

## STRUCTURED FINANCE

## Annual Review

### Sarwa Securitization Company S.A.E. (CSC) - 14th Issue 2015-2020

(Real Estate Receivables Pool Originated by Wadi Degla Companies)

#### Real Estate Receivables/Egypt

**POOL CUTOFF DATE:**  
March 1, 2015

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#### DEFINITIVE RATINGS

Class	Description	Amount (EGP mn)*	% of Notes	Legal Maturity	Fixed Coupon (%)	Initial Ratings	Current Ratings
A	Senior	-	-	May-16	9.73%	AA+ (sf)	Redeemed
B	Subordinated	-	-	May-18	10.63%	AA (sf)	Redeemed
C	Junior Subordinated	30.9	100%	Feb-20	11.33%	A (sf)	A (sf)

\* As of 30/04/2018

#### RATING OPINION AND SPECIFIC COMMENTARY

This is the 14th asset-backed bond issued by Sarwa Securitization Company S.A.E. (SSC) and Wadi Degla Group's first securitization of real estate receivables in the Egyptian market. The pool of receivables has been originated by four companies, Al Ikhlas, Iskan Misr, Suez Gulf and Arab Investments, which are all subsidiaries of Wadi Degla Holding Company. Upon issuance, the bond size was EGP 173 million and was backed by 561 installment-sale contracts related to 490 holiday homes and 71 first home units located in one of four projects owned by Wadi Degla Holding— Blumar El Dome, Blumar North Coast, Marina El Sokhna and Pyramids Walk. The contracts were written over the period between September 2009 and December 2014 and as of the issuance date all the properties were fully constructed and delivered to the buyers.

The rating addresses the expected loss to investors by the legal final maturity. In **MERIS** opinion, the structure allows for timely payment of interest and ultimate repayment of principal by the final maturity of the bond. **MERIS** portfolio performance analysis is mainly based on the monitoring of the delinquencies, defaults, repossessions, recoveries and prepayments. **MERIS** relies on the audited monthly performance reports issued by the Custodian (CIB), as well as on data provided by the Issuer.

To date the coupon and principal of the bond have been paid according to schedule. The bond issue is amortizing on a monthly basis and currently stands at EGP 30,854,568, equivalent to 82.2% redemption of the original balance. Given the senior-subordinated structure of the bond, and following the full amortization of class A and B notes as of 31/05/2016 and 31/10/2017 respectively, the principal amortization has been directed to class C notes, which currently stand at EGP 30,854,568, or 59.3% of Tranche C's original balance. The asset pool backing the issue has been amortized at 80.5%, and currently equals EGP 43,874,805.

The transaction benefits from credit enhancement in the form of overcollateralization net of expenses in the size of 33.6% of the bond size, compared to 3.0% upon issuance. Thus calculated, the overcollateralization takes into account the net present value of the future cash flows, the residual cash with the Custodian in the amount of EGP 2,387,817, as well as the Liquidity Reserve Account in the amount of EGP 1,831,951. In addition, the transaction benefits from an external credit enhancement in the form of an irrevocable and unconditional bank letter of guarantee in the amount of EGP 11.4 million, which currently represents 36.9% of the outstanding bond balance. The LG, initially in the amount of EGP 19 million, was reduced following the second annual rating review of the transaction.

In view of the amortization of the bond and the performance of the receivables, there has been a buildup of credit enhancement that is currently above the requirements for the ratings of the notes. To maintain the existing ratings of the transaction the external credit enhancement in the form of a bank letter of guarantee can be adjusted downwards to EGP 3 million effective immediately. Following the adjustment, the overall credit support will measure 43.4% of the outstanding principal balance of the bond.

In terms of liquidity, the transaction currently has sufficient accumulated cash reserves to cover on average 6 months of scheduled payments under the bond. **MERIS** has performed various stress case scenarios and believes that the current ratings are commensurate with the risks associated with the bond.

**MERIS** has been also monitoring on a monthly basis the default and delinquency rates under the transaction. Delinquencies above 30 days have not exceeded 0.8% of the initial portfolio balance. As of 30/04/2018 there were only 7 clients with overdue rentals above 30 days in the total size of EGP 726,150 or 0.33% of the initial pool balance. The servicers of the transaction are working diligently with all the clients to collect the overdue rentals.

Given the amortization of the bond and the credit enhancement currently available to the transaction, **MERIS** affirms the initially assigned ratings to the notes.

### Strengths of the Transaction

- The credit enhancement available to the notes comes in the form of (i) over-collateralization in the amount of 33.6% net of expenses; (ii) availability of a default reserve account (a Letter of Guarantee issued by Arab African International Bank) in the amount of EGP 11,400,000 representing 36.9% of the outstanding 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 (AM Best Financial Strength Rating: B++ (Good) and Long Term Issuer Credit Rating: bbb with Stable Outlook, Dec. 2017). The credit insurance covers the risk of non-payment of any of the individual property buyers.
- The notes also benefit from a liquidity reserve account in the amount of 5.5% of the notes' initial balance, which is sized to cover approximately 6 months of coupon and senior fees. The liquidity buffer, which currently measures 5.9% of the outstanding notes' balance, is adjusted on a monthly basis 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 holiday (72% of total outstanding receivables) and 1st home residential properties (28% of total portfolio) located in four of Wadi Degla Group's new projects – Blumar El Dome, Blumar North Coast, Marina El Sokhna and Pyramids Walk. All the units are fully constructed and delivered to their owners.
- The pool has a relatively low weighted average loan-to-value (LTV) ratio (21% 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.
- The portfolio comprises seasoned receivables (weighted average seasoning of 52 months and weighted average remaining term to maturity of 15 months).
- 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 21% of the portfolio. **MERIS** has factored this feature in the quantitative analysis of the transaction.
- There is lack of relevant and consistent time series data 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/Service. 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.
- The ratings of class C 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 .
- 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.



## KEY TRANSACTION DATA

Deal Closing Date:	May 2015
Issuer:	Sarwa Securitization Company S.A.E.
Seller (s) /Originator (s):	Al Ikhlas, Iskan Misr, Suez Gulf and Arab Investments
Servicer:	Al Ikhlas, Iskan Misr, Suez Gulf and Arab Investments
Custodian & Back-up Servicer:	Commercial International Bank (CIB) (LT Deposit Rating "B3" by Moody's Investor Service)
Underwriters:	Arab African International Bank, Sarwa Promoting & Underwriting
Structure Type	Class A: Class B&C:
Pool Currency:	Pre-determined amortization schedule - Quarterly
Pool Reporting Frequency:	Pass through amortization schedule - Monthly
Last Reporting Date:	EGP Monthly 30/04/2018

## COLLATERAL SUMMARY (see APPENDIX I for more details)

Receivables:	Installment-sale contracts for the purchase of newly built properties.
Pool Balance (as of 30/04/2018):	EGP 42,869,455
Number of Contracts:	257 fully amortizing contracts
Number of Clients:	255
Type of Properties*:	72% holiday homes, 28% first homes
Type of Clients*:	100% individuals
Avg Current Contract Size:	EGP 166,807
Avg Current Client Exposure:	EGP 168,116
WA Seasoning:	52 months
WA Remaining Maturity:	15 months
WA Original Tenor:	68 months
WA LTV (Original Price):	21%

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

## CREDIT SUPPORT

Class	Subordination	Over collateralization	External Support (L/G)
A	-		
B	-	33.6%	Default reserve account (L/G) in the size of 36.9% of the outstanding notes' balance
C	None		

## ISSUE DETAILS

## COLLATERAL

In EGP

Class A Principal - Original	25,000,000	A/R - Original,	225,563,897
Class B Principal - Original	96,000,000	A/R - Current*	43,874,805
Class C Principal - Original	52,000,000		
Class A Principal - Outstanding*	-		
Class B Principal - Outstanding*	-		
Class C Principal - Outstanding*	30,854,568	Number of Clients- Original	561
Interest Rate - Class A	9.73%	Number of Clients - Current*	263
Interest Rate - Class B	10.63%		
Interest Rate - Class C	11.33%		
Frequency - 1 <sup>st</sup> 13 months	Quarterly	Cum. Delinquencies (% of Pool Balance)	
After 13 months	Monthly		
Seasoning (months)	36	30-60 days/Current Pool Balance	0.83%
Maturity	2020	60-90 days/Current Pool Balance	0.82%
Remaining Tenor (months)	22	90+ days/Current Pool Balance	0.00%
Residual Account Balance	2,387,817		
Default Reserve Account	11,400,000		
Liquidity Reserve Account	1,831,951		
Total Credit Support/Bond Principal	50.6%	Cum. Losses (% of Pool Principal)	0.00%

\*Current data is as of 30/04/2018.

## PORTFOLIO AND PERFORMANCE DATA

Period	Portfolio Outstanding Amount (EGP)	# of Contracts	TRR	Default Reserve Account (EGP)	Liquidity Reserve Account (EGP)	Residual Account Balance (EGP)	Bond Principal Outstanding (EGP)	Total Credit Support/ Bond Principal Outstanding
Mar-15	220,044,328	558	25.7%	-	-	-	173,000,000	0.0%
Apr-15	214,674,034	551	25.7%	-	-	-	173,000,000	0.0%
May-15	211,465,227	549	16.5%	20,688,294	626,154	13,221,115	173,000,000	20.0%
Jun-15	203,889,178	546	35.5%	20,688,343	693,311	19,367,260	173,000,000	23.6%
Jul-15	197,877,595	537	30.2%	20,688,394	1,324,588	25,789,386	173,000,000	27.6%
Aug-15	191,341,498	531	33.2%	20,688,445	2,648,924	26,506,068	173,000,000	28.8%
Sep-15	185,610,158	528	30.6%	19,000,000	3,305,437	31,628,547	173,000,000	31.2%
Oct-15	181,285,554	522	24.6%	19,000,000	3,328,567	35,875,752	173,000,000	33.6%
Nov-15	176,276,318	515	28.6%	19,000,000	4,619,928	33,344,374	170,500,000	32.2%
Dec-15	166,434,195	502	49.8%	19,000,000	5,255,437	39,389,737	170,500,000	36.2%
Jan-16	161,185,712	498	31.9%	19,000,000	5,270,641	46,516,539	170,500,000	41.5%
Feb-16	155,182,187	495	36.6%	19,000,000	6,847,663	36,596,284	159,250,000	39.2%
Mar-16	150,280,073	492	32.0%	19,000,000	7,502,956	40,768,729	159,250,000	42.3%
Apr-16	146,041,569	483	29.1%	19,000,000	8,306,252	44,108,228	159,250,000	44.9%
May-16	142,194,624	475	27.4%	19,000,000	9,031,237	32,198,582	148,000,000	40.7%
Jun-16	135,597,931	473	43.4%	19,011,869	9,121,788	4,613,760	116,221,340	28.2%
Jul-16	130,548,264	466	36.6%	19,011,932	9,121,890	3,909,885	110,172,226	29.1%
Aug-16	124,026,769	457	45.9%	19,011,973	9,085,523	3,011,763	103,973,820	29.9%
Sep-16	118,663,471	441	41.2%	19,012,027	7,115,494	1,906,990	97,558,486	28.7%
Oct-16	115,188,109	435	30.0%	19,012,083	6,429,543	2,420,795	93,691,393	29.7%
Nov-16	111,238,196	427	34.2%	19,012,154	5,633,162	3,194,950	91,017,423	30.6%
Dec-16	103,508,403	416	57.9%	19,012,232	5,637,350	4,704,510	87,488,979	33.6%
Jan-17	99,055,962	411	41.0%	19,012,310	5,433,196	6,144,185	83,293,284	36.7%
Feb-17	94,100,540	397	46.0%	19,000,000	5,063,638	4,261,119	77,508,597	36.5%
Mar-17	90,227,891	381	39.6%	19,000,000	5,114,492	3,420,937	73,208,415	37.6%
Apr-17	86,975,261	375	35.6%	19,000,000	4,227,622	2,968,371	69,433,035	37.7%
May-17	83,792,184	365	36.1%	19,000,000	4,273,848	2,696,437	66,759,198	38.9%
Jun-17	79,844,909	359	44.0%	19,000,000	4,006,041	2,559,319	64,152,273	39.9%
Jul-17	73,456,519	346	63.2%	19,000,000	3,333,363	6,151,907	61,350,360	46.4%
Aug-17	70,041,459	340	43.5%	19,000,000	3,333,473	3,073,750	55,477,972	45.8%
Sep-17	67,153,140	329	39.7%	19,000,000	3,692,383	2,188,158	52,304,662	47.6%
Oct-17	64,036,285	323	43.5%	19,000,000	2,886,586	5,226,354	52,000,000	52.1%
Nov-17	61,450,890	314	39.0%	19,000,000	2,860,447	2,544,380	47,339,530	51.6%
Dec-17	56,569,329	295	63.0%	19,000,000	2,611,783	4,777,421	44,951,663	58.7%
Jan-18	51,706,564	279	66.0%	19,000,000	2,477,810	4,854,735	40,422,282	65.1%
Feb-18	48,934,129	274	48.4%	19,000,000	2,237,257	2,474,389	35,580,833	66.6%
Mar-18	46,453,255	270	46.4%	11,400,000	1,972,685	2,295,656	33,083,203	47.4%
Apr-18	43,874,805	263	49.6%	11,400,000	1,831,951	2,387,817	30,854,568	50.6%

1. TRR (Total Redemption Rate)

TRR Calculation =  $1 - (1 - (\text{Current Period Total Principal Payments} / \text{Current Period Outstanding Pool Balance} + \text{Current Period Total Principal Payments}))^{[\text{reporting frequency}]}$  where reporting frequency equals (monthly reporting = 12, quarterly reporting = 4, semi-annual = 2, annual = 1).

2. Total Credit Support = Default Reserve + Liquidity Reserve + Residual Account Balance

Chart 1:  
Bond Coupon & Principal Amortization / Asset Pool Collections

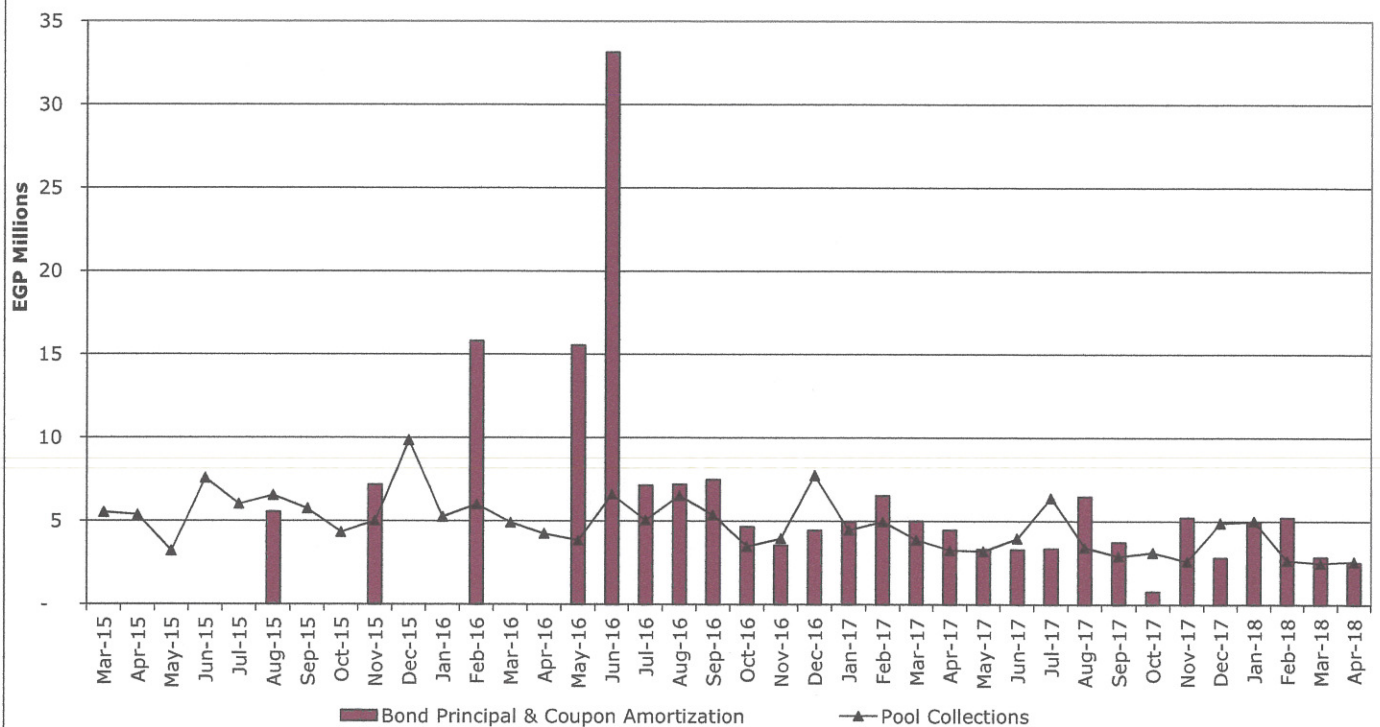


Chart 2:  
Pool Cover & Credit Support vs. Bond Principal Outstanding

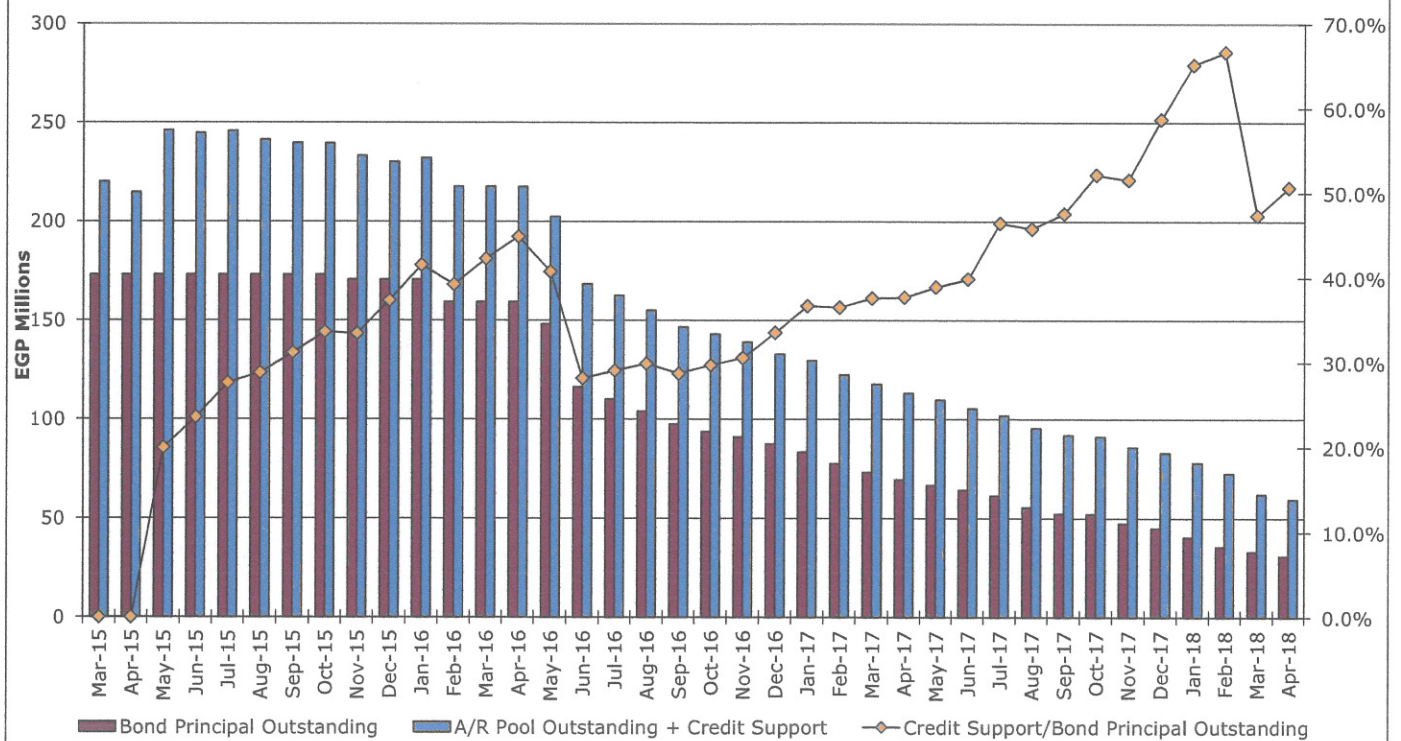




Chart 3:  
Total Delinquencies (Above 30 Days) in Nominal Value and as a Percentage of the Total Outstanding Pool Balance

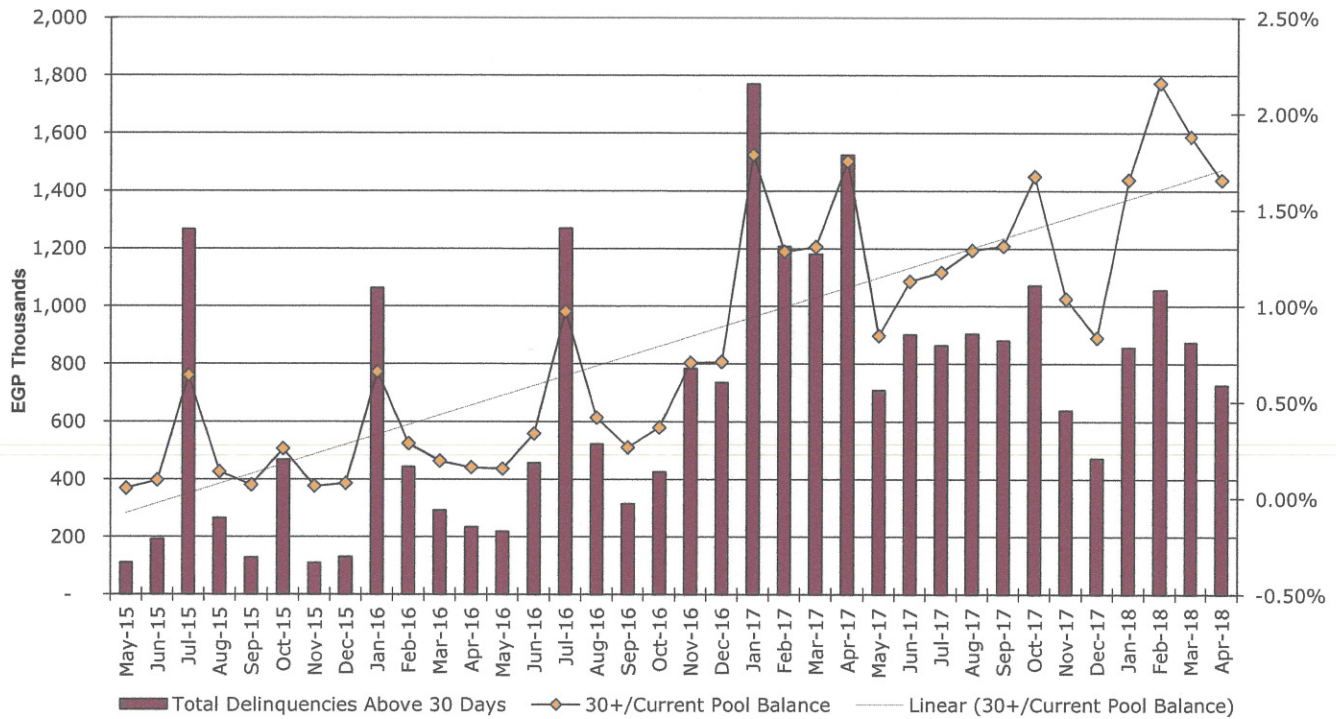
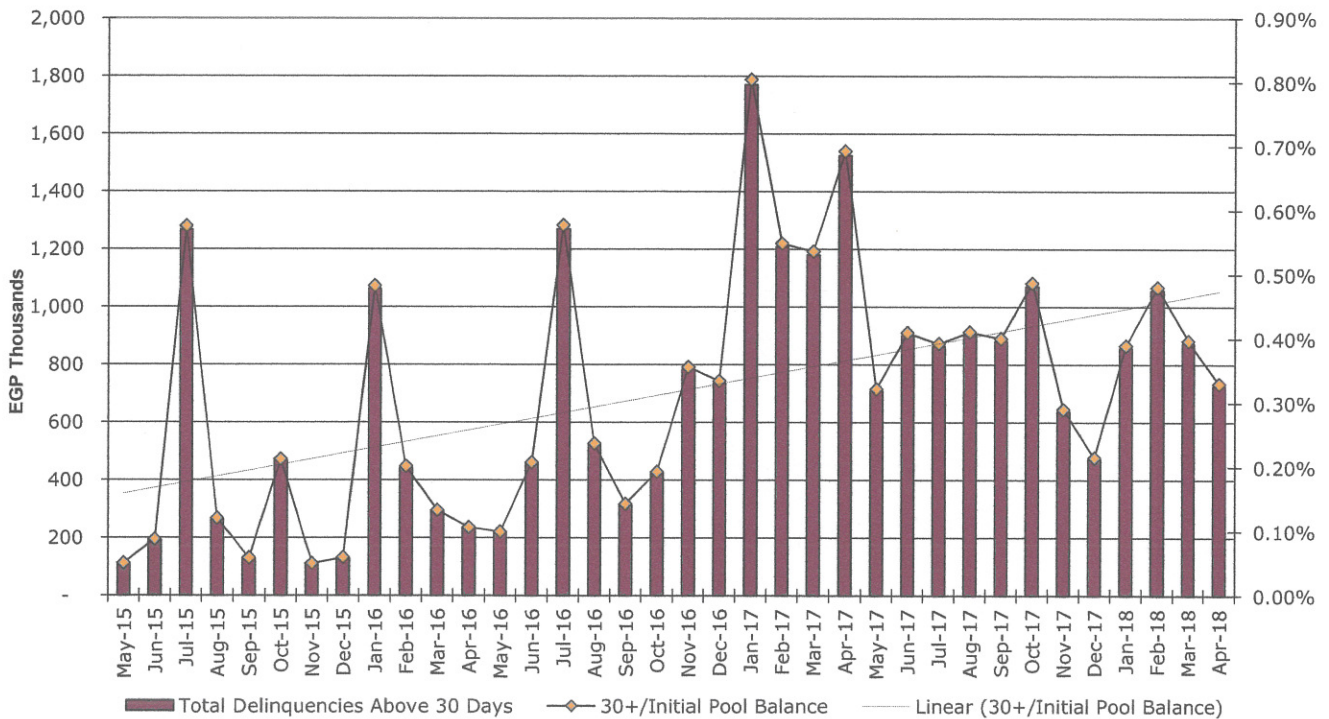


Chart 4:  
Total Delinquencies (Above 30 Days) in Nominal Value and as a Percentage of the Initial Pool Balance



## APPENDIX I: POOL DATA

Distribution by Original Term To Maturity				
Months	Current Balance	% Total	# of Contracts	# of Contracts %
25-36	662,800	2%	2	1%
37-48	2,512,331	6%	15	6%
49-60	9,596,600	22%	56	22%
61-72	17,350,237	40%	102	40%
73-89	12,747,487	30%	82	32%
<b>Total</b>	<b>42,869,455</b>	<b>100%</b>	<b>257</b>	<b>100%</b>

Distribution by Seasoning				
Months	Current Balance	% Total	# of Contracts	# of Contracts %
13-24	542,800	1%	1	0%
25-36	1,211,700	3%	6	2%
37-48	11,954,881	28%	56	22%
49-60	21,757,693	51%	142	55%
61-72	6,653,281	16%	47	18%
73-81	749,100	2%	5	2%
<b>Total</b>	<b>42,869,455</b>	<b>100%</b>	<b>257</b>	<b>100%</b>

Distribution by Remaining Term To Maturity				
Months	Current Balance	% Total	# of Contracts	# of Contracts %
1-12	10,182,353	24%	82	32%
13-24	32,687,102	76%	175	68%
<b>Total</b>	<b>42,869,455</b>	<b>100%</b>	<b>257</b>	<b>100%</b>

Distribution by Original Purchase Price per Unit				
EGP million	Current Balance	% Total	# of Contracts	# of Contracts %
2-2.5	565,200	1%	2	1%
1-2	16,761,068	39%	63	25%
0.5-1	25,301,387	59%	189	74%
<0.5	241,800	1%	3	1%
<b>Total</b>	<b>42,869,455</b>	<b>100%</b>	<b>257</b>	<b>100%</b>

Distribution by Original Loan Value (Purchase Price less Down payment)				
EGP million	Current Balance	% Total	# of Contracts	# of Contracts %
1-2.25	16,610,053	39%	61	24%
0.5-1	23,817,962	56%	172	67%
<0.5	2,441,440	6%	24	9%
<b>Total</b>	<b>42,869,455</b>	<b>100%</b>	<b>257</b>	<b>100%</b>



## APPENDIX I: POOL DATA - CONTINUED

Distribution by Current Outstanding Balance per Client				
EGP ('000)	Current Balance	% Total	# of Contracts	# of Contracts %
500-1,000	3,998,800	9%	7	3%
<500	38,870,655	91%	250	97%
<b>Total</b>	<b>42,869,455</b>	<b>100%</b>	<b>257</b>	<b>100%</b>

Distribution by Current LTV (Original Purchase Price)				
LTV	Current Balance	% Total	# of Contracts	# of Contracts %
<=30%	40,652,530	95%	251	98%
31%-40%	1,307,425	3%	5	2%
51%-60%	909,500	2%	1	0%
<b>Total</b>	<b>42,869,455</b>	<b>100%</b>	<b>257</b>	<b>100%</b>

Distribution by Installment Frequency				
EGP	Current Balance	% Total	# of Contracts	# of Contracts %
Monthly	230,740	1%	2	1%
Quarterly	6,513,745	15%	45	18%
Semi Annual	20,008,886	47%	121	47%
Annual	16,116,084	38%	89	35%
<b>Total</b>	<b>42,869,455</b>	<b>100%</b>	<b>257</b>	<b>100%</b>

Distribution by Installment Value				
Installment	Current Balance	% Total	# of Contracts	# of Contracts %
100,000-200,000	7,739,313	18%	17	7%
50,000-100,000	12,203,548	28%	59	23%
20,000-50,000	20,033,729	47%	149	58%
<20,000	2,892,865	7%	32	12%
<b>Total</b>	<b>42,869,455</b>	<b>100%</b>	<b>257</b>	<b>100%</b>

Distribution by Project				
Unit Type	Current Balance	% Total	# of Contracts	# of Contracts %
Blumar North Coast	20,796,132	49%	144	56%
Blumar El Dome	9,731,795	23%	62	24%
Pyramids Walk	11,882,278	28%	43	17%
Marina El Sokhna	459,250	1%	8	3%
<b>Total</b>	<b>42,869,455</b>	<b>100%</b>	<b>257</b>	<b>100%</b>

Distribution by Number of Owners				
Ownership	Current Balance	% Total	# of Contracts	# of Contracts %
1	33,637,139	78%	200	78%
2	5,734,560	13%	38	15%
3	1,510,245	4%	11	4%
4	1,878,511	4%	7	3%
5	109,000	0%	1	0%
<b>Total</b>	<b>42,869,455</b>	<b>100%</b>	<b>257</b>	<b>100%</b>

## APPENDIX I: POOL DATA - CONTINUED

Distribution by Origination Year				
Ownership	Current Balance	% Total	# of Contracts	# of Contracts %
2010	31,200	0%	1	0%
2011	1,978,453	5%	12	5%
2012	19,689,756	46%	139	54%
2013	17,831,931	42%	91	35%
2014	3,338,115	8%	14	5%
<b>Total</b>	<b>42,869,455</b>	<b>100%</b>	<b>257</b>	<b>100%</b>

Distribution by Governorate (as per Obligors ID)				
LTV	Current Balance	% Total	# of Contracts	# of Contracts %
Cairo	24,011,801	56%	153	60%
Giza	9,247,418	22%	56	22%
Helwan	1,561,251	4%	9	4%
Monufia	1,409,500	3%	2	1%
Alexandria	1,035,100	2%	6	2%
Port Said	757,013	2%	3	1%
Dakahlia	528,450	1%	3	1%
Gharbia	426,500	1%	4	2%
Suez	127,500	0%	1	0%
Others	3,764,922	9%	20	8%
<b>Total</b>	<b>42,869,455</b>	<b>100%</b>	<b>257</b>	<b>100%</b>

## APPENDIX IV: National Rating Scale

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