

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

New Update

**Publishing Date:** December 19, 2023

**Senior Analyst**

Ezgi Çiçek YILMAZ

+90 212 352 56 73

[ezgi.yilmaz@jcrer.com.tr](mailto:ezgi.yilmaz@jcrer.com.tr)

**Analyst**

Büke BORA

+90 212 352 56 73

[buke.bora@jcrer.com.tr](mailto:buke.bora@jcrer.com.tr)

### Türkiye Menkul Kıymetleştirme Şirketi Koç Finans Birinci Varlık Finansmanı Fonu

|   |  |
|---|--|
| Type of Asset-Backed Securities               | PTCs-Pay Through Certificates  |
| Founder                                       | Birleşik İpotek Finansmanı A.Ş. (Türkiye Menkul Kıymetleştirme Şirketi)                      |
| Originator (Parent)                           | Koç Finansman A.Ş.   |
| Servicer                                      | Koç Finansman A.Ş.   |
| Special Purpose Vehicle                       | Türkiye Menkul Kıymetleştirme Şirketi Koç Finans Birinci Varlık Finansmanı Fonu              |
| Transaction Administrator                     | Birleşik İpotek Finansmanı A.Ş. (Türkiye Menkul Kıymetleştirme Şirketi)                      |
| Issuer  | Türkiye Menkul Kıymetleştirme Şirketi Koç Finans Birinci Varlık Finansmanı Fonu              |
| Registration                                  | Merkezi Kayıt Kuruluşu A.Ş.  |
| Transferor                                    | Koç Finansman A.Ş.   |
| Purchasing Programme                          | Koç Finansman A.Ş.; (5% of the Issue Amount from Class B)                                    |
| 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 | None   |
| Issue Nom. Size/Aggregate Issuance            | Up to Class A TRY 432.5mn (in 4 tranches) & Up to Class B TRY 33mn (in a single tranche)     |
| Interest Rate %                               | Senior Tranche: 46.00%-52.00%<br>Junior Tranche: TBD   |
| Coupon %                                      | A: No coupon<br>B: TBD at A's maturity   |
| Coupon Type                                   | A: No coupon<br>B: TBD at A's maturity   |
| Estimated Issue Date                          | 19.12.2023   |
| Weighted Average Life                         | 207 Days   |

(\* ) TBD: to be decided

## RATINGS

|  |            | A (Senior Tranche) |                 | B (Junior Tranche) |                 |
|--|------------|--------------------|-----------------|--------------------|-----------------|
|  |            | Long Term          | Short Term      | Long Term          | Short Term      |
| ABSs to be issued by "Türkiye Menkul Kıymetleştirme Şirketi Koç Finans Birinci Varlık Finansmanı Fonu" |            |                    |                 |                    |                 |
| International Local Currency   |            | BB                 | -               | BB                 | -               |
| <b>National Note</b>   |            | <b>AAA (tr)</b>    | <b>J1+ (tr)</b> | <b>AA+ (tr)</b>    | <b>J1+ (tr)</b> |
| Sovereign*   | FC         | BB                 | -               | BB                 | -               |
|  | LC         | BB                 | -               | BB                 | -               |
|  | FC Outlook | Negative           | -               | Negative           | -               |
|  | LC Outlook | Negative           | -               | Negative           | -               |

\* Assigned by JCR on August 18, 2022

### Overview

"Türkiye Menkul Kıymetleştirme Şirketi Koç Finans Birinci Varlık Finansmanı Fonu" (hereinafter referred to as 'Asset Finance Fund', 'the Fund' or 'SPV') was established for an infinite term by Koç Finansman A.Ş. ('Koç Finans') to issue asset-backed securities.

Approved asset amount of the Fund is up to TRY 5bn and its originator is Koç Finansman A.Ş., realizing asset-backed securities based on a receivable pool consisting of receivables from vehicle loans that Koç Finans has extended to customers. Koç Finansman A.Ş. (hereinafter referred to as 'Koç Finans') was established in 1995 to provide financing alternatives to its customers at the point of sale, offers credit solutions especially in the automotive sector, white goods, education, motorcycle, housing and home improvement areas, as a member of Koç Şirketler Topluluğu ('Koç Group'), under the name of Koç Tüketici Finansmanı A.Ş. Koç Finans has changed its legal name as 'Koç Finansman A.Ş.' on the Trade Registry Gazette dated March 22, 2013. Koç Finans had total asset sizes of TRY 8,757mn and TRY 4,900mn in FYE2022 and FYE2021, respectively.

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 similar financial profile of the borrowers who use vehicle loans, which is constituting the majority of the receivable pool to be transferred, by providing vehicle liens in the receivables pool as collateral, the low portfolio risk and expected losses of these assets, the ease of liquidity thus the increased capacity to repay the obligations arising from the issuance of these ABSs are the main factors that increase investor confidence.

JCR Eurasia Rating maintains its opinion that space created for "Türkiye Menkul Kıymetleştirme Şirketi Koç Finans Birinci 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

- Asset eligibility requirements strengthening the appropriateness level of assets in the receivable pool,
- Well track record and redemption performance of the receivable pool,
- Appropriateness level of assets in the receivable pool in terms of their low level of default probability,
- Regulatory requirement of a 5% risk retention mechanism as an additional support component for the ABS investors,
- Transfer of vehicle liens directly from the originator to the Fund in accordance with the Asset Transfer Agreement, which provides requirement for the transfer of contractual pledge, insurance, guarantees together with principal, interest and interest-related accessory rights to the Fund,
- Current local regulations in Türkiye affording asset isolation and remoteness of bankruptcy,
- A liquid portfolio structure guaranteed by matching terms for receivables,
- Multitudinous profile of obligors in the receivable pool despite geographical concentration risk to a certain extent.

### Constraints

- Absence of established insurance mechanism,
- Receivable pool remaining slightly below the nominal amount of ABS,
- Similar risk profiles across the tranches despite the presence of a waterfall structure for the senior tranche,
- Absence of requirement of fully coverage against the risk of damage, theft and loss with 100% car pledge & insurance and certain down repayment of vehicle amount in the Issuance Certificate,
- Recourse facility only limited to the assets of the Fund and not to cover any other obligors,
- Possible exposure to interest rate mismatch due to structure of ABS issues,
- Detailed risk assessments of the submitted documentation outside the scope of our analyses,
- Detailed risk assessments of the originator outside the scope of our analyses,
- Rapid fluctuations in used-car prices in the market,
- Leading economic indicators signal global economic slowdown as quantitative tightening actions aim to restrict consumption growth and achieve a soft-landing in the domestic side.