

Structured Finance

Rating

Covered Bonds

New Update

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T. Vakıflar Bankası T.A.O. Covered Bonds

Type of Securities	Mortgage Covered Bonds
Programme	EUR3 bn Global Covered Bond Programme
Issuer	T. Vakıflar Bankası T.A.O.
Security Agent	The Bank Of New York Mellon, London Branch
Transfer Agent & Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch
Listing Agent	Arthur Cox Listing Services Limited
Swap Counterparties	Natixis, London Branch Société Générale ING Bank, N.V.
Cover Monitor	KPMG Türkiye Bağımsız Denetim ve SMMM A.Ş.
Specific Applicable Law	The CMB Communiqué Serial: III, No: 59.1 named "Covered Bonds"
Outstanding Covered Bonds - TRY & EUR - as at end-April 2020 Issued at par in 7 issuances	TRY6,180,500,000 EUR500,000,000 (Nom. Value TRY equiv.: TRY9,978,650,000)
Principal Payment	Soft bullet
WAL of CBs	2.97 years
Cover Pool Assets as at end-April 2020	First Lien Mortgage Loans: TRY17,620,360,371 Government Bonds: TRY240,000,000
Nominal Overcollateralization	78.99% (129.74% incl. Swap) (committed: 2%)
WAL of CP	3.55 years (adjusted: 2.81 years)
Number of Borrowers	200,359
Number of Mortgage Loans	201,944
CB & CP Interest Type Fixed / Floating	Fixed
CP Cut-off Date	April 30, 2020

RATINGS

Covered Bonds issued under "EUR3 bn Global Covered Bond Programme" by "T. Vakıflar Bankası T.A.O."

	Long Term	Short Term
International Local Currency / Outlook	BBB- (Stable)	A-3 (Stable)
National Note / Outlook	AAA (Trk) (Stable)	A-1+ (Trk) (Stable)
<i>Sovereign*</i> Foreign Currency	BB+	-
Local Currency	BB+	-
Outlook FC	Negative	-
LC	Negative	-

*Assigned by Japan Credit Rating Agency, JCR on April 10, 2020

Overview

"T. Vakıflar Bankası T.A.O.", hereinafter referred as Vakıfbank and/or the Issuer, (*ranking 4th in asset and deposit size and 3rd in loan size in the Turkish banking sector*) has issued Series of Mortgage Covered Bonds outside of Turkey to date under the "EUR3 bn Global Covered Bond Programme" and also through approval by the Capital Markets Board (the CMB) of the Republic of Turkey within the meaning of the CMB Communiqué Serial: III, No: 59.1 named "Covered Bonds"- amounting to TRY6,180.5 mn and EUR500 mn in 7 distinct issuances between May, 2016 through February, 2019. In its latest corporate credit rating action for Vakıfbank, JCR-ER assigned 'AAA (Trk)' with Stable outlook in the Long-Term National Scale for the Issuer on March 30, 2020.

The underlying assets of the issued CBs have been the well-diversified cover pool (with WAL at 3.55 years) consisting of installment-based residential mortgage loans - all secured by first lien mortgages - extended by the Issuer mainly for purposes of purchasing property (99.17% of the total outstanding loans in the CP as at end-April, 2020). Both the covered bonds and the cover pool bear fixed interest payments.

Strengths

- Dual recourse facilities for the CB issuances provided by the Turkish applicable law
- Existence of numerous strict asset eligibility criteria strengthening appropriateness level of assets in cover pool of CBs
- Ample surplus OC over committed OC and the one corresponding to current rating
- Homogeneous and multitudinous profile of obligors in the cover pool
- Low level of cover pool delinquencies together with LtV ratios well below legal and reference levels
- An immune and liquid portfolio with matching terms and few conditionalities
- Facility of monthly replacement of cover pool to be provided by the Issuer

Constraints

- Symmetrical risk profiles across the CB series and absence of secondary market impeding investor diversity
- Growing uncertainties through Covid-19 pandemic accompanied by geopolitical tension to exert temporary adversities on debt-servicing
- Metrics of the current structure exposed to potential changes within the programme through the Issuer's decisions
- Absence of any excess spread throughout the terms of the CB issuances