

First Ever Benchmark Euro-denominated Mortgage Covered Bond Issuance of Turkey

VakıfBank, the pioneer bank of Turkey in debt capital markets, has issued the first ever benchmark Euro-denominated Mortgage Covered Bond of Turkey by breaking a new ground. Coupon rate of the issuance amounting EUR 500 million with 5 years maturity realized at 2.375%.

“Pioneer bank in the international capital markets”

Underlining the pioneer position of VakıfBank in international capital markets, VakıfBank’s CEO Mr. Halil Aydoğan stated, “As you know, we have been constantly breaking new grounds in recent years and thus provide long term and cost-effective funding with alternative sources. We are grateful of issuing the first ever Euro-denominated Mortgage Covered Bond of Turkey. Therefore, we experience the pride of achieving another success in addition to being the first bank to establish GMTN program in Turkey, being the bank to issue the first ever Euro-denominated Eurobond apart from sovereign and being the bank to issue the first ever Basel III compliant Tier II notes. This transaction also proves the strength, credibility and recognition of Turkish banking sector and VakıfBank in the international markets once more. We will continue to diversify the funding structure through different long term and cost-effective sources and provide them for the utilization of real sector.”

“Bond issuance with the lowest coupon payment in Turkey”

Indicating the orderbook in excess of EUR 3.2 billion from almost 300 investors for the first ever Euro-denominated 5 year mortgage covered bond issuance, amounting EUR 500 million with a residential mortgage loan backed cover pool, Mr. Aydoğan said, “Upon the announcement of the deal, thanks to the very strong demand in a short while, pricing of the deal realized at MS+250 which is 30 bps below the initial price target of MS+280. The yield and the coupon rate of the issuance has been set as 2.578% and 2.375%, respectively. I would like to underline that this coupon rate is the lowest one among all the issuances in Turkey including the issuances of Turkish Treasury. “

“The highest possible rating for the transaction”

Remarking that one of the significant feature of the issuance was regarding the rating, Mr. Aydoğan ended his speech, “Aforesaid transaction is expected to be rated as A3 by Moody’s which is the highest rating that can be given to Turkish issuance. I believe that the deal opened the doors of covered bond market to other Turkish banks and in the medium - long term Turkish banks will access a new investor base and long term funding sources thanks to this instrument.”

“Further investor diversification”

In terms of investor distribution fund managers took the lions share of deal with 69%, followed by official institutions (14%), banks (13%) and insurances (4%). Investors out of Austria and Germany as well as the UK acted as the dominant buyer base taking up 41% and 26% of the issue, respectively. There was also real-money interest from Switzerland (8%), Nordics (6%), BeNeLux (6%) and other Europe (10%) The bookrunners of the transaction are Barclays, BNP Paribas, Erste Group, Natixis and UniCredit.