Securitization Transaction Workshop

TUHF Ltd. -- Urban Ubomi I

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Convened by the Milken Institute's Center for Financial Markets, the Africa Securitization Alliance works with public and private-sector decisionmakers to inform stakeholders of the benefits of securitization, the barriers to developing securitization markets in specific African countries, and the potential solutions to overcome those barriers.

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March 2022

Urban Ubomi 1 (RF) Ltd
TUHF Ltd's ABS Programme

TUHF

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Our Vision **Impact Through Scale**

Who We are

Leading **provider of residential commercial property finance** for in the inner cities of South Africa

44 400
units financed

688
buildings

18 Years
in operation

5 Offices
in SA

141
suburbs

403
borrowers

R 3.9 Billion
Current Book

R 6.6 Billion
Financed since Inception

58% of new loans to PDI's
Urban Land Reform

TUHF achieves **commercially competitive returns** to shareholders and investors with significant **development impact** **and wants to scale growth.**

TUHF

Our Business Case for Inner Cities - cashflow

Credit approval by Board sub-committee

Property registered

Close out

Project Phase	Origination	Appraisal	Closing	Servicing
Outcomes		Declined or withdrawn	Withdrawn	
Timeline	2 weeks	3 weeks	3 months	15 years
	Signed application with Project documents, and company and/or personal information for FICA and NCA	• Borrower character assessment o Hybrid model o Credit history • Building assessment o Product/market/ construction o Rights to build and trade • Feasibility/ Financial Analysis o Ability to carry the debt o Building valuation • Property management	• Legal execution of loan per minutes of decision • Collation, execution and storage of documents • Securities register • Protection of commercial rights (Rates clearance is often the underlying cause of delays)	• Construction management • Default management • Cyclical processes o Health & safety o Fire certification o Lift certification o Financial statements o Valuations o Building inspections • Insurance • Utilities management
Segregation of Responsibility	Operations	Operations	Legal & Compliance	Ops/Finance/L&C

Securitisation Benefits

Funding Architecture for Growth

Funding for operations

- Minimum 3-6 months 'cash' to fund operations

Ability to repay lenders out of asset cash flows (not by rolling funding)

- Securitisation is naturally designed like this (and so are the bank warehouse facilities)
- For all the rest: liability structure matches expected asset cash flows within agreed tolerances with a key focus on shorter maturities

Cover for disbursements to borrowers

- Available facilities always > current pipeline
- Specific facilities matched to asset types/stages e.g. construction, interest only, those eligible for warehouses etc.

Having enough additional risk capital/liquidity to…

- Meet covenants
- Handle foreseen/expected losses
- Handle unforeseen losses
- Grow (both the book and further capital investment)
- Cover any shortfalls on the above categories e.g. funding of non-performing assets, shortfalls in liquidity etc.

Securitisation Benefits :

Established Investor Relationships

- TUHF has over the past 18 years established relationships with investors, including capital market participants, building up a track record based on trust and transparent engagement. Substantial due diligences have been conducted historically to build this track record. Many of these investors now participate in the securitisations.

Available Data

- These relationships, mostly through the establishment of bilateral funding facilities, enabled TUHF to attain a loan book of R 4 billion and generate loan performance data. The historic data is vital for the transaction performance, default rates, recovery rates needed for a securitisation and rating.

Managing Maturities

- TUHF lends to clients over a 15-year period but capital market funders and financial institutions are more active in the 5- to 10-year maturity space. In a securitisation, this is no longer an issue.

Bilateral Facilities Could Not Achieve Scale

- As the organization grew, bilateral facilities introduced complexity, in that scale of funding was not sufficient to achieve large scale funding to fund the growth of the book more easily attained through the capital markets.

Ongoing Funding through a Revolving Warehouse

- Large warehouse facility that could fund enough loans to securitise on an annual basis was put in place. This mechanism enables ongoing liquidity provided reporting benchmarks are met. The securitisation raises funds through the capital markets and the warehouse is settled.

Securitisation Unlocks Funding at Scale

- TUHF is rated BBB- and this limits funding at a corporate level. Through securitisation we are able to structure notes to AAA , offering investors a wider choice, unlocking more funding (maybe uncapped) and better pricing.

Key messages/prerequisites before going this route:

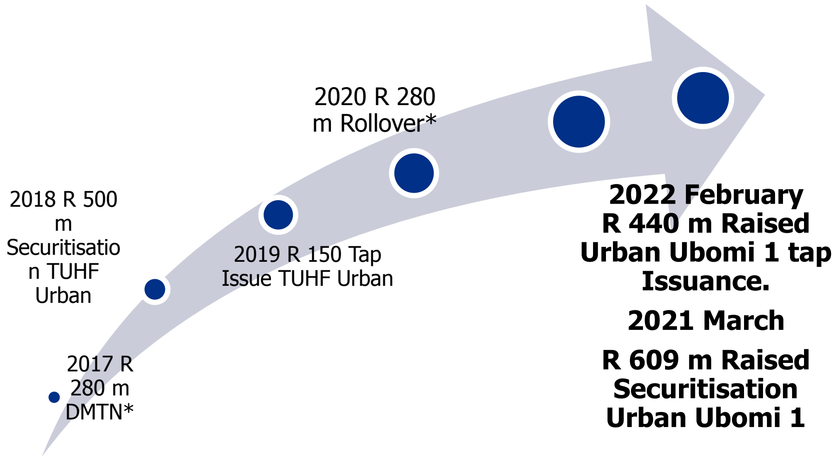
- Legal – securitisable and supportive legal/regulatory environment.
- Data must be available to support the performance of the loan book, particularly the history of defaults and recoveries.
- Technical treasury skills to assist with structuring and execution of the transaction.
- Track record as a loan servicer of the loan book.
- Processes to support the reporting of the transaction to investors & regulators
- The disciplines and rigours of the capital market requires a high standard to build a solid track record.
- Key stakeholder relationships are critical : Arrangers, Debt Sponsor, Legal Counsel, Ratings Agency

Securitisation Impact

Journey to the Capital Markets

TUHF implemented Securitisation to achieve scale in funding

- TUHF first issued raised through a listed note for R 280 m that was refinanced 3 years later on maturity and extended for 5 years.
- The first securitisation was launched in 2018, with a further issuance under the program, with a total of R 650 m raised.
- The Urban Ubomi 1 structure was implemented in 2021 with a further issuance in February 2022, with a total of R 1.050 bn raise.



- TUHF plans to establish a range of funding programmes/ facilities to eliminate funding as a constraint to growth and match asset/liability maturity mismatch.
- The notes are mostly held by local investors but the issuance earlier this month saw one international investor participate.


Bonds & Loans
AFRICA AWARDS
9th March 2022 | Mount Nelson, Cape Town
2022 WINNER
LOCAL CURRENCY BANK/FI
BOND DEAL OF THE YEAR
Urban Ubomi 1(RF) Ltd
ZAR 609m Securirisation/
Social Bond (Mar 2021)
www.BondsLoansAfricaAwards.com

Thank you

Social

March 2022

Urban Ubomi 1 (RF) Ltd

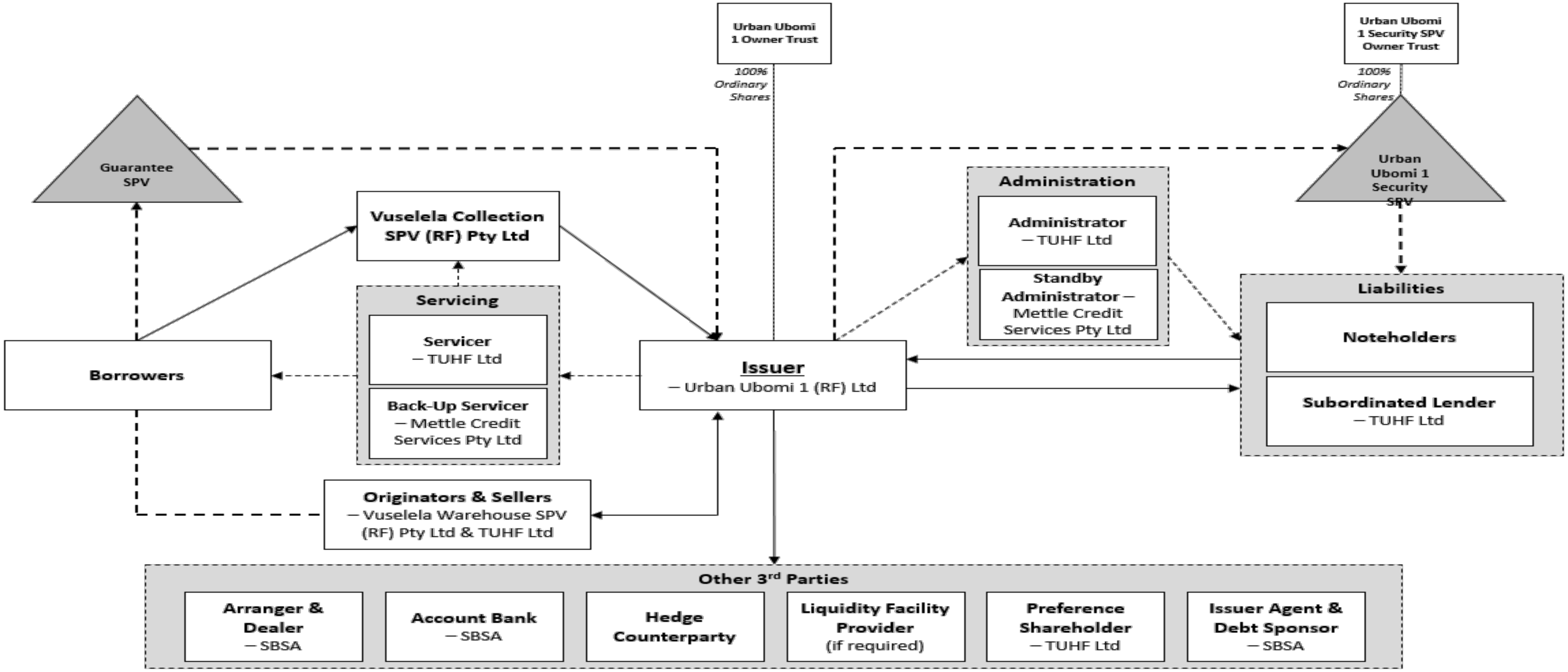
TUHF Ltd's ABS Programme

TUHF

Presented by:
Nicholas Gunning
Senior Manager, Debt Capital Markets,
The Standard Bank of South Africa Ltd.

Urban Ubomi 1 Programme Overview

Transaction structure



Urban Ubomi 1 Programme Overview

Programme comparison summary

	Urban Ubomi 1 (RF) Ltd	TUHF Urban Finance (RF) Ltd
Programme Limit	ZAR2.5bn	ZAR2bn
Revolving Period	N/A	4 quarters
Issue Period (from Initial Issue Date)	8 quarters	4 quarters (Revolving Period)
Subordinate Loan % of deal size	9.25%	10% (Class E Notes)
Liquidity support	Arrears Reserve and excess spread	Excess spread
Rating Agency	GCR Ratings	GCR Ratings
Max achieved rating on Class A Notes	$AAA_{(za)(sf)}$ on Class A1 Notes $AA+_{(za)(sf)}$ on Class A2 & A3 Notes	$AA-_{(za)(sf)}$ on Class A Notes

Issuance and existing noteholder protections

- Tap issuances are permissible under the programme and each Series of Notes issued following the Initial Issue Date will rank the same (have the same Designated Ranking) as the outstanding Class of Notes on such Issue Date
- The issuance will be subject to, amongst other things:
  - A written confirmation from GCR that the rating of the existing Notes won't be worse than the ratings published in the pre-sale report prior to the Initial Issue
  - No dilution of credit enhancement in respect of each Tranche of Note relative to the credit enhancement as published in GCR's pre-sale report prior to the Initial Issue
  - The weighted average margin of all Classes of Notes post issuance is not greater that the that of the Notes immediately prior to the issuance plus 20bps

Urban Ubomi 1 Assets

Portfolio of Relevant Assets

- Proceeds from each issuance of Notes together with the Subordinated Loans are used to acquire the Loan Agreements and Related Security (the "Relevant Assets")
- Each Relevant Asset must satisfy the Eligibility Criteria and the Portfolio Covenants must be maintained following the inclusion of each Relevant Asset

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Liquidity support	Arrears Reserve and excess spread	Excess spread
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	Indicative combined pool as at 07/02/2022	Portfolio Covenant**
Weighted average Current LTV	58.75%	< 65%
Proportion of loans with Current LTV >70%	17.6%	< 25%
Weighted Average seasoning	33.33 months	> 12 months
Weighted average margin (over Prime)	329 bps	> 300 bps

Sustainable Bond Framework

- Sets the basis for the identification, selection, verification and reporting of the sustainable financing that is eligible for being financed by proceeds of the Sustainable Bonds issued by TUHF and the management of such proceeds
- TUHF adheres to the latest edition of the International Capital Markets Association (ICMA) Social Bond Principles (SBP), Green Bond Principles (GBP) and Sustainable Bond Guidelines (SBG)
- ISS-ESG has conducted a Second Party Opinion (SPO):

ISS ESG

TUHF

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Bond Framework as of 25.11.2020

TUHF LIMITED SUSTAINABLE BOND FRAMEWORK

PRINCIPLES ALIGNMENT	**ALIGNMENT WITH ICMA GBP, SBP AND SBG** 1. Use of Proceeds ✓ 2. Process for Project Evaluation and Selection ✓ 3. Management of Proceeds ✓ 4. Reporting ✓	ALIGNED
ELIGIBLE CATEGORIES	**SUSTAINABILITY QUALITY OF THE ELIGIBLE CATEGORIES** ▪ Affordable housing ▪ Financial inclusion ▪ Improve access to funding for SME's ▪ Green buildings ▪ Renewable energy ▪ Energy efficiency	POSITIVE

ISS ESG's SPOs provide Sustainability, Green and Social bond issuers with a credible and independent assessment of the sustainability quality of their bonds.

Those that meet ISS ESG's rigorous global standards give sustainability-oriented investors security that the projects they fund are suitably green or social.

Urban Ubomi 1 Social Bonds

- Opinion: “ISS ESG considers that TUHF’s rationale for issuing green, social and sustainability bonds aligns with the company sustainability strategy. ISS ESG finds that the eligible projects under this Sustainable Bond Framework can support TUHF’s lending to green and social projects. In the context of its framework, the issuer sets clear and credible sustainability investment criteria for its investments under the framework.”
- Net proceeds of this bond are to be used to (re)finance Social Bond Assets that have been selected through the TUHF Sustainable Bond Framework

Sustainable Bond Framework has six eligible Asset Categories

Sustainable Bond Asset Category	Eligibility Criteria	Included in current Social Bond Asset Portfolio?	SDG Mapping*
Social Bond			
Affordable Housing	Financing or re-financing that involves the construction or investment in affordable housing	√ Yes	SDG’s 1 & 11
Financial Inclusion	Financing and refinancing of loans to previously disadvantaged individuals based on Broad-Based Black Economic Empowerment principles for investment in rental properties	√ Yes	SDG’s 1 & 8
Access to funding for SMEs & Micro Businesses	Financing or re-financing that aims to increase access by small-scale and other enterprises, to financial services and promotes the formalization and growth of micro, small and medium-sized enterprises	√ Yes	SDG’s 1 & 8
Green Bond			
Green Buildings		X No	SDG’s 11
Renewable Energy		X No	SDG’1 7 & 13
Energy Efficiency		X No	SDG’s 13

* Contribution of the sustainable bond framework to the UN SDGs pg 16 SPO

- Social Bond Asset Categories have been identified by TUHF as aiming to increase the positive impacts on society. The Sustainable Bond Framework allows for a broad range of categories (see table for categories included in current Social Bond Asset Portfolio)

Urban Ubomi 1 Assets : Impact Reporting

Combined portfolio composition

5 022
Affordable housing units financed

189
buildings

363
new permanent jobs created

R46.1 bil
contribution to local municipalities' property rates and utilities

406
new short-term jobs created

115
SMME's Supported

R1,15 bil
Of Loans to SMME's

57%
new loans to PDI's in UU1
Urban Land Reform

Urban Ubomi 1 Credit Protections

Structural credit enhancement and liquidity support

Overcollateralization

- Proceed from the issuance of Notes together with the Subordinated Loan will be used to fund the acquisition of the Relevant Assets and to fund the Arrears Reserve
- On each Issue Date the amount of Relevant Assets will exceed the Notes in Issue resulting in a positive overcollateralized position for Noteholders
- The Principal Deficiency, Interest Deferrals and redemption mechanisms in the PoP aim to maintain or improve the level of collateralisation for the Noteholders (see following slide)

- The Subordinated Loan provides the first loss protection in the capital stack
- Class C Notes and the Subordinated Loan credit enhance the Class A Notes and Class B Notes
- Class B and C Notes and the Subordinated Loan credit enhance the Class A Notes
- In a Pre-Enforcement Priority of Payments the Class A2 Notes and Class A3 Notes are time subordinated to the Class A1 with regards to principal redemptions only

Excess spread

- Portfolio Covenant is set at 300bps over Prime
  - Weighted average margin of the pool is 329 bps over Prime
- Issuer will swap Prime exposure for 3m Jibar + 350 bps
- Senior expenses (items 1 to 6) before Noteholder Interest are expected to be 170bps in the first year
- Approximately 469bps of spread available to pay interest on Notes and then to trap to redeem Notes in addition to principal collections

Arrears Reserve

- Will be funded
  - on each Issued Date from the proceeds of the Notes and the Subordinated Loan; and
  - on each Interest Payment Date in the PoP
- Arrears Reserve Required Amount
  - up until the Class A Notes are redeemed in full will be 3.05% of the Class A Notes as at the most recent Issue Date.
  - If no Class A Notes but Class B Notes outstanding then will be 3.05% of the Class B Notes as at the most recent Issue Date
- Available to fund items 1 to 8, 15 and 18 in Pre-PoP

Urban Ubomi 1 Capital Structure

Capital structure overview and cash flows

- All collections received from the Relevant Assets will be applied strictly in accordance with the Priority of Payments

Note Description	Target Rating	Allocation of interest amounts in Pre-Enforcement PoP	Allocation of redemption amounts in Pre-Enforcement PoP
Class A1 Floating Rate	$AAA_{(za)(sf)}$	Interest paid pari passu and pro rata with all Class A Notes at senior position	First to receive redemption amounts starting from the first Interest Payment Date
Class A2 Floating Rate	$AA+_{(za)(sf)}$	Interest paid pari passu and pro rata with all Class A Notes at senior position	Will only receive redemptions once all Class A1 Notes have been redeemed
Class A3 Fixed Rate	$AA+_{(za)(sf)}$	Interest paid pari passu and pro rata with all Class A Notes at senior position	Receives redemption pari passu and pro rata with Class A2 subject to no Class A Principal Lock-Out
Class B Floating Rate	$A-_{(za)(sf)}$	Interest paid after Class A Notes at senior position and then junior if PD >= Class C	May receive pro rata redemption with Class As subject to no Principal Lock-Out otherwise redeems once all Class As have been redeemed
Class C Floating Rate	$BBB-_{(za)(sf)}$	Interest paid after Class B Notes at senior position and then junior if PD > 0	Will receive redemptions only when all Class B have been redeemed

Redemption Options at Coupon Step-Up Dates

A1

All the Class A1 Notes will be partially redeemed from their respective first Interest Payment Dates. Outstanding amounts on the 3-year Coupon Step-Up Date may be redeemed through the sale of Relevant Assets OR refinanced through the proceeds from new notes issued at such time

A1 A2 A3 B C

If Class A1 Notes are refinanced then the new Note issued to refinance the Class A1 Notes will be the first to be partially redeemed and will again amortise from its first Interest Payment Date. It is expected that this Note will be mostly redeemed by the 5 year Coupon Step-Up Date. At this point all outstanding Notes may be redeemed through the sale of Relevant Assets OR refinanced through the proceeds from new notes issued at such time

Urban Ubomi 1 Offering Summary – Initial Issue

Auction Date (T)	15-Mar-2021				
Settlement Date (T+3)	23-Mar-2021				
Volume Sought (ZAR'm, excluding Subordinated Loan)	726				
Total Bids Received (ZAR'm)	932				
Total Bids Allocated (ZAR'm)	609				
Total Bid Cover Ratio	1,53				
Class Description	**Class A1**	**Class A2**	**Class A3**	**Class B**	**Class C**
Stock Code	UU1A01	UU1A02	UU1A03	UU1B01	UU1C01
ISIN No.	TBD	TBD	TBD	TBD	TBD
Legal Maturity	15-May-43	15-May-43	15-May-43	15-May-43	15-May-43
Coupon Step-Up Date	15-May-24	15-May-26	15-May-26	15-May-26	15-May-26
Target Rating	$AAA_{(ZA)(sf)}$	$AA+_{(za)(sf)}$	$AA+_{(za)(sf)}$	$A-_{(za)(sf)}$	$BBB-_{(za)(sf)}$
Interest Rate Type	Floating	Floating	Fixed	Floating	Floating
Benchmark	3M Jibar	3M Jibar	R186	3M Jibar	3M Jibar
Price Guidance over Benchmark (Bps)	140 - 160	180 - 210	25 - 40	250 - 300	375 - 425
Issue Spread over Benchmark (Bps)	155	220	40	250	380
Total number of bids	7	17	3	17	9
Number of Successful Bids	7	17	0	4	3
Bids Received (ZAR'm)	202	309	50	290	81
Bids Within / Below Guidance (ZAR'm)	202	241	0	265	81
Bids at and Within Issue Spread (ZAR'm)	202	309	0	123	29
Bids Allocated (ZAR'm)	202	309	0	73	25
Bid Cover Ratio	1,00	1,00	N/A	3,97	3,24

Urban Ubomi 1 Offering Summary – Tap Issue

Auction Date (T)	7-Feb-2022				
Settlement Date (T+3)	14-Feb-2022				
Volume Sought (ZAR'm, excluding Subordinated Loan)	440				
Total Bids Received (ZAR'm)	601				
Total Bids Allocated (ZAR'm)	440				
Total Bid Cover Ratio	1,36				
Class Description	Class A4	Class A5	Class A6	Class B	Class C
Stock Code	UU1A04	UU1A05	UU1A06	UU1B02	UU1C02
ISIN No.	ZAG000183567	ZAG000183542	ZAG000183575	ZAG000183591	ZAG000183609
Legal Maturity	15-May-43	15-May-43	15-May-43	15-May-43	15-May-43
Coupon Step-Up Date	15-May-24	15-May-26	15-May-26	15-May-26	15-May-26
Target Rating	$AAA_{(ZA)(sf)}$	$AA+_{(za)(sf)}$	$AA+_{(za)(sf)}$	$A-_{(za)(sf)}$	$BBB_{(za)(sf)}$
Interest Rate Type	Floating	Floating	Fixed	Floating	Floating
Benchmark	3M Jibar	3M Jibar	R186	3M Jibar	3M Jibar
Price Guidance over Benchmark (Bps)	150 - 170	205 - 235	80 - 110	250 - 300	375 - 425
Issue Spread over Benchmark (Bps)	170	235	0	274	400
Total number of bids	3	14	0	14	8
Number of Successful Bids	3	14	0	8	6
Bids Received (ZAR'm)	27	311	0	247	16
Bids Within / Below Guidance (ZAR'm)	27	311	0	247	16
Bids at and Within Issue Spread (ZAR'm)	27	311	0	139	14
Bids Allocated (ZAR'm)	27	283	0	118	12
Bid Cover Ratio	1,00	1,10	N/A	2,09	1,29

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The Milken Institute – 3 March 2022

Urban Ubomi 1 (RF) Ltd

Rating Approach

Agenda

Introduction

- GCR Ratings (GCR") assigned long-term issue credit ratings to the Notes initially issued by Urban Ubomi (RF) Ltd ("Ubomi" or the "Issuer") on 23 March 2021.
- On 14 February 2022, GCR assigned ratings to the new Notes issued by Ubomi.
- To be able to assign ratings, GCR analysed, amongst others, the historical performance of the asset portfolio originated by TUHF Limited ("TUHF"), the structural features of the transaction and the capability and capacity of the key parties involved.

GCR RATINGS

Identification of the Rating Approach

CMBS or not?

Step 1: Determine the appropriate rating methodology to use

CMBS? RMBS? ABS?

No

The rental income generated by the properties is not directly assigned to the Issuer.

No

Credit behaviour of the customers different from the standard residential mortgage customer

Yes

No direct reliance on the rentals but rather on the credit quality of the underlying borrower. Use of historical data provided by TUHF.

Objective of the Rating Exercise

- To assign a rating to a tranche of notes, GCR assesses whether the cash flows generated by the asset portfolio are sufficient to fully service the debt in a given rating scenario.
- In such rating scenario, the key credit metrics (default probabilities, recoveries, prepayments etc.) of the asset portfolio are stressed according to GCR’s rating methodology. Cash flows are then generated using these key metrics and allocated to the various creditors as per the defined priority of payments.
- A rating can only be assigned if 1) the notes can be fully repaid by their legal final maturity and 2) all interest due is paid as per the terms and conditions of the instruments.

Cash Flow Model Inputs

- Cash flows generated by the asset portfolio are simulated by GCR's ABS cash flow model. To run its model, GCR needs to build the necessary inputs related to the asset portfolio, the Issuer's liabilities and the structural features of the transaction.
- The table below shows the different inputs to the cash flow model:

Assets	Liabilities	Structural Features
Cumulative default probability	Capital structure	Sequential/pro rata amortization of the notes
Cumulative recoveries	Note characteristics	Priority of payments
Annual prepayment rate	Senior expenses (fixed vs variable)	Deferral mechanism, if any
Arrears	Reserves, if any	Principal deficiency definition
Portfolio yield	Facilities, if any	Allocation of residual excess spread
Portfolio amortisation	Swap features, if any	
Return on cash		

GCR RATINGS

Asset Key Metrics

- **Cumulative default probability**
  - Cumulative defaults were calculated based on the historical performance of the entire loan portfolio originated by TUHF.
  - The gross base case was calculated based on vintage default curves and then adjusted with the seasoning of the asset portfolio and the geographic concentration exhibited in such portfolio.

Defaults are calculated at origination of the loans. With meaningful seasoning – i.e. time that has lapsed since origination – one can expect that a portion of these defaults would have occurred

Gross default base case 22.85%

Default base case after seasoning adjustment 15.09%

Default base case after Geographic concentrations 15.96%

If the asset portfolio shows significant concentrations (compared to standard GDP distribution), the default probability is adjusted accordingly

Asset Key Metrics

- **Cumulative default probability**
  - Final cumulative default assumption is assessed in comparison to Obligor concentrations.
  - The base case stressed in a given rating scenario is compared to a certain number of the largest obligors making up the asset pool, as per GCR's rating methodology.

Base case x Rating multiple*		Largest 7 Obligors**
15.96% x 3.4 = 54.26%	≥	47%

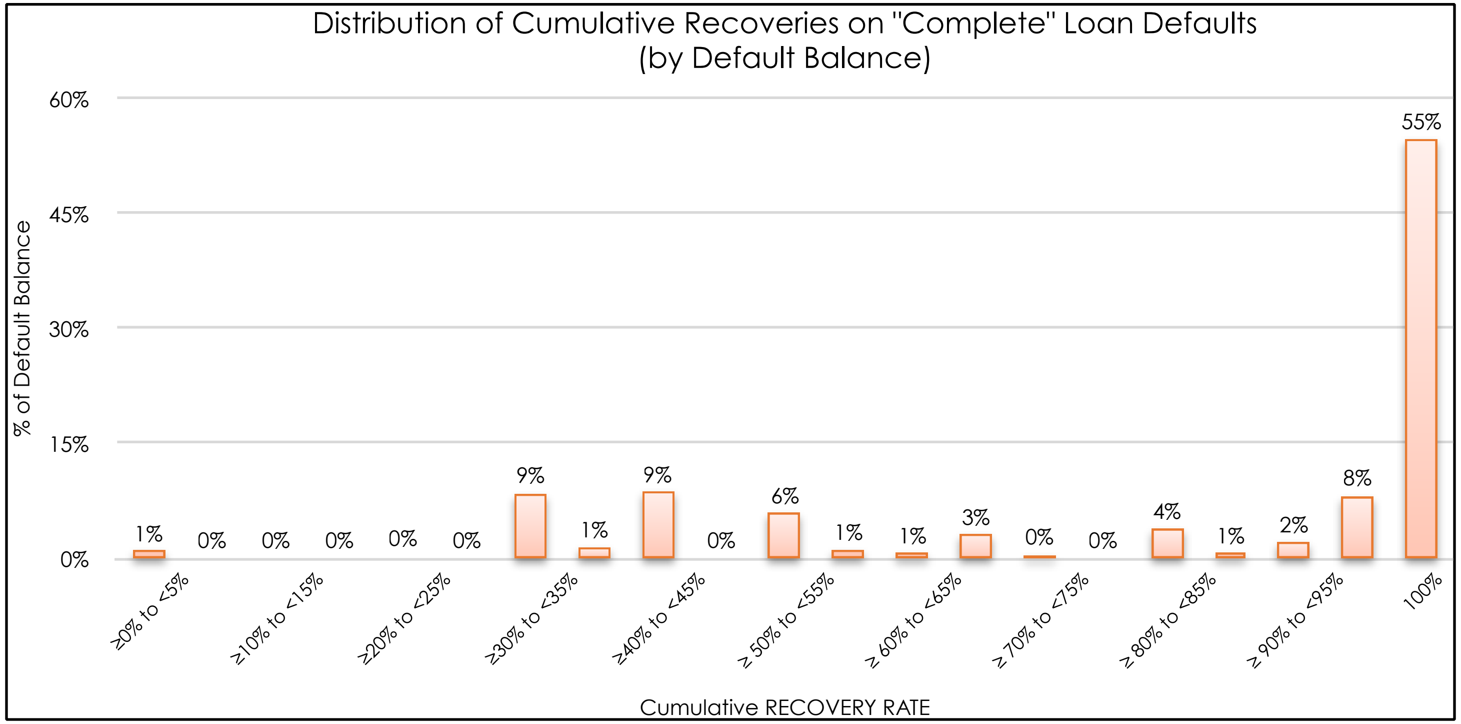
Default probability retained in a AAA scenario
54.26%

** In our example, the 3.4 corresponds to a AAA rating scenario*

*** Although the 7 largest obligors made up 31.5% of the asset portfolio, GCR modelled such concentrations as per the portfolio covenants defined in the transaction documents*

Asset Key Metrics

- **Cumulative recoveries**
  - A bespoke approach was used by GCR to calculate recoveries given that the data didn’t exhibit a regular pattern (normal distribution).



GCR elected to use 80% as the recoveries base case. A portion similar to the 69.3% of observations that are above 80% in this case are above the mean less one-half standard deviation in the case of a normal distribution.

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Asset Key Metrics

- **Cumulative recoveries**
  - A haircut commensurate to the rating scenario is then applied to the base case recoveries.

Rating Scenario	Recoveries Haircut	Modelled Cumulative Recovery Rate
AAA	35%	52.00%
AA+	30%	56.00%
A-	16%	67.20%
BBB	12%	70.40%

Asset Key Metrics

- **Annual Prepayment rates**
  - Prepayments have an impact on excess spread and indirectly on the pace of amortization of the notes.
  - TUHF prepayments in the year ending March 2021 (3.08% of opening portfolio balance) were lower than average. Conservatively, GCR retained the previous 9.04% modelled base case.
  - Prepayments are stressed according to 3 scenarios: high and low scenario as well as prepayment rates remaining as per the base case.

Table 16: Modelled High and Low Prepayments

Rating Scenario	Prepayments Stress	Modelled High Prepayments	Modelled Low Prepayments
AAA	35%	12.2%	5.9%
AA+	30%	11.8%	6.3%
A-	16%	10.5%	7.6%
BBB	12%	10.1%	8.0%

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Other Input Assumptions

Interest rate	Swap	Portfolio yield	Senior expenses	Asset amortization profile	Counterparty risk
3-month JIBAR rate was modelled in increasing, decreasing and stable scenarios.	GCR's cash flow model converts the Prime reference rate on the loans to Jibar plus the swap margin.	GCR compressed the portfolio yield by allocating defaults and prepayments to the highest yielding loans. Additional stress added for substitutions.	Costs incurred by the Issuer are split into variable and fixed expenses. Fixed costs have an increasing negative impact on the cash flow model towards the tail of the portfolio.	Amortisation of the asset portfolio modelled using the combined asset pool.	Replacement of the Servicer only on a Servicer Event of Default. This is deemed too late by GCR. As a result, cash flow disruption was introduced by removing the first month of cash receipts.

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Cash Flow Model Simulation

- After the above mentioned inputs are added to the model and that all structural features of the transaction are incorporated (capital structure, arrears reserve, priority of payments, deferral mechanisms), the Cash flow model can be run.
- For each given rating scenario, The cash flow model tests whether the cash flow can fully service the debt (interest and principal) using a combination of the following:
  - Three different interest rate environments: rising, declining and stable;
  - Three distribution patterns of defaults: as per historical occurrence, front-loaded and back-loaded
  - Three distribution patterns of recoveries: as per historical occurrence, front-loaded and back-loaded
  - Three annual prepayment rates: high, as per historical occurrence and low.

Cash Flow Model Outcome

- In a given rating scenario and according to the model, only if the class of debt can be fully serviced in all sub-scenario combinations (81 sub-scenarios in total) that a rating can be assigned.
- GCR's cash flow model records the outcome of each combination of sub-scenario and provides a detailed analysis of the cash flow generated vs those allocated to assist the rating analyst in understanding the behaviour of the model more accurately.

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Credentials

Yohan holds a Master in Management from Ecole des Hautes Etudes Commerciales (H.E.C) in Paris, France.

Experience

After starting in Mergers and Acquisitions at BNP Paribas in London and New York and setting up funding platforms for Small and Medium enterprises (SMEs) for an advisory firm in Paris, Yohan joined the Structured Finance team of Fitch Ratings in Paris and subsequently in Johannesburg between 2002 and 2007. At Fitch, Yohan rated a variety of securitisations and structured finance instruments (e.g. Covered bonds) across various assets classes (ABS, RMBS, ABCP, CLNs etc.) and jurisdictions (France, UK, Spain, Belgium, Luxembourg, South Africa etc.).

In 2007, Yohan joined Investec Bank Ltd as a Debt Capital Markets Structurer where he helped set up additional funding platforms for the Private Bank division and external clients. In 2011, Yohan joined the Debt Capital Markets team of the Transaction Capital Group. He participated to the listing of the Bayport Medium Term Note Programme and set up recurring funding platforms for Transaction Capital's subsidiary SA Taxi.

In 2017, Yohan joined GCR as Sector Head Structured Finance. He oversees structured finance transactions and rating criteria

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Experience

Fabrice is Head of business and corporate development GCR. Fabrice joined GCR from Fitch Ratings (Fitch) and has been in the ratings industry for two decades.

In his most recent role at Fitch, he was Head of Business and Relationship Management for the Sub-Saharan Africa region. Prior to this, he was Fitch's Office Head in South Africa.

Fabrice has also served in several senior analytical roles and was a senior credit committee member within Fitch's financial institutions and structured credit groups in New York. In the financial institutions group, he has worked on banks in Africa, the Caribbean and the US. In his last analytical position, he was the lead analyst for all Canadian financial institutions and part of the team covering U.S. investment banks and broker-dealers.

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