



Corporate Governance Compliance Rating Report

 **Garanti Factoring**

Garanti Faktoring Hizmetleri A.Ş.

21 August 2013

Validity Period 21.08.2013-21.08.2014

LIMITATIONS

This Corporate Governance 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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**GARANTİ FAKTORİNG
HİZMETLERİ A.Ş.**

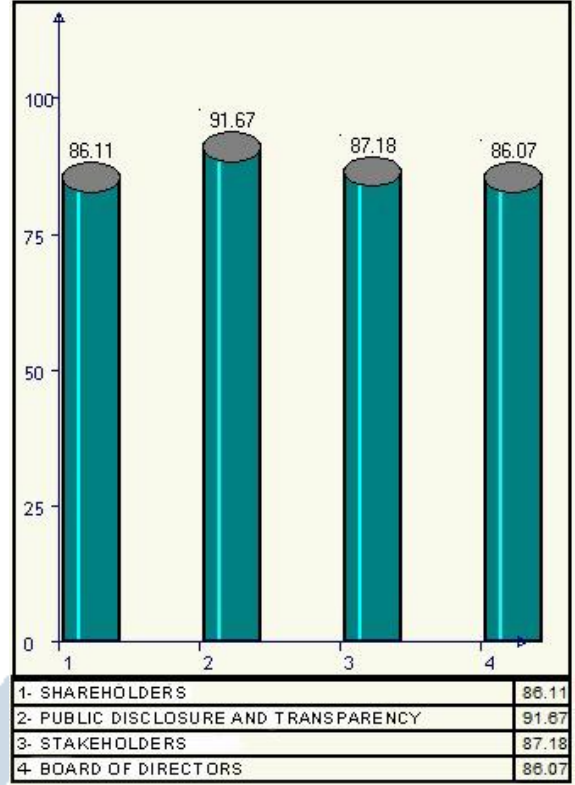
**CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE**

8.76

Kobirate A.Ş. Contact Name :

Serap Çembertaş (216) 3305620 Pbx
serapcembertas@kobirate.com.tr

www.kobirate.com.tr




1. REVISED SECOND PERIOD RATING RESULT

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 **GARANTİ 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 and Communiqué Series IV, No:57 in February 2012

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.S., developed for "Third Group Companies of the BIST", the Corporate Governance Compliance Rating Grade of **GARANTİ FAKTORİNG HİZMETLERİ A.Ş.** is determined as **8.76**. This result signifies that **GARANTİ 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 BIST Corporate Governance Index at high level.

Both Board of Directors' and top management's internalization of Corporate Governance Principles in including willingness and steady approach to produce solutions to areas that require compliance and improvement within the last year has been the biggest factor in achieving the revised note.

This result refers to a substantial compliance of **GARANTI FAKTORING HIZMETLERI A.Ş.** with CMB's published Corporate Governance Principles. The risks that may occur within the company are significantly identified and can be controlled. Rights of shareholders are fairly regarded. Public Disclosure and Transparency activities are at high level. Rights of stakeholders are fairly regarded. The structure and working conditions of Board of Directors are in compliance with the Corporate Governance Principles; but although it doesn't pose great risks within the framework of Corporate Governance Principles, some improvements are needed.

A large, semi-transparent watermark of the Kobirate logo is positioned diagonally across the page. The logo consists of the word "Kobirate" in a white serif font, with a registered trademark symbol (®) to its upper right. The text is set against a dark blue background that is part of a larger graphic element composed of several overlapping rectangular shapes in shades of blue and grey.

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2. COMPANY PROFILE AND CHANGES IN LAST YEAR



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-in Capital	: 21.000.000.-TL
Line of Business	: Factoring services
Sector in Which its Operates	: Finance

Derecelendirme İle İlgili Şirket Temsilcisi:

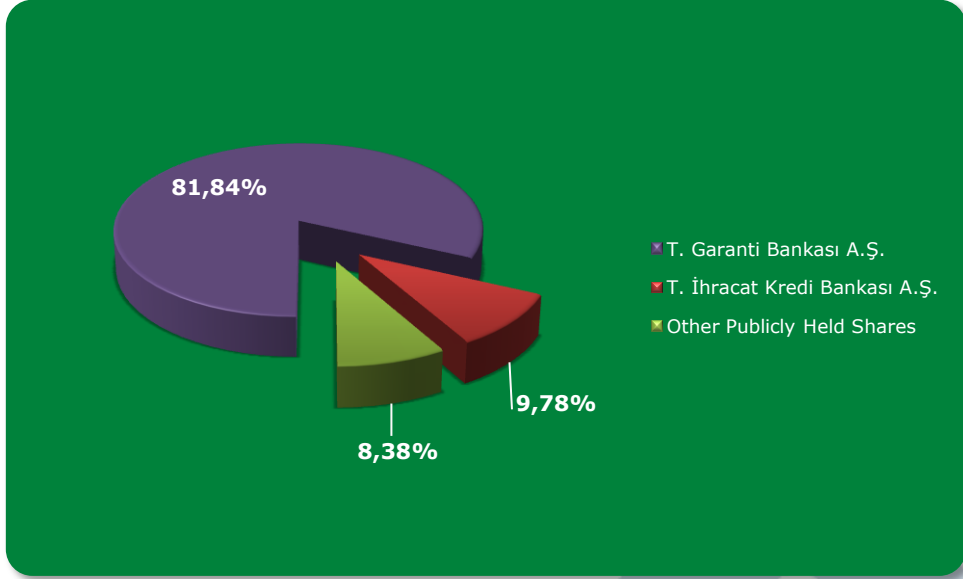
Serap Çakır

Head of General Accounting Department

scakir@garantifactoring.com

(0212) 3655218

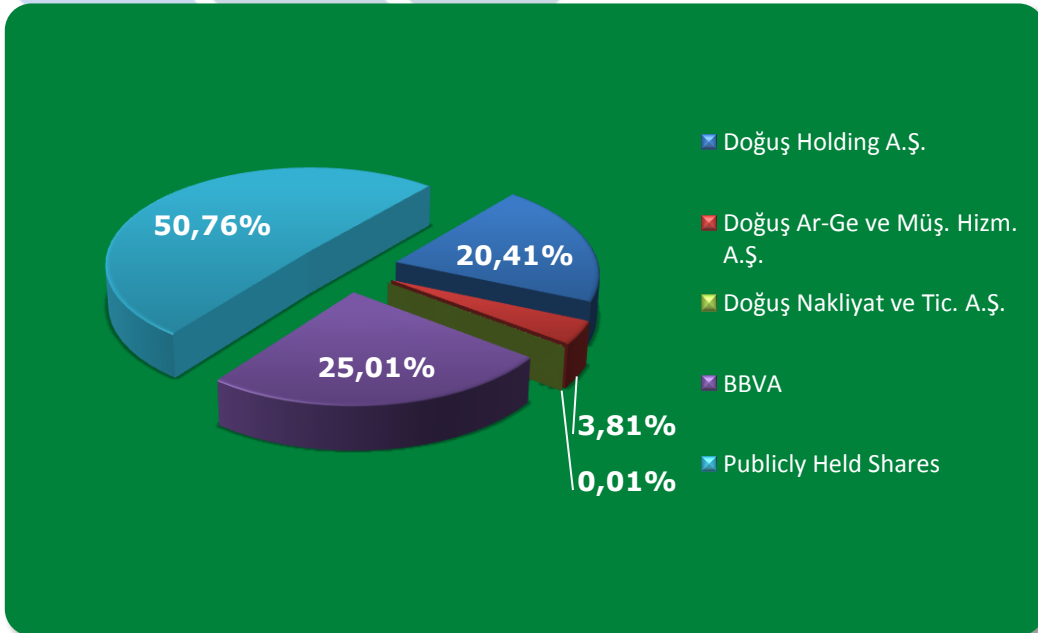
Shareholders' Structure (As of the Report Date)



Source : www.garantifactoring.com

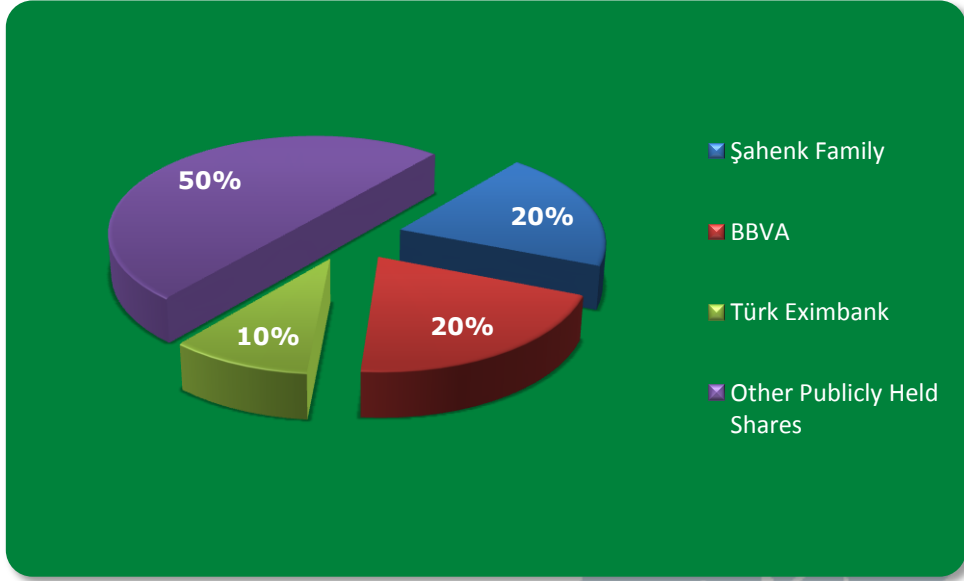
Name	Share (TL)	%
T.Garanti Bankası A.Ş.	11.634.970,12	55,40
Publicly held shares belonging to T. Garanti Bankası A.Ş.	5.552.179,44	26,44
T. İhracat Kredi Bankası A.Ş.	2.053.230,02	9,78
Other Publicly Held Shares	1.759.620,42	8,38
Total	21.000.000,00	100,00

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
Turk 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

	2012/06(000)	2013/06(000)	Change %
Total Assets	1.574.961	1.677.702	6,52
Factoring Receivables	1.549.189	1.653.512	6,73
Paid in Capital	21.000	21.000	-
Equity	95.571	115.790	21,16

Source: www.garantifaktoring.com.tr

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

	2012/06(000)	2013/06(000)	Change %
Factoring Income	70.531	68.353	-3,09
Operating Expenses	(15.798)	(16.946)	7,27
Financial Expenses	(40.428)	(37.059)	-8,33
Net Profit/Loss	11.015	10.779	-2,14

Source : www.garantifaktoring.com.tr

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

Bottom	Peak
4,85 (23.08.2012)	9,44 (02.05.2013)

Changes Experienced Within the Last Year in the Company:

- According to the 6th article of the Company's Articles of Incorporation, with the 03.05.2013 dated and 2013/035 numbered determination, The Board of Directors decided to increase the equity from TL 21.000.000.- to TL 79.500.000.- , coming from the positive difference of capital inflation adjustment, income rising from sale of investment and special funds and extraordinary reserves which totally amounts to TL 58.500.000.-. Board of Directors also decided the free distribution of the mentioned amount to the shareholders according to their shares and authorized the Head Office to carry out the necessary actions. The application on the relevant issue was made on 21 may 2013 to Capital Markets Board and the approval was announced on 15 August 2013 in the Capital Market's Board Bulletin. Garanti Faktoring Hizmetleri A.Ş. has announced the issue on 20 August 2013 via PDP and shared the CMB approved export document with public.

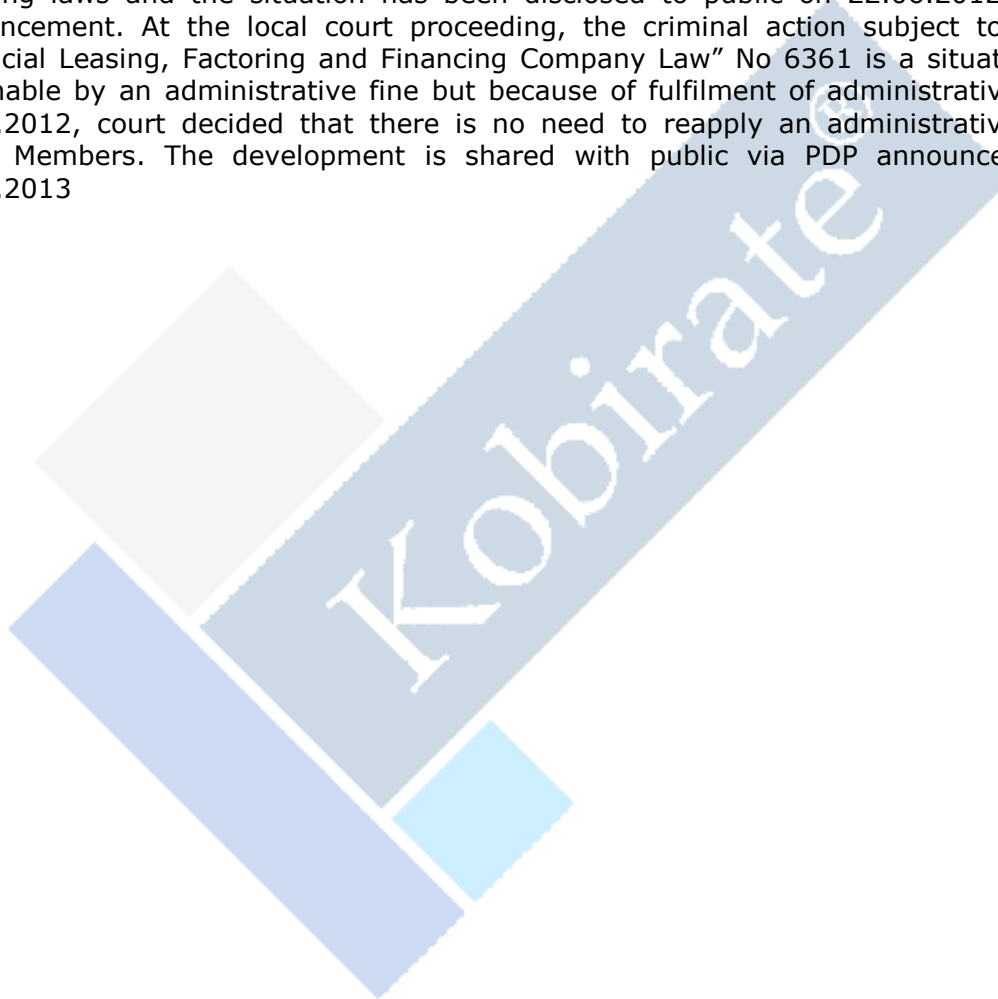
- In the extraordinary general assembly held on 14.01.2013;

- The "Registered Capital" entitled 6th article of the Company's Articles of Incorporation is modified according to the 6102 numbered Turkish Commercial Code and CMB regulation.
- The "Meetings of the Board of Directors" entitled 10th article of the Company's Articles of Incorporation is modified according to the 6102 numbered Turkish Commercial Code and according to the 6th article of the communiqué "Electronic general assembly systems to be used in joint stock companies general assembly" published in the official gazette on 29.08.2012 and numbered 28396.
- The "General Assemblies" entitled 18th article is modified according to the 6102 numbered Turkish Commercial Code and according to the 5th article of the communiqué "General Assemblies going to be held by electronic means on joint stock companies" published in the official gazette on 28.08.2012 and numbered 28395.
- 1-2-3 and 4th temporary articles of the company's Articles of Incorporation have been cancelled
- In the same session, Profit Distribution and Grants and Aids Policies of the company have been discussed and approved according to Turkish Commercial Code and CMB Corporate Governance Principles.

- In the Board of Directors meeting held on 28.02.2013, 2012 profit distribution is decided to be kept within the company by transferring the net distributable profit to legal and extraordinary reserve accounts according to the "Determination and distribution of the profit" basis organized in the company's articles. (The gross amount of TL 25.583.386,19 profit calculated from financial statements on the basis of International Reporting Standards according to the CMB's communiqué Serial: XI Number 29 has been reduced to TL 20.460.586,19 net profit after tax provision and after reducing primary legal reserves the net distributable period profit reached TL 19.548.306.-) The decision taken by the Board of Directors has been discussed and accepted in the General Assembly on 29.03.2013.

- In 2012, according to the needs and demands within **Garanti Factoring** some of unit functions and regions are reshaped such as establishment of new units on the company organizational structure, renaming units and structuring of new regional offices. The mentioned changes have been disclosed to public via 2012 annual report. On the other hand registration and announcement of 10 branches have been concluded according to the permissions taken from BRSA. With this transaction number of branches raised to 21 and developments are disclosed to public with 12.08.2013 dated PDP announcement.

In 2011 during internal audits and Supervisory Authority inspections made by officials, some operational shortcomings have been identified in multiple invoice transactions which are the general problem in factoring sector and as a result of investigation in the company BRSA decided to apply an administrative penalty due to same operational deficiencies. Also a criminal case towards Board Members because of violation of factoring laws and the situation has been disclosed to public on 22.06.2012 via PDP announcement. At the local court proceeding, the criminal action subject to enacted "Financial Leasing, Factoring and Financing Company Law" No 6361 is a situation to be punishable by an administrative fine but because of fulfilment of administrative fine on 13.02.2012, court decided that there is no need to reapply an administrative fine to Board Members. The development is shared with public via PDP announcement on 13.02.2013



3. RATING NOTES AND REASONS ON MAIN HEADINGS

It's seen that **GARANTİ FACTORİNG** has reached **86.11** points from **Shareholders** section.

Just like in the previous period, Shareholders Relations Dept. has fulfilled its tasks effectively, preparation and announcements relating to general assembly are timely and accurate and results are shared with public and there is no restriction on proxy voting.

General assembly on 2012 operations was held on 29.03.2013 with calls 3 weeks prior. As 1527th article of Turkish Commercial Code No: 6102 has decreed electronic participation to general assembly, to make suggestions, comment and vote has the same conclusion of law with the physical participation and voting in joint stock companies, and also decreed that electronic participation to general assembly and voting is mandatory for BIST listed companies, General Assembly of the company was also held by electronic means and shareholders and other right owners who want, have attended to the general meeting either in person or by representatives. Our specialists also attended to the meeting and observed that the meeting is held according to legislation and questions forwarded to Board of Directors and auditors are answered.

General assembly invitation, meeting minutes, list of attendants, voting method and proxy examples, preferred shares and their scope are published on the website of the company. It is announced to shareholders and interested parties via disclosure document that the meeting is going to be open to public.

Also extraordinary general meeting held on 14.01.2013 was conducted in accordance with laws, regulations and internal arrangements.

In accordance with the provisions of the regulation "Procedures and principles of joint stock company's general assembly" and "Representatives of Ministry of Customs and Commerce to be found in general assembly", the internal guidelines prepared by the Board of Directors on "Garanti Factoring A.Ş. working principles and procedures of the general meeting" has been submitted to the approval of shareholders and announced in the Turkey Trade Registry Gazette.

The most important developments to increase the note in this section are;

- General assembly held on 29.03.2013 discuss 2012 activities participation practices are made properly both actually and by electronic means.
- Profit Distribution Policy has been submitted to the approval of shareholders at the extraordinary general meeting held on 14.01.2013.
- Grants and Aids Policy developed by the company has been submitted to the approval of shareholders at the extraordinary general assembly held on 14.01.2013.

The company reached to **91.67** points from **Public Disclosure and Transparency** Section.

The company realizes Public Disclosure operations via its Disclosure Policy prepared by the Board of Directors which is approved in the general assembly and disclosed to public.

Company website is used as an effective platform on this subject and contains updated information.

Annual reports prepared by the Board of Directors have complete and accurate details on company activities.

The most important developments to increase the note in this section are;

- The Disclosure Policy is revised to totally meet the principles.
- In the company's website;
 - Prospectuses and initial public offering circular are placed,
 - Repurchasing of the company's own shares policy has been developed and shared,
- In the annual report;
 - Information about the off- the company duties of the Board members and executives including independence declarations of the Board members have been placed.
 - Information about the number of the Board of Directors meetings and meeting frequency of the committees formed within the board has been placed.
 - Information about the practices contrary to provisions of the legislation that pose significant administrative sanctions and penalties have been placed.
 - Likewise, whether or not there has been major administrative sanctions and penalties towards Board members has been placed.
 - Information about significant lawsuits filed against the company and their results have been placed.

The company reached **87.18** points on **Stakeholders** section.

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 **GARANTI FAKTORING** provides protection for stakeholders' rights in its operations and activities, which are regulated by the legislation

and the mutual agreements, when the rights of the stakeholders are not regulated by the legislation we got the impression that the company solves the interests of the mentioned group under the rules of good faith and within the company's fullest extent possibilities in order to try to protect the company's reputation and for this purpose many internal arrangements have been made.

The most important developments to increase the note in this section are;

- The indemnity policy towards the employees has been developed.
- The mentioned policy has been shared with public via company's website.

GARANTI FAKTORING reached **86.07** points on **Board of Directors** section.

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. Maintaining effective communication between the company and the shareholders, it seems that the Board of Directors play a leading role in setting disputes that may arise. Structure of the Board of Directors is in compliance with the principles. Board consists of 9 members and except 2 of them others are non-executives. The 2 non-executive members are independent members. The Board of Directors meets as often to carry out the duties effectively and 32 meetings were held within the rating period. Also Corporate Governance Committee had 4 and Audit Committee had 9 meetings within the same period.

The most important developments to increase the note in this section are;

- Corporate Governance Committee has gained efficiency.
- As the nomination committee tasks are carried out by corporate governance committee, the bids for independent membership and assessment of the criteria whether or not the candidates carry to be independent are reported and submitted to the approval of the Board.
- All the committees' studies are written and recorded.
- The committees report the information on their studies and results of their meetings to the Board.
- As the Remuneration Committees tasks are also carried out by the Corporate Governance Committee, payment proposals are submitted to the Board of Directors.
- Wages and other benefits provided to the Board of Directors are shared with public via annual report.



4. 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).

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 third group firms whose shares are traded on BIST 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 on 01.02.2013 date and 4/105 numbered meeting are applied;

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

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

NOT	TANIMLARI
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 obviously 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 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 BIST Corporate Governance Index.

NOT	TANIMLARI
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 true 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 the 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 appears to be at a level that might cause the investor to incur material losses.</p>