

## Halk Invest's Experience on Sukuk Issuances



10<sup>th</sup> Meeting  
COMCEC Financial Cooperation Working Group  
29 March 2018



The Investment Banking and Brokerage Arm of One of the Largest Banks in Turkey, Halkbank

- The investment banking and brokerage arm of Türkiye Halk Bankası A.Ş. (Halkbank),
- Halk Invest has the highest sale capacity in the capital markets and particularly strong presence in the SME market due to Halkbank’s strong distribution channels with more than 950 branches all over Turkey.
- In line with the Halkbank’s growth strategy, restructured in the 2<sup>nd</sup> half of 2010 as an international investment banking company;
  - Team with competitive and experienced professionals with international and local market expertise
  - Operational competence and speed
  - Efficient utilization of Halkbank distribution channels and networks
  - Local and international communication channels with high abilities
- Strong company structure;
  - 140 employees
  - 9 Halk Invest branches
  - Over 960 branches of Halkbank all over Turkey

2 Main Operating Areas

I- Brokerage

- Stock Certificates (Domestic)
- Derivatives (VİOP)
- Leveraged Transactions (FOREX)
- International Derivatives
- Fixed Income Securities

II- Corporate Finance & Advisory

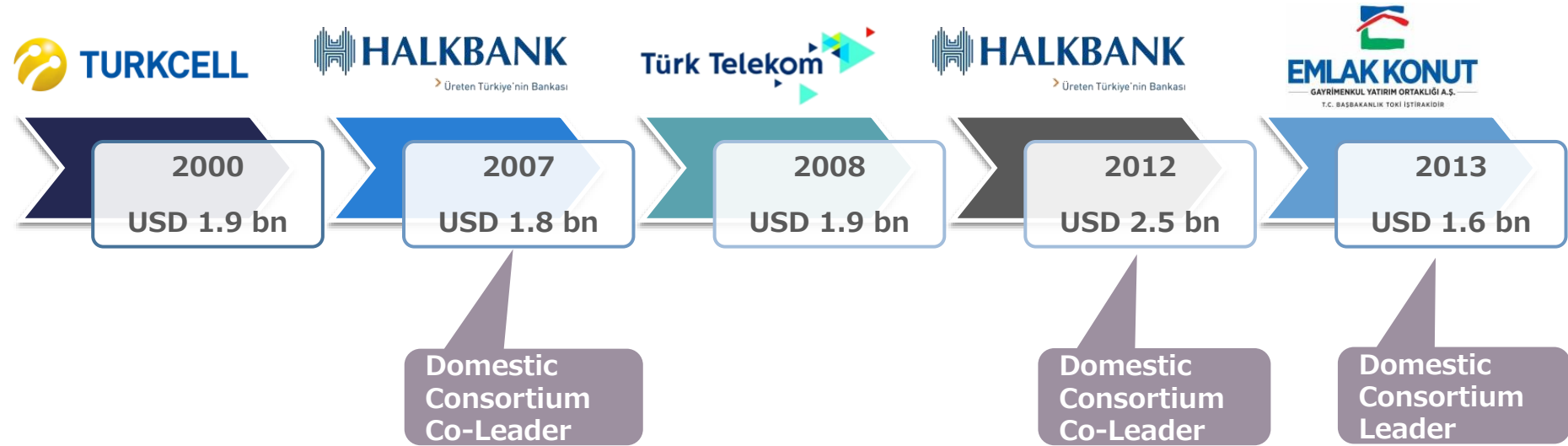
- Mergers & Acquisitions
- Public Offerings «ECM»
- Debt Capital Markets «DCM»
- Lease Certificates «SUKUK»

HALKBANK



# Halk Invest | Proven Track Records & Leading Roles in Reference Projects

## Leading Player in Domestic Book Building and Proven Track Record



# Sukuk Market Evolution in Turkey & Halk Invest's Contribution



## Conventional Bond Market

### Conventional Bond Issuances

BRSA issues a new communique that allows banks to issue bank bills/bonds. Following the publication of the communique by Capital Markets Board («CMB»), regarding the conventional bonds & bills; CAGR of the bond market reached 142% between 2010 and 2014.

### Conventional Bond Market Default Cases

2 companies (~ 70 mn TL)    5 companies (~145 mn TL)    5 companies (~ 300 mn TL)

## Sukuk Market

### Sukuk Issuances

Communique regarding sukuk issuances were published; paving the way for the sukuk issuances in the private market; which were more secure instruments thanks to their asset backed/based nature.

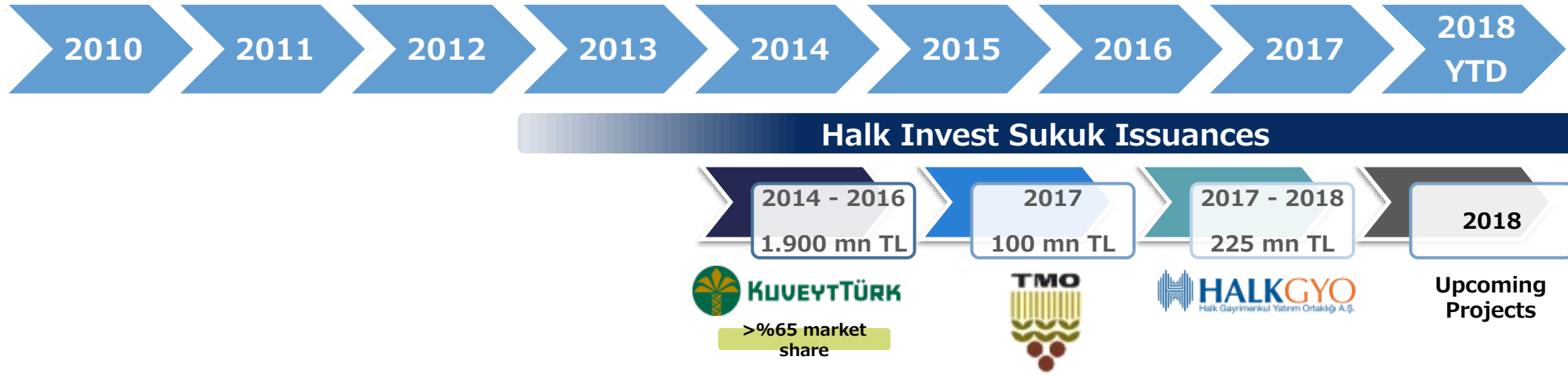
## Halk Invest Sukuk Experience

### Halk Invest Sukuk Issuances





# Sukuk Market Evolution in Turkey & Halk Invest's Contribution



Halk Invest Sukuk Experience & Contribution to the Turkish Sukuk Market

(2014 – Ongoing)



Regulation  
s

Halk Invest, first started to work with TMO in 2014; yet the issue took place in 2017 since **Halk Invest dealt with some tax issues regarding the sukuk agreements which were not regulated until then.** The process including the communications and official correspondances between the Ministry of Finance, Shari'ah Advisors and other regulatory bodies resulted with the enactment of the necessary regulations; took 3 years.

(2014 – 2016)



Investor  
Base

Halk Invest team, opened up the way for all the subsequent sukuk issuances via bringing in brand new qualified investors to the market, both individual and corporate, as well as non-profit organizations and foundations etc., that have never been involved in a sukuk transaction.



- Public Enterprise
- Fully owned by the Turkish Treasury
- Operates under the Ministry of Food, Agriculture and Livestock
- Basically the market maker in the Turkish Grain Market

## TMO Sukuk Tag

<b>Wakeel (Agent)</b>	Toprak Mahsulleri Ofisi
<b>Sole Lead Manager, Bookrunner &amp; Deal Originator</b>	Halk Invest
<b>Shari'ah Advisors</b>	ISFA
<b>Legal</b>	Ayaz
<b>Issuer SPV</b>	KT Sukuk VKS
<b>Asset Portfolio</b>	Warehouse receipts representing wheat owned by TMO and %100 collateralized, in TMO warehouses and/or licensed warehouses
<b>Issue details</b>	88 days, 100 mn TL, Sold to qualified investors
<b>Structure</b>	Wakala Sukuk (Investment Agency)
<b>Success Story</b>	<p>First public enterprise (other than Turkish Treasury) to issue Sukuk</p> <p>First utilization of agricultural commodity as a subject of Sukuk</p> <p>Necessity to change the tax regulations that will affect all the Sukuk issuances in Turkey</p>

**IFN** Islamic Finance *news*  
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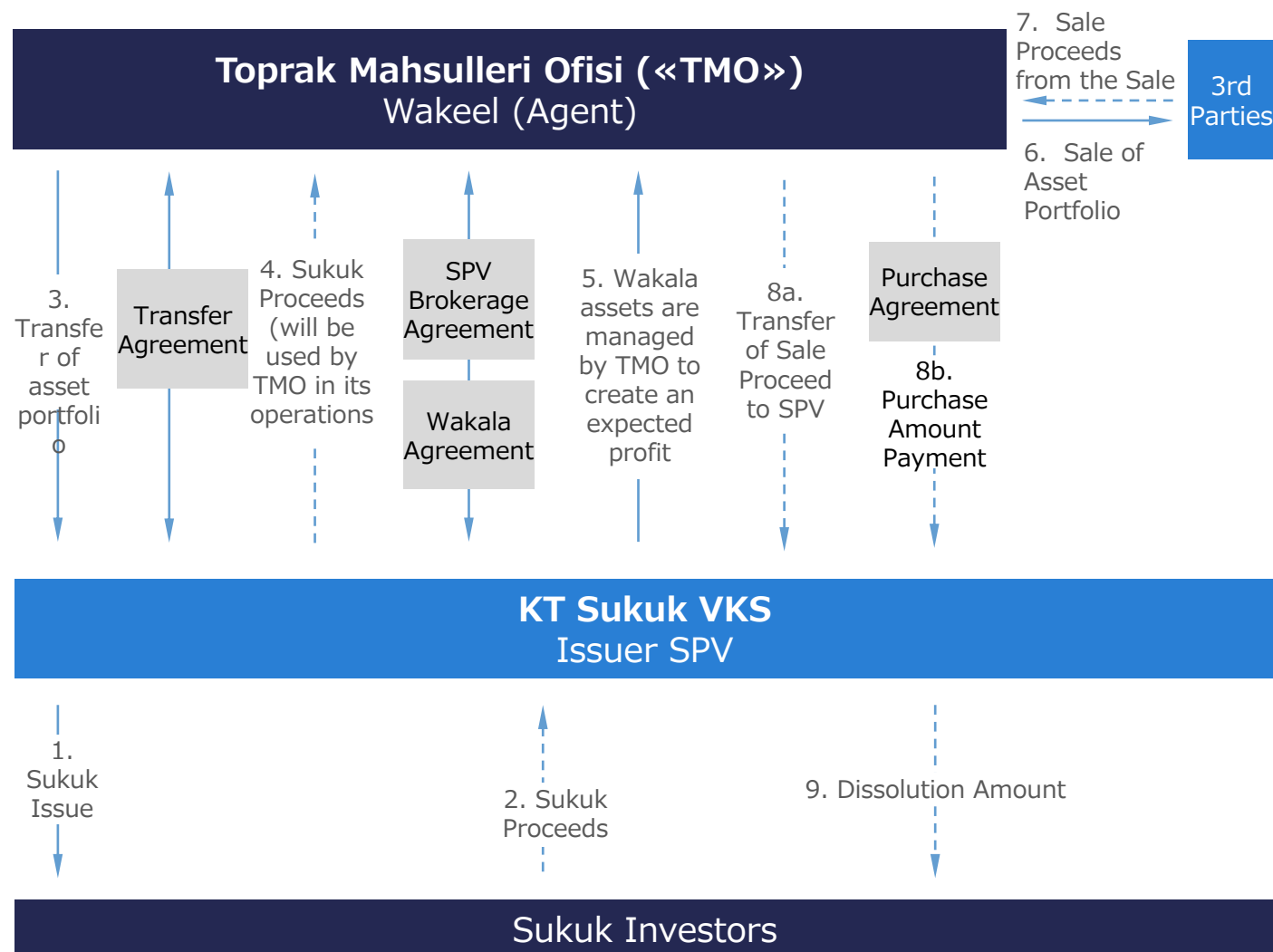
«**IFN**  
**Deal of the Year,**  
**Turkey, 2017»**

**November 2017**



**TL 100,000,000**

Local Currency Sukuk  
Issue  
Sole Lead Manager &  
Bookrunner





- Real estate investment trust company as the subsidiary of Halkbank
- One of the largest and promising REITs in Turkey
- High potential with the Istanbul Finance Center Project
- Revenue consists of residential and office space rental and sales income; has land portfolio for future project development

## Halk REIT Sukuk Tag

<b>Wakeel (Agent)</b>	Halk REIT
<b>Sole Lead Manager, Bookrunner &amp; Deal Originator</b>	Halk Invest
<b>Shari'ah Advisors</b>	ISFA
<b>Legal</b>	Ayaz
<b>Issuer SPV</b>	Halk VKS
<b>Asset Portfolio</b>	There is no asset portfolio, since having a wakala nature. Halk REIT's main line of operations as real estate and rights based on real estate were defined as the underlying portfolio.
<b>Issue details</b>	3 issues to date, a total of 225 mn TL, Sold to qualified investors
<b>Structure</b>	Sukuk Al-Wakala
<b>Success Story</b>	First REIT to issue Sukuk in Turkey First Sukuk transaction for Halk VKS (Another Halkbank subsidiary)



**2017 – 2018\***

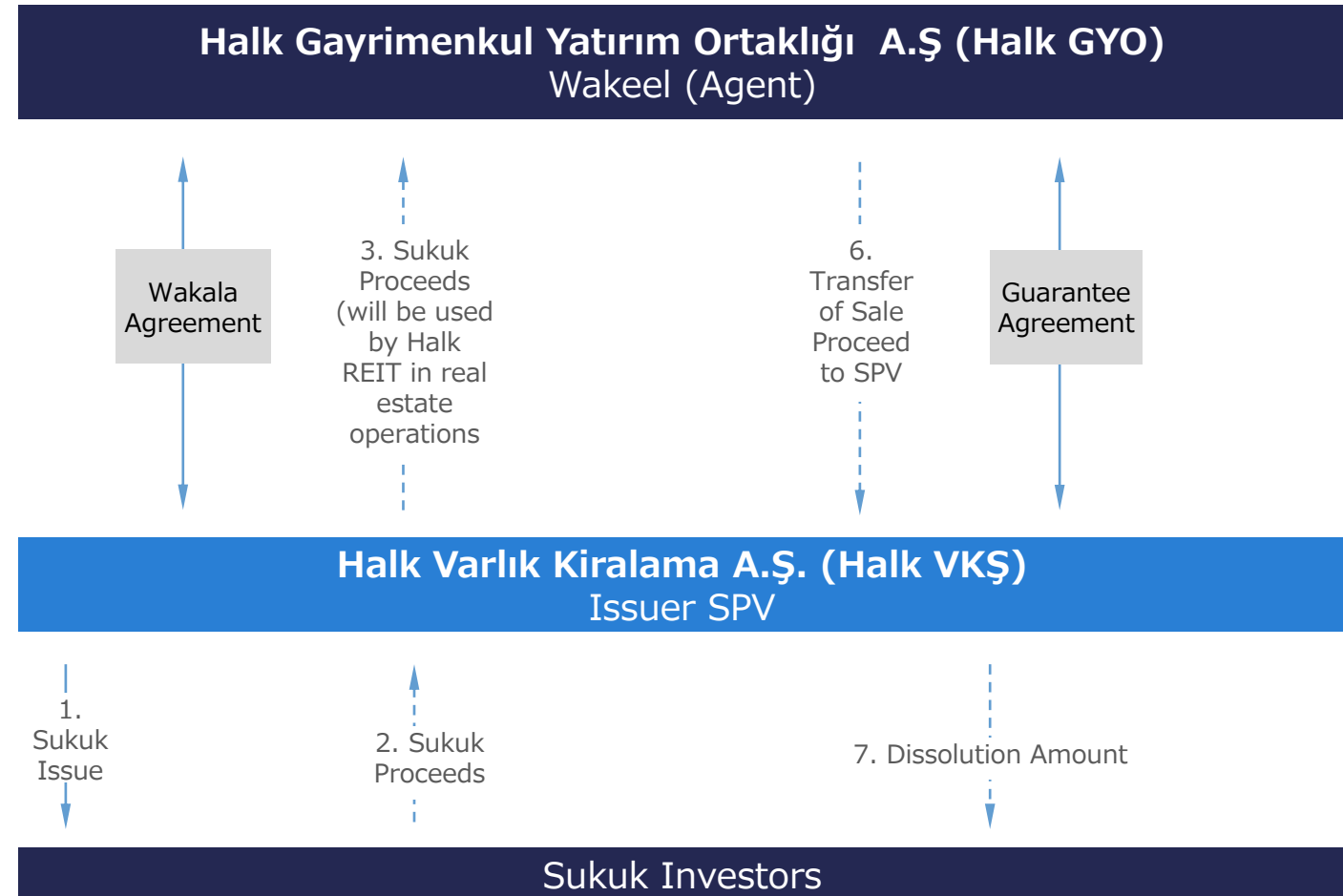
  
Halk Gayrimenkul Yatırım Ortaklığı A.Ş.

**TL 225,000,000**

3 Local Currency Sukuk Issuances

Sole Bookrunner

  
HALKYATIRIM



### Investors Prefer Shorter Terms

- Due to Sukuk funds' duration limitations, institutional investors prefer short terms. This prevents issuing longer term Sukuks, creating a mismatch between the investors' & fund seekers' demand.

### Limited Investor Base

- Size of participation funds (both investment and pension) are limited as of date. They compose only 4% of total fund market; therefore Sukuks cannot compete with conventional instruments.

### Competitive Rate of Return in Substitute Instruments

- Sukuk market, still being infant, has yet to grow and will attract more investors. However, as of date, issuers face competition from conventional instruments regarding the rate of return. Nevertheless, thanks to asset-based/backed structure of Sukuk, is expected to gain more share in the market.

### Predetermined Issue Size Prevents Satisfying the Last Minute Demand

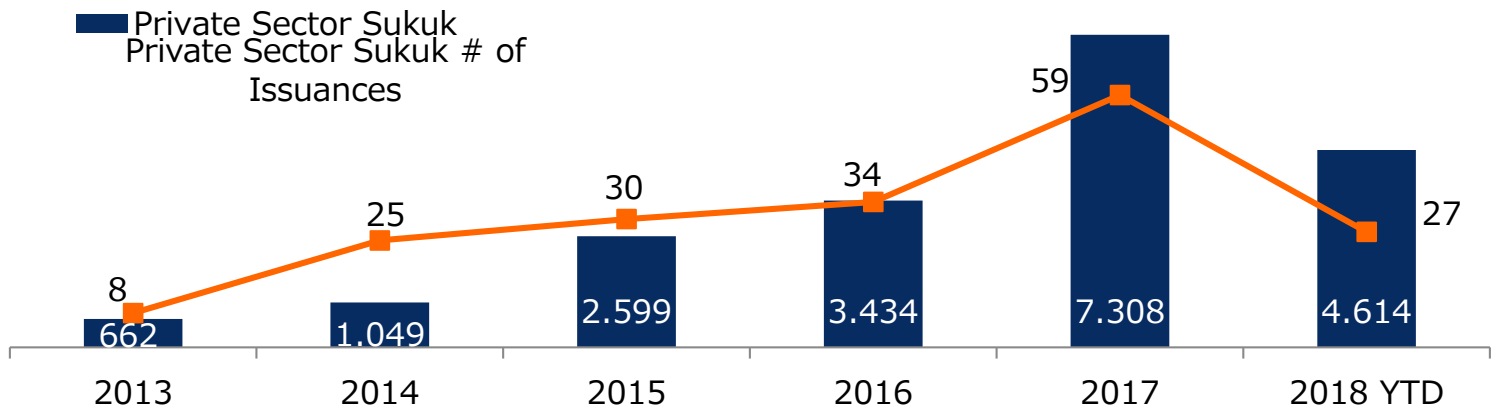
- Because of CMB regulations, Sukuk issuer has to set the issue size beforehand and the predetermined amount cannot be increased in case of a higher demand from the investors. This prevents to satisfy the excess demand in the market.

### Foreign Exchange Issuances Are Not Permitted

- It is not permitted to issue foreign exchange denominated instruments in Turkey, which in turn may limit the foreign investor interest in Sukuk issuances in Turkey.

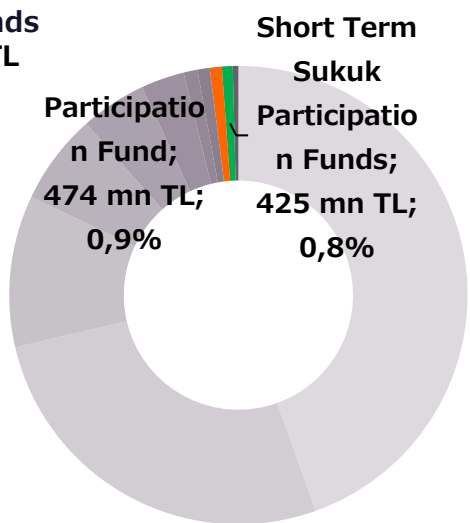
# Sukuk Market Issuances & Investor Base

## Sukuk Issuances (bn TL)

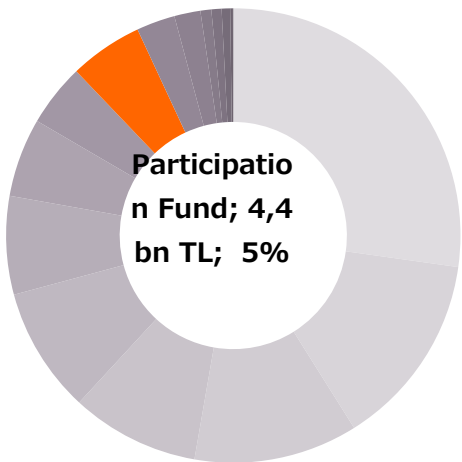


## Sukuk Investor Base\*

Investment Funds  
Total: 55.7 bn TL



Pension Funds  
Total: 83.9 bn TL



(\*) As of March 23, 2018



# Halk Invest | Corporate Finance & Advisory

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