MERIS
Middle East Rating & Investors Service

Cairo, August 2025

Press Release: Capital for Securitization Company - 1st Program 2nd Issue 2021-2028

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) AFFIRMS THE NATIONAL SCALE RATINGS (NSR) TO THE SECOND MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND UNDER THE FIRST PROGRAM ISSUED BY CAPITAL FOR SECURITIZATION COMPANY AND ORIGINATED BY GB LEASE & FACTORING S.A.E.

MERIS (Middle East Rating & Investors Service) has reviewed and affirmed the national scale ratings to the multiple-tranche notes in the size of EGP 785,600,000 as of 30 June 2025 issued by Capital for Securitization Company S.A.E. (1st Program 2nd Issue) and backed by a portfolio originated by GB Lease & Factoring.

The annual rating review is based on the monthly performance reports issued by the Custodian as of 30 June 2025, the transaction review date, in addition to the updated cash flow model and securitized portfolio data as of the same date.

As of the transaction review date, the affirmed ratings are as follows:

Tranche A: Redeemed in January 2023;

Tranche B: Redeemed in December 2024;

Tranche C: "**AA-" (sf)** to the EGP 633.3 million Junior Subordinated Floating-Rate Notes, due in 60 months, representing 8.6% of the outstanding issue size, with a floating coupon equal to the CBE Corridor Lending Rate + 0.45% p.a. payable monthly. Tranche C is callable from the 14th month.

Tranche D: "**A" (sf)** to the EGP 152.3 million Junior Subordinated Floating-Rate Notes, due in 82 months, representing 19.4% of the outstanding issue size, with a floating coupon equal to the CBE Corridor Lending Rate + 0.60% p.a. payable monthly. Tranche D is callable from the 14th month.

The notes are redeemed sequentially in order of seniority. All four classes follow a pass-through amortization.

All of the above ratings are considered investment grade on the National Rating Scale. A "**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.

Capital for Securitization Company S.A.E. – a special purpose entity – was incorporated in Egypt in 2019 in accordance with the Capital Market Law 95/1992. The bond issue is backed by floating rate real estate, Auto leasing receivables from large, medium and small-sized corporate entities domiciled in Egypt. The leasing receivables have been originated by GB Lease & Factoring between 2015 and 2021. The collateral portfolio comprises a static pool of 16 fully amortizing financial leasing contracts.

In view of the amortization of the bond and the reasonable performance of the receivables, there has been a buildup of credit enhancement that is currently above the requirements for the ratings of the notes. To maintain the existing ratings of the transaction, the external credit enhancement in the form of a bank letter of guarantee can be adjusted downwards from the current level of EGP 400,000,000 to EGP 175,000,000 effective immediately.

The ratings assigned to the notes are based on: (1) a credit assessment of the initial portfolio of underlying leasing receivables, which reflects the Originator's reasonable underwriting, collection and monitoring guidelines and procedures; (2) the level of protection provided to investors by the credit support in the total size of 57.9% in the form of over-collateralization (net of expenses) in the amount of 0.04% of the outstanding notes size, in addition an unconditional bank letter of guarantee in the amount of 50.9% of the current bond size (EGP 400,000,000) and a liquidity reserve account in the size of 6.9% of the current bond size (EGP 54,471,982), as well as the structural subordination of the junior tranche to the more senior tranche; (3) the liquidity support in the form of a cash reserve account currently in the size of 6.9% of the outstanding aggregate notes balance, which was funded from the bond proceeds after closing; (4) the reasonable seasoning of 53 months of the securitized pool; (5) the experience of the Servicer and the efficiency of its operations, in addition to the availability of a back-up servicing agreement with Commercial International Bank (rated Caa1 by Moody's Ratings – 2025).

The ratings assigned by **MERIS** also take into consideration the following limitations of the transaction: (1) lack of sufficient data available regarding historical arrears, default and recovery over the economic cycle in the local market; (2) the generally greater uncertainty associated with unrated Originators, and the use of securitization proceeds to fund the Originator's operations; mitigated, however, by the Originator's experienced management team and adherence to its underwriting policies and procedures, which assure a reasonable quality receivables pool; (3) high linkage between the ratings of the more junior notes to the ratings of the external credit support provider, i.e. issuer of the bank letter of guarantee; (4) remarkably high individual obligor concentrations exhibited by the pool; (5) notably high share of relatively longer tenor contracts, which carry relatively higher credit risk due to the slower build-up of owner's equity, partially mitigated by the seasoning of the portfolio and adequate loan to value ratio; (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 monitors the transaction on an on-going basis and issues regular performance reports.

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