

Cairo, December 2020

Press Release: **Egyptian Securitization Company S.A.E. – Tenth Issue 2020-2027**

**MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) ASSIGNS NATIONAL SCALE RATINGS (NSR) TO THE TENTH MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND ISSUED BY THE EGYPTIAN SECURITIZATION COMPANY AND BACKED BY A PORTFOLIO ORIGINATED BY CORPLEASE S.A.E. (NINTH PORTFOLIO)**

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MERIS (Middle East Rating & Investors Service) has assigned the following ratings on the national scale to the multiple-tranche notes issued by the Egyptian Securitization Company S.A.E (Tenth Issue), and backed by a single pool of receivables, originated by Corplease (Ninth Portfolio), in the total value of EGP 3,432,535,093, as follows:

**Tranche A: “AA+” (sf)** to the EGP 576.20 million Senior Floating-Rate Notes, due in 13 months, representing 21.20% of the aggregate issue size, with a floating coupon equal to the CBE Corridor Lending rate + 0.15% p.a. payable monthly, currently 9.40% ;

**Tranche B: “AA” (sf)** to the EGP 1,277.12 million Subordinated Floating-Rate Notes, due in 37 months, representing 46.98% of the aggregate issue size, with a floating coupon equal to the CBE Corridor Lending rate + 0.30% p.a. payable monthly, currently 9.55%;

**Tranche C: “AA-” (sf)** to the EGP 702.50 million Subordinated Floating-Rate Notes, due in 61 months, representing 25.84% of the aggregate issue size, with a floating coupon equal to the CBE Corridor Lending rate + 0.60% p.a. payable monthly, currently 9.85%;

**Tranche D: “BBB” (sf)** to the EGP 162.50 million Junior Subordinated Floating-Rate Notes, due in 84 months, representing 5.98% of the aggregate issue size, with a floating coupon equal to the CBE Corridor Lending rate + 0.80% p.a. payable monthly, currently 10.05%.

The notes will be redeemed sequentially in order of seniority. All four classes will follow a pass-through amortization. The notes are callable starting from coupon number 14.

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. A “BBB” rating indicates **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.

Egyptian Securitization Company S.A.E. – a special purpose entity – was incorporated in Egypt in 2007 in accordance with the Capital Market Law 95/1992. The bond issue is backed by floating rate real estate, equipment and auto leasing receivables from large and medium-sized corporate entities domiciled in Egypt. The leasing receivables have been originated by Corplease between 2015 and 2020. The collateral portfolio comprises a static pool of 168 fully amortizing financial leasing contracts.

The ratings assigned to the notes are based on: (1) a credit assessment of the initial portfolio of underlying leasing receivables, which reflects the Originator's strict underwriting, collection and monitoring guidelines and procedures; (2) the level of protection provided to investors by the over-collateralization (net of expenses) in the amount of 1.65% of the aggregate notes size at the closing of the transaction, in addition to the structural subordination of tranches B, C and D to the more senior tranches, as well as an external credit support in the total size of 16.0% of

the initial bond balance represented by an LG in the size of 13.0% (EGP 353,381,600), and a liquidity reserve account in the size of 3.0% (EGP 81,549,600), where the liquidity reserve will be funded by the originator in the following month after closing the transaction; (3) the relatively high weighted average seasoning of 19 months of the securitized pool; (4) the availability of a back-up servicing agreement with Banque Misr (rated B2 by Moody's Investor Service, October 2020).

The ratings assigned by **MERIS** also takes into consideration the following limitations of the transaction: (1) lack of sufficient data available regarding historical arrears, default and recovery despite the not so short operating history of the Originator 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; mitigated, however, by the Originator's experienced management team and strict adherence to its underwriting policies and procedures, which assure a reasonable quality receivables pool, in addition to the Originator's well-known shareholders; (3) remarkably high individual obligor concentrations exhibited by the pool; (4) notably high share of relatively longer tenor contracts, which carry relatively higher credit risk due to the slower build-up of owner's equity, partially mitigated by the relatively high seasoning of the portfolio and reasonable loan to value ratio; (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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