RATING ANNOUNCEMENT

GCR assigns indicative credit ratings to the Notes to be issued by Urban Ubomi 2 (RF) Limited

Rating Action

Johannesburg, 23 July 2025 – GCR Ratings (GCR) has assigned the following indicative long-term issue credit ratings to the Notes (the new Notes) to be issued by Urban Ubomi 2 (RF) Limited (the Issuer or Urban Ubomi 2). The indicative ratings will expire on the earlier of 31 October 2025 or the issuance date of the new Notes.

Security Class	Expected Issuance Amount (ZAR)	Rating Class	Rating Scale	Rating	Outlook/ Rating Watch
Class A1 Notes	[150,000,000]	Long-Term Issue	National	AAA(ZA)(sf)(IR)	Stable
Class A2 Notes	[250,000,000]	Long-Term Issue	National	AA+(ZA)(sf)(IR)	Stable
Class B Notes	[109,000,000]	Long-Term Issue	National	A(ZA)(sf)(IR)	Stable
Class C Notes	[60,000,000]	Long-Term Issue	National	BBB-(ZA)(sf)(IR)	Stable
Class D Notes	[31,000,000]	Long-Term Issue	National	Unrated	N.A.

In addition, the Issuer has an unrated Subordinated Loan of ZAR104,500,000, which will be increased by ZAR[47,000,000] to ZAR[151,500,000] on the new issuance.

There are two proposed amendments to the structure along with the tap issuance, which are (1) an amendment to the Eligibility Criteria to increase the maximum Principal Balance from ZAR60M to ZAR70M; and (2) reduce the weighted average margin of the Asset Portfolio covenant from 300bps to 250bps over the Prime Rate and/or the equivalent bps over 3m JIBAR. These proposed amendments are not expected to lead to a change in the ratings of the existing Notes, based on the information received and analysed by GCR, and taking into account the proposed tap issuance impact on the capital structure.

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

The indicative credit ratings are based on the representations of the Issuer and are subject to the receipt by GCR of relevant signed transaction documentation and final quantitative data.

Transaction Summary

On 13 September 2024, Urban Ubomi 2 issued ZAR573M of Notes under its newly established ZAR5.0Bn (USD282.6M) 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 sub-urban areas of large metros of South Africa.

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

On 31 January 2025, in its first tap issuance, the Issuer issued an additional ZAR712M of Notes and increased the Subordinated Loan by ZAR43M, which led to a total deal size of ZAR755M (Notes plus Subordinated Loan).

The Issuer is planning to issue an additional ZAR[600M] of new Notes in August 2025, and to increase the Subordinated Loan by ZAR[47M], leading to a total deal size of ZAR[647M] (Notes plus Subordinated Loan).

Each Class of Notes will be expanded by the issuance of a new Series thereof. Each new Series will rank *pari passu* and *pro rata* with and has the same Step-Up Date and Final Redemption Date as the existing corresponding Series. Under the proposed 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.

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 (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 May 2025 (previously, for the first tap issuance: June 2005 to September 2024). GCR's updated analysis shows improved extrapolated cumulative default rates.

GCR also reviewed the post-new issuance indicative pool of Participating Assets. GCR notes that the weighted average seasoning of the portfolio post the proposed new issuance is lower than it was previously given the addition of more recently originated assets (existing pool: 36.6 months; proposed post-new issuance pool: 29.0 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 17.71% (previously: 19.13%).

The base case recovery rate was revised up to 80% from 75%, driven by a change in the distribution of cumulative recoveries on loan defaults. Updated analysis showed an increase in the proportion of loans that achieved 80% recoveries (e.g. to May 2025: 75.37% vs. 69.49% up to September 2024).

The base case prepayment rate, updated based on data up to June 2025, is 11.47% (previously, for the first tap issuance: 9.24%).

The Prime-JIBAR swap rate was maintained. All other model inputs remain the same, including senior expenses (which, due to their fixed component, are proportionately lower).

The credit enhancement to be available to each Class of Notes through subordination according to the indicative new capital structure would decrease on the new issuance. Nevertheless, with the lower default base case and improved recoveries base case, GCR's cash flow model shows that each Class of Notes (existing and new tranches combined) can sustain its existing ratings. GCR notes that Class A2, Class B and Class C could pass in the cash flow model at higher rating levels than the ratings assigned. Nevertheless, potential future rating volatility leads to the indicative ratings assigned to Class A2, Class B and Class C. The indicative rating assigned to each new tranche of Notes to be issued is therefore the same as the rating of the existing corresponding tranche under the same Class. Under current modelling assumptions, the ratings of the existing Classes of Notes are not expected to change upon the new issuance.

As such, the indicative ratings as assigned reflect the outcome of GCR's cash flow model (excluding that of Class A2, Class B and Class C, which currently pass one notch higher in the 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 2025
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	TBC	Initial & Last	National	N.A.	N.A.	N.A.
New Class A2 Notes	TBC	Initial & Last	National	N.A.	N.A.	N.A.
New Class B Notes	TBC	Initial & Last	National	N.A.	N.A.	N.A.
New Class C Notes	TBC	Initial & Last	National	N.A.	N.A.	N.A.

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.
Arrears Reserve	An accounting 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.
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.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
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.
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.
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.
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.
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.
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.
Prime Rate	The benchmark interest rate that banks charge their customers.
Principal Repayments	Scheduled payments and prepayments.
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.
Provision	The amount set aside or deducted from operating income to cover expected or identified loan losses.
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.

Reserve	(1) An amount representing actual or potential liabilities kept by an insurer to cover debts to policyholders. (2) An amount allocated for a special purpose. Note that a reserve is usually a liability and not an extra fund. On occasion a reserve may be an asset, such as a reserve for taxes not yet due.
Seasoning	The age of an asset, the time period passed since origination.
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.
Servicer	A transaction appointed agent that performs the servicing of mortgage loans, loan or obligations.
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.
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.
Weighted Average	An average resulting from the multiplication of each component by a factor reflecting its importance or, relative size to a pool of assets or liabilities.
Weighted	The weight that a single obligation has in relation to the aggregated pool of obligations. For example, a single mortgage principal balance divided by the aggregated mortgage pool principal balance.

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 entity.

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 ZAR17.6930:1$ as at 21 July 2025
- Indicative combined asset pool cut
- Indicative capital structure
- Historical performance information to May 2025 – TUHF
- Other miscellaneous data and presentations

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