

2022 ANNUAL INTEGRATED REPORT



TAKAS
İSTANBUL

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ABOUT THE REPORT

İstanbul Takas ve Saklama Bankası A.Ş. (Takasbank, the Bank) 2022 Annual Integrated Report is the second Integrated Annual Report issued by the Bank.

With "Takasbank Annual Integrated Report for 2022", Takasbank aims to inform its stakeholders about the activities that it has carried out and the financial and non-financial resources that it has used during such activities between 01/01/2022 – 31/12/2022 as well as the economic, social, and environmental outcomes of its activities and its future-oriented goals and objectives.

CONTENT, SCOPE AND REGULATORY FRAMEWORK OF THE REPORT

"Takasbank 2022 Annual Integrated Report" presents current and up-to-date information about the activities conducted by the Bank with its approach focused on creation of sustainable values, by addressing both financial and non-financial capital elements of Takasbank.

The contents of Takasbank 2022 Annual Integrated Report include Takasbank's financial and non-financial performance outcomes for 2022, its strategy, integrated business model, the Bank's material issues, its relations with stakeholders, major risks that it is exposed to due to its activities and its opportunities, and the Bank's sustainability efforts, which are provided together with their financial, environmental and social aspects. The report also provides, where relevant, information and explanations about Borsa İstanbul Group companies, i.e., Borsa İstanbul A.Ş. and Merkezi Kayıt Kuruluşu A.Ş., on an individual topic basis. However, the activities of the Bank's subsidiaries are excluded from the scope of the report.

Takasbank 2022 Annual Integrated Report meets the minimum requirements regarding activity reporting as specified in the "Regulation on Principles and Procedures regarding the Preparation and Publication of Annual Reports by Banks" issued by the BRSA and the Turkish Commercial Code.

Takasbank's independently-audited financial statements dated 31 December 2022 and the related explanatory footnotes constitute a supplementary and integral part of

this Report. The "Unconsolidated Financial Statements and Independent Auditor's Report for the Fiscal Period that ended on 31 December 2022" are provided on pages 162-301 of the Report.

The contents of the Report were prepared using the International Integrated Reporting <IR> framework of the International Integrated Reporting Council. In addition, the United Nations Sustainable Development Goals (SDG) requirements were also taken into account in the preparation of the Report.

Takasbank 2022 Annual Integrated Report has been prepared in accordance with the GRI Standards 2021 published by the Global Reporting Initiative. The GRI Standards Content Index is provided on page 302 of the Report.

AUDIT

The financial data provided in Takasbank 2022 Annual Integrated Report were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (E&Y).

EXECUTIVE MANAGEMENT STATEMENT

The 2022 Annual Integrated Report sets forth the financial and non-financial values created by Takasbank as a result of its operations and how the bank used its financial, human, intellectual, manufactured, natural and social capital elements in the relevant fiscal period according to Takasbank Executive Management's opinions. The relevant Responsibility Statement is provided on page 161 of the Report.

MATERIALITY APPROACH

The Report presents the matters considered to be material about the Bank's value generation process and financial and non-financial outcomes, which are aimed at informing all currently existing and potential stakeholders of Takasbank.

You can send your views, remarks and suggestions about the Report via e-mail to spy@takasbank.com.tr

INTRODUCTION

The Reporting Period, the Trade-Name and the Business Name of the Bank, and the Contact Details including the Address of the General Directorate, Telephone and Fax Numbers, Website and Electronic Mail Addresses:

Period of the Report:	2022 Yılı Faaliyet Dönemi
Trade-Name of the Bank:	İstanbul Takas ve Saklama Bankası Anonim Şirketi
Business Name of the Bank:	"TAKASBANK" or "TAKAS İSTANBUL".
General Directorate Address:	Reşitpaşa Mahallesi, Borsa İstanbul Caddesi, No: 4 Sarıyer 34467 İstanbul
Telephone:	0 212 315 25 25 (pbx)
Fax:	0 212 315 25 26 (pbx)
Trade Registration No.:	276870
Mersis No:	0481002693100015
Branch Details:	None.
Electronic Mail Addresses:	For General Information: bilgi@takasbank.com.tr For Member Details: uye@takasbank.com.tr KEP (Registered E-Mail) Address: takasbank.haberlesme@hs03.kep.tr KEP Address 2: takasbank@hs01.kep.tr

Takasbank Communication Channels:

-  <https://www.takasbank.com.tr>
-  <https://www.facebook.com/Takasbank>
-  <https://twitter.com/Takasbank>
-  <https://www.instagram.com/Takasbank>
-  <https://www.linkedin.com/company/Takasbank>
-  <https://www.youtube.com/user/Takasbank>

 Please scan the QR code to access the website.

 Please scan the QR code to access the financial reports.

ABBREVIATIONS

AML	Anti-Money Laundering and Counter-Terrorist Financing
ANNA	The Association of National Numbering Agencies
BCMS	Business Continuity Management System
BEFAS	Private Pension Fund Trading Platform
BİAŞ	Borsa İstanbul A.Ş.
BRSA	Banking Regulation and Supervision Agency
CBRT	Central Bank of Republic of Türkiye
CCP	Central CounterParty
CFI	Classification of Financial Instruments
CMB	Capital Markets Board
CML	Capital Markets Licensing
CRA	Merkezi Kayıt Kuruluşu A.Ş. (Central Registry Agency)
DCS	Domestic Clearing and Settlement
EACH	The European Association of CCP Clearing Houses
EFT	Electronic Fund Transfer
EMIR	European Market Infrastructure Regulation
EMRA	Energy Market Regulatory Authority
EPİAŞ	Enerji Piyasaları İşletme A. Ş.
ESG	Environmental, Social and Governance
ESMA	European Securities and Markets Authority
ESTS	Electronic Securities Transfer System
EU	European Union
EWR	Electronic Warehouse Receipts
FED	Federal Reserve (Central Bank of the USA)
FISN	Financial Instrument Short Name
GDDS	Government Domestic Debt Securities
GLEIF	Global Legal Entity Identifier Foundation
GRI	Global Reporting Initiative
ICAAP	Internal Capital Adequacy Assessment Process
ICC	Interbank Card Center
IIRC	International Integrated Reporting Council
IS	Information Systems
ISIN	International Securities Identification Number

ISMS	Information Security Management System
ISO	International Organization for Standardization
IT	Information Technologies
KEP	Registered Electronic Mail
KKB	Credit Bureau/Credit Reference Agency
LBMA	London Bullion Market Association
LEI	Legal Entity Identifier
LTT	Leveraged Trading Transactions
MASAK	Financial Crimes Investigation Board
OH&S	Occupational Health and Safety
OTC	Over-The-Counter (Transactions)
PDP	Public Disclosure Platform
PMTS	Precious Metals Transfer System
PPS	Private Pension System
PSDI	Private Sector Debt Instruments
R&D	Research and Development
SASE	Sarajevo Stock Exchange
SDG	Sustainable Development Goals
SLM	Securities Lending Market
SWIFT	Society for Worldwide Interbank Financial Telecommunications
T.C.	Republic of Türkiye
TBB	Banks Association of Türkiye
TCMA	Turkish Capital Markets Association
TEFAS	Türkiye Electronic Fund Trading Platform
TETS	Takasbank Electronic Transfer System
TLREF	Turkish Lira Overnight Reference Interest Rate
TMEX	Turkish Mercantile Exchange
TMM	Takasbank Money Market
TMSF	Savings Deposit Insurance Fund
TSE	Turkish Standards Institute
VIOP	Futures and Options Market
YEK-G	Renewable Energy Guarantees of Origin
YTM	Investor Compensation Center

ABOUT TAKASBANK

Conducting its activities as an investment bank and central clearing and settlement institution, Takasbank provides clearing, custody, settlement, central counterparty and banking services to its members in Turkish capital markets.

Takasbank is the central clearing institution authorized to conclude clearing and settlement of cash and securities in relation to the transactions related with:

- equities,
- debt securities/instruments,
- foreign capital market instruments,
- derivatives,
- precious metals

executed in the existing markets under the structure of Borsa Istanbul. The commitments to deliver and receive securities arising from trading transactions of Borsa Istanbul members and the payment commitments in return for the traded securities are concluded and settled on account via Takasbank. Serving as a bridge between money and capital markets by providing reliable, fast and cost-effective cash transfer service, Takasbank offers clearing and settlement services for the markets operating under the structure of Borsa Istanbul within the framework of the capital markets and Borsa Istanbul legislation in connection with the organized markets in a fully-automated environment.

In addition to the central clearing and settlement service; it provides cash settlement, and collateral management services as the Central Settlement Institution at the Electricity Market, Electricity Futures Market, Renewable Energy Guarantees of Origin Market, Organized Wholesale Natural Gas Market and Natural Gas Futures Market under the structure of Enerji Piyasaları İşletme A.Ş.; as well as the services such as creation and entry of warehouse receipts in relation to electronic warehouse receipts (EWRs) with the approval of the Ministry of Commerce of the Republic of Türkiye, ISIN code generation, and clearing and settlement service for electronic warehouse receipts under the structure of Turkish Mercantile Exchange;

and risk and collateral management services provided as central clearing institution and central counterparty in relation to interest-backed TL IRS (interest rate swap) and TL OIS (overnight index swap) contracts.

Over the years, Takasbank has expanded its range of banking products with instruments including cash and non-cash loan facilities, aimed at helping the markets gain depth by providing efficiency and convenience in capital market transactions. In addition to cash loan facilities that it offers, Takasbank conducts its banking activities supported with cash and non-cash loan facilities through the markets and platforms that it operates, such as Takasbank Money Market, Türkiye Electronic Fund Trading Platform, Private Pension Fund Trading Platform and Securities Lending Market, and the clearing and settlement transactions of Turkish Capital Markets by minimizing risks, providing liquidity to the relevant money and capital markets and aiming to finally conclude settlements without errors and on time. Thus, it not only provides efficiency in both cash and securities transfer transactions, but also ensures the timely and secure fulfilment of the clearing & settlement obligations on the value date.

One of Takasbank's existential goals is to contribute in the management of counterparty credit risk and systemic risk in the markets and the strengthening of the risk management infrastructure of capital markets by developing an efficient central collateral and risk management system. Based on the legal grounds provided by the new Capital Markets Law no. 6362 that entered into force on 30 December 2012, Takasbank has been acting as the "seller" against each buyer or as the "buyer" against each seller under its capacity as the "central counterparty" and warranting the fulfilment of clearing & settlement obligations related with the markets in the Securities Lending Market operated under its roof as of 2 September 2013, in Borsa İstanbul A.Ş. Futures and Options Market as of 3 March 2014, in Borsa İstanbul A.Ş. Money Market as of 14 October 2016, in Borsa İstanbul A.Ş. Equity Market as of 19 June 2017, in Borsa İstanbul A.Ş. Debt Securities Market as of 2 July 2018, in Borsa İstanbul A.Ş. SWAP Market as of 1 October 2018, and in Over-The-Counter Derivatives Market as of 19 December 2019.

Takasbank provides access to foreign assets traded in more than 65 markets worldwide through its current global custody network. Within the scope of this service, Takasbank provides custody service for the relevant capital market instruments through its accounts held at international clearing & settlement institutions and depositories (Euroclear and Clearstream) or global custodians (Citibank).

Takasbank also became an "On-Site R&D Center" again on 21 April 2017 with the approval of the Republic of Türkiye Ministry of Industry and Technology under the Law No. 5746.

"Takasbank Cheque Clearing System" allows for payment of cheques on account between bank branches, and intermediation in the clearing and settlement transactions and collateral management. "Precious Metals Transfer System" allows for person-to-person transfer of gold to the system-member banks and customers, thus further increasing the mobility of gold in the economy, bringing under-the-mattress gold back to the economy, and transforming gold from a saving instrument into a payment instrument. "BiGA Digital Assets Transfer Platform" is a transfer system that facilitates the transfer of digital assets by Takasbank using blockchain technology, is backed by a physical underlying asset, and can be executed in line with current regulations.

Under the Crowdfunding Communiqué issued by the CMB, Takasbank provides services as "escrow agent" where the funds collected through crowdfunding platforms will be held and blocked until they are transferred to the venture capital company or returned to the investors, and also collateral custody services for the Interbank Card Center (ICC) and its members within the scope of the collateral management mechanism established for the Domestic Clearing and Settlement (DCS) System currently operated by the ICC.

Takasbank also provides services related with "TapuTakas System" (Title Deed Transfer System) that allows for simultaneous exchange of the ownership right and the sales price of the real estate in question; and with "Taşıt Takas System" (Vehicle Transfer and Settlement System) preventing the problems faced by buyers and sellers at the time of exchange of the ownership right of the vehicle and the related purchase-sale price.

In addition, Takasbank provides services as a custodian to Private Pension companies, and monitors the fund units/shares within the scope of voluntary and auto-enrolment systems on a dematerialized basis on behalf of participants and in a manner accessible by participants over the e-Government system. It also provides international numbering service for the securities and legal persons and entities established and resident in our country.

The processes regarding the acceptance, custody, registration as revenue, return and extension of the validity of temporary electronic letters of guarantee issued by banks and temporary surety bonds issued by insurance companies on behalf administrations for further submission to the tenders held within the scope of the Public Procurement Law no. 4734 are managed by Takasbank through "Takasbank Public Collateral Management Service".

Takasbank maintains its vision to become an exemplary and preferred organization among international clearing & settlement and custody institutions by strengthening its position in domestic and international markets with the said projects and comprehensive efforts conducted.

Explanations about the products and services offered by Takasbank and the information about the developments in 2022 are provided under the headings of "Explanations about the Bank's Service Types and Fields of Operation" and "Developments in 2022" as included in the section "Performance in 2022" of the Report.

MILESTONES

1990s

- IMKB Takas ve Saklama A.Ş. was established in 1992.
- The CMB (Capital Markets Board) authorized Takasbank as the National Numbering Agency in 1995.
- The trade-name of the company was changed as IMKB Takas ve Saklama Bankası A.Ş. upon obtaining an investment bank license in 1995.



- Takasbank Monet Market (TMM) started operations in 1996.
- Takasbank Electronic Transfer System was established in 1997.

2000s

- Takasbank started to provide custody services for the Private Pension System in 2003.
- The Securities Lending Market service was launched in 2005.
- Takasbank became a member of the European Central Securities Depositories Association (ECSDA) in 2006.
- Takasbank became a member of the Organization of the Islamic Cooperation (OIC) Member States' Stock Exchanges Forum in 2008.

2010s

- Signed an agreement with TEİAŞ for execution of cash settlement and collateral management operations in the Electricity Market by Takasbank as the "Central Settlement Institution" in 2011.
- Türkiye Electronic Fund Trading Platform established by Takasbank became operational in 2011.



- Its tradename was changed as "İstanbul Takas ve Saklama Bankası A.Ş." in 2013.
- Takasbank was appointed by the CMB as the "Central Counterparty" in 2013.
- Takasbank was authorized as the local operating unit (LOU) for allocation of LEI codes under the sponsorship of the CMB in 2013.



- Portfolio custody services were launched in 2014.
- The Fund Information Platform became operational in 2015.
- Takasbank commissioned Tapu Takas (Title Deed Transfer) Project in 2015.



- Relocated to the new campus in Istinye in 2016.
- Declared by the CMB as a "Qualified Central Counterparty" in 2016.
- Became an On-site R&D Center in 2017.
- Started to provide customer- and fund-based custody services as a part of PPS Auto-Enrolment System in 2017.
- Started to provide cash settlement and collateral management services for EPIAŞ Natural Gas Market in 2018.
- Commissioned the "Gold Transfer System" in 2018.
- Started to provide Takasbank Cheque Clearing System services in 2018.
- Launched Takasbank Blockchain-Based Transfer Platform "BiGA Digital Gold" in 2019.



2020

- Launched collateral custody services for the Domestic Clearing and Settlement System operated by the Interbank Card Center.
- Launched Takasbank Taşit Takas (Vehicle Transfer and Settlement) System.



- Started to provide services as the "Equity-Based Crowdfunding Escrow Agent".

2021

- Started to provide cash settlement and collateral management services as the "Central Clearing & Settlement Institution" for EPIAŞ Electricity Futures Market, Renewable Energy Guarantees of Origin Market, and Natural Gas Futures Market.
- Commissioned the Private Pension Fund Trading Platform.



- Started to accept temporary electronic letters of guarantee submitted for the tenders held within the scope of the Public Procurement Law no. 4734.

2022

- Started to accept temporary surety bonds submitted for the tenders held within the scope of the Public Procurement Law no. 4734 as of 3 January 2022.
- Launched "ISIN Türkiye Portal" service as of 1 March 2022.



- Started to accept all of the temporary letters of guarantee and temporary surety bonds submitted for the tenders held within the scope of the Public Procurement Law no. 4734 over Takasbank Public Collateral Management Portal as of 1 December 2022.
- Started to provide Tapu Takas (Title Deed Transfer) service via e-Government through secure access as of 22 December 2022.

SUMMARY OF THE OPERATIONS IN 2022

BİAŞ EQUITY MARKET CLEARING & SETTLEMENT SERVICE 108.26% – 103.65% GROWTH

Compared to the previous year, the Equity Market securities settlement volume has grown by 108.26% to 2,374.8 billion TL, and the cash settlement volume has grown by 103.65% to 631.5 billion TL.

BİAŞ DEBT SECURITIES MARKET CLEARING & SETTLEMENT SERVICE 21.91% DECLINE – 48.43% GROWTH

Compared to the previous year, the Debt Securities Market securities settlement volume has declined by 21.91% to 7,424.8 billion TL and the cash settlement volume has grown by 48.43% to 3,448.6 billion TL.

BİAŞ SWAP MARKET CLEARING & SETTLEMENT SERVICE 33.5% DECLINE

Compared to the previous year, the cash settlement volume in the SWAP Market has declined by 33.5% to 847.2 billion TL.

BİAŞ FUTURES AND OPTIONS MARKET CLEARING, SETTLEMENT AND COLLATERAL MANAGEMENT SERVICE 98% – 89% GROWTH

The VIOP (Futures and Options Market) profit/loss settlement amount has increased by 98% reaching 212 billion TL; and the market value of collaterals has increased by 89% to 51.9 billion TL. The number of open accounts in VIOP has increased by 42% reaching 778,701; and the number of accounts with collateral balance has increased by 9% reaching 103,253.

OVER-THE-COUNTER DERIVATIVE TRANSACTIONS

The market has 21 members, 7,644 million TL of open positions, 970 million TL of total collateral, and 60 million TL of total guarantee fund contribution by 30 December 2022.

LEVERAGED TRADING TRANSACTIONS COLLATERAL MANAGEMENT AND REPORTING TO THE CMB 45% – 111% GROWTH

By the end of 2022, the balance of collaterals kept in custody has increased by 45% reaching 2.9 billion TL; and the annual total transaction volume has increased by 111% to 12.9 trillion TL.

EPIAŞ ELECTRICITY MARKET

The Electricity Market trading volume has been recorded as 1,808 million TL.

EPIAŞ NATURAL GAS MARKET

The trading volume in the Natural Gas Market has been recorded as 156 million TL.

BİAŞ PRECIOUS METALS MARKET

Compared to the previous year, the trading volume in the Precious Metals Market has increased by 208% to 533.45 billion TL.

ELECTRONIC WAREHOUSE RECEIPTS

The clearing & settlement trading volume in Electronic Warehouse Receipts has been recorded as 66.93 billion TL.

COLLATERAL CUSTODY AND MANAGEMENT SERVICE

In 2022, temporary letters of guarantee in the amount of 12.02 billion TL and temporary surety bonds in the amount of 1.18 billion TL were accepted over Takasbank Public Collateral Management Platform.

TAKASBANK MONEY MARKET 276% GROWTH

In 2022, the total trading volume has grown by 276% to 3,480 billion TL, the daily average trading volume has been 13.8 billion TL, and the total number of transactions has been 349,762 in TMM; thus, reaching the highest values of the market since its establishment. On 2 December 2022, the record-breaking daily trading volume of 25.6 billion TL was recorded.

TAKASBANK SECURITIES LENDING MARKET 56% GROWTH

The trading volume has increased by 56% compared to the previous year, reaching 94 billion TL; and the average daily trading volume has been recorded as 373 million TL.

TÜRKİYE ELECTRONIC FUND TRADING PLATFORM 107% GROWTH

In 2022, the total trading volume in TEFAS has grown by 107%, reaching 483 billion TL. On 25 November 2022, the highest daily trading volume of all time has been recorded with 6.9 billion TL.

PRIVATE PENSION FUND TRADING PLATFORM

Having started its operations in July 2021, BEFAS has continued to grow, recording a total trading volume of 4.4 billion TL and a daily average trading volume of 17.3 billion TL in 2022.

PRIVATE PENSION SYSTEM 78% GROWTH

The total fund size in the private pension system has grown by 78%, reaching 433 billion TL.

Within the scope of custody of fund units for private pension system, custody service has been provided for fund units with a market value of 433 billion TL over nearly 19 million accounts.

INVESTOR COMPENSATION CENTER LAPSE OF TIME TRANSACTIONS 42,500 NEW ACCOUNTS OPENED

In 2022, 42,500 new accounts were opened in relation to expired investor accounts and transferred to the YTM to be held in custody. With the new accounts opened in 2022, the total number of accounts has reached 64,600; and there are financial assets with a total amount of 61 million TL held in these accounts.

GLOBAL CUSTODY SERVICE 72% GROWTH

With the 72% growth in the average custody balance within the scope of global custody service, the market value for securities under custody has exceeded 18.6 billion EUR. The number of members has increased by 21%, reaching 1,045.

NUMBERING SERVICE 33,718 UNITS OF ISIN, 1,262 UNITS OF LEI

33,718 ISINs have been allocated for capital market instruments; and LEI codes have been allocated for 1,262 legal entities.

PORTFOLIO CUSTODY SERVICE 120% GROWTH

The total fund size of collective investment schemes served within the scope of portfolio custody service has grown by 120%, reaching 36 billion TL.

FUND VALUATION AND REPORTING TO THE CMB SERVICE 117% GROWTH

Within the scope of the fund valuation and reporting to the Capital Markets Board (CMB) service, the total fund size of collective investment schemes (mutual funds, private pension investment funds and investment trusts) served has grown by 117%, reaching 1,203 billion TL.

ACCOUNT CONTRACTS 668 UNITS

668 units of account contracts have been signed, and services have been provided for 2,277 institutions and 9,404 active users.

PRECIOUS METALS TRANSFER SYSTEM

There have been 37,865 transactions and 14,405,932 grams of transfer volume recorded in 2022.

LOCAL CURRENCY PAYMENT AND TRANSFER SYSTEM

In 2022, Takasbank ranked third among all banks in the CBRT EFT System by intermediating in the members' 831,605 units of outgoing TL transfers in the amount of 19.24 trillion TL and 1,042,797 units of incoming TL transfers in the amount of 19.37 trillion TL.

FOREIGN CURRENCY PAYMENT AND TRANSFER SYSTEM

In 2022, Takasbank intermediated in the members' foreign currency transfers with 28,125 units of transactions in USD totalling 146.8 billion USD and 5,640 units of transactions in EUR totalling 29.7 billion EUR.

TAKASBANK CHEQUE CLEARING SYSTEM

A total of 12,685,016 cheques were submitted to Takasbank Cheque Clearing System within 2022; and 12,458,929 cheques were settled after the cheques returned following the pre-authorization inspections of the banks.

CROWDFUNDING ESCROW AGENT

Out of 57 published campaigns, 45 campaigns were closed successfully in 2022; and from the total amount of TL 217,947,707 collected including additional fundings, a total of TL 174,984,336 was transferred to 44 entrepreneur companies that have completed their processes.

TAPU TAKAS (TITLE DEED TRANSFER) SYSTEM

In 2022, Takasbank intermediated in 111 real estate purchase and sale transactions with a total amount of TL of 1,048,683,935.

TAŞIT TAKAS (VEHICLE TRANSFER AND SETTLEMENT) SYSTEM

In 2022, Takasbank intermediated in 2,107 vehicle purchase and sale transactions with a total amount of TL 720,426,475.

ASSESSMENTS OF THE CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER REGARDING THE ACTIVITY PERIOD AND THEIR EXPECTATIONS FOR THE FUTURE

MESSAGE FROM THE CHAIRMAN OF THE BOARD

Dear Stakeholders,

Having shaken the whole world with its devastating effects, the Covid-19 pandemic still continues to prevail with its economic and social implications in the following years. Although the deterioration in the supply chain experienced in the post-pandemic period has started to become partially alleviated in 2022, the geopolitical developments that emerged in the first half of 2022 further deepened the supply constraints. There were rapid increases in food and global commodity prices, especially in energy, due to negative supply shocks. In the second half of the year, global negative supply shocks substantially lost their effect with the contribution of Türkiye's constructive policies applied for the continuity of supply through the grain corridor process. Inflation started to decline with the effects of the strong steps taken within the scope of the Lirization Strategy, decreasing foreign demand and tightening financial conditions.

Displaying a positive growth performance in such a period, Turkish economy grew by 7.5% in the first quarter and 7.7% in the second quarter of the year, thus ranking second displaying the highest growth among OECD and G20 countries. Having grown by 3.9% in the third quarter despite the challenging global conditions and the increasing stagnation concerns all around the world, our Country is expected to display a 5% growth rate in 2022 as anticipated in the Medium-Term Programme (2022-2024). We strongly believe that our Country will continue to maintain its growth strategy prioritizing exports in line with Turkish Economic Model and to develop policies increasing labour efficiency; thus, maintaining its stable and steady uptrend.

As with the previous years, Takasbank has made significant contributions to the sustainable development and stable growth of our country in 2022; thus, leaving behind a successful and productive year. Our Bank has successfully continued to provide its clearing & settlement, central counterparty, custody and collateral services through effective risk management, and thus contributing in the deepening and development of our country's financial markets. Having increased its profit before tax by 91.86% from 1,178,025 thousand TL to 2,260,168 thousand TL compared to the previous year, our Bank has increased its size of assets by 90.58% from 45,024,011 thousand TL to 85,804,572 thousand TL and its shareholders' equity has increased by 39.55% from 3,236,902 thousand TL to 4,516,938 thousand TL.

Takasbank has undertaken many successful projects and initiatives throughout the year, considering the needs and demands of our country's capital markets. Serving as an on-site R&D center, our Bank has continued to provide quality and reliable services meeting its stakeholders' expectations with its strong technological infrastructure and innovative solutions. Out of the relevant R&D projects, four projects were completed in 2022 while seven projects are still under construction by the end of the year. In addition, our Bank won the third prize with its "Precious Metals Transfer System" project in the "Best in Future of Industry Ecosystems" category at the IDC Türkiye Financial Services Summit organized by IDC Türkiye.



As with the previous years, Takasbank has made significant contributions to **the sustainable development and stable growth** of our country in 2022; thus, leaving behind a successful and productive year.

I am pleased to present to you "Takasbank 2022 Annual Integrated Report", which we, as Takasbank, have prepared for the second time this year, setting forth the values created by our Bank in the short, medium and long term and addressing our Bank's activities and operational results with a more integrated approach. I would like to share with you, our dear stakeholders, that the sustainability efforts conducted by our Bank throughout the year as explained in our Report will also be increasingly continued in the upcoming years without slowing down, and that we are determined in this journey.

As with the previous years, our Bank will continue to contribute to the sustainable development and to support the national economy of the country in the upcoming years, through its strong information technologies infrastructure and operations, competent human resources and innovative projects, and without compromising its service quality and financial performance.

Personally, and on behalf of our Board of Directors, I would like to extend my gratitude to all our valuable stakeholders, including, particularly, our shareholders, our members trusting us, and our devoted employees, for all their support and contributions in the successful performance that we have displayed and the projects that we have accomplished in 2022.

Dr. Mahmut KAYACIK
Chairman of the Board of Directors



ASSESSMENTS OF THE CHAIRMAN OF THE BOARD AND THE CHIEF EXECUTIVE OFFICER REGARDING THE ACTIVITY PERIOD AND THEIR EXPECTATIONS FOR THE FUTURE

MESSAGE FROM THE CEO

Dear Stakeholders of Takasbank,

The war that broke out between Russia and Ukraine in the first quarter of 2022 and the supply chain that became deteriorated with the expansionary monetary and fiscal policies globally implemented across the world during the pandemic period have further increased the existing supply-demand imbalances and accelerated the increases especially in energy, commodity and food prices. 2022 was a year during which the economies all around the world struggled with global inflation by tightening their monetary policies and increasing their interest rates.

Leading indicators show that economic activities worldwide will be challenging in 2023. Despite such negative developments, our Country is expected to display a 5% growth in 2022.

Having displayed a successful financial performance in 2022, our Bank has continued to add value to Turkish economy and capital markets. It has increased its asset size by 90.58% from 45,024,011 thousand TL to 85,804,572 thousand TL, its shareholders equity by 39.55% from 3,236,902 thousand TL to 4,516,938 thousand TL, its operating profit before tax by 91.86% from 1,178,025 thousand TL to 2,260,168 thousand TL and its banking service revenues by 97.61% from 668,942 thousand TL to 1,321,892 thousand TL; thus, maintaining its strong financial structure this year.

2022 has been a productive year for Takasbank, in which many successful projects have been commissioned together with volume records broken in its operations.

In the Securities Lending Market (SLM), Takasbank Money Market (TMM), Türkiye Electronic Fund Trading Platform (TEFAS) and Private Pension Fund Trading Platform (BEFAS), which are all operated by our Bank, the total trading volumes have reached the highest levels of all time; displaying growth by 56% in the SLM, 276% in the TMM, and 107% in TEFAS compared to the previous year. In addition, the Private Pension Fund Trading Platform, which was put into operation in July 2021, has continued to growth with a total transaction volume of 4.4 billion TL in 2022.

As a result of multilateral netting performed in the Debt Securities Market, cash settlements in the amount of 3,448.6 billion TL and securities settlement with a market value of 7,424.8 billion TL have been executed; in the Money Market, cash settlements in the amount of 631.5 billion TL and securities settlement with a market value of 2,374.8 billion TL have been executed; and in the SWAP Market, cash settlements in the amount of 847.2 billion TL have been executed. In the Futures and Options Market, the market value of collaterals has increased by 89% reaching 51.9 billion TL, and the number of open accounts has increased by 42% reaching 778,701 accounts.

In the Electricity Market operated by our Bank under the roof of EPİAŞ, the transaction volume of 1,808 million TL was recorded in 2022; and the total market value of the collaterals held in the accounts at Takasbank exceeded the level of 27 billion TL by 31 December 2022. Similarly, due to the transactions executed in the Natural Gas Market operated under the roof of EPİAŞ, the total market value of the collaterals held in the accounts at Takasbank was recorded at the levels of 1.5 billion TL by 31 December 2022. In addition, the number of participants in the Natural Gas Futures Market, Renewable Energy Guarantees of Origin Market and Electricity Futures Market established under the structure of EPİAŞ in 2021 has increased in 2022. Furthermore, the clearing and settlement transaction volume in Electronic Warehouse Receipts traded in the Turkish Mercantile Exchange has been recorded as 66.9 billion TL.

The number of accounts with private pension funds within the scope of voluntary participation system in private pension companies has followed a horizontal course compared to the previous year, remaining at the level of 9 million accounts; and the size of funds held by participants increased by nearly 173.2 billion TL, reaching the total amount of 399.5 billion TL including the state contribution. The number of accounts within the scope of the Auto-Enrolment System has increased by nearly 1 million, reaching 9.5 million accounts; and total amount of funds has reached 32.7 billion TL. The rate of exits from the Auto-Enrolment System was 74%. In addition, with the regulation introduced in 2021 allowing individuals under 18 years of age to participate in the PPS system, the fund share of 642 thousand participants under 18 years of age has reached 2 billion TL by the end of the year.

The average custody balance within the scope of the global custody service has increased by 72%; and the market value of the securities under custody has exceeded 18.6 billion Euro. The number of ISIN codes allocated by our Bank as the National Numbering Agency has increased by 66%, reaching 33,718 codes.

The number of funds included in our Bank's portfolio custody service has increased by 29%, reaching 137 by the end of 2022; and this number has reached a record-breaking level with 144 units with the addition of investment trusts. In addition, the total size of all funds has increased by 120%, reaching 36 billion TL. The total size of all collective investment institutions (mutual funds and trusts) to which Fund Valuation and Reporting to the Capital Markets Board services are provided have reached a record-breaking level with an amount of 1.2 billion TL.

As with previous years, our Bank has realized various projects and developments with the purpose of contributing in the deepening and development of markets and in accordance with its strategy of strengthening its digital infrastructure



2022 has been a productive year for Takasbank, in which many successful projects have been **commissioned together with volume records broken** in its operations.

in line with its goal of providing uninterrupted services to its members in 2022.

The "Takasbank ISIN Portal" service has been launched within the year, thus allowing for faster and more practical ISIN applications in a fully-automated environment thanks to its user-friendly interface.

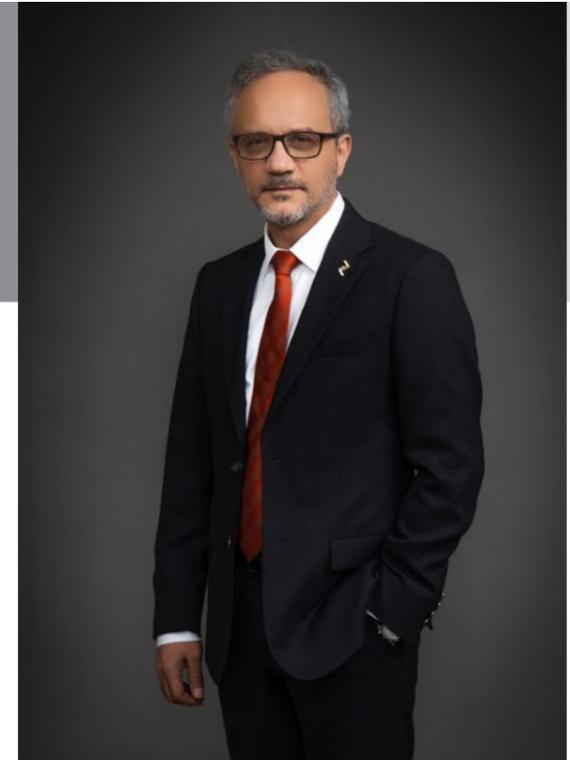
Through the "Takasbank Public Collateral Management Platform" that our Bank commissioned in September 2021 in cooperation with the Public Procurement Authority, the Bank started to provide collateral custody and management services regarding the acceptance, custody, registration as revenue, return, extension of the validity and reporting of temporary letters of guarantee and surety bonds accepted for tenders held within the scope of the Public Procurement Law no. 4734. As of 1 December 2022, all temporary letters of guarantee have been started to be accepted through Takasbank Public Collateral Management Platform in line with the decision taken by the Public Procurement Authority.

Acting as the "escrow agent" in the Crowdfunding System allowing the entrepreneurs in need of funds and the individual investors searching for new investment areas to come together in a common area; our Bank has provided services for a total of 19 crowdfunding platforms, 8 of which were listed by the CMB; thus, becoming the first and only escrow agent in the newest organized investment system of Türkiye in 2022.

The Gold Transfer System allowing the customers of system-member banks to transfer their gold account balances between the banks electronically and with the speed of EFT has been renamed as the Precious Metals Transfer System and an application has been filed with the CBRT for a permission for other activities in order to add silver as a new type of metal to the System.

Our Tapu Takas (Title Deed Transfer) application has been put into service for use by our citizens over e-Government system with a safe access possibility in order to facilitate its use by larger groups of users at the end of the year. In addition, workshops were held in October and December with the participation of the CBRT and the representatives of the member banks for transition to production phase of BiGA project.

Determined to continue its innovative projects and developments without slowing down, our Bank considers ensuring the satisfaction of its members in all services it renders as one of its top priority goals. It has been observed that the satisfaction level of our members is as high as 92% according to the evaluation results of Takasbank Service Satisfaction Survey that we make every year.



We are pleased to present to you, our esteemed stakeholders, our Annual Integrated Report providing our Bank's financial and non-financial performance in 2022 with an integrated approach and sharing its future-oriented strategy. With "Takasbank 2022 Annual Integrated Report", our Bank aims to inform its stakeholders about its activities, the financial and non-financial capital elements that it has used during its activities, the economic, social and environmental outcomes of its activities, and its future-oriented goals and objectives. We have detailed our sustainability efforts that we have conducted in 2022 under the heading of "Sustainability" in our Report. As Takasbank, we will continue to add value to all our stakeholders by contributing in the sustainable development of our Country with our gradually increasing activities in the field of sustainability in the upcoming periods.

Our Bank pursues a transparent and ethical dialogue with all its stakeholders. We hereby present to your appreciation our integrated report, which we consider will be an important instrument for the said dialogue. As with the previous periods, Takasbank will also continue to contribute to the development of capital markets and to have a share in the sustainable development of our Country in the upcoming periods with its competent human resources, strong technological infrastructure, efficient communications with stakeholders and long-term and innovative perspective. I would like to express my gratitude to our Board of Directors, our shareholders and all our stakeholders, including, especially, our employees for their unwavering support and trust that they have provided in this journey.

Avşar R. SUNGURLU
Chief Executive Officer and Board Member

COMMITTEE STRUCTURES

As detailed below, there are ten committees established directly under the roof of or formed to assist the Board of Directors in order to ensure efficient and uninterrupted management of all corporate governance activities within the structure of Takasbank. These committees convene at regular intervals; develop policies and strategies on necessary issues and take decisions in line with the current developments and needs within the framework of the statutory regulations.

CREDIT COMMITTEE

Duties and Responsibilities

- To allocate credit limits pursuant to the Banking Law and related legislation and within the framework of the authorization granted by the Board of Directors.

Members

Chairperson (CEO and Member of the BoD)	Avşar R. SUNGURLU
Permanent Member (Member of the BoD)	Murat ONUK
Permanent Member (Member of the BoD)	Dr. Gülseren TOPUZ
Substitute Member (Member of the BoD)	Bekir BAYRAKDAR
Substitute Member (Member of the BoD)	Yusuf KARALOĞLU

Meeting Frequency

Credit limits allocated by the Bank are decided by the Board of Directors.

Information on Participation in Meetings

In 2022, 1 meeting was held with the participation of the Chairperson and Members of the Credit Committee.

AUDIT COMMITTEE

Duties, Powers and Responsibilities

- The Audit Committee is liable to fulfil the duties, authorities and responsibilities specified in the Banking Law no. 5411 and the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process issued by the BRSA.

Members

Chairperson of the Audit Committee (Member of the Board of Directors)	Prof. Dr. Münevver ÇETİN
Member of the Audit Committee (Member of the Board of Directors)	Murat TACİR

Meeting Frequency

At least once a month

Information on Participation in Meetings

In 2022, 15 meetings were held with the participation of the Chairperson and Member of the Audit Committee.

CORPORATE GOVERNANCE COMMITTEE

Duties and Responsibilities

- To assist the Bank's Board of Directors in setting forth the mission and vision of the Bank, and to oversee that the Bank operations are conducted in line with the specified mission and vision.
- To identify conflicts of interests arising from any failure to ensure full compliance with corporate governance principles and to ensure the establishment of necessary policies for management of such conflicts of interests.
- To supervise the processes regarding the development and updating of the standards, policies, instructions, and implementing procedures with respect to the Bank's operations and transactions.
- To evaluate social responsibility projects.
- To review critical complaints and requests concerning corporate governance practices, and to present their comments and opinions in relation thereof to the Board of Directors.

Members

Chairperson of the Corporate Governance Committee (Member of the Board of Directors)	Dr. Gülseren TOPUZ
Member of the Corporate Governance Committee (Member of the Board of Directors)	Murat ONUK

Meeting Frequency

Biannually (twice a year)

Information on Participation in Meetings

In 2022, 2 meetings were held with the participation of the Chairperson and Member of the Corporate Governance Committee.

CENTRAL COUNTERPARTY RISK COMMITTEE

Duties and Responsibilities

- To notify their advisory opinions to the Bank's Board of Directors with respect to the CCP regulations and the management of CCP risks pursuant to the Capital Markets Law.

Members

Chairperson of the CCP Risk Committee (Member of the Board)	Murat TACİR
Member of the CCP Risk Committee (Member of the Board)	Prof. Dr. Münevver ÇETİN

Meeting Frequency

Biannually (twice a year)

Information on Participation in Meetings

In 2022, 2 meetings were held with the participation of the Chairperson and Member of the CCP Risk Committee.

REMUNERATION COMMITTEE

Duties and Responsibilities

- This committee is liable for overseeing the remuneration policies, processes and practices in order to ensure an independent and efficient remuneration system in the Bank.
- This committee is responsible to establish and oversee the Bank's remuneration policy, to regularly review its efficiency and compliance with the Bank's risk appetite and goals, and to present their opinions and recommendations to the Board of Directors.

Members

Chairperson of the Remuneration Committee (Member of the Board)	Bekir BAYRAKDAR
Member of the Remuneration Committee (Member of the Board)	Yusuf KARALOĞLU

Meeting Frequency

The Remuneration Committee reviews the remuneration policy and presents the results in the form of a report to the Board of Directors at least once a year.

Information on Participation in Meetings

In 2022, 3 meetings were held with the participation of the Chairperson and Member of the Remuneration Committee.

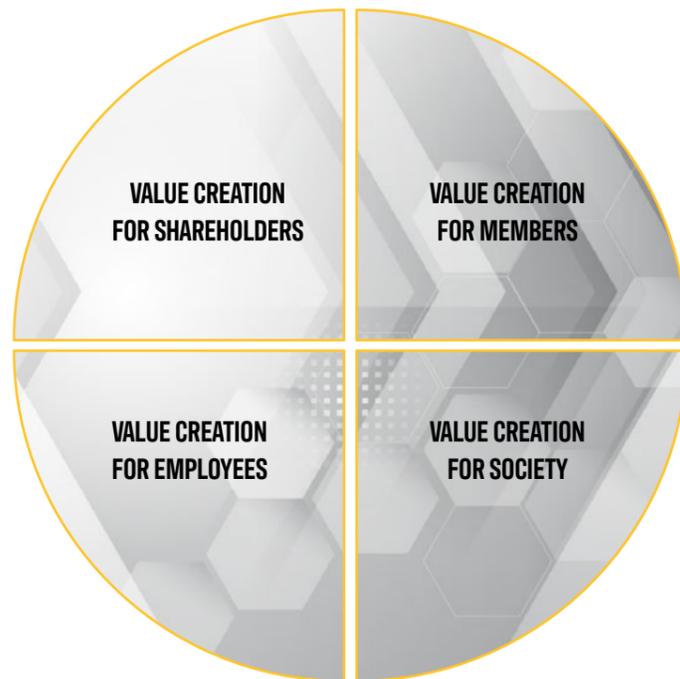
VALUE CREATION

The "Takasbank Value Creation Model" is a business model evaluating the Bank's financial, human, social and relational, intellectual, manufactured, and natural capital elements in an integrated manner and focusing on creation of sustainable value for all stakeholders of the Bank. With this business model, Takasbank aims to create value for all of its stakeholders both in the short and long run.

Takasbank has positioned sustainability as one of the main focal points at the center of its value creation goal and business model; and conducts its activities related thereof through a process led by the Senior Management, and including, also the participation of all its employees and the views and opinions of its stakeholders.

Pursuing not only the needs of its stakeholders, but also the social benefit, Takasbank associates the outputs that it has achieved as a result of its value creation goal and the business model established to this effect with the United Nations Sustainability Development Goals; and thus, emphasizes its support for international development goals in the field of sustainability.

Takasbank will continue its activities with its approached focused on sustainable growth, and more importantly, adding value to the national economy, without compromising its service quality and financial performance.

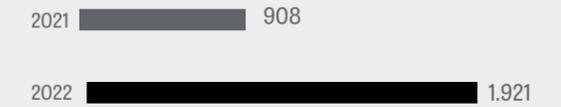


ECONOMIC VALUE GENERATED BY TAKASBANK (Million TL)



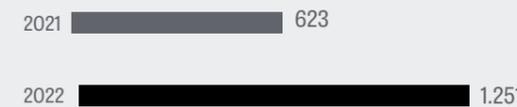
3.171 million TL
includes all revenues, including financial and other operating incomes.

ECONOMIC VALUE DISTRIBUTED BY TAKASBANK (Million TL)



1.921 million TL
includes operating expenses, employee wages and fringe benefits, dividend payments, BRSA participation share, CMB board share, corporate tax and other tax payments.

ECONOMIC VALUE RETAINED BY TAKASBANK (Million TL)



1.251 million TL
includes the value added to the capital.

Operating



Employees



Shareholders



State*



* comprises the CMB Board Share Provisions, BRSA Participation Share, Corporate Tax, and other taxes.

STAKEHOLDER RELATIONS

Associated with reputation, transparency, trust and dignity in the eyes of its stakeholders since its establishment, Takasbank is determined to maintain strong communications with and to create permanent value for its stakeholders at all times. Takasbank conducts its communications with its stakeholders through many different platforms. Shareholders, customers/members, regulatory and supervisory agencies and institutions, including especially the BRSA, CMB and CBRT, employees, subsidiaries, and suppliers are the main stakeholders of the Bank.



SHAREHOLDERS

Shareholder	Ratio* (%)	Relationship with the Strategy	Material Issues	Affected Capital Element
Borsa İstanbul A.Ş.	64,18	Strong Financial Structure	Strong Financial Structure	Financial Capital
Tacirler Menkul Değerler A.Ş.	5,00		Efficient Risk Management	
Phillip Capital Men. Değ. A.Ş.	5,00	Efficiency and Deepening of Markets	Development and Deepening of Markets	Social and Relational Capital
Türkiye Garanti Bankası A.Ş.	4,95			
Yapı Kredi Yat. Men. Değ. A.Ş.	4,38			
Türkiye İş Bankası A.Ş.	4,37	Increasing Organizational	Stakeholder Relations and Corporate Governance	Natural Capital
Türkiye Vakıflar Bankası T.A.O.	4,37			
Other (24 Brokerage Houses)	4,40	Efficiency and Group Synergy		
Other (8 Banks)	3,35			

* as of 31/12/2022

COMMUNICATION CHANNELS

E-mail addresses spy@takasbank.com.tr, rap@takasbank.com.tr, and muh@takasbank.com.tr; general assembly meetings, annual reports, newspapers, risk management synergy meetings, and information provided via Takasbank website and social media channels

COMMUNICATION TOPICS

Stakeholders' questions, institutional performance, dividend, donation policy, strategy, risks, corporate governance and sustainability, share transfers

MAJOR ISSUES AND DEVELOPMENTS IN 2022

The 27th Ordinary General Assembly Meeting was held on 28 April 2022. It was ensured that our shareholders attended the Ordinary General Assembly meeting both physically and via e-General Assembly online system.

In 2022, the portion of 445 million TL was distributed from the profit for 2021 as dividend to our shareholders.

There have been no changes in the Bank's capital and shareholding structure in the fiscal period.

INFORMATION ON THE NAMES, TITLES AND SHARES OF NATURAL OR LEGAL PERSONS HOLDING QUALIFIED SHARES

64.18% of Takasbank's shares is held by Borsa İstanbul A.Ş.. While Borsa İstanbul A.Ş. was a public legal entity operating under the trade-name of İstanbul Menkul Kıymetler Borsası

(Istanbul Stock Exchange), it was turned into a joint-stock company with a private legal entity in accordance with the Capital Markets Law no. 6362. Established to conduct exchange activities pursuant to article 138 of the Law, Borsa İstanbul A.Ş. gathered all exchanges in our capital markets under a single roof, and obtained its operating license through direct registration and promulgation of its articles of association on 3 April 2013.

The primary operational purpose and business line of Borsa İstanbul A.Ş. are to ensure that capital market instruments, foreign currencies, precious metals and stones and other contracts, documents and assets deemed eligible by the Capital Markets Board are traded in an easy and secure manner under free competition conditions in a transparent, efficiently competitive, fair and stable environment in accordance with the provisions of the law and applicable legislation; to match or facilitate the matching of buy and sell orders in relation thereof in a way to conclude and settle them; to establish, operate, and develop markets, marketplaces, platforms, systems and other organized marketplaces in order to determine and announce the prices formed in relation thereof; to manage and/or operate them as well as other exchanges or the markets of such exchanges; and to conduct the other activities specified in its articles of association. (<https://www.borsaistanbul.com/en/sayfa/2096/about-us>)

Pursuant to the Bank's Articles of Association, the share of the shareholders other than BİAŞ may not exceed 5%. The Bank did not have any privileged shares by 31 December 2022. (31 December 2021: None.)

Name & Surname/ Trade-Name	Share Amounts (Thousand TL)	Share Ratios	Paid-in Shares (Thousand TL)	Unpaid Shares (Thousand TL)
Borsa İstanbul A.Ş.	385,067	64.18%	385,067	-

Takasbank Subsidiaries – Fields of Service and Activities

Merkezi Kayıt Kuruluşu A.Ş.

As the Central Depository of the Turkish Capital Markets, the CRA provides its members with depository, trade repository and reporting, corporate governance and investor services. The CRA also offers data and technological services to local and foreign capital and financial institutions through its in-house developed software, systems and platforms as part of its role as an R&D center.

<https://www.mkk.com.tr/en/about-us/about-us>

Sarajevo Stock Exchange

Sarajevo Stock Exchange (SASE) was founded on 12 September 2001 by eight equal brokerage houses from the Federation of Bosnia and Herzegovina. Trading at SASE officially started on 12 April 2002 and the first auction totalled 3,099 KM. SASE's mission is to ensure the highest standards in the trading of securities and to be one of the leaders of the full development of the capital market and economic development of Bosnia and Herzegovina.

<http://www.sase.ba/v1/en-us/SASE/About-SASE/Vision-Mission>

Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş.

Ege Tarım Ürünleri Lisanslı Depoculuk A.Ş. was established with the permission given in the letter no. 6844 dated 24 December 2010 sent by the Ministry of Customs and Trade to Izmir Commodity Exchange, one of the founding partners of the company; registered with Izmir Trade Registry Office on 04 January 2011, and published in the Trade Registry Gazette dated 13 January 2011. The purpose of the Company is to conduct licensed warehousing activities for preservation of the agricultural products within the scope of the license under healthy conditions and for commercial storage.

<http://www.elidas.com.tr/>

S.W.I.F.T. SCRL

SWIFT is a global member-owned cooperative and the world's leading provider of secure financial messaging services.

<https://www.swift.com/about-us/discover-swift>

Borsa İstanbul A.Ş.

Pursuant to article 138 of the Capital Markets Law no. 6362 which entered into force upon its publication in the Official Gazette on 30 December 2012, Borsa İstanbul A.Ş. was established on the enforcement date of the Law to conduct securities exchange activities. The main purpose and field of activity of Borsa İstanbul are "to ensure that capital market instruments, foreign currencies, precious metals and precious stones and other contracts, documents and assets approved by the Capital Markets Board are traded in an easy and secure manner under free competition conditions in a transparent, efficiently competitive, fair and stable environment in accordance with the provisions of the law and applicable legislation; to establish, operate, and develop markets, marketplaces, platforms, systems and other organized marketplaces in order to match or facilitate the matching of buy and sell orders in relation thereof in a way to conclude and settle them and to determine and announce the prices formed in relation thereof; to manage and/or operate them as well as other exchanges or the markets of such exchanges; and to conduct the other activities specified in its articles of association."

<https://www.borsaistanbul.com/en/sayfa/2096/about-us>

Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş.

Sermaye Piyasası Lisanslama Sicil ve Eğitim Kuruluşu A.Ş. has been authorized by the CMB to grant licenses to the existing or future employees of capital market institutions and publicly-held corporations, to keep records of license holders, and to organize training programs relating to licenses and started its activities in 2011.

<https://www.spl.com.tr/content/about-us>

Türkiye Ürün İhtisas Borsası A.Ş.

TMEX (Turkish Mercantile Exchange) was founded on 08 June 2018 with reference to the Council of Ministers' decree no. 2017/9986 published in the Official Gazette no. 30030 dated 06 April 2017 upon the proposal of the Republic of Türkiye Ministry of Trade and the Capital Markets Board in order to conduct operations subject to the Turkish Commercial Code no. 6102 within the framework of the provisions of article 53 of the Law no. 5174 on the Union of Chambers and Commodity Exchanges of Türkiye, the Agricultural Products Licensed Warehousing Law no. 5300, and other applicable laws and regulations. The main operational purpose and line of business of TMEX is "to conduct exchange operations in order to ensure the trading of electronic warehouse receipts issued by licensed warehouse enterprises as well as the futures contracts based on electronic warehouse receipts in accordance with the Law no. 5300 and other relevant legislation."

<https://www.turib.com.tr/en/about-us/>

SUPPLIERS

Suppliers	Relationship with the Strategy	Material Issues	Affected Capital Element
• Suppliers	Strong Financial Structure	Efficient Risk Management	Social and Relational Capital
	Digital Transformation and Operational Competency	Uninterrupted Secure Service	
	Increasing Organizational Efficiency and Group Synergy	Stakeholder Relations and Corporate Governance	Financial Capital

COMMUNICATION CHANNELS

Direct communications and meetings, e-mails, surveys

COMMUNICATION TOPICS

Procurement processes including texts of agreements, purchase amounts, etc., suppliers' annual performance assessments, audits of external service providers including support services, maintenance of products and/or services procured

MAJOR ISSUES AND DEVELOPMENTS IN 2022

- Service Level Agreement Reports have been prepared.
- Audit results of external service providers including support services have been addressed in the reports prepared by internal system units such as IT audit report prepared biannually, management statement efforts, etc.
- Sustainability efforts have also been started to be taken into consideration in the supplier selection and evaluation process in the procurement of goods and services related with information technologies in order to increase the awareness in the field of sustainability.
- Following the addition of sustainability efforts to the supplier selection and performance assessment processes regarding information technologies, sustainability surveys have been sent to suppliers by the end of the year; and evaluations have been started in this area

TAKASBANK PROCUREMENT PROCESS

- Rules and methods have been determined to ensure that all products and services to be procured by Takasbank can be purchased with high quality, at cost-effective prices and at any time desired. All processes regarding purchasing activities are already written in the Bank's internal procedures and applicable in the workflow schedules. It has been determined which unit can request which goods and services; and it is expected that each request is forwarded by the related team.

TAKASBANK RESPONSIBLE SUPPLIER RELATIONS MANAGEMENT

- Determined to create a more effective and sustainable supply chain, Takasbank takes into account the environmental and social performance of its suppliers with which it conducts purchasing activities and aims to further increase their awareness in the field of sustainability. In the long-term strategic partnerships that it will establish with its suppliers, the Bank pays attention to its suppliers' sustainability perspective and their relevant goals in this field. In line with this approach, sustainability activities have also been started to be taken into account in the supplier selection and evaluation process in the procurement of goods and services related with information technologies as of the end of 2022. Necessary revisions were made in the Bank's "Supplier Relations Management Procedure" and it was published on 20 December 2022. Takasbank also pays attention to give priority to local companies in the selection of supplier firms.

Various Information and Data about Takasbank Supply Chain in 2022

Number of Contracts Signed	242
Percentage of Local Suppliers (operating within the boundaries of Türkiye) in the Procurement Budget used within the year	99%
Percentage of Candidate Suppliers Screened using Environmental and Social Criteria*	2%
Percentage of Approved Suppliers Evaluated using Environmental and Social Criteria**	100%
Number of Suppliers identified to have Existing and Potential Material Adverse Environmental and Social Impacts	We have no suppliers identified to have material adverse environmental and social impacts.
Total Number of Confirmed Cases where Contracts with the Bank's Business Partners were Terminated or Not Renewed due to Corruption-Related Breaches	There have been no violations related with corruption within the year.

* The screening process was started as of December 2022; however, the whole year was taken into account in the calculation of the ratio.

** All suppliers included in the Approved Suppliers List were evaluated by the end of the year.

INFORMATION ON THE RISK MANAGEMENT POLICIES APPLIED BY RISK TYPES

MANAGEMENT OF THE PILLAR 1 RISKS

Takasbank Risk Management Regulation approved by the Board of Directors has established in detail, the procedures and principles regarding the functioning of the Bank's risk management system, risk management policies and implementing procedures, risk management activities, and the organizational structure and duties, powers and responsibilities of the Risk Management Department. The Bank's overall risk Policy is to maintain the Bank's operations by assuming 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.

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

The principle of proportionality was taken into account pursuant to the statutory regulations and best practices guidelines in establishing and implementing the Bank's risk management system and internal capital adequacy assessment process (ICAAP).

By the year-end of 2021, the Stress Test Report and the ICAAP Report prepared in coordination of the Risk Management Department and its attachment, i.e., the Validation Report prepared by the Internal Control Department, and the Examination Report prepared by the Internal Audit Department were submitted to the BRSA following their approval at the Board of Directors meeting no. 431 dated 11 April 2022.

Takasbank's risk appetite structure is reviewed at least once a year, and its general risk and risk-type based risk limits and signal values are reviewed according to the changes in market conditions and the Bank strategies. In cases where the allocated risk appetites, risk limits and signal values are exceeded, the relevant authorities are notified thereof.

The Risk Management Department manages and coordinates the operations regarding identification, measurement, assessment, monitoring, and reporting of the risks the Bank is

exposed to, in accordance with the banking legislation, under the supervision of the Audit Committee and within the scope of the internal regulations approved by the Board of Directors.

Credit Risk Management

Credit transactions involve the possibility that members or guarantors using the credit cannot fulfil their obligations in time and according to their prior written commitments and agreements; in other words, the credit risk. The counterparty credit risk is considered within the scope of the credit risk.

Takasbank's cash credit transactions consist of the credits extended to intermediary institutions. In Takasbank Money Market (TMM), these transactions are considered as non-cash loans pursuant to the banking legislation, since the Bank has guarantees for the obligations of the members to each other in accordance with the guarantees received from the members, and its allocated and committed capital. Takasbank provides CCP services to the Securities Lending Market (SLM) established under its structure, and the Futures and Options Market (VIOP) established under the structure of BİAŞ, as well as the Money Market, Debt Securities Market, SWAP Market and over-the-counter derivatives transactions. The obligations arising from such transactions are also considered non-cash credits.

Credit limits are updated according to the changes in members' financial positions. The implementation of limit, risk and collateral controls electronically and continuously on an individual transaction basis minimizes operational errors.

Internal credit rating scores are used in determination of the credit or position limits to be allocated to members and the membership types of the members that will execute transactions in the markets or capital market instruments for which CCP services are provided; and the said limits enter into force following approval by the Board of Directors. Credit risk is managed with the presence of an efficient and strong collateralization mechanism and allocation of appropriate limits.

Takasbank manages the credit risk that it is exposed to by taking account of the credit risk appetite, credit risk limits established, signal values determined under the early warning system, and the legal and internal capital requirements.

Pursuant to the regulations published by the BRSA, the credit risk amount is calculated according to the standard approach by the end of months and the results are reported to the BRSA.

Market Risk Management

Market risk is defined as the probability of loss that may be caused by the Bank's exposure to on- and off-balance sheet positions due to foreign currency risk and interest rate risk arising from the movements in market prices.

The Bank's fund management operations are mostly carried out with state banks and the banks the Board of Directors allocates limits to. The GDDS issued by the Republic of Türkiye Ministry of Treasury and Finance, and the debt securities and lease certificates issued by the banks established in Türkiye are included by the Bank in its securities portfolio. Derivative products may be used for the bank portfolio for hedging and liquidity management purposes. In addition, the Bank may also use derivative products for risk-mitigating transactions for the positions assumed as a result of CCP services.

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 considering the market risk appetite, established market risk limits, signal values determined within the scope of the early warning system, and the legal and internal capital requirements.

The amount subject to market risk is calculated at the Bank using the standard method in accordance with the regulations published by the BRSA, and reported to the BRSA on a monthly basis. In addition, market risk is also measured daily using the internal model; in this context, the value at market risk and the economic capital requirement are calculated, and back testing, stress testing and scenario analyses are performed. The reports prepared are periodically reported to the Senior Management.

Operational Risk Management

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

While Takasbank considers employees as its most important resource; it has adopted the fundamental principle of conducting its activities with a focus on systems and processes, rather than people in order to ensure the establishment of its institutional structure.

The practices such as keeping software and hardware used at Takasbank always ready and available for use together with their alternatives, simultaneous copying of data onto different media; keeping communications, energy, human resources and their backups ready and available; and ensuring business continuity and emergency planning allow for efficient management of operational risks that may arise from information systems.

At Takasbank, the authorities and responsibilities regarding critical transactions are separated from each other. Management controls are applied during execution of transactions through the approval authorization mechanisms implemented. In addition to these controls performed by management levels in a hierarchical structure; the transactions executed are controlled by the Internal Control Department conducting the control function and reporting to the Board of Directors, within the framework of the Internal Control Lists approved by the Audit Committee; and they are also periodically audited by the Internal Audit Department.

The loss or damages arising from operational, reputational and strategic risks that the Bank is exposed to, the IT risk considered within the scope of operational risks, and the legal risks are monitored with the "Operational Risk Loss Database". The Bank's service- and subservice-based risks

SUSTAINABILITY APPROACH

Many global problems such as increasing natural disasters, extremely variable weather conditions, pandemics, etc. are threatening the entire ecosystem and human life. Climate crisis examples that occurred in many parts of the world within the year reveal the size of the global problem and indicate the requirement to conduct increasing awareness efforts and the steps taken in the field of sustainability. At this point, the measures to be taken at the level of societies and institutions are of great significance in order to leave a sustainable world to future generations. Having an important place in the financial markets of our country, Takasbank monitors the environmental, social, and economic impacts of its activities and acts with the goal of creating sustainable value for all its stakeholders. Since promoting the long-term sustainable development of Turkish economy constitutes one of its main focal points; the Bank aims to increase its efforts in this field up to the level of international standards.

Establishing coordination of the sustainability efforts in the Bank, and monitoring and reporting of the Bank's sustainability performance are the responsibility of the Strategic Planning and Investor Relations Team. When fulfilling this responsibility, the Strategic Planning and Investor Relations Team receives support from all employees and the other relevant stakeholders of the Bank, including, "Takasbank Sustainability Working Group" in particular.

TAKASBANK SUSTAINABILITY WORKING GROUP

The sustainability efforts conducted by Takasbank started, at first, with the preparation of the "Corporate Governance Principles Compliance Report" to ensure compliance with the "Corporate Governance Communiqué" no. II-17.1 and the public disclosure of this report every year. Pursuant to the "Sustainability Principles Compliance Framework" prepared by the CMB, the "Sustainable Banking Strategic Plan" published by the BRSA and international best practice examples in this field; the Bank expanded the scope of its efforts in the field of sustainability as of 2021; and the issue of "sustainability" has become one of the top priority issues in the Bank.

In 2021, a Sustainability Working Group was formed under the chairmanship of the Executive Vice President of Central Counterparty and Financial Services and with the participation of the managers and employees from the Financial Services and Reporting Department, Risk Management Department, Legislation and Compliance Department, and Member Services and Corporate Communications Department; thus, an important and concrete step was taken towards the achievement of the Bank's goal of integrating sustainability with its business model and corporate strategy. However, the participation of all stakeholders in the efforts is supported, including, without limitation, the aforementioned departments, by adopting the principle of voluntariness for sustainability efforts; and the views and suggestions forwarded by stakeholders are taken into account and sustainability efforts are tried to be further expanded. The Sustainability Working Group convenes periodically to discuss the issues such as suggestions, activities, performance results, reporting, etc.; and 4 meetings were held in 2022.

In this context, the main duties and responsibilities of the Sustainability Working Group include, without limitation, the following:

- Conducting efforts to determine the Bank's sustainability goals in line with the Bank's strategy and market conditions;
- Preparing action plans in accordance with the Bank's specified sustainability goals and to support the activities conducted under the coordination of the Strategic Planning and Investor Relations Team accordingly;
- Ensuring the follow-up of the efforts in the field of sustainability and strengthening the sustainability performance of the Bank;
- Conducting efforts to ensure integration of sustainability into all units and processes of the bank;
- Ensuring the compliance of Takasbank's material issues with sustainability issues;
- Identifying, prioritizing and managing the risks and opportunities arising from climate change;
- Establishing a transparent and fair communication environment with the Bank's stakeholders on sustainability and overseeing this environment established as such;
- Following national and international legislation on and the best practice examples regarding sustainability;
- Conducting research on and making recommendations about the collaborations that the Bank may become a member of and provide support in the field of sustainability.

Having an important place in the financial markets of our country, Takasbank monitors the environmental, social, and economic impacts of its activities and acts with the goal of creating sustainable value for all its stakeholders.

SUSTAINABILITY EFFORTS

The CMB made an amendment in the Corporate Governance Communiqué no. II-17.1 on 2 October 2020, requiring that the basic principles that publicly-held companies are expected to disclose while conducting their environmental, social and corporate governance activities (Sustainability Principles Compliance Framework) be shared with their stakeholders. In this context, it has been stipulated that annual reports will include explanations regarding sustainability principles, that the implementation of sustainability principles is voluntary, and the principles regarding the content and publication of the Sustainability Principles Compliance Framework will be determined by the CMB. In addition, with the Board's decision no. 34/977 dated 23 June 2022, it was decided that the disclosures to be made by the companies whose shares are traded in the Main Market, Star Market and Sub-Market of the Stock Exchange within the scope of sustainability principles compliance framework pursuant to the Corporate Governance Communiqué no. II-17.1 be made using the Sustainability Report template provided in the annex to the decision via the PDP, which would be used starting from the reporting for 2022.

Since it is not a publicly-held corporation, Takasbank is not required to comply with the said sustainability principles and to report using the Sustainability Report template; however, Takasbank still monitors its activities falling within the scope of ESG in the light of the Sustainability Principles Compliance Framework, and reports its sustainability efforts in this section of the Annual Integrated Report. In this context, the activities conducted by Takasbank in 2022 within the scope of sustainability efforts are summarized below under the headings as included in the "Sustainability Principles Compliance Framework".

General Principles

The efforts for Takasbank Sustainability Policy, which were started in 2021, were completed in the first half of 2022 and entered into effect as of 24 June 2022 following the approval of the Policy by the Board of Directors. With this policy, Takasbank has, in brief, ensured at the level of its Board of Directors, i.e., the Bank's highest Governance Body, that it will conduct its activities in compliance with statutory regulations and national and international developments regarding the issues falling within the scope of sustainability and adopt an efficient governance model in this field; take actions to mitigate its environmental impacts, conduct efforts to raise the awareness of its stakeholders, and develop incentivizing policies for dissemination of capital market instruments

supporting SDGs; and establish a corporate culture rejecting any and all forms of discrimination, protecting employee rights and ensuring equal opportunity, and adopting the principle of zero tolerance against bribery, corruption, the laundering of proceeds of crime and the financing of criminal activities. The Bank's **Sustainability Policy** is available only in Turkish at <https://www.takasbank.com.tr/tr/hakimizda/kurumsal/takasbank-surdurulebilirlik-politikasi>.

Although the efforts regarding the draft versions of the supplementary/supportive policies and internal legislation regarding sustainability, including, the Environmental Management Policy, Corporate Human Rights Policy, etc., which support Takasbank Sustainability Policy, are still ongoing; the said efforts are planned to be disclosed to the public after they are completed and necessary approvals are obtained.

Takasbank 2022 Strategic Plan Evaluation was completed by the end of 2022; and sustainability issues have also been taken into account in the reviews made in relation thereof.

Bank employees were asked to provide their opinions and suggestions regarding sustainability activities under the coordination of the Bank's Strategic Planning and Investor Relations Team in November 2022. The Strategic Planning and Investor Relations completed the preliminary works by consolidating the previously determined short-, medium-, and long-term ESG goals with the views and suggestions forwarded by employees. It is aimed that the specified goals and the action plans to be developed in relation to such goals will be put into practice in the beginning of 2023 following the approval by the Senior Management; and it is planned to provide periodic information regarding the current status of achievement of the goals throughout the year.

Contributing to the United Nations Sustainable Development Goals is one of the main focal points of the Bank; and the SDGs that the Bank's material issues are directly related to are provided under the heading of "**Strategy, Value Creation and Stakeholder Relations**" in the Report.

The data regarding the sustainability performance of the Bank are disclosed in the "**Sustainability Performance**" section of the Report. While disclosures about sustainability efforts conducted are made under various headings in the annual integrated report; it is aimed to continue to make similar disclosures through the annual integrated reports that will be prepared in the upcoming years.

Environmental Principles

Takasbank is aware of the critical role that environmental sustainability plays in the struggle against climate crisis, which constitutes one of the most important problems of our time; therefore, it takes actions to mitigate its direct and indirect environmental impacts, and aims to contribute to Türkiye's 2053 net zero emission and green development targets. Takasbank actively works on the issues such as ensuring maximum compliance with environmental legislation; reducing greenhouse gas emissions originating from its activities; and raising awareness in the field of environmental sustainability among all stakeholders. In this context, the data about environmental performance are followed up, monitored and periodically reported. The data regarding environmental performance such as the amount of greenhouse gas emissions are shared in the "**Sustainability Performance**" section on an annual basis, and, in comparison with the previous year. The Bank neither breached any rules nor was subject to any fine or penalty imposed due to adverse environmental impacts in 2022.

The detailed information about the workshop and meetings that the Bank attended in relation to the Climate Change Draft Law and Emissions Trading System and the workshop held with the purpose of transferring information to the relevant agencies/institutions and raising awareness in our country within the scope of the practices implemented under the sixth article of Paris Agreement, to which our Country is also a party, is provided under the heading of "**Representation and Promotion**" provided in the "**Performance in 2022**" section of the Report.

Pursuant to the Zero Waste Regulation published by the Republic of Türkiye Ministry of Environment, Urbanization and Climate Change in 2019 and requiring agencies and institutions, including, also business centers, to ensure gradual compliance with the regulation; the application process for issuance of a zero waste certificate has been started as Borsa Istanbul Group. Accordingly, a commission was formed, consisting of the representatives of BIAS, CRA and Takasbank, all of which operate under the roof of Borsa Istanbul Group, for the purposes of completing preliminary preparations and submitting an application to the Ministry for issuance of the certificate, determining the scope of the counselling service to be outsourced and the company to be worked with, and distributing the works between institutions, etc. Following the evaluations made by Borsa Istanbul Group Zero Waste Commission and the procurement process conducted by BIAS for and on behalf of the Group, a contract

was signed with the relevant consultancy firm. The works and efforts conducted with the consultancy firm in 2022 can be summarized as follows:

- Identification efforts were conducted across the building and premises; and the locations of waste stations were identified.
- The purchasing process for procurement of indoor waste stations was initiated.
- The construction of a waste collection center in a designated area of the premises was completed.
- With the zero waste application facility registration opened by BIAS in the "Integrated Environmental Information System" on behalf of the Group, the data entry of wastes was started.

Geographical data themes were created with the relevant legislation of the Republic of Türkiye Ministry of Environment, Urbanization and Climate Change in order to realize many goals specified in the United Nations Sustainable Development Goals such as "Sustainable Cities and Communities", "Affordable and Clean Energy", "Industry, Innovation and Infrastructure", and "Climate Action", and to create smart cities. In this context, Takasbank obtained a Geographical Data License to operate across Turkey for address theme.

During the year, various measures were taken within the framework of the Bank's goal of using energy more efficiently within the Bank and reducing the Bank's environmental footprint, such as using lighting equipment with sensors in offices, using faucets with sensors in washbasins, preferring low-emission hybrid cars to be allocated for use by managers, etc. It was decided to add a warning message to e-mails reminding not to take paper printouts unless necessary in order to increase environmental awareness among Bank employees and stakeholders, and thus, to reduce use of paper in operational processes. In addition, Takasbank pays utmost care and attention to the recycling of various wastes generated within the institution. Used batteries are collected in separate waste boxes and delivered to the relevant institutions for disposal purposes. Cleaning wastes in common areas and lavatories are separated and sent for recycling. The Bank works in coordination with the catering company to prevent waste of food and the number of employees envisaged to be in the bank is reported in order to determine the daily number of meals. Leftovers sent by the company to animal shelters were suspended within the scope of pandemic measures; and this practice is planned to be resumed as of the next year. The Company currently sorts waste consumables used in meals and includes them in the recycling process.

SUMMARY BOARD RESOLUTION PRESENTED TO THE GENERAL ASSEMBLY

Dear Shareholders,

In 2022, high inflation, shrinking global trade, recession concerns have become the current issues on the main agenda of the global economy. The coronavirus pandemic that broke out in 2019 has decreased in 2022 compared to the previous years and countries have started to lift their pandemic restrictions. Central banks that applied expansionary monetary policies during the pandemic period have changed their policies to limit the rising inflation in 2022. In addition, the war that broke out between Russia and Ukraine in February has led to sharp fluctuations in commodity and food prices.

The Russian-Ukrainian war has caused disruptions especially in the food supply chain, leading to conflicts on energy trade between Europe and Russia. European countries dependent on foreign energy have encountered rapidly increasing natural gas and electricity prices since the very first months of 2022. Inflation in European countries has started to display an upward trend due to the rise in energy prices. The inflation in Euro Zone was recorded as 10.6%, quite above the target level of 2% within the year, reaching the highest levels in records. The inflation in the US economy has reached its peak in 41 years with an annual rate of 9.1% recorded within the year. Thus, the incentives and interest rate cuts provided during the pandemic period have been replaced with monetary tightening and interest rate hikes as part of the fight against inflation. The Central Bank of the USA (Federal Reserve) increased its policy interest from 0-0.25% applied in the beginning of 2022 to 4.25-4.50% at the end of the year. The European Central Bank increased the main refinancing rate from 0% to 2.50%.

While global recession concerns rose, growth forecasts for the next year were revised downwards at the end of 2022. While IMF expected the global growth to be 3.2% in 2022, they downgraded their expectation for 2023 from 2.9% to 2.7%. The World Trade Organization shared their anticipation that the global merchandise trade volume would grow by 1% only in 2023 following the 3.5% growth forecast for 2022. On the other hand, the recurrence of coronavirus cases in China towards the end of the year keeps the coronavirus-related concerns alive. In this context, the course of coronavirus cases, the Russia-Ukraine war, inflationary developments, the global stagnation and the course of commodity prices are important for the following period.

Our national economy has achieved a growth rate above expectations, with 7.5% in the first quarter and 7.7% in the second quarter of this year; however, the growth has slowed down with a rate of 3.9% in the third quarter. Thus, the growth rate for the first nine months of the year was recorded as 6.2%. The increases in commodity and food prices and the global strengthening of the dollar have increased inflationary pressures in this period. In 2022, foreign trade has been adversely affected by the slowdown in economic activities and high energy imports in Europe, i.e., the largest export market of our country. In 2022, exports increased by 12.9% reaching 254.2 billion dollars while imports increased by 34.3% reaching 364.4 billion dollars, compared to the previous year. The inflation is expected to decline with the base effects and the economic activity is expected to gain strength with the CBRT's policies prioritizing growth in the upcoming period.

Conducting its activities as an investment bank, central clearing & settlement and central counterparty institution, payment system and R&D Center and providing important services such as clearing, custody, collateral and risk management, settlement, central counterparty and banking to its members in Turkish capital markets, Takasbank has efficiently continued to provide its services that it renders for the money and capital markets of our country during the year 2022 and to contribute to the growth of our financial markets with a stable and sustainable structure; and as with previous years, it has focused on the efforts towards further deepening of markets and management of financial risks.

Our projects and initiatives aimed at the development and diversification of the services offered to markets, including, the central counterparty service, in particular, are conducted in line with the demands of the sector and by considering the needs of our country. In this period, we have also continued our efforts towards strengthening our technological infrastructure in order to manage IT-related operational risks and to continue to provide Takasbank services in a fast, effective and uninterrupted manner.

Projects have been implemented in line with our strategic goals, including, in particular, increasing the service quality under a strong financial structure, and contributing in the deepening and development of the markets as an important component of Borsa Istanbul Group.

Aimed at having a strong operational and technological infrastructure by offering innovative solutions to the capital markets and the financial sector of our country and having been serving as the R&D Center since April 2017, our Bank has completed four of its projects in this context in 2022; and seven of our projects are still under construction. In 2022, our Bank won the third prize with its "Precious Metals Transfer System" project in the category of "Best in Future of Industry Ecosystems" at IDC Türkiye Financial Services Summit organized by IDC (International Data Corporation) Türkiye.

Through the "Takasbank Public Collateral Management Platform" that our Bank commissioned in September 2021 in cooperation with the Public Procurement Authority, the Bank started to provide collateral custody and management services regarding the acceptance, custody, registration as revenue, return, extension of the validity and reporting of temporary letters of guarantee and surety bonds accepted for tenders held within the scope of the Public Procurement Law no. 4734. As of 1 December 2022, all temporary letters of guarantee have been started to be accepted through Takasbank Public Collateral Management Platform in line with the decision taken by the Public Procurement Authority.

The "Takasbank ISIN Portal" service has been launched within the year, thus allowing for faster and more practical ISIN applications in a fully-automated environment thanks to its user-friendly interface.

The technical infrastructure efforts and legislative arrangements have been completed for the Risk-Mitigating Netting Function, i.e., our project allowing offset collaterals to be deposited for the purpose of netting in the risk calculations of equity-based futures and equity-based short-call option contracts with short positions. The said function has been commissioned and deployed in real environment as of 7 March 2022.

With its strategic perspective and effective management policies, Takasbank has completed the year 2022 successfully in terms of growth and profitability. Our profit before tax was recorded as 2.3 billion TL; our net profit was 1.7 billion TL; and our size of assets reached 85.8 billion TL while our shareholders' equity reached 4.5 billion TL.

Our business continuity will be maintained thanks to our preparedness to risks and our technical competence, including this period during which our country and the whole world are struggling with many different adverse economic impacts; and we will continue to develop new products and services in harmony with Borsa Istanbul Group companies. Being an important financial infrastructure institution in terms of development of Turkish capital markets, our Bank will also continue to maintain this success and its achievements in the upcoming years with your, our esteemed shareholders' support.

Dear Shareholders,

As we hereby present for your information our Integrated Annual Report, which we have prepared for the second time this year for sharing our Bank's future-oriented strategy by providing a holistic assessment of the financial and non-financial performance of our Bank in 2022, containing also the Balance Sheet and Profit and Loss statements; we would like to extend our respect, particularly to the esteemed executives of our capital markets and our employees for their support, and to you, our esteemed shareholders and your representatives for putting your trust in our Bank and honouring our General Assembly with your presence.

Yours sincerely,

For and on behalf of the Board of Directors of

İstanbul Takas ve Saklama Bankası A.Ş.

Avşar R. SUNGURLU

CEO

Board Member

Dr. Mahmut KAYACIK

Chairman of the Board

PART I – SHAREHOLDERS

FACILITATING THE EXERCISE OF SHAREHOLDING RIGHTS

Current information and explanations that may affect the exercise of shareholding rights are made available for use by investors on the corporate website.

Our Bank management has adopted the principle of treating all shareholders equally by aiming to establish transparent and responsible communications with investors. In the Bank, there are Human Resources Department, Financial Services and Reporting Department and Member Services and Corporate Communications Department serving to manage and strengthen the relationships with investors. The executives of the relevant units are in constant contact with the Committee.

Within the scope of the relations with investors, relevant departments have conducted the following activities within the period:

- a) Ensuring that accurate, secure and up-to-date records are kept in relation to investors;
- b) Ensuring that the General Assembly meeting is held in accordance with applicable legislation, articles of association and other internal regulations of the Bank;
- c) Preparing the annual report for the last completed fiscal year, which can be used by shareholders at the General Assembly meeting;
- d) Ensuring that the voting results of General Assembly meetings are recorded and the reports related with such results are duly sent to investors;
- e) Pursuing and monitoring any and all issues related with public disclosure according to the legislation and Bank’s disclosure policy;
- f) Timely notification of the Bank-related developments and the financial data for the related periods to the investors; and keeping up to date the investor relations section of the Bank’s website;
- g) Conducting efforts to improve the Bank’s corporate governance practices and submitting them to the Committee for evaluation.

In 2022, information requests obtained from shareholders in relation to their shares in the Bank were duly answered by the relevant departments.

RIGHT TO INFORMATION AND REVIEW

The Bank management avoids making any transactions that may make it difficult to conduct special audits.

Our Bank shows the necessary sensitivity to ensure that our shareholders are granted the rights to information as granted to shareholders pursuant to the provisions of the Turkish Commercial Code, Capital Markets Law and Banking Law (related legislation). In this context, it has developed and put into force the Directive on Takasbank Disclosure Policy at the Bank. According to this Directive, there is no discrimination among the shareholders with respect to the exercise of the right to information. For this purpose, our Bank keeps the necessary communication channels open and available to answer shareholders’ information requests.

The Committee plays an active role in protecting and facilitating the exercise of the rights arising from shareholding, including the right to information and review. The Committee is responsible to present the information and disclosures that may affect the exercise of rights and make them available for use by shareholders.

General letters indicating the developments related with the Bank, financial information, and news are regularly published on our Bank’s corporate website at www.takasbank.com.tr. In addition, the contents required to be announced on the website pursuant to article 1524 of the Turkish Commercial Code are published in the ‘Information Society Services’ section accessible on the website on an updated basis.

GENERAL ASSEMBLY

The principles and procedures regarding the summons for and attendance in General Assembly meetings are publicly disclosed within the document “Internal Directive on the Working Principles and Procedures of the General Assembly” as provided in the “Legal Framework” section of our Bank’s corporate website.

Our Bank’s General Assembly meetings are held pursuant to the provisions of the relevant legislation. The General Assembly meeting in which the operating results for 2021 were discussed was held on 28 April 2022. The General Assembly Meeting was held at Borsa Istanbul A.Ş. Conference Hall in Sarıyer İstanbul in a manner preventing inequality among shareholders and at minimum possible costs to the shareholders.

To ensure shareholders’ participation in the General Assembly, the agenda, place and date and time of the meeting, the necessary invitation containing other relevant information and documents and the agenda were timely sent to the shareholders; and the agenda of the meeting was published and announced in Turkish Trade Registry Gazette with issue no. 10551 dated 04 April 2022, in Dünya Newspaper dated 04 April 2022, on the Bank website and through the Electronic General Assembly System, and also notified with registered and reply-paid letters timely sent to the shareholders on 04 April 2022.

Our Bank’s Annual Report for 2022 containing the Balance Sheet and Income Statement for the fiscal period of 1 January 2022 – 31 December 2022 and the Independent Audit Report, which were prepared for the Ordinary General Assembly, and the “General Assembly Information Document” were shared with shareholders and published on our corporate website within the statutory periods. The questions received from our shareholders following the announcement of the date of the General Assembly meeting were answered by the Financial Services and Reporting Department. At the General Assembly meeting, the matters on the agenda were communicated in an unbiased and detailed manner through a straightforward and understandable method; and shareholders were allowed to express their opinions and ask their questions under equal conditions.

During the Ordinary General Assembly meeting, our shareholders notified their agenda-related requests to the chairman of the meeting via motions. The motions proposed by our shareholders in relation to the agenda of the General Assembly were voted and approved by the General Assembly. Votes were cast by open voting and raising hands at the General Assembly meeting; and our shareholders attending the General Assembly meeting over the electronic general assembly meeting cast their votes via the system.

The General Assembly minutes were sent to our shareholders upon their request via fax and/or e-mail and published on our corporate website and in the Trade Registry Gazette. Our shareholders, members of our Board of Directors, the authorized officials responsible for preparation of financial statements, the authorized officer of the independent audit company and the other related people attended; but media organizations did not attend our General Assembly meetings.

Table 1: General Assembly Meetings

General Assembly Meetings						
General Assembly Date	Number of requests notified to the Bank for additional explanations regarding the agenda of the General Assembly	Shareholders’ rate of attendance in the General Assembly	Percentage of shares represented in person	Percentage of shares represented by proxy	Title of the Bank’s corporate website section containing the general assembly minutes, including the affirmative and negative votes for each item of the agenda	Number of the article or paragraph regarding the related parties in the General Assembly minutes
28/04/2022	-	96,39%	-	96,39%	About Us/Corporate/ Information Society Services About Us/Investor Relations/ Investor Relations	About Us/Corporate/ Information Society Services About Us/ Investor Relations/ Investor Relations

GRI 2-9, 2-10, 2-11, 2-15, 2-19

COMMITTEES FORMED UNDER THE BOARD OF DIRECTORS

In the Integrated Annual Report, the information about the committees of the Board of Directors has been provided on page 78 under the heading entitled "Information on Takasbank Policy Documents, Activities of the Committees reporting to or formed to assist the Board of Directors within the Framework of the Provisions of the Relevant Legislation, Committee Members' Attendance in Meetings held within the Fiscal Period, and the Names and Surnames and Fundamental Duties of the Chairmen and Members of These Committees".

The information about the activities of the Audit Committee is provided on page 154 of the integrated annual report in the section entitled as the Information on the Audit Committee's Assessment of the Functioning of the Legislation and Compliance, Internal Control, Internal Audit and Risk Management Systems, and on Their Activities within the Fiscal Period.

The Corporate Governance Principles Compliance Report containing information about the activities of the Corporate Governance Committee is published in the section About Us/ Investor Relations on the Bank's website. The said report has also been provided on pages 134 – 153 of the integrated annual report.

Table 3: Committees of the Board of Directors

Committees of the Board of Directors					
Names of BoD Committees	Name of the Committee specified as "Other" in the First Column	Percentage of Managers without Executive Duties	Percentage of Independent Members in the Committee	Number of Physical Meetings held by the Committee	Number of Reports submitted by the Committee to the Board of Directors about its Activities
Audit Committee		100%	50%	15	8
Credit Committee		80%	25%	1	1
Corporate Governance Committee		100%	50%	2	2
Central Counterparty Risk Committee		100%	50%	2	0
Remuneration Committee		100%	0%	3	1

FINANCIAL RIGHTS PROVIDED TO THE MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVES WITH ADMINISTRATIVE RESPONSIBILITY

The "Structure and Formation of the Board of Directors" and the "Information on the Total Amounts of Financial Rights granted, Allowances given, and Travel, Accommodation and Representation Expenses, Real and Cash Allowances, Insurances and Other Similar Guarantees provided to Board Members and Senior Managing Officials" are provided on page 77 of the integrated annual report.

The financial rights such as remuneration and dividend bonuses granted to the Board Members are determined by the General Assembly in accordance with the provisions of the Turkish Commercial Code. The rights such as remuneration, bonuses, etc. granted to the Senior Executive Management of our Bank are determined within the framework of the Bank's Human Resources Directive; and general remuneration increases are put into application after they are approved by our Board of Directors.

Other rights such as allocation of vehicles, insurance, etc. granted to our Board of Directors and executive management are determined within the framework of Takasbank Human Resources Directive and its related procedures; and the allowances and expenses payable in relation to travels are determined within the framework of our Bank's Travel Expenses Directive. No borrowing-lending or surety or security relationships have been created with any of our Board members and executive managers in 2022.

	Compliance Status					Description
	Yes	Partly	No	Exempt	N/A	
1. SHAREHOLDERS						
1.1. Facilitating the Exercise of Shareholding Rights						
1.1.2- Current information and explanations that may affect the exercise of shareholding rights are made available for use by investors on the corporate website.	X					
1.2. Right to Information and Review						
1.2.1- The Company management avoids making any transactions that may make it difficult to conduct special audits.	X					
1.3. General Assembly						
1.3.2- The Company ensured that the agenda of the Assembly is clearly specified and each proposal is provided under a separate heading.	X					
1.3.7- The persons having privileged access to the company's information have notified the transactions that they executed in their own name within the field of activities of the company to the board of directors for addition to the agenda in order to ensure that such information is provided at the General Assembly.					X	
1.3.8- The members of the Board of Directors related with the matters of interest on the agenda, other related persons, the authorized officials responsible for preparation of financial statements, and auditors were present at the general assembly meeting.	X					
1.3.10- A separate article indicating the amounts of all aids and donations and their beneficiaries was included in the agenda of the General Assembly.	X					
1.3.11- The General Assembly was held open to the public, including stakeholders and the media, without the right to speak during the meeting.		X				Stakeholders may participate. Media organizations are not invited to the General Assembly meeting.
1.4. Voting Rights						
1.4.1- There are no restrictions or practices making it difficult for shareholders to exercise their voting rights.	X					
1.4.2- The company does not have any shares with privileged voting rights.	X					
1.4.3- The Company has not exercised its voting rights in the General Assembly of any company with which it has a mutual participation relationship, which also brings forth a dominance relationship.	X					
1.5. Minority Rights						
1.5.1- The Company has paid utmost attention to the exercise of minority rights.	X					
1.5.2- Minority rights have also been granted to those holding less than one-twentieth of the capital and the scope of minority rights has been arranged and expanded in the articles of association.		X				

AUDIT COMMITTEE REPORT

No: 2023/DK/02

Istanbul, 05 January 2023

The internal audit, internal control, legislation and compliance and risk management activities of İstanbul Takas ve Saklama Bankası A.Ş. (Takasbank) are conducted by the Board of Directors, Senior Management and the Bank's personnel at all levels as well as the Internal Audit Department, Internal Control Department, Legislation and Compliance Department, and the Risk Management Department, in accordance with applicable legislation, including, in particular, the Banking Law, the Capital Markets Law, Law on Payment and Securities Settlement Systems, Payment Services, and Electronic Money Institutions, as well as other applicable non-Bank legislation and the Bank's internal strategies, policies, principles and objectives.

As submitted to our Committee in 2022 by the Internal Audit Department, Internal Control Department, Legislation and Compliance Department, and Risk Management Department which are administratively independent and report our Board of Directors through our Audit Committee in accordance with the provisions of the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process, the internal legislation, work flow and job description forms, risk assessments, legal and internal risk measurements, partial/complete stress tests and risk monitoring and review activities, restructuring plans, internal audit plan, audit, investigation and examination reports, the reports prepared about the independent audit company, the reports forming the basis for management statements, member audit reports, independent audit results, activity reports of Internal Systems Department, internal control review plan, support services risk management program, risk analysis reports and technical adequacy reports, and the other related documents were evaluated in the meetings held; and the resolutions taken by our Committee as well as the relevant activities were presented to the Board of Directors. Internal Systems Department also informed the Executive Management about such activities and thus, it was ensured that necessary actions were taken in relation thereof.

Risk management involves an approach based on three lines of defence comprising business line management, central risk management function, and independent review. Accordingly;

- In business line management, the risks arising from the products and services offered by each team of the Bank, and the processes, human resources and systems used are identified; and the Executive Management is informed, ensuring that appropriate actions are taken.
- The central risk management function is fulfilled by separating roles and responsibilities, and having the processes and functions reviewed by the Risk Management Department and the Internal Control Department, other than the operational units that execute them.
- The independent review process is comprised of the assessment of the risk management and internal control framework from all aspects, and this function is executed by the Internal Audit Department.

The Bank's overall risk policy is to maintain the Bank's operations by assuming 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. Takasbank manages its risks by ensuring that they remain above/below the minimum/maximum limits specified in all applicable legal regulations and below the general and risk type-based risk limits and signal values and risk appetites approved by the Board of Directors. The results of activities conducted for risk management are taken into account in the Bank's strategic decision-making processes. In addition, regarding the risks that must be assumed or carried; it has been aimed to establish an optimum balance between potential loss or damages that may result from realization of such risks and the costs to be incurred to limit, decrease, and control these risks.

The Risk Management Department conducts the operations such as risk assessments about the new products and services planned to be offered by the Bank and information technology risks, payment and securities settlement systems, and portfolio custody service; creation of the risk analysis reports and risk management programs for support services; monitoring and review of risk appetites, risk limit and signal values; performance of internal risk measurements and assessments and stress tests and scenario analyses; assessment of operational risk database and operational risk loss database results; review of the structuring plan; monitoring and review of the amounts subject to legal risk and the legal capital adequacy ratio, and calculation of the internal capital requirement ratio within the scope of ICAAP.

Pursuant to the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks, and the best practice guidelines published by the BRSA, and in order to ensure that the Bank can continue its operations under the most adverse conditions, capital and liquidity planning was made with a prospective perspective by conducting partial and complete stress tests within the scope of the pillar 1 and pillar 2 risks that the Bank is exposed to. In this context, the Stress Test Report and the Internal Capital Adequacy Assessment Process (ICAAP) Report, prepared in coordination with the Risk Management Department, and its attachment, the Validation Report prepared by the Internal Control Department, as well as the Review Report prepared by the Internal Audit Department were presented to us and the said reports were submitted to the BRSA following their approval at the Board of Directors' meeting no. 413 dated 21 April 2022.

At Takasbank, internal control processes are considered as an integral part of the Bank's operations; and the reporting modules facilitating the effective monitoring and control of operations are integrated with the application software currently in use. In addition, necessary controls are performed during execution of transactions by applying the control techniques such as the separation of entry and approval authorities for critical transactions, approval-authorization mechanisms implemented during execution of operations, conducting the reviews regarding compliance with limits electronically, inquiries and reconciliations implemented for material elements. In addition to the control function performed by the relevant management levels within Takasbank's organizational structure, the activities of the units and departments were periodically controlled by the Internal Control Department over the control points determined within the framework of the Internal Control Review Plan and the internal control lists of the information technologies units.

Within the scope of self-assessment activities, the Internal Control Department performed the operations such as periodic review of the internal control review plan and internal control lists and determination of control scores for the risks in the operational risks database; monitoring the actions determined for the risks for which the net risk level is equal to or above the operational risk appetite as well as key risk indicators; validation of the TFRS-9 expected credit loss model; establishing coordination between independent auditors and business units during the audits of banking processes; supporting independent audits conducted within the scope of information systems processes; conducting the ISO 27001 internal audit and ensuring participation as a supervisor in other internal audits; participation, upon request, in project and working groups and boards and committees related with the changes and innovations planned to be made in the Bank's services and processes or those related to the critical processes falling within the scope of the Bank's field of duties, and making suggestions at the relevant meetings in order to minimize the risks.

The "Central Counterparty Credit Risk Stress Test Results" and "Central Counterparty Liquidity Risk Stress Test Results" reports prepared pursuant to article 40 entitled "Stress testing" as specified in the Central Counterparty Regulation of İstanbul Takas ve Saklama Bankası A.Ş. as well as the "Central Counterparty Back Testing Results" prepared pursuant to article 36 of Takasbank Directive on Central Counterparty Risk Management Implementation Principles, which were controlled by the Internal Control Department, were also submitted by our Committee to the Board of Directors for information.

The Legislation and Compliance Department performed the operations such as the follow-up and announcement of the changes in the Bank's internal and external legislation; development/updating of the Bank's internal and external legislation and other processes under the legislation that the Bank is subject to; performing regulatory compliance assessments for new products and transactions as well as the activities planned to be carried out in future; establishing coordination in the review of work flow and job description forms and preparation of the report indicating the level of compliance with the specified goals regarding the functioning, reliability, durability and continuity of information systems within the framework of the service levels; conducting MASAK, AML, FATCA and CRS efforts; provision of KVKK (Law on Protection of Personal Data) and MASAK (Financial Crimes Investigation Board) trainings; ensuring the coordination of the CBRT surveys and CPMI-IOSCO compliance documents within the scope of payment and securities settlement systems; conducting awareness-raising activities in the Bank under Takasbank Information Sharing Committee Directive, Takasbank Directive on Code of Ethics and Social Media Policy and Takasbank Directive on Conflicts of Interests Policy; preparation/updating of the business continuity and IT legal requirements document; performing the secretarial duties of the Information Sharing Committee; preparation of the corporate governance principles compliance report; supporting sustainability efforts; review of the contracts within the scope of the Bank's procurements; preparing a periodic report regarding the information shared by the Bank with third parties and submitting this report to the Board of Directors and then to the BRSA; completing and checking know-your-customer, central counterparty and business and

AUDIT COMMITTEE REPORT

information systems continuity surveys of foreign institutions resident abroad, and conducting negotiations in relation thereof, where necessary, and any other related activities.

In 2022, acting as an independent and objective assurance and consultancy function, Takasbank Internal Audit Department conducted efforts oriented towards risk-based review and auditing of the Bank's business and IT units and the support and external service companies within the framework of the Internal Audit Plan prepared on the basis of the annual Risk Assessment Report and containing also the information systems (IS) audit plan and the work programs, control lists and IS audit guidelines prepared within the scope of the said plan; conducting ICAAP reviews; conducting audits within the scope of the plan prepared on the basis of the Information and Communication Security Audit Guideline published by the Digital Transformation Office of the Presidency; conducting the ISO 27001 internal audit; identification of deficiencies, errors and misconducts, and prevention of their recurrence; assessment of the accuracy and reliability of the information and reports submitted to the regulatory and supervisory authorities, Senior Management and Executive Management; and assessment and improvement of the efficiency and adequacy of the Bank's risk management, internal control, legislation and compliance, and governance processes.

The Internal Audit Department also conducted, in 2021, on-site audits at central counterparty members in order to determine whether the members established efficient, adequate and compliant internal audit, internal control and risk management mechanisms regarding the markets or capital market instruments for which the Bank provides central counterparty services pursuant to the provisions of İstanbul Takas ve Saklama Bankası Anonim Şirketi Central Counterparty Regulation, Directive on Information, Risk Management, Internal Audit and Internal Control Systems of Takasbank Central Counterparty Members, and the relevant legislation.

Within the scope of the management statement efforts jointly conducted by the Internal Control Department and Internal Audit Department according to the plan approved by our Committee, the Bank's business and IS controls have been reviewed, and an assessment has been made to identify all major control deficiencies about such controls independently from the efforts conducted by independent audit companies. In this context, assurance has been provided that there are no major control deficiencies in the Bank's business and IS controls which would hinder efficiency, adequacy or compliance; that there is no situation causing a material misstatement in the financial statements or materially affecting the continuity of the activities and the integrity, consistency, reliability, and if necessary, confidentiality of the data which requires sensitivity in terms of the Bank, including, financial data, in particular, and there is no misconduct or corruption involving managers and other officials with critical roles in the internal control system; and that all issues identified have been reported to our Committee and the Board of Directors.

Takasbank operations are conducted in compliance with the provisions of applicable regulations and the Bank's general policies and internal legislation; and the Internal Audit and Internal Control, Legislation and Compliance, and Risk Management Departments structured and operating efficiently and adequately in accordance with the provisions of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks create a significant added value in line with Takasbank's fundamental goals and policies.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş. AUDIT COMMITTEE

Murat TACİR

Audit Committee Member
Board Member

Prof. Dr. Münevver ÇETİN

Audit Committee Chairperson
Board Member

EVALUATION OF THE FINANCIAL STATUS, PROFITABILITY AND SOLVENCY AND ACHIEVEMENT OF STRATEGIC GOALS

As of 31 December 2022, Takasbank's assets have increased by 90.58% compared to the year-end of the previous year, thus, reaching 85,804,572 thousand TL.

In line with the previous period data, Banks account item also constituted a significant portion of the Bank's assets in the current period. Banks account for 91.41% (78,433,306 thousand TL) and Other Financial Assets Measured at their Redeemed Value account for 3.38% (2,901,106 thousand TL), and Loans account for 3.12% (2,681,206 thousand TL) of the Bank's assets.

By year-end of 2022, Takasbank has borrowed domestic loans in the amount of 6,821,660 thousand TL; accounting for 7.95% of the liabilities on the balance sheet. It has not borrowed any loans from abroad by the balance sheet date. The Funds item, which is primarily comprised of member cash collaterals, accounts for 86.01% (73,800,448 thousand TL) of the liabilities. The Bank's paid-up capital is 600,000 thousand TL; and by the end of 2022, its shareholders' equity has reached 4,516,938 thousand TL.

The Bank's profit before tax has been recorded as 2,260,168 thousand TL. The Bank acts according to the principle of maintaining a high amount of liquid assets against its balance sheet obligations in order to be able to manage its liquidity risk.

The Bank has achieved its strategic goals set in the previous periods and fulfilled its general assembly decisions.

INFORMATION ON THE AREAS OF ACTIVITIES FOR WHICH AND THE PERSONS AND ENTITIES FROM WHICH SUPPORT SERVICES ARE OUTSOURCED PURSUANT TO THE REGULATION ON THE BANKS' PROCUREMENT OF SUPPORT SERVICES AND THE AUTHORIZATION OF SUPPORT SERVICE PROVIDERS

In 2022, within the scope of the Regulation on Procurement of Support Services by Banks and Takasbank Support Service Procurement and Outsourcing Procedure, Takasbank has received the following services:

- Server hosting service for Borsa Data Center received from Borsa İstanbul A.Ş.;
- Hosting and support service for Takasbank backup data center equipment received from Türk Telekomünikasyon A.Ş.;
- The following services received from Fineksus Bilişim Çözümleri Tic. A.Ş.:
 - Infrastructure, connection, maintenance, e-mail and telephone support service received for the SWIFT server;
 - Sanctions list inquiry software and the maintenance service related to this software;
 - PayGate converter software converting SWIFT message format into the format compatible with ISO 20022 standards and the maintenance service related to this software.

Before a contract is signed for procurement of support services or the service contract is renewed with the relevant support service provider, a Risk Analysis Report and a Technical Adequacy Report are prepared and submitted to the Board of Directors as an annex attached to the Audit Committee Assessment Report.

INFORMATION ON THE AREAS OF ACTIVITIES FOR WHICH AND THE PERSONS AND ENTITIES FROM WHICH EXTERNAL SERVICES ARE OUTSOURCED PURSUANT TO THE REGULATION ON INFORMATION SYSTEMS AND ELECTRONIC BANKING SERVICES OF BANKS

In 2022, within the scope of the Regulation on Information Systems and Electronic Banking Services of Banks and Takasbank Support Service Procurement and Outsourcing Procedure, 28 suppliers have been selected within the scope of Outsourced Services in the evaluations made with respect to the outsourced services regarding banks' information systems, considering the service procurements which are likely to affect the confidentiality, integrity and accessibility of banking data and the continuity of banking services, and through which banking data can be accessed or shared, and on the basis of operational functions, services and activities falling within the scope of the capital markets legislation.

Pos. No.	Company Trade-Name	Scope of Contract
1	Refinitiv Enformasyon Ltd. Şti.	Refinitiv data vendoring subscription
2	Bloomberg Finance L.P.	Bloomberg data vendoring subscription
3	NSC Bilişim Hiz. Tic. Ltd. Şti.	Firewall software maintenance, updating and upgrading services
4	BTS Kurumsal Bilgi ve İletişim Hiz. Ltd. Şti.	Proxy license and maintenance services
5	BTS Kurumsal Bilgi ve İletişim Hiz. Ltd. Şti.	E-mail security server license and maintenance services
6	VK Bilgi Teknolojileri San. Tic. Ltd. Şti.	F5 Load Balancer System software maintenance & support service
7	Güvenpark Bilişim Teknolojileri Araştırma ve Geliştirme Tic. Ltd. Şti.	HSM device and maintenance service
8	Türk Telekomünikasyon A.Ş.	Server hosting service
9	Partnera Bilgi Sistemleri ve Dan. Hiz. A.Ş.	Support service for Oracle EBS modules
10	Unicorp Bilişim Hiz. Tic. Ltd. Şti.	Trend Micro licensing
11	Refinitiv Enformasyon Ltd. Şti.	Refinitiv data acquisition licensing service
12	Fineksus Bilişim Çözümleri Tic. A.Ş.	PayGate converter service
13	Barikat BT Bilişim Tic. A.Ş.	Qradar licensing
14	Türk Telekomünikasyon A.Ş.	Procurement of data leak prevention system
15	G Teknoloji Bilişim San. ve Tic. A.Ş.	Oracle Hyperion maintenance and support service
16	Borsa İstanbul A.Ş.	Primary data center usage service
17	Borsa İstanbul A.Ş.	Bistech (Nasdaq) infrastructure management services
18	Partnera Bilgi Sistemleri ve Dan. Hiz. A.Ş.	ERP - Performance module customization service
19	Partnera Bilgi Sistemleri ve Dan. Hiz. A.Ş.	ERP - Two-stage screens development service
20	Gantek Teknoloji Bilişim Çözümleri A.Ş.	Local manager management product procurement
21	Gantek Teknoloji Bilişim Çözümleri A.Ş.	Access authorization product license maintenance renewal service
22	Fineksus Bilişim Çözümleri Tic. A.Ş.	Sanctions list inquiry software maintenance & support service
23	Fineksus Bilişim Çözümleri Tic. A.Ş.	SWIFT software maintenance, updating and upgrading services
24	Borsa İstanbul A.Ş.	ODVM (Disaster Recovery Data Center) non-standard cabinet rental service
25	CBK Soft Yazılım Donanım Elektronik ve Bilgisayar Sistemleri San. Tic. A.Ş.	Electronic documentation and document management system maintenance service
26	Partnera Bilgi Sistemleri ve Dan. Hiz. A.Ş.	ERP Oracle license renewal service
27	Türk Telekomünikasyon A.Ş.	Non-standard cabinet rental service
28	Partnera Bilgi Sistemleri ve Dan. Hiz. A.Ş.	Support service for Oracle EBS modules

If the external service is considered within the scope of Outsourced Services pursuant to the CMB and BRSA legislation, the Technical Adequacy Report regarding the relevant service and the information notes containing other issues such as risk assessments, exit strategies, etc. are prepared.

RATINGS GIVEN TO TAKASBANK BY INTERNATIONAL RATING AGENCIES

The Bank's international ratings were provided by Fitch Ratings Agency; and the related rating summary details are provided below.

Fitch Ratings (2022, July)	
Long-Term Foreign Currency IDR	B
Outlook	Negative
Short-Term Foreign Currency IDR	B
Long-Term Local Currency IDR	B
Outlook	Negative
Short-Term Local Currency IDR	B
Viability Rating	b-
Government Support	b

RESPONSIBILITY OF THE BOARD OF DIRECTORS REGARDING THE INTEGRATED ANNUAL REPORT

Our Integrated Annual Report for 2022 sets out the financial and non-financial values generated by İstanbul Takas ve Saklama Bankası A.Ş. (Takasbank) as a result of its operations between the dates of 01 January 2022 – 31 December 2022 and how Takasbank utilized its financial, human, intellectual, manufactured, natural and social capital elements during the said period.

As the Board of Directors of Takasbank, we hereby state that this Report prepared in accordance with the international integrated reporting framework addresses all relevant topics in line with the materiality approach and ensures the integrity of the report. We accept responsibility in relation to these matters.

Avşar R. SUNGURLU

Chief Executive Officer

Member of the Board of Directors

Dr. Mahmut KAYACIK

Chairman of the Board of Directors

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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 2022 and 31 December 2021, 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.	385,067	64.18	1	385,067	64.18	1
2	Tacirler Yatırım Menkul Değerler A.Ş.	30,000	5.00	1	30,000	5.00	1
3	Phillip Capital Menkul Değerler A.Ş.	30,000	5.00	1	30,000	5.00	1
4	Türkiye Garanti Bankası A.Ş.	29,685	4.95	1	29,685	4.95	1
5	Yapı Kredi Yatırım Menkul Değerler A.Ş.	26,280	4.38	1	26,280	4.38	1
6	Türkiye Vakıflar Bankası T.A.O.	26,235	4.37	1	26,235	4.37	1
7	Türkiye İş Bankası A.Ş.	26,235	4.37	1	26,235	4.37	1
8	Diğer (Aracı kurum)	26,397	4.40	24	26,397	4.40	24
9	Diğer (Banka)	20,101	3.35	8	20,101	3.35	8
Total		600,000	100.00	39	600,000	100.00	39

64.18% 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 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.

Dividend payment

The General Assembly meeting was held on 28 April 2022. The Bank has decided to pay a dividend of TL 445,000 to shareholders. The dividend payments were made on 29 April 2022.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

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
Dr. Mahmut Kayacık	Chairman	Boğaziçi University/Faculty of Economics and Administrative Sciences/Political Science and International Relations/Bachelor's Degree Marmara University/Institute of Social Sciences International/Economics/Master's Degree Medipol University/Institute of Social Sciences/banking and Finance/PhD
Korkmaz Ergun	Deputy Chairman of the Board	Ankara University/Faculty of Political Sciences/Business Administration/Bachelor's Degree Marmara University/Institute of Middle East Studies/Middle East Economics/Master's Degree Marmara University/Institute of Social Sciences/History of Economics/PhD
Avşar R. Sungurlu	General Manager Chairman of the Credit Committee	Middle East Technical University/Faculty of Engineering/Aerospace Engineering/Bachelor's Degree Middle East Technical University/Institute of Natural and Applied Sciences/Aeronautical Engineering/Master's Degree Long Island University/Graduate School/Business Administration/Master's Degree
Murat Tacir	Member (Chairman of the Risk Committee - Member of the Audit Committee)	Istanbul University/Faculty of Business Administration/Business Administration/Bachelor's Degree
Murat Onuk	Member (Noble Member of the Credit Committee - Member of the Corporate Governance Committee)	Istanbul University/Faculty of Economics/International Relations/Bachelor's Degree
Bekir Bayrakdar	Member (Chairman of the Remuneration Committee - Reserve Member of the Credit Committee)	Istanbul University/Faculty of Political Sciences/International Relations/Bachelor's Degree
Yusuf Karaloğlu	Member (Member of the Remuneration Committee - Reserve Member of the Credit Committee)	Uludağ University/Faculty of Economics and Administrative Sciences/Business Administration/Bachelor's Degree Erzincan University/Institute of Social Sciences/Public Law/Master's Degree
Prof. Dr. Münewver Çetin	Member (Chairman of the Audit Committee - Member of the Risk 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/PhD
Dr. Gülseren Topuz	Member (Chairman of the Corporate Governance Committee - Noble Member of the Credit Committee)	Ankara University/Faculty of Economics/Economics/Graduate Marmara University/Institute of Social Sciences/Statistics/Postgraduate Istanbul University/Institute of Social Sciences/Money and Monetary Policy/Postgraduate

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2021

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

II. OFF-BALANCE SHEET

OFF-BALANCE SHEET COMMITMENTS	Notes	Audited Current Period			Audited Prior Period		
		31 December 2022			31 December 2021		
		TL	PC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS (I-II+III)		90,964,679	-	90,964,679	40,081,926	-	40,081,926
I. GUARANTEES AND WARRANTIES	III-(1)	90,147,147	-	90,147,147	39,299,417	-	39,299,417
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		90,147,147	-	90,147,147	39,299,417	-	39,299,417
1.9. Other Bank Acceptances		-	-	-	-	-	-
II. COMMITMENTS	III-(1)	817,532	-	817,532	782,509	-	782,509
2.1. Irrevocable Commitments		817,532	-	817,532	782,509	-	782,509
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		-	-	-	-	-	-
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		817,532	-	817,532	782,509	-	782,509
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		-	-	-	-	-	-

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2021

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

II. OFF-BALANCE SHEET (Continued)

OFF-BALANCE SHEET COMMITMENTS	Notes	Audited Current Period			Audited Prior Period		
		31 December 2022			31 December 2021		
		TL	PC	Total	TL	FC	Total
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		-	-	-	-	-	-
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)		5,837,900,793	7,703,493	5,845,604,286	4,941,116,912	9,499,345	4,950,616,257
IV. ITEMS HELD IN CUSTODY		5,750,430,596	-	5,750,430,596	4,895,527,426	-	4,895,527,426
4.1. Customer Fund and Portfolio Balances		3,462	-	3,462	1,831	-	1,831
4.2. Investment Securities Held in Custody	III-(1)	5,750,425,634	-	5,750,425,634	4,895,524,095	-	4,895,524,095
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	1,500	-	1,500
4.8. Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		87,470,197	7,703,493	95,173,690	45,589,486	9,499,345	55,088,831
5.1. Marketable Securities		18,195,224	7,703,493	25,898,717	21,900,065	9,499,345	31,399,410
5.2. Guarantee Notes		-	-	-	-	-	-
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		-	-	-	-	-	-
5.6. Other Pledged Items		69,274,973	-	69,274,973	23,689,421	-	23,689,421
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		5,928,865,472	7,703,493	5,936,568,965	4,981,198,838	9,499,345	4,990,698,183

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

III. STATEMENT OF PROFIT OR LOSS

STATEMENT OF PROFIT OR LOSS	Notes	Audited	Audited
		Current Period	Prior Period Restated
		1 January 2022 - 31 December 2022	1 January 2021 - 31 December 2021
I. INTEREST INCOME		1,686,940	821,002
1.1 Interest on Loans	IV-(1)	230,737	24,600
1.2 Interest Received from Reserve Requirements		-	-
1.3 Interest Received from Banks	IV-(1)	1,257,515	677,928
1.4 Interest Received from Money Market Transactions		-	-
1.5 Interest Received from Marketable Securities Portfolio	IV-(1)	193,627	117,500
1.5.1 Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.2 Financial Assets at Fair Value Through Other Comprehensive Income		8,372	-
1.5.3 Financial Assets Measured at Amortised Cost		185,255	117,500
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		5,061	974
II. INTEREST EXPENSE	IV-(2)	121,465	30,650
2.1 Interest on Deposits		-	-
2.2 Interest on Funds Borrowed		106,541	20,837
2.3 Interest Expense on Money Market Transactions		14,671	9,505
2.4 Interest on Securities Issued		-	-
2.5 Lease Interest Expenses		253	308
2.6 Other Interest Expenses		-	-
III. NET INTEREST INCOME (I - II)		1,565,475	790,352
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		1,194,564	604,122
4.1 Fees and Commissions Received		1,321,892	668,942
4.1.1 Non-cash Loans		193,919	54,819
4.1.2 Other	IV-(11)	1,127,973	614,123
4.2 Fees and Commissions Paid	IV-(12)	127,328	64,820
4.2.1 Non-cash Loans		-	-
4.2.2 Other		127,328	64,820
V. DIVIDEND INCOME	IV-(3)	29,446	15,213
VI. TRADING INCOME/LOSS (Net)	IV-(4)	23,910	13,694
6.1 Trading Gains/Losses on Securities		10,191	-
6.2 Trading Gains/Losses on Derivative Financial Instruments		-	2,739
6.3 Foreign Exchange Gains/Losses		13,719	10,955
VII. OTHER OPERATING INCOME	IV-(5)	109,294	11,824
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		2,922,689	1,435,205
IX. EXPECTED CREDIT LOSS (-)	IV-(6)	72,963	26,338
X. OTHER PROVISION EXPENSES (-)	IV-(7)	127,649	37,331
XI. PERSONNEL EXPENSES (-)	IV-(7)	232,311	118,907
XII. OTHER OPERATING EXPENSES (-)	IV-(7)	229,598	74,604
XIII. NET OPERATING INCOME/LOSS (VIII+...-XII)		2,260,168	1,178,025
XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XV. INCOME/LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XVI. INCOME/LOSS ON NET MONETARY POSITION		-	-
XVII. INCOME/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (XIII+...+XVI)		2,260,168	1,178,025
XVIII. TAX PROVISION FOR CONTINUING OPERATIONS (±)	IV-(8)	(528,047)	(287,268)
18.1 Current Tax Provision		(559,886)	(297,170)
18.2 Deferred Tax Income Effect (+)		31,839	9,902
18.3 Deferred Tax Expense Effect (-)		-	-
XIX. NET INCOME/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)	IV-(9)	1,732,121	890,757
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1 Income from Non-Current Assets Held for Resale		-	-
20.2 Sale Income from Associates, Subsidiaries and Joint Ventures		-	-
20.3 Other Income from Discontinued Operations		-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1 Expense from Non-Current Assets Held for Resale		-	-
21.2 Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-
21.3 Other Expenses from Discontinued Operations		-	-
XXII. INCOME/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1 Current Tax Provision		-	-
23.2 Deferred Tax Income Effect (+)		-	-
23.3 Deferred Tax Expense Effect (-)		-	-
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV. NET PROFIT/LOSS (XIX+XXIV)	IV-(10)	1,732,121	890,757
Earnings/(Loss) Per Share in (Full TL)		2,8869	1,4846

The accompanying explanations and notes form an integral part of these unconsolidated 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 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Audited	Audited
	Current Period	Prior Period Restated
	1 January-31 December 2022	1 January-31 December 2021
I. CURRENT PERIOD INCOME/LOSS	1,732,121	890,757
II. OTHER COMPREHENSIVE INCOME	(7,085)	(302)
2.1 Not Reclassified Through Profit or Loss	(7,085)	(302)
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	(9,447)	(378)
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	2,362	76
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)	1,725,036	890,455

The accompanying explanations and notes form an integral part of these unconsolidated financial statements.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of Presentation

Presentation of financial statements

The Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation" which includes the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards ("TFRS") published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

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.

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.

The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles

The accounting policies followed and the valuation principles used in the preparation of the financial statements are within the scope of the regulations, communiqués, explanations and circulars published by the BRSA on accounting and financial reporting principles, and the TFRS (all "BRSA Accounting and Financial Reporting Legislation"), which was put into effect by the KGK. determined on the basis of these principles.

According to TAS 29 Financial Reporting Standard in Hyperinflationary Economies, enterprises whose functional currency is the currency of a hyperinflationary economy report their financial statements according to the purchasing power of money at the end of the reporting period. TAS 29 defines characteristics that may indicate that an economy is a hyperinflationary economy. At the same time, all entities reporting in the currency of a hyperinflationary economy in accordance with IAS 29 are required to apply this Standard from the same date. For this reason, as stated in TAS 29, it is expected that all businesses will start to implement TAS 29 at the same time, with the announcement to be made by the Public Oversight Accounting and Auditing Standards Authority in order to ensure consistency in practice across the country. However, POA has not made a statement regarding whether an adjustment will be made within the scope of TAS 29 in the financial statements for the accounting period ending on 31 December 2022. Therefore, TAS 29 has not been applied and no inflation adjustment has been made in the financial statements dated 31 December 2022.

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, Eurobonds 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 debt securities and Eurobonds.

The Bank does not engage in derivative or structured products defined as off-balance sheet to provide balance sheet management or to make profit.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions (Continued)

The bank operates in the money and capital markets. In order to manage currency and interest risks in the trading areas, attention is paid to asset-liability equality on the basis of maturity, currency and amount in the asset-liability balance in the on-balance sheet transactions. In order to provide balance sheet management or to generate profit, the Bank can perform transactions in derivatives or structured products that are defined as off-balance sheet. Regarding the transactions made in the money and capital markets, the transaction limits determined in these markets have been determined as risk limitations. The Bank does not have any transactions that create liabilities in other foreign currency transactions or adversely affect its net asset position.

Coronavirus pandemic, which has recently emerged in China, spread to various countries in the world, causing potentially fatal respiratory infections, affects both regional and global economic conditions negatively, as well as it causes disruptions in operations, especially in countries exposed to the pandemic. As a result of the spread of COVID-19 throughout the world, various measures have been taken in our country as well as in the world in order to prevent the transmission of the virus and still continue to be taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

Since the year-end financial statements prepared as of 31 December 2022 are intended to update the financial information in the latest annual financial statements, taking into account the magnitude of the economic changes due to COVID-19, the Bank will update its assumptions as necessary in the coming periods and re-evaluate the realization of its retrospective forecasts.

III. Explanations on Investments in Associates, Subsidiaries and Joint Ventures

Investments in associates and subsidiaries are accounted in accordance with the "Turkish Accounting Standard on Separate Financial Statements" ("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 Option Contracts and Derivative Instruments

Bank's derivative instruments mainly consist of swap transactions for hedging purposes. The Bank has no derivative financial instruments designated as hedging instruments or embedded derivative financial instruments.

Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts at their contractual values.

Derivative instruments are remeasured at fair value after initial recognition. In accordance with the classification of the derivative instrument, if the fair value of a derivative financial instrument is positive, it is recorded to the account "Derivative Financial Assets Measured at Fair Value Through Profit and Loss" or "Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income"; if the fair value difference is negative, it is disclosed in "Derivative Financial Liabilities Measured at Fair Value Through Profit and Loss" or "Derivative Financial Liabilities Measured at Fair Value Through Other Comprehensive Income". Differences in the fair value of trading derivative instruments are accounted as income/loss from derivative financial transactions under "trading income/loss" item in the income statement.

Explanations on Derivative Instruments for Hedging Purpose

The Bank can perform cross currency swap transactions in order to avoid changes in the fair value of fixed-rate financial instruments.

V. Explanations on Interest Income and Expenses

Interest income is accounted according to the effective interest rate method (rate equal to the rate in calculation of present value of future cash flows of financial assets or liabilities) defined in the TFRS 9 "Financial Instruments" standard by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets or financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. Explanations on Tangible Assets

Tangible assets are initially recognized at acquisition cost and any other cost incurred so as to get the fixed asset ready for use.

Tangible assets are depreciated with straight-line method. Tangible assets are depreciated with the rates determined by the Ministry of Finance based on useful lives. These useful lives are in line with the criteria stated in "TAS 16 - Tangible Assets" released by Turkish Accounting and Auditing Standards Authority (POA). Depreciation Rates for Tangible Fixed Assets are as following:

	Estimated Economic Life (Years)
Building	36-50 Years
Plant and Machinery	4 Years
Vehicles	-
Equipments	5 Years
Copyright	5 Years
Patents/goodwill	3 Years
Self-Develop Softwares	5 Years

Tangible assets are accounted for at cost less accumulated depreciation and impairment, if any.

Gain or loss resulting from disposals of the tangible assets is reflected to the income statement as the difference between the net proceeds and net book value.

Maintenance costs of tangible 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 assets.

XIV. Explanations on Leasing Transactions

The Bank measures the operational lease liabilities based on the present value of the lease payments that have not been paid at the date lease is actually started, in accordance with TFRS 16. Lease payments are discounted by using the Bank's alternative incremental borrowing rate.

After the date lease actually started, the Bank increases book value to reflect the interest on lease liability, decreases book value to reflect lease payments that is made and remeasures to reflect the changes made in lease or revised fixed lease payments.

The interest on the lease liability for each period of the lease term, is the amount calculated by charging a fixed periodic interest rate on remaining balance of lease liability.

The Bank applies a discount rate that reflects the changes in the interest rate in a scenario where the Bank used purchase option at the initial lease term.

The Bank remeasures the lease liability by discounting the revised lease payments using a revised discount rate for a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification. The revised discount rate is determined as the alternative borrowing interest rate at the effective date of the modification. The Bank decreases carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognized in profit or loss. A corresponding adjustment to the right-of-use asset is made for all other lease modifications.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank 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 2022 is TL 15,371.40 (31 December 2021: TL 8,254.51).

Communiqué on "Turkish Accounting Standard (TAS 19) 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. For the period of 1 January - 31 December 2022, actuarial loss after deferred tax effect amounting to TL 9,447 (31 December 2021: TL 378 actuarial loss) was classified as "Other Capital Reserves".

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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.

As of 31 December 2022, a tax rate of 25% is used for temporary differences expected to be realized/closed within 2022, and 25% for temporary differences expected to be realized/closed after 2022 in the calculation of deferred tax.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. Explanations on Taxations (Continued)

Current Tax

The corporate tax rate of 20% for corporate earnings in Turkey is 25% to be applied to the corporate earnings for the 2021 taxation period, pursuant to the regulation introduced with the Law No. While this rate is applied as 23% to be applied to the corporate earnings of the banks, this rate is applied as 23% to the banks, pursuant to the Law No. 7394 on the Amendment of the Law No. As of 2022, 25% to be applied to corporate earnings for the taxation period of companies within the scope of the law, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies. has been established. The Bank applies its current and deferred tax liabilities according to the new regulation. The corporate tax rate is applied to the tax base to be found as a result of adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, and deducting the exceptions (such as the participation earnings exception) and deductions in the tax laws. No further tax is paid if the profit is not distributed. 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.

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.

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 of the applying exemption for the transfer of the exempted 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 the 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.

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated December 31, 2023.

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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 Debt and Equity Markets, Takasbank Money Market (TPP), Over-the-Counter Derivatives Market, Stock Lending Market (ÖPP), Natural Gas Market, Renewable Energy Resource Guarantee Market (YEK-G), Forward Natural Gas Market (VGP), Natural Gas Market, BİAŞ Futures and Options Market (VIOP), Electricity Market, Electricity Futures Market, BİAŞ Money Market and Precious Metals Market, BİAŞ Swap Market, Investor Compensation Center membership and pledge guarantees, check clearing, vehicle swapping, crowdfunding platform, TEFAS, public guarantee management service and other services related to cash guarantees are monitored in Banks in assets and in Funds in liabilities. These funds ensure that in case of cash default of the debtor members, the creditor members are not affected by the delay. Cash guarantee mechanisms have been established to serve the purpose of ensuring a continuous cash flow in the market by making the payments on time and accurately.

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 Reportings

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 XIII in Section Four.

XXIII. Related Parties

For the purpose of these financial statements, shareholders, key management personnel and board members associated with companies controlled by their families and themselves or affiliated companies, associates and joint ventures are referred to as related parties in accordance with TAS 24 - Related Party Disclosures.

XXIV. 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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXV. 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.

XXVI. Reclassifications

None

XXVII. Explanations on TFRS 16 Leases

"TFRS 16 Leases Standard", which covers operational leasing transactions to which the Bank is a party, was put into practice in January 2019 at the Bank. The Bank has used the model stipulated by the standard, excluding low-value assets and short-term leases (1 year or less) in transactions where it is a lessee.

TFRS 16 standard eliminates the dual accounting model, which is the current practice for lessees, in which financial leasing transactions are shown on the balance sheet and operational leasing transactions are shown off-balance sheet. Instead, a balance sheet-based singular accounting model is introduced, similar to the current leasing accounting. Accounting for lessors remains substantially similar to current practices. The Bank has started to apply TFRS 16 Leases standard as of 1 January 2019. As of 31 December 2022, the Bank's assets in use, classified under tangible fixed assets with the TFRS 16 application, are TL 9,663 and the lease liability is TL 4,675.

On June 5, 2020, POA made changes to TFRS 16 "Leases" by publishing Concessions Granted in Rent Payments Related to COVID-19 - "Amendments to TFRS 16 Leases". With this change, tenants are exempted from evaluating whether the concessions granted due to COVID-19 in rent payments have been changed or not. The said change did not have a significant impact on the financial position or performance of the Bank.

SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations Related to Components of Shareholders' Equity

In accordance with the Board decision dated 28.04.2022 and numbered 10188, the Regulation on the Measurement and Evaluation of Capital Adequacy of Banks published in the Official Gazette dated 23.10.2015 and numbered 29511, specified in the Board Decision dated 21.12.2021 and numbered 9996, to be implemented as of 01.05.2022 (In the calculation of the amount subject to credit risk in accordance with the Regulation; In order to use the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days as of 31.12. the application; Until a Board Decision to the contrary is taken, it has been decided to continue using the Central Bank's foreign exchange buying rate of 31.12.2021. This facility has been used in bank calculations since April 2022.

The Bank's current period equity capital is TL 4,548,037 (31 December 2021: TL 3,204,332), capital adequacy standard ratio is 14.81% (31 December 2021: 19.66%). The Bank's capital adequacy standard ratio is above the minimum rate defined by legislation.

GRI 201-4, 205-2, 207-1, 207-2, 207-3, 207-4

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

Summary information related to the capital shareholders' equity:

	Current Period	Prior Period
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	600,000	600,000
Share issue premiums	33,019	33,019
Reserves	2,136,676	1,690,919
Gains recognized in equity as per TAS	-	-
Profit	1,754,924	913,560
Current Period Profit	1,732,121	890,757
Prior Period Profit	22,803	22,803
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	4,524,619	3,237,498
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	7,681	596
Improvement costs for operating leasing	-	9
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	125,517	116,214
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	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	138,023	121,644
Total Common Equity Tier 1 Capital	4,386,596	3,115,854

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

	Current Period	Prior Period
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)	4,386,596	3,115,854
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	161,441	88,478
Tier II Capital Before Deductions	161,441	88,478
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	161,441	88,478

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

	Current Period	Prior Period
Total Capital (The sum of Tier I Capital and Tier II Capital)	4,548,037	3,204,332
Deductions from Total Capital	4,548,037	3,204,332
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)	4,548,037	3,204,332
Total risk weighted amounts	30,709,683	16,298,780
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	14.28	19.12
Tier 1 Capital Adequacy Ratio (%)	14.28	19.12
Capital Adequacy Ratio (%)	14.81	19.66
BUFFERS		
Bank specific total Common Equity Tier 1 Capital requirement (%)	2.5	2.5
a) Capital conservation buffer requirement (%)	2.5	2.5
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 (%)	-	-

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

	Current Period	Prior Period
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)	161,441	88,478
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	161,441	88,478
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".

⁽²⁾ The previous period adjustments are not reflected in the Third Section XXVII. Other matters.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

I. Explanations Related to Components of Shareholders' Equity (Continued)

Information on addition debt instruments to shareholders' equity calculating:

None.

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. However, the legal capital adequacy ratio determined by the BRSA as at least 12% and the ratio of the internal capital requirement calculated under the stress test are compared. The larger of these ratios is considered as the target ratio and it is evaluated whether the current capital adequacy ratio of the Bank is above the target rate.

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.

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 and over the counter derivative market (OTC), Borsa Istanbul 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	16	Loans
Number of non cash loan customers	153	Loans
Amount of general provisions for credit risks	66,412	TL
Amount of specific provisions for credits under follow-up	-	TL

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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 or central banks	10,149,311	7,439,021
Contingent and non-contingent receivables from regional or local governments	-	-
Contingent and non-contingent receivables from Administrative Units and non-commercial enterprises	-	-
Contingent and non-contingent receivables from international organizations	-	-
Contingent and non-contingent receivables from banks and intermediary institutions	133,024,980	93,488,183
Contingent and uncontingent corporate receivables	26,601,075	19,974,458
Contingent and uncontingent retail receivables	-	-
Receivables secured by contingent and non-contingent real estate mortgages	-	-
Overdue receivables	-	-
Receivables determined as high risk by the Board	-	-
Collateralized securities securitization positions	-	-
Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-
Investments in the Qualification of Collective Investment Institutions	-	-
Other receivables	1,403,318	776,621

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

II. Explanations Related to Credit Risk (Continued)

Risk Classifications	Prior Period Risk Amount	Average Risk Amount
Contingent and non-contingent receivables from central governments or central banks	11,975,557	7,201,412
Contingent and non-contingent receivables from regional or local governments	-	-
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	59,893,066	45,120,490
Contingent and non-contingent receivables from banks and intermediary institutions	12,465,517	9,168,018
Contingent and uncontingent corporate receivables	-	-
Contingent and uncontingent retail receivables	-	-
Receivables secured by contingent and non-contingent real estate mortgages	-	-
Overdue receivables	-	-
Receivables determined as high risk by the Board	-	-
Collateralized securities	-	-
Securitization positions	-	-
Short-term receivables from banks and intermediary institutions and short-term corporate receivables	-	-
Investments in the Qualification of Collective Investment Institutions	-	-
Other receivables	918,767	933,253

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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				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 year
1 Conditional and unconditional exposures to central governments or central banks	8,259,251	1,024	1,889,036	-	-
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	129,353,559	3,004,418	354,300	-	312,704
7 Conditional and unconditional exposures to corporates	23,426,525	2,821,822	352,728	-	-
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	1,403,318	-	-	-	-
Total	162,442,653	5,827,264	2,596,064	-	312,704

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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 (Continued)

Exposures Classifications-Prior Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 year
1 Conditional and unconditional exposures to central governments or central banks	8,782,703	1,068,882	18,597	363,811	1,741,564
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	58,035,986	464,064	1,266,823	126,193	-
7 Conditional and unconditional exposures to corporates	9,293,813	2,422,300	749,404	-	-
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	918,767	-	-	-	-
Total	77,031,269	3,955,246	2,034,824	490,004	1,741,564

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 2021: 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.

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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	-	1,028,407	-	1,028,407
Banks	5,496,004	12,430,501	80,929	18,007,434
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	1,995,037	526,874	-	2,521,911
Hedging derivative financial assets	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	684	7,221	-	7,905
Total Assets	7,492,386	13,993,003	80,929	21,566,318
Liabilities				
Bank deposits	-	-	-	-
Foreign currency deposits	-	-	-	-
Money market funds	-	-	-	-
Funds provided from other financial institutions	3,333,476	3,488,184	-	6,821,660
Securities issued	-	-	-	-
Funds	4,119,797	10,486,335	80,673	14,686,805
Hedging derivative financial liabilities	-	-	-	-
Other liabilities	-	-	-	-
Total Liabilities	7,453,273	13,974,519	80,673	21,508,465
Net Balance Sheet Position	39,113	18,484	256	57,853
Net Off-Balance Sheet Position				
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-
Prior Period				
Total assets	4,273,121	6,570,169	68,150	10,911,440
Total liabilities	4,271,448	6,552,110	67,944	10,891,502
Net Balance Sheet Position	1,673	18,059	206	19,938
Net Off-Balance Sheet Position				
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-

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.

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	Current Period		Prior Period	
	EURO	USD	EUR	USD
Change in net asset value when the TL depreciated by 10% against the related FX	3,911	1,848	167	1,806
Change in net asset value when the TL gains 10% against the related FX	(3,911)	(1,848)	(167)	(1,806)

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".

The Bank's portfolio of government securities included Eurobonds issued by the Ministry of Finance, financial and leasing certificates issued by the Treasury, and debt securities issued by banks domiciled in Turkey in 2022. The Bank has no derivative obligations in its transactions aimed at evaluating the sources of funds.

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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
TRY	(+) 500 bp	(116,571)	(0.026)
TRY	(-) 400 bp	97,085	0.021
EUR	(+) 200 bp	(12,892)	(0.003)
EUR	(-) 200 bp	13,213	0.003
USD	(+) 200 bp	(48,264)	(0.011)
USD	(-) 200 bp	52,619	0.012
Total (of negative shocks)		162,917	0.036
Total (of positive shocks)		(177,727)	(0.039)

VII. Equity share position risk in banking accounts

As of 31 December 2022, the Bank has no equity share position risk arising from the equity share and banking accounts (31 December 2021: 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, Debt Securities Market, Futures and Options Market, Securities Lending Market, BIST Money Market, Share Market, BİAŞ Swap Market and over the counter derivative market (OTC), and other transactions.

The Bank's main liquidity management strategy is to effectively manage all money market instruments and the potential risks that these instruments may pose to the Bank's balance sheet. In this direction, the highest attention is paid to the diversity of instruments, matching maturity structures and maintaining liquidity at an optimal level in order to reduce the risks associated with market products. Transactions with other banks in the over-the-counter market are carried out within the limits set by the Board of Directors. Compliance with these limits is regularly reviewed by the Internal Control and Compliance department.

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.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations Related to Liquidity Risk (Continued)

The Bank's cash flows, its own funds and amounts remaining in members' free accounts, Takasbank money market (TPP), OTC derivatives market, stock lending market (PPP), natural gas market, renewable energy guarantee market (YEK-G), natural gas market (VGP), natural gas market, BİAŞ futures and options market (VIOP), electricity market, electricity futures market, BİAŞ money market and precious metals market, BİAŞ swap market, investor compensation center membership and pledge guarantees, check clearing, cash collateral received for reasons such as vehicle swap, crowdfunding platform, TEFAS, cash collateral for other services related to public guarantee management, are valued overnight at other banks in the over-the-counter market 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.

Ratios throughout the period are as below:

	Current Period (%)	Prior Period (%)
Period Average	263	266
Highest	292	340
Lowest	230	247

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations Related to Liquidity Risk (Continued)

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 İstanbul Money Market, the Borsa İstanbul Equity Market, the Borsa İstanbul Debt Securities Market and the BİAŞ Swap Market and over the counter derivative market (OTC), due to the Bank being the counterparty, transactions are considered as non-cash loans and services are provided within the scope of guarantees.

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, US dollar, Euro, GBP), government domestic debt securities, Euro bonds (USD/EUR) issued by the Ministry of Treasury and Finance, Hazine Müsteşarlığı Varlık Kiralama A.Ş. lease certificates issued by the company, gold standard in the stock exchange, fund participation shares attached to the Stock Umbrella Fund, Borrowing Instruments Umbrella Fund related fund participation shares, Mortgage-backed securities, mortgage-backed securities, asset-backed securities and asset-backed securities. Stocks in BIST 100 index and Borsa İstanbul A.Ş. shares are given as collateral.

Cash (TL, USD, EUR, GBP), government domestic debt stock, as transaction collateral in VIOP, Euro bonds issued by the Ministry of Treasury and Finance, shares in BIST 100 index, fund participation shares affiliated to the Stock Umbrella Fund, fund participation shares of debt instruments umbrella fund, Undersecretariat of Treasury Varlık Kiralama A.Ş. Gold, mortgage-backed securities, mortgage-backed securities, asset-backed securities, and asset-backed securities are purchased.

Cash TL, convertible foreign currencies (USD, EUR, GBP), government domestic debt securities, T.R. Eurobonds issued by the Ministry of Treasury and Finance, T.R. Treasury Varlık Kiralama A.Ş. Lease bills issued by Borsa İstanbul A.Ş., gold in exchange-traded standards, shares in the BIST 100 index, fund shares affiliated to the Equity Umbrella Fund, fund shares affiliated to the Debt Securities Umbrella Fund, Borsa İstanbul A.Ş. Mortgage-backed securities, mortgage-backed securities, asset-backed securities and asset-backed securities are accepted as collateral. In addition, domestic debt securities issued by Germany and the U.S. can be accepted as transaction collateral in the BİAŞ swap market.

In Borsa İstanbul Stock Market and Borsa İstanbul Borrowing Instruments Market, cash TL, convertible foreign currency (USD, EUR, GBP), government domestic debt securities and Hazine Müsteşarlığı Varlık Kiralama A.Ş. Lease certificates issued by Euro bonds issued by the Ministry of Treasury and Finance, shares in BIST 100 index, Fund participation shares attached to the Stock Umbrella Fund, Borrowing Instruments Fund participation shares attached to the Umbrella Fund, Gold in the Stock Market Standard, Mortgage-backed securities, mortgage-backed securities, asset-backed securities and asset-backed securities, Borsa İstanbul A.Ş. shares are accepted as collateral.

Cash (TL, USD, EUR, GBP) as transaction collateral in OTC, government domestic debt stock, Euro bond issued by the Ministry of Treasury and Finance, Hazine Müsteşarlığı Varlık Kiralama A.Ş. Lease certificates issued by the Company, domestic debt securities issued by Germany and the USA, and mortgage-backed securities, mortgage-backed securities, asset-backed securities and asset-backed securities.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

VIII. Explanations Related to Liquidity Risk (Continued)

Credit risk mitigation techniques (continued)

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.

- a) For foreign exchange: The average of the interbank rates throughout the day, including the time of risk calculation at 6:00 p.m. at the end of the day, and the bid rate published by CBRT at 3:30 p.m. at the time of risk calculation at the end of the day.
- b) For shares: the theoretical rate determined by Takasbank if no transaction has taken place on the stock exchange. For traded securities, the last transaction price may also be used, if the unmatched buy and sell orders arrive later than the last transaction price (in case of simultaneous purchase and sale), the average of the buy and sell prices.
- c) For government bonds, treasury bills and leasing certificates: the theoretical price determined using the Takasbank yield curve for the day of valuation, if these prices cannot be obtained, the indicative daily values determined by the CBRT for domestic government debt securities and the traded prices for domestic debt securities issued by the U.S. and Germany,
- ç) For foreign currencies: the foreign exchange buying rate determined by the CBRT on the day of the valuation for the next day,
- d) For mutual funds: the price announced by the issuer on the day of the valuation,
- e) For Eurobonds: the prices calculated using the yield curve consisting of the traded Eurobonds and the price determined by Takasbank if the yield curve cannot be produced,
- f) For banknotes and bonds: The theoretical price calculated by Takasbank,
- g) For gold; In the last session of the Borsa İstanbul Precious Metals and Precious Stones Market on the day of valuation, the price calculated using the USD/ONS rate for transactions with a value date of T+0 and the CBRT foreign exchange buying rate, if the transaction has not taken place, the weighted average price formed in the previous session, if the transaction has not taken place, the theoretical price, or the weighted average price of the previous session
- ğ) For mortgage-backed securities, mortgage-backed securities, asset-backed securities and asset-backed securities; Theoretical price determined by Takasbank yield curve or the price determined by Takasbank.
- h) For the stock exchange share: the price determined by the protocol concluded between the stock exchange and Takasbank. After dividend payment and capital increase, Borsa İstanbul A.Ş. If the price is determined separately by the Company, the guarantees will be revalued with the price.
- ı) The price announced by the issuer for equity umbrella fund units and debt umbrella fund units.

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

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 (ISEDES) 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 ISEDES, 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 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.

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 2022 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

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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

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 regard to information technology risks, the development of key indicators such as business interruptions is tracked by the risk management department semi-annually and results are reported to Board of Directors at least annually through Summary IT Risk Assessment Report. In addition, recommended actions and key risk indicators for risks at or above the operational risk appetite are monitored by the Internal Control department and reported to senior management by the Risk Management department.

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.

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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)

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) (continued)

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.

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.

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.

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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: (continued)

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.

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.

The stress tests conducted as part of the CCP application will assess whether the collateral, guarantee fund, and resources that can be deployed in the event of a bank failure in the markets in which the CCP service is provided, consisting of the allocated and committed portions of capital, are large enough to meet the funding needs that will be created by the two highest risk members and their affiliates. In addition, the appropriateness of the models and confidence levels used in the calculation of initial margin in the markets where CCP services are provided is analyzed by the Bank through backtesting. The results of the stress tests and retrospective tests, as well as any recommended actions, are reported to the Board of Directors via the internal system units and to the CMB by the CCP department on a quarterly basis.

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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): (Continued)

Reverse stress tests conducted by the Central Counterparty Services (CCP) Department on a quarterly basis analyze how many CCP member defaults can be covered by total default resources in the event that CCP members that have not defaulted under extreme market conditions fail to meet or fulfill their additional contribution obligations. Reverse stress tests are performed to determine how many CCP members can cover the default of the total default resources under the extreme market conditions defined in the stress tests, and to analyze the market conditions that equate the total default resources to the resource requirements that could result from the default of the two highest risk members and their affiliates.

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.

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.

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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 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 is designed to avoid liquidity problems, optimize the risk-return ratio, take appropriate risks and use resources with the highest efficiency. The Bank's securities portfolio includes government bonds and Eurobonds issued by the Ministry of Treasury and Finance of the Republic of Turkey, as well as debt securities and leasing certificates issued by banks located in Turkey. In addition, derivative products may be used for hedging purposes and for risk mitigating transactions in relation to positions taken under CCP services.

Actions suggested for risks aligned with or above operational risk appetite and key risk indicators are monitored by Internal Control 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)	28,598,828	14,649,703	2,287,906
Standardised approach	28,598,828	14,649,703	2,287,906
Internal rating-based approach	-	-	-
Counterparty credit risk	-	8	-
Standardised approach for counterparty credit risk	-	8	-
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	58,906	19,938	4,712
Standardised approach	58,906	19,938	4,712
Internal model approaches	-	-	-
Operational risk	2,051,949	1,629,131	164,156
Basic Indicator approach	2,051,949	1,629,131	164,156
Standard approach	-	-	-
Advanced measurement approach	-	-	-
The amount of the discount threshold under the equity(subject to a 250% risk weight)	-	-	-
Floor adjustments	-	-	-
Total	30,709,683	16,298,780	2,456,774

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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

Current Period	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	1,029,858	1,029,858	-	1,028,407	-
Financial assets held for trading	-	-	-	-	-
Financial assets at fair value through profit or loss	64,708	-	-	64,708	-
Banks	78,345,462	78,433,306	-	18,007,434	-
Receivables from money markets	-	-	-	-	-
Financial assets available for sale (net)	4,332	4,332	-	661	-
Loans and receivables	2,678,414	2,681,206	-	-	-
Factoring receivables	-	-	-	-	-
Held-to-maturity investments (net)	2,900,185	2,897,393	-	2,521,911	-
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)	32,355	32,355	-	-	-
Intangible assets (net)	125,517	-	-	-	125,517
Investment properties (net)	141,630	141,630	-	-	-
Tax assets	43,267	-	-	-	43,267
Assets held for sale and discontinued operations (net)	-	-	-	-	-
Other assets	434,019	434,019	-	7,905	-
Total assets	85,804,572	85,654,099	-	21,631,026	173,609
Liabilities					
Deposits	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-
Loans	6,821,660	-	-	6,821,660	-
Debts to money markets	206,603	-	-	-	-
Issued securities	-	-	-	-	-
Funds	73,800,449	-	-	14,686,805	-
Miscellaneous debts	-	-	-	-	-
Other liabilities	-	-	-	-	-
Factoring debts	-	-	-	-	-
Debts from leasing transactions	4,675	-	-	-	-
Derivative financial liabilities	-	-	-	-	-
Provisions	221,393	-	-	-	-
Tax liability	232,854	-	-	-	-
Liabilities for assets held for sale and discontinued operations (net)	-	-	-	-	-
Subordinated loans	-	-	-	-	-
Equity	4,516,938	-	-	-	7,681
Total liabilities	85,804,572	-	-	21,508,465	7,681

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.

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

2. Linkages between financial statements and regulatory exposures (continued)

2.1. Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (continued)

Prior Period	Carrying values of items in accordance with TAS				
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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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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)

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 near-liquid collateral shall be taken at the time of loan disbursement in accordance with the relevant rules and guidelines developed by the Derivative Instruments Settlement Department, Equity and Debt Settlement Department, Credit Department, Markets Department, and Central Counterparty Department. Collateral is valued at the end of each day, and valuation coefficients are used in calculating the collateral values of non-cash assets to avoid impairment or liquidity problems when the collateral is converted into cash as needed.

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.

The 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.

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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).

d) Relationships between the credit risk management, risk control, compliance and internal audit functions: (Continued)

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 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 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 The 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.

Current Period	a		b	c	d
	Gross amount valued in accordance with TMS		Provisions	Net values (a+b-c)	
	Defaulted	Non-defaulted exposures			
Loans	-	2,681,206	2,792	2,678,414	
Debt securities	-	2,901,106	921	2,900,185	
Off-balance sheet exposures	-	90,964,679	63,619	90,901,060	
Total	-	96,546,991	67,332	96,479,659	

Prior Period	a		b	c	d
	Gross amount valued in accordance with TMS		Provisions	Net values (a+b-c)	
	Defaulted	Non-defaulted exposures			
Loans	-	573,749	678	573,071	
Debt securities	-	4,835,980	653	4,835,327	
Off-balance sheet exposures	-	40,081,926	33,161	40,048,765	
Total	-	45,491,655	34,492	45,457,163	

3.1.3 Changes in stock of default loans and debt securities

	Current Period	Prior Period
Defaulted loans and debt securities at end of the previous reporting period	-	-
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	-	-

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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)

3.1.4 Additional disclosure related to the credit quality

a) 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:

None.

b) 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.

None.

c) Description of methods used for determining impairments: The bank's own definition of a restructured exposure: The Bank does not have restructured receivables.

d) Breakdown of exposures by geographical areas, industry and residual maturity:

None.

The respective amount is classified under non-performing loans.

e) Breakdown of exposures by geographical areas, industry and residual maturity:

None.

f) 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.

g) Ageing analysis of accounting past-due exposures: None.

h) 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)

3. Credit Risk Disclosure (continued)

3.2 Credit risk mitigation

3.2.1 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 CBRT 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. Best efforts within the framework of performance criteria, the credit primarily for the purpose of minimizing the risk to public banks, including the CBRT and the methods of large-scale lending to banks is selected. For the determination of investment terms, the needs of the markets served for collateral, guarantee fund or Borsa İstanbul Swap Market foreign exchange liabilities regarding the structure and usage of the foreign currency amounts (USD, Euro) deposited to Takasbank one day before.

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.

3.2.2 Credit risk mitigation techniques

Current Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	2,678,414	-	-	-	-	-	-
Debt securities	2,900,185	-	-	-	-	-	-
Total	5,578,599	-	-	-	-	-	-
Of which defaulted	-	-	-	-	-	-	-

Prior Period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
Loans	573,071	-	-	-	-	-	-
Debt securities	4,835,327	-	-	-	-	-	-
Total	5,408,398	-	-	-	-	-	-
Of which defaulted	-	-	-	-	-	-	-

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

3. Credit Risk Disclosure (continued)

3.3 Credit risk under standardised approach

3.3.1 Disclosures on banks' use of credit ratings under the standard approach for credit risk

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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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 2022, 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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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

4. 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 CMB. There is none counterparty credit risk as of 31.12.2022.

Performance of The 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.

4.1 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)	-	-	-	-	-	-
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	-	-	-	-	-	-

⁽¹⁾ Effective Expected Positive Exposure

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)	-	-	-	-	42	8.4
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	-	-	-	-	-	8.4

⁽¹⁾ Effective Expected Positive Exposure

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

4. Qualitative Disclosure Related to Counterparty Credit Risk (Continued)

4.2 Capital Requirement for KDA

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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None.

4.3 CCR exposures by regulatory portfolio and risk weights

Current period:

Risk Weight/Regulatory portfolio	0%	10%	20% ⁽¹⁾	50% ⁽¹⁾	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	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-

⁽¹⁾ It expresses the non-rated receivables.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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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.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

IX. Risk Management Objectives and Policies (Continued)

6. Market Risk Disclosures (Continued)

6.1 Qualitative disclosure requirements related to market risk (continued)

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.
- 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 Department besides operational units performing such functions. Internal Control 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 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.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

X. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (Continued)

	Book Value 31 December 2021	Fair Value 31 December 2021
Financial Assets	44,302,259	44,255,433
Financial assets at fair value through profit/loss	-	-
Money market placements	35,961	35,961
Banks	38,852,237	38,852,237
Financial assets at fair value through other comprehensive income	4,332	4,332
Financial assets at fair value through amortized cost	4,835,980	4,789,154
Loans	573,749	573,749
Financial Liabilities	41,591,421	41,591,421
Bank deposits	-	-
Other deposits	-	-
Payables to money market	218,904	218,904
Funds borrowed from other financial institutions	3,416,560	3,416,560
Securities issued	-	-
Other liabilities	37,955,957	37,955,957

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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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	-	-	4,332	4,332
Government Bonds	-	-	4,332	4,332
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
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	-	-	4,332	4,332
Government Bonds	-	-	4,332	4,332
Available-For-Sale Financial Assets	-	-	-	-
Financial Derivative Assets for Trading	-	-	-	-
Financial Liabilities	-	-	-	-
Financial Derivative Liabilities Held for Cash Flow Hedges	-	-	-	-
Financial Derivative Liabilities for Trading	-	-	-	-

The Bank has assessed that the costs of financial assets whose fair value difference representing the share in the capital is reflected in other comprehensive income best reflect the fair values of the related assets. The fair value of the related assets has been determined as Level 3.

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 3,462 (31 December 2021: TL 1,831) 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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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT (Continued)

XII. Explanations on Segment Reporting (Continued)

The Bank operates mainly in the areas of clearing-operation, custody service, credit and treasury transactions.

Current Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Other	Total
Net interest income	-	235,798	1,329,677	-	1,565,475
Net fees and commissions income and other operating income	1,000,645	193,919	-	-	1,194,564
Dividend income	-	-	29,446	-	29,446
Trading profit/loss	-	-	23,910	-	23,910
Other operating receivables	-	-	-	109,294	109,294
Impairment provision for loans and other receivables	-	(72,963)	-	-	(72,963)
Other operating expenses ⁽¹⁾	-	-	-	(589,558)	(589,558)
Profit before taxes	1,000,645	356,754	1,383,033	(480,264)	2,260,168
Tax provision	-	-	-	(528,047)	(528,047)
Net profit for the period	1,000,645	356,754	1,383,033	(1,008,311)	1,732,121

Prior Period	Custody, Clearing and Operation	Loans and MM	Treasury Transactions	Other	Total
Net interest income	-	25,574	764,778	-	790,352
Net fees and commissions income and other operating income	549,303	54,819	-	-	604,122
Dividend income	-	-	15,213	-	15,213
Trading profit/loss	-	-	13,694	-	13,694
Other operating receivables	-	-	-	11,824	11,824
Impairment provision for loans and other receivables	-	26,338	-	-	26,338
Other operating expenses	-	-	-	(230,842)	(230,842)
Profit before taxes	549,303	54,055	793,685	(219,018)	1,178,025
Tax provision	-	-	-	(287,268)	(287,268)
Net profit for the period	549,303	54,055	793,685	(506,286)	890,757

⁽¹⁾ Personnel expenses are included in the other operating expenses.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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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:

1.a) Information on cash and balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
CBRT	1,431	1,028,407	5	-
Cash/foreign currency	20	-	62	-
Other	-	-	-	-
Total	1,451	1,028,407	67	-

1.b) Information related to the account of the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	1,431	1,028,407	5	-
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	-	-	-
Total	1,431	1,028,407	5	-

1.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.

1.d.) Information on securities:

In accordance with 2022/20 on the Establishment of Turkish Lira Securities for Foreign Currency Liabilities, taxes have been amended. With the regulation numbered 2022/23, the name of the communiqué was changed to "Communiqué on the Establishment of Securities". The scope of the restrictions specified in the new communiqué As of December 31, 2022, the establishment of Compulsory Securities is established on the blocked account on January 27, 2023.

2. Information on financial assets at fair value through profit or loss (combination with net values)

	Current Period		Prior Period	
	LC	FC	LC	FC
Alım Satım Amaçlı Türev Finansal Varlıklar				
Forward transactions	63,652	-	-	-
Swap transactions Futures transactions	-	-	-	-
Options transactions	-	-	-	-
Other	1,056	-	-	-
Total	64,708	-	-	-

2.a) Information on government debt securities: None (31 December 2021: None).

2.b) Information on marketable securities representing the Bank's share: None (31 December 2021: None).

2.c) Information on other financial assets: None (31 December 2021: None)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

3. Information on Banks

3.a) Information on banks and other financial institutions:

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

6. Information on loans (Continued):

g) Loans granted to subsidiaries and associates: None (31 December 2021: None).

h) Information on non-performing loans (Net):

	Current Period	Prior Period
Uncollectable loans and receivables	-	-
Loans and receivables with limited collectability	-	-
Loans and receivables with doubtful collectability	-	-
Total	-	-

i) Information on non-performing loans (Net) (Continued):

i.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled: None (31 December 2021: None).

i.2) Information on movement of non-performing loans: None (31 December 2021: None).

i.3) Information on non-performing loans arising from foreign currency loans: None (31 December 2021: None).

j) Expected credit losses:

	Current Period		Prior Period	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Month expected credit losses	2,792	-	678	-
Significant increase in credit risk	-	-	-	-
Total	2,792	-	678	-

k) Explanations on the write-off policy: Financial Statements and Related Disclosures and Footnotes to be publicly disclosed by banks have not prepared in accordance with Article 25 of the Communiqué.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

7. Information on financial assets measured at amortised cost:

7.a) i. Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Government bonds	2,374,232	3,256,237
Treasury bills	-	-
Other public sector debt instruments	526,874	1,579,743
Total	2,901,106	4,835,980

7.a) ii. Information on government debt instruments:

	Current Period	Prior Period
Debt securities	2,901,106	4,835,980
<i>Quoted on a stock exchange</i>	2,901,106	4,835,980
<i>Not quoted on a stock exchange</i>	-	-
Impairment provision (-)	-	-
Total	2,901,106	4,835,980

7.a) iii. Movement of financial assets measured at amortised cost:

	Current Period	Prior Period
Beginning balance	4,835,980	2,435,054
Foreign currency differences on monetary assets	-	-
Purchases during year	5,269,658	3,399,687
Disposals through sales and redemptions ⁽¹⁾	(7,759,202)	(2,339,027)
Impairment provision (-)	-	-
Effect of valuation ⁽²⁾	554,670	1,340,266
Total	2,901,106	4,835,980

⁽¹⁾ All of disposals through sales and redemptions amount is from redemptions.

⁽²⁾ Includes interest accruals change.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

7. Information on financial assets measured at amortised cost (Continued):

7.b) Information on expected credit loss provisions for financial assets

	Current Period	Prior Period
Treasury Loan	87,844	45,313
Miscellaneous Receivables	6,265	8,672
Reverse Repo	-	1
Total	94,109	53,986
	Current Period	Prior Period
Other Financial Assets Measured at Amortized Cost	921	653
Total	921	653

7.c) Information on other financial assets:

None. (31 December 2021: None).

8. Information on investments in associates (Net):

8.a) Information on consolidated associates according to Communiqué on Preparing Banks' Consolidated Financial Statements and related Turkish Accounting Standard: None (31 December 2021: None).

8.b) Information on the unconsolidated associates: None (31 December 2021: None).

8.c) Explanations of consolidated associates: None (31 December 2021: None).

8.d) Information on sector information on consolidated associates: None (31 December 2021: None).

8.e) Consolidated associates which are quoted on the stock exchange: None (31 December 2021: None).

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

9. Information on subsidiaries (Net):

9.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

Total Assets ⁽¹⁾	Shareholder's Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period	Prior Period	Fair Value
					Profit/Loss	Profits/Losses	
530,238	293,280	129,578	47,144	22,208	135,531	88,100	-

⁽¹⁾ Current period financial statements are obtained from unreviewed financial statements prepared as of 31 December 2022 in accordance with the TAS.

	31 December 2021	31 December 2020
Paid-in capital	100,000	100,000
Legal reserves	27,566	19,179
Other reserves	37,853	-
Profit/loss	135,579	86,204
<i>Prior periods profit/loss</i>	48	48
<i>Current period net profit/loss</i>	135,531	88,100
Intangible Assets (-)	(20,451)	(12,549)
Total Core Capital	280,547	194,778
Supplementary Capital	-	-
Capital	280,547	194,778
Net Usable Equity	280,547	194,778

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) 467.dam's first paragraph and second paragraph's third subparagraph, and 467.dam and accounted from related year's profit.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

9. Information on subsidiaries (Net) (Continued):

9.b) Information on the consolidated subsidiaries:

i. Information on the consolidated subsidiaries: None (31 December 2021: None).

ii. Information on movement of consolidated subsidiaries: None (31 December 2021: None).

iii. Sectorial information on the consolidated subsidiaries: None (31 December 2021: None).

iv. Consolidated subsidiaries quoted on the stock exchange: None (31 December 2021: None).

10. Information on entities under common control (joint ventures): None (31 December 2021: None).

11. Information on finance lease receivables (Net): None (31 December 2021: None).

12. Information on investment property:

As of 31 December 2022, the Bank's investment property amounting to TL 141,630 (31 December 2021: TL 46,250).

As of 31 December 2022, the Bank has no rental income from investment properties.

13. Information on tangible assets

	Prior Year		Closing Year	
	31 December 2021	Additions	Disposals	31 December 2022
Cost:				
Real Estate	-	-	-	-
Vehicles	-	-	-	-
Other	34,223	32,226	(2,420)	64,029
Total Cost	34,223	32,226	(2,420)	64,029
	31 December 2021	Charge for the Year	Disposals	31 December 2022
Accumulated Depreciation:				
Real Estate	-	-	-	-
Vehicles	-	-	-	-
Other	(26,602)	(6,861)	1,789	(31,674)
Total Accumulated Depreciation	(26,602)	(6,861)	1,789	(31,674)
Net Book Value	7,621	25,365	(631)	32,355

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes Related to the Assets (Continued)

13. Information on tangible assets (Continued)

	Prior Year		Closing Year	
	31 December 2020	Additions	Disposals	31 December 2021
Cost:				
Real Estate	-	-	-	-
Vehicles	-	-	-	-
Other	31,816	2,554	(147)	34,223
Total Cost	31,816	2,554	(147)	34,223
	31 December 2020	Charge for the Year	Disposals	31 December 2021
Accumulated Depreciation:				
Real Estate	-	-	-	-
Vehicles	-	-	-	-
Other	(21,520)	(5,189)	107	(26,602)
Total Accumulated Depreciation	(21,520)	(5,189)	107	(26,602)
Net Book Value	10,296	(2,635)	(40)	7,621

a) If impairment amount on individual asset booked or reversed in the current period is material for the overall financial statements:

i. 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.

ii. 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 2021: None).

There is no impairment accounted related to property and equipment in the current period (31 December 2021: 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 2021: None).

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İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued)

6. Information on provisions (Continued):

c) Liabilities Resulting from Retirement Benefits: None (31 December 2021: None).

c.1) Liabilities for pension funds established in accordance with "Social Security Institution": None (31 December 2021: None).

c.2) Liabilities resulting from all kinds of pension funds, foundations, which provide post-retirement benefits for the employees: None (31 December 2021: None).

7. Explanations on taxes payable:

a) Information on current tax liability:

a.1) Corporate tax:

	Current Period	Prior Period
Provision for corporate taxes	559,886	297,170
Prepaid taxes (-)	367,366	215,613
Corporate Income Tax Payable	192,520	81,557

a.2) Information on taxes payable:

	Current Period	Prior Period
Corporate taxes payable	192,520	81,557
Taxation on securities	19,945	11,334
Banking insurance transaction tax (BITT)	6,286	8,209
Value added tax payable	4,189	2,702
Other	336	241
Total	223,276	104,043

a.3) Information on premiums: (3 months)

	Current Period	Prior Period
Social security premiums-employer	4,493	1,152
Social security premiums-employee	4,187	1,080
Unemployment insurance-employer	599	154
Unemployment insurance-employee	299	77
Total	9,578	2,463

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued)

7. Explanations on taxes payable: (Continued)

b) Explanations on deferred tax liabilities:

Distribution of deferred tax assets/(liabilities):

	Current Period		Prior Period	
	Accumulated Temporary Differences	Deferred tax asset/(liability)	Accumulated Temporary Differences	Deferred tax asset/(liability)
Provisions for severance pay	22,380	5,595	10,647	2,129
Vacation pay liability	77,183	19,296	9,762	2,246
CMB Board share provision - other provision	54,150	13,538	29,918	6,881
Internal yield and market value differences of financial assets and government securities measured at amortized cost	(2,888)	(722)	(4,657)	(1,071)
TFRS 9 provision for expected losses	161,441	40,360	88,478	17,695
Lawsuits and bonus	4,062	1,015	3,661	732
Interest accruals	647	162	98	23
TFRS 16 Leases	445	111	201	46
Deferred tax asset	317,420	79,355	138,108	28,681

Differences between the book value of fixed assets and tax value	-	-	-	-
Internal yield and market value differences of financial assets and government securities measured at amortized cost	(144,351)	(36,088)	(96,972)	(19,615)
Financial instruments value difference - from swap transactions	-	-	-	-
Deferred tax liability	(144,351)	(36,088)	(96,972)	(19,615)
Deferred tax liability		43,267		9,066

Deferred tax asset transaction table :

	Current Period	Prior Period
Previous period balance	9,066	(912)
Deferred tax income/(expense)	31,839	9,902
Deferred tax recognized under equity	2,362	76
Deferred tax asset	43,267	9,066

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes Related to Liabilities (Continued)

8. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

	Current Period	Prior Period
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İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

Common stock ⁽¹⁾	600,000	600,000
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⁽¹⁾ As of 31 December 2022, the Bank has totally 6,000,000,000 issued share certificates

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 2021: 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 2021: None).

d) Information on share capital increases from capital reserves during the current period:

None (31 December 2021: None).

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 2021: 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 2022, the Bank has no preferred shares (31 December 2021: None).

h) Information on marketable securities valuation reserve:

None (31 December 2021: None).

i) Information on extraordinary reserves:

	Current Period	Prior Period
Reserves appropriated by the General Assembly	1,889,914	1,485,951
Retained Earnings	-	-
Accumulated Losses	-	-
Foreign Capital Exchange Difference	-	-
Total	1,889,914	1,485,951

j) Information on past year profit distribution:

At the General Assembly meeting held on 28 April 2022, it was decided to pay dividends of TL 445,000 to the shareholders. Dividend payments have been made on 29 April 2022.

k) Information on minority shares:

None (31 December 2021: None).

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Notes Related to the Off-Balance Sheet Accounts

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments: None (31 December 2021: 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.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

	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⁾	90,147,147	39,299,417
Total Non-Cash Loans	90,147,147	39,299,417

⁽¹⁾ Guarantees given to Takasbank Money Market, Securities Lending Market, Debt Securities Market, BİAŞ Money Market, Share Market and Futures and Options Market, Swap Market and over the counter derivative market (OTC)

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	90,147,147	100	-	-	39,299,417	100	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	-	-
Hotel, Food and Beverage Services	-	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	-	-	-	-	-	-
Financial Institutions	90,147,147	100	-	-	39,299,417	100	-	-
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	90,147,147	100	-	-	39,299,417	100	-	-

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):

Information on Group I and II non-cash loans:

	Group I		Group II	
	TL	FC	TL	FC
Non-cash loans	90,147,147	-	-	-
Letters of Guarantee	-	-	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Purchase Guarantees for Securities Issuance	-	-	-	-
Factoring Commitments	-	-	-	-
Other Commitments and Contingencies	90,147,147	-	-	-

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. 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	339			
			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.

VIII. Explanations and Notes Related To Subsequent Events

An earthquake happened in South-eastern Turkey that affected many of our cities. As a result of this unfortunate disaster thousands of people lost their lives also many of them injured. Since the final severity of this earthquake is currently uncertain, studies to measure impact on the Bank's operations and Financial condition still continue.

With the Communiqué Amending the General Communiqué on Tax Procedure Law (order no. 537) published in the Official Gazette dated 4 January 2023 and numbered 32073, the procedures and principles of the law articles that allow the revaluation of real estate and depreciable economic assets have been rearranged. Accordingly, the Bank will be able to revalue the immovables in its balance sheet and its depreciable economic assets, provided that the conditions in the Tax Procedure Law Provisional Article 32 and Reiterated Article 298/ç are met. Thus, corporate tax can be paid by calculating the values of real estate and depreciable economic assets after revaluation.

IX. Other Explanations

None.

İSTANBUL TAKAS VE SAKLAMA BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts expressed in Thousands of Turkish Lira (TL) unless otherwise stated.)

SECTION SIX

INDEPENDENT AUDITORS' REPORT

I. Explanations on the Independent Auditors' Report

The unconsolidated financial statements for the twelve month period ended 31 December 2022 were reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (A member firm of Ernst & Young Global Limited) and Independent Auditors' Report dated February 13, 2021 is presented in the introduction of this report.

II. Other Footnotes and Explanations Prepared by Independent Auditor

None.

III. Fees for Services Obtained from Independent Auditors or Independent Audit Firms (1)

In accordance with the decision of the Public Oversight Authority (POA) dated March 26, 2021, the fee information for the reporting period regarding the services received from the independent auditor or independent audit firm is given in the table below over VAT excluded amounts. The fees for services rendered to the Bank's foreign and domestic subsidiaries are included in these fees.

	31 December 2022	31 December 2021
Independent audit fee for the reporting period	407	313
Fee for other assurance services	232	146

⁽¹⁾ Amounts excluding VAT.



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