MERIS
Middle East Rating & Investors Service

Cairo, August 2023

Press Release: El Taamir for Securitization Company S.A.E. – 1st Issue - 3rd Program 2023-2029

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) ASSIGNS NATIONAL SCALE RATINGS (NSR) TO THE EIGHTH ASEET-BACKED BOND ISUUED BY EL TAAMIR FOR SECURITIZATION COMPANY AND ORIGINATED BY NUCA WITH THE GUARANTEE OF THE MINISTRY OF FINANCE

MERIS (Middle East Rating & Investors Service) has assigned the following ratings on the national scale to the multiple-tranche notes issued by El Taamir for Securitization Company S.A.E. in the total bond size of **EGP 15 billion** and originated by New Urban Communities Authority (NUCA).

Tranche A: "P1" (sf) to the EGP 1,710 million Senior Floating-Rate Notes, due in 12 months after issuance, representing 11.4% of the aggregate issue size, with a floating coupon equal to the CBE Lending Corridor rate + 0.20% p.a. payable semiannually, currently 20.45%. The notes are non-callable.

Tranche B: "AA" (sf) to the EGP 6,060 million Subordinated Floating-Rate Notes, due in 36 months after issuance, representing 40.4% of the aggregate issue size, with a floating coupon equal to the CBE Lending Corridor rate + 0.35% p.a. payable semiannually, currently 20.60%. The notes are callable from the 13th month.

Tranche C: "AA-" (sf) to the EGP 5,820 million Subordinated Floating-Rate Notes, due in 60 months after issuance, representing 38.8% of the aggregate issue size, with a floating coupon equal to the CBE Lending Corridor rate + 0.60% p.a. payable monthly, currently 20.85%. The notes are callable from the 13th month.

Tranche D: "A-" (sf) to the EGP 1,410 million Subordinated Floating-Rate Notes, due in 74 months after issuance, representing 9.4% of the aggregate issue size, with a floating coupon equal to the CBE Lending Corridor rate + 0.80% p.a. payable monthly, currently 21.05%. The notes are callable from the 13th month.

The notes will be redeemed sequentially in order of seniority. All four classes will follow a pass-through amortization schedule.

All of the above ratings are considered investment grade on the National Rating Scale. **"Prime 1" (P1)** rated Issuers or issues have the strongest ability to repay their short-term debt obligations relative to other domestic issuers. An "**AA**" grade represents **Very Strong** Creditworthiness relative to other domestic issues. An "**A**" rated issuer or issue is considered of **Above Average** 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 notes' maturity. In **MERIS**'s opinion, the transaction structure allows for timely payment of interest and ultimate repayment of principal with respect to the notes' maturity.

El Taamir for Securitization Company S.A.E. – a special purpose entity – was incorporated in Egypt in 2009, in accordance with the CMA Law 95/1992. Backing the bond is a pool of receivables with a net present value net of expenses of EGP 15.72 billion at the date of issuance. The receivables stem from 19 land sales contracts originated by the New Urban Communities Authority (NUCA), an Egyptian public authority under the Ministry of Housing, Utilities and Urban Development. The timely payment of principal and interest of the bond is covered by a guarantee issued by the Ministry of Finance (MoF). The guarantee will be claimed in the event of any shortfall in the cash flows from the securitization

portfolio and will be executed by means of an irrevocable authorization to the Central Bank of Egypt to debit the MoF account with any insufficient amounts upon request from the Custodian.

The ratings of the Asset-Backed Bond are based on: (1) The existence of a government guarantee backing the transaction; (2) The tight mechanism for executing the guarantee in the form of irrevocable standing instructions to the CBE to access, upon request from the Custodian, the MoF account held with the CBE and transfer any insufficient amounts for payment under the bond to the account of the Issuer held with the Custodian six bank working days before the payment due date; (3) The Originator/Servicer of the transaction is an Egyptian public authority under the Ministry of Housing, Utilities and Urban Development, and as such cannot be filed under bankruptcy scheme.

The ratings assigned by **MERIS** also take into consideration the following weaknesses of the transaction: (1) The portfolio of receivables backing the bond stems from 19 land sales contracts. Highly concentrated transactions carry significantly higher credit risk than well-diversified granular portfolios of receivables; (2) Internal credit enhancement available to the notes in the form of over-collateralization in the amount of only 4.82% of the bond size at the onset of the transaction, which is the lowest internal credit enhancement among all existing transaction issued by NUCA; (3) The bond is backed by a static amortizing pool of sales on installments receivables, and covered by cheques from the developers, however these cheques will not be assigned to the bondholders; (4) The receivables under the securitized contract might cease to exist in case the contract is rendered null and void, either due to the buyers' failure to settle their financial obligations under the contracts, or due to their failure to complete the development of the land as per their contractual obligations; or due to NUCA's breach of contract; (5) The underlying physical assets, the land plots subject of the sale contracts, will neither be transferred nor assigned as a security to the Issuer. They will remain with the Originator instead. The Bondholders will, therefore, have no access to the land plots to satisfy their claims in case the contracts are rendered null and void and the land is repossessed and resold by the Originator. Mitigated by the existence of a MOF guarantee; (6) Legal uncertainties still exist, 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; (7) There is limited data available regarding historical arrears, default rates and recoveries over the economic cycle in the local market. Furthermore, the notable obligor concentration of the pool renders ineffective the use of historical data to predict future performance of the portfolio.

MERIS will monitor the transaction on an on-going basis and will issue regular performance reports.

Copyright 2023 Middle East Rating and Investors Service ("**MERIS**"). All rights reserved.

CREDIT RATINGS AND PUBLICATIONS ISSUED BY MERIS ARE OR CONTAIN MERIS' CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MERIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MERIS' OPINIONS INCLUDED IN MERIS' PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MERIS' PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MERIS' PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MERIS' PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MERIS ISSUES ITS CREDIT RATINGS AND PUBLISHES MERIS' PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MERIS' CREDIT RATINGS AND MERIS' PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND RETAIL INVESTORS SHOULD NOT CONSIDER MERIS' CREDIT RATINGS OR MERIS' PUBLICATIONS IN MAKING ANY INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MERIS' PRIOR WRITTEN CONSENT .

All information contained herein is obtained by **MERIS** from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind. **MERIS** adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources **MERIS** considers to be reliable including, when appropriate, independent third-party sources. However, **MERIS** is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the **MERIS**' publications .

To the extent permitted by law, **MERIS** and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MERIS or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by **MERIS**.

To the extent permitted by law, **MERIS** and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, **MERIS** or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MERIS IN ANY FORM OR MANNER WHATSOEVER.