



Credit Rating Announcement

GCR revises rating outlooks on Urban Ubomi 1 (RF) Limited's Notes to Stable from Rating Watch: Evolving

Rating Action

Johannesburg, 27 July 2021 – GCR Ratings ("GCR") has revised the outlooks that relate to the following long-term issue credit ratings of the various Classes of Notes issued by Urban Ubomi 1 (RF) Limited (the "Issuer" or "Urban Ubomi 1") from Rating Watch: Evolving to Stable:

Security Class	Stock Code	Issued Amount (ZAR)	Rating Class	Rating Scale	Rating	Outlook/ Rating Watch
Class A1 Notes	UU1A01	199,652,465	Issue Long-Term	National	AAA _(ZA) (sf)	Stable
Class A2 Notes	UU1A02	309,000,000	Issue Long-Term	National	AA+ _(ZA) (sf)	Stable
Class B Notes	UU1B01	73,000,000	Issue Long-Term	National	A- _(ZA) (sf)	Stable
Class C Notes	UU1C01	25,000,000	Issue Long-Term	National	BBB _(ZA) (sf)	Stable

The Issuer has two unrated Subordinated Loans totalling R63,459,651.

The Rating Watch: Evolving related to the potential change, over the short-term, in the composition of the asset portfolio pending the completion of registration of Mortgage Bond cessions in the name of the Issuer. Some of these registrations had not yet taken place as at issuance date. If a cession had still not been registered within three months of issuance, the sale of the relevant Mortgage Loan Agreement would have been cancelled and the Seller would have refunded the Issuer at its Purchase Price (less any collections received by the Issuer on the relevant asset). Deviation from expectation of such registrations occurring within the three-month period might have led to changes in the portfolio composition and in turn have affected GCR's modelling assumptions and rating outcome.

To date, registrations of all Mortgage Bond cessions in the name of the Issuer have been completed. GCR noted that a small number of loans were substituted due to these loans having been prepaid before the security registrations could have been completed. The registrations that relate to the substitutions have also been completed. The new asset pool, post the substitutions, shows characteristics which are very similar to the old asset pool. Therefore, no remodelling was deemed necessary.

GCR reviewed the transaction's first investor report that relates to the period between issuance (23 March 2021) and the transaction's first Interest Payment Date of 17 May 2021. GCR noted the negative excess spread reported, which led to the issuance of a second subordinated loan in order to make payments in terms of the Priority of Payments. GCR understands that this negative excess spread was mainly a result of Notes interest being calculated and paid for a period of almost two months whilst asset collections over the same period related to one month only. GCR expects this situation to normalise with positive excess spread being earned when a full quarter of performance is recorded.

In reviewing the rating outlooks, GCR has also taken cognisance of the SENS announcement recently released by the Issuer which states that the recent unrest has not had a direct impact on its portfolio.

In summary, the revision of the rating outlooks to Stable from Rating Watch: Evolving reflects the successful registration of all Mortgage Bond cessions in the name of the Issuer.

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Rating History

Security Class	Stock Code	Review	Rating Scale	Rating	Outlook/ Rating Watch	Date
Class A1 Notes	UU1A01	Initial & Last	National	AAA _{(ZA)(sf)}	Rating Watch: Evolving	March 2021
Class A2 Notes	UU1A02	Initial & Last	National	AA+ _{(ZA)(sf)}	Rating Watch: Evolving	March 2021
Class B Notes	UU1B01	Initial & Last	National	A- _{(ZA)(sf)}	Rating Watch: Evolving	March 2021
Class C Notes	UU1C01	Initial & Last	National	BBB _{(ZA)(sf)}	Rating Watch: Evolving	March 2021

Related Criteria and Reports

Criteria for Rating Structured Finance Transactions, Sep 2018
Criteria for Rating Consumer Asset Backed Securities, Sep 2018
Criteria for Rating Financial Institutions, May 2019
Rating Announcement - TUHF Limited, Dec 2020
Asset-Backed Securities Cash Flow Model, Sep 2018

Glossary of Terms/Acronyms

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).
Audit Report	A written opinion of an auditor (attesting to the financial statements' fairness and compliance with generally accepted accounting principles).
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Credit	A contractual agreement by 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
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 90 days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
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.
Legal Opinion	An opinion regarding the validity and enforceable of a transaction's legal documents.
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.
Payment Date	The date on which the payment of a coupon or dividend is made.
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.
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.
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.
Repayment	Payment made to honour obligations with 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.
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.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whilst reducing risk.
Subordinated Loan	A loan typically given by the Issuer to the securitisation vehicle that is more junior than a junior tranche.
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.

Salient Points of Accorded Ratings

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

The credit ratings have been disclosed to the Issuer. The rating was solicited by, or on behalf of, the Issuer, and, therefore, GCR has been compensated for the provision of the ratings. The issuer participated in the rating process verbal and written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The information received from the Issuer and other reliable third parties to accord the credit rating included:

- Final pool cut
- Confirmation of registration of mortgage bonds
- SENS announcement, 19 July 2021
- Investor report, May 2021

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