

## Structured Finance Rating Asset-Backed Securities (Preliminary Report)

☒ New ☐ Update

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### Aktif Yatırım Bankası A.Ş. (5) No'lu Emek Varlık Finansmanı Fonu

Type of Asset-Backed Securities	PTCs-Pay Through Certificates
Founder	Aktif Yatırım Bankası A.Ş.
Originator (Parent)	Aktif Yatırım Bankası A.Ş.
Servicer	Aktif Yatırım Bankası A.Ş.
Special Purpose Vehicle	Aktif Yatırım Bankası A.Ş. (5) No'lu Emek Varlık Finansmanı Fonu
Transaction Administrator	Aktif Yatırım Bankası A.Ş.
Issuer	Aktif Yatırım Bankası A.Ş. (5) No'lu Emek Varlık Finansmanı Fonu
Registration	Merkezi Kayıt Kuruluşu A.Ş.
Transferor	Aktif Yatırım Bankası A.Ş.
Purchasing Programme	Aktif Yatırım Bankası A.Ş. (5% of the issue amount)
Overcollateralization	None
Specific Applicable Law	The CMB Communiqué Serial: III, No: 58.1 named "Asset-Backed and Mortgage-Backed Securities"
Insurance Agencies for Investors and Obligors	Fiba Emeklilik ve Hayat A.Ş., Aegon Emeklilik ve Hayat A.Ş., Mapfre Genel Sigorta A.Ş., NN Hayat ve Emeklilik A.Ş., Axa Hayat ve Emeklilik Sigorta A.Ş.
Issue Nom. Size/Aggregate Issuance	TRY 995mn (Aggregated) (in 5 separate tranches)
Interest Rate %	TBD
Coupon %	No coupon
Coupon Type	No coupon
Estimated Issue Date	17.06.2022
Weighted Average Life	813.33 Days

## RATINGS

ABSs to be issued by "Aktif Yatırım Bankası A.Ş. (5) No'lu Emek Varlık Finansmanı Fonu"		Long Term	Short Term
National Note		AAA (tr)	J1+ (tr)
International Local Currency		BB	J3
International Foreign Currency		BB	J3
Sovereign*	Foreign Currency	BB	-
	Local Currency	BB	-
	Outlook FC	Stable	-
	Outlook LC	Stable	-

\* Assigned by JCR on May 31, 2021

## Overview

"Aktif Yatırım Bankası A.Ş. (5) No'lu Emek Varlık Finansmanı Fonu" (hereinafter referred to as 'Asset Finance Fund', 'the Fund' or 'SPV') was established for an infinite term by Aktif Yatırım Bankası A.Ş. (Aktif Bank) (the latest rating action by JCR-ER on June 17, 2022, denoting 'AA+(Tr)' 'Stable' outlook in the Long-Term National Issuer Credit Rating) to issue asset-backed securities.

Approved asset amount of **the Fund** is TRY300 mn and its originator is **Aktif Yatırım Bankası A.Ş.** (hereinafter referred to as "Aktif Bank" or "the Bank"), trustee is **PTT A.Ş.** (The General Directorate of Post and Telegraph Organization) and obligors are individual pensioners of Social Security Institutions. The Bank had total asset sizes of TRY 34.48bn (FYE2020: TRY 21.18bn on solo basis) and its capital adequacy ratio was 13.75% (FYE2020: 14.39%). As the first Turkish bank to issue bank bond, Aktif Bank has successfully arranged unsecured bond issuance since 2009. The Bank has also realized 17 ABS issues of this type: in 7 tranches in September, 2011, in 8 tranches in January, 2012, in 10 tranches in May, 2012, in 15 tranches in September, 2012, 17 tranches in February, 2013, 17 tranches in June, 2013, 17 tranches in January, 2014, 16 tranches in November, 2014, 10 tranches in December, 2016, 13 tranches in September, 2017, 15 tranches in December, 2017, 14 tranches in March, 2018, 4 tranches in July, 2018, 12 tranches in March, 2019, 9 tranches in October, 2019, 18 tranches in May, 2020, and 14 tranches on December, 2020.

Planned to be issued in 5 separate maturity tranches by a pay-through mechanism, ABSs (asset-backed securities) will be sold on the nominal values to local qualified investors by invitation without any public offering. The essential elements to inspire investor confidence are the similar financial profile of obligors of assets in the receivable pool, low portfolio risk and expected losses of these assets, expected-to-increase liquidity facility to be attained through high ending cash balances of loan repayments by obligors to cover disbursements to ABS investors, and hence increased capacity to repay obligations arising from this ABS issue.

JCR Eurasia Rating maintains its opinion that space created for "Aktif Yatırım Bankası A.Ş. (5) No'lu Emek Varlık Finansmanı Fonu" and its technical equipment, as well as risk management and internal control system procedures, the constitution of a system for the safeguarding of accounting, records, and documentation and the possession of a statistical data base will function efficiently.

### Strengths

- Appropriateness level of assets in the receivable pool in terms of their low level of default probability,
- Multitudinous profile of obligors in the receivable pool lowering concentration risk to minimum,
- An immune and liquid portfolio structure guaranteed by matching terms of few conditionalities for receivables,
- Hedging the possible collection risk arising from the decease of the borrowers covered by life insurance policies,
- During the transfer of loans to AFF, facility to be provided by the originator to replace the prepaid loans with identical ones abating prepayment risks,
- Regulatory requirement of 5% risk retention mechanism as an additional support component for the ABS investors,
- Perfect track record and redemption performance of the past 17 issues of ABSs,
- Current local regulations in Turkey affording for asset isolation and remoteness of bankruptcy.

### Constraints

- Possible exposure to interest rate mismatch due to structure of ABS issues,
- The securities to be issued still lacking ubiquity in Turkish financial markets albeit being the 18<sup>th</sup> consecutive issue of identical structure,
- Symmetrical risk profiles impeding investor diversity regarding absence of waterfall structure,
- Growing uncertainties along with geopolitical tension and increase in the general price level suppressing disposable income.