

Urban Ubomi 1 (RF) Ltd

On 8 May 2023, GCR Ratings ("GCR") accorded the following long-term issue credit ratings to the various Classes of Notes that were issued by Urban Ubomi 1 (RF) Limited (the "Issuer" or "Urban Ubomi 1") on 5 May 2023. The credit ratings accorded apply from the time of the issuance of the new Notes.

Security Class	Stock Code	Outstanding Amount (ZAR)	Rating Class	Rating Scale	Rating	Outlook/ Rating Watch
Class A10 Notes	UU1A10	50,000,000	Long-Term Issue	National	AAA _(ZA) (sf)	Stable
Class A11 Notes	UU1A11	135,000,000	Long-Term Issue	National	AA+ _(ZA) (sf)	Stable
Class B Notes	UU1B04	30,000,000	Long-Term Issue	National	A+ _(ZA) (sf)	Stable
Class C Notes	UU1C04	10,000,000	Long-Term Issue	National	BBB+ _(ZA) (sf)	Stable

Simultaneously, GCR affirmed the ratings assigned to the existing Class A, Class B and Class C Notes listed below, with Stable Outlooks.

Security Class	Stock Code	Outstanding Amount (ZAR)	Rating Class	Rating Scale	Rating	Outlook/ Rating Watch
Class A1 Notes	UU1A01	107,733,339	Long-Term Issue	National	AAA _(ZA) (sf)	Stable
Class A2 Notes	UU1A02	309,000,000	Long-Term Issue	National	AA+ _(ZA) (sf)	Stable
Class A4 Notes	UU1A04	20,261,680	Long-Term Issue	National	AAA _(ZA) (sf)	Stable
Class A5 Notes	UU1A05	283,000,000	Long-Term Issue	National	AA+ _(ZA) (sf)	Stable
Class A7 Notes	UU1A07	130,734,843	Long-Term Issue	National	AAA _(ZA) (sf)	Stable
Class A8 Notes	UU1A08	135,000,000	Long-Term Issue	National	AA+ _(ZA) (sf)	Stable
Class A9 Notes	UU1A09	60,000,000	Long-Term Issue	National	AA+ _(ZA) (sf)	Stable
Class B Notes	UU1B01	73,000,000	Long-Term Issue	National	A+ _(ZA) (sf)	Stable
Class B Notes	UU1B02	118,000,000	Long-Term Issue	National	A+ _(ZA) (sf)	Stable
Class C Notes	UU1C01	25,000,000	Long-Term Issue	National	BBB+ _(ZA) (sf)	Stable
Class C Notes	UU1C02	12,000,000	Long-Term Issue	National	BBB+ _(ZA) (sf)	Stable
Class C Notes	UU1C03	18,000,000	Long-Term Issue	National	BBB+ _(ZA) (sf)	Stable

In addition, the Issuer has an unrated Subordinated Loan of R153,651,392, after being increased on issuance of the new Notes by R18m.

The credit ratings accorded to the Class A Notes relate to timely payment of interest and ultimate payment of principal by Final Maturity Date. The ratings accorded to the Class B and Class C Notes relate to ultimate payment of both interest and principal by Final Maturity Date. GCR's ratings exclude an assessment of the ability of the Issuer to pay either any (early repayment) penalties or any default interest rate penalties, which, in any case, do not apply to this transaction.

Capitalised terms not defined in this report refer to defined terms in the transaction documentation.

Transaction Summary

On 23 March 2021, Urban Ubomi 1 issued a total of R609m of Notes under its newly established R2.5bn Mortgage Loan Backed Securitisation Programme, its "Initial Issuance".

Proceeds of the issuance together with the Subordinated Loan were used by the Issuer to acquire a pool of Loan Agreements together with their Related Security (the Participating Assets). The Loan Agreements were originated by TUHF Limited (TUHF) to small and medium sized companies and entrepreneurs who use the capital to fund predominantly residential property investments in the inner cities of South Africa. In addition, a portion of the proceeds funded an Arrears Reserve.

On 14 February 2022, in its "First Tap Issuance", Urban Ubomi 1 issued an additional R440m of Notes and increased its Subordinated Loan by R67.7m.

On 14 December 2022, in its "Second Tap Issuance", Urban Ubomi 1 issued an additional R363m of Notes and increased its Subordinated Loan by c.R4.5m.

On 5 May 2023, the Issuer executed a "Third Tap Issuance" of an additional R225m to further increase in the size of the transaction.

The new Notes were issued in four tranches: Class A10, which ranks *pari passu* and *pro rata* with and has the same Step-Up Date and Final Redemption Date as the pre-existing Classes A1, A4 and A7; Class A11, which ranks *pari passu* and *pro rata* with and has the same Step-Up Date and Final Redemption Date as the pre-existing Classes A2, A5 and A8; a new tranche of the existing Class B; and, a new tranche of the existing Class C. Under the post-Third Tap Issuance capital structure, credit enhancement available to each Class of Notes through subordination of junior debt remains at levels that satisfy the conditions precedent per the Programme Memorandum.

The proceeds of the tap issuances have been used to acquire additional Participating Assets and to fund proportionate increases in the Arrears Reserve.

The transaction is amortising from the start and Notes principal is repaid along with interest on each Interest Payment Date. The structure includes Interest Deferral Events for the Class B Notes and Class C Notes which are both calculated with reference to the Principal Deficiency, as defined in the transaction documentation. All payments are made in accordance with the Priority of Payments.

TUHF acts as the Issuer's agent to perform both the Servicer and Administrator roles. The Standard Bank of South Africa Limited ("SBSA") is the Account Bank and Hedge Counterparty. Both of SBSA's appointments are subject to it maintaining the Required Credit Rating.

Rating Rationale

GCR updated its analysis of the performance of TUHF's portfolio to renew the base case inputs to its cash flow model. The data now covers the period June 2005 to February 2023. GCR's updated analysis shows very little change in extrapolated default rates.

The base case recovery rate and prepayment rate derived from the updated TUHF data are also similar to those modelled for the recent Second Tap Issuance.

As such, model inputs remain like at the Second Tap Issuance. The credit enhancement to be available to each Class of Notes through subordination also remains similar.

The ratings reflect the outcome of GCR's cash flow model, in which the cash flows of the transaction as per all the provisions of the transaction documentation are modelled in multiple stress scenarios. Each scenario embodies differing default and recovery rates and distributions, prepayment rates and interest rate parameters. Each successively more stressful group of scenarios relates to a commensurately higher rating level. (See GCR's Structured Finance Research, Asset Backed Securities Cash Flow Model, published September 2018). The ratings accorded to each Class of Notes correspond with the highest rating level at which principal and interest on such Class is paid in full in all scenarios related to such rating level.

GCR's analysis and modelling of the transaction is in accordance with its Consumer Asset-Backed Securities Rating Criteria, September 2018 and its Criteria for Rating Structured Finance Transactions, September 2018 (which incorporates the criteria that relate to the various transaction counterparties).

Transaction Strengths

- The transaction makes use of a combined cash waterfall structure, whereby all cash collections, both interest and principal in nature, are applied towards payments made in the sequence prescribed by the Priority of Payments. An interest deferral mechanism allowing the subordination of interest on the subordinated Notes upon the breach of certain triggers mitigates the associated risk of insufficient cash being available for redemption of Notes in stressful scenarios.
- A cash reserve (the Arrears Reserve) provides credit enhancement and a liquidity buffer.
- A basis swap mitigates the Prime-JIBAR basis risk arising from the combination of Prime-linked Participating Assets and JIBAR-linked Notes.
- This is Urban Ubomi 1's fourth Notes issuance. TUHF is no longer a first-time securitisation counterparty and has built up a track record managing such a funding structure. The performance of Urban Ubomi 1 has been stable.
- Historical recoveries of defaulted loans are high, due to a high level of rehabilitations as well as many defaulting borrowers' co-operation in the event of property disposals.
- The Notes amortise from issuance, implying a build-up of credit enhancement via subordination from the first Interest Payment Date.
- Portfolio Covenants and Eligibility Criteria ensure that, should replacement assets be acquired, the pool will nevertheless retain specified characteristics.
- The Participating Assets have a considerable level of seasoning, implying lower risk of default.
- A Collection SPV, Vuselela Collection SPV (RF) Limited receives payments on the transaction's Participating Assets into its Collection Accounts. Commingling risk in these Collection Accounts is lower than it would be if payments were to be made into the bank accounts of the Servicer.

Transaction Weaknesses

- The asset pool still exhibits relatively high obligor concentration, albeit this has lessened with the growth of the transaction through the tap issuances.
- The ultimate obligors (tenants) are low to middle income earners and include a portion who are informally employed. This economic segment is viewed as economically vulnerable.
- Historical defaults on the assets are high in comparison to many other transactions backed by pools of secured loans.
- Transaction documentation provides for replacement of the Servicer with the Back-Up Servicer only on a Servicer Event of Default. This might present the risk of interruption in servicing functions on possible deterioration of operations of the Servicer.

Transaction Structure

Capital Structure

The capital structure post the new issuance has levels of credit enhancement through subordination that are similar to those prior to the issuance, and which satisfy the conditions precedent per the Programme Memorandum.

Table 1: Capital Structure as at Initial Issuance (March 2021)

Liabilities				Assets		
	<u>ZAR</u>	<u>% of Total</u>	<u>Credit Enhancement*</u>		<u>ZAR</u>	<u>% of Total</u>
Class A1 Notes	202m	30.1%	69.9%	Participating Assets	655.4m	97.7%
Class A2 Notes	309m	46.0%	23.9%			
Class B Notes	73m	10.9%	13.0%			
Class C Notes	25m	3.7%	9.2%	Arrears Reserve	15.6m	2.3%
Subordinated Loan	62.1m	9.2%	0%			
Total	671.1m	100%		Total	671.1m	100%

*Credit enhancement through subordination, calculated as subordinated liabilities as a percentage of total Notes and Subordinated Loan.

Source: SBSA, TUHF, GCR calculations

Table 2: Capital Structure prior to New Issuance*

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Liabilities				Assets					
	<u>ZAR</u>	<u>% of Total</u>	<u>Credit Enhancement</u>		<u>ZAR</u>	<u>% of Total</u>			
Class A1 Notes	107.7m	18.1%	81.9%	Participating Assets	1,410.9	97.7%			
Class A4 Notes	20.3m								
Class A7 Notes	130.7m								
Class A2 Notes	309m	55.1%	26.7%				Arrears Reserve	33.1m	2.3%
Class A5 Notes	283m								
Class A8 Notes	135m								
Class A9 Notes	60m								
Class B Notes (1 st Tranche)	73m	13.4%	13.4%	Arrears Reserve	33.1m	2.3%			
Class B Notes (2 nd Tranche)	118m								
Class C Notes (1 st Tranche)	25m	3.9%	9.5%				Arrears Reserve	33.1m	2.3%
Class C Notes (2 nd Tranche)	12m								
Class C Notes (3 rd Tranche)	18m								
Subordinated Loan	135.7m	9.5%	0%						
Total	1,427.4m	100%							

*Assets as at Determination Date of 31 January 2023; Liabilities as at Interest Payment Date of 15 February 2023.

Source: SBSA, TUHF, GCR calculation

Table 3: Capital Structure Post New Issuance*

Liabilities				Assets	
	ZAR	% of Total	Credit Enhancement		ZAR
Class A1 Notes	107.7m	18.5%	81.5%	Participating Assets**	1,632.8m
Class A4 Notes	20.3m				
Class A7 Notes	130.7m				
New Class A10 Notes	50m				
Class A2 Notes	309m	55.2%	26.3%***	Arrears Reserve	37,5m
Class A5 Notes	283m				
Class A8 Notes	135m				
New Class A11 Notes	135m				
Class A9 Notes	60m	13.2%	13.1%		
Class B Notes (1 st Tranche)	73m				
Class B Notes (2 nd Tranche)	118m				
New Class B Notes (3 rd Tranche)	30m				
Class C Notes (1 st Tranche)	25m	3.9%	9.2%		
Class C Notes (2 nd Tranche)	12m				
Class C Notes (3 rd Tranche)	18m				
New Class C Notes (4 th Tranche)	10m				
Subordinated Loan	153.7m	9.2%	0%	Total	1,670.4m
Total	1,670.4m	100%			

* The Class A1, A4, A7 and A10 balances will change at the Interest Payment Date of 15 May 2023, as will the Participating Assets balance at the corresponding Determination Date of 31 April 2023.

**Participating Assets at balancing amount.

***Class A9 principal is to be paid *pari passu* and *pro rata* with Classes A2, A5, A8 and A11 post the Latest Coupon Step-Up Date. These Classes are therefore considered to share the same level of credit enhancement.

Source: SBSA, TUHF, GCR calculations

Notes

According to the Pre-Enforcement Priority of Payments, interest is to be paid *pari passu* and *pro rata* on all Class A Notes, and then sequentially on the Class B and Class C Notes. Interest on all Classes is paid quarterly at a margin over 3-month JIBAR, excluding Class A9, on which interest is paid semi-annually at a fixed rate. However, swap agreements imply that the Issuer is to make quarterly payments linked to 3-month JIBAR that relate to Class A9 as well.

Principal on Classes A1, A4, A7 and A10 is always to be paid prior to principal on the other Classes. Principal on Classes A2, A5, A8 and A11 is to be paid *pari passu* and *pro rata* and together with Class A9 principal post the Latest Coupon Step-Up Date, and along with Class B principal too in a few limited scenarios. Such principal lock-out provisions aim to provide for sequential principal redemption in stressful scenarios, implying that each combination of Classes effectively provides credit enhancement to those combinations of Classes subordinated to it.

The interest rate on each Class will increase by a defined amount on its Coupon Step-Up Date.

Subordinated Loan

A drawdown on the Subordinated Loan balance occurred on issuance of the new Notes such that its balance has increased proportionately.

Participating Assets

23 additional Participating Assets, in compliance with the Eligibility Criteria and Portfolio Covenants, have been acquired by the Issuer. Where applicable, their Mortgage Bonds are to be registered in the name of the Issuer in the coming period. GCR has received current data that outlines the characteristics of each additional Loan Agreement in the Issuer's pool post issuance.

Arrears Reserve

On issuance of the new Notes, the Arrears Reserve balance was increased to its Required Amount of 3.05% of the Class A Notes as at issuance.

Operations of the Servicer

TUHF's focus remains on impact through scale, with TUHF aiming to increase its lending activity in a sustainable way. Securitisation as a source of funding remains an important component of this drive.

TUHF's operational, credit granting and management and other policies and procedures have not changed since Urban Ubomi 1's Initial Issuance.

Collections on TUHF's portfolio have improved to c.95%, comparable to pre-COVID levels.

Participating Assets

GCR analysed the pool of Participating Assets held by the Issuer post the new issuance.

Table 4: Combined Participating Asset Pool as at Issuance on 5 May 2023		
	Pre-existing	Post New Issuance
Number of Loans	236	259
Total Disbursements	R1,442,844,238	R1,633,515,301
Total Current Loan Balance	R1,398,440,048	R1,637,219,994
Average Current Loan Balance	R5,925,593	R6,321,313
Max Current Loan Balance	R45,225,822	R49,395,733
Weighted Average Current Interest Rate	14.34%	14.42%
Weighted Average Current Loan-to-Value	61.05%	61.18%
Weighted Average Original Tenor	180	180
Weighted Average Seasoning	37.2	35.3

Source: TUHF data, GCR

Cash Flow Model

GCR's analysis of the historical performance of loans originated by TUHF up to February 2023, the final post-issuance asset pool cut, the post-issuance capital structure and all transaction provisions direct its cash flow modelling.

Senior Expenses

No changes were made to the senior expenses modelled as these are expected to remain the same.

Fixed costs were estimated prior to Initial Issuance and such estimates are consistent with the fixed costs reported thus far. A 10% buffer was added to these fixed costs and 6% annual inflation was applied to them.

The variable expenses include the Servicing Fee and Administration Fee. In modelling them, GCR added VAT and a 10% buffer for unexpected (and unlikely) increases.

Cumulative Defaults

Base Case

GCR received performance data covering the entire portfolio of eligible loans originated by TUHF, where a loan is classified as defaulted when an amount equal to three of the most recent six months of instalments is in arrears. Extrapolated defaults for vintages not yet matured were derived by imposition of the observed aggregate default distribution vector. The rand-weighted extrapolated cumulative default rate peaked at 13.09%, 12.25 years after Loan Start Date.

GCR measured the standard deviation, weighted by Loan Start Balance, of extrapolated cumulative defaults by aggregating Loan Start Dates into semi-annual periods. Semi-annual weighted standard deviation was found to be 10.63%. GCR added 0.5x semi-annual weighted standard deviation to the cumulative default rate as a volatility adjustment.

Table 5: Base Case Default Rate

	Initial Issuance (data to Aug 2020)	Last Tap Issuance (data to Aug 2022)	Current (updated data to Feb 2023)
Extrapolated cum. default rate [A]	13.51%	12.95%	13.09%
Semi-ann. std dev. [B]	10.11%	9.94%	10.63%
Raw base case [= A + 0.5xB]	<u>18.57%</u>	<u>17.92%</u>	<u>18.40%</u>

Source: TUHF data, GCR calculations

GCR recognises the seasoning of assets in the pool by reducing the base case cumulative default rate by the percentage of defaults that are expected to already have occurred - early in the life of loans. The loans were divided into semi-annual seasoning brackets, credit for seasoning was granted on a loan-by-loan basis per bracket, and the portfolio aggregate credit for seasoning was then applied to reduce the base case default rate. Credit for seasoning was capped at 50% for each loan. The below table shows how credit for seasoning was calculated.

Table 6: Credit for Seasoning

Seasoning	% of Asset Pool (May 2023, post-issuance)	Credit for Seasoning*
0 – 6 months	7.30%	0.0%
7 – 12 months	12.90%	3.3%
13 – 18 months	15.29%	14.8%
19 – 24 months	5.17%	24.5%
25 – 30 months	3.29%	37.0%
30 – 36 months	6.11%	44.8%
> 36 months	49.94%	50.0%
Weighted Average (= Credit for Seasoning Applied)		<u>32.9%</u>

*Credit for seasoning is based on the historical default vector shown in Table 11 below. For example, the portion of the pool with Loan Start Date at least six months but less than twelve months ago, is given credit by assuming that 3.3% of its defaults have already occurred, seeing as 3.3% of total historical defaults were observed to have occurred in the six months since Loan Start.

Source: TUHF data, GCR

The resulting post-credit for seasoning default rate was then rebased to account for the aggregate reduction in Loan Balance from total disbursed amounts. Seeing as, on aggregate, there has been no such reduction since Loan Start Date, no rebasing was applied.

Table 7: Rebasing Calculation	
Total Disbursements since Loan Start [A]	1,633,515,301
Current Loan Balance [B]	1,637,219,994
Rebasing Multiple [MAX(A/B,1)]	100.0%

Source: TUHF data, GCR

An upward adjustment to the base case default rate was made for geographic concentration risk as follows:

Table 8: Geographic Concentration Adjustment				
Province	% of Current Loan Balance (Asset Pool, May 2023 post-issuance) [A]	GDP per Province [B]	% > GDP [C]	Adjustment Multiple (If C > 0) [(B/A) + (C/A)x1.15]
Gauteng	60.2%	34.5%	25.7%	106.4%
Kwa-Zulu Natal	18.7%	15.9%	2.8%	102.3%
Western Cape	4.3%	13.6%	0.0%	100.0%
Free State	3.0%	5.0%	0.0%	100.0%
Eastern Cape	13.8%	7.6%	6.2%	106.7%
Weighted Average (= Geographic Concentration Multiple Applied)				105.2%

Source: TUHF data, GCR, Stats SA

The below table shows a summary of the calculation of the final base case in comparison with the base case used for the ratings at Initial Issuance and at the First Tap Issuance.

Table 9: Summary, Calculation of Base Case Cumulative Default Rate				
	Initial Issuance	Last Tap Issuance	Current	Reference [Calculation]
Raw Base Case	18.57%	17.92%	18.40%	Table 5
Post-Credit for Seasoning	12.54%	12.09%	12.35%	Table 6 [= 18.40% x (1 – 32.9%)]
Post-Rebasing	15.09%	12.50%	12.35%	Table 7 [= 12.35% x 100.0%]
Post-Geo Concentration Adj. (FINAL)	<u>15.96%</u>	<u>13.13%</u>	12.99%	Table 8 [= 12.35% x 105.2%]

Source: GCR

Obligor Concentration

GCR analysed the level of obligor concentration by company in the post-new issuance asset portfolio. The existing companies' concentration is lower than the maximum concentration levels as per the Portfolio Covenants. GCR used the covenant levels for the purposes of its cash flow modelling. The covenant concentration levels imply higher modelled defaults than the base case x multiple approach at all relevant rating levels.

Table 10: Defaults per Rating Scenario: (Base Case x Multiple) vs Obligor Concentration						
Rating Scenario	Stress Multiple	Base Case x Stress Multiple [A]	Number of Largest Obligors Assumed to Default	Companies Concentration in Portfolio (post-new issuance)	Companies Concentration as per Portfolio Covenant [B]	Final Modelled Cumulative Default Rate (MAX of [A] and [B])
AAA	3.4x	44.17%	7	28.10%	47.00%	47.00%
AA+	3x	38.98%	6.5*	26.95%*	41.50%*	41.50%*
A+	2.4x	31.18%	5.33*	24.17%*	33.33%*	33.33%*
BBB+	2x	25.98%	4.33*	21.52%*	28.67%*	28.67%*

*Interpolated

Source: TUHF data, GCR

Default Vectors

GCR amended its default distribution vector in accordance with TUHF's renewed data.

Table 11: Default Vectors			
Half-Year from Loan Start	Extrapolated Default Vector % of Total Defaults Occurring	Back-Loaded Vector (% of Total Defaults)	Front-Loaded Vector (% of Total Defaults)
1	3.3%	1.7%	6.7%
2	11.5%	5.7%	17.2%
3	9.6%	4.8%	14.4%
4	12.6%	6.3%	18.9%
5	7.8%	7.8%	11.6%
6	10.6%	10.6%	13.2%
7	9.1%	11.3%	4.5%
8	2.4%	3.6%	1.2%
9	2.6%	4.0%	1.3%
10	3.2%	4.8%	1.6%
11	10.5%	15.7%	5.2%
12	5.3%	7.9%	2.6%
13	1.9%	2.8%	1.4%
14	9.6%	12.9%	0%

Source: TUHF data, GCR

Arrears

Arrears were modelled as a multiple of defaults occurring in the cash flow model and as rehabilitating in full after three months:

Table 12: Modelled Arrears		
Rating Scenario	Arrears Multiple of Defaults	Arrears %
AAA	1.10x	51.70%
AA+	0.99x	41.09%
A+	0.72x	24.06%
BBB+	0.53x	15.08%

Source: GCR

Cumulative Recoveries

Base Case

GCR maintained its bespoke approach towards modelling of recoveries for this transaction.

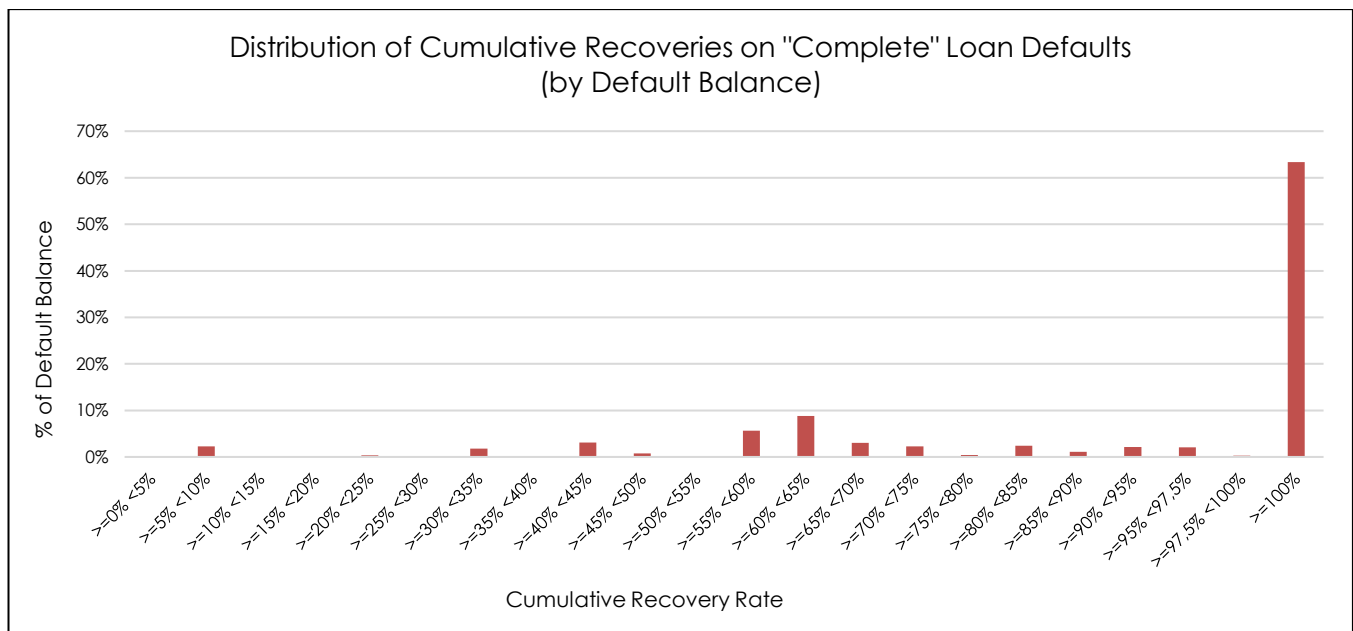
GCR notes that several possible paths to recovery exist, including forbearance, workout, loan modification and, in rare cases, foreclosure; each leading to different recovery patterns. Indeed, many defaults as defined saw a resumption of payment of scheduled instalments soon after occurrence.

Recoveries in many cases were found to be above 100% of the loan balance at default. This is a result of some capitalisation of interest post default as well as disbursements (and hence increases in loan balances) post default for, e.g., property refurbishment and coverage of the borrowers' third-party costs by TUHF.

The steps towards the derivation of the recoveries base case are:

- The updated data set as at Feb 2023 of "Complete" (i.e., closed, no longer "Active") defaulted loans was used, incorporating 90 loans.
- No extrapolation was performed seeing as the loans analysed are no longer active and have been closed.

- All cash collected post default was counted towards recoveries.
- Recoveries on each loan were capped to the loan's maximum balance post default.
- The distribution of the set of cumulative recovery end points on each loan, expressed as a percentage of maximum loan balance post default with none exceeding 100% due to the cap imposed, was analysed.
- The updated findings showed: In 63.33% of cases the loan balance at default was recovered in full (Previous: 63.51%). In 63.59% of cases recoveries were greater than or equal to 97.5% of the default balance (Previous: 63.81%). And in 71.33% of cases recoveries were greater than or equal to 80% (Previous: 72.89%).
- GCR elected to maintain 80% as the recoveries base case. This is justified by reference to the fact that a portion slightly lower than the 71.33% of observations of recovery percentages that are above 80% in this case are above the mean less one-half standard deviation in the case of a normal distribution. This mean less one-half standard deviation is the base case marker GCR would use were the set of cumulative recovery end points to be more normally distributed. In this case, where cumulative recovery end points are concentrated close to (or at) 100%, the 80% recovery mark, with 71.33% of observations exceeding it, is judged suitable as a base case.
- The recoveries distribution vector observed is similar to previously. GCR therefore elected to retain its modelled recoveries distribution as well.



Source: TUHF data, GCR

Recoveries Haircuts

Cumulative recoveries were stressed from the base case of 80% per rating scenario in the cash flow model as follows:

Table 13: Modelled Recoveries		
Rating Scenario	Recoveries Haircut	Modelled Cumulative Recovery Rate
AAA	35%	52.00%
AA+	30%	56.00%
A+	20%	64.00%
BBB+	14%	68.80%

Source: GCR

Vectors

Table 14: Recovery Vectors

Half-Year from Default Date	Stable Vector (based on adjusted historical recovery vector of Complete data set, % of Total Recoveries Occurring)	Back-Loaded Vector (% of Total Recoveries)	Front-Loaded Vector (% of Total Recoveries)
1	5.6%	2.8%	9.7%
2	11.2%	5.6%	19.6%
3	8.5%	4.3%	12.8%
4	15.5%	7.7%	23.2%
5	3.4%	3.4%	3.4%
6	6.0%	6.0%	6.0%
7	6.7%	6.7%	3.4%
8	13.6%	13.6%	6.8%
9	18.6%	28.0%	9.3%
10	3.1%	4.7%	1.6%
11	1.4%	2.1%	0.7%
12	4.0%	8.0%	2.0%
13	2.3%	7.1%	1.5%

Source: TUHF data, GCR

Prepayments

TUHF prepayments to February 2023 were slightly higher than those calculated previously. GCR updated the modelled base case.

Table 15: Prepayment Rate

	Previously Modelled	2015 to Feb 2023
Average Annual Prepayments (% of Opening Portfolio Balance) [A]	7.98%	7.92%
Standard Deviation [B]	2.12%	2.64%
[C = A + 0.5xB]	<u>9.04%</u>	<u>9.24%</u>

Source: TUHF data, GCR

Prepayments stresses were modelled as previously.

Table 16: Modelled High and Low Prepayments

Rating Scenario	Prepayments Stress	Modelled High Prepayments	Modelled Low Prepayments
AAA	35%	12.5%	6.0%
AA+	30%	12.0%	6.5%
A+	20%	11.1%	7.4%
BBB+	14%	10.5%	7.9%

Source: TUHF data, GCR

Interest Rates

The evolution of 3-month JIBAR was modelled according to GCR's methodology in increasing, decreasing and stable scenarios. These paths become increasingly stressful for each successive rating scenario. The highest modelled 3-month JIBAR reaches in an increasing scenario is 16.8% after 25 months, after which it remains constant.

Swaps

The Issuer has entered into a swap agreement to exchange its Prime-linked asset return for a 3-month JIBAR-linked one to match its liability on the Notes.

As mentioned above, an additional swap effectively converts the fixed rate semi-annual liability of the Issuer on the Class A9 Notes to a 3-month JIBAR-linked quarterly liability.

GCR has factored these swaps into its cash flow model as they comply with GCR's counterparty criteria.

Asset Margin Compression

GCR modelled compression of the interest rate margin yield of the Participating Assets by dividing the pool into six margin buckets. The asset pool margin over Prime was modelled starting at its existing (3.34%) level. 100% of prepayments and 100% of defaults were allocated first to the highest yielding bucket, then to the second highest, and so on, thereby reducing asset margin incrementally in the cash flow model until covenant margin (3.00%) is reached. Thereafter, modelled margin compression takes place at GCR's standard allocation level (50% of prepayments, 100% of defaults).

Asset Amortisation Profile

Instalments received in the cash flow model are modelled according to the amortisation profile of the asset pool.

There are nineteen loans in the pool whose interest-only periods, which may be granted by TUHF during the early stage of the life of a loan, have not yet ended. These were taken into consideration in modelling the asset pool amortisation.

Servicer Replacement Stress

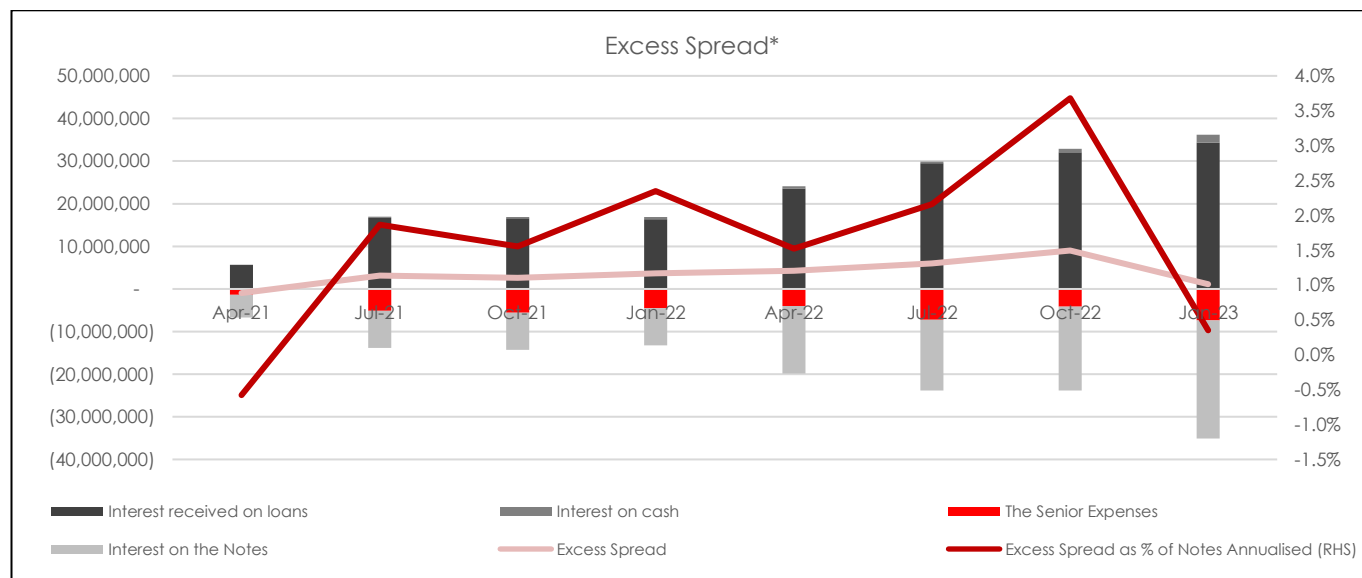
GCR expects a Servicer rated BBB_(ZA) or above (TUHF Limited: BBB_(ZA)) to be in place to mitigate risk of servicing interruption. Documentation provides for replacement of the Servicer only on a Servicer Event of Default. GCR therefore removed the first month of cash flows from its cash flow model to simulate a servicing disruption. Recoupment of 90% of this cash is modelled to occur six months later to simulate a temporary disruption.

Model Results

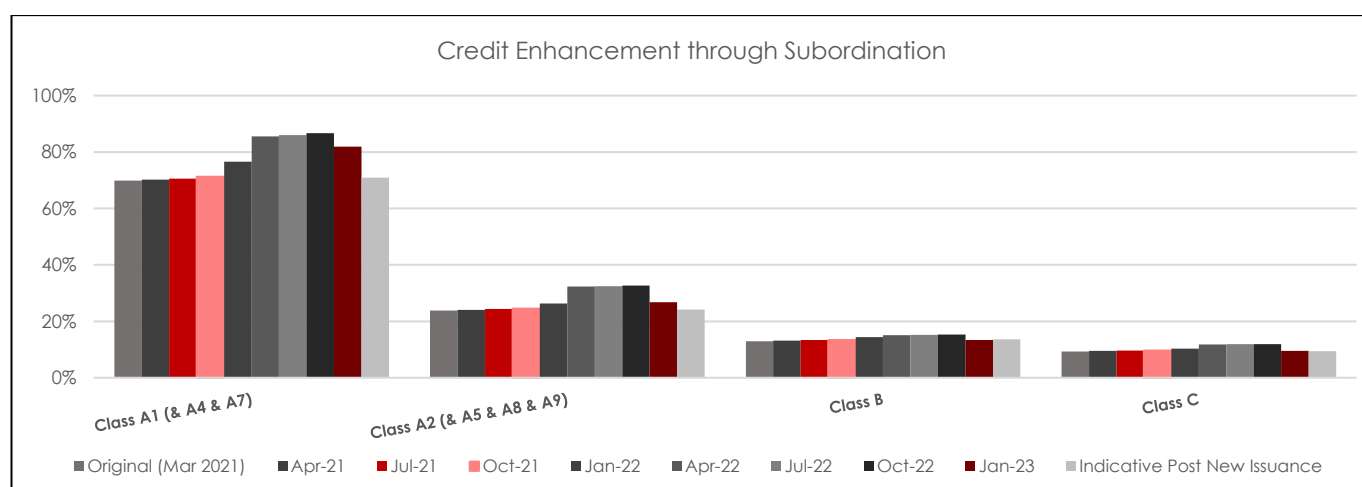
The model outcome shows the maximum rating scenarios at which interest and principal are paid in full for each respective class of Notes in all of the various stress scenarios, including defaults, recoveries, their respective vectors, prepayments and interest rates. The model result leads directly to the ratings accorded.

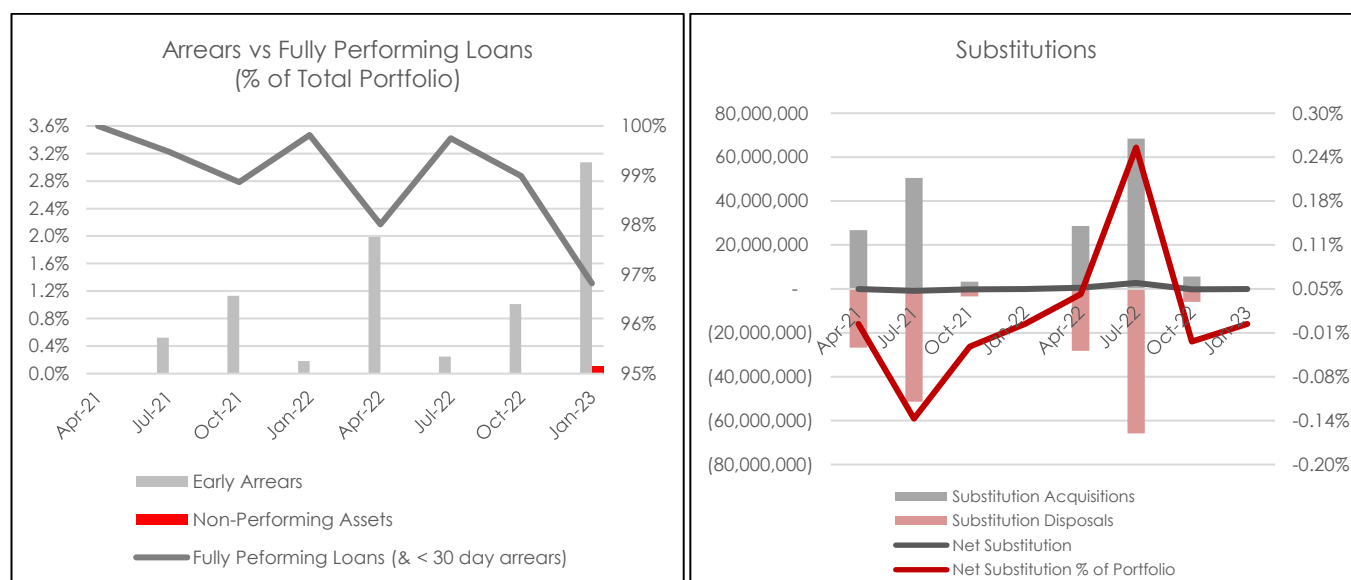
Surveillance

GCR's surveillance of the transaction covers the period from its inception to February 2023. The performance has been stable, with positive excess spread over the last four quarters, incrementally increasing credit enhancement through subordination as Class A1, A4 and A7 Notes have been partially redeemed on each Interest Payment Date and some accumulation of early arrears with very low defaults to date.



*Excess spread calculated as (Interest received on loans + on cash) less (Senior Expenses + Interest on the Notes). Subordinated Loan interest and derivative net settlement and termination amounts are excluded.





Source: TUHF data, GCR calculations

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Related Criteria and Research

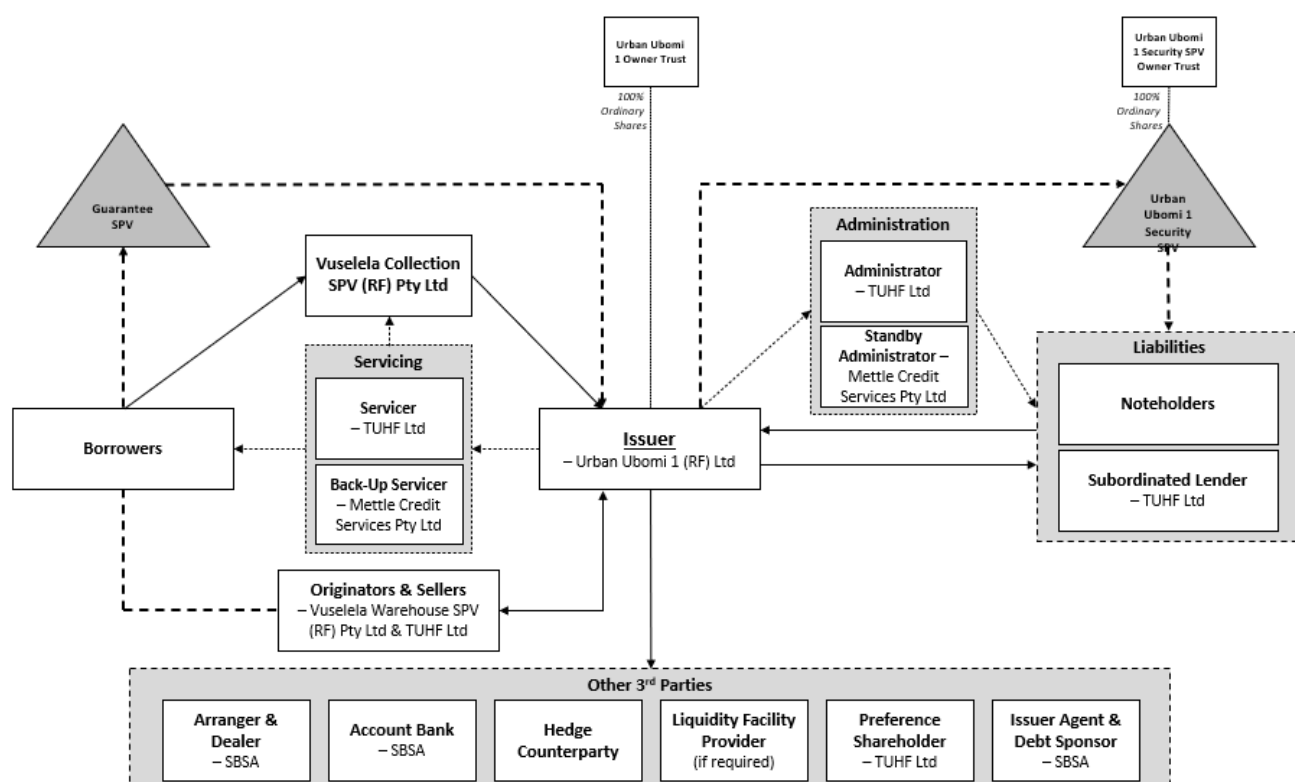
GCR – Rating Scales, Symbols and Definitions – May '22
Criteria for the GCR Ratings Framework – Jan '22
Criteria for Rating Structured Finance Transactions – Sep '18
Criteria for Rating Consumer Asset Backed Securities – Sep '18
Criteria for Rating Financial Institutions – May '19
Asset-Backed Securities Cash Flow Model – Sep '18
Rating Announcement - TUHF Limited – Sep '22
New Issuance Report - Urban Ubomi 1 (RF) Ltd – Feb '22

Rating History

Urban Ubomi 1 (RF) Ltd

Security Class	Stock Code	Review	Rating Scale	Rating Class	Outlook/ Rating Watch	Date
Class A1 Notes	UU1A01	Initial	National	AAA _(ZA) (sf)	Rating Watch: Evolving	Mar 2021
		Last	National	AAA _(ZA) (sf)	Stable	Dec 2022
Class A2 Notes	UU1A02	Initial	National	AA+ _(ZA) (sf)	Rating Watch: Evolving	Mar 2021
		Last	National	AA+ _(ZA) (sf)	Stable	Dec 2022
Class A4 Notes	UU1A04	Initial	National	AAA _(ZA) (sf)	Stable	Feb 2022
		Last	National	AAA _(ZA) (sf)	Stable	Dec 2022
Class A5 Notes	UU1A05	Initial	National	AA+ _(ZA) (sf)	Stable	Feb 2022
		Last	National	AA+ _(ZA) (sf)	Stable	Dec 2022
Class A7 Notes	UU1A07	Initial & Last	National	AAA _(ZA) (sf)	Stable	Dec 2022
Class A8 Notes	UU1A08	Initial & Last	National	AA+ _(ZA) (sf)	Stable	Dec 2022
Class A9 Notes	UU1A09	Initial & Last	National	AA+ _(ZA) (sf)	Stable	Dec 2022
Class B Notes (first tranche)	UU1B01	Initial	National	A- _(ZA) (sf)	Rating Watch: Evolving	Mar 2021
		Last	National	A+ _(ZA) (sf)	Stable	Dec 2022
Class B Notes (second tranche)	UU1B02	Initial	National	A- _(ZA) (sf)	Stable	Feb 2022
		Last	National	A+ _(ZA) (sf)	Stable	Dec 2022
Class B Notes (third tranche)	UU1B03	Initial & Last	National	A+ _(ZA) (sf)	Stable	Dec 2022
Class C Notes (first tranche)	UU1C01	Initial	National	BBB _(ZA) (sf)	Rating Watch: Evolving	Mar 2021
		Last	National	BBB+ _(ZA) (sf)	Stable	Dec 2022
Class C Notes (second tranche)	UU1C02	Initial	National	BBB _(ZA) (sf)	Stable	Feb 2022
		Last	National	BBB+ _(ZA) (sf)	Stable	Dec 2022
Class C Notes (third tranche)	UU1C03	Initial & Last	National	BBB+ _(ZA) (sf)	Stable	Dec 2022

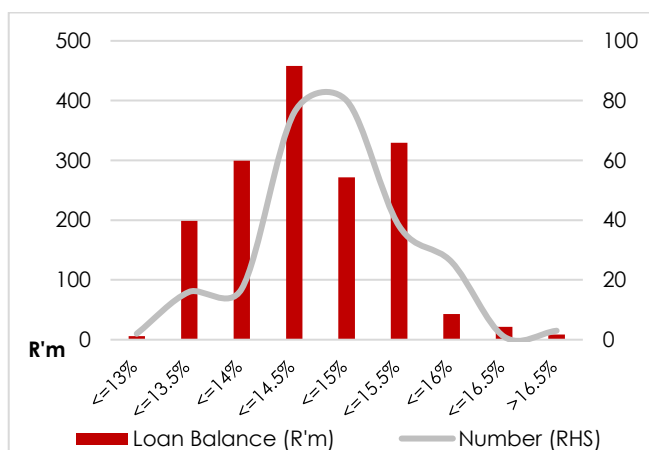
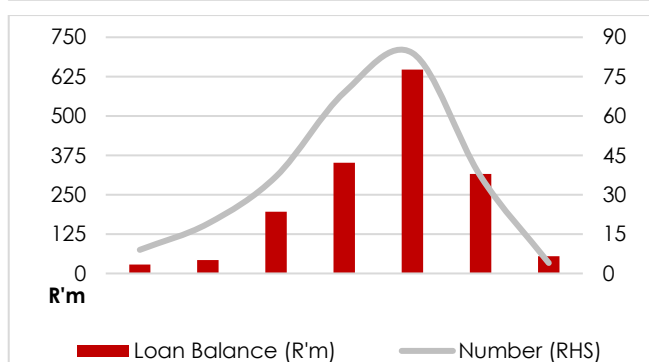
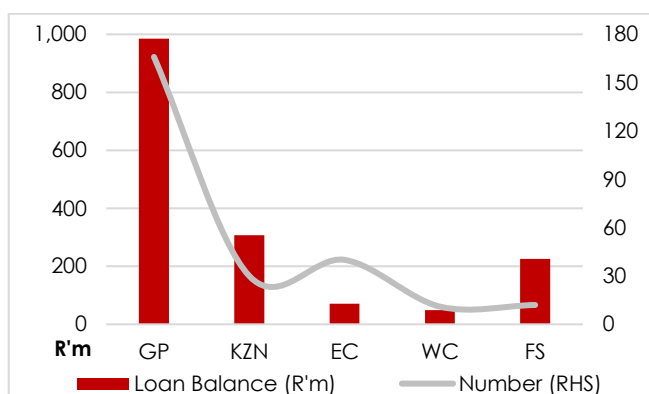
Appendix A – Transaction Diagram



Province	Number	Loan Balance (ZAR) [a]	[a]%
GP	166	985,075,770	61.11%
KZN	30	306,783,567	2.95%
EC	40	71,107,593	17.84%
WC	11	49,027,544	13.86%
FS	12	225,225,520	4.23%
Total	259	1,637,219,994	100%

Current Loan to Value Ratio	Number	Loan Balance (ZAR) [a]	[a]%
>0%; ≤30%	9	27,864,142	1.70%
>30%; ≤40%	19	42,843,969	2.62%
>40%; ≤50%	37	196,420,903	12.00%
>50%; ≤60%	69	351,955,556	21.50%
>60%; ≤70%	84	646,907,871	39.51%
>70%; ≤80%	37	316,371,806	19.32%
>80%	4	54,855,747	3.35%
Total	259	1,637,219,994	100%

Current Interest Rate	Number	Loan Balance (ZAR) [a]	[a]%
>12.5%; ≤13%	2	6,152,610	0.38%
>13%; ≤13.5%	16	198,810,247	12.14%
>13.5%; ≤14%	17	299,718,173	18.31%
>14%; ≤14.5%	76	458,020,988	27.98%
>14.5%; ≤15%	80	271,788,796	16.60%
>15%; ≤15.5%	38	329,592,086	20.13%
>15.5%; ≤16%	26	43,092,040	2.63%
>16%; ≤16.5%	1	21,287,330	1.30%
>16.5%	3	8,757,725	0.53%
Total	259	1,637,219,994	100%





Glossary

Account Bank	A bank where the transaction account is held.
Administrator	A transaction appointed agent responsible for the managing of a Conduit or a Special Purpose Vehicle. The responsibilities may include maintaining the bank accounts, making payments and monitoring the transaction performance.
Advance	A lending term, to transfer funds from the creditor to the debtor.
Agent	An agreement where one party (agent) concludes a juristic act on behalf of the other (principal). The agent undertakes to perform a task or mandate on behalf of the principal.
Agreement	A negotiated and usually legally enforceable understanding between two or more legally competent parties.
Amortisation	From a liability perspective, the paying off of debt in a series of instalments over a period of time. From an asset perspective, the spreading of capital expenses for intangible assets over a specific period of time (usually over the asset's useful life).
Arranger	Usually an Investment Bank that advises and constructs a transaction and acts as a conduit between the transaction parties: Client, Issuer, Credit Rating Agency, Investors, Legal Counsel and Servicers.
Arrears	An overdue debt, liability or obligation. An account is said to be 'in arrears' if one or more payments have been missed in transactions where regular payments are contractually required.
Audit Report	A written opinion of an auditor.
Bankruptcy Remote	A feature, through real security and guarantees that reduces the enforceability of a creditor against a Special Purpose Vehicle. Typically a Security Special Purpose Vehicle should be bankruptcy remote.
Basis Risk	The imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
Borrower	The party indebted or the person making repayments for its borrowings.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Collateral	Asset provided to a creditor as security for a loan or performance.
Coupon	The interest paid on a bond expressed as a percentage of the face value. If a bond carries a fixed coupon, the interest is usually paid on an annual or semi-annual basis. The term also refers to the detachable certificate entitling the bearer to the interest payment.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Credit Enhancement	Limited protection to a transaction against losses arising from the assets. The credit enhancement can be either internal or external. Internal credit enhancement may include: Subordination; over-collateralisation; excess spread; security package; arrears reserve; reserve fund and hedging. External credit enhancement may include: Guarantees; Letters of Credit and hedging.
Debt Service Coverage	Measures the ratio of cash available for debt servicing payments.
Debt	An obligation to repay a sum of money. More specifically, funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than X days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Early Redemption	The repurchase of a bond by the issuer before it matures.
Eligibility Criteria	Limitations imposed on the type and quality of assets that can be sold by the Originator / Servicer into the Securitisation vehicle which ensure the transaction will track the performance of historical data analysed as closely as possible.
Excess Spread	The net weighted average interest rate receivable on a pool of assets being greater than the weighted average interest rate payable for the debt securities.
Facility	The grant of availability of money at some future date in return for a fee.

Forbearance	A temporary suspension of repayments, granted by a creditor to a debtor.
Guarantee	An undertaking in writing by one person (the guarantor) given to another, usually a bank (the creditor) to be answerable for the debt of a third person (the debtor) to the creditor, upon default of the debtor.
Haircut	The percentage by which the market value of an asset is reduced. The size of the haircut reflects the expected ease of selling the asset and the likely reduction necessary to realised value relative to the fair value.
Hedge	A form of risk management aimed at mitigating financial loss or other adverse circumstances. May include taking an offsetting position in addition to an existing position. The correlation between the existing and offsetting position is negative.
Indemnity	A security or protection against a loss or other financial burden.
Instalment	Payment made to honour obligations with regards to a credit agreement in the following credited order: 1.) Satisfy the due or unpaid interest charges; 2.) Satisfy the due or unpaid fees or charges; and to reduce the amount of the principal debt.
Interest Rate	The charge or the return on an asset or debt expressed as a percentage of the price or size of the asset or debt. It is usually expressed on an annual basis.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issue Date	The date of issue of a new security. Often used as the date from which interest begins to accrue.
Issuer	The party indebted or the person making repayments for its borrowings.
Legal Opinion	An opinion regarding the validity and enforceability of a transaction's legal documents.
Lender	A credit provider that is owed debt obligations by a debtor.
Liability	A financial claim, debt or potential loss incurred by an individual or an organisation.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Loan to Value	Principal balance of a loan divided by the value of the property that it funds. LTVs can be computed as the loan balance to most recent property market value, or relative to the original property market value.
Loan	A sum of money borrowed by a debtor that is expected to be paid back with interest to the creditor. A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan. Registration is a prerequisite for the existence of any mortgage loan. A mortgage can be registered over either a corporeal or incorporeal property, even if it does not belong to the mortgagee. Also called a Mortgage bond.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Mortgage Loan	A debt instrument where immovable property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to repay the loan.
Noteholder	Investor in capital market securities.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Obligor	The party indebted or the person making repayments for its borrowings.
Origination	A process of creating assets.
Originator	An entity that created assets and hold on balance sheet for securitisation purposes.
Overnight Rate	The overnight rate is the interest rate at which money due to be returned the next day is lent by one bank to another.
Owner Trust	Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Pari Passu	Side by side; at the same rate or on an equal footing. Securities issued with a pari passu clause have rights and privileges that are equivalent to those of existing securities of the same class.
Payment Date	The date on which the payment of a coupon or dividend is made.
Performing	An obligation that performs according to its contractual obligations.
Portfolio	A collection of investments held by an individual investor or financial institution. They may include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.

Preference Share	Preference or preferred shares entitle a holder to a first claim on any dividend paid by the company before payment is made on ordinary shares. Such dividends are normally linked to an interest rate and not determined by company profits. Preference shares are normally repayable at par value in the event of liquidation. They do not usually carry voting or pre-emptive rights. Preference shares can be redeemable or perpetual.
Prepayment Rate	The rate of prepayment in relation to the pool of obligations. Also called prepayment speed.
Prepayment	Any unscheduled or early repayment of the principal of a mortgage/loan.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Proceeds	Funds from issuance of debt securities or sale of assets.
Pro Rata	(1) Distribution of the amount of insurance under one policy among several objects or places covered in proportion to their value or the amounts shown. (2) Distribution of liability among several insurers having policies on a risk, usually in the proportion that the amount of coverage in each policy bears to the total amount of coverage in all policies.
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Redemption	The repurchase of a bond at maturity by the issuer.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Seasoning	The age of an asset, the time period passed since origination.
Secured Creditor	A creditor that has specific assets pledged as collateral that will receive the proceeds in the event of default.
Securitisation	A process of repackaging portfolios of cash-flow producing financial instruments into securities for sale to third parties.
Security	One of various instruments used in the capital market to raise funds.
Senior	A security that has a higher repayment priority than junior securities.
Servicer	A transaction-appointed agent that performs the servicing of mortgage loans, loan or obligations.
Servicing	The calculation of interest and repayments, collection of repayments, advancing of loans, foreclose procedures, maintaining records and seeing that the proceeds of each loan are passed on to the respective party.
Spread	The interest rate that is paid in addition to the reference rate for debt securities.
Standard Deviation	An indication of risk amongst the dispersion of values. Higher value indicates greater risk.
Subordinated Loan	A loan typically given by the Issuer to the securitisation vehicle that is more junior than a junior tranche.
Subordination	The prioritising of the payment of interest and principal payments to tranches (senior, junior etc. Senior tranches are paid before junior tranches.
Swap	An exchange of payment streams between two parties for their mutual benefit. Swaps can involve an exchange of debt obligations, interest payments or currencies, with a commitment to re-exchange them at a specified time.
Tenor	The time from the value date until the expiry date of an instrument, typically a loan or option.
Trust	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Trustee	An individual or firm that holds or administers property or assets for the benefit of a third party.
Ultimate Payment	A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.
Vacancy	In commercial property, usually expressed as a percentage of unoccupied floor space in relation to the GLA.
Valuation	An assessment of the property value, with the value being compared to similar properties in the area.
Variable Costs	A cost that varies with the volume of production or sales, such as the cost of raw materials or packaging. In contrast with fixed costs, such as rent, which stay the same regardless of the volume of production or sales.
Weighted Average	An average resulting from the multiplication of each component by a factor reflecting its relative size in a pool of assets or liabilities.
Yield	Percentage return on an investment or security, usually calculated at an annual rate.

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- Post-issuance asset pool cut
- Final capital structure
- Historical performance information to February 2023 – TUHF
- Other miscellaneous data and presentations

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