GCR RATINGS

CREDIT RATING ANNOUNCEMENT

GCR accords indicative rating to new Notes to be issued by Urban Ubomi 1 (RF) Limited

Rating Action

Johannesburg, 9 April 2024 – GCR Ratings (GCR) assigned the following indicative long-term issue credit rating to the Notes to be issued (the new Notes) by Urban Ubomi 1 (RF) Limited (the Issuer or Urban Ubomi 1) on 15 May 2024. The new Notes will be issued to refinance the maturing Class A1, A4, A7 and A10 Notes, which have a Scheduled Maturity Date of 15 May 2024. The indicative rating will expire on the sooner of 5 July 2024 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	[c.218,000,000]	Long-Term Issue	National	$AAA_{(ZA)(sf)(IR)}$	Stable

In addition, the Issuer has an unrated Subordinated Loan of ZAR153,651,392, which is expected to remain unchanged post the refinance.

The credit ratings of the other existing Classes of Notes will be reviewed by GCR on issuance of the new Notes. Such ratings are not expected to be adversely affected.

The credit ratings accorded to the new Class A Notes to be issued relate to timely payment of interest and ultimate payment of principal by Final Maturity Date. The ratings accorded to the Class B and Class C Notes relate to ultimate payment of both interest and principal by Final Maturity Date. 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 rating is based on the representations of the Issuer and are subject to the receipt by GCR of relevant signed transaction documentation.

Transaction Summary

On 23 March 2021, Urban Ubomi 1 issued a total of ZAR609M (USD3.4M[1]) of Notes under its newly established ZAR2.5Bn Mortgage Loan Backed Securitisation Programme, its "Initial Issuance".

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

On 14 February 2022, in its "First Tap Issuance", Urban Ubomi 1 issued an additional ZAR440M of Notes and increased its Subordinated Loan by ZAR67.7M.

On 14 December 2022, in its "Second Tap Issuance", Urban Ubomi 1 issued an additional ZAR363M of Notes and increased its Subordinated Loan by c.ZAR4.5M.

On 5 May 2023, in its "Third Tap Issuance", Urban Ubomi 1 issued an additional ZAR225M of Notes and increased its Subordinated Loan by ZAR18M.

The Issuer is now planning an issuance of [c.ZAR218M] of Class A1 Notes to refinance the maturing Class A1, A4, A7 and A10 Notes. The expected issuance amount will cover the expected outstanding amount of the maturing Classes of Notes as at the next Interest Payment Date of 15 May 2024. Under the post-refinance capital structure, credit enhancement available to each Class of Notes through subordination of junior debt remains at levels that satisfy the conditions precedent per the Programme Memorandum.

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

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

Rating Rationale

GCR updated its analysis of the performance of TUHF's portfolio to renew the base case inputs to its cash flow model. The data now covers the period July 2005 to January 2024. The extrapolated base case default rate has increased on the back of increased defaults in recent periods with credit for seasoning moderating this effect (default base case, current 13.57%; previous 12.99%). Nonetheless, the modelled default rates have not changed as these are based on covenanted obligor concentration levels which are slightly higher than the stressed default base cases derived from historical data.

The base case recovery rate was revised down to 75% from 80%, driven by a change in the distribution of cumulative recoveries on loan defaults. Updated analysis showed that a similar proportion of loans that previously achieved 80% recoveries have now achieved 75%.

The prepayment rate derived from the updated TUHF data is similar to that modelled for the recent Third Tap Issuance.

The credit enhancement to be available to each Class of Notes through subordination has improved given the sequential amortisation of the Class A Notes.

Performance of the transaction thus far has been stable, with stable excess spread and minimal Non-Performing Loans (loans in arrears of greater than 90 days).

The indicative rating as accorded reflects the outcome of GCR's cash flow model, in which the cash flows of the transaction as per all the provisions of the transaction documentation are modelled in multiple stress scenarios. Each scenario embodies differing default and recovery rates and distributions, prepayment rates and interest rate parameters. Each successively more stressful group of scenarios relates to a commensurately higher rating level. (See GCR's Structured Finance Research, Asset Backed Securities

Cash Flow Model, published September 2018). The ratings accorded to each Class of Notes correspond with the highest rating level at which principal and interest on such Class is paid in full in all scenarios related to such rating level.

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

Analytical contacts

Primary analyst	Yehuda Markovitz	Deputy Head: Structured Finance and Securitisation
Johannesburg, ZA	YehudaM@GCRratings.com	+27 11 784 1771
Secondary analyst	Siyuan Lu	Senior Structured Finance and Securitisation Analyst
Johannesburg, ZA	SiyuanL@GCRratings.com	+27 11 784 1771
Committee chair	Yohan Assous	Group Head: Structured Finance and Securitisation
Johannesburg, ZA	Yohan@GCRratings.com	+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 2019
Criteria for the GCR Ratings Framework, Jan 2022
GCR Ratings Scale, Symbols & Definitions, May 2023
Rating Announcement - TUHF Limited, March 2023
Asset-Backed Securities Cash Flow Model, Sep 2018

Ratings History

Urban Ubomi 1 (RF) Ltd

Security Class	Stock Code	Review	Rating Scale	Rating	Outlook/ Rating Watch	Date
Class A1 Notes	UU1A01	Initial	National	$AAA_{(ZA)(sf)}$	Rating Watch: Evolving	Mar 2021
		Last	National	$AAA_{(ZA)(sf)}$	Stable	May 2023
Class A2 Notes	UU1A02	Initial	National	$AA+_{(ZA)(sf)}$	Rating Watch: Evolving	Mar 2021
		Last	National	$AA+_{(ZA)(sf)}$	Stable	May 2023
Class A4 Notes	UU1A04	Initial	National	$AAA_{(ZA)(sf)}$	Stable	Feb 2022
		Last	National	$AAA_{(ZA)(sf)}$	Stable	May 2023
Class A5 Notes	UU1A05	Initial	National	$AA+_{(ZA)(sf)}$	Stable	Feb 2022
		Last	National	$AA+_{(ZA)(sf)}$	Stable	May 2023
Class A7 Notes	UU1A07	Initial	National	$AAA_{(ZA)(sf)}$	Stable	Dec 2022
		Last	National	$AAA_{(ZA)(sf)}$	Stable	May 2023
Class A8 Notes	UU1A08	Initial	National	$AA+_{(ZA)(sf)}$	Stable	Dec 2022
		Last	National	$AA+_{(ZA)(sf)}$	Stable	May 2023
Class A9 Notes	UU1A09	Initial	National	$AA+_{(ZA)(sf)}$	Stable	Dec 2022
		Last	National	$AA+_{(ZA)(sf)}$	Stable	May 2023
Class A10 Notes	UU1A10	Initial & Last	National	$AAA_{(ZA)(sf)}$	Stable	May 2023
Class A11 Notes	UU1A11	Initial & Last	National	$AA+_{(ZA)(sf)}$	Stable	May 2023
Class B Notes (first tranche)	UU1B01	Initial	National	$A-_{(ZA)(sf)}$	Rating Watch: Evolving	Mar 2021
		Last	National	$A+_{(ZA)(sf)}$	Stable	May 2023
Class B Notes (second tranche)	UU1B02	Initial	National	$A-_{(ZA)(sf)}$	Stable	Feb 2022
		Last	National	$A+_{(ZA)(sf)}$	Stable	May 2023
Class B Notes (third tranche)	UU1B04	Initial & Last	National	$A+_{(ZA)(sf)}$	Stable	May 2023
Class C Notes (first tranche)	UU1C01	Initial	National	$BBB_{(ZA)(sf)}$	Rating Watch: Evolving	Mar 2021
		Last	National	$BBB+_{(ZA)(sf)}$	Stable	May 2023
Class C Notes (second tranche)	UU1C02	Initial	National	$BBB_{(ZA)(sf)}$	Stable	Feb 2022
		Last	National	$BBB+_{(ZA)(sf)}$	Stable	May 2023
Class C Notes (third tranche)	UU1C03	Initial	National	$BBB+_{(ZA)(sf)}$	Stable	Dec 2022
		Last	National	$BBB+_{(ZA)(sf)}$	Stable	May 2023
Class C Notes (fourth tranche)	UU1C04	Initial & Last	National	$BBB+_{(ZA)(sf)}$	Stable	May 2023

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	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.
Assets	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: 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.
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 1 (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 ZAR18.8065:1$ as at 2 April 2024
- Indicative pool cut as at 31 January 2024
- Indicative capital structure
- Historical performance information to January 2024 – TUHF
- Other miscellaneous data and presentations