

Cairo, October 2019

**Press Release: Al Rehab Securitization Company - Sixth Issue 2018-2023**

**MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) AFFIRMS THE NATIONAL SCALE RATINGS (NSR) OF THE SIXTH MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND ISSUED BY AL REHAB SECURITIZATION COMPANY AND ORIGINATED BY UNITED INTERNATIONAL TRADING COMPANY "ELMOBASHER" LLC (THIRD TRANSACTION)**

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MERIS (Middle East Rating & Investors Service) has reviewed the performance of the 6<sup>th</sup> multiple-tranche notes issued by Al Rehab Securitization Company S.A.E. and backed by a single pool of receivables, originated by United International Trading Company "elmobasher" LLC (Third Transaction) and has affirmed the following national scale ratings:

**Tranche A: "AA+ (sf)"** to the Senior Fixed-Rate Notes in the amount of EGP 20.00 million, representing 10.94% of the aggregate issue size, with a coupon of 14.84%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 127.90 million, representing 69.95% of the aggregate issue size, with a coupon of 15.44% p.a. payable monthly, due 36 months after issuance date, and callable from the 25<sup>th</sup> month;

**Tranche C: "A (sf)"** to the Junior Subordinated Fixed-Rate Notes in the amount of EGP 34.95 million, representing 19.11% of the aggregate issue size, with a coupon of 16.14% p.a. payable monthly and due 60 months after issuance date, and callable from the 25<sup>th</sup> month;

The notes are redeemed sequentially in order of seniority and 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.

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 bond issue is backed by a portfolio of auto receivables, originated by United International Trading Company "elmobasher," between 2013 and 2017. The installment sale contracts are concluded with clients domiciled in Egypt to finance the purchase of brand new (85%) and used (15%) passenger vehicles.

As of April 30<sup>th</sup>, 2019, the coupon and principal of the bond have been paid according to schedule. The bond issue is amortizing on a monthly basis, and currently stands at EGP 182,850,000, equivalent to 37.1% redemption of the original balance. The asset pool backing the issue has been amortized at 49.6%, and equals EGP 195,548,016 as of April 30<sup>th</sup>, 2019. The pool's delinquencies above 30 days have been relatively steady and currently overdue installments above 30 days stand at 2.16% of the pool outstanding balance, or 1.09% of the initial pool balance. It is worth noting that there are 45 clients transferred to the legal department, with a total overdue amount of EGP 1,132,171, corresponding to only 0.58% of the outstanding portfolio amount.

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 14.5% of the outstanding bond size, 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 6% of the outstanding aggregate notes balance, which is adjusted on a monthly basis thereafter in accordance with the notes' amortization until it reaches the minimum level of EGP 800,000; (3) the default reserve account in the size of 10% of the outstanding principle balance of the portfolio, which is adjusted on a monthly basis thereafter in accordance with the

portfolio amortization until it reaches the minimum level of EGP 12,000,000; (4) the relatively low weighted average loan-to-value ratio at origination (63.17%), 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 0.6% and the top 30 clients accounting collectively for 6.87% 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, April 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) 15% 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; (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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