

Structured Finance

Asset-Backed Securities (Preliminary Report)

SPV-Special Purpose Vehicle

Aktif Yatırım Bankası A.Ş. (5) No'lu Varlık Finansmanı Fonu	
Type of Asset-Backed Securities	PTCs - Pay Through Certificates
Originator (Parent)	Aktif Yatırım Bankası A.Ş.
Service	Aktif Yatırım Bankası A.Ş.
Special Purpose Vehicle	Aktif Yatırım Bankası A.Ş. (5) No'lu Varlık Finansmanı Fonu
Trustee	PTT A.Ş.
Promoter	Aktif Yatırım Bankası A.Ş.
Issuer	Aktif Yatırım Bankası A.Ş. (5) No'lu Varlık Finansmanı Fonu
Registration	Merkezi Kayıt Kuruluşu A.Ş.
Transferor	Aktif Yatırım Bankası A.Ş.
Risk Retainer	Aktif Yatırım Bankası A.Ş. (5% of the issue amount)
Insurance Agencies for Obligors	MetLife Emeklilik ve Hayat A.Ş./Axa Hayat ve Emeklilik A.Ş./Yakıf Emeklilik
Insurance Agencies for Investors	None
Issue Nom. Size/Aggregate Issuance	TRY300 mn (Aggregated)(in 13 separate tranches)
Interest rate	Between the range of risk-free Turkish government bonds+ (200 - 400 Basis Points)
Coupon %	No Coupon
Coupon Type	No Coupon
Payment Frequency- Principal	At maturity
Payment Frequency- Interest	At maturity
Tenor /Final Maturity	2.43 to 39.46 Months
Estimated Issue Date	15.09.2017
Average Life	489.64 Days

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Strengths

- Appropriateness level of assets in the receivable pool in terms of their low level of default probability
- High immunity and liquidity level of portfolio structure attained through effective matching terms and few conditionalities
- Concentration risk lowered to minimum via homogeneous and multitudinous profile of obligors in the receivable pool
- Perfect track record and redemption performance of the past 9 issues of ABSs since October, 2011
- Regulatory requirement of 5% risk retention mechanism serving as an additional support component for the ABS investors
- Facility to be provided by the originator to replace the prepaid loans with identical ones abating prepayment risks
- Possible collection risk arising from the decease of the borrowers to be covered by life insurance policies

ABSs to be issued by "Aktif Yatırım Bankası A.Ş. (5) No'lu Varlık Finansmanı Fonu"		Long Term	Short Term
International Foreign Currency		BBB-	A-3
National Local Currency		AAA(Trk)	A-1+(Trk)
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	FC	Stable
		LC	Stable

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

Overview

"Aktif Yatırım Bankası A.Ş. (5) No'lu Emek Varlık Finansmanı Fonu" (hereinafter referred as **Asset Finance Fund, the Fund** or **SPV**) is established for an infinite term by **Aktif Yatırım Bankası A.Ş. (Aktif Bank)** (the latest rating action by JCR-ER on June 5, 2017, denoting AA(Trk) Positive outlook in the Long-Term National Scale) to issue asset-backed securities. As the first Turkish bank to issue bank bond, Aktif Bank has successfully arranged unsecured bond issuance cumulatively at the amount of TRY20 bn since 2009. The Bank has also realized 9 ABS issues of this type: in 7 tranches on October 20, 2011, in 8 tranches on January 27, 2012, in 10 tranches on May 2, 2012, in 15 tranches on September 28, 2012, 17 tranches on February 15, 2013, 17 tranches on June 28, 2013, 17 tranches on January 17, 2014, 17 tranches on November 12, 2014 and 10 tranches on December 15, 2016.

Approved asset amount of the **Fund** is TRY300 mn and its originator is **Aktif Yatırım Bankası A.Ş.**, trustee is **PTT A.Ş.** (The General Directorate of Post and Telegraph Organization) and obligors are individual pensioners of Social Security Institutions.

Planned to be issued in 13 separate maturity tranches by a **pay-through mechanism** and without any seniority thereamong, ABSs (asset-backed securities) shall be sold at a discount on the nominal values to local qualified investors or investors domiciled abroad by invitation or private placement without any public offering.

Constraints

- Expanding swell of volatility in fixed income securities and benchmark interest rates through persisting unpredictability in national and global market dynamics
- The securities to be issued still lacking ubiquity in Turkish financial markets albeit being the 10th consecutive issue of identical structure
- Symmetrical risk profiles across the tranches impeding investor diversity regarding absence of waterfall structures

Publication Date: September 13, 2017

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