

## Ak Yatirim Menkul Degerler AS

## Update

## Ratings

## Foreign Currency

Long-Term IDR	BB+
Short-Term IDR	B

## Local Currency

Long-Term IDR	BB+
Short-Term IDR	B

## National

Long-Term Rating	AA+(tur)
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Support Rating	3
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## Sovereign Risk

Long-Term Foreign-Currency IDR	BB+
Long-Term Local-Currency IDR	BBB-
Country Ceiling	BBB-

## Outlooks

Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

## Watches

Long-Term Foreign-Currency IDR	Negative
Long-Term Local-Currency IDR	Negative
National Long-Term Rating	Negative

## Financial Data

## Ak Yatirim Menkul Degerler AS

	31 Mar 18	31 Dec 17
Total assets (USDm)	310	397
Total assets (TRYm)	1,225	1,499
Total equity (TRYm)	258	233
Operating profit (TRYm)	29.2	57.2
Published net income (TRYm)	25.0	55.8
Equity/assets (%)	21.0	15.5
ROAE (%)	40.8	26.0
Gross debt/tangible equity	1.9	3.2

## Related Research

[Fitch Places Turkish Banks' Ratings on Watch Negative \(July 2018\)](#)

[Turkey – June 2018 Global Economic Outlook Forecast \(June 2018\)](#)

[Akbank T.A.S. – Ratings Navigator \(June 2018\)](#)

[Fitch Affirms Turkey at 'BB+'; Outlook Stable \(January 2018\)](#)

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## Key Rating Drivers

**Ratings Aligned With Parent:** Ak Yatirim Menkul Degerler AS's (Ak Investment) Issuer Default Ratings (IDRs) are equalised with those of its 100% owner, Akbank T.A.S. Fitch Ratings believes that Ak Investment is a core, highly integrated subsidiary of Akbank and that the probability of support is high. The ratings also factor in Ak Investment's key role as the group's provider of capital market financial services, common branding and reputational risk to the parent. Ak Investment accounted for 0.4% of group consolidated assets at end-1Q18.

The Rating Watch Negative (RWN) on the Long-Term IDRs mirrors that on Akbank's and indicates a possible weakening of the parent's ability to provide support, in case of need.

**Integrated Investment Arm:** Akbank intermediates most of Ak Investment's revenue and customers via its large nationwide branch network, for which the companies have a revenue-sharing agreement. The bank's strategy and risk framework are dictated at Akbank's level. Ak Investment plans to preserve its top-tier position in most segments of the Turkish brokerage sector, with a leading market share in leverage foreign-exchange (FX) trading (3M18: 15% of volumes).

**Growth Depends on Funding Access:** Asset size tripled between 2015 and 2017, partly reflecting greater use of funding from Takasbank (end-2017: 69% of funding) and short-term local bond issuances (26%) that are largely on-lent to Turkish banks with a small margin. Assets and liabilities are generally matched by maturity. Growth was also driven by short-term receivables and customer loans (end-1Q18: 40% and 29% of assets, respectively).

**Adequate Capital:** Ak Investment's leverage is reasonable (debt/tangible equity of 1.9x at end-1Q18) and below bank-owned peers. The company had TRY258 million in capital, well above the TRY25 million minimum capital requirement, not including a further TRY50 million cash injection in April 2018 from the parent. Full retention of 2017 profit has underpinned capital, but leverage may rise depending on funding opportunities.

**Profitability Peaks:** ROAE reached 41% in 1Q18 (annualised) (2017: 26%), as high transaction fee income was fuelled by market volatility and hefty IPO advisory commissions. Ak Investment's returns generally outperform Akbank's, while cost efficiency benefits from group synergies. Fitch believes revenue could be curbed by lower capital market activity in 2H18.

**Limited Credit Risk:** Loans provided for equity transactions (end-1Q18: 140% of equity) were all performing and 2.1x collateralised by domestically listed equities. Ak Investment's own securities book is small (14% of equity), split 76%/24% between equities and private-sector bonds. Over half of deposits to banks (26% of assets) were placed at Akbank at end-1Q18.

**Unhedged FX Position:** Ak Investment operates with an unhedged open FX position short in lira (end-1Q18: 22% of equity; end-2017: 7%). Interest and equity risks are limited. A 10% drop in equity prices would have resulted in a 1% fall in Ak Investment's equity at end-2017.

## Rating Sensitivities

**Parent Support:** Ak Investment's IDRs are aligned with those of its parent, and any changes are likely to depend on Akbank's IDRs. Any change in Fitch's view of Akbank's propensity or ability to support its subsidiary would result in a downgrade.

**AK Yatirim Menkul Degerler AS**

(TRY 000)

	2015	2016	2017	1Q18
<b>Income statement</b>				
<b>Revenue</b>				
Advisory fees	439	610	1,717	2,927
Performance fees	-	-	-	-
Other fees	77,916	95,100	135,230	47,762
Other revenue	11,637	9,480	30,374	9,667
<b>Operating revenue</b>	<b>89,992</b>	<b>105,190</b>	<b>167,321</b>	<b>60,356</b>
<b>Expenses</b>				
Compensation & benefits	34,230	47,640	52,774	15,554
SG&A	31,293	44,320	55,377	15,047
Amortisation of intangible assets	-	-	-	226
Depreciation & amortisation	1,269	1,901	1,956	331
Other expenses	-	-	-	-
<b>Operating expenses</b>	<b>66,791</b>	<b>93,860</b>	<b>110,107</b>	<b>31,158</b>
<b>Operating income</b>	<b>23,201</b>	<b>11,330</b>	<b>57,214</b>	<b>29,198</b>
<b>Non-operating income &amp; expenses</b>	<b>10,498</b>	<b>27,779</b>	<b>13,191</b>	<b>2,922</b>
Investments	-	-	-	-
Interest expense	18,186	78,171	106,008	31,350
Dividend and interest income	28,684	105,950	119,199	34,676
One-off gains/losses	-	-	-	-
Other	-	-	-	-404
Income before taxes	33,699	39,109	70,405	32,120
Income tax	6,757	7,476	14,593	7,099
<b>Net income</b>	<b>26,942</b>	<b>31,633</b>	<b>55,812</b>	<b>25,021</b>
Non-controlling interests	-	-	-	-
<b>Net income attributable to shareholder</b>	<b>26,942</b>	<b>31,633</b>	<b>55,812</b>	<b>25,021</b>

Source: Fitch

**Related Criteria**
[Non-Bank Financial Institutions Rating](#)  
[Criteria \(June 2018\)](#)

## AK Yatirim Menkul Degerler AS

(TRY 000)

	2015	2016	2017	1Q18
<b>Balance Sheet</b>				
<b>Assets</b>				
Cash & equivalents	36,104	469,836	562,486	319,174
Cash and securities segregated (restricted)	-	-	-	-
Receivables & accrued income	334,536	130,596	597,067	486,283
Investments	29,065	64,085	40,055	45,728
Loans to customers	148,284	193,638	284,888	358,442
Prepaid expenses	365	600	625	1,375
PP&E, net	3,997	4,302	7,628	8,868
Deferred tax asset	1,461	2,423	2,752	1,632
Deferred sales commissions	-	-	-	-
Goodwill	-	-	-	-
Intangibles	2,063	1,863	2,647	2,691
Assets of CIPs/CIVs	-	-	-	-
Assets of VIEs	-	-	-	-
Other assets	5	2,924	1,273	1,154
<b>Total assets</b>	<b>555,881</b>	<b>870,266</b>	<b>1,499,421</b>	<b>1,225,345</b>
<b>Liabilities</b>				
Secured debt	-	-	-	-
Unsecured debt	84,729	564,005	736,320	493,370
Hybrids	-	-	-	-
<b>Total debt</b>	<b>84,729</b>	<b>564,005</b>	<b>736,320</b>	<b>493,370</b>
Accounts payable & accrued expenses	289,368	89,896	501,007	448,100
Payables	-	-	-	-
Deferred income taxes	-	-	-	-
Accrued compensation and benefits	9,788	15,181	17,803	11,697
Liabilities of CIPs/CIVs	-	-	-	-
Liabilities of VIEs	-	-	-	-
Other liabilities	5,036	4,196	11,763	14,639
<b>Total liabilities</b>	<b>388,922</b>	<b>673,278</b>	<b>1,266,894</b>	<b>967,805</b>
<b>Redeemable non-controlling interests (NCI)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>166,959</b>	<b>196,989</b>	<b>232,527</b>	<b>257,540</b>
<b>Total liabilities &amp; equity &amp; NCI</b>	<b>555,881</b>	<b>870,266</b>	<b>1,499,421</b>	<b>1,225,345</b>

Source: Fitch

## AK Yatirim Menkul Degerler AS

(TRY 000)

	2015	2016	2017	1Q18
<b>Supplementary information</b>				
Total shareholder's equity	166,959	196,989	232,527	257,540
Assets excluding VIEs/CIPs/CIVs	555,881	870,266	1,499,421	1,225,345
Adjusted debt	84,729	564,005	736,320	493,370
Adjusted operating revenues	89,992	105,190	167,321	60,356
Adjusted operating income	23,201	11,330	57,214	29,198
Adjusted net income	26,942	31,633	55,812	25,021
TTM adjusted net income	26,942	31,633	55,812	25,021
Goodwill & intangibles	2,063	1,863	2,647	2,691
Management fees	439	610	1,717	2,927
Fitch Core Capital	164,896	195,126	229,881	254,849
Problem receivables (loans)	10	10	10	10
Allowances against problem receivables	10	10	10	10

Source: Fitch

## AK Yatirim Menkul Degerler AS

	2015	2016	2017	1Q18
<b>Profitability</b>				
Return on average equity (adjusted) (%)	17.6	17.4	26.0	40.8
Operating margin (%)	25.8	10.8	34.2	48.4
Adjusted operating margin (%)	25.8	10.8	34.2	48.4
Staff expenses/operating revenue (%)	38.0	45.3	31.5	25.8
<b>Leverage and capital</b>				
Gross debt/equity	0.51	2.86	3.17	1.92
Gross debt/tangible equity	0.51	2.89	3.20	1.94
Equity/assets (%)	30.0	22.6	15.5	21.0
Tangible equity/tangible assets (%)	29.8	22.5	15.4	20.8

Source: Fitch

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