Credit Rating Report | South African Structured Finance | Indicative Ratings| May 2024

Urban Ubomi 2 (RF) Ltd

On 24 April 2024, GCR Ratings (GCR) assigned the following indicative credit ratings to the various Classes of Notes to be issued by Urban Ubomi 2 (RF) Limited (the Issuer or Urban Ubomi 2):

Security Class	Percentage of Total Liabilities*	Rating Class	Rating Scale	Rating	Outlook
Class A1 Notes	[30.0%]	Long-Term Issue	National	AAA(ZA)(sf)(IR)	Stable
Class A2 Notes	[16.0%]	Long-Term Issue	National	AA+(ZA)(sf)(IR)	Stable
Class A3 Notes	[13.0%]	Long-Term Issue	National	AA+(ZA)(sf)(IR)	Stable
Class B Notes	[16.0%]	Long-Term Issue	National	A(ZA)(sf)(IR)	Stable
Class C Notes	[9.0%]	Long-Term Issue	National	BBB-(ZA)(sf)(IR)	Stable
Class D Notes	[6.5%]	N.A.	N.A.	Unrated	N.A.

*Total Liabilities = Planned ZAR Amount of Issuance of Notes plus Subordinated Loan

In addition, the Issuer will obtain a Subordinated Loan which will make up [9.5%] of Total Liabilities and will be unrated.

The indicative credit ratings accorded to the Class A Notes relate to timely payment of interest and ultimate payment of principal by Final Maturity Date. The indicative 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.

Note that these indicative credit ratings are accorded prior to GCR's receipt and analysis of a final signed Legal Opinion, Tax Opinion, final execution set of transaction documentation, pool audit report and final portfolio pool cut. Final credit ratings will only be accorded on Notes issuance and receipt of the abovementioned items. GCR's analysis of these items and possible remodelling of cash flows may lead to divergence between the final ratings to be accorded and the above indicative ratings.

The indicative ratings are based on historical quantitative information and cash flow modelling according to the structure presented in draft transaction documentation. GCR incorporated into its cash flow modelling a few amendments to draft documentation that are expected to be made as per communication with the Issuer.

Additionally, GCR is of the understanding that no Activated CMBS Loans (as defined in transaction documentation) will be included in the Issuer's Participating Asset portfolio at initial issuance. GCR will analyse the implications of the inclusion of these loans and any potential rating impact at future tap issuances of Urban Ubomi 2 which issuances may facilitate such inclusion.

Transaction Summary

Urban Ubomi 2 (RF) Ltd is a bankruptcy remote, ring-fenced Special Purpose Vehicle (SPV) that plans to issue Notes this year for the first time under its newly established R5.0bn ($269.6M) Mortgage Loan Backed Securitisation Programme.

In this planned transaction, proceeds of the Notes issuance, together with proceeds of a Subordinated Loan, will fund the acquisition by the Issuer of a pool of Loan Agreements together with their Related Security. These Loan Agreements were originated by TUHF Limited (TUHF) to small to 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 these proceeds will fund an Arrears Reserve that provides additional credit enhancement to the Notes.

Interest on all the Notes is to be paid quarterly on each Interest Payment Date, other than on the Class A3 Fixed Rate Notes which is to be paid semi-annually. The Notes will be redeemed in accordance with the Priority of Payments on each Interest Payment Date following the Issue Date. The structure includes Interest Deferral Events for the Class B, Class C and Class D Notes which are calculated with reference to the Principal Deficiency as defined in transaction documentation.

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

This is the third Mortgage Loan Backed Securitisation Programme set up to enable the issuance of Notes backed by assets originated and serviced by TUHF. Notes issued under the first, TUHF Urban Finance (RF) Limited, and the second, Urban Ubomi 1 (RF) Limited (Urban Ubomi 1), are rated by GCR.

The Urban Ubomi 2 structure is largely similar to that of Urban Ubomi 1. Differences allowed for in draft transaction documentation include possible future transfer of the Servicer and Administrator roles to a new servicing entity within the TUHF Holdings group and the possible future inclusion of Activated CMBS Loans which would be excluded from the Portfolio Covenants that address Borrower concentration. Also, Urban Ubomi 2 has unrated Class D Notes, which is not the case for Urban Ubomi 1.

Rating Rationale

In order to assess the credit strength of the various Classes of Notes to be issued, GCR analysed the performance of the entire portfolio of Loan Agreements historically originated by TUHF to formulate base cases as inputs to its cash flow model. GCR then modelled the transaction's cash flows in various combinations of stress scenarios. The modelled transaction structure is based on draft transaction documentation and utilises the indicative portfolio pool cut and indicative capital structure. The indicative ratings are based on the cash flow model outcome whereby the interest and principal of the various classes of Notes are paid in full in all the stress scenarios that correspond with the ratings accorded to them. 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 risk of insufficient cash being available for redemption of senior 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.
- TUHF is no longer a first-time securitisation counterparty and has built up a track record managing a funding structure like Urban Ubomi 2. Urban Ubomi 1, which is largely similar to Urban Ubomi 2, for comparison, has shown stable performance.
- Historical recoveries of TUHF's 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.
- Portfolio Covenants, Eligibility Criteria and Substitution Tests ensure that the pool will retain characteristics within certain bounds.
- A Collection SPV, Vuselela Collection SPV (RF) Limited receives payments on the transaction's Participating Assets into its Collection Accounts, mitigating commingling risk.

Transaction Weaknesses

- The asset pool is relatively concentrated, containing 82 loans.
- The ultimate obligors (tenants) are low to middle income earners and include a portion who are informally employed. This economic segment is viewed as vulnerable and price-sensitive, particularly in the current economic environment.
- Historical defaults on the assets are high in comparison to many other transactions backed by pools of secured loans. These have been observed to have risen of late, partially as a result of residual Covid-related arrears.
- Draft 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 in operations of the Servicer.

Transaction Structure

Table 1: Indicative Capital Structure

Liabilities			Assets	
	% of Total	CE %*		% of Total
Class A1 Notes	[30.0%]	[70.0%]	Participating Assets	[98.2%]
Class A2 Notes	[16.0%]	[41.0%]**		
Class A3 Notes	[13.0%]	[41.0%]**		
Class B Notes	[16.0%]	[25.0%]		
Class C Notes	[9.0%]	[16.0%]	Arrears Reserve	[1.8%]
Class D Notes	[6.5%]	[9.5%]		
Subordinated Loan	[9.5%]	[0.0%]		

*Credit enhancement through subordination, calculated as subordinated liabilities as a percentage of total Notes + Subordinated Loan
**Payments on Class A2 and A3 are to be *pari passu* and *pro rata* in most possible scenarios. They are therefore considered to have the same level of CE.
Source: SBSA, TUHF, GCR calculations

Notes

The Notes are to be issued in four Classes: Class A, Class B, Class C and Class D. Class A will be made up of three tranches: Class A1, Class A2 and Class A3.

According to the Pre-Enforcement Priority of Payments, interest is to be paid *pari passu* and *pro rata* on the three tranches of Class A Notes, and then sequentially on the Class B, Class C and Class D Notes. Interest on all classes is to be paid quarterly, excluding that on the Class A3 Notes, which is to be paid semi-annually. The Issuer's liability to pay Class A3 interest semi-annually will, however, be converted to a quarterly liability through a swap agreement.

While principal on the Class A1 Notes is always paid prior to principal on the other Classes, Class A2 and A3 principal, along with, in certain limited scenarios, Class B principal may be paid on a *pro rata* basis. Principal Lock-Out provisions, however, ensure that each subordinated Class constitutes credit enhancement for Classes senior to it by providing for sequential principal redemption in most scenarios, including stressful ones. Class C and Class D principal is always to be paid sequentially. See Priority of Payments section below for more detail.

The interest payable on all Classes of Notes other than Class A3 will be variable, referencing three-month JIBAR. Class A3 will pay a fixed rate. The abovementioned swap will transform this fixed rate liability into a floating rate one referencing 3-month JIBAR. The interest rates on all Classes will increase by a defined amount on the Coupon Step-Up Date relating to each Class respectively. On the Coupon Step-Up Date that relates to Class A3, its interest rate will change to become a floating rate equal to that on Class A2.

Call Options, including a Clean-Up Call Option, a Refinancing Call Option and a Tax Call Option, have been included in draft transaction documentation to enable the Issuer's early redemption of the Notes should certain specified conditions be satisfied.

Subordinated Loan

TUHF Holdings, the holding company of TUHF Limited, as Subordinated Lender, will enter into a Subordinated Loan Agreement with the Issuer. On issuance, TUHF Holdings will advance a Subordinated Loan to the Issuer, whose interest and principal payments will be subordinated to those of the Notes. The Subordinated Loan will fund the Arrears Reserve and a portion of the Participating Assets. The Issuer may receive additional proceeds from the Subordinated Loan from time to time, as drawn under the Subordinated Loan Agreement, at the discretion of the Subordinated Lender. Such proceeds would fund the Discretionary Reserve, which the Issuer may use for specific purposes.

Participating Assets

The Participating Assets consist of Loan Agreements and their Related Security, which includes, *inter alia*, Mortgage Bonds, Guarantee SPV Guarantees and Insurance Policies and Proceeds. The Participating Assets will be transferred from TUHF as well as from Vuselela Warehouse SPV (RF) Limited, which currently holds a portion of the Loan Agreements originated by TUHF, to the Issuer as per Sale Agreements. According to the Sale Agreements, the rights, risks and benefits of each Loan Agreement sold, together with its Related Security, will pass to the Issuer. GCR has received indicative pool data that outlines the characteristics of each Loan Agreement earmarked thus far for transfer. While this pool is not final and is smaller than the planned Participating Assets balance, GCR deems it adequate for the purposes of analysis and modelling. See below Participating Assets: Indicative Pool for further detail.

Arrears Reserve

At issuance, some of the proceeds of the Subordinated Loan will fund an Arrears Reserve. At transaction close, the Arrears Reserve is to be funded at 3.05% of the Class A Notes outstanding on issuance date. This Required Amount will not change until there are no longer Class A Notes outstanding, at which point it will decrease to 3.05% of Class B Notes as at issuance date. When no Class B Notes are outstanding, the Arrears Reserve Required Amount will become zero and the cash then released from the Arrears Reserve will be available to the Priority of Payments without the Arrears Reserve having to be replenished going forward. See Priority of Payments section below for further detail.

Security Arrangements

The security arrangements will be typical of those of a South African securitisation transaction.

Urban Ubomi 2 Security SPV (RF) Proprietary Limited, the Security SPV, has been established. The Security SPV will guarantee payment of the claims of the Secured Creditors, including Noteholders, of Urban Ubomi 2 on delivery of an Enforcement Notice. The Issuer will in turn indemnify the Security SPV against any claims made pursuant to such Guarantee. The Loan Agreements and their Related Security will be ceded to the Security SPV by the Issuer as security for the obligations of the Issuer pursuant to this Indemnity.

Collection SPV

Vuselela Collection SPV (RF) Proprietary Limited is a ring-fenced and bankruptcy remote corporate entity that will be sub-contracted by the Servicer, through a Collection Agency Agreement, to receive cash payments from Borrowers under the Participating Assets into its Collection Accounts. The Collection SPV will also receive payments that relate to Loan Agreements, originated by TUHF, that are not Participating Assets of the transaction. In order to mitigate commingling risk, the Servicing Agreement will obligate TUHF to ensure that collections that relate to the Participating Assets are transferred from the Collection Account to the Issuer's Transaction Account within two Business Days of their identification as such.

Indemnity Bond Structure

In respect of the Guaranteed Loan Agreements that will be in the pool of Participating Assets, Urban Finance Indemnity Bond SPV (RF) Ltd (the Guarantee SPV) has issued each relevant Lender with a guarantee against the obligations of the Borrowers. In return, each relevant Borrower has signed an Indemnity in favour of the Guarantee SPV indemnifying it against all losses incurred if such Guarantee is ever called on by the Lender. As security for the Borrower's obligations under the Indemnity, an Indemnity Bond is registered over the Borrower's property in favour of the Guarantee SPV.

The Indemnity Bond Structure is intended to obviate the necessity of reregistration of a portion of the Mortgage Bonds in the name of the Issuer on transfer of the Participating Assets thereto.

Priority of Payments

There will be two Priorities of Payments: The Pre-Enforcement Priority of Payments, which will apply until a Notice of Enforcement is served on an Event of Default of the Issuer, and the Post-Enforcement Priority of Payments, which will apply thereafter, when the Notes become due and payable. The Priority of Payments will apply to all payments made by the Issuer, excluding any Excluded Items. As mentioned above, the Priority of Payments combines interest and principal collections, as well as any other possible source of cash receipts, as cash available to be paid sequentially towards its various items. Important features relating to the Pre-Enforcement Priority of Payments include:

Potential Redemption Amount and Principal Deficiency

On each Interest Payment Date, an amount up to the Potential Redemption Amount will be allocated towards redemption of Notes as per the Priority of Payments, depending on cash available. The Potential Redemption Amount is defined as: (1) Principal Collections on the Participating Assets less Redraws, Re-Advances and Further Advances advanced *plus* (2) 50% of the outstanding balance of Participating Assets that became Non-Performing for the first time, all over the past quarter, *plus* (3) the outstanding Principal Deficiency. The Principal Deficiency is the amount, if any, by which the Potential Redemption Amount exceeds the remaining cash in the Pre-Enforcement Priority of Payments. Thus, excess spread is directed towards principal redemption to cover for 50% of the defaults occurring, adding a layer of credit protection. GCR notes that principal collections related to post-default recoveries are also included in the Potential Redemption Amount.

Interest Deferral

Payment of Class D interest will be deferred to after Class A, B and C principal payments and funding of the Arrears Reserve should the Principal Deficiency be greater than zero.

Class C interest deferral, to after Class B principal payments and funding of the Arrears Reserve, will take place when the Principal Deficiency is greater than the outstanding balance of Class D Notes. Class B interest deferral will take place when the Principal Deficiency is greater than the outstanding balance of Class C and D Notes.

Interest deferral allows the diversion of cash away from interest payment on the subordinated Notes towards principal payment on senior Notes, providing for faster redemption of the latter in stressful scenarios.

Principal Lock-Out

Principal Lock-Out conditions ensure that the principal repayment of the various Classes of Notes will take place sequentially in most scenarios. *Pro rata* amortisation is only allowed in scenarios where the structure demonstrates a build-up of additional credit enhancement and ample available cash flows, *inter alia*.

Arrears Reserve

The seniority of replenishment of the Arrears Reserve in the Pre-Enforcement priority of Payments varies depending on the outstanding balance of the Notes. It is funded to its Required Amount before Class B principal is paid only when Class A Notes are still outstanding. When there are no longer Class A Notes outstanding, the Arrears Reserve is funded (to a lower Required Amount, as mentioned above) only after Class B Notes principal is paid, thereby allowing faster redemption of Class B Notes. The Arrears Reserve will be available to meet expenses of the Issuer in terms of several items of the Pre-Enforcement Priority of Payments.

Transaction Counterparties

Table 2: Transaction Counterparties and Criteria

Counterparty	Role	Documentary Provisions (where relevant)
Urban Ubomi 2 (RF) Ltd	Issuer	Bankruptcy-remote, ring-fenced
The Urban Ubomi 2 Owner Trust	Issuer Owner Trust	N.A.
Urban Ubomi 2 Security SPV (RF) Pty Ltd	Security SPV	Bankruptcy-remote, ring-fenced
The Urban Ubomi 2 Security SPV Owner Trust	Security SPV Owner Trust	N.A.
Quadridge Trust Services Pty Ltd	Owner Trust Trustee	N.A.
TUHF Limited	Servicer and Originator	Termination of appointment on Servicer Event of Default
TUHF and Vuselela Warehouse SPV	Sellers	N.A.
Mettle Credit Services Pty Ltd	Back-Up Servicer	Appointed as Servicer forthwith upon termination of original Servicer's appointment
TUHF Limited	Administrator	Termination of appointment on Administrator Event of Default
SBSA	Derivative Counterparty	Replacement to be appointed or Guarantee to be procured on downgrade of Derivative Counterparty below A1$_{(ZA)}$. Original Derivative Counterparty to post present value of difference between old swap rate and new swap rate as collateral should new swap rate be less favourable to Issuer.
Not specified	Permitted Investment Counterparty	Required Credit Rating of A1$_{(ZA)}$ and AA-$_{(ZA)}$. Replacement within 30 days.
SBSA	Arranger, Dealer, Debt Sponsor *inter alia*	N.A.
SBSA	Account Bank	Required Credit Rating of A1$_{(ZA)}$ and AA-$_{(ZA)}$. Replacement within 30 days.
TUHF Holdings	Subordinated Lender	N.A.
TUHF Holdings	Preference Shareholder	N.A.
Vuselela Collection SPV	Collection SPV	Cash is to be transferred from the Collection SPV's bank account to the Transaction Account within two Business Days of identification.

N.A. = Not Applicable

Source: GCR, Urban Ubomi 2 transaction documentation

The various counterparties to the transaction and the draft documentary provisions that relate to each of them were considered by GCR in light of its Criteria for Rating Structured Finance Transactions. The above table shows the roles of the primary counterparties and the documentary provisions relating to them.

The only provision that is deemed not to be in line with the Criteria relates to Servicer replacement. GCR expects a Servicer rated BBB-$_{(ZA)}$ or above to be in place at all times to mitigate risk of servicing interruption and consequent loss of cash. Documentation provides for replacement of the Servicer only on a Servicer Event of Default. In order to model for the abovementioned risk, GCR incorporated a cash flow disruption as described below under Cash Flow Model.

Operations of the Servicer

TUHF Limited was incorporated in 2007 as a Non-Bank Financial Services company specialising in providing commercial property finance to rental housing entrepreneurs focusing on inner city areas in South Africa's major cities. The business activities commenced earlier in 2003 through TUHF21 NPC.

TUHF continues to focus on impact through scale, aiming to increase its lending activity in a sustainable way. To achieve this objective, TUHF has invested in its business, funding and IT capabilities to support its operations. Demand in its niche market remains strong, with TUHF's securitisation activity continuing to support funding for growth.

TUHF operates five regional branches and two regional satellite offices with its Head Office located in Johannesburg. Loan origination and servicing is conducted regionally. Credit approval is conducted through a management committee for projects under R10m. For larger projects, approval is obtained through the Loan Committee. Loan contracting and finance is managed centrally at Head Office.

A typical loan offered by TUHF is a 15-year facility for the purpose of the acquisition and development of property, carries a Prime or JIBAR linked interest rate and a once-off raising fee and may have a grace period to allow for the building's development stage. Security arrangements include cession of rental cash flows, sureties and insurance policies and proceeds, as well as cession of the underlying property through Mortgage Bonds or via an Indemnity Bond Structure.

TUHF assesses potential Borrowers and projects on their financial and operational strength and entrepreneurial merit. Credit is only granted when a projection of a project's cash inflows covers its debt repayments by 1.3x. In response to the Covid-19 crisis, TUHF designed further stresses to model extreme scenarios, including interest rate fluctuation. Debt Service Coverage of 1.15x in such stress scenarios is a minimum for approval.

Property valuation and property feasibility studies are undertaken in the credit granting process. TUHF believes that its internal valuations are conservative. Valuation methodologies use a cap rate of 13% in most cases, as well as comparative transactions where appropriate.

The lower of an internal and external valuation (when performed) is used for Loan to Value (LTV) ratio purposes. External valuators are sought when the building or the loan size is large, the building has unusual characteristics or is in a new area.

Each property related to TUHF's loan portfolio is revalued either internally or externally once every three years. Property inspections by TUHF occur at least annually.

Arrears management is an individualised process. On occurrence of arrears, forbearance or loan modification may be approved after a new comprehensive review of the project. Should such modification not provide a remedy, a workout procedure might be pursued, whereby a manager appointed by TUHF might take over operations of the property with TUHF acting on the cession of rentals and receiving cash flows. In such instances, the Borrower is often encouraged to agree to a pre-foreclosure sale. While foreclosure is viewed as a last resort, contingency foreclosure proceedings and court applications are started early in the arrears management process, in tandem with the other abovementioned routes.

In FY 2023, prepayments, arrears and loan write-offs, as well as post-litigation losses resulting from Covid and fair value adjustments, resulted in TUHF's first operating loss since inception. TUHF has continued to show growth in disbursements year-on-year in both FY 2023 and FY 2024 thus far. As a result of this and stabilisation in loan performance post Covid, the business is expected to return to profitability in FY 2024.

Collections on TUHF's portfolio are c.90%, slightly lower than pre-Covid. Some residual Covid-era arrears remain.

Geographical diversification away from Gauteng continues and expansion into nodal but not inner-city as well as township developments is occurring. Despite some challenges, TUHF views its core inner-city market as a resilient sector, with fundamentals still solid despite pressure due to the Covid pause in rent increases with rising costs and local government urban management concerns in some metros.

TUHF has a robust IT infrastructure, which includes sophisticated authentication measures for data protection and firewalls. Its backup and disaster recovery policies and procedures entail frequent replication practices that include a remote server and testing, *inter alia*.

To mitigate risk of fraud, measures such as segregation of duties relating to release of funds and requisition of two signatories to authorise payments are in place.

As mentioned, transaction documentation provides for possible future transfer of the Servicer and Administrator roles from TUHF Limited to a new servicing entity within the TUHF Holdings group. In GCR's view, such entity would retain the same level of financial strength and operational capability as TUHF Limited currently has.

The Back-Up Servicer

Mettle Credit Services Proprietary Limited (Mettle) is to be appointed as the transaction's Back-Up Servicer and will take over servicing functions on the termination of the appointment of the Servicer for any reason, including the occurrence of a Servicer Event of Default.

Mettle is judged to have capability and experience in managing loan books in various stages of their lives, as well as in arrears management.

Participating Assets

As mentioned, the Participating Assets acquired by the Issuer will consist of Loan Agreements originated by TUHF and their Related Security. Eligibility Criteria are applicable to the Participating Assets on acquisition, when the pool of Participating Assets as a whole will also have to comply with Portfolio Covenants.

As mentioned, the transaction will have no Revolving Period. This implies that the makeup of the pool is not expected to change significantly over time from the final asset portfolio at issuance, as Principal Collections are applied towards Notes redemption and not acquisition of new assets. Natural amortisation and prepayments, as well as possible substitution and repurchase of assets by TUHF and Re-advances and Further Advances on loans, are therefore the only factors that would influence the pool's composition.

Indicative Pool

GCR analysed the indicative asset pool as representative of the final pool of Participating Assets that will apply to the transaction. As mentioned, some modelling updates will need to take place for the final rating based on the final pool, which is likely to be larger. Important pool characteristics include obligor concentration and seasoning. These are discussed in the Cash Flow Model section below.

Table 3: Indicative Participating Asset Pool, as at 29 February 2024

Number of Loans	82
Total Disbursements	R669,052,959
Total Current Loan Balance	R630,172,253
Average Current Loan Balance	R7,685,027
Max Current Loan Balance	R53,050,745
Weighted Average Current Interest Rate	14.98%*
Weighted Average Loan-to-Value at Approval	65.54%
Weighted Average Current Loan-to-Value	61.96%
Weighted Average Original Tenor	180 months
Weighted Average Seasoning	21.5 months

* Weighted Average Margin over Prime for Prime-linked Assets: 3.26%; % of Pool Loan Balance Prime-linked: 12.51%.
Weighted Average Margin over JIBAR for JIBAR-linked Assets: 6.66%; % of Pool Loan Balance JIBAR-linked: 87.49%.

Source: TUHF data, GCR

Cash Flow Model

GCR's analysis of the historical performance of loans originated by TUHF, the indicative asset pool, the indicative capital structure and the transaction documentation direct its cash flow modelling. The main elements of the cash flow model and derivation of the various inputs are described below.

Senior Expenses

The Issuer has both variable and fixed expenses that are senior to other items in the Priority of Payments.

Fixed costs were estimated and modelled. A 10% buffer was added. 6% annual inflation was modelled on these fixed costs.

The variable expenses include the Servicing Fee and Administration Fee. In modelling their payment, GCR added VAT and a 10% buffer for unexpected increases. Inflation was not imposed on the variable costs, seeing as they are contractually fixed for the life of the transaction.

Cumulative Defaults

Base Case

GCR received performance data from July 2005 to January 2024 covering the entire portfolio of 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. This definition corresponds to that of transaction documentation. Actual cumulative defaults were extrapolated according to GCR's methodology (see GCR's Criteria for Rating Consumer Asset-Backed Securities, September 2018). The rand-weighted extrapolated cumulative default rate peaked at 14.80% 175 months after Loan Start Date. GCR measured the standard deviation of extrapolated cumulative defaults by aggregating Loan Start Dates into semi-annual periods and weighting these by origination amount. Semi-annual weighted standard deviation was found to be 11.54%. GCR added 0.5x semi-annual standard deviation to the cumulative default rate of 14.80% as a volatility adjustment.

Table 4: Raw Base Case: Defaults

Extrapolated cumulative default rate [A]	14.80%
Std deviation [B]	11.54%
Raw Base Case: Defaults [= A + 0.5xB]	**20.57%**

Source: TUHF data, GCR

GCR's last analysis of TUHF performance data, as at February 2023, showed extrapolated defaults at 13.09% (compared to the current 14.80%, eleven months later).

GCR applied defaults in its cash flow model based on the observed historical rand-weighted semi-annual default distribution vector. The observed vector was compressed to allow for full allocation of defaults in the cash flow model. Front-loaded and back-loaded default distributions vectors were also modelled.

GCR recognised the seasoning of assets in the indicative 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 first divided into semi-annual seasoning brackets and then the portfolio aggregate credit for seasoning was applied to reduce the base case default rate as shown in the below table. Credit for seasoning was capped at 50%.

Table 5: Credit for Seasoning (up to 30 April 2024)		
Seasoning	% of Indicative Pool (Current Loan Balance)	Credit for Seasoning*
0 – 6 months	39.15%	0.00%
7 – 12 months	26.23%	4.86%
13 – 18 months	4.19%	11.32%
19 – 24 months	1.65%	23.00%
25 – 30 months	8.42%	34.76%
30 – 36 months	0.00%	42.50%
36+ months	20.36%	50.00%
Weighted Average (= Credit for Seasoning Applied)		**15.24%**

***Credit for seasoning is based on the observed default vector shown in Table 4 above. 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 4.9% of its defaults have already occurred, seeing as 4.9% 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 since Loan Start Date:

Table 6: Rebasing Calculation	
Total Disbursements since Loan Start [A]	669,052,958.74
Current Loan Balance [B]	630,172,253.07
Rebasing Multiple [A/B]	**106.17%**

Source: *TUHF data, GCR*

Additionally, an upward adjustment to the base case default rate was made for geographic concentration risk. GCR notes the portfolio's concentration in Gauteng and Eastern Cape.

Table 7: Geographic Concentration Adjustment				
Province	% of Current Loan Balance (Indicative Pool) [A]	GDP per Province [B]	% > GDP [C]	Adjustment [(B/A) + (C/A)x1.15]
Gauteng	56.85%	33.1%	23.75%	**106.27%**
Kwa-Zulu Natal	14.09%	15.9%	0.00%	100.00%
Western Cape	1.79%	13.9%	0.00%	100.00%
Free State	3.75%	4.9%	0.00%	100.00%
Eastern Cape	23.52%	7.6%	15.92%	**110.15%**
Weighted Average (= Geographic Concentration Multiple Applied)				**105.95%**

Source: *TUHF data, GCR, Stats SA Provincial gross domestic product: experimental estimates, 2013–2022*

The below table shows a summary of the calculation of the final base case.

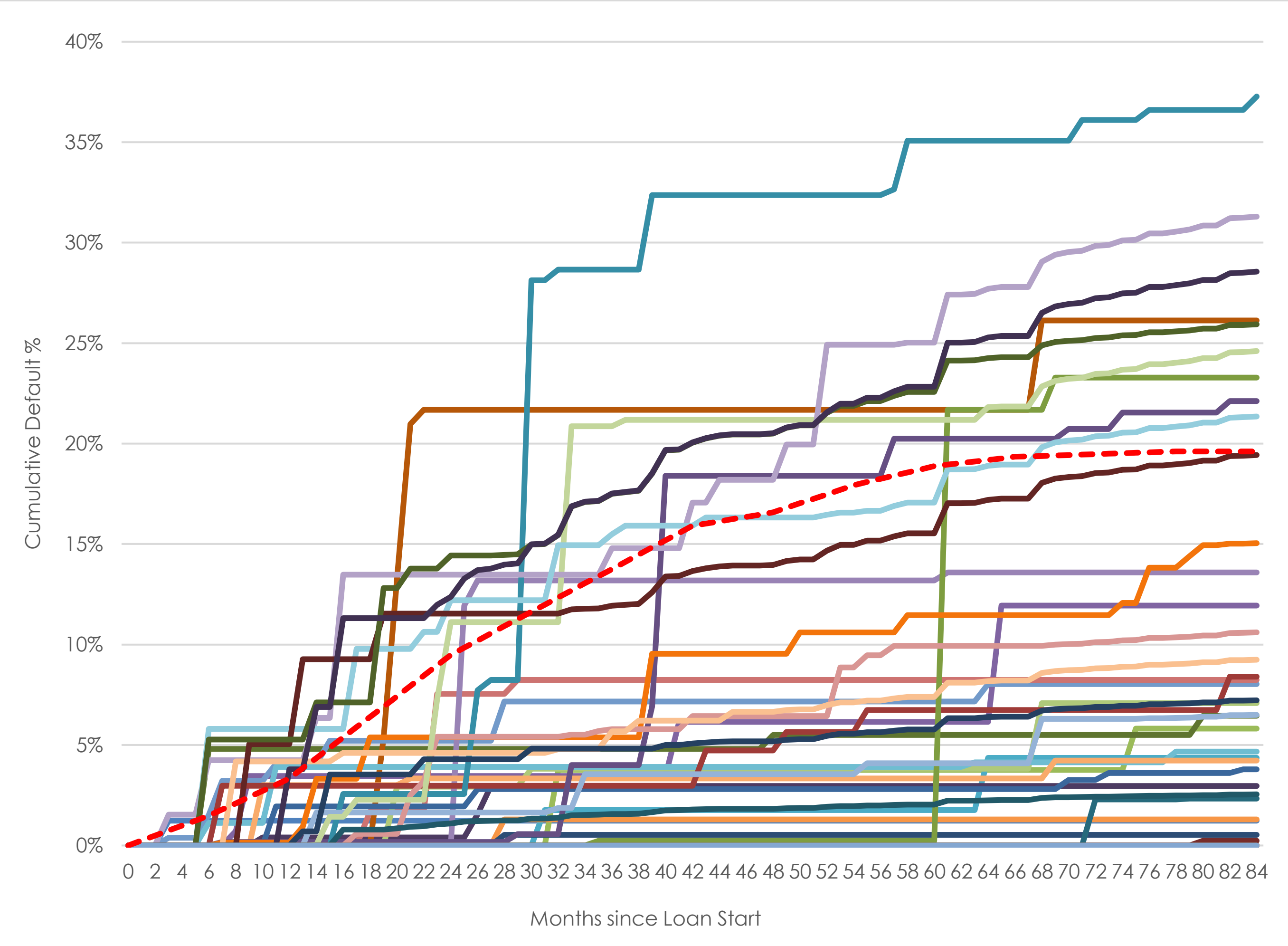
Table 8: Summary, Calculation of Base Case Cumulative Default Rate

Weighted Average Extrapolated Default Rate [A]	14.80%
Semi-Annual Standard Deviation [B]	11.54%
Raw Base Case [C = A + 0.5xB]	20.57%
Post-Credit for Seasoning [D = C x (1 – 15.24%)] (See Table 5 above)	17.44%
Post-Rebasing [E = D x 106.17%] (See Table 6 above)	18.51%
Post-Geo Concentration Adjustment (FINAL) [F = E x 105.95%] (See Table 7 above)	**<u>19.61%</u>**

<u>Source</u>: *GCR*

The below graph compares the final base cumulative default rate with the extrapolated cumulative default rates.

Graph 1: Cumulative Defaults, Extrapolated Actual vs Base Case



- The red dotted line represents defaults accumulating to the final base case according to the modelled stable default vector.
- The other coloured lines represent the extrapolated actual default rates of semi-annual loan originations.

<u>Source</u>: *TUHF data, GCR*

Obligor Concentration

As per GCR's methodology (see Criteria for Rating Consumer Asset-Backed Securities, September 2018), for each rating scenario, GCR models the maximum of: 1. The base case default rate times a stress multiple that increases by rating level; and, 2. A level of Borrower concentration in the portfolio that increases by rating level. While the actual concentration of the indicative portfolio is lower than Portfolio Covenants allow, covenant levels are conservatively modelled as the pool may reach such levels through substitution or repurchase activity. In any case, the base case times multiple is the maximum and therefore modelled at all rating levels.

Table 9: Defaults per Rating Scenario: (Base Case x Multiple) vs Obligor Concentration

Rating Scenario	Stress Multiple	Base Case x Stress Multiple [A]	Number of Top Obligors Assumed to Default	Obligor Concentration (Actual)	Obligor Concentration (Covenant) [B]	Final Modelled Cumulative Default Rate (= MAX of [A] and [B])
AAA	3.4x	66.69%	7	35.73%	47.00%	**66.69%**
AA+	3x	58.84%	6.5*	33.97%*	41.50%*	**58.84%**
A	2.3x	45.11%	5	28.66%	32.00%	**45.11%**
BBB-	1.7x	33.34%	3.67*	23.03%*	25.33%*	**33.34%**

*interpolated
Source: TUHF data, GCR

Default Vectors

Default vectors were applied to distribute defaults occurring in the model. These were based on observed historical extrapolated data but were compressed (front-loaded) to allow for allocation. Three default distribution scenarios were modelled: Stable, front-loaded and back-loaded.

Table 10: Default Vectors

Half-Year from Loan Start	Observed Historical (% of Total Defaults Occurring)	Modelled Vectors		
		Stable Vector	Front-Loaded Vector	Back-Loaded Vector
1	4.86%	7.56%	8.65%	6.34%
2	6.45%	9.44%	11.47%	7.28%
3	11.68%	15.64%	20.76%	10.37%
4	11.76%	15.73%	20.90%	10.42%
5	7.72%	10.94%	13.72%	12.60%
6	7.63%	10.83%	11.29%	12.49%
7	7.78%	11.01%	4.61%	14.97%
8	1.33%	3.37%	0.79%	5.81%
9	4.33%	6.93%	2.57%	11.16%
10	2.54%	4.81%	1.51%	4.81%
11	8.04%	2.38%	2.38%	2.38%
12	6.07%	0.68%	0.68%	0.68%
13	2.07%	0.68%	0.68%	0.68%
14 +	17.73%	*0%*	*0%*	*0%*

Source: TUHF data, GCR

Arrears

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

Table 11: Modelled Arrears

Rating Scenario	Arrears Multiple of Defaults	Arrears %
AAA	1.10x	73.35%
AA+	0.99x	58.25%
A	0.65x	29.30%
BBB-	0.43x	14.21%

Source: GCR

Cumulative Recoveries

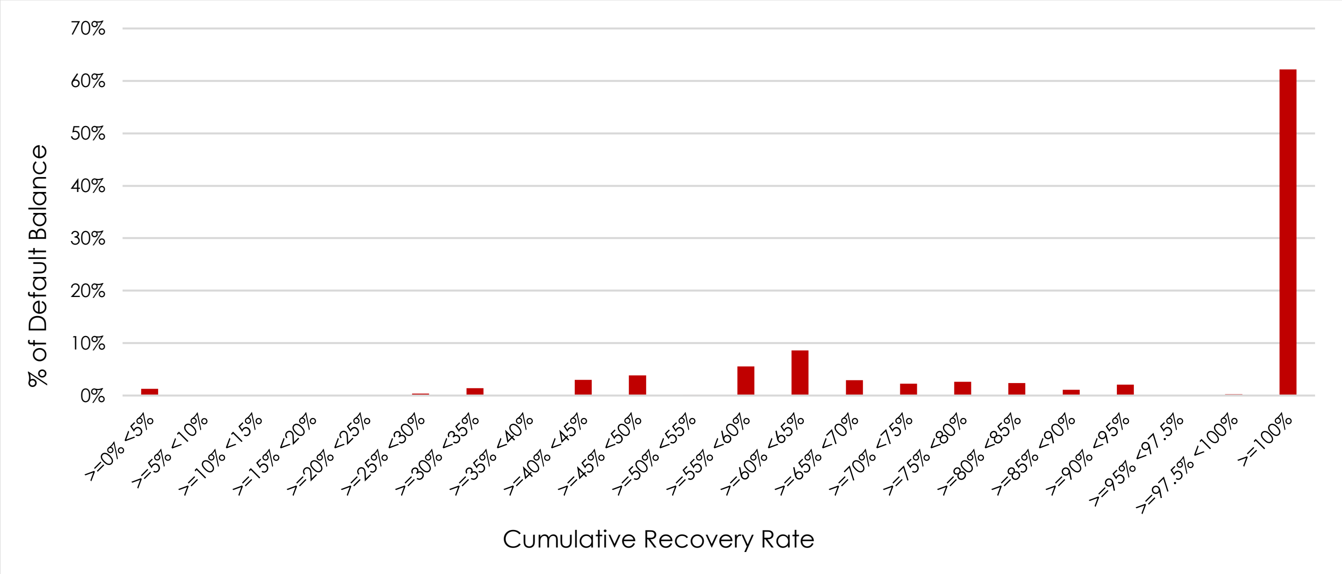
Base Case

Historical recoveries of defaulted loans were analysed. GCR noted 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 TUHF data set as at Jan 2024 of "Complete" (i.e., closed, no longer "Active") defaulted loans was used, incorporating 103 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.
- Conservatively, 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 findings showed: In 62.19% of cases the loan balance at default was recovered in full (Previous: 63.33%). In 62.45% of cases recoveries were greater than or equal to 97.5% of the default balance (Previous: 63.59%). In 68% of cases recoveries were greater than or equal to 80% (Previous: 71.33%) and in 70.6% of cases recoveries were greater than or equal to 75%.
- GCR used a recovery base case of 75%. This is justified by reference to the fact that recoveries above 75% occurred in a portion of cases (70.6%) that is similar to the portion that would present 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.

Graph 2: Distribution of Cumulative Recoveries on "Complete" Loan Defaults (by Default Balance)



Source: TUHF data, GCR

Recoveries Haircuts

Cumulative recoveries were reduced successively by rating scenario in the cash flow model as follows:

Table 12: Modelled Recoveries

Rating Scenario	Recoveries Haircut	Modelled Cumulative Recovery Rate
AAA	35%	48.75%
AA+	30%	52.50%
A	18%	61.50%
BBB-	10%	67.50%

Source: GCR

Recoveries Vectors

Recoveries were distributed in the cash flow model, similarly to defaults, in three vectors: stable, front-loaded and back-loaded. The modelled recovery distribution is guided by observed extrapolated collections post default data.

Table 13: Recovery Vectors

Half-Year from Default Date	Stable Vector	Front-Loaded Vector (% of Total Recoveries)	Back-Loaded Vector (% of Total Recoveries)
1	12.15%	21.26%	6.07%
2	26.53%	46.43%	13.27%
3	15.08%	22.62%	7.54%
4	5.86%	8.80%	5.86%
5	0.17%	0.17%	0.25%
6	0.00%	0.00%	0.01%
7	0.00%	0.00%	0.00%
8	0.00%	0.00%	0.00%
9	2.50%	0.72%	3.74%
10	26.13%	*0%*	39.20%
11	11.57%	*0%*	17.36%
12	*0%*	*0%*	6.69%

Source: TUHF data, GCR

Prepayments

Prepayments were modelled based on TUHF historical data. The average annual prepayment percentage of opening balance from April 2014 to February 2024, plus 0.5x the standard deviation thereof, was modelled as the base case prepayment rate. This was then stressed upwards and downwards successively by rating scenario (see Table 14 below).

Table 14: Calculation of Base Case Prepayment Rate

Average Annualised Prepayments (% of Opening Loan Balance) Apr 2014 – Feb 2024 [A]	7.85%
Standard Deviation [B]	2.43%
Base Case [C = A + 0.5xB]	**9.06%**

Source: TUHF data, GCR

Table 15: Modelled High and Low Prepayments

Rating Scenario	Prepayments Stress	Modelled High Prepayments	Modelled Low Prepayments
AAA	35%	12.23%	5.89%
AA+	30%	11.78%	6.34%
A	18%	10.69%	7.43%
BBB-	10%	9.97%	8.16%

Source: TUHF data, GCR

Interest Rates

3-month JIBAR was modelled according to GCR's methodology in increasing, decreasing and stable scenarios. These paths become increasingly extreme for each successive rating scenario. Modelled 3-month JIBAR reaches a high of 16.8% after 21 months in an increasing $AAA_{(ZA)(sf)}$ scenario.

Swaps

The transaction will have two swaps. One will convert the fixed rate semi-annual liability of the Issuer on the Class A3 to a 3-month JIBAR-linked rate quarterly liability. The other will exchange the Prime-linked interest earned on the Participating Assets for a 3-month JIBAR-linked return. GCR incorporated the indicative swap rates into its model, in the expectation that final swap documentation will comply with its Criteria.

Asset Margin Compression

GCR modelled compression of the interest rate margin yield of the indicative pool of Participating Assets by dividing the pool into six margin buckets. The asset pool margin over Prime was modelled starting at its current (3.26%) 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 indicative pool as at pool cut-off date (February 2024). Each loan's interest rate, outstanding balance and remaining term directs its scheduled instalments. These are then aggregated to obtain a portfolio amortisation profile.

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

Return on Cash

The cash flow model allows for excess cash to be held by the Issuer inter-quarterly. Return on such cash was modelled at a market-related overnight rate.

Priority of Payments

Cash was allocated in the cash flow model in accordance with the Priority of Payments and its structural provisions including those relating to Principal Lock-Out, Interest Deferral, Principal Deficiency, the Potential Redemption Amount and the Arrears Reserve *inter alia* (see Transaction Structure section above).

Cash Flow Interruption

As mentioned above, GCR deems Servicer replacement as provisioned for in the transaction documentation to be insufficient to fully mitigate risk of cash flow interruption. To account for this risk, GCR removed the first (and largest) month of cash inflows in the cash flow model. 90% of this first month's cash was then modelled as being recouped over Months 7, 8 and 9. 10% of the cash was modelled as being lost.

Discretionary Reserve

The Discretionary Reserve, which may be funded in future from proceeds of drawings in terms of the Subordinated Loan Agreement, has no modelling impact as payments to be made on the Subordinated Loan are subordinated to all payments on the Notes. Any increase in the size of the Subordinated Loan therefore does not affect the availability of cash for the Notes.

CMBS Loans

No Activated CMBS Loans are to be included in the Participating Asset portfolio at issuance date. GCR understands that transaction documentation will not allow for substitution of an Activated CMBS Loan for a non-CMBS Loan. As such, it is only on future issuances of Notes that Activated CMBS Loans may be acquired by the Issuer.

GCR notes the exclusion of Activated CMBS Loans from Portfolio Covenants that relate to obligor concentration. GCR will analyse the implication of such exclusion in advance of a future issuance if these loans are intended to be included then in the Issuer's portfolio.

Model Results

The model outcome shows the maximum rating scenarios at which interest and principal is 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 indicative ratings accorded.

Rating Sensitivities

GCR tested rating sensitivities by increasing base case defaults and decreasing base case recoveries in the cash flow model, each by 25% separately and combined and by 50% separately and combined as described in the below table, which shows the model's rating outcome per Class for each sensitivity stress. To allow for allocation of all defaults in these sensitivity tests, GCR slightly adjusted the default vectors in the cash flow model.

Table 16: Rating Sensitivities

Security Class	Unstressed	Stress: 1.25xDefaults	Stress: 0.75xRecoveries	Stress: 0.75xRecoveries and 1.25xDefaults	Stress: 1.5xDefaults	Stress: 0.5xRecoveries	Stress: 0.5xRecoveries and 1.5xDefaults
Class A1	AAA(ZA)(sf)(IR)	AA+(ZA)(sf)(IR)	AAA(ZA)(sf)(IR)	AA(ZA)(sf)(IR)	AA-(ZA)(sf)(IR)	AA+(ZA)(sf)(IR)	A-(ZA)(sf)(IR)
Class A2	AA+(ZA)(sf)(IR)	A+(ZA)(sf)(IR)	AA(ZA)(sf)(IR)	A+(ZA)(sf)(IR)	A(ZA)(sf)(IR)	A+(ZA)(sf)(IR)	BBB-(ZA)(sf)(IR)
Class A3	AA+(ZA)(sf)(IR)	A+(ZA)(sf)(IR)	AA(ZA)(sf)(IR)	A+(ZA)(sf)(IR)	A(ZA)(sf)(IR)	A+(ZA)(sf)(IR)	BBB-(ZA)(sf)(IR)
Class B	A(ZA)(sf)(IR)	BBB-(ZA)(sf)(IR)	BBB+(ZA)(sf)(IR)	BBB-(ZA)(sf)(IR)	BBB-(ZA)(sf)(IR)	BBB-(ZA)(sf)(IR)	BB-(ZA)(sf)(IR)
Class C	BBB-(ZA)(sf)(IR)	B+(ZA)(sf)(IR)	BB+(ZA)(sf)(IR)	B+(ZA)(sf)(IR)	BB-(ZA)(sf)(IR)	B+(ZA)(sf)(IR)	Unrated

Source: GCR

Disclaimer

Note that GCR is not a legal, tax or financial adviser, and only provides a credit opinion of the rated securities. For example, a rating does not cover a potential change in laws nor can it be regarded as an audit. Moreover, GCR is not a party to the transaction documents. Users of our credit ratings should familiarise themselves with all aspects of the transaction (including the Programme legal opinion) and should form their own views in this respect. They should not rely on GCR for legal, tax or financial advice, and are encouraged to contact the relevant advisers.

Analytical Contacts

Primary analyst Johannesburg, ZA | Yehuda Markovitz YehudaM@GCRratings.com | Deputy Head: Structured Finance and Securitisation +27 11 784 1771

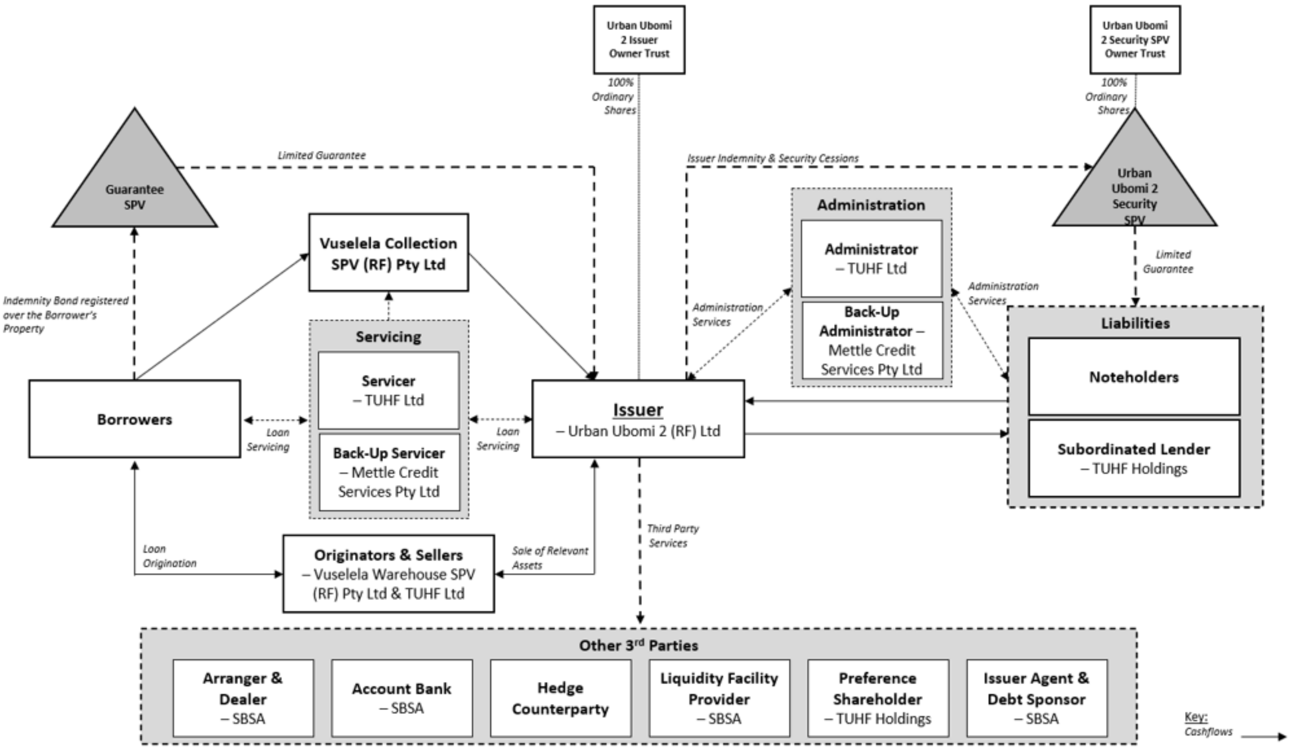
Secondary analyst Johannesburg, ZA | Siyuan Lu SiyuanL@GCRratings.com | Senior Structured Finance and Securitisation Analyst +27 11 784 1771

Committee chair Johannesburg, ZA | Yohan Assous Yohan@GCRratings.com | Group Head: Structured Finance and Securitisation +27 11 784 1771

Related Criteria and Research

Criteria for Rating Structured Finance Transactions, Sep 2018
Criteria for Rating Consumer Asset Backed Securities, Sep 2018
Criteria for Rating Financial Institutions, May 2024
Criteria for the GCR Ratings Framework, May 2024
GCR Ratings Scale, Symbols & Definitions, May 2023
Rating Announcement - TUHF Limited and TUHF Holdings, Apr 2024
Asset-Backed Securities Cash Flow Model, Sep 2018

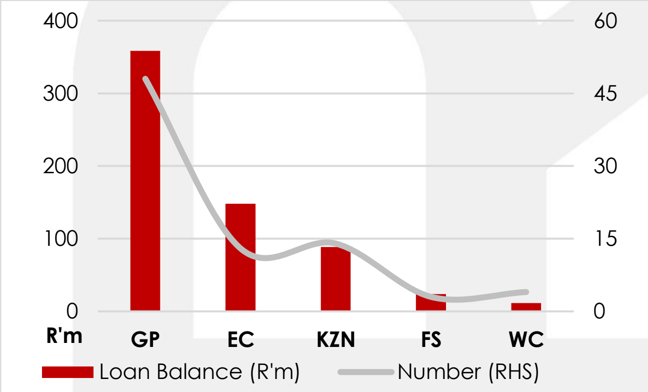
APPENDIX A – Transaction Diagram



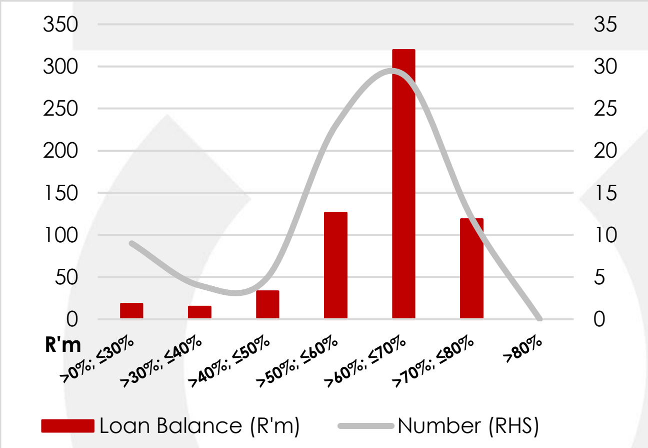
APPENDIX B – Indicative Portfolio Stratification, February 2024

Source: *TUHF*

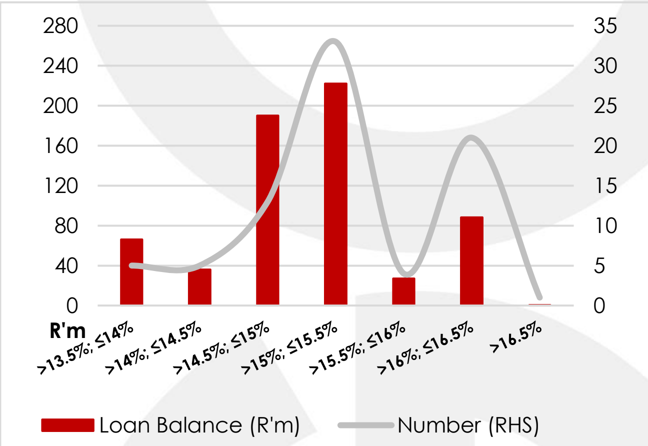
Province	Number	Loan Balance (ZAR) [a]	[a]%
GP	48	358,279,236	56.9%
EC	13	148,213,132	23.5%
KZN	14	88,770,208	14.1%
FS	3	23,607,921	3.7%
WC	4	11,301,757	1.8%
Total	**82**	**630,172,253**	**100%**



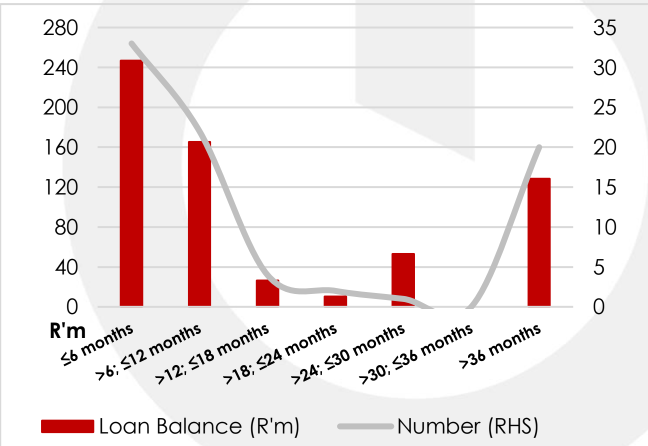
Current Loan to Value Ratio	Number	Loan Balance (ZAR) [a]	[a]%
>0%; ≤30%	9	18,346,834	2.9%
>30%; ≤40%	4	14,923,536	2.4%
>40%; ≤50%	5	33,058,149	5.2%
>50%; ≤60%	23	126,060,034	20.0%
>60%; ≤70%	29	319,300,573	50.7%
>70%; ≤80%	12	118,483,127	18.8%
>80%	0	0	0.0%
Total	**82**	**630,172,253**	**100%**



Current Interest Rate	Number	Loan Balance (ZAR) [a]	[a]%
>13.5%; ≤14%	5	65,975,705	10.5%
>14%; ≤14.5%	5	36,017,929	5.7%
>14.5%; ≤15%	13	190,171,245	30.2%
>15%; ≤15.5%	33	222,098,010	35.2%
>15.5%; ≤16%	4	27,162,655	4.3%
>16%; ≤16.5%	21	88,295,989	14.0%
>16.5%	1	450,722	0.1%
Total	**82**	**630,172,253**	**100%**



Seasoning (Months since Loan Start Date)	Number	Loan Balance (ZAR) [a]	[a]%
≤6	33	246,682,397	39.1%
>6; ≤12	22	165,304,365	26.2%
>12; ≤18	4	26,399,540	4.2%
>18; ≤24	2	10,422,779	1.7%
>24; ≤30	1	53,050,745	8.4%
>30; ≤36	0	0	0.0%
>36	20	128,312,426	20.4%
Total	**82**	**630,172,253**	**100%**



GLOSSARY OF TERMS/ACRONYMS

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.
Asset Backed Securities	Securitisation: Debt securities issued that are backed or covered by a pool of assets or receivables (auto loans and leases, consumer loans, commercial assets, credit cards, mortgage loans).
Asset	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
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.
Bankruptcy	Court proceedings at which an individual or a company is declared unable to pay its creditors. The liabilities of a bankrupt company typically exceed its assets.
Basis Risk	The imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
Bond	A long-term debt instrument issued by either a company, institution or the government to raise funds.
Borrower	The party indebted or the person making repayments for its borrowings.
Call Option	An option that gives the holder or buyer the right but not the obligation to buy an underlying instrument at an agreed price (the strike price) within a specified time. The seller or writer has the obligation to sell the underlying instrument if the holder exercises the option.
Capital	The sum of money that is invested to generate proceeds.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.

Cash	Funds that can be readily spent or used to meet current obligations.
Collateral	Asset provided to a creditor as security for a loan or performance.
Correlation	A term that describes the degree to which two variables move together. A correlation of 1 means that they move together exactly, while a correlation of minus 1 means that they move in exactly the opposite direction from each other.
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.
Creditor	A credit provider that is owed debt obligations by a debtor.
Debt Service Coverage	Measures the ratio of cash available for debt servicing payments.
Debt Sponsor	Usually an investment bank that brings a transaction to the capital markets, similar to an Arranger.
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.
Derivative	A financial instrument that offers a return based on the return of another underlying asset.
Downgrade	The rating has been lowered on its specific scale.
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.
Environment	The surroundings or conditions in which an entity operates (Economic, Financial, Natural).
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.

Financial Institution	An entity that focuses on dealing with financial transactions, such as investments, loans and deposits.
Forbearance	A temporary suspension of repayments, granted by a creditor to a debtor.
Foreclosure	Legal proceedings initiated by a creditor to repossess the collateral for obligations that have defaulted.
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.
Income	Money received, especially on a regular basis, for work or through investments.
Indemnity	A security or protection against a loss or other financial burden.
Index	An assessment of the property value, with the value being compared to similar properties in the area.
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.
Insurance	Provides protection against losses in a possible future event.
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.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
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.
Option	An option gives the buyer or holder the right, but not the obligation, to buy or sell an underlying financial asset at a pre-determined price.
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.

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.
Proceeds	Funds from issuance of debt securities or sale of assets.
Property	Movable or immovable asset.
Rated Securities	Debt securities that have been accorded a credit rating.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
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.
Refinancing	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Release	An agreement between the creditor and debtor, in terms of which the creditor release the debtor from its obligations.
Rent	Payment from a lessee to the lessor for the temporary use of an asset.
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.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
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.
Securities	Various instruments used in the capital market to raise funds.
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.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
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.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whist reducing 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.
Transaction	A transaction that enables an Issuer to issue debt securities in the capital markets. A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
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.

SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the ratings process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security, or financial instrument.

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The ratings above were solicited by, or on behalf of, the rated entities.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- Exchange Rate Source: https://www.bloomberg.com/markets/currencies ZAR18.5153:1$ as at 3 May 2024
- Indicative asset pool cut (as at 29 February 2024)
- Indicative capital structure
- Historical performance information to January 2024 – TUHF
- Draft transaction documentation
- Other miscellaneous data and presentations

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