



İstanbul Takas ve Saklama Bankası A.Ş.

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INTERIM ANNUAL REPORT

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

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

The weakening trend in the global economic outlook since the last quarter of 2018 continues due to global uncertainties and international trade tensions. In this period in which the possibility of global recession is more pronounced, downward risks in inflation become more pronounced due to the weakening of economic activity in developed countries. Accordingly, the need for expansionary monetary policy steps to support growth in developed countries emerged. The Central Bank of the United States has cut interest rates twice since the beginning of the year and is expected to lower the US dollar overnight interest rate to the range of 1.25-1.50 due to the risks mentioned in the rest of the year. Similarly, as the Euro Zone showed signs of weakening under the leadership of Germany, the negative interest rate was reduced by 10 bp with the support of the monetary policy support of the European Central Bank and it was announced that the bond purchase program would be started again. At the same time, the importance and necessity of fiscal policy supports for the success of global economic policies are emphasized differently from the previous period. While Japan continues its monetary support, China is implementing all monetary and financial measures necessary to sustain its growth at around 6%. In this context, the global liquidity environment provides the necessary support to stop the slowdown in the global economy.

Following the exchange rate shock in Turkey in August 2018, tight monetary policy stance focused on reducing inflation implemented by the economy management, strengthened policy coordination and confidence environment ensured a balance in the economy. As of the third quarter of 2019, the indicators related to economic growth have been carried to the positive region. Despite a period in which geopolitical risks emerged markedly, the stability has been achieved in the Turkish Lira. the acceleration in exports despite the global economic slowdown, and the success in the current account balance in this direction, brought inflation under control in a short period as one year and converged from 25% to 9%. Also budget discipline is maintained despite increasing public support for supporting economic growth. All shows that our Government has implemented a monetary and fiscal policy covering structural transformation steps consistent with the balancing process.

Contributions to the expansionary monetary policies implemented by global central banks and the prudent economic management implemented by our Government will continue to increase the recovery trend recorded in the third quarter of the year is observed.

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

Our bank completed a successful 2019 nine months of financial period, our pre-tax profit being realized as TL 636.7 million, total assets as TL 14.9 billion and shareholders' equity as TL 2.2 billion.

The BIGA Project, which is considered to be an important turning point in the transfer system and financial transformation, was completed and announced to the public as of September. BIGA is a block chain-based gold transfer infrastructure platform with a physical basis, compliant with regulation and providing maximum privacy and security, and the aim of the project is to provide the aim of the project. 100 percent physical equivalent Borsa İstanbul safes on behalf of Takasbank is taken to the mislent storage, standards are certain recorded gold is transferred using block chain technologies. With the completed project, full privacy was provided for the transfer transactions carried out on the platform, and an infrastructure was established where the transaction could be monitored by an authority other than the parties. The project, completely completed by the resources of our Bank, has proven the feasibility of the infrastructures necessary for the dissemination of block chain-based financial solutions and this proof is expected to be a reference to new studies.

Within the scope of projects for the development of information processing infrastructure; transition of technologically completed operating systems to new platforms, classification, labelling and tracking of non-structural Bank data with DLP product, identity management system (IDM) within the scope of our Bank's human resources automation of the user database has been ensured.

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

Bekir BAYRAKDAR

Deputy Chairman of the Board of Directors

CEO's Evaluation regarding the Operating Period

Throughout in the nine 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 nine month period ended, it is observed that a pre-tax profit of TL 636.6 million is obtained. Also, total assets, shareholder equity and cash collateral are realized as TL 14.9, and 2.2 billion respectively.

Throughout the period, a total TL 9,594.02 billion transactions executed in BİAŞ Debt Securities Market Outright Purchases and Sales Market and Repo-Reverse Repo Market. Of these transactions, TL 18.15 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 1.371.97 billion and securities settlement with a market value of TL 5,971.41 billion.

Throughout the period, the both-sided total transaction in the BİAŞ Swap Market is amounting TL 1.786.51 Of these transactions, TL 271.31 billion are USD, TL 40.13 billion are EUR.

In the second quarter period, BİAŞ realized a stock exchange transaction volume of TL 1.421 billion, a cash transaction of TL 76 billion and a securities exchange transaction of TL 246 billion.

Total number of members in the Futures and Options Market (VIOP) was 67 as of 30 September 2019. In the same period, the number of open positions in VIOP reached 3,983,553 with a market value of TL 14.3 billion.

Throughout the period, Takasbank cash credit volume reached a daily average volume of TL 34.8 million with the active utilization of 13 brokerage houses and settlement credit reached to TL 4.6 million with the active utilization of 11 brokerage houses.

At Takasbank Money Market (TMM), trading volume once in a nine month period reached TL 411.8 billion and transaction number was 174,719. Daily average trading volume was realized as TL 2.2 billion and average transaction size was TL 2.4 billion.

Takasbank Securities Lending Market at which CCP service is provided, a total of 3,191 million transactions are executed once in a nine month period. In this market, 324 different type of securities were subject to the transactions and the trading volume was realized as TL 15.76 billion.

As of 30 September 2019, 17 private pension companies held 412 private pension funds with Takasbank having a total asset value of 115.1 billion Turkish liras. At the same period, 516 mutual funds had a total asset value of TL 89.9 billion and 9 mutual trusts had a total asset value of TL 544.1 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:

Eski Ortak	Yeni Ortak	Pay Tutarı (Bin TL)	Oran (%)	Açıklama
Toros Menkul Değerler A.Ş.	Borsa İstanbul A.Ş.	18	0.0030	Devir
Güven Menkul Değerler A.Ş.	Phillip Capital Menkul Değerler A.Ş.	500	0.0833	Devir
Güven Menkul Değerler A.Ş.	Tacirler Yatırım Menkul Değerler A.Ş.	500	0.0833	Devir

Branch and Personnel Information

The Bank has a total of 299 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 ⁽⁴⁾	President
Bekir Bayrakdar ⁽¹⁾	Deputy Chairman of the Board
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)
Gülseren Topuz	Member (President of Corporate Governance Committee - Credit Committee Associate Member - Member of Central Counterparty Risk Consultation Committee)

CEO and Executive Vice Presidents

Name Surname	Area of Responsibility
Gökhan Elibol	Deputy General Manager – Member of Board - Credit Committee Member
Serkan Aşkar ⁽³⁾	Assistant General Manager - Central Counterparty and Financial Services

¹⁾ The General Meeting in 19 April 2019, Metin Kıratlı, Gülsevin Çipli and Kenan Ayvacı, 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

³⁾ On 19 August 2019, Serkan Aşkar, Assistant General Manager responsible for Central Counterparty and Financial Services, took office.

⁴⁾ Chairman of the Board of Directors Murat Çetinkaya resigned from his current position on 31 August 2019

⁵⁾ Mehmet Hakan Atilla has been appointed as the Chairman of the Board of Directors on 25 October 2019.

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

Within the scope of the transactions executed with its risk group, the transactions executed with the Bank's major shareholder Borsa Istanbul as well as the transactions executed by the member of the Board of Directors with the institutions of which they hold CEO or Board member posts are taken into account. "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	-	-	21,779	3.755.617	-	-
Received Interest and Commission Income	2,011		11,541	8,131	2,974	1,739

Evaluation on the Bank's Financial Indicators and Performance

ASSETS (Thousand TL)	30 September 2019
Financial Assets (net)	14,030,354
<i>Cash and Cash Equivalents</i>	13,975,412
<i>Cash and Balances with Central Bank</i>	1,579
<i>Banks</i>	13,950,183
<i>Money Markets</i>	42,019
<i>Expected Loss Reserves (-)</i>	18,369
<i>Financial Assets at Fair Value Through Other Comprehensive Income</i>	3,082
<i>Derivative Financial Assets</i>	51,860
Financial Assets Measured at Amortised Cost (net)	681,667
<i>Loans</i>	30,126
<i>Other Financial Assets Measured at Amortised Cost</i>	653,240
<i>Expected Credit Losses (-)</i>	1,699
Investments in Associates, Subsidiaries and Joint Ventures	4,825
Tangible Assets (net)	10,229
Intangible Assets and Goodwill (net)	104,630
Investment Properties (net)	8,957
Current Tax Assets	-
Deferred Tax Assets	-
Other Assests	37,671
Total Assets	14,878,333
LIABILITIES (Thousand TL)	30 September 2019
Loans Received	2,874,880
Funds	9,715,678
Other	9,715,678
Derivative Financial Liabilities	-
Lease Payables	452
Provisions	55,851
<i>Provision for Employee Benefits</i>	16,372
<i>Other Provisions</i>	39,479
Current Tax Liabilities	46,981
Deferred Tax Liability	7,811
Shareholders` Equity	2,176,680
Total Liabilities	14,878,333

Statement of Profit or Loss(Thousand TL)**30 September 2019**

Interest Income	603,786
Interest Expense (-)	156,701
Net Interest Income/Expense	447,085
Net Fees and Commission Income/Expense	208,139
Dividend Income	37,918
Net Trading Income/Losses	49,518
Other Operating Income	21,621
Total Operating Profit	764,281
Expected Credit Losses (-)	3,110
Other Provisions (-)	23,658
Personnel Expenses (-)	56,928
Other Operating Expenses	43,945
Net Operating Profit/Loss	636,440
Provision for Taxes (-)	(130,222)
Net profit/loss	506,418

Financial Ratios**30 September 2019**

Operating Income / Total Assets	4.28
Shareholders Equity / Total Assets	14.63
Operating Income / Shareholders Equity	29.25
Net interest revenue / Operating revenue	58.50

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 Placements</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
<i>Other</i>	6,497,578
Derivative Financial Assets	-
Lease Payables	-
Provisions	76,086
<i>Provision for Employee Benefits</i>	12,685
<i>Other Provisions</i>	63,401
Current Tax Liabilities	50,620
Deferred Tax Liability	-
Shareholders` Equity	1,745,485
Total Liabilities	11,795,183

Statement of Profit or Loss (Thousand TL)	30 September 2018
Interest Income	455,442
Interest Expense (-)	103,126
Net Interest Income/Expense	352,316
Net Fees and Commission Income/Expense	156,048
Dividend Income	-
Net Trading Income/Losses	10,907
Other Operating Income	2,960
Total Operating Profit	522,231
Expected Credit Losses (-)	16,889
Other Provisions (-)	17,805
Personnel Expenses (-)	41,048
Other Operating Expenses	32,907
Net Operating Profit/Loss	413,582
Provision for Taxes (-)	(89,806)
Net Income/(Loss)	323,776

Financial Ratios	30 September 2018
Operating Income / Total Assets	3.51
Shareholders Equity / Total Assets	14.80
Operating Income / Shareholders Equity	23.69
Net Interest Revenue / Operating Revenue	67.46

Total assets size being TL 11,795,183 thousand as of 2018 year-end reached to TL 14,878,333 thousand as of the end of September 2019. Banks account, which is the highest amount in assets, increased by 28% compare to 2018 year-end and realized as TL 13,950,183 thousand.

The Borrower Funds item, the most important item in the Bank's liabilities, increased by 50% to TL 9,715,678 thousand from TL 6,497,578 thousand at the end of the previous year. Funds Borrowed decreased by 16% from TL 3,425,414 thousand to TL 2,874,880 thousand.

As of the end of the third quarter of 2019, the Bank generated TL 636,440 thousand profit before tax and TL 506,418 thousand profit after tax.

Obtained interest revenue TL 603,786 thousand as of the end of September 2019; TL 538,850 thousand was from banks, TL 19,708 thousand from securities, TL 6,622 thousand from loans, TL 37,881 thousand from money market transactions, TL 725 thousand from others. Total interest expenses for this period amounted to TL 156,701 thousand.

The Bank earned TL 230,923 thousand commission revenue as the result of the services provided and paid commission of TL 22,784 thousand for TL and FX money transfer transactions. Net fees and commissions income amounted to TL 208,139 thousand as of the end of September 2019.