STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

New Issue: Transsec 2 (RF) Ltd.

ZAR450 Million Asset-Backed Notes (Including ZAR129 Million Unrated Notes)

Primary Credit Analyst:
Irina A Penkina, Moscow (7) 495-783-4070; irina.penkina@standardandpoors.com

Secondary Contact:
Tihomir Iliev, London; tihomir.iliev@standardandpoors.com

Table Of Contents

Transaction Summary

Rating Rationale

Strengths, Concerns, And Mitigating Factors

Transaction Structure

Originator

Cash Flow Mechanics

Collateral Description

Credit And Cash Flow Analysis

Cash Flow Analysis

Sovereign Risk Analysis

Scenario Analysis

Table Of Contents (cont.)

Key Performance Indicators

Related Criteria And Research

1486208 | 300093991

New Issue: Transsec 2 (RF) Ltd.

ZAR450 Million Asset-Backed Notes (Including ZAR129 Million Unrated Notes)

Ratings Detail

Class	South Africa national scale rating*	Amount (mil. ZAR)	Available credit enhancement (%)§	Interest	Legal final maturity
A1	zaAAA (sf)	148.00	48.00	Three-month JIBAR plus 1.44%	December 2025
A2	zaAAA (sf)	25.00	48.00	Three-month JIBAR plus 1.85%	December 2025
A3	zaAAA (sf)	61.00	48.00	9.67%	December 2025
B1 – Dfrd†	zaA (sf)	73.00	31.80	Three-month JIBAR plus 2.50%	December 2025
C1 – Dfrd†	zaBBB (sf)	14.00	28.70	Three-month JIBAR plus 3.80%	December 2025
D1 – Dfrd†	NR	75.00	12.00	Three-month JIBAR plus 6.80%	December 2025
Subordinated loan	NR	54.00	0.00	Three-month JIBAR plus 8.00%	December 2025

*Standard & Poor's ratings address timely payment of interest and ultimate principal for class A1, A2, and A3 notes and ultimate payment of interest and, principal for the rest of the classes of notes. §Includes subordination only. †Interest deferrable. NR--Not rated. JIBAR--Johannesburg Interbank Average Rate.

Transaction Participants	
Domestic issuer	Transsec 2 (RF) Ltd.
Collections special-purpose entity	Keywood (RF) Pty. Ltd.
Servicer and administrator	SA Taxi Development Finance Proprietary Ltd.
Subordinated loan provider	SA Taxi Finance Holdings (Pty) Ltd
Originator and seller	Potpale Investments (RF) Proprietary Ltd.
Collection bank account providers	Standard Bank of South Africa Ltd., Nedbank Ltd., First National Bank of South Africa Ltd., and ABSA Bank Ltd.
Security special-purpose entity	Transsec 2 Security SPV (RF) Proprietary Ltd.
Transaction bank account provider, calculation agent, paying agent, and swap counterparty	Standard Bank of South Africa Ltd.
Stand-by servicer and stand-by administrator	MBD Credit Solutions Proprietary Ltd.

Supporting Ratings

Institution/role	Ratings
Standard Bank of South Africa Ltd. as transaction bank account provider and swap provider (foreign currency rating/outlook/short-term foreign currency rating)	BBB-/Stable/A-3

Transaction Key Features	
Selection date	Nov. 6, 2015
Collateral	Installment sale agreements (ISAs)

Transaction Key Features (cont.)	
Description	ISAs originated by Potpale Investments (RF) Proprietary Ltd., a warehouse facility related to SA Taxi Development Finance Proprietary Ltd.
Country of origin	South Africa
Customer type	100% taxi operators
Cumulative single-debtor concentration (%)*	Top 1: 0.28, top 10: 1.78
Outstanding balance of the pool (mil. ZAR)*	436.7
Average original principal balance (ZAR)*	339,625.0
Average outstanding principal balance (ZAR)*	339,811.8
Weighted-average original term (months)*	65.9
Weighted-average seasoning (months)*	2.0
Weighted-average remaining term (months)*	63.9
Delinquencies (30 days or more; %)*	2.6
Weighted-average borrower nominal interest rate (%)*	24.2
Amortization type	100% fully amortizing loans by monthly installments
Vehicle type	100% minibus taxi
Largest vehicle make (%)*	Toyota (85.1%), Nissan (6.3%), Mercedes (5.1%)
Revolving period	13 months from closing
Loan redemption profile	Straight amortizing with fixed monthly installments
Premium new vehicles (%)*	71.1
Premium pre-owned vehicles (%)*	28.9

*As of Nov. 6, 2015.

Transaction Summary

Standard & Poor's Ratings Services has assigned its South African national scale credit ratings to Transsec 2 (RF) Ltd.'s class A1, A2, A3, B1 interest deferrable, and C1 interest deferrable asset-backed notes. At closing, Transsec 2 (RF) also issued unrated floating-rate class D1 interest deferrable notes and received a subordinated loan from SA Taxi Finance Holdings (Pty) Ltd.

The transaction securitizes a pool of fully amortizing installment sale agreements (ISAs) relating to the financing of South African minibus taxis. SA Taxi Development Finance Proprietary Ltd.'s (SA Taxi) originated and funds the receivables through Potpale Investments (RF) Proprietary Ltd. (Potpale), a bankruptcy remote special-purpose entity (SPE). The SPE uses a facility provided by The Standard Bank of South Africa Ltd. (BBB-/Stable/A-3) for the sole purpose of originating and financing ISAs. The underlying obligors are predominantly South African individual taxi operators. This is SA Taxi's second securitization transaction that we have rated.

At closing, the issuer used the proceeds from the notes and the subordinated loan to purchase the ISAs from Potpale. The transaction has a 13-month revolving period, during which the issuer can utilize principal proceeds to purchase additional assets. At the end of the revolving period, or after an early amortization event, principal is paid to the noteholders in accordance with the priority of payments. The transaction pays principal sequentially. However, subject to certain triggers and principal lock-out conditions defined under the transaction documents, the notes may be

redeemed pro rata.

This transaction's most relevant risk is the credit risk relating to the underlying loans' borrowers, in our view. As the transaction is revolving, our credit risk assessment also considered portfolio deterioration through adverse portfolio composition migration. However, certain portfolio covenants described below and the short 13-month revolving period partially offset this, in our view. We consider that the ringfenced bankruptcy remoteness of the SPE collection account, and the fact that it holds the collected funds for only one business day, mitigates the transaction's exposure to commingling risk. The Standard Bank of South Africa is the collection account provider. Our analysis also took liquidity, tax, and counterparty risks into account. The transaction is not exposed to either deposit or employee set-off risk.

A combination of note subordination, overcollateralization from the subordinated loan used to purchase ISAs, and excess spread provides credit enhancement for the notes.

SA Taxi is the portfolio servicer and issuer administrator. At closing, the transaction benefitted from MBD Credit Solutions (Pty) Ltd.'s (MBD) involvement as a standby servicer. Standard Bank of South Africa is the transaction bank account provider, and the swap provider.

Since we assigned preliminary ratings to this transaction, material changes have been made to the capital structure, which resulted in an increase in the available credit enhancement for the class B1 interest deferrable and C1 interest deferrable notes to 31.8% and 28.7% from 29.4% and 19.8%, respectively. The available credit enhancement for the class A1, A2, and A3 notes remained unchanged at 48.0%.

Our ratings on the class B1 interest deferrable and C1 interest deferrable notes are based on the credit enhancement levels under the preliminary capital structure, since the terms and conditions of the program enable further note issuance during the revolving period subject to the resulting credit enhancement being at least as high as the preliminary capital structure.

Rating Rationale

Economic outlook

Our base-case default rate assumption for the portfolio reflects our expectation for moderate growth in economic output in South Africa. Our baseline economic scenario forecasts real GDP growth of between 2.2% and 2.9% until 2016, and a continued low consumer price index at about 5.5% (see "Sub-Saharan Africa Sovereign Rating Trends Mid-Year 2015," published on July 13, 2015). Additionally, given structural deficiencies in the public transportation sector, commuter demand for minibus taxis is more resilient to economic slowdowns, in our view.

Credit risk

We have analyzed credit risk based on our global consumer finance criteria to derive our assumptions on default, recovery and prepayment rates, and portfolio yield (see "Global Methodology And Assumptions For Assessing the Credit Quality Of Securitized Consumer Receivables," published on Oct. 9, 2014). We received more than five years of historical performance data of the underlying portfolio. We do not consider the transaction to have any residual value risk, as the portfolio does not have any balloon loans (loans which have a large final installment at maturity). We have

adjusted our credit assumptions to represent the subportfolios' worst-case composition. This is to account for portfolio migration toward these levels during the revolving period. We do not expect the transaction to accumulate losses during the revolving period. This is because one of the early amortization event triggers tests if there is sufficient available excess spread to cure defaults. We applied our current national to global scale mapping for South Africa when defining the stress multiples and recovery rate haircuts (discounts) for various national scale rating levels (see "Standard & Poor's National And Regional Scale Mapping Tables," published on Sept. 30, 2014).

Operational risk

We have applied our operational risk criteria to assess the operational risk in this transaction (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published on Oct. 9, 2014). In our view, severity risk (the effect of servicer disruption) is "moderate", and portability risk (the inability to replace the servicer) and disruption risk (the likelihood of a material disruption in servicer's functions) are "high". Considering the availability of a warm back-up servicer at closing and under our operational risk criteria, the maximum potential rating for all classes of notes in this transaction is 'A+ (sf)', which corresponds to a 'zaAAA' national scale rating. Therefore, operational risk does not constrain the maximum potential ratings on all classes of notes.

Cash flow analysis

Our cash flow model reflects our assessment of the transaction's payment structure and our credit and cash flow assumptions (see "Global Framework For Cash Flow Analysis Of Structured Finance Securities," published on Oct. 9, 2014). Our analysis indicates that the available credit enhancement for the rated notes is sufficient to mitigate the credit and cash flow risks that we apply at our assigned ratings. Namely, our cash flow model relies on 48.0% of available credit enhancement for the class A1, A2, and A3 notes, 29.4% for the class B1 interest deferrable notes, and 19.8% for the class C1 interest deferrable notes.

Ratings above the sovereign

We have applied our updated criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria; see "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on May 29, 2015). We tested the transaction's ability to withstand a sovereign default stress in a global 'BBB' scenario (corresponding to the national 'zaAAA' scenario). This is one notch above our sovereign foreign currency rating on the Republic of South Africa. Our analysis shows that the class A1, A2, and A3 notes can withstand this stress.

Rating stability

In view of a potential tap issuance under the program, we have considered rating stability when assigning ratings to the class B1 interest deferrable and C1 interest deferrable notes. This may result in a decrease in the available credit enhancement for the class B1 interest deferrable and C1 interest deferrable notes to 29.4% and 19.8%, respectively, from the current 31.8% and 28.7%. Under our scenario analysis, we have run two stress scenarios and have assessed 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).

Counterparty risk

The transaction is exposed to the credit risk of Standard Bank of South Africa as the transaction bank account provider and as the fixed-to-floating swap provider for the class A3 notes. We consider that the transaction documents

adequately mitigate this risk at a 'zaAAA (sf)' rating level, which is in line with our current counterparty criteria (see "Counterparty Risk Framework Methodology And Assumptions," published on June 25, 2013). Under our current counterparty criteria, we consider commingling risk to be fully mitigated.

Legal risk

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

Strengths, Concerns, And Mitigating Factors

Strengths

- SA Taxi's management has more than 20 years' origination and servicing experience collectively in the South African minibus taxi finance industry.
- The portfolio is highly granular. The weight of the top 10 borrowers in the final pool cannot exceed 2.0% of its outstanding balance.
- The portfolio has standard floating-rate fully amortizing auto loans. Since it does not have any balloon loans, there is no residual risk in the transaction.
- The transaction benefits from significant excess spread, given the difference between senior expenses, plus the interest payable on the notes and the interest on the assets. The issuer can use excess spread to cure losses from receivables.
- There is an excess spread trapping mechanism, based on the level of nonperforming loans and the principal deficiency ledger.
- Principal lock-out conditions make the notes pay sequentially if the class A notes have not doubled their credit enhancement at closing, there is principal deficiency, or the reserve fund is not fully funded.
- The standby servicer, MBD, would replace SA Taxi if the issuer were to terminate its role as servicer or administrator. MBD currently services some of SA Taxi's portfolio.

Concerns and mitigating factors

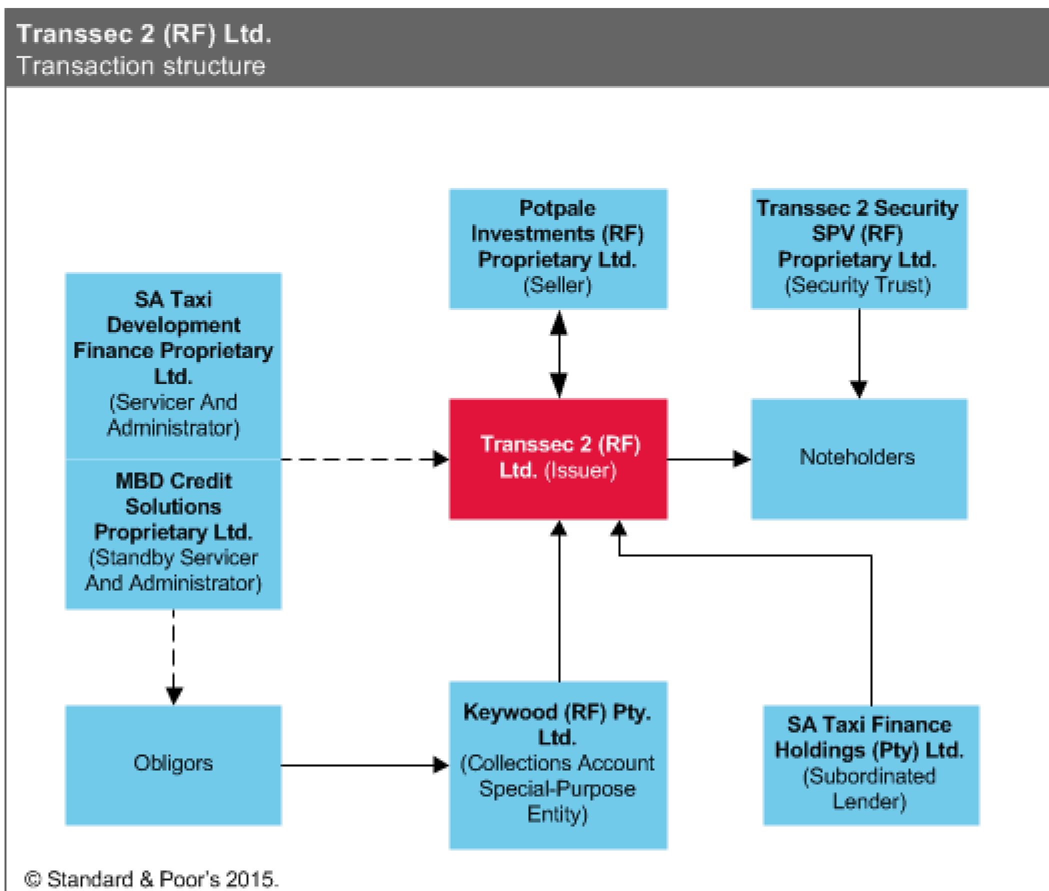
- Defaults under ISA contracts are sensitive to the South African economy, which we expect to demonstrate moderate growth during the rest of 2015 and into 2016. We believe SA Taxi's portfolio will be more resilient to deteriorating consumer performance because the minibus taxi sector seems to be less sensitive to economic shifts, given the poor development of public transportation alternatives.
- During the revolving period, the pool's credit quality may change, and the transaction's performance may deteriorate due to the addition of new assets in the pool. However, the transaction has several structural mitigants, such as caps on some of the riskier products, and certain performance triggers, which would stop the revolving period if the transaction's performance were to deteriorate substantially.
- The transaction is exposed to commingling risk through a collection account. All collections from the assets are paid directly into a ringfenced bankruptcy remote SPE account and transferred on each business day into the transaction account. In our opinion, this mitigates commingling risk.
- This transaction benefitted from a back-up servicer at closing. We believe this arrangement, combined with the fact that MBD already services a portion of the pool, mitigates cash flow disruption if the servicer's replacement were to become insolvent.

Transaction Structure

At closing, Transsec 2 (RF), an SPE registered in South Africa, purchased ZAR436.7 million of eligible ISAs from Potpale. Proceeds from the notes' issuance and the subordinated loan financed the purchase. Given that the total amount of raised funds comprised ZAR450 million, ZAR13.3 million were used to pre-fund the acquisition of additional receivables during a prefunding period ending in March 2016. According to the notes' terms and conditions, if the prefunded amount is not fully invested to the additional assets by the end of the prefunding period, it must be used to redeem the notes.

Under the South African legal system, the assets are pledged to the security SPE, Transsec 2 Security SPV (RF) Proprietary Ltd., to safeguard the secured creditors' interests, including noteholders. The security special-purpose vehicle (SPV) grants a limited recourse guarantee to the secured creditors' favor. The issuer simultaneously provides an indemnity to the security SPV in respect of the claims made under the guarantee. The issuer has ceded and pledged its assets to the security SPV as security for such indemnity.

Chart 1



Originator

SA Taxi has been operating in South Africa since 1998—exclusively financing the minibus taxi sector. In 2006, Transaction Capital Ltd., a non-deposit-taking financial services group active in asset-backed lending, credit services, and payment services, acquired SA Taxi's business.

SA Taxi is a licensed regulated credit provider in South Africa. It provides insurance, financing, and other products to more than 24,000 minibus taxi operators.

SA Taxi's head office is in Johannesburg. It manages all of the entity's operations, including distribution channels, the origination and credit department, and late-stage collections, along with other customer service functions.

The originator scores a borrower's application with a mostly automated process, including data validation, system registration, and an assessment phase. The assessment phase includes operator, vehicle, and taxi route assessment analysis. The originator regularly realigns the scorecards so that it can properly assess the repayment risks.

SA Taxi manages most of its early and middle collection stages of the servicing process in order to assist the delinquent client to become current on its payments. It only uses legal action as a last resort. MBD, the standby servicer, services a small portion of the portfolio directly. This is to adequately benchmark SA Taxi's collections performance and for business continuity.

Several factors drive the collection phases, such as the obligor's risk profile, days since the last payment, balance outstanding, among others. The servicing department arranges and prioritizes these according to risk bands. External attorneys then handle the legal process.

As part of the integral business, Taximart, an entity of SA Taxi, specializes in managed storage, repair, refurbishment, and the sale of repossessed vehicles, in order to improve SA Taxi's recoveries on repossessed vehicles.

We conducted an onsite visit and review of the originator and servicer's origination and servicing procedures. We consider SA Taxi to have adequate experience in its core business of minibus taxi financing and servicing.

Cash Flow Mechanics

The class A to D1 interest deferrable notes make floating coupon payments quarterly with a reference to three-month Johannesburg interbank average rate (JIBAR). The coupon margin steps up on December 2020, except for the class A1 notes whose the step-up date will be in December 2018. The class A3 notes make fixed coupon payments semiannually before the step-up date, and quarterly floating payments linked to three-month JIBAR afterwards.

The first interest payment date (IPD) is in March 2016 for all notes, except that for the class A3 notes the first IPD will be in June 2016. The legal final maturity date is in December 2025.

All collections received from the assets in a collection period, plus the cash and arrears reserves amount (if required), are allocated through a combined interest and principal waterfall (see "Waterfall" below). According to the transaction

documents, no principal is repaid on the notes during the 12-month revolving period. Principal repayment thereafter is sequential and pays pro rata if the lock-out conditions are no longer activated.

Eligibility criteria

During the revolving period, Transsec 2 (RF) can invest principal collections from the assets to purchase additional assets from the seller. In our view, the transaction's eligibility criteria adequately maintain the pool's credit quality during the revolving period. On each purchase and determination date, the portfolio must comply with the following conditions:

- The asset currency is South African rand;
- The final repayment date is no later than December 2023;
- The borrower has paid at least one scheduled monthly payment;
- The borrower is not nonperforming;
- The minimum portfolio percentage of new premium vehicles is 65%;
- The maximum portfolio percentage of pre-owned premium vehicles is 35%;
- The maximum portfolio aggregate original amount for the largest 10 obligors is 2%;
- The maximum portfolio aggregate original amount for each participating asset is 0.5%; and
- The maximum portfolio aggregate amount for fixed-rate assets that are unhedged is 2.5%.

The revolving period is 13 months from closing (up to Dec. 14, 2016), but would end earlier if the transaction were to breach any of the following amortization triggers:

- The arrears reserve required amount is not satisfied within two consecutive interest payment dates;
- The transaction has a record of a principal deficiency and excess spread is not sufficient to cure defaults on any determination date;
- A servicer notification event has occurred; and
- An event of default has occurred.

Waterfall

On each quarterly payment date, the issuer administrator allocates the available amount (collections, recoveries, and, if required, the amounts on the arrears reserves) in accordance with the following priority of payments:

- Servicing fees and senior expenses (tax, security SPE, and owner trust expenses, insurance cost refund to SA Taxi, servicer-standby servicer and administrator);
- Payments under the derivative contract, if any;
- Interest on the class A notes;
- Interest on the class B1 notes, if not deferred;
- Interest on the class C1 notes, if not deferred;
- Interest on the class D1 notes, if not deferred;
- Subordinated servicing fee;
- During the revolving period, purchase additional assets;
- Principal on the class A notes;
- Principal on the class B1 notes, and interest if deferred;
- Principal on the class C1 notes, and interest if deferred;
- Arrears reserve;
- Principal on the class D1 notes, and interest if deferred;

- Interest and principal on the subordinated loan; and
- Payment to preference shareholders.

Principal deficiency

The administrator calculates the principal deficiency for the transaction on each determination date to ensure that the excess spread is available to mitigate losses. The principal deficiency ledger (PDL) is a record of the shortfall between the potential redemption amount on the notes and the actual cash available to repay investors (after paying interest on the notes).

On each determination date, the potential redemption amount equals principal collections, plus principal losses from the previous collection period (write-offs), plus the principal deficiency from the previous determination date, plus the excess amount in the capital reserve and any release excess from the arrears reserve.

If there is a principal deficiency on a determination date that falls within the revolving period, the revolving period would end and the transaction would amortize early.

Interest deferral

If the PDL exceeds the cumulative amount of the notes junior to the respective notes and 50% of the notes in question, then the issuer defers interest on the notes. The interest deferral trigger does not apply to the class A notes.

Principal redemption and principal lock-outs

During the amortization period, classes of notes can only receive principal payments on each payment date subject to no principal lock-out being in place. The principal amount for redemption equals the redemption amount as defined above and is allocated in accordance with the priority of payments.

Where there are no principal lock-outs, the notes amortize by the potential redemption amount, allocated between the respective class of notes on a pro rata basis.

Where a lock-out applies to a class of notes, the notes would not be entitled to receive any principal repayment, and the remaining senior notes continue to redeem pro rata.

A principal lock-out applies to the class B1 interest deferrable to C1 interest deferrable notes in the following circumstance: There is a senior class of notes outstanding and the credit enhancement ratio for the class A notes is less than double the ratio as of the most recent issue date; there is a principal deficiency; or the cash and arrears reserve aren't sufficiently funded. A principal lock-out applies to the class D1 interest deferrable notes so long as there are outstanding class C1 interest deferrable notes.

Optional redemption

The issuer can exercise optional redemption as soon as the aggregate principal balance of the notes is equal to or lower than 20% of the initial principal balance, or on any payment date after the coupon step-up date. The issuer can only exercise this option if it has sufficient available cash flows to fully redeem the notes plus accrued interest and senior fees.

Additional note issuance

The notes' terms and conditions enable the issuance of further tranches of notes subject to certain conditions, including:

- Confirmation that the further issuance will not negatively affect our ratings on the existing notes;
- That the level of available credit enhancement remains at at least 48.00% for the class A notes, 29.40% for the class B1 interest deferrable notes, 19.80% for the class C1 interest deferrable notes, and 12.00% for the class D1 interest deferrable notes; and
- That the coupon step-up dates and final legal maturity dates on the new notes are the same as for the existing notes.

Credit enhancement

A combination of excess spread, subordination, and overcollateralization provides credit enhancement for the notes.

Excess spread

Excess spread results from the difference between the interest income received from the assets and the interest paid to the noteholders of the rated notes, plus senior fees and expenses. We therefore consider that the transaction has significant excess spread.

Arrears reserve

The arrears reserve is a mechanism to trap excess spread during the transaction's life.

If the aggregate principal balance of nonperforming loans exceeds 5% of the asset pool's aggregate outstanding principal balance and the collections standing to the credit of the transaction account, the issuer is required to retain, after payments on the class C1 interest deferrable notes, an amount equivalent to the lesser of (i) 25% of the principal balance of the nonperforming assets, or (ii) the aggregate principal amount outstanding of all the notes (the arrears reserve required amount). If required, this amount is available to make payments to creditors.

According to the transaction documents, a nonperforming loan is defined as a loan for which the applicable obligor is at least three months of installments in arrears and for which fewer than three cumulative qualifying payments (a payment which is more than 50% of the applicable installment due) has been made within three months of the determination date.

Commingling risk

According to legal opinion we received, there is no commingling risk relating to the servicer. This is because all payments are deposited directly into the relevant collections account, which is not in the servicer's name.

The collections entity is an independent, insolvency remote, ringfenced SPE. This mitigates commingling risk relating to the collection SPE, and the risk of insolvency is therefore remote. In addition, the servicer must ensure that it transfers all obligor payments to the transaction account on each business day.

Set-off risk

There is no set-off risk in this transaction. The seller is not a deposit-taking institution. Additionally, eligibility criteria require that any member of SA Taxi does not employ any obligors.

Hedging

Given that the class A3 notes bear a fixed rate while the assets are paying a floating rate, the issuer entered into a fixed-to-floating interest rate swap agreement with Standard Bank of South Africa. The swap provider makes semiannual payments to the issuer matching the interest due on the class A3 notes. The issuer pays a floating rate of interest quarterly.

Servicing

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

MBD's core service is collecting account receivables for the entire credit cycle, using both call-center-based and legal collections processes. MBD has about 70 mandates from retail clients on collections of due amounts. MBD can take over servicing from SA Taxi due to its experience, advanced IT technologies, and ability to quickly set up a call center. MBD services part of SA Taxi's portfolio, and is familiar with its collection systems and technology. If necessary, it could replace SA Taxi in all servicing and administrative duties within four business days.

Collateral Description

The securitized pool comprises ISA receivables that Potpale granted to SA Taxi customers. The assets, which are transferred to the issuer, comprise minibus taxi vehicles.

The closing pool cut-off date was Nov. 6, 2015. It consists of premium vehicles only. New premium vehicles account for 71.0% of the pool balance. The used premium vehicles comprise the rest of the pool balance.

All contracts are fully amortizing; none of the contracts provide balloon payments. All loans in the closing pool pay a floating rate of interest, referenced to the South Africa prime rate. The eligibility criteria cap the proportion of fixed-rate loans at 2.5% during the revolving stage.

The underlying obligors are South African individual taxi operators. According to the transaction's eligibility criteria, the maximum top 10 obligor concentration is limited to 2% of the total asset balance. In the closing pool, the weight of the top 10 obligors comprised 1.78%.

The purchase price at which the issuer buys the assets from the seller is equal to the total principal amount and any accrued interest outstanding under the transaction documents.

Chart 2

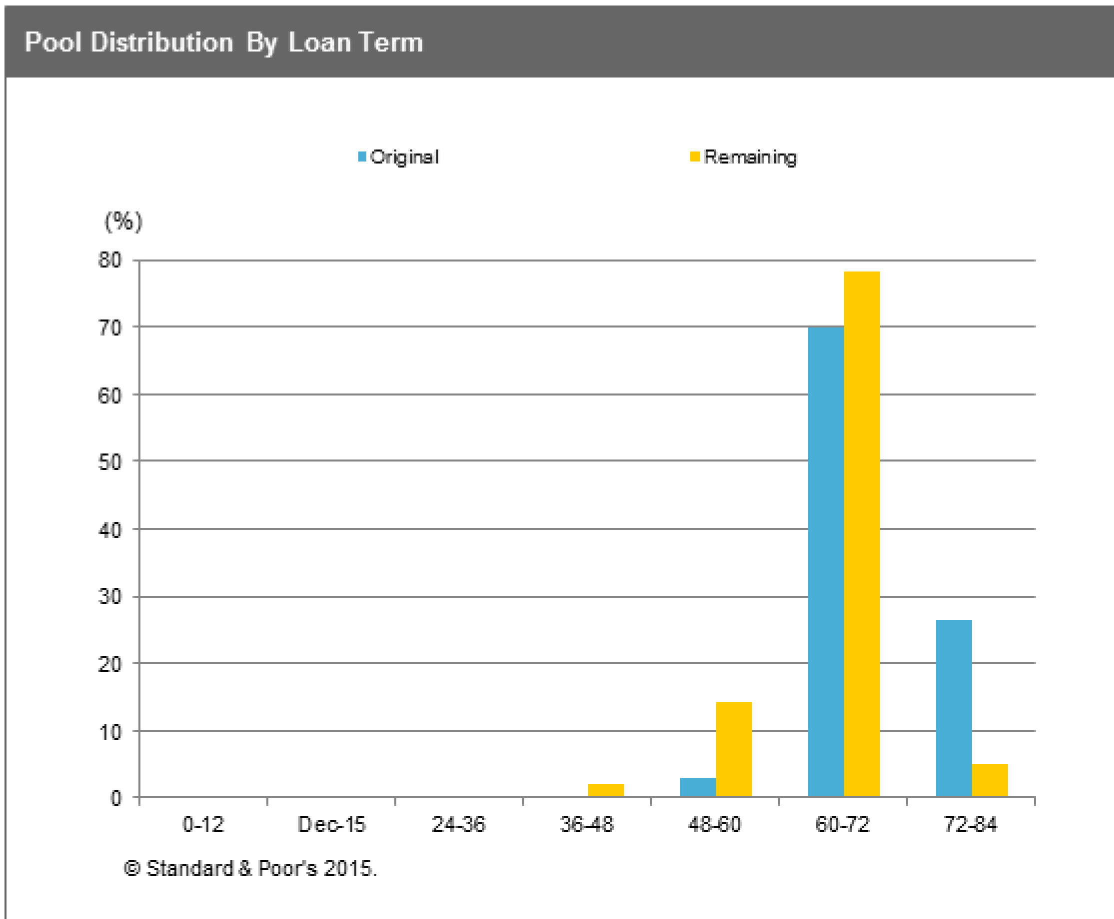


Chart 3

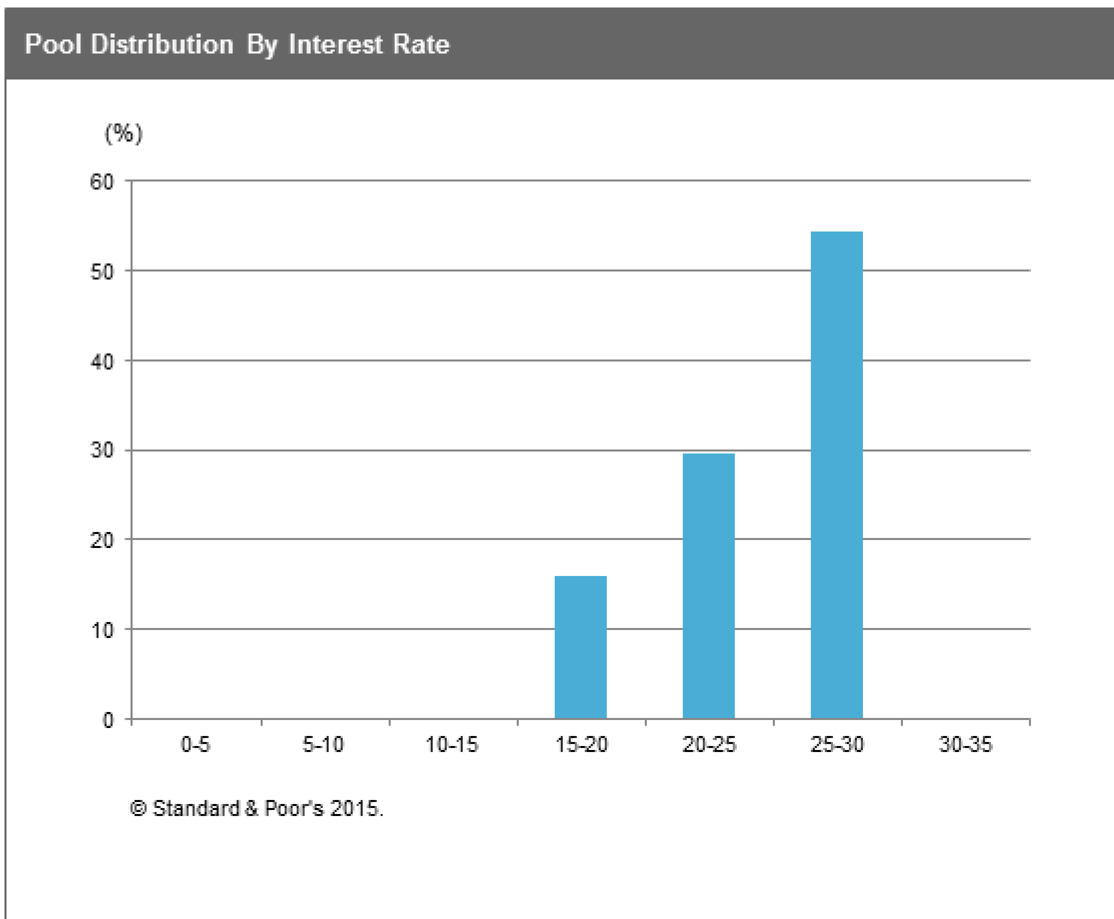
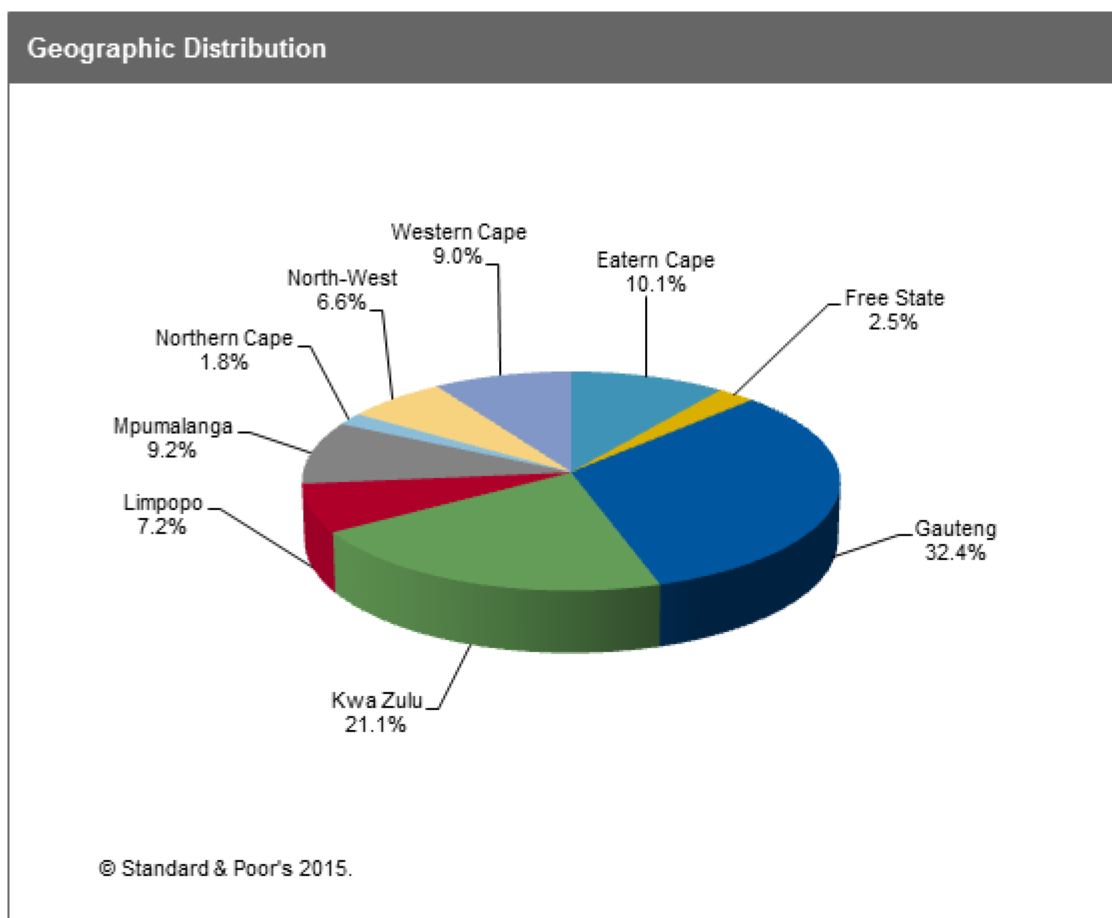


Chart 4



Credit And Cash Flow Analysis

Our analysis includes an assessment of the transaction's credit risk in various stress scenarios. We based our credit analysis for each class of the notes on our global rating methodology for analyzing consumer finance transactions (see "Global Methodology And Assumptions For Assessing The Credit Quality of Securitized Consumer Receivables," published on Oct. 9, 2014).

As part of our analysis, we took into account certain characteristics of the taxi industry. In particular, the loans business is cyclical, and it is common that one or two installment payments are missed. However, given that the financed vehicle is the borrower's income-producing asset, installment payments or partial payments usually resume within three months. This results in severe delinquencies (90+ days) and high recovery rates through either rehabilitations or repossessions. As a result, write-offs have remained historically low.

Default rate

We define defaulted loans as loans that are nonperforming as described above. The transaction documents are in line with our definition.

We received monthly static monetary gross-loss and recovery data from January 2009 until January 2015. The gross-loss data show outstanding amounts of defaulted contracts as a percentage of the total originated amount in that cohort, which aggregate voluntary terminations. Recovery data show the sum of all amounts, including vehicle remarketing proceeds, after taking account of the gross loss. We received all data for two subportfolios.

The subportfolios are premium new and premium pre-owned. For each of these, we have sized separate gross-loss and recovery-rate base-case assumptions and aggregated them into weighted-average base-case assumptions. We did this using a hypothetical worst-case portfolio composition, rather than the shares of the individual subportfolios in the closing pool. This allowed us to consider the potential deterioration of the portfolio's credit quality as a result of adverse replenishment during the revolving stage.

As described above, all assets are related to the minibus taxi transportation industry. We have accounted for this industry concentration by increasing the multiple for each rating class.

Chart 5

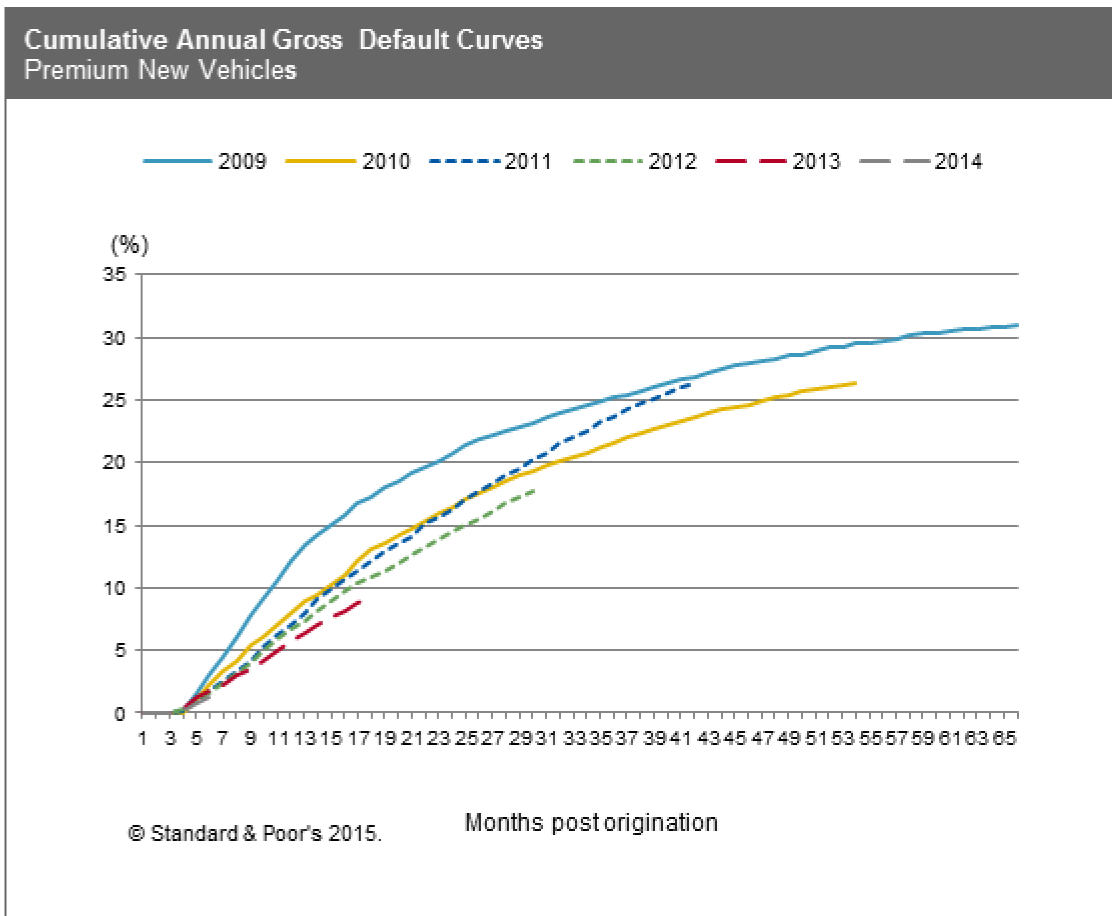
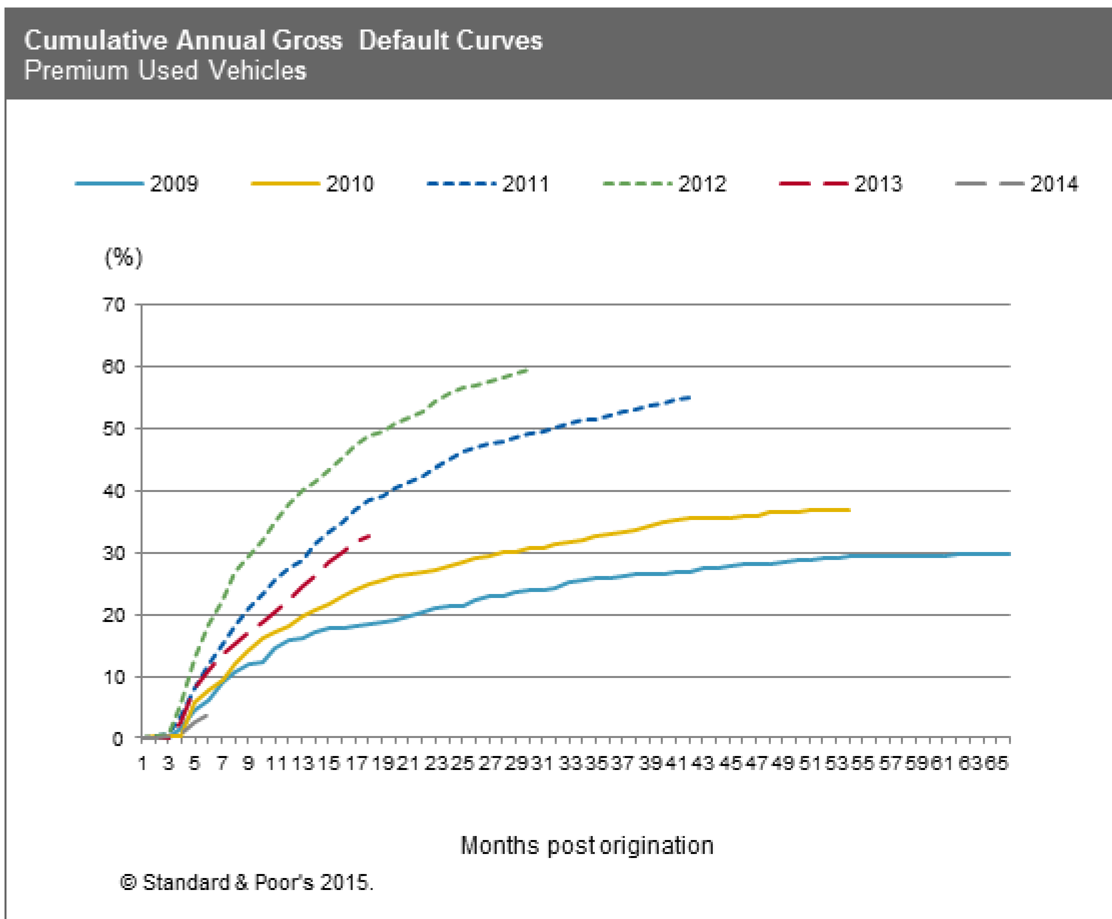


Chart 6



We set our gross-loss base-case assumptions for the individual subportfolios to reflect our 2015 to 2016 outlook for South Africa's economy. We set our stress multiples to reflect our view of the originator's experience and quality. We have further increased our multiples to account for the loans' concentration in the transportation sector.

For our cash flow analysis, we assumed a 13-month default curve starting from closing. We applied defaults in equal monthly installments over the recessionary period.

Recoveries

Chart 7

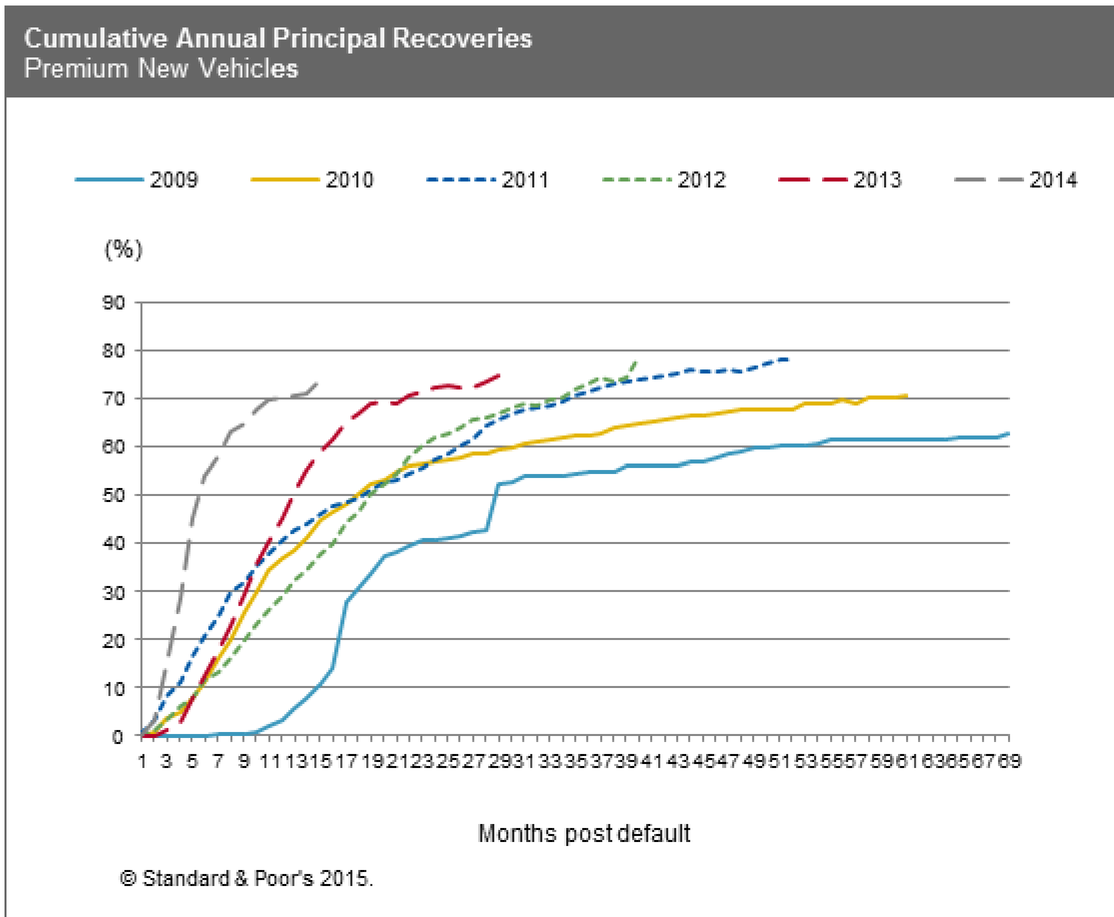
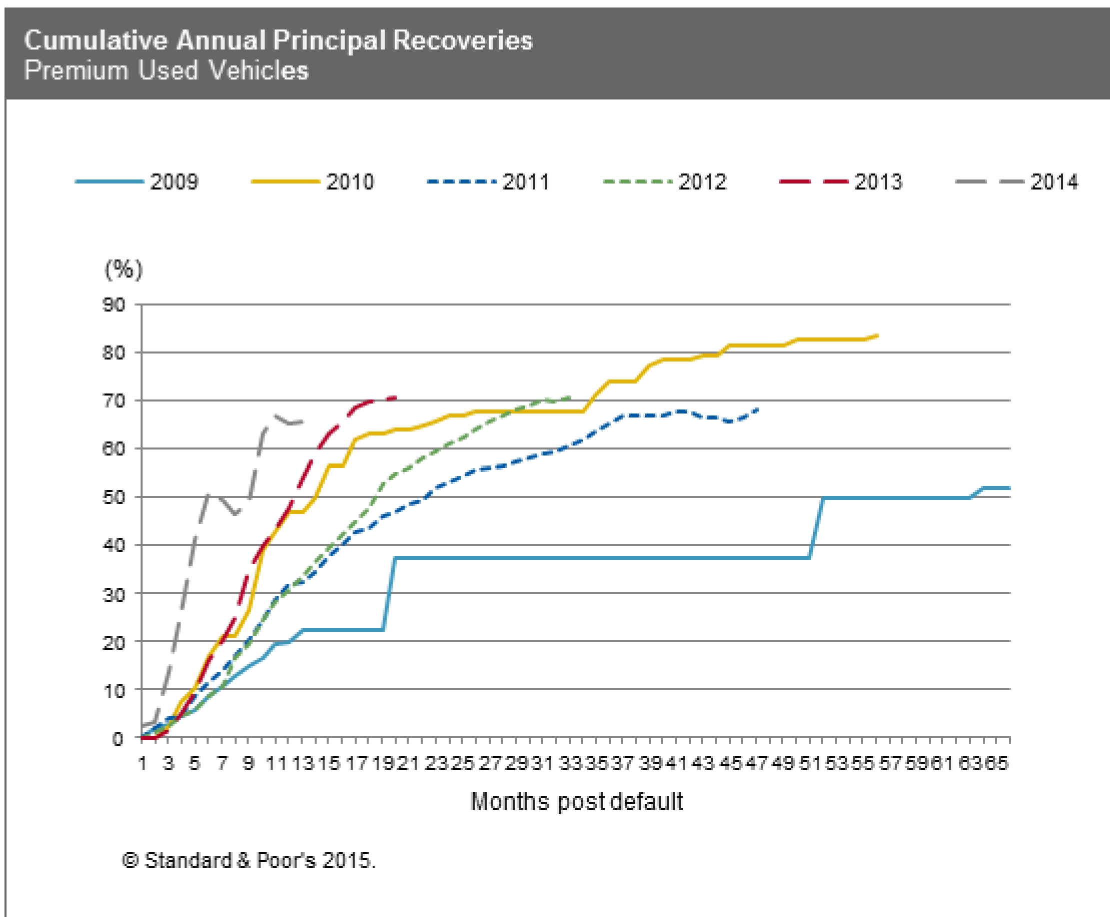


Chart 8



An intensive servicing process manages recoveries in order to avoid having the vehicle repossessed. Overall, it takes approximately 24 months for defaulted loans to either be repossessed or fully rehabilitated. Approximately between 40% and 50% of the defaulted ISAs result in repossession.

We have set our base-case assumptions with a 24-month recovery period, and we consider both repossessions and rehabilitations. Under our assumptions, no recoveries are realized in the first seven months, 38% are recovered in month eight (first bullet recovery), 40% in month 16 (second bullet recovery), and the remaining 22% in month 24 (third bullet recovery). We applied recovery haircuts (discounts) to all cases (see table 2).

Table 1

Credit Multiple And Haircut Assumptions		
	Gross default rate	Recovery rate
Base-case for the worst pool (%)	42.25	80.67
zaAAA stress assumption (%)	74.00	48.4
zaAA stress assumption (%)	68.15	56.47
zaA stress assumption (%)	65.23	60.50
zaBBB stress assumption (%)	54.93	64.54

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 is stable at 7%, with a maximum observation of 8% during the last five years. We tested the cash flow model under a low constant prepayment rate (CPR) of 0.5% and a high CPR of 16%.

Yield

For the maximum permitted fixed-rate portion of the pool (2.5%), we capped the portfolio yield by 21% under both low and high CPR scenarios. This is because it corresponds to our assumption of the potential yield that the portfolio could reach during the revolving period. For the rest of the floating-rate portion of the pool, we assume a margin equivalent to the minimum permitted according to the portfolio covenants (14%).

Senior fees

We have considered floating-rate fees and fixed-rate annual fees according to the transaction documents.

Interest rate scenarios

The only varying parameters in our model are the interest rate scenarios that account for floating-rate liabilities. We stressed the transaction using three JIBAR interest rate scenarios:

- A fixed-rate scenario, with a constant 6% rate;
- An up scenario, with JIBAR increasing to 15% from 6%; and
- A down scenario, with JIBAR decreasing to zero from 6%.

As indicated before, all loans in the pool reference to the prime rate. Historically, the prime rate has been over JIBAR. The prime rate moves in response to the movement in the repo rate, which is correlated to JIBAR, even in stressed periods like 2007 and 2008. We have addressed this historical difference in our cash flow analysis for the lower rating scenarios.

Cash Flow Analysis

We put our credit analysis results and additional transaction specific stresses through a cash flow model reflecting the capital structure.

Our ratings on the class A notes address the timely payment of interest and the ultimate payment of principal. Our ratings on the class B1 interest deferrable to C1 interest deferrable notes address the ultimate payment of interest and principal.

The notes pass at their respective rating levels under all scenarios in our cash flow analysis. Our ratings on the class B1 interest deferrable and C1 interest deferrable notes address a potential dilution in credit enhancement levels resulting from a possible tap issuance under the program (see "Additional note issuance").

Sovereign Risk Analysis

We tested the transaction's ability to withstand a sovereign default stress in a global 'BBB' scenario (corresponding to the national 'zaAAA' scenario). This is one notch above our sovereign foreign currency rating on the Republic of South Africa. Following the application of our RAS methodology, our analysis shows that the class A notes can withstand this stress.

Scenario Analysis

This scenario analysis section incorporates:

- A description of our methodology and scenario stresses; and
- Results of the effects of the stresses on ratings;

Methodology

We have developed a scenario analysis and sensitivity testing model framework for rating asset-backed securities (ABS) transactions. 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 stress scenarios proposed 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 company insolvencies, together with 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 and demand for replacement vehicles falls.

In our analysis we have included two stress scenarios to demonstrate the rating transition of a bond (see below).

Table 2

Scenario Stresses

Rating variable	Scenario 1 (relative stress to base case)	Scenario 2 (relative stress to base case)
Gross default rate (%)	10	20
Recovery rate (%)	(10)	(20)
Constant prepayment rate (%)	(10)	(20)

1486208 | 300093991

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-case assumptions would take account of historically observed performance and an expectation of potential changes in these variables over the life of the transaction. The sensitivity of rated classes of 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.

For each proposed scenario stress, we separate the applied methodology into three distinct stages. In the first stage, we stress our expected base-case assumptions over a one-year period to replicate deviations away from our expected performance over the stress horizon. We assume that the stresses that we apply occurred at closing, with gross losses applied based on our expectation of a cumulative default curve for the portfolio.

The second stage applies our usual rating methodology, including revising our base-case assumptions at the one-year horizon, to reflect the assumed deviations as a result of the stressed environment.

In the final stage of our analysis, we re-rate the transaction at the one-year horizon, after revising our base-case assumptions and applying our standard credit and cash flow stresses at each rating level. The output of the analysis shows the likely rating transition of the rated notes, given the applied stresses and the value and timing of any forecasted principal and interest shortfalls under the most stressful scenario.

Scenario stress and sensitivity analysis

When applying scenario stresses in the manner described above, 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.

Table 3

Scenario Stresses

Rating variable	Base case	Scenario 1	Scenario 2
Weighted-average gross loss rate (%)	42.25	46.48	54.60
Recovery rate (%)	80.67	72.60	64.54
Constant prepayment rate (%)	7.00	6.30	5.60

Table 4

Scenario Stress Analysis

Scenario stress	Class	Initial rating	Scenario stress rating
Scenario 1	A	zaAAA	zaAA+
	B	zaA	zaA-
	C	zaBBB	zaBB+
Scenario 2	A	zaAAA	zaAA
	B	zaA	zaBBB-
	C	zaBBB	zaB+

A number of this transaction's features—including the initial subordination levels, the PDL and arrears reserve mechanism, and particularly excess spread, enhance the stability of the rating under each scenario.

1486208 | 300093991

Key Performance Indicators

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

- The underlying portfolio's performance, including defaults and delinquencies;
- The supporting ratings; and
- The servicer's operations and its ability to maintain minimum servicing standards.

Related Criteria And Research

Related criteria

- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Global Methodology And Assumptions For Assessing the Credit Quality Of Securitized Consumer Receivables, Oct. 9, 2014
- Global Framework For Cash Flow Analysis Of Structured Finance Securities, Oct. 9, 2014
- Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Standard & Poor's National And Regional Scale Mapping Tables, Sept. 30, 2014
- National And Regional Scale Credit Ratings, Sept. 22, 2014
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Global Derivative Agreement Criteria, June 24, 2013
- Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, May 7, 2013
- Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Rating Definitions, June 3, 2009

Related research

- 2015 EMEA ABS Scenario And Sensitivity Analysis, Aug. 6, 2015
- Sub-Saharan Africa Sovereign Rating Trends Mid-Year 2015, July 13, 2015
- Ratings On South Africa Affirmed; Outlook Stable, June 12, 2015
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014

Additional Contact:
Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.