

Cairo, September 2021

Press Release: **El Taamir for Securitization Company S.A.E. – Fourth Issue 2020-2027**

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) AFFIRMS THE NATIONAL SCALE RATINGS (NSR) TO THE FOURTH ASEET-BACKED BOND ISSUED BY EL TAAMIR FOR SECURITIZATION COMPANY AND GUARANTEE BY THE MINISTRY OF FINANCE

MERIS (Middle East Rating & Investors Service) has reviewed and affirmed 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 10 billion**.

Tranche A: “AA+” (sf) to the EGP 2,478 million Subordinated Floating-Rate Notes, due in 36 months, representing 26% of the aggregate issue size, with a floating coupon equal to the 182-days T-Bills rate (net of tax) + 0.50% p.a. payable semi-annually, currently 10.90%

Tranche B: “AA-” (sf) to the EGP 6,200 million Subordinated Floating-Rate Notes, due in 60 months, representing 63% of the aggregate issue size, with a floating coupon equal to the 182-days T-Bills rate (net of tax) + 0.70% p.a. payable semi-annually, currently 11.10%; and is callable from the 14th month.

Tranche C: “A” (sf) to the EGP 1,200 million Junior Subordinated Floating-Rate Notes, due in 84 months, representing 12% of the aggregate issue size, with a floating coupon equal to the 182-days T-Bills rate (net of tax) + 0.80% p.a. payable semi-annually, currently 11.87%; and is callable from the 14th month.

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

All of the above ratings are considered investment grade on the National Rating Scale. 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 15.94 billion at the date of issuance. The receivables stem from 8 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 rating of the notes relies primarily on the government guarantee backing the transaction. The rating of the Asset-Backed Bond is also based on: (1) 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 four bank working days before the payment due date; (2) The level of protection available to the bondholders from the internal credit enhancement available

to the notes in the form of over-collateralization in the amount of 59.4% of the bond size at the onset of the transaction. (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 placed under bankruptcy.

The ratings assigned by **MERIS** also take into consideration the following weaknesses of the transaction: (1) The portfolio of receivables backing the bond stem from eight land sales contracts. Highly concentrated transactions carry significantly higher credit risk than well-diversified granular portfolios of receivables; (2) 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 (3) 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; (4) The notes carry a variable interest rate that to be reset every six months, however the securitized receivables have fixed installments. Thus, the transaction is exposed to interest rate risk, mitigated by the existence of the MoF guarantee; (5) 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; (6) Agreement enforceability risks, as well as the legal uncertainties related to an ongoing court case involving one of the securitized contracts as well as lack of ministerial decision related to another one, preventing the opening of the associated escrow account, however, this is mitigated by an undertakings issued by NUCA.

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

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