

## Credit Rating Announcement

GCR withdraws the Class A2 Notes and affirms the credit ratings of the Class A3 and A4 Notes issued by Fox Street 3 (RF) Limited

### Rating Action

Johannesburg, 29 November 2022– GCR Ratings (“GCR”) has withdrawn the Class A2 Notes and affirmed the national scale long-term issue credit ratings of Notes issued by Fox Street 3 (RF) Limited (“Fox Street 3”, the “Transaction” or “the Issuer”). This follows GCR’s annual review of the Transaction.

Security Class	Stock Code	Amount	Rating Class	Rating Scale	Rating	Outlook/Watch
Class A2	FST3A2	R0	Long Term Issue	National	WD <sub>(ZA)</sub> (sf)	N.A.
Class A3	FST3A3	R444,289,571	Long Term Issue	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook
Class A4	FST3A4	R260,000,000	Long Term Issue	National	AAA <sub>(ZA)</sub> (sf)	Stable Outlook

N.A.: Not applicable

The Class A2 Notes are withdrawn following their full redemption. In addition, the Transaction has a Subordinated Loan of R151.2m, which is unrated.

The credit ratings accorded to the Class A Notes relate to timely payment of interest and ultimate payment of principal by their Final Redemption 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.

### Rating Rationale

Fox Street 3 is a Residential Mortgage-Backed Securities (“RMBS”) securitisation of home loans originated by Investec Bank Limited (“Investec”) to its private banking clients. Fox Street 3 issued R950m of secured Notes in October 2021 with a possibility of future tap issuances. Seven other similar Fox Street RMBS transactions have been in existence. The Transaction structure aligns with that of Fox Street 7 (RF) Ltd, the previous most recent Fox Street transaction to issue Notes.

The transaction is amortising and during the period under review, Class A1 Notes of R80m and Class A2 Notes of R165m have been redeemed in full. The paydown of the Class A1 and Class A2 Notes was faster than modelled and evidences the stable performance of the portfolio to date. The sequential amortisation of Notes leads to incremental increases in credit enhancement available through subordination to all Classes of Notes including the subordinated loan.

The performance is better than expectations modelled. One default for a balance of R1.97m (which has since rehabilitated) had been reported since transaction close and it represented 0.19% of the original portfolio. Arrears relate to two loans with a total balance of R1.25m and are 30 days old.

Prepayments over the period under review amounted to R372m, however these were moderated by advances (consisting of redraws, re-advances, and further advances) that occurred amounting to R295m. GCR Notes that the quality of the book and the financial astuteness of the clientele may continue to contribute to the strong prepayment levels in response to the interest rate increases. Although there have been no signs of deterioration, some pressure is also expected as a result of the rising interest rate on a small proportion of clients in the portfolio.

Rather than rerunning the model, the performance of the Transaction to date was assessed in order to validate the existing modelling assumptions. In this endeavour, the information gleaned by GCR's constant monitoring of the Transaction, including excess spread and defaulting asset levels, was reviewed. It is on this basis that the ratings of the rated Classes of Notes were affirmed.

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### Related Criteria and Research

Criteria for Rating Structured Finance Transactions – September 2018  
 Criteria for Rating Residential Mortgage-Backed Securities – November 2018  
 Criteria for the GCR Ratings Framework – January 2022  
 Investec Bank Limited Financial Institution Report – September 2022  
 Criteria for Rating Financial Institutions, May 2019  
 Ratings Scales, Symbols and Definitions – May 2022  
 Fox Street 3 (RF) Limited credit rating report – October 2021  
 Review Extension Rating Announcement – October 2022

### Rating History

Notes Class	Review	Rating Scale	Rating	Outlook/Watch	Date
Class A1 (FST3A1)	Initial	National	AAA <sub>(ZA)(sf)</sub>	Stable Outlook	Oct. 2021
	Last (Paid in Full)	National	WD <sub>(ZA)(sf)</sub>	N.A.	Jun. 2022
Class A2 (FST3A2)	Initial	National	AAA <sub>(ZA)(sf)</sub>	Stable Outlook	Oct. 2021
	Last (Paid in Full)	National	WD <sub>(ZA)(sf)</sub>	N.A.	Nov. 2022
Class A3 (FST3A3)	Initial	National	AAA <sub>(ZA)(sf)</sub>	Stable Outlook	Oct. 2021
	Last	National	AAA <sub>(ZA)(sf)</sub>	Stable Outlook	Nov. 2022
Class A4 (FST3A4)	Initial	National	AAA <sub>(ZA)(sf)</sub>	Stable Outlook	Oct. 2021
	Last	National	AAA <sub>(ZA)(sf)</sub>	Stable Outlook	Nov. 2022

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

Advance	A lending term, to transfer funds from the creditor to the debtor.
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	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.

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.
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.
Facility	The grant of availability of money at some future date in return for a fee.
Financial Institution	An entity that focuses on dealing with financial transactions, such as investments, loans, and deposits.
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.
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.
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	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.
Private	An issuance of securities without market participation, however, with a select few investors. Placed on a private basis and not in the open market.
Proceeds	Funds from issuance of debt securities or sale of assets.
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
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 regard 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.
Risk	The chance of future uncertainty (i.e., deviation from expected earnings or an expected outcome) that will have an impact on objectives.
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.
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 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.
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.
Yield	Percentage return on an investment or security, usually calculated at an annual rate.

## Salient Points of Accorded Ratings

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

The credit ratings have been disclosed to the Arranger. The ratings above were solicited by, or on behalf of, the Issuer and therefore, GCR is compensated for the provision of the ratings.

Investec participated in the rating process via teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from Investec and other reliable third parties to accord the credit rating included:

- Investor Reports to 20 October 2022
- Operation Review Presentation 11 November 2022
- Other information to November 2022

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