GCR RATINGS

RATING ANNOUNCEMENT

GCR accords credit ratings to the Notes issued by Urban Ubomi 2 (RF) Limited

Rating Action

Johannesburg, 31 January 2025 – GCR Ratings (GCR) has accorded the following long-term issue credit ratings to the Notes (the new Notes) issued by Urban Ubomi 2 (RF) Limited (the Issuer or Urban Ubomi 2) on 31 January 2025.

Security Class	Stock Code	Amount (ZAR)	Rating Class	Rating Scale	Rating	Outlook/ Rating Watch	Rating Action
Class A1	UU2A04	140,000,000	Long-Term Issue	National	AAA(ZA)(sf)	Stable	Assigned
Class A2	UU2A05	279,000,000	Long-Term Issue	National	AA+(ZA)(sf)	Stable	Assigned
Class B	UU2B02	159,000,000	Long-Term Issue	National	A(ZA)(sf)	Stable	Assigned
Class C	UU2C02	84,000,000	Long-Term Issue	National	BBB-(ZA)(sf)	Stable	Assigned
Class D	UU2D02	50,000,000	Long-Term Issue	National	Unrated	N.A.	Assigned

In addition, the Issuer's Subordinated Loan was increased by ZAR43M to ZAR104.5M on the new issuance.

Simultaneously, GCR affirmed the credit ratings of the pre-existing tranches of Notes issued by the Issuer in its initial issuance in September 2024.

Security Class	Stock Code	Amount (ZAR)	Rating Class	Rating Scale	Rating	Outlook/ Rating Watch	Rating Action
Class A1	UU2A01	181,000,000	Long-Term	National	AAA(ZA)(sf)	Stable	Affirmed
Class A2	UU2A02	193,000,000	Long-Term	National	AA+(ZA)(sf)	Stable	Affirmed
Class B	UU2B01	80,000,000	Long-Term	National	A(ZA)(sf)	Stable	Affirmed
Class C	UU2C01	63,000,000	Long-Term	National	BBB-(ZA)(sf)	Stable	Affirmed
Class D	UU2D01	56,000,000	Long-Term	National	Unrated	N.A.	Affirmed

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

Transaction Summary

On 13 September 2024, Urban Ubomi 2 issued ZAR573M of Notes under its newly established ZAR5.0Bn (USD269.4M) Mortgage Loan Backed Securitisation Programme, its initial issuance.

Proceeds of the issuance and the Subordinated Loan funded the Issuer's acquisition of a pool of Loan Agreements together with their Related Security (the Participating Assets). These Loan Agreements, which were originated by TUHF Limited (TUHF), are provided to small and medium sized companies and entrepreneurs for predominantly residential property investments in the inner cities and 'in-cities' of South Africa.

In addition, a portion of the issuance proceeds funded an Arrears Reserve that serves as additional credit enhancement for the Notes.

The Issuer has now issued an additional ZAR712M of new Notes and has increased the Subordinated Loan by ZAR43M, leading to a ZAR755M increase in the total size of the transaction (Notes plus Subordinated Loan).

Each Class of Notes has been expanded by the issuance of a new Series thereof. Each new Series ranks *pari passu* and *pro rata* with and has the same Step-Up Date and Final Redemption Date as the existing corresponding Series. Under the post-new issuance capital structure, credit enhancement available to each Class of Notes through subordination of junior debt will be maintained at levels that satisfy the conditions precedent per the Programme Memorandum.

A minority portion of the proceeds of the new issuance (approximately ZAR142.2M) has not been immediately applied towards acquisition of Participating Assets but rather constitutes a Pre-Funding Amount. Participating Assets will be acquired over a six-month Pre-Funding Period using this Pre-Funding Amount. Any Pre-Funding Amount not utilised at the end of the Pre-Funding Period will be released as funds available to the Priority of Payments.

The transaction is amortising from the start and Notes principal is repaid along with interest on each Interest Payment Date. New issuances of Notes may take place, subject to the Terms and Conditions of the Notes, during the Issue Period which ends on the earlier of 15 November 2027 and the occurrence of a Stop Purchase Trigger. The structure includes Interest Deferral Events for the Class B Notes, Class C and Class D Notes which are calculated with reference to the Principal Deficiency, as defined in transaction documentation. Principal Lock-Outs, whereby the principal repayments on the various Classes of Notes are made sequentially, may apply. All payments are made in accordance with the Priority of Payments.

TUHF Services (Pty) Ltd (a wholly owned subsidiary of TUHF Holdings) acts as Servicer and Administrator for the transaction. The Standard Bank of South Africa Limited 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 September 2024 (previously, for the initial issuance: June 2005 to July 2024). GCR's updated analysis shows very little change in extrapolated cumulative default rates.

GCR also reviewed the post-new issuance pool of Participating Assets. GCR notes that the weighted average seasoning of the portfolio post-new issuance is higher than it was previously (pool prior to initial issuance at August 2024: 21.5 months; current post-new issuance pool: 31.0 months). GCR accounted for this seasoning of assets by reducing its default base case for the defaults already expected to have occurred by this later stage in the aggregate life of the portfolio.

After adjusting for seasoning and for other factors, GCR derived a default base case for its cash flow model of 19.21% (previously: 19.81%).

Due to the short time period since the initial rating, no new relevant data is available for the update of modelled recovery rates, which therefore have not changed.

The base case prepayment rate, updated based on data up to September 2024, is 9.24% (previously: 9.06%).

The Prime-JIBAR swap rate was updated.

All other model inputs remain the same, including senior expenses (which, due to their fixed component, are proportionately lower).

GCR's cash flow model shows that each Class of Notes (existing and new tranches combined) can sustain its pre-existing ratings. The rating assigned to each new tranche of Notes issued is therefore the same as the rating of the existing corresponding tranche under the same Class.

As such, the ratings as assigned and affirmed 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.)

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Related Criteria and Reports

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

Rating History

Urban Ubomi 2 (RF) Ltd

Security Class	Stock Code	Review	Rating Scale	Rating	Outlook	Date
New Class A1 Notes	UU2A04	N.A.*	N.A.*	N.A.*	N.A.*	N.A.*
New Class A2 Notes	UU2A05	N.A.*	N.A.*	N.A.*	N.A.*	N.A.*
New Class B Notes	UU2B02	N.A.*	N.A.*	N.A.*	N.A.*	N.A.*
New Class C Notes	UU2C02	N.A.*	N.A.*	N.A.*	N.A.*	N.A.*
New Class D Notes	UU2D02	N.A.*	N.A.*	N.A.*	N.A.*	N.A.*
Pre-existing Class A1 Notes	UU2A01	Initial & Last	National	$AAA_{(ZA)(sf)}$	Stable	Sep 2024
Pre-existing Class A2 Notes	UU2A02	Initial & Last	National	$AA+_{(ZA)(sf)}$	Stable	Sep 2024
Pre-existing Class B Notes	UU2B01	Initial & Last	National	$A_{(ZA)(sf)}$	Stable	Sep 2024
Pre-existing Class C Notes	UU2C01	Initial & Last	National	$BBB-_{(ZA)(sf)}$	Stable	Sep 2024
Pre-existing Class D Notes	UU2D01	Initial & Last	National	Unrated	N.A.	Sep 2024

*Not applicable as this is the first rating of these newly issued Series.

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.
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).
Arrears Reserve	A cash provision made in a reserve fund for arrears.
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.
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.
Concentrations	A high degree of positive correlation between factors or excessive exposure to a single factor that share similar demographics or financial instrument or specific sector or specific industry or specific markets.
Conditions	Provisions inserted in an insurance contract that qualify or place limitations on the insurer's promise to perform.
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	An obligation to repay a sum of money. More specifically, it is 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 typically 90 days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Financial Institution	An entity that focuses on dealing with financial transactions, such as investments, loans and deposits.
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.
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.
Issuer	The party indebted or the person making repayments for its borrowings.
Junior Debt	A security that has a lower repayment priority than senior securities.
Junior	A security that has a lower repayment priority than senior securities.
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.
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.
Obligor	The party indebted or the person making repayments for its borrowings.
Payment Date	The date on which the payment of a coupon or dividend is made.
Pool	An organisation of insurers or reinsurers through which particular types of risk are underwritten and premiums, losses and expenses are shared in agreed-upon amounts.
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.
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.
Property	Movable or immovable asset.
Provision	The amount set aside or deducted from operating income to cover expected or identified loan losses.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Rating Watch	See GCR Rating Scales, Symbols and Definitions.
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Refinance	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.
Repayment	Payment made to honour obligations in 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 3.) To reduce the amount of the principal debt.
Reserve	An amount allocated for a special purpose.
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.
Stock Code	A unique code allocated to a publicly listed security.
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.
Timely Payment	The principal debt, interest, fees and expenses being repaid promptly in accordance with the contractual obligation.
Tranche	A portion of an obligation, each of which has different terms.
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.
Ultimate Payment	A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.

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.

The credit ratings have been disclosed to Urban Ubomi 2 (RF) Limited.

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 ZAR18.55:1$ as at 29 January 2025
- Final asset pool cut
- Final capital structure
- Historical performance information to September 2024 – TUHF
- Other miscellaneous data and presentations

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