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

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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

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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

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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
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