MERIS
Middle East Rating & Investors Service

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Press Release: EFG Hermes Securitization Company – 8th Program 1st Issue 2023-2029

MERIS (MIDDLE EAST RATING & INVESTORS SERVICE) AFFIRMS THE NATIONAL SCALE RATINGS (NSR) TO THE FIRST MULTIPLE-TRANCHE ASSET-BACKED SECURITIZATION BOND ISSUED BY EFG HERMES SECURITIZATION COMPANY UNDER ITS EIGHTH PROGRAM AND ORIGINATED BY THE EGYPTIAN MORTGAGE REFINANCE COMPANY

MERIS (Middle East Rating & Investors Service) has reviewed and affirmed as of 31 July 2026 the national scale ratings to the multiple-tranche notes in the total size of EGP 234,268,000, issued by EFG Hermes Securitization Company S.A.E (8th Program 1st Issue), and backed by a single pool of receivables, originated by the Egyptian Mortgage Refinance Company SAE.

The annual rating review is based on the monthly performance reports issued by the Custodian as of **31 July 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:

Class A Notes: Redeemed as of October 2024;

Class B Notes: "AA" (sf) to the EGP 21,868,000 Subordinated Floating-Rate Notes, due in 36 months after issuance, representing 9.3% of the outstanding aggregate issue size, with a coupon equal to the CBE Corridor Lending rate + 0.50% p.a. payable quarterly during the first 13 months and monthly thereafter. The notes follow a monthly pass-through amortization structure and are callable starting from the 14th month after the issuance date.

Class C Notes: **"A" (sf)** to the EGP 212,400,000 Junior Subordinated Floating-Rate Notes, due in 69 months after issuance, representing 90.7% of the outstanding aggregate issue size, with a coupon equal to the CBE Corridor Lending rate + 0.70% p.a. payable quarterly during the first 13 months and monthly thereafter. The notes will follow a monthly pass-through amortization structure and are callable starting from the 14th month after the issuance date.

The notes are redeemed sequentially in order of seniority.

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 issue is considered of **Above Average** Creditworthiness relative to other domestic 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.

EFG Hermes Securitization Company (CSC) S.A.E. – a special purpose entity – was incorporated in Egypt in 2008 in accordance with the Capital Market Authority (CMA) Law 95/1992. The bond issue is backed by real estate receivables from individual clients domiciled in Egypt, related to the purchase of real estate units from the Arab Company for Projects and Urban Development (a subsidiary of TMG Holding, one of the leading real estate developers in Egypt). The portfolio was acquired fully by Bedaya Mortgage Finance and refinanced by the Egyptian Mortgage Refinance Company. The collateral portfolio currently comprises a static pool of 199 fully amortizing 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 Letter of Guarantee can be adjusted downwards from EGP 102,471,200 to EGP 61,500,000 effective immediately.

The ratings assigned to the notes are based on: (1) the level of protection provided to investors by (a) the over-collateralization (net of expenses) currently in the amount of 2.3% of the outstanding notes size; (b) the structural subordination of the junior tranche to the more senior one; (c) an external credit support (default reserve), currently in the size of 43.7% of the outstanding bond balance represented by an unconditional and irrevocable letter of guarantee in the size EGP 102,471,200; (2) the liquidity reserve account currently in the size of 3.8% of the outstanding bond size; (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 weighted average current loan-to-value (LTV) ratio of 24.6% of the securitized portfolio; (5) the availability of a contractually appointed back-up servicer.

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; (2) the generally greater uncertainty associated with unrated Originators, and the use of securitization proceeds to fund the Originator's growing phase; (3) remarkably high single obligor concentrations exhibited by the pool; (4) notably high share of relatively longer original tenor contracts, which carry relatively higher credit risk due to the slower buildup of owner's equity; (5) unlike the more senior notes, the ratings of the more junior notes are highly dependent on the ratings of the external credit support provider (Letter of Guarantee issuing bank); (6) no security interest in the underlying properties for the benefit of the note holders, and hence no direct recourse over the properties; (7) 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 is monitoring the transaction on an on-going basis and issuing regular performance reports.

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