MERIS
Middle East Rating & Investors Service

Cairo, February 20th, 2018

Press Release: Al Rehab Securitization Company - Third Issue 2015-2020

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) AFFIRMS NATIONAL SCALE RATINGS (NSR) TO THE THIRD MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND ISSUED BY AL REHAB SECURITIZATION COMPANY AND ORIGINATED BY UNITED INTERNATIONAL TRADING COMPANY "ELMOBASHER" LLC

MERIS (Middle East Rating & Investors Service) has reviewed the performance of the 3rd multiple-tranche notes issued by Al Rehab Securitization Company S.A.E. and backed by a single pool of receivables, originated by United International Trading Company "elmobasher" LLC and has affirmed the following national scale ratings:

Tranche A: redeemed in December 2016.

Tranche B: **"AA (sf)"** to the Mezzanine Subordinated Fixed-Rate Notes in the amount of EGP 36.1 million, representing 56.9% of the outstanding aggregate issue size, with a coupon of 10.89% p.a. payable monthly and due 36 months after issuance date;

Tranche C: **"A (sf) "** to the Junior Subordinated Fixed-Rate Notes in the amount of EGP 27.4 million, representing 43.1% of the outstanding aggregate issue size, with a coupon of 11.49% p.a. payable monthly and due 60 months after issuance date;

The notes will be redeemed sequentially in order of seniority and will 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** 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 United International Trading Company "elmobasher," between 2010 and 2015. The installment sale contracts are concluded with clients domiciled in Egypt to finance the purchase of passenger (88%) and light commercial vehicles (12%) at the date of issuance.

As of the date of this press release, the coupon and principal of the bond have been paid according to schedule. The bond issue is amortizing on a monthly basis, and currently stands at EGP 63,512,912, equivalent to 65.2% redemption of the original balance. The asset pool backing the issue has been amortized at 73.8%, and currently equals EGP 58,215,489 as of November 30th, 2017. The pool's delinquencies above 30 days have been on the rise and currently overdue installments above 30 days stand at 1.76% of the pool outstanding balance, or 0.46% of the initial pool balance. It is worth noting that there are eleven clients transferred to the legal department, with a total overdue amount of EGP 262,037, corresponding to only 0.45% of the outstanding portfolio amount.

It is worth noting that the NPV of the portfolio receivables plus the accumulated cash reserve accounts over the NPV of the transactions cash outflows (senior and subordinated fees and expenses, coupon and principal) currently measures -2.6% of the bond outstanding balance. The negative over-collateral is due to two main reasons: i) lost interest payments of the prepaid contracts, since the bond issuance, amounting to EGP 3.3 million, as per elmobasher, where prepayments reached EGP 36.3 million as of November 30th, 2017; ii) increase in senior fees and expenses related to third parties. Nevertheless, this cash deficit is comfortably covered by the external credit support in the form of a Cash Reserve Account (time deposit in the name of the Bondholders) in the amount of EGP 11,271,848, representing 17.7% of the outstanding bond balance.

The assigned ratings are based on: (1) the level of protection provided to investors in the form of (i) a time deposit in favour of the bondholders in the amount of EGP 11,271,848, representing 17.7% of the of the outstanding bond size; (ii) the structural subordination of tranches B and C to the more senior tranches; (2) the liquidity support in the form of a cash reserve account in the size of 3.4% of the outstanding aggregate notes balance, which was funded from the pool collections and is adjusted on a monthly basis in accordance with the notes' amortization; (3) the relatively low weighted average loan-to-value ratio at origination (64.4%), which accelerates the build-up of owner's equity into the assets and hence increases the recovery potential in case of defaults; (4) the relatively high seasoning of 12 months of the securitized pool at the date of bond issuance; (5) the relatively high granularity of the pool with individual concentrations not exceeding 0.3% and the top 30 clients accounting collectively for 6.0% of the total principal outstanding balance; (6) all of the receivables are backed by post-dated checks, which ensures timely payment of installments as bounced checks/bills 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 B3 on a Global Scale by Moody's, 2017).

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) negative over-collateral in the size of -2.6%; (4) lack of total loss insurance for 36% of the contracts, mitigated by the low loan to value ratio and relatively high seasoning of the pool; (5) 2% 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 negligible in view of the small size; (6) 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.