

Cairo, October 2019

Press Release: **Capital Securitization Company - Second Issue 2019-2024**

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

MERIS (Middle East Rating & Investors Service) has assigned the following ratings on the national scale to the multiple-tranche notes issued by Capital Securitization Company S.A.E. (2nd Issue) and backed by a single pool of receivables in the net present value (net of expenses) of approximately EGP 435 million, originated by Drive Finance (1st transaction):

Tranche A: “AA+ (sf)” to the Senior Fixed-Rate Notes in the amount of EGP 186.80 million, representing 44% of the aggregate issue size, with a coupon of 13.01% p.a. payable monthly and due 13 months after the issuance date. Tranche A is non-callable.

Tranche B: “AA (sf)” to the Subordinated Fixed-Rate Notes in the amount of EGP 199.60 million, representing 47% of the aggregate issue size, with a coupon of 13.81% p.a. payable monthly and due 36 months after the issuance date. Tranche B is callable from the 14th month.

Tranche C: “A (sf)” to the Junior Subordinated Fixed-Rate Notes in the amount of EGP 38.25 million, representing 9% of the aggregate issue size, with a coupon of 14.11% p.a. payable monthly and due 48 months after the issuance date. Tranche C is callable from the 14th 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.

Capital Securitization Company S.A.E. – a special purpose entity – was incorporated in Egypt in 2019 in accordance with the Capital Market Law 95/1992. The bond issue is backed by a portfolio of auto receivables, originated by Drive Finance Company, between 2015 and 2019. The installment sale contracts are concluded with clients domiciled in Egypt to finance the purchase of brand new (86%) and used (14%) 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 2.5% of the bond size at the outset of the transaction; (ii) cash reserve account / irrevocable bank guarantee in the size of 5.8% (EGP 24,629,700) of the initial bond size, as well as (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 initial aggregate notes balance, which is to be funded from the first three months of cash flows after closing and adjusted on a monthly basis thereafter in accordance with the portfolio amortization; (3) the relatively low weighted average loan-to-value ratio at origination (61.0%), which accelerates the build-up of owner's equity into the assets and hence increases the recovery potential in case of defaults; (4) the relatively high granularity of the pool with individual concentrations not exceeding 0.5% and the top 30 clients accounting collectively for 6.0% of the total principal outstanding balance; (5) 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; (6) 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) 14% 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) 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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