MERIS
Middle East Rating & Investors Service

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Press Release: EFG Securitization Company –Fifth Program First Issue 2023-2026

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) AFFIRMS THE NATIONAL SCALE RATINGS (NSR) ASSIGNED TO THE 1st ASSET-BACKED SECURITIZATION UNDER THE FIFTH PROGRAM ISSUED BY EFG SECURITIZATION COMPANY AND BACKED BY A PORTFOLIO OF RECEIVABLES ORIGINATED BY U CONSUMER FINANCE COMPANY S.A.E.

MERIS (Middle East Rating & Investors Service) has reviewed and affirmed the national scale rating to the outstanding tranche of the 1st multiple-tranche asset backed securitization bond in the size of EGP 106,928,000 as of 30/06/2025, issued by EFG Securitization Company under its Fifth Program and backed by a single pool of consumer finance receivables originated by U Consumer Finance Company.

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.

Tranche A: Redeemed in June 2024;

Tranche B: "**A (sf)**" to the EGP 106,928,000 Subordinated Fixed-Rate Notes due in 36 months, June 2026, representing 22.4% of the initial tranche size, with a coupon of 20.10% p.a. payable monthly starting from the 3rd month, and callable from the 6th month (4th coupon).

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

The above ratings are considered investment grade on the National Rating Scale. An "**A**" rated issuers or issues are considered **Above Average** in Creditworthiness relative to other domestic issuers or issues. 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 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 U consumer finance clients. At issuance, the collateral portfolio originated by U Consumer Finance comprises a static pool of 156,776 consumer finance 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 the default reserve account can be released in full.

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 (i) over-collateralization in the amount of 61.7% net of expenses; (iii) availability of a default reserve account in the amount of EGP 51,896,021, representing 48.5% of the outstanding notes' balance; (3) the availability of a liquidity reserve account in the size of 3.6% of the outstanding notes' balance; (4) the granularity of the pool (concentrations per client do not exceed 0.24% of the total principal outstanding); (5) the relatively high seasoning of the clients (weighted average seasoning of 43 months with U Consumer Finance company); (6) the experience of the Servicer and efficiency of its operating systems, as well as the support from its parent company EFG Hermes; (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 time series data available regarding historical arrears, default and recovery through the full economic cycle; (2) 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; (3) the promissory notes are issued for the initially approved credit limit and do not cover any subsequent limit increases; (4) 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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