



Corporate Governance and Credit Rating Services, Inc.

Corporate Governance Rating Report



LIDER
FAKTORING

5 August 2016

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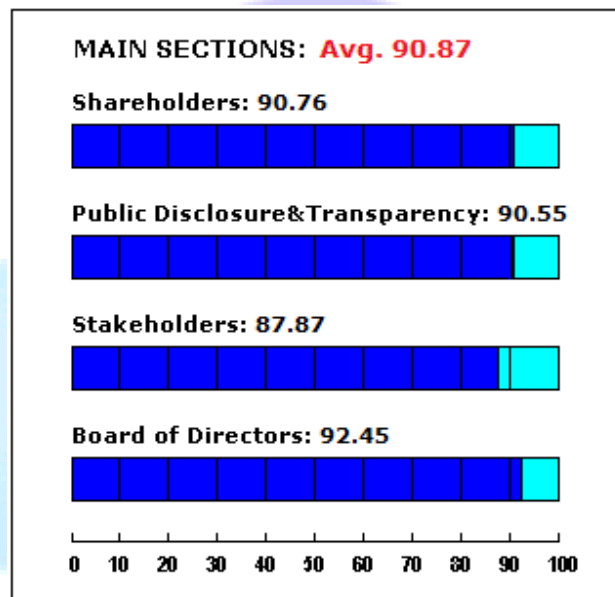
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Rating and Executive Summary

LİDER FAKTORİNG A.Ş.

 SAHA
Corporate Governance Rating:

9.09



EXECUTIVE SUMMARY

The Corporate Governance Rating of 8.89 that has been assigned to Lider Faktoring A.Ş. (LIDFA) on August 6, 2015 is hereby revised up to **9.09**. Our rating methodology (page 5) is based on the Capital Markets Board's (CMB) "Corporate Governance Principles".

The Company's corporate governance rating is revised as above in consideration with the importance given by Lider Faktoring A.Ş. to corporate governance principles, its willingness to carry out the compliance process continuously and dynamically and improvements which had been initiated in this direction since the previous rating.

Additionally, Lider takes place in Group 1 of the World Corporate Governance Index (WCGI) published by SAHA on July 1, 2016. Details of the World Corporate Governance Index (WCGI) published by SAHA can be accessed at <http://www.saharating.com>.

Lider is rated with **9.08** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, articles of association and other internal rules and regulations. Measures are in place to ensure the exercise of these rights. Company carries out the investor relations obligations via the "Investor Relations" department. There is no upper limit on voting rights. However, there are certain privileges on board nominations. All procedures prior to the general shareholders' meeting and the conduct of the meeting comply with the legislation and regulations. There is a consistent dividend policy of the Company and it is disclosed to the public. The transfer of Group A shares is subject to approval of the board of directors however there is no restriction on transfer of Group B and C shares. On the other hand, there are areas for improvement like adoption as it is, of the rate of minority rights in the Company's articles of association as prescribed for public joint stock companies (%5) and existence of privileges on board nominations.

Lider attained **9.06** under the **Public Disclosure and Transparency** chapter. There is a comprehensive web site that includes all information listed in the Corporate Governance Principles pertinent to "Public Disclosure". Public announcements are made via all communications channels and are in accordance with the CMB and Borsa Istanbul (BIST) regulations. However, a more comprehensive web site in English can be developed for the benefit of international investors. The annual report is also comprehensive and informative. Shareholding structure of Lider and the names of ultimate controlling individual shareholders are disclosed to the public via the annual report. Benefits provided to board members and senior management is mentioned collectively in the annual report, but a list on individual basis is essential as per the Principles.

On the topic of **Stakeholders**, Lider scored **8.79**. Lider guarantees the rights of stakeholders in line with the legislation and mutual agreements, and in case of violation, enables an effective and speedy compensation. A written compensation policy for the employees is disclosed to public on the corporate web site. The Company has an effective and comprehensive human resources policy. Code of ethics is publicly available on the corporate web site. Social responsibility and sustainability studies are open for improvement.

From the perspective of the principles regarding the **Board of Directors**, Lider's tally is **9.25**. There is a well communicated Company mission and vision, and the board fulfills all duties duly. Chairman of the board and the CEO are not the same person. The board consists of seven members of which two members are independent. Each board member is entitled to a single vote. CMB criteria are complied with for the appointment of independent members. There are two female members on the board. Corporate Governance, Audit, and Early Detection of Risk Committees are established from within the board. The working principles of the committees are disclosed to the public. Principles of remuneration of board members and senior executives are available on the Company's web site. Losses that may be incurred by the Company as a result of not performing the board members' duties duly are insured as declared in the annual report. Remuneration of board members and executives with administrative responsibility as well as all other benefits provided are mentioned collectively in the annual report. Principles dictate reporting on an individual basis.

Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which has been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high-level bodies.

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the Company's governance practices in future should be mentioned in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and the board of directors.

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the Company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.20).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

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

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

Company Overview

Lider Faktoring A.Ş.	
 LİDER FAKTORİNG	CHAIRMAN OF THE BOARD Nedim Menda GENERAL MANAGER Can Güney
Esentepe Büyükdere Cad. Maya Akar Center, No:100-102, K:25 D.96-97 Şişli / İstanbul www.liderfaktoring.com.tr	Shareholder Relations Unit Manager Sven Atakan Sevim Tel: (0212) 444 45 37, Fax: (0212) 213 16 60 yatirimciliskileri@liderfaktoring.com.tr

Lider Faktoring was established under the title of "Şetat Faktoring A.Ş." on September 24, 1992 to provide factoring services to industrial and commercial companies. Şetat's A Group of shares were purchased by the current shareholders on 2002 and the Company's name was changed as "Lider Faktoring Hizmetleri A.Ş." This modification was registered and published on the Turkish Trade Registry Gazette (TTRG) #5596 of July 22, 2002. The Company's activities came under the supervision and control of the Banking Regulation and Supervision Agency (BRSA) within the scope of "Regulation on Principles for Establishment and Operations of Financial Leasing, Factoring and Financing Companies" published and entered into force on the same date of the Official Gazette #26315 on October 10, 2006. These supervision and inspections are conducted within the framework of "Financial Leasing, Factoring and Financing Companies Law" and applicable regulations as published on Official Gazette No. 6361 dated December 13, 2012.

9.90% of Lider Faktoring A.Ş. shares were acquired by Credit Suisse Investments (Nederland) B.V. in 2008. The Company's title was amended as "Lider Faktoring A.Ş." as per the Articles of Association change published on the TTRG #8360, dated July 10, 2013 in compliance with the provisions of the Financial Leasing, Factoring and Financing Companies Law.

The Company shares are included in Group C and traded under "LIDFA" code at Borsa Istanbul Main Market.

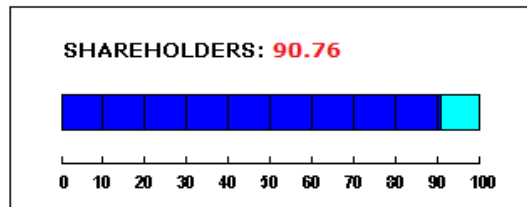
Lider's capital structure is as follows:

Capital Structure		
Shareholder	Amount (TL)	Percentage %
Nedim Menda	10,455,000	34.85
Yuda Elenkave (Successors)	7,485,000	24.95
Jak Sucaz	3,060,000	10.20
Credit Suisse Inv. BV	2,970,000	9.90
Raşel Elenkave	1,530,000	5.10
Other (Public Shares)	4,500,000	15.00
TOTAL	30,000,000	100.00

The composition of the board of directors of Lider Faktoring is as follows:

Lider Faktoring Board of Directors	
Name	Title
Nedim Menda	Chairman
Jak Sucaz	Vice-chairman
Raşel Elenkave	Board Member
Can Güney	Board Member / General Manager
Ayşe Bayoğlu	Board Member
Abdullah Akyüz	Independent Board Member
Tezcan Yaramancı	Independent Board Member

SECTION 1: SHAREHOLDERS



SYNOPSIS

+	Equal treatment of shareholders
+	Unrestricted shareholder rights to review and receive information
+	Voting rights are facilitated
+	General shareholders' meetings are conducted in compliance with the legislation
+	Policy on donations and grants approved at the general shareholders' meeting and disclosed to the public
+	A specific and consistent dividend distribution policy established
=	Minority rights are not recognized for shareholders who possess an amount less than one-twentieth of the share capital
-	Voting privileges on Board nominations

1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

Activities of Lider's Investor Relations Unit are managed by Sven Atakan Sevim, Deputy General Manager of Corporate Finance. Mr. Sevim also serves on the Corporate Governance Committee.

The Investor Relations Department plays an active role in protecting and facilitating shareholders' rights and in particular the right to obtain and review information. The unit fulfills the following duties:

- Ensure that the records relating to the written correspondence with the investors and other information are kept in a healthy, safe and updated manner.
- Respond to the queries of Lider shareholders requesting written information on the Company.
- Ensure that the general assembly meeting is held in compliance with the applicable legislation, articles of association and other Company by-laws.
- Prepare the documents that might be used by shareholders in the general shareholders' meeting.
- Supervise the fulfillment of the obligations arising from capital markets legislation including all corporate governance and public disclosure matters.

Requests for information are met and shareholders are able to request information either by directly contacting the Investor Relations Department staff or by sending an e-mail to the Department using the contact form on the web site. The Investor Relations Department maintains proper records of both the written and oral queries that it receives and of the responses given to them.

Information and explanations that may affect use of shareholders' rights are available and up to date on the corporate investor relations web site.

1.2. Shareholders' Right to Obtain and Evaluate Information:

There is no evidence of any hindering process or application regarding the appointment of a special auditor at the request of shareholders and no such demand was received within the reporting period.

All kinds of information about the Company required by the legislation are provided in a complete, timely, honest, and diligent manner and there is no fine or warning received in this regard.

The Company has constituted a disclosure policy and disclosed it to public on the corporate web site.

1.3 Minority Rights:

Maximum care is given to the exercise of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the Company has adopted exactly the rate foreseen in the legislation for listed companies.

There is no evidence of any conflict of interest between the majority shareholders and that of the Company.

1.4. General Shareholders' Meeting:

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the ordinary general shareholders' meeting held on March 21, 2016 is performed through all means of communication available to the Company on February 16, 2016 in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included

information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where annual report, financial statements and other meeting documents can be examined. A descriptive invitation letter on agenda items has been prepared.

Commencing from the date of announcement of invitation for the general shareholders' meeting; the annual report, financial statements and reports, and all other related documents pertaining to the agenda items along with the dividend distribution proposition are made available to all shareholders for examination purposes in convenient locations including the headquarters of the Company, and the electronic media.

Shareholders are informed of the following issues prior to the general shareholders' meeting via the annual report published on the corporate web site:

- a. The total number of shares and voting rights reflecting Lider's shareholding structure as of the date of disclosure, and information on privileged share groups within the Company capital.
- b. Board member nominees' backgrounds and tasks carried out in the last decade, the nature and significance level of their relationship with the Company and its related parties, whether they are independent or not, and information on similar issues.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the

shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

Items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and ask questions.

It has been also witnessed that the members of the board of directors related with those issues of a special nature on the agenda, other related persons, authorized persons who are responsible for preparing the financial statements and representatives of the external audit company were present to give necessary information and to answer questions at the general shareholders' meeting.

Due to lack of approval of majority of independent members, no transactions were submitted to the general shareholders' meeting for approval.

The Company has established a policy on donations and grants and submitted it to the general shareholders' meeting for approval. Shareholders are informed, with a separate agenda item, of amount and beneficiaries on all donations and grants effectuated during the reporting period.

Stakeholders and media are allowed to attend the general shareholders' meetings with no voting rights, but no such mention is included in the articles of association.

1.5. Voting Rights:

At Lider all shareholders, including those who reside abroad, are given the opportunity to exercise their voting rights conveniently and appropriately and the Company avoids applications that make it difficult to exercise voting rights.

The Company's articles of association indicate that there are voting privileges; at least one more than half of board members are elected among the Group A shareholders or nominees designated by the holders of A Group of shares.

1.6. Dividend Rights:

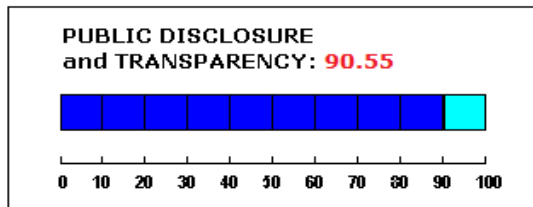
The dividend policy of Lider is clearly defined and disclosed to public on the corporate web site. It is submitted to the shareholders at the general shareholders' meeting and is incorporated in the annual report. Company's dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles. A balanced policy is followed between the interests of the shareholders and those of the Company. The dividend distribution proposal contained all necessary information. The articles of association contain a provision on advance dividend payments.

1.7. Transfer of Shares:

The Company complies with regulations of the Turkish Commercial Code, Banking Regulation and Supervision Agency and legislation of the Capital Markets Law. Provisions disclosed on Capital Markets Law's Article 137, 3rd paragraph is reserved. Transfer of Group B and C shares cannot be restricted.

However, the transfer of A Group of registered shares not traded at Borsa Istanbul to natural and legal persons other than legal heirs and founders is subject to the approval of the Board of Directors.

SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS

+	Comprehensive Disclosure Policy, disclosed to public on the corporate web site
+	Corporate web site is actively used for public disclosure
+	Annual report complies with the legislation, comprehensive and informative
+	Important events and developments disclosed in accordance with the legislation
+	Remuneration policy established and disclosed to public on the corporate web site
+	Dividend distribution policy disclosed to public via corporate web site
=	A more comprehensive web site in English can be prepared for international investors
=	Benefits provided to board members and senior executives are not mentioned on individual basis in the annual report, but a list on individual basis is essential

2.1. Corporate Web Site:

Company's web site is actively used for disclosure purposes and the information contained therein is timely updated.

Along with the information required to be disclosed pursuant to the legislation, the corporate web site

includes; trade register information, information about latest shareholder and management structure, the date and the number of the trade registry gazette on which the changes are published along with the final version of the Company's articles of association, publicly disclosed material information, periodical financial statements, annual reports, prospectuses and circulars and other public disclosure documents, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, ethical rules of the Company, frequently asked questions, and responses thereof.

In this context, information on at least the last five years can be reached on the web site.

The Company's shareholding structure; the names, amount and rate of the shares held by the Company's ultimate controlling individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is disclosed to the public through the corporate web site.

A more comprehensive English web site can be prepared for international investors.

The Company's web site also includes; investor presentations, the donation policy, working principles of the committees, important board decisions under the heading of material disclosures, established vision/mission of the Company, information on dividend payments and capital

increases for the last 5 years, news, information on senior management, financial data, main ratio analyses, corporate web site disclaimer, terms of use and privacy policy, general shareholders' meeting internal guidelines, and the human resources policy.

Nevertheless, social responsibility activities and similar reports, calendar of events and developments that concern investors can also be added to the corporate web site.

2.2. Annual Report:

Annual report is prepared in detail by the board of directors to provide public access to complete and accurate information on the Company and it covers information such as;

- a. Period covered by the report, the title of the Company, contact information,
- b. The names of the chairman and members served on the board and the committees during the covered period,
- c. Qualifications of the Company's units, general explanations related to their activities and performances, and yearly developments,
- d. Progress on investments, the eligibility status on incentives,
- e. Changes and justifications on the articles of association during the period,
- f. Corporate Governance Principles Compliance Report,
- g. Information on related party transactions,

- h. Other issues not included in the financial statements, but are beneficial for users,
- i. Company's organization, capital and ownership structure,
- j. Benefits provided to staff and workers, information on number of personnel,
- k. The dividend distribution policy,
- l. Explanations on privileged shares,
- m. Basic ratios on the financial position, profitability and solvency,
- n. Company's financing resources and risk management policies.

In addition to the content specified in the legislation, the following also took place in the annual report:

- a. External duties of board members and executives,
- b. Members of the committees within the board,
- c. The number of board meetings held during the year and participation rate of the members,
- d. Major court cases against the Company and possible consequences,
- e. Information on the fact that there is no cross shareholding in excess of 5% of the capital,
- f. Application status of the corporate governance principles as required by the CMB communiqué, explanations on reasons behind any non-compliance.

On the other hand, benefits and vocational training of employees, and other Company activities that give rise to social and environmental results,

working principles of the committees along with the scope of their activities and the assessment of the board of directors on the committees are not mentioned sufficiently. In addition, declaration of independence of independent board members and all benefits provided to board members and senior management on individual payments are not included. These are the areas in need of improvement.

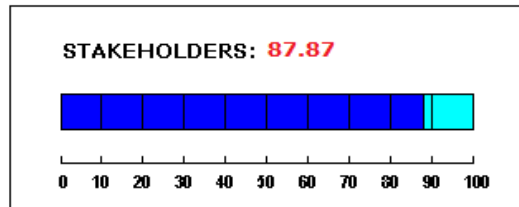
2.3. External Audit:

The external audit of the Company is conducted by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

There has not been a situation during the reporting period where the external auditor avoided to express its opinion and not signed the audit report, nor has reported a qualified opinion. It has been declared by the Company officials that there has been no legal conflict between the Company and the external audit firm.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period. No consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

SECTION 3: STAKEHOLDERS



SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	Efficient Human Resources policy
+	Code of ethics disclosed to the public
+	Company is socially and environmentally sensitive and respectful
+	Social responsibility and sustainability projects established
+	There are written regulations supporting participation of stakeholders in the management of the Company
+	A written employee compensation policy is established and disclosed to the public on the web site
=	Incentive models regarding the participation of stakeholders in the management of the Company do exist, but not included in the articles of association

3.1. Company Policy Regarding Stakeholders:

We have not come across a significant or repetitive situation in which the rights of stakeholders are not recognized.

We have come to the conclusion that the corporate governance structure of the Company ensures that all stakeholders, primarily the employees

report their concerns to the management concerning any illegal or unethical transactions.

Additionally, as per the Corporate Governance Principles, a written employee compensation policy is established and disclosed to the public on the web site

3.2. Stakeholders' Participation in the Company Management:

Lider Faktoring is able to receive the views of stakeholders through channels such as "Information Request Form" on its web site, by e-mail, fax and regular mail and also through the intermediary of call center, branches and social media thanks to a central platform integrated into the system.

Moreover, participation of employees in management is always encouraged, innovative ideas aimed at improving and expanding the work are submitted to the related management functions through a suggestion system and evaluated carefully.

A separate model for participation of stakeholders in management is not developed. However, it has been declared via the annual report that representation of shareholders and other stakeholders on the Board of Directors is carried out by two independent members.

3.3. Company Policy on Human Resources:

Lider Faktoring has developed an advanced human resources regulations and procedures. With respect to specific country standards, we have come to the conclusion that the

Company has established a human resources policy which ensures equal opportunity, social rights, and sound career planning.

During recruitment Lider Faktoring adopts the principle of offering opportunities under equal conditions. Recruitment criteria are determined in writing on a title basis.

Based on the same principle of equality during pay rise periods, the Company determines the rate of rise on an employee basis after evaluating the annual inflation rate and the employee's performance throughout the year. Lider Faktoring's performance evaluation process is based on employees' performance according to impartial criteria and their capability to adopt the Company's common culture, values and service approach.

Lider Faktoring seeks to meet its need for personnel primarily from its own human resources. In its decisions for training, appointment and promotion, the Company takes care to protect its own benefits in line with this criterion. Lider Faktoring offers a safe working environment and conditions to its employees. The Company also maintains its efforts to improve these conditions in line with rising social and technological needs.

Special training programs are held in-house or outside the Company at least twice a year by taking employees' needs and the market conditions of the period into account, in order to support employees' achievements through continuous and appropriate training programs, to contribute to their personal and professional development and to help them improve their occupational skills. Furthermore, within the framework of a specific training schedule, regular participation of the Company

personnel in courses, panels and other required events is achieved.

3.4. Relations with Customers and Suppliers:

Information on customers and suppliers are filed and care is taken on the confidentiality of information within the framework of protection of trade secrets. No evidence is witnessed on non-market pricing of services of the Company.

3.5. Ethical Rules & Social Responsibility:

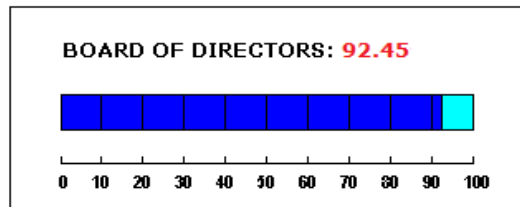
The ethical rules of Lider Faktoring are documented and publicly disclosed through the corporate web site. These rules are also approved by the board of directors.

3.6. Sustainability:

A management view is generated to determine the general framework of the social and environmental management system, and the basic principles of which the Company have to comply with in this scope. By compliance with related standards, it is intended to also meet the obligations arising from regulations issued by legal and regulatory authorities. Along with the standards included within, this view is in a complementary nature with other corporate governance policies and procedures of the Company.

Likewise, the Company has established a Sustainability, Environmental and Social Responsibility Policy. Corporate Governance, Sustainability, Environmental Liability, Corporate Responsibility and Transparency titles were redefined in this policy.

SECTION 4: BOARD OF DIRECTORS



SYNOPSIS

+	Vision, mission and strategic goals are defined
+	Audit, Corporate Governance and Early Detection of Risk Committees are established and functional
+	Principles of remuneration of board members and senior executives are established and disclosed to the public
+	Chairman of the board and the CEO are not the same person
+	Each member has a right to a single vote
+	The conduct of the board of directors meetings is defined in internal regulations and meeting and decision quorums have been included in the articles of association
+	Two female board members
+	Two independent board members
-	Remuneration and benefits provided to board members and executives with administrative responsibility are not mentioned on individual basis

4.1. Functions of the Board of Directors:

Strategic decisions of the board of directors aim to manage the Company's risk, growth, and return balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of Lider. The

board administers and represents the Company within these parameters.

The board of directors has defined the Company's strategic goals and identified the needs in human and financial resources, and controls management's performance. The board also oversees that Company activities are managed in compliance with the legislation, articles of association, internal procedures and established policies.

4.2. Principles of Activity of the Board of Directors:

Board of directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the board of directors is explained in the annual report.

The board of directors established internal control systems which are inclusive of risk management, information systems, and processes by also taking into consideration the views of the committees. In this context, the board reviews the effectiveness of risk management and internal control systems at least once a year. The presence, functioning, and effectiveness of internal controls and internal audit are explained in the annual report.

The board of directors plays a leading role in maintaining effective communication between the Company and the shareholders and settling any disputes which may arise.

Defects and damages that may be caused by the board members during

the execution of their duties have been insured and this matter is disclosed on the Public Disclosure Platform (KAP) via the annual report.

Chairman of the board and general manager's executive powers are separated in practice but this separation is not documented in the articles of association.

4.3. Structure of the Board of Directors:

Lider's board of directors is composed of seven members and two of them are executive. There are two independent members who have the ability to execute their duties without being influenced under any circumstances.

No upper limit for the number of independent board members is mentioned in the articles of association. Tenure of office for independent members is designated as three years.

The Corporate Governance Committee have prepared a report on the candidates proposed by the board and shareholders, by taking into consideration of whether or not the candidate meets the independency criteria, and submitted this assessment as a report to the board for its approval. CMB criteria are complied with in determining independent candidates. Independent candidates for the board of directors have signed a declaration of independence within the framework of the legislation, articles of association, and the CMB criteria.

There are two female members on the board. This exceeds the Corporate Governance Principles' advisory target of minimum 25% female board membership rate.

4.4. Conduct of the Meetings of the Board of Directors:

Ordinary board meetings take place with sufficient frequency and board members also convene upon any extraordinary situation and negotiate and render resolutions on critical agenda issues.

Chairman of the board of directors informs the members on the agenda items before and during the meetings.

Information on the agenda items of the board of directors is made available to the members in sufficient time prior to the meeting date by a coordinated flow of information. Each member of the board is entitled to a single vote.

The conduct of the board of directors meetings is documented in internal regulations and meeting and decision quorums have been included in the articles of association of the Company.

Board members show utmost care to allocate sufficient time for the Company's business. There are no limitations taking on additional duties outside the Company.

4.5. Committees Established Within the Board of Directors:

Corporate Governance, Audit and Early Detection of Risk Committees are established from within the board of directors in order to fulfill its duties and responsibilities duly.

Functions of the committees, their working principles, and members are designated by the board of directors and disclosed to public via the annual report and on the corporate web site.

All members of the Audit Committee are elected among the independent board members. Also the chairmen of the Corporate Governance and Early Detection of Risk Committees are

elected among the independent board members. The Corporate Governance Committee is composed of three, Early Detection of Risk Committee of four and the Audit Committee of two members. The general manager is not on the committees.

All necessary resources and support needed to fulfill the tasks of the committees are provided by the board of directors. Committees can invite any manager as they deem necessary to their meetings and obtain their views.

The frequency of committee meetings is sufficient, all activities are documented and records are kept. Reports containing information about the activities and the resolutions of the meetings are submitted to the board of directors.

Audit Committee supervises the operation and efficiency of the Company's accounting system, public disclosure, external audit and internal audit systems, reviews complaints that are received by the Company regarding Company accounting, internal and external independent audit systems, within the framework of the principle of confidentiality and finalizes them, notifies the board in writing on findings related to their duties and responsibilities and the related assessment and recommendations, following taking the opinion of responsible managers of the Company and the external auditor notifies the board in writing on whether the annual and interim statements disclosed to the public is in accordance with the Company's accounting principles, true and accurate. The committee has convened five times during the course of the reporting period.

Audit Committee members possess the qualifications listed in the Corporate Governance Principles communiqué.

However, we have not come across to any information about the activities and results of meetings of the Audit Committee in the annual report.

The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the audit committee to the board.

The Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the Company, if implementation of some of the principles are not possible, the reasons thereof, and assess any conflict of interests arising as a result of lack of implementation of these principles, and present remedial advices to the board of directors. In addition, it oversees the work of the "Investor Relations" department. Manager of the Investor Relations Department also serves on the Corporate Governance Committee. The Committee has convened four times during the period.

Since a Nomination and a Remuneration Committee is not established, its duties are carried out by the Corporate Governance Committee. The proposals for independent board membership candidacy are evaluated taking into consideration whether the candidates possess the criteria for independence under the applicable legislation and these assessments are documented.

Additionally, the Corporate Governance Committee is responsible for creating a transparent system capable of identifying, vetting, and training suitable candidates to fill seats on the board of directors and to undertake management positions that have administrative responsibilities and to develop policies and strategies for dealing with such issues.

The Committee is also responsible of revising, changing and re-evaluation of principles, as well as criteria and applications on remuneration, and submission of the views to the board when necessary. The report regarding remuneration has been seen by us and found adequate.

The Early Detection of Risk Committee carries out its tasks towards early detection of risks which may jeopardize the Company's assets, its development and progression, and measures taken to mitigate and manage those risks. It reviews risk management systems at least once a year.

4.6. Remuneration of the Board of Directors and Senior Management:

The board of directors explained in the annual report whether the operational and financial targets disclosed to the public are met or not, along with reasons behind possible shortcomings. The principles of remuneration of board members and senior executives have been documented in writing and submitted to the shareholders as a separate item at the general shareholders' meeting. A remuneration policy prepared for this purpose can be found on the Company's web site.

Stock options or performance based payments are not included in the remuneration package of the independent board members. Their remuneration is designated at a level to maintain their independence

It has been declared in the annual report that Lider does not lend any funds or extend any credits to a member of the board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

The executives have the required professional qualifications in order to perform the assigned duties. They comply with the legislation, articles of association, and in-house regulations and policies in fulfilling their duties.

There has been no cases where the executives used confidential and non-public Company information in favor of themselves or others. There are no executives who accepted a gift or favor directly or indirectly related to the Company's affairs, and provided unfair advantage. Losses that may be incurred by the Company as a result of not performing the board members' and executives' duties duly are insured.

Remuneration of board members and managers with administrative responsibility as well as benefits provided are mentioned collectively in the annual report. Full implementation of Corporate Governance Principles dictates reporting on an individual basis.

Rating Definitions

Rating	Definition
9 - 10	The company performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
7 - 8	The company performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index.
6	The company performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Deserved to be included in the BIST Corporate Governance Index and management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs weakly as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs very weakly and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.

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