

Cairo, August 2021

Press Release: Al Rehab Securitization Company - Sixth Issue 2018-2023

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) AFFIRMS THE NATIONAL SCALE RATINGS (NSR) OF THE SIXTH MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND ISSUED BY AL REHAB SECURITIZATION COMPANY AND ORIGINATED BY Abdul Latif Jameel Finance S.A.E (THIRD TRANSACTION)

MERIS (Middle East Rating & Investors Service) has reviewed the performance of the 6th multiple-tranche notes issued by Al Rehab Securitization Company S.A.E. and backed by a single pool of receivables, originated by Abdul Latif Jameel Finance S.A.E (Third Transaction) and has affirmed the following national scale ratings:

Tranche A: Redeemed in June 2019;

Tranche B: Redeemed in March 2021;

Tranche C: "A (sf)" to the Junior Subordinated Fixed-Rate Notes in the amount of EGP 30.45 million, with a coupon of 16.14% p.a. payable monthly, due 66* months after the issuance date, and callable from the 25th month.

*The bond's legal maturity date has been extended as per the bondholders meeting held on May 3rd, 2020, where tranches B and C tenors have been extended by 6 months from their initial legal maturity dates.

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. "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's structure allows for timely payment of interest and ultimate repayment of principal with respect to the bond maturity.

Al Rehab Securitization Company S.A.E. – a special purpose entity – was incorporated in Egypt in 2008 in accordance with the Capital Market Law 95/1992. The bond issue is backed by a portfolio of auto receivables, originated by Abdul Latif Jameel Finance S.A.E between 2013 and 2017. The installment sale contracts are concluded with clients domiciled in Egypt to finance the purchase of brand new (84%) and used (16%) passenger vehicles.

As of May 31st, 2021, the coupon and principal of the bond have been paid according to schedule. The bond issue is amortizing on a monthly basis, and it stands at EGP 30,450,000, equivalent to 89.5% redemption of the original balance. As of the same date, the asset pool backing the issue has been amortized at 87.9%, and equals EGP 47,013,153. The pool's delinquencies above 30 days are on the rise and currently overdue installments above 30 days stand at 13.4% of the pool outstanding balance, or 1.6% of the initial pool balance. It is worth noting that there are 56 clients transferred to the legal department, with a total overdue amount of EGP 2,239,264, corresponding to 4.8% of the outstanding portfolio amount. In view of the amortization of the bond and the reasonable performance of the receivables, there has been a buildup of credit enhancement (currently 94.3%) that is currently above the requirements for the ratings of the notes. To maintain the existing rating of the transaction, the balance of the default reserve account in the size of EGP 12,038,390 as of 31st May, 2021, can be released effective immediately. Thus, the total credit enhancements will reach 54.7% compared to 8.5% at the bond issuance date.

The assigned ratings are based on: (1) the level of protection provided to investors in the form of over-collateralization (net of expenses) in the amount of 94.3% of the outstanding bond size; (2) the liquidity support in the form of a cash reserve account currently in the size of 6.4% of the outstanding aggregate notes balance; (3) the default reserve account currently in the size of 39.5% of the outstanding notes balance; (4) the relatively low weighted average loan-to-value ratio at origination

(65.0%), which accelerates the build-up of owner's equity into the assets and hence increases the recovery potential in case of defaults; (5) the relatively high granularity of the pool with individual concentrations not exceeding 1.5% and the top 30 clients accounting collectively for 16.5% of the total principal outstanding balance; (6) all of the receivables are backed by post-dated cheques, which ensures timely payment of installments as bounced cheques constitute a criminal offence under the Egyptian law; (7) the experience of the Servicer, in addition to the availability of a back-up servicing agreement with CIB (CIB is rated B2 on a Global Scale by Moody's, June 2021).

The ratings assigned by **MERIS** also take into consideration the following limitations of the transaction: (1) limited data available regarding historical arrears, default and recovery through the full 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) lack of total loss insurance for 35% of the contracts, mitigated by the low loan to value ratio of the pool; (4) 16% of the securitized receivables are related to the sale of used cars, which are associated with a greater probability of default, due to the relatively riskier credit profile of the buyers; nevertheless overall impact of used cars on the probability of default is relatively insignificant in view of the small percentage; (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 is monitoring the transaction on an on-going basis and issues regular performance reports.

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