

Cairo, December 2018

Press Release: **Tawriq Securitization Company - First Issue 2018-2023**

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) ASSIGNS NATIONAL SCALE RATINGS (NSR) TO THE FIRST MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND ISSUED BY TAWRIQ SECURITIZATION COMPANY AND ORIGINATED BY RAWAJ AUTO FINANCE COMPANY

MERIS (Middle East Rating & Investors Service) has assigned the following ratings on the national scale to the multiple-tranche notes issued by Tawriq Securitization Company S.A.E. and backed by a single pool of receivables in the net present value net of expenses of approximately EGP 238 million, originated by Rawaj Auto Finance Company.

Tranche A: “AA+ (sf)” to the Senior Fixed-Rate Notes in the amount of EGP 106.5 million, representing 47.0% of the aggregate issue size, with a coupon of 16.64% p.a. payable monthly and due 13 months after issuance date;

Tranche B: “AA (sf)” to the Subordinated Fixed-Rate Notes in the amount of EGP 101.9 million, representing 45.0% of the aggregate issue size, with a coupon of 17.54% p.a. payable monthly and due 36 months after issuance date. Tranche B is callable from the 25th month.

Tranche C: “A (sf)” to the Junior Subordinated Fixed-Rate Notes in the amount of EGP 18.1 million, representing 8.0% of the aggregate issue size, with a coupon of 18.04% p.a. payable monthly and due 60 months after issuance date. Tranche C is callable from the 25th month.

The notes will be redeemed sequentially in order of seniority and will follow 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's structure allows for timely payment of interest and ultimate repayment of principal with respect to the bond maturity.

Tawriq Securitization Company S.A.E. – a special purpose entity – was incorporated in Egypt in 2018 in accordance with the Capital Market Law 95/1992. The bond issue is backed by a portfolio of auto receivables, originated by Rawaj Auto Finance Company between 2014 and 2018. The installment sale contracts are concluded with clients domiciled in Egypt to finance the purchase of brand new (89%) and used (11%) passenger vehicles.

The assigned ratings are based on: (1) the level of protection provided to investors in the form of (i) over-collateralization (net of expenses) in the amount of 5.13% of the bond size at the outset of the transaction; (ii) cash reserve account or an irrevocable and unconditional letter of guarantee in the size of 4.37% of the initial bond size; and (iii) the structural subordination of tranches B and C to the more senior tranches; (2) the liquidity support in the form of a cash reserve account in the size of 3% of the outstanding aggregate notes balance, which is to be funded in the first month after closing and adjusted on a monthly basis thereafter in accordance with the notes' amortization until it reaches the minimum level of EGP 200,000; (3) the relatively high weighted average seasoning of the portfolio of 15 months; (4) the relatively low weighted average loan-to-value ratio at origination (69.5%), which accelerates the build-up of owner's equity into the assets and hence increases the recovery potential in case of defaults; (5) the relatively high granularity of the pool with individual concentrations not exceeding 0.9% and the top 30 clients accounting collectively for 14.6% of the total principal outstanding balance; (6) all of the receivables are backed by post-dated checks, which ensures timely payment of installments as bounced checks/bills constitute a criminal offence under the Egyptian law; (7) the experience of the

Servicer, in addition to the availability of a back-up servicing agreement with CIB (CIB is rated B3 on a Global Scale by Moody's, 2018).

The ratings assigned by **MERIS** also take into consideration the following limitations of the transaction: (1) limited data available regarding historical arrears, default and recovery through the full economic cycle; (2) the generally greater uncertainty associated with unrated Originators and the use of securitization proceeds to fund the Originator's growing phase; (3) 11% of the securitized receivables are related to the sale of used cars, which are associated with a greater probability of default, due to the relatively riskier credit profile of the buyers; nevertheless overall impact of used cars on the probability of default is relatively insignificant in view of the small percentage; (4) 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). A material deterioration of the creditworthiness of the credit support provider will inevitably result in a downgrade of these notes; (5) the existence of legal uncertainties, given that the key legal concepts underpinning securitization transaction enforcement 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.

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