



Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş.

# ANNUAL REPORT 2014

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

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## ANNUAL ACTIVITY REPORT COMPLIANCE OPINION

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

We have audited the accuracy and compliance of the financial information in the accompanying annual activity report of Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. ("the Bank") as of 31 December 2014 with the audited financial statements. The Board of Directors of the Bank is responsible for the annual activity report. As independent auditors, our responsibility is to express an opinion on the audited annual activity report based on the compliance of financial information provided in the annual activity report with the audited financial statements included in the independent auditor's report dated 19 March 2015.

Our audit was performed in accordance with the accounting standards and principles and procedures of preparing and issuing annual activity reports as set out by the Banking Act No: 5411, Independent Auditing Standards which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the Article 397 of the Turkish Commercial Code No. 6102 ("TCC"). Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the annual activity report is free from material misstatement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial information provided in the accompanying annual activity report presents fairly, in all material respects, the financial position of Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. as of 31 December 2014 in accordance with the prevailing accounting principles and standards set out as per the Article 40 of the Banking Act No: 5411 and TTC. The financial information provided in the annual activity report is in compliance with the audited financial statements and explanatory notes, and also includes the summary management report and our audit opinion on these financial statements.

### Other Legal and Regulatory Requirements

In accordance with paragraph three of the Article 402 of the TCC, nothing significant has come to our attention that may cause us to believe that the Bank may not continue its activities for the foreseeable future in accordance with Independent Auditing Standard 570 "Going Concern".

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



Hasan Kılıç  
Partner

İstanbul, 19 March 2015

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## Agenda of the Ordinary General Assembly Meeting

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**Agenda of the Ordinary General Assembly Meeting for the year 2014 of Bank of Tokyo-Mitsubishi UFJ Turkey Anonim Şirketi dated 30/03/2015**

### **AGENDA**

- 1. Opening and appointment of the Meeting Board,**
- 2. Authorization of the Meeting Board to sign the minutes of the Ordinary General Assembly meeting,**
- 3. Discussion of the Annual Activity Report of the Board of Directors for the financial year 2014,**
- 4. Discussion on the independent auditor's report for the financial year 2014,**
- 5. Discussion and approval of the financial statements of the financial year 2014,**
- 6. Release of the members of the Board of Directors and the auditors,**
- 7. Discussion on use of profit and determination of dividend distribution,**
- 8. Discussion on the remuneration payment to board of directors members,**
- 9. Appointment of independent auditor for financial year 2015,**
- 10. 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,**
- 11. Discussion on approval of the appointment of Mr. Yasuo Asada as General Manager and accordingly natural member of the Board of Directors,**
- 12. Wishes and Closing.**

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## OUR BANK

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

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

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

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

### BTMU Global

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

BTMU's domestic network comprises more than 760 domestic branches, sub-branches and agencies. Overseas, BTMU consists of more than 75 overseas branches located in all the major financial and commercial centres of the world. BTMU offers an extensive scope of financial products and services to businesses, governments and private individuals. It provides a full spectrum of commercial, investment, trust banking products and services through its global branches and subsidiaries. BTMU is the premier commercial banking arm of Mitsubishi UFJ Financial Group, Inc. (MUFG) that comprehensively and flexibly responds, as an integrated unit, to all of the financial needs of its customers.

## Our Mission

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

## Our Vision

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

## Our Values

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

## Activities

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

The Bank started to work in the field of Corporate Banking to offer its Customers;

*Loan*

*Foreign Trade*

*Treasury Transactions*

*Operation*

*Cash Management*

*Internet Banking*

As of end of 2014, BTMU Turkey has **94** customers.

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

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

There have not been any changes in the capital structure of our Bank in 2014.

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

## Modifications of Articles of Association within the Year

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With the Extraordinary General Meeting dated 17 December 2014, Article 18 titled "Duties and Powers of the Board of Directors" of the Articles of Association has been modified with the purpose of giving authority to the Board of Directors for drafting an Internal Directive of Board of Directors in accordance with article 367 and 371/7 of Turkish Commercial Code numbered 6102. Any other changes have not been made in the Articles of Association apart from the above mentioned.

## Extraordinary General Meetings within the Year

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In 2014, one Extraordinary General Meetings was held in relation to Article 18 titled "Duties and Powers of the Board of Directors" of the Articles of Association

## Subsidiaries

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We do not have any subsidiaries.

## Key Financial Highlights as of 31 December 2014

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<b>Assets</b>	<b>: TL 3,229 M</b>
<b>Loans</b>	<b>: TL 1,197 M</b>
<b>Customer Deposits</b>	<b>: TL 123 M</b>
<b>Shareholder's Equity</b>	<b>: TL 527 M</b>
<b>Capital Adequacy Ratio</b>	<b>: % 21.76</b>

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

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

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

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

## Research and Development Implementations

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The product portfolio of BTMU Turkey covers the basic commercial banking products including all types of cash and non-cash lending, cash management and trade finance on corporate banking, while spots and forwards are offered to customers on the treasury side at the first stage. However the treasury team works on setting the infrastructure to widen the product range to interest rate and cross currency swaps, as well as options, with the aim of beginning to trade towards mid-year.



## Message from Chairman and the President

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Dear Stakeholders,

We would like to start our message by extending our deepest gratitude to you for your dedicated support to our Bank.

On behalf of the Board of Directors of Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. (“BTMU Turkey”), we present to you the annual report and financial statements of our Bank for the year ended 31 December 2014.

Following the opening of our Bank in November 2013, this past year has been a period of strengthening the roots of our foundation and further developing our products and customer service. Over the course of 2014 we have increased our customer base to around 100 Japanese, Turkish and multinational companies and fortified our structure based on long-term strategies. 2014 has been a year focused on increasing our asset size and activity areas. We saw serious advance in areas such as loans and treasury activities, in line with our desired objectives.

Looking back, 2014 has been a year mixed with both positive and negative developments. While substantial recovery in the US economy with transition from quantitative easing of financial policies and other positive factors were recorded on one hand, negative factors such as the recession in the European economy, the rise of geopolitical risks in Russia and the Middle East as well as the advance of disinflation due to the fall in oil prices were seen on the other, resulting in extremely volatile developments in the global economy.

On the other hand, the Turkish economy kicked the year off with notable increase interest rates and throughout the year economic growth decelerated, high levels in consumer prices continued and the Turkish Lira weakened against foreign currencies, creating a tough environment for businesses in the country.

Despite these challenging circumstances, BTMU Turkey, with its over a quarter century of experience in Turkey and solid relations with Japanese as well as local companies in the country, displayed a sound performance and increased its asset size by three fold over to the previous year.

As of the end of 2014, our Bank’s Total Asset volume reached TL 3,228.7 million from the Total Asset volume of TL 691.7 million as of the end of 2013 and the increased percentage in asset financials was realized as 367 percent on a yearly basis.

As the major component of our Bank assets, the loan volume reached TL 1,197 million and it was increased by TL 1,184 million from the end of 2013. Regarding the breakdown of our loan portfolio on a currency basis, 43 percent of our portfolio belongs to TL loans and 57 percent belongs to foreign currencies. As the other major component of our Bank Assets, receivables from Banks reached to TL 1,421 million.

On the liabilities side the Funds Borrowed by our Bank reached TL 2,470.9 million, Demand and Time Deposits from clients reached TL 123.4. As of the end of 2014, the Equity of our Bank was realized as TL 533.2 million and the Capital Adequacy Ratio saw a good level of 21.76 percent.

Considering the results of our income statement as of the end of 2014, Net Interest Income of the Bank reached TL 57.9 million. Income before Provision for Loans, Other Receivables Losses and before Taxes was realized as TL 11.5 million and the Net Income as TL 1.2 million.

Regardless of the global and domestic economic developments, as the only operating Japanese Bank with a Turkish banking license, BTMU Turkey remains committed to enhancing the variety and quality of its services to support Japanese, domestic and multinational clients, to assist Japanese and other investors seeking to expand their businesses in the region and continue to strive to be a solid foundation of trust to its business partners within the scope of the MUFG Group's vision to "Be the World's Most Trusted Financial Group".

With a strong sense of devotion and commitment to our customers and the Turkish market, we intend to continue to develop our business activities in 2015.

We would like to express our sincere gratitude to our valuable customers, strategic and business partners and our beloved employees for their dedicated support in the blossoming stage of our Bank in Turkey. We believe our solidarity and strong cooperation will lead to great prosperity for all parties involved, as well as to the domestic economy of Turkey and the region.

Masato Miyachi

Chairman of the Board of Directors

Yasuo Asada

President

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## MANAGEMENT & CORPORATE GOVERNANCE POLICIES

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### Board of Directors

**Masato Miyachi****Board Chairman****Corporate Governance Committee Chairman**

**Masato Miyachi** was born in 1960 and graduated from the Economy Department of Tokyo University, Japan. He has a master's degree from Stanford University and a PHD from Waseda University. He began his banking career at The Bank of Tokyo, Ltd. in 1984 and worked in various departments of the Bank's offices in Japan and in New York. He took management roles in various departments of Mitsubishi Securities (2002-2009) and The Bank of Tokyo-Mitsubishi UFJ, Ltd (2010-2014). He was appointed as the Deputy CEO for EMEA in 2013 and the Managing Executive Officer in 2014. In October 2014 he was appointed as CEO for EMEA and the Chairman of the Board of Directors of Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş.

**Hirofumi Noda****Board Vice Chairman**

**Hirofumi Noda** was born in 1964 and graduated from the Economy Department of Kobe University, Japan. He began his banking career at The Bank of Tokyo, Ltd in 1987 and he worked in the HR, Credit, Treasury and Planning Departments in Japan and US offices in the first years of career. He was a manager in the Treasury and Planning departments of Tokyo-Mitsubishi International, PLC. / London (1998-2006), General Manager at the Planning Department of Mitsubishi UFJ Securities Holdings Co, Ltd. (2006-2012) and General Manager at the Group Strategy Department of EMEA Mitsubishi UFJ Financial Group, Inc. (2012-2013). He is currently the President of the Planning Group for EMEA at Bank of Tokyo – Mitsubishi UFJ. He was assigned as the Vice-Chairman of the Board of Directors of Bank of Tokyo – Mitsubishi UFJ Turkey A.Ş. in February 2014.

**Toru Yamaguchi****Board Member****President**

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

*As of 6<sup>th</sup> of March 2015 he resigned from our Bank.*

**Paul Antoon Ludwina Cardoen****Board Member**

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

*Paul Antoon Ludwina Cardoen resigned from the Bank's Board of Directors on 31 January 2015.*

**Yuta Uchiyama****Board Member**

**Yuta Uchiyama** was born in 1964 and graduated from Waseda University, Japan. He began his banking career at The Sanwa Bank, Ltd in 1988 and worked in the US and Japan offices in various positions until 2002. Between 2002-2006, he was the Manager of the UFJ Bank Nederland N.V. / Amsterdam, Netherland. He then took on the roles of Senior Manager, Deputy General Manager and General Manager in the Tokyo, Bahrain and Dubai branches of The Bank of Tokyo-Mitsubishi UFJ, Ltd., from 2006 until 2014. He took up his current position as General Manager of Credit Division for EMEA at The Bank of Tokyo-Mitsubishi UFJ Ltd. He was appointed as a member of the Board of Directors of Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. in November 2014.

**David Ralph Rosenberg****Board Member**

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



**Ali Vefa Çelik**  
**Board Member**

**Audit Committee Chairman**

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



**Jeremy Quinton Broughton**  
**Board Member**

**Audit Committee Member**

**Jeremy Quinton Broughton** was born in 1953. He graduated from Wales and Cambridge Universities (UK) and has an MBA Degree from Yale University, USA. He has worked as an Executive Director and the Head of Risk Management at JP Morgan Chase and JP Morgan Securities Inc. (US) between 2000-2008 and as a Managing Director of the Deputy Global Head of GBM Market Risk at the Royal Bank of Scotland. He assumed his current duty of Chief Risk Officer and General Manager of Risk Management for EMEA at The Bank of Tokyo-Mitsubishi UFJ Ltd., in 2013. He was appointed as a member of the Board of Directors of Bank of Tokyo-Mitsubishi UFJ Turkey A.Ş. in March 2014.

## Top Management

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### **Toru Yamaguchi, President**

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

***As of 6<sup>th</sup> of March 2015 he resigned from our Bank***

### **Yasuo Asada, Deputy President – Credit**

Yasuo Asada was born in 1963 and graduated from Keio University Economy Department. His banking career started in 1987. He is currently the Deputy President of Finance and Credits at BTMU Turkey

***As of 6<sup>th</sup> of March 2015 he become a President of BTMU Turkey.***

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

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

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

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

### **Kenzo Okumura**

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

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

### **Önder Gökalp**

#### **Chief Financial Officer**

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

### **Ayşe Eratlı**

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

Born in 1967, Eratlı is a university graduate. She has 23 years-long career in banking and she started to work for BTMU Turkey on March 2013. She resigned from the Bank as of 23 January 2015

### **Bengi Özlüarda**

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

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

**Berna Canbulat****Senior Manager-Operation**

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

**Metin Göğüş****Senior Manager- Corporate Banking**

Born in 1969, Göğüş is a university graduate and has a master degree on Business Management. He has 20 years of experience in banking industry. He has been working at BTMU Turkey since December 2014.

**Onur İlgen****Manager-Treasury**

Born in 1984, İlgen is a university graduate and has a master degree on Financial Engineering. He has 7-years of experience in banking industry and he has been working at BTMU Turkey since May 2013.

**Serhat İnanlı****Senior Manager- Information Technologies**

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

**Yoshiro Yamaguchi****Senior Manager-Corporate Banking**

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

**Yasemin Akyel****Manager-Loans**

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

## Managers of Internal Systems Departments

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**Hülya Eroğlu****Senior Manager-Internal Audit**

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

**Rıdvan Çabukel****Senior Manager-Risk Management**

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

**Sinan Gürten****Senior Manager-Compliance and Internal Control**

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

## Committees

### Corporate Governance Committee

Mr. Masato Miyachi - Chairman  
Mr. Toru Yamaguchi -Member

*The Corporate Governance Committee is made up of members from the Board of Directors to monitor the compliance to Corporate Governance principles, execute improvement studies and present recommendations to the Board. The committee is made up of at least 2 members and convenes at least 2 times a year. The Chairman of Board is also the Chairman of the Corporate Governance Committee. The committee held 1 meeting in 2014.*

### Audit Committee

Mr. Ali Vefa Çelik - Chairman  
Mr. Jeremy Q. Broughton -Member

*Created further to Article 24 of the Banking Law 5411, the Audit Committee is responsible for monitoring and ensuring the effectiveness, eligibility and compliance of the Bank's internal systems to laws, regulations and internal policies of the Bank; assess whether the required methods, tools and application procedures are available for identifying, measuring, monitoring and controlling the risks of the Bank; supervise the operation of the accounting and reporting systems and the integrity of the data produced, perform the required preliminary assessments in the selection of the independent audit organizations and grading, assessment and outsourcing organizations by the Board of Directors; and regularly monitor the activities of these organizations chosen by the Board of Directors and with whom contracts are signed. The Chairman of the Audit Committee is also a member of the Board of Directors responsible for Internal Systems. The Audit Committee convened 10 times in 2014.*

### Compliance Committee

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

*The Committee was established to discuss the issues related with Compliance, communicate to the BoD the compliance policies of the Bank and the measures taken, exchange any kind of views/information related to compliance, and prepare data and reports to be submitted to the Audit Committee and/or Board of Directors related to the monitoring of the compliance of the Bank to internal and external regulations. It meets once a month and it is chaired by the Member of the Board responsible for Internal Systems. The Committee convened 10 times in 2014.*



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## Credit Committee

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Mr. Toru Yamaguchi - Chairman  
Mr. Yuta Uchiyama –Member  
Mr. Paul A.L. Cardoen – Member  
Mr. Masato Miyachi–Sub. Member  
Mr. Hirofumi Noda – Sub. Member

*The Bank's Board of Directors mandated the Bank's Credit Committee for loan allocation transactions up to a certain level of amount in accordance with the Turkish Banking Act. The credit proposals prepared by the Bank's Corporate Banking Groups that exceed the President mandate are discussed at the Credit Committee once a month at least. The Credit Committee discusses about the credit proposals, makes the decision and escalates the ones which the Committee recommends to be discussed at Board of Directors level. In 2014, the Committee discussed and approved 8 credit proposals.*

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## Remuneration Committee

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Mr. Masato Miyachi – Chairman  
Mr. Toru Yamaguchi - Member

*The purpose of the Remuneration Committee is to monitor, audit and evaluate the Remuneration policies and procedures, on behalf of the Board of Directors. In this scope, the Committee works on the review of the trends related to human resources management, compare the Bank's remuneration to those in the market and take the necessary measures to continue to recruit and retain the most talented employees for the Bank. The committee meets, at least two times per year, additionally when necessary, and reports their activities to the Board of Directors annually. The Remuneration Committee held 1 meeting in 2014.*

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## Risk Committee

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

*The Board of Directors is responsible for instituting the Bank's risk appetite, review and approval of the risk framework and policies, analyzing periodic risk reports and activities related to the alignment of risk management policies and procedures. The Risk Committee's purpose is to provide information and present reports to the Board of Directors so that they may fulfill their risk management responsibilities. The Risk Committee meets once a month and it is chaired by the Member of the Board responsible for Internal Systems. Committee convened 12 times in 2014*

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## Executive Committee

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Mr. Toru Yamaguchi, Chairman  
Mr. Yasuo Asada, Member  
Mr. Fumito Kobayashi, Member  
Mr. Oğuz Vecdi Öncü, Member  
Mr. Kenzo Okumura, Member  
Mr. Önder Gökalp, Member  
Ms. Ayşe Eratlı, Member  
Ms. Bengi Özlüarda, Member  
Ms. Berna Canbulat, Member  
Ms. Hülya Eroğlu, Member  
Mr. Onur İlgen, Member  
Mr. Metin Göğüş, Member  
Mr. Rıdvan Çabukel, Member  
Mr. Serhat İnanlı, Member  
Mr. Sinan Gürlen, Member  
Ms. Yasemin Akyel, Member  
Mr. Yoshiro Yamaguchi, Member

*The Executive Committee is formed with the purpose of supporting the President in the Bank's daily operations. Under the leadership of the President, the Committee helps develop and implement the Bank's daily, weekly business policies, within the scope of the policies and strategies approved by the Board of Directors. Under the leadership of the President of the Bank, the committee meets every month. 12 meetings of the Executive Committee have been realized with the participation of its members in 2014*

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## Asset Liability Committee

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Mr. Toru Yamaguchi, Chairman  
Mr. Yasuo Asada, Member  
Mr. Fumito Kobayashi, Member  
Mr. Oğuz Vecdi Öncü, Member  
Mr. Kenzo Okumura, Member  
Mr. Önder Gökalp, Member  
Mr. Onur İlgen, Member  
Ms. Bengi Özlüarda, Member  
Mr. Metin Göğüş, Member  
Mr. Rıdvan Çabukel, Member  
Ms. Yasemin Akyel, Member  
Mr. Yoshiro Yamaguchi, Member

*The Assets & Liability Committee is in charge of carrying out the management of the assets and liabilities of the Bank in order to maximize revenues within the scope of the risk appetite and tolerance identified by the Board of Directors; assessing the interest, exchange rate, liquidity and market risks under the light of the strategy and competition conditions of the Bank, taking the decisions to be executed by the related Departments to manage the Bank's balance sheet. The Committee is chaired by the President at its meetings. The Committee convened 23 times in 2014.*

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## Disciplinary Committee

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Mr. Toru Yamaguchi - Chairman  
Mr. Fumito Kobayashi, Member  
Mr. Oğuz Vecdi Öncü, Member  
Ms. Hülya Eroğlu, Member  
Mr. Rıdvan Çabukel, Member  
Mr. Sinan Gürten, Member

*The Committee's purpose is evaluate the Bank staff's actions falling contrary to legal regulations, Bank rules and the policies stated in the Professional Ethics and Conduct Principles, and to assign the necessary penalty In instances of criminal activity or fault.  
The Committee meeting was held 1 time in 2014.*

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## Oursourcing & Procurement Committee

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

*The Committee was founded to discuss and approve the outsourcing of services and the procurement transactions to be realized by the Bank over certain limits.  
The Committee convened 2 times in 2014.*

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## Operational Control Committee

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

*The Committees' founding purpose is for collaboration in increasing the operational quality and efficiency of the Bank, work to reform the Bank's operational level, and to monitor and quickly finalize these types of working matters. The Committee convened 9 times in 2014.*

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## **Business Continuity & Crisis Management Committee**

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

*The Committee was founded to ensure the continuity of the Bank's activities in accordance with its priorities in the event of any disaster, crisis or extraordinary circumstance; approve the plans, policies and processes to be implemented before, during and after the mentioned emergencies, and ensure their implementation at the Bank. The Committee meets once in every 6 months and it is chaired by the President. The Committee held 6 meetings in 2014.*

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## **New Product Committee**

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

*The Committee is formed to make decisions regarding the implementation of new products and their compliance with internal and external regulations, their alignment with the Bank's general activities plan and goals, and evaluation of the financial, operational, risk and profit aspects of the product. The Committee, when needed, meets under the leadership of the President of the Bank Presidency. The committee held 1 meeting in 2014.*

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

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

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

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

42 meetings of the Board of Directors were held throughout 2014, and the attendances were regular with respect to quorum. 1 of these meetings was a physical meeting.

## Human Resources

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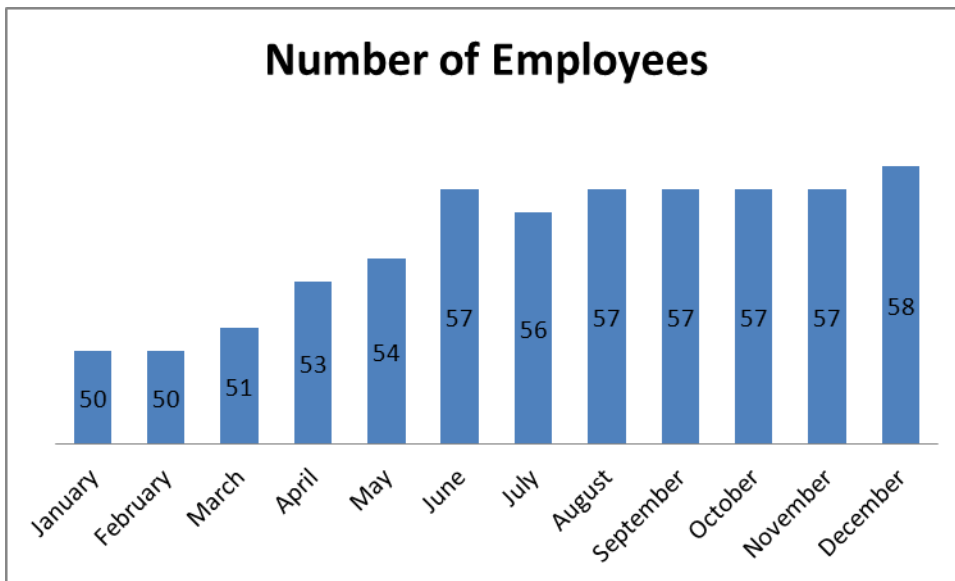
Following the foundation permit with BRSA decision dated 20 December 2012 and no. 5108, and the operating permit dated 24 September 2013, our Bank began to serve its customers on 28 November 2013.

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

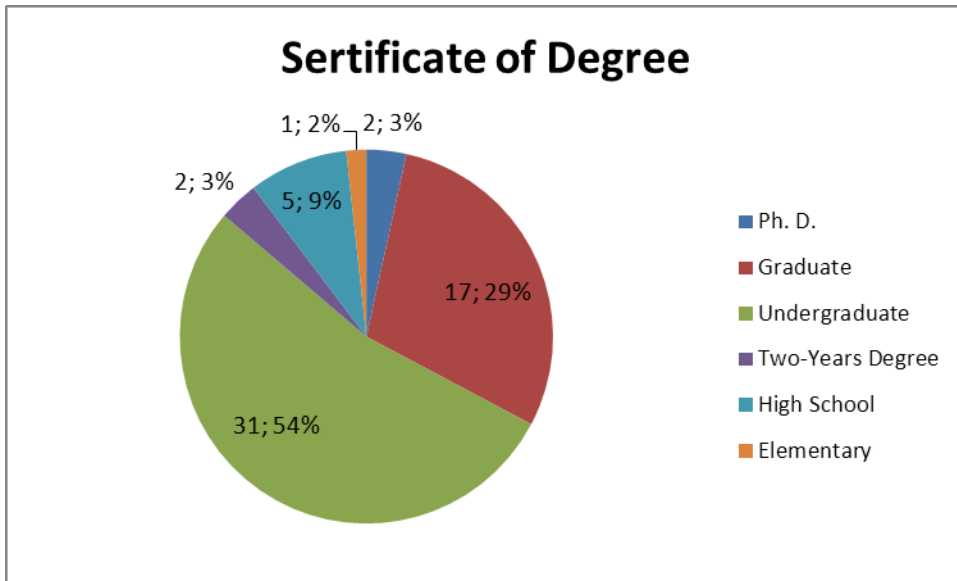
During recruitment processes, attention has been paid to include the individuals who are aligned with the vision and missions of our Bank, who are responsible and honest as we defined in our corporate values, who have an aptitude for team work and who are open for professional and personal improvement.

Our team of 50 people as of the end of 2013 increased to 58 people by the end of the year 2014.

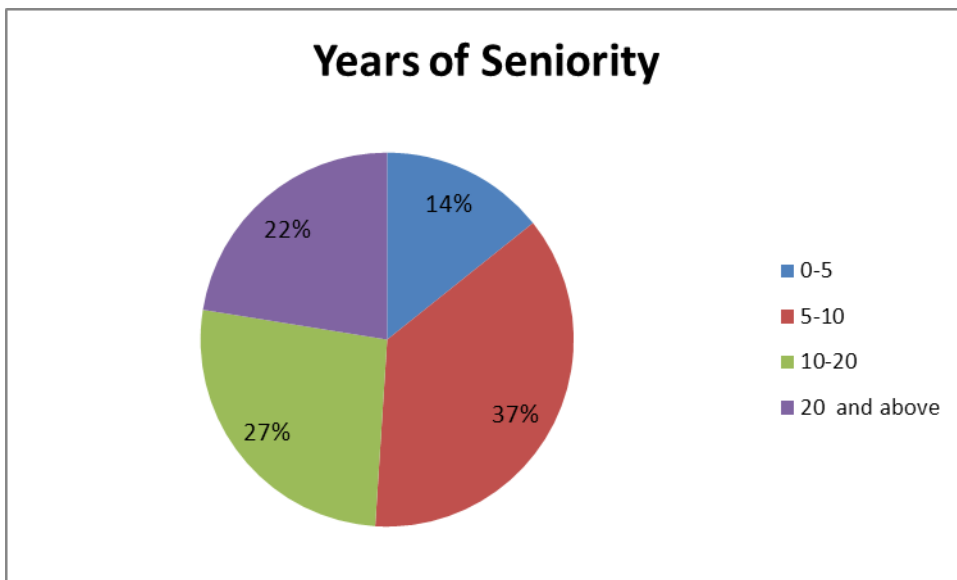
The personnel increases of our organization as per months during our first year are as follows.



86% of our employees, with an average age of 40, have bachelors degrees and higher education.



Special attention has been paid to the recruitment of managers and higher level employees who have high knowledge and experience in the banking industry, in order to meet the high quality and perfect service standards targeted by our Bank in services given to our customers and due to the policy of our Bank to serve as one central unit and not being divided into branches. Our employees have shown the following industrial seniorities further to the recruitments made.



Our Bank has a highly experienced team with many years of background in the industry. Approximately half of our employees have 10 years or more experience in the banking sector.

A fair wage policy is applied to the employees of our Bank. In this framework a wage grade which considers the balances within the Bank, benchmarks and the experience and qualifications of the employees have been arranged. In 2014, BTMU Turkey and HAY consultancy has worked on a project about the title structure and performance management system. After this project, the title structure has been revised and salary increase and benefits have been based on this system.

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

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

Both knowledge and skill levels of the employees are closely monitored, and the required training means to improve them are offered to employees in a fair and equal fashion. In 2014, 56 employees received a total of 1.403 hours of trainings, 322 hours of which were internal and 1.1081 hours provided by third parties. Throughout the year, each BTMU employee received a training of 25 hours in average.

In 2014 our Bank successfully completed two corporate social responsibility projects. In addition to this, BTMU Turkey started the “Junior Achievement Company Programme” with Junior Achievement Foundation to create more value added social responsibility projects.



## Transactions of BTMU Turkey with the Related Risk Group

Risk Group of the Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	0	0	0	0	0	0
Balance at beginning of period	0	0	0	0	589	0
Balance at end of period	0	0	0	1.253	33.152	0
Interest and commission income	0	0	0	26	0	0

Risk Group of the Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at beginning of period	0	0	0	0	0	0
Balance at end of period	0	0	0	0	83.403	0
Deposit Interest Expense	0	0	0	0	86	0

Risk Group of the Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Credits Obtained						
Balance at beginning of period	0	0	0	0	118.016	0
Balance at end of period	0	0	0	0	2.470.881	118.016
Interest Expense	0	0	0	0	2.169	3

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
Balance at beginning of period					1.598	0
Balance at end of period					1.530.646	1.598
Total Profit/Lost					11.517	0

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

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<b>Supplier</b>	<b>Service Outsourced</b>
KDDI Europe LTD	IT Products purchase and procurement
Intertech Bilgi İşlem ve Pazarlama Tic. A.S.	Core Banking System procurement and consultancy
Vega Bilgisayar Hiz. Ltd. Şti	Rapokon licence usage and maintenance
Fineksus Bilişim Çözümleri Ticaret A.Ş.	Paygate Suite Systems purchase and procurement
MARO Uluslararası Bilgi Teknolojileri Danışmanlık Geliştirme Destek Hizm. San. Tic. LTD ŞTİ	Banking Technologies and consultancy services
Teknotel Telekomünikasyon San. Ve Tic. A.Ş.	Data Center hosting service
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Third level support service

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## FINANCIAL EVALUATIONS AND RISK MANAGEMENT

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

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

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

Internal Audit Department reports to the Audit Committee.

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

Annual audit plans are prepared by the Head of Internal Audit Department, reviewed by the Audit Committee and revised if necessary, before the plan takes its final form. The final plan is approved by the Audit Committee and the Board of Directors and the audit activities are carried out according to that plan. An Internal Audit system has been established in accordance with the Internal Systems Directive published by the Banking Regulation and Supervision Agency, which conforms to the scope and structure of the activities to ensure the monitoring and control of the risks exposed by the Bank to ensure the sustainability and continuity of its activities.

## **Compliance and Internal Control System**

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

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

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

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

In addition, different systematic infrastructures have been created at the Bank to prevent Anti-Money Laundering and the Financing of Terrorism, and to maintain compliance with the generally accepted international rules and principles in this regard. In this scope, in order to ensure the inspection of all account openings in accordance with legal regulations and the principles of the Bank, in addition to the approval of compliance from the Compliance and Internal Control Department, the payments made at the Bank are held subject to electronic filters, and the transactions retained at the filters are inspected by the Compliance and Internal Control Department before they are finalized. Besides, as an effective post-control method and in accordance with the regulations of the Financial Crimes Investigation Board, the transactions made at the bank are held subject to comparative analyses with suspected transaction typologies by means of special computer software, and the results are automatically reported to

Compliance and Internal Control Department to ensure the implementation of additional control activities.

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

## **Risk Management System**

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The Risk Management Department conducts the risk management activities in accordance with the "Banking Law 5411", "The Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process" published in the Official Gazette dated 11 July 2014 and no. 29057, and with other legal regulations.

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

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

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

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

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

Within the scope of the business continuity plans, the employees are educated on business continuity management and disaster recovery through relevant trainings. Risk Management Department has the responsibility of organization of business continuity and crisis management cascades.

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

## **Market Risk**

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

## **Credit Risk**

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

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

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

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

## **Operational Risk**

Operational risk is the risk caused by inadequate internal process, people, systems and external events. Operational risk activities are the identification, measurement and reduction of the Bank's operational risks. Operational Risk activities are the identification, measurement and reduction of the Bank's operational risks. The policies are reviewed every year and updated when necessary and submitted to the approval of the Board of Directors. The Bank conducts operational risk assessment on quarterly basis and monitors the operational risks with the key risk indicators. Operational risk activities are presented to the Risk Committee on a monthly basis.

## **Liquidity Risk**

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

## **Business Continuity Management**

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

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

## Credit Evaluation System

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

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

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

## Assessments regarding Financial Status, Profitability and Discharging Capacity

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

As of 31 December, 2014, the Bank's total assets stood at TL 3.229 million, total loans at TL 1.197 million and customer deposits at TL 207 million. Based on its specific needs, the Bank receives short, medium and long term funding from international markets.

In its second year of operations, the Bank's net profit stood at TL 1.2 million. As of 31 December 2014, the Bank's equity has been reported as TL 492 million, while its capital adequacy ratio stood at 21, 76 percent well above the local banking sector average.