

RatingsDirect®

Ratings Lowered In South African ABS Transaction Bayport Securitisation (RF) Following Review

Primary Credit Analyst:

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

Secondary Contact:

Virginie Couchet, Madrid (34) 91-389-6959; virginie.couchet@standardandpoors.com

OVERVIEW

- We have lowered our long-term ratings on 29 classes of A notes issued by Bayport Securitisation (RF), based on our revised collateral performance expectations, the transaction's current capital structure, and the latest transaction documentation amendments.
- At the same time, we have affirmed and removed from CreditWatch negative our long-term rating on the class A BAYA48 tranche.
- Bayport Securitisation (RF) securitizes a portfolio of South African consumer loan receivables that Bayport Financial Services 2010 (Pty) originated.

MOSCOW (Standard & Poor's) Feb. 19, 2016--Standard & Poor's Ratings Services today lowered and removed from CreditWatch negative its long-term credit ratings on 29 classes of A notes issued by Bayport Securitisation (RF) Ltd. At the same time, we have affirmed and removed from CreditWatch negative our long-term 'zaA-1' rating on the class A BAYA48 tranche (see list below).

On Oct. 23, 2015, we placed on CreditWatch negative our long- and short-term ratings on the class A notes (see "Ratings Placed On CreditWatch Negative In South African ABS Transaction Bayport Securitisation (RF) Following Review").

Today's rating actions follow our review of our base-case default and recovery rate expectations for the consumer loans sub-portfolio, which represents 93%

of the total securitized pool. We have analyzed credit risk by applying our global criteria for assessing the credit quality of securitized consumer receivables (see "Global Methodology And Assumptions For Assessing The Credit Quality Of Securitized Consumer Receivables," published on Oct. 9, 2014).

We considered the most recent performance data available from January 2008 to August 2015. Our analysis shows increased extrapolated default rates in consumer loan cohorts originated between 2012 and 2015. We consider that this is due to the tightening of the consumer lending industry in South Africa since end-2014 and less availability of rollover credit to individual borrowers. Consequently, this has exposed active lenders, such as Bayport, to higher delinquencies and defaults and lower recoveries from their existing customers. Although we considered more stringent origination policy standards introduced by Bayport in 2015, we believe that these policy changes will take time to affect the expected default rates and are unlikely to be seen in the medium term. Additionally, recovery rates have decreased, reflected in relatively young default cohorts, compared with our previous review. We have revised our base-case default assumption for consumer loans to 45% from 39%, and our recovery rate assumption to 5.0% from 8.5%. Our credit assumptions for cellular loans, accounting for 7% of the securitized pool, are unchanged.

We have amended our cash flow model to reflect certain changes made to the transaction structure, namely, a higher amount of cash available to the issuer, a decreased senior debt to assets ratio threshold, and a lower servicing fees level. We give benefit to the arrears reserve as its deficiency triggers the transaction's early amortization. The other changes made to the transaction structure did not affect our rating analysis.

Our view on commingling risk in this transaction is unchanged following the planned introduction of the collections special-purpose entity to the transaction's cash flows. We consider that the risk of losses through cash collections falling into the servicer collection accounts is structurally mitigated under our current counterparty criteria, as the exposure period is limited to one business day (see "Counterparty Risk Framework Methodology And Assumptions," June 25, 2013).

Since our previous review, Bayport Management Ltd. has donated its insurance subsidiary to the issuer. In our view, this has not increased the transaction's exposure to set-off risk. Based on our legal analysis, we consider that the transaction is not exposed to set-off risk and do not stress it in our cash flow model.

Our revised cash flow model indicates that the available credit enhancement for the rated notes is sufficient to mitigate the credit and cash flow risks at the 'zaA' rating level. The positive changes to the transaction structure are offset by our higher net loss projections, and we consider that the available credit enhancement is no longer commensurate with the currently assigned long-term ratings on the outstanding class A notes. We have therefore lowered to 'zaA (sf)' from 'zaA+ (sf)' and removed from CreditWatch negative our ratings on these classes of notes. We have affirmed and removed from

Ratings Lowered In South African ABS Transaction Bayport Securitisation (RF) Following Review

CreditWatch negative our 'zaA-1 (sf)' rating on the class A BAYA48 notes in view of its legal maturity in March 2016.

Bayport Securitisation (RF) is a South African asset-backed securities (ABS) transaction, which securitizes a revolving portfolio of South African unsecured consumer loan receivables that Bayport Financial Services 2010 (Pty) originated. The transaction closed in 2008 and has a revolving structure that is subject to not breaching early amortization conditions.

RELATED CRITERIA AND RESEARCH

Related Criteria

- Standard & Poor's National And Regional Scale Mapping Tables, Jan. 19, 2016
- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Methodology: 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 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
- Global Methodology And Assumptions For Assessing The Credit Quality Of Securitized Consumer Receivables, Oct. 9, 2014
- National And Regional Scale Credit Ratings, Sept. 22, 2014
- Counterparty Risk Framework Methodology And Assumptions, June 25, 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

- Sub-Saharan Africa Rating Trends 2016, Jan. 18, 2016
- Outlook On South Africa Revised To Negative On Continued Slow Growth; Ratings Affirmed, Dec. 4, 2015
- Ratings Placed On CreditWatch Negative In South African ABS Transaction Bayport Securitisation (RF) Following Review, Oct. 23, 2015
- 2015 EMEA ABS Scenario And Sensitivity Analysis, Aug. 6, 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

Ratings Lowered In South African ABS Transaction Bayport Securitisation (RF) Following Review

RATINGS LIST

Bayport Securitisation (RF) Ltd.
ZAR6.059 Billion Asset-Backed Notes

Ratings Lowered And Removed From CreditWatch Negative

Class	Rating	
	To	From
Class A (BAYA01)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA06)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA08)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA11)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA12)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA13)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA15)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA16)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA17)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA18)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA19)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA23)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA24)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA25)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA26)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA31)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA32)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA33)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA34)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA35)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA36)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA37)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA39)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA41)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA42)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA43)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA44)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BAYA45)	zaA (sf)	zaA+ (sf)/Watch Neg
Class A (BYA49U)	zaA (sf)	zaA+ (sf)/Watch Neg

Rating Affirmed And Removed From CreditWatch Negative

Class A (BAYA48) zaA-1 (sf) zaA-1 (sf)/Watch Neg

Additional Contact:

Structured Finance Europe; StructuredFinanceEurope@standardandpoors.com

Copyright © 2017 by Standard & Poor's Financial Services LLC. 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 acknowledgment 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 non-public 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 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.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.