MERIS
Middle East Rating & Investors Service

May 2015

STRUCTURED FINANCE — New Issue Report

Sarwa Securitization Company S.A.E. – 14th Issue 2015-2020
(Real Estate Receivables Pool Originated by Wadi Degla 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 March 2015.** 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 CUT OFF DATE:
March 1, 2015

Contacts:
Miglena Spasova, CFA
Senior Risk Rating Analyst
(202) 3749-5616
miglena.spasova@merisratings.com

Marwa Ezzat, MBA
Senior Risk Rating Analyst
(202) 3749-5616
marwa.ezzat@merisratings.com

Radwa Weshahy
Risk Rating Analyst
(202) 3749-5616
radwa.weshahy@merisratings.com

WEBSITE:
www.merisratings.com

DEFINITIVE RATINGS

Class	Description	Amount (EGP mn)	% of Notes	Expected Maturity	Fixed Coupon (%)	Coupon Frequency	Rating
A	Senior	**25**	14.4%	May-16	9.73%	Quarterly	**AA+ (sf)**
B	Mezzanine Subordinated	**96**	55.5%	May-18	10.63%	Monthly*	**AA (sf)**
C	Junior Subordinated	**52**	30.1%	Feb-20	11.33%	Monthly*	**A (sf)**
Total		**173**					

*The coupons of Class B & C notes will be paid quarterly during the first 13 months and monthly thereafter.

OPINION

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. The bond issue is EGP 173,000,000 and is backed by 561 installment-sale contracts (EGP 187,657,869 outstanding receivable balance on the closing date of the transaction[1]) 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 have been written over the period between September 2009 and December 2014 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 3.0% net of expenses; (ii) subordination of tranche B and C to the more senior tranches; (iii) availability of a default reserve account (cash reserve to be replaced by a Letter of Guarantee issued by a first class bank) in the amount of EGP 19,000,000 representing 11.0% 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

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 225,563,897.

Misr Insurance Company (not rated). 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 will be built up after closing from the first 13 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 holiday (76% of total outstanding receivables) and 1st home residential properties (24% 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 (51% 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 27 months and weighted average remaining term to maturity of 41 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 11.7% 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 and B notes, 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.

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

Amount Rated:	EGP 173,000,000
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
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
Underwriters:	Arab African International Bank
Structure type:	Senior Subordinated Structure, Tranche A: Predetermined amortization; Tranche B: Pass-Through amortization; Tranche C: Pass-Through amortization;
Credit Support:	• 3.0% over collateralization (net of expenses); • Subordination of tranche B and C to the more senior tranches; • Default cash reserve account for 11.0% of the note’s initial size (cash reserve or through an irrevocable and unconditional Letter of Guarantee issued by a 1st class 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 01/03/15):	EGP 225,563,897
Number of Contracts:	561 fully amortizing contracts
Number of Clients:	547
Type of Properties*:	76% holiday homes, 24% first homes
Type of Clients*:	100% individuals
Avg Current Contract Size:	EGP 402,075
Avg Current Client Exposure:	EGP 412,365
WA Seasoning:	27 months
WA Remaining Maturity:	41 months
WA Original Tenor	69 months
WA LTV (Original Price):	51%

** 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	85.6%	3.0%	Default reserve account in the size of 11.0% of the initial notes’ balance (cash reserve or L/G);
B	30.1%		
C	None		

TRANSACTION SUMMARY

This is the 2nd real estate receivables securitization issued by Sarwa Securitization Company and the first originated by Wadi Degla Holding. The portfolio of real estate receivables has been originated by Wadi Degla Group's real estate arm. The securitized assets represent a static pool of real estate receivables stemming from the sale of newly constructed residential units to individual customers. The portfolio comprises 490 holiday homes and 71 first home units. The installment-sale contracts have been originated over the period between September 2009 and December 2014 by four wholly-owned subsidiaries of Wadi Degla Holding Company, namely Al Ikhlas, Iskan Misr, Suez Gulf and Arab Investments. Two of the projects included in the portfolio are located in Ain Sokhna on the Red Sea, one on the North Coast, and the fourth one in Giza Governorate. As of the issuance date, all of the units have been fully constructed and delivered to the final buyers.

Project	Blumar Sidi Abd Elrahman	Pyramids Walk	Marina El Sokhna	Blumar El Dome	Total
Location	North Coast	6th of October	Ain Sokhna	Ain Sokhna	
Originator	Al Ikhlas	Iskan Misr	Suez Gulf	Arab Investments	
Securitized Portfolio (EGP)	73,397,490	53,379,717	24,569,130	74,217,560	**225,563,897**
Weight	33%	24%	11%	33%	
Number of Securitized Units	198	71	118	174	**561**
Total Number of Units	747	282	1,295	812	3,136
% Securitized Units	27%	25%	9%	21%	18%
Type of Units	Holiday Home	1st Home	Holiday Home	Holiday Home	

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 the properties. 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 the net present value of the transaction senior fees and expenses and over-collateralization. The notes will be paying a fixed coupon of 9.73%, 10.63% and 11.33% in order of seniority. The coupons of all tranches will be paid quarterly during the first 13 months and monthly thereafter. Class B and C notes will be callable starting from June 2016, following the repayment of Tranche A. Tranche A will follow a predetermined quarterly amortization structure, whereas Tranche B will follow a pass-through monthly amortization structure. The liquidity risk will be mitigated by building up and maintaining a cash reserve account in the amount of 5.5% 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 3.0% net of expenses, (ii) a default cash reserve in the size of 11.0% of the notes' initial balance (EGP 19,000,000) 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 and C notes to the more senior classes.

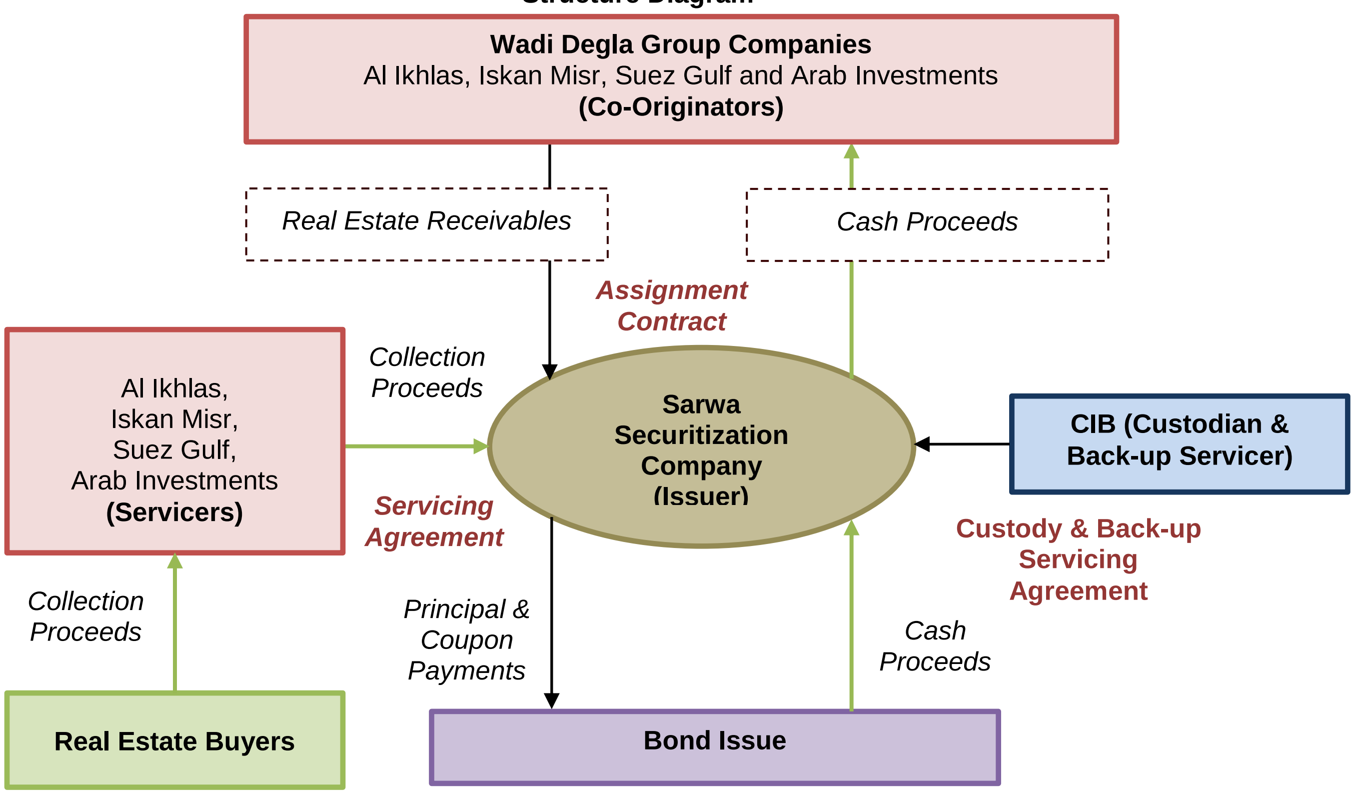
On the closing date, the 4 originators will entrust their pools of receivables to the Custodian. The combined portfolio is non-revolving (static) and amortizing. All of the receivables are backed by cheques, which will be endorsed in favour of the Issuer and transferred to the Custodian. The Custodian 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 23/02/2015) 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 four co-originators, signed on 23/02/2015) and the Custody Agreement (between SSC and CIB, signed on 23/02/2015), the periodic installments related to each of the 561 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 187,657,869, 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 7.8% by the Issuer, creating an over collateralization of EGP 14.7 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 9.5 million. Thus, the transaction is left with only 3.0% 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 tranches benefits from the subordination of the more junior tranches. Hence, tranche A benefits from additional credit support in the size of 85.6%, and Tranche B - in the size of 30.1%.

c. **Liquidity Reserve Account:** The Originator will also establish a cash reserve account to be funded from monthly collections over the first 13 months to reach 5.5% of the outstanding bond balance at the end of the first tranche. The liquidity reserve is sized to cover approximately 6 months of interest and senior expense for the second and third tranche. Any amounts used will be replenished immediately from the following month's cash collections.

2) **External Credit Support**

a. **Default Reserve Account:** The Originator will provide 11.0% of the notes' initial aggregate size (EGP 19 million) of reserve cover by means of a cash reserve which might be subsequently replaced by an irrevocable and unconditional letter of guarantee issued by a first class Egyptian 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 and B, the rating of Tranche C 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. Liquidity Reserve Account to be funded through 13 equal monthly installments from the monthly collections over the first 13 months to reach 5.5% of the outstanding bond balance at the end of the first tranche. The reserve is sized to cover approximately 6 months of interest and senior expense for Tranche A and B.
2. Senior transaction fees and expenses, such as servicing, custody, listing, rating, advertising fees, etc.
3. Coupon of class A, B and C 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 and C 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). Similarly, Class C noteholders will only start receiving principal repayments after the full amortization of Class B notes. Class B note holders are to be fully repaid within 37 months from the notes' issuance date, whereas class C notes are to be repaid by maximum 58 months from the 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 holiday home (76%) and first home (24%) properties to individual customers. The installment-sale contracts have been originated by four fully owned subsidiaries of Wadi Degla Holding Company over the period between September 2009 and December 2014. 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 four projects: Blumar El Dome and Marina Ain Sokhna in Ain Sokhna on the Red Sea, Blumar Sidi Abd Elrahman in the North Coast, and Pyramids Walk in Giza Governorate.

The maximum original maturity of the contracts in the securitization pool is 96 months; however, the weighted average original maturity is 69 months, given that the majority of contracts have tenors between 5 to 7 years. The portfolio is highly seasoned with a weighted average seasoning of 27 months, and a remaining term to maturity of 41 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:	547	
Number of Contracts/Properties:	561	
Original Balance:	EGP 499,591,565	
Current Balance:	EGP 225,563,897	
Avg Current Balance per Client:	EGP 412,365	
Avg Current Contract Balance:	EGP 402,075	
WA Current LTV	51%	
WA Seasoning (months):	27	
WA Remaining Term (months):	41	
Top obligor:	EGP 2,026,000	**0.9%**
Top 10 obligors:	EGP 14,828,320	**6.6%**
Top 20 obligors:	EGP 26,419,320	**11.7%**

Low Loan to Value Profile

As per the company's policy, the contracts become valid upon successfully collecting the initial downpayment of minimum 5%, along with a full set of duly signed personal cheques covering all future installments. The amortization of the pool at the closing date equals 55% of the original value. The portfolio's weighted average current LTV equals 51%. Low LTV contracts carry relatively lower credit risk due to the already significant owner's equity accumulated in the property value.

Relatively Highly Seasoned Pool

Among the positive characteristics of the pool is the relatively high weighted average seasoning of the collateral portfolio, given that 56% of the portfolio has been originated prior to 2013. With a weighted average seasoning of 27 months, the portfolio has accumulated a reasonable track record, and most of the clients have been tested and proved resilient through some of Egypt's most turbulent economic and political times following the 2011 Revolution.

Moderately 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 0.9% of the current portfolio balance, the top 10 – for 6.6%, and the top 20 - for 11.7%. 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	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
Top 10 Clients	7%	8%	9%	11%	13%
Top 20 Clients	12%	13%	16%	19%	23%
Top 30 Clients	16%	18%	21%	26%	32%
Top 50 Clients	24%	26%	30%	36%	45%
Top 80 Clients	33%	36%	41%	49%	61%
Top 100 Clients	41%	45%	51%	60%	73%
Total Number of Clients	561	499	404	288	204

Moderate Geographic Concentration

The portfolio is moderately concentrated, as 44% of its receivables are related to its two projects in Ain Sokhna on the Red Sea, followed by 33% in the North Coast, and the remaining 24% in Giza. All the properties are insured against normal property risks, such as fire, earthquakes, floods, etc.

ORIGINATOR, SERVICER AND OPERATIONS REVIEW

Wadi Degla Holding Company

The four Originators - Al Ikhlas, Iskan Misr, Suez Gulf and Arab Investments - are fully owned by Wadi Degla Holding Company, which was established in 1992 with the intention of becoming one of the regional players in a broad range of business activities. The group is currently active in four broad business sectors: leisure/sporting clubs, real estate development, trading, and food and beverage. The real estate development arm was acquired in 2008 and has since grown significantly to cover Greater Cairo, the Red Sea Coast and the North Coast through a variety of resorts and residential compounds. The company's strategy is to cater to the needs of the underserved Egyptian middle class mainly marketing its projects through the group's sporting clubs. The four projects included in the securitization transaction are as follows:

Key Facts	Al Ikhlas Company	Iskan Misr	Suez Gulf	Arab Investments
Project	Blumar Sidi Abdel Rahman	PYRAMIDS walk Residential Compound	MARINA WADI DEGLA EL SOKHNA	Blumar El Dome
Location	North Coast	6th of October, Cairo	Ain Sokhna	Ain Sokhna
Land Area (sq m)	272,865	141,139	628,335	200,196
Launch Date	2010	2009	2005	2010
Type of Units	Chalets & Villas	Townhouses & Semi-Attached Villas	Chalets & Villas	Chalets, Semi-Attached Villas & Duplexes
# Units	747	282	1,295	812
Hotel Rooms	799	-	845	50

Al Ikhlas, Iskan Misr, Suez Gulf and Arab Investments are the originators of the 561 installment-sale contracts. The four companies will act as Servicers on behalf of the SPV. According to the Servicing Agreement between the Servicers and Sarwa Securitization Company (SPV) dated 23/02/2015, the Servicers will be responsible for collecting any of the bounced cheques for the installments under each one of the 561 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 Wadi Degla and performed an operational review of the real estate development activity, 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

Wadi Degla real estate development arm has a dedicated sales team of around 60 representatives. The sales force includes more than 300 representatives divided into five competing teams, selling across all the group projects. The in-house sales force ensures that approximately 95% of sales are originated directly through the company's own property consultants. The remaining 5% of sales are achieved through third party brokers on a commission basis. It is worth noting that sales force remuneration is predominantly commission based, with a minimal fixed component. Commissions are paid only upon receiving a signed contract along with duly signed cheques covering all outstanding installments. Any commissions that are related to contracts that are subsequently rescinded by the clients are withdrawn from the property consultant.

The company's target clientele are predominantly middle class Egyptian families. Many clients are sourced through the group's sporting clubs, whose membership currently exceeds 60,000 people. Wadi Degla's strategy is to sell small size first or second home units. Around 10% 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 and by that time they will have paid not less than 40% to 50% of the initial purchase price. Speculative buying is limited by virtue of imposing a requirement to prepay the entire outstanding amount before reselling the unit.

Wadi Degla typically follows an off-plan model for property development, where the company collects a cash down payment of minimum 5% of the unit price, while the remaining balance is paid on installments over up to 8 years. All future installments are backed by personal cheques that are submitted at the time of contract signing. Once the property is contracted, a client wishing to cancel the contract must wait until the unit is effectively resold through Wadi Degla. Upon successful resale of the unit, the customer is then refunded according to the same timeframe and payment frequency that he had initially paid. All cancellations are subject to a 15% penalty. The average cancellation rate has been around 4-5%, which is below the market norm.

Collection and Recovery Process

The collection process is centralized and handled by the Collection department, which is under the domain of the financial department and consists of 4 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 87% of installments are collected on the due date or within 30 days from 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 flagged by the system. The majority of delinquent cases are successfully resolved within a month from the due date. Any clients that are delinquent for more than 1 month are considered to be in default and their files are transferred to the legal department. Clients are then contacted by the legal department and notified that the contract will be terminated and that the company will pursue legal action.

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 deemed delivered. 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 out in 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. Notify the insurance company – Misr Insurance;
    c. Commence procedures for reselling the unit;
    d. 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 the servicer fails to resell the unit and/or the insurance company fails to transmit any payment, 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 Originators' involvement. 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 21 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 B3 domestic currency deposit rating on a global scale, April 2015)

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 18.5% over the 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; Stress tested by applying additional 6 months to the base case recovery lag.
- Prepayment rate: **MERIS** has tested the transaction using various prepayment rates between 0% and 20%;
- Credit Support: Over collateralization of 3.0% (net of expenses), tranche subordination, in addition to a default reserve in the size of 11.0% 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	2,241,500	1%	11	2%
25-36	6,831,650	3%	19	3%
37-48	20,069,501	9%	68	12%
49-60	36,658,201	16%	122	22%
61-72	50,277,793	22%	116	21%
73-84	69,869,949	31%	138	25%
85-96	39,615,303	18%	87	16%
Total	**225,563,897**	**100%**	**561**	**100%**

Distribution by Seasoning				
Months	**Current Balance**	**% Total**	**# of Contracts**	**# of Contracts %**
1-12	15,389,105	7%	22	4%
13-18	41,073,912	18%	72	13%
19-24	34,981,640	16%	83	15%
25-36	99,091,876	44%	277	49%
37-48	27,014,120	13%	78	14%
49-66	8,013,244	3%	29	5%
Total	**225,563,897**	**100%**	**561**	**100%**

Distribution by Remaining Term To Maturity				
Months	**Current Balance**	**% Total**	**# of Contracts**	**# of Contracts %**
1-12	7,582,065	3%	64	11%
13-24	33,018,078	15%	111	20%
25-36	42,448,276	19%	109	19%
37-48	46,136,673	20%	85	15%
49-60	96,378,805	43%	192	34%
Total	**225,563,897**	**100%**	**561**	**100%**

Distribution by Original Purchase Price per Unit				
EGP million	**Current Balance**	**% Total**	**# of Contracts**	**# of Contracts %**
2-2.5	4,886,400	2%	5	1%
1-2	89,971,927	40%	126	22%
0.5-1	129,250,970	57%	421	75%
<0.5	1,454,600	1%	9	2%
Total	**225,563,897**	**100%**	**561**	**100%**

Distribution by Original Loan Value (Purchase Price less Downpayment)				
EGP million	**Current Balance**	**% Total**	**# of Contracts**	**# of Contracts %**
1-2.25	85,765,137	38%	114	20%
0.5-1	120,584,241	53%	351	63%
<0.5	19,214,519	9%	96	17%
Total	**225,563,897**	**100%**	**561**	**100%**

APPENDIX I: POOL DATA - CONTINUED

Distribution by Current Outstanding Balance per Client				
EGP ('000)	**Current Balance**	**% Total**	**# of Contracts**	**# of Contracts %**
1,500-2,026	7,054,520	3%	4	1%
1,000-1,500	23,431,200	10%	20	4%
500-1,000	81,866,130	36%	123	22%
<500	113,212,047	50%	400	73%
Total	**225,563,897**	**100%**	**561**	**100%**

Distribution by Current LTV (Original Purchase Price)				
LTV	**Current Balance**	**% Total**	**# of Contracts**	**# of Contracts %**
<=30%	20,797,508	9%	126	22%
31%-40%	28,676,238	13%	88	16%
41%-50%	39,495,678	18%	89	16%
51%-60%	90,487,078	40%	191	34%
61%-70%	37,981,470	17%	58	10%
71%-75%	4,854,425	2%	5	1%
76%-85%	3,271,500	1%	4	1%
Total	**225,563,897**	**100%**	**561**	**100%**

Distribution by Installment Frequency				
EGP	**Current Balance**	**% Total**	**# of Contracts**	**# of Contracts %**
Monthly	3,336,245	1%	9	2%
Quarterly	59,172,169	26%	162	29%
Semi Annual	101,802,766	45%	246	44%
Annual	61,252,717	27%	144	26%
Total	**225,563,897**	**100%**	**561**	**100%**

Distribution by Installment Value				
Installment	**Current Balance**	**% Total**	**# of Contracts**	**# of Contracts %**
300,000-400,000	1,960,000	1%	3	1%
200,000-300,000	13,470,552	6%	17	3%
100,000-200,000	51,691,574	23%	89	16%
50,000-100,000	89,588,220	40%	218	39%
20,000-50,000	60,610,631	27%	202	36%
<20,000	8,242,920	4%	32	6%
Total	**225,563,897**	**100%**	**561**	**100%**

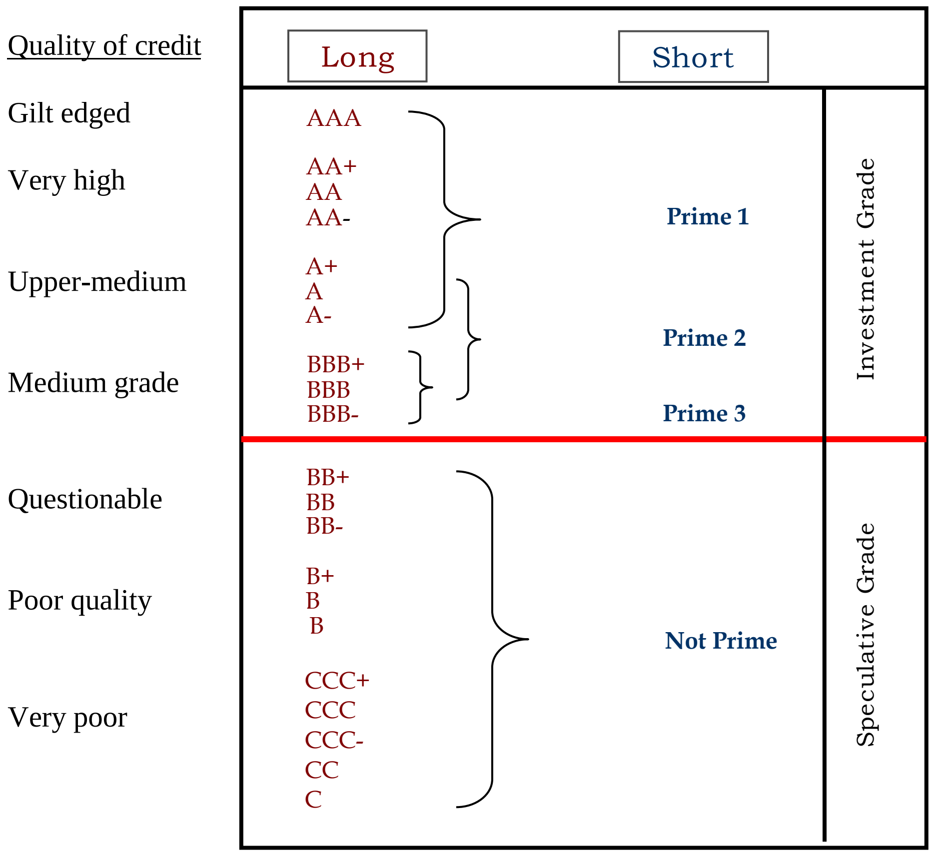
Distribution by Project				
Unit Type	**Current Balance**	**% Total**	**# of Contracts**	**# of Contracts %**
Blumar El Dome	74,217,560	33%	174	31%
Blumar North Coast	73,397,490	33%	198	35%
Pyramids Walk	53,379,717	24%	71	13%
Marina El Sokhna	24,569,130	11%	118	21%
Total	**225,563,897**	**100%**	**561**	**100%**

APPENDIX I: POOL DATA - CONTINUED

Distribution by Number of Owners				
Ownership	**Current Balance**	**% Total**	**# of Contracts**	**# of Contracts %**
1	183,067,578	81%	455	81%
2	27,444,259	12%	72	13%
3	8,177,815	4%	22	4%
4	5,232,011	2%	7	1%
5	1,642,234	1%	5	1%
Total	**225,563,897**	**100%**	**561**	**100%**

Distribution by Origination Year				
Ownership	**Current Balance**	**% Total**	**# of Contracts**	**# of Contracts %**
2009	63,125	0%	1	0%
2010	6,475,599	3%	24	4%
2011	26,812,095	12%	76	14%
2012	92,995,700	41%	266	47%
2013	77,364,848	34%	161	29%
2014	21,852,530	10%	33	6%
Total	**225,563,897**	**100%**	**561**	**100%**

Distribution by Governorate (as per Obligors ID)				
LTV	**Current Balance**	**% Total**	**# of Contracts**	**# of Contracts %**
Cairo	136,465,529	60.5%	367	65.4%
Giza	47,743,322	21.2%	100	17.8%
Helwan	4,948,433	2.2%	11	2.0%
Monufia	4,602,270	2.0%	5	0.9%
Gharbia	3,660,413	1.6%	10	1.8%
Suez	3,124,026	1.4%	13	2.3%
Alexandria	2,811,200	1.2%	6	1.1%
Dakahlia	2,764,413	1.2%	6	1.1%
Port Said	2,454,050	1.1%	4	0.7%
Others	16,990,241	7.5%	39	7.0%
Total	**225,563,897**	**100%**	**561**	**100%**


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