

Cairo, November 2019

**Press Release: Financial Group for Securitization Company - First Issue 2019-2020**

**MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) ASSIGNS A NATIONAL SCALE RATING (NSR) TO THE 1<sup>st</sup> ASSET-BACKED SHORT-TERM SECURITIZATION NOTE ISSUED BY FINANCIAL GROUP FOR SECURITIZATION COMPANY AND BACKED BY A PORTFOLIO OF RECEIVABLES ORIGINATED BY PREMIUM INTERNATIONAL FOR CREDIT SERVICES COMPANY S.A.E.**

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MERIS (Middle East Rating & Investors Service) has assigned the following rating on the national scale to the 1st asset backed short-term securitization note issued by Financial Group for Securitization Company S.A.E. and backed by a single pool of receivables in the amount of EGP 184,123,436 originated by Premium International for Credit Services Company Premium Card):

“P1 (sf)” to the EGP 166.88 million Asset Backed Short-Term Note due in July 2020, with a coupon of 12.59% p.a. payable quarterly.

The notes will follow a pass-through quarterly amortization schedule, with the first payment scheduled four months after the issuance date.

The above rating is considered investment grade on the National Rating Scale. A “Prime 1” (P1) rated Issuers or issues have the strongest ability to repay their short-term debt obligations relative to other domestic issuers. 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.

Financial Group for Securitization Company S.A.E. – a special purpose entity – was incorporated in Egypt in June 2008. The current notes are backed by consumer card receivables stemming from interest free purchases of goods on installments by the cardholders. The collateral portfolio originated by Premium Card comprises a static pool of 35,949 individual obligors. At issuance, the total outstanding receivables will amount to EGP 176,148,259 (net present value of the portfolio discounted at the notes coupon rate net of expenses).

The ratings of the notes are based on: (1) a credit assessment of the initial portfolio of underlying consumer card receivables, which reflects the Originator's strict underwriting, collection and monitoring guidelines and procedures; (2) the level of protection provided to investors by the credit enhancements in the form of over-collateralization in the amount of 5.55% net of expenses; (3) the granularity of the pool (concentrations per client less than 0.06% of the total principal outstanding); (4) the receivables are backed by signed promissory notes covering the card limits of the obligors; (5) the significant experience of the Servicer and efficiency of its operating systems.

The assigned ratings also take into consideration the following weaknesses 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) the promissory notes are in the name of the Originator and as per the legal opinion furnished to MERIS, they cannot be transferred to the SPV and / or the bondholders. Furthermore, the promissory notes cover the entire card limit and thus may include obligations that are outside of the securitization, without a clear priority of settlement; (4) no clear segregation of the payments due to the securitization pool from the company's normal business cycle, resulting in a higher risk of commingling the securitization cash flows with the Originator's own funds from operations; (5) only 18 out of the 463 corporate contracts included in the securitized pool, provide full guarantee for their employees payments to Premium; (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.

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