



10 October 2022

Credit Rating

**Long-term (National):
(TR) AAA**

**Outlook:
Stable**

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

**Outlook:
Stable**

Expiry Date:

10 October 2023

Ak Yatırım Menkul Değerler A.Ş.

Sabancı Center, Kule 2,
4 Levent, 34330, İstanbul
Tel: +90 (212) 334 94 94
<http://www.akyatirim.com.tr>

AK YATIRIM MENKUL DEĞERLER A.Ş.

Rating Summary

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

The main area of activity of the Company is to serve individual and institutional investors introducing all available capital market instruments. As a fully owned subsidiary of Akbank T.A.Ş., Ak Investment has been authorized by the Capital Markets Board of Turkey as of October 15, 2015 as "Intermediary Institution with Extended Authority". The Company provides service with 9 branches and digital channels at 6 different provinces in Turkey.

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 Investment's long-term rating of **(TR) AAA** and its short term-rating of **(TR) A1+** are hereby reconfirmed.

Previous Rating (October 8, 2021):

Long Term (TR) AAA
Short Term (TR) A1+

Outlook

Founded in 1996, Ak Investment is a subsidiary of Akbank T.A.Ş. Using the advantages of being a bank affiliate, Ak Investment strengthens and maintains its position in the sector thanks to its scale advantages in customer reach and retention and operating expenses.

As of the end of 2021, the gross profit of the Company was TL 640.3 million, an increase of 20.8% compared to the previous year (2020: TL 530.3 million). Operating expenses, on the other hand, recorded an even higher increase compared to gross profit of 34.5%. With an increase of 39.0% compared to the previous year, net profit for the year 2021 was TL 446.8 million (2020: TL 321.5 million). According to the 2022 half-term results, Ak Investment's net profit reached TL 461.7 million.

The Company has increased its profits in the last five years reviewed. Ak Investment, which increased its revenue by a multiple factor of 3.3 in the first half of 2022 compared to the same period of the previous year, as a result, increased its operating profit by 102.0%, its net profit by 87.2%, and the upward trend reflected on the financial statements continued.

According to the external audit report, the net FX asset liability position, which was TL (+) 756.3 million at the end of 2021, reached TL (+) 1.6 billion as of June 2022. As of this date, the Company's income statement is not sensitive to currency risk.

The capacity of the Company's current assets to meet short-term liabilities in the last 5 years analyzed has been considered as a positive factor. This rate stood at 126.7% at the end of 2021 and at 130.1% as of June 2022.

On the other hand, with the improvement in net debt as of end of 2021 which is continuing as of June 2022, the Net debt/EBITDA ratio was realized as -197.9% (2021: -107.6%).

In addition to all these factors, taking into account Ak Investment's product/service diversity which distribute risks in the current economic environment, its ability to access finance and its strong ownership structure, the Company's outlook has been evaluated as "Stable". On the other hand, the economic consequences of the recent extraordinary developments in the global money and capital markets are closely monitored and their possible effects on the Company will be evaluated during the surveillance period.

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 risk 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 consists 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 reflect 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 -erm 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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Contacts:

Report Prepared by / Rating Specialist:

Tuba Altuntaş
taltuntas@saharating.com

Rating Committee Members

S.Suhan Seçkin
suhan@saharating.com

S.Mehmet İnhan
minhan@saharating.com

Ali Perşembe
apersembe@saharating.com

Saha Corporate Governance and Credit Rating Services, Inc.

Valikonağı Cad., Hacı Mansur Sok., Konak Apt. 3/1, Nişantaşı, İstanbul

Tel: (0212) 291 97 91, Fax: (0212) 291 97 92 • info@saharating.com • www.saharating.com