



İstanbul Takas ve Saklama Bankası A.Ş.

1 JANUARY – 30 SEPTEMBER 2018

UNCONSOLIDATED

INTERIM ANNUAL REPORT

İstanbul Takas ve Saklama Bankası A.Ş. 2018 III. Interim Period Annual Report

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Chairman of the Board of Director's Evaluation Regarding the Operating Period

Takasbank, developing its activities within the scope of grand transformation of the capital markets, continues to contribute for a more stable and sustainable structure of our markets.

The slowdown in growth trend, which started in the second quarter of the year in global economic activity and became evident in the third quarter, causes the growth rate of the global economy to create a value below the previous quarter. In this period, while the developed countries showed a more positive performance, the growth rate of the developing countries slowed down. The gradual normalization in monetary policy of developed countries continued in July - October period. The Federal Reserve (FED) increased the short-term interest rates to 2.00-2.25, which was the third interest rate increase of the year and maintained its balance sheet reduction program. The European Central Bank (ECB), while maintaining its monetary policy stance, has reduced the size of the monetary expansion program. With the expectations that the FED and the ECB will continue to tighten, an increase in developed country bond yields has been observed. The increase in the tendency of protectionism in the world trade leads to downward revisions in global growth expectations, while the decrease in trade volumes causes pressure on emerging countries and losses in stock exchanges. Monetary tightening tendency in developed countries, rising bond yields, trade protectionism, Brexit process, Italy's debt stock and Iran sanctions are the main reasons for the low global risk appetite.

Our country's economy has started to slow down in the third quarter of 2018 in parallel with the loss momentum in global economic activity. As global financial conditions tightened in the third quarter, rising oil prices caused inflation to rise in developed and developing countries. Increase of protectionism in trade, rising domestic bond interest rates led to volatility in global markets, leading to risk premiums in emerging economies and depreciation of currencies. The fluctuation in the foreign exchange markets of our country was weakened by the measures taken and the interest rate increase of 625 basis points made by the CBRT in September and the positive evaluation of the new economy program introduced to the public in the first days of October. While the depreciation of the Turkish Lira by 37% in this quarter was the main determinant of the inflation to 24.5% in the third quarter of the year, the deterioration in pricing behavior with foreign exchange rate transitivity caused the inflation outlook to deteriorate. With the effect of the financial and monetary measures taken after the volatility of the markets in August and September, it was observed that the return to normal market conditions with the gradual decline of TRY interest rates started in October.

Our bank completed a successful 2018 nine months of financial period, our pre-tax profit being realized as 413.6 million TRY, total assets as 10.6 billion TRY and shareholder equity as 1.2 billion TRY.

In order to provide faster, more efficient and uninterrupted services, Takasbank has continued its efforts to develop the technology infrastructure. BISTECH Faz2+ Project was launched successfully on July, 2018. With this transition, Borsa Istanbul Equity Market, Debt Securities Market, Precious Metals and Diamond Market, Derivatives Market are started to work together on the same platform. The studies on new technologies such as Takasbank's blockchain, which aims to have a strong operation and technological infrastructure by providing innovative solutions to the capital markets and our country's financial sector, are still in progress.

Interbank check clearing operations conducted by the Interbank Clearing Room Center, with the decision of the Central Bank of the Republic of Turkey was transferred to the Takasbank and the activities in this context started to be carried out by Takasbank since July 2, 2018.

In this period, Takasbank completed many important projects. The Gold Transfer System, its software and system development made by Takasbank, enables bank's customers to transfer of the golds between the accounts opened in different banks . This system started to serve the member banks as of July 16, 2018.

As of August 31, 2018, Takasbank started to offer cash clearing and collateral management services in the Organized Wholesale Natural Gas Sales Market operated by Turkish Energy Exchange

With the belief that our employees having a big role in the high performance of our bank will continue their devoted efforts in the upcoming periods, I would like to extend my thanks to everyone having a labour in this success.

Best regards,
Murat ÇETİNKAYA
Chairman of the Board of Directors

CEO's Evaluation regarding the Operating Period

Throughout in the nine months of 2018, our bank continued its efficient and effective progress for Turkish capital markets, shareholders and customers and showed a successful performance.

Evaluating the 2018 first half financial results of our bank, it is observed that a pre-tax profit of 413.6 million TL is obtained. The aforementioned tax result points out a profit being 36% higher than the projected budgeted amount. Also, our total assets are realized as 12.5 billion TL.

Throughout the period, a total 3,505 billion TL transactions executed in BİAŞ Debt Securities Market Outright Purchases and Sales Market and Repo-Reverse Repo Market. Of these transactions, 26.7 billion TL are corporate bond transactions. As a result of multilateral netting process in the Takasbank system, Takasbank executed cash settlement with a value of 754.5 billion TL and securities settlement with a market value of 1,754.5 billion TL.

In the third quarter period, BİAŞ realized a stock exchange transaction volume of TL 1,529 billion, a cash transaction of TL 81 billion and a securities exchange transaction of TL 263 billion.

Total number of members in the Futures and Options Market (VIOP) was 70 as of 30 September 2018. In the same period, the number of open positions in VIOP reached 2,007,384 with a market value of 10.7 billion TL.

Throughout the period, Takasbank cash credit volume reached a daily average volume of 112 million TL with the active utilization of 15 brokerage houses and settlement credit reached to 3 million TL with the active utilization of 7 brokerage houses.

At Takasbank Money Market (TMM), trading volume once in a nine month period reached 651.1 billion TL and transaction number was 182,331. Daily average trading volume was realized as 3.5 billion TL and average transaction size was 3.6 billion TL.

Takasbank Securities Lending Market at which CCP service is provided, a total of 2,346 million transactions are executed once in a nine month period. In this market, 306 different type of securities were subject to the transactions and the trading volume was realized as 10.2 billion TL.

As of 30 September 2018, 17 private pension companies held 408 private pension funds with Takasbank having a total asset value of 90.5 billion Turkish liras. At the same period, 487 mutual funds had a total asset value of 49.8 billion TL and 12 mutual trusts had a total asset value of 472.2 million TL.

With the belief that our employees having a big role in the high performance of our bank will continue their devoted efforts in the upcoming periods, I would like to extend my thanks to everyone having a labour in this success.

Best regards,

Mahmut KAYACIK
CEO and Board Member

Bank's Historical Development

The Bank was originally set up as a department of the Borsa İstanbul Inc. (“BİAŞ”) and, 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 resolution 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. (Istanbul Settlement and Custody Bank Inc.)

Shareholding Structure

Takasbank has a paid-in capital of 600 million TL. The bank has 41 shareholders with Borsa İstanbul having 64.14%, 11 banks having 17.04 % and 29 brokerage houses having 18.82% of shares.

Shareholder Name	Paid-in Capital (Thousand TL)	Capital ratio (%)
Borsa İstanbul A.Ş.	384,869	64.14
Türkiye Garanti Bankası A.Ş.	29,685	4.95
Tacirler Menkul Değerler A.Ş.	29,016	4.84
Phillip Capital Menkul Değerler A.Ş.	27,923	4.65
Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,280	4.38
Türkiye İş Bankası A.Ş.	26,235	4.37
Türkiye Vakıflar Bankası T.A.O.	26,235	4.37
Other (Brokerage House)	29,656	4.95
Other (Bank)	20,101	3.35
Total	600,000	100

Titles and Shares of the Real or Legal Persons having more than 10% of the capital:

Business Name	Share Amount (Thousand TL)	Ratio (%)
Borsa İstanbul A.Ş.	384,869	64.14

Share transfers of the shareholders within the reporting period:

Old Shareholder	New Shareholder	Cost of Share (thousand TL)	Ratio (%)	Description
Saxo Capital Markets Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	9	0.0015	Transfer
Delta Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	1,827	0.3118	Transfer

Branch and Personnel Information

The Bank has a total of 293 employees and does not have any branches. The Bank is operating as Head Office.

Board of Directors, Auditors, CEO and Executive Vice Presidents

Chairman and Members of the Board of Directors

Name Surname	Area of Responsibility
Murat Çetinkaya	President
Metin Kıratlı (*)	Member (Vice President and Member of Corporate Management Committee)
Mahmut Kayacık	General Manager and Board Member (Member of Credit Committee)
Seyit Ahmet Işkın	Member (Member of Audit Committee - Chairman of Central Counterparty Risk Consultation Committee)
Kenan Ayvacı(*)	Member (Member of Audit Committee - Member of Central Counterparty Risk Consultation Committee)
Gülsevin Çipli	Member (Credit Committee Member)
Ekrem Kerem Korur (*)	Member (Credit Committee Associate Member)
Münevver Çetin	Member (Chairman of Credit Committee)
Gülseren Topuz	Member (President of Corporate Governance Committee - Credit Committee Associate Member)

CEO and Executive Vice Presidents

Name Surname	Area of Responsibility
Mahmut Kayacık	General Manager and Board Member (Member of Credit Committee)
Gökhan Elibol	Markets and Operations
Ekrem Arıkan	Information Technology

* On June 23, 2018, Deputy Chairman of the Board of Directors Adnan Ertürk passed away and was not appointed. The General Meeting in September 12, 2018, Ersin Özoğuz, Güzide Meltem Kökden and Mustafa İleri, Members of the Board of Directors, left their duties and Metin Kıratlı, Gülsevin Çipli, Kenan Ayvacı ve Ekrem Kerem Korur was assigned as Members of the Board of Directors.

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

Within the scope of the transactions executed with its risk group, the transactions executed with the Bank's major shareholder Borsa Istanbul as well as the transactions executed by the member of the Board of Directors with the institutions of which they hold CEO or Board member posts are taken into account. "Miscellaneous Payables" item have had not in the Debt securities guarantee fund since the third quarter of 2018. BİAŞ withdrew the amount of Share Certificate Guarantee Fund which held by Takasbank.

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(Thousand TL)		Other entities included in the risk group (Thousand TL)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Opening Balance at the beginning of the period	-	-	144,797	2,666,698	100,108	-
Closing Balance at the end of the period	-	-	112,913	1,456,509	79,161	471,405
Received Interest and Commission Income	1,689		24,832	19,555	2,402,840	6,849,974

Evaluation on the Bank's Financial Indicators and Performance

Assets (Thousand TL)	30 September 2018
Financial Assets (Net)	12,218,422
<i>Cash and Balances With Central Bank</i>	4,271
<i>Banks</i>	12,149,286
<i>Money Markets</i>	20,052
<i>Financial assets at fair value through other comprehensive income</i>	3,082
<i>Loans measured at amortised cost</i>	58,437
<i>Expected Loss Reservs (-)</i>	16,706
Loans (Net)	114,210
<i>Loans measured at amortised cost</i>	114,367
<i>Allowance for expected credit losses (-)</i>	157
Investments in Associates, Subsidiaries and Joint Ventures	4,825
Tangible Assets (Net)	12,672
Intangible Assets and Goodwill (Net)	102,384
Investment Properties (Net)	9,264
Current Tax Assets	0
Defferred Tax Assets	8,536
Other Assets	40,136
Total Assets	12,510,449

Liabilities (Thousand TL)	30 September 2018
Loans Received	3,234,063
Funds	7,571,722
Provisions	68,843
Current Tax Liabilities	46,232
Shareholders Equity	1,589,589
Total Liabilities	12,510,449

Income Statement (Thousand TL)	30 September 2018
Interest Income	455,442
Interest Expense (-)	103,126
Net Interest Income/Expense	352,316
Net Fees and Commissions Income/Expenses	156,048
Personnel Expenses (-)	41,048
Dividend Income	-
Trading Profit/Loss	10,907
Other Operating Income	2,960
Net Operating Profit/Loss	481,183
Allowances for Expected Credit Losses (-)	16,889
Other Operating Expenses (-)	50,712
Net Operating Profit/Loss	413,582
Provision for Taxes on Income from Continuing Operations(-)	89,806
Net Period Profit/Loss	323,776

Financial Ratios (%)	30 September 2018
Operating Income / Total Assets	3.31
Shareholders Equity / Total Assets	12.71
Operating Income / Shareholders Equity	26.02
Net interest revenue / Operating revenue	73.22

Assets (Thousand TL)	31 December 2017
Cash and Balances With Central Bank	480
Banks	10,163,484
Money Markets	20,833
Available for Sale Financial Assets	1,832
Loans and Debts	198,856
Held to Maturity Investment	36,947
Subsidiaries (Net)	4,825
Tangible Assets (Net)	7,437
Intangible Assets (Net)	98,095
Investment Property (Net)	9,495
Other Assets	22,145
Total Assets	10,564,429

Liabilities (Thousand TL)	31 December 2017
Fund Borrowed	3,144,268
Money Market	34,737
Miscellaneous Payables	5,970,618
Other Liabilities	60,316
Provisions	82,062
Tax Liability	26,166
Shareholders' Equity	1,246,262
Total Liabilities	10,564,429

Income Statement (Thousand TL)	30 September 2017
Interest Income	288,922
Interest Expense (-)	59,306
Net Interest Income/Expense	229,616
Net Fees and Commissions Income/Expenses	108,198
Dividend Income	30
Trading Profit/Loss	456
Other Operating Income	319
Total Operating Income/Expense	338,619
Provisions for Loan Losses and Other Receivables (-)	13,034
Other Operating Expenses (-)	71,333
Income/(Loss) from Continuing Operations Before Tax	254,252
Tax Provision (-)	53,001
Net Income/(Loss)	201,251

Financial Ratios (%)	30 September 2017
Operating Income / Total Assets	2.56
Shareholders Equity / Total Assets	11.80
Operating Income / Shareholders Equity	21.73
Net interest revenue / Operating revenue	67.81

Total asset size being 10,564,429 thousand TL as of 2017 year-end reached to 12,510,449 thousand TL as of the end of September 2018. Banks item being the highest amount among the asset items increased 12,149,286 thousand TL and recorded and increase of 20%.

Funds item taking an important place among the liability items increased from 7,571,722 thousand TL as of the previous year-end to 6,030,934 thousand TL and recorded an increase of 25%. All loans received increased to 3,234,063 thousand TL from 3,144,268 thousand TL and recorded and increase of 3%.

The Bank obtained a pre-tax profit of 413,582 thousand TL and a post-tax profit of 323,776 thousand TL as third quarter end of 2018.

Of 455,442 thousand TL interest revenue obtained as of the end of September 2018 436,157 thousand TL was from banks, 5,645 thousand TL from securities, 12,921 thousand TL from loans, 719 thousand TL from others. Total interest expense regarding this period was realized as 103,126 thousand TL.

The bank earned 173,595 thousand TL commission revenue as the result of the services provided and paid a commission of 17,547 thousand TL for TL and FX money transfer transactions. Net fee and commission income was realized as 156,048 thousand TL as of the end of September 2018.