

STRUCTURED FINANCE

Annual Review

Sarwa Securitization Company S.A.E. (SSC) – 27th Issue 2018-2023

Auto Receivables/Egypt

DEFINITIVE RATINGS

Class	Description	Amount (EGP mn)*	% of Notes*	Maturity	Fixed Coupon (%)	Initial Rating**	Current Rating**
A	Senior	58.3	5.25%	May-19	14.01%	AA+(sf)	AA+(sf)
B	Subordinated	748.5	67.32%	May-21	14.81%	AA(sf)	AA(sf)
C	Junior Subordinated	305.0	27.43%	Mar-23	15.31%	A(sf)	A(sf)
Total		1,111.8					

*As of 30/04/2019

**The (sf) insertion refers to structured finance.

POOL CLOSING DATE:

April 1, 2018

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RATING OPINION AND SPECIFIC COMMENTARY

This is the twenty seventh asset-backed bond issued by Sarwa Securitization Company S.A.E. (SSC). At issuance the bond issue size measured EGP 2,030,000,000 and was backed by 7,699 auto installment-sale contracts (EGP 2,776,868,638 outstanding receivable balance as of the pool cut-off date) initially co-originated by Contact Auto Credit (CAC) (74% of the principal outstanding balance), Star Auto Credit (14%), Bavarian – Contact Car Trading (BCCT) (6%), Contact Egyptian International Motor Credit (CEIM) (4%), Ezz El Arab-Contact Financial (ECF) (1%) and Modern Finance (Modern) (0.3%). The contracts have been written over the period between 3/31/2015 and 2/25/2018.

The rating addresses the expected loss posed to investors by the legal final maturity. In **MERIS's** 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 (AAIB), as well as on data provided by the Issuer.

As of 30/04/2019, 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 1,111,847,509, equivalent to 45.2% redemption of the original balance. Given the senior-subordinated structure of the bond, the principal amortization has been directed to class A notes, which currently stand at EGP 58,333,333, or 8.3% of the original balance. In addition, 100% of the prepayments were passed to class B notes as principal amortization. As a result, Class B notes currently stand at EGP 748,514,175, representing 73.0% of the original balance. The asset pool backing the issue has been amortized at 51.6%, and currently equals EGP 1,343,042,735, including EGP 957,695,664 of principal, and the balance being interest on the auto finance contracts. According to the structure of the transaction, the issue has a negative carry (the outstanding principal of the bond is higher than the outstanding principal of the asset pool backing the bond) currently in the size of 13.9%, compared to 7.8% at the pool cut-off date.

The above difference in principal outstanding between the bond and the asset pool is covered by the credit enhancement available to the issue in the form of residual cash account, coupled with the liquidity and default reserve accounts, which were funded as per the terms of the bond structure. The NPV of the portfolio receivables plus the residual cash balance, the liquidity reserve and the default reserve accounts over the NPV of the transactions cash outflows (senior and subordinated fees and expenses, coupon and principal) measures 0.6% as of April 2019, compared to 2.7% at closing. This measure is rather conservative as it does not take into account any potential collections of the EGP 35.1 million of currently delinquent installments. It is worth noting that approximately 73.1% of the delinquencies (EGP 25.7 million) are below 30 days. When adjusted for total delinquencies, the over collateralization would measure 3.7%. In terms of liquidity, the transaction currently has sufficient accumulated cash reserves to cover close to 3 months of scheduled senior fees and expenses 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 the default and delinquency rates under the transaction on a monthly basis. As of April 2019, the asset pool has recorded a 0.56% cumulative default rate of initial pool balance (principal only) (0.08% due to total loss, 0.16% due to borrower's death, and 0.32% due to credit default). It is worth noting that there have been 24 cases of repossession as of April 2019, which have resulted in full recovery of the amounts due. The pool's delinquencies above 30 days stood at 0.34% of the initial pool balance in April 2019. As of the same date, the average prepayment rate has reached 17.7%, which is in line with the initial assumptions.

Strengths of the Transaction

- The credit assessment of the initial portfolio of underlying auto receivables, which reflects the Originators' strict underwriting, collection and monitoring guidelines and procedures;
- The level of protection provided to investors by the credit enhancements in the form of (i) over-collateralization in the amount of 0.6% net of expenses; (ii) subordinated administration fees in the amount of 2.5% p.a. of the principal outstanding balance of the portfolio that will be available on a monthly basis in addition to EGP 15 million that will be paid out during the lifetime of Tranche B; and (iii) structural subordination of tranches B and C to the more senior tranches;
- The liquidity support in the form of a cash reserve account in the amount of 3.5% of the outstanding aggregate notes balance (currently in the size of 3.8%), which was funded from the first month of collections and to be adjusted on a monthly basis thereafter in accordance with the notes' amortization;
- The availability of a default reserve account that is 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;
- The granularity of the pool (concentrations per client less than 0.13% of the total principal outstanding) as well as the pool's relative diversification in terms of car make and geographic distribution;
- The relatively low weighted average loan-to-value ratio at origination (68.3%), which accelerates the build-up of owner's equity into the assets and hence increase the recovery potential in case of defaults;
- The significant experience of the servicer and efficiency of its operating systems; and
- The availability of a contractually appointed back-up servicer.

Weaknesses of the Transaction

- The generally greater uncertainty associated with unrated Originators, and the use of securitization proceeds to fund the Originator's growing phase, mitigated, however, by the Originator's experienced management team and strict adherence to its underwriting policies and procedures, which assure a high quality receivables pool;
- No independent calculation agent for the subordinated administration fees. Partially mitigated by the performance reports issued by the Custodian and verified by the auditors within a month after the actual cash disbursement date;

- 25% of the securitized receivables are related to the sale of used cars, which are associated with a greater probability of default, due to the relatively riskier credit profile of the buyers; nevertheless, the majority of the used cars included in the securitization portfolio are premium brands, which indicate high creditworthiness of the buyers;
- The administration fee subordination provides limited support to Class B and C notes, and is most useful during the life of class A notes due to the predetermined amortization schedule of the notes, in addition to the more sizeable amount of the subordinated fees during the first 13 months;
- The existence of legal uncertainties, given that the key legal concepts underpinning securitization remain largely untested in judicial proceedings or in practice in Egypt, mitigated by the legal opinions provided by the transaction's legal advisor on issues such as true sale, separateness of accounts, commingling and consolidation risk.

KEY TRANSACTION DATA

Deal Closing Date:	April 2018
Issuer:	Sarwa Securitization Company S.A.E.
Seller (s) /Originator (s):	Contact Auto Credit (CAC), Bavarian–Contact Car Trading (BCCT), Star Auto Credit (SAC), Contact Egyptian International Motor Credit (CEIM), Ezz El Arab-Contact Financial (ECF), and Modern Finance (Modern).
Servicer:	Contact Auto Credit (CAC)
Custodian & Back-up Servicer:	Arab African International Bank (AAIB) (Long-Term Foreign Currency Rating 'B+' by Capital Intelligence, Dec. 2018)
Structure Type	Class A: Pre-determined amortization schedule
	Class B&C: Pass through amortization schedule
Pool Currency:	EGP
Pool Reporting Frequency:	Monthly
Last Reporting Date:	30/04/2019

COLLATERAL SUMMARY* (see APPENDIX I for more details)

Receivables:	Car installment-sale contracts.
Pool Balance:**	EGP 937,705,015 (77% by CAC, 10% by SAC, 7% by BCCT, 5% by CEIM, 1% by ECF and 0.4% by MF)
Number of Contracts:**	5,310 fully amortizing contracts
WA Seasoning:	22 months
WA Remaining Maturity:	31 months
WA LTV (at origination):	68.3%

* The analysis of the pool is based on the pool data as of 30/04/2019

**The total outstanding principal balance and number of contract exclude any due and uncollected principal amounts or contracts.

CREDIT SUPPORT

Class	Subordination	Over collateralization	Other Credit Enhancement
A	94.75%		Subordinated Administration Fee: (i) 2.5% p.a. of the previous month's beginning principal portfolio balance available on a monthly basis, (ii) EGP 15 million to be paid during the lifetime of Tranche B over three equal installments.
B	27.43%	0.6%	
C	None		

ISSUE DETAILS

COLLATERAL

<i>In EGP</i>			
Class A Principal - Original	700,000,000	A/R – Original,	2,776,868,638
Class B Principal - Original	1,025,000,000	A/R - Current*	1,343,042,735
Class C Principal - Original	305,000,000	Principal Outstanding Balance - Original	1,872,022,527
Class A Principal - Outstanding*	58,333,333	Principal Outstanding Balance - Current*	957,695,664
Class B Principal - Outstanding*	748,514,175		
Class C Principal - Outstanding*	305,000,000	Number of Contracts - Original	7,699
Interest Rate - Class A	14.01%	Number of Contracts - Current*	5,247
Interest Rate - Class B	14.81%	Average Constant Prepayment Rate	17.7%
Interest Rate - Class C	15.31%		
Frequency	Monthly	Cum. Delinquencies (% of Pool Balance)	
Seasoning (months)	12	30-60 days/Current Pool Balance	0.19%
Maturity	2023	60-90 days/Current Pool Balance	0.07%
Remaining Tenor (months)	47	90+ days/Current Pool Balance	0.11%
Surplus Account Balance	12,924,752	Arrears in Processing**/Current Pool Balance	0.34%
Cash Reserve Accounts (Default & Liquidity)	50,723,706		
Total Credit Support/Bond Principal	5.7%	Cum. Losses (% of Pool Principal)	0.00%

*Current data is as of 30/04/2019.

**Arrears in Processing refer to installments in arrears related to legal cases, repossession of the vehicles, or insured events.

PORTFOLIO AND PERFORMANCE DATA

Period	Portfolio Outstanding Amount	Principal Outstanding Amount	# of Contracts	CPR	TRR	Residual Account Balance	Bond Principal Outstanding	Total Credit Support/ Bond Principal Outstanding
Apr-18	2,776,868,638	1,872,022,527	7,699	0.0%	0.0%		2,030,000,000	0.0%
May-18	2,544,209,209	1,727,292,219	7,347	15.9%	61.9%	24,744,440	2,002,866,755	4.8%
Jun-18	2,413,178,835	1,644,559,809	7,183	16.3%	44.5%	29,986,158	1,919,055,547	5.3%
Jul-18	2,272,021,514	1,554,670,404	6,992	20.4%	49.1%	49,481,421	1,835,862,479	6.5%
Aug-18	2,156,096,648	1,481,749,956	6,821	13.5%	43.8%	48,296,503	1,747,225,214	6.7%
Sep-18	2,017,607,204	1,392,486,439	6,657	24.3%	52.6%	71,512,503	1,670,718,974	8.2%
Oct-18	1,894,270,099	1,312,036,944	6,341	19.4%	51.0%	75,266,437	1,579,165,510	8.8%
Nov-18	1,788,031,929	1,241,398,401	6,180	16.3%	48.5%	68,918,693	1,496,638,506	8.8%
Dec-18	1,676,913,272	1,168,195,518	5,955	17.3%	51.8%	75,394,954	1,419,458,474	9.5%
Jan-19	1,585,922,844	1,111,323,639	5,720	20.1%	45.1%	68,290,466	1,342,181,557	9.3%
Feb-19	1,500,227,472	1,056,713,984	5,501	16.0%	45.4%	53,630,271	1,262,571,376	8.6%
Mar-19	1,416,606,570	1,004,635,979	5,399	19.3%	45.5%	39,818,263	1,188,480,205	7.9%
Apr-19	1,343,042,735	957,695,664	5,247	15.4%	43.7%	12,924,752	1,111,847,509	5.7%

1. CPR (Constant Prepayment Rate)

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

2. 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).

3. Total Credit Support

Total Credit Support = Liquidity Reserve Account + Default Reserve Account



1. CPR (Constant Prepayment Rate)

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

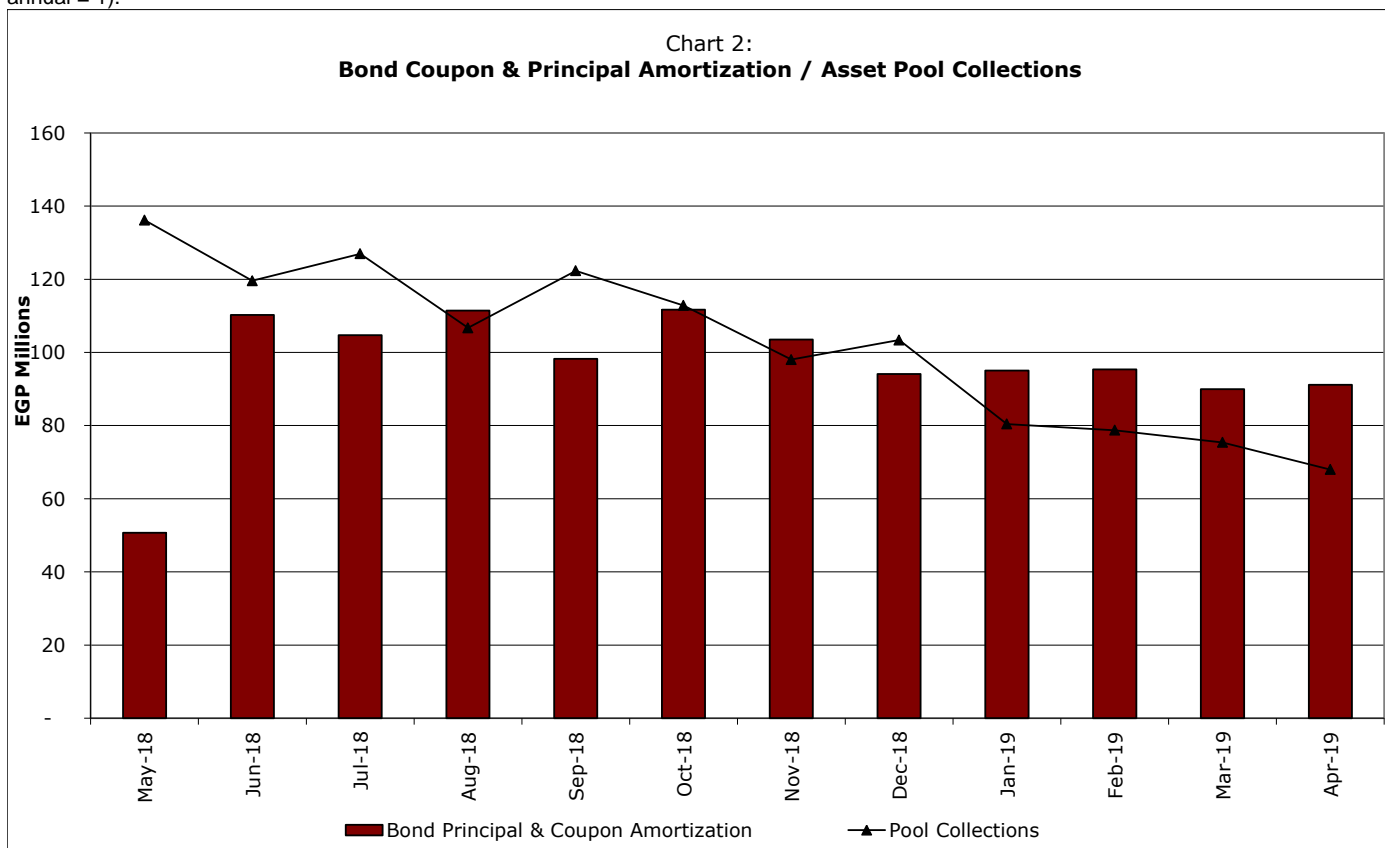


Chart 3:
Pool Cover & Credit Support vs. Bond Principal Outstanding

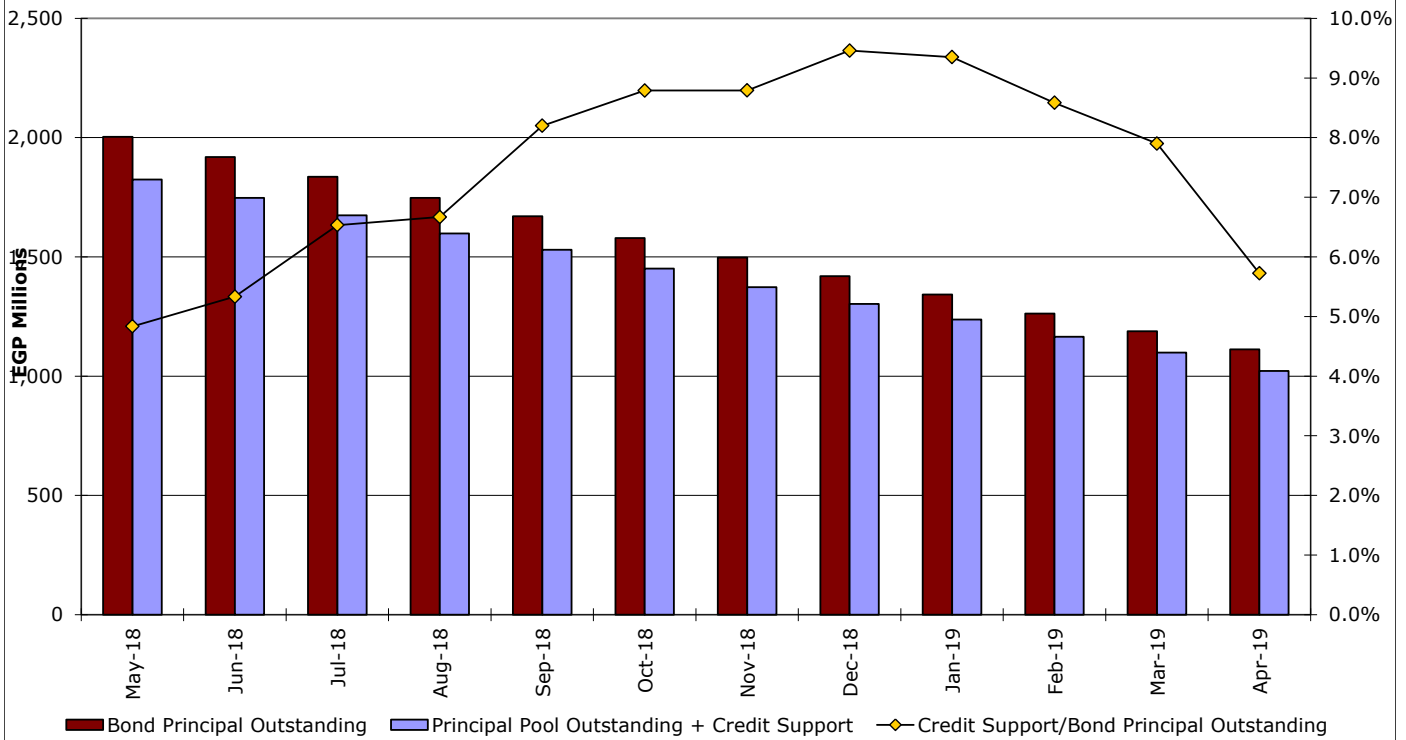
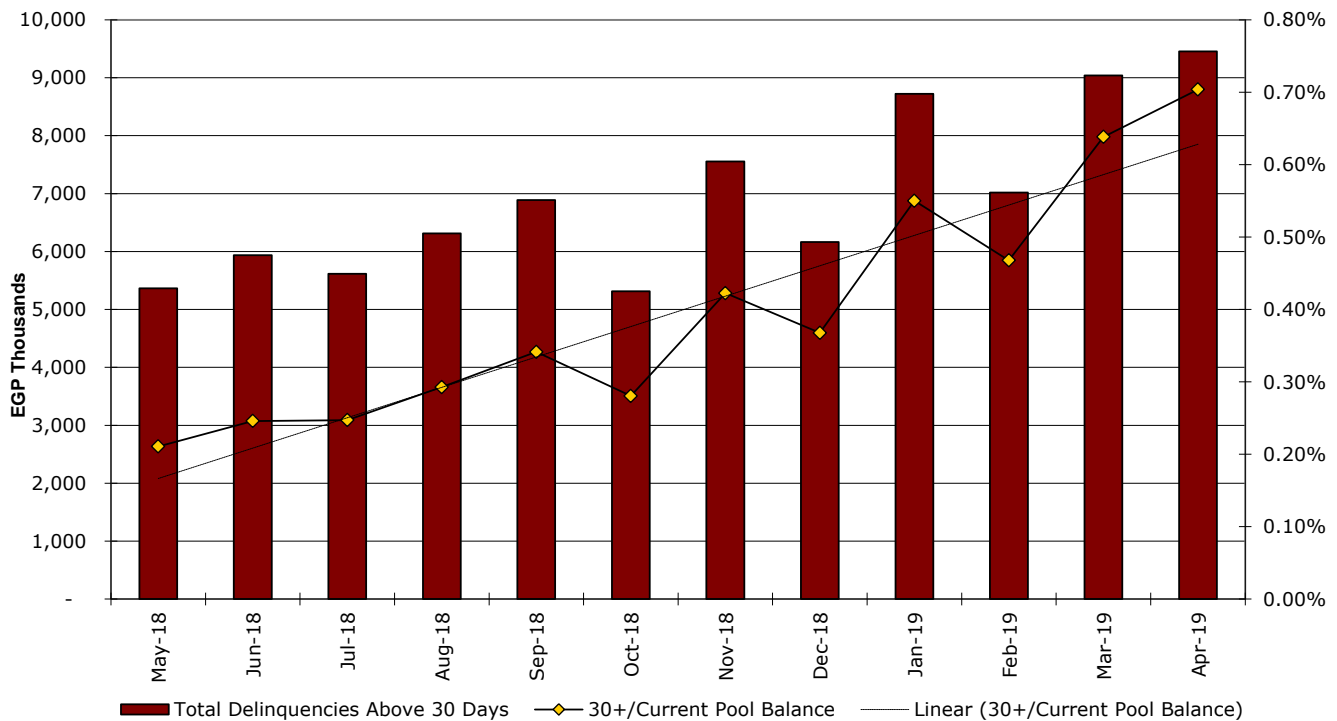
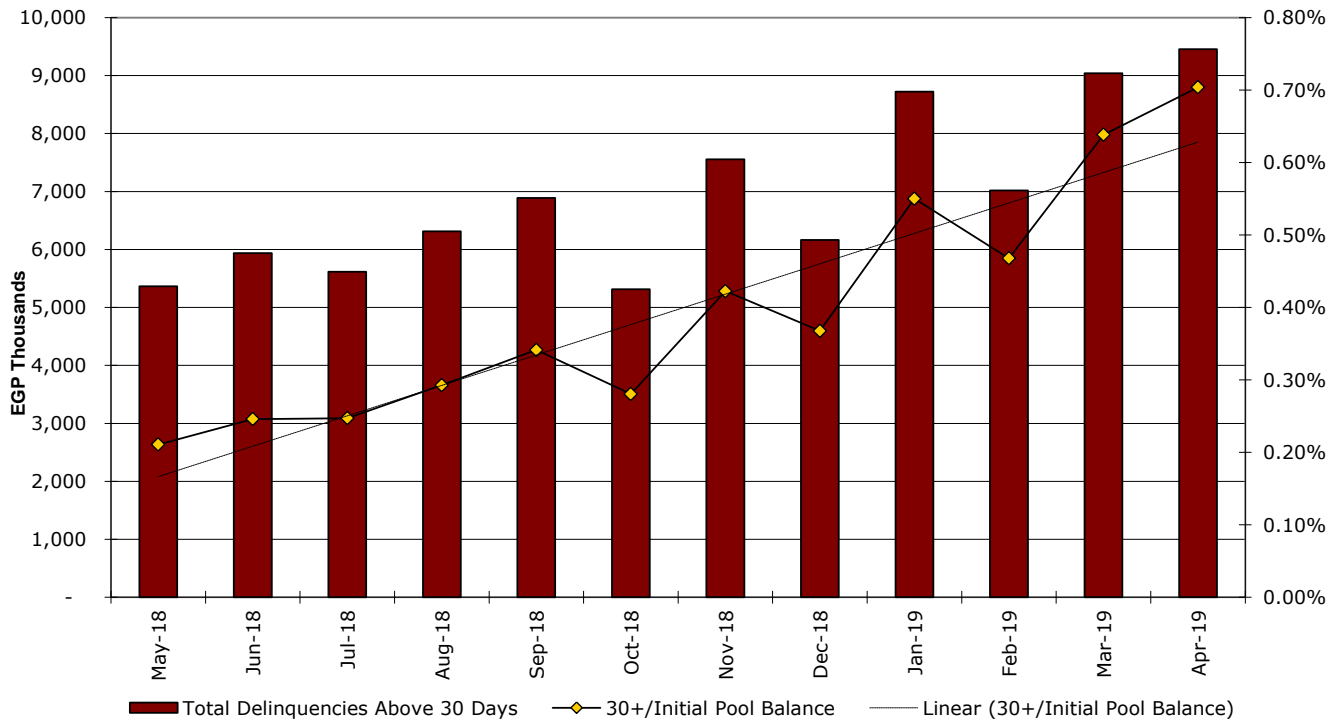


Chart 4:
Total Delinquencies (Above 30 Days) in Nominal Value and as a Percentage of the Total Outstanding Pool Balance



*Delinquencies are measured in terms of total installments overdue.

Chart 5:
Total Delinquencies (Above 30 Days) in Nominal Value and as a Percentage of the Initial Pool Balance



*Delinquencies are measured in terms of total installments overdue.

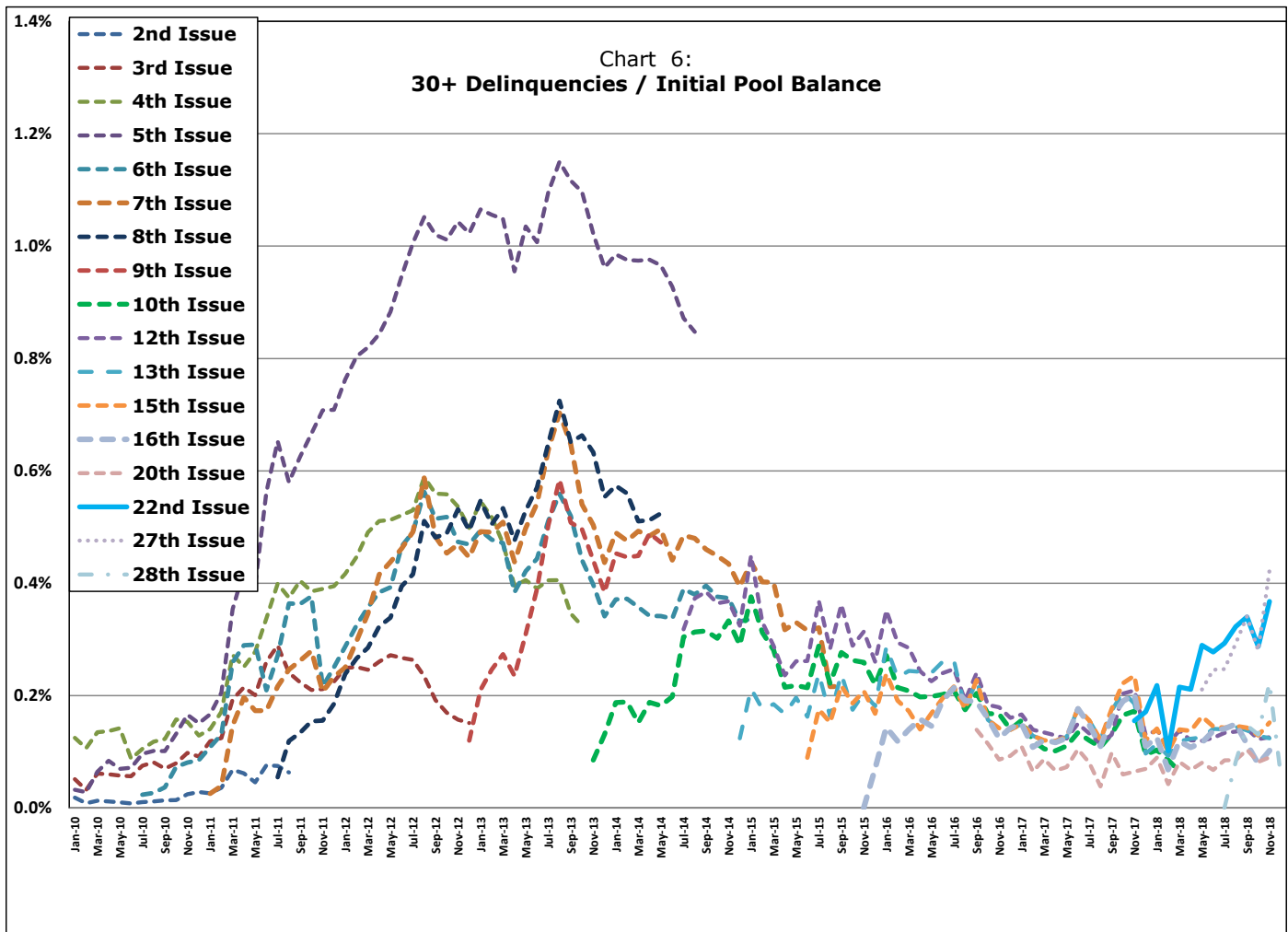
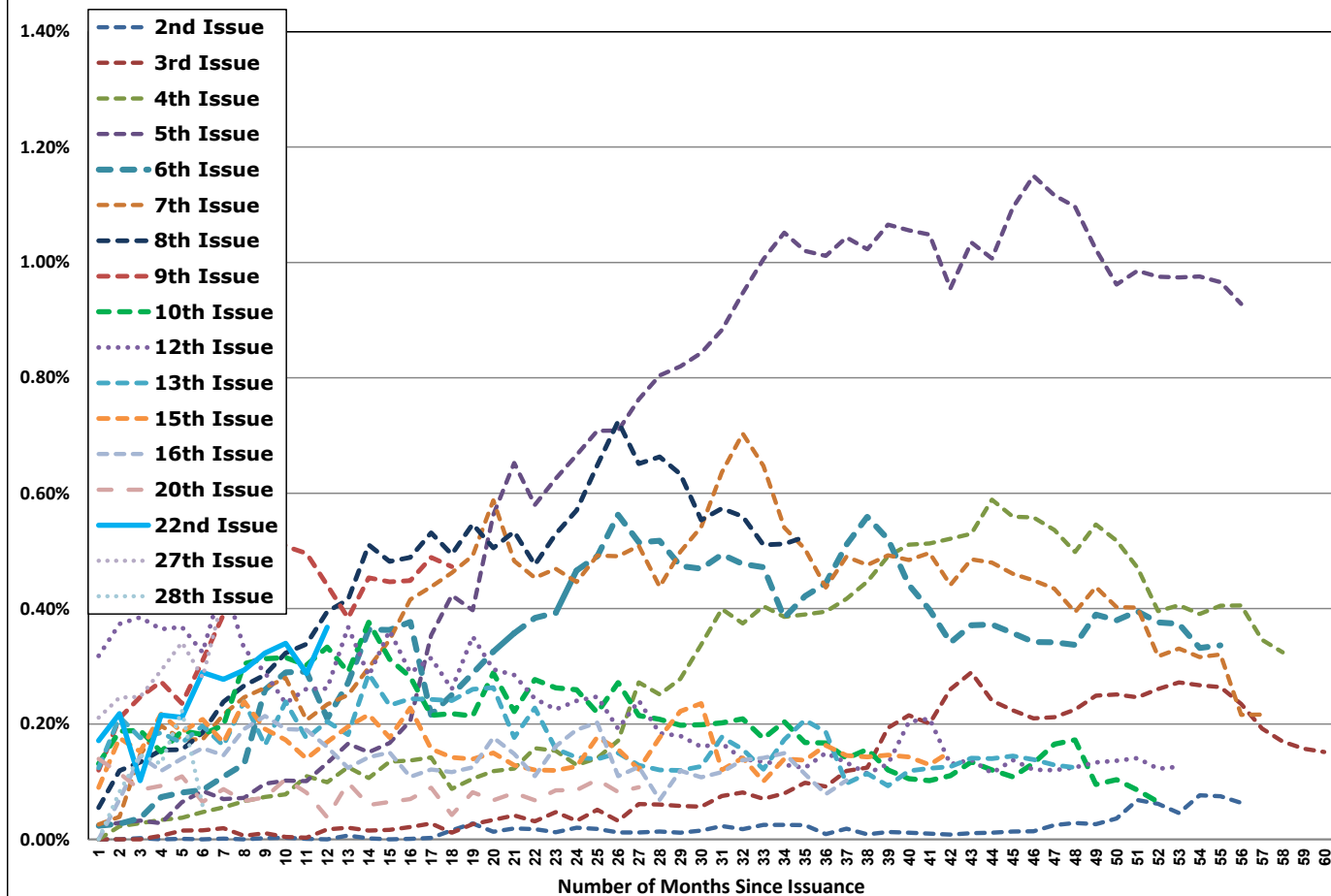


Chart 7:

30+ Delinquences / Initial Pool Balance Over the Lifetime of Sarwa's Bond Issuances



APPENDIX I: POOL DATA (As of 30/04/2019)

Distribution by Original Term To Maturity				
Months	Principal Outstanding	% Total	# of Contracts	# of Contracts %
13-24	51,142,625	5%	480	9%
25-36	188,116,216	20%	1,145	22%
37-48	87,682,709	9%	447	8%
49-59	562,576	0.1%	3	0.1%
60	610,200,890	65%	3,235	61%
Total	937,705,015	100%	5,310	100%

Distribution by Seasoning				
Months	Principal Outstanding	% Total	# of Contracts	# of Contracts %
14-16	215,851,544	23%	890	17%
17-20	226,598,950	24%	1,075	20%
21-25	255,879,308	27%	1,459	27%
26-40	237,748,030	25%	1,859	35%
41-54	1,627,183	0.2%	27	1%
Total	937,705,015	100%	5,310	100%

Distribution by Remaining Term To Maturity				
Months	Principal Outstanding	% Total	# of Contracts	# of Contracts %
1-12	97,161,144	10%	993	19%
13-24	175,762,549	19%	898	17%
25-35	299,012,770	32%	1,816	34%
36-40	139,554,432	15%	687	13%
41-46	226,214,120	24%	916	17%
Total	937,705,015	100%	5,310	100%

Distribution by Original Principal Balance				
EGP ('000)	Principal Outstanding	% Total	# of Contracts	# of Contracts %
1,000-1,500	77,196,365	8%	112	2%
800-999	72,061,885	8%	132	2%
600-799	107,425,533	11%	268	5%
400-599	184,753,269	20%	638	12%
200-399	293,528,848	31%	1,722	32%
<200	202,739,115	22%	2,438	46%
Total	937,705,015	100%	5,310	100%

Distribution by Current Outstanding Principal Balance				
EGP ('000)	Principal Outstanding	% Total	# of Contracts	# of Contracts %
1,000-1,300	12,895,241	1%	12	0%
800-999	33,618,266	4%	39	1%
600-799	69,638,283	7%	101	2%
400-599	129,578,489	14%	269	5%
200-399	307,073,182	33%	1,099	21%
<200	384,901,555	41%	3,790	71%
Total	937,705,015	100%	5,310	100%

The total outstanding principal balance and number of contracts exclude any overdue and uncollected principal amounts.

APPENDIX I: POOL DATA - CONTINUED

Distribution by Original LTV				
LTV	Principal Outstanding	% Total	# of Contracts	# of Contracts %
<=40%	30,725,264	3%	348	7%
41%-50%	105,353,046	11%	699	13%
51%-60%	110,566,790	12%	719	14%
61%-70%	162,084,616	17%	1,026	19%
71%-75%	145,388,750	16%	757	14%
76%-85%	383,074,229	41%	1,759	33%
86%-100%	512,321	0%	2	0%
Total	937,705,015	100%	5,310	100%

Distribution by Original Car Value (Purchase Price)				
EGP '000	Principal Outstanding	% Total	# of Contracts	# of Contracts %
1,000-2,500	211,841,466	23%	433	8%
600-1,000	215,919,852	23%	754	14%
400-599	183,906,927	20%	905	17%
300-399	114,958,229	12%	822	15%
200-299	141,256,514	15%	1,357	26%
100-199	68,875,000	7%	1,014	19%
<100	947,027	0%	25	0%
Total	937,705,015	100%	5,310	100%

Distribution by Monthly Installment Amount				
EGP	Principal Outstanding	% Total	# of Contracts	# of Contracts %
30,000-71,000	124,152,928	13%	248	5%
15,000-29,999	257,521,375	27%	808	15%
10,000-14,999	177,621,784	19%	793	15%
5,000-9,999	248,777,855	27%	1,754	33%
>4,999	129,631,073	14%	1,707	32%
Total	937,705,015	100%	5,310	100%

Distribution by Product Type				
EGP	Principal Outstanding	% Total	# of Contracts	# of Contracts %
Economy	342,813,527	37%	1,841	35%
Used	233,572,481	25%	1,190	22%
Standard	210,957,639	22%	1,250	24%
Flexible	145,585,300	16%	981	18%
Islamic	4,776,069	1%	48	1%
Total	937,705,015	100%	5,310	100%

Distribution by Originator				
EGP	Principal Outstanding	% Total	# of Contracts	# of Contracts %
CAC	724,258,001	77%	4,465	84%
SAC	89,830,588	10%	267	5%
BCCT	63,037,054	7%	160	3%
CEIM	46,586,626	5%	342	6%
ECF	9,980,795	1%	40	1%
MF	4,011,951	0.4%	36	1%
Total	937,705,015	100%	5,310	100%

The total outstanding principal balance and number of contracts exclude any overdue and uncollected principal amounts.

APPENDIX I: POOL DATA - CONTINUED

Distribution by Payment Method				
EGP	Principal Outstanding	% Total	# of Contracts	# of Contracts %
Direct Debit	781,548,204	83.3%	4,650	88%
Checks	154,127,713	16.4%	648	12%
Credit card	2,029,099	0.2%	12	0%
Total	937,705,015	100%	5,310	100%

Distribution by Governorate				
Governorate	Principal Outstanding	% Total	# of Contracts	# of Contracts %
Cairo	368,095,772	39.3%	1,855	34.9%
Giza	177,565,714	18.9%	1,011	19.0%
Alexandria	135,360,722	14.4%	906	17.1%
Gharbia	41,725,378	4.4%	277	5.2%
Dakahlia	32,138,664	3.4%	208	3.9%
Red Sea	29,053,547	3.1%	189	3.6%
Ismailia	21,390,757	2.3%	132	2.5%
Beheira	21,179,874	2.3%	149	2.8%
Damietta	18,525,757	2.0%	88	1.7%
Qalyubia	17,732,046	1.9%	94	1.8%
Monufia	13,357,593	1.4%	72	1.4%
Sharqia	11,419,918	1.2%	70	1.3%
Kafr El-Sheikh	9,482,367	1.0%	54	1.0%
Port Said	8,343,534	0.9%	43	0.8%
South Sinai	7,910,634	0.8%	41	0.8%
Marsa Matrouh	5,344,373	0.6%	31	0.6%
Suez	4,794,237	0.5%	29	0.5%
6th October	3,734,703	0.4%	14	0.3%
Asyut	3,648,004	0.4%	10	0.2%
Faiyum	3,009,608	0.3%	16	0.3%
Luxor	1,009,374	0.1%	3	0.1%
Sohag	906,023	0.1%	4	0.1%
Qena	711,574	0.1%	3	0.1%
Minya	525,277	0.1%	4	0.1%
Beni Suef	495,841	0.1%	5	0.1%
Sharm El Sheikh	124,928	0.0%	1	0.0%
Helwan	118,795	0.0%	1	0.0%
Total	937,705,015	100%	5,310	100%

The total outstanding principal balance and number of contracts exclude any overdue and uncollected principal amounts.

APPENDIX I: POOL DATA - CONTINUED

Distribution by Car Make					
	Make	Principal Outstanding	% Total	# of Contracts	# of Contracts %
1	Mercedes	178,044,788	19.0%	576	10.8%
2	BMW	150,019,938	16.0%	405	7.6%
3	Hyundai	90,592,896	9.7%	666	12.5%
4	Jeep	69,028,375	7.4%	225	4.2%
5	Kia	61,049,302	6.5%	420	7.9%
6	Nissan	60,721,236	6.5%	524	9.9%
7	Renault	54,279,535	5.8%	490	9.2%
8	Opel	43,222,428	4.6%	293	5.5%
9	Toyota	34,588,173	3.7%	170	3.2%
10	Mitsubishi	27,219,970	2.9%	245	4.6%
11	Chevrolet	23,180,697	2.5%	287	5.4%
12	Volkswagen	16,514,076	1.8%	86	1.6%
13	Ford	14,194,470	1.5%	74	1.4%
14	Audi	13,955,453	1.5%	43	0.8%
15	Cherry	12,980,852	1.4%	173	3.3%
16	Fiat	8,967,703	1.0%	76	1.4%
17	Volvo	8,784,930	0.9%	34	0.6%
18	Subaru	7,826,956	0.8%	52	1.0%
19	Skoda	7,523,487	0.8%	47	0.9%
20	Mazda	7,075,748	0.8%	47	0.9%
21	Peugeot	6,536,454	0.7%	45	0.8%
22	SsangYong	5,072,114	0.5%	34	0.6%
23	Citroen	4,972,521	0.5%	33	0.6%
24	Geely	4,241,280	0.5%	59	1.1%
25	Seat	4,153,259	0.4%	35	0.7%
26	Mini	4,079,685	0.4%	19	0.4%
27	Suzuki	2,863,704	0.3%	35	0.7%
28	Changan	2,434,272	0.3%	30	0.6%
29	Lada	2,107,732	0.2%	30	0.6%
30	Jaguar	1,959,200	0.2%	4	0.1%
31	Honda	1,457,539	0.2%	8	0.2%
32	Porsche	1,349,880	0.1%	2	0.0%
33	Chrysler	1,216,265	0.1%	3	0.1%
34	Dodge	1,044,572	0.1%	3	0.1%
35	Brilliance	950,801	0.1%	9	0.2%
36	Land Rover	801,765	0.1%	2	0.0%
37	Range Rover	696,820	0.1%	2	0.0%
38	JAC	496,475	0.1%	5	0.1%
39	Senova	373,660	0.0%	7	0.1%
40	Daihatsu	328,090	0.0%	3	0.1%
41	Alfa Romeo	312,008	0.0%	2	0.0%
42	MG	275,675	0.0%	4	0.1%
43	Haima	139,244	0.0%	2	0.0%
44	JINBEI	70,987	0.0%	1	0.0%
Total		937,705,015	100%	5,310	100%

The total outstanding principal balance and number of contracts exclude any overdue and uncollected principal amounts.

APPENDIX II: 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-		
Weak Quality	BB+	Not Prime	Speculative Grade
Poor Quality	BB		
	BB-		
	B+		
	B		
	B-		
Very Poor	CCC+		
	CCC		
	CCC-		
	CC		
	C		

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