

**MUFG BANK
TURKEY
ANNUAL
REPORT
2018**



**We build
financial
bridges
between
Turkey and
Japan.**



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2018 Highlights

Total Assets

TRY 15,710 million

61.4%

Increase in Total Assets

Loan Volume

TRY 9,524 million

42.1%

Increase in Loan Volume

Capital Adequacy Ratio

14.03%

We reinforced our powerful capital structure with a capital adequacy ratio of 14.03%.

Net Profit

TRY 156 million

92.6%

Increase in Net Profit

Deposit Volume

TRY 919 million

277.1%

Increase in Deposit Volume (Except for Bank's Deposit)

Total Equity

TRY 849 million

26.6%

Increase in Total Equity

Global Network



150,000 employees over
50 countries worldwide...

Argentina, Brasil,
Canada, Cayman, Chile,
Colombia, Mexico, Peru,
Venezuela, U.S.A.

Australia, Bangladesh,
Cambodia, China, Hong
Kong, India, Indonesia,
Japan, Korea, Malaysia,
Mongolia, Myanmar,
New Zealand, Pakistan,
Philippines, Singapore,
Sri Lanka, Taiwan, Thailand,
Vietnam

The Americas

**Europe, The
Middle East &
Africa**

Asia & Oceania

Austria, Bahrain, Belgium,
Czech Republic, Egypt, France,
Germany, Iran, Italy, Kazakhstan,
Netherlands, Poland, Portugal,
Russia, Qatar, Saudi Arabia,
South Africa, Spain, Turkey,
U.A.E., United Kingdom

Our Mission, Vision and Values

Our Mission

To contribute to the growth of Turkey by utilizing MUFG's global channels 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

Strive to be fair, transparent and honest. Always act responsibly in the best interest of customers and society as a whole, building long-term stakeholder relationships and giving back to our communities.

Professionalism and Teamwork

Respect the diversity of our fellow workers and foster a strong spirit of teamwork. Expect the highest levels of professionalism.

Challenge Ourselves to Grow

Adopt a global perspective to anticipate trends and opportunities for growth. Create and sustain a responsive and dynamic workplace where everyone can focus on providing outstanding customer service and embrace new challenges.

Board of Directors Declaration

2018 FISCAL YEAR ANNUAL ACTIVITY REPORT

The attached annual activity report, covering our Bank's activities for the fiscal year 2018, 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.

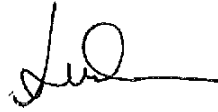
MUFG BANK TURKEY A.Ş. BOARD OF DIRECTORS



Ali Vefa Çelik
Chairman



Hidefumi Yamamura
Vice Chairman



Çetin Özbek
Board Member / Chairman
of the Audit Committee



Toshihiro Okabayashi
Board Member/ Audit
Committee Member



Atsushi Deguchi
General Manager



Aysun Mercan
Board Member



Neil George Campbell
Board Member

Agenda of the Ordinary General Assembly

AGENDA OF MUFG BANK TURKEY A.Ş. YEAR 2018 ORDINARY GENERAL ASSEMBLY MEETING DATED 28 MARCH 2019

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 2018,
3. Discussion on the Independent Auditor's Report for the financial year 2018,
4. Discussion and approval of the financial statements of the financial year 2018,
5. Release of the Members of the Board of Directors for the year 2018 on an individual basis,
6. Informing the General Assembly on the bonus payment of the year 2017 which had distributed to the employees at the year 2018,
7. Discussion on use of profit and determination of dividend distribution,
8. Discussion on the bonus payment of the year 2018 which will be distributed to the employees,
9. Election of BoD members and approval of Mr. Hidefumi Yamamura's appointment as a Board of Directors Member for the remaining duty term of the membership which became empty within the past year,
10. Discussion on the rights of the Board of Directors members as remuneration payment, attendance fee and bonus,
11. Appointment of DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. as the Independent Auditor for financial year 2019,
12. 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,
13. Wishes and Closing.



Hülya Eroğlu
Deputy General Manager



Atsushi Deguchi
General Manager

Independent Auditor's Report on the Management's Annual Report

(Convenience Translation of Independent Auditor's Report on the Management's Annual Report Originally Issued In Turkish)

Deloitte.

To the General Assembly of MUFG Bank Turkey A.Ş.

1) Opinion

As we have audited the full set financial statements of MUFG Bank Turkey A.Ş. ("the Bank") for the period between 01/01/2018–31/12/2018, we have also audited the annual report for the same period.

In our opinion, the financial information provided in the Management's annual report and the Management's discussions on the Bank's financial performance, are fairly presented in all material respects, and are consistent with the full set audited 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 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 Financial Statements

We have presented unqualified opinion for the Bank's full set financial statements for the period between 01/01/2018–31/12/2018 in our Auditor's Report dated 5 March 2019.

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 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 Management's discussions 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, are fairly presented in all material respects, and are consistent with the full set audited financial statements and the information obtained from our audit

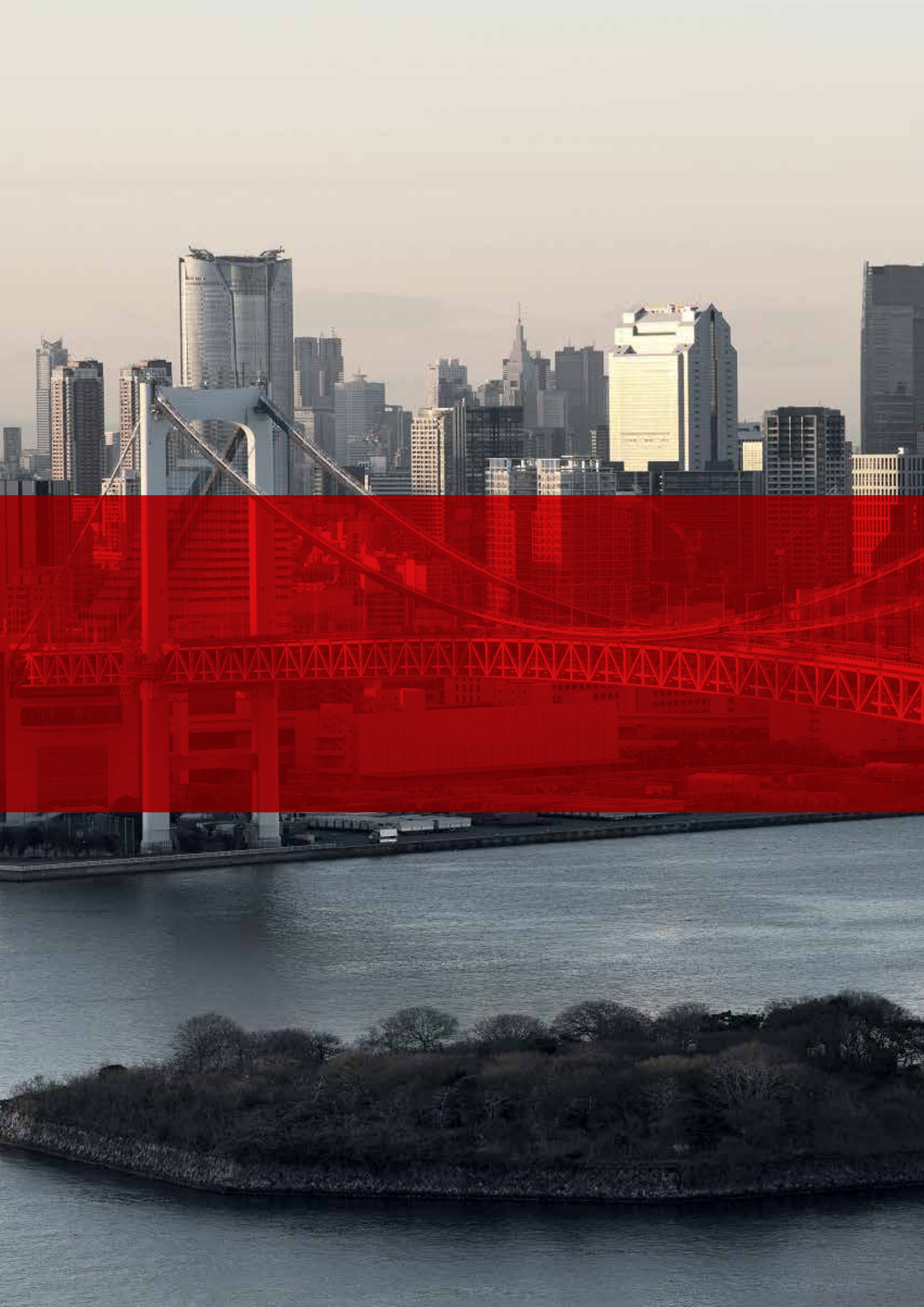
The engagement partner on the audit resulting in this independent auditor's report is Yaman Polat.

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



Yaman Polat
Partner

İstanbul, 12 March 2019





Who We Are...

MUFG Bank Turkey A.Ş. (MUFG Bank Turkey) at a Glance

The roots of MUFG Bank Turkey 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.



Date of Operations	November 28, 2013
Main Shareholder	MUFG Bank, Ltd.
Chairman of the Board	Ali Vefa ÇELİK
President	Atsushi DEGUCHI
Paid-in Capital	TRY 527,700 Thousand
Registered Capital	TRY 527,700 Thousand
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	75 (as of the end of 2018)
No. of Customers	188
Total Assets	TRY 15,710 Million (as of the end of 2018)

MUFG Bank is one of the oldest Japanese Institutions which established an office in Turkey.

The Foundation Date of MUFG Bank Turkey

1986

Registered Capital

**TRY 527,700
Thousand**

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 merged with Mitsubishi Bank and later UFJ bank to form what is now called MUFG Bank, Ltd., is one of the oldest Japanese Institutions which established an office in Turkey.

In December 2012, MUFG 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, MUFG Bank Turkey A.Ş. (“MUFG Bank Turkey”) opened its doors for business on November 28, 2013.

MUFG Bank Turkey, supports local and international corporate customers especially Japan firms located in Turkey with a wide range of banking services. Dedicated to meeting the high standards of value-added products, excellent quality services and customer-oriented business concept by fully utilizing MUFG’s global network, MUFG Bank Turkey continues to take firms steps towards carrying its achievements of stable growth since its establishment into the future.

MUFG Group Structure and MUFG Bank Turkey





* Equity method affiliates

Mitsubishi UFJ Financial Group (MUFG)

MUFG is engaged in a wide range of businesses including Securities, Asset Management and Investor Services.

Total Number of Employees in MUFG Global

150,000

The Number of Countries of Operation

50 countries

Total Assets

USD 2.7 trillion

Our group, MUFG, is one of the world's leading financial groups in terms of total assets and among global systemically important financial institutions (G-SIFIs) with a wide range of businesses and the largest global network among Japanese financial institutions.

Under its premier commercial banking arm, MUFG Bank Ltd., encompassing the Asia Pacific Region, MUFG has MUFG Union Bank which is a retail bank in the United States, Bank of Ayudhya, Thailand's 5th largest bank, as consolidated subsidiaries and strategic investments in Vietin Bank, Security Bank and Bank Danamon, major commercial banks based in the Vietnam, Philippines and Indonesia respectively. In addition to commercial banking, MUFG is engaged in a wide range of businesses including Securities, Asset Management and Investor Services. In 2018, we celebrated the 10th anniversary of our successful strategic partnership with Morgan Stanley.

As of Sep 2018, MUFG's total assets are USD 2.7 trillion and its market capitalization is USD 86.3 billion. With 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 Shareholders & Executive Shares

Shareholders	TRY	(%)
MUFG Bank, 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)
Shintaro Kamiya	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 2018.

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).

Extraordinary General Assembly Meetings within the Year

We did not hold any Extraordinary General Meetings in 2018.

Amendments to the Articles of Association

At the General Assembly meeting that held at the date of 26 March 2018, the amendment draft regarding the change of the 2nd Article of Bank's Articles of Association named "Trade Name of the Bank" stated as below, in accordance of the allowances of Banking Regulatory And Supervisory Agency dated 09.01.2018 numbered 32521522-101.01.04-E.382 and Ministry of Customs and Commerce dated 30.01.2018 numbered 31628193 has been submitted to the shareholders and unanimously approved.

Article 2

Trade Name of the Bank

OLD VERSION:

The Bank's trade name is "BANK OF TOKYO-MITSUBISHI UFJ TURKEY ANONİM ŞİRKETİ."

NEW VERSION:

The Bank's trade name is "MUFG BANK TURKEY ANONİM ŞİRKETİ."

Subsidiaries

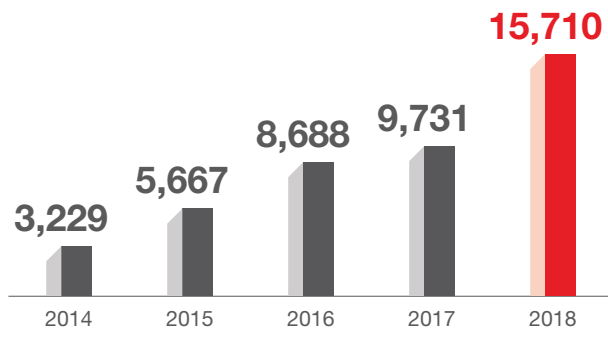
We do not have any subsidiaries.

Yearly Financial Indicators

MUFG Bank Turkey strives to establish a consistently profitable business structure.

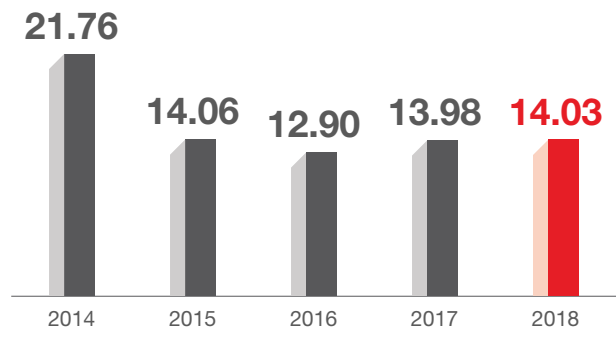
Total Assets TRY Million

MUFG Bank Turkey's total assets reached TRY 15,710 million by the end of 2018.



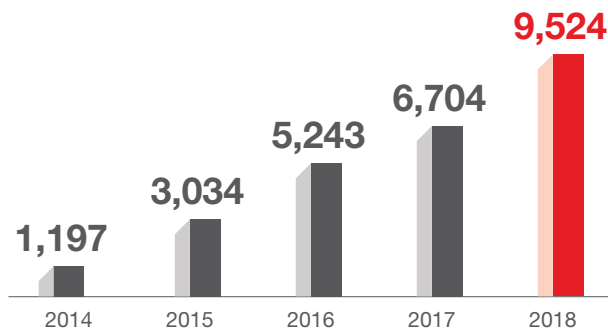
Capital Adequacy Ratio %

MUFG Bank Turkey reinforced its powerful capital structure with a capital adequacy ratio of 14.03%



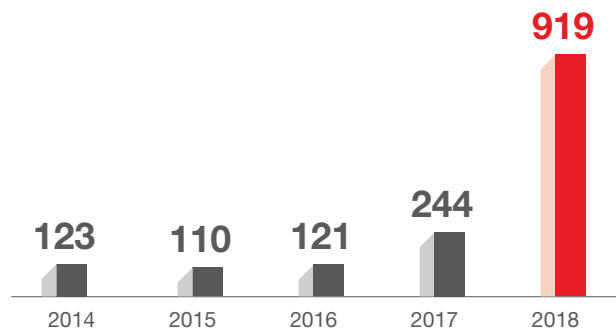
Credit Volume TRY Million

In 2018, MUFG Bank Turkey's credit volume reached TRY 9,524 million.



Deposit Volume (Except for Bank's Deposit) TRY Million

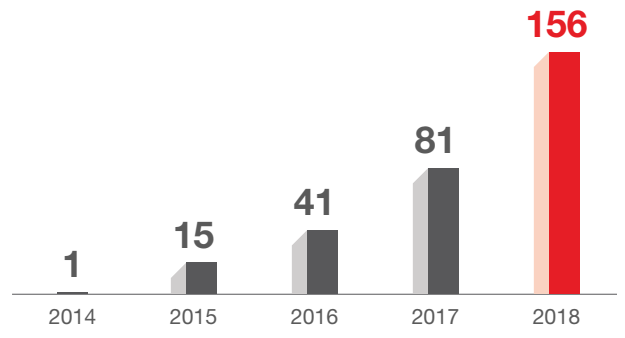
MUFG Bank Turkey's deposit volume increased by 277.1% and reached TRY 919 million.





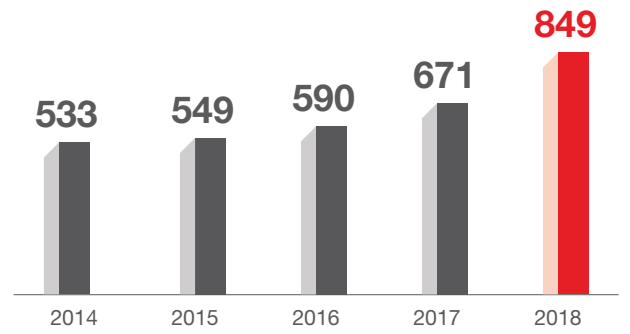
Net Profit TRY Million

In its fifth year of operations, MUFG Bank Turkey's net profit stood at TRY 156 million.



Total Equity TRY Million

As of 31 December 2018, MUFG Bank Turkey's equity has been reported as TRY 849 million.



Evaluation of our Bank's Position in the Sector

MUFG Bank Turkey's mission is to support the development process of Turkey and Turkish-Japanese relations by catering to the needs of our clients.

MUFG Bank 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 corporation, local and foreign financial institutions and multinational corporation active in Turkey. Our mission is to support the development process of Turkey and Turkish-Japanese relations by catering to the needs of our clients in this strategically important market with potential for economic growth.

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.

MUFG Bank 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, the extensive global network and customer base of MUFG especially in Asia Pacific Region, its expertise and experience in corporate banking, and most importantly its commitment to build long-standing relations with customers rooted in its vision to "Be the world's most trusted financial group."

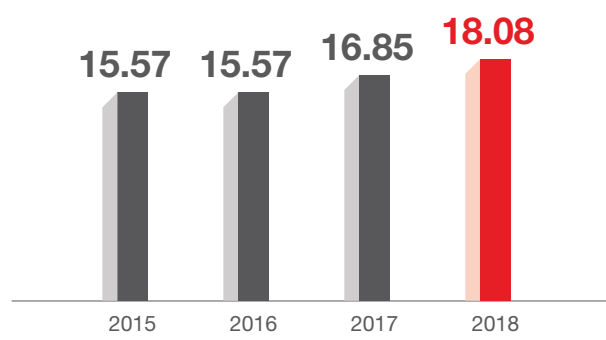
MUFG's worldwide customers, carefully cultivated over the years to sustain long-term customer relations, tend to opt for doing business with MUFG in the local markets. In addition to the advantages brought forward by MUFG Bank Turkey's financial and technical knowledge and experience in banking, this reputational attention creates an added edge for our Bank among its peers.

Now, we have a relationship with most Japanese companies and our business with global and leading Turkish firms has been increasing more and more since our establishment.



Capital Adequacy Ratio of Turkish Banking Sector

Capital adequacy ratio of Turkish Banking Sector realized as 18.08% in September 2018.



Research and Development Activities

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 product portfolio of MUFG Bank 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 are completed in 2018 and we became member for markets under Central Bank of Turkey and Borsa Istanbul and started transactions successfully to secure Turkish Lira liquidity under volatile market environment following the establishment of buffer asset framework. On the other hand, infrastructure activities to add new treasury products are under study to expand our product list throughout 2019 in order to support our clients in hedging of their foreign exchange and various risks.





Credit Rating System

MUFG Bank Turkey uses a credit rating system/methodology to ensure efficient measurement and evaluation of the Credit Risk.

Rating and Assessment Models

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.

Assessment of Financial Status, Profitability and Solvency

Based on its specific needs, MUFG Bank Turkey receives short, medium and long-term funding from international markets.

MUFG Bank, Ltd. (MUFG) 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. MUFG Bank Turkey A.Ş. ("MUFG Bank 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 2018, the Bank's total assets stood at TRY 15,710 million, total loans at TRY 9,524 million and customer deposits except for Bank's deposits at TRY 919 million. Based on its specific needs, the Bank receives short, medium- and long-term funding from international markets.

In its fifth year of operations, the Bank's net profit stood at TRY 156 million. As of 31 December 2018, the Bank's equity has been reported as TRY 849 million, while its capital adequacy ratio stood at 14.03%.





Message from the Chairman and President

As a proud member of the MUFG family, we are committed to building long-standing relationships with our customers, our employees and Turkish society.

Dear Stakeholders,

MUFG Bank Turkey grew bigger, stronger and more resilient in 2018. We extended our successful track record that commenced in November 2013 when we first set out on our journey in Turkey.

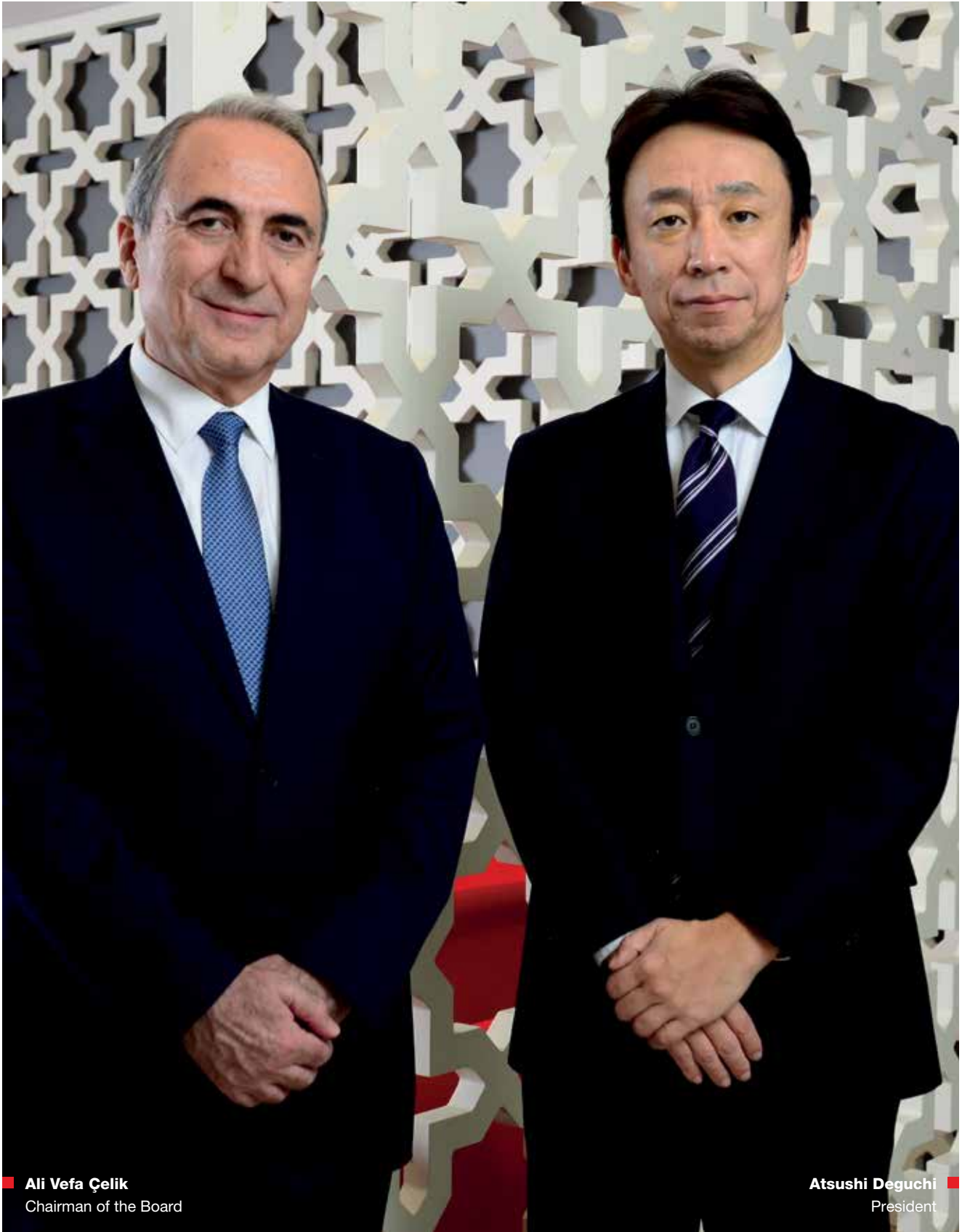
As a proud member of the MUFG family, we are committed to building long-standing relationships with our customers, our employees and Turkish society.

MUFG Bank Turkey enjoys numerous competitive advantages in the market. The Bank consistently maintains a solid financial structure. MUFG Bank Turkey has the capability to fully meet the financial needs of both domestic and multinational enterprises with a wide range of international financing products and services. The Bank boasts an extensive global network and client base as part of MUFG, especially in Asia-Pacific – one of the world's most dynamic and fastest growing regions. Deep expertise and extensive experience in corporate banking give the Bank an edge in an increasingly competitive landscape. Most importantly, MUFG Bank Turkey is committed to fostering long-term customer engagement pursuant to its vision "Be the world's most trusted financial group."

A challenging year for both the global and domestic economy

2018 was a year marked by market volatility. Fluctuations rocked international markets – especially in the second half of the year – due to policy changes by central banks, trade wars, and ongoing geopolitical risks. The US dollar strengthened and risk appetite deteriorated as a result of the Fed's four interest rate hikes and rapid balance sheet reduction over the course of the year. In addition, the ECB drew down its asset purchase program as of December. These key developments led to the end of expansionary monetary policies and the high liquidity environment which had been the norm since 2008. Meanwhile, US-China trade wars fueled concerns about global growth. In the last quarter of the year, a major sell-off wave, not witnessed in recent years, roiled equity markets due to the Fed's tight monetary policy and rising US bond interest rates.

Turkey's markets faced increased volatility and sales pressure due to rising political and geopolitical risks coupled with the country's sovereign credit rating downgrades. Following US sanctions on Turkey in August, rapid capital outflows resulted and the Turkish lira fell to historic lows. At its meeting in September, the Turkish Central Bank conveyed a strong message to the markets by hiking its benchmark rate 625 basis points. By the end of the year, easing tensions in US-Turkey relations led the Turkish lira to make up most of the losses it experienced in third quarter. However, financial market fluctuations and the steep decline in the Turkish lira caused inflation to jump to over 20%. Economic growth in Turkey, which surpassed 5% in the first half of the year primarily due to credit expansion, is expected to close the year in negative territory. The sharp slowdown in consumer and investment spending,



Ali Vefa Çelik
Chairman of the Board

Atsushi Deguchi
President

Message from the Chairman and President

At year-end 2018, MUFG Bank Turkey reported total assets of TRY 15,710 million, up 61% year-on-year.

as a result of tightening financial conditions, is expected to have a cascade effect through the economy and dampen growth.

Despite the many difficulties faced by Turkey's economy, thanks to timely and appropriate measures taken by the Central Bank and the Banking Regulation and Supervision Agency, the Turkish banking industry remained resilient and sound.

Even in this highly volatile global and domestic environment, MUFG Bank Turkey recorded strong results in 2018.

At year-end 2018, MUFG Bank Turkey reported total assets of TRY 15,710 million, up 61% year-on-year.

Loans, the major component of our Bank's assets, totaled TRY 9,524 million at year's end, up 42% compared to 2017. A breakdown of our loan portfolio shows that 20% of loans are denominated in TRY and 80% are in foreign currencies. Receivables from banks, the other key item of the Bank's assets, amounted to TRY 2,504 million, excluding receivables from the Central Bank of Turkey.

On the liabilities side, MUFG Bank Turkey's borrowings totaled TRY 8,696 million in 2018. Demand and time deposits from non-Bank clients amounted to TRY 919 million. At end-2018, the Bank reported total shareholders' equity of TRY 849.2 million, up TRY 178.6 million. Equity calculated for the capital adequacy ratio was TRY 858.2 million while the capital adequacy ratio was 14.03% for the year.

MUFG Bank Turkey reported net interest income of TRY 559 million in 2018. Profit before taxes from continuing operations amounted to TRY 198.1 million. The Bank's net income after tax & provisions was TRY 155.8 million for the fiscal year.

In 2018, our return on average equity improved from 12.8% to 20.5%, compared to the previous year.

Year 2018 was the year when MUFG Bank Turkey faced challenges in securing TRY fund after the market turmoil in August 2018.

With its strong commitment to the customers, MUFG Bank Turkey made extra efforts to maintain ample Turkish Lira liquidities so that it can continuously support the customers. Additionally, MUFG Bank Turkey started multiple initiatives such as becoming a member of TRY/FX market under Central Bank of the Republic of Turkey, and entering newly-opened swap market under BORSA Istanbul stock exchange, which made the Bank more resilient.

MUFG Bank Turkey ranked number one in terms of total assets among banks with one location as of September 2018, according to Banks Association of Turkey data.

In addition to striving to achieve its financial targets, MUFG Bank Turkey is working to make a positive social impact.

Early in 2018, MUFG entered into a four-year partnership with Laureus Sport for Good Foundation to positively impact the lives of young people. The "Sneakers for Good" campaign requested that famous sports personalities wear sneakers with their formal attire at the Laureus World Sports Awards ceremony. This innovative idea originated from a desire to increase the awareness of Laureus' work. Laureus uses the power of sport to end violence, discrimination and disadvantage, proving that sports can change the world. With the support of our colleagues, MUFG Bank Turkey became a part of the campaign and raised funds to support this worthwhile cause.

At MUFG Bank Turkey, we aim to ramp up its business activities driven by our deep conviction and commitment to our customers and the Turkish market.

We plan to contribute even more to Turkey's economy.

Our mission is to support Turkey's economic development and Turkish-Japanese trade relations by catering to the needs of our customers in this strategically important, high growth market. At MUFG Bank Turkey, – the only Japanese bank with a banking license in Turkey – we aim to ramp up our business activities driven by our deep conviction and commitment to our customers and the Turkish market.

Under the turbulent environment, MUFG Bank Turkey understands a long-term perspective is necessary to sustain its success. First, we must accurately read emerging long-term trends and identify the real-world issues that Turkey and our customers are sure to encounter. Second, we must help solve these issues using our powerful core capabilities and competitive advantages. Third, we must invest in readying our team for this ever-challenging, ever-changing landscape.

At MUFG Bank Turkey, we would provide strong and appropriate support to our customer base – such as Japanese companies operating in Turkey or looking for opportunities to operate in Turkey and Turkish enterprises seeking to collaborate with Japanese companies – by capitalizing on our robust commercial banking capabilities and global network.

We believe that this approach will have a positive impact on our customers, Japan-Turkey relations and Turkey, helping them to address the issues they face and grow further.

To serve our customers better, MUFG Bank Turkey will continuously strengthen our organization, expand our product and service coverage, and diversify our funding capabilities.

We would like to extend our gratitude to our employees who helped us close our sixth year in operation with exceptional success; our strategic partners for their unwavering support; and most importantly, to our customers who help move us forward into the future with their trust in us.

Respectfully yours,



Ali Vefa Çelik
Chairman of the Board



Atsushi Deguchi
President



A professional photograph of a man in a light blue suit and patterned tie, looking off to the side with a slight smile. In the foreground, the back of another person's head is visible, slightly out of focus. A red horizontal band is overlaid across the middle of the image, containing the text.

Management & Corporate Governance

Board of Directors

Ali Vefa Çelik Board Chairman

Ali Vefa Çelik graduated from the 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 MUFG Bank Turkey since June 2013, Mr. 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 has been Chief Operating Officer for EMEA of The MUFG Bank, Ltd., which covers 20 countries through 29 offices and approximately 2,000 employees in EMEA, since May 2017. He has over 27 years' experience in banking, having worked across Japan, the USA and EMEA and mainly developing his career in strategic planning, such as branch network optimization 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's 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 MUFG Bank Turkey. Due to his appointment in MUFG New York Office, he resigned from his duties in MUFG Bank Turkey as of October 2018.

Hidefumi Yamamura Board Vice Chairman

Hidefumi Yamamura is Chief Operating Officer for EMEA of MUFG Bank, Ltd., which covers 20 countries through 29 offices and approximately 2,000 employees in EMEA,

since May 2018. He has over 25 years' experience in banking, having worked across Japan, the USA and EMEA and mainly developing his career in strategic planning, corporate governance and regulatory related matters. Hidefumi Yamamura was educated at Keio University in Tokyo, where he received a Bachelor's of Economics degree. He also holds a Master's degree in Law and Diplomacy from Tufts University, Fletcher School of Law & Diplomacy. In October 2018, he was appointed as the Vice Chairman of the Board of Directors of MUFG Bank Turkey.

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 MUFG Bank, Ltd. and Mitsubishi Securities USA, Inc. He was appointed as the President of MUFG Bank Turkey in August 2016.

Çetin Özbek Board Member Chairman of the Audit Committee

Çetin Özbek graduated from the Economic and Administrative Sciences Department of Hacettepe University and the MBA program 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 past 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 MUFG Bank, Ltd., in 2013. He was appointed as a member of the Board of Directors of MUFG Bank Turkey in March 2014. He was dismissed from Board of Directors of MUFG Bank Turkey at the General Assembly Meeting held at March 2018.

Toshihiro Okabayashi
Board Member

Toshihiro Okabayashi was educated at Tokyo University, Faculty of Engineering in Japan. He has over 28 years' experience in banking, having worked across Japan and EMEA which he advanced his career. He works as General Manager at Risk Management Division of MUFG EMEA Region which covers 20 countries through 29 offices and approximately 2,000 employees since 2018. In March 2018, he was appointed as a Board Member of the Board of Directors of MUFG Bank Turkey.

Neil George Campbell
Board Member

Neil George Campbell graduated from London University BSc Economics (First class honors). He started his banking carrier in 1982 in County Bank. He joined MUFG Bank, Ltd. 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 MUFG Bank 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 program 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 MUFG Bank Turkey in January 2016.

Board Member Changes

26.03.2018 – **Toshihiro Okabayashi** appointed as a Board Member as a successor of **Jeremy Quinton Broughton**.

12.10.2018 – **Hidefumi Yamamura** appointed as Vice Chairman of the Board as a successor of **Masatoshi Komoriya**.

Top Management

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 MUFG Bank, Ltd. and Mitsubishi Securities USA, Inc. He was appointed as the President of MUFG Turkey in August 2016.

Shinichi Okumura Deputy President – Finance and Information Technologies

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 MUFG Bank Turkey in July 2017. His duty area changed to Finance and Information Technologies in July 2018.

Hülya Eroğlu Deputy President – Operations, Human Resources and General Affairs

Hülya Eroğlu 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 MUFG Bank Turkey in 2013 and was assigned as the Deputy President responsible for Information Systems, Operations, Human Resources and General Affairs in April 2016. Her duty area changed to Operations, Human Resources and General Affairs in July 2018.

Ayşe Zadiil Managing Director – Corporate Banking

Ayşe Zadiil graduated from the Department of Management of Bosphorus University, Turkey and holds an MBA from Cornell University. 22 years of her 23-year work experience has been in the field of corporate banking. She joined MUFG Bank Turkey in April 2016.

Kozo Taniwaki Director – Planning

Kozo Taniwaki is a university graduate and has 22 years of experience in the banking industry. He has been working at MUFG Bank Turkey since January 2017.

Önder Gökalp Director – Finance

Önder Gökalp is a university graduate and he has a master's degree in International Business Management. 20 years of his 23-year work experience has been in the banking industry. He has been working at MUFG Bank Turkey since May 2013.

Tatsuhiko Yanagisawa Director – Corporate Banking

Tatsuhiko Yanagisawa is graduated from Waseda University, political Science and Economics department. He joined MUFG in 2000. After 7 years' experience in commercial banking office in Tokyo, he has engaged in Japanese Corporate banking business in Hong Kong for 3 years. After that, he belonged to Osaka-Corporate Banking Division for 4 years and then transferred to MUFG Bank Turkey in 2014, engaging in Japanese Corporate banking business.

Berna Canbulat Director – Operations

Berna Canbulat is a university graduate and has 26 years of experience in the banking industry. She has been working at MUFG Bank Turkey since March 2013.

Tuğba Özmen Director – Corporate Banking

Tuğba Özmen is a university graduate and holds master's degree. Having over 14 years banking experience, she joined MUFG Bank Turkey as of December 2018.

Cenk Ertunç Ulak Director – Credit

Ertunç Ulak is a university graduate and holds an MBA. He has 20 years of banking experience and has been working at MUFG Bank Turkey since November 2016.

Management of Internal Systems Departments

Mehmet Ersoylu

Director – Information Technology

Mehmet Ersoylu is a university graduate. 17 years of his 23-year work experience has been in the field of Information Technologies in the banking industry. He has been working at MUFG Bank 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. 9 years of his 21-year work experience has been in the banking industry and has been working at MUFG Bank Turkey since May 2017.

Fatma Eylem Ekmekçi

Director – Transactional Banking

Fatma Eylem Ekmekçi, is a university graduate from METU BA. 24 years of banking experience in Corporate Banking, Commercial Banking, Strategy and Business Development and Transactional Banking. She has been working at MUFG Bank Turkey since May 2018.

Onur İlgen

Director – Treasury

Onur İlgen is a university graduate and holds a master's degree in Financial Engineering. He has 11 years of experience in the banking industry and has been working at MUFG Bank Turkey since May 2013.

Sinem Emirođlu

Director – Financial Institutions

Sinem Emirođlu is a university graduate from METU. Having more than 20 years of experience in the banking industry, she has been working at MUFG Bank Turkey since October 2018.

Ođuzhan Öner

Director – Internal Audit

Ođuzhan Öner is a university graduate and holds a master's degree. He has 19 years of experience in banking industry and has been working at MUFG Bank Turkey since October 2015.

Selçuk Altun

Vice President – Risk Management

Selçuk Altun, is a university graduate and he holds a master's degree. 14 years of his 15 years work experience has been in the field of Risk Management in the banking industry. He has been working at MUFG Bank Turkey since August 2014.

Onur Üre

Director – Compliance and Internal Control

Onur Üre is a university graduate and has 20 years of experience in the banking industry. He has been working at MUFG Bank Turkey since July 2016.

Committees

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 2 meetings in 2018.

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
Toshihiro Okabayashi – Member

Toshihiro Okabayashi appointed as an Audit Committee Member on 04.09.2018 instead of Ali Vefa Çelik.

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. Ali Vefa Çelik which he started on 11.12.2017, has been terminated as he resigned his duty by BoD resolution dated 04.09.2018 numbered 2018/166 and Mr. Toshihiro Okabayashi, Board of Directors Member, 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 8 times in 2018.

REMUNERATION COMMITTEE

Ali Vefa Çelik – Chairman
Hidefumi Yamamura – 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 2 meetings in 2018.

RISK COMMITTEE

Çetin Özbek – Chairman
Selçuk Altun – 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, 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 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 11 times in 2018.

OTHER COMMITTEES

Asset-Liability Committee

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 25 times in 2018.

Executive Committee

The Executive Committee is held for sharing information between top management and discussing the issues that requires to be resolved. At this Committee top management gets informed about the developments within the Bank. The Committee convenes on a weekly basis.

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 & Meetings

As a rule, physical meetings of the Board of Directors are held minimum 4 times a year at MUFG Bank 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 2018, the Board of Directors held 232 meetings, 4 of which were physical meetings, and the attendances were regular with respect to quorum.

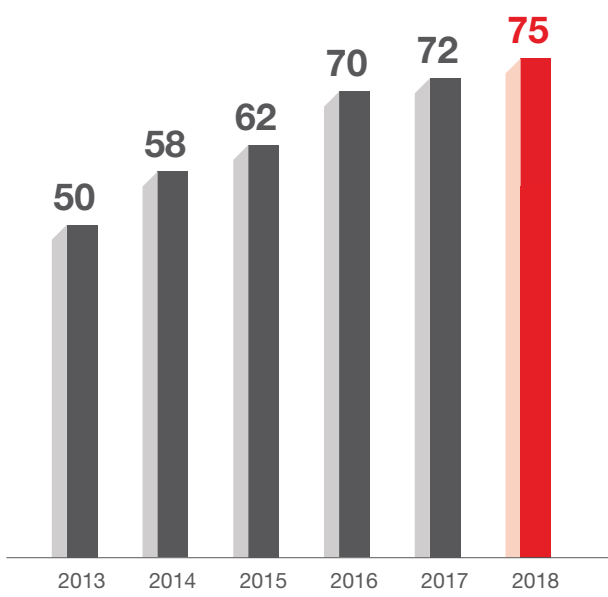
Human Resources

To assure a transparent and methodical approach to remuneration, MUFG Bank Turkey applies a standardized organizational grading structure with partnership of IMA Consultancy.

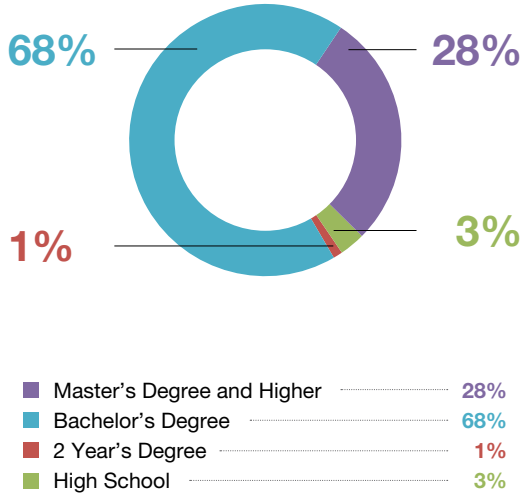
In line with our corporate vision “to be the world’s most trusted financial group,” we paid special attention to gather high caliber professionals committed to this vision.

Our team has grown from 72 at the end of 2017 to 75 people by the end of 2018.

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

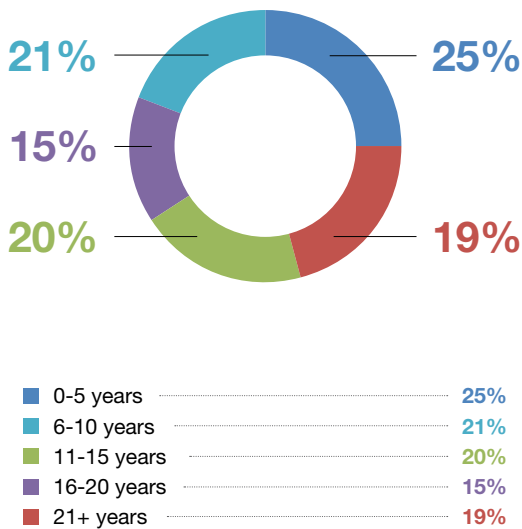


96% of our employees with an average age of 39 hold bachelor's degree or higher:



MUFG Bank Turkey A.Ş. 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 MUFG Bank Turkey. To assure a transparent and methodical approach to remuneration, MUFG Bank 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 2018, 75 members of staff received 1122 hours of professional training, 402 hours of which were provided internally and 720 hours by third parties. Throughout the year, each MUFG employee received an average 14,9 hours of training.

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



CORPORATE SOCIAL RESPONSIBILITY

Earlier this year MUFG entered into a four year partnership with Laureus to positively impact the lives of young people. 'Sneakers for Good' campaign, a request was made to the sporting personalities attending to wear sneakers with their formal business wear, originated from a desire to increase the awareness of Laureus' work. Laureus uses the power of sport to end violence, discrimination and disadvantage, proving that sport can change the world. With the support of our colleagues, MUFG Bank Turkey became a part of the campaign and raised fund to support the campaign.

Collaboration with Junior Achievement, we welcomed 8 students from different High Schools to our Bank. They spent a day in different departments to observe business life, and had chance to ask questions related with business life and banking sector.

On International Women's Day, we all wore purple as a symbol for women's equality. We welcomed our guest speaker Sinem Altuncu who is chairwomen at EUROGIA2020, to discuss gender equality with all colleagues.

MUFG Bank Turkey A.Ş. did not make any donations in 2018.

Transactions of MUFG Bank Turkey with the Related Risk Group

(TRY Thousand)

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	3,200	188,077	16,144	56,031
Balance at end of period	0	0	4,501	169,894	17,018	90,789
Interest and commission income	0	0	0	382	267	189

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	806	138,226	12,324	26,708
Balance at end of period	0	0	3,200	188,077	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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	0	0	0	0	2,433,469	2,955,846
Balance at end of period	0	0	0	0	4,990,937	2,433,469
Deposit Interest Expense	0	0	0	0	90,636	6,515

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	0	0	0	0	0	0
Balance at beginning of period	0	0	0	0	6,163,682	4,944,135
Balance at end of period	0	0	0	0	8,695,691	6,163,682
Interest Expense	0	0	0	0	116,975	6,504

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	0	0	0	0	0	0
Balance at beginning of period	0	0	18,569	0	6,714,226	7,293,362
Balance at end of period	0	0	83,527	18,569	9,480,708	6,714,226
Total Profit/Loss	0	0	-104	34	-31,022	-62,858

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.Ş.	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
MUFG Bank, 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

Board of Directors Summary Report

Welcome to our Bank's Ordinary General Meeting of 2018. We sincerely salute our stakeholders and our guests who honor our meeting where the reports of the Board of directors and Auditors and the statements of profit for the fiscal year 2018 will be submitted for your review and consent.

Before reporting our financial results, we'd like to review the market development in 2018. 2018 was a year marked by market volatility. Fluctuations rocked international markets – especially in the second half of the year – due to policy changes by central banks, trade wars, and ongoing geopolitical risks. The US dollar strengthened and risk appetite deteriorated as a result of the Fed's four interest rate hikes and rapid balance sheet reduction over the course of the year.

Turkey's markets faced increased volatility and sales pressure due to rising political and geopolitical risks coupled with the country's sovereign credit rating downgrades. Following US sanctions on Turkey in August, rapid capital outflows resulted and the Turkish lira fell to historic lows. The sharp slowdown in consumer and investment spending, as a result of tightening financial conditions, is expected to have a cascade effect through the economy and dampen growth.

Despite the many difficulties faced by Turkey's economy, thanks to timely and appropriate measures taken by the Central Bank and the Banking Regulation and Supervision Agency, the Turkish banking industry remained resilient and sound.

Even in this highly volatile global and domestic environment, MUFG Bank Turkey grew bigger, stronger and more resilient in 2018.

At year-end 2018, MUFG Bank Turkey reported total assets of TRY 15,710 million, up 61% year-on-year.

Loans, the major component of our Bank's assets, totaled TRY 9,524 million at year's end, up 42% compared to 2017. Receivables from banks, the other key item of the Bank's assets, amounted to TRY 2,504 million, excluding receivables from the Central Bank of Turkey.

On the liabilities side, MUFG Bank Turkey's borrowings totaled TRY 8,696 million in 2018. Demand and time deposits from non-Bank clients amounted to TRY 919 million. At end-2018, the Bank reported total shareholders' equity of TRY 849.2 million, up TRY 178.6 million. The capital adequacy ratio was 14.03% for the year.

MUFG Bank Turkey reported net interest income of TRY 559 million in 2018. The Bank's net income after tax & provisions was TRY 155.8 million for the fiscal year. In 2018, our return on average equity improved from 12.8% to 20.5%, compared to the previous year.

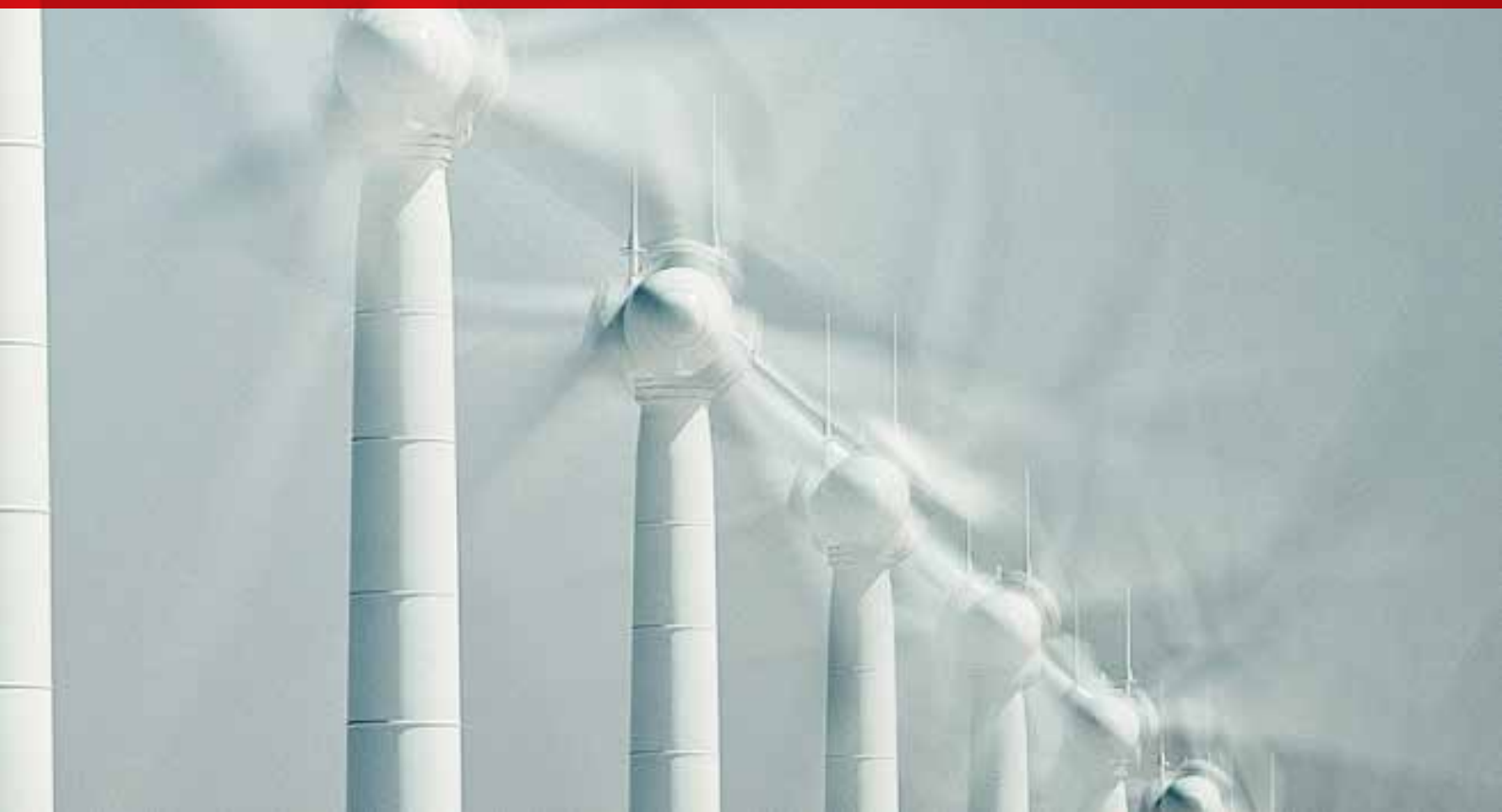
We will continuously strengthen our organization, expand our product and service coverage, and diversify our funding capabilities to serve our customers better and achieve further growth.

Respectfully yours,

BOARD OF DIRECTORS



Internal Systems



Assessment of Internal Systems by 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 with Risk Management departments. These departments constituting internal systems act in coordination and 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.

Audit Committee Chairman who is also responsible for internal systems monitors internal systems departments' activities on a daily basis. 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 in compliance with its legal responsibilities related to informing Board of Directors regarding activities of the Committee. 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 2018, 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 2018 the Department also carried out 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 performed the Fraud Awareness training to the Bank staff in 2018.

Operating with 3 staff, MUFG Bank 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 MUFG 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 MUFG Bank 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. The main goals of the Internal Control activities are to protect the Bank's assets, ensure that all operations are carried out in compliance with the banking laws and regulations and by laws, and to ensure the accuracy and safety of all accounts and records. 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 as a second line of defense function, and it also functions as a supervisor to design and ensure the sound operation of such first line of defense 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 such as Sanctions 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

Assessment of Internal Systems by Audit Committee

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 systematically 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 MUFG Bank 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 MUFG Bank 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 and considering the trainings are being conducted at Group level. 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 MUFG family are utilized and the required training and information activities to increase the knowledge and skills of the employees are organized.

Risk Management Department

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 Risk Appetite, 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 adequacy 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 coordination of business continuity and crisis management tests are handled 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.

b) Market Risk

Considering the limits defined in the Market Risk Trading Book and the Market Risk Banking Book 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 semi-annually basis by Risk Management Department. The results of Control and Self-Assessment study performed once a year throughout bank are shared with senior management. The activities regarding operational risk area are shared with Risk Committee on a monthly basis.

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.

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. Practices related with business continuity and crisis management are assessed in Risk Committee on monthly basis. Business Continuity and Crisis Management Committee chaired by General Manager is convened when needed to assess the crisis/disaster.



MUFG BANK TURKEY ANONİM ŐIRKETİ
2018 Fiscal Period
Affiliate Report
March 2019



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 MUFG BANK TURKEY ANONİM ŞİRKETİ (“Company”) with the controlling company and the other controlled companies of the controlling company in 2018 fiscal period.

1.4. Subject Transactions of the Report

The legal transactions of our Company with the group companies realized in 2018 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)
MUFG Bank, Ltd., London Branch	Pledge fee due to pledged deposit agreement	729,386.29 EUR
MUFG Bank, Ltd., London Branch	Pledge fee due to pledged deposit agreement	5,959,566.23 USD
MUFG Bank, Ltd., London Branch	Payment for the annual support service which is utilised for IT systems.	80,664.38 GBP
MUFG Bank, Ltd., London Branch	Payment commission for securities lending transaction	777,863 JPY
MUFG Bank, Ltd., London Branch	Payment for travel expense for plane ticket fee	276.21 GBP
MUFG BANK, Ltd., Tokyo	Payment fee Factiva nad World Check service fees	132,292 JPY
MUFG BANK, Ltd., Tokyo	Payment fee for global credit application and rating system	2,337,026 JPY
MUFG BANK, Ltd., Tokyo	Payment fee for Workday application	12,279 USD
MUFG BANK, Ltd., Tokyo	Payment fee Rapport Service using by customer to connect internet banking safely.	28,680 JPY
MUFG BANK, Ltd., Tokyo	Payment fee for global zeus application	13,000 JPY
MUFG BANK, Ltd., Tokyo	Payment for meal expense	19,442 JPY

2. GENERAL INFORMATION REGARDING THE COMPANY

2.1. MUFG Bank Turkey 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 Alemdağ 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)
MUFG Bank Ltd.	527.699.996	527.699.996,00
Shinichi Okumura	1	1,00
Kozo Taniwaki	1	1,00
Tatsuhiko Yanagisawa	1	1,00
Shintaro Kamiya	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 2018 fiscal period is summarized as below.

Title	Tax ID Number	Address	Status in the Group Companies
MUFG Bank, Ltd..	8430357946	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8388 Japan	Parent Company
MUFG Bank, Ltd., Londra Branch	2689255625962	Ropemaker Place, 25 Ropemaker Street, London, EC2Y 9AN, United Kingdom	Branch of Parent Company
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 MUFG Bank Ltd., Head Office are related with the license and service fees paid to Tokyo for the systems and applications with an amount of JPY 2.510.926.

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.

MUFG BANK TURKEY A.Ş. BOARD OF DIRECTORS

Ali Vefa Çelik*
Chairman

Hidefumi Yamamura
Vice Chairman

Çetin Özbek*
Board Member / Chairman
of the Audit Committee

Toshihiro Okabayashi
Board Member / Audit
Committee 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.

MUFG BANK TURKEY A.Ş
(FORMERLY BANK OF
TOKYO-MITSUBISHI UFJ TURKEY A.Ş.)

PENDENT AUDITORS' REPORT, UNCONSOLIDATED
FINANCIAL STATEMENTS AND FOOTNOTES
FOR THE YEAR ENDED 31 DECEMBER 2018

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED
DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH)



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(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of MUFG Bank Turkey A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of MUFG Bank Turke A.Ş. (“the Bank”), which comprise the balance sheet as at 31 December 2018, and the statement of income, statement of income and expense items accounted under shareholders' equity, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

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 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 responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the *Code of Ethics for Independent Auditors* (“Code of Ethics”) published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical 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 opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p>Impairment of loans in accordance with TFRS9</p> <p>Impairment of loans is a key area of judgement for the management. The Bank has the total loans and receivables amounting to TRY 9.538.496 thousands, which comprise 61% of the Bank's total assets in its unconsolidated financial statements and the total provision for impairment amounting to TRY 14.810 as at 31 December 2018.</p> <p>As of 1 January 2018, the Bank has started to recognize provisions for impairment in accordance with the TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this respect, as of 31 December 2017, the method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Note XXVI of Explanation on Accounting Policies has been changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.</p> <p>The Bank exercises significant decisions using judgement, interpretation and assumptions over calculating loan impairments. These judgements, interpretations and assumptions are key in the development of the financial models built to measure the expected credit losses on loans.</p> <p>There is a potential risk that, impairment losses provided or will be provided may not meet the requirements of the TFRS 9. Failure in determining the loans and receivables that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans is considered as a key audit matter.</p> <p>Related explanations relating to the impairment of loans and receivables are presented in Section 5 Note I.6.</p>	<p>As part of our audit work, the following procedures were performed:</p> <p>We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Bank with respect to classification of loans and determination and calculation of impairments. Our information system experts have also participated to perform these procedures.</p> <p>We have read and analysed the relevant contract terms to assess management's accounting policy and classification of the instrument for selected samples.</p> <p>We have performed loan review procedures on selected samples of loans and receivables with the objective of identifying whether the loss event had occurred and whether the provision for impairment has been recognized in a timely manner within the framework of the provisions of the relevant legislation.</p> <p>We have tested relevant inputs and assumptions used by the management in each stage of the expected credit loss calculation by considering whether the inputs and assumptions appear reasonable, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and allocation, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.</p> <p>We have tested historical loss data to validate the completeness and accuracy of key parameters.</p> <p>We have tested whether the model is applied to appropriate asset groups which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions representative of those that may exist during the assets' exposure periods.</p>

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	<p>We tested the application of the model to the relevant inputs and the mathematical integrity of each stage of the expected credit loss calculation.</p> <p>Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements underlying the estimations of impairments were reasonable.</p> <p>Our specialists are involved in all procedures related to models and assumptions.</p> <p>We have reviewed disclosures made within the TFRS 9 framework in the financial statements of the Bank with respect to loans and receivables and related impairment provisions.</p>
<p>Key Audit Matter</p>	<p>How the matter was addressed in the audit</p>
<p><i>First time adoption of TFRS 9</i></p> <p>As of 1 January 2018, the Bank started to recognize provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. TFRS 9 standard introduced significant changes in accounting policies and required adjustments to be made to the amounts previously recognized in accordance with the transition rules.</p> <p>For the first time adoption of TFRS 9, the Bank included more significant estimates and judgments in determining the business model and the cash flows characteristics of contracts. Since the Bank had a fundamental change in its financial reporting framework and had an impact on many significant financial statement line-items, the first time adoption of TFRS 9 has been considered as a key audit matter.</p> <p>Explanations on the equity effects of TFRS 9 transition are disclosed in Section 3 Note XXIV.</p>	<p>As part of our audit work, the following procedures were performed:</p> <p>The Bank's IFRS 9 policy of the classification of financial assets and financial liabilities has been read and compared with the requirements of TFRS 9.</p> <p>The Bank's contractual cash flows tests for its financial instruments have been reviewed, its criteria and results have been evaluated.</p> <p>The appropriateness of the opening balance adjustments and the disclosures presented were checked.</p> <p>The procedures applied for the expected credit losses are set out in the key audit matter related to the “Impairment of loans in accordance with TFRS 9” above.</p>

4) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Reporting Regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January - 31 December 2018 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

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

Additional Paragraph for English Translation

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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



Yaman Polat
Partner

İstanbul, 5 March 2019

**UNCONSOLIDATED FINANCIAL REPORT OF MUFG BANK TURKEY A.Ş.
(FORMERLY NAMED AS BANK OF TOKYO-MITSUBISHI UFJ TURKEY A.Ş.)
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2018**

Address : FSM Mahallesi Poligon Caddesi, Buyaka 2
Sitesi, No 8B, Kat 20-21 34771 Tepeüstü
Ümraniye/İstanbul
Telephone : 216 600 30 00
Fax : 216 290 64 73
Web Site : www.tu.bk.mufg.jp
Contact E-Mail : info@tu.mufg.jp

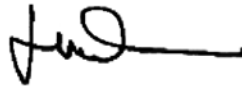
The unconsolidated year-end financial report prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

1. GENERAL INFORMATION ABOUT THE BANK
2. UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
3. EXPLANATIONS ON THE CORRESPONDING ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
4. INFORMATION ON FINANCIAL STRUCTURE OF THE BANK AND RISK MANAGEMENT
5. EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
6. OTHER EXPLANATIONS
7. INDEPENDENT AUDITORS' REPORT

The unconsolidated financial statements and the explanatory footnotes and disclosures unless otherwise indicated, are prepared in **thousands of Turkish Lira**, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently audited and presented as attached.



ALİ VEFA ÇELİK
Chairman of the Board of
Directors



ÇETİN ÖZBEK
Chairman of the Audit
Committee



TOSHİHIRO OKABAYASHİ
Member of the Audit
Committee



ATSUSHİ DEGUCHİ
General Manager



SHİNİCHİ OKUMURA
Deputy General Manager



ÖNDER GÖKALP
Finance Director

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MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

SECTION ONE

GENERAL INFORMATION

I. **History of the Bank Including Its Incorporation Date, Initial Status and Amendments to the Initial Status**

The Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. (“Bank”) began its activities in Turkey through a representative office opened in 1986. Banking Regulation and Supervisory Agency (BRSA) authorized the Bank to establish a deposit bank in Turkey with the decision numbered 5108 dated 20 December 2012. In accordance with the operation license granted by the BRSA as per the decision numbered 5520 dated 19 September 2013 and published on the Official Gazette no 28775 dated 24 September 2013, the Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. commenced its operations within the group of foreign banks established in Turkey as of 28 November 2013. According to the decision of Board of Directors dated 16 November 2017, the procedures had been decided to start to change the name of the Bank with MUFG Bank Turkey A.Ş and name of bank changed with MUFG Bank Turkey A.Ş at 2 April 2018.

II. **Shareholder Structure, Shareholders Having Direct or Indirect, Joint or Individual Control Over the Management and Internal Audit of the Bank, Changes in Shareholder Structure During the Prior Year, if any and Information on the Bank’s Risk Group**

Established by the merger of Tokyo-Mitsubishi Ltd and UFJ Ltd on 1 January 2006, the Bank of Tokyo-Mitsubishi UFJ Ltd. (“BTMU”) is the world’s largest bank in terms of total assets. Both banks, which have 100 years of experience both in Japan and international financial markets, have the resources to meet the needs of BTMU’s growing customer base quickly and effectively.

BTMU has a branch network exceeding 760 branches in Japan. BTMU has branches over the world’s 74 leading financial and commercial centers. BTMU offers an option of comprehensive financial products and services to institutions, governments and individual customers. It provides a wide range of products and services on commercial banking, investment banking and investment advisory area through overseas branches and subsidiaries. BTMU integrated as a unit to respond to all the financial needs of its customers comprehensively and flexible and is the main branch of Mitsubishi UFJ Financial Group Inc. (MUFG) in the field of commercial banking.

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

GENERAL INFORMATION (Continued)**III. Explanations Regarding the Shares of the Bank Owned by and Areas of Responsibility of the Chairman and the Members of Board of Directors, Audit Committee Members, Chief Executive Officer, Executive Vice Presidents**

Responsibility Area	Name and Surname	Responsibility Area	Appointment Date	Education	Experience
Chairman of Board of Directors	Ali Vefa Çelik	Chairman of Board of Directors	16.02.2016	Graduate	40 years
		Member of Board of Directors	26.06.2013		
		Head of the Corporate Governance Committee	16.02.2016		
		Head of Remuneration Committee	16.02.2016		
Vice Chairman of Board of Directors	Hiddefumi Yamamura	Vice Chairman of Board of Directors	16.10.2018	Under-Graduate	25 years
		Member of Remuneration Committee	19.12.2018		
Member of Board of Directors / General Manager	Atsuchi Deguchi	Member of Board of Directors	13.07.2016	Under-graduate	26 years
		General Manager	13.07.2016		
		Member of Corporate Management Committee	19.04.2017		
Member of Board of Directors	Çetin Özbek	Member of Board of Directors	29.12.2015	Under-graduate	31 years
		Head of Audit Committee	16.02.2016		
Member of Board of Directors	Aysun Mercan	Member of Board of Directors	29.12.2015	Graduate	36 years
Member of Board of Directors	Neil George Campbell	Member of Board of Directors	24.03.2017	Under-graduate	35 years
Member of Board of Directors	Toshihiro Okabayashi	Member of Board of Directors	26.03.2018	Graduate	28 years
		Member of Audit Committee	04.09.2018		
Assistant General Manager	Hülya Eroğlu	Assistant General Manager of Operation and Support Services	19.07.2018	Under-graduate	33 years
Assistant General Manager	Shinichi Okumura	Deputy President in charge of Information Technologies and Finance	19.07.2018	Under-graduate	25 years

The individuals above do not have any significant shares in the Bank.

- Jeremy Quinton Broughton left his position in 26 March 2018.
- Masatoshi Komoriya left his position in 12 October 2018.

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

GENERAL INFORMATION (Continued)

IV. Individuals and institutions that have qualified shares in the Bank

Name Surname/ Commercial Title	Share Amount (Nominal)	Ownership Ratios	Paid in Capital (Nominal)	Unpaid Portion
MUFG Bank Ltd.	527,700	100%	527,700	-

V. Summary Information on the Bank's Services and Activity Areas

The Bank is organized in corporate banking with the permission to do all the activities as set out in the Article 4 of the Banking Act. The Bank's General Directorate is located in Istanbul, Turkey. As of 31 December 2018, the Bank serves with 75 employees (31 December 2017: 72).

VI. Other Information

The Bank's Commercial Title:	MUFG Bank Turkey A.Ş.
The Bank's General Directorate Address:	FSM Mahallesi Poligon Caddesi, Buyaka 2 Sitesi, No 8B, Kat 20-21 34771Tepeüstü Ümraniye/İstanbul
The Bank's Phone and Fax Numbers:	Telephone : (0216) 600 30 00 Fax : (0216) 290 64 73
The Bank's Web Site Address:	www.tu.bk.mufg.jp
The Bank's E-Mail Address:	info@tu.mufg.jp
Reporting Period:	1 January 2018 – 31 December 2018

The financial statements, related disclosures and notes in this report are prepared, unless otherwise indicated, in thousands of Turkish Lira (TL).

VII. Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries

None

SECTION TWO
FINANCIAL STATEMENTS

(Convenience Translation of Financial Statements Originally Issued in Turkish)

MUFG BANK TURKEY A.Ş

Balance Sheet (Statement of Financial Position) At 31 December 2018

ASSETS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
		AUDITED		
		CURRENT PERIOD		
		31 December 2018		
		TL	FC	Total
I. FINANCIAL ASSETS (Net)		1,863,795	4,264,784	6,128,579
1.1 Cash and cash equivalents		1,837,364	4,140,415	5,977,779
1.1.1 Cash and balances Central Bank	(5.1.1)	260,049	3,213,617	3,473,666
1.1.2 Banks	(5.1.3)	1,577,315	926,798	2,504,113
1.1.3 Receivables from Money Markets		-	-	-
1.2 Financial assets at fair value through profit or loss		-	-	-
1.2.1 Public debt securities		-	-	-
1.2.2 Equity instruments		-	-	-
1.2.3 Other financial assets		-	-	-
1.3 Financial assets at fair value through other comprehensive income		-	-	-
1.3.1 Public debt securities		-	-	-
1.3.2 Equity instruments		-	-	-
1.3.3 Other financial assets		-	-	-
1.4 Financial assets measured at amortised cost		-	-	-
1.4.1 Public debt securities		-	-	-
1.4.2 Other financial assets		-	-	-
1.5 Derivative financial assets	(5.2.3)	27,236	124,369	151,605
1.5.1 Derivative financial assets at fair value through profit or loss		27,236	124,369	151,605
1.5.2 Derivative financial assets at fair value through other comprehensive income		-	-	-
1.6 Expected Loss Provision		-	-	-
1.7 Allowance for expected credit losses (-)		805	-	805
II. LOANS (Net)	(5.1.6)	1,934,973	7,588,713	9,523,686
2.1 Loans		1,949,783	7,588,713	9,538,496
2.1.1 Loans measured at amortised cost		1,949,783	7,588,713	9,538,496
2.1.2 Loans at fair value through profit or loss		-	-	-
2.1.3 Loans at fair value through other comprehensive income		-	-	-
2.2 Receivables from leasing transactions		-	-	-
2.2.1 Finance lease receivables		-	-	-
2.2.2 Operational lease receivables		-	-	-
2.2.3 Unearned income (-)		-	-	-
2.3 Factoring receivables		-	-	-
2.3.1 Factoring receivables measured at amortised cost		-	-	-
2.3.2 Factoring receivables at fair value through profit or loss		-	-	-
2.3.3 Factoring receivables at fair value through other comprehensive income		-	-	-
2.4 Non-performing loans		-	-	-
2.5 Expected credit losses (-)		14,810	-	14,810
2.5.1 12-Month expected credit losses (Stage 1)		14,810	-	14,810
2.5.2 Significant increase in credit risk (Stage 2)		-	-	-
2.5.3 Credit-Impaired (Stage 3)		-	-	-
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)		-	-	-
3.1 Held for sale		-	-	-
3.2 Held from discontinued operations		-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-
4.1 Investments in associates (Net)		-	-	-
4.1.1 Associates accounted by using equity method		-	-	-
4.1.2 Non-consolidated associates		-	-	-
4.2 Investments in subsidiaries (Net)		-	-	-
4.2.1 Non-consolidated financial subsidiaries		-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		-	-	-
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)		-	-	-
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-
V. TANGIBLE ASSETS (Net)	(5.1.13)	1,551	-	1,551
VI. INTANGIBLE ASSETS AND GOODWILL (Net)	(5.1.14)	7,106	-	7,106
6.1 Goodwill		-	-	-
6.2 Other		7,106	-	7,106
VII. INVESTMENT PROPERTIES (Net)		-	-	-
VIII. CURRENT TAX ASSETS		-	-	-
IX. DEFERRED TAX ASSETS	(5.1.16)	11,749	-	11,749
X. OTHER ASSETS	(5.1.18)	6,561	30,278	36,839
TOTAL ASSETS		3,825,735	11,883,775	15,709,510

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

The accompanying notes are an integral part of these unconsolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

MUFG BANK TURKEY A.Ş
Balance Sheet (Statement of Financial Position)
At 31 December 2017

ASSETS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
		AUDITED		
		PRIOR PERIOD 31 December 2017		
		TL	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK	(5.1.1)	21,172	2,484,824	2,505,996
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(5.1.2)	6,536	13,725	20,261
2.1 Financial assets held for trading		6,536	13,725	20,261
2.1.1 Government securities		-	-	-
2.1.2 Equity securities		-	-	-
2.1.3 Derivative financial assets held for trading		6,536	13,725	20,261
2.1.4 Other securities		-	-	-
2.2 Financial assets valued at fair value through profit or loss		-	-	-
2.2.1 Government securities		-	-	-
2.2.2 Equity securities		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other securities		-	-	-
III. BANKS	(5.1.3)	459,220	7,491	466,711
IV. INTERBANK MONEY MARKETS		-	-	-
4.1 Interbank money market placements		-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-
V. FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)		-	-	-
5.1 Equity securities		-	-	-
5.2 Government securities		-	-	-
5.3 Other securities		-	-	-
VI. LOANS	(5.1.6)	2,656,721	4,047,286	6,704,007
6.1 Performing loans		2,656,721	4,047,286	6,704,007
6.1.1 Loans to bank's risk group		-	-	-
6.1.2 Government securities		-	-	-
6.1.3 Others		2,656,721	4,047,286	6,704,007
6.2 Loans under follow-up		-	-	-
6.3 Specific provisions (-)		-	-	-
VII. FACTORING RECEIVABLES		-	-	-
VIII. INVESTMENTS HELD-TO-MATURITY (Net)		-	-	-
8.1 Government securities		-	-	-
8.2 Other securities		-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)		-	-	-
9.1 Associates consolidated under equity accounting		-	-	-
9.2 Unconsolidated associates		-	-	-
9.2.1 Financial investments in associates		-	-	-
9.2.2 Non-financial investments in associates		-	-	-
X. INVESTMENTS IN SUBSIDIARIES (Net)		-	-	-
10.1 Unconsolidated financial investments in subsidiaries		-	-	-
10.2 Unconsolidated non-financial investments in subsidiaries		-	-	-
XI. INVESTMENTS IN JOINT-VENTURES (Net)		-	-	-
11.1 Joint-ventures consolidated under equity accounting		-	-	-
11.2 Unconsolidated joint-ventures		-	-	-
11.2.1 Financial investments in joint-ventures		-	-	-
11.2.2 Non-financial investments in joint-ventures		-	-	-
XII. LEASE RECEIVABLES (Net)		-	-	-
12.1 Financial lease receivables		-	-	-
12.2 Operational lease receivables		-	-	-
12.3 Others		-	-	-
12.4 Unearned income (-)		-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT		-	-	-
13.1 Fair value hedges		-	-	-
13.2 Cash flow hedges		-	-	-
13.3 Net foreign investment hedges		-	-	-
XIV. TANGIBLE ASSETS (Net)	(5.1.13)	2,234	-	2,234
XV. INTANGIBLE ASSETS (Net)	(5.1.14)	15,175	-	15,175
15.1 Goodwill		-	-	-
15.2 Other intangibles		15,175	-	15,175
XVI. INVESTMENT PROPERTY (Net)		-	-	-
XVII. TAX ASSET		13,449	-	13,449
17.1 Current tax asset		-	-	-
17.2 Deferred tax asset	(5.1.16)	13,449	-	13,449
XVIII. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		-	-	-
18.1 Assets held for sale		-	-	-
18.2 Assets of discontinued operations		-	-	-
XIX. OTHER ASSETS	(5.1.18)	3,362	268	3,630
TOTAL ASSETS		3,177,869	6,553,594	9,731,463

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

The accompanying notes are an integral part of these unconsolidated financial statements.

<i>(Convenience Translation of Financial Statements Originally Issued in Turkish)</i>				
MUFG BANK TURKEY A.Ş				
Balance Sheet (Statement of Financial Position) At 31 December 2018				
LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
		AUDITED		
		CURRENT PERIOD 31 December 2018		
		TL	FC	Total
I. DEPOSITS	(5.2.1)	699,944	5,227,932	5,927,876
II. LOANS RECEIVED	(5.2.3)	100,314	8,595,377	8,695,691
III. MONEY MARKET FUNDS		-	-	-
IV. MARKETABLE SECURITIES (Net)		-	-	-
4.1 Bills		-	-	-
4.2 Asset backed securities		-	-	-
4.3 Bonds		-	-	-
V. FUNDS		-	-	-
5.1 Borrower funds		-	-	-
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(5.2.2)	6,029	150,611	156,640
7.1 Derivative financial liabilities at fair value through profit or loss		6,029	150,611	156,640
7.2 Derivative financial liabilities at fair value through other comprehensive income		-	-	-
VIII. FACTORING PAYABLES		-	-	-
IX. LEASE PAYABLES		-	-	-
9.1 Finance lease payables		-	-	-
9.2 Operating lease payables		-	-	-
9.3 Other		-	-	-
9.4 Deferred finance lease expenses (-)		-	-	-
X. PROVISIONS	(5.2.8)	11,519	-	11,519
10.1 Provision for restructuring		-	-	-
10.2 Reserves for employee benefits		8,394	-	8,394
10.3 Insurance technical reserves (Net)		-	-	-
10.4 Other provisions		3,125	-	3,125
XI. CURRENT TAX LIABILITIES	(5.2.9)	46,009	-	46,009
XII. DEFERRED TAX LIABILITIES		-	-	-
XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)		-	-	-
13.1 Held for sale		-	-	-
13.2 Related to discontinued operations		-	-	-
XIV. SUBORDINATED DEBT		-	-	-
14.1 Loans		-	-	-
14.2 Other debt instruments		-	-	-
XV. OTHER LIABILITIES	(5.2.12)	20,079	2,494	22,573
XVI. SHAREHOLDERS' EQUITY	(5.2.12)	849,202	-	849,202
16.1 Paid-in capital		527,700	-	527,700
16.2 Capital reserves		-	-	-
16.2.1 Equity share premiums		-	-	-
16.2.2 Share cancellation profits		-	-	-
16.2.3 Other capital reserves		-	-	-
16.3 Other accumulated comprehensive income that will not be reclassified in profit or loss		7	-	7
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		-	-	-
16.5 Profit reserves		7,147	-	7,147
16.5.1 Legal reserves		7,147	-	7,147
16.5.2 Statutory reserves		-	-	-
16.5.3 Extraordinary reserves		-	-	-
16.5.4 Other profit reserves		-	-	-
16.6 Profit or loss		314,348	-	314,348
16.6.1 Prior years' profits or losses		158,572	-	158,572
16.6.2 Current period net profit or loss		155,776	-	155,776
16.7 Minority shares		-	-	-
TOTAL EQUITY AND LIABILITIES		1,733,096	13,976,414	15,709,510

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

The accompanying notes are an integral part of these unconsolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

MUFG BANK TURKEY A.Ş
Balance Sheet (Statement of Financial Position)
At 31 December 2017

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
		AUDITED		
		PRIOR PERIOD		
		31 December 2017		
		TL	FC	Total
I. DEPOSITS	(5.2.1)	291,459	2,385,871	2,677,330
1.1 Deposits from bank's risk group		191,298	2,242,171	2,433,469
1.2 Others		100,161	143,700	243,861
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	(5.2.2)	1,640	77,801	79,441
III. FUNDS BORROWED	(5.2.3)	-	6,220,269	6,220,269
IV. INTERBANK MONEY MARKETS		-	-	-
4.1 Interbank money market takings		-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-
4.3 Obligations under repurchase agreements		-	-	-
V. SECURITIES ISSUED (Net)		-	-	-
5.1 Bills		-	-	-
5.2 Asset backed securities		-	-	-
5.3 Bonds		-	-	-
VI. FUNDS		-	-	-
6.1 Borrower funds		-	-	-
6.2 Others		-	-	-
VII. MISCELLANEOUS PAYABLES		333	22,578	22,911
VIII. OTHER EXTERNAL FUNDINGS PAYABLE		6,258	-	6,258
IX. FACTORING PAYABLES		-	-	-
X. LEASE PAYABLES (Net)		-	-	-
10.1 Financial lease payables		-	-	-
10.2 Operational lease payables		-	-	-
10.3 Others		-	-	-
10.4 Deferred expenses (-)		-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT		-	-	-
11.1 Fair value hedges		-	-	-
11.2 Cash flow hedges		-	-	-
11.3 Net foreign investment hedges		-	-	-
XII. PROVISIONS	(5.2.8)	36,098	-	36,098
12.1 General provisions		27,950	-	27,950
12.2 Restructuring reserves		-	-	-
12.3 Reserve for employee benefits		6,070	-	6,070
12.4 Insurance technical provisions (Net)		-	-	-
12.5 Other provisions		2,078	-	2,078
XIII. TAX LIABILITY	(5.2.9)	18,536	-	18,536
13.1 Current tax liability		18,536	-	18,536
13.2 Deferred tax liability		-	-	-
XIV. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		-	-	-
14.1 Assets held for sale		-	-	-
14.2 Assets of discontinued operations		-	-	-
XV. SUBORDINATED DEBTS		-	-	-
XVI. SHAREHOLDERS' EQUITY	(5.2.12)	670,620	-	670,620
16.1 Paid-in capital		527,700	-	527,700
16.2 Capital reserves		(11)	-	(11)
16.2.1 Share premium		-	-	-
16.2.2 Share cancellation profits		-	-	-
16.2.3 Securities value increase fund		-	-	-
16.2.4 Revaluation surplus on tangible assets		-	-	-
16.2.5 Revaluation surplus on intangible assets		-	-	-
16.2.6 Revaluation surplus on investment property		-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures		-	-	-
16.2.8 Hedging reserves (effective portion)		-	-	-
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-
16.2.10 Other capital reserves		(11)	-	(11)
16.3 Profit reserves		3,103	-	3,103
16.3.1 Legal reserves		3,103	-	3,103
16.3.2 Status reserves		-	-	-
16.3.3 Extraordinary reserves		-	-	-
16.3.4 Other profit reserves		-	-	-
16.4 Profit or loss		139,828	-	139,828
16.4.1 Prior periods profit/loss		58,953	-	58,953
16.4.2 Current period net profit/loss		80,875	-	80,875
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,024,944	8,706,519	9,731,463

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

The accompanying notes are an integral part of these unconsolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

MUFG BANK TURKEY A.Ş
Off-Balance Sheet Items At 31 December 2018

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
		AUDITED		
		CURRENT PERIOD		
		31 December 2018		
		TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS (I+II+III)		4,122,246	8,960,006	13,082,252
I. GUARANTEES AND WARRANTIES	(5.3.1)	174,023	345,283	519,306
1.1. Letters of guarantee		174,023	274,727	448,750
1.1.1. Guarantees subject to State Tender Law		-	-	-
1.1.2. Guarantees given for foreign trade operations		-	-	-
1.1.3. Other letters of guarantee		174,023	274,727	448,750
1.2. Bank acceptances		-	-	-
1.2.1. Import letter of acceptance		-	-	-
1.2.2. Other bank acceptances		-	-	-
1.3. Letters of credit		-	65,803	65,803
1.3.1. Documentary letters of credit		-	-	-
1.3.2. Other letters of credit		-	65,803	65,803
1.4. Prefinancing given as guarantee		-	-	-
1.5. Endorsements		-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-
1.5.2. Other endorsements		-	-	-
1.6. Purchase guarantees for Securities issued		-	-	-
1.7. Factoring guarantees		-	-	-
1.8. Other guarantees		-	4,753	4,753
1.9. Other warranties		-	-	-
II. COMMITMENTS	(5.3.1)	273,820	1,295,728	1,569,548
2.1. Irrevocable commitments		273,820	1,295,728	1,569,548
2.1.1. Asset purchase and sales commitments		273,820	1,295,728	1,569,548
2.1.2. Deposit purchase and sales commitments		-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-
2.1.4. Loan granting commitments		-	-	-
2.1.5. Securities issue brokerage commitments		-	-	-
2.1.6. Commitments for reserve requirements		-	-	-
2.1.7. Commitments for checks payments		-	-	-
2.1.8. Tax and fund liabilities from export commitments		-	-	-
2.1.9. Commitments for credit card expenditure limits		-	-	-
2.1.10. Commitments for credit cards and banking services promotions		-	-	-
2.1.11. Receivables from short sale commitments of marketable securities		-	-	-
2.1.12. Payables for short sale commitments of marketable securities		-	-	-
2.1.13. Other irrevocable commitments		-	-	-
2.2. Revocable commitments		-	-	-
2.2.1. Revocable loan granting commitments		-	-	-
2.2.2. Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.3)	3,674,403	7,318,995	10,993,398
3.1. Derivative financial instruments held for hedging		-	-	-
3.1.1. Fair value hedges		-	-	-
3.1.2. Cash flow hedges		-	-	-
3.1.3. Hedges for investments made in foreign countries		-	-	-
3.2. Trading transactions		3,674,403	7,318,995	10,993,398
3.2.1. Forward foreign currency purchase and sale transactions		818,029	1,276,979	2,095,008
3.2.1.1. Forward foreign currency purchase transactions		540,650	520,229	1,060,879
3.2.1.2. Forward foreign currency sale transactions		277,379	756,750	1,034,129
3.2.2. Currency and interest rate swaps		2,856,374	6,042,016	8,898,390
3.2.2.1. Currency swap purchase transactions		1,553,328	4,241,000	4,396,328
3.2.2.2. Currency swap sale transactions		2,701,046	1,801,016	4,502,062
3.2.2.3. Interest rate swap purchase transactions		-	-	-
3.2.2.4. Interest rate swap sale transactions		-	-	-
3.2.3. Currency, interest rate and securities options		-	-	-
3.2.3.1. Currency purchase options		-	-	-
3.2.3.2. Currency sale options		-	-	-
3.2.3.3. Interest rate purchase options		-	-	-
3.2.3.4. Interest rate sale options		-	-	-
3.2.3.5. Securities purchase options		-	-	-
3.2.3.6. Securities sale options		-	-	-
3.2.4. Currency futures		-	-	-
3.2.4.1. Currency purchase futures		-	-	-
3.2.4.2. Currency sale futures		-	-	-
3.2.5. Interest rate futures		-	-	-
3.2.5.1. Interest rate purchase futures		-	-	-
3.2.5.2. Interest rate sale futures		-	-	-
3.2.6. Other		-	-	-
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		50,960	821,342	872,302
IV. ITEMS HELD IN CUSTODY		50,960	-	50,960
4.1. Assets under management		-	-	-
4.2. Securities held in custody		-	-	-
4.3. Checks received for collection		50,960	-	50,960
4.4. Commercial notes received for collection		-	-	-
4.5. Other assets received for collection		-	-	-
4.6. Securities received for public offering		-	-	-
4.7. Other items under custody		-	-	-
4.8. Custodians		-	-	-
V. PLEDGED ITEMS		-	-	-
5.1. Marketable securities		-	-	-
5.2. Guarantee notes		-	-	-
5.3. Commodity		-	-	-
5.4. Warrant		-	-	-
5.5. Immovables		-	-	-
5.6. Other pledged items		-	-	-
5.7. Depositories receiving pledged items		-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES		-	821,342	821,342
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		4,173,206	9,781,348	13,954,554

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

The accompanying notes are an integral part of these unconsolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

MUFG BANK TURKEY A.Ş
Off-Balance Sheet Items
At 31 December 2017

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)		
		AUDITED		
		PRIOR PERIOD		
		31 December 2017		
		TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		2,963,707	5,070,001	8,033,708
I. GUARANTEES AND SURETIES	(5.3.1)	115,307	306,548	421,855
1.1. Letters of guarantee		115,307	221,381	336,688
1.1.1. Guarantees subject to State Tender Law		-	-	-
1.1.2. Guarantees given for foreign trade operations		-	-	-
1.1.3. Other letters of guarantee		115,307	221,381	336,688
1.2. Bank acceptances		-	-	-
1.2.1. Import letter of acceptance		-	-	-
1.2.2. Other bank acceptances		-	-	-
1.3. Letters of credit		-	81,772	81,772
1.3.1. Documentary letters of credit		-	-	-
1.3.2. Other letters of credit		-	81,772	81,772
1.4. Guaranteed prefinancings		-	-	-
1.5. Endorsements		-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-
1.5.2. Other endorsements		-	-	-
1.6. Underwriting commitments		-	-	-
1.7. Factoring related guarantees		-	-	-
1.8. Other guarantees		-	3,395	3,395
1.9. Other sureties		-	-	-
II. COMMITMENTS	(5.3.1)	25,669	178,919	204,588
2.1. Irrevocable commitments		25,669	178,919	204,588
2.1.1. Asset purchase and sale commitments		25,669	178,919	204,588
2.1.2. Deposit purchase and sale commitments		-	-	-
2.1.3. Share capital commitments to associates and subsidiaries		-	-	-
2.1.4. Loan granting commitments		-	-	-
2.1.5. Securities issuance brokerage commitments		-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-
2.1.7. Commitments for cheque payments		-	-	-
2.1.8. Tax and fund obligations on export commitments		-	-	-
2.1.9. Commitments for credit card limits		-	-	-
2.1.10. Commitments for credit cards and banking services related promotions		-	-	-
2.1.11. Receivables from "short" sale commitments on securities		-	-	-
2.1.12. Payables from "short" sale commitments on securities		-	-	-
2.1.13. Other irrevocable commitments		-	-	-
2.2. Revocable commitments		-	-	-
2.2.1. Revocable loan granting commitments		-	-	-
2.2.2. Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.3)	2,822,731	4,584,534	7,407,265
3.1. Derivative financial instruments held for risk management		-	-	-
3.1.1. Fair value hedges		-	-	-
3.1.2. Cash flow hedges		-	-	-
3.1.3. Net foreign investment hedges		-	-	-
3.2. Trading derivatives		2,822,731	4,584,534	7,407,265
3.2.1. Forward foreign currency purchases/sales		304,341	301,525	605,866
3.2.1.1. Forward foreign currency purchases		253,860	51,783	305,643
3.2.1.2. Forward foreign currency sales		50,481	249,742	300,223
3.2.2. Currency and interest rate swaps		2,518,390	4,283,009	6,801,399
3.2.2.1. Currency swaps-purchases		97,020	3,244,606	3,341,626
3.2.2.2. Currency swaps-sales		2,421,370	1,038,403	3,459,773
3.2.2.3. Interest rate swaps-purchases		-	-	-
3.2.2.4. Interest rate swaps-sales		-	-	-
3.2.3. Currency, interest rate and security options		-	-	-
3.2.3.1. Currency call options		-	-	-
3.2.3.2. Currency put options		-	-	-
3.2.3.3. Interest rate call options		-	-	-
3.2.3.4. Interest rate put options		-	-	-
3.2.3.5. Security call options		-	-	-
3.2.3.6. Security put options		-	-	-
3.2.4. Currency futures		-	-	-
3.2.4.1. Currency futures-purchases		-	-	-
3.2.4.2. Currency futures-sales		-	-	-
3.2.5. Interest rate futures		-	-	-
3.2.5.1. Interest rate futures-purchases		-	-	-
3.2.5.2. Interest rate futures-sales		-	-	-
3.2.6. Others		-	597,630	597,630
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		-	-	-
IV. ITEMS HELD IN CUSTODY		-	-	-
4.1. Customers' securities held		-	-	-
4.2. Investment securities held in custody		-	-	-
4.3. Checks received for collection		-	-	-
4.4. Commercial notes received for collection		-	-	-
4.5. Other assets received for collection		-	-	-
4.6. Assets received through public offering		-	-	-
4.7. Other items under custody		-	-	-
4.8. Custodians		-	-	-
V. PLEDGED ITEMS		-	-	-
5.1. Securities		-	-	-
5.2. Guarantee notes		-	-	-
5.3. Commodities		-	-	-
5.4. Warranties		-	-	-
5.5. Real estates		-	-	-
5.6. Other pledged items		-	-	-
5.7. Pledged items-depository		-	-	-
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	597,630	597,630
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		2,963,707	5,667,631	8,631,338

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The accompanying notes are an integral part of these unconsolidated financial statements.

*(Convenience Translation of Financial Statements Originally Issued in Turkish)***MUFG BANK TURKEY A.Ş**
At 31 December 2018

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		AUDITED	
		CURRENT PERIOD	
		1.01.2018	31.12.2018
I. INTEREST INCOME	(5.4.1)		843,893
1.1 Interest on loans			646,539
1.2 Interest received from reserve deposits			34,536
1.3 Interest received from banks			162,818
1.4 Interest received from money market transactions			-
1.5 Interest received from marketable securities portfolio			-
1.5.1 Financial assets at fair value through profit or loss			-
1.5.2 Financial assets at fair value through other comprehensive income			-
1.5.3 Financial assets measured at amortised cost			-
1.6 Finance lease income			-
1.7 Other interest income			-
II. INTEREST EXPENSES (-)	(5.4.2)		284,954
2.1 Interest on deposits			163,706
2.2 Interest on funds borrowed			121,225
2.3 Interest on money market transactions			23
2.4 Interest on securities issued			-
2.5 Other interest expenses			-
III. NET INTEREST INCOME/EXPENSE (I - II)			558,939
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES			(9,736)
4.1 Fees and commissions received			30,863
4.1.1 Non-cash loans			1,963
4.1.2 Other			28,900
4.2 Fees and commissions paid (-)			40,599
4.2.1 Non-cash loans			-
4.2.2 Other			40,599
V. PERSONNEL EXPENSES (-)			30,878
VI. DIVIDEND INCOME			-
VII. TRADING PROFIT/LOSS (Net)	(5.4.4)		(262,984)
7.1 Profit/losses from capital market transactions			-
7.2 Profit/losses from derivative financial transactions			707,764
7.3 Foreign exchange profit/losses			(970,748)
VIII. OTHER OPERATING INCOME	(5.4.5)		810
IX. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)	(5.4.6)		256,151
X. EXPECTED CREDIT LOSSES (-)	(5.4.6)		10,199
XI. OTHER OPERATING EXPENSES (-)	(5.4.7)		47,816
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)			198,136
XIII. SURPLUS WRITTEN AS GAIN AFTER MERGER			-
XIV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES			-
XV. NET MONETARY POSITION GAIN/LOSS			-
XVI. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	(5.4.8)		198,136
XVII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(5.4.9)		42,360
17.1 Current tax provision			39,374
17.2 Expense effect of deferred tax (+)			2,986
17.3 Income effect of deferred tax (-)			-
XVIII. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	(5.4.10)		155,776
XIX. INCOME FROM DISCONTINUED OPERATIONS			-
19.1 Income from assets held for sale			-
19.2 Profit from sale of associates, subsidiaries and joint ventures			-
19.3 Other income from discontinued operations			-
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)			-
20.1 Expenses on assets held for sale			-
20.2 Losses from sale of associates, subsidiaries and joint ventures			-
20.3 Other expenses from discontinued operations			-
XXI. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XIX-XX)			-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)			-
22.1 Current tax provision			-
22.2 Expense effect of deferred tax (+)			-
22.3 Income effect of deferred tax (-)			-
XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)			-
XXIV. NET PROFIT/LOSSES (XVIII+XXIII)	(5.4.11)		155,776
Profit/Loss per share			-

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(Convenience Translation of Financial Statements Originally Issued in Turkish)

MUFG BANK TURKEY A.Ş

Income Statement

At 31 December 2017

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		AUDITED	
		PRIOR PERIOD	
		1.01.2017	31.12.2017
I. INTEREST INCOME	(5.4.1)		390,592
1.1 Interest income on loans			342,790
1.2 Interest income on reserve deposits			15,929
1.3 Interest income on banks			31,873
1.4 Interest income on money market transactions			-
1.5 Interest income on securities portfolio			-
1.5.1 Trading financial assets			-
1.5.2 Financial assets valued at fair value through profit or loss			-
1.5.3 Financial assets available-for-sale			-
1.5.4 Investments held-to-maturity			-
1.6 Financial lease income			-
1.7 Other interest income			-
II. INTEREST EXPENSE	(5.4.2)		84,339
2.1 Interest on deposits			39,773
2.2 Interest on funds borrowed			44,566
2.3 Interest on money market transactions			-
2.4 Interest on securities issued			-
2.5 Other interest expenses			-
III. NET INTEREST INCOME (I - II)			306,253
IV. NET FEES AND COMMISSIONS INCOME			5,265
4.1 Fees and commissions received			21,465
4.1.1 Non-cash loans			1,600
4.1.2 Others			19,865
4.2 Fees and commissions paid			16,200
4.2.1 Non-cash loans			-
4.2.2 Others			16,200
V. DIVIDEND INCOME			-
VI. NET TRADING INCOME/LOSSES (Net)	(5.4.4)		(131,152)
6.1 Trading account income/losses			-
6.2 Income/losses from derivative financial instruments			(136,620)
6.3 Foreign exchange gains/losses			5,468
VII. OTHER OPERATING INCOME	(5.4.5)		1,067
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)			181,433
IX. PROVISION FOR LOSSES ON LOANS AND OTHER RECEIVABLES (-)	(5.4.6)		13,429
X. OTHER OPERATING EXPENSES (-)	(5.4.7)		64,707
XI. NET OPERATING PROFIT/LOSS (VIII-IX-X)			103,297
XII. INCOME RESULTED FROM MERGERS			-
XIII. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING	(5.4.8)		-
XIV. GAIN/LOSS ON NET MONETARY POSITION	(5.4.9)		-
XV. OPERATING PROFIT/LOSS BEFORE TAXES (XI+...+XIV)			103,297
XVI. PROVISION FOR TAXES (±)	(5.4.10)		(22,422)
16.1 Current tax charge			(50,713)
16.2 Deferred tax charge			28,291
XVII. NET OPERATING PROFIT/LOSS AFTER TAXES (XV±XVI)			80,875
XVIII. INCOME FROM DISCONTINUED OPERATIONS			-
18.1 Income from assets held for sale			-
18.2 Income from sale of associates, subsidiaries and joint-ventures			-
18.3 Others			-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)			-
19.1 Expenses on assets held for sale			-
19.2 Expenses on sale of associates, subsidiaries and joint-ventures			-
19.3 Others			-
XX. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XVIII-XIX)			-
XXI. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	(5.4.11)		-
21.1 Current tax charge			-
21.2 Deferred tax charge/(credit)			-
XXII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XX±XXI)			-
XXIII. NET PROFIT/LOSS (XVII+XXII)	(5.4.11)		80,875
Earnings per Share			-

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(Convenience Translation of Financial Statements Originally Issued in Turkish)**MUFG BANK TURKEY A.Ş****Statement of Income/Expense Items Accounted for under Shareholders' Equity
At 31 December 2018**

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA (TL)
	AUDITED
	CURRENT PERIOD 1 January 2018- 31 December 2018
I. PROFIT (LOSS)	155,776
II. OTHER COMPREHENSIVE INCOME	18
2.1 Not Reclassified Through Profit or Loss	18
2.1.1 Gains (Losses) on Revaluation of Property, Plant and Equipment	-
2.1.2 Gains (losses) on revaluation of Intangible Assets	-
2.1.3 Gains (losses) on remeasurements of defined benefit plans	22
2.1.4 Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	-
2.1.5 Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(4)
2.2 Reclassified Through Profit or Loss	-
2.2.1 Exchange Differences on Translation	-
2.2.2 Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	-
2.2.3 Income (Loss) Related with Cash Flow Hedges	-
2.2.4 Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-
2.2.5 Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-
2.2.6 Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	-
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	155,794

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

The accompanying notes are an integral part of these unconsolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

MUFG BANK TURKEY A.Ş

Statement of Income/Expense Items Accounted for under Shareholders' Equity

At 31 December 2017

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF
	TURKISH LIRA (TL)
	AUDITED
	PRIOR PERIOD
	1.01.2017
	31.12.2017
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS	-
II. REVALUATION SURPLUS ON TANGIBLE ASSETS	-
III. REVALUATION SURPLUS ON INTANGIBLE ASSETS	-
IV. TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-
V. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	-
VI. GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT IN FOREIGN OPERATIONS (effective portion)	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-
VIII. OTHER INCOME/EXPENSE ITEMS ACCOUNTED FOR UNDER SHAREHOLDERS' EQUITY AS PER TAS	38
IX. DEFERRED TAXES ON VALUE INCREASES/DECREASES	(8)
X. NET INCOME/EXPENSE ITEMS ACCOUNTED FOR DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	30
XI. CURRENT PERIOD PROFIT/LOSSES	80,875
1.1 Net changes in fair value of securities (transferred to income statement)	-
1.2 Gains/losses on derivative financial assets held for cash flow hedges, reclassified and recorded in income statement	-
1.3 Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-
1.4 Others	80,875
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	80,905

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

(Convenience Translation of Financial Statements Originally Issued in Turkish)

BANK OF TOKYO-MITSUBISHI UFJ TURKEY A.Ş

Statement of Changes in Shareholders' Equity

At 31 December 2017

		THOUSANDS OF TURKISH LIRA (TL)																	
AUDITED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Footnotes	Paid-In Capital	Capital Reserves from Inflation Adj's to Paid-In Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/(Loss)	Prior Period Profit/(Loss)	Securities Value Increase/Fund	Revaluation Surplus on Tangible and Intangible Assets	Bonus Shares of Equity Participations	Hedging Reserves	Accu. Rev. Surp. on Assets Held for Sale and Assets of Discant. Ops	Total Shareholders' Equity	
AUDITED PRIOR PERIOD																			
I.	Balances at beginning of the period		527,700	-	-	-	1,041	-	-	-	(4)	61,015	-	-	-	-	-	589,715	
II.	Effect of changes in accounting policies (*)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1.	Effect of changes in accounting policies (*)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2.	Adjusted balances at beginning of the period (I+II)		527,700	-	-	-	1,041	-	-	-	(4)	61,015	-	-	-	-	-	589,715	
III.	Changes during the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IV.	Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
V.	Market value changes of securities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Hedging reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.1.	Cash flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Translation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI.	Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII.	Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII.	Effect of change in equities of associates on bank's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1.	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2.	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII.	Capital reserves from inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII.	Others		-	-	-	-	-	-	-	30	-	-	-	-	-	-	-	30	
XIX.	Current period net profit/loss		-	-	-	-	-	-	-	-	80,875	(2,062)	-	-	-	-	-	80,875	
XX.	Profit distribution		-	-	-	-	2,062	-	-	-	-	(2,062)	-	-	-	-	-	-	
20.1.	Dividends		-	-	-	-	2,062	-	-	-	-	(2,062)	-	-	-	-	-	-	
20.2.	Transfers to reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.3.	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances at end of the period (I+II+III+...+XIX+XX+XVIII)			527,700	-	-	-	3,103	-	-	(1)	80,875	58,953	-	-	-	-	-	670,620	

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

The accompanying notes are an integral part of these unconsolidated financial statements.

*(Convenience Translation of Financial Statements Originally Issued in Turkish)***MUFG BANK TURKEY A.Ş****Statement of Cash Flows At 31 December 2018**

			THOUSANDS OF TURKISH LIRA (TL)
			AUDITED
			CURRENT PERIOD
			1.01.2018
		Footnotes	31.12.2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities		935,979
1.1.1	Interest received		802,915
1.1.2	Interest paid		(241,928)
1.1.3	Dividends received		-
1.1.4	Fees and commissions received		39,596
1.1.5	Other income		810
1.1.6	Collections from previously written off loans and other receivables		-
1.1.7	Cash payments to personnel and service suppliers		(35,719)
1.1.8	Taxes paid		(5,379)
1.1.9	Other	(5.6.3)	375,684
1.2	Changes in operating assets and liabilities subject to banking operations		1,405,955
1.2.1	Net (increase) decrease in financial assets at fair value through profit or loss		-
1.2.2	Net (increase) decrease in due from banks		-
1.2.3	Net (increase) decrease in loans		(1,406,235)
1.2.4	Net (increase) decrease in other assets	(5.6.3)	(2,791,366)
1.2.5	Net increase (decrease) in bank deposits		(28,909)
1.2.6	Net increase (decrease) in other deposits		436,489
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss		2,781,165
1.2.8	Net increase (decrease) in funds borrowed		2,465,288
1.2.9	Net increase (decrease) in matured payables		-
1.2.10	Net increase (decrease) in other liabilities	(5.6.3)	(50,477)
I.	Net cash provided from banking operations		2,341,934
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash provided from investing activities		(2,000)
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures		-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures		-
2.3	Cash paid for the purchase of tangible and intangible asset		(245)
2.4	Cash obtained from the sale of tangible and intangible asset		173
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income		-
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		-
2.7	Cash paid for the purchase of financial assets at amortised cost		-
2.8	Cash obtained from sale of financial assets at amortised cost		-
2.9	Other		(1,928)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net cash flows from financing activities		-
3.1	Cash obtained from funds borrowed and securities issued		-
3.2	Cash outflow from funds borrowed and securities issued		-
3.3	Equity instruments issued		-
3.4	Dividends paid		-
3.5	Payments for finance lease liabilities		-
3.6	Other	(5.6.3)	-
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(5.6.3)	(753,762)
V.	Net increase/(decrease) in cash and cash equivalents		1,586,172
VI.	Cash and cash equivalents at beginning of the period		864,642
VII.	Cash and cash equivalents at end of the period		2,450,814

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

The accompanying notes are an integral part of these unconsolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

MUFG BANK TURKEY A.Ş
Statement of Cash Flows
At 31 December 2017

STATEMENT OF CASH FLOWS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)
		AUDITED
		PRIOR PERIOD 1.01.2017 31.12.2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		447,340
1.1.1 Interests received		355,903
1.1.2 Interests paid		(80,679)
1.1.3 Dividend received		-
1.1.4 Fees and commissions received		21,515
1.1.5 Other income		459
1.1.6 Collections from previously written-off loans and other receivables		-
1.1.7 Payments to personnel and service suppliers		(28,133)
1.1.8 Taxes paid		(36,863)
1.1.9 Others	(5.6.3)	215,138
1.2 Changes in operating assets and liabilities		(816,073)
1.2.1 Net (increase) decrease in financial assets held for trading		-
1.2.2 Net (increase) decrease in financial assets valued at fair value through profit or loss		-
1.2.3 Net (increase) decrease in due from banks		(282,450)
1.2.4 Net (increase) decrease in loans		(1,429,755)
1.2.5 Net (increase) decrease in other assets	(5.6.3)	4,434
1.2.6 Net increase (decrease) in bank deposits		(522,377)
1.2.7 Net increase (decrease) in other deposits		120,399
1.2.8 Net increase (decrease) in funds borrowed		1,275,126
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities	(5.6.3)	18,550
I. Net cash flow from banking operations		(368,733)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities		(2,753)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3 Purchases of tangible assets		(1,246)
2.4 Sales of tangible assets		253
2.5 Cash paid for purchase of financial assets available-for-sale		-
2.6 Cash obtained from sale of financial assets available-for-sale		-
2.7 Cash paid for purchase of investments held-to-maturity		-
2.8 Cash obtained from sale of investments held-to-maturity		-
2.9 Others	(5.6.3)	(1,760)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities		-
3.1 Cash obtained from funds borrowed and securities issued		-
3.2 Cash used for repayment of funds borrowed and securities issued		-
3.3 Equity instruments issued		-
3.4 Dividends paid		-
3.5 Payments for financial leases		-
3.6 Others (payments for founder shares repurchased)	(5.6.3)	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	(5.6.3)	(216,411)
V. Net increase/(decrease) in cash and cash equivalents		(587,897)
VI. Cash and cash equivalents at beginning of period		1,452,539
VII. Cash and cash equivalents at end of period		864,642

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

The accompanying notes are an integral part of these unconsolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)
MUFG BANK TURKEY A.Ş
Statement of Profit Distribution
At 31 December 2018

	THOUSANDS OF TURKISH LIRA (TL)
	AUDITED
	CURRENT PERIOD (*) 1.01.2018 31.12.2018
I. DISTRIBUTION OF CURRENT YEAR PROFIT	
1.1 CURRENT PERIOD PROFIT	198,136
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	42,360
1.2.1 Corporate tax (income tax)	39,374
1.2.2 Withholding tax	-
1.2.3 Other taxes and duties	2,986
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	155,776
1.3 ACCUMULATED LOSSES (-)	-
1.4 FIRST LEGAL RESERVES (-)	-
1.5 OTHER STATUTORY RESERVES (-)	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	155,776
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1 To owners of ordinary shares	-
1.6.2 To owners of privileged shares	-
1.6.3 To owners of redeemed shares	-
1.6.4 To profit sharing bonds	-
1.6.5 To holders of profit and loss sharing certificates	-
1.7 DIVIDENDS TO PERSONNEL (-)	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-
1.9.1 To owners of ordinary shares	-
1.9.2 To owners of privileged shares	-
1.9.3 To owners of redeemed shares	-
1.9.4 To profit sharing bonds	-
1.9.5 To holders of profit and loss sharing certificates	-
1.10 SECOND LEGAL RESERVES (-)	-
1.11 STATUS RESERVES (-)	-
1.12 EXTRAORDINARY RESERVES	-
1.13 OTHER RESERVES	-
1.14 SPECIAL FUNDS	-
II. DISTRIBUTION OF RESERVES	
2.1 APPROPRIATED RESERVES	-
2.2 SECOND LEGAL RESERVES (-)	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1 To owners of ordinary shares	-
2.3.2 To owners of privileged shares	-
2.3.3 To owners of redeemed shares	-
2.3.4 To profit sharing bonds	-
2.3.5 To holders of profit and loss sharing certificates	-
2.4 DIVIDENDS TO PERSONNEL (-)	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-
III. EARNINGS PER SHARE (per YTL'000 face value each)	
3.1 TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-
3.3 TO OWNERS OF PRIVILEGED SHARES	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-
IV. DIVIDEND PER SHARE	
4.1 TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-

(*) Decision regarding to the 2018 profit distribution will be held at General Assembly meeting.

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since, 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately

The accompanying notes are an integral part of these unconsolidated financial statements.

(Convenience Translation of Financial Statements Originally Issued in Turkish)

MUFG BANK TURKEY A.Ş
Statement of Profit Distribution
At 31 December 2017

	THOUSANDS OF TURKISH LIRA (TL)
	AUDITED
	PRIOR PERIOD (*) 1.01.2017 31.12.2017
I. DISTRIBUTION OF CURRENT YEAR PROFIT	
1.1 CURRENT PERIOD PROFIT	103,297
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	22,422
1.2.1 Corporate tax (income tax)	50,713
1.2.2 Withholding tax	-
1.2.3 Other taxes and duties	(28,291)
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	80,875
1.3 ACCUMULATED LOSSES (-)	-
1.4 FIRST LEGAL RESERVES (-)	(4,044)
1.5 OTHER STATUTORY RESERVES (-)	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	76,831
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1 To owners of ordinary shares	-
1.6.2 To owners of privileged shares	-
1.6.3 To owners of redeemed shares	-
1.6.4 To profit sharing bonds	-
1.6.5 To holders of profit and loss sharing certificates	-
1.7 DIVIDENDS TO PERSONNEL (-)	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-
1.9.1 To owners of ordinary shares	-
1.9.2 To owners of privileged shares	-
1.9.3 To owners of redeemed shares	-
1.9.4 To profit sharing bonds	-
1.9.5 To holders of profit and loss sharing certificates	-
1.10 SECOND LEGAL RESERVES (-)	-
1.11 STATUS RESERVES (-)	-
1.12 EXTRAORDINARY RESERVES	-
1.13 OTHER RESERVES	-
1.14 SPECIAL FUNDS	-
II. DISTRIBUTION OF RESERVES	-
2.1 APPROPRIATED RESERVES	-
2.2 SECOND LEGAL RESERVES (-)	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1 To owners of ordinary shares	-
2.3.2 To owners of privileged shares	-
2.3.3 To owners of redeemed shares	-
2.3.4 To profit sharing bonds	-
2.3.5 To holders of profit and loss sharing certificates	-
2.4 DIVIDENDS TO PERSONNEL (-)	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-
III. EARNINGS PER SHARE (per YTL'000 face value each)	-
3.1 TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-
3.3 TO OWNERS OF PRIVILEGED SHARES	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-
IV. DIVIDEND PER SHARE	-
4.1 TO OWNERS OF ORDINARY SHARES (per YTL'000 face value each)	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-

2018

financial statements are prepared on different principles, 2017 financial statements are presented separately

The accompanying notes are an integral part of these unconsolidated financial statements.

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

SECTION THREE

ACCOUNTING PRINCIPLES

I. Explanations on the basis of presentation

1. Preparation of the financial statements and the accompanying footnotes in accordance with Turkish Accounting Standards and the Communiqué on Principles and Procedures on the Accounting Practice and Documentation of Banks

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

The financial statements are prepared in Turkish Lira (TL) based on the historical cost convention, except for the financial assets and liabilities carried at fair value.

The Bank had taken the permission to launch as a deposit accepting bank from the Banking Regulation and Supervision Agency (“BRSA”) at 20 December 2012. In order to start operations the Bank initiated the necessary procedures as of 14 February 2013. Banking operations permit was obtained at 19 September 2013 and the Bank started its operations on 28 November 2013.

2. Accounting policies and valuation principles applied in preparation of financial statements

The accounting policies and valuation principles used in the preparation of the financial statements are selected and applied in accordance with the requirements set out in Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”), the Communiqué “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette numbered 26333 on 1 November 2006, the Communiqué “Publicly Disclosed Financial Statements and the Accompanying Explanations and Footnotes by Banks” published in the Official Gazette numbered 28337 on 28 September 2012. The accounting policies and valuation principles applied in the preparation of the accompanying financial statements are explained in Notes II and XXV below.

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

ACCOUNTING PRINCIPLES (Continued)

II. Explanations on TFRS 9 Financial Instruments

TFRS 9 “Financial Instruments”, which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017. TFRS 9 will replace TAS 39 Financial Instruments: recognition and measurement, related to the classification and measurement of financial instruments.

All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit/loss. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss. Dividends on such investments are recognised in profit/loss unless the dividend clearly represents a recovery of part of the cost of the investment.

The Bank applied the classification, measurement and impairment requirements retrospectively by adjusting the opening balance sheet and opening equity at 1 January 2018, with no restatement of comparative periods.

The combined application of the contractual cash flow characteristics and business models as at 1 January 2018 results in no major difference in the classification of financial assets when compared to the classification under TAS 39.

Initial measurement of financial instruments:

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model.

Classification of financial instruments:

On which category a financial instruments shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Assessment of business model:

As per TFRS 9, the Bank’s business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

ACCOUNTING PRINCIPLES (Continued)

II. Explanations on TFRS 9 Financial Instruments(continued)

During assessment of the business model for management of financial assets, it must be considered all relevant evidence that is available at the date of the assessment. Such relevant evidence includes below:

- How the performance of the business model and the financial assets held within that business model are reported to the Bank's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

A business model whose objective is to hold assets in order to collect contractual cash flows: A business model whose objective is to hold the assets of the Bank in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortised cost when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Measurement categories of financial assets and liabilities:

As of 1 January 2018, the Bank classified all its financial assets based on the business model for managing the financial assets. Accordingly, financial assets are classified in three main categories as listed below:

- Financial assets measured at amortized cost,
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at fair value through profit/loss.

Financial assets measured at amortised cost:

As of 1 January 2018 a financial asset is measured at amortized cost if both of the following conditions are met.

- Asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Loans:

Financial assets other than those held for trading in short term or generated through providing money, commodity and services to debtors.

Loans and receivables are recognized at cost and measured at amortized cost using the effective interest method. The expected loss calculated for the relevant financial assets in accordance with TFRS 9 is presented in Section 5, Note 6.2.

In accordance with TFRS 9, if the following conditions are met, the related financial assets should be measured at fair value through other comprehensive income.

MUFG BANK TURKEY A.Ş.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

ACCOUNTING PRINCIPLES (Continued)

II. Explanations on TFRS 9 Financial Instruments(continued)

Financial assets measured at fair value through other comprehensive income:

- Financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through profit/loss:

Financial assets valued at fair value through profit or loss are valued at their fair values and gain/loss arising on those assets is recorded in the statement of profit or loss. Interest income earned on trading securities and the difference between their acquisition costs and amortized costs are recorded as interest income in the statement of profit or loss. The differences between the amortized costs and the fair values of such securities are recorded under trading account income/losses in the statement of profit or loss. In cases where such securities are sold before their maturities, the gains/losses on such sales are recorded under trading account income/losses.

Impairment

As of 1 January 2018, the Bank has started to recognize provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets will be divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized life time expected credit losses for such financial assets.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized life time expected credit losses for such financial assets.

It is expected that the estimated impairment, calculated in accordance with the expected loan loss model under TFRS 9, will have a positive effect on own funds due to the cancellation of general loan provision. The impact of implementation for this standard is based on the assessments made so far. As of the transition date, it is still ongoing the revisions on the accounting policies, relevant processes and internal controls. Accordingly, there might be changes in the anticipated impact of TFRS 9 on the financial statements until announcement of the first time adoption financial statements including the opening balance sheet as of 1 January 2018. Besides, the Bank will calculate deferred tax on the expected credit losses calculated on stage 1 and 2 loans and the impact regarding calculated deferred tax asset will be accounted for under equity during transition.

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

ACCOUNTING PRINCIPLES (Continued)**III. Explanations on the usage strategy of financial instruments and on foreign currency****1. Usage strategy of the financial instruments**

The Bank uses financial instruments in accordance with its nature. The major strategy for the usage of financial instruments is to maintain the balance between the yields of assets and associated risks.

The main funding source of the Bank is its own reserves in its equity and borrowings from foreign financial institutions. While the Bank follows an asset liability strategy which enables to consider these sources in high yield and high quality financial assets, the Bank also manages its interest rate risk, liquidity risk, exchange rate risk and credit risk within the limits set by the Bank management and the prudential limits. High profitability and strong shareholders equity is aimed with an efficient asset-liability management strategy.

The Bank is aiming to operate with a positive margin between the cost of resources and product yield and create an optimum maturity risk while undertaking its asset-liability management.

As a part of the Bank's risk management strategy, the position management for all kinds of short term currency, interest and price risks are managed by Treasury within the limits defined by the Board of Directors.

2. Foreign currency transactions***Foreign currency exchange rates used in converting transactions denominated in foreign currencies and their presentation in the financial statements***

The Bank recognizes the foreign currency transactions in accordance with TAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses arising from the foreign currency transactions as of 31 December 2018 are translated into Turkish Lira by using the exchange rates at the date of the transaction and recognized in accounting records. At the end of the periods, foreign currency assets and liabilities are translated into Turkish Lira by using the spot foreign currency exchange rates of the Bank at the end of the period and the related currency translation differences are recognized as foreign exchange gains and losses.

As at the end of the period, the Bank's foreign currency exchange rates are as follows:

	31 December 2018	31 December 2017
USD Dollar	5.2810	3.7719
Euro	6.0422	4.5155

IV. Explanations on subsidiaries and affiliates

The bank has no subsidiaries and affiliates as of 31 December 2018.

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ACCOUNTING PRINCIPLES (Continued)

V. Explanations on forward transactions, options and derivative instruments

The Bank does not have any embedded derivatives separated from the host contract.

In accordance with TFRS 9, forward foreign currency purchase/sale contracts, swaps and options are classified as “hedging purpose” and “trading purpose” transactions. Derivatives are initially recognized at cost including the transaction costs. Also, the assets and liabilities arising from the derivative transactions are recorded as off-balance sheet items at their contractual notional amounts. The derivative transactions held for trading are valued at fair-value using market prices or pricing models subsequent to initial recognition and are presented in “derivative financial assets” or “derivative financial liabilities” items of the balance sheet depending on the difference’s being positive or negative. The derivative transactions held for hedging are valued at fair value using market prices or pricing models subsequent to initial recognition and are presented in “derivative financial assets held for hedging purpose” or “derivative financial liabilities held for hedging purpose” items of the balance sheet depending on the difference’s being positive or negative. Gains and losses arising from a change in the fair value are recognized in the income statement.

VI. Explanations on interest income and expenses

Interest income and expenses calculated using internal rate of return are recognized on accrual basis.

VII. Explanations on fee and commission income and expenses

Except for certain fees related with certain banking transactions and recognized when received, fees and commissions received or paid are accounted for under accrual basis of accounting using effective interest rate. The income derived from agreements or asset purchases or sales from real-persons or corporate third parties are recognized as income when realized.

VIII. Explanations on impairment of financial assets

As of 1 January 2018, the Bank recognises a loss allowance for expected credit losses on financial assets and loans measured at amortised cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from 1 January 2018. At each reporting date, the Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Bank shall use the change in the risk of a default occurring for the financial instrument.

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Bank measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses. The Bank calculates the expected credit loss on a collective basis by means of grouping the financial assets having common credit risk features or on an individual basis. The Bank constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration change in the risk of a default occurring over the expected life of the financial instrument.

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ACCOUNTING PRINCIPLES (Continued)

IX. Explanations on offsetting financial instruments

If the fair values of equity shares held for trading and quoted on stock exchanges are lower than their carrying values, allowance for impairment is recognized and the recognized impairment is offset with the related assets on the face of the balance sheet.

Expected credit losses for non-performing loan and other receivables are provided in accordance with “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”. Such allowances are offset with loans under follow-up on the asset side. Other financial assets and liabilities are offset when the Bank has a legally enforceable right to offset.

X. Explanations on sale and repurchase agreements and securities lending transactions

Securities subject to repurchase agreements (repo) are classified according to their purposes to be held in the Bank’s portfolio and measured at the principles of the relevant portfolio. Funds obtained from repurchase agreements are followed under the “Money Market Funds” account in liabilities, and interest expense accruals are calculated using the effective interest (internal rate of return) method on the difference between the sales and repurchase prices corresponding to the period designated by a repurchase agreement.

Reverse repurchase agreements transactions (reverse repo) are recorded under the “Money Market Funds” account. The Bank does not have any repo and reverse repo transactions as of 31 December 2018.

XI. Explanations on noncurrent assets held for sale and discontinued operations and the related liabilities

A tangible asset (or a disposal group) classified as “asset held for sale” is measured at the lower of the carrying value or fair value less costs to sell. Assets held for sale are not depreciated and presented in the financial statements separately. An asset (or a disposal group) is regarded as “asset held for sale” only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively marketed at a price consistent with its fair value.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity’s control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a part of the Bank’s business classified as disposed or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement. The Bank does not have any noncurrent assets held for sale and discontinued operations nor any liabilities related to noncurrent assets as of 31 December 2018.

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ACCOUNTING PRINCIPLES (Continued)

XII. Explanations on goodwill and other intangible assets

As of 31 December 2018, there is no goodwill that should be presented in the financial statements.

The intangible assets of the Bank consist of software. The useful lives of these assets determined as 5 years.

The costs associated with outsourced computer software in use and related expenditures to develop the computer software are capitalized if it's intended to increase useful life and original content. The capitalized expenses are amortized with straight line method throughout remaining useful lives.

XIII. Explanations on tangible assets

Gains/losses from the sale of the tangible assets are calculated as the difference between the net book value and the net sales price and recorded in the income statement as profit or loss.

Maintenance and repair costs incurred for tangible assets are recorded as expense.

There are no restrictions such as pledges, mortgages or any other restriction, or commitments to purchase or rights vested on tangible assets.

Depreciation rates and estimated useful lives used for the tangible assets are as follows:

Tangible Asset	Estimated useful lives (Years)	Depreciation Rate (%)
Vaults	50	2
Vehicles	5	20
Other Tangible Assets	4	25

XIV. Explanations on leasing transactions

The Bank recognizes the fixed assets acquired through financial lease with the lower of present value of the lease payments and their fair values. The fixed assets acquired through financial lease are classified as fixed assets and depreciated based on their useful lives. If there is an impairment detected on the value of fixed assets acquired through financial lease, the provision for impairment is recognized. The obligations arising from financial lease agreements are shown in liabilities as 'lease payables' account. The interest which is the differences between the cost of fixed assets and total lease payments, is shown as deferred financial lease expenses account. The interest and exchange losses related with financial lease are recognized in the income statement.

As of the balance sheet date the Bank has no financial lease transaction entered into as the "lessor".

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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ACCOUNTING PRINCIPLES (Continued)**XV. Explanations on provisions and contingent liabilities**

Provisions and contingent liabilities are accounted for in accordance with TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. In the financial statements, a provision is made if there is a present obligation that arises from past events as of the balance sheet date, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

Provisions recognized during the period are recognized within “other operating expenses”; reversals of provisions recognized in the prior periods are recognized within “other operating income”.

XVI. Explanations on contingent assets

The contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank. If an inflow of economic benefits has become probable, then the contingent asset is disclosed in the notes to the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

XVII. Explanations on liabilities for employee benefits

As per the existing labor laws and agreements in Turkey, entities are required to pay severance for the employees retired or fired. These payments are qualified as recognized retirement benefit plan according to revised TAS 19 Standard on the Benefits Provided to Employees. Severance payment liability recognized in the balance sheet is calculated according to the net present value of expected amount in the future arising from all employees’ retirements and presented in the financial statements. The amendments to TAS 19 have changed the accounting of defined benefit plans and severance indemnity. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the balance sheet to reflect the full value of the plan deficit or surplus. The amendments to TAS 19 require retrospective application.

XVIII. Explanations on taxation**1. Current tax**

Effective from 1 January 2006, statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes.

The corporate tax rate which has been applied at the rate of 20% in accordance with the Article 32 – paragraph 1 of the Corporate Tax Law No: 5520, was set as 22% for the tax bases of the years 2018, 2019, and 2020 (applicable as of the beginning of the accounting periods in the related year for institutions designated a special accounting period) as per the provisional article 10 incorporated by the Article 91 of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down up to 20%.

There is no further taxes on profits if not distributed. Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. As per the decisions no.2009/14593 and no.2009/14594 of the Council of Ministers published in the Official Gazette no.27130 dated 3 February 2009, certain withholding rates included in the articles no.15 and 30 of the new Corporate Tax Law no.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%.

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ACCOUNTING PRINCIPLES (Continued)

XIX. Explanations on taxation (continued)

1. Current tax (continued)

In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The advance taxes are calculated and paid at the rates applicable for the earnings of the related years. The prepayments can be offset against the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous years.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

2. Deferred tax

The Bank calculates and recognizes deferred tax for taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base according to the Turkish Accounting Standard 12 (TAS 12) "Income Taxes".

Tax rate used in the calculation of deferred tax assets and liabilities was 22% over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and 20% over temporary timing differences expected to be reversed in 2021 and the following years (31 December 2017: 20%).

3. Transfer pricing

The article 13 of the Corporate Tax Law describes the issue of transfer pricing under the title of "disguised profit distribution" by way of transfer pricing. "The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing" published at 18 November 2007, explains the application related issues on this matter.

According to this Communiqué, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties where the prices are not determined according to the arm's length principle, then it will be concluded that there is a disguised profit distribution by way of transfer pricing. Such disguised profit distributions are not deducted from the corporate tax base for tax purposes.

As stated in the "7.1 Annual Documentation" section of this communiqué, taxpayers are required to fill out the "Transfer Pricing, Controlled Foreign Entities and Thin Capitalization" form for the purchase and sale of goods or services conducted with their related parties in a taxation period, attach these forms to their corporate tax returns and submit to the tax offices.

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ACCOUNTING PRINCIPLES (Continued)

XVIII. Explanations on taxation (continued)

XIX. Additional explanations on borrowings

The Bank obtains resources from foreign entities through borrowings.

Borrowing funds are initially measured at acquisition cost and subsequently measured at amortized cost. In the accompanying financial statements, foreign currency denominated borrowing funds are translated to Turkish Lira with the Bank's spot foreign exchange buying rates and interest expenses incurred during the period relating to the borrowing funds are recognized in the income statement.

The Bank applies general hedging techniques for mitigating the liquidity risk, interest rate risk and currency risk of the borrowing funds. Those techniques do not meet the definition of hedge accounting according to TFRS 9. There are no convertible bonds issued by the Bank as at the balance sheet date.

XX. Explanation on share certificates issued

None.

XXI. Explanation on bank acceptances and bills of guarantee

Bank acceptances and bills of guarantee are presented within off-balance sheet liabilities as contingent liabilities and commitments. Cash transactions relating to bank acceptances and bills of guarantee are realized concurrently with the customer payments.

As of the balance sheet date, there are no bank acceptances and bills of guarantee recognized as liability against an asset.

XXII. Explanation on government incentives

As of the balance sheet date, the Bank does not have any government incentives.

XXIII. Explanation on segment reporting

The Bank mainly operates in corporate banking and treasury. Explanations and notes related to the segment reporting are disclosed in Section 4 Note XI.

XXIV. Reclassifications

As of 1 January 2018, the Bank classified expected losses calculated based on TFRS 9 into the relevant line items through reversing "General Provision" amount in the prior year financial statements. While the Bank classifies expected losses calculated for financial assets and loans in the relevant expected losses line items under assets as per TFRS 9, expected losses calculated for non-cash loans are classified as "Other Provisions" under liabilities. Expected losses allocated for other assets are also classified on the relevant line item on a net basis.

As of 1 January 2018, due to first time adoption of TFRS 9, total shareholders' equity figure of the Bank increased by TL 22,788 comprises of TL 21,498 as a result of calculation of expected losses and TL 1,290 as a result from deferred tax effect.

As of 1 January 2018, the Bank classified miscellaneous payables amounting to TL 22,911 and other external fundings amounting to TL 6,258 into "Other Liabilities" amounting to TL 29,169 in total.

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ACCOUNTING PRINCIPLES (Continued)

XXV. Other matters

New Standards not effective as of 1 January 2018

TFRS 16 Leases

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. The standard will be effective from annual periods beginning on or after 1 January 2019. The Bank intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The Bank does not expect a significant impact in its financials.

XXVI. Explanations on prior period accounting policies not valid for the current period

TFRS 9 Financial Instruments" standard came into effect to replace "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies no longer applicable after the transition of TFRS 9 are given below.

The Bank categorized its financial assets as "Fair value through profit/loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity" in prior periods.

Explanations on financial assets

Financial assets held for trading

Financial Assets Held for Trading are presented in the balance sheet with their fair values and are measured at fair values after the initial recognition. All gains and losses arising from valuations of trading financial assets are reflected in the income statement. In accordance with descriptions of the uniform chart of accounts, favorable difference between acquisition cost of financial asset and its discounted value are recognized in "Interest Income", in the case of fair value of asset is above its discounted value, favorable difference between them are recognized in "Capital Market Transactions Profits" account, in the case of fair value is below discounted value, unfavorable difference between them are recognized in "Capital Market Transactions Losses" account and the dividends presented under dividend income. In the case of financial asset is sold off before its maturity, consisted gains or losses are accounted within the same principals.

Financial assets at fair value through profit and loss

The Bank does not have financial assets classified at fair value through profit and loss.

Financial assets available for sale

The Bank does not have financial assets available for sale as of 31 December 2017.

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ACCOUNTING PRINCIPLES (Continued)

XXVI. Explanations on prior period accounting policies not valid for the current period

Explanations on financial assets (continued)

Investments held to maturity

The Bank does not have investments held to maturity as of 31 December 2017.

Loans and receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Krediler, TMS 39 “Finansal Araçlar: Muhasebeleştirme ve Ölçme” standardı uyarınca elde etme maliyeti ile muhasebeleştirilmekte, etkin faiz yöntemi ile iskonto edilmiş maliyet tutarı üzerinden değerlendirilmektedir. Bunların teminatı olarak alınan varlıklarla ilgili olarak ödenen harç, işlem gideri ve bunun gibi diğer masraflar işlem maliyetinin bir bölümü olarak kabul edilmekte ve müşteriye yansıtılmaktadır.

Explanations on impairment on financial assets

At each balance sheet date, the Bank reviews the carrying amounts of its financial asset or group of financial assets whether there is an objective indication that those assets have suffered an impairment loss. If such indication exists, the Bank determines the related impairment amount.

A financial asset or a group of financial assets is subject to impairment loss only if there is an objective indication that the occurrence of one or more than one event (“loss event”) subsequent to the initial recognition of that asset has an effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group.

In accordance with legislation published in the Official Gazette numbered 26333 and dated 1 November 2006; for loans; the Bank’s management performs consistent loan portfolio reviews and if any doubts on the collectability of the loans arise, the Bank provides general allowances and sets specific provisions. The allowances and provisions are recorded in income statement of the related period.

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SECTION FOUR

FINANCIAL POSITION AND RISK MANAGEMENT

I. Explanations on total capital

1. Components of total capital

Calculation of the amount of equity is made according to the "Regulation on Equities of Banks" and the calculation of capital adequacy standard ratio according to "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy". As of 31 December 2018, the Bank's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 14.03% (31 December 2017: 13.98).

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	527,700	
Share Premium	-	
Reserves	7,147	
Other Comprehensive Income according to TAS	7	
Profit	314,348	
Current Period Profit	155,776	
Prior Period Profit	158,572	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	849,202	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	-
Leasehold Improvements on Operational Leases (-)	235	-
Goodwill Netted with Deferred Tax Liabilities	7,387	7,387
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	-	-
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-

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Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	-
Total Deductions from Common Equity Tier I Capital	7,622	
Total Common Equity Tier I Capital	841,580	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by 34ort he34 Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I)	841,580	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	16,651	
Total Deductions from Tier II Capital	16,651	
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-

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The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	
Total Tier II Capital	16,651	
Total Equity (Total Tier I and Tier II Capital)	858,231	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	-	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	858,231	-
Total Risk Weighted Assets	6,119,141	-
CAPITAL ADEQUACY RATIOS		
CET1 Capital Ratio (%)	13.75	-
Tier I Capital Ratio (%)	13.75	-
Capital Adequacy Ratio (%)	14.03	-
BUFFERS		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	6.38	-
a) Bank-specific total CET1 Capital Ratio	1.875	-
b)Capital Conservation Buffer Ratio (%)	-	-
c)Higher bank buffer requirement ratio (%)(**)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	6.03	-
Amounts Lower Than Excesses as per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	11,749	-
Limits for Provisions Used in Tier II Capital Calculation		

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	16,651	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	70,195	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022))		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*) Amounts in this column represents the amounts of items that are subject to transitional provisions.

(**) Since it will be filled in systematically important banks with no obligation to prepare consolidated financial statements in the context of the fourth paragraph Regulation on Systematic Significant Banks, it has been stated as 0.00% .

<i>Prior Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	527,700	
Share Premium	-	
Reserves	3,103	
Other Comprehensive Income according to TAS	(11)	
Profit	139,828	
Current Period Profit	80,875	
Prior Period Profit	58,953	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
Common Equity Tier I Capital Before Deductions	670,620	
Deductions From Common Equity Tier I Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	-
Leasehold Improvements on Operational Leases (-)	406	-
Goodwill Netted with Deferred Tax Liabilities	13,610	17,013
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	-	-
Net Deferred Tax Asset/Liability (-)	-	-
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	-
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization gains	-	-
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	-
Net amount of defined benefit plans	-	-
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	-	-
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights not deducted (-)	-	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other items to be Defined by the BRSA (-)	-	-
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier I Capital	14,016	
Total Common Equity Tier I Capital	656,604	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by or the Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Items to be Deducted from Tier I Capital during the Transition Period	3,403	-
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	3,403	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I	653,201	
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	27,950	
Total Deductions from Tier II Capital	27,950	
Deductions from Tier II Capital		

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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	
Total Tier II Capital	27,950	
Total Equity (Total Tier I and Tier II Capital)	681,151	
Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted against the Articles 50 and 51 of the Banking Law (-)	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	-	
Other items to be Defined by the BRSA (-)	-	
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
CAPITAL		
Total Capital (Total of Tier I Capital and Tier II Capital)	681,151	-
Total Risk Weighted Assets	4,873,692	-
CAPITAL ADEQUACY RATIOS	-	
CET1 Capital Ratio (%)	13.47	-
Tier I Capital Ratio (%)	13.40	-
Capital Adequacy Ratio (%)	13.98	-
BUFFERS	-	
Bank-specific total CET1 Capital Ratio	5.13	-
Capital Conservation Buffer Ratio (%)	0.625	-
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	6.05	-
Amounts Lower Than Excesses as per Deduction Rules	-	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-	-

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets arising from Temporary Differences	13,449	-
Limits for Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	27,950	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	57,566	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-	-

(*)Under this item fully loaded amounts were reported for items that are subject to phasing in according to "Bank Capital Regulation" dated 1 January 2014.

The Bank plans its Common Equity Tier 1 (CET1) Capital by considering 10% as the minimum target while considering its additional CET 1 requirements during the phase-in period due to aforementioned regulations.

2. Items included in capital calculation

None.

3. Reconciliation of capital items to balance sheet

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from the expected credit losses. In the calculation of Total Capital, expected credit losses up to 1,25% credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities are taken into consideration as amounts deducted from Total Capital.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. Explanations on credit risk

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set.

In accordance with the regulation, credit risk limits is allocated in line with regulations according to financial position and needs of credit customers under the authorized limits of General Manager, Credit Committee and Board of Directors. If it is needed related limits can be changed by the Bank.

The Bank follows the customers of loans and other receivables in terms of the credit worthiness with respect to the relevant legislation. In addition, the status of accounts for new loans are checked and updated if needed. In accordance with relevant legislation, the Bank follows the risk limits on the basis of debtor and the debtor group.

The Bank uses a credit rating system to measure and evaluate the credit risk effectively. This is a mandatory step for all loan applications. The credit rating system is assessing the total credit risk of each customer. The Bank performs valuation of collaterals to reduce the loan risk at first step of receiving collateral and the results of risk rating system at least once a year.

The Bank manages and monitors its credit risk until the loan repayment is completed, related loan is cancelled or derecognized. The Bank has control limits held on the positions of forward transactions and other similar contracts, and these limits are monitored daily.

The share of the top 100 and 200 cash and non-cash loan customers in the total loans portfolio:

The Bank has 52 cash loan customers as of 31 December 2018. (31 December 2017: 53). The Bank's largest 100 and 200 cash loan customers comprise 100% (31 December 2017: 100%) of the total cash loan portfolio, respectively.

The share of the top 100 and 200 cash and non-cash loan customers in the total non-cash loans portfolio:

The Bank has 31 non cash loan customers as of 31 December 2018. (31 December 2017: 27). The Bank's largest 100 and 200 non-cash loan customers comprise 100% (31 December 2017: 100%) of the total non-cash loan portfolio.

At 31 December 2018 the Bank has total 70 cash and non-cash loan customers. (31 December 2017: 71 cash and non-cash customers) The Bank's largest 100 and 200 cash and non-cash loan customers represent 100% of the total "on and off balance sheet" exposures (31 December 2017: 100%).

In accordance with the Article 43 of Internal Systems Regulation, the Bank performs monthly stress tests in order to measure the effects of exceptional but a possible instance that may result with great credit losses in the portfolio.

The Bank senior management is informed regarding details of the Bank's credit risk in monthly meeting of Credit Committee.

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. Explanations on credit risk (continued)

	Current Period Risk Amount	Average Risk Amount
Exposure Categories		
Conditional and unconditional exposures to central governments or central banks	3,506,517	3,032,519
Conditional and unconditional exposures to banks, brokerage houses and corporates	4,703,756	2,806,435
Conditional and unconditional exposures to corporates	8,026,302	6,856,955
Other receivables	8,040	14,055
Total	16,244,615	12,709,964
	Prior Period Risk Amount	Average Risk Amount
Exposure Categories		
Conditional and unconditional exposures to central governments or central banks	2,505,997	2,138,122
Conditional and unconditional exposures to banks, brokerage houses and corporates	5,556,535	4,773,215
Conditional and unconditional exposures to corporates	1,866,005	1,636,021
Other receivables	54,029	37,179
Total	9,982,566	8,584,537

1. Profile of significant exposures in major regions

	Conditional and Unconditional exposures to central governments or central banks	Conditional and Unconditional exposures to banks and brokerage houses	Conditional and Unconditional exposures to corporates	Other receivables	Total
Current Period*					
Domestic	3,506,517	4,148,447	7,601,422	8,040	15,264,426
European Union (EU)					
Countries	-	45	420,127	-	420,172
OECD Countries **	-	318,253	-	-	318,253
Off-Shore Banking Regions	-	-	-	-	-
USA, Canada	-	3	-	-	3
Other Countries	-	237,008	4,753	-	241,761
Associates, Subsidiaries and Joint –ventures	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
Total	3,506,517	4,703,756	8,026,302	8,040	16,244,615

(*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

(**)Includes OECD countries other than EU countries, USA and Canada.

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**II. Explanations on credit risk (continued)****1. Profile of significant exposures in major regions (continued)**

	Conditional and Unconditional exposures to central governments or central banks	Conditional and Unconditional exposures to banks and brokerage houses	Conditional and Unconditional exposures to corporates	Other receivables	Total
Prior Period*					
Domestic	2,505,997	1,697,564	5,217,056	54,029	9,474,646
European Union (EU) Countries	-	18	332,299	-	332,317
OECD Countries **	-	164,188	7,180	-	171,368
Off-Shore Banking Regions	-	-	-	-	-
USA, Canada	-	1	-	-	1
Other Countries	-	4,234	-	-	4,234
Associates, Subsidiaries and Joint –ventures	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
Total	2,505,997	1,866,005	5,556,535	54,029	9,982,566

(*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

(**)Includes OECD countries other than EU countries, USA and Canada.

2. Risk profile by sectors or counterparties

Sectors / Counterparties Current Period	1	2	3	4	TL	FC	Total
Agricultural	-	-	183,527	-	104,285	79,242	183,527
Farming and Stockbreeding	-	-	183,527	-	104,285	79,242	183,527
Forestry	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-
Manufacturing	-	-	4,802,637	-	421,345	4,381,292	4,802,637
Mining and Quarrying	-	-	-	-	-	-	-
Production	-	-	4,722,942	-	421,345	4,301,597	4,722,942
Electricity, Gas and Water	-	-	79,695	-	-	79,695	79,695
Construction	-	-	5,721	-	5,061	660	5,721
Services	3,506,517	4,703,756	2,904,189	8,040	3,530,001	7,592,501	11,122,502
Wholesale and Retail Trade	-	-	1,318,900	-	691,598	627,302	1,318,900
Accommodation and Dining	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	318,836	-	10,563	308,273	318,836
Financial Institutions	3,506,517	4,703,756	1,213,405	8,040	2,774,791	6,656,926	9,431,717
Real Estate and Rental Services	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-
Health and Social Services	-	-	53,049	-	53,049	-	53,049
Other	-	-	130,228	-	130,228	-	130,228
Total*	3,506,517	4,703,756	8,026,302	8,040	4,190,920	12,053,695	16,244,615

(*)Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

1: Conditional and unconditional exposures to central governments or central

2: Conditional and unconditional exposures to banks and brokerage houses

3: Conditional and unconditional exposures to corporates

4: Other receivables

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. Explanations on credit risk (continued)

2. Risk profile by sectors or counterparties (continued)

Sectors / Counterparties Prior Period	1	2	3	4	TL	FC	Total
Agricultural	-	-	55,718	-	33,077	22,641	55,718
Farming and Stockbreeding	-	-	55,718	-	33,077	22,641	55,718
Forestry	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-
Manufacturing	-	-	3,682,375	-	1,145,750	2,536,625	3,682,375
Mining and Quarrying	-	-	-	-	-	-	-
Production	-	-	3,682,375	-	1,145,750	2,536,625	3,682,375
Electricity, Gas and Water	-	-	-	-	-	-	-
Construction	-	-	5,892	-	5,421	471	5,892
Services	2,505,997	1,866,005	1,812,550	54,029	2,058,932	4,179,649	6,238,581
Wholesale and Retail Trade	-	-	1,120,736	-	885,428	235,308	1,120,736
Accommodation and Dining	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	120,596	-	74,755	45,841	120,596
Financial Institutions	2,505,997	1,866,005	503,250	54,029	1,098,749	3,830,532	4,929,281
Real Estate and Rental Services	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-
Health and Social Services	-	-	67,968	-	-	67,968	67,968
Other	-	-	-	-	-	-	-
Total	2,505,997	1,866,005	5,556,535	54,029	3,243,180	6,739,386	9,982,566

3. Analysis of maturity-bearing exposures according to remaining maturities

Exposure Categories / Current Period	Term To Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and Unconditional Exposures to Central Governments or Central Banks	3,318,867	2,641	-	-	-
Conditional and Unconditional Exposures to Banks and Brokerage Houses	1,658,907	533,631	745,302	1,422,308	321,962
Conditional and Unconditional Exposures to Other Corporates	1,490,041	1,642,626	863,403	1,709,083	2,321,149
Other Receivables	-	-	-	-	-
Total	6,467,815	2,178,898	1,608,705	3,131,391	2,643,111

Exposure Categories / Prior Period	Term To Maturity				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and Unconditional Exposures to Central Governments or Central Banks	2,107,711	-	-	-	-
Conditional and Unconditional Exposures to Banks and Brokerage Houses	1,294,979	703,814	597,932	1,328,584	1,631,218
Conditional and Unconditional Exposures to Other Corporates	483,147	408,158	13,150	900,641	53,355
Other Receivables	-	-	-	-	-
Total	3,885,837	1,111,972	611,082	2,229,225	1,684,573

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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**II. Explanations on credit risk (continued)****3. Analysis of maturity-bearing exposures according to remaining maturities (continued)**

An international rating firm external risk ratings are used for the risk categories (defined in the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks") of the whole receivables from central governments and central banks and for the receivables where the counterparties are located in foreign countries.

The risk weights are used as unrated for central governments and central banks that are not rated by an international rating agency. Where the counterparties are domestic, the related exposures are included in the calculation of capital adequacy as unrated.

4. Exposures by risk weights

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Current Period										
Exposures Before Credit Risk Mitigation	2,884,058	-	1,656,918	-	3,653,933	-	8,049,612	-	-	7,622
Exposures After Credit Risk Mitigation	2,884,058	-	1,656,918	-	3,508,921	-	3,529,747	-	-	7,622

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	Deductions from Equity
Prior Period										
Exposures Before Credit Risk Mitigation	2,128,788	-	489,367	-	1,749,607	-	5,614,804	-	-	35,661
Exposures After Credit Risk Mitigation	2,128,788	-	489,367	-	1,727,029	-	3,643,931	-	-	35,661

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. Explanations on credit risk (continued)

5. Information by major sectors and type of counterparties

Major Sectors / Counterparties (Current Period)	Credit Risks		
	Signifiacnt Increase on Credit Risk (Stage II)	Default (Stage III)	Expected Credit Losses (IFRS 9)
Agriculture	-	-	-
Farming and Stockbreeding	-	-	-
Forestry	-	-	-
Fishery	-	-	-
Manufacturing	-	-	-
Mining and Quarrying	-	-	-
Production	-	-	-
Electricity, Gas and Water	-	-	-
Construction	-	-	-
Services	-	-	-
Wholesale and Retail Trade	-	-	-
Accommodation and Dining	-	-	-
Transportation and Telecommunication	-	-	-
Financial Institutions	-	-	-
Real Estate and Rental Services	-	-	-
Professional Services	-	-	-
Educational Services	-	-	-
Health and Social Services	-	-	-
Others	-	-	-
Total	-	-	-

Major Sectors / Counterparties (Prior Period)	Credit Risks			
	Impaired Loans	Past Due Loans	Value Adjustments(*)	Provisions(**)
Agriculture	-	-	-	-
Farming and Stockbreeding	-	-	-	-
Forestry	-	-	-	-
Fishery	-	-	-	-
Manufacturing	-	-	-	-
Mining and Quarrying	-	-	-	-
Production	-	-	-	-
Electricity, Gas and Water	-	-	-	-
Construction	-	-	-	-
Services	-	-	-	-
Wholesale and Retail Trade	-	-	-	-
Accommodation and Dining	-	-	-	-
Transportation and Telecommunication	-	-	-	-
Financial Institutions	-	-	-	-
Real Estate and Rental Services	-	-	-	-
Professional Services	-	-	-	-
Educational Services	-	-	-	-
Health and Social Services	-	-	-	-
Others	-	-	-	-
Total	-	-	-	-

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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

II. Explanations on credit risk (continued)

6. Information on movements in value adjustments and provisions

Current Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Stage III Expected Credit Loss	-	-	-	-	-
Stage I and Stage II Expected Credit Loss	-	10,199	-	6,452	16,651

Prior Period	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Specific Provisions	-	-	-	-	-
General Provisions	15,129	13,429	(608)	-	27,950

7. Information on collaterals, impairment, rating and maturity related to loans granted to individuals and corporates

Details of collaterals of standard and close monitoring loans granted to individuals and corporates are as follows:

Cash loans granted to individuals and corporates	Standard Loans Current Period	Standard Loans Prior Period	Loans Under Close Monitoring Current Period	Loans Under Close Monitoring Prior Period
Secured Loans:	6,726,001	3,845,120	-	55,963
Secured by Cash Collateral	5,877,776	3,145,838	-	-
Secured by Mortgages	-	-	-	-
Secured by Treasury Guarantees or Securities Issued by Public Sector	-	-	-	-
Guarantees Issued by Financial Institutions	-	-	-	-
Other Collaterals (pledges, corporate and personal guarantees, promissory notes)	848,225	699,282	-	55,963
Non-Secured Loans	2,812,495	2,802,924	-	-
Total	9,538,496	6,648,044	-	55,963

8. Exposures subject to countercyclical capital buffer

Country	Banking Book for Private Sector Lending	RWAs of Trading Book	Total
United Kingdom	-	20	20
Japan	-	268	268
Bulgaria	272	-	272
Turkey	5,527,265	9,772	5,537,037

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. Explanations on currency risk

Currency risk position limit is determined in line with foreign currency net general position standard ratio. The Bank does not take foreign exchange and parity risk; transactions are usually hedged. Measurable and manageable risks are taken within legal limits.

As of 31 December 2018, the Bank has a net short position of TL 54,504 (31 December 2017: TL 8,577 long position) resulting from long position on the off-balance sheet amounting to TL 1,965,587 (31 December 2017: TL 2,025,025 TL long) and short position on the balance sheet amounting to TL 2,020,091 (31 December 2017: TL 2,016,448 short). The Bank uses “Standard Method” which is also used in statutory reporting to measure the foreign exchange risk.

The announced current foreign exchange buying rates of the Bank at 31 December 2018 and the previous five working days in full TL are as follows:

US Dollar purchase rate as at the balance sheet date	TL 5.2810
Euro purchase rate as at the balance sheet date	TL 6.0422

Date	USD	EUR
25 December 2018	5.3034	6.0419
26 December 2018	5.2832	6.0185
27 December 2018	5.2889	6.0245
28 December 2018	5.2609	6.0280
31 December 2018	5.2810	6.0422

For December 2018, arithmetic average of US Dollar purchase rate is TL (full) 5.3010 and Euro purchase rate is TL (full) 6.0359.

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

III. Explanations on currency risk (continued)

Current Period	EUR	USD	Other	Total
Assets				
Cash and Balances with the Central Bank of Turkey	1,333,032	1,880,585	-	3,213,617
Banks	909,922	10,617	6,259	926,798
Financial Assets Measured at Fair Value through Profit/Loss (*)	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-
Loans (**)	3,055,736	4,545,180	34,103	7,635,019
Subsidiaries, Associates and Entities Under Common Control (Joint Vent.)	-	-	-	-
Financial Assets Measured at Amortised Cost	-	-	-	-
Derivative Financial Assets Held for Hedging Purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	30,211	67	-	30,278
Total Assets	5,328,901	6,436,449	40,362	11,805,712
Liabilities				
Banks Deposits	897,874	4,110,235	-	5,008,109
Foreign Currency Deposits	175,570	41,927	2,326	219,823
Interbank Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	2,936,577	5,606,187	52,613	8,595,377
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	5	1,002	1,007
Derivative Financial Liabilities Held for Hedging Purposes	-	-	-	-
Other Liabilities	-	-	1,487	1,487
Total Liabilities	4,010,021	9,758,354	57,428	13,825,803
Net Balance Sheet Position	1,318,880	(3,321,905)	(17,066)	(2,020,091)
Net Off-Balance Sheet Position	(1,322,192)	3,137,293	16,969	2,310,870
Financial Derivative Assets	878,479	4,386,669	25,007	5,290,155
Financial Derivative Liabilities	2,263,330	1,053,200	8,038	3,324,568
Non-Cash Loans	62,659	282,624	-	345,283
Prior Period				
Total Assets	3,148,880	3,435,529	27,861	6,612,270
Total Liabilities	2,283,828	6,317,167	27,723	8,628,718
Net Balance Sheet Position	865,052	(2,881,638)	138	(2,016,448)
Net Off Balance Sheet Position	(864,755)	2,889,776	4	2,025,025
Derivative Financial Assets	156,770	3,236,245	1,224	3,394,239
Derivative Financial Liabilities	1,021,525	346,469	1,220	1,369,214
Non-Cash Loans	86,488	218,747	1,313	306,548

(*) Derivative financial assets held for trading of TL 124,369 and derivative financial liabilities held for trading of TL 150,611 are not included in currency risk table.

(**) The foreign currency-indexed loans amounting to TL 46,306 thousands included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IV. Explanations on interest rate risk

The Bank's interest rate sensitive assets and liabilities are monitored and sensitivity analysis are carried out for the impact of the interest rate fluctuations on the financial statements. The results are reported regularly to Asset Liability Committee, Risk Committee and the top management. The effects of interest rate fluctuations (volatility) on the Bank's financial statements in the forthcoming periods are assessed through sensitivity and scenario analysis. Potential losses due to changes in fair value of interest-sensitive products are calculated during these assessment through applying shocks to interest rates. The Bank considers interest rate risk in accordance with the Market Risk-Banking Book Policy and daily differences (gap) are controlled to be within the predetermined limits and are reported to top management.

“Interest rate sensitivity of assets, liabilities and off-balance sheet items (Based on repricing dates)”:

Current Period End	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Assets							
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	2,031,645	-	-	-	-	1,442,021	3,473,666
Banks	1,577,252	483,732	421,484	-	-	21,645	2,504,113
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-
Loans	2,070,961	3,512,720	3,768,265	180,482	6,068	-	9,538,496
Financial Assets Measured at Amortised Cost	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	193,235	193,235
Total Assets	5,679,858	3,996,452	4,189,749	180,482	6,068	1,656,901	15,709,510
Liabilities							
Bank Deposits	1,143,981	3,271,361	593,059	-	-	-	5,008,401
Other Deposits	524,874	181,909	-	-	-	212,692	919,475
Interbank Money Market Borrowings	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	1,248	1,248
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Financial Institutions	4,014,441	1,709,138	2,247,042	719,014	6,056	-	8,695,691
Other Liabilities	-	-	-	-	-	1,084,695	1,084,695
Total Liabilities	5,683,296	5,162,408	2,840,101	719,014	6,056	1,298,635	15,709,510
Balance Sheet Long Position	-	-	1,349,648	-	12	358,266	1,707,926
Balance Sheet Short Position	3,438	(1,165,956)	-	(538,532)	-	-	(1,707,926)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(3,438)	(1,165,956)	1,349,648	(538,532)	12	358,266	-

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**IV. Explanations on interest rate risk (continued)**

Prior Period End	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest Bearing	Total
Assets							
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	2,107,711	-	-	-	-	398,285	2,505,996
Banks	452,402	6,755	-	-	-	7,554	466,711
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	20,261	20,261
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-	-	-	-
Loans	1,430,121	2,394,000	2,542,016	309,920	27,950	-	6,704,007
Investment Securities Held-to-Maturity	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	34,488	34,488
Total Assets	3,990,234	2,400,755	2,542,016	309,920	27,950	460,588	9,731,463
Liabilities							
Bank Deposits	750,052	1,168,576	382,250	132,591	-	-	2,433,469
Other Deposits	120,376	14,291	1,102	-	-	108,092	243,861
Interbank Money Market Borrowings	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	22,911	22,911
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Financial Institutions	3,130,126	1,431,563	1,521,998	108,656	27,926	-	6,220,269
Other Liabilities	-	-	-	-	-	810,953	810,953
Total Liabilities	4,000,554	2,614,430	1,905,350	241,247	27,926	941,956	9,731,463
Balance Sheet Long Position	-	-	636,666	68,673	24	-	705,363
Balance Sheet Short Position	(10,320)	(213,675)	-	-	-	(481,368)	(705,363)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(10,320)	(213,675)	636,666	68,673	24	(481,368)	-

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**IV. Explanations interest rate risk (continued)****Average interest rates applied to financial instruments**

Current Period End	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	2.00	-	18.50
Banks	0.20	-	-	23.63
Financial Assets at Fair Value Through Profit/ Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-
Loans	1.50	3.88	0.50	23.81
Financial Assets Measured at Amortised Cost	-	-	-	-
Liabilities				
Bank Deposits	-	2.59	-	3.50
Other Deposits	-	1.69	-	25.58
Interbank Money Market Borrowings	-	-	-	-
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	0.05	2.51	0.00	22.80
Prior Period End				
	EUR	USD	JPY	TL
	%	%	%	%
Assets				
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	1.50	-	4.00
Banks	-	-	-	12.84
Financial Assets at Fair Value Through Profit/ Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-
Loans	1.23	2.58	0.50	13.81
Investment Securities Held-to-Maturity	-	-	-	-
Liabilities				
Bank Deposits	-	1.72	-	3.50
Other Deposits	-	0.57	-	11.31
Interbank Money Market Borrowings	-	-	-	-
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	0.02	1.64	-	-

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**IV. Explanations interest rate risk (continued)**

As per the “Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method” published by the BRSA on 23 August 2011, the Bank analyses and reports to the Bank’s senior management the interest rate sensitivity of its equity on a monthly basis by applying positive and negative shocks to the interest sensitive on balance sheet and off-balance sheet positions which are distributed into groups based on their cashflows.

Current Period	Shock Applied (+ / - x bps)	Gains/ Losses	Gains / Equity - Losses / Equity (%)
TRY	500	(28,887)	(3.37%)
TRY	(400)	24,783	2.89%
USD Dollar	200	14,381	1.68%
USD Dollar	(200)	(14,983)	(1.75%)
EURO	200	26,632	3.10%
EURO	(200)	(27,774)	(3.24%)
Total (For Negative Shocks)		(17,974)	(2.09%)
Total (For Positive Shocks)		12,126	1.41%

Prior Period	Shock Applied (+ / - x bps)	Gains/ Losses	Gains / Equity - Losses / Equity (%)
TRY	500	(47,361)	(6.96) %
TRY	(400)	40,885	6.00%
USD Dollar	200	12,976	1.91%
USD Dollar	(200)	(13,460)	(1.98) %
EURO	200	13,389	1.97%
EURO	(200)	(13,833)	(2.03) %
Total (For Negative Shocks)		13,592	1.99%
Total (For Positive Shocks)		(20,996)	(3.08) %

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

V. Explanations on equity securities position risk

The Bank does not have a position of equity securities as of 31 December 2018.

VI. Explanations on liquidity risk

The Bank diversifies its funding resources with deposits and foreign bank borrowings to avoid the liquidity risk, monitors maturity mismatch between assets and liabilities and keeps liquid assets to meet probable liquidity needs that might result from market fluctuations.

Liquidity Coverage Ratio (LCR), aims for the banks having the ability to cover 30 days of liquidity needs with their own cash and high quality liquid assets that are easy to convert to cash during liquidity shortages in the markets. With that perspective and according to “Regulation for Banks’ Liquidity Coverage Ratio Calculations” (the Regulation) terms LCR ratio is calculated by having high quality liquid assets divided by net cash outflows. After a transition period that will end by 1 January 2019, in both bank-only and consolidated basis, LCR ratio should be at least 80% for foreign currency and 100% for total.

Items in balance sheet and off balance sheet items are taken into account after being multiplied by the coefficients envisaged in the Regulation. In LCR calculation cash inflows are limited by 75% of cash outflows and cash inflows from high quality liquid assets are not included.

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages.

The Bank’s main funding sources are deposits, funds borrowed and money market borrowings.

In LCR calculation, cash outflows are mainly consist of deposits, secured and unsecured borrowings and off balace sheet items.

The cash flows from derivative financial instruments are included in LCR calculations according to provisions of the Regulation. The Bank also considers changes in fair value of the liabilities that result in margin calls when calculating cash outflows.

There was not any material changes in items included in LCR calculations during the period.

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**VI. Explanations on liquidity risk (continued)****Liquidity coverage ratio**

<i>Current Period</i>		Total Unweighted Value (Average) ^(*)		Total Weighted Value (Average) ^(*)	
		TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets				3,472,397	3,347,144
1	Total high-quality liquid assets (HQLA)	6,097,674	6,063,602	3,472,397	3,347,144
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	34,680	27,120	1,763	1,356
3	Stable deposits	34,680	27,120	1,763	1,356
4	Less stable deposits	-	-	-	-
5	Unsecured wholesale funding, of which:	4,254,684	3,989,358	4,325,765	3,989,358
6	Operational deposits	87,616	20,765	88,221	20,765
7	Non-operational deposits	223,595	13,430	227,335	13,430
8	Unsecured funding	3,943,473	3,955,163	4,010,209	3,955,163
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	524,328	21,460	539,012	21,460
11	Outflows related to derivative exposures and other collateral requirements	524,328	21,460	539,012	21,460
12	Outflows related to restructured financial Instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	2,553,491	875,393	110,995	97,004
16	Total Cash Outflows			4,977,535	4,109,178
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	2,444,744	778,389	2,480,407	778,388
19	Other cash inflows	459,814	455,969	472,812	455,969
20	Total Cash Inflows	2,904,558	1,234,358	2,953,219	1,234,357
				Total Adjusted Value	
21	Total HQLA			3,472,397	3,347,144
22	Total Net Cash Outflows			2,024,316	2,874,821
23	Liquidity Coverage Ratio (%)			%171.53	%116.43

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the last three month period ended 31 December 2018:

	Highest (%)	Date	Lowest (%)	Date	Average (%)
TL+FC	242.78	27 November 2018	97.38	18 October 2018	144.50
FC	123.42	21 November 2018	83.72	19 December 2018	97.98

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. Explanation on liquidity risk (continued)

Liquidity coverage ratio (continued)

Prior Period		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
High-Quality Liquid Assets				2,400,861	2,391,144
1	Total high-quality liquid assets (HQLA)	4,347,762	4,408,864	2,391,144	1,213,340
Cash Outflows					
2	Retail deposits and deposits from small business customers, of which:	5,540	4,140	278	207
3	Stable deposits	5,540	4,140	278	207
4	Less stable deposits	-	-	-	-
5	Unsecured wholesale funding, of which:	3,185,640	3,181,587	3,230,619	3,181,587
6	Operational deposits	33,128	26,308	33,695	26,308
7	Non-operational deposits	40,824	10,319	41,402	10,319
8	Unsecured funding	3,111,688	3,144,960	3,155,522	3,144,960
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	868,064	-	880,859	-
11	Outflows related to derivative exposures and other collateral requirements	868,064	-	880,859	-
12	Outflows related to restructured financial Instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	1,383,293	687,525	105,554	94,865
16	Total Cash Outflows			4,217,310	3,276,659
Cash Inflows					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	1,279,021	592,660	1,293,829	592,662
19	Other cash inflows	881,731	893,980	893,980	893,980
20	Total Cash Inflows	2,160,752	1,486,640	2,187,809	1,486,642
				Total Adjusted Value	
21	Total HQLA			2,400,861	2,391,144
22	Total Net Cash Outflows			2,029,501	1,790,017
23	Liquidity Coverage Ratio (%)			118.30%	133.58%

(*) The average of last three months' liquidity coverage ratio calculated by weekly simple averages.

The table below presents highest, lowest and average liquidity coverage ratios of the last three month period ended 2017:

	Highest (%)	Date	Lowest (%)	Date	Average (%)
TL+FC	130.29	3.10.2017	82.08	30.11.2017	103.84
FC	146.12	23.10.2017	92.37	30.11.2017	117.18

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**VI. Explanation on liquidity risk (continued)****1. Contractual maturity analysis of liabilities according to remaining maturities**

The remaining maturities table of the contractual liabilities includes the undiscounted future cash outflows for the principal amounts of the Bank's financial liabilities as per their earliest likely contractual maturities.

31 December 2018	Carrying value	Gross nominal outflows	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over
Non-derivative financial liabilities								
Bank deposits	5,008,401	5,023,894	-	1,144,465	3,283,623	595,806	-	-
Other deposits	919,475	930,468	212,692	528,287	189,489	-	-	-
Interbank money market takings	8,695,691	8,715,566	-	4,017,990	1,718,024	2,261,494	718,058	2,414
Total	14,623,567	14,669,928	212,692	5,690,742	5,191,136	2,857,300	718,058	2,414

31 December 2017	Carrying value	Gross nominal outflows	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over
Non-derivative financial liabilities								
Bank deposits	2,433,469	2,442,008	-	750,261	1,171,318	384,368	136,061	-
Other deposits	243,861	244,015	108,092	131,845	4,078	-	-	-
Interbank money market takings	6,220,269	6,232,001	-	3,130,963	1,433,538	1,525,380	110,816	31,304
Total	8,897,599	8,918,024	108,092	4,013,069	2,608,934	1,909,748	246,877	31,304

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. Explanation on liquidity risk (continued)

Presentation of assets and liabilities according to their remaining maturities:

Current Period	Demand Deposits	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Years and Over	Unallocatd	Total
Assets								
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	154,798	3,318,868	-	-	-	-	-	3,473,666
Banks	21,645	1,577,252	483,732	421,484	-	-	-	2,504,113
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	-
Loans	-	1,235,419	1,837,634	4,077,390	2,245,931	142,122	-	9,538,496
Financial Assets Measured at Amortised Cost	-	-	-	-	-	-	-	-
Other Assets (*)	-	23,201	48,920	78,239	1,245	-	41,630	193,235
Total Assets	176,443	6,154,740	2,370,286	4,577,113	2,247,176	142,122	41,630	15,709,510
Liabilities								
Bank Deposits	-	1,143,981	3,271,361	593,059	-	-	-	5,008,401
Other Deposits	212,692	524,874	181,909	-	-	-	-	919,475
Funds Borrowed from Other Financial Institutions	-	4,015,899	1,711,611	2,254,903	711,103	2,175	-	8,695,691
Interbank Money Market Borrowings	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	1,248	1,248
Other Liabilities (**)	-	124,074	28,021	4,545	-	-	928,055	1,084,695
Total Liabilities	212,692	5,808,828	5,192,902	2,852,507	711,103	2,175	929,303	15,709,510
Net Liquidity Gap	(36,249)	345,912	(2,822,616)	1,724,606	1,536,073	139,947	(887,673)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	(94,278)	144,158	101,549	124,775	310	163,980	440,494
Derivative Financial Liabilities	-	4,003,411	1,326,004	880,966	31,686	-	-	6,242,067
Non-Cash Loans	-	4,108,266	1,335,480	838,886	38,247	-	-	6,320,879
Non-Cash Loans	-	10,577	153,634	59,469	131,336	310	163,980	519,306
Prior Period								
Total Assets	405,839	3,571,126	1,353,106	2,851,446	1,296,958	218,500	34,488	9,731,463
Total Liabilities	108,092	4,041,686	2,647,469	1,914,269	251,167	14,357	754,423	9,731,463
Net Liquidity Gap	297,747	(470,560)	(1,294,363)	937,177	1,045,791	204,143	(719,935)	-
Net Off-Balance Sheet Position								
Derivative Financial Assets	-	(6,627)	28,128	34,245	74,822	-	178,948	309,516
Derivative Financial Liabilities	-	2,067,020	1,001,450	605,587	166,790	-	-	3,840,847
Non-Cash Loans	-	2,105,207	1,039,458	625,965	182,556	-	-	3,953,186
Non-Cash Loans	-	31,560	66,136	54,623	90,588	-	178,948	421,855

(*)Certain assets on the balance sheet that are necessary for the banking operations but not convertible into cash in the short term such as tangible assets, stationary supplies and prepaid expenses are included in this column.

(**)Shareholders' equity and provisions are classified in other liabilities in unallocated column.

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**VI. Explanation on liquidity risk (continued)**

Adjustments column represents the difference between the total expected cash flows and the carrying values of non-derivative financial liabilities.

Analysis of Bank's derivative financial instruments according to their remaining maturities:

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	1,430,218	171,130	244,391	-	-	1,845,739
Forward Contracts – Sell	1,414,618	161,550	242,649	-	-	1,818,817
Swaps – Buy	2,830,533	897,534	636,575	31,686	-	4,396,328
Swaps – Sell	2,915,151	952,427	596,237	38,247	-	4,502,062
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	-	-	-	-	-	-
Forward Precious Metal - Sell	-	-	-	-	-	-
Money Buy Options	-	-	-	-	-	-
Money Sell Options	-	-	-	-	-	-
Swaps Interest – Buy	-	-	-	-	-	-
Swaps Interest – Sell	-	-	-	-	-	-
Total	8,590,520	2,182,641	1,719,852	69,933	-	12,562,946

Prior Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Forwards Contracts- Buy	261,915	65,100	41,366	39,654	-	408,035
Forward Contracts – Sell	258,012	63,722	41,004	39,681	-	402,419
Swaps – Buy	1,938,723	705,941	564,221	132,741	-	3,341,626
Swaps – Sell	1,996,688	729,648	584,961	148,476	-	3,459,773
Credit Default Swap – Buy	-	-	-	-	-	-
Credit Default Swap – Sell	-	-	-	-	-	-
Forward Precious Metal - Buy	-	-	-	-	-	-
Forward Precious Metal - Sell	-	-	-	-	-	-
Money Buy Options	-	-	-	-	-	-
Money Sell Options	-	-	-	-	-	-
Swaps Interest – Buy	-	-	-	-	-	-
Swaps Interest – Sell	-	-	-	-	-	-
Total	4,455,338	1,564,411	1,231,552	360,552	-	7,611,853

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VII. Explanations on leverage ratio

The leverage ratio table prepared in accordance with the communiqué “Regulation on Measurement and Assessment of Leverage Ratios of Banks” published in the Official Gazette no. 28812 dated 5 November 2013 is presented below:

	On-balance sheet assets	Current Period (*)
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collaterals)	15,486,600
2	(Assets deducted in determining Tier 1 capital)	-
3	Total on-balance sheet risks (sum of lines 1 and 2)	15,486,600
	Derivative financial instruments and credit derivatives	
4	Replacement cost associated with all derivative instruments and credit	184,997
5	Add-on amounts for potential future exposure associated with all derivative instruments and credit derivatives	(53,074)
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	131,923
	Securitisation or commodity financing transactions (SCFT)	
7	Risks from SCFT assets	-
8	Risks from brokerage activities related exposures	-
9	Total risks related with securitisations or commodity financing transactions (sum of lines 7 to 8)	-
	Off-balance sheet transactions	
10	Gross notional amounts of off-balance sheet transactions	501,352
11	(Adjustments for conversion to credit equivalent amounts)	-
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	501,352
	Capital and total risks	
13	Tier 1 capital	830,539
14	Total risks (sum of lines 3, 6, 9 and 12)	16,119,876
	Leverage ratio	
15	Leverage ratio	5.15

(*) Amounts in the table are three-month average amounts.

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**VII. Explanations on leverage ratio (continued)**

	On-balance sheet assets	<i>Prior Period (*)</i>
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collaterals)	9,554,335
2	(Assets deducted in determining Tier 1 capital)	-
3	Total on-balance sheet risks (sum of lines 1 and 2)	9,554,335
	Derivative financial instruments and credit derivatives	
4	Replacement cost associated with all derivative instruments and credit	78,051
5	Add-on amounts for potential future exposure associated with all derivative instruments and credit derivatives	25,180
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	52,871
	Securitisation or commodity financing transactions (SCFT)	
7	Risks from SCFT assets	-
8	Risks from brokerage activities related exposures	-
9	Total risks related with securitisations or commodity financing transactions (sum of lines 7 to 8)	-
	Off-balance sheet transactions	
10	Gross notional amounts of off-balance sheet transactions	428,965
11	(Adjustments for conversion to credit equivalent amounts)	-
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	428,965
	Capital and total risks	
13	Tier 1 capital	649,312
14	Total risks (sum of lines 3, 6, 9 and 12)	10,036,171
	Leverage ratio	
15	Leverage ratio	6.47

(*) Amounts in the table are three-month average amounts.

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VIII. Explanations on presentation of financial assets and liabilities at their fair values

	Current Period	
	Carrying Value	Fair Value
Financial Assets		
Central Bank	3,473,666	3,473,666
Banks	2,504,113	2,504,113
Loans	9,523,686	9,523,686
Financial Liabilities		
Other Deposits	5,927,876	5,927,876
Borrowings from other financial institutions	8,695,691	8,695,691
Miscellaneous Payables	1,248	1,248
	Prior Period	
	Carrying Value	Fair Value
Financial Assets		
Central Bank	2,505,996	2,505,996
Banks	466,711	466,711
Loans	6,704,007	6,704,007
Financial Liabilities		
Other Deposits	2,677,330	2,677,330
Borrowings from other financial institutions	6,220,269	6,220,269
Miscellaneous Payables	22,911	22,911

The classification of fair value measurements

The table below analyses financial instruments measured at fair value by valuation method. The fair value measurement methods according to levels are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative financial assets	-	151,605	-	151,605
Financial Liabilities				
Derivative financial liabilities	-	156,640	-	156,640
Prior Preiod	Level 1	Level 2	Level 3	Total
Financial Assets				
Derivative financial assets held for trading	-	20,261	-	20,261
Financial Liabilities				
Derivative financial liabilities held for trading	-	79,441	-	79,441

VIII. Explanations on transactions carried out on behalf of customers and fiduciary activities

None.

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

IX. Explanations on risk management

Notes and explanations in this section have been prepared in accordance with the “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” that have been published in Official Gazette no. 29511 on 23 October 2015 also have taken effect on 31 March 2016.

Risk Management Strategy

The Bank does not apply any netting on balance sheet and off-balance sheet. Guarantees and derivatives are not used as credit mitigation techniques; but only financial collaterals consisting of cash blokages are used.

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, the Asset Liability Committee and the Risk Management Department in order to manage systemic risks that the Bank is exposed to. The Board of Directors is the owner of the Bank's Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Bank's Risk Management System is to identify, measure, monitor and control the risks that the Bank is exposed to, by determining the policies, limits and procedures to control, to monitor, and if necessary to change the risk-return structure of the Bank's future cash flows and the level and the quality of related activities.

As part of the Risk Management System, the Asset Liability Committee presentation is prepared on a weekly basis and the Risk Committee presentation is made on a monthly basis. The presentations mainly consists of the Bank's financial statements, profit and loss analysis, Credit Risk, Market Risk, Liquidity Risk, Concentration Risk, Interest Rate Risk on Banking Book, and Operational Risk as well as the risk that the Bank is currently exposed to or possible risks.

The Bank's risk management strategy is to ensure that risk management culture is recognized and risk management principles are widely embraced throughout the Bank and its affiliates, an integrated risk management system is established which pursues risk-return-capital relationship. Essential principles are adopted in order to ensure that policies determined to assess and manage risks the Bank is exposed to, are kept updated, adapted to changing conditions, applied and managed.

It is the ultimate responsibility of the senior management to apply and improve risk management strategies, policies and procedures that are approved by the board of directors, inform the board of directors about the important risks the Bank is exposed to, assess internal control, internal audit and risk reports with regard to the Banks' departments and to eliminate the risks, deficiencies or defects identified in these departments or to take the necessary precautionary actions to prevent those risks, deficiencies and defects and participate in the determination of risk limits.

Risk management activities are structured under the responsibility of the board of directors. The Risk Committee composed of the members of the board is responsible to oversee the Bank's risk management policies and practices, including the alignment with its strategic objectives and management's ability to assess and manage the various risks present in its activities including capital adequacy and planning and liquidity adequacy, as well as all other risk management functions envisioned under the applicable laws and regulations. Upper level management is responsible against the board of directors for the monitoring and management of risks that their departments are exposed to. Accordingly, the Risk Management Department, which performs risk management functions, reports to the board of directors via the Risk Committee, whereas the Internal Audit Department, performing internal audit functions, and the Internal Control and Compliance Department, performing internal control functions, report directly to the board of directors.

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. Explanations on risk management (continued)

Risk Management Strategy (continued)

The Bank aims the importance of risk management for maintaining business operations is understood and risk awareness and sensitivity is ensured in decision making and implementation mechanisms process by all employees for risk management activities.

The Bank measures and monitors risks exposed, by considering methods in line with international standards being in compliant with legislation. Risk measurement and reporting are performed via advanced methods, risk management software, and internal models. Risk based detailed reports are prepared for management of significant risks, in order to determine strategies and take decisions, in this respect, periodic and non-periodic reports are prepared for board of directors, relevant committees and senior management.

The Bank's risk framework determines the risk level that the board of directors is prepared to accept in order to accomplish the goals and strategies with due consideration to the capacity of the institution to safely absorbing those risks and risk based limits are regularly monitored. Risks that the Bank is exposed, is managed by providing effective control environment and monitoring limits.

The Risk Management conducts the implementation of internal capital adequacy assessment report to be sent to the BRSA, by coordinating relevant parties. Stress test report is sent to the BRSA, which evaluates how adverse effects on macroeconomic parameters, in the scope of determined scenarios, affect the Bank's 3 budget plan and results, and certain ratios, including capital adequacy.

Training programs for employees, risk reports to the board of directors, senior management and committees, risk appetite framework established by the Bank and internal capital adequacy assessment process generate significant inputs to ensure that risk management culture is widely embraced.

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**1. Risk weighted amounts**

	Current Period	Risk Weighted Amounts	Minimum Capital Requirements
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	5,498,646	439,892
2	Of which standardised approach (SA)	5,498,646	439,892
3	Of which internal rating-based (IRB) approach		
4	Counterparty credit risk	116,945	9,356
5	Of which standardised approach for counterparty credit risk (SA-CCR)	116,945	9,356
6	Of which internal model method (IMM)	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-
8	Equity investments in funds – look-through approach	-	-
9	Equity investments in funds – mandate-based approach	-	-
10	Equity investments in funds – 1250% risk weighting Approach	-	-
11	Settlement risk	-	-
12	Securitisation exposures in banking book	-	-
13	Of which IRB ratings-based approach (RBA)	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-
16	Market risk	275,032	22,003
17	Of which standardised approach (SA)	275,032	22,003
18	Of which internal model approaches (IMM)	-	-
19	Operational risk	228,518	18,281
20	Of which basic indicator approach	228,518	18,281
21	Of which standardised approach	-	-
22	Of which advanced measurement approach	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-
24	Floor adjustment	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	6,119,141	489,532

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**X. Explanations on risk management (continued)****1. Risk management strategy and weighted amounts (continued)****Risk weighted amounts (continued)**

	Prior Period	Risk Weighted Amounts	Minimum Capital Requirements
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	4,575,402	366,032
2	Of which standardised approach (SA)	4,575,402	366,032
3	Of which internal rating-based (IRB) approach	-	-
4	Counterparty credit risk	29,917	2,393
5	Of which standardised approach for counterparty credit risk (SA-CCR)	29,917	2,393
6	Of which internal model method (IMM)	-	-
7	Equity position in banking book under basic risk weighting or internal rating-based	-	-
8	Equity investments in funds – look-through approach	-	-
9	Equity investments in funds – mandate-based approach	-	-
10	Equity investments in funds – 1250% risk weighting Approach	-	-
11	Settlement risk	-	-
12	Securitisation exposures in banking book	-	-
13	Of which IRB ratings-based approach (RBA)	-	-
14	Of which IRB supervisory formula approach (SFA)	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-
16	Market risk	146,225	11,698
17	Of which standardised approach (SA)	146,225	11,698
18	Of which internal model approaches (IMM)	-	-
19	Operational risk	122,148	9,772
20	Of which basic indicator approach	122,148	9,772
21	Of which standardised approach	-	-
22	Of which advanced measurement approach	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-
24	Floor adjustment	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	4,873,692	389,895

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**X. Explanation on risk management objectives and policies (continued)****2. Linkages between financial statements and risk amounts****2.1 Differences and matching between asset and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation**

	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards			
		Subject to credit risk	Subject to counterparty credit risk	Subject to market risk (*)	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	3,473,666	3,473,666	-	-	-
Financial Assets Held for Trading	151,605	151,605	151,605	151,605	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-
Banks	2,504,113	2,504,113	-	926,800	-
Interbank Money Markets Placements	-	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-	-
Loans and Receivables	9,538,496	9,538,496	-	7,637,209	-
Factoring Receivables	-	-	-	-	-
Investment Held-to-Maturity	-	-	-	-	-
Investment in Associates	-	-	-	-	-
Investment in Subsidiaries	-	-	-	-	-
Investment in Joint-Ventures	-	-	-	-	-
Lease Receivables	-	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	-	-	-	-
Tangible Assets	1,551	2,234	-	-	-
Intangible Assets	7,106	15,175	-	-	-
Investment Property	-	-	-	-	-
Tax Asset	11,749	13,449	-	-	-
Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-
Other Assets	21,224	3,630	-	-	-
Total Assets	15,709,510	15,702,368	151,605	8,715,614	-
Liabilities					
Deposits	5,927,876	-	-	5,927,876	-
Derivative Financial Liabilities Held for Trading	156,640	-	-	156,640	-
Funds Borrowed	8,695,691	-	-	8,695,691	-
Interbank Money Markets	-	-	-	-	-
Securities Issued	-	-	-	-	-
Funds	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-
Other External Fundings Payable	22,573	-	-	22,573	-
Factoring Payables	-	-	-	-	-
Lease Payables	-	-	-	-	-
Derivative Financial Liabilities Held for Risk Management	-	-	-	-	-
Provisions	11,519	-	-	11,519	-
Tax Liability	46,009	-	-	46,009	-
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-
Subordinated Debts	-	-	-	-	-
Shareholders' Equity	849,202	-	-	-	-
Total Liabilities	15,709,510	-	-	14,860,308	-

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FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. Explanation on risk management objectives and policies (continued)

1. Linkages between financial statements and risk amounts (continued)

2.2 Major items causing differences between assets and liabilities' carrying values in financial statements and risk amounts in capital adequacy calculation

		<i>Total</i>	<i>Subject to credit risk</i>	<i>Subject to counterparty credit risk</i>	<i>Subject to market risk (*)</i>
1	Carrying Value of Assets in Accordance with Communiqué "Preparation of Financial Statements"	15,709,510	15,702,368	151,605	8,715,614
2	Carrying Value of Debt Instruments that are Subjected to Counterparty Credit Risk as per TAS	-	-	-	-
3	Carrying Value of Liabilities that are Subjected to Counterparty Credit Risk as per TAS	-	-	-	-
4	Carrying Value of Other Liabilities as per TAS	15,709,510	-	-	14,860,308
5	Total Net Amount	-	15,702,368	151,605	(6,144,694)
6	Off-balance Sheet Amounts (**)	-	-	-	-
7	Differences Resulted from the BRSA's Applications	-	-	-	-
8	Credit Valuation Adjustment	-	-	-	-
9	Repurchase Transactions	-	-	-	-
10	Risk Amounts	-	-	-	-

(*)Disclosed based on gross position amounts subject to general market risk and specific risk.

(**)Off-balance sheet amounts subject to capital adequacy ratios.

2.3 Explanations on differences between carrying values in financial statements and risk amounts in capital adequacy calculation of assets and liabilities in accordance with TAS

There is no material differences between the carrying values in financial statements and the risk amounts in capital adequacy calculation of assets and liabilities.

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**X. Explanation on risk management objectives and policies (continued)****3. Explanations on credit risk****3.1 General information on credit risk****3.1.1 General qualitative information on credit risk**

Credit risk is defined as risks and losses that may occur if the counterparty fails to comply with the agreement's requirements and cannot perform its obligations partially or completely on the terms set.

In accordance with the regulation, credit risk limits is allocated in line with regulations according to financial position and needs of credit customers under the authorized limits of General Manager, Credit Committee and Board of Directors. If it is needed related limits can be changed by the Bank.

The Bank follows the customers of loans and other receivables in terms of the credit worthiness with respect to the relevant legislation. In addition, the status of accounts for new loans are checked and updated if needed. In accordance with relevant legislation, the Bank follows the risk limits on the basis of debtor and the debtor group.

The Bank uses a credit rating system to measure and evaluate the credit risk effectively. This is a mandatory step for all loan applications. The credit rating system is assessing the total credit risk of each customer. The Bank performs valuation of collaterals to reduce the loan risk at first step of receiving collateral and the results of risk rating system at least once a year.

The Bank manages and monitors its credit risk until the loan repayment is completed, related loan is cancelled or derecognized. The Bank has control limits held on the positions of forward transactions and other similar contracts, and these limits are monitored daily.

3.1.2 Credit quality of assets

		<i>Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)</i>		<i>Allowances/amortisation and impairments</i>	<i>Net values</i>
		<i>Defaulted</i>	<i>Non-defaulted</i>		
1	Loans	-	12,194,214	15,615	12,178,599
2	Debt securities	-	-	-	-
3	Off-balance sheet exposures	-	1,304,167	1,036	1,303,131
4	Total	-	13,498,381	16,651	13,481,730

3.1.3 Changes in the stock of default loans and debt securities

None.

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. Explanation on risk management objectives and policies (continued)

3.1.4 Additional information on credit quality of assets

Breakdown according to maturity:

31 December 2018	Demands	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans	-	1,235,419	1,837,634	4,077,390	2,245,931	142,122	9,538,496

Breakdown of restructured receivables based on whether or not provisions are allocated:

31 December 2018

Loans Structured from Standard Loans and Other Receivables	1,635,993
Loans Composed of Follow-up Loans and Other Receivables	-
Loans Restructured from Non-Performing Loans	-

3.2 Credit risk mitigation

3.2.1 Qualitative disclosure on credit risk mitigation techniques

The Bank assesses the cash flow of the activity or investment subject to credit as the primary repayment source during the credit assignment process.

The value of the collateral that is calculated depends on the margins determined according to market and currency risks. Standard margins applied throughout the Bank are specific to type of the collateral and changes according to the type, maturity and currency of the collateral.

If the assignment of the credit is based on a collateral, the relevant data of the collaterals must be entered to Banking information system. These transactions are handled by the centralized Operation Department.

The Bank monitors the up-to-date values of the collaterals by type. Credit monitoring process involves the control of the balance between the value of the collateral and the risk besides the creditworthiness of the customer.

The Bank's credit risk exposure and mitigation techniques used in order to reduce the exposure level are taken into account according to the principles stated in the related regulation. The Bank applies credit risk mitigation according to the comprehensive financial collateral method that includes risk mitigation calculations based on the volatility-adjusted values of financial collaterals. The standardized risk weights are applied to the rest of the loans and receivables that remain unprotected after the use of credit risk mitigation techniques. Cash or cash equivalents or borrowing instruments that have a high credit quality are used in credit risk mitigation.

3.2.1 Credit risk mitigation techniques

		<i>Exposures unsecured: carrying amount as per TAS</i>	<i>Exposures secured by collateral</i>	<i>Collateralized amount of exposures secured by collateral</i>	<i>Exposures secured by financial guarantees</i>	<i>Collateralized amount of exposures secured by financial guarantees</i>	<i>Exposures secured by credit derivatives</i>	<i>Collateralized amount of exposures secured by credit derivatives</i>
1	Loans	2,680,915	6,857,581	4,708,701	-	-	-	-
2	Debt securities	-	-	-	-	-	-	-
3	Total	2,680,915	6,857,581	4,708,701	-	-	-	-
4	Of which defaulted	-	-	-	-	-	-	-

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. Explanation on risk management objectives and policies (continued)

3. Explanations on credit risk (continued)

3.3 Credit risk under standardised approach (continued)

3.3.1 Risk exposure and credit risk mitigation techniques

	Risk classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to sovereigns and their central banks	3,503,876	-	3,506,518	-	301,374	%9
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	4,170,003	1,298,128	4,189,753	368,989	1,799,833	%43
7	Exposures to corporates	7,872,608	227,979	3,394,250	112,188	3,506,438	%103
8	Retail exposures	-	-	-	-	-	-
9	Exposures secured by residential property	-	-	-	-	-	-
10	Exposures secured by commercial property	-	-	-	-	-	-
11	Past-due items	-	-	-	-	-	-
12	Exposures in high-risk categories	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	7,946	-	7,946	-	7,946	%100
17	Equity share investments	-	-	-	-	-	-
18	Total	15,554,433	1,526,107	11,098,467	481,177	5,615,591	%48

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. Explanation on risk management objectives and policies (continued)

3. Explanations on credit risk (continued)

3.3 Credit risk under standardised approach (continued)

3.3.2 Exposures by asset classes and risk weights

	Regulatory portfolio	0%	10%	20%	35% secured by property mortgage	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
1	Exposures to sovereigns and their central banks	2,884,058	-	32,852	-	589,608	-	-	-	-	-	3,506,518
2	Exposures to regional and local government	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and brokerage houses	-	-	1,624,066	-	2,919,313	-	15,363	-	-	-	4,558,742
7	Exposures to corporates	-	-	-	-	-	-	3,506,438	-	-	-	3,506,438
8	Retail exposures	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10	Exposures secured by commercial property	-	-	-	-	-	-	-	-	-	-	-
11	Past-due items	-	-	-	-	-	-	-	-	-	-	-
12	Exposures in high-risk categories	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
16	Equity share investments	-	-	-	-	-	-	-	-	-	-	-
17	Other exposures	-	-	-	-	-	-	7,946	-	-	-	7,946
18	Toplam	2,884,058	-	1,656,918	-	3,508,921	-	3,529,747	-	-	-	11,579,644

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**X. Explanation on risk management objectives and policies (continued)****4. Explanations on Counterparty credit risk (CCR)****4.1 Qualitative disclosure on CCR**

Counterparty credit risk management policies include evaluating and monitoring risk developments, taking necessary preventative measures, establishing risk limits, ensuring that the risks remain within the limits, and establishing required reporting, control and audit mechanisms by using the methods aligned with both international standards and local regulations. The policies regarding counterparty credit risk measurement, monitoring, and limits are defined by the Board of Directors.

Counterparty credit risk arising from derivative transactions is periodically being monitored and reported by Risk Department based on product, country, counterparty and counterparty type.

4.2 Qualitative disclosure on CCR

		<i>Replacement cost</i>	<i>Potential future exposure</i>	<i>EEPE(Effective Expected Positive Exposure)</i>	<i>Alpha used for computing regulatory EAD</i>	<i>EAD post-CRM</i>	<i>RWA</i>
1	Standardised Approach -CCR (for derivatives)	208,910	-		1.40	208,910	116,945
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						116,945

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. Explanation on risk management objectives and policies (continued)

4. Explanations on Counterparty credit risk (CCR) (continued)

4.3. Capital requirement for credit valuation adjustment (CVA)

		<i>EAD post-CRM</i>	<i>RWA</i>
	Total portfolios subject to the Advanced CVA capital obligation	-	-
1	(i) VaR component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital obligation	208,910.00	116,945.30
4	Total subject to the CVA capital obligation	208,910.00	116,945.30

4.4. CCR exposures by risk class and risk weights

Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
Regulatory portfolio									
Exposures to sovereigns and their central banks	-	-	2,640	-	-	-	-	-	2,640
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	24,904	139,859	-	-	-	-	164,763
Exposures to corporates	-	-	-	-	-	41,507	-	-	41,507
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Exposures secured by commercial property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	-	-	27,544	139,859	-	41,507	-	-	208,910

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**X. Explanation on risk management objectives and policies (continued)****4. Explanations on Counterparty credit risk (CCR) (continued)****4.5. Collaterals for CCR**

None.

4.6. Credit derivatives

None.

5. Securitisations

None.

6. Explanation on market risk**6.1 Qualitative disclosure on market risk**

In order to comply with the regulations, the Bank set its activities related with market risk management in accordance with “the Internal Systems and Internal Capital Adequacy Assessment Processes of Banks” published in the Official Gazette no. 29057 dated 11 July 2014.

Market risk management activities in the Bank, includes the measurement of risks due to price, interest and exchange rate fluctuations in the financial market. In this context, risk measurement and limit checks on a daily basis are performed taking into account the limits specified in the market risk- trading book policy. Risk Committee, Asset-Liability-Committee and the top management of the Bank are informed about the results of controls.

At the end of year 2018, the Bank calculated capital requirement for interest rate risk, foreign currency risk and counterparty risk.

In 2018, no capital requirement arised since interest, equity, commodity, swap, and any position requiring calculation for counterparty risk as limited within the scope of the Bank’s activities. The Bank reviews its stress tests by the end of year. Stress tests are applied in the predetermined frequencies during the year and reported to the BRSA as of the year end.

6.2 Market risk under standardised approach

		<i>RWA</i>	
		<i>Current Period</i>	<i>Prior Period</i>
	Outright products	275,032	146,225
1	Interest Rate Risk	112,211	119,800
2	Equity-Shares Position Risk	-	-
3	Currency Position Risk	162,821	26,425
4	Commodity Risk	-	-
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	275,032	146,225

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

X. Explanation on risk management objectives and policies (continued)

7. Explanations on operational risk

Current Period	31 December 2016	31 December 2017	31 December 2018	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Gross Income	75,472	99,209	190,947	3	15	18,281
Value at Operational Risk (Total*12.5)						228,518

Prior Period	31 December 2015	31 December 2016	31 December 2017	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
Gross Income	46,453	65,217	83,767	3	15	9,772
Value at Operational Risk (Total*12.5)						122,148

8. Banking book interest rate risk

The interest rate risk describes the negative position in the the Bank's financial structure resulting from negative movements in interest rates. Changes in interest rates influence the Banks's earnings by changing level of net interest income, other interest sensitive income and net operating expenses. In the same manner, relating to assets, liabilities and off-balance sheet items and their economic values of future cash flows (in some cases the cash flows themselves) are affected by interest rate changes.

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**XI. Explanations on segment reporting**

The Bank operations are mainly in corporate banking and treasury.

	Corporate Banking	Treasury	Unallocated (*)	Total
Current Period (1 January -31 January 2018)				
Profit before tax	648,502	(350,584)	(99,782)	198,136
Provision for taxes	-	-	(42,360)	(42,360)
Net Profit	648,502	(350,584)	(142,142)	155,776
Current Period (31 December 2018)				
Segment Assets	9,523,686	6,128,579	-	15,652,265
Unallocated Assets	-	-	57,245	57,245
Total Assets	9,523,686	6,128,579	57,245	15,709,510
Segment Liabilities	5,927,876	8,852,331	-	14,780,207
Unallocated Liabilities	-	-	929,303	929,303
Total Liabilities	5,927,876	8,852,331	929,303	15,709,510
	Corporate Banking	Treasury	Unallocated (*)	Total
Prior Period (1 January -31 December 2017)				
Profit before tax	330,961	(167,689)	(59,975)	103,297
Provision for taxes	-	-	(22,422)	(22,422)
Net Profit	330,961	(167,689)	(82,397)	80,875
Prior Period (31 December 2017)				
Segment Assets	6,704,007	2,992,968	-	9,696,975
Undistributed Assets	-	-	34,488	34,488
Total Assets	6,704,007	2,992,968	34,488	9,731,463
Segment Liabilities	271,811	8,733,179	-	9,004,990
Unallocated Liabilities	-	-	726,473	726,473
Total Liabilities	271,811	8,733,179	726,473	9,731,463

(*) Income, expenses, assets and liabilities that could not be properly allocated to segments

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. Explanations on Remuneration Policy

Purpose, structure and working principles of the committee

The Remuneration Committee oversees remuneration policies, processes and applications on behalf of the Board of Directors to ensure an independent and efficient remuneration structure.

The Remuneration Committee is comprised of at least two non-executive Board members who have adequate knowledge and experience on internal systems and remuneration policies as a whole.

The Committee shall meet at least once a year, more frequently when necessary, and shall report their activities to the Board of Directors annually.

The Remuneration Policy enables the Bank to attract and retain talent to support MUFG Bank Turkey achieving strategic targets and assures they are rewarded according to performances.

Fundamental principles of the Remuneration Policy are stated with a view to manage remuneration of all members of staff effectively.

Policies and procedures on remuneration are transparent and available to access of all and transparent, as well as set in writing employees.

In line with the principle of proration, MUFG Bank Turkey's Remuneration Policy is compatible with the complexity of the bank's operations, as well as its risk profile, and risk appetite and strategies.

Remuneration is fair across genders, ethnicities, religions or other belief systems, sexual orientations, disabilities, and age groups.

In order to prevent excessively individualistic attitude, the bonus policy applied for Key Employees should be set with an eye for the positive and negative results of the risk assumed, and to constitute a combination of the Key Employee's individual performance, the final performance of the bank, as well as the performance of the department the Key Employee belongs to. Both financial and non-financial criteria are carefully examined while assessing individual performance of Key Employees.

Furthermore, overall compensation package of each individual employee seeks a balance of fixed and variable components. The portion of fixed component should be high enough to secure a comfortable income in cases of very low or zero variable pay. For 2018 number of employees within this scope was 12.

Basic Principles – Base salary Policy

The base pay is the main component of MUFG Bank Turkey's remuneration scheme. Base pay is defined as the base salary of an employee granted with employment contract of the employee. The Bank's remuneration philosophy aims to provide all employees with internally fair and externally competitive base salary.

This means:

- Base pay of an employee should be compatible with those of other peers in MUFG Bank Turkey. This means, the committee reviews any imbalance or unfair compensation within the organization, and base pay depends primarily on the qualifications and experiences of the incumbent, and the requirements of the role).

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XII. Explanations on Remuneration Policy (continued)

- Positioning of the role in the peer market where the Bank operates is also considered while determining base pay for each individual employee.
- Opportunity to discuss on his/her own compensation is secured for all employees via this policy.
- MUFG Bank Turkey supports horizontal and vertical career development opportunities within the organization

Within the framework of this Remuneration Policy, a single methodology applies to govern compensation of all employees of which all remuneration reviews are based while being approved by Remuneration Committee.

According to this methodology, all employees are paid according to their organizational grading and salary categories; for each individual, the overall compensation review shall depend on the following regardless of any performance criteria:

- ✓ The level of the role.
- ✓ It's positioning within the remuneration scheme.
- ✓ "Talent" status

Basic Principles – Variable Payment Policy and Benefits

Variable pay refers to monetary payments and allowances payments added on top of the base pay, with a view to rewarding the employee based on performance, should he/she achieve certain objectives. MUFG Bank Turkey's Annual Bonus Plan is the primary element regarding the implementation of performance based variable pay scheme.

With a view to enabling the assessment of risks and results a performance-related matter leads to with respect to the bank, as well as on a contractual basis, variable pay might be extended in a subsequent period, after the earning period. Such variable pay figures shall be labeled as deferred variable pay. Furthermore, the bank can engage in variable pay cancellation and revocation agreements, taking into account the effect of the procedures on the bank's overall performance in subsequent periods.

In addition to the base and variable compensation items, MUFG Bank Turkey provides certain monetary and non-monetary benefits such as commuting allowance, private health plan, life coverage, company car entitlement, special discounts, mobile phones, etc.

The Bank reserves the right to revise or revoke the employee benefits at its sole discretion.

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and disclosures related to the assets

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

	Current Period	
	TL	FC
Cash in TL / Foreign Currency	-	-
Balances with the Central Bank of Turkey	260,049	213,617
Other	-	-
Total	260,049	3,213,617

	Prior Period	
	TL	FC
Cash in TL / Foreign Currency	-	-
Balances with the Central Bank of Turkey	21,172	2,484,824
Other	-	-
Total	21,172	2,484,824

1.1 Information related to the account of the Central Bank of Turkey

	Current Period	
	TL	FC
Unrestricted Demand Deposits	109,955	45,809
Unrestricted Time Deposits	150,094	543,798
Restricted Time Deposits	-	2,624,010
Total	260,049	3,213,617

	Prior Period	
	TL	FC
Unrestricted Demand Deposits	21,172	377,207
Unrestricted Time Deposits	-	-
Restricted Time Deposits	-	2,107,617
Total	21,172	2,484,824

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks keep reserve deposits at the CBRT for their TRY and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realized between 1,5%-8% for TRY deposits and other liabilities between 4%-20% for FC deposits for other FC liabilities. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to TRY and FC reserves.

2. Information on financial assets at fair value through profit or loss:

2.1 Information on financial assets at fair value through profit and loss given as collateral or blocked

None (31 December 2017: None).

2.2 Financial assets at fair value through profit and loss subject to repurchase agreements

None (31 December 2017: None).

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

- I. Explanations and disclosures related to the assets (Continued)**
- 2. Information on financial assets at fair value through profit or loss(continued)**
- 2.3 Positive differences relating to derivative financial assets held-for-trading**

	Current Period	
	TL	FC
Forward Transactions	22,346	6,134
Swap transactions	4,890	118,235
Futures	-	-
Options	-	-
Other	-	-
Total	27,236	124,369

	Prior Period	
	TL	FC
Forward Transactions	6,288	834
Swap transactions	248	12,891
Futures	-	-
Options	-	-
Other	-	-
Total	6,536	13,725

3. Information on Banks**3.1 Information on banks**

	Current Period	
	TL	FC
Banks		
Domestic	1,577,315	905,213
Foreign	-	21,585
Foreign head-offices and branches	-	-
Total	1,577,315	926,798

	Prior Period	
	TL	FC
Banks		
Domestic	450,620	-
Foreign	8,600	7,491
Foreign head-offices and branches	-	-
Total	459,220	7,491

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL
STATEMENTS (Continued)**

I. Explanations and disclosures related to the assets (Continued)

3.2 Due from foreign banks

	Unrestricted Balances		Restricted Balances	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
EU Countries	6,359	9,583	-	-
USA and Canada	10,620	4,894	-	-
OECD Countries	4,544	1,614	-	-
Off-Shore Banking Regions	-	-	-	-
Other	62	-	-	-
Total	21,585	16,091	-	-

4. Financial assets measured at fair value through other comprehensive income

4.1 Financial assets provided as collateral/blocked

None (31 December 2017: None).

4.2 Financial assets subject to repurchase agreements

None (31 December 2017: None).

5. Expected credit losses for financial assets

5.1 Expected credit losses for banks

Expected credit loss for banks and other financial assets are TL 805.

6. Information on loans

6.1 Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period	
	Cash	Non-cash
Direct Loans to Shareholders	4,501	169,894
Corporates	4,501	169,894
Individuals	-	-
Indirect Loans to Shareholders	-	-
Loans to Employees	-	-
Total	4,501	169,894

	Prior Period	
	Cash	Non-cash
Direct Loans to Shareholders	3,200	188,077
Corporates	3,200	188,077
Individuals	-	-
Indirect Loans to Shareholders	-	-
Loans to Employees	-	-
Total	3,200	188,077

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the assets (Continued)

6. Information on loans (continued)

6.2 Information on the first and second group loans and other receivables including restructured or rescheduled loans

Current Period	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	
			Revised Contract Terms	Refinanced
Cash Loans				
Loans	9,538,496	-	-	-
Working Capital Loans	-	-	-	-
Export Loans	2,363,398	-	-	-
Import Loans	-	-	-	-
Loans to Financial Sector	2,879,294	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Others	4,295,804	-	-	-
Specialization Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	9,538,496	-	-	-

Prior Period	Standard Loans and Other Receivables			Loans and Other Receivables under Close Monitoring		
	Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms		Loans and Other Receivables (Total)	Loans and Receivables with Revised Contract Terms	
		Extension of Repayment Plan	Other		Extension of Repayment Plan	Other
Cash Loans						
Loans	6,648,044	1,363,159	-	55,963	24,424	-
Working Capital Loans	-	-	-	-	-	-
Export Loans	1,455,272	692,923	-	9,830	9,830	-
Import Loans	-	-	-	-	-	-
Loans to Financial Sector	1,244,539	-	-	-	-	-
Consumer Loans	-	-	-	-	-	-
Credit Cards	-	-	-	-	-	-
Others	3,948,233	670,236	-	46,133	14,594	-
Specialization Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	6,648,044	1,363,159	-	55,963	24,424	-

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the assets (Continued)

6. Information on loans (continued)

6.2 Information on the first and second group loans and other receivables including restructured or rescheduled loans (continued)

Current Period	Performing Loans	Loans under Follow-up
12-Month ECL	14,810	-
Significant Increase in Credit Risk	-	-

Information on loans with extension

Current Period	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
Number of Extensions		
1 or 2 times	487,439	-
3, 4 or 5 times	430,318	-
Over 5 times	718,236	-

Prior Period	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
Number of Extensions		
1 or 2 times	426,016	-
3, 4 or 5 times	734,373	1,992
Over 5 times	202,770	22,432

Current Period	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
Extension Periods		
0-6 Months	230,281	-
6 -12 Months	86,771	-
1 – 2 Years	879,530	-
2 – 5 Years	411,551	-
5 Years and over	27,860	-

Prior Period	Standard Loans and Other Receivables	Loans and Other Receivables under Close Monitoring
Extension Periods		
0-6 Months	468,668	-
6 -12 Months	160,728	3,342
1 – 2 Years	558,549	4,477
2 – 5 Years	175,214	16,605
5 Years and over	-	-

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. Explanations and disclosures related to the assets (Continued)****6. Information on loans (continued)****6.2 Information on the first and second group loans and other receivables including restructured or rescheduled loans****Overdue dates of loans under close monitoring**

Current Period	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	-	-	-	-
61-90 days	-	-	-	-
Other	-	-	-	-
Total	-	-	-	-

Prior Period	Corporate/ Commercial Loans	Consumer Loans	Credit Cards	Total
31-60 days	-	-	-	-
61-90 days	-	-	-	-
Other	55,963	-	-	55,963
Total	55,963	-	-	55,963

Maturity analysis of cash loans

	Standard Loans	Loans under Close Monitoring	
		Loans and Other Receivables	Loans and Receivables with Revised Contract Terms
Current Period			
Short-term Loans	4,589,781	-	-
Medium and Long-term Loans	4,948,715	-	-
Prior Period			
Short-term Loans and Other Receivables	5,125,959	34,919	24,424
Medium and Long-term Loans and Other Receivables	2,885,244	21,044	-

MUFG BANK TURKEY A.Ş.

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL
STATEMENTS (Continued)**

I. Explanations and disclosures related to the assets (Continued)

6. Information on loans (continued)

6.3 Information on consumer loans, individual credit cards and credit cards given to personnel:

None (31 December 2017: None).

6.4 Information on commercial loans with installments and corporate credit cards

None (31 December 2016: None).

6.5 Allocation of loans by customers

	Current Period
Public Sector	-
Private Sector	9,538,496
Total	9,538,496

	Prior Period
Public Sector	905,409
Private Sector	5,798,598
Total	6,704,007

6.6 Allocation of Domestic and Foreign Loans

	Current Period
Domestic Loans	9,174,168
Foreign Loans	364,328
Total	9,538,496

	Prior Period
Domestic Loans	6,431,834
Foreign Loans	272,173
Total	6,704,007

6.7 Loans granted to subsidiaries and associates

The Bank does not have any loans granted to subsidiaries as of 31 December 2018 (31 December 2017:None).

6.8 Credit-impaired losses (Stage III)

None. (31 December 2017: None).

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL
STATEMENTS (Continued)**

- I. Explanations and disclosures related to the assets (Continued)**
- 6. Information on loans (continued)**
- 6.9 Information on non-performing loans (Net)**
- 6.9.1 Information on loans and other receivables included in non-performing loans which are restructured or rescheduled**
- None (31 December 2017: None).
- 6.9.2 Movement on non-performing loans**
- None (31 December 2017: None).
- 6.9.3 Information on non-performing loans and other receivables in foreign currencies**
- None (31 December 2017: None).
- 6.9.4 Information regarding gross and net amounts of non-performing loans with respect to user groups**
- None (31 December 2017: None).
- 6.10 Liquidation policy for uncollectible loans and other receivables**
- None (31 December 2017: None).
- 6.11 Explanations related to write-off policy**
- None (31 December 2017: None)
- 7. Information on investments investments measured at amortized cost**
- None (31 December 2017: None).
- 8. Information on associates**
- None (31 December 2017:None).
- 9. Information on subsidiaries**
- None (31 December 2017:None).
- 10. Information on entities under common control (Joint Ventures)**
- None (31 December 2017: None).
- 11. Information on lease receivables**
- None (31 December 2017: None).
- 12. Information on derivative financial assets held for hedging purposes**
- None (31 December 2017: None).

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and disclosures related to the assets (Continued)

13. Information on tangible asset

Current Period	Vehicles	Other Tangible Assets(*)	Total
Cost			
Beginning Balance, 1 January 2018	104	15,047	15,151
Additions	-	245	245
Disposals	(104)	-	(104)
Ending Balance, 31 December 2018	-	15,292	15,292
Accumulated Depreciation			
Beginning Balance, 1 January 2018	93	12,825	12,918
Depreciation Charge	-	916	916
Disposals	(93)	-	(93)
Ending Balance, 31 December 2018	-	13,741	13,741
Net Book Value, 31 December 2018	-	1,551	1,551

Prior Period	Vehicles	Other Tangible Assets(*)	Total
Cost			
Beginning Balance, 1 January 2017	356	13,801	14,157
Additions	-	1,246	1,246
Disposals	(252)	-	252
Ending Balance, 31 December 2017	104	15,047	15,151
Accumulated Depreciation			
Beginning Balance, 1 January 2017	236	11,187	11,423
Depreciation Charge	21	1,638	1,659
Disposals	(159)	-	(159)
Ending Balance, 31 December 2017	93	12,825	12,918
Net Book Value, 31 December 2017	8	2,226	2,234

14. Information on intangible assets

14.1 Useful lives and amortization rates

The useful life of an asset is determined by taking the asset's expected economic life, technical, technological or other kinds of obsolescence, and maintenance costs into account. The amortization rates used are in accordance with the useful lives of the underlying assets. The useful lives are determined as defined by TAS 38 "Intangible Assets".

The Bank's intangible assets comprise software programs and intangible rights, and their useful life is considered as 5 years.

14.2 Amortization Methods

The amortization charge for items remaining in the property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remains in asset account on a straight line basis.

14.3 Balances of book value and accumulated amortization at beginning and end of the period

	Current Period		Prior Period	
	Book Value	Accumulated Amortization	Book Value	Accumulated Amortization
Intangible Assets	65,452	58,346	63,524	48,349

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. Explanations and disclosures related to the assets (Continued)****14. Information on intangible assets (continued)****14.4 Movements of intangible assets for the period**

	Current Period
Cost	
Beginning Balance, 1 January 2018	63,254
Additions	1,928
Ending Balance, 31 December 2018	65,452
Accumulated Amortization	
Beginning Balance, 1 January 2018	48,349
Amortization Charge	9,997
Ending Balance, 31 December 2018	58,346
Net Book Value, 31 December 2018	7,106

	Prior Period
Cost	
Beginning Balance, 1 January 2017	61,764
Additions	1,760
Ending Balance, 31 December 2017	63,524
Accumulated Amortization	
Beginning Balance, 1 January 2017	36,738
Amortization Charge	11,611
Ending Balance, 31 December 2017	48,349
Net Book Value, 31 December 2017	15,175

14.5 Information on any intangible assets which are important for financial statements in case of existence

None.

14.6 Information on intangible assets capitalized under government incentives at fair values

None.

14.7 Revaluation method of intangible assets capitalized under government incentives and valued at fair values at capitalization dates

None.

14.8 Net book value of intangible asset that are restricted in usage or pledged

None.

14.9 Commitments to acquire intangible assets

None.

14.10 Disclosure on revalued intangible assets

None.

14.11 Research and development costs expensed during the period in case of existence

None.

14.12 Information on goodwill

None.

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL
STATEMENTS (Continued)**

I. Explanations and disclosures related to the assets (Continued)

15. Information on investment properties

None.

16. Information on deferred tax asset

16.1. *Amount of deferred tax asset recognized in the balance sheet in respect of deductible temporary differences, unused tax losses and unused tax credits*

Detailed information about deferred tax asset/liability presented under Section Five Note II.9.2

16.2. *Amount and expiry date of deductible temporary differences, unused tax losses, unused tax credits for which no deferred tax asset is recognized in prior periods in the balance sheet*

None.

16.3. *Deferred tax asset resulting from the cancellation of the provision for impairment losses related to the deferred taxes*

None.

17. Information on assets held for sale and non-current assets related to discontinued operations

None.

18. Information on other assets

Other assets do not exceed 10% of total assets excluding the off-balance sheet items.

18.1. *Information on prepaid expenses, tax and similar items*

Total prepaid expenses are TL 4,842 as of 31 December 2018 (31 December 2017: TL 2,242).

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL
STATEMENTS (Continued)

II. Explanations and disclosures related to the liabilities

1. Information on deposits

1.1 Information on maturity structure of deposits

Current Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Months -1 Year	1 Year and Over	Accumul	Total
								ating Deposit Accounts	
Saving Deposits									
Foreign Currency Deposits	203,366	-	15,130	1,327	-	-	-	-	219,823
Residents of Turkey	203,366	-	15,130	1,327	-	-	-	-	219,823
Residents Abroad	-	-	-	-	-	-	-	-	-
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	9,106	-	167,205	133,395	389,726	-	-	-	699,432
Other Ins. Deposits	220	-	-	-	-	-	-	-	220
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Interbank Deposits	-	-	496,842	1,771,831	1,698,185	628,426	413,117	-	5,008,401
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	496,842	1,771,831	1,698,185	628,426	413,117	-	5,008,401
Special Finan.Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	212,692	-	679,177	1,906,553	2,087,911	628,426	413,117	-	5,927,876

Prior Period	Demand	7 Day Call Accounts	Up to 1 Month	1-3 Months	3-6 Months	6 Month: -1 Year	1 Year and Over	Accumul	Total
								ating Deposit Accounts	
Saving Deposits	-	-	-	-	-	-	-	-	-
Foreign Currency Deposits	99,825	-	42,929	946	-	-	-	-	143,700
Residents of Turkey	96,483	-	42,929	946	-	-	-	-	140,358
Residents Abroad	3,342	-	-	-	-	-	-	-	3,342
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	8,247	-	90,274	1,620	-	-	-	-	100,141
Other Ins. Deposits	20	-	-	-	-	-	-	-	20
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Interbank Deposits	-	-	402,565	162,300	1,108,163	349,178	411,263	-	2,433,469
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	-	-	402,565	162,300	1,108,163	349,178	411,263	-	2,433,469
Special Finan.Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	108,092	-	535,768	164,866	1,108,163	349,178	411,263	-	2,677,330

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the liabilities (Continued)

1. Information on deposits (continued)

1.2 Information on saving deposits under the guarantee of saving deposit insurance and exceeding the limit of saving deposit insurance

None

1.3 Since the Bank's headquarter is located in Turkey, saving deposit is not under insurance in another country.

1.4 Saving deposits that are not under the guarantee of deposit insurance fund

None.

2. Information on derivative financial liabilities

	Current Period	
	TL	FC
Derivative Financial Liabilities		
Forward transactions	4,279	2,244
Swap transactions	1,750	148,367
Futures	-	-
Options	-	-
Other	-	-
Total	6,029	150,611

	Prior Period	
	TL	FC
Derivative Financial Liabilities		
Forward transactions	686	2,119
Swap transactions	954	75,682
Futures	-	-
Options	-	-
Other	-	-
Total	1,640	77,801

3. Information on banks and other financial institutions

3.1 Information on banks and other financial institutions

	Current Period	
	TL	FC
Loans from Central Bank of Turkey	-	-
From Domestic Banks and Institutions	-	-
From Foreign Banks, Institutions and Funds	100,314	8,595,377
Total	100,314	8,595,377

	Prior Period	
	TL	FC
Loans from Central Bank of Turkey	-	-
From Domestic Banks and Institutions	-	56,586
From Foreign Banks, Institutions and Funds	-	6,163,683
Total	-	6,220,269

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**II. Explanations and disclosures related to the liabilities (Continued)****3. Information on banks and other financial institutions (continued)****3.2 Maturity analysis of borrowings**

	Current Period	
	TL	FC
Short-Term	100,314	7,882,099
Medium and Long Term	-	713,278
Total	100,314	8,595,377

	Prior Period	
	TL	FC
Short-Term	-	5,616,499
Medium and Long Term	-	603,770
Total	-	6,220,269

3.3 Additional explanation related to the concentrations of the Bank's major liabilities:

In the normal course of banking operations, the Bank funds itself through deposits and bank borrowings.

4. Informations related with securities issued

The bank does not have securities issued as of 31 December 2018 (31 December 2017: None).

5. Miscellaneous payables and other liabilities

Miscellaneous payables and other liabilities on balance sheet do not exceed %10 of the balance sheet total.

6. Criteria used in the determination of lease installments in the finance lease contracts, renewal and purchase options, restrictions, and significant burdens imposed on the bank on such contracts**6.1 Detailed explanations on changes in agreements and further commitments of the Bank's arising from those changes**

None (31 December 2017: None).

6.2 Obligations under financial lease

None (31 December 2017: None).

6.3 Information on operational leases and footnotes

None (31 December 2017: None).

6.4 Information on "Sale-and-lease back" agreements

None (31 December 2017: None).

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL
STATEMENTS (Continued)**

II. Explanations and disclosures related to the liabilities (Continued)

7. Information on derivative financial liabilities for hedging purposes

None (31 December 2017: None).

8. Information on provisions

8.1 *Explanations on reserves for employee benefits*

As of 31 December 2018, provision for employee benefits of TL 8,394, consist of TL 625 provision for employee termination benefits (31 December 2017: TL 419), TL 662 unused vacation accruals (31 December 2017: TL 451) and TL 7,107 bonus accruals (31 December 2017: TL 4,955).

8.2 *Foreign exchange losses on the foreign currency indexed loans and finance lease receivables*

As of the balance sheet date, no provision for foreign exchange losses on the foreign currency indexed loans recorded. (31 December 2017: TL None).

8.3 *The specific provisions provided for unindemnified non cash loans*

None.

8.4 *Explanation on other provisions*

8.4.1 *Provisions for probable losses*

None (31 December 2017: TL None).

8.4.2 *The breakdown of the subsidiary accounts if other provisions exceed 10% of the grand total provisions*

As of 31 December 2018; other provisions amounting to TL 3,125 consist of law suit provisions amounting to TL 1,012 and sundry provisions amounting to TL 1,077 and expected credit losses for non cash loans amounting to TL 1,036. (31 December 2017: TL 2,078, 1,001 law suit provisions and TL 1,077 sundry provisions).

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**II. Explanations and disclosures related to the liabilities (Continued)****9. Explanations on tax liabilities****9.1 Explanations on current tax liability****9.1.1 Explanations on tax provision**

As of 31 December 2018, the Bank has a current tax liability of TL 39,372 after offsetting advance taxes (As of 31 December 2017, the Bank had a current tax liability of TL 15,814 after offsetting advance taxes after offsetting advance taxes).

9.1.2 Information on taxes payable

	Current Period
Corporate taxes payable	39,372
Taxation on securities	1,495
Property tax	28
Banking and Insurance Transaction Tax (BITT)	4,075
Taxes on foreign exchange transactions	-
Value added taxes payable	46
Other	669
Total	45,685

	Prior Period
Corporate taxes payable	15,814
Taxation on securities	182
Property tax	25
Banking and Insurance Transaction Tax (BITT)	1,619
Taxes on foreign exchange transactions	-
Value added taxes payable	76
Other	552
Total	18,268

9.1.3 Information on premiums

	Current Period
Social Security Premiums- Employee	134
Social Security Premiums- Employer	163
Bank Social Aid Pension Fund Premium- Employee	-
Bank Social Aid Pension Fund Premium- Employer	-
Pension Fund Membership Fees and Provisions- Employee	-
Pension Fund Membership Fees and Provisions- Employer	-
Unemployment Insurance- Employee	9
Unemployment Insurance- Employer	18
Other	-
Total	324

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and disclosures related to the liabilities (Continued)

9. Explanations on tax liabilities (continued)

9.1.3 Information on premiums (continued)

	Prior Period
Social Security Premiums- Employee	112
Social Security Premiums- Employer	133
Bank Social Aid Pension Fund Premium- Employee	-
Bank Social Aid Pension Fund Premium- Employer	-
Pension Fund Membership Fees and Provisions- Employee	-
Pension Fund Membership Fees and Provisions- Employer	-
Unemployment Insurance- Employee	8
Unemployment Insurance- Employer	15
Other	-
Total	268

9.2 Explanations on deferred tax liabilities

As of 31 December 2018, the deferred tax assets of TL 11,749 (31 December 2017: TL 13,449) is calculated.

Deferred tax assets consist of deferred tax assets and liabilities arising from the differences between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base which will be considered in the calculation of taxable profit/loss in the following periods. The deferred tax assets and liabilities are offset in the accompanying financial statements.

Current Period	Deferred Tax Base	Deferred Tax Asset/ (Liability)
Reserve for Employee Benefits	8,394	1,834
Derivative Financial Instruments Fair Value Differences	5,035	1,108
Tangible and Intangible Assets Tax Base Differences	6,511	1,432
Deferred Commissions	11,291	2,484
Lawsuit Provisions	1,012	223
Loan Accrual Differences between Tax and IFRS	1,664	366
Loan Reserve Requirements	16,651	3,330
Other	4,854	972
Deferred Tax Asset/(Liability) (Net)	55,412	11,749

Prior Period	Deferred Tax Base	Deferred Tax Asset/ (Liability)
Reserve for Employee Benefits	6,070	1,335
Derivative Financial Instruments Fair Value Differences	59,180	13,020
Tangible and Intangible Assets Tax Base Differences	(10,203)	(2,283)
Deferred Commissions	2,558	563
Lawsuit Provisions	1,001	220
Loan Accrual Differences between Tax and IFRS	1,623	357
Other	1,077	237
Prior Periods' Losses	30,912	6,182
Deferred Tax Asset/(Liability) (Net)	61,306	13,449

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**II. Explanations and disclosures related to the liabilities (Continued)****9. Explanations on tax liabilities****9.2 Explanations on deferred tax liabilities**

The movement of the current period deferred tax liability is shown below:

	Current Period
Deferred Tax Asset, Beginning Balance	13,449
Deferred Tax Benefit / (Charge)	(2,986)
Deferred Tax Recognized Directly Under Equity	1,290
IFRS 9 Adoption Effect	(4)
Deferred Tax Asset, Ending Balance	11,749
Deferred Tax Asset, Beginning Balance	(14,834)
Deferred Tax Benefit / (Charge)	28,291
Deferred Tax Recognized Directly Under Equity	(8)
Deferred Tax Asset, Ending Balance	13,449

10. Information on liabilities regarding assets held for sale and discontinued operations

None (31 December 2017: None).

11. Explanations on subordinated loans

None (31 December 2017: None)

MUFG BANK TURKEY A.Ş.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL
STATEMENTS (Continued)**

II. Explanations and disclosures related to the liabilities (Continued)

12. Information on shareholders' equity

12.1 Paid-in capital

	Current Period
Common Stock	527,700
Preferred Stock	-
	Prior Period
Common Stock	527,700
Preferred Stock	-

12.2 Paid-in capital amount, explanation as to whether the registered share capital system is applied at the bank; if so the amount of registered share capital ceiling:

Registered share capital system is not applied.

12.3 Information on share capital increases and their sources; other information on increased capital shares in Current Period

None.

12.4 Information on share capital increases from revaluation funds

None.

12.5 Information on capital commitments the purpose and the sources until the end of the fiscal year and the subsequent interim period:

The capital is totally paid in and there are no capital commitments.

12.6 Indicators of the Bank's income, profitability and liquidity for the prior periods and possible effects of these future assumptions due to the uncertainty of these indicators on the Bank's equity:

None.

12.7 Information on privileges given to stocks representing the capital

The Bank does not have any preferred shares.

12.8 Common stock issue premiums, shares and equity instruments

None.

12.9 Information on marketable securities value increase fund

None.

12.10 Information on revaluation reserve

None.

12.11 Bonus shares of Subsidiaries, Associates and Joint Ventures

None.

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**II. Explanations and disclosures related to the liabilities (Continued)****12. Information on shareholders' equity****12.12 Information on legal reserves**

	<i>Current Period</i>
I. Legal Reserve	7,147
II. Legal Reserve	-
Special Reserves	-

	<i>Prior Period</i>
I. Legal Reserve	3,103
II. Legal Reserve	-
Special Reserves	-

12.13 Information on extraordinary reserves

None.

13. Information on minority shares

None.

MUFG BANK TURKEY A.Ş.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL
STATEMENTS (Continued)**

III. Explanations and disclosures related to the off-balance sheet contingencies and commitments

1. Information on off-balance sheet commitments

1.1 Nature and amount of irrevocable loan commitments

Type of Irrevocable Commitments	Current Period
Forward Commitments	1,569,548
Total	1,569,548

Type of Irrevocable Commitments	Prior Period
Forward Commitments	204,588
Total	204,588

1.2 Possible losses and commitments related to off-balance sheet items, including the ones listed below

1.2.1 Non-cash loans including guarantees, acceptances, financial guarantee and other letters of credits

	Current Period
Letters of Guarantee in TL	174,023
Letters of Guarantee in Foreign Currency	274,727
Letters of Credit	65,803
Bills of Exchange and Acceptances	-
Other Guarantees	4,753
Total	519,306

	Prior Period
Letters of Guarantee in TL	115,307
Letters of Guarantee in Foreign Currency	221,381
Letters of Credit	81,772
Bills of Exchange and Acceptances	-
Other Guarantees	3,395
Total	421,855

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**III. Explanations and disclosures related to the off-balance sheet contingencies and commitments (Continued)****1. Information on off-balance sheet commitments(Continued)****1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies**

	Current Period
Temporary Letters of Guarantee	15,028
Permanent Letters of Guarantee	248,573
Advance Letters of Guarantee	25,516
Custom Letters of Guarantee	159,633
Other Letters of Guarantee	-
Total	448,750

	Prior Period
Temporary Letters of Guarantee	22,443
Permanent Letters of Guarantee	148,093
Advance Letters of Guarantee	28,984
Custom Letters of Guarantee	137,168
Other Letters of Guarantee	-
Total	336,688

2. Information on Non-cash Loans**2.1 Total amount of non-cash loans**

	Current Period
Non-Cash Loans against Cash Risks	-
With Original Maturity of 1 Year or Less	-
With Original Maturity of More Than 1 Year	-
Other Non-Cash Loans	519,306
Total	519,306

	Prior Period
Non-Cash Loans against Cash Risks	-
With Original Maturity of 1 Year or Less	-
With Original Maturity of More Than 1 Year	-
Other Non-Cash Loans	421,855
Total	421,855

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and disclosures related to the off-balance sheet contingencies and commitments (Continued)

2.2 Information on Sectorial risk concentration of non-cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agriculture	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
Manufacturing	58,708	33.74	4,933	1.43	23,387	20.28	85,167	27.79
Mining and Quarrying	-	-	-	-	-	-	3,395	1.11
Production	58,708	33.74	4,933	1.43	23,387	20.28	81,772	26.68
Electricity, Gas, Water	-	-	-	-	-	-	-	-
Construction	10,125	5.82	1,320	0.38	10,842	9.41	943	0.31
Services	105,190	60.45	339,030	98.19	81,078	70.31	220,438	71.90
Wholesale and Retail Trade	53,666	30.84	76,043	22.02	58,579	50.80	34,362	11.21
Accommodation and Dining	-	-	-	-	-	-	-	-
Transportation and Telecommunication	21,126	12.14	2,062	0.60	9,470	8.21	1,472	0.48
Financial Institutions	30,398	17.47	260,925	75.57	11,944	10.36	184,604	60.21
Real Estate and Rental Services	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	1,085	0.94	-	-
Others	-	-	-	-	-	-	-	-
Total	174,023	100	345,283	100	115,307	100	306,548	100

2.3 Information on the first and second group of non-cash loans

	Current Period		Group I		Group II	
	TL	FC	TL	FC	TL	FC
Non-Cash Loans						
Letters of Guarantee	166,250	274,727	7,773	-	-	-
Bills of Exchange and Bank Acceptances	-	-	-	-	-	-
Letters of Credit	-	65,803	-	-	-	-
Endorsements	-	-	-	-	-	-
Underwriting Commitments	-	-	-	-	-	-
Factoring Related Guarantees	-	-	-	-	-	-
Other Guarantees and Sureties	-	4,753	-	-	-	-
Total	166,250	345,283	7,773	-	-	-
Prior Period						
Non-Cash Loans						
Letters of Guarantee	115,307	221,381	-	-	-	-
Bills of Exchange and Bank Acceptances	-	81,772	-	-	-	-
Letters of Credit	-	-	-	-	-	-
Endorsements	-	-	-	-	-	-
Underwriting Commitments	-	-	-	-	-	-
Factoring Related Guarantees	-	-	-	-	-	-
Other Guarantees and Sureties	-	3,395	-	-	-	-
Total	115,307	306,548	-	-	-	-

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**III. Explanations and disclosures related to the off-balance sheet contingencies and commitments (Continued)****3. Information related to derivative financial instruments**

	Current Period	Prior Period
Derivative Financial Instruments held for Risk Management	-	-
A. Total Derivative Financial Instruments held for Risk Management	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Net Foreign Investment Hedges	-	-
Trading Derivatives		
Foreign Currency related Derivative Transactions (I)	10,993,398	7,611,853
Currency Forwards-Purchases	1,060,879	510,231
Currency Forwards-Sales	1,034,129	300,223
Currency Swaps-Purchases	4,396,328	3,341,626
Currency Swaps-Sales	4,502,062	3,459,773
Currency Options-Purchases	-	-
Currency Options-Sales	-	-
Currency Futures-Purchases	-	-
Currency Futures-Sales	-	-
Interest Rate related Derivative Transactions (II)	-	-
Interest Rate Swaps-Purchases	-	-
Interest Rate Swaps-Sales	-	-
Interest Rate Options-Purchases	-	-
Interest Rate Options-Sales	-	-
Securities Options-Purchases	-	-
Securities Options-Sales	-	-
Interest Rate Futures-Purchases	-	-
Interest Rate Futures-Sales	-	-
Other Trading Derivative Transactions (III)	-	-
B. Total Trading Derivatives (I+II+III)	10,993,398	7,611,853
Total Derivative Transactions (A+B)	10,993,398	7,611,853

(*) Assets purchase and sale commitments are included

4. Credit derivatives and risk exposures on credit derivatives

None.

5. Explanations on contingent liabilities and assets

None.

6. Custodian and intermediary services

None.

MUFG BANK TURKEY A.Ş.

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL
STATEMENTS (Continued)

IV. Explanations and disclosures related to the income statement

1. Interest income

1.1 Information on interest on loans (*)

	Current Period	
	TP	YP
Interest on loans		
Short Term Loans	409,067	56,893
Medium and Long Term Loans	66,822	113,757
Interest on Non-Performing Loans	-	-
Premiums received from Resources Utilization Support Fund	-	-
Total	475,889	170,650

	Prior Period	
	TP	YP
Interest on loans		
Short Term Loans	256,758	28,710
Medium and Long Term Loans	29,701	27,621
Interest on Non-Performing Loans	-	-
Premiums received from Resources Utilization Support Fund	-	-
Total	286,459	56,331

(*)Includes fees and commissions obtained from cash loans.

1.2 Information on interest income received from banks

	Current Period	
	TL	FC
The Central Bank of Turkey	6,028	-
Domestic Banks	155,156	1,367
Foreign Banks	267	-
Branches and Head Office Abroad	-	-
Total	161,451	1,367

	Prior Period	
	TP	YP
The Central Bank of Turkey	-	-
Domestic Banks	29,604	1,651
Foreign Banks	618	-
Branches and Head Office Abroad	-	-
Total	30,222	1,651

1.3 Interest received from marketable securities portfolio

None.

1.4 Information on interest income received from associates and subsidiaries

None.

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**IV. Explanations and disclosures related to the income statement (Continued)****2. Interest expenses****2.1 Information on interest on funds borrowed**

	Current Period	
	TL	FC
Banks		
<i>The Central Bank of Turkey</i>	-	-
<i>Domestic Banks</i>	138	59
<i>Foreign Banks</i>	314	120,714
<i>Branches and Head Office Abroad</i>	-	-
Other Institutions	-	-
Total	452	120,773
	Prior Period	
	TL	FC
Banks		
<i>The Central Bank of Turkey</i>	-	-
<i>Domestic Banks</i>	47	8
<i>Foreign Banks</i>	27	44,484
<i>Branches and Head Office Abroad</i>	-	-
Other Institutions	-	-
Total	74	44,492

2.2 Information on interest expenses to associates and subsidiaries

None.

2.3 Information on interest expenses to securities issued

None.

2.4 Interest expenses on deposit based on maturity of deposits

Current Period Account Description	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Turkish Lira								
Bank Deposits	-	2,375	-	-	-	-	-	2,375
Saving Deposits	-	-	-	-	-	-	-	-
Public Sector Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	41,969	10,895	19,726	-	-	-	72,590
Other	-	-	-	-	-	-	-	-
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total	-	44,344	10,895	19,726	-	-	-	74,965
Foreign Currency								
Foreign Currency Deposits	-	265	5	-	-	-	-	270
Bank Deposits	-	20,067	30,362	23,993	9,765	4,284	-	88,471
"7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	-	20,332	30,367	23,993	9,765	4,284	-	88,741
Grand Total	-	64,676	41,262	43,719	9,765	4,284	-	163,706

MUFG BANK TURKEY A.Ş.

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the income statement (Continued)

2. Interest expenses (Continued)

Prior Period Account Description	Demand Deposits	Time Deposits					Accumulating Deposit Accounts	Total
		Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	1 Year and Over		
Turkish Lira								
Bank Deposits	-	-	-	-	-	6,630	-	6,630
Saving Deposits	-	-	-	-	-	-	-	-
Public Sector Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	6,956	131	9	-	-	-	7,096
Other "7 Days Notice" Deposits	-	-	-	-	-	-	-	-
Total	-	6,956	131	9	-	6,630	-	13,726
Foreign Currency								
Foreign Currency Deposits	-	181	-	-	-	-	-	181
Bank Deposits "7 Days Notice" Deposits	-	151	1,291	6,305	12,189	5,930	-	25,866
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	-	332	1,291	6,305	12,189	5,930	-	26,047
Grand Total	-	7,288	1,422	6,314	12,189	12,560	-	39,773

3. Information on dividend income

None

4. Information on net trading income / loss

	Current Period
Income	30,323,474
Gains on Capital Market Operations	-
Gains on Derivative Financial Instruments	1,516,284
Foreign Exchange Gains	28,807,190
Losses	30,586,458
Losses on Capital Market Operations	-
Losses on Derivative Financial Instruments	808,520
Foreign Exchange Losses	29,777,938
Net Trading Income / (Loss)	(262,984)

	Prior Period
Income	9,104,451
Gains on Capital Market Operations	-
Gains on Derivative Financial Instruments	334,019
Foreign Exchange Gains	8,770,432
Losses	9,235,603
Losses on Capital Market Operations	-
Losses on Derivative Financial Instruments	470,639
Foreign Exchange Losses	8,764,964
Net Trading Income / (Loss)	(131,152)

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**IV. Explanations and disclosures related to the income statement (Continued)****5. Information on other operating income**

In the current period, TL 810 of other operating income consist of reversal of prior year provisions amounting to TL 461 and other income amounting to TL 349 (31 December 2017: TL 1,067) of other operating income consist of reversal of prior year general provision amounting to TL 817, TL 162 of income from disposal of fixed assets and TL 88 of other operating income).

6. Provisions of impairment on loans and other receivables

	Current Period
Expected Credit Losses	10,199
<i>12-Month ECL (Stage 1)</i>	9,738
<i>Lifetime ECL Significant Increase in Credit Risk (Stage 2)</i>	461
<i>Lifetime ECL Impaired Credits (Stage 3)</i>	-
Impairment Losses on Securities	-
<i>Financial Assets Measured at Fair Value through Profit/Loss</i>	-
<i>Financial Assets Measured at Fair Value through Other Comprehensive Income</i>	-
Impairment Losses on Associates, Subsidiaries and	-
<i>Joint-ventures</i>	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
Other	-
Total	10,199

	Prior Period
Specific Provisions on Loans and Other Receivables	-
<i>III. Group Loans and Receivables</i>	-
<i>IV. Group Loans and Receivables</i>	-
<i>V. Group Loans and Receivables</i>	-
General Loan Loss Provisions	13,429
Free Provision for Probable Risks	-
Impairment Losses on Securities:	-
<i>Financial Assets at Fair Value Through Profit or Loss</i>	-
<i>Financial Assets Available-for-Sale</i>	-
Impairment Losses on Associates, Subsidiaries, Joint Ventures and Investment Securities	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint Ventures</i>	-
<i>Investments Held to Maturity</i>	-
Other	-
Total	13,429

MUFG BANK TURKEY A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and disclosures related to the income statement (Continued)

7. Information related to other operational expenses

	Current Period
Personnel Expenses	30.878
Provision for Employee Termination Benefits	229
Provision for Bank's Social Aid Fund Deficit	-
Impairment Losses on Tangible Assets	-
Depreciation Charges of Tangible Assets	916
Impairment Losses on Intangible Assets	-
Amortization Charges of Intangible Assets	9.997
Goodwill impairment expense	-
Impairment Losses on Investments Accounted for under Equity Method	-
Impairment of Assets to be Disposed	-
Depreciation of Assets to be Disposed	-
Impairment of Assets Held for Sale and Discontinued Operations	-
Other Operating Expenses	18.446
<i>Operational Lease Expenses</i>	2,799
<i>Repair and Maintenance Expenses</i>	149
<i>Advertisement Expenses</i>	7
<i>Other Expenses(*)</i>	15.491
Losses on Sale of Assets	-
Other (**)	18.228
Total	78.694
	Prior Period
Personnel Expenses	24.564
Provision for Employee Termination Benefits	85
Provision for Bank's Social Aid Fund Deficit	-
Impairment Losses on Tangible Assets	-
Depreciation Charges of Tangible Assets	1.701
Impairment Losses on Intangible Assets	-
Amortization Charges of Intangible Assets	11.611
Impairment Losses on Investments Accounted for under Equity Method	-
Impairment of Assets to be Disposed	-
Depreciation of Assets to be Disposed	-
Impairment of Assets Held for Sale and Discontinued Operations	-
Other Operating Expenses	14.721
<i>Operational Lease Expenses</i>	2.378
<i>Repair and Maintenance Expenses</i>	149
<i>Advertisement Expenses</i>	6
<i>Other Expenses(*)</i>	12.188
Losses on Sale of Assets	-
Other (**)	12.025
Total	64.707

(*) Other expenses in other operating expenses consist of TL 9,629 cost of computer use (31 December 2017: TL 7,500), TL 2,057 communication expenses (31 December 2017: TL: 1,648), TL 173 representation expenses (31 December 2017: TL 144) and TL 3,630 other expenses (31 December 2017: TL 2,896).

(**) Other expenses comprise of TL 7,432 provision expenses (31 December 2017: TL 5,121).

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**IV. Explanations and disclosures related to the income statement (Continued)****8. Information on profit/loss before tax from continued and discontinued operations**

	Current Period
Profit/(Loss) Before Tax	198,136
	Prior Period
Profit/(Loss) Before Tax	103,297

9. Information on tax provision from continued and discontinued operations**9.1 Current Period taxation benefit or charge and deferred tax benefit or charge**

The Bank has TL 39,374 of current tax charge (31 September 2018: TL 50,713). For the year ended 31 December 2018, the deferred tax expense of the Bank is TL 2,986 (31 December 2017: TL 28,291 deferred tax income).

10. Information on profit/loss from continued and discontinued operations

	Current Period
Profit/(Loss) Before Tax from Continuing Operations	198,136
Tax Benefit/(Charge) on Continuing Operations	(42,360)
Net Profit/(Loss) from Continuing Operations	155,776
	Prior Period
Profit/(Loss) Before Tax from Continuing Operations	103,297
Tax Benefit/(Charge) on Continuing Operations	(22,422)
Net Profit/(Loss) from Continuing Operations	80,875

11. Information on net profit/loss for the period**11.1 The nature and amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the complete understanding of the Bank's performance for the period**

In the current and prior period, the Bank's income from ordinary banking transactions are interest income from loans and placements and other banking services income. Main expenses are interest expenses on deposits and similar debt items which are funding resources of loans and placements.

11.2 Changes in estimations made by the Bank with respect to the financial statement items do not have a material effect on profit/loss.**12. If "other" lines of the income statement exceeds 10% of the period profit/loss, information on components making up at least 20% of "other" items**

None.

MUFG BANK TURKEY A.Ş.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
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(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL
STATEMENTS (Continued)**

V. Explanations on changes in shareholders' equity

There is no adjustment differences to equity for inflation.

There is not an increase from revaluation of available for sale assets.

There is not an increase from the cashflow hedge items.

There is not a reconciliation issue of foreign exchange differences between the beginning and ending period.

There is not a dividend declaration after the balance sheet date but before the issuance of the financial statements.

There is not an amount related with issuance of share certificates.

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**VI. Explanations and disclosures related to the statement of cash flows****1. Information on cash and cash equivalents**

Cash and cash equivalents components and accounting policies defining these components:

Cash, foreign currency cash, money on transfer, bank cheques in clearance and deposits in all banks including Central Bank of Turkey are defined as "Cash", and interbank money market placements, term placements with banks and investments on marketable securities all with original maturity of less than 3 months are defined as "Cash equivalents".

Cash and cash equivalents at the beginning of the period:

	1 January 2018	1 January 2017
Central Bank of Turkey	403,484	338,019
Banks and Other Financial Institutions	461,158	1,114,520
Cash Equivalents	864,642	1,452,539

Cash and cash equivalents at the end of the period:

	31 December 2018	31 December 2017
Central Bank of Republic of Turkey	849,656	403,484
Banks and Other Financial Institutions	1,601,158	461,158
Cash Equivalents	2,450,814	864,642

2. Restricted cash and cash equivalents due to legal requirements or other reasons

In the current period, TL 2,624,010 (31 December 2017: TL 2,107,711) restricted balances is kept at the Central Bank of Turkish Republic for foreign currency as reserve requirements also the Bank has TL 902,955 of saving account with maturity more than 3 months..

3. Information on other item in cash flow statement and the effect of the exchange rate change on cash and cash equivalents

"Other item" amounting to TL 375,684 in "Operating profit before changes in assets and liabilities" consists of other operating expenses, realized gains and losses on derivatives, foreign currency losses and impairment for loan losses (31 December 2017 :TL (215,138)).

"Net decrease in other liabilities" amounting to TL (50,477) in "Changes in banking operations assets and liabilities" consists of changes in miscellaneous payables and taxes and dues payable (31 December 2016: TL 18,550 increase).

"Net decrease in other assets" amounting to TL (2,791,366) in "Changes in assets and liabilities" consists of changes in current tax assets and other receivables. (31 December 2017: TL 4,434 increase).

As of 31 December 2017, the effect of the changes in the currency rates on cash and cash equivalents has been calculated approximately as TL (753,762) (31 December 2017: TL (216,411)). The effect of the currency rates on cash and cash equivalents is calculated by first finding the exchange difference between the date of the cash inflow and the balance sheet date and then multiplying it by the related inflow amount.

MUFG BANK TURKEY A.Ş.

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations and disclosures on the risk group of the Bank

1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses

1.1 Current Period

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables (**)						
Balance at the Beginning of the Period	-	-	3,200	188,077	16,144	56,031
Balance at the End of the Period	-	-	4,501	169,894	17,018	90,789
Interest and Commission Income	-	-	-	382	267	189

(*)Described in article 49 of the Banking Act No: 5411.

(**)Includes all transactions accepted as loans in article 48 of the Banking Act No: 5411

Prior Period

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures		Bank's Direct and Indirect Shareholders		Other Real Persons and Legal Entities in Risk Group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables (**)						
Balance at the Beginning of the Period	-	-	806	138,226	12,324	26,708
Balance at the End of the Period	-	-	3,200	188,077	16,144	56,031
Interest and Commission Income	-	-	-	338	-	96

(*)Described in article 49 of the Banking Act No: 5411.

(**)Includes all transactions accepted as loans in article 48 of the Banking Act No: 5411

1.2. Information on deposits to the Bank's risk group

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures	Bank's Direct and Indirect Shareholders	Other Real Persons and Legal Entities in Risk Group
	Current Period	Current Period	Current Period
Deposits			
Balance at the Beginning of the Period	-	-	2,045,658
Balance at the End of the Period	-	-	4,990,937
Interest Expenses	-	-	90,636

(*) Described in article 49 of the Banking Act No: 5411.

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures	Bank's Direct and Indirect Shareholders	Other Real Persons and Legal Entities in Risk Group
	Prior Period	Prior Period	Prior Period
Deposits			
Balance at the Beginning of the Period	-	-	2,955,846
Balance at the End of the Period	-	-	2,433,469
Interest Expenses	-	-	6,515

(*) Described in article 49 of the Banking Act No: 5411.

MUFG BANK TURKEY A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**VII. Explanations and disclosures on the risk group of the Bank (Continued)****1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses (continued)****1.3 Information on funds obtained from Bank's risk group**

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures	Bank's Direct and Indirect Shareholders	Other Real Persons and Legal Entities in Risk Group
	Current Period	Current Period	Current Period
Funds Borrowed	-	-	-
Balance at the Beginning of the Period	-	-	6,163,682
Balance at the End of the Period	-	-	8,695,691
Interest Expense	-	-	116,975

(*)Described in article 49 of the Banking Act No: 5411.

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures	Bank's Direct and Indirect Shareholders	Other Real Persons and Legal Entities in Risk Group
	Prior Period	Prior Period	Prior Period
Funds Borrowed	-	-	-
Balance at the Beginning of the Period	-	-	4,944,135
Balance at the End of the Period	-	-	6,163,682
Interest Expense	-	-	6,504

(*)Described in article 49 of the Banking Act No: 5411.

1.4 Information on forward and option agreements and similar agreements made with Bank's risk group

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures	Bank's Direct and Indirect Shareholders	Other Real Persons and Legal Entities in Risk Group
	Current Period	Current Period	Current Period
Derivative financial instruments at fair value through profit or loss:			
Balance at the Beginning of the Period	-	18,569	6,714,226
Balance at the End of the Period	-	83,527	9,480,708
Total Profit/(Loss)	-	(104)	(31,022)

Bank's Risk Group (*)	Associates, Subsidiaries and Joint-Ventures	Bank's Direct and Indirect Shareholders	Other Real Persons and Legal Entities in Risk Group
	Prior Period	Prior Period	Prior Period
Derivative financial instruments at fair value through profit or loss:			
Balance at the Beginning of the Period	-	-	7.293.362
Balance at the End of the Period	-	18,569	6,714,226
Total Profit/(Loss)	-	34	(62.858)

(*)Described in article 49 of the Banking Act No: 5411.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations and disclosures on the risk group of the Bank (Continued)

2. Information on transactions with the Bank's risk group

2.1 Relations with entities in the risk group of / or controlled by the Bank regardless of the nature of relationship among the parties

None.

2.2 In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other

As of 31 December 2018, cash loans and other receivables of the risk group amounts to TL 21,519 and comprises less than 1% of the total loans and other receivables (31 December 2017: Cash loans and other receivables of the risk group amounts to TL 17,267 and comprises less than 1% of the total loans and other receivables). Non-cash loans of the risk group amounts to TL 260,683 and comprises 50% of total non-cash loans (31 December 2017: Non-cash loans of the risk group amounts to TL 244,108 and comprises 45% of total non-cash loans). The short and long term borrowings of the Bank from the risk group amounts to TL 8,695,691 and comprises approximately the total of the loans obtained (31 December 2017: The short and long term borrowings of the Bank from the risk group amounts to TL 6,163,682 and comprises 99% of the loans obtained). As of 31 December 2018, net benefits paid to key management of the Bank is TL 1,437 (31 December 2017: TL 1,142).

VIII. Explanations on the Bank's domestic, foreign, off-shore branches or investments in associates and foreign representative offices

1. Information related to the Bank's domestic and foreign branch and representatives

	Number	Number of Employees			
Domestic Branch	1	75			
			Bulunduğu Ülke		
Foreign Representation Offices			1-		
			2-		
			3-		
				Aktif Toplamı	Statutory Share Capital
Foreign Branches			1-		
			2-		
			3-		
Off-shore Banking Region Branches			1-		
			2-		
			3-		

IX. Events after the balance sheet date

None.

MUFG BANK TURKEY A.Ş.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2018**

(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise indicated)

SECTION SIX

OTHER EXPLANATIONS

None.

SECTION SEVEN

AUDITORS' REPORT

I. Explanations on the auditors' report

The Bank's publicly available financial statements and footnotes have been audited by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' audit report is presented in front of the financial statements.

II. Other footnotes and explanations prepared by the independent auditors

None.



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