



İstanbul Takas ve Saklama Bankası A.Ş.

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UNCONSOLIDATED

INTERIM ANNUAL REPORT

Istanbul Takas ve Saklama Bankası A.Ş. 2023 I. Interim Period Annual Report

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Evaluation of the Chairman of the Board of Directors for the Period

With the slowdown in economic activity at the end of 2022, the global economy started 2023 with recession concerns. Last year, record levels were seen in inflation due to the pandemic that started in 2019 and the effects of the Russia-Ukraine war that started in February 2022. The tight monetary and fiscal policies implemented by global central banks to limit the rise in inflation caused growth to be suppressed. In its latest report, the IMF revised its global economic growth forecast from 2.9% to 2.8% this year; It also decreased from 3.1% to 3% for 2024. On the other hand, after the bankruptcies in the USA and the crisis in Credit Suisse resulted in the sale of the bank to UBS, the vulnerabilities in the banking sector became the focus. While the crisis caused financial uncertainty, it also increased the expectations for recession.

After the bankruptcies in the USA, expectations of relaxation in the tight monetary policy implemented by the Fed occurred. However, by prioritizing inflation, the Fed increased interest rates by 25 basis points in May and increased interest rates to 5.00-5.25%, thus increasing interest rates by 500 basis points in total since the beginning of 2022. While the European Central Bank continued to raise interest rates within the scope of the fight against inflation, it increased the interest rate by 125 basis points in total to 3.75%-4.00% in the meetings held in February, March and May. Despite the decline in global commodity prices due to the slowdown in economic activity, favorable winter conditions and the restoration of flow in commodity trade in 2023, prices remained above pre-pandemic levels.

The Chinese economy, which entered 2023 without covid restrictions, recorded a faster-than-expected growth in the first quarter, growing by 4.5% on an annual basis. While the economic growth is due to the increase in household expenditures and industrial activity, the recovery in the world's second largest economy is important in terms of contributing to global growth.

Despite the slowdown in global activity, the Turkish economy grew by 5.6% in 2022 with the contribution of domestic consumption. It is expected that the devastating effects of the earthquake that took place on 6 February in our country will have a negative impact on the growth figures for the upcoming period, but this effect will be eliminated with the expenditures made for reconstruction. Despite the negativities caused by the earthquake in production and supply, exports in the first quarter of 2023 increased by 2.5% compared to the same period of the previous year and amounted to 61 billion 588 million dollars. In order to ensure that the financial conditions were supportive after the earthquake, the CBRT lowered the policy rate by 50 basis points to 8.5% at the MPC meeting in February. On the other hand, the annual course of inflation has been on a downward trend since November due to the base effect, and the fact that both food and non-food prices increased below last year's level was effective in the decline in inflation in this period. In the coming period, the contribution of the policies that support the increase of investment, employment, production and export capacity, which Turkey has implemented with determination, to the economy will be monitored. Takasbank effectively continued its services to the money and capital markets of our country in the third quarter of 2022, and carried out an effective management in line with international examples, especially in the management of risks and guarantees arising from the markets it serves as a central counterparty.

Our projects and initiatives to develop and diversify the services offered to the markets, especially the central counterparty service, are carried out in line with the demands of the sector and taking into account the needs of our country. Efforts to strengthen our technological infrastructure continued in this period as well, in order to manage operational risks originating from IT and to continue to provide Takasbank services in a fast, effective and uninterrupted manner.

Evaluation of the Chairman of the Board of Directors for the Period (Continued)

With its strategic perspective and effective management policies, our Bank has achieved a pre-tax profit of TL 115 million as of September 30, 2023, its asset size has reached TL 687.2 billion and its shareholders' equity has reached TL 4.6 billion. Thanks to our preparedness for risks and our technical competence, our business continuity will be maintained in the upcoming period, and new products and services will continue to be developed in harmony with Group companies.

On the other hand, as a result of the earthquake disaster that took place in our country on February 6, 2023 and caused a great destruction, our Bank is making its contribution to heal the wounds of our citizens affected by the earthquake and will support the works to be carried out in this context in the coming period.

On behalf of myself and our Board of Directors, I would like to thank all our shareholders, especially our employees and managers, who have a share in the successful performance of our bank.

Best regards,

Mahmut KAYACIK
Chairman of the Board of Directors

Evaluation of the CEO for the Period

Takasbank continued to contribute to the development of Turkish capital markets and displayed a successful performance in the first three months of 2023.

In the first three months of 2023, due to the increase in market transaction volumes and the widening in Takasbank's service profile, our fee and commission revenues increased significantly above the budget projections and the realizations in the same period last year and reached 545 million TL, and our profit before tax was 115 million TL. As of 31 March 2023, Takasbank's asset size has reached 87.2 billion TL, its shareholders' equity has reached 4.6 billion TL and its total cash collateral size has reached 64.3 billion TL.

As of 31 March 2023; In Borsa Istanbul (BİAŞ) Debt Securities Market Outright Purchases and Sales Market and Repo-Reverse Repo Market, a total of 78.20 billion TL transactions were realized, of which 3,309.27 billion TL was private sector bond transactions. Regarding the transactions in the market; As a result of multilateral netting in the Takasbank system, a total of 1,225.29 billion TL cash swap and 2,266.90 billion TL market value securities clearing transaction were realized. In the BİAŞ Swap Market, a total of 573.26 billion TL of bilateral transactions were made, of which 29.65 billion USD and 6.88 billion EUR transactions.

6,571.98 billion TL transactions were realized in BİAŞ Equity Market, 216.75 billion TL cash and 832.93 billion TL securities swap transactions were realized.

As of 31 March 2023, the number of open positions in the Futures and Options Market was 10,498,941 and the open position value was 100.55 billion TL. Open position value in the OTC Market was 10.3 billion TL.

The transaction volume in Takasbank Money Market, one of the markets operated by Takasbank, reached the level of TL 2,084 trillion in the nine-month period, while the total number of transactions was 123,206. While the average daily transaction volume was 32.1 billion TL, the average transaction size was 16.9 million TL.

In the Equity Lending Market, 46 different securities were traded in a nine-month period 349.71 million transactions were realized on a unit basis, and the total transaction volume was 12.08 billion TL. The transaction volume in the Turkish Electronic Fund Trading Platform (TEFAS) was 304.90 billion in the nine-month period TL, the number of funds traded was 492. While the average daily transaction volume was TL 4.69 billion, the number of transacting institutions was 97. The transaction volume in the Private Pension Fund Trading Platform (BEFAS) was 2,52 billion in the nine-month period TL, the number of funds traded was 281. While the average daily transaction volume was TL 38.76 million, the number of transacting institutions was 15.

Regarding private pension fund services; As of 31 March 2023 the fund asset value of 375 individual pension mutual funds stood at TL 453,8 billion. In the same period, total fund asset value of 1391 mutual funds is 802.9 billion TL, total fund asset value of 132 real estate investment funds is 36,7 billion TL, total fund asset value of 239 venture capital investment funds is 48.9 billion TL, total fund asset value of 16 exchange traded funds is 44,1 billion TL and the total net asset value of 10 securities investment trusts was 902,9 million TL.

Evaluation of the CEO for the Period (Continued)

Within the scope of the cash loan service offered by Takasbank to intermediary institutions, a daily average of 3,416.5 million TL of cash loans was extended.

In the three month period of 2023, Takasbank continued its efforts to deepen the markets and strengthen its information technology infrastructure with its development activities for the management of financial risks, within the framework of its vision of “contributing to the development of markets with reliable and effective post-transaction services”.

On the other hand, after the earthquake disaster that took place in our country on February 6, 2023 and was effective in a very large geography, our Bank started to contribute its social responsibility awareness in order to meet the needs of our citizens who were affected by the earthquake, to rebuild the region and to heal the wounds caused by the earthquake. We will continue to support our citizens affected by the earthquake in the next period.

I would like to thank everyone, especially our employees, who contributed to the success of our Bank, which has shown a successful financial performance by maintaining its services effectively and uninterruptedly in these days when our country is going through a difficult period along with the rest of the world.

Best regards,

Avşar R. SUNGURLU
General Manager
Board Member

Bank's Historical Development

The Bank which was originally established as a department of the Borsa İstanbul Inc. ("BİAŞ") and started its operations under the name of İMKB Takas ve Saklama A.Ş. on 12 July 1991 has been transformed to a non-deposit taking bank on 8 August 1995 with the name of İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.) upon the resolution of the Council of Ministers No. 95/6551 published in the Official Gazette dated 23 March 1995. In its 18th Ordinary General Assembly dated 29 March 2013, the title of the Bank has been changed to İstanbul Takas ve Saklama Bankası A.Ş. (İstanbul Settlement and Custody Bank Inc.)

Shareholding Structure

Takasbank's paid-in capital is 600 million TL. The Bank has 39 shareholders, and BİAŞ has 64.18%, 11 banks have 17.04% and 27 brokerage houses have 18.78% shares in its capital.

Shareholder Name	Paid-in-Capital (Thousand TL)	Percentage Share (%)
Borsa İstanbul A.Ş.	385,067	64.18
Tacirler Yatırım Menkul Değerler A.Ş.	30,000	5.00
Phillip Capital Menkul Değerler A.Ş.	30,000	5.00
Türkiye Garanti Bankası A.Ş.	29,685	4.95
Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,280	4.38
Türkiye Vakıflar Bankası T.A.O.	26,235	4.37
Türkiye İş Bankası A.Ş.	26,235	4.37
Diğer (Aracı kurum)	26,397	4.40
Diğer (Banka)	20,101	3.35
Total	600,000	100

Names and shares of the real or legal persons holding more than 10% of the capital:

Title	Share Amount (Thousand TL)	Percentage Share (%)
Borsa İstanbul A.Ş.	385,067	64.18

Share transfer of our shareholders within the reporting period: None.

Branch and Personnel Information

The Bank's number of employees is 362 and it does not have any branch. The Bank is operating as a Head Office

Board of Directors, Auditors, CEO and Executive Vice Presidents

Chairman and Members of the Board of Directors	
Name Surname	Area of Responsibility
Mahmut Kayacık	Chairman
Korkmaz Ergun	Deputy Chairman of the Board
Murat Tacir	Member (Risk Committee Chair - Audit Committee Member)
Gülseren Topuz	Member (Corporate Governance Committee Chair - Credit Committee Permanent Member)
Münevver Çetin	Member (Audit Committee Chair - Risk Committee Member)
Murat Onuk	Member (Credit Committee Permanent Member - Corporate Governance Committee Member)
Avşar R. Sungurlu	Member (General Manager - Credit Committee Chair)
Bekir Bayrakdar	Member (Remuneration Committee Chair - Credit Committee Substitute Member)
Yusuf Karaloğlu	Member (Remuneration Committee Member - Credit Committee Substitute Member)
CEO and Executive Vice Presidents	
Name Surname	Area of Responsibility
Avşar R. Sungurlu	General Manager and Board Member - Credit Committee Chair
Gökhan Elibol	Vice President – Markets and Operation
Murat Görgün	Vice President - Central Counterparty and Financial Services
Taşkın Öker	Vice President – Information Technology

Information Related to Transactions the Bank Performs Conducts with its Risk Group

As part of the transactions conducted with the risk group to which Takasbank belongs, the transactions executed with the Bank's major shareholder Borsa Istanbul and those conducted with the institutions in which the members of the Board of Directors of our Bank serve as general manager or board member are taken into account.

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Venture) (Thousand TL)		Direct and indirect shareholders of the Bank (Thousands of TL)		Other real persons and legal entities included in the risk group (Thousand TL)	
	Cash	Non-Cash	Cash	Non-Cash	Non-Cash	Cash
Loans and Other Receivables						
Opening Balance at the Beginning of the Period	-	-	2,107,175	34,398,499	-	-
Closing Balance at the end of the Period	-	-	3,396,568	18,298,593	-	-
Received Interest and Commission Income	17,785	-	319,078	30,568	54,388	-

Evaluation on the Bank's Financial Indicators and Performance

ASSETS (Thousand TL)	31 March 2023
Financial Assets (net)	75,784,217
<i>Cash and Cash Equivalents</i>	75,514,829
<i>Cash and Balances with Central Bank</i>	2,870,757
<i>Banks</i>	72,718,869
<i>Money Markets</i>	-
<i>Expected Loss Reserves (-)</i>	74,797
<i>Financial Assets at Fair Value Through Other Comprehensive Income</i>	246,384
<i>Derivative Financial Assets</i>	4,332
Financial Assets Measured at Amortised Cost (net)	18,672
<i>Loans</i>	10,403,595
<i>Other Financial Assets Measured at Amortised Cost</i>	5,520,780
<i>Expected Credit Losses (-)</i>	4,891,550
Investments in Associates, Subsidiaries and Joint Ventures	8,735
Tangible Assets (net)	4,825
Intangible Assets and Goodwill (net)	67,529
Investment Properties (net)	143,413
Current Tax Assets	141,630
Deferred Tax Assets	-
Other Assests	21,552
Total Assets	87,190,263
LIABILITIES (Thousand TL)	31 March 2023
Loans Received	1,584,666
Payables to Money Markets	-
Funds	80,595,267
<i>Other</i>	80,595,267
Derivative Financial Liabilities	-
Lease Payables	3,546
Provisions	174,566
<i>Provision for Employee Benefits</i>	74,456
<i>Other Provisions</i>	100,110
Current Tax Liabilities	230,058
Deferred Tax Liability	-
Shareholders` Equity	4,602,160
Total Liabilities	87,190,263

Evaluation on the Bank's Financial Indicators and Performance (Continued)

Statement of Profit or Loss(Thousand TL)	31 March 2023
Interest Income	653,839
Interest Expense (-)	54,570
Net Interest Income/Expense	599,269
Net Fees and Commission Income/Expense	491,021
Dividend Income	-
Net Trading Income/Losses	(14,680)
Other Operating Income	96,121
Total Operating Profit	1,171,731
Expected Credit Losses (-)	-
Other Provisions (-)	80,283
Personnel Expenses (-)	121,145
Other Operating Expenses	855,216
Net Operating Profit/Loss	115,087
Provision for Taxes (-)	(23,752)
Net profit/loss	91,335

Financial Ratios	31 March 2023
Operating Income / Total Assets	0.13
Shareholders Equity / Total Assets	5.28
Operating Income / Shareholders Equity	2.50
Net Interest Income / Operating Income	51.14

Evaluation on the Bank's Financial Indicators and Performance (Continued)

ASSETS (Thousand TL)	31 December 2022
Financial Assets (Net)	79,444,360
<i>Cash and Cash Equivalents</i>	79,375,320
<i>Cash Values and Central Bank</i>	1,029,858
<i>Banks</i>	78,433,306
<i>Receivables From Money Markets</i>	-
<i>Expected Loss Reserves (-)</i>	87,844
Financial Assets at Fair Value Through Other Comprehensive Income	64,708
Derivative Financial Assets	4,332
Financial Assets Measured by Amortized Cost (Net)	5,578,599
<i>Credits</i>	2,681,206
<i>Other Financial Assets Measured by Amortized Cost</i>	2,901,106
<i>Expected Loss Reserves (-)</i>	3,713
Partnership Investments	4,825
Property, Plant and Equipment (Net)	32,355
Intangible Assets (Net)	125,517
Investment Properties (Net)	141,630
Current Tax Asset	-
Deferred Tax Asset	43,267
Other Assets	434,019
Total Assets	85,804,572

LIABILITIES (Thousand TL)	31 December 2022
Loans received	6,821,660
Debts to the Money Market	206,603
Funds	73,800,449
<i>Other</i>	73,800,449
Derivative Financial liabilities	-
Lease payables	4,675
Provisions	221,393
<i>Provision for Employee Benefits</i>	44,709
<i>Other provisions</i>	176,684
Current tax liabilities	232,854
Deferred tax liabilities	-
Shareholders` equity	4,516,938
Total Liabilities	85,804,572

Evaluation on the Bank's Financial Indicators and Performance (Continued)

Statement of Profit or Loss (Thousand TL)	31 March 2022
Interest Income	266,591
Interest Expense (-)	12,525
Net Interest Income/Expense	254,066
Net Fees and Commission Income/Expense	209,104
Dividend Income	-
Net Trading Income/Losses	2,169
Other Operating Income	635
Total Operating Profit	465,974
Expected Credit Losses (-)	5,225
Other Provisions (-)	27,477
Personnel Expenses (-)	43,833
Other Operating Expenses	23,182
Net Operating Profit/Loss	366,257
Provision for Taxes (-)	(84,003)
Net Income/(Loss)	282,254

Financial Ratios	31 March 2022
Operating Income / Total Assets	0.71
Shareholders Equity / Total Assets	6.84
Operating Income / Shareholders Equity	10.42
Net Interest Revenue / Operating Revenue	54.52

The balance sheet size, which was TL 85,804,572 Thousand as of the end of 2022, reached TL 87,190,263 Thousand as of the end of March 2023. The banks account, which is seen as the highest amount in assets, was realized as 72,718,869 Thousand TL. While the loan account item was TL 2,681,206 Thousand at the end of the previous year, it increased by 106% and reached TL 5,520,780 Thousand.

While the funds item holding the most important place in the liabilities of the Bank was 73,800,449 thousand TL at the end of the previous year, it increased by 9% and reached 80,595,267 thousand TL.

On the other hand, the obtained loans item of the bank loans received from 1,584,666 thousand TL 6,821,660 thousand TL

As of the end of second quarter of 2023, the Bank has a pre-tax profit of 115,087 thousand TL and after-tax profit of 91,335 thousand TL.

An interest income of 653,839 thousand TL is earned as of end March 2023, where 480,968 thousand TL interest is collected from the banks, 47,944 thousand TL interest is collected from the securities and 124,202 thousand TL is collected from the loans and 719 thousand TL results from other interest income. Total interest expense for this period was realized as 54,570 thousand TL.

The Bank earned 544,816 thousand TL commission income as a result of the services it provides and paid 53,795 thousand TL commission for its Turkish Lira and foreign currency denominated transactions. As of end-March 2023, net fee and commission income was realized as 491,021 thousand TL.