

**MUFG BANK  
TURKEY  
ANNUAL  
REPORT  
2019**



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



---

# Contents

- 01 Global Network
  - 02 Our Mission, Vision and Values
  - 04 Board of Directors Declaration
  - 05 Agenda of the Ordinary General Assembly
  - 06 Independent Auditor's Report on the Management's Annual Report
  
  - 09 WHO WE ARE**
  - 10 MUFG Bank Turkey A.Ş. (MUFG Bank Turkey) at a Glance
  - 12 MUFG Group Structure and MUFG Bank Turkey
  - 14 Mitsubishi UFJ Financial Group (MUFG)
  - 16 Capital Structure, Changes within the Year, Qualified Shareholders & Executive Shares
  - 17 Extraordinary General Assembly Meetings within the Year
  - 17 Amendments to the Articles of Association
  - 17 Subsidiaries
  - 18 Yearly Financial Indicators
  - 20 Evaluation of our Bank's Position in the Sector
  - 22 Research and Development Activities
  - 23 Credit Rating System
  - 24 Assessment of Financial Status, Profitability and Solvency
  - 26 Message from the Chairman and President
  
  - 31 MANAGEMENT & CORPORATE GOVERNANCE**
  - 32 Board of Directors
  - 33 Board Member Changes
  - 34 Top Management
  - 35 Management of Internal Systems Departments
  - 36 Committees
  - 37 Participation of Board Members to Committees & Meetings
  - 38 Human Resources
  - 40 Transactions of MUFG Bank Turkey with the Related Risk Group
  - 42 Information on Outsourced Operations
  - 43 Board of Directors Summary Report
  
  - 45 INTERNAL SYSTEMS**
  - 46 Assessment of the Functioning of the Internal Control and Internal Audit Systems by the Audit Committee
  
  - 51 AFFILIATE REPORT**
  
  - 55 FINANCIAL TABLES**
  - 55 Unconsolidated Financial Statements and Footnotes for the Year Ended 31 December 2019
- 

# 2019 Highlights

## Total Assets

TRY 10,878 million

---

## Loan Volume

TRY 7,067 million

---

## Capital Adequacy Ratio

19.81%

---

## Net Profit

TRY 179 million

---

## Deposit Volume

TRY 1,059 million

---

## Total Equity

TRY 1,029 million

---

---

# Global Network



Nearly 200,000 employees  
in over 50 countries worldwide...



---

# 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

## 2019 FISCAL YEAR ANNUAL ACTIVITY REPORT

The attached annual activity report, covering our Bank's activities for the fiscal year 2019, has been prepared in line with Article 40 of the Banking Law and 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



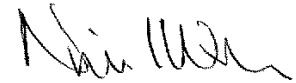
**Ali Vefa Çelik**  
Chairman



**Hidefumi Yamamura**  
Vice Chairman



**Çetin Özbek**  
Board Member/Chairman  
of the Audit Committee



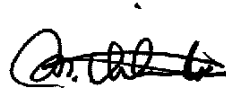
**Nicola Louise Wickes**  
Board Member/Audit  
Committee Member



**Masatoshi Ban**  
President



**Aysun Mercan**  
Board Member



**Masashi Kikuta**  
Board Member

---

# Agenda of the Ordinary General Assembly

## AGENDA OF MUFG BANK TURKEY A.Ş. YEAR 2019 ORDINARY GENERAL ASSEMBLY MEETING DATED 27 MARCH 2020

- 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 2019,
- 3- Discussion on the Independent Auditor's Report for the financial year 2019,
- 4- Discussion and approval of the financial statements of the financial year 2019,
- 5- Release of the Members of the Board of Directors for the year 2019 on an individual basis,
- 6- Informing the General Assembly on the bonus payment of the year 2018 which had been distributed to the employees at the year 2019,
- 7- Discussion on use of profit and determination of dividend distribution,
- 8- Discussion on the bonus payment of the year 2019 which will be distributed to the employees in 2020,
- 9- Discussion on the payments made to the Board of Directors members with regards to their activities as the members of Audit Committee and other committees and their other work and duties at the Bank within 2019,
- 10- Election of Board of Directors members and approval of Ms. Nicola Louise Wickes's appointment as a Board of Directors Member for the remaining duty term of the membership which became empty within the past year,
- 11- Discussion on the rights of the Board of Directors members as remuneration payment, attendance fee and bonus,
- 12- Appointment of the Independent Auditor for financial year 2020,
- 13- 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,
- 14- Wishes and Closing.



**Hülya Eroğlu**  
Deputy President



**Masatoshi Ban**  
President

---

# 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.**

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.  
Maslak no1 Plaza  
Eski Büyükdere Caddesi  
Maslak Mahallesi No:1  
Maslak, Sarıyer 34485  
İstanbul, Türkiye

Tel : +90 (212) 366 6000  
Fax : +90 (212) 366 6010  
www.deloitte.com.tr

Mersis No: 0291001097600016  
Ticari Sicil No : 304099

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 01/01/2019–31/12/2019, 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 01/01/2019–31/12/2019 in our Auditor's Report dated 4 March 2020.

## 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"):

- Preparing the annual report within the three months following the reporting date and presenting it to the General Assembly,
- 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 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 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, 13 March 2020**





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	Masatoshi BAN
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	78 (as of the end of 2019)
No. of Customers	169
Total Assets	TRY 10,878 million (as of the end of 2019)

---

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 to establish an office in Turkey.

In December 2012, MUFG obtained approval to establish a banking subsidiary in Turkey, a country of significant geostrategic importance which serves 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 a customer-oriented business concept by fully utilizing MUFG's global network, MUFG Bank Turkey continues to take firms steps towards carrying on the stable growth achieved since 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 MUFG Employees Globally

**200,000**

---

The Number of Countries of Operation

**50 countries**

---

Total Assets

**USD 2.9 trillion**

---

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, Bank Danamon, Indonesia's 5th largest bank, as consolidated subsidiaries and strategic investments in Vietin Bank and Security Bank, major commercial banks based in the Vietnam and Philippines respectively. In addition to commercial banking, MUFG is engaged in a wide range of businesses including Securities, Asset Management and Investor Services. In 2019, we have made steady progress in initiatives aimed at seizing opportunities arising from market growth, for example, making the Indonesia-based Bank Danamon a consolidated subsidiary and completing the acquisition of shares in an Australia-based major asset management company.

As of September 2019, MUFG's total assets are USD 2.9 trillion and its market capitalization is USD 70.5 billion. With around 200,000 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)
Kozo Taniwaki	1.00	0% (Group B)
Atsushi Yoshida	1.00	0% (Group B)
Tatsuhiko Yanagisawa	1.00	0% (Group B)
Shintaro Kamiya	1.00	0% (Group B)
<b>Total</b>	<b>527,700,000.00</b>	<b>100%</b>

There have not been any changes in the capital structure of our Bank in 2019.

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 Kozo Taniwaki owns a share of 0% (Group B).

---

# Extraordinary General Assembly Meetings within the Year

We did not hold any Extraordinary General Meetings in 2019.

# Amendments to the Articles of Association

There has been no amendment to the Articles of Association in 2019.

# Subsidiaries

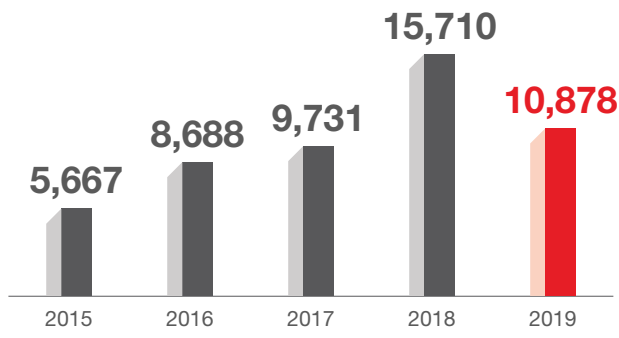
We do not have any subsidiaries.

# Yearly Financial Indicators

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

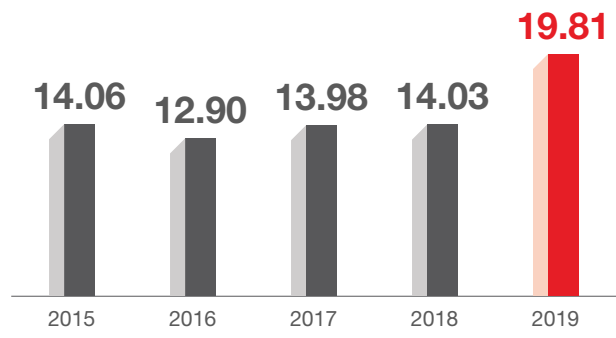
## Total Assets TRY Million

MUFG Bank Turkey's total assets realized TRY 10,878 million by the end of 2019.



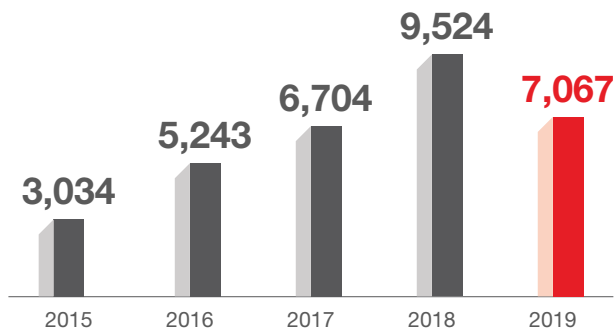
## Capital Adequacy Ratio %

MUFG Bank Turkey reinforced its powerful capital structure with a capital adequacy ratio of 19.81%.



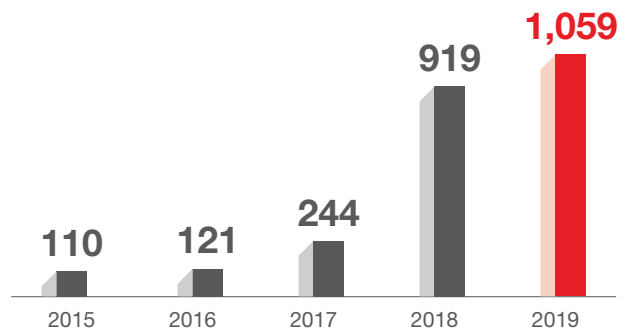
## Credit Volume TRY Million

In 2019, MUFG Bank Turkey's credit volume realized TRY 7,067 million.



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

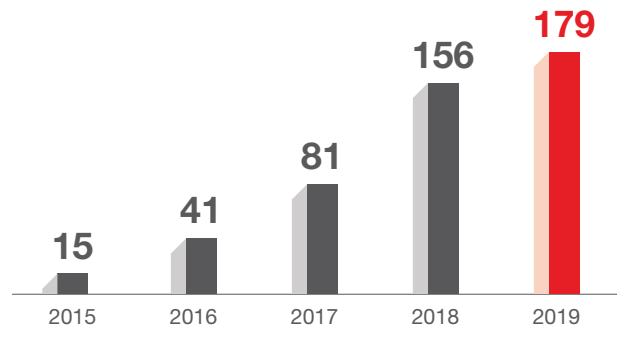
MUFG Bank Turkey's deposit volume increased by 15.2% and reached TRY 1,059 million.





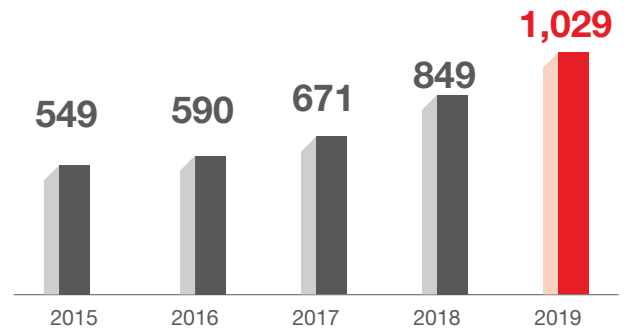
#### Net Profit TRY Million

In its sixth year of operations, MUFG Bank Turkey's net profit stood at TRY 179 million.



#### Total Equity TRY Million

As of 31 December 2019, MUFG Bank Turkey's equity has been reported as TRY 1,029 million.



# Evaluation of our Bank's Position in the Sector

MUFG Bank Turkey's mission is to support the development 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 serving Japanese customers domiciled in Turkey, top-tier Turkish corporation, local and foreign financial institutions and multinational corporations active in Turkey. Turkey is an important market with potential for economic growth, and our mission is to support the development process of Turkey and Turkish-Japanese relations by catering to the needs of our clients strategically.

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 retail banking services 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, and its expertise and experience in corporate banking, and most importantly, is a commitment to build long-standing relations with customers rooted in its vision to "Be the world's most trusted financial group."

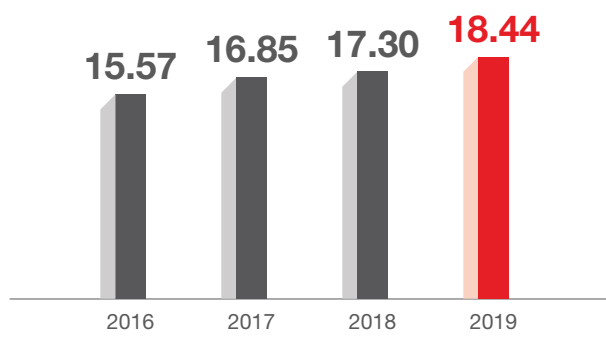
MUFG's worldwide customers, carefully nurtured over the years to sustain long-term customer relations, tend to opt for doing business with MUFG in local markets. In addition to the advantages brought forward by MUFG Bank Turkey's financial and technical knowledge and experience in banking, this attention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

Now we have developed a relationship with most Japanese companies, and our business with global and leading Turkish firms has been continuing to increase.



#### Capital Adequacy Ratio of Turkish Banking Sector

Capital adequacy ratio of Turkish Banking Sector was 18.44% in September 2019.



# Research and Development Activities

MUFG Bank Turkey has been working on establishing the infrastructure to widen our product range to include fixed-income securities and access to alternative funding sources.

The product portfolio of MUFG Bank Turkey covers 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. Our Treasury team has finalized its long term project of establishing the infrastructure for fixed-income securities to create access for alternative funding sources, and our Bank's activity under Borsa Istanbul markets is increasing since we became a member last year. As well as this, activities to add new treasury products are under examination, with the aim of expanding our product list throughout 2020 to support our clients in hedging their foreign exchange and various risks. Our Treasury team has a particular interest in TLREF indexed instruments which started to be utilized effectively last year. We continue to work on the feasibility of this, along with other important initiatives related to foreign exchange and interest rate related instruments, in order to better serve our client needs under changing market environment.







# 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: financial data, non-financial data and expert opinions. Financial data consists of safety, profitability, growth, asset size, 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 domestic and international markets.

MUFG Bank, Ltd. (MUFG) was granted a 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 2019, the Bank's total assets stood at TRY 10,878 million, total loans at TRY 7,067 million and customer deposits except for Bank's deposits at TRY 1,059 million. Based on its specific needs, the Bank receives short, medium- and long-term funding from domestic and international markets.

In its sixth year of operations, the Bank's net income after tax & provisions stood at TRY 179 million. As of 31 December 2019, the Bank's equity has been reported as TRY 1,029 million, while its capital adequacy ratio stood at 19.81%.





# 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 continued to build on its financial strength and stability in 2019. We extended our successful track record that began in November 2013 when we first set out on our journey in Turkey.

Dedicated to MUFG's corporate vision, "Be the world's most trusted financial group", we at MUFG Bank Turkey are committed to building long-standing relationships with our customers, our employees and Turkish society. As a proud member of MUFG, we work to pursue a consistently high level of quality that exceeds our customers' expectations.

We place strong emphasis on customer engagement, along with providing dependable and consistent support. Our mission is to expand and strengthen our global presence as the bank of choice – both in Japan and across the globe.

## A challenging year for both the global and domestic economy

The year 2019 was 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 USD weakened and risk appetite improved sharply as a result of the Fed's three interest rate cuts over the course of the year, contradicting markets' original pricing for further hikes and a stronger USD in the beginning of the year. In addition, the ECB reopened its asset purchase program as of November.

These key developments were considered as a restart of expansionary monetary policies and return of a high liquidity environment that had been the norm since 2008. Meanwhile, US-China trade wars fueled concerns about global growth as a key uncertainty. In the last quarter of the year, a major rally – not witnessed in recent years – was experienced on global equity markets, thanks to the Fed's monetary policy easing and sliding US bond interest rates despite uncertainties over trade wars, amid improving global liquidity conditions.

Turkey's markets faced increased volatility and selling pressure, especially in the first half of the year, due to rising political and geopolitical risks coupled with the country's sovereign credit rating downgrade. Following protracted political risks related to local municipal elections and swelling risk for potential US sanctions on Turkey over its Russian missile system purchase, rapid capital outflows were triggered and the Turkish lira fell to intra-year lows in May. By the second half of the year, easing political tensions in US-Turkey relations transformed the market environment, leading the Turkish lira to make up most of the losses it experienced during the second quarter. As well, in line with easing political risks and a supportive global environment, Central Bank of the Republic of Turkey (the Central Bank) conveyed a strong message to the markets by cutting its benchmark rate 425 basis points at its meeting in July. It then continued its rate cut cycle until the end of the year, delivering a total 1,200 bps cut in four consecutive meetings, in order to ignite economic activity.



**Ali Vefa Çelik**  
Chairman of the Board

**Masatoshi Ban**  
President

## Message from the Chairman and President

**At year-end 2019, MUFG Bank Turkey reported total assets of TRY 10,878 million.**

Meanwhile, strong base effects from 2018 and the stable performance of the Turkish lira helped inflation to ease below 10% in the last quarter, ending the year below the New Economic Program target of 12%, to justify monetary policy easing. Economic growth in Turkey, which shrunk almost 2% in the first half of the year primarily due to credit contraction amid weakened sentiment and sharply recovered in the second half of the year as a result of easing financial conditions, expanded 0.9% year-on-year in 2019.

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 2019.**

At year-end 2019, MUFG Bank Turkey reported total assets of TRY 10,878 million.

Loans, the major component of our Bank's assets, totaled TRY 7,067 million at year end. A breakdown of our loan portfolio shows that 11% of loans are denominated in TRY and 89% are in foreign currencies. Receivables from banks, the other key item of the Bank's assets, amounted to TRY 1,159 million, excluding receivables from the Central Bank.

On the liabilities side, MUFG Bank Turkey's borrowings totaled TRY 5,354 million in 2019. Demand and time deposits from non-Bank clients amounted to TRY 1,059 million. At end-2019, the Bank reported total shareholders' equity of TRY 1,029 million, up TRY 179 million. Equity calculated for the capital adequacy ratio was TRY 1,063 million, while the capital adequacy ratio was 19.81% for the year.

MUFG Bank Turkey reported net interest income of TRY 361 million in 2019. Profit before taxes from continuing operations amounted to TRY 233 million. The Bank's net income after tax & provisions was TRY 179 million for the fiscal year. In 2019, our return on average equity was realized as 19.1%.

In 2019, MUFG Bank Turkey faced challenges in securing TRY funds, but made extensive efforts to maintain ample Turkish lira liquidities in order to continue to support its clients. During 2019, MUFG Bank Turkey executed transactions through the TRY/FX market under the Central Bank, and through the swap market under the BORSA Istanbul, 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 2019, according to Banks Association of Turkey data.

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

In early 2018, MUFG entered into a four-year partnership with the Laureus Sport for Good Foundation to positively impact the lives of young people. In November 2019, MUFG colleagues across EMEA completed the distance between our Johannesburg and London offices – a total of 30,937 km – in a joint effort to fundraise for the Laureus Sport for Good foundation. Twelve MUFG Offices, including MUFG Bank Turkey, participated throughout the month, helping to raise an extraordinary £40,000 to support the work of Laureus Sport for Good. The money will be used directly to help young people overcome violence, discrimination and disadvantages in 180 grassroots programs across 41 countries. The projects differ from region to region, and they all harness the power of sport to enhance the social and emotional development of children and young people.

---

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

### We build financial bridges between Turkey and Japan

Our mission is to support Turkey's economic development and Turkish-Japanese trade and investment 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 reliable financial services, and our deep conviction and commitment to our customers and the Turkish market.

Under the current turbulent environment, MUFG Bank Turkey understands that 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 likely to encounter. Second, we must help solve these issues using our powerful core capabilities and competitive advantages. Third, we must invest in preparing our team for this ever-challenging, ever-changing landscape.

At MUFG Bank Turkey, we 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 and multinational 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, on Japan-Turkey relations and on Turkey, helping them to address the issues they face and grow further.

To serve our customers better and keep pace with rapid changes in customer requirements, MUFG Bank Turkey will continuously strengthen our organization, expand our product and service coverage, and diversify our funding capabilities, as well as maintain the highest standards of stability and trustworthiness.

We are grateful for our nearly 80 employees supporting us in our operations with exceptional success; our strategic partners for their unwavering support; and, most important, 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



**Masatoshi Ban**  
President







# 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 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 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.

## **Hidefumi Yamamura** Board Vice Chairman

Hidefumi Yamamura has been Chief Operating Officer for EMEA of MUFG Bank, Ltd., which covers 21 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, 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 Vice Chairman of the Board of Directors of MUFG Bank Turkey.

## **Atsushi Deguchi** Board Member and President

Atsushi Deguchi has a B.A. in Economics from Sophia University in 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 the MUFG Group, such as MUFG Bank, Ltd. and Mitsubishi Securities

USA, Inc. He was appointed President of MUFG Bank Turkey in August 2016. In May 2019 he resigned from duties at MUFG Bank Turkey due to his appointment in Tokyo.

## **Masatoshi Ban** Board Member and President

Masatoshi Ban received a Bachelor's of Economics degree from Seikei University in Japan. He started his banking career in 1993 at Mitsubishi Bank Ltd. His 27 years experience spans across Japan, Singapore, Australia and Canada, where he developed his career mainly in corporate banking. In May 2019, he was appointed as President of MUFG Bank Turkey.

## **Çetin Özbek** Board Member and 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 Central Bank of the Republic of Turkey (CBRT). Besides his past experience 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.

## **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 executive roles related to Corporate Banking, Credits, Foreign Transactions, Project Finance, and Corporate Governance in various local and foreign banks. After the 2001 financial crises, she joined the Banking Regulatory and Supervision Agency to lead and manage rehabilitation, sale and liquidation projects of many failed banks and their related companies; also for collection of the public receivables of Savings Deposit Insurance Fund from the controlling shareholders of these banks, whose shareholder rights were transferred to the Fund.

---

She has also served as BOD member on BODs and Liquidation Boards for such companies. She was appointed as a member of the Board of Directors of MUFG Bank Turkey in January 2016. Currently she also serves as Independent BOD Member on other Public Company BOD's.

**Toshihiro Okabayashi**  
Board Member

Toshihiro Okabayashi graduated from the Faculty of Engineering at Tokyo University. He has over 29 years' experience in banking, having worked across Japan and EMEA, where he advanced his career. Since 2018 he has worked as General Manager of the Risk Management Division of MUFG EMEA, which covers 20 countries through 29 offices and approximately 2,000 employees. In March 2018, he was appointed as a Board Member of the Board of Directors of MUFG Bank Turkey. In July 2019 he resigned from his duties at MUFG Bank Turkey due to his appointment in Tokyo.

**Nicola Wickes**  
Board Member

Nicola Wickes is the Chief Risk Officer for MUFG EMEA; she was educated at Oxford Brookes University, where she graduated with a First Class Honors. She has over 30 years of experience within the financial sector, working extensively across all risk disciplines, specializing in Credit Risk at UBS and CIBC London. In April 2019 Nicola joined MUFG EMEA and since November 2019 has served as Chief Risk Officer for EMEA. Before joining MUFG, she held the position of Chief Risk Officer at CIBC for Europe, Asia and Australia and as a Director on the Board for CIBC World Markets plc. In 2018 she gained her FT Non-Executive Director BTEC Level 7 Advanced Professional Diploma. She was appointed a member of the Audit Committee and the Board of Directors for MUFG Bank Turkey in July 2019.

**Neil George Campbell**  
Board Member

Neil George Campbell graduated from London University BSc Economics (First class honors). He started his banking career in 1982 at County Bank. He joined MUFG Bank, Ltd. in 2006 and worked in the European Leveraged Finance, Portfolio Management Group. In 2016, he was 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. His membership period was terminated as of March 2019.

**Masashi Kikuta**  
Board Member

Masashi Kikuta is a Co-Head of Corporate Banking Credit of MUFG Bank. He leads an office responsible for sanctioning credit for non-Japanese corporates, sovereign, FI across the EMEA. He has over 25 years' experience in banking, both in and outside Japan, mainly in credit risk management and the area of business promotion. He also has two years experience working in the Foreign Ministry of Japan. Masashi Kikuta graduated Keio University in Tokyo where he received a Bachelor's of Economics degree. He was appointed as a member of the Board of Directors of MUFG Bank Turkey in March 2019.

## Board Member Changes

28.03.2019 – **Masashi Kikuta** has been appointed as a Board Member in the General Assembly.

04.07.2019 – **Nicola Louise Wickes** has been appointed as Board Member and Audit Committee Member as a successor of **Toshihiro Okabayashi**.

# 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. In May 2019, he resigned from his duties at MUFG Bank Turkey due to his appointment in Tokyo.

## **Masatoshi Ban**

### **President**

Masatoshi Ban received a Bachelor's of Economics degree from Seikei University of Japan. He started his banking career in 1993 at Mitsubishi Bank Ltd. His 27 years experience spans across Japan, Singapore, Australia and Canada, where he developed his career mainly in corporate banking. In May 2019, he was appointed President of MUFG Bank Turkey.

## **Shinichi Okumura**

### **Deputy President - Finance and Information Technologies**

Shinichi Okumura graduated from the Faculty of Law at Waseda University. He started his banking career in 1993, serving in various posts in Tokyo and Germany at Mitsubishi Bank Ltd., Bank of Tokyo-Mitsubishi Ltd. and The Bank of Tokyo-Mitsubishi UFJ Ltd. He was appointed as 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. In July 2019, he resigned from his duties at MUFG Bank Turkey due to his appointment in Germany.

## **Hülya Eroğlu**

### **Deputy President - IT, Operations, Human Resources and General Affairs**

Hülya Eroğlu graduated from the Department of Management at the Middle East Technical University, Turkey and started her career in 1987. 23 years of her 33-year career in the finance sector has been in banking, and 10 years in brokerage and asset management companies and independent audit companies. She started working at MUFG Bank Turkey in 2013 and was assigned as Deputy President responsible for Information Systems, Operations, Human Resources and General Affairs in April 2016.

## **Kozo Taniwaki**

### **Deputy President - Japanese Corporate Banking, Transaction Banking, Treasury**

Kozo Taniwaki received a Bachelor degree in Policy Management from Keio University in Japan in 1997 and started his career at Bank of Tokyo-Mitsubishi UFJ, the predecessor of MUFG Bank, in the same year. He has 23 years of experience in the banking industry, including relationship management with large Japanese Corporates and subsidiaries in both Japan and U.S., and Planning in the Head Office. He was expatriated to MUFG Bank Turkey in January 2017 as the head of Planning and was assigned as the Deputy President responsible for Japanese Corporate Banking, Transaction Banking and Treasury in August 2019.

## **Ayşe Zadil**

### **Managing Director - Corporate Banking**

Ayşe Zadil graduated from the Department of Management of Boğaziçi 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 and resigned in October 2019.

## **Atsushi Yoshida**

### **Director - Planning**

Atsushi Yoshida graduated from Waseda University, Faculty of Commerce. He joined MUFG in 1999 and has 21 years of experience in the banking industry. He has been working at MUFG Bank Turkey since August 2019.

## **Önder Gökalp**

### **Director - Finance**

Önder Gökalp is a university graduate and holds a master's degree in International Business Management. 21 years of his 24 years 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 graduated from the Political Science and Economics Department of Waseda University. He joined MUFG in 2000 and has 20 years' experience in commercial and corporate banking industry. He has been working at MUFG bank Turkey since May 2014.

---

**Berna Canbulat****Director - Operations**

Berna Canbulat is a university graduate and has 27 years experience in the banking industry. She has been working at MUFG Bank Turkey since March 2013.

**Tuğba Özmen****Director - Corporate Banking**

Tuğba Özmen graduated from Istanbul University, Department of Economics and holds a master's degree from Marmara University, Management and Organization. Having over 15 years banking experience, she joined MUFG Bank Turkey in December 2018.

**Cenk Ertunç Ulak****Director - Credit**

Ertunç Ulak graduated from Boğaziçi University, Department of Management and holds an MBA from Koç University. He has 20 years of banking experience and has been working at MUFG Bank Turkey since November 2016.

**Mehmet Ersoylu****Director - Information Technology**

Mehmet Ersoylu graduated from the Computer Engineering Department of Yıldız Technical University in 1994 and also completed a master's degree in the same subject in 1997. 20 years of his 25-year work experience has been in the field of Information Technologies within the banking industry and he has been working as a Department Manager since 2004. He has been working at MUFG Bank Turkey since June 2013.

**Fatma Eylem Ekmekçi****Director - Transactional Banking**

Fatma Eylem Ekmekci, is a university graduate from METU BA. 25 years of banking experience in Corporate Banking, Commercial Banking, Strategy and Business Development and Transaction Banking. She has been working at MUFG Bank Turkey since May 2018.

**Onur İlgen****Director - Treasury**

Onur İlgen is a graduate from Galatasaray University Economics Department and holds a master's degree in Financial Engineering from Boğaziçi University. He has 12 years of experience in the banking industry and has been working at MUFG Bank Turkey since May 2013.

**Sinem Emiroğlu****Director - Financial Institutions**

Sinem Emiroğlu, graduated from Faculty of Administrative Sciences from the Middle East Technical University, Turkey and started her banking career in 1996. After 22 years of experience in the banking sector both in Turkey and abroad, she has joined MUFG Bank Turkey in 2018.

**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. He joined MUFG Bank Turkey in May 2017 and resigned in July 2019.

# Management of Internal Systems Departments

**Oğuzhan Öner****Director – Internal Audit**

Oğuzhan Öner is a university graduate and holds a master's degree. He has 20 years of experience in banking industry and has been working at MUFG Turkey since October 2015.

**Selçuk Altun****Vice President – Risk Management**

Selçuk Altun is a university graduate and holds a master's degree. 15 years of his 16 years work experience has been in the field of Risk Management in the banking industry. He has been working at MUFG Turkey since August 2014.

**Onur Üre****Director – Compliance and Internal Control**

Onur Üre is a university graduate and has 21 years of experience in areas related to Internal Audit, Internal Control and Compliance/AML. He has been working at MUFG Turkey since July 2016.

# Committees

## CORPORATE GOVERNANCE COMMITTEE

**Ali Vefa Çelik** - Chairman  
**Masatoshi Ban** - Member

Mr. Masatoshi Ban was appointed a Corporate Governance Committee member on 22.05.2019 replacing Mr. Atsushi Deguchi.

The members of the Corporate Governance Committee are selected from the Board of Directors to monitor compliance of Corporate Governance principles, execute improvement studies and present recommendations to the Board of Directors. The Committee is made up of at least two members and convenes at least once a year. The Chairman of the Board is also the Chairman of the Corporate Governance Committee. The committee held one meeting in 2019.

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.

The Corporate Governance Committee membership of Mr. Atsushi Deguchi has been terminated as he resigned his position from the Board of Directors as of 22.05.2019, in a resolution numbered 2019/71 and Mr. Masatoshi Ban, Board of Directors Member, has been appointed the Corporate Governance Committee Member in accordance with the Banking Law numbered 5411 and The Regulation on Corporate Governance Principles of Banks.

## AUDIT COMMITTEE

**Çetin Özbek** - Chairman  
**Nicola Wickes** - Member

Ms. Nicola Wickes was appointed Audit Committee Member on 03.07.2019 replacing Mr. Toshihiro Okabayashi.

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. Toshihiro Okabayashi which he started on 04.09.2018 has been terminated upon his resignation from the Board of Directors as of 03.07.2019, in a resolution numbered 2019/102 and Ms. Nicola Wickes, Board of Directors Member, has been appointed 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 10 times in 2019.

## 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 reviews 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 two meetings in 2019.

---

## RISK COMMITTEE

**Çetin Özbek** - Chairman

**Selçuk Altun** - Member

**Onur Üre** - Member

The Board of Directors is responsible for implementing the Bank's risk appetite, reviewing and approving the risk framework and policies, and 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. The Committee convened 10 times in 2019.

## OTHER COMMITTEES

### Asset-Liability Committee

The Assets & Liability Committee is in charge of managing the Bank's assets and liabilities. This is in order to maximize revenues within the scope of the risk appetite and tolerance identified by the Board of Directors and assess the interest, exchange rate, liquidity and market risks under the light of the strategy and competition conditions of the Bank. Decisions to be executed by related Departments to manage the Bank's balance sheet are then carried out. The Committee meetings are chaired by the President. The Committee convened 25 times in 2019.

### 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 a minimum of four 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 2019, the Board of Directors held 198 meetings, four of which were physical meetings, and the attendances were regular with respect to quorum.

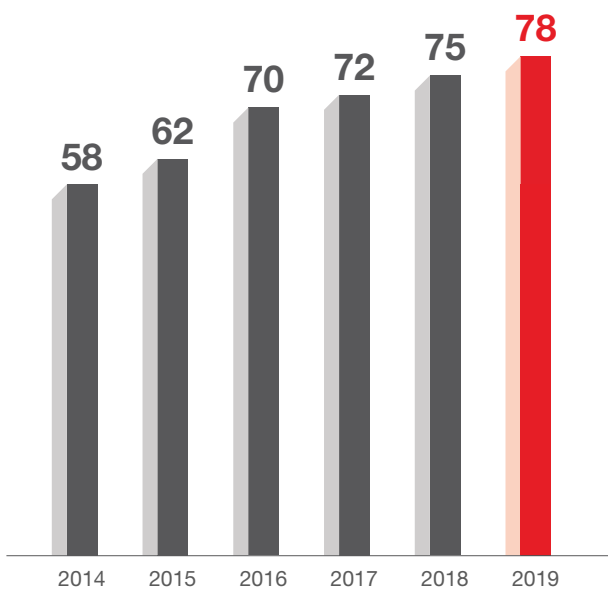
# Human Resources

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

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

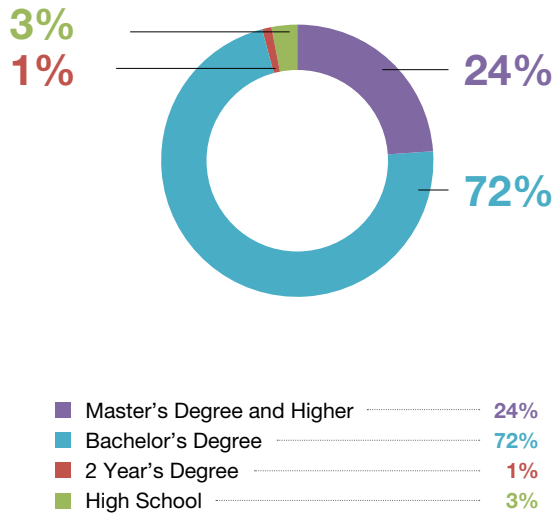
Our team has grown from 75 at the end of 2018 to 78 people by the end of 2019.

The year-on-year breakdown of employee numbers is below:



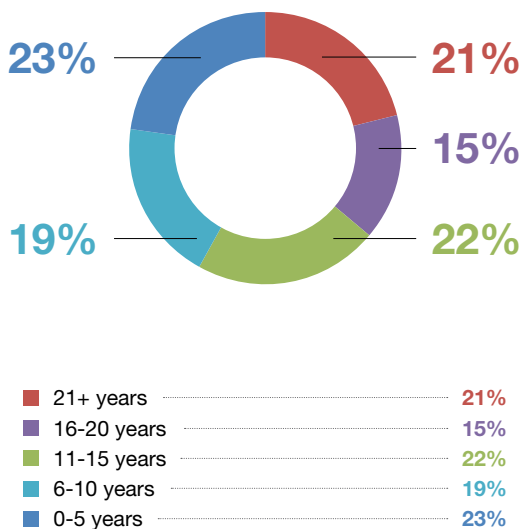


96% of our employees, averaging an age of 39, hold a bachelor's degree or higher:



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

The average amount of banking industry experience of our employees 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 requests market data analysis from IMA Consultancy to evaluate the remuneration of employees.

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

In 2019, 78 members of staff received 1,063 hours of professional training, 430 hours of which were provided internally and 633 hours by third parties. Throughout the year, each MUFG employee received an average 13.6 hours of training.

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

#### CORPORATE SOCIAL RESPONSIBILITY

In early 2018, MUFG entered into a four-year partnership with the Laureus Sport for Good Foundation to positively impact the lives of young people.

In November 2019, MUFG colleagues across EMEA completed the distance between our Johannesburg and London offices - a total of 30,937 km - in a joint effort to fundraise for the Laureus Sport for Good Foundation. Twelve MUFG Offices, including Turkey, participated throughout the month, helping to raise an amazing £40,000 to support the work of Laureus Sport for Good. The money will be used directly to help young people overcome violence, discrimination and disadvantages in 180 grass-roots programs across 41 countries. The projects differ from region to region, and they all harness the power of sport to enhance the social and emotional development of children and young people.

MUFG Bank Turkey did not make any donations in 2019.

# 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
<b>Current</b>						
Loans and Other Receivables						
Balance at Beginning of Period	0	0	4,501	169,894	17,018	90,789
Balance at End of Period	0	0	3,697	180,565	36,717	180,559
Interest and Commission Income	0	0	0	345	1,185	475

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
<b>Past</b>						
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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposit						
Balance at Beginning of Period	0	0	0	0	4,990,937	2,433,469
Balance at End of Period	0	0	0	0	3,343,663	4,990,937
Deposit Interest Expense	0	0	0	0	89,994	90,636

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	8,695,691	6,163,682
Balance at End of Period	0	0	0	0	5,070,666	8,695,691
Interest Expense	0	0	0	0	114,266	116,975

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	83,527	18,569	9,480,708	6,714,226
Balance at End of Period	0	0	86,398	83,527	5,403,121	9,840,708
Total Profit/Loss	0	0	27	(104)	(27,214)	(31,022)

# Information on Outsourced Operations

Name of Outsourcing Company	Definition of Outsourcing Service
MUFG Bank, Ltd.	Third Level Infrastructure support services
Intertech Bilgi İşlem ve Pazarlama Tic. A.Ş.	Core banking system maintenance and support services
Fineksus Bilişim Çözümleri Ticaret A.Ş.	Paygate Suite systems (Inspector, search, maestro) maintenance and support services
KDDI Europe Ltd.	Information Systems maintenance and support services
Teknotel Telekomünikasyon Data Center and Hosting Services	Data center and hosting services
Manpower İnsan Kaynakları Ltd. Şti.	Temporary and substitute staff support services
Aktive Bilgisayar Hizmetleri ve Ticaret Ltd. Şti.	Securities Trading System
Figo Ticari Bilgi ve Uygulama Platformu A.Ş.	Payable Finance Platform

---

# Board of Directors Summary Report

Welcome to our Bank's 2019 Ordinary General Meeting. We are sincerely grateful to our stakeholders and guests who continue to honor this meeting, where the reports of the Board of directors and Auditors and the statements of profit for the fiscal year 2019 will be submitted for your review and consent.

Before reporting our financial results, we'd like to review the market development in 2019. The year 2019 was 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 USD weakened and risk appetite improved sharply as a result of the Fed's three interest rate cuts over the course of the year, contradicting markets' original pricing for further hikes and a stronger USD in the beginning of the year.

Turkey's markets faced increased volatility and selling pressure, especially in the first half of the year, due to rising political and geopolitical risks coupled with the country's sovereign credit rating downgrade. By the second half of the year, easing political tensions in US-Turkey relations transformed the market environment, leading the Turkish lira to make up most of the losses it experienced during the second quarter. In line with easing political risks and a supportive global environment, the Central Bank conveyed a strong message to the markets by cutting its benchmark rate 425 basis points at its meeting in July, and continuing its rate cut cycle until the end of the year by delivering a total 1,200bps cut in four consecutive meetings, in order to ignite economic activity. Economic growth in Turkey, which shrunk almost 2% in the first half of the year primarily due to credit contraction amid weakened sentiment and sharply recovered in the second half of the year as a result of easing financial conditions, expanded 0.9 % year-on-year in 2019.

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 2019.

At year-end 2019, MUFG Bank Turkey reported total assets of TRY 10,878 million.

Loans, the major component of our Bank's assets, totaled TRY 7,067 million at year end. A breakdown of our loan portfolio shows that 11% of loans are denominated in TRY and 89% are in foreign currencies. Receivables from banks, the other key item of the Bank's assets, amounted to TRY 1,159 million, excluding receivables from the Central Bank.

On the liabilities side, MUFG Bank Turkey's borrowings totaled TRY 5,354 million in 2019. Demand and time deposits from non-Bank clients amounted to TRY 1,059 million. At end-2019, the Bank reported total shareholders' equity of TRY 1,029 million, up TRY 179 million. Equity calculated for the capital adequacy ratio was TRY 1,063 million, while the capital adequacy ratio (CAR) was 19.81% for the year.

MUFG Bank Turkey reported net interest income of TRY 361 million in 2019. Profit before taxes from continuing operations amounted to TRY 233 million. The Bank's net income after tax & provisions was TRY 179 million for the fiscal year. In 2019, our return on average equity was realized as 19.1%.

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

The internal systems departments have been structured under the responsibility of the Bank's Board of Directors, and are composed of Internal Audit, Compliance and Internal Control with Risk Management departments. These departments act in coordination and independently 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. They work to ensure accounting and reporting systems are in accordance with banking law and related regulations, and to confirm the integrity of produced information; conduct required preliminary assessments for the selection of independent audit organizations; grade, appraise and outsource service organizations for the Board of Directors; regularly monitor the activities of these contracted organizations; and continue to ensure the coordination of internal audit activities.

The Audit Committee Chairman, who is also responsible for internal systems, monitors internal systems departments' activities on a daily basis. The Audit Committee receives quarterly reports from the Internal Systems Departments in order to evaluate the adequacy of methods for identification, control and monitor risks, and report findings to the Board of Directors in compliance with its legal responsibilities to inform the Board of Directors of the Committee's activities. 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 Department is to provide assurance that the activities of the Bank are conducted in accordance with the law, other applicable legislation and the Bank's internal strategies, policies, principles and targets, as well as ensure all internal control and risk management systems are effective and adequate.

The Internal Audit Department is responsible for ensuring 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 operations.

Audit reports, which are a result of the audits performed in the departments in line with the risk focused annual audit plan, are 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 2019, business processes were prioritized as a result of the risk assessment conducted, and process audits and information systems audits were carried out.

The Internal Audit Department have also completed yearly required audits in accordance with legislation which are ICAAP Validation, ICAAP Evaluation, Risk Centre Process Audit and Management Declaration, which in its scope covers 7 Banking Processes and 15 COBIT Control Objectives as well as risk-based process audits.

In addition to the planned audit engagements, in 2019 the Internal Audit Department also participated in various projects and provided a range of consultancy services requested by the Bank's executive management, when deemed necessary.

## Compliance and Internal Control Department

The Compliance and Internal Control Department aims to establish an effective internal control system, fulfil the internal control applications, establish a strong internal control culture and conform to legal regulations and general practices of MUFG, with no inconsistencies. For this purpose, preventive control points are defined to proactively identify and prevent discrepancies related to legal regulations and internal regulations; system and



---

function faults, human error or malicious conducts and related material damages; and legal sanctions that the Bank might face. Efforts are also being made to identify the wrong practices already within the scope of the controls and preventing any potential damage.

At MUFG Bank Turkey, Compliance and Internal Control activities are a business culture practiced throughout the Bank, beyond just being a function that is under the responsibility of the Internal Control Department. The main goals of the work carried out by Internal Control is to protect the Bank's assets, ensure that all operations are carried out in compliance with the banking laws, 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.

The Compliance and Internal Control Department carries out activities independent from other departments as a second line of defense function, and it also functions as a supervisor to implement and ensure the sound operation of first line of defense control activities within the departments.

The Compliance and Internal Control Department executes required periodic controls on business processes, in accordance with the objectives specified above, to identify control defects and ensure all necessary actions are taken. These control activities can be 2<sup>nd</sup> level controls, implemented by the Compliance and Internal Control Department directly, but they may also include control of the effectiveness of internal 1<sup>st</sup> level controls of a department under certain circumstances.

With regard to the preventive control function of the Compliance and Internal Control Department, the opinion of the Department is taken into account and managed to ensure compliance with legal and internal regulations. This is both before new products and services are applied, and for all actions and decisions which are considered to have 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 departments of the Bank without any issues is also subject to inspection during internal control activities, they are also implemented through internal regulations approved by the Bank's Board of Directors.

Systematic infrastructures have also been created at the Bank to prevent Anti-Money Laundering and the Financing of Terrorism, with the aim of maintaining compliance with the generally accepted international rules and principles such as Sanctions. Within this, payments made at the Bank are held subject to electronic filters, and the transactions retained at the filters are inspected by both the Operations and Compliance Departments before they are finalized. This is to ensure all account openings are in accordance with legal regulations and the principles of the Bank, and is in addition to a review from the Compliance Department where needed and risk based approach. The transactions made at the bank are held subject to comparative analyses with suspected transaction typologies by special computer software, and the results are systematically reported to the Compliance and Internal Control Department to ensure the implementation of additional control activities. This is an effective post-control method and is in accordance with the regulations of the Financial Crimes Investigation Board. Internet banking services provided by MUFG Bank Turkey, have system applications which provide early warning mechanisms within Internet Banking. In addition, coordination activities are being conducted by AML Officers to ensure that all requests by MASAK are completed in a timely manner.

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

The activities by Compliance and Internal Control and related trainings are an important topic at MUFG Bank Turkey and Group wide. The Compliance and Internal Control department is carrying out training and awareness activities on several topics, especially related to MASAK rules and international sanctions, and is also considering implementing training at a Group level. Training and training results are being reported to MASAK and Top Management within the Bank.

The Bank acknowledges 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. Alongside this, international training is available within the MUFG Group via required training and information activities, with the aim of increasing the knowledge and skills of the employees.

## Risk Management Department

The Risk Management Department aims to measure, monitor and keep under control the risks the bank may be exposed to in accordance with methodologies which comply with international standards and local regulations.

Credit risk, operational risk, market risk, liquidity risk and business continuity management are executed in the 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, Product Service Risk Management and Reputational Risk 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 as well as the preparation of the risk management policies and procedures are revised and updated at least once a year. Capital adequacy calculations and reporting as well as risk measurement and monitoring results are submitted through regular reports to the Board of Directors, Audit Committee and senior management. This ensures the retention of quantifiable risks within the determined limits and the monitoring of these limits. Execution of stress test activities and internal capital adequacy assessment process are also carried out by the Risk Management Department.

As stated within the scope of business continuity plans, employees are informed via necessary trainings on business continuity management, crisis management and disaster recovery. The organization of business continuity and crisis management tests are handled by the Risk Management Department on the dates determined in the annual business continuity plan.

## a) Credit Risk

The Bank monitors and manages credit risks after lending until the loan is completely reimbursed, cancelled or deleted. In accordance with related regulations, the bank assigns credit worthiness to credit customers and uses a credit rating system. Legal lending limits and industry-based concentrations are also closely monitored.

## b) Market Risk

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

---

### c) Operational Risk

To manage operational risk, the Bank's operational risks are identified, measured and assessed and then risk mitigation actions are taken. Operational risk losses and key risk indicators are then monitored with these in mind. The Bank's operational risks are assessed on a semi-annual basis by the Risk Management Department. The results of the Control and Self-Assessment study, which is performed once a year throughout the Bank, are then shared with senior management. The activities associated with operational risk are shared with the Risk Committee on a monthly basis and the Board of Directors via Audit Committee on quarterly basis.

### d) Liquidity Risk

Liquidity risk is managed in order to ensure the required measures are taken 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 which takes into account the risk levels mentioned in the risk policy and the stress scenarios related to the Bank's cash flows. The reports related with liquidity risk are shared with the senior management and the 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 sure the critical products and services function within acceptable time periods in the cases of potential disruption. The required periodic tests, drills and employee training associated with business continuity management are carried out periodically. The business continuity management policy is regularly reviewed. Practices related to business continuity and crisis management are assessed by the Risk Committee on monthly basis. The Business Continuity and Crisis Management Committee, chaired by the President, is convened when needed to assess the crisis/disaster.



A background image showing a close-up of a person in a dark blue suit and a striped tie, with their hand resting on a document. The scene is overlaid with a semi-transparent red banner containing white text.

MIUFG BANK TURKEY ANONİM ŐIRKETİ  
2019 Fiscal Period  
Affiliate Report  
March 2020

## 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 MUFGBANK TURKEY ANONİM ŞİRKETİ (“Company”) with the controlling company and the other controlled companies of the controlling company in 2019 fiscal period.

### 1.4. Subject Transactions of the Report

The legal transactions of our Company with the group companies realized in 2019 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	5,061,065.32 USD
MUFG Bank, Ltd., London Branch	Pledge fee due to pledged deposit agreement	1,105,986.26 EUR
MUFG Bank, Ltd., London Branch	Payment for the annual maintenance service utilised for IT systems.	82,879.31 GBP
MUFG Bank, Ltd., London Branch	Payment for commission of securities lending transaction	9,493,152 JPY
MUFG Bank, Ltd., London Branch	Payment fee for Workday application	5,880.00 USD
MUFG Bank, Ltd., London Branch	Payment for travel expense	874.01 GBP
MUFG Bank, Ltd., New York Branch	Payment fee for web site using to check sanctioned matters for vessel and transportation.	1,469.50 USD
MUFG BANK, Ltd.	Payment fee for global credit application and rating system	2,925,567 JPY
MUFG BANK, Ltd.	Payment for usage fee of Banking Payment Obligation system	925,344 JPY
MUFG BANK, Ltd.	Payment fee Factiva, World Check and FCC service fees	172,276 JPY
MUFG BANK, Ltd.	Payment for maintenance fee of GCI	17,220 JPY
MUFG BANK, Ltd.	Payment fee for global zeus application	13,000 JPY
MUFG BANK, Ltd.	Payment fee Rapport Service using by customer to connect internet banking safely.	4,536 JPY
MUFG BANK, Ltd.	Payment for maintenance fee of Open Portal system.	2,844 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 140 036 1237.

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
Kozo Taniwaki	1	1.00
Atsushi Yoshida	1	1.00
Tatsuhiko Yanagisawa	1	1.00
Shintaro Kamiya	1	1.00
<b>Total</b>	<b>527,700,000</b>	<b>527,700,000.00</b>

## 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 2019 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., London Branch	2689255625962	Ropemaker Place, 25 Ropemaker Street, London, EC2Y 9AN, United Kingdom	Branch of Parent Company
Mitsubishi UFJ Financial Group, Inc.	-	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo 100-8388 Japan	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 4,060,787

#### 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/Audit  
Committee Member

**Hidefumi Yamamura**  
Vice Chairman

**Çetin Özbek\***  
Board Member/Chairman  
of the Audit Committee

**Nicola Louise Wickes**  
Board Member/Audit  
Committee Member

**Masatoshi Ban**  
President

**Aysun Mercan\***  
Board Member

**Masahi Kikuta**  
Board Member

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



MUFG BANK TURKEY A.Ş.  
INDEPENDENT AUDITOR'S REPORT, UNCONSOLIDATED  
FINANCIAL STATEMENTS AND FOOTNOTES FOR THE  
YEAR ENDED 31 DECEMBER 2019  
(Convenience Translation of Financial Statements and Related  
Disclosures and Footnotes Originally Issued in Turkish)



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

**INDEPENDENT AUDITOR'S REPORT**

DRT Bağımsız Denetim ve  
Serbest Muhasebeci  
Mali Müşavirlik A.Ş.  
Maslak no1 Plaza  
Eski Büyükdere Caddesi  
Maslak Mahallesi No:1  
Maslak, Sarıyer 34485  
İstanbul, Türkiye

Tel : +90 (212) 366 6000  
Fax : +90 (212) 366 6010  
www.deloitte.com.tr

Mersis No: 0291001097600016  
Ticari Sicil No : 304099

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 Turkey A.Ş. ("the Bank"), which comprise the balance sheet as at 31 December 2019, 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 2019, 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.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

© 2020. For information, contact Deloitte Touche Tohmatsu Limited.

Key Audit Matter	How the matter was addressed in the audit
<p><b>Impairment of loans in accordance with TFRS9</b></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 7.106.806 thousands, which comprise 65% of the Bank's total assets in its unconsolidated financial statements and the total provision for impairment amounting to TRY 39.419 as at 31 December 2019.</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, commencing on 1 January 2018, the method of provisions for impairment as set out in accordance with the related legislation of BRSA as mentioned in the Section 3 Note II 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>

**Deloitte.**

	<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>
--	--

**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.
- 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 2019 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 AŞ**  
**Member of DELOITTE TOUCHE TOHMATSU LIMITED**

**Yaman Polat**  
**Partner**

**İstanbul, 4 March 2020**

**UNCONSOLIDATED FINANCIAL REPORT OF MUFG BANK TURKEY A.Ş.  
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019**

Address : FSM Mahallesi Poligon Caddesi, Buyaka 2  
Sitesi, No 8B, Kat 20-21 34771 Tepeüstü  
Ümraniye/İstanbul  
Telephone : (0216) 600 30 00  
Fax : (0216) 290 64 73  
Web Site : www.tu.bk.mufg.jp  
Contact E-Mail : mufg.turkey.iletisim@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



**NÍCOLA LOUISE WICKES**  
Member of the Audit  
Committee



**MASATOSHİ BAN**  
General Manager



**ATSUSHİ YOSHIDA**  
Director



**ÖNDER GÖKALP**  
Director

Information related to personnel to whom questions related to this financial report may be directed.  
Name-Surname/Title : Melizan ÜZÜLMEZ / Vice President  
Telephone Number : (0216) 600 30 84  
Fax Number : (0216) 290 64 73

**SECTION ONE**

**General Information**

I.	History of the Bank Including Its Incorporation Date, Initial Status and Amendments to the Initial Status	63
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 Current Year, if any and Information on the Bank's Risk Group	63
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	64
IV.	Individuals and Institutions That Have Qualified Shares in the Bank	65
V.	Summary Information on the Bank's Services and Activity Areas	65
VI.	Other Information	65
VII.	Current or likely actual or legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries	65

**SECTION TWO**

**Unconsolidated Financial Statements**

I.	Balance Sheet	66-67
II.	Statement of Off-Balance Sheet Contingencies and Commitments	68
III.	Statement of Income	69
IV.	Statement of Income and Expenses Accounted for under Shareholders' Equity	70
V.	Statement of Changes in Shareholders' Equity	71
VI.	Statement of Cash Flows	72
VII.	Statement of Profit Distribution	73

**SECTION THREE**

**Accounting Policies**

I.	Explanations on the Basis of Presentation	74
II.	Explanations on Financial Instruments	75-77
III.	Explanations on the usage strategy of financial instruments and on foreign currency transactions	78
IV.	Explanations on Subsidiaries and Affiliates	78
V.	Explanations on Forward Transactions, Options and Derivative Instruments	78-79
VI.	Explanations on Interest Income and Expenses	79
VII.	Explanations on Fee and Commission Income and Expenses	79
VIII.	Explanations on Impairment of Financial Assets	79
IX.	Explanations on Offsetting Financial Instruments	79
X.	Explanations on Sale and Repurchase Agreements and Securities Lending Transactions	80
XI.	Explanations on Non-current Assets Held for Sale and Discontinued Operations and Related Liabilities	80
XII.	Explanations on Goodwill and Other Intangible Assets	80
XIII.	Explanations on Tangible Assets	81
XIV.	Explanations on Leasing Transactions	81
XV.	Explanations on Provisions and Contingent Liabilities	82
XVI.	Explanations on Contingent Assets	82
XVII.	Explanations on Liabilities for Employee Benefits	82
XVIII.	Explanations on Taxation	82-83
XIX.	Additional Explanations on Borrowings	84
XX.	Explanations on Share Certificates Issued	84
XXI.	Explanations on Bank Acceptances and Bills of Guarantee	84
XXII.	Explanations on Government Incentives	84
XXIII.	Explanations on Segment Reporting	84
XXIV.	Reclassifications	84
XXV.	Explanations on TFRS 16 Leases Standard	84-85
XXVI.	Other Matters	85

**SECTION FOUR**

**Financial Position and Risk Management**

I.	Explanations on Capital Adequacy Ratio	86-92
II.	Explanations on Credit Risk	93-99
III.	Explanations on Currency Risk	100-101
IV.	Explanations on Interest Rate Risk	102-105
V.	Explanations on Equity Securities Position Risk	106
VI.	Explanations on Liquidity Risk	106-111
VII.	Explanations on Leverage Ratio	112
VIII.	Explanations on Presentation of Financial Assets and Liabilities at Fair Values	113
IX.	The Classification of Fair Value Measurements	113
X.	Explanations on Transactions Carried Out On Behalf Of Customers and Fiduciary Activities	113
XI.	Explanations on Risk Management	114-126
XII.	Explanations on Segment Reporting	127
XIII.	Explanations on Remuneration	128-129

**SECTION FIVE**

**Explanations and Notes on the Unconsolidated Financial Statements**

I.	Explanations and Disclosures Related to the Assets	130-137
II.	Explanations and Disclosures Related to the Liabilities	138-144
III.	Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments	145-147
IV.	Explanations and Disclosures Related to the Income Statement	148-152
V.	Explanation on Changes in Shareholders' Equity	152
VI.	Explanations and Disclosures Related to Statement of Cash Flows	153
VII.	Explanations on the Risk Group of the Bank	154-155
VIII.	Explanations on the Bank's Domestic, Foreign, Off-shore Branches or Investments in Associates and Foreign Representative Offices	156
IX.	Events after Balance Sheet Date	156

**SECTION SIX**

**Other Explanations**

I.	Other Explanations	157
----	--------------------	-----

**SECTION SEVEN**

**Auditor's Report**

I.	Auditor's Report	157
II.	Other Footnotes and Explanations Prepared by the Independent Auditors	157



---

## MUFG BANK TURKEY A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

(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**

MUFG Bank Turkey A.Ş. (“Bank”) began its activities in Turkey through a representative office of MUFG Bank, Ltd. 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 from Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. to 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., which have 100 years of experience both in Japan and international financial markets, have the resources to meet the needs of growing customer base quickly and effectively. On 1 April 2018, the name of MUFG’s commercial bank changed from “The Bank of Tokyo-Mitsubishi UFJ, Ltd.” to “MUFG Bank, Ltd.”(MUFG Bank).

MUFG Bank has a branch network exceeding 750 branches in Japan. MUFG Bank has branches over the world’s 79 leading financial and commercial centers. MUFG Bank 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 PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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	41 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	Hidefumi Yamamura	Vice Chairman of Board of Directors	16.10.2018	Under-graduate	26 years
		Member of Remuneration Committee	19.12.2018		
Member of Board of Directors / General Manager	Masatoshi Ban	Member of Board of Directors	10.05.2019	Under-graduate	26 years
		General Manager	10.05.2019		
		Member of Corporate Management Committee	22.05.2019		
Member of Board of Directors	Çetin Özbek	Member of Board of Directors	29.12.2015	Under-graduate	32 years
		Head of Audit Committee	16.02.2016		
Member of Board of Directors	Aysun Mercan	Member of Board of Directors	29.12.2015	Graduate	37 years
Member of Board of Directors	Masashi Kikuta	Member of Board of Directors	28.03.2019	Under-graduate	26 years
Member of Board of Directors	Nicola Louise Wickes	Member of Board of Directors	03.07.2019	Under-graduate	29 years
		Member of Audit Committee	03.07.2019		
Assistant General Manager	Hülya Eroğlu	Deputy President in charge of Operation, Information Technologies, Human Resources and Support Services	19.07.2018	Under-graduate	34 years
Assistant General Manager	Kozo Taniwaki	Deputy President in charge of Treasury, Corporate Banking 1 and Transaction Banking	25.07.2019	Under-graduate	22 years

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

---

**MUFG BANK TURKEY A.Ş.**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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**

<b>Name Surname/ Commercial Title</b>	<b>Share Amount (Nominal)</b>	<b>Ownership Ratios</b>	<b>Paid in Capital (Nominal)</b>	<b>Unpaid Portion</b>
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 2019, the Bank serves with 78 employees (31 December 2018: 75).

**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:	<a href="http://www.tu.bk.mufg.jp">www.tu.bk.mufg.jp</a>
The Bank's E-Mail Address:	<a href="mailto:mufg.turkey.iletisim@tu.mufg.jp">mufg.turkey.iletisim@tu.mufg.jp</a>
Reporting Period:	1 January 2019 – 31 December 2019

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 2019

ASSETS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)			THOUSANDS OF TURKISH LIRA (TL)		
		AUDITED			AUDITED		
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2019			31 December 2018		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>454,896</b>	<b>3,221,929</b>	<b>3,676,825</b>	<b>1,863,795</b>	<b>4,264,784</b>	<b>6,128,579</b>
1.1 Cash and cash equivalents		452,013	3,209,957	3,661,970	1,836,559	4,140,415	5,976,974
1.1.1 Cash and balances Central Bank	(5.1.1)	68,186	2,435,507	2,503,693	260,049	3,213,617	3,473,666
1.1.2 Banks	(5.1.3)	384,321	774,450	1,158,771	1,577,315	926,798	2,504,113
1.1.3 Receivables from Money Markets		-	-	-	-	-	-
1.1.4 Expected Credit Losses (-)	(5.1.5)	494	-	494	805	-	805
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 Derivative financial assets	(5.1.2)	2,883	11,972	14,855	27,236	124,369	151,605
1.4.1 Derivative financial assets at fair value through profit or loss		2,883	11,972	14,855	27,236	124,369	151,605
1.4.2 Derivative financial assets at fair value through other comprehensive income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST</b>		<b>750,082</b>	<b>6,317,305</b>	<b>7,067,387</b>	<b>1,934,973</b>	<b>7,588,713</b>	<b>9,523,686</b>
2.1 Loans	(5.1.6)	789,501	6,317,305	7,106,806	1,949,783	7,588,713	9,538,496
2.2 Receivables from leasing transactions		-	-	-	-	-	-
2.3 Factoring receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
2.4.1 Government Securities		-	-	-	-	-	-
2.4.2 Other Financial Assets		-	-	-	-	-	-
2.5 Expected credit losses (-)	(5.1.6)	39,419	-	39,419	14,810	-	14,810
<b>III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1 Held for sale		-	-	-	-	-	-
3.2 Held from discontinued operations		-	-	-	-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (Net)</b>		<b>6,879</b>	<b>-</b>	<b>6,879</b>	<b>1,551</b>	<b>-</b>	<b>1,551</b>
<b>VI. INTANGIBLE ASSETS AND GOODWILL (Net)</b>		<b>7,083</b>	<b>-</b>	<b>7,083</b>	<b>7,106</b>	<b>-</b>	<b>7,106</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		7,083	-	7,083	7,106	-	7,106
<b>VII. INVESTMENT PROPERTIES (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSETS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSETS</b>		<b>16,070</b>	<b>-</b>	<b>16,070</b>	<b>11,749</b>	<b>-</b>	<b>11,749</b>
<b>X. OTHER ASSETS</b>	(5.1.18)	<b>36,788</b>	<b>66,762</b>	<b>103,550</b>	<b>6,561</b>	<b>30,278</b>	<b>36,839</b>
<b>TOTAL ASSETS</b>		<b>1,271,798</b>	<b>9,605,996</b>	<b>10,877,794</b>	<b>3,825,735</b>	<b>11,883,775</b>	<b>15,709,510</b>

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 2019**

LIABILITIES AND SHAREHOLDERS' EQUITY	Footnote	THOUSANDS OF TURKISH LIRA (TL)			THOUSANDS OF TURKISH LIRA (TL)		
		AUDITED			AUDITED		
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2019			31 December 2018		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	(5.2.1)	545,720	3,862,291	4,408,011	699,944	5,227,932	5,927,876
<b>II. LOANS RECEIVED</b>	(5.2.3)	57,993	5,295,814	5,353,807	100,314	8,595,377	8,695,691
<b>III. MONEY MARKET FUNDS</b>		-	-	-	-	-	-
<b>IV. MARKETABLE SECURITIES (Net)</b>		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
<b>V. FUNDS</b>		-	-	-	-	-	-
5.1 Borrower funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	(5.2.2)	4,509	28,489	32,998	6,029	150,611	156,640
7.1 Derivative financial liabilities at fair value through profit or loss		4,509	28,489	32,998	6,029	150,611	156,640
7.2 Derivative financial liabilities at fair value through other comprehensive income		-	-	-	-	-	-
<b>VIII. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>IX. LEASE PAYABLES (NET)</b>	(5.2.6)	4,651	-	4,651	-	-	-
<b>X. PROVISIONS</b>	(5.2.8)	15,312	-	15,312	11,519	-	11,519
10.1 Provision for restructuring		-	-	-	-	-	-
10.2 Reserves for employee benefits		11,795	-	11,795	8,394	-	8,394
10.3 Insurance technical reserves (Net)		-	-	-	-	-	-
10.4 Other provisions		3,517	-	3,517	3,125	-	3,125
<b>XI. CURRENT TAX LIABILITIES</b>	(5.2.9)	16,006	-	16,006	46,009	-	46,009
<b>XII. DEFERRED TAX LIABILITIES</b>		-	-	-	-	-	-
<b>XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)</b>		-	-	-	-	-	-
13.1 Held for sale		-	-	-	-	-	-
13.2 Related to discontinued operations		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT</b>		-	-	-	-	-	-
14.1 Loans		-	-	-	-	-	-
14.2 Other debt instruments		-	-	-	-	-	-
<b>XV. OTHER LIABILITIES</b>		18,465	34	18,499	20,079	2,494	22,573
<b>XVI. SHAREHOLDERS' EQUITY</b>	(5.2.12)	1,028,510	-	1,028,510	849,202	-	849,202
16.1 Paid-in capital		527,700	-	527,700	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		(6)	-	(6)	7	-	7
16.4 Other accumulated comprehensive income that will be reclassified in profit or loss		-	-	-	-	-	-
16.5 Profit reserves		14,936	-	14,936	7,147	-	7,147
16.5.1 Legal reserves		14,936	-	14,936	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		485,880	-	485,880	314,348	-	314,348
16.6.1 Prior years' profits or losses		306,559	-	306,559	158,572	-	158,572
16.6.2 Current period net profit or loss		179,321	-	179,321	155,776	-	155,776
<b>TOTAL EQUITY AND LIABILITIES</b>		1,691,166	9,186,628	10,877,794	1,733,096	13,976,414	15,709,510

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 2019**

OFF-BALANCE SHEET ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)			THOUSANDS OF TURKISH LIRA (TL)		
		AUDITED			AUDITED		
		CURRENT PERIOD			PRIOR PERIOD		
		31 December 2019			31 December 2018		
		TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>2,233,804</b>	<b>8,006,852</b>	<b>10,240,656</b>	<b>4,122,246</b>	<b>8,960,006</b>	<b>13,082,252</b>
<b>I. GUARANTEES AND WARRANTIES</b>	(5.3.1)	<b>332,828</b>	<b>575,346</b>	<b>908,174</b>	<b>174,023</b>	<b>345,283</b>	<b>519,306</b>
1.1. Letters of guarantee		332,828	379,283	712,111	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		332,828	379,283	712,111	174,023	274,727	448,750
1.2. Bank acceptances		-	8,901	8,901	-	-	-
1.2.1. Import letter of acceptance		-	8,901	8,901	-	-	-
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		-	181,816	181,816	-	65,803	65,803
1.3.1. Documentary letters of credit		-	-	-	-	-	-
1.3.2. Other letters of credit		-	181,816	181,816	-	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		-	5,346	5,346	-	4,753	4,753
1.9. Other warranties		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	(5.3.1)	<b>379,347</b>	<b>1,184,190</b>	<b>1,563,537</b>	<b>273,820</b>	<b>1,295,728</b>	<b>1,569,548</b>
2.1. Irrevocable commitments		379,347	1,184,190	1,563,537	273,820	1,295,728	1,569,548
2.1.1. Asset purchase and sales commitments		195,207	1,184,190	1,379,397	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		184,140	-	184,140	-	-	-
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		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>1,521,629</b>	<b>6,247,316</b>	<b>7,768,945</b>	<b>3,674,403</b>	<b>7,318,995</b>	<b>10,993,398</b>
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		1,521,629	6,247,316	7,768,945	3,674,403	7,318,995	10,993,398
3.2.1. Forward foreign currency purchase and sale transactions		229,480	620,304	849,784	818,029	1,276,979	2,095,008
3.2.1.1. Forward foreign currency purchase transactions		217,535	207,046	424,581	540,650	520,229	1,060,879
3.2.1.2. Forward foreign currency sale transactions		11,945	413,258	425,203	277,379	756,750	1,034,129
3.2.2. Currency and interest rate swaps		1,292,149	5,627,012	6,919,161	2,856,374	6,042,016	8,898,390
3.2.2.1. Currency swap purchase transactions		784,530	2,666,561	3,451,091	155,328	4,241,000	4,396,328
3.2.2.2. Currency swap sale transactions		507,619	2,960,451	3,468,070	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>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>41,667</b>	<b>917,247</b>	<b>958,914</b>	<b>50,960</b>	<b>821,342</b>	<b>872,302</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>41,667</b>	<b>-</b>	<b>41,667</b>	<b>50,960</b>	<b>-</b>	<b>50,960</b>
4.1. Assets under management		-	-	-	-	-	-
4.2. Securities held in custody		-	-	-	-	-	-
4.3. Checks received for collection		41,667	-	41,667	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		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-	-	-
<b>VI. ACCEPTED GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>917,247</b>	<b>917,247</b>	<b>-</b>	<b>821,342</b>	<b>821,342</b>
<b>TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)</b>		<b>2,275,471</b>	<b>8,924,099</b>	<b>11,199,570</b>	<b>4,173,206</b>	<b>9,781,348</b>	<b>13,954,554</b>

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 or Loss At 31 December 2019

INCOME AND EXPENSE ITEMS	Footnotes	THOUSANDS OF TURKISH LIRA (TL)	
		AUDITED	
		CURRENT PERIOD	PRIOR PERIOD
		1 January 2019 - 31 December 2019	1 January 2018 - 31 December 2018
<b>I. INTEREST INCOME</b>	(5.4.1)	725,644	843,893
1.1 Interest on loans		433,423	646,539
1.2 Interest received from reserve deposits		27,764	34,536
1.3 Interest received from banks		257,882	162,818
1.4 Interest received from money market transactions		6,514	-
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		61	-
<b>II. INTEREST EXPENSES (-)</b>	(5.4.2)	364,373	284,954
2.1 Interest on deposits		246,012	163,706
2.2 Interest on funds borrowed		116,054	121,225
2.3 Interest on money market transactions		1,578	23
2.4 Interest on securities issued		-	-
2.5 Lease interest expense		726	-
2.6 Other interest expenses		3	-
<b>III. NET INTEREST INCOME/EXPENSE (I - II)</b>		361,271	558,939
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		8,572	(9,736)
4.1 Fees and commissions received		52,812	30,863
4.1.1 Non-cash loans		3,366	1,963
4.1.2 Other		49,446	28,900
4.2 Fees and commissions paid (-)		44,240	40,599
4.2.1 Non-cash loans		-	-
4.2.2 Other		44,240	40,599
<b>V. DIVIDEND INCOME</b>	(5.4.3)	-	-
<b>VI. TRADING PROFIT/LOSS (Net)</b>	(5.4.4)	(31,652)	(262,984)
6.1 Profit/losses from capital market transactions		-	-
6.2 Profit/losses from derivative financial transactions		117,556	707,764
6.3 Foreign exchange profit/losses		(149,208)	(970,748)
<b>VII. OTHER OPERATING INCOME</b>	(5.4.5)	1,741	810
<b>VIII. GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)</b>		339,932	287,029
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	(5.4.6)	25,870	10,199
<b>X. OTHER PROVISIONS (-)</b>	(5.4.6)	8,829	7,432
<b>XI. PERSONNEL EXPENSES (-)</b>		36,243	30,878
<b>XII. OTHER OPERATING EXPENSES (-)</b>	(5.4.7)	35,745	40,384
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		233,245	198,136
<b>XIV. SURPLUS WRITTEN AS GAIN AFTER MERGER</b>		-	-
<b>XV. PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		-	-
<b>XVI. NET MONETARY POSITION GAIN/LOSS</b>		-	-
<b>XVII. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)</b>		233,245	198,136
<b>XVIII. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	(5.4.9)	53,924	42,360
18.1 Current tax provision		58,242	39,374
18.2 Expense effect of deferred tax (+)		-	2,986
18.3 Income effect of deferred tax (-)		4,318	-
<b>XIX. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)</b>	(5.4.10)	179,321	155,776
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
20.1 Income from assets held for sale		-	-
20.2 Profit from sale of associates, subsidiaries and joint ventures		-	-
20.3 Other income from discontinued operations		-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
21.1 Expenses on assets held for sale		-	-
21.2 Losses from sale of associates, subsidiaries and joint ventures		-	-
21.3 Other expenses from discontinued operations		-	-
<b>XXII. PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)</b>		-	-
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
23.1 Current tax provision		-	-
23.2 Expense effect of deferred tax (+)		-	-
23.3 Income effect of deferred tax (-)		-	-
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		-	-
<b>XXV. NET PROFIT/LOSSES (XIX+XXIV)</b>	(5.4.11)	179,321	155,776
Profit/Loss per share		-	-

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 2019**

INCOME AND EXPENSE ITEMS UNDER SHAREHOLDERS' EQUITY	THOUSANDS OF TURKISH LIRA (TL)	THOUSANDS OF TURKISH LIRA (TL)
	AUDITED	AUDITED
	CURRENT PERIOD	PRIOR PERIOD
	1 January 2019 - 31 December 2019	1 January 2018 - 31 December 2018
<b>I. PROFIT (LOSS)</b>		
<b>II. OTHER COMPREHENSIVE INCOME</b>		
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	(16)	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	3	(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	-	-
<b>III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>179,321</b>	<b>155,776</b>

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



(Continence Translation of Financial Statements Originally Issued in Turkish)  
MÜFG BANK TURKEY A.Ş.

Statement of Changes in Shareholders' Equity As At 31 December 2019

	AUDITED				Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss						Total Shareholders' Equity
	Period End Balance (III-IV+.....X-ND)	1	2	3	4	5	6	7	8	9	
	Capital	Share premium	Share certified capital/profit reserves	Other capital reserves	Profit reserves	Prior period net income/(loss)	Current period net income/(loss)				
<b>PRIOR PERIOD</b>											
I. Balance at the beginning of the period	537,700	-	-	-	-	199,828	-	670,620			
II. Adjustment in accordance with TMS 8	-	-	-	(1)	-	22,788	-	22,788			
2.1 Effect of adjustment	-	-	-	-	-	22,788	-	22,788			
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-			
III. New balance (I+II)	537,700	-	-	(1)	-	162,616	-	693,488			
IV. Total comprehensive income	-	-	-	18	-	-	155,776	155,794			
V. Capital increase by cash	-	-	-	-	-	-	-	-			
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-			
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-			
VIII. Convertible bonds	-	-	-	-	-	-	-	-			
IX. Subordinated debt	-	-	-	-	-	-	-	-			
X. Profit distribution	-	-	-	-	4,044	(4,044)	-	-			
XI. Transfers to legal reserves	-	-	-	-	-	-	-	-			
11.1 Dividends distributed	-	-	-	-	-	-	-	-			
11.2 Transfers to legal reserves	-	-	-	-	4,044	(4,044)	-	-			
11.3 Other	-	-	-	-	-	-	-	-			
Period End Balance (III-IV+.....X-ND)	537,700	-	-	7	7,147	158,572	155,776	849,202			
<b>CURRENT PERIOD</b>											
I. Balance at the beginning of the period	537,700	-	-	7	-	314,348	-	849,202			
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-			
2.1 Effect of adjustment	-	-	-	-	-	-	-	-			
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-			
III. New balance (I+II)	537,700	-	-	7	-	314,348	-	849,202			
IV. Total comprehensive income	-	-	-	(13)	-	-	179,321	179,306			
V. Capital increase by cash	-	-	-	-	-	-	-	-			
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-			
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-			
VIII. Convertible bonds	-	-	-	-	-	-	-	-			
IX. Subordinated debt	-	-	-	-	-	-	-	-			
X. Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-			
XI. Profit distribution	-	-	-	-	7,789	(7,789)	-	-			
11.1 Dividends distributed	-	-	-	-	7,789	(7,789)	-	-			
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-			
11.3 Other	-	-	-	-	-	-	-	-			
Period End Balance (III-IV+.....X-ND)	537,700	-	-	(6)	14,936	306,559	179,321	1,028,510			

1. Tangible and Intangible Assets Revaluation Reserve.  
2. Accumulated Gains / Losses on Revaluations of Defined Benefit Plans.  
3. Accumulated Gains / Losses on Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss.  
4. Exchange Differences on Translation.  
5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income.  
6. Other (Accumulated) Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss) defines.

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 2019**

			THOUSANDS OF TURKISH LIRA (TL)	THOUSANDS OF TURKISH LIRA (TL)
			AUDITED	AUDITED
			CURRENT PERIOD	PRIOR PERIOD
			1 January 2019 -	1 January 2018 -
		Footnotes	31 December 2019	31 December 2018
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating profit before changes in operating assets and liabilities</b>		<b>182,187</b>	<b>935,979</b>
1.1.1	Interest received		761,140	802,915
1.1.2	Interest paid		(397,714)	(241,928)
1.1.3	Dividends received		-	-
1.1.4	Fees and commissions received		52,812	39,596
1.1.5	Other income		1,741	810
1.1.6	Collections from previously written off loans and other receivables		-	-
1.1.7	Cash payments to personnel and service suppliers		(41,848)	(35,719)
1.1.8	Taxes paid		(124,200)	(5,379)
1.1.9	Other	(5.6.3)	(69,744)	375,684
<b>1.2</b>	<b>Changes in operating assets and liabilities subject to banking operations</b>		<b>(1,474,021)</b>	<b>1,405,955</b>
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		982,638	(1,406,235)
1.2.3	Net (increase) decrease in loans		2,404,999	(2,791,366)
1.2.4	Net (increase) decrease in other assets	(5.6.3)	(65,851)	(28,909)
1.2.5	Net increase (decrease) in bank deposits		(1,659,445)	436,489
1.2.6	Net increase (decrease) in other deposits		173,102	2,781,165
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss		-	-
1.2.8	Net increase (decrease) in funds borrowed		(3,341,339)	2,465,288
1.2.9	Net increase (decrease) in matured payables		-	-
1.2.10	Net increase (decrease) in other liabilities	(5.6.3)	31,875	(50,477)
<b>I.</b>	<b>Net cash provided from banking operations</b>		<b>(1,291,834)</b>	<b>2,341,934</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net cash provided from investing activities</b>		<b>(3,528)</b>	<b>(2,000)</b>
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		(1,633)	(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		(1,895)	(1,928)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net cash flows from financing activities</b>		<b>(2,454)</b>	<b>-</b>
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 lease liabilities		(2,454)	-
3.6	Other		-	-
<b>IV.</b>	<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>	(5.6.3)	<b>(17,761)</b>	<b>(753,762)</b>
<b>V.</b>	<b>Net increase/(decrease) in cash and cash equivalents (I+II+III+IV)</b>		<b>(1,315,577)</b>	<b>1,586,172</b>
<b>VI.</b>	<b>Cash and cash equivalents at beginning of the period</b>	(5.6.1)	<b>2,450,814</b>	<b>864,642</b>
<b>VII.</b>	<b>Cash and cash equivalents at end of the period (V+VI)</b>	(5.6.1)	<b>1,135,237</b>	<b>2,450,814</b>

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

**MUFG BANK TURKEY A.Ş**  
**Statement of Profit Distribution**  
**At 31 December 2019**

	THOUSANDS OF TURKISH LIRA (TL)	THOUSANDS OF TURKISH LIRA (TL)
	AUDITED	AUDITED
	CURRENT PERIOD (*) 1.01.2019 31.12.2019	PRIOR PERIOD (*) 1.01.2018 31.12.2018
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1 CURRENT PERIOD PROFIT	233,245	198,136
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	53,924	42,360
1.2.1 Corporate tax (income tax)	58,242	39,374
1.2.2 Withholding tax	-	-
1.2.3 Other taxes and duties	(4,318)	2,986
<b>A. NET PROFIT FOR THE PERIOD (1.1-1.2)</b>	<b>179,321</b>	<b>155,776</b>
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	7,789
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>179,321</b>	<b>147,987</b>
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	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
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 (-)	-	-
<b>III. EARNINGS PER SHARE (per TL'000 face value each)</b>		
3.1 TO OWNERS OF ORDINARY SHARES (per TL'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 (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES (per TL'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 (%)	-	-

(\*)

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 PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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 within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to reporting principles on accounting records of Banks published by the Banking Regulation and Supervision Agency (“BRSA”) and Turkish Accounting Standard 34 “Interim Financial Reporting” put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) for those matters not regulated by the aforementioned regulations. The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

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 preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being audited regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

In accordance with the “Communique amending the Communique on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 1 February 2019 with No. 30673, the accompanying previous period financial statements were made compatible with the new financial statement formats.

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 XXVI below.

---

**MUFG BANK TURKEY A.Ş.**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

**II. Explanations on 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.

**MUFG BANK TURKEY A.Ş.**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

**II. Explanations on Financial Instruments(continued)**

*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.

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.

---

**MUFG BANK TURKEY A.Ş.**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

**II. Explanations on Financial Instruments(continued)**

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.

***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 will 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 September 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 PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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 transactions****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****2.1 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 2019 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:

	<b>31 December 2019</b>	<b>31 December 2018</b>
USD Dollar	5.9400	5.2810
Euro	6.6621	6.0422

**IV. Explanations on subsidiaries and affiliates**

The bank has no subsidiaries and affiliates as of 31 December 2019.

**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.



---

**MUFG BANK TURKEY A.Ş.**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

**V. Explanations on forward transactions, options and derivative instruments(continued)**

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 in accordance with TFRS 9 principles and the regulation published in the Official Gazette no. 29750 dated 22 September 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from 1 January 2018.

Equity instruments are not subject to impairment assessment as they are measured at fair value. 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.

**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.

Specific provisions 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.

**MUFG BANK TURKEY A.Ş.**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

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

Securities subject to repurchase agreements (repo) are classified as “Financial assets at fair value through profit and loss”, “Financial assets at fair value through other comprehensive income” or “Financial assets measured at amortised cost” 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 2019.

**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. As of 31 December 2019, the Bank does not have fixed assets held for sale and related to discontinued operations and also has no liability related to this asset.

**XII. Explanations on goodwill and other intangible assets**

As of 31 December 2019, 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.

---

**MUFG BANK TURKEY A.Ş.**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

**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:

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

**XIV. Explanations on leasing transactions**

Fixed assets obtained through financial leasing are recorded at the lower amount between the fair value and the present value of lease payments in accordance with Turkish Accounting Standard Leases (TAS 17). Fixed assets obtained through financial leasing are classified in tangible assets and the amortization is based on their useful life. In case of any indication of impairment, an “impairment provision” is provided for. Obligations for future lease payments are booked in “financial lease payables” account under liabilities. Interest and currency expenses regarding financial leases are recorded in the related period in the income statement. The Bank does not have any leasing transactions as “Lessor”.

With the “IFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease has been removed and the lease transactions are started to be recognised under “Tangible Assets” as an asset (tenure) and under “Lease Liabilities” as a liability. Effects and application of IFRS 16 concerning the transition were explained in Section three, footnote XXV.

**MUFG BANK TURKEY A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

**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%.

---

## MUFG BANK TURKEY A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

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

---

#### ACCOUNTING PRINCIPLES (Continued)

#### XVIII. Explanations on taxation (continued)

##### 1. Current tax (continued)

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%. 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 2018: 22%).

##### 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.

## MUFG BANK TURKEY A.Ş

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

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

---

#### ACCOUNTING PRINCIPLES (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 XII.

##### **XXIV. Reclassifications**

In accordance with the Communiqué on the Amendment to the Communiqué on the Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks published on the Official Gazette dated 1 February 2019 and numbered 30673, prior period financial statements have been adjusted to the current period financial statements.

##### **XXV. Explanations on TFRS 16 Leases Standard**

TFRS 16 Leases was published in the Official Gazette dated 16 April 2018 and numbered 30393, effective from 1 January 2019. This Standard specifies the principles for the leasing, presentation and disclosure of leases. The purpose of the standard is to provide tenants and lessees with appropriate information and faithful representation. This information is the basis for evaluating the impact of the leases on the entity's financial position, financial performance and cash flows by users of financial statements.

---

**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

---

**ACCOUNTING PRINCIPLES (Continued)**

**XXV. Explanations on TFRS 16 Leases Standard (continued)**

**Recognition, measuring and presenting the leases to the financial statements**

Lease obligations under the contract in the amount of liabilities on the balance sheet equal to the sum of all cash payments and offset with the form shown gross interest expense arising from the contract. The right of use arising from the leasing transactions, at the date of commencement, the present value of the lease payments which have not been paid at that date is measured. Discount rate for the lease liabilities in the type of TL is calculated based on the survey of expectation report published by CBRT. Bank's borrowing rate of interest calculated by Finance Department is used for discount rate of the lease liabilities in the type of foreign currency.

During the initial application, the Bank has used easing application, thus has not changed its financials compared with prior period.

Details based on the asset with regard to the recognised right of use is as follows:

	<b>1 January 2019</b>	<b>31 December 2019</b>
Real Estate	2,763	3,449
Vehicles	708	945
<b>Total Net Right of Use</b>	<b>3,471</b>	<b>4,394</b>

Information on the gross leasing liability is presented below:

	<b>1 January 2019</b>	<b>31 December 2019</b>
Lease Liability	3,471	5,531

**XXVI. Other matters**

None.

**MUFG BANK TURKEY A.Ş**
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

**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 2019, the Bank's capital adequacy ratio in accordance with the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks" is 19.81% (31 December 2018: 14.03%).

<i>Current Period</i>	<i>Amount</i>	<i>Amount as per the regulation before 1/1/2014 (*)</i>
<b>COMMON EQUITY TIER I CAPITAL</b>		
Paid-in Capital to be Entitled for Compensation after All Creditors	527,700	
Share Premium	-	
Reserves	14,936	
Other Comprehensive Income according to TAS	(6)	
Profit	485,880	
Current Period Profit	179,321	
Prior Period Profit	306,559	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	-	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>1,028,510</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
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 (-)	164	-
Goodwill Netted with Deferred Tax Liabilities	7,384	7,384
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 (-)	-	-



**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

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 (-)	-	
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>7,548</b>	
<b>Total Common Equity Tier I Capital</b>	<b>1,020,962</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by 25 or the 25 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 (-)	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
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 (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I)</b>	<b>1,020,962</b>	
<b>TIER II CAPITAL</b>		
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)	41,847	
<b>Total Deductions from Tier II Capital</b>	<b>41,847</b>	
<b>Deductions from Tier II Capital</b>		
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 (-)	-	-

## MUGBANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

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

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 (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>41,847</b>	
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>1,062,809</b>	
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>		
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 (-)	-	
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>		
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 (-)	-	-
<b>CAPITAL</b>		
Total Capital ( Total of Tier I Capital and Tier II Capital )	1,062,809	-
Total Risk Weighted Assets	5,363,951	-
<b>CAPITAL ADEQUACY RATIOS</b>		
CET1 Capital Ratio (%)	19.03	-
Tier I Capital Ratio (%)	19.03	-
Capital Adequacy Ratio (%)	19.81	-
<b>BUFFERS</b>		
Total Additional CET1 Capital Requirement Ratio (a+b+c)	7.00	-
a) Bank-specific total CET1 Capital Ratio	2.50	-
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 (%)	11.81	-
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		
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	16,070	-

## MUFG BANK TURKEY A.Ş

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

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

<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	41,847	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	60,451	-
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	-	-
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022))</b>		
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>
<b>COMMON EQUITY TIER I CAPITAL</b>		
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	-	
<b>Common Equity Tier I Capital Before Deductions</b>	<b>849,202</b>	
<b>Deductions From Common Equity Tier I Capital</b>		
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 (-)	-	-

## MUFG BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

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

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 (-)	-	-
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 (-)	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>7,622</b>	
<b>Total Common Equity Tier I Capital</b>	<b>841,580</b>	
<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	
<b>Deductions from Additional Tier I Capital</b>		
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-	-
Investments in Equity Instruments Issued by 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 (-)	-	-
<b>Items to be Deducted from Tier I Capital during the Transition Period</b>		
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 (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	<b>-</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I</b>	<b>841,580</b>	
<b>TIER II CAPITAL</b>		
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	
<b>Total Deductions from Tier II Capital</b>	<b>16,651</b>	

**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

<b>Deductions from Tier II Capital</b>			
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 (-)	-	-	
<b>Total Deductions from Tier II Capital</b>	-		
<b>Total Tier II Capital</b>	<b>16,651</b>		
<b>Total Equity (Total Tier I and Tier II Capital)</b>	<b>858,231</b>		
<b>Total Tier I Capital and Tier II Capital ( Total Equity)</b>			
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 (-)	-	-	
<b>CAPITAL</b>			
Total Capital ( Total of Tier I Capital and Tier II Capital )	858,231		
Total Risk Weighted Assets	6,119,141		
<b>CAPITAL ADEQUACY RATIOS</b>			
CET1 Capital Ratio (%)	13.75		
Tier I Capital Ratio (%)	13.75		
Capital Adequacy Ratio (%)	14.03		
<b>BUFFERS</b>			
Bank-specific total CET1 Capital Ratio	6.38		
Capital Conservation Buffer Ratio (%)	1.875		
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 (%)	6.03		
<b>Amounts Lower Than Excesses as per Deduction Rules</b>		-	
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	-		

**MUFG BANK TURKEY A.Ş****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

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	
<b>Limits for Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	16,551	
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	-	
<b>Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)</b>		
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.

---

## MUFG BANK TURKEY A.Ş

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

(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 36 cash loan customers as of 31 December 2019. (31 December 2018: 52). The Bank's largest 100 and 200 cash loan customers comprise 100% (31 December 2018: 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 36 non cash loan customers as of 31 December 2019. (31 December 2018: 31). The Bank's largest 100 and 200 non-cash loan customers comprise 100% (31 December 2018: 100%) of the total non-cash loan portfolio.

At 31 December 2019 the Bank has total 72 cash and non-cash loan customers. (31 December 2018: 70 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 2018: 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 PERIOD  
1 JANUARY-31 DECEMBER 2019

(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
<b>Exposure Categories</b>		
Conditional and unconditional exposures to central governments or central banks	2,587,394	3,394,839
Conditional and unconditional exposures to banks, brokerage houses and corporates	2,038,981	3,851,119
Conditional and unconditional exposures to corporates	6,734,802	7,123,886
Other receivables	89,967	94,310
<b>Total</b>	<b>11,451,144</b>	<b>14,464,154</b>
	Prior Period Risk Amount	Average Risk Amount
<b>Exposure Categories</b>		
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
<b>Total</b>	<b>16,244,615</b>	<b>12,709,964</b>

## 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
<b>Current Period*</b>					
Domestic	2,587,394	1,774,071	6,162,591	89,967	10,614,023
European Union (EU) Countries	-	96	566,865	-	566,961
OECD Countries **	-	244,278	-	-	244,278
Off-Shore Banking Regions	-	-	-	-	-
USA, Canada	-	2	-	-	2
Other Countries	-	20,534	5,346	-	25,880
Associates, Subsidiaries and Joint –ventures	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-
<b>Total</b>	<b>2,587,394</b>	<b>2,038,981</b>	<b>6,734,802</b>	<b>89,967</b>	<b>11,451,144</b>

(\*)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.



## MUFG BANK TURKEY A.Ş

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

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

#### 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
<b>Prior Period*</b>					
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	-	-	-	-	-
<b>Total</b>	<b>3,506,517</b>	<b>4,703,756</b>	<b>8,026,302</b>	<b>8,040</b>	<b>16,244,615</b>

(\*)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
<b>Agricultural</b>	-	-	235,670	-	148,297	87,373	235,670
Farming and Stockbreeding	-	-	235,670	-	148,297	87,373	235,670
Forestry	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-
<b>Manufacturing</b>	-	-	4,968,613	-	407,076	4,561,537	4,968,613
Mining and Quarrying	-	-	-	-	-	-	-
Production	-	-	4,968,613	-	407,076	4,561,537	4,968,613
Electricity, Gas and Water	-	-	-	-	-	-	-
<b>Construction</b>	-	-	2,992	-	2,250	742	2,992
<b>Services</b>	2,587,394	2,038,981	1,527,527	89,967	1,038,013	5,205,856	6,243,869
Wholesale and Retail Trade	-	-	955,988	-	267,073	688,915	955,988
Accommodation and Dining	-	-	-	-	-	-	-
Transportation and Telecommunication	-	-	478,661	-	98,865	379,796	478,661
Financial Institutions	2,587,394	2,038,981	76,200	89,967	655,691	4,136,851	4,792,542
Real Estate and Rental Services	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-
Health and Social Services	-	-	16,678	-	16,384	294	16,678
<b>Other</b>	-	-	-	-	-	-	-
<b>Total*</b>	<b>2,587,394</b>	<b>2,038,981</b>	<b>6,734,802</b>	<b>89,967</b>	<b>1,595,636</b>	<b>9,855,508</b>	<b>11,451,144</b>

(\*)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 PERIOD  
1 JANUARY-31 DECEMBER 2019

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

## 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
<b>Agricultural</b>	-	-	183,527	-	104,285	79,242	183,527
Farming and Stockbreeding	-	-	183,527	-	104,285	79,242	183,527
Forestry	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-
<b>Manufacturing</b>	-	-	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
<b>Construction</b>	-	-	5,721	-	5,061	660	5,721
<b>Services</b>	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
<b>Other</b>	-	-	130,228	-	130,228	-	130,228
<b>Total</b>	<b>3,506,517</b>	<b>4,703,756</b>	<b>8,026,302</b>	<b>8,040</b>	<b>4,190,920</b>	<b>12,053,695</b>	<b>16,244,615</b>

## 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	2,434,050	6,476	-	-	-
Conditional and Unconditional Exposures to Banks and Brokerage Houses	446,058	643,089	714,822	152,732	41,784
Conditional and Unconditional Exposures to Other Corporates Other Receivables	547,463	1,393,090	527,479	1,741,702	2,525,069
<b>Total</b>	<b>3,427,571</b>	<b>2,042,655</b>	<b>1,242,301</b>	<b>1,894,434</b>	<b>2,566,853</b>

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	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 Other Receivables	1,490,041	1,642,626	863,403	1,709,083	2,321,149
<b>Total</b>	<b>6,467,815</b>	<b>2,178,898</b>	<b>1,608,705</b>	<b>3,131,391</b>	<b>2,643,111</b>

---

**MUFG BANK TURKEY A.Ş****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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**

<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>Deductions from Equity</b>
<b>Current Period</b>										
Exposures Before Credit Risk Mitigation	1,860,429	-	447,658	-	2,214,030	-	6,845,318	-	-	7,548
Exposures After Credit Risk Mitigation	1,860,429	-	447,658	-	2,214,030	-	3,637,846	-	-	7,548

<b>Risk Weights</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>Deductions from Equity</b>
<b>Prior Period</b>										
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

## MUFGBANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

(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		
	Significant Increase on Credit Risk ( Stage II)	Default (Stage III)	Expected Credit Losses (TFRS 9)
<b>Agriculture</b>	-	-	-
<i>Farming and Stockbreeding</i>	-	-	-
<i>Forestry</i>	-	-	-
<i>Fishery</i>	-	-	-
<b>Manufacturing</b>	26,662	-	227
<i>Mining and Quarrying</i>	-	-	-
<i>Production</i>	26,662	-	227
<i>Electricity, Gas and Water</i>	-	-	-
<b>Construction</b>	-	-	-
<b>Services</b>	-	-	-
<i>Wholesale and Retail Trade</i>	-	-	-
<i>Accommodation and Dining</i>	-	-	-
<i>Transportation and Telecommunication</i>	-	-	-
<i>Financial Institutions</i>	-	-	-
<i>Real Estate and Rental Services</i>	-	-	-
<i>Professional Services</i>	-	-	-
<i>Educational Services</i>	-	-	-
<i>Health and Social Services</i>	-	-	-
<b>Others</b>	-	-	-
<b>Total</b>	<b>26,662</b>	<b>-</b>	<b>227</b>

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

MUFG BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

(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	16,651	26,180	(984)	-	41,847

Prior 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

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:	5,300,148	6,726,001	-	-
Secured by Cash Collateral	4,167,875	5,877,776	-	-
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)	1,132,273	848,225	-	-
Non-Secured Loans	1,806,658	2,812,495	-	-
<b>Total</b>	<b>7,106,806</b>	<b>9,538,496</b>	-	-

**MUFG BANK TURKEY A.Ş****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

**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 2019, the Bank has a net long position of TL 520 (31 December 2018: TL 54,504 short position) resulting from long position on the off-balance sheet amounting to TL 487,970 (31 December 2018: TL 1,965,587 TL long) and short position on the balance sheet amounting to TL 487,450 (31 December 2018: TL 2,020,091 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 2019 and the previous five working days in full TL are as follows:

US Dollar purchase rate as at the balance sheet date	TL 5.9400
Euro purchase rate as at the balance sheet date	TL 6.6621

<b>Date</b>	<b>USD</b>	<b>EUR</b>
25 December 2019	5.9293	6.5755
26 December 2019	5.9302	6.5759
27 December 2019	5.9370	6.6117
30 December 2019	5.9402	6.6506
31 December 2019	5.9400	6.6621

For December 2019, arithmetic average of US Dollar purchase rate is TL (full) 5.8421 and Euro purchase rate is TL (full) 6.4925.

## MUFG BANK TURKEY A.Ş

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

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

#### FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### III. Explanations on currency risk (continued)

Current Period	EUR	USD	Other	Total
<b>Assets</b>				
Cash and Balances with the Central Bank of Turkey	1,312,496	1,123,011	-	2,435,507
Banks	752,368	15,380	6,702	774,450
Financial Assets Measured at Fair Value through Profit/Loss (*)	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-
Loans (**)	2,358,761	3,962,559	48,070	6,369,390
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	66,651	74	37	66,762
<b>Total Assets</b>	<b>4,490,276</b>	<b>5,101,024</b>	<b>54,809</b>	<b>9,646,109</b>
<b>Liabilities</b>				
Banks Deposits	592,958	2,755,481	-	3,348,439
Foreign Currency Deposits	268,588	237,732	7,532	513,852
Interbank Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	2,000,618	3,226,993	68,203	5,295,814
Sundry Creditors	-	2	-	2
Marketable Securities Issued	-	-	-	-
Derivative Financial Liabilities Held for Hedging Purposes	-	-	-	-
Other Liabilities	-	-	32	32
<b>Total Liabilities</b>	<b>2,862,164</b>	<b>6,220,208</b>	<b>75,767</b>	<b>9,158,139</b>
<b>Net Balance Sheet Position</b>	<b>1,628,112</b>	<b>(1,119,184)</b>	<b>(20,958)</b>	<b>487,970</b>
<b>Net Off-Balance Sheet Position</b>	<b>(1,629,532)</b>	<b>1,121,210</b>	<b>20,872</b>	<b>(487,450)</b>
Financial Derivative Assets	700,188	2,745,115	26,725	3,472,028
Financial Derivative Liabilities	2,329,720	1,623,905	5,853	3,959,478
Non-Cash Loans	132,467	415,971	26,908	575,346
<b>Prior Period</b>				
Total Assets	5,328,901	6,436,449	40,362	11,805,712
Total Liabilities	4,010,021	9,758,354	57,428	13,825,803
<b>Net Balance Sheet Position</b>	<b>1,318,880</b>	<b>(3,321,905)</b>	<b>(17,066)</b>	<b>(2,020,091)</b>
<b>Net Off Balance Sheet Position</b>	<b>(1,322,192)</b>	<b>3,137,293</b>	<b>16,969</b>	<b>2,310,870</b>
Derivative Financial Assets	878,479	4,386,669	25,007	5,290,155
Derivative Financial Liabilities	2,263,330	1,053,200	8,038	3,324,568
Non-Cash Loans	62,659	282,624	-	345,283

(\*) Derivative financial assets held for trading of TL 11,972 and derivative financial liabilities held for trading of TL 28,489 are not included in currency risk table.

(\*\*) The foreign currency-indexed loans amounting to TL 52,085 thousands included under TL loans in the accompanying balance sheet are presented above under the related foreign currency codes.

## MUFĞ BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

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

## 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
<b>Assets</b>							
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,191,197	-	-	-	-	1,312,496	2,503,693
Banks	380,850	566,512	167,497	-	-	43,912	1,158,771
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-
Loans	1,186,368	1,702,728	3,503,878	713,832	-	-	7,106,806
Financial Assets Measured at Amortised Cost	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	108,524	108,524
<b>Total Assets</b>	<b>2,758,415</b>	<b>2,269,240</b>	<b>3,671,375</b>	<b>713,832</b>	<b>-</b>	<b>1,464,932</b>	<b>10,877,794</b>
<b>Liabilities</b>							
Bank Deposits	1,221,264	664,924	1,129,631	333,134	-	3	3,348,956
Other Deposits	524,495	191,094	-	-	-	343,466	1,059,055
Interbank Money Market Borrowings	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	8,580	8,580
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed from Other Financial Institutions	2,026,097	1,376,704	1,501,793	449,213	-	-	5,353,807
Other Liabilities	-	-	-	-	-	1,107,396	1,107,396
<b>Total Liabilities</b>	<b>3,771,856</b>	<b>2,232,722</b>	<b>2,631,424</b>	<b>782,347</b>	<b>-</b>	<b>1,459,445</b>	<b>10,877,794</b>
Balance Sheet Long Position	-	36,518	1,039,951	-	-	5,487	1,081,956
Balance Sheet Short Position	(1,013,441)	-	-	(68,515)	-	-	(1,081,956)
Off-Balance Sheet Long Position	-	-	-	-	-	-	-
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>(1,013,441)</b>	<b>36,518</b>	<b>1,039,951</b>	<b>(68,515)</b>	<b>-</b>	<b>5,487</b>	<b>-</b>



**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

**FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**IV. Explanations interest rate risk (continued)**

<b>Prior Period End</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Non- interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
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 Available-for-Sale	-	-	-	-	-	-	-
Loans	2,070,961	3,512,720	3,768,265	180,482	6,068	-	9,538,496
Investment Securities Held-to- Maturity	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	193,235	193,235
<b>Total Assets</b>	<b>5,679,858</b>	<b>3,996,452</b>	<b>4,189,749</b>	<b>180,482</b>	<b>6,068</b>	<b>1,656,901</b>	<b>15,709,510</b>
<b>Liabilities</b>							
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
<b>Total Liabilities</b>	<b>5,683,296</b>	<b>5,162,408</b>	<b>2,840,101</b>	<b>719,014</b>	<b>6,056</b>	<b>1,298,635</b>	<b>15,709,510</b>
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	-	-	-	-	-	-	-
<b>Total Position</b>	<b>(3,438)</b>	<b>(1,165,956)</b>	<b>1,349,648</b>	<b>(538,532)</b>	<b>12</b>	<b>358,266</b>	<b>-</b>

## MUGB BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

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

## 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 %
<b>Assets</b>				
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	-	-	-	5.39
Banks	0.11	-	-	11.00
Financial Assets at Fair Value Through Profit/ Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-
Loans	1.46	3.30	0.50	14.93
Financial Assets Measured at Amortised Cost	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	0.03	1.92	-	5.00
Other Deposits	-	1.47	-	9.95
Interbank Money Market Borrowings	-	-	-	-
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed from Other Financial Institutions	0.07	1.96	-	11.30
<b>Prior Period End</b>				
	EUR %	USD %	JPY %	TL %
<b>Assets</b>				
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 Available-for-Sale	-	-	-	-
Loans	1.50	3.88	0.50	23.81
Investment Securities Held-to-Maturity	-	-	-	-
<b>Liabilities</b>				
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	-	22.80

---

**MUFG BANK TURKEY A.Ş****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

---

**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.

<b>Current Period</b>	<b>Shock Applied</b> (+ / - x bps)	<b>Gains/ Losses</b>	<b>Gains / Equity Losses / Equity (%)</b>
TRY	500	(8,888)	(0.84%)
TRY	(400)	7,748	0.73%
USD Dollar	200	20	0.00%
USD Dollar	(200)	(34)	0.00%
EURO	200	4,431	0.42%
EURO	(200)	(4,704)	(0.44%)
<b>Total (For Negative Shocks)</b>		<b>3,010</b>	<b>0.28%</b>
<b>Total (For Positive Shocks)</b>		<b>(4,437)</b>	<b>(0.42%)</b>

<b>Prior Period</b>	<b>Shock Applied</b> (+ / - x bps)	<b>Gains/ Losses</b>	<b>Gains / Equity Losses / Equity (%)</b>
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)
<b>Total (For Negative Shocks)</b>		<b>(17,974)</b>	<b>(%2.09)</b>
<b>Total (For Positive Shocks)</b>		<b>12,126</b>	<b>%1.41</b>

**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

---

**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 2019.

**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.

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 PERIOD  
1 JANUARY-31 DECEMBER 2019

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

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

VI. Explanations on liquidity risk (continued)

Liquidity coverage ratio

Current Period		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
<b>High-Quality Liquid Assets</b>					
1	Total high-quality liquid assets (HQLA)			2,911,067	2,763,145
<b>Cash Outflows</b>					
2	Retail deposits and deposits from small business customers, of which:	64,100	33,257	3,248	1,736
3	Stable deposits	63,300	33,180	3,165	1,659
4	Less stable deposits	800	77	83	77
5	Unsecured wholesale funding, of which:	3,696,959	3,555,376	3,725,343	3,555,376
6	Operational deposits	87,542	13,494	87,542	13,494
7	Non-operational deposits	227,076	145,704	230,420	145,704
8	Unsecured funding	3,382,341	3,396,178	3,407,381	3,396,178
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	255,822	85,867	266,100	85,867
11	Outflows related to derivative exposures and other collateral requirements	255,822	85,867	266,100	85,867
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	2,638,190	1,124,359	222,700	175,455
16	<b>Total Cash Outflows</b>			<b>4,217,391</b>	<b>3,818,434</b>
<b>Cash Inflows</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	2,419,059	948,905	2,438,728	948,905
19	Other cash inflows	261,363	183,358	271,673	183,358
20	<b>Total Cash Inflows</b>	<b>2,680,422</b>	<b>1,132,263</b>	<b>2,710,401</b>	<b>1,132,263</b>
21	<b>Total HQLA</b>			<b>2,911,067</b>	<b>2,763,145</b>
22	<b>Total Net Cash Outflows</b>			<b>1,506,990</b>	<b>2,686,171</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>193.17</b>	<b>102.87</b>

(\*) 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 second three month period ended 31 December 2019:

	Highest (%)	Date	Lowest (%)	Date	Average (%)
TL+FC	194.12	08 November 2019	126.55	22 November 2019	151.72
FC	103.11	08 November 2019	77.02	06 December 2019	89.02

## MUGBANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

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

## FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

## VI. Explanation on liquidity risk (continued)

## Liquidity coverage ratio (continued)

Prior Period		Total Unweighted Value (Average) <sup>(*)</sup>		Total Weighted Value (Average) <sup>(*)</sup>	
		TL+FC	FC	TL+FC	FC
<b>High-Quality Liquid Assets</b>					
1	Total high-quality liquid assets (HQLA)			3,472,397	3,347,144
<b>Cash Outflows</b>					
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	<b>Total Cash Outflows</b>			<b>4,977,535</b>	<b>4,109,178</b>
<b>Cash Inflows</b>					
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	<b>Total Cash Inflows</b>	<b>2,904,558</b>	<b>1,234,358</b>	<b>2,953,219</b>	<b>1,234,357</b>
				<b>Total Adjusted Value</b>	
21	<b>Total HQLA</b>			<b>3,472,397</b>	<b>3,347,144</b>
22	<b>Total Net Cash Outflows</b>			<b>2,024,316</b>	<b>2,874,821</b>
23	<b>Liquidity Coverage Ratio (%)</b>			<b>171.53</b>	<b>116.43</b>

(\*) 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 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

MUFG BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

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

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 2019	Carrying value	Gross nominal outflows	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over
<b>Non-derivative financial liabilities</b>								
Bank deposits	3,348,956	3,358,022	3	1,222,000	665,757	1,136,822	333,440	-
Other deposits	1,059,055	1,059,994	343,466	524,967	191,561	-	-	-
Interbank money market takings	5,353,807	5,379,125	-	2,028,645	1,318,749	1,542,720	423,597	2,414
<b>Total</b>	<b>9,761,818</b>	<b>9,797,141</b>	<b>343,469</b>	<b>3,775,612</b>	<b>2,239,067</b>	<b>2,679,542</b>	<b>757,037</b>	<b>2,414</b>

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
<b>Non-derivative financial liabilities</b>								
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
<b>Total</b>	<b>14,623,567</b>	<b>14,669,928</b>	<b>212,692</b>	<b>5,690,742</b>	<b>5,191,136</b>	<b>2,857,300</b>	<b>718,058</b>	<b>2,414</b>

## MUFG BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

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

## 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	Unallocated	Total
<b>Assets</b>								
Cash (Cash in TL, Cash in Foreign Currency, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	76,832	2,426,861	-	-	-	-	-	2,503,693
Banks	43,912	380,850	566,512	167,497	-	-	-	1,158,771
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	-	-	-
Loans	-	528,736	518,459	3,970,290	2,041,801	47,520	-	7,106,806
Financial Assets Measured at Amortised Cost	-	-	-	-	-	-	-	-
Other Assets (*)	-	7,856	6,037	840	122	-	93,669	108,524
<b>Total Assets</b>	<b>120,744</b>	<b>3,344,303</b>	<b>1,091,008</b>	<b>4,138,627</b>	<b>2,041,923</b>	<b>47,520</b>	<b>93,669</b>	<b>10,877,794</b>
<b>Liabilities</b>								
Bank Deposits	3	1,221,264	664,924	1,129,631	333,134	-	-	3,348,956
Other Deposits	343,466	524,495	191,094	-	-	-	-	1,059,055
Funds Borrowed from Other Financial Institutions	-	2,027,498	1,379,948	1,532,578	413,783	-	-	5,353,807
Interbank Money Market Borrowings	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	8,580	8,580
Other Liabilities (**)	-	22,733	8,291	3,764	2,861	-	1,069,747	1,107,396
<b>Total Liabilities</b>	<b>343,469</b>	<b>3,795,990</b>	<b>2,244,257</b>	<b>2,665,973</b>	<b>749,778</b>	<b>-</b>	<b>1,078,327</b>	<b>10,877,794</b>
<b>Net Liquidity Gap</b>	<b>(222,725)</b>	<b>(451,687)</b>	<b>(1,153,249)</b>	<b>1,472,654</b>	<b>1,292,145</b>	<b>47,520</b>	<b>(984,658)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>								
Derivative Financial Assets	-	(15,401)	(262)	(2,294)	3	-	-	(17,954)
Derivative Financial Liabilities	-	3,489,400	770,812	272,594	32,388	-	-	4,565,194
Non-Cash Loans	-	3,504,801	771,074	274,888	32,385	-	-	4,583,148
Non-Cash Loans	-	87,059	208,777	124,909	49,635	2,688	435,106	908,174
<b>Prior Period</b>								
Total Assets	176,443	6,154,740	2,370,286	4,577,113	2,247,176	142,122	41,630	15,709,510
Total Liabilities	212,692	5,808,828	5,192,902	2,852,507	711,103	2,175	929,303	15,709,510
<b>Net Liquidity Gap</b>	<b>(36,249)</b>	<b>345,912</b>	<b>(2,822,616)</b>	<b>1,724,606</b>	<b>1,536,073</b>	<b>139,947</b>	<b>(887,673)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>								
Derivative Financial Assets	-	(104,855)	9,476	42,080	(6,561)	-	-	276,204
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

(\*)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.



**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

**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:

<b>Current Period</b>	<b>Up to 1 month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
Forwards Contracts- Buy	831,866	103,007	149,586	29,644	-	1,114,103
Forward Contracts – Sell	831,778	104,369	149,243	29,688	-	1,115,078
Swaps – Buy	2,701,707	623,632	123,008	2,744	-	3,451,091
Swaps – Sell	2,716,769	622,959	125,645	2,697	-	3,468,070
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	-	-	-	-	-	-
<b>Total</b>	<b>7,082,120</b>	<b>1,453,967</b>	<b>547,482</b>	<b>64,773</b>	<b>-</b>	<b>9,148,342</b>

<b>Prior Period</b>	<b>Up to 1 month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
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	-	-	-	-	-	-
<b>Total</b>	<b>8,590,520</b>	<b>2,182,641</b>	<b>1,719,852</b>	<b>69,933</b>	<b>-</b>	<b>12,562,946</b>

**MUFG BANK TURKEY A.Ş****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

**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:

	<b>On-balance sheet assets</b>	<i>Current Period (*)</i>	<i>Prior Period (*)</i>
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collaterals)	11,403,239	15,486,600
2	(Assets deducted in determining Tier 1 capital)	-	-
3	Total on-balance sheet risks (sum of lines 1 and 2)	11,403,239	15,486,600
	<b>Derivative financial instruments and credit derivatives</b>		
4	Replacement cost associated with all derivative instruments and credit derivatives	19,620	184,997
5	Add-on amounts for potential future exposure associated with all derivative instruments and credit derivatives	4,980	(53,074)
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	24,600	131,923
	<b>Securitisation or commodity financing transactions (SCFT)</b>		
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)	-	-
	<b>Off-balance sheet transactions</b>		
10	Gross notional amounts of off-balance sheet transactions	990,403	501,352
11	(Adjustments for conversion to credit equivalent amounts)	-	-
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	990,403	501,352
	<b>Capital and total risks</b>		
13	Tier 1 capital	1,008,816	830,539
14	Total risks (sum of lines 3, 6, 9 and 12)	12,418,242	16,119,875
	<b>Leverage ratio</b>		
15	Leverage ratio	8.16	5.15

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

**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

**FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

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

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>10,769,270</b>	<b>15,516,275</b>	<b>10,769,270</b>	<b>15,516,275</b>
Central Banks	2,503,693	3,473,666	2,503,693	3,473,666
Banks	1,158,771	2,504,113	1,158,771	2,504,113
Loans	7,106,806	9,538,496	7,106,806	9,538,496
<b>Financial Liabilities</b>	<b>9,775,049</b>	<b>14,624,815</b>	<b>9,775,049</b>	<b>14,624,815</b>
Banks Deposits	3,348,956	5,008,401	3,348,956	5,008,401
Other Deposits	1,059,055	919,475	1,059,055	919,475
Borrowings from Other Financial Institutions	5,353,807	8,695,691	5,353,807	8,695,691
Miscellaneous Payables	8,580	1,248	8,580	1,248
Lease Obligations	4,651	-	4,651	-

**IX. 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
<b>Financial Assets</b>				
Derivative financial assets	-	14,855	-	14,855
<b>Financial Liabilities</b>				
Derivative financial liabilities	-	32,998	-	32,998
Prior Preiod	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Derivative financial assets held for trading	-	151,605	-	151,605
<b>Financial Liabilities</b>				
Derivative financial liabilities held for trading	-	156,640	-	156,640

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

None (31 December 2018: None).

**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

---

**FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. 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.

---

**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

---

**FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. 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 directions 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.

**MUFG BANK TURKEY A.Ş****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

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

		<i>Risk Weighted Amounts</i>		<i>Minimum Capital Requirements</i>
		<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>
1	Credit risk (excluding counterparty credit risk) (CCR) (*)	4,813,548	5,498,646	385,084
2	Of which standardised approach (SA)	4,813,548	5,498,646	385,084
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	22,519	116,945	1,802
5	Of which standardised approach for counterparty credit risk (SA-CCR)	22,519	116,945	1,802
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	149,042	275,032	11,923
17	Of which standardised approach (SA)	149,042	275,032	11,923
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	378,842	228,518	30,307
20	Of which basic indicator approach	378,842	228,518	30,307
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)	<b>5,363,951</b>	<b>6,119,141</b>	<b>429,116</b>

MUFG BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

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

FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

XI. Explanations on risk management (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
<b>Assets</b>					
Cash (Cash on Hand, Money in Transit, Purchased Cheques) and Balances With Central Bank of Turkey	2,503,693	2,503,693	-	-	-
Financial Assets Held for Trading	14,855	14,855	14,855	11,972	-
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-
Banks	1,158,771	1,158,771	-	774,209	-
Interbank Money Markets Placements	-	-	-	-	-
Financial Assets Available-for-Sale	-	-	-	-	-
Loans and Receivables	7,106,806	7,106,806	-	6,317,363	-
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	6,879	6,726	-	-	-
Intangible Assets	7,083	7,083	-	-	-
Investment Property	-	-	-	-	-
Tax Asset	16,070	-	-	-	-
Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-
Other Assets	63,637	63,637	-	-	-
<b>Total Assets</b>	<b>10,877,794</b>	<b>10,861,571</b>	<b>14,855</b>	<b>7,103,544</b>	<b>-</b>
<b>Liabilities</b>					
Deposits	4,408,011	-	-	4,408,011	-
Derivative Financial Liabilities Held for Trading	32,998	-	-	32,998	-
Funds Borrowed	5,353,807	-	-	5,353,807	-
Interbank Money Markets	-	-	-	-	-
Securities Issued	-	-	-	-	-
Funds	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-
Other External Fundings Payable	18,499	-	-	18,499	-
Factoring Payables	-	-	-	-	-
Lease Payables	4,651	-	-	4,651	-
Derivative Financial Liabilities Held for Risk Management	-	-	-	-	-
Provisions	15,312	-	-	15,312	-
Tax Liability	16,006	-	-	16,006	-
Liabilities for Assets Held for Sale and Assets of Discontinued Operations	-	-	-	-	-
Subordinated Debts	-	-	-	-	-
Shareholders' Equity	1,028,510	-	-	-	-
<b>Total Liabilities</b>	<b>10,877,794</b>	<b>-</b>	<b>-</b>	<b>9,849,284</b>	<b>-</b>

## MUGB BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

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

**FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****XI. Explanation on risk management objectives and policies (continued)****2. 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"	10,877,794	10,861,571	14,855	7,103,544
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	10,877,794	-	-	9,849,284
4	Carrying Value of Other Liabilities as per TAS	-	-	-	-
5	<b>Total Net Amount</b>	-	<b>10,861,571</b>	<b>14,855</b>	<b>(2,745,740)</b>
6	Off-balance Sheet Amounts (**)	-	-	-	-
7	Differences Resulted from the BRSA's Applications	-	-	-	-
8	Credit Valuation Adjustment	-	-	-	-
9	Repurchase Transactions	-	-	-	-
10	<b>Risk Amounts</b>	-	-	-	-

(\*)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 PERIOD  
1 JANUARY-31 DECEMBER 2019

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

---

**FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. Explanation on risk management objectives and policies (continued)**

**3. 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 are 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 required the aforementioned limits can be changed by the Bank.

The Bank keeps track of the loans of customers and other receivables in terms of the credit worthiness with respect to the relevant legislation. Additionally, 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 assesses the total credit risk of each customer. The Bank evaluates the collaterals obtained for the reduction of credit risk when initially obtaining the collaterals and subsequently at least once every year taking into consideration the results of the risk rating system.

The Bank manages and monitors its credit risk until the loan repayment is completed, related loan is cancelled or derecognized. The Bank has limits to control the positions of derivatives 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	-	8,280,432	39,419	8,241,013
2	Debt securities	-	-	-	-
3	Off-balance sheet exposures	-	908,174	1,934	906,240
4	<b>Total</b>	-	<b>9,188,606</b>	<b>41,353</b>	<b>9,147,253</b>

**3.1.3 Changes in the stock of default loans and debt securities**

None.

## MUFU BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

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

**FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****XI. Explanation on risk management objectives and policies (continued)****3.1.4 Additional information on credit quality of assets****Breakdown according to maturity:**

31 December 2019	Demands	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Loans	-	528,736	518,459	3,970,290	2,041,801	47,520	7,106,806

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

31 December 2019

Loans Structured from Standard Loans and Other Receivables	731,938
Loans Composed of Follow-up Loans and Other Receivables	26,662
Loans Restructured from Non-Performing Loans	-

**Ageing analysis of accounting past-due exposures**

The Bank has no past-due exposures.

**3.2 Credit risk mitigation techniques****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.

**3.2.2 Credit risk mitigation techniques**

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	2,938,932	4,167,874	3,207,472	-	-	-	-
2	Debt securities	-	-	-	-	-	-	-
3	<b>Total</b>	<b>2,938,932</b>	<b>4,167,874</b>	<b>3,207,472</b>	-	-	-	-
4	Of which defaulted	-	-	-	-	-	-	-

**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

**FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. Explanations on risk management (continued)**

**3. Credit risk (continued)**

**3.3 Credit risk under standardised approach**

**3.3.1 Credit risk exposure and credit risk mitigation techniques**

	<b>Risk classes</b>	<i>Exposures before CCF and CRM</i>		<i>Exposures post-CCF and CRM</i>		<i>RWA and RWA density</i>	
		<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>On-balance sheet amount</i>	<i>Off-balance sheet amount</i>	<i>RWA</i>	<i>RWA density</i>
1	Exposures to sovereigns and their central banks	2,573,720	-	2,587,394	-	323,302	12%
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	1,820,491	1,074,726	1,846,538	192,442	895,466	43.92%
7	Exposures to corporates	6,441,777	737,130	3,249,118	278,213	3,527,331	100.00%
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	89,967	-	89,967	-	89,967	100.00%
17	Equity share investments	-	-	-	-	-	-
18	<b>Total</b>	<b>10,925,955</b>	<b>1,811,856</b>	<b>7,773,017</b>	<b>470,655</b>	<b>4,836,067</b>	<b>59%</b>

**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

**FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XI. Explanations on risk management (continued)**

**3. Credit risk (continued)**

**3.3 Credit risk under standardised approach (continued)**

**3.3.2 Exposures by asset classes and risk weights**

Regulatory portfolio	35% secured by property mortgage							Total risk amount (post-CCF and CRM)			
	0%	10%	20%	50%	75%	100%	150%	200%	Others		
1 Exposures to sovereigns and their central banks	1,860,429	-	-	643,255	-	-	-	-	83,710	2,587,394	
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	-	447,658	-	1,570,775	-	20,547	-	-	-	2,038,980	
7 Exposures to corporates	-	-	-	-	-	3,527,331	-	-	-	3,527,331	
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	-	-	-	-	-	89,967	-	-	-	89,967	
18 <b>Total</b>	<b>1,860,429</b>	<b>447,658</b>	<b>447,658</b>	<b>2,214,030</b>	<b>89,967</b>	<b>3,637,845</b>	<b>83,710</b>	<b>83,710</b>	<b>83,710</b>	<b>8,243,672</b>	

## MUFG BANK TURKEY A.Ş

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

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

#### FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### XI. Explanations on risk management (continued)

#### 4. Explanations on counterparty credit risk (CCR)

#### 4.1 Qualitative disclosure on counterparty credit risk

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 Counterparty credit risk (CCR) approach analysis

		<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)	54,534	-		1.40	54,534	22,519
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						22,519

## MUGB BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

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

## FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

## XI. Explanations on risk management (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	54,534	22,519
4	<b>Total subject to the CVA capital obligation</b>	<b>54,534</b>	<b>22,519</b>

## 4.4 CCR exposures by risk class and risk weights

Risk weight	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure
<b>Regulatory portfolio</b>									
Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	13,674	13,674
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	-	-	17,728	8,319	-	-	-	-	26,047
Exposures to corporates	-	-	-	-	-	14,813	-	-	14,813
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	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>17,728</b>	<b>8,319</b>	-	<b>14,813</b>	-	<b>13,674</b>	<b>54,534</b>

## MUFG BANK TURKEY A.Ş

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

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

#### FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### XI. Explanations on risk management (continued)

##### 4. Explanations on counterparty credit risk (CCR) (continued)

##### 4.5 Collaterals for CCR

None.

##### 4.6 Credit derivatives

None.

##### 5. Securitisations

None.

##### 6. Market risk

##### 6.1 Qualitative disclosure on market risk

In order to comply with the regulations, the Bank set its activities related to 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 the controls.

At 2019, the Bank calculated capital requirement for interest rate risk, currency risk and counterparty risk.

In 2019 and within the scope of the Bank’s activities, no capital requirements arised from equity, commodity, swap risks due to no positions existing that requires any calculation for these risks. 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 Standardised approach

		<i>RWA</i>	
		<i>Current Period</i>	<i>Prior Period</i>
	<b>Outright products</b>	<b>149,042</b>	<b>275,032</b>
1	Interest rate risk (general and specific)	26,273	112,211
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	122,769	162,821
4	Commodity risk	-	-
	<b>Options</b>	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	<b>Securitisations</b>	-	-
9	<b>Total</b>	<b>149,042</b>	<b>275,032</b>

**MUFG BANK TURKEY A.Ş****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

**FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****XI. Explanations on risk management (continued))****7. Operational Risk**

	31 December 2017	31 December 2018	31 December 2019	Total/ No. of Years of Positive Gross Income	Rate (%)	Total
<b>Current Period</b>						
<b>Gross Income</b>	99,209	190,947	315,992	3	15	<b>30,307</b>
<b>Value at Operational Risk (Total*12.5)</b>						<b>378,842</b>

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

**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 PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

**FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XII. Explanations on segment reporting**

The Bank operations are mainly in corporate banking and treasury.

	<b>Corporate Banking</b>	<b>Treasury</b>	<b>Unallocated (*)</b>	<b>Total</b>
<b>Current Period (1 January -31 December 2019)</b>				
Profit before tax	436,060	(103,075)	(99,740)	233,245
Provision for taxes	-	-	(53,924)	(53,924)
<b>Net Profit</b>	<b>436,060</b>	<b>(103,075)</b>	<b>(153,664)</b>	<b>179,321</b>
<b>Current Period (31 December 2019)</b>				
Segment Assets	7,067,387	3,676,825	-	10,744,212
Unallocated Assets	-	-	133,582	133,582
<b>Total Assets</b>	<b>7,067,387</b>	<b>3,676,825</b>	<b>133,582</b>	<b>10,877,794</b>
Segment Liabilities	4,408,011	5,386,805	-	9,794,816
Unallocated Liabilities	-	-	1,082,978	1,082,978
<b>Total Liabilities</b>	<b>4,408,011</b>	<b>5,386,805</b>	<b>1,082,978</b>	<b>10,877,794</b>
<b>Prior Period (1 January -31 December 2018)</b>				
Profit before tax	648,502	(350,584)	(99,782)	198,136
Provision for taxes	-	-	(42,360)	(42,360)
<b>Net Profit</b>	<b>648,502</b>	<b>(350,584)</b>	<b>(142,142)</b>	<b>155,776</b>
<b>Prior Period (31 December 2018)</b>				
Segment Assets	9,523,686	6,128,579	-	15,652,265
Undistributed Assets	-	-	57,245	57,245
<b>Total Assets</b>	<b>9,523,686</b>	<b>6,128,579</b>	<b>57,245</b>	<b>15,709,510</b>
Segment Liabilities	5,927,876	8,852,331	-	14,780,207
Unallocated Liabilities	-	-	929,303	929,303
<b>Total Liabilities</b>	<b>5,927,876</b>	<b>8,852,331</b>	<b>929,303</b>	<b>15,709,510</b>

(\*) 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 PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

---

**FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XIII. 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 2019 number of employees within this scope was 18.

**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 PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

---

**FINANCIAL POSITION AND RISK MANAGEMENT (Continued)**

**XIII. 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 PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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		Prior Period	
	TL	FC	TL	FC
Cash in TL /Foreign Currency	-	-	-	-
Balances with the Central Bank of Turkey	68,186	2,435,507	260,049	3,213,617
Other	-	-	-	-
<b>Total</b>	<b>68,186</b>	<b>2,435,507</b>	<b>260,049</b>	<b>3,213,617</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	33,176	43,666	109,955	45,809
Unrestricted Time Deposits	35,010	599,589	150,094	543,798
Restricted Time Deposits	-	1,792,252	-	2,624,010
<b>Total</b>	<b>68,186</b>	<b>2,435,507</b>	<b>260,049</b>	<b>3,213,617</b>

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks operating in Turkey are required to keep reserve deposits at the CBRT for their TRY and FC liabilities mentioned in the communiqué. The reserve deposit at the Central Bank of Republic of Turkey rates vary according to their maturity compositions; the reserve deposit rates are realized between 1%-7% for TRY deposits and other liabilities between 5%-21% for FC deposits for other FC liabilities.

**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 2018: None).

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

None (31 December 2018: None).

**2.3 Positive differences relating to derivative financial assets held-for-trading**

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	624	1,349	22,346	6,134
Swap transactions	2,259	10,623	4,890	118,235
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>2,883</b>	<b>11,972</b>	<b>27,236</b>	<b>124,369</b>

## MUFG BANK TURKEY A.Ş

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

(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)

#### 3. Information on Banks

##### 3.1 Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	384,321	734,010	1,577,315	905,213
Foreign	-	40,440	-	21,585
Foreign head-offices and branches	-	-	-	-
<b>Total</b>	<b>384,321</b>	<b>774,450</b>	<b>1,577,315</b>	<b>926,798</b>

##### 3.2. Due from foreign banks

	Unrestricted Balances		Restricted Balances	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
EU Countries	21,327	6,359	-	-
USA and Canada	15,382	10,620	-	-
OECD Countries	3,711	4,544	-	-
Off-Shore Banking Regions	-	-	-	-
Other	20	62	-	-
<b>Total</b>	<b>40,440</b>	<b>21,585</b>	<b>-</b>	<b>-</b>

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

##### 4.1 Financial assets provided as collateral/blocked

None (31 December 2018: None).

##### 4.2 Financial assets subject to repurchase agreements

None (31 December 2018: 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 494. (31 December 2018: 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		Prior Period	
	Cash	Non-cash	Cash	Non-Cash
<b>Direct Loans to Shareholders</b>	<b>3,697</b>	<b>180,565</b>	<b>4,501</b>	<b>169,894</b>
Corporates	3,697	180,565	4,501	169,894
Individuals	-	-	-	-
<b>Indirect Loans to Shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Loans to Employees</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,697</b>	<b>180,565</b>	<b>4,501</b>	<b>169,894</b>

**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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)**

**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
<b>Cash Loans</b>				
<b>Loans</b>	<b>7,080,144</b>	<b>26,662</b>	-	-
Working Capital Loans	-	-	-	-
Export Loans	1,981,670	-	-	-
Import Loans	-	-	-	-
Loans to Financial Sector	730,010	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Others	4,368,464	26,662	-	-
<b>Specialization Loans</b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>7,080,144</b>	<b>26,662</b>	-	-

Prior Period	Performing Loans	Loans under Follow-up		
		Non-restructured	Restructured	
			Revised Contract Terms	Refinanced
<b>Cash Loans</b>				
<b>Loans</b>	<b>9,538,496</b>	-	-	-
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	-	-	-
<b>Specialization Loans</b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>9,538,496</b>	-	-	-

**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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)**

**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		Prior Period	
	Performing Loans	Loans under Follow-up	Performing Loans	Loans under Follow-up
12-Month ECL (Stage 1)	39,192	-	14,810	-
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	227	-	-

**Overdue dates of loans under close monitoring**

None (31 December 2018: None).

**Distribution of cash loans by maturity structure**

Current Period	Standard Loans	Loans in Close Monitoring	
		Loans not Subject to Restructuring	Restructured
Short Term Loans	3,570,347	26,662	-
Medium and Long Term Loans	3,509,797	-	-
Prior Period	Standard Loans	Loans not Subject to Restructuring	Restructured
Short Term Loans	4,589,781	-	-
Medium and Long Term Loans	4,948,715	-	-

The following is a reclassification of provision for impairment on loans by stage;

Commercial	Standard Loans (Stage 1)	Loans under close monitoring (Stage 2)	Non- performing loans (Stage 3)	Total
31 December 2018	14,810	-	-	<b>14,810</b>
Transfers;	-	94	-	<b>94</b>
- Stage 1 to Stage 2	-	94	-	<b>94</b>
- Stage 1 to Stage 3	-	-	-	-
- Stage 2 to Stage 3	-	-	-	-
- Stage 2 to Stage 1	-	-	-	-
- Stage 3 to Stage 2	-	-	-	-
Transferred within the Period	24,364	121	-	<b>24,485</b>
Collections	-	-	-	-
Sold Portfolio	-	-	-	-
Currency Differences	18	12	-	<b>30</b>
<b>Total Expected Credit Losses 31 December 2019</b>	<b>39,192</b>	<b>227</b>	<b>-</b>	<b>39,419</b>

## MUGB BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

(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)****6. Information on loans (continued)****6.3 Information on consumer loans, individual credit cards and credit cards given to personnel:**

None (31 December 2018: None).

**6.4 Information on commercial loans with installments and corporate credit cards**

None (31 December 2018: None).

**6.5 Allocation of loans by customers**

	Current Period	Prior Period
Public Sector	-	-
Private Sector	7,106,806	9,538,496
<b>Total</b>	<b>7,106,806</b>	<b>9,538,496</b>

**6.6 Allocation of Domestic and Foreign Loans**

	Current Period	Prior Period
Domestic Loans	6,699,257	9,174,168
Foreign Loans	407,549	364,328
<b>Total</b>	<b>7,106,806</b>	<b>9,538,496</b>

**6.7 Loans granted to subsidiaries and associates**

None (31 December 2018:None).

**6.8 Specific provisions provided against loans**

None (31 December 2018: None).

**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 2018: None).

**6.9.2 Movement on non-performing loans**

None (31 December 2018: None).

**6.9.3 Information on non-performing loans and other receivables in foreign currencies**

None (31 December 2018: None).

**6.9.4 Information regarding gross and net amounts of non-performing loans with respect to user groups**

None (31 December 2018: None).

**6.10 Liquidation policy for uncollectible loans and other receivables**

None (31 December 2018: None).



MUFG BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

(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)**

**6. Information on loans (continued)**

**6.11 Explanations related to write-off policy**

None (31 December 2018: None)

**7. Information on investments investments measured at amortized cost**

None (31 December 2018: None).

**8. Information on associates**

None (31 December 2018:None).

**9. Information on subsidiaries**

None (31 December 2018:None).

**10. Information on entities under common control (Joint Ventures)**

None (31 December 2018: None).

**11. Information on lease receivables**

None (31 December 2018: None).

**12. Information on derivative financial assets held for hedging purposes**

None (31 December 2018: None).

**13. Information on tangible asset**

<b>Current Period</b>	<b>Right of Use Assets(*)</b>	<b>Other Tangible Assets</b>	<b>Total</b>
Cost			
Beginning Balance, 1 January 2019	3,471	15,292	18,763
Additions	2,908	1,633	4,541
Disposals	-	-	-
<b>Ending Balance, 31 December 2019</b>	<b>6,379</b>	<b>16,925</b>	<b>23,304</b>
Accumulated Depreciation			
Beginning Balance, 1 January 2019	-	13,741	13,741
Depreciation Charge	1,985	699	2,684
Disposals	-	-	-
<b>Ending Balance, 31 December 2019</b>	<b>1,985</b>	<b>14,440</b>	<b>16,425</b>
<b>Net Book Value, 31 December 2019</b>	<b>4,394</b>	<b>2,485</b>	<b>6,879</b>

(\*) Consists of vehicle and building rents accounted according to the TFRS 16 standart

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

## MUGB BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

(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)

## 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	67,347	60,264	65,452	58,346

## 14.4 Movements of intangible assets for the period

	Current Period
Cost	
Beginning Balance, 1 January 2019	65,452
Additions	1,895
<b>Ending Balance, 31 December 2019</b>	<b>67,347</b>
Accumulated Amortization	
Beginning Balance, 1 January 2019	58,346
Amortization Charge	1,918
<b>Ending Balance, 31 December 2019</b>	<b>60,264</b>
<b>Net Book Value, 31 December 2019</b>	<b>7,083</b>
	Prior Period
Cost	
Beginning Balance, 1 January 2018	63,254
Additions	1,928
<b>Ending Balance, 31 December 2018</b>	<b>65,452</b>
Accumulated Amortization	
Beginning Balance, 1 January 2018	48,349
Amortization Charge	9,997
<b>Ending Balance, 31 December 2018</b>	<b>58,346</b>
<b>Net Book Value, 31 December 2018</b>	<b>7,106</b>

---

**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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)**
- 14. Information on intangible assets (continued)**
- 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.
- 15. Information on investment properties**  
None (31 December 2018: 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 (31 December 2018: None).
- 16.3 Deferred tax asset resulting from the cancellation of the provision for impairment losses related to the deferred taxes**  
None (31 December 2018: None).
- 17 Information on assets held for sale and non-current assets related to discontinued operations**  
None (31 December 2018: 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**  
As of 31 December 2019, total prepaid expenses are TL 5,704 (31 December 2018: TL 4,842).

## MUGBANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

(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

## 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 ating Deposit Accounts	Total
<b>Saving Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Foreign Currency Deposits</b>	305,115	-	207,232	-	1,505	-	-	-	513,852
Residents of Turkey	305,115	-	207,232	-	1,505	-	-	-	513,852
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Public Sector Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Commercial Deposits</b>	38,034	-	462,200	44,652	-	-	-	-	544,886
<b>Other Ins. Deposits</b>	317	-	-	-	-	-	-	-	317
<b>Precious Metal Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Interbank Deposits</b>	3	-	725,261	-	1,369,150	861,448	393,094	-	3,348,956
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	3	-	725,261	-	1,369,150	861,448	393,094	-	3,348,956
Special Finan.Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>343,469</b>	<b>-</b>	<b>1,394,693</b>	<b>44,652</b>	<b>1,370,655</b>	<b>861,448</b>	<b>393,094</b>	<b>-</b>	<b>4,408,011</b>

*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 ating Deposit Accounts	Total
<b>Saving Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Foreign Currency Deposits</b>	203,366	-	15,130	1,327	-	-	-	-	219,823
Residents of Turkey	203,366	-	15,130	1,327	-	-	-	-	219,823
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Public Sector Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Commercial Deposits</b>	9,106	-	167,205	133,395	389,726	-	-	-	699,432
<b>Other Ins. Deposits</b>	220	-	-	-	-	-	-	-	220
<b>Precious Metal Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Interbank Deposits</b>	-	-	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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>212,692</b>	<b>-</b>	<b>679,177</b>	<b>1,906,553</b>	<b>2,087,911</b>	<b>628,426</b>	<b>413,117</b>	<b>-</b>	<b>5,927,876</b>

## MUFG BANK TURKEY A.Ş

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

(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)

##### 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 (31 December 2018: None).

##### 1.3 *Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance.*

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

None (31 December 2018: None).

##### 2. Information on derivative financial liabilities

Derivative Financial Liabilities	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	1,702	2,893	4,279	2,244
Swap transactions	2,807	25,596	1,750	148,367
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>4,509</b>	<b>28,489</b>	<b>6,029</b>	<b>150,611</b>

##### 3. Information on banks and other financial institutions

##### 3.1 *Information on banks and other financial institutions*

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	267,300	-	-
From Foreign Banks, Institutions and Funds	57,993	5,028,514	100,314	8,595,377
<b>Total</b>	<b>57,993</b>	<b>5,295,814</b>	<b>100,314</b>	<b>8,595,377</b>

##### 3.2 *Maturity analysis of borrowings*

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	57,993	4,882,031	100,314	7,882,099
Medium and Long Term	-	413,783	-	713,278
<b>Total</b>	<b>57,993</b>	<b>5,295,814</b>	<b>100,314</b>	<b>8,595,377</b>

##### 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 2019 (31 December 2018: None).

## MUGBANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

(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)

## 5. Miscellaneous payables and other liabilities

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

## 6. Explanations on leasing obligations (Net):

## 6.1 Obligations under financial lease

None (31 December 2018: None).

## 6.2 Explanation on financial lease obligations

With the “IFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease has been removed and the lease transactions are started to be recognized under “Tangible Fixed Assets” as an asset (tenure) and under “Liabilities from Leasing” as a liability. Impact and application of IFRS 16 concerning the transition were explained in Section three, footnote XXV.

## 6.3 Information on operational leases and footnotes

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less Than 1 Year	2,477	1,904	-	-
1-4 Years	3,054	2,747	-	-
More Than 4 Years	-	-	-	-
<b>Total</b>	<b>5,531</b>	<b>4,651</b>	-	-

## 6.4 Information on “Sale-and-lease back” agreements

None (31 December 2018: None).

## 7. Information on derivative financial liabilities for hedging purposes

None (31 December 2018: None).

## 8. Information on provisions

## 8.1 Explanations on reserves for employee benefits

As of 31 December 2019, provision for employee termination benefits of TL 11,795, comprise TL 802 provision for employee termination benefits (31 December 2018: TL 625), TL 893 unused vacation accruals (31 December 2018: TL 662) and TL 10,100 bonus accruals (31 December 2018: TL 7,107).

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

None (31 December 2018: None).

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

None (31 December 2018: None).

## 8.4 Explanation on other provisions

## 8.4.1 Provisions for probable losses

None (31 December 2018: None).

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

As of 31 December 2019 other provisions amounting to TL 3,517 consist of law suit provisions amounting to TL 512 and sundry provisions amounting to TL 1,071 and expected credit losses for non cash loans amounting to TL 1,934. (31 December 2018: TL 3,125, 1,012 law suit provisions, TL 1,077 sundry provisions and expected credit losses for non cash loans TL 1,036 ).

---

**MUFG BANK TURKEY A.Ş****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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****9.1 Explanations on current tax liability****9.1.1 Explanations on tax provision**

As of 31 December 2019, the Bank has a current tax liability of TL 11,824 after offsetting advance taxes (As of 31 December 2018, the Bank had a current tax liability of TL 39,372 after offsetting advance taxes).

**9.1.2 Information on taxes payable**

	<b>Current Period</b>	<b>Prior Period</b>
Corporate taxes payable	11,824	39,372
Taxation on securities	1,036	1,495
Property tax	26	28
Banking and Insurance Transaction Tax (BITT)	1,706	4,075
Taxes on foreign exchange transactions	2	-
Value added taxes payable	128	46
Other	884	669
<b>Total</b>	<b>15,606</b>	<b>45,685</b>

**9.1.3 Information on premiums**

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums- Employee	166	134
Social Security Premiums- Employer	201	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	11	9
Unemployment Insurance- Employer	22	18
Other	-	-
<b>Total</b>	<b>400</b>	<b>324</b>

**MUFG BANK TURKEY A.Ş****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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)****9.2 Explanations on deferred tax liabilities**

As of 31 December 2019, the deferred tax liability of TL 16,070 (31 December 2018: TL 11,749 deferred tax asset) 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.

<b>Current Period</b>	<b>Deferred Tax Base</b>	<b>Deferred Tax Asset/ (Liability)</b>
Reserve for Employee Benefits	11,707	2,576
Derivative Financial Instruments Fair Value Differences	18,143	3,991
Tangible and Intangible Assets Tax Base Differences	(1,884)	(415)
Deferred Commissions	2,996	659
Lawsuit Provisions	512	113
Loan Accrual Differences between Tax and IFRS	(1,616)	(355)
Loan Reserve Requirements	41,847	8,369
Other	5,145	1,132
<b>Deferred Tax Asset/(Liability) (Net)</b>	<b>76,850</b>	<b>16,070</b>

<b>Prior Period</b>	<b>Deferred Tax Base</b>	<b>Deferred Tax Asset/ (Liability)</b>
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
<b>Deferred Tax Asset/(Liability) (Net)</b>	<b>55,412</b>	<b>11,749</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Deferred Tax Asset, Beginning Balance	<b>11,749</b>	<b>13,449</b>
Deferred Tax Benefit / (Charge)	4,318	(2,986)
Deferred Tax Recognized Directly Under Equity	3	(4)
TFRS 9 Adoption Effect	-	1,290
<b>Deferred Tax Asset, Ending Balance</b>	<b>16,070</b>	<b>11,749</b>

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

None (31 December 2018: None).

**11. Explanations on subordinated loans**

None (31 December 2018: None)



---

MUFG BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

(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**

**12.1 Paid-in capital**

	Current Period	Prior Period
Common Stock	527,700	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 (31 December 2018: None).

**12.4 Information on share capital increases from revaluation funds**

None. (31 December 2018: 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 (31 December 2018: 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 (31 December 2018: None).

**12.9 Information on marketable securities value increase fund**

None (31 December 2018: None).

**12.10 Information on revaluation reserve**

None (31 December 2018: None).

**12.11 Bonus shares of Subsidiaries, Associates and Joint Ventures**

None (31 December 2018: None).

**MUFG BANK TURKEY A.Ş****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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>Prior Period</i>
I. Legal Reserve	14,936	7,147
II. Legal Reserve	-	-
Special Reserves	-	-

**12.13 Information on extraordinary reserves**

None (31 December 2018: None).

**13. Information on minority shares**

None (31 December 2018: None).

## MUFG BANK TURKEY A.Ş

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

(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	Prior Period
Time Deposit Purchase and Sale Commitments	1,379,397	1,569,548
Loan Granting Commitments	184,140	-
<b>Total</b>	<b>1,563,537</b>	<b>1,569,548</b>

###### 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	Prior Period
Letters of Guarantee in TL	332,828	174,023
Letters of Guarantee in Foreign Currency	379,283	274,727
Letters of Credit	181,816	65,803
Bills of Exchange and Acceptances	8,901	-
Other Guarantees	5,346	4,753
<b>Total</b>	<b>908,174</b>	<b>519,306</b>

###### 1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies

	Current Period	Prior Period
Temporary Letters of Guarantee	49,615	15,028
Permanent Letters of Guarantee	423,802	248,573
Advance Letters of Guarantee	48,659	25,516
Custom Letters of Guarantee	190,035	159,633
Other Letters of Guarantee	-	-
<b>Total</b>	<b>712,111</b>	<b>448,750</b>

##### 2. Information on Non-cash Loans

###### 2.1 Total amount of non-cash loans

	Current Period	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	908,174	519,306
<b>Total</b>	<b>908,174</b>	<b>519,306</b>

## MUFGBANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

(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	(%)
<b>Agriculture</b>	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	124,106	37.29	162,928	28.32	58,708	33.74	4,933	1.43
Mining and Quarrying	-	-	-	-	-	-	-	-
Production	124,106	37.29	162,928	28.32	58,708	33.74	4,933	1.43
Electricity, Gas, Water	-	-	-	-	-	-	-	-
<b>Construction</b>	4,500	1.35	1,485	0.26	10,125	5.82	1,320	0.38
<b>Services</b>	204,222	61.36	410,933	71.42	105,190	60.45	339,030	98.19
Wholesale and Retail Trade	49,101	14.75	76,117	13.23	53,666	30.84	76,043	22.02
Accommodation and Dining	-	-	-	-	-	-	-	-
Transportation and Telecommunication	99,174	29.80	2,533	0.44	21,126	12.14	2,062	0.60
Financial Institutions	53,190	15.98	331,695	57.65	30,398	17.47	260,925	75.57
Real Estate and Rental Services	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-
Health and Social Services	2,757	0.83	588	0.10	-	-	-	-
<b>Others</b>	-	-	-	-	-	-	-	-
<b>Total</b>	<b>332,828</b>	<b>100</b>	<b>575,346</b>	<b>100</b>	<b>174,023</b>	<b>100</b>	<b>345,283</b>	<b>100</b>

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

Current Period	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>				
Letters of Guarantee	332,828	379,283	-	-
Bills of Exchange and Bank Acceptances	-	8,901	-	-
Letters of Credit	-	181,816	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Related Guarantees	-	-	-	-
Other Guarantees and Sureties	-	5,346	-	-
<b>Total</b>	<b>332,828</b>	<b>575,346</b>	<b>-</b>	<b>-</b>
<b>Prior Period</b>				
<b>Non-Cash Loans</b>				
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	-	-
<b>Total</b>	<b>166,250</b>	<b>345,283</b>	<b>7,773</b>	<b>-</b>

## MUFG BANK TURKEY A.Ş

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

(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)

#### 3. Information related to derivative financial instruments

	Current Period	Prior Period
<b>Derivative Financial Instruments held for Risk Management</b>	-	-
<b>A. Total Derivative Financial Instruments held for Risk Management</b>	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Net Foreign Investment Hedges	-	-
<b>Trading Derivatives</b>		
<b>Foreign Currency related Derivative Transactions (I)</b>	<b>7,768,945</b>	<b>10,993,398</b>
Currency Forwards-Purchases	424,581	1,060,879
Currency Forwards-Sales	425,203	1,034,129
Currency Swaps-Purchases	3,451,091	4,396,328
Currency Swaps-Sales	3,468,070	4,502,062
Currency Options-Purchases	-	-
Currency Options-Sales	-	-
Currency Futures-Purchases	-	-
Currency Futures-Sales	-	-
<b>Interest Rate related Derivative Transactions (II)</b>	-	-
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	-	-
<b>Other Trading Derivative Transactions (III)</b>	-	-
<b>B. Total Trading Derivatives (I+II+III)</b>	<b>7,768,945</b>	<b>10,993,398</b>
<b>Total Derivative Transactions (A+B)</b>	<b>7,768,945</b>	<b>10,993,398</b>

(\*) 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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

(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****1. Interest income****1.1 Information on interest on loans**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Interest on loans</b>				
Short Term Loans	174,346	97,810	409,067	56,893
Medium and Long Term Loans	37,337	123,930	66,822	113,757
Interest on Non-Performing Loans	-	-	-	-
Premiums received from Resources Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>211,683</b>	<b>221,740</b>	<b>475,889</b>	<b>170,650</b>

**1.2 Information on Interest Income on Bank**

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of Turkey	33,715	-	6,028	-
Domestic Banks	221,216	1,766	155,156	1,367
Foreign Banks	1,168	17	267	-
Branches and Head Office Abroad	-	-	-	-
<b>Total</b>	<b>256,099</b>	<b>1,783</b>	<b>161,451</b>	<b>1,367</b>

**1.3 Interest received from marketable securities portfolio**

None.

**1.4 Information on interest income received from associates and subsidiaries**

None.

**2. Interest expenses****2.1 Information on interest on funds borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
The Central Bank of Turkey	-	-	-	-
Domestic Banks	224	1,486	138	59
Foreign Banks	2,460	111,884	314	120,714
Branches and Head Office Abroad	-	-	-	-
<b>Other Institutions</b>	-	-	-	-
<b>Total</b>	<b>2,684</b>	<b>113,370</b>	<b>452</b>	<b>120,773</b>

**2.2 Information on interest expenses to associates and subsidiaries**

None.

MUFG BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

(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**

**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		
<b>Turkish Lira</b>								
Bank Deposits	-	461	-	-	-	-	-	461
Saving Deposits	-	-	-	-	-	-	-	-
Public Sector Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	96,489	44,056	13,941	-	-	-	154,486
Other	-	-	-	-	-	-	-	-
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>96,950</b>	<b>44,056</b>	<b>13,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>154,947</b>
<b>Foreign Currency</b>								
Foreign Currency Deposits	-	1,088	66	2	-	-	-	1,156
Bank Deposits	-	23,849	34,374	23,680	6,574	1,432	-	89,909
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>24,937</b>	<b>34,440</b>	<b>23,682</b>	<b>6,574</b>	<b>1,432</b>	<b>-</b>	<b>91,065</b>
<b>Grand Total</b>	<b>-</b>	<b>121,887</b>	<b>78,496</b>	<b>37,623</b>	<b>6,574</b>	<b>1,432</b>	<b>-</b>	<b>246,012</b>

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		
<b>Turkish Lira</b>								
Bank Deposits	-	2,375	-	-	-	-	-	2,375
Saving Deposits	-	-	-	-	-	-	-	-
Public Sector Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	41,969	10,895	19,726	-	-	-	72,950
Other	-	-	-	-	-	-	-	-
“7 Days Notice” Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>44,344</b>	<b>10,895</b>	<b>19,726</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,965</b>
<b>Foreign Currency</b>								
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	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>20,332</b>	<b>30,367</b>	<b>23,993</b>	<b>9,765</b>	<b>4,284</b>	<b>-</b>	<b>88,741</b>
<b>Grand Total</b>	<b>-</b>	<b>64,676</b>	<b>41,262</b>	<b>43,719</b>	<b>9,765</b>	<b>4,284</b>	<b>-</b>	<b>163,706</b>

**3. Information on dividend income**

None.

**MUFG BANK TURKEY A.Ş****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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)****4. Information on net trading income / loss**

	Current Period	Prior Period
<b>Income</b>	<b>21,198,567</b>	<b>30,323,474</b>
Gains on Capital Market Operations	-	-
Gains on Derivative Financial Instruments	637,907	1,516,284
Foreign Exchange Gains	20,560,660	28,807,190
<b>Losses</b>	<b>21,230,219</b>	<b>30,586,458</b>
Losses on Capital Market Operations	-	-
Losses on Derivative Financial Instruments	520,351	808,520
Foreign Exchange Losses	20,709,868	29,777,938
<b>Net Trading Income / ( Loss )</b>	<b>(31,652)</b>	<b>(262,984)</b>

**5. Information on other operating income**

In the current period, TL 1,741 of other operating income comprise of reversal of prior year provisions amounting to TL 461 and other income amounting to TL 1,280 (31 December 2018: TL 810 of other operating income comprise of reversal of prior year general provision amounting to TL 461 of and other income amounting to TL 349 of other operating income).

**6. Provisions of impairment on loans and other receivables**

	Current Period	Prior Period
Expected Credit Losses	25,870	10,199
<i>12-Month ECL (Stage 1)</i>	25,643	9,738
<i>Lifetime ECL Significant Increase in Credit Risk (Stage 2)</i>	227	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(*)	8,829	7,432
<b>Total</b>	<b>34,699</b>	<b>17,631</b>

(\*) Other expenses comprise of premium expenses amounting to TL 8,599 (31 December 2018: TL 6,748) and unused vacation provision expenses amounting to TL 230 (31 December 2018: 212 TL).



## MUFG BANK TURKEY A.Ş

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

(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)

##### 7. Information related to other operational expenses

	Current Period	Prior Period
Personnel Expenses	36,243	30,878
Provision for Employee Termination Benefits	161	229
Provision for Bank's Social Aid Fund Deficit	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Charges of Tangible Assets	2,684	916
Impairment Losses on Intangible Assets	-	-
Amortization Charges of Intangible Assets	1,918	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	15,040	18,446
<i>Operational Lease Expenses</i>	664	2,799
<i>Repair and Maintenance Expenses</i>	136	149
<i>Advertisement Expenses</i>	17	7
<i>Other Expenses(*)</i>	14,223	15,491
Losses on Sale of Assets	-	-
Other	15,942	10,796
<b>Total</b>	<b>71,988</b>	<b>71,262</b>

(\*) Other expenses in other operating expenses consist of TL 7,336 cost of computer use (31 December 2018: TL 9,629 ), TL 2,571 communication expenses (31 December 2018: TL: 2,057), TL 141 representation expenses (31 December 2018: TL 173) and TL 4,175 other expenses (31 December 2018: TL 3,632).

##### 8. Information on profit/loss before tax from continued and discontinued operations

	Current Period	Prior Period
<b>Profit/(Loss) Before Tax</b>	<b>233,245</b>	<b>198,136</b>

##### 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 a current tax charge of TL 58,242 (31 December 2018: TL 39,374). For the period ended 31 December 2019, the deferred tax income of the Bank is TL 4,318 (31 December 2018: TL 2,986 deferred tax expense).

##### 10. Information on profit/loss from continued and discontinued operations

	Current Period	Prior Period
Profit/(Loss) Before Tax from Continuing Operations	233,245	198,136
Tax Benefit/(Charge) on Continuing Operations	(53,924)	(42,360)
<b>Net Profit/(Loss) from Continuing Operations</b>	<b>179,321</b>	<b>155,776</b>

**MUFG BANK TURKEY A.Ş**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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)**

**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.

**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 PERIOD 1 JANUARY-31 DECEMBER 2019

(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 2019	1 January 2018
Central Bank of Turkey	849,656	403,484
Banks and Other Financial Institutions	1,601,158	461,158
<b>Cash Equivalents</b>	<b>2,450,814</b>	<b>864,642</b>

Cash and cash equivalents at the end of the period:

	31 December 2019	31 December 2018
Central Bank of Republic of Turkey	711,441	849,656
Banks and Other Financial Institutions	423,796	1,601,158
<b>Cash Equivalents</b>	<b>1,135,237</b>	<b>2,450,814</b>

##### 2. Restricted cash and cash equivalents due to legal requirements or other reasons

In the current period, TL 1,792,252 (31 December 2018: TL 2,624,010) restricted balances is kept at the Central Bank of Turkish Republic for foreign currency as reserve requirements also the Bank has TL 733,768 (31 December 2018: 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 (69,744) 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 2018 :TL 375,684).

“Net increase in other liabilities” amounting to TL 31,875 in “Changes in banking operations assets and liabilities” consists of changes in miscellaneous payables and taxes and dues payable (31 December 2018: TL 50,477 decrease).

“Net increase in other assets” amounting to TL (65,861) in “Changes in assets and liabilities” consists of changes in current tax assets and other receivables. (31 December 2018: TL 28,909 decrease).

As of 31 December 2019, the effect of the changes in the currency rates on cash and cash equivalents has been calculated approximately as TL (17,761) (31 December 2018: TL (753,762)). 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.

## MUGF BANK TURKEY A.Ş

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019

(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****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	-	-	4,501	169,894	17,018	90,789
Balance at the End of the Period	-	-	3,697	180,565	36,717	180,559
Interest and Commission Income	-	-	-	345	1,185	475

**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	-	-	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.

**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	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the Beginning of the Period	-	-	-	-	4,990,937	2,433,469
Balance at the End of the Period	-	-	-	-	3,343,663	4,990,937
Interest Expenses	-	-	-	-	89,994	90,636

(\*) Described in article 49 of the Banking Act No: 5411

**1.3 Information on funds obtained from Bank's risk group**

(\*)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	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Funds Borrowed						
Balance at the Beginning of the Period	-	-	-	-	8,695,691	6,163,682
Balance at the End of the Period	-	-	-	-	5,070,666	8,695,691
Interest Expense	-	-	-	-	114,266	116,975

(\*)Described in article 49 of the Banking Act No: 5411.

## MUFG BANK TURKEY A.Ş

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY-31 DECEMBER 2019

(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)

##### 1.4 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	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Derivative financial instruments at fair value through profit or loss:						
Balance at the Beginning of the Period	-	-	83,527	18,569	9,480,708	6,714,226
Balance at the End of the Period	-	-	86,398	83,527	5,403,121	9,480,708
Total Profit/(Loss)	-	-	27	(104)	(27,214)	(31,022)

(\*)Described in article 49 of the Banking Act No: 5411.

##### 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 2019, cash loans and other receivables of the risk group amounts to TL 40,414 and comprises less than 1% of the total loans and other receivables (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). Non-cash loans of the risk group amounts to TL 361,124 and comprises 40% of total non-cash loans (31 December 2018: Non-cash loans of the risk group amounts to TL 260,683 and comprises 50% of total non-cash loans). The short and long term borrowings of the Bank from the risk group amounts to TL 5,070,666 and comprises 95% of the loans obtained (31 December 2018: The short and long term borrowings of the Bank from the risk group amounts to TL 8,695,691 and comprises all of the loans obtained). As of 31 December 2019, net benefits paid to key management of the Bank is TL 1,650 (31 December 2018: TL 1,437).

**MUFG BANK TURKEY A.Ş****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD  
1 JANUARY-31 DECEMBER 2019**

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

**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL  
STATEMENTS (Continued)****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	78			
			Country		
Foreign Representation Offices			1-		
			2-		
			3-		
				Total Assets	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 PERIOD  
1 JANUARY-31 DECEMBER 2019**

(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.









Fatih Sultan Mehmet Mah. Poligon Caddesi, Buyaka 2 Sitesi No: 8B  
C-Blok, Kat: 20-21, 34771 Tepeüstü- Ümraniye, Istanbul, Turkey  
Telephone: +90 216 600 3000  
Web: [www.tu.bk.mufg.jp](http://www.tu.bk.mufg.jp)  
e-mail: [info@tu.mufg.jp](mailto:info@tu.mufg.jp)  
Fax: +90 216 290 6473  
Mersis No: 0140036123700018