



İstanbul Takas ve Saklama Bankası A.Ş.

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UNCONSOLIDATED

INTERIM ANNUAL REPORT

İstanbul Takas ve Saklama Bankası A.Ş. 2017 II. Interim Period Annual Report

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

Perpetually developing its service scope day by day within the framework of the big transformation of Turkish capital markets, Takasbank continues to contribute to the enhancement of Turkish capital markets to have a stable and sustainable structure.

Expansionary fiscal policies of USA as well as decreasing the uncertainty created by the normalization of the monetary policies positively accelerated the global economy. Increasing risk appetite is also monitored throughout this period. Positive outlook regarding global markets and economic growth figures of developing countries positively affected risk perceptions regarding these markets, portfolio inflows foremost to the stock markets strengthened and the volatility in FX rates decreased. Looking at domestic markets, the losses encountered in 2016 economic activities are compensated by the precautions in fiscal policies such as credit guarantee fund incentives, ensuring the healthy operation of credit lines as well as making positive contribution for financial stability. Central Bank of the Republic of Turkey carried on contractionary monetary policy to enhance financial stability in order to decrease the negative effects of FX and food based developments on the asset prices in the long run. In the upcoming period, geopolitical developments and uncertainties regarding economy policies of developed economies will continue to be monitored as risk sources.

Our bank completed a successful 2017 first half of financial period, our pre-tax profit being realized as 164.7 million TL, total assets as 9.2 billion TL and shareholder equity as 1.1 billion TL.

Takasbank perpetually continues its practices in order to provide its services in a more swift, efficient and uninterrupted manner. Clearing and settlement software configuration process is going on within the framework of the agreement signed between our controlling shareholder Borsa Istanbul and Nasdaq OMX, being one of the major global exchanges as well as being a technology leader. Subsequent to equity market transactions migration to the BISTECH platform, Futures and Options market migration process to the platform is successfully completed on March 2017. Process regarding the migration of Debt Securities and precious metals and Diamond markets is still continuing.

Our Bank which has been recognized as a Qualified CCP (QCCP), started to provide CCP services to the equities market since 19 June 2017 subsequent to providing CCP Services to Takasbank Securities Lending Market, Futures and Options Market and Borsa Istanbul Money Market.

On behalf of the Board of Directors and myself, I would like to extend my sincere thanks to our stakeholders, particularly our employees and managers playing a role in the successful performance of our bank in this period.

Best regards,

Murat ÇETİNKAYA
Chairman of the Board of Directors

CEO's Evaluation regarding the Operating Period

Throughout the first half of 2017, our bank continued its efficient and effective progress for Turkish capital markets and customers and showed a successful performance.

Evaluating the 2017 first half financial results of our bank, it is observed that a pre-tax profit of 165 million TL is obtained. The aforementioned tax result points out a profit being 17% higher than the projected budgeted amount. Also, our total assets are realized as 9.2 billion TL.

Throughout the period, a total of 3,333 billion TL transactions executed in BİAŞ Debt Securities Market Outright Purchases and Sales Market and Repo-Reverse Repo Market. Of these transactions, 12.4 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 534,3 billion Turkish lira and securities settlement with a market value of 1,826 billion Turkish lira.

Total number of members in the Futures and Options Market (VIOP) was 70 as of 30 June 2017. In the same period, the number of open positions in VIOP reached 1,944,217 with a market value of 6.7 billion Turkish lira

Throughout the period, Takasbank cash credit volume reached a daily average volume of 69 million TL with the active utilization of 12 brokerage houses.

At Takasbank Money Market (TMM), trading volume once in a six month period reached 259.2 billion TL and transaction number was 104.136. Daily average trading volume was realized as 2 billion TL and average transaction size was 2,5 billion TL

Takasbank Securities Lending Market at which CCP service is provided, a total of 1,6 billion transactions are executed once in a six month period. In this market, 270 different type of securities were subject to the transactions and the trading volume was realized as 6.5 billion TL.

As of 30 June 2017, 18 private pension companies held 373 private pension funds with Takasbank having a total asset value of 70.3 billion TL. At the same period, 453 mutual funds had a total asset value of 48.5 billion TL and 10 mutual trusts had a total asset value of 449.3 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 47 shareholders with Borsa İstanbul having 63.04%, 13 banks having 17.78 % and 33 brokerage houses having 19.18% of shares.

<u>Shareholder Name</u>	<u>Paid-in Capital (Thousand TL)</u>	<u>Capital ratio (%)</u>
Borsa İstanbul A.Ş.	378,242	63.04
Tacirler Menkul Değerler A.Ş.	27,971	4.66
Phillip Capital Men. Değerler A.Ş.	27,923	4.65
Yapı Kredi Yatırım Men. Değ. A.Ş.	26,280	4.38
Türkiye Garanti Bankası A.Ş.	26,235	4.37
Türkiye İş Bankası A.Ş.	26,235	4.37
Türkiye Vakıflar Bankası T.A.O.	26,235	4.37
Other (40)	60,879	10.16
TOTAL	600,000	100.00

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

<u>Unvan</u>	<u>Pay Tutarı (Bin TL)</u>	<u>Oran (%)</u>
Borsa İstanbul A.Ş.	378,242	63.04

Share transfers of the shareholders within the reporting period:

<u>Old Shareholder</u>	<u>New Shareholder</u>	<u>Cost of Share (thousand TL)</u>	<u>Ratio (%)</u>	<u>Description</u>
Global Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	4,500	0.7500	Transfer
Taksim Yatırım A.Ş.	Borsa İstanbul A.Ş.	90	0.0150	Transfer
Kapital Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	51	0.0086	Transfer
UBS Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	51	0.0085	Transfer
Pay Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	18	0.0030	Transfer
Galata Yatırım Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	6	0.0011	Transfer
Alfa Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	10	0.0017	Transfer

Branch and Personnel Information

The Bank has a total of 250 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
Adnan Ertürk	Member (Vice President and Member of Corporate Management Committee)
Mahmut Kayacık	General Manager and Member (Credit Committee Member)
Serdar Satoğlu	Member (President of Audit Committee)
Münevver Çetin	Member (President of Credit Committee)
Seyit Ahmet Işkın	Member (Member of Audit Committee)
Güzide Meltem Kökden	Member (Credit Committee Member, Corporate Governance Committee Member)
Gülseren Topuz	Member (President of Corporate Governance Committee, Credit Committee Associate Member)
Mustafa İleri	Member (Credit Committee Associate Member)

CEO and Executive Vice Presidents

Name Surname	Area of Responsibility
Mahmut Kayacık	General Manager and Member (President of Credit Committee)
Gökhan Elibol	Executive Vice President – Operations Department
Ekrem Arıkan	Vice General Manager – IT Departments

Pursuant to the resolution of 23 January 2017 dated Board of Directors meeting, Cengiz Özübek, Executive Vice President responsible from banking, support services and financial transactions left his post and appointed as Board and CEO Advisor.

Pursuant to the resolution of 22 February 2017 dated Board of Directors meeting, Aydın Sarı, Executive Vice President responsible from banking, support services and financial transactions left his post and no one is appointed for this post. Instead assignment has been made.

On June 09, 2017, in the 22. General Meeting of Takasbank, Murat ÇETİNKAYA, Gülseren TOPUZ, Seyit Ahmet IŞKIN and Münevver ÇETİN were selected as Board member instead of Osman SARAÇ, Ekrem Kerem KORUR, Selim İNCE and Feridun BİLGİN.

Cengiz ÖZÜBEK who was responsible for Banking, Support and Financial Affairs, left his post on January 23, 2017

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. As of the second quarter of 2017, stock guarantee fund with an amount of 1,139 thousand TL and debt securities guarantee fund with an amount of 465 thousand TL are present in the "Miscellaneous Payables" item.

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Venture) (Thousand TL)		Direct and indirect shareholders of the Bank (Thousands of Turkish Lira (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	-	-	98,945	2,783,755	70,038	-
Closing Balance at the end of the period	-	-	80,991	2,587,857	45,017	-
Received Interest and Commission Income	1,043	-	8,013	8,639	1,208	-

Evaluation on the Bank's Financial Indicators and Performance

ASSETS (Thousand TL)	JUNE 2017	DECEMBER 2016	CHANGE	RATIO
CASH AND BALANCES WITH CENTRAL BANK	71	85	(14)	-16.47
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	1,369	1,158	211	18.22
BANKS	8,858,205	7,715,925	1,142,280	14.80
MONEY MARKETS	30,402	21,168	9,234	43.62
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	1,757	1,714	43	2.51
LOANS	87,493	98,945	(11,452)	-11.57
HELD-TO-MATURITY SECURITIES (Net)	108,662	45,943	60,719	136.51
SUBSIDIARIES	4,825	4,825	-	0.00
PROPERTY AND EQUIPMENT (Net)	14,866	15,535	(669)	-4.31
INTANGIBLE ASSETS (Net)	85,649	85,005	644	0.76
TAX ASSETS	-	1,179	(1,179)	-100.00
OTHER ASSETS	14,740	14,866	(126)	-0.85
TOTAL ASSETS	9,208,039	8,006,348	1,201,691	15.01

LIABILITIES (Thousand TL)	JUNE 2017	DECEMBER 2016	CHANGE	RATIO
FUNDS BORROWED	2,416,866	2,400,430	16,436	0.68
MONEY MARKET	102,026	43,800	58,226	132.94
MISCELLANEOUS PAYABLES	5,391,332	4,376,394	1,014,938	23.19
OTHER LIABILITIES	114,739	68,780	45,959	66.82
PROVISIONS	60,940	55,340	5,600	10.12
TAX LIABILITY	23,306	17,918	5,388	30.07
SHAREHOLDERS' EQUITY	1,098,830	1,043,686	55,144	5.28
TOTAL LIABILITIES	9,208,039	8,006,348	1,201,691	15.01

INCOME STATEMENT (Thousand TL)	JUNE 2017	JUNE 2016	CHANGE	RATIO
INTEREST INCOME	181,145	156,158	24,987	16.00
INTEREST EXPENSE (-)	34,495	24,041	10,454	43.48
NET INTEREST INCOME/EXPENSE	146,650	132,117	14,533	11.00
NET FEES AND COMMISSIONS INCOME/EXPENSE	70,598	52,956	17,642	33.31
DIVIDEND INCOME	30	6,217	(6,187)	-99.52
TRADING INCOME/(LOSS) (Net)	442	84	358	426.19
OTHER OPERATING INCOME	703	4,658	(3,955)	-84.91
TOTAL OPERATING INCOME/EXPENSE	218,423	196,032	22,391	11.42
PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES	8,478	5,350	3,128	58.47
OTHER OPERATING EXPENSES	45,265	42,468	2,797	6.59
INCOME/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX	164,680	148,214	16,466	11.11
TAX PROVISION	-34,464	-28,610	(5,854)	20.46
NET INCOME/(LOSS)	130,216	119,604	10,612	8.87

FINANCIAL RATIOS	JUNE 2017	DECEMBER 2016
Operating Income / Total Assets	1.79	1.85
Shareholders Equity / Total Assets	11.93	13.04
Operating Income / Shareholders Equity	14.99	14.20
Net interest revenue / Operating revenue	67.14	67.40

Total asset size being 8,006,348 thousand TL as of 2016 year-end reached to 9,208,039 thousand TL as of the end of June 2017. Banks item being the highest amount among the asset items increased from 7,715,925 thousand TL to 8,858,205 thousand TL and recorded an increase of 15%.

Miscellaneous Payables item taking an important place among the liability items increased from 4,376,394 thousand TL as of the previous year-end to 5,391,332 thousand TL and recorded an increase of 23%. Also funds borrowed increased from 2,400,430 thousand TL to 2,416,866 thousand TL and recorded an increase of 1%.

Bank's credit portfolio decreased by 12% from 98,945 thousand TL to 87,493 thousand TL.

Also Money Market Payables item increased by 133% and reached to 102,026 thousand TL from 43,800 thousand TL

The Bank obtained a pre-tax profit of 164,680 thousand TL and a post-tax profit of 130,216 thousand TL as of 2017 2 st quarter end.

Of 181,145 thousand TL interest revenue obtained as of the end of June 2017; 172,339 thousand TL was from banks, 4,512 thousand TL from securities, 4,095 thousand TL from loans, 199 thousand TL from others. Total interest expense regarding this period was realized as 34,495 thousand TL

The bank earned 77,577 thousand TL commission revenue as the result of the services provided and paid a commission of 6,979 thousand TL for TL and FX money transfer transactions. Net fee and commission income was realized as 70,598 thousand TL as of the end of June 2017.