

## Ratings Assigned To Bayport Securitisation (RF)'s Class A BAYA62 To BAYA65 South African ABS Notes

**Primary Credit Analyst:**

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

**Secondary Contact:**

Ganesh A Rajwadkar, London (44) 20-7176-7614; ganesh.rajwadkar@spglobal.com

### OVERVIEW

- We have assigned our long-term 'zaAA- (sf)' rating to Bayport Securitisation (RF)'s class A BAYA62, BAYA63, BAYA64, and BAYA65 notes.
- At the same time, we have affirmed our ratings on all of the outstanding class A notes issued previously.
- Bayport Securitisation (RF) securitizes a portfolio of South African consumer loan receivables that Bayport Financial Services 2010 (Pty) originated.

MOSCOW (S&P Global Ratings) Dec. 1, 2017--S&P Global Ratings today assigned its long-term 'zaAA- (sf)' credit ratings to Bayport Securitisation (RF) Ltd.'s class A BAYA62, BAYA63, BAYA64, and BAYA65 notes. At the same time, we have affirmed our ratings on Bayport Securitisation (RF)'s outstanding class A notes (see list below).

Today's rating actions 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 further new issuance and existing notes' amortization as of the Sept. 30, 2017 interest payment date.

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. The transaction does not have a fixed revolving period; it revolves until the issuer fully repays the outstanding debt, or until an acceleration event occurs.

#### RATING RATIONALE

##### Economic Outlook

In our credit analysis, we have considered our latest forecasts for South Africa's economy (see "South Africa Ratings Lowered On Weakening Economic And Fiscal Trajectory; Outlook Stable," published on Nov. 24, 2017). Our revised baseline economic forecast for South Africa is for weak real GDP growth of 0.7% in 2017 and 1.0% in 2018. We expect real GDP per capita to contract and the unemployment rate to increase in both 2017 and 2018. We have incorporated our expectations of a 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.

##### Credit Risk

We have analyzed credit risk by applying our "Global Methodology And Assumptions For Assessing The Credit Quality Of Securitized Consumer Receivables," criteria published on Oct. 9, 2014, to derive our default and recovery assumptions for various rating levels. Our credit analysis assumptions remain unchanged since our previous review of the transaction (see "Ratings Raised In South African ABS Transaction Bayport Securitisation (RF) Following Review," published on Nov. 15, 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. The credit quality performance of the securitized portfolio is in line with our current forecasted default and recovery rates in this transaction.

##### Operational Risk

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').

##### Cash Flow Analysis

Our cash flow model reflects our assessment of the transaction's payment structure and our credit and cash flow assumptions, including the issuance of the additional class A notes on Dec. 1, 2017 and the refinancing of the existing class A BAYA39 and BAYA42 notes on the same date. We applied our "Global Framework For Cash Flow Analysis Of Structured Finance Securities" criteria, published on Oct. 9, 2014. The class A BAYA62 and BAYA65 notes are

floating-rate amortizing notes with legal final maturity in September 2020. The class A BAYA63 and BAYA64 notes are floating-rate bullet notes with legal maturity in September 2020 and September 2022, respectively. Our cash flow analysis considered the transaction's structural features, including the credit enhancement the available cash and performing balance provides.

The class A BAYA62, BAYA63, BAYA64, and BAYA65 notes pass our cash flow analysis and stresses at a long-term 'zaAA-' rating level. We have therefore assigned our 'zaAA- (sf)' ratings to these classes of notes.

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 'zaAA-' long-term and 'zaA-1+' short-term rating levels. We have therefore affirmed our ratings on the existing class A notes.

#### Counterparty Risk

The transaction is exposed to the credit risk of Standard Bank of South Africa Ltd. acting 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. We model commingling risk as a liquidity stress, given the strong structural features aimed at limiting commingling risk exposure.

#### Legal Risk

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.

#### Rating Stability

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.

#### Sovereign Risk

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' ('zaAA+/zaA-1+' national scale ratings). The output on our analysis, at 'zaAA-', is lower than the rating of the sovereign.

We therefore did not apply the sovereign stress test in our analysis.

#### 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
- 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 Ratings Lowered On Weakening Economic And Fiscal Trajectory; Outlook Stable, Nov. 24, 2017
- Ratings Raised In South African ABS Transaction Bayport Securitisation (RF) Following Review, Nov. 15, 2017
- 2017 EMEA ABS Scenario And Sensitivity Analysis, July 6, 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

*Ratings Assigned To Bayport Securitisation (RF)'s Class A BAYA62 To BAYA65 South African ABS Notes*

Class	Rating	Amount (mil. ZAR)
-------	--------	----------------------

Ratings Assigned

Class A (BAYA62)	zaAA- (sf)	120.0
Class A (BAYA63)	zaAA- (sf)	58.0
Class A (BAYA64)	zaAA- (sf)	40.0
Class A (BAYA65)	zaAA- (sf)	52.0

Class	Rating
-------	--------

Ratings Affirmed

Class A (BAYA31)	zaAA- (sf)
Class A (BAYA33)	zaAA- (sf)
Class A (BAYA34)	zaAA- (sf)
Class A (BAYA35)	zaAA- (sf)
Class A (BAYA36)	zaAA- (sf)
Class A (BAYA39)	zaAA- (sf)
Class A (BAYA41)	zaAA- (sf)
Class A (BAYA42)	zaAA- (sf)
Class A (BAYA45)	zaAA- (sf)
Class A (BYA49U)	zaAA- (sf)
Class A (BAYA51)	zaAA- (sf)
Class A (BAYA52)	zaAA- (sf)
Class A (BAYA54)	zaAA- (sf)
Class A (BAYA55)	zaA-1+ (sf)
Class A (BAYA57)	zaAA- (sf)
Class A (BAYA58)	zaAA- (sf)
Class A (BAYA59)	zaAA- (sf)
Class A (BAYA60)	zaAA- (sf)
Class A (BAYA61)	zaAA- (sf)

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](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) and [www.globalcreditportal.com](http://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](http://www.standardandpoors.com/usratingsfees).

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