

04 October 2019

Credit Rating

**Long-term (National):
(TR) AA+**

**Outlook:
Stable**

**Short-term (National):
(TR) A1+**

**Outlook:
Stable**

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<http://www.akyatirim.com.tr>

Rating Summary

Ak Yatırım Menkul Değerler A.Ş. ("the Company" or "Ak Yatırım") was established on December 11th, 1996 to conduct capital markets activities in accordance with Capital Markets Law and relevant legislation provisions.

The Company's core business is to provide brokerage services. A fully owned subsidiary of Akbank T.A.Ş. (Akbank), Ak Yatırım has been authorized by the Capital Markets Board of Turkey as of 15 October 2015 as "Intermediary Institution with Extended Authority".

Following our comparative analysis of the sector and examination of financial/operational risks carried by the Company, as well as its domestic market position, Ak Yatırım Menkul Değerler Anonim Şirketi received a long term rating of **(TR) AA+** and short term rating of **(TR) A1+**.

Strengths and Risks

Strengths

- Strong partnership and shareholders' equity structure,
- Market position,
- Diversified products/services,
- Investor reach,

Risks

- Risk of decline in business volume due to political and macroeconomic variables,
- Investor withdrawals,
- Price competition,

Outlook

As a subsidiary of Akbank, one of the leading banks in Turkey, Ak Yatırım is among the leading companies in the brokerage sector with its diversified product/service structure, market position and the infrastructure services offered to customers. It ranks first in transaction volume in the FX market. The Company's service revenue, profitability and cash generation are in an upward trend despite adverse economic conditions. Price based competition, macroeconomic instability threatening to adversely affect business volume and cause sudden investor withdrawals constitute the primary risks. Having a long-standing reputation in the industry, easy access to financing along with the corporate support of the main shareholder (Akbank), Ak Yatırım's outlook is evaluated as "**Stable**".

Corporate Governance

Since the Company shares are not publicly traded, Ak Yatırım is not subject to Capital Markets Board's (CMB) provisions of Communiqué on the Determination and Implementation of Corporate Governance Principles. However, examining the corporate governance practices, the Company has provided certain level of compliance with the CMB's Corporate Governance Principles and has implemented some of the necessary policies and measures. Management and internal control mechanisms have been created effectively and are in operation. The rights of shareholders and stakeholders are respected in a fair manner and public disclosure and transparency is at adequate levels.

Methodology

SAHA's credit rating methodology is composed of quantitative and qualitative sections contributing to the final grade with specific weights. The quantitative analysis components consist of the Company's performance compared to industry peers, analysis of the financial risks, and the assessment of cash flow projections. Comparative performance analysis determines the relative position of the Company as compared with industry peers' financial performances and industry averages. The financial risk analysis of our methodology covers the evaluation of the Company's financial ratios on the basis of objective criteria. Liquidity, leverage, asset quality, profitability, volatility and concentration are treated as sub-headings in this analysis. Finally, scenario analysis evaluates the Company's performance with respect to its capability to fulfill its obligations under the future projections of a base and a stress scenario.

The qualitative analysis covers operational issues such as industry and company risks as well as administrative risks in the context of corporate governance practices. The industry analysis evaluates factors like the nature and rate of growth of the industry, its competitive structure, structural analysis of customers and creditors, and sensitivity of the sector to risks at home and abroad. The company analysis evaluates market share and efficiency, trends and volatilities in key performance indicators, cost structure, service quality, organizational stability, access to domestic and foreign funding sources, off-balance sheet liabilities, accounting practices, and parent / subsidiary company relationships if any.

Corporate governance plays an important role in our methodology. The importance of corporate governance and transparency is once again revealed in the current global financial crisis we witness. Our methodology consist of four main sections; shareholders, public disclosure and transparency, stakeholders, and board of directors. The corporate governance methodology of SAHA can be accessed at www.saharating.com.

Rating Definitions

Our long term credit ratings reflects our present opinion regarding the mid to long term period of one year and above; Our short term credit ratings reflects our opinion regarding a period of one year. Our long term credit rating results start from AAA showing the highest quality grade and continue downward to the lowest rating of D (default). Plus (+) and minus (-) signs are used to make a more detailed distinction within categories AA to CCC.

Companies and securities rated with long-term AAA, AA, A, BBB and short-term A1 +, A1, A2, A3 categories should be considered “investment worthy” by the market.

Short Term	Long Term	Rating Definitions
(TR) A1+	(TR) AAA (TR) AA+ (TR) AA (TR) AA-	The highest credit quality. Indicates that ability to meet financial obligations is extremely high. For securities, it is an indication of no more than a slight additional risk as compared to risk-free government bonds.
(TR) A1	(TR) A+ (TR) A	Credit quality is very high. Very high ability to fulfill financial obligations. Sudden changes at the company level and/or economic and financial conditions may increase investment risk, but not significantly.
(TR) A2	(TR) A- (TR) BBB+	High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	Sufficient financial ability to fulfill its obligations, but carries more risk in adverse economic conditions and changes. If securities; has adequate protection parameters, but issuer’s capacity to fulfill its obligations may weaken in face of adverse economic conditions and changes.

Companies and securities rated with long-term BB, B, CCC, and short-term B1, B2, C categories should be considered “speculative” by the market.

(TR) B1	(TR) BB+ (TR) BB (TR) BB-	Carries minimum level of speculative features. Not in danger in the short term, but faces negative financial and economic conditions. If securities; below investment level, but on-time payments prevail, or under less danger than other speculative securities. However, if the issuer’s capacity to fulfill its obligations weakens, serious uncertainties may unfold.
(TR) B2	(TR) B+ (TR) B (TR) B-	Currently has the capacity to fulfill financial obligations, but highly sensitive to adverse economic and financial conditions. If securities; there is a risk in due payment. Financial protection factors can show high fluctuations depending on the conditions of the economy, the sector, and the issuer.
(TR) C	(TR) CCC+ (TR) CCC (TR) CCC-	Well below investment grade. In considerable danger of default. Fulfillment of its financial obligations depends on the positive performance of economic, sectoral and financial conditions. If securities; there are serious uncertainties about the timely payment of principal and interest.
(TR) D	(TR) D	Event of default. The company cannot meet its financial obligations or cannot pay the principal and/or interest of the relevant securities.

Disclaimer

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