

Cairo, August 2019

Press Release: **Tawriq Securitization Company - Third Issue 2019-2024**

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) ASSIGNS NATIONAL SCALE RATINGS (NSR) TO THE THIRD MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND ISSUED BY TAWRIQ SECURITIZATION COMPANY AND ORIGINATED BY UNITED INTERNATIONAL TRADING COMPANY "ELMOBASHER" LLC

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. (3rd Issue) and backed by a single pool of receivables in the net present value net of expenses of approximately EGP 520 million, originated by United International Trading Company "elmobasher" LLC (5th transaction).

Tranche A: "AA+ (sf)" to the Senior Fixed-Rate Notes in the amount of EGP 190.3 million, representing 39.70% of the aggregate issue size, with a coupon of 14.16% p.a. payable monthly and due 13 months after issuance date. Tranche A is non-callable.

Tranche B: "AA (sf)" to the Subordinated Fixed-Rate Notes in the amount of EGP 228.4 million, representing 47.65% of the aggregate issue size, with a coupon of 14.91% 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 60.6 million, representing 12.65% of the aggregate issue size, with a coupon of 15.41% 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 United International Trading Company "elmobasher," between 2015 and 2019. The installment sale contracts are concluded with clients domiciled in Egypt to finance the purchase of brand new (87%) and used (13%) passenger vehicles.

The assigned ratings are based on: (1) the level of protection provided to investors in the form of over-collateralization (net of expenses) in the amount of 8.5% of the bond size at the outset of the transaction as well as 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 initial aggregate notes balance, which is to be funded in the first month after closing and maintained at EGP 14,379,000; (3) the default reserve account in the size of 10% of the outstanding principle balance of the portfolio, which is to be funded in the first month after closing and adjusted on a monthly basis thereafter in accordance with the portfolio amortization until it reaches the minimum level of EGP 15,000,000; (4) the relatively low weighted average loan-to-value ratio at origination (66.1%), 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 9.7% 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 B2 on a Global Scale by Moody's, 2019).

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) lack of total loss insurance for 29% of the contracts, mitigated by the low loan to value ratio of the pool; (4) low average seasoning of the pool (5 months), as 82% of the contracts have been generated over the last 6 months; (5) 13% 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; (6) 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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