



İstanbul Takas ve Saklama Bankası A.Ş.

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UNCONSOLIDATED

INTERIM ANNUAL REPORT

İstanbul Takas ve Saklama Bankası A.Ş. 2017 III. 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.

Assessing the 3rd quarter of 2017, it is seen that it has been a period of high global risk appetite. Throughout this period, inflation ratios being low in developed economies supported the central bank declarations that the expectation of monetary normalization process will be moderate and also paved the way to the decreasing of volatility in the financial markets. Within this framework, including our country, strong capital inflows to the developing economies equities and debt securities markets continued.

Looking to the economy of our country, it is seen that the Central Bank of the Republic of Turkey implemented tight monetary policy due to the upward trend in consumer inflation since December 2016. As a consequence of the tight monetary policy, Turkey positively separated from other developing economies in terms of FX rate volatility and risk premium indicators since the beginning of the year. In the first half of 2017, due to macro precautionary policies supporting financial system as well as public incentives, the financial conditions supported economic activity. However despite the geopolitical problems becoming evident in the 3rd quarter of 2017, it was seen that the devaluation in TL and TL assets remained limited.

Our bank completed a successful 2017 first nine months of financial period, our pre-tax profit being realized as 254.3 million TL, total assets as 9.9 billion TL and shareholder equity as 1.2 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.

On one hand, our Bank is providing CCP services at Securities Lending Market, Futures and Options Market, Borsa Istanbul Money Market and Equities Market and continues the practices regarding the development of these services. On the other hand, our Bank is diversifying the range of its other services according to the demand of the sector. Within this concept, Takas credit service began to be provided for meeting the short term funding requirements of our members

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 in the nine months 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 254.3 million TL is obtained. The aforementioned tax result points out a profit being 20% higher than the projected budgeted amount. Also, our total assets are realized as 9.9 billion Turkish lira. Throughout the period, a total of 3,915 billion TL transactions executed in BİAŞ Debt Securities Market Outright Purchases and Sales Market and Repo-Reverse Repo Market. Of these transactions, 18.9 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 625.9 billion TL and securities settlement with a market value of 2,232 billion TL.

Total number of members in the Futures and Options Market (VIOP) was 69 as of 30 September 2017. In the same period, the number of open positions in VIOP reached 2,372,743 with a market value of 6.8 billion TL.

Throughout the period, Takasbank cash credit volume reached a daily average volume of 134 million TL with the active utilization of 13 brokerage houses and settlement credit reached to 1.3 million TL with the active utilization of 7 brokerage houses

At Takasbank Money Market (TMM), trading volume once in a six month period reached 431.6 billion TL and transaction number was 159.701. Daily average trading volume was realized as 2.3 billion TL and average transaction size was 2,7 billion TL.

Takasbank Securities Lending Market at which CCP service is provided, a total of 2,528.7 million transactions are executed once in a nine month period. In this market, 288 different type of securities were subject to the transactions and the trading volume was realized as 9.9 billion TL.

As of 30 September 2017, 18 private pension companies held 391 private pension funds with Takasbank having a total asset value of 74.2 billion Turkish lira. At the same period, 429 mutual funds had a total asset value of 50.1 billion TL and 10 mutual trusts had a total asset value of 454.6 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 46 shareholders with Borsa İstanbul having 63.04%, 13 banks having 17.78 % and 32 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.	29,016	4.84
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 (39)	59,834	9.98
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
Güven Menkul Değerler A.Ş.	Tacirler Menkul Değerler A.Ş.	1,000	0.1667	Transfer
Başkent Menkul Değerler A.Ş.	Tacirler Menkul Değerler A.Ş.	45	0.0075	Transfer

Branch and Personnel Information

The Bank has a total of 269 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	CEO/Member of the Board (Credit Committee Member)
Ersin Özoğuz	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	CEO/Member of the Board (Credit Committee Member)
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 İŞKİN 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

On August 8, 2017, Audit Committee Chairman Serdar Satoglu left his current post and Ersin Özoğuz was appointed instead.

On August 28, 2017, Abdullah Onan Keles was appointed as Executive Vice President responsible for Banking, Support and Financial Transactions. Abdullah Onan Keles resigned from his present post on 13 September 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 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	-	-	98,945	2,783,755	70,038	-
Closing Balance at the end of the period	-	-	360,692	2,526,197	300,211	-
Received Interest and Commission Income	1,695	-	24,129	13,972	2,196	-

Evaluation on the Bank's Financial Indicators and Performance

ASSETS (Thousand TL)	SEPTEMBER 2017	DECEMBER 2016	CHANGE	RATIO
CASH AND BALANCES WITH CENTRAL BANK	91	85	6	7.06
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	-	1,158	(1,158)	-100.00
BANKS	9,246,863	7,715,925	1,530,938	19.84
MONEY MARKETS	23,583	21,168	2,415	11.41
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	1,785	1,714	71	4.14
LOANS	382,774	98,945	283,829	286.86
HELD-TO-MATURITY SECURITIES (Net)	134,210	45,943	88,267	192.12
SUBSIDIARIES	4,825	4,825	-	0.00
PROPERTY AND EQUIPMENT (Net)	4,732	15,535	(10,803)	-69.54
INTANGIBLE ASSETS (Net)	87,862	85,005	2,857	3.36
INVESTMENT PROPERTY (Net)	9,571	-	9,571	-100.00
TAX ASSETS	-	1,179	(1,179)	-100.00
OTHER ASSETS	16,791	14,866	1,925	12.95
TOTAL ASSETS	9,913,087	8,006,348	1,906,739	23.82

LIABILITIES (Thousand TL)	SEPTEMBER 2017	DECEMBER 2016	CHANGE	RATIO
FUNDS BORROWED	2,600,636	2,400,430	200,206	8.34
MONEY MARKET	126,565	43,800	82,765	188.96
MISCELLANEOUS PAYABLES	5,874,151	4,376,394	1,497,757	34.22
OTHER LIABILITIES	47,202	68,780	(21,578)	-31.37
PROVISIONS	69,837	55,340	14,497	26.20
TAX LIABILITY	24,689	17,918	6,771	37.79
SHAREHOLDERS' EQUITY	1,170,007	1,043,686	126,321	12.10
TOTAL LIABILITIES	9,913,087	8,006,348	1,906,739	23.82

INCOME STATEMENT (Thousand TL)	SEPTEMBER 2017	JUNE 2016	CHANGE	RATIO
INTEREST INCOME	288,922	222,190	66,732	30.03
INTEREST EXPENSE (-)	59,306	37,046	22,260	60.09
NET INTEREST INCOME/EXPENSE	229,616	185,144	44,472	24.02
NET FEES AND COMMISSIONS INCOME/EXPENSE	108,198	79,902	28,296	35.41
DIVIDEND INCOME	30	6,217	(6,187)	-99.52
TRADING INCOME/(LOSS) (Net)	456	638	(182)	-28.53
OTHER OPERATING INCOME	319	4,201	(3,882)	-92.41
TOTAL OPERATING INCOME/EXPENSE	338,619	276,102	62,517	22.64
PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES	13,034	11,172	1,862	16.67
OTHER OPERATING EXPENSES	71,333	61,919	9,414	15.20
INCOME/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX	254,252	203,011	51,241	25.24
TAX PROVISION	-53,001	-40,833	(12,168)	29.80
NET INCOME/(LOSS)	201,251	162,178	39,073	24.09

FINANCIAL RATIOS	SEPTEMBER 2017	DECEMBER 2016
Operating Income / Total Assets	2.56	2.54
Shareholders Equity / Total Assets	11.80	13.04
Operating Income / Shareholders Equity	21.73	19.45
Net interest revenue / Operating revenue	67.81	67.06

Total asset size being 8,006,348 thousand TL as of 2016 year-end reached to 9,913,087 thousand TL as of the end of September 2017. Banks item being the highest amount among the asset items increased from 7,715,925 thousand TL to 9,246,863 thousand TL and recorded an increase of 19.8%.

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 5,874,151 thousand TL and recorded an increase of 34%. Also funds borrowed increased from 2,400,430 thousand TL to 2,600,636 thousand TL and recorded an increase of 8%.

Bank's credit portfolio increased by 287% and reached to 382,774 thousand TL'ye from 98.945 thousand TL

Also Money Market Payables item increased by 189% and reached to 126,565 thousand TL from 43,800 thousand TL

The Bank obtained a pre-tax profit of 254,252 thousand TL and a post-tax profit of 201,251 thousand TL as of 2017 3 st quarter end.

Of 288,922 thousand TL interest revenue obtained as of the end of September 2017 268,589 thousand TL was from banks, 7,404 thousand TL from securities, 12,675 thousand TL from loans, 254 thousand TL from others. Total interest expense regarding this period was realized as 59,306 thousand TL

The bank earned 119,228 thousand TL commission revenue as the result of the services provided and paid a commission of 11,030 thousand TL for TL and FX money transfer transactions. Net fee and commission income was realized as 108,198 thousand TL as of the end of September 2017.