



SA HOME LOANS

Just when you thought Africa only had the big 5.....a sixth



The **Thekwini Fund 6 (Pty) Ltd**
Roadshow Presentation September 2006



Agenda

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Introduction



Introduction

New Issuance

- The Thekwini Fund 6 (Pty) Ltd (“Thekwini 6”) is the sixth term issuance by South African Home Loans (Pty) Ltd (“SAHL”)
- SAHL aims to issue R2 billion (with a potential to upsize to R3 billion)
- Similar structural features to previous Thekwinis

Established Issuer

- SAHL has successfully raised over R9.9 billion in the debt capital markets through term securitisations
- In June 2005 SAHL launched The Thekwini Warehousing Conduit – a programme established to warehouse home loans prior to term deals, funded through the issuance of short term (mostly F1+) paper. The size of the conduit is currently over R6 billion
- The Thekwini Fund 1 Limited, the first RMBS issuance in South Africa, was successfully redeemed on its call date in November 2005 – another first in the South African market

Experienced Originator and Servicer

- SAHL’s strong and stable growth in its assets under management demonstrates its ability to originate home loans
- SAHL is an experienced servicer and has achieved an SQ3+ servicer rating from Moody’s

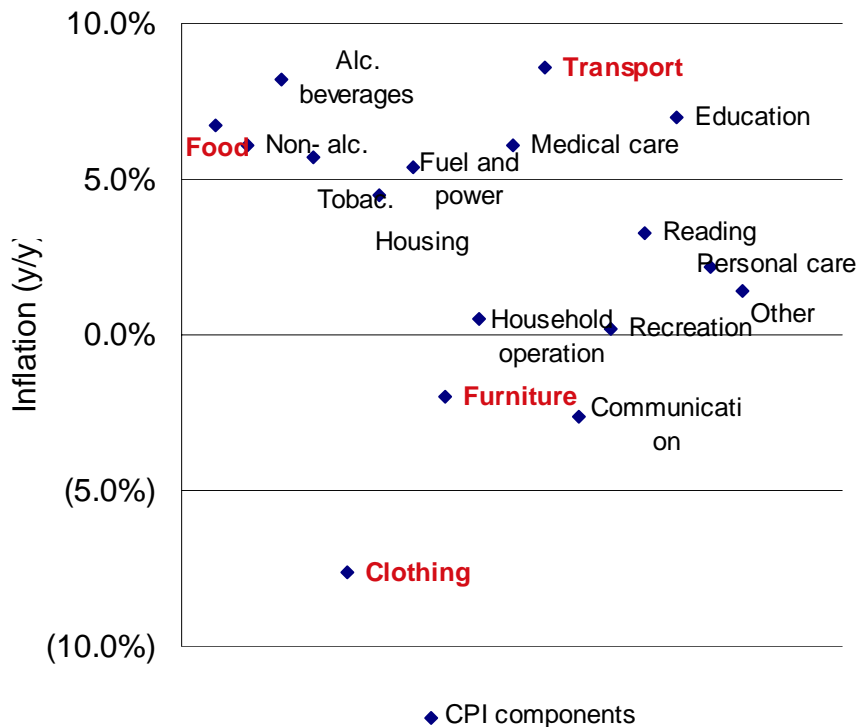
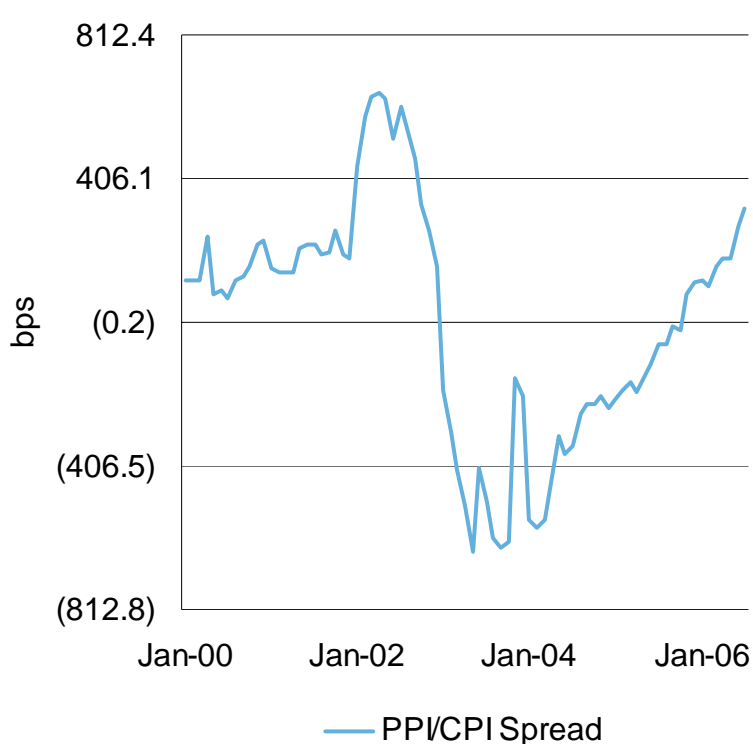


Economic Overview



The interest rate environment

Cost push pressures a growing threat to the inflation outlook



Sources: Bloomberg, Standard Bank Group

Source: StatsSA

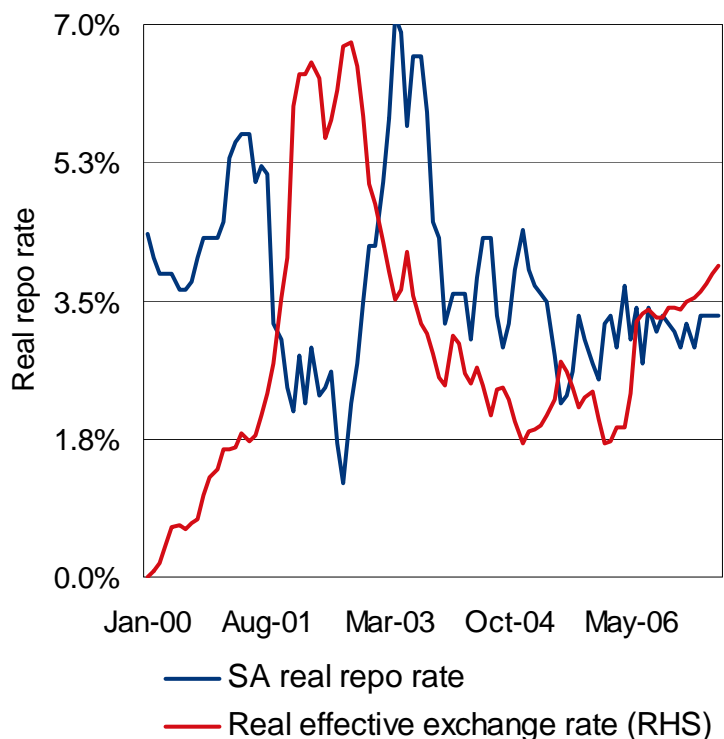
The weak exchange rate could allow pass-through to consumers



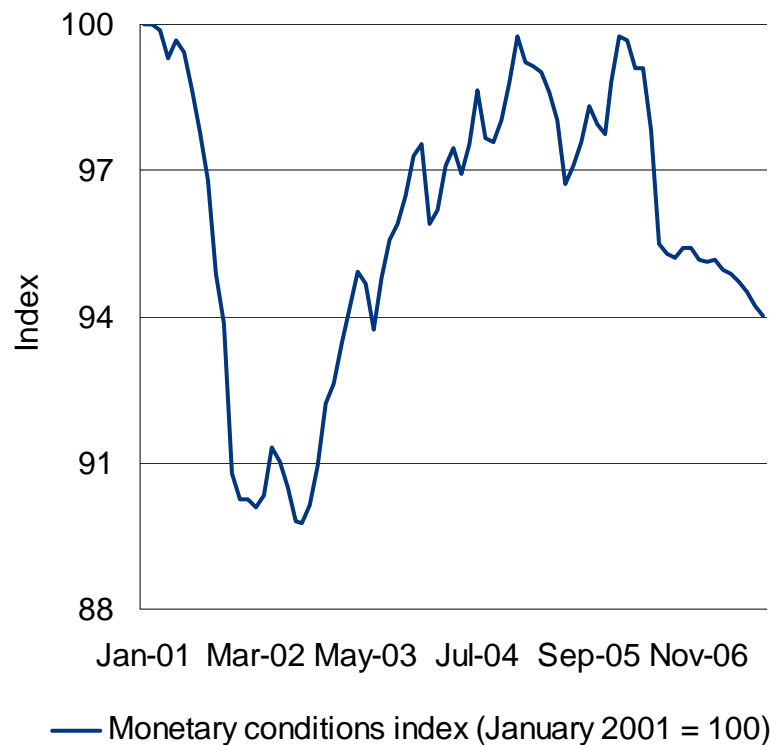


The interest rate environment

A weak exchange rate serves to ease monetary conditions



Sources: Bloomberg, Standard Bank Group



Source: Standard Bank Group

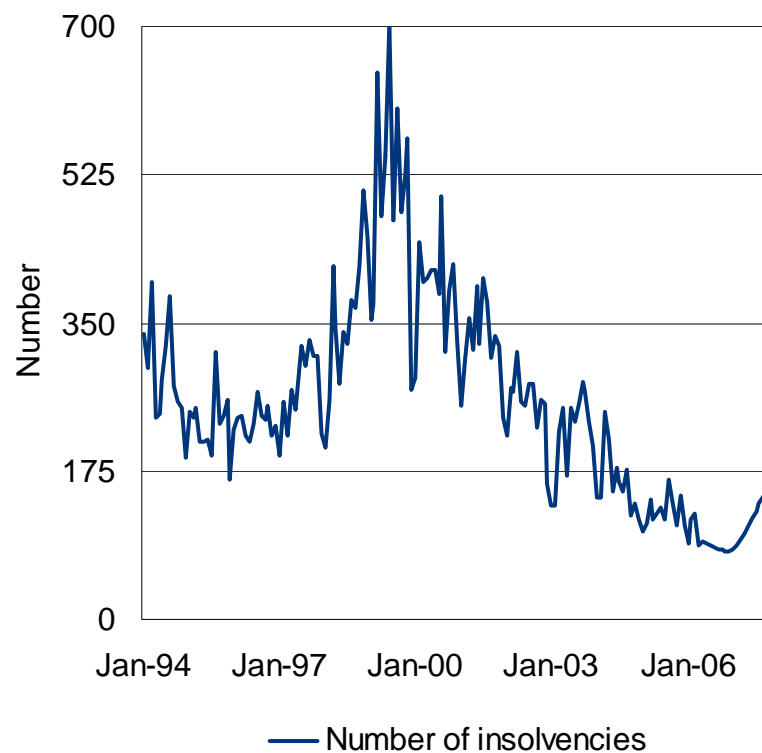
A further 100 bps of tightening on the cards. Don't bet against a 150 bps





Debt affordability

Debt servicing and household insolvencies



Sources: SARB, Standard Bank Group

Sources: StatsSA, Standard Bank Group

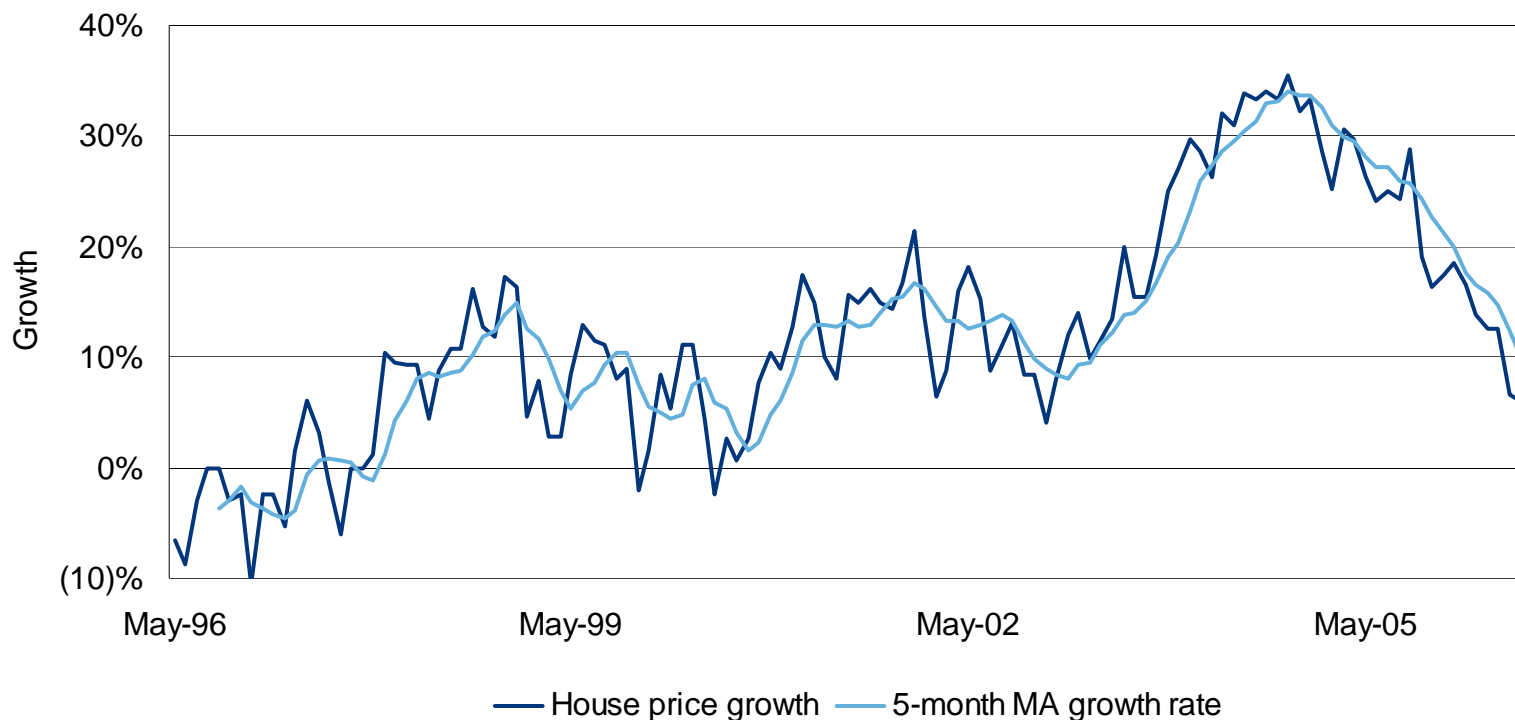
Debt affordability is a factor to consider but households should manage





Housing market

House price growth – a noticeable slowdown



Source: Standard Bank Group

Expect a further slowdown in house price growth over the short-term





Conclusion

- Standard Bank expects another 100 bps of tightening. Risk lies to the upside
- Debt affordability is a growing concern but households should be able to weather the storm
- House price growth is expected to ease over the next few months before picking up in 2007

Other opinions on the South African housing market

**ABSA
Residential
Property
Perspective Q3
2006**

“ Interest rates are forecast to rise further, by 50 bps at each of the remaining Monetary Policy Committee meetings this year. As a result of these expectations, house prices are projected to increase by around 12% y/y in nominal terms this year ”

**FNB Residential
property
barometer Q2
2006**

“ The interest rate announcements in June and in August 2006 have had an immediate impact on activity and sentiment within the market.there is still growth potential in the market but this will be geared towards the middle-to-lower (R300,000 to R700,000) end of the market ”



SA Home Loans Update



SA Home Loans Update

Response to the changing economic environment

- Thekwini 6's criteria has not changed (i.e maximum LTV of 81% and PTI of 31%)
- SAHL have hired more staff in order to maintain excess capacity in the arrears department in anticipation of a potential increase in arrears
- Implementation of revised measurement techniques in arrears department to identify early warning indicators e.g. return debit order statistics
- Direct connection to government departments in respect of subsidised loans leads to lower arrears
- Workflow and process re-engineering introduced in loss control areas resulting in a more highly controlled process
- Hiring of experienced collection/industry personnel including at senior management levels
- Highly incentivised staff

Response to the increased competitive environment

- Increased competition from banks has led to SAHL offering a wider range of products including:
 - Quick Cash
 - Varifix
 - SuperLo
 - Capped interest rate products
 - Interest only loans
- White labelling joint venture
- Looking to develop its new purchases origination channel
- New credit scoring model to be introduced – more scientific

SAHL continuously reviews its origination process, strategy and performance to ensure it is adapting to the changing economic environment



SA Home Loans Update

Strategy

- Having grown market share to more than 4%, SAHL's current objective is to continue to build a profitable and sustainable business
- Continue to offer quality customer service
- Launched the "Amazing Service" campaign to staff
- Reduce and maintain relatively low cost-to-income ratios, enabling SAHL to remain cost effective and competitive
- Product innovation to differentiate - smart home loan concept

Ongoing Process

- Investigating National Credit Act (NCA) impact on future business
- Total home loan book with pipeline stands at R27.5 billion
- Low staff turnover and no change in key management
- Focus on implementation and entrenching best practice risk management functions and processes
- New systems architecture being implemented to remain flexible with state of the art technology
- Commence with short-term insurance company from 2 January 2007



Financial Update

Income Statement Highlights

- **Net profit before tax more than tripled to R91.6 m** buoyed by strong income generation and contained growth in expenses
- **Net interest income accelerated to R20.4m** as a result of growth in the Quick Cash book, increased earnings on the SPV's start up loans and the repayment of significant obligations, with a large portion of operations now being financed from surplus cash
- **Fee income** (comprising of management, servicer, origination and admin fees) remains the largest revenue source **growing y/y by 35% to R270m**
- **Commission income** (on insurance and credit card products) continued to grow reporting **79% y/y growth to R40 m**
- The growth in operating expenses **slowed to 23.9% translating to R203m**
- The Thekwini Conduit and SAHL Life Company contributed **new earnings of R 28.4m** to the Group

	2006	y/y change	2005*
Summary Income Statement of SAHL (company)			
Interest income	33.7	97.7%	17.1
Interest expense	(13.3)	20.4%	(11.1)
Net interest margin	60.5%		35.2%
Commission income	40.0	79%	21.8
Fee income	270.5	35.5%	199.7
Operating expenses	(203.8)	23.9%	(164.4)
Net gains/losses on financial instruments	(34.5)	(2.3%)	(35.3)
Net profit before tax	91.6	231%	27.7
Net profit after tax	55.0	573%	8.20
Other key Income Statement Highlights			
Net profit after tax – SAHL Life	9.9		0
Net profit after tax – Conduit	18.5		0
Net profit after tax – Group	83.4	917%	8.2

*Restated to comply with IFRS

SAHL continued to show strong growth in revenue and profit, demonstrating its transition towards a sustainable business



Financial Update

Balance Sheet Highlights

- **The Quick Cash** advances on home loans is one of SAHL's most successful products with levels advanced **increasing to R115m** at year end
- **Term Loans** decreased considerably due to payments of shareholder loans. The remaining R40m is **due to be repaid by November 2006**

Cash Flow Statement Highlights

- **Cash flows from operations** almost doubled to R123m from R65m in 2005
- Decrease in **net cash flow from operations** is attributable to increased self-funding of Quick Cash advances book, due to generation of surplus cash
- The redemption of Thekwini 1 led to a decrease in cash utilised in **investing activities**
- The repayment of long-term liabilities (two shareholder loans of R30m and R19m) led to an outflow of R49m from **financing activities**

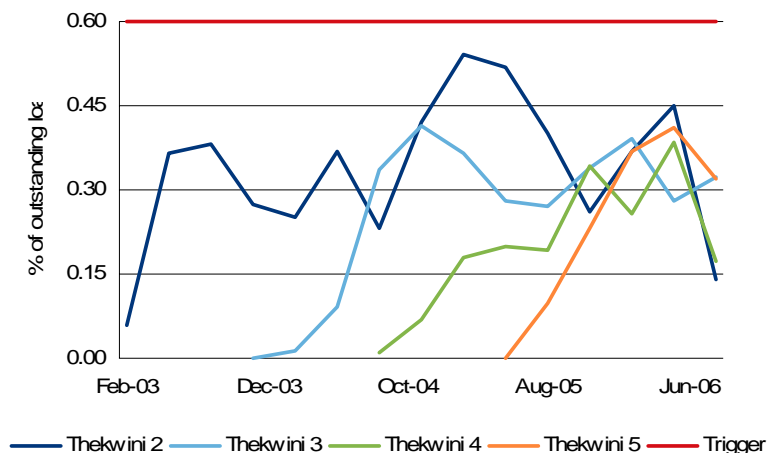
	2006	y/y change	2005
Summary Balance Sheet			
Total assets	392.2	4.4%	375.7
Investments	104.3	7.9%	96.6
Quick Cash loans	115.1	157%	44.8
Total liabilities	212.3	(15.3%)	250.8
Term loans	40.5	(55.2%)	90.2
Quick Cash funding	11.1	(72.9%)	40.9
Cash Flow Statement			
Cash flows from operations	123.7	88.6%	65.5
Net cash flows from operating activities	20.98	(65.5%)	60.72
Net cash flows from investing activities	(15.46)	(78.2%)	(74.4)
Net cash flows from financing activities	(49.76)	(168.3%)	72.89
Bank and call accounts	36.30	(54.9%)	80.55



Performance of Existing Thekwini Issues

- Negligible bad debts of R50 937 written off to date due to low default and high recoveries
- Reserve funds remain fully intact
- No performance triggers have been breached
- Arrears:
 - Arrears to date are in line with a favourable economic environment and a strong arrears department at SAHL
 - Regular (bi-monthly) meetings are held to manage specific arrears levels in SPVs
 - Have recently hired additional staff in order to maintain excess capacity in the arrears department in anticipation of potential increased arrears due to rising interest rates

Arrears Trigger



Bad debts written off	R
Thekwini 2	15,250
Thekwini 3	12,377
Thekwini 4	23,310
Thekwini 5	0
Thekwini Conduit	0



Transaction Overview



Transaction Overview

Key Terms

Issuer	The Thekwini Fund 6 (Pty) Ltd
Servicer	South African Home Loans (Pty) Ltd
Standby Servicer	The Standard Bank of South Africa Limited
Substitution Period	3 years

Tranching of the Notes	Class A1 [#]	Class A2	Class A3	Class B	Class C	Subordinated Loan
Size of Tranche	[15]%	[59.95]%	[20]%*	[3.15]%	[1.9]%	[0.8]%
Expected Rating	AAA/Aaa	AAA/Aaa	AAA/Aaa	A+/A1	BBB/Baa2	N/A
Issue Price	100%	100%	100%	100%	100%	N/A
Type of Note	Floating	Floating	Fixed*	Floating	Floating	N/A
Interest Rates	Jibar+[●]%	Jibar+[●]%	[●]%	Jibar+[●]%	Jibar+[●]%	N/A
Interest Rate after Call Date	Jibar+[0.3]%	Jibar+[0.6]%	Jibar+[0.6]%	Jibar+[1.3]%	Jibar+[2.4]%	N/A
Coupon Frequency	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	N/A
First Coupon Date	21-Nov-2006	21-Nov-2006	21-Nov-2006	21-Nov-2006	21-Nov-2006	21-Nov-2006
Legal Maturity	21-Nov-2031	21-Nov-2031	21-Nov-2031	21-Nov-2031	21-Nov-2031	21-Nov-2031
Call Date	21-Nov -2011	21-Nov -2011	21-Nov -2011	21-Nov -2011	21-Nov -2011	N/A
Expected Weighted Average Life (25% CPR)	3.3 years	4.96 years	5 years	5 years	5 years	N/A
Listing	BESA	BESA	BESA	BESA	BESA	N/A

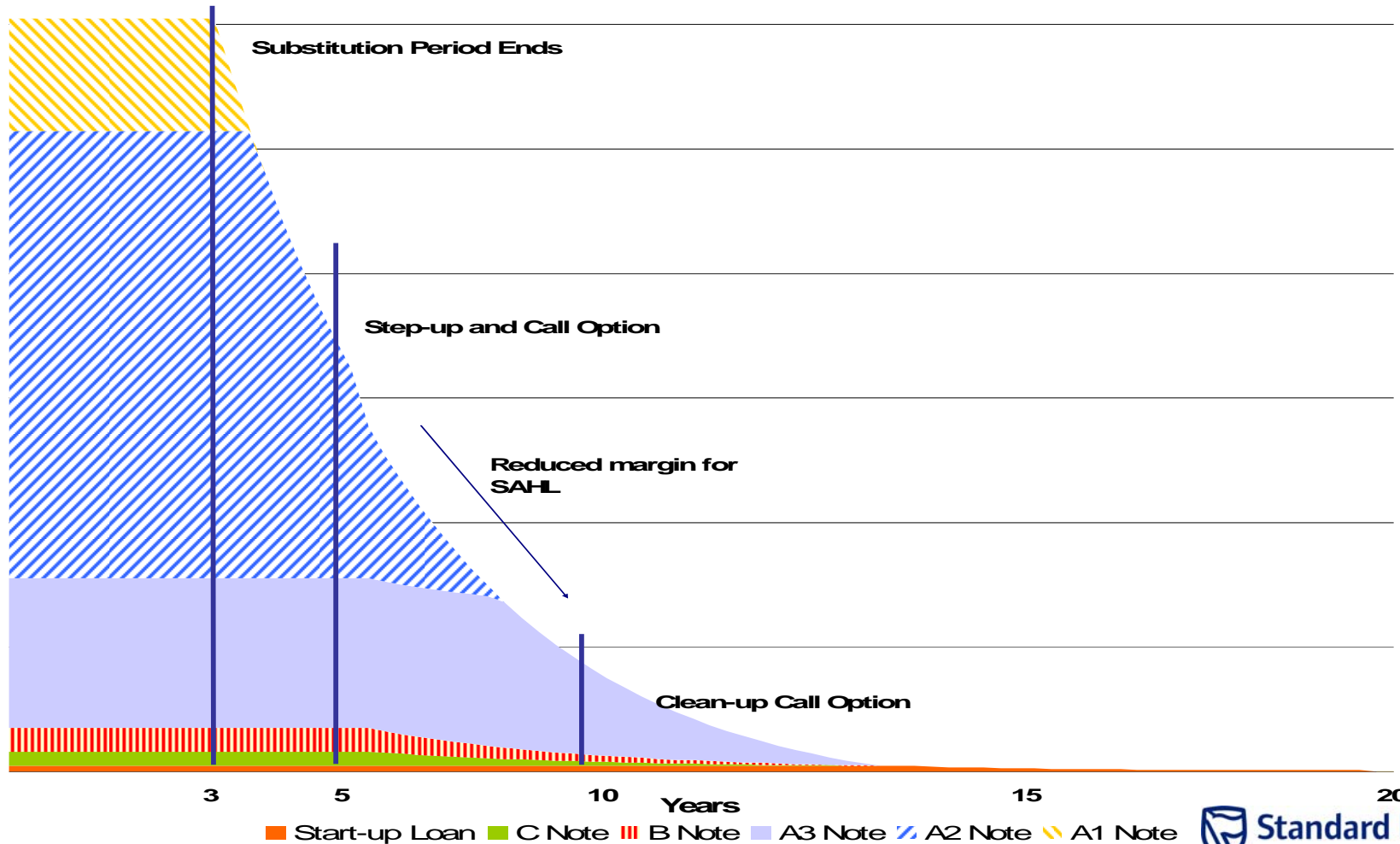
The A1 notes have been privately placed

* Dependent on investor demand for Fixed Rate Notes



Expected Pay Down Profile of Notes

Thekwini 6 (25% CPR)





Structural Highlights

- **Credit enhancement** consisting of :
 - excess spread (+/- 1 – 1.2% per annum)
 - cash reserve fund of [0.8]%
 - subordination of notes

Fitch	Moody's	Credit Enhancement* (excl excess spread)
AAA	Aaa	[5.85]%
A+	A1	[2.7]%
BBB	Baa2	[0.8]%

- **Super Senior Tranche:** Class A Notes include a small (10 – 15%) super senior tranche that will be privately placed (as a result of a reverse enquiry). Rating Agencies have confirmed that the remaining Class A Notes retain a AAA rating
- **Arrears Reserve Trigger** provides a mechanism of trapping additional credit enhancement should arrears (>90 days) exceed 0.8%
- **Redraw Facility** of 3.5% of the outstanding balance at issue to be provided by SBSA to provide additional liquidity to the deal
- **Substitution Period** of 3 years subject to stringent portfolio covenants and acceleration triggers implemented to protect investors against asset deterioration
- **Hedging:** Swaps to be provided by SBSA/ other highly rated entities
- **Dual Rating:** Investors benefit from tranching levels that meet the both requirements Moody's and Fitch

* Subject to final confirmation from Rating Agencies on final pool



Pool Analysis

Home Loan Characteristics

- High quality assets
 - Well seasoned (12 months weighted average)
 - All performing loans with long “current” months status
 - Maximum LTV of 81% and PTI of 31%
 - Relatively low weighted average LTV and weighted average PTI for pool
- To allow for SAHL’s changing business, the structure allows for a certain amount (up to 40%) of assets at Jibar +1.5%, monitored by a minimum weighted average yield covenant of Jibar + 1.85%
- SAHL is introducing a new rate reset date, thus Thekwini 6 allows for 20% of the assets to reset on alternative dates. Interest rate risk will be hedged

Pool Statistics in comparison to Thekwini 5

Category	Thekwini 6	Thekwini 5
Number of loans	8,406	8,281
Margin over Jibar	2.10%	2.10%
Aggregate current balance	R3,008bn	R2,495bn*
Average balance	R357,951	R301,296
Largest balance	R1,971,725	R1,889,897
W. Average current LTV	62.29%	62.88%
Highest current LTV	80.97%	80.57%
W. Average current PTI	20.72%	17.06%
W. Average seasoning	12 months	4 months
W. Average maturity	18.7 years	19.2 years

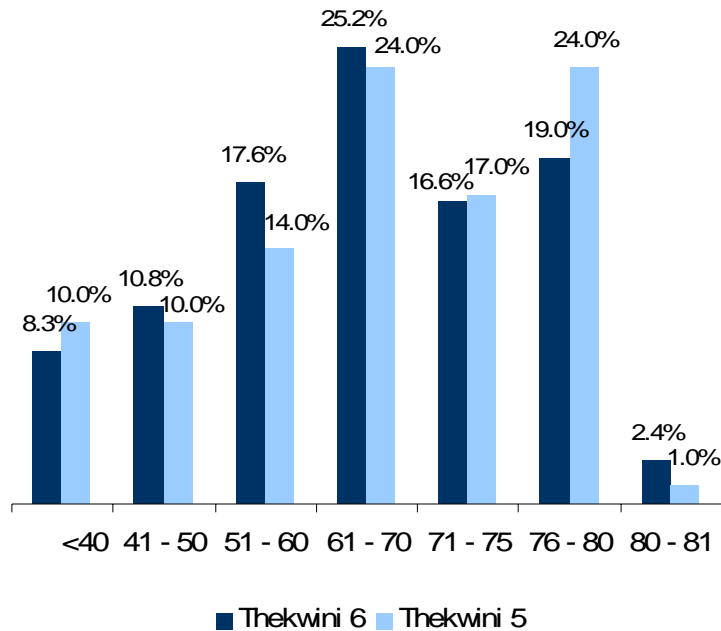
* Thekwini 5 was a R 3 billion deal with +/- R 500m pre-funded

The quality of assets remains strong and in line with previous transactions

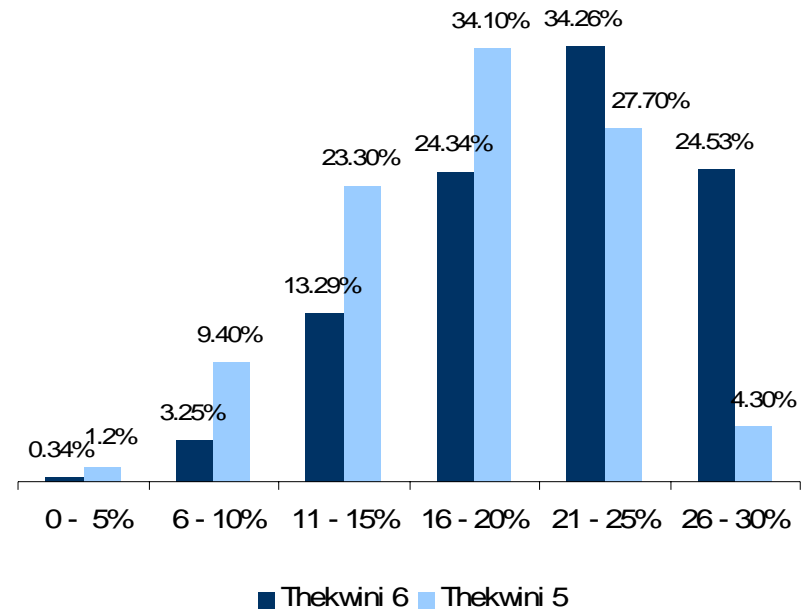


Pool Analysis

Current LTV



Current PTI



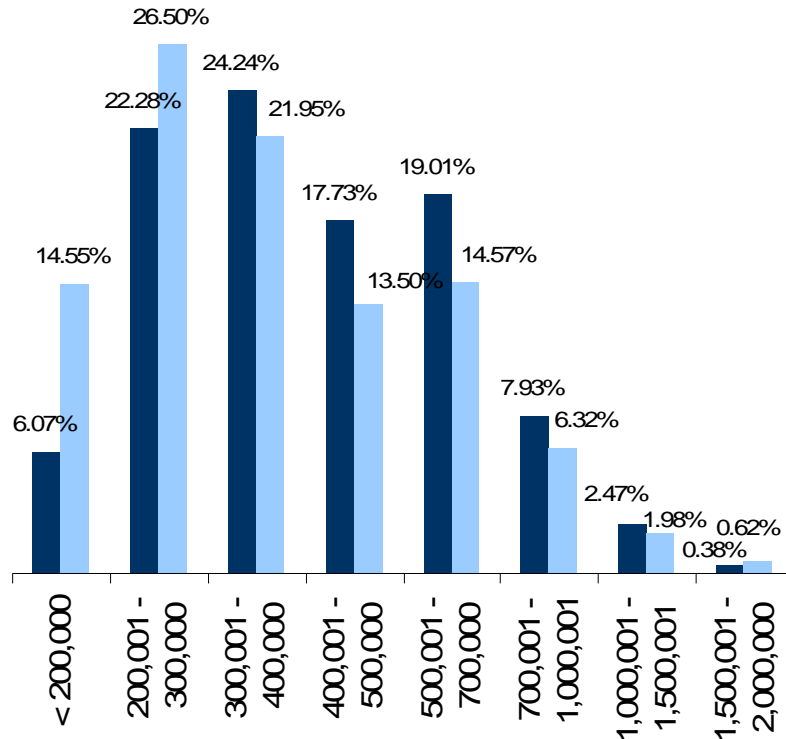
The pool has low current LTV and PTI ratios that are comparable to Thekwini 5



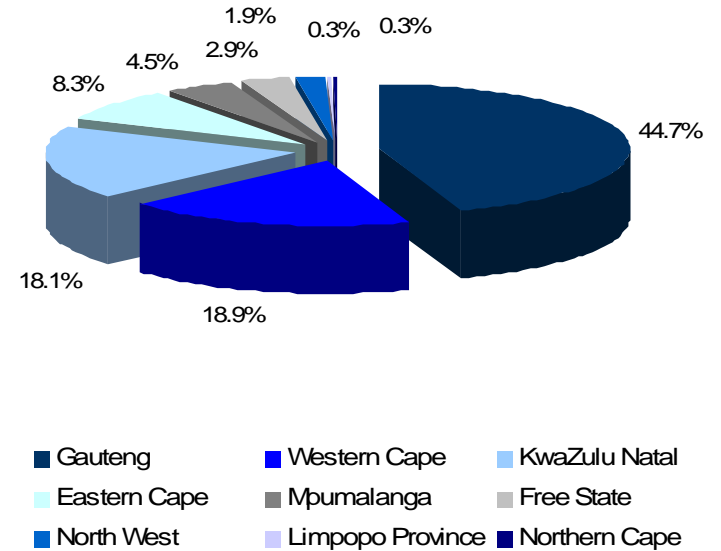


Pool Analysis

Home Loan Size



Geographical Distribution

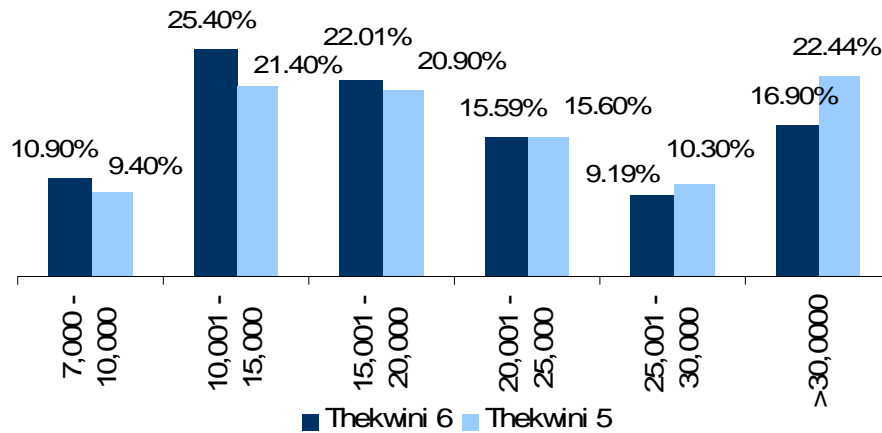


The pool consists of moderately sized home loans that are diversified across South Africa based on population density ensuring low concentration risk

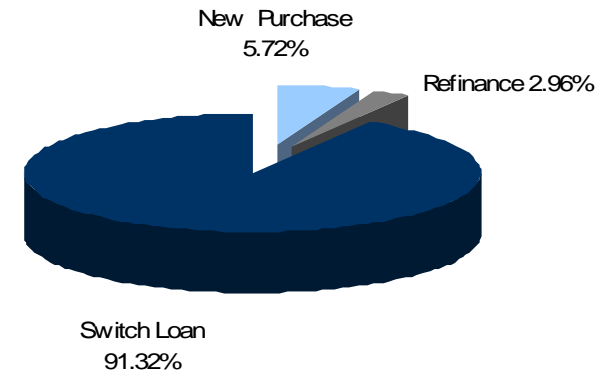


Pool Analysis

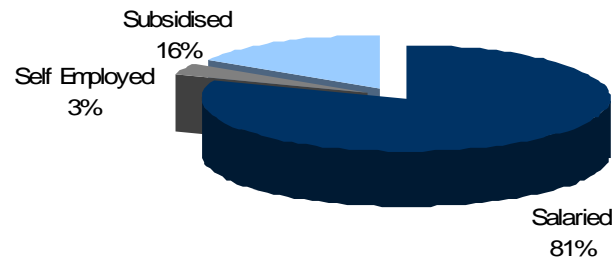
Household Income



Loan Purpose



Employment Type



SAHL has continued with its business model of providing switch loans to middle income borrowers



Notes and Pricing

Indicative Pricing Guideline

Class	%	Estimated Average Life (25% CPR)	Rating	Indicative Spread over 3m Jibar
A1 Notes	[15]	3.3 years	AAA/Aaa	Privately placed
A2 Notes	[59.95]	4.96 years	AAA/Aaa	[33 – 38]
A3 Notes	[20]	5 years	AAA/Aaa	R153 + [tba]*
B Notes	[3.15]	5 years	A+/A1	[70 – 75]
C Notes	[1.9]	5 years	BBB/Baa2	[180 – 190]

* Spread guidance will be confirmed closer to issuance



Notes and Pricing

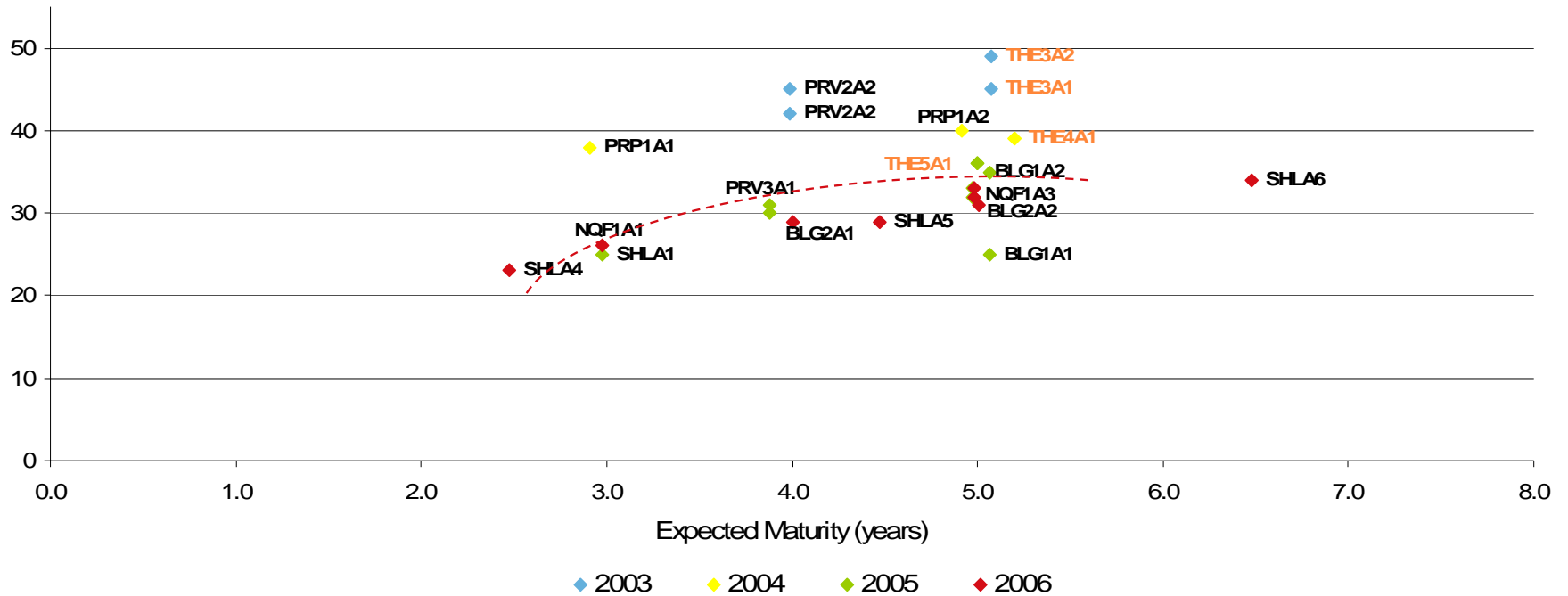
Relative Value – Recent RMBS Transactions

	Rating	Spread over 3m JIBAR at issue date	Term
Blue Granite 2	AAA	31	5 years
Sanlam	AAA	34	6 years
Nqaba Finance 1	AAA	33	5 years
Thekwini Conduit	A	75	4 years
Nqaba Finance 1	A	74	5 years
Thekwini Conduit	BBB	170	4 years
Nqaba Finance 1	BBB	195	5 years



Notes and Pricing

AAA RMBS spreads at Issue Date



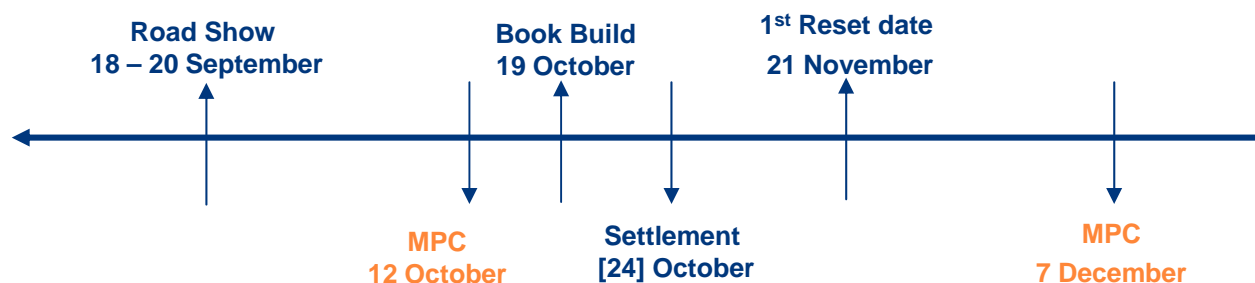


Issuance Process and Timing



Issuance Process and Timing

- Road show 18 – 20 September
- MPC announcement 12 October
- Book build Option 1. [05 October] or Option 2. [19 October]
- Settlement T+ [5]
- First reset date 21 November
- Auction method Book Build
- Listing BESA
- Rating agencies Moody's and Fitch
- Market maker of AAA notes Standard Bank





Future Issuance



Future Issuance – Timing and Programme

SAHL is looking to launch a Master Programme in 2007. The benefits to all parties include:

- **Reduced costs** for SAHL for future issuances off the Master Programme
- **Faster implementation time** achieved for each future issuance off the Master Programme
- **Investors** need only get comfortable with the Master Programme upfront and thereafter only review the transaction supplement each time a new issue is launched
- **Flexibility** will be built into the Master Programme to accommodate growth and changes to SAHL's business

<http://www.sahomeloans.com>



- Detailed information of all previous Thekwini transactions (including monthly Programme Reports on the Thekwini Warehousing Conduit) can be located on SAHL's website
- As always, SAHL extends an open invite for an on-site review of SAHL's operations in Durban
- Pricing for existing term Thekwini transactions can be located on the Reuters' website



Conclusion

- RMBS remains the **premier asset class** in ABS internationally and locally
- The 5 previous Thekwini transactions, plus the Thekwini Warehousing Conduit bear significant testimony to **SAHL's strong origination and servicing performance**
- The Thekwini 6 structure is **based on previous successful Thekwini transactions**, slightly modified to adjust for SAHL's changing business needs
- The Asset **portfolio for Thekwini 6 is of a high quality** due to well seasoned, long performing assets at relatively low LTV and PTI ratios
- **Investors benefit from both rating agencies** having reviewed the transaction and modelled the home loan portfolio for stressed economic environments and declining property prices

Thank you for your time



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