

STRUCTURED FINANCE

New Issue Report

Sarwa Securitization Company S.A.E. (SSC) – 39th Issue 2022-2027

(Consumer Finance Receivables Pool Originated by Contact Credit and Contact Creditech Consumer Finance Companies)

Consumer Finance Receivables/Egypt

This report addresses the structure and characteristics of the transaction based on the information provided to MERIS by Contact Credit and Contact Creditech Consumer Finance Companies Company as of October 2022. The ratings address the expected loss posed to investors by the final maturity. 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 CUT-OFF DATE:

October 30th, 2022

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DEFINITIVE RATINGS

Class	Description	Amount (EGP mn)	% of Notes	Expected Maturity	Fixed Coupon (%)	Frequency	Rating
A	Senior	305	28.35%	Oct-23	14.85%	Monthly	AA+(sf)
B	Subordinated	532	49.44%	Oct-25	15.60%	Monthly	AA (sf)
C	Junior Subordinated	239	22.21%	Sep-27	16.10%	Monthly	A(sf)
Total		1,076					

OPINION

This is the 39th asset-backed bond issued by Sarwa Securitization Company S.A.E. (SSC). The portfolio backing the bond is originated by Contact Credit and Contact Creditech Consumer Finance Companies. The transaction represents the first for consumer finance securitization transaction for Contact Credit and Contact Creditech Consumer Finance Companies, with the bond issue size amounting to EGP 1,076,000,000 and is backed by a portfolio of consumer finance receivables in the total net present value of EGP 1,196,160,175 as of the pool cut-off date¹. The receivables are related to 47,397 consumer finance contracts/agreements originated between November 2020 and September 2022.

Strengths of the Transaction

- The notes are backed by a static pool of consumer finance receivables, originated by Contact Credit and Contact Creditech Consumer Finance Companies under their underwriting and servicing standards and procedures.
- The credit enhancement available to the notes comes in the form of (i) overcollateralization in the amount of 3.57% net of expenses; (ii) subordination of tranche B and C to the more senior tranche A; (iii) availability of a default reserve account (Letter of Guarantee) in the amount of EGP 55,500,000 representing 5.16% of the original notes' balance; and (iv) subordinated administration fees in the amount of 2.5% p.a. of the principal outstanding balance of the portfolio that is available on a monthly basis.

¹ The total value of the pool within the bond maturity date before discounting equals EGP 1,536,557,028. Net present value of the total receivables portfolio after expenses discounted at the notes' weighted average coupon rate stands at EGP 1,114,413,633.

- The transaction benefits from liquidity support in the form of a cash reserve account in the size of 3.5% of the outstanding aggregate bond balance and it is to be funded from the first three months of collections and to be adjusted on a monthly basis thereafter in accordance with the notes' amortization.
- The transaction also benefits from a default reserve account to be funded from the overcollateral by setting aside 0.6% p.a. (0.05% monthly) from the previous month's beginning principal portfolio balance on a monthly basis.
- With 47,397 individual contracts, the underlying pool of receivables is highly granular with individual concentrations not exceeding 0.21% and the top 20 clients accounting collectively for merely 3.20% of the total portfolio outstanding balance.
- The Servicer, Contact Credit Company, has built up a significant experience over the past 20 years. Its efficiency of operations is supported by an automated file management system. **MERIS** has conducted an operational review of the Servicer and believes that the management, procedures and systems in place permit Contact to adequately perform its duties as a Servicer. Furthermore, Contact Credit Company, has issued approximately 22 securitization bonds in the Egyptian market since 2005. The rating is based on the credit quality of the underlying Consumer Finance Receivables, which reflects the originators' strict underwriting, collection and monitoring policies and procedures.
- 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 unlikely 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

- There is limited time series data available regarding historical arrears, default and recovery rates through the peaks and troughs of the economic cycle.
- The securitized pool is relatively young, with an average seasoning of only three months. 84% of the contracts have been generated over the last 4 months. Younger pools exhibit relatively higher frequencies of default as compared to more seasoned portfolios.
- Due to the revolving nature of the credit limit, there is no clear segregation of the payments due to the securitization pool from the companies' normal business cycle. Thus, there is a higher risk of commingling the securitization cash flows with the Originators' own funds from operations.
- The consumer finance contract will not be assigned to the bondholders, only copies on these contracts will be submitted to the custodian of the transaction. Nevertheless, the supporting securities (Cheques and promissory notes) will be delivered to the custodian as per the transaction's legal documents. It is worthy to mention that the promissory notes' beneficiary is closed to the originators. Thus, the bondholders don't have direct recourse on the contract nor the promissory note. However, as per the collection and servicing agreement, Contact Credit Company, as the servicer of the securitization transaction, is obliged to transfer immediately (with a maximum three working days) any collected amounts, related to the securitized portfolio, to the transaction's custodian bank.

- In general, **MERIS** perceives greater uncertainty associated with unrated Originators. However, this is mitigated by the Originators' experienced management team and strict adherence to its underwriting policies and procedures, which assure a high-quality receivables pool.
- Although there have been a reasonable number of securitizations in the Egyptian market, legal uncertainties still exist, given that 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 opinions provided by the transaction's legal advisor on issues such as true sale, separateness of accounts, and concluded that the legal risks were consistent with the assigned ratings.

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

Amount Rated:	EGP 1,076,000,000
Issuer:	Sarwa Securitization Company S.A.E.
Seller (s) /Originator (s):	Contact Credit Company and Contact CrediTech Consumer Finance.
Servicer:	Contact Credit Company
Back-up Servicer:	Commercial International Bank (CIB) (LT Deposit Rating "B2" by Moody's Investor Service)
Custodian:	CIB
Underwriters and Promoters:	Contact, CIB, NBE, and Al Ahly Pharos
Structure type:	Senior Subordinated Structure, Class A – Predetermined Amortization, Class B & C - Pass-Through Amortization
Credit Support:	<ul style="list-style-type: none">• 3.57% over collateralization (net of expenses)• Letter of guarantee representing 5.16% of the initial bond size in the amount of EGP 55,500,000• Structural subordination of class B and C to the more senior tranches.

COLLATERAL SUMMARY (see page 8 for more details)

Receivables:	Consumer Finance Receivables.
Initial Pool Balance (NPV):	EGP 1,196,160,175
Number of Contracts:	47,397
Geographic Diversity*:	Greater Cairo: 40.1%, Alexandria: 10.9%, Other: 49.0%
Product Type*:	Electronics: 31.6%, Home Equipping & Finishing: 29.0%, Club Membership: 14.9%, Shopping: 14.4%, Home Appliances: 5.2%, Education: 1.8%, Others: 3.1%
WA Seasoning:	3 months
WA Remaining Maturity:	38 months
WA LTV (at origination):	92.2%

* Percentage calculated is based on the outstanding principal balance.

CREDIT SUPPORT

Class	Subordination	Over collateralization	External Support Default Reserve (L/G)
A	71.65%		5.16% EGP 55,500,000
B	22.21%	3.57%	
C	None		

TRANSACTION SUMMARY

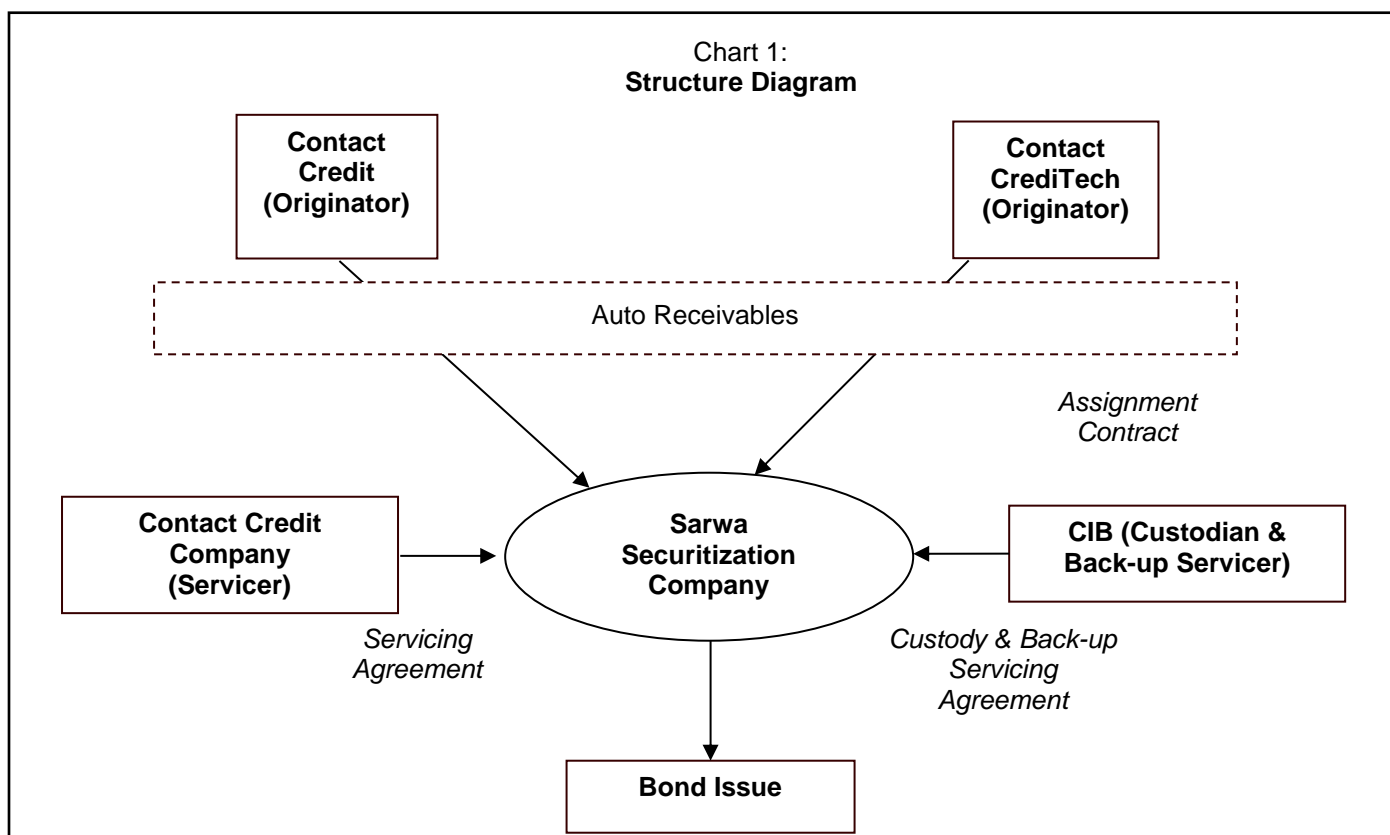
This is the first transaction of consumer finance receivables securitization bond originated by Contact Credit and Contact Creditech Consumer Finance Companies and issued by Sarwa Securitization Company S.A.E. The securitized assets represent a static pool of fixed-rate consumer finance receivables stemming from financing the purchase of consumer goods such as: electronics, home equipping & finishing, club membership, shopping, home appliances, education and others. The receivables have a maximum tenor of 60 months and the maximum funding limit is EGP 3 million at the contract date.

At closing of this transaction, the Originators will transfer to the Issuer the securitized assets. In order to finance the purchase of the securitized assets, the Issuer, Sarwa Securitization Company (SSC), will issue three 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 net present value of the senior fees and expenses. The notes will be paying a monthly fixed coupon of 14.85%, 15.60%, 16.10% p.a. in order of seniority. They will be callable starting from the 13th coupon payment, following the repayment of Tranche A. The current notes will follow a pass-through amortization structure, except for class A notes, the money market tranche, which will have a pre-determined amortization schedule. **MERIS** notes that while having a predetermined repayment schedule provides investors with greater visibility of cash flows, it presents additional challenges to the transaction in terms of liquidity management and prepayment risk. The notes benefit from credit support in the form of (i) over-collateralization of 3.57% net of expenses, (ii) a default reserve account (an irrevocable and unconditional bank guarantee) in the size of 5.16% of the notes' initial balance (EGP 55,500,000) to cover any shortfall in senior fees and expenses, coupon and/or principal redemption of the notes, (iii) subordination of the administration fee of 2.5% p.a. of the previous month's beginning principal value of the portfolio, which will be available on a monthly basis to cover any shortfall in senior fees and expenses, coupon and/or principal redemption of the notes, as well as (iv) the subordination of class B and C notes to the more senior notes.

On the closing date, the originator will entrust its portfolio of consumer finance receivables to the Custodian. The pool is non-revolving (static) and amortizing. It is worth noting that the Servicer will collect the monthly installments related to each of the consumers in the pool and immediately (with a maximum of 3 working days) transfer the collected cash to the Issuer's account managed by the Custodian for the benefit of the bondholders. The sweep mechanism is designed to minimize the risk of commingling the transaction's funds with the Servicer's own funds.

STRUCTURAL AND LEGAL ASPECTS

Consumer finance receivables securitization is structured to isolate the receivables from the insolvency risks of the originator/seller. This is done by the originator/seller transferring the receivables by means of true sale to a bankruptcy-remote special purpose entity, which will ultimately issue the bond to the investors. Under the structure – please refer to the following diagram – the originator of the receivables will sell and assign all its rights and benefits in the receivables to Sarwa Securitization Company S.A.E., a special purpose bankruptcy remote shareholding company, the Issuer. **MERIS** has received a legal opinion stating that the sale of the receivables from the originators to the Issuer (based on an Assignment Contract dated 31/10/2022) constitutes a true sale.



* 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 SSC and Contact Credit Company, signed on 31/10/2022) and the Custody Agreement (between SSC and CIB, signed on 31/10/2022), the collections of the monthly installments related to each of the 47,397 individual contract in the pool will be done by the Servicer as part of its normal collection cycle. **MERIS** believes that the sweep mechanism mitigates 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) an account for liquidity reserve; and (6) an account for default reserve / LG. Transactions on these accounts have to take place based on written instructions from the Issuer. Once a month, the Custodian will pay the senior servicing fees and the coupons related to the three classes of notes, and the remaining cash will be applied towards replenishing the reserve accounts and principal amortization of the notes in accordance with the specified cash waterfall.

The legal advisor of the transaction provided a legal opinion regarding the clarification of the clauses in the Capital Market Law 95/1992 regarding the need of the Issuer, Servicer, and Custodian to maintain separate accounts for different securitization transactions. The CMA law 95/1992 explicitly addresses the issue of separateness and non-consolidation of different securitization transactions by the same Issuer. The opinion provided is consistent with the rating assigned to the notes, notwithstanding the fact that similar structures have not been tested in Egyptian courts yet.

The Issuer: Sarwa Securitization Company (SSC)

Sarwa Securitization Company (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
Sarwa Capital	40,500	4,050,000	81%
Contact Credit Company 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 Sarwa Capital owns direct and indirect stake amounting to 99.9% of Sarwa Securitization Company. Thus, the originator's direct and indirect stake is 18%, which is currently in compliance with Financial Regulatory Authority's (FRA) requirements.

Credit Enhancements:

1) Internal Credit Support

- **Over-collateralization:** The assets backing the securities within the bond tenor (60 months) amount to EGP 1,196,160,175, representing the present value of the total outstanding receivables discounted at the notes' coupon rate. The assets will be purchased at a discount of 11.2% by the Issuer, creating an over collateralization of EGP 120,160,175 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 81,746,542. Thus, the transaction is left with only 3.57% 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.
- **Tranche Subordination:** Given the sequential senior subordinated structure of the transaction, the senior tranche benefits from the subordination of the more junior tranches, by a total of 71.7%, whereas tranche B is supported by the subordination of tranche C, which represents 22.2% of the total notes size.

2) External Credit Support

- The Originator will provide 5.16% of the notes' initial aggregate size (amounting to EGP 55,000,000) of reserve cover by means of an irrevocable and unconditional letter of guarantee or a cash reserve account. The reserve fund will be available until the final maturity of the notes to cover any shortfall in principle 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 ratings of Tranche B and especially Tranche C notes are highly linked to this external credit support, and therefore in case the default reserve is in the form of a letter of guarantee, any material deterioration in the creditworthiness of the L/G issuing bank will inevitably result in a rating downgrade of these notes.

3) Other Supporting Features:

- **Administration Fee Subordination:** The administration fees in the size of 2.5% p.a. of the previous month's beginning principal portfolio balance will be available on a monthly basis to cover any shortfall in the transaction's waterfall and will be paid out only if the collection account has sufficient funds to cover the liquidity reserve, default reserve, senior fees and expenses, as well as coupons of the three tranches and principal amortization of Tranche A. The unused portion of the administration fees will be paid to the Issuer on a monthly basis, after settlement of all senior fees and expenses, coupon and principal payments due, as well as the cash reserve accounts according to the cash waterfall below. It is worth mentioning that once used by the transaction, the subordinated administration fee for the respective month cannot be recovered by the Issuer in any subsequent month. **MERIS** notes that the administration fee subordination is most useful during the life of class A notes due to the predetermined amortization schedule of the notes and due to the more sizeable amount of the fees. During the life of class B and C notes, because of the pass-through structure of the notes, as well as the significantly smaller size of the administration fees, the latter are not expected to be provide much liquidity or credit support, except some limited backing upon maturity of the notes.
- **Liquidity Support:** The transaction benefits from a liquidity reserve account in the size of 3.5% of the outstanding aggregate bond balance that is to be funded up front from the first three months of collections after the transaction closure. The cash reserve will be adjusted on a monthly basis and maintained at all times at 3.5% of the outstanding notes' balance. The cash reserve is sized to provide liquidity support to the transaction roughly covering three months of senior fees and coupon payments at any given month. It is worth mentioning that the liquidity support can be used to cover any shortfall in senior fees and expenses, as well as coupon and principal payments under the notes, but can under no circumstances be used to cover the subordinated administration fees.
- **Default Reserve Account:** The overcollateralization will be used to fund a default reserve account by setting aside 0.6% p.a. (0.05% monthly) from the previous month's beginning principal portfolio balance on a monthly basis. The default reserve account can be used throughout the life of Class A, and upon maturity of Class B notes, or Class C notes to cover any shortfall in coupon or principal payment under the bonds.

Priority of Payments

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

1. Liquidity Reserve Account: The reserve will be funded upfront from the first three months of collections to equal 3.5% of the aggregate notes balance. The balance of this account is to be adjusted thereafter on a monthly basis to equal 3.5% of the outstanding aggregate notes balance;
2. Default Reserve Account representing 0.05% of the previous month's beginning principal portfolio balance on a cumulative basis;
3. Senior transaction fees and expenses, such as servicing, custody, listing, rating, insurance, advertising fees, etc. (excluding administration fees);
4. Coupon of class A notes;
5. Coupon of class B notes;
6. Coupon of class C notes;
7. Principal amortization of the most senior outstanding tranche, whereby Class A will follow a predetermined amortization schedule, and Class B & C - a 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), (3), (4), (5), and (6);

8. Any prepayments during the lifetime of Class A will be passed at 100% on to class B notes as principal amortization;
9. The residual cash balance will be used to pay the subordinated administration fee (2.5% p.a. of the previous month's beginning principal portfolio balance, payable monthly after the closing date) after paying the liquidity and default reserves, senior fees and expenses, coupons of the three tranches and principal amortization of Tranche A.

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), except for any prepayments received during the lifetime of Class A notes. Similarly, Class C note holders, being subordinated to Class B notes, will only start receiving principal repayments after the full redemption of Class B notes, which is to be no later than 37 months after the transaction closing date. Class C note holders are to be fully repaid within 60 months from the notes' issuance date.

COLLATERAL (See Appendix I for more details)

The portfolio consists of consumer finance receivables in the total amount of EGP 1,536,556,776, including EGP 960,555,968 of principal outstanding arising under installment purchases made by Contact Credit and Contact Creditech customers, represented in 30,764 individual clients domiciled in Egypt. The receivables have been originated prior to 01/10/2022, the cut-off date of the securitization pool. The number of the securitized contracts by Contact Credit and Contact Creditech are 47,379 consumer finance contracts, which have been originated through purchases on installments within the company's branches or the mobile application.

The maximum remaining maturity of the receivables in the securitization pool is 60 month within the bond tenor. The monthly installments contracts original loan principal is up to EGP 1.5 million, with a weighted average seasoning of 3 months and weighted average remaining tenor of 38 months. The weighted average loan to value is 92.2% of the securitized portfolio. Around 57% of the portfolio principal is coming from consumer products, 22% home finishing products, 14% club memberships, and 7% others.

The portfolio is granular, having a total of 30,764 obligors. The largest obligor in the pool accounts for only 0.2% of the total portfolio amount, and the top 30 clients account for a 4.70%.

The securitized receivables bear a fixed interest rate. The obligors are geographically spread across Egypt; however, significant concentrations exist around Greater Cairo (approx. 37% of the total principal outstanding balance), followed by Alexandria (10.9%). The receivables included in the securitization portfolio have never hit 30+ days overdue.

1. Contact Credit Company

Incorporated in 2001, Contact Credit Company, initially under the name of Contact Car Trading, is a joint stock company. Contact has built itself into a leading auto financing company in Egypt. The company offers auto finance products to private customers, and currently accounts for roughly 30% from the auto finance companies, excluding banks. In addition to car financing, the company provides car insurance services, which are considered complementary to its core business activities. It is worthy to mention that in April 2020, Contact Credit Company has received the first consumer financing license in line with the new Consumer Credit Act by the Financial Regulatory Authority (FRA). Currently, Contact Credit Company provides all consumer finance products, auto finance, home finishing financing, club memberships, education finance, insurance policies, furniture, home appliances, electronic devices, car accessories and maintenance, bicycles, clothes, watches, jewelry, eyeglasses, sport supplies and others.

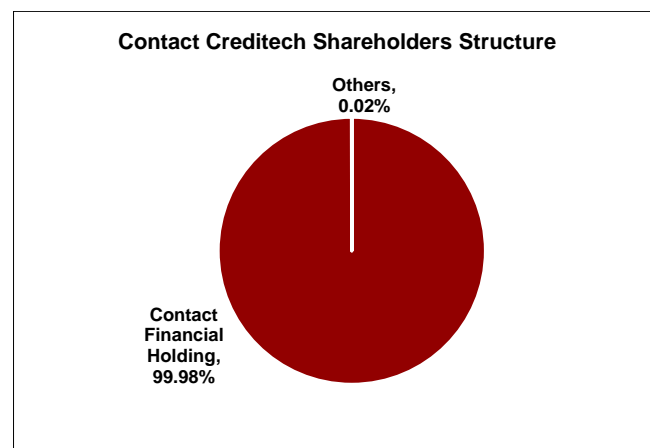
In January 2008, Contact Credit Company underwent a major change in ownership. In order to avoid conflict of interest with its biggest shareholder, Commercial International Bank (CIB), the founding management team of the company acting in a consortium with Amwal Khaleej under the name of Sarwa Investments, arranged for a management buy-out of the company, whereas they acquired 56.7% equity stake in the company, previously owned by AAIB (38.4%) and Egyptian Investment Direct Fund (18.3%). In 2013, Sarwa Capital further consolidated its ownership by acquiring the remaining 12.6% stake of Banque Misr. In February 2016, the stake of Amwal Khaleej in Sarwa Capital was acquired by the Egyptian American Enterprise Fund. The shareholders are working closely with the management to diversify and expand the company's activities into other complementary retail financial services - consumer finance, small and medium sized leasing and factoring, as well as mortgages - and position the company as a fully-fledged retail finance provider as opposed to a specialized auto finance company.

Contact Financial Holding Company is owned by the Egyptian American Enterprise Fund (43.64%), Orascom Investment Holding (30%), Milton Financial (11.67%), and Bahubaish Family (7.58%). The remaining 7.11% represent free float. Milton Financial belongs to the original private investors who initially established Contact back in 2001.

Contact Credit Company authorized capital is EGP 1 billion, while issued and paid-in capital is EGP 443.5 million with a par value of EGP 10.

2. Contact Creditech Company

Contact Creditech Company was established in February 2022, as a joint stock company. The purpose of the company is to provide consumer finance products through the mobile application and instant approvals, capitalizing on the artificial intelligence and digitalized technology in the customers' limits approvals and funds disbursements. The company's authorized capital is EGP 100 million, while the issued and paid-in capital is EGP 25 million.



Origination and Underwriting Process

Currently the Contact Credit and Contact Creditech Companies activities are centralized in the head office in Cairo, complemented by other branches (around 60 branches and mini branches) inside Cairo (Zamalek, Giza, Maadi, New Cairo, Downtown, Nasr City), as well as other remote branches located in Alexandria, Mansoura, Tanta, Ismailia, Hurghada, Sharm El Sheikh, Damietta, Sharqia and Asyut. As per the management, the number of branches will reach 100 within the coming 2 years, in order to capture new market segments, in addition to have more focus on the digital channels.

Underwriting decisions are centralized and are based both on quantitative and qualitative analysis of the applicant's credit history. The initial application process starts with the client downloading the mobile app and filling in some basic information, which, through the rule engine, automatically generates an initial credit limit or by recommendation from the merchants for some products such as home finishing. To activate the limit the client needs to visit one of the company's branches to fill out a physical application form as per the FRA-approved template, including permission for a credit bureau investigation. The final customer limit is thereby either approved or rejected. The information is subject to verification by the company's credit officers through a field investigation. The approved limit has to be covered by a signed promissory note. Around 25% of the prospect clients are rejected, Among the most common reasons for rejection are poor i-score, bad history, or restricted area.

Collection and Recovery Process

Installments are due on two collection dates – the 15th and the 30th day of the month. The majority of the customers pay by direct debit order (62% for the current outstanding principal), other payment methods include cash payments through the branches (33%), wallet payments through the mobile application "Contact Pay" (4%), checks (1%) and credit card payments (0.004%). Clients are reminded through automatically generated text messages of the upcoming due date. They have a seven-day grace period after the due date before the system starts applying penalties. The collection function is fully in house with no dependence on external collection agencies. The total headcount for the credit and the collection teams is 450 employees. The collection team are in charge of following up on the collections until all payments have been received. As per the management, the average collection rate is around 90% on the installment due date and reaches 97% within 90 days from the due date.

The servicing agreement signed between SSC and Contact Credit Company details the responsibility of the Servicer including, among others, the following:

- Sending text messages to the clients;
- Transfer collected funds immediately;
- In case of payment delay, Contact Credit has the right to temporarily deactivate delinquent clients and enforce delay charges.

Given the experience of Contact Credit Company as a Servicer, its strict follow-up and monitoring guidelines, as well as the IT and management information systems currently in place, **MERIS** believes that Contact Credit Company is capable of adequately servicing the receivables in this pool.

CUSTODIAN AND BACK-UP SERVICER

Commercial International Bank (CIB) (local currency deposit rating by Moody's at B3 with a Stable Outlook)

Commercial International Bank (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 210 branches and units, and around 1,100 ATMs, as of December 2022.

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 6.6% to Fairfax Financial Holdings. In April 2022, Alpha Oryx Ltd. – a subsidiary of ADQ, acquired 18.6% stake in the CIB. Accordingly, 74.9% of the CIB shares are free float, out of the free float stake 92% is held by institutions and 8% owned by retail investors, as of December 2022. It is worthy to note that CIB's shares have been listed on the Egyptian Exchange Since 1993.

CIB is one of the leading financial services conglomerates in Egypt. The bank reported total assets of EGP 592 billion (\$30 billion) as of September 2022 and held market share of around 5% - 7% of loans and deposits. Among its key strengths are its strong corporate banking franchise, sound management, strong credit culture and well-trained workforce.

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 the originator 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. CIB is rated by Moody's and has a local currency deposit rating of B3 with stable outlook as of February 2023.

MERIS ANALYSIS

Historical Data and Modeling

Based on the historic default data, the default distribution of granular portfolios is expected to follow closely the log-normal distribution. Therefore, the probabilities for default scenarios for entirely granular pools are derived from the log-normal default distribution. The exact shape of this distribution is determined by the cumulative mean default rate and its standard deviation.

Given the homogeneous (completely granular) nature of the pool, **MERIS** used the log normal method to model the cash flows of the transaction. 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 has received 3 years of historical data regarding delinquencies from the Originator. However, historical data alone can hardly be a reliable indicator of the pool's performance in the future. Therefore, **MERIS** has stressed the available historical data and used a log normal distribution to model the transaction. The distribution is defined by a cumulative mean default rate, coupled with a volatility (coefficient of variation = standard deviation/mean) around 70% to reflect the higher uncertainty associated with the lack of sufficient and reliable historical data, as well as the lack of certainty around the current economic circumstances.

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;
- Credit Support: Over collateralization of 3.57% (net of expenses), tranche subordination, in addition to an external credit support in the form of a letter of guarantee in the size of 5.16% 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 **MERIS** website and other media channels.

APPENDIX I: POOL DATA

Distribution by Original Term to Maturity				
Months	Principal Outstanding	% Total	# of Contracts	# of Contracts %
1-12	134,998,664	14%	16,954	36%
13-24	168,836,436	18%	13,483	28%
25-36	185,247,341	19%	8,919	19%
37-48	45,598,157	5%	1,370	3%
49-60	425,875,370	44%	6,671	14%
Total	960,555,968	100%	47,397	100%

Distribution by Seasoning				
Months	Principal Outstanding	% Total	# of Contracts	# of Contracts %
0-4	805,361,036	84%	40,951	86%
5-8	114,658,786	12%	5,257	11%
9-12	37,137,905	4%	677	1%
13-18	2,778,197	0.3%	56	0.1%
19-23	620,044	0.1%	456	1%
Total	960,555,968	100%	47,397	100%

Distribution by Remaining Term to Maturity				
Months	Principal Outstanding	% Total	# of Contracts	# of Contracts %
1-12	137,398,861	14%	13,667	29%
13-24	167,134,449	17%	10,645	22%
25-36	184,795,624	19%	7,617	16%
37-48	51,002,355	5%	7,488	16%
49-59	420,224,679	44%	7,980	17%
Total	960,555,968	100%	47,397	100%

Distribution by Original Principal Balance				
EGP	Principal Outstanding	% Total	# of Contracts	# of Contracts %
500,000-1,500,000	154,734,031	16%	193	0.4%
100,000-499,999	277,227,438	29%	1,917	4%
50,000-99,999	96,358,094	10%	1,769	4%
10,000-49,999	340,848,832	35%	20,128	42%
5,000-9,999	67,228,034	7%	11,304	24%
<4,999	24,159,539	3%	12,086	25%
Total	960,555,968	100%	47,397	100%

Distribution by Current Outstanding Principal Balance				
EGP	Principal Outstanding	% Total	# of Contracts	# of Contracts %
500,000-1,500,000	128,795,650	13%	139	0.3%
100,000-499,999	268,609,269	28%	1,594	3%
50,000-99,999	79,661,066	8%	2,628	6%
10,000-49,999	340,387,089	35%	13,745	29%
5,000-9,999	101,657,998	11%	12,951	27%
<4,999	41,444,895	4%	16,340	34%
Total	960,555,968	100%	47,397	100%

APPENDIX I: POOL DATA - CONTINUED

Distribution by Contract Value				
EGP	Principal Outstanding	% Total	# of Contracts	# of Contracts %
5,000,000-2,502,000	199,719,586	21%	329	1%
100,000-499,999	288,447,665	30%	2,714	6%
50,000,99,999	130,956,607	14%	3,595	8%
10,000-49,999	286,390,476	30%	22,294	47%
5,000-9,999	41,648,174	4%	9,270	20%
<4,999	13,393,460	1%	9,195	19%
Total	960,555,968	100%	47,397	100%

Distribution by Current LTV				
LTV	Principal Outstanding	% Total	# of Contracts	# of Contracts %
<=40%	138,538,489	9%	991	20%
41%-50%	152,013,403	10%	606	12%
51%-60%	185,296,285	12%	642	13%
61%-70%	311,284,455	21%	933	19%
71%-75%	227,043,598	15%	617	13%
76%-85%	376,358,406	25%	894	18%
86%-99%	123,577,093	8%	242	5%
Total	960,555,968	100%	47,397	100%

Distribution by Package				
Package	Principal Outstanding	% Total	# of Contracts	# of Contracts %
Consumer Finance	549,144,927	57%	40,523	85%
Finishing Express	181,793,293	19%	440	1%
Club Membership	137,965,528	14%	1,174	2%
Finishing Finance	31,904,653	3%	687	1%
Education	15,216,567	2%	416	1%
Others	44,531,000	5%	4,157	10%
Total	960,555,968	100%	47,397	100%

APPENDIX I: POOL DATA - CONTINUED

Distribution by Monthly Installment Amount				
EGP	Principal Outstanding	% Total	# of Contracts	# of Contracts %
50,000-140,608	13,656,641	1%	13	0.03%
30,000-49,999	50,379,396	5%	49	0.1%
10,000-29,999	145,354,362	15%	401	1%
5,000-9,999	107,008,384	11%	976	2%
1,000-4,999	434,109,918	45%	13,570	29%
>999	210,047,266	22%	32,388	68%
Total	960,555,968	100%	47,397	100%

Distribution by Originator				
EGP	Principal Outstanding	% Total	# of Contracts	# of Contracts %
Contact Credit	556,021,728	58%	19,090	40%
Contact Creditech	404,534,240	42%	28,307	60%
Total	960,555,968	100%	47,397	100%

Distribution by Payment Method				
EGP	Principal Outstanding	% Total	# of Contracts	# of Contracts %
Direct debit	598,504,316	62%	18,287	39%
Cash	313,892,619	33%	26,208	55%
Wallet	41,130,967	4%	2,869	6%
Checks	6,988,584	1%	26	0.1%
Credit card	39,481	0.004%	7	0.01%
Total	960,555,968	100%	47,397	100%

Distribution by Product Type				
EGP	Principal Outstanding	% Total	# of Contracts	# of Contracts %
Electronics	302,999,089	32%	25,956	55%
Equipping & finishing Houses	278,618,095	29%	3,210	7%
Club Membership	143,521,913	15%	1,214	3%
Shopping	138,588,691	14%	9,231	19%
Home Appliances	49,584,627	5%	4,689	10%
Education Services	17,329,330	2%	498	1%
Furniture	14,522,797	2%	713	2%
Insurance	14,441,729	2%	1,614	3%
Mobiles	949,696	0.1%	272	1%
Total	960,555,968	100%	47,397	100%

Distribution by Governorate				
Governorate	Principal Outstanding	% Total	# of Contracts	# of Contracts %
Cairo	240,623,609	25.1%	13,581	28.7%
Giza	114,577,184	11.9%	7,278	15.4%
Alexandria	104,360,403	10.9%	5,111	10.8%
Gharbia	59,122,640	6.2%	2,068	4.4%
Qena	53,266,600	5.5%	1,153	2.4%
Port Said	43,749,227	4.6%	1,903	4.0%
Sohag	36,802,879	3.8%	1,080	2.3%
Dakahlia	31,391,566	3.3%	938	2.0%
Qalyubia	30,133,373	3.1%	2,023	4.3%
Luxor	25,030,817	2.6%	507	1.1%
Others	221,497,670	23.0%	11,755	24.6%
Total	960,555,968	100%	47,397	100%

APPENDIX I: POOL DATA - CONTINUED

Distribution by Applied Interest				
Interest Rate	Principal Outstanding	% Total	# of Contracts	# of Contracts %
15%-20%	51,413,227	5%	2,573	5%
21%-25%	341,150,569	36%	2,375	5%
26%-30%	19,662,811	2%	2,084	4%
31%-35%	8,646,188	1%	1,469	3%
36%-40%	258,931,257	27%	19,258	41%
41%-45%	280,746,356	29%	19,634	41%
46%-50%	5,559	0.001%	4	0.01%
Total	960,555,968	100%	47,397	100%

Distribution by Job Sector				
Job Sector	Principal Outstanding	% Total	# of Contracts	# of Contracts %
1 Miscellaneous	243,504,574	25%	13,556	28.6%
2 Government	100,321,754	10%	6,051	12.8%
3 Trading	65,891,270	7%	2,610	5.5%
4 Medical	63,668,089	7%	2,889	6.1%
5 Food and beverage services	46,493,922	5%	1,500	3.2%
6 Contracting and construction	45,409,321	5%	1,375	2.9%
7 Teaching	36,558,760	4%	2,098	4.4%
8 Automotive	29,011,413	3%	1,703	3.6%
9 Oil and gas	28,294,227	3%	1,328	2.8%
10 Clothing	26,829,187	3%	985	2.1%
11 Banking and Finance	26,571,505	3%	1,538	3.2%
12 Utilities	21,365,685	2%	1,180	2.5%
13 Property development	16,891,633	2%	603	1.3%
14 Miscellaneous industry	15,612,621	2%	746	1.6%
15 Legal and judicial	14,092,333	1%	590	1.2%
16 Electrical goods & electronics	11,528,967	1%	671	1.4%
17 Distribution	11,193,053	1%	596	1.3%
18 Tourism	11,084,103	1%	373	0.8%
19 Telecoms	10,061,604	1%	644	1.4%
20 Armed forces	9,303,591	1%	530	1.1%
21 Retail	9,037,945	1%	423	0.9%
22 Police	7,463,803	1%	461	1.0%
23 Media	7,038,549	1%	425	0.9%
24 Agriculture	6,739,341	1%	119	0.3%
25 Jewelry	6,585,564	1%	118	0.2%
26 Accounting	6,362,553	1%	302	0.6%
27 Food and beverage production	6,168,061	1%	305	0.6%
28 Textiles	6,033,801	1%	147	0.3%
29 Freight/shipping	5,664,869	1%	272	0.6%
30 Printing & Publishing	5,611,117	1%	65	0.1%
31 Others	60,162,757	6%	3,194	6.7%
Total	960,555,968	100%	47,397	100%

APPENDIX IV: National Rating Scale

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

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