



## Credit Rating Announcement

GCR accords credit ratings to the Notes issued by Urban Ubomi 1 (RF) Limited

### Rating Action

Johannesburg, 23 March 2021 – GCR Ratings ("GCR") has accorded the following long-term issue credit ratings to the various Classes of Notes issued by Urban Ubomi 1 (RF) Limited (the "Issuer" or "Urban Ubomi 1") on 23 March 2021:

Security Class	Issued Amount (ZAR)	Rating Class	Rating Scale	Rating	Outlook/ Rating Watch
Class A1 Notes	202,000,000	Issue Long-Term	National	AAA <sub>(ZA)(sf)</sub>	Rating Watch: Evolving
Class A2 Notes	309,000,000	Issue Long-Term	National	AA+ <sub>(ZA)(sf)</sub>	Rating Watch: Evolving
Class B Notes	73,000,000	Issue Long-Term	National	A- <sub>(ZA)(sf)</sub>	Rating Watch: Evolving
Class C Notes	25,000,000	Issue Long-Term	National	BBB <sub>(ZA)(sf)</sub>	Rating Watch: Evolving

In addition, the Issuer has an unrated Subordinated Loan of R62,057,100.

The credit ratings accorded to the Class A Notes 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.

The Rating Watch Evolving relates 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. In this regard, if a cession has not been registered within three months of issuance, the sale of the relevant Mortgage Loan Agreement will be cancelled and the Seller will refund the Issuer at its Purchase Price (less any collections received by the Issuer on the asset). While the Mortgage Bond cessions are expected to be registered within the specified timeline, deviation from current expectations of their registration may lead to significant changes in the portfolio composition and in turn affect GCR's modelling assumptions and rating outcome. In such event, GCR may review the ratings assigned to the Notes in light of the residual asset portfolio at the end of the three-month period.

### Transaction Summary

Urban Ubomi 1 (RF) issued a total of R609m of Notes under its newly established R2.5bn Mortgage Loan Backed Securitisation Programme.

In this transaction (the "Transaction"), proceeds of the Notes issuance, together with the proceeds of the Subordinated Loan, were used by the Issuer to acquire a pool of Loan Agreements, together with their Related Security. These Loan Agreements, which were originated by TUHF Limited ("TUHF"), are provided 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 the issuance proceeds funded 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. 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 Notes and Class C Notes which are both calculated with reference to the Principal Deficiency, as defined in Transaction documentation.

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

This is the second Mortgage Loan Backed Securitisation Programme set up to enable the issuance of Notes backed by assets originated and serviced by TUHF. The Notes issued under the first by TUHF Urban Finance (RF) Limited, in December 2018 and October 2019, are rated by GCR.

## 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 a plethora of stress scenarios, differing default and recovery distributions and interest rate paths, *inter alia*. The modelled Transaction structure accords with final signed and executed Transaction documentation and utilises the final portfolio pool cut and capital structure. The 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 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).

## Analytical Contacts

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## 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

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 (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.
Cash	Funds that can be readily spent or used to meet current obligations.
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 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 X 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.
Property	Movable or immovable asset.
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.
Security	One of various instruments used in the capital market to raise funds.
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
- Final capital structure
- Historical performance information - TUHF
- Other miscellaneous data and presentations
- Signed and executed Transaction documentation
- Signed legal and tax opinions

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