MERIS
Middle East Rating & Investors Service

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Press Release: EFG Securitization Company – 4th Program 1st Issue 2022-2031

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) AFFIRMS THE NATIONAL SCALE RATINGS (NSR) TO THE FIRST MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND ISSUED BY EFG SECURITIZATION COMPANY UNDER ITS FOURTH PROGRAM AND ORIGINATED BY BEDAYA MORTGAGE FINANCE COMPANY

MERIS (Middle East Rating & Investors Service) has reviewed and affirmed the national scale ratings to the multiple-tranche notes in the size of EGP 404,414,500 as of 30 June 2024, issued by EFG Securitization Company (FSG) S.A.E (4th Program 1st Issue), and backed by a single pool of receivables, originated by Bedaya Mortgage Finance Company (BMF) S.A.E.

The annual rating review is based on the monthly performance reports issued by the Custodian as of **30 June 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:

13-Month Notes: Redeemed in July 2023;

24-Month Notes: Redeemed in June 2024;

36-Month Notes: **"AA-" (sf)** to the EGP 88,606,000 Subordinated Notes, due in 36 months after issuance, representing 21.9% of the aggregate issue size; the 36-month notes have a floating-rate tranche in the size of EGP 86,020,000, with a coupon equal to the CBE Corridor Lending rate + 0.40% p.a. payable quarterly during the first 24 months and monthly thereafter, and a fixed-rate tranche in the size of EGP 2,586,000, with a coupon of 13.05% p.a. payable quarterly during the first 24 months and monthly thereafter. The 36-month notes will follow a monthly pass-through amortization structure and are callable starting with coupon number 15 / month number 25 from the issuance date.

84-Month Notes: "A" (sf) to the EGP 250,171,500 Subordinated Notes, due in 84 months after issuance, representing 61.9% of the aggregate issue size; the 84-month notes have a floating-rate tranche in the size of EGP 166,458,000, with a coupon equal to the CBE Corridor Lending rate + 0.70% p.a. payable quarterly during the first 24 months and monthly thereafter, and a fixed-rate tranche in the size of EGP 83,713,500, with a coupon of 13.40% p.a. payable quarterly during the first 24 months and monthly thereafter. The 84-month notes will follow a monthly pass-through amortization structure and are callable starting with coupon number 15 / month number 25 from the issuance date.

115-Month Notes: "A-" (sf) to the EGP 65,637,000 Junior Subordinated Floating-Rate Notes, due in 115 months after issuance, representing 16.23% of the aggregate issue size, with a floating coupon equal to the CBE Corridor Lending rate + 1.15% p.a. payable quarterly during the first 24 months and monthly thereafter. The 115-month notes will follow a monthly pass-through amortization structure and are callable starting with coupon number 15 / month number 25 from the issuance date.

The notes are redeemed sequentially in order of seniority. The notes are callable starting with coupon number 15 / month number 25 from the issuance date.

All of the above ratings are considered investment grade on the National Rating Scale. A "**AA**" grade represents **Very Strong** Creditworthiness relative to other domestic issues. An "**A**" rated issue is considered of **Above Average** Creditworthiness relative to other domestic 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.

EFG Securitization Company (FGS) S.A.E. – a special purpose entity – was incorporated in Egypt in 2018 in accordance with the Capital Market Authority (CMA) Law 95/1992. The bond issue is backed by fixed and floating rate mortgage finance and real estate receivables from individual clients domiciled in Egypt. The receivables have been originated by Bedaya Mortgage between September 2020 and December 2021. The collateral portfolio comprises a static pool of 112 fully amortizing contracts.

The ratings assigned to the notes are based on: (1) the level of protection provided to investors by (a) the over-collateralization (net of expenses) currently in the amount of 1.8% of the outstanding notes' size; (b) the structural subordination of the junior tranches to the more senior ones; (c) an external credit support (default reserve) in the total size of 41.9% of the outstanding bond balance represented by an unconditional and irrevocable letter of guarantee in the size EGP 169,312,000; (2) a liquidity reserve account currently in the size of 3.0% of the outstanding bond size; (3) the additional level of protection stemming from the fact that all of the receivables are backed by post-dated cheques, which is considered an incentive for timely payment of the installments as a bounced cheque constitutes a criminal offence under the Egyptian law; (4) the adequate weighted average seasoning of 36 months of the portfolio; (5) the availability of a contractually appointed back-up servicer (Banque Misr, rated Caa1 by Moody's Ratings).

The ratings assigned by **MERIS** also take into consideration the following limitations of the transaction: (1) limited operating history of the Originator and thus lack of sufficient data available regarding historical arrears, default and recovery over the 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) remarkably high single obligor concentrations exhibited by the pool; (4) notably high share of relatively longer original tenor contracts, which carry relatively higher credit risk due to the slower buildup of owner's equity; (5) unlike the more senior notes, the ratings of the more junior notes are highly dependent on the ratings of the external credit support provider (Letter of Guarantee issuing bank); (6) the portfolio's asset composition includes 13% of administrative and commercial properties, which are considered a riskier asset type compared to residential units; (7) 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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