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## Preliminary Ratings Assigned To South African ABS Transaction, Bayport Securitisation (RF) Ltd.'s Class A Notes

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### OVERVIEW

- We have assigned our preliminary 'zaA (sf)' and 'zaA-1 (sf)' ratings to Bayport Securitisation (RF) Ltd.'s class A notes, which have been issued in multiple batches.
- The securitized portfolio comprises South African consumer loan receivables originated by Bayport Financial Services 2010 (Pty) Ltd. (Bayport).

SOUTH AFRICA (Standard & Poor's) July 11, 2013--Standard & Poor's Ratings Services today assigned its preliminary 'zaA (sf)' and 'zaA-1 (sf)' credit ratings to Bayport Securitisation (RF) Ltd.'s consumer loan-backed class A notes issued from Bayport's existing securitization program (see ratings list).

### RATING RATIONALE

The preliminary ratings reflect our view on the following factors:

- Economic outlook: Our base-case default rate assumption for the portfolio reflects our expectation for a moderate growth in economic output and personal income in South Africa. Our baseline economic scenario for South Africa forecasts real GDP growth between 2.7% and 3.8%, and real per capita income growth between 2.2% and 3.3% over the next few years, and a

continued low consumer price index at around 5.5% (see "Republic of South Africa," published on March 27, 2013).

- Operational risk: The receivables originator and seller is Bayport Financial Services 2010 (Pty) Ltd. We view Bayport's abilities to fulfill its obligations as servicer to be adequate. The stand-by servicer, MBD Credit Solutions (PTY) Ltd. (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 the application of 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 on Feb. 16, 2011, and "European Consumer Finance Criteria," published on March 10, 2000). We received a more than three-year historical performance record of the underlying portfolio to support our credit assumptions. While our expectations for the South African economic environment 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 Bayport's portfolio will demonstrate stronger resilience to this trend based upon its conservative stance to affordability measures as part of its credit risk management, its relatively stable performance during the 2009 recessionary environment, 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 the application of 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 to a 'zaA (sf)' rating level.
- Counterparty risk: The transaction will be exposed to the credit risk of Standard Bank of South Africa Ltd. (unsolicited ratings BBB/Negative/A-2) as the issuer bank account provider. We consider that the transaction documents adequately mitigate this risk at a 'zaA (sf)' rating level in line with our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions", published on June 25, 2013). The servicer is an unrated entity. We consider that the risk of loss of cash collections falling into the servicer collection accounts is structurally mitigated in accordance with 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 sale of the assets would survive the insolvency of Bayport as the seller (see "Asset Isolation And Special-Purpose Entity Criteria--Structured Finance," published on May 7, 2013).
- Rating stability: Under our scenario analysis, we have 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 on May 3, 2010).

Our preliminary ratings reflect our assessment of the main features of the transaction, as well as an analysis of the counterparty and operational risks of the transaction. Our analysis indicates that the credit enhancement available to the rated notes is sufficient to mitigate the credit and cash flow risks to a 'zaA (sf)' rating level.

The securitized portfolio comprises South African consumer loan receivables originated by Bayport in the ordinary course of its business. The transaction does not have a fixed revolving period: it will revolve until the full repayment of all outstanding debt by the issuer, or, upon the occurrence of an acceleration event.

#### 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

- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, May 7, 2013
- Republic of South Africa, March 27, 2013
- European Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, March 14, 2012
- Global Structured Finance Scenario And Sensitivity Analysis: The Effects Of The Top Five Macroeconomic Factors, Nov. 4, 2011
- Principles Of Credit Ratings, Feb. 16, 2011
- Methodology: Credit Stability Criteria, May 3, 2010
- Weighing Country Risk In Our Criteria For Asset-Backed Securities, April 11, 2006
- European Consumer Finance Criteria, March 10, 2000

#### RATINGS LIST

Bayport Securitisation (RF) Ltd. ZAR3.885 Billion Asset-Backed Notes

Class	Original Balance	Prelim Rating
Class A (BAYA01)	425,000,000	zaA (sf)
Class A (BAYA04)	20,000,000	zaA (sf)
Class A (BAYA05)	33,000,000	zaA (sf)

*Preliminary Ratings Assigned To South African ABS Transaction, Bayport Securitisation (RF) Ltd.'s Class A Notes*

Class A (BAYA06)	550,000,000	zaA (sf)
Class A (BAYA07)	34,000,000	zaA (sf)
Class A (BAYA08)	50,000,000	zaA (sf)
Class A (BAYA09)	75,000,000	zaA (sf)
Class A (BAYA10)	40,000,000	zaA (sf)
Class A (BAYA11)	60,000,000	zaA (sf)
Class A (BAYA12)	20,000,000	zaA (sf)
Class A (BAYA13)	80,000,000	zaA (sf)
Class A (BAYA14)	13,000,000	zaA (sf)
Class A (BAYA15)	100,000,000	zaA (sf)
Class A (BAYA16)	10,000,000	zaA (sf)
Class A (BAYA17)	80,000,000	zaA (sf)
Class A (BAYA18)	100,000,000	zaA (sf)
Class A (BAYA19)	135,000,000	zaA (sf)
Class A (BAYA20)	150,000,000	zaA (sf)
Class A (BAYA22)	100,000,000	zaA (sf)
Class A (BAYA23)	300,000,000	zaA (sf)
Class A (BAYA24)	95,000,000	zaA (sf)
Class A (BAYA25)	50,000,000	zaA (sf)
Class A (BAYA26)	185,000,000	zaA (sf)
Class A (BAYA27)	120,000,000	zaA (sf)
Class A (BAYA28)	200,000,000	zaA-1 (sf)
Class A (BAYA29)	60,000,000	zaA (sf)
Class A (BAYA30)	150,000,000	zaA (sf)
Class A (BAYA31)	60,000,000	zaA (sf)
Class A (BAYA32)	75,000,000	zaA (sf)
Class A (BAYA33)	15,000,000	zaA (sf)
Class A (BAYA34)	100,000,000	zaA (sf)
Class A (BAYA35)	50,000,000	zaA (sf)
Class A (BAYA36)	50,000,000	zaA (sf)
Class A (BAYA37)	100,000,000	zaA (sf)
Class A (BAYA38)	200,000,000	zaA-1 (sf)

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