



**Istanbul Takas ve Saklama Bankası A.Ş.**

**1 JANUARY – 30 MARCH 2020**

**UNCONSOLIDATED**

**INTERIM ANNUAL REPORT**

## **Istanbul Takas ve Saklama Bankası A.Ş. 2020 I. Interim Period Annual Report**

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

The first quarter of 2020 has remained under the influence of the coronavirus outbreak. Owing to the increasing severity of the epidemic in Europe and U.S. in March, the probability of global recession has become so strong. While the partial and/or complete stoppage of production mechanisms especially in China adversely affects the supply side, the lack of demand in the countries where curfews are declared worldwide has also changed the balances. Economic activities in the economies of the developed countries have come to a near halt, and accordingly, expansionary fiscal policies have also been started to be announced by the governments along with the expansionary monetary policy steps taken globally by the central banks to support the financial system and the real sector. The Central Bank of the United States (FED) has lowered its overnight interest rate to a range of 0-0.25 percent, and by taking dramatic steps since the 2008 crisis, announced that it will buy unlimited bonds and further stated that it will enhance global dollar liquidity by establishing swap lines with other central banks. Likewise, because the Euro Zone shows signs of weakening led by Italy and Spain, the worst pandemic-hit countries, it was announced that by the monetary policy support of the European Central Bank, cheap credit facilities will be provided to the households and businesses and that government and corporate bond purchases will be increased. While Japan announced incentive packages equivalent to 20 percent of the country's GDP, China has announced that it would implement all the monetary and financial measures necessary to sustain its growth, and the Chinese Central Bank has also made a 20 basis point interest rate cut faster than expected. In this context, while the global liquidity environment provides the necessary support to stop the slowdown in the global economy, the deterioration in the real economy has also begun to show itself prominently, through the service and manufacturing sector in particular.

The tight monetary policy being adopted in our country under the coordination of economic management and monetary policy in 2019 and focused on reducing the inflation has been successfully implemented and a balance has been achieved in the economy. Turkey closed 2019 with a 0.9 percent growth performance and 1.7 billion USD current surplus. In the continuation of the balancing period, 2020 is announced as the transformation year and steps are started to be taken in parallel with the growth target. The decrease in energy costs driven by the fall in oil prices has favorably affected the country's economy. On the other hand, the slowdown in the coronavirus-induced economic activity and the fact that tourism activities come to a near halt appear as the obstacles before our country to achieve its targets. For the purpose of supporting economic activities, the CBRT continued to cut interest rates gradually and lowered the interest rate to 8.25 percent by an extraordinary meeting decision on the 18th of March. Our government announced financial and monetary support packages for the coronavirus-hit sectors and supported the financial markets and the real economy by taking the necessary steps to get the economy out of such painful process. With the contributions of ultra-expansionary monetary policies adopted by the global central banks and the effective economic management implemented by our Government, the recovery trend recorded in the last quarter of 2019 is expected to continue in the first quarter of the year.

Takasbank, which has become an important financial infrastructure institution with the services it offers to the money and capital markets of our country, continued to contribute to the development of our markets in a more stable and sustainable structure in this period as well. As of the first quarter of 2020, our Bank has achieved a pre-tax profit of 140.2 million TL, and our asset size and shareholders' equity have reached 19.3 billion TL and 2.4 billion TL respectively.

From the mid of March, most of our employees are moved to work from home system due to the coronavirus outbreak which also affected our country together with the entire world. As part of Borsa Istanbul Group business continuity planning, all of our services are continued to be provided uninterruptedly and effectively during this period.

With the aim of preventing fraud and theft incidents that frequently occur in the sale and purchase of vehicles, our Bank has offered to the service of our country on 3 February 2020 simultaneously with the Turkey Union of Notaries, Takasbank Vehicle Clearing System as the first custody organization in the Secure Payment System, which is the product of the joint studies carried out between Turkey Union of Notaries and the Ministry of Commerce.

Our Bank designated as the “escrow agent” as part of the Capital Market Board's "Communiqué on Equity-Based Crowdfunding" will carry out activities, in accordance with the provisions of the Communiqué, such as blocking the funds collected on behalf of the venture capital firm in the accounts to be opened in the name of the crowdfunding platforms during the campaign period, completing the campaign successfully and transferring the collected funds to the venture capital firm after allocation of the shares issued by the venture capital firm to the investors, etc. The system-related developments have been completed and tests are initiated with the platforms.

In this period where our country and the world are fighting against the epidemic disease, I would like to thank all our stakeholders, especially our employees and managers, on behalf of myself and our Board of Directors for their successful performance.

Yours sincerely,

**Mehmet Hakan ATILLA**

Chairman of the Board of Directors

## Evaluation of the CEO for the Period

In the first three months of 2020 where our Country also fights against the epidemic as in the entire world, our Bank continued its effective and productive activities for the Turkish capital markets as well as our stakeholders and customers and demonstrated a successful performance. Considering the health of our employees and their families due to the risk of coronavirus outbreak, most of our employees started to work from home and our services are continued to be provided in an uninterrupted and effective manner in accordance with Takasbank business continuity planning.

In the first quarter of 2020, our Bank achieved a pre-tax profit of 140.2 million TL, its asset size and shareholders' equity reached 19.3 billion TL and 2.4 billion TL respectively, and the size of its total cash collateral reached 12.2 billion TL.

Despite the challenges faced because of the epidemic, Takasbank continued its activities without interruption during this period in all markets to which it provides service. In the first three months of 2020, transactions at the total amount of 4.275 billion TL have been conducted in Borsa İstanbul (BİAŞ) Debt Securities Market Outright Purchases and Sales Market and Repo-Reverse Repo Market, where 9.5 billion TL of them constitutes private sector bond transactions. For the transactions conducted in the market; cash settlement at the amount of 501.3 billion TL and securities settlement with a market value of 2.258 billion TL have been executed in the Takasbank system as a result of multilateral netting process. In BİAŞ Swap Market, bilateral transactions at the total amount of 1.200 billion TL have been conducted, where 153 billion TL of them are in USD and TL 40 billion are in EUR. In BİAŞ Equities Market, transactions at the total amount of 1,062 billion TL have been conducted and 41 billion TL cash settlement and 155 billion TL securities settlement transactions have been concluded by our Bank. As of 31 March 2020, the number of open positions in the Futures and Options Market was 5 million, and the amount of open positions was 11 billion TL.

The trading volume in Takasbank Money Market as one of the markets operated by our Bank was 140.4 billion TL and the number of total transactions was 51.580 in the first three months period. The daily average trading volume was 2.2 billion TL and the average transaction size was occurred as 2.7 million TL. In the Securities Lending Market, 264 different type of securities were traded during the first three months' period, 862.4 million transactions were conducted in total and the trading volume was realized as 5.2 billion TL. In Turkey Electronic Fund Trading Platform (TEFAS), the trading volume for the first quarter was 48 billion TL and the number of traded funds was realized as 224. The daily average trading volume was 749 million TL, whereas the number of institutions conducting trades was 72.

With regard to the private pension fund services; the fund asset value of 408 private pension investment funds was 130.8 billion TL as of 31 March 2020. At the same period, total fund asset value of 615 investments funds reached TL 117 billion and total fund asset value of 12 securities investment trusts reached 502 million TL.

As part of the cash credit service provided by our Bank to the brokerage houses, a daily average of 253.8 million TL cash credit and of 6.1 million TL settlement credit have been extended. During the first three months' period, our Bank continued working to launch new projects in line with its vision of "contributing to the development of markets with its reliable and effective post-trade services" while fulfilling its available services in an effective and uninterrupted manner.

In this context; Takasbank Vehicle Clearing System has been launched at 3<sup>rd</sup> February 2020, and the system developments for the fulfillment of duties assigned to our Bank pursuant to the Communiqué on Equity-Based Crowdfunding have been completed and the tests have been initiated with the crowdfunding platforms.

With the belief that our employees having a big share in the successful performance of our Bank in this challenging period will continue their devoted efforts in the upcoming periods, I would like to extend my thanks to everyone who contributed to this success.

Best regards,

**Gökhan ELİBOL**  
Deputy General Manager  
Board Member

## Bank's Historical Development

The Bank which was originally established as a department of the Borsa Istanbul 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 18<sup>th</sup> Ordinary General Assembly dated 29 March 2013, the title of the Bank has been changed to Istanbul Takas ve Saklama Bankası A.Ş. (Istanbul Settlement and Custody Bank Inc.)

## Shareholding Structure

Takasbank's paid-in capital is 600 million TL. The Bank has 40 shareholders, and BİAŞ has 64.15%, 11 banks have 17.04% and 28 brokerage houses have 18.81% shares in its capital.

Shareholder Name	Paid-in-Capital (Thousand TL)	Percentage Share (%)
Borsa Istanbul A.Ş.	384,887	64.15
Türkiye Garanti Bankası A.Ş.	29,685	4.95
Tacirler Menkul Değerler A.Ş.	29,516	4.92
Phillip Capital Menkul Değerler A.Ş.	28,423	4.74
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)	28,638	4.77
Other (Bank)	20,101	3.35
<b>Total</b>	<b>600,000</b>	<b>100</b>

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

Title	Share Amount (Thousand TL)	Percentage Share (%)
Borsa Istanbul A.Ş.	384,887	64.15

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

## Branch and Personnel Information

The Bank's number of employees is 298 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
Mehmet Hakan Atilla	President
Bekir Bayrakdar	Vice President
Gökhan Elibol	Deputy General Manager - Board Member - Credit Committee Permanent Member
Seyit Ahmet Işkın (*)	Member (Audit Committee Chair - Central Counterparty Risk Advisory Committee Chair)
Hüseyin Melih Akosman	Member (Credit Committee Permanent Member)
Suat Sangül	Member (Credit Committee Substitute Member)
Ekrem Kerem Korur	Member (Audit Committee Member - Corporate Governance Committee Member)
Münevver Çetin	Member (Credit Committee Chair)
Gülseren Topuz	Member (Corporate Governance Committee Chair- Credit Committee Substitute Member - Central Counterparty Risk Advisory Committee Member)

### CEO and Executive Vice Presidents

Name Surname	Area of Responsibility
Gökhan Elibol	Deputy General Manager - Board Member - Credit Committee Permanent Member
Serkan Aşkar	Executive Vice President - Central Counterparty and Financial Services

\*Mr. Seyit Ahmet Işkın, Member of the Board of Directors, has resigned his office at the General Assembly held on 21 April 2020, and Mr. Yusuf Karaloğlu was elected as a board member.

### Information about the transactions conducted by the Bank 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 İstanbul 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)		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Opening Balance of the Period	-	-	154,942	1,200,872	-	-
Closing Balance of the Period	-	-	20,457	8,072.706	-	-
Received Interest and Commission Income	2,608		12,123	-	822	-



## Analysis of the Bank's Financial Indicators and Performance

<b>Assets (Thousand TL)</b>	<b>31 March 2020</b>
<b>Financial Assets (Net)</b>	<b>17,671,998</b>
Cash and Cash Equivalents	17,668,916
<i>Cash Assets and Central Bank</i>	2,089
<i>Banks</i>	17,661,136
<i>Money market receivables</i>	27,936
<i>Expected loss reserves (-)</i>	22,245
<b>Financial assets at fair value through other comprehensive income</b>	<b>3,082</b>
<b>Derivative financial assets</b>	-
<b>Financial assets measured at amortized cost (Net)</b>	<b>1,452,237</b>
<i>Loans</i>	20,457
<i>Other financial assets measured at amortized cost</i>	1,431,999
<i>Expected credit losses (-)</i>	219
<b>Investments in associates, subsidiaries and joint ventures</b>	<b>4,825</b>
<b>Tangible assets (Net)</b>	<b>10,457</b>
<b>Intangible assets and goodwill (Net)</b>	<b>106,600</b>
<b>Investment properties (Net)</b>	<b>34,275</b>
<b>Current tax assets</b>	-
<b>Deferred tax assets</b>	-
<b>Other assets</b>	<b>42,974</b>
<b>Total Assets</b>	<b>19,323,366</b>

<b>Liabilities (Thousand TL)</b>	<b>31 March 2020</b>
<b>Loans received</b>	<b>3,164,085</b>
<b>Funds</b>	<b>13,648,995</b>
<i>Other</i>	13,648,995
<b>Derivative financial liabilities</b>	-
<b>Lease payables</b>	<b>2,532</b>
<b>Provisions</b>	<b>42,461</b>
<i>Provision for Employee Benefits</i>	15,903
<i>Other provisions</i>	26,558
<b>Current tax liabilities</b>	<b>43,661</b>
<b>Deferred tax liabilities</b>	<b>3,414</b>
<b>Shareholders' equity</b>	<b>2,418,218</b>
<b>Total Liabilities</b>	<b>19,323,366</b>

<b>Statement of Profit or Loss (Thousand TL)</b>	<b>31 March 2020</b>
Interest Income	92,329
Interest Expense (-)	6,804
Net Interest Income/Expense	85,525
Net Fees and Commission Income/Expense	84,134
Dividend Income	0
Net Trading Income/Losses	13,453
Other Operating Income	3,733
Gross Operating Income	186,845
Allowance Expenses for Expected Credit Losses (-)	1,260
Other Allowance Expenses (-)	9,005
Personnel Expenses (-)	21,295
Other Operating Expenses	15,043
Net Operating Profit/Loss	140,242
Tax Provision for Continuing Operations (-)	-30,215
<b>Net Period Profit/Loss</b>	<b>110,027</b>

<b>Financial Ratios (%)</b>	<b>31 March 2020</b>
Operating Income / Total Assets	0.73
Shareholders Equity / Total Assets	12.51
Operating Income / Shareholders Equity	5.80
Net Interest Income / Operating Revenue	45.77

Assets (Thousand TL)	31 December 2019
<b>Financial Assets (Net)</b>	<b>15,692,028</b>
Cash and Cash Equivalents	<b>15,648,931</b>
<i>Cash Assets and Central Bank</i>	<i>840</i>
<i>Banks</i>	<i>15,639,364</i>
<i>Money market receivables</i>	<i>29,338</i>
<i>Expected loss reserves (-)</i>	<i>20,611</i>
<b>Financial assets at fair value through other comprehensive income</b>	<b>3,082</b>
<b>Derivative financial assets</b>	<b>40,015</b>
<b>Financial assets measured at amortized cost (Net)</b>	<b>851,485</b>
<i>Loans</i>	<i>157,493</i>
<i>Other financial assets measured at amortized cost</i>	<i>694,289</i>
<i>Expected credit losses (-)</i>	<i>297</i>
<b>Investments in associates, subsidiaries and joint ventures</b>	<b>4,825</b>
<b>Tangible assets (Net)</b>	<b>11,267</b>
<b>Intangible assets and goodwill (Net)</b>	<b>103,793</b>
<b>Investment properties (Net)</b>	<b>34,275</b>
<b>Current tax assets</b>	<b>-</b>
<b>Deferred tax assets</b>	<b>-</b>
<b>Other assets</b>	<b>36,887</b>
<b>Total Assets</b>	<b>16,734,560</b>

Liabilities (Thousand TL)	31 December 2019
<b>Loans received</b>	<b>4,105,859</b>
<b>Funds</b>	<b>10,205,426</b>
<i>Other</i>	<i>10,205,426</i>
<b>Derivative Financial liabilities</b>	<b>-</b>
<b>Lease payables</b>	<b>2,347</b>
<b>Provisions</b>	<b>61,088</b>
<i>Provision for Employee Benefits</i>	<i>15,952</i>
<i>Other provisions</i>	<i>45,136</i>
<b>Current tax liabilities</b>	<b>43,570</b>
<b>Deferred tax liabilities</b>	<b>8,175</b>
<b>Shareholders` equity</b>	<b>2,308,095</b>
<b>Total Liabilities</b>	<b>16,734,560</b>

<b>Statement of Profit or Loss (Thousand TL)</b>	<b>31 March 2019</b>
Interest Income	208,504
Interest Expense (-)	53,146
Net Interest Income/Expense	155,358
Net Fees and Commission Income/Expense	65,259
Dividend Income	0
Net Trading Income/Losses	-19,226
Other Operating Income	11,174
Gross Operating Income	212,565
Allowance Expenses for Expected Credit Losses (-)	9,903
Other Allowance Expenses (-)	9,875
Personnel Expenses (-)	18,737
Other Operating Expenses	14,796
Net Operating Profit/Loss	159,254
Tax Provision for Continuing Operations (-)	-34,374
<b>Net Period Profit/Loss</b>	<b>124,880</b>

<b>Financial Ratios (%)</b>	<b>31 March 2019</b>
Operating Income / Total Assets	0.95
Shareholders Equity / Total Assets	13.79
Operating Income / Shareholders Equity	6.90
Net Interest Income / Operating Revenue	73.09

The size of the balance sheet which was 16,734,560 thousand TL at the end of 2019 reached 19,323,366 thousand TL as of end-March 2020. The banks account representing the highest amount in the assets increased by 13% and realized as 17,661,136 thousand TL.

While the funds item holding the most important place in the liabilities of the Bank was 10,205,426 thousand TL at the end of the previous year, it increased by 34% and reached 13,648,995 thousand TL. Loans received item decreased by 23% to 3,164,085 thousand TL.

As of the end of first quarter of 2020, the Bank has a pre-tax profit of 140,242 thousand TL and after-tax profit of 110,027 thousand TL. An interest income of 92.329 thousand TL is earned as of end-March 2020, where 74.302 thousand TL interest is collected from the banks, 11.136 thousand TL interest is collected from the securities and 6.683 thousand TL is collected from the loans and 208 thousand TL results from other interest income. Total interest expense for this period was realized as 6.804 thousand TL.

The Bank earned 93.654 thousand TL commission income as a result of the services it provides and paid 9.520 thousand TL commission for its Turkish Lira and foreign currency denominated transactions. As of end-March 2020, net fee and commission income was realized as 84.134 thousand TL.