



İstanbul Takas ve Saklama Bankası A.Ş.

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UNCONSOLIDATED

INTERIM ANNUAL REPORT

İstanbul Takas ve Saklama Bankası A.Ş. 2019 II. Interim Period Annual Report

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

Takasbank, which has become an important financial infrastructure company with the services it offers to our country's markets, continues to contribute to the development of our markets in a more stable and sustainable structure.

The loss of momentum observed in the global economy in 2018 with the increase in the uncertainties related with global economy policies, the deepening of the slow-down trend in economic activities and the start of widespread deployment of protectionist trade approach indicate that the downstream risks related with the growth outlook will prevail in 2019. In line with these developments, IMF has revised the global growth expectation from 3.5% down to 3.3% for 2019. In the IMF report, it is stated that while the global economic growth would go upward in case of settlement of global trade disputes; further escalation in trade tensions and the related risks and uncertainties might worsen the weakening in growth. The normalization processes in the monetary policies of the central banks of developed countries have significantly paused due to the high uncertainty in the global economic policies and the trend of slowdown in the economic activities observed during the first quarter of 2019. The Central Bank of the USA (FED) and the European Central Bank (ECB) stated that they would continue to support the economy through additional monetary incentives and interest rate cuts in order to manage the uncertainties in the global outlook.

Under a tight monetary policy stance and strong policy coordination focused on bringing inflation down as applied by the economy management in our Country, the increased appreciation in TL and the positive contribution of import prices have caused inflation to decline by a higher-than-expected rate, thus falling down to the level of 15.74% in the first half of 2019. With the New Economy Plan implemented, our Government has delineated a fiscal policy framework covering the “Structural Transformation Steps” in line with the process of balancing the economic activities. With the policies and necessary measure and incentives developed to this effect, it has supported the process of recovery in the financial conditions, contributed in the improvement in the risk premium of the country and limited the fluctuations in the exchange rates. It is anticipated that the positive contributions that the expansionary monetary policies expected to be applied by the global central banks will make in the global economy will also support the economic activities of our Country.

Our bank completed a successful 2019 six months of financial period, our pre-tax profit being realized as TL 428.8 million, total assets as TL 16.3 billion and shareholders' equity as TL 2 billion.

Within the scope of the objective to contribute in the deepening of the markets by increasing the diversity of assets acceptable as collaterals in all markets served; the shares of Borsa Istanbul A.Ş. have been started to be accepted as collaterals in Takasbank Money Market and cash loan transactions. For the purpose of development of the Swap Market, netting-off has been started to be implemented for the transactions executed in the market; in addition, the Eurobonds issued by the Republic of Turkey Ministry of Treasury and Finance and the exchange-traded gold have been included in the assets acceptable as collaterals.

Within the scope of the goal to ensure that our Bank's CCP and central clearing and settlement practices converge to the international best practices, Takasbank has been accepted as a member of CCP12 in the Annual General Meeting of CCP12 serving as the Global Association of Central Counterparties, which was held in London on 06/06/2019.

I would like to thank all of our stakeholders, especially our employees and managers, who have a share in the successful performance of our Bank during this period, on behalf of myself and the Board of Directors.

Best regards,

Murat ÇETİNKAYA
Chairman of the Board of Directors

CEO's Evaluation regarding the Operating Period

Throughout in the six months of 2019, our bank continued its efficient and effective progress for Turkish capital markets, shareholders and customers and showed a successful performance.

Evaluating the 2019 financial results of our bank for the six month period ended, it is observed that a pre-tax profit of TL 428.8 million is obtained. Also, total assets, shareholder equity and cash collateral are realized as TL 16.3, 1.2 and 9.8 billion respectively.

Throughout the period, a total TL 6,314.75 billion transactions executed in BİAŞ Debt Securities Market Outright Purchases and Sales Market and Repo-Reverse Repo Market. Of these transactions, TL 11.73 billion are corporate bond transactions. As a result of multilateral netting process in the Takasbank system, Takasbank executed cash settlement with a value of TL 952.18 billion and securities settlement with a market value of TL 3,932.22 billion.

Throughout the period, the both-sided total transaction in the BİAŞ Swap Market is amounting TL 937.13. Of these transactions, TL 151.42 billion are USD, TL 13.50 billion are EUR.

In the second quarter period, BİAŞ realized a stock exchange transaction volume of TL 918 billion, a cash transaction of TL 51 billion and a securities exchange transaction of TL 162 billion.

Total number of members in the Futures and Options Market (VIOP) was 67 as of 30 June 2019. In the same period, the number of open positions in VIOP reached 3,738,280 with a market value of TL 17.9 billion.

Throughout the period, Takasbank cash credit volume reached a daily average volume of TL 32.4 million with the active utilization of 12 brokerage houses and settlement credit reached to TL 5.3 million with the active utilization of 11 brokerage houses.

At Takasbank Money Market (TMM), trading volume once in a six month period reached TL 284.7 billion and transaction number was 120,473. Daily average trading volume was realized as TL 2.4 billion and average transaction size was TL 2.3 billion.

Takasbank Securities Lending Market at which CCP service is provided, a total of 2,106 million transactions are executed once in a six month period. In this market, 301 different type of securities were subject to the transactions and the trading volume was realized as TL 9.69 billion.

As of 30 June 2019, 17 private pension companies held 409 private pension funds with Takasbank having a total asset value of 106.2 billion Turkish liras. At the same period, 510 mutual funds had a total asset value of TL 76.3 billion and 9 mutual trusts had a total asset value of TL 511.8 million.

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

Best regards,

Gökhan ELİBOL

Deputy General Manager
Member of Board

Bank's Historical Development

The Bank was originally set up as a department of the Borsa İstanbul Inc. ("BİAŞ") and, was transformed into a non-deposit taking bank on 8 August 1995 with the name İMKB Takas ve Saklama Bankası A.Ş. (ISE Settlement and Custody Bank Inc.), as published in the Official Gazette dated 23 March 1995 with the decision of the Council of Ministers No. 95/6551. According to the resolution in 18th Ordinary Meeting of the Bank General Assembly dated 29 March 2013, title of the Bank has been changed into İstanbul Takas ve Saklama Bankası A.Ş. (İstanbul Settlement and Custody Bank Inc.)

Shareholding Structure

Takasbank has a paid-in capital of TL 600 million. The bank has 40 shareholders with Borsa İstanbul having 64.15%, 11 banks having 17.04 % and 28 brokerage houses having 18.81% of shares.

Shareholder Name	Paid-in Capital (Thousand TL)	Capital ratio (%)
Borsa İstanbul A.Ş.	384,887	64.15
Türkiye Garanti Bankası A.Ş.	29,685	4.95
Tacirler Menkul Değerler A.Ş.	29,016	4.84
Phillip Capital Menkul Değerler A.Ş.	27,923	4.65
Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,280	4.38
Türkiye İş Bankası A.Ş.	26,235	4.37
Türkiye Vakıflar Bankası T.A.O.	26,235	4.37
Other (Brokerage)	28,638	4.77
Other (Bank)	20,101	3.35
Total	600,000	100

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

Business Name	Share Amount (Thousand TL)	Ratio (%)
Borsa İstanbul A.Ş.	384,887	64.15

Share transfers of the shareholders within the reporting period:

Branch and Personnel Information

The Bank has a total of 290 employees and does not have any branches. The Bank is operating as Head Office.

Board of Directors, Auditors, CEO and Executive Vice Presidents

Chairman and Members of the Board of Directors	
Name Surname	Area of Responsibility
Murat Çetinkaya	President
Bekir Bayrakdar ⁽¹⁾	Vice President
Gökhan Elibol ⁽¹⁾	Deputy General Manager – Member of Board – Credit Committee Member
Seyit Ahmet Işkın	Member (President of Credit Committee– President of Central Counterparty Risk Consultation Committee)
Hüseyin Melih Akosman ⁽¹⁾	Member (Credit Committee Member)
Suat Sarıgül ⁽¹⁾	Member (Credit Committee Associate Member)
Ekrem Kerem Korur ⁽²⁾	Member (Member of Audit Committee - Corporate Governance Committee Member)
Münevver Çetin	Member (President of Credit Committee)

CEO and Executive Vice Presidents

Name Surname	Area of Responsibility
Gökhan Elibol	Deputy General Manager – Member of Board - Credit Committee Member

¹⁾ The General Meeting in 19 April 2019, Metin Kıratlı, Gülsevin Çipli and Kenan Ayvaci, resigned from the membership of the board and Bekir Bayrakdar, Hüseyin Melih Akosman and Suat Sarıgül was appointed as Members of the Board of Directors. Also Mahmut Kayacık, resigned from the general manager and Gökhan Elibol who Assistant General manager was appointed as General Manager)

²⁾ On 25 April 2019, Ekrem Arıkan, Assistant General Manager in charge of Information Technology, resigned from his current position

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

Within the scope of the transactions executed with its risk group, the transactions executed with the Bank's major shareholder Borsa İstanbul as well as the transactions executed by the member of the Board of Directors with the institutions of which they hold CEO or Board member posts are taken into account. "Funds" item is not in the Debt securities guarantee fund since the second quarter of 2019. BİAŞ withdrawn the amount of Share Certificate Guarantee Fund which held by Takasbank.

Bank's Risk Group	Subsidiaries, associates and entities under common control (Joint Venture) (Thousand TL))		Direct and indirect shareholders of the Bank (Thousands of TL)		Other entities included in the risk group (Thousand TL)	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Opening Balance at the beginning of the period	-	-	16,374	3,964,840	-	-
Closing Balance at the end of the period	-	-	15,084	3,749,888	-	-
Received Interest and Commission Income	989	-	7,587	4,090	2,301	318

Evaluation on the Bank's Financial Indicators and Performance

ASSETS (Thousand TL)	30 June 2019
Financial assets (net)	15,475,034
<i>Cash and balances with central bank</i>	168
<i>Banks</i>	15,470,253
<i>Money markets</i>	22,823
<i>Expected loss reserves (-)</i>	22,239
<i>Financial assets at fair value through other comprehensive income</i>	3,082
<i>Derivative financial assets</i>	947
Financial assets measured at amortised cost (net)	594,664
<i>Loans</i>	21,062
<i>Other financial assets measured at amortised cost</i>	575,279
<i>Expected credit losses (-)</i>	1,677
Investments in associates, subsidiaries and joint ventures	4,825
Tangible assets (net)	11,029
Intangible assets and goodwill (net)	105,087
Investment properties (net)	9,034
Current tax assets	-
Deferred tax assets	3,817
Other assets	76,846
Total Assets	16,280,336

LIABILITIES (Thousand TL)	30 June 2019
Loans received	2,905,406
Funds	11,249,973
Derivative financial liabilities	-
Lease payables	255
Provisions	52,253
Current tax liabilities	58,153
Shareholders' equity	2,014,296
Total Liabilities	16,280,336

Statement of Profit or Loss(Thousand TL)	30 June 2019
Interest income	415,220
Interest expense (-)	111,063
Net interest income/expense	304,157
Net fees and commission income/expense	137,795
Dividend income	37,918
Net trading income/losses	22,603
Other operating income	19,272
Total operating profit	521,745
Expected credit losses (-)	6,959
Other provisions (-)	17,972
Personnel expenses (-)	38,223
Other operating expenses	29,749
Net operating profit/loss	428,842
Provision for taxes (-)	85,042
Net profit/loss	343,800

Financial Ratios	30 June 2019
Operating Income / Total Assets	2.63
Shareholders Equity / Total Assets	12.37
Operating Income / Shareholders Equity	21.29
Net interest revenue / Operating revenue	58.30

ASSETS (Thousand TL)	31 December 2018
Financial assets (net)	11,596,857
<i>Cash and balances with Central Bank</i>	79,037
<i>Banks</i>	10,884,838
<i>Money markets</i>	645,263
<i>Expected loss provision (-)</i>	15,363
<i>Financial assets at fair value through other comprehensive income</i>	3,082
Financial Assets Measured at Amortised Cost	14,780
<i>Loans</i>	16,374
<i>Financial Assets Measured at Amortised Cost</i>	-
<i>Expected loss provision (-)</i>	1,594
Investments in associates, subsidiaries and joint ventures	4,825
Tangible assets (net)	11,847
Intangible assets and goodwill (net)	102,497
Investment properties (net)	9,187
Current tax assets	-
Deferred tax assets	8,662
Other assets	46,528
Total Assets	11,795,183

LIABILITIES (Thousand TL)	31 December 2018
Loans received	3,425,414
Funds	6,497,578
Derivative financial assets	-
Lease payables	-
Provisions	76,086
Current tax liabilities	50,620
Shareholders` equity	1,745,485
Total Liabilities	11,795,183

Statement of Profit or Loss (Thousand TL)	30 June 2018
Interest income	266,007
Interest expense (-)	62,322
Net interest income/expense	203,685
Net fees and commission income/expense	95,203
Dividend income	-
Net trading income/losses	2,999
Other operating income	2,937
Total operating profit	304,824
Expected credit losses (-)	11,949
Other provisions (-)	11,502
Personnel expenses (-)	25,711
Other operating expenses	21,379
Net operating profit/loss	234,284
Provision for taxes (-)	50,635
Net Income/(Loss)	183,649

Financial Ratios	30 June 2018
Operating Income / Total Assets	1.99
Shareholders Equity / Total Assets	14.80
Operating Income / Shareholders Equity	13.42
Net interest revenue / Operating revenue	66.82

Total asset size being TL 11,795,183 thousand as of 2018 year-end reached to TL 16,280,336 thousand as of the end of June 2019. Banks item being the highest amount among the asset items increased TL 15,470,253 thousand and recorded an increase of 42%.

Funds item taking an important place among the liability items increased from TL 6,497,578 thousand as of the previous year-end to TL 11,249,973 thousand and recorded an increase of 73%. Funds borrowed decreased to TL 2,905,406 thousand from TL 3,425,414 thousand and recorded a decrease of 15%.

The Bank obtained a pre-tax profit of TL 428,842 thousand and a post-tax profit of TL 343,800 thousand as second quarter end of 2019.

Of TL 415,220 thousand interest revenue obtained as of the end of June 2019 TL 362,953 thousand was from banks, TL 9,419 thousand from securities, TL 4,438 thousand from loans, TL 37,881 thousand from money market transactions, TL 529 thousand from others. Total interest expense regarding this period was realized as TL 111,063 thousand.

The Bank earned TL 152,532 thousand commission revenue as the result of the services provided and paid a commission of TL 14,737 thousand for TL and FX money transfer transactions. Net fee and commission income was realized as TL 137,795 thousand as of the end of June 2019.