

2019 ANNUAL REPORT

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CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

To the Shareholders of Garanti Filo Yönetim Hizmetleri Anonim Şirketi

Opinion

We have audited the annual report of Garanti Filo Yönetim Hizmetleri Anonim Şirketi (the "Company") and its subsidiaries (together will be referred as "the Group") for the period between 1 January 2019 and 31 December 2019, since we have audited the complete set consolidated financial statements for this period.

In our opinion, the consolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent, in all material respects, with the audited complete set of consolidated financial statements and information obtained during the audit and provides a fair presentation.

Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing which is a component of the Turkish Auditing Standards issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Opinion on Complete Set of consolidated Financial Statements

We have expressed an unqualified opinion on the complete set of consolidated financial statements of the Group for the period between 1 January 2019 and 31 December 2019 on 29 January 2020.

Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Communiqué on the Principles of Financial Reporting In Capital Markets numbered

II – 14.1 (the "Communiqué"), the Group's management is responsible for the following regarding the annual report:

- The Group's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.
- The Group's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated financial position of the Group accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Group's consolidated financial statements. The annual report shall also clearly indicate the details about the Group's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.
- The annual report also includes the matters below:
 - Significant events occurred in the Group after the reporting period,
 - The Group's research and development activities.
 - Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the consolidated financial information included in the annual report in accordance with the TCC and the Communiqué and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent with the audited consolidated financial statements of the Group and the information obtained during the audit and give a true and fair view and form a report that includes this opinion .

We conducted our audit in accordance with the standards on auditing issued by the Capital Markets Board of Turkey and Standards on Auditing issued by POA. These standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited financial statements regarding the position of the Group are consistent with the consolidated financial statements and the information obtained during the audit and provides a fair presentation.

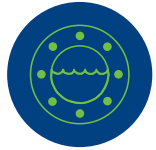
KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative



Orhan Akova, SMMM
Sorumlu Denetçi
14 February 2020
İstanbul, Türkiye

*As of the end of 2019,
Garanti BBVA Fleet is in
the position of one of the
most reliable companies
in the sector that has the
most powerful financing
potential of the sector
with a total active vehicle
park of 16,617 and an
asset size of 1.6 billion TL.*

**ABOUT GARANTI BBVA
FLEET**



Our vision is

to become Turkey's most admired fleet company.



Our mission is

to enrich its customers, employees, society and the environment constantly with its strong financial structure and the service concept diversifying from its rivals.



Our strategy is

to be a pioneer in the fleet sector with its expert staff, the quality of service provided to customers over the expectations. Garanti BBVA Fleet configures Garanti BBVA strategy over the principles of improving the customer experience progressively by offering services suitable to the requirements of its customers with a 'transparent', 'understandable' and 'responsible' approach. It aims at unconditional and sustainable customer satisfaction with the mission of adding permanent value to its customers.



Our values

Garanti BBVA Fleet prepares its strategies, which have been determined to realize its vision and mission, in line with the corporate values to be complied by all of its employees. These values are also an assimilated and indispensable rule in their business and lives of Garanti BBVA Fleet employees at all levels.

Customer

We take responsibility to ensure the satisfaction and loyalty of our customers, and aim at adding value and happiness to our customers and our environment with our high energy, agility and sincerity.

Quality

We always aim at offering the highest quality in our services.

Gentlemanship

The respect, trust and honesty are essential in our relationships with our customers and our environment.

Innovation

We determine the needs of our customers well and develop new products and services that will add value. We become a pioneer in the industry.

Accessibility

We make sure that our products and services are easily accessible.

Environmental Awareness

We avoid from damaging the environment. We follow and support environmentally sensitive projects and technological developments.

CORPORATE PROFILE

Garanti BBVA fleet has been offering fleet management services to its customers since 2007 with its powerful and competent staff for any brand and model passenger cars that are being sold in Turkey as well as the light commercial vehicles as of 2019. It provides rental services covering a large base of customer by utilizing from the advantages of orientation from the branches of Garanti BBVA as well as its sales teams. As of today, Garanti BBVA Fleet is in the position of one of the most reliable companies in the sector that has the most powerful financing potential of the sector with a total of 16,617 active vehicle park and an asset size of 1.6 billion TL.

Garanti BBVA Fleet offers common, fast, reliable fleet management services throughout the Turkey with the strength of the Garanti BBVA brand and its solid financial structure. Garanti BBVA Fleet that applies the standards of maintenance and repair specified by vehicle brands has planned every detail from the tire to be used to the service point where the maintenance and repair service will be received, and it has taken adding permanent value to its customers as a mission with unconditional and sustainable customer satisfaction and high service quality that does not change during the rental cycle. Garanti BBVA Fleet differs from its competitors in the industry with its competent and dynamic human resources, unique technological infrastructure, advanced risk management systems, customer-oriented service approach, and innovative products and services offered without sacrificing quality.

In addition to its sales teams, Garanti BBVA Fleet uses Garanti BBVA branches and many digital media, particularly www.garantibbvafilo.com.tr, as an alternative distribution channel. Reaching more than 3 thousand customers thanks to its diversified distribution channels, Garanti BBVA Fleet provides second-hand passenger vehicle sales services to its wide customer portfolio as well as the fleet management services in line with its needs.

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ACCOUNTING PERIOD

Annual Report has been prepared in accordance with the information of Garanti BBVA Fleet for the period January 01, 2019 - December 31, 2019.

APPROVAL OF ANNUAL REPORT

Annual Report was approved unanimously by the Board of Directors with the decision numbered 002 and dated on 14.02.2020.

STATEMENT OF RESPONSIBILITY

The annual report and the declaration of responsibility that the periodic financial statements fully reflect the financial status of the company and that the company fully complies with the legislation has been signed by the Company's General Manager and Assistant General Manager. (Periodic Financial Statements 29.01.2020; Annual Report 14.02.2020)

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SHAREHOLDER STRUCTURE

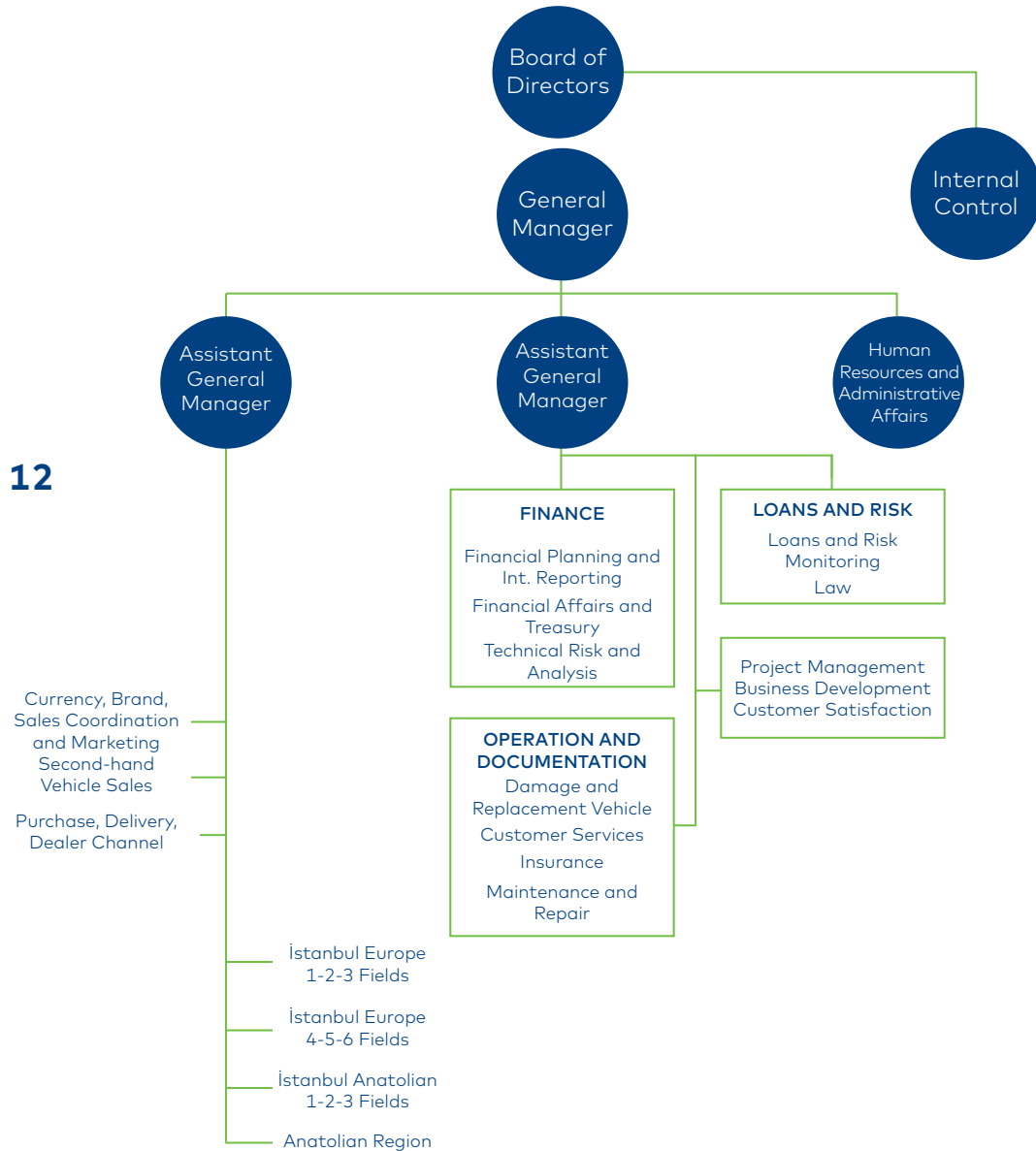
Established in 2007 with a capital of 1 million TL, Garanti BBVA Fleet raised its capital by 9 million TL in 2008 and increased to 10 million TL. The ownership rate of Garanti Financial Leasing Inc. is 100%.

There has been no change in the shareholder structure within the accounting period. There are no privileged shares. Within the framework of the permission given by the General Assembly of the Company, there are no transactions with the company made by the members of the Board of Directors on behalf of themselves or someone else and/or within the context of the prohibition of competition.

ORGANIZATIONAL STRUCTURE

Garanti BBVA Fleet completed 2019 with a staff of 77 people. (Garanti Filo Sigorta Hizmetleri Inc. is included.)

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FINANCIAL RIGHTS PROVIDED TO THE MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

The total of financial rights provided to senior executives during the accounting period amount to 1,745,185-TL.

The company does not provide any guarantees such as loans and guarantees in favor under the name of debt, loan and personal loan for any board member and managers.

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BOARD OF DIRECTORS

Garanti BBVA Fleet Board of Directors consists of 5 members. The members of the Board of Directors of Garanti BBVA Fleet in 2019 and their term of office are as follows.



CEMAL ONARAN
Chairman of the Board of Directors
Duty Starting Date: 23.03.2017
Duty Ending Date: -

Cemal Onaran, who graduated from the Middle East Technical University Department of Public Administration, started his duty as an assistant inspector at Garanti BBVA's Inspection Board in 1990. Between 2000 and 2007, he worked as a Regional Manager at Garanti BBVA's various regional offices in Istanbul. With the establishment of Garanti BBVA Mortgage, a subsidiary of Garanti BBVA, which operates in mortgage loans, he was appointed as the General Manager of the company in October 2007. He was appointed as the General Manager of Garanti Emeklilik ve Hayat Inc. as of August 2012. As of January 2017, he was appointed as the Assistant General Manager of SME Banking. Having 26 years of experience in banking and business administration, Mr. Onaran is also a Member of the Board of Directors at Garanti Emeklilik ve Hayat Inc.



AYDIN GÜLER
Vice Chairman of the Board of Directors
Duty Starting Date: 31.03.2017
Duty Ending Date: -

Aydın Güler, who graduated from Istanbul Technical University Mechanical Engineering Department, started his career at Garanti BBVA Fund Management Department in 1990. After serving in various Head Office units for 10 years, he was appointed as Risk Management and Management Reporting Unit Manager in 2000. Mr. Güler, who served as the Financial Planning & Analysis Department Unit Manager between 2001 and 2013, was appointed as the Coordinator in 2013. Mr. Güler, who appointed as the Assistant General Manager responsible for Finance and General Accounting at T. Garanti Bankası Inc. on December 21, 2015, also served as T. Garanti Bankası Inc. Officers and Employees Retired and Aid Fund Foundation Board Member. Güler, who has 26 years of experience in banking and business administration, is responsible for Asset/Liability Management, Financial Planning and Analysis, Expense Management and Productivity, Investor Relations, General Accounting, Consolidation and International Accounting, Tax Operations Management and BBVA Finance Coordination. Mr. Güler is also a Member of the Board of Directors of Garanti Financial Leasing Inc.



OSMAN BAHRİ TURGUT

Board Member

Duty Starting Date: 17.03.2014

Duty Ending Date: - Completed

He finished his undergraduate education in 1990 at Marmara University, Department of Economics. Osman Bahri Turgut, who started his career at T. Garanti Bankası Inc. in the same year as Assistant Inspector, worked as Branch Manager, Vice Chairman of the Board of Inspectors, Commercial Credits Unit Manager and Manager of the Internal Control Center, Head of Internal Audit and Control. He is still the Chairman of the Inspection Board of T. Garanti Bankası Inc. He is still carrying out the duties of Membership of the Board of Directors and the Audit Committee at Garanti Financial Leasing Inc. Garanti Flee Management Services Inc., Membership of the Board of Directors at T. Garanti Bankası Inc. Retired and Aid Fund Foundation and Garanti Kültür Inc., Membership of the Audit Committee at Garanti Financial Leasing Inc., Garanti Housing Finance Consulting Services Inc. and Garanti Payment Systems Inc.

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SELAHATTİN GÜLDÜ

Board Member

Duty Starting Date: 18.05.2018

Duty Ending Date: -

Selahattin Güldü graduated from the Middle East Technical University Department of Public Administration and started his career in 1990 as Assistant Inspector at Garanti BBVA Inspection Board. He worked as a branch manager between 1997 and 1999. Between 1999 and 2018, he worked as a Regional Manager in various regions in Istanbul. Mr. Güldü, who has 28 years of work experience in banking, has been appointed as Assistant General Manager responsible for Commercial Banking as of April 05, 2018. Mr. Güldü also works as a member of the board of Garanti BBVA Financial Leasing.



AYŞEGÜL GÜLGÖR

Board Member, General Manager

Duty Starting Date: 09.02.2016

Duty Ending Date: -

Ayşegül Gülgör graduated from the Department of Economics at the Middle East Technical University and started her banking career in 1987. Working in different banks in the sector, Gülgör moved to Garanti BBVA in 1999. Ms. Gülgör, who has carried out various duties within Garanti BBVA and has been the regional manager for 17 years, has been serving as Garanti BBVA Fleet General Manager as of February 2016.

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SENIOR MANAGEMENT

Garanti Fleet Senior Management consists of 3 members. The members of the Garanti BBVA Fleet Senior Management in 2019 and their term of office are as follows.



AYŞEGÜL GÜLGÖR
Board Member, General Manager
Duty Starting Date: 09.02.2016
Duty Ending Date: -

Ayşegül Gülgör graduated from the Department of Economics at the Middle East Technical University and started her banking career in 1987. Working in different banks in the sector, Gülgör moved to Garanti BBVA in 1999. Ms. Gülgör, who has carried out various duties within Garanti BBVA and has been the regional manager for 17 years, has been serving as Garanti BBVA Fleet General Manager as of February 2016.

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GÖZDE MİDİLLİOĞLU
Assistant General Manager
Duty Starting Date: 01.05.2012
Duty Ending Date: -

She was born in 1974 in Istanbul. She graduated from St. George Austrian High School and Marmara University Business Administration. Having started his career in 1997 in T. Garanti Bankası Inc, Güzde Midillioğlu started to work in Garanti Financial Leasing Inc. in 2004 as Information Systems and Process Development Unit Manager. As of 2012, she is carrying our her duty at Garanti BBVA Fleet as Assistant General Manager of Loans and Risk Monitoring, Operations and Customer Services - Documentation, Information and Document Management, Project Management, Customer Satisfaction and Business Development, Treasury, Financial Affairs, Financial Planning and Technical Risk Analysis.



KORAY PİŞİRİCİ
Assistant General Manager
Duty Starting Date: 15.08.2019
Duty Ending Date: -

He was born in Adana in 1976. He graduated from Akdeniz University Tourism Management and Hotel Management department. He completed his master's degree in Marketing Communication at Beykent University. Koray Pişirici, who has been performing various duties at Garanti BBVA Emeklilik since 2001 and has recently worked as Sales Manager, has been serving as Assistant General Manager responsible for Sales, Marketing, Corporate Brand, Second Hand and Purchasing units as of August 2019.



SİNAN PANAYIRCI
Assistant General Manager
Duty Starting Date: 01.04.2016
Duty Ending Date: 21.06.2019

He was born in Izmir in 1979. He completed his undergraduate education in Istanbul University International Relations and his master's degree in Istanbul Technical University, Department of Business Administration. He started to work at T. Garanti Bankası Inc. in 2003. He served in various positions and finally served as Commercial Banking Istanbul and Ankara Sales Coordination Manager. As of April 2016, he worked as the Assistant General Manager responsible for Sales, Marketing and Corporate Brand, Purchasing - Vehicle Registration, Second Hand Sales and Delivery Units at Garanti Filo Yönetim Hizmetleri Inc., and between January 1, 2019 and June 21, 2019, he served as Assistant General Manager responsible for Financial Planning and International Planning, Financial Affairs, Treasury, Technical Risk and Analysis Purchasing - Vehicle Registration, Second Hand Sales and Delivery Units.

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MESSAGE FROM THE CHAIRMAN



2019 has been an active year since the second half of the year in terms of economy. Fluctuations in foreign exchange rates, increasing interest rates and shrinkage in some sectors at the beginning of the year also affected the automotive sector significantly. As interest rates entered the downward trend since the second half of 2019, renting became advantageous.

According to the figures published by the Automotive Distributors Association, the automobile market decreased by 23% in 2019 compared to the previous year and fell down to the number of 479,060.

Garanti BBVA Fleet displayed an effective management example in 2019 and quickly adapted to changing market conditions. The mobility, which started in the sector with the downward trend of interest rates, positively affected the number of rentals at Garanti BBVA Fleet. Especially in the last quarter of 2019, monthly sales volumes that were achieved in 2016 and 2017, which were the fastest growing years in the industry, were reached.

I believe that Garanti BBVA Fleet will continue to add value to all its stakeholders and our country with its strong values, corporate governance structure, expert staff, technological infrastructure and financial strength. Garanti BBVA Fleet was re-rated in 2019 by Kobirate, a rating agency authorized by the Capital Markets Board for Corporate Governance Compliance Rating and Credit Rating transactions. As a result of this evaluation, it once again proved its strong corporate governance structure by increasing its rating from 8.53 to 8.89.

I would like to thank all Garanti BBVA Fleet employees who have carried Garanti BBVA Fleet to this strong position.

As Garanti BBVA Fleet, we will continue to add value to the fleet leasing sector and all our stakeholders with our successes in the new period. I have no doubt that in 2020, we will continue to offer our customers superior service quality and achieve new successes, thanks to the new products and services we plan to implement.

I would like to thank our employees, participants and stakeholders for all the achievements we have achieved in 2019 thanks to our effective business management.

Yours sincerely,

CEMAL ONARAN
Chairman

MESSAGE FROM THE GENERAL MANAGER



In the second half of 2018, the fluctuation in the exchange rates and thus the increase in vehicle purchase costs caused to the reflection of the contraction in the automotive sector to the fleet leasing sector in 2019.

As interest rates entered the downward trend starting from the second half of 2019, renting became advantageous again.

As Garanti BBVA Fleet, we completed 2019 with 3,087 customers and an active vehicle park of 16,617 in line with our sustainable and profitable growth strategy. As a result of these data, we were able to maintain our asset size at 1.6 billion TL.

In line with the economic mobility and the contraction in the fleet leasing sector, Garanti BBVA Fleet acted in parallel with the sector in terms of both the number of customers it served and the size of its active vehicle park. As of the end of the 3rd quarter of 2019, the total vehicle park size of the fleet rental sector decreased by 17% compared to the end of the 3rd quarter of 2018 and decreased to 283,843 units.

The strong financial structure we have, our strategies and business processes we effectively carry out, even in challenging economic conditions, and the productivity we have boosted by this means take place in the year of 2019 without compromising profitability. However, the importance we attach to unconditional customer satisfaction at the point we have reached today also has a big share. Our ability of accurately determining the needs of our customers and offering products and services that will make their lives easier and adding value to their business lie behind the successful performance we achieved in the year of 2019.

I would like to thank our employees and all our stakeholders for all the achievements we have achieved in 2019.

As a result of our strength, our values and our commitment to our business, I believe that Garanti BBVA Fleet will approach one more step closer to the vision of being "Turkey's Most Admired Company Fleet".

Yours sincerely,

AYŞEGÜL GÜLGÖR
General Manager

The high performances of Garanti BBVA Fleet staff including a team of 77 people are supported by development solutions tailored to their needs.

**HUMAN RESOURCES
AND TRAINING**

HUMAN RESOURCES AND TRAINING

NUMBER OF EMPLOYEES



23

Female



54

Male

EMPLOYEE BENEFITS



Service



Cafeteria



Health Insurance



Life Insurance

TRAINING POLICY

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At Garanti BBVA Fleet, training and development activities are designed within the framework of business needs. The training needs of the employees are determined at the beginning of the year with training needs analysis meetings, where the plans, strategies and development areas of the next year are discussed.

Orientation Training

Our employees are informed about both the operation of the units and their product packages by participating in an orientation program when they get to work at Garanti BBVA Fleet.

Continuous Development Vision

At Garanti BBVA Fleet, educational activities are carried out with the vision of making the development continuous and considering it as an investment tool. The high performances of Garanti BBVA Fleet staff are supported by development solutions tailored to their needs.

E-Trainings and Sector-Specific Field Trainings

The development of Garanti BBVA Fleet employees are supported by diversified education channels by being integrated into development and learning methods such as in-class trainings as well as various education technologies, current trainings on products, test drives, factory trips, etc.

TRAINING TYPES

- Internal and External Economics
- Finance, Treasury Management, Analysis Methods
- Sales and Marketing Trainings
- Personal Development
- Management Trainings
- Management Processes
- Information Management
- MS Office Trainings Annual Journey
- Coaching and Mentoring Trainings



**In 2019, 3,448 hours of training performed.
254 classroom training performed.**

TRAININGS MADE WITHIN THE YEAR

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- Agile and Scrum Training
- Algorithmic Thinking and Coding
- Analytical Thinking and Correct Decision-Making Techniques
- Period End Processes in Banking Accounting: Rediscounts and Provisions
- Leadership to Ego/Individuality
- A Story of Author
- Individual Awareness
- How Do We Manage Basic Emotions Blocking Us? Horror - Guilt - Anger - Anxiety
- CBAP 101
- Behavioral Psychology
- Behavioral Finance
- Changing World Dynamics and Turkey Economy
- Experience Psychology and Human Behavior
- Self-Expression with Improvisation
- Stress Management with Proper Breathing Technique
- Accurate and Impressive Speaking
- Dealing with the Negativity of Emotions
- Emotional Balance and Domination

TRAININGS MADE WITHIN THE YEAR (CONTINUED)

- Team Awareness and Management
- Manage Your Teams with Leadership
- Expertise Training
- Establish Empathy
- English Business Writing Techniques
- Effective Speaking, Communication Psychology
- Managing Different Styles
- How to Sell an Idea
- Financial Analysis
- Financial Crises and Risk Management
- Financial Modeling and Valuation Techniques
- Financial Markets
- Financial Derivative Products and Risk Management Training
- Feedback Practices
- Storytelling
- Advanced Excel
- Inspirational Leadership and Passionate Teams
- Construction Commitment Sector Credit
- Positive Psychology in Business Life
- Workshop of Understanding the Generations
- Club of Winners
- Manage Yourself with Leadership
- Learn Coding and Design Your Own Robot
- Leadership Training
- Detection of Window-Dressed Financial Statements, Transfer and Purification of the Financial Analysis Process
- Mentoring Skills
- Leadership with the Method Acting Technique
- Neuroscience
- To Leave a Positive Impression: True Communication
- History and Future of Money: From Templar to Bitcoin
- Python Programming Language
- Querying Microsoft SQL Server
- Data Analysis with R Programming
- Change Management
- Risk Based Internal Audit
- Strategic Leadership
- Management of Stressful Relationship
- Continuous Learning and Change Process
by Analysis of Financial Statements prepared according to the International Financial Reporting Standards (IFRS)

TRAININGS MADE WITHIN THE YEAR (CONTINUED)

- Applied and Comparative International Accounting
- Training of Wage
- Critical Success Factors in Presentation to the Senior Management
- Balance Sheet with Case Studies
- Creative Thinking and Innovation Techniques
- Understanding Emotions with Face Reading
- Time Management Group Work Notice Your Habits, Plan, Rule Your Time
- Mind Mapping

*Garanti BBVA Fleet
mobile application was
offered to the service of
our customers in 2019.*

**RESEARCH AND
DEVELOPMENT**

RESEARCH AND DEVELOPMENT

Garanti BBVA Fleet made various developments and investments in the information technologies and system infrastructure used during the accounting period.

In 2019, Garanti BBVA Fleet mobile application was put into service of our customers.

In 2019, a direct collection system was established with Yapı Kredi Bank and an alternative collection channel was offered to their customers from which they can benefit from. Garanti BBVA Fleet plans to offer its collection system to the service of customers with a new bank in 2020.

GARANTI BBVA FLEET MOBILE APPLICATION

Garanti BBVA Fleet Mobile application provided two different logins for its fleet managers and users. A platform was developed to enable claims notification, new tire or tire change request, replacement vehicle demand in case of damage or malfunction, and mileage increase demand of directors over the internet branch application. Process tracking of the services requested from this environment has been provided.

Garanti BBVA Fleet Mobile application provides fleet managers with ease in the management of the vehicles they rent. Fleet managers will be able to access a lot of information about the vehicles they have rented through the application and define user and location. Fleet managers will be able to access invoice and debt information, traffic penalty details and minutes, mileage calculation based on current mileage, user information of vehicles on the internet branch mobile application. Thanks to Garanti BBVA Fleet Mobile application, Garanti BBVA Fleet customers' vehicle users will be able to make transaction requests, access detailed information about their vehicles and enter the current mileage information of their vehicles.

DIRECT COLLECTION SYSTEM

Direct Collection System (DCS) is the system where invoices are automatically collected from the accounts defined by the customer at the expiry date or by using DCS credits defined in the product in case of insufficient funds.

In order to diversify its payment channels, Garanti BBVA Fleet launched its Garanti Bank DCS (direct collection system) product in 2016.

In 2019, a direct collection system was established with Yapı Kredi Bank and has been put into service. It is planned to establish a direct collection system with a new bank in 2020.

SECOND HAND ONLINE SALES PLATFORM

As of 2017, Garanti BBVA Fleet serves under the brand "Second Hand Garage" in order to meet individuals' Second Hand needs more quickly and effectively. Individual buyers may comfortably make their Second Hand vehicle purchases via the link below <https://ikinciogaraj.sahibinden.com/>.

For those who want to buy a Second Hand car from a trusted brand and after a visual contact, the first Used Car sales point began to serve in Istanbul Maslak, then in Ataköy, Ataşehir and İzmir, and in 2020, the Ankara service point will come into action. With the increase of these service points, our total used car sales will be realized to over 20% of individual buyers. Thus, it is planned to reach the end consumer more and contribute to the company in terms of customer portfolio.

Second-hand automobiles sales points are serving at Istanbul Maslak, Ataşehir, Ataköy and İzmir.



Garanti BBVA Fleet did not take any action in favor of these companies in contradiction with its peers in its transactions with the controlling company and the affiliated companies in 2019. Therefore, the company does not have any precautions or loss settlements taken regarding the transactions with the controlling company and the companies affiliated with the controlling company within the scope of Article 199 of the Turkish Commercial Code.

**COMPANY ACTIVITIES
AND IMPORTANT
DEVELOPMENTS IN
ACTIVITIES**

COMPANY ACTIVITIES AND IMPORTANT DEVELOPMENTS REGARDING THE ACTIVITIES

LOYALTY INFORMATION

Board of Directors Loyalty Report for the Period
01.01.2019 / 31.12.2019

Report Date: 14.02.2020

It is the report issued by the Board of Directors of Garanti Filo Yönetim Hizmetleri Inc. regarding the relations with the controlling and affiliated companies in accordance with the first paragraph of Article 199 of the Turkish Commercial Code No. 6102. Garanti BBVA Fleet acted in compliance with the principles of compliance with the transfer pricing rules and precedents stated in Article 13 of the Corporate Tax Law No. 5520 in its transactions with the controlling company and affiliated companies in 2019.

According to the legal regulation in question, if the corporations purchase or sell goods or services at a cost or price that they have determined in violation of the arm's length with the related parties, then the profit is deemed to be implicitly distributed through transfer pricing in whole or in part. Transactions requiring purchase, sale, manufacturing and construction transactions, leasing and renting transactions, borrowing and lending money, bonuses, wages and similar payments are considered as the purchase or sale of goods or services under all circumstances. The arm's length principle reveals that the pricing of goods and services of a company with its subsidiaries and branches should be like other companies with no relation.

In order to act in compliance with the rules regarding transfer pricing, as specified in Article 13 of the Corporate Tax Law No. 5520, Garanti Fleet paid attention that the transactions made with the company and the companies affiliated with the controlling company are in compliance with the arm's length principle, and the transactions made with such companies should be like other companies with no relation. In this context, Garanti Fleet did not take any action for the benefit of these companies in violation of its counterparts in transactions with the controlling company and affiliated companies in 2019. Therefore, the company does not have any precautions or loss settlements taken regarding the transactions with the controlling company and the companies affiliated with the controlling company within the scope of Article 199 of the Turkish Commercial Code.

INFORMATION ON DIRECT OR INDIRECT AFFILIATES OF THE COMPANY AND THEIR SHARE RATES

Garanti BBVA Fleet is a shareholder of Garanti Konut Finansmanı Inc. with a share of 1.33 ten-thousandth and is the owner of Garanti Filo Sigorta Aracılık Hizmetleri Inc. with a hundred percent share and paid the entire capital amount it has undertaken.

	Trade title of the Affiliate	Paid-Up Capital (TL)	Amount of Ownership Interest (TL)	Rate of Ownership Interest (%)
1	Garanti Konut Finansmanı A.Ş.	750,000	1,00	0.013
2	Garanti Filo Sigorta Aracılık Hizmetleri A.Ş.	300,000	300,000	100

INFORMATION REGARDING OWN SHARES ACQUIRED BY THE COMPANY

Garanti BBVA Fleet does not have a price acquired regarding its own shares.

RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT STRUCTURE

Garanti BBVA Fleet considers the establishment of an effective risk management system and a strong internal control environment as one of the most important cornerstones of sustainable growth and development. Developments in the finance and fleet leasing sectors and increasingly complex transactions in the world have made the internal control functions an indispensable complement for value adding, risk reduction, corporate governance and risk management.

Internal control functions of the company are performed independently of executive functions and connected to the Board of Directors through the Audit Committee; within the annual control plan prepared in accordance with risk assessments, the effectiveness and efficiency of the company's internal control and risk management systems are controlled through a risk-oriented and process-based approach.

The internal control structure was created with first level controls and second level controls. Within the scope of the first level controls,

front facade controls and control activities are included. The front facade controls consist of all kinds of control activities and systemic or administrative measures performed by the Company personnel working in the business processes within the scope of their job descriptions. Control activities are carried out full-time by the non-executive control officer in order to eliminate or reduce the risks related to the area. Within the scope of the second level controls, it is aimed to provide assurance to the Senior Management that the right risks are taken under control by the business units by putting the control expertise.

PROMINENT IN THE WORLD ECONOMY

The delayed effects of tightening, which started in dollar liquidity in 2018, were the main reasons for the fluctuations especially at the beginning of 2019. The strengthening of the foreign trade war between the USA and China and especially the pressures created by the uncertainties in the Brexit process on the European Regional economy significantly weakened both global foreign trade and real sector confidence. Despite the expansionary monetary policies of Developed Country Central Banks, no significant normalization has been observed on the inflation side. In the Global Economy Outlook report, the International Monetary Fund (IMF) stated the global economic growth forecast as 2.9% for 2019, 3.3% for 2020 and 3.4% for 2021.

Based on the consensus reached in October 2019 for the trade war between the U.S. and China, it was announced that they will sign the first phase of the trade agreement on January 15, 2020. Along with the expectations regarding the signing of the trade agreement, as a result of the easing of concerns about global growth, oil prices ended above the level of 70.8 USD/barrel in the last week of 2019 and ended with a 29.8% increase compared to the end of 2018. The Federal Reserve of America (FED) reduced interest rates by 25 basis points in July, September and October meetings in 2019, bringing the policy rate to the interval of 1.50% -1.75%. The FED, which has been cutting interest rates for the first time since 2011, signaled that interest rates will not be discounted in macroeconomic projections of 2020 unless economic activity deteriorates. The data released recently in the USA, whose growth in the third quarter of 2019 was confirmed as 2.1%, displays a generally positive picture of the country's economy.

IMF specified its economic growth forecast as 2.9% for the year of 2019 and as 3.3% for the year of 2020.



The European Central Bank (ECB) said at its meeting on September 12, 2019 that it will begin the bond buying program to boost the Euro Area economy. It announced that it is going to receive 20 billion euro bonds every month starting from 1 November and that bond purchases is going to continue as long as necessary. ECB lowered its deposit interest rate by 10 basis points from -0.4% to -0.5%. Policy rate was kept at 0% and marginal funding rate at 0.25%. It is stated that the interest rates may remain at the current or lower levels for a long time until the inflation outlook improves. Interest rates were not changed in the first meeting chaired by Christine Lagarde in December. The fact that the text of the decision did not differ from the previous meeting was interpreted as the new president will maintain the bank's current monetary policy stance. The ECB predicts that the Euro Area economy will grow by 1.1% in 2019, and will grow by 1.1% in 2020.

In Japan, retail sales fell by 2.1% on an annual basis on November, slightly above estimates, while the decline in industrial production was 6.7%. In this period, the export volume declined on an annual basis in the 12th consecutive month as well, while the import volume recorded its fastest decline since October 2016 with 15.7%. Although there is a slight recovery in inflation indicators in the country, the weak course continues. The Central Bank of Japan, which did not make any changes in its monetary policy at its December meeting, stated that downside risks on the economy continue to outweigh.

PROMINENT IN TURKEY'S ECONOMY

One of the most important achievements of Turkey in 2019 was the inflation that declined sharply. The annual CPI, which increased to 25.2% in October 2018, decreased to 20.3% at the end of 2018 and continued its gradual decline and decreased to 8.55% in October 2019. CPI reached 11.84% at the end of 2019. In the Inflation Report published by the CBRT at the end of October, inflation at the end of 2019 was estimated as 12%.

The decline in inflation was the main support of the CBRT to realize interest rate cuts in 2019. The relatively low domestic demand remained relatively low for most of the year, more reasonable performance in TL and positive trends in global risk appetite, especially in the second and last quarter of the year, allowed the CBRT to reduce policy interest from 24% to 12%. The total interest rate cut by the CBRT since July 2019 has been 1,200 basis points. In the text published after the meeting, it was stated that

there was a widespread improvement in the inflation expectations, while the risks regarding the disinflation envisaged for 2020 were balanced.

According to the New Economic Program (NEP) announced by the Treasury and the Minister of Finance in September, it is anticipated that the economy shall include macro-economic targets for 2020-2022 period; Turkey's economy that caught the 7.3% growth in 2017 shall gradually decelerate until 2022. According to NEP, the targeted inflation for 2020 is 8.5% and the growth target is specified as 5%.

Turkey's 5-year CDS premium continued to decline in December 2019, it completed 2019 with 277 basis points from the lowest level in the last 1.5 years. Thus, while the CDS premium, which had a fluctuating appearance throughout the year, decreased by 82 basis points compared to the end of 2018, it closed the year 238 basis points below the year's peak in May. The downward trend in interest rates continued in December. Compound interest of 2-year benchmark bond, which declined by 36 basis points in December and 795 basis points throughout the year, closed 2019 at 11.78%.

According to NEP, the rate of inflation targeted for the year of 2020 is 8.5% and the growth target is 5%.



TL depreciated in December due to the pressure of geopolitical developments. USD/TL, which increased by 3.6% in the last month of the year, increased by 11.9% in the whole year and closed the year at 5.95. EUR/TL also finished December at 6.68 level with an increase of 5.5% and 9.8% on monthly and annual basis, respectively.

CREDIT RATING

Garanti Fleet Management Services Inc. also issues bonds and bills in addition to bank loans to meet its funding needs. Accordingly, prior to issuance, it was rated by Kobirate International Credit Rating And Corporate Management Services Inc.

Short Term	Long Term	Outlook	Description
KR A-2	KR A+	Stationary	The capacity of fulfilling its financial obligations is high. It expresses the above par credit quality of the rated debts and debtors as compared with the other debts and debtors.

AUTOMOTIVE SECTOR IN TURKEY

Turkey's total market for cars and light commercial vehicles in 2019 decreased by 23% compared to the previous year amounted to 479,060 units. In 2018, a total of 620,937 vehicles were sold. Passenger car sales went down 20.4% in 2019 compared to the previous year, to 387,256 units. There were 486,321 sales in the same period last year. The light commercial vehicle market decreased by 31.8% in 2019 compared to the previous year and became 91,804 units. 134,616 sales were made in the same period of 2018.

The automobile and light commercial vehicle market in December 2019 reached 90,500 units. Sales increased by 16.46% compared to the total of 77,706 in December 2018 in the passenger car and light commercial vehicle market. In December 2019, automobile sales increased by 16.41% compared to the same month of the previous year and reached 70,829. Last year, there were 60,843 sales. In December 2019, the light commercial vehicle market increased by 16.65% compared to December 2018 and amounted to 19,671 units. Last year, there were 16,863 sales.

In 2019, automobile sales below 1600cc decreased by 21.9%, automobile sales with engine volumes in the range of 1600-2000cc decreased by 34.4% and cars above 2000cc by 18.6%. In 2019, 222 electric and 11,974 hybrid cars were sold.

In 2019, automobiles between 100-120 gr/km had the highest share with 40.1% in terms of average emission values in the automobile market with 155,158 units. In 2019, the share of diesel car sales fell to 52.0%, while the share of cars with automatic transmission reached 66.5%.

In 2019, 85.9% of the automobile market segment comprised vehicles in the A, B and C segments with low tax rates. When evaluated according to the segments, segment C (239,254), which received 61.8% of sales volume, reached the highest sales amount and when evaluated according to the body types, Sedan cars (49.9%, 193,082) are again the most preferred body type.

The scrap incentive, which started on June 11, 2019, ended on December 31, 2019.

FLEET LEASING SECTOR IN TURKEY

In the light of the 3rd Quarter report of 2019 published by the Association of All Car Rental Organizations (TOKKDER);

Fleet leasing sector in Turkey added 24,864 new vehicles into its fleet in the year 2019.

As of the 3rd Quarter-end of 2019, total car park size of the fleet rental sector decreased 17% and accrued as 283,843 pieces when it is compared with the 3rd Quarter-end of 2018.

According to the data announced by TOKKDER, at the end of the third quarter of 2019, the asset size of the fleet rental sector, which invested 3 billion Turkish Liras, reached 28.5 billion Turkish Liras.

According to the report of TOKKDER, Renault continued to be the most preferred brand of the car park in Turkey's operational leasing sector with 26.9% share and Fiat was the second with 13.3%, Volkswagen was the third with 13.0% and Ford was the fourth with 10.3%.

Approximately half of the sector's vehicle park (48.8%) consisted of C segment vehicles, while B segment vehicles received 28.9% and segment D vehicles received 14.1%.

While 93.4% of the vehicle park of the sector consists of diesel vehicles, manual gear vehicles received a 43.2% share.

55.8% of the sector's vehicle park consists of Euro contracts, 0.7% is USD and 43.5% is TL contracts.

GARANTI BBVA FLEET SALES NUMBER AND DEVELOPMENT IN CUSTOMER NUMBER

The interest and exchange rate increase in 2018 caused an economic contraction. The decrease particularly in the demands of SME and individual segment users continued in the first 6 months of 2019.

Due to the economic conjuncture, fleet rental customers preferred to extend their existing contracts or rent a second-hand car in terms of cost

control, rather than renting zero vehicles. In 2019, 326 second hand car rentals and 2,017 contract extensions were realized.

With the contraction in the economy and fleet leasing sector, Garanti BBVA Fleet acted in parallel with the sector in terms of both the number of customers it serves and the size of its active vehicle park.

The mobility that started in the sector with the decreasing interest rates affected the rental units in Garanti BBVA Fleet positively. Especially in the last quarter of 2019, monthly rental volumes that were performed in 2016 and 2017, which were the fastest growing years in the industry, were reached.

The closing figures for 2019 were 16,617 active vehicles and 3,087 customers.

EVALUATION OF THE FINANCIAL SITUATION

2019 Audited consolidated financial statements of Garanti BBVA Fleet that were prepared according to Turkey Financial Reporting Standards (TFRS) and audited by an Independent Committee are as follows.

BALANCE SHEET (TFRS) DATED 31.12.2019

ASSETS	Notes	Independent Audited Current Period 31 December 2019	Independent Audited Current Period 31 December 2018
Current Assets		293,705,428	223,711,906
Cash and Cash Equivalents	3	5,879,990	5,894,977
Trade Receivables	4	39,922,221	40,360,313
Trade Receivables From Affiliates	4-22	601,986	508,325
Trade Receivables From Non-Affiliates	4	39,320,235	39,851,988
Other Receivables	5	51,631	68,861
Other Receivables From Non-Affiliates	5	51,631	68,861
Derivative Instruments	24	-	660
Derivative Instruments Held For Cash Flow Hedges	24	-	660
Stocks	8	169,824,822	47,531,115
Prepaid Expenses	9	20,263,865	25,659,278
Prepaid Expenses to the Non-Affiliates	9	20,263,865	25,659,278
Assets Related to the Current Period Tax	20	190,732	26,093
Other Current Assets	15	57,572,167	104,170,609
Other Current Assets From Non-Affiliates	15	57,572,167	104,170,609
Long Term Assets		1,291,969,029	1,460,970,204
Tangible Long Term Assets		1,260,560,563	1,386,870,607
Operational Leased Assets	10	1,226,961,064	1,364,873,855
Other Tangible Long Term Assets	11	33,599,499	21,996,752
Usufruct Assets		2,293,109	-
Intangible Long Term Assets	12	9,665,114	6,893,875
Other Intangible Long Term Assets	12	9,665,114	6,893,875
Prepaid Expenses	9	147,896	93,953
Prepaid Expenses to the Non-Affiliates	9	147,896	93,953
Other Tangible Long Term Assets	15	19,302,347	67,111,769
Other Tangible Long Term Assets From Non-Affiliates	15	19,302,347	67,111,769
TOTAL ASSETS		1,585,674,457	1,684,682,110

LIABILITIES	Notes	Independent Audited Current Period 31 December 2019	Independent Audited Current Period 31 December 2018
Short-Term Liabilities		917,023,270	728,029,599
Short-Term Borrowings	6	66,105,911	303,758,726
Short-Term Borrowings from Affiliates		-	89,947,153
Bank Loans		-	89,947,153
Short-Term Borrowings from Non-Affiliates		66,105,911	213,811,573
Bank Loans		66,105,911	213,811,573
Short-Term Portion of Long-Term Debt	6	707,577,197	343,010,168
Short-Term Portion of Long-Term Debt from Affiliates		26,103,545	-
Bank Loans		26,103,545	343,010,168
Short-Term Portion of Long-Term Debt from Non-Affiliates		681,473,652	251,849,723
Bank Loans		681,473,652	91,160,445
Issued Debt Instruments	7	-	43,014,644
Trade Payables	4	114,738,522	879,045
Trade Payables to Affiliates	4-22	641,331	
Trade Payables to Non-Affiliates	4	114,097,191	42,135,599
Debts Under Employee Benefits	14	826,186	2,355,891
Contractual Obligations Sourced From Customer Contracts	9	20,158,356	25,339,337
Contractual Obligations Sourced From Sales of Goods and Services	9	20,158,356	25,339,337
Derivative Instruments	24	-	8,319,263
Derivative Instruments Held for Cash Flow Edges	24	-	8,319,263
Short term provisions	14	3,744,330	1,386,490
Short term provisions for employee benefits	14	3,744,330	1,386,490
Other short term obligations	15	3,872,768	845,080
Other short term obligations to Non-Affiliates	15	3,872,768	845,080
Long term liabilities		599,570,227	945,751,820
Long term debts	6	545,177,790	914,101,097
Long term debts from affiliates	6	63,896,455	-
Bank Loans		63,896,455	914,101,097
Long term debts from non-affiliates		481,281,335	914,101,097
Bank Loans		481,281,335	914,101,097
Other Debts	5	1,975,000	1,571,500
Other debts to affiliates	5	1,975,000	1,571,500
Long term provisions	14	1,223,803	1,024,325

COMPANY ACTIVITIES AND IMPORTANT DEVELOPMENTS IN ACTIVITIES

	Notes	Independent Audited Current Period 31 December 2019	Independent Audited Current Period 31 December 2018
Long term provisions under benefits provided to employees	14	1,223,803	1,024,325
Deferred Tax Liability	20	50,682,416	29,054,898
Other Long Term Liabilities	15	511,218	-
Other long term liabilities to the non-affiliates	15	511,218	-
SHAREHOLDERS EQUITY	16		
Equities of Consolidated Participations		69,080,960	10,900,691
Full Paid Capital Stock		10,000,000	10,000,000
Other Accumulated Comprehensive Incomes or Outcomes Not to be re-classified in profit or loss		(20,330)	(123,011)
Revaluations and Measuring Gains or Losses		(20,330)	(123,011)
Defined Benefit Plans Re-measuring Gains/(Losses)		(20,330)	(123,011)
Other Accumulated Comprehensive Incomes or Outcomes to be re-classified in profit or loss		(104,584,886)	(130,852,975)
Hedging Losses		(104,584,886)	(130,852,975)
Gains or Losses from Cash Flow Hedging		(104,584,886)	(130,852,975)
Reserves on Retained Earnings		165,126	165,126
Legal Reserves		165,126	165,126
Accumulated Profit		131,711,551	122,051,645
Net Profit for the Year		31,809,499	9,659,906
TOTAL LIABILITIES		1,585,674,457	1,684,682,110

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COMPANY ACTIVITIES AND IMPORTANT DEVELOPMENTS IN ACTIVITIES

INCOME STATEMENTS FOR THE PERIOD OF 01.01.2019 / 31.12.2019 (IFRS)

	Notes	Independent Audited Current Period 31 December 2019	Independent Audited Current Period 31 December 2018
PROFIT OR LOSS SECTION			
Yield	17	962,490,294	966,900,815
Cost of Sales (-)	17	(630,965,928)	(652,553,221)
GROSS PROFIT		331,524,366	314,347,594
General Administration Expenses (-)	18	(36,990,168)	(36,001,941)
Marketing Sales and Distribution Expenses (-)	18	(680,186)	(1,519,166)
Other real operating income	19	21,762,122	25,955,325
Other real operating expense (-)	19	(10,081,129)	(13,078,984)
REAL OPERATING PROFIT		305,535,005	289,702,828
Financing Incomes	20	15,998,136	6,917,140
Financing Expenses (-)	20	(275,352,884)	(274,803,098)
PRETAX INCOME FROM CONTINUING OPERATIONS		46,180,257	21,816,870
Tax income/expense of continuing operations		(14,370,758)	(12,156,964)
Period Tax Cost	20	(298,803)	(501,261)
Deferred Tax Cost	20	(14,071,955)	(11,655,703)
PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS		31,809,499	9,659,906
PERIOD PROFIT		31,809,499	9,659,906
Distribution of Period Profit/Loss			
Non-Controlling Interests		-	-
Consolidated Participation Interests		31,809,499	9,659,906
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Ones not to be reclassified within profit or loss		102,681	17,548
Defined Benefit Pensions Plans Remeasurement Gains	14	128,351	22,497
Taxes for other Comprehensive Income			
Not to be re-classified in profit or loss	20	(25,670)	(4,949)
Deferred Tax Expenses	20	(25,670)	(4,949)
Ones to be reclassified within profit or loss		26,268,089	(30,365,893)
Other Comprehensive Income/(Expense) for Cash Flow Hedging	24	33,797,982	(38,930,632)
Income/(Expense) for Cash Flow Hedging	24	33,797,982	(38,930,632)
In profit or loss	20,24	(7,529,893)	8,564,739
Deferred Tax Expenses	20,24	(7,529,893)	8,564,739
OTHER COMPREHENSIVE INCOME/(EXPENSE)		26,370,770	(30,348,345)
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		58,180,269	(20,688,439)
Non-Controlling Interests		-	-
Consolidated Participation Interests		58,180,269	(20,688,439)

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The fleet leasing sector also has the opportunities along with many risks from the sector, internal and external sources. Garanti BBVA Fleet evaluates all risks in detail with its experience and expertise in the sector, organizes measures and strategies by taking into account the same, and updates them as necessary.

**RISKS AND REVIEWS OF
THE BOARD OF DIRECTORS**

SECTORAL RISKS

According to the article 13 of the Omnibus Bill No. 7194 "On the amendment of the digital service tax as well as some laws and the Decree Law numbered 375", which was prepared in the last quarter of 2019 and shall come into force on January 1, 2020, and Income Taxes Law, it is stated that up to 5,500 Turkish liras of the monthly rental value for each of the passenger cars acquired by renting, except for those used by ones whose activities are partially or wholly to be hired or operated in various forms of the passenger cars shall be taken into consideration as expense.

Due to the upward interest rate mobility that may occur in the economy and the rise in exchange rates, we anticipate the situation that the rented vehicles will increase and exceed the limit of 5,500 TL as a risk for the sector.

RISKS FROM PRODUCT AND SERVICE

Due to the contraction in the economy in late 2018, some companies among the leasing customers made renting in the first half of 2019 chose to minimize their fleets and return and purchase the vehicles they rented to manage their costs. At this stage, Garanti BBVA Fleet started to make maturity extensions and rent a used car in order to meet customer demands.

Price competition in the sector creates competition risk in the short term in terms of the corporate companies. However, this risk creates an opportunity for Garanti BBVA Fleet to show the differences in its service in the long term without sacrificing service quality and customer satisfaction.

Brand penetration distribution is another important issue in the vehicle purchase process. Concentration of transactions in the same brands and models within the same period may reveal the risk of Second Hand value (RV) in the return of the vehicles at the end of the period due to the excess supply of those brands and models to the Second Hand market. It is important to plan the periodic vehicle purchases as balanced and more alternative.

RISKS RELATED TO THE DETERMINATION OF SECOND HAND VEHICLE PRICE (RV)

Garanti BBVA Fleet analyzes the sales data realized in more than one channel, taking into account the financial parameters, before determining the Second Hand value, and also takes into account the brand, model, age, mileage, damage status information about the vehicles. As a result of the analyzes made using the parameters related to financial variables and instruments, the Second Hand valuation is determined and the Second Hand values determined are compared with the current market values on a monthly basis. All these data are submitted to the RV committee and are regularly monitored. While determining the pricing, the price determination process is carried out by making price analyzes based on the contract profitability. Periodic financial variables in the RV determination process, fluctuations in seasonal Second-hand vehicle sales, positive-negative effects of tax changes on Second-Hand vehicle sales and possible errors in the Second-Hand sales data analyzed can be considered as a risk for the Second-Hand sales figure.

RISKS RELATED TO SECOND-HAND VEHICLE SALES

At the stage of determining the Second Hand value in fleet rental, there is a risk of selling Second Hand vehicles. The said risk is that the Second Hand value (RV), which is anticipated while the vehicles are being rented, remain above the Second Hand sale and is damaged from the actual sales. Another risk is possible tax changes in the legislation. Tax changes may increase the fair value of the vehicles to be sold in the Second Hand market or cause impairment.

Garanti BBVA Fleet analyzes the sales data realized in more than one channel, taking into account the financial parameters in the determination of the Second Hand value before the rental and also takes into account the brand, model, age, mileage, damage status information about the vehicles. As a result of the analyzes made using the parameters related to financial variables and instruments, the Second Hand valuation is determined and the Second Hand values determined are compared with the current market values on a monthly basis. All these data are presented to the Second Hand sales committee and are regularly monitored.

RISKS FROM EXTERNAL FACTORS

It was a very active agenda in the world economy in 2019. On one hand, the USA-China Trade Agreements and the ongoing agreements related to it; on the other hand, the interest rate cut by the FED directed especially the developing countries' exchange rates and thus the global economy.

Fluctuations in exchange rates in Turkey led to a significant price increase of purchase price of the vehicle purchase costs in foreign currency. Therefore, it was reflected in the rental prices as an increase. On the other hand, we foresee that the new model and design projection in line with Eu 6 norms in brand-based vehicle productions may cause problems in the supply of new vehicles in the short-medium period, with the fact that growth cannot be predicted in advance.

FINANCIAL RISKS

Liquidity Risk

Garanti BBVA Fleet is protected from negative impacts of liquidity risk by diversified domestic borrowing sources. Funding needs are supported by short and long term bonds, bond issues and TL borrowing instruments.

Risk of Receivable

Receivable risk is the risk that the counterparty cannot fulfill its obligations in the contracts to which Garanti BBVA Fleet is a party. In the lending transactions of companies, in order to subject receivable risk to risk limitation, it sets credit limits to counterparties and does not allocate credit beyond these limits. Credit limits are determined separately for each individual customer, company, group of companies and risk groups on product-basis.

While determining credit limits, many criteria such as financial strength, commercial capacities, sectors, geographical regions, and capital structures are evaluated together. The examination of the financial structures of the customers is carried out in accordance with the relevant legislation, based on the account status documents received and other information. As a result of evaluating general economic developments and monitoring the changes in customers' financial information and activities, previously determined credit limits are constantly revised. Limits determined on the basis of products and customers are taken as a basis in credit processes. The financial units, risk and limit information

of the customers, the payment performance and commercial activities of the existing customers are constantly analyzed, and whether they make principal and interest payments are monitored by the relevant units.

Market Risk

Changes in prices and interest rates reveal market risk due to economic expectations, developments related to the sector in which it operates, and regulations regarding relevant legislation.

Interest Rate Risk

In order to manage interest rate risk, Garanti BBVA Fleet prepares maturity/interest difference reports. The analyses are used in balance sheet interest risk and liquidity management.

Currency Risk

The difference between Garanti BBVA Fleet's foreign currency and foreign currency indexed assets and foreign currency liabilities are defined as "FX Net General Position" and constitute a basis for currency risk. Garanti Fleet provides hedging by using futures contracts such as swaps and forward to manage the balance sheet foreign currency position risk.

While commercial activities continue, unforeseen profit or loss risks may arise due to possible changes in economic conditions, cash flows of foreign currency debts and receivables for future periods, and currency fluctuations. This is called the currency risk arising from Cash Flows. The Company applies Hedge Accounting method in order to avoid this risk. With this method, protection is provided against exchange rate fluctuations. The applied method is also tested against the fair value of the hedged item or the changes in the cash flows that can be attributed to the hedged risk in the past and to the changes in the past fair value or cash flows of the hedging instrument; and the efficiency of these test results are expected to be within the range of 80% to 125%. The efficiency test results of Garanti BBVA Fleet are also in this range.

COMMITTEES

Committee Name	Committee Members	Names
Board of Directors	Chairman of the Board of Directors	Cemal Onaran
	Vice President of the Board of Directors	Aydın Güler
	Member	Osman Bahri Turgut
	Member	Selahattin Güldü
	Member and General Manager	Ayşegül Gülgör
Inspection Committee	Chairman of the Board of Directors	Cemal Onaran
	Member of the Board of Directors	Osman Bahri Turgut
Ethics and Integrity Committee	General Manager	Ayşegül Gülgör
	Assistants of General Manager	Koray Pişirici - Gözde Midillioğlu
	Internal Audit Unit Manager	Bengü Satış
	Internal Control Executive	Ömer Nedim Müren
Expense Management and Effectiveness Committee	General Manager	Ayşegül Gülgör
	Credits and Operation Assistant of General Manager	Gözde Midillioğlu
	Senior Director of Human Resources	Miray Göksu
	Finance Director	Meltem Aksoy
	Operation Unit Manager	Olçay Delibaş
New Business and Product Committee	General Manager	Ayşegül Gülgör
	Assistants of General Manager	Koray Pişirici - Gözde Midillioğlu
	Information Technologies Unit Manager	Mehmet Sakinç
	Operation Unit Manager	Olçay Delibaş
	Internal Audit Unit Manager	Bengü Satış
	Internal Control Executive	Ömer Nedim Müren
	Lawyer	Emrah Sarısaltık
	Operation Director	Fikret Gezer
Corporate Management Committee	Chairman of the Board of Directors	Cemal Onaran
	Member of the Board of Directors	Osman Bahri Turgut
Risk Management Committee	General Manager	Ayşegül Gülgör
	Assistants of General Manager	Koray Pişirici - Gözde Midillioğlu
	Second-Hand Sales Unit Manager	Onur Sarıcan
	Purchase and Delivery Director	Zekine Altunhan
	Loans and Collection Unit Manager	Haydar Uğur
	Lawyer	Emrah Sarısaltık
	Operation Unit Manager	Olçay Delibaş

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Asset-Liability Committee	General Manager	Ayşegül Gülgör
	Assistants of General Manager	Koray Pişirici - Gözde Midillioğlu
	Department Managers	Meltem Aksoy
	Regional Directors	Haydar Uğur - Mehmet Sakinç - Olçay Delibaş - Onur Sarıcan - Zekine Altunhan
	Bölge Müdürleri	Bilgen Avcı - Temel Kerimoğlu - Kaan Alpay - İbrahim Levent Öztürk
	Avukat	Emrah Sarısaltık
Discipline Committee	General Manager	Ayşegül Gülgör
	Assistants of General Manager	Koray Pişirici - Gözde Midillioğlu
	Senior Director of Human Resources	Miray Göksu
Personnel Committee	General Manager	Ayşegül Gülgör
	Assistants of General Manager	Koray Pişirici - Gözde Midillioğlu
	Senior Director of Human Resources	Miray Göksu
RV Committee	General Manager	Ayşegül Gülgör
	Assistants of General Manager	Koray Pişirici - Gözde Midillioğlu
	Second-Hand Sales Unit Manager	Onur Sarıcan
	Purchase and Delivery Director	Zekine Altunhan
	Pricing and Technical Analysis Senior Director	Ferhat Yolay
Purchasing Committee	General Manager	Ayşegül Gülgör
	Assistants of General Manager	Koray Pişirici - Gözde Midillioğlu
	Second-Hand Sales Unit Manager	Onur Sarıcan
	Purchase and Delivery Director	Zekine Altunhan
Second-Hand Sales Evaluation Committee	General Manager	Ayşegül Gülgör
	Assistants of General Manager	Koray Pişirici - Gözde Midillioğlu
	Second-Hand Sales Unit Manager	Onur Sarıcan
	Purchase and Delivery Director	Zekine Altunhan
	Second-Hand Sales Director	Muhsin Deniz
	Pricing and Technical Analysis Senior Director	Ferhat Yolay
Pricing Committee	General Manager	Ayşegül Gülgör
	Assistants of General Manager	Koray Pişirici - Gözde Midillioğlu
	Second-Hand Sales Unit Manager	Onur Sarıcan
	Operation Unit Manager	Olçay Delibaş
	Purchase and Delivery Director	Zekine Altunhan
	Pricing and Technical Analysis Senior Director	Ferhat Yolay
Expense and Tender Committee	Senior Director of Human Resources	Miray Göksu
	Finance Director	Meltem Aksoy
Corporate Assurance Committee	General Manager	Ayşegül Gülgör
	Assistants of General Manager	Koray Pişirici - Gözde Midillioğlu
	Internal Control Executive	Ömer Nedim Müren

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BOARD OF DIRECTORS MEETINGS

The Board of Directors convened 4 times during the year and all members of the board of directors attended these meetings.

ADMINISTRATIVE SANCTIONS AND PENALTIES

There are no penalties in 2019.

ASSESSMENT ON FINANCIAL POSITION, PROFITABILITY AND SOLVENCY OF INDEMNITY

The asset size of the company at the year-end of 2019 is 1.6 billion TL (2018: 1.7 billion TL), the shareholders' equity is 69.1 million TL (2018: 10.9 million TL) and its net profit is 31.8 million TL (2018: 9.7 million TL).

The Company's return on assets is 2.01% (2018: 0.57%) and the return on equity is 46.05% (2018: 88.62%). The company aims to continue growing with its strong financial structure and sustainable profitability.

GRANTS AND DONATIONS

Total of grants and donations made by the Company during the year is 30,300 TL.

LAWSUITS FILED AGAINST THE COMPANY AND POSSIBLE CONSEQUENCES

For various lawsuits filed against the company, the amount of TL 512,404 (31 December 2018: TL 412,404) has been accounted in the related reserve accounts in the accompanying financial statements.

DISCLOSURES ON PRIVATE AUDIT AND PUBLIC AUDIT

Our company is subject to limited independent audit in six-month periods, full independent audit in 12-month periods by Independent audit company KPMG Independent Audit and Independent Accountant Financial Advisory Corporation (KPMG); and also subject to Garanti BBVA Bank consolidation audit in three and nine-month periods.

CHANGES IN THE ARTICLES OF ASSOCIATION

There has been no change in the articles of association during the period.

SIGNIFICANT EVENTS OCCURRED FROM THE CLOSING OF THE ACCOUNTING PERIOD UNTIL THE DATE OF THE GENERAL ASSEMBLY MEETING TO DISCUSS THE RELEVANT FINANCIAL STATEMENTS

None.

GENERAL ASSEMBLY HELD YEARLY

The company held the Ordinary General Assembly meeting for 2018 on 25.03.2019. All of the decisions taken were fulfilled.

SIGNIFICANT SALES/PURCHASE OF ASSETS

None.

THE SITUATION OF BENEFITING FROM INCENTIVES IN INVESTMENTS

No incentives are used.

PREVENTION OF INTEREST CONFLICT WITH INSTITUTIONS RECEIVED SERVICES

In order to prevent conflicts of interest with Garanti Fleet Management Services Inc.'s Investment Advisory, Rating and other institutions, necessary arrangements are made in the contracts that are entered into mutually.

CONTACT

Garanti Fleet Management Services Inc. was established in Turkey in 10 January 2007, to operate in the field of "Vehicle Fleet Leasing Services".

The trade registry number of Garanti BBVA Fleet registered in Istanbul Chamber of Commerce is 611285. Garanti Filo has 4 branches in Istanbul, Anatolia, Ankara, Bursa and Izmir, and contact information is below.

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WEBSITE

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E-MAIL ADDRESS

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No	Branch	Address
1	Ankara	Ankara 1 ve 2 Krediler Müdürlüğü Cinnah Caddesi No: 2 Kavaklıdere Çankaya/Ankara
2	Bursa	Marmara Bölge Müdürlüğü Fevzi Çakmak Caddesi No: 60 K:3 Osmangazi/Bursa
3	İzmir	Folkart Towers Manas Bulvarı Adalet mah. No:39/1 B Kule Kat:42 Bayraklı/İzmir
4	İstanbul Anadolu	Barbaros Mah. Kardelen Sk. Palladium Tower Apt. No:2/38 Ataşehir/İstanbul