

September 2021

Press Release: EFG Hermes Securitization Company – Second Program First Issue 2021-2022

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) ASSIGNS NATIONAL SCALE RATINGS(NSR) TO THE 1ST ASSET-BACKED SECURITIZATION UNDER THE SECOND PROGRAM ISSUED BY EFG HERMES SECURITIZATION COMPANY AND BACKED BY A PORTFOLIO OF RECEIVABLES ORIGINATED BY VALU CONSUMER FINANCE COMPANY S.A.E.

MERIS (Middle East Rating & Investors Service) has assigned the following ratings on the national scale to the 1st asset backed commercial paper originated by ValU Consumer Finance (ValU) and issued within the 2nd short-term securitization program by EFG Hermes Securitization Company S.A.E in the total size of EGP 2 billion:

“**P1 (sf)**” to the EGP 322,550,000 Asset Backed Short-Term Notes due in 12 months, with a coupon of 9.50% p.a. payable monthly starting from the 3rd month and callable from the 6th month (4th coupon);

The notes will follow a pass-through monthly amortization schedule, with the first payment scheduled three months after the issuance date.

The above rating is considered investment grade on the National Rating Scale. A “**Prime 1**” (**P1**) rated Issuers or issues have the strongest ability to repay their short-term debt obligations relative to other domestic issuers. 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.

EFG Hermes Securitization Company S.A.E. – a special purpose entity – was incorporated in Egypt in 2018. The notes are backed by a portfolio of consumer finance receivables stemming from purchases of goods and services on installments by ValU clients. The collateral portfolio originated by ValU comprises a static pool of 19,971 individual obligors. At issuance, the total outstanding receivables will amount to EGP 351,265,679 (net present value of the portfolio discounted at the notes coupon rate net of expenses).

The ratings of the notes are based on: (1) a credit assessment of the initial portfolio of underlying consumer finance receivables, which reflects the Originator's underwriting and servicing standards and procedures; (2) the level of protection provided to investors by the credit enhancements in the form of over-collateralization in the amount of 8.9% net of expenses; (3) the granularity of the pool (concentrations per client do not exceed 0.12% of the total principal outstanding); (4) the relatively high seasoning of the clients (weighted average seasoning of 17 months); (5) the receivables are backed by trust receipts, which provide an additional incentive for customers to pay their dues, as trust receipts can be used to file a criminal case against defaulted borrowers; (6) the experience of the Servicer and efficiency of its operating systems, despite its short operating history, as well as the support from its parent company EFG Hermes.

The assigned ratings also take into consideration the following weaknesses of the transaction: (1) limited time series 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) no clear segregation of the payments due to the securitization pool from the company's normal business cycle, resulting in a higher risk of commingling the securitization cash flows with the Originator's own funds from operations; (4) the trust receipts are issued for the initially approved credit limit and do not cover any subsequent limit increases; (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 will monitor the transaction on an on-going basis and will issue regular performance reports.

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