



Corporate Governance Compliance Rating Report



Garanti Yatırım Ortaklığı A.Ş.

25 December 2015

Validity Period : 25.12.2015-25.12.2016

LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Garanti Yatırım Ortaklığı 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 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 edition 28871 on 03.01.2014.

The 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 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 YATIRIM
ORTAKLIĞI A.Ş.**

**CMB CORPORATE GOVERNANCE
PRINCIPLES COMPLIANCE GRADE**

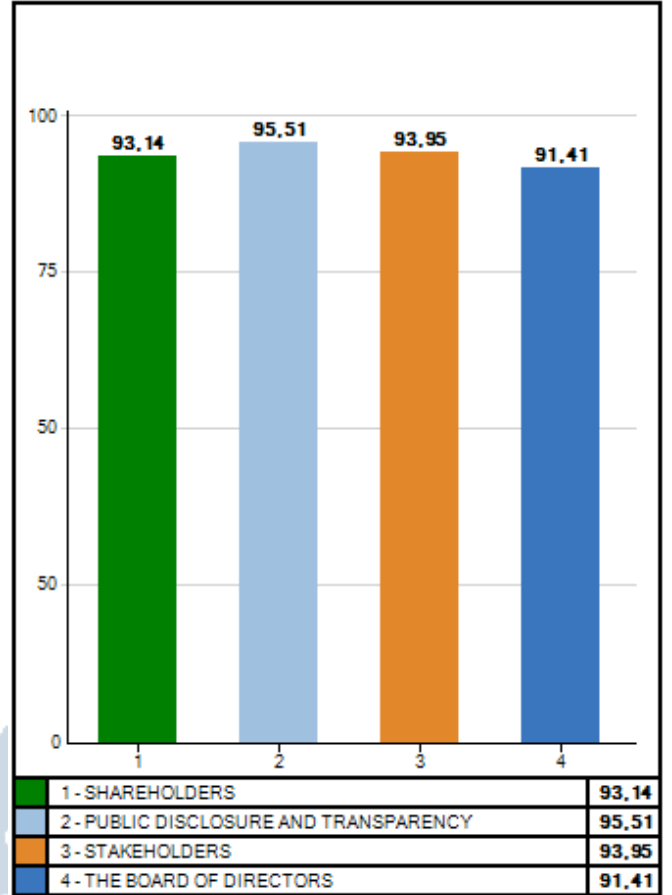
9.32

**Kobirate Uluslararası Kredi Derecelendirme
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1. FOURTH PERIOD REVISED RATING RESULT

The process of rating of compliance of **GARANTİ YATIRIM ORTAKLIĞI 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, examination of publicly disclosed information and of other comprehensive reviews, according to the Capital Markets Board's (CMB) Corporate Governance Principles Communiqué no II-17.1 published in the Official Gazette edition 28871 on 03.01.2014.

According to CMB Decision dated 13.01.2015 and numbered 1/3, Garanti Yatırım Ortaklığı

A.Ş. is on **BIST 3rd Group Companies** list. The Company has been rated by examination of 398 criteria specified in Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş. for "BIST Third Group Companies / Investment Partnerships". At the end of the rating process, which was conducted under the main headings of Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors, Corporate Governance Compliance Rating Grade of Garanti Yatırım Ortaklığı A.Ş. is determined as **9.32**.

This result signifies that the company has largely achieved compliance with the CMB's Corporate Governance Principles. Possible risks

for the company have been determined and being kept under control. Public Disclosure and Transparency activities are at a high level. Rights of shareholders and Stakeholders are being treated fairly. The structure and mode of operation of Board of Directors are in compliance with corporate governance principles, but there is still need for some improvements. The result shows that the Company highly deserves to be included in the BIST Corporate Governance Index.

▪ At the section of Shareholders, it is seen that Garanti Yatırım Ortaklığı A.Ş. has achieved a grade of **93,14**. Most important factor, which contributed to Company's achievement of this rate, is the fact that general assembly information document has been improved and more information that would be useful for investors and public has been added to it. Within this context, the document includes the information below as different from last year:

- Changes in the management and activities of the Company that would affect shareholder activities in the previous period and reasons for these changes,
- Changes in the management and activities of the Company that would affect shareholder activities in next period and reasons for these changes,
- Whether or not there was an election for membership of Board of Directors,
- Whether or not there were written demands about putting items on the agenda, sent by Shareholders to the Investor Relations Department.

Relations with shareholders are managed by Investor Relations Department. Hasan Hüsnü GÜZELÖZ (Member of Board of Directors) is the Director of Department. Ali Akın EKMEKÇİ (Financial Affairs Director) works as the staff of department.

Investor Relations Department Director Hasan Hüsnü GÜZELÖZ has CMB Level 3 and Corporate Governance Rating Expertise Licenses. Aforementioned director has been appointed as a member of Corporate Governance Committee with Board of

Directors decision dated 16.07.2014 and numbered 2014/10 and the appointment was disclosed to public with a Material Event Disclosure on the same day.

There is no regulation and practice at shareholders' right to obtain and review information to be cancelled or constrained by the Articles of Association and/or a decision by any corporate organ. Disclosures for shareholders and public are conducted in accordance with the Company's "Disclosure Policy". The policy can be accessed on the corporate website.

The announcement for general assembly meeting on 31.03.2015 to discuss activities of 2014 was done properly, but the meeting was postponed due to insufficient majority. Postponed meeting was held on 30.04.2015. Invitation to the meeting was made properly through Turkish Trade Registry Gazette dated 07.04.2015 and numbered 8795, Public Disclosure Platform and MKK e – general assembly system, 3 (three) weeks before the meeting.

Company's Articles of Association contains privileged shares, restricted to the election of Members of Board of Directors. According to the Articles of Association, A Group shares each have 1,000,000 (one million) voting rights, while B group shares each have 1 (one) vote in the election of Members of Board of Directors.

TRY 1,862,801.41 net distributable period profits were earned with the activities in 2014. With the proposition of Board of Directors and approval of General Assembly, it was decided to distribute TRY 1,400,000.00 dividend for shareholders and it was done on 22.05.2015.

▪ The Company has achieved a grade of **95,51** in the section of Public Disclosure and Transparency. Company's practices in Public Disclosure and Transparency continue with the same sensitivity.

The developments that have been effective for the Company to achieve this increase in grade are listed below;

- Annual report includes findings and assessments of the Board of Directors on whether or not there is capital loss or heavy debts for the Company and the measures planned to be taken to improve Company's financial structure if there are any of these problems,

- Annual report includes statements on whether or not there any plans for future changes in management practices in compliance with corporate governance principles,

- Annual report includes Board of Directors decision about approval of Company's balance sheet and income statements by the Board of Directors and their presentation to General Assembly for approval,

- Annual report includes Board of Directors' "Responsibility declarations stating that the Annual Report and periodical financial statements fully reflect Company's financial situation and the Company fully complies with regulations."

The persons who are responsible for disclosure statements and have the authority of signature at Garanti Yatırım Ortaklığı are Chairman of Board of Directors / General Manager Mehmet Reha Tanör, Member of Board of Directors / Director of Investor Relations Department Hasan Hüsnü Güzelöz and Financial Affairs Director Ali Akın Ekmekçi'dir.

Corporate website and annual reports are in compliance with the criteria specified in the principles and they are being used as effective means of disclosure.

▪ In the section of Stakeholders the Company has received the grade of **93,95**. Most important factor for this grade is the fact that Company's Ethical Principles and Rules have been revised and developed and presented to the General Assembly after the approval of Board of Directors.

Compensation policy for employees has been prepared, presented to shareholders at the General Assembly and disclosed to public through the corporate website.

A detailed HR Regulation has been prepared for Company's employees. Procedures on recruitment, working conditions, disciplinary practices, powers and responsibilities of the staff, remuneration, health rights, leave rights, promotion, task alteration, dismissal, death, resignation and retirement have been developed and our impression is that the company sticks to these policies in practice. It is thought that principle of providing equal opportunities for people in equal positions has been respected both in the preparation and implementation of procedures and policies.

▪ In the section of Board of Directors, Garanti Yatırım Ortaklığı A.Ş. has achieved the grade of **91,41**.

Most important factors for this grade are listed below;

- "Policy for Women Members of Board of Directors" has been prepared,

- 2014 Annual Report included Board of Directors' assessment on the subject of women members of board of directors,

- Board of Directors and Committees are very determined and motivated to continue their activities efficiently and actively.

The Board of Directors has described corporate strategic objectives. Posts of Chairman of the Board and General Manager are held by same person at Garanti Yatırım Ortaklığı. The reason for this situation, which has been continuing since the founding of the Company is explained to shareholders at the general assembly and in the annual report.

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. Public Disclosure Platform statement for this insurance which is valid between 03.04.2015 and 03.04.2016, was issued on 05.08.2015.

There are 5 (five) members of the Board of Directors. 2 (two) members are executive and 3 (three) members are non – executive. 2 (two)

of the non – executive members are independent, meeting the criteria specified by Corporate Governance Principles. Board of Directors held 18 (eighteen) meetings between December 2014 and December 2015.

Committees referred by the Principles, including Audit, Corporate Governance, Early Detection of Risk Committees are formed and it is seen that and their working principles appear in written documents. Members of Committees were disclosed to public with a material event disclosure issued on 16.07.2014.

Between December 2014 and December 2015, Audit Committee held 6 (six), Corporate Governance Committee 6 (six) and Early Detection of Risk Committee 6 (six) meetings and they sent meeting results to the Board of Directors.

Guidelines on Compensation of Directors and Top Executives have been determined and disclosed to public through corporate website.

There are no women members of Board of Directors. At its meeting on 04.02.2014, No 2014/2, Board of Directors determined the rate of women members as 25 % and the target year as 2017, when elections for Board of Directors will take place. “Policy for Women Members of Board of Directors”, prepared within the context of this decision, was discussed and approved at Board of Directors meeting on 04.12.2015, No 2015/15. 2014 Annual Report contained information about Board of Directors’ assessment on the subject of women members of Board of Directors.

2. COMPANY PROFILE AND CHANGES WITHIN LAST YEAR

A. Company Profile:



Company Name	: Garanti Yatırım Ortaklığı Anonim Şirketi
Company Address	: Doğuş Grubu Merkez Binası, Huzur Mah. Maslak Ayazağa Cad. No: 2 34396 Sarıyer-İstanbul
Company Phone	: (0 212) 335 30 95-96-97
Company Facsimile	: (0212) 335 32 30
Company's Web Address	: http://www.gyo.com.tr/
Company's E-Mail Address	: yo@gyo.com.tr
Date of Incorporation	: 9 July 1996
Registered Number	: 349050-260631
Paid in Capital	: 32.000.000.-TL
Line of Business	: Management of capital market instruments portfolio
Company's Sector	: Investment Trust

Company's Representative in Charge of Rating:

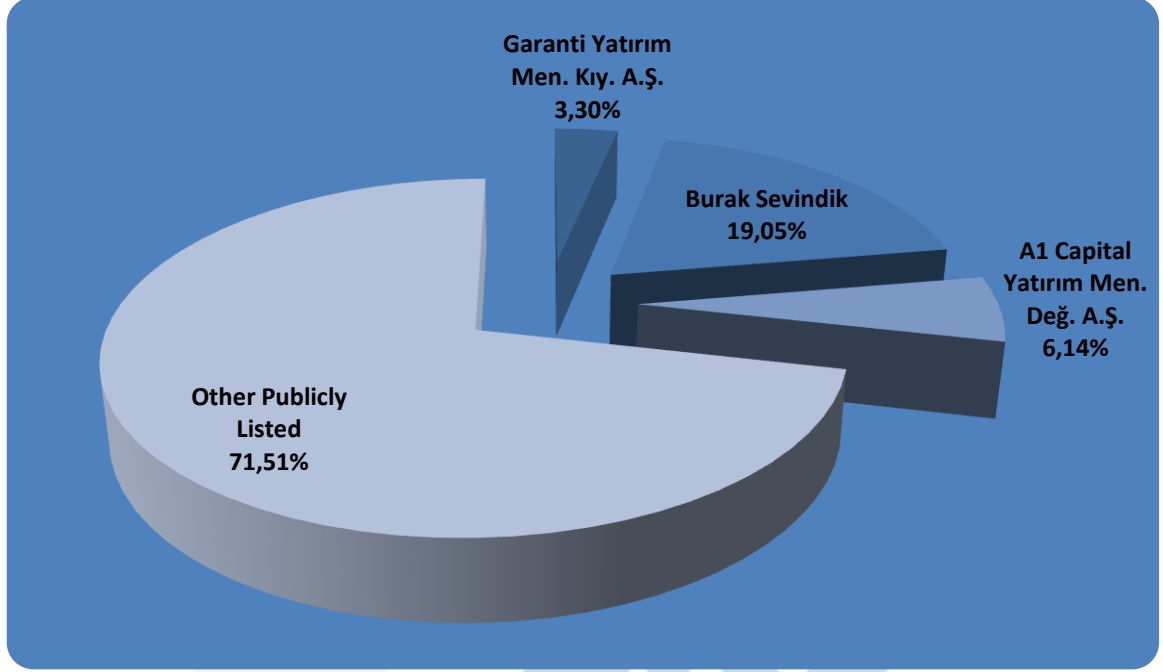
Ali Akın EKMEKÇİ

Financial Affairs Director

aekmekci@gyo.com.tr

(0212) 335 3095

Shareholders Structure
(As of Report Date)



Shareholder Name	Share (TL)	%
Garanti Yatırım Menkul Kıymetler A.Ş.	1.057.205,30-	3,30
Burak Sevindik	6.094.810,00-	19,05
A1 Capital Yatırım Menkul Değerler A.Ş.	1.694.639,27-	6,14
Other Publicly Listed	23.153.345,43--	71,51
Total	32.000.000,00	100,00

Source: www.gyo.com.tr

Company Board of Directors

Name/ Surname	Title
Mehmet Reha Tanör	Chairman of Board/General Manager
Ekrem Nevzat Öztangut	Vice Chairman of Board
Hasan Hüsnü Güzelöz	Board Member
Mustafa Sabri Doğrusoy	Board Member (Independent)
Remzi Murat Rena	Board Member (Independent)

Source: www.kap.gov.tr

Board Committees

Corporate Governance Committee

<i>Name / Surname</i>	<i>Title</i>	<i>Duty</i>
Mustafa Sabri DOĞRUSOY	Independent Board Member	Chairman
Remzi Murat RENA	Independent Board Member	Member
Hasan Hüsnü GÜZELÖZ	Board Member / IRD Director	Member

Audit Committee

<i>Name / Surname</i>	<i>Title</i>	<i>Duty</i>
Remzi Murat RENA	Independent Board Member	Chairman
Mustafa Sabri DOĞRUSOY	Independent Board Member	Member

Early Detection of Risk Committee

<i>Name / Surname</i>	<i>Title</i>	<i>Duty</i>
Mustafa Sabri DOĞRUSOY	Independent Board Member	Chairman
Remzi Murat RENA	Independent Board Member	Member
Hasan Hüsnü GÜZELÖZ	Board Member	Member

Top Executives

<i>Name / Surname</i>	<i>Title</i>
Mehmet Reha TANÖR	General Manager
Ali Akın EKMEKÇİ	Financial Affairs Director

Investor Relations Department

<i>Name / Surname</i>	<i>Title</i>	<i>Contact</i>
Hasan Hüsnü GÜZELÖZ	Director of Investor Relations Department	0212 335 3095 yo@gyo.com.tr
Ali Akın EKMEKÇİ	Investor Relations Department Staff	0212 335 3095 aekmekci@gyo.com.tr

Balance-Sheet Comparison of Bank's Certain Selected Items for 9th Months of last two years

	2014/09 (TL)	2015/09 (TL)	Change (%)
Current Assets	35.679.539	34.855.360	-2,31
Fixed Assets	115.130	67.860	-41,05
Total Assets	35.794.669	34.923.220	-2,43
Short Term Liabilities	297.157	115.685	-61
Long Term Liabilities	130.427	143.254	9,83
Equity	35.367.085	34.664.281	-1,99

Source: www.kap.gov.tr

Income Comparison of Bank's Certain Selected Items for 9th Months of last two years

	2014/09 (TL)	2015/09 (TL)	Change (%)
Income	61.422.088-	54.808.737-	-10,77
Gross Profit	2.934.421-	1.894.941-	-35,42
Operational Profit	1.353.846-	98.933-	-92,7
Net Period Profit / Loss	1.353.846-	98.933-	-92,7

Source: www.kap.gov.tr

The Market Where the Capital Market Instrument is Traded and the Indexes that the Company is Included

- Collective Investment Products and Structured Products Market
- BIST Corporate Governance / -BIST Investment Trusts

The Bottom and Peak Closing Values of Company's Shares traded on the BIST during last one year (01.12.2014/01.12.2015)

Bottom (TL)	Peak (TL)
0,63- (08.06.2015)	0,71- (01.12.2014)

Source : Garanti Yatırım Ortaklığı A.Ş.

B. Changes within last year:

i. Brief History of the Company:

The company was founded in Istanbul on July 9th, 1996 with a capital of TRY 250,000 TL.

The company was founded to manage capital market instruments, as well as gold and other precious metal portfolios - traded in national, international stock exchanges or other organized markets - of those partnerships from which the Company bought securities within the scope of principles and rules determined by relevant regulations and that the Company has no domination on their capital and management.

80 % of Company's shares started to be traded publicly in November 1996. As of 18.12.2015, 99.70 % of its shares were being traded at Borsa İstanbul A.Ş. (BIST).

The head office is in Istanbul. As of 05.08.2013, company's registered capital is TRY 100,000,000 and its issued capital is TRY 32,000,000. There are 7 employees of the company.

ii. Dividend Distribution:

The Company earned a net distributable period profit of TRY 1,862,801.41 for its activities in 2014. With the proposition of Board of Directors and approval of General Assembly, it was decided to distribute TRY 1,400,000.00 profit to shareholders. The distribution took place on 22.05.2015.

iii. Policies:

Company's Ethical Principles and Rules Policy was revised within the rating period and presented to shareholders at the General Assembly meeting on 30.04.2015. Other policies (Disclosure Policy, Dividend Policy, Remuneration Policy, Compensation Policy for Employees, Donations and Aid Policy and Repurchasing Shares Policy) are not changed.

iv. Other

- There were no changes of Capital and Articles of Association within the period.
- There were no changes of Company's Management and Organization within the period.

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 Directive, no II-17.1, dated January 3rd 2014; as well as CMB's board decisions taken at Board meeting dated 01.02.2013, no 4 / 105.

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

In the process of rating, **408** different criteria are considered to measure the compliance of BIST third group firms with the corporate governance principles.

Such criteria are translated into the Kobirate A.Ş.'s unique Corporate Governance Rating Questionnaire.

According to CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99

(KBRT)-267/3854, the following rates are applied in the new Corporate Governance Compliance Rating:

Shareholders 25 %

Public Disclosure and Transparency 25 %

Stakeholders 15 %

Board of Directors 35 %

CMB has sent its notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452, on CMB decision dated 01.02.2013 and numbered 4/105 to our company, which required adding new questions into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements of CMB issued good corporate governance principles – bringing 85 % of full points at most – will be included in the rating grade.

The 2014/2 revised corporate governance compliance rating methodology, created by our company, is restricted if the minimum conditions of corporate governance principles – declared in CMB notification of Corporate Governance dated 03.01.2014 – are met and all criteria is evaluated within same category. In this case all criteria are restricted to 85 % of the full points that the related criterion would get in that subsection. As the company applies and internalizes the criteria stated in corporate governance principles and our company finds out other good corporate governance criteria complied and practiced by the company; our rating system completes the section ratings to 100.

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.

4. KOBİRATE ULUSLARARASI KREDİ DERCELENDİRME 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 recognized 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 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>