



Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş.

# ANNUAL REPORT

## 2013

## ANNUAL ACTIVITY REPORT Compliance Opinion

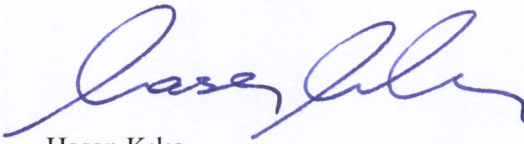
To the General Assembly of Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş.:

We have audited the accuracy and compliance of the financial information in the accompanying annual activity report of Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş prepared as of December 31, 2013 with the audited financial statements as of and for the same period then ended. The Board of Directors of the Bank is responsible for the annual activity report. As independent auditors, our responsibility is to express an opinion on the audited annual activity report based on the compliance of financial information provided in the annual activity report with the audited financial statements and explanatory notes.

Our audit was performed in accordance with the accounting standards and principles and procedures of preparing and issuing annual activity reports as set out by the Banking Act No: 5411 and Turkish Commercial Code ("TCC") No: 6102. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the annual activity report is free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial information provided in the accompanying annual activity report presents fairly, in all material respects, the financial information regarding the financial position of Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş as of December 31, 2013 in accordance with the prevailing accounting principles and standards set out as per the Article 40 of the Banking Act No: 5411 and TCC. The financial information provided in the annual activity report is in compliance with the audited financial statements and explanatory notes, and also includes the summary management report and our audit opinion on these financial statements.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MUŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Hasan Kılıç

Partner

Istanbul, April 14, 2014



INDEX

<b>CONTINUING AHEAD WITH STRONGER STEPS.....</b>	<b>1</b>
<b>Agenda of the Ordinary General Assembly Meeting.....</b>	<b>2</b>
<b>Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. ....</b>	<b>3</b>
<b>BTMU Global .....</b>	<b>3</b>
<b>Our Mission.....</b>	<b>4</b>
<b>Our Vision .....</b>	<b>4</b>
<b>Our Values .....</b>	<b>4</b>
<b>Activities .....</b>	<b>4</b>
<b>Capital Structure, Changes within the Year, Qualified Shares and Executive Shares .....</b>	<b>5</b>
<b>Modifications of Articles of Association within the Year .....</b>	<b>5</b>
<b>Extraordinary General Meetings within the Year .....</b>	<b>5</b>
<b>Subsidiaries .....</b>	<b>5</b>
<b>Key Financial Highlights as of 31 December 2013 .....</b>	<b>6</b>
<b>Evaluation of the Bank's Position in the Sector .....</b>	<b>6</b>
<b>Research and Development Implementations .....</b>	<b>6</b>
<b>Message from Chairman and the President .....</b>	<b>7</b>
<b>Board of Directors .....</b>	<b>8</b>
<b>Top Management .....</b>	<b>11</b>
<b>Managers of Internal Systems Departments .....</b>	<b>12</b>
<b>Committees.....</b>	<b>13</b>
<b>Details on the Participation of the Members of the Board of Directors and Committees to Meetings .....</b>	<b>17</b>
<b>Human Resources.....</b>	<b>18</b>
<b>Transactions of BTMU Turkey with the Related Risk Group.....</b>	<b>20</b>
<b>Information on Outsourced Operations and the Individuals, Organizations Supplying the Outsourced Services.....</b>	<b>21</b>
<b>Assessment of the Functioning of the Internal Control and Internal Audit Systems by the Audit Committee .....</b>	<b>22</b>
<b>Assessments regarding Financial Status, Profitability and Discharging Capacity .....</b>	<b>27</b>



## Bank of Tokyo-Mitsubishi UFJ Turkey Anonim Şirketi Annual Report for 2013

Fatih Sultan Mehmet Mah. Poligon Caddesi, Buyaka 2 Sitesi No: 8B C-Blok, Kat: 20-21, 34771

Tepeüstü- Ümraniye, İstanbul

Telephone : 0216 600 3000

Web : [www.tu.bk.mufg.jp](http://www.tu.bk.mufg.jp)

e-mail : [info@tu.mufg.jp](mailto:info@tu.mufg.jp)

---

### INTRODUCTION

---

#### CONTINUING AHEAD WITH STRONGER STEPS....

Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş., the new member of the Turkish Banking industry, is now continuing its journey in Turkey as a Bank, after the 27 years of operation as a representative.

BTMU Turkey A.Ş., has obtained a foundation permit with the decision dated 20 December 2012 and 5108 of the Banking Regulation and Supervision Agency, and an operating permit with the decision dated 19 September 2013 and no. 5520 which was published on the official gazette dated 24 September 2013.

Our Bank is a venture of BTMU Group in Turkey, which is the biggest, most reputable and strongest financial organization of Japan and the main branch of Mitsubishi UFJ Financial Group Inc. (MUFG) in the field of commercial banking, as the biggest bank of the world in terms of total assets.

Owing to our high quality financial services, we are aiming to become a bridge that contributes to the development of cooperation between Turkey and Japan, and with the power of our experienced staff and group, we are paying attention to maintain the rooted relation of confidence between our Countries, and we are always spending efforts for the best as one of the key organizations that lay the foundation of our cooperation.

We are happy to share our first activity report with you on this way.



## Agenda of the Ordinary General Assembly Meeting



Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş.

### Agenda of the Ordinary General Assembly Meeting for the year 2013 of Bank of Tokyo-Mitsubishi UFJ Turkey Anonim Şirketi dated .../04/2013

#### AGENDA

1. Opening and appointment of the Meeting Board;
2. Authorization of the Meeting Board to sign the minutes of the Ordinary General Assembly meeting;
3. Approval of the Annual Activity Report of the Board of Directors for the financial year 2013;
4. Discussion on the independent auditor's report for the financial year 2013;
5. Approval of the Internal Directive of the General Assembly,
6. Approval of the balance sheet and the loss/profit accounts of the year 2013;
7. Release of the members of the Board of Directors and the auditors;
8. Discussion on profit distribution;
9. Appointment of independent auditor for financial year 2014;
10. Discussion on the remuneration payment to board of directors members;
11. Discussion on the permission to Board of Directors members in line with articles 395 and 396 of TCC regarding to conduct business within the field of Bank's activity area or conduct such business on behalf of a third party,
12. Negotiation of the approval of the appointments of Mr. Hirofumi Noda and Mr. Jeremy Quinton Broughton as the member of the board of directors;
13. Wishes and Closing

Toru Yamaguchi

President

Oğuz Vecdi Öncü

Deputy President



---

## OUR BANK

---

### Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş.

<b>Paid in Capital</b>	: 527,700,000 TL
<b>Subscribed Capital</b>	: 527,700,000 TL
<b>Commercial Reg. No.</b>	: 855649

The Bank of Tokyo-Mitsubishi UFJ (BTMU) is one of the oldest Japanese companies operating in Turkey through a representative office that opened in 1986. In December 2012, BTMU obtained approval to establish a banking subsidiary in Turkey, a country of significant geostrategic importance serving as a bridge between Europe and Asia. The Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. (BTMU Turkey) started operation in November 2013.

BTMU aims to provide full banking facilities to its Japanese and non-Japanese corporate clients in Turkey through its subsidiary. BTMU Turkey will be regarded among the top performing foreign-owned banks striving to match the high standards of customer oriented service by providing value-added banking services, excellent operations and making full use of BTMU's global network

### BTMU Global

The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU), was launched on 1st January, 2006, through the merger of The Bank of Tokyo-Mitsubishi, Ltd. and the UFJ Bank Ltd., thus creating the world's largest bank in terms of total assets. With both banks having had more than a century of experience in both the Japanese domestic market as well as in the international financial markets, BTMU has the resources to respond quickly and efficiently to the growing range of its clients' needs.

BTMU's domestic network comprises more than 760 domestic branches, sub-branches and agencies. Overseas, BTMU consists of more than 74 overseas branches located in all the major financial and commercial centres of the world. BTMU offers an extensive scope of financial products and services to businesses, governments and private individuals. It provides a full spectrum of commercial, investment, trust banking products and services through its global branches and subsidiaries. BTMU is the premier commercial banking arm of Mitsubishi UFJ Financial Group, Inc. (MUFG) that comprehensively and flexibly responds, as an integrated unit, to all of the financial needs of its customers.



## Our Mission

---

To contribute to the growth of Turkey by utilizing BTMU's global channel and financial strength.

## Our Vision

---

- Be the most trusted Debt House for our Customers
- Be the Financial Bridge between Turkey and Japan, and Turkey and the World
- Support our customers locally and globally

## Our Values

---

- Integrity and Responsibility
- Professionalism and Teamwork
- Challenge Ourselves to Grow

## Activities

---

Under the light of our mission, vision and values, the Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. opened its gates on 28 November 2013, targeting a mass of mainly the Japanese companies active in Turkey, and the ventures and partnerships of financial organizations and multinational companies in Turkey, as well as large scale Turkish companies acting in the public and private industry.

The Bank started to work in the fields of Corporate Banking and Investment Banking to offer its Customers;

*Loan*

*Foreign Trade*

*Treasury Transactions*

*Operation*

*Cash Management*

*Internet Banking*

and during the one month of activity in 2013, BTMU Turkey started to work with **18** corporate customers.



## Capital Structure, Changes within the Year, Qualified Shares and Executive Shares

---

Shareholders	TL	(%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd	527.699.996,00	%99,99 (Grup A)
Ayşe Bengi Özlüarda	1,00	% 0 (Grup B)
Ayşe Yahyaoğlu	1,00	% 0 (Grup B)
Ceni Gamliel	1,00	% 0 (Grup B)
Adem Ağdaş	1,00	% 0 (Grup B)
Total	527.700.000,00	%100

There have not been any changes in the capital structure of our Bank in 2013.

We do not have any qualified shareholders in our Bank, and our Chairman of the Board of Directors, Vice Chairman and Members as well as our President and Deputy Presidents do not own shares.

## Modifications of Articles of Association within the Year

---

During the foundation stage of our Bank, with the Extraordinary General Meeting dated 20 June 2013, Article 15 titled "Board of Directors and Period" of the Articles of Association has been modified, and with the modification, the number of members of the Board of Directors has been identified as minimum 5 people in conformity with the banking regulations. Any other changes have not been made in the Articles of Association apart from the mentioned change.

## Extraordinary General Meetings within the Year

---

During the foundation stage of our Bank, two Extraordinary General Meetings were held on;

- the Modification of Articles of Association
- Selection of the independent audit organization of our Bank

respectively.

Any Extraordinary General Meetings were not held after obtaining the operating permit.

## Subsidiaries

---

We do not have any subsidiaries.





## Key Financial Highlights as of 31 December 2013

---

<b>Assets</b>	<b>: TL 692 M</b>
<b>Loans</b>	<b>: TL 13 M</b>
<b>Customer Deposits</b>	<b>: TL 0.3 M</b>
<b>Shareholder's Equity</b>	<b>: TL 527 M</b>
<b>Capital Adequacy Ratio</b>	<b>: % 204.19</b>

## Evaluation of the Bank's Position in the Sector

---

BTMU Turkey operates as a single-branch entity with the mission of acting as a boutique bank, mainly addressing the Japanese customers domiciled in Turkey, as well as top-tier Turkish corporates, multinational corporates with Asian and Western origin, financial institutions and the sovereign. The business model is entirely based on the concept of corporate banking, with no service designed for individuals and no utilization of effective cash. Whilst Japanese customer base forms the most important reason for BTMU's decision to start operations in Turkey, non-Japanese customer groups also have a strategic importance within the bank's business policy, given the importance of Turkey as a country with significant business potential for MUFG as a whole.

BTMU Turkey's competitive edge is mainly derived from its capacity to build a solid and stable portfolio of Japanese customers in Turkey. Given MUFG's strong and long-standing relationship with Japanese corporates worldwide, as well as communication with the existing Japanese society in the country, the bank does not need to pursue building customer base from scratch. Despite the fact that many of the Japanese corporates are already multi-banked and have access to the services of local banks, they have an existing need to be served by a Japanese bank and given its first-comer status. These circumstances provide BTMU Turkey with an unmatched advantage compared to its peers and the wider group of small sized foreign banks with similar business policies.

Another crucial strength of BTMU Turkey is its capacity to operate over a wide span of foreign currencies (particularly those with Asian origin), by leveraging the extensive global franchise and expertise of MUFG. Finally, the relatively cheap foreign currency funding cost of BTMU Turkey stands out as a significant competitive advantage, when compared to peers and the sector as a whole.

## Research and Development Implementations

---

The product portfolio of BTMU Turkey covers the basic commercial banking products including all types of cash and non-cash lending, cash management and trade finance on corporate banking, while spots and forwards are offered to customers on the treasury side at the first stage. However the treasury team works on setting the infrastructure to widen the product range to interest rate and cross currency swaps, as well as options, with the aim of beginning to trade towards mid-year. Additionally, relevant works have been completed to act as intermediary in transactions conducted by MUSI, the investment banking arm of MUFG, with customers in Turkey, and activities to that end will start following the execution of legal documentation.



## Message from Chairman and the President

---

Dear Stakeholders,

We are extremely proud to issue the first annual report of our newly established bank.

This past year was of special significance to us as we celebrated the opening of our subsidiary, the Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. (BTMU Turkey) on November 28, 2013.

Our concept to establish a subsidiary in Turkey developed in 2011. In December 2012, we obtained our establishment license from the Banking Regulation and Supervision Agency of Turkey, and in September 2013, we received our operating license from the same agency.

Although we have just opened our doors to business, we are very familiar with the market due to our presence in Turkey for over a quarter of a century. Through our Istanbul Representative Office established in 1986, we have evolved into the only Asian bank in the country, providing full banking services to our corporate customers. Our will to support businesses in Turkey remains as strong as ever.

The remarkable economic growth Turkey has achieved over recent years has attracted high levels of attention from foreign investors, including Japanese companies. The number of Japanese companies expanding their businesses to Turkey has doubled over the past three years, currently standing at 190. Recognizing the market potential and the need for support from Japanese investors, as well as increased numbers of Turkish and other international companies doing business with Japan, we upgraded our presence to solidify our status as the preferred financial partner. By acting as a financial bridge between Asia and Europe, we continue to contribute to the development of the existing strong relations between Japan and Turkey.

A member of MUFG, we embrace our corporate vision to be the world's most trusted financial group. In Turkey, to realize this vision we are committed to becoming our customers' most trusted debt house, working in partnership to develop long-term relationships for sustainable and mutual growth. Our employees are dedicated to achieving this through the shared values of integrity and responsibility, professionalism and teamwork, and challenging ourselves to grow.

We would like to extend our deepest gratitude to our parent company, BTMU, our dedicated employees, and our customers for their unrelenting support in the establishment of our Bank. As the newest member of the Turkish Banking industry, we feel we are ideally positioned to contribute to the prosperity and growth of Turkey.

Shoji Nakano

Chairman of the Board of Directors

Toru Yamaguchi

BTMU Turkey President



## MANAGEMENT & CORPORATE GOVERNANCE POLICIES

### Board of Directors



**Shoji Nakano**

**Board Chairman**

**Corporate Governance Committee Chairman**

**Shoji Nakano** was born in 1957 and began his banking career at Bank of Tokyo in 1980 after graduating with a Bachelor of Law degree from Osaka University, Japan. Subsequently, he gained extensive global banking experience in a wide range of management roles, both in Japan and overseas, including assignments at the bank's North America Headquarters in New York and its Headquarters for EMEA in London, UK. In 2007 he was appointed an Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd., and in 2010 was appointed a Managing Executive Officer. He took up his current position as Chief Executive Officer for Europe, Middle East and Africa in June 2011. He also serves concurrently as a Non-Executive Director of Mitsubishi UFJ Securities International plc and Mitsubishi UFJ Asset Management (UK) Ltd., as well as Vice Chairman and Member of the Board of Supervisory Directors of Bank of Tokyo-Mitsubishi (Holland) N.V. In June 2013 he was appointed Chairman of the Board of Directors of Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş.



**Seiji Oizumi**

**Board Vice Chairman**

**Seiji Oizumi** was born in 1961 and graduated from the Economy Department of Hitotsubashi University, Japan. He began his banking career at Bank of Tokyo in 1985 as Manager of the Human Resources and Planning Departments of the Japan office and the UK office of Bank of Tokyo – Mitsubishi from 1996 until 2006. Oizumi had a role in the Global Planning Management Team at Bank of Tokyo – Mitsubishi UFJ Ltd. from 2006 until 2011 and is currently Planning Group President for EMEA at Bank of Tokyo – Mitsubishi UFJ. Oizumi was assigned as Vice-Chairman of the Board of Directors of Bank of Tokyo – Mitsubishi UFJ Turkey A.Ş. in June 2013.



**Toru Yamaguchi**

**Board Member**

**President**

Toru Yamaguchi was born in 1962 and graduated from Osaka University Economy Department. He started his banking career in 1984 at The Sanwa Bank Limited. He worked as an Assistant General Manager at Mitsubishi UFJ Securities Co from 2005 to 2007, and as a Senior Manager at the Bank of Tokyo Mitsubishi UFJ from 2007 to 2010. Until 2012, Yamaguchi worked as the President of BTMU Milan Branch, and he is currently the President of the Bank of Tokyo Mitsubishi UFJ Turkey.



**Paul Antoon Ludwina Cardoen**

**Board Member**

**Paul Antoon Ludwina Cardoen** was born in 1965 and graduated from the Economy Department of Leuven University, Belgium, and the Financial Management Department of Brussels University, Belgium. His banking career began at Fortis Bank in 1989. He was General Manager of Fortis Bank Belgolaise (a subsidiary of the bank holding) UK from 1998 until 2001, CEO at Trust Bank Ltd. (a subsidiary of Fortis Bank) GHANA from 2002 until 2005, and Managing Executive Director of Corporate Banking at BNP Paribas UK from 2005 until 2010. Cardoen joined Bank of Tokyo – Mitsubishi UFJ in 2010 and is currently Corporate Banking Division Deputy General Manager for EMEA at Bank of Tokyo – Mitsubishi UFJ. Cardoen was assigned as Member of the Board of Directors of Bank of Tokyo – Mitsubishi UFJ Turkey A.Ş. in June 2013.



**Kenichi Tabuchi**

**Board Member**

**Kenichi Tabuchi** was born in 1961 and began his banking career at Bank of Tokyo in 1984 after graduating with a Bachelor of Law degree from Hitotsubashi University, Japan. Between 1996 and 2007, he was Manager of the Structured Financing and Project Financing Departments of the Hong Kong and Singapore branches and subsidiaries of Bank of Tokyo-Mitsubishi Ltd. He then took on the role as Deputy General Manager and General Manager of the Bahrain Branch from 2007 until 2010. In August 2010 he took up his current position as General Manager of Credit Division for EMEA at Bank of Tokyo-Mitsubishi UFJ, as well as being appointed Member of the Board of Directors of Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. in June 2013.



**David Ralph Rosenberg**

**Board Member**

**David Ralph Rosenberg** was born in 1957 and graduated from London Metropolitan University, UK. He obtained his professional accounting qualification in 1982 and began his banking career at Quin Cope a member of the London Discount Market He joined Generale Bank SA, NV, UK, in 1989 and filled various management roles at Fortis Bank, Fortis Bank/ABN AMRO Netherlands, BNP Paribas Fortis UK, Post Bank Ireland Dublin, and BNP Paribas Vostok from 1989 until 2012. Rosenberg joined Bank of Tokyo – Mitsubishi UFJ in 2012 and is currently Planning Group General Manager for EMEA at Bank of Tokyo – Mitsubishi UFJ. Rosenberg was assigned as Member of the Board of Directors of Bank of Tokyo – Mitsubishi UFJ Turkey A.Ş. in June 2013.



**Ali Vefa Çelik**  
**Board Member**

**Audit Committee Chairman**

**Ali Vefa Çelik** was born in 1950 and graduated from the Administrative Sciences Faculty of Middle East Technical University, Turkey. He began his banking career at the Central Bank of Turkey in 1978 after doing Master's at Meiji University, Tokyo. He was Banking General Manager, Accounting General Manager, and Japan Representative at the Central Bank of Turkey from 1979 until 2006. Çelik served as Second Chairman of the Banking Regulation and Supervision Agency of Turkey and was a Board Member of the Central Bank of the Turkish Republic of Northern Cyprus from 2002 until 2003. Çelik was assigned as Member of the Board of Directors of Bank of Tokyo – Mitsubishi UFJ Turkey A.Ş. in June 2013.

**Kazuhiko Yasumatsu**  
**Board Member**

**Audit Committee Member**

**Kazuhiko Yasumatsu** was born in 1962 and graduated from the Engineering Department of Tokyo University, Japan. He began his banking career in 1986 after doing a Master's at Amos Tuck School of Business Administration, Dartmouth College, USA. He was Manager of the Derivative Products, Credit Derivatives, Business Development and Commodity Derivates Departments of Mitsubishi Bank Ltd., Bank of Tokyo – Mitsubishi Ltd. and Mitsubishi Securities International PLC until 2007. Yasumatsu was Senior Director of Risk Management at Mitsubishi UFJ Financial Group from 2007 until 2011 and General Manager of the Europe Risk Management Group and Europe Planning Department until 2012. He is currently Risk Management Group General Manager for EMEA at Bank of Tokyo – Mitsubishi UFJ. Yasumatsu was assigned as Member of the Board of Directors of Bank of Tokyo – Mitsubishi UFJ Turkey A.Ş. in June 2013.



## Top Management

---

### **Toru Yamaguchi, President**

Toru Yamaguchi was born in 1962 and graduated from Osaka University Economy Department. He started his banking career in 1984 at The Sanwa Bank Limited. He worked as an Assistant General Manager at Mitsubishi UFJ Securities Co from 2005 to 2007, and as a Senior Manager at the Bank of Tokyo-Mitsubishi UFJ from 2007 to 2010. Until 2012, he worked as the President of BTMU Milan Branch, and he is currently the President of the Bank of Tokyo-Mitsubishi UFJ Turkey.

### **Fumito Kobayashi, Deputy President – Treasury and Corporate Banking**

Fumito Kobayashi was born in 1966 and graduated from Gakushuin University, Department of Political Sciences. His banking career started in 1989. He is currently the Deputy President of Treasury and Corporate Banking at the Bank of Tokyo-Mitsubishi UFJ Turkey.

### **Oğuz Vecdi Öncü, Deputy President – Operation and Support Services**

Oğuz Vecdi Öncü was born in 1961 and graduated from the Middle East Technical University, Department of Political Science and Public Administration. He has a Master's degree from İstanbul Ticaret University in the field of International Trade, and Doctoral degree from Marmara University, Institute of Banking and Insurance. His banking career started in 1986. He is currently the Deputy President of Operation and Support Services at the Bank of Tokyo-Mitsubishi UFJ Turkey.

### **Kenzo Okumura**

#### **Chief Senior Manager-Treasury and Planning**

Born in 1966, Okumura is a university graduate.. He has 23 years of experience in banking and he has been working at BTMU Turkey since May 2013.

### **Önder Gökalp**

#### **Chief Senior Manager-Finance**

Born in 1970, Gökalp is a university graduate and he has a master's degree in International Business Management. 15 years of his 18 year work experience has been in the banking industry. He has been working at BTMU Turkey since May 2013.

### **Ayşe Eratlı**

#### **Senior Manager-Human Resources and General Affairs**

Born in 1967, Eratlı is a university graduate. She has 23 years-long career in banking and she has been working at BTMU Turkey since March 2013.

### **M. Barbaros Özüyılmaz**

#### **Senior Manager-Treasury**

Born in 1969, Özüyılmaz is a university graduate and has an MBA. He has 17-years of experience in banking industry and he has been working at BTMU Turkey since March 2013.

### **Bengi Özlüarda**

#### **Senior Manager-Corporate Banking**

Born in 1964, Özlüarda is a university graduate. She has 25 years of experience in banking industry and she has been working at BTMU Turkey since July 2013.



**Berna Canbulat**

**Senior Manager-Operation**

Born in 1970, Canbulat is a university graduate and she has 21 years of experience in banking industry. She has been working at BTMU Turkey since March 2013.

**Serhat İnanlı**

**Senior Manager- Information Technologies**

Born in 1968, İnanlı is a university graduate. 14 years of his 20 year work experience has been in the field of Information Technologies in the banking industry. He has been working at BTMU Turkey since May 2013.

**Yoshiro Yamaguchi**

**Senior Manager-Corporate Banking**

Born in 1966, Yamaguchi is a university graduate. He has 24 years of experience in banking industry and he has been working at BTMU Turkey since April 2013.

**Yasemin Akyel**

**Manager-Loans**

Born in 1981, Akyel is a university graduate. She has 8 years of experience in banking industry and she has been working at BTMU Turkey since May 2013.

## Managers of Internal Systems Departments

---

**Hülya Eroğlu**

**Senior Manager-Internal Audit**

Born in 1963, Eroğlu is a university graduate. She has 28 years of experience in banking industry in finance, 17 years of which has been in banking. She has been working at BTMU Turkey since March 2013.

**Rıdvan Çabukel**

**Senior Manager-Risk Management**

Born in 1974, Çabukel is a university graduate and he has a doctorate degree in the field of Accounting Financing. He has 20 years of experience in banking industry and he has been working at BTMU Turkey since April 2013.

**Sinan Gürten**

**Senior Manager-Compliance and Internal Control**

Born in 1968, Gürten is a university graduate. He has 19 years of experience in banking industry and he has been working at BTMU Turkey since March 2013.



## Committees

### Corporate Governance Committee

Mr. Shoji Nakano - Chairman  
Mr. Toru Yamaguchi -Member

*The Corporate Governance Committee is made up of the members of the Board of Directors to monitor the compliance to Corporate Governance principles, execute improvement studies and present recommendations to the Board. The committee is made up of at least 2 members and convenes at least 2 times a year. The Chairman of Board is also the Chairman of the Corporate Governance Committee. The committee did not have any meetings in 2013.*

### Audit Committee

Mr. Ali Vefa Çelik - Chairman  
Mr. Kazuhiko Yasumatsu -Member

*Created further to Article 24 of the Banking Law 5411, the Audit Committee is responsible for monitoring and ensuring the effectiveness, eligibility and compliance of the Bank's internal systems to laws, regulations and internal policies of the Bank; assess whether the required methods, tools and application procedures are available for identifying, measuring, monitoring and controlling the risks of the Bank; supervise the operation of the accounting and reporting systems and the integrity of the data produced, perform the required preliminary assessments in the selection of the independent audit organizations and grading, assessment and outsourcing organizations by the Board of Directors; and regularly monitor the activities of these organizations chosen by the Board of Directors and with whom contracts are signed. The Chairman of the Audit Committee is also a member of the Board of Directors responsible for Internal Systems. The Audit Committee convened once in 2013.*

### Compliance Committee

Mr. Ali Vefa Çelik – Chairman  
Mr. Rıdvan Çabukel, Member  
Mr. Sinan Gürlen, Member

*The Committee was established to discuss the issues related with Compliance, communicate to the BoD the compliance policies of the Bank and the measures taken, exchange any kind of views/information related to compliance, and prepare data and reports to be submitted to the Audit Committee and/or Board of Directors related to the monitoring of the compliance of the Bank to internal and external regulations. It meets once a month and it is chaired by the Member of the Board responsible for Internal Systems. The Committee convened once in 2013.*





## Credit Committee

Mr. Toru Yamaguchi - Chairman  
Mr. Kenichi Tabuchi –Member  
Mr. Paul Cardoen – Member  
Mr. Shoji Nakano – Sub. Member  
Mr. Seiji Oizumi – Sub. Member

*The Bank's Board of Directors mandated the Bank's Credit Committee for loan allocation transactions up to a certain level of amount in accordance with the Turkish Banking Act. The credit proposals prepared by the Bank's Corporate Banking Groups that exceed the President mandate are discussed at the Credit Committee once a month at least. The Credit Committee discusses about the credit proposals, makes the decision and escalates the ones which the Committee recommends to be discussed at Board of Directors level. In 2013, the Committee discussed and approved 1 credit proposal.*

## Remuneration Committee

Mr. Shoji Nakano – Chairman  
Mr. Toru Yamaguchi - Member

*The purpose of the Remuneration Committee is to monitor, audit and evaluate the Remuneration policies and procedures, on behalf of the Board of Directors. In this scope, the Committee works on the review of the trends related to human resources management, compare the Bank's remuneration to those in the market and take the necessary measures to continue to recruit and retain the most talented employees for the Bank. The committee meets, at least two times per year, additionally when necessary, and reports their activities to the Board of Directors annually. The Remuneration Committee did not meet in 2013 as it was the foundation year.*

## Risk Committee

Mr. Ali Vefa Çelik – Chairman  
Mr. Rıdvan Çabukel, Member  
Mr. Sinan Gürten, Member

*The Board of Directors is responsible for instituting the Bank's risk appetite, review and approval of the risk framework and policies, analyzing periodic risk reports and activities related to the alignment of risk management policies and procedures. The Risk Committee's purpose is to provide information and present reports to the Board of Directors so that they may fulfill their risk management responsibilities. The Risk Committee meets once a month and it is chaired by the Member of the Board responsible for Internal Systems.*



## Executive Committee

Mr. Toru Yamaguchi, Chairman  
Mr. Fumito Kobayashi, Member  
Mr. Oğuz Vecdi Öncü, Member  
Mr. Kenzo Okumura, Member  
Mr. Önder Gökalp, Member  
Ms. Ayşe Eratlı, Member  
Mr. Barbaros Özüyılmaz, Member  
Ms. Bengi Özlüarda, Member  
Mr. Serhat İnanlı, Member  
Ms. Yasemin Akyel, Member  
Mr. Yoshiro Yamaguchi, Member

*The Executive Committee is formed with the purpose of supporting the President in the Bank's daily operations. Under the leadership of the President, the Committee helps develop and implement the Bank's daily, weekly business policies, within the scope of the policies and strategies approved by the Board of Directors. Under the leadership of the President of the Bank, the committee meets once every two weeks. The meetings of the Executive Committee have been realized with the participation of its members since 28 November 2013.*

## Asset Liability Committee

Mr. Toru Yamaguchi, Chairman  
Mr. Fumito Kobayashi, Member  
Mr. Oğuz Vecdi Öncü, Member  
Mr. Önder Gökalp, Member  
Mr. Barbaros Özüyılmaz, Member  
Ms. Bengi Özlüarda, Member  
Mr. Rıdvan Çabukel, Member  
Ms. Yasemin Akyel, Member  
Mr. Yoshiro Yamaguchi, Member

*The Assets & Liability Committee is in charge of carrying out the management of the assets and liabilities of the Bank in order to maximize revenues within the scope of the risk appetite and tolerance identified by the Board of Directors; assessing the interest, exchange rate, liquidity and market risks under the light of the strategy and competition conditions of the Bank, taking the decisions to be executed by the related Departments to manage the Bank's balance sheet. The Committee is chaired by the President at its meetings which are held once a week. All members attended in person to the Committee meetings during the 2013 financial year.*

## Disciplinary Committee

Mr. Toru Yamaguchi - Chairman  
Mr. Fumito Kobayashi, Member  
Mr. Oğuz Vecdi Öncü, Member

*The Committee's purpose is evaluate the Bank staff's actions falling contrary to legal regulations, Bank rules and the policies stated in the Professional Ethics and Conduct Principles, and to assign the necessary penalty In instances of criminal activity or fault.*

*The Committee meeting was not held in 2013 since there were no incidents to be submitted to the Disciplinary Committee within the scope of the supervision activities conducted in 2013.*



## Outsourcing & Procurement Committee

Mr. Toru Yamaguchi - Chairman  
Mr. Fumito Kobayashi, Member  
Mr. Oğuz Vecdi Öncü, Member  
Mr. Kenzo Okumura, Member  
Mr. Önder Gökalp, Member  
Ms. Ayşe Eratlı, Member

*The Committee was founded to discuss and approve the outsourcing of services and the procurement transactions to be realized by the Bank over certain limits.*

*The Committee convened 5 times in 2013, and took decisions on the procurement of certain products and/or services.*

## Operational Control Committee

Mr. Toru Yamaguchi - Chairman  
Mr. Fumito Kobayashi, Member  
Mr. Oğuz Vecdi Öncü, Member  
Mr. Kenzo Okumura, Member  
Mr. Önder Gökalp, Member  
Ms. Ayşe Eratlı, Member  
Ms. Berna Canbulat, Member  
Mr. Serhat İnanlı, Member  
Mr. Sinan Gürlen, Member  
Ms. Yasemin Akyel, Member

*The Committees' founding purpose is for collaboration in increasing the operational quality and efficiency of the Bank, work to reform the Bank's operational level, and to monitor and quickly finalize these types of working matters. The Committee meeting was not held in 2013.*

## Business Continuity & Crisis Management Committee

Mr. Toru Yamaguchi - Chairman  
Mr. Fumito Kobayashi, Member  
Mr. Oğuz Vecdi Öncü, Member  
Mr. Kenzo Okumura, Member  
Mr. Önder Gökalp, Member  
Ms. Ayşe Eratlı, Member  
Ms. Berna Canbulat, Member  
Mr. Serhat İnanlı, Member  
Mr. Sinan Gürlen, Member  
Ms. Yasemin Akyel, Member

*The Committee was founded to ensure the continuity of the Bank's activities in accordance with its priorities in the event of any disaster, crisis or extraordinary circumstance; approve the plans, policies and processes to be implemented before, during and after the mentioned emergencies, and ensure their implementation at the Bank. The Committee meets once in every 6 months and it is chaired by the President. The Committee did not have a meeting in 2013.*



---

## New Product Committee

---

Mr. Toru Yamaguchi - Chairman  
Mr. Fumito Kobayashi, Member  
Mr. Oğuz Vecdi Öncü, Member  
Mr. Kenzo Okumura, Member  
Mr. Önder Gökalp, Member  
Mr. Barbaros Özüyılmaz, Member  
Ms. Bengi Özlüarda, Member  
Ms. Berna Canbulat, Member  
Mr. Rıdvan Çabukel  
Mr. Serhat İnanlı, Member  
Mr. Sinan Gürlen, Member  
Ms. Yasemin Akyel, Member  
Mr. Yoshiro Yamaguchi, Member

*The Committee is formed to make decisions regarding the implementation of new products and their compliance with internal and external regulations, their alignment with the Bank's general activities plan and goals, and evaluation of the financial, operational, risk and profit aspects of the product. The Committee, when needed, meets under the leadership of the President of the Bank Presidency. The committee did not have a meeting in 2013.*

## Details on the Participation of the Members of the Board of Directors and Committees to Meetings

---

At our Bank, meetings of the Board of Directors are held minimum 4 times a year as a rule. Additional meetings are held at required extents and frequencies.

The meeting agendas are prepared by consideration of the proposals received from the departments of our Bank.

The agenda and related files are distributed to the members by a certain period before the meeting, and the meetings are held further to article 390/4 of the Turkish Code of Commerce unless the members request a physical meeting.

10 meetings of the Board of Directors were held throughout 2013, and the attendances were regular with respect to quorum."



## Human Resources

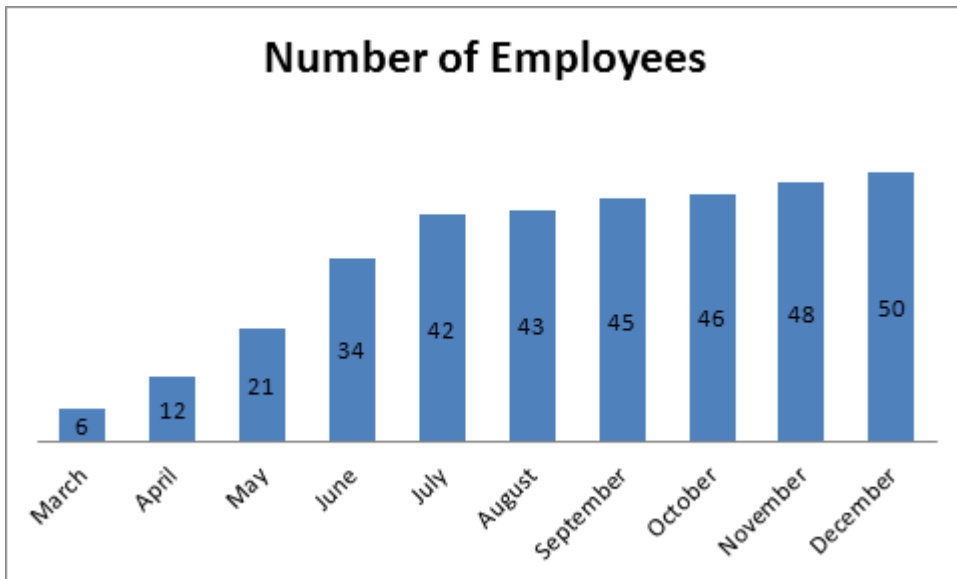
Following the ac foundation permit with BRSA decision dated 20 December 2012 and no. 5108, and the operating permit dated 24 September 2013, our Bank began to serve its customers on 28 November 2013.

In accordance with our corporate vision, "to be the world's most trusted financial group of the world", we paid special attention to make sure our employees were selected from people who are committed to this vision.

During recruitment processes, attention has been paid to include the individuals who are aligned with the vision and missions of our Bank, who are responsible and honest as we defined in our corporate values, who have an aptitude for team work and who are open for professional and personal improvement.

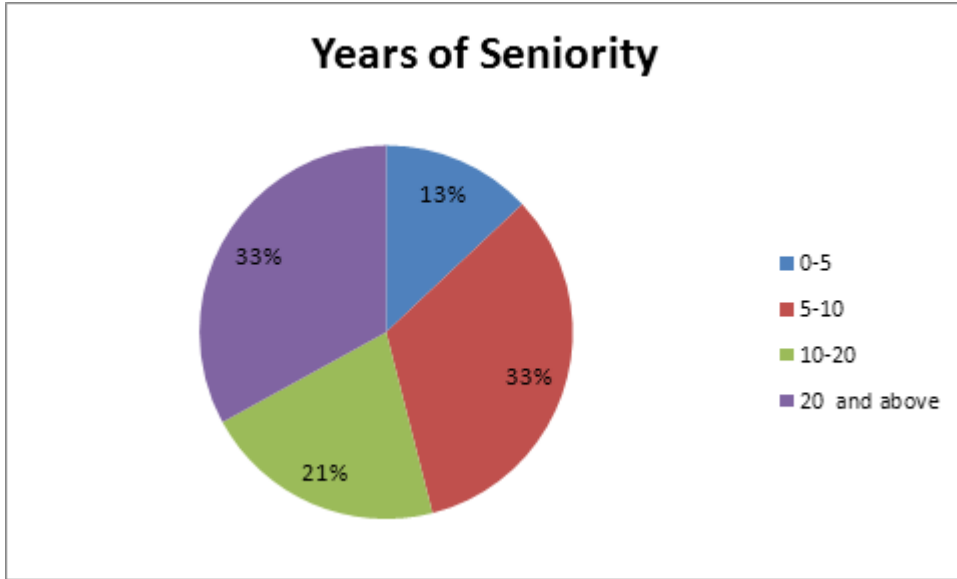
Our team of 6 people as of the end of March 2012 increased to 48 on 28 November 2013, the beginning date of the operations of our Bank, and we completed our foundation structure with 50 people by the end of the year.

The personnel increases of our organization as per months during our first year are as follows.



93% of our employees, with an average age of 40, have bachelors and higher education.

Attention has been paid especially for high knowledge and experience in banking industry for managers and higher level of employees especially in accordance with the high quality and perfect service targeted by our Bank for the service given to our customer and due to the policy of our Bank towards serving at one center and not being divided into branches; thus, our Bank's employees have shown the following industrial seniorities further to the recruitments made.



As can be seen here, our Bank has a highly experienced team with many years of experience in the industry, and 54% of our employees have 10 years or more experience in the banking industry.

A fair wage policy is applied to the employees of our Bank. In this framework a wage grade which considers the balances within the Bank, benchmarks and the experience and qualifications of the employee has been arranged.

The employees' annual performances are assessed with open performance systems and one-on-one meetings with the supervisor and with the assessment and opinions of the next line manager.

The employees are provided with certain improved benefits in parallel to the practices in the finance industry and in favour of the employees.

Both knowledge and skill levels of the employees are closely monitored, and the required training means to improve them are offered to employees in a fair and equal fashion.



## Transactions of BTMU Turkey with the Related Risk Group

Risk Group of the Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	589	-
Interest and commission income	-	-	-	-	-	-

Bank's Risk Group has; Forward starting transactions amounting 1.598 TL equivalent, loans and other cash receivables amounting 589 TL equivalent.



## Information on Outsourced Operations and the Individuals, Organizations Supplying the Outsourced Services

---

Supplier	Service Outsourced
IBM Global Services İş ve Teknoloji Hizmetleri ve Ticaret Limited Şirketi	IT Systems infrastructure support
KDDI Europe LTD	IT Products purchase and procurement
Intertech Bilgi İşlem ve Pazarlama Tic. A.S.	Core Banking System procurement and consultancy
Batı SMMM Ltd. Şti.	Accounting and payroll services and related legal reportings
Vega Bilgisayar Hiz. Ltd. Şti	Rapokon licence usage and maintenance
Fineksus Bilişim Çözümleri Ticaret A.Ş.	Paygate Suite Systems purchase and procurement
MARO Uluslararası Bilgi Teknolojileri Danışmanlık Geliştirme Destek Hizm. San. Tic. LTD ŞTİ	Banking Technologies and consultancy services
Teknotel Telekomünikasyon San. Ve Tic. A.Ş.	Data Center hosting service





---

## FINANCIAL EVALUATIONS AND RISK MANAGEMENT

---

### Assessment of the Functioning of the Internal Control and Internal Audit Systems by the Audit Committee

---

The internal systems have been structured under the responsibility of the Bank's Board of Directors, and the Internal Audit, Compliance and Internal Control and Risk Management departments act in coordination as independent from the units with executive activities. The Bank's Audit Committee is authorized and responsible for supervising the effectiveness and eligibility of the Bank' s internal systems on behalf of the Board of Directors; seeking the operation of these systems and the accounting and reporting systems in accordance with the Banking Law (the Law) and related regulations and the integrity of the information produced; conducting the required preliminary assessments for the selection of independent audit organizations and grading, appraisal and outsourcing services organizations by the Board of Directors; regularly monitoring the activities of these contracted organizations; continuing and ensuring the coordination of internal audit activities.

#### **Internal Audit System:**

Internal Audit Department reports to the Audit Committee.

The Internal Audit Department is responsible for and in charge of ensuring the conduct of the banking activities in accordance with Law and other related regulations, the Bank's strategy, policy and objectives; realizing the periodical and risk-based internal audit activities of the Bank, preparing the Bank's internal audit plan, enforcing the internal audit plan, reporting the results to the member of the Board of Directors responsible for internal systems and to the related departments' management, to the Audit Committee, and to the Board of Directors via the Audit Committee, and monitoring the measures taken by the related departments' managers within the framework of audit reports and reporting to the Board of Directors via the Audit Committee. The sufficiency and effectiveness of the internal control and risk management systems during periodical and risk-based audits; validation and reliability of the accounting records and financial reports; information systems of the Bank; its operational activities and functioning of the related internal control application procedures; Compliance of the transactions to the Law and other related regulations, internal strategies, policies and codes of conduct of the Bank; accuracy, reliability and Compliance to deadlines of the reporting to the Board of Directors and Audit Committee and legal reporting.

Annual audit plans are issued by the Internal Audit Department's manager, inspected by the Audit Committee and revised if necessary, before the plan takes its final form. The final decision is approved by the Audit Committee and the Board of Directors and the audit activities are carried out according to that plan. Since the Bank started its activities on 28 November 2013; 2013 internal audit activities were limited with the Governance Declaration (Audit of Information Systems and Banking processes) study.



An Internal Audit system has been established in accordance with the Internal Systems Directive published by the Banking Regulation and Supervision Agency, which conforms to the scope and structure of the activities to ensure the monitoring and control of the risks exposed by the Bank to ensure the sustainability and continuity of its activities.

## **Compliance and Internal Control System**

At the Bank, the Compliance and Internal Control Department reports directly to the member of the Board of Directors responsible for Internal Systems, who is also the chairman of the Audit Committee; and aims to establish an effective internal control system, fulfil the internal control applications completely, establish a strong internal control culture and conform to legal regulations and the general practices of BTMU. For this purpose, preventive control points are defined to identify and prevent proactively the discrepancies related with the legal regulations and internal regulations; system and function faults, human error or malicious conducts and related material damages or legal sanctions that the Bank might face; efforts are also spent to identify the already realized wrong practices within the scope of the controls and preventing the damages that may occur.

At the Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş., Internal Control activities are accepted as a business culture practiced throughout the Bank, beyond just being a function that is under the responsibility of the Internal Control Department. Therefore, control activities at different levels have been added to all regulations and application procedures issued by the Bank, and the above mentioned control culture has been adapted as a part of the daily activities of all employees from the lowest level to the highest. Compliance and Internal Control Department carries out Internal Control activities independent from other departments, and it also functions as a supervisor to design and ensure the sound operation of such control activities within the departments.

Compliance and Internal Control Department gathers and monitors the daily, weekly, monthly and quarterly controls that are required on the business processes in accordance with the objectives specified above, and identifies the control defects with an integral approach towards critical activities of the Bank's departments, identifies the control defects as soon as possible, and ensures taking the necessary actions. To identify the control activities, the Bank has adopted a risk based approach, and "Risk Mapping" applications that cover all banking activities are used. The mentioned control activities may be 2nd level controls that are implemented by the Compliance and Internal Control Department directly in certain circumstances, and they may also include the control of the effectiveness of internal 1st level controls of a department under certain circumstances.

The preventive control function of the Compliance and Internal Control Department at the Bank is very influential. The Compliance and Internal Control Department's opinion is taken and controlled to ensure compliance with legal and internal regulations both before new products and services are applied, and for all actions and decisions which are considered to have a potential of creating a material or legal risk, including all procurements and payments to 3rd parties. As the continuity of these activities by the departments of the Bank without any flaws is also made a subject of inspection during the internal control activities realized, it is also secured by the internal regulations approved by the Bank's Board of Directors.

In addition, different systematic infrastructures have been created at the Bank to prevent Anti-Money Laundering and the Financing of Terrorism, and to maintain compliance with the generally accepted international rules and principles in this regard. In this scope, in order to ensure the inspection of all account openings in accordance with legal regulations and the principles of the Bank, in addition to the approval of compliance from the Compliance and Internal Control Department, the payments made at



the Bank are held subject to electronic filters, and the transactions retained at the filters are inspected by the Compliance and Internal Control Department before they are finalized. Besides, as an effective post-control method and in accordance with the regulations of the Financial Crimes Investigation Board, the transactions made at the bank are held subject to comparative analyses with suspected transaction typologies by means of special computer software, and the results are automatically reported to Compliance and Internal Control Department to ensure the implementation of additional control activities.

Bank of Tokyo-Mitsubishi UFJ Turkey A. Ş. considers that effective control of the complicated banking systems and transactions is only possible with effective internal control personnel. Therefore, Compliance and Internal Control employees are both held subject to hands-on training in the department, and the international training means of the BTMU family are utilized and the required training and information activities to increase the knowledge and skills of the employees are organized.

## **Risk Management System**

---

The Risk Management Department conducts the risk management activities in accordance with the "Banking Law 5411", "The Regulation on Banks' Internal Systems" published in the Official Gazette dated 28 June 2012 and no. 28337, and with other legal regulations.

Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. risk management activities are conducted in accordance with the regulations, independent from the executive functions, by two members of staff reporting to the member of the Board of Directors responsible for internal systems. The Risk Management Department executes credit risk, operational risk, market risk, liquidity risk and business continuity management.

Risk Management policies consist of Market Risk - Trading Accounts, Market Risk-Banking Accounts, Credit Risk, Liquidity Risk and Operational Risk, as well as Business Continuity Management policies. The Bank's risk appetite and risk limits are identified in the risk policies. The functions and powers of the Departments and committees included in the risk control processes identified in the risk policies are also comprised. The policies related with risk management are approved by the Board of Directors, and regarding the risk management activities, the member of the board responsible for internal systems and the Board of Directors are regularly informed.

The Bank's risks are calculated according to the capital adequacy regulations issued by the BRSA.

### **Responsibilities of the Risk Management Department**

The Risk Management Department is responsible for measuring, monitoring and controlling the risks the Bank may be exposed to, with reference to the methods compatible with international standards. Design and application of the risk management system, preparation of the risk management policies and procedures, their revision and update at least once a year, operational risk, market risk and credit risk capital adequacy calculations and reporting, submission of the risk measurement and risk monitoring results to the Board of Directors, member of the Board responsible for internal systems and senior management through regular reporting; ensuring the retention of quantifiable risks within the determined limits, and monitoring the use of these limits; execution of stress tests, and assessment of the new products and services are carried out by the Risk Management Department.

Within the scope of the business continuity plans, the employees are educated on business continuity management and disaster recovery through relevant trainings.



The Risk Management Department undertakes the secretarial duties of the Risk Committee, Assets & Liabilities Committee, New Product Committee and Business Continuity and Crisis Management Committee.

### **Market Risk**

Considering the limits defined in the Market Risk Trading Account and the Market Risk Banking Account policies, risk measurements and daily limit checks are realized. Market risk reports regarding capital liability are prepared and reported to legal bodies. Besides, stress tests and scenario analyses are regularly made in accordance with the regulations. All calculations and analyses are regularly shared with the senior management and Risk Committee.

### **Credit Risk**

Credit risk expresses the risks and damages encountered by the Bank when the counter parties fail to fulfil their obligations according to the requirements of the contracts they execute with the Bank.

Corporate loans constitute the credit portfolio of the Bank. Loan is allocated according to the financial situations and loan requirements of loan customers within the framework of the limits of lending powers of the President, the Credit Committee and the Board of Directors. The mentioned limits may be changed by the Bank if required.

The Bank monitors and manages credit risks after lending, until the loan is completely reimbursed, cancelled or deleted. The Bank has control limits on forward transactions and the positions held in other similar contracts, and the limits in question are being followed.

The Bank monitors the debtors of the loans and other receivables of the Bank for their credit worthiness further to the related regulations. The Bank uses a credit grading system to effectively measure and assess the credit risk. The grading system assesses the total credit risk of each credit and debtor.

### **Operational Risk**

It includes the efforts for the identification, measurement and reduction of the Bank's operational risks. The policies are reviewed every year and updated when necessary, and submitted to the approval of the Board of Directors. The Bank conducts operational risk assessment and monitors the operational risks with the fundamental risk indicators.

### **Liquidity Risk**

The liquidity risk is managed in order to ensure taking the required measures in a timely and correct manner against the liquidity tightness which may arise from the Bank's balance sheet structure and the market conditions within the framework of the risk management policies approved by the Board of Directors. The liquidity risk is monitored in a corporate framework taking into account the risk levels mentioned in the risk policy and the stress scenarios related with the Bank's cash flows. The reports related with liquidity risk are shared with the senior management and Risk Committee.

### **Business Continuity Management**

The Bank's business continuity management policy aims to minimize the risks which may endanger the continuity of the Bank's activities, and make the critical products and services functional within



acceptable time periods in the cases of potential deductions. The required applications regarding business continuity management are made and the employees are trained. The business continuity management policy approved by the Board of Directors is regularly reviewed.

## Credit Evaluation System

---

**Rating and Assessment Models:** The Bank utilizes rating and assessment models that comply with Basel II for its all customers. The credit allocation is performed on a debtor and a debtor group basis within the limits and updated on a defined frequency based on market developments. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank.

In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

The Bank uses three main factors for internal credit rating system. These are financial data, non-financial data and specialist decisions. Financial data consist of safety, profitability, growth, asset size and cash generation ratios and turnover volume. Non-financial data consist of industry, management, funding availability and legal risks as well as business model, location and intercompany relation analysis. The Bank also measures the credit rating of companies by making comparisons with the external ratings. In the existing rating system, the collateral assigned to loans are not taken into account in the rating.



## Assessments regarding Financial Status, Profitability and Discharging Capacity

Bank of Tokyo Mitsubishi UFJ, Ltd. (BTMU) carried out representative duties through the launch of its Representative Office in 1986. BTMU was granted the permit to establish a deposit bank in Turkey through the Banking Regulation and Supervision Agency's 5108 numbered and 20 December, 2012 dated resolution. Bank of Tokyo Mitsubishi UFJ Turkey A.Ş. ("BTMU Turkey" or the "Bank") received its operational permit through the Banking Regulation and Supervision Agency's 5520 numbered and 19 September, 2013 dated resolution, issued in the 28775 numbered and 24 September, 2013 dated Official Gazette and launched its operations on 28 November, 2013, as a foreign capital bank established in Turkey.

As of 31 December, 2013, the Bank's total assets stood at TL 692 million, total loans at TL 13 million and customer deposits at TL 0.3 million. Based on its specific needs, the Bank receives short, medium and long term funding from international markets.

In its first year of operations, the Bank's net profit stood at TL 4.3 million. As of 31 December 2013, the Bank's equity has been reported as TL 475 million, while its capital adequacy ratio stood at 204,19 percent well above the local banking sector average.