

Cairo, May 2019

Press Release: Al Rehab Securitization Company - Ninth Issue 2019-2025

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) ASSIGNS NATIONAL SCALE RATINGS (NSR) TO THE NINTH MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND ISSUED BY AL REHAB SECURITIZATION COMPANY AND BACKED BY A PORTFOLIO OF REAL ESTATE RECEIVABLES ORIGINATED BY THE ARAB COMPANY FOR PROJECTS AND URBAN DEVELOPMENT (A SUBSIDIARY OF TMG HOLDING)

MERIS (Middle East Rating & Investors Service) has assigned the following ratings on the national scale to the multiple-tranche asset backed securitization bond issued by Al Rehab Securitization Company S.A.E. (9th Issue) and backed by a single pool of real estate receivables in the amount of EGP 705,463,846 originated by the Arab Company for Projects and Urban Development (a subsidiary of Talat Mostafa Group Holding):

Tranche A: **“AA+ (sf)”** to the EGP 129.48 million Senior Fixed-Rate Notes due in May 2020, representing 26.0% of the aggregate issue size, with a coupon of 14.38% p.a. payable quarterly;

Tranche B: **“AA (sf)”** to the EGP 209.16 million Subordinated Fixed-Rate Notes due in April 2022, representing 42.0% of the aggregate issue size, with a coupon of 15.18% p.a. payable quarterly during the lifetime of Tranche A and monthly thereafter.

Tranche C: **“A (sf)”** to the EGP 159.36 million Junior Subordinated Fixed-Rate Notes due in March 2025, representing 32.0% of the aggregate issue size, with a coupon of 15.68% p.a. payable quarterly during the lifetime of Tranche A and monthly thereafter.

The notes will be redeemed sequentially in order of seniority. Tranche A will follow a pre-determined quarterly amortization schedule, whereas Tranche B and C will pay according to a pass-through monthly amortization schedule.

All of the above ratings are considered investment grade on the National Rating Scale. An **“AA”** grade represents **Very Strong** Creditworthiness relative to other domestic issuers. **“A”** rated issuers or issues are considered **Above Average** in Creditworthiness relative to other domestic issuers or issues. The (+/-) signs denote relative status within each rating category and the (sf) insertion stands for structured finance.

The ratings are a relative ranking of risk and address the expected loss posed to investors by the bond maturity. In **MERIS's** opinion, the transaction structure allows for timely payment of interest and ultimate repayment of principal with respect to the bond maturity.

Al Rehab Securitization Company S.A.E. – a special purpose entity – was incorporated in Egypt in 2008 in accordance with the Capital Market Law 95/1992. The current notes are backed by a static pool of real estate receivables arising from installment sale contracts related to 2,249 residential units located in two of the Originator's projects (Al Rehab City and Madinaty).

The ratings of the notes are based on: (1) the level of protection provided to investors by the credit enhancements in the form of (i) over-collateralization in the amount of 3.4% net of expenses; (ii) subordination of tranche B and C to the more senior tranches; (iii) availability of a default reserve account (Letter of Guarantee issued by Arab African International Bank) in the amount of EGP 37.35 million representing 7.5% of the original notes' balance; (2) the additional credit supported provided through credit insurance for 90% coverage on the individual sale by installment contracts provided by the

government-owned Misr Insurance Company (AM Best Financial Strength Rating: B++ (Good) and Long Term Issuer Credit Rating: bbb with Stable Outlook, Dec. 2018); (3) the liquidity support in the form of a cash reserve account in the size of 5% of the notes' initial balance which is to be funded from the first three months of cash inflows to reach the target level of EGP 24.9 million, and to be adjusted on a monthly basis thereafter to measure 5% of the outstanding notes' balance; (4) the relatively low weighted average loan-to-value (LTV) ratio (34% of the original purchase price) of the portfolio, which accelerates the build-up of owner's equity into the properties and hence minimizes the buyers' propensity to default, while at the same time increasing the recovery potential in case of default; (5) the additional level of protection stemming from the fact that all of the receivables are backed by post-dated cheques, which is considered an incentive for timely payment of the installments as a bounced cheque constitutes a criminal offence under the Egyptian law; (6) the relatively high seasoning (75 months) of the receivables, (7) the granularity of the pool with no individual concentrations exceeding 0.9% of the pool; and (8) the availability of a contractually appointed back-up servicer.

The assigned ratings also take into consideration the following weaknesses of the transaction: (1) the lack of relevant and consistent historical data tracking the performance of the receivables; (2) no security interest in the underlying properties for the benefit of the note holders, and hence no direct recourse over the properties; (3) unlike class A notes, the ratings of class B and more so class C notes are highly dependent on the creditworthiness of the external credit support provider (L/G issuing bank – Arab African International Bank). A material deterioration of the creditworthiness of the credit support provider will inevitably result in a downgrade of these notes; (4) the credit insurance is a newly-introduced product in the Egyptian market, which has not been tested extensively in practice; (5) the generally greater uncertainty associated with unrated Originators, however partially mitigated by the high seasoning and low LTV of the securitized pool ; (6) the existence of legal uncertainties, given that the key legal concepts underpinning securitization remain largely untested in judicial proceedings or in practice in Egypt, mitigated by the legal opinions provided by the transaction's legal advisor on issues such as true sale, separateness of accounts, commingling and consolidation risk.

MERIS will monitor the transaction on an on-going basis and will issue regular performance reports.

Copyright 2019 Middle East Rating and Investors Service ("MERIS"). All rights reserved.

CREDIT RATINGS AND PUBLICATIONS ISSUED BY MERIS ARE OR CONTAIN MERIS' CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MERIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MERIS' OPINIONS INCLUDED IN MERIS' PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MERIS' PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MERIS' PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MERIS' PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MERIS ISSUES ITS CREDIT RATINGS AND PUBLISHES MERIS' PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MERIS' CREDIT RATINGS AND MERIS' PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND RETAIL INVESTORS SHOULD NOT CONSIDER MERIS' CREDIT RATINGS OR MERIS' PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MERIS' PRIOR WRITTEN CONSENT .

All information contained herein is obtained by MERIS from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind. MERIS adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MERIS considers to be reliable including, when appropriate, independent third-party sources. However, MERIS is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the MERIS' publications .

To the extent permitted by law, MERIS and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MERIS or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MERIS.

To the extent permitted by law, MERIS and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MERIS or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MERIS IN ANY FORM OR MANNER WHATSOEVER.