



Annual Report 2017

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**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S
ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT ON THE MANAGEMENT'S ANNUAL REPORT

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

1) Opinion

We have audited the annual report of Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. ("the Bank for the period between 1 January- 31 December 2017.

In our opinion, the unconsolidated financial information provided in the Management's annual report and the Management's discussions on the Bank's financial performance based on the information provided in the audited unconsolidated financial statements, are fairly presented in all material respects, and are consistent with the full set audited unconsolidated financial statements and the information obtained from our audit.

2) Basis for Opinion

We conducted our audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibility is disclosed under *Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report* in detail. We declare that we are independent from the Bank in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") issued by Public Oversight Accounting and Auditing Standards Authority ("POA") and ethical provisions stated in the regulation of audit. We have fulfilled other responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3) Auditor's Opinion for the Full Set Unconsolidated Financial Statements

We have presented unqualified opinion for the Bank's full set unconsolidated financial statements for the period between 1 January- 31 December 2017 in our Auditor's Report dated 28 February 2018.

4) Management's Responsibility for the Annual Report

The Bank Management is responsible for the following in accordance with Article 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and the regulation on "Preparing and Publishing the Annual Report by Banks" published in the Official Gazette dated 1 November 2006 and No. 26333 ("the Communiqué"):

- a) Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,
- b) Preparing the annual report with the all respects of the Bank's flow of operations for that year and the Bank's financial performance accurately, completely, directly and fairly. In this report, the consolidated financial position is assessed in accordance with the financial statements. The Bank's development and risks that the Bank may probably face are also pointed out in this report. The Board of Director's evaluation on those matters are also stated in this report.
- c) The annual report also includes the matters stated below:
 - The significant events occurred in the Bank's activities subsequent to the financial year ends,
 - The Bank's research and development activities,
 - The compensation paid to key management personnel and members of Board of Directors including financial benefits such as salaries, bonuses and premiums, allowances, travelling, accommodation and representation expenses, in cash and kind facilities, insurances and other similar guarantees.

The Board of Directors also considers the secondary regulations prepared by the Banking Regulation and Supervision Agency and the Ministry of Customs and Trade and related institutions while preparing the annual report.

5) Responsibilities of the Independent Auditor on the Independent Audit of the Annual Report

Our aim is to express an opinion and prepare a report about whether the Board of Directors' discussions based on the information in the audited unconsolidated financial statements and consolidated financial information in the annual report within the scope of the provisions of the TCC and the Communiqué are fairly presented and consistent with the information obtained from our audit.

We conducted our audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and the SIA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Management's discussions on the Bank's financial performance based on the information provided in the audited unconsolidated financial statements, are fairly presented in all material respects, and are consistent with the full set audited unconsolidated financial statements and the information obtained from our audit

The engagement partner on the audit resulting in this independent auditor's report is Hasan Kılıç.

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



Hasan Kılıç
Partner

İstanbul, 26 March 2018

2017 FISCAL YEAR ANNUAL ACTIVITY REPORT

The attached annual activity report, covering our Bank's activities for the fiscal year 2017, has been prepared in line with Article 40 of the Banking Law and the Regulation on the Regulation on the Principles and Procedures Concerning the Preparation of the Annual Report by Banks, to present to the approval of the General Assembly.

BANK OF TOKYO-MITSUBISHI UFJ TURKEY A.Ş. BOARD OF DIRECTORS

Ali Vefa Çelik*
Chairman/ Audit
Committee
Member

**Masatoshi
Komoriya**
Vice Chairman

Çetin Özbek*
Board Member /
Audit Committee
Chairman

**Jeremy Quinton
Broughton**
Board Member

Atsushi Deguchi
General Manager

Aysun Mercan*
Board Member

**Neil George
Campbell**
Board Member

**İşbu 2017 Hesap Dönemi Yıllık Faaliyet Raporu Türkçe olarak da sunulmuş olup, raporu anladım ve hiçbir itirazım olmadan tümüyle mutabık kaldım.*

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Agenda of the Ordinary General Assembly



Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş.
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AGENDA OF BANK OF TOKYO-MITSUBISHI UFJ TURKEY A.Ş. YEAR 2017 ORDINARY GENERAL ASSEMBLY MEETING DATED 26 MARCH 2018

1. Opening and appointment of the Meeting Board,
2. Discussion and approval of the Annual Activity Report of the Board of Directors for the financial year 2017,
3. Discussion on the Independent Auditor's Report for the financial year 2017,
4. Discussion and approval of the financial statements of the financial year 2017,
5. Release of the Members of the Board of Directors for the year 2017 on an individual basis,
6. Informing the General Assembly on the bonus payment of the year 2016 which had distributed to the employees at the year 2017,
7. Discussion on use of profit and determination of dividend distribution,
8. Discussion on the bonus payment of the year 2017 which will be distributed to the employees,
9. Discussion on the rights of the Board of Directors members as remuneration payment, attendance fee and bonus,
10. Appointment of Mr. Masatoshi Komoriya as a Board of Directors Member for the remaining duty term of the membership which became empty within the past year,
11. Dismissal of Board of Directors Member Mr. Jeremy Quinton Broughton from the duty of membership of the Board of Directors;
12. Appointment of DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. as the Independent Auditor for financial year 2018,
13. Submission of the amendment draft of the 2.nd Article of Bank's Articles of Association named "Trade Name of The Bank" as below in accordance with the permission of Banking Regulation and Supervision Agency dated 09.01.2018 and numbered 32521522-101.01.04-E.382 and permission of Ministry of Customs and Trade dated 30.01.2018 and numbered 50035491-431.02.

A member of MUFG, a global financial group

OLD VERSION:

Article 2

Trade Name of The Bank

The Bank's trade name is "Bank of Tokyo-Mitsubishi UFJ Turkey Anonim Şirketi".

NEW VERSION:

Article 2

Trade Name of The Bank

The Bank's trade name is "MUFG Bank Turkey Anonim Şirketi". The Bank's company name will shortly be referred to as "MUFG Bank".

14. 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,

15. Wishes and Closing.



HÜLYA EROĞLU
DEPUTY GENERAL MANAGER



ATSUSHI DEGUCHI
GENERAL MANAGER

“A Financial Bridge”

between

Turkey and Japan



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WHO WE ARE...

Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. (BTMU Turkey)

AT A GLANCE;

Date of Operations	November 28, 2013
Main Shareholder	Bank of Tokyo-Mitsubishi UFJ Ltd.
Chairman of the Board	Ali Vefa ÇELİK
President	Atsushi DEGUCHI
Paid-in Capital	TRY 527,700 Th
Registered Capital	TRY 527,700 Th
Trade Registration No.	855649
Target Customer Base	Japanese companies active in Turkey, financial institutions, subsidiaries and companies of multinational companies active in Turkey and blue chip Turkish companies active in the public and private sectors in Turkey
Activities	Deposit, cash and non-cash credits, foreign trade transactions, supplier finance, payments, cheque collection, foreign currency and treasury transactions in corporate banking
No. of Employees	72 (as of the end of 2017)
No. of Customers	181
Total Assets	TRY 9.731 M (as of the end of 2017)

Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. (BTMU Turkey)

The roots of our Bank date back to the Bank of Tokyo, which embarked on its journey in Turkey through the establishment of a Representative Office in Istanbul in 1986.

Our shareholder, which later on merged with one of Japan's leading banks Mitsubishi Bank among other banks to form what is now called The Bank of Tokyo-Mitsubishi UFJ Ltd. (BTMU) is one of the oldest Japanese institutions established in Turkey.

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. Following the acquisition of an operation license in September 2013 with the resolution of the Banking Regulation and the Supervision Board, Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. ("BTMU Turkey") opened its doors for business on November 28, 2013.

Dedicated to meeting the high standards of value-added products, excellent quality services and customer oriented business concept by fully utilising BTMU's global network, BTMU Turkey continues to take firms steps towards carrying its achievements of stable growth since its establishment into the future.



Our Mission

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

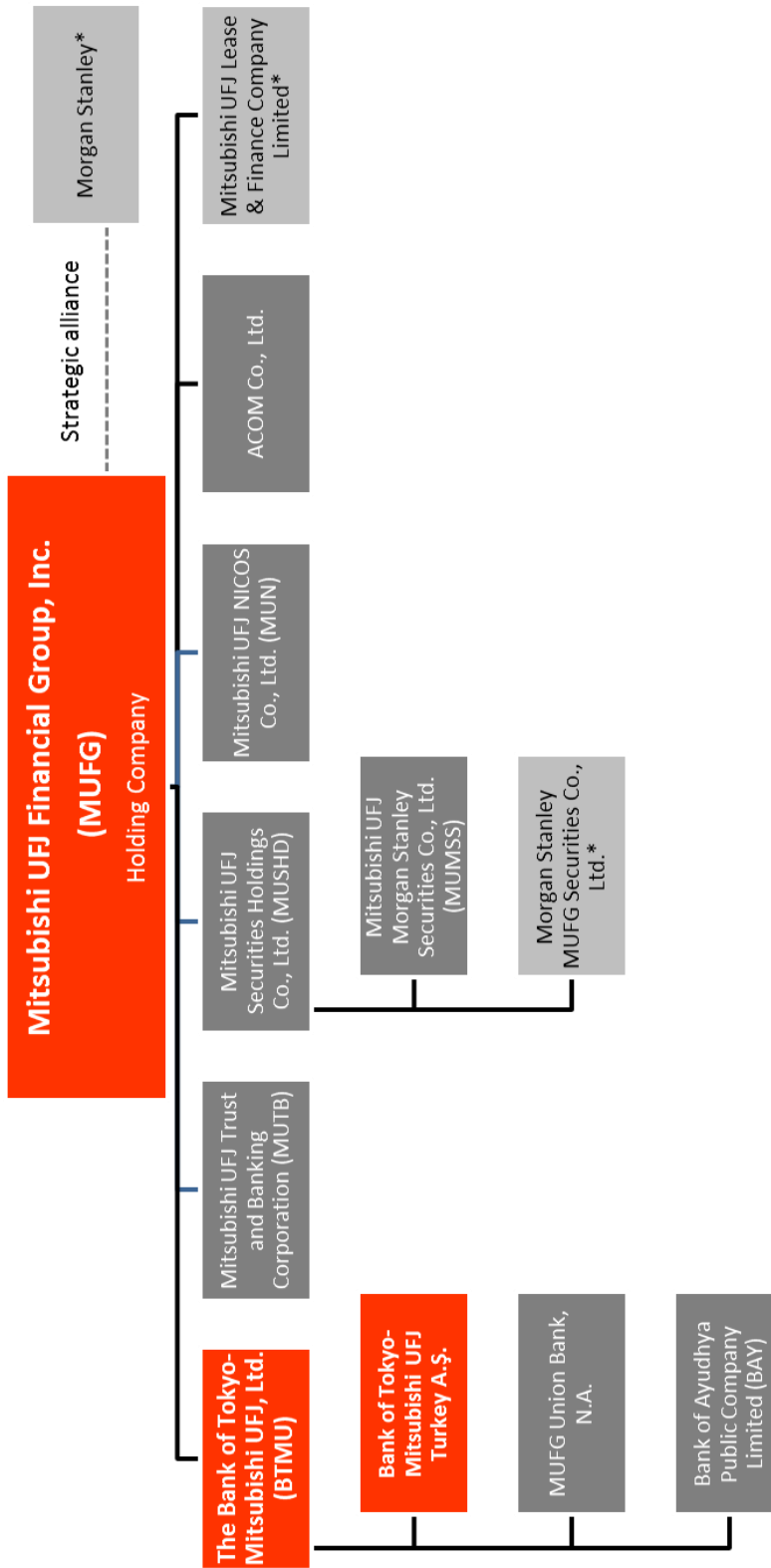
Our Vision

- Be the most trusted financial institution for our customers, stakeholders and communities.
- Be the Financial Bridge between Turkey and Japan, and between Turkey and the World
- Support our customers locally and globally

Our Values

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

MUFG Group Structure and BTMU Turkey



*Mitsubishi UFJ Lease & Finance Company Limited, Morgan Stanley and Morgan Stanley MUFG Securities Co., Ltd. are equity method investees

Mitsubishi UFJ Financial Group (MUFG)

Our group, MUFG, is one of the world's leading financial groups in terms of total assets and service variety.

Among Japanese financial institutions, MUFG has the largest global network. In addition to its premier commercial banking arm The Bank of Tokyo-Mitsubishi UFJ Ltd. (BTMU), MUFG harbours MUFG Union Bank, a retail bank in the United States, Thailand's largest bank Bank of Ayudhya and various securities companies under the Mitsubishi UFJ Security Holdings (MUS), including Mitsubishi UFJ Morgan Stanley Securities under its umbrella and is one of the world's top 10 financial groups in many categories.

As of April 2017, MUFG's total assets are USD 2.7 trillion and its market capitalization share is USD 82.8billion. With over 150.000 employees in over 50 countries worldwide, MUFG provides comprehensive and flexible solutions to its customers' wide range of financial needs.

Capital Structure, Changes within the Year, Qualified & Executive Shares

Shareholders	TRY	(%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd	527,699,996.00	%99,99 (Group A)
Shinichi Okumura	1.00	% 0 (Group B)
Kozo Taniwaki	1.00	% 0 (Group B)
Tatsuhiko Yanagisawa	1.00	% 0 (Group B)
Shinya Unno	1.00	% 0 (Group B)
Total	527,700,000.00	%100

There have not been any changes in the capital structure of our Bank in 2017.

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 do not own shares. Our Deputy President Shinichi Okumura owns a share of 0% (Group B)..

Modifications in Articles of Association within the Year

No changes have been made in the Articles of Association in 2017.

Extraordinary General Assembly Meetings within the Year

We did not hold any Extraordinary General Meetings in 2017.

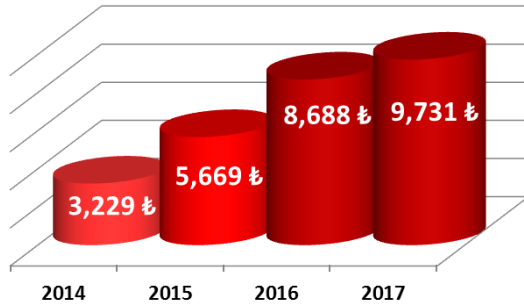
Subsidiaries

We do not have any subsidiaries.

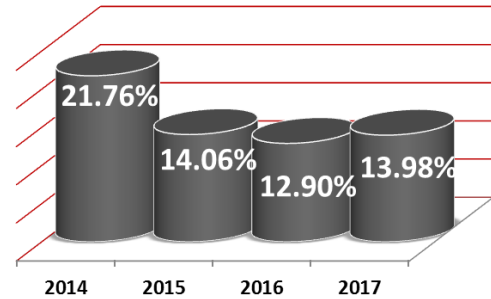
Yearly Financial Indicators

TRY Mln

TOTAL ASSETS

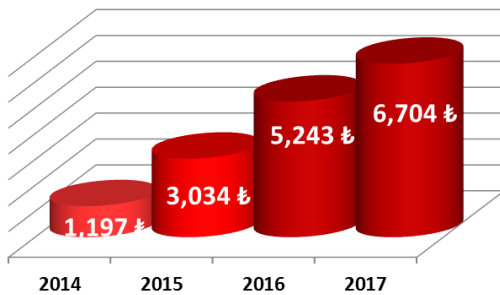


CAPITAL ADEQUACY RATIO

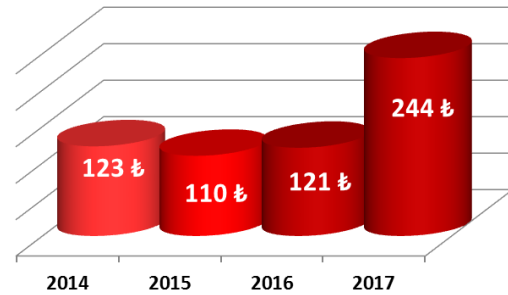


TRY Mln

CREDIT VOLUME

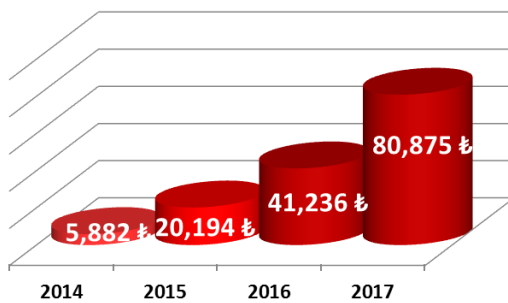


DEPOSIT VOLUME



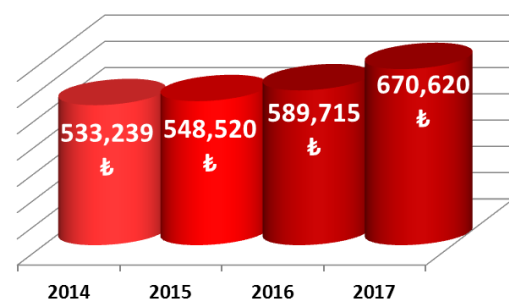
TRY Th

NET PROFIT



TRY Th

EQUITY GROWTH



Evaluation of our Bank's Position in the Sector

BTMU Turkey operates as a single entity with the mission of acting as a boutique bank, mainly addressing the Japanese customers domiciled in Turkey, top-tier Turkish corporates, local and foreign financial institutions and multinational corporates active in Turkey. The business model is entirely based on the concept of tending to the corporate banking and financing needs of the above-specified customer base, with no services designed for individuals and no utilization of cash transactions.

The main establishment purpose of BTMU Turkey is to support both the development process of Turkey and Turkish-Japanese relations by catering to the needs of Japanese companies active or seeking to expand their businesses in Turkey, in addition to local, foreign and multinational companies which serve the potential for development in Turkey. Its close proximity to European and Middle Eastern markets, potential for economic growth, strong sovereign and corporate structure makes Turkey a strategically important market and a valuable investment point for MUFG.

BTMU Turkey's competitive edge derives mainly from its strong financial structure, capacity to fully meet the financial needs of both local and multinational large firms through a variety of international financing services and products, its expertise and experience in corporate banking as well as its ability to build long-standing relations with customers. Owing to MUFG's worldwide customer portfolio, carefully cultivated over the years to sustain long-term customer relations, firms working with MUFG companies abroad, tend to also opt for doing business with BTMU Turkey in the local markets. In addition to the advantages brought forward by BTMU Turkey's financial and technical knowledge and experience in banking, this reputational attention creates an added edge for our Bank among its peers.

Although our customer base consists mainly of Japanese companies, our business with global and leading Turkish firms has been increasing more and more since our establishment. MUFG's expertise in international banking and commitment to customers rooted in its vision to "Be the world's most trusted financial group" are the main reasons local and international companies alike choose to work with BTMU Turkey.

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 network and expertise of MUFG. Now, we have a relationship with the majority of Japanese companies and our business with global and leading Turkish firms has been increasing more and more since our establishment

Research and Development Activities

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, forwards and options are offered to customers on the treasury side. However in order to meet the needs of our expanding customer base and to strengthen the liquidity risk management for Turkish Lira, our Treasury team has been working on setting the infrastructure to widen the product range to include fixed-income securities and access to alternative funding sources. The activities in this area have reached the final stage and these services are planned to be launched in 2018. On the other hand, infrastructure activities to add new treasury products are under study to expand our product list throughout 2018 in order to support our clients in their hedging of their foreign exchange and various risks.

Credit Evaluation System

Rating and Assessment Models

The Bank utilizes rating and assessment models that comply with Basel II standards for all its customers. The credit allocation is performed on a borrower and a borrower risk group basis within the limits and updated on a defined frequency based on market developments.

The Bank uses a credit rating system/methodology to ensure efficient measurement and evaluation of the Credit Risk. The rating methodology evaluates the overall Credit Risk of each borrower.

The Bank uses three main factors for internal credit rating system. These are financial data, non-financial data and expert opinions. Financial data consists of safety, profitability, growth, asset size and cash generation ratios and turnover volume. Non-financial data consists of industry, management, funding availability and legal risks as well as business model, location and intercompany relations analysis. The Bank also measures the credit rating of companies by making comparisons with the external ratings.

Bank of Tokyo Mitsubishi UFJ, Ltd. (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, 2017, the Bank's total assets stood at TRY 9.731 million, total loans at TRY 6.704 million and customer deposits at TRY 244 million. Based on its specific needs, the Bank receives short, medium and long term funding from international markets.

In its fourth year of operations, the Bank's net profit stood at TRY 81 million. As of 31 December 2017, the Bank's equity has been reported as TRY 670.6 million, while its capital adequacy ratio stood at 13.98 percent.

Message from the Chairman and President



Ali Vefa Çelik
Chairman



Atsushi Deguchi
President

Dear Stakeholders,

We kindly submit the fifth year end financial information and year 2017 activity report of our Bank which has started its activities at November 2013 to opinion of you, our valuable shareholders.

We are proud that our size of assets, our credit volume which is provided to our customers and our net profit amounts are increasingly continuing in stages at each year since our Bank started its activities.

We have continued our work to strengthen our roots, improve our products and customer services, enlarge our customer portfolio consisted of Japanese, Turkish and international capitalized companies, strengthen of our current organization and infrastructure in accordance with our long-term strategies with all our strength since the Bank's establishment as well as in the year 2017. Despite of tough market conditions, 2017 has been a year that we focused on increasing our assets, increasing the product ranges that we provide to our customer and improving our activity fields by continuing to support our customers devotedly. We have continued to making progress in line with our targets at the fields such as loan and treasury business. We target to pursue these efforts at 2018 as well.

The year 2017 has been a compelling year with regard to both global and local markets. The global financial crisis which had impacts that are still felt even if decreasingly are managed by central banks and local governments in accordance with the expansionary policies. In addition to that, it has been witnessed that the steps taken by FED to downsize its balance sheet and European Central Bank to taper its quantitative easing programme created a selling pressure on emerging markets assets since the last quarter.

Even though it is seen that developed economies had a better year and their growth numbers are partially increased, it had been a year that global inflation targeting has not been reached yet. On the other hand, developing countries including China, India and Turkey had reached higher growth rates.

A new era of fleeing from risky assets had been triggered at the beginning of the year due to high volatility in the financial markets arisen by concerns regarding protectionist trade politics of Trump who was appointed by presidential elections at United States at the end of 2016, however the US Dollar had been weakened in the forthcoming days due to the political risks at USA whereas appetite for risky assets had been stronger relatively due to high global growth environment. At the mentioned era which continued until the last quarter of the year, it was monitored that capital inflows to the developing countries has been led up thanks to positive signals for global growth to result stronger trend especially in global equity markets. From our Country economy perspective, 2017 had been a year that a strong growth was realized. Even though at the beginning of the year, there had been an era which downside risks were increased due to the higher inflation and increased unemployment because of the capital outflows triggered by credit rating agency Fitch's downgrade of Turkey's rating below investment grade; that negative period was rotated back to growth with reestablishment of confidence in the markets by timely and coordinated countermeasures of BRSA and Central Bank of Turkey. One of our biggest advantages is that our finance sector has a strong fundamental. Turkey became a focal point among global economies with its high growth performance through incentives to increase employment and production such as Credit Guarantee Fund facility. At this period which government contribution to the economy was increased, budget deficit realized close to expected levels by preserving fiscal discipline despite of the partially increase at the budget expenses. Even though it was observed that increasing geopolitical risks arisen by neighbouring countries limited the gains in foreign trade and tourism, it was also observed that recovery at the European Union economy continued to positively contribute to Turkey's exportation performance. As BTMU Turkey, we continue to expect a strong economic growth in 2018 as well. The issues like geopolitical risks, continuation of high inflation and sustainability of current account deficit are at the top of the major issues regarding next year. Despite these tough conditions, our Bank succeeded to present a solid performance in line with its targets and strategies and increase its size of assets fifty percent by the previous year.

Our Banks total assets which were 8,688 million TL at the end of the year 2016 reached to 9,731 million TL by the end of the 2017, per annum increase has been 12 percent.

Credit volume which constitutes main line of our Bank assets has increased by 1,462 million TL since 2016 year end and reached to 6,704 million TL. When we look at the distribution of our credit portfolio according to currency, we see that there are 40 percent of TL currency credits and 60 percent of foreign currency credits. Banks Receivables excluding credits provided to Banks which constitutes another main line of our assets are 467 million TL excluding the Receivables from Central Bank.

Banks which constitutes another main line of our assets are 467 million TL excluding the Receivables from Central Bank.

When we look at the liabilities side, funds which our Bank uses reached to 6,220 million TL and our customer deposits reached to 244 million TL in total. By the end of 2016, while our Banks total equity was 670.6 million TL, equity which was considered for Capital Adequacy Ratio was reached to 681.2 million TL and the Capital Adequacy Ratio was registered 13.98 percent since 2017 year end.

When we look at the 2017 year end income statement, our Banks net interest income has reached 306.3 million TL, general reserve and income before tax was 116.7 million TL and our net income was 80.9 million TL.

In addition to these financial activity results; our Bank also showed major progress in the areas of improvement of our Banks technical infrastructure and human resources and strengthen of corporate structure. As a member of Mitsubishi UFJ Financial Group (MUFG) our Bank also shares "being the world's most trusted financial group" vision of MUFG devotedly as well. In this direction, we cooperate with all of our colleagues within our global network, on the one hand continue to increase our global assets on the other hand try to provide continuous and reliable support to our customers and exceed their expectations.

BTMU Turkey as the only Japanese Bank which has banking license in Turkey endeavours to work as a "financial bridge" between Turkey and Japan and to contribute to ever-developing relationship of these two countries. We are determined to continue improving our activities at 2018 with our deep devotion and commitment to our customers and Turkish market.

We hereby express our deepest gratitude to our valuable customers, strategic associates and dear employees because of their unflagging support at this improvement process of our Bank.

Ali Vefa Çelik

Chairman

Atsushi Deguchi

President

2

MANAGEMENT & CORPORATE GOVERNANCE

Board of Directors

ALİ VEFA ÇELİK

Board Chairman

Ali Vefa Çelik graduated from the Business Management Department of the Administrative Sciences Faculty of Middle East Technical University, Turkey. He began his banking career at the Central Bank of the Republic of Turkey (CBRT) in 1978 after receiving his Master's degree from Meiji University, Tokyo. He worked at CBRT between 1978-2006 in various high level posts as the General Manager of Banking, General Manager of Accounting, General Manager for Credits and as the Representative of CBRT in Tokyo. He also served as Second Chairman of the Banking Regulation and Supervision Agency of Turkey and the Savings Deposit and Insurance Fund in 2001 and as a Member of the Board of Directors of the Central Bank of the Turkish Republic of Northern Cyprus between 2002 and 2003. As a member of the Board of Directors of the BTMU Turkey since June 2013, Çelik undertook the role of Chairman of the Audit Committee between 2013 and 2016. He was assigned the role of Vice Chairman in July 2015 and Chairman of the Board of Directors in February 2016.

MASATOSHI KOMORIYA

Board Vice Chairman

Masatoshi Komoriya is Chief Operating Officer for EMEA of The Bank of Tokyo Mitsubishi UFJ, Ltd., which covers 20 countries through 29 offices and approximately 2,000 employees in EMEA, since May 2017. He has over 26 years' experience in banking, having worked across Japan, the USA and EMEA and mainly developing his career in strategic planning, such as branch network optimisation in EU continent and Brexit contingency plan. Masatoshi Komoriya graduated from the BA in Law of Waseda University in Tokyo, Japan and received his Master degree in law from the University of Pennsylvania and the New York University Law School. In July 2017, he was appointed as a member and in September 2017 as the Vice Chairman of the Board of Directors of BTMU Turkey.

MASAKAZU OSAWA

Board Vice Chairman

Masakazu Osawa graduated from the Faculty of Law of the University of Tokyo and has a Master of Laws from the University of Chicago Law School. He joined The Mitsubishi Bank in 1991 and worked across corporate and investment banking for The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Mitsubishi Securities Inc, before taking charge of strategic investments and alliances with Morgan Stanley and Merrill Lynch. More recently, he established the governance framework over Bank of Ayudhya (Krungsri) in Thailand, and its integration with BTMU Bangkok branch. Since 2015 he has held a dual role as Chief Operating Officer for EMEA, Planning Division and Head of MUFG Group Strategy for EMEA ,MUFG Global. In August 2015, he was appointed as a member and in February 2016 as the Vice Chairman of the Board of Directors of BTMU Turkey. *Due to his appointment in Tokyo, he resigned from his duties in BTMU Turkey as of June 2017.*

ATSUSHI DEGUCHI

Board Member

President

Atsushi Deguchi has a B.A. in Economics from Sophia University of Japan. He started his banking career in 1991 at the Bank of Tokyo Ltd. in Japan and assumed various high level roles in the Tokyo and New York offices of financial institutions within MUFG Group, such as the Bank of Tokyo-Mitsubishi UFJ Ltd. and Mitsubishi Securities USA, Inc. He was appointed as the President of BTMU Turkey in August 2016.

ÇETİN ÖZBEK

Board Member

Chairman of the Audit Committee

Çetin Özbek graduated from the Economic and Administrative Sciences Department of Hacettepe University and the MBA programme of the Fox Business School of Temple University. He started his career in 1987 at a private bank. He served as an internal auditor as well as the Deputy Chief Audit Executive at the same bank until he was appointed as the Chief Audit Executive at the Central Bank of the Republic of Turkey (CBRT). Besides his post as a Chief Audit Executive, he served at various posts at CBRT including as the Representative of CBRT in Tokyo and Advisor until 2016. He was appointed as Board Member in January 2016, and as the Chairman of the Audit Committee in February 2016.

JEREMY QUINTON BROUGHTON

Board Member

Jeremy Quinton Broughton graduated from the University of Wales and the University of Cambridge (UK) with Bachelors and PhD degrees respectively. He also has an MBA Degree from Yale University, USA. After a successful academic career in Physics, he transitioned to Finance, working initially as an Executive Director and the Head of Structured Credit Risk Management at JP Morgan Chase and JP Morgan Securities Inc. (US) between 2000-2008 and then later as a Managing Director and Deputy Global Head of GBM Market Risk at the Royal Bank of Scotland (London). He assumed his current duty of Chief Risk Officer and General Manager of Risk Management for EMEA at The Bank of Tokyo-Mitsubishi UFJ, Ltd., in 2013. He was appointed as a member of the Board of Directors of BTMU Turkey in March 2014.

NEIL GEORGE CAMPBELL

Board Member

Neil George Campbell graduated from London University BSc Economics (First class honours). He started his banking carrier in 1982 in County Bank. He joined The Bank of Tokyo-Mitsubishi UFJ in 2006 and worked in European Leveraged Finance, Portfolio Management Group. Since 2016, he is Co-Head of Corporate Banking Credit for EMEA. In March 2017, he was appointed as a member of the Board of Directors of BTMU Turkey.

AYSUN MERCAN

Board Member

Aysun Mercan graduated from the Faculty of Administrative Sciences of the Middle East Technical University (BS) and the Executive MBA programme of the University of Wales-Manchester Business School. She started her banking career in 1982 and undertook high level roles related to Corporate Banking, Credits, Foreign Transactions, Project Financing, and Corporate Governance in various local and foreign banks. She has led and managed many projects related to the collection of common debts via rehabilitation, management, sale and liquidation of the banks and companies affiliated under organizations taken over by the Banking Regulation and supervision Agency and the Savings Deposit Insurance Fund during the 2001 financial crisis in Turkey. She was appointed as a member of the Board of Directors of BTMU Turkey in January 2016.

Board Member Changes

- 24.03.2017 - **Neil George Campbell** appointed as a Board Member
- 05.06.2017-**Masakazu Osawa** who had been vice chairman of the board, resigned from his duties.
- 05.07.2017 - **Masatoshi Komoriya** appointed as a Board Member.
- 22.09.2017 - **Masatoshi Komoriya** appointed as Vice Chairman of the Board

Atsushi Deguchi

President

Atsushi Deguchi has a B.A. in Economics from Sophia University of Japan. He started his banking career in 1991 at the Bank of Tokyo Ltd. in Japan and assumed various high level roles in the Tokyo and New York offices of financial institutions within MUFG Group, such as the Bank of Tokyo-Mitsubishi UFJ Ltd. and Mitsubishi Securities USA, Inc. He was appointed as the President of BTMU Turkey in August 2016.

Takeshi Fujii

Deputy President – Planning and Finance

Takeshi Fujii graduated from Boston University, School of Management. He started his banking career in 1993 and served in various posts in Tokyo, Amsterdam and Warsaw in the Tokai Bank Ltd., UFJ Bank Ltd. and The Bank of Tokyo-Mitsubishi UFJ Ltd. He was appointed as the Deputy President at BTMU Turkey in November 2015. *Mr. Fujii resigned from his duties as of July 2017 due to his appointment in Tokyo*

Shinichi Okumura

Deputy President – Planning, Credit and Transaction Banking

Shinichi Okumura graduated from Waseda University, Faculty of Law. He started his banking career in 1993 and served in various posts in Tokyo and Germany in the Mitsubishi Bank Ltd., Bank of Tokyo-Mitsubishi Ltd. and The Bank of Tokyo-Mitsubishi UFJ Ltd. He was appointed as the Deputy President responsible for Planning, Credit and Transaction Banking Departments at BTMU Turkey in July 2017.

Hülya Erođlu

Deputy President – Operations and Support Services

Hülya Erođlu graduated from the Faculty of Administrative Sciences of the Middle East Technical University, Turkey and started her career in 1987. 20 years of her 30 year career in the finance sector has been in banking, and 10 years in intermediary institutions, investment firms and independent audit companies. She started working at BTMU Turkey in 2013 and was assigned as the Deputy President responsible for Information Systems, Operations, Human Resources and General Affairs in April 2016.

Ayşe Zadi

Managing Director – Global Corporates and Financial Institutions

Ayşe Zadi graduated from the Department of Management of Bosphorus University, Turkey and holds an MBA from Cornell University. 21 years of her 22 year work experience has been in the field of corporate banking. She joined BTMU Turkey in April 2016.

Kozo Taniwaki

Executive Director – Planning

Kozo Taniwaki is a university graduate and has 21 years of experience in the banking industry. He has been working at BTMU Turkey since January 2017.

Önder Gökalp

Executive Director – Finance

Önder Gökalp is a university graduate and he has a master's degree in International Business Management. 19 years of his 22 year work experience has been in the banking industry. He has been working at BTMU Turkey since May 2013.

Shin Takada

Executive Director – Corporate Banking

Shin Takada is a university graduate and has 25 years of experience in the banking industry. He has been working at BTMU Turkey since July 2015.

Berna Canbulat

Director – Operations

Berna Canbulat is a university graduate and has 25 years of experience in the banking industry. She has been working at BTMU Turkey since March 2013.

Burak Sözmen

Director – Corporate Banking

Burak Sözmen is a university graduate and holds a master's degree in engineering from Middle East Technical University. During his 19 years of banking experience, he took several roles both in local and multinationals banks. He has been working at BTMU Turkey since December 2017.

Cenk Ertunç Ulak

Director – Credit

Ertunç Ulak is a university graduate and holds an MBA. He has 19 years of banking experience and has been working at BTMU Turkey since November 2016.

Mehmet Ersoylu

Director – Information Technology

Mehmet Ersoylu is a university graduate. 16 years of his 22 year work experience has been in the field of Information Technologies in the banking industry. He has been working at BTMU Turkey since June 2013.

Mehmet Nihat Fırat

Director – Human Resources and General Affairs

Mehmet Nihat Fırat, is a university graduate and he holds a master's degree. 8 years of his 20 year work experience has been in the banking industry and has been working at BTMU Turkey since May 2017.

Murat Tong

Director – Transaction Banking

Murat Tong is a university graduate and has 19 years of experience in the banking industry. He has been working at BTMU Turkey since September 2016.

Nil Güven

Director – Planning

Nil Güven is a university graduate and has 30 years of experience in the banking industry. She has been working at BTMU Turkey since May 2013.

Onur İlgen

Director – Treasury

Onur İlgen is a university graduate and holds a master's degree in Financial Engineering. He has 10 years of experience in the banking industry and has been working at BTMU Turkey since May 2013.

Sinan Tan

Director – Financial Institutions

Sinan Tan is a university graduate and holds an MBA. 16 years of his 19 year work experience has been in the banking industry. He has been working at BTMU Turkey since October 2016.

Management of Internal Systems

Fatma Burcu Seki Özdemir

Manager – Internal Audit

Fatma Burcu Seki Özdemir is a university graduate and has 13 years of experience in the banking industry. She holds CISA (Certified Information Systems Auditor), CEH (Certified Ethical Hacker) and ITIL (Information Technology Infrastructure Library) Foundation certificates. She joined BTMU Turkey in 2013 and was appointed as the Manager for Internal Audit in June 2016.

Oğuzhan Öner

Director – Risk Management

Oğuzhan Öner is a university graduate and holds a master's degree. He has 18 years of experience in banking industry and has been working at BTMU Turkey since October 2015.

Onur Üre

Director – Compliance and Internal Control

Onur Üre is a university graduate and has 19 years of experience in the banking industry. He has been working at BTMU Turkey since July 2016.

Corporate Governance Committee

Ali Vefa Çelik – Chairman, **Atsushi Deguchi** – Member

The members of the Corporate Governance Committee are selected from among the members from the Board of Directors to monitor compliance to Corporate Governance principles, execute improvement studies and present recommendations to the Board of Directors. The Committee is made up of at least 2 members and convenes at least once a year. The Chairman of Board is also the Chairman of the Corporate Governance Committee. The committee held 1 meeting in 2017.

The main objective of the Corporate Governance Committee is to establish structures within the organization to ensure our Bank's corporate and ethic culture is based on solid foundations and compliance with the corporate governance principles are maintained at the utmost level.

Audit Committee

Çetin Özbek – Chairman, **Jeremy Q. Broughton** – Member

Ali Vefa Çelik appointed as a Audit Committe Member on 11.12.2017 instead of Jeremy Quinton Broughton.

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 Membership of Mr. Jeremy Quinton Broughton that he started on 19.03.2014, has been terminated as he is unable to fulfil his duty due to his valid excuse by BoD resolution dated 11.12.2017 numbered 2017/168 and Mr. Ali Vefa Çelik, Board of Directors Chairman, has been appointed as the Audit Committee Member in accordance with the Banking Law numbered 5411 and the Regulation of Bank's Internal Systems and Internal Capital Adequacy Assessment Process.

Committee, executes the roles stated in the regulation on the Internal Systems of Banks and Internal Capital Adequacy Assessment Process. The Audit Committee convened 7 times in 2017.

Remuneration Committee

Ali Vefa Çelik – Chairman, **Masakazu Osawa** – 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 once a year, additionally when necessary, and reports its activities to the Board of Directors annually. The Remuneration Committee held 1 meeting in 2017.

Risk Committee

Çetin Özbek – Chairman, **Oğuzhan Öner** – Member, **Onur Üre** – Member

The Board of Directors is responsible for instituting the Bank's risk appetite, review and approval of the risk framework and policies, analysing 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 fulfil 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. Committee convened 10 times in 2017.

Asset-Liability Committee

Atsushi Deguchi – Chairman

Members: **Hülya Eroğlu**, **Shinichi Okumura**, **Kozo Taniwaki**, **Shin Takada**, **Ayşe Zamil**, **Önder Gökalp**, **Ertunç Ulak**, **Onur İlgen**, **Oğuzhan Öner**

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. The Committee convened 23 times in 2017.

Other Committees

In addition to the above, the below mentioned committees are also working to ensure the efficient implementation of corporate governance principles and our bank strategies.

Disciplinary Committee

Outsourcing and Procurement Committee

Compliance Committee

Operational Control Committee

New Product Committee

Business Continuity and Crises Management Committee

IT Strategy and Steering Committee

Participation of Board Members to Committees and Meetings

As a rule, meetings of the Board of Directors are held minimum 4 times a year at BTMU Turkey. 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.

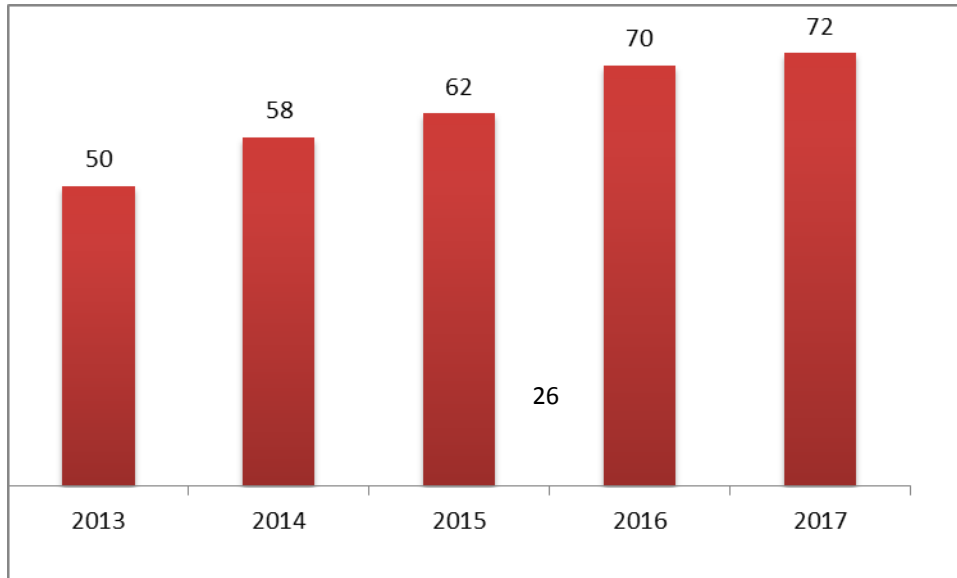
In 2017, the Board of Directors held 175 meetings, 4 of which were physical meetings, and the attendances were regular with respect to quorum.

Human Resources

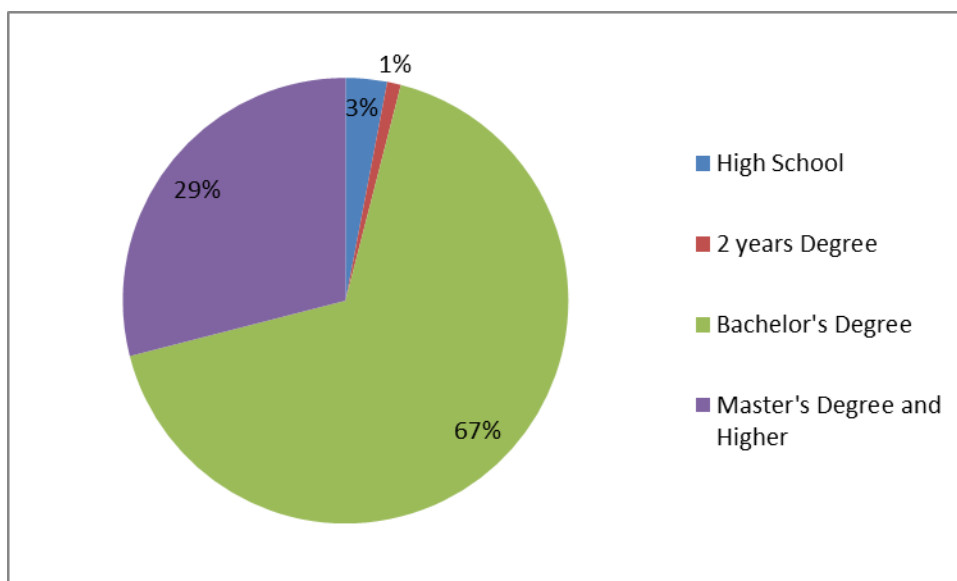
In line with our corporate vision "to be the world's most trusted financial group", we paid special attention to gather high calibre professionals committed to this vision.

Our team has grown from 70 at the end of 2016 to 72 people by the end of 2017.

The year-on-year breakdown of the number of our employees is below:

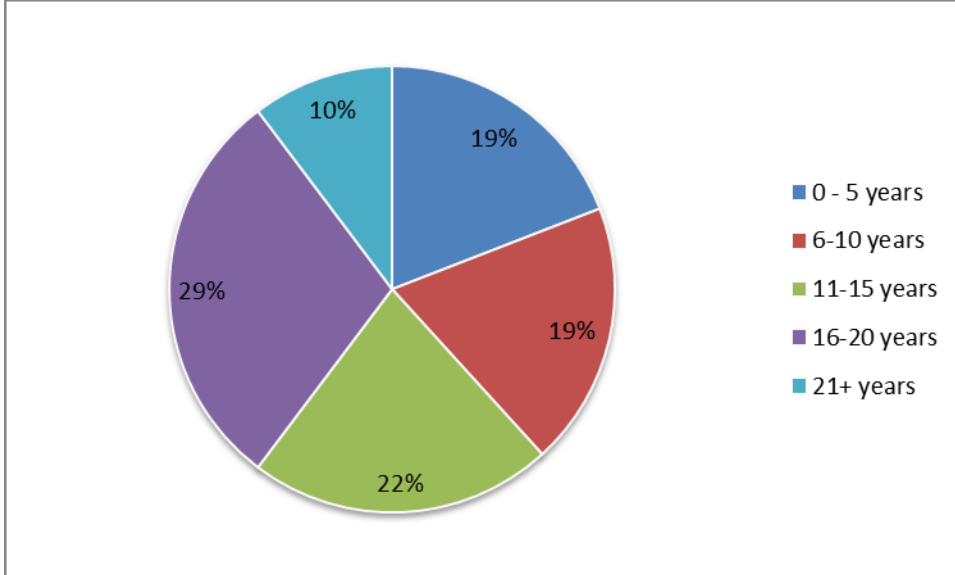


96% of our employees with an average age of 40 hold bachelor's degree or higher:



Bank of Tokyo-Mitsubishi Turkey AS is keen to on-board seasoned and qualified bankers to secure high standards of service provided.

Average seniority of our employees in the banking industry is 13 years:



A fair and objective remuneration policy applies to all employees at BTMU Turkey. To assure a transparent and methodical approach to remuneration, BTMU Turkey applies a standardized organizational grading structure with partnership of IMA Consultancy.

Employee performance and development is closely monitored both via online tools and via informal one-to-one feedbacks by line managers.

In 2017, 72 members of staff received 702 hours of professional training, 188 hours of which were provided internally and 514 hours by third parties. Throughout the year, each BTMU employee received an average 9,8 hours of training.

Employees are provided with certain benefits to attract and retain our talent in a highly competitive market.

Throughout 2017, BTMU successfully accomplished two corporate social responsibility projects to enhance our global “BTMU gives back” perspective in the subsidiary. In June, a CSR project activity for children with Leukaemia, together with LÖSEV, was conducted. Other CSR activity, which was conducted in November, was about Junior Achievement, with a participation of 9 students from different High Schools.

Transactions of BTMU Turkey with the Related Risk Group

(TRY Th)

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
Current						
Loans and other receivables						
Balance at beginning of period	0	0	806	138,226,046	12,324	26,7081
Balance at end of period	0	0	0	138,226	16,144	56,031
Interest and commission income	0	0	0	338	0	96

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
Past						
Loans and other receivables						
Balance at beginning of period	0	0	2,690	62,865	8,064	0
Balance at end of period	0	0	806	138,226	12,324	26,708
Interest and commission income	0	0	0	210	0	27

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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	0	0	0	0	2,955,846	880,809
Balance at end of period	0	0	0	0	2,433,468	2,955,846
Deposit Interest Expense	0	0	0	0	6,515	3,938

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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Credits Obtained						
Balance at beginning of period	0	0	0	0	4,944,138	4,012,675
Balance at end of period	0	0	0	0	6,163,682	4,944,138
Interest Expense	0	0	0	0	6,504	5,507

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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Fair Value Difference through PL						
Balance at beginning of period	0	0	0	0	7,293,362	3,900,651
Balance at end of period	0	0	18,569	10,065	6,714,226	7,293,362
Total Profit/Loss	0	0	34	45	-62,858	111,469

Information on Outsourced Operations

Name of Outsourcing Company	Content of Services Received
KDDI Europe LTD	Procurement of information system products and services
Intertech Bilgi İşlem ve Pazarlama Tic. A.S.	Procurement of Core Banking System and consultancy services
Fineksus Bilişim Çözümleri Ticaret A.Ş.	Procurement of Paygate Suite systems (Inspector, Search, Maestro Lite) and support services
Teknotel Telekomünikasyon San. Ve Tic. A.Ş.	Data Centre hosting services
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Third level infrastructure support services
Manpower İnsan Kaynakları Danışmanlık Ltd. Şti.	Temporary and substitute staff support services
Aktive Bilgisayar Hizmetleri Ltd Şti	Procurement of Securities Trading System
Datasist Bilgi Teknolojileri A.Ş	Payroll Services

Internal Control Environment



3

INTERNAL SYSTEMS

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

The departments constituting internal systems have been structured under the responsibility of the Bank's Board of Directors, and composed of Internal Audit, Compliance and Internal Control and Risk Management departments. These departments constituting internal systems 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 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.

The Audit Committee receives quarterly based reports from the departments constituting Internal Systems Departments in order to evaluate the adequacy of the methods for the identification, control and monitoring of risks that the Bank is exposed to, and to report its findings to the Board of Directors. Furthermore, the Audit Committee submits its opinions and recommendations on significant matters to the Board of Directors.

Internal Audit Department

The purpose of the Internal Audit is to provide assurance that the activities of the Bank are conducted in accordance with the Law and other applicable legislation and with the internal strategies, policies, principles and targets of the Bank and that the internal control and risk management systems are effective and adequate.

The Internal Audit Department is responsible to ensure that internal audit activities are in line with applicable laws, rules and regulations and the Bank's strategies, policies, principles and targets. The Internal Audit Department oversees the efficiency and adequacy of internal control and risk management systems, and audits the Bank operations with its risks.

The audit reports, that are a result of the audits performed in the departments in line with the risk focused annual audit plan, were submitted to the relevant divisions, top management and Audit Committee to ensure the taking of necessary actions.

Within the scope of internal audit activities in 2017, business processes were prioritized as a result of the risk assessment conducted, and process audits and information systems audits were carried out.

Internal Audit Department have also completed the audits that are required to be carried out every year in accordance with the legislation which are ICAAP Validation, ICAAP Evaluation, Risk Centre Process Audit and Management Declaration that covers 7 Banking Processes and 16 COBIT Control Objectives in the scope as well as risk-based process audits.

In addition to the planned audit engagements, in 2017 the Department also carried out investigations and inquiries, participated in various projects and provided a range of consultancy services requested by the Bank's executive management, when deemed necessary. Internal Audit Department gave the Corporate Risk Culture Training to the Bank staff in 2017.

Operating with 2 staff, Bank of Tokyo-Mitsubishi UFJ, Turkey A.Ş's Internal Audit Department fulfils its responsibilities in an impartial and independent manner, and shared its activities' results with Audit Committee.

Compliance and Internal Control Department

Compliance and Internal Control Department 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 which does not constitute any inconsistencies. 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 Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş., Compliance and 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 considering the segregation of duties principles. 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.

The Compliance and Internal Control Department executes periodic 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. 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.

With regard to preventive control function of the Compliance and Internal Control Department, 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, customer acquisitions 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 review of Compliance 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 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 the Compliance and Internal Control Department to ensure the implementation of additional control activities. In addition, internet banking services are also given by Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş., there are system applications providing early warning mechanisms in Internet Banking. Moreover, necessary coordination activities are being conducted by AML Officer and to make sure that all the requests by MASAK have been fulfilled on a timely basis.

Compliance and Internal Control activities and related trainings are quite important topic at Bank of Tokyo Mitsubishi UFJ Turkey A.Ş. and Group wide. Compliance and Internal Control department is performing training and awareness activities on several topics, especially related to MASAK rules and international sanctions. Training and training results are being reported to MASAK and Top Management in the Bank.

The Bank 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.

The Risk Management Department aims to measure monitor and keep under control the risks the bank may exposed to with reference to methodologies complying with international standards and complying with local regulations.

Credit risk, operational risk, market risk, liquidity risk and business continuity management are executed in Risk Management Department.

Risk Management policies consist of Credit Risk, Market Risk - Trading Accounts, Market Risk-Banking Accounts, Liquidity Risk and Operational Risk, as well as Business Continuity

Management policies. The functions and authorities of the departments and committees included in the risk and control processes are stated in the risk policies.

The 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, capital adequacy calculations and reporting, submission of the risk measurement and risk monitoring results to the Board of Directors, Audit Committee 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 test activities and internal capital assessment process are carried out by the Risk Management Department.

Within the scope of the business continuity plans, the employees are informed via necessary trainings on business continuity management, crisis management and disaster recovery. The organization of business continuity and crisis management tests are organized by Risk Management Department on the dates determined by Risk Management Department.

a) Credit Risk

The Bank monitors and manages credit risks after lending, until the loan is completely reimbursed, cancelled or deleted. According to related regulation, bank assigns credit worthiness to credit customers and uses credit rating system. Besides, legal lending limits and industry-based concentrations are closely monitored. Credit Risk Policy was updated in 2017 and approved by Board of Directors. Risk Management Department also took part in project team for Turkish Financial Reporting Standards 9 compliance project

b) Market Risk

Considering the limits defined in the Market Risk Trading Account and the Market Risk Banking Account policies, risk measurements, daily limit checks are realized, and market risk reports are prepared and reported to legal bodies. Besides, stress tests and scenario analyses are regularly made in accordance with the regulations. The values and indicators related with market risk are shared with Asset and Liability Committee.

c) Operational Risk

With regard to operational risk management Bank's operational risk identified, measured, assessed and risk mitigation actions taken. With this regard, operational risk losses and key

risk indicators are monitored. The Bank's operational risks are assessed on a quarterly basis by Risk Management Department. The results of Control and Self-Assessment study performed once a year throughout bank are shared by senior management. The activities about operational risk area are shared with Risk Committee on a monthly basis. In 2017 insurance policies owned by the bank were reviewed and results were shared with senior management.

d) 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. Liquidity Risk Policy is updated in 2017 and approved by Board of Directors.

e) 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 disruption. The required periodic tests and drills regarding business continuity management are performed and the employees are trained periodically. The business continuity management policy is regularly reviewed. Business Continuity and Crisis Management Committee chaired by General Manager is convened twice in 2017 and assess the practices related with Business Continuity and Crisis Management.

BANK OF TOKYO-MITSUBISHI UFJ TURKEY ANONİM ŐİRKETİ

2017 FISCAL PERIOD

AFFILIATE REPORT

MARCH 2018

1. INTRODUCTION

1.1. Reference

This Affiliate Report (hereinafter shall be referred as the “Report”) has been prepared in line with the liabilities of the board of directors of the controlled companies in accordance with the article 199/1 and 3 of TCC titled as “Reports of controlled and controlling company”. The referred article reads as follows;

“(1) The BoD of the dependent company shall prepare a report regarding the company’s relations with controlling and dependent companies within the first quarter of the activity year. All legal transactions which the company conducted in the previous activity year with the controlling company, with a company dependent on the controlling company, through the direction of the controlling company that serves to its advantage or the advantage of its dependent company and all other measures taken or refrained from being taken to the advantage of the controlling company or of its dependent company in the previous activity year shall be explained in the report. In legal proceedings, the performances and counter performances and the measures used to assess them shall be specified, as well as their advantages and disadvantages to the company. Where there is a provision for compensation for disadvantages, the way the compensation was obtained within the activity year or the advantages gained by the company which provided a right to claim shall also be declared.

....

(3) At the end of the BoD report it shall be explained whether the company, in the circumstances and conditions known to the board at the time at which the company conducted the legal proceeding or took or refrained from taking the measure, obtained appropriate counter performance in relation to each legal proceeding and whether the company incurred any loss due to taking or refraining from taking the measure. If the company incurred loss, the BoD shall specify whether the loss has been compensated for. This explanation shall be only made in the annual report.”

1.2. Principles of the Report

This Report has been prepared in line with the true and fairview accounting principle.

1.3. Period of the Report

This report includes the transactions which carried out by BANK OF TOKYO-MITSUBISHI UFJ TURKEY ANONİM ŞİRKETİ (“Company”) with the controlling company and the other controlled companies of the controlling company in 2017 fiscal period.

1.4. Subject Transactions of the Report

The legal transactions of our Company with the group companies realized in 2017 fiscal year is given below and are subject to detailed explanation with the aim to inform within the content of this Report.

Company	Transaction Detail	Amount (FCY)
The Bank of Tokyo-Mitsubishi UFJ Ltd., London Branch	Pledge fee due to pledged deposit agreement	296.560,46 EUR
The Bank of Tokyo-Mitsubishi UFJ Ltd., London Branch	Pledge fee due to pledged deposit agreement	3.496.998,26 USD
The Bank of Tokyo-Mitsubishi UFJ Ltd., London Branch	Payment for the annual support service which is utilised for IT systems.	72.239,31 GBP
The Bank of Tokyo-Mitsubishi UFJ Ltd., Tokyo	Payment fee Factiva nad World Check service fees	92.780 JPY
The Bank of Tokyo-Mitsubishi UFJ Ltd., Tokyo	Payment fee for global credit application and rating system	781.044 JPY
The Bank of Tokyo-Mitsubishi UFJ Ltd., Tokyo	Payment fee for e-learning license	3.100 JPY
The Bank of Tokyo-Mitsubishi UFJ Ltd., London Branch	Payments for tokens using by Operation.	762,44 GBP
The Bank of Tokyo-Mitsubishi UFJ Ltd., Tokyo	Payment fee Rapport Service using by customer to connect internet banking safely.	38.100 JPY
The Bank of Tokyo-Mitsubishi UFJ Ltd., Tokyo	Payment fee web site using bu Compliance to check sanctioned matters for vessel and transportation.	677,99 USD
The Bank of Tokyo-Mitsubishi UFJ Ltd., Dubai Branch	Payment for General Manager's transportation during Dubai visit.	54,45 USD

2. GENERAL INFORMATION REGARDING THE COMPANY

2.1. Bank of Tokyo-Mitsubishi UFJ Anonim Şirketi

Our Company is registered to the İstanbul Trade Registry with the trade registry number of 855649 and located at the address of Fatih Sultan Mehmet Mahallesi, Poligon Caddesi, Buyaka 2 Sitesi No: 8B, K. 20-21 34771 Tepeüstü, Ümraniye, İstanbul with the activity and scope of engaging in all kinds of banking activities and performing all activities set forth in the relevant articles of Banking Law and other activities as permitted by relevant legislation and Articles of Association of the Company, to be carried out and performed by banks. The Company is registered to the Sarıgazi Tax Office with the tax number of 1400361237.

The contact details of the Company are given as follows:

Type	Number
Telephone	0216 600 3000
Fax	0216 290 6473

The Company has been established as a Joint Stock Company and operating as a bank in line with the operational license permission of Banking Regulation and Supervision Board

announced at Official Gazette dated 24.09.2013 and numbered 28755. The Company is not subject to any public offer.

Web site of the Company is <http://www.tu.bk.mufg.jp/index-tr.html> .

2.2. Capital and Organization Structure of the Company

The capital of the Company amounting to TL 527.700.000,00 has been fully paid in cash prior to its' establishment in line with article 7/f of Banking Law numbered as 5411 and the title of the shareholders, share group, number of shares, share amount, and the ratios have been listed as follows.

Title of the Shareholder	Share Number	Share Amount (TL)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	527.699.996	527.699.996,00
Shinichi Okumura	1	1,00
Kozo Taniwaki	1	1,00
Tatsuhiko Yanagisawa	1	1,00
Shinya Unno	1	1,00
TOPLAM	527.700.000	527.700.000,00

3. CONTROLLING AND CONTROLLED COMPANIES

3.1. Information regarding the Controlling and Controlled Companies

The information of the controlling company and the controlled companies of the controlling company which the Company has engaged a legal transaction in 2017 fiscal period is summarized as below.

Title	Tax ID Number	Address	Status in the Group Companies
The Bank of Tokyo-Mitsubishi UFJ Ltd.	8430357946	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8388 Japan	Parent Company
The Bank of Tokyo Mitsubishi UFJ Ltd, London Branch	2689255625962	Ropemaker Place, 25 Ropemaker Street, London, EC2Y 9AN, United Kingdom	Branch of Parent Company

Title	Tax ID Number	Address	Status in the Group Companies
Mitsubishi UFJ Financial Group, INC	-		Ultimate Parent Company

4. LEGAL TRANSACTIONS REALIZED WITH THE GROUP COMPANIES

The details of the transactions with the group companies are provided in section 1.4. Apart from the fee payments related with pledged deposit agreement, major transactions with The Bank of Tokyo Mitsubishi UFJ LTD, Head Office are related with the license and service fees paid to Tokyo for the systems and applications with an amount of JPY 915.024.

5. PREVENTIONS

With respect to the above stated transactions of our Company with the controlling company and the controlled companies of the controlling company, there is no provided or avoided prevention which may result against our Company.

All legal transactions had been subjected to same procedure, principals and conditions as conducting with other parties outside the group companies by considering Transfer Pricing rules and intercompany SLA. No prevention had been taken as the result of a loss as per the interest or enterprise of the parent and affiliate companies.

6. BOARD OF DIRECTORS DECLARATION

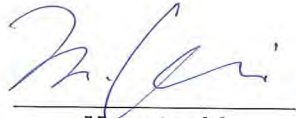
All suitable counter acts has been provided for each legal transaction in line with the known circumstances and conditions on the dates of the realization of the legal transactions mentioned in this report. There is no provided or avoided prevention and within this framework our Company has no losses.

As a consequence of the evaluation, made in line with the article 199 of TCC, of the transactions of our company with the controlling company and the controlled companies of the controlling company; it is understood that all the transactions realized has been made in line with the market conditions and precedents/market values applicable at the date of the transaction as it is made with the third parties.

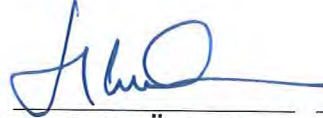
BANK OF TOKYO-MITSUBISHI UFJ TURKEY A.Ş.
BOARD OF DIRECTORS



Ali Vefa Çelik*
Chairman/ Audit
Committee
Member



Masatoshi
Komoriya
Vice Chairman



Çetin Özbek*
Board Member /
Chairman of the
Audit Committee

Jeremy Quinton
Broughton
Board Member



Atsushi Deguchi
General Manager



Aysun Mercan*
Board Member



Neil George
Campbell
Board Member

**İşbu Bağlılık Raporu Türkçe olarak da sunulmuş olup, raporu anladım ve hiçbir itirazım olmadan tümüyle mutabık kaldım.*