



Corporate Governance Compliance Rating Report



Garanti Finansal Kiralama A.Ş.

5 August 2015

Validity Period 05.08.2015-05.08.2016

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Garanti Finansal Kiralama A.Ş. is compiled;

in accordance with the criteria stated in CMB's Corporate Governance Directive, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as the CMB's board decision taken at the Board meeting on 01.02.2013, no 4 / 105.

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of communiqué no II-17.1, published in the Official Gazette on 03.01.2014.

The Corporate Governance Compliance Rating Report issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 67 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Companies, 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 Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

The rating grade does not constitute a recommendation to purchase, to hold or to dispose of any kind of borrowing instrument. Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. may not be held liable for any losses incurred or investments made to the company referring to this report.

© All rights in this report belong to Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. This report cannot be printed in writing and electronically, reproduced and distributed without our permission.

TABLE OF CONTENTS

1. Rating Result and Summary of Rating Process	3
2. Rating Methodology	5
3. Company Profile	7
4. Sections of Rating Process	
A. Shareholders	12
a. Facilitating the Exercise of Shareholders' Rights	12
b. Right to Obtain Information and to Examine	13
c. General Assembly	13
d. Voting Right	13
e. Minority Rights	14
f. Dividend Right	14
g. Transfer of Shares	14
B. Public Disclosure and Transparency	15
a. Corporate Website	15
b. Annual Report	16
C. Stakeholders	17
a. Corporation's Policy on Stakeholders	17
b. Supporting the Participation of the Stakeholders in Corporation's Management	18
c. Human Resources Policy of the Corporation	18
d. Relations with Customers and Suppliers	19
e. Ethical Rules and Social Responsibility	19
D. Board of Directors	20
a. Function of the Board of Directors	20
b. Principles of Activity of the Board of Directors	21
c. Structure of the Board of Directors	21
d. Procedure of Board of Directors Meetings	21
e. Committees Formed within the Structure of the Board of Directors	22
f. Financial Rights Provided for Members of the Board of Directors and Executives	23
5. Corporate Governance Compliance Grades and Definitions	25



GARANTİ FİNANSAL KİRALAMA A.Ş.

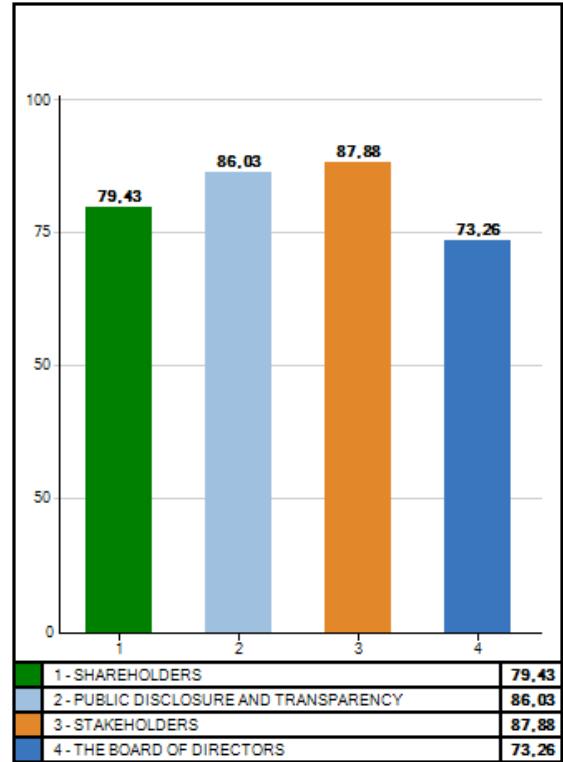
**CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE**

8.02

Kobirate A.Ş. Contact:

Burhan TAŞTAN(216) 3305620 Pbx
burhantastan@kobirate.com.tr

www.kobirate.com.tr



1. RATING SUMMARY

The process of rating of compliance of **GARANTİ FİNANSAL KİRALAMA A.Ş.** with the Corporate Governance Principles is concluded in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş., through onsite examinations of the documents, interviews held with executives and persons involved, and of other reviews.

At the end of examination of **350** criteria under the main headings of Shareholders, Public Disclosure and Transparency, the Stakeholders and the Board of Directors, as specified in the CMB's Corporate Governance Principles, and according to the methodology of Kobirate A.Ş. for "BIST Unlisted Companies", the Corporate Governance Compliance Rating Grade of **GARANTİ FİNANSAL KİRALAMA A.Ş.** (GARANTI LEASING) is determined as **8.02**.

This result signifies that **GARANTI LEASING** has achieved a considerable compliance with

the CMB's Corporate Governance Principles, formed internal control mechanisms and put them into effect, all possible risks are determined and actively controlled, shareholders' rights are treated fairly, achieved good level compliance with Corporate Governance Principles in Public Disclosure and Transparency, stakeholders' rights are treated fairly, achieved compliance with Corporate Governance Principles in the Structure of the Board of Directors and its procedure of meetings. It also signifies that although they don't pose great risks, some incremental improvements are needed corporate governance practices.

In view of rating process under main headings in brief;

In the section of Shareholders **GARANTI LEASING** has achieved a grade of **79.43**.

There are positive practices such as conducting relations with shareholders through the department of financial affairs,

having no practices in the management that make special audit difficult, timely holding of general assemblies in accordance with the procedures, having no privileges in voting right, avoiding practices that make voting difficult, having prepared dividend policy and disclosed to public.

GARANTI LEASING has achieved a grade of **86.03** for the section of Public Disclosure and Transparency.

It has been deemed positive that the Company provides access to all current information specified by Principles.

The Annual Report, which has been prepared since 2014, is found sufficient in terms of content.

Company's disclosure policy, prepared in compliance with the Principles, has been disclosed to public. It has been found positive.

It's observed that the company has reached the grade of **87.88** for the Stakeholders' Section.

In this section, the Company has achieved significant level of compliance with the CMB's Corporate Governance Principles.

A human resources policy has been established; regulations have been made and disclosed to the employees on the subjects including recruitment, job descriptions, performance evaluation, promotion, awarding, leave and social benefits.

Compensation policy has been prepared for employees and disclosed to public.

It has been found successful that training program has been prepared and put into effect for employees.

Company policy to prevent Abusive and Unethical Behaviors has been prepared and introduced to employees to act pursuant to the policy.

As for the Board of Directors Section, the Company's grade is **73.26**, representing a compliance with CMB's Corporate Governance Principles.

It is confirmed that the Board has set company's strategic goals, audits performance of company management, pays further attention 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. There is no one in the company with unlimited authority to decide.

The Board convenes in appropriate frequency and meetings are held in compliance with relevant laws, regulations and Articles of Association.

It has been observed that the Audit and Corporate Governance Committees referred to in the Principles have been formed and their working principles appear in written documents.

On the other hand, there are other important good policies indicating compliance with the Principles; such as the fact that Board comprises adequate amount of non-executive members and that guidelines for remuneration of top executives have been set forth.

2. 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.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies and stakeholders throughout the world.

Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries.

There are four basic principles of corporate governance in OECD Corporate Governance Principles. These are: fairness, transparency, accountability and responsibility.

Turkey has been closely monitoring these developments. A working group, established within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013 and 2014, according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "implement or disclose", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The principles are grouped under four main headings, namely: the Shareholders, Public Disclosure and Transparency, Stakeholders and the Board of Directors.

The Corporate Governance Compliance Rating Methodology has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

The methodology takes into consideration the criteria stated in CMB's Corporate Governance Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

In a rating process, the full compliance of work flow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

In the process of rating, **350** different criteria are considered to measure the compliance of BIST Unlisted Companies with the corporate governance principles.

These criteria are translated into Corporate Governance Rating Question Sets through

Kobirate A.S.'s unique software. These criteria are translated into "Corporate Governance Rating Question Sets" through Kobirate A.S.'s unique software.

The weighting scheme for the four main sections in the new Corporate Governance Compliance Rating, determined by CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is applied completely by Kobirate A.Ş. The weightings are as below:

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

CMB decision dated 01.02.2013 and numbered 4/105 states that in case the minimum requirements of corporate governance principles are met, 85 % of full points can be given at most for that principle and it is required to add new questions / methods into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements are included in the rating grade. Our company has been informed about this requirement by CMB notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452.

In the 2014/2 revised corporate governance compliance rating methodology, created by our company, the grade that can be given to a related criterion in that subsection for meeting minimum requirements of corporate governance principles, stated by CMB Communiqué of Corporate Governance published on 03.01.2014, numbered II-17.1, is restricted to 85 % of the full points. Remaining 15 % is reached by measuring company's efficiency in applying CMB's Corporate Governance Principles, degree to which the company is internalized these practices and the value that these internalized practices create for the company. The existence of those practices that are not included in CMB's

Corporate Governance Principles, but determined as good corporate practices by Kobirate A.Ş. Corporate Governance Compliance Rating Methodology are also considered as part of the remaining 15 % and affect the company's grade.

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 no compliance with CMB's Corporate Governance Principles, in any sense, in the existing weak structure.

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 be improved in compliance with CMB's Corporate Governance Principles.

3. COMPANY PROFILE



Company Name	: Garanti Finansal Kiralama A.Ş.
Company Address	: Maslak Mahallesi Eski Büyükdere Caddesi No: 23 34398 Sarıyer İSTANBUL
Company Phone	: (0212) 365 30 00
Company Facsimile	: (0212) 365 30 01
Company's E-Mail Address	: info@garantileasing.com.tr
Company's Web Address	: www.garantileasing.com.tr
Date of Incorporation	: 1990
Registered Number	: 269116
Paid in Capital	: 350.000.000.-TL
Line of Business	: Leasing transactions in the country and abroad and conduct other activities on leasing.
Company's Sector	: Leasing

Company's Representative in Charge of Rating:

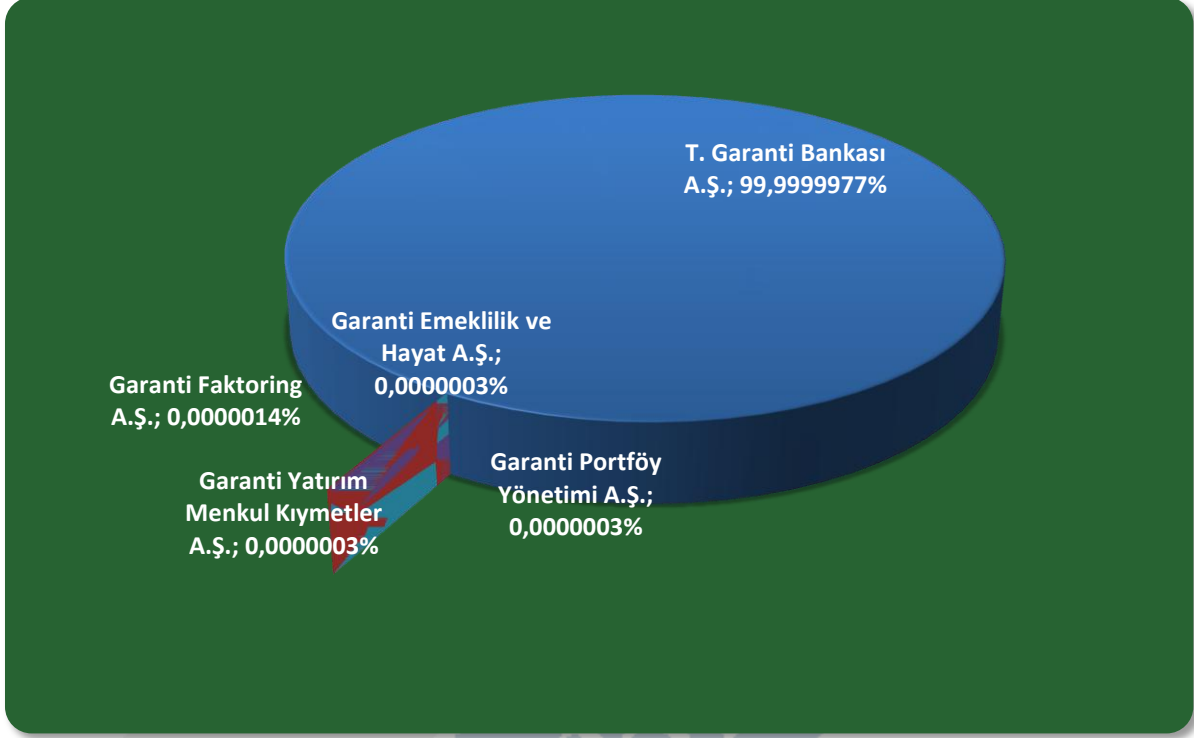
Arzu TOPCU

Financial Affairs Department Manager

ATopcu@garantileasing.com.tr

(0212) 365 48 43

Shareholders Structure (As of report date)



Source: www.kap.gov.tr

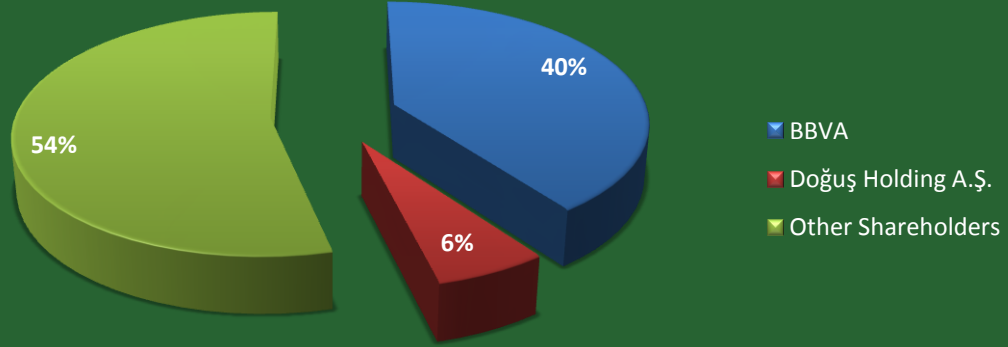
Shareholder Name	Share (TL)	Share (%)
T. Garanti Bankası A.Ş.	349.999.992,21	99,9999977
Garanti Yatırım Menkul Kıymetler A.Ş.	1	0,0000003
Garanti Portföy Yönetimi A.Ş.	1	0,0000003
Garanti Emeklilik ve Hayat A.Ş.	1	0,0000003
Garanti Faktoring A.Ş.	4,79	0,0000014
Total	350.000.000,00	100,00

Shareholders Structure of the Main Shareholder Garanti Bankası A.Ş.

Shareholder Name	Share (TL)	Share (%)
BBVA (Banco Bilbao Vizcaya Argentaria S.A)	1.675.800.000,00-	39,90
Doğuş Group Total	259.846.373,25	6,19
Other Shareholders	2.264.353.626,75	53,91
Total	4.200.000.000,00-	100,00

Source: www.kap.gov.tr

T. Garanti Bankası A.Ş. Shareholders Structure



Source: www.kap.gov.tr

Company Board of Directors

Name/ Surname	Title	Executive/ Non-Executive
S. Ergun ÖZEN	Chairman of the Board	Non-Executive
Turgay GÖNENSİN	Deputy Chairman of Board	Non-Executive
Erhan ADALI	Member of Board	Non-Executive
Osman Bahri TURGUT	Member of Board	Non-Executive
Manuel Pedro Galatas Sanchez HARGUİNDEY	Member of Board	Non-Executive
Luis Vicente GASCO TAMARIT	Member of Board	Non-Executive
Ali TEMEL	Member of Board	Non-Executive
Ünal GÖKMEN	Member of Board and Gen. Man.	Executive

Top Management

Name/ Surname	Title
Ünal GÖKMEN	General Manager
Emre TONGO	Executive Vice President
Volkan ÖZBEY	Executive Vice President
Altuğ TOKSOZ	Executive Vice President
Mehmet Murat ANTEPLİOĞLU	Executive Vice President
Koray AKHAN	Executive Vice President

COMMITTEES OF BOARD OF DIRECTORS

CORPORATE GOVERNANCE COMMITTEE

Osman Bahri TURGUT (Chairman)
Ali TEMEL

AUDIT COMMITTEE

Aydın ŞENEL
Osman Bahri TURGUT

Comparison of Company's Certain Selected Items for two periods

	2013/12	2014/12	Change %
Leasing Receivables Net	3.346.974	3.744.955	11,89
Total Equity	595.995	686.677	15,22
Total Assets	3.657.550	4.128.167	12,87
Total Leasing Income	291.707	353.818	21,29
Total Finance Spending	(116.512)	(153.751)	31,96
Net Profit/Loss	68.007	90.925	33,70
Asset Profitability Ratio	2,14%	2,38%	0,24
Equity Profitability Ratio	12,10%	14,10%	2,00

Source: Garanti Leasing Independent Audit Reports

Financial structure of the Company can continuously support its level of compliance with Principles.

Brief History of the Company

Garanti Finansal Kiralama A.Ş. was founded with the license received from Undersecretariat of Treasury and Foreign Trade on October 9, 1990 in order to do financial leasing transaction in the country and abroad within the framework of Act 3226.

The company merged with Aktif Finansal Kiralama A.Ş. – a 99.3 % subsidiary of Garanti Faktoring Hizmetleri A.Ş. – on 01.10.2002 under its own roof.

One of the leading companies of its sector, Garanti Finansal Kiralama A.Ş. conducts financial leasing transactions for a wide portfolio of corporate, commercial and SME customers.

Information About Company's Operations

Garanti Finansal Kiralama A.Ş. provides leasing services through its 17 branches all over Turkey.

The Company's volume of transactions and contracts has been increasing over the years. The amount of contracts, which was 1,998 in 2010, became 2,916 in 2011, 2,953 in 2012, 3,018 in 2013 and 3,171 in 2014.

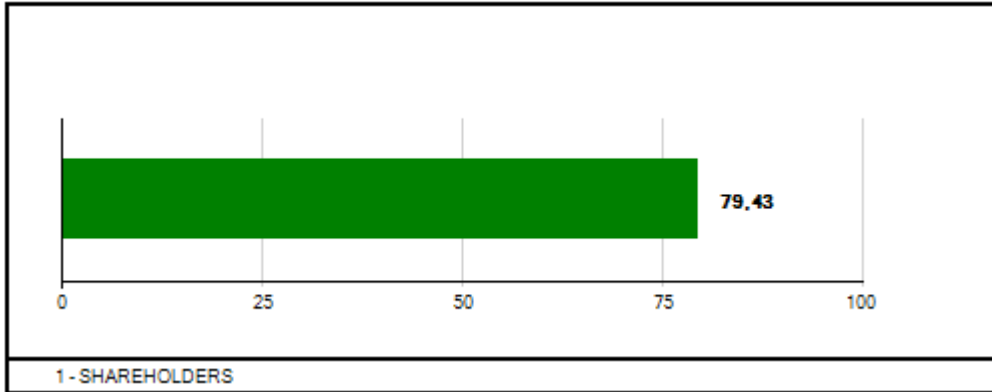
The increase of contracts reflected on the business volume as \$ 467 million in 2010, \$ 861 million in 2011, \$ 777 million in 2012, \$ 889 million in 2013 and \$ 943 million in 2014.

In 2014, 29 % of this volume was for leasing transactions for real estates, 20.1 % was for construction machines, 17.5 % was for other machines and equipment industry, 7.4 % was for metal processing machines and 7 % was for textile machines.

Through the know – how and expertise of Garanti Filo Yönetim Hizmetleri A.Ş., which is owned 100 % by Garanti Finansal Kiralama A.Ş., the Company provides consultancy and rental services for its customers in car renting sector.

4. RATING SECTIONS

A. SHAREHOLDERS



Overview

- ✓ General Assemblies are hold in accordance with laws, regulations and the Articles of Association.
- ✓ There is no privilege in voting right.
- ✓ There are no regulations that make the use of voting rights difficult.
- ✓ Dividend policy has been formed and disclosed to public.
- ✓ Internal regulations on general assembly's work principles and methods have been prepared and approved by the general assembly.
- ✓ Donations and Aid policies of the company have been prepared and presented for the approval of the General Assembly
- ✓ There is no restriction in Transfer of Shares.
- ✓/* Stakeholders and media must be invited to General Assembly Meetings, without right to address the meeting.

In this section, as stated CMB's Corporate Governance Principles, the Company was evaluated on **93** different criteria, including **Facilitating the Exercise of Shareholders' Rights**, shareholders' right to **Obtain Information and to Examine**, shareholders' right to **Attend the General Assembly**, shareholders' **Right to Vote**, **Rights of Minority Shareholders**, shareholders' **Right**

for **Dividend** and shareholders' right to **Transfer Their Shares** to whomever they want, whenever they want. The company's grade for this section is **79.43** points.

a. Facilitating the Exercise of Shareholders' Rights

Relations with shareholders are conducted by Arzu TOPÇU, Manager of Financial Affairs Department. She reports to Executive Vice President Murat ANTEPLİOĞLU.

It has been observed that the afore mentioned persons 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, starting with the right to obtain and review information in particular.

Any information that might affect the exercise of shareholders' rights is currently at disposal of shareholders on the corporate website.

In this subsection the Company has achieved compliance with the Principles.

b. Right to Obtain Information and to Examine

The information required for the proper exercise of shareholders' rights are presented to the shareholders and the company's website www.garantileasing.com.tr is used efficiently to this end.

There is no practice of cancelling or restricting shareholders' right to obtain and review information imposed by the Articles of Association and/or a decision by any corporate organ.

The "Disclosure Policy", approved by the Board of Directors, appears on the website, explaining in detail the shareholders' right to get and review information under the aforementioned policy.

The comprehensive disclosure policy, which is disclosed to public, has been evaluated positively.

Although there are no practices or regulations that make it difficult for the shareholders to exercise their right to demand appointment of a special auditor from the General Assembly, there is no provision in the Articles of Association regulating the use of this right. However the subject is secured within the framework of Articles 438 and 439 of Turkish Commercial Law.

In this subsection, the Company has achieved compliance with the Principles.

c. General Assembly

Due to the practices at the process of meeting, the Company has achieved compliance with the Principles in this subsection.

It has been found that General Assembly announcement is made at least three weeks before the meeting by using methods envisaged in regulations and Articles of Association. The general assembly meeting to

discuss 2014 operations took place on 15.05.2015.

Upon examination of documents about ordinary and extraordinary general assemblies that took place in 2014 and interviews with officials, it has been understood that general assemblies were held in compliance with relevant articles of Act No 6102.

Upon examination of general assembly minutes and list of attendees, it has been seen that agenda items were voted separately and that the result of voting was announced shareholders before the end of meeting.

It has also been determined that the chairman of the meeting has taken great care to have the issues of the agenda expressed objectively, comprehensively, clearly and simply. Shareholders were able to express their opinions and ask questions under equal conditions

It has been noticed that during the preparation of agenda, special care was given to express the items clearly in order not to cause different interpretations and to avoid using expressions like "other" or "various".

General assemblies are held at the head office.

The subject of attendees to the meeting is dealt with the 5th Article of Internal Regulation for General Assembly's Working Principles and Methods.

The Company prepared its donation and aid policy and presented it for the approval of General Assembly on 15.05.2015. Information about aid and donation activities of 2014 was given at the General Assembly.

d. Voting Right

Neither the Articles of Association 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.

There is no privilege in the voting right. One share gives one voting right.

It is possible for the shareholders' to exercise their voting right in person or by proxies - shareholder or not - at the general assemblies; the shareholders are provided with the specimen proxies to be used for this purpose at Company's head office and on the corporate website.

The Company doesn't have a subsidiary with mutual relationship which brings domination.

In this subsection **Garanti Leasing** has achieved good level 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 respect it is found that care is given to the exercise of minority rights.

f. Dividend Right

The Company's dividend right practices are regulated in Article 23 of Articles of Association. According to this regulation there is no privilege in the distribution of dividend. Principle of per diem deduction does not apply in dividend distribution; distribution is made equally to all shares as of the distribution date. This principle has been deemed positive.

In the 2015 Annual Report, it says: "The Board of Directors prepares dividend distribution proposal within the framework of Turkish Commercial Law, Tax Regulations and our Articles of Association and presents it for the

approval of General Assembly. The issues of whether the dividend will be distributed or not, how and when it will be distributed are discussed and decisions are taken at the General Assembly meeting. All announcements are in accordance with regulations and within their legal due time."

The Company did not distribute any dividend since its establishment until 31.12.2014. All profit was channeled into reserve funds.

In this subsection, it will be appropriate for the Company to develop its dividend distribution policy, which was approved at the 2014 General Assembly in accordance with the Principles.

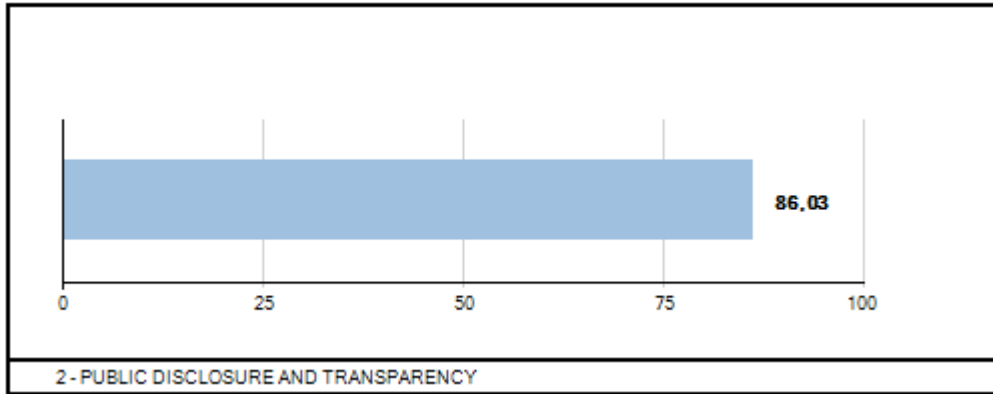
g. Transfer of Shares

Transfer of Shares is explained in Article 7 of Articles of Association.

Leasing, Factoring and Finance Companies Act No 6361 and relevant sub regulations are applied share transfer transactions.

There is no restriction in transfer of shares.

B. PUBLIC DISCLOSURE AND TRANSPARENCY



Overview

- ✓ **Disclosure policies have been revised and disclosed to public in electronic environment.**
- ✓ **The corporate website is being used effectively and in transparent manner as a tool to update the public within the context of the Principles.**
- ✓ **Information in the website has also been prepared in English.**
- ✓ **The annual report is prepared comprehensively and its content includes much information about the Company.**

As for this section, the Company has been assessed by **74** different criteria under the headings of **Corporate 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 **86.03**.

a. Corporate Website

Garanti Leasing conducts its disclosures within the framework of Disclosure Policies, which have been prepared by the Board of Directors and disclosed to public.

Through the Disclosure Policy and its means of implementation it is aimed for public institutions, shareholders, current and

potential investors, customers and other stakeholders to have timely access to correct and full information under equal conditions.

The information to be disclosed to public is accessible on the corporate website. It is correct, full, comprehensible, interpretable and helpful for people and corporations to make decisions. It is also easy to access with low cost.

The corporate internet website (www.garantileasing.com.tr) serves as an active and effective platform for public disclosure and its content is updated continuously.

The information on the corporate internet website is consistent with announcements made pursuant to the relevant regulation and doesn't contain conflicting and missing information.

The corporate website covers commercial registry details, the shareholding and management structure as of the latest situation, final text of the company's Articles of Association, financial reports, annual reports, agendas of the general assemblies, lists of attendees, proceedings of the assemblies, the specimen Proxy, disclosure policy, human resources policy, in addition to the coverage of mandatory disclosure pursuant to the legislation.

The information on the website is also being published in English for the use of international investors.

In accordance with Article 1524 of Turkish Commercial Law No 6102, legally obligatory announcements are on Information Society Services section of the corporate website www.garantileasing.com.tr.

In this subsection **Garanti Leasing** has achieved a very good level compliance with Corporate Governance Principles.

b. Annual Report

It has been observed that **Garanti Leasing** Board of Directors prepared 2014 annual report in such a detail that it gives public access to complete and correct information about company's activities.

Annual reports of the last six years are shared with the shareholders and the public in electronic environment.

In addition to subjects underlined by relevant regulations and other parts of Corporate Governance Principles, the content of annual reports comprises:

Information on Board members' and managers' ongoing jobs outside the company,

Information on changes of regulations, which might significantly affect company operations,

Evaluation of financial situation, profitability and power to pay compensation,

Statements on administrative sanctions and fines against the Company,

Information on dividend distribution policy as well information on reasons of not distributing dividend and how the undistributed profit would be used,

Information on the number of Board of Directors meetings within the year and attendance performance of members to these meetings,

Information on the Company's internal control system and internal audit operations and Board of Directors' evaluations on this subject,

Information on the Company's donations and aids within the year,

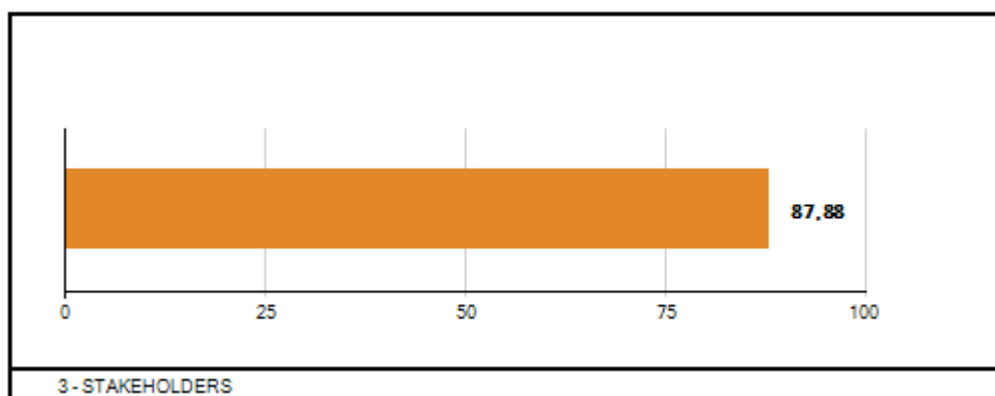
Information on remuneration and compensation for members of Board of Directors and top executives.

It has been seen that 2014 annual report, prepared by the Board of Directors was in compliance with Treasury Communiqués, "Regulation About Determining Minimum Content of Companies' Annual Reports", published by the Ministry of Customs and Commerce on the Official Gazette dated 28.08.2012 and numbered 28395, other relevant laws and regulations and CMB's Corporate Governance Directive, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014.

Using graphic illustration in annual reports will make a positive contribution to the corporate identity.

In this subsection the **Garanti Leasing** has achieved a good level of compliance with the Corporate Governance Principles.

C. STAKEHOLDERS



Overview

- ✓ Policy to Prevent Abuses and Unethical Behaviors has been prepared and published in electronic environment.
- ✓ There are no regulations that make it difficult for stakeholders to use their rights.
- ✓ Human resources policy and many subjects concerning customers and stakeholders are internally regulated.
- ✓ Employees are provided with a safe and pleasant working environment.
- ✓ There are no complaints by employees about discrimination or being unable to use their rights.
- ✓ Care is given to confidentiality of information about customers and suppliers on trade secret basis.
- ✓ Compensation Policy has been formed, presented for the approval general assembly and disclosed to public through corporate website.
- ✗ There are no mechanisms or models in internal regulations or provisions of the Articles of Association, supporting participation to management of employees and stakeholders.

As for this section, the Company has been assessed by 57 different criteria under the headings of **Corporate Policy on**

Stakeholders, Supporting the Participation of Stakeholders' in Company Management, Human Resources Policy of the Company, Relations with Customers and Suppliers, Ethical Rules and Social Responsibility as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **87.88**.

a. Corporate Policy on Stakeholders

The Corporate Governance Principles describe the Stakeholders as an individual, organization or interest group as employees, creditors, customers, suppliers, trade unions, various non-governmental organizations having an interest in attainment of company's objectives or in its operations.

It has been determined that **Garanti Leasing** has put stakeholders' rights, regulated by provisions and contracts, under protection in its transactions and operations.

It has been concluded that the company respects the stakeholders' rights, specified in regulations and mutual contracts. The impression is that in case of lack of any regulation, the company respects stakeholders' rights within goodwill rules, company's reputation and means. It has been observed that many internal regulations were prepared to this end.

Stakeholders are adequately informed on company policies and procedures to protect their rights, necessary mechanisms have been formed to transmit operations contrary to company's legislations and ethically improper to Corporate Governance or Audit Committees.

The Company has prepared a Compensation Policy based on Labor Act 4857, dated 22.05.2003. After the approval of Board of Directors, the policy was presented to the shareholders at general assembly meeting on 15.05.2015.

In this subsection **Garanti Leasing** has achieved compliance with the Principles.

b. Supporting the Participation of Stakeholders' in Corporation's Management

Models to support employees' participation to management have not been built and there are no provisions on this subject in internal regulations or the Articles of Association.

However, annual "Employee Satisfaction Survey" was conducted in 2014 and 2015 by Aon Hewitt. A satisfaction survey for customers was conducted by IPSOS in 2015. Positive and negative points have been determined with the results of these surveys and the management took precaution on negative subjects.

The Company has taken opinions of staff on subjects like Performance Evaluation or Education. It has been learned that arrangements were made in parallel with results.

In this subsection the Company has achieved good compliance with the Principles.

c. Human Resources Policy of the Corporation

Procedures on recruitment, working conditions, register files, disciplinary

practices, power and responsibilities of employees, remuneration, health rights, leave rights, promotion, task alteration and dismissal, death, resignation, retirement and education has been developed and it's been observed that the company sticks to these policies in practice.

Both during development and implementation of the policies, we got the impression that equal opportunity is given to individuals under the equal conditions.

Performance and reward criteria have been established and disclosed to employees, in determination of benefits provided to employees the mentioned criteria are followed.

It has been determined that the company implements education programs to increase knowledge, capability and experience of the employees and prepares education policies.

In 2015, 187 employees were given training under 53 subjects.

It has been learned that adequate information is given to employees on subjects such as financial situation of the company, remuneration, career, education and health.

The company's organization chart has been formed according to working conditions. Units, as well as number and qualification of employees for these units have been put on written internal regulations. It has been determined that a total of 147 people were employed at the head office and 9 branches as of July 2015.

As a result of examinations at the company and interviews with employees, it has been learned 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.

Company officials have told us that regulations for employees are updated when necessary and disclosed to them.

There are no stock-options schemes for employees.

There is no restriction on the freedom of founding association, on the condition of getting permission first. Employees are not members of any trade-union.

It is our opinion that in this subsection **Garanti Leasing** has achieved rather good level compliance with the Corporate Governance Principles.

d. Relations with Customers and Suppliers

Garanti Leasing's relations with customers and suppliers are conducted on the basis of comprehensive contracts.

Information and documents obtained from suppliers during the activities are kept confidential within the scope of trade secret security in order to prevent access by irrelevant people.

In this subsection the Company has achieved very good compliance with the Principles.

e. Ethical Rules and Social Responsibility

Policy to Prevent Abuses and Unethical Behaviors, which is required to be complied by all employees is laid down, approved by the Board of Directors and published on the company website.

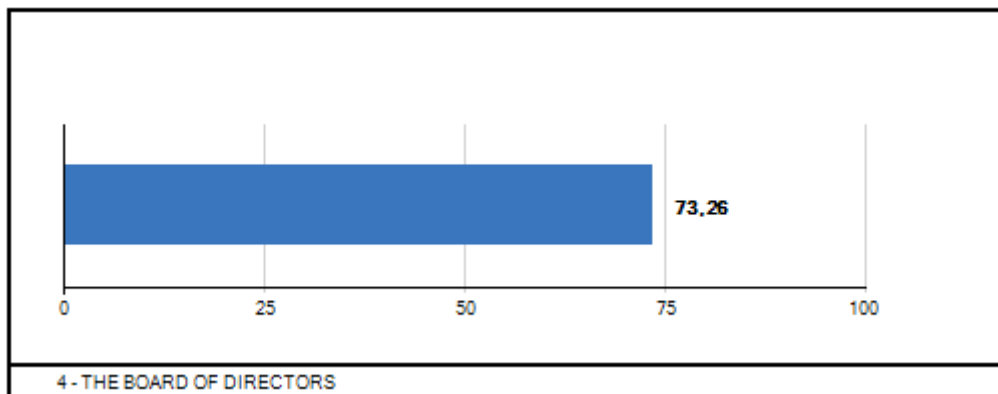
Policy to Prevent Abuses and Unethical Behaviors comprises the sanctions to be taken against employees who violate the policy, methods of reporting and assessment.

Garanti Leasing has determined its corporate social responsibility policies and continues its operations within this framework.

If the Company develops social responsibility, it would be positive in terms of the Principles.

It is our opinion that in this subsection the Company has achieved compliance with the Principles.

D. THE BOARD OF DIRECTORS



Overview

- ✓ **Company's strategic targets, human and financial sources it requires are determined by the Board of Directors.**
- ✓ **The posts of Chairman and General Manager are carried out by separate individuals and there isn't any person with solely unlimited authority in the company.**
- ✓ **The number of Board Members is adequate for the Board of Directors to work productively and constructively.**
- ✓ **Majority of Board Members are non-executives.**
- ✓ **Every Board Member has one vote.**
- ✓ **There isn't any loan/credit involvement between Board Members and company.**
- ✓ **Corporate Governance, Audit and Remuneration Committees have been established and their working principles determined.**
- ✗ **There is no practice of self-criticism and performance evaluation for Board of Directors and rewarding or sacking members in the light of these assessments.**
- ✗ **There are no women members in the Board of Directors.**

In this section, the Company has been assessed by **126** different criteria under the headings of **Function of the Board of Directors, Principles of Activity of the Board of Directors, Structure of the Board of Directors, Procedure of Board of Directors Meetings, Committees formed within the Structure of the Board of Directors and Financial Rights Provided for the Members of the Board of Directors and Executives** as laid down by the Capital Market Board's Corporate Governance Principles, for which the Bank has gained the grade of **73.26**.

a. Function of the Board of Directors

By the strategic decisions it takes, the Board manages and represents the company keeping the risk, growth and return in balance while paying attention primarily to company's long term interests, under a reasonable and prudent risk management approach.

In this sense, the Board of Directors has described the corporate strategic objectives and determined the required human and financial resources.

The Board of Directors monitors company activities to be compatible with regulations, main articles, internal procedures and

established policies and audits management performance.

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

In this subsection, **Garanti Leasing** has achieved good compliance with the Principles.

b. Principles of the Activity of the Board of Directors

The Board of Directors has formed risk management and internal control systems to minimize possible effects of risks on the stakeholders starting with shareholders.

None of company's staff has the authority to decide solely and unrestricted. Posts of Chairman of the Board of Directors and General Manager are held by different individuals.

Our impression is that the Board plays a leading role in the maintenance of effective communication and in easing and resolving disputes that might arise between the company and the shareholders.

Powers and responsibilities of the Board of Directors have been determined in the internal regulation formed by Board decision dated 03.11.2014 and numbered 1433, in a clearly distinguishable and definable manner.

It has been observed that the Board of Directors is in continuous and efficient cooperation with managers while performing its duties and responsibilities.

Possible damages to the company due to defects of Board of Directors Members while performing their duties are insured for an amount exceeding 25 % of company's capital (within the group).

It has been determined that in this subsection the Company has achieved good level

compliance with Corporate Governance Principles.

c. Structure of the Board of Directors

According to Article 9 of Company's Articles of Association, Board of Directors comprises minimum 5 and maximum 9 members. Therefore the requirement of having at least 5 members to form the Board of Directors has been met.

At the General Assembly, convened on 15.05.2015, Board of Directors was established with 8 members, including General Manager.

The number of Board Members is found sufficient to serve productively and constructively and to form and organize committees efficiently.

It has been determined that the principle of having non – executive members in the Board of Directors is met. 7 members of Board of Directors, excluding general manager, are non – executive members.

Having independent members in the Board of Directors would take compliance with the Principles to a higher level.

It will be appropriate for the company to determine a target ratio – no less than 25 % - for having women directors in Board, as well as a deadline and policies to reach these targets and for the Board to monitor the progress on these targets annually.

d. Procedure of Board of Directors Meetings

The procedure of Board of Directors meetings is described by Article 11 of Articles of Association.

Ways of convening Board of Directors meetings and distribution of powers and duties within the Board are determined in accordance with Board of Directors internal

guidelines, which determine the principles and methods of Board meetings.

Company's Articles of Association include information on Board meeting location and participation to the meeting in electronic environment.

Garanti Finansal Kiralama Hizmetleri A.Ş. Board of Directors held 4 meetings in 2014. All members attended to the meetings.

Each member has one voting right in the Board of Directors. None of the members has any privileges or veto rights.

Upon examinations done at the spot and on the records it has been seen that Board meetings take place in accordance with regulations and with those articles of Articles of Association that deal with Board meetings.

In this subsection **Garanti Leasing** has achieved good level compliance with Corporate Governance Principles..

e. Committees formed within the Structure of the Board of Directors

In order for the Board of Directors fulfill its duties and responsibilities soundly; Audit Committee and Corporate Governance Committee have been established. Separate Remuneration Committee, Nomination Committee and Early Detection of Risk Committee haven't been established due to the Board of Directors' structure.

Working principles of Corporate Governance Committee has been determined in accordance with structuring.

Board of Directors determined and approved the committees' areas of duties, their working principles and the members they are comprised of in written documents. They have been approved by general assembly and disclosed to public via electronic means.

Corporate Governance Committee was established and its duties and working principles were determined in 2015. However the Committee did not convene or developed a proposal for the Board of Directors.

Corporate Governance Committee has been established with two members. Its chairman and member are non – executive.

Corporate Governance Committee duties and powers have been described as below:

Duties of the Corporate Governance Committee are; to monitor as the Corporate Governance Committee the Company's compliance with Corporate Governance Principles, to work to improve it and present proposals to the Board of Directors, to determine conflicts of interest stemming from non – compliance with Principles and watch the activities of shareholder relations unit.

Working principles of the Corporate Governance Committee, which require that the Committee convenes four times in a year – minimum one meeting in every three months -, that it invites managers and employees to the meeting if necessary, that it keeps records of meetings and that it informs the Board of Directors about the results have been found positive.

Determining duties and powers of Corporate Governance Committee as Nomination and Remuneration Committee would be appropriate.

The Committee, which was established in 2015, must start its meetings in parallel with its working principles as soon as possible. It would help the Company to develop the level of its corporate governance.

The Audit Committee, established in order to help Board of Directors to implement its function of inspection and monitoring, comprises two members.

All members attended 4 meetings that the Audit Committee held in 2014. The Committee convened twice in first six months of 2015 and these meeting were also attended by all members.

Internal audit and risk management functions of the Company are undertaken by Internal Audit Unit that reports to Audit Committee.

Internal Audit Unit's place has been determined by Item 2.2. of Internal Audit Unit Guidelines, approved by the Board of Directors in March 2014. The unit reports to the Board of Directors through the Audit Committee.

When assurance services are required for company's internal audit system, Internal Audit Unit aims to support internal audit system and to develop proposals in order to improve it, to contribute to the development and evaluation of the effectiveness of risk management, control and corporate governance processes by producing independent assessments.

It has been observed that the Company's Internal Audit Unit is structured in accordance with Leasing, Factoring and Finance Companies Act No 6361; Articles 13, 14 and 15 of Regulation to Determine Principles of Founding and Operating Leasing, Factoring and Finance Companies, published by the Official Gazette numbered 28627 on 24.04.2013, describing internal audit system, establishment of information systems and risk management.

Although no Early Detection of Risk Committee was established by the Board of Directors, operational and financial risks that the Company faces are determined, measured and monitored by the Internal Audit Unit, which reports to the Audit Committee.

The work and controls conducted within the scope of Risk Management and their results, as well as actions to be taken are reported to Top Management and Audit Committee in regular intervals.

Establishment of a Remuneration Committee to determine principles, criteria and policies – by taking company's long term goals into consideration - to be used in the remuneration of Board Members and top managers with administrative responsibility or to transfer these duties to the Corporate Governance Committee would bring compliance with the Principles to a higher level.

The committees comprises following members:

Audit Committee

Name Surname	
Aydın ŞENEL	Member
Osman Bahri TURGUT	Member (Non – Executive)

Corporate Governance Committee

Name Surname	
Osman Bahri TURGUT	Member (Non – Executive)
Ali TEMEL	Member (Non – Executive)

For this subsection the Company requires to establish Early Detection of Risk, Nomination and Remuneration Committees or, in case it can't establish them separately, it needs to assign these committees' duties and powers to the Corporate Governance Committee and increase the functionality of activities of Corporate Governance Committee.

f. Financial Rights Provided for Members of the Board of Directors and Executives

Guidelines on compensation of the Directors and executives have been put on written documents and disclosed to public in electronic environment.

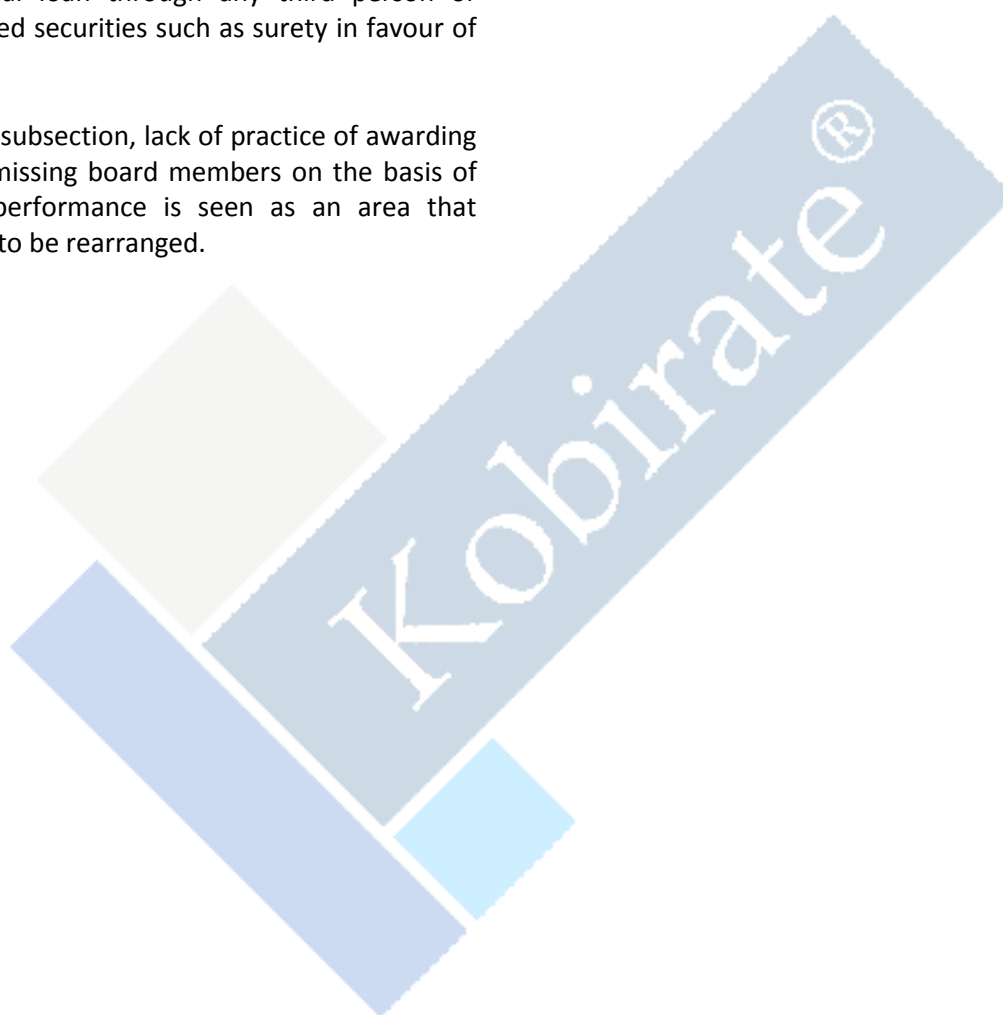
Remuneration and other benefits provided for board members or executives are disclosed in the annual report. However the information is

not given on individual basis and it doesn't distinguish between Board of Directors and executives.

In terms of compliance with the Principles, it would be more appropriate to give this information – if not on individual basis – by making distinction between Board of Directors and executives.

It has been learned that the Company has not lent and extended loan to any Director or executive or made available any credit under personal loan through any third person or provided securities such as surety in favour of them.

In this subsection, lack of practice of awarding or dismissing board members on the basis of their performance is seen as an area that needs to be rearranged.



5. KOBİRATE ULUSLARARASI KREDİ DERCELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS

GRADE	DESCRIPTIONS
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 BIST 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 eligible for inclusion in the BIST 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 operated, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests 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 BIST Corporate Governance Index.

GRADE	DESCRIPTIONS
4–5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level, but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST 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 appear to be at a level that might cause the investor to incur material losses.</p>