



2018 Annual Report

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INTRODUCTION

INFORMATION ON THE STATEMENT PERIOD AND THE BANK'S TRADE NAME, ADDRESS, TELEPHONE AND FAX NUMBERS, AND EMAIL ADDRESSES FOR THE MAIN OFFICE OR HEADQUARTERS

Report Term: 2018 Annual Report

The Bank's Commercial Title: İstanbul Takas ve Saklama Bankası Anonim Şirketi

The Bank's Trade Name: "TAKASBANK" or "TAKAS İSTANBUL"

Headquarters Address: Reşitpaşa Mahallesi, Borsa İstanbul Caddesi, No: 4 Sarıyer 34467, İstanbul

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Trade Registry No: 276870

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Email Addresses:

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Member Information	uye@takasbank.com.tr
Registered Electronic Mail (REM)	takasbank.haberlesme@hs03.kep.tr

ABOUT TAKAS İSTANBUL

Takas İstanbul (Takasbank) provides clearing, settlement, custody, central counterparty, and banking services to its members in the Turkish capital markets through its central settlement and clearing and banking licenses.

Takas İstanbul is a central clearing and settlement organization that is authorized to conclude cash and securities settlement and clearing of

- equity,
- debt securities,
- foreign capital market instruments,
- derivatives,
- and precious metals

transactions that occur on Borsa İstanbul. Commitments to deliver and receive securities arising from trading by Borsa İstanbul members and payment commitments in return for securities are settled on account by Takasbank. Takasbank provides a reliable, fast, and low-cost cash transfer service and acts as an intermediary between money and capital markets as well as providing settlement services online with organized markets in a fully automated environment for the markets operating at Borsa İstanbul within the framework of capital market and Borsa İstanbul legislation.



SUMMARY OF 2018 OPERATIONS

We continued our multifaceted contributions for the expansion and...



SETTLEMENT SYSTEM

Takasbank has been authorized by the Central Bank of Turkey (CBRT) as the Securities Settlement System operator pursuant to Law No. 6493 on Payment and Securities Settlement Systems.



BISTECH

Borsa İstanbul A.Ş. Takasbank now provides cash clearing, settlement and collateral management services in the Precious Metals and Precious Stones Market, as well as settlement, clearing, collateral, and risk management services in the Borsa İstanbul Debt Securities Market, on the BISTECH system.



R&D

Our R&D Center has undergone and passed an audit by the Ministry of Industry and Technology.



SETTLEMENT AND CLEARING LOAN

The CBRT approves the Settlement and Clearing Loan and considers it a special loan mechanism from the beginning of 2019 as per the Article 23 of the Regulation on the Operations of Payment and Settlement Systems.



USE OF PRIVATE TERMINALS

Members begin trading by using their own terminals from the free current U.S. dollar and Euro accounts at Takasbank.



CAPITAL MARKETS CONGRESS

Main sponsor support for the Capital Markets Congress.



FX SWAP MARKET

Borsa İstanbul FX SWAP Market was initiated with the CCP Service in October 2018.



CHECK CLEARING AND SETTLEMENT SYSTEM

It was resolved that the CBRT may resolve that the electronic check clearance under the Interbank Check Clearing House (BTOM) be conducted through another organization within the framework of Article 8 (1) of the Law on Checks No. 5941. In this respect, our Bank has qualified as an Organization by which settlement and clearing operations may be conducted from July 2, 2018, under the Regulation on Check Clearing and Settlement Operations published in the Official Gazette No. 30446 dated June 9, 2018.



GOLD TRANSFER SYSTEM

The Gold Transfer System, developed by Takasbank, started to serve participating banks and their customers by implementing transfer from person to person, on July 16, 2018.



NATURAL GAS MARKET

The Organized Wholesale Natural Gas Sale Market went live on September 1, 2018.



SECURITIES LENDING MARKET

A new order type (special order) that involves borrowers and lenders making an agreement with each other before taking their transaction to the SLM and arrangements that allow expired SLM contracts to roll over have been put into practice in order to develop the SLM.



TAKASBANK MONEY MARKET

Asset-Backed Securities (ABS), bank bills and bonds, gold and lease certificates have been added to the assets that are accepted as eligible collateral in the Takasbank Money Market. The initial margin rate in the Takasbank Money Market was revised to cover the total amount of principal and interest and reduced from 110 percent to 105 percent.

...development of the capital markets.

TAKASBANK MONEY MARKET

41%
growth



Total trading volume in the TMM increased by 41 percent compared to the previous year.

SECURITIES LENDING MARKET

9.7%
growth



Total SLM trading volume rose by 9.68 percent.

TEFAS

8.3%
growth



The average annual trading volume in the Turkey Electronic Fund Trading Platform (TEFAS) rose by 8.3 percent.

RTGS DVP SYSTEM

756.71
billion TRY



A total transaction volume of 756.71 billion TRY was achieved in the Equity Market -RTGS DVP System.

SETTLEMENT AND CLEARING LOAN

58.5%
growth



Settlement and clearing loan daily average grew by 58.50 percent to 2.9 million TRY.

ACCOUNT CONTRACT

350
units



Contracts signed for 350 accounts; services provided to 1,640 institutions and 3,845 active users.

PRIVATE PENSION SYSTEM

17%
growth



The total fund size in the private pension system rose by 17 percent to 93 billion TRY.

15%
growth



The number of private pension system participant accounts grew by 15 percent to 13.25 million.

GLOBAL CUSTODY SERVICE

20%
growth



The member base of global custody services grew by 20 percent and the custody balance reached €5.13 billion.

NUMBERING SERVICE

31,436
units



31,436 ISINs were provided for capital markets instruments, and LEIs were allocated to 561 legal entities.

EXIST ELECTRICITY MARKET

58%
growth



Trading volume in the Electricity Market has grown by 58 percent compared to year-end 2017.

MESSAGE FROM THE CHAIRMAN



ESTEEMED SHAREHOLDERS

At the end of another successful year, Takasbank increased pre-tax profits by 76 percent to 612.7 million TRY, and shareholders' equity to 1.7 billion TRY.

In 2018, Takasbank implemented a lot of innovations and projects:

As part of the final phase of the BISTECH project, the Debt Securities and Precious Metals Markets were integrated into the BISTECH system,

Takasbank began providing central counterparty services in the Debt Securities Market, The Gold Transfer System, the first in our country and in the world, went live. Payment of checks cleared by the CBRT Interbank Check Clearing House on account between branches of banks was transferred to our Bank under the regulation published in the Official Gazette on June 9, 2018, and Takasbank began serving as an operator of the Check Clearing and Settlement System.

Takasbank became the Central Settlement Organization for the Natural Gas Market following the Electricity Market of EXIST, the ever-growing energy exchange of Turkey.

The FX SWAP Market, an over-the-counter market for global markets and an off-shore one for Turkey, was commissioned as an organized and on-shore market in the fourth quarter

At the end of another successful year, Takasbank increased pre-tax profits by 76 percent to 612.7 million TRY, and shareholders' equity to 1.7 billion TRY.

within the framework of the main strategy of Borsa İstanbul Group, and Takasbank started to provide central counterparty, and clearing, settlement and collateral management services.

Ranking at 77th place among 721,524 corporate taxpayers in 2017, Takasbank continued to increase its contribution to the national economy in 2018, reaching 65th place among 759,242 corporate taxpayers, which amounts to a 12-place jump.

In 2019, we will continue to improve and add depth to the Debt Securities Market and FX SWAP Market as well as strongly supporting the efforts to determine a reference interest rate.

Takasbank will operate in the Turkey Specialized Commodity Exchange once the transaction platform is established.

Takasbank will maintain its achievements and continue to create value and contribute to the national economy with its dedicated personnel, technological infrastructure, innovative and high-quality service and strong shareholding structure.

I would like to thank all of our executives and employees who have brought our Bank to the present, and our stakeholders for the support they provide in achieving the Bank's goals, on Board of Director's behalf.

Murat ÇETİNKAYA

Chairman of the Board of Directors

In 2019, we will continue to improve and add depth to the Debt Securities Market and FX SWAP Market as well as strongly supporting the efforts to determine a reference interest rate.

MESSAGE FROM THE CEO



In 2018, the Bank's total assets rose by 12 percent to 11.8 billion TRY, up from 10.6 billion TRY.

Today's developing and changing global economic trends bring along a challenging and competitive environment. Making increasing contributions to the growing economy of Turkey and offering innovative and customer-oriented services in money markets, Takasbank has left behind another successful year.

The Bank's total assets rose by 12 percent to 11.8 billion TRY, up from 10.6 billion; shareholders' equity by 40 percent to 1.7 billion TRY, up from 1.2 billion; operating profit by 76 percent to 612.7 million TRY, up from 348.6 million; banking services revenue by 45 percent to 239.3 million TRY, up from 165.3 million; interest and portfolio income by 69 percent to 684.6 million TRY, up from 405.8 million.

In 2018, Takasbank commissioned a lot of new services and projects, including:

Takasbank continues to operate in full compliance with the 22 principles applicable to CCP organizations in the Principles for Financial Market Infrastructures issued by CPMI-IOSCO in April 2012, which defines international standards for financial market infrastructures.

In addition to the integration of our equity and derivatives markets in previous years, we successfully completed the integration of the Precious Metals Market and Debt Securities Market in the final phase of the BISTECH project in 2018, and all markets were transferred to the BISTECH system with Borsa İstanbul.

One of Turkey's most prominent market infrastructure organizations, Takasbank put critical technological infrastructure enhancement and development projects into service throughout the year in line with its strategy of enhancing its technological infrastructure so as to ensure that markets can operate more efficiently and without interruption.

Takasbank started to provide settlement and clearing, and collateral management services as well as CCP services for the transactions of the FX SWAP Market established under Borsa İstanbul in order to help improve and add depth to the finance and capital markets.

After multilateral netting, the Debt Securities Market executed a cash settlement of 970.95 billion TRY (22.00 percent of the total stock market trading volume). Total market value of equities settlement was 2,431.61 billion TRY (55.09 percent of the total stock market trading volume).

Takasbank transferred debt securities to our members in the amount of 602,774.85 million TRY/nominal. Of this figure, 597,141.58 million TRY and 5,633.28 million TRY/nominal amounts were free of payment and bilateral Takasbank transfer, respectively.

A total of 57 brokerage houses accounted for a trading volume of 452,733.66 million TRY in the Equity Market. After netting, settlement transactions reached 102,054.28 million TRY (22.54 percent) in cash exchange and 343,192.32 million TRY (75.8 percent) market value in securities exchange. Transaction amount reached 1,513.41 billion TRY in the Bilateral System.

The number of active members in the Futures and Options Market (VIOP) rose to 68, while the number of open positions was 1,671,608 with a market value of 7,551 million TRY. The total collateral value of 71,077 accounts out of the 201,336 accounts opened in the Leveraged Trading Transactions (LTT) is 760 million TRY.

Takasbank provided credit rating and evaluation scores to 236 banks, intermediary institutions, and factoring, leasing, finance, and insurance companies operating in Turkey. Loan and transaction limits of our members were determined for the markets in which our members operate. The Maximum Net Debt Amount (MNBT) continued to be 450 million TRY. The MNBT states the highest net settlement debt that can occur on the transaction and maturity dates for each member at the Takasbank Money Market (TMM).

The average annual trade volume in the Turkey Electronic Fund Trading Platform (TEFAS), another market operated by Takasbank, rose by 8.3 percent.

Takasbank began providing clearing, settlement and collateral management services in the Organized Wholesale Natural Gas Sale Market established under the EXIST, one of the most prominent markets that contribute to growth in national and international markets. The Bank provided 1,227 participants with cash clearing, settlement and collateral management services as the Central Settlement Bank in the Electricity Market, with a 58 percent increase in trading volume compared to the previous year.

Global custody services membership increased by 20 percent, and the global custody balance reached €5.13 billion.

Takasbank completed the Global Legal Entity Identifier Foundation (GLEIF) accreditation process in 2018 and is authorized to assign LEIs to legal entities located in 15 countries, including Turkey, Azerbaijan, Belgium, the Netherlands, and the United Kingdom. LEIs were assigned to 210 legal entities in 2017 and 561 legal entities in 2018.

The number of accounts that contain private pension funds was approximately 8.05 million, remaining unchanged compared to the previous year. Participants' fund size grew to 88.5 billion TRY with an increase of 10.7 billion TRY. Nearly 7.43 million private pension participant accounts were opened as part of the Automatic Enrolment System in private pension

Takasbank made a significant contribution to academic research and provided researchers from four different universities with data on investment and pension funds in 2018.

companies, with a total fund amount of 4.6 billion TRY for the current 5.2 million active accounts. The opt-out rate from the Automatic Enrolment System was 66 percent.

In addition, the number of funds receiving portfolio custody services reached 104 with a 13 percent increase by the end of 2018. This number is 111 including investment trusts. The total fund size of funds and investment trusts rose to 3.89 billion TRY.

Moreover, Takasbank made a significant contribution to academic research and provided researchers from four different universities with data on investment and pension funds in 2018.

With progress and development the primary objectives since its foundation, Takasbank continues to strive to further its contribution to the Turkish economy. I would like to thank all of our employees, Board of Directors, shareholders and our stakeholders for their support and contribution in making these achievements possible.

Mahmut KAYACIK

CEO
Board Member

MILESTONES

1992

- İMKB Takas ve Saklama A.Ş. established.

1995

- The Capital Markets Board of Turkey authorizes Takasbank as the National Numbering Agency.

1996

- ISE Clearing, Settlement and Custody Bank Inc. established by obtaining an investment bank license.
- Takasbank Money Market service launches.

1997

- Takasbank Electronic Transfer System (TETS) commences.

2001

- Merkezi Kayıt İstanbul - CSD of Turkey (formerly MKK) established under the leadership of Borsa İstanbul and Takasbank.

2003

- Takasbank begins providing custody services to the Private Pension System (PPS).

2005

- Securities Lending Market launches.

2006

- Clearing and settlement services begin for corporate bond transactions.
- Takasbank becomes a member of the European Central Securities Depositories Association (ECSDA).

2008

- Takasbank becomes a member of the Organization of the Islamic Cooperation (OIC) Member States' Stock Exchanges Forum.

2011

- Capital Markets Board of Turkey (CMB) authorizes Takasbank for the Leveraged Transactions (FOREX) (LTT) as Trade Repository and customer collaterals' safe keeping.
- New agreement signed with TEİAŞ (Energy Market Operator) to conduct Cash Settlement and Collateral Management operations in the Electricity Market by Takasbank as the Central Settlement Bank.
- Turkish Electronic Fund Trading Platform (TEFAS), established by Takasbank, begins operations.

2012

- Takasbank logo and corporate identity changed to better reflect the Bank's fundamental values of trust and future goals.
- Takasbank commissioned as clearing and settlement service provider by the Istanbul Gold Exchange as part of the project to consolidate all stock exchanges under one roof to provide services under a common electronic clearing and settlement platform. Takasbank starts to provide clearing, settlement, risk and collateral management services to the Borsa İstanbul Futures and Options Market.

2013

- Trade name changes to İstanbul Takas ve Saklama Bankası A.Ş.
- Takasbank begins operating as a Central Counterparty (CCP) in the Securities Lending Market after appointment by the Capital Markets Board of Turkey.
- Authorized as the Local Operating Unit (LOU) for the allocation of Legal Entity Identifier (LEI) Codes under the sponsorship of the Capital Markets Board of Turkey.
- Electronic Warehouse Receipts (EWR) Clearing and Settlement Service commences in the commodity exchanges upon approval by the Ministry of Customs and Trade.

2014

- Takasbank begins providing CCP services at Borsa İstanbul Futures and Options Market.
- ISO 27001 Information Security Management System Certificate (ISMS) obtained.
- ISO 22301 Business Continuity Management System Certificate (BCMS) obtained.
- Portfolio Custody Services commence.

2015

- Settlement and clearing and transfer services moved to the BISTECH system from the Borsa İstanbul Equity Market upon completion of equity market infrastructure development efforts.
- TapuTakas (Takasbank Real Estate Title Deed Payment Transfer Service) Project launches
- Fund Information Platform Service commences.
- Financial leasing, factoring, financing companies, insurance and pension companies begin trading on the Takasbank Money Market via internet access.
- TEFAS begins trading with new implementation principles.
- Energy Exchange (EXIST) is founded as an operator to energy markets and Takasbank has started to provide cash settlement and collateral management services for Electricity Market of the EXIST.

2016

- Move to the new campus in İstinye.
- Clearing and settlement transactions are settled as CCP at Borsa İstanbul Money Market.
- Application to the European Securities and Markets Authority (ESMA) for recognition as a third country Central Counterparty (CCP) institution.
- Declared a Qualified Central Counterparty (QCCP) by the Capital Markets Board of Turkey.
- Service to enable Borsa İstanbul Futures and Options Market investors to monitor collateral, positions and investor information via our website is launched.

2017

- Takasbank becomes an on-site R&D Center.
- Clearing and settlement transactions are settled as CCP at Borsa İstanbul Equity Market.
- Takasbank provides settlement, margin, and risk management services to the Borsa İstanbul Futures and Options Market on the BISTECH system.
- Customer- and fund-based custody services offered as part of the Automatic Enrolment System.
- Takasbank begins to provide central cash settlement and collateral management services in the Borsa İstanbul Precious Metals Market without using a correspondent bank.
- Asset management companies can become members of the Takasbank Money Market.

2018

- Takasbank begins providing CCP services at Borsa İstanbul FX Swap Market and Borsa İstanbul Debt Securities Market.
- Cash clearing, settlement and collateral management services are provided for the EXIST Natural Gas Market.
- Gold Transfer System is launched.
- Takasbank Check Clearing and Settlement System service is made available.
- The Debt Securities Market and Precious Metals Market are integrated in the BISTECH system under BISTECH Phase 2+ and the entire integration process is completed.

SUMMARY FINANCIAL INFORMATION ON OPERATING RESULTS FOR THE ACCOUNTING PERIOD

During the January 1-December 31, 2018, operating period, Takasbank posted 612.72 million TRY profit before tax, 479.74 million TRY net profits, 684.57 million TRY interest income, 532.40 million TRY net interest income after 152.16 million TRY interest expense, and 80.32 million TRY net non-interest income.

HISTORICAL DEVELOPMENT OF THE BANK, AMENDMENTS, AND THE REASONS FOR THE ARTICLES OF ASSOCIATION

Takasbank was founded in 1992 under the name of "İMKB Takas ve Saklama A.Ş." as a joint stock company, subject to the provisions of the Turkish Commercial Code under the leadership of the Istanbul Stock Exchange (ISE), with the goal of providing clearing, settlement, and custody services in the capital markets. In 1995, the Company acquired bank status by obtaining an investment banking license to provide banking services related to clearing, settlement, and custody. It changed its name to ISE Settlement and Custody Bank Inc. Pursuant to provisional Article 8 of the new Capital Markets Law No. 6362, dated December 30, 2012, it earned central clearing and settlement institution status. It changed its name to Istanbul Settlement and Custody Bank Inc. in 2013.

Based on the legal grounds provided by the new Capital Markets Law No. 6362 dated December 30, 2012, Takasbank started to provide services as a central counterparty (CCP) on:

- The Securities Lending Market (SLM) it operates in September 2013,
- Borsa İstanbul Futures and Options Market in March 2014,
- Borsa İstanbul Money Market in October 2016,
- Borsa İstanbul Equity Market in June 2017,
- Borsa İstanbul Debt Securities Market in July 2018,
- Borsa İstanbul FX SWAP Market in October 2018.

Takasbank has been authorized by the Central Bank of the Republic of Turkey as the Securities Settlement System operator pursuant to Law No. 6493 on Payment and Securities Settlement Systems.

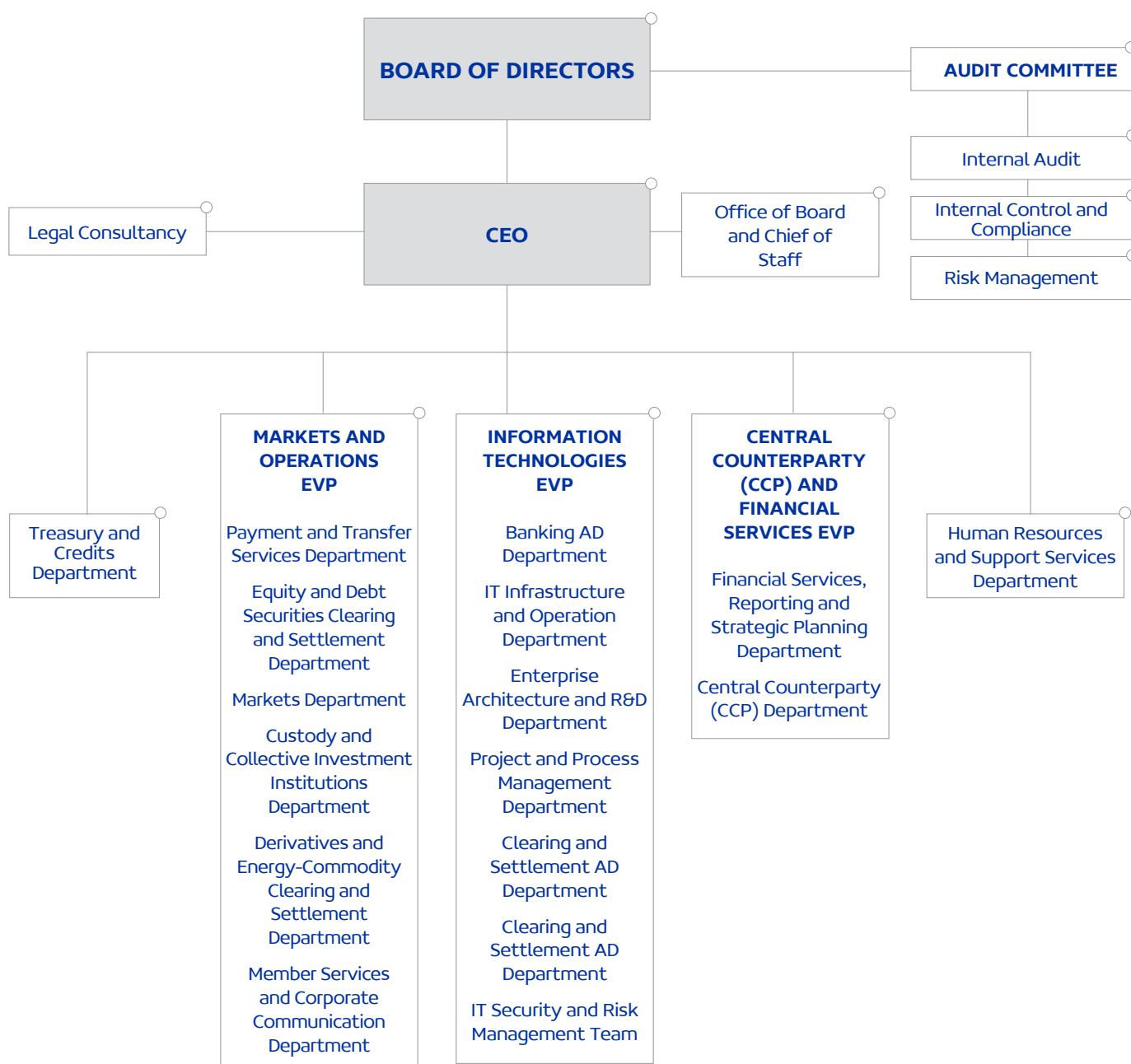
In 2017, the trade name Takas İstanbul was added pursuant to an amendment to Article 2 of the Articles of Association.

In 2018,
Takasbank posted
612.72 million TRY
profit before
tax and
479.74 million TRY
net profits.



BANK'S ORGANIZATION, CAPITAL AND SHAREHOLDING STRUCTURE, AND ANY RELATED CHANGES IN THE ACCOUNTING PERIOD; INFORMATION ON TITLES AND SHARES OF REAL OR LEGAL PERSONS HOLDING QUALIFYING SHARES

ORGANIZATION CHART



BANK'S ORGANIZATION, CAPITAL AND SHAREHOLDING STRUCTURE, AND ANY RELATED CHANGES IN THE ACCOUNTING PERIOD; INFORMATION ON TITLES AND SHARES OF REAL OR LEGAL PERSONS HOLDING QUALIFYING SHARES

THE BANK'S ORGANIZATION, CAPITAL AND SHAREHOLDER STRUCTURE

Borsa İstanbul A.Ş. owns 64.14 percent of Takasbank shares. Originally a public legal entity called Istanbul Stock Exchange, Borsa İstanbul A.Ş. later became a joint stock company with a private legal entity in accordance with Capital Markets Law No. 6362. Established to engage in exchange activities pursuant to Article 138 of the Law, Borsa İstanbul A.Ş. incorporated all exchanges in our capital markets under a single roof and received its operation permit by the direct registration and promulgation of its articles of association on April 3, 2013.

Pursuant to the provisions of the Law and applicable regulations, the primary objective and business line of Borsa

İstanbul A.Ş. is to ensure that capital markets instruments, foreign currencies, precious metals and stones, and other contracts, documents, and assets deemed eligible by the Capital Markets Board are traded in a facile and secure manner under free trade conditions in a transparent, efficient, competitive, fair, and stable environment; to match or facilitate the matching of buy and sell orders with these assets in a manner to finalize them; to create, establish, and develop markets, marketplaces, trading platforms, systems, and other organized marketplaces to determine and announce formed prices; to manage and/or operate the aforementioned or other exchanges or markets of other stock exchanges; and to engage in other activities stipulated in its articles of association.

Principal shareholders and capital structure of Takasbank as of December 31, 2018, and December 31, 2017:

(Thousand TRY)		Current Period			Previous Period		
No	Shareholders	Paid-in Capital	%	Number	Paid-in Capital	%	Number
1	Borsa İstanbul A.Ş.	384,869	64.14	1	382,989	63.83	1
2	Tacirler Menkul Değerler A.Ş.	29,016	4.84	1	29,016	4.84	1
3	Phillip Capital Menkul Değerler A.Ş.	27,923	4.65	1	27,923	4.65	1
4	Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,280	4.38	1	26,280	4.38	1
5	Türkiye Garanti Bankası A.Ş.	29,685	4.95	1	29,685	4.95	1
6	Türkiye İş Bankası A.Ş.	26,235	4.37	1	26,235	4.37	1
7	Türkiye Vakıflar Bankası T.A.O.	26,235	4.37	1	26,235	4.37	1
8	Other (Brokerage House)	29,656	4.95	26	31,536	5.26	27
9	Other (Bank)	20,101	3.35	8	20,101	3.35	8
	Total	600,000	100.00	41	600,000	100.00	42

Changes in the Bank's Capital and Shareholding Structure in the Accounting Period

The Bank's capital did not change in the current year. Changes in the shareholding structure:

Transferring Shareholder	Transferred Shareholder	Share Amount (Thousand TRY)	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.	1,871	0.3118	Transfer



BANK'S ORGANIZATION, CAPITAL AND SHAREHOLDING STRUCTURE, AND ANY RELATED CHANGES IN THE ACCOUNTING PERIOD; INFORMATION ON TITLES AND SHARES OF REAL OR LEGAL PERSONS HOLDING QUALIFYING SHARES

INFORMATION ON THE TITLES AND SHARES OF REAL OR LEGAL PERSONS HOLDING QUALIFYING SHARES

With a nominal paid-in capital of 600 million TRY, all shares to be issued representing Takasbank Class-A and Class-B shares are registered. These shares can be transferred only among the stock exchanges established pursuant to the Capital Markets Law and their members, investment institutions, collective investment schemes, asset management companies, mortgage financing companies, central settlement institutions, central custody institutions, publicly-owned joint stock companies listed in the organized markets, and private pension companies established pursuant to the Private Pension Savings and Investment System Law. Except for Borsa İstanbul A.Ş., shares of any single shareholder cannot directly or indirectly exceed 5 percent of the Bank's capital.

Class-A shares, with a nominal value of 200 TRY each, held at Takasbank, are exclusively owned by Borsa İstanbul A.Ş. and non-transferable, and no other Class-A shares can be issued in the capital increases. Class-A shares entitle Borsa İstanbul A.Ş. to nominate four seats for the Board of Directors of the Bank.

TITLES OF REAL OR LEGAL PERSONS HOLDING MORE THAN 10 PERCENT OF THE CAPITAL

Takasbank has 41 shareholders in total as of December 31, 2018. Borsa İstanbul A.Ş. is the only shareholder with more than 10 percent stake in the capital, and it holds 64.14 percent of the total capital with a nominal share value of 384.87 million TRY.

ACTIVITIES OF CONTROLLING COMPANY AND ITS SUBSIDIARIES

Pursuant to Article 199 of the Turkish Commercial Code No. 6102, a report must be issued by the Bank's Board of Directors in the first quarter of the operating period about the Bank's relationship with its controlling shareholder, Borsa İstanbul A.Ş., and its subsidiary, the Merkezi Kayıt Kuruluşu (MKK). A summary of the report must be included in the annual report.

The report's conclusion by the Board of Directors states:

"All transactions executed with the controlling shareholder Borsa İstanbul A.Ş. and the other subsidiary, the MKK, are in accordance with the capital markets and banking legislation. These transactions are ordinary business activities as set forth in the Bank's articles of association and the banking legislation.

The Bank ran an assessment of all legal transactions with the controlling shareholder, Borsa İstanbul A.Ş., and its subsidiary, the MKK, in the 2018 operating period, and all measures that were taken or avoided to be taken in favor of these companies.

In regard to the 2018 operating period, it was concluded that under the known circumstances and conditions, the Bank did not suffer any loss due to any transactions made with the controlling company or subsidiary; a suitable counteraction was taken for each transaction; no measures were taken or avoided with possible losses for the Bank, nor were there any transactions or measures that would have required any benefit and loss reconciliation."

TAKASBANK'S AFFILIATES

Company Name	Share Ratio (%)
Merkezi Kayıt Kuruluşu A.Ş.	64.90
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	4.12
Borsa İstanbul A.Ş.	0.15
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	10.50
Sarajevo Stock Exchange (SASE)	5.00
Türkiye Ürün İhtisas Borsası A.Ş.	5.00
S.W.I.F.T. SCRL	0.02

INFORMATION ON SHARES HELD BY THE BANK'S CHAIRMAN AND BOARD MEMBERS, CEO, AND EXECUTIVE VICE PRESIDENTS

The Bank's chairman, board members, CEO, and executive vice presidents do not own shares in the Bank.

The Bank has 292 employees. Takasbank does not have branches.

EXPLANATIONS ABOUT THE BANK'S NUMBER OF EMPLOYEES AND BRANCHES, AND THE BANK'S FUNCTIONS AND AREAS OF OPERATION, AND THE ASSESSMENT OF THE BANK IN THE INDUSTRY BASED ON THIS DATA

292

The Bank has
292 employees.



EXPLANATIONS ABOUT THE BANK'S NUMBER OF EMPLOYEES AND BRANCHES, AND THE BANK'S FUNCTIONS AND AREAS OF OPERATION, AND THE ASSESSMENT OF THE BANK IN THE INDUSTRY BASED ON THIS DATA

SERVICES BY TAKAS İSTANBUL

Central Counterparty

- Securities Lending Market (SLM)
- Borsa İstanbul A.Ş. Futures and Options Market (VIOP)
- Borsa İstanbul A.Ş. Money Market
- Borsa İstanbul A.Ş. Equity Market
- Borsa İstanbul A.Ş. Debt Securities Market
- Borsa İstanbul A.Ş. FX SWAP Market

Fund Management

Cash Credit

- Brokerage Houses

Market Operation

- Takasbank Money Market (TMM)
- Turkey Electronic Fund Trading Platform (TEFAS)
- Securities Lending Market (SLM)

Settlement and Clearing

- Borsa İstanbul A.Ş. Equity and Derivatives Settlement and Clearing
- Borsa İstanbul A.Ş. Futures and Options Market Settlement and Clearing
- Borsa İstanbul A.Ş. Precious Metals Market Settlement and Clearing
- Borsa İstanbul A.Ş. Debt Securities Market Settlement and Clearing
- Borsa İstanbul A.Ş. Money Market Settlement and Clearing
- Takasbank Check Clearing and Settlement System
- EXIST Electricity Market Settlement and Clearing
- EXIST Natural Gas Market Settlement and Clearing
- Trade Exchanges Electronic Warehouse Receipt (EWR) Transactions Settlement and Clearing
- Borsa İstanbul A.Ş. FX SWAP Market

Custody

- Precious Metal Custody
- Debt Securities Custody
- Exercise of Debt Securities Rights
- Private Pension Funds Management
- Portfolio Custody
- Private Pension Fund Shares Information Service
- Physical Custody
- Local Custody
- Global Custody
- Equity Corporate Action
- Dematerialized Custody

Collateral Management

- Borsa İstanbul A.Ş. Equity and Derivatives Collateral Management
- Borsa İstanbul A.Ş. Equity Market, Borsa İstanbul A.Ş. Debt Securities Market, Borsa İstanbul A.Ş. Money Market and Borsa İstanbul A.Ş. FX SWAP Market Collateral Management Service (under CCP)
- Borsa İstanbul A.Ş. VIOP Guarantee Fund Management
- Borsa İstanbul A.Ş. VIOP Margin Collateral Management Service
- Borsa İstanbul A.Ş. Precious Metals Market Collateral Management
- EXIST Electricity and Natural Gas Markets Collateral Management
- Leveraged Trading Transactions, Collateral Safe Keeping, and Reporting to Capital Markets Board of Turkey

Asset Transfer Service

- Debt Securities Transfers
- Shares and Derivatives Transfer
- Local Currency Payments and Transfers
- Gold Transfer System
- Foreign Currency Payment and Transfer
- Exchange-Traded Funds

Data Vendors

- Periodic Data Transfer to Data Vendors
- Real-Time Data Transfer to Data Vendors

Numbering

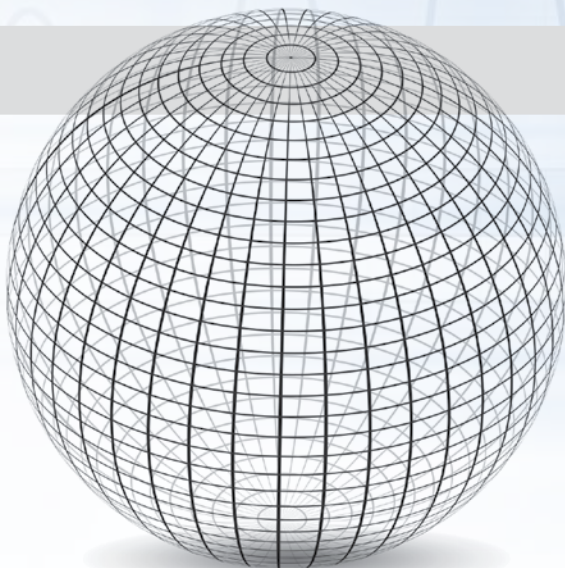
- International Securities Identification Number (ISIN)
- Legal Entity Identifier (LEI)

Other Services

- TapuTakas (Takasbank Real Estate Title Deed Payment Transfer Service) Transactions
- Collateral Agency
- MKK TRY Cash Correspondent
- Fund Valuation and Reporting to Capital Markets Board of Turkey
- MKK FX Cash Correspondent
- Suspended Brokerage Houses Transactions
- Fund Information Platform
- Repo and Reverse Repo Transactions and Monitoring and Reporting
- Brokerage House Collateral Safekeeping

INTERNATIONAL MEMBERSHIPS

- European Association of Central Counterparty Clearing Houses (EACH)
- Association of National Numbering Agencies (ANNA)
- Organisation of Islamic Cooperation (OIC) Member States' Stock Exchanges Forum
- International Securities Services Association (ISSA) Membership
- ISO TC68/SC8 Committee



EXPLANATIONS ABOUT THE BANK’S NUMBER OF EMPLOYEES AND BRANCHES, AND THE BANK’S FUNCTIONS AND AREAS OF OPERATION, AND THE ASSESSMENT OF THE BANK IN THE INDUSTRY BASED ON THIS DATA

VISION, MISSION AND VALUES:

Vision

“To become an internationally preferred, reliable, effective and innovative organization, offering settlement, banking and central risk management services at international quality standards.”

Mission

“To contribute to market development by offering reliable and effective post-trade services.”

VALUES



Trust

Adhering to the principle of trustworthiness in Takasbank relations with its customers, shareholders, stakeholders and employees; Takasbank executes services in a timely and accurate manner according to the providence of clear, accurate and correct information within the concept of mutual trust.



Stability

As a prominent infrastructure institution of the capital market, Takasbank contributes to financial stability in Turkey by offering effective clearing, settlement and custody services both to organized and over-the-counter markets.



Customer Orientation

Takasbank creates solutions that reinforce the financial system's effectiveness and bolster market growth in clearing, settlement, custody, and related banking services and practices; develops projects within the framework of current and future needs of customers comprising intermediary institutions, exchanges, and other capital market institutions; and operates in an environment of constant collaboration and solidarity with customers and relevant institutions.



Effectiveness

Takasbank embraces an investigative and inquiring approach to developing the most appropriate and accurate solutions for the development of clearing, settlement, custody, and banking services within the scope of market and industry needs by capitalizing on professional expertise and corporate memory at the highest level.



Robust Financial Structure

Takasbank keeps its financial assets at the level necessary to encompass the risks undertaken and to cover its commitments to the markets and settlement members, within the framework of the goal to launch a central counterparty mechanism in the capital markets through effective clearing, settlement, and custody services.



Transparency

Takasbank discloses the necessary notices and announcements to both public and the related parties in an accurate and timely manner; takes the responsibilities and accepts accountability requirements as well as being ready and open to public oversight.



Sustainability

Takasbank adopts innovative and creative solutions by observing the efficiency of the markets served and mitigates risks through an approach of constant improvement.

EXPLANATIONS ABOUT THE BANK'S NUMBER OF EMPLOYEES AND BRANCHES, AND THE BANK'S FUNCTIONS AND AREAS OF OPERATION, AND THE ASSESSMENT OF THE BANK IN THE INDUSTRY BASED ON THIS DATA

THE BANK'S ASSESSMENT IN THE INDUSTRY

Macroeconomic Outlook, Capital Markets, and Takasbank

The global economy maintained its positive course early in the first quarter of 2018 after ending 2017 with 3.7 percent growth, marking the highest rate of growth since 2011. Nevertheless, global growth expectations for 2018 and 2019 were reduced because of political uncertainties, customs tariffs imposed in the past six months, and capital outflows from emerging markets.

In the second half of 2018, a year of fragility in international political relations exacerbated by regional and local geopolitical developments, the impact of protective policies on the global economy and the question of Brexit further deepened uncertainties. The CBRT, the Banking Regulation and Supervision Agency (BRSA) and policy-makers made moves to support the markets in the face of speculative attacks in exchange markets.

With regard to the monetary policies of developed country central banks, the Federal Reserve raised the interest rate to 2.25 to 2.5 percent with 25 basis points of increase in the last meeting of 2018. The Fed raised interest rates four times, as expected by the markets. The United States economy is said to have maintained its strong momentum into 2019. However, the Fed may want to hold off raising interest rates in the current state of weak inflation in 2019. While the European Central Bank (ECB) maintained its policies against low inflation in early 2018, Brexit, the crisis in Italy and the rise of far-right movements in some member states raised concerns. The annual headline inflation rate in the Eurozone in December decreased to 1.6 percent due to a decline in energy prices. This was below the 2 percent target inflation projected by the ECB in the medium term. Although the ECB took steps towards monetary policy normalization as quickly as the Fed, the ECB ended its asset purchase program in December 2018. The program started in March 2015.

The economic balance of the United Kingdom was upset when the nation voted to leave the EU. The country faced a great deal of uncertainty in 2018, primarily around the future of Theresa May's government and the Brexit process. Such uncertainties put pressure on British financial markets. The UK is expected to leave the EU by March 29, and the transition period will last from that day to December 31, 2020. The Brexit

The global economy maintained its positive course early in the first quarter of 2018 after ending 2017 with 3.7 percent growth, marking the highest rate of growth since 2011.

process is expected to dominate the policy steps to be taken by the Bank of England (BoE) this year.

Japan has been fighting with deflation for a long time and implemented a program to increase its monetary base by 80 trillion yens annually, whereas the Bank of Japan (BoJ) failed to achieve its inflation targets again in 2018. The Bank's expected inflation is 1.9 percent for the financial year 2019 and about 2 percent for the financial year 2020.

Developed country central banks are speeding up the monetary normalization process, a sustained rise in global interests, China further tightening its financial policies, and the credit growth slowing down are primary global economy risks to be considered in 2019.

Following the decline in growth in the third quarter of 2016, when the coup attempt took place, the Turkish economy maintained its growth for five consecutive quarters, becoming the second fastest-economy within the OECD, with 7.4 percent growth in the final quarter of 2017. Gross domestic product per capita tripled from \$3,581 in 2002 to \$10,597 in 2017. In the period of January to July 2018, exports increased by 7 percent, and imports increased by 10.2 percent compared to the same period of 2017. Turkey's top trading partners are Germany for exports, with 9.9 percent, and China for imports, with 9.8 percent, followed by the Russian Federation.


CPI, which was 11.9 percent at the end of 2017, fell by 0.4 percent in December 2018 in a downward trend following its peak in October. At 20.3 percent in December, it was lower than the year-end expectation of 20.8 percent

According to the New Economic Program and 23.5 percent announced in the last Inflation Report published by the CBRT. The decline in fuel prices, tax reductions, the Full-Scale Fight against Inflation program, and the end of foreign exchange rate volatility were the primary factors that restrained inflation.

The CBRT implemented a strong fiscal tightening policy to support the stability of prices against deterioration in pricing behavior and inflation risks in 2018. It faded out following the fluctuation in foreign exchange markets in August during a business cycle in which portfolio outflow from developing markets gained momentum, the measures taken, and the strong monetary tightening in September. Following the fiscal tightening in May and June, the CBRT did not change its policy stance in the Monetary Policy Committee (MPC), and stated that the loss of momentum in internal demand conditions and the delayed effects of the monetary policy should be monitored. Also, it was reported that a tight monetary policy may have to be maintained long term because high levels of inflation and expected inflation pose risks for pricing behavior. The CBRT implemented strong monetary tightening and

raised the policy interest rate from 17.75 to 24 percent in the Monetary Policy Committee meeting in September in order to support price stability because the deterioration in pricing behavior posed an upward risk to the inflation outlook.

Global monetary market developments, concerns over trade wars, and volatility in the risk appetite for the assets of developing countries stand out among upward risks for 2019. The primary purpose of the New Economic Program covering the period of 2019-2021 is to foster growth through structural reforms and make it more inclusive during a period in which current deficit and inflation are gradually reduced.



The primary purpose of the New Economic Program covering the period of 2019 to 2021 is to increase growth through structural reforms and make the economy more inclusive.

EXPLANATIONS ABOUT THE BANK'S NUMBER OF EMPLOYEES AND BRANCHES, AND THE BANK'S FUNCTIONS AND AREAS OF OPERATION, AND THE ASSESSMENT OF THE BANK IN THE INDUSTRY BASED ON THIS DATA

Global monetary policy developments, concerns over trade wars, and volatility in the risk appetite for the assets of developing countries stand out as the upward risks for 2019.



TAKASBANK IN INTERNATIONAL MARKETS

Relations with International Capital Markets

Globalization is a process that brings a country's financial markets closer to those in other countries and global markets. This means eliminating the barriers that prevent foreign financial institutions from operating in all or some of these countries or provide cross-border financial services. As a result, banking, capital markets, and other financial markets have become interconnected.

A series of clearing, settlement and custody standards and regulations have been introduced to stimulate global economy's participating countries to develop their capital markets, especially clearing, settlement and custody services, and achieve compliance with international capital markets.

The best known and most commonly used of these regulations are the European Market Infrastructure Regulation (EMIR) and the CPMI-IOSCO Principles for Financial Market Infrastructures.

Globalization and the ensuing dependency between financial markets necessitate improvement to the productivity, effectiveness, and reliability of the clearing, settlement, and custody systems, which are among the vital elements of a country's capital market infrastructure, not only in local capital markets but also in international markets.

Within the framework of harmonizing Turkish capital markets with international capital markets, Takasbank complies with all international standards regarding securities clearing, settlement, and custody systems, particularly in terms of legal framework, operational reliability, operational efficiency and transparency, settlement principles, settlement hours, protection of customer assets, and regulatory-supervisory issues.

In this respect, Takasbank continues to operate in full compliance with the 22 principles set out by CPMI-IOSCO for financial market infrastructure organizations.

The Capital Markets Board of Turkey also recognized Takasbank as a qualified CCP complying with the CPMI-IOSCO Principles on Financial Market Infrastructures on March 23, 2016. Takasbank subsequently applied to EU regulator ESMA to be recognized as a third country CCP in August 2016, and our efforts are in progress in 2019 for conclusion of our application.

In 2018, Takasbank continued efforts to earn the place it deserves among international capital market institutions. Accordingly, together with Borsa İstanbul A.Ş. and the MKK, it collaborated closely with both international and regional

clearing, settlement, and custody institutions. Furthermore, Takasbank organized various training and workshops with aspirations to become a regional finance center and help develop regional capital markets.

Along with these activities, Takasbank began providing CCP services at the Securities Lending Market, which it operates, in September 2013; at the Borsa İstanbul Futures and Options Market in March 2014; at the Istanbul Money Market in October 2016; at the Equities Market in June 2017; at the Borsa İstanbul Debt Securities Market in July 2018; and at Borsa İstanbul FX SWAP Market in October 2018.

In addition to domestic capital markets, Takasbank provides a settlement, clearing and custody infrastructure for the investments of Turkish financial organizations in international markets through its international custody network. This infrastructure is used for settlement and clearing of Islamic products in International Bond Market and Eurobond in Borsa İstanbul, and provides a settlement, clearing and custody infrastructure for cooperation among regional and local markets.

INTERNATIONAL MEMBERSHIPS

European Association of Central Counterparty Clearing Houses (EACH)

The European Association of Central Counterparty Clearing Houses (EACH) was founded in 1992 with the goal of representing the common interests of Central Counterparty Clearing House organizations operating in European countries. It has 19 CCP service providers from 15 European countries. Takasbank became an EACH member at the organization's General Assembly on October 7, 2014. EACH membership gives Takasbank the opportunity to become acquainted with studies of CCP practices within the EU and express its views on these issues, as well as foster relationships and cooperation with the CCP member organizations.

Association of National Numbering Agencies (ANNA) Membership

The Association of National Numbering Agencies (ANNA) is an international organization with 92 full members and 24 partner members worldwide. National numbering agencies authorized to assign ISIN codes to securities are considered as eligible for ANNA membership.



EXPLANATIONS ABOUT THE BANK'S NUMBER OF EMPLOYEES AND BRANCHES, AND THE BANK'S FUNCTIONS AND AREAS OF OPERATION, AND THE ASSESSMENT OF THE BANK IN THE INDUSTRY BASED ON THIS DATA

As the national numbering agency in Turkey, Takasbank has been an active member of ANNA since 1995 and serves on the Technical Committee of ANNA Service Bureau (ASB), which aims to collect ISIN codes and basic securities information on a web-based platform and offer these codes and information as a product to financial institutions. As the world's largest ISIN and CFI database, the ASB database is a valuable resource for international financial markets.

Organization of the Islamic Conference (OIC)

Founded in 2005, the Organization of Islamic Conference (OIC) Member States' Stock Exchanges Forum aims to promote cooperation among stock exchanges operating in OIC countries. In addition to stock exchanges, clearing settlement and custody institutions operating in the capital markets may proactively participate the Forum's activities. The Forum has a total of 57 members consisting of 42 stock exchanges, seven settlement and custody institutions, and eight other institutions and associations.

Society for Worldwide Interbank Financial Telecommunication (SWIFT) Membership

SWIFT is a cooperative organization in which transactions related to the financial world are carried out quickly, precisely, and reliably. Its members are its shareholders. More than 10,800 financial institutions in over 200 countries can exchange standardized financial messages via SWIFT. Takasbank joined SWIFT since 1996, immediately after acquiring its investment banking license. Thanks to its SWIFT membership, Takasbank complies with international standards related to communication protocols.

Activities regarding the implementation of International Standards in Turkey

Standards applied in the Turkish financial markets:

- ISIN (ISO 6166), FISN (ISO 18774) and CFI (ISO 10962) codes for numbering securities,
- MIC code (ISO 10383) for market identification,
- ISO 17442 - LEI - Legal Entity Identifier code for the identification of legal entities that are a party to financial transactions,
- BIC code (ISO 9362) used to identify the banks,
- International customer bank account number (IBAN) (ISO 13616) standard code.
- SWIFT messaging formats (ISO 15022) are used in international cash, securities, and commodity transfer transactions.
- Takasbank has been providing National Numbering Agency services since 1995. As a National Numbering Agency, it allocates ISIN - ISO 6166, FISN- ISO 18774, CFI - ISO 10962, and LEI-ISO 17442 codes.

REPRESENTATION PRACTICES FOR INTERNATIONAL STANDARDS

ISO TC68/SC8 Committee Membership

Takasbank represents Turkey on behalf of the Turkish Standards Institute (TSE) of the ISO TC68/SC8 Committee of the International Standards Organization (ISO), which develops international standards for securities and related financial instruments.

Within this framework, it serves as the president of the Working Group for National Market (MTC43 Mirror Committee - Turkey), established to monitor the standardization of work of the ISO TC68/SC8 Committee for securities and other financial instruments, to contribute to the development of these standards, and to ensure the application of these standards in Turkey. The Group encompasses the entire capital market, through the participation of the Central Bank of the Republic of Turkey, the Banks Association of Turkey, the Turkish Capital Markets Association, custodian banks, commercial banks, investment banks, and intermediary institutions.

Takasbank is an active member of the ISO TC68/SC8 technical committee, which defines the reference data formats for financial services.

Representation and Presentation

As in past years, the Bank provided information about its services and corporate developments to relevant parties and the public in 2018 with press bulletins on its website.

A briefing for BISTECH members was held for the members of the Precious Metals and Diamonds Markets (PMDM) on January 9, 2018.

Applied Training on Takasbank Money Market was held on February 5, 2018.

Portfolio Custody Workflow and System Training was held for Portfolio Management Companies on February 21, 2018.

Takasbank organized a member briefing meeting on Debt Securities Settlement and Clearing System, and Risk and Collateral Management System under the project BISTECH Phase 2+ carried out by Borsa İstanbul A.Ş. and NASDAQ. The meeting was held at the Borsa İstanbul Campus on February 26, 2018.

Takasbank Chairman, Murat Çetinkaya, presented the following awards at the third Capital Markets Award Ceremony on April 11, 2018: Investment Funds Portfolio Size Leader, Investment Funds Market Share Increase Leader, Private Pension Funds Portfolio Size Leader, Private Pension

We contributed as the main sponsor, and senior management participated in the Capital Markets Congress held in Istanbul by the TCMA on November 13-14, 2018.

Funds Market Share Increase Leader, and Individual Portfolio Management Market Share Increase Leader. The Bank's CEO and Board Member, Mahmut Kayacık, presented the awards of Mutual Fund Returns Leader, Private Pension Fund Returns Leader, and Individual Portfolio Management Size Leader.

Takasbank was a silver sponsor of the First National Blockchain Workshop, organized by TÜBİTAK, which was held in Ankara as part of the Takasbank FinTech Conferences on April 2-3. Takasbank Executive Vice President Ekrem Arkan took part in the event as a speaker.

Representatives from top management were present at the 16th Turkish Real Estate Summit held on April 17, 2018. The Takasbank stand promoted and provided information about the TapuTakas service.

Takasbank was the main sponsor of the Istanbul Youth Festival, held on May 2-6, 2018, with executive management attendance.

As part of the Borsa İstanbul Group, Takasbank was a sponsor of the Etnospor Culture Festival, held on May 9-13, 2018.

Check Clearing and Settlement Training was held on June 6, 2018.

A training session on Takasbank's practices in the Natural Gas Market was held on July 13, 2018.

Borsa İstanbul A.Ş. FX SWAP Market member briefing meeting was held on September 24, 2018.

Takasbank received first prize in the category of Financial Inclusion for its "Natural Gas Market Clearing, Settlement and Collateral Management Project" and "TEFAS - Fund Information Platform Mobile Application Project" and second prize in the category of Governance, Risk & Compliance for its "KVKK Compliance Project" as part of the IDC Turkey Finance



Industry Technology Awards at the Public Technology Award Ceremony. Held by IDC Turkey on September 29, 2018, this event drew participation from prominent public institutions.

The Bank's website, built by MedyaSoft, received prizes in two different and significant categories in the Communicator Awards organized by the Academy of Interactive and Visual Arts (AIVA). Takasbank was awarded first prize for the Bank's website from among 6,000 competing website designs in the Banking Payment and Financial Services categories as part of the awards granted on the basis of selective criteria by the Academy of Interactive and Visual Arts (AIVA).

As part of the Borsa İstanbul Group, Takasbank was a co-sponsor of the Turkey 2023 Summit, held at Istanbul Airport on October 15, 2018.

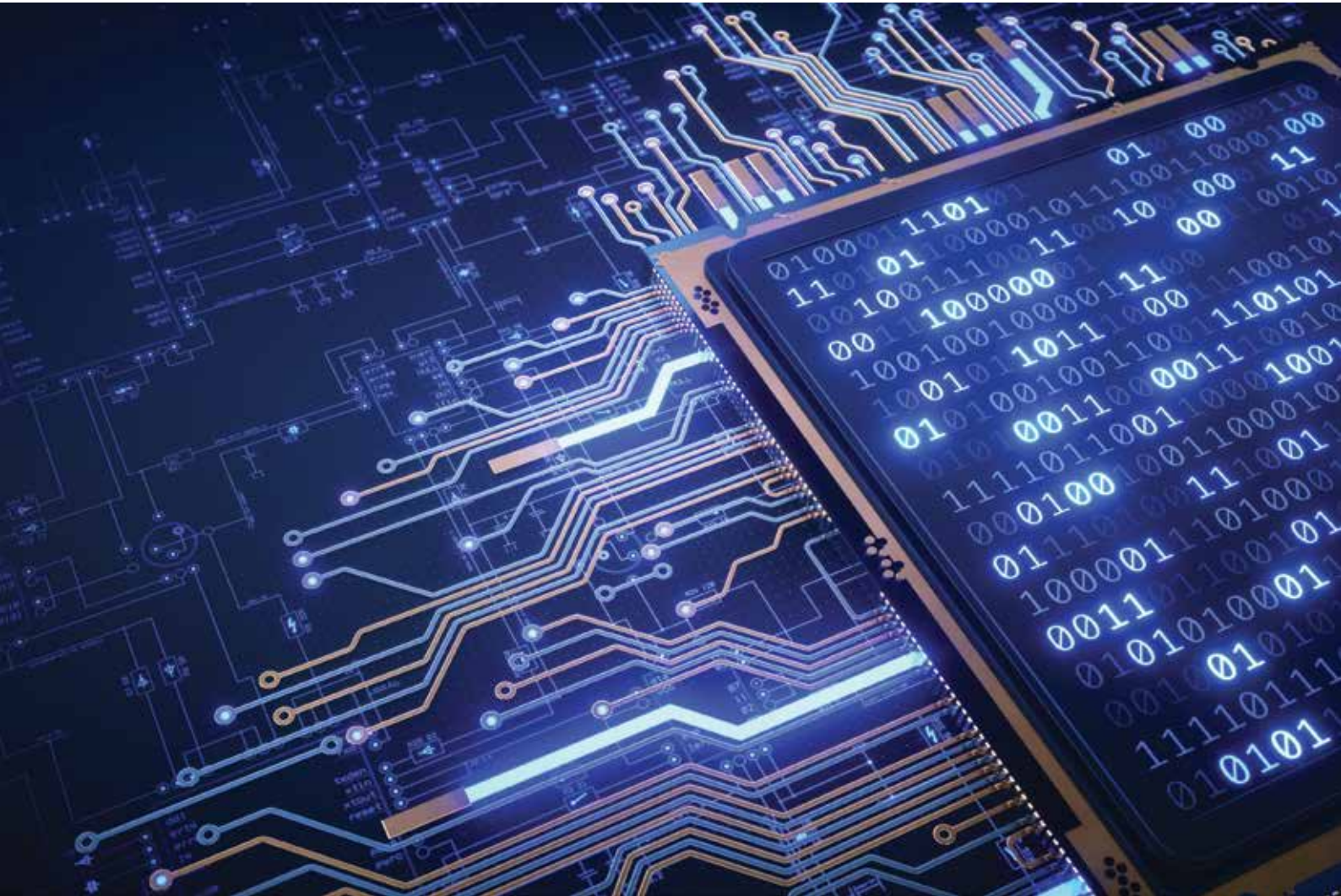
Takasbank organized the Member Briefing Meetings on Commissioning of the Real-time Risk Management Application for Debt Securities on October 31, 2018.

Senior management participated in the Capital Markets Congress held in Istanbul by the Turkish Capital Markets Association (TCMA) on November 13-14, 2018. Takasbank was the main sponsor of this event.

Takasbank hosted the Blockchain Turkey Summit on November 18-20.

As part of the Borsa İstanbul Group, Takasbank was the main sponsor of the Turkey Entrepreneurship Summit held on December 25, 2018.

INFORMATION TECHNOLOGIES, PROJECT DEVELOPMENT, AND RELATED OPERATIONS



Project Status Summary

Project Portfolio	Number of Projects Completed in 2018	Ongoing Projects as of the End of 2018	Number of R&D Projects Completed in 2018	Ongoing R&D Projects as of the End of 2018
Business Development	9	4		
Corporate Development	5	3		
IT Infrastructure Development	7	4		
Total	21	11	5	3

The Bank's website received first prize in the Banking Payment and Financial Services categories of the Communicator Awards.

AWARDS RECEIVED

Takasbank received first prize in the category of Financial Inclusion for its "Natural Gas Market Clearing, Settlement and Collateral Management Project" and "TEFAS - Fund Information Platform Mobile Application Project" and second prize in the category of Governance, Risk & Compliance for its "KVKK Compliance Project" as part of the IDC Turkey Finance Industry Technology Awards at the Public Technology Awards Ceremony organized by IDC Turkey in 2018.

Organized by the Academy of Interactive and Visual Arts (AIVA), the Communicator Awards, which are given to the giants of the digital world, was held for the 24th time this year. Built by MedyaSoft, Takasbank's website received awards in two different and significant categories of the Communicator Awards. Takasbank was awarded first prize for the Bank's website from among 6,000 competing website designs in the Banking Payment and Financial Services categories as part of the awards granted on the basis of selective criteria by the Academy of Interactive and Visual Arts (AIVA).

BUSINESS DEVELOPMENT PROJECTS

BISTECH Project (Phase 2+) - (R&D Project)

As the result of ongoing practices conducted within the framework of the strategic partnership agreement between Borsa İstanbul A.Ş. and NASDAQ, signed on January 20, 2014, all Borsa İstanbul markets are expected to provide services on a common transaction platform. Trading System, Data Vendors System, Monitoring System, Index Calculation System, Post-trade and Risk Management Systems, Operational Databases, and Reporting Infrastructure were successfully launched on November 30, 2015, as part of the first phase of the Equity Market of the BISTECH technological transformation program.

The Futures and Options Market (VIOP) was addressed in the first stage of the second phase of the project, and it was successfully realized on March 6, 2017.

Within the second stage of the second phase of the project, defined as Phase 2+ including Debt Securities and Precious Metals Markets for transition to BISTECH, developments and UAT (User Acceptance Test), member training programs and member tests were successfully completed, and the project went live on July 2, 2018. After the go-live of Phase 2+, the go-live of version 2.6, which includes change requests and corrections, was successfully completed on November 12, 2018.

A Knowledge Transfer Program was also conducted regarding the BISTECH Project, as source codes are obtained along with the software.

Implementation of the Over-the-Counter (OTC) Derivative Products Application—the final stage of the project—is in progress. Currently, the source codes are taken from NASDAQ and transferred to BISTECH. The relevant functions will be activated technically after the configurations and tests. Then the member interface will be functional, and the business go-live will be planned.

A Knowledge Transfer Program was also conducted regarding the BISTECH Project, as source codes are obtained along with the software. The Knowledge Transfer Program aimed to conduct all future development and testing through Takasbank resources. Accordingly, new and current IT personnel attended training sessions abroad in 2018.

Natural Gas Market Settlement and Collateral Management Service (R&D Project)

Enerji Piyasaları İşletme A.Ş. The Organized Wholesale Natural Gas Sale Market Directive with regard to the Organized Wholesale Natural Gas Sale Market within the EXIST was published in the Official Gazette No. 30024, dated March 31, 2017. Takasbank is assigned as the "central settlement institution," which is defined in the Directive with the following statement: "An institution from which services are obtained to perform financial transactions between the participants that will be determined by this Directive and which acts as a central clearing and settlement institution pursuant to the Capital Markets Law No. 6362 dated December 6, 2012." An "Agreement on Central Settlement Organization for Cash Clearing, Settlement and Collateral Management in the Organized Natural Gas Wholesale Market" containing the responsibilities of the parties regarding the collateral management and payments of the parties was drafted under the said Directive, and the draft was shared with the EXIST. Practices were developed under the service, the infrastructure and improvements for data communication with the EXIST were completed as part of the project carried out in partnership with the EXIST in 2018, and this service was started when the Organized Natural Gas Wholesale Market was commissioned on September 1, 2018 after the tests simulated with the natural gas participants. This project was among

the R&D projects of Takasbank in 2018 and was also included in the support program for the purposes of developing industrial research and technology, supporting, encouraging and monitoring innovation, and improving the relations between universities and industry by TÜBİTAK Department of Technology and Innovation Support Programs (TEYDEB). The Natural Gas Market Clearing, Settlement and Collateral Management Project is the Bank's first project to receive TEYDEB support.

TEFAS - Fund Information Platform Mobile Application Project

The TEFAS Mobile Application of the TEFAS Fund Information Platform (www.tefas.gov.tr), established by Takasbank,

The Natural Gas Market Clearing, Settlement and Collateral Management Project is the Bank's first project to receive TEYDEB support.

contributes to improving financial literacy and transparency in the fund market. The Platform allows investors to see portfolio distributions and prices and returns of private pension funds on a comparative basis from a single point of access and at no cost. It became available to our members on September 3, 2018, in line with the suggestions of our members and investors as well as the technological developments. The application is available in the App Store and Google Play.

The Gold Transfer System (GTS) Project - (R&D Project)

Since gold transfer is the primary investment instrument in Turkey, it is very important to integrate investments in gold into the economic system. The 2016-2018 Medium-term Development Plan encompasses various mechanisms to draw more gold savings into the system. A project was developed to transfer gold as registered on Takasbank systems. It was commissioned on July 16, 2018.

Bank customers who wish to transfer gold between bank accounts had to convert it into TRY or receive it as bullion. Such transactions were costly, inconvenient, and time-consuming for customers. Takasbank Gold Transfer System is designed to meet this need, allowing customers to transfer gold between banks as easy as an EFT transaction.

Gold will become more mobile, and idle investments will be drawn into the financial system.

Currently, the provisions for physical gold balances held in unallocated gold accounts overseas are not clear. The gold balances for which the provisions will be held in 100 percent physical form at Borsa İstanbul's vaults are regarded as financially compliant with Islamic finance. Moreover, this gold can be moved at the pace of unallocated gold.

The project will also contribute to Istanbul's goal of becoming a financial center. This project also received TEYDEB support.



On-site R&D projects were included in our portfolio and entered into the Ministry's portal.

Gold-Backed Digital Asset Platform (BiGA) Project - (R&D Project)

Launched in 2017, this was the first project to be built on blockchain infrastructure and is currently under development. The Gold-Backed Digital Asset project aims to create a gold-backed digital value, use the Blockchain infrastructure to issue this value and transfer it into book-entry gold, and also allow transfers between people on the planned platform. Each transaction made on the blockchain network is either visible to everyone or no details are available. The zero-knowledge algorithms used in Project BiGA enable a transaction infrastructure that is compliant with the regulation. This structure is designed to allow:

- The sender and the receiver to view all transactions exclusively,
- The parties to approve or reject a transaction even if they are not able to see the content of the transaction,
- The authorized parties on the system to view the content of any transaction at any time.

The platform will also allow transfers between individuals. Provisions for each digital gold-backed asset will be held in 100 percent physical form at Borsa İstanbul's vaults. The goal is to provide a digital certificate for physical gold that meets certain criteria and have this certificate used as a payment system in a variety of areas.

In this sense, the project will also contribute to İstanbul's goal of becoming a financial center. This project also received TEYDEB support. On-site R&D projects were included in our portfolio and entered into the Ministry's portal. An application has been made for the patent of the project and the transaction infrastructure.

Check Clearing and Settlement Project

Clearing and settlement transactions, which are traditionally based on physical exchange of checks, started to be made by electronic means using the check details in addition to the traditional form of clearing and settlement from October 18, 1993, in İstanbul, and April 16, 1998, in Ankara. In that period, the Interbank Check Clearing House (BTOM) cleared checks in the interbank market pursuant to the Check Law No. 5941 under the supervision of the CBRT. The check clearing houses other than Ankara and İstanbul check clearing houses, which allow electronic clearing, were closed down in two steps on December 31, 2002, and June 30, 2003, and the authority given to the CBRT was maintained so as to ensure that electronically cleared checks represent 99.9 percent of all clearing transactions and the rising costs are reduced.

The Check Clearing Service was taken over from the Interbank Check Clearing House (BTOM), and Takasbank was authorized as an Organization by which clearing and settlement operations may be conducted from July 2, 2018, under the Regulation on Check Clearing and Settlement Operations published in the Official Gazette No. 30446 dated June 9, 2018.

The Takasbank Check Clearing and Settlement System established under the said Directive operates as a system where the transactions, namely:

- Clearing and Return Distribution Transactions
- Settlement,
- Guarantee Mechanism Contribution Transactions,

are executed from a single point. Moreover, since the banks have become members of the Clearing houses, systemic and operational harmony has been established, and the market is more effective, fast and reliable with new possibilities introduced into the check clearing and settlement process.

The second phase of the project was executed simultaneously with the first phase from May 1, 2018. Additional software modifications, as well as software developments for settlement and default, are being made. Moreover, the system will be assessed for data security, infrastructure and IT architecture, harmonized with the Takasbank infrastructure and physically moved to the Takasbank data centers.

Borsa İstanbul FX SWAP Market Settlement and Collateral Management (R&D Project)

Takasbank has been authorized by the Central Bank of the Republic of Turkey as the Securities Settlement System operator pursuant to Law No. 6493 on Payment and Securities Settlement Systems. The New Economic Program (NEP) for 2019-2021 has been initiated successfully by the Ministry of Treasury and Finance on the basis of balancing, discipline and change. One of the most critical objectives of the NEP for the financial system is to make available alternatives to the foreign exchange purchase method (foreign exchange swap, interest swap) used frequently to hedge financial assets in Turkey. Borsa İstanbul A.Ş. and İstanbul Takas ve Saklama Bankası A.Ş. (Takasbank) put an organized FX SWAP Market into the service of the Turkish economy in line with this objective in October 2018.

Offering key services to the finance and capital markets with risk, cash, and clearing, settlement, and collateral services, Takasbank provides Central Counterparty (MKT-CCP) service in the recently opened Borsa İstanbul FX SWAP Market. Making an important alternative to over-the-counter (OTC) markets, where foreign currency swap transactions are frequently made, the Borsa İstanbul FX SWAP Market offers its participants the CCP service to ensure that they make their transactions safely without taking any counterparty credit risk.

A popular software application in the industry, AppDynamics was purchased and commissioned in early 2018 to proactively monitor the performance tracking for the applications operating on the Bank's application servers.

CBRT Alternative Messaging Interface (EFT Backup) Project

This project allows the messages of the CBRT Payment Systems to be sent to the CBRT by an alternative message input infrastructure if they cannot be generated in the system and/or sent online by Takasbank for any reason. In this respect, messages, including primarily those of critical transactions, are sent to the CBRT participant interface system through an alternative message input infrastructure manually or automatically as part of the Payment Systems Business Continuity Plan in order to avoid hindering business continuity and achieve business continuity objectives.

IT INFRASTRUCTURE DEVELOPMENT PROJECTS

Advanced Persistent Threats (APT) Prevention Infrastructure Project

The project aims to take the necessary preventive measures to protect Bank users from cyberattacks and zero-day attacks against its internet and email. As part of this project, a device compatible with our firewall was installed to block target-oriented attacks. This product was activated in February 2018. It was demonstrated that the product monitors email and internet traffic, scanning for harmful email attachments and links and then stopping them from reaching the user. The product also tracks and reports the links' footprint logs.

Database Management Infrastructure Modification and Version Update Project

Technological advancements, along with dropping costs, allow for higher-performance servers. This requires periodic update and renewal of current database servers on which the critical banking operations run. The Bank's update projects are necessary for maintaining uninterrupted service structure without loss of performance while ensuring growth. From this point of view, it was resolved that our servers be revised and changed. This project was initiated in December 2017

and completed with a successful transition in October 2018. Upon completion, the Bank's business continuity and ODVM servers achieved the same exact power and performance as the real environment server, and a new database infrastructure that could meet our future performance expectations was adopted. As the hardware used in the database infrastructure was changed, the database application was also upgraded to the recommended latest version. This project was initiated in December 2017 and completed in October 2018. This transition of infrastructure reduced the average length of end-of-day steps by 42 percent to 197 minutes from 337 minutes.

Application Performance Monitoring Tool Project

A popular software application in the industry, AppDynamics was purchased and commissioned in early 2018 to proactively monitor the performance tracking for the applications operating on the Bank's application servers. It will also help contribute to the infrastructure service commitments that will allow proactive monitoring with regard to the target performance criteria by the information technology infrastructures we utilize to fulfill the Bank's main operations.

Takasbank Application Infrastructure New Framework Development Project

The member and business applications developed by the Bank thus far need to be updated with new technologies. The Bank carried out analysis, design, and development for a new application development infrastructure framework that will provide the appropriate technological infrastructure for the next 5 to 10 years. The Takasbank Information Screens Project, accessible through the e-Government application, was developed as the pilot project utilizing the infrastructure framework of the new application. Three more pilot projects have begun to use the new application infrastructure framework as of January 2019. The pilot projects are planned to be completed by the end of June 2019. Once the pilot projects are complete, the transformation of the Takasbank application infrastructure with the new application infrastructure framework will start.

Code Quality Analysis Tool Project

The Bank also has software source code developed by internal resources, suppliers, or partner companies. A new automation infrastructure that allows the review of the codes for these products in terms of compliance to standards, security, code quality, and re-use was established. Optimal security and performance of the software are regarded as vital criteria for our banking operations. In May 2018, a code quality analysis infrastructure was established to test for compliance with the expected criteria of the software developed to achieve these criteria since the development process.

SWIFT Update and Security Level Upgrade Project

The mandatory upgrade to SWIFT 7.2 was implemented on the Bank's SWIFT Systems. Security checks were carried out based on the SWIFT Customer Security Controls Framework under the compulsory SWIFT Customer Security Programme. The security checks on the Bank's SWIFT Systems were conducted on the SWIFT Know Your Customer application.

Test Data Management (Data Masking) Project

The test data management solution and the related standards and methods were implemented to ensure that the critical data on the banking production database are transferred to the test database as anonymous, masked, and secure with their relational integrity maintained as per the data security regulations of the Bank and the current regulations (Law on the Protection of Personal Data [LPPD], COBIT, the BRSA, and so on). A "Metadata Inventory" and policies were created as part of the project. This allowed preparation of the inventory structure, policy, and standards of the COBIT PO2 - Data Architecture Management process. In addition, the studies on this project provided input for the Information Security and Test Management processes. The projects purchasing processes were initiated in January 2018 and completed in December 2018.

Data Storage Infrastructure Modification Project

The disk units containing all data of the Bank were renovated and consolidated for the following reasons.

- Positioning two separate clusters that fully back up each other to ensure business continuity. These two clusters operate in active-active MetroCluster mode to ensure that a problem that arises in one cluster does not cause an interruption in the services provided.
- Transferring the disk units of the data used for production environments to the unit that will be positioned on the ODVM with replication capabilities to avoid interruption of service and loss of data in an emergency.
- In the latest developments in disk technology, new investments are mostly made in SSDs that are made up of flash memories, which are electronically read and written, rather than rotating magnetic drives. In the light of research suggesting that rotating drives will only be used for data backup and archiving workloads, and all other workloads will be processed on next-generation drives, the new units to be purchased will use flash/SSD drives.



- Advanced features of data storage units will be used with the new investment to be made to provide a more efficient and higher-quality data storage service.

For this purpose, a replicated disk infrastructure known as the 3DC concept in the IT world, which can operate on an active-active basis at the primary data center and at full scale at the remote data center, was adopted. Furthermore, backup times were reduced fourfold with access time to the central drive below 1 ms and a read/write cycle of 300,000 per second.

CORPORATE DEVELOPMENT PROJECTS

Enterprise Architecture Modeling Project

A synergistic Enterprise Architecture Modeling Project, conducted in cooperation with Borsa İstanbul, enabled modeling all of the Bank's information systems applications and its data and infrastructure technology architectures, including the BISTECH systems. Pilot modeling systems for BISTECH and the Bank were completed, along with the meta model and application to support the BISTECH architecture. The project was designed to allow Borsa İstanbul and the Bank to configure their own architectures so as to enable each party to manage only its own systems through user authorizations on a shared platform.

The Corporate Architecture Modelling Project was designed to allow Borsa İstanbul and the Bank to configure their own architectures so as to enable each party to manage only its own systems through user authorizations on a shared platform.

Process Management Project

The Bank purchased a Business Process Model and Notation (BPMN) -based application to collect and integrate the information systems processes on a central platform. The application was named ORKESTRA. We continued to improve and adapt the processes of ORKESTRA in 2018. Currently, 12 Takasbank workgroups/processes have been automatized on ORKESTRA. The processes and functions that we moved to ORKESTRA and automatized as service-based as of the end of 2018 are the IT Service Catalog, Project and Portfolio Management, Issue Management, Users and Operational Requests, Problem Management, Change Management, Throughput Sheet under Resource Management, Findings Management, IT Compatibility Management, Business Continuity Management and Configuration Management. In addition, the organizational structure was modified to ensure the sustainability of ORKESTRA, and the tasks were shared by the Process Management Team and the Corporate Applications Team. Training programs were initiated and are maintained to improve the application and IT process management competencies of these teams.



Project for Compliance to the Law on the Protection of Personal Data

Law No. 6698 on the Protection of Personal Data, which entered into effect on March 14, 2016, puts important responsibilities on all institutions that process personal data. Sub-regulations to the law were introduced in 2017. During this process, Bank personnel gained information on the rules in practical applications through industry workshops and meetings and relevant training sessions. Launched in September 2017, the project aims to establish the roles and responsibilities needed to meet the legal requirements and ensure continuity of compliance. The project has been completed, and the Personal Data Inventory was created as the main output of the project. The procedures for processing, securing, transferring, and destroying personal data in a way that meets the requirements set forth by the law and sub-regulations were established. The Law on the Protection of Personal Data Compliance Policy was enacted and announced, and the responsibilities regarding taking explicit consent and disclosure required by the law were fulfilled in April 2018.

Workload Automation Setup and Expansion Project

Workload automation set up for systematic, secure, and efficient single-center management of automated day-end and workday practices, and of planned operational applications such as back-up and patch management. Firstly, new job tasks, files, and information were transferred into the new system. Standardization was conducted to ensure that batch tasks can be transferred to each of the test, live and back-up systems in a way that will allow such tasks to operate with the settings of the relevant environment. Moving batch tasks to workload automation will continue in 2019. Upon completion, the collective job tasks at the Bank will be managed and monitored with high business continuity and coded according to standard on two actively working Istanbul BVMs, one passive back-up Istanbul BVM, and one passive back-up Ankara ODVM servers.

Internal Portal Project

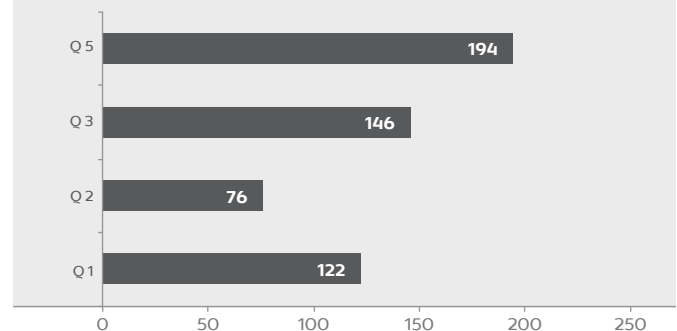
The Internal Portal Project provides a common platform that gives employees easy access to internal applications including the ORKESTRA Process Management Tool, Enterprise Resource Planning Tool, Electronic Document Management System, Personnel Attendance Control System, Request Management System, and Document Management System as well as other required information (announcements, training programs, vacation provisioning, food menus, frequently used documents, and so forth). The platform is expected to benefit the Bank by increasing the efficiency of internal communication and saving time for employees.

The Internal Portal went online on December 31, 2018, and enabled the Bank to revamp its in-house interface. Improvement of the design is continuing.

Request Management Operations

The Integrated Management System is regarded as the application on which requests are defined within the scope of the Improvement and Request Management Procedure. Root cause analyses are performed, necessary actions are created, action owners are determined, and business planning is done. This allows a single-point monitoring of improvements regarding all the defined processes throughout the Bank. According to the data from this system, 538 requests were initiated in 2018.

2018 QUARTERLY DEMAND GRAPH FOR THE APPLICATION DEVELOPMENT DEPARTMENTS



IT Security and Risk Management Operations

The Bank underwent an external audit by SGS on July 9-10, 2018, to maintain the validity of the ISO 27001 - Data Security Management System Certificate to sustain the effectiveness of the Information Security Management System (ISMS) activities and ensure their compliance with international standards. As a result of the audit, it was reported that the ISMS was maintained effectively in the Bank. We also successfully completed the ISO 27001 certificate renewal audit, establishing that the Information Security Management System runs smoothly throughout the organization.

The ISO 27001 internal audit of 2018 and various works were completed as part of this effort. Internal training sessions were held and various posters were put up at visible locations in the company to increase awareness of information security. In addition, implementation and internal audit training programs are planned for employees from various teams under ISO 27001. New personnel at the Bank were provided with information security awareness training.

An independent penetration test was conducted and successfully completed in 2018 within the scope of the BRSA, the CMB and the CBRT legislation. Action plans were created using the results, presented to the Board of Directors for approval and reported to the BRSA. An information systems audit was completed successfully within the scope of the BRSA regulations. An analysis of compliance to the Communiqué on Information Systems Management, published by the Capital Markets Board of Turkey, showed that all requirements were met. The Information Systems Audit Report under the legislation of the CBRT was completed in November 2018.

Operational Risk Database efforts were completed for 2018. Furthermore, the Bank completed the analysis and reporting required for the preparation of Risk Management Reports in 2018.

Periodic information security tests were conducted and reports generated. The findings were inspected.

Assessment questions from such companies as JPMorgan Chase, Bank of America Merrill Lynch, and HSBC were answered during the year.

The documents of the Bank were shared with the CBRT under the Communiqué on Information Systems Used in Payment and Securities Settlement Systems. EVAS notifications were also made to the CBRT. The Bank's servers underwent vulnerability scans on a monthly basis, and the vulnerabilities detected were resolved.

The Information Security Event Management System was restored to analyze and optimize the log sources for each service.

Internal audit, internal inspection, and IT harmonization modules were commissioned as part of the Bank's process management application for monitoring the findings detected in the information technology inspections and security checks. Legislation requirements to be followed as part of the IT harmonization were registered in the system to create a central legislation database.

Business Continuity Operations

As in previous years, Takasbank maintained intensive efforts in 2018 to put in place an increasingly effective Business Continuity Management System.

In 2018, the following automation infrastructure was moved to ORKESTRA: Business Continuity services, impact analysis results, links of services to each other and external infrastructures, and test and exercise plans and reports. During this move, areas for improvement that emerged were



implemented in the application to establish a more practical structure that complies with the ISO 22301 standard.

An evacuation exercise was conducted with the management team of Borsa İstanbul at Takasbank on November 14, 2018. An emergency exercise was conducted for the BISTECH systems and services on November 17, 2018. Another emergency exercise covering all stakeholders of the Borsa İstanbul Group and all of our critical services was conducted on November 24, 2018. During the exercises, we succeeded in staying within the minimum rescue times for all of the critical targets, from the start of the service outage and the transition from primary to secondary systems to the opening of the services for use. In addition, individual backup system restoration tests, automatic backup server failover tests, and tests for other business continuity recovery plans such as operation on secondary servers of PDC were conducted within the year.

Tests and exercises were also among the services that raised the most awareness of business continuity in 2018 and allowed us to see areas for improvement and make action plans accordingly. The activities of Business Continuity Management in 2018 are listed below:

- Takasbank personnel received BCMS awareness training online in December.
- Twenty-six employees who were recruited in 2018 or who were scheduled for refresher training were given Occupational Health and Safety training in April 2018.
- As part of the BCMS internal audit on October 24–25, 2018, the critical service employees, HR, and IT teams underwent an inspection of business continuity activities, and the employees were informed to raise awareness on business continuity.
- In November, purchases were made to give 27 employees ISO 22301 Business Continuity Foundation Training and 14 employees among them ISO 22301 Business Continuity Internal Audit Training. These training programs will be held in January 2019.
- Moreover, content creation has begun for a training session titled “Business Continuity for Takasbank,” to be delivered in person to employees who will attend the training voluntarily or under the direction of their managers. The training will include primarily employees who were recruited within the last two years and is planned to be held in the first quarter of 2019.

The Bank underwent the external surveillance audit on December 17–18 conducted by an independent auditor from BSI to maintain the validity of the ISO 22301 - Business Continuity Certificate, which was awarded in 2014 for the effectiveness BCMS activities and their compliance with international standards. The audit concluded that the BCMS is effectively maintained at the Bank, and the certificate’s validity was verified.

Management of the R&D Center

Our on-site R&D Center, which started on April 20, 2017, was audited by the Ministry of Industry and Technology for the first time in July 2018. The Commission Meeting organized at the Ministry of Industry and Technology in September was attended, and the R&D Center successfully passed the audit. Five R&D projects were completed by the R&D Center in 2018. Three R&D projects were in progress as of the end of the year. An application was made to TEYDEB for the Gold-Backed Digital Asset Platform (BIGA) Project and the Dematerialization and Transfer of Physical Gold (LOCO İstanbul) Project in 2018. TEYDEB accepted three projects as the application made for the Natural Gas Market Clearing, Settlement and Collateral Management Project in 2017 was also accepted.

An academic cooperation agreement was made with the Boğaziçi University Energy Policy Research Center (EPAM) for the “Risk score model specialized for member behaviors,” the R&D point of focus of the application to TEYDEB for the Natural Gas Market Clearing, Settlement and Collateral Management Project. The first academic cooperation analysis meeting was held on April 2018. Workshops and research in this area are in progress.

The publications titled “Risk Assessment in Electricity Market Integrating Value-At-Risk Approach and Forecasting Techniques,” “Fuzzy Forecasting Methods for Energy Planning,” and “Natural Gas Technology Selection Using Pythagorean Fuzzy CODAS” were submitted under the Natural Gas Market Clearing, Settlement and Collateral Management Project. The publications were reported in the field of Intellectual and Industrial Property Rights at the Ministry of Industry and Technology portal.

Studies were conducted on Zero-Knowledge Algorithms with the TÜBİTAK Bilgem Blockchain Laboratory under the Gold-Backed Digital Asset Platform (BIGA) Project. The issues of full privacy of transactions and inspection of transactions at any time by the authorities were addressed with a unique method developed by our R&D Center, and blockchain integration was completed. Further improvements are still being made.

PCT Patent application was made to ensure that the Gold-Backed Digital Asset Platform (BIGA) Project has international validity. The trademark of BIGA Dijital Altın was also registered.

Our employees benefited from the grants announced for starting a master’s program, passing the Ph.D. qualification exam, publishing a research book, and publishing a report under the R&D Incentive Procedure.

2018 DEVELOPMENTS



As part of a strategic partnership between Borsa İstanbul and NASDAQ, intensive design and test practices for BISTECH continued in 2018.

CENTRAL COUNTERPARTY

Takasbank designed the Central Counterparty (CCP) service based on legal grounds provided by the Capital Markets Law No. 6362, taking international best practices and regulations into consideration. The Bank provides the CCP service at the Securities Lending Market (SLM), which it operates, at Borsa İstanbul A.Ş. Futures and Options Market (VIOP), at Borsa İstanbul A.Ş. Money Market, at Borsa İstanbul A.Ş. Equity Market, at Borsa İstanbul A.Ş. Debt Securities Market, and Borsa İstanbul A.Ş. FX SWAP Market.

As part of a strategic partnership between Borsa İstanbul and NASDAQ, intensive design and test practices for BISTECH continued in 2018. In that period, preparations were completed to provide CCP services for the Borsa İstanbul A.Ş. Debt Securities Market. The service began on July 2, 2018.

Takasbank continues to provide CCP services as a Qualified CCP, certified on March 23, 2016, by the Capital Markets Board for compliance with the 2012 CPMI-IOSCO Financial Infrastructure Institutions Principles. Accordingly, transactions between Turkish-based banks and Takasbank are regarded as “qualified transactions” pursuant to the Banking Regulation and Supervision Agency legislation. The risks to which banks are exposed in this context are assessed with a lower risk weight in accordance with Appendix No. 4 of the Regulation on Measurement and Assessment of Banks’ Capital Adequacy. Takasbank applied to the European Securities and Markets Authority (ESMA) for recognition as a third country central counterparty organization to ensure that its members operating as affiliates of banks registered in the EU enjoy the said advantages and conducted studies on this process in Turkey and abroad. It also held talks with the Bank of England regarding recognition similar to that of the ESMA for the CCP following the Brexit process.

The Risk Advisory Committee, a crucial aspect of CCP, met in March and October of 2018 to discuss the CCP services provided by Takasbank.

Also, with participation from the members, the second default management test was held in December for the default management, designed in line with international best practices and regulations, and set for application at least twice once a year.

FINANCIAL ANALYSIS

The risks faced by the Bank because of its banking, central counterparty and other capital market operations are managed by credit and placement limits, market risk limits, guarantee and collateral limits, and custody limits assigned by the Board of Directors based on the internal or independent credit rating and assessment scores of counterparties. Credit ratings and assessment ratings are used to identify the membership types in the markets to which we provide CCP service.

Ratings that range between TBD-A and TBD-E, from the highest to the lowest, are used to express creditworthiness of the banks, brokerage houses, and other financial institutions that are subject to the Internal Credit Rating and Assessment System, and total upper limits are determined for allocation by Takasbank in favor of each institution for various markets and transactions. Principles for external credit ratings have also been established. The general principles of the credit rating and assessment system used by Takasbank are explained on the Bank’s corporate website.

In 2018, 236 credit rating and assessment scores were allocated to banks, brokerage houses, insurance, factoring, leasing, and financing companies operating in Turkey. These ratings were also used to establish the maximum limits that can be allocated within the scope of banking, central counterparty, and other capital market activities.

Securities Lending Market (SLM)

In 2018, the Bank continued to strive to improve service quality, effectiveness, and wider use of the SLM by taking members’ requests into consideration. In this context:

- A new order type (special order) to allow SLM operations to run more easily was launched. Lenders and borrowers strike a deal before coming to the SLM and then process their transactions in the Market, provided that they stay within SLM collateral and limit boundaries.
- A regulation that allows expired SLM contracts to roll over was implemented. An expired contract may be rolled over without being closed if the borrowing member and the lending member both accept.
- In the SLM practice, the securities that are removed from the securities that could be used for margin trade and short-sale transactions were used to be removed from the lent securities by the removal date, and thus could not be lent. Subsequently, when the clearing and settlement of the short-sales made prior to the prohibition start date coincided with the post-prohibition dates, the short-selling institution was not able to borrow from the SLM, resulting in defaults in

2018 DEVELOPMENTS

the clearing and settlement of the Borsa İstanbul A.Ş. Equity Market and in fulfilling SLM obligations of which maturity would be extended by re-borrowing. This practice reduced the defaults of the shares and ETFs that are closed to short selling and lending on the Securities Lending Market (SLM).

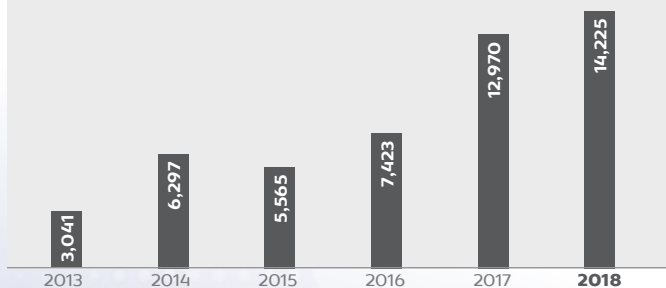
- Member visits were held to bring in new customers to the SLM. Also, we pursued promotional efforts through social media such as Facebook, Twitter, and so on.
- The commission tariff adjustment, which began in 2016, continued in 2017 and 2018. Accordingly, a 25 percent discount was applied to commissions on transactions with up to one-week maturity and a 50 percent discount to those with a maturity of one week or longer.

Transaction volumes for both the Borsa İstanbul Markets and the SLM rose in parallel with each other between 2013 and 2018. As evident in the following chart, trading volume in the SLM is on a rising trend. By 2018, it grew by more than fourfold in comparison to 2013.

Summary information on 2018 figures for the SLM:

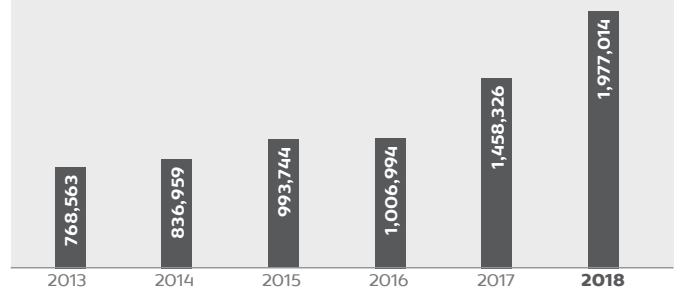
- As of 2018 year-end, there are 52 brokerage houses with transaction authorization and 276 representatives in the SLM. In 2018, 49 brokerage houses performed transactions from 6,885 customer accounts, 23 mutual fund and investment trusts accounts, and 78 brokerage house portfolio accounts.
- In the Securities Lending Market, trading volume grew by 9.68 percent to 14.2 billion TRY year-on-year in 2018 compared to 2017. The number of shares used in lending increased by 1.33 percent to 3.46 billion.
- In 2018, mutual funds and investment trusts accounted for 12.76 percent of lending transactions. For brokerage houses, 57.4 percent of lending transactions were made from customer accounts and 29.81 percent from their portfolios.
- From the perspective of borrowers, 66.75 percent of SLM transactions in 2018 were the lent securities obtained by brokerage houses on behalf of their customers. 29.02 percent of total borrowing transactions were borrowed for brokerage house portfolio accounts and 4.23 percent for mutual funds and investment trusts.
- In 2018, 326 securities were processed in the SLM, and the monthly average number of securities being traded was 180.
- The daily average number of SLM contracts was 430, and the daily average number of orders made to the market was 1,576 in 2018.
- Of the total SLM trading volume in 2018, 81.78 percent were BIST-30 shares, 13.32 percent BIST 100 (other than the 30) shares, and the remaining 4.90 percent were non-BIST-100 A and B group shares and exchange-traded funds.

SECURITIES LENDING MARKET TRADING VOLUME
(2013-2018, million TRY)



■ Total Trading Volume (Million TRY)

BORSA İSTANBUL MAIN, EMERGING COMPANIES, STARS AND COLLECTIVE INVESTMENT PRODUCTS MARKET TRADING VOLUME
(2013-2018, million TRY)



Bills and bonds issued by the banks in TRY started to be accepted as a collateral in the TMM in the organized money and capital markets for the first time as of March 2018.

2017 AND 2018 FIGURES FOR THE SECURITIES LENDING MARKET

	2017	2018
Number of Orders	306,507	395,621
Number of Contracts	111,718	108,024
Number of Transactions	3,413,092,487	3,458,576,930
Trading Volume (TRY)	12,969,642,341	14,224,672,398

SLM MEMBERS AND SUB-MEMBERS (2018)

	Number of Borrowers	Number of Lenders	SLM Member Distribution
Brokerage House	48	39	49
	Number of Borrowing Sub-Members	Number of Lending Sub-Members	Number of Sub-Members
Portfolio	58	43	78
Customer	2,761	4,474	6,885
Mutual Fund/Investment Trust	8	15	23
Total	2,827	4,532	6,986

DISTRIBUTION OF THE TOTAL TRADING VOLUMES OF THE SECURITIES LENDING MARKET ACCORDING TO THE INDEX (2018, TRY)

BIST 30	BIST 100 (Excluding 30)	Excluding BIST - 100	Exchange-Traded Funds
11,633,298,517.80	1,894,019,257.09	697,080,779.46	273,843.41

NUMBER OF TRADED SECURITIES AND MONTHLY CONTRACTS ON THE SLM (2018)

Month	Number of Traded Securities	Number of Monthly Contracts
January	177	12,481
February	165	9,300
March	162	9,075
April	151	7,268
May	174	8,710
June	169	6,390
July	173	8,723
August	187	5,799
September	192	8,199
October	194	8,275
November	208	12,533
December	209	11,271

Takasbank Money Market (TMM)

Improvements continued to be made in 2018 to keep up with market changes and developments, meet the demands of the current TMM participants, increase the number of members and trading volume, and enhance quality of service. Taking into consideration the developing and changing market conditions, bills and bonds issued by the banks in TRY started to be accepted as a collateral in the TMM for the first time in the organized money and capital markets as of March 2018 in order to diversify collateral. In addition, standardized gold trading on the Borsa İstanbul Precious Metals and Diamonds Market and lease certificates in TRY issued by T.C. Hazine ve Maliye

Bakanlığı Varlık Kiralama A.Ş. were added to the list of assets that can be accepted as collateral in September 2018, and the efforts for legislation and infrastructure for admission of asset-backed securities (ABS) as collateral in TMM were initiated for finalizing in January 2019.

In line with the latest developments in Turkish and global money and capital markets, the initial margin rate implemented for TMM was amended to cover the sum of principal and interest within the framework of the proactive risk management principles of the Bank. Since the initial margin would cover the principal and the accrued interest, the initial

2018 DEVELOPMENTS

margin rate of 110 percent was reduced to 105 percent, and the margin rate that requires a call for completion of a collateral was reduced from 105 to 102 percent. Certain modifications were made in screens and reports to ensure that our members do not have any problem with entering orders and with collateral transactions since calculation of collateral and limits were amended upon the said revisions. Furthermore, certain regulations complementary to the provisions of default were made in the TMM legislation to ensure harmony with the CCP and MKK legislation.

The queries from the Letter of Guarantee Status Query screen on the Credit Registration Office Findeks platform were added to the letter of guarantee confirmation process to reduce the operational cost and risk in the acceptance process in TMM, and to save time and raise the satisfaction of members.

As part of the “Electronic Letter of Guarantee Platform” project implemented by KKB, a service agreement was signed for acceptance of the letters of guarantee by electronic means for the TMM service, and tests were completed in Kredi Kayıt Bürosu (KKB) testing environment. It is planned that electronic letters of guarantee will start to be accepted on the TMM in 2019 once the banks that issue letters of guarantee complete their infrastructure preparations and commence active use of their infrastructure.

Summary information on 2018 figures for the Takasbank Money Market:

- The total number of members that made transactions in the TMM rose to 145 in 2018 from 129 in 2017, an increase of 12

percent. The number of members increased by 61 percent from 2015 to 2018.

- In 2018, the TMM reached the highest number of trading members in the past 15 years: transactions were performed by 145 institutions comprising 49 brokerage houses, 16 deposit banks, 9 development and investment banks, 59 financial institutions, 7 asset management companies, 1 complementary pension fund and 4 insurance and pension companies.
- Total trading volume rose by 41 percent year-on-year in 2018, the highest level since its inception, to 856 billion TRY. Average trading size increase by 22 percent to 3.4 million TRY.
- Daily trading volume average swelled by 42 percent to 3.4 billion TRY. The total number of transactions grew by 15 percent to 249,245 and average daily transactions increased by 17 percent to 999 year-on-year.
- In 2018, of the total trading volume, shares of 648 mutual funds and trusts trading in the TMM grew by 43 to 571 billion TRY year-on-year.
- In 2018, sales transactions in the TMM were executed for the following: mutual funds and trusts, 67 percent; brokerage house portfolios, 20 percent; brokerage house customers, 8 percent; and the remaining 5 percent for institutions defined within the scope of General Communiqué for Public Treasurership. Of the total transactions, buying parties were 59 percent for financial institutions and 38 percent for brokerage house portfolios.



TAKASBANK MONEY MARKET DAILY TRANSACTION AVERAGES

Month	Average Trading Volume (TRY)	Average Number of Transactions
January	3,008,957,682	905
February	3,001,528,400	893
March	3,204,683,864	946
April	3,533,643,100	959
May	3,636,024,727	983
June	3,862,367,590	1,038
July	3,569,637,818	999
August	3,495,768,971	1,037
September	4,546,278,615	1,158
October	3,490,401,136	1,085
November	3,209,652,818	1,013
December	2,745,663,476	988

DAILY O/N AVERAGE WEIGHTED INTEREST RATES AND BENCHMARK BOND (%)

Month	TMM	Repo/Reverse Repo Market	2-Year Benchmark Bond Yield
January	12.99	12.08	13.02
February	12.99	12.11	12.73
March	13.16	12.04	13.35
April	13.22	12.06	13.91
May	14.48	13.21	15.91
June	17.41	16.43	18.14
July	17.67	16.66	19.36
August	18.34	17.65	23.43
September	22.54	20.88	23.87
October	23.86	23.06	24.78
November	23.52	23.04	20.14
December	23.44	23.12	19.79

TAKASBANK MONEY MARKET TRADING VOLUME DISTRIBUTION (%)

Members	Total Shares
Brokerage Houses	55.6
Development and Investment Banks	3.6
Deposit Banks	9.5
Insurance and Pension Companies	1.1
Financial Institutions	30.1
Asset Management Companies	0.1

2018 DEVELOPMENTS

Turkey Electronic Fund Trading Platform (TEFAS)

The Turkey Electronic Fund Trading Platform (TEFAS) contributes greatly to our fund industry to grow in a transparent, effective, and competitive environment. In 2018, the platform continued to grow with an increased trading volume.

Period	TEFAS Trading Volume (billion TRY)
2015	13.6
2016	21.6
2017	25.5
2018	27.4

In 2018, 78 total institutions consisting of 35 brokerage houses, 24 banks, and 19 portfolio management companies performed transactions; 264 funds were traded at the TEFAS. Total trading volume and average trading volume in TEFAS were 27.44 billion TRY and 109.32 million TRY, respectively. Annual average trading volume rose by 8.33 percent. In 2018, banks accounted for 84.56 percent of the total trading volume, brokerage houses for 9.28 percent, and portfolio management companies for 6.16 percent.

As part of efforts to improve the effectiveness of the member requests and the TEFAS system in 2018,

- Takasbank accounts can be used directly for participation certificate transactions of mutual funds for which mutual fund participation shares are traded in the fund portfolio.
 - U.S. dollar, euro, and gold that qualify for trading in stock exchanges were included in the collateral.
 - A mobile application of the Fund Information Platform was released for iOS and Android.
- Efforts were initiated to promote the use of TEFAS by domestic and foreign investors under Article 217, titled "Measures," of the Presidential Annual Program for 2019.
- Demands from investors to be able to use the portal more effectively were met with the development of the Fund Information Platform (www.tefas.gov.tr and www.fonturkey.com.tr mobile application) operated by Takasbank in 2018.

2018	Trading Volume (TRY)				Number of Trading Institutions				
	Brokerage Houses	Banks	Asset Management Companies	Total	Average	Brokerage Houses	Banks	Asset Management Companies	Total
January	269,866,811.49	2,331,218,536.80	220,681,071.39	2,821,766,419.68	128,262,109.99	27	19	14	60
February	205,138,509.96	1,888,422,201.15	292,976,093.07	2,386,536,804.18	119,326,840.21	28	20	13	61
March	254,227,370.13	2,130,904,914.58	117,687,433.08	2,502,819,717.79	113,764,532.63	29	19	12	60
April	280,922,035.87	2,142,614,562.90	86,079,239.29	2,509,615,838.06	125,480,791.90	29	20	14	63
May	285,434,096.21	2,587,928,743.58	184,214,658.61	3,057,577,498.40	138,980,795.38	28	21	16	65
June	285,915,359.00	1,937,051,173.59	214,071,329.72	2,437,037,862.31	121,851,893.12	31	21	13	65
July	201,633,590.73	1,695,275,912.48	125,540,690.29	2,022,450,193.50	91,929,554.25	32	22	12	66
August	251,841,582.59	2,094,146,190.03	148,749,043.63	2,494,736,816.25	138,596,489.79	29	22	13	64
September	192,453,650.07	2,316,150,167.68	100,352,636.19	2,608,956,453.94	130,447,822.70	30	21	10	61
October	118,399,885.45	1,672,684,248.28	88,849,033.94	1,879,933,167.67	85,451,507.62	32	22	9	63
November	105,682,525.10	1,234,847,979.59	45,635,021.03	1,386,165,525.72	63,007,523.90	28	22	11	61
December	94,636,685.79	1,171,143,581.10	65,276,661.02	1,331,056,927.91	63,383,663.23	29	22	12	63
Total/2018	2,546,152,102.39	23,202,388,211.76	1,690,112,911.26	27,438,653,225.41	109,317,343.53	35	24	19	78

In 2018, a total of 57 brokerage houses accounted for a trading volume of 1.99 trillion TRY in the Equity Market.

2018 TRADING VOLUME DISTRIBUTION BASED ON FUND TYPE

Fund Type	Trading Volume (TRY)	Ratio (%)
Variable Umbrella Fund	8,199,349,695.01	29.88
Debt Securities Umbrella Fund	8,122,671,092.97	29.60
Stock Umbrella Fund	3,811,100,781.71	13.89
Participation Umbrella Fund	2,223,607,900.92	8.10
Fund of Funds Umbrella Fund	2,151,212,139.60	7.84
Debt Securities Umbrella Fund (Short-term)	1,431,918,516.90	5.22
Precious Metals Umbrella Fund	1,004,570,651.06	3.66
Money Market Umbrella Fund	213,492,448.02	0.78
Participation Umbrella Fund (Short-term)	173,284,486.94	0.63
Mixed Umbrella Fund	107,445,512.28	0.39
Total	27,438,653,225.41	100.00

Equity Market Clearing, Settlement and Collateral Management Service

Clearing and settlement of trades executed on Borsa İstanbul Equity Market occur on the second business day (T+2) following the trading day as dematerialized by netting buy and sell trades within the scope of “Delivery vs. Payment – DVP” principle.

As of the end of 2018, the market value of Equity Market transaction collateral managed by Takasbank was 295.32 million TRY, and the market value of guarantee fund participation shares was 64.12 million TRY.

In 2018, a total of 57 brokerage houses accounted for a trading volume of 1.99 trillion TRY in the Equity Market. After netting, cash settlement reached 105.80 billion TRY (5.30 percent) and security settlement reached 346.94 billion TRY (17.38 percent) market value

In 2018, gross settlement was applied to the shares of 54 companies in the Gross Settlement System, created for the shares for which netting was removed upon request by the Capital Markets Board of Turkey. In this system, which can also be applied per investor, gross settlement was applied to 3 investors in 2018.

EQUITY MARKET DAILY AVERAGE TRADING VOLUMES (Million TRY)

Month	Stock Exchange Trading Volume	Net Cash Settlement Amount	Net Securities Settlement Amount	BIST 100 Index Value ^(*)
January	190,978.30	8,303.08	31,807.73	119,528.79
February	149,531.38	7,631.73	27,635.10	118,950.76
March	165,814.21	7,756.72	31,444.96	114,930.22
April	160,641.56	8,183.00	27,226.78	104,282.78
May	162,171.42	8,556.46	28,965.83	100,652.27
June	144,874.12	8,494.76	25,372.93	96,520.07
July	211,171.50	10,588.09	30,770.43	96,952.23
August	170,756.43	10,921.74	29,383.20	92,723.40
September	172,699.18	9,238.14	28,908.10	99,956.90
October	185,705.66	8,484.26	30,153.16	90,200.71
November	166,854.37	7,893.21	27,856.45	95,416.03
December	114,696.13	6,003.11	23,667.65	91,270.48

^(*) Month-end index closing value.

2018 DEVELOPMENTS

Futures and Options Market Settlement, Clearing and Collateral Management

Since March 3, 2014, Takasbank has begun providing CCP services for transactions executed on the Borsa İstanbul Futures and Options Market (VIOP), at which the Bank provides clearing, settlement, risk management, and collateral management services. Accordingly, it acts as a seller to the buyer and the other way around, using transaction collateral and members' guarantee fund contributions as well as the Bank's capital in profit/loss distribution and in performing liabilities in the event of default.

The service encompasses opening accounts to execute transactions on VIOP, managing margin and guarantee fund contribution amounts, accruing interest on cash margin, post-trade real-time risk management via BISTECH Margin Management, pre-order risk management for risky accounts, position creation, profit/loss calculation, executing margin calls, and settlement of physically delivered contracts, including default management.

The total number of active members in the VIOP was 67 by 2018 year-end. As of December 31, 2018, the number of open positions in VIOP reached 1,671,608 with a market value of 7.55 billion TRY. As of year-end, trading volume was 3.87 billion TRY with 196,558 active accounts.

As part of the Margin Management Service provided to the derivatives market, real-time risk management is conducted by the BISTECH Margin Method, a portfolio-based calculation algorithm, at the Borsa İstanbul Futures and Options Market (VIOP). As of the end of 2018, market value of the VIOP total collateral is 3.89 billion TRY; of this amount, TRY cash collateral makes up 3.46 billion TRY.

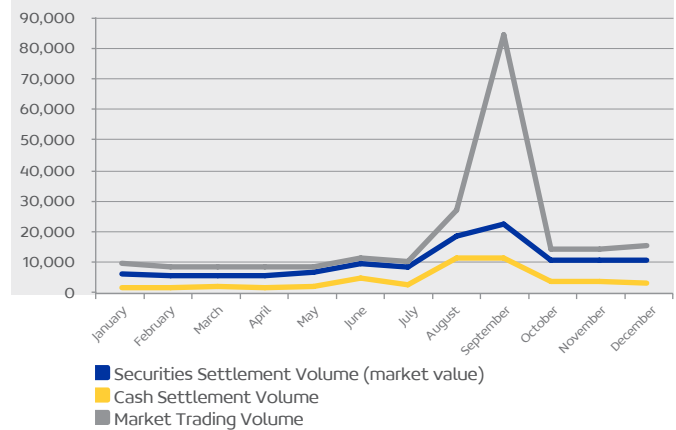
Futures and Options Market Guarantee Fund Collateral Management

At Futures and Options Market, Takasbank provides the service for management of the guarantee fund. By 2018, the total guarantee fund contribution of VIOP clearing members was 227 million TRY. 160 million TRY out of the total fund accounted for cash contributions in TRY.

Debt Securities Market Clearing and Settlement Service

In 2018, trading in Borsa İstanbul A.Ş. Debt Securities Outright Purchases and Sales and in Repo-Reverse Repo Markets reached 4.41 trillion TRY. Outright Purchases and Sales Market corporate bonds transactions accounted for 35.08 billion TRY of this amount.

After multilateral netting, Takasbank executed a cash settlement of 970.95 billion TRY (22.00 percent of the total market trading volume). Total market value of securities settlement was 2.43 trillion TRY (55.09 percent of the total market trading volume).

BORSA İSTANBUL A.Ş. DEBT SECURITY MARKET MONTHLY AVERAGE TRADING VOLUME (Million TRY)**ANNUAL CLEARING AND SETTLEMENT SERVICE FIGURES FOR THE BORSA İSTANBUL FUTURES AND OPTIONS MARKET**

	2013	2014	2015	2016	2017	2018
Trading Collateral Value (Million TRY) ^(*)	1,797	1,819	2,197	2,641	3,237	3,891
Guarantee Fund Contribution Value (Million TRY) ^(*)	124	165	192	204	201	277
Trading Volume (Million TRY)	143,096	430,091	561,587	593,450	842,410	1,259,762
Profit/Loss (Million TRY)	2,643	6,663	8,280	8,899	12,507	23,960

^(*) As of the last business day of the year

Borsa İstanbul Money Market Settlement Service

As part of action plan No. 80, titled “Corporate Investors will be Provided with Incentives in the Capital Markets,” set forth in the 64th Government Action Plan, and with the goal of promoting the organized money markets grow, issuing TRY denominated variable interest rate debt instruments and establishing generally-accepted TRY reference interest rates for long-term (1-3 months), Borsa İstanbul A.Ş. was founded under the auspices of the Ministry of Treasury and Finance, and the CBRT, and the “Borsa İstanbul Money Market” was established and put in operation under Borsa İstanbul A.Ş. on October 14, 2016, within the scope of the principles established with participation by officials from Takasbank. Takasbank serves as the Central Counterparty to execute clearing and settlement transactions on the Borsa İstanbul Money Market.

Borsa İstanbul A.Ş. FX SWAP Market Settlement and Clearing Service

In addition to the policies and practices stated in the New Economic Program announced in September 2018, Borsa İstanbul A.Ş. FX SWAP Market, an alternative to the method of foreign currency purchase used in hedge strategies to protect financial assets in Turkey against risks, was launched on October 1, 2018, as part of the projects and programs to be initiated with the objective of increasing qualified labor and maintaining a strong society to support macroeconomic objectives and sustainable economic growth. Takasbank serves as the Central Counterparty to execute clearing and settlement transactions on Borsa İstanbul A.Ş. FX SWAP Market.

EXIST Electricity Market and Collateral Management

1227 participants were provided cash clearing, settlement and collateral management services as the Central Settlement Bank in the Electricity Market, with a 58 percent increase in trading volume compared to the previous year. The data on the transactions made in 2018 are available below.

As of December 31, 2018, total market value of the collaterals safe kept at Takasbank accounts for Electricity Market transactions was 289.60 million TRY. The collaterals safe kept at Takasbank consist of 288.15 million TRY, €338,982, and \$814,756, and GDS with a market value of 293,228 TRY.

EXIST Natural Gas Market Clearing, Settlement and Collateral Management

The Organized Wholesale Natural Gas Sale Market Directive with regard to the Organized Wholesale Natural Gas Sale Market established within Enerji Piyasaları İşletme A.Ş. (EXIST) was published in the Official Gazette No. 30024, dated March 31, 2017. The Directive commissioned Takasbank as the Central Clearing and Settlement Institution under the definition “an organization that operates as a central clearing and settlement organization as per the Capital Markets Law No. 6362 dated December 6, 2012, for execution of the financial transactions to be defined hereunder between the participants of the market.” Takasbank extended its range of services for energy markets by starting to provide cash settlement and collateral management services to the Organized Wholesale Natural Gas Sales Market as a Central Settlement Organization from September 1, 2018. The data of the transactions made in 2018 are given below.

ELECTRICITY MARKET ADVANCE AND INVOICE TRANSACTIONS - MONTHLY NUMBER OF PARTICIPANTS AND TRADING VOLUME (2018)

Month	Number of Participants	Advance Trading Volume (TRY)	Invoice Trading Volume (TRY)
January	1,148	5,024,138,845.14	4,698,566,480.21
February	1,150	4,238,414,519.16	5,197,213,919.33
March	1,157	4,169,924,271.33	4,712,876,054.18
April	1,157	4,916,584,098.91	6,643,463,450.99
May	1,160	4,901,337,263.50	6,319,511,669.97
June	1,164	4,479,878,919.42	6,960,635,829.05
July	1,166	6,004,143,544.25	6,967,712,803.23
August	1,174	7,644,977,561.98	6,655,160,269.07
September	1,187	8,119,378,636.29	9,196,684,948.22
October	1,206	7,874,168,143.20	8,186,014,169.97
November	1,214	6,940,945,617.15	7,140,503,293.19
December	1,227	6,634,922,076.70	6,969,040,349.15
Total		70,948,813,497.03	79,647,383,236.56

2018 DEVELOPMENTS

EXIST NATURAL GAS MARKET ADVANCE AND INVOICE TRANSACTIONS - MONTHLY NUMBER OF PARTICIPANTS AND TRADING VOLUME (2018)

Month	Number of Participants	Advance Trading Volume (TRY)	Invoice Trading Volume (TRY)
September	43	180,268,420.00	-
October	43	636,567,459.00	410,993,283.70
November	44	538,828,519.00	753,116,875.66
December	45	366,200,953.50	555,610,072.40
Total		1,721,865,351.50	1,719,720,231.76

As of December 31, 2018, total market value of the collaterals safe kept at Takasbank accounts for Natural Gas Market transactions was 90.41 million TRY. This collateral kept by Takasbank consists of 90.08 million TRY and \$332,648.

Electronic Warehouse Receipts Settlement and Clearing Service

Throughout 2012, Izmir Commodity Exchange, Ege Agricultural Products Licensed Warehouse, Central Registry Agency, and Takasbank worked together towards the creation of Electronic Warehouse Receipts (EWR) as well as its trading and clearing and settlement processes. In the first stage, cotton-based EWRs were created to be traded, and clearing and settlement processes were developed. In 2013, EWR trading transactions began on the Izmir Commodity Exchange, and Takasbank executed the clearing and settlement of these transactions. Clearing and settlement transactions protocol was signed

with the Commodity Exchanges of Izmir, Ankara, Konya, and Polatlı in 2013; with the Commodity Exchanges of Bandırma and Gaziantep in 2014; and with the Commodity Exchange of Lüleburgaz in 2015, and these exchanges became members of Takasbank. EWR trading was started in Adana Commodity Exchange, and registration of the Exchange to Takasbank was completed in 2018.

Takasbank uses the RTGS delivery versus payment (DvP) method for settlement of EWRs traded on the electronic trading platforms within Commodity Exchanges. Registration fee, compensation fund and warehouse fees are collected from the cash-receiving member at the time of RTGS DvP transfer. Registration fee and compensation fund amounts are transferred to the commodity exchanges, and the warehouse fee to the licensed warehouse accounts.

2018 trading volumes at the Ankara, Konya, Lüleburgaz, Polatlı, Gaziantep, Bandırma, and Adana commodity exchanges are provided in the following table:

Month	Number of Transactions	Number	Trading Volume (TRY)
January	976	61,915,180	58,420,668.94
February	674	53,164,602	48,368,592.91
March	950	88,506,984	86,619,580.64
April	1,104	102,495,540	100,638,513.71
May	4,798	123,698,650	146,546,551.36
June	34,232	458,101,455	487,962,871.69
July	60,870	698,468,577	697,840,505.11
August	12,734	234,585,593	223,202,257.96
September	3,570	176,804,644	186,543,111.02
October	5,584	226,481,517	220,042,757.53
November	13,918	283,948,049	284,152,254.73
December	6,362	201,098,496	216,464,300.48
Grand Total	145,772	2,709,269,287	2,756,801,966.08

The Turkey Specialized Commodity Exchange was founded in 2018 for the purpose of collecting the EWR transactions in a single place and improving pricing and market transparency. Once this transaction platform is launched, the EWR transactions mentioned above will be made on a single platform. Takasbank cooperates with the Turkey Specialized Commodity Exchange for provision of clearing, settlement and collateral management.

Precious Metals Market Settlement and Collateral Management

Borsa İstanbul A.Ş. Borsa İstanbul A.Ş. Takasbank provides cash clearing, settlement and collateral management services for precious metal transactions on the Precious Metals and Diamonds Markets. From February 4, 2013, to February 4, 2017, these transactions were conducted via accounts opened at the designated correspondent bank, Kuveyt Türk Katılım Bankası A.Ş. On August 1, 2016, Kuveyt Türk Participation Bank and Istanbul Gold Exchange (IGE) operated within the framework of the decision to terminate the Cash Correspondence Services Protocol on February 4, 2017, and provision of central clearing, settlement and collateral management services, and started to provide services on the clearing, settlement and collateral accounts in Takasbank from February 6, 2017, as part of the integration of the IGE with Borsa İstanbul. These services were moved to BISTECH on July 2, 2018.

The total trading volume in the market in 2018 was 50,635,708,043.12 TRY, where 81.29 percent was executed in U.S. dollars, 16.91 percent in TRY, and 1.8 percent in euros. 98.17 percent of the transactions were gold-backed. Highest TRY and U.S. dollar gold trading volume information is provided below:



PRECIOUS METALS MARKET GOLD TRADING VOLUME (2018)

Month	TRY Gold Transactions		USD Gold Transactions	
	Trading Volume (Kg)	Trading Volume (TRY)	Trading Volume (Kg)	Trading Volume (USD)
January	4,952.15	803,483,409.44	50,998.58	2,183,270,743.71
February	3,664.48	594,266,474.80	16,334.54	701,191,002.39
March	5,320.32	899,850,430.82	21,736.53	924,649,735.79
April	9,102.41	1,575,533,402.91	19,565.26	837,766,330.15
May	3,637.15	681,886,658.65	16,615.22	696,434,239.89
June	2,551.79	487,376,429.69	12,858.97	528,047,997.07
July	2,107.61	397,487,970.26	14,409.09	572,709,648.25
August	2,609.75	582,840,203.53	17,297.04	654,504,381.54
September	3,526.90	866,134,150.77	12,607.32	484,598,432.02
October	2,416.40	541,301,179.77	10,687.13	392,951,675.52
November	1,319.12	279,257,003.55	14,685.44	575,145,140.82
December	1,575.89	334,052,774.25	10,001.03	404,588,087.23
Total	42,783.98	8,043,470,088.44	217,796.17	8,955,857,414.38

2018 DEVELOPMENTS

Debt Securities Custody

Takasbank provides custody services for government domestic debt securities (GDS) to banks, brokerage houses, mutual funds, private pension funds, mutual trusts, real estate mutual trusts, insurance and private pension companies, and asset management companies.

GDS CUSTODY BALANCES PER YEAR

Year	(million TRY)		(million USD)
	Average Nominal	Average Market Value	Average Market Value
2006	39,725.88	33,188.07	23,486.00
2007	36,796.28	32,217.53	27,661.66
2008	38,908.52	34,173.06	22,596.75
2009	42,795.09	39,459.17	26,206.53
2010	41,072.65	40,126.52	25,955.06
2011	48,650.41	48,541.25	25,460.93
2012	49,818.44	50,686.38	28,433.96
2013	50,605.89	52,728.55	24,705.31
2014	55,900.75	57,009.04	24,584.52
2015	56,740.06	57,315.55	19,712.32
2016	51,852.37	52,462.48	14,854.32
2017	51,001.24	51,317.90	13,467.85
2018	54,780.86	50,503.40	9,599.77

Private sector debt instrument (PSDI) balances belonging to mutual and private pension funds, mutual trusts, real estate mutual trusts, and insurance and private pension companies are safe-kept in Takasbank accounts held with the MKK. PSDI custody balances of the Bank by years:

PSDI CUSTODY BALANCES PER YEAR

Year	PSDI (million TRY)		Change
	Daily Average	Nominal	Ratio (%)
2010		244.11	2,550.49
2011		3,538.99	1,349.75
2012		7,086.38	100.24
2013		12,228.42	72.56
2014		16,457.88	34.58
2015		21,722.45	31.99
2016		26,180.74	20.52
2017		31,255.68	19.38
2018		33,853.07	8.31

Physical Securities Transactions

Since the shares traded on Borsa İstanbul A.Ş. have been transferred to Merkezi Kayıt Kuruluşu A.Ş. (MKK), delisted shares continue to be safekept physically by Takasbank. As of December 31, 2018, our fungible custody had 4.3 million certificates, comprising of shares with a nominal value of 220.6 million TRY; non-fungible custody had 1.9 million certificates, comprising of shares with a nominal value of 11.6 million TRY.

Global Custody

Global Custody Service covers clearing, settlement, custody, corporate actions, and related money transfer transactions for capital market instruments traded in international capital markets. Since 1997, Takasbank has been providing Global Custody Service to banks, brokerage houses, pension and mutual funds, and other financial institutions with end-to-end STP operational flow through the account network established central securities depositories (Euroclear and Clearstream) and global custodians (Citibank). This provides access to more than 65 markets worldwide. The global custody service reached 343 member accounts in 2018. While 314 of the active accounts are at Euroclear, 29 accounts are at Clearstream.

NUMBER OF GLOBAL CUSTODY ACCOUNTS

Global Custody Members	Number of Accounts
Investment Funds	199
Pension Funds	94
Brokerage Houses	20
Banks	22
Investment Trusts	3
Other	5
Total	343

Takasbank offers uninterrupted Global Custody Service to 343 members through international and global custody organizations with end-to-end automation.

2018 GLOBAL CUSTODY BALANCE

Month	(million euro)
January	4,774
February	4,615
March	4,815
April	4,781
May	4,840
June	5,090
July	5,008
August	4,713
September	4,542
October	4,806
November	5,067
December	5,045
Average	4,841

In 2018, a total of 46,782 transactions were executed, and the transaction number increased by 32 percent compared to 2017. The transactions were comprised of settlement transactions with 43 percent, corporate action transactions with 25 percent, and cash transactions for settlement and corporate action with 32 percent.

NUMBER OF GLOBAL CUSTODY TRANSACTIONS

Month	Number of Transactions
January	3,384
February	3,508
March	4,311
April	4,043
May	4,350
June	4,161
July	3,569
August	3,635
September	3,858
October	4,299
November	3,594
December	4,070
Total	46,782

Central Custody for Foreign Assets Held in Private Pension Funds and Mutual Fund Portfolios

Pursuant to the Regulation on the Principles of Establishment and Activities of Private Pension Funds, published in the Official Gazette No. 28586, dated March 13, 2013, and the Communiqué on the Principles of Portfolio Custody Service and the Institutions Rendering the Service, No. III-56.1, dated July 2, 2013, Takasbank has been officially authorized to provide custody services for assets held in mutual and private pension funds' portfolios.

Accordingly, it currently provides central custody service to 86 private pension funds and 149 mutual funds in international markets.

Dematerialized Custody

Dematerialized securities owned by collective investment institutions are safekept at central custody institutions as Takasbank sub-accounts. As of December 31, 2018, shares with the market value of approximately 15.5 billion TRY are safekept at the MKK in dematerialized form.

Precious Metal Custody

Precious metals in the portfolio of collective investment institutions are safekept at Takasbank. Custody takes place at the accounts opened as a sub-account of Takasbank in the name of the relevant collective investment institution at Borsa İstanbul A.Ş., which provides physical custody service for precious metals. As of December 31, 2018, Collective Investment Institutions had 35,500 kilograms of gold custody balance with a market value of nearly 7.68 billion TRY.

Portfolio Custody

Pursuant to the Communiqué on the Principles of Asset Custody Service and the Institutions Rendering the Service, No III-56.1 dated July 2, 2013, Takasbank continued in 2018 to provide the portfolio custody service, which it launched on December 22, 2014, to the collective investment institutions established in accordance with the new legislation. As of December 31, 2018, Takasbank has portfolio custody contracts with 7 investment trusts and 15 asset management companies including a real estate portfolio management company and two real estate and venture capital portfolio management companies. Currently, 111 collective investment institutions are receiving portfolio custody services.

Local Custody

Takasbank offers clearing, settlement, and local custody services to international institutions. With this service, foreign institutions use clearing and settlement services, including money transfer, corporate actions and reporting regarding the securities in the settlement accounts opened with Takasbank.

Equity Corporate Action

Takasbank handles corporate actions such as capital increase and dividend distribution for dematerialized shares in collective investment institutions' accounts.

In 2018, 29 issuers increased capital through rights issues, 42 issuers completed capital increases through bonus issues, and 166 issuers distributed dividends.

2018 DEVELOPMENTS

Exercise of Debt Securities Rights

Takasbank also executes corporate action transactions for Government Debt Securities (GDS) and Private Sector Debt Instruments (PSDI), to which it provides custody services. Redemption/coupon payment transactions:

	GDS (million TRY)	PSDI (million TRY)
Redemption	11,022	83,202
Coupon	5,447	2,993

Private Pension Fund Shares Information Service

The e-Turkey Takasbank Integration Platform for private pension system participants was launched in 2013. In 2018, 42,706 new participants registered on the platform, raising the number of participants to 349,050. Usage statistics for the Takasbank notification system are available below.

Private Pension Funds Management

Takasbank has been providing custody services as a custodian to private pension companies since 2003, pursuant to article 17 of the Private Pension Savings and Investment System Law and Articles 28, 29, and 31 of the Regulation on the Principles of Establishment and Activities of Private Pension Funds.

As of December 31, 2018, the number of accounts that contain private pension funds through the voluntary system in private pension companies remained unchanged at 8.05 million. Participants' fund size grew to 88.5 billion TRY with an increase of 10.7 billion TRY including state contribution.

Law No. 6740 on the Amendment of the Private Pension Savings and Investment System Law, regulating the automatic enrolment in the Private Pension System (PPS), was adopted on August 10, 2016. As of January 1, 2017, the effective date of the law, paid contracted employees below the age of 45 are included in the private pension system by an individual pension contract drawn up by the employer as part of the gradual transition.

In 2018, nearly 7.4 million private pension fund accounts were opened as part of the Automatic Enrolment System in private pension companies, with a total fund amount of 4.6 billion TRY for 5.2 million active accounts as of December 31, 2018. The opt-out rate from the Automatic Enrolment System was 66 percent.

As part of the gradual transition to the Automatic Enrolment System, private sector employees who work for an employer that has between 5 to 9 employees will be entered in the system in 2019. System development efforts for the Private Pension System continued in 2018.

Contents and interfaces of Takasbank IPS mobile applications were redesigned and released for the use of participants on Android and iOS on February 12, 2018.

Takasbank attended the private pension workshop organized by the Financial Literacy and Inclusion Association (FODER) and shared our opinions with the industry representatives in 2018.

	Number of Participants Requesting Daily SMS Messages	Number of Participants Requesting Daily Activity Emails	Number of Participants Requesting Monthly Balance Emails	Number of Participants Requesting Monthly Activity Emails
2018	7,535	7,634	9,400	7,940
Total	31,050	42,710	51,000	44,625

BORSA İSTANBUL A.Ş. EQUITY MARKET, BORSA İSTANBUL A.Ş. DEBT SECURITIES MARKET, BORSA İSTANBUL A.Ş. MONEY MARKET AND BORSA İSTANBUL A.Ş. COLLATERAL MONITORING SERVICE ON THE FX SWAP MARKET (UNDER CCP)

Takasbank monitors the guarantee fund collaterals of the Debt Securities Market, Borsa İstanbul A.Ş. Equity Market, Borsa İstanbul A.Ş. Money Market, and Borsa İstanbul A.Ş. FX SWAP Market, to which we offer Central Counterparty Service. Distribution by the type of collateral as of December 31, 2018, is given in the table below.

DEBT SECURITIES MARKET

Collateral Type	Trading Collateral Market Value (million TRY)	Guarantee Fund Market Value (million TRY)
Government Debt Instruments	4,273.80	712.94
Letters of Guarantee	2,157.43	66.68
Euro	186.70	6.65
Eurobond	91.21	-
TRY	55.84	14.63
Sukuk	6.07	-
USD	2.90	0.69
Equity	-	-
Total	6,773.94	801.58

MONEY MARKET

Collateral Type	Trading Collateral Market Value (million TRY)	Guarantee Fund Market Value (million TRY)
Government Debt Instruments	147.71	16.50
Euro	30.14	-
TRY	-	0.65
Sukuk	-	-
USD	-	0.09
Total	177.85	17.23

FX SWAP MARKET

Collateral Type	Trading Collateral Market Value (million TRY)	Guarantee Fund Market Value (million TRY)
Government Debt Instruments	8.59	468.75
Euro	0.06	45.81
TRY	2.41	26.47
Sukuk	-	4.80
USD	-	-
Total	11.06	545.83

EQUITY MARKET

Collateral Type	Trading Collateral Market Value (million TRY)	Guarantee Fund Market Value (million TRY)
Government Debt Instruments	28.03	6.97
Letters of Guarantee	68.41	10.44
Euro	42.60	0.00
Eurobond	-	-
TRY	149.62	45.57
Sukuk	-	-
USD	5.04	1.13
Equity	1.62	0.01
Total	295.32	64.12

2018 DEVELOPMENTS

TapuTakas (Takasbank Real Estate Title Deed Payment Transfer Service) Transactions

The TapuTakas service was developed and launched on April 17, 2015, by Takasbank within the scope of the protocol signed with the General Directorate of Land Registry and Cadastre (TKGM) with the goal of preventing issues encountered by the buyer and the seller during the handover of ownership right and the purchase and sale value to allow simultaneous exchange of the cash received for the sale of the property. With this service, it was aimed to eliminate the parties' trust issue, risk of carrying cash and create time, labor and cost advantage for all parties by providing a modern, safe and technological infrastructure through fast transfer at low cost.

The protocol was signed by Takasbank and TKGM for the integration and information exchange needed for service based on the duties and authorizations set forth for the TKGM in Law No. 6083 on the Organization and Duties of the General Directorate of Land Registry and Cadastre and within the scope of the authorization bestowed on them by their own constitution in the administrative law.

Since April 17, 2015, a total of 41 transactions totaling 116.69 million TRY were executed on TapuTakas system in Trabzon, Ankara, Kırklareli, Erzurum, İzmir, Manisa, Antalya, Sakarya, Kocaeli, Balıkesir, Bursa, Adana, Tekirdağ, and Eskişehir. In 2018, a total of 23 transactions were executed amounting to 108.18 million TRY.

Leveraged Trading Transactions, Collateral Safe Keeping, and Reporting to Capital Markets Board of Turkey

In the aftermath of the global financial crisis, regulations were put into place to execute over-the-counter derivatives transactions on organized platforms, launch a central clearing and settlement practice to eliminate counterparty risk, and provide reporting to repository institutions. In parallel with international market practices, the Capital Markets Board of Turkey (CMB) introduced a regulation for the first time on leveraged trading transactions, which make up an important part of over-the-counter market. The "Communiqué on Principles of Leveraged Trading Transactions (LTT) and Organizations Allowed to Perform Them" went into effect on August 31, 2011.

The regulation makes it mandatory to report all leveraged transactions in customer accounts; asset transfers; final profits or losses derived from closed positions; potential profits or losses with regard to open positions; all commissions, fees, and taxes accrued on accounts, and collateral status information on the accounts to Takasbank as the CMB-authorized trade repository institution for leveraged trading transactions.

Collateral amount of 71,077 out of the 201,336 open accounts in the LTT, for which 39 institutions are members, reached 760 million TRY as of year-end 2018.

ANNUAL LTT DATA

	2012/12	2013/12	2014/12	2015/12	2016/12	2017/12	2018/12
Number of Members	23	33	39	42	46	44	39
Number of Accounts - Last Business Day	16,670	43,194	78,755	148,078	214,835	220,910	201,336
Number of Accounts with Collateral - Last Business Day	11,543	29,709	51,377	94,305	130,689	95,949	71,077
Collateral Amount - Last Business Day (million TRY)	139	281	449	615	1,075	843	760
Open Position Value - Last Business Day (million TRY)	2,851	5,326	8,557	12,682	21,848	7,436	6,112
Total Trading Volume (million TRY)	1,102,364	2,953,148	4,569,464	9,809,280	11,879,389	4,624,630	4,132,789
Daily Average Trading Volume (million TRY)	4,224	11,813	18,205	39,237	49,508	18,279	16,629

Debt Securities Transfers

In 2018, Takasbank transferred debt securities to our members in the amount of 602.77 billion TRY/nominal. Of this figure, 597.14 billion TRY and 5.63 billion TRY nominal amounts were free of payment and bilateral Takasbank transfer, respectively.

Type	Number	Nominal (million TRY)
RTGS DvP	4,103.00	5,633.28
Free Of Payment	167,795.00	597,141.58
Total	171,898.00	602,774.85

Exchange-Traded Funds

In 2018, creation and redemption totaling 512.87 million TRY took place in exchange-traded funds based on share certificates, precious metals, government debt securities, and foreign securities.

Shares and Derivatives Transfer

In 2018, bilateral instructions worth 756.71 billion TRY occurred in the RTGS DvP, which allows simultaneous securities and cash transfer. Approximately 83 percent of settled bilateral instructions were not partially settled, and 95 percent were on exchange. Also, free of payment transfers worth 58.80 billion TRY were executed by the collective investment institutions.

As a result of RTGS DvP System's integration with the SWIFT system, SWIFT member organizations can transmit their RTGS DvP instructions via SWIFT, and these instructions are automatically accepted in the Takasbank RTGS DvP System. In 2018, 61 percent of instructions transmitted to RTGS DvP System are via SWIFT system.

RTGS DvP System also allows organizations to execute pre-matching electronically. The rate of orders of RTGS DvP transfers with a forward date value entered in the system for pre-matching via Takasbank screens or SWIFT on the transaction date was 86.27 percent in the same period.

TRANSFER TRANSACTIONS (2018, billion TRY)

Month	Free Transfer	RTGS DvP	Total Transfer
January	5.92	59.93	65.85
February	4.68	55.47	60.15
March	6.52	64.28	70.80
April	4.31	58.89	63.20
May	4.95	75.52	80.47
June	3.99	67.35	71.34
July	5.12	70.11	75.23
August	4.54	65.56	70.10
September	5.43	60.08	65.51
October	5.42	71.88	77.30
November	4.24	58.08	62.32
December	3.68	49.56	53.24
Total	58.80	756.71	815.51



2018 DEVELOPMENTS

Foreign Currency Payment and Transfer

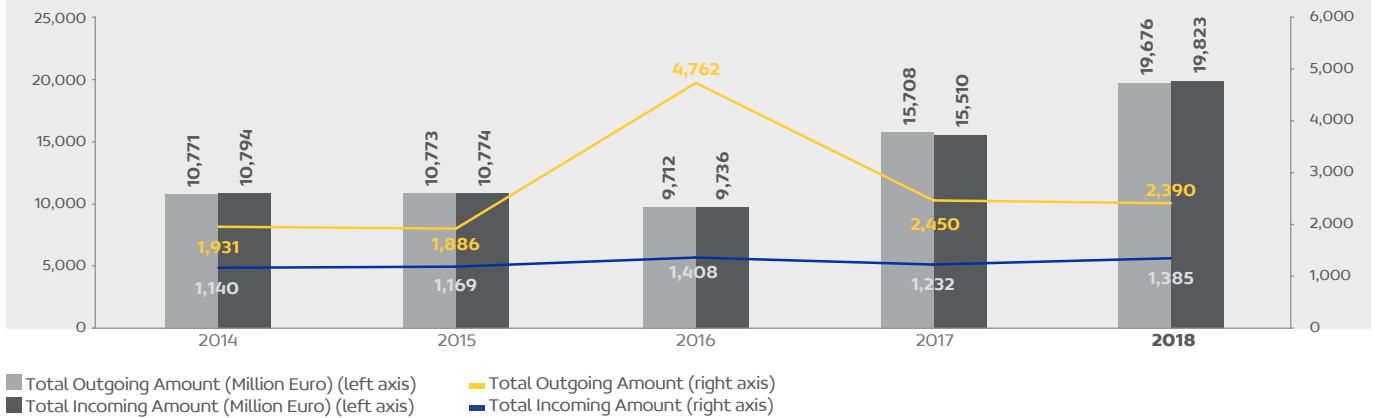
Takasbank members can use USD, EUR and GBP amounts in their accounts, which they transfer to Takasbank correspondent bank accounts, for their collateral, clearing and settlement transactions. Moreover they can transfer those amounts from their accounts held with Takasbank to other bank accounts electronically using their own terminals or upon written instruction via the SWIFT system.

Members, also, can execute transfers from their Takasbank foreign currency accounts to another member's foreign currency account at Takasbank via internal cash transfer and trade in accounts to another member's account in Takasbank, and trade in foreign currency equivalent of TRY from their USD and EUR current accounts up to \$50,000/€50,000 using their terminal, based on the current exchange rate provided by the Bank.

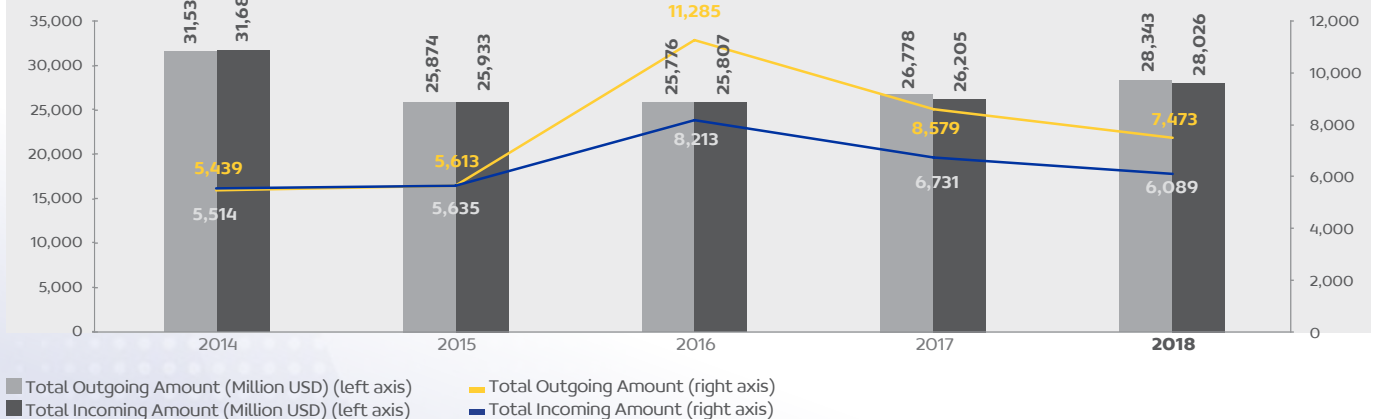
Transmission of account activities by MT 940 (Customer Statement Message) message in addition to MT 95 (Statement Message) message, that is already existing, via the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system or via email has been put into service on March 12, 2018.

GBP cash correspondence account was opened in Citibank N.A., London on December 3, 2018, within the scope of foreign currency cash collateral transaction services provided by us. This allowed Takasbank members to transfer cash in GBP to their free GBP accounts held with Takasbank and/or from their current accounts at Takasbank to accounts at other banks.

TOTAL NUMBER AND AMOUNTS OF THE INCOMING/OUTGOING CASH (EUR) MESSAGES FROM 2014 TO 2018

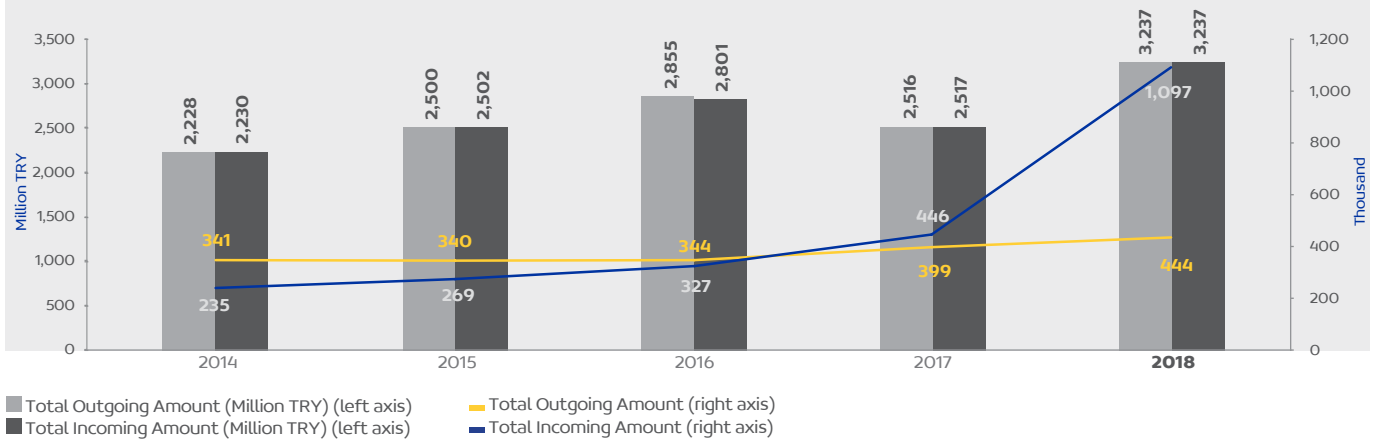


TOTAL NUMBER AND AMOUNTS OF THE INCOMING/OUTGOING CASH (USD) MESSAGES FROM 2014 TO 2018



Takasbank Gold Transfer System is the first of It's kind in the World and Turkey. In 2018, 13 active members have accomplished 282 transactions with a volume of 272,171 gr.

TOTAL NUMBER AND AMOUNTS OF THE INCOMING/OUTGOING CASH (TRY) MESSAGES FROM 2014 TO 2018



Local Currency Payments and Transfers

Within the scope of local currency payment and transfer services, Takasbank provides its members to use services given via the CBRT Payment Systems (EFT, EST, RPS, -TENDER SERVICES), and it also uses these systems for the services it provides.

Takasbank, by providing access to EFT and EST systems to brokerage houses via Takasbank Electronic Transfer System (TETS), plays a crucial role in the EFT system with its other services and the synergy created by TETS.

Gold Transfer System

Takasbank Gold Transfer System (GTS), which allows the Bank's customers to transfer their balance in gold deposit accounts in banks electronically on a peer-to-peer (P2P) basis between banks, has been actively used by participant members since it was put into service on July 16, 2018.

With the Gold Transfer System, gold savings can be mobilized safely and quickly. Takasbank Gold Transfer System is considered one of the most important components of the Istanbul International Finance Center project and is a milestone in the objective of becoming a global center of gold transaction.

Backed 100 percent by physical gold, the gold transfer system meets a crucial need in Islamic finance and makes a considerable contribution to the potential of the Turkish economy to become a new attraction point. The Gold Transfer System enables investors to transfer gold at a very low cost in multiples of 1 gram without the risk of physical possession or incurring losses because of the price difference between buying and selling rates.

13 active members made **282** transfers with a total trading volume of **272,171 grams** on the Gold Transfer System in 2018.



2018 DEVELOPMENTS

Legal Entity Identification

Takasbank has been allocating Legal Entity Identifier (LEI) codes in compliance with the ISO 17442 since 2013. The scale of this service increased considerably when it became compulsory to use LEI codes in reporting the parties of derivative transactions in Turkey under the “Communiqué on the Principles of Reporting Data to Data Depository Agencies” published in the Official Gazette dated October 27, 2018.

Takasbank is among 13 organizations in the world authorized to assign both International Securities Identification Numbers (ISINs) and LEIs. Takasbank was accredited as a local operating unit on January 30, 2018, after completing the accreditation process conducted with the Global Legal Entity Identifier Foundation (GLEIF) acting as the authorized body for allocating LEI codes from 2015. Following the accreditation procedures in 2018, Takasbank is authorized to assign LEIs to organizations registered in 15 countries including Turkey. These countries are Albania, Azerbaijan, Bahrain, Belgium, Luxembourg, Malta, the Netherlands, the United Kingdom, Sweden, the Marshall Islands, the Anglo-Norman Isles, Cyprus, Serbia, Turkey, and Vanuatu.

Domestic and foreign legal entities can request LEI codes from Takasbank and execute other transactions, such as updating information and paying the annual maintenance fee, on the Bank's web portal at <https://www.leiturkey.com>. Takasbank allocated LEI codes to 561 legal entities in 2018.

ALLOCATED LEIS

Year	Number of LEIs Allocated
2013-2016	142
2017	210
2018	561
Total	903

International Securities Identification (ISIN) Service

Takasbank was authorized as “National Numbering Agency of Turkey” in 1995 by the Capital Markets Board and since then Takasbank has been allocating international securities identification codes (ISIN - ISO 6166) and financial institution classification codes (CFI - ISO 10962) to securities and other financial instruments issued in the local market. FISN (Financial Instrument Short Name) complementary to the ISIN code started to be assigned in compliance with the ISO 18744 in 2018.

ALLOCATED ISINs IN 2018

Type of Securities	Number
VIOP Option	21,040
Foreign Warrants	3,614
Domestic Warrants	3,048
Commercial Papers	1,435
Electronic Warehouse Receipts	1,130
VIOP Futures	448
Government Debt Instruments	198
Sukuk	164
Investment Funds	93
Corporate Bonds	84
Stock Rights	50
Sukuk Undersecretariat of the Treasury	50
Asset-Backed Securities	45
Stocks	21
Pension Funds	11
MBS	2
ABS	2
Index	1
Other Category ISINs	404
Total	31,436

Fund Management

In 2018, as in previous years, Takasbank aimed to achieve maximum possible yield by taking a reasonable level of risk and to maintain core operations and financial strength within the given market conditions and legislative framework.

Accordingly, contributions of interest revenues to the financial structure rose by 73 percent year-on-year with the help of a general increase in interest rates. Within the scope of collateral management, the funds of the Banks and its customers were invested in the markets within the most suitable time period and in the best interests of the owners.

Cash loan daily average was 90.4 million TRY, and the interest income was 14.36 million TRY.

Year	Total Revenues (thousand TRY)	Gross Fund Management Revenues (thousand TRY)	Share of Fund Management Revenues (%)
2011	105,247	43,814	42
2012	147,235	89,523	61
2013	194,704	123,670	64
2014	264,542	179,323	68
2015	338,744	224,527	66
2016	427,455	281,177	66
2017	571,886	388,308	68
2018	935,119	669,891	72

Cash Credit

As part of the limit allocation and notification service, nominal-based and at-risk credit limits were updated for 176 organizations including 60 brokerage houses, 47 banks, 36 factoring companies, 14 leasing, six financing companies, two insurance companies, and eight asset management companies in 2018.

In 2017, the Bank started to provide CCP service on the Borsa Istanbul A.Ş. Equity Market pursuant to the Istanbul Settlement and Custody Bank Central Counterparty Regulation. Under this service, the "Settlement and Clearing Loan" service was launched to provide our members with convenience in short-term funding. The Central Bank of the Republic of Turkey approves the Settlement and Clearing Loan and considers it a special loan mechanism as per Article 23 of the Regulation on the Operations of Payment and Settlement Systems.

Settlement and clearing loan daily average grew by 58.5 percent to 2.9 million TRY in 2018, up from 1.8 million TRY in 2017.

Settlement and clearing loan interest income rose by 251 percent to 311,000 TRY in 2018, up from 89,000 TRY in 2017.

Cash loan daily average was 90.4 million TRY, and the interest income was 14.36 million TRY. Credit maturity is generally overnight.

The number of brokerage house customers agreeing to enable the transfer of securities to cash credit collateral increased to 953, up from 884.

CASH CREDIT PLACEMENT AVERAGE AND INTEREST INCOME IN 2018

Month	Placement Average (TRY)	Interest Income (TRY)
January	190,948,629	2,168,642
February	159,717,214	1,650,619
March	206,856,194	2,385,926
April	142,380,000	1,615,308
May	79,808,452	993,970
June	58,124,933	868,908
July	61,757,968	982,462
August	48,568,871	810,775
September	61,765,033	1,195,092
October	29,652,871	666,304
November	19,483,167	403,106
December	29,318,581	624,203
Total	90,353,245	14,365,316

Member Information Management

In the 2018 operating period, the Bank intensified efforts to provide membership and account opening operations for financial organizations that receive services within the scope of capital market transactions and relevant markets. During the year, 288 accounts were opened subsequent to contract signing.

Throughout the operating period, 1,694 institutions and 5,490 active users received services. Member transaction and information services resulted in 23,281 phone calls, 51,259 email notifications and directives, 829 representative designation according to the institutions' signature circular, and definition of 8,240 securities traded in the markets.

In the same period, 70 institutions canceled their account relationships with Takasbank.

2018 DEVELOPMENTS

MEMBER ACCOUNTS (As of December 31, 2018)

Member Type	Number
Brokerage Houses	63
Banks	38
Electricity Market Participants	1,175
Natural Gas Market	44
Private Pension Companies	18
Factoring Companies	49
Leasing Companies	14
Financing Companies	9
Turkish Agricultural Credit Cooperatives	1
Real Estate Investment Trusts	31
Venture Capital Trusts	14
Participation Banks	5
Precious Metals Brokerage Houses	75
Corporate Investors	16
Asset Management Companies	52
Insurance Companies	7
Mercantile Exchanges and Licensed Warehouses	73
Investment Trusts	10
Total	1,694

Periodic Data Transfer to Data Vendors

As part of the Periodic Information Transfer Service to Data Vendors, the consolidated securities balances of the mutual trusts, pension funds and mutual funds as well as fund portfolio breakdown information, fund company information, fund analyses and information about the funds traded in the Turkey Electronic Trading Platform were furnished to the data vendors in 2018. By the 2018 year-end, information was provided to five receivers and five sub-receivers.

Suspended Brokerage Houses Transactions

Ongoing processes regarding brokerage houses whose activities were suspended in accordance with the legislation and the Capital Markets Board of Turkey directives continued throughout 2018.

Collateral Agency Services to Mortgage Financing Firms

For funding mortgage loans granted by Şeker Mortgage Finansman A.Ş., Takasbank provided collateral and account management services for Şeker Finans to use the loan within the scope of the credit contract signed between Şeker Mortgage Finansman A.Ş. and Overseas Private Investment Corporation (OPIC).

In 2018, the Bank continued to receive, check, and deposit mortgage loan documents submitted by the mortgage financing companies to which it provides services, as per

the 2011 contract. During the same time, it received a total of 53 loan files. The number of files reached 5,324 by December 31, 2018. Average file amount was 103,900 TRY.

Repo and Reverse Repo Transactions and Monitoring and Reporting

Repo and reverse repo operations and transactions by brokerage houses and banks outside Borsa İstanbul A.Ş., and transactions with a breach maturity, must be reported to Takasbank. Also, securities subject to such transactions must be deposited at Takasbank. Monthly breakdown of securities deposited at Takasbank as repo blockage by brokerage houses and banks in 2018 is given in the table below.

Month	Nominal (million)
January	47,420.52
February	45,409.26
March	59,079.29
April	54,132.64
May	63,994.26
June	69,838.56
July	73,916.27
August	54,468.48
September	74,185.14
October	79,175.91
November	79,394.85
December	71,432.30

Brokerage House Collateral Safekeeping

By December 31, 2018, Takasbank processed 5.2 million TRY worth of collateral on behalf of the Capital Markets Board of Turkey. Collateral breakdown based on the type:

Collateral Type	Market Value
TRY	2,134,045.84
Government Bonds	1,316,053.07
Letters of Guarantee	1,783,687.00
Total	5,233,785.91

Takasbank Check Clearing and Settlement System

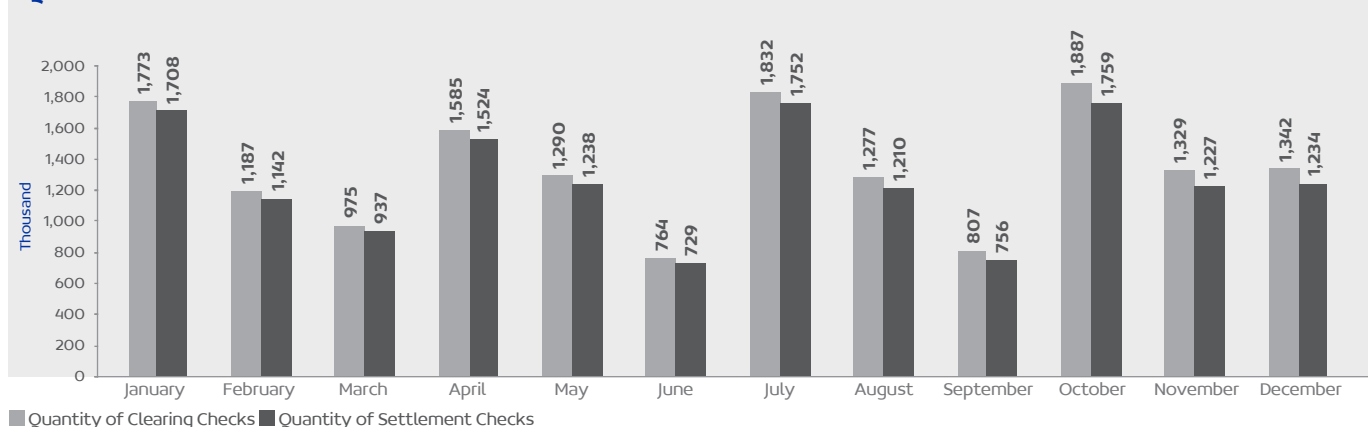
Check clearing and settlement transactions executed by the Interbank Check Clearing House (BTOM) started to be executed by Takasbank from July 2, 2018, under the Regulation on Check Clearing and Settlement Operations published in the Official Gazette No. 30446 dated June 9, 2018.

The function of collateral management, which was not included in the check clearing and settlement service, was also added to the clearing and settlement operations to establish the Takasbank Check Clearing and Settlement System, where all functions are directed from a single point.

QUANTITY AND AMOUNT OF CHECKS PRESENTED TO AND PROCESSED BY THE CLEARING HOUSES (2018)

Month	Checks Sent for Clearing		Checks for Settlement		Returned Checks			
	Quantity of Checks for Clearing	Check Amount TRY	Quantity of Checks for Settlement	Check Amount TRY	Quantity Returned	(%)	Amount Returned TRY	(%)
January	1,772,902	61,273,123,349.37	1,707,953	57,542,380,865.42	64,949	3.66	3,730,742,483.95	6.09
February	1,186,800	46,374,746,016.74	1,141,963	43,468,463,245.70	44,837	3.78	2,906,282,771.04	6.27
March	975,134	41,581,981,228.23	936,510	38,843,772,166.17	38,624	3.96	2,738,209,062.06	6.59
April	1,585,148	59,111,845,614.66	1,523,634	55,259,164,110.34	61,514	3.88	3,852,681,504.32	6.52
May	1,290,391	52,019,414,354.23	1,237,948	48,473,584,804.86	52,443	4.06	3,545,829,549.37	6.82
June	764,429	38,188,544,301.10	729,313	35,195,992,012.04	35,116	4.59	2,992,552,289.06	7.84
July	1,831,505	68,261,517,523.86	1,751,515	62,881,048,060.34	79,990	4.37	5,380,469,463.52	7.88
August	1,277,124	53,413,195,220.61	1,210,158	48,707,001,676.30	66,966	5.24	4,706,193,544.31	8.81
September	806,664	40,036,559,765.42	755,947	35,933,134,022.00	50,717	6.29	4,103,425,743.42	10.25
October	1,887,003	70,808,393,454.42	1,758,579	62,438,719,627.81	128,424	6.81	8,369,673,826.61	11.82
November	1,328,526	56,026,250,775.37	1,226,761	49,598,280,705.12	101,765	7.66	6,427,970,070.25	11.47
December	1,341,935	56,547,533,374.82	1,233,968	50,064,130,862.86	107,967	8.05	6,483,402,511.96	11.47
Total	16,047,561	643,643,104,978.83	15,214,249	588,405,672,158.96	833,312		55,237,432,819.87	

QUANTITY OF CLEARING/SETTLEMENT CHECKS

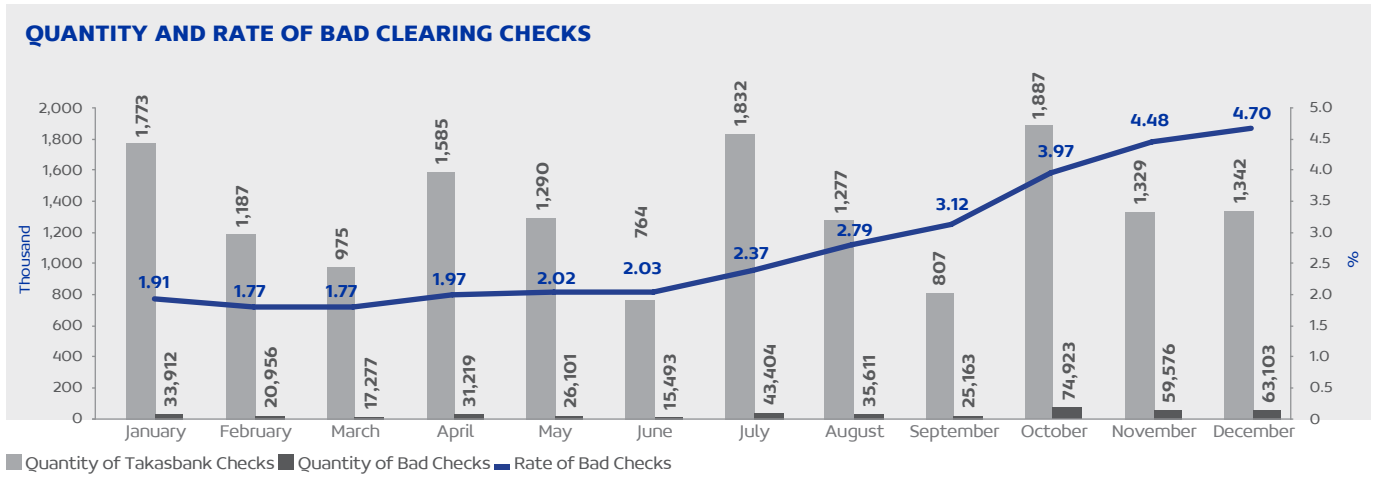


GENERAL STATISTICS - QUANTITY-BASED REPORT

Monthly Gross and Bad Checks (with Return Code 82, 83 and 99)

Date	Quantity of Checks	Quantity of Bad Checks	Rate (%)	Total Check Growth (%)	Bad Check Growth (%)
January	1,772,902	33,912	1.91	117.47	135.65
February	1,186,800	20,956	1.77	-33.06	-38.20
March	975,134	17,277	1.77	-17.84	-17.56
April	1,585,148	31,219	1.97	62.56	80.70
May	1,290,391	26,101	2.02	-18.59	-16.39
June	764,429	15,493	2.03	-40.76	-40.64
July	1,831,505	43,404	2.37	139.59	180.15
August	1,277,124	35,611	2.79	-30.27	-17.95
September	806,664	25,163	3.12	-36.84	-29.34
October	1,887,003	74,923	3.97	133.93	197.75
November	1,328,526	59,576	4.48	-29.60	-20.48
December	1,341,935	63,103	4.70	1.01	5.92

2018 DEVELOPMENTS

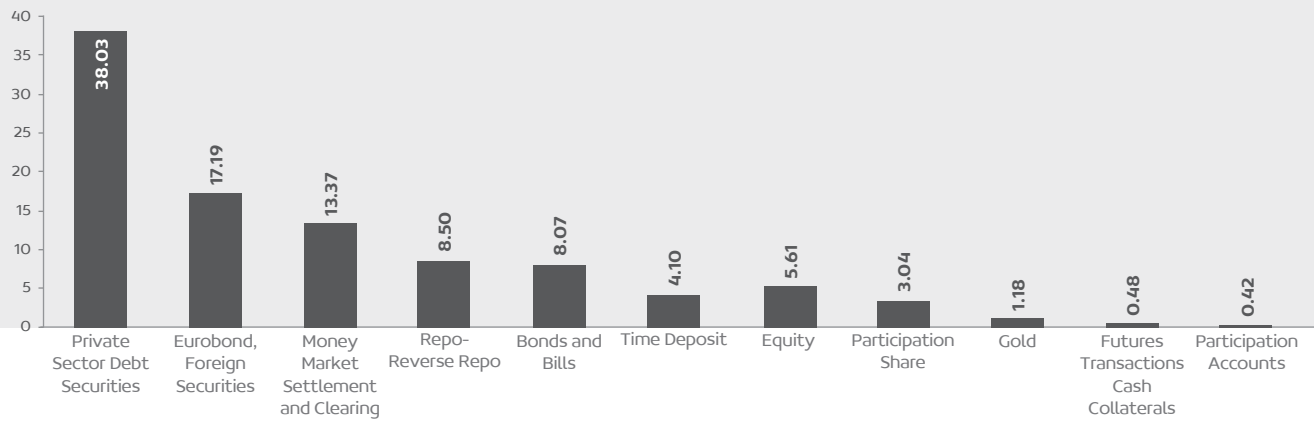


Fund Valuation and Reporting to Capital Markets Board of Turkey

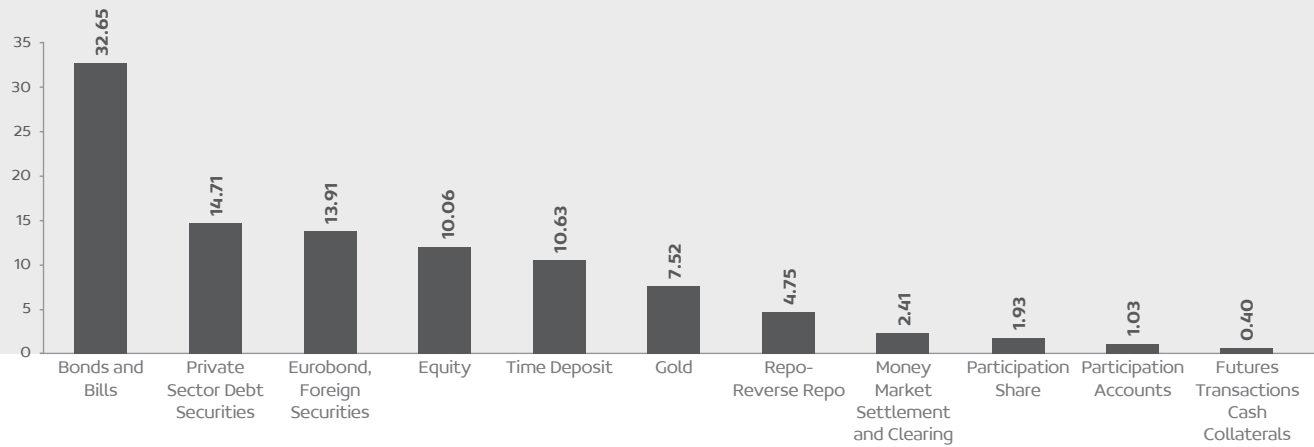
In 2018, pursuant to Capital Markets Board of Turkey authorization and in accordance with the relevant regulation, Takasbank continued to provide custody services to collective investment institutions and provided the necessary infrastructure to report the safekeeping of assets outside Takasbank's custody. Furthermore, reconciliation of information regarding the unit share values, number of shares in circulation, fund portfolio and net asset values, as well as daily transaction details of these institutions, continued to be monitored. If there was a need for correction in these fields, unreconciled parts were thoroughly checked for necessary rectifications. If any unreconciled fields remained, these inconsistencies were reported to the Capital Markets Board on a daily basis.



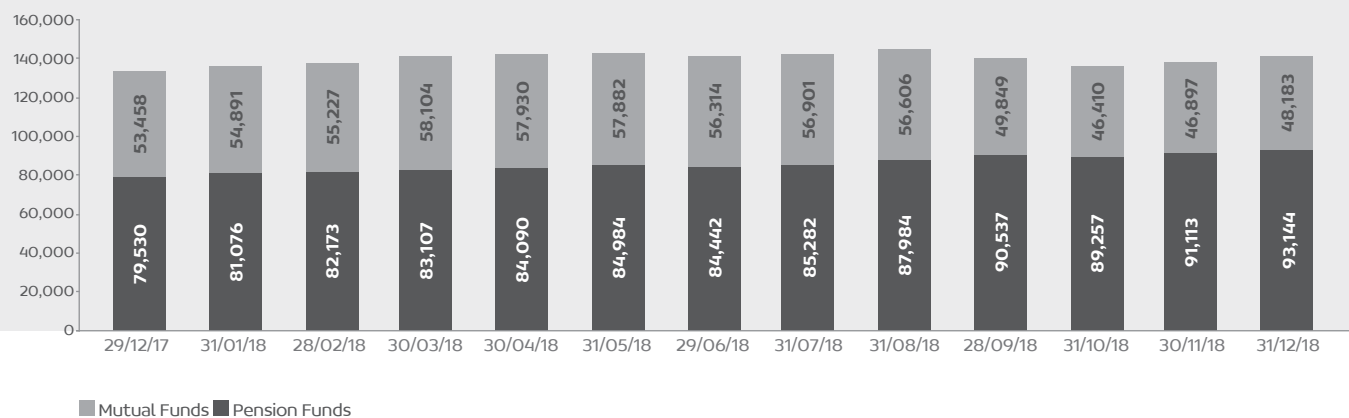
MUTUAL FUNDS PORTFOLIO BREAKDOWN (%)



PENSION FUND PORTFOLIO BREAKDOWN (%)



MUTUAL AND PENSION FUNDS SIZE (Million TRY)



NAME AND LAST NAME, TERM OF OFFICE, AREAS OF RESPONSIBILITY, EDUCATION, PROFESSIONAL EXPERIENCE, AND MEETING PARTICIPATION INFORMATION ON THE CHAIRMAN AND BOARD MEMBERS, AUDIT COMMITTEE MEMBERS, THE CEO AND EXECUTIVE VICE PRESIDENTS, AND INTERNAL SYSTEM DEPARTMENT MANAGERS; AND INFORMATION ON THE EXTRAORDINARY GENERAL ASSEMBLY

BOARD OF DIRECTORS

Name and Last Name	Board of Directors Duty	Area of Responsibility	Education	University	Faculty	Department
Murat Çetinkaya	Chairman	Board of Directors	Bachelor's Degree	Middle East Technical University	Engineering	Metallurgy
			Master's Degree	Marmara University	Banking and Insurance Institute	Banking
Metin Kıratlı	Member	Vice Chairman	Bachelor's Degree	Ankara University	Faculty of Law	Department of Law
			Master's Degree	Istanbul University	Institute of Social Sciences	International Economics
Mahmut Kayacık	Member	CEO and Board Member	Bachelor's Degree	Boğaziçi University	Economics and Administrative Sciences	Social Sciences and International Relations
		Credit Committee Permanent Member	Master's Degree	Marmara University	Social Sciences	International Economics
Seyit Ahmet Işkın	Member	Head of Audit Committee	Bachelor's Degree	Istanbul University	Political Science	Finance
		Head of Central Counterparty Risk Advisory Committee	Master's Degree	Marmara University	Banking and Insurance Institute	Banking
Kenan Ayvaci	Member	Central Counterparty Risk Advisory Committee Member	Bachelor's Degree	Middle East Technical University	Economics and Administrative Sciences	Business Administration
		Audit Committee Member	Master's Degree	Galatasaray University	Institute of Social Sciences	Financial Economics
Gülsevin Çipli	Member	Credit Committee Permanent Member	Bachelor's Degree	Boğaziçi University	Economics and Administrative Sciences	Economics
Ekrem Kerem Korur	Member	Credit Committee Substitute Member	Bachelor's Degree	Istanbul University	Economics	Economics
		Corporate Governance Committee Member				
Münevver Çetin	Member	Head of Credit Committee	Bachelor's Degree	Ankara University	Faculty of Educational Sciences	Economy Administration
			Master's Degree	Ankara University	Institute of Social Sciences	Education Administration and Planning
			Ph.D.	Istanbul University	Institute of Social Sciences	Money and Market Policy
Gülseren Topuz	Member	Head of Corporate Governance Committee	Bachelor's Degree	Anadolu University	Economics	Economics
		Credit Committee Substitute Member	Master's Degree	Marmara University	Institute of Social Sciences	Statistics
			Ph.D.	Istanbul University	Institute of Social Sciences	Money and Banking

BOARD OF DIRECTORS

Murat ÇETİNKAYA

Chairman of the Board of Directors

Murat Çetinkaya was born in Ankara in 1970. He graduated from TED Ankara College in 1988. He received his bachelor's degree in Metallurgical and Materials Engineering from Middle East Technical University in 1992. He completed T.C. Ziraat Bankası A.Ş. Banking School in 1993 and earned his master's degree in Banking from Marmara University Banking and Insurance Institute in 2001. He began his professional career at T.C. Ziraat Bankası A.Ş. Fund Management Department, and later served as the Treasury Department Assistant Manager at Tekstilbank A.Ş. and the Treasury Manager at Diler Yatırım Bankası A.Ş. Çetinkaya was appointed as the CEO of Halk Yatırım Menkul Değerler A.Ş. in August 2010, and sat on the Board of Directors of Halk Portföy Yönetimi A.Ş. from its foundation until April 2013. As of this date, he served as a member of the Board of Directors of Halk Yatırım Menkul Değerler A.Ş. With regard to sector representation, he served as the Deputy Chairman of the Union of Chambers and Commodity Exchanges of Turkey (TOBB) Capital Markets Council from 2013 to 2016, and a Member and the Chairman of Borsa İstanbul Disciplinary Committee from 2014 to 2016. Çetinkaya also served as the Chairman of the Capital Markets Professionals Association (EFFAS Türkiye) from 2013 to June 2017, and a Board Member of the Turkish Capital Markets Association from May 2016 to June 2017. Çetinkaya serves as the CEO of Borsa İstanbul A.Ş. and the Chairman of the Board of Directors of Takasbank A.Ş. since June 2017.



BOARD OF DIRECTORS

Metin KIRATLI

Vice Chairman of the Board of Directors

Metin Kıratlı was born in Ereğli in 1969. He graduated from Ereğli Cumhuriyet High School and received his bachelor's degree in Law from Ankara University in 1990. He earned his master's degree in Private Law from the Istanbul Commerce University Institute of Social Sciences in 2015. From 1994 to 1998, he served as Judge in Ulaş, Sivas; from 1998 to 2000, he served as Judge in Çaldıran, Van; from 2000 to 2003, he served as Judge in Yalvaç, Isparta; from 2003 to 2004, he served as Judge in Manavgat, Antalya; from 2004 to 2008, he served as an Examining Magistrate at the Ministry of Justice Directorate General of Criminal Affairs; from 2008 to 2011, he served as the Head of Department at the Ministry of Justice Directorate General of Criminal Affairs; from 2011 to 2012, he served as the Deputy Director General at the Ministry of Justice Directorate General of Criminal Affairs; from 2012 to 2014, he served as the Director General at the Ministry of Justice Directorate General of Criminal Affairs; from 2014 to 2018, he served as the Deputy Secretary General of the Presidency of the Republic of Turkey. Kıratlı serves as the Director of Administrative Affairs of the Presidency since August 2, 2018. He was appointed as member of the Council of Higher Education (YÖK) by the Presidential Decree dated November 23, 2018. Kıratlı was elected a member of Takasbank Board of Directors on September 12, 2018.



Seyit Ahmet IŞKIN

Board Member

Seyit Ahmet Işkın was born in Sivas in 1973. He received his Bachelor's Degree from the Faculty of Political Sciences at Istanbul University. He then received his Master's Degree in Banking from Marmara University, Institute of Banking and Insurance. He is currently getting his Ph.D. in Business Administration from Haliç University, Institute of Political Sciences. He worked as the Assistant Secretary General at an NGO between 1996 and 1999. He served at the inspection and audit departments of various banking, leasing, and capital markets organizations between 1999 and 2007 before performing his duties as the Chairman of the Inspection Board and Vice President at the Istanbul Gold Exchange, respectively, between 2008 and 2013. He played a role in combining the three exchanges – Istanbul Stock Exchange, Istanbul Gold Exchange, and Izmir Futures and Options Exchange – and served as a board member of Borsa İstanbul A.Ş. between 2013 and 2017. During this time, he acted as Audit Committee Chairman and Member of Borsa İstanbul A.Ş. He also served as a board member at Ege Lisanslı Depoculuk A.Ş. and İstanbul Altın Rafinerisi A.Ş. between 2013 and 2014, and at Merkezi Kayıt Kuruluşu A.Ş. between 2014 and 2016. He served as the Executive Assistant to the Prime Minister during the 62nd, 63rd and 64th Governments of the Republic of Turkey. A married father of two, Işkın was re-elected as a member of Takasbank Board of Directors on September 12, 2018. He has been a board member of Takasbank since 2017.



BOARD OF DIRECTORS

Gülseren TOPUZ **Board Member**

She was born in Istanbul in 1957. After graduating from the Behçet Kemal Çağlar High School, she received her Bachelor's Degree from Ankara University, Faculty of Economics. She received her Master's Degree in Statistics at Marmara University and in Human Resources Management at Istanbul University before earning her Ph.D. in Money and Banking at Istanbul University. She worked as Research Assistant at Istanbul University's Institute of Ataturk's Principles and History of Turkish Revolution; Lecturer at the Department of Economics, Faculty of Economics and Administrative Sciences; head of the Economic History Department and Vice President of the Department of Economics at Kocaeli University; consultant at Istanbul Metropolitan Municipality; and member of Parliament for Istanbul in the 22nd term. She is married with two children. Topuz was elected a member of Takasbank Board of Directors once more on September 12, 2018.



Münevver ÇETİN **Board Member**

She received her Bachelor's Degree from Ankara University in 1982; her Master's Degree from Ankara University, Institute of Social Sciences in 1985; and her Ph.D. from Istanbul University Institute of Social Sciences in 1988. She has been working at Marmara University since 1985. Çetin became Associate Professor in 1998 and Professor in 2006. She served as advisor to the Chairman at the Disaster and Emergency Training Center between 2014 and 2016. Çetin was elected a member of Takasbank Board of Directors once more on September 12, 2018.



BOARD OF DIRECTORS**Kenan AYVACI**
Board Member

Born in Eskişehir in 1975, Kenan Ayvaci is a married father of two. After studying at Eskişehir Anatolian High School, he studied Business Administration at Middle East Technical University Faculty of Economic and Administrative Sciences and Financial Economics at Galatasaray University Graduate School of Social Sciences. He started his career as an Inspector at T. İş Bankası A.Ş. Board of Inspection in 1998. T. İş Bankası A.Ş. He worked as a Deputy Director and Department in the Department of Capital Markets. Since 2016, he has been serving as the T. İş Bankası A.Ş. Capital Markets Department Manager and a board member of İş Yatırım Menkul Değerler A.Ş. Ayvaci was elected a member of Takasbank Board of Directors on September 12, 2018.

**Ekrem Kerem KORUR**
Board Member

Ekrem Kerem Korur graduated from Galatasaray High School. He studied Economics in English at Istanbul University, Faculty of Economics, and attended the University of Colorado Institute of Economics. He worked for Hak Menkul Kıymetler A.Ş. (renamed to Philip Capital Menkul Değerler A.Ş. in 2012) as an Assistant Specialist in 1991, then as an investment specialist, Deputy General Manager and finally as General Manager. Ekrem Kerem Korur continues to serve as the General Manager and Deputy Chairman of Phillip Capital Menkul Değerler A.Ş. and the Chairman of Phillip Sigorta ve Reasürans Brokerliği A.Ş. Korur was elected a member of Takasbank Board of Directors on September 12, 2018.



BOARD OF DIRECTORS

Gülsevin ÇİPLİ

Member of the Board of Directors

Gülsevin Çipli earned her bachelor's degree in Economics from Boğaziçi University. She began her professional career in 1984 at the Istanbul main branch of American Express Bank and was appointed as the Deputy Manager of the Capital Markets Group in 1987. As of 1989, she served as the Deputy Manager in charge of the Foreign Exchange, Money Markets and Fixed Income Securities desks, respectively, at the Treasury Department of Koç Amerikan Bank A.Ş. Çipli held several senior retail and private banking positions from 1993 to 2003 and served as the Group Head of Sales Management in Private Banking at Koçbank A.Ş. from 2003 to 2006. And after the merger of Koçbank and Yapı Kredi in 2006, she served as the Group Head of Sales Management in Private Banking and Wealth Management from 2006 to 2009. Çipli served as the CEO and a Board Member at Yapı Kredi Portföy Yönetim A.Ş. from 2013 to 2018. She is a mother of one. Çipli was elected a member of Takasbank Board of Directors on September 12, 2018.



Mahmut KAYACIK

CEO and Board Member

Mahmut Kayacık was born in Köyceğiz, Muğla in 1976. He graduated from Kartal Anatolian Imam Hatip High School with high honors in 1994. He received his Bachelor's Degree in Political Science and International Relations at Boğaziçi University in 1999. He then graduated his Master's Degree in International Economics from the Faculty of Social Sciences at Marmara University with a thesis on "The Options Market and its Use for Hedging" in 2002. Mahmut Kayacık continues his doctoral studies in the Department of Banking and Finance at Medipol University. He started his career on a career in the capital markets as a Financial Analyst at Taç Yatırım Ortaklığı A.Ş. from 1999 to 2002. He became a Fund and Asset Manager and Corporate Financing Department Manager at Yıldız Holding in 2003. Later, he led significant public offering, merger, and acquisition transactions as CFO. He successfully completed the Senior Executive Certificate Program of INSEAD and worked as Coordinator and General Manager at real estate investment trusts and various business companies in 2012 and 2013. Kayacık was appointed as Takasbank CEO and board member in April 2016. Mahmut Kayacık also serves as a board member of Ege Agricultural Products Licensed Warehouse (ELİDAŞ), Turkey's first-ever licensed warehouse for cotton. He is married with three children.



EXECUTIVE MANAGEMENT

Name and Last Name	Duty	Area of Responsibility	Education	University	Faculty	Department	Professional Experience		
							Year	Institution	Duty
Mahmut Kayacık	CEO and Board Member		Bachelor's Degree	Boğaziçi University	Economics and Administrative Sciences	Social Sciences and International Relations	1999-2002	Taç Yatırım Ortaklığı A.Ş.	Financial Analyst
			Master's Degree	Marmara University	Social Sciences	International Economics	2003-2008	Bizim Menkul Değerler A.Ş.	Fund and Asset Management and Corporate Financing Manager
							2008-2016	Yıldız Holding (Real Estate Companies and Marinas) Istanbul	Coordinator and General Manager
							2016-Present	Settlement and Custody Bank	CEO and Board Member
Gökhan Elibol	Executive Vice President	Markets and Operation	Bachelor's Degree	Ankara University	Political Science	Economy	2006-2006	Ministry of Finance	Tax Inspector
			Bachelor's Degree	Beykent University	Law	Law (continued)	2006	BRSA	Assistant Sworn-in Bank Auditor, Sworn-in Bank Auditor
							2016-Present	Istanbul Settlement and Custody Bank	Executive Vice President
Ekrem Arıkan	Executive Vice President	Information Technology	Bachelor's Degree	Boğaziçi University	Engineering	Computer	1998-2006	Windows International Product Group	Program Director
			Master's Degree	Yeditepe University	Business Administration	Business Administration	2007-2014	Ziraat Teknoloji (Fintek Finansal Teknoloji Hizmetleri) A.Ş.	IT Architecture Manager, Project Management Office Manager, Information Technology Security Manager, Corporate Development Director
							2014-2015	Ziraat Hayat ve Emeklilik A.Ş.	Corporate Development and Information Technology Group Manager
							2015-2016	Enerji Piyasaları İşletme A.Ş. Istanbul	Strategy Development Director
							2016-Present	Settlement and Custody Bank	Executive Vice President

EXECUTIVE MANAGEMENT

Mahmut KAYACIK
CEO and Board Member



Gökhan ELİBOL
Executive Vice President



Ekrem ARIKAN
Executive Vice President



DIRECTORS

Ali Osman İNAL
Project and Process Management Department



Beyhan ARASAN
Equity and Debt Securities Clearing and Settlement Department



Elvan ALTİKULAÇ
Internal Audit



Emre KOÇBEY
Markets Department



DIRECTORS

Hasan DEMİRCAN
Clearing and Settlement AD Department



İlker KUŞCU
Custody AD Department



Kerim ARICAN
Enterprise Architecture and R&D Department



Metin KÜLÜNK
Member Services and Corporate Communication Department



DIRECTORS

Muhterem ÇELİK
Custody and Collective Investment Institutions Department



Murat GÖRGÜN
Financial Services and Reporting Department



Naim ŞAHİN
Banking AD Department



Necia KÜÇÜKÇOLAK
Derivatives and Energy-Commodity Clearing and Settlement Department



DIRECTORS

Nesrin ÖZKURT
Payment and Transfer Services Department



Niyazi Burak AKAN
Central Counterparty (CCP) Department



Semanur CERRAHOĞLU
Treasury and Credit Department



Serkan AÇIKGÖZ
Human Resources and Support Services Department



Taşkın ÖKER
IT Infrastructure and Operation Department



INTERNAL SYSTEMS-RELATED NOTIFICATIONS

Name and Last Name	Duty	Area of Responsibility	Education	University	Faculty	Department	Professional Experience		
							Year	Institution	Duty
Elvan Altıkulaç	Director	Internal Audit Department	Bachelor's Degree	Ankara University	Political Science	Public Administration	1999-2001	Yasarbank A.Ş.	Assistant Auditor
			Master's Degree	Marmara University	Banking and Insurance Institute	Banking	2001-Present	Istanbul Settlement and Custody Bank	Assistant Auditor, Auditor, Chief Auditor, Assistant Manager, Manager
			Ph.D.	Marmara University	Banking and Insurance Institute	Banking			
Mustafa Mert Özdiler	Department Manager	Risk Management Department	Bachelor's Degree	Gazi University	Arts&Sciences	Statistics	2008-2014	T.R. Ziraat Bankası A.Ş.	Assistant Specialist, Specialist
			Master's Degree	Gazi University	Institute of Science	Statistics	2014-Present	Istanbul Settlement and Custody Bank	Specialist, Senior Specialist, Department Head
			Ph.D.	Ankara Hacı Bayram Veli University	Graduate Education Institute	Econometrics (Continued)			
Kenan Dede	Department Manager	Internal Control and Compliance	Bachelor's Degree	Yıldız Teknik University	Economics and Administrative Sciences	Business Administration	2004-2005	İnan Plastik Makineleri Ltd.	Foreign Trade Specialist
							2005-2006	Gülaylar Kuyumculuk A.Ş.	Finance Specialist
							2008-2015	Kuveyt Türk Katılım Bankası A.Ş.	Auditor, Treasury and Capital Markets Director of Business Development
			Master's Degree	Bahçeşehir University	Institute of Social Sciences	Capital Markets and Finance	2015-2018	KT Portföy Yönetimi A.Ş.	Head of Internal Control, Compliance and Risk Management
							2018-Present	Istanbul Settlement and Custody Bank	Department Manager
			Ph.D.	Marmara University	Banking and Insurance Institute	Capital Markets and Stock Exchanges (Continued)			

STRUCTURE AND FORMATION OF THE BOARD OF DIRECTORS

OPERATING PRINCIPLES OF THE BOARD OF DIRECTORS

The Board of Directors convenes at least once a month. It may convene more if deemed necessary. Chairman, or in the absence of the Chairman, Vice Chairman, is authorized to convene the board of directors and determine its agenda. However, each board member is entitled to request from the chairman to convene the board of directors or suggest agenda items for a meeting. The Board of Directors convenes by absolute majority, and resolutions are taken by majority vote of those attending. The Bank's articles of association stipulates the activities of the Board of Directors and meeting procedures and principles.

INFORMATION ON BOARD MEMBERS' PARTICIPATION IN MEETINGS DURING THE ACCOUNTING PERIOD

The Board of Directors convenes at least once a month, pursuant to the Bank's articles of association. In 2018, it convened 20 times, and no ordinary general assembly was held.

NUMBER, STRUCTURE, AND INDEPENDENCE OF COMMITTEES FORMED UNDER THE BOARD OF DIRECTORS

Takasbank's Board of Directors formed an Audit Committee, Credit Committee, Corporate Governance Committee, and Central Counterparty Risk Advisory Committee to assist in its businesses and operations in accordance with its legislative responsibilities.

FINANCIAL RIGHTS GRANTED TO BOARD MEMBERS AND EXECUTIVE MANAGERS; ALLOWANCES, TRAVEL, ACCOMMODATION, AND REPRESENTATION EXPENSES; AND TOTAL IN-CASH AND IN-KIND RESOURCES, INSURANCES, AND SIMILAR COLLATERAL

The General Assembly determines the financial rights provided to Board members, such as remuneration and dividend bonus, pursuant to the provisions of the Turkish Commercial Code. Rights such as remuneration, bonuses, and so on, granted

to the executive management are determined within the scope of the Bank's Personnel Regulation, whereas general remuneration increases are put into effect upon approval by the Board of Directors.

Other rights such as vehicle allowance, insurance, and so on, granted to the Board of Directors and executive management are determined within the scope of the Personnel Regulation and related procedures. Meanwhile, travel allowances and expenses are determined according to the Bank's Travel Expense Directive.

No borrowing/lending or guarantor and security relationships were created with any Board Member or executive management in 2018.

TRANSACTIONS AND OPERATIONS CONDUCTED WITH THE BANK BY BODY MEMBERS, IN THEIR OWN NAME OR ON BEHALF OF ANOTHER PERSON, PURSUANT TO THE PERMISSION GIVEN BY THE BANK'S GENERAL ASSEMBLY WITHIN THE SCOPE OF NON-COMPETITION

No transactions or operations were conducted with the Bank by executive body members in their own name or on behalf of another person, pursuant to the permission given by the Bank's General Assembly within the scope of non-competition.

EXPLANATIONS REGARDING ADMINISTRATIVE OR LEGAL ACTIONS AGAINST THE COMPANY OR EXECUTIVE BODY MEMBERS DUE TO PRACTICES AGAINST LEGISLATIVE PROVISIONS

There were no administrative or legal actions against the company or executive body members due to practices against legislative provisions.

EXPLANATIONS REGARDING PRIVATE AUDIT AND PUBLIC AUDIT CONDUCTED IN THE ACCOUNTING PERIOD

In the 2018 fiscal year, KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. conducted an independent audit of Takasbank. A CBRT audit of Takasbank was conducted within the accounting period, and the CBRT and the BRSA audits were performed in January and February 2019, respectively.

INFORMATION ON THE CREDIT COMMITTEE; ON THE OPERATIONS OF THE COMMITTEES THAT REPORT TO THE BOARD OF DIRECTORS OR THAT WERE CREATED TO ASSIST THE BOARD OF DIRECTORS IN ACCORDANCE WITH THE RISK MANAGEMENT SYSTEMS PURSUANT TO THE REGULATION ON THE BANK'S INTERNAL SYSTEMS AND INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS; ON THE COMMITTEE MEMBERS' PARTICIPATION IN MEETINGS HELD IN THE ACCOUNTING PERIOD; AND ON THE NAME, LAST NAME, AND FUNDAMENTAL DUTIES OF THE CHAIRMAN AND MEMBERS OF THESE COMMITTEES

CREDIT COMMITTEE

Duties and Responsibilities

Grant credit limits as per Banking Law and related regulations under the authority of the Board of Directors.

Members

Münevver Çetin, Chairman (Board Member)
Mahmut Kayacık, Permanent Member (CEO and Board Member)
Gülsevin Çipli, Permanent Member (Board Member)

Meeting Frequency

The Board of Directors finalizes the credit limits set by the Bank.

Meeting Participation Information

In 2018, the Audit Committee did not convene, and all cash and non-cash credit limits were set by the Board of Directors.

AUDIT COMMITTEE

Duties, Authorities, and Responsibilities

The Audit Committee is liable to execute the duties, authorities and responsibilities set forth by the Banking Law No. 5411 and by the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks" by the BRSA.

Members

Seyit Ahmet Işkın, Chairman (Board Member since September 12, 2018)
Kenan Ayvaci, Member (Board Member since September 12, 2018)

Meeting Frequency

At least once a month

Meeting Participation Information

In 2018, the Audit Committee held 16 meetings with the full participation of the Chairman and Members.

CORPORATE GOVERNANCE COMMITTEE

Duties and Responsibilities

Assist the Board of Directors in establishing the mission and vision of the Bank and oversees operations in compliance with the Bank's mission and vision.

Identify conflicts of interest arising from failure to provide full compliance to corporate governance principles, and put into place policies necessary for overseeing such conflicts of interest.

Supervise the processes for developing and keeping up to date the standards, policies, instructions, and implementation procedures regarding the Bank's operations and transactions.

Take social responsibility projects into consideration. Review critical complaints and requests concerning the corporate governance practices, and offer comments and suggestions to the Board of Directors.

Members

Gülseren Topuz, Chairman (Board Member)
Ekrem Kerem Korur, Member (Board Member)

Meeting Frequency

Twice a year

Meeting Participation Information

In 2018, the Corporate Governance Committee held two meetings with the full participation of the Chairman and Members.

STRATEGIC COORDINATION COMMITTEE

Duties and Responsibilities

Assess and approve strategic targets and the initiatives to achieve them so as to put in place the Bank's objectives based on its mission, vision and fundamental values, and monitor growth periodically and make decisions on the necessary changes,

As part of the Continuous Service Improvement Process, evaluate and approve the feasibility of corporate improvement action analyses,

Evaluate the progress steps and take action decisions when necessary regarding the corporate improvement actions in the portfolio.

Members

Mahmut Kayacık (CEO and Board Member)
Executive Vice Presidents
Manager of the Department of Financial Services and Reporting

Meeting Frequency

Twice a year

Meeting Participation Information

The Strategic Coordination Committee held one meeting in 2018.

ASSETS AND LIABILITIES COMMITTEE

Duties and Responsibilities

Discuss and evaluate the Bank's balance sheet, revenue/expense balance, budget and fund management strategy, as well as the implications of local and global developments in money and capital markets for the Bank.

The committee designs prospective policies for the Bank based on the current data.

Members

CEO

Executive Vice Presidents

Director of the Department of Treasury and Credits

Director of the Department of Financial Services and Reporting

Director of the Central Counterparty (CCP) Department

Director of the Department of Equity and Debt Securities Clearing and Settlement

Director of the Department of Human Resources and Support Services Department

Manager of the Risk Management Unit

Director of the Department of Custody and Collective Investment Organizations

Director of the Department of Derivatives and Energy Commodity Clearing and Settlement

Director of the Department of Payment and Transfer Services

Meeting Frequency

The Assets and Liabilities Committee convenes monthly.

Meeting Participation Information

Member participation at the meetings held in 2018:

THE NUMBER OF ASSETS – LIABILITIES COMMITTEE MEETINGS

Number of Members	January	February	March	April	May	June
	9	9	10	10	12	12
Number of Members	July	August	September	October	November	December
	12	15	12	14	14	14

INFORMATION TECHNOLOGY COMMITTEE:

Duties and Responsibilities

Ensures prioritization of benefit-cost analysis of the project portfolio in line with the information technology strategic plan made in accordance with the Bank's strategic plan.

Ensure efficiency and productivity in the use of the Bank's information systems and human resources by assessing the status of the projects.

Members

CEO

Executive Vice Presidents

IT Managers

IT Security and Risk Management

Team Manager

Meeting Frequency

The Information Technology Committee convenes periodically in quarterly intervals.

Meeting Participation Information

The committee convened three times in 2018.

Central Counterparty Risk Advisory Committee

Duties and Responsibilities

Advising the Bank's Board of Directors about the CCP regulations and management of CCP risks.

Members

Seyit Ahmet Işkın, Chairman (Takasbank A.Ş. Board Member)

Kenan Ayvaci, Vice Chairman (Takasbank A.Ş. Board Member)

Remzi Tahsin Kartal Çağlı, Member (TEB Yatırım Menkul Değerler A.Ş., in Representation of the CCP Members)

Serdar Genç, Member (Credit Suisse İstanbul Menkul Değerler A.Ş., in Representation of the CCP Members)

Meeting Frequency

At least twice a year

Meeting Participation Information

The Central Counterparty Risk Advisory Committee assembled twice in 2018.

SUMMARY BOARD REPORT PRESENTED TO THE GENERAL ASSEMBLY

Esteemed Shareholders,
Welcome to the 24th Ordinary General Assembly of Takasbank.

We respectfully greet you, esteemed shareholders, as we present for your review and approval our Annual Report, which includes a Balance Sheet and Profit/Loss statements regarding the operating results in the 2018 fiscal year.

A year of regional and local geopolitical risks adding fragility to international relations, 2018 saw protectionist approaches on global economies and deepened political uncertainty in global economic policies. In Turkey, the CBRT, the BRSA, and policymakers stood out with moves supporting the markets in the face of speculative foreign exchange rate attacks.

In the last quarter of 2017, Turkey became the second fastest-growing economy in the Organization of Economic Cooperation and Development (OECD) with 7.4 percent. It settled on a more balanced path with a gradual slowing down from the first quarter of 2018. Regarding inflation, CPI dropped by 0.4 percent in December following its peak in October, and closed the year at 20.3 percent, which is lower than the New Economic Program's expectation of 20.8 percent for the end of the year and 23.5 percent predicted in the Inflation Report of the CBRT.

The CBRT implemented a strong fiscal tightening policy to balance the geopolitical risks and deterioration in pricing behavior and support price stability in 2018. It faded out following the fluctuation in foreign exchange markets in August during a business cycle in which portfolio outflow from developing markets gained momentum, the measures taken, and the strong monetary tightening in September. Also, the CBRT reported that a tight monetary policy may have to be maintained long term because high levels of inflation and expected inflation pose risks for pricing behavior.

Global monetary policy developments, concerns over trade wars, and volatility in the risk appetite for the assets of developing countries stand out as the upward risks for the coming years. In the face of these risks, the primary purpose is to foster growth and make it more inclusive through structural reforms while the current deficit and inflation are being gradually lowered.

2018 was a year of key projects for Takasbank. Acting as a Central Counterparty in the Securities Lending Market, Borsa İstanbul Futures and Options Market, Equity Market, and Money Market, Takasbank started to provide this service on the Debt Securities Market from July 2, 2018, and on the FX SWAP Market established under Borsa İstanbul from October 1, 2018. The Bank strives to improve the Central Counterparty service while enhancing and diversifying its other services in line with the industry's demands. In this respect, check settlement and clearing conducted by the Interbank Check Clearing House was assigned to Takasbank under a decision of the CBRT on July 2, 2018. Takasbank has been carrying out check clearing and settlement activities since then. The Gold Transfer System, which allows the Bank's customers to transfer gold electronically on a peer-to-peer basis between banks, went live on July 16, 2018. The system and its software were developed by Takasbank. Takasbank started to provide clearing, settlement and collateral management services as a Central Settlement Organization on the Organized Natural Gas Wholesale Market affiliated with Enerji Piyasaları İşletme A.Ş. on August 31, 2018.

Takasbank maintained its efforts to improve its technological infrastructure to provide services faster, more efficiently, and without interruption in 2018. BISTECH Phase 2+, the final stage of a project purchased under an agreement between Borsa İstanbul and NASDAQ OMX, and which started to be installed in 2014, was commissioned on July 2, 2018. This transition allowed the Borsa İstanbul Equity Market, Debt Securities

Market, Precious Metals Market, and Futures and Options Market to operate together on a common platform. Takasbank maintains its studies on new technologies such as blockchain in an effort to offer innovative solutions in capital markets and the finance industry of Turkey and have an efficient operational and technological infrastructure. Takasbank became an R&D Center in April 2017. In 2018, five R&D projects were completed, and three more are in progress. Moreover, the Bank gained admission from TÜBİTAK Department of Technology and Innovation Support Programs (TEYDEB) for the projects “Natural Gas Market Clearing, Settlement and Collateral Management Project,” “Gold-Backed Digital Asset Platform (BIGA),” and “Gold Transfer System.”

2018 was a successful year of growth and profitability for Takasbank, which performs its core operations in an uninterrupted manner and a member- and customer-focused scheme. Our profit before tax soared by 76 percent to 612.7 million TRY, while asset size grew to 11.8 billion TRY year-on-year.

Takasbank plays a significant role in the growth of Turkish capital markets. With another successful year behind us, we are determined to maintain our achievements in the coming year thanks to the support of our esteemed shareholders.

Dear Shareholders,

As we present this Annual Report, which includes the Balance Sheet and Profit/Loss statements for the 2018 operating year, we would like to extend our particular respect to the esteemed capital markets executives and our personnel for their support, as well as to our valued shareholders and their representatives for putting their trust in Takasbank and honoring our General Assembly with their presence.

Yours faithfully,

Istanbul Settlement and Custody Bank
On behalf of the Board of Directors

Mahmut KAYACIK
CEO
Board Member

Murat ÇETİNKAYA
Chairman of the Board of
Directors

INFORMATION ON HUMAN RESOURCES PRACTICES

The Bank maintained its efforts to preserve a modern corporate culture focused on sustainable growth and practices to improve employee motivation in 2018.

In parallel with gradually diversified and intensified operations of Takasbank, the number of employees increased to 292 by year-end 2018: 178 men and 114 women. As of the end of 2018, the management team consisted of 42 people including a Service Manager, Director, Executive Vice President, and the CEO. The Board of Directors is made up of nine members including the CEO.

As in previous years, Takasbank also recognized efficient performance in 2018 and maintained efforts to keep personnel motivation high through initiatives such as increasing salaries and other financial benefits above the inflation rate and offering bonuses for successfully completed projects. During the year, various events were organized to improve relations between employees. Such activities will continue in the future.

Takasbank considers its workforce its most important asset according to its sustainable growth vision. As such, it aspires to achieve personnel development and effective communication and satisfaction through human resources strategies, in line with its mission and objectives.

It continued to apply objective assessment criteria to meet labor force requirements. Individuals employed during the year to work in operational units received orientation training to familiarize them with the organization.

Training activities continued to supplement other human resources practices, consistent with corporate objectives. With a view for technical, professional, and personal development training, each employee received an average of 40 hours of training. Employees pursuing Master's and Ph.D. studies were allowed to continue their training leave. Employees hold the following degrees: Ph.D. and Master's Degrees (24.66 percent), Bachelor's Degrees (68.83 percent), high school or primary school (6.51 percent).

The Human Resources Department meets the liabilities arising from Law No. 6331 on Occupational Health and Safety. Legal compliance requirements were satisfied by involving employees in the creation of an occupational health and safety culture.

An Employee Satisfaction Survey was conducted in January 2018, and provided feedback on working life, processes and operations. Reviews launched practices to improve work environment and motivation and developed actions to enhance corporate culture.

INFORMATION RELATED TO TRANSACTIONS THE BANK PERFORMS WITH ITS RISK GROUP

The independent audit report shows information related to transactions the bank performs with its risk group.

Bank's Risk Group	Subsidiaries, Affiliates, and Jointly-managed Partnerships (Business Partnerships)		Bank's Direct and Indirect Partners		Other Real and Legal Persons in the Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Opening Balance	-	-	144,797	2,666,698	100,108	-
Closing Balance	-	-	144,800	3,964,840	-	-
Received Interest and Commission Income	1,739	-	27,198	21,264	6,880	8,282

INFORMATION ON THE AREAS OF ACTIVITY IN WHICH SUPPORT SERVICE IS RECEIVED AND THE PERSONS AND ENTITIES FROM WHOM SUCH SERVICE IS RECEIVED, PURSUANT TO THE REGULATION ON THE BANK'S PROCUREMENT OF SUPPORT SERVICES AND THE AUTHORIZATION OF SUCH SERVICE PROVIDERS

In 2018, as per the Regulation on Bank's Procurement of Support Service, Takasbank received the following services:

- Hosting and support services from Türk Telekomünikasyon A.Ş. for backup and datacenter hardware of Takasbank,
- Infrastructure, connection, maintenance, and 24/7 email and telephone support from Fineksus Bilişim Çözümleri Tic. A.Ş. for the SWIFT server,
- Server hosting service from Borsa İstanbul A.Ş. for the Stock Exchange Datacenter,
- Supply, version update, maintenance, and technical support services from Mor Teknoloji Yazılım, İletişim, Bilişim, Danışmanlık ve Enerji San. Tc. Ltd. Şti. for an alternative message input infrastructure for messages related to the payment systems of the CBRT.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

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CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT**PART I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT**

Article 36 of the Capital Markets Law number 6362 (Law) stipulates that Article 17 (1) and (2) of the Law regarding corporate governance shall apply to capital markets institutions by analogy. Pursuant to the provisional Article 8 of the Law, İstanbul Takas ve Saklama Bankası A.Ş. (the Bank) is a central clearing agency, and in accordance with Article 35 of the Law, central clearing institutions are considered capital market institutions. Therefore, this Corporate Governance Principles Compliance Statement was prepared based on the report format attached to the Corporate Governance Communiqué No. II-17.1 of the CMB.

The Bank maintains that good governance is the key element of sustainability. As such, it has adopted the four principles of corporate governance based on transparency, fairness, responsibility, and accountability. Accordingly, it established a Corporate Governance Committee so as to devise and implement its corporate structure, processes, and policies in line with this principle, and put into force the Regulation on “Takasbank Corporate Governance Principles.”

As mentioned above, it is stipulated that capital market institutions shall comply by analogy to the Communiqué published by the Capital Markets Board of Turkey to include publicly traded companies or those that are deemed as such. The Bank resolved that it shall comply with the principles set forth in the Regulation on “Takasbank Corporate Governance Principles” until the Capital Markets Board of Turkey determines which of the principles in the Communiqué these institutions must comply with.

Yours faithfully,

Ekrem Kerem KORUR
Corporate Governance
Committee Member

Gülseren TOPUZ
Corporate Governance
Committee Chairman

PART II - SHAREHOLDERS

2.1. Investor Relations Department

The Bank management has adopted the principle of treating all shareholders equally by entering into transparent and responsible relationship with the investors. An investor relations department was not established within the Bank. Instead, the Human Resources, Support Services, Financial Services, and Reporting departments serve to manage and strengthen investor relations within the Bank. Executives in charge of these departments are in constant contact with the Committee.

With regard to investor relations, relevant departments conducted the following operations during the period:

- 1) Keep accurate, secure and up-to-date records on investors;
- 2) Respond to information requests from the investors about partnership shares, with the exception of confidential information and commercial secrets that are not disclosed to the public;
- 3) Hold the General Assembly in accordance with applicable legislation, articles of association and other internal regulations of the Bank;
- 4) Draw up the Annual Report for the last financial year to offer to the use of shareholders at the General Assembly
- 5) Take record of voting results at the General Assembly, and provide investors with the reports on the results;
- 6) Pursue and monitor all public disclosure matters as per the legislation and the Bank's disclosure policy;
- 7) Announce bank-related developments and financial data for the related period to the investors in a timely manner, and keep the investor relations section on the Bank's corporate website up to date;
- 8) Strive to improve the Bank's corporate governance practices and submit related work to the Committee for review.

In 2018, related departments answered shareholders' information requests regarding their shares in the Bank.

2.2. Exercising Shareholders' Right to Information

The Bank attaches importance to ensuring that shareholders are given the right to information as stipulated in the provisions of the TCC and the Banking Law (related legislation). Accordingly, it drew up and entered into effect a Disclosure Policy Directive at the Bank. As per the Directive, there is no discrimination among the shareholders with respect to exercising the right to information. The Bank keeps the necessary communication channels open in order to answer the shareholders' information requests.

The Committee plays an active role in protecting and facilitating the use of rights arising from share ownership, including the right to information and review. It is the responsibility of the Committee to present shareholders with information and disclosures that may affect exercising of these rights.

General letters concerning Bank-related developments, financial information, and news are regularly published on Takasbank's corporate website at www.takasbank.com.tr. Also, the Information Society Services section accessible on the website provides up-to-date content, as required by Article 1524 of the TCC.

The articles of association does not designate the appointment of a special auditor as a right. The Bank management avoids any acts that could complicate a special audit. Pursuant to the TCC No. 6102 and mandatory provisions of the Directive on Takasbank Corporate Governance Principles, shareholders may request a special audit of some events, provided that the right information and inspection is exercised in advance. Shareholders are allowed to individually exercise this right, even if it is not included in the General Assembly agenda.

No requests for the appointment of any special auditors were communicated to our organization during this period.

2.3. General Assembly Meetings

The procedures and summons of the General Assembly attendance are publicly disclosed in the Internal Directive on the Working Principles and Procedures of the General Meeting document, included in the Legal Framework section of the Bank's corporate website.

The Bank's General Assembly meetings are held pursuant to the provisions of the relevant regulation. The General Assembly was held on September 12, 2018, with assessment of the 2017 results.

The General Assembly was held at Borsa İstanbul A.Ş. Conference Hall, Sarıyer, İstanbul, in a manner to prevent inequality among the shareholders, and at minimum possible cost to the shareholders

In order to ensure shareholder participation in the General Assembly, the invitation and agenda, including the venue and date of the meeting and other information and documents for shareholders to the General Assembly, were sent in a timely manner and published in the Turkish Trade Registry Gazette No. 9645 dated August 17, 2018, in the Hürses newspaper dated August 18, 2018, and on the Bank's website.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

The Bank's 2017 Annual Report containing the Balance Sheet and Income Statement for the January 1, 2017 - December 31, 2017, fiscal year; the Independent Audit Report, which was prepared for the Ordinary General Assembly; and the General Assembly Briefing Document were provided to shareholders and published on the corporate website within the legal period.

The Financial Services and Reporting Department answered shareholders' questions following the General Assembly date announcement.

The matters presented in the agenda were communicated impartially and in-depth in a straightforward and understandable manner. Shareholders were given equal opportunity to express their opinions and ask questions during the General Assembly.

Shareholders forwarded their agenda-related requests to the Meeting Chairman during the meeting via motions. The General Assembly voted on and approved motions made by the shareholders regarding articles 1, 2, 3, 4, 5, 6, 7, 8 and 9 on the General Assembly agenda.

Open voting was done by a show of hands at the General Assembly.

The General Assembly minutes were sent to the shareholders upon request by fax and/or e-mail. Subsequently, they were posted on the corporate website and published in the Trade Registry Gazette.

In attendance at the General Assembly were shareholders, board members, audit committee members, officers responsible for preparation of the financial statements, an authorized officer of the independent audit firm, and other related people. Media organizations did not attend.

2.4. Voting Rights and Minority Rights

The Bank's shareholders comprise of Borsa İstanbul A.Ş. and banks and brokerage houses. Shareholders exercise voting rights in proportion to the total nominal value of their shares. Each share has one voting right. No voting privileges are granted to any share group.

Except for Borsa İstanbul A.Ş., no shareholder can directly or indirectly own more than five percent of the Bank's capital. As of 2018 year-end, 64.15 percent of the Bank's capital belonged to Borsa İstanbul A.Ş., 17.04 percent to 11 banks, and 18.81 percent to 29 brokerage houses.

The Bank's Articles of Association do not include any special provisions regarding the execution of minority rights or cumulative voting.

Pursuant to Article 195 of the TCC on controlling and affiliated companies, Borsa İstanbul A.Ş. is currently the controlling company in the group of companies, and Takasbank and the MKK are considered subsidiaries. Although Takasbank holds a nominal share of 634,851 TRY in the capital of Borsa İstanbul A.Ş., it is not entitled to vote at its General Assembly pursuant to Article 389 of the TCC.

2.5. Dividend Rights

The Bank pays dividends in accordance with the General Assembly resolutions. Proposals are prepared in accordance with the Board of Directors' Dividend Policy, and are then submitted to the general assembly agenda. The Dividend Policy is not published on the corporate website.

No privileges are specified in the distribution of dividends among shareholders. Each shareholder is entitled to receive a pro-rata dividend.

In 2018, no dividend was paid to our shareholders.

2.6. Transfer of Shares

Provided that the shares are not against the capital markets legislation as per the Bank's articles of association, and pursuant to Article 493 of the TCC, shares can be transferred only between stock exchanges that are established as per the CML and their members, investment institutions, collective investment schemes, asset management companies, mortgage financing companies, central settlement institutions, central custody institutions, publicly-owned joint stock companies listed in the organized markets, and private pension companies that are established pursuant to the Private Pension Savings and Investment System Law.

Except for Borsa İstanbul A.Ş., the share of each associate may not directly or indirectly exceed five percent of the Bank's capital.

The shares representing Group A belong exclusively to Borsa İstanbul A.Ş. New shares of Group A may not be created by capital increase.

Borsa İstanbul A.Ş. purchased 90,000 shares with a nominal value of 9,000 TRY of Saxo Capital Markets Menkul Değerler A.Ş., a shareholder of the Bank, on January 25, 2018, and 18,705,000 shares with a nominal value of 1,870,500 TRY of Delta Menkul Değerler A.Ş. on May 25, 2018.

PART III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. Corporate Website and Contents

The Bank's corporate website at www.takasbank.com.tr is available in both Turkish and English and is used actively; both current and historical information is published on this website. The technological infrastructure and home page of the Bank's website was redesigned on January 8, 2018, for the purpose of maximum compliance with the matters specified in the Corporate Governance Principles.

The corporate website features general information about the Bank as well as information about its articles of association, general assembly meetings, regulations, unconsolidated financial statements and reports, and interim reports. Furthermore, the website's Information Society Services section includes all information and documents as per mandatory provisions in the Regulation on Websites to be Created by Capital Companies, published by the Ministry of Trade in the Official Gazette on May 31, 2013.

3.2. Annual Report

Takasbank's Annual Report is prepared in detail to allow public access to accurate and complete information about the Bank's activities. It complies with the Regulation on Procedures and Principles Regarding Preparation and Publication of Annual Reports by Banks, published by the BRSA, and with the Regulation on Determining the Minimum Annual Report Content of Companies, published by the Ministry of Trade.

The Annual Report contains the "Corporate Governance Principles Compliance Statement," prepared based on the report format that the CMB determines in accordance with Article 8 of the Corporate Governance Communiqué No. II-17.1 of the CMB.

PART IV - STAKEHOLDERS

4.1. Disclosure of Information to Stakeholders

Stakeholders have access to Bank-related information through meetings and presentations, print and visual news media, and the corporate website. There is also an intranet service available solely for employees to receive information and communicate.

The Bank uses emails, the intranet, and internal bulletins to notify personnel about its general operations and practices.

4.2. Stakeholders' Participation in Management

The Bank is in constant contact with the stakeholders, and it evaluates the requests submitted by them to the Bank and develops solution suggestions.

It receives personnel suggestions by means of periodic meetings and questionnaires and by assessing notifications made through the Bank's intranet.

The Bank created a Procedure for Notification of any Irregularities, Problems, or Suspicious Matters within the Bank. The policy is posted on the intranet for access by all personnel, establishing a communication channel through which employees can alert relevant management offices and departments about problems and suspicious or questionable matters.

The Bank conducts periodic service satisfaction surveys and customer visits to assess requests and suggestions from its members and customers.

The satisfaction of customers, members, and market players is considered the utmost priority in all Bank services. The Bank measures customer satisfaction through methods such as surveys and meetings, and takes all requests into consideration.

In 2018, in addition to customer visits, the Bank conducted a Takasbank Service Satisfaction Survey. The survey consisted of four main parts: General Assessment of Takasbank Systems; Service-based Assessment; Training Needs; and Opinions, Critiques and Demands. A total of 739 organizations participated in the survey, including brokerage houses, banks, natural gas companies, pension companies, financial leasing companies, factoring companies, financing companies,

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

real estate and/or venture capital portfolio management companies, real estate investment trusts, venture capital investment trusts, investment trusts, portfolio management companies, electricity companies, precious metals brokerage houses, insurance companies, commodity exchanges, and licensed warehouse companies. Results showed a 92 percent general satisfaction with Takasbank services. Executive Management evaluates the survey results together with customer opinions and suggestions, and takes necessary action on every reasonable suggestion, particularly in response to reported problems and requests for improvement and training.

The Bank has adopted a mission of continuous improvement and development of services through the Continuous Service Improvement Program.

The Bank evaluates complaints, suggestions, and requests sent by the public via the email address provided on the corporate website.

4.3. Human Resources Policy

The Bank's Human Resources policy is public and available on the www.takasbank.com.tr website.

Implementation of Human Resources policies is primarily the responsibility of the Human Resources and Support Services Department Director, and ultimately, the CEO.

In brief, the Bank's Human Resources policy is to recruit personnel, our most valuable resource, and place them in the most suitable positions. The Bank selects those who are most suited to its culture so as to provide effective, uninterrupted, and reliable clearing and settlement, banking, and central risk and management services at international standards. To achieve employee satisfaction, the Bank strives to establish work environments that allow personnel to maximize their potential and demonstrate creativity and dynamic enthusiasm for work. The Bank supports constant personal and professional development, and implements fair and transparent reward policies.

The required education level of prospective personnel is determined in accordance with the Personnel Directive, and the qualifications for recruitment are identified according to the scope of work and job description as determined by the related department.

The Bank maintains research and development for a competency-based performance system for each position. It also maintains industry performance assessment systems

to maximize the potential and measure the performance of personnel. It focuses on in-depth work with regard to the 360-Degree performance evaluation system used by many institutions.

We regularly conduct an Employee Satisfaction Survey that aims to collect feedback on employee opinions and requests. We also perform assessments to develop actions for improving corporate culture by implementing practices that help advance the work environment and increase motivation.

No discrimination complaints were filed.

Our Human Resources policy is based on fundamental values including quality, customer orientation, an analytical approach, team spirit, continuous development, dedication to work, reliability, impartiality, work ethic, and confidentiality.

The Human Resource and Support Services Department meets the effort to address liabilities arising from the Occupational Health and Safety Law. Legal compliance requirements were met and employees were included in the process by creating an occupational health and safety culture.

4.4. Code of Conduct and Social Responsibility

The Bank pay utmost attention to reflect its corporate social responsibility approach on its business methods and social projects. It develops and supports projects that draw attention to social problems, particularly in education, and that contribute to the social development of society.

As part of social responsibility in 2018, we donated 250,000 TRY to the Palestine Humanitarian Aid Campaign and 135,143 TRY to schools in Istanbul. Within a corporate structure and with the help of socially aware employees, the Bank conducts social responsibility projects with the cooperation of the people and organizations it works with.

It adopts Banking Ethics Principles in its internal regulation for banking operations, and it informs the relevant parties promptly about the changes. Published by the Banks Association of Turkey, these principles lay out the rules for all business and transactions between banks and their customers, stakeholders, and employees, and between other organizations.

PART V - BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

Pursuant to the provisions of the Bank's articles of association, the General Assembly selects the Board Members: four (4) Members nominated by Borsa İstanbul A.Ş., a Group-A Shareholder; two (2) Members nominated by the banks, Class-B shareholders; and two (2) Members nominated by brokerage houses, Class-B shareholders. As per Banking Law, the CEO is a regular member of the Board of Directors.

Three Board members, elected from among the candidates nominated by Group-A shareholders, must be independent Board Members. At least two of the independent nominees must have no direct or indirect employment relationship with the Group-A shareholder.

The preconditions for the Bank's Board members are determined within the framework of the provisions of the relevant regulation.

Board Members are elected to serve a three-year term. Board Members can be re-elected.

There are nine Board Members as per the provisions of the Bank's articles of association. Members' names and last names are as follows: Metin Kıratlı, Gülseren Topuz, and Seyit Ahmet Işkın are independent Board Members. Up-to-date member profiles are published in the Information Society Services and Board of Directors sections of the corporate website as well as in the Bank's Annual Report.

Murat Çetinkaya	Chairman of the Board of Directors Deputy Chairman of the Board of Directors - Independent Member of the Board of Directors
Metin Kıratlı	CEO and Board Member - Permanent Member of the Credit Committee
Mahmut Kayacık	Board Member - Credit Committee
Münevver Çetin	Chairman
Ekrem Kerem Korur	Board Member - Corporate Governance Committee Member - Credit Committee Reserve Member
Seyit Ahmet Işkın	Independent Board Member - Head of the Audit Committee - Head of the Central Counterparty Risk Advisory Committee
Gülseren Topuz	Independent Board Member - Corporate Governance Committee Chairman, Substitute Credit Committee Member
Gülsevin Çipli	Board Member - Credit Committee Permanent Member
Kenan Ayvacı	Board Member - Audit Committee Member - Central Counterparty Risk Advisory Committee Member

5.2. Operating Principles of the Board of Directors

The Board of Directors convenes at least once a month or more, if deemed necessary. Chairman, or in the absence of the Chairman, Vice Chairman, is authorized to convene the board of directors and determine its agenda. However, each board member is entitled to request from the chairman to convene the board of directors or suggest agenda items for a meeting.

The Board of Directors convenes by absolute majority, and resolutions are taken by majority vote of those attending.

The Bank's articles of association stipulates the activities of the Board of Directors and meeting procedures and principles.

The Board of Directors convenes at least once a month pursuant to the Bank's articles of association. In 2018, it convened 20 times.

5.3. Number, Structure, and Independence of Committees Formed Under the Board of Directors

Takasbank's Board of Directors formed an Audit Committee, Credit Committee, Corporate Governance Committee, and Central Counterparty Risk Advisory Committee to assist in its businesses and operations in accordance with its legislative responsibilities.

The Credit Committee is comprised of two members that are elected among the members with the qualifications specified by the applicable legislation, as well as the CEO or his/her deputy, to perform the tasks set forth by the Banking Law.

The Audit Committee is comprised of two members that are elected among the board members with the qualifications specified by the applicable legislation to assist the Board of Directors in its audit and supervision tasks, and perform the duties set forth by the Banking Law, as well as the duties assigned to it by the Capital Markets Board.

The Corporate Governance Committee is comprised of two members that are elected among the board members. The Committee has been established to coordinate the Bank's relationship with the shareholders, stakeholders, regulatory and supervisory authorities, and with its executives and employees based on the principles of honesty, reliability, impartiality, confidentiality and equality, and to fulfill the Bank's environmental and social responsibilities.

The Bank's articles of association sets forth the procedures and principles regarding committee members' election, tasks and operations.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

5.4. Internal Audit, Risk Management and Internal Control Mechanism

The Bank put in place a sufficient and effective risk management and internal control mechanism that is compliant with the scope and formation of its operations so as to identify, measure, report, monitor or control the risks exposed.

These mechanisms are managed by the Internal Control and Compliance and Risk Management departments, which are structured by the Audit Committee to be independent of each other administratively and to report to the Board of Directors in accordance with the provisions of the Regulation on the Banks' Internal Systems and Internal Capital Adequacy Assessment Process (ICAAP).

Risk management involves a three lines of defense approach that is made up of activity branch management, central risk management function, and independent audit. Accordingly,

- Activity branch management encompasses taking appropriate action after determining the risks that arise from the products and services offered by each department of the Bank as well as from the processes, human resources and systems used.
- The central risk management function is fulfilled by separating the duties and responsibilities and by conducting the process and function supervision by the Risk Management and Internal Control and Compliance departments and not by the departments that perform them.
- The Internal Audit Department performs an independent review that is a comprehensive assessment of the risk management and internal control framework.

The procedures and principles on the function and efficiency of the Bank's risk management and internal control mechanism, and on effectiveness of its monitoring are put forth by the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks, best practice guides published by the BRSA, and the Bank's internal regulation for relevant departments.

The principle of proportionality is applied in establishment and implementation of the ICAAP at the Bank. Risk Management Department manages and coordinates the operations that involve identifying, measuring, assessing, monitoring and reporting the risks the Bank is exposed to, in accordance with the banking regulation under supervision of the Audit Committee and in compliance with the internal regulations approved by the Board of Directors. The Bank's risk management activities focus on the pillar 1 risks (credit, market, counterparty credit risk, and operational risk) and

the pillar 2 risks (liquidity risk, interest rate risk arising from banking accounts, and general business risk regarding central counterparty business) as defined within the scope of banking regulation.

The Risk Management Department performs and reports to the Audit Committee these tasks: Conduct risk assessment on new products and services the Bank plans to offer, as well as on information technology risks, payment and securities reconciliation systems, and portfolio custody services; develop risk analysis reports and risk management programs for support services; monitor and review risk appetite, risk limits and signal values; conduct internal risk measurements and assessments, and stress tests and scenario analyses; assess the operational risk database and operational risk loss database results; review re-structuring plan; monitor and review the amounts that are subject to legal risk, and the legal capital adequacy ratio; calculate the internal capital requirement ratio within the scope of ICAAP; create the legal forms regarding the credit rating agencies that are used in risk reports for credit risk and capital adequacy calculations; and draft public statements about the second-level risk management activities. Accordingly, the Risk Management Department prepared 38 reports and submitted to the Audit Committee in 2018.

Pursuant to the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks, entered into effect after being published on the Official Gazette 29057 dated July 11, 2014, and the best practice guides published by the BRSA, and in order to ensure that the Bank can continue its operations under the most dire conditions, capital and liquidity planning was made with a prospective perspective by conducting partial and universal stress tests within the scope of the pillar 1 and pillar 2 risks the Bank is exposed to. The December 31, 2017, Stress Test Report by the Risk Management Department and the December 31, 2017, ICAAP Report and its attachments were approved at the Board of Directors meeting No. 345 dated March 29, 2018, and then submitted to the BRSA.

Objectives of the internal control system include protection of the Bank's assets and execution of its activities effectively and efficiently in accordance with the Banking Law (Law), other relevant legislation, the Bank's internal policies, and banking practices; achieving reliability and integrity in the accounting and financial reporting system, and timely information availability. Furthermore, the Internal Audit and Compliance Department conducts these operations at the Bank.

As per Article 19(1) of the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks, the internal control system and internal control activities as well as how they should be conducted were designed by the business and IT service/process owners and reviewed on an annual basis by the Internal Control Unit, taking into consideration the qualities of all activities performed by the Bank. Such criteria as a relatively lower level of automation for sub-processes, availability of manual intervention in performing transactions, such transactions' effect on the accuracy and reliability of financial statements and legal reports, ineffectiveness of the inspections made by the business and IT units at the first phase were taken into consideration for the activities subject to inspection. Inspections were made at 115 inspection points defined by the Internal Control List in 2018, and all studies regarding compliance and legislation in the Unit including the outcomes of inspections were submitted quarterly to the Board of Directors through the Audit Committee. In addition, the Senior Management was informed about all operations on a monthly basis.

The Internal Control and Compliance Unit defined inspection scores for the risks in the Operational Risks Database. The actions and key risk indicators for those risks whose net risk level is equal to or greater than the operational risk appetite were checked by the Internal Control and Compliance Unit.

In addition, amendments to the legislation concerning the operations of Takasbank in 2018 were checked on a daily basis and submitted to the relevant units. The actions taken in relation to this were monitored by the Internal Control and Compliance Unit. The amendments to internal and external legislation were examined under the legislation that the Bank is subject to. The Internal Control and Compliance Unit confirmed compliance, and opinions were shared with the relevant units about legislative matters.

The Financial Crimes Investigation Board (FCIB) compliance officer and their deputy performed queries in its records for natural and legal entities which government bodies reported to our Bank and resolved that their assets be frozen and/or transactions be postponed as per the order of the FCIB and informed the relevant authorities accordingly. Requests for information and documents regarding legal bodies were also fulfilled by the compliance officer or their deputy.

In 2018, as part of Anti-Money Laundering (AML) efforts, the Internal Control and Compliance Unit:

- Submitted "know your customer" documents and completed various AML surveys requested by Takasbank.
- Checked sanction lists regularly, investigated domestic and foreign natural and/or legal entities, and took necessary measures.
- Provided information when a correspondent bank account was opened and as part of the investigations of correspondent banks.

Takasbank held training sessions on the LPPD and FCIB to raise awareness and created internal legislation regarding the ethical principles policy and conflicts of interest policy of the Bank.

The Internal Control and Compliance Unit took actions for compliance with the General Communiqué on Foreign Accounts Tax Compliance Act (FATCA) by Extended Information Exchange between the governments of the Republic of Turkey and the United State of America in 2018. Also, the conditions of the exemption granted to Takasbank under the Common Reporting Standard (CRS) are monitored on an annual basis within the framework of the Guidelines of the Determination of Residence and Status.

As part of the payment and securities settlement systems, self-assessment surveys were prepared under the coordination of the Internal Control and Compliance Unit and submitted to the CBRT on April 2, 2018.

Thirteen reports, namely the Monthly and Quarterly Internal Control and Compliance Unit Activity Reports, the Annual Internal Capital Adequacy Assessment Process (ICAAP) Validation Report, and the TFRS 9 expected loss reserves validation report were prepared in 2018. The Quarterly Activity Reports and validation reports were submitted to the Board of Directors through the Audit Committee, and Monthly Reports were submitted to the Senior Management.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

The internal audit system aims to provide the executive management assurance that the Bank's operations are conducted in accordance with the Law and other relevant regulations, and the Bank's strategies, policies, principles and goals, and that internal control and risk management systems are effective and adequate. Accordingly, the Internal Audit Department, reporting to the Board of Directors via the Audit Committee, executes periodic and risk-based assessment and audit of the Bank's operations, and uncovers errors and misconduct. Reported to the Board of Directors and executive management, the scope of the assurance generally involves factors such as effectiveness and efficiency of operations, protection of assets, reliability and soundness of the reporting processes, the framework of risk management and internal control, operation units and their functions, infrastructure, asset management, as well as information technology.

The Internal Audit Department executes audit operations within the scope of the annual audit plan, which is developed based on the risk assessments that are conducted in accordance with the provisions of the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks," as well as approved upon approval by the Board of Directors. Internal audit operations include confirming consistency of the securities stated in the Bank's financial statements with the records; assisting in identifying misconduct; inspection of financial calculations, and records and documents; conduct testing on the effectiveness of the control by identifying the risks and control points in business processes, and finalize control tests on the information systems and processes on which financial and administrative data are used.

The Internal Audit Department also checks for accuracy of the data, which is prepared by the Risk Management Department and used in the ICAAP Report, and for adequacy of systems and processes, as well as whether they allow accurate information and analysis; examines the validation process executed by the Internal Control and Compliance Department; when requested, provides consulting on the new products and services planned by the Bank, or on policy and implementation methods; and conducts central counterparty member audits so as to monitor continuity of the internal control, risk management and internal audit mechanisms, which the central counterparty membership requires within the scope of the "Istanbul Settlement and Custody Bank Central Counterparty Regulation."

Within the scope of the Bank's Governance Statement, in 2018, the Internal Control and Compliance Department and the Internal Audit Department jointly conducted practices for efficiency, adequacy, and compliance of the controls that are established with regard to banking processes. Meanwhile, independent of the framework, standard or methodology that they are based on, controls regarding information systems processes were performed by the Internal Audit Department in accordance with COBIT 4.1 by taking into consideration the provisions in the BRSA regulations on the principles to follow in information systems management at banks. The audit of Information Technology constituted both the IT audit executed by the Internal Audit Department, as well as the Information Systems Processes portion of the Governance Statement practices. Banking Processes Audit report prepared with regards to the aforementioned practices and the Information Technology Management Processes internal audit reports will be submitted to the Board of Directors at the January meeting, and then delivered to the independent audit company that is auditing the Bank's information systems and banking processes.

In 2018, the Internal Audit Department issued 31 reports, of which four were CCP member organizations', and submitted them to the Audit Committee.

5.5. Strategic Objectives of the Company

The Bank's vision, mission, corporate values and strategic objectives are generated by the Board of Directors, and they are disclosed to the public via the corporate website.

The Bank's vision is to "Become an internationally preferred, reliable, effective and innovative organization that offers settlement, banking and central risk management services according to international quality standards.

Its mission is to "Contribute to market development by offering reliable and effective after-sales services".

Its corporate values are "Trust," "Stability," "Customer orientation," "Effectiveness," "Robust Financial Structure," "Transparency" and "Sustainability."

Takasbank's Strategic Plan for 2018 to 2023 was approved at the Board of Directors meeting No. 342, dated December 28, 2017. The Strategic Plan includes nine primary objectives:

- Maintaining the strong financial structure of the Bank, increasing shareholder value, and paying regular dividends, under the title "Financial,"
- Popularizing products and services in existing and new markets, and positioning Takasbank as a regional center of settlement and clearing, under the title "Market Efficiency,"
- Ensuring sustainable customer satisfaction, enhancing technological infrastructure, and developing digital transformation innovations, and providing effective, transparent, and reliable services at international standards, under the title "Operational Excellence,"
- Maintaining competent and qualified human resources, and keeping a high level of employee satisfaction and loyalty, under the title "Organizational Effectiveness,"

as well as initiatives to achieve these objectives.

As can be seen in the fundamental objectives and initiatives in the Strategic Plan for 2018 to 2023, Takasbank aims to protect the interests of the Bank's partners with the goals under the "Financial" title, contribute to Turkey's economy and the industry's growth with the goals under the "Market Efficiency" title, provide consistent, high-quality and uninterrupted service to members/customers with the goals under the "Operational Excellence" title, and improve employee satisfaction and competencies with the goals under the "Organizational Effectiveness" title.

The Strategic Coordination Committee evaluates the activities executed in order to reach the established objectives.

The Board of Directors oversees progress on the Strategic Plan through the annually prepared reports. The Board of Directors will be presented the "2018 Strategic Plan Progress Report" consisting of the work performed by the Bank. It has been concluded that progress was made in 2018 in line with the roadmap within the appropriate infrastructure, task distribution, and legislative regulations so as to achieve the strategic objectives and initiatives set for the Bank for 2018-2023.

5.6. Remuneration

The General Assembly determines the financial rights provided to Board members, such as remuneration and dividend bonus, pursuant to the provisions of the Turkish Commercial Code. Rights such as remuneration, bonuses, and so on, granted to the executive management are determined within the scope of the Bank's Personnel Regulation, whereas general remuneration increases are put into effect upon approval by the Board of Directors.

Other rights such as vehicle allowance, insurance, and so on, granted to the Board of Directors and executive management are determined within the scope of the Personnel Regulation and related procedures. Meanwhile, travel allowances and expenses are determined according to the Bank's Travel Expense Directive. No lending, borrowing, or warranty relationship was established with any Board Member or executive member of the organization in 2018.

INFORMATION ON THE AUDIT COMMITTEE'S ASSESSMENT OF THE INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT SYSTEM, AND ON THEIR OPERATIONS IN THE ACCOUNTING PERIOD

Audit Committee Report:

Number: 2019/DK/03
Istanbul, January 4, 2019

The Board of Directors, Senior Management, personnel at all levels, and the Departments of Internal Auditing, Internal Control and Compliance, and Risk Management performed internal audit, internal control and compliance, and risk management operations for Istanbul Settlement and Custody Bank (Takasbank) in accordance with the relevant legislation and regulations of Takasbank.

The Internal Auditing Department performed periodic and risk-based audits of the Bank's operations as part of the 2018 Internal Audit Plan and assured Senior Management that the operations were conducted pursuant to the relevant legislation and the Bank's internal strategies, policies, principles, and goals, and that internal control and risk management systems are effective and sufficient.

The Departments of Internal Audit, Internal Control and Compliance, and Risk Management, which are administratively independent and report to the Board of Directors through the Audit Committee in accordance with the provisions of the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks, held meetings to assess the risk evaluations, legal and internal risk measurements, partial and complete stress tests, risk monitoring and review operations, internal audit planning, internal audit reports, operating reports of internal system departments, TFRS 9 expected loss reserves validation report, support services risk management programs, risk analysis reports, technical adequacy reports, and other related documents; and provided information to the Board of Directors and the CEO by submitting Committee resolution reports to the Board of Directors in 2018. At its meetings, the Committee also assessed and submitted to the Board of Directors the reports that were prepared as a result of on-site audits in the presence of the Internal Auditing Department's central counterparty members to ensure the continuity of internal control, risk management, and internal audit mechanisms as required by central counterparty membership within the scope of the Istanbul Settlement and Custody Bank Central Counterparty Regulation.

Istanbul Settlement and Custody Bank The Board of Directors was also provided with the Central Counterparty Credit Risk Stress Test Results and the Central Counterparty Liquidity Risk Stress Test Results, prepared pursuant to Article 40 of the Central Counterparty Regulation, entitled Stress Tests, and with the Central Counterparty Retrospective Test Results Reports prepared pursuant to Article 36 of the Takasbank Central Counterparty Risk Management Principles Directive.

The overall risk level of Takasbank operations is a particular concern not only for people and organizations that operate nationally but also for international investors of the portfolios of our capital markets and for the intermediary and custody organizations that broker these transactions. This fact resulted in the need to offer Takasbank services at international standards with the mission of creating and implementing effective internal audit, internal control, and risk management mechanisms to achieve this goal.

The Bank's overall risk policy is to maintain the Bank's operations by taking reasonable risks at a manageable and controllable level so as to establish an income-expense balance. The Bank's risk capacity is determined in accordance with the capital adequacy policy. The Bank manages its risks by ensuring that they stay above/below the minimum/maximum general and risk type-based risk limits and signal values based on stated in-all-applicable legal regulations below the risk appetites approved by the Board of Directors. The results of activities related to risk management are taken into account in the Bank's strategic decision-making processes. For risks that must be taken, an optimum balance is aimed between potential losses or damages and the costs incurred in order to limit, decrease, and control these risks.

Risk management involves a three lines of defense approach that is made up of activity branch management, central risk management function, and independent audit. Accordingly,

- Activity branch management involves identifying the risks that arise from each Bank department's products and services as well as processes, personnel, and systems used, and then notifying the Executive Management to take appropriate action.
- The central risk management function is fulfilled by separating duties and responsibilities and by conducting the process and function supervision by the Risk Management and Internal Control and Compliance departments and not by the departments that perform them.
- The Internal Audit Department performs an independent review that is a comprehensive assessment of the risk management and internal control framework.

The Risk Management Department handles operations such as risk assessments on the Bank's planned new products, services and information technologies; payment and securities settlement systems; and portfolio custody services. It creates risk analysis reports and risk management programs for support services and conducts internal risk measurements and assessments as well as stress tests and scenario analyses. It evaluates operational risk database and operational risk loss database results, reviews restructuring plans, monitors and checks the amount that is subject to legal risk and the legal

capital adequacy ratio, and calculates the internal capital requirement ratio as part of ICAAP. In 2018, the Board of Directors was provided with the reports that the Committee received based on these measures.

At Takasbank, internal control processes are considered an integral part of operation processes. As such, reporting modules that allow effective monitoring and control of operations, which are conducted almost entirely electronically, are integrated with the application software in use. Moreover, necessary controls are performed during the execution of transactions by applying control techniques such as the separation of entry and approval authorizations in critical transactions, putting in place approval-authorization mechanisms during the execution of operations, carrying out limit suitability reviews electronically, and other enforcing control techniques, inquiries, and reconciliation operations for material elements. In addition to the control functions performed by the relevant management personnel within Takasbank's hierarchical management structure, department operations were audited and controlled by the Internal Audit Department, which regularly conducts inquiries and audits on behalf of the Board of Directors, and by the Internal Control and Compliance Department at periods determined as per the internal control lists of business and information technology units.

The Internal Control and Compliance Unit reviewed the internal control lists on a monthly basis; defined control scores for the risks in the Operational Risks Database; monitored the net level or risk, the actions decided for the risks equal to or higher than the operational risk appetite as well as key risk indicators; monitored, announced, and consulted with the relevant business units the amendments in legislation concerning the Bank; approved compliance of the amendments in internal and external legislation; gave units opinions about its activities and relevant legislative matters; conducted the Anti-Money Laundering (AML), the FATCA, and the CRS efforts; gave LPPD and FCIB training; designed internal legislation and processes about the Bank's ethical principles policy and conflict of interests policy; and coordinated the CBRT surveys in payment and securities settlement systems.

The Risk Management Unit prepared risk assessments for new products and services as well as risk analysis reports and risk management programs for supporting services.

Pursuant to the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks and the best practice guides published by the BRSA, and in order to ensure that the Bank can continue its operations under the most dire conditions, capital and liquidity planning was made with a prospective perspective by conducting partial and universal

stress tests within the scope of the pillar 1 and pillar 2 risks to which the Bank is exposed. We were presented with the Stress Test Report and the Internal Capital Adequacy Assessment Process (ICAAP) Report, prepared as of the end of 2017 with coordination from the Risk Management Department, and with its attachment, the Validation Report by the Internal Control and Compliance Department, as well as with the ICAAP Assessment Report by the Internal Audit Department. The report was submitted to the BRSA upon approval at the Board of Directors meeting No. 345, dated March 29, 2018.

The Internal Audit Department and the Internal Control and Compliance Department, within the Audit Committee-approved program, jointly conducted the operations that form the basis of the Governance Statement. The internal control system for banking and information technologies processes was assessed as part of the efforts of Administrative Disclosure. The findings of the process audits were submitted to the relevant departments and management personnel for appropriate action and planning.

Takasbank operations are conducted in accordance with the provisions of all relevant legislation and the Bank's general policies and internal legislation. The departments of Internal Auditing, Internal Control and Compliance, and Risk Management provide vital added value in line with Takasbank's fundamental goals and policies while performing operations in a structure that complies with all provisions of the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks.

ISTANBUL SETTLEMENT AND CUSTODY BANK INC. AUDIT COMMITTEE

Kenan AYVACI

Audit Committee Member
Board Member

Seyit Ahmet IŞKIN

Audit Committee Chairman
Board Member

INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT

To the General Assembly of Istanbul Settlement and Custody Bank:

Opinion

Since we audited full unconsolidated financial statement of İstanbul Takas ve Saklama Bankası Anonim Şirketi'nin ("Bank") for the fiscal year January 1, 2018, to December 31, 2018, we also audited the annual report for the said fiscal year.

Based on our opinion, the unconsolidated financial information in the annual report of the Board of Directors and its assessment of the Bank's position based on the audited unconsolidated financial statement are consistent with the fully audited, unconsolidated financial statements and the information obtained during the independent audit, and they are presented fairly, in all material respect.

Basis for Opinion

Our independent audit was conducted in accordance with the Regulation on Independent Audit of Banks ("BRSA Audit Regulation") published by the Banking Regulation and Supervision Authority ("BRSA") in the Official Gazette No. 29314 dated April 2, 2015, and the Independent Auditing Standards ("IAS") that are part of Turkish Standards on Auditing, published by the Public Oversight Accounting and Auditing Standards Authority (POA). Our responsibilities as per the standards are explained in detail in the Independent Auditor's Responsibilities section regarding the Independent Audit of the Annual Report. We declare that we are independent of the Bank in accordance with the Ethical Rules for Independent Auditors ("Ethical Rules") published by the POA, and the ethical provisions set forth in the legislation on independent audit. Also, we have fulfilled our other responsibilities on ethics within the scope of the Ethical Rules and legislation. We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion.

Our Opinion on the Full, Unconsolidated Financial Statements

In our February 28, 2019, audit reports, we approved the Bank's full financial statements for the fiscal year January 1, 2018 - December 31, 2018.

The Board of Directors' Responsibility Regarding the Annual Report

The Bank management has the following responsibilities regarding the Annual Report in accordance with provisions 514 and 516 of the Turkish Commercial Code ("TCC") No. 6102 and the provisions of the Regulation on the Procedures and Principles Regarding Preparation and Publication of the Annual Report by Banks (Regulation), published in the Official Gazette No. 26333, dated November 1, 2006:

a) Prepare the Annual Report within three months of the balance sheet date and submit to the general assembly, Prepare the Annual Report so as to reflect the Bank's

operations and full and unconsolidated financial position for the year accurately, fully, straightforwardly, realistically, and honestly. In this report, the Bank's financial position is assessed based on the unconsolidated financial statements. The report also clearly points to the Bank's growth and the likely risks. An assessment of the Board of Directors is also provided in the report.

c) The Annual Report contains the following as well:

- Important developments that take place at the Bank after completion of the fiscal year,
- The Bank's research and development operations,
- Financial benefits, including remuneration, premiums, or bonuses; expenses related to allowances, travel, accommodation, and representation; in-kind and in-cash benefits; insurance; and similar collateral paid to and for Board Members and Senior Management.

The Board of Directors takes into consideration the amendments of secondary legislation made by the Ministry of Trade and related organizations while preparing the activity report.

Independent Auditor's Responsibilities Regarding the Independent Audit of the Annual Report

Our goal was to provide an opinion and prepare a report based on whether the unconsolidated financial information given in the Annual Report in line with the TCC provisions and the Legislation, and the assessments made by the Board of Directors regarding the standing of the Bank based on the audited unconsolidated financial statement, are accurate and consistent with the Bank's audited unconsolidated financial statements and the information we gathered during the independent audit.

The independent audit was performed in compliance with the BRSA Audit Directives and the Independent Auditing Standards (ISA)s. The reports require that ethical provisions are met and that the independent audit is planned and carried out to obtain reasonable assurance that the unconsolidated financial information in the Annual Report and the Board of Director's assessment of the Bank's position based on the audited unconsolidated financial statement are fairly presented and consistent with the unconsolidated financial statement and information gathered during the independent audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Alper GÜVENÇ,

Independent Accountant and Financial Advisor, Auditor-in-charge
February 28, 2019.
İstanbul, Turkey

EVALUATION OF THE FINANCIAL STATUS, PROFITABILITY, AND SOLVENCY ASSESSMENT AND ACHIEVEMENT OF STRATEGIC TARGETS

As of December 31, 2018, Takasbank's assets rose by 11.6 percent to 11.79 billion TRY.

In the current period, in line with previous period data, bank deposits constituted a significant portion of the Bank's assets. The Bank's asset breakdown consisted of banks with 92 percent (10.88 billion TRY) and Receivables from Money Markets with 5.5 percent (645.26 million TRY).

As of the end of 2018, Takasbank borrowed 3.42 billion TRY in domestic loans, amounting to 29 percent of the liabilities on the balance sheet. It did not use loans from abroad as of the balance sheet date. Funds, which mainly consist of member

cash collateral, accounted for 55 percent of the liabilities. The Bank's paid-up capital is 600 million TRY. By 2018 year-end, its shareholders' equity reached 1.75 billion TRY.

Bank profitability has maintained its upward trend in recent years. The Bank increased its pre-tax profit by 76 percent to 612.72 million TRY year-on-year. In order to manage liquidity risk, the Bank acts with the principle of having a high amount of liquid assets against its balance sheet obligations.

The Bank has reached the strategic targets set in the past periods and it has fulfilled the General Assembly resolutions.

INFORMATION REGARDING RISK MANAGEMENT POLICIES BASED ON RISK TYPE

Management of the Pillar I Risks

Takasbank Risk Management Regulation approved by the Board of Directors has established the procedures and principles regarding the Bank's risk management processes, policies and implementation procedures, risk management activities together with the organizational structure and duties, authorities and responsibilities of the Risk Management Department.

The Bank's overall risk policy is to maintain the Bank's operations by taking reasonable risks at a manageable and controllable level so as to establish an income-expense balance. The Bank's risk capacity is determined in accordance with the capital adequacy policy.

The Bank manages its risks by ensuring that they stay above/below the minimum/maximum limits stated in all applicable legal regulations, and below the risk appetites approved by the Board of Directors. The results of activities related to risk management are taken into account in the Bank's strategic decision-making processes. Prior to offering new products and services, the Bank, along with all relevant departments, performs a risk assessment under the coordination of the Risk Management Department, taking into account all the risks to which it is exposed.

The principle of proportionality was observed in accordance with the legislative regulations and best practices in establishing and implementing the Bank's risk management system and the internal capital adequacy assessment process (ICAAP).

The year-end 2017 Stress Test Report and the ICAAP Report, prepared in coordination with the Risk Management Department; its attachment, the Validation Report by the Internal Control and Compliance Department; and the Inspection Report by the Internal Audit Department were submitted to the BRSA upon approval at the Board of Directors meeting No. 345, dated March 29, 2018.

The Bank's risk appetite structure is reviewed at least once a year, and general risk and risk-type based risk limits and signal values are evaluated according to changes in market conditions and Bank strategies. If the risk appetites, risk limits, and signal values are exceeded, the relevant authorities are notified.

The Risk Management Department manages and coordinates operations involved with identifying, measuring, assessing, monitoring, and reporting the risks the Bank is exposed to, in accordance with the banking regulation, under the supervision of the Audit Committee and within the scope of the regulations approved by the Board of Directors.

Credit Risk Management

Credit transactions involve the possibility that the members or guarantors who use the credit cannot fulfill their obligations in time according to the prior written commitments and agreements; in other words, it involves the credit risk. The counterparty credit risk is assessed within the credit risk.

INFORMATION REGARDING RISK MANAGEMENT POLICIES BASED ON RISK TYPE

The cash credit transactions of Takasbank consist of the credits extended to intermediary institutions. The Bank acts as a guarantor for the parties' responsibilities against each other in the Takasbank Money Market (TMM); as such, these transactions are considered non-cash credit in accordance with the banking legislation. Takasbank provides Central Counterparty service to the Securities Lending Market (SLM), Futures and Options Market (VIOP), Money Market, Equity Market, Debt Securities Market and FX SWAP Market incorporated in the Bank. The obligations arising from such transactions are also considered non-cash credits.

Credit limits are updated according to changes in members' financial status. Implementation of limit, risk and guarantee controls in an electronic environment continuously and based on transaction minimizes operational errors.

Internal credit rating scores are used when identifying the membership type for members who will perform transactions in the market or capital market instruments that receive central counterparty services with the credit or position limits allocated to the members, and these limits are entered into force after approval by the Board of Directors. Credit risk is managed through an effective and sound collateral mechanism and appropriated limit allocations.

The Bank manages the credit risk to which it is exposed by taking into consideration the credit risk appetite, established credit risk limits, signal values determined by the early warning system, and the legal and internal capital requirements.

According to the regulations published by the Banking Regulation and Supervision Agency, credit risk amount is calculated according to the standard approach at the end of each month, and the results are reported to the BRSA.

Market Risk Management

Market risk is defined as the probability of the Bank's exposure to on- and off-balance sheet positions due to foreign exchange rate and interest rate risks arising from market price movements.

The Bank's fund management operations are carried out mainly with state banks and banks determined by the Board of Directors. The Bank does not take securities other than Government Debt Securities issued by the Ministry of Treasury and Finance of the Republic of Turkey into its securities portfolio; it may use derivative products for protection purposes.

The Treasury Team and Senior Management constantly monitor Takasbank's portfolio distribution in terms of maturity and instruments, and revise fund management strategy according to market developments.

The Bank manages the market risk to which it is exposed by taking into consideration risk appetite, established market risk limits, signal values determined within the early warning system, and the legal and internal capital requirements.

The Bank calculates the amount that is subject to market risk, according to the regulation published by the Banking Regulation and Supervision Agency by using the standard method, and it is reported to the BRSA monthly. However, the market risk is measured daily by using the internal model. In this context, the amount that is subject to market risk and economic capital requirement are calculated, and back tests, stress tests and scenario analysis are performed.

The prepared reports are periodically reported to the Senior Management and the Senior Management.

Operational Risk Management

Operational risk is defined as the likelihood of loss arising from insufficient or unsuccessful internal processes, people, and systems, or external events, including legal risk.

While Takasbank considers employees its most important resource, it adopts the principle of carrying out activities focused on systems and processes rather than people in order to ensure the institutional structure.

At Takasbank, operational risks arising from information systems are managed effectively, thanks to measures such as keeping software, hardware, and backups ready for use at anytime; copying data onto different media simultaneously; keeping communication, energy, and Human Resources data backups ready at hand; and establishing practices such as business continuity and state of emergency planning.

At Takasbank, powers and responsibilities concerning critical transactions are separated. Approval authorization mechanisms allow administrative controls during transaction execution. In addition to the control activities performed by the management ranks hierarchically, operations are reviewed by the Internal Control and Compliance Department, which carries out the control function by reporting to the Board of Directors in accordance with the internal control lists approved by the Audit Committee, and audited periodically by the Internal Audit Department.

Operational, reputational and strategic risks the Bank is exposed to, information technology risks which are also operational risks, and losses arising from legal risks are tracked with the Operational Risk Losses Database. The Bank's processes and secondary process risks regarding all businesses and information technologies are monitored under the Operational Risk Database, and the records for this database constitute input for Management Notification of the BRSA.

In Operational Risk Database risks that are equal to or over the operational risk appetite approved by the Board of Directors, the Internal Control and Compliance Department monitors recommended actions and key risk indicators in the Operational Risk Database. Senior Management takes the necessary actions. However, business impact analysis and interruptions that may occur assesses the potential risks that may arise in the course of these activities and their potential impact.

The Bank conducts self-assessment with the goal of developing a common operational risk culture among personnel, instilling risk management practices throughout the Bank, enabling inter-departmental communication, and meeting the revision and update needs of the databases in order for the senior management to take swift action.

In order to ensure continuity of services provided by the support service organization, the Bank evaluates the risks that may arise from service procurement. The operational risks to which Takasbank is exposed or may be exposed are largely collateralized by the insurance policies that are purchased.

The Bank manages the operational risk to which it is exposed by taking into consideration the risk appetite, established operational risk limits, signal values determined within the early warning system, and the legal and internal capital requirements.

As per the regulations published by the Banking Regulation and Supervision Agency, the amount subject to annual operational risk is calculated with the basic indicator method, and the results are reported to the BRSA.

Management of Pillar II Risks

The Bank's Pillar II risks involve liquidity risk, interest rate risk in the banking book, and central counterparty general business risk.

Guarantee funds and transaction guarantee provisions in various payables or temporary liability accounts due to Takasbank operations are available as active liquid values. When Takasbank's assets, credit quality and credit collaterals are assessed together with the depth of source structure and securities market, there is a low possibility of experiencing liquidity problem in meeting obligations.

Liquidity planning is made by taking into consideration Takasbank's existing and under-stress liquidity needs, along with its capacity. Liquidity planning is designed to prevent Takasbank from falling below the legal rates even under stress conditions. Takasbank manages the liquidity risk it is exposed to by taking into consideration the interest rate risk arising from banking calculations, implementation limitations

stipulated in all legal regulations, risk appetite, established credit risk limits, signal values determined within the early warning system, and internal capital requirements.

The Risk Management Department regularly monitors distribution of the Bank's assets and liabilities based on certain currencies and maturities/repricing periods, liquidity shortage/excess, resources that can be created in the event of a possible liquidity crisis, and available shareholders' equity regularly. Takasbank also keeps track of local and global changes in macroeconomic variables, money and capital markets, the banking industry, and settlement and custody matters within the scope of country risk.

It conducts remaining maturity and liquidity gap analyses with regard to liquidity risk, and duration and repricing gap analyses with regard to the interest rate risk in the banking book. Also, monthly and annual partial stress tests are conducted to calculate possible losses arising from the liquidity risk in Takasbank's certain statistical confidence level, and the results are reported to Takasbank Senior Management. Meanwhile, stress tests that determine the interest rate risk in the banking book and the central counterparty general business risk are handled within ICAAP.

Early Detection of Risk and Governance Committee Work

The Bank did not establish a Committee on Early Detection and Management of Risks.

Future Risks on Sales, Efficiency, Revenue Generation, Profitability, Debt/Shareholders' Equity, and similar matters

Operations by the Committee on Early Detection and Management of Future Risks on Sales, Efficiency, Revenue Generation, Profitability, Debt/Shareholders' Equity, and similar matters are conducted within the scope of the BRSA's Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks. Internal capital adequacy ratio is calculated based on the budget approved by the Board of Directors and the strategic plan and financial model for the next three-year period for pillar one and two risks to which the Bank is exposed. Efforts are made to conduct operations by taking into account both legal and target ratios.

TAKASBANK'S RATINGS BY INTERNATIONAL CREDIT RATING AGENCIES

The Bank's international ratings were provided by Fitch Ratings as summarized below:

Fitch Ratings (October 2018)

Foreign Exchange Long Term	BB
Outlook	Negative
Foreign Exchange Short Term	B
TRY Long Term	BB+
Outlook	Negative
TRY Short Term	B
National Long Term	AAA (tur)
Outlook	Stable
Support	3
Support Rating Base	BB
Financial Capacity Rating	b+

FIVE-YEAR SUMMARY FINANCIAL INFORMATION, INCLUDING THE STATEMENT PERIOD

(Thousand TRY)	2018	2017	2016	2015	2014
Total Assets	11,795,183	10,564,429	8,006,348	7,092,438	5,495,623
Shareholders' Equity	1,745,485	1,246,262	1,043,686	911,026	800,244
Paid-in Capital	600,000	600,000	600,000	600,000	600,000
Operating Profit	612,723	348,648	265,357	216,418	150,547
Interest and Portfolio Income	684,568	405,708	294,068	233,635	179,323
Net Profit	479,740	276,371	211,565	174,728	121,492
CBRT's US Dollar Exchange Rates Used in Assessment	5.2609	3.7719	3.5192	2.9076	2.3189

(Thousand U.S. Dollars) (*)	2018	2017	2016	2015	2014
Total Assets	2,242,047	2,800,824	2,275,048	2,439,276	2,369,927
Shareholders' Equity	331,784	330,407	296,569	313,326	345,096
Paid-in Capital	114,049	159,071	170,493	206,356	258,743
Operating Profit	116,467	92,433	75,403	74,432	64,922
Interest and Portfolio Income	130,124	107,561	83,561	80,353	77,331
Net Profit	91,190	73,271	60,117	60,094	52,392

Financial Ratios (%)	2018	2017	2016	2015	2014
Operating Profit/Total Assets	5.19	3.30	3.30	3.05	2.74
Shareholders' Equity/Total Assets	14.80	11.81	13.00	12.90	14.56
Operating Profit/Shareholders' Equity	35.10	27.98	25.40	23.70	18.81
Asset Growth	11.65	31.83	12.89	29.06	-1.79

Personnel Information	2018	2017	2016	2015	2014
	292	281	261	284	257

(*) U.S. Dollar figures are calculated based on the foreign exchange rate announced by the CBRT on the last day of the year.

DIVIDEND POLICY

The Bank pays dividends in accordance with the General Assembly resolutions. Proposals are prepared in accordance with the Board of Directors' Dividend Policy, and are then submitted to the general assembly agenda. The Dividend Policy is not published on the corporate website. No privileges are specified in the distribution of dividends among shareholders. Each shareholder is entitled to receive a pro-rata dividend. In 2018, no dividend was paid to the shareholders from 2017 profits.

EXPLANATION REGARDING BANK'S OWN SHARES ACQUIRED BY ITSELF

There are no shares the Bank acquired by itself.

EXPLANATIONS REGARDING LAWSUITS AGAINST THE COMPANY WITH A POSSIBLE EFFECT ON ITS FINANCIAL STATUS AND OPERATIONS, AND THEIR POSSIBLE OUTCOMES

There is no lawsuits against the company with a possible effect on its financial status.

INFORMATION ON EXPENSES FOR DONATIONS, CHARITIES, AND SOCIAL RESPONSIBILITY PROJECTS

The Bank gave 385,143 TRY in donations to associations established for the public's benefit. Of this amount, 250,000 TRY was granted to the Palestine Humanitarian Aid Campaign, and 134,143 TRY to schools in Istanbul.

INFORMATION RELATED TO FINANCIAL POSITION

In general, the audit report provides in-depth information regarding the financial position.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

**UNCONSOLIDATED YEAR END FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018
WITH AUDITOR'S INDEPENDENT REPORT THEREON**

(Convenience Translation of Unconsolidated Year End Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of İstanbul Takas ve Saklama Bankası A.Ş.;

A) Audit of Unconsolidated Financial Statements

Opinion

We have audited the unconsolidated financial statements of İstanbul Takas ve Saklama Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2018; and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2018, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by the aforementioned legislations.

Basis for Opinion

We conducted our audit in accordance with the "Regulation on Independent Audit of the Banks" ("BRSA Auditing Regulation") published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of unconsolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and other regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of Fees and Commissions Received

Key audit matter	How the matter is addressed in our audit
<p>The Bank has a total amount of TL 239,317 revenue recognized as "fees and commissions received" in the statement of profit or loss and other comprehensive income for the period 1 January - 31 December 2018.</p> <p>The Bank's revenue mainly consists of banking service revenues.</p> <p>Recognition of fees and commissions received was considered to be a key audit matter, due to the nature of the Bank's operations, the variety of operations and the high volume of transactions in the process of determining the amount of fees and commissions and performing check clearing activities at the Bank.</p>	<p>Our procedures performed for testing this area included below:</p> <p>Appropriateness of the accounting policies applied by the Bank management in accordance with the TFRS has been evaluated.</p> <p>Design, implementation and operating effectiveness of the internal controls on the recognition of fees and commissions received have been evaluated together with information systems specialists by understanding the Bank's fee and commission process.</p> <p>Furthermore, the commission fee tariff was analyzed and expectations analysis for the banking commission income was performed.</p> <p>In order to verify that the revenue is appropriately recognized, supporting documents were received on the basis of transaction based selected samples and details of these transactions were tested.</p>

Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

B) Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2018 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative

Alper Güvenç, SMMM
Partner

28 February 2019
İstanbul, Turkey

Additional paragraph for convenience translation to English:

The accounting principles summarized in Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of IFRS.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
THE UNCONSOLIDATED YEAR END FINANCIAL REPORT OF
İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. AS OF 31 DECEMBER 2018

Address of the Bank's Headquarters : Takasbank Genel Müdürlüğü
Reşitpaşa Mahallesi, Borsa İstanbul Caddesi, No: 4 Sarıyer 34467 İstanbul
Telephone of the Bank : (0 212) 315 25 25
Fax of the Bank : (0 212) 315 25 26
Web site of the Bank : www.takasbank.com.tr
E-mail for correspondence : rap@takasbank.com.tr

The unconsolidated year end financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITOR'S REPORT

The accompanying year end unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira ("TL"), have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been audited.

Murat Çetinkaya
Chairman of the Board

Seyit Ahmet Işkın
Chairman of Audit Committee

Kenan Ayvaci
Member of Audit Committee

Mahmut Kayacık
CEO/Member of the Board

Gökhan Elibol
Executive Vice President

Murat Görgün
Director

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname/Title : Zülal Tarı/Chief Specialist
Telephone Number : (0 212) 315 23 15
Fax Number : (0 212) 315 22 34

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İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION ONE

GENERAL INFORMATION

I. Bank's establishment date, start-up statute, history about the changes in this mentioned statute

The Bank was originally set up as a department of the Borsa İstanbul A.Ş. ("BİAŞ") (formerly "İstanbul Menkul Kıymetler Borsası") and reorganized under a separate company named İMKB Takas ve Saklama A.Ş. (ISE Settlement and Custody Company Inc.) on 12 July 1991, 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 decision made 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. (Here in after referred to as "Takasbank" or the "Bank") and this title change was approved in 11 April 2013. The name of the Bank has been renovated as "Takasbank" or "Takas İstanbul" with the resolution of the ordinary general meeting dated 9 June 2017 and numbered 22.

II. Explanation about the Bank's capital structure, shareholders who directly or indirectly, solely or jointly undertake the management and control of the Bank, any changes in the period, and information on the Bank's risk group:

As of 31 December 2018 and 31 December 2017, the shareholders' structure and their respective ownerships are summarized as follows:

No	Name of Shareholders	Current Period			Prior Period		
		Paid in Capital	(%)	Number	Paid in Capital	(%)	Number
1	Borsa İstanbul A.Ş.	384,869	64.14	1	382,989	63.83	1
2	Türkiye Garanti Bankası A.Ş.	29,685	4.95	1	29,685	4.95	1
3	Tacirler Menkul Değerler A.Ş.	29,016	4.84	1	29,016	4.84	1
4	Phillip Capital Menkul Değerler A.Ş.	27,923	4.65	1	27,923	4.65	1
5	Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,280	4.38	1	26,280	4.38	1
6	Türkiye İş Bankası A.Ş.	26,235	4.37	1	26,235	4.37	1
7	Türkiye Vakıflar Bankası T.A.O.	26,235	4.37	1	26,235	4.37	1
8	Other (Other Institution)	29,656	4.95	26	31,536	5.26	27
9	Other (Bank)	20,101	3.35	8	20,101	3.35	8
Total		600,000	100.00	41	600,000	100.00	42

64.14% of the Bank's share belongs to BİAŞ. BİAŞ was established on the date of the entry into force of the Law to carry out stock market activities in accordance with Article 138 of the Capital Markets Law No. 6362, which was published in the Official Gazette on 30 December 2012 and entered into force. BİAŞ shall ensure that capital market instruments, foreign exchange and precious metals and precious stones and other contracts, documents and valuables deemed appropriate by the Capital Markets Board can be bought and sold in a transparent, effective, competitive, honest and stable environment easily and safely under the conditions of free competition markets, platforms and systems and other organized market places to facilitate the gathering of these orders and to determine and announce the prices that are formed and to establish and maintain these and other stock exchanges or other market places is an institution with private legal entity established on the basis of the Capital Markets Law No. 6362 to manage and/or operate the markets of the stock exchanges.

The changes in the shareholding structure during the current period are shown below:

Old Shareholder	New Shareholder	Cost of Share (TL)	Ratio (%)	Description
Delta Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	1,871	0.3118	Transfer
Saxo Capital Markets Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	9	0.0015	Transfer

Dividend payment:

The Bank did not make any dividend payments to shareholders and personnel at the Ordinary General Assembly Meeting held on 12 September 2018.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

III. Explanation on the Board of Directors, members of the audit committee, president and executive vice presidents, changes in these matters and shares of the Bank they possess:

Chairman and Members of the Board of Directors

Name Surname	Area of Responsibility	Education Status
Murat Çetinkaya	President	Middle East University/Faculty of Engineering/Metallurgical Engineering/Undergraduate Marmara University/Banking/Graduate
Metin Kıratlı	Member of Board (Vice Chairman)	Ankara University/Faculty of Law/Law/Undergraduate Istanbul University/Institute of Social Science/International Economics/Graduate
Mahmut Kayacık	General Manager and Member of Board-Chairman of Credit Committee	Boğaziçi University/Faculty of Economics and Administrative Sciences/Political Science and International Relations/Undergraduate Marmara University/Institute of Social Sciences/International Economics/Graduate
Seyit Ahmet Işkın	Member (Member of Audit Committee)	Istanbul University/Faculty of Political Science/Public Finance/Undergraduate Marmara University/Institute of Banking and Insurance/Graduate
Kenan Ayvaci	Member (Member of Audit Committee - Member of Central Counterparty Risk Consultation Committee)	Middle East Technical University/Faculty of Economics and Administrative Science/Administration/Undergraduate Galatasaray University/Institute of Social Sciences/Financial Economics/Graduate
Gülsevin Çipli	Member (Credit Committee Member)	Boğaziçi University/Faculty of Economics and Administrative Sciences/Economics/Undergraduate
Ekrem Kerem Korur	Member (President of Corporate Governance Committee Credit Committee Associate Member)	Istanbul University/Faculty of Economics/Economics (English)/Undergraduate
Münevver Çetin	Member (President of Credit Committee)	Ankara University/Department of Economics Management/Undergraduate Ankara University/Institute of Social Sciences/Educational Administration and Planning/Graduate Istanbul University/Institute of Social Sciences/Money and Monetary Policy/Postgraduate
Gülseren Topuz	Member (President of Corporate Governance Committee Credit Committee Associate Member)	Anadolu University/Faculty of Economics/Economics/Undergraduate Marmara University/Institute of Social Sciences/Statistics/Graduate Istanbul University/Institute of Social Sciences/Money and Monetary Policy/Postgraduate

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

III. Explanation on the Board of Directors, members of the audit committee, president and executive vice presidents, changes in these matters and shares of the Bank they possess: (Continued)

General Manager and Assistant General Managers

Name Surname	Area of Responsibility	Education Status
Mahmut Kayacık	General Manager and Board Member -Member of Credit Committee	Boğaziçi University/Faculty of Economics and Administrative Sciences/ Political Science and International Relations/Undergraduate
Gökhan Elibol	Markets and Operations Department	Ankara University/Faculty of Political Science/Public Administration/ Undergraduate
Ekrem Arıkan	IT Department	Boğaziçi University/Engineering/ Computer/Undergraduate

⁽¹⁾ The General Meeting in 12 September 2018, Adnan Ertürk, Ersin Özoğuz, Güzide Meltem Kökden and Mustafa İleri, resigned from the membership of the board and Metin Kıratlı, Gülsevin Çipli, Kenan Ayvaci and Ekrem Kerem Korur was appointed as Members of the Board of Directors.

IV. Information on the Bank's qualified shareholders:

Shareholding in the Bank's shares, except BİAŞ, does not exceed 5% as stated in the Articles of Association of the Bank. 64.14% of the Bank belongs to BİAŞ. The Bank has nominal TL 200 preferred shares as of 31 December 2018 (31 December 2017: TL 200) (full TL). The preferred shares belonging to BİAŞ grants to shareholders the right to nominate four candidates to be elected to the Board of Directors by the General Assembly.

Name Surname/Business Name	Share Amount	Share Proportions	Paid-in Shares	Unpaid Shares
BİAŞ	384,869	64.14%	384,869	-

V. Information on the Bank's function and areas of activity:

The main purpose of the Bank is to increase our country's market competitiveness by providing settlement and custody services, providing financial services, and performing all types of economic activities within the scope of the relevant legislation.

The areas of activity that are specified in the Bank's Articles of Association, in general, are as follows:

- Providing all financial services, and primarily central bartering services and central counterparty services, activity of settlement and custody, market management, establishing and making payments, transfer and reconciliation systems, and banking activities;
- Financial services related to international markets including all kinds of payments, transfers, settlements, custody, and reconciliation services;
- Performing judiciary activities and signing all agreements related to its subject, signing written contracts, notes, and miscellaneous notes, acquiring all kinds of rights and receivables and binding debts;
- Purchasing, manufacturing, constructing, acquiring in other ways, renting, partially or completely, selling when necessary, transferring and leasing, and establishing all kinds of real rights on moveable and immoveable goods or removing all kinds of moveable and immoveable goods as well as all kinds of rights associated with them;
- All kinds of loaning and borrowing required by its activities, in line with corporate management principles as determined by banking and capital market legislation, as well as providing and obtaining personal in cash or in kind guarantees such as sureties, pledges, mortgages, and enterprise pledges in its favour or in favour of others, and transferring or cancelling these;
- Exporting all types of capital market instruments within the framework of Capital Markets legislation;
- Establish partnerships with domestic and foreign organizations and join existing partnerships.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION ONE (Continued)

GENERAL INFORMATION (Continued)

VI. A short explanation of the differences between the “Communiqué on Preparation Of Consolidated Financial Statements Of Banks” and consolidation transactions made in line with Turkish Accounting Standards, and on establishments that are subjected to full or proportional consolidation, deducted from equity or establishments that are not subjected to these three methods:

None.

VII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries:

None.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO

UNCONSOLIDATED BALANCE SHEET

I. ASSETS

				Audited
				Current Period
				31 December 2018
	Note	TL	FC	Total
I. FINANCIAL ASSETS (NET)		6,995,028	4,601,829	11,596,857
1.1 Cash and Cash Equivalents		7,007,970	4,601,168	11,609,138
1.1.1 Cash and Balances with Central Bank	I-(1)	123	78,914	79,037
1.1.2 Banks	I-(3)	6,362,584	4,522,254	10,884,838
1.1.3 Money Markets	I-(3)	645,263	-	645,263
1.2 Financial Assets at Fair Value Through Profit or Loss	I-(2)	-	-	-
1.2.1 Government Debt Securities		-	-	-
1.2.2 Equity Instruments		-	-	-
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	I-(4)	2,421	661	3,082
1.3.1 Government Debt Securities		-	-	-
1.3.2 Equity Instruments		2,421	661	3,082
1.3.3 Other Financial Assets		-	-	-
1.4 Financial Assets Measured at Amortised Cost	I-(6)	-	-	-
1.4.1 Government Debt Securities		-	-	-
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	I-(11)	-	-	-
1.5.1 Derivative Financial Assets at Fair Value Through Profit or Loss		-	-	-
1.5.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-
1.6 Non-Performing Financial Assets		-	-	-
1.7 Expected Loss Provision (-)	I-(6)	15,363	-	15,363
II. LOANS (NET)	I-(5)	14,780	-	14,780
2.1 Loans		14,800	-	14,800
2.1.1 Measured at Amortised Cost		14,800	-	14,800
2.1.2 Fair Value Through Profit or Loss		-	-	-
2.1.3 Fair Value Through Other Comprehensive Income		-	-	-
2.2 Lease Receivables	I-(10)	-	-	-
2.2.1 Financial Lease Receivables		-	-	-
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	-	-
2.3 Factoring Receivables		-	-	-
2.3.1 Measured at Amortised Cost		-	-	-
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
2.4 Non-Performing Loans	I-(5)	1,574	-	1,574
2.5 Expected Credit Loss (-)		1,594	-	1,594
2.5.1 12 Month Expected Credit Losses (Stage I)	I-(5)	20	-	20
2.5.2 Significant Increase in Credit Risk (Stage II)		-	-	-
2.5.3 Credit-Impaired Losses (Stage III/Special Provision)		1,574	-	1,574
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	I-(15)	-	-	-
3.1 Held for Sale Purpose		-	-	-
3.2 Related to Discontinued Operations		-	-	-
IV. EQUITY INVESTMENTS		4,825	-	4,825
4.1 Investments in Associates (Net)	I-(7)	-	-	-
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
4.2 Subsidiaries (Net)	I-(8)	4,825	-	4,825
4.2.1 Unconsolidated Financial Subsidiaries		4,825	-	4,825
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-
4.3 Joint Ventures (Net)	I-(9)	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
V. PROPERTY AND EQUIPMENT (Net)	I-(12)	11,847	-	11,847
VI. INTANGIBLE ASSETS (Net)	I-(13)	102,497	-	102,497
6.1 Goodwill		-	-	-
6.2 Other		102,497	-	102,497
VII. INVESTMENT PROPERTY (Net)	I-(14)	9,187	-	9,187
VIII. CURRENT TAX ASSET		-	-	-
IX. DEFERRED TAX ASSET	I-(16)	8,662	-	8,662
X. OTHER ASSETS	I-(17)	45,022	1,506	46,528
TOTAL ASSETS		7,191,848	4,603,335	11,795,183

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İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

I. ASSETS

		Audited			
		Prior Period			
		31 December 2017			
	Note	TL	FC	Total	
I. CASH AND BALANCES WITH CENTRAL BANK	I-(1)	480	-	480	
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT/LOSS (Net)	I-(2)	-	-	-	
2.1 Financial Assets held for trading		-	-	-	
2.1.1 Government Debt Securities		-	-	-	
2.1.2 Share Certificates		-	-	-	
2.1.3 Trading Derivative Financial Assets		-	-	-	
2.1.4 Other Marketable Securities		-	-	-	
2.2 Financial Assets Designated at Fair Value through Profit/Loss		-	-	-	
2.2.1 Government Debt Securities		-	-	-	
2.2.2 Share Certificates		-	-	-	
2.2.3 Loans		-	-	-	
2.2.4 Other Marketable Securities		-	-	-	
III. BANKS	I-(3)	5,717,172	4,446,312	10,163,484	
IV. RECEIVABLES FROM MONEY MARKETS	I-(3)	20,833	-	20,833	
4.1 Receivables from Interbank Money Market		-	-	-	
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	
4.3 Receivables from Reverse Repurchase Agreements		20,833	-	20,833	
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	I-(4)	1,171	661	1,832	
5.1 Share Certificates		1,171	661	1,832	
5.2 Government Debt Securities		-	-	-	
5.3 Other Marketable Securities		-	-	-	
VI. LOANS and RECEIVABLES	I-(5)	198,856	-	198,856	
6.1 Loans		198,856	-	198,856	
6.1.1 Loans Extended to the Risk Group of the Bank		144,797	-	144,797	
6.1.2 Government debt securities		-	-	-	
6.1.3 Other		54,059	-	54,059	
6.2 Loans under follow-up		1,574	-	1,574	
6.3 Specific Provisions (-)		1,574	-	1,574	
VII. FACTORING RECEIVABLES		-	-	-	
VIII. HELD-TO-MATURITY SECURITIES (Net)	I-(6)	36,947	-	36,947	
8.1 Government Debt Securities		36,947	-	36,947	
8.2 Other Marketable Securities		-	-	-	
IX. INVESTMENTS IN ASSOCIATES (Net)	I-(7)	-	-	-	
9.1 Consolidated Based on Equity Method		-	-	-	
9.2 Unconsolidated		-	-	-	
9.2.1 Financial Investments in Associates		-	-	-	
9.2.2 Non-financial Investments in Associates		-	-	-	
X. SUBSIDIARIES (Net)	I-(8)	4,825	-	4,825	
10.1 Unconsolidated Financial Subsidiaries		4,825	-	4,825	
10.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	
XI. ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)	I-(9)	-	-	-	
11.1 Consolidated Based on Equity Method		-	-	-	
11.2 Unconsolidated		-	-	-	
11.2.1 Financial Joint Ventures		-	-	-	
11.2.2 Non-financial Joint Ventures		-	-	-	
XII. LEASE RECEIVABLES	I-(10)	-	-	-	
12.1 Financial Lease Receivables		-	-	-	
12.2 Operational Lease Receivables		-	-	-	
12.3 Other		-	-	-	
12.4 Unearned Income (-)		-	-	-	
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	I-(11)	-	-	-	
13.1 Fair Value Hedge		-	-	-	
13.2 Cash Flow Hedge		-	-	-	
13.3 Foreign Net Investment Hedge		-	-	-	
XIV. PROPERTY AND EQUIPMENT (Net)		7,437	-	7,437	
XV. INTANGIBLE ASSETS (Net)		98,095	-	98,095	
15.1 Goodwill		-	-	-	
15.2 Other		98,095	-	98,095	
XVI. INVESTMENT PROPERTY (Net)	I-(12)	9,495	-	9,495	
XVII. TAX ASSET		-	-	-	
17.1 Current Tax Asset		-	-	-	
17.2 Deferred Tax Asset	I-(14)	-	-	-	
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	I-(13)	-	-	-	
18.1 Held for Sale		-	-	-	
18.2 Discontinued Operations		-	-	-	
XIX. OTHER ASSETS	I-(15)	21,337	808	22,145	
TOTAL ASSETS		6,116,648	4,447,781	10,564,429	

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İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

I. LIABILITIES

		Audited			
		Current Period			
		31 December 2018			
	Note	TL	FC	Total	
I. FUNDS COLLECTED	II-(1)	-	-	-	
II. FUNDS BORROWED	II-(3)	652,957	2,772,457	3,425,414	
III. MONEY MARKETS DEBTS		-	-	-	
IV. SECURITIES ISSUED (Net)		-	-	-	
4.1 Bills		-	-	-	
4.2 Asset Backed Securities		-	-	-	
4.3 Bonds		-	-	-	
V. FUNDS	II-(4)	4,682,635	1,814,943	6,497,578	
5.1 Borrower Funds		-	-	-	
5.2 Other		4,682,635	1,814,943	6,497,578	
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	
VII. DERIVATIVE FINANCIAL LIABILITIES	II-(2)	-	-	-	
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-	
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	
VIII. FACTORING PAYABLES		-	-	-	
IX. LEASE PAYABLES	II-(5)	-	-	-	
9.1 Finance Lease Payables		-	-	-	
9.2 Operating Lease Payables		-	-	-	
9.3 Other		-	-	-	
9.4 Deferred Finance Lease Expenses (-)		-	-	-	
X. PROVISIONS	II-(6)	76,086	-	76,086	
10.1 Restructuring Provisions		-	-	-	
10.2 Reserve for Employee Benefits		12,685	-	12,685	
10.3 Insurance Technical Provisions (Net)		-	-	-	
10.4 Other Provisions		63,401	-	63,401	
XI. CURRENT TAX LIABILITY	II-(7)	50,620	-	50,620	
XII. DEFERRED TAX LIABILITY		-	-	-	
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	II-(8)	-	-	-	
13.1 Held for Sale Purpose		-	-	-	
13.2 Related to Discontinued Operations		-	-	-	
XIV. SUBORDINATED DEBT INSTRUMENTS	II-(9)	-	-	-	
14.1 Loans		-	-	-	
14.2 Other Debt Instruments		-	-	-	
XV. OTHER LIABILITIES		-	-	-	
XVI. SHAREHOLDERS' EQUITY	II-(10)	1,745,485	-	1,745,485	
16.1 Paid-in capital		600,000	-	600,000	
16.2 Capital Reserves		36,280	-	36,280	
16.2.1 Share Premium		33,019	-	33,019	
16.2.2 Share Cancellation Profits		-	-	-	
16.2.3 Other Capital Reserve		3,261	-	3,261	
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		909	-	909	
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		-	-	-	
16.5 Profit Reserves		606,526	-	606,526	
16.5.1 Legal Reserves		79,981	-	79,981	
16.5.2 Status Reserves		-	-	-	
16.5.3 Extraordinary Reserves		523,901	-	523,901	
16.5.4 Other Profit Reserves		2,644	-	2,644	
16.6 Income or (Loss)		501,770	-	501,770	
16.6.1 Prior Periods' Income or (Loss)		22,030	-	22,030	
16.6.2 Current Period Income or (Loss)		479,740	-	479,740	
16.7 Share Premium		-	-	-	
TOTAL LIABILITIES AND EQUITY		7,207,783	4,587,400	11,795,183	

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UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

I. LIABILITIES

		Audited			
		Prior Period			
		31 December 2017			
	Note	TL	FC	Total	
I. DEPOSITS	II-(1)	-	-	-	
1.1 Deposits of Bank's Risk Group		-	-	-	
1.2 Other		-	-	-	
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	II-(2)	-	-	-	
III. FUNDS BORROWED	II-(3)	771,313	2,372,955	3,144,268	
IV. MONEY MARKETS	II-(3)	34,737	-	34,737	
4.1 Funds from Interbank Money Market		34,737	-	34,737	
4.2 Funds from Istanbul Stock Exchange Money Market		-	-	-	
4.3 Funds Provided Under Repurchase Agreements		-	-	-	
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	
5.1 Bills		-	-	-	
5.2 Asset Backed Securities		-	-	-	
5.3 Bonds		-	-	-	
VI. FUNDS		-	-	-	
6.1 Borrower Funds		-	-	-	
6.2 Other		-	-	-	
VII. MISCELLANEOUS PAYABLES	II-(4)	3,905,878	2,064,740	5,970,618	
VIII. OTHER LIABILITIES		60,316	-	60,316	
IX. FACTORING PAYABLES		-	-	-	
X. LEASE PAYABLES	II-(5)	-	-	-	
10.1 Financial Lease Payables		-	-	-	
10.2 Operational Lease Payables		-	-	-	
10.3 Other		-	-	-	
10.4 Deferred Financial Lease Expenses (-)		-	-	-	
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES		-	-	-	
11.1 Fair Value Hedge		-	-	-	
11.2 Cash Flow Hedge		-	-	-	
11.3 Foreign Net Investment Hedge		-	-	-	
XII. PROVISIONS	II-(6)	82,062	-	82,062	
12.1 General Loan Loss Provision		48,139	-	48,139	
12.2 Restructuring Provisions		-	-	-	
12.3 Employee Benefits Provisions		12,645	-	12,645	
12.4 Insurance Technical Provisions (Net)		-	-	-	
12.5 Other Provisions		21,278	-	21,278	
XIII. TAX LIABILITY	II-(7)	26,166	-	26,166	
13.1 Current Tax Liability		25,121	-	25,121	
13.2 Deferred Tax Liability		1,045	-	1,045	
XIV. PAYABLES FOR ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	
14.1 Held for Sale		-	-	-	
14.2 Discontinued Operations		-	-	-	
XV. SUBORDINATED LOANS		-	-	-	
XVI. SHAREHOLDERS' EQUITY	II-(10)	1,246,262	-	1,246,262	
16.1 Paid-in Capital		600,000	-	600,000	
16.2 Capital Reserves		37,107	-	37,107	
16.2.1 Share Premium		33,019	-	33,019	
16.2.2 Share Cancellation Profits		-	-	-	
16.2.3 Marketable Securities Valuation Differences		-	-	-	
16.2.4 Tangible Assets Revaluation Differences		-	-	-	
16.2.5 Intangible Assets Revaluation Differences		-	-	-	
16.2.6 Investment Property Revaluation Differences		-	-	-	
16.2.7 Securities		-	-	-	
16.2.8 Hedging Reserves (Effective portion)		-	-	-	
16.2.9 Value Differences of Assets Held for Sale and Discontinued Operations		-	-	-	
16.2.10 Other Capital Reserves		4,088	-	4,088	
16.3 Profit Reserves		329,374	-	329,374	
16.3.1 Legal Reserves		66,122	-	66,122	
16.3.2 Status Reserves		-	-	-	
16.3.3 Extraordinary Reserves		260,606	-	260,606	
16.3.4 Other Profit Reserves		2,646	-	2,646	
16.4 Income or Loss		279,781	-	279,781	
16.4.1 Prior Years' Income/Loss		3,410	-	3,410	
16.4.2 Current Year Income/Loss		276,371	-	276,371	
16.5 Minority Shares		-	-	-	
TOTAL LIABILITIES		6,126,734	4,437,695	10,564,429	

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İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS
AS OF 31 DECEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

II. OFF-BALANCE SHEET

				Audited
				Current Period
				31 December 2018
	Note	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		17,187,890	-	17,187,890
I. GUARANTEES AND WARRANTIES	III-(1)	17,086,287	-	17,086,287
1.1. Letters of Guarantee		-	-	-
1.1.1. Guarantees Subject to State Tender Law		-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-
1.1.3. Other Letters of Guarantee		-	-	-
1.2. Bank Acceptances		-	-	-
1.2.1. Import Letter of Acceptance		-	-	-
1.2.2. Other Bank Acceptances		-	-	-
1.3. Letters of Credit		-	-	-
1.3.1. Documentary Letters of Credit		-	-	-
1.3.2. Other Letters of Credit		-	-	-
1.4. Prefinancing Given as Guarantee		-	-	-
1.5. Endorsements		-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2. Other Endorsements		-	-	-
1.6. Other Guarantees		-	-	-
1.7. Other Collaterals		-	-	-
1.8. Import Letter of Acceptance		17,086,287	-	17,086,287
1.9. Other Bank Acceptances		-	-	-
II. COMMITMENTS	III-(1)	101,603	-	101,603
2.1. Irrevocable Commitments		101,603	-	101,603
2.1.1. Asset Purchase and Sale Commitments		-	-	-
2.1.2. Deposit Purchase and Sales Commitments		-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		3,750	-	3,750
2.1.4. Loan Granting Commitments		-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-
2.1.7. Payment commitment for checks		-	-	-
2.1.8. Tax and Fund Liabilities from Export Commitments		-	-	-
2.1.9. Commitments for Credit Card Limits		-	-	-
2.1.10. Commitments for Credit Cards and Banking Services Promotions		-	-	-
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13. Other Irrevocable Commitments		97,853	-	97,853
2.2. Revocable Commitments		-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-
2.2.2. Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		-	-	-
3.1. Hedging Derivative Financial Instruments		-	-	-
3.1.1. Fair value hedge		-	-	-
3.1.2. Cash flow hedge		-	-	-
3.1.3. Foreign Net Investment Hedges		-	-	-
3.2. Trading Derivative Financial Instruments		-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions		-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	-	-
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-
3.2.2.1. Foreign Currency Swap-Buy		-	-	-
3.2.2.2. Foreign Currency Swap-Sell		-	-	-
3.2.2.3. Interest Rate Swap-Buy		-	-	-

The accompanying explanations and notes form an integral part of these financial statements.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS
AS OF 31 DECEMBER 2018 (Continued)

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

II. OFF-BALANCE SHEET (Continued)

		Audited		
		Current Period		
		31 December 2018		
	Note	TL	FC	Total
3.2.2.4	Interest Rate Swap-Sell	-	-	-
3.2.3	Foreign Currency, Interest rate and Securities Options	-	-	-
3.2.3.1	Foreign Currency Options-Buy	-	-	-
3.2.3.2	Foreign Currency Options-Sell	-	-	-
3.2.3.3	Interest Rate Options-Buy	-	-	-
3.2.3.4	Interest Rate Options-Sell	-	-	-
3.2.3.5	Securities Options-Buy	-	-	-
3.2.3.6	Securities Options-Sell	-	-	-
3.2.4	Foreign Currency Futures	-	-	-
3.2.4.1	Foreign Currency Futures-Buy	-	-	-
3.2.4.2	Foreign Currency Futures-Sell	-	-	-
3.2.5	Interest Rate Futures	-	-	-
3.2.5.1	Interest Rate Futures-Buy	-	-	-
3.2.5.2	Interest Rate Futures-Sell	-	-	-
3.2.6	Other	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)	3,625,215,989	894,537	3,626,110,526
IV.	ITEMS HELD IN CUSTODY	3,592,021,339	-	3,592,021,339
4.1.	Customer Fund and Portfolio Balances	1,178	-	1,178
4.2.	Investment Securities Held in Custody	III-(1) 3,592,018,661	-	3,592,018,661
4.3.	Checks Received for Collection	-	-	-
4.4.	Commercial Notes Received for Collection	-	-	-
4.5.	Other Assets Received for Collection	-	-	-
4.6.	Assets Received for Public Offering	-	-	-
4.7.	Other Items Under Custody	1,500	-	1,500
4.8.	Custodians	-	-	-
V.	PLEDGES RECEIVED	33,194,650	894,537	34,089,187
5.1.	Marketable Securities	7,162,527	894,537	8,057,064
5.2.	Guarantee Notes	-	-	-
5.3.	Commodity	-	-	-
5.4.	Warranty	-	-	-
5.5.	Properties	-	-	-
5.6.	Other Pledged Items	26,032,123	-	26,032,123
5.7.	Pledged Items-Depository	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		3,642,403,879	894,537	3,643,298,416

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2018 and 2017 financial statements are prepared on different principles, 2017 financial statements are presented separately, not given comparatively.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS
AS OF 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
 (Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

II. OFF-BALANCE SHEET

				Audited
				Prior Period
				31 December 2017
	Note	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		17,937,202	-	17,937,202
I. GUARANTEES AND WARRANTIES	III-(1)	17,639,591	-	17,639,591
1.1. Letters of Guarantee		-	-	-
1.1.1. Guarantees Subject to State Tender Law		-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-
1.1.3. Other Letters of Guarantee		-	-	-
1.2. Bank Acceptances		-	-	-
1.2.1. Import Letter of Acceptance		-	-	-
1.2.2. Other Bank Acceptances		-	-	-
1.3. Letters of Credit		-	-	-
1.3.1. Documentary Letters of Credit		-	-	-
1.3.2. Other Letters of Credit		-	-	-
1.4. Prefinancing Given as Guarantee		-	-	-
1.5. Endorsements		-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2. Other Endorsements		-	-	-
1.6. Securities Issue Purchase Guarantees		-	-	-
1.7. Factoring Guarantees		-	-	-
1.8. Other Guarantees		17,639,591	-	17,639,591
1.9. Other Collaterals		-	-	-
II. COMMITMENTS	III-(1)	297,611	-	297,611
2.1. Irrevocable Commitments		297,611	-	297,611
2.1.1. Asset Purchase and Sales Commitments		-	-	-
2.1.2. Deposit Purchase and Sales Commitments		-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4. Commitments for Loan Limits		-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-
2.1.7. Commitments for Cheques		-	-	-
2.1.8. Tax and Fund Liabilities from Export Commitments		-	-	-
2.1.9. Commitments for Credit Card Limits		-	-	-
2.1.10. Promotion Commitments for Credit Cards and Banking Services		-	-	-
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13. Other Irrevocable Commitments		297,611	-	297,611
2.2. Revocable Commitments		-	-	-
2.2.1. Revocable Commitments for Loan Limits		-	-	-
2.2.2. Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		-	-	-
3.1. Hedging Derivative Financial Instruments		-	-	-
3.1.1. Transactions for Fair Value Hedge		-	-	-
3.1.2. Transactions for Cash Flow Hedge		-	-	-
3.1.3. Transactions for Foreign Net Investment Hedge		-	-	-
3.2. Trading Transactions		-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions		-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	-	-
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-
3.2.2.1. Foreign Currency Swap-Buy		-	-	-
3.2.2.2. Foreign Currency Swap-Sell		-	-	-
3.2.2.3. Interest Rate Swap-Buy		-	-	-

The accompanying explanations and notes form an integral part of these financial statements.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS
AS OF 31 DECEMBER 2017 (Continued)

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

II. OFF-BALANCE SHEET (Continued)

				Audited
				Prior Period
				31 December 2017
	Note	TL	FC	Total
3.2.2.4 Interest Rate Swap-Sell		-	-	-
3.2.3 Foreign Currency, Interest rate and Securities Options		-	-	-
3.2.3.1 Foreign currency call options		-	-	-
3.2.3.2 Foreign currency put options		-	-	-
3.2.3.3 Interest Rate Options-Buy		-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-
3.2.3.5 Securities Options-Buy		-	-	-
3.2.3.6 Securities Options-Sell		-	-	-
3.2.4 Foreign Currency Futures		-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-
3.2.5 Interest Rate Futures		-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-
3.2.6 Other		-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		3,097,517,450	1,182,811	3,098,700,261
IV. ITEMS HELD IN CUSTODY		3,072,127,521	-	3,072,127,521
4.1. Customer Fund and Portfolio Balances		1,420	-	1,420
4.2. Investment Securities Held in Custody	III-(1)	3,072,124,601	-	3,072,124,601
4.3. Cheques Received for Collection		-	-	-
4.4. Commercial Notes Received for Collection		-	-	-
4.5. Other Assets Received for Collection		-	-	-
4.6. Assets Received for Public Offering		-	-	-
4.7. Other Items Under Custody		1,500	-	1,500
4.8. Custodians		-	-	-
V. PLEDGES RECEIVED		25,389,929	1,182,811	26,572,740
5.1. Marketable Securities		6,750,409	1,182,811	7,933,220
5.2. Guarantee Notes		-	-	-
5.3. Commodity		-	-	-
5.4. Warranty		-	-	-
5.5. Real Estate		-	-	-
5.6. Other Pledged Items		18,639,520	-	18,639,520
5.7. Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		3,115,454,652	1,182,811	3,116,637,463

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2018 and 2017 financial statements are prepared on different principles, 2017 financial statements are presented separately, not given comparatively.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

III. STATEMENT OF PROFIT OR LOSS

			Audited
			Current Period
	Note	1 January 2018 - 31 December 2018	
I. INTEREST INCOME			684,568
1.1 Interest on Loans	IV-(1)	14,677	
1.2 Interest Received from Reserve Requirements		-	
1.3 Interest Received from Banks	IV-(1)	654,456	
1.4 Interest Received from Money Market Transactions		7,207	
1.5 Interest Received from Marketable Securities Portfolio	IV-(1)	7,207	
1.5.1 Financial Assets at Fair Value Through Profit or Loss		-	
1.5.2 Financial Assets at Fair Value Through Other Comprehensive Income		-	
1.5.3 Financial Assets Measured at Amortised Cost	IV-(1)	7,207	
1.6 Financial Lease Income		-	
1.7 Other Interest Income		1,021	
II. INTEREST EXPENSE	IV-(2)	152,164	
2.1 Interest on Deposits		-	
2.2 Interest on Funds Borrowed		151,786	
2.3 Interest Expense on Money Market Transactions		378	
2.4 Interest on Securities Issued		-	
2.5 Other Interest Expenses		-	
III. NET INTEREST INCOME/EXPENSE (I - II)		532,404	
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE	IV-(12)	214,981	
4.1 Fees and Commissions Received		239,317	
4.1.1 Non-cash Loans		51,524	
4.1.2 Other	IV-(10)	187,793	
4.2 Fees and Commissions Paid (-)		24,336	
4.2.1 Non-cash Loans		-	
4.2.2 Other		24,336	
V. PERSONNEL EXPENSES (-)	IV-(7)	58,608	
VI. DIVIDEND INCOME	IV-(3)	600	
VII. TRADING INCOME/LOSS (Net)	IV-(4)	7,573	
6.1 Trading Gains/Losses on Securities		-	
6.2 Trading Gains/Losses on Derivative Financial Instruments		-	
6.3 Foreign Exchange Gains/Losses		7,573	
VIII. OTHER OPERATING INCOME	IV-(5)	3,060	
IX. TOTAL OPERATING INCOME (III+IV+V+VI+VII+VIII)		700,010	
X. EXPECTED CREDIT LOSS (-)	IV-(6)	13,918	
XI. OTHER OPERATING EXPENSES (-)	IV-(7)	73,369	
XII. NET OPERATING INCOME/LOSS (IX-X-XI)		612,723	
XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	
XIV. INCOME/LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	
XV. INCOME/LOSS ON NET MONETARY POSITION		-	
XVI. INCOME/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (XII+...+XV)	IV-(8)	612,723	
XVII. TAX PROVISION FOR CONTINUING OPERATIONS (±)		(132,983)	
17.1 Current Tax Provision		(134,385)	
17.2 Deferred Tax Income Effect (+)		-	
17.3 Deferred Tax Expense Effect (-)		1,402	
XVIII. NET INCOME/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	IV-(9)	479,740	
XIX. INCOME FROM DISCONTINUED OPERATIONS		-	
19.1 Income from Non-Current Assets Held for Resale		-	
19.2 Sale Income from Associates, Subsidiaries and Joint Ventures		-	
19.3 Other Income from Discontinued Operations		-	
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	
20.1 Expense from Non-Current Assets Held for Resale		-	
20.2 Sale Losses from Associates, Subsidiaries and Joint Ventures		-	
20.3 Other Expenses from Discontinued Operations		-	
XXI. INCOME/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		-	
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	
22.1 Current Tax Provision		-	
22.2 Deferred Tax Income Effect (+)		-	
22.3 Deferred Tax Expense Effect (-)		-	
XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	
XXIV. NET PROFIT/LOSS (XVIII+XXIII)	IV-(10)	479,740	
Earnings/(Loss) Per Share in (Full TL)			0.79957

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2018 and 2017 financial statements are prepared on different principles, 2017 financial statements are presented separately, not given comparatively.

The accompanying explanations and notes form an integral part of these financial statements.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

III. STATEMENT OF PROFIT OR LOSS

		Audited
		Prior Period
	Note	1 January - 1 December 2017
I. INTEREST INCOME	IV-(1)	405,708
1.1 Interest on Loans		17,400
1.2 Interest Received from Reserve Requirements		-
1.3 Interest Received from Banks		377,804
1.4 Interest Received from Money Market Transactions		-
1.5 Interest Received from Marketable Securities Portfolio		10,141
1.5.1 Financial Assets Held for Trading		-
1.5.2 Financial Assets at Fair Value through Profit or Loss		-
1.5.3 Available-for-sale Financial Assets		-
1.5.4 Investments Held-to-maturity		10,141
1.6 Financial Lease Income		-
1.7 Other Interest Income		363
II. INTEREST EXPENSE (-)	IV-(2)	85,988
2.1 Interest on Deposits (-)		-
2.2 Interest on Funds Borrowed (-)		78,261
2.3 Interest on Money Market Borrowings (-)		7,727
2.4 Interest on Securities Issued (-)		-
2.5 Other Interest Expenses (-)		-
III. NET INTEREST INCOME (I - II)		319,720
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE	IV-(12)	149,602
4.1 Fees and Commissions Received		165,257
4.1.1 Non-cash Loans		39,027
4.1.2 Other	IV-(12)	126,230
4.2 Fees and Commissions Paid (-)	IV-(12)	15,655
4.2.1 Non-cash Loans (-)		-
4.2.2 Other (-)		15,655
V. DIVIDEND INCOME	IV-(3)	30
VI. TRADING INCOME/(LOSS) (Net)	IV-(4)	562
6.1 Securities trading gains/losses		-
6.2 Securities Trading Gains/(Losses) on Derivative Financial Instruments		-
6.3 Foreign Exchange Gains/(Losses)		562
VII. OTHER OPERATING INCOME	IV-(5)	329
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		470,243
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-(6)	16,931
X. OTHER OPERATING EXPENSES (-)	IV-(7)	104,664
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		348,648
XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-
XIV. INCOME/(LOSS) ON NET MONETARY POSITION		-
XV. INCOME/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX (XI+...+XIV)		348,648
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (-)	IV-(8)	(72,277)
16.1 Current Tax Provision		(70,354)
16.2 Deferred Tax Provision		(1,923)
XVII. NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV-XVI)	IV-(9)	276,371
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-
18.1 Income from Non-Current Assets Held for Sale		-
18.2 Sale Income from Associates, Subsidiaries and Joint Ventures		-
18.3 Other Income from Discontinued Operations		-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
19.1 Expense from Non-Current Assets Held for Sale		-
19.2 Sale Losses from Associates, Subsidiaries and Joint Ventures		-
19.3 Other Expenses from Discontinued Operations		-
XX. INCOME/(LOSS) FROM DISCONTINUED OPERATIONS BEFORE TAX (XVIII-XIX)		-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (-)		-
21.1 Current tax provision		-
21.2 Deferred tax provision		-
XXII. NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX-XXI)		-
XXIII. NET INCOME/(LOSS) (XVII+XXII)	IV-(10)	276,371
Earnings per share		0.46062

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2018 and 2017 financial statements are prepared on different principles, 2017 financial statements are presented separately, not given comparatively.

The accompanying explanations and notes form an integral part of these financial statements.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
 (Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited
	Current Period
	1 January - 31 December 2018
I. CURRENT PERIOD INCOME/LOSS	479,740
II. OTHER COMPREHENSIVE INCOME	82
2.1 Not Reclassified Through Profit or Loss	82
2.1.1 Property and Equipment Revaluation Increase/Decrease	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	103
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(21)
2.2 Reclassified Through Profit or Loss	-
2.2.1 Foreign Currency Translation Differences	-
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	-
2.2.3 Cash Flow Hedge Income/Loss	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	-
III. TOTAL COMPREHENSIVE INCOME (I+II)	479,822

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2018 and 2017 financial statements are prepared on different principles, 2017 financial statements are presented separately, not given comparatively.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited
	Prior Period
	1 January - 31 December 2017
INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	
I. ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	-
II. REVALUATION DIFFERENCES OF TANGIBLE ASSETS	-
III. REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-
IV. FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-
V. INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERROR	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	1,506
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(301)
X. NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	1,205
XI. CURRENT PERIOD INCOME/LOSS	276,371
1.1 Net Change in Fair Value of Marketable Securities (Transfer to Profit or Loss)	-
1.2 Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-
1.3 Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-
1.4 Other	276,371
XII. TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X±XI)	277,576

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2018 and 2017 financial statements are prepared on different principles, 2017 financial statements are presented separately, not given comparatively.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity					Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss		
Audited	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined benefit plans' actuarial gains/losses	Other
Current Period							
1 January 2018-31 December 2018							
I. Prior period end balance	600,000	33,019	-	3,261	-	827	-
II. Corrections and accounting policy changes made according to TAS 8	-	-	-	-	-	-	-
2.1 Effects of corrections	-	-	-	-	-	-	-
2.2 Effects of the changes in accounting policies	-	-	-	-	-	-	-
III. Adjusted beginning balance (I+II)	600,000	33,019	-	3,261	-	827	-
IV. Total comprehensive income	-	-	-	-	-	82	-
V. Capital increase by cash	-	-	-	-	-	-	-
VI. Capital increase by internal sources	-	-	-	-	-	-	-
VII. Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-
VIII. Convertible bonds to shares	-	-	-	-	-	-	-
IX. Subordinated debt instruments	-	-	-	-	-	-	-
X. Increase/Decrease by other changes	-	-	-	-	-	-	-
XI. Profit distribution	-	-	-	-	-	-	-
11.1 Dividends paid	-	-	-	-	-	-	-
11.2 Transfers to reserves	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-
Period-end balance (III+IV+.....+X+XI)	600,000	33,019	-	3,261	-	909	-

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2018 and 2017 financial statements are prepared on different principles, 2017 financial statements are presented separately, not given comparatively.

Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss						
Translation differences	Income/expenses from valuation and/or reclassification of financial assets measured at FVOCI	Other	Profit R eserves	Prior Period Profit or Loss	Current Period Profit or Loss	Total Shareholders' Equity
-	-	-	329,374	3,410	276,371	1,246,262
-	-	-	-	18,621	-	18,621
-	-	-	-	-	-	-
-	-	-	-	18,621	-	18,621
-	-	-	329,374	22,031	276,371	1,264,883
-	-	-	-	-	479,740	479,822
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
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-	-	-	-	-	-	-
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-	-	-	-	-	-	-
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İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
UNCONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves
1 January - 31 December 2017 ⁽¹⁾							
I. Prior period end balance		600,000	4,088	33,019	-	51,044	-
Changes in the period							
II. Increase/Decrease due to the merger		-	-	-	-	-	-
III. Marketable securities valuation differences		-	-	-	-	-	-
IV. Hedging reserves (Effective portion)		-	-	-	-	-	-
4.1 Cash flow hedge		-	-	-	-	-	-
4.2 Foreign investment hedge		-	-	-	-	-	-
V. Revaluation differences of tangible assets		-	-	-	-	-	-
VI. Revaluation differences of intangible assets		-	-	-	-	-	-
VII. Bonus shares obtained from investments in associates, subsidiaries and joint ventures		-	-	-	-	-	-
VIII. Foreign exchange difference		-	-	-	-	-	-
IX. Changes due to the disposal of assets		-	-	-	-	-	-
X. Changes due to the reclassification of the assets		-	-	-	-	-	-
XI. Effects of changes in equity of investments in associates		-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-
12.2 Internal resources		-	-	-	-	-	-
XIII. Share premium		-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-
XV. Adjustment to share capital		-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-
XVII. Current year income or loss		-	-	-	-	-	-
XVIII. Profit distribution		-	-	-	-	15,078	-
18.1 Dividend paid ⁽¹⁾		-	-	-	-	-	-
18.2 Transfers to reserves		-	-	-	-	15,078	-
18.3 Other		-	-	-	-	-	-
Period end balance		600,000	4,088	33,019	-	66,122	-

⁽¹⁾ The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2018 and 2017 financial statements are prepared on different principles, 2017 financial statements are presented separately, not given comparatively.

The accompanying explanations and notes form an integral part of these financial statements.

[illegible]

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

VI. STATEMENT OF CASH FLOWS

		Audited
		Current Period
	Note	1 January - 31 December 2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit/(Loss) Before Changes in Operating Assets and Liabilities		783,245
1.1.1 Interest Received		686,725
1.1.2 Interest Paid		(150,257)
1.1.3 Dividend Received		600
1.1.4 Fees and Commissions Received		239,255
1.1.5 Other Income		3,060
1.1.6 Collections from Previously Written-off Loans and Other Receivables		-
1.1.7 Payments to Personnel and Service Suppliers		(58,608)
1.1.8 Taxes Paid		(116,223)
1.1.9 Other	VI-(1)	178,693
1.2 Changes in Operating Assets and Liabilities		887,521
1.2.1 Net increase/decrease in Financial Assets at Fair Value Through Profit or Loss		-
1.2.2 Net (increase)/decrease in Due from Banks and Other Financial Institutions		(4,770)
1.2.3 Net (increase)/decrease in Loans		183,868
1.2.4 Net (increase)/decrease in Other Assets	VI-(1)	(24,321)
1.2.5 Net increase/(decrease) in Bank Deposits		-
1.2.6 Net increase/(decrease) in Other Deposits		-
1.2.7 Net increase/(decrease) in Funds Borrowed		244,502
1.2.8 Net increase/(decrease) in Payables		-
1.2.9 Net increase/(decrease) in Other Liabilities	VI-(1)	488,242
I. Net Cash Provided from Banking Operations		1,670,766
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from Investing Activities		13,027
2.1 Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-
2.2 Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-
2.3 Purchases of Property and Equipment		(7,834)
2.4 Disposals of Property and Equipment		-
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(1,250)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-
2.7 Purchase of Financial Assets Measured at Amortised Cost		(56,504)
2.8 Sale of Financial Assets Measured at Amortised Cost		91,502
2.9 Other	VI-(1)	(12,887)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided from Financing Activities		11,178
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-
3.3 Issued Capital Instruments		-
3.4 Dividends Paid		-
3.5 Payments for Finance Leases		-
3.6 Other		11,178
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	VI-(1)	(275,400)
V. Net Decrease in Cash and Cash Equivalents (I+II+III+IV)		1,419,571
VI. Cash and Cash Equivalents at Beginning of the Period	VI-(2)	10,159,624
VII. Cash and Cash Equivalents at End of the Period	VI-(2)	11,579,195

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2018 and 2017 financial statements are prepared on different principles, 2017 financial statements are presented separately, not given comparatively.

The accompanying explanations and notes form an integral part of these financial statements.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

VI. STATEMENT OF CASH FLOWS

		Audited
		Prior Period
	Note	1 January-31 December 2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		154,175
1.1.1 Interest Received		404,065
1.1.2 Interest Paid		(85,629)
1.1.3 Dividend Received		30
1.1.4 Fees and Commissions Received		165,257
1.1.5 Other Income		329
1.1.6 Collections from Previously Written-off Loans and Other Receivables		-
1.1.7 Payments to Personnel and Service Suppliers		(49,407)
1.1.8 Taxes Paid		(67,587)
1.1.9 Other	VI-(1)	(212,883)
1.2 Changes in Operating Assets and Liabilities		2,205,931
1.2.1 Net (increase)/decrease in Trading Securities		1,154
1.2.2 Net (increase)/decrease in Fair Value Through Profit/Loss Financial Assets		-
1.2.3 Net (increase)/decrease in Due from Banks		(11,914)
1.2.4 Net (increase)/decrease in Loans		(99,749)
1.2.5 Net (increase)/decrease in Other Assets	VI-(1)	(7,278)
1.2.6 Net increase/(decrease) in Bank Deposits		-
1.2.7 Net increase/(decrease) in Other Deposits		-
1.2.8 Net increase/(decrease) in Funds Borrowed		734,416
1.2.9 Net increase/(decrease) in Payables		-
1.2.10 Net increase/(decrease) in Other Liabilities	VI-(1)	1,589,302
I. Net Cash Provided from Banking Operations		2,360,106
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from Investing Activities		(11,069)
2.1 Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-
2.2 Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-
2.3 Purchases of Property and Equipment		(4,115)
2.4 Disposals of Property and Equipment		-
2.5 Cash Paid for Purchase of Investments Available-for-Sale		(47)
2.6 Cash Obtained from Sale of Investments Available-for-Sale		-
2.7 Cash Paid for Purchase of Investment Securities		(80,862)
2.8 Cash Obtained from Sale of Investment Securities		89,858
2.9 Other		(15,903)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided from Financing Activities		(73,494)
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-
3.3 Issued Capital Instruments		-
3.4 Dividends Paid		(75,000)
3.5 Payments for Finance Leases		-
3.6 Other		1,506
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	VI-(1)	160,163
V. Net Increase/(Decrease) in Cash and Cash Equivalents		2,435,706
VI. Cash and Cash Equivalents at the Beginning of the Period	VI-(2)	7,723,918
VII. Cash and Cash Equivalents at the End of the Period	VI-(2)	10,159,624

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2018 and 2017 financial statements are prepared on different principles, 2017 financial statements are presented separately, not given comparatively.

The accompanying explanations and notes form an integral part of these financial statements.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

FOR THE YEAR ENDED 31 DECEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited
	Current Period
	31 December 2018
I. DISTRIBUTION OF CURRENT YEAR PROFIT	
1.1 CURRENT PERIOD PROFIT	612,723
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	(132,983)
1.2.1 Corporate tax (income tax)	(134,385)
1.2.2 Withholding tax	-
1.2.3 Other taxes and duties	1,402
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	479,740
1.3 ACCUMULATED LOSSES (-)	-
1.4 LEGAL RESERVES (-)	-
1.5 OTHER STATUTORY RESERVES (-)	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]⁽¹⁾	479,740
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1 To owners of ordinary shares	-
1.6.2 To owners of privileged shares	-
1.6.3 To owners of redeemed shares	-
1.6.4 To profit sharing bonds	-
1.6.5 To holders of profit and loss sharing certificates	-
1.7 DIVIDENDS TO PERSONNEL (-)	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-
1.9 SECOND DIVIDENDS TO SHAREHOLDERS (-) ⁽¹⁾	-
1.9.1 To owners of ordinary shares	-
1.9.2 To owners of privileged shares	-
1.9.3 To owners of redeemed shares	-
1.9.4 To profit sharing bonds	-
1.9.5 To holders of profit and loss sharing certificates	-
1.10 SECOND LEGAL RESERVES (-)	-
1.11 STATUS RESERVES (-)	-
1.12 EXTRAORDINARY RESERVES	-
1.13 OTHER RESERVES	-
1.14 SPECIAL FUNDS	-
II. DISTRIBUTION OF RESERVES	-
2.1 APPROPRIATED RESERVES	-
2.2 SECOND LEGAL RESERVES (-)	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1 To owners of ordinary shares	-
2.3.2 To owners of privileged shares	-
2.3.3 To owners of redeemed shares	-
2.3.4 To profit sharing bonds	-
2.3.5 To holders of profit and loss sharing certificates	-
2.4 DIVIDENDS TO PERSONNEL (-)	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-
III. EARNINGS PER SHARE	-
3.1 TO OWNERS OF ORDINARY SHARES	0.79957
3.2 TO OWNERS OF ORDINARY SHARES (%)	79.96
3.3 TO OWNERS OF PRIVILEGED SHARES	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-
IV. DIVIDENDS PER SHARE	-
4.1 TO OWNERS OF ORDINARY SHARES	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2018 and 2017 financial statements are prepared on different principles, 2017 financial statements are presented separately, not given comparatively.

⁽¹⁾ Decision regarding the 2018 profit distribution will be held at General Assembly meeting.

The accompanying explanations and notes form an integral part of these financial statements.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION

FOR THE YEAR ENDED 31 DECEMBER 2017

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION TWO (Continued)

UNCONSOLIDATED BALANCE SHEET (Continued)

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited
	Prior Period
	31 December 2017
I. DISTRIBUTION OF CURRENT YEAR PROFIT	
1.1 CURRENT PERIOD PROFIT	348,648
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	(72,277)
1.2.1 Corporate tax (income tax)	(70,354)
1.2.2 Withholding tax	-
1.2.3 Other taxes and duties	(1,923)
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	276,371
1.3 ACCUMULATED LOSSES (-)	-
1.4 LEGAL RESERVES (-)	-
1.5 OTHER STATUTORY RESERVES (-)	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]⁽¹⁾	276,371
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1 To owners of ordinary shares	-
1.6.2 To owners of privileged shares	-
1.6.3 To owners of redeemed shares	-
1.6.4 To profit sharing bonds	-
1.6.5 To holders of profit and loss sharing certificates	-
1.7 DIVIDENDS TO PERSONNEL (-)	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-
1.9 SECOND DIVIDENDS TO SHAREHOLDERS (-)	-
1.9.1 To owners of ordinary shares	-
1.9.2 To owners of privileged shares	-
1.9.3 To owners of redeemed shares	-
1.9.4 To profit sharing bonds	-
1.9.5 To holders of profit and loss sharing certificates	-
1.10 SECOND LEGAL RESERVES (-)	-
1.11 STATUS RESERVES (-)	-
1.12 EXTRAORDINARY RESERVES	-
1.13 OTHER RESERVES	-
1.14 SPECIAL FUNDS	-
II. DISTRIBUTION OF RESERVES	-
2.1 APPROPRIATED RESERVES	-
2.2 SECOND LEGAL RESERVES (-)	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1 To owners of ordinary shares	-
2.3.2 To owners of privileged shares	-
2.3.3 To owners of redeemed shares	-
2.3.4 To profit sharing bonds	-
2.3.5 To holders of profit and loss sharing certificates	-
2.4 DIVIDENDS TO PERSONNEL (-)	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-
III. EARNINGS PER SHARE	-
3.1 TO OWNERS OF ORDINARY SHARES	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	21.70
3.3 TO OWNERS OF PRIVILEGED SHARES	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-
IV. DIVIDENDS PER SHARE	-
4.1 TO OWNERS OF ORDINARY SHARES	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2018 and 2017 financial statements are prepared on different principles, 2017 financial statements are presented separately, not given comparatively.

⁽¹⁾ The Bank did not make any dividend payments to shareholders and personnel at the Ordinary General Assembly Meeting held on 12 September 2018.

The accompanying explanations and notes form an integral part of these financial statements.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))
(Convenience Translation Of Publicly Announced Unconsolidated Financial Statements)

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of Presentation

Presentation of financial statements

The unconsolidated financial statements are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards ("TAS") and Turkish Financial Reporting Standards ("TFRS") related appendices and interpretations (referred as "Turkish Accounting Standards" or "TAS") put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA") ("all referred as BRSA Principles").

The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements", published in Official Gazette no. 28337, dated 28 June 2012, and "Communiqué Pertaining to Public Disclosure of Risk Management in Banks" amendments to these Communiqués. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

In accordance with TFRS 9 transition rules, since 2018 and 2017 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The preparation of financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.

2017 version of TFRS 9 standard has been published by the POA in the Official Gazette dated 19 January 2017 and numbered 29953 for the fiscal periods starting after 1 January 2018. The TFRS 9 standard introduces new provisions relating to the classification and measurement of financial assets and liabilities, impairment and hedge accounting. In addition, the provisions of "Regulation on Procedures and Principles for the Classification of Loans and Provisions to be submitted (Provisions Regulation)" published by the BRSA in the Official Gazette dated 22 June 2016 and numbered 29750 and the provisions to be set aside according to the qualifications of the credits of the banks are under TFRS 9.

With the adoption of TFRS 9 standard, unchanged footnote disclosures in previous periods' tables are presented comparatively.

The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles Implementation and impacts for transition of TFRS 9 are disclosed in the footnote to Chapter XXVII. The accounting policies and valuation principles used in the preparation of the financial statements for the period of 2018 have been determined and applied according to the principles within the scope of TAS. Such accounting policies and valuation principles are explained in footnotes II to XXVII as below.

TFRS 15 Revenue from Contracts with Customer standard provides a single and comprehensive model and guide for the receipt of revenue and is included in the TAS 18 Revenue standard. This accounting policy is explained in footnote XXVII.

The compliance studies of the Bank regarding the TFRS 16 Leases (TFRS 16) standard, which will become effective as of 1 January 2019, are ongoing.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Bank places its funds in domestic and foreign banks, in interbank money markets, and treasury bills and government bonds. These instruments are assumed to have higher yields compared to other financial instruments and bear lower risk. For the purposes of maintaining sufficient liquidity to meet all claims that might fall due, the Bank makes overnight or weekly placements in money markets. The most significant financing resources are guarantees of the members, short term placements and the shareholders' equity of the Bank. In making long-term placements, the high yield principle is considered, and accordingly, the Bank invests in government bonds and treasury bills.

The Bank has not any area of operations for which a return is achieved above the average rate of return.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions (Continued)

The Bank carries transactions in securities and money markets. Accordingly, exchange rate and interest rate volatility are managed by matching its assets and liabilities. The Bank does not engage in derivative or structured products defined as off-balance sheet to provide balance sheet management or to make profit. Related to the transactions in securities and money markets, transaction limits are established as risk limits.

The Bank does not have any transactions that cause liability or affect the net asset position negatively in other foreign currency transactions.

III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures

As it is explained on the I-7 footnote of section five, the Bank doesn't have the control or significant efficiency of Merkezi Kayıt Kuruluşu A.Ş., although the Bank owns 65% of it. Investments in associates and subsidiaries are accounted in accordance with the "Turkish Accounting Standard on Consolidated and Separate Financial Statements Standard" ("TAS 27") and non-financial associates, subsidiaries are stated with their cost values at the financial statements after the provision for impairment deducted.

IV. Explanations on Forward and Options Contract and Derivative Instruments

The Bank has no derivative instruments used for hedging purposes as of the balance sheet date.

V. Explanations on Interest Income and Expenses

Interest income and expenses are recognized at fair value and accounted for on accrual basis by effective interest rate method (the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability) by taking into account principle amount.

In accordance with the related regulation, realized and unrealized interest accruals of the non-performing loans are reversed and interest income related to these loans are recorded as interest income only when collected.

VI. Explanations on Fees and Commission Income and Expenses

The Bank performs custody and settlement services for marketable securities, precious metals and other securities arising from purchases and sales of those assets.

Additionally, the Bank opens custody accounts for its customers, corporate investors and companies quoted on the BİST and on other stock exchange markets, performs transfers, settlements and offsets between the accounts of securities intermediary companies and investors; performs procedures related to obtaining of bonus shares, use of preemptive rights, timely collection of dividends, principal and interest, exchange of certificates representing marketable and other securities and additional financial services. On these operations, the Bank receives custody and service commission income from its customers. These fees and commissions are accrued on a monthly basis under other operating income.

VII. Explanations and Disclosures on Financial Assets

As TFRS 9 is effective as of 1 January 2018, the Bank's accounting policy for financial instruments summarized as follows.

Financial instruments form the basis of the Bank's commercial operations and activities. Risks related to the mentioned tools constitute a significant part of the total risk of the Bank. Financial instruments impact the liquidity, credit and market risks of the Bank in all respects.

Financial assets are recognized or derecognized in accordance with "Recognition and Derecognition on Financial Statements" principles defined in the third part of TFRS 9 standard.

The current scope of activities and the services it provides to capital markets require the Bank to maintain a low-risk, high-liquidity portfolio. In this scope, the Bank's business model; high liquidity assets, only Government Domestic Debt Securities issued by the T.C. Undersecretariat of Treasury and liquidity bonds issued by the CBRT for the purpose of "holding" them for use when necessary.

The Bank classifies and accounts for its financial assets as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income", or "Financial assets measured at amortized cost". Such financial assets are recognized or derecognized in accordance with TFRS 9 Financial Instruments principles.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are mentioned below.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Assets (Continued)

Cash, Banks, and Other Financial Institutions

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The carrying values of these assets approximate their fair values.

Funds obtained by borrowing from the other banks, a significant portion of bank guarantees and other liabilities with equity markets is kept in custody banks established in Turkey. While short-term bank accounts are preferred for transaction guarantees due to liquidity sensitivity, the Bank takes into consideration to ensure that these institutions are public banks at the maximum to minimize credit risk. Due to foreign exchange and custody procedures, foreign currency is kept in foreign correspondent institutions.

In addition to the transaction guarantees, the Bank takes into consideration to ensure that the mean value of the banks' accounts held together with equity and short-term liabilities is 1-7 days. They are followed under the heading of financial assets such as cash and cash equivalents in financial statements.

Interest income from banks is recognized as interest income in statement of profit or loss statement.

Financial assets at fair value through profit or loss

The Bank does not have any financial assets classified in this scope.

Financial assets at fair value through other comprehensive income

Securities Representing Shareholding in the Company

Securities portfolio representing the capital share, there are shares belonging to the companies in which the Bank is a partner in the scope of strategic objectives and activity continuity. These investments, which are based on equity, are classified under "Financial assets at fair value through in other comprehensive income".

The shares of the Merkez Kayıt Kuruluşu A.Ş., which owns the majority of its shares, are followed under the heading of subsidiaries in partnership investments.

Financial Assets Measured at Amortised Cost

The Bank does not have any financial assets classified in this scope.

Loans

Loans are financial assets which have fixed payment terms and are not traded in an active market.

The Bank provides cash loans to the brokerage houses at maximum one month maturity however mostly overnight maturity in order to provide efficiency and convenience in capital market transactions within the limits determined by the Board of Directors. Cash loans are classified under the heading "financial assets measured at amortized cost" in the context of "being held for the purpose of obtaining contractual cash flows" and "contractual cash flows representing interest only on principal and principal balance" criteria.

Loans recognized at cost and are valued at amortized cost using the effective interest method.

Explanations on the Impairment of Financial Assets Recognition of Financial Statements of Expected Credit Losses

In accordance with the "Regulation on Procedures and Principles for the Classification of Loans and Provisions to be Issued" published in the Official Gazette dated 22 June 2016 and numbered 29750, the Bank calculates the expected credit loss provision in accordance with TFRS 9 and indicates in its financial statements. Expected credit losses related to cash and cash equivalents under financial assets, other receivables, loans and non-cash loans are calculated and accounted.

Provisions provided by the Bank under TFRS 9; the expected credit loss provision amounts for 12 months and the expected credit loss provision amounts due to a significant increase in the credit risk of the borrower and the expected lifetime credit loss provisions for the default of the debts are considered as special provisions.

For non-impaired financial assets, the expected credit loss provision for twelve months is calculated and set aside for the initial recognition stage. For these financial assets, effective interest rate is used over the gross book value.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. Explanations and Disclosures on Financial Assets (Continued)

Although not available for the reporting period, the expected lifetime credit loss is calculated and set aside for non-impaired financial assets that have significant increase in credit risk after initial recognition. For these financial assets, effective interest rate is used over the gross book value.

Although not available for the reporting period, the expected lifetime credit loss provision is calculated and set aside for financial assets that are purchased or created with impaired loans. For these financial assets, effective interest rate is applied through net book value.

Explanations on the Impairment of Financial Assets to be Taken to Financial Tables of Expected Credit Losses

The definition of default is included in the Communiqué on the calculation of the credit risk amount based on the internal rating approach. It is assumed that the debtor defaults in the event that the debtor is unable to fully pay the debts to the Bank without applying for collateral or if the debtor has delayed more than 90 days to fulfill his significant liabilities to the Bank.

Expected credit losses for financial assets, other receivables and loans under the title Cash and cash equivalents are recognized under "Expected loss reserves (-)" on the asset side of the balance sheet. The total provision for credit losses under TFRS 9 is classified under "12 Months Expected Loss Equivalent- (First Stage)". There is no allowance for credit losses classified under "Significant Increase in Credit Risk (Second Stage)".

The amount of TL 1,574 from prior periods is classified under "Default (Third Stage/Specific Provision)" account.

The expected credit loss provisions calculated for the transactions classified as non-cash loans due to the market where the Bank is the Central Opposite Party and the guarantor are listed under the "Other Provisions" heading on the liabilities side of the balance sheet.

The basic principles for calculating the Bank "Expected credit loss provisions" are as follows:

- Information considered in the expected credit loss accounting should be reasonable, reliable and supportable.
- Country risk is also taken into account when calculating provisions for expected credit losses.
- Provision for loans can be higher than their loan-based counterparts, taking into account the size, type, currency, currency, interest rate structure, borrowing sector, collaterals and similar concentrations over time, credit risk level and management.
- The approach used to assess expected credit losses is consistent with the bank's credit risk management.
- The information used should include the borrower-specific factors, the general economic conditions and the assessment of the effects of these factors and circumstances at the reporting date on the current and future periods. Potential sources of information include the Bank's credit disposal experience, internal or external credit ratings, reports and statistics.
- If the financial instrument is determined to have low credit risk at the reporting date, the Bank may assume that the credit risk in the financial instrument has not increased substantially since the first time it was recognized.

VIII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets has suffered an impairment and whether it meets the classification requirements in accordance with TFRS 9. The Bank determines the amount of the impairment if such indicator exist as mentioned. Related accounting policy is explained in footnote VII.

IX. Explanations on Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and when the Bank has the intention of collecting or paying the net amount of related assets and liabilities or when the Bank has the right to offset the assets and liabilities simultaneously. Otherwise, no offsetting is made with respect to financial assets and liabilities.

X. Explanations on Sales and Repurchase Agreements and Lending of Securities

Repurchase agreements are classified as their purposes on the securities portfolio and evaluated by the principals of the portfolio which they belong to. The Bank has no repurchase transaction as of the balance sheet date.

Receivables from reverse repurchase agreements are accounted for under "Receivables from Reverse Repurchase Agreements" account in the balance sheet. The difference between purchase and sale price determined by these agreements is accrued over the life of agreements according to effective interest rate method.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XI. Explanations on Assets Held for Sale and Discontinued Operations

Assets which satisfy to be classified as held for sale are measured by the lower of carrying value and fair value less costs to sell and these assets are not amortized; and are separately presented in the financial statements. For an asset (or else the group of assets) to be classified as held for sale; the asset should be ready for immediate sale in frequently seen and accustomed terms and the probability of sale should be high. For the probability of sale to be high, appropriate level of management should have made a plan for the sale of the asset (or else the group of assets) and a program should have been initiated in order to determine buyers as well as complete the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or cancelling the plan is low. Certain events and conditions may extend the duration of completion of sale to more than one year.

If such delay arises from any events and conditions beyond the control of the entity and if there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or else group of assets) are continued to be classified as assets held for sale (or else group of assets). A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately.

A discontinued operation is a part of a bank classified as held for sale or held for sale. The results of discontinued operations are presented separately in statement of profit or loss.

The Bank has no assets held for sale as of the balance sheet date. The Bank has no discontinued operations during the period.

XII. Explanations on Goodwill and Other Intangible Assets

As of the balance sheet date, there is no goodwill in the accompanying non-consolidated financial statements of the Bank.

The intangible assets which have been bought before 1 January 2005 are amortized based on historical cost which has been revised according to inflation effects dated 31 December 2004 and the items which have been bought in the following dates are amortized based on purchase cost with the allocation of accumulated depreciation and impairments. The intangible assets are amortized based on straight line amortization regarding useful life periods. The amortization method and period are revised periodically every year.

Intangible assets of the Bank are basically software license costs. There is no criteria applied for determination of amortization period of those assets, but Turkish Tax Legislations have been taken into consideration. Economic useful life of assets acquired before 2004 is determined as 5 years, and the assets acquired in 2004 and in the following periods is determined as 3 years. Economic useful lives determined are in accordance with the criteria stated in the Turkish Accounting Standards-TAS 38-Intangible Assets. Computer programs widely used in the Bank are generated within the Bank by the personnel of the Bank, and the expenses related to those assets are not capitalized. Computer software is only purchased in case of urgent need and special projects.

Within the scope of the agreement made between Borsa Istanbul and NASDAQ, new BISTECH technology, which was developed under Borsa Istanbul's processing system; data distribution; index calculation; market surveillance; reporting systems; and also the Bank's swap and risk management systems, has a useful life of 20 years.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. Explanations on Tangible Assets

Tangible fixed assets are initially recognized at acquisition cost and any other cost incurred so as to get the fixed asset ready for use.

Tangible fixed assets are depreciated with straight-line method. Tangible fixed assets are depreciated with the rates determined by the Ministry of Treasury and Finance based on useful lives. These useful lives are in line with the criteria stated in "TAS 16 - Tangible Assets" released by Turkish Accounting Standards Board. Depreciation Rates for Tangible Fixed Assets are as following:

	Estimated Useful Life (Year)	Depreciation Rate
Buildings	50	2%
Furniture, Fixture and Office Equipment	4 - 15	6,67-25%
Other Tangible Fixed Assets	2 - 16	6,25-50%

Tangible fixed assets are accounted for at cost less accumulated depreciation and impairment, if any. Along with the statement of the property and equipment, the effects of any revaluation according to related regulations are eliminated.

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Maintenance costs of tangible fixed assets are capitalized if they extend the economic useful life of related assets. Other maintenance costs are expensed. There are no pledges, mortgages or other restrictions on the tangible fixed assets.

XIV. Explanations on Leasing Transactions

The Bank as Lessor:

The Bank does not have any leasing transactions as lessor.

The Bank as Lessee:

The Bank does not have any assets which are acquired by financial leasing as of the balance sheet date. Transactions related to the operating lease are accounted according to related contractual provisions and accrual basis.

XV. Explanations on Provisions and Contingent Liabilities

Provisions and contingent liabilities are accounted in accordance with "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets" ("TAS 37").

Provisions on financial statements, if an existing obligation resulting from past events, it is probable that the obligation will be met and the obligation can be reliably measured. Provisions are calculated based on the Bank management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to the fair value where the effect is material.

XVI. Explanations on Liabilities Regarding Employee Benefits

Obligations related to employment termination and vacation rights "Turkey Accounting Standards Regarding Employee Benefits" ("TAS 19") are accounted for in accordance with the provisions.

Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct, and due to marriage, female employees terminating their employments within a year as of the date of marriage, or male employees terminating their employments due to their military service. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No: 19 "Turkish Accounting Standard on Employee Benefits".

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. Explanations on Liabilities Regarding Employee Benefits (Continued)

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Group uses independent actuaries and also makes assumptions and estimation relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations are audited annually. The carrying value of provision for employee termination benefits as of 31 December 2018 is TL 5,640 (31 December 2017: TL 5,900).

Communiqué on "Turkish Accounting Standard (TAS19) about Benefits for Employee (No: 9)" published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (POA) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2013 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. As of 31 December 2018, actuarial loss after deferred tax effect amounting to TL 103 (31 December 2017: TL 1,506 actuarial loss) was classified as "Other Capital Reserves".

XVII. Explanations on Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit at enacted tax rates, and it is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized as taxable profit.

The carrying amount of a deferred tax asset shall be reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled is recognized in income statement as income or expense. Deferred tax that relates to items that are recognized directly in equity, in the same or a different period, is recognized directly in equity. Deferred tax assets and liabilities are netted off.

The current taxes payable and advance taxes are offset since they relate to each other.

The Bank has adjusted its statutory financial statements with inflation accounting as of 1 January 2004 in accordance with Law No. 298.

Some modifications have been made in the tax legislation with Law 4842 published in the Official Gazette number 25088 on 24 April 2003. Under these modifications, investment and development banks, which are not allowed to accept deposit, are allowed to deduct loan loss provisions from the tax base in accordance with item 2 of the article 20 of Banking Law and the amendment introduced by the article 35 of the Law numbered 4842.

Current Tax

The corporate tax rate of 20% implementation on the Corporate Tax Law No. 5520 was taken into effect on 1 January 2006 after being published in the Official Gazette dated 21 June 2006 numbered 26205, will be applied as 22% for corporation earnings for three years from 1 January 2018 with the regulation dated 28 November 2017 numbered 7061. Furthermore, council of ministers has the authority to decrease this ratio to 20% from 22%. The bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. If there is no dividend distribution, no further tax charges are made.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. Explanations on Taxation (Continued)

Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly at a rate of 22% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax. (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss.

Taxes which were not accrued on time because the applying exemption for the transfer of the expemted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warrantors' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Deferred tax is calculated on the tax rates applicable in the period when assets are made or liabilities are fulfilled or on those which are almost certain to be effective; and it is recorded as income or expense in the income statement. Moreover, deferred tax is recognised directly on equity accounts if it is related to the assets directly associated with the equity in the same or another period. Corporate Tax Law has been amended with Article 91 of the Law, No. 7061 effective upon promulgation in the Official Gazette, No. 30261, dated 5 December 2017; and the corporate tax levied on the corporate income has been increased from 20% to 22% to be applied for the income belonging to 2018, 2019 and 2020. The Bank calculates deferred tax at the relevant rates considering the periods in which deferred tax assets and liabilities will be fulfilled.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVIII. Additional Explanations on Funds Borrowed

The Bank has not issued any convertible bonds.

The Bank has not also issued any borrowing instruments.

Cash Warrants Received:

BİAŞ Guarantee Fund, BİAŞ Loan and Share Market, Takasbank Money Market, Loan Share Market, Derivatives Exchange Market, Electricity Market, Leveraged call-put transactions and Warrant Deputy (OPIC), BİAŞ Money Market, BİAŞ Swap Market and Precious Metals and Diamonds Market cash warrant amounts are tracked in asset side under banks account, in liability side under various liabilities account. These funds provide creditor members not to be affected in case debtor members may undergo cash default. Cash warrant mechanisms are created in order to provide continuous cash flow in the market by tracking payments to be made in time and in full amounts.

XIX. Explanations on Issuance of Equity Securities

The Bank does not have any shares issued in the current period.

XX. Explanations on Acceptances

The Bank performs acceptances with its customers simultaneously and follows them in off balance sheet liabilities.

The Bank has no acceptances that have been included as a liability against an asset.

XXI. Explanations on Government Incentives

There are no government incentives utilized by the Bank as of the balance sheet date.

XXII. Explanations on Segment Reporting

Operational segment is distinguishable section of the Bank that has different characteristics from other operational segments per earning and conducts the presentation of service group, associated bank products or a unique product. Reporting on operating segments is disclosed in Note XII in Section Four.

XXIII. Profit Reserves and Profit Distribution

Retained earnings as per the statutory financial statements other than legal reserves, are available for distribution, subject to the legal reserve requirement explained to below.

The legal reserves are comprised of first and second reserves, in accordance with the Turkish Commercial Code ("TCC"). The first legal reserve is appropriated out of the profits at the rate of 5% until the total reserve reaches a maximum of 20% of the Bank's paid in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of the 5% of the Company's share capital; however holding companies are not subject to this application. First and second legal reserves can only be used to compensate accumulated losses and cannot be used for profit distribution unless they exceed 50% of paid-in capital.

XXIV. Related Parties

For the purpose of these financial statements, shareholders, key management personnel and members of the board member together with their families and companies controlled by/subsidiary with them, subsidiaries and joint ventures are considered and referred to as related parties in accordance with TAS 24 "Related Parties".

XXV. Cash and Cash Equivalents

For the purposes of the preparation of statement of cash flows, "Cash" includes cash, effectives, and cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and "Cash equivalents" include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

XXVI. Investment Properties

Investment property consist of the asset that held to earn rentals and/or for capital appreciation and recognized with cost model in accordance with the Turkish Accounting Standard 40 (TAS 40) "Investment Property". Investment properties are recognized at its cost less any accumulated depreciation. Investment property is amortized by normal depreciation method and useful life basis. Gains and losses arising from disposal of an investment property or removal of a tangible asset are determined as the difference between the sales proceeds and the carrying amount of the asset and are included in the income statement.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVII. Reclassifications

TFRS 9 Financial Instruments Standards

In January 2017, the Public Oversight Accounting and Auditing Standards Authority ("the POA") issued the final standard of TFRS 9 financial instruments, which is based on TAS 39. TFRS 9 combines the three phases of the financial instruments accounting project: classification and measurement, impairment and hedge accounting. TFRS 9 is effective on 1 January 2018. In this context, banks have become obliged to apply TFRS 9 as of 1 January 2018 with the "Regulation on Procedures and Principles for Classification of Loans and Provisions to be Issued" published by BRSA in the Official Gazette dated 22 June 2016 and numbered 29750. The effects of the three phases of TFRS 9 are explained below:

Classification and measurement of financial instruments

Financial assets:

TFRS 9 includes a new approach for the classification and measurement of financial assets that impacts the entity's business model and cash flow characteristics. TFRS 9 includes three main categories of financial assets: financial assets measured at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss are expected to continue to be measured at fair value. Financial assets measured at amortized cost or financial assets at fair value difference through other comprehensive income can be classified in accordance with the characteristics of the entity's management model.

Loans and receivables are held to provide contingent cash flows and lead to cash flows from principal and interest. The Bank has analysed the contingent cash flow characteristics of these financial instruments and decided that they should be presented at amortized cost in accordance with TFRS 9. Therefore, the classification of these financial instruments into different categories will not be relevant.

The Bank estimates the expected credit losses over the expected lifetime of the financial instrument with a weighted estimate of the probabilities of credit losses. Moreover, the present value of all cash deficits is estimated. Cash deficit is the difference between the cash flows that must be made to the Bank according to the contract and the cash flows the Bank expects to receive.

Probability of default (PD): It refers to the likelihood of the default of the credit at a certain time. The Bank uses two different probability of default values when calculating the expected credit loss in accordance with TFRS 9:

- 12 Monthly probability of default: estimation of probability of default within 12 months after the reporting date
- Probability of permanent default: Estimation of the likelihood of default of the financial instrument over its expected life

Loss given default (LGD): The economic loss caused by the loan in the event of default on the debts. It is expressed as a ratio.

Defaulted Amount (DA): In the case of cash loans, the amount used represents the realized balance at the date of the report. For non-cash loans and commitments, it is the value calculated by applying the credit conversion rate. The credit conversion rate corresponds to the credit conversion rate used in the adaptation of the possible risk increases between the current date and the default date.

Financial Liabilities:

TFRS 9 maintains the requirements in TAS 39 for the classification of financial liabilities except for allowing accounting of the fair value changes occurred as a result of changes in a financial liability's own credit risk under other comprehensive income for the liabilities designated for fair value option (applicable for instances not affecting the accounting mismatch at large extent). Based on the evaluation of the Bank, it is not anticipated a significant impact regarding accounting of financial liabilities based on the scope of TFRS 9.

A significant impact is not expected within the scope of TFRS 9 financial liabilities.

Impairment

TFRS 9 replaces the "realized losses" model in TAS 39 with the "expected credit loss" model. The new standard creates a "3-step" impairment model (general model) based on the change in credit quality after initial accounting.

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVII. Reclassifications (Continued)

Impairment (Continued)

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

The matters which have the most significant impact on TFRS 9 implementation and may change impairment calculations considerably are presented below:

- Assessment of under which conditions there may be significant increase in credit risk
- Macroeconomic factors, forward looking information and multiple scenarios
- Maximum contractual period over which it is exposed to credit risk to be considered during measurement of expected credit losses
- Definition of default

Hedge accounting

TFRS 9 also includes new hedge accounting rules regarding alignment of the risk management strategies with hedge accounting. During selection of the accounting policies, TFRS 9 gives option of continuing with TAS 39 "Hedge accounting" principles and deferring hedge accounting rules in accordance with TFRS 9.

TFRS 15 Revenue Standard from Customer Contracts

At initial recognition of the financial instruments, the classification depends on the contractual conditions and the relevant business model. TFRS 15 a financial asset or financial liability other than assets that are subject to revenue from customer contracts is measured at fair value on initial recognition. Transaction costs directly attributable to the acquisition or export of financial assets and financial liabilities at fair value through profit or loss other than those at fair value are also added to or deducted from fair value.

TFRS 15 customer contract revenue standard does not have a significant impact on the Bank's accounting policies, financial position and performance.

The classification and measurement of financial assets

The classification and measurement of financial assets in accordance with TFRS 9 standard is determined by the business model in which the financial asset is managed and whether it is based on contractual cash flows including interest payments on principal and principal balance only.

	Before TFRS 9		In scope of TFRS 9	
	31 December 2017		1 January 2018	
	Measurement Bases	Book Value	Measurement Bases	Book Value
Cash Balances and Central Bank	Loans and receivables	480	Measured at amortized cost	480
Banks and Money Markets	Loans and receivables	10,184,317	Measured at amortized cost	10,184,317
Marketable Securities	Financial assets held for trading	-	Fair value through profit and loss	-
	Financial assets available for sale	1,832	Fair value through other comprehensive income	1,832
	Financial assets held to maturity	36,947	Measured at amortized cost	36,947
Derivative Financial Assets	Financial assets held for trading	-	Fair value through profit and loss	-
Loans (Gross)	Loans and receivables	198,856	Measured at amortized cost	198,856

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVII. Reclassifications (Continued)

Explanations on reconciliation of balance sheet items with equity items

Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9

Current Period	Book value before TFRS 9 31 December 2017	Remeasurements	Book value after TFRS 9 1 January 2018
Loans	4,537	(2,670)	1,867
Stage 1 ⁽¹⁾	2,963	(2,670)	293
Stage 2 ⁽¹⁾	-	-	-
Stage 3	1,574	-	1,574
Financial Assets ⁽²⁾	-	15,046	15,046
Non-cash Loans ⁽³⁾	45,176	(22,671)	22,505
Stage 1 and 2	45,176	(22,671)	22,505
Stage 3	-	-	-
Total	49,713	(10,295)	39,418

⁽¹⁾ Represents general provisions for stage 1 and 2 loans before TFRS 9.

⁽²⁾ In accordance with TFRS 9, the related amount includes Amortized Cost, Financial Assets At Fair Value Through Other Comprehensive Income, Banks and Money Market and Other Assets.

⁽³⁾ General provisions for first and second stage non-cash loans before TFRS 9 in the "12.1. General Provisions" column, Special Reserves for third stage Non-cash Loans are included in "12.5 Other Provisions" whereas the expected loss provisions for first, second and third stage non-cash loans under TFRS 9 are classified "10.4 Other Provisions"

Equity Impacts of TFRS 9 Transition

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (TFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018. Within this scope, deferred tax assets amounting to TL 8,326 have been reflected to opening balances on 1 January 2018 and such amount is classified to "Prior Period Profit/Loss" account under shareholders' equity.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVII. Reclassifications (Continued)

Summary information related to the capital shareholders' equity:

	31 December 2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	1 January 2018
Shareholders' equity	1,246,262	-	18,621	1,264,883
Paid-in capital	600,000	-	-	600,000
Capital reserves	37,107	-	-	37,107
Share premiums	33,019	-	-	33,019
Share cancellation profits	-	-	-	-
Other capital reserves	4,088	-	-	4,088
Other comprehensive income/expense items not to be recycled to Profit or Loss	-	-	-	-
Other comprehensive income/expense items to be recycled in Profit or Loss	-	-	-	-
Valuation differences of marketable securities	-	-	-	-
Tangible assets revaluation differences	-	-	-	-
Intangible assets revaluation differences	-	-	-	-
Revaluation differences on investment property	-	-	-	-
Affiliates, subsidiaries and joint ventures bonus share	-	-	-	-
Hedge funds (effective part)	-	-	-	-
Accumulated valuation differences related to assets held for sale and discontinued operations	-	-	-	-
Profit reserves	329,374	-	-	329,374
Legal reserves	66,122	-	-	66,122
Statutory reserves	-	-	-	-
Extraordinary reserves	260,606	-	-	260,606
Other profit reserves	2,646	-	-	2,646
Profit or (loss)	279,781	-	18,621	298,402
Prior years' profits or (loss)	3,410	-	18,621	22,031
Current period profit or (loss)	276,371	-	-	276,371
Total Equity	1,246,262	-	18,621	1,264,883

XXVIII. Explanations on Prior Period Accounting Policies

"TFRS 9 Financial Instruments" standard has been applied instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. The accounting policies for prior period together with the transition to TFRS 9 are stated below.

Explanations and Disclosures on Financial Assets

Financial instruments comprise financial assets and financial liabilities. Financial instruments constitute the basis of Bank's trading activities and operations. The risks related to these instruments comprise a major part of the total risk taken by the Bank. Financial instruments affect liquidity, market and credit risks on the Bank's balance sheet in all respects.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVIII. Explanations on Prior Period Accounting Policies (Continued)

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution, and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. In case of application of settlement date accounting, the institution accounts for the changes that occur in the fair value of the asset in the period between commercial trade date and settlement date as in the assets that the institution settles.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Fair value differences are not accounted for assets carried at cost or amortized cost; gain or loss of financial assets at fair value through profit and loss are reflected in the statement of income; gain or loss of available for sale assets are accounted for under the shareholders' equity.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are mentioned below.

Cash, Banks, and Other Financial Institutions

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The carrying values of these assets approximate their fair values.

Financial Assets at Fair Value through Profit and Loss

These transactions are classified in two categories. (i) Trading securities for the purposes of short term profit taking through sale and buying back in a near future. (ii) The financial assets which are classified as financial assets at fair value through profit or loss by the Bank at inception. The Bank uses such classification above when permitted or for the purposes of providing a more proper disclosure.

In this group, trading securities are initially recognized at cost and measured at fair value on the financial statements. Fair values of debt securities that are traded in an active market are determined based on quoted prices. Securities that are not traded in organized markets and whose fair value cannot be determined reliably are reflected in the financial statements after the provision for impairment losses is deducted.

The difference between initial cost and fair value of financial assets at fair value through profit and loss is reflected to interest income or diminution in value of marketable securities accounts. As explained in detail in Section Six: "Other Explanations and Notes", the realized gains and losses and related interest income/expense accruals of these securities are recorded in related income statement accounts, unless the securities belong to problematic securities intermediary members.

Held to Maturity Investments

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfilment of such intention, including the funding ability. This portfolio excludes loans and receivables. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

Interest income gained from held to maturity investments are accounted for as interest income in income statement.

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SECTION THREE (Continued)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVIII. Explanations on Prior Period Accounting Policies (Continued)

Available for Sale Financial Assets

Available for sale financial assets comprise from all of the securities except originated loans and receivables, held to maturity investments and trading assets. These assets are initially recognized at cost including the transaction costs. The interest income related to securities with fixed and variable interest under available for sale financial assets are recorded in interest income.

After the initial recognition, available for sale securities are measured at fair value and the unrealized gain/loss originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Value Increase Fund" under the equity. At the disposal of available for sale financial assets, value increase/decrease that are recorded in the securities value increase fund under equity are transferred to income statement.

Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

Loans and Specific Provisions

Loans are financial assets which have fixed payment terms and are not traded in an active market.

Loans are initially recognized at cost and measured at amortized cost by using effective interest rate. The duties, charges and other expenses paid for the collaterals obtained against loans are accepted as transaction costs and reflected to customers.

In case of the evidences regarding the uncollectability of the loans given, the Bank classifies these and allocates provision in accordance with the regulations and accounts them in the related period's profit/loss accounts. The collections made related to loans for which provision is made in the current period are offset in "Provision for Loans and Other Receivables" and "Interest Received from Non-performing Loans" account. As per the Bank management's evaluation of the loan book, there is a provision set for the loans and other receivables that may be doubtful or uncollectible in accordance with the related regulations.

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

Explanation on Impairment of Financial Assets

A financial asset or a group of financial assets is recognized only when it occurs after the first recognition of the related asset ("loss/loss event") and the related loss event an impairment loss or impairment arises where the financial asset or the group of assets (or events) has an objective evidence of impairment as a result of the impact on the estimated future cash flows that can be reliably estimated. Irrespective of high probability the expected losses for future events are not recognized.

XXIX. Explanations on Other Matters

None.

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations Related to Components of Shareholders' Equity

The method used for risk measurement in determining capital adequacy standard ratio; Capital Adequacy Standard Ratio is calculated in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks".

The Bank's current period equity capital is TL 1,638,088 (31 December 2017: TL 1,191,401), capital adequacy standard ratio is 19.54% (31 December 2017: 15.23%). Bank's capital adequacy standard ratio is above the minimum rate defined by legislation.

Summary information related to the capital shareholders' equity:

	Current Period	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	600,000	
Share issue premiums	33,019	
Reserves	610,696	
Gains recognized in equity as per TAS	-	
Profit	501,770	
Current Period Profit	479,740	
Prior Period Profit	22,030	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1,745,485	
Deductions from Common Equity Tier 1 Capital	-	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	
Improvement costs for operating leasing	75	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	102,497	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	4,825	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	107,397	
Total Common Equity Tier 1 Capital	1,638,088	

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

	Current Period	Amount related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL	-	
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA (-)	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital+Additional Tier I Capital)	1,638,088	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Tier II Capital Before Deductions	-	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	-	

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

	Current Period	Amount related to treatment before 1/1/2014 ⁽¹⁾
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,638,088	
Deductions from Total Capital	1,638,088	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Three Years	-	
Other items to be defined by the BRSA	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
TOTAL CAPITAL		
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,638,088	
Total risk weighted amounts	8,382,861	
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	19.54%	
Tier 1 Capital Adequacy Ratio (%)	19.54%	
Capital Adequacy Ratio (%)	19.54%	
BUFFERS		
Bank specific total Common Equity Tier 1 Capital requirement (%)	1.875	
a) Capital conservation buffer requirement (%)	1.875	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemic significant bank buffer ratio	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	-	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Remaining Mortgage Servicing Rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	-	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

⁽¹⁾ "The amounts to be taken into account at the end of the transition period are shown for the items subject to the transition provisions under the Provisional Articles of the "Regulation on Shareholders' Equity of Banks".

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

	Prior Period	Amount related to treatment before 1/1/2014 ⁽¹⁾
Common Equity Tier 1 Capital		
Paid-in Capital to be Entitled for Compensation after All Creditors	600,000	
Share Premium	33,019	
Reserves	333,462	
Gains Recognized in Equity as per TAS	-	
Profit	279,781	
Current Period Profit	276,371	
Prior Period Profit	3,410	
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier 1 Capital Before Deductions	1,246,262	
Deductions from Common Equity Tier 1 Capital	-	
Valuation adjustments calculated as per the (i) item of first paragraph of Article 9 of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	
Leasehold Improvements on Operational Leases	80	
Goodwill netted off deferred tax liability	-	
Other intangible assets netted off deferred tax liabilities except mortgage servicing rights	78,476	98,095
Deferred tax assets that rely on future profitability excluding those arising from temporary differences net of related tax liability	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair value of Bank's liabilities	-	
Net amount of defined-benefit plan assets	-	
Direct and indirect investments of the Bank in its own Tier 1 Capital	-	
Excess amount expressed in the law Article 56 4th paragraph	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued share capital amount above 10% threshold	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions amount above 10% threshold of Tier 1 Capital	-	
Mortgage servicing rights amount above 10% threshold of Tier 1 Capital	-	
Deferred tax assets arising from temporary differences amount above 10% threshold, net of related tax liability	-	
Amounts exceeding 15% of Tier 1 Capital according to Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks 2nd article temporary second paragraph	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible long positions, where the bank does not own more than 10% of the issued common share capital of the entity amount above 10% threshold	-	
Amounts related to mortgage servicing rights	-	
Excess amount of deferred tax assets from temporary differences	-	
Other Items Determined by BRSA	3,860	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	82,416	
Total Common Equity Tier 1 Capital	1,163,846	

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

	Prior Period	Amount related to treatment before 1/1/2014 ⁽¹⁾
Additional Tier 1 Capital	-	
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Additional Tier 1 Capital before deductions	-	
Deductions from Additional Tier 1 Capital	-	
Bank's direct or indirect investment on its own Tier 1 Capital	-	
Investments in equity instruments issued by banks or financial institutions invested in Bank's additional Tier I Capital which are compatible with the article 7 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial		
Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier 1 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other Items Determined by BRSA	-	
Items to be deducted from Tier I Capital during the Transition Period	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	19,619	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Bank Capital (-)	-	
The amount to be deducted from Additional Tier 1 Capital (-)	-	
Total Deductions from Additional Tier 1 Capital	19,619	
Total Additional Tier 1 Capital	19,619	
Total Tier 1 Capital (Tier 1 Capital=Common Equity+Additional Tier 1 Capital)	1,144,227	
Tier 2 Capital	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Provisions (Amounts stated in the first paragraph of the article 8 of the Regulation on the Bank Capital)	48,139	
Tier 2 Capital Before Deductions	48,139	
Deductions From Tier 2 Capital	-	
Bank's direct or indirect investment on its own Tier 2 Capital (-)	-	
Investments in equity instruments issued by banks and financial institutions invested in Bank's Tier II Capital which are compatible with Article 8 of the regulation	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial		
Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of Common Equity Tier 1 Capital (-)	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier 2 Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier 1 Capital	-	
Other Items Determined by BRSA (-)	965	
Total Deductions From Tier 2 Capital	965	
Total Tier 2 Capital	47,174	

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

	Prior Period	Amount related to treatment before 1/1/2014 ⁽¹⁾
Total Capital (The sum of Tier 1 and Tier 2 Capital)	1,191,401	
The sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	1,191,401	
Loan granted to Customer against the Articles 50 and 51 of the Banking Law	-	
Net Book Values of Immovables Exceeding 50% of the Equity and of Assets Acquired against Overdue Receivables and Held for Sale as per the Article 57 of the Banking Law but Retained More Than Five Years	-	
Other items to be defined by the BRSA	-	
Items to be deducted from the sum of Tier I and Tier II Capital ("Capital") during the Transition Period	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Common Equity, Additional Tier 1 Capital, Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of direct or indirect investments made in Additional Tier 1 and Tier 2 Capital items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank not to be deducted from the Additional Tier 1 Capital and Tier 2 Capital as per the 1st clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Portion of the total of net long positions of investments made in Common Equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital, deferred tax assets based on temporary differences and mortgage servicing rights not deducted from Common Equity as per the 1st and 2nd Paragraph of the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Total Capital	1,191,401	
Total Capital (Sum of Tier 1 and Additional Tier1)	1,191,401	
Total Risk Weighted Assets	7,825,093	
Capital Adequacy Ratios	-	
Common Equity Tier 1 Capital Adequacy Ratio (%)	14.87	
Tier 1 Capital Adequacy Ratio (%)	14.62	
Capital Adequacy Ratio (%)	15.23	
Buffers	-	
Total buffer requirement (a+b+c)	1.250	
a) Capital conservation buffer requirement (%)	1.250	
b) Bank specific counter-cyclical buffer requirement (%)	-	
c) Systemically important banks buffer ratio (%)	-	
The ratio of Additional Common Equity Tier 1 capital to Risk Weighted Assets calculated based on the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers (%)	-	
Amounts below the Excess Limits as per the Deduction Principles	-	
Amounts arising from the net long positions of investments made in Total Capital items of banks and financial institutions where the Bank owns 10% or less of the issued common share capital	-	
Amounts arising from the net long positions of investments made in Tier 1 Capital items of banks and financial institutions where the Bank owns 10% or more of the issued common share capital	-	
Mortgage servicing rights	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Limits related to provisions considered in Tier 2 Calculation	-	
General provisions for standard based receivables (before ten thousand twenty five limitation)	48,139	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	48,139	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	-	
Upper limit for Additional Tier 1 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 1 Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier 2 Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier 2 Capital subjected to temporary Article 4	-	

⁽¹⁾ The amounts to be taken into account at the end of the transition period are shown for the items subject to the transition provisions under the Provisional Articles of the "Regulation on Shareholders' Equity of Banks".

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

Informations on addition debt instruments to shareholders' equity calculating:

None.

Explanations on reconciliation of balance sheet items with equity items:

The main difference between the amount of "Equity" given in the equity table and the amount of "Equities" in balance sheet arising from loans classified under stage I and stage II. The portion of the stage 1 and stage 2 provisions up to 1.25% of the amount subject to credit risk is considered as Additional Capital in the calculation of the "Equity" amount given in the equity table. Operating lease development costs, intangible assets and related deferred tax liabilities that are accounted for under Property, Plant and Equipment are considered in the calculation as "Assets Deducted from Capital" in the calculation of "Equity" amount.

Information on applied approaches in order to evaluate internal capital adequacy within the scope of internal capital adequacy evaluation of internal capital requirement in terms of future and current activities:

The evaluation period for internal capital adequacy in the Bank has been designed within in accordance with the principle of proportionality and is consistent with the Guidelines on ISEDES Report and Guidelines on Stress Tests To Be Used By Banks For Capital and Liquidity Planning which is published by the Banking Regulation and Supervision Agency, and with the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process (ISEDES) which entered into effect upon being published in Official Gazette No. 29057 dated 11 July 2014.

The Bank is in compliance with the said regulation and good practice guidelines in line with its small-scale structure, task environment, and requirements. In accordance with ISEDES, it is aimed for the Bank to internally determine a level of capital which covers the risks it has faced or is likely to face and to continue its operations with capital above that level. Maximum attention is paid to the ISEDES processes so that they are implemented with a long-term view and are risk focused, internalized within the Bank and that its consequences are used in the decision-making process.

Evaluations of the Bank's capital and liquidity adequacy are done from a risk-based perspective, considering the strategic plan, three-year budget projections, bank policies on capital adequacy, liquidity and funding, risk measurement outcomes for risks that the company is exposed to, ISEDES and stress test reports. Within this scope, activities performed and services provided by the Bank are considered. The Bank determines its capital level in such a way that it is above the minimum level and legal ratios required by the legal regulations of the Banking Regulation and Supervision Agency, and so that it is able to continue all its operations. Also, scenario analyses, and particular, plenary, and reverse-stress tests are done in order to measure the effects of parameters that affect the financial power of the Bank at the capital level. In addition, via sensitivity analyses, primary and secondary structural block risks that the Bank is exposed to are determined within the scope of the proportionality principle.

The Bank takes stress tests, scenario analyses, risk appetites, the capital plan, the strategic plan and budget, the emergency and unexpected situation action plan for various risks, and other issues deemed necessary into consideration, and calculates and establishes a capital planning buffer, which is designed to prevent the capital adequacy level from becoming lower than the internal and legal minimum capital adequacy over the next three years as a result of possible negative situations and losses. The capital planning buffer is determined by considering worst case scenarios. Whether the current capital adequacy rates of the Bank are above the internal capital adequacy rate calculated in the scope of the stress test and described as the target ratio is evaluated and the internal capital buffer is calculated.

According to the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks", the ISEDES report and the Stress Test report are prepared annually with the participation of all relevant units of the Bank and the coordination of the Risk Management Unit. These reports are approved by the Board of Management or the Bank after being examined.

The senior management of the Bank and members of the Board of Management are jointly responsible for designing ISEDES and its implementation within the Bank. All units of the Bank execute their duties, authorities, and responsibilities which are within the scope of ISEDES in accordance with their own regulations. The inspection report regarding the data, systems, and processes is prepared by the Internal Audit Unit, and the validation report regarding the models and/or methods that are used for risk measurement within the scope of the internal capital adequacy calculation is prepared by the Internal Control and Compliance Unit.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Credit Risk

The Board of Management is responsible for Bank operations performed within the scope of credit risk management and these operations are performed in compliance with the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks" and the "Regulation on Measuring and Reviewing Capital Adequacy of Banks". When calculating capital adequacy rates, the amount which is taken as a basis for credit risk and which is calculated via a standard method is considered.

The Bank also calculates counterparty credit risk for banking accounts due to reverse-repo transactions, and these amounts are taken into consideration in the amount used as a basis for credit risk.

The debtors of the cash and non-cash loans extended by the Bank are financial sector companies.

Credit limits are categorised according to the Bank's credit types. The assigned credit limits are determined for cash and non-cash by taking the credit types into consideration. Loans provided are further classified as having (1-12) month, (12-24) month, or (24+) month maturity. In addition, the maturity of the cash loans provided are maximum six months and there are frequent financial futures between 30-40 days. Loans provided by the Bank provides efficiency and convenience in capital market transactions, helps intermediary institutions benefit from barter debts through timely/early clearing of debts, and helps markets gains more depth. Since payments and collections are secured by the Bank in the Takasbank money market, which is similar to an interbank money market, these transactions are followed under non-cash loan items.

The Bank operates as a central counterparty in the Securities Lending Market, the Futures and Options Market, Borsa İstanbul Equity Market, Borsa İstanbul Debt Securities Market and BİAŞ Swap Market, Borsa İstanbul Money Market and the liabilities in the related markets are also non-cash loans in terms of the Bank.

Credit transactions bear credit risk. This risk can be defined as the possibility that the members and guarantors who use the credit do not fulfil the liabilities defined in agreements and that they have undertaken beforehand in written form.

The risk limits and allocations determined for daily transactions and concentrations related to off-balance sheet risks are monitored daily.

The credit worthiness of borrowers is monitored regularly in accordance with the related legislation. Independently audited financial statements of the borrowers prepared as per the regulation of Capital Markets Board are examined for the loans extended. The credit limits are amended according to the financial positions of the companies and collaterals against loans are taken in accordance with the application principles for lending operations. After the financial analysis, investigation and other examinations performed on the companies applying for loans, loan limits are proposed to the Board of Directors for approval. Loan limits become effective after approved by the Board of Directors. Limit change requests are revised on a six monthly basis unless substantive changes occur in the financial positions of customers.

The Bank has not been exposed to credit risk since the risk is minimized by receiving collaterals and determining loan limits according to the financial strength of the companies. Therefore, in the short term, there is no specific need to enter into any transaction to decrease or terminate its credit exposure.

The Bank has no liquidated non-cash loans, restructured loans or long-term commitments.

The Bank has no lending and banking transactions in foreign countries.

The Bank calculates general provisions for credit risk and receives cash and/or cash equivalent collaterals.

As of the balance sheet date;

Number of cash loan customer	4	Loans
Number of non cash loan customers	163	Loans
Amount of general provisions for credit risks	20	TL
Amount of specific provisions for credits under follow-up	1,574	TL

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Credit Risk (Continued)

Total amount of incurred risks after offsetting transactions (before credit risk reduction), regardless of the credit risk reduction (deducting from provisions), and average amount of risks separated according to different risk classes and types for the related period:

Risk Classifications	Current Period Risk Amount	Average Risk Amount
Contingent and Non-Contingent Receivables from Central Governments and Central Banks	1,656,593	1,026,388
Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-
Contingent and Non-Contingent Receivables from International Organizations	-	-
Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries	18,173,492	19,919,547
Contingent and Non-Contingent Corporate Receivables	8,907,698	8,935,796
Contingent and Non-Contingent Retail Receivables	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property	-	-
Past Due Loans	-	-
Higher-Risk Receivables Defined by BRSA	-	-
Marketable Securities Collateralized Mortgages	-	-
Securitization Exposures	-	-
Short-Term Receivables from Banks and Corporate	-	-
Other Receivables	244,473	223,980
Risk Classifications	Prior Period Risk Amount	Average Risk Amount
Contingent and Non-Contingent Receivables from Central Governments and Central Banks	884,463	437,634
Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-
Contingent and Non-Contingent Receivables from International Organizations	-	-
Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries	19,191,056	17,822,788
Contingent and Non-Contingent Corporate Receivables	7,987,461	5,421,299
Contingent and Non-Contingent Retail Receivables	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property	-	-
Past Due Loans	-	-
Higher-Risk Receivables Defined by BRSA	-	-
Marketable Securities Collateralized Mortgages	-	-
Securitization Exposures	-	-
Short-Term Receivables from Banks and Corporate	-	-
Other Receivables	386,334	356,092

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Credit Risk (Continued)

Geographical distribution of risk amounts decomposed as part of significant risk group

	Risk Classification						
	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses	Conditional and unconditional exposures to corporates
Current Period							
Domestic	1,656,593	-	-	-	-	18,079,936	8,907,698
European Union Countries	-	-	-	-	-	77,234	-
OECD Countries ⁽¹⁾	-	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	16,322	-
Other Countries	-	-	-	-	-	-	-
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-
Total	1,656,593	-	-	-	-	18,173,492	8,907,698
Prior Period							
Domestic	884,463	-	-	-	-	19,121,613	7,987,461
European Union Countries	-	-	-	-	-	68,458	-
OECD Countries ⁽¹⁾	-	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	985	-
Other Countries	-	-	-	-	-	-	-
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽²⁾	-	-	-	-	-	-	-
Total	884,463	-	-	-	-	19,191,056	7,987,461

⁽¹⁾ OECD Countries excluding European countries, USA and Canada

⁽²⁾ Assets and liabilities that cannot be allocated on a consistent basis

Risk Classification

Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form bonds secured by mortgages	Securitization Positions	Short term exposures to banks, brokerage houses and corporates	Exposures in the form of collective investment undertakings	Other Receivables	Total
-	-	-	-	-	-	-	-	244,473	28,888,700
-	-	-	-	-	-	-	-	-	77,234
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	16,322
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	244,473	28,982,256
-	-	-	-	-	-	-	-	386,334	28,379,871
-	-	-	-	-	-	-	-	-	68,458
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	985
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	386,334	28,449,314

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Credit Risk (Continued)

Risk profile by sector or counterparties

Current Period	Conditional and unconditional exposures to central governments or central banks	Conditional and unconditional exposures to regional governments or local authorities	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional exposures to multilateral development banks	Conditional and unconditional exposures to international organisations	Conditional and unconditional exposures to banks and brokerage houses
Agriculture	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-
Forestry	-	-	-	-	-	-
Fishery	-	-	-	-	-	-
Industry	-	-	-	-	-	-
Mining and Quarry	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-
Electricity, Gas and Water	-	-	-	-	-	-
Construction	-	-	-	-	-	-
Services	-	-	-	-	-	18,173,492
Wholesale and Retail Trade	-	-	-	-	-	-
Accommodation and Dining	-	-	-	-	-	-
Transportation and Telecom	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	18,173,492
Real Estate and Rental Services	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-
Other ⁽²⁾	1,656,593	-	-	-	-	-
Total	1,656,593	-	-	-	-	18,173,492

Conditional and unconditional exposures to corporates	Conditional and unconditional retail exposures	Conditional and unconditional exposures secured by real estate property	Past due receivables	Receivables defined in high risk category by BRSA	Exposures in the form of bonds secured by mortgages	Investments similar to collective investment fund	Other receivables	TL	FC	Total
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
8,907,698	-	-	-	-	-	-	-	22,477,855	4,603,335	27,081,190
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
8,907,698	-	-	-	-	-	-	-	22,477,855	4,603,335	27,081,190
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	244,473	1,901,066	-	1,901,066
8,907,698	-	-	-	-	-	-	244,473	24,378,921	4,603,335	28,982,256

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Credit Risk (Continued)

Analysis of maturity-bearing exposures according to remaining maturities

Exposures Classifications-Current Period		Term to Maturity				Over 1 year
		1 Month	1-3 Months	3-6 Months	6-12 Months	
1	Conditional and unconditional exposures to central governments or central banks	1,656,593	-	-	-	-
2	Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
3	Conditional and unconditional receivables from administrative units and noncommercial enterprises	-	-	-	-	-
4	Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
5	Conditional and unconditional exposures to international organisations	-	-	-	-	-
6	Conditional and unconditional exposures to banks and brokerage houses	17,634,442	510,637	27,771	642	-
7	Conditional and unconditional exposures to corporates	6,116,101	1,928,513	863,084	-	-
8	Conditional and unconditional retail exposures	-	-	-	-	-
9	Conditional and unconditional exposures secured by real estate property	-	-	-	-	-
10	Past due receivables	-	-	-	-	-
11	Receivables defined in high risk category by BRSA	-	-	-	-	-
12	Exposures in the form of bonds secured by mortgages	-	-	-	-	-
13	Securitization Positions	-	-	-	-	-
14	Short term exposures and corporate exposures from banks and brokerage houses	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-
16	Other receivables	244,473	-	-	-	-
Total		25,651,609	2,439,150	890,855	642	-

Information about the risk exposure categories:

The credit rating of Banks, intermediary institutions and other financial institutions are inspected via the Takasbank Internal Credit Evaluation System and credit or position limits based on the maximum nominal limits or value at risk limits, which can be assigned within the scope of banking or central counterparty actions are determined. The membership types of banks and intermediary institutions which will perform the transaction in the market, or the capital market instruments that are provided by the central counterparty service, are also determined by this system.

There are no financial assets, the maturity or contract conditions of which are revised again (31 December 2017: None).

Details on the Bank's overdue depreciated financial assets are provided in the fifth chapter, first part, and footnote Note 5 of the report.

Exposures by risk weights:

Risk Weights Current Period	0%	10%	20%	50%	75%	100%	150%	Deductions from Equity
Exposures before credit risk mitigation	652,724	-	20,722,037	7,313,082	-	294,413	-	-
Exposures after credit risk mitigation	2,777,571	-	18,599,962	7,310,310	-	294,413	-	-

Informations in terms of major sectors and type of counterparties:

None.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Credit Risk (Continued)

Information related to impairment and loan loss provisions

Current Period	Opening Balance	Charge for Period	Provision Reversals	Other Adjustments	Closing Balance
Specific Provisions	1,574	-	-	-	1,574
General Provisions	48,139	-	48,139	-	-

Current Period	Opening Balance	Charge for Period	Provision Reversals	Other Adjustments	Closing Balance
Stage 1 provisions	-	-	-	-	-
Stage 2 provisions	-	-	46,602	(46,602)	-
Default (Stage 3/Specific provisions)	-	-	-	1,574	1,574

III. Explanations Related to Market Risk

The Bank's market risk management operations are conducted in compliance with the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks" and the "Regulation on Measuring and Reviewing Capital Adequacy of Banks" and within the scope of the responsibility of the Board of Directors.

In the in-balance sheet and off-balance sheet accounts, interest and currency risks that arise from the fluctuations of the positions held by the Bank in financial markets are measured. When calculating capital adequacy rates, the amount which is taken as a basis for market risk, which is calculated using the standard method shown in the table below, is taken into consideration.

Explanations related to market risk

	Current Period	Prior Period
(I) Capital Requirement against General Market Risk - Standard Method	-	-
(II) Capital Requirement against Specific Risks - Standard Method	-	-
Capital requirement against Specific Risks of Securitisation Positions- Standard Method	-	-
(III) Capital Requirement against Currency Exchange Risk - Standard Method	1,275	807
(IV) Capital Requirement against Commodity Risks - Standard Method	-	-
(V) Capital Requirement against Exchange Risks - Standard Method	-	-
(VI) Capital Requirement against Market Risks of Options - Standard Method	-	-
(VII) Capital requirement against Counterparty Credit Risks - Standard Method	-	-
(VIII) Capital Requirement against Market Risks of Banks applying Risk Measurement Model	-	-
(IX) Total Capital Requirement against Market Risk (I+II+III+IV+V+VI+VII)	1,275	807
(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x IX)	15,938	10,088

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

III. Explanations Related to Market Risk (Continued)

	Current Period			Prior Period		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest rate risk	-	-	-	4	8	-
Equity risk	-	-	-	-	-	-
Foreign exchange risk	1,427	2,374	763	933	1,516	463
Commodity risk	-	-	-	-	-	-
Swap risk	-	-	-	-	-	-
Option risk	-	-	-	-	-	-
Counterparty credit risk	-	-	-	-	-	-
Total Value at Risk	1,427	2,374	763	937	1,524	463

Information on counterparty credit risk:

Bank has no counterparty credit risk for purchase and sell accounts as of 31 December 2018 (31 December 2017: None).

IV. Explanations Related to the Operational Risk

The Bank's market operational risk management activities are conducted in compliance with the "Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks" and the "Regulation on Measuring and Reviewing the Capital Adequacy of Banks" and within the scope of the responsibility of the Board of Directors. When calculating the capital adequacy rates, the amount which is taken as a basis for operational risk is calculated using the basic indicator approach method. Balance subject to operational risk is calculated by considering gross income of prior three fiscal years 2018, 2017 and 2016. The amount subject to Operational Risk for the current period is TL 993,119 (31 December 2017: TL 697,363).

a) Operational risk amount is measured by basic indicator approach on a yearly basis.

b) In case of basic indicator approach is used, information in below table should be used:

Current Period	31 December 2015	31 December 2016	31 December 2017	Total/Total number of years	Rate (%)	Total
Gross Income	360,185	470,222	758,583	529,663	15	79,450
Amount subject to operational risk (Total*12.5)						993,119

Current Period	31 December 2015	31 December 2016	31 December 2017	Total/Total number of years	Rate (%)	Total
Gross Income	285,373	360,185	470,222	371,927	15	55,789
Amount subject to operational risk (Total*12.5)						697,363

c) The Bank is not using standard method.

d) The Bank is not using alternative execution in standard method.

e) The Bank is not using advanced measurement method.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations Related to Currency Risk

The Bank is subject to the reserve requirements in relation to the foreign currency guarantees received for the Stock Exchange Money Market, Derivatives Market, Precious Metals and Diamonds Market, BİAŞ Money Market, BİST Share Market, BİST Debt Instruments Market, BİAŞ Swap Market, collaterals obtained for cash loans and non-cash loans and foreign currency amounts deposited in the Bank's accounts as guarantee and the foreign currency amounts left in the unrestricted accounts of customers consisting of banks and brokerage firms except the foreign settlement transaction commissions and foreign currency amounts kept for its own transactions in accordance with the agreements made in foreign currencies. Therefore, the Bank performs its obligations in two-weekly periods in ratios designated in blocked accounts of the Central Bank of Turkey. The foreign currency amounts, kept due to the reserve requirements, are creating an excess amount of assets with regard to the ratio of assets to liabilities.

The Bank calculated foreign exchange assets of TL 15,953 (31 December 2017: TL 10,086) of assets the net position between assets and liabilities in foreign currency, and recognised it in the amount basis to market risk.

Recognizing FX transactions of the Bank, the risk management policy that is also regarded in TL transactions is used and asset liability is managed so as not to be exposed to foreign exchange risk in transactions that affect FX assets and liabilities.

The Bank's foreign CBRT exchange bid rates as of the date of the financial statements and five working days prior to that date:

Current Period	1 USD	1 EUR	1 GBP	100 JPY
Current exchange purchase rate on balance sheet day	5.2609	6.0280	6.6528	4.7547
Exchange purchase rate on 1 st business day	5.2889	6.0245	6.6761	4.7579
Exchange purchase rate on 2 nd business day	5.2832	6.0185	6.6954	4.7690
Exchange purchase rate on 3 rd business day	5.3034	6.0419	6.7245	4.7973
Exchange purchase rate on 4 th business day	5.2926	6.0291	6.6877	4.7538
Exchange purchase rate on 5 th business day	5.2746	6.0342	6.6718	4.7311
Simple arithmetic averages for last 31 days	5.3061	6.0387	6.7158	4.7125

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations Related to Currency Risk (Continued)

Information on the foreign currency risk of the Bank:

Current Period	EURO	USD	Other	Total
Assets				
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	78,914	-	78,914
Banks	1,796,175	2,721,291	4,788	4,522,254
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	661	-	-	661
Loans	-	-	-	-
Investments in associates, subsidiaries and joint ventures	-	-	-	-
Financial assets measured at amortised cost	-	-	-	-
Hedging derivative financial assets	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	115	1,391	-	1,506
Total assets	1,796,951	2,801,596	4,788	4,603,335
Liabilities				
Bank deposits	-	-	-	-
Foreign currency deposits	-	-	-	-
Money market funds	-	-	-	-
Funds provided from other financial institutions	1,109,156	1,663,301	-	2,772,457
Securities issued	-	-	-	-
Funds	684,376	1,126,779	3,788	1,814,943
Total liabilities	1,793,532	2,790,080	3,788	4,587,400
Net balance sheet position	3,419	11,516	1,000	15,935
Net off-balance sheet position	-	-	-	-
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-
Prior period				
Total assets	1,970,032	2,469,478	8,271	4,447,781
Total liabilities	1,968,257	2,461,690	7,748	4,437,695
Net balance sheet position	1,775	7,788	523	10,086
Net off-balance sheet position	-	-	-	-
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

V. Explanations Related to Currency Risk (Continued)

Information on the foreign currency risk of the Bank (Continued)

Exposure to currency rate risk

The Bank is mainly exposed to currency risk in EUR, USD and other currencies. The following table shows the Bank's sensitivity to the 10% increase and decrease in the related currencies. The relevant rate indicates the possible change in the exchange rate of the Bank's management.

This analysis is based on the assumption that all other variables, especially interest rates, remain stable.

	Current Period		Prior Period	
	EUR	USD	EUR	USD
Change in net asset value when the TL depreciated by 10% against the related FX	342	1,152	178	779
Change in net asset value when the TL gains 10% against the related FX	(342)	(1,152)	(178)	(779)

VI. Explanations Related to Interest Rate Risk

Interest rate sensitivity of the assets, liabilities and off-balance sheet items are measured by the Bank.

Forecast results which have been formed using estimation-simulation reports are prepared and then the effects of fluctuations in interest rates are evaluated with sensitivity and scenario analyses. Cash requirement for every maturity period are determined based on maturity distribution analysis (Gap). In addition, a positive spread between the yield on assets and the cost of liabilities is kept while determining interest rates.

To evaluate its funding resources, the Bank enters into foreign currency and TL depot transactions, repurchase agreements, time and demand deposit transactions and foreign exchange transactions with the Central Bank of Turkey or other banks. The related transactions undertaken by the Fund Management Department are made with the banks having transaction limits designated by the Board of Directors under the regulations set out in "Treasury Transaction Limits".

Other than securities guaranteed or issued by the Ministry of Treasury and Finance, the Bank does not include any debt instruments in its portfolio during the year 2018. The Bank does not undertake any liability due to using derivative financial instruments attributable to its transactions in evaluating its funding resources.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations Related to Interest Rate Risk (Continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

31 December 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing ⁽²⁾	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic Turkey	78,914	-	-	-	-	123	79,037
Banks	10,257,108	532,911	-	-	-	94,819	10,884,838
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
Money market placements	645,263	-	-	-	-	-	645,263
Financial assets at fair value through other comprehensive income	-	-	-	-	-	3,082	3,082
Loans	14,800	-	-	-	-	(20)	14,780
Financial assets measured at amortised cost	-	-	-	-	-	-	-
Other assets ⁽¹⁾	63	-	-	-	-	168,120	168,183
Total assets	10,996,148	532,911	-	-	-	266,124	11,795,183
Liabilities							
Bank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market funds	-	-	-	-	-	-	-
Miscellaneous payables	1,888,084	-	-	-	-	4,609,494	6,497,578
Marketable securities issued	-	-	-	-	-	-	-
Funds borrowed from other financial institutions	3,424,978	-	-	-	-	436	3,425,414
Other liabilities ⁽¹⁾	-	-	-	-	-	1,872,191	1,872,191
Total liabilities	5,313,062	-	-	-	-	6,482,121	11,795,183
Balance sheet long position	5,683,086	532,911	-	-	-	-	6,215,997
Balance sheet short position	-	-	-	-	-	(6,215,997)	(6,215,997)
Off-balance sheet long position	-	-	-	-	-	-	-
Off-balance sheet short position	-	-	-	-	-	-	-
Total position	5,683,086	532,911	-	-	-	(6,215,997)	-

⁽¹⁾ Explanations of other assets and other liabilities are provided below.

⁽²⁾ Expected credit loss provisions recognized under TFRS 9 are presented in the "Non interest bearing" column.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations Related to Interest Rate Risk (Continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates): (Continued)

Other Assets	Current Year Balance
Intangible assets	102,497
Custody services commission rediscount	14,407
Tangible assets	11,847
Temporary accounts	11,493
Investment properties	9,187
Deferred tax asset	8,662
Sundry assets	5,171
Subsidiaries	4,825
Stationary supplies	94
Total	168,183
Other Liabilities	Current Year Balance
Shareholder's equity	1,745,485
Provisions	76,086
Current tax liability	50,620
Total	1,872,191

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations Related to Interest Rate Risk (Continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates): (Continued)

31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
Assets							
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the Central Bank of the Republic Turkey	-	-	-	-	-	480	480
Banks	9,159,396	933,919	-	-	-	70,169	10,163,484
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-
Money market placements	20,833	-	-	-	-	-	20,833
Financial assets available-for-sale	-	-	-	-	-	1,832	1,832
Loans	198,856	-	-	-	-	-	198,856
Held-to-maturity investments	-	-	36,947	-	-	-	36,947
Other assets ⁽¹⁾	1	-	-	-	-	141,996	141,997
Total assets	9,379,086	933,919	36,947	-	-	214,477	10,564,429
Liabilities							
Bank deposits	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-
Money market funds	34,737	-	-	-	-	-	34,737
Miscellaneous payables	3,090,414	-	-	-	-	2,880,204	5,970,618
Marketable securities issued	-	-	-	-	-	-	-
Funds borrowed from other financial institutions	3,185,696	-	-	-	-	18,888	3,204,584
Other liabilities ⁽¹⁾	-	-	-	-	-	1,354,490	1,354,490
Total liabilities	6,310,847	-	-	-	-	4,253,582	10,564,429
Balance sheet long position	3,068,239	933,919	36,947	-	-	-	4,039,105
Balance sheet short position	-	-	-	-	-	(4,039,105)	(4,039,105)
Off-balance sheet long position	-	-	-	-	-	-	-
Off-balance sheet short position	-	-	-	-	-	-	-
Net position	3,068,239	933,919	36,947	-	-	(4,039,105)	-

⁽¹⁾ Explanations of other assets and other liabilities are provided below.

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VI. Explanations Related to Interest Rate Risk (Continued)

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates): (Continued)

Other Assets	Prior Period Balance
Intangible assets	98,095
Custody services commission rediscount	9,906
Investment properties	9,495
Temporary accounts	8,304
Tangible assets	7,437
Subsidiaries	4,825
Sundry assets	3,881
Stationary supplies	53
Total	141,997
Other Liabilities	Prior Period Balance
Shareholder's equity	1,246,262
Provisions	82,062
Current tax liability	26,166
Total	1,354,490

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations Related to Interest Rate Risk (Continued)

Average interest rates applied to monetary financial instruments (%):

Current Period End Balance	EUR	USD	JPY	TL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	2.50	-	-
Due from other banks	2.99	5.51	-	24.28
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	20.40
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans	-	-	-	24.90
Financial assets measured at amortized cost	-	-	-	-
Liabilities				
Bank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	23.27
Securities issued	-	-	-	-
Funds borrowed	0.12	2.40	-	23.40
Prior Period End Balance	EUR	USD	JPY	TL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-
Due from other banks	2.47	4.42	-	13.22
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	10.43
Financial assets available-for-sale	-	-	-	-
Loans	-	-	-	13.17
Held-to-maturity investments	-	-	-	11.63
Liabilities				
Bank deposits	-	-	-	-
Other deposits	-	-	-	-
Money market borrowings	-	-	-	12.75
Other creditors	-	-	-	12.27
Securities issued	-	-	-	-
Funds provided from other financial institutions	0.03	1.66	-	11.82

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VI. Explanations Related to Interest Rate Risk (Continued)

Interest rate risk on banking accounts:

Type of Currency	Shock Applied (+/- x basis point)	Gains/(Losses)	Gains/Equity (Losses)/Equity
TL	(+) 500 bp	31,473	1.80
TL	(-) 400 bp	22,226	1.27
EUR	(+) 200 bp	234	0.01
EUR	(-) 200 bp	(234)	(0.01)
USD	(+) 200 bp	(307)	(0.02)
USD	(-) 200 bp	307	0.02
Total (of negative shocks)		22,299	1.28
Total (of positive shocks)		31,400	1.80

VII. Equity Share Position Risk in Banking Accounts

As of 31 December 2018, the Bank has no equity share position risk arising from the equity share and banking accounts (31 December 2017: None).

VIII. Explanations Related to Liquidity Risk

The Bank pays attention to work under guarantees and committed to keeping most of its TL funds in liquid to meet the risks arising from transactions with Takasbank Money Market, Loan Share Market, Futures and Options Market, BIST Money Market, BIST Share Market, BIST Debt Instruments Market, BİAŞ Swap Market and other transactions.

The Bank's main liquidity management strategy is effectively handling of all Money Market Instruments and this instruments' potential risks have influence upon the Bank's balance sheet. Even in the most uncertain market conditions, the Bank maintains risk minimization through reducing risks of market instruments, diversifying instruments, matching of maturities, and obtaining optimum liquidity level. For this reason, the Bank is significantly liquid and is a fund provider in the Over-the-Counter Money Market and CB Interbank markets. Turkish Lira and foreign currency sales transactions with banks are done within the limits determined by the Board of Directors and the compliance of these transactions with limit conditions are controlled by the Internal Control and Legal Compliance Unit periodically.

The interest rates of payments, assets and liabilities are matched. Since there is no mismatch, there is no need for the measurement of the effect on profitability.

The Bank's short and long-term liquidity needs are met by internal and external resources.

Cash warrants that are received for cash flows of the Bank, amounts that are kept in its equities and members' free accounts, BİAŞ Guarantee Fund, BİAŞ Loan and Share Market, Takasbank Money Market, Loan Share Market, Derivatives Exchange Market, Electricity Market, Borsa İstanbul Money Market, BİAŞ Swap Market, Precious Metal Market, Leveraged call-put transactions, Warrant Deputy (OPIC) are made use of in Over-the-Counter Market with other banks via overnight repo in order to manage liquidity risk.

The Bank manages its liquidity risk by having enough cash and cash equivalent resources in order to meet present and probable debt obligations, by being able to close short positions and by being able to fund loan requirements.

Liquidity position is assessed and managed considering the market-wide and Bank-specific factors. The most important scenario among these scenarios is to maintain the ratio of net liquid assets/payables to clients in limits.

According to the Decree of the Banking Regulation and Supervision Board dated 24 December 2015 and numbered 6613, for development and investment banks, it has been decided to apply the total and foreign currency liquidity adequacy ratios related to the first and second maturity brackets according to the first paragraph of Article 13 of the Regulation Regarding the Measurement and Evaluation of Banking Liquidity Adequacy and to continue to report to the Authority.

According to the fifth section of Article 4 of the Regulation on the Calculation of Liquidity Cover Ratio of Banks, it was decided that the ratio of consolidated and unconsolidated total and foreign currency liquidity coverage ratios shall be zero percentage for development and investment bank. In this scope, Bank reports to BRSA but compliance of legal ratio is not necessary.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations Related to Liquidity Risk (Continued)

Ratios throughout the period are as below:

	Current Period (%)	Prior Period (%)
Period Average	181	172
Highest	212	200
Lowest	164	108

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Undistributed ⁽¹⁾	Total
Assets								
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the Central Bank of Turkey	123	78,914	-	-	-	-	-	79,037
Banks	94,819	10,257,108	532,911	-	-	-	-	10,884,838
Financial assets at fair value through profit and loss	-	-	-	-	-	-	-	-
Money market placements ⁽¹⁾	-	645,263	-	-	-	-	-	645,263
Fair value with changes in other comprehensive income	3,082	-	-	-	-	-	-	3,082
Loans ⁽¹⁾	-	14,780	-	-	-	-	-	14,780
Financial assets measured at amortized cost	-	-	-	-	-	-	-	-
Other assets ⁽²⁾	-	63	-	-	-	-	168,120	168,183
Total assets	98,024	10,996,128	532,911	-	-	-	168,120	11,795,183
Liabilities								
Bank deposits	-	-	-	-	-	-	-	-
Other deposits	-	-	-	-	-	-	-	-
Funds provided from other financial institutions	-	3,424,978	-	-	-	-	436	3,425,414
Money market borrowings	-	-	-	-	-	-	-	-
Securities issued	-	-	-	-	-	-	-	-
Funds	4,609,494	1,888,084	-	-	-	-	-	6,497,578
Other Liabilities	-	10,108	-	55,813	-	-	1,806,270	1,872,191
Total liabilities	4,609,494	5,323,170	-	55,813	-	-	1,806,706	11,795,183
Current period liquidity (gap)/ surplus	(4,511,470)	5,672,958	532,911	(55,813)	-	-	(1,638,586)	-
Prior Period								
Total assets	72,481	9,379,086	933,919	36,947	-	-	141,996	10,564,429
Total liabilities	2,880,204	6,317,812	-	32,315	-	-	1,334,098	10,564,429
Liquidity gap	(2,807,723)	3,061,274	933,919	4,632	-	-	(1,192,102)	-

⁽¹⁾ Expected credit loss provisions recognized under TFRS 9 are presented in the "Demand" column.

⁽²⁾ Accounts that constitute the balance sheet assets such as fixed assets, participation and subsidiaries, prepaid expenses, receivables for follow up those are required to maintain banking operations and are not convertible to cash in short term period are recorded into this account.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations Related to Liquidity Risk (Continued)

Securitization positions:

The Bank does not have any securitization as of 31 December 2018 (31 December 2017: None).

Explanations Related to Leverage Ratio:

a) Information on issues that cause differences between current period and previous period leverage ratios:

The leverage ratio calculated by the Bank in accordance with the "Regulation on Measurement and Assessment of Leverage of Banks" is 5.43% (31 December 2017: 4.15%). This ratio is above the minimum ratio and the regulation stipulates the minimum leverage ratio as 3%. The increase in the balance sheet assets is the main reason for the change in the leverage ratio compared to the previous period.

b) Leverage ratio:

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
Assets on the balance sheet		
Assets on the balance sheet (Excluding derivative financial instruments and loan derivatives, including collaterals)	12,333,588	10,535,093
(Assets deducted from core capital)	(107,230)	(95,501)
Total risk amount for assets on the balance sheet	12,226,358	10,439,592
Derivative financial instruments and credit derivatives		
Renewal cost of derivative financial instruments and loan derivatives	-	-
Potential credit risk amount of derivative financial instruments and loan derivatives	-	-
Total risk amount of derivative financial instruments and loan derivatives	-	-
Financing transactions with securities or goods warranties		
Risk amount of financial transactions with securities or goods warranties (Excluding those in the balance sheet)	-	-
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	-	-
Off-the-balance sheet transactions		
Gross nominal amount of the off-balance sheet transactions	17,034,042	16,786,035
(Adjustment amount arising from multiplying by the credit conversion rate)	-	-
Total risk amount for off-balance sheet transactions	17,034,042	16,786,035
Capital and total risk		
Tier 1 capital	1,588,083	1,129,776
Total risk amount	29,260,400	27,225,627
Leverage ratio		
Leverage ratio	5.43%	4.15%

⁽¹⁾ The amounts in the table are calculated by using the quarterly average amounts.

Credit risk mitigation techniques

The Bank does not perform in-and off-balance sheet netting. The Bank's cash credit transactions consist of loans extended to intermediary firms. Equity securities, treasury bills, government bonds, a letter of guarantee, investment fund participation certificates and cash blockage collateral may be obtained for extended cash credits.

Takasbank Money Market (TMM) transactions are regarded as non-cash loans due to the guarantorship of the Bank in TMM. In the Futures Option Market (VIOP), the Borsa Istanbul Money Market, the Borsa Istanbul Equity Market, the Borsa Istanbul Debt Securities Market and the BİAŞ Swap Market, due to the Bank being the counterparty, transactions are considered as non-cash loans and services are provided within the scope of guarantees.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations Related to Liquidity Risk (Continued)

Credit risk mitigation techniques (Continued)

Cash (TL, USD, EUR), guarantee letter, treasury bills, government debt securities, investment bond participation certificates, shares traded on the stock market and determined by Takasbank, Euro bonds, bank bonds and bills issued by the Ministry of Treasury and Finance, lease certificates issued by Hazine Müsteşarlığı Varlık Kiralama A.Ş., gold that can be traded on stock market are considered as collateral in Takasbank Money Market (TMM).

Cash (TL, USD, EUR), government debt securities, gold that can be traded in stock market and shares traded on the stock market and determined by Takasbank as considered as collateral in Lending Market.

Cash (TL, USD, EUR), government debt securities, share certificates in BIST 100 index, investment bond participation certificates, share umbrella fund shares, debt instruments umbrella fund shares, lease certificates issued by Hazine Müsteşarlığı Varlık Kiralama A.Ş., gold that can be traded on stock market are considered as collateral in VIOP.

Cash (TL, USD, EUR), government debt securities, lease certificates issued by Hazine Müsteşarlığı Varlık Kiralama A.Ş. are considered as collateral in Borsa İstanbul Money Market and BİAŞ Swap Market.

Cash (TL, USD, EUR), government debt securities, lease certificates issued by Hazine Müsteşarlığı Varlık Kiralama A.Ş., share certificates in BIST 100 index, investment bond participation certificates, share umbrella fund shares, debt instruments umbrella fund shares, guarantee letter and gold that can be traded in stock market are considered as collateral in Borsa İstanbul Equity Market and Borsa İstanbul Debt Securities Market.

At the end of each day, Takasbank evaluates the collaterals at the prices stated below. In consequence of guarantee valuation carried out every day, in the event that the depreciation of the guarantees exceeds the limits determined by the Bank, a margin call is made to ensure that the guarantees are brought to the level of the initial guarantee.

- Shares are valued by taking into account the weighted average price emerging in the last session of the BİAŞ share market on the day of the valuation for day-end valuations. If no transaction has been performed in the stock exchange, the arithmetic average of the best purchase and sale orders in the last session is used. If no best purchase or best sale order exists then the weighted average price of the last session in which a transaction was performed is used.
- Government bonds, treasury bills and lease certificates are valued based on the theoretical price determined by using the "Takasbank yield curve" on the day of valuation. If these prices cannot be obtained, then the daily values of government debt securities determined by the CRBT are used as indicators.
- Cash amounts in foreign currency are valued based on the foreign exchange buying rate determined by the CRBT for the day after the valuation.
- Mutual funds are valued based on the price announced on the day of valuation.
- Euro bonds are valued based on the Bloomberg Generic Price (BGP). If this price cannot be obtained, then the Euro bonds are valued by the theoretical price to be found by Takasbank.
- Bank bills and bonds are valued based on the theoretical price determined by Takasbank.
- The lease certificates are valued based on the theoretical price determined by Takasbank on the day of valuation. If these prices cannot be obtained, lease certificates are valued based on the indicative daily values of the lease certificates determined by the CBRT.
- Gold is valued based on the USD/ONS price for the T + 0 value in the last session of the Borsa İstanbul Precious Metals and Precious Stones Market and the price calculated by using the CBRT foreign exchange rate. If the transaction has not taken place, gold is valued based on the weighted average price of the previous session.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations Related to Liquidity Risk (Continued)

Collaterals in terms of risk categories:

Exposure classifications	Amount	Financial Collaterals	Other/Physical Collaterals	Guarantees and Credit Derivatives
Conditional and unconditional receivables from central governments or central banks	1,656,593	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	18,173,492	2,108,343	-	-
Conditional and unconditional corporate receivables	8,891,194	16,504	-	-
Conditional and unconditional retail receivables	-	-	-	-
Conditional and unconditional secured mortgage receivables	-	-	-	-
Past due receivables	-	-	-	-
Receivables in high risk category defined by BRSA	-	-	-	-
Securities collateralised by mortgages	-	-	-	-
Securitisation positions	-	-	-	-
Short-term receivables from banks, stockbrokers and corporates	-	-	-	-
Investments of natured collective investment enterprise	-	-	-	-
Other receivables	244,473	-	-	-
Total	28,965,752	2,124,847	-	-

IX. Risk Management Objectives and Policies

The purpose of the risk management system is to define, measure, track, and report the risks, through policies, implementing procedures, and limitations identified to track, control, and, when necessary, change the risk-gain structure of future cash flows of the Bank and therefore the nature and level of its activities.

The purpose of the internal capital adequacy assessment process (ICAPP) is to internally determine the capital level which is adequate to compensate for the risks that the Bank is or is likely to be exposed to, and to enable the Bank to continue its operations with capital above this level.

When establishing and implementing the Risk Management System and ICAPP, the proportionality principle is considered, in accordance with BRSA legislation and good practice guidelines.

The general risk policy of the Bank is to perform its activities taking manageable, controllable, and reasonable risks, which maintain the balance between income and expenses. The Bank manages its risks in such a way that they stay above the minimum and below the maximum levels stated in the regulations published by the BRSA, and below the risk appetite confirmed by the Board of Directors.

The risk capacity of the Bank is decided in accordance with its capital adequacy policy. When doing capital and liquidity planning, the current and under-stress liquidity requirements of the Bank, as well as its risk appetite and capacity, are considered together.

The fund management strategy of the Bank is designed to avoid any liquidity problems, to sustain optimization of the risk-income balance, and to obtain maximum benefits from resources while taking a reasonable level of risk.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

The footnotes and related explanations prepared in accordance with the Communiqué on "Public Disclosures related with Banks' Risk Management Regulations" published in Official Gazette No. 29511 on 23 October 2015 and entered into force as of 31 March 2016 are given in this section. The following tables, which should be given in six months periods in accordance with the related communiqué, have not been presented as of 31 December 2018 because the standard approach is used in the calculation of Bank's capital adequacy and there are no credit derivatives and securitization position.

- The Change Table of Risk Weighted Assets (RWA) under the Internal Grading Based (IGB) approach
- RWA changes for Counterparty Credit Risk under the Internal Capital Method
- The market risk RWA change table, according to the internal model approach
- Quantitative information to be made public for banks using internal model approach
- Internal model approach for trading account
- Comparison of VaR estimates with profit/loss
- IRB - Credit risk exposures by portfolio and PD range
- IRB (specialized lending and equities under the simple risk weight method)
- IRB (specialized lending and equities under the simple risk weight method)
- IRB - Retrospective test of default probabilities in each risk class
- Change table of RWA under IRB approach
- CVA capital charge
- IRB - CCR exposures by portfolio and PD scale
- Credit Derivatives
- Exposures to central counterparties
- Securitization exposures in the banking book
- Securitization exposures in the trading book
- Securitization exposures in the banking book and associated regulatory capital requirements - bank acting as originator or as sponsor
- Securitization exposures in the banking book and associated capital requirements - bank acting as investor

1. Risk management approach and risk weighted amounts

1.1 Bank's risk management approach

a) How the business model determines and interacts with the overall risk profile (e.g. the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board:

The Bank's activities basically consist of settlement, custody, collateral management, banking, central counterparty services (CCP), treasury operations and other transactions executed at the markets operated by the Bank. The risks exposed due to these activities are credit risk, market risk, operational risk, liquidity risk and interest rate risk in the banking book. Risks arising from information technologies and business continuity are evaluated in the operational risk framework. Capital is also allocated by the Bank to the covered risks under central counterparty general business risk with respect to CCP.

With respect to information technologies risks, development of indicators such as business disruptions, compliance to service level agreements of support service providers etc. are monitored by Risk Management Department and reported to Executive Management. However, actions suggested for risks that are aligned with or above the operational risk appetite, and their key risk indicators are monitored by Internal Control and Compliance Department, and reported to Executive Management by the Risk Management Department.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

1. Risk management approach and risk weighted amounts (Continued)

1.1 Bank's risk management approach (Continued)

a) How the business model determines and interacts with the overall risk profile (e.g. the key risks related to the business model and how each of these risks is reflected and described in the risk disclosures) and how the risk profile of the bank interacts with the risk tolerance approved by the board: (Continued)

Specific significance is attributed to business continuity risks as a possible disruption in services provided by the Bank align with its structure and operations, may be to the extent of affecting entire capital markets. Effectiveness and its compliance with international standards of the Bank's business continuity management system and information security management system operations have been registered within this scope ISO 22301- Business Continuity Management System Certificate and ISO 27001- Information Security Management System Certificate were received by the Bank.

In determining the risk profile, the risk factors and relationship between them that the Bank may be sensitive due to its structure and operations, are taken into account.

Risk appetites have been set by the Bank Board of Directors for the entire risk exposure, and risk limits and signal values have been established based on general and critical risk types to control the current risk profile, which is in turn to prevent exceeding overall risk appetite and risk appetites based on risk types determined by the Board of Directors. The development of the risk limits and signal values are monitored regularly by the Risk Management Department and reported to Executive Management.

The Bank's risk appetite is reviewed according to results of internal capital adequacy assessment process (ICAAP) at least once a year, risk limits and signal values determined in terms of general and risk types are reviewed according to the changes in market conditions and Bank's strategies. The review process is conducted to determine if the limits are significant and sufficient with respect to risks and the Bank's risk appetite. The primary responsibility for the review of limits, and overseeing that the risks assumed by the Bank are within the risk limits and monitored by the Executive Management lies with the Board of Directors.

Signal value overflows are reported via e-mail by the Risk Management Department to the Audit Committee, Senior Management and unit managers who perform the respective process at the management of the business line. If the overflows occur in the allocated risk appetites and risk limits, written information is provided to the Audit Committee by the Risk Management Department to notify the Senior Management and Board of Directors ensuring that the necessary measures to be taken.

In the markets, where the Bank provides CCP service, there are trade limits allocated to members in order to limit risks of the members against the Bank. The maximum risk limits are determined using the shareholder's equity and/or ratings issued by the internal rating and assessment system of the Bank. Risk limits can be set over nominal open position amounts or another indicator (e.g. value at risk) that measures member risks, such as initial margin. Along with this, there are also liquidity risk, credit risk and concentration risk limits based on markets, where CCP service is provided.

Credit risk exposure of the Bank by the reason of the CCP service is monitored by comparing existing (deposited) margin with the required margin. Concentration risk is monitored to based on the ratio of required margin level for each member to total margin requirement in the respective market, and the limit is monitored on daily basis by the Central Counterparty Department of the Bank. However, if in any market the ratio of the risks belonging to members outside the top 3, to total risk doesn't exceed a certain rate (if the market does not have enough depth) and/or, if there are members that use less than a certain ratio of the allocated limit in the respective market, the limit cannot be applied.

If concentration limits are exceeded by any member, the member may be prevented from taking an additional position, the member may be demanded for additional trade margin, and its trade limits may be reduced until the end of a period to be set with the approval of the General Manager of the Bank and if required with the decision of Board of Directors.

It is essential that the ratio of the sum of liquid trade margins of the top 2 members with highest risk at each market, where the Bank is CCP, liquid assets in the respective market's guarantee fund and the highly liquid assets that the Bank allocates and commits from its own capital, to the risk amount of these members is not below a certain limit.

It is essential that the ratio of the sum of liquid trade margins of the top 2 members with highest risk at each market, where the Bank is CCP, liquid assets in the respective market's guarantee fund and the highly liquid assets that the Bank allocates and commits from its own capital, to the risk amount of these members is not below a certain limit.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

1. Risk management approach and risk weighted amounts (Continued)

1.1 Bank's risk management approach (Continued)

b) The risk governance structure: responsibilities attributed throughout the bank (e.g. oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit etc.); relationships between the structures involved in risk management processes (e.g. board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function):

Duties, authorities and responsibilities within the scope of risk management system are performed by Executive Management in accordance with the legislation and by all the units of the Bank as part of the framework of communiqués, procedures and directives. It is mandatory to ensure that risk management policy and implementing procedures adapt to the changing conditions. The Board of Directors assesses regularly the sufficiency of such policy and implementing procedures and makes the necessary changes. Bank Senior Management is jointly and Board Members are severally responsible for the design and its application within the Bank of ICAAP. ICAAP Report and Stress Test Report are prepared in coordination with Risk Management Department with the participation of all respective units, and the results of the reports are used in the Bank's decision-making processes.

Three line of defence approach that comprising of business line management, central risk management function and independent review, is employed in risk management. Accordingly;

Under the management of the business line, risks arising from product and services provided by each unit of the Bank, employed process, human resource and systems are determined, process and sub-process based risks and controls are defined, and Senior Management is informed ensuring that appropriate actions are taken.

Central risk management function is facilitated by establishing risk and control systems within the Bank, segregation of duties and responsibilities and review of process and functions by Risk Management Department, Internal Control and Compliance Department besides operational units performing such functions. Internal Control and Compliance Department perform activities involving controlling that the banking and capital markets activities offered by the Bank are compliant with respective legal regulations, internal regulations and if necessary international practices in an effective and adequate manner at first line, as "secondary phase protection" element. Such activities and their control periods are determined annually in Internal Control List. Furthermore, Internal Control and Compliance Department and Internal Audit Department conduct tasks related to the Management Statement.

Independent review process involves assessment of risk management and internal control framework from all aspects. Internal Audit Department provides extensive assurance for Board of Directors and Senior Management, as an element capable of acting in an independent and impartial manner within the organization. During audit activities, first of all, compliance of Bank activities with the regulation, internal strategies, policies, principles and targets are analysed. In addition, reports are submitted to Board of Directors and Senior Management on whether first and second line of defence have reached risk management and risk control targets or not, and on effectiveness and efficiency of risk management and designed controls. Elements such as effectiveness and efficiency of Bank operations, protection of assets, reliability and soundness of reporting processes, risk management and internal control framework, operation units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management.

The assumed risks due to CCP activities are managed within a comprehensive risk management framework. The framework of this risk management has been determined within the scope of Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation. The respective regulation regulates a detailed risk management framework such as membership types and trade limits, margining and guarantee fund, stress tests, risk management practices, model security and back tests, the position of internal system units activities in CCP risk management framework, risk mitigation methods and crisis management tools. Such activities are performed by the Central Counterparty Department within the Bank's organization structure.

The Bank has established a CCP Risk Advisory Committee designated to submit opinion to Board of Directors on CCP regulations and management of CCP risks and relevant matters. The Committee consists of CCP member representatives, representatives CCP members' legal entity clients and independent members of Takasbank Board of Directors and chaired by one of the independent member of Board of Directors. At Risk Advisory Committee, matters that may affect CCP's risk management such as change in risk models used in CCP risk management, default procedures, membership admission criteria, settlement of new type of capital market instruments or usage of insurance or external resource use in the transactions are discussed.

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IX. Risk Management Objectives and Policies (Continued)

1. Risk management approach and risk weighted amounts (Continued)

1.1 Bank's risk management approach (Continued)

b) The risk governance structure: responsibilities attributed throughout the bank (e.g. oversight and delegation of authority; breakdown of responsibilities by type of risk, business unit etc.); relationships between the structures involved in risk management processes (e.g. board of directors, executive management, separate risk committee, risk management structure, compliance function, internal audit function): (Continued)

The Bank allocates capital for covered risk exposed due to CCP services in order to prevent systemic risk and also determines the committed capital from the remaining capital. In stress tests conducted as part of CCP application, it is assessed whether the available margins, guarantee funds and resources consisting of allocated and committed capital at markets where the Bank is CCP are large enough to meet the fund requirements of default of 2 members with the highest risk under extreme market conditions. At the same time, models used to calculate initial margin at CCP markets and confidence levels are analysed by the Bank via back tests. Stress test and back test results and recommended measures if exist, are reported on quarterly basis through internal system units to the Board of Directors and to the Capital Markets Board by the CCP Department.

c) Channels to communicate, decline and enforce the risk culture within the bank (e.g. code of conduct; manuals containing operating limits or procedures to treat violations or breaches of risk thresholds; procedures to raise and share risk issues between business lines and risk functions):

At least, in order for creating a Bank-wise risk culture through the framework of operational risk management established by the Bank in accordance with Takasbank Operational Risk Management Procedure; Risk Management Department consult on management of risk exposure by the through mutual negotiations with all the risk and control officer or process owners at workshop studies, training documents are sent to the Bank personnel and if required training is provided and operational risk policy and procedures are announced to the relevant Bank staff.

The Bank's risk and control self-assessment process involves assessment of the impacts, possibilities and controls of risks that Bank processes are exposed to, and appropriate actions for risks aligned with or above the Bank's operational risk appetite.

During self-assessment studies, in coordination with Risk Management Department and Internal Control and Compliance Department, sub-processes risks and controls established against these risks are reviewed and updated by holding mutual negotiations with all units. Risks belonging to all units are also screened by Internal Audit Department and Internal Control and Compliance Department for the usage of audit and control activities.

Procedures and principles have been regulated regarding promptly and adequately execution of activities that shall be carried out pursuant to İstanbul Settlement and Custody Bank Inc. Organization and Duties Instruction, Banking Law, Capital Markets Law and provisions of other relevant legislations, determination of the organizational structure and role and realm of authority of the units and facilitation of coordination among units.

Pursuant to Takasbank Risk Management Communiqué, signal value overflows are reported to the Audit Committee Senior Management and unit managers whose performing the respective process at the business line management via e-mail by the Risk Management Department. In addition to this, if an overflows occur in the allocated risk appetites and risk limits, written information is provided to the Audit Committee by the Risk Management Department to notify the Senior Management and Board of Directors ensuring that the necessary measures are taken. Also Banking Ethical Principles that was published by the BRSA has been adopted by the Bank's personnel and the Takasbank Code of Ethics Instruction has been approved by the Board of Directors.

In the Asset Liability Committee meeting held with the participation of Senior Management, relevant unit managers and Risk Management Department Manager on monthly basis, a consultation is held on the Bank's entire operations and it is ensured that necessary action is taken.

Details of ICAAP process established at the Bank and stress test procedure and principles are provided in the Takasbank ICAAP Instruction and Takasbank Stress Test Program Policy and Implementation Procedures respectively.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

1. Risk management approach and risk weighted amounts (Continued)

1.1 Bank's risk management approach (Continued)

d) The scope and main features of risk measurement systems:

Systems, which may be applied in a reliable and integrate with the operations, have been built to measure quantifiable risk exposure of the Bank and assess non-quantifiable risks, procedures and principles are provided in the communiqué and procedures which are endorsed by the Board of Directors.

Board of Directors and Senior Management evaluate assumptions underlying the used models and their limitations, data sources used to measure risks and adequacy and suitability of implementation procedures. Accuracy and reliability of risk measurement methodologies, methods or models are determined by using actual results via back tests. To reflect the changing market conditions, methodologies, methods and models used in risk measurement are updated periodically.

In all risk analysis and assessments as part of principle of proportionality first and second pillar risks are taken into account. Credit risk (counterparty credit risk is included), market risk and operational risk which are part of the first pillar risk measured and reported periodically according to standardised approach, standard method and basic indicator approach respectively and reported pursuant to Communiqué on Measurement and Assessment of Banks' Capital Adequacy and its sub-regulations. Also, credit risk that the Bank is exposed to due to guarantees provided under CCP activities and the transactions causing this risk, are measured under legal credit risk capital requirement. Second pillar risks are assessed within the scope of ICAAP.

Value at market risk and internal market risk capital requirement are calculated on daily basis by using internal method which is determined in the Communiqué on Measurement and Assessment of Banks' Capital Adequacy and its sub-regulations, and the loss amount that the portfolio may be exposed to is reported to Senior Management via stress tests and scenario analysis.

Legal risk, reputational risk, strategic risk, business continuity risk, information technologies risk and risks arising from critical stakeholders and subsidiaries, which may affect the Bank's operations and reputation, are considered as operational risk. As part of operational risk, all quantifiable and non-quantifiable risks are addressed in the Operational Risk Database, and losses, which are quantifiable, and reflected to booking records as expenses are addressed in the Operational Risk Loss Database.

Risk assessment is conducted in coordination with Risk Management Department with all the respective units by the Bank in the considering of the entire risk exposure before new product and services are offered. In addition to this, also Risk Analysis Report and Technical Adequacy Report are prepared in accordance with the Communiqué Regarding Banks Receiving Support Service and Takasbank Support Service Purchasing Procedure before support service purchasing contract is signed by the Bank or service contract with the support service provider is renewed and then are submitted for Board of Directors approval annexed to the Audit Committee Assessment Report.

e) Explanations about the process of risk information reporting provided to the board and senior management, in particular the scope and main content of reporting on risk exposure:

The Banks establishes extensive reporting systems and prepares reports to be used in the management of risk exposure, processes involving determination of strategies and decision-making. The reports prepared should at the least include information such as;

- Risk analysis results and development,
- Results of stress tests and scenario analysis are intended to respective risk type and the whole of the Bank,
- Whether there was an overflows of risk limits and signal values,
- Assumptions underlying risk assessment process, parameters and constraints regarding the used models and any changes in these,
- Risk mitigation techniques and risk transfer strategies

The Bank ensures that measurement, assessment, monitoring, stress test and scenario analysis studies aligned with operational structure and complexity are carried out with respect to risk management and the respective results are reported regularly. It is ensured that the reports are submitted at regular intervals to the Board of Directors and via Senior Management to the units responsible for occurrence and monitoring of risk.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

1. Risk management approach and risk weighted amounts (Continued)

1.1 Bank's risk management approach (Continued)

f) Qualitative information on stress testing (e.g. portfolios subject to stress testing, scenarios adopted and methodologies used, and use of stress testing in risk management):

A stress test program has been built by the Bank to measure that the risks and fragilities may arise from adverse development pertain to the Bank or come to light in economic and financial environment under stress, the procedures and principles related to the process have been provided in the Takasbank Stress Test Program Policy and Implementation Procedures. Stress tests are designed in coherence with the Bank's risk appetite and strategy and with a forward-looking perspective and include risk mitigating management actions.

Risk concentrations existing in different areas are revealed upon application of partial stress test for certain portfolio and/or critical risk types affecting the bank. Holistic stress tests targeting the entire Bank, employed in capital and liquidity planning, are carried out with the participation of all the relevant units of the Bank and in coordination with Risk Management Department in the context of ICAAP at least once a year, and sent to BRSA following Board of Directors approval with ICAAP report. The Bank takes into account stress tests that carried out under ICAAP, scenario analysis and their results in creating budget, strategic plan, fund management strategy and policies. In the stress tests apply fundamentally scenarios such as the increase in interest rates and downgrade of sovereign rating are tackled.

In the stress tests conducted under CCP application, it is evaluated whether the resources consisting of margins available in case of default for the Bank's use at CCP markets, guarantee fund and portions of allocated and committed capital are large enough to meet the fund requirement that shall arise in case of default of 2 members with the highest risks under extreme market conditions. In addition to this, the models used in calculation of initial margin at CCP markets, and sufficiency of confidence levels are analysed by the Bank with back tests. Stress test and back test results and if exist, recommended measures are reported on quarterly basis through internal system units to the Board of Directors and by the CCP department to the Capital Markets Board.

In reverse stress tests conducted on quarterly basis by the CCP department, it is analysed as to how many CCP member defaults shall be met by total default resources under extreme market conditions, where the defaulted CCP members have not fulfilled their additional contribution share obligations, or have not been able to do so. Reverse stress tests are conducted to identify the number of CCP member default that shall be met with total default management resources under extreme market condition defined in stress test, and the analysis of market conditions that equal total default resources to fund requirements that may arise in case of default of 2 members with highest risk.

g) The strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants:

Bank operations basically consist of settlement, custody, collateral management, banking, central counterparty services and treasury operations and other transactions executed at the markets operated by the Bank. The risk exposure due to these operations are credit risk, market risk, operational risk, liquidity risk and interest rate risk in the banking book. Information technologies risks and business continuity risks are considered as operational risk. Capital is also allocated by the Bank to covered risks under central counterparty general business risk with respect to CCP.

The Bank manages its risks ensuring that they remain over/under the minimum/maximum limits in all the governing legal regulations and below the risk appetites endorsed by the Board of Directors based on overall risk and risk types. The Bank has determined signal values under risk limits based on overall risk and risk type, and early warning systems in the name of controlling current risk profile to avoid overflows of overall risk appetite and risk appetites based on risk types endorsed by the Board of Directors and such values are monitored regularly by the Risk Management Department.

Within the scope of Takasbank Restructuring Plan endorsed by the Bank's Board of Directors, required actions are taken by Executive Management to reduce the risk levels that the Bank is exposed to, aforesaid plan is reviewed at least once a year in coordination with Risk Management Department with participation of all related units of the Bank.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

1. Risk management approach and risk weighted amounts (Continued)

1.1 Bank's risk management approach (Continued)

g) The strategies and processes to manage, hedge and mitigate risks that arise from the bank's business model and the processes for monitoring the continuing effectiveness of hedges and mitigants (Continued):

In reducing credit risk level, the Bank may take into account besides risk mitigant effect of collaterals, risk mitigation techniques such as insurance or derivative products for hedging risks. In addition to this, while using margins, guarantee fund contribution shares, and Takasbank resources that may be resorted to in the default event of CCP members pursuant to Article 36 of Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation, the following priority order should be followed:

- Collaterals in the accounts of the defaulted CCP member itself or in the customer accounts under itself where a deficit of collateral occurs,
- The deposited guarantee fund contribution share of the defaulted CCP member,
- Compensations to be made from insurance policies, if any,
- Allocated capital of Takasbank for covered risks,
- Deposited guarantee fund contributions of the other CCP members,
- Additional guarantee fund contributions which may be requested from the CCP members,
- Commitment made from the remaining capital of Takasbank.

In article 46 and 73 of 6362 no Capital Markets Law, it is legislated that clearing and custody agencies may request collateral from investment institutions and investors under investment services and activities, assets in guarantee fund, established with collaterals kept with clearing agencies to overcome clearing risks, cannot be seized or pledged even for public claims, cannot be included into bankruptcy estate and precautionary measure cannot be exercised over them. This situation legally leaves collaterals provided to the Bank by the members out of bankruptcy and acts as a credit mitigant on the credit risk that the Bank may be exposed to.

The Bank's fund management strategy has been created to avoid any liquidity problem, ensure optimization of risk-return balance, invest resources at the utmost efficiency rates by taking reasonable level of risk and in line with this strategy treasury operations are executed with banks to whom limit has been allocated by the Board of Directors. Only Government Debt Securities are issued by the Ministry of Treasury and Finance of Turkey may be purchased for the Bank's securities portfolio. In addition to this derivate instruments may also be used for hedging purposes.

Actions suggested for risks aligned with or above operational risk appetite and key risk indicators are monitored by Internal Control and Compliance Department and reported by Risk Management Department to Executive Management. Moreover, operational risk losses, process and sub-process risks are monitored periodically. The operational risks that the Bank is/may be exposed to covered to a large extent by purchasing insurance policies.

It is assessed by the Senior Management whether risks shall be accepted or not for risks aligned with or above the Bank's operational risk appetite, for uncontrollable risks and risks that cannot be mitigated, and whether the level of activity in such line of business shall be reduced or not or entirely terminated or not and submitted to the approval of Board of Directors.

Distribution of the Bank's asset and liability items are based on certain currencies and maturity/repricing period, liquidity deficit/surplus, resources that may be generated during possible liquidity crisis situations and free shareholders' equity level are monitored regularly.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

1. Risk management approach and risk weighted amounts (Continued)

1.2. Overview of risk weighted amounts

	Risk Weighted Amounts		Minimum Capital
	Current Period	Prior Period	Current Period
Credit Risk (excluding counterparty credit risk)	7,669,555	7,278,486	613,564
Standardised approach	7,669,555	7,278,486	613,564
Internal rating-based approach	-	-	-
Counterparty credit risk	5	6	0.42
Standardised approach for counterparty credit risk	5	6	0.42
Internal model method	-	-	-
Basic risk weight approach to internal models equity position in the banking account	-	-	-
Investments made in collective investment companies-look through approach	-	-	-
Investments made in collective investment companies-mandate-based approach	-	-	-
Investments made in collective investment companies-1250% weighted risk approach	-	-	-
Settlement risk	-	-	-
Securitization exposures in banking book	-	-	-
IRB ratings-based approach	-	-	-
IRB Supervisory Formula approach	-	-	-
SA/simplified supervisory formula approach	-	-	-
Market risk	15,938	10,088	1,275
Standardised approach	15,938	10,088	1,275
Internal model approaches	-	-	-
Operational risk	697,363	536,513	55,789
Basic Indicator approach	697,363	536,513	55,789
Standard approach	-	-	-
Advanced measurement approach	-	-	-
The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
Floor adjustments	-	-	-
Total	8,382,861	7,825,093	670,628

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

2. Linkages between financial statements and regulatory exposures

2.1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Carrying values of items in accordance with TAS				
	Carrying values under scope of regulatory consolidation	Subject of credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and balances at central bank	79,037	79,037	-	78,914	-
Banks	10,869,475	10,844,838	-	4,522,254	-
Receivables from money markets	645,263	625,709	19,554	-	-
Financial assets at fair value through profit or loss	-	-	-	-	-
Financial assets at fair value through other comprehensive income	3,082	3,082	-	661	-
Financial assets at fair value thorough amortized cost	-	-	-	-	-
Derivative financial assets	-	-	-	-	-
Loans (net)	14,780	14,800	-	-	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	4,825	-	-	-	4,825
Investments in joint ventures (net)	-	-	-	-	-
Leasing receivables	-	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-
Tangible assets (net)	11,847	11,772	-	-	75
Intangible assets (net)	102,497	-	-	-	102,497
Investment properties (net)	9,187	9,187	-	-	-
Tax assets	8,662	8,662	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	-	-	-	-	-
Other assets	46,528	46,528	-	1,506	-
Total assets	11,795,183	11,683,615	19,554	4,603,335	107,397
Liabilities					
Deposits	-	-	-	-	-
Loans	3,425,414	-	-	2,772,457	-
Debt to money markets	-	-	-	-	-
Debt securities in issue	-	-	-	-	-
Funds	6,497,578	-	-	1,814,943	-
Derivative financial liabilities	-	-	-	-	-
Factoring debts	-	-	-	-	-
Other liabilities	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-
Provisions	76,086	-	-	-	-
Tax liability	50,620	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated loans	-	-	-	-	-
Equity	1,745,485	-	-	-	-
Total liabilities	11,795,183	-	-	4,587,400	-

Banks subject to credit risk are included in the market risk column as the foreign currency denominated in financial assets and other assets items whose fair value differences are reflected in other comprehensive income are exposed to foreign exchange risk.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

2. Linkages between financial statements and regulatory exposures (Continued)

2.2 Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Total	Items subject to credit risk framework	Items subject to counterparty credit risk framework	Items subject to market risk framework
Asset carrying value amount under scope of regulatory consolidation	-	-	-	-
Liabilities carrying value amount under regulatory scope of consolidation	-	-	-	-
Total net amount under regulatory scope of consolidation	-	-	-	-
Off-balance sheet amounts	-	17,187,890	-	-
Differences in valuations	-	-	-	-
Differences due to different netting rules (except placed row 2)	-	-	-	-
Differences due to consideration of provisions	-	-	-	-
Differences due to prudential filters	-	-	-	-
Exposure amounts considered for regulatory purposes	-	28,982,256	19,554	15,938

2.3 Explanations of differences between accounting and regulatory exposure amounts in accordance with TAS:

a) Banks explain the origins of any significant differences between the amounts in columns a and b on B1.

There are no significant differences. As there is no difference according to the explanation of the regulation, the table has been filled by merging with the respective column.

b) Banks explain the origins of differences between carrying values and amounts considered for regulatory purposes shown in B2.

c) In accordance with the implementation of the guidance on prudent valuation (Regulation on Measurement and Evaluation of Capital Adequacy of Banks Annex 3) banks must describe systems and controls to ensure that the valuation estimates are prudent and reliable. Disclosure must include: -Valuation methodologies, including an explanation of how far mark-to-market and mark-to-model methodologies are used. - Description of the independent price verification process. -Procedures for valuation adjustments or reserves (including a description of the process and the methodology for valuing trading positions by type of instrument)

3. Credit Risk Disclosure

3.1 General information about credit risk

3.1.1 General qualitative information about credit risk

a) How the business model translates into the components of the bank's credit risk profile:

Loan transactions bear the possibility of borrower member or guarantors' inability to perform their obligations that they have committed and undertaken in writing and as per the agreements, meaning credit risk.

The Bank's cash loan transactions consist of loans offered to brokerage houses. Additionally, cash loans may also be offered to members, who are unable to perform their cash obligation at Turkey Electronic Fund Trading Platform on effective date, meaning defaulted members. As the Bank acts as a guarantor in the mutual obligations of members at Takasbank Money Market, these transactions are considered as non-cash loan according to banking regulation. The Bank acts as CCP at Security Lending Market, Futures and Options Market and Borsa Istanbul Money Market, Borsa Istanbul Debt Securities and Borsa Istanbul Debt Securities Market and BiAŞ Swap Market obligations in these markets are also of noncash loans.

In addition to this, the Bank may also be exposed to credit risk due to treasury transactions executed as part of fund management operations and transactions executed under the Bank's collateral management functions.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure (Continued)

3.1 General information about credit risk (Continued)

3.1.1 General qualitative information about credit risk (Continued)

b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits:

Credit risk appetite has been determined by the Bank's Board of Directors taking into account concentration in cash and noncash loan transactions of the Bank that are subject to credit risk. The Bank's credit risk appetite is reviewed at least once a year. In addition to this, to control risk in question, limit and signal values have been set by the Board of Directors to avoid overflow of credit risk appetite and these limits are monitored on daily basis by Risk Management Department.

Audit Committee, Senior Management and unit managers performing the respective process at the management of the business lines are notified by the Risk Management Department via email when the signal value is reached. If the allocated credit risk limits and credit risk appetite is exceeded, written information is provided to the Audit Committee by the Risk Management Department to notify Senior Management and Board of Directors ensuring that required measures are taken.

Credit risk limits and signal values are reviewed according to market conditions and changes in the Bank's strategies, and the review process is handled to determine if limits are significant and sufficient against risks and the Bank's credit risk appetite. The supervisory responsibility regarding reviewing of credit risk limits and overseeing that risks assumed by the Bank are within risk limits and for monitoring by the Executive Management belongs to the Board of Directors.

The Bank has trade limits that allocated to members at markets, where the Bank acts as CCP, to limit members' risks against the Bank. In determining maximum risk limits are used with shareholders' equity and/or ratings issued by the Bank's internal rating and assessment system are used. Risk limits may be set over nominal open position amounts or another indicator such as initial margin that measures member risks (for instance value at risk). In addition, there is also concentration risk limit determined based on CCP markets and in this regard the ratio of required margin for each member to the total requirement at the market is monitored on daily basis by CCP Department.

c) Structure and organisation of the credit risk management and control function:

In credit risk management three line of defence consisting of business line management, central risk management function and independent review, is used. Accordingly;

- Under the management of the business line, process and sub-process based risks and controls are defined by Derivatives Clearing and Settlement Team, Debt Securities Clearing and Settlement Team, Treasury and Credits Departments, Markets Department and Central Counterparty Department, and Senior Management is informed ensuring that appropriate actions are taken.
- Central risk management function is facilitated by establishing credit risk and control systems within the Bank, segregation of duties and responsibilities and review of process and functions by Risk Management Department, Internal Control and Compliance Department besides operational units performing such functions. Internal Control and Compliance Department perform activities involving controlling that the banking and capital markets activities offered by the Bank are compliant with respective legal regulations, internal regulations and where necessary compliant with international practices in an effective and adequate manner at first line, as "secondary phase protection" element. Such activities and their control periods are determined annually in Internal Control List. Furthermore, Internal Control and Compliance Department and
- Internal Audit Department conduct tasks related to the Management Statement.
- Independent review process involves assessment of risk management and internal control framework from all aspects. Internal Audit Department provides extensive assurance for Board of Directors and Senior Management, as an element capable of acting in an independent and impartial manner within the organization. During audit activities, first of all, compliance of Bank activities with the regulation, internal strategies, policies, principles and targets are analysed. In addition, reports are submitted to Board of Directors and Senior Management on whether first and second line of defence have reached credit risk management and risk control targets or not, and on effectiveness and efficiency of credit risk management and designed controls. Elements such as effectiveness and efficiency of Bank operations, protection of assets, reliability and soundness of reporting processes, credit risk management and internal control framework, operation units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management.

Roles, authorities and responsibilities as part of credit risk management are performed by the Executive Management in line with the governing regulation, and by all of the Bank's units subject to their own communiqué, procedure and directives.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure (Continued)

3.1 General information about credit risk (Continued)

3.1.1 General qualitative information about credit risk (Continued)

In cases where credit risk limit and signal values are overflowed, and members fail to perform their obligations at markets, where CCP service is provided by the Bank, required actions are put into effect by Executive Management in accordance with Takasbank Restructuring Plan. In particular for CCP activities, liquidity risk is related to credit risk and in this regard in terms of cashing in margins liquidity risk is evaluated specifically and at the same time restructuring tools include actions against liquidity crunch that the Bank may face due to the CCP service it provides. These action are chosen as to minimize financial risk that the Bank faces, and at the same time to have minimal negative impact on the market, and systemic risk is evaluated in terms of providing assurance to the market, and its impacts on member/clients.

An authorized CCP Risk Advisory Committee has been established by the Bank to provide advice to the Board of Directors on CCP risks management related issues, in such committee matters, which may affect CCP's risk management such as changes in risk models used in CCP risk management, default procedures, member admission criteria, settlement of new type of capital market instrument or use of insurance or external resources in transactions, are discussed.

d) Relationships between the credit risk management, risk control, compliance and internal audit functions:

Credit risk related to operations are maintained by business lines with a perspective focused on risk. At the first line of defence; credit risk is managed through the existence of an effective and strong collateral mechanism and allocation of appropriate limits. In determining credit or position limits to be allocated to financial institutions and membership types of members, who shall execute trades at CCP markets or CCP- enabled capital market instruments, ratings resulting from internal credit rating and assessment system study and representing credit worthiness of the financial institutions and their strength to serve their existing or future commitments to the Bank, are used after such limits entry into force following Board of Directors approval.

Credit worthiness of the members is monitored by the Bank at regular intervals, and credit limits are updated according to the changes in the members' financial structures. Continuous and transaction basis execution of limits, risk and collateral controls in electronic environment for minimizing operational errors.

Liquid and/or almost liquid collaterals are obtained during credit allocation in accordance with communiqué, procedures, and directives were prepared by Derivatives Clearing and Settlement Team, Share and Debt Securities Clearing and Settlement Department, Credits Department, Markets Department and Central Counterparty Department. The collaterals are valued at the end of each day, and valuation coefficient are used in the calculation of non-cash collateral values to avoid any impairment and liquidity problem while cashing in collaterals whenever required.

In article 46 and 73 of 6362 no Capital Markets Law, it is legislated that clearing and custody agencies may request collateral from investment institutions and investors under investment services and activities, assets in guarantee fund, established with collaterals kept with clearing agencies to overcome clearing risks, cannot be seized or pledged even for public claims, cannot be included into bankruptcy estate and precautionary measure cannot be exercised over them. In this regard, collaterals entrusted to Takasbank are taken under legal protection and this situation creates a risk mitigating effect for the Bank's credit risk exposure.

In all CCP markets ensure that members perform their obligations promptly and in full to Takasbank, it is essential that risks are measured in an effective manner and monitored. In this regard;

- Initial margin level is calculated at regular intervals to include the recently experiences financial volatilities and monitored continuously in considering of market conditions and revised when required.
- Guarantee fund size is created used confidence levels, which describe very strong financial volatilities but of low possibility.
- Trade margin sufficiency should be followed to the extent of intraday price movement and position changes.
- Trade margins, guarantee fund contributions shares, sufficiency of resources allocated and committed from the Bank capital to CCP risks are followed at regular intervals via stress tests.
- Financial strength of members is monitored continuously and their trades are limited via established limits in light of financial strength.

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IX. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure (Continued)

3.1 General information about credit risk (Continued)

3.1.1 General qualitative information about credit risk (Continued)

Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation regulates a detailed risk management framework such as membership types and trade limits, margining and guarantee fund, stress tests, risk management applications, model security and back test, position of internal system units activities within CCP risk management framework, risk mitigation methods and crisis management tools.

In the second line of defence; within the scope of Takasbank Risk Management Communiqué the Bank manages credit risk by taking into account credit risk appetite, credit risk limits, signal values that set under early warning system, partial and holistic stress test and scenario analysis and internal capital adequacy assessment process. Measurement, monitoring, limit, stress test and scenario analysis studies are conducted at the bank by Risk Management Department subject to principle of proportionality and in alignment with the volume, nature and complexity of the operations in the three line of defence. It is essential that to reveal the credit risk that the Bank may face, risk measurement and monitoring activities are performed and the results are taken into consideration in the Bank's strategic decision-making processes. Furthermore, Internal Control and Compliance Department must control transaction of units that may cause credit risk, in line with legal regulations and internal regulation. Such control activities and control periods of the operations are determined annually in the Internal Control List. In addition to the related studies, Internal Control and Compliance Department and Internal Audit Department perform studies related to the Management Statement.

In the third line of defence, operations of these units are audited periodically by the Internal Audit Department, which inspects and audits on behalf of the Board of Directors. As an element, which has the ability to act independently and impartially within the organization, Internal Audit Department provides extensive assurance to Board of Directors and Senior Management. Audit provides assurance as to whether first and second lines of defence have reached credit risk management and risk control targets or not, on governance, credit risk management and effectiveness and efficiency of the designed controls. Factors such as the general effectiveness and efficiency of activities, the protection of assets, the reliability and robustness of reporting processes, the framework of credit risk management and internal control, operations units and their functions, infrastructure, asset management and information technology are included in the scope of the assurance reported to the Board of Directors and Senior Management. In this regard, the compliance of Bank's activities with the legislation, internal strategies, policies, principles and targets are examined.

Pursuant to article 46, paragraph 2 of Istanbul Settlement and Custody Bank Incorporation Central Counterparty Regulation is titled "Infrastructure of internal systems and information technologies" the soundness of the Bank's risk management and information technology infrastructures are audited semi-annually and the final report is sent to Capital Markets Board. In addition to this, subject to article 12 of again the respective regulation is titled "General obligations of CCP members" the task of overseeing and auditing whether CCP members serve their obligation or not, has been assigned to Takasbank, and the members must ensure the continuity of essential internal control, risk management and internal audit mechanisms to be a party to this service at CCP markets or CCP capital market instruments. In this regard on-site CCP member audits are conducted by Internal Audit Department.

e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors:

The report containing credit risk based amount (including counterparty credit risk based amount as well) calculated according to standardised approach on monthly basis pursuant to Communiqué on Measurement and Assessment of Banks' Capital Adequacy and their sub-regulations, and the progress of credit risk appetite, credit risk limit and signal values and credit risk concentrations, are reported by Risk Management Department on daily basis to the Senior Management, monthly basis to the Audit Committee and Senior Management and on quarterly basis to the Executive Management.

Stress Test Report containing credit risk stress test and scenario analysis results, and ICAAP report are submitted to Executive Management annually by the Risk Management Department, and reported to the BRSA. In addition, adequacy of model employed in calculation of initial margin at CCP markets, and confidence level are analysed with back tests by the Bank. Results of stress tests and back tests performed by CCP Department, and if there are, suggested measures, are reported on quarterly basis via internal system units to the Board of Directors.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure (Continued)

3.1 General information about credit risk (Continued)

3.1.2 Credit quality of assets:

Default represents the non-performing loans that recognized first paragraph of fifth article of Regulation on Identification and Provision against Non-Performing Loans and Other Receivables.

<i>Current Period</i>	<i>a</i>		<i>c</i>	<i>d</i>
	<i>Gross amount valued in accordance with TMS</i>		<i>Provisions</i>	<i>Net values (a+b-c)</i>
	<i>Defaulted</i>	<i>Non-defaulted exposures</i>		
Loans	1,574	14,800	1,594	14,780
Debt securities	-	-	-	-
Off-balance sheet exposures	-	17,187,890	36,379	17,151,511
Total	1,574	17,202,690	37,973	17,166,291

<i>Prior Period</i>	<i>a</i>		<i>c</i>	<i>d</i>
	<i>Gross amount valued in accordance with TMS</i>		<i>Provisions</i>	<i>Net values</i>
	<i>Defaulted</i>	<i>Non-defaulted exposures</i>		
Loans	1,574	198,856	1,574	198,856
Debt securities	-	36,947	-	36,947
Off-balance sheet exposures	-	17,937,202	-	17,937,202
Total	1,574	18,173,005	1,574	18,173,005

3.1.3 Changes in stock of default loans and debt securities

	<i>Current Period</i>	<i>Prior Period</i>
Defaulted loans and debt securities at end of the previous reporting period	1,574	1,574
Loans and debt securities defaulted since the last reporting period	-	-
Receivables back to non-defaulted status	-	-
Amounts written off	-	-
Other changes	-	-
Defaulted loans and debt securities at end of the reporting period	1,574	1,574

3.1.4 Additional disclosure related to the credit quality

- The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes:
The Bank has no different receivable under the scope and definitions of "non-performing loans" and receivables for which "provisions have been reserved". The Bank has receivables from Merkez Menkul Kıymetler A.Ş. amounting to TL 1,574 under the name of Losses and Other Receivables.
- The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this. 100% provision is allocated for the above mentioned receivable.
- Description of methods used for determining impairments: 100% provision is reserved against receivables.
- The bank's own definition of a restructured exposure: The Bank does not have restructured receivables.
- Breakdown of exposures by geographical areas, industry and residual maturity:
The Bank has an outstanding claim from Merkez Menkul Kıymetler A.Ş. in the financial sector and this claim has no maturity. The respective amount is classified under non-performing loans.
- Amounts of impaired exposures (according to the definition used by the bank for accounting purposes) and related allowances and write-offs, broken down by geographical areas and industry: None.
- Ageing analysis of accounting past-due exposures: None.
- Breakdown of restructured exposures between impaired and not impaired exposures:
There is no restructured receivable.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

4. Credit Risk Disclosure

4.1 Credit risk mitigation

4.1.1 Qualitative disclosure requirements related to credit risk mitigation techniques

- a) Core features of policies and processes for, and an indication of the extent to which the bank makes use of, on and off-balance sheet netting.

On-balance sheet and off-balance sheet nettings are not applied at the Bank.

- b) Core features of policies and processes for collateral evaluation and management.

Trade margins and guarantee funds include trade and membership collaterals received at markets where service is provided, guarantee funds and assets kept by the Bank due to collateral agency service and invested by the Bank at best effort. Under the best performance effort criteria framework minimize credit risk, the method involving depositing at the outset The Central Bank of The Republic of Turkey with state banks and large scale banks, are chosen. In determining investment maturities, the collateral or guarantee fund structure of markets, where service is provided, and those markets' needs to use, are taken into account.

- c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers)

In credit risk mitigation, cash collateral and Government Debt Securities issued by the Ministry of Treasury and Finance of Turkey considered as liquid assets are used as collateral.

4.1.2 Credit risk mitigation techniques

<i>Current Period</i>	<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
Loans	14,780	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Total	14,780	-	-	-	-	-	-
Of which defaulted	1,574	-	-	-	-	-	-

<i>Prior Period</i>	<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
Loans	198,856	-	-	-	-	-	-
Debt securities	36,947	-	-	-	-	-	-
Total	235,803	-	-	-	-	-	-
Of which defaulted	1,574	-	-	-	-	-	-

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

4. Credit Risk Disclosure (Continued)

4.2 Credit risk under standardised approach

4.2.1 Disclosures on banks' use of credit ratings under the standard approach for credit risk

- a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the bank, and the reasons for any changes over the reporting period:
As of 31 December 2018 in the calculation of the Bank's credit risk based amount, "Fitch Ratings" and "Japan Credit Rating Agency/(JCR)" and "Islamic International Rating Agency/(IIRA)" ratings are used for determining risk weights for "Receivables from Central Governments or Central Banks" risk class. Export credit agency ratings are not used by the Bank.
- b) The asset classes for which each ECAI or ECA is used:
External credit ratings are used by the Bank for "Receivables from Central Governments or Central Banks" risk class. Export credit agency ratings are not used by the Bank.
- c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the banking book:
In credit risk based amount calculation of the Bank, external credit ratings are not used except for the "Receivables from Central Governments or Central Banks" risk class.
- d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where Agency (BRSA) publishes a standard mapping with which the bank has to comply):
External credit rating agency ratings that are not on the organization's matching table, are not used.

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IX. Risk Management Objectives and Policies (Continued)

4. Credit Risk Disclosure (Continued)

4.3 Credit risk under standardised approach

4.3.1 Credit risk exposure and credit risk mitigation techniques

<i>Current Period</i>	<i>Exposures before CCF and CRM</i>		<i>Exposures post-CCF and CRM</i>		<i>RWA and RWA density</i>	
	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Risk classes</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>
Risk classes						
Exposures to sovereigns and their central banks	731,578	-	1,656,593	-	39,457	0.5%
Exposures to regional and local governments	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	10,919,918	8,178,589	10,919,918	7,253,574	4,742,638	61.8%
Exposures to corporates	-	8,907,698	-	8,907,698	2,643,052	34.5%
Retail exposures	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-
Other exposures	142,870	101,603	142,870	101,603	244,413	3.2%
Equity share investments	-	-	-	-	-	-
Total	11,794,366	17,187,890	12,719,381	16,262,875	7,669,560	100.0%

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IX. Risk Management Objectives and Policies (Continued)

4.3 Credit risk under standardised approach (Continued)

4. Credit Risk Disclosure (Continued)

4.3.1 Credit risk exposure and credit risk mitigation techniques (Continued)

<i>Prior Period</i>	<i>Exposures before CCF and CRM</i>		<i>Exposures post-CCF and CRM</i>		<i>RWA and RWA density</i>	
	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>RWA</i>	<i>RWA density</i>
Risk classes						
Exposures to sovereigns and their central banks	37,390	-	884,463	-	-	-
Exposures to regional and local governments	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-
Exposures to banks and brokerage houses	10,385,999	9,652,130	10,385,999	8,805,057	4,923,160	67.6%
Exposures to corporates	-	7,987,461	-	7,987,461	1,969,035	27.1%
Retail exposures	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-
Other exposures	88,723	297,611	88,723	297,611	386,297	5.3%
Equity share investments	-	-	-	-	-	-
Total	10,512,112	17,937,202	11,359,185	17,090,129	7,278,492	100.0%

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IX. Risk Management Objectives and Policies (Continued)

4.3 Credit risk under standardised approach (Continued)

4. Credit Risk Disclosure (Continued)

4.3.1 Credit risk exposure and credit risk mitigation techniques (Continued)

Current Period:

Asset Classes/Risk Weights	0%	10%	20% ⁽¹⁾	50% ⁽¹⁾	75%	100% ⁽¹⁾	150%	200%	Other risk weights	Total credit risk exposure amount (after CCF and CRM)
Exposures to central governments or central banks	1,577,679	-	-	78,914	-	-	-	-	-	1,656,593
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and banks	1,183,328	-	12,508,145	4,482,019	-	-	-	-	-	18,173,492
Exposures to corporates	16,504	-	6,091,817	2,749,377	-	50,000	-	-	-	8,907,698
Retail exposures	-	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-
Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
Investments in equity shares	-	-	-	-	-	-	-	-	-	-
Other assets	60	-	-	-	-	244,413	-	-	-	244,473
Total	2,777,571	-	18,599,962	7,310,310	-	294,413	-	-	-	28,982,256

⁽¹⁾ Means unrated receivables.

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IX. Risk Management Objectives and Policies (Continued)

4.3 Credit risk under standardised approach (Continued)

4. Credit Risk Disclosure (Continued)

4.3.1 Credit risk exposure and credit risk mitigation techniques (Continued)

Prior Period:

Asset Classes/Risk Weights	0%	10%	20% ⁽¹⁾	50% ⁽¹⁾	75%	100% ⁽¹⁾	150%	200%	Other risk weights	Total credit risk exposure amount (after CCF and CRM)
Exposures to central governments or central banks	884,463	-	-	-	-	-	-	-	-	884,463
Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
Exposures to public sector entities	-	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
Exposures to brokerage houses and banks	1,268,811	-	13,459,875	4,462,370	-	-	-	-	-	19,191,056
Exposures to corporates	-	-	6,748,985	1,238,476	-	-	-	-	-	7,987,461
Retail exposures	-	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-
Exposures secured by commercial real estate	-	-	-	-	-	-	-	-	-	-
Past-due loans	-	-	-	-	-	-	-	-	-	-
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
Investments in equity shares	-	-	-	-	-	-	-	-	-	-
Other assets	37	-	-	-	-	386,297	-	-	-	386,334
Total	2,153,311	-	20,208,860	5,700,846	-	386,297	-	-	-	28,449,314

⁽¹⁾ Means unrated receivables.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

5. Qualitative Disclosure Related to Counterparty Credit Risk

Transactions subject to counterparty credit risk are considered as credit risk. These transactions consist of reverse repo transactions executed on behalf of closed brokerage houses depending on assignment by Capital Markets Board.

Performance of Bank's operation within the limits of legal and internal capital limits and below the credit risk appetite established by the Board of Directors, constitutes credit risk policy of the Bank.

5.1 Analysis of counterparty credit risk (CCR) exposure by approach

Current Period	Replacement cost	Potential future exposure	EEPE ⁽¹⁾	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
Standardised approach-CCR (for derivatives)	-	-		1.4	-	-
Internal model method (derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, for long time swap transactions with credit securities transactions)			-	-	-	-
Simple approach for credit risk mitigation (repo transactions, securities or commodity lending or borrowing transactions, for a long time swap transactions with credit securities transactions)					26	5.2
Comprehensive approach for credit risk mitigation (repo transactions, securities or commodity lending or borrowing transactions, for a long time swap transactions with credit securities transactions)					-	-
Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions of swaps and risk exposure for credit securities transactions					-	-
Total						5.2

⁽¹⁾ Effective Expected Positive Exposure

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IX. Risk Management Objectives and Policies (Continued)

5. Qualitative Disclosure Related to Counterparty Credit Risk (Continued)

5.1 Analysis of counterparty credit risk (CCR) exposure by approach (Continued)

Prior Period	Replacement cost	Potential future exposure	EEPE ⁽¹⁾	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
Standardised approach-CCR (for derivatives)	-	-		1.4	-	-
Internal model method (derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, for long time swap transactions with credit securities transactions)			-	-	-	-
Simple approach for credit risk mitigation (repo transactions, securities or commodity lending or borrowing transactions, for a long time swap transactions with credit securities transactions)					28	5.6
Comprehensive approach for credit risk mitigation (repo transactions, securities or commodity lending or borrowing transactions, for a long time swap transactions with credit securities transactions)					-	-
Repo transactions, securities or commodity lending or borrowing transactions, long-term transactions of swaps and risk exposure for credit securities transactions					-	-
Total						5.6

⁽¹⁾ Effective Expected Positive Exposure

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IX. Risk Management Objectives and Policies (Continued)

5. Qualitative Disclosure Related to Counterparty Credit Risk (Continued)

5.1 Analysis of counterparty credit risk (CCR) exposure by approach (Continued)

Current period:

Risk Weight/Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-
Exposures to regional and local government	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	26	-	-	-	-	-	26
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertaking	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	26	-	-	-	-	-	26

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

5. Qualitative Disclosure Related to Counterparty Credit Risk (Continued)

5.1 Analysis of counterparty credit risk (CCR) exposure by approach (Continued)

Prior Period:

Risk Weight/Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-
Exposures to regional and local government	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	28	-	-	-	-	-	28
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertaking	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	28	-	-	-	-	-	28

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

5. Qualitative Disclosure Related to Counterparty Credit Risk (Continued)

5.2 Collaterals for counterparty credit risk

Current Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Sovereign debts- domestic	-	-	-	-	19,528	-
Sovereign debts -other	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	19,528	-

Prior Period	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Sovereign debts- domestic	-	-	-	-	20,805	-
Sovereign debts -other	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	20,805	-

5.3 Credit derivatives

None (31 December 2017: None).

5.4 Central counterparty risk

None (31 December 2017: None).

6. Securitization Disclosures

Since the Bank does not have any securitization, the relevant tables and explanations that should be prepared within the scope of "Communiqués on Public Disclosure of Risk Management of Banks" are not given.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

7. Market Risk Disclosures

7.1 Qualitative disclosure requirements related to market risk

a) Strategies and processes of the bank: this must include an explanation of Bank management's strategic objectives in undertaking trading activities, as well as the processes implemented to identify, measure, monitor and control the bank's market risks, including policies for hedging risk and strategies/processes for monitoring the continuing effectiveness of hedges.

Market risk is defined as the loss that the Bank's on-balance and off-balance sheet positions may be exposed to in the context of FX risk and interest rate risk arising from movements on market prices.

The Bank's fund management strategy has been devised in alignment with the objectives to avoid any liquidity issue, ensure optimization on the risk-return balance and invest resources at highest return rates by taking reasonable level of risk. It is essential that fund management operations remain within legal limits and is executed in light of the Bank's market risk appetite and market risk limits and signal values.

In accordance with the fund management strategy in effect, treasury operations are executed with banks to whom limits have been allocated by the Board of Directors and largely with state owned banks, only highly liquid government debt securities are issued by the Ministry of Treasury and Finance of Turkey are purchased for the Bank's securities portfolio. Nevertheless, derivative products may be used for hedging purposes. In the balance sheet composition, it is shown attention to match of asset and liability by the maturity and currency.

Capital requirement is calculated for FX risk over foreign currency on-balance sheet and off-balance sheet net position amounts. Market risk is measured by the Bank with standard method, subject to the Communiqué on Measurement and Assessment of Banks' Capital Adequacy and the points as per its sub-regulations.

Value at market risk and internal capital requirement for market risk are calculated on daily basis to inform Senior Management, using internal method specified in Communiqué on Measurement and Assessment of Banks' Capital Adequacy and its subregulations. Moreover, with respect to market risk, partial stress tests are conducted on daily and monthly basis, whereas holistic stress tests and scenario analyses are executed on annually basis, and FX net general position/shareholders' equity standard ratio trend is followed.

Market risk appetite has been determined by the Board of Directors and is reviewed at least once a year. Moreover, to control market risk, market risk limit and signal value have been established by the Board of Directors to avoid overflows of the market risk appetite. Market risk limit is monitored on daily basis by Risk Management Department.

Audit Committee, Senior Management and unit managers performing the respective process at the management of the business lines are notified by the Risk Management Department via email when the signal value is reached. If the allocated market risk limit and market risk appetite is exceeded, written information is provided to the Audit Committee by the Risk Management Department to notify Senior Management and Board of Directors ensuring that required measures are taken.

Details regarding risk management activities and actions performed under market risk, take part in the Takasbank Restructuring Plan endorsed by the Board of Directors.

b) Structure and organisation of the market risk management function: description of the market risk governance structure established to implement the strategies and processes of the bank discussed in row (a) above, and describing the relationships and the communication mechanisms between the different parties involved in market risk management.

In market risk management three-line of defence approach consisting of business line management, central risk management function and independent review is used. Accordingly;

Under the management of the business line, process and sub-process based risks and controls are defined by Treasury Management Team and Payment and Transfer Services Department, and Senior Management is informed ensuring that appropriate actions are taken.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

7. Market Risk Disclosures (Continued)

7.1 Qualitative disclosure requirements related to market risk (Continued)

- Central risk management function is facilitated by establishing market risk and control systems within the Bank, segregation of duties and responsibilities and review of process and functions by Internal Control and Compliance Department besides operational units performing such functions. Internal Control and Compliance Department perform activities involving controlling that the banking and capital markets activities offered by the Bank are compliant with respective legal regulations, internal regulations and where necessary compliant with international practices in an effective and adequate manner at first line, as "secondary phase protection" element. Such activities and their control periods are determined annually in the Internal Control List. Furthermore, Internal Control and Compliance Department and Internal Audit Department conduct tasks related to the Management Statement.
- Independent review process involves assessment of risk management and internal control framework from all aspects. Internal Audit Department provides extensive assurance for Board of Directors and Senior Management, as an element capable of acting independently and impartially within the organization. During audit activities, primarily compliance of the Bank activities with the regulations, internal strategies, policies, principles and targets are analysed. In addition, reports are submitted to Board of Directors and Senior Management on whether first and second line of defence have reached market risk management and risk control targets or not, and on effectiveness and efficiency of market risk management and designed controls. Elements such as effectiveness and efficiency of Bank operations, protection of assets, reliability and soundness of reporting processes, market risk management and internal control framework, operation units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management.

Market risk related to operations are maintained by business lines with a perspective focused on risk. At the first line of defence; distribution of the Bank portfolio based on maturity and instrument and market developments are monitored constantly by Fund Management Team and Executive Management, the strategy in question is reviewed at least once a year in light of the Bank's business and trade volume and area of activity. Segregation of duties principle is applied at authority and responsibility level in front office and back office practices.

To be able to manage effectively market risk exposure arising from CCP operations, in determining collateral valuation coefficients at the outset market risk and the risk exposure that shall be faced during conversion of collateral to cash are taken into account, variation margins are calculated on daily basis and settlement prices are set in a healthy manner. Position and margins are valued at intraday and end of day market prices, thus margin-risk balance is monitored by CCP Department close to real-time.

At the second line of defence; within the Takasbank Risk Management Communiqué framework, the Bank manages market risk by taking into account market risk appetite, established market risk limit, signal value determined within the scope of early warning system and internal capital requirement. Moreover, on daily basis the portfolio's value at risk is calculated; the amount of loss that the portfolio may face in the utmost adverse market conditions is calculated using partial and holistic stress tests and scenario analyses monitored by internal capital requirement calculation, and results are reported on daily and monthly basis to Senior Management, quarterly and annually basis to Executive Management.

In addition to the controls performed in the first line of defence, operations of the respective units are also controlled based on risk during certain periods by Internal Control and Compliance Department in second line of defence in terms of compliance with legal regulations and internal regulations. And in third line of defence operations of these units are audited periodically by Internal Audit Department inspecting and auditing on behalf of the Board of Directors. As an element, which is capable of acting independently and impartially within the organization, Internal Audit Department provides extensive assurance to the Board of Directors and Senior Management. The audit provides assurance as to whether the first and second lines of defences have reached market risk management and risk control targets or not, and on governance, market risk management and effectiveness/efficiency of designed controls. Usually elements such as effectiveness and efficiency of operations, protection of assets, reliability and soundness of reporting processed, market risk management and internal control framework, operational units and their functions, infrastructure, asset management and information technology are included into the scope of assurance reported to Board of Directors and Senior Management. In this regard relevance of Bank operations to the regulations, internal strategies, policies, principles and targets, is reviewed.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

7. Market Risk Disclosures (Continued)

7.1 Qualitative disclosure requirements related to market risk (Continued)

c) Scope and nature of risk reporting and/or measurement systems:

Market risk is measured on monthly basis according to standard method in accordance with Communiqué on Measurement and Assessment of Banks' Capital Adequacy and its sub-regulations, and reported to the BRSA. In addition to this market risk based amount, internal market risk capital requirement and market risk limit are calculated on daily basis to inform the Senior Management, by using the internal method as per the respective Communiqué and its sub-regulations, and the results are reported by the Risk Management Department to Senior Management, and the respective unit managers.

Reports containing information regarding the Bank's market risk based amount, market risk appetite and market risk limit and signal value conformity levels, treasury operations, FX net general position/shareholders' equity standard ratio trend and market risk internal model outcomes are reported by the Risk Management Department on monthly basis to the Audit Committee and Senior Management, and on quarterly basis to the Executive Management. Back tests are conducted to establish that conceptual soundness of the employed internal model and all critical risks are embodied in the model, and the results are reported to the Executive Management. Moreover, partial stress tests performed by Risk Management Department with respect to market risk are reported on daily basis to the Senior Management, and operational unit managers in charge of risk, and on monthly basis to the Executive Management.

Furthermore, Stress Test Report containing market risk holistic stress test and scenario analyses results and ICAAP report are submitted annually to the Executive Management by the Risk Management Department, and following approval by the Board of Directors, reported to the BRSA.

d) Explanations related to market risk

	Risk Weighted Amount	
	Current Period	Prior Period
Outright products		
Interest rate risk (general and specific)	-	-
Equity risk (general and specific)	-	-
Foreign exchange risk	15,938	10,088
Commodity risk	-	-
Options		
Simplified approach	-	-
Delta-plus method	-	-
Scenario approach	-	-
Securitization	-	-
Total	15,938	10,088

The footnotes and related explanations prepared in accordance with the Communiqué on "Public Disclosures related with Banks' Risk Management Regulations" published in Official Gazette No. 29511 on 23 October 2015 and entered into force as of 30 September 2016 are given in this section. The following tables, which should be given in six months periods in accordance with the related communiqué, have not been presented as of 31 December 2018 as the standard approach is used in the calculation of Bank's capital adequacy:

- Internal model method for trading account
- Comparison with profit/loss and VaR estimated

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value

The estimated fair value of funds provided from other financial institutions with fixed interest rate is calculated by determining their cash flows discounted by the current interest rates used for other liabilities with similar characteristics and maturity structure. The fair value of loans is calculated by determining the cash flows discounted by the current interest rates used for receivables with similar characteristics and maturity structure. The book value of the banks, money market placements, and funds borrowed from other financial institutions and sundry creditors reflect their fair values since they are short-term.

As at 31 December 2017, the fair value of held-to-maturity investments is determined based on quoted market prices for other marketable securities subject to the same qualification in terms of interest rates, maturities and other similar circumstances, if the market prices are not determined. As of 31 December 2017, the fair value hierarchy of the held-to-maturity investments is determined as level 1.

The table below shows the book value and the fair value of the financial assets and liabilities.

	Book Value	Fair Value
	31 December 2018	31 December 2018
Financial Assets	11,547,983	11,547,983
Financial assets at fair value through profit/loss	-	-
Money market placements	645,263	645,263
Banks	10,884,838	10,884,838
Financial assets at fair value through other comprehensive income	3,082	3,082
Financial assets at fair value through amortized cost	-	-
Loans	14,800	14,800
Financial Liabilities	9,922,992	3,425,414
Bank deposits	-	-
Other deposits	-	-
Payables to money market	-	-
Funds borrowed from other financial institutions	3,425,414	3,425,414
Securities issued	-	-
Other liabilities	6,497,578	-

	Book Value	Fair Value
	31 December 2017	31 December 2017
Financial Assets	10,421,952	10,422,275
Financial assets at fair value through profit/loss	-	-
Money market placements	20,833	20,833
Banks	10,163,484	10,163,484
Available-for-sale financial assets	1,832	1,832
Held-to-maturity investments	36,947	37,270
Loans	198,856	198,856
Financial Liabilities	9,209,939	9,209,939
Bank deposits	-	-
Other deposits	-	-
Payables to money market	34,737	34,737
Funds borrowed from other financial institutions	3,204,584	3,204,584
Securities issued	-	-
Sundry creditors	5,970,618	5,970,618

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (Continued)

Fair value classifications is as follows:

Level 1: Registered in active markets price for identical assets or liabilities (unadjusted)

Level 2: Other than published prices included within Level 1, either directly (by price) or indirectly (derived from price) observable datas in terms of assets or liabilities

Level 3: Not based on observable market data in relation to assets or liabilities

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets	-	3,082	-	3,082
Government Bonds	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	3,082	-	3,082
Financial Derivative Assets for Trading	-	-	-	-
Financial Liabilities	-	-	-	-
Financial Derivative Liabilities Held for Cash Flow Hedges	-	-	-	-
Financial Derivative Liabilities for Trading	-	-	-	-
Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets	-	1,832	-	1,832
Government Bonds	-	-	-	-
Available-For-Sale Financial Assets	-	1,832	-	1,832
Financial Derivative Assets for Trading	-	-	-	-
Financial Liabilities	-	-	-	-
Financial Derivative Liabilities Held for Cash Flow Hedges	-	-	-	-
Financial Derivative Liabilities for Trading	-	-	-	-

XI. Explanations Related to Transactions Made on Behalf of Others and Fiduciary Transactions

The Bank carries out trading, custody, management and advisory services on others' behalf and account.

Off balance sheet contingencies and commitments table, TL 1,178 (31 December 2017: TL 1,420) consists of sales and securities which are traded on BİAŞ. Under the fiduciary transactions agreement, there are no transactions carried out with other financial institutions and there are no financial services rendered directly in this context.

According to the Articles of Association of the Bank, the services and operations of the Bank are performing the custody of the securities, precious metals and other securities and the clearing and settlement of cash and security commitments arising from the purchases and sales on stock exchanges. The Bank also provides settlement and custody services for Derivatives Exchange Market, Electricity Market and Leveraged Trading Operations. Related to above mentioned transactions, the total amount of guarantees obtained from Bank's customers comprising treasury bills, government bonds, letter of guarantees and stocks are listed below.

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

XII. Explanations on Segment Reporting

The Bank operates mainly in clearing-operation, custody, loans and treasury.

Current Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Undistributed	Total
Cash and Balances with Central Bank	-	-	79,037	-	79,037
Financial Assets At Fair Value Through Profit/Loss (Net)	-	-	-	-	-
Banks	-	-	10,884,838	-	10,884,838
Money Markets	-	-	-	645,263	645,263
Financial Assets At Fair Value Through Other Comprehensive Income	-	-	3,082	-	3,082
Loans	-	14,780	-	-	14,780
Financial Assets At Fair Value Through Amortized Cost	-	-	-	-	-
Subsidiaries	-	-	-	-	-
Joint Ventures (Net)	-	-	4,825	-	4,825
Tangible Assets (Net)	-	-	-	11,847	11,847
Intangible Assets (Net)	-	-	-	102,497	102,497
Investment Properties (Net)	-	-	-	9,187	9,187
Tax Assets	-	-	-	8,662	8,662
Other Assets	14,406	-	-	16,759	31,165
Total Assets	14,406	14,780	10,971,782	794,215	11,795,183
Funds Borrowed	-	-	3,425,414	-	3,425,414
Debts to the Money Markets	-	-	-	-	-
Funds	5,903,790	126,640	-	467,148	6,497,578
Provisions	-	22,505	-	53,581	76,086
Tax Liability	-	-	-	50,620	50,620
Shareholder's Equity	-	-	-	1,745,485	1,745,485
Total Liabilities	5,903,790	149,145	3,425,414	2,316,834	11,795,183

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

XII. Explanations on Segment Reporting (Continued)

Prior Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Undistributed	Total
Cash and Balances with Central Bank	-	-	480	-	480
Financial Assets At Fair Value Through Profit/Loss (Net)	-	-	-	-	-
Banks	-	-	10,163,484	-	10,163,484
Money Markets	-	-	-	20,833	20,833
Available-For-Sale Financial Assets (Net)	-	-	1,832	-	1,832
Loans	-	198,856	-	-	198,856
Held-to-Maturity Securities (Net)	-	-	36,947	-	36,947
Subsidiaries	-	-	-	-	-
Joint Ventures (Net)	-	-	4,825	-	4,825
Tangible Assets (Net)	-	-	-	7,437	7,437
Intangible Assets (Net)	-	-	-	98,095	98,095
Investment Properties (Net)	-	-	-	9,495	9,495
Tax Assets	-	-	-	-	-
Other Assets	9,906	-	-	12,239	22,145
Total Assets	9,906	198,856	10,207,568	148,099	10,564,429
Funds Borrowed	-	-	3,144,268	-	3,144,268
Debts to the Money Market	-	-	34,737	-	34,737
Miscellaneous Payables	5,717,171	125,846	-	127,601	5,970,618
Other Liabilities	60,316	-	-	-	60,316
Provisions	-	48,139	-	33,923	82,062
Tax Liability	-	-	-	26,166	26,166
Shareholder's Equity	-	-	-	1,246,262	1,246,262
Total Liabilities	5,777,487	173,985	3,179,005	1,433,952	10,564,429

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SECTION FOUR (Continued)

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

XII. Explanations on Segment Reporting (Continued)

Current Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Other	Total
Net Interest Income	-	15,698	516,706	-	532,404
Net Fees and Commissions Income and Other Operating Income	163,457	51,524	-	-	214,981
Dividend Income	-	-	600	-	600
Trading Profit/Loss	-	-	7,573	-	7,573
Other Operating Receivables	-	-	-	3,060	3,060
Impairment Provision for Loans and Other Receivables	-	13,918	-	-	13,918
Other Operating Expenses	-	-	-	(131,977)	(131,977)
Profit Before Taxes	163,457	53,304	524,879	(128,917)	612,723
Tax Provision	-	-	-	(132,983)	(132,983)
Net profit for the period	163,457	53,304	524,879	(261,900)	479,740

Prior Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Other	Total
Net Interest Income	-	17,763	301,957	-	319,720
Net Fees and Commissions Income and Other Operating Income	110,576	39,026	-	-	149,602
Dividend Income	-	-	30	-	30
Trading Profit/Loss	-	-	562	-	562
Other Operating Receivables	-	-	-	329	329
Impairment Provision for Loans and Other Receivables	-	16,931	-	-	16,931
Other Operating Expenses	-	-	-	104,664	104,664
Profit Before Taxes	110,576	39,858	302,549	(104,335)	348,648
Tax Provision	-	-	-	(72,277)	(72,277)
Net profit for the period	110,576	39,858	302,549	(176,612)	276,371

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Notes Related to the Assets

1. Information on cash and balances with the Central Bank of Turkey:

a) Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	63	78,914	443	-
Cash/Foreign Currency	60	-	37	-
Other	-	-	-	-
Total	123	78,914	480	-

b) Information related to the account of the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	63	-	443	-
Unrestricted time deposit	-	78,914	-	-
Restricted time deposit	-	-	-	-
Total	63	78,914	443	-

c) Information on required reserves:

In accordance with the Official Statement numbered 2013/15 about Required Reserves, liabilities that are subject to required reserves have been changed. Required reserves are not kept in the Central Bank of Turkey as the liabilities stated in the newly announced Official Statement are lacked in the Bank.

2. Information on financial assets at fair value through profit and loss (net):

a) Information on government debt securities: None (31 December 2017: None).

b) Information on marketable securities representing the Bank's share: None (31 December 2017: None).

c) Information on other financial assets: None (31 December 2017: None).

3. Information on banks

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	6,362,584	4,428,698	5,717,172	4,376,869
Foreign	-	93,556	-	69,443
Branches and overseas head office	-	-	-	-
Total	6,362,584	4,522,254	5,717,172	4,446,312

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

3. Information on banks (Continued)

Information on foreign banks account:

	Unrestricted amount		Restricted amount	
	Current Period	Prior Period	Current Period	Prior Period
European Union Countries	77,234	68,458	-	-
USA, Canada	16,322	985	-	-
OECD countries	-	-	-	-
Off-shore banking regions	-	-	-	-
Other	-	-	-	-
Total	93,556	69,443	-	-

b) Information on receivables from money markets:

The details about the receivables from Money Markets are as below:

	Current Period	Current Period
Reverse repo belongs to problematical member cash balance	19,554	20,833
Receivables from Central Bank	625,709	-
Total	645,263	20,833

4. Information on financial assets at fair value through other comprehensive income:

a) Information on equity instruments:

Name	Acquired On	Current Period	
		Amount	Ratio (%)
Türkiye Ürün İhtisas Borsası A.Ş. (Tübaş)	2 July 2018	1,250	5.00
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	3 January 2011	637	4.12
S.W.I.F.T.SCRIL	24 April 2009	339	0.02
Borsa İstanbul A.Ş.	31 May 2013	324	0.15
SASE - Sarajevo Menkul Kıymetler Borsası	18 May 2011	322	5.00
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	29 July 2011	210	10.50
Total		3,082	

The details of available for sale assets are given below:

Name	Acquired On	Prior Period	
		Amount	Ratio (%)
Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.	3 January 2011	637	4.12
S.W.I.F.T.SCRIL	24 April 2009	339	0.55
Borsa İstanbul A.Ş. (VOBAŞ Transfer Shares)	31 May 2013	324	0.15
SASE - Sarajevo Menkul Kıymetler Borsası	18 May 2011	322	5.00
Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.	29 July 2011	210	10.50
Total		1,832	

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

4. Information on financial assets at fair value through other comprehensive income (Continued):

	Current Period
Debt Securities	-
Quoted on a stock exchange	-
Not quoted on a stock exchange	-
Share certificates	3,082
Quoted on a stock exchange	-
Not quoted on a stock exchange ⁽¹⁾	3,082
Impairment provision (-)	-
Total	3,082
Available for sale assets	Prior Period
Debt Securities	-
Quoted on a stock exchange	-
Not quoted on a stock exchange	-
Share certificates	1,832
Quoted on a stock exchange	-
Not quoted on a stock exchange ⁽¹⁾	1,832
Impairment provision (-)	-
Total	1,832

5. Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	14,800	1,859,319	144,797	2,312,973
Corporate shareholders	14,800	1,859,319	144,797	2,312,973
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	-	-	-	-
Total	14,800	1,859,319	144,797	2,312,973

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

5. Information on loans: (Continued)

b) Information on loans with standard qualifications and close monitoring followed by restructured loans:

Cash Loans	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	
Current Period			Revised Contract Terms	Refinanced
Non-specialized loans	14,800	-	-	-
Working capital loans	-	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Loans given to financial sector	14,800	-	-	-
Foreign loans	-	-	-	-
Consumer loans	-	-	-	-
Credit cards	-	-	-	-
Precious metal credit	-	-	-	-
Other	-	-	-	-
Specialized loans	14,800	-	-	-

Information on the first and second group loans and other receivables including restructured or rescheduled loans:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms	
Cash Loans		Restructured or Rescheduled	Other	Restructured or Rescheduled	Other
Non-specialized loans	198,856	-	-	-	-
Working capital loans	-	-	-	-	-
Export loans	-	-	-	-	-
Import loans	-	-	-	-	-
Loans given to financial sector	198,856	-	-	-	-
Foreign loans	-	-	-	-	-
Consumer loans	-	-	-	-	-
Credit cards	-	-	-	-	-
Precious metal credit	-	-	-	-	-
Other	-	-	-	-	-
Specialized loans	-	-	-	-	-
Other receivables	-	-	-	-	-
Total	198,856	-	-	-	-

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

5. Information on loans: (Continued)

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term loans and other receivables	14,800	-	-	-
Non-specialized loans	14,800	-	-	-
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	-	-	-	-
Non-specialized loans	-	-	-	-
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Total	14,800	-	-	-

c) Information on consumer loans, individual credit cards, and personnel loans and personnel credit cards: None (31 December 2017: None).

d) Information on commercial loans with instalments and corporate credit cards: None (31 December 2017: None).

e) Loans according to borrowers:

	Current Period	Prior Period
Private	14,800	198,856
Public	-	-
Total	14,800	198,856

f) Domestic and foreign loans:

	Current Period	Prior Period
Domestic loans	14,800	198,856
Foreign loans	-	-
Total	14,800	198,856

g) Loans granted to subsidiaries and associates:

None (31 December 2017: None).

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

5. Information on loans: (Continued)

h) Information on non-performing loans:

	Current Period
Uncollectable loans and receivables	1,574
Loans and receivables with limited collectability	-
Loans and receivables with doubtful collectability	-
Total	1,574
	Prior Period
Provisions for uncollectable loans and receivables	1,574
Provisions for loans and receivables with limited collectability	-
Provisions for loans and receivables with doubtful collectability	-
Total	1,574

i) Information on non-performing loans (Net)

i.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled: None (31 December 2017: None).

i.2) Information on movement of non-performing loans:

	Group III	Group IV	Group V
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Current period end balance	-	-	1,574
Additions during the period (+)	-	-	-
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections during the period (-)	-	-	-
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Period end balance	-	-	1,574
Specific provision (-)	-	-	1,574
Net Balances on Balance Sheet	-	-	-

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

5. Information on loans: (Continued)

Information on loans and other receivables included in non-performing loans which are restructured or rescheduled: None (31 December 2017: None).

	Group III	Group IV	Group V
	Loans and Receivables With Limited Collectability	Loans and Receivables With Doubtful Collectability	Uncollectible Loans and Receivables
Prior period end balance	-	-	1,574
Additions during the period (+)	-	-	-
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections during the period (-)	-	-	-
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Period end balance	-	-	1,574
Specific provision (-)	-	-	1,574
Net Balances on Balance Sheet	-	-	-

i.3) Information on foreign currency non-performing loans and other receivables: None (31 December 2017: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

5. Information on loans: (Continued)

i.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	Group III	Group IV	Group V
	Loans and Receivables With Doubtful Collectability	Loans and Receivables With Doubtful Collectability	Uncollectable Loans and Receivables
Current Period (Net)	-	-	-
Loans to Real Persons and Legal Entities (Gross)	-	-	1,574
Specific Provision Amount (-)	-	-	1,574
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	-	-	-
Loans to Real Persons and Legal Entities (Gross)	-	-	1,574
Specific Provision Amount (-)	-	-	1,574
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

5. Information on loans: (Continued)

	Group III	Group IV	Group V
	Loans and Receivables With Doubtful Collectability	Loans and Receivables With Doubtful Collectability	Uncollectable Loans and Receivables
Prior Period (Net)	-	-	-
Loans to Real Persons and Legal Entities (Gross)	-	-	1,574
Specific Provision Amount (-)	-	-	1,574
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	-	-	-
Loans to Real Persons and Legal Entities (Gross)	-	-	1,574
Specific Provision Amount (-)	-	-	1,574
Loans to Real Persons and Legal Entities (Net)	-	-	-
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

5. Information on loans: (Continued)

j) Expected loss provision:

	Current Period	
	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses	20	-
Significant Increase in Credit Risk	-	-
Total	20	-
	Prior Period	
General provisions		
Provisions for Group I. Loans and Receivables		2,963
Additional provision for loans with extended payment period		-
Provisions for Group II. Loans and Receivables		-
Additional provision for loans with extended payment period		-
Provisions for Non-cash Loans		45,176
Other		-
Total		48,139

k) Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks".

Other explanations and disclosures:

Collaterals and credit enhancement obtained during the year:

The details of the collaterals obtained for cash loans as of 31 December 2018 and 2017 are as follows:

	Current Period	Prior Period
Equity Shares (quoted)	18,691	102,153
Letters of Guarantee	5,750	169,086
Total	24,441	271,239

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

6. Information on financial assets measured at amortised cost

a) Information on financial assets measured at amortised cost:

None (31 December 2017: 36,947 TL, held to maturity securities).

a) i. Movement of financial assets measured at amortised cost:

	Current Period
Beginning balance	36,947
Foreign currency differences on monetary assets	-
Purchases during year	56,504
Disposals through sales and redemptions ⁽¹⁾	(91,502)
Impairment provision (-)	-
Effect of valuation ⁽²⁾	(1,949)
Closing Balance	-

⁽¹⁾ All of disposals through sales and redemptions amount is from redemptions.

⁽²⁾ Includes interest accruals change.

	Prior Period
Beginning balance	45,943
Foreign currency differences on monetary assets	-
Purchases during year	80,862
Disposals through sales and redemptions ⁽¹⁾	(91,343)
Impairment provision (-)	-
Effect of valuation ⁽²⁾	1,485
Closing Balance	36,947

⁽¹⁾ All of disposals through sales and redemptions amount is from redemptions, there is no disposals through sales in current period.

⁽²⁾ Includes interest accruals change.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

6. Information on financial assets measured at amortised cost (Continued)

b) Information on expected credit loss provisions for financial assets

	Current Period
Cash and cash equivalents	-
Receivables from banks and money markets	14,840
Financial assets at fair value through amortized cost	20
Other assets	523
Total	15,383

c) Information on other financial assets:

None (31 December 2017: None).

7. Information on associates (Net):

- a) Information on consolidated associates according to Communiqué on Preparing Banks' Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2017: None).
- b) Information on the unconsolidated associates: None (31 December 2017: None).
- c) Explanations of consolidated associates: None (31 December 2017: None).
- d) Information on sector information on consolidated associates: None (31 December 2017: None).
- e) Consolidated associates which are quoted on the stock exchange: None (31 December 2017: None).

8. Information on subsidiaries (Net):

a) Information on the unconsolidated subsidiaries:

Description	Address (City/Country)	Bank's share percentage- If different voting percentage (%)	Bank risk group's share percentage (%)
Merkezi Kayıt Kuruluşu A.Ş.	İstanbul/Türkiye	28.57	65

The Bank's share in Merkezi Kayıt Kuruluşu A.Ş. ("MKK") is 65% and the Bank's voting right is 28.57% (2/7) according to its Articles of Association. Although the This subsidiary is carried at cost amounting to TL 4,825 thousand in the financial statements.

Total Assets ⁽¹⁾	Shareholder's Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities ortfolio	Current Period Profit/Loss	Prior Period Profits/ Losses	Fair Value
175,537	139,666	30,347	18,829	2,001	31,340	28,039	-

⁽¹⁾ Audited financial statements, prepared as of 31 December 2018, in accordance with the Turkish Accounting Standards have not been prepared yet.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

8. Information on subsidiaries (net) (Continued):

	31 December 2018	31 December 2017
Paid-in capital	36,000	36,000
Legal reserves	15,625	14,223
Other reserves	59,380	32,742
Profit/loss	29,549	26,248
<i>Prior periods profit/loss</i>	(1,791)	(1,791)
<i>Current period net profit/loss</i>	31,340	28,039
Intangible Assets (-)	(16,718)	(20,695)
Total Core Capital	123,836	88,518
Supplementary Capital	-	-
Capital	123,836	88,518
Net Usable Equity	123,836	88,518

There is no assessment of subsidiaries' internal capital adequacy.

Paid capital is indicated in the main agreement of the Bank as Turkish Liras and registered in the trade registry.

Legal reserves are the reserve funds which are indicated in the Turkish Trade Act's (numbered 6762) 466. dam's first paragraph and second paragraph's third subparagraph, and 467.dam and accounted from related year's profit.

b) Information on the consolidated subsidiaries:

i. Information on the consolidated subsidiaries: None (31 December 2017: None).

ii. Information on movement of consolidated subsidiaries: None (31 December 2017: None).

iii. Sectorial information on the consolidated subsidiaries: None (31 December 2017: None).

iv. Consolidated subsidiaries quoted on the stock exchange: None (31 December 2017: None).

9.Information on entities under common control (joint ventures): None (31 December 2017: None).

10. Information on finance lease receivables (net): None (31 December 2017: None).

11. Information on derivative financial assets: None (31 December 2017: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

12. Information on tangible assets:

	Prior Year's Closing Balance 31 December 2017	Additions	Disposals	Closing Year Balance 31 December 2018
Cost:				
Vehicles	237	-	-	237
Other	18,875	7,834	(2,320)	24,389
Total Cost	19,112	7,834	(2,320)	24,626
	Prior Year's Closing Balance 31 December 2017	Charge for the Year	Disposals	Closing Year Balance 31 December 2018
Accumulated Depreciation:				
Vehicles	(233)	(4)	-	(237)
Other	(11,441)	(3,388)	2,286	(12,542)
Total Accumulated Depreciation	(11,674)	(3,392)	2,286	(12,779)
Net Book Value	7,438	4,442	(34)	11,847
	Prior Year's Closing Balance 31 December 2016	Additions	Disposals	Closing Year Balance 31 December 2017
Cost:				
Land and buildings	14,376	-	-	14,376
Leased tangible assets	-	-	-	-
Vehicles	305	-	(68)	237
Other	14,966	4,115	(206)	18,875
Total Cost	29,647	4,115	(274)	33,488
	Prior Year's Closing Balance 31 December 2016	Charge for the Year	Disposals	Closing Year Balance 31 December 2017
Accumulated Depreciation:				
Land and buildings	(4,575)	(307)	-	(4,882)
Leased tangible assets	-	-	-	-
Vehicles	(199)	(51)	17	(233)
Other	(9,338)	(2,274)	171	(11,441)
Total Accumulated Depreciation	(14,112)	(2,632)	188	(16,556)
Net Book Value	15,535	1,483	(86)	16,932

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

12. Information on tangible assets (Continued):

- a) If impairment amount on individual asset booked or reversed in the current period is material for the overall financial statements:
- Reason and conditions for booking or reversing impairment: The details for reason and conditions for booking or reversing impairment are given in note (12.b) of the report.
 - Amount of impairment booked or reversed in the financial statements: The details for amount recorded or reversed impairment in the financial statements are given in part (12.b) of the Report.
- b) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: There is no material impairment provision set or cancelled in the current period:

None (31 December 2017: None).

There is no impairment accounted related to property and equipment in the current period (31 December 2017: None).

- c) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases of tangible fixed assets: None (31 December 2017: None).

13. Information on assets held for sale and discontinued operations:

	Prior Year's Closing Balance			Closing Year Balance
	31 December 2017	Additions	Disposals	31 December 2018
Cost:				
Leasehold improvements	-	-	-	-
Other intangible assets	110,575	12,887	-	123,462
Total Cost	110,575	12,887	-	123,462
Accumulated Amortization:				
Leasehold improvements	-	-	-	-
Other intangible assets	(12,480)	(8,485)	-	(20,965)
Total Accumulated Amortization	(12,480)	(8,485)	-	(20,965)
Net Book Value	98,095	4,402	-	102,497

	Prior Year's Closing Balance			Closing Year Balance
	31 December 2016	Additions	Disposals	31 December 2017
Cost:				
Leasehold improvements	-	-	-	-
Other intangible assets	93,172	17,403	-	110,575
Total Cost	93,172	17,403	-	110,575
Accumulated Amortization:				
Leasehold improvements	-	-	-	-
Other intangible assets	(8,167)	(4,313)	-	(12,480)
Total Accumulated Amortization	(8,167)	(4,313)	-	(12,480)
Net Book Value	85,005	13,090	-	98,095

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

13. Information on assets held for sale and discontinued operations (Continued):

- a) Disclosures for book value, description and remaining useful life for a specific intangible fixed asset that is material to the financial statements: None (31 December 2017: None).
- b) Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None (31 December 2017: None).
- c) The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition: None (31 December 2017: None).
- d) The book value of intangible fixed assets that are pledged or restricted for use: None (31 December 2017: None).
- e) Amount of purchase commitments for intangible fixed assets: None (31 December 2017: None).
- f) Information on revalued intangible assets according to their types: None (31 December 2017: None).
- g) Amount of total research and development expenses recorded in income statement within the period if any: None (31 December 2017: None).
- h) Positive or negative consolidation goodwill on entity basis: None (31 December 2017: None).
- i) Information on goodwill: None (31 December 2017: None).
- j) Movements on goodwill in the current period: None (31 December 2017: None).

14. Information on investment property:

As of 31 December 2018, the Bank has TL 9,187 investment properties (31 December 2017: TL 9,495).

Cost	Current Period	Prior Period
Value at the Beginning of the Period	-	-
Movements During the Period	-	-
Acquisition	-	-
Disposals (-)	-	-
Transfer ⁽¹⁾	14,376	14,376
Period End Value	14,376	14,376
Accumulated Depreciation		
Value at the Beginning of the Period	-	-
Movements During the Period	-	-
Amortization Cost	-	-
Disposals	-	-
Transfer ⁽¹⁾	(5,189)	(4,881)
Period End Value	(5,189)	(4,881)
Net Book Value	9,187	9,495

⁽¹⁾ As of 31 December 2018, the Şişli Service Building, which is not in use by the Bank and is being held for the purpose of obtaining rent income, is classified under investment property. The related real estate is followed with its historical cost value on the financial statements dated 31 December 2018, in the appraisal report prepared by the licensed appraisal company, the fair value of the real estate was determined as TL 38,630 according to the "market approach method" as of 31 December 2018, the Bank does not have any rental income from investment property.

The Bank does not have any rental income from investment property for the year ended 31 December 2018.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

15. Information on assets held for sale and discontinued operations:

None (31 December 2017: None).

16. Explanations on deferred tax asset:

Deferred tax asset/(liabilities):

	Current Period	
	Accumulated temporary differences	Deferred tax asset/(liability)
TFRS 9 -Expected credit losses	51,762	11,388
Provisions for Capital Market Board's Share Fee - Other provisions	14,414	3,171
Provision for Legal Claims and Premium	12,609	2,774
Unused Vacation Provision	7,045	1,550
Provision for Employee Termination	5,640	1,128
Difference between Internal Rate of Return and Market Value of Government Debt Securities Measured at Amortised Cost	121	26
Deferred Tax Asset	91,591	20,037
Difference between Book Value and Tax Value of Fixed Assets	56,156	11,375
Deferred Tax Liability		11,375
Deferred Tax Asset/(Liability), Net		8,662
	Prior Period	
	Accumulated temporary differences	Deferred tax asset/(liability)
Provisions for Capital Market Board's Share Fee	11,352	2,271
Provision for Employee Termination	5,900	1,180
Unused Vacation Provision	6,745	1,349
Provision for Legal Claims	9,926	1,985
Interest Accruals	56	11
Deferred Tax Asset		6,796
Difference between Book Value and Tax Value of Fixed Assets	38,805	7,761
Difference between Internal Rate of Return and Market Value of Government Debt Securities Held to Maturity	402	80
Deferred Tax Liability		7,841
Deferred Tax Asset/(Liability), Net		(1,045)

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

16. Explanations on deferred tax asset (Continued):

Deferred tax asset movement table:

	Current Period	Prior Period
Prior period closing balance	(1,045)	1,179
TFRS 9 expected credit loss (opening impact)	8,326	-
Deferred Tax Profit/(Loss)	1,402	(1,923)
Deferred Tax Recognized under the Shareholder's Equity	(21)	(301)
Deferred Tax Asset	8,662	(1,045)

17. Information on other assets:

Other assets do not exceed 10% of the balance sheet total (excluding off balance sheet commitments). The details of other assets are presented below.

Allocation of other assets:

	Current Period	Prior Period
Derivative exchange collateral	18,954	2,826
Custody accruals	14,407	9,906
Prepaid expenses	11,493	8,186
Office supply inventory	94	53
Cash guarantees given	57	84
Other	1,523	1,090
Total	46,528	22,145

II. Explanations and Notes Related to the Liabilities

1. Explanations related to deposits:

- Information on maturity structure of deposits: The Bank is not authorized to accept deposits.
- Information on saving deposits under the guarantee of saving deposit insurance: The Bank is not authorized to accept deposits.
- Information on the saving deposits of the bank with head office abroad, if the saving deposits in the branches of the bank located in Turkey are under the guarantee of saving deposit insurance in that country abroad: The Bank's head office is in Turkey.
- Saving deposits not guaranteed by insurance: The Bank is not authorized to accept deposits.

2. Information on derivative financial liabilities:

- Information on derivative financial liabilities at fair value through profit or loss: None (31 December 2017: None).
- Derivative financial liabilities at fair value through other comprehensive income: None (31 December 2017: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to the Liabilities (Continued)

3. Information on funds borrowed:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	652,957	2,772,457	771,313	2,372,955
From Foreign Banks, Institutions and Funds	-	-	-	-
Total	652,957	2,772,457	771,313	2,372,955

b) Information on money market debts:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	34,737	-
Total	-	-	34,737	-

c) Maturity analysis of funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	652,957	2,772,457	806,050	2,372,955
Medium and long-term	-	-	-	-
Total	652,957	2,772,457	806,050	2,372,955

d) Additional explanation related to the concentrations of the Bank's major liabilities:

Bank's liabilities include taxes payables and other payables and cash collaterals, guarantee funds which members give for different markets.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to the Liabilities (Continued)

4. Information on funds:

a) Information on borrowers' funds: None (31 December 2017: None).

b) Information on other funds:

The breakdown of funds which is the main liabilities of the Bank is as below:

	Current Period	
	TL	FC
Cash collaterals	4,461,236	1,599,096
Members' receivables	147,259	215,847
Capital market board share	-	-
Shareholders dividend receivables	-	-
Expense accruals	2,616	-
Other ⁽¹⁾	71,524	-
	4,682,635	1,814,943

⁽¹⁾ Amounting of other consists of pool and guarantee fund accounts.

	Prior Period	
	TL	FC
Miscellaneous payables		
Cash collaterals	3,787,374	1,849,178
Members' receivables	116,990	215,562
Capital market board share	-	-
Shareholders dividend receivables	-	-
Expense accruals	1,514	-
Other ⁽¹⁾	60,316	-
	3,966,194	2,064,740

⁽¹⁾ Amounting of other consists of pool and guarantee fund accounts

5. Explanations on financial lease obligations (net):

- The general explanations on criteria used in determining instalments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank: None (31 December 2017: None).
- The explanation on modifications in agreements and new obligations resulting from such modifications: None (31 December 2017: None).
- Explanation on finance lease payables: None (31 December 2017: None).
- Explanations regarding operational leases: None (31 December 2017: None).
- Explanations on the lesser and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None (31 December 2017: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to the Liabilities (Continued)

6. Information on provisions:

a) Information on employee termination benefits and unused vacation accrual:

Under Turkish Labour Law, the Bank is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered, 25 August 1999 dated and 4447 numbered with 60th article that has been changed. Some transition provisions related to the pre-retirement service term was excluded from the law since the related law was changed as of 23 May 2002. The maximum amount of TL 5,434.32 (31 December 2017: 4,732.18) (full TL) has taken into consideration in calculation of provision for employment termination benefits.

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of employees. TAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The main assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2018, the provision has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of the employees. The provisions at the balance sheet date have been calculated assuming an annual inflation rate of 8% and interest rate 13.5% and a discount rate of 5.09% (31 December 2017: 7% inflation rate, 3.74% discount rate). The estimated rate of severance pay amount which is not paid and to be held in the bank as a result of optional leavings are also considered.

	Current Period	Prior Period
Total liabilities of employee terminations (Undiscounted)	11,498	9,533
Provision for employee termination (Presented in financial statements)	5,640	5,900
The ratio of provision to undiscounted total liabilities (%)	49.05	61.89

As of 31 December 2018, the Bank provided a reserve of TL 7,045 (31 December 2017: TL 6,745) for the unused vacation which classified under Reserve for Employee Benefits in the financial statements.

a.1) Movement of employee termination benefits:

	Current Period	Prior Period
As of January 1	5,900	7,384
Paid during the year	(1,367)	(1,407)
Actuarial loss/(gain)	(102)	(1,506)
Charge for the year	1,209	1,429
Service charge	560	601
Interest charge	649	828
Total	5,640	5,900

a.2) The reserve for employee benefits:

	Current Period	Prior Period
Unused vacation provision	7,045	6,745
Total	7,045	6,745

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to the Liabilities (Continued)

6. Information on provisions (Continued):

b) Information on other provisions:

b.1) Liabilities for pension funds established in accordance with "Social Security Institution": None (31 December 2017: None).

b.2) Breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total of provisions:

	Current Period	Prior Period
Expected credit losses ⁽¹⁾	36,378	-
Provisions for CMB's Share Fee ⁽²⁾	14,414	11,352
Provision for Legal Claims	12,609	9,926
Total	63,401	21,278

⁽¹⁾ Consists of 12 months expected credit loss provisions for non-cash loans.

⁽²⁾ According to the related article of the Bank's Capital Markets Law, the board share to be paid to the Capital Markets Board in 2018 consists of an expense accrual (CMB Board Share).

	Current Period	Prior Period
Provisions for cases beginning balance	9,926	1,900
Additions	14,957	8,086
Payments	193	-
Cancellations	12,081	60
Provisions for cases year end	12,609	9,926

c) Liabilities Resulting from Retirement Benefits: None (31 December 2017: None).

c.1) Liabilities for pension funds established in accordance with "Social Security Institution": None (31 December 2017: None).

c.2) Liabilities resulting from all kinds of pension funds, foundations, which provide post-retirement benefits for the employees: None (31 December 2017: None).

7. Explanations on taxes payable:

a) Information on current tax liability:

a.1) Corporate tax:

	Current Period	Prior Period
Provision for Corporate Taxes	134,385	70,354
Advance Taxes (-)	91,258	50,684
Corporate Income Tax Payable	43,127	19,670

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to the Liabilities (Continued)

7. Explanations on taxes payable (Continued)

a) Information on current tax liability: (Continued)

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate Taxes Payable	43,127	19,670
Banking Insurance Transaction Tax (BITT)	3,272	1,856
Taxation on Securities	1,443	626
Value Added Tax Payable	203	149
Other	1,376	1,692
Total	49,421	23,993

a.3) Information on premiums:

	Current Period	Prior Period
Social Security Premiums-Employer	563	512
Social Security Premiums-Employee	523	508
Unemployment Insurance-Employer	76	72
Unemployment Insurance-Employee	37	36
Total	1,199	1,128

b) Explanations on deferred tax liabilities:

Deferred tax assets and liabilities are offset and deferred tax liabilities are recognized in the asset, and the explanations for deferred tax assets/liabilities for the current and prior period are presented in footnote No. 16.

8. Information on liabilities regarding assets held for sale and discontinued operations:

None (31 December 2017: None).

9. Explanations on the number of subordinated loans the Bank used maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

None (31 December 2017: None).

10. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

	Current Period	Prior Period
Common stock ⁽¹⁾	600,000	600,000
Preferred stock	-	-

⁽¹⁾ As of 31 December 2018, The Bank has totally 6,000,000,000 issued share certificates. 2,000 of these shares are preferred shares.

b) Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank if so, and amount of registered share capital ceiling: Registered share capital system is not applied as of the balance sheet date (31 December 2017: Not applied).

c) Other information on the share of capital increased through capital contributions performed during the current period and capital funds: None (31 December 2017: None).

d) Information on share capital increases from capital reserves during the current period: None (31 December 2017: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to the Liabilities (Continued)

10. Information on Shareholders' Equity: (Continued)

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None (31 December 2017: None).

f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

Due to the Bank's liquid position and good relations with other banks, the Bank has the means to provide low cost financing and place it in domestic market which leads to profits. In parallel with this, if similar circumstances will occur in the future, it can be predicted that profitability will increase and this will improve the equity of the Bank with retained profits.

g) Information on preferred shares:

As of 31 December 2018, the Bank has preferred shares with a nominal value of TL 200. According to the article six of the Articles of Association, the shares which represent group shares of the newly issued group A and B shares belong only to BİAŞ and cannot be transferred. Besides, according to the Bank's Articles of Association - article 9/2, four members of the board of directors are chosen by the General Assembly, among the candidates presented by group shareholders.

h) Information on marketable securities valuation reserve:

None (31 December 2017: None).

i) Information on extraordinary reserves:

	Current Period	Prior Period
Reserves appropriated by the General Assembly	523,901	260,606
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Capital Exchange Difference	-	-
Total	523,901	260,606

j) Information on past year profit distribution:

At the Ordinary General Assembly meeting held on 12 September 2018, it was decided not to distribute profit from the profit of the year 2017 to the shareholders in order to strengthen the capital.

k) Information on minority shares:

None (31 December 2017: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Notes Related to Off-Balance Sheet Accounts

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments: None (31 December 2017: None).

b) Possible losses and commitments related to off-balance sheet items including items listed below:

b.1) Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits: There are no non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits. As of the balance sheet date, detail of other non-cash loans detail including given guarantees for Bank's Takasbank Money Market, Securities Lending Market, Futures and Options and Equity Market transactions as presented below.

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	-	-
With Original Maturity of One Year or Less	-	-
With Original Maturity of More than One Year	-	-
Other non-cash loans ⁽¹⁾	17,086,287	17,639,591
Total Non-Cash Loans	17,086,287	17,639,591

⁽¹⁾ Guarantees given to Takasbank Money Market, Securities Lending Market, Futures and Options Market and Equity Market.

Information on sectorial risk breakdown of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural								
Farming and Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Industry	-	-	-	-	-	-	-	-
Mining and Quarry	-	-	-	-	-	-	-	-
Manufacturing Industry	-	-	-	-	-	-	-	-
Electric, Gas and Water	-	-	-	-	-	-	-	-
Construction	-	-	-	-	-	-	-	-
Services	17,086,287	100	-	-	17,639,591	100	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	-	-	-	-	-	-
Financial Institutions	17,086,287	100	-	-	17,639,591	100	-	-
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	17,086,287	100	-	-	17,639,591	100	-	-

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Notes Related to Off-Balance Sheet Accounts (Continued)

1. Information on off-balance sheet liabilities (Continued):

b) Possible losses and commitments related to off-balance sheet items including items listed below: (Continued):

Information on Group I and II non-cash loans:

	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans	17,086,287	-	-	-
Letters of Guarantee	-	-	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issuance	-	-	-	-
Factoring Commitments	-	-	-	-
Other Commitments and Contingencies	17,086,287	-	-	-

b.2) Guarantees, temporary guarantees, collateral and other warranties: None (31 December 2017: None).

b.3) Explanation of irrevocable commitments:

	Current Period		Prior Period	
	TL	FC	TL	FC
Capital commitment for Derivatives Exchange (Bank is central counterparty services (CCP))	57,980	-	181,543	-
Capital commitment for Loan Share Market (Bank is central counterparty services (CCP))	2,596	-	8,928	-
Capital commitment for Central Counterparty Service (Bank is central counterparty services (CCP))	-	-	62,470	-
Capital commitment for Swap Market (Bank is central counterparty services)	11,315	-	-	-
Capital commitment for Money Market (Bank is central counterparty services (CCP))	1,731	-	3,024	-
Capital commitment for Stock Exchange (Bank is central counterparty services (CCP))	12,981	-	41,646	-
Capital commitment for Debt Instruments Market (Bank is central counterparty services)	11,250	-	-	-
Subordinates and joint ventures capital contribution commitments	3,750	-	-	-
Total	101,603	-	297,611	-

c) Information related to Non-Cash Loans:

As the Bank functions as a bridge between seller and buyer in money market operations in which bank has a market maker role and guarantees that the debts will be paid, bank follows the risks which occurred in this market in non-cash loans accounts. Takasbank, as central counterparty services, guarantees market transactions in securities lending market, BİAŞ money market, and forward and options market.

The limits are defined for the members and it is required to have continued guarantees. A limit is set for members for Takasbank Money Market, Loan Share Market, and Derivatives Exchange Market and there is a continuing guarantee for these limits. These mentioned guarantees are hold in bank as defined credit limits' multiples according to their liquidity.

d) Information related to Market Securities Hedges: the markets securities hedges, TL 3,592,018,661 (31 December 2017: TL 3,072,124,601) of the TL 3,591,786,440 balance of market securities hedges are investment funds as the other TL 232,221 balance consists of share certificate hedges.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes Related to Statement of Profit or Loss

1. Information on interest on loans:

a) Information on interest on loans:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term Loans	14,677	-	17,400	-
Medium/Long-term Loans	-	-	-	-
Interest on Loans Under Follow-up	-	-	-	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total	14,677	-	17,400	-

b) Information on interest received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	75	-	-
Domestic banks	460,197	194,184	243,034	134,770
Foreign banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Total	460,197	194,259	243,034	134,770

c) Interest received from marketable securities portfolio:

	Current Period	
	TL	FC
From Financial Assets Measured at Amortised Cost	7,207	-
From Financial Assets At Fair Value Through Profit or Loss	-	-
From Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Total	7,207	-
	Prior Period	
	TL	FC
From Held-to-Maturity Investments	10,141	-
From Trading Financial Assets	-	-
From Financial Assets At Fair Value Through Profit or Loss	-	-
From Available-for-Sale Financial Assets	-	-
Total	10,141	-

d) Information on interest income received from associates and subsidiaries:

None (31 December 2017: None).

e) Other information:

None (31 December 2017: None).

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes Related to Statement of Profit or Loss (Continued)

2. Information on interest expense

a) Information on interest on funds borrowed:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	152,164	-	85,988	-
The Central Bank of Turkey	378	-	7,727	-
Domestic banks	151,786	-	78,261	-
Foreign banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	152,164	-	85,988	-

b) Information on interest expense to associates and subsidiaries:

None (31 December 2017: None).

c) Information on interest expense to marketable securities issued:

None (31 December 2017: None).

d) Distribution of interest expense on deposits based on maturity of deposits:

None (31 December 2017: None).

3. Information on dividend income:

	Current Period
Interest from securities	-
Financial assets at fair value through profit and loss	-
Financial assets at fair value through other comprehensive income	600
Financial assets at fair value through amortized cost	-
Total	600
	Prior Period
Trading Securities	-
Financial assets at fair value through profit and loss	-
Available-for-sale securities	30
Other (Investment in subsidiaries)	-
Total	30

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes Related to Statement of Profit or Loss (Continued)

4. Information on net trading income:

	Current Period	Prior Period
Income	24,839	2,251
Gains on capital market operations	-	-
Foreign exchange gains	24,839	2,251
Losses (-)	(17,266)	(1,689)
Losses on capital market operations	-	-
Foreign exchange losses	(17,266)	(1,689)
Total (Net)	7,573	562

5. Information on other operating income:

	Current Period	Prior Period
Provisions no longer required	2,773	60
Collection of prior year expenses	256	242
Income from sales of the assets	26	13
Other income	5	14
Total	3,060	329

In the fifth section and fourth part Note 7, details of sub-accounts of balances that are grouped under "Others" section that constitute at minimum 20% of the balances under "Other" section are included if the accounted under "Other" section excludes 10% of the total balance of the Income Statement.

Information about the factors that affect the Bank's profit materially and including new developments and the amount and quality of extraordinary accounts: None (31 December 2017: None).

6. Explanations on Banks' expected credit loss:

Credit loss provision for the year ended on 31 December 2018 is presented below:

	Current Period
Expected Credit Loss	13,918
12 month expected credit loss (Stage 1)	13,918
Significant increase in credit risk (Stage 2)	-
Non-performing loans (Stage 3)	-
Marketable Securities Impairment Expense	-
Financial Assets Measured at Fair Value through Profit/Loss	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-
Impairment Provision for Associates, Subsidiaries and Joint Ventures	-
Associates	-
Subsidiaries	-
Joint ventures	-
Other	-
Total	13,918

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes Related to Statement of Profit or Loss (Continued)

6. Explanations on Banks' expected credit loss:(Continued)

Provision for impairment of loans and other receivables:

	Prior Period
Specific provisions for loans and other receivables	-
Group III Loans and Receivables	-
Group IV Loans and Receivables	-
Group V Loans and Receivables	-
General provision expenses	16,931
Provision expenses for possible losses	-
Marketable securities impairment losses	-
Financial assets at fair value through profit and loss	-
Investment securities available for sale	-
Impairment provision expense	-
Associates	-
Subsidiaries	-
Entities under common control (Joint Ventures)	-
Investments held to maturity	-
Other	-
Total	16,931

7. Information on other operating expenses:

	Current Period
Personnel expenses ⁽¹⁾	58,608
CMB council portion	14,414
Litigation provision expenses	12,609
Intangible amortization expenses	8,485
Tax, duty and charge expenses	7,337
Tangible amortization expenses	3,699
Provisions for termination indemnities	1,209
Employee benefits provision expense	301
Leasehold improvements amortization expenses	20
Other management expenses	25,296
- Insurance expenses	8,543
- Communication expenses	2,344
- Computer using expenses	213
- Other expenses	14,196
Total	131,977

⁽¹⁾ "Personnel Expenses", which is a separate item in the profit or loss statement, is also included table above.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes Related to Statement of Profit or Loss (Continued)

7. Information on other operating expenses: (Continued)

	Prior Period
Personnel expenses	46,098
CMB council portion	11,352
Litigation provision expenses	8,087
Tax, duty and charge expenses	4,436
Intangible amortization expenses	4,313
Tangible amortization expenses	2,632
Employee benefits provision expense	1,881
Provisions for termination indemnities	1,428
Leasehold improvements amortization expenses	14
Other management expenses	24,423
- Insurance expenses	6,654
- Communication expenses	1,865
- Computer Using expenses	172
- Other expenses	15,732
Total	104,664

8. Information on continued and discontinued operations from tax provisions:

a) The Bank presents deferred tax asset and the resulting deferred tax benefit in its financial statements.

	Current Period	Prior Period
Current income tax charge	(134,385)	(70,354)
Deferred tax charge	1,402	(1,923)
Total	(132,983)	(72,277)

b) Deferred tax on temporary differences:

	Current Period
Difference between book value and tax value of fixed assets	3,614
Provisions for Capital Market Board's share fee	900
Provision for legal claims and premium	789
Unused vacation provision	201
Difference between internal efficiency and market value of government debt securities measured at amortised cost	26
Deferred tax expenses recognized in equity	(21)
Provision for employee termination	(52)
Interest accruals	(69)
TFRS 9 - Provisions for expected credit losses	(3,986)
Total	1,402

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.
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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes Related to Statement of Profit or Loss (Continued)

8. Information on continued and discontinued operations from tax provisions: (Continued)

b) Deferred tax on temporary differences: (Continued)

	Prior Period
Difference between book value and tax value of fixed assets	(4,090)
Provision for employee termination	(297)
Difference between internal efficiency and market value of government debt securities held to maturity	(103)
Provision for legal claims and premium	1,605
Unused vacation provision	376
Provision for employee termination	301
Provisions for Capital Market Board's share fee	274
Interest accruals	11
Total	(1,923)

Tax reconciliation:

	Current Period	Prior Period
Profit before tax	612,723	348,648
Corporate tax rate	22%	20%
Calculated tax	(134,799)	(69,730)
Additions	45,097	21,063
Deductions	(43,281)	(23,610)
Tax expense	(132,983)	(72,277)

9. Information on net profit/loss from continued and discontinued operations:

As of 31 December 2018, net profit after tax of the Bank is TL 479,740 (31 December 2017: TL 276,371).

10. The explanations on net income/loss for the period:

a) The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding Bank's performance for the period: None (31 December 2017: None).

b) Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: There is no effect of changes in accounting estimates on income statement for the current period (31 December 2017: None).

c) Profit/loss attributable to minority shares: There is no profit or loss attributable to minority shares as of the balance sheet date (31 December 2017: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes Related to Statement of Profit or Loss (Continued)

11. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:

Other fees and commissions	Current Period	Prior Period
Commissions on options exchange	54,061	30,514
Custody commissions	36,044	26,035
Customer account maintenance commissions	28,001	22,866
Service commissions	35,455	17,855
Bank transfer transactions	10,186	14,226
Transfer commissions	16,343	9,074
Other	7,703	5,660
Total	187,793	126,230

12. Information on Group I and II non-cash loans:

	Current Period	Prior Period
Central Securities depository commissions	8,040	6,884
Electronic fund transfer commissions	2,076	1,644
BIST commission	7,606	2,649
Other commissions	14,220	4,478
Fees and commissions expense	24,336	15,655

a) Nature and amount of changes in accounting estimates, which have a material effect on current period or expected to have a material effect on subsequent periods:

None (31 December 2017: None).

V. Explanations and Notes Related to Statement of Changes in Shareholders' Equity

a) Decrease resulting from revaluation of financial assets at fair value through profit or loss:

None (2017: None).

b) Increase in cash flow risk hedging items: None (2017: None).

c) The reconciliation related with foreign exchange amounts in the beginning and end of the period: None (2017: None).

c) Net investment hedges: None (2017: None).

d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements:
None.

f) Dividends per share proposed subsequent to the balance sheet date: No dividend distribution has been made.

g) Proposals to the General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date of the financial statements is authorized for issue.

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. Explanations and Notes Related to Statement of Changes in Shareholders' Equity (Continued)

h) Amounts transferred to legal reserves: In the Ordinary General Assembly Meeting of the Bank held on 12 September 2018, it was decided not to distribute profit to contribute to the capital. For this reason, it has been decided that TL 13,859 of the distributable net profit for the period of 277,152 TL shall be separated as Primary Reserves and the remaining amount will be added to Extraordinary Reserves account.

	Current Period	Prior Period
Amounts transferred to reserves from retained earnings	-	15,078

i) Information on shares issued: None (31 December 2017: None).

VI. Explanations and Notes Related To Statement of Cash Flows

1. The effects of the other items stated in the cash flow statement and the changes in foreign currency Exchange rates on cash and cash equivalents:

"Other items" amounting to TL 178,693 (31 December 2017: TL (212,883)) in "Operating profit before changes in operating assets and liabilities" consist of personnel expenses, dividend income, trading gain or losses and other operating expenses.

"Net increase/decrease in other liabilities" amounting to TL 488,242 (31 December 2017: TL 1,589,302) in "Changes in operating assets and liabilities" consists of changes in sundry creditors and other liabilities. "Net increase/decrease in other assets" with a total amount of TL 24,321 (31 December 2017: TL 7,278) consists of changes in sundry debtors and other assets.

The effect of changes in foreign currencies on cash and cash equivalents is TL (275,400) (31 December 2017: TL 160,163).

2. Cash and cash equivalents in the beginning and at the end of the period:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the cash flows statement:

	31 December 2018	31 December 2017
Cash	480	85
Cash in TL/Foreign Currency	37	14
Central Bank - Unrestricted amount	443	71
Other	-	-
Cash equivalents	10,184,317	7,737,093
Banks	10,163,484	7,715,925
Money market placements	20,833	21,168
Total Cash and Cash Equivalents	10,184,797	7,737,178
Accruals (-)	(25,173)	(13,260)
Total cash and cash equivalents in cash flow statement	10,159,624	7,723,918
	31 December 2018	31 December 2017
Cash	79,037	480
Cash in TL/Foreign Currency	60	37
Central Bank - Unrestricted amount	78,977	443
Other	-	-
Cash equivalents	11,530,101	10,184,317
Banks	10,884,838	10,163,484
Money market placements	645,263	20,833
Total Cash and Cash Equivalents	11,609,138	10,184,797
Accruals (-)	(29,943)	(25,173)
Total cash and cash equivalents in cash flow statement	11,579,195	10,159,624

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations and Notes Related to Risk Group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) Current Period:

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of the period	-	-	144,797	2,666,698	100,108	-
Balance at end of the period	-	-	14,800	3,964,840	-	-
Interest and commission income	1,739	-	27,198	21,264	6,880	8,282

Prior Period:

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of the period	-	-	98,945	2,783,755	70,038	-
Balance at end of the period	-	-	144,797	2,666,698	100,108	-
Interest and commission income	2,112		32,855	19,511	14,456	3,537

- b) Information on related party deposits balances: None (31 December 2017: None).
c) Information on forward and option agreements and other similar agreements made with related parties: None (31 December 2017: None).

2. Disclosures for the risk group of the bank:

- a) The relations of the bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not: None (31 December 2017: None).
b) Besides the structure of relationship, nature of the transaction, amount and ratio to the volume of transactions, amount of major items and ratio to all items, pricing policies and other factors: None (31 December 2017: None).
c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements: None (31 December 2017: None).
d) Transactions accounted for under the equity method: None (31 December 2017: None).
e) Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees and management contracts: None (31 December 2017: None).

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SECTION FIVE (Continued)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VIII. Explanations and Notes on the Bank's Domestic Branches, Agencies and Branches Abroad and Off-Shore Branches

1. Explanations on the Bank's domestic branches, agencies and branches abroad and off-shore branches:

	Number	Employees			
Domestic branches	1	292			
			Country		
Rep-offices abroad	-	-	-		
				Total Asset	Capital
Branches abroad	-	-	-	-	-
Off-shore branches	-	-	-	-	-

2. Explanations on branch and agency openings or closings and on substantial change in the organization of the Bank:

None.

IX. Explanations and Notes Related To Subsequent Events

None.

SECTION SIX

INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report

The unconsolidated financial statements for the year ended 31 December 2018 were audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (the Turkish member firm of KPMG International Cooperative, a Swiss entity) and Auditors' Report dated 28 February 2019 is presented in the introduction of this report.

II. Other Footnotes and Explanations Prepared by Independent Auditor

None.



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