

Structured Finance

Asset Lease Certificates – Sukuk (Preliminary Report)

ALC - Asset Lease Company

Aktif Bank Sukuk Varlık Kiralama A.Ş. <i>Lease Certificate Issue for Real Estate Investment</i>	
Type of Asset-Backed Securities	Asset Lease Certificates - Sukuk
Asset Lease Company	Aktif Bank Sukuk Varlık Kiralama A.Ş.
Issuer	Aktif Bank Sukuk Varlık Kiralama A.Ş.
Originator	GAP İnşaat Yatırım ve Dış Ticaret A.Ş.
Mudarib	GAP İnşaat Yatırım ve Dış Ticaret A.Ş.
Rabb-ul-mal	Aktif Bank Sukuk Varlık Kiralama A.Ş.
Servicer	Aktif Yatırım Bankası A.Ş.
Transaction Administrator	Aktif Yatırım Bankası A.Ş.
Principal Paying Agent	BNY Mellon
Delegate	BNY Mellon Corporate Trust Limited
Trustee	Aktif Bank Sukuk Varlık Kiralama A.Ş.
Listing	Global Exchange Market under the Irish Stock Exchange
Investment Bank	Aktif Yatırım Bankası A.Ş.
Takaful	None
Underlying Asset	Office Building at Zincirlikuyu District, İstanbul
Issue Principal Size	USD 118 million
Expected Rate of Return	7% (Annual)
Payment Frequency - Principal	At maturity
Payment Frequency - Return	Semiannually
Tenor (Year)/ Final Maturity	7 Years
Early Redemption	On any date falling no earlier than 12 months from the issue
Expected Offering Date	April, 2017

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Strengths

- Asset and project constituting the baseline for the issuance possessing high trading capability
- Many critical works of the project including rough construction and exterior already having been completed
- Cash flows secured to a great extent through assignment of rights to proceeds on project and involvement of several paying agents
- Existence of a provision to establish a first ranking mortgage over the building in favor of the ALC
- Large scope and diversity of default events facilitating enforcement of the mortgage
- Service quality of issuer and bank - founder of the Rabb-ul-mal
- Originator possessing necessary expertise, sufficient know-how and management skills to fulfill the project with regard to the performance of the Mudarib title
- ALC, with regard to the performance of its Rabb-ul-mal title, possessing a structure able to act to the favor of the investors
- Absence of any encumbrances on the project of any restrictive or qualifying kind whatsoever

Aktif Bank Sukuk Varlık Kiralama A.Ş. <i>USD 118 million Asset-Backed Trust Certificates</i>		Long Term	Short Term
International Foreign Currency		BBB-	A-3
National Note		A (Trk)	A-1 (Trk)
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	FC	Stable
LC		Stable	Stable

*Affirmed by Japan Credit Rating Agency, JCR on October 7, 2016

Overview

“Aktif Bank Sukuk Varlık Kiralama A.Ş.” (hereinafter to be referred as **Asset Lease Company** or **Rabb-ul-mal**) was established on April 22, 2013 for an infinite term by **Aktif Yatırım Bankası A.Ş. (Aktif Bank)** (the latest rating action by JCR-ER on June 1, 2016, denoting AA(Trk) Stable outlook in the Long Term National Scale) solely to issue asset lease sukuk certificates.

The asset which is subject to lease is the property owned by **GAP İnşaat Yatırım ve Dış Ticaret A.Ş.** worth USD132.73 mn with ongoing construction but rough construction and exterior works finished with marketable project units of offices with a total construction area of 34,049 m² on a total area of 2,400 m² of land at Zincirlikuyu district, İstanbul.

Within a framework of a contractual partnership for the completion of the office building based on a **Sukuk al Mudaraba** structure, **GAP İnşaat Yatırım ve Dış Ticaret A.Ş.** is the originator and the **Mudarib**. **Aktif Bank** is the transaction administrator and **Aktif Bank Sukuk Varlık Kiralama A.Ş.** is the issuer and the **Rabb-ul-mal**. The project is estimated to be completed in August, 2017 and the certificates to be issued will be offered to qualified investors in the Irish Stock Exchange.

Constraints

- Absence of guarantor and takaful mechanisms including obligation of purchase undertaking
- Recourse facility being limited to the proceeds of the assets and not to cover any other obligors in that related institutions under Calik Group will not have any obligation regarding repayment of the Sukuk certificates and repayment is only linked to performance of the asset to generate sufficient sale proceeds whereof any institution under Calik Group will not consolidate
- Asset pool lacking granularity
- Realization of periodical payments solely depending on the arrangement and collection performance of the rental units
- Rental revenues and building sale proceeds partially exposed to foreign currency and price risks
- Early redemption clause at the option of the Mudarib engendering reinvestment strain

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