

STRUCTURED FINANCE

New Issue Report

Egyptian Securitization Company (ESC) – 2nd Issue 2009-2014 Leasing Receivables/Egypt

This report addresses the structure and characteristics of the transaction based on the information provided to MERIS by the Egyptian Securitization Company, Commercial International Bank & the Legal Advisor as of October 2009.

POOL CLOSING DATE:
August 10, 2009

POOL CUT OFF DATE:
December 1, 2009

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Description	Amount (EGP)	Maturity	Frequency	Rating
Securitization Bond	360,000,000	12/2014	Monthly	A+

OPINION

This is the second repeat securitization transaction issued by Egyptian Securitization Company S.A.E. (ESC). The bond issue is EGP 360,000,000 and is backed by 563 financial leasing contracts (EGP 372,934,577 outstanding receivable balance on the closing date of the transaction)¹ originated by Corporate Leasing Company Egypt S.A.E. (CorpLease) over the period between 10/8/2006 and 10/8/2009.

The first issue was exactly the same size, and at issuance was backed by 516 leasing contracts (EGP 370,314,017 outstanding receivable balance on the closing date of the transaction) originated over the period between 26/5/2004 and 1/12/2007. The securitization bond was rated AA. Up to date the transaction is performing well, and coupon and principal of the bond have been paid according to schedule.

Strengths of the Transaction

- The rating is based on the credit quality of the underlying leasing receivables, which reflects the Originator's strict underwriting, collection and monitoring guidelines and procedures.
- The credit enhancement available to the notes comes in the form of over-collateralization in the amount of 3.6% of the bond size at the outset of the transaction, in addition to a cash reserve account in the amount of 12.5% (EGP 45 mn) of the bond size.
- The bond is backed by a static amortizing pool of lease receivables with no balloon payments.
- The securitized pool is relatively seasoned with a weighted average seasoning of 15 months (weighted average original tenor is 54 months, leaving a weighted average remaining term to maturity of 39 months).
- The pool includes only financial lease contracts with no residual value.
- **MERIS** has conducted an operational review of the Servicer and believes that the management, procedures and systems in place permit CorpLease to adequately perform its duties as a Servicer.
- Commercial International Bank (LT Deposit Rating "Ba2"* and Financial Strength Rating "C-" by Moody's Investor Service, 2009) has been

¹NPV of the pool's total outstanding receivable value including principal and interest, discounted at the bond's coupon rate.

contracted as a back-up servicer of the transaction. Despite the cold nature of the back-up service agreement, **MERIS** believes that CIB is adequately positioned to smoothly assume and carry out the servicing of the transaction should the need arise. CIB's ability to serve as a back-up servicer of the transaction is supported by its solid experience in servicing a large number of corporate clients in Egypt, as well as its knowledge of this particular transaction in its capacity as a shareholder of the Originator and Custodian of the securitization transaction,

Weaknesses of the Transaction

- Given the relatively short track record of the Originator, there is no sufficient data available regarding historical arrears, default rates and recoveries.
- In general, **MERIS** perceives greater uncertainty associated with unrated Originators, and the use of securitization proceeds to fund the Originator's growing phase. However, this is mitigated by the Originator's well-known shareholders (CIB, rated Ba2 (Moody's, 2009), Investment and Development Foundation DEG (Germany), 100% owned by KFW rated AAA (S&P, 8/2007), and Union de Banques Arabes et Françaises (UBAF) rated A- (Fitch, 9/2007)), as well as the Originator's adherence to its underwriting policies and procedures, which assure an acceptable quality receivables pool.
- The structure of the transaction reflects an element of intertwined relationships between the parties involved (Originator/Servicer/Custodian/Back-up Servicer/Issuer) and an overlap of directorates.
- No excess spread given the purchase price of the receivables (receivables discounted at the bond coupon rate, and not the actual interest rate applied on the leasing receivables), mitigated by the over collateralization of 3.6%, as well as the cash reserve amount of 12.5% (EGP 45 million) of the bond size.
- Given the nature of the underlying assets and the type of clientele, the average ticket size is considerably high. Thus, the pool exhibits notably high individual obligor concentrations, with the topmost obligor accounting for 16.25%, the top 10 lessees – for 56.8%, and the top 20% - for 69% of the pool's outstanding principal value. **MERIS** has adequately factored this feature of the pool in the model of the transaction.
- The pool has a notably high share of relatively longer original tenor (82% of the contracts in the pool have an original tenor greater than 36 months). Longer tenor contracts carry relatively higher credit risk owing to the slower build up of owner's equity (the excess of resale value of the assets over the loan amount outstanding). This feature of the pool is partially offset by the relatively high seasoning of the portfolio and adequate loan to value ratio (WA LTV equals 86%).
- CorpLease currently owns 99.8% of the Egyptian Securitization Company. Consequently, there is a risk of substantive consolidation of ESC into CorpLease and the impact of this consolidation on the true sale mechanism of the securitization. **MERIS** relied on the legal opinion provided on the issue which rules out the possibility of a consolidation and subsequently a re-characterization of the true sale mechanism.
- Legal uncertainties exist, given that the transaction relies on key legal concepts that remain largely untested in judicial proceedings or in practice in Egypt. **MERIS** took comfort from the legal opinions provided by the transaction's legal advisor on issues such as true sale, commingling and consolidation risk, and concluded that the legal risk was consistent with the rating assigned.

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

Amount Rated:	EGP 360,000,000
Issuer:	Egyptian Securitization Company S.A.E.
Seller (s) /Originator (s):	Corporate Leasing Company Egypt S.A.E.
Servicer:	Corporate Leasing Company Egypt S.A.E.
Back-up Servicer:	Commercial International Bank (CIB) (LT Deposit Rating "Ba2"* and Financial Strength Rating "C-" by Moody's Investor Service, 2009)
Custodian:	Commercial International Bank (CIB)
Financial Advisor & Marketers:	Commercial International Bank (CIB)
Structure type:	Pass through
Credit Support:	<ul style="list-style-type: none">• 3.6% over collateralization;• 12.5% (EGP 45 mn) reserve cover by means of a bank L/G.

*The "Ba2" designation corresponds to a "BB" rating on the national rating scale – see Appendix II.

COLLATERAL SUMMARY (see page 7 for more details)

Receivables:	Auto, equipment, and real estate financial leasing receivables
Initial Pool Balance (Outstanding Principal):	EGP 355,684,349
Number of Contracts:	563 fully amortizing contracts
Number of Borrowers:	145
Avg. Number of Contracts per Borrower:	3.9
Asset Diversity*:	Plant & Machinery – 39%, Passenger Vehicles – 21%, Commercial Vehicles – 20%, Real Estate (Buildings) – 13%, Real Estate (Land) – 3%,
WA Seasoning:	15 months
WA Remaining Maturity:	39 months
Avg. LTV (at origination):	86%

* Percentage calculated is based on the outstanding principal value.

TRANSACTION SUMMARY

This is the second repeat transaction of leasing receivables securitization in the Egyptian market by the same issuer. The structure of the transaction is quite similar to the existing one. The securitized assets are fixed rate auto, equipment or real estate leasing receivables from large and medium-sized corporate entities domiciled in Egypt. The receivables have been originated by CorpLease between mid 2006 and mid 2009. All of the leasing receivables stem from financial leasing contracts, whereby the title of ownership remains with the lessor until the final payment under the contract. Approximately 40% of CorpLease's current outstanding on-balance sheet portfolio is being securitized through this issue.

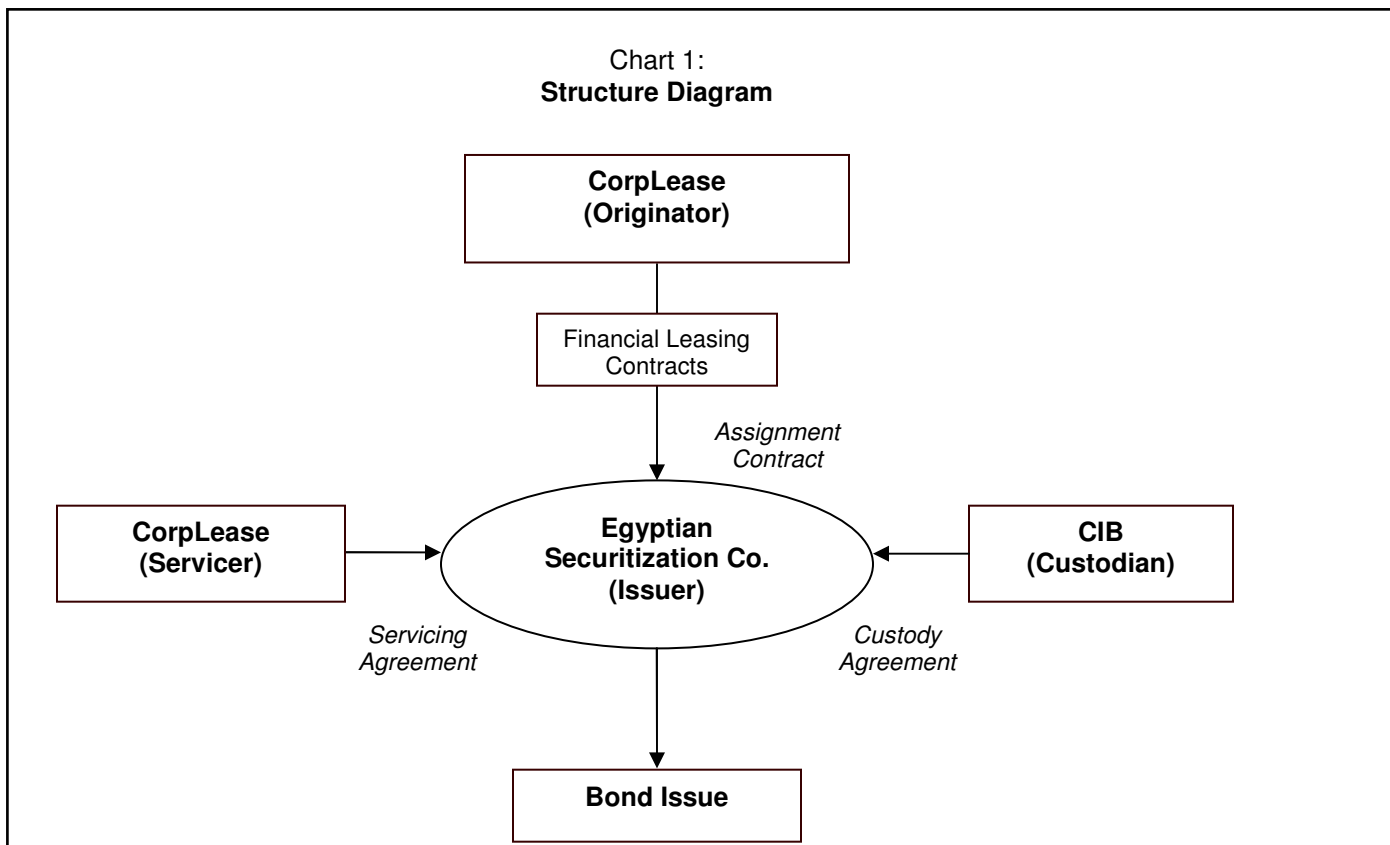
At closing of this transaction, the Originator will transfer to the Issuer the securitized leasing receivables along with the underlying assets. In order to finance the purchase of the securitized assets, the Issuer, the Egyptian Securitization Company, will issue a five-year single-class secured, non-convertible bond in an amount equal to the net present value of the portfolio (the NPV of the portfolio is calculated by using the bond's coupon rate as the discount rate, leaving the transaction with zero excess spread) less the overcollateralization. The notes will be paying a monthly fixed coupon of 10.5% p.a. and will be callable after 24 months from the issuance date. Unlike the previous bond, the current notes will have a "pass through" structure (the holder's of the pass through securities will receive the cash flows from the underlying portfolio of receivables on a pro-rate basis), and will not follow a pre-determined amortization schedule. The notes will benefit from a credit enhancement in the form of an irrevocable and unconditional bank guarantee by CIB in the amount of 12.5% (EGP 45 mn) of the notes. Additional credit support will be provided through the over collateralization of 3.6% available to the transaction at its outset. The overcollateralization will be used to cover the transaction's senior fees and expenses as well as any eventual shortfalls in coupon or principal payments over the life of the bond.

On the closing date, CorpLease will entrust a pool of leasing receivables to the Custodian along with the underlying assets. The pool is non-revolving (static) and amortizing. It is entirely composed of financial leasing contract receivables generated over the period between August 2006 and August 2009. Collections on the pool by the Servicer (CorpLease) will be swept immediately (same business day) to the Issuer's account with the Custodian (CIB) for the benefit of the bondholders to avoid any commingling with the Servicer's own funds.

STRUCTURAL AND LEGAL ASPECTS

Securitization is structured to isolate the receivables from the insolvency risks of the originator/seller. This is done by the originator/seller transferring the receivables contracts by means of a true sale to a bankruptcy-remote special purpose entity that will ultimately issue the bond to the investors. Under the structure – please refer to the following diagram – CorpLease, the Originator of the receivables, transfers and assigns all their rights and benefits in the receivables to ESC, a special purpose bankruptcy remote company, the Issuer. **MERIS** has received legal opinions stating that the sale of the receivables from the Originator to the transferee (based on an Assignment Contract dated 1/11/2009) constitutes a true sale.

The pool of receivables is secured by the underlying assets, which are also transferred to the Issuer.



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

The Issuer: Egyptian Securitization Company (ESC)

ESC has been established as a shareholding company according to CMA Law 95/1992. The company's shareholding structure is as follows:

<u>Shareholders</u>	<u># of Shares</u>	<u>Value</u>	<u>% Ownership</u>
Corporate Leasing Company Egypt S.A.E.	49,900	4,990,000	99.8%
Rafik Mohamed Abdel Khalek Madkour	50	5,000	0.1%
Tarek Omar Azmy	50	5,000	0.1%
Total	50,000	5,000,000	100%

The CMA Law 95/1992 imposes a ceiling of 20% on the Originator's ownership in the Issuer. However, CorpLease has obtained an exemption from the CMA from the 20% ownership limitation. The Issuer's Board of Directors consists of 4 members, who are all members of CorpLease senior management team as well. **MERIS** has noted that such shareholding structure, where the Issuer is a majority owned subsidiary of the Originator, in addition to overlapping directorships, poses the risk of involuntary/substantive consolidation between the two entities in case of the Originator's bankruptcy. **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.

Collections, Commingling Risk and Separateness of Accounts

According to the Servicing Agreement (between ESC and CorpLease, signed on 1/11/2009) and the Custody Agreement (between ESC and CIB, signed on 1/11/2009), the Servicer will collect the monthly/quarterly and semiannual installments related to each of the 563 individual financial leasing contracts in the pool and immediately (same business day) transfer the collected cash to the Issuer's account managed by the Custodian for the benefit of the bondholders. Thus, **MERIS** believes that the daily sweep mechanism of the transaction mitigates the risk of mingling funds collected by the Servicer on behalf of the SPV with its own funds.

In accordance with the CMA requirements, the Custodian will maintain three separate accounts: (1) an account for bond amortization; (2) an account for coupon payments; and (3) an account for reinvesting excess cash due to over collateralization captured in the reserve fund. Transactions on these three accounts have to take place based on written instructions from the Issuer. On the due dates of the coupon payments, the Custodian will pay the senior fees and expenses, as well as the coupon and will use 85% of the remaining balance to amortize the bond (on a monthly basis), as per the cash waterfall below. The balance will be kept with the reserve account and reinvested by the Custodian in T-bills and bank deposits as per the CMA requirements.

Letter of Guarantee Covering Renewal of Insurance Policies

The assets underlying the securitized leasing receivables must be insured against all relevant risks at any time during the leasing contract. The insurance in most cases is an obligation of the lessee, but for some of the contracts (approximately 5% of the securitization pool) the renewal of the insurance policies is the responsibility of CorpLease. The insurance premium for these contracts is factored into the regular leasing installments, and has been included in the securitization proceeds. In order to ensure that there will be sufficient funds to renew the insurance policies and to eliminate any recourse to the Originator with regard to renewal of the insurance policies, the amount necessary for insurance policies renewal will be guaranteed by a Letter of Guarantee issued by CIB on behalf of the Issuer. The amount of the L/G will be reduced with each payment of insurance premium by the Servicer. The issued L/G will be valid for 5 years and will be subject to an annual cap of EGP 381,214, which equals the maximum annual insurance premiums payable by CorpLease under the securitized contracts.

Letter of Guarantee Covering Reserve Payments (Security Deposit)

All lease transactions undertaken by CorpLease have one installment payment in advance. In certain cases, the company may ask for one (26% of the contracts in the pool), two (9% of the contracts), or three (2%) additional advance payments (reserve payments/security deposit). The reserve payments can be used to cover any past due payments under the leasing contract. If used, the reserve payments must be replenished to their original amount by the respective lessee. At the end of the contract, the reserve payments are used to offset the last one or two installments under the contract.

The securitized pool benefits from reserve payments in the amount of EGP 6,157,398 that have been collected in advance by CorpLease. The rights to these reserve payments have been transferred to the Issuer along with the securitized pool. The availability of the cash has been guaranteed by an irrevocable and unconditional letter of guarantee issued by CIB in favor of the Issuer.

In **MERIS** view, the substitution of the reserve payments with a Letter of Guarantee issued by CIB, which is also the Custodian of the transaction, is acceptable and does not have any material implications on the overall structure of the transaction.

Credit Enhancement

1) Overcollateralization: The assets backing the securities amount to EGP 372,934,577, representing the net present value of the total outstanding principal and interest receivables stemming from the securitized financial leasing contracts discounted at the bond's coupon rate. The assets will be purchased at a discount of 3.6% by the Issuer, creating an over collateralization of EGP 12,934,577 at the beginning of the transaction. The over collateralization will be used to cover the transaction's senior fees and expenses (NPV of approximately EGP 4.95 million), leaving EGP 7.98 million (2.22% of the bond size) of overcollateralization that will be available to cover any eventual shortfalls in the coupon payment or principal redemption throughout the life of the notes. Any excess cash due from the over collateralization will be trapped into a reserve account and reinvested in low-risk investment instruments by the Custodian in accordance with the CMA regulations.

2) Reserve Account: CorpLease will provide a reserve account in the amount of 12.5% of the bond size (EGP 45 mn). The cash reserve available to the transaction upfront will be guaranteed by an irrevocable and unconditional Letter of Guarantee issued by CIB (Ba2, Moody's). The reserve account will be available until the final maturity of

the bonds to cover any defaults related to the securitized contracts (credit support) as well as any shortfall in the coupon or principal due to the bondholders due to delays in collection (liquidity support).

Priority of Payments

Allocation of the collections (principal, interest and insurance) received from the underlying pool of leasing receivables will be applied in the following order of priority:

1. To pay senior transaction fees, such as servicing, custody, listing, rating, advertising, etc.
2. To pay coupon on the bond;
3. To repay the notes until the bond is fully redeemed; Principal payments are made on a monthly basis by applying 85% of the cash collections from the previous month, after payment of senior fees and coupon.
4. The remaining balance, 15% of the previous month collections, net of expenses, will be captured in a reserve account kept by the Custodian and reinvested in risk-free investment instruments as per the CMA regulations.

COLLATERAL

The portfolio consists of leasing receivables in the net outstanding principal amount of EGP 355,684,349 arising under financial leasing contracts originated by CorpLease over the period between 8/2006 and 8/2009. The portfolio also includes interest/insurance receivables in the amount of EGP 80,773,158 making the total pool of receivables worth EGP 436,457,507. The contracts are concluded with corporate clients domiciled in Egypt to finance the purchase of assets, belonging to one of the asset classes below:

1. Commercial vehicles
2. Passenger vehicles
3. Plant & Machinery
4. Office equipment
5. Real estate (Land & Buildings)
6. Computer hardware
7. Other Equipments

The minimum original tenor of the contracts is 12 months, and the maximum - 72 months. The weighted average original maturity is 54 months, while the weighted average remaining term to maturity is 39 months. Thus, the weighted average seasoning of the initial portfolio is 15 months.

The leasing receivables being assigned at closing have been selected based on the following eligibility criteria:

- At least 1 installment due has been made prior to the transaction closing date;
- No delinquent loans (more than 30 days past due on the closing date);
- No defaulted loans;
- Obligor needs to have assets insured;
- All leasing contracts are financial leases, having no residual value.

The table below summarizes the key characteristics of the collateral portfolio. A more detailed analysis of the pool is included in Appendix I at the end of the report.

	Amount	% Total		Amount	% Total
Number of Clients:	145		Downpayment /Original Cost:	17.4%	
Number of Contracts:	563		WA LTV	85.9%	
Net Outstanding Principal:	355,684,349		WA Yield	14.4%	
Contracts/Client:	3.9		Originated in 2006	785,390	0%
Avg. amount by debtor:	2,452,996		Originated in 2007	39,908,983	11%
Avg. amount per contract:	631,766		Originated in 2008	196,562,186	55%
Monthly Payment:	198,709,088	56%	Originated in 2009	118,427,790	33%
Quarterly Payment:	154,631,855	43%	Commercial Vehicles:	70,000,691	19.7%
Semiannual Payment:	2,343,406	1%	Plant & Machinery:	139,916,174	39.3%
WA Seasoning (months):	15		Other Equipment:	15,286,235	4.3%
WA Remaining Term (months):	39		Passenger Vehicles	72,824,159	20.5%
Top debtor:	57,785,275	16%	Real Estate:	56,914,932	16.0%
Top 10 debtors:	201,963,005	57%	IT Equipment:	742,158	0.2%
Top 20 debtors:	245,591,681	69%			

Relatively Highly Seasoned Pool

Among the positive characteristics of the pool is the relatively high weighted average seasoning of the collateral portfolio, given that 11% of the portfolio has been originated before 2008. The average amortization of the pool at the closing date equals 29.1% of the original value.

Adequate Loan to Value Profile

Although, 36% of the contracts in the pool are financed at 100% of the assets purchase price, the weighted average loan to value is acceptable at 85.9%. In certain cases, representing 38% of the pool outstanding principle, the lessees are required to pay from one to three additional installments in advance as a reserve payment or security deposit, which can be used to cover any past due payments in the future.

Notably High Share of Long Tenor Contracts

The pool has a notably high share of relatively longer original tenor. Contracts with an original tenor greater than 36 months account for 82% of the pool in terms of outstanding principal value. Longer tenor contracts, just like high LTV contracts, carry relatively higher credit risk due to the slower build up of owner's equity (the excess of resale value of the assets over the loan amount outstanding).

High Obligor (Lessee) Concentration

Due to the nature of the underlying assets and the type of clientele, the average ticket size is considerably high. Thus, the pool exhibits notably high individual obligor concentrations, with the topmost obligor accounting for 16%, the top 10 lessees – for 57%, and the top 20% - for 69% of the pool's outstanding principal value.

MERIS has adequately factored in this feature of the pool, whereas the credit quality of the top 15 obligors (lessees whose individual exposure exceeds 1% of the pool) has been specifically analyzed and incorporated in the cashflow analysis. The table below is indicative of **MERIS** outstanding medium-term ratings on the Lessees in the pool or the shadow ratings assigned by **MERIS** for the purpose of rating this transaction. **MERIS** investment grade national rating scale starts at AAA and ends at BBB-. The lowest investment grade rating therefore is BBB-.

Indicative Rating	Total Principal Outstanding	% Total	# Lessees	% Lessees #
AA	3,837,374	2%	1	7%
A	42,467,894	19%	3	20%
BBB	105,751,876	46%	5	33%
BB	77,049,126	34%	6	40%
Total	229,106,270	100%	15	100%

Reasonable Industry Diversification

The lessees included in the securitization pool belong to various sectors of the economy, the food and beverage being the most heavily represented with 21% share of the pool. The top 5 industrial sectors account for 70% of the pool, the top 10 – for 94% the portfolio principal outstanding amount.

ORIGINATOR, SERVICER AND OPERATIONS REVIEW

Corporate Leasing Company Egypt S.A.E.

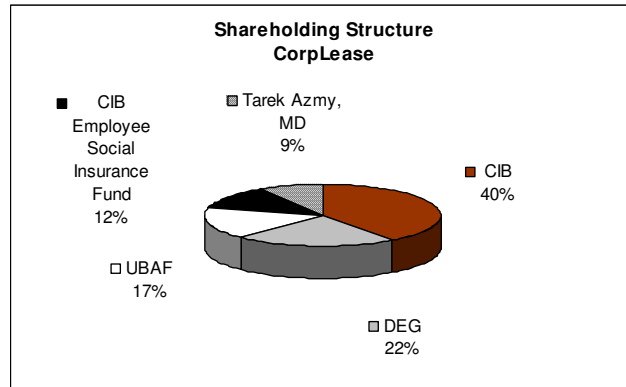
Incorporated in December 2003, CorpLease is a private joint stock company, with a renowned shareholders' base including reputable local and international financial institutions, such as Commercial International Bank (CIB), Investment and Development Foundation DEG (Germany), and Union de Banques Arabes et Françaises. The remaining balance is owned by CIB employee social insurance fund and Mr. Tarek Azmy, the Managing Director of the company.

The Board of Directors consists of 9 members. The major shareholder CIB has 3 board members, including the Chairman, whereas DEG and UBAF have 2 members each. The remaining two seats are held by the CIB employee fund and the Managing Director of the company.

Despite being a latecomer to the market, CorpLease has established itself as one of the top three leasing companies in Egypt. It offers a wide range of leasing products and services, including vendor finance, direct leasing, and structured finance products.

Currently the company operates mainly from its head office in Cairo and its branch in Alexandria. However, the company has plans to expand in other governorates in Upper Egypt and the Delta region in order to enhance its distribution capabilities and geographic spread. The credit process still remains centralized in the head office. The company's headcount currently includes 114 employees, up from 99 in 2008. As of 2008, the company's paid in capital stood at EGP 80 million.

Functionally, CorpLease is divided into marketing, credit, operations, finance and administration (handling collections) and other support functions. The company still lacks a fully fledged asset management department. Its functions have been so far handled mostly by the relationship managers from the marketing department, due to the lack of critical asset management volume.



*DEG, a member of the KFW banking group, is one of the largest European development finance institutions for long-term project and company financing. It finances investments of private companies in developing and emerging market countries, promotes private business structures, and contributes to sustainable economic growth and improved living conditions. Founded in 1962 and headquartered in Cologne, Germany, the bank currently operates through a network of more than 10 local offices, employing a workforce of 370 people, and total assets of EUR 2.8 billion. KFW, which is the sole shareholder of DEG, is rated AAA (S&P, 8/2007).

**U.B.A.F.'s main activity is trade finance between the countries of its presence and the Arab world. The bank was established in 1970 to strengthen economic cooperation between the Arab World and France. The bank is 52.7% owned by major financial institutions from various Arab countries, and the remaining 47.3% is held by Credit Agricole, through its subsidiary Calyon. Headquartered in France, the bank has extended its presence through a network of 9 branches and representative offices throughout Asia and the Middle East. The bank is rated A- (Fitch, 9/2007).

***CIB – refer to page 10 for more details.

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

Underwriting Process

CorpLease primary lending rationale is cash flow analysis, whereas the leased assets are considered only a secondary source of repayment. Underwriting decisions therefore are based mostly on the quantitative and qualitative assessment of the lessee's creditworthiness. The credit process mirrors that of its major shareholder CIB and follows an internally developed credit policy guide. CorpLease has its own independent investigation department, which collects information on the applicants from third parties/creditors and generates an investigation report, focusing on the applicant's credit history. In addition, the company has an internally developed score card in place, which factors in 45 quantitative and qualitative criteria. The lessee's creditworthiness primarily from a cash flow perspective has the highest weight in the calculation of the credit score, followed by the features of the underlying transaction (marketability of the assets, residual value, etc.), the risk evaluation of the industry, etc. The score card generates an internal credit risk rating on a scale from 1 to 7 (lowest to highest risk level), which is indicative of the perceived level of risk in each transaction. Approximately 0.3% of the pool is rated 2, 11% is rated 3, the majority, or 83% is rated 4, and the remaining 6% is rated 5. The company's general provisioning policy is directly linked to the assigned risk rating, as per the following table:

Risk Rating	Provision
1,2	0%
3,4	1%
5	2%
6	50%
7	100%

Approximately 80% of all applications that are prepared by the Credit Department are approved. It is noteworthy, however, that relationship managers are in a position to decline potential lessees' requests after an initial screening process, before forwarding the application to the credit department for a full credit assessment. A large number of applications are rejected following an unfavorable investigation report. Thus, a large number of applicants that do not fit CorpLease's target customer profile are rejected early on in the screening process.

Collection and Recovery Process

Installments are due on three collection dates – the 10th, 20th and 30th day of the month. The majority of the customers pay by direct debit order (currently 55%), 23% pay by post-dated checks, whereas the remaining 22% pay by normal bank transfer. Delays in payments are followed up through a daily past due report that is automatically generated by the system. The handling of past due installments is jointly coordinated between the marketing and collection departments. Account officers are the primary contact with the lessees and seek to investigate and resolve any missed payments as soon as they are reported by the system. A collection letter is sent to the lessees at the beginning of the second week of a past due installment. Delay interest is accrued also from the second week of non-payment. At four weeks of non-payment, CorpLease may try to utilize any vendor support or available external guarantees/credit support. After 3 months of non-payment, the case gets transferred to the legal department, which initiates repossession actions. So far, the company's reported default rate is 0%.

The following table presents the Company's provisioning policy with regard to collection delays:

Collection Delays (Days)	Provision	Risk Rating
30	0%	No change
60	25%	Downgrade to 5
90	50%	Downgrade to 6
180	100%	Downgrade to 7

As mentioned in the PSN, the servicing agreement signed between ESC and CorpLease details the responsibility of the Servicer including, among others, the following:

- Sending notification letters to borrowers;
- Issuing monthly reports on collections, delays, and defaults to the Custodian;
- Renewing the insurance policies of some of the assets in the securitized pool on an annual basis.
- Original contract documents are kept with the Custodian and are made available to the Servicer to take necessary action when needed;

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

CUSTODIAN AND CUSTODY AGREEMENT

CIB (rated by Moody's at Ba2 bank deposit rating and C- Financial strength rating on a global scale, July 2009)

CIB was founded in 1975 as a joint venture bank by the state-controlled National Bank of Egypt (NBE) and Chase. 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.

CIB current shareholding structure includes Ripplewood Consortium (Strategic Investor) with an 18.7% stake, and the Bank of New York (GDRs) with 24.8%. The remaining 56.5% represent free float.

CIB is one of the leading financial services conglomerate in Egypt. The Bank is a medium-sized player with an approximate 5% market share. 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 challenged by increasing competition following the significant consolidation within the Egyptian banking sector, by a

retail banking franchise that has not yet been developed, by the existence of significant credit concentrations and lack of geographic diversification.

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 a daily access to Corplease's collection system and database, which facilitates the smooth transfer of the servicing obligation, in case CIB needs to assume the role of the Servicer.

MERIS ANALYSIS

Historical Data and Modeling

The securitized pool is characterized by notably high lessee concentration, where the top 15 lessees individually exceed 1% of the pool principal outstanding and cumulatively account for 64.4% of the pool. **MERIS** has adequately factored in this feature of the pool, whereas the credit quality of the top 15 obligors has been specifically analyzed and incorporated in the cashflow analysis. The assigned shadow ratings are indicative of the probability of default associated with each individual lessee. Along with the specific asset classes and industry sectors, the assigned shadow ratings have been used to derive the probability distribution that characterizes this particular securitized pool.

The default probability distribution is the main input in the model. 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 according to the specifically derived probability distribution.

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: a flat timing of default curve. The timing of default is used to calculate the defaulted amount per period expressed as a percentage of the cumulative defaults.
- Recovery rate: 25%
- Prepayment rate: 5% fixed annual prepayment rate. Prepayment is not an option given outright to the lessees, but is subject to approval by lessor, respectively the bondholders post securitization.
- Over collateralization: 3.6%
- Reserve Account: 12.5%

MERIS has 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** has 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 rating.

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 and custodian reports. Any subsequent changes in the rating will be publicly announced and disseminated through the media.

APPENDIX I: POOL DATA

Distribution by Asset Type				
Asset Type	Principal Outstanding⁵	% Total	# of Contracts	# of Contracts %
Plant & Machinery	139,916,174	39.3%	124	22.0%
Passenger Vehicles	72,824,159	20.5%	221	39.3%
Commercial Vehicles	70,000,691	19.7%	127	22.6%
Real Estate-Buildings	46,152,129	13.0%	17	3.0%
Real Estate-Land	10,762,803	3.0%	3	0.5%
Other Equipments	15,286,235	4.3%	68	12.1%
IT Equipments	742,158	0.2%	3	0.5%
Total	355,684,349	100.0%	563	100.0%

Distribution by Original Tenor				
Months	Principal Outstanding	% Total	# of Contracts	# of Contracts %
12	510,895	0.1%	1	0.2%
24	4,296,633	1.2%	11	2.0%
33-36	58,638,714	16.5%	114	20.2%
48	31,723,887	8.9%	83	14.7%
54-60	257,417,820	72.4%	348	61.8%
72	3,096,400	0.9%	6	1.1%
Total	355,684,349	100.0%	563	100.0%

Distribution by Remaining Term To Maturity				
Months	Principal Outstanding	% Total	# of Contracts	# of Contracts %
<=6	603,415	0.17%	2	0.36%
7-12	3,352,755	0.94%	20	3.55%
13-24	35,430,639	9.96%	83	14.74%
25-36	65,283,335	18.35%	141	25.04%
37-48	157,241,791	44.21%	219	38.90%
49-56	93,772,414	26.36%	98	17.41%
Total	355,684,349	100.0%	563	100.0%

Distribution by Seasoning (Months)				
Months	Principal Outstanding	% Total	# of Contracts	# of Contracts %
<=2	5,657,597	1.59%	1	0.18%
3-6	10,084,380	2.84%	9	1.60%
7-12	94,083,811	26.45%	103	18.29%
13-18	92,086,345	25.89%	157	27.89%
19-24	105,144,160	29.56%	176	31.26%
25-30	43,711,361	12.29%	96	17.05%
31-36	4,104,255	1.15%	14	2.49%
37-42	812,441	0.23%	7	1.24%
Total	355,684,349	100.0%	563	100.0%

Distribution by Original LTV				
LTV	Principal Outstanding	% Total	# of Contracts	# of Contracts %
Upto50%	12,214,089	3%	1	0%
>51%to70%	32,374,611	9%	29	5%
>71%to80%	25,287,959	7%	39	7%
>81%to90%	134,979,346	38%	151	27%
>91%to99%	23,177,212	7%	62	11%
100%	127,651,132	36%	281	50%
Total	355,684,349	100.0%	563	100.0%

Distribution by Frequency Payments				
Frequency	Principal Outstanding	% Total	# of Contracts	# of Contracts %
Monthly	198,709,088	56%	362	64%
Quarterly	154,631,855	43%	198	35%
Semi Annually	2,343,406	1%	3	1%
Total	355,684,349	100.0%	563	100.0%

Distribution by Origination Year				
Year	Principal Outstanding	% Total	# of Contracts	# of Contracts %
2006	785,390	0%	6	1%
2007	39,908,983	11%	98	17%
2008	196,562,186	55%	333	59%
2009	118,427,790	33%	126	22%
Total	355,684,349	100.0%	563	100.0%

Distribution of Interest Rate				
% p.a.	Principal Outstanding	% Total	# of Contracts	# of Contracts %
10.25%-12.5%	84,707,165	24%	68	12%
12.5%-14.5%	84,400,906	24%	148	26%
14.5%-16.5%	112,600,440	32%	222	39%
16.5%-18.5%	64,295,102	18%	93	17%
18.5%-20.5%	3,025,206	1%	14	2%
20.5%-25%	6,655,530	2%	18	3%
Total	355,684,349	100.0%	563	100.0%

Distribution by Payment Method				
	Principal Outstanding	% Total	# of Contracts	# of Contracts %
Bank Standing Order	195,400,642	55%	306	54%
Post Dated Cheques	81,231,476	23%	85	15%
Other	79,052,231	22%	172	31%
Total	355,684,349	100.0%	563	100.0%

Reserve Payments				
No. Payments	Principal Outstanding	% Total	# of Contracts	# of Contracts %
1	93,721,692	26%	110	20%
2	32,878,157	9%	84	15%
3	7,290,856	2%	19	3%
-	221,793,644	62%	350	62%
Total	355,684,349	100.0%	563	100.0%

Distribution by Industrial Sector (Top 10 Industries – 94% of Pool Outstanding Principal)					
	Sector	Principal Outstanding	% Total	# of Contracts	# of Contracts %
1	Food & Beverage	74,762,951	21%	68	12%
2	Construction & Materials	55,123,104	15%	64	11%
3	Services	54,566,122	15%	76	13%
4	Healthcare & Pharmaceuticals	37,674,903	11%	80	14%
5	Chemicals	28,443,985	8%	69	12%
6	Telecommunications	26,618,982	7%	24	4%
7	Industrial Goods & Services	26,304,411	7%	53	9%
8	Retail	13,639,718	4%	8	1%
9	Personal & Household Products	10,966,274	3%	22	4%
10	Banks	5,295,430	1%	22	4%
11	Oil & Gas	4,061,844	1%	20	4%
12	Governments, Embassies & NGOs	3,569,428	1%	6	1%
13	Travel & Leisure	3,242,969	1%	15	3%
14	Basic Resources	3,197,567	1%	6	1%
15	Media	2,986,107	1%	7	1%
16	Technology	2,945,798	1%	11	2%
17	Real Estate	1,089,584	0%	7	1%
18	Utilities	753,621	0%	4	1%
19	Financial Services Excluding Banks	441,551	0%	1	0%
	Total	355,684,349	100.0%	563	100.0%

Distribution by Individual Lessees					
	Company Name	Principal Outstanding	% Total	# of Contracts	# of Contracts %
1	The International Company for Agricultural Development - Farm Frites -	57,785,275	16.25%	27	4.80%
2	Egyptian Company for mobile Services - Mobinil	21,609,348	6.08%	14	2.49%
3	Multi Apex for Pharmaceutical S.A.E	21,410,998	6.02%	34	6.04%
4	Kahromika/Misr Mechanical & Electrical Projects	20,299,299	5.71%	18	3.20%
5	Nefertari Language Schools (NLS)	16,829,335	4.73%	3	0.53%
6	Delta Pharmaceuticals Industries - Delta Pharma	15,026,283	4.22%	13	2.31%
7	Bavaria Egypt S.A.E	14,480,974	4.07%	17	3.02%
8	Ragab Sons	13,639,718	3.83%	8	1.42%
9	Esaco for Manufacturing, Engineering & Contracting	12,116,081	3.41%	3	0.53%
10	Nosco/National Transport & Overseas Services	8,765,694	2.46%	18	3.20%
11	International for Engineering Industries & Air Conditioners - UNIONAIRE	8,439,566	2.37%	1	0.18%
12	Henkel Trade	6,377,571	1.79%	35	6.22%
13	Family Corporation	4,613,428	1.30%	8	1.42%
14	Thyssenkrupp Xervon Egypt S.A.E	3,875,326	1.09%	11	1.95%
15	Credit Agricole Bank Egypt SAE	3,837,374	1.08%	8	1.42%
16	Others	126,578,079	35.59%	345	61.28%
	Total	355,684,349	100.0%	563	100.0%

APPENDIX II: LEASE BACKED SECURITISATION DEALS COMPARISON

Egyptian Securitization Company	Issue 1 (2007)		Issue 2 (Oct. 09)	
	Amount	% Total	Amount	% Total
Bond Size (EGP mn)	360		360	
Bond Structure	Predetermined amortization		Pass through	
Coupon	9.75%		10.50%	
Maturity	Dec. 2012		Dec. 2014	
Over collateralization	2.87%		3.59%	
External Credit Support:	10%		12.5%	
Assigned Rating:	AA		A+	
Portfolio Characteristics				
Concentrated Lessees (Above 1%)	23	80%	15	64%
Concentrated Lessees Shadow Ratings				
AA	87,305,431	31%	3,837,374	2%
A	35,740,929	13%	42,467,894	19%
BBB	106,701,063	37%	105,751,876	46%
BB	38,614,863	14%	77,049,126	34%
B	16,385,050	6%		
Number of Clients:	100		145	
Number of Contracts:	516		563	
Net Outstanding Principal:	351,080,583		355,684,349	
Contracts/Client:	5.2		3.9	
Avg. amount by debtor:	3,510,806		2,452,996	
Avg. amount per contract:	680,389		631,766	
Monthly Payment:	222,352,687	63%	198,709,088	56%
Quarterly Payment:	128,727,896	37%	154,631,855	43%
Semiannual Payment			2,343,406	1%
WA Seasoning (months):	16		15	
WA Remaining Term (months):	42		39	
Top debtor:	56,726,573	16%	57,785,275	16%
Top 10 debtors:	210,479,829	60%	201,963,005	57%
Top 20 debtors:	271,741,635	77%	245,591,681	69%
Downpayment/Original Cost:	5.69%		17.4%	
WA LTV	95.95%		85.9%	
WA Yield	14.28%		14.4%	
Originated in 2005	27,462,907	8%	785,390	0%
Originated in 2006	114,606,882	33%	39,908,983	11%
Originated in 2007	186,131,466	53%	196,562,186	55%
Originated in 2008	-		118,427,790	33%
Originated in 2009	-		17.4%	
Commercial Vehicles:	119,251,744	34%	70,000,691	19.7%
Plant & Machinery:	71,726,368	20%	139,916,174	39.3%
Office Equipment:	70,422,025	20%	15,286,235	4.3%
Passenger Vehicles	58,725,045	17%	72,824,159	20.5%
Real Estate:	26,847,861	8%	56,914,932	16.0%
Computer Hardware:	4,107,541	1%	742,158	0.2%

APPENDIX III: National Rating Scale

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

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