

Real People Investment Holdings Ltd RMB Guaranteed Notes

South Africa Secured Bond Surveillance Report

15 October 2014

Security class	Amount	Stock code	Rating scale	LT Rating	ST Rating	Outlook	Expiry date
RMB Guaranteed Notes	R225m	RPG02	National	BBB ⁺ _(ZA)	n.a.	Stable	25 November 2014
RMB Guaranteed Notes	R50m	RPG03	National	n.a.	A2 _(ZA)	n.a.	25 March 2015

Key counterparties:

Issuer: Real People Investment Holdings Ltd ('RPIH')

Guarantor: Rand Merchant Bank ('RMB'), a division of FirstRand Bank Ltd ('FRB')

Upstream Guarantor: Real People (Pty) Ltd

**Arranger/Calculation Agent/Debt Sponsor/
Payment and Guarantee Accounts Bank/
Paying Agent/Settlement Agent:** RMB

Summary of Transaction:

Asset Class:	Senior Secured Notes
Secured By:	RMB Guarantee and Upstream Guarantee
RMB Guarantee Amount:	50% of aggregate nominal value of RMB Guaranteed Notes Outstanding
Status:	Senior Secured
Interest Payment Frequency:	Quarterly
Principal Payment Frequency:	Bullet
Negative Pledge Applicable:	Yes
Cross Default Applicable:	Yes
Early Redemption:	Taxation, Acceleration Event, Event of Default
Listing:	JSE Limited
Transaction Closing Date:	23 Feb '11
LT & ST Financial Institutions Issuer Rating:	'BB ⁺ _(ZA) ' & 'B _(ZA) '/ Negative Outlook

Capital structure of Senior Secured Notes

Stock code	Amount	Coupon: 3M JIBAR	Scheduled maturity date
RPG02	R225m	+ 3.000%	25 Nov '14
RPG03	R50m	+ 2.000%	23 Mar '15

Ratings history:

Stock code	Initial rating	LT rating	ST rating	Rating outlook
RPG02	29 Nov '11	A _(ZA)	n.a.	Stable
RPG03	18 Jul '14	n.a.	A1 _(ZA)	n.a.

Stock code	Previous rating	LT rating	ST rating	Rating outlook
RPG02	18 Jul '14	A _(ZA)	n.a.	Stable
RPG03	18 Jul '14	n.a.	A1 _(ZA)	n.a.

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Transaction Summary

Global Credit Rating Co. ('GCR') has downgraded the *final, public* Short Term credit rating to 'A2_(ZA)' from 'A1_(ZA)' for the following Senior Secured Note:

- R50m Senior Secured Floating Rate Notes, stock code RPG03, maturing 23 March 2015 (the 'RPG03 Note');

Concurrently, GCR has also downgraded the *final, public* Long Term credit rating to 'BBB⁺_(ZA)' from 'A_(ZA)' with a Stable Outlook for the following Senior Secured Note:

- R225m Senior Secured Floating Rate Notes, stock code RPG02, maturing 25 November 2014 (the 'RPG02 Note');

The RPG02 Note was issued on 25 November 2011 and the RPG03 Note was issued on 23 June 2014.

The RPG02 and RPG03 Notes are jointly referred to as the RMB Guaranteed Notes. The RMB Guaranteed Notes have partial guarantees, 50% of aggregate nominal value, from RMB and an upstream guarantee from qualifying subsidiaries, currently only Real People (Pty) Ltd, in the RPIH Group.

The *final, public* ratings accorded to the RMB Guaranteed Notes relate to ultimate payment of interest and principal (as opposed to timely, akin to an expected loss rating, which is a function of probability of default and loss severity).

Rating Panel Highlights

- The Issuer is a diversified financial services group which provides an array of credit-linked financial products to individual's throughout South Africa and in East Africa. The Issuer is currently rated 'BB⁺_(ZA)' and 'B_(ZA)' on the Long Term and Short Term scale respectively, with the ratings being on Negative Outlook. The Issuer ratings were downgraded on 7 October 2014 from 'BBB_(ZA)' and 'A2_(ZA)' on the Long term and Short Term scale respectively.
- The ratings downgrade follows GCR's anticipation of further asset quality deterioration, given the challenging operating environment, which is expected to lead to higher loan-loss provisioning and untimely weaker earnings. In addition, the ratings are constrained by the tightening funding conditions experienced by micro financiers, partially offset by the Issuer's planned capital raising which remain uncertain.
- The negative rating outlook is a reflection of the Issuer's prospects, which are subject to high forecast risk given the current negative trends in the macroeconomic environment and credit cycle. As such, continuing external (macroeconomic/credit market) challenges pose further risk to asset quality. Moreover, the group's weaker earnings generation capacity reduces its ability to absorb credit losses. There is also the potential for further funding and cash flow volatility, in view of the more challenging conditions facing the Issuer.
- The Issuer and FRB have entered into guarantee agreements pursuant to which FRB, in its capacity as Guarantor, irrevocably and unconditionally guarantees the proper and punctual payment of all amounts due and payable under the RMB Guaranteed Notes. Aggregate payments under the guarantee are limited to 50% of the nominal value outstanding of the RMB Guaranteed Notes in issue, up to a maximum of R112.5m for the RPG02 Note and R25m for the RPG03 Note. GCR has accorded a Long Term national scale rating of 'AA_(ZA)' to FRB.
- The ratings of the RMB Guaranteed Notes incorporate recoveries potentially arising from an enforcement of the RMB Guarantees and RPIH unencumbered assets. GCR derived the ratings of the RMB Guaranteed Notes by applying a notching approach, starting from the unsecured corporate rating of the Issuer. A rating uplift of 3 national scale notches is deemed appropriate for the RMB Guaranteed Notes, given the 'Good Recovery Prospects' on the RMB Guaranteed Notes.
- **GCR analysed the Transaction by applying its:** Global Summary Structurally Enhanced Corporate Bonds Rating Criteria - Oct '14; Global Master Criteria for Rating Banks and Other Financial Institutions - Apr '14; Real People Investment Holdings Ltd Financial Institution Report - Jun '14 and subsequent rating announcement; Real People Investment Holdings Ltd Partially Guaranteed Notes - Jul '14.

Introduction

An aggregate of R275m of RMB Guaranteed Notes are outstanding under the RPIH Domestic Medium Term Programme. The Notes have been listed on the Interest Rate Market of the JSE Limited. The proceeds of the issuance were used for:

- payment of any pre-existing debt obligations owing to any creditor;
- the Issuers on-going operational expenses; and
- the cost of acquisition of any assets.

The RMB Guaranteed Notes are partially guaranteed by FRB, acting through its RMB division. The partial guarantee is limited to a maximum of 50% of the aggregate nominal value outstanding of the RMB Guaranteed Notes. The RMB Guaranteed Notes also have an Upstream Guarantee from Real People (Pty) Ltd, a material subsidiary, and any other company which qualifies as a material subsidiary in the RPIH Group that accedes to the Upstream Guarantee.

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

Transaction Structure

The DMTN Programme

RPIH established the Domestic Medium Term Note Programme (“DMTN”) with a programme limit of R5bn. The Programme allows RPIH to issue a wide variety of securities with different maturities and risk profiles on an unsecured or secured basis. Securities issued may be listed on the JSE Limited or another exchange.

The Notes may be issued in series and each series may comprise one or more tranches. Each tranche will be accompanied by an applicable pricing supplement detailing the specific features applicable to the tranche (e.g. the interest and repayment profile). The Issuer may issue either senior notes or subordinated notes. Unless otherwise specified in the pricing supplement, such notes will rank at least *pari passu* with all other unsecured, unsubordinated and guaranteed obligations and liabilities present and future of the Issuer.

The Issuer has the right to early settlement of the Notes in the event of an adverse change in tax laws, resulting in it having to pay gross-up amounts to the Noteholders. Subject to following a specific procedure and the passing of an extraordinary resolution, the Noteholders have the right to an Optional Noteholders Redemption of the Notes if a Redemption Event or a Change of Control Event occurs.

Each applicable pricing supplement may stipulate additional optional redemption possibilities for the benefit of the Issuer and/or the Noteholders.

RMB Guaranteed Notes

Date	Stock code	3 Month JIBAR + Margin	RMB Guaranteed Notes (Rands)
28 Feb '11	RPG01	2.700	400,000,000
29 Nov '11	RPG02	3.000	225,000,000
28 Feb '14	RPG01	2.700	(400,000,000)*
24 Jun '14	RPG03	2.000	50,000,000
Outstanding:			275,000,000

*Redemption / Maturity

The Issuer

RPIH is a diversified financial services group which provides an array of credit-linked financial products to individuals throughout South Africa and in East Africa. RPIH is currently rated ‘BB_{+(ZA)}’ and ‘B_(ZA)’ on the Long Term and Short Term respectively, with the ratings being on Negative Outlook. The Issuer ratings were downgraded on 7 October 2014 from ‘BBB_(ZA)’ and ‘A2_(ZA)’ on the Long Term and Short Term scale respectively. The ratings downgrade follows GCR’s anticipated of further asset quality deterioration, given the challenging operating environment, which is expected to lead to higher loan-loss provisioning and untimely weaker earnings. In addition, the ratings are constrained by the tightening finding conditions experienced by micro financiers, partially offset by Issuer’s planned capital raise which remain uncertain.

The negative rating outlook is a reflection of the Issuer’s prospects, which are subject to high forecast risk given the current negative trends in the macroeconomic environment and credit cycle. As such, continuing external (macroeconomic/credit market) challenges pose further asset quality risks. Moreover, the group’s weaker earnings generation capacity reduces its ability to absorb credit losses. There is also potential for further funding and cash flow volatility, in view of the more challenging conditions facing the Issuer.

The current period proved to be amongst the most challenging in the group’s history, on the back of a tightening operating environment in South Africa. Simultaneously, the group underwent a significant change in strategic direction aimed at ensuring its continuing businesses are well aligned to the correction expected post the unsecured credit supply boom.

Early Repayment of the Notes

The Notes may redeem earlier if a Change in Taxation, Event of Default and an Acceleration Event occur.

Change of Taxation

The Issuer may proceed to redeem all outstanding Notes in the event of an increase in the amounts payable to the Notes as a result of any withholding or deduction for any account of taxation.

Events of Default

An ‘**Event of Default**’ will occur, amongst others, if:

- **Non-payment:**
The Issuer fails to make Nominal payment or any interest due under the Notes on its due date and continues to do so for more than 5 business days.
- **Other Obligations:**
The Issuer fails to perform or observe any of its obligations under any terms and conditions and continues to do so for more than 21 business days.
- **Negative Pledge:**
Any Material Group Company, currently only the Issuer and Real People (Pty) Ltd, fails to remedy a breach of the Negative Pledge and continues to do so for more than 15 business days.
- **Cross Default:**
Any indebtedness in relation to any Material Group Company becomes due and payable or any Security for indebtedness over any assets of a Material Group Company is enforced.

- **Insolvency:**
Any Material Group Company is unable to pay its debts as they become due; or the value of any Material Group Company is less than its unsubordinated liabilities; or a moratorium is declared in respect of any indebtedness of any Material Group Company.
- **Insolvent Proceedings:**
Any corporate action, legal proceeding or other similar proceedings in relation to suspension of payments, winding-up dissolution, administration or reorganisation or commencement of business rescue proceedings as defined in the Companies Act.
- **Failure to comply with final judgement:**
If any Material Group Company fails within 5 business days to comply with or pay any sum due from it under any material final judgement, defined as any judgement for the payment in excess of 2.5% of the total assets of the Issuer.
- **Subordinated Notes:**
A default occurs in relation to the Subordinated Notes and continues to do so for more than 7 business days.
- **Repudiation and Unenforceability**
The Issuer repudiates the Programme Memorandum or the Programme Memorandum becomes unenforceable against the Issuer.

In the Event of Default, The Issuer shall notify the Noteholders and the JSE Limited in writing. If any of the Event of Defaults have occurred and continue to do so, then any Noteholder may give notice that the Notes become due and payable for principal and interest.

Acceleration Event

The Calculation Agent shall determine the aggregate amount payable by the Paying Agent on behalf of the Issuer.

An Acceleration Event shall have occurred, for whatsoever reason, if the Issuer fails to pay a shortfall amount to the Guarantor, 10 business days after the payment date.

Should the Issuer have paid an amount and there is a shortfall remaining (Shortfall Amount), then notice will be serviced to the Guarantor for payment of the Acceleration Shortfall amount up to a maximum of the RMB Guarantee amount (50% of the RMB Guaranteed Notes Outstanding).

Optional Noteholders Redemption of the Notes

In addition to the abovementioned, there are also early repayment provisions for the RMB Guaranteed Notes, at the option of the Noteholders following a Redemption Event or Change of Control Event.

Redemption Event:

- Material Group Company ceases to carry on whole of Substantial Part (contribute more than 20% of the RPIH EBITDA) of business and such an event causes a rating downgrade;
- Material Group Company disposes of whole or Substantial Part (contribute more than 20% of the RPIH EBITDA) of its business or assets and such disposal causes a rating downgrade;
- Any authority of any government, the management of any Material Group Company is wholly or partially displaced or the authority of any Material Group Company is wholly or partially taken over; or all or a majority of issued shares of any Material Group Company or material part of its revenues or assets is seized, nationalised, expropriated or compulsory acquired or it becomes

unlawful for the Issuer to perform any of its Transaction obligations.

Change of Control Event:

- If at any time, directly or indirectly any person acquired control of the Issuer, except if the Issuer lists share capital on the JSE Limited.

The Account Banks

The Transaction has two bank accounts; the Payment Account Bank and the Guarantee Account Bank.

The Payments Account Bank is used by the Paying Agent to make all payment obligations of the Issuer to the Noteholders.

The Guarantee Account Bank is held by the Guarantor, FRB, acting through its RMB division, for making disbursements under the Guarantee for the RMB Guaranteed Notes.

Negative Pledge

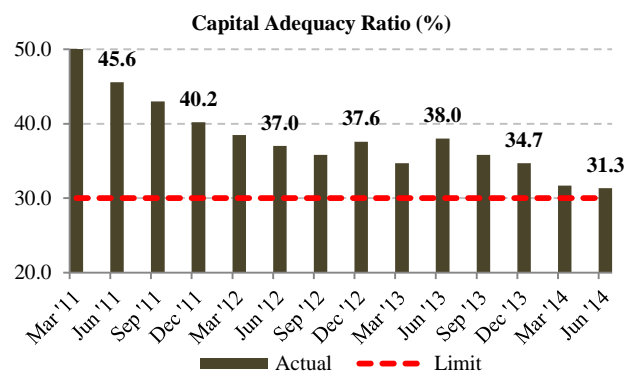
For so long as any of the Notes remain outstanding, neither the Issuer nor any Material Subsidiaries may create any encumbrances, other than Permitted Encumbrances, upon the whole or part of it undertakings or assets present or future.

Capital Risk Management

Capital Adequacy Ratio

In order to mitigate the risk for stakeholders and ensure the group's ability to continue as a going concern, the Issuer voluntarily committed to maintain the Capital Adequacy Ratio ('CAR') in excess of 30% at all times to absorb any unexpected losses that may arise.

The CAR is calculated and reported quarterly. It is based on the Issuer's consolidated Financial Statements, by dividing the Issuer's total tier I and tier II capital, by the risk-weighted assets as calculated using Basel II standardised methodology and definitions.



GCR will be monitoring the CAR. There is however no trigger event should a breach occur. RPIH is in process of a rights issue that may see the capital improve – the details hereof are still to be confirmed.

Guarantees

RMB Guarantee

The Issuer and FRB have entered into guarantee agreements pursuant to which FRB, in its capacity as Guarantor, irrevocably and unconditionally guarantees the proper and punctual payment of all amounts due and payable under the RMB Guaranteed Notes. Aggregate payments under the guarantee are limited to 50% of the nominal amount of the RMB Guaranteed Notes in issue, up to a maximum of R112.5m for the RPG02 Note and R25m for the RPG03

Note. GCR has accorded a Long Term national scale rating of ‘AA_(ZA)’ with a Stable Outlook to FRB.

Any disbursements made under the Guarantee will be made into the Guarantee Account which is held by the Guarantor, FRB, acting through its RMB division.

The RMB guarantee expires at the earlier of:

- the date on the aggregate guarantee amount has been paid;
- the date on which it becomes illegal for the Guarantor to comply with its guaranteed obligations;
- the date on which the Notes are redeemed for any reason whatsoever; or
- the Issuer has complied with all its payment obligations owing to the Noteholders.

Upstream Guarantee

The RMB Guaranteed Notes also have an Upstream Guarantee from any one of the RPIH Material Subsidiaries that accedes to the Upstream Guarantee. A Material Subsidiary is any company in the RPIH Group that:

- Represents more than 10% of RPIH total assets as per the consolidated annual financial statements; or
- Accounts for more than 10% of the RPIH EBITDA, based on the Issuers quarterly unaudited management accounts and which subsidiaries entered into the Accession agreement.

As at 31 March 2014, the only remaining Upstream Guarantor was Real People (Pty) Ltd.

The payment obligations of the Upstream Guarantors are direct, unconditional, unsecured and unsubordinated obligations of the Guarantors and will rank *pari passu* among themselves and equally with all other present and future outstanding unsecured and unsubordinated obligations of the Upstream Guarantors from time to time.

Rating Methodology of the RMB Guaranteed Notes

The rating of the RMB Guaranteed Notes is derived by applying a notching approach, starting from the Long Term senior unsecured credit rating of RPIH. In determining the appropriate number of rating notches to be applied, GCR compares the estimated overall recovery rate after a potential default of the RMB Guaranteed Notes with an assumed average corporate senior unsecured debt obligation recovery rate. If overall estimated recoveries are higher than the assumed average recovery rate, a notching uplift may be applicable.

Recovery rate calculations RMB Guaranteed Notes*	Rands
Principal amount outstanding upon default	275,000,000
Assumed missed interest upon default	6,205,688
Assumed missed interest to give time to realise recoveries	28,937,646
Aggregate exposure Senior Noteholders	310,143,334
Guarantee claim payment	(137,500,000)
Unsecured claim on Issuer	172,643,334
Assumed recovery on unsecured claim	(69,057,333)
Legal costs	2,071,720
Remaining claim	105,657,720
<i>Overall estimated recovery rate</i>	65.93%
* For more details, please see the “Recovery Rate Calculations Relating to the RMB Guaranteed Notes” section below.	

Based on GCR’s Global Structurally Enhanced Corporate Bonds Rating Criteria, the calculated overall recovery rates

of 65.93% carries the qualification “*Good Recovery Prospects*”.

A 3 notch national scale rating uplift on the ZAR currency national scale was deemed to be appropriate for the RPG02 Note. GCR downgraded the Issuer on 7 October 2014 to ‘BB_{+(ZA)}’ and ‘B_(ZA)’ on the Long Term and Short Term scale respectively. Therefore the 3 notch national scale rating uplift on the ZAR currency national scale resulted in a downgrade of the RPG02 Note from ‘A_{-(ZA)}’ to ‘BBB_{+(ZA)}’. Similarly the Short Term rating of the RPG03 Notes has been downgraded from ‘A1_{-(ZA)}’ to ‘A2_(ZA)’.

Legal Opinion

GCR received executed signed copies of the legal opinions, at transaction closing, from DLA Cliffe Dekker Hofmeyr in respect of the RMB Guarantee and the Upstream Guarantee. GCR understands from the legal opinions that:

- The guarantees are legal, valid, binding and enforceable obligations of the Guarantor and the Upstream Guarantors;
- Credit amounts standing in the Guarantee Account (established in the name of the Guarantor) will not fall within the insolvent estate of the Issuer and will not be affected by the liquidation, the commencement of business rescue proceedings or insolvency of the Issuer.

Tax Opinion

GCR did not receive a tax opinion since the Issuer is an operating corporate entity that is subject to all applicable taxes, and therefore no special purpose vehicle has been utilised to issue the Notes.

Rating Considerations

Meaning of the Rating of the Senior Notes

The ratings accorded to the RMB Guaranteed Notes are *final, public* Long Term national scale rating.

The *final, public* ratings accorded to the RMB Guaranteed Notes relate to ultimate payment of interest and principal (as opposed to timely, akin to an expected loss rating, which is a function of probability of default and loss severity). The rating excludes an assessment of the ability of the Issuer to pay any (early repayment) penalties.

The rating of the RMB Guaranteed Notes incorporate recoveries potentially arising from an enforcement of the RMB Guarantee and RPIH unencumbered assets and can therefore not be compared with, for example, a traditional credit rating (the latter, which is also an expression of expected loss, but refers to probability of default and an average historical loss given default for generalised senior unsecured debt).

Should the ratings of the Issuer or the Guarantor change, the ratings of the RMB Guaranteed Notes may also change, but not necessarily in the same quantum. The ratings of the RMB Guaranteed Notes may also change if the estimated stressed calculated recoveries in respect of the underlying collateral materially changes.

The suffix code identifies to which country the rating relates; ‘ZA’ means Republic of South Africa. A rating outlook indicates the likely direction of a rating change over the medium term, typically a one to two year period.

The final ratings of the RMB Guaranteed Notes will be monitored, and thereafter GCR will perform regular surveillance on the Transaction. Surveillance reports will be made available to subscribers to GCR’s information services.

Rating Criteria Application

GCR analysed the Transaction by applying its Global Master Criteria for Rating Banks and Other Financial Institutions and its Global Structurally Enhanced Corporate Bonds Rating Criteria. The criteria are freely available on www.globalratings.net.

Data Received from the Issuer

- The Issuer's Audited Annual Financial Statements for the year ended 31 March 2014;
- The Issuer's Capital Adequacy Ratio quarterly report from March 2011 to June 2014;
- The Issuer's Encumbered and Unencumbered balance sheet split as at 31 August 2014; and
- The Issuer's financial results for the five months ending 31 August 2014.

Other

Audit Opinion

An external audit opinion was not received for the latest issuance. GCR did receive financial statements of the Issuer, audited by Grant Thornton (Jhb) Inc. (formerly known as PKF (Jhb) Inc.), for the year ended 31 March 2014.

Transaction Documents

GCR had received satisfactory copies of all final executed/signed transaction documents at transaction closing.

Disclaimer

Note that GCR is not a legal, tax or financial adviser, and only provides a credit opinion of the rated securities. For example, a rating does not cover a potential change in laws nor can it be regarded as an audit. The recovery calculations made, are based on information presented, numerous input variables and modelling assumptions which may prove (very) different in a positive or negative way in real life. Moreover, GCR is not a party to the transaction documents. Users of our credit ratings should familiarise themselves with the Transaction (including the legal opinion), and should form their own views in this respect. They should not rely on GCR for legal, tax or financial advice, and are encouraged to contact the relevant advisers.

Recovery Rate Calculations Relating to the RMB Guaranteed Notes

1. Principal Amount Outstanding upon Default

This is the expected aggregate issuance amount of the notes. Given the bullet nature of the RMB Guaranteed Notes, the principal amount will not change during the life of the notes.

2. Assumed Missed Interest Payments upon Default

GCR assumes that upon default the last quarterly coupon is not paid. The mechanics of the RMB Guarantees are such that the full guarantee amount will immediately be made available for payment of the notes. As such, GCR does not size missed interest relating to the time period over which the guarantee amount is paid. Interest is, however, assumed to accrue on the aggregate remaining balance of the notes (following the guarantee payment amount) during the assumed recovery period (24 months) relating to the unsecured claim on the Issuer.

For the RPG02 Note GCR used the 3 Month JIBAR rate (6.075% at 8 October 2014) plus the margin (3.000%) as the combined interest rate when estimating the last quarterly missed coupon on the Note (9.075% per annum). The 3 Month JIBAR rate is used because the weighted average remaining term of the RPG02 Notes is less than 2 months. For the estimated missed interest on the RPG02 Notes during the recovery period relating to the unsecured claim on the Issuer, GCR used the mid-point 3 year swap rate (7.250% as at 8 October 2014) plus the margin (3.000%) as the combined interest rate (10.250% per annum). GCR used the 3 year swap rate as the expected recovery period relating to the unsecured claim on the Issuer (2 years) was taken into account.

For the RPG03 Note GCR used the 6 Month JIBAR rate (7.808% at 8 October 2014) plus the margin (2.000%) as the combined interest rate when estimating the last quarterly missed coupon on the Note (9.808% per annum). The 12 Month JIBAR rate is used because the weighted average remaining term of the RPG03 Notes is less than 6 months. For the estimated missed interest on the RPG03 Notes during the recovery period relating to the unsecured claim on the Issuer, GCR used the mid-point 3 year swap rate (7.250% as at 8 October 2014) plus the margin (2.000%) as the combined interest rate (9.250% per annum). GCR used the 3 year swap rate as the expected recovery period relating to the unsecured claim on the Issuer (2 years) was taken into account.

3. Guarantee Claim Payment

The RMB Guarantee covers 50% of the aggregate interest and principal amount outstanding under the Notes in issue, albeit up to a maximum of R112.5m for the RPG02 Note and R50m for the RPG03 Note.

4. Assumed Recovery on the remaining unsecured claim

International rating agency studies indicate that the average recovery rate on defaulted corporate senior unsecured debt obligations is around 40%. GCR analysed the balance sheet composition of the Issuer as at 31 August 2014 and has no reason to believe that the senior unsecured recovery rate relating to the Issuer would be less than 40%. In this regard, GCR assumes that the Noteholders will receive 40% on their unsecured claim on the Issuer.

5. Legal Expenses

GCR has assumed that legal costs would likely approximate 3% of the aggregate of the proceeds from the recoveries on the unsecured claim of the Issuer.

GLOSSARY OF TERMS/ACRONYMS USED IN THIS REPORT

Account Bank	A bank where the transaction account is held.
Applicable Pricing Supplement	A transaction document that describes the particulars of notes issued.
Business Rescue	A term under the Companies Act 71 of 2008 (South Africa) Chapter 6 to remedy an entity that is likely to become insolvent. Entities that are likely to become insolvent (where liabilities exceed assets) or unlikely to be able to pay their debts as they fall due and payable in the coming six months.
Commercial Paper	A debt security of short term nature, less than a year.
Credit Rating	A rating accorded to the performance of either ultimate or timely payment of obligations.
Credit Rating Agency	A party that provides an opinion on the credit quality of assets, debt securities and companies.
Credit Risk	The probability or likelihood that a borrower will not meet its debt obligations. Credit Risk can further be separated between current credit risk (immediate) and potential credit risk (deferred).
Domestic Medium Term Note Programme	A debt issuance programme that allows an Issuer the continued and flexible issuance of several types of securities in accordance with the programme terms and conditions.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.
Floating Rate Notes	Debt securities that have a periodic interest rate reset in relation to the reference rate, i.e. JIBAR.
Insolvency	A debtor unable to pay a judgement of debt or who cannot meet its financial obligations and does not have sufficient realisable assets that can be attached in satisfaction of judgement or obligations. The debtor can apply for an administration order interims of the Magistrates' Court Act 32 of 1944 (South Africa).
JIBAR	Johannesburg Interbank Agreed Rate. A reference rate.
Legal Opinion	An opinion regarding the validity and enforceable of a transaction's legal documents.
Lien	A right of retention of someone else's property due to expensed money or labour on property acquires a lien until payment is made.
Liquidity Risk	The risk that a financial instrument cannot be traded on its market price due to the size of the market.
Long Term Rating	A credit rating based on the opinion of the ability to repay long term (more than a year) obligations.
Negative Pledge	A pledge made by a creditor that it will not incur any debt or event that may negatively impact the transaction or entity or material subsidiary.
Pari Passu	Side by side; at the same rate or on an equal footing.
Paying Agent	An appointed transaction party that is responsible for the payment of Noteholders scheduled interest and principal, as well as other transactional obligations.
Property	Movable or immovable asset.
Rated Securities	Debt securities that have been accorded a credit rating.
Rating Outlook	A Rating Outlook indicates the potential direction of a rating over the medium term, typically a one to two years period. An outlook may be defined as; 'Stable' (nothing to suggest that the rating will change), 'Positive' (the rating symbol may be raised), 'Negative' (the rating symbol may be lowered) or 'Evolving' (the rating symbol may be raised or lowered).
Rating Watch	Indicates that a rating is under review for possible change in the short-term and the movement may be either positive or negative.
Reference Rate	A rate that is the basis of the calculation such as JIBAR.
Scheduled Interest	The interest payment due on a scheduled date.
Settlement Agent	The person that acts on behalf of the debtor for repayment or settlement of obligations.
Short Term Rating	A credit rating based on the opinion of the ability to honour short term (less than a year) obligations.
Special Purpose Vehicle	A Special Purpose Vehicle that has been created to guarantee the performance of the obligations of the Issuer that sold its assets to the Guarantee SPV.
Stock Code	A unique code allocated to a publicly listed security.
Structured Finance	A method of raising funds in the capital markets. A Structured Finance transaction is established to accomplish certain funding objectives whilst reducing risk.
Tranche	In a structured finance, a slice or portion of debt securities offered that is structured or grouped to resemble the same degree of risk associated with the underlying asset or with a similar degree of risk. A junior tranche has a higher degree of default risk than a senior tranche.
Trigger Event	An event caused by transactional performance or environmental changes that would impact a transaction.
Under Review	Failure to carry out a full review of a rated entity within the designated timeframe, either through lack of information or delays in finalisation, i.e. review is on-going.
Unsecured Claim	Debt securities that have no collateral.
Weighted Average	An average resulting from the multiplication of each component by a factor reflecting its importance or, relative size to a pool of assets or liabilities.

SALIENT FEATURES OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating was influenced by any other business activities of the credit rating agency; b.) the rating was based solely on the merits of the rated entity, security or financial instrument being rated; c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the validity of the rating is for a maximum of 12 months, or earlier as indicated by the applicable credit rating document.

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

The rating/s above were solicited by the Arranger of the Transaction; GCR has been compensated for the provision of the ratings.

The credit rating/s has been disclosed to the Issuer and the Arranger with no contestation of the rating.

The information received from the Issuer and other reliable third parties to accord the credit ratings included the signed executed transaction documents together with the relevant signed legal and tax opinions; the Issuer's Audited Annual Financial Statements for the year ended 31 March 2014, the Issuer's Encumbered & Unencumbered Statement of Financial Position as at 31 August 2014, and the Issuer's Capital Adequacy Ratio quarterly reports from March 2011 to June 2014.

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