GCR GLOBAL CREDIT RATING CO.
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Fox Street 6 (RF) Limited
R5bn Residential Mortgage Backed Securities Programme

South Africa Structured Finance Analysis – New Issuance Report **8 August 2018**

Security class	Amount	Stock code	Long term rating	Outlook	Review date
Class A1 Notes	R200,000,000	FS6A1	$AAA_{(ZA)(sf)}$	Stable	8 August 2019
Class A2 Notes	R400,000,000	FS6A2	$AAA_{(ZA)(sf)}$	Stable	8 August 2019
Class A3 Notes	R400,000,000	FS6A3	$AAA_{(ZA)(sf)}$	Stable	8 August 2019
Class B1 Notes	R150,000,000	FS6B1	$AA_{(ZA)(sf)}$	Stable	8 August 2019
Class C1 Notes	R50,000,000	FS6C1U	$A+_{(ZA)(sf)}$	Stable	8 August 2019
Class D1 Notes	R35,000,000	FS6D1U	$BBB_{(ZA)(sf)}$	Stable	8 August 2019
Class E1 Notes	R100,000,000	FS6E1U	Unrated	Unrated	n.a.

Key counterparties:
Issuer: Fox Street 6 (RF) Limited
Issuer Owner Trust: Fox Street 6 Owner Trust
Issuer Owner Trustee: Quadridge Trust Services (Pty) Limited
Administrator/Arranger/Calculation Agent/ Dealer/ Debt Sponsor/GIC Provider/Hedge Provider/Lead Manager/Originator/Paying Agent/Servicer/Transfer Agent: Investec Bank Ltd
Account Bank: Investec Bank Ltd
Settlement Agent: Nedbank Ltd

Summary of transaction:
Asset Class:	RMBS
Limited Recourse:	Yes
Listing:	JSE Limited
Portfolio value:	R1.30bn
Optional Redemption:	Taxation: Yes Change in Law: Yes
Clean-Up Call Option:	Yes (10%)
Closing Date:	August 2018

Ratings history:
Stock code	Initial/last rating	Long term rating	Rating outlook
FS6A1	Aug'18	$AAA_{(ZA)(sf)}$	Stable
FS6A2	Aug'18	$AAA_{(ZA)(sf)}$	Stable
FS6A3	Aug'18	$AAA_{(ZA)(sf)}$	Stable
FS6B1	Aug'18	$AA_{(ZA)(sf)}$	Stable
FS6C1U	Aug'18	$A+_{(ZA)(sf)}$	Stable
FS6D1U	Aug'18	$BBB_{(ZA)(sf)}$	Stable
FS6E1U	Unrated	Unrated	n.a.

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Transaction Summary
Global Credit Ratings ("GCR") has accorded *final, public* long-term credit ratings and rating outlooks to the following Notes issued by Fox Street 6 (RF) Limited (the "Issuer") in August 2018:

- R200m Class A1 Notes, stock code FS6A1; $AAA_{(ZA)(sf)}$; Stable
- R400m Class A2 Notes, stock code FS6A2; $AAA_{(ZA)(sf)}$; Stable
- R400m Class A3 Notes, stock code FS6A3; $AAA_{(ZA)(sf)}$; Stable
- R150m Class B1 Notes, stock code FS6B1; $AA_{(ZA)(sf)}$; Stable
- R50m Class C1 Notes, stock code FS6C1U; $A+_{(ZA)(sf)}$; Stable
- R35m Class D1 Notes, stock code FS6D1U; $BBB_{(ZA)(sf)}$; Stable

The Transaction has Class E1 Notes of R100,000,000 and a Subordinated Loan of R20,039,716, which are both 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, whilst the ratings on all other securities relate to ultimate 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 Panel Highlights
- Fox Street 6 (RF) Limited is a Residential Mortgage Backed Securities ("RMBS") securitisation of home loans originated by Investec Bank Limited ("Investec") to its private banking clients. Investec has previously executed other RMBS transactions, which are rated by GCR.
- The Issuer used the proceeds from the issuance of the Notes to purchase an initial portfolio of home loans (the "Participating Assets") from Investec. GCR was provided with the final pool of Participating Assets, which satisfy the Eligibility Criteria set out in the Transaction Documents and had an aggregate principal amount outstanding of R1.3bn on the issuance date of the Notes. The Seller may repurchase or substitute some Participating Assets, subject to the required conditions being satisfied, in accordance with the Transaction Documents.
- The Participating Assets are defined as all rights, titles and interests in and to: the home loans; the home loan agreements; and the Related Security in respect of such home loans purchased by the Issuer.
- Investec's Private Bank has a clearly-defined target market of high-earning qualified professionals and high net-worth individuals. The bespoke private banking client base results in low cumulative defaults. The reported cumulative defaults in respect of the >90 days and >180 days buckets peaked, for home loans originated in 2008, at 6.3% and 4.0% respectively.
- Investec's total home loan book has a relatively high prepayment rate. As at 30 April 2018, GCR observed an annualised prepayment rate for the total home loan book of 23.04%, and a 17.18% net repayment rate (contractual repayments plus prepayments less redraws, re-advances and further advances), both since January 2009.
- As at 30 June 2018, the securitised home loan portfolio had a weighted average current Loan-To-Value ("LTV") ratio of 70.6% and a weighted average Debt-to-Income ("DTI") ratio of 20.3%.
- The weighted average Original Loan-to Value ("OLTV") ratio for the Fox Street 6 (RF) Limited portfolio was calculated as 75.19%, which is lower than that of previous Fox Street structures, with the exception of Fox Street 2 (RF) Limited. At respective initiation of GCR's ratings, the weighted average OLTV was 76.36% for Fox Street 1 (RF) Limited; 72.04% for Fox Street 2 (RF) Limited; 79.11% for Fox Street 3 (RF) Limited; 81.00% for Fox Street 4 (RF) Limited and 79.92% for Fox Street 5 (RF) Limited.
- The Transaction operates two separate pre-enforcement Priorities of Payments – one that applies to interest receipts on home loans and payments of interest and expenses on the Notes; and one that applies to principal receipts on the home loans and principal payments on the Notes.

- **GCR analysed the Transaction by applying its**:
Global Master Structured Finance Rating Criteria - Feb '17, Global Residential Mortgage Backed Securities Rating Criteria – May '17 and Investec Bank Limited Financial Institution ratings - Oct '17.

GLOBAL CREDIT RATING CO.

Introduction

Fox Street 6 (RF) Limited is a R5bn Residential Mortgage Backed Securities Programme (the "Programme") that issued secured Notes in August 2018. In accordance with the terms and conditions of the Notes, the Issuer may issue listed or unlisted Notes (with the latter not being regulated by the JSE Limited). The Notes issued by the Issuer constitute direct, limited recourse, secured obligations of the Issuer, and the specific terms applicable to each tranche of issued Notes are detailed in the associated Applicable Pricing Supplement ("APS").

The proceeds from the issued Notes were utilised to purchase a portfolio of home loans, together with their associated security (the "Participating Assets"), originated by Investec. Investec fulfils a number of different roles under the Programme and GCR is comfortable that Investec satisfies the relevant counterparty criteria for each role.

Words in capitals are defined in the transaction documents, unless indicated otherwise.

Transaction Structure

Programme

The Programme Limit is R5bn. However, the Issuer may, without consent from the Noteholders, increase the Programme size subject to any required regulatory approvals. The Issuer issued an aggregate amount of R1.335bn in secured Notes at the initial issuance date. However, the Transaction Documents make provision for the further issuance of Notes, subject to the terms and conditions stipulated in the Programme Memorandum, and subject to the ratings assigned to any existing Notes not being downgraded due to such further issuance. The Issuer may issue Fixed and Floating Rate Notes on the JSE Ltd or any other exchange as determined by the Issuer.

The Notes of each class or, in the case of Class A, sub-class, rank *pari passu* among themselves. Any claims of the Noteholders shall be subordinated to the claims of the higher-ranking creditors (including holders of Notes that have a higher ranking) in accordance with the Pre-Enforcement and Post-Enforcement Priority of Payments, as the case may be. Prior to the delivery of an Enforcement Notice, on each Quarterly Payment Date, the Issuer shall utilise Principal Available Funds to redeem the Notes in descending order of rank, to the extent permitted by and in accordance with the Principal Pre-Enforcement Priority of Payments. Similarly, on each Quarterly Payment Date or Monthly Payment Date, as the case may be, Interest Available Funds will be utilised to make payments or provide for payments to be made in accordance with the Interest Pre-Enforcement Priority of Payments. The Priority of Payments in respect of interest and principal are outlined in *Appendix G*.

Should an Event of Default under the Notes occur, the Controlling Class of Noteholders will decide whether the Notes shall become immediately due and payable. An Enforcement Notice would then be delivered to the Issuer and Security SPV, notifying them accordingly. In such event, the Issuer may sell the Participating Assets in order to realise security pursuant to the Security Cession Agreements. After the delivery of an Enforcement Notice, all payments will be administered in accordance with the Post-Enforcement Priority of Payments. The Events of Default under the Notes are outlined in *Appendix D*.

The Security SPV issued a limited recourse Guarantee (the "Guarantee") to each of the Secured Creditors, whereby it undertakes to repay any amounts owing by the Issuer after the occurrence of an Event of Default. In turn, the Issuer has indemnified the Security SPV in respect of claims made pursuant to the Guarantee. The Issuer's obligations in respect of the Indemnity are secured by a Cession and Pledge of the Issuer's rights, title and interests in the Participating Assets and the Issuer's Bank Accounts, among others. As such, the Security SPV's liability in terms of the Guarantee is limited to amounts recovered pursuant to the Indemnity. Each Class of Notes shares in the same security offered by the Guarantee. However, if the security is enforced by the Security SPV, the Class E Notes will be subordinate to the Class D Notes; the Class D Notes will be subordinate to the Class C Notes; the Class C Notes will be subordinate to the Class B Notes; the Class B Notes will be subordinate to the Class A3 Notes; the Class A3 Notes will be subordinate to the Class A2 Notes, and the Class A2 Notes will be subordinate to the Class A1 Notes.

The Issuer may redeem *all* (but not only some) of the Notes on any Quarterly Payment Date when the aggregate Outstanding Amount of Notes is equal to or less than *10%* of the maximum aggregate Outstanding Principal Amount of the Notes that have been in issue at any time. The redemption of Notes pursuant to this Clean-Up Call Option will utilise Principal Available Funds or the proceeds from the disposal of Participating Assets, subject to the terms and conditions of the Notes. Investec may also exercise the Originator Call Option and acquire any or all of the Notes still in issue on the Originator Call Option Date, stipulated in the relevant APS, by providing sufficient notice.

Cash Management

The Servicer will collect payments in respect of the home loans made by the underlying borrowers on behalf of the Issuer. Payments will be made into the Collections Account and transferred daily to the Issuer's Transaction Account. However, upon the occurrence of a Customer Notification Trigger (i.e., the Servicer is downgraded to below 'BBB-$_{(ZA)}$' on GCR's long-term national scale), the Servicer shall notify borrowers, in writing, to make payments directly to the Issuer's Transaction Account. The Administrator has signing authority over the Transaction Account, however, after the delivery of an Enforcement Notice, the Security SPV will have sole signing authority in respect of the Issuer's Bank Accounts.

The Issuer will also maintain a Reserve Account, which will be held at the Account Bank, into which funds pursuant to each reserve will be paid. The funds in the Capital Reserve, Mortgage Bonds Registration Costs Reserve and Redraw Reserve respectively, will be made available for the uses specified for each in accordance with the Principal Pre-Enforcement Priority of Payments, while the funds in the Liquidity Reserve will be made available for its specified use in accordance with the Interest Pre-Enforcement Priority of Payments. The release of all reserve funds available and the reduction of the above reserve balances to zero will occur on the earlier of:

1. the Actual Redemption Date of the last tranche of Notes in issue; or
2. all amounts outstanding in respect of Participating Assets held by the Issuer reducing to zero; or
3. an Enforcement Notice being delivered.

The purpose and required amounts in respect of each reserve are detailed further below.

From time to time, the Issuer may invest cash in Permitted Investments that bear the minimum required ratings. Irrespective of such investments, an adequately rated Guaranteed Investment Contract ("GIC") Provider will provide the Issuer with guaranteed investment returns for all funds held in the Transaction Account and in the Reserve Account respectively, as stipulated in the Guaranteed Investment Contract.

Should the credit ratings of the GIC Provider or the Account Bank be downgraded to below '$A1_{(ZA)}$' on GCR's short-term national scale, a replacement with the abovementioned required credit rating will be appointed in accordance with the Transaction Documents.

Capital Reserve
The Capital Reserve may be funded from the issuance of Notes or from an advance under the Subordinated Loan Agreement. At the end of the Asset Acquisition Pre-Funding Period, the Asset Acquisition Pre-Funding Amount will reduce to zero and may also form part of the Capital Reserve. On each Monthly Payment Date, the Issuer may utilise Principal Available Funds to fund the reserve up to the Required Amount, in accordance with the Principal Pre-Enforcement Priority of Payments. The Capital Reserve Required Amount will be calculated as a percentage of the aggregate amount of Notes in issue (as stated in the relevant APS). On each Monthly Payment Date, Capital Reserve funds may, at the discretion of the Administrator, be released and will form part of the Principal Available Funds (and be transferred from the Reserve Account to the Transaction Account) to be applied in accordance with the Principal Pre-Enforcement Priority of Payments. Investec has communicated that, as of the initial issuance date, the Capital Reserve will not be funded.

Liquidity Reserve
The Issuer will be required to maintain the Liquidity Reserve, which may only be used for specific purposes, as part of Interest Available Funds. The funds allocated to the Liquidity Reserve will be made available for application in accordance with the Interest Pre-Enforcement Priority of Payments, to pay items 1 to 7 (both inclusive) and items 9, 11, 13, 15, 17, 18 and 19, subject to the availability of funds.

While this reserve does not protect the Noteholders against credit risk, its function is to mitigate, amongst others, the risk of interest payment shortfall with respect to the Notes given the separated Interest and Principal Pre-Enforcement Priorities of Payments.

On the initial issuance date, the Liquidity Reserve will be funded from an advance under the Subordinated Loan and from the proceeds of the issuance of Notes. Thereafter and on each Monthly Payment Date, funds may be allocated to the Liquidity Reserve up to the required amount in accordance with the Interest Pre-Enforcement Priority of Payments. The Liquidity Reserve Required Amount is calculated monthly as the sum of:

1. the interest rate applicable to each Class of the Notes multiplied by the Outstanding Principal Amount of each Class of Notes (less the Principal Deficiency, if any, relating to such Class of Notes), and multiplied by 90/360; and
2. the aggregate amount of all fees and expenses due and payable or expected to become due and payable in respect of items 1 to 6 (both inclusive) in the Interest Pre-Enforcement Priority of Payments on the following three Monthly Payment Dates.

At the initial issuance date, the Liquidity Reserve was funded at R28.1m.

Redraw Reserve
The balance available in the Redraw Reserve may be utilised to fund Redraws, Re-advances and Further Advances on the Participating Assets on a daily basis. The Issuer is required to first apply available funds in respect of principal collections from the Participating Assets before utilising the Redraw Reserve to fund Redraws, Re-advances and Further Advances. On the initial issuance date, the Redraw Reserve was funded from an advance under the Subordinated Loan and from the issuance of Notes.

The Issuer will be required to replenish the Redraw Reserve on each Monthly Payment Date in accordance with the Principal Pre-Enforcement Priority of Payments, up to the required amount. The Redraw Reserve Required Amount will be stated in the relevant APS, as a percentage of the aggregate outstanding principal balance of the performing Participating Assets from time to time. At the initial issuance date, the Redraw Reserve was funded up to R26.0m, equivalent to 2% of the Participating Assets.

Mortgage Bonds Registration Costs Reserve
The Mortgage Bond Registration Costs Reserve will be made available to fund registration fees and costs in the event of the Cession of the mortgage bonds in favour of the Security SPV being perfected upon the occurrence of certain Issuer Trigger Events (an Issuer Insolvency Event or an Event of Default under the Notes). The reserve will be funded up to the Mortgage Bond Registration Costs Required Amount from an advance under the Subordinated Loan and from the issuance of Notes. The required amount is determined by the Administrator, as the amount necessary from time to time to register the mortgage bonds should certain Issuer Trigger Events occur. On the initial issuance date, the Mortgage Bond Registration Costs Reserve was funded up to R832,000.

Servicer Default Reserve
The Servicer Default Reserve is a separate reserve to be created by the Administrator if the Servicer's rating is downgraded to below the Servicer Default Reserve Rating of at least '$A_{(ZA)}$' and/or '$A1_{(ZA)}$' on GCR's long-term and short-term national scale respectively. Funds in this reserve may be utilised, upon the occurrence of a Servicer Event of Default, as part Interest Available Funds and may only be used for the same purposes as the Liquidity Reserve, detailed above. Thus, the Servicer Default Reserve supplements the Liquidity Reserve in the event of a downgrade of the Servicer to below the Servicer Default Reserve Rating.

The Servicer is required to fund the Servicer Default Reserve within a period of ten Business Days following such downgrade. Thereafter, on each Monthly Payment Date, the Servicer Default Reserve Required Amount will be calculated as the amount by which the Liquidity Reserve Ledger is less than the sum of:

1. the aggregate interest due and payable on the Class A and Class B Notes on the next Quarterly Payment Date; and
2. the aggregate amount of all fees and expenses due and payable (including expected fees and expenses) in respect of items 1 to 6 of the Interest Pre-Enforcement Priority of Payments on the following three Monthly Payment Dates.

Any increase in the Servicer Default Reserve Required Amount recorded in the Servicer Default Reserve Ledger will be funded by the Servicer within ten Business Days. Conversely, any reduction in the Servicer Default Reserve Required Amount that is recorded in the Servicer Default Reserve Ledger will be re-paid by the Administrator to the Servicer on the immediately following Monthly Payment Date.

Co-mingling risk

The Transaction has co-mingling risks engendered by the collection of instalments in respect of the Participating Assets into the Servicer's Collection Accounts. However, co-mingling risk is mitigated by the daily sweeping/ transferring of collections received in the Servicer's Collection Account in respect of the Participating Assets into the Issuer's Transaction Account. The aforementioned is in line with GCR's Counterparty Criteria. Should the Servicer's rating be downgraded to below 'BBB-$_{(ZA)}$' on GCR's long-term national scale, the Servicer shall notify the borrowers in respect of the Participating Assets to make payments directly into the Issuer's Transaction Account.

Priority of Payments

The Transaction utilises two Pre-Enforcement and one Post-Enforcement Priority of Payments as outlined in *Appendix G*. Payment of amounts due by the Security SPV pursuant to the Guarantee will be made in accordance with the Pre-Enforcement Priority of Payments prior to the delivery of an Enforcement Notice and in accordance with the Post-Enforcement Priority of Payments after the delivery of an Enforcement Notice.

The Priority of Payments has "Excluded Items" which rank above all other items in the Priority of Payments. The payment of amounts due in respect of Excluded Items is not restricted to Monthly Payment Dates or Quarterly Payment Dates. Excluded Items are defined as:

1. funds which belong to third parties (reimbursement for debit order recall and insurance premiums owing under the insurance policies in relation to the Participating Assets);
2. amounts payable to the Seller or Servicer under the appropriate agreements in respect of reconciliations payable in relation to Participating Assets;
3. amounts payable for the redemption of Notes, using net proceeds received by the Issuer from a tranche(s) of Notes issued for this purpose;
4. amounts corresponding to the aggregate Redraws, Re-advances and Further Advances which are advanced by the Issuer to borrowers on any day, in accordance with the provisions of the Servicing agreement; and
5. mortgage bonds registration costs payable by the Issuer.

Principal Deficiency Ledger

The Issuer will establish the Principal Deficiency Ledger, which will consist of sub-ledgers for each class of Notes, as well as the Subordinated Loan. It serves to indicate and record the amounts in respect of each respective Class of Notes or the Subordinated Loan, which will be in shortfall after each collection period if a positive amount is recorded to the respective sub-ledger. The principal deficiency, if any, will first be allocated to the Subordinated Loan Principal Deficiency Sub-Ledger until the amount recorded to that sub-ledger equals the Principal Amount outstanding of the Subordinated Loan. Thereafter, principal shortfalls will be reported in the Class E Principal Deficiency Ledger, followed by the Class D Principal Deficiency Ledger and so on, until all of the Notes have been provided for. The Issuer will use Interest Available Funds on the relevant Monthly Payment Date, in accordance with the Interest Pre-Enforcement Priority of Payments, to clear amounts recorded to the Principal Deficiency Ledger.

Any positive amount recorded in any Principal Deficiency Ledger and not cleared will be carried over to the next collection period. In addition, where more than one tranche of Notes in respect of a Class of Notes has a positive principal deficiency outstanding, it will be cleared in descending order of rank, starting with the Principal Deficiency Sub-Ledger of the most Senior Notes.

If an amount is recorded in a Principal Deficiency Sub-Ledger, the payment of interest accrued to the associated Class of Notes and/or Subordinated Loan, will be deferred until the amount recorded in the relevant Principal Deficiency Sub-Ledger is reduced to zero.

The Principal Deficiency after the most recent collection period is calculated as an amount equal to:

1. the aggregate principal balance of the Participating Assets that became non-performing assets; *plus*
2. the aggregate principal balance of the Participating Assets that are not non-performing assets, but are considered as uncollectible by the Servicer;

multiplied by the Principal Deficiency Percentage of 50%.

Participating Assets

The Participating Assets are a portfolio of home loan agreements originated by Investec to its private banking clients, subject to Investec's credit granting criteria. The Issuer initially purchased Participating Assets from Investec at the issue date of the Notes and may purchase more Participating Assets from time to time in future from Approved Sellers (potentially including Fox Street 1 (RF) Limited and Fox Street 2 (RF) Limited) in accordance with the terms set out in the Sale Agreement, and subject to the Eligibility Criteria outlined in *Appendix F*. All Approved Sellers will have to accede to the Sale Agreement.

From time to time, a borrower may request a Redraw, Re-advance or a Further Advance in accordance with the terms of their home loan agreement. However, the Issuer shall at any time, on prior written notice to a borrower within the time period specified in the relevant home loan agreement, be entitled to cancel any Redraw, Re-advance and Further Advance under a home loan agreement. The Issuer shall be obliged to do so if there are insufficient Principal Available Funds (including funds available under the Redraw Reserve) to fund a Redraw, Re-advance or Further Advance, as the case may be, or if a Servicer Event of Default has occurred and has not been remedied within the designated remedy period.

The Issuer is entitled to purchase Additional Participating Assets from the Seller and/or Approved Sellers, using Principal Available Funds and at the relevant position in the Principal Pre-Enforcement Priority of Payments. Such a purchase of additional home loans will be funded using the proceeds from a tap issuance of further Notes by the Issuer and is subject to the following conditions being met:

1. No Stop-Purchase Event has occurred;
2. Following such acquisition, the Portfolio Covenants will be satisfied; and
3. An Enforcement Notice has not been delivered which remains in effect.

Repurchase of Participating Assets

The Seller shall be obligated to repurchase the Participating Assets from the Issuer in the event that any of the Seller's warranties and representations as set out in the Sale Agreement is in breach. The Seller will also have the right, not the obligation to repurchase Participating Assets, up to a maximum of 10% of the aggregate principal balance of Participating Assets at the initial issuance date plus the balance at any additional issuance dates, in one of the following cases:

1. the Seller or Originator wishes to conclude another transaction with the borrower, whereby the security offered by such borrower forms part of the Related Security ceded by the Seller to the Issuer together with the relevant Participating Asset that the Seller or Originator wishes to repurchase;
2. the property in relation to the Participating Asset is rezoned and no longer complies with the Eligibility Criteria;
3. the borrower requests a Further Advance, Re-advance or Redraw which the Issuer may not advance due to restrictions in terms of the Transaction Documents; or
4. a material change to the circumstances of the borrower occurs, that results in the Seller or Originator repurchasing the Participating Assets for business reasons.

Non-performing Participating Assets may only be repurchased at a fair market value that has been certified by external auditors. The fair value should reflect the non-performing status of the asset and should take account of the value of the security arrangements associated with the relevant Participating Asset. The repurchase is subject to the normal credit approval process of Investec.

Replacement of Participating Assets

The Seller has the right, not the obligation to replace a fully performing Participating Asset with another home loan whose original LTV ratio is equal to or less than that of the Participating Asset being replaced. The substitution will be subject to the satisfaction of the following substitution tests, which will be performed by the Administrator prior to the replacement:

1. the Portfolio Covenants will remain satisfied;
2. the predecessor asset must be fully performing and be in compliance with the aforementioned repurchase of Participating Assets conditions;
3. each replacement asset must be of similar or better credit quality in accordance with Investec's applicable underwriting categories;
4. the replacement asset must not have a final repayment date later than the final loan maturity date (as set out in the most recent Applicable Pricing Supplement);
5. the replacement asset must comply with the prevailing credit criteria;
6. the principal balance of the replacement asset must not be more than or less than 10% of the predecessor asset;
7. the current LTV ratio of a replacement asset should not be greater than the predecessor asset;
8. the original Debt-to-Income ratio of the Replacement asset should not be greater than the predecessor asset's original Debt-to-Income ratio; and
9. the interest rate margin of the replacement asset must be equal to or greater than the predecessor asset's interest rate margin.

<u>Portfolio Covenants</u>

Following the acquisition of Additional Participating Assets or the replacement of Participating Assets by the Issuer, the following Portfolio Covenants must be complied with:

1. the weighted average original LTV ratio is equal to or less than 80.0%;
2. the weighted average Debt-to-Income ("DTI") ratio is equal to or less than 21.0%;
3. the weighted average discount to the Prime Rate Ratio is equal to or less than -0.80%;
4. the Non-Owner Occupied Ratio is equal to or less than 12.0%;
5. the Self-Employed Ratio is equal to or less than 12.0%; and
6. the weighted average Seasoning Ratio is equal to or less than 29.0 months.

Key Transaction Parties

<u>The Issuer</u>

The Issuer, Fox Street 6 (RF) Limited, was incorporated and registered on 2 September 2016 under the Companies Act as a public company with limited liability. The Issuer has been structured as an insolvency-remote, ring-fenced special purpose vehicle in accordance with Securitisation Regulations. The ordinary shares of the Issuer are held by the Issuer Owner Trust and the single preference share is held by Investec. The Issuer has four directors, with the majority appointed by the shareholder, who is the Trustee, and with only one director nominated by Investec. The directors of the Issuer support the King Code on Governance Principles as amended from time to time.

The activities of the Issuer are restricted to those set out in its memorandum of incorporation, as well as any other activities stipulated as such in the Transaction Documents. Investec, in its capacity as an agent of the Issuer pursuant to its multiple roles, will carry out these activities on behalf of the Issuer. Pursuant to its activities under the Programme, the Issuer has lodged an application for registration as a credit provider. KPMG Inc. was appointed as the auditor of the Issuer.

<u>Security SPV</u>

Fox Street 6 Security SPV (RF) (Pty) Limited was incorporated and registered on 12 January 2017 under the Companies Act as a private company with limited liability. The Security SPV has been structured as a ring-fenced, insolvency-remote special purpose vehicle with the main purpose of issuing the Guarantee, entering into and exercising its right under the Transaction Documents. The ordinary shares of the Security SPV are held by the Security

SPV Owner Trust. The Security SPV has one independent director appointed by the shareholder.

The activities of the Security SPV are restricted by its memorandum of incorporation, as well as the Transaction Documents. The Security SPV will issue the Guarantee and in turn, enter into an Indemnity with the Issuer. The Indemnity given by the Issuer will indemnify the Security SPV against claims made by Secured Creditors arising out of the Guarantee. The Issuer's obligations in terms of the Indemnity are secured by:

1. the Owner Trust Suretyship granted by the Issuer Owner Trust in favour of the Security SPV, in respect of the obligations of the Issuer under the Indemnity, limited to the net realisable value of the Issuer's shares held by the Issuer Owner Trust. All of the Issuer's shares are pledged by the Issuer Owner Trust as suretyship granted to the Security SPV; and
2. the Security Cession in terms of which the Issuer agrees to cede and pledge its rights, titles and interests in and to:
    a. the home loan agreements, the mortgage bonds, insurance policies, insurance proceeds and other Related Security in respect of the Participating Assets; and
    b. the Bank Accounts, Account Monies, Permitted Investments, the Business Proceeds and the Transaction Documents.

Following the delivery of an Enforcement Notice, pursuant to an Event of Default having occurred, the Security SPV shall assume sole signing authority over the Transaction Account.

It is possible, however unlikely, for the Security SPV itself to be wound-up, liquidated or placed under supervision by a business rescue practitioner, all of which could have an adverse impact on the rights of the Secured Creditors. Nonetheless, the Security SPV's liability under the Guarantee is limited to the net amount recoverable under the Indemnity and the Owner Trust Suretyship. The Secured Creditors shall be entitled to enforce claims directly against the Issuer in the unlikely event of the Guarantee and Indemnity not being enforceable or the Security SPV being wound-up, liquidated, or placed under supervision by a business rescue practitioner or any similar action.

<u>The Originator / Seller</u>

The home loans constituting the portfolio of Participating Assets are advanced by Investec. A home loan is the aggregate of all advances made in terms of the home loan agreement entered by Investec and the borrower. Investec targets a niche market of customers with its private banking offering. The target market that forms part of Investec's private banking client base includes:

1. Young Professionals:
   Earning *less* than R800,000 (excluding bonuses) p.a. in the following professions; chartered accountant, trainee accountant, medical registrar/specialist, actuary, senior associate at a top ten law firm and/or engineers from the seven preferred disciplines.
2. Preferred Employees:
   Earning *greater* than R800,000 (excluding bonuses) p.a. or business profits of over R2m p.a. for three consecutive years (if self-employed), as well as having a net asset value excluding business assets of between R10m and R25m (if self-employed).
3. High Net Worth Individuals & Entrepreneurs:
   Directors, non-executive directors and employees of listed companies earning *greater* than R5m p.a. and having a minimum net asset value of R25m, as well as self-employed entrepreneurs and very high net worth individuals with a net asset value greater than R50m.

The young professionals targeted have a high propensity to earn and increase their earnings. GCR has been advised that this segment may have LTV ratios in excess of 100%. According to the Eligibility Criteria for the Transaction, no loan with an OLTV of more than 102% will be included in the asset portfolio. While, according to Investec's lending criteria, a 50% Debt-to-Income ("DTI") ratio is allowed, the Eligibility Criteria limit the weighted average DTI ratio of the participating assets to 21%.

Investec has a relatively diverse geographical presence with regional offices in Gauteng, Eastern Cape, Western Cape and KwaZulu Natal. Home loans may be originated in each of the abovementioned regions and, depending on the loan amount, will be subject to credit vetting and approval from the head office in Sandton. Credit authority or loan approval delegation limits are established and will, depending on the deal size, be approved by several credit committees. The credit criteria applied in order to approve home loan applications has remained largely the same in recent years, with credit limits determined based on customers' primary income and affordability tests.

Investec currently does not utilise scorecards in its origination process. Each borrower is individually assessed by a banker, who has comprehensive conversations with the borrower in order to establish their financial needs, affordability and risk parameters. Scorecard models have been built and are undergoing tests, with the anticipation that the models will be finalised and implemented in the near future. Borrowers have access to other private banking suite of products (credit cards, vehicle and asset financing, and home loans) and as a result, may cause the repurchase or substitution of the relevant Participating Asset, subject to the aforementioned conditions being satisfied.

Pursuant to the Sale Agreement, the Issuer may purchase Participating Assets, which satisfy the Eligibility Criteria, on an ongoing basis from Investec or any Approved Sellers that accede to the Sale Agreement. Fox Street 1 (RF) Limited and Fox Street 2 (RF) Limited may potentially become Approved Sellers subject to the relevant conditions being satisfied. The Issuer purchases all the rights, titles and interests of the Participating Assets. The Issuer may, however, only purchase such home loans using the proceeds from a tap issuance of Notes for as long as:

1. the funds utilised to purchase the additional home loans are the remaining Principal Available Funds as per the Principal Pre-Enforcement Priority of Payments;
2. an un-remedied Stop-Purchase Event has not occurred;
3. the portfolio covenants will remain satisfied following the purchase of the additional home loans; and
4. an Enforcement Notice has not been delivered which remains in effect.

The Servicer

The Issuer appointed Investec as its agent, in accordance with the Servicing Agreement (concluded between the Issuer, Servicer, Administrator and the Security SPV) to:

1. manage the Issuer and borrowers' relationships;
2. implement collections, cancellations and arrears procedures in respect of the Participating Assets and, where applicable, enforce and implement foreclosure procedures;
3. manage and advance Redraws, Re-advances and Further Advances and the acquisition of additional home loans by the Issuer;
4. provide computer and information management systems to the Issuer; and
5. comply with all obligations imposed on the Servicer in terms of the Transaction Documents.

The Servicer is not obligated to fund any payments owed in respect of the Notes, or absorb losses incurred in respect of Participating Assets or risk transferred to the Issuer, or any similar action that seeks to compensate for losses incurred in respect of the Programme.

The Servicer shall not be entitled to change, vary or alter the terms and conditions of the Participating Assets, except for:

1. varying the home loan term, provided that the variation does not extend such term beyond the 30 months prior to the Final Redemption Date of the last tranche of Notes;
2. extending and rescheduling home loan repayments to the extent necessary pursuant to debt collection procedures;
3. advancing Redraws, Re-advances and Further Advances pursuant to the Servicing Agreement and subject to the relevant criteria;
4. changing the interest rate margin above/below the base rate; and
5. changing the base rate from floating to fixed rate or a JIBAR-linked rate.

The Servicer maintains real-time synchronised servers between its live sites and disaster recovery sites, enabling a seamless transition of operations from its current offices to the disaster recovery sites. Back-ups of production data are made daily and stored on tapes that are stored offsite. The Servicer advised GCR that due to the constant replication of the database at the disaster recovery sites, the effect on business should be minimal following a disaster event. GCR has also been advised that the Servicer has fuel reserves to keep generators operational for up to two weeks.

The Servicer is currently rated '$AA_{(ZA)}$' and '$A1+_{(ZA)}$' by GCR on the long-term and short-term national scale respectively. Although the Servicer does not have a Servicer Quality rating accorded, GCR is satisfied with its servicing capabilities. However, in the event that the Servicer is downgraded to below the Servicer Default Reserve Rating of '$A_{(ZA)}$' and/or '$A1_{(ZA)}$' on GCR's long-term and short-term national scale respectively, the Administrator shall be required to create a separate Servicer Default Reserve, as previously discussed.

The Servicer may delegate its functions, albeit remain liable under the Servicing Agreement, subject to certain conditions. The appointment of Investec as the Servicer may be terminated by the Issuer, with the Security SPV's consent, on certain Servicer Events of Default or Insolvency Events. The Servicer is entitled to resign with no less than 12 months prior written notice to both the Issuer and Security SPV, or a shorter mutually agreed period.

The Administrator

The Issuer appointed Investec as the Administrator, who will be responsible for managing day-to-day operations of the Issuer pursuant to the Transaction, including:

1. secretarial, reporting and accounting duties;
2. ensuring compliance with the applicable laws;
3. ensuring Transaction Documentation compliance;
4. administering the Priority of Payments
5. acting as the Calculation Agent; and
6. reporting on the Transaction.

The Administrator will have signing authority over the Transaction Account until such time as an Enforcement Notice is served. The Administrator shall notify the Security SPV, the JSE and GCR if an Event of Default has occurred.

The Administrator shall not be the principal debtor or guarantor under the Transaction Documents. Furthermore, it shall not be obliged to fund any liabilities under the Transaction, absorb losses from Participating Assets or compensate for losses incurred by the Programme.

Investec is entitled to resign from its role as Administrator, with no less than twelve months prior written notice to both the Issuer and Security SPV. Such a resignation shall only become effective if a successor Administrator has been appointed. The appointment of the Administrator shall also be terminated on an Administrator Event of Default.

The Bank Accounts

The Transaction Account and Reserve Account will be established at Investec in its capacity as the Account Bank. In addition to the above, Investec will also hold any cash invested by the Issuer pursuant to the Guaranteed Investment Contract, in its capacity as GIC Provider. As previously mentioned, all amounts due to the Issuer will be paid directly into the Transaction Account, while all amounts in respect of the Reserves will be held in the Reserve Account. Payments made by underlying borrowers will be collected into the Servicer's Collection Account and swept daily into the Transaction Account, as mentioned above.

Currently Investec is rated '$AA_{(ZA)}$' and '$A1+_{(ZA)}$' on GCR's long-term and short-term national scale respectively. However, in the event that the Account Bank is downgraded to below '$A1_{(ZA)}$' on GCR's short-term national scale, a replacement bank with the abovementioned required credit rating will have to be appointed in accordance with the provisions of the Account Banks Agreement.

Derivative Counterparty

The Issuer has entered into a derivative contract to mitigate the interest rate risk arising from Participating Assets that bear a reference rate other than the reference rate of the Notes.

An interest rate hedge will be used by the Issuer to swap out Prime *less* 3.1% for 3M JIBAR, calculated using the performing participating assets balance. The Prime leg of the swap references the current Investec Prime rate, reset daily, whilst the 3M JIBAR is reset with each quarterly payment.

Subordinated Loan Provider

The Subordinated Loan is provided by Investec. The interest rate payable on the Subordinated Loan is a floating rate of 3M JIBAR *plus* 3.2%.

The Subordinated Loan may only be repaid, in accordance with the Principal Pre-Enforcement Priority of Payments, if all the Notes have been repaid in full.

Modelling

Default Model

The default model and the cash flow model were run using the R1.3bn pool of home loans held by the Issuer, adjusted to reflect portfolio covenant levels. The portfolio cut-off date is 31 May 2018 and a detailed stratification of the assets is provided in *Appendix C*. GCR was provided with the home loan pool data as at 30 June 2018. GCR performed default and cash flow analysis on the updated data as a comparative test exercise. The final composition of the initial securitised pool of home loans will be determinable at the end of the pre-funding period, on 8 November 2018.

GCR adjusted the metrics of the home loan pool at the cut-off date (31 May 2018) to reflect a portfolio at covenant limits. GCR then calculated the following default frequency table per rating band indicating the Weighted Average Default Frequency ("WADF") and Weighted Average Recovery Rate ("WARR") that was used in the cash flow model.

Table 1: Default Model

Ratings Band	B$_{(ZA)(sf)}$ (base case)	BB$_{(ZA)(sf)}$	BBB$_{(ZA)(sf)}$	A$_{(ZA)(sf)}$	AA$_{(ZA)(sf)}$	AAA$_{(ZA)(sf)}$
WADF	5.4%	8.3%	11.2%	14.1%	17.0%	19.9%
WARR	85.2%	83.0%	81.4%	79.8%	76.3%	72.7%

GCR modelled a 'B$_{(ZA)(sf)}$' (base case) expected loss of 0.80%, calculated as WADF x (1 – WARR). GCR applied several adjustments to each home loan to adjust the base default frequency to an adjusted default frequency, which was then seasoned per ratings band.

Geographic Concentration

GCR applied an adjustment to the each loan's base default frequency and also adjusted the Market Value Decline ("MVD") assumption for the properties situated in the provinces where the proportion of the portfolio, measured in terms of the current credit limit, exceeds the provincial GDP contribution as reported by Statistics South Africa (Statistical Release P0441, Q3 2014). The default frequencies were increased by a factor of 1.15 times the excess over the provincial GDP contribution as a proportion of the current credit limit exposure per province as illustrated in Table 2 below.

Table 2: Property Portfolio per Province

Province	Current Credit Limit per Province [a]	GDP per Province [b]	% above the GDP per Province [c]	Default Adjustment ([c]/[a]) x (1.15 – 1)
EC	2.96%	7.70%	-	-
FS	0.74%	5.10%	-	-
GP	46.10%	*33.80%*	*12.30%*	*4.00%*
KZN	9.46%	16.00%	-	-
LP	0.16%	7.30%	-	-
MP	0.95%	7.60%	-	-
NC	0.21%	2.00%	-	-
NW	0.68%	6.80%	-	-
WC	38.74%	*13.70%*	*25.04%*	*9.69%*

The above default adjustments for properties located in Gauteng (4.00%) and Western Cape (9.69%) were applied to all properties located in the respective provinces.

MVD percentages were also adjusted for properties in provinces with concentration above GDP contribution:

Table 3: Adjusted Market Value Decline

Ratings Band	MVD [d]	GP[1a] [e]	Adjusted MVD for GP [d] + [e]	WC[1b] [f]	Adjusted MVD for WC [d] + [f]
AAA$_{(ZA)(sf)}$	27.00%	1.08%	28.08%	2.62%	29.62%
AA$_{(ZA)(sf)}$	23.00%	0.92%	23.92%	2.23%	25.23%
A$_{(ZA)(sf)}$	19.00%	0.76%	19.76%	1.84%	20.84%
BBB$_{(ZA)(sf)}$	17.00%	0.68%	17.68%	1.65%	18.65%
BB$_{(ZA)(sf)}$	15.00%	0.60%	15.60%	1.45%	16.45%
B$_{(ZA)(sf)}$	12.00%	0.48%	12.48%	1.16%	13.16%

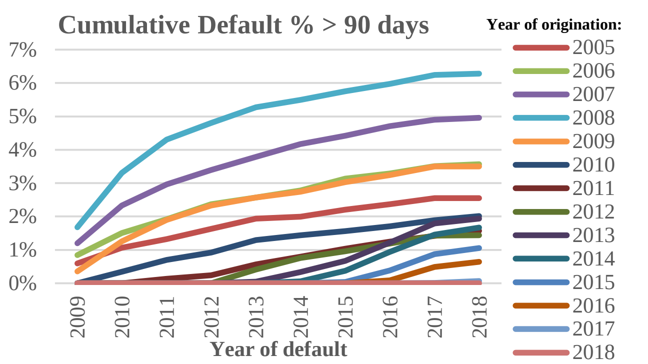
1. [d] x ([b]/[a]) + ([d] x 1.15) x ([c]/[a])

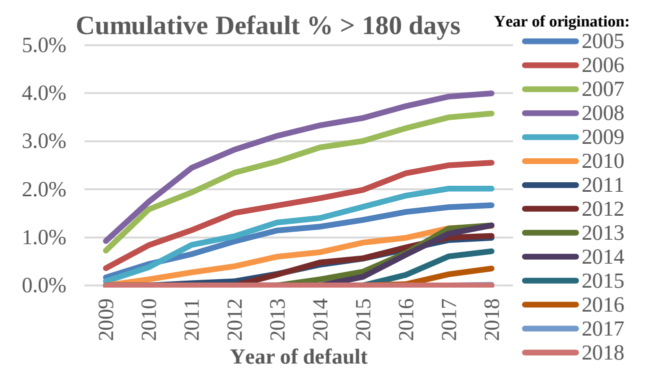
a. GP: [d] x (33.80%/46.10%) + ([d] x 1.15) x (12.30%/46.10%) - [d]

b. WC: [d] x (13.70%/38.74%) + ([d] x 1.15) x (25.04%/38.74%) - [d]

Cumulative Defaults

Investec reported relatively low cumulative defaults that serve as evidence of its bespoke Private Bank customer base and its conservative lending criteria. Below are cumulative default curves (> 90 days and > 180 days) from home loans originated from 2005 to 2018, with the highest being reported of those originated in the 2008 vintage. When establishing the base case default frequency, GCR used its standard RMBS default frequency matrix as opposed to using the abovementioned historical data. However, GCR reduced the base Default Frequencies by 15% in recognition of Investec's low-risk target market segment and the low observed cumulative defaults on Investec's total home loan book. The Transaction had no home loan accounts in arrears at Issuance date.





Automated Valuations
The home loan portfolio has 66 home loans of which the associated properties had automated valuations (‘AVM’ and ‘AAV’ valuations), instead of physical or desktop valuations, conducted by Lightstone Property. These properties were valued at a total of R90.1m. Each such valuation has an Accuracy Score ‘AS’ (probability that the estimation value is correct) and Safety Score ‘SS’ (probability that the estimated value is not an overestimation). GCR applied a haircut, per account, calculated as (1 – (AS/100)) x (1 – (SS/100)). This translates into a R2.6m downward adjustment that was applied to the total automated value portfolio, pre-indexing.

Property Index
The mortgaged properties in the home loan portfolio were last valued at various dates in the past. The latest valuation date of over 80% of the properties is within the past four years. The latest valuation performed on each property was modified to better reflect current value using indexed values (‘IPV’) provided by Lightstone to Investec. GCR understands that all such indexed valuations were determined at the pool cut date of 31 May 2018. GCR applied 75% of the nominal property value increase and 100% of the decline in property value that the IPV valuations implied. 113 properties (16.0% of the aggregate portfolio’s non-indexed property value) had no IPV valuation and, therefore, no index adjustment was applied to them.

Table 4: Indexed Property Portfolio

Total of latest property valuations:	R1,989,846,910
Latest property valuations with automated valuations adjusted downwards:	R1,987,259,515
Indexed property value as at June 2018:	R2,119,549,812
Indexed property value, 75% applied to increase in value & 100% to the decrease in value:	R2,083,093,856

The adjusted indexed property values were then adjusted by the MVD (Market Value Decline) per ratings band, adjusted for geographic concentration as per Table 3 above.

House Price Stress Factor
GCR applied a House Price Stress Factor of 25% (auction haircut) to the indexed property value and assumed this amount as a fair market value for the property on sale and execution.

Foreclosure Cost
GCR used the abovementioned property value per rating band and applied a 5.5% to this value as the foreclosure cost, with a minimum of R30 000.

Loan by Loan Recoveries
GCR calculated the percentage recovered per loan as the post-MVD and stressed adjusted indexed value *less* foreclosure cost *divided by* the Current Credit Limit.

Cash Flow Model

GCR modelled a Pre-Enforcement scenario. GCR therefore modelled the two pre-enforcement cash waterfalls - the Interest Pre-Enforcement Priority of Payments and the Principal Pre-Enforcement Priority of Payments. Thus, cash inflows from interest on the home loans and cash inflows from principal payments on the home loans were modelled separately and allocated to differing sets of items as per these two Priorities of Payments.

Various combinations of scenarios were modelled, including three different default distribution vectors (front-loaded, back-loaded and evenly distributed), three prepayment scenarios (high, low and medium) and three interest rate scenarios (rising, falling and stable).

Defaults and Recoveries
Defaults were calculated according to the WADF output of the default model and distributed in three different time horizon scenarios. GCR used 84 months for a front-loaded scenario, 78 months for a back-loaded scenario and 84 months for an evenly distributed default scenario. The WARR for each ratings band was applied to the expected defaulted amounts for each ratings band. The recoveries are assumed to be collected 30 months after default occurs.

Arrears
Arrears, which are rehabilitated at three months, were modelled as a multiple of defaults according to rating scenario, as follows:

Table 5: Arrears Multiple of Defaults

Rating	Multiple of Defaults
$AAA_{(ZA)(sf)}$	1.10x
$AA_{(ZA)(sf)}$	0.89x
$A_{(ZA)(sf)}$	0.65x
$BBB_{(ZA)(sf)}$	0.47x
$BB_{(ZA)(sf)}$	0.35x
$B_{(ZA)(sf)}$	0.25x

Prepayments
The originator’s total residential loan book has a relatively high prepayment rate. From January 2009 to April 2018, GCR observed an average monthly annualised prepayment rate of the total Investec residential loan book of approximately 23.04%, and a 17.18% net repayment rate (contractual repayments plus prepayments less Redraws, Re-advances and Further Advances).

GCR is cognisant of the fact that Redraws, Re-advances and Further Advances counteract the effect of prepayments on the portfolio to a significant degree. However, GCR elected to consider prepayments as a standalone risk and did not reduce the prepayment rate by an expected rate of Redraws, Re-advances and Further Advances. This is in consideration of the fact that the Issuer can cancel a borrower’s right to such advances at its discretion and is obliged to do so in the event of a Servicer Event of Default.

GCR modelled three prepayment rate scenarios, whereby base prepayments are stressed according to rating band scenario. The upward and downward stresses applied as a percentage of the base prepayment rate of 23.04% are shown in the table below:

Table 6: Prepayments Stresses

Rating	Stress
$AAA_{(ZA)(sf)}$	50.0%
$AA_{(ZA)(sf)}$	40.0%
$A_{(ZA)(sf)}$	30.0%
$BBB_{(ZA)(sf)}$	20.0%
$BB_{(ZA)(sf)}$	15.0%
$B_{(ZA)(sf)}$	0.0%

Interest Rates
The current 3M JIBAR rate was stressed over time to simulate rising, falling and stable interest rate environments. These stresses were derived based on historical 3M JIBAR data and are applied in differing degrees of severity relative to ratings band scenario.

Asset Margin Compression

The weighted average interest rate on the home loan pool was calculated by GCR as Prime less 0.78%. The interest rate on each individual loan was stressed to approximate a covenant-level weighted average interest rate of Prime less 0.80% on the portfolio. The resulting interest rates were divided into six buckets. Defaults and prepayments were allocated sequentially from the highest-yielding bucket to the lowest-yielding bucket to model margin compression on the asset pool. It was noted that a large portion of the outstanding balance of the home loan portfolio (71.1%) is located in the lowest-yielding margin bucket (Prime *less* 1.00% to Prime *less* 0.73%).

Guaranteed Investment

The Guaranteed Investment Contract ("GIC") provider has guaranteed a return equal to 3M JIBAR on cash in the Transaction Account and a return equal to the weighted average interest rate payable on the Notes and the subordinated loan on the Reserve Account. GCR modelled a stressed return of the average overnight rate for both the Transaction Account and the Reserve Account.

Senior Expenses

Senior expenses were modelled as per Investec's indications and the applicable executed contracts. They were then stressed upwards by 10%. An annual escalation of 6% was applied to these expenses to account for inflation.

Legal Opinion

GCR received a legal opinion on the Transaction, dated 8 August 2018, from Werksmans Attorneys. The legal opinion is subject to customary assumptions and qualifications.

GCR understands that:

1. The Issuer and the Security SPV are bankruptcy-remote entities.
2. All Transaction parties have been duly incorporated, exist and are in good standing.
3. All Transaction parties have the power, capacity and authority to enter into and perform their obligations under the Transaction documents.
4. All Transaction documents constitute legal, valid, binding and enforceable obligations against the relevant parties.
5. Local legal, regulatory and tax requirements have been satisfied and the execution of the Transaction documents does not contravene any relevant law.
6. Legal and beneficial ownership of the assets has been transferred to the Issuer and the Originator / Seller has been divested of all rights and obligations arising from the assets.
7. The home loan agreements are legal, valid, binding and enforceable against the borrowers in accordance with their terms.
8. The cessions, including that of insurance policies, and the security structure created are legal, valid, binding and enforceable.
9. Non-petition, subordination, limited recourse and priority of payments provisions are legal, valid, binding and enforceable against all relevant parties.

Tax Opinion

GCR received a tax opinion on the Transaction, dated 27 July 2018, from Werksmans Attorneys.

GCR understands that:

1. The Subordinated Loan and the Notes are not hybrid debt instruments and interest incurred on them is not hybrid interest and is therefore deductible against interest income for tax purposes.
2. Credit losses that relate to interest accrued on the home loans are deductible for tax purposes. It is likely that irrecoverable principal amounts will likewise be deductible.
3. For practical reasons, the Issuer will apply for voluntary VAT registration. VAT will be levied on the various fees charged by the Servicer, Administrator and other counterparties to the Issuer, while the Issuer will not be entitled to a corresponding input tax credit. No other VAT impacts are foreseen.
4. No securities transfer tax or stamp duty will be levied on the issue or transfer of the Notes, on the issue of preference shares or on the execution or cession of any Transaction documents.

Rating Considerations

Meaning of the Rating of the Notes

The ratings accorded to the Class A1, A2, A3, B1, C1 and D1 Notes (the Class E1 Notes are not rated) are *final, public* long-term national scale ratings.

The ratings accorded to the Class A Notes relate to timely payment of interest and principal by the Final Redemption Date. The ratings accorded to the Class B1, C1 and D1 Notes relate to ultimate payment of interest and principal by the Final Redemption Date. The ratings exclude an assessment of the ability of the Issuer to pay any (early repayment) penalties.

The ratings of the rated Notes may change if relevant risk presenting entities are not considered to be of sufficient credit quality anymore and no appropriate remedial action is undertaken when necessary.

The first suffix code identifies to which country the rating relates; 'ZA' means Republic of South Africa; the second suffix code 'sf' means that the rating is of a structured finance nature.

The ratings of the rated Notes will be monitored. GCR will perform regular surveillance on the Transaction. Surveillance reports will be made available to subscribers of GCR's information services.

Rating Criteria Application

GCR has analysed the Transaction by applying its Global Master Structured Finance Rating Criteria and Global Residential Mortgage Backed Securities (RMBS) Rating Criteria. The Criteria are freely available on *www.globalratings.net*.

Other

Audit Opinion/Confirmation

KPMG Inc. is the auditor of the Issuer and performed a pool audit on 100 of the 832 loans that were in the home loan pool at 31 May 2018. No material findings were reported.

Transaction Documents

GCR has received signed and executed versions of the following Transaction documents and expects to receive signed final signed versions of the entire set of necessary documentation prior to according the final rating:

1. Account Bank Agreement;
2. Administration Agreement;
3. Cession in *Securitatem Debiti* (Participating Assets);
4. Cession in *Securitatem Debiti* (Rights and Interests);
5. Cession and Pledge;
6. Common Terms Agreement;
7. Deed of Suretyship;
8. Guaranteed Investment Contract;
9. Guarantee Custody Certificate;
10. Guarantee Issued by the Security SPV in favour of the Secured Creditors;
11. Indemnity between the Issuer and the Security SPV;
12. Swap documentation;
13. Preference Share Subscription Agreement;
14. Pre-Issue Sale Agreement with closing list of assets;
15. Programme Memorandum;
16. Sale Agreement;
17. Servicing Agreement;
18. Subordinated Loan Agreement;
19. Issuer Owner Trust Deed;
20. Security SPV Owner Trust Deed;
21. Issuer Memorandum of Incorporation;
22. Security SPV Memorandum of Incorporation;
23. Warehouse Facility Agreement;
24. Settlement Agreement;
25. Subscription Agreement; and
26. the Applicable Pricing Supplements.

Disclaimer

Note that GCR is not a legal, tax or financial adviser, and only provides a credit opinion of the rated securities. For example, a rating does not cover a potential change in laws nor can it be regarded as an audit. Moreover, GCR is not a party to the transaction documents. Users of our credit ratings should familiarise themselves with all aspects of the Transaction (including the Programme legal opinion), and should form their own views in this respect. They should not rely on GCR for legal, tax or financial advice, and are encouraged to contact the relevant advisers.

Appendix A – Capital Structure

Security class	Long -term rating	Outlook	Issued amount	Coupon 3M JIBAR +	Credit enhancement (%)*	Step-up date	Step-up margin	Term (months)	Principal payment
Class A1 Notes	$AAA_{(ZA)(sf)}$	Stable	R200,000,000	0.69%	85.3%	Aug '21	0.2%	345	Amortising
Class A2 Notes	$AAA_{(ZA)(sf)}$	Stable	R400,000,000	1.05%	55.8%	Aug '23	0.2%	345	Amortising
Class A3 Notes	$AAA_{(ZA)(sf)}$	Stable	R400,000,000	1.24%	26.3%	Aug '23	0.2%	345	Amortising
Class B1 Notes	$AA_{(ZA)(sf)}$	Stable	R150,000,000	1.38%	15.1%	Aug '23	0.2%	345	Amortising
Class C1 Notes	$A+_{(ZA)(sf)}$	Stable	R50,000,000	1.85%	11.4%	n.a.	n.a.	345	Amortising
Class D1 Notes	$BBB_{(ZA)(sf)}$	Stable	R35,000,000	2.25%	8.8%	n.a.	n.a.	345	Amortising
Class E1 Notes	Unrated	Unrated	R100,000,000	2.80%	1.5%	n.a.	n.a.	345	Amortising
Subordinated Loan	Unrated	Unrated	R19,843,632	3.20%	0.0%	n.a.	n.a.	n.a.	Amortising

***** Credit enhancement calculated as a percentage of the Notes *plus* the Subordinated Loan.

Ratings Sensitivity

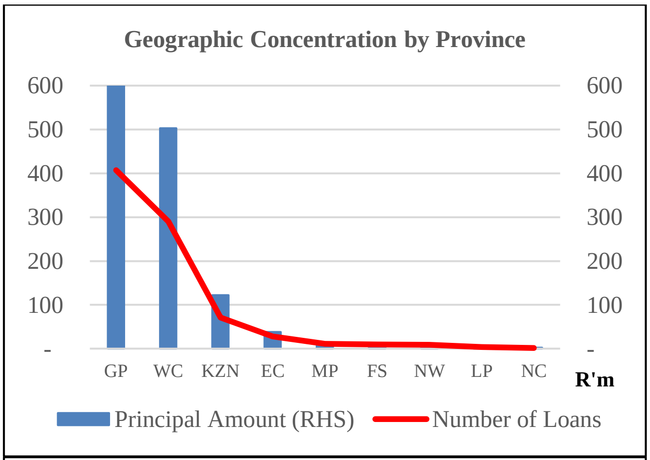
Security class	Long-term Rating	15% Increase of WADF	30% Increase of WADF
Class A1 Notes	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$
Class A2 Notes	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$
Class A3 Notes	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$
Class B1 Notes	$AA_{(ZA)(sf)}$	$AA-_{(ZA)(sf)}$	$A_{(ZA)(sf)}$
Class C1 Notes	$A+_{(ZA)(sf)}$	$A_{(ZA)(sf)}$	$A-_{(ZA)(sf)}$
Class D1 Notes	$BBB_{(ZA)(sf)}$	$BBB-_{(ZA)(sf)}$	$BB+_{(ZA)(sf)}$
Class E1 Notes	Unrated	Unrated	Unrated

Security class	Long-term Rating	15% Decrease of WARR	30% Decrease of WARR
Class A1 Notes	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$
Class A2 Notes	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$
Class A3 Notes	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$
Class B1 Notes	$AA_{(ZA)(sf)}$	$AA-_{(ZA)(sf)}$	$A-_{(ZA)(sf)}$
Class C1 Notes	$A+_{(ZA)(sf)}$	$A-_{(ZA)(sf)}$	$BBB+_{(ZA)(sf)}$
Class D1 Notes	$BBB_{(ZA)(sf)}$	$BB+_{(ZA)(sf)}$	$BB_{(ZA)(sf)}$
Class E1 Notes	Unrated	Unrated	Unrated

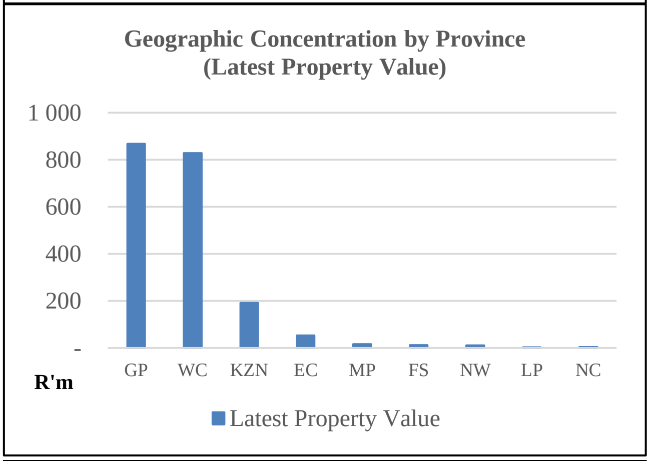
Security class	Long-term Rating	15% Increase of WADF and 15% Decrease of WARR	30% Increase of WADF and 30% Decrease of WARR
Class A1 Notes	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$
Class A2 Notes	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$
Class A3 Notes	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$	$AAA_{(ZA)(sf)}$
Class B1 Notes	$AA_{(ZA)(sf)}$	$A+_{(ZA)(sf)}$	$A-_{(ZA)(sf)}$
Class C1 Notes	$A+_{(ZA)(sf)}$	$BBB+_{(ZA)(sf)}$	$BBB-_{(ZA)(sf)}$
Class D1 Notes	$BBB_{(ZA)(sf)}$	$BB_{(ZA)(sf)}$	$B+_{(ZA)(sf)}$
Class E1 Notes	Unrated	Unrated	Unrated

Appendix B – Portfolio Stratification (31 May 2018)

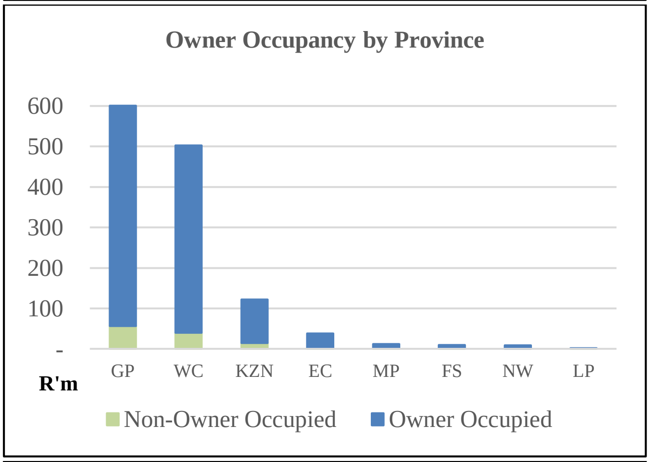
Province	Number of Loans	Principal Amount [a]	[a] %
GP	407	600,681,411	46.2%
WC	290	502,853,855	38.7%
KZN	71	122,249,177	9.4%
EC	28	38,351,930	2.9%
MP	11	12,502,435	1.0%
FS	10	9,694,109	0.7%
NW	9	8,975,499	0.7%
LP	4	2,066,233	0.2%
NC	2	2,754,588	0.2%
Total	**832**	**1,300,129,238**	**100.0%**



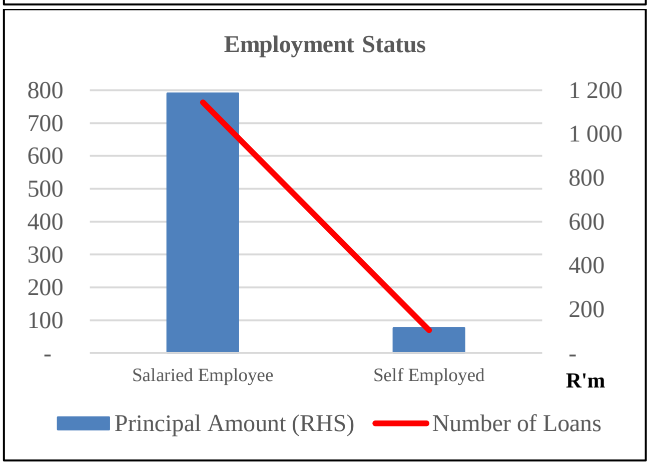
Province	Mortgage Deed Value	Latest Property Value [a]	[a] %
GP	691,878,346	868,488,920	43.6%
WC	580,698,280	828,227,990	41.6%
KZN	135,074,058	191,790,000	9.6%
EC	44,041,530	53,275,000	2.7%
MP	13,925,700	16,670,000	0.8%
FS	10,595,857	12,930,000	0.6%
NW	10,515,000	11,760,000	0.6%
LP	2,305,700	2,630,000	0.1%
NC	3,475,000	4,075,000	0.2%
Total	**832**	**1,989,846,910**	**100.0%**



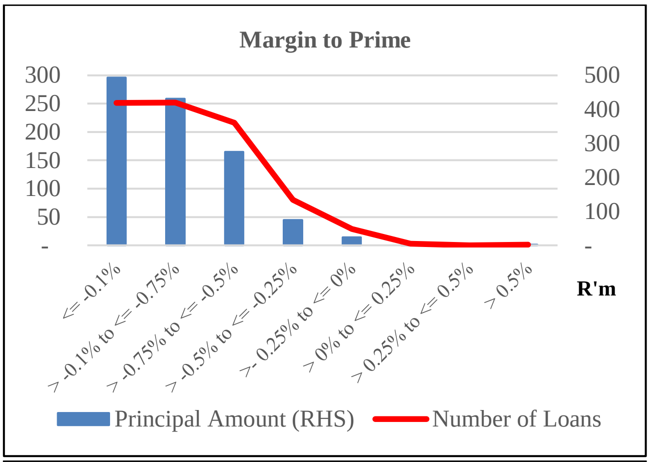
Province	Principal Amount: Non-Owner Occupied	Principal Amount: Owner Occupied [a]	[a] %
GP	56,676,817	544,004,594	90.6%
WC	39,865,141	462,988,713	92.1%
KZN	14,685,414	107,563,763	88.0%
EC	3,002,315	35,349,615	92.2%
MP	1,603,519	10,898,915	87.2%
FS	1,126,966	8,567,144	88.4%
NW	600,142	8,375,358	93.3%
LP	801,169	1,265,065	61.2%
NC	407,993	2,346,595	85.2%
Total	**118,769,476**	**1,181,359,762**	**90.9%**



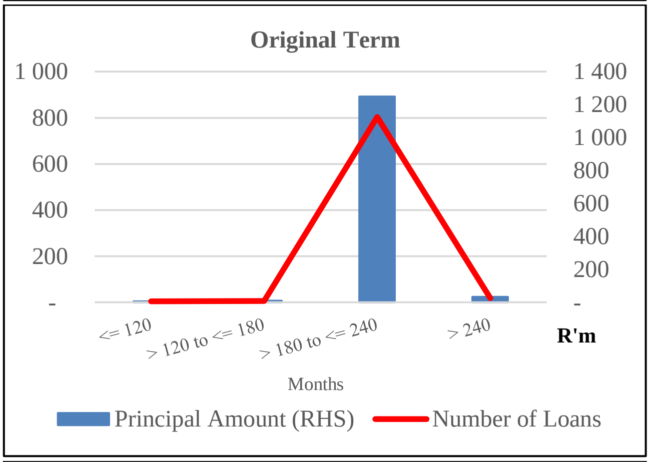
Employment Status	Number of Loans	Principal Amount [a]	[a] %
Salaried Employee	763	1,185,064,435	91.2%
Self Employed	69	115,064,803	8.9%
Total	**832**	**1,300,129,238**	**100.0%**



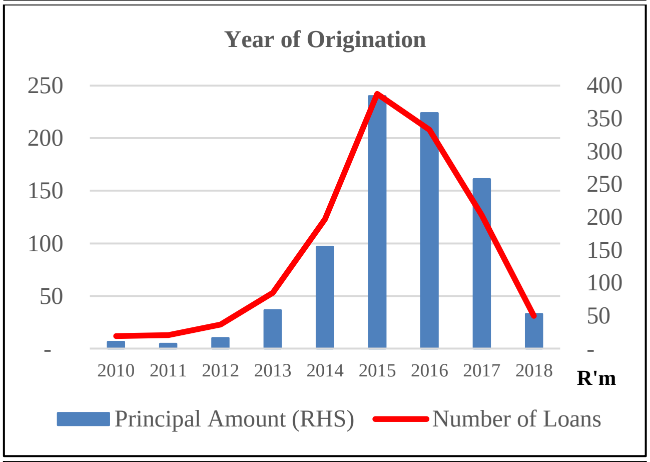
Margin to Prime	Number of Loans	Principal Amount [a]	[a] %
≤ -0.1%	251	493,223,806	37.9%
> -0.1% to ≤ -0.75%	252	430,941,251	33.1%
> -0.75% to ≤ -0.5%	216	274,932,686	21.1%
> -0.5% to ≤ -0.25%	80	74,081,014	5.7%
>- 0.25% to ≤ 0%	29	23,255,840	1.8%
> 0% to ≤ 0.25%	3	1,451,565	0.1%
> 0.25% to ≤ 0.5%	0	-	0.0%
> 0.5%	1	2,243,075	0.2%
Total	**832**	**1,300,129,238**	**100.0%**



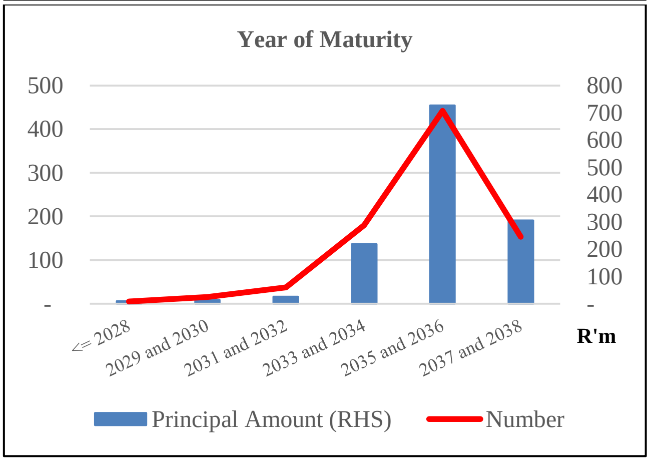
Original Term (Months)	Number of Loans	Principal Amount [a]	[a] %
≤ 120	4	6,792,351	0.5%
> 120 to ≤ 180	6	10,949,976	0.8%
> 180 to ≤ 240	803	1,248,244,229	96.0%
> 240	19	34,142,682	2.6%
Total	**832**	**1,300,129,238**	**100.0%**



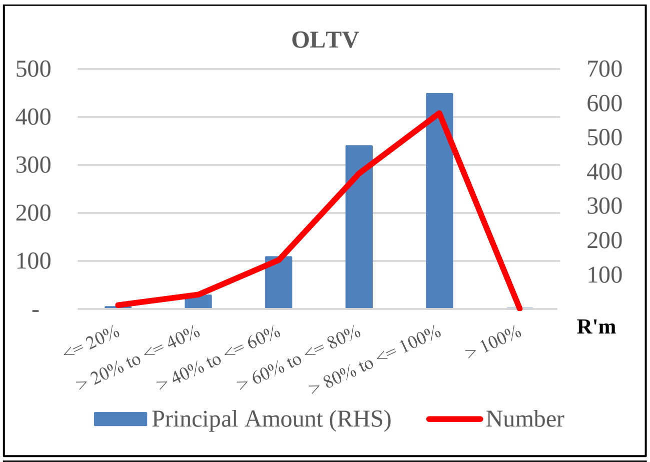
Year of Origination	Number of Loans	Principal Amount [a]	[a] %
2010	12	10,485,625	0.8%
2011	13	7,507,097	0.6%
2012	23	16,127,254	1.2%
2013	53	58,452,915	4.5%
2014	123	154,826,388	11.9%
2015	242	383,838,833	29.5%
2016	208	358,195,565	27.6%
2017	127	257,797,587	19.8%
2018	31	52,897,974	4.1%
Total	**832**	**1,300,129,238**	**100.0%**



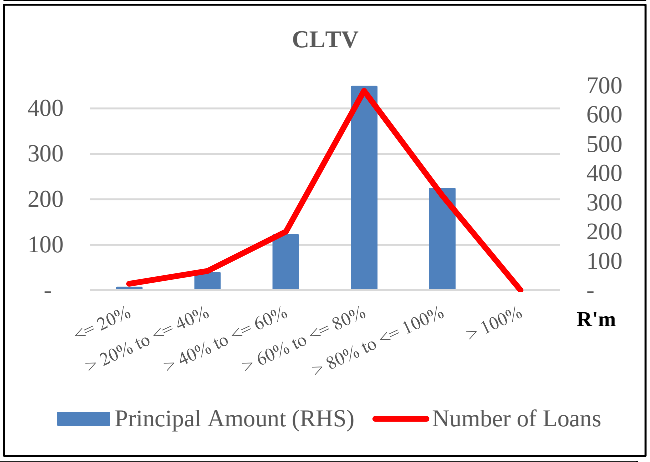
Year of Maturity	Number of Loans	Principal Amount [a]	[a] %
≤ 2028	5	9,588,932	0.7%
2029 and 2030	15	14,297,673	1.1%
2031 and 2032	37	25,618,854	2.0%
2033 and 2034	180	218,328,124	16.8%
2035 and 2036	442	727,020,910	55.9%
2037 and 2038	153	305,274,745	23.5%
Total	**832**	**1,300,129,238**	**100.0%**



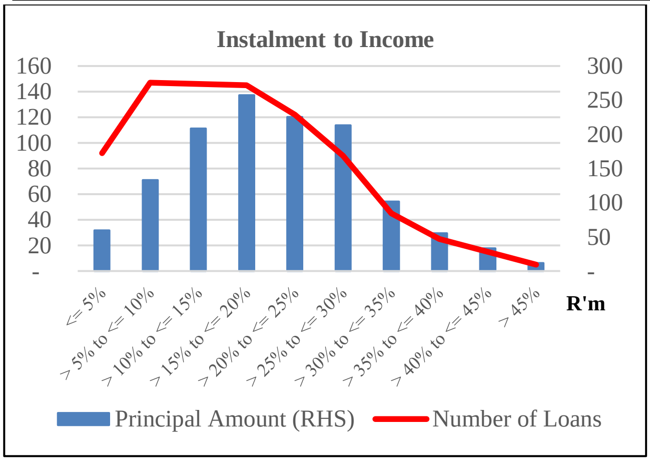
Original LTV	Number of Loans	Principal Amount [a]	[a] %
≤ 20%	8	5,799,206	0.4%
> 20% to ≤ 40%	30	39,159,514	3.0%
> 40% to ≤ 60%	102	151,927,570	11.7%
> 60% to ≤ 80%	283	475,144,370	36.5%
> 80% to ≤ 100%	408	627,005,626	48.2%
> 100%	1	1,092,952	0.1%
Total	**832**	**1,300,129,238**	**100.0%**



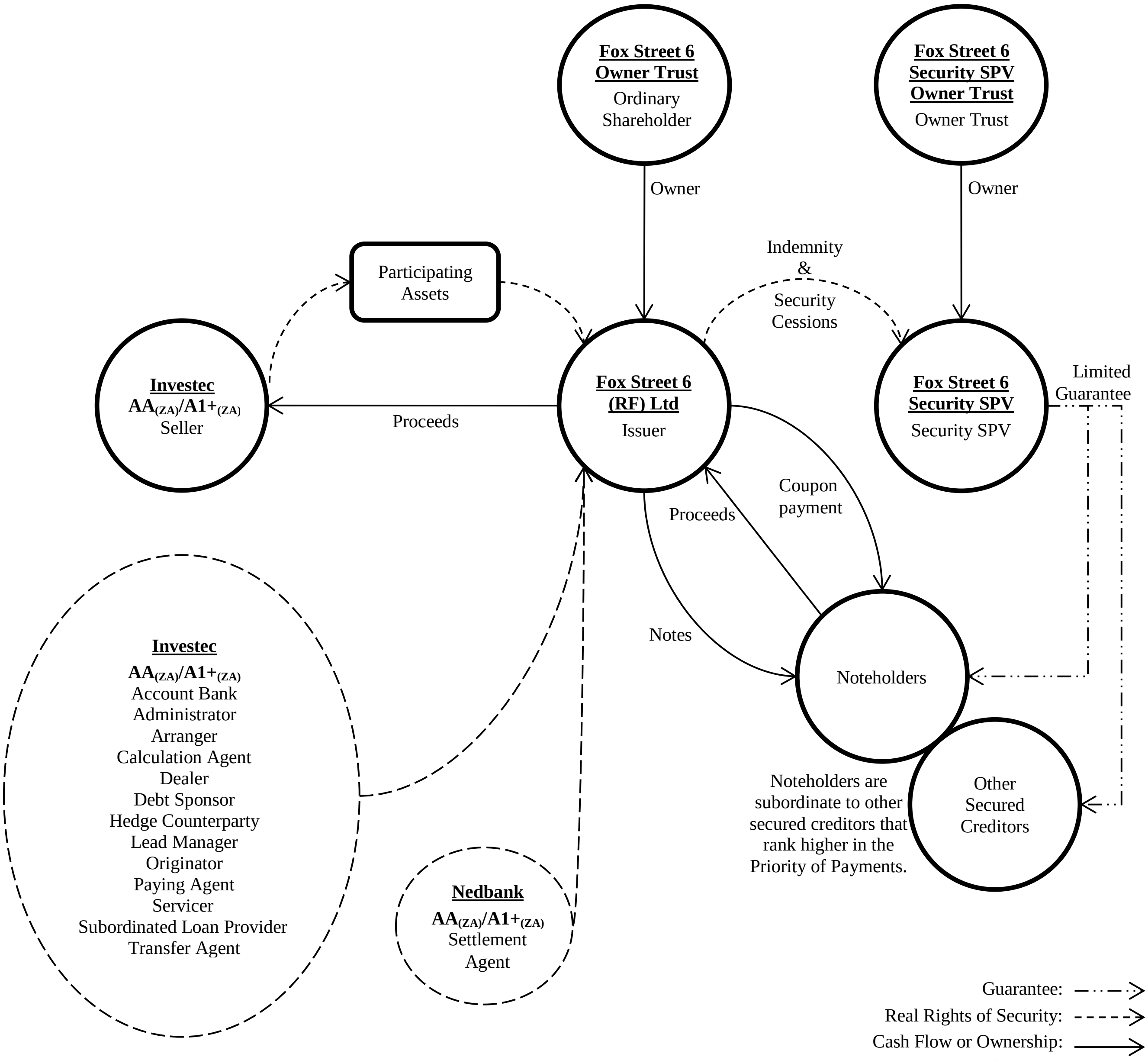
Current LTV	Number of Loans	Principal Amount [a]	[a] %
≤ 20%	14	8,364,221	0.6%
> 20% to ≤ 40%	42	59,365,983	4.6%
> 40% to ≤ 60%	129	188,442,464	14.5%
> 60% to ≤ 80%	439	696,844,457	53.6%
> 80% to ≤ 100%	208	347,112,113	26.7%
> 100%	-	-	0.0%
Total	**832**	**1,300,129,238**	**100.0%**



Instalment to Income	Number of Loans	Principal Amount [a]	[a] %
≤ 5%	92	59,442,645	4.6%
> 5% to ≤ 10%	147	133,069,955	10.2%
> 10% to ≤ 15%	146	208,625,004	16.0%
> 15% to ≤ 20%	145	257,386,361	19.8%
> 20% to ≤ 25%	122	225,535,335	17.3%
> 25% to ≤ 30%	90	213,175,764	16.4%
> 30% to ≤ 35%	45	101,955,115	7.8%
> 35% to ≤ 40%	25	55,604,426	4.3%
> 40% to ≤ 45%	15	33,425,340	2.6%
> 45%	5	11,909,294	0.9%
Total	**832**	**1,300,129,238**	**100.0%**



Appendix C: Transaction Diagram



Source: Programme Memorandum *et al*

Appendix D – Event of Default Events

An Event of Default will occur, should:

1. the Issuer fail to pay an amount of interest due and payable to the Controlling Class of Noteholders within 3 (three) Business Days of the Quarterly Payment Date to the extent permitted by available funds for that purpose in terms of the Priority of Payments or principal due and payable to the Controlling Class of Noteholders within 3 (three) Business Days of the Final Redemption Date, irrespective of whether or not there are available funds for that purpose in terms of the Priority of Payments;
2. the Issuer fail to pay any amount whether in respect of interest, principal or otherwise, due and payable in respect of any other Class of Notes within 10 (ten) Business Days of the due date for the payment in question to the extent permitted by available funds for that purpose in terms of the Priority of Payments;
3. the Issuer fail duly to perform or observe any other obligation binding on it under the Notes, these Terms and Conditions or any of the other Transaction Documents (irrespective of the materiality of such breach or obligation), which breach is not remedied within 30 (thirty) days after receiving written notice from either the Security SPV or the counterparty to the relevant agreement requiring such breach to be remedied and the Security SPV has certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders; or
4. the Issuer cease to be wholly owned by the Owner Trust without the prior written consent of the Security SPV; or
5. an Issuer Insolvency Event occur;
6. any procedural step be taken by the Issuer (including application, proposal or convening a meeting) with a view to a compromise or arrangement with any creditors generally or any significant class of creditors;
7. the Security Interests in favour of the Security SPV pursuant to any of the Security Agreements become unenforceable for any reason whatsoever (or be reasonably claimed by the Security SPV not to be in full force or effect) or should the grant to the Security SPV of a first priority Security Interest in respect of the assets cease or should the Guarantee be or become unenforceable; or
8. it be or become unlawful for the Issuer to perform any of its obligations under the Transaction Documents and the Security SPV has certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders; or
9. any consent, license, permit or authorisation required by the Issuer for the conduct of its business be revoked, withdrawn, materially altered or not renewed and such situation not be remedied within 14 (fourteen) days after the Issuer and/or Administrator have been given written notice requiring the applicable consent, licence, permit or authorisation to be obtained; or
10. the Issuer alienate or Encumber any of its assets (other than as provided for in the Transaction Documents) without the prior written consent of the Security SPV; or
11. the Issuer cease to carry on its business in a normal and regular manner or materially change the nature of its business, or through an official act of the board of directors of the Issuer, threaten to cease to carry on business.

Appendix E – Issuer Insolvency Events

An Issuer Insolvency Event will occur, should:

1. the Issuer become subject to a scheme of arrangement as envisaged in section 114 or scheme of compromise envisaged in section 155 of the Companies Act (other than one the terms of which have been approved by the Security SPV or by an Extraordinary Resolution of the Noteholders and where the Issuer is solvent);
2. the Issuer be wound-up, liquidated, deregistered or placed under business rescue, in any such event whether provisionally or finally and whether voluntarily or compulsorily;
3. the Issuer compromise or attempt to compromise with, or defer or attempt to defer payment of debts owing by it to, its creditors generally or any significant class of creditor (except a deferral provided for in the Transaction Documents as a result of lack of funds available for that purpose in terms of the Priority of Payments);
4. the Issuer commit an act which would be an act of insolvency, in terms of the Insolvency Act, 1936, were the Issuer a natural person (other than any deferral of payments in terms of the Priority of Payments);
5. the Issuer be deemed to be unable to pay its debts in accordance with the provisions of section 345 of the Companies Act, 61 of 1973 (except where such inability is a result of a lack of available funds for that purpose in terms of the Priority of Payments);
6. the Issuer become financially distressed (as such term is defined in section 128 of the Companies Act);
7. the members or creditors or, where applicable, directors of the Issuer meet in order to pass a resolution providing for the Issuer to be wound up, liquidated, deregistered or placed under business rescue, or any resolution be passed to this effect.

Appendix F – Eligibility Criteria (as at the Transfer Date)

1. The Property in respect of such Home Loan Agreement is a fixed, immovable residential property (including sectional title property and properties in respect of which there is consent for business use) situated in South Africa and excluding without limitation, vacant plots, incomplete buildings, farms, small-holdings and time-share properties.
2. The Home Loan Agreement is a fully amortising interest and principal loan where equal payments are scheduled to be made on a monthly basis over the term of the loan until the Principal Balance of such Home Loan amortises to zero.
3. The Home Loan Agreement bears interest at a fixed rate or a variable rate linked to the Prime Rate.
4. The Principal Balance of the Home Loan is denominated in Rand.
5. The minimum Principal Balance at the date of sale is equal to ZAR250,000.
6. The maximum Principal Balance at the date of sale is equal to ZAR6,000,000.
7. The maximum term of the Home Loan Agreement is equal to 280 months from the date of the first advance of funds to a Borrower in terms of the relevant Home Loan Agreement.
8. The Home Loan Agreement has an Original LTV Ratio of less than or equal to 102%.
9. The Home Loan Agreement has a Current LTV Ratio of less than or equal to 102%, based on the latest Property valuation.
10. The Borrower has a Debt-to-Income Ratio of less than or equal to 50%.
11. Prior to making an advance to a Borrower, Investec applied all of its Credit Criteria relevant to the granting of the Home Loan (i.e. regardless of the Seller, the loan was initially originated by Investec, applying Investec's Credit Criteria).
12. Prior to advancing the Home Loan, a valuation of the relevant Property was undertaken in accordance with Investec's standard procedures from time to time.
13. The Home Loan Agreement is not subject to any dispute, counterclaim, enforcement or set-off.
14. The Home Loan Agreement constitutes legal, valid, binding and enforceable obligations of the relevant Borrower and Home Loan Lender.
15. The Home Loan Agreement is Fully Performing and has never been in arrears.
16. The Home Loan Agreement imposes an obligation on the Borrower to ensure that the relevant Property is insured and, at the relevant Transfer Date the relevant Property is insured, under and an Insurance Policy in the name of the Borrower, the interests in respect of which are ceded to the Home Loan Lender and its assigns as holders of the Mortgage Bond, or, in the case of sectional title property, the Home Loan Agreement imposes an obligation on the Borrower to ensure that the relevant Property is insured under an Insurance Policy in the name of the body corporate, with the interests of Home Loan Lender as holder of the Mortgage Bond and its assigns endorsed thereon, in each case with an accredited insurer approved by the Home Loan Lender against all risks usually covered by Home Loan lenders in South Africa advancing money on the security of residential property of the same nature to an amount not less than the full reinstatement value.
17. The Home Loan Agreement is capable of assignment to the Issuer without the further consent of, or notice to, the relevant Borrower.
18. The Home Loan Agreement is secured by a first-ranking Mortgage Bond and, if applicable, by additional Mortgage Bonds in reducing order of rank, for at least the committed capital amount under the Home Loan Agreement and the Mortgage Bond constitutes legal, valid, enforceable and continuing security in respect of the Home Loan Agreement.
19. At least one instalment has been received in respect of such Home Loan Agreement.
20. The Home Loan Agreement allows the Home Loan Lender to accelerate payments in the event of default by the Borrower.
21. The Borrower is an individual and a citizen of South Africa.

Appendix G – Priority of Payments

1. Interest Pre-Enforcement Priority of Payments

Interest-Available Funds (interest and fees on the home loans, bank account interest and other income of a revenue nature)	**Liquidity Reserve** (can only be used for items 1 – 6, the interest in items 7 – 16 and for items 17 – 19)
1 - 2	Tax and Senior expenses
3	Servicer and administrator fees
4	Amounts owing to the derivative counterparty (excluding termination amounts if the derivative counterparty defaults or is downgraded below the required credit rating)
5 – 6	Interest on warehouse facility and redraw facility*
7 – 16	Class A notes interest and to clear the Class A principal deficiency sub-ledger**
	Class B notes interest*** and to clear the Class B principal deficiency sub-ledger
	Class C notes interest*** and to clear the Class C principal deficiency sub-ledger
	Class D notes interest*** and to clear the Class D principal deficiency sub-ledger
	Class E notes interest*** and to clear the Class E principal deficiency sub-ledger
17	Replenish the liquidity reserve
18	Allocate the release of the liquidity reserve (over the liquidity reserve required amount) to the principal available funds ledger
19	Derivative termination amounts if counterparty is in default or downgraded below the required credit rating
20 - 21	Interest and fees on the subordinated loan*** and to clear the subordinated loan principal deficiency sub-ledger
22	Dividends to the preference shareholder

* The redraw facility is an option under the programme and is currently not active. Investec has indicated that the warehouse facility will be repaid in full on the issuance date.

** Class A is comprised of Class A1, Class A2 and Class A3, which repay sequentially.

*** Subject to an interest-deferral event not occurring.

2. Principal Pre-Enforcement Priority of Payments

Principal-Available Funds (all payments of a principal nature, including repayments, prepayments and replacement assets sold, *inter alia*)	
1 - 2	Tax and Senior expenses[§]
3	Servicer and administrator fees[§]
4 – 5	Principal on warehouse facility and redraw facility[§§]
6	Replenish the redraw reserve
7 - 11	Principal on Class A notes[§§§]
	Principal on Class B notes
	Principal on Class C notes
	Principal on Class D notes
	Principal on Class E notes
12	Allocate to interest-available funds to the extent interest on the notes remains unpaid
13	Allocate to the capital reserve ledger[§§§§]
14	Principal on the subordinated loan
15	Dividends to the preference shareholder

§ Only to the extent that these were not paid from interest-available funds or the liquidity reserve in the interest priority of payments.

§§ The redraw facility is an option under the programme and is currently not active. Investec has indicated that the warehouse facility will be repaid in full on the issuance date.

§§§ Class A is comprised of Class A1, Class A2 and Class A3, which repay sequentially.

§§§§ The capital reserve is an option under the programme and is not currently active.

3. Post-Enforcement Priority of Payments

Transaction Account and Reserve Account	
1 - 2	Tax and Senior expenses
3	Servicer and administrator fees
4	Amounts owing to the derivative counterparty (excluding termination amounts if the derivative counterparty defaults or is downgraded below the required credit rating)
5 – 6	Warehouse facility interest and fees, then warehouse facility principal
7 – 8	Redraw facility interest and fees, then redraw facility principal[x]
9 – 10	Class A notes interest, then Class A notes principal[y]
11 – 12	Class B notes interest, then Class B notes principal
13 – 14	Class C notes interest, then Class C notes principal
15 – 16	Class D notes interest, then Class D notes principal
17 – 18	Class E notes interest, then Class E notes principal
19	Derivative termination amounts if counterparty is in default or downgraded below the required credit rating
20 - 21	Subordinated loan interest, then subordinated loan principal[z]
22	Dividends to the preference shareholder[z]

x. The redraw facility is an option under the programme and is currently not active.
y. Class A is comprised of Class A1, Class A2 and Class A3, which repay sequentially.
z. Provided that all interest and principal due and payable on the notes has been paid in full.

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

Account Bank	A bank where the transaction account is held.
Administration	A debtor unable to pay a judgement of debt or who cannot meet its financial obligations and does not have sufficient realisable assets that can be attached in satisfaction of judgement or obligations. The debtor can apply for an administration order interims of the Magistrates' Court Act 32 of 1944 (South Africa).
Administrator	A transaction appointed agent responsible for the managing of a Conduit or a Special Purpose Vehicle. The responsibilities may include maintaining the bank accounts, making payments and monitoring the transaction performance.
Advance	A lending term, to transfer funds from the creditor to the debtor.
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.
Applicable Pricing Supplement	A transaction document that describes the particulars of notes issued.
Arrears	General term for non-performing obligations, i.e. obligations that are overdue.
Asset	An item with economic value that an entity owns or controls.
Bond	A long term debt instrument issued by either: a company, institution or the government to raise funds.
Borrower	The party indebted or the person making repayments for its borrowings.
Business Rescue	A term under the Companies Act 71 of 2008 (South Africa) Chapter 6 to remedy an entity that is likely to become insolvent. Entities that are likely to become insolvent (where liabilities exceed assets) or unlikely to be able to pay their debts as they fall due and payable in the coming six months.
Calculation Agent	An agent appointed by the Issuer to calculate the: 1.) Coupon in accordance with the Applicable Pricing Supplement; 2.) Other related fees and expenses and Priority of Payments; and 3.) Transaction covenants.
Call Option	A provision that allows an Issuer the right, not the obligation, to repurchase a security before its maturity at an agreed price. The seller has the obligation to sell the security if the call option holder exercises the option.
Capital	The sum of money that is used to generate proceeds.
Cash Flow	A financial term for monetary changes in operations, investing and financing activities.
Claim	A formal request or demand.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Credit	A contractual agreement in 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
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 Risk	The probability or likelihood that a borrower or issuer will not meet its debt obligations. Credit Risk can further be separated between current credit risk (immediate) and potential credit risk (deferred).
Creditor	A credit provider that is owed debt obligations by a debtor.
Debt	An obligation to repay a sum of money.
Debt Sponsor	Usually as Investment bank that brings a transaction to the capital markets, similar to an Arranger.
Debtor	The party indebted or the person making repayments for its borrowings.
Deed	A legal document that is signed and delivered, especially one regarding the ownership of property or legal rights.
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.
Delegate	A form of novation, a change in creditor or debtor, co-operation of all parties to the agreement, both the old and new creditor or debtor.
Delegation	A form of novation, a change in creditor or debtor, co-operation of all parties to the agreement, both the old and new creditor or debtor.
Derivative	A financial instrument that offers a return based on the return of another underlying asset.
Desktop	An assessment of the property value, with the value being compared to similar properties in the area.
Downgrade	The assignment of a lower credit rating to a corporate, sovereign of debt instrument by a credit rating agency. Opposite of upgrade.
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.
Enforceable	To make sure people do what is required by a law or rule et cetera.
Enforcement	To make sure people do what is required by a law or rule et cetera.
Environment	The surroundings or conditions in which an entity operates (Economic, Financial, Natural).
Exposure	Exposure is the amount of risk the holder of an asset or security is faced with as a consequence of holding the security or asset. For a company, its exposure may relate to a particular product class or customer grouping. Exposure may also arise from an overreliance on one source of funding.
Fair Value	Accounting term, a rational and unbiased estimate of the potential market price of a good, service or asset.
Floating Rate Notes	Debt securities that have a periodic interest rate reset in relation to the reference rate, i.e. JIBAR.
Foreclosure	Legal proceedings initiated by a creditor to repossess the collateral for obligations that have defaulted.

Guarantee	An undertaking for performance of another's obligations in event of default.
Guaranteed Investment Contract	A contract that guarantees the principal and interest repayment over a period of time. Typically, GIC are used in relation to a bank account.
Guarantor	A party that gives the guarantee.
Haircut	The percentage by which the market value of a security used as collateral for a loan is reduced. The size of the haircut reflects the expected ease of selling the security and the likely reduction necessary to the realised value relative to the fair value.
Hedge	A form of insurance against financial loss or other adverse circumstances.
Income	Money received, especially on a regular basis, for work or through investments.
Indemnity	A security or protection against a loss or other financial burden.
Index	An assessment of the property value, with the value being compared to similar properties in the area.
Insolvency	When an entity's liabilities exceed its assets.
Insolvency Remote	A feature, through real security and guarantees that reduces the enforceability of a creditor against a Special Purpose Vehicle. Typically a Security Special Purpose Vehicle should be bankruptcy remote.
Instalment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 1.) Satisfy the due or unpaid interest charges; 2.) Satisfy the due or unpaid fees or charges; and To reduce the amount of the principal debt.
Insurance	Provides protection against a possible eventuality.
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.
Liability	All financial claims, debts or potential losses incurred by an individual or an organisation.
Liquidity	The ability to repay short-term obligations or short-term availability of liquid assets to a market or entity.
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.
Loss	A tangible or intangible, financial or non-financial loss of economic value.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Market Value Decline	A decline in the market value of residential properties.
National Scale Rating	The national scale provides a relative measure of creditworthiness for rated entities only within the country concerned. Under this rating scale, a 'AAA' long term national scale rating will typically be assigned to the lowest relative risk within that country, which in most cases will be the sovereign state.
Noteholder	Investor of capital market securities.
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.
Origination	A process of creating assets.
Originator	An entity that created assets and hold on balance sheet for securitisation purposes.
Owner Trust	Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Pari Passu	Side by side; at the same rate or on an equal footing. Securities issued with a pari passu clause have rights and privileges that are equivalent to those of existing securities of the same class.
Payment Date	The date on which the payment of a coupon is made.
Performing	An obligation that performs according to its contractual obligations.
Pledge	Constituted by an agreement between the pledgor, who undertakes to deliver the article, and the pledgee, and subsequent delivery of the property in question as security for debt. A pledge is only applicable to movable property.
Prepayment	Early or excess repayment of an obligation. Partial or full prepayment of the outstanding loan amount.
Prepayment Rate	The rate of prepayment in relation to the pool of obligations. Also called prepayment speed.
Pricing	A process of determining the price of a debt security.
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.
Property	Movable or immovable asset.
Provision	An amount set aside for expected losses to be incurred by a creditor.
Ranking	A priority applied to obligations in order of seniority.
Rated Securities	Debt securities that have been accorded a credit rating.
Rating Outlook	A Rating outlook indicates the potential direction of a rated entity's rating over the medium term, typically one to two years. An outlook may be defined as: 'Stable' (nothing to suggest that the rating will change), 'Positive' (the rating symbol may be raised), 'Negative' (the rating

	symbol may be lowered) or 'Evolving' (the rating symbol may be raised or lowered).
Recourse	A source of help in a difficult situation.
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.
Reference Rate	A rate that is the basis of the calculation such as JIBAR.
Release	An agreement between the creditor and debtor, in terms of which the creditor release the debtor from its obligations.
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.
Reserve Fund	A funded account available for use by a Special Purpose Vehicle for one or more specified purposes. A reserve fund is often used as a form of credit enhancement. Typically accumulated over time, through excess cash flows.
Reserves	A portion of funds allocated for an eventuality.
Seasoning	The age of an asset, the time period passed since origination.
Secured Creditor	A creditor that has specific assets pledged as collateral that will receive the proceeds in the event of default.
Securities	Various instruments used in the capital market to raise funds.
Securitisation	Is a process of repackaging portfolios of cash-flow producing financial instruments into securities for sale to third parties.
Security	An asset deposited or pledged as a guarantee of the fulfilment of an undertaking or the repayment of a loan, to be forfeited in case of default.
Senior	A security that has a higher repayment priority than junior securities.
Servicer	A transaction appointed agent that performs the servicing of mortgage loans, loan or obligations.
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.
Settlement	Full repayment of an obligation.
Settlement Agent	The person that acts on behalf of the debtor for repayment or settlement of obligations.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Special Purpose Vehicle	An entity that is created to fulfil specific objectives. Normally insolvency remote and created to isolate financial risk.
Stock Code	A unique code allocated to a publicly listed security.
Stop Purchase Event	An event caused by deteriorating performance of a transaction or environmental changes that would stop the purchasing of new assets into the transaction.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whist reducing risk.
Subordinated Loan	A loan typically given by the Issuer to the securitisation vehicle that is more junior than a junior tranche.
Surveillance	Process of monitoring a transaction according to triggers, covenants and key performance indicators.
Swap	An agreement between two parties for the exchange of a series of future cash flows. The exchange of one security for another. Normally an investment bank, which provides a swap.
Taxation	A source of government revenue levied on income and accruals.
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.
Trigger Event	An event caused by transactional performance or environmental changes that would impact a transaction.
Trust	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Trust Deed	A deed of conveyance creating and setting out the conditions of a trust.
Trustee	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
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.
Waterfall	In securitisation, the order in which the cash flows are allocated to the transaction parties.
Weighted	The weight that a single obligation has in relation to the aggregated pool of obligations. For example, a single mortgage principal balance divided by the aggregated mortgage pool principal balance.
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.
Yield	Percentage return on an investment or security, usually calculated at an annual rate.

For a detailed glossary of terms please click here

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

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

GCR has received the following signed and executed transaction documents:

- Account Bank Agreement;
- Administration Agreement;
- Cession in Securitatem Debiti (Participating Assets);
- Cession in Securitatem Debiti (Rights and Interests);
- Cession and Pledge;
- Common Terms Agreement;
- Deed of Suretyship;
- Guaranteed Investment Contract;
- Guarantee Custody Certificate;
- Guarantee Issued by the Security SPV in favour of the Secured Creditors;
- Indemnity between the Issuer and the Security SPV;
- Swap documentation;
- Preference Share Subscription Agreement;
- Pre-Issue Sale Agreement with closing list of assets;
- Programme Memorandum;
- Sale Agreement;
- Servicing Agreement;
- Subordinated Loan Agreement;
- Issuer Owner Trust Deed;
- Security SPV Owner Trust Deed;
- Issuer Memorandum of Incorporation;
- Security SPV Memorandum of Incorporation;
- Warehouse Facility Agreement;
- Settlement Agreement;
- Subscription Agreement; and
- the Applicable Pricing Supplements.

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.