



Corporate Governance Compliance Rating Report



Garanti Finansal Kiralama A.Ş.

5 August 2016

Validity Period 05.08.2016-05.08.2017

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 Communiqué, no II-17.1, published in the Official Gazette edition 28871 on 03.01.2014; as well as CMB's board decision taken at the 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).

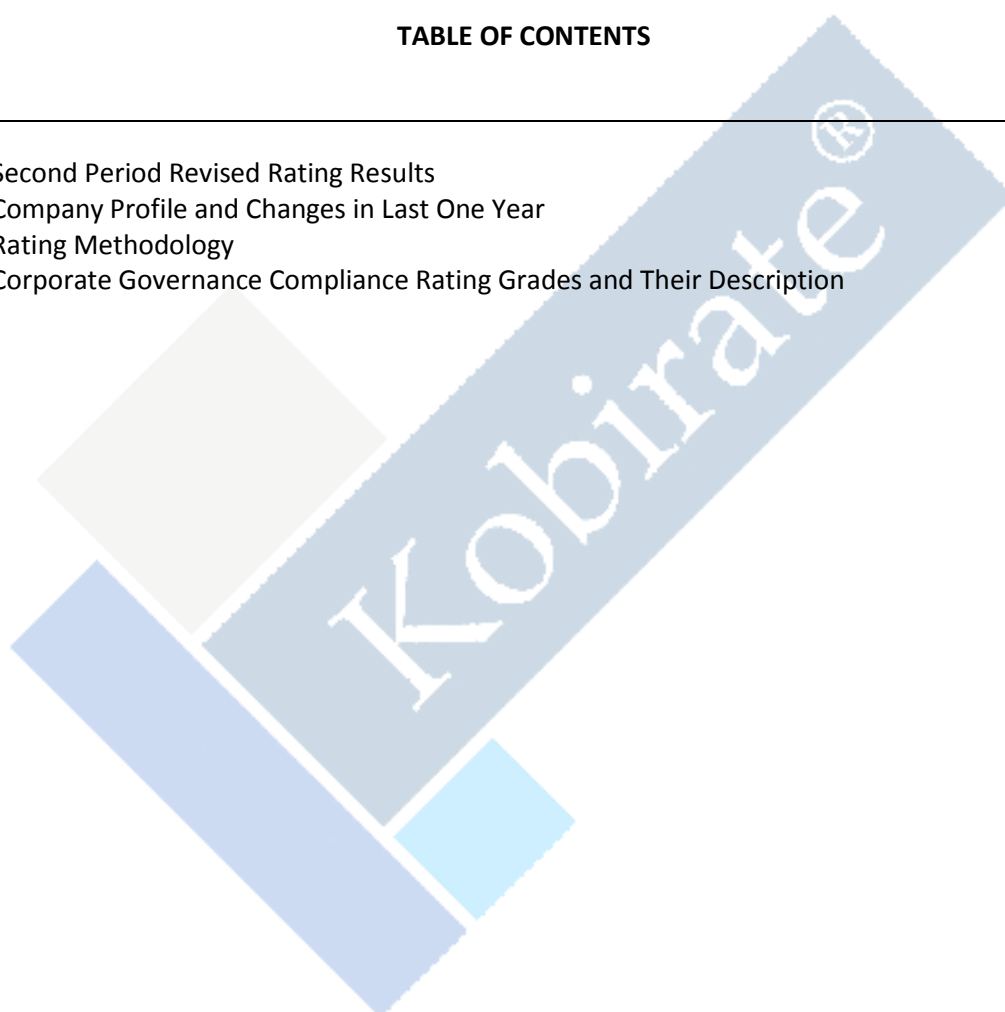
Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

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

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GARANTİ FİNANSAL KİRALAMA A.Ş.

CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE

NON-QUOTED COMPANY

8.70

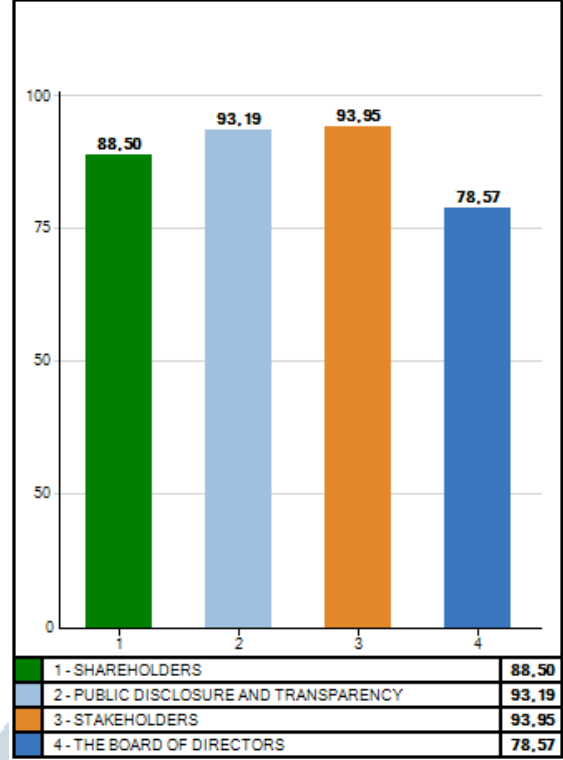
Kobirate Uluslararası Kredi Derecelendirme
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1. SECOND PERIOD REVISED RATING RESULTS

The process of rating of compliance of **GARANTİ FİNANSAL KİRALAMA A.Ş** with the Corporate Governance Principles has been concluded through onsite examinations of the documents at the head office, interviews held with executives and persons involved, and of other detailed reviews and observations.

Process of rating has been conducted in accordance with Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.S., for non-quoted companies.

Process of rating and methodology has been based on CMB's Corporate Governance Principles Communiqué no II-17,1 published by Official Gazette no 28871, dated January 3, 2014 and CMB's board decision taken at the meeting on 01.02.2013, no 4 / 105.

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.S. for "Non-quoted Companies", the Corporate Governance Compliance Rating Grade of **GARANTİ FİNANSAL KİRALAMA A.Ş.** is determined as **8.70**.

This result signifies that the Company has achieved compliance to a great extent with the CMB's Corporate Governance Principles. Possible risks are determined and actively controlled. Public disclosure and transparency are at a high level. Rights of shareholders and stakeholders are treated fairly. Structure and working conditions of the board of directors are generally in compliance with corporate governance

principles. It also signifies that although they don't pose great risks, some incremental improvements are needed in corporate governance policies.

In the section of shareholders **GARANTİ LEASİNG** has achieved a grade of **88.50**.

Relations with shareholders are conducted Financial Affairs Department. There is no practice of cancelling or restricting shareholders' right to obtain and examine information imposed by the Articles of Association and/or a decision by any corporate department. There are management policies that make special audit difficult. General assembly meetings are held properly and on time; they are disclosed to public. The meetings are held in accordance with Internal Guidelines on Working Principles and Methods of General Assembly Meeting. There are privileges in the exercise of voting rights and there are no policies that make exercising this right difficult. Dividend policy has been prepared and disclosed to public. All these attract attention as positive practices.

Ordinary general assembly meeting to discuss 2015 activities took place on 30.05.2016. Board of Directors decision for the meeting was taken on 05.05.2015, No 1487.

Information document has been prepared about the items of meeting agenda and published together with the invitation to general assembly.

Information about dividend distribution is given in the section "**ii. Dividend Distribution**" of our report.

Garanti Leasing has achieved a grade of **93.19** in the section of **Public Disclosure and Transparency**. Its renewed corporate website www.garantileasing.com.tr is used as an active and effective platform for public disclosures.

The fact that information referred by principles is current and accessible at the

corporate website is deemed as a positive development.

The annual report, which is prepared comprehensively and in alignment with company's corporate identity since 2015, has been found sufficient in terms of its contents.

The Company has prepared a disclosure policy compliant with the principles and disclosed to the public. It is deemed positive.

Chairperson of Board of Directors, Board Members, General Manager and Assistant General Managers are authorized to make statements for press and media. Information requests of stakeholders are met by relevant Assistant General Manager and Department Managers.

The Company has achieved a grade of **93.95** in the section of **Stakeholders**.

The Company has a Human Resources Policy. Department of Human Resources and Administrative Affairs, which reports to General Manager, is charged with preparation, implementation and improvement of Human Resources Policies.

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

232 employees received 3040 hours of training in 2015. 205 employees received 2884 hours of training in various subjects as of end of May 2016.

Organizational structure of the Company has been renewed in accordance with working conditions. Number of people to be employed in departments and their qualifications have been written down as Company regulations.

It has been determined that a total of 168 people are employed at the head office 17 Branch Directorates as of May 2016.

Policy to Prevent Abuses and Unethical Behaviors, which is required to be complied by all employees has been laid down and published on the corporate website. Examination of ethical rules reveals that they are comprehensive and their content is in compliance with the principles.

The project, called "I have an Idea", aims to help new ideas to surface in the Company, enable employees to convey their ideas and suggestions about Company's systems and processes to top management and help employees to participate in management decisions. It is evaluated as a positive policy.

The Company has achieved a grade of **78.57** in the section of Board of Directors.

Interviews conducted at the Company and examination of Committees' Decision Books has revealed that Board of Directors and Committees conduct their activities regularly.

Board of Directors has described the corporate strategic targets. Posts of Chairman of the Board of Directors and General Manager are held by different individuals.

Principles of Activity of the Board of Directors have been determined by the internal regulation, approved by Board decision dated 03.11.2014 and numbered 1433. The structure and qualities of the Board, its tenure, powers and authorizations, meeting method and procedures, as well as authority to represent and bind have been determined clearly by this internal regulation. Job descriptions largely intersect with the principles.

Board of Directors comprise a total of 9 (nine) persons, including 1 (one) chairman and 8 (eight) members. There are eight (8) non – executive members in the Board of Directors and none of them qualifies as independent members, according to the criteria brought by the principles. There are

no women members of the Board of Directors.

Audit and Corporate Governance Committees as referred by the principles have been established. There is no Early Detection of Risk Committee. Credit Committee, comprising three persons have been established within the limits determined by the Board of Directors. Separate Nomination Committee and Remuneration Committee haven't been established due to Board of Directors' structure. Committees' areas of duties, their working principles and qualifications of members have been determined, approved as written texts, disclosed to public and published on the corporate website. CEO/General Manager has not undertaken any duties in the committees (Except the Credit Committee). Board of Directors convened 4 (four) times in 2015 with 8 participants and took 35 (thirty five) decisions.

The Audit Committee held 4 (four) meetings in 2015 and reported the results to the Board of Directors. By the end of June 2016, the Audit Committee held 2 meetings.

The Corporate Governance Committee held 2 (two) meetings in 2015 and reported the results to the Board of Directors. It is also learned that the Committee briefs Board of Directors at every Board meeting.

Principles of Remuneration for Board Members and Top Executives have been determined and disclosed to public via corporate website.

Possible damages to the company due to defects of Board Members and Top Executives while performing their duties are insured, meeting the conditions set by the Communiqué.

2. COMPANY PROFILE AND CHANGES IN LAST ONE YEAR

A. 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	: Doing financial leasing transactions in the country and abroad and conduct other activities on financial leasing.
Company's Sector	: Financial Leasing

Company's Representative in Charge of Rating:

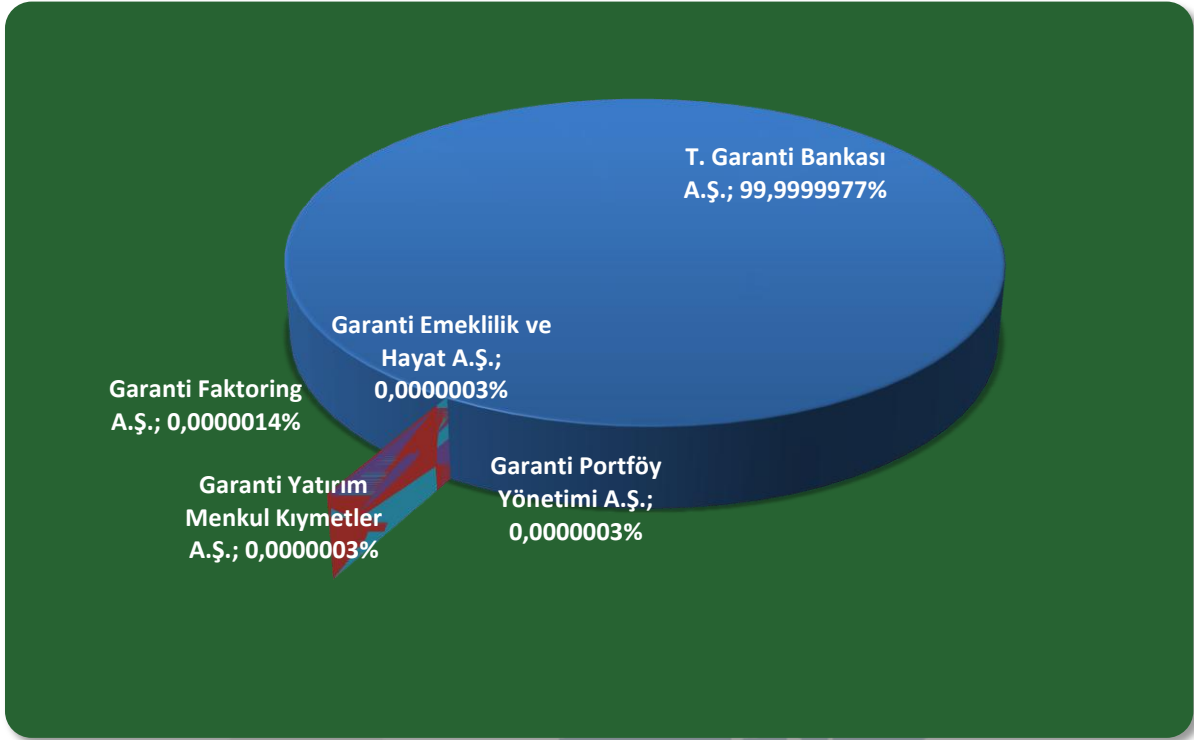
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Shareholding Structure of Garanti Finansal Kiralama A.Ş.



Source: www.kap.gov.tr

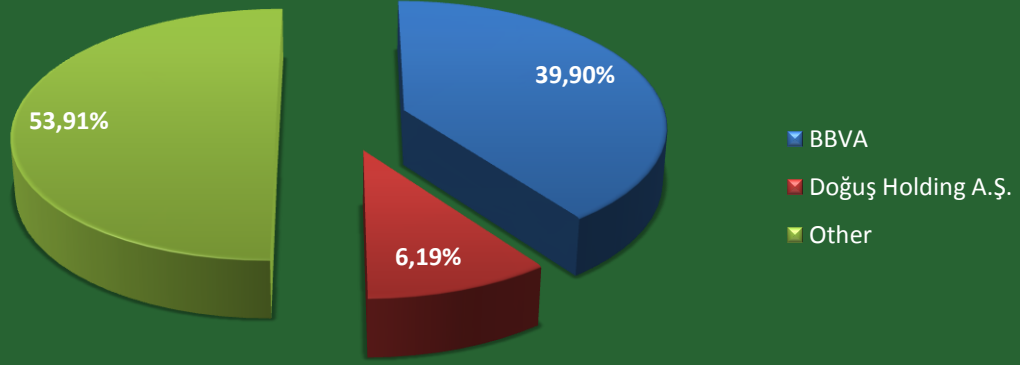
Shareholder Name	Share (TL)	Share (%)
T. Garanti Bankası A.Ş.	349.999.992,21	99,9999977
Garanti Yatırım Menkul Kıymetler A.Ş.	1	0,0000003
Garanti Portföy Yönetimi A.Ş.	1	0,0000003
Garanti Emeklilik ve Hayat A.Ş.	1	0,0000003
Garanti Faktoring A.Ş.	4,79	0,0000014
Total	350.000.000,00	100,00

Shareholding 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. Shareholding Structure



Source: www.kap.gov.tr

Company Board of Directors

Name/ Surname	Title	Executive/ Non-Executive
Ali Fuat ERBİL	Chairman of the Board	Non-Executive
Gökhan ERÜN	Deputy Chairman of Board	Non-Executive
Turgay GÖNENSİN	Member of Board	Non-Executive
Erhan ADALI	Member of Board	Non-Executive
Osman Bahri TURGUT	Member of Board	Non-Executive
Javier Bernal DIONIS	Member of Board	Non-Executive
Luis Vicente GASCO TAMARIT	Member of Board	Non-Executive
Recep BAŞTUĞ	Member of Board	Non-Executive
Ünal GÖKMEN	Member of Board and Gen. Man.	Executive

Top Executives

Name/ Surname	Title
Ünal GÖKMEN	General Manager
Emre TONGO	Assistant General Manager
Volkan ÖZBEY	Assistant General Manager
Altuğ TOKSOZ	Assistant General Manager
Koray AKHAN	Assistant General Manager

COMMITTEES OF BOARD OF DIRECTORS

Corporate Governance Committee

Name/ Surname	Title
Gökhan ERÜN	Deputy Chairman of Board
Osman Bahri TURGUT	Member of Board

Audit Committee

Name/ Surname	Title
Turgay GÖNENSİN	Member of Board
Osman Bahri TURGUT	Member of Board

Credit Committee

Name/ Surname	Title
Turgay GÖNENSİN	Member of Board
Ali TEMEL	Member of Credit Committee
Ünal GÖKMEN	General Manager

Comparison of Company's Certain Selected Items for two periods

	2014/12	2015/12	Change %
Financial Leasing Receivables Net	3.744.955	4.522.832	20,77
Total Equity	686.677	796.989	16,06
Total Assets	4.128.167	4.820.453	16,76
Total Leasing Revenues	353.818	398.592	12,65
Total Finance Expenses	(153.751)	(187.430)	21,90
Net Profit/Loss	90.925	110.425	21,44
Return on Assets (ROA)	2,20%	2,29%	4,09
Return on Equity (ROE)	13,24%	13,85%	4,61

Source: Garanti Finansal Kiralama A.Ş. 2015 Independent Audit Report

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 financial 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 2,953 in 2012, became 3,018 in 2013, 3,171 in 2014 and 3,126 in 2015.

The increase of contracts reflected on the business volume as \$ 777 million in 2012, \$ 889 million in 2013, \$ 943 million in 2014 and \$800 million in 2015.

In 2015, 19.2 % of this volume was for financial leasing transactions for real estates, 21.9 % was for construction machines, 16.4 % was for other machines and equipment industry, 8.3 % was for metal processing machines and 6.9 % 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.

B. Changes that Took Place Within last One Year in the Company:

i. Changes in Capital, Shareholding Structure and Articles of Association:

No changes took place in Company's shareholding structure and capital within the rating period.

The Company address at Article 4 of Articles of Association has been changed as **Maslak Mahallesi Eski Büyükdere Caddesi No:23 Sarıyer/ İstanbul**, within the rating period.

Article 13, which states the powers of Board of Directors has been amended as, **"Board of Directors is empowered to take decision to aid and make donations to 3rd party persons and corporations. Upper limit for donations is set by the Board of Directors."**

Article 14, which is about Company Audit, has been amended as, **"Right of shareholders to appoint special auditor in accordance with regulations is valid."**

ii. Dividend Distribution:

In accordance with the decision taken at the Ordinary General Assembly Meeting at Company's head office on 30.05.2016;

It has been decided to allocate TRY 5,521,189.74 from 2015 profit of TRY 110,423,794.79 as primary reserve; to transfer TRY 104,902,605.05 into Extraordinary Reserve and to allocate TRY 86,378,447.53 of previous years' profit as Extraordinary Reserve.

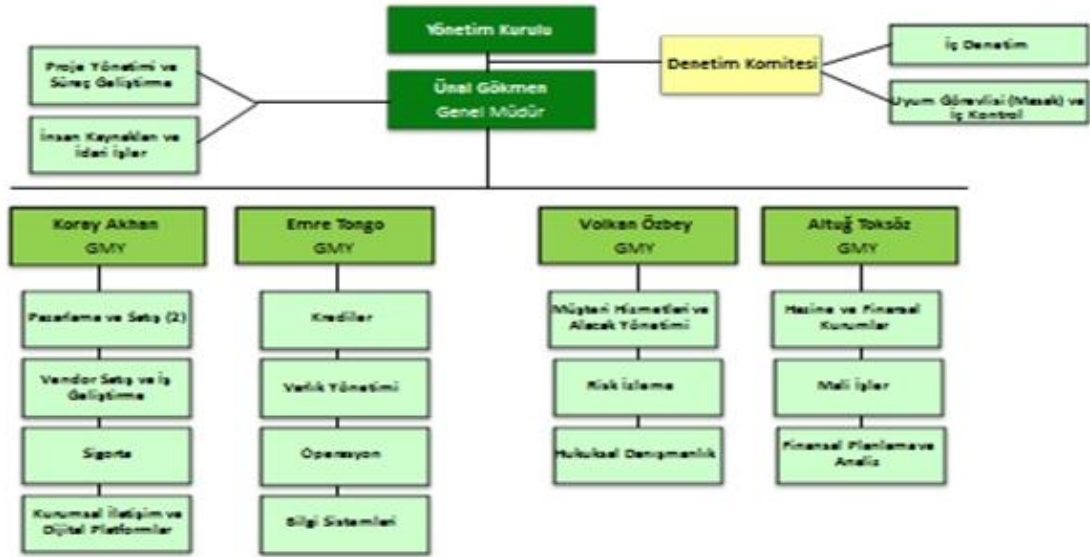
iii. Policies:

Donation and Aid Policy, Disclosure Policy, Human Resources Policy, Dividend Policy, Severance and Notice Pay Policy, Abuse and Unethical Behaviors Prevention Policy and Remuneration Policy, all of which have been prepared by the Company and disclosed to public via corporate website have not been changed during the rating period.

iv. Management and Organization:

Company's organizational structure has been changed as below. Number of Assistant General Managers was reduced to 4 from 5, as of 30.06.2016. Company's organization chart is below.

Garanti Leasing Organization Chart



v. Subsidiaries and Affiliated Companies

There were no changes in subsidiaries and affiliated companies of Garanti Finansal Kiralama A.Ş. It still holds 100 % shares Garanti Filo Yönetimi A.Ş.

3. 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 Firms Outside BIST 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.

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

GRADE	DEFINITIONS
9-10	<p>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.</p>
7-8,9	<p>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.</p>
6-6,9	<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 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.</p>

GRADE	DEFINITIONS
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>