MERIS
Middle East Rating & Investors Service

Cairo, August 2026

Press Release: EFG Hermes for Securitization Company – 9th Program 1st Issue 2023-2030

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) AFFIRMS THE NATIONAL SCALE RATINGS (NSR) TO THE 9th PROGRAM 1st ISSUE MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND ISSUED BY EFG HERMES FOR SECURITIZATION COMPANY AND BACKED BY A PORTFOLIO OF REAL ESTATE RECEIVABLES ORIGINATED BY PALM HILLS DEVELOPMENT COMPANY AND ITS SUBSIDIARIES

MERIS (Middle East Rating & Investors Service) has reviewed and affirmed as of 30 June 2026 the national scale ratings to the multiple-tranche asset backed securitization bond in the total size of EGP 281,945,500 issued by EFG Hermes for Securitization Company S.A.E. (9th Program 1st Issue) and backed by a single pool of real estate receivables originated by Palm Hills Development Company and its subsidiaries.

The annual rating review is based on the monthly performance reports issued by the Custodian as of **30 June 2026, 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 August 2024;

Tranche B: Redeemed in June 2026;

Tranche C: "**A (sf)**" to the EGP 281.9 million Subordinated Fixed-Rate Notes due in 84 months after issuance, representing 98.6% of the initial tranche size, with a coupon of 20.15% p.a. payable quarterly during the lifetime of Tranche A and monthly thereafter; Tranche C is callable starting from the 5th coupon payment.

The notes are redeemed sequentially in order of seniority and follow a pass-through amortization schedule on a monthly basis with the exception of Tranche A, which is amortized quarterly.

The above rating is 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.

EFG Hermes for Securitization Company S.A.E. – a special purpose entity – was incorporated in Egypt in June 2008. The current notes are backed by a static pool of real estate receivables arising from installment sale contracts related to 183 residential units located in 9 of the Originator's real estate development projects (Golf Extension, the Crown, North Coast Hacienda Bay 1, Woodville, October Palm Park, Palm Valley, Capital Gardens, Katameya and North Coast Hacienda White 2).

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 rating of the transaction, the external credit enhancement in the form of an unconditional and irrevocable letter of guarantee can be adjusted downwards from the current size of EGP 74,958,447 to EGP 56,218,835 effective immediately.

The ratings of the notes are based on: (1) the level of protection provided to investors by the credit enhancements in the form of (i) over-collateralization in the amount of 7.56% net of expenses; (ii) availability of a default reserve account (Letter of Guarantee/Cash Reserve) in the amount of EGP 74,958,447 representing 26.59% of the current notes' balance; (2) the liquidity support in the form of a cash reserve account, currently in the size of 3.6% of the notes' outstanding balance; (3) the additional level of protection stemming from the fact that all of the receivables are backed by post-dated cheques, which is considered an incentive for timely payment of the installments as a bounced cheque constitutes a criminal offence under the Egyptian law; (4) the reasonable geographic diversification of the portfolio including units across 9 projects, set in three different geographic locations across Egypt, (5) the portfolio comprises mostly first home units (77% of the outstanding principal balance), with holiday homes accounting for only 23%. **MERIS** considers holiday homes to be a riskier type of asset relative to primary homes, (6) the pool has a reasonable weighted average loan-to-value (LTV) ratio (36.8% of the original purchase price); 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) the lack of relevant and consistent time series data regarding historical arrears, default and recovery rates related to real estate receivables through the economic cycle; (2) small size of the pool, with notably high individual obligor concentrations, with the top 20 obligors accounting for 42.7% of the portfolio; (3) no security interest in the underlying properties for the benefit of the note holders, and hence no direct recourse over the properties; (4) 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; (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 is monitoring the transaction on an on-going basis and issuing regular performance reports.

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