

Cairo, August 2021

Press Release: **Sarwa Securitization Company S.A.E. – 30th Issue 2019-2024**

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) AFFIRMS THE NATIONAL SCALE RATINGS (NSR) ASSIGNED TO THE 30th MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND ISSUED BY SARWA SECURITIZATION COMPANY

MERIS (Middle East Rating & Investors Service) has reviewed the performance of the 30th multiple-tranche asset backed securitization bond issued by **Sarwa Securitization Company S.A.E.** and has affirmed the following national scale ratings:

Tranche A: Redeemed in April 2020;

Tranche B: **“AA (sf)”** to the EGP 137.3 million Subordinated Fixed-Rate Notes due in October 2022*, representing 30.7% of the aggregate issue size, with a coupon of 15.41% p.a. payable monthly;

Tranche C: **“A (sf)”** to the EGP 310.0 million Junior Subordinated Fixed-Rate Notes due in August 2024*, representing 69.3% of the aggregate issue size, with a coupon of 15.91% p.a. payable monthly.

*The legal maturity dates have been extended as per the bondholders meeting held on April 23rd, 2020, where tranches B and C tenors have been extended by 6 months from their initial legal maturity date.

The notes are redeemed sequentially in order of seniority and follow a pass-through monthly 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 issuers. **“A”** rated issuers or issues are considered **Above Average** in 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 bond maturity. In **MERIS's** opinion, the transaction structure allows for timely payment of interest and ultimate repayment of principal with respect to the bond maturity.

Sarwa Securitization Company S.A.E. – a special purpose entity – was incorporated in Egypt in November 2005. The current notes are backed by fixed rate receivables arising from car sales contracts to customers domiciled in Egypt. The contracts have been initially co-originated by Contact Credit Credit (CCC) (38% of the principal outstanding balance at the closing date), Star Auto Credit (34%), Bavarian – Contact Car Trading (BCCT) (15%), Contact Egyptian International Motor Auto Credit (CEIM) (9%), Ezz El Arab-Contact Financial LLC (ECF) (3%) and Modern Finance (1%), at issuance date.

The ratings of the notes are based on: (1) a credit assessment of the initial portfolio of underlying auto receivables, which reflects the Originators' strict underwriting, collection and monitoring guidelines and procedures; (2) the level of protection provided to investors by the credit enhancements in the form of (i) over-collateralization in the amount of 0.01% net of expenses; (ii) subordinated administration fees in the amount of 2.5% p.a. of the principal outstanding balance of the portfolio that is available on a monthly basis and will be paid only if the collection account has sufficient funds to cover the liquidity reserve, default reserve, senior fees and expenses; and (iii) structural subordination of tranche C to the more senior tranche B; (3) the liquidity support in the form of a cash reserve account in the size of 3.8% of the outstanding aggregate notes balance, which was funded up front from the first month of collections and is adjusted on a monthly basis thereafter in accordance with the notes' amortization; (4) the availability of a default reserve account funded from the

overcollateral by setting aside 0.6% p.a. (0.05% monthly) from the previous month's beginning principal portfolio balance on a monthly basis; (5) the granularity of the pool (concentrations per client less than 0.3% of the total principal outstanding) as well as the pool's relative diversification in terms of car make and geographic distribution; (6) the relatively low weighted average loan-to-value ratio at origination (68.6%), which accelerates the build-up of owner's equity into the assets and hence increases the recovery potential in case of defaults; (7) the significant experience of the Servicer and efficiency of its operating systems as reflected in the low-default historical performance of the auto receivables originated by Contact Auto Credit; and (8) the availability of a contractually appointed back-up servicer.

The assigned ratings also take into consideration the following weaknesses of the transaction: (1) the generally greater uncertainty associated with unrated Originators, mitigated, however, by the Originators' experienced management team and strict adherence to their underwriting policies and procedures, which assure a high quality receivables pool; (2) no independent calculation agent for the subordinated administration fees, partially mitigated by the performance reports to be issued by the Custodian and verified by the Auditors within a month after the actual cash disbursement date; (3) Around 24% of the securitized receivables are related to used cars, which are associated with a greater probability of default, due to the relatively riskier credit profile of the buyers; nevertheless, the majority of the used cars included in the securitization portfolio are premium brands, which indicate high creditworthiness of the buyers; (4) limited support to Class B and C notes through the administration fee subordination; most useful during the life of class A notes due to the predetermined amortization schedule of the notes, in addition to the more sizeable amount of the subordinated fees during the first 13 months; (5) the existence of legal uncertainties, 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.

MERIS is monitoring the transaction on an on-going basis and issues regular performance reports.

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