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Press Release: Egyptian Securitization Company S.A.E. – Seventh Issue 2017-2025

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

MERIS (Middle East Rating & Investors Service) has reviewed and affirmed the following ratings on the national scale to the multiple-tranche notes issued by the Egyptian Securitization Company S.A.E.:

Tranche A: “AA+” (sf) to the EGP 54.9 million Senior Floating-Rate Notes, due in January 2019, representing 5.40% of the aggregate issue size, with a floating coupon equal to the 182-days T-Bills rate (net of tax) + 0.40% p.a. payable monthly, currently 16.38%;

Tranche B: “AA” (sf) to the EGP 405.4 million Mezzanine Subordinated Floating-Rate Notes, due in 36 months from the issuance date, representing 39.89% of the aggregate issue size, with a floating coupon equal to the 182-days T-Bills rate (net of tax) + 0.95% p.a. payable monthly, currently 16.93%;

Tranche C: “AA-” (sf) to the EGP 358.2 million Junior Subordinated Floating-Rate Notes, due in 60 months from the issuance date, representing 35.24% of the aggregate issue size, with a floating coupon equal to the 182-days T-Bills rate (net of tax) + 1.50% p.a. payable monthly, currently 17.48%;

Tranche D: “A” (sf) to the EGP 197.9 million Junior Subordinated Floating-Rate Notes, due in 84 months from the issuance date, representing 19.47% of the aggregate issue size, with a floating coupon equal to the 182-days T-Bills rate (net of tax) + 2.00% p.a. payable monthly, currently 17.98%.

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

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 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.

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 auto, equipment or real estate leasing receivables from large and medium-sized corporate entities domiciled in Egypt. The leasing receivables have been originated by CorpLease between 2013 and 2017. The collateral portfolio comprises a static pool of 123 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 0.3% of the aggregate notes size at the closing of the transaction, in addition to an irrevocable and unconditional bank letter of guarantee in the amount of 10% of the outstanding bond balance (EGP 101.7 million), as well as the structural subordination of tranches B, C and D to the more senior tranches; (3) the liquidity support in the form of a cash reserve account in the size of 3% of the outstanding aggregate notes balance, which was funded over the first eight months after closing and is adjusted on a monthly basis thereafter in accordance with the notes' amortization; (4) the relatively high seasoning of 15 months of the securitized pool at closing; (5) the experience of the Servicer and the

efficiency of its operating systems, in addition to the availability of a back-up servicing agreement with CIB (rated B2 by Moody's Investor Service, 2019).

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) high linkage between the ratings of Class D notes to the ratings of CIB, in its capacity as an external credit support provider, i.e. issuer of the bank letter of guarantee in the amount of EGP 101.7 million; (4) a 6-month mismatch period between any interest rate adjustments on the contracts and that of the notes; (5) remarkably high individual obligor concentrations exhibited by the pool, with the topmost obligor currently accounting for 20.5% of the principal outstanding portfolio balance; (6) 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; (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 will monitor the transaction on an on-going basis and will issue regular performance reports.

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