

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

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(**Editor's Note:** In the press release published on Nov. 14, 2017, the ratings on South Africa were misstated. A corrected version follows.)

OVERVIEW

- We have performed our full surveillance review of Bayport Securitisation (RF) following the recalibration of the South Africa national scale mapping table.
- Following our review, we have raised to 'zaAA- (sf)' from 'zaA (sf)' our long-term ratings on the outstanding class A notes.
- Bayport Securitisation (RF) securitizes a portfolio of South African consumer loan receivables that Bayport Financial Services 2010 (Pty) originated.

MOSCOW (S&P Global Ratings) Nov. 14, 2017--S&P Global Ratings today raised its credit ratings on Bayport Securitisation (RF) Ltd.'s outstanding class A notes (see list below).

Today's upgrades reflect our credit and cash flow analysis, using the most recent available collateral performance data (as of June 2017). We have considered the most recent transaction structure in our analysis taking into account the changes made in the capital structure as of the June 30, 2017 interest payment date.

Upon revising our South Africa national scale mapping table in July 2017, we placed the ratings that could potentially be affected under criteria observation (see "South Africa National Scale Ratings Placed Under Criteria Observation On Revised National Scale Mapping Table," published on July 27, 2017). Following our review, our ratings in this transaction are no longer under criteria observation.

In our credit analysis, we considered our latest forecasts for weak growth in South Africa's economy (see "South Africa Ratings Affirmed; Outlook Remains Negative," published on June 2, 2017). We have incorporated our expectations of weak economic growth in the country, as well as our view of the unsecured lending market in South Africa, in our credit assumptions applicable to the securitized portfolio.

We have analyzed credit risk based on the application of our global consumer finance criteria to derive our default and recovery assumptions for various rating levels (see "Global Methodology And Assumptions For Assessing The Credit Quality Of Securitized Consumer Receivables," published on Oct. 9, 2014). Our base-case default and recovery rates assumptions have remained unchanged since our previous review of the transaction (see "Ratings Assigned To Bayport Securitisation (RF)'s Class A BAYA58 To BAYA61 South African ABS Notes," published on June 30, 2017). Our worst-case pool assumption only comprises consumer loans as we expect those loans to generate a higher level of net losses compared with the cellular loans currently securitized. At the same time, we lowered our credit multiples and recovery rate haircuts to reflect the recalibration in our South Africa mapping table for national scale ratings (see "S&P Global Ratings' National And Regional Scale Mapping Tables," published on Aug. 14, 2017).

We consider the risk relating to the servicer to be mitigated at the rating levels of the notes in line with our criteria (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) is high. Considering the availability of the warm back-up servicer (MBD Credit Solutions [PTY] Ltd.) since closing, the operational risk constrains the maximum potential ratings achievable for the notes at a global scale 'A+' level (corresponding to the national level of 'zaAAA').

Our cash flow model reflects our assessment of the transaction's payment structure and our credit and cash flow assumptions. We applied our cash flow criteria to develop the cash flow stresses at each rating level (see "Global Framework For Cash Flow Analysis Of Structured Finance Securities", published on Oct. 9, 2014).

The transaction is exposed to the credit risk of Standard Bank of South Africa Ltd. as the transaction bank account provider. We consider that the transaction documents adequately mitigate this risk at the 'zaAA-' rating level in line with our current counterparty criteria (see "Counterparty Risk

Framework Methodology And Assumptions," published on June 25, 2013). The servicer is an unrated entity, and we model commingling risk as a liquidity stress, given strong structural features aimed at limiting commingling risk exposure.

We consider the issuer to be bankruptcy remote, in line with our legal criteria (see "Structured Finance: Asset Isolation And Special-Purpose Entity Methodology," published on March 29, 2017). We have received legal comfort that the sale of the assets would survive the seller's insolvency.

Under our scenario analysis, we ran two stress scenarios and assessed the transaction's performance. The results of our scenario analysis are commensurate with our credit stability criteria (see "Methodology: Credit Stability Criteria," published on May 3, 2010). In addition, our ratings on the class A notes address frequent changes in the capital structure, thereby maintaining rating stability.

Under our structured finance ratings above the sovereign criteria, we treat the type of collateral being securitized (South African unsecured consumer loans) as having moderate sensitivity to the South African sovereign risk (see "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Aug. 8, 2016). The sovereign default stress test would be applicable to this transaction if the results of the asset-specific criteria analysis indicated a rating level above the foreign currency rating on the sovereign, currently 'BB+/B' ('zaAAA/zaA-1+' national scale ratings). The output of our analysis, at 'zaAA-', is lower than the rating of the sovereign. Therefore, we did not apply the sovereign stress test in our analysis.

Our analysis indicates that the available credit enhancement for the outstanding rated class A notes is sufficient to mitigate the credit and cash flow risks at the long-term 'zaAA-' and short-term 'zaA-1+' rating levels. We have therefore raised our long- and short-term ratings on the existing class A notes.

Bayport Securitisation (RF) securitizes a portfolio of South African consumer loan receivables that Bayport Financial Services 2010 (Pty) Ltd. (Bayport) originated in the ordinary course of its business.

RELATED CRITERIA

- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, Aug. 14, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016

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

- Criteria - Structured Finance - General: 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
- Criteria - Structured Finance - General: Global Framework For Cash Flow Analysis Of Structured Finance Securities, Oct. 9, 2014
- Criteria - Structured Finance - ABS: Global Methodology And Assumptions For Assessing The Credit Quality Of Securitized Consumer Receivables, Oct. 9, 2014
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- South Africa National Scale Ratings Placed Under Criteria Observation On Revised National Scale Mapping Table, July 27, 2017
- 2017 EMEA ABS Scenario And Sensitivity Analysis, July 6, 2017
- Ratings Assigned To Bayport Securitisation (RF)'s Class A BAYA58 To BAYA61 South African ABS Notes, June 30, 2017
- South Africa Ratings Affirmed; Outlook Remains Negative, June 2, 2017
- Ratings On Seven South African Financial Institutions Lowered Following Similar Action On Sovereign, April 5, 2017
- South Africa Long-Term Foreign Currency Rating Cut To 'BB+' On Political And Institutional Uncertainty; Outlook Negative, April 3, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

RATINGS LIST

Bayport Securitisation (RF) Ltd.
ZAR7.544 Billion Asset-Backed Notes

Class	Rating	
	To	From
Ratings Raised		
Class A (BAYA31)	zaAA- (sf)	zaA (sf)

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

Class A (BAYA32)	zaAA- (sf)	zaA (sf)
Class A (BAYA33)	zaAA- (sf)	zaA (sf)
Class A (BAYA34)	zaAA- (sf)	zaA (sf)
Class A (BAYA35)	zaAA- (sf)	zaA (sf)
Class A (BAYA36)	zaAA- (sf)	zaA (sf)
Class A (BAYA39)	zaAA- (sf)	zaA (sf)
Class A (BAYA41)	zaAA- (sf)	zaA (sf)
Class A (BAYA42)	zaAA- (sf)	zaA (sf)
Class A (BAYA45)	zaAA- (sf)	zaA (sf)
Class A (BAYA51)	zaAA- (sf)	zaA (sf)
Class A (BAYA52)	zaAA- (sf)	zaA (sf)
Class A (BAYA54)	zaAA- (sf)	zaA (sf)
Class A (BAYA55)	zaA-1+ (sf)	zaA-1 (sf)
Class A (BAYA56)	zaAA- (sf)	zaA (sf)
Class A (BAYA57)	zaAA- (sf)	zaA (sf)
Class A (BAYA58)	zaAA- (sf)	zaA (sf)
Class A (BAYA59)	zaAA- (sf)	zaA (sf)
Class A (BAYA60)	zaAA- (sf)	zaA (sf)
Class A (BAYA61)	zaAA- (sf)	zaA (sf)
Class A (BYA49U)	zaAA- (sf)	zaA (sf)

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