MERIS
Middle East Rating & Investors Service

Cairo, August 2024

Press Release: AUR Securitization Company – First Program First Issue 2023-2028

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) AFFIRMS THE NATIONAL SCALE RATINGS (NSR) TO THE FIRST MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND UNDER THE FIRST PROGRAM ISSUED BY AUR SECURITIZATION COMPANY AND ORIGINATED BY AUR LEASING AND FACTORING COMPANY S.A.E.

MERIS (Middle East Rating & Investors Service) has reviewed and affirmed the national scale ratings to the multiple-tranche notes in the total size of EGP 1,120,748,796 as of May 31, 2024, issued by AUR Securitization Company S.A.E. and backed by a single leasing contract with the Arab Company for Projects and Urban Development S.A.E. (rated **"A+"** by **MERIS**).

The annual rating review is based on the monthly performance reports issued by the Custodian as of **31 May 2024**, the **transaction review date**, in addition to the updated cash flow model and securitized portfolio data as of the same date.

As of the transaction review date, the affirmed ratings are as follows:

Tranche A: "A+" (sf) to the EGP 204.7 million Senior Floating-Rate Notes, due in 24 months after issuance, representing 18.27% of the aggregate issue size, with a floating coupon equal to the CBE Lending Corridor rate + 0.35% p.a. payable monthly, currently 28.60%. The notes are non-callable.

Tranche B: **"A+" (sf)** to the EGP 548 million Subordinated Floating-Rate Notes, due in 48 months after issuance, representing 48.90% of the aggregate issue size, with a floating coupon equal to the CBE Lending Corridor rate + 0.55% p.a. payable monthly, currently 28.80%. The notes are callable from the 27th month.

Tranche C: "A+" (sf) to the EGP 368 million Junior Subordinated Floating-Rate Notes, due in 60 months after issuance, representing 32.83% of the aggregate issue size, with a floating coupon equal to the CBE Lending Corridor rate + 0.70% p.a. payable monthly, currently 28.95%. The notes are callable from the 27th month.

The notes are redeemed sequentially in order of seniority and follow a pass-through amortization schedule.

All of the above ratings are considered investment grade on the National Rating Scale. 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.

AUR Securitization Company S.A.E. – a special purpose entity – was incorporated in Egypt in 2022 in accordance with the Capital Market Law 95/1992. The bond issue is backed by a single floating rate real estate sale and lease back contract with the Arab Company for Projects and Urban Development S.A.E. (rated **"A+"** by **MERIS**).

The ratings assigned to the notes are based on: (1) the credit quality of the underlying leasing receivables, which belong to a single lessee, the Arab Company for Projects and Urban Development S.A.E, rated **"A+"** on the National Scale by **MERIS** (2) the level of protection provided to investors by the over-collateralization (net of expenses) in the amount of 13.94% of the aggregate notes size at the closing of the transaction, as well as the structural subordination of the junior tranches to the more senior tranches; (3) the liquidity support in the size of 6.2 % of the outstanding aggregate notes balance; (4) the solid portfolio asset composition with 100% of real estate assets, which are considered less risky compared to movable assets; (5) the experience of the Servicer and the efficiency

of its operations, in addition to the availability of a back-up servicing agreement with Arab African International Bank (rated “b+” on a Global Scale by Capital Intelligence).

The ratings assigned by **MERIS** also take into consideration the following limitations of the transaction: (1) a single-lessee portfolio, representing significant concentration risk; mitigated by the above average creditworthiness of the lessee, the Arab Company for Projects and Urban Development S.A.E., which is rated “**A+**” on the National Scale by **MERIS**; (2) the high loan-to-value (LTV) ratio of 100%, resulting in slower build-up of owner’s equity into the assets; (3) high dependance of the ratings of the notes on the creditworthiness of the lessee, the Arab Company for Projects and Urban Development S.A.E; a material deterioration of the creditworthiness of the lessee will inevitably result in a downgrade of these notes; (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 is monitoring the transaction on an on-going basis and issuing regular performance reports.

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