

Structured Finance Rating

Asset-Backed Securities (Preliminary Report)

New Update

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Türkiye Kalkınma ve Yatırım Bankası A.Ş. İkinci Varlık Finansmanı Fonu

Type of Asset-Backed Securities	PTCs - Pay Through Certificates
Founder	Türkiye Kalkınma ve Yatırım Bankası A.Ş.
Originators	Türkiye İş Bankası A.Ş., Akbank T.A.Ş., Yapı ve Kredi Bankası A.Ş.
Servicer	Türkiye Kalkınma ve Yatırım Bankası A.Ş.
Special Purpose Vehicle	Türkiye Kalkınma ve Yatırım Bankası A.Ş. İkinci Varlık Finansmanı Fonu
Transaction Administrator	Türkiye Kalkınma ve Yatırım Bankası A.Ş.
Issuer	Türkiye Kalkınma ve Yatırım Bankası A.Ş. İkinci Varlık Finansmanı Fonu
Registration	Merkezi Kayıt Kuruluşu A.Ş.
Transferor	Türkiye Kalkınma ve Yatırım Bankası A.Ş.
Risk Retainers (pro rata)	Türkiye İş Bankası A.Ş., Akbank T.A.Ş., Yapı ve Kredi Bankası A.Ş.
Insurance Agencies	None
Issue Nominal Size	TRY 1 bn at par
Indicative Interest Rate	17.65% APY
Payment Frequency-Principal	At maturity
Payment Frequency-Coupon	Quarterly (to be calculated on 30/360 day-count convention)
Tenor /Final Maturity	60 months
Estimated Issue Date	15.03.2019
Weighted Average Life	1,434 Days

RATINGS

ABSs to be issued by “Türkiye Kalkınma ve Yatırım Bankası A.Ş. İkinci Varlık Finansmanı Fonu”		Long Term	Short Term
International Local Currency		BBB-	A-3
National Note		AAA (Trk)	A-1+ (Trk)
Sovereign*	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook FC	Negative	-
	Outlook LC	Negative	-

*Assigned by Japan Credit Rating Agency, JCR on November 27, 2018

Overview

“Türkiye Kalkınma ve Yatırım Bankası A.Ş. İkinci Varlık Finansmanı Fonu” (hereinafter referred as Asset Finance Fund, the Fund or SPV) is established for an infinite term by Türkiye Kalkınma ve Yatırım Bankası A.Ş. to issue asset-backed securities.

Approved asset amount of the Fund is up to TRY 1 billion and its originators are Türkiye İş Bankası A.Ş., Akbank T.A.Ş. and Yapı ve Kredi Bankası A.Ş.. The Fund’s estate will be Covered Bonds to be issued by the originators. The underlying assets of the CBs are the cover pool consisting of installment-based residential mortgage loans extended by the originators for property purchases.

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

Strengths

- Dual recourse facilities within the covered bond issuances
- Existence of numerous strict asset eligibility criteria strengthening appropriateness level of assets in cover pool of CBs and Fund’s estate
- High level of global integration of the originator banks in terms of liquidity, capital adequacy and management
- Status of the Founder as a state bank contributing to service quality and transparency
- Homogeneous and multitudinous profile of obligors in the cover pool
- Low level of cover pool delinquencies together with overcollateralization ratios well above & LtV ratios well below legal and contractual ones
- An immune and liquid portfolio of the CBs with matching terms and few conditionalities
- Facility of monthly replacement of cover pools to be provided by the originators
- Regulatory requirement of 5% risk retention mechanism serving as an additional support component for the ABS investors
- Current local regulations in Turkey affording for asset isolation and bankruptcy remoteness

Constraints

- Fund’s initial assets not including CBs through any true sale or transfer of assets
- Limited excess spread level
- Symmetrical risk profiles across the issue impeding investor diversity regarding absence of waterfall structures
- Detailed risk assessment of the founder falling outside the scope of analyses
- Absence of any guarantor mechanisms
- Growing uncertainties through aggravating geopolitical tension & persisting adversities on debt-servicing