



Corporate Governance Compliance Rating Report



Garanti Faktoring Hizmetleri A.Ş.

23 August 2012

Validity Period 23.08.2012-23.08.2013

LIMITATIONS

This Corporate Governance Compliance Rating Report issued by Kobirate Uluslararası Kredi derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. (herein after called "KOBIRATE") for Garanti Faktoring Hizmetleri A.Ş. (herein after called "Company") is compiled in accordance with the Corporate Governance Principles Compliance Rating Methodology prepared by Kobirate on the basis of the Corporate Governance Principles issued by the CMB in 2005 and modified with a communique on Dec.2011, Series:IV,No:56 and on Feb.2012, Series IV, No: 57, which are approved by the CMB with its letter of 24.04.2009, no. 5347.

The Rating Report issued by Kobirate International Credit Rating and Corporate Governance Services Inc is based on 67 copies of documents, data, files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

Kobirate has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Firms, generally accepted ethical rules of the IOSCO and OECD including generally accepted ethical customs, which is shared with the public through its Internet website (www.kobirate.com.tr)

Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate formed accordingly to the methodology disclosed.

The rating grade does not constitute a recommendation to purchase, to hold or to dispose any kind of borrowing instrument. KOBIRATE may not be held liable for any losses incurred or investments made to the company referring to this report.

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**GARANTI FAKTORİNG
HİZMETLERİ A.Ş.**

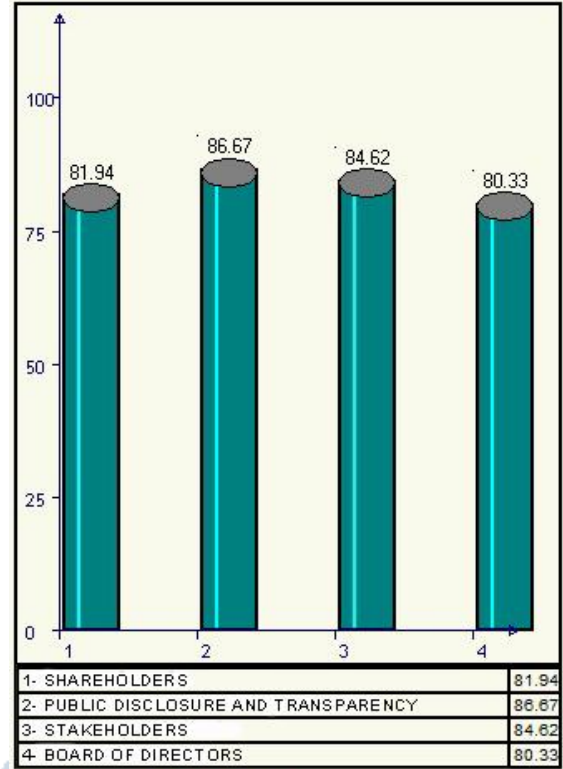
**CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE**

8.36

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RATING SUMMARY

At the end of on site examinations of the documents, interviews held with executives and persons involved, and of other reviews, the process of rating of compliance of **GARANTI FAKTORİNG HİZMETLERİ A.Ş.** with the Corporate Governance Principles is concluded in accordance with the Corporate Governance Principles Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş. according to the Corporate Governance Principles issued and approved by the R.T.Prime Ministry, Capital Market Board of Turkey. Examinations were based on the modifications made on the Capital Market Board's Corporate Governance Principles by the Communiqué Series IV, No:56 in December 2011.

At the end of examination of 293 criteria under the headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors as specified in the CMB's Corporate

Governance Principles and the methodology of Kobirate A.Ş., developed for "Third Group Companies of the ISE, the Corporate Governance Compliance Rating Grade of **GARANTI FAKTORİNG HİZMETLERİ A.Ş.** is determined as **8,36**. This result signifies that **GARANTI FAKTORİNG** has achieved a considerable compliance with the CMB's Corporate Governance Principles and it expresses a need for some improvements while it doesn't pose major risks. The company deserves to be included in the ISE Corporate Governance Index at high level.

In view of rating process under main headings in brief;

It is observed that **GARANTI FAKTORING** has obtained a grade of **81.94** in respect of Shareholders' Section

In this section, it is confirmed that the company in general has achieved a high level of compliance with the CMB Corporate Governance Principles. The salient positive achievements are; the existence of Shareholders Relation Department, timely and duly convention of general assembly and a developed income appropriation policy. It has been observed that relevant items required to be complied with the CMB Communiqué Series:IV, No. 56 have been respected and necessary amendments are made to the Articles.

On the other hand, areas of non-compliance with the principles are; several restrictions in transfer of shares and minority shareholders lack of right to appoint special auditors.

It has been appreciated that **GARANTI FAKTORING** who has gained **86.67** for Public Disclosure and Transparency has developed its disclosure policy and submitted to the approval of general assembly and shared with public, have access to several current data on the Internet website, which are specified in the principles and might be needed by the investors.

Although there are some imperfections, the annual report is sufficient in terms of coverage and it is found that the information provided is supported by charts. It is due to such efforts that **GARANTI FAKTORING** has displayed an important level of compliance with the principles covering public disclosure and transparency.

It's observed that the company reached the grade of **84.62** for the Stakeholders' Section.

The Company has achieved substantial compliance with the CMB's Corporate Governance Principles in respect to this section. A corporate human resources policy is established, regulations are

made and disclosed to the employees including recruitment, job descriptions, performance appraisal, promotion, awarding, leave and social benefits.

It is observed that job processes and standards are set forth and that the customers are informed of such processes.

Procedures for outsourcing in terms of product and service are laid down in written documents.

Ethical Rules are set forth and introduced to employees to act pursuant to such rules.

For the purposes of this subsection, it is noticed that the Articles and internal procedures do not contain a regulation relating to participation of employees and stakeholders in company management which is an area requiring improvement.

As for the Board of Directors Section, it is found that the Company's grade amounts to **80.33**, representing a high level of compliance with the CMB's Corporate Governance Principles.

It is confirmed that the Board has set company's strategic goals which has audited the corporate management performance, further attention is paid to the company affairs to be in compliance with the legislation, the Articles and internal regulations.

The posts of Chairman of the Board and Chief Executive Officer are held by separate individuals, the authorization of each of them are indicated in the Articles of Association.

The Board convenes regularly and procedures for meetings are incorporated in both the Articles and internal directives.

It has been observed that the audit and Corporate Governance Committees referred to in the Principles have been formed, whose working principles appear in written documents. Further, certain

committees comprising Directors and experts are in place operating actively.

On the other hand, it appears as important indications of compliance with the Principles such as the Board comprises non-executives members as well as independent members, guidelines for remuneration of Directors and top executives are set forth and have been presented to the attention of the members at the general assembly as a separate item.

On the other hand, the fact that the newly formed Corporate Governance Committee is inoperative yet appears as a gap requiring to be eliminated.



2. THE RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

In 1999, the Economic Cooperation and Development Organization (OECD) approved at the Meeting of Ministers and published the Corporate Governance Principles. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders and companies throughout the world. In 2002, these principles were revised and accommodated to the present situation.

As for Turkey, the Capital Market Board (CMB) has undertaken the duties for the Corporate Governance. The CMB established the Corporate Governance Principles first in 2003, later in 2005, it revised and published the principles. The last revisal is done on Dec. 2011 and Feb. 2012 with Communiqué Serial: IV, No: 56 and Serial: IV No: 57 respectively by the Board. The principles are grouped under four main headings namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

Besides the CMB, by the Directive on Bank's Corporate Governance Principles, promulgated in Official Gazette of 01.11.2006, No: 26333, the BRSA introduced the rules required to be complied with by Banks.

Kobirate International Credit Rating and Corporate Governance Services Inc (Kobirate Inc) achieves the Corporate Governance Compliance Rating by a system identically based on the Corporate Governance Principles of the

Capital Market Board (CGPCMB). Through this system, the firms are analyzed under four main headings of the Public Disclosure and Transparency, Shareholders, Stakeholders and the Board of Directors in accordance with the CGPCMB).

Kobirate achieves the Corporate Governance Rating of the Banks by a system based on CGPCMB as well as on the BRSA's Regulations Relating to Corporate Governance Principles for Banks. In this analysis, the full compliance of work flow and analysis technique with Kobirate Inc's Ethical Rules is considered.

In this analysis, 293 different criteria are considered to measure the compliance of firms whose shares are traded on ISE with the corporate governance principles. Such criteria are translated into the Kobirate A.S.'s unique Corporate Governance Rating Questionnaire and the firms' and banks' responses to which are received electronically. The responses are analyzed and reexamined by the rating experts and analysts, reexamined and turned into a reported with results which is submitted to Kobirate Corporate Governance Rating Committee for final decision.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, "10" points mean excellent, full compliance with CMB's Corporate Governance Principles while grade "0" means that there is unsatisfactory compliance with CMB's Corporate Governance Principles in the existing structure.

On this context, in order to reach the total grade, the following rates as adopted from the Corporate Governance Principles of the Capital Market Board are applied;

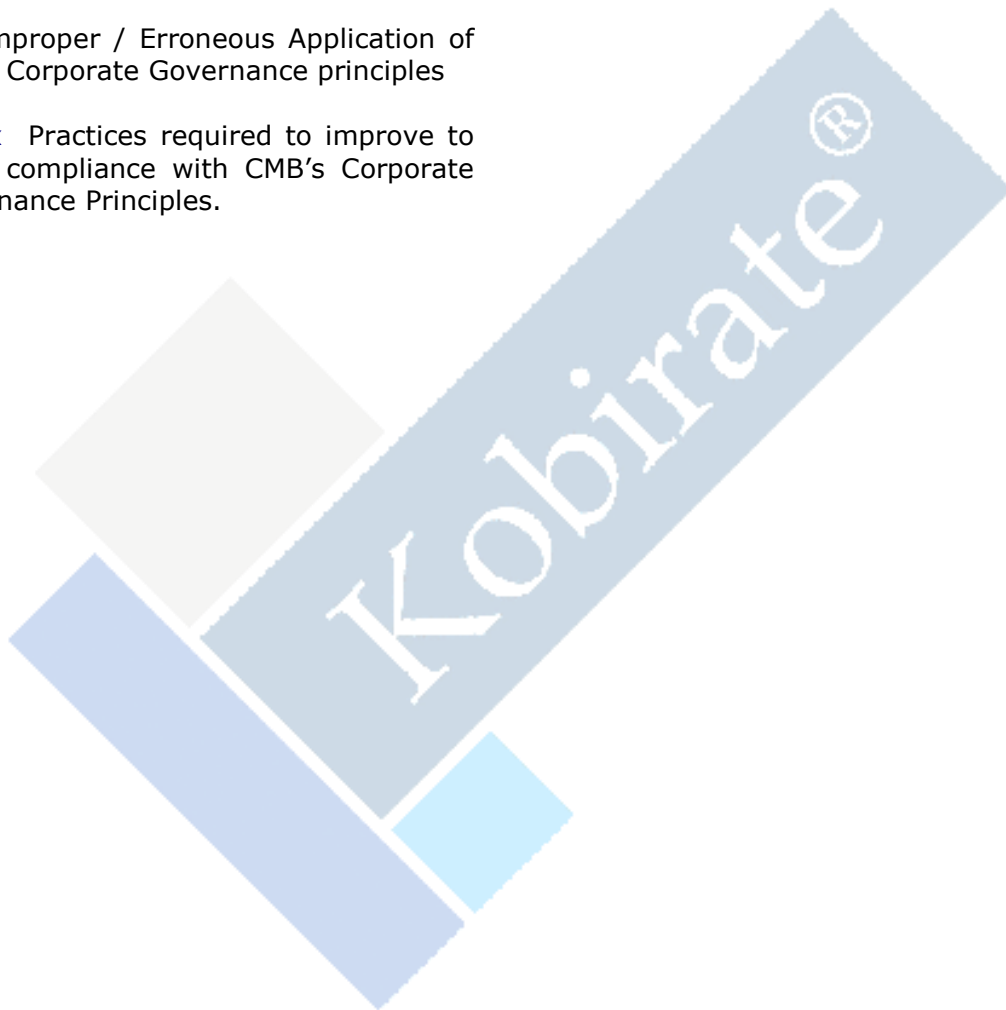
- Shareholders 25%
- Public Disclosure and Transparency 35%
- Stakeholders 15%
- Board of Directors 25%.

In this report the following legends have the following meanings:

✓ Due / Correct Application of CMB's Corporate Governance Principles

✗ Improper / Erroneous Application of CMB's Corporate Governance principles

✓ / ✗ Practices required to improve to be in compliance with CMB's Corporate Governance Principles.



3. COMPANY PROFILE



Company Name : Garanti Faktoring Hizmetleri Anonim Şirketi
Company Address : Eski Büyükdere Cad. Ayazağa Köy Yolu No:23
Kat: 2 Maslak Şişli 34396 İSTANBUL
Company Phone : (0212) 3653150
Company Facsimile : (0212) 3653151
Company Website : www.garantifactoring.com
Date of Incorporation : 04/06/1990
Registered Number : 265852
Paid-Up Capital : 21.000.000.-TL
Line of Business " : Factoring services
Industry in Which Its Operates : Finance Industry

Company's Representative in Charge of Rating:

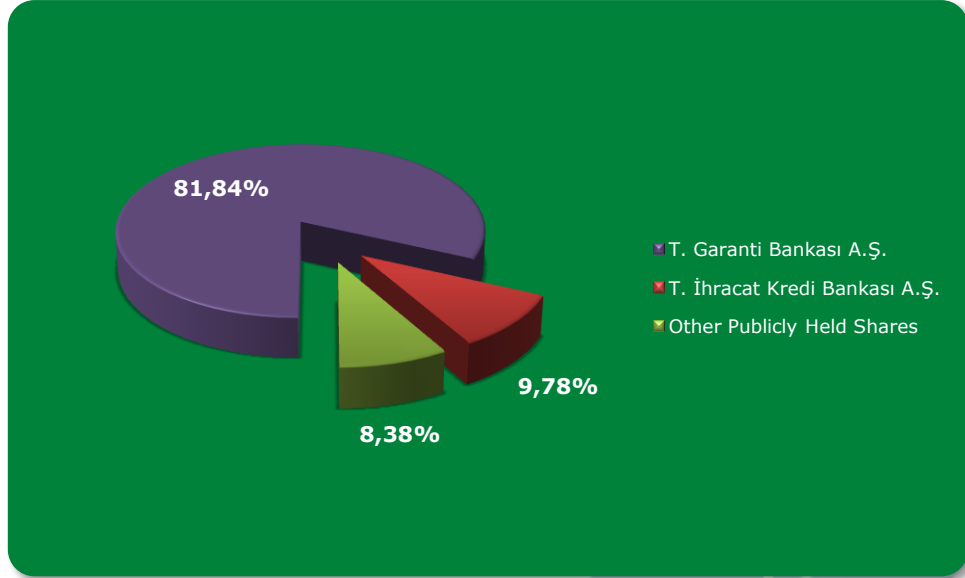
Serap Çakır

Head of General Accounting Department

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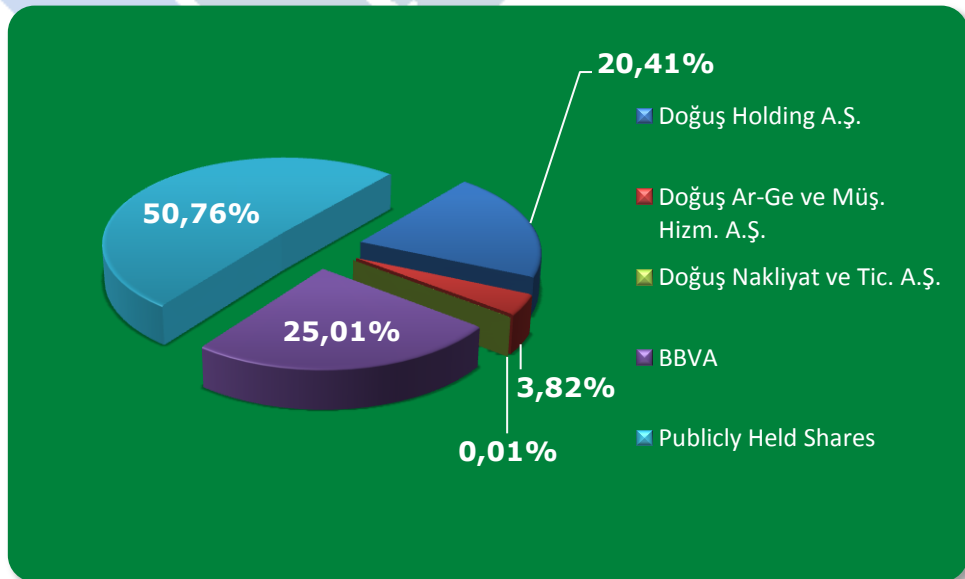
Shareholders' Structure (As of the Report Date)



Source : www.garantifactoring.com

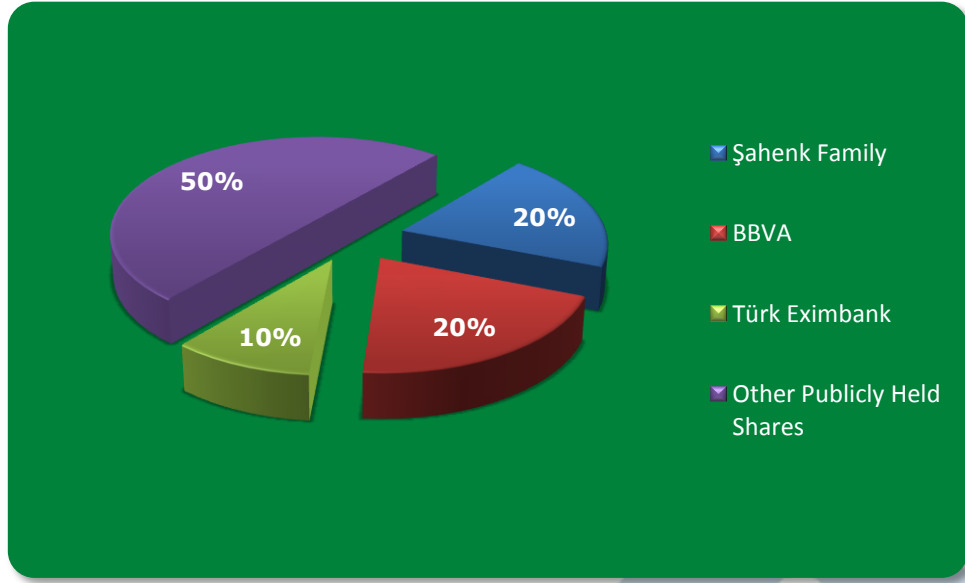
Name	Share (TL)	%
T.Garanti Bankası A.Ş.	11.634.970,12	55,40
Publicly held shares belonging to T. Garanti Bankası A.Ş.	5.552.179,44	26,44
T. İhracat Kredi Bankası A.Ş.	2.053.230,02	9,78
Other Publicly Held Shares	1.759.620,42	8,38
Total	21.000.000,00	100,00

The Shareholders' Structure of the Controlling Member of T. Garanti Bankası A.Ş.



Source: www.garanti.com.tr

Individuals and Legal Entities Holding Shares Directly and Indirectly in Garanti Faktoring Hizmetleri A.Ş.



Name	Share (TL)	%
Şahenk Family (Effective indirect shares come from Doğu Holding and Doğu Ar Ge))	4.165.014,28	19,83
BBVA (Banco Bilbao Vizcaya Argentaria S.A.)	4.298.318,64	20,47
Türk Eximbank	2.053.230,02	9,78
Other Share Publicly Held	10.483.437,06	49,92
Total	21.000.000,00	100,00

Source: www.kap.gov.tr

Board of Directors

Name	Title	Executive/ Non Executive
Sait Ergun ÖZEN	Chairman	Non Executive
Turgay GÖNENSİN	Vice Chairman	Executive
Muammer Cüneyt SEZGİN	Member	Non Executive
Aydın ŞENEL	Member	Non Executive
Manuel Pedro GALATAS SANCHES HARGUINDEY	Member	Non Executive
Luis Vincente GASCO TAMARIT	Member	Non Executive
Hasan Hulki KARA	Member / CEO	Executive
Serhat YANIK	Independent Member	Non Executive
Ali ÇOŞKUN	Independent Member	Non Executive

Executives

Name	Title
Hasan Hulki KARA	CEO
Mert ERCAN	Vice President
İlkay ŞAHİN HAMURCU	Vice President
Erkan COPLUGİL	Vice President

COMMITTEES WITHIN THE BOARD

AUDIT COMMITTEE

Serhat YANIK
Ali ÇOŞKUN

CORPORATE GOVERNANCE COMMITTEE

Serhat YANIK
Muammer Cüneyt SEZGİN
Aydın ŞENEL

Balance Sheet Comparison of Certain Selected Items as at 1st Half of the Last Two Years

	2011/06(000)	2012/06(000)	Change %
Total Assets	1.214.501	1.574.961	29,68
Factoring Receivables	1.006.964	1.549.189	53,85
Paid in Capital	21.000	21.000	-
Equity	52.945	95.571	80,51

Source: www.garantifactoring.com

Income Statement Comparison of Certain Items as 1st Half of the Last Two Years

	2011/06(000)	2012/06(000)	Change %
Factoring Expenses	41.183	70.531	71,26
Operating Expenses	(11.790)	(15.798)	33,99
Financial Expenses	(33.413)	(40.428)	20,99
Net Profit / Loss	2.928	11.015	276,20

Source : www.garantifactoring.com

The Bottom and Peak Closing Values of Company's Shares Traded on the ISE During Last Year

<i>Bottom</i>	<i>Peak</i>
3,32 (09.08.2011 ve 10.08.2011)	6,24 (06.03.2012)

Company's Brief History

The firm was established in June 1990 under the name of Aktif Finans Faktoring Hizmetleri A.S. , it is one of Turkey's first factoring companies.

Firm's public offering was accomplished on 23.12.1993.

Upon takeover by Dogus Holding A.S. of majority stake in 1996, it has been an affiliate of Dogus Holding A.S.

In 2001, its name was changed to Garanti Faktoring Hizmetleri A.S. as a result of reflection of corporate identity of the principal member T. Garanti Bankasi A.S.

Domestic factoring operations as well as foreign factoring operations are performed at the company in line with customers' requirements.

Garanti Faktoring Hizmetleri A.S. was entitled "The Most Preferred Factoring Company" in 2011 as was in 2009 and 2010 by the "Turkey's Most Preferred Companies" survey conducted by the Capital Magazine with participation of thousands of professional executives and businessmen each year.

Information on Company Operations

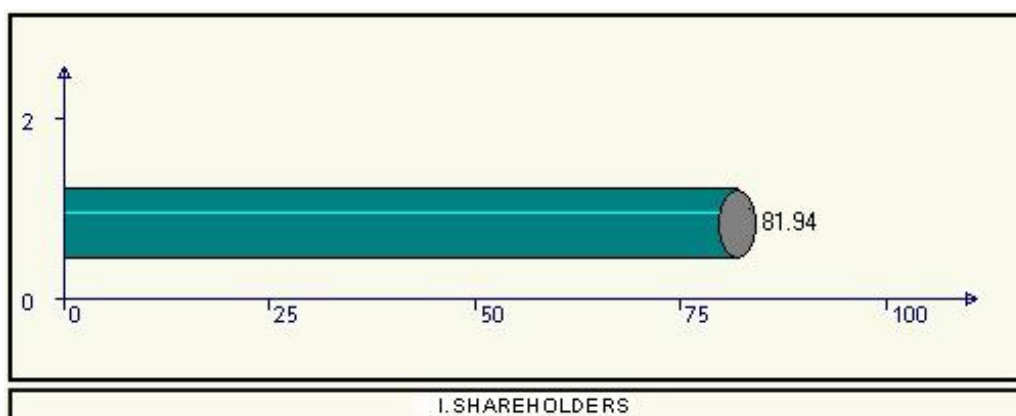
The firm performing domestic factoring operations in growing volumes further accomplishes successively the factoring operations involving external receivables.

In addition to the standard banking products covering the fast developing financing of the exports and imports in our Country, the need for receivables (debts) -based financing techniques is growing increasingly day by day. Customers' needs are offered by Garanti Faktoring Hizmetleri A.S. fast and cost-effective solutions by using both export factoring and international supplier financing structures.

A fast expansion continues in services launched by the corporation under "Trade Collection Management" since 2008, which ensure accomplishment and reporting by the commercial collection operation team of Garanti Faktoring Hizmetleri A.S. of corporate collection operations through a professional reporting system provided to the customers that the service receiving firms are provided with the facility of much more comprehensive assessment of future of their collections.

4. SECTIONS OF THE RATING PROCESS

A. SHAREHOLDERS



Overview

- ✓ **A healthily dealing Shareholders' Relations Department is set up.**
- ✓ **General assemblies are held pursuant to the legislation and the Articles.**
- ✓ **There is no regulation impeding the use of voting right.**
- ✓ **Income Appropriation Policy is developed and shared with public.**
- ✓ **Items required to be respected of Shareholders Section are complied.**
- ✗ **The shareholders are not conferred the right to appoint special auditor.**
- ✗ **There is restriction in transfer of shares.**
- ✗ **There is concession in voting right.**
- ✓/✗ **The Dividend Policy has not presented to the General Assembly's approval**
- ✓/✗ **Policies on donations and charities have not been presented to General Assembly's approval.**

The Company has been assessed by 72 different criteria for which it has been assigned the grade of **81.94** under the headings of the facilitation of utilize of Shareholders' rights, shareholders' right

to obtain and review information, members' right to attend the general meetings, members' rights, minority members' rights, members' right to receive dividend and members' right to transfer their shares to individuals of their choice whenever they wish so as indicated in the Capital Market Board's Corporate Governance Principles.

a. *Facilitation of the Shareholders Rights*

Operations involving Relations with the Shareholders are performed by the General Accounting Department. The Unit is headed by Vice-President Mert ERCAN while Serap CAKIR, Umit YILDIZ and Sebnem DEDE serve as Unit Manager and Authorized Officer respectively.

It has been found that the said employees have adequate qualifications in terms of knowledge and experience required for the task, that they play an effective role in protection and facilitation of shareholders' rights, the right to obtain and review information in particular.

Any data that might affect the use of shareholders' rights are currently at disposal of shareholders on the corporate Internet website.

It is confirmed that the Company has achieved full compliance with the principles in this subsection.

b. Right to Obtain and Review Information

The information required for the proper use of shareholders' rights are presented to the shareholders and the company's web site (www.garantifactoring.com) is used efficiently

It is been seen that written inquiries of shareholders' by phone and/or other means of communication have been responded in the shortest time and sufficient care has been given for their obtaining and reviewing information.

The "Disclosure Policies" endorsed by the Board appear on the internet website explaining in detail the shareholders' right to get and review information under the afore mentioned policies.

There is no regulation and practice at shareholders' right to obtain and review information to be cancelled or constrained by the Articles and/or a decision by any corporate organ.

Although there are no regulations and practices for shareholders' to make difficult the right to appoint a special auditor in the general assembly, the lack of any regulation in the Articles is an area incompliant with the principles hereunder.

c. Right to Attend the General Assembly

Due to the practices in the general meeting, **GARANTİ FAKTORİNG** has adjusted satisfactory compliance with principles hereunder.

It is confirmed that the notice of the general assembly has been announced pursuant not only to procedures laid down by the legislation but also by any means of communication at least 3 weeks prior for reach of possible maximum number of shareholders'.

In addition to the general meeting notice appearing on the corporate internet website, the total number of shares reflecting the corporate shareholders structure as of the announcement date and the voting rights are disclosed to the shareholders' and public. Further, it is observed that number of minority shares and their voting rights are also disclosed. In addition to the notice of general assembly if there is a replacement of a Board Member, reasons and information about the nominated person are also included to the agenda.

It has been found that in preparation of the agenda, item requests of CMB's and/or other public authorities related, written item requests of shareholders' are all taken into consideration by the Board of Directors.

It is found that in preparation of the general assembly agenda, the item headings are expressed explicitly avoiding any different comments that attention is paid to avoidance of phrases such as "other" "several" etc.

The general meetings are held at the company's head office at a suitable place. In the invitation of General Assembly, it's announced that the meeting will be open to public including stakeholders and media without right to speak.

From the review of the proceedings and attendees' lists of the general assembly, it is confirmed that some of the Board Members, auditors, executives responsible for financial statements and appropriate individuals to make explanation on highlighting items of the agenda take part in the meeting, the agenda items have been voted separately, that the votes have been counted and informed to the members before closure of the meeting. It is found that the Chairman of the meeting has paid attention to the reflection of agenda items in an impartial and detailed manner by an open and understandable mode including giving opportunity to shareholders' to express their views and question under equal conditions.

It is observed that the Company complies with the mandatory principles pursuant to CMB's Circular, Series: IV, No:56 and that at the general meeting held on 27.06.2012 necessary amendments were made to the corporate Articles.

As for this subsection, it is concluded that the company achieved a rather high compliance with the principles, however, it will be appropriate to present the policies developed on donations and gifts under CMB's Circular Series IV, No:56 to general assembly's approval.

d. Voting Right

Neither the Articles nor the internal procedures contain any difficulties to exercise the voting right and opportunity to exercise the voting right in the easiest and most convenient manner is given to each shareholder.

It is possible for the shareholders' to exercise their voting right in person or by proxies, whether member or not at the general meetings, the members are submitted with the specimen proxies to be used for this purpose at firm's headquarters and on corporate internet website.

The Articles contain regulation governing the voting manner, and it is observed that the shareholders' have been informed on this point at general assembly.

GARANTİ FAKTORİNG has no mutual participation resulting inherently in domination relationship.

On the contrary, Board of Directors being nominated only from Class A shareholders' concession is a practice requiring improvement in respect of compliance with the principles.

e. Minority Rights

There has not been any violation of exercise on minority shareholders' rights as attendance to the general assembly, representation by proxy, imposition of no upper limit for voting rights. In this sense it is observed that attention has been paid to exercise minority rights.

However, no regulation has been made to extend the coverage of the minority rights and to confer such rights to those holding a stake less than 5% of the capital in the Article.

f. Dividend Right

Pursuant to the criteria laid down by both CMB Circulars and TCC, the Company has formulated its Dividend Policy which has been shared with public electronically. It is ascertained that the policy contains the minimum data enabling the investors to foresee the procedure and guidelines for distribution of profit to be generated by the firm in coming periods. It is emphasised that the policy is determined under the Turkish Commercial Code, Capital Market Act, legislation, regulations and decisions issued by the Capital Market Board, in line with corporate governance practices, corporate strategies and financial projections by considering country's economy and sectors position including consideration of the delicate balance between shareholders' prospects and company's requirements.

The dividend policy, where there is no privilege income appropriation and all the existing shares are entitled to dividend equally without any pro rata deduction, is shared with the shareholders.

It is expressed in corporate dividend policy that in case of the Board's proposal to the general assembly not to distribute income, its reasons and mode of application of retained income will be presented to the shareholders' at the general assembly, similarly the same information will be shared with public

through the annual report and corporate internet website.

the Stock Exchange must be avoided” has been complied with.

At the general meeting held on 27.06.2012, net income of TL 33.419.660.58 generated from 2011 operations is decided to retain and add to equity. The shareholders were also informed about the profit retention and application at the same meeting.

For the purpose of this subsection it is confirmed that **GARANTİ FAKTORİNG** has achieved a very high level of compliance with the principles and the income appropriation policy should be submitted at the first general meeting for approval.

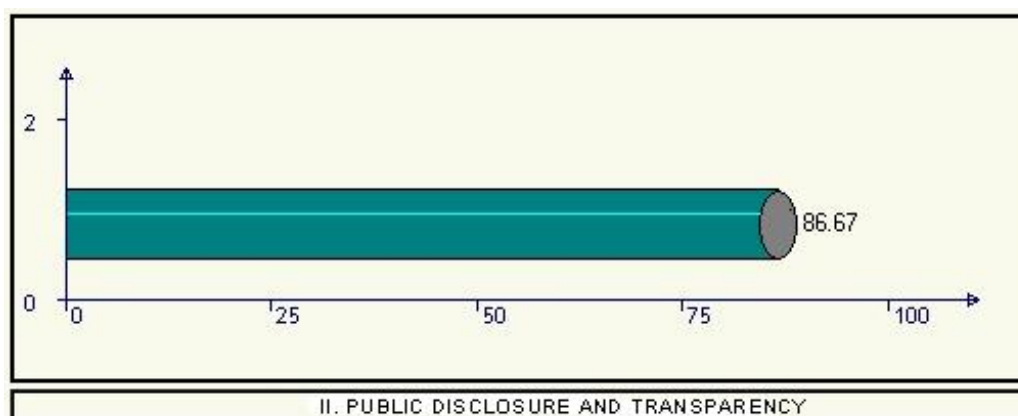
g. Transfer of Shares

Under Item 7 of the Company’s Articles, shares of Class A and B are registered shares. Since shares of other classes except for registered ones of Class B are not offered to public, in case of a shareholder wishing to transfer the registered shares of Class A, other shareholders’ holding registered shares of such classes have pre-emptive right to purchase the shares to be transferred at the rate of their own shares and at current prices. For this purpose, the member intending to transfer shares should notify the shareholders of registered shares through notary. In the event of present shareholders’ unwilling to purchase such shares within one month of notice, such shares may be transferred to third parties after the permission of the Board.

This provision does not extend to registered shares being traded on the Stock Exchange.

At the end of examinations made on records and vouchers at the head office pursuant to the item of the Articles mentioned above, it is observed that the requirement of the CMB Corporate Governance Principles, precisely, “1.7.1 Especially practices making it difficult to freely transfer of shares being traded on

B. PUBLIC DISCLOSURE AND TRANSPARENCY



Overview

- ✓ **The Disclosure Policies are developed in detail, presented to the attention of the general assembly and disclosed to public electronically.**
- ✓ **The Internet website with a coverage specified in the principles is updated and is effectively used for public disclosure.**
- ✓ **Data and vouchers required by the Principles are broadcasted on last five year basis in the Internet website.**
- ✓ **There is also English version of the information in internet website.**
- ✓ **Individuals who are the final controlling members of the company are announced to the public.**
- ✓/✗ **Although the coverage of the annual report is satisfactory some deficiencies must be eliminated.**

As for this section, the Company has been assessed by **60** different criteria under the headings of Public Disclosure principles and tools, Internet Website and Annual Report as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **86,67**.

a. Public Disclosure Principles and Tools

GARANTİ FAKTORİNG achieves its public announcements under its Public Disclosures Policies developed by the board, approved by the general assembly, which are shared with public.

The public disclosure policy contains what to be disclosed to public in addition to those required by the legislation, how, in what frequency and by which channels such data will be disclosed to public, the technique to be followed to respond to questions directed to the company.

Data to be disclosed to public are made available to public on the corporate internet website (www.garantifactoring.com) on time, accurately, completely, understandable, interpretable and cost-effective manner in order to help decisions of individuals and organisations benefitting.

In case of disclosure of future-oriented data to public, it is observed that the assumptions and the underlying data, too, are disclosed, and that the data do not include exaggerated speculations. Further the assumptions are consistent with the company's financial situation and operational results.

Also rules of public disclosure of the future-oriented data are covered by the disclosure policies.

It is found that the updated data have been disclosed to public giving the reasons if forecasts of future-oriented data disclosed have not substantiated or proven not to be substantiated.

It can be said that the Company's Practices under the heading of the public disclosure principles and tools are at a rather high level.

b. Internet Website

The corporate internet website (www.garantifactoring.com) serves as an active and effective platform for public disclosure and its coverage is updated continuously. The information appearing on the corporate internet website is consistent with announcements made pursuant to the relevant regulation, which are found not to include contradictory and deficient data. The address of the internet website appears on the letterheads of the company.

The corporate internet website covers the commercial registry details, the shareholding and management structure as of the latest situation, detailed information on preference shares, the final text of company's Articles of Association with the dates and numbers of commercial registry journals in which the amendments have been promulgated, the special case statements, the financial reports, the annual reports, the agenda of the general meetings, the lists of attendees, the proceedings of the meetings, the specimen Proxy, the income appropriation policy, the disclosure policy, salary policy, the donations and gifts policy, the Ethical Rules developed by the Company and inquiries, questions and notices received by the company under the headings of frequently-raised questions, the responses thereto in addition to the coverage of mandatory disclosure pursuant to the legislation.

The Internet website coverage is disseminated in the English Language as

well to ensure international investors benefit therefrom.

GARANTI FAKTORING's compliance with the corporate governance principles for this subsection is at very high level.

c. Annual Report

It is observed that the Board issues the annual report to ensure public have access to complete and accurate information regarding company's operations. Annual reports for the last five years have been shared with the Shareholders and public electronically, and the annual report provide the following details in addition to matters specified in the legislation and in other section of corporate governance principles;

Explanations on legal modifications that might affect seriously the company operations.

Information of employees social benefits, professional training and other corporate social responsibilities of company activities that give rise to social and environmental consequences.

Numerous explanations referred in the principles including the necessity that the general assembly confers prior permission for the members holding control in management, Directors, top executives, their spouses and affinity relationship up to second degree to be involved in deals and competition with the company or subsidiaries that might give rise to conflict of interest.

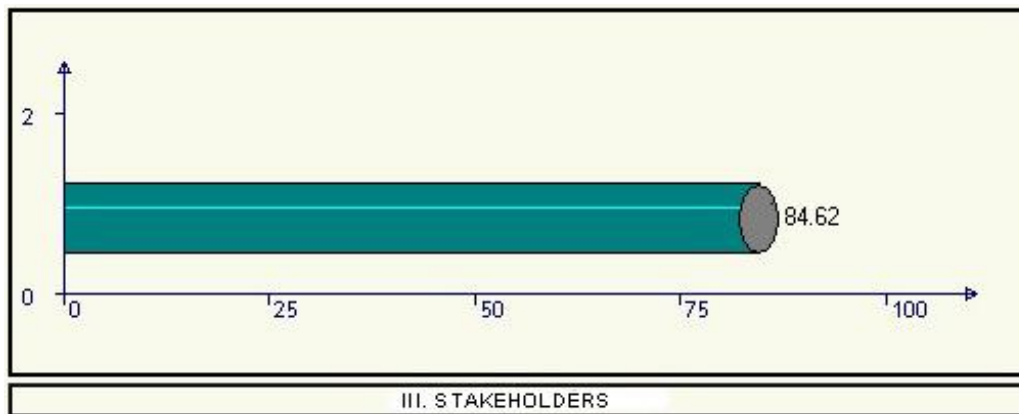
However, notwithstanding the coverage in the Special Case Statements in the public disclosure platform and corporate website, the fact that the annual report contains no explanation on the probe and consequences carried out by the Banking Regulation and Supervisory Board has been deemed as an irregularity requiring to be eliminated in respect of this subsection.

Further, among areas requiring to be covered in the annual reports are: the frequency of meeting of the Board and

Committees has been mentioned in annual reports ,similarly, that no explanation has been made on measures taken by the company to avoid conflict of interest arisen between the company and the firm from whom the company has received services of investment consulting and rating.



C. STAKEHOLDERS



Overview

- ✓ Ethical Rules and principles are developed and disseminated electronically.
- ✓ There is no regulation making it difficult to exercise the Stakeholder's rights.
- ✓ Various internal regulations such as human resources policy, procedures for briefing customers on work flow, procedures for prevention of laundering proceeds of crime are developed to the attention of public authorities, customers and stakeholders.
- ✓ The employees are provided with a secure and tranquil working environment.
- ✓ No complaint has been made by the employees about discrimination or failure in enjoying their benefits.
- ✓ On the basis of trade secret, information involving customers and suppliers are treated as strictly confidential.
- ✗ The Articles and the Corporate internal regulations do not contain mechanisms and models supporting employees and stakeholders participation in company management.

✓/✗ **A compensation policy has not been developed yet.**

For the purposes of this section, the Company has been assessed by 39 distinct criteria under the headings of the corporate policy towards the Stakeholders, encouraging stakeholders participation in corporate management, corporate human resource policy, the relations with the customers and suppliers, Ethical Rules and social responsibility as laid down in the Capital Market Board's Corporate Governance Principles, for which **GARANTİ FAKTORİNG** has deserved the rating of **84,62**.

a. Corporate Policies Towards the Stakeholders

The Corporate Governance Principles describe the Stakeholders as an individual, organisation or interest group as employees, creditors, customers, suppliers, trade unions, various non-governmental organisations having an interest in attainment of company's objectives or in its operations. It is confirmed that **GARANTİ FAKTORİNG** provides protection for stakeholders' rights in its operations and activities, which are regulated by the legislation and the mutual agreements.

We are in the opinion that the Company respects the stakeholders' rights as required by the legislation and the mutual agreements, that in case of lack of regulations governing stakeholders' rights, the Company makes effort to protect the rights of the group in goodwill and within the Company's means considering the company's reputation and it is found that several internal procedures are laid down to this end.

It is ascertained that the stakeholders are satisfactorily advised of corporate policies and procedures for protection of their rights, necessary mechanisms are devised to ensure stakeholders notification to the committees responsible for Corporate Governance or Audit of acts contrary to legislation and unethical.

For the purpose of this subsection, it is observed that **GARANTİ FAKTORİNG** achieved compliance at high level with the principles, but compensation policy that hasn't been developed yet, appears as an area of improvement.

b. Stakeholders' Participation in the Company Management

No models stimulating employees' participation in company management has been designed while any relevant regulation has been included in company's internal procedures or in the Articles of Association. However, it has been declared that employees' views and proposals are obtained via corporate intranet system.

c. Company Policy on Human Resources

Recruitment, working conditions, Personal Facts Files, Disciplinary impositions, staff Authority and responsibilities, remuneration, Health Rights, Leave Rights, Promotions, job changes, dismissal, death, resignation, retirement and educational procedures are laid down, and it is observed that such policies have been respected in

practice. We are in the opinion that the principle to provide equal opportunity to individuals under the equal conditions has been followed both in development of the policies and practice thereof.

Procedures for recruitment and career planning are prescribed developing a tradition to respect such procedures.

Performance and awarding criteria are developed, shared with the employees and are complied with in determination of benefits provided to the employees.

It is found that training programs and policies have been designed by the firm to enrich the knowledge, skills and good conducts of the employees. More than 50 training programs were organised under 8 different training headings, which were transmitted on the corporate intranet. It has been informed that the training programs of IFG and FCI organisations, the two international leasing factor chain appear in Garanti Faktoring's international training catalogue, that number of web-based training programs has been increased in line with the principle to produce faster solutions to employees' training requirements and to enhance efficiency. It has been expressed by the executives that the employees attended training programs of 2388 hours in 2011 except for web-based training.

It is expressed that the employees are briefed on company's financial situation, pay, career, training, health at meetings in which views are exchanged, accordingly an annual vision meeting on company's financial situation is held (last meeting was held in June 2012), that performance interviews are held twice a year, on other HR issues views are exchanged in performance and training requirement meetings, also, employees may contact and consult human resources executives over any matters and express his/her opinion.

Corporate organizational structure is determined according to the working conditions and units and number and qualifications of individuals to be

employed at such units have been laid down in written procedures.

From examinations made on site and interviews held with the employees, it reveals that the employees are provided a safe working environment and conditions and that there exists no discrimination among employees in terms of race, religion, language and gender.

It is expressed by the executives that regulations involving the employees are updated and announced.

Employee stock-options schemes are not developed.

The freedom of founding association is not restricted unless obtaining permission. Employees are not member of any trade-union.

It is concluded that for the purposes of this subsection **GARANTİ FAKTORİNG** has secured a considerable good level of compliance with the corporate governance principles.

d. Relations with the Customers and The Suppliers

Documents and information obtained from customers during operations are treated strictly confidential in order to avoid any unauthorized access of inappropriate individuals to such information. Agreements and invoices received from customers in vouchers are kept physically at Head Office and at Seyrantepe archives.. Papers and documents transmitted by customers by facsimile are monitored with Document Management System (DMS) and filed as loan reference. E-mails transmitted by customers are entered in DMS where necessary, and stored in the system. The use of DMS is subject to authorisation. Authorized employees carry out monitoring and data processing on the basis of transaction reference. It is tried to ensure data confidentiality on electronic environment through the DLP (Data Loss Prevention) Data Leakage Monitoring System. Practices involving

services received from the suppliers and outsources, too, are described and standards are established.

It is observed that **GARANTİ FAKTORİNG**'s compliance with the principles hereunder is at very high level.

e. Ethical Rules and Social Responsibility

An integral Ethical Rules required to be complied by all employees are laid down, which is approved by the Board and appears on the corporate website and it is concluded that operations are performed in compliance therewith.

The employees have been informed not only of the ethical rules laid down by the Company but also of Factoring Sector's Ethical Rules and this document is shared with public electronically.

From review of the Ethical Rules, though only a section is disclosed to public, it is observed that it has a highly exhaustive coverage in compliance with the principles. The Company has made detailed regulations in the ethical rules in order to fight any kind of corruption including embezzlement and bribery. Sanctions to be imposed in case of contravention of employees to ethical rules are included in the service contracts.

Operating in the awareness of its social responsibilities along with profitability in commercial activities, **GARANTİ FAKTORİNG** provides assistance for social and cultural events within the commercial group it operates and takes part in joint projects through the established foundation. We are informed that, under the 3rd Edition of Bahcesehir university Co-Op Project accomplished by **GARANTİ FAKTORİNG** in 2011, a course branded "Garanti Factoring: The Word of Receivable Finance" in the 2011 Spring term, attracted an intensive interest of the students.

The Company shared not only the the sectoral information but also mediate the experience of students in field of

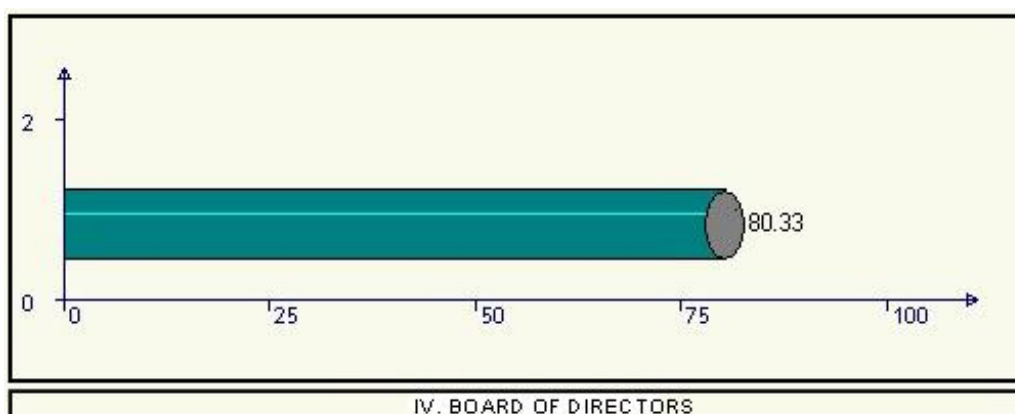
theoretical notions practice of Factoring with the students of the Bahcesehir University. In this context, the students visited customers with the Sales and Marketing Team of Garanti Faktoring.

At the end of surveys conducted by the Capital Magazine in 2009, 2010 and 2011, the firm was selected as the "Most Preferred Factoring Company of the Year."

Due to practices in this subsection **GARANTİ FAKTORİNG** has achieved compliance with the principles at very high level.



D. THE BOARD OF DIRECTORS



Overview

- ✓ **Corporate strategic objectives, requirements in terms of human and financial resources are determined by the Board of Directors.**
- ✓ **The posts of Chairman of the Board and the CEO are held by separate individuals while no executive is equipped with solely unrestricted authority to decide.**
- ✓ **The number of Directors is sufficient for efficient and constructive performance of the directors.**
- ✓ **It is ensured that majority of Directors comprises non-executive members.**
- ✓ **Two of non-executive Directors are independent ones.**
- ✓ **Each Director has one voting right on the board.**
- ✓ **There exist no loan/debt relationship between the Directors and the Company.**
- ✓ **Corporate Governance, Audit and other Committees referred to in the Principles are formed the working principles of which are laid down.**
- ✗ **In case of failure in realisation of corporate goals, the Board does not give reasons in the Annual Reports.**
- ✗ **There is no self-criticism and performance appraisal and accordingly no awarding and dismissing practices for the Board.**
- ✗ **Emoluments of the Directors are not determined by individuals performance.**
- ✓/✗ **Newly formed corporate governance committee has to start working effectively as soon as possible.**

For the purposes of this section, the Company has been assessed by 121 distinct criteria in respect of the Function of the Board, Operating principles of the Board, Structure of the Board, Mode of Board meetings, Committees formed with the Board and financial benefits provided to the Directors and executives as laid down by the Capital Market Board's Corporate Governance Principles, for which the Company has gained the grade of **80,33**.

a. Function of the Board

By the strategic decisions taken, the Board manages and represents the company keeping the most appropriate level of the risk, growth and return balance with paying attention to company's long term interest in particular under a reasonable and prudent risk management perception. In this sense, the Board has described the corporate strategic objectives, and determined the required human and financial resources.

GARANTİ FAKTORİNG's Board of Directors cares the compliance of company affairs with the legislation, the Articles of Association, the internal procedures and policies developed including controlling the performance of company management.

The Board is authorized to make decisions, to determine the strategy and represent the company at the highest level.

GARANTİ FAKTORİNG has achieved a high level compliance with the principles in respect to this subsection.

b. Operating Principles of the Board

The Board has introduced internal control systems so as to cover the risk management and information management systems and processes that might reduce the impact of risks that might affect particularly the company's stakeholders, the shareholders to a minimum, and it is found that the Board reviews at least once a year the effectiveness of risk management and internal control systems.

None of company's staff has the authority to decide solely and unrestrictively. Separate individuals hold the posts of the Chairman of the Board and the CEO.

We are in the opinion that the Board plays a leading role in maintenance of effective communication in easing and resolving disputes that might arise between the company and the shareholders. To this end, the Board is involved in a close cooperation with the Shareholders' Relations Department.

Corporate Articles of Association include the Board's powers and responsibilities, in a form explicitly separable and definable from those vested to the executives and general assembly. Such job descriptions largely correspond to the principles.

It is observed that in fulfilment of duties and responsibilities, the Board is in a continuous and effective collaboration with the executives, and attend to the executive meetings where necessary and appropriate.

It is confirmed that in respect to this subsection **GARANTİ FAKTORİNG** has achieved a high level of compliance with the Corporate Governance Principles.

c. The Structure of the Board

Company's Board is formed with 9 members, one being the Chairman. The requirement of at least 5 members to form the Board has been met and the number of Board Members found sufficient to serve effectively and constructively and to form and arrange organisation of committees.

The Board comprises executive and non-executive directors, and the principle that majority of Directors should be non-executive members is respected. Two of the Directors are executives while the rest are non-executives. On the other hand two (2) of non-executive directors are independent ones. It is confirmed that the independent members cover the independence criteria laid down by the Principles. The independent Directors have presented their written representations that they are independent under the legislation, the Articles and the criteria laid down by the Principles to the Board and these

representations have been shared with public electronically.

The Company has fully complied with the principles for this subsections. However, it will be appropriate to be at least one woman member in the Board.

d. Mode of the Board Meetings

The Board meetings are held as often as to carry out their duties effectively. The Articles contain the number and quorum of Board meetings and resolutions.

Written corporate internal procedures are also laid down over how to convene the Board meetings. It is confirmed that, in the internal directive on the procedures and guidelines to be followed at the Board Meetings are;

- Procedures for inviting the members to the Board meeting and for preparations for the meeting are laid down.
- Segregation of duties will be made at the first meeting of the Board recently appointed.
- The Board will convene at least once a month and whenever it is necessary.
- The creation of meeting agenda method is specified.
- Data and documents concerning the items of the agenda will be made available to review of the members at least seven (7) days prior to the meeting date.
- Each Director has one voting right and that the members are not conferred the weighted voting right or positive/negative veto right.
- The responsibility of Directors and executives to provide information to each other and the Board.
- Priority will be given in corporate internet website to the proceedings of meeting at which the Board adopts important resolutions that might affect the value of capital market instruments.

- In transactions considered important in respect to Corporate Governance Principles and in operations involving provision of security, pledge and mortgage transactions in favor of any associated party and third parties will be done in respect of Corporate Governance Principles regulations of CMB.
- Many more issues mentioned in the principles are regulated and practiced accordingly.

At the general assembly held on 27.06.2012 for 2011, the Company accomplished the necessary amendments to the Articles to comply with the Communiqué of CMB, Series: IV, No:56 thereby upgraded the company's compliance with the principles.

It is found that the Board meetings were regularly held at least once a month and even more in general, e.g. it convened 38 times in 2011.

For the purposes of this subsection, **GARANTİ FAKTORİNG** has accomplished compliance with the Corporate Governance Principles at a very high level.

e. The Committees Formed within the Board

In order for the Board to fulfil its duties and responsibilities soundly, Auditing Committee and Corporate Governance Committee are formed but because of the structure of the Board a separate Advance Risk Recognition Committee, Nomination Committee and Remuneration Committee has not been formed, whose duties are carried out by the Corporate Governance Committee. Working rules for the latter are laid down pursuant to such structure.

Duties, working rules and the composition of the committees were determined and approved by the Board with written documents and disclosed to public electronically.

According to the principles, all members of the Audit Committee being appointed from independent Directors, minimum the Chairman of other committees being appointed from independent Directors, and that the CEO holding no post in committee membership have been complied with.

Any source and support are provided by the Board to ensure the committees perform their obligations.

Committees invite appropriate executives for the meetings to benefit from their opinions and all studies are reported and kept in written records.

The committees convene as often as required and as specified in working principles for effectiveness and reports the information and solutions to the Board.

The Corporate Governance Committee determines whether corporate governance principles are implemented at the company, in case of non fulfilment, the reasons therefor and the conflicts of interest due to lack of full compliance with such principles, and disclose the information to public via corporate governance compliance report.

The corporate governance committee consists of 3 (three) members, one independent, two non executives. The structure is formed according to principles.

Since the corporate governance committee has recently been formed, sufficient effectiveness could not have been secured in its operations.

It is informed that for the company formation of an effective risk management system and strong internal control environment is considered as a major basic foundation for sustainable growth and development, due to the technological infrastructure owned and work processes developed the risks are monitored permanently and reports for spotlighting the strategic and daily decisions of the management levels. It is learnt that studies on value at risk and

maturity analysis are made to measure company's market and liquidity risks. The Internal Audit Unit adherent to the Board through the Audit Committee, controls the effectiveness and efficiency of the internal control and risk management systems so as to cover the entire company within the annual control plan developed pursuant to the risk assessments. On the other hand, it is declared by the executives that internal control mechanisms are devised to be respected and implemented by the employees at every level to ensure the accomplishment of company affairs in compliance with the legislation in effect and within the framework outlined by the Board and the integrity and reliability of the accounting and reporting systems.

The committees comprise the following individuals:

Audit Committee

Name	
Serhat YANIK	Member (Independent)
Ali ÇOŞKUN	Member (Independent)

Corporate Governance Committee

Name	
Serhat YANIK	Head (Independent)
Muammer Cüneyt SEZGİN	Member (Non Exe)
Aydın ŞENEL	Member (Non Exe)

In our opinion, the Company has secured a good level of compliance with the Capital Market Board's Corporate Governance Principles for this subsection.

f. Financial Benefits Provided to the Directors and the Top Executives

Guidelines on compensation of the Directors and top executives are introduced in writing and shared with public electronically. Guidelines for remuneration of the Directors and top executives were presented to the attention of shareholders as item 11 at

the general meeting held on 27.06.2012 and it is found from examinations made on proceedings and discussions held with the executives that the shareholders were provided with the opportunity of expressing their relevant opinions.

It is observed that actions have been taken in compliance with the principle that the stock-options or payment plans based on the corporate performance are not used for remuneration of the independent directors while emoluments of such members have been determined to the extent that their independence will be protected.

It is found that the Company has not lent and extended loan to any Director or top executive or made available any credit under personal loan through any third person or provided securities such as surety in favor of.

The following appear as areas to be reregulated relating to this subsection:

Based on the fact that the Board is in charge of attaining the operational and financial performance targets set and announced to public by the Company, any failure and reasons to achieve this is not declared in the annual report,

There hasn't been any practice of awarding or dismissing the Board members depending on their performances,

Salaries and all other benefits paid to Board members and top executives isn't explained and if in case of unexplanation on individual basis, isn't explained by discriminating the Directors and the top executives in the annual report.

**5. KOBİRATE ULUSLARARASI KREDİ DERECELENDİRME VE
KURUMSAL YÖNETİM HİZMETLERİ A. Ş. CORPORATE GOVERNANCE
RATING GRADES AND DEFINITIONS**

GRADE	DEFINITIONS
9-10	The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognised and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the ISE corporate governance index.
7-8,9	The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. Benefits of the shareholders are fairly taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are equitably considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is obviously eligible for inclusion in the ISE Corporate Governance Index.
6-6,9	The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established, and operate, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interest of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is not eligible for inclusion in the ISE Corporate Governance Index.

GRADES	DEFINITIONS
4–5,9	<p>The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established, and operate, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interest of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of but improvement is needed. Some improvement is required in the structure and working conditions of the Board. Under these conditions, the Company is not eligible for inclusion in the ISE Corporate Governance Index.</p>
< 4	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency, Structure and working conditions of the Board appears to be at a level that might cause the investor to incur material losses.</p>