STANDARD & POOR'S RATINGS SERVICES

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New Issue: Bayport Securitisation (RF) Ltd.

ZAR 3.02 billion asset-backed notes

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Ratings Detail

New Ratings

Class	Rating*	Original amount (mil. ZAR)	Available credit support (%)§	Interest	Legal final maturity
A (BAYA01)	ZaA (sf)	425	18.9	12.55%	31-Mar-16
A (BAYA04)	ZaA (sf)	20	18.9	11.48%	30-Sep-15
A (BAYA05)	ZaA (sf)	33	18.9	11.45%	30-Sep-15
A (BAYA06)	ZaA (sf)	550	18.9	JIBAR plus 475bps	30-Sep-16
A (BAYA07)	ZaA (sf)	34	18.9	11.36%	31-Dec-15
A (BAYA08)	ZaA (sf)	50	18.9	11.78%	2-Jan-18
A (BAYA09)	ZaA (sf)	75	18.9	JIBAR plus 500bps	31-Dec-15
A (BAYA10)	ZaA (sf)	40	18.9	JIBAR plus 500bps	31-Dec-15
A (BAYA11)	ZaA (sf)	60	18.9	JIBAR plus 500bps	31-Mar-16
A (BAYA12)	ZaA (sf)	20	18.9	11.01%	31-Mar-16
A (BAYA13)	ZaA (sf)	80	18.9	12.07%	31-Mar-16
A (BAYA14)	ZaA (sf)	13	18.9	11.48%	30-Sep-15
A (BAYA15)	ZaA (sf)	100	18.9	11.53%	30-Jun-16
A (BAYA16)	ZaA (sf)	10	18.9	10.38%	30-Sep-16
A (BAYA17)	ZaA (sf)	80	18.9	JIBAR plus 445bps	30-Sep-16
A (BAYA18)	ZaA (sf)	100	18.9	JIBAR plus 445bps	30-Sep-16
A (BAYA19)	ZaA (sf)	135	18.9	JIBAR plus 445bps	3-Jan-17
A (BAYA20)	ZaA (sf)	150	18.9	JIBAR plus 390bps	30-Sep-14
A (BAYA22)	ZaA (sf)	100	18.9	JIBAR plus 380bps	30-Sep-15
A (BAYA23)	ZaA (sf)	300	18.9	10.51%	30-Jun-17
A (BAYA24)	ZaA (sf)	95	18.9	11.09%	30-Jun-17
A (BAYA25)	ZaA (sf)	50	18.9	JIBAR plus 415bps	30-Jun-17
A (BAYA26)	ZaA (sf)	185	18.9	10.23%	2-Oct-17
A (BAYA27)	ZaA (sf)	120	18.9	JIBAR plus 350bps	30-Sep-15
A (BAYA28)	zaA-1 (sf)	200	18.9	JIBAR plus 165bps	30-Sep-13
A (BAYA29)	ZaA (sf)	60	18.9	JIBAR plus 350bps	31-Dec-15
A (BAYA30)	ZaA (sf)	150	18.9	9.28%	31-Dec-15
A (BAYA31)	ZaA (sf)	60	18.9	JIBAR plus 430bps	31-Dec-18
A (BAYA32)	ZaA (sf)	75	18.9	10.11%	3-Apr-18
A (BAYA33)	ZaA (sf)	15	18.9	JIBAR plus 400bps	3-Apr-18
A (BAYA34)	ZaA (sf)	100	18.9	JIBAR plus 425bps	3-Apr-18
A (BAYA35)	ZaA (sf)	50	18.9	JIBAR plus 425bps	3-Apr-18
A (BAYA36)	ZaA (sf)	50	18.9	JIBAR plus 388bps	3-Apr-18

New Ratings (cont.)					
A (BAYA37)	ZaA (sf)	100	18.9	JIBAR plus 388bps	31-Mar-16
A (BAYA38)	ZaA-1 (sf)	200	18.9	JIBAR plus 165bps	31-Mar-14

*Standard & Poor's ratings address timely receipt of interest and ultimate repayment of principal. §Including performing assets plus cash and cash equivalents. ZAR—South African rands. Bps--Basis points. JIBAR--Johannesburg Interbank Agreed Rate. N/A--Not applicable.

Transaction Participants	
Originator, seller, and servicer	Bayport Financial Services 2010 (Pty) Ltd.
Arranger	Transaction Capital.
Stand-by servicer	MBD Credit Solutions (Pty) Ltd.
Security trust	Bayport Securitisation Debenture Holders Trust.
Security trustee	PT&A Trustees (Pty) Ltd.
Owner trust	Bayport Securitisation Owner Trust.
Transaction account provider	The Standard Bank of South Africa Ltd.

Supporting Rating

Institution/role	Rating
Standard Bank of South Africa	BBB/Negative/A-2

Transaction Key Features	
Collateral	Unsecured consumer loan receivables, payroll loans, and cellular subscription agreements originated by Bayport Financial Services 2010 (PTY) Ltd in South Africa.
Country of origin	South Africa.
Regional concentration (%)*	Gauteng (31.2%), Kwazulu-Natal (16.5), and Western Cape (14.3).
Total receivables (ZAR at closing)*	5,771,032,000.
Average outstanding principal balance (ZAR)*	17,102.
Weighted-average seasoning (months)*	10.2.
Weighted-average interest rate (%)*	32.1.
Credit enhancement	Excess spread and subordination.

*As of Aug. 31, 2013. ZAR—South African rands.

Transaction Summary

Standard & Poor's Ratings Services has assigned its 'zaA (sf)' and 'zaA-1 (sf)' South African national scale ratings to Bayport Securitisation (RF) Ltd.'s (BaySec's) 3.02 billion South African rand (ZAR) outstanding asset-backed class A notes. The issuer also has outstanding unrated class B, C, and D notes.

The ratings on the notes address timely receipt of interest and ultimate repayment of principal.

The securitized portfolio comprises unsecured South African consumer loan receivables, payroll loans, and cellular subscription agreements originated by Bayport Financial Services 2010 (Pty) Ltd. (Bayport) in the ordinary course of its business. The transaction will continue to revolve until all debt has been repaid or an early amortization trigger is breached. The maximum size of the program is ZAR10 billion.

Bayport acts as a servicer on the portfolio. At closing, the transaction will benefit from the involvement of MBD Credit Solutions (Pty) Ltd. (MBD) as a stand-by servicer. Standard Bank of South Africa (Standard Bank; 'BBB/Negative/A-2' unsolicited rating) will act as the transaction account bank. We believe Standard Bank is an eligible counterparty to support our ratings on the notes in line with our 2012 counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published June 25, 2013).

Our ratings on the notes reflect our assessment of the underlying asset pool's credit and cash flow characteristics, as well as our analysis of the transaction's exposure to counterparty and operational risks. Our analysis indicates that the available credit enhancement for the notes is sufficient to mitigate credit and cash flow risks to the 'zaA' and 'zaA-1' rating levels.

Rating Rationale

The ratings reflect our view on the following factors:

Economic outlook

Our base-case default rate assumption for the portfolio reflects our expectation for moderate growth in economic output and personal income in South Africa. Over the next few years, our baseline economic scenario for South Africa forecasts real GDP growth between 2.7% and 3.8%, real per capita income growth between 2.2% and 3.3%, and a continued low consumer price index at around 5.5% (see "Republic Of South Africa," published March 27, 2013).

Operational risk

We view the receivables originator and seller, Bayport, to be able to adequately fulfill its obligations as servicer. The stand-by servicer, MBD, has been in place since inception to replace Bayport if the issuer terminates its role as servicer.

Credit risk

We have analyzed credit risk based on our 2011 principles of credit ratings criteria and our European consumer finance criteria to derive our assumptions on default, recovery, and delinquency rates, and portfolio yield (see "Principles Of Credit Ratings," published Feb. 16, 2011, and "European Consumer Finance Criteria," published March 10, 2000). We received more than three years of the underlying portfolio's historical performance records to support our credit assumptions. While our expectations for the South African economy remain modestly positive for the next few years, we have noted a rising trend in nonperforming consumer loans among the market leaders. Nevertheless, we believe that BaySec's portfolio will be more resilient to this trend based upon its conservative stance on affordability measures as part of its credit risk management, its relatively stable performance during the 2009 recession, and the portfolio's large exposure to public sector employment.

Cash flow analysis

Our cash flow model reflects our assessment of the transaction's payment structure and our credit and cash flow assumptions, which we have made based on our 2011 principles of credit ratings criteria and our European consumer finance criteria. Our analysis indicates that the level of credit enhancement available to the rated notes is sufficient to mitigate the credit and cash flow risks at the 'zaA' and 'zaA-1' rating levels.

Counterparty risk

The transaction will be exposed to the credit risk of Standard Bank as the issuer bank account provider. We consider the transaction documents to adequately mitigate this risk at the 'zaA' and 'zaA-1' rating levels in line with our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions", published June 25, 2013). Bayport, as the servicer, is an unrated entity. We considered that the risk of loss from cash collections falling into the servicer collection accounts is structurally mitigated according to our 2013 counterparty criteria, as the exposure period is limited to one business day.

Legal risk

We consider the issuer to be a bankruptcy-remote entity in line with our asset isolation and special-purpose entity criteria, and we have received legal comfort that the assets' sale would survive Bayport's insolvency as the seller (see "Asset Isolation And Special-Purpose Entity Criteria--Structured Finance," published May 7, 2013).

Rating stability

Under our scenario analysis, we ran two stress scenarios and an assessment of the transaction's performance. In our view, the results of our scenario analysis are commensurate with our 2010 credit stability criteria (see "Methodology: Credit Stability Criteria," published May 3, 2010).

Strengths, Concerns, And Mitigating Factors

Strengths

- In our view, the transaction's eligibility criteria adequately maintain the pool's credit quality. The pool is both granular and diversified. As per Bayport's risk policy, the eligible portfolio cannot contain any delinquent or defaulted contracts.
- The transaction benefits from high levels of excess spread, given the loans' high interest rate.
- The payment structure is fully sequential: there is an accelerated excess spread trapping mechanism, whereby the excess spread is reserved if "nonperforming" loan levels exceed portfolio performance parameters.
- The stand-by servicer, MBD, has been in place since inception to replace Bayport if the issuer terminates its role as servicer. It performs regular tests of its servicing capabilities regarding the Bayport portfolio.

Concerns and mitigating factors

- Defaults under loan contracts are sensitive to the South African economic environment, which is expected to demonstrate moderate growth through the remainder of 2013 and into 2014. While we do note a rising trend in nonperforming loans with the market leaders, we believe BaySec's portfolio will show stronger resilience to this trend because its inherent default rate already stays higher than the market, Bayport's conservative stance towards affordability measures as part of credit risk management, and its majority exposure to public sector employment, which tends to exhibit greater stability than the private sector.
- The loans are unsecured consumer loans, which typically result in limited recoveries after the debtor defaults. We have accounted for this in our recovery rate assumptions.
- The seller (Bayport) is an unrated financial institution that collects payments from the underlying assets, which might result in commingling if Bayport defaults. Nevertheless, we consider that the risk of loss from cash collections

falling into the servicer collection accounts is structurally mitigated according to our 2013 counterparty criteria because the exposure period is limited to one business day.

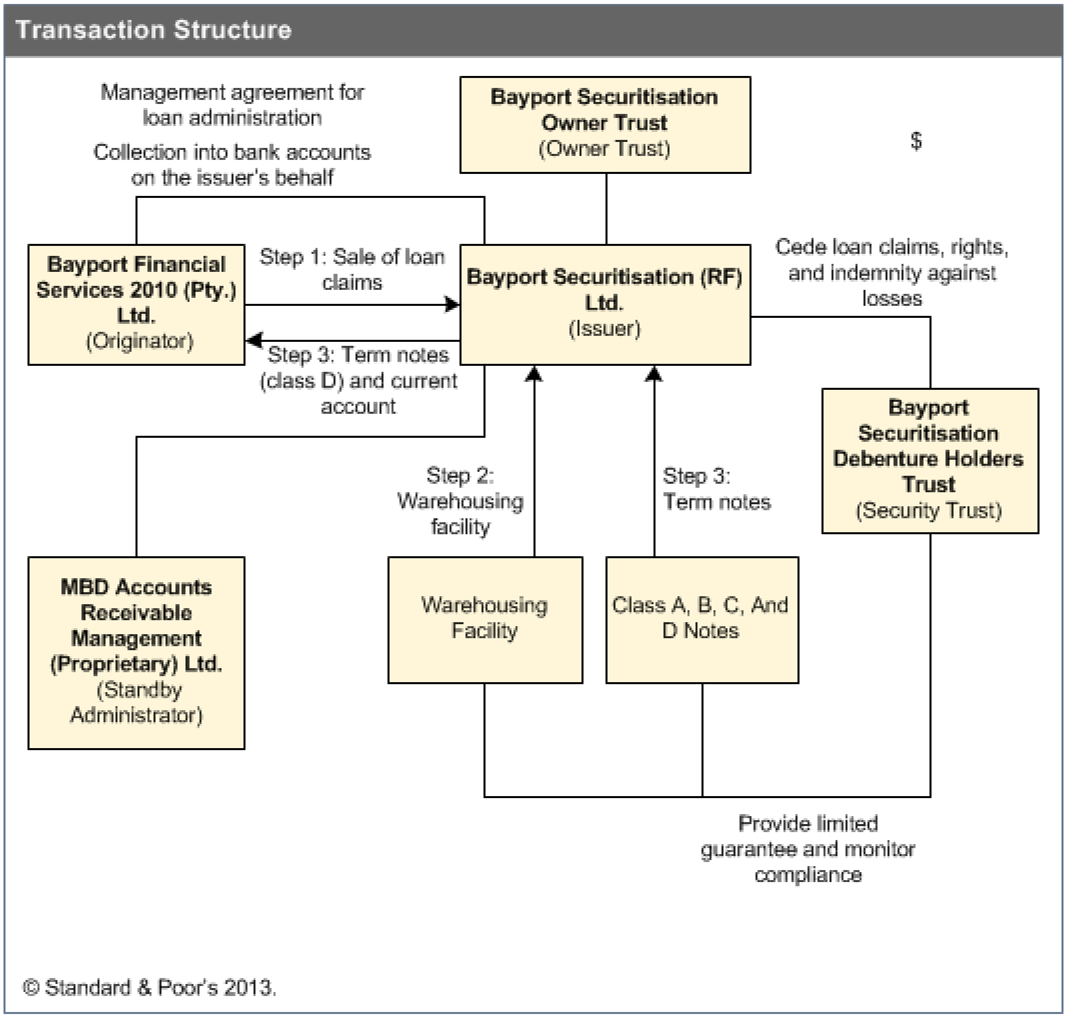
Transaction Structure

The issuer, BaySec, is an existing special-purpose vehicle registered in South Africa. The issuer purchases eligible receivables from Bayport as originator. The purchases are financed through borrowings under a warehouse facility, the note issuances, or from the collection of proceeds from previously acquired receivables. The amount owed under the warehouse facility is periodically converted to class A notes. The amounts the issuer owes under the warehouse facility rank pari passu with the class A notes.

The security trust (Bayport Securitisation Debenture Holders Trust) has been incorporated to safeguard the interests of the secured creditors, including noteholders, and is empowered to realize security on their behalf in case of an issuer default. The security trust grants a limited recourse guarantee in favor of the secured creditors; meanwhile, the issuer has provided an indemnity to the security trustee in respect of the claims made under the guarantee. The issuer has ceded and pledged its assets to the security trust as security for such indemnity.

The transaction features a single combined waterfall. The distribution of funds is fully sequential under both pre- and post-enforcement (or early amortization) scenarios. Under pre-enforcement, principal due on the class A notes includes scheduled principal on the amortizing notes and provisioning of one-sixth of principal on the bullet notes, which are due for payment within the next six months. Under post-enforcement, principal due on the class A notes equals the scheduled principal on the amortizing notes and the bullet notes' full repayment if the legal maturity date falls on the current interest payment date; the remaining amounts are split pro rata between all outstanding class A notes (see chart 1).

Chart 1



Originator

Bayport will originate all receivables backing this transaction. Bayport is a nonbank financial institution specialising in the provision of unsecured personal loans and cellular loans in South Africa. Its client base typically comprises the historically under-banked consumer market, for whom unsecured personal loan products are an essential form of credit.

The company was founded in 2004 by private owners, one of them (Stuart Stone) is currently CEO. The company originally focused on providing individual loans and advances in a form of payroll deductible loans. The company started originating retail debit order loans in 2006 and cellular loans in 2008.

In 2010, Transaction Capital, a non-deposit taking financial services group active in asset-backed lending, unsecured lending, credit services, and payment services, acquired an 82.65% share in Bayport

Bayport had ZAR5.77 billion gross loans and advances as of August 2013. It utilises its 1,726-strong mobile agent force to originate loans, with 56 branches operating primarily as administration offices to process loan applications.

Eligibility criteria

Each loan claim sold to the issuer has to meet the following credit granting criteria:

- The applicant must be a South African citizen and between 18 and 60 years of age;
- The minimum set of provided documents should include a payslip (detailing the applicants earnings, net salary, paydate, and employer name), an identification document, and bank statements reflecting three salary payments;
- All requested fields on a Bayport credit application form must be completed;
- The applicant must complete a credit application form;
- The applicant must be permanently employed for a minimum of six months, and Bayport must approve the employer as eligible;
- All applications have been vetted for prior defaults, judgments, and payment history through a reputable credit bureau and checked against the National Lending Register/Consumer Protection Act database for the applicant's additional exposure and payment performance;
- The applicant must be scored against a Bayport application or behavioral scorecard;
- Credit approval is subject to the determination of the applicant's affordability as prescribed by the National Credit Act, such that the applicant must be able to meet his necessary living expenses and be able to make the required payments over the term of the credit agreement;
- The applicant must not be under administration/debt review;
- The applicant must not be a self-employed or unemployed person or a part-time/seasonal employee (i.e., no loans to domestic workers or against social grants; and
- The applicant must have a bank account with a Bayport-approved financial institution.

Transaction stages

The transaction is an "evergreen" structure that will continue to revolve until the outstanding debt obligations are fulfilled or any of the early amortization triggers are hit. If an early amortization trigger is breached, the deal will enter an early amortization (or post-enforcement) scenario.

During the revolving stage, the issuer can use principal collections to fully purchase new receivables. If no new receivables are available for purchase, then the issuer will use principal collections to redeem the notes according to the pre-enforcement principal waterfall.

If an amortization event occurs, the issuer is no longer entitled to purchase additional receivables.

Early amortization events for this transaction include the following, among others (subject to any specified cure periods):

- The issuer fails to pay an amount due on the class A notes or the warehousing facility on the respective payment date and remains in default for five business days;
- The issuer breaches certain financial covenants and fails to remedy such breach within 10 business days of such breach coming to the issuer's attention;
- The issuer breaches any representation or warranty made or given in terms of the trust deed or any of the other transaction documents and fails to remedy the breach within five business days of it coming to its attention, or any representation or warranty is and remains untrue in any respect;

- On any payment date, the arrears reserve is not fully funded at its required level;
- A resolution is proposed or passed by the shareholders or directors of the issuer or originator to voluntarily wind up that issuer, to commence business rescue proceedings in respect of that issuer, or to appoint a business rescue practitioner in respect of that issuer; the issuer or originator becomes subject to any liquidation or judicial management order, whether provisional or final; any trustee, liquidator, curator, or judicial manager is appointed in respect of the issuer or originator or any of their assets; or anything analogous to these events occurs in any jurisdiction, including but not limited to any business rescue proceedings as contemplated in the Companies Act of 2008;
- The issuer disposes of or attempts to dispose of the whole or a substantial portion of its undertaking or assets (other than in a manner pursuant to the transaction documents) or encumbers any of its assets, in both cases without the prior written consent of a special majority or a special resolution whether in a single transaction or in a series of transactions;
- The issuer or originator ceases, or threatens to cease, carrying on its business or sells, or threatens to sell, the whole or a substantial part of its business;
- The transaction documents are or become illegal, unlawful, or unenforceable in any material respect and are not amended within five business days after the issuer becomes aware thereof;
- The issuer makes any alteration to the provisions of its memorandum or articles of association or memorandum of incorporation, as the case may be without the prior written consent of a special majority or the approval of a special resolution other than as may be required to comply with the Companies Act of 2008;
- The collection ratio falls to 90% or less than the minimum collection ratio for any rolling six-month period, and the issuer fails to terminate the originator's mandate under the management agreement within five business days of being called upon to do so by a special majority or the approval of a special resolution;
- The collections ratio falls to 85% or less of the minimum collections ratio during any rolling six-month period (i.e., to a collection ratio of 72.25% or less); or
- Transaction Capital's sharehold in the originator falls below 50% plus one share without the written consent of a special majority of senior debt funders, the consent of which shall not unreasonably be withheld.

Our cash flow model addresses the amortization period only. We do not model the revolving stage because, to assign ratings on the notes that are higher than the seller credit rating (and in this transaction the seller is an unrated entity), we assume that the seller defaults on day one and test if the transaction would survive this default.

Terms and conditions on the notes

The notes will be paying quarterly interest in arrears on the last business day of March, June, September, and December. The payable interest on every tranche of notes is specified in the corresponding pricing supplement. Principal repayment is due within the scheduled amortization period according to the specified schedule and is reduced to zero on a final payment date.

The transaction allows for early full redemption of the senior notes in the following cases:

- On the enforcement date (subject to a guarantee event); or
- At the issuer request, out of the excess amounts collected on the loan agreements, provided that all prior ranking notes have been settled in full, and all (but not some) of the notes of a particular class are affected by such early redemption.

A guarantee event means:

- The company fails to repay in full the amounts owed to the secured creditors on or before the final repayment date;
- The winding up of the company or the placing of the company under judicial management, in either case whether provisionally or finally; the beginning of business rescue proceedings in relation to the company; or anything analogous to the foregoing occurs in relation to the company in any jurisdiction; or
- A guarantee notice is delivered to the company.

The delivery of a guarantee notice includes the following:

- Following a credit event (and for as long as that credit event is continuing) or if, at any time during the scheduled or early amortization periods, the portfolio's revenue during any two consecutive measurement periods cannot cover the company's costs, an ordinary majority of senior debt funders (or a senior debt funder duly authorised thereto by an ordinary resolution of senior debt funders) shall be entitled to call upon the trustee to give a guarantee notice to the company, declaring all amounts payable by the company to the funders in respect of all notes or facilities held by it immediately due, owing, and payable and calling upon the company to pay the amounts owed to the secured creditors; or
- If the trustee fails to deliver a guarantee notice to the company when required to do so and remains in default for a period of five business days after receipt of written notice from a senior debt funder calling upon it to do so, an ordinary majority of senior debt funders or any senior debt funder (or funders) duly authorised thereto by an ordinary resolution of senior debt funders, shall be entitled to deliver the requisite guarantee notice to the company. Any such notice delivered by the senior debt funders shall be as binding and effective as if duly delivered by the trustee.

If early redemption occurs, the notes will pay outstanding principal, accrued interest, and the present value of future amounts.

Payment priority

The transaction features a combined waterfall. The distribution of funds is fully sequential under both pre- and post-enforcement scenarios (see tables 1 and 2).

Table 1

Pre-Enforcement Distribution Of Funds

Priority	Payment
1	Fees, costs, expenses, and taxes due by the issuer to preserve the corporate existence of the issuer or comply with applicable legislation, including audit fees.
2	Fees, costs, and expenses due by the issuer to the trustee under the trust deed, to the manager under the management agreement, or to the standby administrator under the standby administration agreement.
3	Interest on class A and the warehousing facility.
4	Principal on class A and the warehousing facility, as well as amounts due and payable regarding the swap agreement.
5	Class B interest.
6	Class B principal.
7	Establish and maintain any required cash reserve.
8	Amounts owed to the swap counterparty, whereby the swap counterparty is the defaulting party.
9	Payments to the originator under the current account.
10	In discharge of the purchase price due to the originator under the sale of claims agreement or to the insurers to discharge any unpaid credit life insurance premiums.
11	Class C interest.
12	Class C principal.

Table 1

Pre-Enforcement Distribution Of Funds (cont.)	
13	class D interest.
14	Class D principal.
15	Payments to the originator in respect of the preference shares and any other equity not provided for elsewhere.

Table 2

Post-Enforcement Distribution Of Funds

Priority	Payment
1	Fees, costs, expenses, and taxes due by the issuer to preserve the corporate existence of the issuer or to comply with applicable legislation, including audit fees.
2	Fees, costs, and expenses due by the issuer to the trustee under the trust deed, to the manager under the management agreement, or to the standby administrator regarding the standby administration agreement.
3	Interest on class A and the warehousing facility.
4	Principal on class A and the warehousing facility, as well as amounts due and payable regarding the swap agreement.
5	Class B interest.
6	Class B principal.
7	Payments to the originator under the current account or the insurers to discharge any unpaid credit life insurance premiums.
8	Amounts owed to the swap counterparty, whereby the swap counterparty is the defaulting party.
9	Class C interest.
10	Class C principal.
11	Class D interest.
12	Class D principal.
13	Discharge of the company's remaining creditors in the order in which they rank in terms of prevailing legislation.

Credit enhancement

Hard credit enhancement for the notes includes subordination. The class B, C, and D notes are subordinated to the class A notes. Additionally, the transaction benefits from a current account, which is a loan facility between Bayport and BaySec whereby assets are sold to the vehicle and payment is made according to the transaction waterfall. Soft credit enhancement includes excess spread.

Set-off risk

Bayport is not a deposit-taking institution; therefore, there is no risk of set-off associated with the consumer loans.

Servicing

MBD, the back-up servicer, belongs to MBD Credit Solutions, a leading independent provider of credit management solutions in South Africa. Like Bayport, MBD Credit Solutions belongs to Transaction Capital Group.

MBD Credit Solutions' core service is collecting account receivables encompassing the entire credit cycle, using both call-center-based and legal collections. At present, MBD has about 70 mandates from retail clients on collections of contractual due amounts. MBD has adequate capacity to take over servicing from Bayport due to its experience, advanced IT technologies, and ability to quickly set up a call center. In regards to its interaction specifically with Bayport, MBD has already collected about 40,000 accounts for Bayport since the transaction began in 2008 and is familiar with its collection systems and technology.

MBD functions as a back-up servicer to Bayport could include three possible stages of involvement:

- Standby phase (the actual stage of interaction; no soft credit event has occurred) includes monitoring monthly reports, ensuring the connectivity and interface between Bayport and MBD are functioning properly, and updating MBD representatives on Bayport's collection strategy and process.
- Alert phase (if a soft credit event has occurred) includes preparing for the pick-up of collection services through the introduction of key staff, outsource providers, in-depth analysis, and tests of Bayport's collection tools and connectivity of IT systems, and the development of an appropriate collection strategy to be applied if MBD takes over servicing.
- Intervention phase (starts within 48 hours of the intervention commencement date) includes holding a meeting to establish plan of action, completing data transfers, analyzing the actual status of all loan claims, and reconciling all customer payments made to the collection accounts.

A soft credit event will arise if:

- The collection ratio falls to 95% or less of the minimum collections ratio for any rolling six-month period;
- The issuer breaches any financial covenant during any two consecutive months;
- MBD receives a potential credit event notice; or
- Any other event occurs that is determined by the oversight committee (a joint Bayport and MBD committee of collectors) to be a soft credit event.

Commingling risk

The borrowers make monthly payments to accounts opened in Bayport's name held at one of three collection account banks: Standard Bank; ABSA Bank Ltd. (ABSA; 'BBBpi' unsolicited rating), or First National Bank of South Africa Ltd. (FNB; unrated). On a daily basis, the servicer transfers collected amounts to the issuer transaction account (the consolidated bank account) opened with Standard Bank.

ABSA and FNB do not satisfy with the minimum required rating per our 2012 counterparty criteria to support the ratings on the notes. Nevertheless, we view commingling risk to be fully structurally mitigated in line with our 2012 counterparty criteria because the timing of exposure to an ineligible collection account bank provider is limited to one business day.

Transaction account

The issuer holds the transaction account with Standard Bank, a 'BBB' rated bank. Per our counterparty criteria, the rating on the transaction will reflect the lower of the collateral's credit quality and the rating on the counterparty.

Collateral Description

The collateral comprises three products including unsecured consumer loans, unsecured payroll loans, and cellular subscription agreements to provide mobile phone and monthly airtime with the installments collected by debit order. We included payroll loans with retail loans in our analysis because they represent about 2% of the total.

As of the Aug. 31, 2013, the eligible pool comprised loans totaling ZAR7.29 billion (about US$744 million), with ZAR6.64 billion (US$667 million) in consumer loans and ZAR661.92 million (US$67.5 million) in cellular loans. The average original principal amount was ZAR19,601 for consumer loans and ZAR3,773 for cellular loans, with the current average outstanding amount of ZAR21,134 and ZAR5,662, respectively. The weighted average original term was 43.7 months for consumer loans and 24.1 months for cellular loans, with remaining terms of 34.5 months and 4.3 months, respectively. The weighted average interest rate is 32.8% for consumer loans and 25.6% for cellular loans. The interest rate is fixed for the life of the transaction. Additionally, the transaction benefits from a monthly service charge on each account.

Charts 2 to 5 show the breakdown of the collateral pool in terms of term, loan balance, interest rate, and geographical concentration.

Chart 2

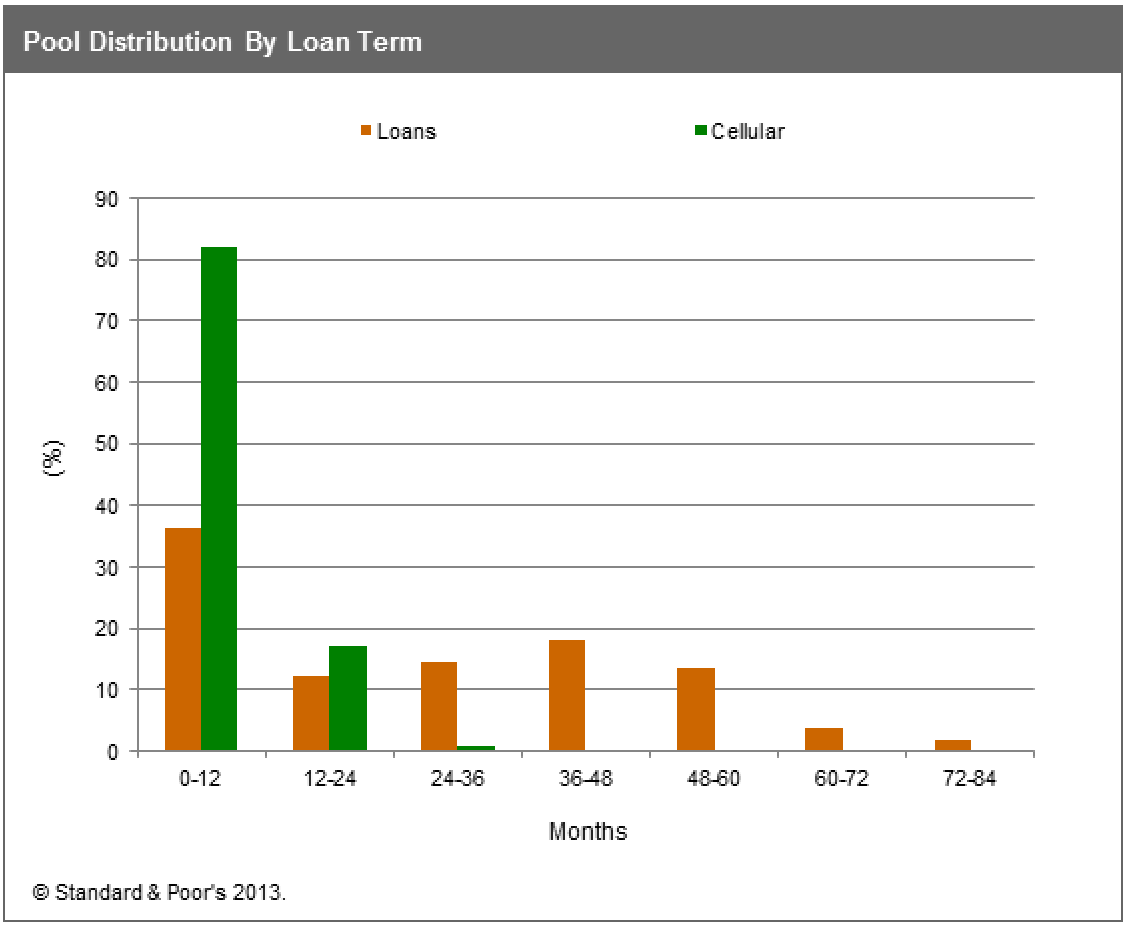


Chart 3

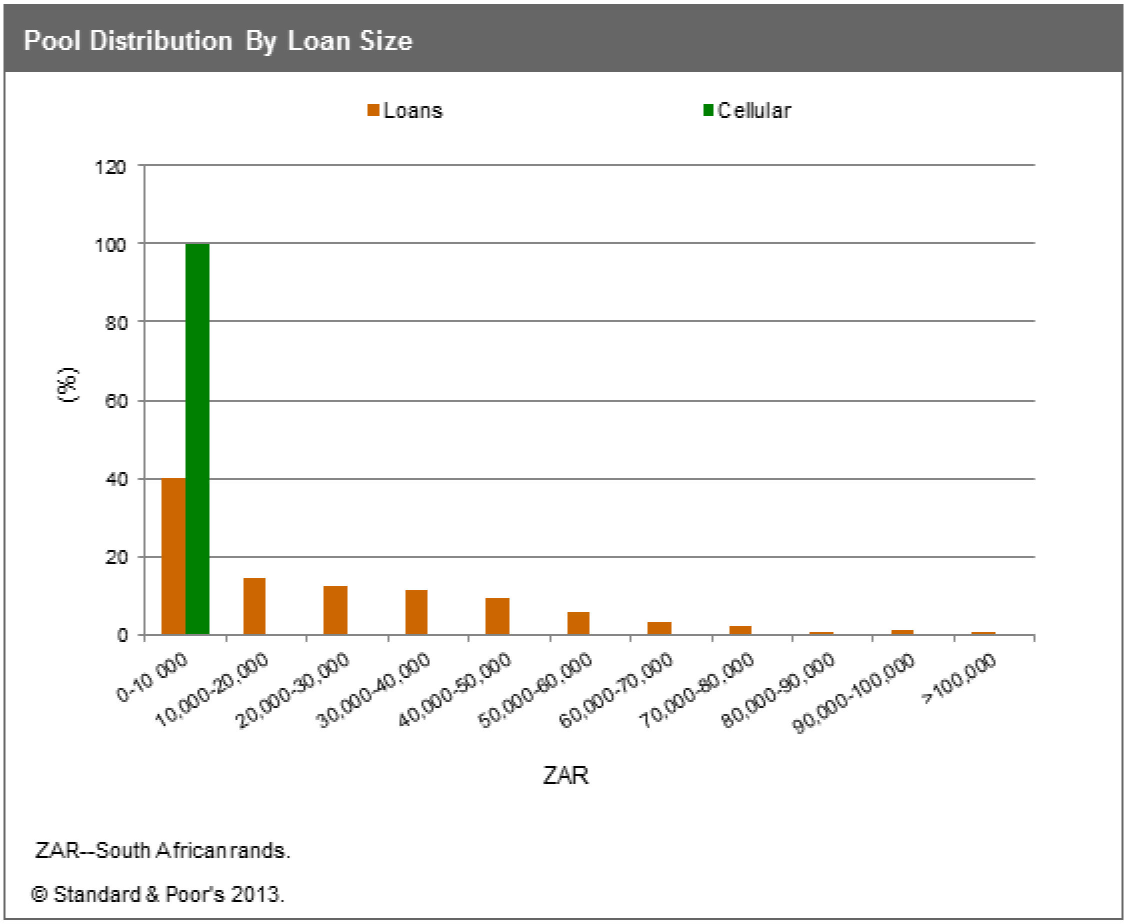

Pool Distribution By Loan Size
Loans
Cellular
120
100
80
60
40
20
0
(%)
0-10,000
10,000-20,000
20,000-30,000
30,000-40,000
40,000-50,000
50,000-60,000
60,000-70,000
70,000-80,000
80,000-90,000
90,000-100,000
>100,000
ZAR
ZAR--South African rands.
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Chart 4

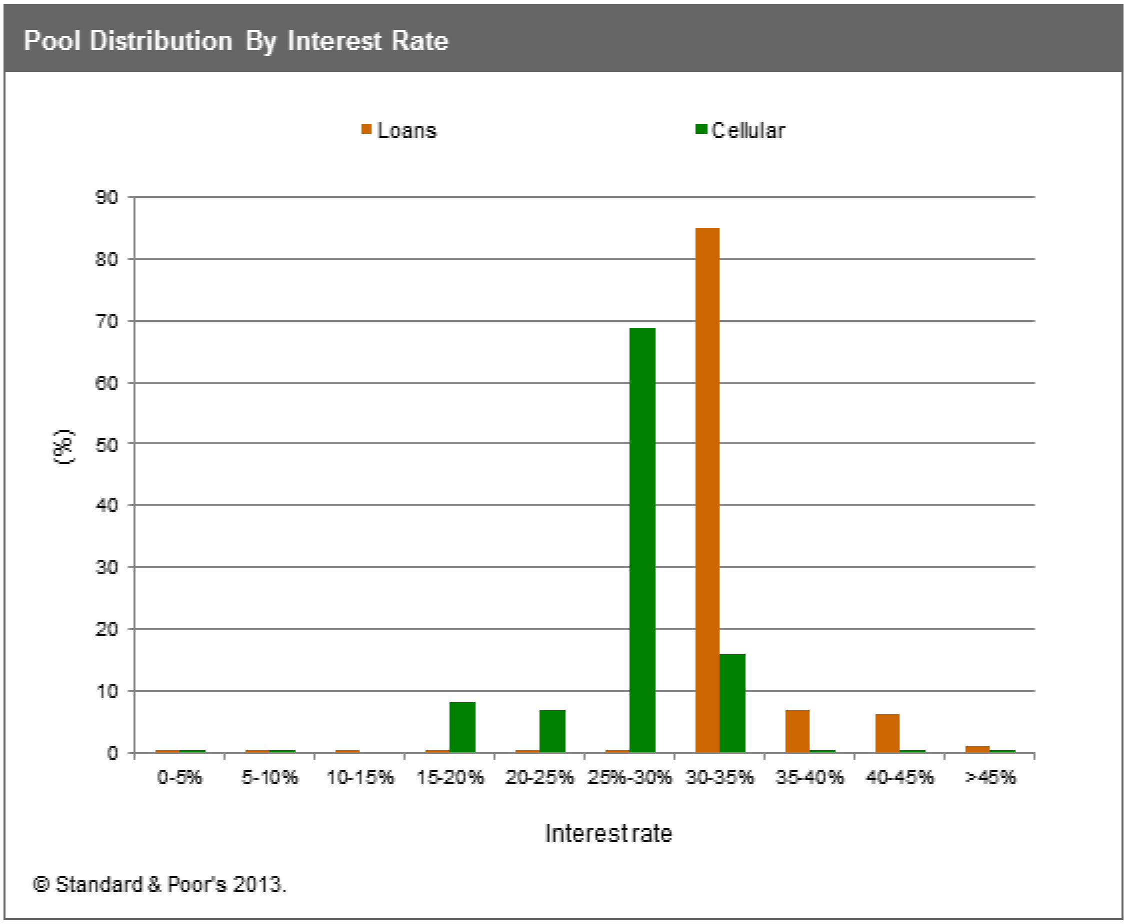
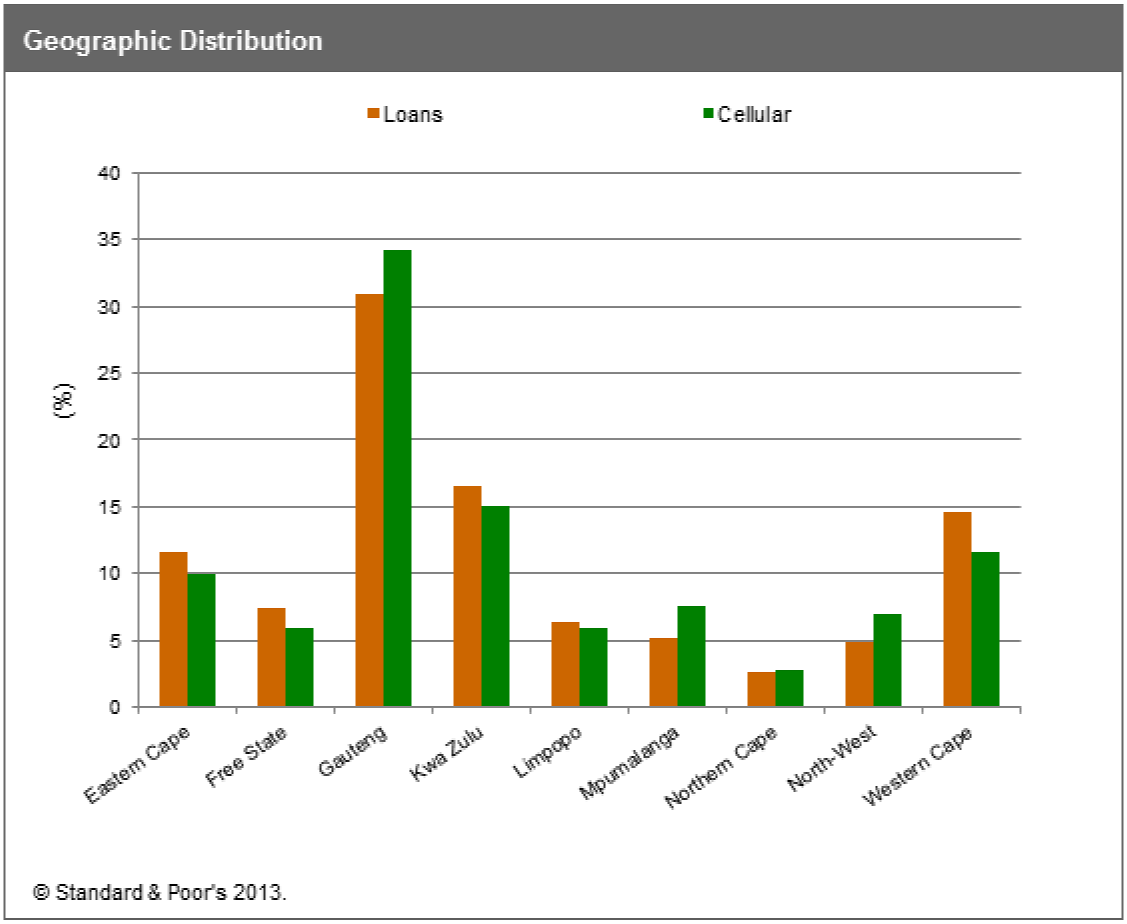

Pool Distribution By Interest Rate
Loans
Cellular
90
80
70
60
50
40
30
20
10
0
(%)
0-5%
5-10%
10-15%
15-20%
20-25%
25%-30%
30-35%
35-40%
40-45%
>45%
Interest rate
© Standard & Poor's 2013.

Chart 5



Credit Analysis

Our rating analysis includes an assessment of the credit risk inherent in the transaction under various stress scenarios. We based our credit analysis on our rating methodology for analyzing consumer finance transactions (see "European Consumer Finance Criteria," published March 10, 2000, for more information).

Default rate

We define defaulted loans as loans that are overdue by 90 calendar days or more. The transaction documents are in line with our definition.

When deriving the base-case default rate, we accounted for the following considerations for consumer loans:

- The transaction's relevant performance history from the beginning of 2008 through 2013. BaySec's portfolio has expanded in the last four years, and the average monthly issuance reached ZAR151.1 million in 2013 from ZAR77.7 million in 2009. Nevertheless, origination standards have remained relatively consistent over time. Pool performance has been steady, supported by the narrow distribution of cohorts including the 2008-2009 recession.

When deriving the base-case default rate, we accounted for the following considerations for cellular loans:

- We have observed the transaction's relevant performance history from the beginning of 2008 through 2013. Similar to consumer loans, the cellular loan portfolio has expanded over time. In 2013, the average monthly issuance reached ZAR150.1 million, up from ZAR77.7 million in 2009. Origination standards have remained relatively consistent over time. Pool performance has been steady, supported by the narrow distribution of cohorts including 2008-2009 recession.

For both the consumer and cellular loans, we considered our expectations for the South African economy, which are modestly positive for the next two years. However, we've noted a rise in nonperforming loans among market leaders. We nevertheless consider that Bayport's portfolio will show stronger resilience to this trend because its inherent default rate already stays higher than the market and the company has been conservative in its emphasis on affordability measures as part of credit risk management, in addition to the portfolio's large exposure to public sector employment.

Chart 6 shows semiannual static gross loss data from February 2008 to August 2013 for the total portfolio. Charts 7 and 8 show the performance breakdown by consumer and cellular loans.

Chart 6

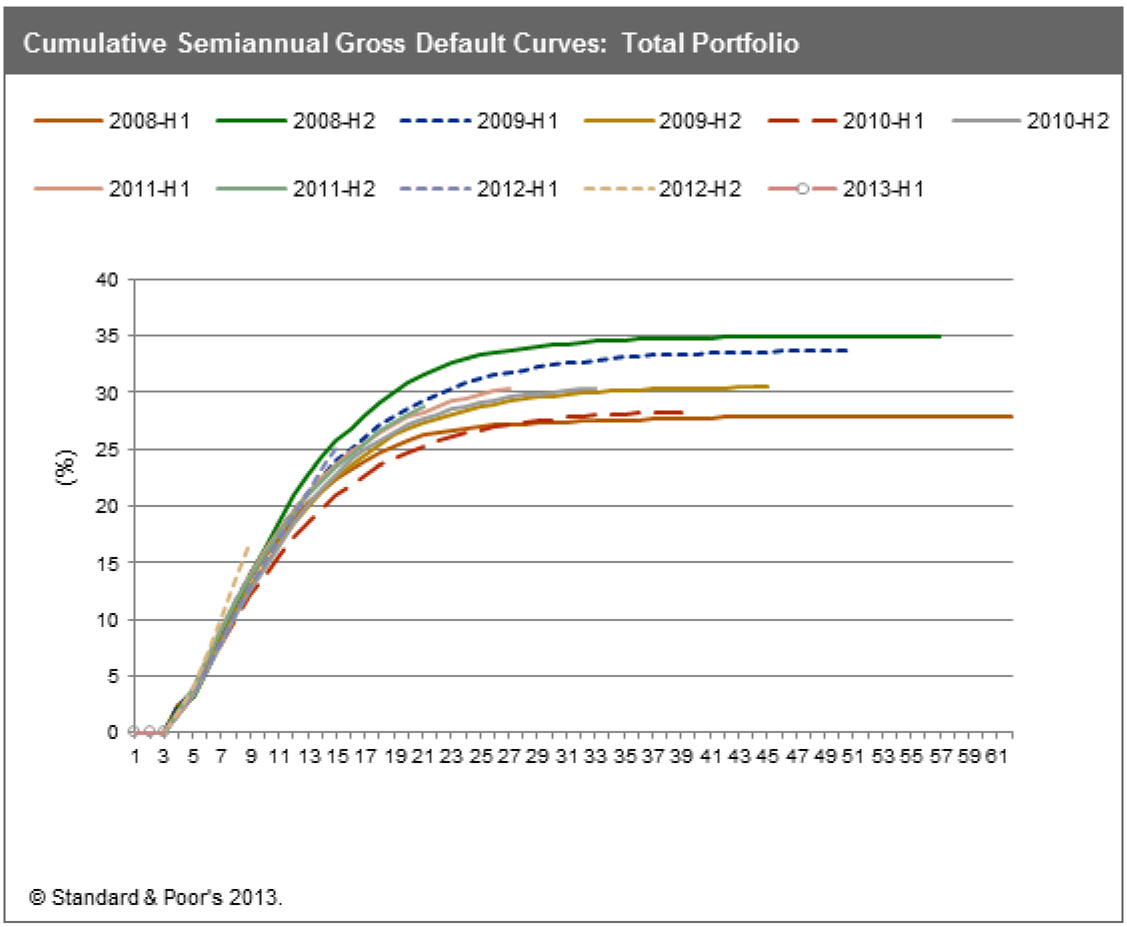


Chart 7

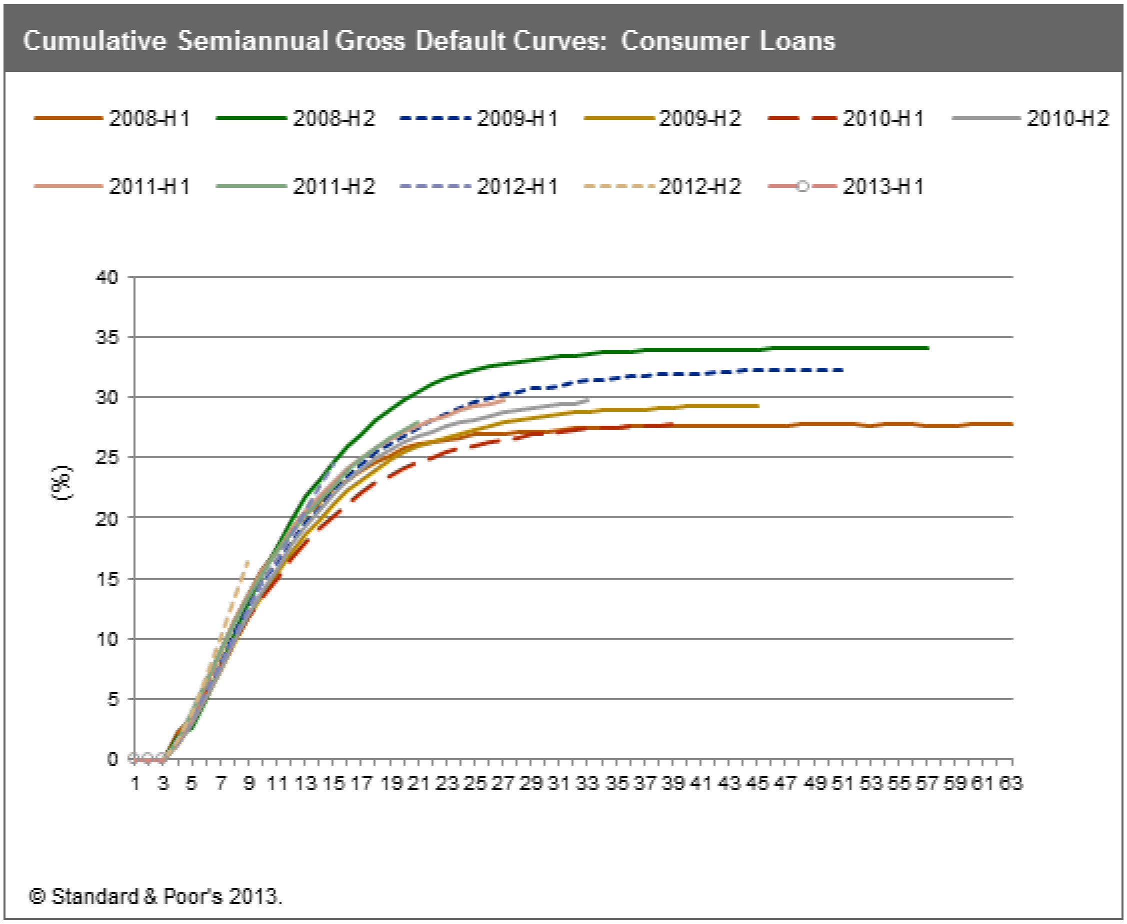
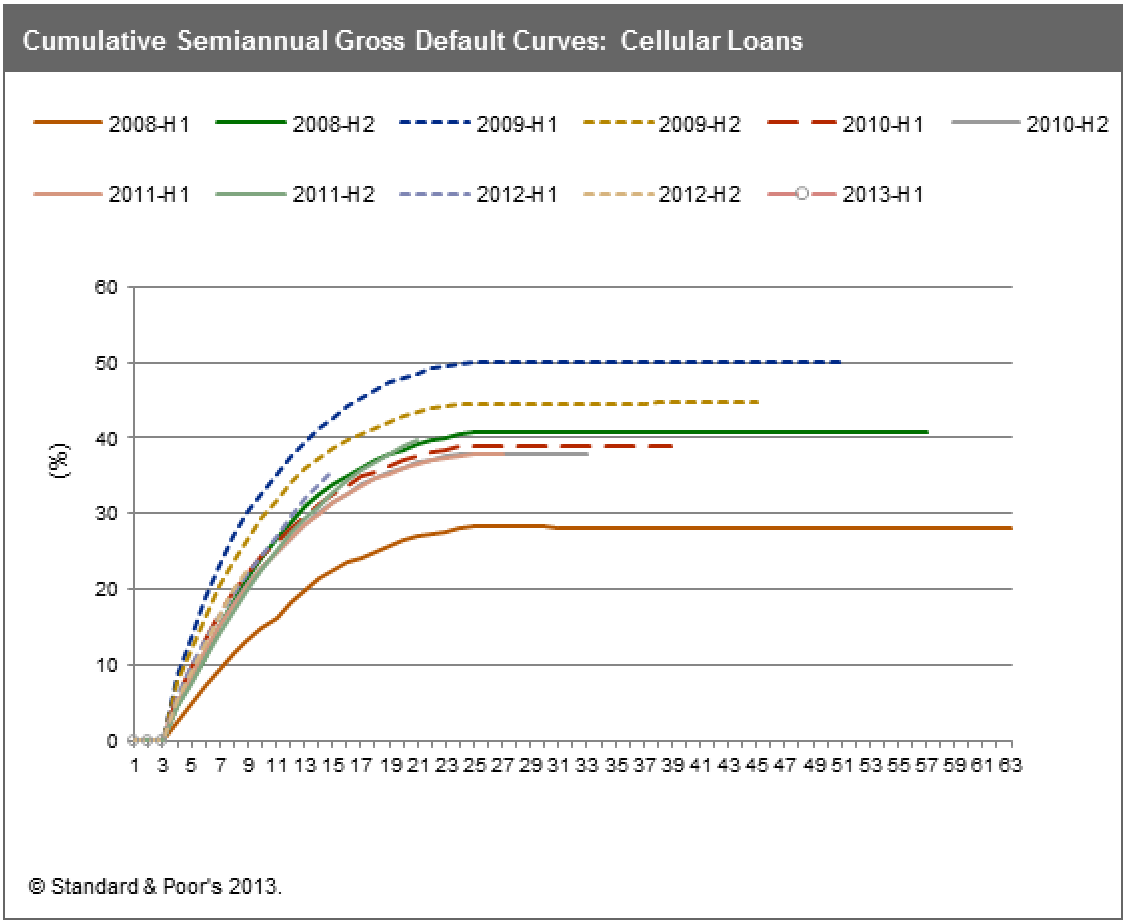

Cumulative Semiannual Gross Default Curves: Consumer Loans
2008-H1
2008-H2
2009-H1
2009-H2
2010-H1
2010-H2
2011-H1
2011-H2
2012-H1
2012-H2
2013-H1
(%)
0
5
10
15
20
25
30
35
40
1 3 5 7 9 11 13 15 17 19 21 23 25 27 29 31 33 35 37 39 41 43 45 47 49 51 53 55 57 59 61 63
© Standard & Poor's 2013.

Chart 8



For our cash flow analysis, consumer loan defaults were distributed equally over a 20-month period while cellular loan defaults were distributed equally over four months starting in month one.

Recovery rate

Because of the unsecured nature of consumer loans, we give little or no benefit to recovery, according to our consumer finance criteria. In this transaction, we gave limited benefit to recovery statistics because Bayport provided recovery data and the market has a positive recovery history. When deriving the base-case recovery rate, we stressed Bayport's historical data to account for the risk of recovery rate deterioration if the servicer is replaced. We considered an 18-month recovery horizon, with recoveries available at six, 12, and 18 months over defaulted and nonperforming loans.

Credit multiple and haircut

We applied a haircut and credit multiple consistent with 'zaA' and 'zaA-1' ratings. Our considerations for the credit multiple included:

- A riskier customer base compared to conventional lending products, which results in significantly higher base-case default assumptions than other products in the South African market;
- A consistent default track record over the past five years, including the recession of 2008 and 2009;

- Ultimate default rates that are not as sensitive to the economic cycle as more conventional lending products (due to high imbedded credit risk even in a growing economy);
- Bayport's experience in managing the risks related to its core business since 2004; and
- The lack of major changes in Bayport's origination practice over the entire observed period from the beginning of 2008 until the present.

Our considerations for the recovery rate included:

- Low base-case recovery rates;
- A consistent recovery track record over the past five years, including the recession of 2008 and 2009; and
- The good quality of recovery data (static monthly data) over a representative time period, which includes a recession.

Table 3 shows our base-case and stressed assumptions for 'zaA' and 'zaA-1' rating scenarios. The resulting net loss rate at the 'zaA' and 'zaA-1' rating levels is 38.4% for consumer loans and 55.1% for cellular loans.

Table 3

Base Case And Stressed Assumptions For A 'zaA' And 'zaA-1' Rating Scenarios

	Default rate (%)		Recovery rate (%)	
	Consumer loans	Cellular loans	Consumer loans	Cellular loans
Base-case	36	50	8.5	5
Multiple/haircut	1.15	1.15	15	15
Stressed rate in zaA/zaA-1 scenario	41.4	57.5	7.2	4.3

Delinquency rate

Due to high gross default rate assumptions, we have not modeled an additional delinquency assumption in our cash flow model.

Prepayment rate

The historical prepayment rate range lies between 2% and 21% for consumer loans and between zero and 7% for cellular loans. We tested the cash flow model under the market averages for each product, which had a constant prepayment rate (CPR) of 15% for consumer loans and 1% for cellular loans.

Yield

Interest rates on all loans are charged at the maximum interest rate allowed under the National Credit Act at the time of origination, and are fixed for the loan's duration. Interest rates are determined under a statutory formula equal to the repurchase rate multiplied by 2.2x plus 20%.

We capped the portfolio yield at 32% for consumer loans and 26% for cellular loans under the applicable CPR scenarios, as it corresponds to our assumption of the potential yield that the portfolio could reach during the revolving period. The current weighted average interest rate on the portfolio, as of Aug. 31, 2013, is 32.1%.

Cash Flow Analysis

We have tested the ability of the notes to pay timely interest and ultimate principal under the above stress assumptions through our cash flow model. The only varying parameters in our model are the interest rate scenarios that account for floating-rate liabilities on a portion of the class A notes. We stressed the transaction using three interest rate scenarios:

- A fixed-rate scenario with a constant 5% rate;
- An up scenario with JIBAR increasing to 15% from 5%; and
- A down scenario with JIBAR decreasing to zero from 5.%..

The model passes at the 'zaA' and 'zaA-1' rating levels on the notes under all interest rate scenarios.

Scenario Analysis

We include a "what-if" scenario analysis section in our rating reports to explain key rating assumptions and the potential impact of positive or negative events on the ratings (see "Methodology: Credit Stability Criteria," published on May 3, 2010, and "Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors," published on Nov. 4, 2011).

Methodology

When rating European consumer asset-backed securities transactions, we have developed a scenario analysis and sensitivity testing model framework. This demonstrates the likely effect of scenario stresses on the ratings in a transaction over a one-year outlook horizon. For this asset class, we consider scenario stresses over a one-year horizon to be appropriate given the relatively short weighted-average life of the assets backing the notes. For these types of securities, there are many factors that could cause the downgrade and default of a rated note, including asset performance and structural features. However, for the purposes of this analysis, we focused on the three fundamental drivers of collateral performance, namely:

- Gross loss rate;
- Recovery rate; and
- Prepayment rate.

Given current economic conditions, the proposed stress scenarios reflect negative events for each of these variables. Increases in gross default rates could arise from a number of factors, including rises in unemployment and a reduction in the availability of credit. In addition, these effects would most likely cause collateral recovery rates to fall as the structural imbalance between supply and demand leads to reductions in asset prices. In this environment, we also expect prepayment rates to fall as fewer refinancing options leave obligors unable to prepay finance agreements.

For this analysis, we have included two stress scenarios to demonstrate the rating transition of a note (see table 4).

Table 4

Scenario Stresses

Rating variable	Scenario 1 (relative stress to base case)	Scenario 2 (relative stress to base case)
Gross loss rate (%)	10	20.0
Recovery rate (%)	(10.0)	(20.0)
Constant prepayment rate (%)	(10.0)	(15)

It is worth noting that our base-case assumptions for each transaction are intended to be best estimates of future performance for the asset portfolio. Our approach in determining these base cases would account for historically observed performance and an expectation of potential changes in these variables over the life of the transaction. The sensitivity of rated notes in each transaction will differ depending on these factors, in addition to structural features of the transaction, including its reliance on excess spread, payment waterfalls, and levels of credit enhancement at closing.

Scenario stress and sensitivity analysis

The results of this modeling are intended to be a simulation of what could happen to the ratings on the notes for the given transaction. For the purposes of our analysis for this transaction, we applied the two scenarios described above in our cash flow modeling. Tables 5 and 6 show the implied base case stresses and scenario stress results.

Table 5

Scenario Stresses

Stress horizon—12 months

Rating variable	Base case	Scenario 1	Scenario 2
Gross default rate - consumer loans (%)	36	39.6	43.2
Gross default rate - cellular loans (%)	50	55.0	60.0
Recovery rate - consumer loans (%)	8.5	7.65	6.8
Recovery rate - cellular loans(%)	5.0	4.5	4.0
Constant prepayment rate - consumer loans(%)	15.0	13.5	12.8
Constant prepayment rate - cellular loans (%)	1.0	0.9	0.9

Table 6

Scenario Stress Analysis—Rating Transition Results

Scenario stress	Class	Initial rating	Scenario stress rating
Scenario 1	Notes	zaA (sf)	zaB(sf)
Scenario 2	Notes	zaA (sf)	D (sf)

Our analysis suggests that under scenario 1 stresses, the notes would most likely be downgraded to a 'zaB' level while under scenario two the notes would be expected to default. The rating transition lies within the maximum deterioration guidelines as per our criteria (see "Methodology: Credit Stability Criteria," published May 3, 2010).

Monitoring And Surveillance

We will regularly assess the following as part of our ongoing surveillance of this transaction:

- The performance of the underlying portfolio, including defaults, delinquencies, and prepayments; and
- The supporting rating in the transaction.

Standard & Poor's 17g-7 Disclosure Report

SEC Rule 17g-7 requires an NRSRO, for any report accompanying a credit rating relating to an asset-backed security as defined in the Rule, to include a description of the representations, warranties and enforcement mechanisms available to investors and a description of how they differ from the representations, warranties and enforcement mechanisms in issuances of similar securities.

The Standard & Poor's 17g-7 Disclosure Report included in this credit rating report is available at http://standardandpoorsdisclosure-17g7.com/1653.pdf.

Related Criteria And Research

Related Criteria

- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, May 7, 2013
- Standard & Poor's Revises Mapping Guidance For South Africa National Credit Rating Scale Following Sovereign Downgrade, Oct. 15, 2012
- Principles Of Credit Ratings, Feb. 16, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- European Consumer Finance Criteria, March 10, 2000

Related Research

- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- Weighing Country Risk In Our Criteria For Asset-Backed Securities, April 11, 2006