MERIS
Middle East Rating & Investors Service

Cairo, August 2025

Press Release: Capital Securitization Company – 4th Program 2nd Issue 2024-2026

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) AFFIRMS THE NATIONAL SCALE RATINGS (NSR) TO THE 2nd MULTIPLE-TRANCHE SECURITIZATION BOND UNDER THE 4th PROGRAM ISSUED BY CAPITAL SECURITIZATION COMPANY AND BACKED BY A PORTFOLIO OF RECEIVABLES ORIGINATED BY TASAHEEL FOR FINANCING COMPANY S.A.E.

MERIS (Middle East Rating & Investors Service) has reviewed and affirmed the national scale ratings to the 2nd multiple-tranche securitization bond under the 4th securitization program issued by Capital Securitization Company S.A.E. in the size of EGP 1,181,150,000 as of May 31, 2025.

The annual rating review is based on the monthly performance reports issued by the Custodian as of **31 May 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 November 2024;

Tranche B: Redeemed in February 2025;

Tranche C: Redeemed in May 2025;

Tranche D: "A-" (sf) to the EGP 567,150,000 Subordinated Floating-Rate Notes due in 18 months from issuance, representing 48.0% of the outstanding issue size, with a floating coupon equal to the CBE corridor lending rate* + 1.00% p.a. (currently 27.25%), payable monthly. Tranche D is non-callable;

Tranche E: "A-" (sf) to the EGP 366,000,000 Subordinated Floating-Rate Notes due in 24 months from issuance, representing 31.0% of the outstanding issue size, with a floating coupon equal to the CBE corridor lending rate* + 1.25% p.a. (currently 27.50%), payable monthly. Tranche E is non-callable;

Tranche F: "A-" (sf) to the EGP 248,000,000 Junior subordinated Floating-Rate Notes due in 32 months from issuance, representing 21.0% of the outstanding issue size, with a floating coupon equal to the CBE corridor lending rate* + 1.75% p.a. (currently 28.00%), payable monthly. Tranche F is non-callable.

* The reference rate, the CBE Lending Corridor, is subject to a cap of 30.25% and a floor of 26.25%.

The notes will be redeemed sequentially in order of seniority and will follow a pass-through monthly amortization schedule. The notes are non-callable.

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

Capital 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 fixed rate microfinance (72%) and SME loans (28%). The receivables have been originated by Tasaheel for Financing between October 2023 and December 2023. The collateral portfolio comprises a static pool of 43,535 loans.

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 409,917,000 to EGP 350,000,000 effective immediately.

The ratings of the notes are based on: (1) a credit assessment of the initial portfolio of underlying microfinance loans, which reflects the Originator's underwriting, collection and monitoring guidelines and procedures; (2) the level of protection provided to investors by the default reserve account (Letter of Guarantee) in the size of EGP 409,917,000 (34.7% of the current bond size), and the structural subordination of the junior tranches to the more senior tranches; (3) the granularity of the pool (concentrations per client less than 0.23% of the total principal outstanding); (4) the availability of a liquidity reserve, currently in the size of 5.4% of the outstanding notes' balance; (5) the receivables are backed by promissory notes covering the value of the microfinance loans; (6) the significant experience of the Servicer and efficiency of its operating systems, and (7) the availability of a contractually appointed back-up servicer.

The assigned ratings also take into consideration the following weaknesses of the transaction: (1) limited data available regarding historical arrears, default and recovery through the full economic cycle; (2) the promissory notes are undated, mitigated by the delegation by the borrowers to Tasaheel to fill in the missing data; this mechanism, however has not been tested in legal proceedings; (3) the ratings of the junior notes are highly dependent on the creditworthiness of the external credit support provider (Letter of Guarantee issuing bank). A material deterioration of the creditworthiness of the credit support provider will inevitably result in a downgrade of these notes; (4) negative internal credit support in the form of overcollateral (-9.7% of the outstanding bond balance) due to the overdue amounts in the size of 5.7% of the outstanding bond balance; (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 monitors the transaction on an on-going basis and issues regular performance reports.

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