks returned following the provision inspections.

**GOLD TRANSFER SYSTEM**

The number of transactions increased from 91 in December 2018 to 673 in December 2019.

**BİGA PLATFORM**

Six issues, five redemptions and 26 transfers have been performed on the Takasbank Blockchain-Based Transfer System, which was put into operation on December 30, 2019.

**SETTLEMENT AND CLEARING LOAN**

↑ **58.62%**  
growth

Settlement and clearing loan daily average grew by 58.62 percent to 4.6 million Turkish lira.

**GLOBAL CUSTODY SERVICE**

↑ **30%**  
growth

Custody balance under global custody increased by an average of 30 percent exceeding €8 billion. The number of members has reached 418.

**TEFAS**

**91.62%**  
growth

The average annual trading volume in the Turkey Electronic Fund Trading Platform (TEFAS) rose by 91.62 percent.

**ACCOUNT CONTRACT**

**352**  
units

Contracts signed for 352 accounts; services provided to 1,782 institutions and 8,582 active users.

**NUMBERING SERVICE**

**46,917**  
ISINs and LEIs

45,751 ISINs were provided for capital markets instruments, and LEIs were allocated to 1,166 legal entities.

**EXIST ELECTRICITY MARKET**

↑ **33%**  
growth

Trading volume in the Electricity Market has grown by 33 percent compared to year-end 2018.



## ACCOUNTING PERIOD ASSESSMENT AND FUTURE PROJECTIONS BY THE CHAIRMAN AND THE CEO

### Message from the Chairman

**Mehmet Hakan ATILLA**  
Chairman

Takasbank will continue to improve its sustainable and innovative technological infrastructure and support the stable growth of the national economy without compromising on our high-quality concept of service.

Dear Stakeholders,

Geopolitical developments, trade talks between the United States and China, and the Brexit process stood out on the global economic agenda from the first quarter of 2019 onward. Declines in investment, production and confidence indicators and uncertainties with the economic policies reduced the global economic activities, and both developed and developing countries eased their monetary stances.

The Turkish economy grew by 6 percent following positive growth from the third quarter of 2019. This growth was made possible by the calm atmosphere in the financial markets and the moderate recovery in the credit volume in the last quarter of 2019, which led to a year-end 0.9-percent overall growth. After foreign exchange rate shocks caused spikes in 2018, consumer prices inflation started to fall as foreign exchange rates stabilized, food supplies increased and import levels dropped in 2019, balancing on 11.84 percent as of the end of 2019. Gaining ground with the falling inflation and the interest decisions of the central banks of developing countries, the Central Bank of Turkey set the policy interest rate to 12 percent.

Our Bank continued to provide settlement, clearance, collateral and risk management services for organized and unorganized markets, and provided effective balance sheet management services for management of the risks and collaterals arising from the markets in which it served as a central counterparty in 2019.

Leaving behind another operating year of increased efficiency and innovation, our Bank carried out many successful projects in 2019. We began providing settlement and clearing, risk



and collateral management services for the TRY Overnight Index Swap (OIS) based on TLREF allowing our banks to manage medium- and long-term Turkish lira interest risks without using their liquidity in foreign currency. When settled and cleared, the trading volume exceeded 5 billion Turkish lira in this market where Takasbank has begun providing settlement, clearing and risk management services as a central counterparty, except for in organized markets.

Takasbank offers innovative solutions to the national capital markets and finance industry as an R&D center. It has continued to work with blockchain technology, which has grown in global significance in recent years, and has put the “BiGA Digital Gold” project into practice. This allows individuals to utilize blockchain technology to transfer gold, which is based on physical gold and can be converted into a digital asset, to each other. Thanks to the “BiGA Project,” the Bank received the first-place award in the “Financial Inclusion” category of the IDC Turkey Finance Industry Technology Awards organized by IDC Turkey.

Effective steps were taken to complete the recognition of Takasbank by the European Securities and Markets Authority (ESMA), a critical process for our capital markets to expand overseas.

Our Bank, a crucial financial infrastructure organization for the development of Turkish capital markets, closed 2019 with a successful performance in terms of growth and profitability, and raised its pretax profit by 27 percent to 776.4 million Turkish lira compared to the previous year. At the same time, our assets grew to 16.7 billion Turkish lira, and our shareholders' equity reached 2.3 billion Turkish lira.

Takasbank will continue to improve its sustainable and innovative technological infrastructure and support the stable growth of the national economy without compromising on our high-quality concept of service. Our Bank will continue to play a key role in helping our country achieve its economic vision in the future. Projects in our 2020 agenda, including a more effective crowdfunding and securities lending market, are among the steps to be taken to this end.

Coronavirus has caused a great deal of anxiety throughout early 2020 since being declared a pandemic. It is expected to further disrupt several economic indicators and negatively affect the momentum of global economic growth, particularly by breaking the supply chain. In the face of these risks, market authorities aim to achieve macroeconomic stability to foster growth through structural reforms while the current account deficit and inflation are gradually lowered. Although operating under challenging circumstances, Takasbank will make every effort to close 2020 without experiencing any adversity.

On behalf of our Board of Directors, I would like to extend my gratitude to our shareholders, members, partners, all managers that have contributed to the progress of our Bank, and to all our employees who have worked selflessly to maintain forward momentum.

## ACCOUNTING PERIOD ASSESSMENT AND FUTURE PROJECTIONS BY THE CHAIRMAN AND THE CEO

### Message from the CEO

Our Bank has successfully raised its total balance sheet well above the industry average despite the current globalized and competitive economic environment.

**Gökhan ELİBOL**  
Deputy General Manager - Board Member

Trade wars between the United States and China, the Brexit, and other geopolitical uncertainties, including our geography, influenced the agenda throughout 2019. Despite local and global political developments, Turkey was able to eliminate negative effects and regained positive momentum in economic growth.

In 2019, a year of balancing and transformation, the Turkish economy endured downsizing in the first half of the year before later trending towards growth through the enactment of structural changes. Double-digit inflation rates in January 2019 approached single digits and ended up at 11.84 percent in parallel with the objectives of the New Economic Program (NEP).

Our Bank has successfully raised its total balance sheet well above the industry average despite the current globalized and competitive economic environment. In this context, it contributed to the Turkish economy by increasing its total assets by 41.66 percent to 16.71 billion Turkish lira, its equities by 30.93 percent to 2.28 billion Turkish lira, and its operating profit by 26.71 percent to 776 million Turkish lira.

We adopted the vision to become an internationally preferred, reliable, effective and innovative organization that offers settlement clearing, collateral and risk management, and banking services according to international quality standards.

As part of this vision, we began providing CCP services for the TRY OIS (overnight index swap) based on TLREF, which allows banks to manage their medium- and long-term Turkish lira interest rate risks without using their foreign currency liquidity, and increased the number of markets in which we operate as a CCP to seven.

We also implemented the “Collateral Uniformity Project” to further diversify collaterals in each market that we provide CCP services. Through this initiative, we ensure harmony between markets, deepening capital markets and encouraging markets to develop further.

As part of our compliance efforts with the international best practices and standards, we applied for membership to the Global Association of Central Counterparties (CCP12), which covers 36 out of more than 50 CCPs around the world, and gained admission as the 37<sup>th</sup> member.



Infrastructure development projects continued in line with the strategy of enhancing the technological infrastructure of our Bank to ensure markets can operate more rapidly and continuously. For this purpose, our Bank, as the industry leader in this field and having formerly implemented a gold transfer system, commissioned Turkey's first financial blockchain network as an outcome of the efforts of its R&D Center with our domestic and national application "BiGA Digital Asset Transfer Platform." This platform was designed and developed with the internal resources of our Bank in the last quarter of 2019. It serves as an effective reference for next-generation solutions and can be used to establish a reliable infrastructure for gold transfers.

In line with the needs of our customers and continuous improvements, the Turkey Electronic Fund Trading Platform (TEFAS) was adapted for use by foreign investors by adding English language options to our mobile application and website. In addition, some incentives and conveniences for the sales of houses to foreign nationals have been implemented in Turkey. For this purpose, the website and mobile applications of TapuTakas were launched in Arabic, Persian and Russian to allow foreigners to perform transactions in a fast and secure way.

From the feedback we received from our members during the 2019 Takasbank Service Satisfaction Survey, we found that our members had a 91-percent overall satisfaction rate with our services.

Our Bank held a virtual fund competition titled "University Student Fund Basket" for university students in cooperation with the Corporate Governance Association of Turkey (CGAT). The competition involved trading the investment funds on TEFAS to raise market awareness among potential young investors.

I would like to thank all our stakeholders, including our Board of Directors who have supported our Bank in its quest to sustain its technological development and customer-oriented approach with a momentum rooted in a strong track record, and our employees who have made every effort to help our Bank become what it is now.

## ACCOUNTING PERIOD ASSESSMENT AND FUTURE PROJECTIONS BY THE CHAIRMAN AND THE CEO

### Milestones

**1992**

IMKB Takas ve Saklama A.Ş. established.

**1995**

The Capital Markets Board of Turkey (CMB) authorizes Takasbank as the National Numbering Agency.

**1996**

ISE Clearing, Settlement and Custody Bank Inc. established by obtaining an investment bank license.

Takasbank Money Market service launches.

**1997**

Takasbank Electronic Transfer System (TETS) commences

**2001**

The Merkezi Kayıt Kuruluşu (MKK) established under the leadership of Borsa İstanbul and Takasbank.

**2003**

Takasbank begins providing custody services to the Private Pension System.

**2005**

Securities Lending Market launches.

**2006**

Clearing and settlement services begin for corporate bond transactions.

Takasbank becomes a member of the European Central Securities Depositories Association (ECSDA).

## 2008

Takasbank becomes a member of the Organization of the Islamic Cooperation (OIC) Member States' Stock Exchanges Forum.

## 2011

The CMB authorizes Takasbank for the Leveraged Transactions (FOREX) (LTT) as Trade Repository and customer collaterals' safekeeping.

New agreement signed with TEİAŞ (energy market operator) to conduct Cash Settlement and Collateral Management operations in the Electricity Market by Takasbank as the Central Settlement Bank.

Turkey Electronic Fund Trade Platform (TEFAS), established by Takasbank, begins operations.

## 2012

The Takasbank logo and corporate identity is changed to better reflect the Bank's fundamental values of trust and future goals.

Takasbank was commissioned as a clearing and settlement service provider by the Istanbul Gold Exchange as part of the project to consolidate all stock exchanges under one roof to provide services under a common electronic clearing and settlement platform. Takasbank began providing clearing, settlement, risk and collateral management services to the Borsa Istanbul Futures and Options Market.

## 2013

Trade name changes to Istanbul Settlement and Custody Bank, Inc.

Takasbank begins operating as a Central Counterparty (CCP) in the Securities Lending Market after appointment by the Capital Markets Board of Turkey.

Authorized as the Local Operating Unit (LOU) for the allocation of Legal Entity Identifier (LEI) Codes under the sponsorship of the CMB.

Electronic Warehouse Receipts (EWR) Clearing and Settlement Service commences in the commodity exchanges upon approval by the Customs and Trade Ministry. Takasbank begins providing cash settlement and collateral management services to the Istanbul Gold Exchange via a correspondent bank.

## ACCOUNTING PERIOD ASSESSMENT AND FUTURE PROJECTIONS BY THE CHAIRMAN AND THE CEO

### Milestones

#### 2014

Takasbank begins providing CCP services at the Borsa Istanbul Futures and Options Market.

ISO 27001 Information Security Management System Certificate (ISMS) obtained.

ISO 22301 Business Continuity Management System Certificate (BCMSS) obtained.

Portfolio Custody Services commence.

#### 2015

Clearing and Settlement and transfer services moved to the BISTECH system from the Borsa Istanbul Equity Market upon completion of the equity market infrastructure development efforts.

TapuTakas (Takasbank Real Estate Title Deed Payment Transfer Service) Project launches

Fund Information Platform Service commences.

Financial leasing, factoring, financing companies, insurance and pension companies begin trading on the Takasbank Money Market via internet access.

TEFAS begins trading with new implementation principles. Energy Exchange (EXIST) is founded as an operator to energy markets and Takasbank has started to provide cash settlement and collateral management services for Electricity Market of the EXIST.

#### 2016

Relocate to the new campus in Istinye.

Clearing and settlement transactions are settled as CCP at the Borsa Istanbul Money Market.

Application to the European Securities and Markets Authority (ESMA) for recognition as a third country central counterparty (CCP) institution.

Declared a qualified central counterparty (QCCP) by the CMB.

A service to enable the Borsa Istanbul Futures and Options Market investors to monitor collateral, positions and investor information via our website is launched.

#### 2017

Takasbank becomes an on-site R&D Center.

Clearing and settlement transactions are settled as CCP at the Borsa Istanbul Equity Market.

Takasbank provides settlement, margin, and risk management services to the Borsa Istanbul Futures and Options Market via the BISTECH system.

Customer and fund-based custody services are offered as part of the PPS Automatic Enrolment System.

Takasbank begins to provide central cash settlement and collateral management services in the Borsa Istanbul Precious Metals Market without using a correspondent bank.

Asset management companies can become members of the Takasbank Money Market.



## 2018

Central Counterparty (CCP) services are made available for the Borsa Istanbul FX SWAP Market and Borsa Istanbul Debt Securities Market.

Cash clearing, settlement and collateral management services are provided for the EXIST Natural Gas Market.

The Gold Transfer System is commissioned.

The Takasbank Check Settlement and Clearing System service is made available.

The Debt Securities Market and Precious Metals Market were integrated in the BISTECH system under the BISTECH Phase 2+. The integration process is now complete.

## 2019

Clearing and Settlement, and Central Counterparty (CCP) services were launched for the transactions on the Over-the-Counter Derivatives Market.

Takasbank's blockchain-based transfer platform "BiGA Digital Gold" was launched.

Uniformity of collaterals was established in all markets where the CCP service was provided.

## SUMMARY FINANCIAL INFORMATION ON OPERATING RESULTS FOR THE ACCOUNTING PERIOD

During the January 1–December 31, 2019 operating period, Takasbank posted 776.38 million Turkish lira profit before tax, 615.99 million Turkish lira net profits, 732.32 million Turkish lira interest income, 547.60 million Turkish lira net interest income after 184.72 million Turkish lira interest expense, and 228.78 million Turkish lira net non-interest income.

## HISTORICAL DEVELOPMENT OF THE BANK AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION, IF APPLICABLE, IN THE ACCOUNTING PERIOD

Takasbank was founded in 1992 under the name of ISE Settlement and Custody Inc. as a joint stock company, subject to the provisions of the Turkish Commercial Code under the leadership of the Istanbul Stock Exchange (ISE), with the goal of providing clearing, settlement, and custody services in the capital markets. In 1995, the Company acquired bank status by obtaining an investment banking license to provide banking services related to clearing, settlement, and custody. It changed its name to ISE Settlement and Custody Bank Inc. Pursuant to provisional Article 8 of the new Capital Markets Law No. 6362, dated December 30, 2012, it earned central clearing and settlement institution status. It changed its name to Istanbul Settlement and Custody Bank Inc. in 2013.

Based on the legal grounds provided by the new Capital Markets Law No. 6362 dated December 30, 2012, Takasbank began providing services as a central counterparty (CCP) on:

- The Securities Lending Market (SLM) it operates in September 2013,
- The Futures and Options Market at Borsa Istanbul A.Ş. (BİAŞ) in March 2014,

- Borsa Istanbul Money Market in October 2016,
- Borsa Istanbul Equity Market in June 2017,
- Borsa Istanbul Debt Securities Market in July 2018,
- Borsa Istanbul Swap Market in September 2018.
- Central Counterparty (CCP) services were launched for the transactions on the Over-the-Counter Derivatives Market in December 2019.

Amendments in Articles 1, 3, 4, 6, 7, 8, 9, 12, 13, 14, 15, 17, 19, 20, 26, 27, 28 and 29, and Articles 1, 2 and 3 regarding the removal of group A and B preferred stocks of Takasbank were accepted in the General Assembly of the Bank on April 19, 2019.

# CHANGES IN THE BANK'S ORGANIZATION, CAPITAL AND SHAREHOLDING STRUCTURE, AND RELATED MATTERS IN THE ACCOUNTING PERIOD; INFORMATION ON THE TITLES AND SHARES OF REAL OR LEGAL PERSONS HOLDING QUALIFYING SHARES

## Organizational Structure of the Bank

### **BOARD OF DIRECTORS**

AUDIT COMMITTEE
Internal Audit Department
Internal Control and Compliance Department
Risk Management Department

### **CEO**

ASSISTANT GENERAL MANAGER, MARKETS AND OPERATION
ASSISTANT GENERAL MANAGER, INFORMATION TECHNOLOGY
ASSISTANT GENERAL MANAGER, CENTRAL COUNTERPARTY AND FINANCIAL AFFAIRS
Legal Consultancy
Treasury and Credits Department
Human Resources and Support Services Department

### **ASSISTANT GENERAL MANAGER, MARKETS AND OPERATION**

Department of Payment and Transfer Services
Equity and Debt Securities Clearing and Settlement Department
Markets Department
Department of Custody and Collective Investment Institutions
Derivatives and Energy Commodity Clearing and Settlement Department
Member Services and Corporate Communications Department

### **ASSISTANT GENERAL MANAGER, INFORMATION TECHNOLOGY**

Banking AD Department
IT Infrastructure and Operations Department
Enterprise Architecture and R&D Department
Project and Process Management Department
Custody AD Department
Clearing and Settlement Applications Development (AD) Department
IT Security and Risk Management Team

### **ASSISTANT GENERAL MANAGER, CENTRAL COUNTERPARTY AND FINANCIAL AFFAIRS**

Department of Financial Services and Reporting
Central Counterparty (CCP) Department

## CHANGES IN THE BANK'S ORGANIZATION, CAPITAL AND SHAREHOLDING STRUCTURE, AND RELATED MATTERS IN THE ACCOUNTING PERIOD; INFORMATION ON THE TITLES AND SHARES OF REAL OR LEGAL PERSONS HOLDING QUALIFYING SHARES

### Capital and Shareholding Structure of the Bank:

Takasbank's 64.15 percent of shares belong to Borsa İstanbul A.Ş. Originally a public legal entity called Istanbul Stock Exchange, Borsa İstanbul A.Ş. later became a joint stock company with a private legal entity in accordance with Capital Markets Law No. 6362. Established to engage in exchange activities pursuant to Article 138 of the Law, Borsa İstanbul A.Ş. incorporated all exchanges in our capital markets under a single roof and received its operation permit by the direct registration and promulgation of its Articles of Association on April 3, 2013.

Pursuant to the provisions of the Law and applicable regulations, the primary objective and business line of Borsa İstanbul A.Ş. is to ensure that capital markets instruments, foreign currencies, precious metals and stones, and other contracts, documents, and assets deemed eligible by the Capital Markets Board are traded in a facile and secure manner under free trade conditions in a transparent, efficient, competitive, fair, and stable environment; to match or facilitate the matching of buy and sell orders with these assets in a manner to finalize them; to create, establish, and develop markets, marketplaces, trading platforms, systems, and other organized marketplaces to determine and announce formed prices; to manage and/or operate the aforementioned or other exchanges or markets of other stock exchanges; and to engage in other activities stipulated in its articles of association.

Principal shareholders and capital structure of Takasbank as of December 31, 2019, and December 31, 2018:

(Thousand TRY)		Current Period			Previous Period		
No	Shareholders	Paid-in Capital	%	Share	Paid-in Capital	%	Share
1	Borsa İstanbul A.Ş.	384,887	64.15	1	384,669	64.14	1
2	Türkiye Garanti Bankası A.Ş.	29,685	4.95	1	29,685	4.95	1
3	Tacirler Menkul Değerler A.Ş.	29,516	4.92	1	29,016	4.84	1
4	Phillip Capital Menkul Değerler A.Ş.	28,423	4.74	1	27,923	4.65	1
5	Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,280	4.38	1	26,280	4.38	1
6	Türkiye İş Bankası A.Ş.	26,235	4.37	1	26,235	4.37	1
7	Türkiye Vakıflar Bankası T.A.O.	26,235	4.37	1	26,235	4.37	1
8	Other (Brokerage House)	28,638	4.77	25	29,656	4.94	26
9	Other (Bank)	20,101	3.35	8	20,101	3.35	8
<b>Total</b>		<b>600,000</b>	<b>100</b>	<b>40</b>	<b>600,000</b>	<b>100</b>	<b>41</b>

### Changes in the Bank's Capital and Shareholding Structure in the Accounting Period:

The Bank's capital did not change in the current year. Changes in the shareholding structure:

Transferring Shareholder	Transferred Shareholder	Share Amount		Description
		(Thousand TRY)	Percentage (%)	
Toros Menkul Kıymetler A.Ş.	Borsa İstanbul A.Ş.	18	0.003	Transfer
Güven Menkul Değerler A.Ş.	Phillip Capital Menkul Değerler A.Ş.	500	0.0833	Transfer
Güven Menkul Değerler A.Ş.	Tacirler Yatırım Menkul Değerler A.Ş.	500	0.0833	Transfer





## CHANGES IN THE BANK'S ORGANIZATION, CAPITAL AND SHAREHOLDING STRUCTURE, AND RELATED MATTERS IN THE ACCOUNTING PERIOD; INFORMATION ON THE TITLES AND SHARES OF REAL OR LEGAL PERSONS HOLDING QUALIFYING SHARES

### Titles of Real or Legal Persons Holding Qualifying Shares:

Shareholders other than Borsa İstanbul may acquire a maximum 5 percent of the shares as per the Bank's Articles of Association. Borsa İstanbul owns 64.15 percent of the shares. The Bank did not have any privileged share as of December 31, 2019 (December 31, 2018: 200 Turkish lira).

Full Name/Trade Name	Share Amount (Thousand TRY)	Share Percentage	Paid-Up Shares (Thousand TRY)	Unpaid Shares
Borsa İstanbul A.Ş.	384,887	64.15%	384,887	-

### Titles of Real or Legal Persons Holding More Than 10 Percent of the Capital

Takasbank has 40 shareholders in total as of December 31, 2019. Borsa İstanbul A.Ş. is the only shareholder with a stake in the capital higher than 10 percent, and it holds 64.15 percent of the total capital with a nominal share value of 384,886,806.96 Turkish lira.

### Activities of the Controlling Company and Its Affiliates

Pursuant to Article 199 of the Turkish Commercial Code No. 6102, a report must be issued by the Bank's Board of Directors in the first quarter of the operating period concerning the Bank's relationship with its controlling shareholder Borsa İstanbul A.Ş. and the other affiliate Merkezi Kayıt İstanbul-CSD of Turkey; additionally, the concluding part of the report must be included in the annual report.

The report's conclusion by the Board of Directors states:

"All transactions executed with the controlling shareholder Borsa İstanbul A.Ş. and the other subsidiary, the MKK, are in accordance with the capital markets and banking legislation. These transactions are ordinary business activities as set forth in the Bank's articles of association and the banking legislation.

The Bank ran an assessment of all legal transactions with the controlling shareholder, Borsa İstanbul A.Ş., and its subsidiary, the MKK, in the 2019 operating period, and all measures that were taken or avoided to be taken in favor of these companies.

In regards to the 2019 operating period, it has been concluded that under the known circumstances and conditions the Bank did not suffer any loss due to any transactions made with the controlling company or affiliate; a suitable counteraction was taken for each transaction; no measures were taken or avoided with possible losses for the Bank, nor were there any transactions or measures that would have required any benefit and loss reconciliation."

COMPANY	SHARE RATIO (%)
Merkezi Kayıt Kuruluşu A.Ş.	64.90
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	4.12
Borsa İstanbul A.Ş.	0.15
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	10.50
Sarajevo Stock Exchange (SASE)	5
Türkiye Ürün İhtisas Borsası A.Ş. (TÜRİB)	5
S.W.I.F.T. SCRL	0.02

### INFORMATION ON SHARES HELD BY THE BANK'S CHAIRMAN AND BOARD MEMBERS, CEO, AND EXECUTIVE VICE PRESIDENTS:

The Bank's Chairman, Board Members, CEO, and Executive Vice Presidents do not own shares in the Bank.

**Explanations About The Bank's Number Of Employees and Branches, Functions and Areas of Operation, and the Industry Assessment of the Bank Based on This Data:**

**Number of Employees and Branches:**

The Bank has 298 employees. Takasbank does not have branches.





## EXPLANATIONS ABOUT THE BANK'S NUMBER OF EMPLOYEES AND BRANCHES, FUNCTIONS AND AREAS OF OPERATION, AND THE INDUSTRY ASSESSMENT OF THE BANK BASED ON THIS DATA

### Services and Fields of Operation

#### SERVICES BY TAKAS ISTANBUL

##### Central Counterparty

Securities Lending Market (SLM)  
Borsa Istanbul A.Ş. Futures and Options Market (VIOP)  
Borsa Istanbul A.Ş. Money Market  
Borsa Istanbul A.Ş. Equity Market  
Borsa Istanbul A.Ş. Debt Securities Market  
Borsa Istanbul A.Ş. FX SWAP Market  
Over-the-Counter (OTC) Derivative Transactions

##### Fund Management

##### Cash Credit

Assignment and Notification of Limits

##### Market Operation

Takasbank Money Market (TMM)  
Turkey Electronic Fund Trading Platform (TEFAS)  
Securities Lending Market (SLM)

##### Settlement and Clearing

Borsa Istanbul A.Ş. Equity and Its Derivatives Settlement and Clearing  
Borsa Istanbul A.Ş. Futures and Options Market Settlement and Clearing  
Borsa Istanbul A.Ş. Precious Metals Market Settlement and Clearing  
Borsa Istanbul A.Ş. Debt Securities Market Settlement and Clearing  
Borsa Istanbul A.Ş. Money Market Settlement and Clearing  
Takasbank Check Settlement and Clearing System  
EXIST Electricity Market Settlement and Clearing  
EXIST Natural Gas Market Settlement and Clearing  
TÜRİB Electronic Warehouse Receipt (EWR) Transactions Settlement and Clearing  
Borsa Istanbul A.Ş. FX SWAP Market  
Settlement and Clearing of Over-the-Counter Derivative Transactions

##### Custody

Precious Metals Custody  
Debt Securities Custody  
Exercise of Debt Securities Rights  
Private Pension Funds Management  
Portfolio Custody  
Private Pension Fund Shares Information Service  
Physical Custody  
Local Custody  
Global Custody  
Shares Corporate Action  
Custody of Unallocated Share Certificates

##### Collateral Management

Borsa Istanbul A.Ş. Equity Market, Borsa Istanbul A.Ş. Debt Securities Market, Borsa Istanbul A.Ş. Money Market and Borsa Istanbul A.Ş. FX SWAP Market Collateral Management Service (under CCP)  
Borsa Istanbul A.Ş. VIOP Collateral Management Service  
Borsa Istanbul A.Ş. Precious Metals Market Collateral Management  
Securities Lending Market Collateral Management Service  
EXIST Electricity and Natural Gas Markets Collateral Management  
Collateral Management for Over-the-Counter Derivative Transactions  
Leveraged Trading Transactions, Collateral Safekeeping, and Reporting to the CMB

##### Transfer Services

Asset Transfer Service  
Debt Securities Transfers  
Equity and Its Derivatives Transfer  
Local Currency Payments and Transfers  
Gold Transfer System  
Foreign Currency Payment and Transfer  
Exchange-Traded Funds  
BiGA Platform

### Data Vending

Periodic Data Transfer to Data Vendors  
Real-Time Data Transfer to Data Vendors

### Numbering

International Securities Identification Numbering (ISIN)  
Legal Entity Identification (LEI)

### Other Services

TapuTakas (Takasbank Real Estate Title Deed Payment Transfer Service) Transactions  
MKK TRY Cash Correspondent  
Fund Valuation and Reporting to the CMB  
MKK FX Cash Correspondent  
Suspended Brokerage Houses Transactions  
Fund Information Platform  
Repo and Reverse Repo Transactions and Monitoring and Reporting  
Brokerage House Collateral Safekeeping

## INTERNATIONAL MEMBERSHIPS

### International Memberships

European Association of Central Counterparty Clearing Houses (EACH)  
Association of National Numbering Agencies (ANNA)  
Organisation of Islamic Cooperation (OIC) Member States' Stock Exchanges Forum  
ISO TC68/SC8 Committee  
Society for Worldwide Interbank Financial Telecommunication (SWIFT)  
CCP12

**EXPLANATIONS ABOUT THE BANK'S NUMBER OF EMPLOYEES AND BRANCHES, FUNCTIONS AND AREAS OF OPERATION, AND THE INDUSTRY ASSESSMENT OF THE BANK BASED ON THIS DATA**

**Vision, Mission and Values:**

**Vision**

“To become an internationally preferred, reliable, effective and innovative organization, offering clearing, settlement, collateral and risk management, and banking services at international quality standards.”

**Mission**

“To contribute to market development by offering reliable and effective after-sales services.”



## Values

### Trust

Takasbank strives to conduct its relations with its customers, shareholders, stakeholders, and employees with strict adherence to the principle of honesty and within the framework of mutual trust to provide services on time and in full, based on clear, accessible and accurate information.

### Stability

As a prominent infrastructure institution of the capital market, Takasbank contributes to financial stability in Turkey by offering effective clearing, settlement and custody services to both organized and over-the-counter markets.

### Customer Orientation

Takasbank creates solutions that reinforce the financial system's effectiveness and bolster market growth in clearing, settlement, custody, and related banking services and practices; develops projects within the framework of current and future needs of customers comprising intermediary institutions, exchanges, and other capital market institutions; and operates in an environment of constant collaboration and solidarity with customers and relevant institutions.

### Effectiveness

Takasbank embraces an investigative and inquiring approach to developing the most appropriate and accurate solutions for the development of clearing, settlement, custody, and banking services within the scope of market and industry needs by capitalizing on professional expertise and corporate memory at the highest level.

### Robust Financial Structure

Takasbank keeps its financial assets at the level necessary to encompass the risks undertaken and to cover the commitments given to the markets and settlement members, within the framework of the target to launch central counterparty mechanism at the capital markets through effective clearing, settlement and custody services

### Transparency

Takasbank discloses necessary notices and announcements to the public and related parties in an accurate and timely manner; it takes responsibility and accepts accountability requirements, and is ready and open to public oversight.

### Sustainability

Takasbank adopts innovative and creative solutions by observing the efficiency of the markets served and mitigates risk through an approach centered on continuous improvement.

## EXPLANATIONS ABOUT THE BANK'S NUMBER OF EMPLOYEES AND BRANCHES, FUNCTIONS AND AREAS OF OPERATION, AND THE INDUSTRY ASSESSMENT OF THE BANK BASED ON THIS DAT

In addition to domestic capital markets, Takasbank provides a settlement, clearing and custody infrastructure for the investments of Turkish financial organizations in international markets through its international custody network.

### Assessment of the Bank's Position in the Industry:

#### Macroeconomic Outlook, Capital Markets, and Takasbank

As was the case in 2018, geopolitical tensions, trade talks between the United States and China, and the Brexit process stood out on the global economic agenda from the first quarter of 2019 onwards. The decline in global economic activity became more striking and the uncertainty concerning global economic policies increased during the second half of 2019. While these issues slowed the global economic activity's momentum, the monetary attitude of both developed and developing countries loosened in this period. Consequently, the demand and risk appetite for the financial assets of developing countries rose, and protectionist measures and other uncertainties with the global economic policies undermined the portfolio flows to developing countries.

Rising tension caused by trade wars and geopolitical tensions negatively affect the indicators of investment, production and trust, impairing global growth. According to the economic outlook report of the Organization of Economic Cooperation and Development (OECD), the global economy was expected to grow at the lowest level with 2.9 percent in 2019 since the 2008 economic recession. OECD updated the expected growth for 2020 from 3.2 to 3 percent.

While the decline in the growth outlook in 2019 caused a drop in global commodity prices, geopolitical uncertainties, including the tension between the United States and Iran, caused fluctuations in oil prices. Increased risks for the global economy and inflation objectives falling short caused leading central banks to end their efforts towards normalization and return to loose policies in 2019.

While global markets followed a fragile course, the Federal Reserve reduced interest rates in July for the first time in 11 years. The Fed reduced interest by 75 basis points in 2019 with 25-point reductions in July, September and October, setting policy interest at 1.50 to 1.75. This interest reduction was justified as an act to support the economy. In Europe, while political uncertainty in the United Kingdom and Italy delayed the recovery of the European economy, the European Central Bank (ECB), in a meeting in September, reduced the deposit

interest rate and announced that had it reinstated the asset purchase program. The bank reduced the overnight borrowing rate by 10 basis points to -0.5 percent and announced that it would purchase €20 billion worth of bonds from November 1 onwards. The ECB stated in its Economic Bulletin that uncertainties caused by the increasing threat of protectionism in global trade, volatility in financial markets, and fragility in developing markets have damaged the growth outlook of the Eurozone.

The fact that the first phase of the agreement reached upon the trade talks that continued between the United States and China in 2019 will be executed in early 2020 stands out as a positive development for global markets. Strong monetary incentives and loose financial conditions are also expected to support global growth by capital flows.

Volatility in foreign currency rates and the rising interest rates placed Turkey in a period of recession in 2018. Following a negative 2.8 percent growth in the last quarter of 2018, 2.3 percent in the first quarter and 1.6 percent in the second quarter of 2019, the Turkish economy returned to positive growth with 0.9 percent in the third quarter of 2019. Having recessed until the third quarter of 2019, it completed the third period with positive growth with the help of stability established in financial markets and a moderate recovery in the credit volume. Leading indicators of the fourth quarter also show that the momentum of growth was sustained at an increasing rate. Volatility in foreign currency rates and the rising interest rates placed Turkey in a period of recession in 2018. Following a negative 2.8 percent growth in the last quarter of 2018, 2.3 percent in the first quarter and 1.6 percent in the second quarter of 2019, the Turkish economy returned to positive growth with 0.9 percent in the third quarter of 2019. Having recessed until the third quarter of 2019, it completed the third period with positive growth with the help of stability established in financial markets and a moderate recovery in the credit volume. Leading indicators of the fourth quarter also show that the momentum of growth was sustained at an increasing rate.

The Turkish economy and risk premium, following a quiet start to 2019 due to global developments, experienced fluctuations caused by uncertainties in the economic policies and geopolitical risks.

The falling trend in the inflation and expected inflation from the first quarter of 2019 contributed to the notable decline in credit and deposit interest rates, and the banking industry improved its liquidity position. This created momentum for credit growth based on supply and demand. Following a sharp rise attributable to the impact of foreign currency rate shocks and peaking at 25.24 percent, the inflation began to fall with a relatively stabilized foreign currency rate, increased food supply and reduced imports in 2019, seeing single-digit rates in September and 11.84 percent in December, still remaining below the 12 percent predicted in the NEP.

Reduced inflation and the elbow room given by the central banks of developing countries created favorable conditions for the CBRT, which reduced interest rates by 1,200 basis points

in total during the second half of the year and raised policy interest rate from 24 percent in the beginning of the year to 12 percent. A loose monetary policy and credit conditions are expected to contribute to a normalizing credit demand in 2020. While global monetary policies supported credit supply, the improvement of the credit conditions in Turkey is expected to affect credit demand positively.

## **Takasbank in International Markets**

### **Relations with International Capital Markets**

The globalization of financial markets refers to the free circulation of finance among countries and the increase in capital flows. This means eliminating the barriers that prevent international financial institutions from operating in all or some of these countries or provide cross-border financial services. This closely connects money, capital and other financial markets.

A series of clearing, settlement and custody standards, and regulations have been introduced to encourage participating countries in the global economic system to develop their capital markets – particularly clearing, settlement, and custody services – and achieve compliance with international capital markets.

The best-known and most commonly utilized of these regulations are the “European Market Infrastructure Regulation” (EMIR) and the “CPMI-IOSCO Principles for Financial Market Infrastructures.” Globalization and the ensuing dependency between financial markets necessitate improvement to the productivity, effectiveness, and reliability of the clearing, settlement, and custody systems, which are among of the most vital elements of a country’s capital market infrastructure, not only in local capital markets, but also in international markets.

Within the framework of harmonizing Turkish capital markets with international capital markets, Takasbank complies with all international standards regarding securities clearing, settlement, and custody systems, particularly in terms of legal framework, operational reliability, operational efficiency and transparency, settlement principles, settlement hours, protection of customer assets, and regulatory-supervisory issues.

In this respect, Takasbank continues to operate in full compliance with the 22 principles set out by CPMI-IOSCO for financial market infrastructure organizations. The CMB also recognized Takasbank as a qualified CCP complying with the CPMI-IOSCO Principles on Financial Market Infrastructures

on March 23, 2016. Takasbank subsequently applied to EU regulator ESMA to be recognized as a third country CCP in August 2016, and our efforts are in progress in 2019 to conclude our application.

Takasbank maintained its role as an effective and participatory role in international capital markets in 2019. Accordingly, together with BIAS and CSD of Turkey, it collaborated closely with both international and regional clearing, settlement, and custody institutions. Furthermore, Takasbank organized various training and workshops in line with its goal to become a regional finance center and help develop regional capital markets.

Along with these activities, Takasbank began providing CCP services at the Securities Lending Market, which it operates, in September 2013; at the Borsa Istanbul Futures and Options Market in March 2014; at the Istanbul Money Market in October 2016; at Borsa Istanbul Equity Market in June 2017; at the Borsa Istanbul Debt Securities Market in July 2018; at Borsa Istanbul SWAP Market in October 2018; and lastly at Over-the-Counter Derivatives transactions in December 2019.

In addition to domestic capital markets, Takasbank provides a settlement, clearing and custody infrastructure for the investments of financial organizations based in Turkey in international markets through its international custody network. This infrastructure is used for the settlement and clearing of participatory financial products such as Sukuk (Lease Certificate) in the International Bond Market in Borsa Istanbul, and provides a settlement, clearing and custody infrastructure to facilitate cooperation among regional and local markets.



## EXPLANATIONS ABOUT THE BANK'S NUMBER OF EMPLOYEES AND BRANCHES, FUNCTIONS AND AREAS OF OPERATION, AND THE INDUSTRY ASSESSMENT OF THE BANK BASED ON THIS DATA

Takasbank is one of the 37 CCP members of CCP12. This membership will contribute to the convergence of the Bank's CCP, central settlement and clearing practices with global best practices.

### International Memberships

#### European Association of Central Counterparty Clearing Houses (EACH)

The European Association of Central Counterparty Clearing Houses (EACH) was founded in 1992 with the goal of representing the common interests of Central Counterparty Clearing House organizations operating in European countries. It has 19 CCP service providers from 15 European countries. Takasbank became an EACH member at the organization's General Assembly on October 7, 2014. EACH membership affords Takasbank the opportunity to become acquainted with studies of CCP practices within the EU and express its views on these issues, as well as foster relationships and cooperation with the CCP member organizations.

#### Association of National Numbering Agencies (ANNA) Membership

The Association of National Numbering Agencies (ANNA) is an international organization with 98 full members and 19 associate members worldwide. National numbering agencies authorized to assign ISIN codes to securities are eligible for an ANNA membership.

As the national numbering agency in Turkey, Takasbank has been an active member of ANNA since 1995 and serves on the Technical Committee of ANNA Service Bureau (ASB), which aims to collect ISIN codes and basic securities information on a web-based platform and offer these codes and information as a product to financial institutions. As the world's largest ISIN and CFI database, the ASB database is a valuable resource for international financial markets.

#### Organization of the Islamic Conference (OIC)

Founded in 2005, the Organization of Islamic Conference (OIC) Member States' Stock Exchanges Forum aims to promote cooperation among stock exchanges operating in OIC countries. In addition to stock exchanges, clearing settlement and custody institutions operating in the capital markets may proactively participate the Forum's activities. The Forum has a total of 57 members consisting of 42 stock exchanges, seven settlement and custody institutions, and eight other institutions and associations.

#### Society for Worldwide Interbank Financial Telecommunication (SWIFT) Membership

SWIFT is a cooperative organization in which transactions related to the financial world are carried out quickly, precisely, and reliably. Its members are its shareholders. More than 11,000 financial institutions in over 200 countries can exchange standardized financial messages via SWIFT. Takasbank joined SWIFT since 1996, immediately after acquiring its investment banking license. Thanks to its SWIFT membership, Takasbank complies with international standards related to communication protocols.

#### CCP12

CCP12 is an association of 37 out of more than 50 CCPs operating across five continents worldwide. It aims to promote and support effective risk management standards for CCPs while managing systemic risks in global financial markets, follows legislation and legal initiatives related to CCP practices, and organizes consultation meetings and forums. It also publishes articles and reports about CCP12 practices on a regular basis.

Takasbank became one of the 37 CCP members of CCP12. This membership will contribute to the convergence of our Bank's CCP and central settlement and clearing practices with the best international practices.

#### Activities regarding the implementation of International Standards in Turkey

Standards applied in the Turkish financial markets:

- ISIN (ISO 6166), FISN (ISO 18774) and CFI (ISO 10962) codes for numbering securities,
- MIC code (ISO 10383) for market identification,
- ISO 17442 - LEI - Legal Entity Identifier code for the identification of legal entities that are a party to financial transactions,
- BIC code (ISO 9362) used to identify the banks,
- International customer bank account number (IBAN) (ISO 13616) standard code.

SWIFT messaging formats (ISO 15022) are used in international cash, securities, and commodity transfer transactions.

Takasbank has been providing National Numbering Agency services since 1995. As a National Numbering Agency, it allocates ISIN - ISO 6166, FISN - ISO 18774, CFI - ISO 10962, and LEI - ISO 17442 codes.

#### Representation Practices for International Standards

##### ISO TC68/SC8 Committee Membership

Takasbank represents Turkey on behalf of the Turkish Standards Institute (TSE) of the ISO TC68/SC8 Committee of the International Standards Organization (ISO), which develops international standards for securities and related financial instruments.

Within this framework, it serves as the president of the Working Group for the National Market (MTC43 Mirror Committee - Turkey), established to monitor the standardization of work of the ISO TC68/SC8 Committee for



securities and other financial instruments, to contribute to the development of these standards and to ensure the application of these standards in Turkey. The Group encompasses the entire capital market, through the participation of the Central Bank of the Republic of Turkey, the Banks Association of Turkey, the Turkish Capital Markets Association, custodian banks, commercial banks, investment banks and intermediary institutions. The Group encompasses the entire capital market, through the participation of the Central Bank of the Republic of Turkey, the Banks Association of Turkey, the Turkish Capital Markets Association, custodian banks, commercial banks, investment banks and intermediary institutions.

Takasbank is an active member of the ISO TC68/SC8 technical committee, which defines the reference data formats for financial services.

### **Representation and Presentation**

The services provided by our Bank and the global developments were announced to the public on our Bank's Corporate Website and social media accounts as well as through press releases and events.

In addition to participating in and sponsoring the activities of the industry in which it operates, Takasbank has shown utmost care for promoting and recognizing services tailored to different objectives and target audiences.

SWAP Market Training was held on February 27-28, 2019. Takasbank trained members of the market about settlement and clearing, and risk and collateral management in the SWAP Market. It also held a BiGA Project Workshop on March 19, 2019. The basic purposes of the project were mentioned and detailed information was provided about the infrastructure as part of promotion of the BiGA Project to the attendees. The 12<sup>th</sup> Turkish - Arab Summit was attended on March 23-24, 2019. The "TapuTakas" service of Takasbank was introduced at the summit. We also sponsored the Capital Markets Award Ceremony, which was held for the fourth time on April 17, 2019. Our Bank won the "Capital Market Honorary Award" with the "BiGA" and "Gold Transfer System" projects. Training was provided at our campus for the members of the Electricity Market on May 4, 2019, for the members of the Takasbank Money Market on July 19-25, 2019, and for the Collective Investment Institutions on July 22, 2019.

We supported the "Second National Blockchain Workshop" held on September 25-26, 2019, as the "Main Sponsor," Borsa Istanbul Group. An account of the "BiGA Project" was delivered in a session titled "An Example of the Use of Blockchain in the Financial System: BiGA Digital Gold."

Events for individual investors and the companies in the industry were organized with the attendance of the leading experts of Turkey as part of the Global Investors Week from October 1 to 6, 2019. Additionally, our Bank contributed to the event held at the Borsa Istanbul campus.

As part of the Borsa Istanbul Group, Takasbank was a sponsor of the 4<sup>th</sup> Etnospor Culture Festival, held on October 3-6, 2019.

Our Bank received the first-place award in the "Financial Inclusion" category of the IDC Turkey Finance Industry Technology Awards with the "BiGA Project" on October 22, 2019.

Our Bank supported the "TCMA Turkish Capital Markets Association Congress," held on November 19-20, 2019, as the "Main Sponsor" as part of the Borsa Istanbul Group. The event was attended at the executive management level, and our services were promoted at the stand placed in the fair area throughout the congress. Our Bank's Deputy General Manager and Board Member Gökhan Elibol and Executive Vice President Serkan Aşkar participated in the congress as speakers.

The "International Football Economy Forum (IFEFF)" was held at the Borsa Istanbul Campus on November 21, 2019. The event brought together all organizations and brands of the world of football, and issues such as deepening connections between football and business, economy, governance, globalization and infrastructure were discussed. Takasbank supported the event as the main sponsor and attended at the executive management level.

Takasbank supported sectorial events by sponsoring the Independent Industrialists' and Businessmen's Association (MÜSIAD) - Visionary event held in Haliç Congress Center on November 27, 2019, as part of the Borsa Istanbul Group.

Takasbank sponsored the "Turkey 2023 Summit" held on November 29, 2019, attending the event at the executive management level.

Takasbank attended the Indonesia Stock Exchange Training Program with the Borsa Istanbul Group on December 18-20, 2019. Our Bank gave training on issues including central counterparty (CCP), debt securities, and development of settlement and clearing practices.

"BiGA Member Information Meetings" were held in October, November, December and January under the BiGA Project.

Member Information Meetings were held under the Over-the-Counter (OTC) Derivative Transactions Clearing, Settlement and Collateral Management Services in November and December.

In line with its vision, Takasbank also aims to operate actively in the international domain. To this end, representatives of many foreign organizations were hosted in 2019.

Takasbank received the first-place award in the Financial Inclusion category of the IDC Turkey Finance Industry Technology Awards with the “BiGA Project” in 2019.

### Project Status Summary

Project Portfolio	Number of Completed Projects in 2019	Ongoing Projects as of the End of 2019	Number of Completed R&D Projects in 2019	Ongoing R&D Projects as of the End of 2019
Business Development	9	13		
Corporate Development	2	-		
IT Infrastructure Development	11	-		
<b>Total</b>	<b>22</b>	<b>13</b>	<b>4</b>	<b>4</b>



## As a Central Settlement Bank, Takasbank will start to provide clearing, settlement and collateral management services for the transactions on the Electricity Futures Market.

### Awards

Takasbank received the first-place award in the **Financial Inclusion** category of the **IDC Turkey Finance Industry Technology Awards** organized by IDC Turkey with the “**BiGA Project**” in 2019.

Our bank also won the “**Capital market Honorary Award**” at the **Fourth TCMA Capital Markets Awards** with its BiGA and Gold Transfer System (GTS) projects in April.

### Business Development Projects:

#### BISTECH Project – (R&D Project)

Project development activities continued with development and improvement projects on BISTECH in 2019, and the developments were successfully commissioned in the real environment with the master versions 2.8, 2.9 and 2.10.

As the final stage of the project, the efforts of adapting the Over-the-Counter (OTC) Derivatives were completed, and settlement, clearing and central counterparty services were launched for Over-the-Counter Derivatives on April 19, 2019.

#### Electricity Futures Market

Establishment of Electricity Futures Market as an organized market that renders it compulsory to make physical delivery to market participants under Enerji Piyasaları İşletme A.Ş. (EXIST) is in progress and the Market is expected to open in the third quarter of 2020. As a Central Settlement Bank, Takasbank will start to provide clearing, settlement and collateral management services for the transactions on the Market.

#### Gold-Backed Blockchain-Based Transfer Platform (BiGA) Project – (R&D Project)

BiGA is Takasbank's first project based on the Blockchain infrastructure. It was launched with six banks in 2019. The Gold-Backed Digital Asset project aims to create a gold-backed digital value, use the Blockchain infrastructure to issue this value and transfer it into book-entry gold, and facilitate transfers between people on the planned platform. Each

transaction made on the blockchain network is either visible to everyone or no details are available. The zero-knowledge algorithms used in Project BiGA enable a transaction infrastructure that is compliant with the regulations in effect. This structure is designed to allow:

- The sender and the receiver to view all transactions exclusively;
- The parties to approve or reject a transaction, even if they are unable to see the content of the transaction;
- The authorized parties on the system to view the content of any transaction at any time.

The platform also allows transfers between individuals. Provisions for each digital gold-backed asset are held in 100-percent physical form in Borsa Istanbul's vaults. The goal is to provide a digital certificate for physical gold that meets established criteria and to have this certificate used as a payment system in a variety of areas.

In this sense, the project will also contribute to Istanbul's goal of becoming a financial center. This project also received TEYDEB support. On-site R&D projects were included in our portfolio and entered into the Ministry's portal. An international PCT research report was obtained with the project and the transaction structure. A patent application was made in the European Union and the United States.

#### Check Settlement and Clearing Project – Phase 2

When the operations (Electronic Check Settlement and Clearing Services) of the Interbank Center for Settlement and Clearing Chambers carried out by the CBRT were transferred to Takasbank, the Check Settlement and Clearing Project – Phase 1 was completed and efforts were made for performance of those operations by our Bank under the Check Settlement and Clearing Project – Phase 2. The Project was successfully completed when Ankara and Istanbul offices and system rooms taken over from the Interbank Center for Settlement and Clearing Chambers were moved on March 29, 2019.

#### CCP Services for Over-the-Counter Derivatives Markets

With the launch of the project on December 19, 2019, we started to provide settlement and clearing, risk and collateral management services for the TRY OIS (overnight index swap) based on TLREF allowing banks to manage medium- and long-term Turkish lira interest risks without using their liquidity in foreign currency. This service allowed banks settled in Turkey to perform TRY OIS transactions with each other.



## INFORMATION TECHNOLOGIES, PROJECT DEVELOPMENT, AND RELATED OPERATIONS

For the systems operating on Takasbank's IT systems, those which were operating on a server and client, and those for which the manufacturer's support was to be discontinued were migrated to up-to-date and stable versions.

### CBRT Alternative Messaging Interface (EFT Backup) Project

This project allows the messages of the CBRT Payment Systems to be sent to the CBRT by an alternative message input infrastructure if they cannot be generated in the system and/or sent online by Takasbank for any reason. In this respect, messages, including primarily those of critical transactions, are sent to the CBRT participant interface system through an alternative message input infrastructure manually or automatically as part of the Payment Systems Business Continuity Plan to avoid hindering business continuity and achieve business continuity objectives.

### IT Infrastructure Development Projects

In 2019, we progressed further into transforming our member and business applications developed by our Bank so far into current front-end technologies and developing a new application development framework that will provide a suitable technological infrastructure within the next 5 to 10 years under the Takasbank Application Infrastructure New Framework Development Project, which also began as an R&D Project. The analysis, design and development works were completed within the year, and the efforts to transform the front-ends of all member applications using the new

application framework were started in November 2019. All front-ends are planned to be updated by the new application framework in 2020.

For the systems operating on our Bank's IT systems, those which were operating on a server and client, and those for which the manufacturer's support was to be discontinued were migrated to up-to-date and stable versions. This ensured business continuity and minimized security risks.

Installation of IDM (Identity Manager) incorporating central management and control of a user or the objects linked to a user was among the other infrastructure projects carried out within the year. It contributed to the digitization of the Takasbank Identity Management System and HR processes, creating a more reliable, practical and standardized service, and simplifying authorization monitoring and trace registrations.

Data Classification (DC) and Data Leak Prevention (DLP) were also carried out as infrastructure development projects within the year. Consequently, non-structural data management was improved and the requirements of the legislation that we are subject to were fulfilled.

The functional level of the active directory structure operating as our Bank's user database was upgraded. This ensured continuity and strengthened user database security.

The firewall and Advanced Persistent Threats (APT) devices were replaced under the transformation project in 2019. New products and infrastructures were activated at the end of 2019 as projected in the plan. All firewalls were consolidated and next-generation protection was established. In addition to the former security structure, the capabilities of monitoring Advanced Persistent Threat monitoring and taking action for end users were developed.



The security level of the SWIFT money transfer infrastructure used worldwide was revised and the infrastructure was improved in line with the suggested security checks.

Backup infrastructure of our Bank was renovated in 2019. The new structure has expedited backups and restores. The conditions for storing backed-up data on a disk or a cartridge have been improved. Conventional and next-generation backup from virtualization media and physical media can be used in hybrid form, and data backups can be taken from a fully fiber infrastructure.

### **IT Security and Risk Management Operations**

The Bank underwent an external audit by the independent auditor of SGS on July 18-19, 2019, to maintain the validity of the ISO 27001 – Information Security Management System Certificate to sustain the effectiveness of the ISMS activities and ensure their compliance with international standards. As a result of the audit, it was reported that the ISMS was maintained effectively in the Bank. We also successfully completed the ISO 27001 certificate renewal audit, establishing that the ISMS runs smoothly throughout the organization.

The ISO 27001 internal audit of 2019 and various works were completed. To raise awareness of information security, Takasbank staff received training on ISMS awareness. Additionally, phishing attacks based on social engineering were simulated to sustain our employees' awareness of information security. New personnel at the Bank were provided with information security awareness training.

Information systems penetration tests run on a yearly basis were done with full coverage in 2019. The reports prepared as per the legislation of the Banking Regulation and Supervision Agency (BRSA), the CMB and the CBRT were submitted to the relevant authorities. The audits made by an independent

auditor in compliance with the legislation of the BRSA, the CMB and the CBRT to ensure compliance of the inspection of information systems as per national and international standards were successfully completed.

An information systems audit was completed successfully within the scope of the BRSA regulations. An analysis of compliance to the Communiqué on Information Systems Management, published by the Capital Markets Board of Turkey, showed that all requirements were met. The audit will continue the following January.

Operational Risk Database efforts were completed for 2019. Furthermore, the Bank completed the analysis and reporting required for the preparation of Risk Management Reports in 2019.

Periodic information security tests were conducted and reports generated. The findings were inspected.

Four R&D projects, namely "TaşıtTakas (Vehicle Settlement and Clearing) Project," "Stock-Backed Mass Funding Escrow Service," "Blockchain-Based Payment System" and "Electricity Futures Market (EFM)," were in progress as of the end of 2019.

### **Business Continuity Operations**

As in previous years, in 2019 Takasbank maintained intensive efforts to implement an increasingly effective Business Continuity Management System.



## INFORMATION TECHNOLOGIES, PROJECT DEVELOPMENT, AND RELATED OPERATIONS

Four R&D projects, namely “Vehicle Settlement and Clearing Project,” “Stock-Backed Mass Funding Escrow Service,” “Blockchain-Based Payment System” and “Electricity Futures Market (EFM),” were in progress as of the end of 2019.

An evacuation drill was conducted with the coordination of Borsa Istanbul on October 10, 2019. A disaster recovery drill was conducted for the BISTECH systems and services on October 5, 2019. Another disaster recovery drill covering all stakeholders of the Borsa Istanbul Group and all of our critical services was conducted on October 12, 2019. During the drills, we succeeded in staying within the minimum recovery time objectives for all of the critical services. In addition, individual backup system restoration tests, failover tests, and tests for other business continuity recovery plans, such as operation on secondary servers of PDC, were conducted within the year.

Tests and drills were also among the services that raised the most awareness of business continuity in 2019 and allowed us to identify areas for improvement and create corresponding action plans. The activities of Business Continuity Management in 2019 are listed below:

- Takasbank personnel received BCMS awareness training online in October.
- The employees who were recruited in the last year or who were scheduled to receive refresher training were given Occupational Health and Safety training in December 2019.
- As part of the BCMS internal audit on June 26–28, 2019, the employees of all critical services, and HR, and IT teams underwent an inspection of business continuity activities, and the employees were informed to raise awareness on business continuity.
- A total of 27 employees received ISO 22301 Business Continuity Practice Training and 14 employees received ISO 22301 Business Continuity Internal Auditor Training in the first quarter of 2019.

- Additionally, the employees scheduled to attend the training voluntarily or under the direction of their managers, particularly those who were recruited within the last two years, received “Takasbank Business Continuity and IT Service Management” awareness training in person.

The Bank underwent the annual external audit in December conducted by an independent auditor to maintain the validity of the ISO 22301 – Business Continuity Certificate, which was awarded in 2014 in recognition of the Bank’s effective BCMS activities and their compliance with international standards. The audit concluded that the BCMS is effectively maintained at the Bank, and the certificate’s validity was verified.

### Management of the R&D Center

Our on-site R&D Center completed four R&D Projects: “BISTECH Over-the-Counter (OTC) Derivative Settlement and Clearing,” “BISTECH Derivative Market Physical FX Delivery Project,” “Application Infrastructure and New Framework Development Project,” and “Gold-Backed Digital Asset Platform (BiGA) Project” in 2019. Four R&D projects, namely “Vehicle Settlement and Clearing Project,” “Stock-Backed Mass Funding Escrow Service,” “Blockchain-Based Payment System” and “Electricity Futures Market (EFM),” were in progress as of the end of 2019. A TEYDEB application was made for the Blockchain-Based Payment System Project in 2019.

The PCT Patent report was published to give international recognition to the BiGA Project. The idea of the project is under protection in 155 countries. Patent application procedures were initiated in Turkey, the United States and the European Union. National and international patent applications will be made for this project. The Project’s “White Paper” was also published. BiGA Project Team organized Blockchain training courses.

Our employees benefited from the grants announced for commencing/completing a master’s program, starting a Ph.D., passing the Ph.D. qualification exam, earning a Ph.D. degree, publishing a research book, and publishing a paper, under the R&D Incentive Procedure.



# As part of a strategic partnership between Borsa Istanbul and NASDAQ, intensive design and test practices for BISTECH continued in 2019.

### Central Counterparty:

Takasbank designed the Central Counterparty (CCP) service based on legal grounds provided by the Capital Markets Law No. 6362 and by taking into consideration international best practices and regulations. It began providing the CCP service to the Securities Lending Market (SLM), which it manages, on the Futures and Options Market (VIOP) run by the Borsa Istanbul A.Ş., on the Money Market run by Borsa Istanbul A.Ş. (Borsa Istanbul MM), on the Borsa Istanbul Securities Market (Borsa Istanbul SM), Borsa Istanbul Debt Securities Market (Borsa Istanbul DSM), Borsa Istanbul SWAP Market and over-the-counter derivatives subject to central settlement and clearing.

As part of a strategic partnership between Borsa Istanbul and NASDAQ, intensive design and test practices for BISTECH continued in 2019. In this period, preparations for the provision of CCP services for the over-the-counter derivatives subject to central clearing and settlement were completed, and CCP services were launched for such transactions on December 19, 2019.

Takasbank continues to provide CCP services as a Qualified CCP, certified on March 23, 2016, by the Capital Markets Board for compliance with the 2012 CPMI-IOSCO Financial Infrastructure Institutions Principles. Accordingly, transactions between banks established in Turkey and Takasbank are deemed "qualified transactions" pursuant to the Banking Regulation and Supervision Agency legislation. The risks to which banks are exposed in this context are assessed with a lower risk weight in accordance with Appendix No. 4 of the Regulation on Measurement and Assessment of Banks' Capital Adequacy. Takasbank applied to the European Securities and Markets Authority (ESMA) for recognition as a third country central counterparty organization to ensure that its members operating as affiliates of banks registered in the EU enjoy the said advantages and conducted studies on this process in Turkey and abroad in 2019. It has also continued negotiations with the Bank of England regarding recognition comparable to that of the ESMA for the CCP following the Brexit process.

The Risk Advisory Committee, a crucial aspect of CCP, met in March and October of 2019 to discuss the CCP services provided by Takasbank.

### Financial Analysis:

The risks faced by the Bank because of its banking, central counterparty and other capital market operations are managed by credit and placement limits, market risk limits, guarantee and collateral limits, and custody limits assigned by the Board of Directors based on the internal or independent credit rating and assessment scores of counterparties.

The Takasbank Internal credit rating and assessment system is used to:

- Assign a rating score from A to E in descending order to determine the creditworthiness of banks, brokerage houses and other financial organizations;
- Determine the upper limit of nominal or at-risk value-based credit or position limits that can be assigned as part of banking or central counterparty operations;
- Determine membership types of the banks and brokerage houses to perform transactions with the market or capital market instruments for which central counterparty services are provided.

The general principles of the credit rating and assessment system used by Takasbank are explained on the Bank's corporate website.

Credit rating and assessment scores were allocated to 249 banks, brokerage houses, and factoring, leasing, financing, insurance and asset management companies operating in Turkey. These ratings were also used to establish the maximum limits that can be allocated within the scope of banking, central counterparty, and other capital market activities.

Risks of the organizations worked with under a loan, and loan and position risks taken for the central counterparty position are monitored and regularly reported.

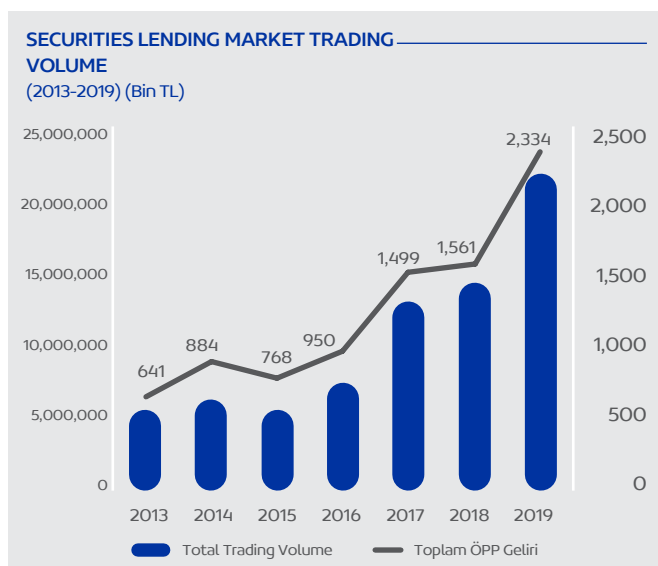
## 2019 DEVELOPMENTS

## Securities Lending Market (SLM):

In 2019, the Bank continued to strive to improve service quality, effectiveness, and wider use of the SLM by taking members' requests into consideration. In this context:

- The Securities Lending Market of our Bank was changed with the new market structure of the Borsa Istanbul Equity Market. Securities that may be borrowed were revised as "Shares on the Star Market Group 1 and Group 2, and on the Main Group 1 and Group 2, which are traded on the Stock Exchange Markets and can be subject to credit purchase and short-selling."
- The Securities Lending Market Directive and Procedure was amended to ensure uniformity of approach and method in the calculation of risks and collaterals in the markets where Central Counterparty Services are provided. For this purpose, assets and valuation coefficients under the collateral, composition of the collateral, margin call, and the assets that can be admitted into the collateral fund were revised.
- Member visits were held to attract new customers to the SLM. Furthermore, we pursued promotional efforts through social media such as Facebook, Twitter, and so on.
- Started in 2016, our Bank's commission tariff adjustment continued in 2019, as it did in 2017 and 2018. Accordingly, a 25-percent discount was applied to commissions on transactions with a maximum one-week maturity and a 50-percent discount was applied to those with a minimum maturity of one week.

As evident in the following chart, trading volume in the SLM is on a rising trend. By 2019, it had grown by more than sevenfold in comparison with 2013 when we began providing central counterparty services.



## Summary information on 2019 figures for the SLM:

As of year-end 2019, there are 52 brokerage houses with transaction authorization and 285 representatives in the SLM. In 2019, 50 brokerage houses performed transactions from 8,771 customer accounts, 28 mutual fund and partnership accounts, and 103 brokerage house portfolio accounts. In the Securities Lending Market, trading volume grew by 54.68 percent to 22 billion Turkish lira year-on-year in 2019 compared to 2018. The number of shares used in lending increased by 38.79 percent to 4.8 billion. In 2019, mutual funds and partnerships accounted for 12.4 percent of lending transactions. For brokerage houses, 55.37 percent of lending transactions were made from customer accounts and 32.23 percent from their portfolios. From the perspective of borrowers, 64.07 percent of SLM transactions in 2019 were the lent securities obtained by brokerage houses on behalf of their customers. A 34 percent of total borrowing transactions were borrowed for brokerage house portfolio accounts and 1.93 percent for mutual funds and partnerships. In 2019, 339 securities were processed in the SLM, and the monthly average number of securities being traded was 197. The daily average number of SLM contracts was 601, and the daily average number of orders made to the market was 1,581 in 2019. Of the total SLM trading volume in 2019, 82.54 percent were BIST-30 shares, 12.84 percent BIST 100 (other than the 30) shares, and the remaining 4.6 percent were non-BIST-100 Star Market and Main Market Group 1 and 2 shares and exchange-traded funds.

## TABLE Securities Lending Market 2018 and 2019 Data:

## 2018 AND 2019 FIGURES FOR THE SECURITIES LENDING MARKET

	2018	2019
Number of Orders	395,621	393,604
Number of Contracts	108,024	149,666
Number of Transactions	3,458,576,930	4,800,212,509
Trading Volume (TRY)	14,224,672,398	22,002,236,394

## TABLE SLM Members and Sub-Members:

## SLM MEMBERS AND SUB-MEMBERS

2019	NUMBER OF BORROWERS	NUMBER OF LENDERS	SLM MEMBER DISTRIBUTION
BROKERAGE HOUSE	49	42	50
	NUMBER OF BORROWING SUB-MEMBERS	NUMBER OF LENDING SUB-MEMBERS	NUMBER OF SUB-MEMBERS
2019			
PORTFOLIO	69	54	103
CUSTOMER	3,548	5,689	8,771
MUTUAL FUND/ MUTUAL TRUST	5	24	28
<b>TOTAL</b>	<b>3,622</b>	<b>5,767</b>	<b>8,902</b>

**TABLE Index of 2019 SLM Total Trading Volume****BREAKDOWN OF THE TOTAL TRADING VOLUMES OF THE SECURITIES LENDING MARKET ACCORDING TO THE INDEX (2019)**

	BIST 30	BIST 100 (Excluding 30)	Excluding BIST 100	EXCHANGE-TRADED FUNDS
TRY	18,161,261,553	2,825,948,783	1,013,026,280	1,999,777

**TABLE Number of Traded Securities and Number of Monthly Contracts on the SLM**

2019/MONTHS	NUMBER OF SECURITIES TRADED ON THE SLM	NUMBER OF CONTRACTS PER MONTH
January	196	13,637
February	189	12,284
March	190	13,108
April	190	9,209
May	169	11,757
June	183	10,021
July	201	17,859
August	180	10,920
September	209	13,462
October	217	10,880
November	222	12,087
December	213	14,442

**Takasbank Money Market (TMM):**

Improvements continued to be made in 2019 to keep up with market changes and developments in money and capital markets, meet the demands of the current TMM members, and improve service quality.

To diversify collaterals, the efforts initiated in 2018 for the inclusion of asset-backed securities in the class of assets that can be considered as eligible collaterals were completed, and the asset-backed securities issued by the “Türkiye Kalkınma ve Yatırım Bankası A.Ş. Asset Finance Fund” were the first assets to be accepted as collaterals on the TMM. Additionally, in line with the demands of our market participants, Borsa İstanbul A.Ş. shares were included in the assets that can be considered collaterals.

E-letter of guarantee made in the form of electronic documents started to be included in TMM collaterals as the Credit Registration Office launched the Electronic Letter of Guarantee Platform (ELGP) and our Bank completed the necessary infrastructure efforts.

In order to compliance with the markets for which our Bank provides Central Counterparty Service, valuation haircuts of the assets subject to the collateral were changed, and the lunch break has been abolished to ensure an uninterrupted service.

For a more effective management of risks and collaterals on the TMM, our Bank initiated legislation and infrastructure efforts to adapt the risk, collateral and default management structures in effect on the markets where our Bank operates as the central counterparty to TMM in 2019, and it is planned that the legislation and infrastructure will take effect by the year-end 2020.

An amendment of the “Communiqué on the Principles of Mutual Funds” in January 2019 limited the money market transactions on the money market and variable funds in Takasbank Money Market and domestic organized money markets with 20 percent of the total value of the funds. The provision that the total amount of investment by money market funds to reverse repo transactions and Takasbank Money Market and domestic organized money market transactions shall not exceed 40 percent of the total fund value was added to the “Mutual Funds Guidelines” in March. These provisions reduced the sales of the money market funds traded on the TMM through brokerage houses and banks. This reduction also had affected the total trading volume.

Summary information on 2019 figures for the Takasbank Money Market:

- In 2019, 145 organizations comprising 51 brokerage houses, 18 deposit banks, 9 development and investment banks, 53 financial institutions, 6 asset management companies, 1 complementary pension fund, and 7 insurance and pension companies traded on the TMM.
- In the first quarter of 2019, amendments to the mutual fund legislation reduced the total trading volume to 557 billion Turkish lira with a 35-percent decrease compared to the previous year. The average transaction size diminished by 30 percent compared to the previous year, reaching 2.4 million Turkish lira.
- Compared to the previous year, the daily average trading volume decreased by 35 percent to 2.2 billion Turkish lira, and the total number of transactions and daily average number of transactions decreased by 8 percent to 229,047 and 924 respectively.
- The number of mutual funds and trusts trading on the TMM reached 692 with a seven-percent increase compared to 2019. They accounted for 226 billion Turkish lira of the total trading volume with a 60-percent decrease compared to the previous year. The mutual funds and trusts trading on the TMM represented 20 percent of the total trading volume.

## 2019 DEVELOPMENTS

- Mutual funds and trusts represented 41 percent; brokerage houses and banks, 21 percent; portfolio of brokerage houses and banks, 18 percent; organizations defined under the Public Treasury Regulation, 9 percent; and financial organizations, and pension and insurance companies, 11 percent, of the sales transactions made on the TMM in 2019. On the buying side, transactions made by brokerage houses and banks for their portfolio accounted for 51 percent of the transactions, and the remaining 49 percent consisted of transactions made by other financial organizations.

**Takasbank Money Market Daily Transaction Averages**

Month	Average Trading Volume (TRY)	Average Number of Transactions
January	2,619,037,636	1,015
February	2,383,460,250	983
March	2,249,532,476	959
April	2,432,161,619	1,054
May	2,185,657,364	951
June	1,998,436,727	928
July	2,092,288,227	923
August	2,194,971,889	918
September	1,980,640,333	829
October	2,430,163,070	873
November	2,066,237,000	809
December	2,238,691,545	845

**Daily O/N Average Weighted Interest Rates and Benchmark Bond (%)**

Month	TMM	Repo/Reverse Repo Market	2-Year Benchmark Bond Yield
January	23.59	23.58	18.06
February	23.06	23.90	17.86
March	23.23	23.57	18.49
April	23.73	24.68	21.58
May	24.16	25.13	24.03
June	23.80	24.39	20.51
July	22.21	22.49	17.45
August	18.89	19.13	15.56
September	16.74	17.53	14.69
October	14.61	15.96	14.02
November	12.47	13.62	12.17
December	11.49	12.16	12.00

**Takasbank Money Market Trading Volume Distribution (%)**

MEMBERS	TOTAL SHARES
BROKERAGE HOUSES	53.4
DEVELOPMENT AND INVESTMENT BANKS	3.3
DEPOSIT BANKS	12.3
INSURANCE AND PENSION COMPANIES	3.9
FINANCIAL INSTITUTIONS	27.0
ASSET MANAGEMENT COMPANIES	0.1

**Turkey Electronic Fund Trading Platform (TEFAS):**

The Turkey Electronic Fund Trading Platform (TEFAS) contributes greatly to our fund industry to grow in a transparent, effective, and competitive environment. In 2019, the platform continued to grow with an increased trading volume.

PERIOD	TEFAS TRADING VOLUME (billion TRY)
2015	13.6
2016	21.6
2017	25.5
2018	27.4
2019	52.2

In 2019, 73 total institutions consisting of 36 brokerage houses, 23 banks, and 14 portfolio management companies performed transactions; 254 funds were traded at the TEFAS. Total trading volume and average trading volume in TEFAS were 52.16 billion Turkish lira and 209.47 million Turkish lira, respectively. Annual average trading volume rose by 91.62 percent. In 2019, banks accounted for 87.92 percent of the total trading volume, brokerage houses for 9.46 percent, and portfolio management companies for 2.62 percent.

As part of efforts to improve the effectiveness of the member requests and the TEFAS system in 2019,

- regulations and amendments were made to facilitate hedge fund trading on TEFAS. They also provided the trading of those funds in different currencies.
- Asset-Backed Securities (issued by the Asset Finance Fund of Türkiye Kalkınma ve Yatırım Bankası A.Ş.) were declared eligible for use as collateral.
- Investor demands for more effective use of the portal were met with the development of the Fund Information Platform ([www.tefas.gov.tr](http://www.tefas.gov.tr) and [www.fonturkey.com.tr](http://www.fonturkey.com.tr) mobile application) operated by Takasbank in 2019.

A total of 73 organizations traded on TEFAS in 2019, and the total trading volume was 52.16 billion Turkish lira.

2019	TRADING VOLUME (TRY)					NUMBER OF TRADING INSTITUTIONS			
	BROKERAGE HOUSES	BANK	PORTFOLIO MANAGEMENT COMPANIES	TOTAL	AVERAGE	BROKERAGE HOUSES	BANK	PORTFOLIO MANAGEMENT COMPANIES	TOTAL
JANUARY	109,585,618.82	1,227,150,194.07	105,931,817.69	1,442,667,630.58	65,575,801.39	29	23	7	59
FEBRUARY	99,370,541.54	1,441,984,967.96	120,545,096.97	1,661,900,606.47	83,095,030.32	31	22	11	64
MARCH	148,979,280.59	1,992,296,475.13	75,064,470.98	2,216,340,226.70	105,540,010.80	31	23	7	61
APRIL	177,798,972.51	2,249,483,927.33	62,775,974.25	2,490,058,874.09	118,574,232.10	29	23	6	58
MAY	256,357,423.63	3,459,200,289.43	131,023,758.50	3,846,581,471.56	174,844,612.34	28	23	7	58
JUNE	305,225,867.31	1,873,184,994.54	63,808,327.97	2,242,219,189.82	131,895,246.46	29	23	4	56
JULY	464,956,661.75	3,501,262,207.01	140,747,832.23	4,106,966,700.99	186,680,304.59	29	23	7	59
AUGUST	412,742,118.25	3,740,091,441.93	62,871,268.53	4,215,704,828.71	234,205,823.82	28	23	7	58
SEPTEMBER	467,380,442.75	4,043,465,657.66	99,731,992.98	4,610,578,093.39	219,551,337.78	31	23	7	61
OCTOBER	795,129,497.36	5,991,008,818.22	132,209,336.30	6,918,347,651.88	314,470,347.81	31	23	10	64
NOVEMBER	732,258,795.77	6,519,497,005.69	146,529,344.68	7,398,285,146.14	352,299,292.67	30	23	9	62
DECEMBER	964,230,811.64	9,818,113,447.83	225,701,553.61	11,008,045,813.08	500,365,718.78	31	23	11	65
<b>TOTAL</b>	<b>4,934,016,031.92</b>	<b>45,856,739,426.80</b>	<b>1,366,940,774.69</b>	<b>52,157,696,233.41</b>	<b>209,468,659.57</b>	<b>36</b>	<b>23</b>	<b>14</b>	<b>73</b>

## 2019

### Trading Volume Breakdown by Fund Type

Fund Type	Trading Volume (TRY)	Percentage
Variable Umbrella Fund	13,964,233,720.79	26.77%
Debt Securities Umbrella Fund	11,912,218,861.69	22.84%
Money Market Umbrella Fund	7,975,951,814.38	15.29%
Debt Securities Umbrella Fund (Short-Term)	4,731,423,975.95	9.07%
Stock Umbrella Fund	3,909,229,541.24	7.50%
Participation Umbrella Fund	3,727,983,407.99	7.15%
Fund Basket Umbrella Fund	2,291,673,362.67	4.39%
Participation Umbrella Fund (Short-Term)	1,766,905,696.61	3.39%
Precious Metals Umbrella Fund	1,681,596,546.68	3.22%
Mixed Umbrella Fund	142,000,227.91	0.27%
Hedge Umbrella Fund	54,479,077.50	0.10%
<b>TOTAL</b>	<b>52,157,696,233.41</b>	<b>100%</b>

## 2019 DEVELOPMENTS

### Equity Market Clearing, Settlement and Collateral Management Service:

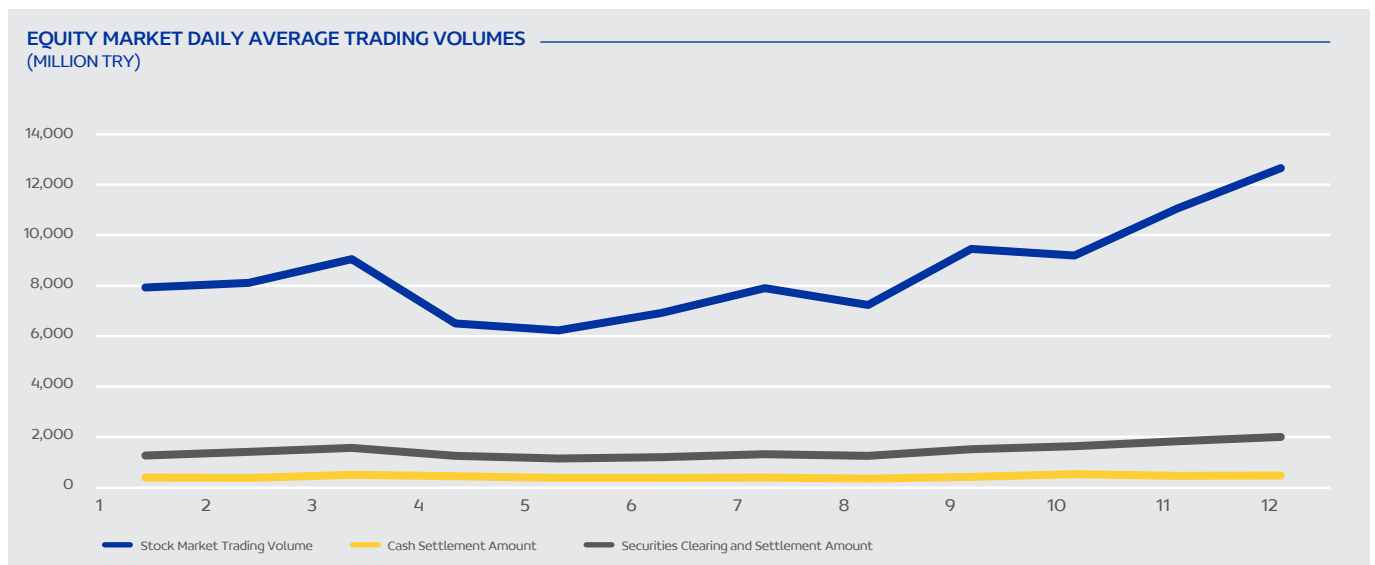
For the trades executed on Borsa Istanbul Equity Market where the services of clearing and settlement, risk management and collateral management are provided by Our Bank, as of 19.06.2017, CCP service began to be provided as well. Clearing and settlement of the trades executed on the Market; on the second business day following the transaction day, as book-entry, is carried out within the frame of the principles of multilateral netting and Delivery vs. Payment (DvP). In 2019, a

total of 56 brokerage houses' and an investment bank's trading volume reached 2,134.04 billion Turkish lira in the Equity Market. After netting, cash settlement in an amount of 108.21 billion Turkish lira (5.07 percent) and securities settlement in a market amount of 365.10 billion Turkish lira (17.11 percent) are carried out.

**Equity Market Daily Average Trading Volumes  
(million TRY)**

Month	Stock Market Trading Volume	Cash Settlement Amount	Securities Clearing and Settlement Amount	BIST 100 Index Value (*)
JANUARY	7,924.01	401.17	1,277.92	104,074.22
FEBRUARY	8,116.25	387.20	1,423.67	104,529.93
MARCH	9,057.02	500.10	1,571.48	93,784.18
APRIL	6,512.83	447.57	1,267.67	95,415.57
MAY	6,233.45	395.03	1,155.05	90,589.73
JUNE	6,924.02	383.10	1,204.80	96,485.32
JULY	7,903.82	397.33	1,326.97	102,082.48
AUGUST	7,232.16	365.22	1,265.47	96,718.00
SEPTEMBER	9,459.12	431.09	1,523.03	105,033.02
OCTOBER	9,199.13	531.34	1,646.72	98,468.52
NOVEMBER	11,060.39	469.16	1,839.84	106,903.68
DECEMBER	12,646.35	482.77	2,007.99	114,424.96

(\*) Month-end index closing value.



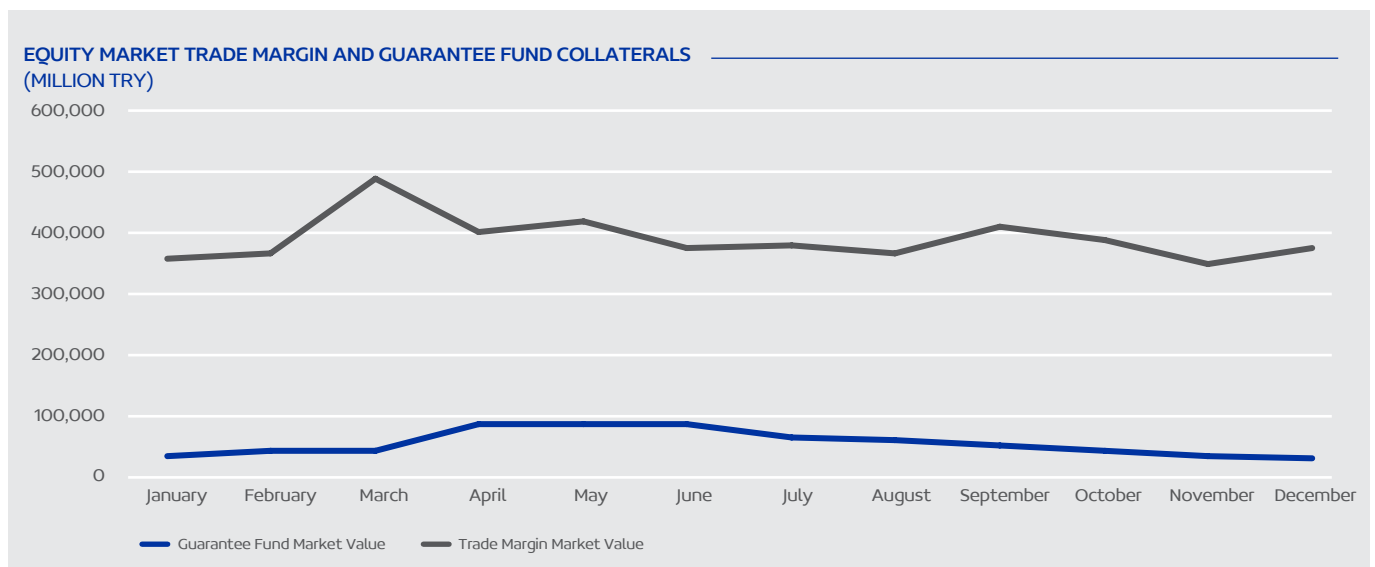
As of the end of 2019, the market value of Equity Market trade margin managed by Takasbank was 348.77 million Turkish Lira, and the market value of guarantee fund participation shares was 38.61 million Turkish Lira.”



## EQUITY MARKET TRADE MARGIN AND GUARANTEE FUND COLLATERALS (million TRY)

Month	Trade Margin Market Value	Guarantee Fund Market Value
January	323.78	43.60
February	323.34	51.02
March	446.22	52.91
April	320.36	93.12
May	335.15	94.42
June	288.86	95.33
July	316.97	70.95
August	307.13	70.07
September	360.52	60.40
October	348.90	49.02
November	315.56	41.59
December	348.77	38.61

\* Month-end values were used.



## Futures and Options Market Settlement, Clearing and Collateral Management:

Our Bank provided settlement and clearing, risk and collateral management services on the Futures and Options Market (VIOP), which was founded under Borsa Istanbul on December 21, 2012, and commenced acting as a CCP for the trade margin on VIOP from March 3, 2014. Accordingly, our Bank acts as a seller to the buyer and vice versa, using transaction collateral and members' guarantee fund contributions as well as the Bank's capital in profit/loss distribution and in performing liabilities in the event of default. The service encompasses opening accounts to execute transactions on VIOP, managing margin and guarantee fund contribution amounts, accruing interest on cash margins, post-trade real-time risk management via BISTECH Margin Management, pre-order risk management for risky accounts, position creation,

calculating profit/loss, using options, executing margin calls, and settlement of physically delivered contracts, including default management, and reporting the transactions on VIOP to the data storage organization.

The total number of active members in the VIOP was 67 by 2019 year-end. As of December 31, 2019, the number of open positions in VIOP reached 3,544,599 with a market value of 9.73 billion Turkish lira. As of the same day, trading volume was 5.93 billion Turkish lira with 240,383 active accounts.

### Annual Figures for the Borsa Istanbul Futures and Options Market Service

	2014	2015	2016	2017	2018	2019
Trade Margin Value (million TRY)*	1,819	2,197	2,641	3,237	3,890	5,832
Guarantee Fund Collateral Value (million TRY)*	165	192	204	201	277	200
Trading Volume (million TRY)	434,632	567,608	580,611	829,925	1,259,762	1,435,864
Profit/Loss (million TRY)	6,663	8,280	8,899	12,507	23,774	31,361

(\*) As of the last business day of the year

As part of the Margin Management Service provided to the derivatives market, real-time risk management is conducted by the BISTECH Margin Method, an internationally proven and widely recognized portfolio-based calculation algorithm, at the Borsa Istanbul Futures and Options Market (VIOP). As of the end of 2019, market value of the VIOP margin total is 5.83 billion Turkish lira; of this amount, the Turkish lira cash margin constitutes 5.11 billion Turkish lira.

### Futures and Options Market Guarantee Fund Collateral Management:

At Futures and Options Market, Takasbank provides the service for management of the guarantee fund. By 2019, the total guarantee fund contribution of VIOP clearing members was 200 million Turkish lira. 136 million Turkish lira out of total fund accounted for cash contributions.

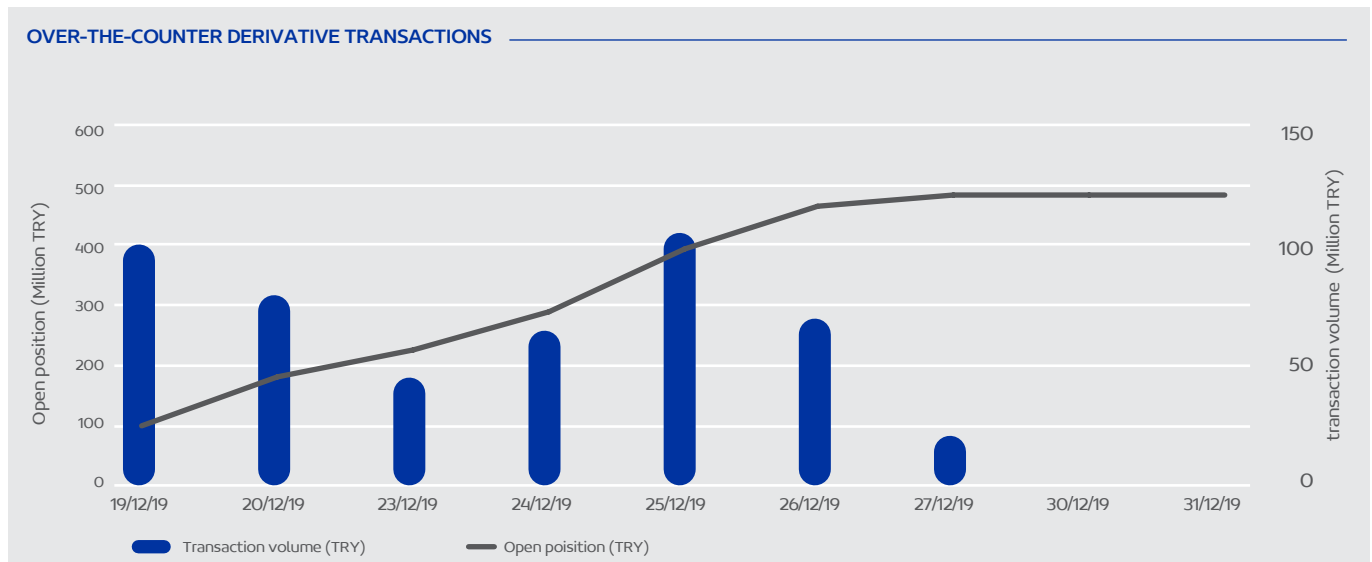
### Settlement, Clearing and Collateral Management for Over-the-Counter Derivative Transactions

Following the completion of the efforts under the Central Counterparty services to be provided for over-the-counter derivative transactions by our Bank, the Capital Market Board, at its meeting No. 64 dated November 7, 2019, approved the "Settlement and Clearing, and Central Counterparty Service Principles Directive for the Transactions of Over-the-Counter

Derivative Markets of Istanbul Takas ve Saklama Bankası A.Ş." and it was resolved subject to the approval of the Board that the services be initiated with Interest Rate Swap (IRS) and Overnight Index Swap (OIS) contracts based on Turkish lira interest rates.

Planning to provide settlement, clearing and risk management for interest-based Turkish lira IRS and Turkish lira OIS contracts under the assurance of CCP at the first stage, our Bank is of the opinion that OIS contracts in compliance with the IOSCO standards based on Turkish lira Overnight Reference Interest Rate (TLREF) will form the infrastructure of the interest settlement and clearing agreements with both legs in Turkish lira, thereby enabling our banks to manage medium- and long-term Turkish lira interest rate risks without using their foreign currency liquidity. The service covering the transactions among the voluntary domestic bank members of Takasbank enabled Turkish banks without an ISDA agreement among them to trade with each other.

Central counterparty services have been provided since December 31, 2019. The organization had 14 members, 485 million Turkish lira of short position, 185 million Turkish lira of total trade margin, and 37 million Turkish lira of guarantee fund contribution. Breakdowns of daily transaction volumes and short position sizes, trade margin and guarantee fund contribution, and details of short positions by maturity are given below.



## Collateral Composition of Over-the-Counter Derivative Transactions

Collateral Composition	Trade Margin	Guarantee Fund Contribution
Cash in Turkish Lira	17,329,168	4,014,554
Bills – Bonds	Nominal Value: 100,250,000 Market Value: 167,420,358.05	Nominal Value: 29,200,000 Market Value: 32,938,379.98

## Breakdown of the Maturities of Over-the-Counter Derivative Transactions

Maturity	Nominal Amount
0–1 month	70,000,000
1–3 months	120,000,000
3–6 months	70,000,000
6–12 months	145,000,000
1–5 years	80,000,000
<b>Total</b>	<b>485,000,000</b>

## Debt Securities Market Clearing and Settlement Service:

Since July 2, 2018, Takasbank has begun providing CCP services for transactions executed on the Borsa Istanbul Debt Securities Market, at which the Bank provides clearing, settlement, risk management, and collateral management services.

In 2019, total trading in Borsa Istanbul Debt Securities Outright Purchases and Sales, and Repo-Reverse Repo Markets reached

14.62 trillion Turkish lira. Outright Purchases and Sales Market corporate bonds transactions accounted for 26.83 billion Turkish lira of this amount.

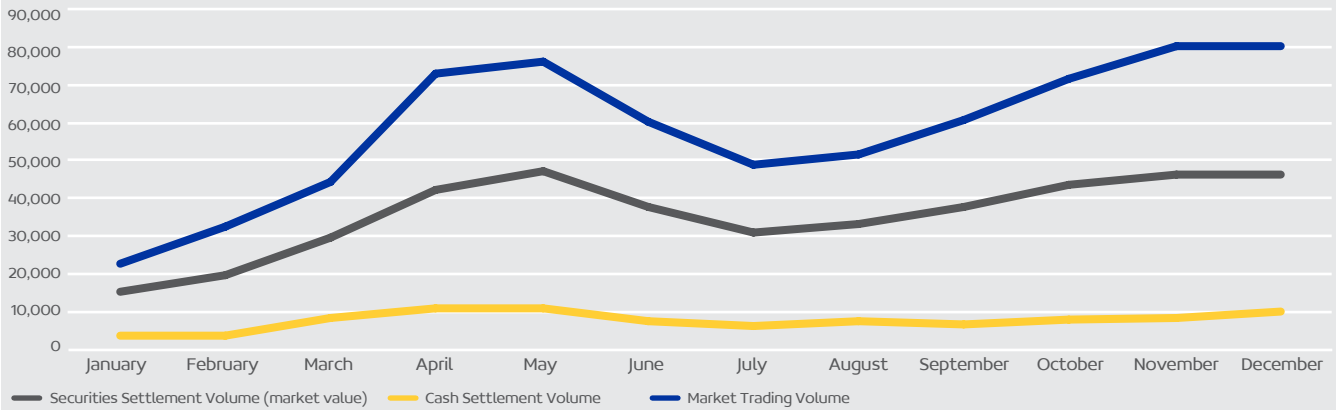
After multilateral netting, Takasbank executed a cash settlement of 1.96 trillion Turkish lira (13.43 percent of the total stock market trading volume) and securities settlement with a total market value of 8.98 trillion Turkish lira (61.40 percent of the total stock market trading volume).

## BORSA ISTANBUL DEBT SECURITY MARKET MONTHLY AVERAGE TRADING VOLUME (million TRY)

MONTH	Securities Settlement Volume (Market Value)	Cash Settlement Volume	Stock Market Trading Volume
January	15,154.11	3,801.53	22,536.09
February	19,486.53	3,558.89	32,355.01
March	29,565.43	8,696.57	44,199.50
April	42,619.08	11,285.10	73,077.85
May	47,534.29	11,322.92	76,433.32
June	38,086.48	7,567.58	60,441.00
July	31,006.06	6,210.21	48,977.91
August	33,390.33	7,616.46	51,604.67
September	38,021.80	6,941.31	60,613.12
October	43,793.48	8,054.00	71,729.87
November	46,468.46	8,831.73	80,432.77
December	46,698.30	10,425.84	80,212.27

## 2019 DEVELOPMENTS

**BİAŞ DEBT SECURITIES MARKET  
AVERAGE TRANSACTION VOLUME  
(Million TRY)**



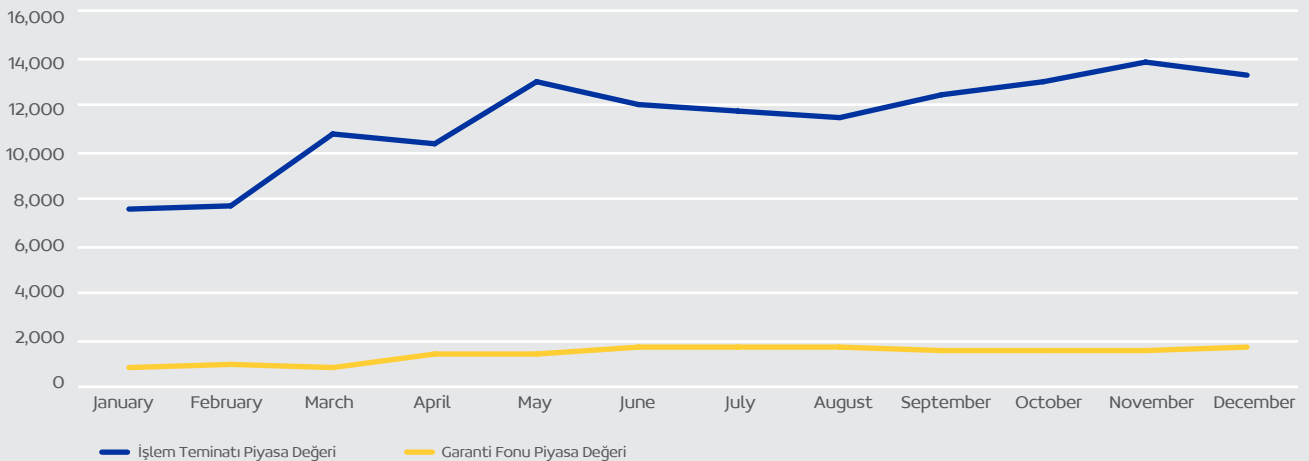
Market value of the trade margin on the Debt Securities Market was 13.28 billion Turkish lira and the total value of the guarantee fund contributions was 1.59 billion Turkish lira as of December 31, 2019.

**TRADE MARGIN ON THE DEBT SECURITIES MARKET (Million TRY)**

Month	Trade Margin Market Value	Guarantee Fund Market Value
January	7,599.71	839.04
February	7,690.68	924.57
March	10,724.31	843.92
April	10,341.13	1,380.33
May	13,055.13	1,417.16
June	12,085.21	1,592.02
July	11,760.96	1,655.12
August	11,482.74	1,623.77
September	12,458.71	1,569.64
October	13,032.22	1,486.63
November	13,805.58	1,473.54
December	13,278.93	1,588.45

\* Month-end values were used

**DEBT SECURITIES MARKET TRADE MARGIN AND GUARANTEE FUND COLLATERALS (MILLION TRY)**



## Borsa Istanbul Money Market Settlement and Collateral Management Service

64. As part of action plan no. 80, titled "Corporate Investors will be Provided with Incentives in the Capital Markets", set forth in the Government Action Plan, and with the goal of stimulating organized money market growth, issuing variable interest rate debt instruments in TRY and establishing generally accepted TRY reference interest rates for long-term (1-3 months), Borsa Istanbul A.Ş. was founded under the auspices of the Ministry of Treasury and Finance, and the CBT, and the "Borsa Istanbul Money Market" was established and put in operation under Borsa Istanbul A.Ş. on October 14, 2016,

within the scope of the principles established with participation by officials from Takasbank. Borsa Istanbul A.Ş. was founded under the auspices of the Central Bank, and the "Borsa Istanbul Money Market" was established and put in operation under Borsa Istanbul A.Ş. on October 14, 2016, within the scope of the principles established with participation by officials from Takasbank. Takasbank serves as the Central Counterparty to execute clearing and settlement transactions on the Borsa Istanbul Money Market.

Market value of the trade margin on the Borsa Istanbul Money Market was 122.47 million Turkish lira and the total value of the guarantee fund contributions was 12.28 million Turkish lira as of December 31, 2019.

## Borsa Istanbul A.Ş. FX SWAP Market Settlement and Clearing Service

Launched the SWAP Market (Market), a market for SWAPs, one of the methods used as an alternative to purchasing foreign currency in strategies for hedging financial assets in Turkey as part of Borsa Istanbul on October 1, 2018, under the leadership of the Borsa Istanbul Group and the Turkish Ministry

of Treasury and Finance, and our Bank serves the transactions on the market as a Central Counterparty (CCP). Settlement and clearing is done on the same day (T+0) within the framework of the payment against payment for the transactions on the market and on the effective date for forward transactions.

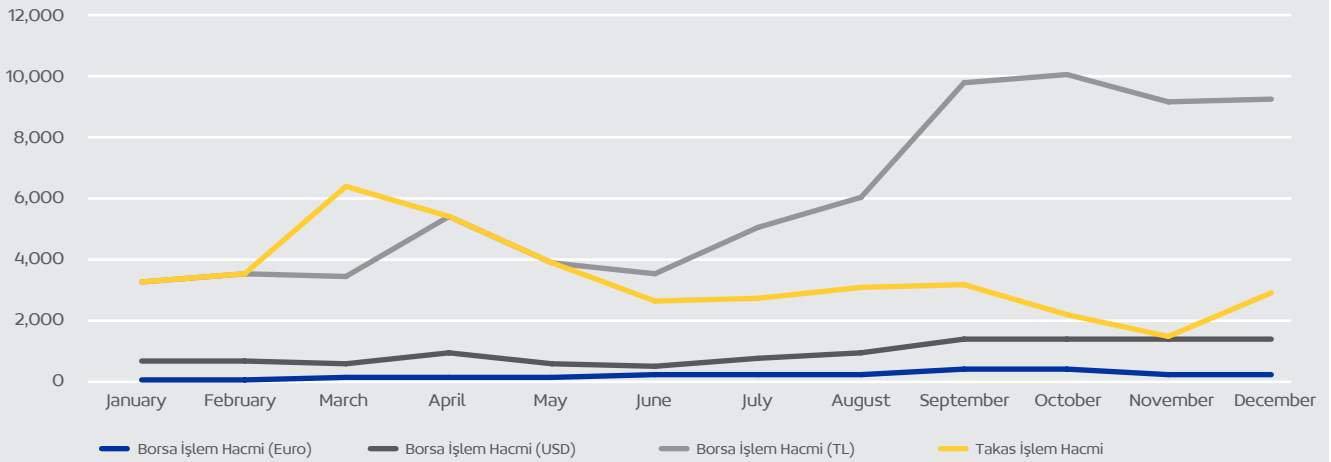
A total of 35 banks made a total transaction of 3.02 trillion Turkish lira on the SWAP Market in 2019, and a cash settlement and clearing of 774.39 billion Turkish lira (25.66 percent of the total trading volume) took place by multilateral netting.

### SWAP MARKET AVERAGE TRADING VOLUMES (Million TRY)

Month	Stock Market Trading Volume		Settlement Volume	
	EUR	USD	TRY	TRY
January	-	599.55	3,222.00	3,222.00
February	-	656.15	3,459.61	3,459.61
March	68.81	545.52	3,390.64	6,381.62
April	68.57	852.62	5,344.31	5,344.31
May	70.91	564.27	3,891.30	3,891.30
June	135.53	448.41	3,496.97	2,615.89
July	152.05	717.55	5,026.59	2,716.26
August	155.00	892.72	6,043.11	3,057.50
September	341.90	1,337.62	9,777.42	3,091.50
October	358.05	1,335.32	10,000.77	2,173.13
November	208.24	1,368.31	9,163.08	1,431.57
December	184.18	1,365.59	9,239.10	2,873.19

## 2019 DEVELOPMENTS

## SWAP MARKET AVERAGE TRANSACTION VOLUME (MILLION TRY)



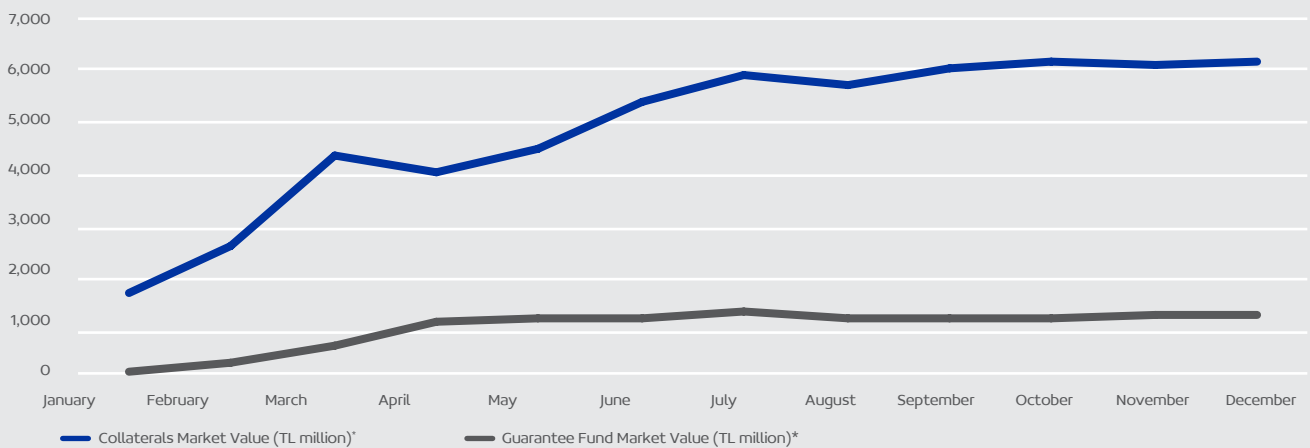
Market value of the trade margin on the was 6.18 billion Turkish lira and the total value of the guarantee fund contributions was 1.32 billion Turkish lira as of December 31, 2019.

## SWAP MARKET TRADE MARGIN AND GUARANTEE FUND COLLATERALS (million TRY)

Month	Trade Margin Market Value	Guarantee Fund Market Value
January	1,757.41	254.77
February	2,623.25	431.02
March	4,343.34	729.64
April	4,066.48	1,215.99
May	4,478.65	1,236.94
June	5,402.66	1,244.95
July	5,932.22	1,376.79
August	5,713.86	1,267.77
September	6,054.98	1,232.90
October	6,133.65	1,278.41
November	6,085.84	1,299.32
December	6,183.19	1,316.42

\* Month-end values were used.

## SWAP MARKET TRADE MARGIN AND GUARANTEE FUND COLLATERALS (MILLION TRY)





## EXIST Electricity Market Settlement and Collateral Management

Takasbank, acting as a central settlement bank for transactions on the Electricity Market operated by Enerji Piyasaları İşletme A.Ş. (EXIST), continued to provide settlement, clearing and collateral management services to 1,244 participants, increasing its trading volume by 33 percent compared to the previous year. The data of the transactions in 2019 are given below.

### Electricity Day-Ahead and Intra-Day Markets Advance and Invoice Transactions – Number of Monthly Participants and Trading Volume (2019)

Month	Number of Participants	Advance Trading Volume (TRY)	Invoice Trading Volume (TRY)
January	1,176	6,853,054,894.29	7,933,548,164.83
February	1,179	6,120,702,285.39	9,178,397,347.88
March	1,173	6,390,399,816.47	8,473,284,312.83
April	1,173	4,781,832,618.81	10,390,263,333.48
May	1,180	5,237,129,311.86	11,684,964,918.49
June	1,183	5,556,776,566.56	14,429,732,824.60
July	1,198	9,483,759,650.33	10,976,491,490.16
August	1,206	8,395,255,442.77	10,018,404,470.98
September	1,215	8,564,732,466.97	9,791,211,519.69
October	1,241	7,117,247,056.10	8,616,010,365.52
November	1,238	7,347,383,141.10	7,310,150,366.12
December	1,244	8,495,866,487.73	6,801,963,957.57
<b>Total</b>		<b>84,344,139,738.38</b>	<b>115,604,423,072.15</b>

As of December 31, 2019, the total market value of the collaterals safe kept at Takasbank accounts for Electricity Market transactions was 793.76 million Turkish lira. Said collaterals held by Takasbank are comprised of 792.15 million Turkish lira, €58,224, \$155,870 and 305,807 GDS with nominal value.

## EXIST Natural Gas Market Settlement, Clearing and Collateral Management

Takasbank, acting as a central settlement bank for transactions on the Organized Wholesale Natural Gas Sales Market operated by Enerji Piyasaları İşletme A.Ş. (EXIST), continued to provide settlement, clearing and collateral management services to 47 participants. The data of the transactions in 2019 are given below.

### Natural Gas Day-Ahead and Intra-Day Markets Advance and Invoice Transactions – Number of Monthly Participants and Trading Volume (2019)

Month	Number of Participants	Advance Trading Volume (TRY)	Invoice Trading Volume (TRY)
January	46	275,457,251.50	400,538,020.28
February	44	319,942,463.50	365,437,631.60
March	44	236,107,885.50	513,496,204.56
April	44	310,962,081.50	398,090,241.86
May	45	170,803,121	400,661,406.65
June	45	244,511,056	256,695,547.11
July	45	375,651,094	385,041,217.34
August	45	349,861,236.50	510,410,817.96
September	46	407,019,450	493,360,803.40
October	47	341,423,288.50	462,678,524.91
November	47	337,105,857.50	296,332,617.43
December	47	429,041,195	369,427,496.44
<b>Total</b>		<b>3,797,885,980.50</b>	<b>4,852,170,529.54</b>

As of December 31, 2019, the total market value of the collaterals safe kept at Takasbank accounts for Natural Gas Market transactions was 134.40 million Turkish lira. This collateral kept by Takasbank consists of 132.02 million Turkish lira and \$400,100.

## 2019 DEVELOPMENTS

### Electronic Warehouse Receipts (EWR) Clearing and Settlement Service:

Trading of EWRs, which had occurred on the commodity exchanges platform since 2013, was moved to the Turkey Mercantile Exchange (TME) with the launch of TME established on July 26, 2019, to improve the formation of prices and market transparency.

Takasbank performs the settlement and clearing of electronic product certificates via a bilateral system.

Registration fees, compensation funds and warehouse fees are collected from the cash-receiving member at the time of the RTGS DvP transfer. The registration fee and compensation fund amounts are transferred to the commodity exchanges, and the warehouse fee is transferred to the licensed warehouse accounts.

EWR trading volumes for 2019 are detailed below.

#### Monthly Number and Volume of Electronic Warehouse Receipt (EWR) Transactions (2019)

MONTH	NUMBER OF TRANSACTIONS	AMOUNT	TRADING VOLUME (TRY)
January	6,064	219,261,477	249,631,758.48
February	8,526	324,233,802	373,078,585.33
March	8,864	524,402,528	609,349,568.21
April	10,746	517,152,398	619,005,795.07
May	4,680	253,539,529	316,028,167.42
June	13,838	179,778,076	279,310,075.67
July	71,262	750,795,540	1,021,044,475.53
August	24,740	271,686,679	385,930,707.09
September	28,678	328,624,072	476,810,372.06
October	47,860	648,680,903	813,129,129.67
November	48,042	855,884,936	998,481,556.51
December	10,286	256,172,304	312,482,450.90
<b>Grand Total</b>	<b>283,586</b>	<b>5,130,212,244</b>	<b>6,454,282,641.94</b>

## Precious Metals Market Settlement and Collateral Management:

Borsa Istanbul A.Ş. Cash settlement, risk and collateral management services for precious mineral transactions on the Precious Minerals and Precious Stones Markets are provided by Takasbank, and the infrastructure of the service was migrated to BISTECH infrastructure on July 2, 2018.

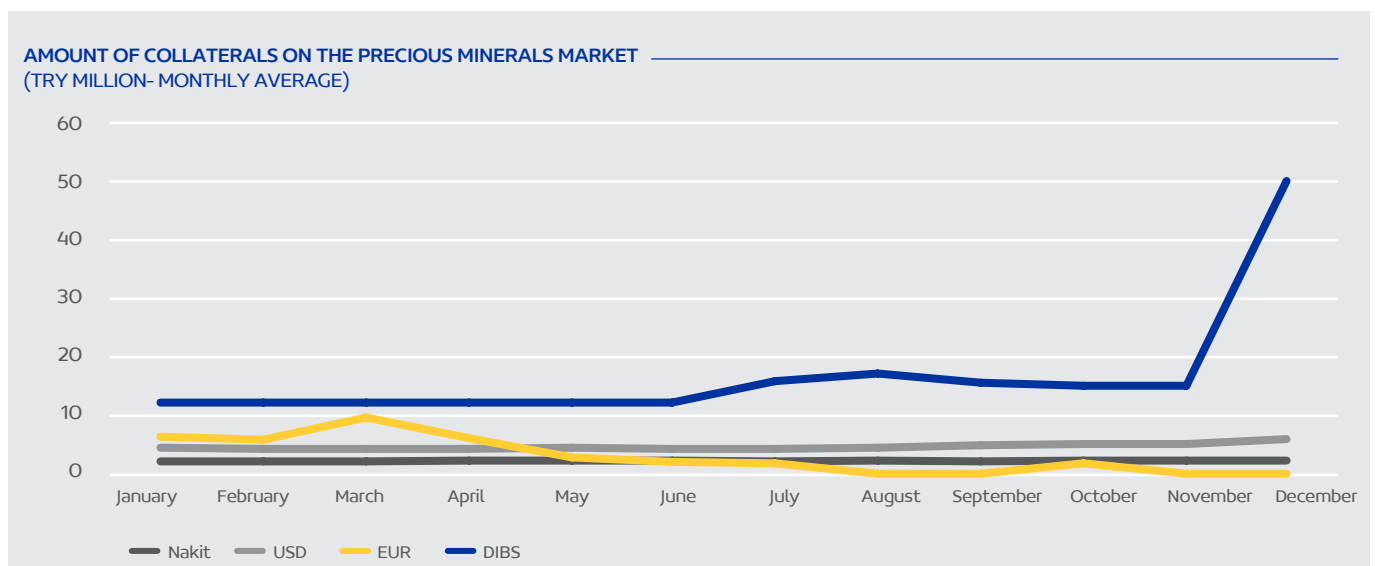
The total trading volume in the market in 2019 was 74.44 billion Turkish lira, where 87.81 percent was executed in U.S. dollars, 10.22 percent in Turkish lira, and 1.97 percent in euros. Of these transactions, 98.03 percent was in gold. The highest TRY and U.S. dollar gold trading volume information is provided below:

### Precious Metals Market Gold Transactions (2019)

Month	TRY Gold Transactions		USD Gold Transactions	
	Trading Volume (Kg)	Trading Volume (TRY)	Trading Volume (Kg)	Trading Volume (USD)
January	2,258.65	501,438,288.47	12,656.78	522,896,139.23
February	1,603.21	358,006,631.21	13,781.18	581,580,014.35
March	2,074.88	473,506,313.23	16,723.94	697,718,417.38
April	2,056.50	484,696,613.58	16,515.74	680,369,331.47
May	2,675.50	664,160,099.69	10,863.48	447,009,868.54
June	2,332.95	590,942,267.01	13,829.11	610,765,406.67
July	2,397.64	609,709,134.54	19,659.52	891,328,840.46
August	1,673.29	459,549,846.28	25,514.78	1,230,844,188.59
September	1,692.01	468,482,037.78	21,875.41	1,058,659,624.82
October	2,720.10	752,507,809.21	33,305.20	1,588,415,658.28
November	3,465.43	933,692,391.32	30,280.93	1,426,598,591.98
December	3,400.90	947,359,540.34	32,346.39	1,539,108,607.15
<b>Total</b>	<b>28,351.05</b>	<b>7,244,050,972.66</b>	<b>247,352.46</b>	<b>11,275,294,688.92</b>

As of December 31, 2019, the total market value of the collaterals safe kept at Takasbank accounts for Precious Metals Market transactions was 332.95 million Turkish lira. Said collaterals held by Takasbank are comprised of 2.34 million Turkish lira, \$6.33 million, and GDS with a nominal value of 272,963,982.

The chart shows the monthly average amount of collaterals on the Precious Minerals Market for 2019.



## 2019 DEVELOPMENTS

## Debt Securities Custody:

Takasbank provides custody services for government domestic debt securities (GDS) to banks, brokerage houses, mutual funds, private pension funds, mutual trusts, real estate mutual trusts, insurance and private pension companies, and asset management companies.

## GDS Balances per Year

YEARS	(million TRY)		(million USD)
	Average Nominal	Average Market Value	Average Market Value
2006	39,725.88	33,188.07	23,486.00
2007	36,796.28	32,217.53	27,661.66
2008	38,908.52	34,173.06	22,596.75
2009	42,795.09	39,459.17	26,206.53
2010	41,072.65	40,126.52	25,955.06
2011	48,650.41	48,541.25	25,460.93
2012	49,818.44	50,686.38	28,433.96
2013	50,605.89	52,728.55	24,705.31
2014	55,900.75	57,009.04	24,584.52
2015	56,740.06	57,315.55	19,712.32
2016	51,852.37	52,462.48	14,854.32
2017	51,001.24	51,317.90	13,467.85
2018	54,780.86	50,503.40	9,599.77
2019	115,260.77	115,618.16	19,463.68

(FX Rate=5.9402)

Private sector debt instrument (PSDI) balances belonging to mutual and private pension funds, mutual trusts, real estate mutual trusts, and insurance and private pension companies are safe-kept in Takasbank accounts held with the MKK. PSDI custody balances of the Bank by years:

## PSDI Custody Balances per Year

Year	PSDI (million TRY)		Change
	Daily Average Nominal	Percentage (%)	
2010	244.11	2,550.49	
2011	3,538.99	1,349.75	
2012	7,086.38	100.24	
2013	12,228.42	72.56	
2014	16,457.88	34.58	
2015	21,722.45	31.99	
2016	26,180.74	20.52	
2017	31,255.68	19.38	
2018	33,853.07	8.31	
2019	30,909.35	-8.70	

## Physical Securities Transactions

Since the share certificates traded on Borsa İstanbul A.Ş. have been transferred to Merkezi Kayıt Kuruluşu A.Ş. (MKK), delisted share certificates physically remain with Takasbank. As of December 31, 2019, our fungible custody had 4.3 million certificates, comprising of share certificates with a nominal value of 220.4 million Turkish lira; non-fungible custody had 1.9 million certificates, comprising of stocks with a nominal value of 5.8 million Turkish lira.

## Global Custody:

Global custody service covers clearing, settlement, custody, corporate actions and related money transfer transactions for capital market instruments traded in international capital markets. Since 1997, Takasbank has been providing Global Custody Service to a total of 286 members – including banks, brokerage houses, pension and mutual funds, and other financial institutions with an end-to-end STP operational flow through the account network it established at international central securities depositories ICSDs (Euroclear ve Clearstream) and global custodians (Citibank). This provides access to more than 65 markets worldwide. The global custody service reached 418 member accounts with a 22-percent increase in 2019.

## Number of Global Custody Accounts

Global Custody Members	Number of Accounts
Investment Funds	266
Pension Funds	105
Brokerage Houses	18
Banks	23
Investment Trusts	3
Other	3
<b>Total</b>	<b>418</b>

## 2019 GLOBAL CUSTODY BALANCE

Month	Average Global Custody Balance (million EUR)
January	5,229
February	5,613
March	5,837
April	5,859
May	5,777
June	5,549
July	6,079
August	6,286
September	6,623
October	6,941
November	7,530
December	7,956
<b>Average</b>	<b>6,273</b>

In 2019, a total of 54,847 transactions were executed, and the transaction number increased by 17 percent compared to 2018. The transactions were comprised of settlement transactions with 40 percent, corporate action transactions with 25 percent, and cash transactions for clearing, settlement and corporate action with 35 percent.

Month	Number of Global Custody Transactions
January	3,705
February	3,780
March	6,763
April	5,016
May	4,344
June	3,949
July	4,105
August	3,491
September	4,912
October	4,944
November	4,417
December	5,421
<b>Total</b>	<b>54,847</b>

### Central Custody for Foreign Assets Held in Private Pension Funds and Mutual Fund Portfolios:

Pursuant to the Regulation on the Principles of Establishment and Activities of Private Pension Funds, published in the Official Gazette No. 28586, dated March 13, 2013, and the Communiqué on the Principles of Portfolio Custody Service and the Institutions Rendering the Service, No. III-56.1, dated July 2, 2013, Takasbank has been officially authorized to provide custody services for assets held in mutual and private pension funds' portfolios.

Accordingly, it currently provides central custody service to 86 private pension funds and 149 mutual funds in international markets.

### Custody of Unallocated Share Certificates:

Dematerialized securities owned by collective investment institutions are safe-kept at central custody institutions as Takasbank sub-accounts. As of December 31, 2019, share certificates with the market value of approximately 27 billion Turkish lira are safe-kept at CSD of Turkey in book-entry form.

### Precious Metals Custody:

Precious metals in the portfolio of collective investment institutions are safe-kept at Takasbank. Custody takes place at the accounts opened as a sub-account of Takasbank in the name of the relevant Collective Investment Institution at Borsa İstanbul A.Ş., which provides a physical custody service for precious metals. In addition to the trading of precious minerals throughout the year, gold-backed bond and lease certificates issued by the Ministry of Treasury and Finance

in 2019 attracted the interest of Collective Investment Institutions. A total of 23 mutual and pension mutual funds participated in the aforementioned issues with 37 tons of gold. As of December 31, 2019, Collective Investment Institutions had approximately 18 tons of gold custody balance with a market value of nearly 5.3 billion Turkish lira.

### Portfolio Custody:

Pursuant to the Communiqué on the Principles of Asset Custody Service and the Institutions Rendering the Service, No III-56.1m dated July 2, 2013, Takasbank continued in 2019 to provide the portfolio custody service, which it launched on December 22, 2014, to the collective investment institutions established in accordance with the new legislation. As of December 31, 2019, Takasbank has portfolio custody contracts with 7 investment trusts and 12 asset management companies, 2 of which are real estate and venture capital portfolio management companies. Currently, 85 collective investment institutions are receiving portfolio custody services.

### Local Custody:

Takasbank offers clearing, settlement, and local custody services to international institutions. With this service, foreign institutions use clearing and settlement services, including money transfer, corporate actions and reporting regarding the securities in the settlement accounts opened with Takasbank.

### Shares Corporate Action:

Takasbank handles corporate actions, such as capital increase and dividend distribution, for the book-entry share certificates in the collective investment institutions' accounts.

In 2019, 25 issuers increased capital through rights issues, 22 issuers completed capital increases through bonus issues, and 127 issuers distributed dividends.

### Exercise of Debt Securities Rights:

Takasbank also executes corporate action transactions for Government Debt Securities (GDS) and Private Sector Debt Instruments (PSDI), to which it provides custody services. Redemption/coupon payment transactions:

	GDS (million TRY)	PSDI (million TRY)
Redemption	14,587	81,753
Coupon	9,723	4,356

## 2019 DEVELOPMENTS

## Private Pension Fund Shares Information Service:

The e-Turkey Takasbank Integration Platform for private pension system participants was launched in 2013. In 2019, 33,405 new participants registered on the platform, raising the number of participants to 382,455. Usage statistics for the Takasbank notification system are available below.

	Number of Participants Requesting Daily SMS Messages	Number of Participants Requesting Daily Activity Emails	Number of Participants Requesting Monthly Balance Emails	Number of Participants Requesting Monthly Activity Emails
2019	2,972	2,739	3,080	2,784
<b>TOTAL</b>	<b>34,022</b>	<b>45,449</b>	<b>54,080</b>	<b>47,409</b>

## Private Pension Funds Management:

Takasbank has been providing custody services as a custodian to private pension companies since 2003, pursuant to Article 17 of the Private Pension Savings and Investment System Law and Articles 28, 29, and 31 of the Regulation on the Principles of Establishment and Activities of Private Pension Funds.

As of December 31, 2019, the number of accounts that contain private pension funds through the voluntary system in private pension companies remained unchanged at 8.1 million. Participants' fund size grew to 119 billion Turkish lira with an increase of 30.5 billion Turkish lira, including state contribution.

Law No. 6740 on the Amendment of the Private Pension Savings and Investment System Law, regulating the automatic enrolment in the Private Pension System, was adopted on August 10, 2016. As of January 1, 2017, the effective date of the law, paid contracted employees below the age of 45 are included in the private pension system by an private pension contract drawn up by the employer as part of the gradual transition.

In 2019, nearly 5.6 million private pension fund accounts were opened as part of the Automatic Enrolment System in private pension companies, with a total fund amount of 8.2 billion Turkish lira for 6.4 million active accounts as of December 31, 2019. The opt-out rate from the Automatic Enrolment System was 69 percent.

Private sector employees who work for an employer that has between five and nine employees were registered in the system and their gradual registration to the Automatic Enrolment System was completed in 2019. Only employees who are newly recruited and who changed their jobs will continue to be included in the Automatic Enrolment System once the gradual transition is complete.

We participated in several platforms and shared our opinions about Private Pension System with industry representatives in 2019.

## Borsa Istanbul A.Ş. Equity Market, Borsa Istanbul A.Ş. Debt Securities, Borsa Istanbul A.Ş. Money Market and Borsa Istanbul A.Ş. Collateral Monitoring Service on the FX Swap Market (Under CCP)

Takasbank monitors the guarantee fund collaterals of the Debt Securities Market, Borsa Istanbul A.Ş. Equity Market, Borsa Istanbul A.Ş. Money Market, and Borsa Istanbul A.Ş. FX SWAP Market, to which we offered the Central Counterparty Service in 2019. Distribution by the type of collateral as of December 31, 2019, is given in the table below.

Borsa Istanbul Equity Market		
Collateral Type	Trade Margin Market Value (million TRY)	Guarantee Fund Market Value (million TRY)
GOVERNMENT DEBT INSTRUMENTS	41.98	6.20
BISTC	1.37	-
EURO	68.29	-
EUROBOND	-	-
TRY	227.19	30.14
SUKUK	-	-
USD	9.95	1.28
EQUITY	-	-
ASSET-BACKED SECURITIES	-	1.01
<b>Total</b>	<b>348.78</b>	<b>38.61</b>

Borsa Istanbul Debt Securities Market		
Collateral Type	Trade Margin Market Value (million TRY)	Guarantee Fund Market Value (million TRY)
GOVERNMENT DEBT INSTRUMENTS	9,657.38	1,321.18
LETTERS OF GUARANTEE	3,141.79	66.36
EURO	280.03	7.35
SUKUK	87.18	-
TRY	52.16	13.94
EUROBOND	44.28	-
ASSET-BACKED SECURITIES	12.84	178.85
USD	3.27	0.77
EQUITY	-	-
<b>Total</b>	<b>13,278.93</b>	<b>1,588.45</b>

Borsa Istanbul Money Market		
Collateral Type	Trade Margin Market Value (million TRY)	Guarantee Fund Market Value (million TRY)
GOVERNMENT DEBT INSTRUMENTS	89.21	11.15
EURO	33.25	0.13
TRY	-	0.89
SUKUK	-	0.01
USD	-	0.10
<b>Total</b>	<b>122.47</b>	<b>12.28</b>



<b>Borsa Istanbul SWAP Market</b>		
<b>Collateral Type</b>	<b>Trading Margin Market Value (million TRY)</b>	<b>Guarantee Fund Market Value (million TRY)</b>
GOVERNMENT DEBT INSTRUMENTS	4,906.08	1,014.82
ASSET-BACKED SECURITIES	736.84	84.43
EURO	342.11	0.07
SUKUK	100.59	178.63
TRY	94.55	38.47
EUROBOND	3.03	-
<b>Total</b>	<b>6,183.19</b>	<b>1,316.42</b>

### TapuTakas: Takasbank Real Estate Title Deed Payment Transfer Service Transactions:

The TapuTakas service was developed and launched on April 17, 2015, by Takasbank within the scope of the protocol signed with the General Directorate of Land Registry and Cadastre (TKGM) with the goal of preventing issues encountered by the buyer and the seller during the handover of ownership right and the purchase and sale value to allow simultaneous exchange of the cash received for the sale of the property. The aim of this service was to eliminate the parties' trust issue, risk of carrying cash and create time, labor and cost advantage for all parties by providing a modern, safe and technological infrastructure via a fast transfer and at a low cost. It was launched and commissioned in the attendance of the Minister of Environment and Urbanization and the executive management of the TKGM.

The protocol was signed by Takasbank and TKGM for the integration and information exchange needed for service based on the duties and authorizations set forth for the TKGM in Law No. 6083 on the Organization and Duties of the General Directorate of Land Registry and Cadastre and within the scope of the authorization bestowed on them by their own constitution in the administrative law.

Since April 17, 2015, a total of 72 transactions totaling 178.466.084,63 million Turkish lira were executed on

TapuTakas system in Istanbul, Ankara, Izmir, Trabzon, Kırklareli, Erzurum, Manisa, Antalya, Sakarya, Kocaeli, Balıkesir, Bursa, Adana, Tekirdağ, Eskişehir, Düzce and Kahramanmaraş in order of the frequency of use. In 2019, a total of 31 transactions were executed amounting to 61.768.897,13 million Turkish lira.

### Leveraged Trading Transactions, Collateral Safekeeping, and Reporting to the CMB:

In the aftermath of the global financial crisis, in line with the decisions made in the Pittsburgh summit attended by G20 countries regulations were implemented to execute over-the-counter derivatives transactions on organized platforms, launch a central clearing and settlement practice to eliminate counterparty risk, and provide reporting to repository institutions. In parallel with such global market practices, the Capital Markets Board of Turkey (CMB) introduced a regulation for the first time on leveraged trading transactions, which comprise an important part of the over-the-counter market and attract the attention of increasingly more domestic investors. The "Communiqué on Principles of Leveraged Trading Transactions (LTT) and Organizations Allowed to Perform Them" took effect on August 31, 2011.

This regulation required all brokerage houses authorized for Leveraged Trading Transactions by the CMB to open individual accounts for investors and keep investors' collaterals in those accounts. Additionally, the Communiqué made it mandatory to report any leveraged transaction, deposit and withdrawal of collaterals, final profits or losses derived from long positions, provisional profits and losses found by valuation of short positions, orders and changes made in orders, any commission, fee and tax accrued to the accounts, and gross/net collateral in accounts to Takasbank, which was authorized as the data storing organization for FOREX transactions by the CMB.

Collateral amount of 67,861 out of the 202,941 open accounts in the LTT, for which 39 institutions are members, reached 922 million Turkish lira as of year-end 2019.

### LTT Data

	2013/12	2014/12	2015/12	2016/12	2017/12	2018/12	2019/12
Number of Members	33	39	42	46	44	39	39
Number of Accounts – Last Business Day	43,194	78,755	148,078	214,835	220,091	201,336	202,941
Number of Accounts with Collateral – Last Business Day	29,709	51,377	94,305	130,689	95,949	71,077	67,861
Collateral Amount – Last Business Day (million TRY)	281	449	615	1,075	843	760	922
Open Position Value – Last Business Day (million TRY)	5,326	8,557	12,682	21,848	7,436	6,112	7,888
Total Trading Volume (million TRY)	2,953,148	4,569,464	9,809,280	11,879,389	4,624,630	4,132,789	3,875,230
Daily Average Trading Volume (million TRY)	11,813	18,205	39,237	49,508	18,279	16,629	12,048

## 2019 DEVELOPMENTS

## Debt Securities Transfers:

In 2019, the Bank transferred debt securities to members worth of 698.75 billion Turkish lira/nominal. Of this amount, 692.56 billion Turkish lira/nominal and 6.19 billion Turkish lira were free and bilateral, respectively.

Type	Share	Nominal (million)
Bilateral (RTGS DvP) Transfer	2,985.00	6,193.34
Free Transfer	124,804.00	692,560.45
<b>Total</b>	<b>127,789.00</b>	<b>698,753.79</b>

## Exchange-Traded Funds:

In 2019, creation and redemption totaling 310.55 million Turkish lira took place in exchange-traded funds based on share certificates, precious metals, government debt securities, and foreign currency.

## Equity and Its Derivatives Transfer:

In 2019, transactions in an amount of 672.93 billion Turkish lira were carried out in the RTGS DvP which enables to simultaneous securities and cash transfer. 82 percent of these transactions were not partially settled, and 94 percent of these transactions were on-exchange. Also, free of payment transfers worth 70.52 billion Turkish lira were carried out by the collective investment institutions.

Due to RTGS DvP System's integration with the SWIFT system, SWIFT member organizations can send RTGS DvP orders via SWIFT, and these orders are automatically accepted in the Takasbank RTGS DvP System. In 2019, 60.40 percent of the transactions that were received in the RTGS DvP System were from SWIFT System.

RTGS DvP System also enables to organizations to execute pre-matching electronically. Rate between the number of forward bilateral transactions created on the purpose of pre-matching from the beginning of trade date via Takasbank screen or SWIFT and the number of total bilateral transactions was 86.07 percent in the same period.

## TRANSFER TRANSACTIONS IN 2019 (BILLION TRY)

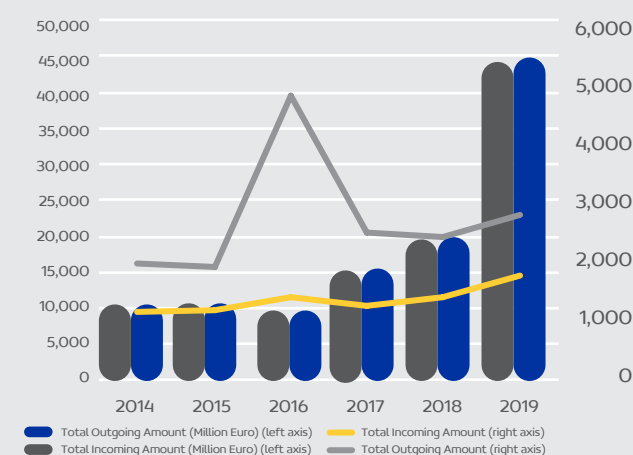
MONTH	FREE TRANSFER	BILATERAL	TOTAL TRANSFER
JANUARY	5.31	55.16	60.46
FEBRUARY	3.76	61.17	64.93
MARCH	6.05	67.13	73.18
APRIL	4.75	55.73	60.48
MAY	4.56	55.09	59.65
JUNE	4.61	39.46	44.07
JULY	6.25	57.28	63.53
AUGUST	4.04	47.53	51.57
SEPTEMBER	6.16	57.25	63.42
OCTOBER	7.77	65.18	72.94
NOVEMBER	8.34	57.59	65.93
DECEMBER	8.93	54.36	63.28
<b>TOTAL</b>	<b>70.52</b>	<b>672.93</b>	<b>743.46</b>

## Foreign Currency Payment and Transfer:

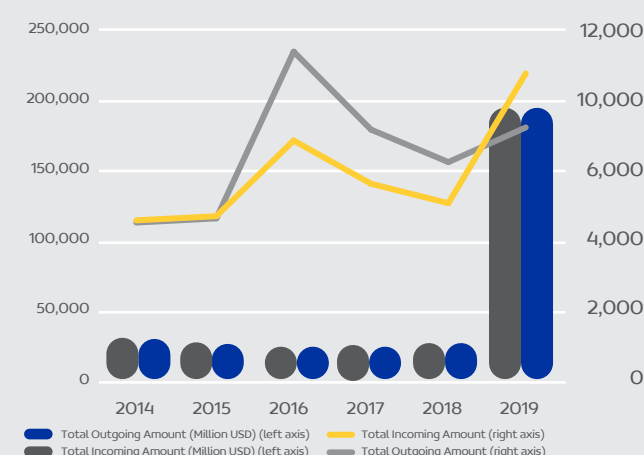
Takasbank members can use USD, EUR and GBP amounts in their accounts, which they must transfer to Takasbank correspondent bank accounts, for their collateral, clearing and settlement transactions. Moreover, they can transfer cash from foreign currency accounts held with Takasbank to other bank accounts electronically using their own terminals or upon written instruction via the SWIFT system.

Members are also able to transfer their funds in a foreign currency in Takasbank accounts to another member's account in Takasbank via the cash transfer method, and trade in a foreign currency equivalent of TRY from their USD and EUR current accounts up to \$50,000/€50,000 using their terminal, based on the current exchange rate provided by the Bank.

TOTAL NUMBER AND AMOUNTS OF THE INCOMING/OUTGOING CASH (EUR) MESSAGES FROM 2014 TO 2019



TOTAL NUMBER AND AMOUNTS OF THE INCOMING/OUTGOING CASH (USD) MESSAGES FROM 2014 TO 2019

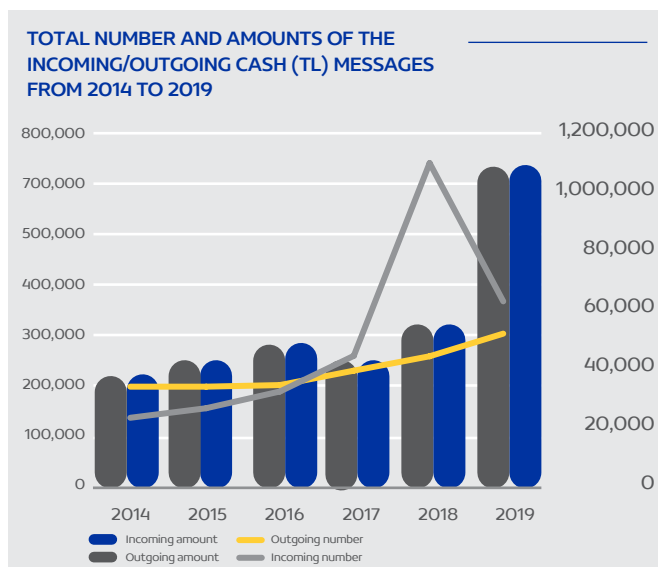


## Local Currency Payments and Transfers:

Within the scope of local currency payment and transfer services, Takasbank invites its members to use the available services via the CBRT Payment Systems (EFT, EST, RPS – TENDER SERVICES). Additionally, it uses these systems for the services it provides.

Takasbank, by providing access to EFT and EST systems to brokerage houses via Takasbank Electronic Transfer System (TETS), plays a crucial role in the EFT system with its other services and the synergy created by TETS.

The CBRT, for compliance with national and international regulations, modifications of SWIFT Message Standards as well as the demands and operational requirements of the Banks Association of Turkey and Payment Systems Operations Work Group and for operational requirements, resolved that certain changes be made in the existing messaging structures including the CBT Payment Systems Correspondence Payment (K14) message, Lease Payment (M04, M05, M06) messages as well as Salary Payment (M07) and e-Commerce Payment (M10) messages be removed and the payments reflecting the said transactions be migrated to the Payment to the newly defined Account (M01) by the Payment Purpose field, and the relevant revisions were migrated to the real environment on November 21, 2019.



## Gold Transfer System

Takasbank Gold Transfer System (GTS), which allows the Bank's customers to electronically transfer their banking balances in gold deposit accounts on a peer-to-peer (P2P) basis between banks, has seen active use by participant members since it was put into service on July 16, 2018.

With the Gold Transfer System, gold savings can be mobilized safely and quickly. The Takasbank Gold Transfer System is considered one of the most important components of the Istanbul International Finance Center project and is a milestone in the objective of becoming a global center of gold transaction.

Backed 100 percent by physical gold, the gold transfer system meets a crucial need in Participatory (interest-free) finance and makes a considerable contribution to the potential of the Turkish economy to become a new attraction point. The Gold Transfer System enables investors to transfer gold at a very low cost in multiples of one gram without the risk of physical possession or incurring losses because of the price difference between buying and selling rates.

Three new members joined the Gold Transfer System, raising the total number of GTS members to 17. In 2019, 2,816,919 g were traded in 4,479 transactions. The number of transfers increased by 1,488 percent and the trading volume increased by 935 percent in 2019. A total of 3,750 transactions (83.72 percent) with a total volume of 444,916 g (15.79 percent) were between 1 and 500 g, and 729 transactions (16.27 percent) with a total volume of 2,372,003 g (84.21 percent) were above 500 g.

### From 01.01.2019 to 31.12.2019 – Returns and Cancellations Not Included

YEAR	Number of Transfers	Transfer Volume (g)
2018	282	272,171
2019	4,479	2,816,919
Increases in 2019	1,488%	935%

### From 01.01.2019 to 31.12.2019 – Returns and Cancellations Not Included

Transaction Range	Total Number of Transactions	Percentage of Transactions	Total Trading Volume	Percentage of Volumes
1-500 g	3,750	83.72%	444,916	15.79%
501 g and above	729	16.28%	2,372,003	84.21%

## 2019 DEVELOPMENTS

Number, Volumes and Physical Balances of the Transfers Made in 2019							
Date	Physical Balance (kg)		Transfer Volume (g)		Number of Transfers		
January 2019	154		352,003		110		
February 2019	189		152,266		112		
March 2019	291		220,144		207		
April 2019	261		213,427		403		
May 2019	281		167,260		415		
June 2019	282		172,495		288		
July 2019	271		139,897		414		
August 2019	305		148,266		355		
September 2019	396		390,693		457		
October 2019	322		296,415		576		
November 2019	328		306,104		534		
December 2019	331		265,085		673		
<b>TOTAL</b>			<b>2,824,055</b>		<b>4,544</b>		

YEAR	Total Number of Physical Entry	Total Volume of Physical Entry (kg)	Total Number of Physical Exit	Total Volume of Physical Exit (kg)	Total Volume of Transfers (kg)	Total Number of Transfers	Balance Physical Gold (End of Period)
2018	24	253	4	164	417	28	89
2019	71	1,253	22	1,011	2,264	93	311
Increases in 2019	196%	395%	450%	516%	443%	232%	249%

### BiGA (A Gram of Gold), Digital Asset Transfer Platform

To integrate the blockchain technology in the finance industry, subjects related to the use of on-site distributed ledger technologies that protect privacy of trading entities and permit monitoring by financial authorities, and to making the digitization of physically backed assets available for use. The “Digital Asset Transfer Platform” that allows digital assets to be transferred using the blockchain technology, that is backed by physical assets, that does not have an intrinsic value, that can be operated in compliance with the regulations in effect and that is distinct from many projects announced worldwide was then created. The assets to be traded on the Digital Asset Transfer Platform are digital values named “BiGA” and produced against every gram of gold stored physically in the vaults of Borsa Istanbul.

There are three main actions for digital assets: issue, redemption and transfer. In addition, integration between the blockchain-based BiGA Platform and the Gold Transfer System; settlement competencies; and additional actions, such as monitoring and reporting, are offered. The Gold Transfer System converts the gold stored physically in the vaults of Borsa Istanbul into BiGA and transfers them to the BiGA Platform by issuing them. This method involves conversion and settlement between digital assets and physical assets. End users may transfer their BiGA assets among member banks or transfer their BiGA assets to the Gold Transfer System by redemption through the BiGA Platform at any time to convert their BiGAs back into book-entry gold. The system

is the continuation of the Gold Transfer System and operates in integration with it, which provides further assurance as to the physical nature of the underlying assets of BiGAs. The sum of the balance physical gold in the vaults of Borsa Istanbul and the balances in the Gold Transfer System and BiGA Platform are regularly checked and settled.

The “BiGA Digital Gold” Project was launched on December 30, 2019, and Ziraat Bankası, Vakıfbank, Garanti BBVA, Albaraka Türk Katılım Bankası, Kuveyt Türk Katılım Bankası and Ziraat Katılım Bankası joined the Project in the first stage. As such, the first-known financial blockchain network in Turkey was founded with the aforementioned banks. The developments to be made on the respective systems of the banks to provide service on the platform established by Takasbank will enable gold balances to be transferred between the participant banks on a 24/7 basis.

Transfer volumes of 165 g in six transactions, 165 g in six transactions and 210 g in 27 transactions were achieved in BiGA transactions in 2019. The trading volume and the number of members is expected to increase in 2020.

BiGA TRANSACTIONS IN 2019					
Issues		Redemptions		Transfers	
Number of Transactions	Quantity	Number of Transactions	Quantity	Number of Transactions	Quantity
6	165	6	165	27	210

## Legal Entity Identification

Takasbank has been allocating Legal Entity Identifier (LEI) codes in compliance with the ISO 17442 since 2013. The scale of this service increased considerably when it became compulsory to use LEI codes to report the parties of derivative transactions in Turkey under the “Communiqué on the Principles of Reporting Data to Data Depository Agencies,” published in the Official Gazette dated October 27, 2018.

Takasbank is among 15 global organizations authorized to assign both International Securities Identification Numbers (ISINs) and LEIs. Takasbank was accredited as a local operating unit on January 30, 2018, after completing the accreditation process conducted with the Global Legal Entity Identifier Foundation (GLEIF) and acting as the authorized body for allocating LEI codes from 2015. Takasbank is authorized to assign LEI codes to organizations in 16 different countries, including Turkey. They are Azerbaijan, Albania, Azerbaijan, Bahrain, Belgium, Luxembourg, Malta, the Netherlands, the United Kingdom, Sweden, the Marshall Islands, the Anglo-Norman Isles, Cyprus, Serbia, Turkey, and Vanuatu. As required by the changing needs for reporting in Turkey and the world, and the legislation made for this purpose, it has become necessary to use the LEI code to identify legal entity parties of transactions in financial markets. Accordingly, LEI code requests have rapidly increased in the last two years. The number of LEI codes assigned more than doubled, reaching 1,166 in 2019. Takasbank has assigned 2,126 LEI codes in total.

Domestic and foreign legal entities can send LEI code request to Takasbank and execute other transactions, such as updating information and paying annual maintenance fee, on its web portal at <https://www.leiturkey.com>

### LEI Codes Assigned

Year	Number of LEIs Allocated
2013–2016	141
2017	197
2018	622
2019	1,166
<b>Total</b>	<b>2126</b>

## International Securities Identification (ISIN) Service:

Takasbank was authorized as the “National Numbering Agency of Turkey” in 1995 by the Capital Markets Board of Turkey. Since then, Takasbank has been allocating international securities identification codes (ISIN – ISO 6166) and financial institution classification codes (CFI – ISO 10962) to securities and other financial instruments issued in the local market. In 2018, the assignment of FISNs (Financial Instrument Short Name) complementary to the ISIN code began in compliance with the ISO 18744. The issuer’s LEI code related to each ISIN code started to be reported to ASB in 2019. Additionally, the ISIN-LEI Mapping Project was signed to monitor the relation between issuers and securities on the GLEIF system. In 2019, 45,751 ISIN codes were allocated.

### ISIN Codes Allocated in 2019

Type of Securities	2019 Total
VIOP Option	26,625
Domestic Warrants	6,118
Foreign Warrants	5,276
Commercial Papers	3,070
Electronic Warehouse Receipts	2,734
VIOP Futures	606
Other Category ISINs	326
Sukuk	282
Investment Funds	174
Corporate Bonds	166
Government Debt Instruments	113
Sukuk Undersecretariat of the Treasury	98
Index	57
Stock Rights	48
Asset-Backed Securities	25
Stocks	15
Pension Funds	9
ABS	6
Certificate	2
Interest	1
<b>TOTAL</b>	<b>45,751</b>

## Fund Management:

In 2019, as in previous years, Takasbank aimed to maximize its yield by taking a reasonable level of risk, and to maintain core operations and financial strength within the given market conditions and legislative framework.

Accordingly, contributions of interest revenues to the financial structure rose by 68 percent year-on-year with the help of a general increase in interest rates. Within the scope of collateral management, the funds of the Banks and its customers were invested in the markets within the most suitable time period and in the best interests of the owners.

## 2019 DEVELOPMENTS

Year	Total Revenues (thousand TRY)	Gross Fund Management Revenues (thousand TRY)	Share of Fund Management Revenues (%)
2011	105,247	43,814	42
2012	147,235	89,523	61
2013	194,704	123,670	64
2014	264,542	179,323	68
2015	338,744	224,527	66
2016	427,455	281,177	66
2017	571,886	388,308	68
2018	935,119	669,891	72
2019	1,172,901	793,129	68

## Cash Credit:

## Assignment and Notification of Limits

As part of the assignment and notification of limits, the credit limits of 63 organizations, namely 11 brokerage houses, 23 banks and 29 financial organizations for Nominal and At-Risk Value-Based limits in 2019.

## Cash Credit

The settlement and clearing loan daily average grew by 59 percent to 4.6 million Turkish lira in 2019, up from 2.9 million Turkish lira in 2018.

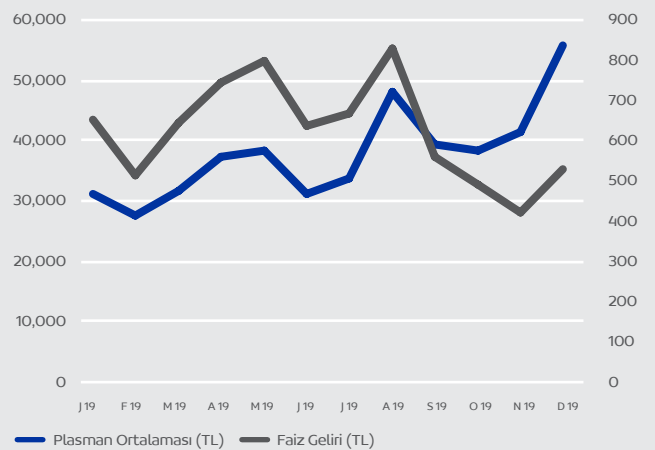
The interest income of the settlement and clearing loan rose by 96 percent from 311,000 Turkish lira in 2018 to 609,000 Turkish lira in 2019.

The cash loan interest income reached 7.59 million Turkish lira and the placement average was 37.2 million Turkish lira. Repayment period of the loans was O/N as requested by our members.

The number of brokerage house customers agreeing to enable the transfer of securities to cash credit collateral increased to 1,021, up from 953.

## CASH CREDIT PLACEMENT AVERAGE AND INTEREST INCOME IN 2019

Month	Placement Average (TRY)	Interest Income (TRY)
January	30,586,129	660,036
February	27,359,571	526,754
March	31,081,032	653,729
April	36,537,267	748,771
May	37,400,903	799,749
June	30,911,900	641,970
July	33,228,581	672,805
August	46,970,839	830,225
September	38,452,733	571,937
October	37,713,452	505,679
November	40,549,900	439,291
December	54,269,871	541,934
<b>TOTAL</b>	<b>37,173,690</b>	<b>7,592,881</b>

PLASMAN ORTALAMASI VE FAİZ GELİRİ  
(BİN TL)



### Member Information Management:

In the 2019 operating period, the Bank intensified efforts to provide membership and account opening operations for financial organizations that receive services within the scope of capital market transactions and the relevant markets. During the year, 352 accounts were opened subsequent to contract signing.

Throughout the operating period, 1,782 institutions and 8,529 active users received services. Member transaction and information services resulted in 14,196 phone calls, 46,412 email notifications and directives, 810 representative designations according to the institutions' signature circular, and the definition of 9,453 securities traded in the markets.

In the same period, 147 institutions canceled their account relationships with Takasbank.

#### Member Accounts (As of December 31, 2019)

Member Type	Number
Brokerage Houses	64
Banks	38
Electricity Market	1,244
Natural Gas Market	47
Private Pension Companies	18
Factoring Companies	48
Leasing Companies	14
Financing Companies	11
Turkish Agricultural Credit Cooperatives	1
Real Estate Investment Trusts	32
Venture Capital Trusts	14
Participation Banks	6
Precious Metals Brokerage Houses	65
Corporate Investors	16
Asset Management Companies	52
Insurance Companies	9
Licensed Warehouses	93
Investment Trusts	10
<b>Total</b>	<b>1,782</b>

### Periodic Data Transfer to Data Vendors:

As part of the Periodic Information Transfer Service to Data Vendors, the consolidated securities balances of the mutual trusts, pension funds and mutual funds, as well as fund portfolio breakdown information, fund company information, fund analyses and information about the

funds traded in the Turkey Electronic Trading Platform were furnished to the data vendors in 2019. By the 2019 year-end, information was provided to five receivers and five sub-receivers.

### Suspended Brokerage Houses Transactions:

Ongoing processes regarding brokerage houses whose activities were suspended in accordance with the legislation and the Capital Markets Board of Turkey directives continued throughout 2019.

### Repo and Reverse Repo Transactions and Monitoring and Reporting:

Repo and reverse repo operations, and transactions by brokerage houses and banks outside Borsa Istanbul and transactions with breach maturity, must be reported to Takasbank. Securities subject to such transactions must also be deposited at Takasbank. Monthly breakdown of securities deposited at Takasbank as repo blockage by brokerage houses and banks in 2019.

Month	NOMINAL (Million)
January	75,252.08
February	95,220.99
March	122,783.18
April	159,801.49
May	161,985.56
June	107,424.50
July	108,687.65
August	85,095.18
September	108,506.01
October	151,548.09
November	175,165.25
December	176,143.83

### Brokerage House Collateral Safekeeping:

By December 31, 2019, Takasbank processed 3.9 million Turkish lira worth of collateral on behalf of the Capital Markets Board of Turkey. Collateral breakdown based on the type is given in the table below.

Collateral Type	Market Value
TRY	1,984,224.84
Government Bonds	381,226.70
Letters of Guarantee	1,593,687.00
<b>Total</b>	<b>3,959,138.54</b>

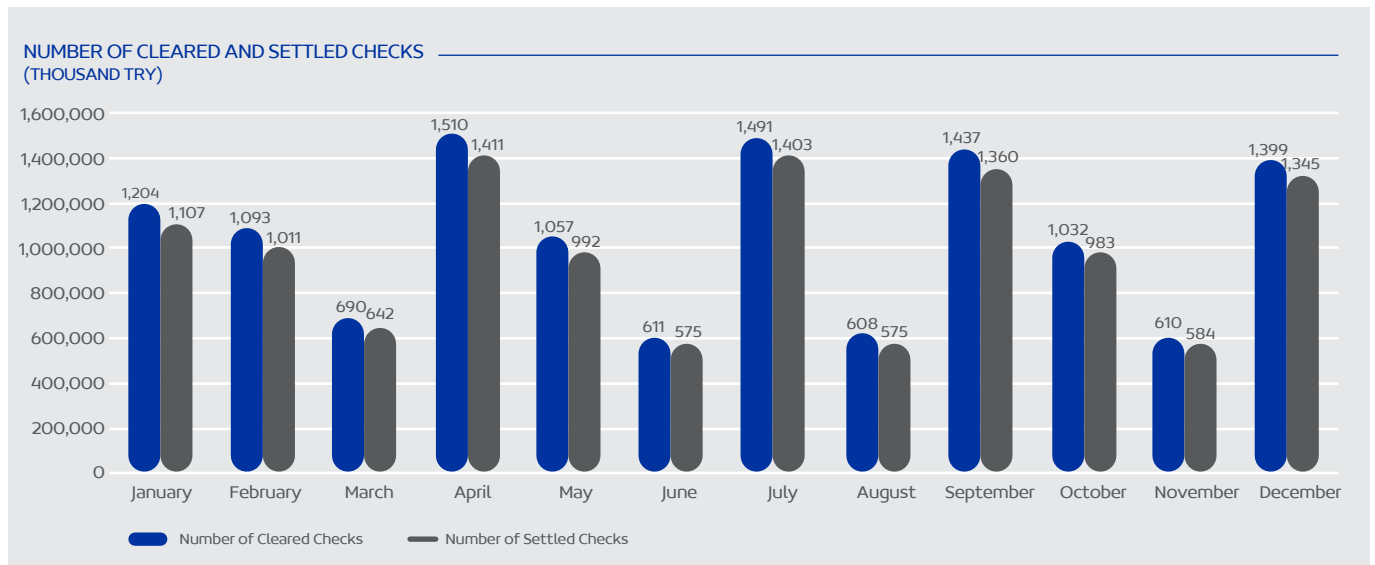
### Takasbank Check Settlement and Clearing System

A total of 12,742,558 checks were subject to settlement and clearing on the Check Settlement and Clearing System of Takasbank, and 11,988,772 checks were subject to settlement after returned checks.

## 2019 DEVELOPMENTS

## NUMBER AND SUM OF CHECKS PRESENTED TO AND PROCESSED BY THE TAKASBANK SETTLEMENT AND CLEARING SYSTEM (2019)

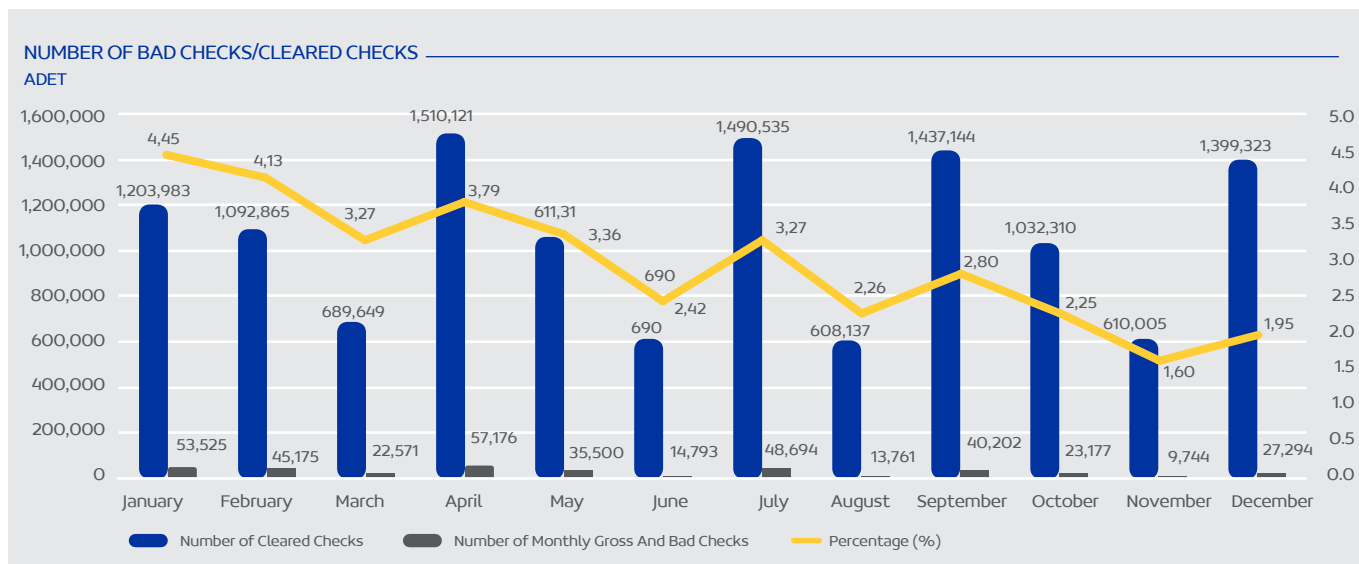
MONTH	Checks Sent for Clearing		Checks Sent for Settlement		Returned Checks			
	NUMBER OF		NUMBER OF		NUMBER		AMOUNT	
	CLEARED	SETTLED	RECONCILIATION	CHECK AMOUNT	PERCENTAGE	PERCENTAGE	RETURNED	PERCENTAGE
	CHECKS	CHECKS	CHECKS		RETURNED	(%)	RETURNED	(%)
January	1,203,983	52,530,096,104.92	1,107,452	46,663,248,239.64	96,531	8.02	5,866,847,865.28	11.17
February	1,092,865	48,230,383,361.73	1,010,712	43,111,815,763.63	82,153	7.52	5,118,567,598.10	10.61
March	689,649	37,018,323,292.38	641,822	33,545,863,918.67	47,827	6.93	3,472,459,373.71	9.38
April	1,510,121	61,818,206,250.41	1,410,749	55,884,188,972.78	99,372	6.58	5,934,017,277.63	9.60
May	1,057,176	48,388,986,289.13	992,109	43,956,206,826.26	65,067	6.15	4,432,779,462.87	9.16
June	611,310	34,367,562,869.01	575,469	31,653,557,757.50	35,841	5.86	2,714,005,111.51	7.90
July	1,490,535	64,137,970,574.98	1,402,581	58,706,070,564.41	87,954	5.90	5,431,900,010.57	8.47
August	608,137	36,382,010,455.22	575,270	33,736,961,985.02	32,867	5.40	2,645,048,470.20	7.27
September	1,437,144	63,439,023,437.14	1,360,271	58,495,080,039.83	76,873	5.35	4,943,943,397.31	7.79
October	1,032,310	51,164,995,880.71	983,115	47,602,075,798.34	49,195	4.77	3,562,920,082.37	6.96
November	610,005	37,719,958,144.89	584,286	35,407,698,128.01	25,719	4.22	2,312,260,016.88	6.13
December	1,399,323	65,568,423,282.21	1,344,936	61,765,309,184.11	54,387	3.89	3,803,114,098.10	5.80
<b>TOTAL</b>	<b>12,742,558</b>	<b>600,765,939,943</b>	<b>11,988,772</b>	<b>550,528,077,178</b>	<b>753,786</b>	<b>70.59</b>	<b>50,237,862,765</b>	<b>100</b>



## General Statistics – Quantity-Based Report

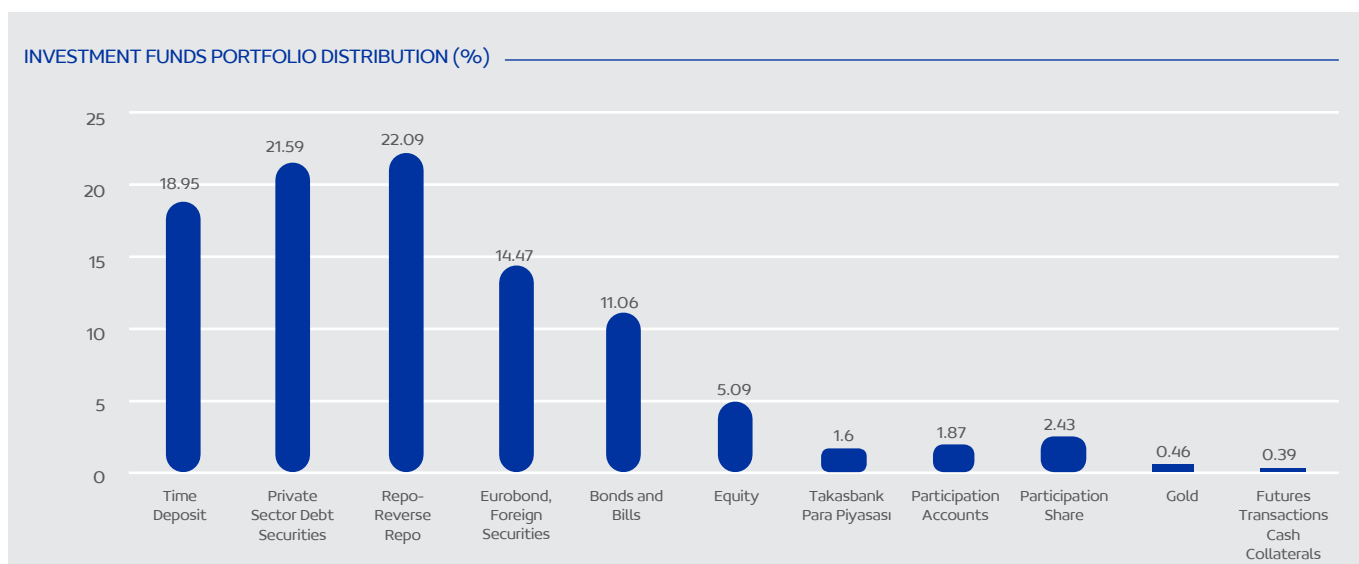
## Monthly Gross and Bad Checks (with Return Code 82, 83 and 99)

PERIOD	NUMBER OF CLEARED CHECKS	NUMBER OF BAD CHECKS	PERCENTAGE (%)	OVERALL INCREASE IN CHECKS (%)	INCREASE IN BAD CHECKS (%)
January	1,203,983	53,525	4.45	-10.28	-15.18
February	1,092,865	45,175	4.13	-9.23	-15.60
March	689,649	22,571	3.27	-36.90	-50.04
April	1,510,121	57,176	3.79	118.97	153.32
May	1,057,176	35,500	3.36	-29.99	-37.91
June	611,310	14,793	2.42	-42.18	-58.33
July	1,490,535	48,694	3.27	143.83	229.17
August	608,137	13,761	2.26	-59.20	-71.74
September	1,437,144	40,202	2.80	136.32	192.14
October	1,032,310	23,177	2.25	-28.17	-42.35
November	610,005	9,744	1.60	-40.91	-57.96
December	1,399,323	27,294	1.95	129.40	<b>180.11</b>



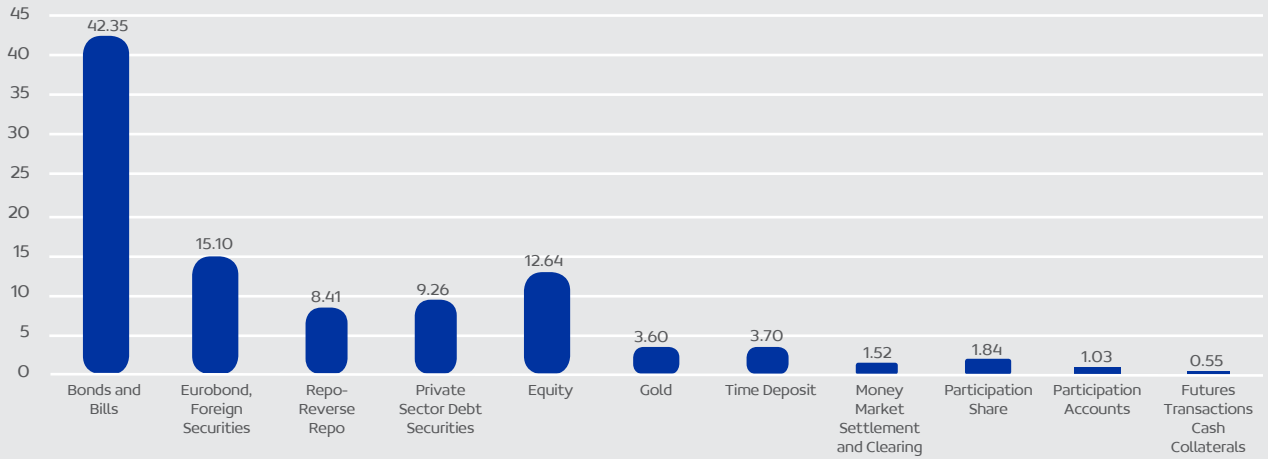
## Fund Valuation and Reporting to the CMB:

In 2019, pursuant to the Capital Markets Board of Turkey authorization and in accordance with the relevant regulation, Takasbank continued to provide custody services to collective investment institutions and provided the necessary infrastructure to report the safekeeping of assets outside Takasbank's custody. Furthermore, the reconciliation of information regarding the unit share values, number of shares in circulation, fund portfolio and net asset values, as well as daily transaction details of these institutions, continued to be monitored. If a correction to these fields was required, unreconciled parts were thoroughly checked for the necessary rectifications. If any unreconciled fields remained, these inconsistencies were reported to the Capital Markets Board on a daily basis.

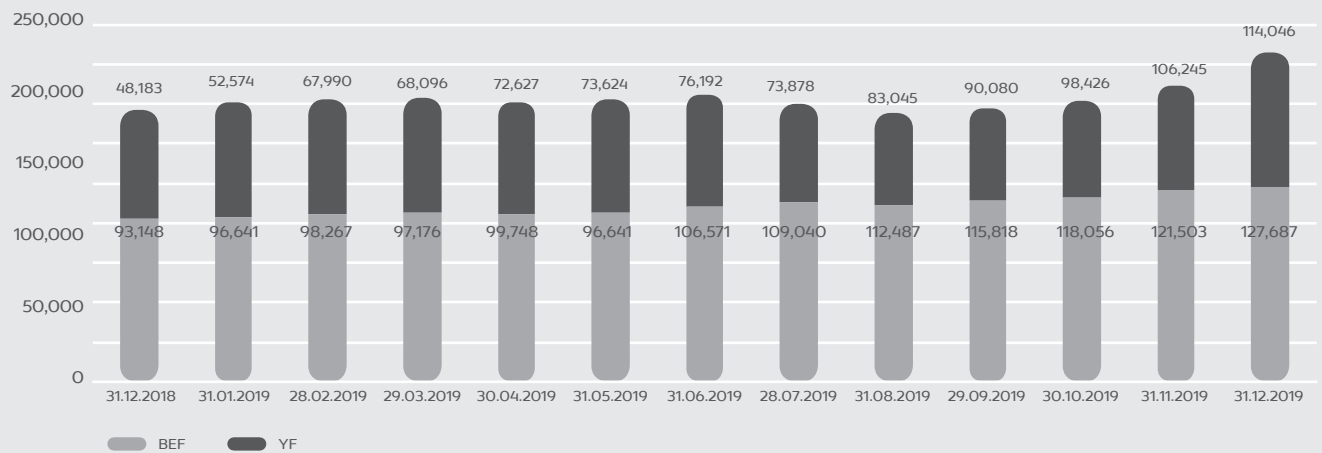


## 2019 DEVELOPMENTS

PENSION FUND PORTFOLIO BREAKDOWN (%)



FUND SIZES (MILLION TRY)



**FULL NAME, TERM OF OFFICE, AREAS OF RESPONSIBILITY, EDUCATION, PROFESSIONAL EXPERIENCE, AND MEETING PARTICIPATION INFORMATION ON THE CHAIRMAN AND BOARD MEMBERS, AUDIT COMMITTEE MEMBERS, THE CEO AND EXECUTIVE VICE PRESIDENTS, AND THE INTERNAL SYSTEM DEPARTMENT MANAGERS; AND INFORMATION ON THE EXTRAORDINARY GENERAL ASSEMBLY**

**Board of Directors:**

Full Name	Board of Directors Duty	Area of Responsibility	Education	University	Faculty	Department
Mehmet Hakan ATILLA	Chairman	Board of Directors	Bachelor's Degree	Gazi University	Economics and Administrative Sciences	Economics
Bekir BAYRAKDAR	Member	Vice Chairman	Bachelor's Degree	Istanbul University	Political Science	International Relations
Gökhan ELİBOL	Member	Deputy General Manager Board Member Credit Committee Member	Bachelor's Degree Bachelor's Degree	Ankara University Beykent University	Political Science Law	Economy Law
Seyit Ahmet IŞKIN	Member	Audit Committee Chairman Head of Central Counterparty Risk Advisory Committee	Bachelor's Degree Master's Degree	Istanbul University Marmara University	Political Science Banking and Insurance Institute	Economy Banking
Gülseren TOPUZ	Member	Corporate Governance Committee Chairman Credit Committee Member Member of Central Counterparty Risk Advisory Committee	Bachelor's Degree Master's Degree Ph.D.	Ankara University Marmara University Istanbul University	Economics Institute of Social Sciences Institute of Social Sciences	Economics Statistics Money and Banking
Münevver ÇETİN	Member	Credit Committee Member	Bachelor's Degree Master's Degree Ph.D.	Ankara University Ankara University Istanbul University	Faculty of Educational Sciences Institute of Social Sciences Institute of Social Sciences	Economy Administration Education Administration and Planning Money and Market Policy
Ekrem Kerem KORUR	Member	Audit Committee Member Corporate Governance Committee Member	Bachelor's Degree	Istanbul University	Economics	Economics (taught in English)
Suat SARIGÜL	Member	Credit Committee Member	Bachelor's Degree Master's Degree	Gazi University Hacı Bayram Veli University	Economics and Administrative Sciences Institute of Social Sciences	Business Administration Accounting
Hüseyin Melih AKOSMAN	Member	Credit Committee Member	Bachelor's Degree Master's Degree	Marmara University Loyola	Economics and Administrative Sciences Business Administration	Business Administration Business Administration

**FULL NAME, TERM OF OFFICE, AREAS OF RESPONSIBILITY, EDUCATION, PROFESSIONAL EXPERIENCE, AND MEETING PARTICIPATION INFORMATION ON THE CHAIRMAN AND BOARD MEMBERS, AUDIT COMMITTEE MEMBERS, THE CEO AND EXECUTIVE VICE PRESIDENTS, AND THE INTERNAL SYSTEM DEPARTMENT MANAGERS; AND INFORMATION ON THE EXTRAORDINARY GENERAL ASSEMBLY**

**Board of Directors**



**Mehmet Hakan ATILLA**  
**Chairman of the Board of Directors**

Mehmet Hakan Atilla was born in Ankara in 1970. He earned his undergraduate degree in Economics from Gazi University Faculty of Economic and Administrative Sciences. He started his career as an Assistant Specialist in the Directorate of Research, Development and Planning at Halkbank A.Ş. in 1995. Atilla continued his career as a Specialist in the Directorate of Banking Cards and Cash Management, Director and Division Director in the Department of Strategic Planning, Head of the Department of Financial Organizations and Investor Relations, Member of Halk Yatırım Board of Audit, Member of Halk Emeklilik Board of Directors, and Chairman of the Macedonia Division of Halkbank. Atilla was the Halkbank Deputy CEO in Charge of International Banking from 2011 to 2018. He has served as the CEO, Board Member and Vice-Chairman of Borsa İstanbul A.Ş. since October 21, 2019. Atilla was elected the Chairman of Takasbank on October 25, 2019.



## Board of Directors



**Bekir BAYRAKDAR**  
**Vice Chairman**

Bekir Bayrakdar was born in Karamürsel, Kocaeli in 1971. He attended elementary and secondary schools in Ereğli, and high school in İzmit Industrial and Vocational High School. He graduated from Istanbul University Faculty of Political Science in 1995. He was appointed Junior Accountant in 1996, and Accountant in 2001. He worked as the Head of Kocaeli Tax Administration from 2005 to 2008. Bayrakdar was appointed the Treasurer of Istanbul on March 3, 2008, and then assigned to the General Directorate of Public Accounts in 2014. He became the Head of the Revenue Administration following his election as a Member of Takasbank Board of Directors on April 19, 2019.



**Seyit Ahmet IŞKIN**  
**Board Member**

Seyit Ahmet Işkın was born in Sivas in 1973. He received his Bachelor's Degree from the Faculty of Political Sciences at Istanbul University. He then received his Master's Degree in Banking from Marmara University, Institute of Banking and Insurance. He is currently working to attain his Ph.D. in Business Administration from Haliç University, Institute of Political Sciences. He worked as the Assistant Secretary General at an NGO between 1996 and 1999. He served at the inspection and audit departments of various banking, leasing, and capital markets organizations between 1999 and 2007 before performing his duties as the Chairman of the Inspection Board and Vice President at the Istanbul Gold Exchange, respectively, between 2008 and 2013. He played a role in combining the three exchanges – Istanbul Stock Exchange, Istanbul Gold Exchange, and Izmir Futures and Options Exchange – and served as a board member of Borsa Istanbul A.Ş. between 2013 and 2017. During this time, he acted as the Audit Committee Chairman and a Member of Borsa Istanbul A.Ş. He also served as a Board Member at Ege Lisanslı Depoculuk A.Ş. and İstanbul Altın Rafinerisi A.Ş. between 2013 and 2014, and at Merkezi Kayıt Kuruluşu A.Ş. between 2014 and 2016. He served as the Executive Assistant to the Prime Minister during the 62<sup>nd</sup>, 63<sup>rd</sup> and 64<sup>th</sup> Governments of the Republic of Turkey. A married father of two, Işkın was re-elected as a member of Takasbank Board of Directors on April 19, 2019. He has been a board member of Takasbank since 2017.

## FULL NAME, TERM OF OFFICE, AREAS OF RESPONSIBILITY, EDUCATION, PROFESSIONAL EXPERIENCE, AND MEETING PARTICIPATION INFORMATION ON THE CHAIRMAN AND BOARD MEMBERS, AUDIT COMMITTEE MEMBERS, THE CEO AND EXECUTIVE VICE PRESIDENTS, AND THE INTERNAL SYSTEM DEPARTMENT MANAGERS; AND INFORMATION ON THE EXTRAORDINARY GENERAL ASSEMBLY

### Board of Directors



**Gülseren TOPUZ**  
**Board Member**

She was born in Istanbul in 1957. After graduating from the Behçet Kemal Çağlar High School, she received her Bachelor's Degree from Ankara University, Faculty of Economics. She received her Master's Degree in Statistics at Marmara University and in Human Resources Management at Istanbul University before earning her Ph.D. in Money and Banking at Istanbul University. She worked as a Research Assistant at Istanbul University's Institute of Ataturk's Principles and History of Turkish Revolution; a Lecturer at the Department of Economics, Faculty of Economics and Administrative Sciences; Head of the Economic History Department and Vice Chairman of the Department of Economics at Kocaeli University; a consultant at Istanbul Metropolitan Municipality; and a member of Parliament for Istanbul in the 22<sup>nd</sup> term. She is married with two children. Topuz was elected a member of Takasbank Board of Directors once more on April 19, 2019.



**Münevver ÇETİN**  
**Board Member**

She received her Bachelor's Degree from Ankara University in 1982; her Master's Degree from Ankara University, Institute of Social Sciences in 1985; and her Ph.D. from Istanbul University Institute of Social Sciences in 1988. She has been working at Marmara University since 1985. Çetin became an Associate Professor in 1998 and Professor in 2006. She served as the advisor to the Chairman at the Disaster and Emergency Management Authority between 2014 and 2016. Çetin was elected a member of Takasbank Board of Directors once more on April 19, 2019.

## Board of Directors



**Ekrem Kerem KORUR**  
**Board Member**

Ekrem Kerem Korur graduated from Galatasaray High School. He studied Economics in English at Istanbul University, Faculty of Economics, and attended the University of Colorado Institute of Economics. He worked for Hak Menkul Kıymetler A.Ş. (renamed to Phillip Capital Menkul Değerler A.Ş. in 2012) as an Assistant Specialist in 1991, then as an investment specialist, the Deputy CEO and, finally, as the CEO. Ekrem Kerem Korur continues to serve as the CEO and Deputy Chairman of Phillip Capital Menkul Değerler A.Ş. and the Chairman of Phillip Sigorta ve Reasürans Brokerliği A.Ş. Korur was elected a member of Takasbank Board of Directors once more on April 19, 2019.



**Suat SARIGÜL**  
**Board Member**

Suat Sarigül was born in Ankara in 1979. He studied Business Administration at Gazi University Faculty of Economic and Administrative Sciences. He continues his master's studies in Accounting in Hacı Bayram Veli University Graduate School of Social Sciences. He started his career as an Assistant Tax Inspector and he was appointed Tax Inspector on July 3, 2011. After several administrative positions at the Department of Tax Inspection Board from December 22, 2011, to February 28, 2019, he was appointed the Director of Revenue Administration Group of Ankara Tax Administration. He became the Chairman of the Tax Inspection Board on March 1, 2019. He has published several articles on taxation and accounting, and is the author of the book "Vergisel Yönleriyle Genel Muhasebe" (Tax-Related Aspects of General Accounting). He is married with two children. He was elected a member of the Takasbank Board of Directors on April 19, 2019.

**FULL NAME, TERM OF OFFICE, AREAS OF RESPONSIBILITY, EDUCATION, PROFESSIONAL EXPERIENCE, AND MEETING PARTICIPATION INFORMATION ON THE CHAIRMAN AND BOARD MEMBERS, AUDIT COMMITTEE MEMBERS, THE CEO AND EXECUTIVE VICE PRESIDENTS, AND THE INTERNAL SYSTEM DEPARTMENT MANAGERS; AND INFORMATION ON THE EXTRAORDINARY GENERAL ASSEMBLY**

**Board of Directors**



**Hüseyin Melih AKOSMAN**  
**Board Member**

Hüseyin Melih Akosman was born in Istanbul in 1971. He earned his bachelor's degree at Marmara University Faculty of Economic and Administrative Sciences, Department of Business Administration, in 1994 and his master's degree at the MBA program of Loyola University Chicago in 1997. Akosman worked as a Broker of Grain Futures Exchange (CBOT) at Refco, LLC-LaSalle Group from 1997 to 2004 and in several executive positions for Denizbank Financial Services Group since 2004. While still serving as a Board Member and the CEO of Deniz Yatırım Menkul Kıymetler A.Ş., Melih Akosman was also elected a Board Member of Takasbank on April 19, 2019.



**Gökhan ELİBOL**  
**Deputy General Manager – Board Member**

Gökhan Elibol was born in Erzincan. He graduated from Ankara University Faculty of Political Sciences before going on to study Law at Beykent University. He started his career as a Tax Inspector at the Ministry of Finance, and later became a Sworn Bank Examiner at the BRSA. During his 10-year service at the BRSA, he carried out risk management, financial structure and finance inspections of deposit, participation and investment banks, primarily the large-scale deposit banks; represented the organization he was affiliated with in many domestic and international organizations and took an active role in legislation. He was appointed the Executive Vice President in Charge of Markets and Operations at Takas Istanbul in 2016, and has served as the Deputy General Manager and a Board Member of Istanbul Takas ve Saklama Bankası A.Ş. since April 2019.

## Executive Management

Full Name	Duty	Area of Responsibility	Education	University	Faculty	Department	Professional Experience		
							Year	Institution	Duty
Gökhan ELİBOL	Deputy General Manager and Board Member	Markets and Operation	Bachelor's Degree	Ankara University	Political Science	Economy	2006–2006	Ministry of Finance	Tax Inspector
			Bachelor's Degree	Beykent University	Law	Law	2006–2016	BRSA	Assistant Sworn-in Bank Auditor, Sworn-in Bank Auditor
							2016–Present	Istanbul Settlement and Custody Bank	Executive Vice President, Deputy General Manager – Board Member
Serkan AŞKAR	Executive Vice President	Central Counterparty and Financial Services	Bachelor's Degree	Boğaziçi University	Engineering	Electrical and Electronics Engineering	2007–2011	Merrill Lynch Investment Bank	Trader
			Master's Degree	University of Massachusetts Amherst	Engineering	Electrical and Computer Systems Engineering	2011–2012	UBS Menkul Değerler A.Ş.	Trader
			Master's Degree	University of Massachusetts Amherst	Business Administration	Business Administration	2013–2015	Fokus Portföy Yönetimi A.Ş.	Portfolio Manager
			Ph.D.	University of Massachusetts Amherst	Engineering	Computer Systems Engineering	2015–2019	Akbank T.A.Ş.	Treasury Business Unit and Department of Risk Management
							2019–(present)	Istanbul Settlement and Custody Bank	Executive Vice President

## FULL NAME, TERM OF OFFICE, AREAS OF RESPONSIBILITY, EDUCATION, PROFESSIONAL EXPERIENCE, AND MEETING PARTICIPATION INFORMATION ON THE CHAIRMAN AND BOARD MEMBERS, AUDIT COMMITTEE MEMBERS, THE CEO AND EXECUTIVE VICE PRESIDENTS, AND THE INTERNAL SYSTEM DEPARTMENT MANAGERS; AND INFORMATION ON THE EXTRAORDINARY GENERAL ASSEMBLY

### Units under Internal Systems

Full Name	Duty	Area of Responsibility	Education	University	Faculty	Department	Professional Experience		
							Year	Institution	Duty
Elvan Altıkulaç	Director	Internal Audit Department	Bachelor's Degree	Ankara University	Political Science	Public Administration	1999–2001	Yasarbank A.Ş.	Assistant Auditor
			Master's Degree	Marmara University	Institute of Banking and Insurance	Banking	2001–Present	Istanbul Settlement and Custody Bank	Assistant Auditor, Auditor, Chief Auditor, Assistant Manager, Manager Director
			Ph.D.	Marmara University	Institute of Banking and Insurance	Banking			
Mustafa Mert Özdiler	Department Manager	Risk Management Department	Bachelor's Degree	Gazi University	Science-Literature	Statistics	2008–2014	T.R. Ziraat Bankası A.Ş.	Assistant Specialist, Specialist
			Master's Degree	Gazi University	Institute of Science	Statistics	2014–Present	Istanbul Settlement and Custody Bank	Specialist, Senior Specialist, Head Specialist, Department Head
			Ph.D.	Ankara Hacı Bayram Veli University	Graduate Education Center	Econometrics (Continued)			
Kenan Dede	Department Manager	Internal Control and Compliance Department	Bachelor's Degree	Yıldız Technical University	Economics and Administrative Sciences	Business Administration	2004–2005	İnan Plastik Makineleri Ltd.	Foreign Trade Specialist
			Master's Degree	Bahçeşehir University	Graduate School of Social Sciences	Capital Markets and Finance	2005–2006	Gülaylar Kuyumculuk A.Ş.	Finance Specialist
			Ph.D.	Marmara University	Banking and Insurance Institute	Capital Markets and Stock Exchanges	2008–2015	Kuveyt Türk Katılım Bankası A.Ş.	Auditor, Treasury and Capital Markets Director of Business Development
							2015–2018	KT Portföy Yönetimi A.Ş.	Head of Internal Control, Compliance and Risk Management
							2018–Present	Istanbul Settlement and Custody Bank	Department Manager



## Directors

Full Name	Department
Beyhan ARASAN	Equity and Debt Securities Clearing and Settlement Department
Elvan ALTIKULAÇ	Internal Audit Department
Emre KOÇBEY	Markets Department
Hasan DEMİRCAN	Clearing and Settlement Applications Development (AD) Department
Hasan Hilmi YAVUZ	Legal Consultancy
İlker KUŞÇU	Custody AD Department
Kerim ARICAN	Enterprise Architecture and R&D Department
Metin KÜLÜNK	Member Services and Corporate Communications Department
Muhterem ÇELİK	Department of Custody and Collective Investment Institutions
Murat GÖRGÜN	Department of Financial Services and Reporting
Naim ŞAHİN	Banking AD Department
Nesrin ÖZKURT	Department of Payment and Transfer Services
Niyazi Burak AKAN	Central Counterparty (CCP) Department
Semanur CERRAHOĞLU	Treasury and Credits Department
Serkan AÇIKGÖZ	Human Resources and Support Services Department
Taşkın ÖKER	IT Infrastructure and Operations Department

## STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS

### Operating Principles of the Board of Directors:

The Board of Directors convenes at least once a month. It may convene more if deemed necessary. The Chairman – or, in the absence of the Chairman, the Vice Chairman – is authorized to convene the Board of Directors and determine its agenda. However, each board member is entitled to request from the Chairman to convene the Board of Directors or propose agenda items for a meeting. The Board of Directors convenes by absolute majority, and resolutions are taken by majority vote of those attending. The Bank's articles of association stipulates the activities of the Board of Directors and meeting procedures and principles.

### Board Members' Meeting Attendance in the Accounting Period:

The Board of Directors convenes at least once a month, pursuant to the Bank's articles of association. It convened 23 times, and no ordinary general assembly was held in 2019.

### Number, Structure, and Independence of Committees Formed Under the Board of Directors:

Takasbank's Board of Directors formed an Audit Committee, Credit Committee, Corporate Governance Committee, and Central Counterparty Risk Advisory Committee to assist in its businesses and operations in accordance with its legislative responsibilities.

### Financial Rights Granted to Board Members and Executive Managers; Allowances, Travel, Accommodation, and Representation Expenses; and Total In-Cash And In-Kind Resources, Insurances, and Similar Collateral:

The General Assembly determines the financial rights provided to board members, such as remuneration and dividend bonus, pursuant to the provisions of the Turkish Commercial Code. Rights, such as remuneration, bonuses, and so on, granted to the executive management are determined within the scope of the Bank's Personnel Regulation; conversely, general remuneration increases are put into effect following approval by the Board of Directors.

Other rights, such as vehicle allowance, insurance, and so on, granted to the Board of Directors and executive management are determined within the scope of Personnel Regulation and related procedures of Takasbank. Meanwhile, travel allowances and expenses are determined according to the Bank's Travel Expense Directive.

No borrowing/lending or guarantor and security relationships were created with any Board Member or executive management in 2019.

### Transactions Conducted and Operations by the Executive Body Members in Their or Another's Name with the Bank Pursuant to the Permission Given by the Bank's General Assembly within the Scope of Non-Competition:

No transactions or operations were conducted with the Bank by executive body members in their own name or on behalf of another person, pursuant to the permission given by the Bank's General Assembly within the scope of non-competition.

### Explanations regarding Administrative or Legal Actions Against the Company or Executive Body Members due to Practices Against Legislative Provisions

There were no administrative or legal actions against the company or executive body members due to practices against legislative provisions.

## EXPLANATIONS REGARDING PRIVATE AUDIT AND PUBLIC AUDIT CONDUCTED IN THE ACCOUNTING PERIOD:

In the 2019 fiscal year, KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. conducted an independent audit of Takasbank.

## **INFORMATION ON THE CREDIT COMMITTEE; ON THE OPERATIONS OF THE COMMITTEES THAT REPORT TO THE BOARD OF DIRECTORS OR THAT WERE CREATED TO ASSIST THE BOARD OF DIRECTORS IN ACCORDANCE WITH THE RISK MANAGEMENT SYSTEMS PURSUANT TO THE REGULATION ON THE BANK'S INTERNAL SYSTEMS; ON THE COMMITTEE MEMBERS' PARTICIPATION IN MEETINGS HELD IN THE ACCOUNTING PERIOD; AND ON THE FULL NAME AND FUNDAMENTAL DUTIES OF THE CHAIRMAN AND MEMBERS OF THESE COMMITTEES:**

### **Credit Committee:**

#### **Duties and Responsibilities**

Grant credit limits as per Banking Law and related regulations under the authority of the Board of Directors.

#### **Members**

Münevver ÇETİN, Credit Committee Chair (Board Member)  
Hüseyin Melih AKOSMAN, Credit Committee Member (Board Member)

Gökhan ELİBOL, Credit Committee Member (Deputy General Manager – Board Member)

Gülseren TOPUZ, Credit Committee Member (Board Member)

Suat SARIGÜL, Credit Committee Member (Board Member)

#### **Meeting Frequency**

The Board of Directors finalizes the credit limits set by the Bank.

#### **Meeting Participation Information**

In 2019, the Credit Committee held four meetings with the participation of the Head and Members of the Committee

### **Audit Committee:**

#### **Duties, Authorities, and Responsibilities**

The Audit Committee is liable to execute the duties, authorities and responsibilities set forth by the Banking Law No. 5411 and by the “Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks” by the BRSA.

#### **Members**

Seyit Ahmet IŞKIN, Audit Committee Chairman (Board Member)

Ekrem Kerem KORUR, Audit Committee Member (Board Member)

#### **Meeting Frequency**

At least once a month

#### **Meeting Participation Information**

In 2019, the Audit Committee held 22 meetings with the participation of the Chairman and Members.

### **Corporate Governance Committee:**

#### **Duties and Responsibilities**

Assist the Board of Directors in establishing the mission and vision of the Bank and oversees operations in compliance with the Bank's mission and vision.

Identify conflicts of interest arising from failure to provide full compliance to Corporate Governance Principles, and put into place policies necessary for overseeing such conflicts of interest.

Supervise the processes for developing and keeping up to date the standards, policies, instructions, and implementation procedures regarding the Bank's operations and transactions.

Take social responsibility projects into consideration. Review critical complaints and requests concerning the corporate governance practices, and offer comments and suggestions to the Board of Directors.

#### **Members**

Gülseren TOPUZ – Corporate Governance Committee Chairman (Board Member)

Ekrem Kerem KORUR – Corporate Governance Committee Member (Board Member)

#### **Meeting Frequency**

Biannually

#### **Meeting Participation Information**

In 2019, the Corporate Governance Committee held two meetings with participation of the Chairman and Members.

### **Strategy Coordination Committee:**

#### **Duties and Responsibilities**

Assess and approve strategic targets and the initiatives to achieve them so as to implement the Bank's objectives based on its mission, vision and fundamental values, and monitor growth periodically and make decisions on the necessary changes;

As part of the Continuous Service Improvement Process, evaluate and approve the feasibility of corporate improvement action analyses;

Evaluate the progress steps and take action decisions when necessary regarding the corporate improvement actions in the portfolio.

#### **Members**

Gökhan ELİBOL (Deputy General Manager and Board Member)

Executive Vice Presidents

Reporting and Strategic Planning Team Manager and Personnel

#### **Meeting Frequency**

Biannually

#### **Meeting Participation Information**

In 2019, the Credit Committee held three meetings with the participation of the Head and Members of the Strategy Coordination Committee.

## INFORMATION ON THE CREDIT COMMITTEE; ON THE OPERATIONS OF THE COMMITTEES THAT REPORT TO THE BOARD OF DIRECTORS OR THAT WERE CREATED TO ASSIST THE BOARD OF DIRECTORS IN ACCORDANCE WITH THE RISK MANAGEMENT SYSTEMS PURSUANT TO THE REGULATION ON THE BANK'S INTERNAL SYSTEMS; ON THE COMMITTEE MEMBERS' PARTICIPATION IN MEETINGS HELD IN THE ACCOUNTING PERIOD; AND ON THE FULL NAME AND FUNDAMENTAL DUTIES OF THE CHAIRMAN AND MEMBERS OF THESE COMMITTEES:

### Asset and Liability Committee:

#### Duties and Responsibilities

Discuss and evaluate the Bank's balance sheet, revenue/expense balance, budget and fund management strategy, as well as the implications of local and global developments in money and capital markets for the Bank.

The committee designs prospective policies for the Bank based on the current data.

#### Members

CEO

Executive Vice Presidents

Director of the Department of Treasury and Credits

Director of the Department of Financial Services and Reporting

Director of the Central Counterparty (CCP) Department

Director of the Department of Equity and Debt Securities Clearing and Settlement

Director of the Markets Department

Manager of the Internal Audit Department

Manager of the Risk Management Unit

Director of the Member Services and Corporate Communications Department

Director of the Department of Custody and Collective Investment Institutions

Director of the Department of Derivatives and Energy Commodity Clearing and Settlement

Director of the Department of Payment and Transfer Services

Manager of the Internal Control and Compliance Department

#### Meeting Frequency

The Assets and Liabilities Committee convenes monthly.

### Meeting Participation Information

Member participation in meetings held in 2019:

Month	January	February	March	April	May	June	July	August	September	October	November	December
Number of Participating Members	14	15	14	14	12	11	13	13	13	13	13	15

### Information Technology Committee:

#### Duties and Responsibilities

Prioritizes the benefit-cost analysis of the project portfolio in line with the information technology strategic plan made in accordance with the Bank's strategic plan.

Ensures efficient and productive use of the Bank's information systems and human resources by assessing the status of the projects.

#### Members

CEO

Executive Vice Presidents

IT Managers

Director of the IT Security and Risk Management Team

#### Meeting Frequency

The Information Technology Committee convenes periodically in quarterly intervals.

### Meeting Participation Information

Information Technologies Committee held four meetings in 2019.

### Central Counterparty Risk Advisory Committee

#### Duties and Responsibilities

Advising the Bank's Board of Directors about the CCP regulations and the management of CCP risks.

#### Members

Seyit Ahmet İŞKİN – Head of Central Counterparty Risk Advisory Committee

Gülseren TOPUZ – Member of Central Counterparty Risk Advisory Committee

#### Meeting Frequency

At least twice a year

#### Meeting Participation Information

The Central Counterparty Risk Advisory Committee convened twice in 2019.

## SUMMARY BOARD REPORT PRESENTED TO THE GENERAL ASSEMBLY

Esteemed Shareholders,

We respectfully greet you, esteemed shareholders, as we present for your review and approval our Annual Report, which includes a Balance Sheet and Profit/Loss statements regarding the operating results in the 2019 fiscal year.

As was the case in 2018, geopolitical tensions, trade talks between the United States and China, and the Brexit process stood out on the global economic agenda from the first quarter of 2019 onwards. Rising tension caused by trade wars and geopolitical tensions negatively affect the indicators of investment, production and trust, impairing global growth. The decline in global economic activity became more striking and the uncertainty concerning global economic policies increased during the second half of 2019. While these issues slowed the global economic activity's momentum, the monetary attitude of both developed and developing countries loosened in this period.

Volatility in foreign currency rates and the increase in interest rates placed Turkey in a period of recession from the last quarter of 2018 to the first quarter of 2019. Following a negative 2.8 percent growth in the last quarter of 2018, 2.3 percent in the first quarter and 1.6 percent in the second quarter of 2019, the Turkish economy returned to positive growth with 0.9 percent in the third quarter of 2019. Having recessed until the third quarter of 2019, it completed the third period with positive growth with the help of stability established in financial markets and a moderate recovery in the credit volume.

After rising to a peak of 25.24 percent with the effect of the foreign currency rate shocks in 2018, the inflation started to fall as the foreign currency rate stabilized, food supply rose, and imports fell in 2019. It fell to single-digit figures in September and balanced on 11.84 percent in December, remaining below the target of 12 percent in the New Economic Program.

Gaining ground with the falling inflation and the interest decisions of the central banks of developing countries, the CBRT reduced the policy interest rate from 24 percent to 12 percent, with a reduction of 1,200 basis points, in four meetings. The continued relaxing of monetary tightening measures is expected to contribute to the normalization of loan conditions and demand.

Current global financial conditions and the recent partial improvement of global trade have supported risk appetite and demand for the financial assets of developing countries. On the other hand, the weak course of inflation worldwide maintains the expectations that monetary policies will continue to support growth. While the recovery of economic activities is expected to continue in 2020, uncertainties regarding the global economy continue to pose a downward

risk on growth through capital flows, foreign trade and commodity prices. In the face of these risks, the primary purpose is to foster growth and make it more inclusive through structural reforms despite the gradual lowering of current deficit and inflation.

Providing key services such as collateral and risk management, settlement, clearance and central counterparty for the capital and financial markets of Turkey and operating as a qualified central counterparty, a payment system, a bank and an R&D center for this purpose, Takasbank also works on the blockchain technology, which recently gained prominence worldwide. In this context, the "BiGA Digital Gold" project, the first fruit borne from the blockchain efforts, which allows gold backed by physical gold and convertible into digital assets to be transferred without any time limitation, entered operation at the end of 2019. The "Digital Asset Transfer Platform" was then created, which allows digital assets to be transferred via blockchain technology, is backed by physical assets, does not have an intrinsic value, and can be operated in compliance with the regulations in effect.

Our main shareholder, Borsa Istanbul, formed the TLREF (Turkish Lira Overnight Reference Interest Rate) to meet the short-term interest rate need for Turkish lira, which could be used as a variable interest indicator, underlying asset or comparison criteria for financial derivatives, debt securities and various financial contracts. In this context, as part of the central counterparty service for over-the-counter derivative products, Takasbank began providing settlement, clearing, risk and collateral management services in the TRY OIS (overnight index swap) contracts backed by TLREF on December 19, 2019. This service allowed domestic banks to perform TRY OIS transactions with each other and manage medium- and long-term TRY interest rate risks without using their foreign currency liquidity.

Our Bank completed four of its projects in 2019 through which the aim is to offer innovative solutions to capital markets and Turkey's financial industry to establish a strong operational and technological infrastructure, and to operate as an R&D Center since April 2017. Five additional projects are also in progress.

Takasbank experienced healthy growth and profitability in 2019 by performing its core operations in an uninterrupted manner and adhering to its member- and customer-focused plan. Our profit before tax soared by 27 percent to 776.4 million Turkish lira, while asset size reached 16.7 billion Turkish lira, and shareholders' equity 2.3 billion Turkish lira year-on-year.

Takasbank is a key financial infrastructure organization for the growth of Turkish capital markets. With another successful year behind us, we are determined to maintain our achievements in the coming year thanks to the support of our esteemed shareholders.

Dear Shareholders,

As we present this Annual Report, which includes the Balance Sheet and Profit/Loss statements for the 2019 operating year, we would like to extend our particular respect to the esteemed capital markets executives and our personnel for their support, as well as to our valued shareholders and their representatives for putting their trust in Takasbank and honoring our General Assembly with their presence.

Yours faithfully,

Istanbul Settlement and Custody Bank

On behalf of the Board of Directors

Gökhan ELİBOL  
Deputy General Manager and  
Board Member

Mehmet Hakan ATİLLA  
Chairman



## INFORMATION ON HUMAN RESOURCES PRACTICES

The Bank maintained its efforts to preserve a modern corporate culture focused on sustainable growth and practices to improve employee motivation in 2019.

In parallel with the gradually diversified and intensified operations of Takasbank, the number of employees increased to 298 by year-end 2019: 189 men and 109 women. As of the end of 2019, the management team consisted of 38 people including a Service Manager, Director, Executive Vice President, and Deputy General Manager. The Board of Directors is made up of nine members including the Deputy General Manager.

As in previous years, Takasbank also recognized efficient performance in 2019 and maintained efforts to keep personnel motivation high through initiatives such as salary increases and other financial benefits above the inflation rate, and through offering bonuses for successfully completed projects. During the year, various events were organized to improve inter-employee relations. Such activities will continue in the future.

Takasbank considers its workforce its most important asset according to its sustainable growth vision. As such, it aspires to achieve personnel development, effective communication and satisfaction through human resources strategies, in line with its mission and objectives.

It continued to apply objective assessment criteria to meet labor force requirements. Individuals employed during the year to work in operational units received orientation training to familiarize them with the organization.

Training activities continued to supplement other human resources practices, consistent with corporate objectives. With a view for technical, professional, and personal development training, each employee received an average of 41 hours of training. Employees pursuing Master's and Ph.D. studies were allowed to continue their training leave. Employees hold the following degrees: Ph.D. and Master's Degrees (26 percent), Bachelor's Degrees (65 percent), high school or primary school (9 percent).

The Human Resources Department meets the liabilities arising from Law No. 6331 on Occupational Health and Safety. Legal compliance requirements were satisfied by involving employees in the creation of an occupational health and safety culture.

An Employee Satisfaction Survey was conducted in January 2019, and provided feedback on working life, processes and operations. Reviews launched practices to improve the work environment and motivation, and developed actions to enhance corporate culture.

## INFORMATION RELATED TO TRANSACTIONS THE BANK PERFORMS WITH ITS RISK GROUP:

The independent audit report shows in detail the information related to transactions the bank performs with its risk group.

Bank's Risk Group	Subsidiaries, Affiliates, and Jointly Managed Partnerships (Business Partnerships)		Bank's Direct and Indirect Partners		Other Real and Legal Persons in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Opening Balance	–	–	16,374	3,964,840	–	–
Closing Balance	–	–	154,942	1,200,782		–
Received Interest and Commission Income	3,483		14,265	10,760	54	2,190

## **INFORMATION ON THE AREAS OF ACTIVITY IN WHICH SUPPORT SERVICE IS RECEIVED, AND THE PERSONS AND ENTITIES FROM WHOM SUCH SERVICE IS RECEIVED, PURSUANT TO THE REGULATION ON THE BANK’S PROCUREMENT OF SUPPORT SERVICES AND THE AUTHORIZATION OF SUCH SERVICE PROVIDERS**

In 2019, as per the Regulation on Bank’s Procurement of Support Service, Takasbank received the following services:

- Hosting and support service for backup and datacenter hardware of Takasbank from Türk Telekomünikasyon A.Ş.;
- Infrastructure, connection, maintenance, and 24/7 e-mail and telephone support for the SWIFT server; and AML – Anti-Money Laundering Sanction List Query software and its maintenance from Fineksus Bilişim Çözümleri Tic. A.Ş.
- Server hosting service for Stock Exchange Datacenter from Borsa İstanbul A.Ş.;
- Software, update, maintenance and technical support for the User Interface System of the CBT from Mor Teknoloji Yazılım İletişim Bilişim Danışmanlık ve Enerji San. Tic. Ltd. Şti.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT	86
PART I – SHAREHOLDERS	87
FACILITATING THE EXERCISE OF SHAREHOLDING RIGHTS	87
RIGHT TO INFORMATION AND REVIEW	87
GENERAL ASSEMBLY	87
VOTING RIGHTS	88
MINORITY RIGHTS	88
DIVIDEND RIGHTS	88
TRANSFER OF SHARES	88
PART II – PUBLIC DISCLOSURE AND TRANSPARENCY	88
CORPORATE WEBSITE	88
ANNUAL REPORT	89
BANK POLICY FOR STAKEHOLDERS	89
HUMAN RESOURCES POLICY	89
RELATIONS WITH CUSTOMERS AND SUPPLIERS	89
CODE OF CONDUCT AND SOCIAL RESPONSIBILITY	89
PART III – BOARD OF DIRECTORS	89
FUNCTION OF THE BOARD OF DIRECTORS	89
OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS	89
COMPOSITION OF THE BOARD OF DIRECTORS	90
METHOD OF MEETING OF THE BOARD OF DIRECTORS	91
COMMITTEES FORMED UNDER THE BOARD OF DIRECTORS	91
FINANCIAL RIGHTS PROVIDED TO THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES WITH ADMINISTRATIVE RESPONSIBILITY	92

**CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT****CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT**

Article 36 of the Capital Markets Law number 6362 (Law) stipulates that Article 17(1) and (2) of the Law regarding corporate governance shall apply to capital markets institutions by analogy. Pursuant to the provisional Article 8 of the Law, İstanbul Takas ve Saklama Bankası A.Ş. (the Bank) is a central clearing agency, and in accordance with Article 35 of the Law, central clearing institutions are considered capital market institutions. Therefore, this Corporate Governance Principles Compliance Statement was prepared based on the report format attached to the Corporate Governance Communiqué No. II-17.1 and Resolution No. 2/49 dated January 10, 2019, of the CMB.

The Bank maintains that good governance is the key element of sustainability. As such, it has adopted the four principles of corporate governance based on transparency, fairness, responsibility, and accountability. Accordingly, it established a Corporate Governance Committee to devise and implement its corporate structure, processes, and policies in line with this principle, and enter into force the Directive on “Takasbank Corporate Governance Principles.”

As mentioned above, it is stipulated that capital market institutions shall comply by analogy to the Communiqué published by the Capital Markets Board of Turkey to include publicly traded companies or those that are deemed as such. The Bank resolved that it shall comply with the principles set forth in the Regulation on “Takasbank Corporate Governance Principles” until the Capital Markets Board of Turkey determines which of the principles in the Communiqué these institutions must comply with.

Yours faithfully,

Ekrem Kerem KORUR  
Corporate Governance Committee Member

Gülseren TOPUZ  
Corporate Governance Committee Chairman

Annex 1: Corporate Governance Principles Compliance Report and Corporate Governance Information Form

## **PART I – SHAREHOLDERS**

### **FACILITATING THE EXERCISE OF SHAREHOLDING RIGHTS**

Information and explanations that may affect the exercise of shareholding rights are available for investors on the corporate website.

The Bank management has adopted the principle of treating all shareholders equally by entering into transparent and responsible relationship with the investors. Instead, the Human Resources, Support Services, Financial Services, and Reporting departments serve to manage and strengthen investor relations within the Bank. Executives in charge of these departments are in constant contact with the Committee.

With regard to investor relations, relevant departments conducted the following operations during the period:

- 1) Keep accurate, secure, and up-to-date records on investors;
- 2) Respond to information requests from investors about partnership shares, with the exception of confidential information and commercial secrets that are not disclosed to the public;
- 3) Hold the General Assembly in accordance with applicable legislation, the articles of association, and other internal regulations of the Bank;
- 4) Draw up the Annual Report for the last financial year for use by shareholders at the General Assembly;
- 5) Record the voting results at the General Assembly and provide investors with the associated reports;
- 6) Pursue and monitor all public disclosure matters as per the legislation and the Bank's disclosure policy;
- 7) Announce bank-related developments and financial data for the related period to investors in a timely manner, and keep the investor relations section on the Bank's corporate website up to date;
- 8) Strive to improve the Bank's corporate governance practices and submit related work to the Committee for review.

In 2019, related departments answered shareholders' information requests regarding their shares in the Bank.

### **RIGHT TO INFORMATION AND REVIEW**

The Bank's management avoids making transactions that may hinder special audits.

The Bank attaches importance to ensuring that shareholders are given the right to information as stipulated in the provisions of the TCC and the Banking Law (related legislation). Accordingly, it drew up and entered into effect a Disclosure Policy Directive at the Bank. As per the Directive, there is no discrimination among the shareholders with respect to exercising the right to information. The Bank keeps the necessary communication channels open to answer any shareholder information requests.

The Committee plays an active role in protecting and facilitating the use of rights arising from share ownership, including the right to information and review. It is the responsibility of the Committee to present shareholders with information and disclosures that may affect exercising of these rights.

General letters concerning Bank-related developments, financial information, and news are regularly published on Takasbank's corporate website at [www.takasbank.com.tr](http://www.takasbank.com.tr). Additionally, the Information Society Services section accessible on the website provides up-to-date content, as required by Article 1524 of the TCC.

### **GENERAL ASSEMBLY**

The procedures and summons of the General Assembly attendance are publicly disclosed in the Internal Directive on the Working Principles and Procedures of the General Meeting document, included in the Legal Framework section of the Bank's corporate website.

The Bank's General Assembly meetings are held pursuant to the provisions of the relevant regulation. The General Assembly was held on April 19, 2019, with an assessment of the 2018 results. The General Assembly was held at the Borsa Istanbul A.Ş. Conference Hall in Sarıyer, Istanbul to prevent inequality among the shareholders, and at minimum possible cost to them. The General Assembly was held at the Conference Hall in Sarıyer, Istanbul in a manner to prevent inequality among the shareholders, and at minimum possible cost to the shareholders.

To ensure shareholder participation in the General Assembly, the invitation and agenda, including the venue and date of the meeting and other information and documents for shareholders to the General Assembly, were sent in a timely manner and published in the Turkish Trade Registry Gazette No. 9796 dated March 27, 2019, in the *Dünya* newspaper dated March 28, 2019, and on the Bank's website.

The Bank's 2018 Annual Report containing the Balance Sheet and Income Statement for the January 1, 2018 – December 31, 2018, fiscal year; the Independent Audit Report, which was prepared for the Ordinary General Assembly; and the General Assembly Briefing Document were provided to shareholders and published on the corporate website within the legal period. The Financial Services and Reporting Department answered shareholders' questions following the General Assembly date announcement. The matters presented in the agenda were communicated impartially and in-depth in a straightforward and understandable manner. Shareholders were given equal opportunity to express their opinions and ask questions during the General Assembly.

Shareholders forwarded their agenda-related requests to the Meeting Chairman during the meeting via motions. The General Assembly voted on and approved motions made by the shareholders regarding Articles 1, 2, 3, 4, 9 and 10 on the General Assembly agenda. Open voting took place by a show of hands at the General Assembly.

# CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

The General Assembly minutes were sent to the shareholders upon request by fax and/or email. Subsequently, they were posted on the corporate website and published in the Trade Registry Gazette. In attendance at the General Assembly were shareholders, board members, audit committee members, officers responsible for preparation of the financial statements, an authorized officer of the independent audit firm, and other related people. Media organizations did not attend.

General Assembly Meetings							
Date of the General Assembly	Number of requests made to the Bank for additional explanation regarding the agenda of the general assembly	General assembly attendance rate of shareholders	Percentage of shares represented in person	Percentage of shares represented by proxy	Title of the corporate website section containing the general assembly minutes, including the affirmative and negative votes for each item of the agenda	Title of the corporate website section containing all questions asked and answers given in the general assembly	Number of the article or paragraph pertaining to the related parties in the general assembly minutes
04.19.2019	–	96.91%	0	96.91%	About Us/Corporate/ Information Society Services	About Us/ Corporate/ Information Society Services	Article 9
					About Us/Investor Relations/Investor Relations	About Us/Investor Relations/Investor Relations	

Table 1 – Meetings of the General Assembly of Shareholders

## VOTING RIGHTS

The Bank's shareholders comprise of Borsa İstanbul A.Ş. and banks and brokerage houses. Shareholders exercise voting rights in proportion to the total nominal value of their shares. Each share has one voting right. No voting privileges are granted to any share group.

## MINORITY RIGHTS

Except for Borsa İstanbul A.Ş., no shareholder can directly or indirectly own more than 5 percent of the Bank's capital. As of the year-end 2018, 64.15 percent of the Bank's capital belonged to Borsa İstanbul A.Ş., 17.04 percent to 11 banks, and 18.81 percent to 28 brokerage houses. The Bank's Articles of Association do not include any special provisions regarding the execution of minority rights or cumulative voting. Pursuant to Article 195 of the TCC on controlling and affiliated companies, Borsa İstanbul A.Ş. is currently the controlling company in the group of companies, and Takasbank and the MKK are considered subsidiaries. Although Takasbank holds a nominal share of 634,851 Turkish lira in the capital of Borsa İstanbul A.Ş., it is not entitled to vote at its General Assembly pursuant to Article 389 of the TCC.

## DIVIDEND RIGHTS

The Bank pays dividends in accordance with the General Assembly resolutions. Proposals are prepared in accordance with the Board of Directors' Dividend Policy and submitted to the general assembly agenda. The Dividend Policy is not published on the corporate website.

No privileges are specified in the distribution of dividends among shareholders. Each shareholder is entitled to receive a pro-rata dividend. In 2019, 75 million Turkish lira was paid to our shareholders in dividends from the profit of 2018.

## TRANSFER OF SHARES

There are not an absolute restriction making it difficult to transfer shares. There is a partial restriction. Transfer is permitted among the organizations mentioned in the Articles of Association. No shareholder other than Borsa İstanbul A.Ş. may hold more than 5 percent of the Bank's capital.

Provided that the shares are not against the capital markets legislation as per the Bank's articles of association, and pursuant to Article 493 of the TCC, shares can be transferred only between stock exchanges that are established as per the CML and their members, investment institutions, collective investment schemes, asset management companies, mortgage financing companies, central settlement institutions, central custody institutions, publicly owned joint stock companies listed in the organized markets, and private pension companies that are established pursuant to the Private Pension Savings and Investment System Law.

## PART II – PUBLIC DISCLOSURE AND TRANSPARENCY

### CORPORATE WEBSITE

Takasbank's Annual Report is prepared in detail to facilitate public access to accurate and complete information about the Bank's activities. It complies with "the Regulation on Procedures and Principles Regarding Preparation and Publication of Annual Reports by Banks", published by the BRSA, and with "the Regulation on Determining the Minimum Annual Report Content of Companies", published by the Ministry of Trade.

The Annual Report contains the "Corporate Governance Principles Compliance Statement", prepared based on the report format that the CMB determines in accordance with Article 8 of the Corporate Governance Communiqué No. II-



17.1 of the CMB. The Bank's website is available in Turkish and English.

## **ANNUAL REPORT**

Takasbank's Annual Report is prepared in detail to facilitate public access to accurate and complete information about the Bank's activities. It complies with "the Regulation on Procedures and Principles Regarding Preparation and Publication of Annual Reports by Banks", published by the BRSA, and with "the Regulation on Determining the Minimum Annual Report Content of Companies", published by the Ministry of Trade.

## **BANK POLICY FOR STAKEHOLDERS**

Regulations concerning the rights of the Stakeholders are protected in line with the regulations, contracts and in good faith. Policies and procedures concerning the rights of the Stakeholders are published on the Bank's website. There are mechanisms in place for stakeholders to report illegal and ethically unsound activities. The Bank addresses conflicts of interests among stakeholders in a balanced way.

The Bank is in constant contact with the stakeholders, and it evaluates the requests submitted by them to the Bank and develops solution suggestions.

## **HUMAN RESOURCES POLICY OF THE BANK**

Our Bank defines critical roles for our employees and keeps a backup of their tasks.

The human resources policy containing the equal opportunity and recruitment criteria or the summary of the relevant articles of the policy is available on the About Us > Human Resources > Human Resources Policy page of our Bank's website.

The basis of our recruitment policy is the placement of the most suitable candidate in the appropriate position in terms of Bank values and cultural values, and in terms of knowledge, skills and general qualifications in line with our needs.

The recruitment process involves the use of interviewing, measuring and assessment methods (general aptitude test, personality inventory), and reference checks.

Job offers are made to candidates following interviews with the managers, measurement and assessment. Information is provided to the candidate on the process of placement, and support is given when submitting documents and starting work.

All candidate applications are stored in the candidate pool of the Bank and interview results are shared with the candidate.

The section containing the human resources policy for prevention of discrimination and ill treatment is available on the About Us > Human Resources > Human Resources Practices page of our Bank's website.

Quality and customer focus, analytical approach, team spirit, continuous development, dedicated work, reliability, impartiality, business ethics and confidentiality represent our fundamental values.

There are no court rulings against the Bank with regard to liability for work accidents.

## **RELATIONS WITH CUSTOMERS AND SUPPLIERS**

The satisfaction of customers, members, and market players is considered the utmost priority in all Bank services. The Bank measures customer satisfaction through methods such as surveys, meetings, and the collection of requests and suggestions, all of which are taken into consideration.

## **CODE OF CONDUCT AND SOCIAL RESPONSIBILITY**

The Board of Directors defined the Codes of Ethics and published it on the Bank's corporate website. The Bank is sensitive with social responsibility. It has taken measures to ensure the prevention of corruption and bribery.

## **PART III – BOARD OF DIRECTORS**

### **FUNCTION OF THE BOARD OF DIRECTORS**

The Board of Directors ensures management strategies and risks do not threaten the long-term interests of the Bank and that risk management is implemented effectively.

The agenda and minutes of the board meetings evidence that the Board of Directors discuss and approve the Bank's strategic objectives, determine the resources it needs and inspect the management performance.

### **OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS**

The latest performance assessment for the Board of Directors was held at the General Assembly and all board members were discharged from liability. It is compulsory to have at least one woman member in the Board of Directors as per the relevant provision of the Bank's Articles of Association. The Bank has taken out an executive liability insurance policy worth more than 25 percent of the capital against any damage that may be caused by the Board Members in discharging their duties.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

The Bank's Board of Directors is comprised of the following individuals:

Mehmet Hakan ATILLA Chairman

Bekir BAYRAKDAR – Vice Chairman

Gökhan ELİBOL – Board Member/Deputy General Manager

Seyit Ahmet IŞKIN – Independent Board Member

Gülseren TOPUZ – Board Member

Münevver ÇETİN – Board Member

Ekrem Kerem KORUR – Board Member

Suat SARIGÜL – Board Member

Hüseyin Melih AKOSMAN – Board Member

Names and duties of the Board Members who were authorized by the distribution of duties are as follows:

## AUDIT COMMITTEE

Seyit Ahmet IŞKIN – Audit Committee Chairman

Ekrem Kerem KORUR – Audit Committee Member

## CREDIT COMMITTEE

Münevver ÇETİN – Head of the Credit Committee

Gökhan ELİBOL – Credit Committee Permanent Member

Hüseyin Melih AKOSMAN – Credit Committee Permanent Member

Gülseren TOPUZ – Credit Committee Substitute Member

Suat SARIGÜL – Credit Committee Substitute Member

## CORPORATE GOVERNANCE COMMITTEE

Gülseren TOPUZ – Corporate Governance Committee Chairman

Ekrem Kerem KORUR – Corporate Governance Committee Member

## CENTRAL COUNTERPARTY RISK ADVISORY COMMITTEE

Seyit Ahmet IŞKIN – Head of Central Counterparty Risk Advisory Committee

Gülseren TOPUZ – Member of Central Counterparty Risk Advisory Committee

## REMUNERATION COMMITTEE

Suat SARIGÜL – Remuneration Committee Chairman

Ekrem Kerem KORUR – Remuneration Committee Member

The Internal Control and Compliance Department submitted 7 reports to the Audit Committee and other relevant committees.

Information on the efficiency of the internal control system, and Audit Committee's assessments regarding the Internal Control, Internal Audit and Risk Management Systems, and the Committee's activities during the accounting period are provided on page 112 of the annual report.

## COMPOSITION OF THE BOARD OF DIRECTORS

The organizational structure of the Board of Directors is given in the table below.

Composition of the Board of Directors							
Board Member	Executive Duty	Independent Member	First Appointed to BoD	Link to the PDP Announcement Containing the Statement of Independence	Independent Member Assessment by the Nomination Committee	Loss of Independence	Whether They Possess a Minimum Five Years of Experience in Auditing, Accounting and/or Finance
Mehmet Hakan ATILLA	No	No	10.25.2019	–	No	No	Yes
Bekir BAYRAKDAR	No	Yes	04.19.2019	–	No	No	Yes
Gökhan ELİBOL	Yes	No	04.29.2019	–	No	No	Yes
Seyit Ahmet IŞKIN	No	Yes	04.19.2019	–	No	No	Yes
Gülseren TOPUZ	No	Yes	04.19.2019	–	No	No	Yes
Münevver ÇETİN	No	Yes	04.19.2019	–	No	No	Yes
Ekrem Kerem KORUR	No	No	04.19.2019	–	No	No	Yes
Suat SARIGÜL	No	Yes	04.19.2019	–	No	No	Yes
Hüseyin Melih AKOSMAN	No	No	04.19.2019	–	No	No	Yes

## METHOD OF MEETING OF THE BOARD OF DIRECTORS

The Assembly Procedure of the Board of Directors is specified in the Bank's Articles of Association. All board members attended the meeting and submitted their opinions to the Board of Directors in writing. Information and documents are presented to the members five days before meetings as per the operating principles of the Board of Directors. Installation of e-YKS for the Bank's internal regulations as to how board meetings are to be held will be determined on the corporate website is in progress.

## COMMITTEES FORMED UNDER THE BOARD OF DIRECTORS

In the annual report, information pertaining to the committees of the Board of Directors is available in the section titled "Information on the Credit Committee; on the Operations of the Committees that Report to the Board of Directors or that are Created to Assist the Board of Directors in accordance with the Risk Management Systems pursuant to the Regulation on the Bank's Internal Systems; and on the Full Name, and Fundamental Duties of the Chairman and Members of these Committees" on pages 76 and 77.

The audit committee is available in the section titled "Information on the Audit Committee's Assessment of the Internal Control, Internal Audit and Risk Management System, and on their Operations in the Accounting Period" on page 92.

The Corporate Governance Principles Compliance Report providing information on the activities of the corporate governance committee is published on the About/Investor Relations section of the Bank's website. The aforementioned report is included in the pages 81, 82, 83, 84, 85, 86, 87, 88, 89, 90 and 91 of the annual report.

Committees of the Board of Directors					
BoD Committees	Name of the Committee Specified as "Other" in the First Column	Percentage of Managers without Executive Duties	Percentage of Independent Members in the Committee	Number of Physical Meetings Held by the Committee	Number of Reports Submitted by the Committee to the Board of Directors about Its Activities
Audit Committee		100%	50%	22	10
Credit Committee		2/3	1/3	4	11
Corporate Governance Committee		100%	50%	2	1
Central Counterparty Risk Advisory Committee		100%	100%	2	1

Table 3 – Committees of the Board of Directors

**CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT****FINANCIAL RIGHTS PROVIDED TO THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES WITH ADMINISTRATIVE RESPONSIBILITY**

Information about the Structure and Organization of the Board of Directors/Financial Rights Granted to Board Members and Executive Managers; Allowances, Travel, Accommodation, and Representation Expenses; and Total In-Cash And In-Kind Resources, Insurances, and Similar Collateral is available on page 75 of the Annual Report.

The General Assembly determines the financial rights provided to board members, such as remuneration and dividend bonus, pursuant to the provisions of the Turkish Commercial Code.

Rights, such as remuneration, bonuses, and so on, granted to the executive management are determined within the scope of the Bank's Personnel Regulation; conversely, general remuneration increases are put into effect following approval by the Board of Directors.

Other rights such as vehicle allowance, insurance, and so on, granted to the Board of Directors and executive management are determined within the scope of the Personnel Regulation and related procedures. Meanwhile, travel allowances and expenses are determined according to the Bank's Travel Expense Directive. No lending, borrowing, or warranty relationship was established with any board member or executive member of the organization in 2019.

	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
1. SHAREHOLDERS						
1.1. Facilitating the Exercise of Shareholding Rights						
The number of investor conferences and meetings organized by the company throughout the year					x	
1.2. Right to Information and Review						
Number of special auditor requests					x	
Number of special auditor requests accepted by the general assembly					x	
1.3. General Assembly						
Link to the PDP announcement containing the information requested under the Principle 1.3.1 (a-d)					x	
Whether the relevant documents were presented in English simultaneously with Turkish at the general assembly			x			There are no foreign shareholders.
Links to the PDP announcements about transactions that have not been approved by the majority of the independent members or anonymously accepted by the participants under the principle 1.3.9					x	
Links to the PDP announcements pertaining to the related party transactions made under Article 9 of the Corporate Governance Communiqué (II-17.1)					x	
Links to the PDP announcements pertaining to the common and continuous transactions made under Article 10 of the Corporate Governance Communiqué (II-17.1)					x	
The section containing the donation and charity policy on the company’s website	x					About Us/Corporate/Legal Framework.
Link to the PDP announcement containing the minutes of the general assembly in which the donation and charity policy was accepted					x	
Number of the article governing attendance of stakeholders to the general assembly	X					16, 17, 18, 19, 20, 21, 22.
Information about the stakeholders who attended the general assembly						Shareholders, Their Representatives, Employees (to be determined by the Executive Management), Independent Auditors, the BRSA and CMB Representatives, Board Members attend the General Assembly

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Compliance						Description		
Yes	Partly	No	Exempt	Not Applicable				
1.4. Voting Rights								
Whether there are preferences with the voting right			x					
Holders of preferred stocks and their vote rates, if there are preferences with voting rights			x					
Shareholding rate of the largest shareholder						Borsa Istanbul (64.15%)		
1.5. Minority Rights								
Whether the company’s articles of association expands (the content or rate of) the minority rights			x					
Article number in the Articles of Association, if minority rights were expanded in terms of content or rate.			x					
1.6. Dividend Rights								
Name of the section containing the dividend distribution policy on the corporate website		x				About Us/Corporate/Dividend Distribution Policy		
If the Board of Directors proposes the retention of dividends to the General Assembly, the minutes containing the reasons for this and the use of the retained profit		x				Available in General Assembly Minutes		
If the Board of Directors proposes the retention of dividends to the General Assembly, link to the PDP announcement containing the minutes of the relevant the General Assembly					x			
Compliance						Description		
Yes	Partly	No	Exempt	Not Applicable				
General Assembly Meetings								
Date of the General Assembly	Number of requests for additional explanation regarding the agenda of the general assembly	General assembly attendance rate of shareholders	Percentage of shares represented in person	Percentage of shares represented by proxy	Title of the corporate website section containing the general assembly minutes, including the affirmative and negative votes for each item of the agenda	Title of the corporate website section containing all questions asked and answers given in the general assembly	Number of the article or paragraph pertaining to the related parties in the general assembly minutes	Number of persons reporting to the Board of Directors who have the privilege to access shareholding data (list of insiders)
19.04.2019	–	96.91%	0	96.91%	About Us/Corporate/Information Society Services	About Us/Corporate/Information Society Services	Article 9	–
					About Us/Investor Relations/Investor Relations	About Us/Investor Relations/Investor Relations.		



	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
2. PUBLIC DISCLOSURE AND TRANSPARENCY						
2.1. Corporate Website						
The sections of the corporate website containing the information requested in the governance principle no. 2.1.1	X					<div>hakkimizda/kurumsal/hukuki-cerceve</div> <div>hakkimizda/yatirimci-iliskileri/finansal-raporlar</div> <div>hakkimizda/yatirimci-iliskileri/faaliyet-raporlari</div> <div>hakkimizda/yatirimci-iliskileri/yatirimci-iliskileri</div> <div>hakkimizda/kurumsal/takasbank-kar-dagitim-politikasi</div> <div>hakkimizda/kurumsal/bilgi-guvenligi-politikasi</div> <div>hakkimizda/kurumsal/is-surekliligi-politikasi</div> <div>hakkimizda/kurumsal/kisisel-verilerin-korunmasi</div> <div>hakkimizda/kurumsal/takasbank-bagis-politikasi</div> <div>hakkimizda/kurumsal/takasbank-kar-dagitim-politikasi</div> <div>https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/belge-goruntuleme/10258</div>
The section of the corporate website containing the natural entity shareholders directly or indirectly holding more than 5 percent of the shares						None of the shareholders except Borsa Istanbul holds more than 5 percent of the shares. Shareholding structure is available in the About Us/Introduction/Capital Structure section.
Language options of the corporate website	X					Turkish - English

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
2.2. Annual Report						
Numbers of pages or names of sections of the annual report containing the information specified in the Corporate Governance Principle No. 2.2.2	X					Page 81
a) Page number or title of the section containing the duties of the board members and executives outside the company, and their statements of independence			X			
b) Page number or title of the section containing the information about the committees formed under the Board of Directors	X					Page 76–77.
c) Page number or title of the section containing the number of board members and attendance status of the members						Page 75
d) Page number or title of the section containing information about legislative amendments that may materially affect the company’s operations	X					Page 28 and 29.
e) Page number or title of the section containing the lawsuits filed against the company and potential results of such lawsuits						Page 99.
f) Page number or title of the section containing information about conflicts of interests between the company and the organizations which provide the company with such services as investment consultancy and rating			X			A rating is taken from FITCH, and there are no conflicts of interests. The conflict of interests policy is available in the Corporate Governance Principles Compliance Report on pages 79 and 96, and the ratings awarded to Takasbank by Fitch Ratings are given on 118 under the title of Ratings awarded to Takasbank by international rating agencies.

	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
g) Page number or title of the section containing the information about the affiliates whose direct participation in the capital is higher than 5 percent	X					Pages 12–13–14
h) Page number or title of the section containing information about the employees' social rights, vocational training and social responsibility activities related to other company operations with social and environmental implications	X					Social Rights and Vocational Training: page 83, Corporate social responsibility activities related to the company's operations with environmental implications: not available.
<b>3. Stakeholders</b>						
<b>3.1. Company Policy for Stakeholders</b>						
Name of the section containing the compensation policy on the corporate website			X			
The number of finalized court rulings against the company for violations of employee rights						7
Title of the company official in charge of the reporting mechanism	X					The Internal Audit Department and the Division of Human Resources and Support Services, Internal Control and Compliance Unit.
Contact information for the company's reporting mechanism	X					Telephone, Fax, Website, Email
<b>3.2. Supporting Stakeholders'S Participation in Company Management</b>						
Name of the section in the corporate website containing the internal regulations related to employees' participation in the management organs			X			None
Management organs where employees are represented			X			None

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Compliance						Description
Yes	Partly	No	Exempt	Not Applicable		
3.3. Company's Human Resources Policy						
Role of the Board of Directors in designing a succession plan for key management positions					Our Bank defines critical roles for our employees and keeps a backup of their tasks.	
					About Us > Human Resources > Human Resources Policy	
					Recruitment and Placement The basis of our recruitment policy is the placement of the most suitable candidate in the appropriate position in terms of Bank values and cultural values, and in terms of knowledge, skills and general qualifications in line with our needs.	
The human resources policy containing the equal opportunity and recruitment criteria or the summary of the relevant articles of the policy					The recruitment process involves the use of interviewing, measuring and assessment methods (general aptitude test, personality inventory), and reference checks. Job offers are made to candidates following interviews with the managers, measurement and assessment. Information is provided to the candidate on the process of placement, and support is given when submitting documents and starting work. All candidate applications are stored in the candidate pool of the Bank and interview results are shared with the candidate.	
Whether there is an employee stock ownership plan in place					None	

Compliance						Description
Yes	Partly	No	Exempt	Not Applicable		
The human resources policy containing the measures to prevent discrimination and ill treatment or the summary of the relevant articles of the policy					About Us/Human Resources/ Human Resources Practices Quality and customer focus, analytical approach, team spirit, continuous development, dedicated work, reliability, impartiality, business ethics and confidentiality represent our fundamental values.	
Number of court rulings against the company with regard to liability for work accidents					None	
3.5. Code of Conduct and Social Responsibility						
Name of the section containing the code of conduct policy on the corporate website					About Us/Corporate/Legal Framework.	
The section on the corporate website containing the Corporate Social Responsibility Report If there is not a corporate social responsibility report available, measures taken on environmental, social and corporate management issues					About Us/Investor Relations/ Annual Reports.	
Measures against any corruption, including extortion and bribery					Internal Irregularity and Suspicious Transaction Procedure, Ethical Principles Policy, Conflict of Interests Prevention Policy, Exchange of Gifts Policy.	
4. BOARD OF DIRECTORS – I						
4.2. Operating Principles of the Board of Directors						
Date of the latest performance assessment of the Board of Directors					The Board of Directors is discharged in the General Assembly.	
Whether independent specialists are commissioned for performance assessment of the Board of Directors						

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
Whether all members of the Board of Directors are discharged	X					
Names and duties of the board members who were authorized by the distribution of duties						Audit Committee, Corporate Governance Committee, Central Counterparty Risk Consultancy Committee, Credit Committee
Reports the Internal Control and Compliance Department submitted to the Audit Committee and other relevant committees						12
Name and page number of the section of the annual report containing the assessment of the efficiency of the internal control system						Page: 112, Audit Committee's Assessments Regarding the Internal Control, Internal Audit and Risk Management Systems and Information on Its Activities Within the Accounting Period
Chairman of the Board of Directors						Mehmet Hakan ATILLA
Name of the CEO/General Manager						Gökhan ELİBOL
Link to the PDP announcement justifying the decision to appoint the same person as the chairman and the CEO/General Manager					X	
Link to the PDP announcement that board members are insured against damages they may cause in the company while discharging their duties for an amount exceeding 25 percent of the company's capital					X	
Section of the corporate website containing information about the diversity policy designed to increase the percentage of women members on the Board of Directors						It is compulsory to have at least one woman member on the Board of Directors as per the relevant provision of the Articles of Association. About Us/Corporate/ Legal Framework/Articles of Association
Number and percentage of women members						2/22%.

## Composition of the Board of Directors

Board Member	Executive Duty	Independent Member	First Appointed to BoD	Link to the PDP Announcement Containing the Statement of Independence	Independent Member Assessment by the Nomination Committee	Loss of Independence	Whether They Possess a Minimum Five Years of Experience in Auditing, Accounting and/or Finance
Mehmet Hakan ATILLA	No	No	10.25.2019	-		No	Yes
Bekir BAYRAKDAR	No	Yes	04.19.2019	-		No	Yes
Gökhan ELİBOL	Yes	No	04.29.2019	-		No	Yes
Seyit Ahmet İŞKİN	No	Yes	04.19.2019	-		No	Yes
Gülseren TOPUZ	No	Yes	04.19.2019	-		No	Yes
Münevver ÇETİN	No	Yes	04.19.2019	-		No	Yes
Ekrem Kerem KORUR	No	No	04.19.2019	-		No	Yes
Suat SARIGÜL	No	Yes	04.19.2019	-		No	Yes
Hüseyin Melih AKOSMAN	No	No	04.19.2019	-		No	Yes



	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
4. BOARD OF DIRECTORS – II						
4.4. Methods of Board Meetings						
Number of board meetings made by physically convening during the reporting period						20.
Average percentage of attendance to board members						100%
Whether an electronic portal is used to simplify the actions of the Board of Directors			X			
Number of days prior to the meeting the information and documents are presented to the members as per the operating principles of the Board of Directors						Five days
Section of the website containing information about internal regulations governing how board meetings are made						
			X			Installation of e-YKS is in progress.
The upper limit in the policy that restricts assuming additional duties out of the company						None

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Compliance					Not Applicable	Description
Yes	Partly	No	Exempt			
4.5. Committees Formed under the Board of Directors						
Page number or title of the annual report section containing information about the committees of the Board of Directors						Page 76–77.
Link to the PDP announcement containing the committees’ principles of operation					X	
Committees of the Board of Directors – I						
BoD Committees	Name of the Committee Specified as “Other” in the First Column	Full Name of the Committee Member	Whether there is a head of the committee	Board Membership		
Audit Committee		Ekrem Kerem KORUR – Member of the Audit Committee	Seyit Ahmet IŞKIN – Head of the Audit Committee	All members are Members of the Board of Directors		
Corporate Governance Committee		Ekrem Kerem KORUR – Member of the Corporate Governance Committee	Gülseren TOPUZ – Head of the Corporate Governance Committee	All members are Members of the Board of Directors		
Central Counterparty Risk Advisory Committee		Gülseren TOPUZ – Member of the Central Counterparty Risk Consultancy Committee	Seyit Ahmet IŞKIN – Head of the Central Counterparty Risk Consultancy Committee	All members are Members of the Board of Directors		
Credit Committee		Gökhan ELİBOL Member of the Credit Committee, Hüseyin Melih AKOSMAN- Member of the Credit Committee	Münevver ÇETİN - Head of the Credit Committee	All members are Members of the Board of Directors		

Compliance						Description
Yes	Partly	No	Exempt	Not Applicable		
4. BOARD OF DIRECTORS – III						
4.5. Committees Formed under the Board of Directors – II						
Section (page number or title) of the annual report or corporate website about the activities of the audit committee						Page 92.
Section (page number or title) of the annual report or corporate website about the activities of the corporate governance committee						Pages 81–91 Title: Corporate Governance Principles Compliance Report
Compliance						Description
Yes	Partly	No	Exempt	Not Applicable		
Section (page number or title) of the annual report or corporate website about the activities of the nomination committee						There is a Central Counterparty Risk Advisory Committee. Page 79 Section Name: Information on the Activities of the Credit Committee and the Committees Established Under the Board of Directors or to Assist the Board of Directors Pursuant to the Regulation on the Internal Systems of Banks and the Internal Capital Adequacy Evaluation Process; Participation of the Committee Members in the Meetings Held During the Accounting Period; and Full Names and Fundamental Duties of the Chairman and Members Participating in These Committees
Section (page number or title) of the annual report or corporate website about the activities of the early detection of risk committee						
Section (page number or title) of the annual report or corporate website about the activities of the remuneration committee						
4.6. Financial Rights Provided to the Members of the Board of Directors and Executives with Administrative Responsibility						
Page number or title of the annual report or website section containing information about operational and financial performance objectives and whether they were achieved						

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
Title of the corporate website section containing the remuneration policy for the members with or without executive duties			X			
Page number or title of the annual report section containing the wages paid and benefits provided to the Board Members and executives with administrative responsibility						Page 75, Title: "Information about the Structure and Organization of the Board of Directors/ Financial Rights Granted to Board Members and Executive Managers; Allowances, Travel, Accommodation, and Representation Expenses; And Total In-Cash and In-Kind Resources, Insurances, and Similar Collateral".
<b>Committees of the Board of Directors – II</b>						

	Name of the Committee Specified as "Other" in the First Column	Percentage of Managers without Executive Duties	Percentage of Independent Members in the Committee	Number of Physical Meetings Held by the Committee	Number of Reports Submitted by the Committee to the Board of Directors about Its Activities
<b>BoD Committees</b>					
Audit Committee		100%	50%	22	10
Credit Committee		2 / 3	1 / 3	4	11
Corporate Governance Committee		100%	50%	2	1
Central Counterparty Risk Advisory Committee		100%	100%	2	1

	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
1.1. FACILITATING THE EXERCISE OF SHAREHOLDING RIGHTS						
1.1.2 – Information and explanations that may affect the exercise of shareholding rights are kept up-to-date and made available for investors on the corporate website.	X					
1.2. RIGHT TO INFORMATION AND REVIEW						
1.2.1 – The company management avoided making transactions that may hinder special audits.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 – The company ensures that the agenda of the General Assembly is expressly announced and that each proposal is given under a separate title.	X					
1.3.7 – Those who have the privilege to access shareholding data informed the Board of Directors for its inclusion in the agenda to ensure that the general assembly is informed about their transactions within the scope of the field of operation.					X	
1.3.8 – Board Members, other relevant persons, authorities responsible for preparation of financial statements and auditors attended the general assembly for the special matters in the agenda.	X					
1.3.10 – Amounts of all donations and grants as well as their beneficiaries are specified under a separate title in the agenda of the general assembly.	X					
1.3.11 – The general assembly was open to the public, including stakeholders and the media, without any requirement of right to speak.		X				Stakeholders may attend the general assembly. The media is not invited to the General Assembly.

	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
1.4. VOTING RIGHTS						
1.4.1 – There are no restrictions or practices complicating shareholders' ability to exercise their voting rights.	X					
1.4.2 – The company does not have any share with voting right privileges.	X					
1.4.3 – The company did not exercise its voting rights in the General Assembly of a partnership with which it is in a mutual shareholding relation that contains a control relation.	X					
1.5. MINORITY RIGHTS						
1.5.1 – The company made every effort to ensure that minority rights are exercised.	X					
1.5.2 – Minority rights were also given to the shareholders holding less than 5 percent of the capital and the scope of the minority rights was expanded in the Articles of Association.		X				
1.6. DIVIDEND RIGHTS						
1.6.1 – The profit distribution policy approved by the general assembly was published on the corporate website of the partnership.	X					
1.6.2 – The dividend distribution policy contains minimum information to allow shareholders to foresee the procedures and principles concerning the distribution of future dividends.	X					
1.6.3 – The reasons for the retention of dividends and the use of retained dividends are specified in the relevant item of the agenda.	X					
1.6.4 – The Board of Directors reviewed the balance between the interests of the shareholders and the interests of the company in the dividend distribution policy.	X					



	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
1.7. TRANSFER OF SHARES						
1.7.1 – There are not an absolute restriction making it difficult to transfer shares.		X				Transfer is permitted among the organizations mentioned in the Articles of Association. No shareholder other than Borsa Istanbul may hold more than 5 percent of the capital.
2.1. CORPORATE WEBSITE						
2.1.1 – The company’s website incorporates all items specified in the Corporate Governance Principle No. 2.1.1.	X					
2.1.2 – The shareholding structure (names, privileges, number and percentage of shares) of the natural entity stakeholders holding more than 5 percent of the issued capital is updated at least once every six months on the corporate website.			X			Can be transferred between the institutions provided in the Articles of Association. No shareholder can own more than 5 percent of the capital, except Borsa Istanbul.
2.1.4 – The information on the corporate website of the company is also available in foreign languages as necessary.		X				
2.2. ANNUAL REPORT						
2.2.1 – The Board of Directors ensures that the annual report reflects the company’s operations fully and accurately.	X					
2.2.2 – The annual report includes all elements specified in the Corporate Governance Principle No. 2.2.2.	X					
3.1. COMPANY’S POLICY FOR STAKEHOLDERS						
3.1.1 – Regulations concerning the rights of the Stakeholders are protected in line with the contracts and in good faith.	X					
3.1.3 – Policies and procedures concerning the rights of the Stakeholders are published on the company’s website.	X					
3.1.4 – There are mechanisms in place for stakeholders to report illegal and ethically unsound activities.	X					
3.1.5 – The company addresses conflicts of interests among stakeholders in a balanced way.	X					

	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
3.2. SUPPORTING STAKEHOLDERS'S PARTICIPATION IN THE COMPANY MANAGEMENT						
3.2.1 – Employees’ participation in management is governed by the Articles of Association or internal regulations.	X					
3.2.2 – Methods such as survey/consultation were used to obtain the opinions of stakeholders for the making of decisions with far-reaching implications.	X					
3.3. HUMAN RESOURCES POLICY OF THE COMPANY						
3.3.1 – The company has an employment policy that provides equal opportunity and a succession plan for all key manager positions.	X					
3.3.2 – The criteria of recruitment are defined in writing.	X					
3.3.3 – The company has a Human Resources Development Policy and training programs are organized for the employees as part of this policy.	X					
3.3.4 – Meetings were organized to inform employees about the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 – Employees or employee representatives were notified about decisions that may affect them. The relevant labor unions were queried for their opinions in this regard.	X					There is no labor union.
3.3.6 – Job descriptions and performance criteria were notified to all employee representatives. The relevant labor unions were queried for their opinions in this regard.	X					There is no labor union.
3.3.7 – Measures including procedures, training programs, awareness-raising activities, objectives, monitoring and reporting mechanisms were taken to prevent discrimination among employees, and to protect them from psychological and emotional ill treatment.	X					
3.3.8 – The company supports the right to form associations and make collective agreements effectively.			X			
3.3.9 – A safe work environment is provided for the employees.	X					

	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1 – The company measured customer satisfaction and operated in line with an unconditional customer satisfaction approach.	X					
3.4.2 – In the event of a delay with processing the goods and services purchased by a customer, the customer is notified.	X					
3.4.3 – The company applies the quality standards concerning goods and services.	X					
3.4.4 – The company has controls in place to protect the privacy of sensitive information classified as trade secrets of customers and suppliers.	X					
3.5. CODE OF CONDUCT AND SOCIAL RESPONSIBILITY						
3.5.1 – The Board of Directors defined the Codes of Ethics and published it on the company's website.	X					
3.5.2 – The Company is sensitive with social responsibility. It has taken measures for the prevention of corruption and bribery.	X					
4.1. FUNCTION OF THE BOARD OF DIRECTORS						
4.1.1 – The Board of Directors ensures that strategies and risks do not threaten the long-term interests of the company and that risk management is implemented effectively.	X					
4.1.2 – The agenda and minutes of the board meetings evidence that the Board of Directors discussed and approved the company's strategic objectives, determined the resources it needed and inspected the management performance.	X					
4.2. OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS						
4.2.1 – The Board of Directors documented its activities and submitted them to the shareholders.	X					
4.2.2 – Duties and powers of board members are specified in the annual report.	X					
4.2.3 – The Board of Directors established an internal control system suitable for the scale of the company and complexity of its operations.	X					

	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
4.2.4 – Information pertaining to the functioning and efficiency of the internal control system is available on the annual report.	X					
4.2.5 – There are separate positions defined for the Board of Directors and chief executive officer (general manager).	X					
4.2.7 – The Board of Directors operated in close cooperation with the Investor Relations Department and the Corporate Governance Committee to ensure their efficient operation, that disputes between the company and shareholders are resolved, and to establish communication with shareholders.	X					
4.2.8 – The Company has taken out an executive liability insurance policy worth more than 25 percent of the capital against any damage that may be caused by the board members in discharging their duties.	X					
<b>4.3. COMPOSITION OF THE BOARD OF DIRECTORS</b>						
4.3.9 – The Company defined a minimum percentage of 25 percent for women board members, and defined a policy to achieve this objective. The structure of the Board of Directors is reviewed on an annual basis and candidates are nominated based on this policy.		X				
4.3.10 – At least one of the members of the audit committee has five years of experience with auditing/accounting and finance.	X					
<b>4.4. METHOD OF MEETING OF THE BOARD OF DIRECTORS</b>						
4.4.1 – All Members of the Board of Directors physically attended the majority of the Board meetings.	X					
4.4.2 – The Board of Directors defined a minimum period for the submission of all information and documents concerning the items of the agenda to all members.	X					The Assembly Procedure of the Board of Directors is specified in the Articles of Association.
4.4.3 – Opinions of a member who did not attend a meeting but notified the Board of Directors of their opinions were presented for the attention of other members.	X					All board members attended the meeting and submitted their opinions to the Board of Directors in writing.

	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
4.4.4 – Each member has one voting right in the Board of Directors.	X					The Assembly Procedure of the Board of Directors is specified in the Articles of Association.
4.4.5 – Board meeting specifications were defined in writing in internal regulations.	X					
4.4.6 – The Board meeting minutes indicate that all items in the agenda were discussed and that resolution reports also include opposing views.	X					
4.4.7 – Board members are allowed to take limited duties outside the company. The duties taken by Board members outside the company were submitted to the shareholders for approval at the general assembly.			X			
4.5. COMMITTEES FORMED UNDER THE BOARD OF DIRECTORS						
4.5.5 – Each board member serves in only one committee.			X			The committee did not collect any consultancy fee.
4.5.6 – Those whose ideas were considered necessary to undertake were invited to meetings by the committee.	X					
4.5.7 – The information pertaining to the independence of the person/organization whom the committee consulted was given in the annual report.			X			
4.5.8 – Results of the committee meetings were submitted in a report to the members of the Board of Directors.	X					

	Compliance					Description
	Yes	Partly	No	Exempt	Not Applicable	
<b>4.6. FINANCIAL RIGHTS PROVIDED TO THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES WITH ADMINISTRATIVE RESPONSIBILITY</b>						
4.6.1 – The Board of Directors made a performance assessment for the Board of Directors to assess the Board’s efficiency in discharging its duties.		X				
4.6.4 – The Company did not extend loans, lend money or extend the repayment period of such lending, improve the conditions of the loan, make any loan available as a personal loan through third parties to any of its Board members or executives with administrative responsibility, nor did it give any guarantee in their favor.	X					
4.6.5 – Salaries paid to the Board members and the executives with administrative responsibility were specified individually in the annual report.			X			

## INFORMATION ON THE AUDIT COMMITTEE'S ASSESSMENT OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM, AND ON THEIR OPERATIONS IN THE ACCOUNTING PERIOD

### Audit Committee Report:

Issue: 2020/DK/03

Istanbul,  
January 8, 2020

The Board of Directors, Senior Management, personnel at all levels, and the Departments of Internal Audit, Internal Control and Compliance, and Risk Management performed internal audit, internal control and compliance, and risk management operations for Istanbul Settlement and Custody Bank (Takasbank) in accordance with the relevant legislation and regulations of Takasbank.

The Departments of Internal Audit, Internal Control and Compliance and Risk Management, which are administratively independent and report to the Board of Directors through the Audit Committee in accordance with the provisions of the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks, held meetings to assess the risk evaluations, legal and internal risk measurements, partial and complete stress tests, risk monitoring and review operations, internal audit planning, internal audit reports, activity reports of internal system departments, assessment of compliance with legislation and support services risk management programs, risk analysis reports, technical adequacy reports, and other related documents; and provided information to the Board of Directors and the CEO by submitting Committee resolution reports to the Board of Directors in 2019. At its meetings, the Committee also assessed and submitted to the Board of Directors the reports that were prepared as a result of on-site audits in the presence of the Internal Audit Department's central counterparty members to ensure the continuity of internal control, risk management, and internal audit mechanisms as required by the central counterparty membership within the scope of the Istanbul Settlement and Custody Bank Central Counterparty Regulation.

The overall risk level of Takasbank operations is a particular concern not only for personnel and organizations that operate nationally but also for international investors of the portfolios of our capital markets and for the intermediary and custody organizations that broker these transactions. This fact resulted in the need to offer Takasbank services at international standards with the mission of creating and implementing effective internal audit, internal control, and risk management mechanisms to achieve this goal.

Risk management involves a three lines of -defense approach comprised of business line management, central risk management function, and independent review. Accordingly,

Business line management involves identifying the risks that arise from products and services of each department of the Bank as well as processes, personnel, and systems used, and following this by notifying the Executive Management to take appropriate action.

The central risk management function is fulfilled by separating duties and responsibilities and by conducting the process and function supervision by the Risk Management and Internal Control and Compliance departments and not by the departments that perform them.

The Internal Audit Department performs an independent review that is a comprehensive assessment of the risk management and internal control framework.

The Bank's overall risk policy is to maintain the Bank's operations by taking reasonable risks at a manageable and controllable level so as to establish an income-expense balance. The Bank's risk capacity is determined in accordance with the capital adequacy policy. The Bank manages its risks by ensuring that they stay above/below the minimum/maximum general and risk type-based risk limits and signal values based on the stated-in-all-applicable legal regulations and below the risk appetites approved by the Board of Directors. The results of activities related to risk management inform the Bank's strategic decision-making processes. For risks that must be assumed and carried, an optimum balance is aimed between potential losses or damages and the costs incurred to limit, decrease, and control these risks.

The Risk Management Department handles operations such as risk assessments on the Bank's planned new products, services and information technologies; payment and securities settlement systems; and portfolio custody services. It creates risk analysis reports and risk management programs for support services and conducts internal risk measurements and assessments as well as stress tests and scenario analyses. It evaluates operational risk database and operational risk loss database results, reviews restructuring plans, monitors and checks the amount that is subject to legal risk and the legal capital adequacy ratio, and calculates the internal capital requirement ratio as part of ICAAP. In 2019, the Board of Directors was provided with the reports that the Committee had received based on these measures.

The Risk Management Department prepared risk assessments for new products and services as well as risk analysis reports and risk management programs for supporting services.

Pursuant to the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks and the best practice guides published by the BRSA, and in order to ensure that the Bank can continue its operations under the most dire conditions, capital and liquidity planning was made with a prospective perspective by conducting partial and complete stress tests within the scope of the pillar 1 and pillar 2 risks to which the Bank is exposed. We were presented with the Stress Test Report and the Internal Capital Adequacy Assessment Process (ICAAP) Report, prepared as of the end of 2018 with coordination from the Risk Management Department, and with its attachment, the Validation Report by the Internal Control and Compliance Department, as well as with the ICAAP Examination Report by the Internal Audit Department. The report was submitted to the BRSA upon approval at the Board of Directors meeting No. 368, dated March 21, 2019.

At Takasbank, internal control processes are considered an integral part of operation processes. As such, reporting modules that facilitate the effective monitoring and control of operations are integrated with the application software in use. Moreover, necessary controls are performed during the execution of transactions by applying control techniques

such as the separation of entry and approval authorizations in critical transactions, putting in place approval-authorization mechanisms during the execution of operations, carrying out limit suitability reviews electronically, and other enforcing control techniques, inquiries, and reconciliation operations for material elements. In addition to the control functions performed by the relevant management personnel within Takasbank's hierarchical management structure, department operations were audited and controlled by the Internal Audit Department, which regularly conducts inquiries and audits on behalf of the Board of Directors, and by the Internal Control and Compliance Department at points and periods of control determined as per the internal control lists of business and information technology units.

Internal Control and Compliance Unit reviewed the self-assessment activities and internal control lists on a monthly basis; defined control scores for the risks in the Operational Risks Database; monitored the net level or risk, the actions decided for the risks equal to or higher than the operational risk appetite as well as key risk indicators; monitored, announced, and consulted with the relevant business and IT units about TFRS9, validation of the expected credit loss model, amendments of internal and external legislation; approved compliance of the amendments in internal and external legislation; gave units feedback about its activities and relevant legislative matters; made and updated legislation lists, formed and updated business continuity and IT legal requirement documents; assessed the supporting services; conducted the Anti-Money Laundering (AML), the FATCA, and the CRS efforts; gave LPPD and FCIB training; designed internal legislation and processes about the Bank's ethical principles policy and conflict of interests policy; established coordination with independent auditors during the banking process audits; and coordinated the CBRT surveys and CPMI-IOSCO compliance documents in the payment and securities settlement systems; attended ISO 27001 and ISO 22301 inspections as a supervisor.

Istanbul Settlement and Custody Bank The Board of Directors was also provided with the Central Counterparty Credit Risk Stress Test Results and the Central Counterparty Liquidity Risk Stress Test Results, prepared pursuant to Article 40 of the Central Counterparty Regulation, entitled "Stress Tests, and with the Central Counterparty Retrospective Test Results Reports" prepared pursuant to Article 36 of the Takasbank Central Counterparty Risk Management Principles Directive.

Our Bank's Internal Audit Department examined and audited the Bank's operations periodically and for risks, and revealed errors and abuses to ensure that the Bank's operations were executed in accordance with the Law and other relevant legislation, as well as internal regulations and objectives, and to assure the executive management of the efficiency and adequacy of the internal control and risk management systems.

The Internal Audit Department formed in affiliation with our Board of Directors independently and through our Committee in compliance with the provisions of the Regulation on the Process of Assessment of the Internal Systems and Internal

Capital Adequacy of Banks performed internal audits in accordance with the "Internal Audit Plan 2019" based on the risk assessments under the provisions of the Regulation on the Process of Assessment of the Internal Systems and Internal Capital Adequacy of Banks and upon the approval of the Board of Directors. Internal audit activities include verifying the consistency of the securities stated in the Bank's financial statements against the records; assisting in identifying misconduct; auditing financial calculations, and records and documents; conduct testing on the effectiveness of the control by identifying the risks and control points in business processes; and finalizing control tests on the information systems and processes on which financial and administrative data is used.

The Internal Audit Department conducted on-site audits before the central counterparty members to audit continuity of internal control, risk management and internal audit mechanisms required by the central counterparty membership under Istanbul Settlement and Custody Bank Central Counterparty Regulation.

The Internal Audit Department and the Internal Control and Compliance Department, within the Audit Committee-approved program, jointly conducted the operations that form the basis of the Governance Statement. The internal control system for banking and information technologies processes was assessed as part of the efforts of Administrative Disclosure. The findings of the process audits were submitted to the relevant departments and management personnel for appropriate action and planning.

Takasbank operations are conducted in accordance with the provisions of all relevant legislation and the Bank's general policies and internal legislation. The departments of Internal Audit, Internal Control and Compliance, and Risk Management provide vital added value in line with Takasbank's fundamental goals and policies while performing operations in a structure that complies with all provisions of the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks.

#### ISTANBUL SETTLEMENT AND CUSTODY BANK INC. AUDIT COMMITTEE

Ekrem Kerem KORUR	Seyit Ahmet IŞKIN
Audit Committee Member	Audit Committee Chairman
Board Member	Board Member



## INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT

To the General Assembly of Istanbul Settlement and Custody Bank:

### Opinion

Since we audited the full unconsolidated financial statement of Istanbul Takas ve Saklama Bankası Anonim Şirketi ("Bank") for the fiscal year January 1, 2019, to December 31, 2019, we also audited the annual report for the said fiscal year.

Based on our opinion, the unconsolidated financial information in the annual report of the Board of Directors and its assessment of the Bank's position based on the audited unconsolidated financial statement are consistent with the fully audited, unconsolidated financial statements and the information obtained during the independent audit, and they are presented fairly, in all material respect.

### Basis for Opinion

Our independent audit was conducted in accordance with the Regulation on Independent Audit of Banks ("BRSA Audit Regulation") published by the Banking Regulation and Supervision Authority ("BRSA") in the Official Gazette No. 29314 dated April 2, 2015, and the Independent Auditing Standards ("IAS") that are part of Turkish Standards on Auditing, published by the Public Oversight Accounting and Auditing Standards Authority (POA). Our responsibilities as per the standards are explained in detail in the Independent Auditor's Responsibilities section regarding the Independent Audit of the Annual Report. We declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors ("Ethical Rules") published by the POA, and the ethical provisions set forth in the legislation on independent audit. Furthermore, we have fulfilled our other responsibilities on ethics within the scope of the Ethical Rules and legislation. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

### Our Opinion on the Full, Unconsolidated Financial Statements

In our March 5, 2020, audit reports, we approved the Bank's full financial statements for the fiscal year January 1, 2019 to December 31, 2019.

The Board of Directors' Responsibility Regarding the Annual Report

The Bank management has the following responsibilities regarding the Annual Report in accordance with provisions 514 and 516 of the Turkish Commercial Code ("TCC") No. 6102 and the provisions of the Regulation on the Procedures and Principles Regarding Preparation and Publication of the Annual Report by Banks (Regulation), published in the Official Gazette No. 26333, dated November 1, 2006:

- Prepare the Annual Report within three months of the balance sheet date and submit to the general assembly;
- Prepare the Annual Report so as to reflect the Bank's operations and full and unconsolidated financial position for the year accurately, fully, straightforwardly, realistically, and honestly. In this report, the Bank's financial position is assessed based on the unconsolidated financial statements.

The report also clearly points to the Bank's growth and the likely risks. An assessment of the Board of Directors is also provided in the report;

c) The Annual Report also contains the following:

- Important developments that take place at the Bank after completion of the fiscal year;
- The Bank's research and development operations;
- Financial benefits, including remuneration, premiums, or bonuses; expenses related to allowances, travel, accommodation, and representation; in-kind and in-cash benefits; insurance; and similar collateral paid to and for Board Members and Senior Management.

The Board of Directors takes into consideration the amendments of secondary legislation made by the Ministry of Trade and related organizations while preparing the activity report.

### Independent Auditor's Responsibilities Regarding the Independent Audit of the Annual Report

Our goal was to provide an opinion and prepare a report based on whether the unconsolidated financial information given in the Annual Report in line with the TCC provisions and the Legislation, and the assessments made by the Board of Directors regarding the standing of the Bank based on the audited unconsolidated financial statement, are accurate and consistent with the Bank's audited unconsolidated financial statements and the information we gathered during the independent audit.

The independent audit was performed in compliance with the BRSA Audit Directives and the Independent Auditing Standards (ISA)s. The reports require that ethical provisions are met and that the independent audit is planned and carried out to obtain reasonable assurance that the unconsolidated financial information in the Annual Report and the Board of Director's assessment of the Bank's position based on the audited unconsolidated financial statement are fairly presented and consistent with the unconsolidated financial statement and information gathered during the independent audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of KPMG International Cooperative

Alper Güvenç, Independent Accountant and Financial Advisor Auditor-in-Charge

March 5, 2020  
Istanbul, Turkey

## EVALUATION OF THE FINANCIAL STATUS, PROFITABILITY, AND SOLVENCY AND ACHIEVEMENT OF STRATEGIC TARGETS

As of December 31, 2019, Takasbank's assets rose by 41.66 percent to 16.71 billion Turkish lira.

In the current period, in line with previous period data, bank deposits constituted a significant portion of the Bank's assets. Banks constitute 93.60 percent (15.64 million Turkish lira), Other Financial Assets and loans Measured by Their Redeemed Value constitute 5.10 percent (851.48 million Turkish lira) of the Bank's assets.

As of the end of 2019, Takasbank borrowed 4.10 billion Turkish lira domestic loans, amounting to 24.57 percent of the liabilities on the balance sheet. It did not use loans from abroad as of the balance sheet date. Funds, which primarily

consist of member cash collateral, accounted for 61.08 percent of the liabilities. The Bank's paid-up capital is 600 million Turkish lira. By 2019 year-end, its shareholders' equity reached 2.28 billion Turkish lira.

Bank profitability has maintained its upward trend in recent years. The Bank increased its pre-tax profit by 26.71 percent to 776.38 million Turkish lira year-on-year. To manage the liquidity risk, the Bank acts with the principle of having a high amount of liquid assets against its balance sheet obligations.

The Bank has reached the strategic targets set in the past periods and it has fulfilled the General Assembly resolutions.

## INFORMATION REGARDING RISK MANAGEMENT POLICIES BASED ON THE RISK TYPE

### Management of the Pillar I Risks:

Takasbank Risk Management Regulation approved by the Board of Directors has established the procedures and principles regarding the Bank's risk management processes, policies and implementation procedures, risk management activities together with the organizational structure and duties, authorities and responsibilities of the Risk Management Department.

The Bank's overall risk policy is to maintain the Bank's operations by taking reasonable risks at a manageable and controllable level so as to establish an income-expense balance. The Bank's risk capacity is determined in accordance with the capital adequacy policy.

The Bank manages its risks by ensuring that they stay above/below the minimum/maximum limits stated in all applicable legal regulations, and below the risk appetites approved by the Board of Directors. The results of activities related to risk management inform the Bank's strategic decision-making processes. Prior to offering new products and services, the Bank, along with all relevant departments, performs a risk assessment under the coordination of the Risk Management Department, taking into account all the risks to which it is exposed.

The principle of proportionality was taken into consideration in accordance with the legislative regulations and best practices in establishing and implementing the Bank's risk management system and the internal capital adequacy assessment process (ICAAP).

The year-end 2018 Stress Test Report and the ICAAP Report, prepared in coordination with the Risk Management Department; its attachment, the Validation Report by the Internal Control and Compliance Department; and the Examination Report by the Internal Audit Department were submitted to the BRSA upon approval at the Board of Directors meeting No. 368, dated March 21, 2019.

The Bank's risk appetite structure is reviewed at least once a year, and general risk and risk-type based risk limits and signal values are evaluated according to changes in market conditions and Bank strategies. If the risk appetites, risk limits, and signal values are exceeded, the relevant authorities are notified.

The Risk Management Department manages and coordinates operations involved with identifying, measuring, assessing, monitoring, and reporting the risks the Bank is exposed to, in accordance with the banking regulation, under the supervision of the Audit Committee and within the scope of the regulations approved by the Board of Directors.

### Credit Risk Management:

Credit transactions involve the possibility that the members or guarantors who use the credit cannot fulfill their obligations in time according to the prior written commitments and agreements; in other words, it involves the credit risk. The counterparty credit risk is assessed within the credit risk.

The cash credit transactions of Takasbank consist of the credits extended to intermediary institutions. The Bank acts as a guarantor for the parties' responsibilities against each

## INFORMATION REGARDING RISK MANAGEMENT POLICIES BASED ON THE RISK TYPE

other in the Takasbank Money Market (TMM); as such, these transactions are considered non-cash credit in accordance with the banking legislation. Takasbank provides Central Counterparty service to the Securities Lending Market (SLM), Futures and Options Market (VIOP), Money Market, Equity Market, Debt Securities Market, SWAP Market and over-the-counter derivative transactions incorporated in the Bank. The obligations arising from such transactions are also considered non-cash credits.

Credit limits are updated according to changes in members' financial status. The implementation of limit, risk and guarantee controls in an electronic environment continuously and based on transaction minimizes operational errors.

Internal credit rating scores are used when identifying the membership type for members who will perform transactions in the market or capital market instruments that receive central counterparty services with the credit or position limits allocated to the members, and these limits are entered into force following approval by the Board of Directors. Credit risk is managed through an effective and sound collateral mechanism and appropriated limit allocations.

The Bank manages the credit risk to which it is exposed by taking into consideration the credit risk appetite, established credit risk limits, signal values determined by the early warning system, and the legal and internal capital requirements.

According to the regulations published by the Banking Regulation and Supervision Agency, credit risk amount is calculated according to the standard approach at the end of each month, and the results are reported to the BRSA.

### Market Risk Management:

Market risk is defined as the probability of the Bank's exposure to on- and off-balance sheet positions due to foreign exchange rate and interest rate risks arising from market price movements.

The Bank's fund management operations are primarily carried out with state banks and banks determined by the Board of Directors. The Bank does not take securities other than Government Debt Securities issued by the Ministry of Treasury and Finance of the Republic of Turkey and debt securities issued by public banks into its securities portfolio; it may use derivative products for protection purposes.

The Treasury Team and Senior Management constantly monitor Takasbank's portfolio distribution in terms of maturity and instruments, and revise fund management strategy according to market developments.

The Bank manages the market risk to which it is exposed by taking into consideration risk appetite, established market risk limits, signal values determined within the early warning system, and the legal and internal capital requirements.

The Bank calculates the amount that is subject to market risk, according to the regulation published by the Banking Regulation and Supervision Agency by using the standard method, and it is reported to the BRSA monthly. However,

the market risk is measured daily through use of the internal model. In this context, the amount that is subject to market risk and economic capital requirement are calculated, and back tests, stress tests and scenario analysis are performed.

The prepared reports are periodically reported to the Senior Management and the Executive Management.

### Operational Risk Management:

Operational risk is defined as the likelihood of loss arising from insufficient or unsuccessful internal processes, people, and systems, or external events, including legal risk.

While Takasbank considers employees its most important resource, it adopts the principle of carrying out activities focused on systems and processes rather than people to ensure the institutional structure.

At Takasbank, operational risks arising from information systems are managed effectively, thanks to measures such as keeping software, hardware, and backups ready for use at anytime; copying data onto different media simultaneously; keeping communication, energy, and Human Resources data backups ready at hand; and establishing practices such as business continuity and state of emergency planning.

At Takasbank, powers and responsibilities concerning critical transactions are separated. Approval authorization mechanisms grant administrative controls during the execution of transactions. In addition to the control activities performed by the management ranks hierarchically, operations are reviewed by the Internal Control and Compliance Department, which carries out the control function by reporting to the Board of Directors in accordance with the Internal Control Lists approved by the Audit Committee, and audited periodically by the Internal Audit Department.

Operational, reputational and strategic risks the Bank is exposed to; information technology risks, which are also operational risks; and losses arising from legal risks are tracked with the Operational Risk Losses Database. The Bank's processes and secondary process risks regarding all businesses and information technologies are monitored under the Operational Risk Database, and the records for this database constitute input for Management Notification of the BRSA.

In Operational Risk Database risks that are equal to or over the operational risk appetite approved by the Board of Directors, the Internal Control and Compliance Department monitors recommended actions and key risk indicators in the Operational Risk Database. Senior Management takes the necessary actions. However, business impact analysis and interruptions that may occur assesses the potential risks that may arise in the course of these activities and their potential impact.

The Bank conducts self-assessment with the goal of developing a common operational risk culture among personnel, instilling risk management practices throughout

the Bank, enabling inter-departmental communication, and meeting the revision and update needs of the databases to ensure the senior management can take swift action.

To ensure the continuity of services provided by the support service organization, the Bank evaluates the risks that may arise from service procurement. The operational risks to which Takasbank is exposed or may be exposed are largely collateralized by the insurance policies that are purchased.

The Bank manages the operational risk to which it is exposed by taking into consideration the risk appetite, established operational risk limits, signal values determined within the early warning system, and the legal and internal capital requirements.

As per the regulations published by the Banking Regulation and Supervision Agency, the amount subject to annual operational risk is calculated with the basic indicator method, and the results are reported to the BRSA.

### **Management of Pillar II Risks:**

The Bank's Pillar II risks involve liquidity risk, interest rate risk in the banking book, and central counterparty general business risk.

Guarantee funds and transaction guarantee provisions in various payables or temporary liability accounts due to Takasbank operations are available as active liquid values. When Takasbank's assets, credit quality and credit collaterals are assessed together with the depth of source structure and securities market, there is a low possibility of experiencing liquidity problem in meeting obligations.

Liquidity planning is made by taking into consideration Takasbank's existing and under-stress liquidity needs, along with its capacity. Liquidity planning is designed to prevent Takasbank from falling below the legal rates even under stress conditions. Takasbank manages the liquidity risk it is exposed to by taking into consideration the interest rate risk in banking book, implementation limitations stipulated in all legal regulations, risk appetite, established credit risk limits, signal values determined within the early warning system, and internal capital requirements.

The Risk Management Department regularly monitors the distribution of the Bank's assets and liabilities based on particular currencies and maturities/repricing periods, liquidity shortage/excess, resources that can be created in the event of a possible liquidity crisis, and available shareholders' equity. Takasbank also keeps track of local and global changes in macroeconomic variables, money and capital markets, the banking industry, and settlement and custody matters within the scope of country risk.

It conducts the remaining maturity and liquidity gap analyses with regard to liquidity risk, and duration and repricing gap

analyses with regard to the interest rate risk in the banking book. Furthermore, monthly and annual partial stress tests are conducted to calculate possible losses arising from the liquidity risk in Takasbank's certain statistical confidence level, and the results are reported to Takasbank Senior Management. Meanwhile, stress tests that determine the interest rate risk in the banking book and the central counterparty general business risk are handled within ICAAP.

### **Early Detection of Risk and Governance Committee Work:**

The Bank did not establish a Committee on Early Detection and Management of Risks.

### **Future Risks on Sales, Efficiency, Revenue Generation, Profitability, Debt/Shareholders' Equity, and Similar Matters:**

Operations by the Committee on Early Detection and Management of Future Risks on Sales, Efficiency, Revenue Generation, Profitability, Debt/Shareholders' Equity, and similar matters are conducted within the scope of the BRSA's Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks. The internal capital adequacy ratio is calculated based on the budget approved by the Board of Directors, and the strategic plan and financial model for the next three-year period for Pillar I and II risks to which the Bank is exposed. Operations are conducted by taking into account both legal and internal capital adequacy ratios.

## TAKASBANK'S RATINGS BY INTERNATIONAL CREDIT RATING AGENCIES

The Bank's international ratings were provided by Fitch Ratings as summarized below:

Fitch Ratings (November 2019)	
Foreign Exchange Long Term	BB-
Outlook	Stable
Foreign Exchange Short Term	B
TRY Long-Term	BB-
Outlook	Stable
TRY Short-Term	B
National Long Term	AAA (tur)
Outlook	Stable
Support	3
Support Rating Base	BB-
Financial Capacity Rating	b+

## FIVE-YEAR SUMMARY FINANCIAL INFORMATION, INCLUDING THE STATEMENT PERIOD

(THOUSAND TRY)	2019	2018	2017	2016	2015
TOTAL ASSETS	16,709,165	11,795,183	10,564,429	8,006,348	7,092,438
SHAREHOLDERS' EQUITY	2,285,292	1,745,485	1,246,262	1,043,686	911,026
PAID-IN CAPITAL	600,000	600,000	600,000	600,000	600,000
OPERATING PROFIT	776,380	612,723	348,648	265,357	216,418
INTEREST AND PORTFOLIO INCOME	732,323	684,568	405,708	294,068	233,635

CBRT'S US DOLLAR EXCHANGE RATES USED IN ASSESSMENT	5.9402	5.2609	3.7719	3.5192	2.9076
--	--------	--------	--------	--------	--------

(thousand USD)					
TOTAL ASSETS	2,812,896	2,242,047	2,800,824	2,275,048	2,439,276
SHAREHOLDERS' EQUITY	384,716	331,784	330,407	296,569	313,326
PAID-IN CAPITAL	101,007	114,049	159,071	170,493	206,356
OPERATING PROFIT	130,699	116,467	92,433	75,403	74,432
INTEREST AND PORTFOLIO INCOME	123,283	130,124	107,561	83,561	80,353

FINANCIAL RATIOS (%)					
OPERATING PROFIT/TOTAL ASSETS	4.65	5.19	3.30	3.31	3.05
SHAREHOLDERS' EQUITY/TOTAL ASSETS	13.68	14.80	11.80	13.04	12.85
OPERATING PROFIT/ SHAREHOLDERS' EQUITY	33.97	35.10	27.98	25.42	23.76
ASSET GROWTH	41.66	11.65	31.95	12.89	29.06

## DIVIDEND POLICY

The Bank pays dividends in accordance with the General Assembly resolutions. Proposals are prepared in accordance with the Board of Directors' Dividend Policy and submitted to the general assembly agenda. The Dividend Policy is not published on the corporate website. No privileges are specified in the distribution of dividends among shareholders. Each shareholder is entitled to receive a pro-rata dividend. In 2019, 75 million Turkish lira was paid to the shareholders from 2018 profits.

## **EXPLANATION REGARDING THE BANK’S OWN SELF-ACQUIRED SHARES**

The Bank did not acquire any shares by itself.

## **EXPLANATIONS REGARDING LAWSUITS AGAINST THE COMPANY WITH A POSSIBLE EFFECT ON ITS FINANCIAL STATUS AND OPERATIONS, AND THEIR POSSIBLE OUTCOMES**

There are no lawsuits against the Company with the potential to affect its financial status.

## **INFORMATION ON EXPENSES FOR DONATIONS, CHARITIES, AND SOCIAL RESPONSIBILITY PROJECTS**

The Bank donated 142,666.86 Turkish lira in 2019. Of those donations, 122,666.86 Turkish lira was made in kind to the Ministry of Finance, and 20,000.00 Turkish lira was made to meet the needs of schools in Istanbul.

### **Information Related to Financial Position:**

In general, the audit report provides in-depth information regarding the financial position.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**

**UNCONSOLIDATED YEAR END FINANCIAL STATEMENTS FOR THE YEAR ENDED  
31 DECEMBER 2019 WITH AUDITOR’S INDEPENDENT AUDITORS’ REPORT THEREON**

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)



## INDEPENDENT AUDITOR’S REPORT



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali  
Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat: 2-9  
Levent 34330 İstanbul

Tel +90 (212) 316 60 00  
Fax +90 (212) 316 60 60  
www.kpmg.com.tr

To the Board of Directors of İstanbul Takas ve Saklama Bankası Anonim Şirketi,

### A) Report on the Audit of the Unconsolidated Financial Statements

#### *Opinion*

We have audited the unconsolidated financial statements of İstanbul Takas ve Saklama Bankası Anonim Şirketi (“the Bank”) which comprise the unconsolidated statement of financial position as at 31 December 2019 and the unconsolidated statement of income, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of İstanbul Takas ve Saklama Bankası Anonim Şirketi and its subsidiaries as at 31 December 2019, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the “Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Legislation” which includes the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

#### *Basis for Opinion*

We conducted our audit in accordance with the “Regulation on Independent Audit of the Banks” published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) (“Standards on Auditing issued by POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Bank in accordance with the Ethics for Auditors issued by POA (“POA’s Code of Ethics”) and the ethical requirements in the regulations issued by POA that are relevant to audit of unconsolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the POA’s Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## INDEPENDENT AUDITOR’S REPORT

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Accounting for Fees and Commissions Received

Key audit matters	How the matter is addressed in our audit
<p>The Bank has a total amount of TL 309,353 revenue recognized as “fees and commissions received” in the statement of profit or loss and other comprehensive income for the period 1 January - 31 December 2019.</p> <p>The Bank’s revenue mainly consists of banking service revenues.</p> <p>Recognition of fees and commissions received was considered to be a key audit matter, due to the nature of the Bank’s operations, the variety of operations and the high volume of transactions in the process of determining the amount of fees and commissions and performing check clearing activities at the Bank.</p>	<p>Our procedures performed for testing this area included below:</p> <p>Appropriateness of the accounting policies applied by the Bank management in accordance with the TFRS has been evaluated.</p> <p>Design, implementation and operating effectiveness of the internal controls on the recognition of fees and commissions received have been evaluated together with information systems specialists by understanding the Bank’s fee and commission process.</p> <p>Furthermore, the commission fee tariff was analyzed and expectations analysis for the banking commission income was performed.</p> <p>In order to verify that the revenue is appropriately recognized, supporting documents were received on the basis of transaction based selected samples and details of these transactions were tested.</p>

#### *Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

### *Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements*

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with Standards on Auditing issued by POA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## INDEPENDENT AUDITOR’S REPORT

### B) Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code (“TCC”) No. 6102; no significant matter has come to our attention that causes us to believe that the Bank’s bookkeeping activities for the period 1 January - 31 December 2019 are not in compliance with TCC and provisions of the Bank’s articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

#### Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”). Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative

Alper Güvenç, SMMM  
Partner

5 March 2020  
İstanbul, Türkiye

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**

**THE UNCONSOLIDATED YEAR END FINANCIAL REPORT OF**

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. AS OF 31 DECEMBER 2019**

Address of the Bank's Headquarters	:	Takasbank Genel Müdürlüğü Reşitpaşa Mahallesi, Borsa İstanbul Caddesi, No: 4 Sarıyer 34467 İstanbul
Telephone of the Bank	:	(0 212) 315 25 25
Fax of the Bank	:	(0 212) 315 25 26
Web site of the Bank	:	<a href="http://www.takasbank.com.tr">www.takasbank.com.tr</a>
E-mail for correspondence	:	<a href="mailto:rap@takasbank.com.tr">rap@takasbank.com.tr</a>

The unconsolidated twelve months financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITOR'S REPORT

The accompanying twelve months unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira ("TL"), have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been audited.

---

**Mehmet Hakan Atilla**

Deputy Chairman of the Board

---

**Seyit Ahmet Işkın**

Chairman of Audit Committee

---

**Ekrem Kerem Korur**

Member of Audit Committee

---

**Gökhan Elibol**

Deputy of General Manager  
Member of the Board

---

**Serkan Aşkar**

Vice President

---

**Murat Görgün**

Director

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname/Title : Zülal Tarı/Chief Specialist  
Telephone Number : (0 212) 315 23 15  
Fax Number : (0 212) 315 22 34

# INDEX

	<b>PAGE</b>
<b>SECTION ONE</b>	
<b>GENERAL INFORMATION</b>	
<b>I.</b> Bank's establishment date, start-up statute, history about the changes in this mentioned statute	128
<b>II.</b> Explanation about the Bank's capital structure, shareholders who directly or indirectly, solely or jointly undertake the management and control of the Bank, any changes in the period, and information on the Bank's risk group	128
<b>III.</b> Explanation on the Board of Directors, members of the audit committee, president and executive vice presidents, changes in these matters and shares of the Bank they possess	129
<b>IV.</b> Information on the Bank's qualified shareholders	130
<b>V.</b> Information on the Bank's function and areas of activity	130
<b>VI.</b> A short explanation of the differences between the "Communiqué on Preparation Of Consolidated Financial Statements of Banks" and consolidation transactions made in line with Turkish Accounting Standards, and on establishments that are subjected to full or proportional consolidation, deducted from equity or establishments that are not subjected to these three methods	131
<b>VII.</b> Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries	131
<b>SECTION TWO</b>	
<b>UNCONSOLIDATED FINANCIAL STATEMENTS</b>	
<b>I.</b> Balance sheet	132
<b>II.</b> Off-balance sheet	134
<b>III.</b> Statement of profit or loss	136
<b>IV.</b> Statement of profit or loss and other comprehensive income	137
<b>V.</b> Statement of changes in shareholders' equity	138
<b>VI.</b> Statement of cash flows	142
<b>VII.</b> Statement of profit distribution	143
<b>SECTION THREE</b>	
<b>EXPLANATIONS ON ACCOUNTING POLICIES</b>	
<b>I.</b> Basis of Presentation	144
<b>II.</b> Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions	144
<b>III.</b> Explanations on Investments in Associates, Subsidiaries and Joint Ventures	144
<b>IV.</b> Explanations on Forward and Option Contracts and Derivative Instruments	145
<b>V.</b> Explanations on Interest Income and Expenses	145
<b>VI.</b> Explanations on Fees and Commission Income and Expenses	145
<b>VII.</b> Explanations and Disclosures on Financial Assets	145
<b>VIII.</b> Explanations on Impairment of Financial Assets	147
<b>IX.</b> Explanations on Offsetting of Financial Assets and Liabilities	147
<b>X.</b> Explanations on Sales and Repurchase Agreements and Lending of Securities	147
<b>XI.</b> Explanations on Assets Held for Sale and Discontinued Operations	148
<b>XII.</b> Explanations on Goodwill and Other Intangible Assets	148
<b>XIII.</b> Explanations on Tangible Assets	149
<b>XIV.</b> Explanations on Leasing Transactions	149
<b>XV.</b> Explanations on Provisions and Contingent Liabilities	149
<b>XVI.</b> Explanations on Liabilities Regarding Employee Benefits	150
<b>XVII.</b> Explanations on Taxation	150
<b>XVIII.</b> Additional Explanations on Funds Borrowed	152
<b>XIX.</b> Explanations on Issuance of Equity Securities	152
<b>XX.</b> Explanations on Acceptances	152
<b>XXI.</b> Explanations on Government Incentives	152

## INDEX (Continued)

	PAGE
<b>XXII.</b> Explanations on Segment Reportings	152
<b>XXIII.</b> Related Parties	152
<b>XXIV.</b> Cash and Cash Equivalents	152
<b>XXV.</b> Investment Properties	152
<b>XXVI.</b> Reclassifications	152
<b>XXVII.</b> Explanations on Other Matters	153

### SECTION FOUR INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

<b>I.</b> Explanations Related to Components of Shareholders' Equity	154
<b>II.</b> Explanations Related to Credit Risk	161
<b>III.</b> Explanations Related to Market Risk	169
<b>IV.</b> Explanations Related to the Operational Risk	170
<b>V.</b> Explanations Related to Currency Risk	171
<b>VI.</b> Explanations Related to Interest Rate Risk	173
<b>VII.</b> Equity share position risk in banking accounts	177
<b>VIII.</b> Explanations Related to Liquidity Risk	177
<b>IX.</b> Risk management objectives and policies	182
<b>X.</b> Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value	212
<b>XI.</b> Explanations Related to Transactions Made on Behalf of Others and Fiduciary Transactions	213
<b>XII.</b> Explanations on Segment Reporting	214

### SECTION FIVE EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

<b>I.</b> Explanations Related to the Assets	217
<b>II.</b> Explanations and Notes Related to Liabilities	229
<b>III.</b> Explanations and Notes Related to the Off-Balance Sheet Accounts	236
<b>IV.</b> Explanations and Notes Related to the Statement of Profit or Loss	239
<b>V.</b> Explanations and Notes Related To Statement of Cash Flows	245
<b>VI.</b> Explanations and notes related to risk group of the Bank	246
<b>VII.</b> Explanations and Notes on the Bank's Domestic Branches, Agencies and Branches Abroad and Off-Shore Branches	248
<b>VIII.</b> Explanations and Notes Related To Subsequent Events	248
<b>IX.</b> Other Explanations	248

### SECTION SIX INDEPENDENT AUDITOR'S REPORT

<b>I.</b> Explanations on the Independent Auditors' Report	248
<b>II.</b> Other Footnotes and Explanations Prepared by Independent Auditor	248



**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION ONE****GENERAL INFORMATION****I. Bank's establishment date, start-up statute, history about the changes in this mentioned statute:**

The Bank was originally set up as a department of the Borsa İstanbul A.Ş. ("BİAŞ") (formerly "İstanbul Menkul Kıymetler Borsası") and reorganized under a separate company named İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) on 12 July 1991, was transformed into a non-deposit taking bank on 8 August 1995 with the name İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.), as published in the Official Gazette dated 23 March 1995 with the decision of the Council of Ministers No. 95/6551. According to the decision made in 18th Ordinary Meeting of the Bank General Assembly dated 29 March 2013, title of the Bank has been changed into İstanbul Takas ve Saklama Bankası A.Ş. (Here in after referred to as "Takasbank" or the "Bank") and this title change was approved in 11 April 2013. The name of the Bank has been renovated as "Takasbank" or "Takas İstanbul" with the resolution of the ordinary general meeting dated 9 June 2017 and numbered 22.

**II. Explanation about the Bank's capital structure, shareholders who directly or indirectly, solely or jointly undertake the management and control of the Bank, any changes in the period, and information on the Bank's risk group:**

As of 31 December 2019 and 31 December 2018, the shareholders' structure and their respective ownerships are summarized as follows:

No	Name of Shareholders	Current Period			Prior Period		
		Paid in Capital	(%)	Number	Paid in Capital	(%)	Number
1	Borsa İstanbul A.Ş.	384,887	64.15	1	384,869	64.14	1
2	Türkiye Garanti Bankası A.Ş.	29,685	4.95	1	29,685	4.95	1
3	Tacirler Yatırım Menkul Değerler A.Ş.	29,516	4.92	1	29,016	4.84	1
4	Phillip Capital Menkul Değerler A.Ş.	28,423	4.74	1	27,923	4.65	1
5	Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,280	4.38	1	26,280	4.38	1
6	Türkiye Vakıflar Bankası T.A.O.	26,235	4.37	1	26,235	4.37	1
7	Türkiye İş Bankası A.Ş.	26,235	4.37	1	26,235	4.37	1
8	Diğer (Aracı kurum)	28,638	4.77	25	29,656	4.95	26
9	Diğer (Banka)	20,101	3.35	8	20,101	3.35	8
<b>Total</b>		<b>600,000</b>	<b>100.00</b>	<b>40</b>	<b>600,000</b>	<b>100.00</b>	<b>41</b>

64.15% of the Bank's share belongs to BİAŞ. BİAŞ was established on the date of the entry into force of the Law to carry out stock market activities in accordance with Article 138 of the Capital Markets Law No. 6362, which was published in the Official Gazette on 30 December 2012 and entered into force. BİAŞ shall ensure that capital market instruments, foreign exchange and precious metals and precious stones and other contracts, documents and valuables deemed appropriate by the Capital Markets Board can be bought and sold in a transparent, effective, competitive, honest and stable environment easily and safely under the conditions of free competition markets, platforms and systems and other organized market places to facilitate the gathering of these orders and to determine and announce the prices that are formed and to establish and establish and maintain these and other stock exchanges or other market places is an institution with private legal entity established on the basis of the Capital Markets Law No. 6362 to manage and/or operate the markets of the stock exchanges.

Changes occurred for the period ended 31 December 2019:

Old Shareholder	New Shareholder	Share Amount	Ratio (%)	Description
Toros Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	18	0.0030	Transfer
Güven Menkul Değerler A.Ş.	Phillip Capital Menkul Değerler A.Ş.	500	0.0833	Transfer
Güven Menkul Değerler A.Ş.	Tacirler Yatırım Menkul Değerler A.Ş.	500	0.0833	Transfer

**Dividend payment**

The General Assembly meeting was held on 19 April 2019. The Bank has decided to pay a dividend of TL 75,000 to shareholders. The dividend payments were made on 2 May 2019.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**III. Explanation on the Board of Directors, members of the audit committee, president and executive vice presidents, changes in these matters and shares of the Bank they possess:**

**Chairman and Members of the Board of Directors**

<b>Name Surname</b>	<b>Area of Responsibility</b>	<b>Education Status</b>
Mehmet Hakan Atilla <sup>(1)</sup>	Chairman	Gazi University/Faculty of Economics/Economics/Graduate
Bekir Bayrakdar <sup>(2)</sup>	Deputy Chairman of the Board	Istanbul University/Faculty of Political Science/ International Relations/Graduate
Gökhan Elibol <sup>(3)</sup>	Deputy General Manager - Board Member - Credit Committee Member	Marmara University/Institute of Social Sciences/ International Economics/Graduate
Seyit Ahmet Işkın	Member (Chairman of the Audit Committee-Chairman of the Central Counterparty Risk Advisory Committee)	Istanbul University/Faculty of Political Science/Public Finance/Undergraduate Marmara University/Institute of Banking and Insurance/ Graduate
Hüseyin Melih Akosman <sup>(4)</sup>	Member (Credit Committee Master Member)	Marmara University/Faculty of Economics and Administrative Sciences/Business Administration/Graduate Loyola University/Business Administration/Postgraduate
Suat Sangül <sup>(5)</sup>	Member (Credit Committee Associate Member)	Hacettepe University/Accounting/Undergraduate Gazi University/Faculty of Economics and Administrative Sciences/Business Administration/Graduate Ankara Hacı Bayram Veli University/Institute of Social Sciences/Accounting/Postgraduate
Ekrem Kerem Korur	Member (Audit Committee Member- Corporate Governance Committee Credit Committee Member)	Istanbul University/Faculty of Economics/Economics (English)/Undergraduate
Münevver Çetin	Member (Chairman of the Credit Committee)	Ankara University/Department of Economics Management/ Undergraduate Ankara University/Institute of Social Sciences/Educational Administration and Planning/Graduate Istanbul University/Institute of Social Sciences/Money and Monetary Policy/Postgraduate
Gülseren Topuz	Member (Head of Corporate Governance Committee-ubstitute Member of Credit Committee- Central Counterparty Risk Advisory Committee Member)	Anadolu University/Faculty of Economics/Economics/ Undergraduate Marmara University/Institute of Social Sciences/Statistics/ Graduate Istanbul University/Institute of Social Sciences/Money and Monetary Policy/Postgraduate

<sup>(1)</sup> Mehmet Hakan Atilla was appointed as the Chairman of the Board of Directors on 25 October 2019.

<sup>(2)</sup> On 25 April 2019, Ekrem Arıkan, Executive Vice President in charge of Information Technology, resigned from his current position.

<sup>(3)</sup> On 19 August 2019, Excevutive Vice President responsible for Central Counterparty and Financial Services Serkan Aşkar was appointed.

<sup>(4)</sup> On 31 August 2019, Chairman of the Board of Directors Murat Çetinkaya resigned from his current position.

<sup>(5)</sup> The General Assembly Meeting in 19 April 2019, Metin Kıratlı, Gülsevin Çipli and Kenan Ayvaci resigned from the membership of the board and Bekir Bayrakdar, Hüseyin Melih Akosman and Suat Sangül was appointed as Members of the Board of Directors. Also Mahmut Kayacık, resigned from the general manager and Gökhan Elibol who Assistant General Manager of the Bank was appointed as General Manager.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION ONE (Continued)****GENERAL INFORMATION (Continued)****III. Explanation on the Board of Directors, members of the audit committee, president and executive vice presidents, changes in these matters and shares of the Bank they possess: (Continued)****General Manager and Assistant General Managers**

<b>Name-Surname</b>	<b>Area of Responsibility</b>	<b>Education Status</b>
Gökhan Elibol	Deputy General Manager - Board Member - Credit Committee Member	Ankara University/Institute of Social Sciences/International Economics/Graduate
Serkan Aşkar	Vice President	Bogazici University/Faculty of Engineering/Electrical and Electronics/Undergraduate University of Massachusetts/Faculty of Engineering/ Electrical and Computing/Computer Systems/Graduate University of Massachusetts/Faculty of Engineering/ Computer Systems/PhD

**IV. Information on the Bank's qualified shareholders:**

Shareholding in the Bank's shares, except BİAŞ, does not exceed 5% as stated in the Articles of Association of the Bank. 64.15% of the Bank belongs to BİAŞ. The Bank has no preferred shares as of 31 December 2019 (31 December 2018: nominal full TL 200).

<b>Name Surname/Business Name</b>	<b>Share Amount</b>	<b>Share Proportions</b>	<b>Paid-in Shares</b>	<b>Unpaid Shares</b>
BİAŞ	384,887	64.15%	384,887	-

**V. Information on the Bank's function and areas of activity:**

The main purpose of the Bank is to increase our country's market competitiveness by providing settlement and custody services, providing financial services, and performing all types of economic activities within the scope of the relevant legislation.

The areas of activity that are specified in the Bank's Articles of Association, in general, are as follows:

- Providing all financial services, and primarily central bartering services and central counterparty services, activity of settlement and custody, market management, establishing and making payments, transfer and reconciliation systems, and banking activities;
- Financial services related to international markets including all kinds of payments, transfers, settlements, custody, and reconciliation services;
- Performing judiciary activities and signing all agreements related to its subject, signing written contracts, notes, and miscellaneous notes, acquiring all kinds of rights and receivables and binding debts;
- Purchasing, manufacturing, constructing, acquiring in other ways, renting, partially or completely, selling when necessary, transferring and leasing, and establishing all kinds of real rights on moveable and immovable goods or removing all kinds of moveable and immovable goods as well as all kinds of rights associated with them;
- All kinds of loaning and borrowing required by its activities, in line with corporate management principles as determined by banking and capital market legislation, as well as providing and obtaining personal in cash or in kind guarantees such as sureties, pledges, mortgages, and enterprise pledges in its favour or in favour of others, and transferring or cancelling these;
- Exporting all types of capital market instruments within the framework of Capital Markets legislation;
- Establish partnerships with domestic and foreign organizations and join existing partnerships.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION ONE (Continued)**

**GENERAL INFORMATION (Continued)**

**VI. A short explanation of the differences between the “Communiqué on Preparation Of Consolidated Financial Statements Of Banks” and consolidation transactions made in line with Turkish Accounting Standards, and on establishments that are subjected to full or proportional consolidation, deducted from equity or establishments that are not subjected to these three methods:**

None.

**VII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries:**

None.

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

## UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AT 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION TWO

## I. UNCONSOLIDATED BALANCE SHEET

ASSETS	Note	Audited Current Period			Audited Prior Period		
		31 December 2019			31 December 2018		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>8,543,026</b>	<b>7,148,564</b>	<b>15,691,590</b>	<b>6,995,028</b>	<b>4,601,829</b>	<b>11,596,857</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>8,500,590</b>	<b>7,147,903</b>	<b>15,648,493</b>	<b>6,992,607</b>	<b>4,601,168</b>	<b>11,593,775</b>
1.1.1 Cash and Balances with Central Bank	I-(1)	840	-	840	123	78,914	79,037
1.1.2 Banks	I-(3)	8,491,461	7,147,903	15,639,364	6,362,584	4,522,254	10,884,838
1.1.3 Money Markets	I-(3)	29,338	-	29,338	645,263	-	645,263
1.1.4 Expected Loss Provision (-)	I-(6)	21,049	-	21,049	15,363	-	15,363
<b>1.2 Financial Assets at Fair Value Through Profit or Loss</b>	<b>I-(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.2.1 Government Debt Securities		-	-	-	-	-	-
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	-	-	-	-	-
<b>1.3 Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>I-(4)</b>	<b>2,421</b>	<b>661</b>	<b>3,082</b>	<b>2,421</b>	<b>661</b>	<b>3,082</b>
1.3.1 Government Debt Securities		-	-	-	-	-	-
1.3.2 Equity Instruments		2,421	661	3,082	2,421	661	3,082
1.3.3 Other Financial Assets		-	-	-	-	-	-
<b>1.4 Derivative Financial Assets</b>	<b>I-(5)</b>	<b>40,015</b>	<b>-</b>	<b>40,015</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		40,015	-	40,015	-	-	-
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)</b>		<b>383,765</b>	<b>467,720</b>	<b>851,485</b>	<b>14,780</b>	<b>-</b>	<b>14,780</b>
<b>2.1 Loans</b>	<b>I-(6)</b>	<b>157,493</b>	<b>-</b>	<b>157,493</b>	<b>16,374</b>	<b>-</b>	<b>16,374</b>
<b>2.2 Lease Receivables</b>	<b>I-(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.3 Factoring Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.4 Financial Assets Measured at Amortised Cost</b>	<b>I-(7)</b>	<b>226,569</b>	<b>467,720</b>	<b>694,289</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.4.1 Government Debt Securities		226,569	467,720	694,289	-	-	-
2.4.2 Other Financial Assets		-	-	-	-	-	-
<b>2.5 Expected Loss Provision (-)</b>		<b>297</b>	<b>-</b>	<b>297</b>	<b>1,594</b>	<b>-</b>	<b>1,594</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>I-(15)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1 Held for Sale Purpose		-	-	-	-	-	-
3.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>4,825</b>	<b>-</b>	<b>4,825</b>	<b>4,825</b>	<b>-</b>	<b>4,825</b>
<b>4.1 Investments in Associates (Net)</b>	<b>I-(8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
<b>4.2 Subsidiaries (Net)</b>	<b>I-(9)</b>	<b>4,825</b>	<b>-</b>	<b>4,825</b>	<b>4,825</b>	<b>-</b>	<b>4,825</b>
4.2.1 Unconsolidated Financial Subsidiaries		4,825	-	4,825	4,825	-	4,825
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>4.3 Joint Ventures (Net)</b>	<b>I-(10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V. PROPERTY AND EQUIPMENT (Net)</b>	<b>I-(12)</b>	<b>11,243</b>	<b>24</b>	<b>11,267</b>	<b>11,847</b>	<b>-</b>	<b>11,847</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	<b>I-(13)</b>	<b>103,793</b>	<b>-</b>	<b>103,793</b>	<b>102,497</b>	<b>-</b>	<b>102,497</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		103,793	-	103,793	102,497	-	102,497
<b>VII. INVESTMENT PROPERTY (Net)</b>	<b>I-(14)</b>	<b>8,880</b>	<b>-</b>	<b>8,880</b>	<b>9,187</b>	<b>-</b>	<b>9,187</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSET</b>	<b>I-(16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,662</b>	<b>-</b>	<b>8,662</b>
<b>X. OTHER ASSETS (NET)</b>	<b>I-(17)</b>	<b>36,866</b>	<b>459</b>	<b>37,325</b>	<b>45,022</b>	<b>1,506</b>	<b>46,528</b>
<b>TOTAL ASSETS</b>		<b>9,092,398</b>	<b>7,616,767</b>	<b>16,709,165</b>	<b>7,191,848</b>	<b>4,603,335</b>	<b>11,795,183</b>

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**
**AT 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION TWO (Continued)**
**I. UNCONSOLIDATED BALANCE SHEET (Continued)**

LIABILITIES	Notes	Audited Current Period			Audited Prior Period		
		31 December 2019			31 December 2018		
		TL	FC	TL	FC	TL	FC
<b>I. FUNDS COLLECTED</b>	<b>II-(1)</b>	-	-	-	-	-	-
<b>II. FUNDS BORROWED</b>	<b>II-(3)</b>	-	4,105,859	4,105,859	652,957	2,772,457	3,425,414
<b>III. MONEY MARKETS DEBTS</b>		-	-	-	-	-	-
<b>IV. SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
<b>V. FUNDS</b>	<b>II-(4)</b>	7,125,133	3,080,293	10,205,426	4,682,635	1,814,943	6,497,578
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		7,125,133	3,080,293	10,205,426	4,682,635	1,814,943	6,497,578
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	<b>II-(2)</b>	-	-	-	-	-	-
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-	-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VIII. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX. LEASE PAYABLES</b>	<b>II-(5)</b>	2,323	24	2,347	-	-	-
<b>X. PROVISIONS</b>	<b>II-(6)</b>	61,088	-	61,088	76,086	-	76,086
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		15,952	-	15,952	12,685	-	12,685
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		45,136	-	45,136	63,401	-	63,401
<b>XI. CURRENT TAX LIABILITY</b>	<b>II-(7)</b>	43,570	-	43,570	50,620	-	50,620
<b>XII. DEFERRED TAX LIABILITY</b>	<b>II-(7)</b>	5,583	-	5,583	-	-	-
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>		-	-	-	-	-	-
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	-	-	-	-	-
<b>XV. OTHER LIABILITIES</b>		-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>II-(8)</b>	2,285,292	-	2,285,292	1,745,485	-	1,745,485
16.1 Paid-in capital		600,000	-	600,000	600,000	-	600,000
16.2 Capital Reserves		36,280	-	36,280	36,280	-	36,280
16.2.1 Share Premium		33,019	-	33,019	33,019	-	33,019
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserve		3,261	-	3,261	3,261	-	3,261
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(272)	-	(272)	909	-	909
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		-	-	-	-	-	-
16.5 Profit Reserves		1,033,296	-	1,033,296	606,526	-	606,526
16.5.1 Legal Reserves		108,468	-	108,468	79,981	-	79,981
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		922,184	-	922,184	523,901	-	523,901
16.5.4 Other Profit Reserves		2,644	-	2,644	2,644	-	2,644
16.6 Income or (Loss)		615,988	-	615,988	501,770	-	501,770
16.6.1 Prior Periods' Income or (Loss)		-	-	-	22,030	-	22,030
16.6.2 Current Period Income or (Loss)		615,988	-	615,988	479,740	-	479,740
16.7 Share Premium		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,522,989</b>	<b>7,186,176</b>	<b>16,709,165</b>	<b>7,207,783</b>	<b>4,587,400</b>	<b>11,795,183</b>

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

## UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS

## AS OF 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION TWO (Continued)

## II. OFF-BALANCE SHEET

OFF-BALANCE SHEET COMMITMENTS	Notes	Audited Current Period			Audited Prior Period		
		31 December 2019			31 December 2018		
		TL	PC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>19,810,882</b>	<b>399,036</b>	<b>20,209,918</b>	<b>17,187,890</b>	-	<b>17,187,890</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>III-(1)</b>	<b>18,946,779</b>	-	<b>18,946,779</b>	<b>17,086,287</b>	-	<b>17,086,287</b>
1.1. Letters of Guarantee		-	-	-	-	-	-
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3. Other Letters of Guarantee		-	-	-	-	-	-
1.2. Bank Acceptances		-	-	-	-	-	-
1.2.1. Import Letter of Acceptance		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	-	-	-	-	-
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	-	-	-	-	-
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Other Guarantees		-	-	-	-	-	-
1.7. Other Collaterals		-	-	-	-	-	-
1.8. Import Letter of Acceptance		18,946,779	-	18,946,779	17,086,287	-	17,086,287
1.9. Other Bank Acceptances		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>III-(1)</b>	<b>414,703</b>	-	<b>414,703</b>	<b>101,603</b>	-	<b>101,603</b>
2.1. Irrevocable Commitments		414,703	-	414,703	101,603	-	101,603
2.1.1. Asset Purchase and Sale Commitments		-	-	-	-	-	-
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		3,750	-	3,750	3,750	-	3,750
2.1.4. Loan Granting Commitments		-	-	-	-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Payment commitment for checks		-	-	-	-	-	-
2.1.8. Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9. Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10. Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		410,953	-	410,953	97,853	-	97,853
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>449,400</b>	<b>399,036</b>	<b>848,436</b>	-	-	-
3.1. Hedging Derivative Financial Instruments		449,400	399,036	848,436	-	-	-
3.1.1. Fair value hedge		449,400	399,036	848,436	-	-	-

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.



**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**
**UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS**
**AS OF 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION TWO (Continued)**
**II. OFF-BALANCE SHEET (Continued)**

OFF-BALANCE SHEET COMMITMENTS	Notes	Audited Current Period			Audited Prior Period		
		31 December 2019			31 December 2018		
		TL	PC	Total	TL	FC	Total
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		-	-	-	-	-	-
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	-	-	-
3.2.2.1 Foreign Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2 Foreign Currency Swap-Sell		-	-	-	-	-	-
3.2.2.3 Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4 Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3 Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1 Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2 Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>4,149,948,286</b>	<b>998,823</b>	<b>4,150,947,109</b>	<b>3,625,215,989</b>	<b>894,537</b>	<b>3,626,110,526</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>4,112,181,981</b>	<b>-</b>	<b>4,112,181,981</b>	<b>3,592,021,339</b>	<b>-</b>	<b>3,592,021,339</b>
4.1. Customer Fund and Portfolio Balances		1,832	-	1,832	1,178	-	1,178
4.2. Investment Securities Held in Custody	III-(1)	4,112,178,649	-	4,112,178,649	3,592,018,661	-	3,592,018,661
4.3. Checks Received for Collection		-	-	-	-	-	-
4.4. Commercial Notes Received for Collection		-	-	-	-	-	-
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		1,500	-	1,500	1,500	-	1,500
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>37,766,305</b>	<b>998,823</b>	<b>38,765,128</b>	<b>33,194,650</b>	<b>894,537</b>	<b>34,089,187</b>
5.1. Marketable Securities		19,051,140	998,823	20,049,963	7,162,527	894,537	8,057,064
5.2. Guarantee Notes		-	-	-	-	-	-
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		-	-	-	-	-	-
5.6. Other Pledged Items		18,715,165	-	18,715,165	26,032,123	-	26,032,123
5.7. Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>4,169,759,168</b>	<b>1,397,859</b>	<b>4,171,157,027</b>	<b>3,642,403,879</b>	<b>894,537</b>	<b>3,643,298,416</b>

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION TWO (Continued)

## III. STATEMENT OF PROFIT OR LOSS

STATEMENT OF PROFIT OR LOSS		Notes	Audited Current Period 1 January 2019 - 31 December 2019	Audited Prior Period 1 January 2018 - 31 December 2018
<b>I. INTEREST INCOME</b>			<b>732,323</b>	<b>684,568</b>
1.1 Interest on Loans	IV-(1)		8,211	14,677
1.2 Interest Received from Reserve Requirements			-	-
1.3 Interest Received from Banks	IV-(1)		651,284	654,456
1.4 Interest Received from Money Market Transactions			37,881	7,207
1.5 Interest Received from Marketable Securities Portfolio	IV-(1)		33,997	7,207
1.5.1 Financial Assets at Fair Value Through Profit or Loss			-	-
1.5.2 Financial Assets at Fair Value Through Other Comprehensive Income			-	-
1.5.3 Financial Assets Measured at Amortised Cost			33,997	7,207
1.6 Financial Lease Income			-	-
1.7 Other Interest Income			950	1,021
<b>II. INTEREST EXPENSE</b>	<b>IV-(2)</b>		<b>184,720</b>	<b>152,164</b>
2.1 Interest on Deposits			-	-
2.2 Interest on Funds Borrowed			184,636	151,786
2.3 Interest Expense on Money Market Transactions			-	378
2.4 Interest on Securities Issued			-	-
2.5 Lease Interest Expenses			84	-
2.6 Other Interest Expenses			-	-
<b>III. NET INTEREST INCOME (I - II)</b>			<b>547,603</b>	<b>532,404</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>			<b>279,622</b>	<b>214,981</b>
4.1 Fees and Commissions Received			309,353	239,317
4.1.1 Non-cash Loans			34,166	51,524
4.1.2 Other	IV-(11)		275,187	187,793
4.2 Fees and Commissions Paid	IV-(12)		29,731	24,336
4.2.1 Non-cash Loans			-	-
4.2.2 Other			29,731	24,336
<b>V. DIVIDEND INCOME</b>	<b>IV-(3)</b>		<b>37,918</b>	<b>600</b>
<b>VI. TRADING INCOME/LOSS (Net)</b>	<b>IV-(4)</b>		<b>69,017</b>	<b>7,573</b>
6.1 Trading Gains/Losses on Securities			13	-
6.2 Trading Gains/Losses on Derivative Financial Instruments			33,902	-
6.3 Foreign Exchange Gains/Losses			35,102	7,573
<b>VII. OTHER OPERATING INCOME</b>	<b>IV-(5)</b>		<b>24,290</b>	<b>3,060</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>			<b>958,450</b>	<b>758,618</b>
<b>IX. EXPECTED CREDIT LOSS (-)</b>	<b>IV-(6)</b>		<b>5,962</b>	<b>13,918</b>
<b>X. OTHER PROVISION EXPENSES (-)</b>	<b>IV-(7)</b>		<b>32,284</b>	<b>25,687</b>
<b>XI. PERSONNEL EXPENSES (-)</b>	<b>IV-(7)</b>		<b>79,340</b>	<b>58,608</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>IV-(7)</b>		<b>64,484</b>	<b>47,682</b>
<b>XIII. NET OPERATING INCOME/LOSS (VIII+...+XII)</b>			<b>776,380</b>	<b>612,723</b>
<b>XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>			-	-
<b>XV. INCOME/LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>			-	-
<b>XVI. INCOME/LOSS ON NET MONETARY POSITION</b>			-	-
<b>XVII. INCOME/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (XIII+...+XVI)</b>			<b>776,380</b>	<b>612,723</b>
<b>XVIII. TAX PROVISION FOR CONTINUING OPERATIONS (±)</b>	<b>IV-(8)</b>		<b>(160,392)</b>	<b>(132,983)</b>
18.1 Current Tax Provision			(145,852)	(134,385)
18.2 Deferred Tax Income Effect (+)			-	-
18.3 Deferred Tax Expense Effect (-)			(14,540)	1,402
<b>XIX. NET INCOME/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)</b>	<b>IV-(9)</b>		<b>615,988</b>	<b>479,740</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>			-	-
20.1 Income from Non-Current Assets Held for Resale			-	-
20.2 Sale Income from Associates, Subsidiaries and Joint Ventures			-	-
20.3 Other Income from Discontinued Operations			-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>			-	-
21.1 Expense from Non-Current Assets Held for Resale			-	-
21.2 Sale Losses from Associates, Subsidiaries and Joint Ventures			-	-
21.3 Other Expenses from Discontinued Operations			-	-
<b>XXII. INCOME/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)</b>			-	-
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>			-	-
23.1 Current Tax Provision			-	-
23.2 Deferred Tax Income Effect (+)			-	-
23.3 Deferred Tax Expense Effect (-)			-	-
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>			-	-
<b>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>	<b>IV-(10)</b>		<b>615,988</b>	<b>479,740</b>
Earnings/(Loss) Per Share in (Full TL)			1.0266	0.7996

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
 (Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION TWO (Continued)****IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Audited Current Period 1 January- 31 December 2019	Audited Prior Period 1 January- 31 December 2018
<b>I. CURRENT PERIOD INCOME/LOSS</b>	<b>615,988</b>	<b>479,740</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(1,181)</b>	<b>82</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>(1,181)</b>	<b>82</b>
2.1.1 Property and Equipment Revaluation Increase/Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	(1,476)	103
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	295	(21)
<b>2.2 Reclassified Through Profit or Loss</b>	<b>-</b>	<b>-</b>
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	-	-
2.2.3 Cash Flow Hedge Income/Loss	-	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	-	-
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>614,807</b>	<b>479,822</b>

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION TWO (Continued)

## V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity					Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			
Audited	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined benefit plans' actuarial gains/losses	Other	
Current Period								
1 January 2019-31 December 2019								
I. Prior Period End Balance	600,000	33,019	-	3,261	-	909	-	
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	
2.1 Effects of Corrections	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (I+II)	600,000	33,019	-	3,261	-	909	-	
IV. Total Comprehensive Income	-	-	-	-	-	(1,181)	-	
V. Capital Increase by Cash	-	-	-	-	-	-	-	
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	
VII. Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	
VIII. Convertible Bonds to Shares	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	
X. Increase/Decrease by Other Changes	-	-	-	-	-	-	-	
XI. Profit Distribution	-	-	-	-	-	-	-	
11.1 Dividends paid	-	-	-	-	-	-	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	
Period-End Balance (III+IV+...+X+XI)	600,000	33,019	-	3,261	-	(272)	-	

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

Accumulated Other Comprehensive Income or  
Expense Reclassified through Profit or Loss

Translation differences	Income/expenses from valuation and/ or reclassification of financial assets measured at FVOCI	Other	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
-	-	-	606,526	501,770	-	-	-	1,745,485
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	606,526	501,770	-	-	-	1,745,485
-	-	-	-	-	615,988	-	-	614,807
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	426,770	(501,770)	-	-	-	(75,000)
-	-	-	-	(75,000)	-	-	-	(75,000)
-	-	-	426,770	(426,770)	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	1,033,296	-	615,988	-	-	2,285,292

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION TWO (Continued)

## V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity					Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			
Audited	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined benefit plans' actuarial gains/losses	Other	
Prior Period								
1 January 2018-31 December 2018								
I. Prior Period End Balance	600,000	33,019	-	3,261	-	827	-	
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	
2.1 Effects of Corrections	-	-	-	-	-	-	-	
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (I+II)	600,000	33,019	-	3,261	-	827	-	
IV. Total Comprehensive Income	-	-	-	-	-	82	-	
V. Capital Increase by Cash	-	-	-	-	-	-	-	
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	
VII. Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	
VIII. Convertible Bonds to Shares	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	
X. Increase/Decrease by Other Changes	-	-	-	-	-	-	-	
XI. Profit Distribution	-	-	-	-	-	-	-	
11.1 Dividends paid	-	-	-	-	-	-	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	
Period-End Balance (III+IV+...+X+XI)	600,000	33,019	-	3,261	-	909	-	

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

Accumulated Other Comprehensive Income or  
Expense Reclassified through Profit or Loss

Translation differences	Income/expenses from valuation and/ or reclassification of financial assets measured at FVOCI	Other	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity
-	-	-	329,374	3,410	276,371	-	-	1,246,262
-	-	-	-	18,621	-	-	-	18,621
-	-	-	-	-	-	-	-	-
-	-	-	-	18,621	-	-	-	18,621
-	-	-	329,374	22,031	276,371	-	-	1,264,883
-	-	-	-	-	479,740	-	-	479,822
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	780	-	-	-	780
-	-	-	277,152	(781)	(276,371)	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	277,152	(277,152)	-	-	-	-
-	-	-	-	276,371	(276,371)	-	-	-
-	-	-	606,526	22,030	479,740	-	-	1,745,485



## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION TWO (Continued)

## VI. STATEMENT OF CASH FLOWS

	Noted	Audited Current Period 1 January - 31 December 2019	Audited Prior Period 1 January - 31 December 2018
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit/(Loss) Before Changes in Operating Assets and Liabilities</b>		<b>245,054</b>	<b>783,245</b>
1.1.1 Interest Received		714,343	686,725
1.1.2 Interest Paid		(187,677)	(150,257)
1.1.3 Dividend Received		37,918	600
1.1.4 Fees and Commissions Received		308,948	239,255
1.1.5 Other Income		24,290	3,060
1.1.6 Collections from Previously Written-off Loans and Other Receivables		-	-
1.1.7 Payments to Personnel and Service Suppliers		(83,127)	(58,608)
1.1.8 Taxes Paid		(190,632)	(116,223)
1.1.9 Other		(379,009)	178,693
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>4,269,097</b>	<b>887,521</b>
1.2.1 Net increase/decrease in Financial Assets at Fair Value Through Profit or Loss		-	-
1.2.2 Net (increase)/decrease in Due from Banks and Other Financial Institutions		-	-
1.2.3 Net (increase)/decrease in Loans		20,441	(4,770)
1.2.4 Net (increase)/decrease in Other Assets		(142,379)	183,868
1.2.5 Net increase/(decrease) in Bank Deposits		9,608	(24,321)
1.2.6 Net increase/(decrease) in Other Deposits		-	-
1.2.7 Net increase/decrease in Financial Assets at Fair Value Through Profit or Loss		-	-
1.2.8 Net increase/(decrease) in Funds Borrowed		683,402	244,502
1.2.9 Net increase/(decrease) in Payables		-	-
1.2.10 Net increase/(decrease) in Other Liabilities		3,698,025	488,242
<b>I. Net Cash Provided from Banking Operations</b>		<b>4,514,151</b>	<b>1,670,766</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>II. Net Cash Provided from Investing Activities</b>		<b>(692,699)</b>	<b>13,027</b>
2.1 Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-	-
2.2 Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment		(3,811)	(7,834)
2.4 Disposals of Property and Equipment		-	-
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		-	(1,250)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.7 Purchase of Financial Assets Measured at Amortised Cost		(682,346)	(56,504)
2.8 Sale of Financial Assets Measured at Amortised Cost		6,000	91,502
2.9 Other		(12,542)	(12,887)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>III. Net Cash Provided from Financing Activities</b>		<b>(60,029)</b>	<b>11,178</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Issued Capital Instruments		-	-
3.4 Dividends Paid		(75,000)	-
3.5 Payments for Leases		(84)	-
3.6 Other		15,055	11,178
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>319,424</b>	<b>(275,400)</b>
<b>V. Net Decrease in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>4,080,847</b>	<b>1,419,571</b>
<b>VI. Cash and Cash Equivalents at Beginning of the Period</b>		<b>11,579,195</b>	<b>10,159,624</b>
<b>VII. Cash and Cash Equivalents at End of the Period</b>	<b>V-2</b>	<b>15,660,042</b>	<b>11,579,195</b>

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**
**UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION TWO (Continued)**
**VII. STATEMENT OF PROFIT DISTRIBUTION**

	<b>Audited</b>	<b>Audited</b>
	<b>Current Period</b>	<b>Prior Period</b>
	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1 CURRENT PERIOD PROFIT	776,380	612,723
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	(160,392)	(132,983)
1.2.1 Corporate tax (income tax)	(145,852)	(134,385)
1.2.2 Withholding tax	-	-
1.2.3 Other taxes and duties	(14,540)	1,402
<b>A. NET PROFIT FOR THE PERIOD (1.1-1.2)</b>	<b>615,988</b>	<b>479,740</b>
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]<sup>(1)</sup></b>	<b>615,988</b>	<b>479,740</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of privileged shares	-	-
1.6.3 To owners of redeemed shares	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDENDS TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of privileged shares	-	-
1.9.3 To owners of redeemed shares	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>	<b>-</b>	<b>-</b>
2.1 APPROPRIATED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of privileged shares	-	-
2.3.3 To owners of redeemed shares	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE</b>	<b>-</b>	<b>-</b>
3.1 TO OWNERS OF ORDINARY SHARES	1.0266	0.7996
3.2 TO OWNERS OF ORDINARY SHARES (%)	102.66	79.96
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDENDS PER SHARE</b>	<b>-</b>	<b>-</b>
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION THREE****EXPLANATIONS ON ACCOUNTING POLICIES****I. Basis of Presentation****Presentation of financial statements**

The Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation" which includes the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards ("TFRS") published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and "Communiqué Pertaining to Public Disclosure of Risk Management in Banks" amendments to these Communiqués. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

The preparation of financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.

In accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in the Official Gazette No. 30673, dated 1 February 2019, prior period financial statements are aligned with latest financial statement format.

The Bank has started to apply TFRS 16 Leases standard ("TFRS 16") in the accompanying financial statements starting from 1 January 2019.

The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles

The accounting policies and valuation principles used in the preparation of the financial statements, the regulation, notification, explanation and circulars issued by the BRSA regarding the accounting and financial reporting principles, and TFRS (all "BRSA Accounting and Financial Reporting Legislation"), which have been put into effect by the POA.

**II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions**

The Bank places its funds in domestic and foreign banks, in interbank money markets, and treasury bills and government bonds. These instruments are assumed to have higher yields compared to other financial instruments and bear lower risk. For the purposes of maintaining sufficient liquidity to meet all claims that might fall due, the Bank makes overnight or weekly placements in money markets. The most significant financing resources are guarantees of the members, short term placements and the shareholders' equity of the Bank. In making long-term placements, the high yield principle is considered, and accordingly, the Bank invests in government debt securities.

The Bank carries transactions in securities and money markets. Accordingly, exchange rate and interest rate volatility are managed by matching its assets and liabilities. The Bank does not engage in derivative or structured products defined as off-balance sheet to provide balance sheet management or to make profit.

The Bank does not have any transactions that cause liability or affect the net asset position negatively in other foreign currency transactions.

**III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures**

Investments in associates and subsidiaries are accounted in accordance with the "Turkish Accounting Standard on Separate Financial Statements" ("TAS 27") and non-financial associates, subsidiaries are stated with their cost values at the financial statements after the provision for impairment deducted.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**IV. Explanations on Forward and Option Contracts and Derivative Instruments**

Bank's derivative instruments mainly consist of swap transactions for hedging purposes. The Bank has no derivative financial instruments designated as hedging instruments or embedded derivative financial instruments.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values.

Derivative instruments are remeasured at fair value after initial recognition. In accordance with the classification of the derivative instrument, if the fair value of a derivative financial instrument is positive, it is recorded to the account "Derivative Financial Assets Measured at Fair Value Through Profit and Loss" or "Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income"; if the fair value difference is negative, it is disclosed in "Derivative Financial Liabilities Measured at Fair Value Through Profit and Loss" or "Derivative Financial Liabilities Measured at Fair Value Through Other Comprehensive Income". Differences in the fair value of trading derivative instruments are accounted as income/loss from derivative financial transactions under "trading income/loss" item in the income statement.

Explanations on Derivative Instruments for Hedging Purpose

The Bank performs cross currency swap transactions in order to avoid changes in the fair value of fixed-rate financial instruments.

**V. Explanations on Interest Income and Expenses**

Interest income is accounted according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities) defined in the TFRS 9 "Financial Instruments" standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

**VI. Explanations on Fees and Commission Income and Expenses**

The Bank performs custody and settlement services for marketable securities, precious metals and other securities arising from purchases and sales of those assets.

Additionally, the Bank opens custody accounts for its customers, corporate investors and companies quoted on the BİST and on other stock exchange markets, performs transfers, settlements and offsets between the accounts of securities intermediary companies and investors; performs procedures related to obtaining of bonus shares, use of preemptive rights, timely collection of dividends, principal and interest, exchange of certificates representing marketable and other securities and additional financial services. On these operations, the Bank receives custody and service commission income from its customers. These fees and commissions received are accrued on a monthly basis under other operating income.

**VII. Explanations and Disclosures on Financial Assets**

The Bank recognizes its financial assets as "Fair Value Through Profit or Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments. The Bank recognizes a financial asset or financial liability on its balance sheet only when it is party to the contractual provisions of the financial lease. The Bank derecognizes a financial asset only when the contractual rights to cash flows from the financial asset have expired or the financial assets have been transferred and the conditions for derecognition have been met. A financial liability (or part of a financial liability) is only recognized when the liability has expired; in other words, it is written off the statement of financial position when the obligation specified in the contract is fulfilled, canceled or time out.

The Bank categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost" based on the matters below:

- The business model used by the entity for the management of financial assets,
- Properties of contractual cash flows of a financial asset.

When the business model determined by the Bank management is changed, all financial assets affected by this change are reclassified. Reclassification of financial assets is applied prospectively from the date of reclassification. In such cases, there no adjustment to earnings, losses (including impairment gain or loss) or interest received previously in the financial statements is made.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION THREE (Continued)****EXPLANATIONS ON ACCOUNTING POLICIES (Continued)****VII. Explanations and Disclosures on Financial Assets (Continued)****a Financial assets at fair value through profit or loss**

Financial assets at fair value through profit/loss are financial assets that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are recognized in the statement of profit or loss.

**b. Financial assets at fair value through other comprehensive income**

Financial assets are classified as fair value through other comprehensive income if the assets are being held in line with a business model that aims collection of contractual cash flows or sale of assets and additionally if the contractual terms of the financial asset lead to cash flows that solely include the payments of principal and interest on certain dates.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recognized to statement of profit or loss. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity. When these securities are collected or disposed of, the accumulated fair value differences reflected in the equity are reflected to the income statement.

**c Financial Assets Measured at Amortised Cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in statement of profit or loss.

**d. Loans**

Loans are financial assets which have fixed payment terms and are not traded in an active market.

The Bank provides cash loans to the brokerage houses at maximum one month maturity however mostly overnight maturity in order to provide efficiency and convenience in capital market transactions within the limits determined by the Board of Directors. Cash loans are classified under the heading "financial assets measured at amortized cost" in the context of "being held for the purpose of obtaining contractual cash flows" and "contractual cash flows representing interest only on principal and principal balance" criteria.

Loans recognized at cost and are valued at amortized cost using the effective interest method.

**Explanations on the Impairment of Financial Assets Recognition of Financial Statements of Expected Credit Losses**

In accordance with the "Regulation on Procedures and Principles for the Classification of Loans and Provisions to be Issued" published in the Official Gazette dated 22 June 2016 and numbered 29750, the Bank calculates the expected credit loss provision in accordance with TFRS 9 and indicates in its financial statements. Expected credit losses related to cash and cash equivalents under financial assets, other receivables, loans and non-cash loans are calculated and accounted.

Provisions provided by the Bank under TFRS 9; the expected credit loss provision amounts for 12 months and the expected credit loss provision amounts due to a significant increase in the credit risk of the borrower and the expected lifetime credit loss provisions for the default of the debts are considered as special provisions.

For non-impaired financial assets, the expected credit loss provision for twelve months is calculated and set aside for the initial recognition stage. For these financial assets, effective interest rate is used over the gross book value.

Although not available for the reporting period, the expected lifetime credit loss is calculated and set aside for non-impaired financial assets that have significant increase in credit risk after initial recognition. For these financial assets, effective interest rate is used over the gross book value.

The expected lifetime credit loss provision is calculated and set aside for financial assets that are purchased or created with impaired loans. For these financial assets, effective interest rate is applied through net book value.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. Explanations and Disclosures on Financial Assets (Continued)**

The definition of default is included in the Communiqué on the calculation of the credit risk amount based on the internal rating approach. It is assumed that the debtor defaults in the event that the debtor is unable to fully pay the debts to the Bank without applying for collateral or if the debtor has delayed more than 90 days to fulfill his significant liabilities to the Bank.

Expected credit losses for financial assets, other receivables and loans under the title Cash and cash equivalents are recognized under "Expected loss reserves (-)" on the asset side of the balance sheet. The total provision for credit losses under TFRS 9 is classified under "12 Months Expected Loss Equivalent- (First Stage)". There is no allowance for credit losses classified under "Significant Increase in Credit Risk (Second Stage)".

The expected credit loss provisions calculated for the transactions classified as non-cash loans due to the market where the Bank is the Central Opposite Party and the guarantor are listed under the "Other Provisions" heading on the liabilities of the balance sheet.

Expected credit losses for financial assets, other receivables and loans under the title Cash and cash equivalents are recognized under "Expected loss reserves (-)" on the asset side of the balance sheet. The total provision for credit losses under TFRS 9 is classified under "12 Months Expected Loss Equivalent- (First Stage)". There is no allowance for credit losses classified under "Significant Increase in Credit Risk (Second Stage)".

The basic principles for calculating the Bank "Expected credit loss provisions" are as follows:

- Information considered in the expected credit loss accounting should be reasonable, reliable and supportable.
- Country risk is also taken into account when calculating provisions for expected credit losses.
- Provision for loans can be higher than their loan-based counterparts, taking into account the size, type, currency, currency, interest rate structure, borrowing sector, collaterals and similar concentrations over time, credit risk level and management.
- The approach used to assess expected credit losses is consistent with the bank's credit risk management.
- The information used should include the borrower-specific factors, the general economic conditions and the assessment of the effects of these factors and circumstances at the reporting date on the current and future periods. Potential sources of information include the Bank's credit disposal experience, internal or external credit ratings, reports and statistics.
- If the financial instrument is determined to have low credit risk at the reporting date, the Bank may assume that the credit risk in the financial instrument has not increased substantially since the first time it was recognized.

**VIII. Explanations on Impairment of Financial Assets**

At each balance sheet date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets has suffered an impairment and whether it meets the classification requirements in accordance with TFRS 9. The Bank determines the amount of the impairment if such indicator exist as mentioned. Related accounting policy is explained in footnote VII.

**IX. Explanations on Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to offset the assets and liabilities simultaneously. Otherwise, no offsetting is made with respect to financial assets and liabilities.

**X. Explanations on Sales and Repurchase Agreements and Lending of Securities**

Repurchase agreements are classified as their purposes on the securities portfolio and evaluated by the principals of the portfolio which they belong to. The Bank has no repurchase transaction as of the balance sheet date.

Receivables from reverse repurchase agreements are accounted for under "Receivables from Reverse Repurchase Agreements" account in the balance sheet. The difference between purchase and sale price determined by these agreements is accrued over the life of agreements according to effective interest rate method.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION THREE (Continued)****EXPLANATIONS ON ACCOUNTING POLICIES (Continued)****XI. Explanations on Assets Held for Sale and Discontinued Operations**

Assets which satisfy to be classified as held for sale are measured by the lower of carrying value and fair value less costs to sell and these assets are not amortized; and are separately presented in the financial statements. For an asset (or else the group of assets) to be classified as held for sale; the asset should be ready for immediate sale in frequently seen and accustomed terms and the probability of sale should be high. For the probability of sale to be high, appropriate level of management should have made a plan for the sale of the asset (or else the group of assets) and a program should have been initiated in order to determine buyers as well as complete the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or cancelling the plan is low. Certain events and conditions may extend the duration of completion of sale to more than one year.

If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets). A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately.

A discontinued operation is a part of a bank classified as held for sale or held for sale. The results of discontinued operations are presented separately in statement of profit or loss.

The Bank has no assets held for sale as of the balance sheet date. The Bank has no discontinued operations during the period.

**XII. Explanations on Goodwill and Other Intangible Assets**

As of the balance sheet date, there is no goodwill in the accompanying un-consolidated financial statements of the Bank.

The intangible assets which have been bought before 1 January 2005 are amortized based on historical cost which has been revised according to inflation effects dated 31 December 2004 and the items which have been bought in the following dates are amortized based on purchase cost with the allocation of accumulated depreciation and impairments. The intangible assets are amortized based on straight line amortization regarding useful life periods. The amortization method and period are revised periodically every year.

Intangible assets of the Bank are basically software license costs. Useful lives of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence. Amortization method used in the current period is not subject to any change. Depreciation period is 5 years (20% annual depreciation rate) for establishment/formation expenses for other intangible assets with uncertain leasing period or leasing period over five years and depreciation rate is proportional with period for those with certain leasing period. Economic useful lives determined are in accordance with the criteria stated in the Turkish Accounting Standards-TAS 38-Intangible Assets. Computer programs widely used in the Bank are generated within the Bank by the personnel of the Bank and the expenses related to those assets are not capitalized. Computer software is only purchased in case of urgent need and special projects.

Within the scope of the agreement made between Borsa İstanbul and NASDAQ, new BISTECH technology, which was developed under Borsa İstanbul's processing system; data distribution; index calculation; market surveillance; reporting systems; and also the Bank's swap and risk management systems, has a useful life of 20 years.



**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. Explanations on Tangible Assets**

Tangible assets are initially recognized at acquisition cost and any other cost incurred so as to get the fixed asset ready for use.

Tangible assets are depreciated with straight-line method. Tangible assets are depreciated with the rates determined by the Ministry of Finance based on useful lives. These useful lives are in line with the criteria stated in "TAS 16 - Tangible Assets" released by Turkish Accounting and Auditing Standards Authority (POA). Depreciation Rates for Tangible Fixed Assets are as following:

	<b>Estimated Useful Life (Year)</b>	<b>Depreciation Rate</b>
Buildings	50	2%
Furniture, Fixture and Office Equipment	4 - 15	6,67-25%
Other Tangible Fixed Assets	2 - 16	6,67-50%

Tangible assets are accounted for at cost less accumulated depreciation and impairment, if any.

Gain or loss resulting from disposals of the tangible assets is reflected to the income statement as the difference between the net proceeds and net book value.

Maintenance costs of tangible assets are capitalized if they extend the economic useful life of related assets. Other maintenance costs are expensed. There are no pledges, mortgages or other restrictions on the tangible assets.

**XIV. Explanations on Leasing Transactions**

The Bank measures the operational lease liabilities based on the present value of the lease payments that have not been paid at the date lease is actually started, in accordance with TFRS 16. Lease payments are discounted by using the Bank's alternative incremental borrowing rate.

After the date lease actually started, the Bank increases book value to reflect the interest on lease liability, decreases book value to reflect lease payments that is made and remeasures to reflect the changes made in lease or revised fixed lease payments.

The interest on the lease liability for each period of the lease term, is the amount calculated by charging a fixed periodic interest rate on remaining balance of lease liability.

The Bank applies a discount rate that reflects the changes in the interest rate in a scenario where the Bank used purchase option at the initial lease term.

The Bank remeasures the lease liability by discounting the revised lease payments using a revised discount rate for a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification. The revised discount rate is determined as the alternative borrowing interest rate at the effective date of the modification. The Bank decreases carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognized in profit or loss. A corresponding adjustment to the right-of-use asset is made for all other lease modifications.

**XV. Explanations on Provisions and Contingent Liabilities**

Provisions and contingent liabilities are accounted in accordance with "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions on financial statements, if an existing obligation resulting from past events, it is probable that the obligation will be met and the obligation can be reliably measured. Provisions are calculated based on the Bank management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to the fair value where the effect is material.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION THREE (Continued)****EXPLANATIONS ON ACCOUNTING POLICIES (Continued)****XVI. Explanations on Liabilities Regarding Employee Benefits**

Obligations related to employment termination and vacation rights "Turkey Accounting Standards Regarding Employee Benefits" ("TAS 19") are accounted for in accordance with the provisions.

*Defined Benefit Plans*

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No: 19 "Turkish Accounting Standard on Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are audited annually. The carrying value of provision for employee termination benefits as of 31 December 2019 is TL 7,389 (31 December 2018: TL 5,640).

Communiqué on "Turkish Accounting Standard (TAS 19) about Benefits for Employee (No: 9)" published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2013 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. For the period of 1 January - 31 December 2019, actuarial loss after deferred tax effect amounting to TL 1,476 (31 December 2018: TL 103 actuarial loss) was classified as "Other Capital Reserves".

**XVII. Explanations on Taxation**

Income tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit at enacted tax rates, and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized as taxable profit.

The carrying amount of a deferred tax asset shall be reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled is recognized in income statement as income or expense. Deferred tax that relates to items that are recognized directly in equity, in the same or a different period, is recognized directly in equity. Deferred tax assets and liabilities are netted off.

The current taxes payable and advance taxes are offset since they relate to each other.

The Bank has adjusted its statutory financial statements with inflation accounting as of 1 January 2004 in accordance with Law No. 298. Some modifications have been made in the tax legislation with Law 4842 published in the Official Gazette number 25088 on 24 April 2003. Under these modifications, investment and development banks, which are not allowed to accept deposit, are allowed to deduct loan loss provisions from the tax base in accordance with item 2 of the article 20 of Banking Law and the amendment introduced by the article 35 of the Law numbered 4842.

# **İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**

## **NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

#### **SECTION THREE (Continued)**

#### **EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

#### **XVII. Explanations on Taxations (Continued)**

##### *Current Tax*

The corporate tax rate of 20% implementation on the Corporate Tax Law No. 5520 was taken into effect on 1 January 2006 after being published in the Official Gazette dated 21 June 2006 numbered 26205, will be applied as 22% for corporation earnings for three years from 1 January 2018 with the regulation dated 28 November 2017 numbered 7061. Furthermore, council of ministers has the authority to decrease this ratio to 20% from 22%. The Bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. If there is no dividend distribution, no further tax charges are made.

Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss.

Taxes which were not accrued on time because of the applying exemption for the transfer of the exempted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warrantors' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Deferred tax is calculated on the tax rates applicable in the period when assets are made or liabilities are fulfilled or on those which are almost certain to be effective; and it is recorded as income or expense in the income statement. Moreover, deferred tax is recognised directly on equity accounts if it is related to the assets directly associated with the equity in the same or another period. Corporate Tax Law has been amended with Article 91 of the Law, No. 7061 effective upon promulgation in the Official Gazette, No. 30261, dated 5 December 2017; and the corporate tax levied on the corporate income has been increased from 20% to 22% to be applied for the income belonging to 2018, 2019 and 2020. The Bank calculates deferred tax at the relevant rates considering the periods in which deferred tax assets and liabilities will be fulfilled.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION THREE (Continued)****EXPLANATIONS ON ACCOUNTING POLICIES (Continued)****XVIII. Additional Explanations on Funds Borrowed**

The Bank has not issued any convertible bonds.

The Bank has not also issued any borrowing instruments.

**Cash Warrants Received**

"BİAŞ Guarantee Fund, BİAŞ Loan and Share Market, Takasbank Money Market, Loan Share Market, Derivatives Exchange Market, Electricity Market, Leveraged call-put transactions and Warrant Deputy (OPIC), BİAŞ Money Market and Precious Metals Market, BİAŞ Swap Market and over the counter derivative market (OTC), cash warrant amounts are tracked in asset side under banks account, in liability side under various liabilities account. These funds provide creditor members not to be affected in case debtor members may undergo cash default. Cash warrant mechanisms are created in order to provide continuous cash flow in the market by tracking payments to be made in time and in full amounts.

**XIX. Explanations on Issuance of Equity Securities**

The Bank does not have any shares issued in the current period.

**XX. Explanations on Acceptances**

The Bank performs acceptances with its customers simultaneously and follows them in off balance sheet liabilities.

The Bank has no acceptances that have been included as a liability against an asset.

**XXI. Explanations on Government Incentives**

There are no government incentives utilized by the Bank as of the balance sheet date.

**XXII. Explanations on Segment Reportings**

Operational segment is distinguishable section of the Bank that has different characteristics from other operational segments per earning and conducts the presentation of service group, associated bank products or a unique product. Reporting on operating segments is disclosed in Note XIII in Section Four.

**XXIII. Related Parties**

For the purpose of these financial statements, shareholders, key management personnel and board members associated with companies controlled by their families and themselves or affiliated companies, associates and joint ventures are referred to as related parties in accordance with TAS 24 - Related Party Disclosures.

**XXIV. Cash and Cash Equivalents**

For the purposes of the preparation of statement of cash flows, "Cash" includes cash, effectives, and cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and "Cash equivalents" include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

**XXV. Investment Properties**

Investment property consist of the asset that held to earn rentals and/or for capital appreciation and recognized with cost model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Investment properties are recognized at its cost less any accumulated depreciation. Investment property is amortized by normal depreciation method and useful life basis. Gains and losses arising from disposal of an investment property or removal of a tangible asset are determined as the difference between the sales proceeds and the carrying amount of the asset and are included in the income statement.

**XXVI. Reclassifications**

None. (31 December 2018:None)

**Explanations on TFRS 16 Leases standards**

The Bank has put TFRS 16 Leases standard into use starting from January 2019 for operational leasing transactions that the Bank is a counterparty. For the transactions the Bank is lessee, the Bank used the model the standard projects except for the low value assets and short term leasings (1 year or less).

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION THREE (Continued)**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXVI. Reclassifications (Continued)**

**Explanations on TFRS 16 Leases standards (Continued)**

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the present accounting of finance leases which is balance sheet based, singular accounting model. Standard brought a single model for lease accounting to lessees. The bank as a lessee, has shown right of use assets representing right of use of underlying assets and lease payment which the Bank is liable, in its financial tables. For lessors, the accounting stays almost the same.

This standard is applied with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application. In this context, the Bank did not restate its comparative information.

The Bank recognizes a lease liability and a right-of-use asset at the date of initial application TFRS 16 for leases previously classified as an operating lease applying TAS 17. The Bank measures that lease liability by the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate at the date of initial application. Besides, the bank measures that right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

**TFRS 16 Leases standard transition effect**

The following table shows the classification and adjustment records for the first application of TFRS 16 Leases Standard as of 1 January 2019.

	<b>31 December 2018</b>	<b>TFRS 16 Transition Effect</b>	<b>1 January 2019</b>
Property and Equipment (Net) <sup>(1)</sup>	11,847	149	11,996
Other Assets (Net)	46,528	(149)	46,379
Lease Payables (Net) <sup>(1)(2)</sup>	-	-	-

<sup>(1)</sup> For leases classified as operating leases in accordance with TAS 17, TL 149 thousand lease liabilities and right-of-use assets amount has been reflected to financial statements as of 1 January 2019 in accordance with TFRS 16.

<sup>(2)</sup> As of 1 January 2019, the weighted average of the alternative funding interest rates applied to TL lease liabilities are 23.4%.

**XXVII. Explanations on Other Matters**

None.

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

## I. Explanations Related to Components of Shareholders' Equity

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks".

The Bank's current period equity capital is TL 2,191,366 TL (31 December 2018: TL 1,638,088), capital adequacy standard ratio is 23.52% (31 December 2018: 19.54%). The Bank's capital adequacy standard ratio is above the minimum rate defined by legislation.

## Summary information related to the capital shareholders' equity:

	Current Period	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	600,000	
Share issue premiums	33,019	
Reserves	1,036,557	
Gains recognized in equity as per TAS	-	
Profit	615,988	
Current Period Profit	615,988	
Prior Period Profit	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>2,285,564</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	272	
Improvement costs for operating leasing	52	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	103,793	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	4,825	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>108,942</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>2,176,622</b>	

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### I. Explanations Related to Components of Shareholders' Equity (Continued)

	Current Period	Amount related to treatment before 1/1/2014 <sup>(1)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>	-	
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA (-)	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital+Additional Tier I Capital)</b>	<b>2,176,622</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Debt instruments and share issue premiums deemed suitable by the BRSA	14,744	
<b>Tier II Capital Before Deductions</b>	<b>14,744</b>	
<b>Deductions From Tier II Capital</b>	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>14,744</b>	



## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## I. Explanations Related to Components of Shareholders' Equity (Continued)

	Current Period	Amount related to treatment before 1/1/2014 <sup>(1)</sup>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>2,191,366</b>	
<b>Deductions from Total Capital</b>	<b>2,191,366</b>	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Three Years	-	
Other items to be defined by the BRSA	-	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	<b>-</b>	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
<b>TOTAL CAPITAL</b>		
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,191,366	
Total risk weighted amounts	9,316,545	
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	23.36	
Tier 1 Capital Adequacy Ratio (%)	23.36	
Capital Adequacy Ratio (%)	23.52	
<b>BUFFERS</b>		
Bank specific total Common Equity Tier 1 Capital requirement (%)	2.5	
a) Capital conservation buffer requirement (%)	2.5	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemic significant bank buffer ratio		
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	-	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Remaining Mortgage Servicing Rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	14,744	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	14,744	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

<sup>(1)</sup> "The amounts to be taken into account at the end of the transition period are shown for the items subject to the transition provisions under the Provisional Articles of the "Regulation on Shareholders' Equity of Banks".

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### I. Explanations Related to Components of Shareholders' Equity (Continued)

	Prior Period	Amount related to treatment before 1/1/2014 <sup>(1)</sup>
<b>Common Equity Tier 1 Capital</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	600,000	
Share Premium	33,019	
Reserves	610,696	
Gains Recognized in Equity as per TAS	-	
Profit	501,770	
Current Period Profit	479,740	
Prior Period Profit	22,030	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1,745,485</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	
Leasehold Improvements on Operational Leases	75	
Goodwill netted off deferred tax liability	-	
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights	102,497	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences net of related tax liability	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law Article 56 4th paragraph	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital amount above 10% threshold	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions amount above 10% threshold of Tier 1 Capital	-	
Mortgage servicing rights amount above 10% threshold of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences amount above 10% threshold, net of related tax liability	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks 2nd article temporary second paragraph	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity amount above 10% threshold	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	4,825	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions from Common Equity Tier 1 Capital</b>	<b>107,397</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>1,638,088</b>	

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## I. Explanations Related to Components of Shareholders' Equity (Continued)

	Prior Period	Amount related to treatment before 1/1/2014 <sup>(1)</sup>
<b>Additional Tier 1 Capital</b>	-	
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
<b>Additional Tier 1 Capital before deductions</b>	-	
<b>Deductions from Additional Tier 1 Capital</b>	-	
Bank's direct or indirect investment on its own Tier 1 Capital	-	
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with the article 7 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	
<b>Items to be deducted from Tier I Capital during the Transition Period</b>	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
<b>Total Deductions from Additional Tier 1 Capital</b>	-	
<b>Total Additional Tier 1 Capital</b>	-	
<b>Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)</b>	1,638,088	
<b>Tier 2 Capital</b>		
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	-	
<b>Tier 2 Capital Before Deductions</b>	-	
<b>Deductions From Tier 2 Capital</b>	-	
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	
Other Items Determined by BRSA (-)	-	
<b>Total Deductions From Tier 2 Capital</b>	-	
<b>Total Tier 2 Capital</b>	-	

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**
**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**
**I. Explanations Related to Components of Shareholders' Equity (Continued)**

	Prior Period	Amount related to treatment before 1/1/2014 <sup>(1)</sup>
<b>Total Capital (The sum of Tier 1 and Tier 2 Capital)</b>	<b>1,638,088</b>	
<b>The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>	<b>1,638,088</b>	
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years	-	
Other items to be defined by the BRSA	-	
<b>Items to be deducted from the sum of Tier I and Tier II Capital ("Capital") during the Transition Period</b>	<b>-</b>	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
<b>Total Capital</b>		
Total Capital (Sum of Tier 1 and Additional Tier1)	1,638,088	
Total Risk Weighted Assets	8,382,861	
<b>Capital Adequacy Ratios</b>		
Common Equity Tier 1 Capital Adequacy Ratio (%)	19.54	
Tier 1 Capital Adequacy Ratio (%)	19.54	
Capital Adequacy Ratio (%)	19.54	
<b>Buffers</b>		
Total buffer requirement (a+b+c)	1.875	
a) Capital conservation buffer requirement (%)	1.875	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemically important banks buffer ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital to Risk Weighted Assets calculated based on the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers (%)	-	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	-	
<b>Limits related to provisions considered in Tier 2 Calculation</b>		
General provisions for standard based receivables (before ten thousand twenty five limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	

<sup>(1)</sup> "The amounts to be taken into account at the end of the transition period are shown for the items subject to the transition provisions under the provisional articles of the "Regulation on Shareholders' Equity of Banks".

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****I. Explanations Related to Components of Shareholders' Equity (Continued)**

Information on addition debt instruments to shareholders' equity calculating:

None.

**Explanations on reconciliation of balance sheet items with equity items:**

The main difference between the amount of "Equity" given in the equity table and the amount of "Equities" in balance sheet arising from loans classified under stage I and stage II. The portion of the stage 1 and stage 2 provisions up to 1.25% of the amount subject to credit risk is considered as Additional Capital in the calculation of the "Equity" amount given in the equity table. Operating lease development costs, intangible assets and related deferred tax liabilities that are accounted for under Property, Plant and Equipment are considered in the calculation as "Assets Deducted from Capital" in the calculation of "Equity" amount.

**Information on applied approaches in order to evaluate internal capital adequacy within the scope of internal capital adequacy evaluation of internal capital requirement in terms of future and current activities:**

The evaluation period for internal capital adequacy in the Bank has been designed within in accordance with the principle of proportionality and is consistent with the Guidelines on ISEDES Report and Guidelines on Stress Tests To Be Used By Banks For Capital and Liquidity Planning which is published by the Banking Regulation and Supervision Agency, and with the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process (ISEDES) which entered into effect upon being published in Official Gazette No. 29057 dated 11 July 2014.

The Bank is in compliance with the said regulation and good practice guidelines in line with its small-scale structure, task environment, and requirements. In accordance with ISEDES, it is aimed for the Bank to internally determine a level of capital which covers the risks it has faced or is likely to face and to continue its operations with capital above that level. Maximum attention is paid to the ISEDES processes so that they are implemented with a long-term view and are risk focused, internalized within the Bank and that its consequences are used in the decision-making process.

Evaluations of the Bank's capital and liquidity adequacy are done from a risk-based perspective, considering the strategic plan, three-year budget projections, bank policies on capital adequacy, liquidity and funding, risk measurement outcomes for risks that the company is exposed to ISEDES and stress test reports. Within this scope, activities performed and services provided by the Bank are considered.

The Bank determines its capital level in such a way that it is above the minimum level and legal ratios required by the legal regulations of the Banking Regulation and Supervision Agency, and so that it is able to continue all its operations.

Also, scenario analyses, and particular, plenary, and reverse-stress tests are done in order to measure the effects of parameters that affect the financial power of the Bank at the capital level. In addition, via sensitivity analyses, primary and secondary structural block risks that the Bank is exposed to are determined within the scope of the proportionality principle.

The Bank takes stress tests, scenario analyses, risk appetites, the capital plan, the strategic plan and budget, the emergency and unexpected situation action plan for various risks, and other issues deemed necessary into consideration, and calculates and establishes a capital planning buffer, which is designed to prevent the capital adequacy level from becoming lower than the internal and legal minimum capital adequacy over the next three years as a result of possible negative situations and losses. The capital planning buffer is determined by considering worst case scenarios. However, the legal capital adequacy ratio determined by the BRSA as at least 12% and the ratio of the internal capital requirement calculated under the stress test are compared. The larger of these ratios is considered as the target ratio and it is evaluated whether the current capital adequacy ratio of the Bank is above the target rate.

According to the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks", the ISEDES report and the Stress Test report are prepared annually with the participation of all relevant units of the Bank and the coordination of the Risk Management Unit. These reports are approved by the Board of Management or the Bank after being examined.

The senior management of the Bank and members of the Board of Management are jointly responsible for designing ISEDES and its implementation within the Bank. All units of the Bank execute their duties, authorities, and responsibilities which are within the scope of ISEDES in accordance with their own regulations. The inspection report regarding the data, systems, and processes is prepared by the Internal Audit Unit, and the validation report regarding the models and/or methods that are used for risk measurement within the scope of the internal capital adequacy calculation is prepared by the Internal Control and Compliance Unit.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations Related to Credit Risk**

The Board of Management is responsible for Bank operations performed within the scope of credit risk management and these operations are performed in compliance with the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks" and the "Regulation on Measuring and Reviewing Capital Adequacy of Banks". When calculating capital adequacy rates, the amount which is taken as a basis for credit risk and which is calculated via a standard method is considered.

The Bank also calculates counterparty credit risk for banking accounts due to reverse-repo transactions, and these amounts are taken into consideration in the amount used as a basis for credit risk.

The debtors of the cash and non-cash loans extended by the Bank are financial sector companies.

The Bank operates as a central counterparty in the Securities Lending Market, the Futures and Options Market, Borsa İstanbul Equity Market, Borsa İstanbul Debt Securities Market and BİAŞ Swap Market and over the counter derivative market (OTC), Borsa İstanbul Money Market and the liabilities in the related markets are also non-cash loans in terms of the Bank.

Credit transactions bear credit risk. This risk can be defined as the possibility that the members and guarantors who use the credit do not fulfil the liabilities defined in agreements and that they have undertaken beforehand in written form.

The risk limits and allocations determined for daily transactions and concentrations related to off-balance sheet risks are monitored daily.

The credit worthiness of borrowers is monitored regularly in accordance with the related legislation. Independently audited financial statements of the borrowers prepared as per the regulation of Capital Markets Board are examined for the loans extended. The credit limits are amended according to the financial positions of the companies and collaterals against loans are taken in accordance with the application principles for lending operations. After the financial analysis, investigation and other examinations performed on the companies applying for loans, loan limits are proposed to the Board of Directors for approval. Loan limits become effective after approved by the Board of Directors. Limit change requests are revised on a six monthly basis unless substantive changes occur in the financial positions of customers.

The Bank has not been exposed to credit risk since the risk is minimized by receiving collaterals and determining loan limits according to the financial strength of the companies. Therefore, in the short term, there is no specific need to enter into any transaction to decrease or terminate its credit exposure.

The Bank has no liquidated non-cash loans, restructured loans or long-term commitments.

The Bank has no lending and banking transactions in foreign countries.

The Bank calculates general provisions for credit risk and receives cash and/or cash equivalent collaterals.

As of the balance sheet date;

Number of cash loan customer	8	Loans
Number of non cash loan customers	150	Loans
Amount of general provisions for credit risks	297	TL
Amount of specific provisions for credits under follow-up	-	TL

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****II. Explanations Related to Credit Risk (Continued)**

Total amount of incurred risks after offsetting transactions (before credit risk reduction), regardless of the credit risk reduction (deducting from provisions), and average amount of risks separated according to different risk classes and types for the related period:

<b>Risk Classifications</b>	<b>Current Period Risk Amount</b>	<b>Average Risk Amount</b>
Contingent and Non-Contingent Receivables from Central Governments and Central Banks	8,322,381	6,560,800
Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-
Contingent and Non-Contingent Receivables from International Organizations	-	-
Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries	23,749,529	24,207,040
Contingent and Non-Contingent Corporate Receivables	3,818,613	4,662,123
Contingent and Non-Contingent Retail Receivables	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property	-	-
Past Due Loans	-	-
Higher-Risk Receivables Defined by BRSA	-	-
Marketable Securities Collateralized Mortgages	-	-
Securitization Exposures	-	-
Short-Term Receivables from Banks and Corporate	-	-
Other Receivables	581,771	437,106



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

##### II. Explanations Related to Credit Risk (Continued)

<b>Risk Classifications</b>	<b>Prior Period Risk Amount</b>	<b>Average Risk Amount</b>
Contingent and Non-Contingent Receivables from Central Governments and Central Banks	1,656,593	1,026,388
Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-
Contingent and Non-Contingent Receivables from International Organizations	-	-
Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries	18,173,492	19,919,547
Contingent and Non-Contingent Corporate Receivables	8,907,698	8,935,796
Contingent and Non-Contingent Retail Receivables	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property	-	-
Past Due Loans	-	-
Higher-Risk Receivables Defined by BRSA	-	-
Marketable Securities Collateralized Mortgages	-	-
Securitization Exposures	-	-
Short-Term Receivables from Banks and Corporate	-	-
Other Receivables	244,473	223,980

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## II. Explanations Related to Credit Risk (Continued)

## Geographical distribution of risk amounts decomposed as part of significant risk group

	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses
<b>Current Period</b>						
Domestic	8,322,381	-	-	-	-	23,232,345
European Union Countries	-	-	-	-	-	516,302
OECD Countries <sup>(1)</sup>	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	882
Other Countries	-	-	-	-	-	-
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-
<b>Total</b>	<b>8,322,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,749,529</b>
<b>Prior Period</b>						
Domestic	1,656,593	-	-	-	-	18,079,936
European Union Countries	-	-	-	-	-	77,234
OECD Countries <sup>(1)</sup>	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	16,322
Other Countries	-	-	-	-	-	-
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(2)</sup>	-	-	-	-	-	-
<b>Total</b>	<b>1,656,593</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,173,492</b>

<sup>(1)</sup> OECD Countries excluding European countries, USA and Canada<sup>(2)</sup> Assets and liabilities that cannot be allocated on a consistent basis

Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Other Receivables	Total
3,818,613	-	-	-	-	-	-	-	-	581,771	35,955,110
-	-	-	-	-	-	-	-	-	-	516,302
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	882
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<b>3,818,613</b>	-	-	-	-	-	-	-	-	<b>581,771</b>	<b>36,472,294</b>
8,907,698	-	-	-	-	-	-	-	-	244,473	28,888,700
-	-	-	-	-	-	-	-	-	-	77,234
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	16,322
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
<b>8,907,698</b>	-	-	-	-	-	-	-	-	<b>244,473</b>	<b>28,982,256</b>

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## II. Explanations Related to Credit Risk (Continued)

## Risk profile by sector or counterparties

Current Period	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to International organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates
Agriculture	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-
Industry	-	-	-	-	-	-	-
Mining and Quarry	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-
Electricity, Gas and Water	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-
Services	-	-	-	-	-	23,749,529	3,818,613
Wholesale and Retail Trade	-	-	-	-	-	-	-
Accommodation and Dining	-	-	-	-	-	-	-
Transportation and Telecom	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	23,749,529	3,818,613
Real Estate and Rental Services	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-
Other <sup>(2)</sup>	8,322,381	-	-	-	-	-	-
<b>Total</b>	<b>8,322,381</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,749,529</b>	<b>3,818,613</b>

Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Investments similar to collective investment fund	Other receivables	TL	FC	Total
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	19,951,375	7,616,767	27,568,142
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	19,951,375	7,616,767	27,568,142
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	581,771	8,904,152	-	8,904,152
-	-	-	-	-	-	581,771	28,855,527	7,616,767	36,472,294

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## II. Explanations Related to Credit Risk (Continued)

## Analysis of maturity-bearing exposures according to remaining maturities

Exposures Classifications-Current Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 year
1 Conditional and unconditional exposures to central governments or central banks	7,840,363	443,849	38,169	-	-
2 Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
3 Conditional and unconditional receivables from administrative units and noncommercial enterprises	-	-	-	-	-
4 Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
5 Conditional and unconditional exposures to international organisations	-	-	-	-	-
6 Conditional and unconditional exposures to banks and brokerage houses	22,729,637	1,018,253	-	1,639	-
7 Conditional and unconditional exposures to corporates	2,821,260	767,764	229,589	-	-
8 Conditional and unconditional retail exposures	-	-	-	-	-
9 Conditional and unconditional exposures secured by real estate property	-	-	-	-	-
10 Past due receivables	-	-	-	-	-
11 Receivables defined in high risk category by BRSA	-	-	-	-	-
12 Exposures in the form of bonds secured by mortgages	-	-	-	-	-
13 Securitization Positions	-	-	-	-	-
14 Short term exposures and corporate exposures from banks and brokerage houses	-	-	-	-	-
15 Exposures in the form of collective investment undertakings	-	-	-	-	-
16 Other receivables	581,771	-	-	-	-
<b>Total</b>	<b>33,973,031</b>	<b>2,229,866</b>	<b>267,758</b>	<b>1,639</b>	<b>-</b>

## Information about the risk exposure categories:

The credit rating of Banks, intermediary institutions and other financial institutions are inspected via the Takasbank Internal Credit Evaluation System and credit or position limits based on the maximum nominal limits or value at risk limits, which can be assigned within the scope of banking or central counterparty actions are determined. The membership types of banks and intermediary institutions which will perform the transaction in the market, or the capital market instruments that are provided by the central counterparty service, are also determined by this system.

There are no financial assets, the maturity or contract conditions of which are revised again (31 December 2018: None).

Details on the Bank's overdue depreciated financial assets are provided in the fifth chapter, first part, and footnote Note 5 of the report.

## Exposures by risk weights:

Risk Weights	0%	10%	20%	50%	75%	100%	150%	Deductions from Equity
Exposures before credit risk mitigation	190,431	-	27,317,352	8,382,776	-	581,735	-	-
Exposures after credit risk mitigation	9,911,558	-	17,597,864	8,381,137	-	581,735	-	-

## Informations in terms of major sectors and type of counterparties:

None.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**II. Explanations Related to Credit Risk (Continued)**

**Information related to impairment and loan loss provisions**

<b>Current Period</b>	<b>Opening Balance</b>	<b>Charge for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments</b>	<b>Closing Balance</b>
Specific Provisions	1,574	-	(1,574)	-	-
General Provisions	-	-	-	-	-
<b>Prior Period</b>	<b>Opening Balance</b>	<b>Charge for Period</b>	<b>Provision Reversals</b>	<b>Other Adjustments</b>	<b>Closing Balance</b>
Specific Provisions	1,574	-	-	-	1,574
General Provisions	48,139	-	(48,139)	-	-

**III. Explanations Related to Market Risk**

The Bank's market risk management operations are conducted in compliance with the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks" and the "Regulation on Measuring and Reviewing Capital Adequacy of Banks" and within the scope of the responsibility of the Board of Directors.

In the in-balance sheet and off-balance sheet accounts, interest and currency risks that arise from the fluctuations of the positions held by the Bank in financial markets are measured. When calculating capital adequacy rates, the amount which is taken as a basis for market risk, which is calculated using the standard method shown in the table below, is taken into consideration.

**Information on market risk**

	<b>Current Period</b>	<b>Prior Period</b>
(I) Capital Requirement against General Market Risk - Standard Method	-	-
(II) Capital Requirement against Specific Risks - Standard Method	-	-
Capital requirement against Specific Risks of Securitisation Positions- Standard Method	-	-
(III) Capital Requirement against Currency Exchange Risk - Standard Method	2,524	1,275
(IV) Capital Requirement against Commodity Risks - Standard Method	-	-
(V) Capital Requirement against Exchange Risks - Standard Method	-	-
(VI) Capital Requirement against Market Risks of Options - Standard Method	-	-
(VII) Capital requirement against Counterparty Credit Risks - Standard Method	-	-
(VIII) Capital Requirement against Market Risks of Banks applying Risk Measurement Model	-	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	2,524	1,275
(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x IX)	31,550	15,938



## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## III. Explanations Related to Market Risk (Continued)

## Average Market Risk Table for the Market Risk Calculated by the End of the Month in the Period:

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest rate risk	-	-	-	-	-	-
Equity risk	-	-	-	-	-	-
Foreign exchange risk	2,158	3,208	453	1,427	2,374	763
Commodity risk	-	-	-	-	-	-
Swap risk	-	-	-	-	-	-
Option risk	-	-	-	-	-	-
Counterparty credit risk	-	-	-	-	-	-
<b>Total Value at Risk</b>	<b>2,158</b>	<b>3,208</b>	<b>453</b>	<b>1,427</b>	<b>2,374</b>	<b>763</b>

## Information on counterparty credit risk:

The Bank has no counterparty credit risk for purchase and sell accounts as of 31 December 2019 (31 December 2018: None).

## IV. Explanations Related to the Operational Risk

The Bank's market operational risk management activities are conducted in compliance with the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks" and the "Regulation on Measuring and Reviewing the Capital Adequacy of Banks" and within the scope of the responsibility of the Board of Directors. When calculating the capital adequacy rates, the amount which is taken as a basis for operational risk is calculated using the basic indicator approach method Balance subject to operational risk is calculated by considering gross income of prior three fiscal years 2019, 2018 and 2017. The amount subject to Operational Risk for the current period is TL 1,366,869 (31 December 2018: TL 993,119 TL).

- a) Operational risk amount is measured by basic indicator approach on a yearly basis.  
b) In case of basic indicator approach is used, information in below table should be used:

Current Period	31 December 2017	31 December 2018	31 December 2019	Total/Total number of years	Rate (%)	Total
Gross Income	470,222	758,583	958,185	728,997	15	109,350
Amount subject to operational risk (Total*12.5)						1,366,869
Prior Period	31 December 2016	31 December 2017	31 December 2018	Total/Total number of years	Rate (%)	Total
Gross Income	360,185	470,222	758,583	529,663	15	79,450
Amount subject to operational risk (Total*12.5)						993,119

- c) The Bank is not using standard method.  
d) The Bank is not using alternative execution in standard method.  
e) The Bank is not using advanced measurement method.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****V. Explanations Related to Currency Risk**

The Bank is subject to the reserve requirements in relation to the foreign currency guarantees received for the Stock Exchange Money Market, Derivatives Market, Debt Securities Market, Electricity Market, Precious Metals Market, BİAŞ Money Market, Share Market, collaterals obtained for cash loans and non-cash loans and foreign currency amounts deposited in the Bank's accounts as guarantee and the foreign currency amounts left in the unrestricted accounts of customers consisting of brokerage firms, banks and other financial institutions except the foreign settlement transaction commissions and foreign currency amounts kept for its own transactions in accordance with the agreements made in foreign currencies. The foreign currency amounts, kept due to the reserve requirements, are creating an excess amount of assets with regard to the ratio of assets to liabilities. However, obligations subject to required reserve have been changed with the Notification on Required Reserves No. 2013/15, and since the obligations specified in the new notification are not available in the Bank, no required reserve is established in the CBRT.

The Bank calculated a net long foreign exchange of TL 31,555 (31 December 2018: TL 15,935) for the net position between assets and liabilities in foreign currency, and recognised it in the amount basis to market risk.

Recognizing FX transactions of the Bank, the risk management policy that is also regarded in TL transactions is used and asset liability is managed so as not to be exposed to foreign exchange risk in transactions that affect FX assets and liabilities.

The Bank's foreign CBRT exchange bid rates as of the date of the financial statements and five working days prior to that date:

<b>Current Period</b>	<b>1 USD</b>	<b>1 EURO</b>	<b>1 GBP</b>	<b>100 JPY</b>
Current Exchange Rate on Balance Sheet Date	5.9402	6.6506	7.7765	5.4291
1 <sup>st</sup> Business Day's Current Exchange Rate	5.9370	6.6117	7.7375	5.4093
2 <sup>nd</sup> Business Day's Current Exchange Rate	5.9302	6.5759	7.6854	5.4000
3 <sup>rd</sup> Business Day's Current Exchange Rate	5.9293	6.5755	7.6773	5.4071
4 <sup>th</sup> Business Day's Current Exchange Rate	5.9364	6.5773	7.6664	5.4131
5 <sup>th</sup> Business Day's Current Exchange Rate	5.9291	6.5714	7.6979	5.4071
Simple arithmetic averages for last 31 days	5.8376	6.4809	7.6305	5.3335

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## V. Explanations Related to Currency Risk (Continued)

## Information on the foreign currency risk of the Bank:

Current Period	EURO	USD	Other	Total
<b>Assets</b>				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with The Central Bank of the Republic of Turkey	-	-	-	-
Banks	3,759,194	3,382,480	6,229	7,147,903
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	661	-	-	661
Loans	-	-	-	-
Investments in associates, subsidiaries and joint ventures	-	-	-	-
Financial assets measured at amortised cost	401,683	66,037	-	467,720
Hedging derivative financial assets	-	-	-	-
Tangible assets	24	-	-	24
Intangible assets	-	-	-	-
Other assets	159	300	-	459
<b>Total Assets</b>	<b>4,161,721</b>	<b>3,448,817</b>	<b>6,229</b>	<b>7,616,767</b>
<b>Liabilities</b>				
Bank deposits	-	-	-	-
Foreign currency deposits	-	-	-	-
Money market funds	-	-	-	-
Funds provided from other financial institutions	2,116,887	1,988,972	-	4,105,859
Securities issued	-	-	-	-
Funds	1,633,643	1,441,113	5,537	3,080,293
Hedging derivative financial liabilities	-	-	-	-
Other liabilities	24	-	-	24
<b>Total Liabilities</b>	<b>3,750,554</b>	<b>3,430,085</b>	<b>5,537</b>	<b>7,186,176</b>
<b>Net Balance Sheet Position</b>	<b>411,167</b>	<b>18,732</b>	<b>692</b>	<b>430,591</b>
<b>Net Off-Balance Sheet Position</b>	<b>399,036</b>	<b>-</b>	<b>-</b>	<b>399,036</b>
Financial derivative assets	-	-	-	-
Financial derivative liabilities	399,036	-	-	399,036
Non-cash loans	-	-	-	-
<b>Prior Period</b>				
Total assets	1,796,951	2,801,596	4,788	4,603,335
Total liabilities	1,793,532	2,790,080	3,788	4,587,400
<b>Net Balance Sheet Position</b>	<b>3,419</b>	<b>11,516</b>	<b>1,000</b>	<b>15,935</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**V. Explanations Related to Currency Risk (Continued)**

**Information on the foreign currency risk of the Bank (continued)**

**Exposure to currency rate risk**

The Bank is mainly exposed to currency risk in EUR, USD and other currencies. The following table shows the Bank's sensitivity to the 10% increase and decrease in the related currencies. The relevant rate indicates the possible change in the exchange rate of the Bank's management.

This analysis is based on the assumption that all other variables, especially interest rates, remain stable.

	Current Period			Prior Period		
	EURO	USD	Other	EUR	USD	Other
Change in net asset value when the TL depreciated by 10% against the related FX	41,117	1,873	70	342	1,152	100
Change in net asset value when the TL gains 10% against the related FX	(41,117)	(1,873)	(70)	(342)	(1,152)	(100)

**VI. Explanations Related to Interest Rate Risk**

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analyses. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

To evaluate its funding resources, the Bank enters into foreign currency and TL depot transactions, repurchase agreements, time and demand deposit transactions and foreign exchange transactions with the Central Bank of Turkey or other banks. The related transactions undertaken by the Fund Management Department are made with the banks having transaction limits designated by the Board of Directors under the regulations set out in "Treasury Transaction Limits".

Other than securities guaranteed or issued by the Turkish Treasury, the Bank includes Government Debt Securities and debt securities issued by public banks in its portfolio during the year 2019. In addition, derivatives are used for hedging purposes.

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## VI. Explanations Related to Interest Rate Risk (continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on reprising dates):

End of Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing <sup>(2)</sup>	Total
<b>Assets</b>							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic Turkey	-	-	-	-	-	840	840
Banks	14,605,857	494,491	-	-	-	496,919	15,618,315
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
Money market placements	29,338	-	-	-	-	-	29,338
Financial assets at fair value through other comprehensive income	-	-	-	-	-	3,082	3,082
Loans	157,290	-	-	-	-	-	157,290
Financial assets measured at amortised cost	-	154,248	539,947	-	-	-	694,195
Other assets <sup>(1)</sup>	40,483	-	-	-	-	165,622	206,105
<b>Total Assets</b>	<b>14,854,219</b>	<b>648,739</b>	<b>539,947</b>	<b>-</b>	<b>-</b>	<b>687,511</b>	<b>16,709,165</b>
<b>Liabilities</b>							
Bank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market funds	-	-	-	-	-	-	-
Miscellaneous payables	3,121,657	-	-	-	-	7,083,769	10,205,426
Marketable securities issued	-	-	-	-	-	-	-
Funds borrowed from other financial institutions	4,105,859	-	-	-	-	-	4,105,859
Other liabilities <sup>(2)</sup>	-	-	-	-	-	2,397,880	2,397,880
<b>Total Liabilities</b>	<b>7,227,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,481,649</b>	<b>16,709,165</b>
Balance sheet long position	7,605,452	648,739	539,947	-	-	-	8,794,138
Balance sheet short position	-	-	-	-	-	(8,794,138)	(8,794,138)
Off-balance sheet long position	-	-	-	-	-	-	-
Off-balance sheet short position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>7,605,452</b>	<b>648,739</b>	<b>539,947</b>	<b>-</b>	<b>-</b>	<b>(8,815,483)</b>	<b>-</b>

<sup>(1)</sup> Explanations of other assets and other liabilities are provided below.<sup>(2)</sup> Expected credit loss provisions recognized under TFRS 9 are presented in the "Non-interest bearing" column.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**
**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**
**VI. Explanations Related to Interest Rate Risk (Continued)**

End of Previous Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing <sup>(2)</sup>	Total
<b>Assets</b>							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic Turkey	78,914	-	-	-	-	123	79,037
Banks	10,257,108	532,911	-	-	-	94,819	10,884,838
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
Money market placements	645,263	-	-	-	-	-	645,263
Financial assets available-for-sale	-	-	-	-	-	3,082	3,082
Loans	14,800	-	-	-	-	(20)	14,780
Held-to-maturity investments	-	-	-	-	-	-	-
Other assets <sup>(1)</sup>	63	-	-	-	-	168,120	168,183
<b>Total Assets</b>	<b>10,996,148</b>	<b>532,911</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>266,124</b>	<b>11,795,183</b>
<b>Liabilities</b>							
Bank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market funds	-	-	-	-	-	-	-
Miscellaneous payables	1,888,084	-	-	-	-	4,609,494	6,497,578
Marketable securities issued	-	-	-	-	-	-	-
Funds borrowed from other financial institutions	3,424,978	-	-	-	-	436	3,425,414
Other liabilities <sup>(1)</sup>	-	-	-	-	-	1,872,191	1,872,191
<b>Total Liabilities</b>	<b>5,313,062</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,482,121</b>	<b>11,795,183</b>
Balance sheet long position	5,683,086	532,911	-	-	-	-	6,215,997
Balance sheet short position	-	-	-	-	-	(6,215,997)	(6,215,997)
Off-balance sheet long position	-	-	-	-	-	-	-
Off-balance sheet short position	-	-	-	-	-	-	-
<b>Net Position</b>	<b>5,683,086</b>	<b>532,911</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,215,997)</b>	<b>-</b>

<sup>(1)</sup> Explanations of other assets and other liabilities are provided below.

<sup>(2)</sup> Expected credit loss provisions recognized under TFRS 9 are presented in the "Non-interest bearing" column.

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## VI. Explanations Related to Interest Rate Risk (Continued)

Other Assets	Current Period	Prior Period
Intangible assets	103,793	102,497
Custody services commission rediscount	62,480	14,407
Tangible assets	11,267	11,847
Investment properties	8,880	9,187
Temporary accounts	7,566	11,493
Miscellaneous receivables	7,201	5,171
Subsidiaries	4,825	4,825
Stationary supplies	93	94
Deferred tax asset	-	8,662
<b>Total</b>	<b>206,105</b>	<b>168,183</b>

Other Liabilities	Current Period	Prior Period
Shareholder's equity	2,285,292	1,745,485
Provisions	61,088	76,086
Current tax liability	49,153	50,620
Lease liabilities	2,347	-
<b>Total</b>	<b>2,397,880</b>	<b>1,872,191</b>

## Average interest rates applied to monetary financial instruments (%):

Current Period End Balance	EURO	USD	TL
<b>Assets</b>			
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-
Due from other banks	0.72	2.70	11.38
Financial assets at fair value through profit and loss	-	-	-
Money market placements	-	-	9.66
Financial assets at fair value through other comprehensive income	-	-	-
Loans	-	-	10.68
Financial assets measured at amortized cost	2.20	9.33	22.12
<b>Liabilities</b>			
Bank deposits	-	-	-
Other deposits	-	-	-
Money market borrowings	-	-	-
Funds	-	-	10.50
Securities issued	-	-	-
Funds borrowed	0.01	1.67	-



**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VI. Explanations Related to Interest Rate Risk (Continued)**

**Average interest rates applied to monetary financial instruments (%): (Continued)**

Prior Period End Balance	EURO	USD	TL
<b>Assets</b>			
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	2.50	-
Due from other banks	2.99	5.51	24.28
Financial assets at fair value through profit and loss	-	-	-
Money market placements	-	-	20.40
Financial assets available-for-sale	-	-	-
Loans	-	-	24.90
Financial assets measured at amortized cost	-	-	-
<b>Liabilities</b>			
Bank deposits	-	-	-
Other deposits	-	-	-
Money market borrowings	-	-	23.27
Securities issued	-	-	-
Funds borrowed	0.12	2.40	23.40

**Interest rate risk on banking accounts:**

Type of Currency	Shock Applied (+/- x basis point)	Gains/(Losses)	Gains/Equity (Losses)/Equity
TRY	(+) 500 bp	3,506	0.20
TRY	(-) 400 bp	(2,801)	(0.16)
EUR	(+) 200 bp	955	0.05
EUR	(-) 200 bp	(955)	(0.05)
USD	(+) 200 bp	(48)	(0.00)
USD	(-) 200 bp	48	0.00
<b>Total (of negative shocks)</b>		<b>(3,708)</b>	<b>(0.21)</b>
<b>Total (of positive shocks)</b>		<b>4,413</b>	<b>0.25</b>

**VII. Equity share position risk in banking accounts**

As of 31 December 2019, the Bank has no equity share position risk arising from the equity share and banking accounts (31 December 2018: None).

**VIII. Explanations Related to Liquidity Risk**

The Bank pays attention to work under guarantees and committed to keeping most of its TL funds in liquid to meet the risks arising from transactions with Takasbank Money Market, Debt Securities Market, Futures and Options Market, Securities Lending Market, BIST Money Market, Share Market, BİAŞ Swap Market and over the counter derivative market (OTC), and other transactions.

The Bank's main liquidity management strategy is effectively handling of all Money Market Instruments and this instruments' potential risks have influence upon the Bank's balance sheet. Even in the most uncertain market conditions, the Bank maintains risk minimization through reducing risks of market instruments, diversifying instruments, matching of maturities, and obtaining optimum liquidity level. For this reason, the Bank is significantly liquid and is a fund provider in the Over-the-Counter Money Market and CB Interbank markets. Turkish Lira and foreign currency sales transactions with banks are done within the limits determined by the Board of Directors and the compliance of these transactions with limit conditions are controlled by the Internal Control and Legal Compliance Unit periodically.

The interest rates of payments, assets and liabilities are matched. Since there is no mismatch, there is no need for the measurement of the effect on profitability.

The Bank's short and long-term liquidity needs are met by internal and external resources.

Cash warrants that are received for cash flows of the Bank, amounts that are kept in its equities and members' free accounts,

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****VIII. Explanations Related to Liquidity Risk (Continued)**

BİAŞ Guarantee Fund, BİAŞ Loan and Share Market, Takasbank Money Market, Loan Share Market, Derivatives Exchange Market, Electricity Market, BİAŞ Swap Market, Borsa Istanbul Money Market, Precious Metals Market, Leveraged call-put transactions, Warrant Deputy (OPIC) are made use of in Over-the-Counter Market with other banks via overnight repo in order to manage liquidity risk.

The Bank manages its liquidity risk by having enough cash and cash equivalent resources in order to meet present and probable debt obligations, by being able to close short positions and by being able to fund loan requirements.

Liquidity position is assessed and managed considering the market-wide and Bank-specific factors. The most important scenario among these scenarios is to maintain the ratio of net liquid assets/payables to clients in limits.

According to the fourth paragraph of Article 4 of the Regulation on the Calculation of Liquidity Coverage Rate of Banks, consolidated and unconsolidated total liquidity coverage ratio cannot be lower than 100 percent and consolidated and unconsolidated total liquidity coverage ratio in foreign currency cannot be lower than 80 percent and in accordance with Provisional Article I of the Regulation, the total and foreign currency liquidity coverage rates to be applied until 1 January 2019 are governed by the Board of Directors, with the appropriate opinion of the Central Bank of the Republic of Turkey.

According to the Decree of the Banking Regulation and Supervision Board dated 24 December 2015 and numbered 6613, for development and investment banks, it has been decided to apply the total and foreign currency liquidity adequacy ratios related to the first and second maturity brackets according to the first paragraph of Article 13 of the Regulation Regarding the Measurement and Evaluation of Banking Liquidity Adequacy and to continue to report to the Authority.

According to the fifth section of Article 4 of the Regulation on the Calculation of Liquidity Cover Ratio of Banks, it was decided that the ratio of consolidated and unconsolidated total and foreign currency liquidity coverage ratios shall be zero percentage.

Ratios throughout the period are as below:

	<b>Current Period (%)</b>	<b>Prior Period (%)</b>
Period Average	207	181
Highest	238	212
Lowest	185	164

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### VIII. Explanations Related to Liquidity Risk (Continued)

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Undistri- buted <sup>(1)</sup>	Total
<b>Assets</b>								
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	840	-	-	-	-	-	-	840
Banks	517,967	14,605,857	494,491	-	-	-	-	15,618,315
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
Money market placements	-	29,338	-	-	-	-	-	29,338
Fair value with changes in other comprehensive income	3,082	-	-	-	-	-	-	3,082
Loans	-	157,290	-	-	-	-	-	157,290
Financial assets measured at amortized cost	-	-	154,248	539,947	-	-	-	694,195
Other assets <sup>(1)</sup>	-	40,483	-	-	-	-	165,622	206,105
<b>Total Assets</b>	<b>521,889</b>	<b>14,832,968</b>	<b>648,739</b>	<b>539,947</b>	<b>-</b>	<b>-</b>	<b>165,622</b>	<b>16,709,165</b>
<b>Liabilities</b>								
Bank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds borrowed	-	4,105,859	-	-	-	-	-	4,105,859
Money market borrowings	-	-	-	-	-	-	-	-
Securities issued	-	-	-	-	-	-	-	-
Funds	7,083,769	3,121,657	-	-	-	-	-	10,205,426
Other liabilities	2,347	12,909	-	48,353	-	-	2,334,271	2,397,880
<b>Total Liabilities</b>	<b>7,086,116</b>	<b>7,240,425</b>	<b>-</b>	<b>48,353</b>	<b>-</b>	<b>-</b>	<b>2,334,271</b>	<b>16,709,165</b>
<b>Current Period Liquidity (Gap)/surplus</b>								
	<b>(6,564,227)</b>	<b>7,592,543</b>	<b>648,739</b>	<b>491,594</b>	<b>-</b>	<b>-</b>	<b>(2,168,649)</b>	<b>-</b>
<b>Prior Period</b>								
Total assets	98,024	10,996,128	532,911	-	-	-	168,120	11,795,183
Total liabilities	4,609,494	5,323,170	-	55,813	-	-	1,806,706	11,795,183
<b>Liquidity Gap</b>	<b>(4,511,470)</b>	<b>5,672,958</b>	<b>532,911</b>	<b>(55,813)</b>	<b>-</b>	<b>-</b>	<b>(1,638,586)</b>	<b>-</b>

<sup>(1)</sup> Accounts that constitute the balance sheet assets such as fixed assets, participation and subsidiaries, prepaid expenses, receivables for follow up those are required to maintain banking operations and are not convertible to cash in short term period are recorded into this account.

#### Securitization positions:

The Bank does not apply securitisation as of 31 December 2019 (31 December 2018: None).

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## VIII. Explanations Related to Liquidity Risk (Continued)

## a) Information on issues that cause differences between current period and previous period leverage ratios:

The leverage ratio calculated by the Bank in accordance with the "Regulation on Measurement and Assessment of Leverage of Banks" is 5.87% (31 December 2018: 5.43%). This ratio is above the minimum ratio and the regulation stipulates the minimum leverage ratio as 3%. The increase in the off-balance sheet transactions is the main reason for the change in the leverage ratio compared to the previous period.

## b) Leverage ratio:

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
<b>Assets on the balance sheet</b>		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	16,466,473	12,333,588
(Assets deducted from core capital)	(108,997)	(107,230)
Total risk amount for assets on the balance sheet	16,357,476	12,226,358
<b>Derivative financial instruments and credit derivatives</b>		
Renewal cost of derivative financial instruments and loan derivatives	855,322	-
Potential credit risk amount of derivative financial instruments and loan derivatives	-	-
Total risk amount of derivative financial instruments and loan derivatives	855,322	-
<b>Financing transactions with securities or goods warranties</b>		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	-	-
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	-	-
<b>Off-the-balance sheet transactions</b>		
Gross nominal amount of the off-balance sheet transactions	19,301,267	17,034,042
(Adjustment amount arising from multiplying by the credit conversion rate)	-	-
Total risk amount for off-balance sheet transactions	19,301,267	17,034,042
<b>Capital and total risk</b>		
Tier 1 capital	2,143,457	1,588,083
Total risk amount	36,534,542	29,260,400
<b>Leverage ratio</b>		
Leverage ratio (%)	5.87	5.43

<sup>(1)</sup> The amounts in the table are calculated by using the quarterly average amounts.

## Credit risk mitigation techniques

The Bank does not perform in-and off-balance sheet netting. The Bank's cash credit transactions consist of loans extended to intermediary firms. Equity securities, treasury bills, government bonds, a letter of guarantee, investment fund participation certificates and cash blockage collateral may be obtained for extended cash credits.

Takasbank Money Market (TMM) transactions are regarded as non-cash loans due to the guarantorship of the Bank in TMM. In the Futures Option Market (VIOP), the Borsa Istanbul Money Market, the Borsa Istanbul Equity Market, the Borsa Istanbul Debt Securities Market and the BİAŞ Swap Market and over the counter derivative market (OTC), due to the Bank being the counterparty, transactions are considered as non-cash loans and services are provided within the scope of guarantees.

Cash (TL, USD, EUR), guarantee letter, treasury bills, government debt securities, investment bond participation certificates, shares traded on the stock market and determined by Takasbank, Euro bonds, bank bonds and bills issued by the Ministry of Treasury and Finance, lease certificates issued by Hazine Müsteşarlığı Varlık Kiralama A.Ş., gold that can be traded on stock market are considered as collateral in Takasbank Money Market (TMM).

Cash (TL, US dollar, Euro, GBP), government domestic debt securities, Euro bonds (USD/EUR) issued by the Ministry of Treasury and Finance, Hazine Müsteşarlığı Varlık Kiralama A.Ş. lease certificates issued by the company, gold standard in the stock exchange, fund participation shares attached to the Stock Umbrella Fund, Borrowing Instruments Umbrella Fund related fund participation shares, Mortgage-backed securities, mortgage-backed securities, asset-backed securities and asset-backed securities. Stocks in BIST 100 index and Borsa İstanbul A.Ş. shares are given as collateral.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**VIII. Explanations Related to Liquidity Risk (Continued)**

**b) Leverage ratio: (continued)**

**Credit risk mitigation techniques (continued)**

Cash (TL, USD, EUR, GBP), government domestic debt stock, as transaction collateral in VIOP, Euro bonds issued by the Ministry of Treasury and Finance, shares in BIST 100 index, fund participation shares affiliated to the Stock Umbrella Fund, fund participation shares of debt instruments umbrella fund, Undersecretariat of Treasury Varlık Kiralama A.Ş. Gold, mortgage-backed securities, mortgage-backed securities, asset-backed securities, and asset-backed securities are purchased.

Cash (TL, USD, EUR, GBP), government debt securities, lease certificates issued by Hazine Müsteşarlığı Varlık Kiralama A.Ş., share certificates in BIST 100 index, investment bond participation certificates, share umbrella fund shares, debt instruments umbrella fund shares, guarantee letter and gold that can be traded in stock market are considered as collateral in Borsa İstanbul Equity Market and Borsa İstanbul Debt Securities Market.

In Borsa İstanbul Stock Market and Borsa İstanbul Borrowing Instruments Market, cash TL, convertible foreign currency (USD, EUR, GBP), government domestic debt securities and Hazine Müsteşarlığı Varlık Kiralama A.Ş. Lease certificates issued by Euro bonds issued by the Ministry of Treasury and Finance, shares in BIST 100 index, Fund participation shares attached to the Stock Umbrella Fund, Borrowing Instruments Fund participation shares attached to the Umbrella Fund, Gold in the Stock Market Standard, Mortgage-backed securities, mortgage-backed securities, asset-backed securities and asset-backed securities, Borsa İstanbul A.Ş. shares are accepted as collateral.

Cash (TL, USD, EUR, GBP) as transaction collateral in OTC, government domestic debt stock, Euro bond issued by the Ministry of Treasury and Finance, Hazine Müsteşarlığı Varlık Kiralama A.Ş. Lease certificates issued by the Company, domestic debt securities issued by Germany and the USA, and mortgage-backed securities, mortgage-backed securities, asset-backed securities and asset-backed securities.

At the end of each day, Takasbank evaluates the collaterals at the prices stated below. In consequence of guarantee valuation carried out every day, in the event that the depreciation of the guarantees exceeds the limits determined by the Bank, a margin call is made to ensure that the guarantees are brought to the level of the initial guarantee.

- a) Shares are valued by taking into account the weighted average price emerging in the last session of the BİAŞ share market on the day of the valuation for day-end valuations. If no transaction has been performed in the stock exchange, the arithmetic average of the best purchase and sale orders in the last session is used. If no best purchase or best sale order exists then the weighted average price of the last session in which a transaction was performed is used.
- b) Government bonds, treasury bills and lease certificates are valued based on the theoretical price determined by using the "Takasbank yield curve" on the day of valuation. If these prices cannot be obtained, then the daily values of government debt securities determined by the CRBT are used as indicators.
- c) Cash amounts in foreign currency are valued based on the foreign exchange buying rate determined by the CRBT for the day after the valuation.
- d) Mutual funds are valued based on the price announced on the day of valuation.
- e) Euro bonds are valued based on the Bloomberg Generic Price (BGP). If this price cannot be obtained, then the Euro bonds are valued by the theoretical price to be found by Takasbank.
- f) Bank bills and bonds are valued based on the theoretical price determined by Takasbank.
- g) The lease certificates are valued based on the theoretical price determined by Takasbank on the day of valuation. If these prices cannot be obtained, lease certificates are valued based on the indicative daily values of the lease certificates determined by the CBRT.
- h) Gold is valued based on the USD/ONS price for the T + 0 value in the last session of the Borsa İstanbul Precious Metals and Precious Stones Market and the price calculated by using the CBRT foreign exchange rate. If the transaction has not taken place, gold is valued based on the weighted average price of the previous session.

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## VIII. Explanations Related to Liquidity Risk (Continued)

## Credit risk mitigation techniques (continued)

## Collaterals in terms of risk categories:

Exposure classifications	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	8,322,381	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	23,749,529	9,721,127	-	-
Conditional and unconditional corporate receivables	3,818,613	-	-	-
Conditional and unconditional retail receivables	-	-	-	-
Conditional and unconditional secured mortgage receivables	-	-	-	-
Past due receivables	-	-	-	-
Receivables in high risk category defined by BRSA	-	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	581,771	-	-	-
<b>Total</b>	<b>36,472,294</b>	<b>9,721,127</b>	-	-

## IX. Risk management objectives and policies

The purpose of the risk management system is to define, measure, track, and report the risks, through policies, implementing procedures, and limitations identified to track, control, and, when necessary, change the risk-gain structure of future cash flows of the Bank and therefore the nature and level of its activities.

The purpose of the internal capital adequacy assessment process (ISEDES) is to internally determine the capital level which is adequate to compensate for the risks that the Bank is or is likely to be exposed to and to enable the Bank to continue its operations with capital above this level.

When establishing and implementing the Risk Management System and ISEDES, the proportionality principle is considered, in accordance with BRSA legislation and good practice guidelines.

The general risk policy of the Bank is to perform its activities taking manageable, controllable, and reasonable risks, which maintain the balance between income and expenses. The Bank manages its risks in such a way that they stay above the minimum and below the maximum levels stated in the regulations published by the BRSA and below the risk appetite confirmed by the Board of Directors.

The fund management strategy of the Bank is designed to avoid any liquidity problems, to sustain optimization of the risk-income balance, and to obtain maximum benefits from resources while taking a reasonable level of risk.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****IX. Risk management objectives and policies (Continued)**

The footnotes and related explanations prepared in accordance with the Communiqué on "Public Disclosures related with Banks' Risk Management Regulations" published in Official Gazette No. 29511 on 23 October 2015 and entered into force as of 31 March 2016 are given in this section. The following tables, which should be given in six months periods in accordance with the related communiqué, have not been presented as of 31 December 2019 because the standard approach is used in the calculation of Bank's capital adequacy and there are no credit derivatives and securitization position.

- The Change Table of Risk Weighted Assets (RWA) under the Internal Grading Based (IGB) approach
- RWA changes for Counterparty Credit Risk under the Internal Capital Method
- The market risk RWA change table, according to the internal model approach
- Quantitative information to be made public for banks using internal model approach
- Internal model approach for trading account
- Comparison of VaR estimates with profit/loss
- IRB - Credit risk exposures by portfolio and PD range
- IRB (specialized lending and equities under the simple risk weight method)
- IRB (specialized lending and equities under the simple risk weight method)
- IRB - Retrospective test of default probabilities in each risk class
- Change table of RWA under IRB approach
- CVA capital charge
- IRB - CCR exposures by portfolio and PD scale
- Credit Derivatives
- Exposures to central counterparties
- Securitization exposures in the banking book
- Securitization exposures in the trading book
- Securitization exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor
- Securitization exposures in the banking book and associated capital requirements - bank acting as investor

**1. Risk management approach and risk weighted amounts****1.1 Bank's risk management approach**

**a) How the business model determines and interacts with the overall risk profile (e.g. the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board:**

The Bank's activities basically consist of settlement, custody, collateral management, banking, central counterparty services (CCP), treasury operations and other transactions executed at the markets operated by the Bank. The risks exposed due to these activities are credit risk, market risk, operational risk, liquidity risk and interest rate risk in the banking book. Risks arising from information technologies and business continuity are evaluated in the operational risk framework. Capital is also allocated by the Bank to the covered risks under central counterparty general business risk with respect to CCP.

With respect to information technologies risks, development of indicators such as business disruptions, compliance to service level agreements of support service providers etc. are monitored by Risk Management Department and reported to Executive Management. However, actions suggested for risks that are aligned with or above the operational risk appetite, and their key risk indicators are monitored by Internal Control and Compliance Department, and reported to Executive Management by the Risk Management Department.

Specific significance is attributed to business continuity risks as a possible disruption in services provided by the Bank align with its structure and operations, may be to the extent of affecting entire capital markets. Effectiveness and its compliance with international standards of the Bank's business continuity management system and information security management system operations have been registered within this scope ISO 22301- Business Continuity Management System Certificate and ISO 27001- Information Security Management System Certificate were received by the Bank. In determining the risk profile, the risk factors and relationship between them that the Bank may be sensitive due to its structure and operations, are taken into account. Risk appetites have been set by the Bank Board of Directors for the entire risk exposure, and risk limits and signal values have been established based on general and critical risk types to control the current risk profile, which is in turn to prevent exceeding overall risk appetite and risk appetites based on risk types determined by the Board of Directors. The development of the risk limits and signal values are monitored regularly by the Risk Management Department and reported to Executive Management.



**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****IX. Risk management objectives and policies (Continued)****1. Risk management approach and risk weighted amounts (Continued)****1.1 Bank's risk management approach (Continued)****a) How the business model determines and interacts with the overall risk profile (e.g. the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board: (continued)**

The Bank's risk appetite is reviewed according to results of internal capital adequacy assessment process (ICAAP) at least once a year, risk limits and signal values determined in terms of general and risk types are reviewed according to the changes in market conditions and Bank's strategies. The review process is conducted to determine if the limits are significant and sufficient with respect to risks and the Bank's risk appetite. The primary responsibility for the review of limits, and overseeing that the risks assumed by the Bank are within the risk limits and monitored by the Executive Management lies with the Board of Directors.

Signal value overflows are reported via e-mail by the Risk Management Department to the Audit Committee, Senior Management and unit managers who perform the respective process at the management of the business line. If the overflows occur in the allocated risk appetites and risk limits, written information is provided to the Audit Committee by the Risk Management Department to notify the Senior Management and Board of Directors ensuring that the necessary measures to be taken.

In the markets, where the Bank provides CCP service, there are trade limits allocated to members in order to limit risks of the members against the Bank. The maximum risk limits are determined using the shareholder's equity and/or ratings issued by the internal rating and assessment system of the Bank. Risk limits can be set over nominal open position amounts or another indicator (e.g. value at risk) that measures member risks, such as initial margin. Along with this, there are also liquidity risk, credit risk and concentration risk limits based on markets, where CCP service is provided.

Credit risk exposure of the Bank by the reason of the CCP service is monitored by comparing existing (deposited) margin with the required margin. Concentration risk is monitored to based on the ratio of required margin level for each member to total margin requirement in the respective market, and the limit is monitored on daily basis by the Central Counterparty Department of the Bank. However, if in any market the ratio of the risks belonging to members outside the top 3, to total risk doesn't exceed a certain rate (if the market does not have enough depth) and/or, if there are members that use less than a certain ratio of the allocated limit in the respective market, the limit cannot be applied.

If concentration limits are exceeded by any member, the member may be prevented from taking an additional position, the member may be demanded for additional trade margin, and its trade limits may be reduced until the end of a period to be set with the approval of the General Manager of the Bank and if required with the decision of Board of Directors.

It is essential that the ratio of the sum of liquid trade margins of the top 2 members with highest risk at each market, where the Bank is CCP, liquid assets in the respective market's guarantee fund and the highly liquid assets that the Bank allocates and commits from its own capital, to the risk amount of these members is not below a certain limit.

**b) The risk governance structure: responsibilities attributed throughout the bank (e.g. oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit etc.); relationships between the structures involved in risk management processes (e.g. board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function):**

Duties, authorities and responsibilities within the scope of risk management system are performed by Executive Management in accordance with the legislation and by all the units of the Bank as part of the framework of communiqués, procedures and directives. It is mandatory to ensure that risk management policy and implementing procedures adapt to the changing conditions. The Board of Directors assesses regularly the sufficiency of such policy and implementing procedures and makes the necessary changes. Bank Senior Management is jointly and Board Members are severally responsible for the design and its application within the Bank of ICAAP. ICAAP Report and Stress Test Report are prepared in coordination with Risk Management Department with the participation of all respective units, and the results of the reports are used in the Bank's decision-making processes.



**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IX. Risk management objectives and policies (Continued)**

**1. Risk management approach and risk weighted amounts (Continued)**

**1.1 Bank's risk management approach (Continued)**

**b) The risk governance structure: responsibilities attributed throughout the bank (e.g. oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit etc.); relationships between the structures involved in risk management processes (e.g. board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function): (continued)**

Three line of defence approach that comprising of business line management, central risk management function and independent review, is employed in risk management. Accordingly;

- Under the management of the business line, risks arising from product and services provided by each unit of the Bank, employed process, human resource and systems are determined, process and sub-process based risks and controls are defined, and Senior Management is informed ensuring that appropriate actions are taken.
- Central risk management function is facilitated by establishing risk and control systems within the Bank, segregation of duties and responsibilities and review of process and functions by Risk Management Department, Internal Control and Compliance Department besides operational units performing such functions. Internal Control and Compliance Department perform activities involving controlling that the banking and capital markets activities offered by the Bank are compliant with respective legal regulations, internal regulations and if necessary international practices in an effective and adequate manner at first line, as "secondary phase protection" element. Such activities and their control periods are determined annually in Internal Control List. Furthermore, Internal Control and Compliance Department and Internal Audit Department conduct tasks related to the Management Statement.
- Independent review process involves assessment of risk management and internal control framework from all aspects. Internal Audit Department provides extensive assurance for Board of Directors and Senior Management, as an element capable of acting in an independent and impartial manner within the organization. During audit activities, first of all, compliance of Bank activities with the regulation, internal strategies, policies, principles and targets are analysed. In addition, reports are submitted to Board of Directors and Senior Management on whether first and second line of defence have reached risk management and risk control targets or not, and on effectiveness and efficiency of risk management and designed controls. Elements such as effectiveness and efficiency of Bank operations, protection of assets, reliability and soundness of reporting processes, risk management and internal control framework, operation units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management.

The assumed risks due to CCP activities are managed within a comprehensive risk management framework. The framework of this risk management has been determined within the scope of Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation. The respective regulation regulates a detailed risk management framework such as membership types and trade limits, margining and guarantee fund, stress tests, risk management practices, model security and back tests, the position of internal system units activities in CCP risk management framework, risk mitigation methods and crisis management tools. Such activities are performed by the Central Counterparty Department within the Bank's organization structure.

The Bank has established a CCP Risk Advisory Committee designated to submit opinion to Board of Directors on CCP regulations and management of CCP risks and relevant matters. The Committee consists of CCP member representatives, representatives CCP members' legal entity clients and independent members of Takasbank Board of Directors and chaired by one of the independent member of Board of Directors. At Risk Advisory Committee, matters that may affect CCP's risk management such as change in risk models used in CCP risk management, default procedures, membership admission criteria, settlement of new type of capital market instruments or usage of insurance or external resource use in the transactions are discussed.

The Bank allocates capital for covered risk exposed due to CCP services in order to prevent systemic risk and also determines the committed capital from the remaining capital. In stress tests conducted as part of CCP application, it is assessed whether the available margins, guarantee funds and resources consisting of allocated and committed capital at markets where the Bank is CCP are large enough to meet the fund requirements of default of 2 members with the highest risk under extreme market conditions. At the same time, models used to calculate initial margin at CCP markets and confidence levels are analysed by the Bank via back tests. Stress test and back test results and recommended measures if exist, are reported on quarterly basis through internal system units to the Board of Directors and to the Capital Markets Board by the CCP Department.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****IX. Risk management objectives and policies (Continued)****1. Risk management approach and risk weighted amounts (Continued)****1.1 Bank's risk management approach (Continued)**

**c) Channels to communicate, decline and enforce the risk culture within the bank (e.g. code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions):**

At least, in order for creating a Bank-wise risk culture through the framework of operational risk management established by the Bank in accordance with Takasbank Operational Risk Management Procedure; Risk Management Department consult on management of risk exposure by the through mutual negotiations with all the risk and control officer or process owners at workshop studies, training documents are sent to the Bank personnel and if required training is provided and operational risk policy and procedures are announced to the relevant Bank staff.

The Bank's risk and control self-assessment process involves assessment of the impacts, possibilities and controls of risks that Bank processes are exposed to, and appropriate actions for risks aligned with or above the Bank's operational risk appetite.

During self-assessment studies, in coordination with Risk Management Department and Internal Control and Compliance Department, sub-processes risks and controls established against these risks are reviewed and updated by holding mutual negotiations with all units. Risks belonging to all units are also screened by Internal Audit Department and Internal Control and Compliance Department for the usage of audit and control activities.

Procedures and principles have been regulated regarding promptly and adequately execution of activities that shall be carried out pursuant to The Bank, Organization and Duties Instruction, Banking Law, Capital Markets Law and provisions of other relevant legislations, determination of the organizational structure and role and realm of authority of the units and facilitation of coordination among units.

At least, in order for creating a Bank-wise risk culture through the framework of operational risk management established by the Bank in accordance with Takasbank Operational Risk Management Procedure; Risk Management Department consult on management of risk exposure by the through mutual negotiations with all the risk and control officer or process owners at workshop studies, training documents are sent to the Bank personnel and if required training is provided and operational risk policy and procedures are announced to the relevant Bank staff.

Pursuant to Takasbank Risk Management Communiqué, signal value overflows are reported to the Audit Committee Senior Management and unit managers whose performing the respective process at the business line management via e-mail by the Risk Management Department. In addition to this, if an overflows occur in the allocated risk appetites and risk limits, written information is provided to the Audit Committee by the Risk Management Department to notify the Senior Management and Board of Directors ensuring that the necessary measures are taken. Also Banking Ethical Principles that was published by the BRSA has been adopted by the Bank's personnel and the Takasbank Code of Ethics Instruction has been approved by the Board of Directors.

In the Asset Liability Committee meeting held with the participation of Senior Management, relevant unit managers and Risk Management Department Manager on monthly basis, a consultation is held on the Bank's entire operations and it is ensured that necessary action is taken.

Details of ICAAP process established at the Bank and stress test procedure and principles are provided in the Takasbank ICAAP Instruction and Takasbank Stress Test Program Policy and Implementation Procedures respectively.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IX. Risk management objectives and policies (Continued)**

**1. Risk management approach and risk weighted amounts (Continued)**

**1.1 Bank's risk management approach (Continued)**

**d) The scope and main features of risk measurement systems:**

Systems, which may be applied in a reliable and integrate with the operations, have been built to measure quantifiable risk exposure of the Bank and assess non-quantifiable risks, procedures and principles are provided in the communiqué and procedures which are endorsed by the Board of Directors.

Board of Directors and Senior Management evaluate assumptions underlying the used models and their limitations, data sources used to measure risks and adequacy and suitability of implementation procedures. Accuracy and reliability of risk measurement methodologies, methods or models are determined by using actual results via back tests. To reflect the changing market conditions, methodologies, methods and models used in risk measurement are updated periodically.

In all risk analysis and assessments as part of principle of proportionality first and second pillar risks are taken into account. Credit risk (counterparty credit risk is included), market risk and operational risk which are part of the first pillar risk measured and reported periodically according to standardised approach, standard method and basic indicator approach respectively and reported pursuant to Communiqué on Measurement and Assessment of Banks' Capital Adequacy and its sub-regulations. Also, credit risk that the Bank is exposed to due to guarantees provided under CCP activities and the transactions causing this risk, are measured under legal credit risk capital requirement. Second pillar risks are assessed within the scope of ICAAP.

Value at market risk and internal market risk capital requirement are calculated on daily basis by using internal method which is determined in the Communiqué on Measurement and Assessment of Banks' Capital Adequacy and its sub-regulations, and the loss amount that the portfolio may be exposed to is reported to Senior Management via stress tests and scenario analysis.

Legal risk, reputational risk, strategic risk, business continuity risk, information technologies risk and risks arising from critical stakeholders and subsidiaries, which may affect the Bank's operations and reputation, are considered as operational risk. As part of operational risk, all quantifiable and non-quantifiable risks are addressed in the Operational Risk Database, and losses, which are quantifiable, and reflected to booking records as expenses are addressed in the Operational Risk Loss Database.

Risk assessment is conducted in coordination with Risk Management Department with all the respective units by the Bank in the considering of the entire risk exposure before new product and services are offered. In addition to this, also Risk Analysis Report and Technical Adequacy Report are prepared in accordance with the Communiqué Regarding Banks Receiving Support Service and Takasbank Support Service Purchasing Procedure before support service purchasing contract is signed by the Bank or service contract with the support service provider is renewed and then are submitted for Board of Directors approval annexed to the Audit Committee Assessment Report.

**e) Explanations about the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure:**

The Banks establishes extensive reporting systems and prepares reports to be used in the management of risk exposure, processes involving determination of strategies and decision-making. The reports prepared should at the least include information such as;

- Risk analysis results and development,
- Results of stress tests and scenario analysis are intended to respective risk type and the whole of the Bank,
- Whether there was an overflows of risk limits and signal values,
- Assumptions underlying risk assessment process, parameters and constraints regarding the used models and any changes in these,
- Risk mitigation techniques and risk transfer strategies

The Bank ensures that measurement, assessment, monitoring, stress test and scenario analysis studies aligned with operational structure and complexity are carried out with respect to risk management and the respective results are reported regularly. It is ensured that the reports are submitted at regular intervals to the Board of Directors and via Senior Management to the units responsible for occurrence and monitoring of risk.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****IX. Risk management objectives and policies (Continued)****1. Risk management approach and risk weighted amounts (Continued)****1.1 Bank's risk management approach (Continued)****f) Qualitative information on stress testing (e.g. portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management):**

A stress test program has been built by the Bank to measure that the risks and fragilities may arise from adverse development pertain to the Bank or come to light in economic and financial environment under stress, the procedures and principles related to the process have been provided in the Takasbank Stress Test Program Policy and Implementation Procedures. Stress tests are designed in coherence with the Bank's risk appetite and strategy and with a forward-looking perspective and include risk mitigating management actions.

Risk concentrations existing in different areas are revealed upon application of partial stress test for certain portfolio and/or critical risk types affecting the bank. Holistic stress tests targeting the entire Bank, employed in capital and liquidity planning, are carried out with the participation of all the relevant units of the Bank and in coordination with Risk Management Department in the context of ICAAP at least once a year, and sent to BRSA following Board of Directors approval with ICAAP report. The Bank takes into account stress tests that carried out under ICAAP, scenario analysis and their results in creating budget, strategic plan, fund management strategy and policies. In the stress tests apply fundamentally scenarios such as the increase in interest rates and downgrade of sovereign rating are tackled.

In the stress tests conducted under CCP application, it is evaluated whether the resources consisting of margins available in case of default for the Bank's use at CCP markets, guarantee fund and portions of allocated and committed capital are large enough to meet the fund requirement that shall arise in case of default of 2 members with the highest risks under extreme market conditions. In addition to this, the models used in calculation of initial margin at CCP markets, and sufficiency of confidence levels are analysed by the Bank with back tests. Stress test and back test results and if exist, recommended measures are reported on quarterly basis through internal system units to the Board of Directors and by the CCP department to the Capital Markets Board.

**g) The strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants:**

Bank operations basically consist of settlement, custody, collateral management, banking, central counterparty services and treasury operations and other transactions executed at the markets operated by the Bank. The risk exposure due to these operations are credit risk, market risk, operational risk, liquidity risk and interest rate risk in the banking book. Information technologies risks and business continuity risks are considered as operational risk. Capital is also allocated by the Bank to covered risks under central counterparty general business risk with respect to CCP.

The Bank manages its risks ensuring that they remain over/under the minimum/maximum limits in all the governing legal regulations and below the risk appetites endorsed by the Board of Directors based on overall risk and risk types. The Bank has determined signal values under risk limits based on overall risk and risk type, and early warning systems in the name of controlling current risk profile to avoid overflows of overall risk appetite and risk appetites based on risk types endorsed by the Board of Directors and such values are monitored regularly by the Risk Management Department.

Within the scope of Takasbank Restructuring Plan endorsed by the Bank's Board of Directors, required actions are taken by Executive Management to reduce the risk levels that the Bank is exposed to, aforesaid plan is reviewed at least once a year in coordination with Risk Management Department with participation of all related units of the Bank.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IX. Risk Management Objectives and Policies (Continued)**

**1. Risk management approach and risk weighted amounts (continued)**

**1.1. Bank's risk management approach (continued)**

**g) The strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants (continued):**

In reducing credit risk level, the Bank may take into account besides risk mitigant effect of collaterals, risk mitigation techniques such as insurance or derivative products for hedging risks. In addition to this, while using margins, guarantee fund contribution shares, and Takasbank resources that may be resorted to in the default event of CCP members pursuant to Article 36 of Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation, the following priority order should be followed:

- Collaterals in the accounts of the defaulted CCP member itself or in the customer accounts under itself where a deficit of collateral occurs,
- The deposited guarantee fund contribution share of the defaulted CCP member,
- Compensations to be made from insurance policies, if any,
- Allocated capital of Takasbank for covered risks,
- Deposited guarantee fund contributions of the other CCP members,
- Additional guarantee fund contributions which may be requested from the CCP members,
- Commitment made from the remaining capital of Takasbank.

In article 46 and 73 of 6362 no Capital Markets Law, it is legislated that clearing and custody agencies may request collateral from investment institutions and investors under investment services and activities, assets in guarantee fund, established with collaterals kept with clearing agencies to overcome clearing risks, cannot be seized or pledged even for public claims, cannot be included into bankruptcy estate and precautionary measure cannot be exercised over them. This situation legally leaves collaterals provided to the Bank by the members out of bankruptcy and acts as a credit mitigant on the credit risk that the Bank may be exposed to.

The Bank's fund management strategy has been created to avoid any liquidity problem, ensure optimization of risk-return balance, invest resources at the utmost efficiency rates by taking reasonable level of risk and in line with this strategy treasury operations are executed with banks to whom limit has been allocated by the Board of Directors. Only Government Debt Securities are issued by the Ministry of Treasury and Finance of Turkey may be purchased for the Bank's securities portfolio. In addition to this derivate instruments may also be used for hedging purposes.

Actions suggested for risks aligned with or above operational risk appetite and key risk indicators are monitored by Internal Control and Compliance Department and reported by Risk Management Department to Executive Management. Moreover, operational risk losses, process and sub-process risks are monitored periodically. The operational risks that the Bank is/may be exposed to covered to a large extent by purchasing insurance policies.

It is assessed by the Senior Management whether risks shall be accepted or not for risks aligned with or above the Bank's operational risk appetite, for uncontrollable risks and risks that cannot be mitigated, and whether the level of activity in such line of business shall be reduced or not or entirely terminated or not and submitted to the approval of Board of Directors.

Distribution of the Bank's asset and liability items are based on certain currencies and maturity/repricing period, liquidity deficit/surplus, resources that may be generated during possible liquidity crisis situations and free shareholders' equity level are monitored regularly.

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## IX. Risk Management Objectives and Policies (Continued)

## 1. Risk management approach and risk weighted amounts (continued)

## 1.2 Overview of Risk Weighted Amounts

	Risk Weighted Amounts		Minimum Capital
	Current Period	Prior Period	Current Period
Credit risk (excluding counterparty credit risk)	8,269,870	7,669,555	661,590
Standardised approach	8,269,870	7,669,555	661,590
Internal rating-based approach			
Counterparty credit risk	22,006	5	1,760
Standardised approach for counterparty credit risk	22,006	5	1,760
Internal model method			
Basic risk weight approach to internal models equity position in the banking account	-	-	-
Investments made in collective investment companies-look through approach	-	-	-
Investments made in collective investment companies-mandate-based approach	-	-	-
Investments made in collective investment companies-1250% weighted risk approach	-	-	-
Settlement risk	-	-	-
Securitization exposures in banking book	-	-	-
IRB ratings-based approach	-	-	-
IRB supervisory formula approach	-	-	-
SA/simplified supervisory formula approach	-	-	-
Market risk	31,550	15,938	2,524
Standardised approach	31,550	15,938	2,524
Internal model approaches	-	-	-
Operational risk	993,119	697,363	79,450
Basic Indicator approach	993,119	697,363	79,450
Standard approach	-	-	-
Advanced measurement approach	-	-	-
The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
Floor adjustments	-	-	-
<b>Total</b>	<b>9,316,545</b>	<b>8,382,861</b>	<b>745,324</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### IX. Risk Management Objectives and Policies (Continued)

##### 2. Linkages between financial statements and regulatory exposures

##### 2.1 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Carrying values of items in accordance with TAS				
	Carrying values under scope of regulatory consolidation	Subject of credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>					
Cash and balances at central bank	840	840	-	-	-
Banks	15,618,315	15,639,364	-	7,147,903	-
Receivables from money markets	29,338	-	29,338	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-
Financial assets at fair value through other comprehensive income	3,082	3,082	-	661	-
Financial assets at fair value thorough amortized cost	694,289	694,289	-	467,720	-
Derivative financial assets	-	-	-	-	-
Loans (net)	157,290	157,493	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	4,825	-	-	-	4,825
Investments in joint ventures (net)	-	-	-	-	-
Leasing receivables	-	-	-	-	-
Derivative financial assets held for hedges	40,015	-	40,015	-	-
Tangible assets (net)	11,267	11,214	-	24	53
Intangible assets (net)	103,793	-	-	-	103,793
Investment properties (net)	8,880	8,880	-	-	-
Tax assets	-	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	-	-	-	-	-
Other assets	37,325	37,325	-	459	-
<b>Total assets</b>	<b>16,709,165</b>	<b>16,552,487</b>	<b>69,353</b>	<b>7,616,767</b>	<b>108,671</b>
<b>Liabilities</b>					
Deposits	-	-	-	-	-
Loans	4,105,859	-	-	4,105,859	-
Debt to money markets	-	-	-	-	-
Debt securities in issue	-	-	-	-	-
Funds	10,205,426	-	-	3,080,293	-
Derivative financial liabilities	-	-	-	-	-
Factoring debts	-	-	-	-	-
Other liabilities	-	-	-	-	-
Debts from leasing transactions	2,347	-	-	24	-
Provisions	61,088	-	-	-	-
Tax liability	49,153	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated loans	-	-	-	-	-
Equity	2,285,292	-	-	-	273
<b>Total liabilities</b>	<b>16,709,165</b>	<b>-</b>	<b>-</b>	<b>7,186,176</b>	<b>273</b>

Banks subject to credit risk are included in the market risk column as the foreign currency denominated in financial assets and other assets items whose fair value differences are reflected in other comprehensive income are exposed to foreign exchange risk.



## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## IX. Risk Management Objectives and Policies (Continued)

## 2. Linkages between financial statements and regulatory exposures (continued)

## 2.2 Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Asset carrying value amount under scope of regulatory consolidation	Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	-
<b>Total net amount under regulatory scope of consolidation</b>	-	-	-	-
Off-balance sheet amounts	-	-	-	-
Differences in valuations	-	19,733,482	-	-
Differences due to different netting rules (except placed row 2)	-	-	-	-
Differences due to consideration of provisions	-	-	-	-
Differences due to prudential filters	-	-	-	-
<b>Exposure amounts considered for regulatory purposes</b>	-	-	-	-
<b>Asset carrying value amount under scope of regulatory consolidation</b>	-	<b>36,472,294</b>	<b>73,343</b>	<b>31,550</b>

## 2.2 Explanations of differences between accounting and Regulatory exposure amounts in accordance with TAS:

- a) Banks explain the origins of any significant differences between the amounts in columns a and b on B1.  
There are no significant differences. As there is no difference according to the explanation of the regulation, the table has been filled by merging with the respective column.
- b) Banks explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in B2.
- c) In accordance with the implementation of the guidance on prudent valuation (Regulation on Measurement and Evaluation of Capital Adequacy of Banks Annex 3) banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable. Disclosure must include: -Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used. - Description of the independent price verification process. -Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument).



**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IX. Risk Management Objectives and Policies (Continued)**

**3. Credit Risk Disclosure**

**3.1 General information about credit risk**

**3.1.1 General qualitative information about credit risk**

**a) How the business model translates into the components of the bank's credit risk profile:**

Loan transactions bear the possibility of borrower member or guarantors' inability to perform their obligations that they have committed and undertaken in writing and as per the agreements, meaning credit risk.

The Bank's cash loan transactions consist of loans offered to brokerage houses. Additionally, cash loans may also be offered to members, who are unable to perform their cash obligation at Turkey Electronic Fund Trading Platform on effective date, meaning defaulted members. As the Bank acts as a guarantor in the mutual obligations of members at Takasbank Money Market, these transactions are considered as non-cash loan according to banking regulation. The Bank acts as CCP at Security Lending Market, Futures and Options Market and Borsa Istanbul Money Market, Borsa Istanbul Debt Securities and Borsa Istanbul Debt Securities Market and BiAŞ Swap Market and over the counter derivative market (OTC), obligations in these markets are also of noncash loans.

In addition to this, the Bank may also be exposed to credit risk due to treasury transactions executed as part of fund management operations and transactions executed under the Bank's collateral management functions.

**b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits:**

Credit risk appetite has been determined by the Bank's Board of Directors taking into account concentration in cash and noncash loan transactions of the Bank that are subject to credit risk. The Bank's credit risk appetite is reviewed at least once a year. In addition to this, to control risk in question, limit and signal values have been set by the Board of Directors to avoid overflow of credit risk appetite and these limits are monitored on daily basis by Risk Management Department.

Audit Committee, Senior Management and unit managers performing the respective process at the management of the business lines are notified by the Risk Management Department via email when the signal value is reached. If the allocated credit risk limits and credit risk appetite is exceeded, written information is provided to the Audit Committee by the Risk Management Department to notify Senior Management and Board of Directors ensuring that required measures are taken.

Credit risk limits and signal values are reviewed according to market conditions and changes in the Bank's strategies, and the review process is handled to determine if limits are significant and sufficient against risks and the Bank's credit risk appetite. The supervisory responsibility regarding reviewing of credit risk limits and overseeing that risks assumed by the Bank are within risk limits and for monitoring by the Executive Management belongs to the Board of Directors.

The Bank has trade limits that allocated to members at markets, where the Bank acts as CCP, to limit members' risks against the Bank. In determining maximum risk limits are used with shareholders' equity and/or ratings issued by the Bank's internal rating and assessment system are used. Risk limits may be set over nominal open position amounts or another indicator such as initial margin that measures member risks (for instance value at risk). In addition, there is also concentration risk limit determined based on CCP markets and in this regard the ratio of required margin for each member to the total requirement at the market is monitored on daily basis by CCP Department.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****IX. Risk Management Objectives and Policies (Continued)****3. Credit Risk Disclosure (Continued)****3.1 General information about credit risk (continued)****3.1.1 General qualitative information about credit risk (continued)****c) Structure and organisation of the credit risk management and control function:**

In credit risk management three line of defence consisting of business line management, central risk management function and independent review, is used. Accordingly;

- Under the management of the business line, process and sub-process based risks and controls are defined by Derivatives Clearing and Settlement Team, Debt Securities Clearing and Settlement Team, Treasury and Credits Departments, Markets Department and Central Counterparty Department, and Senior Management is informed ensuring that appropriate actions are taken.
- Central risk management function is facilitated by establishing credit risk and control systems within the Bank, segregation of duties and responsibilities and review of process and functions by Risk Management Department, Internal Control and Compliance Department besides operational units performing such functions. Internal Control and Compliance Department perform activities involving controlling that the banking and capital markets activities offered by the Bank are compliant with respective legal regulations, internal regulations and where necessary compliant with international practices in an effective and adequate manner at first line, as "secondary phase protection" element. Such activities and their control periods are determined annually in Internal Control List. Furthermore, Internal Control and Compliance Department and
- Independent review process involves assessment of risk management and internal control framework from all aspects. Internal Audit Department provides extensive assurance for Board of Directors and Senior Management, as an element capable of acting in an independent and impartial manner within the organization. During audit activities, first of all, compliance of Bank activities with the regulation, internal strategies, policies, principles and targets are analysed. In addition, reports are submitted to Board of Directors and Senior Management on whether first and second line of defence have reached credit risk management and risk control targets or not, and on effectiveness and efficiency of credit risk management and designed controls. Elements such as effectiveness and efficiency of Bank operations, protection of assets, reliability and soundness of reporting processes, credit risk management and internal control framework, operation units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management.

Roles, authorities and responsibilities as part of credit risk management are performed by the Executive Management in line with the governing regulation, and by all of the Bank's units subject to their own communiqué, procedure and directives.

In cases where credit risk limit and signal values are overflowed, and members fail to perform their obligations at markets, where CCP service is provided by the Bank, required actions are put into effect by Executive Management in accordance with Takasbank Restructuring Plan. In particular for CCP activities, liquidity risk is related to credit risk and in this regard in terms of cashing in margins liquidity risk is evaluated specifically and at the same time restructuring tools include actions against liquidity crunch that the Bank may face due to the CCP service it provides. These action are chosen as to minimize financial risk that the Bank faces, and at the same time to have minimal negative impact on the market, and systemic risk is evaluated in terms of providing assurance to the market, and its impacts on member/clients.

An authorized CCP Risk Advisory Committee has been established by the Bank to provide advice to the Board of Directors on CCP risks management related issues, in such committee matters, which may affect CCP's risk management such as changes in risk models used in CCP risk management, default procedures, member admission criteria, settlement of new type of capital market instrument or use of insurance or external resources in transactions, are discussed.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IX. Risk Management Objectives and Policies (Continued)**

**3. Credit Risk Disclosure (Continued)**

**3.1 General information about credit risk (continued)**

**3.1.1 General qualitative information about credit risk (continued)**

**d) Relationships between the credit risk management, risk control, compliance and internal audit functions:**

Credit risk related to operations are maintained by business lines with a perspective focused on risk. At the first line of defence; credit risk is managed through the existence of an effective and strong collateral mechanism and allocation of appropriate limits. In determining credit or position limits to be allocated to financial institutions and membership types of members, who shall execute trades at CCP markets or CCP- enabled capital market instruments, ratings resulting from internal credit rating and assessment system study and representing credit worthiness of the financial institutions and their strength to serve their existing or future commitments to the Bank, are used after such limits entry into force following Board of Directors approval.

Credit worthiness of the members is monitored by the Bank at regular intervals, and credit limits are updated according to the changes in the members' financial structures. Continuous and transaction basis execution of limits, risk and collateral controls in electronic environment for minimizing operational errors.

Liquid and/or almost liquid collaterals are obtained during credit allocation in accordance with communiqué, procedures, and directives were prepared by Derivatives Clearing and Settlement Team, Share and Debt Securities Clearing and Settlement Department, Credits Department, Markets Department and Central Counterparty Department. The collaterals are valued at the end of each day, and valuation coefficient are used in the calculation of non-cash collateral values to avoid any impairment and liquidity problem while cashing in collaterals whenever required.

In article 46 and 73 of 6362 no Capital Markets Law, it is legislated that clearing and custody agencies may request collateral from investment institutions and investors under investment services and activities, assets in guarantee fund, established with collaterals kept with clearing agencies to overcome clearing risks, cannot be seized or pledged even for public claims, cannot be included into bankruptcy estate and precautionary measure cannot be exercised over them. In this regard, collaterals entrusted to Takasbank are taken under legal protection and this situation creates a risk mitigating effect for the Bank's credit risk exposure.

In all CCP markets ensure that members perform their obligations promptly and in full to Takasbank, it is essential that risks are measured in an effective manner and monitored. In this regard;

- Initial margin level is calculated at regular intervals to include the recently experiences financial volatilities and monitored continuously in considering of market conditions and revised when required.
- Guarantee fund size is created used confidence levels, which describe very strong financial volatilities but of low possibility.
- Trade margin sufficiency should be followed to the extent of intraday price movement and position changes.
- Trade margins, guarantee fund contributions shares, sufficiency of resources allocated and committed from the Bank capital to CCP risks are followed at regular intervals via stress tests.
- Financial strength of members is monitored continuously and their trades are limited via established limits in light of financial strength.

The Bank, Incorporation Central Counterparty Regulation regulates a detailed risk management framework such as membership types and trade limits, margining and guarantee fund, stress tests, risk management applications, model security and back test, position of internal system units activities within CCP risk management framework, risk mitigation methods and crisis management tools.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****IX. Risk Management Objectives and Policies (Continued)****3. Credit Risk Disclosure (Continued)****3.1 General information about credit risk (continued)****3.1.1 General qualitative information about credit risk (continued).****d) Relationships between the credit risk management, risk control, compliance and internal audit functions: (Continued)**

In the second line of defence; within the scope of Takasbank Risk Management Communiqué the Bank manages credit risk by taking into account credit risk appetite, credit risk limits, signal values that set under early warning system, partial and holistic stress test and scenario analysis and internal capital adequacy assessment process. Measurement, monitoring, limit, stress test and scenario analysis studies are conducted at the bank by Risk Management Department subject to principle of proportionality and in alignment with the volume, nature and complexity of the operations in the three line of defence. It is essential that to reveal the credit risk that the Bank may face, risk measurement and monitoring activities are performed and the results are taken into consideration in the Bank's strategic decision-making processes. Furthermore, Internal Control and Compliance Department must control transaction of units that may cause credit risk, in line with legal regulations and internal regulation. Such control activities and control periods of the operations are determined annually in the Internal Control List. In addition to the related studies, Internal Control and Compliance Department and Internal Audit Department perform studies related to the Management Statement.

In the third line of defence, operations of these units are audited periodically by the Internal Audit Department, which inspects and audits on behalf of the Board of Directors. As an element, which has the ability to act independently and impartially within the organization, Internal Audit Department provides extensive assurance to Board of Directors and Senior Management. Audit provides assurance as to whether first and second lines of defence have reached credit risk management and risk control targets or not, on governance, credit risk management and effectiveness and efficiency of the designed controls. Factors such as the general effectiveness and efficiency of activities, the protection of assets, the reliability and robustness of reporting processes, the framework of credit risk management and internal control, operations units and their functions, infrastructure, asset management and information technology are included in the scope of the assurance reported to the Board of Directors and Senior Management. In this regard, the compliance of Bank's activities with the legislation, internal strategies, policies, principles and targets are examined.

Pursuant to article 46, paragraph 2 of The Bank Incorporation Central Counterparty Regulation is titled "Infrastructure of internal systems and information technologies" the soundness of the Bank's risk management and information technology infrastructures are audited semi-annually and the final report is sent to Capital Markets Board. In addition to this, subject to article 12 of again the respective regulation is titled "General obligations of CCP members" the task of overseeing and auditing whether CCP members serve their obligation or not, has been assigned to Takasbank, and the members must ensure the continuity of essential internal control, risk management and internal audit mechanisms to be a party to this service at CCP markets or CCP capital market instruments. In this regard on-site CCP member audits are conducted by Internal Audit Department.

**e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors:**

The report containing credit risk based amount (including counterparty credit risk based amount as well) calculated according to standardised approach on monthly basis pursuant to Communiqué on Measurement and Assessment of Banks' Capital Adequacy and their sub-regulations, and the progress of credit risk appetite, credit risk limit and signal values and credit risk concentrations, are reported by Risk Management Department on daily basis to the Senior Management, monthly basis to the Audit Committee and Senior Management and on quarterly basis to the Executive Management.

Stress Test Report containing credit risk stress test and scenario analysis results, and ICAAP report are submitted to Executive Management annually by the Risk Management Department, and reported to the BRSA. In addition, adequacy of model employed in calculation of initial margin at CCP markets, and confidence level are analysed with back tests by the Bank. Results of stress tests and back tests performed by CCP Department, and if there are, suggested measures, are reported on quarterly basis via internal system units to the Board of Directors.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IX. Risk Management Objectives and Policies (Continued)**

**3. Credit Risk Disclosure (Continued)**

**3.1 General information about credit risk (continued)**

**3.1.2 Credit quality of assets:**

Default represents the non-performing loans that recognized first paragraph of fifth article of Regulation on Identification and Provision against Non-Performing Loans and Other Receivables.

	a	b	c	d
Current Period	Gross amount valued in accordance with TMS	Non-defaulted exposures	Provisions	Net values (a+b-c)
	Defaulted			
Loans	-	157,493	203	157,290
Debt securities	-	694,289	94	694,195
Off-balance sheet exposures	-	19,733,482	14,744	19,718,738
<b>Total</b>	<b>-</b>	<b>20,585,264</b>	<b>15,041</b>	<b>20,570,223</b>
Prior Period	Gross amount valued in accordance with TMS	Non-defaulted exposures	Provisions	Net values (a+b-c)
	Defaulted			
Loans	1,574	14,800	1,594	14,780
Debt securities	-	-	-	-
Off-balance sheet exposures	-	17,187,890	36,379	17,151,511
<b>Total</b>	<b>1,574</b>	<b>17,202,690</b>	<b>37,973</b>	<b>17,166,291</b>

**3.1.3 Changes in stock of default loans and debt securities**

	Current Period	Prior Period
<b>Defaulted loans and debt securities at end of the previous reporting period</b>	<b>1,574</b>	<b>1,574</b>
Loans and debt securities defaulted since the last reporting period	-	-
Receivables back to non-defaulted status	-	-
Amounts written off	(1,574)	(1,574)
Other changes	-	-
<b>Defaulted loans and debt securities at end of the reporting period</b>	<b>-</b>	<b>1,574</b>

**3.1.4 Additional disclosure related to the credit quality**

- The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes:  
None.
- The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this. 100% provision is allocated for the above mentioned receivable.  
None.
- Description of methods used for determining impairments: The bank's own definition of a restructured exposure: The Bank does not have restructured receivables.
- Breakdown of exposures by geographical areas, industry and residual maturity:  
None.  
The respective amount is classified under non-performing loans.
- Breakdown of exposures by geographical areas, industry and residual maturity:  
None.
- Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry: None.
- Ageing analysis of accounting past-due exposures: None.

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## IX. Risk Management Objectives and Policies (Continued)

## 3. Credit Risk Disclosure (continued)

## 3.1 Credit Risk Disclosure (continued)

## 3.1.4 Additional disclosure related to the credit quality (continued)

h) Breakdown of restructured exposures between impaired and not impaired exposures:

There is no restructured receivable.

## 3.2 Credit risk mitigation

## 3.2.1 Qualitative disclosure requirements related to credit risk mitigation techniques

a) Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on and off-balance sheet netting.

On-balance sheet and off-balance sheet nettings are not applied at the Bank.

b) Core features of policies and processes for collateral evaluation and management.

Trade margins and guarantee funds include trade and membership collaterals received at markets where service is provided, guarantee funds and assets kept by the Bank due to collateral agency service and invested by the Bank at best effort. Under the best performance effort criteria framework minimize credit risk, the method involving depositing at the outset CBRT with state banks and large scale banks, are chosen. In determining investment maturities, the collateral or guarantee fund structure of markets, where service is provided, and those markets' needs to use, are taken into account. Best efforts within the framework of performance criteria, the credit primarily for the purpose of minimizing the risk to public banks, including the CBRT and the methods of large-scale lending to banks is selected. For the determination of investment terms, the needs of the markets served for collateral, guarantee fund or Borsa İstanbul Swap Market foreign exchange liabilities regarding the structure and usage of the foreign currency amounts (USD, Euro) deposited to Takasbank one day before.

c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers)

In credit risk mitigation, cash collateral and Government Debt Securities issued by the Ministry of Treasury and Finance of Turkey considered as liquid assets are used as collateral.

## 3.2.2 Credit risk mitigation techniques

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	157,196	-	-	-	-	-	-
Debt securities	694,289	-	-	-	-	-	-
<b>Total</b>	<b>851,485</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Of which defaulted	-	-	-	-	-	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	14,780	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
<b>Total</b>	<b>14,780</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Of which defaulted	1,574	-	-	-	-	-	-

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**XI. Risk Management Objectives and Policies (Continued)**

**3. Credit Risk Disclosure (continued)**

**3.3 Credit risk under standardised approach**

**3.3.1 Disclosures on banks' use of credit ratings under the standard approach for credit risk**

- a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period:  
As of 31 December 2019, in the calculation of the Bank's credit risk based amount, "Fitch Ratings" and "Japan Credit Rating Agency/(JCR)" and "Islamic International Rating Agency/(IIRA)" ratings are used for determining risk weights for "Receivables from Central Governments or Central Banks" risk class. Export credit agency ratings are not used by the Bank.
- b) The asset classes for which each ECAI or ECA is used:  
External credit ratings are used by the Bank for "Receivables from Central Governments or Central Banks" risk class. Export credit agency ratings are not used by the Bank.
- c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book:  
In credit risk based amount calculation of the Bank, external credit ratings are not used except for the "Receivables from Central Governments or Central Banks" risk class.
- d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where Agency (BRSA) publishes a standard mapping with which the bank has to comply):  
External credit rating agency ratings that are not on the organization's matching table, are not used.



## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## XI. Risk Management Objectives and Policies (Continued)

## 3. Credit Risk Disclosure (continued)

## 3.3 Credit risk under standardised approach

## 3.3.2 Credit risk exposure and credit risk mitigation techniques

Current Period	Exposures before CCF and CRM		Exposures post- CCF and CRM		RWA and RWA density	
	On- balance sheet amount	Off- balance sheet amount	On- balance sheet amount	Risk classes	On- balance sheet amount	Off- balance sheet amount
<b>Risk classes</b>						
Exposures to sovereigns and their central banks	537,738	60,392	537,738	7,784,643	203,868	2.5%
Exposures to regional and local governments	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	16,034,006	15,439,774	16,034,006	7,715,523	6,520,071	78.6%
Exposures to corporates	-	3,818,613	-	3,818,613	986,203	11.9%
Retail exposures	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-
Other exposures	167,068	414,703	167,068	414,703	581,735	7.0%
Equity share investments	-	-	-	-	-	-
<b>Total</b>	<b>16,738,812</b>	<b>19,733,482</b>	<b>16,738,812</b>	<b>19,733,482</b>	<b>8,291,876</b>	<b>100.0%</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### XI. Risk Management Objectives and Policies (Continued)

##### 3. Credit Risk Disclosure (continued)

##### 3.3 Credit risk under standardised approach (continued)

##### 3.3.2 Credit risk exposure and credit risk mitigation techniques (continued)

Prior Period	Exposures before CCF and CRM		Exposures post- CCF and CRM		RWA and RWA density	
	On- balance sheet amount	Off- balance sheet amount	On- balance sheet amount	Risk classes	On- balance sheet amount	Off- balance sheet amount
<b>Risk classes</b>						
Exposures to sovereigns and their central banks	731,578	-	1,656,593	-	39,457	0.5%
Exposures to regional and local governments	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	10,919,918	8,178,589	10,919,918	7,253,574	4,742,638	61.8%
Exposures to corporates	-	8,907,698	-	8,907,698	2,643,052	34.5%
Retail exposures	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-
Other exposures	142,870	101,603	142,870	101,603	244,413	3.2%
Equity share investments	-	-	-	-	-	-
<b>Total</b>	<b>11,794,366</b>	<b>17,187,890</b>	<b>12,719,381</b>	<b>16,262,875</b>	<b>7,669,560</b>	<b>100.0%</b>

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## XI. Risk Management Objectives and Policies (Continued)

## 3. Credit Risk Disclosure (continued)

## 3.3 Credit risk under standardised approach (continued)

## 3.3.3 Receivables by Risk Classes and Risk Weights (continued)

## Current Period:

Asset Classes/Risk Weights	0%	10%	20% <sup>(1)</sup>	50% <sup>(1)</sup>	75%	100% <sup>(1)</sup>	150%	200%	Other risk weights	Total credit risk exposure amount (after CCF and CRM)
Exposures to central governments or central banks	7,914,646	-	-	407,735	-	-	-	-	-	8,322,381
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and banks	1,996,876	-	14,520,851	7,231,802	-	-	-	-	-	23,749,529
Exposures to corporates	-	-	3,077,013	741,600	-	-	-	-	-	3,818,613
Retail exposures	-	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-
Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
Investments in equity shares	-	-	-	-	-	-	-	-	-	-
Other assets	36	-	-	-	-	581,735	-	-	-	581,771
<b>Total</b>	<b>9,911,558</b>	<b>-</b>	<b>17,597,864</b>	<b>8,381,137</b>	<b>-</b>	<b>581,735</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,472,294</b>

<sup>(1)</sup> Means unrated receivables.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### XI. Risk Management Objectives and Policies (Continued)

##### 3. Credit Risk Disclosure (continued)

##### 3.3 Credit risk under standardised approach (continued)

##### 3.3.3 Receivables by Risk Classes and Risk Weights (continued)

Prior Period:

Asset Classes/Risk Weights	0%	10%	20% <sup>(1)</sup>	50% <sup>(1)</sup>	75%	100% <sup>(1)</sup>	150%	200%	Other risk weights	Total credit risk exposure amount (after CCF and CRM)
Exposures to central governments or central banks	1,577,679	-	-	78,914	-	-	-	-	-	1,656,593
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and banks	1,183,328	-	12,508,145	4,482,019	-	-	-	-	-	18,173,492
Exposures to corporates	16,504	-	6,091,817	2,749,377	-	50,000	-	-	-	8,907,698
Retail exposures	-	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-
Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
Investments in equity shares	-	-	-	-	-	-	-	-	-	-
Other assets	60	-	-	-	-	244,413	-	-	-	244,473
<b>Total</b>	<b>2,777,571</b>	<b>-</b>	<b>18,599,962</b>	<b>7,310,310</b>	<b>-</b>	<b>294,413</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,982,256</b>

<sup>(1)</sup> Means unrated receivables.

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## XI. Risk Management Objectives and Policies (Continued)

## 4. Qualitative Disclosure Related to Counterparty Credit Risk

Transactions subject to counterparty credit risk are considered as credit risk. These transactions consist of reverse repo transactions executed on behalf of closed brokerage houses depending on assignment by CMB.

Performance of The Bank's operation within the limits of legal and internal capital limits and below the credit risk appetite established by the Board of Directors, constitutes credit risk policy of the Bank.

## 4.1 Analysis of counterparty credit risk (CCR) exposure by approach

Current Period	Replacement cost	Potential future exposure	EEPE <sup>(1)</sup>	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
Standardised approach-CCR (for derivatives)	-	-		1,4	-	-
Internal model method (derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, for long time swap transactions with credit securities transactions)			-	-	-	-
Simple approach for credit risk mitigation (repo transactions, securities or commodity lending or borrowing transactions, for a long time swap transactions with credit securities transactions)					44,023	22,006
Comprehensive approach for credit risk mitigation (repo transactions, securities or commodity lending or borrowing transactions, for a long time swap transactions with credit securities transactions)					-	-
Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions of swaps and risk exposure for credit securities transactions					-	-
<b>Total</b>						<b>22,006</b>

<sup>(1)</sup> Effective Expected Positive Exposure

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### XI. Risk Management Objectives and Policies (Continued)

#### 4. Qualitative Disclosure Related to Counterparty Credit Risk (Continued)

#### 4.1 Analysis of counterparty credit risk (CCR) exposure by approach (continued)

Prior Period	Replacement cost	Potential future exposure	EEPE <sup>(1)</sup>	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
Standardised approach-CCR (for derivatives)	-	-		1.4	-	-
Internal model method (derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, for long time swap transactions with credit securities transactions)			-	-	-	-
Simple approach for credit risk mitigation (repo transactions, securities or commodity lending or borrowing transactions, for a long time swap transactions with credit securities transactions)					26	5.2
Comprehensive approach for credit risk mitigation (repo transactions, securities or commodity lending or borrowing transactions, for a long time swap transactions with credit securities transactions)					-	-
Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions of swaps and risk exposure for credit securities transactions					-	-
<b>Total</b>						<b>5.2</b>

<sup>(1)</sup> Effective Expected Positive Exposure

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## XI. Risk Management Objectives and Policies (Continued)

## 4. Qualitative Disclosure Related to Counterparty Credit Risk (Continued)

## 4.2 Analysis of counterparty credit risk (CCR) exposure by approach (continued)

## Current period:

Risk Weight/Regulatory portfolio	0%	10%	20% <sup>(1)</sup>	50% <sup>(1)</sup>	75%	100%	150%	Others	Total credit exposure
Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-
Exposures to regional and local government	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	18	44,005	-	-	-	-	44,023
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertaking	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>44,005</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44,023</b>

<sup>(1)</sup> It expresses the non-rated receivables.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### XI. Risk Management Objectives and Policies (Continued)

#### 4. Qualitative Disclosure Related to Counterparty Credit Risk (Continued)

#### 4.2 Analysis of counterparty credit risk (CCR) exposure by approach (continued)

Prior period:

Risk Weight/Regulatory portfolio	0%	10%	20% <sup>(1)</sup>	50% <sup>(1)</sup>	75%	100%	150%	Others	Total credit exposure
Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-
Exposures to regional and local government	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	26	-	-	-	-	-	26
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertaking	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>26</b>	-	-	-	-	-	<b>26</b>

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## IX. Risk Management Objectives and Policies (Continued)

## 4. Qualitative Disclosure Related to Counterparty Credit Risk (Continued)

## 4.3 Collaterals for counterparty credit risk

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Sovereign debts- domestic	-	-	-	-	29,320	-
Sovereign debts -other	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,320</b>	<b>-</b>

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Sovereign debts- domestic	-	-	-	-	19,528	-
Sovereign debts -other	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,528</b>	<b>-</b>

## 4.4 Credit derivatives

None (31 December 2018: None).

## 4.5 Central counterparty risk

None (31 December 2018: None).

## 5. Securitization Disclosures

Since the Bank does not have any securitization, the relevant tables and explanations that should be prepared within the scope of "Communiqués on Public Disclosure of Risk Management of Banks" are not given.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**IX. Risk Management Objectives and Policies (Continued)**

**6. Market Risk Disclosures**

**6.1 Qualitative disclosure requirements related to market risk**

**a) Strategies and processes of the bank: this must include an explanation of Bank management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges.**

Market risk is defined as the loss that the Bank's on-balance and off-balance sheet positions may be exposed to in the context of FX risk and interest rate risk arising from movements on market prices.

The Bank's fund management strategy has been devised in alignment with the objectives to avoid any liquidity issue, ensure optimization on the risk-return balance and invest resources at highest return rates by taking reasonable level of risk. It is essential that fund management operations remain within legal limits and is executed in light of the Bank's market risk appetite and market risk limits and signal values.

In accordance with the fund management strategy in effect, treasury operations are executed with banks to whom limits have been allocated by the Board of Directors and largely with state owned banks, only highly liquid government debt securities are issued by the Ministry of Treasury and Finance of Turkey are purchased for the Bank's securities portfolio. Nevertheless, derivative products may be used for hedging purposes. In the balance sheet composition, it is shown attention to match of asset and liability by the maturity and currency.

Capital requirement is calculated for FX risk over foreign currency on-balance sheet and off-balance sheet net position amounts. Market risk is measured by the Bank with standard method, subject to the Communiqué on Measurement and Assessment of Banks' Capital Adequacy and the points as per its sub-regulations.

Value at market risk and internal capital requirement for market risk are calculated on daily basis to inform Senior Management, using internal method specified in Communiqué on Measurement and Assessment of Banks' Capital Adequacy and its subregulations. Moreover, with respect to market risk, partial stress tests are conducted on daily and monthly basis, whereas holistic stress tests and scenario analyses are executed on annually basis, and FX net general position/shareholders' equity standard ratio trend is followed.

Market risk appetite has been determined by the Board of Directors and is reviewed at least once a year. Moreover, to control market risk, market risk limit and signal value have been established by the Board of Directors to avoid overflows of the market risk appetite. Market risk limit is monitored on daily basis by Risk Management Department.

Audit Committee, Senior Management and unit managers performing the respective process at the management of the business lines are notified by the Risk Management Department via email when the signal value is reached. If the allocated market risk limit and market risk appetite is exceeded, written information is provided to the Audit Committee by the Risk Management Department to notify Senior Management and Board of Directors ensuring that required measures are taken.

Details regarding risk management activities and actions performed under market risk, take part in the Takasbank Restructuring Plan endorsed by the Board of Directors.

**b) Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management.**

In market risk management three-line of defence approach consisting of business line management, central risk management function and independent review is used. Accordingly;

- Under the management of the business line, process and sub-process based risks and controls are defined by Treasury Management Team and Payment and Transfer Services Department, and Senior Management is informed ensuring that appropriate actions are taken.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****IX. Risk Management Objectives and Policies (Continued)****6. Market Risk Disclosures (Continued)****6.1 Qualitative disclosure requirements related to market risk (continued)****b) Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management. (continued)**

- Central risk management function is facilitated by establishing market risk and control systems within the Bank, segregation of duties and responsibilities and review of process and functions by Internal Control and Compliance Department besides operational units performing such functions. Internal Control and Compliance Department perform activities involving controlling that the banking and capital markets activities offered by the Bank are compliant with respective legal regulations, internal regulations and where necessary compliant with international practices in an effective and adequate manner at first line, as "secondary phase protection" element. Such activities and their control periods are determined annually in the Internal Control List. Furthermore, Internal Control and Compliance Department and Internal Audit Department conduct tasks related to the Management Statement.
- Independent review process involves assessment of risk management and internal control framework from all aspects. Internal Audit Department provides extensive assurance for Board of Directors and Senior Management, as an element capable of acting independently and impartially within the organization. During audit activities, primarily compliance of the Bank activities with the regulations, internal strategies, policies, principles and targets are analysed. In addition, reports are submitted to Board of Directors and Senior Management on whether first and second line of defence have reached market risk management and risk control targets or not, and on effectiveness and efficiency of market risk management and designed controls. Elements such as effectiveness and efficiency of Bank operations, protection of assets, reliability and soundness of reporting processes, market risk management and internal control framework, operation units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management.

Market risk related to operations are maintained by business lines with a perspective focused on risk. At the first line of defence; distribution of the Bank portfolio based on maturity and instrument and market developments are monitored constantly by Fund Management Team and Executive Management, the strategy in question is reviewed at least once a year in light of the Bank's business and trade volume and area of activity. Segregation of duties principle is applied at authority and responsibility level in front office and back office practices.

To be able to manage effectively market risk exposure arising from CCP operations, in determining collateral valuation coefficients at the outset market risk and the risk exposure that shall be faced during conversion of collateral to cash are taken into account, variation margins are calculated on daily basis and settlement prices are set in a healthy manner. Position and margins are valued at intraday and end of day market prices, thus margin-risk balance is monitored by CCP Department close to real-time.

At the second line of defence; within the Takasbank Risk Management Communiqué framework, the Bank manages market risk by taking into account market risk appetite, established market risk limit, signal value determined within the scope of early warning system and internal capital requirement. Moreover, on daily basis the portfolio's value at risk is calculated; the amount of loss that the portfolio may face in the utmost adverse market conditions is calculated using partial and holistic stress tests and scenario analyses monitored by internal capital requirement calculation, and results are reported on daily and monthly basis to Senior Management, quarterly and annually basis to Executive Management.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

### SECTION FOUR (Continued)

#### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### IX. Risk Management Objectives and Policies (Continued)

##### 6. Market Risk Disclosures (Continued)

##### 6.1 Qualitative disclosure requirements related to market risk (continued)

**b) Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management. (continued)**

In addition to the controls performed in the first line of defence, operations of the respective units are also controlled based on risk during certain periods by Internal Control and Compliance Department in second line of defence in terms of compliance with legal regulations and internal regulations. And in third line of defence operations of these units are audited periodically by Internal Audit Department inspecting and auditing on behalf of the Board of Directors. As an element, which is capable of acting independently and impartially within the organization, Internal Audit Department provides extensive assurance to the Board of Directors and Senior Management. The audit provides assurance as to whether the first and second lines of defences have reached market risk management and risk control targets or not, and on governance, market risk management and effectiveness/efficiency of designed controls. Usually elements such as effectiveness and efficiency of operations, protection of assets, reliability and soundness of reporting processed, market risk management and internal control framework, operational units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management. In this regard relevance of Bank operations to the regulations, internal strategies, policies, principles and targets, is reviewed.

##### c) Scope and nature of risk reporting and/or measurement systems:

Market risk is measured on monthly basis according to standard method in accordance with Communiqué on Measurement and Assessment of Banks' Capital Adequacy and its sub-regulations, and reported to the BRSA. In addition to this market risk based amount, internal market risk capital requirement and market risk limit are calculated on daily basis to inform the Senior Management, by using the internal method as per the respective Communiqué and its sub-regulations, and the results are reported by the Risk Management Department to Senior Management, and the respective unit managers.

Reports containing information regarding the Bank's market risk based amount, market risk appetite and market risk limit and signal value conformity levels, treasury operations, FX net general position/shareholders' equity standard ratio trend and market risk internal model outcomes are reported by the Risk Management Department on monthly basis to the Audit Committee and Senior Management, and on quarterly basis to the Executive Management. Back tests are conducted to establish that conceptual soundness of the employed internal model and all critical risks are embodied in the model, and the results are reported to the Executive Management. Moreover, partial stress tests performed by Risk Management Department with respect to market risk are reported on daily basis to the Senior Management, and operational unit managers in charge of risk, and on monthly basis to the Executive Management.

Furthermore, Stress Test Report containing market risk holistic stress test and scenario analyses results and ICAAP report are submitted annually to the Executive Management by the Risk Management Department, and following approval by the Board of Directors, reported to the BRSA.

	Risk Weighted Amount	
	Current Period	Prior Period
Outright products		
Interest rate risk (general and specific)	-	-
Equity risk (general and specific)	-	-
Foreign exchange risk	31,550	15,938
Commodity risk	-	-
Options		
Simplified approach	-	-
Delta-plus method	-	-
Scenario approach	-	-
Securitization	-	-
<b>Total</b>	<b>31,550</b>	<b>15,938</b>

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)****INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)****IX. Risk Management Objectives and Policies (Continued)****6. Market Risk Disclosures (Continued)****6.1 Qualitative disclosure requirements related to market risk (continued)****c) Scope and nature of risk reporting and/or measurement systems: (continued)**

The footnotes and related explanations prepared in accordance with the Communiqué on "Public Disclosures related with Banks' Risk Management Regulations" published in Official Gazette No. 29511 on 23 October 2015 and entered into force as of 31 March 2016 are given in this section. The following tables, which should be given in six months periods in accordance with the related communiqué, have not been presented as of 31 December 2019 as the standard approach is used in the calculation of Bank's capital adequacy:

- Internal model method for trading account
- Comparison with profit/loss and VaR estimated

**X. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value**

The estimated fair value of funds provided from other financial institutions with fixed interest rate is calculated by determining their cash flows discounted by the current interest rates used for other liabilities with similar characteristics and maturity structure. The fair value of loans is calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The book value of the banks, money market placements, and funds borrowed from other financial institutions and sundry creditors reflect their fair values since they are short-term.

The table below shows the book value and the fair value of the financial assets and liabilities.

	<b>Book Value</b>	<b>Fair Value</b>
	<b>31 December 2019</b>	<b>31 December 2019</b>
<b>Financial Assets</b>		
Financial assets at fair value through profit/loss	-	-
Money market placements	29,338	29,338
Banks	15,639,364	15,639,364
Financial assets at fair value through other comprehensive income	3,082	3,082
Financial assets at fair value through amortized cost	694,289	695,968
Loans	157,493	157,493
<b>Financial Liabilities</b>	<b>14,311,285</b>	<b>14,311,285</b>
Bank deposits	-	-
Other deposits	-	-
Payables to money market	-	-
Funds borrowed from other financial institutions	4,105,859	4,105,859
Securities issued	-	-
Other liabilities	10,205,426	10,205,426
	<b>Book Value</b>	<b>Fair Value</b>
	<b>31 December 2018</b>	<b>31 December 2018</b>
<b>Financial Assets</b>		
Financial assets at fair value through profit/loss	-	-
Money market placements	645,263	645,263
Banks	10,884,838	10,884,838
Financial assets at fair value through other comprehensive income	3,082	3,082
Financial assets at fair value through amortized cost	-	-
Loans	14,800	14,800
<b>Financial Liabilities</b>		
Bank deposits	-	-
Other deposits	-	-
Payables to money market	-	-
Funds borrowed from other financial institutions	3,425,414	3,425,414
Securities issued	-	-
Other liabilities	-	-

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FOUR (Continued)**

**INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)**

**X. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (Continued)**

Fair value classifications is as follows:

Level 1: Registered in active markets price for identical assets or liabilities (unadjusted)

Level 2: Other than published prices included within Level 1, either directly (by price) or indirectly (derived from price) observable datas in terms of assets or liabilities

Level 3: Not based on observable market data in relation to assets or liabilities

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>	<b>-</b>	<b>40,015</b>	<b>3,082</b>	<b>43,097</b>
Government Bonds	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	3,082	3,082
Financial Derivative Assets for Trading	-	40,015	-	40,015
<b>Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Derivative Liabilities Held for Cash Flow Hedges	-	-	-	-
Financial Derivative Liabilities for Trading	-	-	-	-
<b>Prior Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>	<b>-</b>	<b>-</b>	<b>3,082</b>	<b>3,082</b>
Government Bonds	-	-	-	-
Available-For-Sale Financial Assets	-	-	3,082	3,082
Financial Derivative Assets for Trading	-	-	-	-
<b>Financial Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Derivative Liabilities Held for Cash Flow Hedges	-	-	-	-
Financial Derivative Liabilities for Trading	-	-	-	-

The fair value of financial assets measured at amortized cost as of 31 December 2019 is determined based on market prices or quoted market prices for other securities subject to redemption in terms of interest, maturity and other similar conditions where such price cannot be determined. The fair value hierarchy of financial assets measured at amortized cost as of 31 December 2019 is determined as level 1.

The Bank has assessed that the costs of financial assets whose fair value difference representing the share in the capital is reflected in other comprehensive income best reflect the fair values of the related assets. The fair value of the related assets has been determined as Level 3.

**XI. Explanations Related to Transactions Made on Behalf of Others and Fiduciary Transactions**

The Bank carries out trading, custody, management and advisory services on others' behalf and account.

Off balance sheet contingencies and commitments table, TL 1,832 (31 December 2018: TL 1,178) consists of sales and securities which are traded on BİAŞ. Under the fiduciary transactions agreement, there are no transactions carried out with other financial institutions and there are no financial services rendered directly in this context.

According to the Articles of Association of the Bank, the services and operations of the Bank are performing the custody of the securities, precious metals and other securities and the clearing and settlement of cash and security commitments arising from the purchases and sales on stock exchanges. The Bank also provides settlement and custody services for Derivatives Exchange Market, Electricity Market and Leveraged Trading Operations. Related to above mentioned transactions, the total amount of guarantees obtained from Bank's customers comprising treasury bills, government bonds, letter of guarantees and stocks are listed below.

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## XII. Explanations on Segment Reporting

The Bank operates mainly in clearing-operation, custody, loans and treasury.

Current Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Undistributed	Total
Cash and Balances with Central Bank	-	-	840	-	840
Financial Assets At Fair Value Through Profit/ Loss (Net)	-	-	-	-	-
Banks	-	-	15,618,315	-	15,618,315
Money Markets	-	-	-	29,338	29,338
Financial Assets At Fair Value Through Other Comprehensive Income	-	-	3,082	-	3,082
Loans	-	157,290	-	-	157,290
Financial Assets At Fair Value Through Amortized Cost	-	-	694,195	-	694,195
Subsidiaries	-	-	-	-	-
Joint Ventures (Net)	-	-	4,825	-	4,825
Tangible Assets (Net)	-	-	-	11,267	11,267
Intangible Assets (Net)	-	-	-	103,793	103,793
Investment Properties (Net)	-	-	-	8,880	8,880
Tax Assets	-	-	-	-	-
Other Assets	22,466	-	40,015	14,859	77,340
<b>Total Assets</b>	<b>22,466</b>	<b>157,290</b>	<b>16,382,321</b>	<b>147,088</b>	<b>16,709,165</b>
Funds Borrowed	-	-	4,105,859	-	4,105,859
Debts to the Money Markets	-	-	-	-	-
Funds	9,039,157	226,547	-	939,722	10,205,426
Provisions	-	-	-	2,347	2,347
Tax Liability	-	22,505	-	38,583	61,088
Shareholder's Equity	-	-	-	49,153	49,153
Funds Borrowed	-	-	-	2,285,292	2,285,292
<b>Total Liabilities</b>	<b>9,039,157</b>	<b>249,052</b>	<b>4,105,859</b>	<b>3,315,097</b>	<b>16,709,165</b>



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

### INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

#### XII. Explanations on Segment Reporting (Continued)

Prior Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Undistributed	Total
Cash and Balances with Central Bank	-	-	79,037	-	79,037
Financial Assets At Fair Value Through Profit/ Loss (Net)	-	-	-	-	-
Banks	-	-	10,884,838	-	10,884,838
Money Markets	-	-	-	645,263	645,263
Available-For-Sale Financial Assets (Net)	-	-	3,082	-	3,082
Loans	-	14,780	-	-	14,780
Held-to-Maturity Securities (Net)	-	-	-	-	-
Subsidiaries	-	-	-	-	-
Joint Ventures (Net)	-	-	4,825	-	4,825
Tangible Assets (Net)	-	-	-	11,847	11,847
Intangible Assets (Net)	-	-	-	102,497	102,497
Investment Properties (Net)	-	-	-	9,187	9,187
Tax Assets	-	-	-	8,662	8,662
Other Assets	14,406	-	-	16,759	31,165
<b>Total Assets</b>	<b>14,406</b>	<b>14,780</b>	<b>10,971,782</b>	<b>794,215</b>	<b>11,795,183</b>
Funds Borrowed	-	-	3,425,414	-	3,425,414
Debts to the Money Market	-	-	-	-	-
Miscellaneous Payables	5,903,790	126,640	-	467,148	6,497,578
Other Liabilities	-	22,505	-	53,581	76,086
Provisions	-	-	-	50,620	50,620
Tax Liability	-	-	-	26,166	26,166
Shareholder's Equity	-	-	-	1,246,262	1,246,262
<b>Total Liabilities</b>	<b>5,903,790</b>	<b>149,145</b>	<b>3,425,414</b>	<b>1,843,777</b>	<b>11,322,126</b>

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FOUR (Continued)

## INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

## XII. Explanations on Segment Reporting (Continued)

The Bank operates mainly in the areas of clearing-operation, custody service, credit and treasury transactions.

Current Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Other	Total
Net interest income	-	9,162	538,441	-	547,603
Net fees and commissions income and other operating income	245,456	34,166	-	-	279,622
Dividend income	-	-	37,918	-	37,918
Trading profit/loss	-	-	69,017	-	69,017
Other operating receivables	-	-	-	24,290	24,290
Impairment provision for loans and other receivables	-	5,962	-	-	5,962
Other operating expenses <sup>(1)</sup>	-	-	-	(176,108)	(176,108)
<b>Profit before taxes</b>	<b>245,456</b>	<b>37,366</b>	<b>645,376</b>	<b>(151,818)</b>	<b>776,380</b>
Tax provision	-	-	-	(160,392)	(160,392)
<b>Net profit for the period</b>	<b>245,456</b>	<b>37,366</b>	<b>645,376</b>	<b>(312,210)</b>	<b>615,988</b>
Prior Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Other	Total
Net interest income	-	15,698	516,706	-	532,404
Net fees and commissions income and other operating income	163,457	51,524	-	-	214,981
Dividend income	-	-	600	-	600
Trading profit/loss	-	-	7,573	-	7,573
Other operating receivables	-	-	-	3,060	3,060
Impairment provision for loans and other receivables	-	13,918	-	-	13,918
Other operating expenses	-	-	-	(131,977)	(131,977)
<b>Profit before taxes</b>	<b>163,457</b>	<b>53,304</b>	<b>524,879</b>	<b>(128,917)</b>	<b>612,723</b>
Tax provision	-	-	-	(132,983)	(132,983)
<b>Net profit for the period</b>	<b>163,457</b>	<b>53,304</b>	<b>524,879</b>	<b>(261,900)</b>	<b>479,740</b>

<sup>(1)</sup> Personnel expenses are included in the other operating expenses.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

### SECTION FIVE

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

##### I. Explanations Related to the Assets

##### 1. Information on Cash and Balances with the Central Bank of Turkey:

1.a) Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	804	-	63	78,914
Cash/foreign currency	36	-	60	-
Other	-	-	-	-
<b>Total</b>	<b>840</b>	<b>-</b>	<b>123</b>	<b>78,914</b>

1.b) Information related to the account of the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	804	-	63	-
Unrestricted time deposit	-	-	-	78,914
Restricted time deposit	-	-	-	-
<b>Toplam</b>	<b>804</b>	<b>-</b>	<b>63</b>	<b>78,914</b>

1.c.) Information on required reserves:

In accordance with the Official Statement numbered 2013/15 about Required Reserves, liabilities that are subject to required reserves have been changed. Required reserves are not kept in the Central Bank of Turkey as the liabilities stated in the newly announced Official Statement are lacked in the Bank.

##### 2. Information on financial assets at fair value through profit and loss (net):

2.a) Information on government debt securities: None (31 December 2018: None).

2.b) Information on marketable securities representing the Bank's share: None (31 December 2018: None).

2.c) Information on other financial assets: None (31 December 2018: None)

##### 3. Information on Banks

3.a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	8,491,461	6,630,719	6,362,584	4,428,698
Foreign	-	517,184	-	93,556
Branches and overseas head office	-	-	-	-
<b>Total</b>	<b>8,491,461</b>	<b>7,147,903</b>	<b>6,362,584</b>	<b>4,522,254</b>

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. Explanations Related to the Assets (Continued)

## 3. Information on Banks (continued)

3.b) Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	516,302	77,234	-	-
USA, Canada	882	16,322	-	-
OECD countries	-	-	-	-
Off-shore banking regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>517,184</b>	<b>93,556</b>	<b>-</b>	<b>-</b>

3.c) Information on receivables from money markets

The details about the receivables from Money Markets are as below:

	Current Period	Prior Period
Reverse repo belongs to closed member cash balance	29,338	19,554
Receivables from Central Bank	-	625,709
<b>Total</b>	<b>29,338</b>	<b>645,263</b>

## 4. Information on financial assets at fair value through other comprehensive income:

4.a) Information on equity instruments:

Name	Acquired On	Current Period		Prior Period	
		Amount	Ratio (%)	Amount	Ratio (%)
Borsa İstanbul A.Ş.	31.05.2013	324	0.15	324	0.15
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	03.01.2011	637	4.12	637	4.12
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	29.07.2011	210	10.50	210	10.50
S.W.I.F.T.SCRIL	24.04.2009	339	0.02	339	0.02
SASE - Sarajevo Menkul Kıymetler Borsası	18.05.2011	322	5.00	322	5.00
Türkiye Ürün İhtisas Borsası A.Ş.	25.07.2018	1,250	5.00	1,250	5.00
<b>Toplam</b>		<b>3,082</b>		<b>3,082</b>	

	Current Period	Prior Period
<b>Debt securities</b>	-	-
Quoted on a stock exchange	-	-
Not quoted on a stock exchange	-	-
<b>Share certificates</b>	<b>3,082</b>	<b>3,082</b>
Quoted on a stock exchange	-	-
Not quoted on a stock exchange	3,082	3,082
Impairment provision (-)	-	-
<b>Total</b>	<b>3,082</b>	<b>3,082</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations Related to the Assets (Continued)

##### 5. Information on derivative financial assets:

a) i. Information on derivative financial assets at fair value through profit or loss:

	Current Period		Prior Period	
	TR	FC	TR	FC
Swap transactions	40,015	-	-	-
<b>Toplam</b>	<b>40,015</b>	<b>-</b>	<b>-</b>	<b>-</b>

a) ii. Information on derivative financial assets at fair value through other comprehensive income: None (31 December 2018: None).

##### 6. Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	154,942	1,200,782	16,374	1,859,319
<i>Corporate shareholders</i>	154,942	1,200,782	16,374	1,859,319
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	-	-	-	-
<b>Total</b>	<b>154,942</b>	<b>1,200,782</b>	<b>16,374</b>	<b>1,859,319</b>

b) Information on loans with standard qualifications and close monitoring followed by restructured loans:

Cash Loans	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	
			Revised Contract Terms	Refinanced
<b>Current Period</b>				
Non-specialized loans	157,493	-	-	-
Business loans	-	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	157,493	-	-	-
Consumer loans	-	-	-	-
Credit cards	-	-	-	-
Other	-	-	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Total</b>	<b>157,493</b>	<b>-</b>	<b>-</b>	<b>-</b>

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. Explanations Related to the Assets (Continued)

## 6. Information on Loans (continued)

b) Information on loans with standard qualifications and close monitoring followed by restructured loans: (continued)

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans (Total)	Revised contract terms		Loans (Total)		
Prior Period		Restructure for extending the payment plan	Prior Period	Restructure for extending the payment plan	Prior Period	
<b>Non-specialized loans</b>	<b>16,374</b>	-	-	-	-	-
Working capital loans	-	-	-	-	-	-
Export loans	-	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	16,374	-	-	-	-	-
Foreign loans	-	-	-	-	-	-
Consumer loans	-	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Precious metal credit	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Specialized loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>16,374</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

c) Information on consumer loans, individual credit cards, and personnel loans and personnel credit cards: None (31 December 2018: None).

d) Information on commercial loans with instalments and corporate credit cards: None (31 December 2018: None).

e) Loans according to borrowers:

	Current Period	Prior Period
Private	157,493	16,374
Public	-	-
<b>Total</b>	<b>157,493</b>	<b>16,374</b>

f) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	157,493	16,374
Foreign loans	-	-
<b>Total</b>	<b>157,493</b>	<b>16,374</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations Related to the Assets (Continued)

##### 6. Information on Loans (continued)

g) Loans granted to subsidiaries and associates: None (31 December 2018: None).

h) Information on non-performing loans (Net):

	Current Period	Prior Period
Uncollectable loans and receivables	-	1,574
Loans and receivables with limited collectability	-	-
Loans and receivables with doubtful collectability	-	-
<b>Total</b>	<b>-</b>	<b>1,574</b>

i) Information on non-performing loans (Net)

i.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled: None (31 December 2018: None).

i.2) Information on movement of non-performing loans:

	Group III Loans and Receivables With Limited Collectability	Group IV Loans and Receivables With Doubtful Collectability	Group V Uncollectible Loans and Receivables
Current period end balance	-	-	1,574
Additions during the period (+)	-	-	-
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections during the period (-)	-	-	-
Write-offs (-)	-	-	1,574
Given	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Period end balance	-	-	-
Provision (-)	-	-	-
<b>Net Balances on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. Explanations Related to the Assets (Continued)

## 6. Information on Loans (continued)

i) Information on non-performing loans (Net) (continued):

i.2) Information on movement of non-performing loans: (continued)

	Group III	Group IV	Group V
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Prior period end balance	-	-	1,574
Additions during the period (+)	-	-	-
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections during the period (-)	-	-	-
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Period end balance	-	-	1,574
Specific provision (-)	-	-	1,574
<b>Net Balances on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>-</b>

i.3) Information on foreign currency non-performing loans and other receivables: None (31 December 2018: None).

i.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	Group III	Group IV	Group V
	Loans and receivables with doubtful collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>Current period (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loans to real persons and legal entities (gross)	-	-	-
Provision amount (-)	-	-	-
<b>Loans to real persons and legal entities (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Banks (gross)	-	-	-
Provision amount (-)	-	-	-
<b>Banks (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (gross)	-	-	-
Provision amount (-)	-	-	-
<b>Other loans and receivables (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior period (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loans to real persons and legal entities (gross)	-	-	1,574
Provision amount (-)	-	-	1,574
<b>Loans to real persons and legal entities (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Banks (gross)	-	-	-
Provision amount (-)	-	-	-
<b>Banks (Net)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other loans and receivables (gross)	-	-	-
Provision amount (-)	-	-	-
<b>Other loans and receivables (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>



**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations Related to the Assets (Continued)**

**6. Information on Loans (continued)**

i) Information on non-performing loans (Net) (continued):

i.4) Information regarding gross and net amounts of non-performing loans with respect to user groups: (continued)

	Group III	Group IV	Group V
	Loans and receivables with doubtful collectability	Loans and receivables with doubtful collectability	Uncollectable loans and receivables
<b>Prior period (net)</b>	-	-	-
Loans to real persons and legal entities (gross)	-	-	1,574
Specific provision amount (-)	-	-	1,574
<b>Loans to real persons and legal entities (net)</b>	-	-	-
Banks (gross)	-	-	-
Specific provision amount (-)	-	-	-
<b>Banks (net)</b>	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision amount (-)	-	-	-
<b>Other loans and receivables (net)</b>	-	-	-
<b>Prior period (net)</b>	-	-	-
Loans to real persons and legal entities (gross)	-	-	1,574
Specific provision amount (-)	-	-	1,574
<b>Loans to real persons and legal entities (net)</b>	-	-	-
Banks (gross)	-	-	-
Specific provision amount (-)	-	-	-
<b>Banks (net)</b>	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision amount (-)	-	-	-
<b>Other loans and receivables (net)</b>	-	-	-

j) Expected credit losses:

	Current Period		Prior Period	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Month expected credit losses	203	-	20	-
Significant increase in credit risk	-	-	-	-
<b>Total</b>	<b>203</b>	<b>-</b>	<b>20</b>	<b>-</b>

**7. Information on financial assets measured at amortised cost:**

7.a) i. Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Government bonds	628,252	-
Treasury bills	66,037	-
Other public sector debt instruments	-	-
<b>Total</b>	<b>694,289</b>	<b>-</b>

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations Related to the Assets (Continued)****7. Information on financial assets measured at amortised cost: (Continued)**

7.a) ii. Information on government debt instruments:

	Current Period	Prior Period
Debt securities	694,289	-
<i>Quoted on a stock exchange</i>	694,289	-
<i>Not quoted on a stock exchange</i>	-	-
Impairment provision (-)	-	-
<b>Total</b>	<b>694,289</b>	<b>-</b>

7.a) iii. Movement of financial assets measured at amortised cost:

	Current Period	Prior Period
Beginning balance	-	36,947
Foreign currency differences on monetary assets	-	-
Purchases during year	682,346	56,504
Disposals through sales and redemptions <sup>(1)</sup>	(6,000)	(91,502)
Impairment provision (-)	-	-
Effect of valuation <sup>(2)</sup>	17,943	(1,949)
<b>Total</b>	<b>694,289</b>	<b>-</b>

<sup>(1)</sup> All of disposals through sales and redemptions amount is from redemptions.<sup>(2)</sup> Includes interest accruals change.

7.b) Information on expected credit loss provisions for financial assets

	Current Period	Prior Period
Treasury loans	20,610	14,840
Miscellaneous receivables	439	523
<b>Total</b>	<b>21,049</b>	<b>15,363</b>

7.c) Information on other financial assets:

None. (31 December 2018: None).

**8. Information on investments in associates (Net):**

8.a) Information on consolidated associates according to Communiqué on Preparing Banks' Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2018: None).

8.b) Information on the unconsolidated associates: None (31 December 2018: None).

8.c) Explanations of consolidated associates: None (31 December 2018: None).

8.d) Information on sector information on consolidated associates: None (31 December 2018: None).

8.e) Consolidated associates which are quoted on the stock exchange: None (31 December 2018: None).

**9. Information on subsidiaries (Net):**

9.a) Information on the unconsolidated subsidiaries:

Description	Address (City/Country)	Bank's share percentage- If different voting percentage (%)	Bank risk group's share percentage (%)
Merkezi Kayıt Kuruluşu A.Ş.	İstanbul/Türkiye	28.57	65

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### I. Explanations Related to the Assets (Continued)

##### 9. Information on subsidiaries (Net): (Continued)

9.a) Information on the unconsolidated subsidiaries: (Continued)

Total Assets <sup>(1)</sup>	Shareholder's Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit/Loss	Prior Period Profits/Losses	Fair Value
159,426	113,764	32,312	15,198	6,135	32,755	31,364	-
<sup>(1)</sup> Current period financial statements are obtained from unreviewed financial statements prepared as of 31 December 2019 in accordance with the TAS.							
					31 December 2019	31 December 2018	
Paid-in capital					36,000	36,000	
Legal reserves					22,295	15,625	
Other reserves					31,367	59,380	
<b>Profit/loss</b>					<b>26,091</b>	<b>29,573</b>	
<i>Prior periods profit/loss</i>					(6,664)	(1,791)	
<i>Current period net profit/loss</i>					32,755	31,364	
Intangible Assets (-)					(10,830)	(17,862)	
<b>Total Core Capital</b>					<b>104,923</b>	<b>122,716</b>	
Supplementary Capital					-	-	
Capital					104,923	122,716	
<b>Net Usable Equity</b>					<b>104,923</b>	<b>122,716</b>	

There is no assessment of subsidiaries' internal capital adequacy. Paid capital is indicated in the main agreement of the Bank as Turkish Liras and registered in the trade registry. Legal reserves are the reserve funds which are indicated in the Turkish Trade Act's (numbered 6762) 467.dam's first paragraph and second paragraph's third subparagraph, and 467.dam and accounted from related year's profit.

9.b) Information on the consolidated subsidiaries:

- Information on the consolidated subsidiaries: None (31 December 2018: None).
- Information on movement of consolidated subsidiaries: None (31 December 2018: None).
- Sectorial information on the consolidated subsidiaries: None (31 December 2018: None).
- Consolidated subsidiaries quoted on the stock exchange: None (31 December 2018: None).

**10. Information on entities under common control (joint ventures):** None (31 December 2018: None).

**11. Information on finance lease receivables (Net):** None (31 December 2018: None).

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. Explanations Related to the Assets (Continued)

## 12. Information on tangible assets

	Prior Year			Closing Year
	31 December 2018	Additions	Disposals	31 December 2019
<b>Cost:</b>				
Real Estate	-	-	-	-
Vehicles	237	-	(237)	-
Other	24,389	3,811	(444)	27,756
<b>Total Cost</b>	<b>24,626</b>	<b>3,811</b>	<b>(681)</b>	<b>27,756</b>
	31 December 2018	Charge for the Year	Disposals	31 December 2019
<b>Accumulated Depreciation:</b>				
Real Estate	-	-	-	-
Vehicles	(237)	-	237	-
Other	(12,542)	(4,372)	425	(16,489)
<b>Total Accumulated Depreciation</b>	<b>(12,779)</b>	<b>(4,372)</b>	<b>662</b>	<b>(16,489)</b>
<b>Net Book Value</b>	<b>11,847</b>	<b>(561)</b>	<b>(19)</b>	<b>11,267</b>
	Prior Year			Closing Year
	31 December 2017	Additions	Disposals	31 December 2018
<b>Cost:</b>				
Real Estate	-	-	-	-
Vehicles	237	-	-	237
Other	18,875	7,834	(2,320)	24,389
<b>Total Cost</b>	<b>19,112</b>	<b>7,834</b>	<b>(2,320)</b>	<b>24,626</b>
	31 December 2017	Charge for the Year	Disposals	31 December 2018
<b>Accumulated Depreciation:</b>				
Real Estate	-	-	-	-
Vehicles	(233)	(4)	-	(237)
Other	(11,441)	(3,388)	2,286	(12,543)
<b>Total Accumulated Depreciation</b>	<b>(11,674)</b>	<b>(3,811)</b>	<b>2,286</b>	<b>(12,780)</b>
<b>Net Book Value</b>	<b>7,438</b>	<b>4,443</b>	<b>(34)</b>	<b>11,847</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### I. Explanations and Notes Related to the Assets (Continued)

##### 12. Information on tangible assets (Continued)

- a) If impairment amount on individual asset booked or reversed in the current period is material for the overall financial statements:
- Reason and conditions for booking or reversing impairment: The details for reason and conditions for booking or reversing impairment are given in note (12.b) of the report.
  - Amount of impairment booked or reversed in the financial statements: The details for amount recorded or reversed impairment in the financial statements are given in part (12.b) of the Report.
- b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: There is no material impairment provision set or cancelled in the current period:  
None (31 December 2018: None).  
There is no impairment accounted related to property and equipment in the current period (31 December 2018: None).
- c) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None (31 December 2018: None).

##### 13. Information on intangible assets:

	Prior Year 31 December 2018	Additions	Disposals	Current Year 31 December 2019
<b>Cost:</b>				
Leasehold improvements	-	-	-	-
Other intangible assets	123,462	12,653	(111)	136,004
<b>Total Cost</b>	<b>123,462</b>	<b>12,653</b>	<b>(111)</b>	<b>136,004</b>
	<b>31 December 2018</b>	<b>Charge for the Year</b>	<b>Disposals</b>	<b>31 December 2019</b>
<b>Accumulated Amortization:</b>				
Leasehold improvements	-	-	-	-
Other intangible assets	(20,965)	(11,246)	-	(32,211)
<b>Total Accumulated Amortization</b>	<b>(20,965)</b>	<b>(11,246)</b>	<b>-</b>	<b>(32,211)</b>
<b>Net Book Value</b>	<b>102,497</b>	<b>1,407</b>	<b>(111)</b>	<b>103,793</b>
	Prior Year 31 December 2017	Additions	Disposals	Current Year 31 December 2018
<b>Cost:</b>				
Leasehold improvements	-	-	-	-
Other intangible assets	110,575	12,887	-	123,462
<b>Total Cost</b>	<b>110,575</b>	<b>12,887</b>	<b>-</b>	<b>123,462</b>
	<b>31 December 2017</b>	<b>Charge for the Year</b>	<b>Disposals</b>	<b>31 December 2018</b>
<b>Accumulated Amortization:</b>				
Leasehold improvements	-	-	-	-
Other intangible assets	(12,480)	(8,485)	-	(20,965)
<b>Total Accumulated Amortization</b>	<b>(12,480)</b>	<b>(8,485)</b>	<b>-</b>	<b>(20,965)</b>
<b>Net Book Value</b>	<b>98,095</b>	<b>4,402</b>	<b>-</b>	<b>102,497</b>

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and Notes Related to the Assets (Continued)****13. Information on intangible assets (continued)**

- a) Disclosures for book value, description and remaining useful life for a specific intangible asset that is material to the financial statements: None (31 December 2018: None).
- b) Disclosure for intangible assets acquired through government grants and accounted for at fair value at initial recognition: None (31 December 2018: None).
- c) The method of subsequent measurement for intangible assets that are acquired through government incentives and recorded at fair value at the initial recognition: None (31 December 2018: None).
- d) The book value of intangible assets that are pledged or restricted for use: None (31 December 2018: None).
- e) Amount of purchase commitments for intangible assets: None (31 December 2018: None).
- f) Information on revalued intangible assets according to their types: None (31 December 2018: None).
- g) Amount of total research and development expenses recorded in income statement within the period if any: None (31 December 2018: None).
- h) Positive or negative consolidation goodwill on entity basis: None (31 December 2018: None).
- i) Information on goodwill: None (31 December 2018: None).
- j) Movements on goodwill in the current period: None (31 December 2018: None).

**14. Information on investment property:**

As of 31 December 2019, the Bank has TL 8,880 investment properties (31 December 2018: TL 9,187).

	<b>Current Period</b>	<b>Prior Period</b>
<b>Cost</b>		
Value at the Beginning of the Period	14,376	14,376
Movements During the Period	-	-
Acquisition	-	-
Disposals (-)	-	-
Transfer <sup>(1)</sup>	14,376	14,376
Period End Value	14,376	14,376
<b>Accumulated Depreciation</b>		
Value at the Beginning of the Period	(5,189)	(4,882)
Movements During the Period	-	-
Amortization Cost	(307)	(307)
Disposals	-	-
Transfer <sup>(1)</sup>	-	-
Period End Value	(5,496)	(5,189)
<b>Net Book Value</b>	<b>8,880</b>	<b>9,187</b>

The Bank does not have any rental income from investment property for the year ended 31 December 2019.

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations Related to the Assets (Continued)**

**15. Information on assets held for sale and discontinued operations:**

None (31 December 2018: None).

**16. Explanations on deferred tax:**

Deferred tax assets and liabilities are netted off as deferred tax liability in the balance sheet liabilities and explanations on deferred tax asset/liability for the current and previous period are given in Note 7 of Section Five.

**17. Information on other assets:**

Other assets exceed 10% of the balance sheet total (excluding off balance sheet commitments). The details of other assets are presented below.

Allocation of other assets:

	Current Period	Prior Period
Custody and fee accruals	22,466	14,407
Prepaid expenses	7,566	11,360
VIOP guarantees	6,461	18,954
Cash guarantees given	252	57
Stationary supplies	93	94
Other	487	1,656
<b>Total</b>	<b>37,325</b>	<b>46,528</b>

**II. Explanations and Notes Related to Liabilities**

**1. Explanations on deposits:**

- Information on maturity structure of deposits: The Bank is not authorized to accept deposits.
- Information on saving deposits under the guarantee of saving deposit insurance: The Bank is not authorized to accept deposits.
- Information on the saving deposits of the bank with head office abroad, if the saving deposits in the branches of the bank located in Turkey are under the guarantee of saving deposit insurance in that country abroad: The Bank's head office is in Turkey.
- Saving deposits not guaranteed by insurance: The Bank is not authorized to accept deposits.

**2. Information on derivative financial liabilities:**

- i. Information on derivative financial liabilities at fair value through profit or loss: None (31 December 2018: None).
- ii. Derivative financial liabilities at fair value through other comprehensive income: None (31 December 2018: None).

**3. Informations on funds borrowed:**

- Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From domestic banks and institutions	-	4,105,859	652,957	2,772,457
From foreign banks, institutions and funds	-	-	-	-
<b>Total</b>	<b>-</b>	<b>4,105,859</b>	<b>652,957</b>	<b>2,772,457</b>

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and Notes Related to Liabilities (Continued)**

b) Maturity analysis of Funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	4,105,859	652,957	2,772,457
Medium and long-term	-	-	-	-
<b>Total</b>	<b>-</b>	<b>4,105,859</b>	<b>652,957</b>	<b>2,772,457</b>

c) Additional explanation related to the concentrations of the Bank's major liabilities:

Bank's liabilities include taxes payables and other payables and cash collaterals, guarantee funds which members give for different markets.

**4. Information on Funds:**

a) Information on borrowers' funds: None (31 December 2018: None).

b) Information on other funds: The breakdown of funds which is the main liabilities of the Bank is as below:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash collaterals	6,893,305	2,415,950	4,461,236	1,599,097
Members' receivables	189,274	664,343	147,259	215,846
Expense accruals	1,741	-	2,616	-
Other <sup>(1)</sup>	40,813	-	71,524	-
<b>Total</b>	<b>7,125,133</b>	<b>3,080,293</b>	<b>4,682,635</b>	<b>1,814,943</b>

<sup>(1)</sup> Amounting of other consists of pool and guarantee fund accounts.

**5. Explanations on financial lease liabilities (net):**

a) Explanation on finance lease payables: None (31 December 2018: None).

b) Explanations regarding operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
Between 1-4 years	3,239	2,347	-	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>3,239</b>	<b>2,347</b>	<b>-</b>	<b>-</b>

**6. Information on provisions:**

a) Information on employee termination benefits and unused vacation accrual:

Under Turkish Labour Law, the Bank is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered, 25 August 1999 dated and 4447 numbered with 60th article that has been changed. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002. The provision for employment termination benefits of the Bank is calculated over the TL 6,379.86 (31 December 2018: TL 5,434.32) (full TL) which is the maximum amount of employment termination benefits.



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and Notes Related to Liabilities (Continued)

##### 6. Information on provisions: (continued)

a) Information on employee termination benefits and unused vacation accrual: (continued)

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The main assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of the employees. The provisions at the balance sheet date have been calculated assuming an annual inflation rate of 7.9% and interest rate 11.7% and a discount rate of 3.5% (31 December 2018: 13.5% inflation rate, 8.00% discount rate). The estimated rate of severance pay amount which is not paid and to be held in the bank as a result of optional leavings are also considered.

	Current Period	Prior Period
Total liabilities of employee terminations (Undiscounted)	12,861	11,498
Provision for employee termination (Presented in financial statements)	7,389	5,640
The ratio of provision to undiscounted total liabilities (%)	57.45	49.05

As of 31 December 2019, the Bank provided a reserve of TL 8,563 (31 December 2018: TL 7,045) for the unused vacation which classified under Reserve for Employee Benefits in the financial statements.

a.1) Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	5,640	5,900
Paid during the year	(1,389)	(1,366)
Actuarial (gain)/loss	1,476	(103)
Charge for the year	1,662	1,209
<i>Service charge</i>	752	560
<i>Interest charge</i>	910	649
<b>Total</b>	<b>7,389</b>	<b>5,640</b>

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## II. Explanations and Notes Related to Liabilities (Continued)

## 6. Information on provisions (Continued):

a.2) The reserve for employee benefits:

	Current Period	Prior Period
Unused vacation provision	8,563	7,045
<b>Total</b>	<b>8,563</b>	<b>7,045</b>

b) Information on other provisions:

b.1) Liabilities for pension funds established in accordance with "Social Security Institution": None (31 December 2018: None).

b.2) Breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period	Prior Period
Provisions for CMB's Share Fee <sup>(1)</sup>	15,797	14,413
Expected credit losses <sup>(2)</sup>	14,744	36,379
Provision for premiums	11,003	8,715
Provision for legal claims	3,592	3,894
<b>Total</b>	<b>45,136</b>	<b>63,401</b>

<sup>(1)</sup> According to the related article of the Bank's Capital Markets Law, the board share to be paid to the Capital Markets Board in 2019 consists of an expense accrual (CMB Board Share).

<sup>(2)</sup> Consists of 12 months expected credit loss provisions for non-cash loans.

	Current Period	Prior Period
Provisions for cases beginning balance	3,894	9,926
Additions	1,386	6,242
Payments (-)	(885)	(193)
Cancellations (-)	(803)	(12,081)
<b>Provisions for cases year end</b>	<b>3,592</b>	<b>3,894</b>

c) Liabilities Resulting from Retirement Benefits: None (31 December 2018: None).

c.1) Liabilities for pension funds established in accordance with "Social Security Institution": None (31 December 2018: None).

c.2) Liabilities resulting from all kinds of pension funds, foundations, which provide post-retirement benefits for the employees: None (31 December 2018: None).

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. Explanations and Notes Related to Liabilities (Continued)

##### 7. Explanations on taxes payable:

a) Information on current tax liability:

a.1) Corporate tax:

	Current Period	Prior Period
Provision for corporate taxes	145,852	134,385
Prepaid taxes (-)	113,451	91,258
<b>Corporate Income Tax Payable</b>	<b>32,401</b>	<b>43,127</b>

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	32,401	43,127
Taxation on securities	4,390	1,443
Banking insurance transaction tax (BITT)	3,410	3,272
Value added tax payable	119	203
Other	1,718	1,376
<b>Total</b>	<b>42,038</b>	<b>49,421</b>

a.3) Information on premiums:

	Current Period	Prior Period
Social security premiums-employer	714	563
Social security premiums-employee	673	523
Unemployment insurance-employer	97	76
Unemployment insurance-employee	48	37
<b>Total</b>	<b>1,532</b>	<b>1,199</b>

## İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FIVE (Continued)

## EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## II. Explanations and Notes Related to Liabilities (Continued)

## 7. Explanations on taxes payable: (Continued)

b) Explanations on deferred tax liabilities:

Distribution of deferred tax assets/(liabilities):

	Current Period		Prior Period	
	Accumulated Temporary Differences	Deferred tax asset/ (liability)	Accumulated Temporary Differences	Deferred tax asset/(liability)
Provisions for severance pay	7,389	1,478	5,640	1,128
Vacation pay liability	8,563	1,884	7,045	1,550
CMB Board share provision - other provision	15,797	3,475	14,413	3,171
Difference between fair value and amortised costs of financial assets measured at amortised costs	1,500	330	121	26
TFRS 9 provision for expected losses	36,090	7,940	51,763	11,388
Lawsuits and bonus	14,595	3,211	12,609	2,774
Interest accruals	21	5	-	-
TFRS 16 Leases	34	7		
<b>Deferred tax asset</b>	<b>83,989</b>	<b>18,330</b>	<b>91,591</b>	<b>20,037</b>
Differences between the book value of fixed assests and tax value	74,679	15,109	56,156	11,375
Financial instruments value difference - from swap transactions	40,015	8,803	-	-
<b>Deferred tax liability</b>	<b>114,694</b>	<b>23,912</b>	<b>56,156</b>	<b>11,375</b>
<b>Deferred tax liability</b>		<b>(5,583)</b>		<b>8,662</b>

Deferred tax asset transaction table:

	Current Period	Prior Period
<b>Previous period balance</b>	<b>8,662</b>	<b>(1,045)</b>
TFRS 9 expected loss provisions (opening effect)	-	8,326
Deferred tax income/(expense)	(14,540)	1,402
Deferred tax recognized under equity	295	(21)
<b>Deferred tax asset</b>	<b>(5,583)</b>	<b>8,662</b>

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)**

**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Notes Related to Liabilities (Continued)**

**8. Information on Shareholders' Equity:**

**a) Presentation of Paid-in capital:**

	Current Period	Prior Period
Common stock <sup>(1)</sup>	600,000	600,000

<sup>(1)</sup> As of 31 December 2019, the Bank has totally 6,000,000,000 issued share certificates

**b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank if so, and amount of registered share capital ceiling:**

Registered share capital system is not applied as of the balance sheet date (31 December 2018: Not applied).

**c) Other information on the share of capital increased through capital contributions performed during the current period and capital funds:**

None (31 December 2018: None).

**d) Information on share capital increases from capital reserves during the current period:**

None (31 December 2018: None).

**e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:**

None (31 December 2018: None).

**f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:**

Due to the Bank's liquid position and good relations with other banks, the Bank has the means to provide low cost financing and place it in domestic market which leads to profits. In parallel with this, if similar circumstances will occur in the future, it can be predicted that profitability will increase and this will improve the equity of the Bank with retained profits.

**g) Information on preferred shares:**

As of 31 December 2019, the Bank has no preferred shares (31 December 2018: the Bank has preferred shares with a nominal value of TL 200 (full TL)).

**h) Information on marketable securities valuation reserve:**

None (31 December 2018: None).

**i) Information on extraordinary reserves:**

	Current Period	Prior Period
Reserves appropriated by the General Assembly	922,184	523,901
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Capital Exchange Difference	-	-
<b>Total</b>	<b>922,184</b>	<b>523,901</b>

**j) Information on past year profit distribution:**

In accordance with the decision taken at the Bank's Ordinary General Assembly held on 19 April 2019, the bank transferred TL 28,487 as a legal reserves, from TL 479,740 distributable net profit of the prior period and TL 22,030 as an extraordinary reserves from TL 376,253 prior period profit. TL 75,000 dividend was paid to the shareholders.

**k) Information on minority shares:**

None (31 December 2018: None).

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. Explanations and Notes Related to the Off-Balance Sheet Accounts****1. Information on off-balance sheet liabilities:**

a) Nature and amount of irrevocable loan commitments: None (31 December 2018: None).

b) Possible losses and commitments related to off-balance sheet items including items listed below:

b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits: There are no non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits as of the balance sheet date.

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	-	-
With Original Maturity of One Year or Less	-	-
With Original Maturity of More than One Year	-	-
Other non-cash loans <sup>(1)</sup>	18,946,779	17,086,287
<b>Total Non-Cash Loans</b>	<b>18,946,779</b>	<b>17,086,287</b>

<sup>(1)</sup> Guarantees given to Takasbank Money Market, Securities Lending Market, Debt Securities Market, BİAŞ Money Market, Share Market and Futures and Options Market, Swap Market and over the counter derivative market (OTC)

Information on sectorial risk breakdown of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>								
Farming and Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Industry	-	-	-	-	-	-	-	-
Mining and Quarry	-	-	-	-	-	-	-	-
Manufacturing Industry	-	-	-	-	-	-	-	-
Electric, Gas and Water	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
<b>Services</b>	<b>18,946,779</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>17,086,287</b>	<b>100</b>	<b>-</b>	<b>-</b>
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	-	-	-	-	-	-
Financial Institutions	18,946,779	100	-	-	17,086,287	100	-	-
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>18,946,779</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>17,086,287</b>	<b>100</b>	<b>-</b>	<b>-</b>

# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### III. Explanations and Notes Related to Off-Balance Sheet Accounts (Continued)

##### 1. Information on off-balance sheet liabilities (continued):

Information on Group I and II non-cash loans:

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-cash loans</b>	<b>18,946,779</b>	-	-	-
Letters of Guarantee	-	-	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issuance	-	-	-	-
Factoring Commitments	-	-	-	-
Other Commitments and Contingencies	18,946,779	-	-	-

b.2) Guarantees, temporary guarantees, collateral and other warranties: None (31 December 2018: None).

b.3) Explanation of irrevocable commitments:

Associates and Subsidiary Capital Affiliate Commitments:

	Current Period		Prior Period	
	TL	FC	TL	FC
Capital commitment for the BAP Market (to the Bank Central Counterparty)	3,750	-	3,750	-
<b>Total</b>	<b>3,750</b>	<b>-</b>	<b>3,750</b>	<b>-</b>

Explanation of irrevocable commitments:

	Current Period		Prior Period	
	TL	FC	TL	FC
Capital commitment for Debt Instruments Market (Bank is central counterparty services)	143,714	-	11,250	-
Capital commitment for Derivatives Market (Bank is central counterparty services)	121,022	-	57,980	-
Capital commitment for Swap Market (Bank is central counterparty services)	81,501	-	11,315	-
Capital commitment for the OTC Market (Bank is central counterparty services)	32,758	-	-	-
Capital commitment for Stock Exchange (Bank is central counterparty services)	26,474	-	12,981	-
Capital commitment for Lending Market (Bank is central counterparty services)	3,782	-	2,596	-
Capital commitment for Money Market (Bank is central counterparty services (CCP))	1,702	-	1,731	-
<b>Total</b>	<b>410,953</b>	<b>-</b>	<b>97,853</b>	<b>-</b>

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. Explanations and Notes Related to Off-Balance Sheet Accounts (Continued)****1. Information on off-balance sheet liabilities (continued):**

Disclosure of Allocations:

	Current Period		Prior Period	
	TL	FC	TL	FC
Capital allocations for Debt Instruments Market (Bank is central counterparty services)	68,001	-	21,561	-
Capital allocations for Derivatives Market (Bank is central counterparty services)	57,264	-	111,122	-
Capital allocations for Swap Market (Bank is central counterparty services)	38,564	-	21,685	-
Capital allocations for the OTC Market (Bank is central counterparty services)	15,500	-	-	-
Capital allocations for Stock Exchange (Bank is central counterparty services)	12,526	-	24,878	-
Capital allocations for Lending Market (Bank is central counterparty services)	1,790	-	4,976	-
Capital allocations for Money Market (Bank is central counterparty services (CCP))	805	-	3,317	-
<b>Total</b>	<b>194,450</b>	<b>-</b>	<b>187,539</b>	<b>-</b>

Explanation related to Guarantees

The total valuation of the market collateral in the markets where the Bank is the Central Counterparty is TL 23,316,676 Thousand (31 December 2018: TL 10,511,690), the total of the valued guarantee fund is TL 2,815,303 (31 December 2018: TL 1,010,460).

c) Information related to Non-Cash Loans:

As the Bank functions as a bridge between seller and buyer in money market operations in which bank has a market maker role and guarantees that the debts will be paid, bank follows the risks which occurred in this market in non-cash loans accounts. Takasbank, as central counterparty services, guarantees market transactions in securities lending market, BİAŞ money market, and forward and options market.

The limits are defined for the members and it is required to have continued guarantees. A limit is set for members for Takasbank Money Market, Loan Share Market, and Derivatives Exchange Market and there is a continuing guarantee for these limits. These mentioned guarantees are hold in bank as defined credit limits' multiples according to their liquidity.

d) Information related to investment securities held in custody: the investment securities held in custody, TL 4,112,178,649 (31 December 2018: TL 3,592,018,661) of the TL4,111,952,280 (31 December 2018: TL 3,591,786,440) balance of investment securities held in custody are investment funds as the other TL 226,369 (31 December 2018: TL 232,221) balance consists of share certificate held in custody.



# NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

## SECTION FIVE (Continued)

### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and Notes Related to the Statement of Profit or Loss

##### 1. Information on interest on loans:

##### a) Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	8,211	-	14,677	-
Medium/long-term loans	-	-	-	-
Interest on loans under follow-up	-	-	-	-
Premiums received from resource utilisation support fund	-	-	-	-
<b>Total</b>	<b>8,211</b>	<b>-</b>	<b>14,677</b>	<b>-</b>

##### b) Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	500	-	75
Domestic banks	490,095	160,689	460,197	194,184
Foreign banks	-	-	-	-
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>490,095</b>	<b>161,189</b>	<b>460,197</b>	<b>194,259</b>

##### c) Interest received from marketable securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
From financial assets at fair value through profit or loss	-	-	-	-
From financial assets at fair value through other comprehensive income	-	-	-	-
From financial assets measured at amortised cost	23,210	10,787	7,207	-
<b>Total</b>	<b>23,210</b>	<b>10,787</b>	<b>7,207</b>	<b>-</b>

##### d) Information on interest income received from associates and subsidiaries:

None (31 December 2018: None).

##### e) Other information:

None (31 December 2018: None).

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations and Notes Related to the Statement of Profit or Loss (Continued)****2. Information on interest expense****a) Information on interest on funds borrowed:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	184,636	-	152,164	-
The Central Bank of Turkey	-	-	378	-
Domestic banks	184,636	-	151,786	-
Foreign banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Other financial institutions	84	-	-	-
<b>Total</b>	<b>184,720</b>	<b>-</b>	<b>152,164</b>	<b>-</b>

**b) Information on interest expense to associates and subsidiaries:**

None (31 December 2018: None).

**c) Information on interest expense to marketable securities issued:**

None (31 December 2018: None).

**d) Distribution of interest expense on deposits based on maturity of deposits:**

None (31 December 2018: None).

**3. Information on dividend income:**

	Current Period	Prior Period
Financial assets at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	276	600
Other (MKK)	37,642	-
<b>Toplam</b>	<b>37,918</b>	

**4. Information on net trading income:**

	Current Period	Prior Period
<b>Income</b>	<b>335,508</b>	<b>24,839</b>
Gains on capital market operations	13	-
Foreign exchange gains	288,153	24,839
Gains on derivative financial instruments	47,342	-
<b>Losses (-)</b>	<b>(266,491)</b>	<b>(17,266)</b>
Losses on capital market operations	-	-
Foreign exchange losses	(253,051)	(17,266)
Losses on derivative financial instruments	(13,440)	-
<b>Total (Net)</b>	<b>69,017</b>	<b>7,573</b>

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations and Notes Related to the Statement of Profit or Loss (Continued)****5. Information on other operating income:**

	Current Period	Prior Period
Provisions no longer required	23,416	2,773
Collection of prior year expenses	383	256
Income from sales of the assets	251	5
Other income	240	26
<b>Total</b>	<b>24,290</b>	<b>3,060</b>

In the fifth section and fourth part Note 11, details of sub-accounts of balances that are grouped under "Others" section that constitute at minimum 20% of the balances under "Other" section are included if the accounted under "Other" section excludes 10% of the total balance of the Income Statement.

Information about the factors that affect the Bank's profit materially and including new developments and the amount and quality of extraordinary accounts: None (31 December 2018: None).

**6 Explanations on Banks' expected credit loss:**

	Current Period	Prior Period
<b>Expected credit loss</b>	<b>5,962</b>	<b>13,918</b>
12 month expected credit loss (Stage 1)	5,962	13,918
Significant increase in credit risk (Stage 2)	-	-
Non-performing loans (Stage 3)	-	-
<b>Marketable securities impairment expense</b>	-	-
Financial assets at fair value through profit/loss	-	-
Financial assets at fair value through other comprehensive income	-	-
<b>Impairment provision for associates, subsidiaries and joint ventures</b>	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
<b>Other</b>	-	-
<b>Expected credit loss</b>	-	-
<b>Total</b>	<b>5,962</b>	<b>13,918</b>

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations and Notes Related to the Statement of Profit or Loss (Continued)****7 Information on other operating expenses:**

	<b>Current Period</b>	<b>Prior Period</b>
Personnel expenses <sup>(1)</sup>	79,340	58,608
Intangible amortization expenses	1,662	1,209
Tangible amortization expenses	-	-
Provisions for termination indemnities	-	-
Deficit provision for pension funds	4,679	3,699
Tangible impairment expenses	-	-
Intangible impairment expenses	-	-
Impairment losses on goodwill	11,246	8,485
Impairment expenses of equity participations for which equity method is applied	-	-
Impairment losses on assets to be disposed	-	-
Depreciation expenses on assets to be disposed	-	-
Impairment losses on assets held for sale	-	-
Other operating expenses	39,961	28,171
- Leasing expenses related to TFRS 16 exceptions <sup>(2)</sup>	4,529	4,864
- Advertisement expenses	329	362
- Repair and maintenance expenses	3,458	2,817
- Other expenses	31,645	20,128
Loss on sale of assets	11	30
Other <sup>(3)</sup>	39,209	31,775
<b>Toplam</b>	<b>176,108</b>	<b>131,977</b>

<sup>(1)</sup> "Personnel Expenses", which is a separate item in the profit or loss statement, is also included table above.<sup>(2)</sup> 31 December 2018 amounts include all operating lease expenses.<sup>(3)</sup> Other operating expenses consists of provisions for capital market board's share fee, legal claims and unused vacation.

a) The Bank presents deferred tax asset and the resulting deferred tax benefit in its financial statements.

	<b>Current Period</b>	<b>Prior Period</b>
Current income tax charge	(145,852)	(134,385)
Deferred tax charge	(14,540)	1,402
<b>Total</b>	<b>(160,392)</b>	<b>(132,983)</b>

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations and Notes Related to the Statement of Profit or Loss (Continued)****8. Information on continued and discontinued operations from tax provisions:**

b) Deferred tax on temporary differences:

	Current Period	Prior Period
TFRS 9 - Provisions for expected credit losses	(3,448)	(3,986)
Provision for employee termination	350	(52)
Deferred tax expense recognized under equity	(295)	(21)
Provision for legal claims and premium	437	789
Interest accruals	5	(69)
Difference between internal rate of return and market value of government debt securities measured at amortised cost	304	26
Unused vacation provision	334	201
Provisions for capital market board's share fee	304	900
Difference between book value and tax value of fixed assets	(3,734)	3,614
Derivative financial assets	(8,803)	-
Valuation of financial assets	6	-
<b>Total</b>	<b>(14,540)</b>	<b>1,402</b>

**Tax reconciliation:**

	Current Period	Prior Period
Profit before tax	776,380	612,723
Corporate tax rate	22%	22%
Calculated tax	(170,804)	(134,799)
Additions	(53,663)	(43,281)
Deductions	64,075	45,097
<b>Tax expense</b>	<b>(160,392)</b>	<b>(132,983)</b>

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations and Notes Related to the Statement of Profit or Loss (Continued)****9. Information on net profit/loss from continued and discontinued operations:**

As of 31 December 2019, net profit after tax of the Bank is TL 615,988 (31 December 2018: TL 479,740).

**10. The explanations on net income/loss for the period:**

- a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding Bank's performance for the period: None (31 December 2018: None).
- b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: There is no effect of changes in accounting estimates on income statement for the current period (31 December 2018: None).
- c) Profit/loss attributable to minority shares: There is no profit or loss attributable to minority shares as of the balance sheet date (31 December 2018: None).

**11. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:**

	Current Period	Prior Period
<b>Other fees and commissions</b>		
Commissions on options exchange	76,917	54,061
Service commissions	73,811	35,455
Custody commissions	51,760	36,043
Customer account maintenance commissions	30,846	28,001
Transfer commissions	10,351	7,703
Bank transfer transactions	11,591	10,186
Other	19,911	16,344
<b>Total</b>	<b>275,187</b>	<b>187,793</b>

**12 Information on Group I and II non-cash loans:**

	Current Period	Prior Period
Central Securities depository commissions	8,220	8,040
Electronic fund transfer commissions	2,502	2,076
BIST commission	9,574	6,614
Other commissions	9,435	7,606
<b>Fees and commissions expense</b>	<b>29,731</b>	<b>24,336</b>

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### IV. Explanations and Notes Related to the Statement of Profit or Loss (Continued)

##### 12 Information on Group I and II non-cash loans: (Continued)

a) Nature and amount of changes in accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods:

None. (31 December 2018: None).

#### V. Explanations and Notes Related To Statement of Cash Flows

##### 1. The effects of the other items stated in the cash flow statement and the changes in foreign currency Exchange rates on cash and cash equivalents:

"Other items" amounting to TL 379,010 (31 December 2018: TL (178,693)) in "Operating profit before changes in operating assets and liabilities" consist of personnel expenses, dividend income, trading gain or losses and other operating expenses.

"Net increase/decrease in other liabilities" amounting to TL 3,698,024 (31 December 2018: TL 488,242) in "Changes in operating assets and liabilities" consists of changes in sundry creditors and other liabilities. "Net increase/decrease in other assets" with a total amount of TL 9,608 (31 December 2018: TL 24,321) consists of changes in sundry debtors and other assets.

The effect of changes in foreign currencies on cash and cash equivalents is TL (319,424) (31 December 2018: TL 275,400).

##### 2. Cash and cash equivalents in the beginning and at the end of the period:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flows statement:

Beginning of the Period	31 December 2019	31 December 2018
<b>Cash</b>	<b>79,037</b>	<b>480</b>
Cash in TL/Foreign Currency	60	37
Central Bank - Unrestricted amount	78,977	443
Other	-	-
<b>Cash equivalents</b>	<b>11,530,101</b>	<b>10,184,317</b>
Banks	10,884,838	10,163,484
Money market placements	645,263	20,833
<b>Total Cash and Cash Equivalents</b>	<b>11,609,138</b>	<b>10,184,797</b>
Accruals (-)	(29,943)	(25,173)
<b>Total cash and cash equivalents in cash flow statement</b>	<b>11,579,195</b>	<b>10,159,624</b>

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****V. Explanations and Notes Related To Statement of Cash Flows (Continued)****2. Cash and cash equivalents in the beginning and at the end of the period: (Continued)**

<b>Closing of the Period</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
<b>Cash</b>	<b>840</b>	<b>79,037</b>
Cash in TL/Foreign Currency	36	60
Central Bank - Unrestricted amount	804	78,977
Other	-	-
<b>Cash equivalents</b>	<b>15,668,702</b>	<b>11,530,101</b>
Banks	15,639,364	10,884,838
Money market placements	29,338	645,263
<b>Total Cash and Cash Equivalents</b>	<b>15,669,542</b>	<b>11,609,138</b>
Accruals (-)	(9,500)	(29,943)
<b>Total cash and cash equivalents in cash flow statement</b>	<b>15,660,042</b>	<b>11,579,195</b>

**VI. Explanations and notes related to risk group of the Bank****1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:**

a) Current Period:

<b>Bank's Risk Group</b>	<b>Subsidiaries, associates and entities under common control (Joint Ventures)</b>		<b>Direct and indirect shareholders of the Bank</b>		<b>Other entities included in the risk group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans and other receivables						
Balance at beginning of the period	-	-	16,374	3,964,840	-	-
Balance at end of the period	-	-	154,942	1,200,782	-	-
Interest and commission income	3,483	-	14,265	10,760	54	2,190



## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

### SECTION FIVE (Continued)

#### EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### VI. Explanations and notes related to risk group of the Bank (Continued)

##### 1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances: (Continued)

b) Prior Period:

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of the period <sup>(1)</sup>	-	-	144,797	2,666,698	100,108	-
Balance at end of the period <sup>(1)</sup>	-	-	16,374	3,964,840	-	-
Interest and commission income	1,689	-	24,832	19,555	2,403	6,850

<sup>(1)</sup> 31 December 2018 amounts are expressed.

c) Information on related party deposits balances: None (31 December 2018: None).

d) Information on forward and option agreements and other similar agreements made with related parties: None (31 December 2018: None).

##### 2. Disclosures for the risk group of the bank:

- The relations of the bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not: None (31 December 2018: None).
- Besides the structure of relationship, nature of the transaction, amount and ratio to the volume of transactions, amount of major items and ratio to all items, pricing policies and other factors: None (31 December 2018: None).
- In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements: None (31 December 2018: None).
- Transactions accounted for under the equity method: None (31 December 2018: None).
- Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees and management contracts: None (31 December 2018: None).

**İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))  
(Convenience Translation of Publicly Announced Unconsolidated Financial Statements)

**SECTION FIVE (Continued)****EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****VII. Explanations and Notes on the Bank's Domestic Branches, Agencies and Branches Abroad and Off-Shore Branches****1. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches:**

	Number	Employees	Country			Total Asset	Capital
Domestic branches	1	298					
Rep-offices abroad	-	-					
Branches abroad	-	-				-	-
Off-shore branches	-	-				-	-

**2. Explanations on branch and agency openings or closings and on substantial change in the organization of the Bank:**

None.

**VIII. Explanations and Notes Related To Subsequent Events**

None.

**IX. Other Explanations**

None.

**SECTION SIX****INDEPENDENT AUDITORS' REPORT****I. Explanations on the Independent Auditors' Report**

The unconsolidated financial statements for the twelve month period ended 31 December 2019 were audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Auditors' Report dated 5 March 2020 is presented in the introduction of this report.

**II. Other Footnotes and Explanations Prepared by Independent Auditor**

None.





[www.takasbank.com.tr](http://www.takasbank.com.tr)

