



## The Thekwini Fund 12 (RF) Limited - New Ratings Accorded

Johannesburg, 29 April 2016 — Global Credit Ratings ('GCR') has accorded the following *final, public* long-term credit ratings to the following Notes issued by The Thekwini Fund 12 (RF) Ltd ('the Issuer'):

●	Class A1 Notes,	stock code TH12A1;	due 21 February 2048;	AAA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class A2 Notes,	stock code TH12A2;	due 21 February 2048;	AAA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class A3 Notes,	stock code TH12A3;	due 21 February 2048;	AAA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class A4 Notes,	stock code TH12A4;	due 21 February 2048;	AAA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class A5 Notes,	stock code TH12A5;	due 21 February 2048;	AAA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class A6 Notes,	stock code TH12A6;	due 21 February 2048;	AAA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class A7 Notes,	stock code TH12A7;	due 21 February 2048;	AAA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class A8 Notes,	stock code TH12A8;	due 21 February 2048;	AAA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class A9 Notes,	stock code TH12A9;	due 21 February 2048;	AAA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class A10 Notes,	stock code T12A10;	due 21 February 2048;	AAA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class A11 Notes,	stock code T12A11;	due 21 February 2048;	AAA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class A12 Notes,	stock code T12A12;	due 21 February 2048;	AAA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class B1 Notes,	stock code TH12B1;	due 21 February 2048;	AA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class B2 Notes,	stock code TH12B2;	due 21 February 2048;	AA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class B3 Notes,	stock code TH12B3;	due 21 February 2048;	AA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class B4 Notes,	stock code TH12B4;	due 21 February 2048;	AA <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class C1 Notes,	stock code TH12C1;	due 21 February 2048;	BBB <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class C2 Notes,	stock code TH12C2;	due 21 February 2048;	BBB <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class C3 Notes,	stock code TH12C3;	due 21 February 2048;	BBB <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class C4 Notes,	stock code TH12C4;	due 21 February 2048;	BBB <sub>(ZA)(sf)</sub>	Stable Outlook;
●	Class D1 Notes,	stock code TH12D1;	due 21 February 2048;	Unrated	Unrated;
●	Class D2 Notes,	stock code TH12D2;	due 21 February 2048;	Unrated	Unrated;
●	Class D3 Notes,	stock code TH12D3;	due 21 February 2048;	Unrated	Unrated;
●	Class D4 Notes,	stock code TH12D4;	due 21 February 2048;	Unrated	Unrated.

The Transaction has Class D Notes of R66,000,000 and a subordinated Start-Up Loan of R80,150,000, which are both unrated. The *final, public* credit ratings accorded to the Class A Notes relate to timely payment of interest and ultimate payment of principal, whilst the ratings on all other securities relate to ultimate payment of interest and ultimate payment of principal. The ratings



exclude an assessment of the ability of the Issuer to pay either any (early repayment) penalties or any default interest rate penalties.

## RATING RATIONALE

The Thekwini Fund 12 (RF) Limited was established as a R4bn Residential Mortgage Backed Securities Programme (the 'Programme') to fund the purchase of a portfolio of home loans originated by SA Home Loans (Pty) Ltd ("SAHL"). The Issuer issued R930m of Notes on 26 September 2014, with subsequent tap issues of R824m, R652m and R800m of Notes on 27 November 2014, 9 February 2015 and 29 April 2015 respectively.

The Notes have a legal final maturity date in February 2048 and a Scheduled Maturity Date in August 2019. The Issuer has the option to issue refinancing notes between 21 July 2019 and 21 October 2019 in order to redeem the Notes on the Coupon Step-Up Date.

SAHL was established in 1999 as a specialist home lender. It is the 6th largest home loan lender in South Africa, and is the largest non-bank home loan lender in the country. The services offered by SAHL cover the full spectrum of home ownership and home financing, from origination and credit approval to registration and ongoing loan servicing. Home loans originated by SAHL have recorded a relatively low level of historical defaults, supported by a high level of recoveries.

The Transaction benefits from the establishment of a Reserve Fund of R80.15m, as well as an Arrears Reserve, Capital Reserve and a Redraw Facility provided by Standard Bank of South Africa Limited.

The home loan portfolio securitised is a granular portfolio comprising in excess of 4,000 home loans. As per the Eligibility Criteria, no home loan can exceed a Committed Loan-To-Value ('LTV') ratio in excess of 81% and a Payment-To-Income ratio of 31%. The Weighted Average Current LTV ratio of the portfolio was 64.7% as at 29 February 2016.

For more information on the Transaction please refer to The Thekwini Fund 12 (RF) Limited - R4bn Residential Mortgage Backed Securities Programme New Ratings Report to be published on 29 April 2016.

## RATINGS HISTORY

Stock code	Initial/ Last Rating	Long Term Rating	Short Term Rating	Outlook
TH12A1	29 April 2016	AAA <sub>(ZA)(sf)</sub>	n.a	Stable
TH12A2	29 April 2016	AAA <sub>(ZA)(sf)</sub>	n.a	Stable
TH12A3	29 April 2016	AAA <sub>(ZA)(sf)</sub>	n.a	Stable
TH12A4	29 April 2016	AAA <sub>(ZA)(sf)</sub>	n.a	Stable
TH12A5	29 April 2016	AAA <sub>(ZA)(sf)</sub>	n.a	Stable

TH12A6	29 April 2016	AAA <sub>(ZA)(sf)</sub>		n.a	Stable
TH12A7	29 April 2016	AAA <sub>(ZA)(sf)</sub>		n.a	Stable
TH12A8	29 April 2016	AAA <sub>(ZA)(sf)</sub>		n.a	Stable
TH12A9	29 April 2016	AAA <sub>(ZA)(sf)</sub>		n.a	Stable
T12A10	29 April 2016	AAA <sub>(ZA)(sf)</sub>		n.a	Stable
T12A11	29 April 2016	AAA <sub>(ZA)(sf)</sub>		n.a	Stable
T12A12	29 April 2016	AAA <sub>(ZA)(sf)</sub>		n.a	Stable
TH12B1	29 April 2016	AA <sub>(ZA)(sf)</sub>		n.a	Stable
TH12B2	29 April 2016	AA <sub>(ZA)(sf)</sub>		n.a	Stable
TH12B3	29 April 2016	AA <sub>(ZA)(sf)</sub>		n.a	Stable
TH12B4	29 April 2016	AA <sub>(ZA)(sf)</sub>		n.a	Stable
TH12C1	29 April 2016	BBB <sub>(ZA)(sf)</sub>		n.a	Stable
TH12C2	29 April 2016	BBB <sub>(ZA)(sf)</sub>		n.a	Stable
TH12C3	29 April 2016	BBB <sub>(ZA)(sf)</sub>		n.a	Stable
TH12C4	29 April 2016	BBB <sub>(ZA)(sf)</sub>		n.a	Stable

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## APPLICABLE METHODOLOGIES AND RELATED RESEARCH

Global Master Structured Finance Rating Criteria - Feb '16; and

Global Residential Mortgage Backed Securities Rating Criteria - Apr '15.

## RATING LIMITATIONS AND DISCLAIMERS

ALL GCR'S CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: <http://GLOBALRATINGS.NET/UNDERSTANDING-RATINGS>. IN ADDITION, GCR'S RATING SCALES AND DEFINITIONS ARE ALSO AVAILABLE FOR DOWNLOAD AT THE FOLLOWING LINK: <http://GLOBALRATINGS.NET/RATINGS-INFO/RATING-SCALES-DEFINITIONS>. GCR'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, PUBLICATION TERMS AND CONDITIONS AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE AT <http://GLOBALRATINGS.NET>.

## GLOSSARY OF TERMS/ACRONYMS USED IN THIS DOCUMENT AS PER GCR'S STRUCTURED FINANCE GLOSSARY

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.
Arranger	Usually an Investment bank that advises and constructs a transaction and acts as a conduit between the transaction parties: Client, Issuer, Credit Rating Agency, Investors, Legal Counsel and Servicers.
Asset	An item with economic value that an entity owns or controls.
Claim	A formal request or demand.
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 Rating Agency	An entity that provides credit rating services.
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.

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.
Income	Money received, especially on a regular basis, for work or through investments.
Issuer	The party indebted or the person making repayments for its borrowings.
Legal final maturity	The legal maturity date of the Notes which is greater than the Expected Maturity date. In an ABS, the maturity date is based on the underlying collateral's legal binding documents. Also called Final Maturity.
Legal Opinion	An opinion regarding the validity and enforceable of a transaction's legal documents.
Lender	A credit provider that is owed debt obligations by a debtor.
Liability	All financial claims, debts or potential losses incurred by an individual or an organisation.
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.
Long Term Rating	A long term rating reflects an issuer's ability to meet its financial obligations over the following three to five year period, including interest payments and debt redemptions. This encompasses an evaluation of the organisation's current financial position, as well as how the position may change in the future with regard to meeting longer term financial obligations.
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. 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.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Option	Either a call or a put option. A call option gives the holder the right to buy assets at an agreed price on or before a particular date. A put option gives the holder the right to sell assets at an agreed price on or before a particular date.
Originator	An entity that created assets and hold on balance sheet for securitisation purposes.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Ranking	A priority applied to obligations in order of seniority.
Redemption	The repurchase of a bond at maturity by the issuer.
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.
Securitisation	Is a process of repackaging portfolios of cash-flow producing financial instruments into securities for sale to third parties.
Securitisation Vehicle	An entity that is created to fulfil specific objectives. Normally insolvency remote and created to isolate financial risk.
Senior	A security that has a higher repayment priority than junior securities.
Servicing	The calculation of interest and repayments, collection of repayments, advancing of loans, foreclose procedures, maintaining records and seeing that the proceeds of each loan are passed on to the respective party.



Short Term Rating	A short term rating is an opinion of an issuer's ability to meet all financial obligations over the upcoming 12 month period, including interest payments and debt redemptions.
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 whilst reducing risk.
Subordinated Loan	A loan typically given by the Issuer to the securitisation vehicle that is more junior than a junior tranche.
Timely Payment	The principal debt, interest, fees and expenses being repaid promptly in accordance with the contractual obligation.
Tranche	In a structured finance, a slice or portion of debt securities offered that is structured or grouped to resemble the same degree of risk associated with the underlying asset or with a similar degree of risk. A junior tranche has a higher degree of default risk than a senior 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.
Ultimate Payment	A measure of the principal debt, interest, fees and expenses being repaid over a period of time determined by recoveries.
Valuation	An assessment of the property value, with the value being compared to similar properties in the area.
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.

## SALIENT FEATURES OF ACCORDED RATINGS

GCR affirms that a.) no part of the ratings 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; c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the validity of the ratings is for a maximum of 12 months, or earlier as indicated by the applicable credit ratings document.

The Servicer participated in the rating process via face-to-face meetings, teleconferences and other written correspondence. Furthermore, the quality of info received was considered adequate and has been independently verified where possible.

The credit ratings have been disclosed to the Servicer with no contestation of the ratings.

The ratings above were solicited by, or on behalf of the rated client, and therefore, GCR has been compensated for the provision of the ratings.

GCR has received the following signed and/or executed transaction documents: Programme Memorandum; Bank Agreement; Servicing and Standby Servicing Agreement; Redraw Facility Agreement; Applicable Pricing Supplements of the Notes; Pledge and Cession Agreement between the trustee of the Owner Trust and the Security SPV; Deed of Suretyship between the trustee of the



Owner Trust and the Security SPV; Cession in Securitatem Debiti (Home Loans); Cession in Securitatem Debiti (Rights and Interests); Common Terms Agreement; Guarantee Investment Contract; Guarantee Issued by the Security SPV in favour of the Secured Creditors; Indemnity between the Issuer and the Security SPV; ISDA Master Agreement; ISDA Credit Support Annexure; ISDA Schedule; Preference Share Subscription Agreement; Transaction Legal Opinion; Home Loan Sale Agreement; Programme Agreement; Issuer and Security SPV Memorandum of Incorporation; Start-Up Loan Agreement; Subordinated Loan Certificate; Subscription Agreement; and Swap Confirmations.