

STRUCTURED FINANCE

New Issue Report

Sarwa Securitization Company S.A.E. – 11th Issue 2014-2019 (Real Estate Receivables Pool Originated by Amer Group Companies)

Real Estate Receivables/Egypt

This report addresses the structure and characteristics of the transaction based on the information provided to MERIS by the Originator as of Sept. 2014. The ratings address the expected loss posed to investors by the final maturity of the notes. In MERIS opinion the structure allows for timely payment of interest and ultimate repayment of principal at par on or before the final maturity date. MERIS ratings address only the credit risk associated with the transaction. Other non-credit risks have not been addressed, but may have a significant effect on yield to investors.

POOL CLOSING DATE:

October 1, 2014

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DEFINITIVE RATINGS

Class	Description	Amount (EGP mn)	% of Notes	Expected Maturity	Fixed Coupon (%)	Coupon Frequency	Rating
A	Senior	118	58.7%	Jan-16	10.23%	Quarterly	AA+ (sf)
B	Subordinated	83	41.3%	Feb-19	11.53%	Monthly*	A (sf)
Total		201					

*Coupon of Class B notes will be paid quarterly during the first 13 months and monthly thereafter.

OPINION

This is the 11th asset-backed bond issued by Sarwa Securitization Company S.A.E. (SSC) and the first securitization of real estate receivables in the Egyptian market originated by Amer Group, one of the leading real estate developers in Egypt. The pool of receivables has been originated by three companies, Delmar Tourism Development, Delmar Real Estate, and Tropi 2, which are all part of AMER Holding Company. The bond issue is EGP 201,000,000 and is backed by 484 installment-sale contracts (EGP 215,484,411 outstanding receivable balance on the closing date of the transaction¹) related to 390 residential and 94 commercial units located in one of four projects owned by AMER Group – Porto Soukhna, Porto Marina, Golf Marina and Porto Cairo Mall. The contracts have been written over the period between March 2009 and December 2013 and as of the issuance date all the properties are fully constructed and delivered to the buyers.

Strengths of the Transaction

- The credit enhancement available to the notes comes in the form of (i) over-collateralization in the amount of 4.35% net of expenses; (ii) subordination of tranche B to the senior tranche A; (iii) availability of a default reserve account (Letter of Guarantee issued by Arab African International Bank) in the amount of EGP 22,110,000 representing 11% of the original notes' balance.
- Additional credit support is provided through credit insurance for 90% coverage on the individual sale by installment contracts provided by the government owned Misr Insurance Company (not rated). The credit insurance covers the risk of non-payment of any of the individual property buyers.

¹ Net present value of the total receivables portfolio discounted at the notes' weighted average coupon rate. The total value of the pool before discounting equals EGP 232,490,866.

- The notes also benefit from a liquidity reserve account in the amount of 5% of the notes' initial balance, which is sized to cover approximately 6 months of coupon and senior fees. The liquidity buffer will be built up after closing from the first months' cash inflows until it reaches the target level and adjusted on a monthly basis thereafter in accordance with the notes' amortization.
- The notes are backed by a static amortizing pool of receivables with no balloon payments.
- The receivables are related to the sale of newly constructed residential (90% of total outstanding receivables) and commercial properties (10% of total portfolio) located in four of AMER Group's new projects – Porto Cairo Mall, Porto Soukhna, Porto Marina and Golf Marina. All the units are fully constructed and delivered to their owners.
- The pool has a relatively low weighted average loan-to-value (LTV) ratio (57% of the original purchase price). The low LTV ratio accelerates the build-up of owner's equity into the properties and hence minimizes the buyers' propensity to default, while at the same time increasing the recovery potential in case of default.
- All of the receivables are backed by post-dated cheques. This is an incentive to ensure timely payment of installments as a bounced cheque constitutes a criminal offence under the Egyptian law.
- Contractual appointment of CIB (the Custodian) as a back-up servicer to the transaction. As a Custodian, CIB has access to the Servicer's systems and database and follows up daily on the performance of the pool. **MERIS** believes that the daily involvement of CIB in the performance of the pool will ensure a smooth and speedy transfer of the Servicer's role to CIB in the event of Servicer's bankruptcy. CIB's ability to serve as a back-up servicer of the transaction is also supported by its solid experience in servicing a large number of corporate and retail clients in Egypt.

Weaknesses of the Transaction

- Due to the relatively small size of the pool, the latter exhibits notably high individual obligor concentrations, with the top 20 obligors accounting for 23% of the portfolio. **MERIS** has factored this feature in the quantitative analysis of the transaction.
- There is no relevant and consistent historical data tracking the performance of the receivables provided to **MERIS**. Furthermore, there is lack of relevant and consistent time series data across market participants regarding historical arrears, default and recovery rates through the economic cycle.
- There is no security interest in the underlying properties for the benefit of the note holders, and thus there is no direct recourse over the properties. Partially mitigated by the recovery mechanism in place which envisages reselling the units of cancelled contracts by the Originator/Servicer. The sales proceeds thereof will be channeled firstly through the SPV in order to cover any outstanding amounts to the note holders under the terminated contract. **MERIS** notes, however, that the recovery mechanism is not bankruptcy remote, as it involves significant linkages to the Originator.

- Unlike class A notes, the ratings of class B notes are highly dependent on the creditworthiness of the external credit support provider (L/G issuing bank). A material deterioration of the creditworthiness of the credit support provider will inevitably result in a downgrade of these notes.
- The portfolio is relatively young with 70% of the receivables having seasoning below 12 months (weighted average seasoning of 11 months).
- The collection process followed by the Originators has been somewhat lenient and too customer friendly, which has resulted in significant delays of the company's receivables. This will be mitigated by the strict control and follow up by the Custodian, as well as the credit insurance for each individual client and the resale mechanism in place.
- It is worth noting that the credit insurance is a newly-introduced product in the Egyptian market, which has not been tested extensively in practice.
- The transaction relies on key legal concepts that remain largely untested in judicial proceedings or in practice in Egypt. **MERIS** took comfort from the legal opinion provided by the transaction's legal advisor on issues such as true sale, separateness of accounts, commingling and consolidation risk and concluded that the legal risks were consistent with the assigned ratings.

STRUCTURE SUMMARY (see page 4-5 for more details)

Amount Rated:	EGP 201,000,000
Issuer:	Sarwa Securitization Company S.A.E.
Seller (s) /Originator (s):	Delmar Tourism Development, Delmar Real Estate, and Tropi 2
Servicer:	Delmar Tourism Development, Delmar Real Estate, and Tropi 2
Back-up Servicer:	Commercial International Bank (CIB) (LT Deposit Rating "Caa1" and Financial Strength Rating "E" by Moody's Investor Service)
Custodian:	CIB
Financial Adviser:	Sarwa Capital
Arrangers and Underwriters:	EFG Hermes & Banque Misr
Structure type:	Senior Subordinated Structure, Tranche A: Predetermined amortization; Tranche B: Pass-Through amortization
Credit Support:	<ul style="list-style-type: none">• 4.35% over collateralization (net of expenses);• Subordination of tranche B to the senior tranche A;• Default cash reserve account for 11% of the note's initial size (through an irrevocable and unconditional Letter of Guarantee issued by Arab African International Bank);• Credit insurance by Misr Insurance for each individual sale by installment contract covering 90% of any uncollected installments.

COLLATERAL SUMMARY (see page 8 for more details)

Receivables:	Installment-sale contracts for the purchase of newly built properties.
Initial Pool Balance (as of 01/10/14):	EGP 232,490,866
Number of Contracts:	484 fully amortizing contracts
Number of Clients:	465
Type of Properties*:	90% residential, 10% commercial
Type of Clients*:	100% individuals
Avg Current Contract Size:	EGP 480,353
Avg Current Client Exposure:	EGP 499,980
WA Seasoning:	11 months
WA Remaining Maturity:	19 months
WA Original Tenor:	30 months
WA LTV (Original Price):	57.2%

* Percentage calculated is based on the total outstanding balance of the receivables.

CREDIT SUPPORT

Class	Subordination	Over collateralization	External Support (L/G or Cash Reserve)
A	41%	4.35%	Default reserve account in the size of 11% of the initial notes' balance (L/G issued by AAIB);
B	None		

TRANSACTION SUMMARY

This is the 1st real estate receivables securitization issued by Sarwa Securitization Company and the first of its kind in the Egyptian market. The portfolio of real estate receivables has been originated by Amer Group, one of the prominent real estate developers in Egypt. The securitized assets represent a static pool of real estate receivables stemming from the sale of newly constructed residential (90%) and commercial (10%) properties to individual customers. The installment-sale contracts have been originated over the period between March 2009 and December 2013 by three wholly-owned subsidiaries of Amer Holding Company, namely Delmar for Real Estate Development, Delmar for Tourism Development, and Tropi 2 for Tourism Development. As of the issuance date, all of the units have been fully constructed and delivered to the final buyers.

At closing of this transaction, the Originators will transfer to the Issuer the securitized assets, i.e. the outstanding monetary receivables related to the purchase price of properties. In order to finance the purchase of the securitized assets, the Issuer, Sarwa Securitization Company (SSC), will issue two classes of notes with different maturities suited to the needs of various investors. The notes' aggregate amount equals the net present value of the portfolio (the NPV of the portfolio is calculated by using the notes' weighted average coupon rate as the discount rate) less the net present value of the transaction senior fees and expenses and over-collateralization. The notes will be paying a fixed coupon of 10.23% and 11.53% in order of seniority. The coupons of both tranches will be paid quarterly during the first 13 months and monthly thereafter. Class B notes will be callable starting from February 2016, following the repayment of Tranche A. Tranche A will follow a predetermined amortization structure, whereas Tranche B will follow a pass-through amortization structure. The liquidity risk will be mitigated by building up and maintaining a cash reserve account in the amount of 5% of the outstanding notes' balance, that is sized to cover at all times 6 months of senior fees and coupon payments. Additional liquidity will be available through the credit support available to the transaction in the form of (i) over-collateralization of 4.35% net of expenses, (ii) an irrevocable and unconditional bank guarantee issued by Arab African International Bank in the size of 11% of the notes' initial balance (EGP 22,110,000) to cover any shortfall in senior fees and expenses, coupon and/or principal redemption of the notes, as well as (iii) the subordination of class B notes to class A notes.

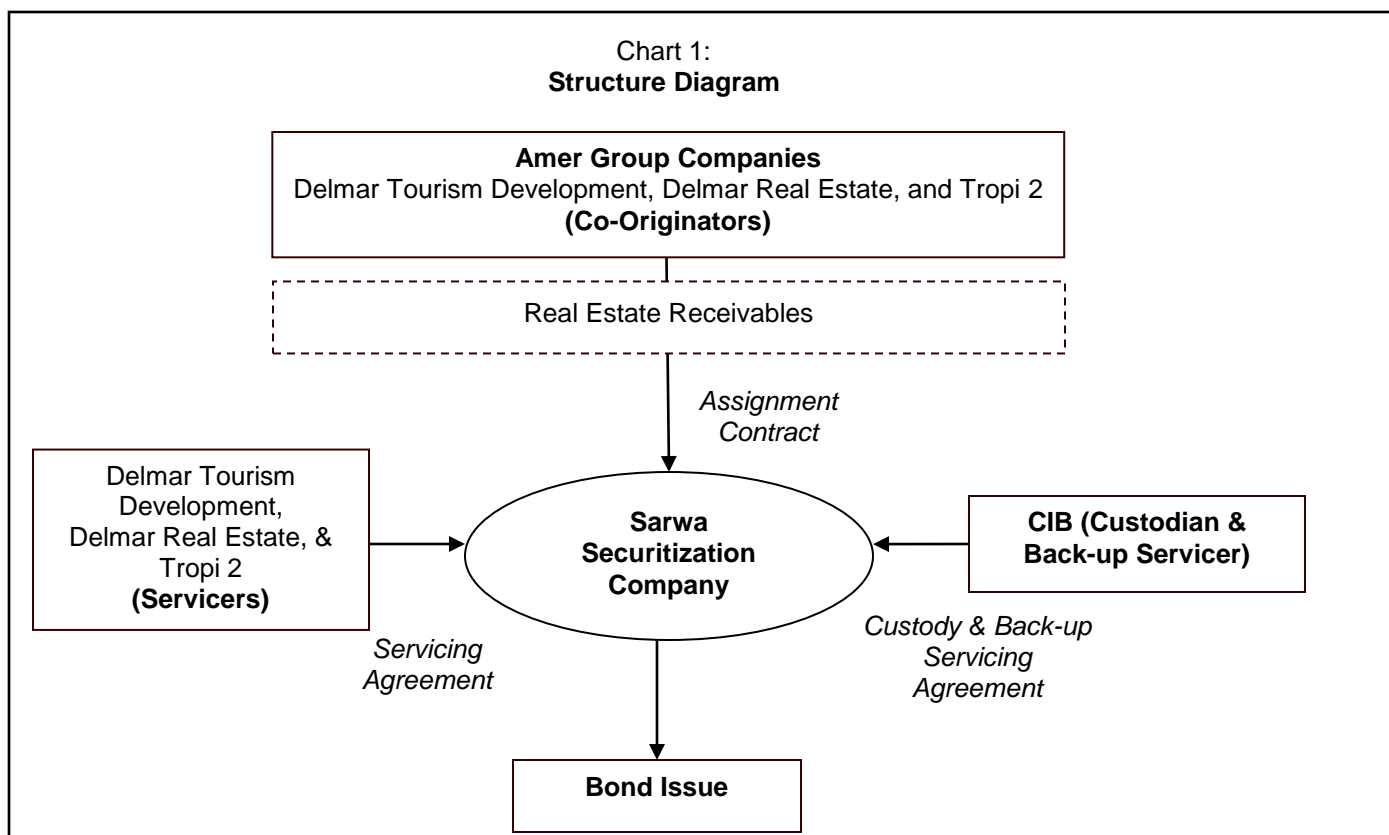
On the closing date, the 3 originators will entrust their pools of receivables to the Custodian. The combined portfolio is non-revolving (static) and amortizing. All of the receivables are backed by cheques, which will be endorsed in favour of the Issuer and transferred to the Custodian. The Custodian will be responsible for collecting the cheques from the clients and depositing the amounts immediately to the accounts of the Issuer, thus effectively mitigating the risk of commingling the transaction's funds with the Servicers' own funds. Furthermore, the Custodian will produce daily collection reports to be dispatched to the Servicers, showing any bounced cheques. Uncollected cheques will then be picked up by the respective Servicer after 5 business days from the due date, and any collected amounts by the Servicer will be deposited immediately (within a maximum of three days) to the account of the Issuer with the Custodian.

STRUCTURAL AND LEGAL ASPECTS

Securitization is structured to isolate the receivables from the insolvency risks of the originator(s)/seller(s). This is done by the originator(s)/seller(s) transferring the installment-sale contracts by means of true sale to a bankruptcy-remote special purpose entity, which will ultimately issue the notes to the investors. Under the structure – please refer to the following diagram – the originators of the receivables sell and assign all their rights and benefits in the receivables to Sarwa Securitization Company, a special purpose bankruptcy remote shareholding company, the Issuer. **MERIS** has received a legal opinion stating that the sale of the receivables from the originator to the Issuer (based on an Assignment Contract dated 1/10/2014) constitutes a true sale.

It is worth noting that the underlying physical assets, the properties themselves, are not assigned to the SPV. The current structure, however, envisages that in case a contract is cancelled whether voluntarily or due to default of a client, and following the failure of the Servicer to resell the property within a designated period of time (90 days) from the due date, the SPV will obtain an irrevocable power of attorney from the Originators authorizing it to resell the unit for which its contract is being terminated. Sarwa Securitization will be responsible for appointing and dealing with a real estate brokerage firm in order to sell the unit in the secondary market. The sale proceeds will then be first applied to settle any uncollected amounts under the cancelled contract, and any excess funds thereof will be returned to the Originators.

Chart 1:
Structure Diagram



* A true sale according to the Capital Market Law 95/92 and its directives.

Collections, Commingling Risk and Separateness of Accounts

According to the Servicing Agreement (between Sarwa Securitization Co. and the three co-origins, signed on 1/10/2014) and the Custody Agreement (between SSC and CIB, signed on 1/10/2014), the periodic installments related to each of the 484 individual installment-sale contracts in the pool will be collected by the Custodian, who will be responsible for collecting the cheques on their due dates. All of the regular installments are backed by cheques issued from the buyers' bank accounts across Egypt. Cheque collections will then be deposited immediately to the accounts of the Issuer with the Custodian for the benefit of the bondholders, thus circumventing completely the accounts of the Servicers. The Custodian will generate daily collection reports to be dispatched to the Servicers, showing any bounced cheques. Uncollected cheques will then be picked up by the respective Servicer within 5 business days from the due date, and any amounts collected by the Servicer will be deposited immediately (within maximum 3 business days) to the account of the Issuer with the Custodian. **MERIS** believes that the mechanism for cheque collections by the Custodian and the limited role of the Servicers in handling only bounced cheques mitigates significantly the risk of commingling the funds collected by the Servicer on behalf of the SPV with its own funds. In addition, the opinion furnished by the legal advisor regarding commingling risk states that funds collected by the Servicer on the securitized assets are the property of the bondholders and cannot be subject to claims by the Servicer's creditors if trapped in the Servicer's bankruptcy estate.

In accordance with the Capital Market Law requirements, the Custodian will maintain six separate accounts: (1) an account for bond amortization; (2) an account for coupon payments; (3) an account for reinvesting any surplus cash; (4) an account for collections; (5) a liquidity reserve account, and (6) default reserve account. Transactions on these accounts have to take place based on written instructions from the Issuer. On the due dates, the Custodian will pay the senior servicing fees and the coupons related to the two classes of notes, and the remaining cash will be applied towards replenishing the reserve account and principal amortization of the notes in accordance with the specified cash waterfall.

The Issuer: Sarwa Securitization Company (SSC)

SSC, previously known as Contact Securitization Co., was established as a shareholding company on 8/11/2005 according to CMA Law 95/1992 (Commercial register No. 17199 Giza). The company's shareholding structure is as follows:

Shareholders	# of Shares	EGP	% Ownership
Egyptian International Co. for Trade & Investments L.L.C	40,500	4,050,000	81%
Contact Auto Credit S.A.E	9,000	900,000	18%
Bavarian Contact Car Trading S.A.E	500	50,000	1%
Total	50,000	5,000,000	100%

It is worth noting that the Originators do not have any ownership stake in the Issuer and therefore the transaction is in compliance with the CMA Law 95/1992, which imposes a ceiling of 20% on the Originators' ownership in the Issuer. Thus, the transaction does not run the risk involuntary/substantive consolidation between the Originators and the Issuer in case of the Originators' bankruptcy. In addition, **MERIS** took comfort from the legal opinion addressing this issue, which rules out the possibility of consolidation and reaffirms the isolation of the securitized pool from the creditors of the Originator. According to the legal opinion and referring to the Egyptian Capital Market Law no. 95 of year 1992, the rights associated with the issued notes belong exclusively to the bondholder.

Credit Enhancements:

1) Internal Credit Support

- a. **Over-collateralization:** The assets backing the securities amount to EGP 215,484,411, representing the net present value of the total outstanding receivables (modeled at 0% default and 0% prepayment) stemming from the securitized installment-sale contracts discounted at the bond weighted average coupon rate. The assets will be purchased at a discount of 6.7% by the Issuer, creating an over collateralization of EGP 14.5 million at the beginning of the transaction. However, it is worth noting that a significant part of the over-collateral will be used to cover the transaction expenses with an estimated NPV of EGP 5.7 million. Thus, the transaction is left with only 4.35% of over collateralization net of expenses that could be used to provide pure credit support. It is worth mentioning that the above estimate does not take into account any reinvestment income.
- b. **Tranche Subordination:** Given the sequential senior subordinated structure of the transaction, the senior tranche benefits from the subordination of the more junior tranche, by a total of 41%.
- c. **Liquidity Reserve Account:** The Originator will also establish a cash reserve account in the initial size of 5% of the outstanding aggregate notes balance that is to be funded from the bond's proceeds at the transaction closing date. Any amounts used will be replenished immediately from the following month's cash collections. The cash reserve is sized to provide liquidity support to the transaction by roughly covering 6 months of senior fees and coupon payments at any given month.

2) External Credit Support

- a. **Default Reserve Account:** The Originator will provide 11% of the notes' initial aggregate size (EGP 22.11 million) of reserve cover by means of an irrevocable and unconditional letter of guarantee issued by Arab African International Bank. The reserve funds will be available until the final maturity of the notes to cover any shortfall in principal due to the bondholders as a result of eventual defaults related to the securitized contracts (credit support), as well as to provide liquidity support if needed. **MERIS** notes that unlike Tranche A, the rating of Tranche B notes is highly linked to this external credit support, and therefore any material deterioration in the creditworthiness of the L/G issuing bank will inevitably result in a rating downgrade of these notes.
- b. **Credit Insurance:** All individual sale by installment contracts will be insured against the risk of nonpayment with Misr Insurance Company (not rated). The insurance policy will cover 90% of the due and uncollected amount and will be triggered after one overdue installment.

Priority of Payments

Allocation of the collections from the securitized contracts will be applied in the following order of priority:

1. Cash Reserve Account to be maintained at 5% of the outstanding aggregate notes' balance. Any used amounts will be replenished in the following month.
2. Senior transaction fees and expenses, such as servicing, custody, listing, rating, advertising fees, etc.
3. Coupon of class A and class B notes – quarterly during the first 13 months, and monthly thereafter.
4. Principal amortization of the most senior outstanding tranche, whereby Tranche A will follow a predetermined quarterly amortization schedule. Tranche B will follow a monthly pass through amortization schedule, in which the amount of principal amortization in any given month will equal the current month cash inflows less the amounts under (1), (2), and (3) above.

Given the sequential senior subordinated structure of the transaction, Class B note holders will only start receiving principal repayments after the full amortization of Class A notes (no later than 13 months after the transaction close). Class B note holders are to be fully repaid within 51 months from the notes' issuance date.

COLLATERAL (See Appendix I for more details)

The portfolio consists of a static pool of real estate receivables stemming from the sale of newly constructed second home residential (90%) and commercial (10%) properties to individual customers. The installment-sale contracts have been originated by three fully owned subsidiary of AMER Holding Company over the period between March 2009 and December 2013. As of the issuance date, all of the units have been fully constructed and delivered to the final buyers. All of the contracts relate to sales of properties in one of the following projects: Porto Marina, Golf Marina, Porto Soukhna (Waterfront, Villas, Pyramids, Panorama, Hawaiian Beach, Hanging Garden, Bahama Bay) or Porto Cairo Mall. Porto Marina and Golf Marina collectively account for 68% of the total portfolio, which presents significant geographic concentration.

The maximum original maturity of the contracts in the securitization pool is 60 months, however the weighted average original maturity is 30 months, given that majority of contracts have tenors between 2 to 3 years. The weighted average seasoning of the portfolio is 11 months, and the remaining term to maturity is 19 months.

It is worth mentioning that all of the receivables/periodic installments are backed by post-dated cheques, which provide an additional incentive for timely payment by the obligors, given that bounced cheques constitute a criminal offense under the Egyptian law. The table below summarizes the key characteristics of the collateral portfolio. A detailed analysis of the pool is included in Appendix I at the end of the report.

	Amount	% Total
Number of Clients:	465	
Number of Contracts/Properties:	484	
Original Balance:	EGP 526,706,146	
Current Balance:	EGP 232,490,866	
Avg current balance per client:	EGP 499,980	
Avg current contract balance:	EGP 480,353	
WA Current LTV	57.2%	
WA Seasoning (months):	11	
WA Remaining Term (months):	19	
Top obligor:	EGP 7,244,600	3.1%
Top 10 obligors:	EGP 33,272,906	14.3%
Top 20 obligors:	EGP 52,834,066	22.7%

Low Loan to Value Profile

As per the company's policy, the contracts become valid upon successfully collecting the initial downpayment of 10%, along with a full set of duly signed personal cheques covering all future installments. The average amortization of the pool at the closing date equals 51% of the original value. The portfolio's weighted average current LTV equals 58.5%. Low LTV contracts carry relatively lower credit risk due to the already significant owner's equity accumulated in the property value.

Relatively Young Pool

The collateral portfolio is relatively young with 70% of the receivables having seasoning of less than 12 months. With a weighted average seasoning of 11 months, most of the clients in the portfolio have not been tried and tested over a reasonably long period of time, especially in view of the fact that most clients are paying on quarterly installments. However, it is worth mentioning that most of the contracts mature within 2-3 years from origination, and therefore the remaining term to maturity, which is currently 19 months, is also relatively short.

High Obligor Concentration

The portfolio is relatively small and due to the nature of the underlying assets and existence of repeated clients, the average client outstanding balance is considerably high. Thus, the pool exhibits notably high individual obligor concentrations, with the topmost obligor accounting for 3.1% of the current portfolio balance, the top 10 – for 14.3%, and the top 20 - for 22.7%. One of the projects (Porto Cairo Mall) includes commercial units (retail shops), which are sold to a individual investors. Given the higher selling price of commercial properties, their buyers are naturally among the top clients in the portfolio. It is worth noting that the concentration of the portfolio increases overtime. The table below shows the expected evolution of the concentration level of the portfolio based on the contractual amortization schedule of the receivables.

Portfolio Concentration	Sept-14	Sept-15	Sept-16	Sept-17	Sept-18
Top 10 Clients	14%	20%	53%	86%	100%
Top 20 Clients	23%	30%	68%	100%	
Top 30 Clients	29%	37%	78%		
Top 50 Clients	38%	47%	91%		
Top 80 Clients	49%	59%	100%		
Top 100 Clients	55%	65%			
Total Number of Clients	484	334	85	20	4

High Geographic Concentration

The portfolio is highly concentrated, as 68% of its receivables are related to its Porto Marina and Golf Marina projects in the North Coast. **MERIS** views negatively the lack of geographic diversification, which might expose investors to event risk. All the properties, however, are insured against normal property risks, such as fire, earthquakes, floods, etc. It is worth noting that one of the lands related to these projects is subject to an ongoing litigation. However, based on the opinion of the company's legal counsel, which was examined by the transaction's legal counsel, the outcome of the litigation is not expected to have any material impact over the securitization, as the likelihood of the land being withdrawn from the developer is considered quite minimal. Nonetheless, **MERIS** notes that in the remote event of such land withdrawal the collection of the receivables related to this project might deteriorate significantly and this might adversely affect the liquidity of the transaction.

ORIGINATOR, SERVICER AND OPERATIONS REVIEW

Amer Holding Company

The three Originators - Delmar Real Estate, Delmar Tourism and Tropi 2 - are fully owned by Amer Holding Company, which is one of the leading listed and publicly traded real estate developers in the Egyptian stock exchange with a market capitalization of close to EGP 5 billion. Amer is a fully integrated real estate developer specialized in building mixed-use, family-oriented resort destinations in Egypt, under its well-known "Porto" brand. The company's business operations are

segmented into 5 distinct lines of various sizes, with the real estate being the group's core business contributing 70% of its revenues, and the restaurants, hotels and malls business segments offering complementary services. Historically the company has been a strong player in the holiday-home market, however, it has recently made decisive strides into the first-home market by launching residential projects within Greater Cairo. The restaurant business segment is the oldest and currently accounts for 16% of revenues, followed by the hotels (6.4%) and malls (3.4%) business segments. The group's other activities (vacation club, facilities management, etc.) account for the remaining 3.6%. Established in 2007, Amer is one of the leading real estate developers in Egypt with a total land bank of 9.3 million square meters in Egypt and the MENA region, including 2.3 million square meters of raw land. The group has a total of 17 projects in Egypt, Syria, Jordan and Morocco.

Delmar Real Estate, Delmar Tourism and Tropi 2 are the originators of the 484 installment-sale contracts. The three companies will act as Servicers on behalf of the SPV. According to the Servicing Agreement between the Servicers and Sarwa Securitization Company (SPV) dated 1/10/2014, the Servicers will be responsible for collecting any of the bounced cheques for the installments under each one of the 484 securitized contracts, and transfer such collections immediately (within maximum 3 business days) to the account of the SPV held with the Custodian (CIB) for the benefit of the bondholders.

MERIS met with the management team of Amer and performed an operational review of the company, focusing on the origination channels, underwriting guidelines and procedures, servicing and administration operations within the company. **MERIS** believes that the management and system capabilities are sufficient to comply with their responsibilities under the transaction.

Origination and Underwriting Process

AMER boasts one of the largest sales team among the real estate development companies in Egypt. The group sales and marketing activity is handled by its fully-owned subsidiary "Deals," which has its own CEO. The sales force includes more than 300 representatives divided into five competing teams, selling across all the group projects. The large in-house sales force ensures that approximately 85-90% of sales are originated directly through the company's own property consultants. The remaining 10-15% of sales are achieved through third party brokers and agents on a commission basis. It is worth noting that sales force remuneration is predominantly commission based, with a minimal fixed component. Subsequent cancellation of contracts is currently not reflected in the sales force compensation. The group has around 13 showrooms across Cairo and Alexandria, and regional agents in Doha, Riyadh and Kuwait.

The company's target clientele are mostly middle and upper middle class families. Amer's strategy is to sell small size second home units at a premium price due to the power of its "Porto" brand. Some 30-40% of the company's customers are repeat clients, with a proven track record with the group. In accordance with the current market practice, off-plan sales do not require any background checks or income verification of potential buyers. Clients usually do not receive the desired property before 2 years from the contract date, by which time they will have paid more than 50% of the initial purchase price.

Amer typically follows an off-plan model for property development, where the company collects a cash down payment of 10% for unit sales, while the remaining balance is paid on installments over 2-3 years. In order to move some slow-moving inventory in its projects, the company has exceptionally introduced several special programs involving a smaller downpayment and longer repayment period. Initially, the customer makes a small deposit (anything under 10%) to reserve a unit, which is subsequently converted into a contractual agreement within a week, depending on the project. All future installments are backed by personal cheques that are submitted within a week from contract signing. Once the property is contracted, should a client wish to cancel a unit purchase, he must wait to effectively re-sell it, with Amer acting as the broker and receiving commissions on the transaction. Upon successful resale of the unit, the customer is then refunded according to the same timeframe and payment frequency with which he had initially paid. The average cancellation rate has been around 10%, which is in line with the market norm. All cancellations are subject to a 10% penalty.

Collection and Recovery Process

The collection process is centralized and handled by the Collection department, which has 17 employees. All of the regular installments are backed by post-dated cheques. It is worth noting that under the Egyptian Law bounced cheques constitute a criminal offence, which carry a three-year prison sentence per cheque. Initially all customer cheques are deposited with the banks, which are responsible for collecting the cheques on the due dates and depositing the collecting

amounts in the accounts of the company. On average 83-85% of installments are collected on the due date. Bounced cheques are returned to the Collection department for follow up with the clients.

Delays in payments are monitored through daily bounced cheque reports from the company's banks. Delinquent clients are contacted by the collection officers who seek to investigate and resolve any missed payments as soon as they are reported by the system. Around 2/3 of delinquent cases are successfully resolved within a month from the due date. The remaining cases are referred to the legal department after 1 month from the due date. Clients are then served a legal notification stating that the contract is in default. As a next step, the legal department files a criminal case against the client based on the bounced cheque, and in certain cases a civil case for repossessing and reselling the unit under the defaulted contract. As per the company's experience, a legal verdict to rescind the contract takes between 4 to 6 months, and including the appeal process it can be extended up to 1 year.

Despite the clear collection policies and procedures in place, **MERIS** noted that the collection process followed by the Originators has been somewhat lenient and too customer friendly, which has resulted in significant delays of the company's receivables in the past. This will be mitigated by the collection process, set out below. Additional comfort will be provided through the credit insurance for each individual client, as well as the resale mechanism in place.

The projects have been completed and units have been delivered to the clients. It is worth noting that for units that are ready for delivery, but the client has not shown up following the official notification from the company, the unit can still be legally delivered through a special notice that is served to the client. In such case, the property is still deemed delivered. For the residential units, customers who have not paid the purchase price in full, are only granted "guest status" in order to make use of their vacation homes. In case of delinquencies or default, the project company can restrict access to the facilities as a means of forcing clients to settle their dues.

For this specific transaction, the collection process as set out in the Securitization Agreements is as follows:

- 1) The custodian issues daily bounced cheque report, indicating the defaulting buyers;
- 2) Within 5 days from the date of the default the service and collection agent shall collect from the custodian a copy of the sale agreement as well as the original cheque covering the installment that was not honored;
- 3) The service and collection agent is given a period of 25 days to try to collect the due amounts from delinquent clients;
- 4) Upon the elapse of 30 days from the due date of the installment or as per the time frame set on the sale of installments agreement (assuming that the action under point 3 above is not fruitful), the service and collection agent shall take the following steps:
 - a. File a criminal case using the cheque(s) issued by the buyer;
 - b. Offer the unit subject matter of the agreement with the defaulting buyer to "Deals" – Amer Group's selling arm - to try to resell the unit;
 - c. Commence civil procedures for repossession of the unit as per the terms of the agreement with the buyer.
- 5) If default continues for 90 days from the due date of the installment and/or failure of "Deals" to resell the unit and/or non-payment of the insurance company, the servicer is obliged to assign the sale of the unit to the party nominated by the client, under the service and collection agreement (Sarwa Securitization), including the obligation to issue and deliver a power of attorney to undertake the sale. Sarwa Securitization will be responsible for appointing and dealing with a real estate brokerage firm in order to sell the unit in the secondary market. The sale proceeds will then be first applied to settle any uncollected amounts under the contract in default, and any excess funds thereof will be returned to the Originator.

MERIS notes that the above recovery mechanism does not establish a security interest in the underlying properties, nor provides for a direct recourse over the units for the benefit of the bondholders. Moreover, the mechanism is not bankruptcy remote from the Originators, as its execution relies heavily on the Originator's involvement, through their sister company "Deals." The recovery mechanism may also face additional obstacles if the possession of the property is with the customer in default. In that case, according to the legal advisor to the transaction, the Originators may need to take a

legal action and obtain a court judgment in order to enforce the termination of the sale agreement and repossess the relevant unit.

In addition to repossessing and selling the unit, the structure relies also on a parallel track of recovery in case of default that involves the credit insurance. The credit insurance gets activated after one missed installment. Upon failure of the servicer to collect the amount under the bounced cheque within a month from the due date, and after filing a criminal case against the issuer of the bounced cheque, the Servicer makes an insurance claim request and the insurance company is obliged to pay within 45 days from the request date. Along with the insurance claim request form, the Servicer submits the following documents:

- Copy of the insurance policy;
- Copy of the criminal case filed against the issuer of the bounced cheque;
- Copy of the bounced cheque stamped by the bank;
- Outstanding balance under the contract in default;
- Copy of the sale by installment contract.

The claimant has to choose one of two payment options offered by the insurance company:

- 1) Receive 90% of the periodic installments;
- 2) Pay 90% of the net present value of all outstanding installments under the contract.

In case of exercising the second option, all cheques will be transferred from the Custodian to the insurance company, and the contract will be removed from the portfolio as it will have been effectively prepaid.

Given the multi-layer structure in place as well as the experience of all the parties, the strict follow-up and monitoring guidelines, as well as the IT & management information systems currently in place, **MERIS** believes that the servicing and collection agents are capable of adequately servicing the receivables in this pool.

CUSTODIAN AND BACK-UP SERVICER

CIB (rated by Moody's at Caa2 domestic currency deposit rating and E Financial Strength Rating on a global scale, March 2013)

CIB was founded in 1975 as a joint venture bank by the state-controlled National Bank of Egypt (NBE) and the Chase Manhattan Bank. Since its inception, CIB has been run independently from NBE, while its impressive performance and management strength is in part a legacy of its former association with Chase. The bank is Egypt's leading private sector company with 153 branches and over 500 ATMs. It serves 700 corporate and 400 small and medium sized enterprises, as well as 500,000 retail clients.

In May 2014, CIB's largest shareholder since 2009 - Actis, a private equity firm with over 60 years of investment experience in emerging markets and a vast knowledge of consumer banking (Strategic Investor), sold its remaining stake of 6.5% to Fairfax Financial Holdings. Approximately 90% of the shares are free float, and the balance is held by local institutional investors.

CIB is one of the leading financial services conglomerate in Egypt. The Bank is a medium-sized player with an approximate 8% market share in terms of deposits. Among its key strengths are its strong corporate banking franchise, sound management, strong credit culture and well-trained workforce. The bank's strong position in Egypt is currently tested by the challenging domestic operating environment, which is putting pressure on asset quality and profitability.

The bank's reputation as being one of the largest private sector banks in Egypt and its track record are considered positive factors to act as a Custodian to the proposed transactions. CIB is also formally appointed as a back-up Servicer to the transaction. As a custodian, CIB already has daily access to Contact's collection system and databases. In addition, the fact that the majority of the obligors have their accounts with CIB is likely to facilitate the collection procedures, in case CIB needs to assume the role of a Servicer.

MERIS ANALYSIS

Historical Data and Modeling

MERIS received very limited historical delinquency information from the originators for the securitized portfolio. In addition, given the limited track record of the originators and the concentrated nature of the portfolio, historical data can hardly be a reliable indicator of the pool's performance in the future. Therefore, **MERIS** used the log normal distribution to analyze the sensitivity of the ratings to the various levels of credit enhancement. The model is based on the expected loss methodology that reflects the notes expected cumulative loss and average life over various default rate scenarios. The final output is derived as the sum product of the various default rate scenario losses and lives of the notes weighted by the probability of default of each respective default rate scenario. **MERIS** used a mean cumulative default rate derived from the underlying credit quality of the obligors. **MERIS** derived a probability of default by assuming that the average rating of the individual obligors within the portfolio is within the BB range on the national scale. In order to capture the concentration risk of the pool, the rating has been further stressed to the B range for the top 20 obligors in the portfolio. Thus, the rating of the obligors translates into a default probability of 20% over a two-year weighted average life of the portfolio. Furthermore, **MERIS** used a volatility metric (coefficient of variation = standard deviation/mean) of 70% to reflect the higher uncertainty associated with the lack of sufficient and reliable historical data, and also to account for the notable obligor concentration in the pool.

Some of the other input parameters in the cash-flow model are summarized below:

- Amortization profile of the assets: the 0% default and 0% prepayment monthly amortization of the securitized assets according to the contractual amortization schedule;
- Timing of Default: The timing of default is used to calculate the defaulted amount per period expressed as a percentage of the cumulative defaults. **MERIS** has tested the transaction by using various default curves – front-loaded, flat, and back-loaded;
- Recovery Rate: 50% (additionally stressed to account for the significant obligor concentrations in the pool)
- Recovery lag: 90% after 3 months, 10% after 18 months;
- Prepayment rate: **MERIS** has tested the transaction using various prepayment rates between 0% and 20%;
- Credit Support: Over collateralization of 4.35% (net of expenses), tranche subordination, in addition to a Letter of Guarantee in the size of 11% of the initial notes' size.

MERIS performed sensitivity analysis around the main inputs listed above to test the impact of structural and asset features on the rating of the notes. **MERIS** concluded that, in view of the conservative assumptions applied and taking into consideration the transaction's qualitative factors, the credit enhancement available to the transaction is in line with the assigned ratings.

RATING SENSITIVITIES AND MONITORING

MERIS will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected. The monitoring will include reviews of periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through the media.

APPENDIX I: POOL DATA

Distribution by Original Term To Maturity				
Months	Current Balance	% Total	# of Contracts	# of Contracts %
13-24	105,800,372	46%	195	40%
25-36	86,676,671	37%	205	42%
37-48	24,475,748	11%	47	10%
49-60	15,538,075	7%	37	8%
Total	232,490,866	100%	484	100%

Distribution by Seasoning				
Months	Current Balance	% Total	# of Contracts	# of Contracts %
<2	28,022,059	12%	28	6%
3-6	73,229,368	31%	103	21%
7-12	60,975,523	26%	97	20%
13-18	26,722,203	11%	65	13%
19-24	16,097,931	7%	66	14%
25-36	24,837,623	11%	112	23%
38-51	2,606,159	1%	13	3%
Total	232,490,866	100%	484	100%

Distribution by Remaining Term To Maturity				
Months	Current Balance	% Total	# of Contracts	# of Contracts %
<6	17,941,451	8%	117	24%
7-12	17,103,261	7%	68	14%
13-18	102,042,302	44%	169	35%
19-24	52,756,728	23%	74	15%
25-30	11,079,387	5%	19	4%
31-36	24,998,635	11%	26	5%
37-51	6,569,102	3%	11	2%
Total	232,490,866	100%	484	100%

Distribution by Original Purchase Price per Unit				
EGP ('000,000)	Current Balance	% Total	# of Contracts	# of Contracts %
>6	7,244,600	3%	1	0%
5-6	3,310,830	1%	3	1%
4-5	18,430,441	8%	11	2%
3-4	18,247,565	8%	11	2%
2-3	26,451,448	11%	24	5%
1-2	61,471,873	26%	99	20%
0.5-1	94,449,276	41%	307	63%
<0.5	2,884,833	1%	28	6%
Total	232,490,866	100%	484	100%

APPENDIX I: POOL DATA - CONTINUED

Distribution by Original Loan Value (Purchase Price less Downpayment)				
EGP ('000,000)	Current Balance	% Total	# of Contracts	# of Contracts %
>6	7,244,600	3%	1	0%
4-5	12,003,887	5%	8	2%
3-4	17,736,726	8%	9	2%
2-3	26,045,014	11%	21	4%
1-2	64,608,448	28%	83	17%
0.5-1	82,927,818	36%	229	47%
<0.5	21,924,373	9%	133	27%
Total	232,490,866	100%	484	100%

Distribution by Current Outstanding Balance per Client				
EGP ('000)	Current Balance	% Total	# of Contracts	# of Contracts %
1,500-7,245	54,335,069	23%	25	5%
1,000-1,500	32,432,822	14%	32	7%
500-1,000	63,331,659	27%	93	19%
<500	82,391,316	35%	334	69%
Total	232,490,866	100%	484	100%

Distribution by Current LTV (Original Purchase Price)				
LTV	Current Balance	% Total	# of Contracts	# of Contracts %
<=30%	38,388,047	17%	195	40%
31%-40%	10,545,877	5%	33	7%
41%-50%	14,186,304	6%	26	5%
51%-60%	38,913,702	17%	65	13%
61%-70%	74,666,738	32%	113	23%
71%-75%	14,894,999	6%	5	1%
76%-80%	33,999,679	15%	43	9%
81%-91%	6,895,520	3%	4	1%
Total	232,490,866	100%	484	100%

Distribution by Installment Frequency				
EGP	Current Balance	% Total	# of Contracts	# of Contracts %
Monthly	6,027,023	3%	12	2%
Quarterly	217,266,221	93%	458	95%
Semi Annual	8,700,822	4%	12	2%
Annual	496,800	0%	2	0%
Total	232,490,866	100%	484	100%

Distribution by Installment Value				
Installment	Current Balance	% Total	# of Contracts	# of Contracts %
>400,000	12,740,599	5%	4	1%
300,000-400,000	22,401,824	10%	12	2%
200,000-300,000	21,764,149	9%	17	4%
100,000-200,000	62,085,816	27%	75	15%
50,000-100,000	81,757,028	35%	206	43%
20,000-50,000	28,237,021	12%	142	29%
10,000-20,000	3,114,807	1%	24	5%
Total	232,490,866	100%	484	100%

APPENDIX I: POOL DATA - CONTINUED

Distribution by Project				
Unit Type	Current Balance	% Total	# of Contracts	# of Contracts %
Porto Marina	94,776,495	41%	98	20%
Golf Marina	63,832,200	27%	201	42%
Porto Soukhna	50,934,271	22%	91	19%
Porto Cairo Mall	22,947,900	10%	94	19%
Total	232,490,866	100%	484	100%

Distribution by Number of Owners				
Ownership	Current Balance	% Total	# of Contracts	# of Contracts %
1	181,630,339	78%	382	79%
2	38,791,451	17%	82	17%
3	5,723,527	2%	10	2%
4	3,362,540	1%	6	1%
5	2,018,599	1%	2	0%
6	446,910	0%	1	0%
8	517,500	0%	1	0%
Total	232,490,866	100%	484	100%

Distribution by Owners Age				
Ownership	Current Balance	% Total	# of Contracts	# of Contracts %
19-30	19,292,166	8%	35	7%
31-40	47,377,583	20%	120	25%
41-50	95,303,381	41%	172	36%
51-60	52,709,585	23%	112	23%
61-70	13,678,782	6%	34	7%
71-83	4,129,369	2%	11	2%
Total	232,490,866	100%	484	100%

Distribution by Governorate (as per Obligors ID)				
LTV	Current Balance	% Total	# of Contracts	# of Contracts %
Cairo	127,783,809	55.0%	285	58.9%
Giza	39,043,574	16.8%	87	18.0%
Alexandria	33,353,352	14.3%	45	9.3%
Dakahlia	5,268,867	2.3%	17	3.5%
Others	4,975,550	2.1%	3	0.6%
Suez	4,115,820	1.8%	8	1.7%
Port Said	3,974,656	1.7%	7	1.4%
Ismailia	3,033,678	1.3%	6	1.2%
Sharqia	2,437,276	1.0%	7	1.4%
Monufia	2,339,596	1.0%	4	0.8%
Gharbia	1,708,646	0.7%	4	0.8%
Damietta	1,562,292	0.7%	4	0.8%
Other	2,893,750	1.2%	7	1.4%
Total	232,490,866	100%	484	100%

APPENDIX I: POOL DATA - CONTINUED

Distribution by Occupation (as per Obligor's ID)				
LTV	Current Balance	% Total	# of Contracts	# of Contracts %
Household	30,854,013	13%	70	14%
Retail - Other	21,903,631	9%	24	5%
Engineering	19,150,336	8%	47	10%
Trading	18,712,428	8%	44	9%
Medical	18,513,178	8%	37	8%
Oil and gas	13,522,930	6%	24	5%
Teaching	10,444,541	4%	18	4%
Contracting and construction	8,442,110	4%	8	2%
Chemicals	8,306,905	4%	19	4%
Food and beverage service	8,054,274	3%	15	3%
Legal and judicial	7,888,504	3%	15	3%
Clothing - retail	7,786,349	3%	10	2%
Student	6,175,965	3%	6	1%
Miscellaneous	52,735,702	23%	147	30%
Total	232,490,866	100%	484	100%

APPENDIX IV: National Rating Scale

Quality of credit	Long	Short	
Gilt edged	AAA	Prime 1	Investment Grade
Very high	AA+		
	AA		
	AA-		
Upper-medium	A+		
	A		
	A-	Prime 2	
Medium grade	BBB+	Prime 3	
	BBB		
	BBB-		
Questionable	BB+	Not Prime	Speculative Grade
	BB		
	BB-		
Poor quality	B+		
	B		
	B-		
Very poor	CCC+		
	CCC		
	CCC-		
	CC		
	C		

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