

Ratings Assigned To Bayport Securitisation (RF)'s Class A BAYA72 And BAYA73 South African ABS Notes

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OVERVIEW

- We have assigned our long-term 'zaAA+ (sf)' rating to Bayport Securitisation (RF)'s class A BAYA72 and BAYA73 notes.
- At the same time, we have affirmed our 'zaAA+ (sf)' ratings on all of the outstanding class A notes issued previously, and we have discontinued our ratings on the class A BAYA45, BAYA51, BAYA52, and BAYA59 notes following their full redemption.
- Bayport Securitisation (RF) securitizes a portfolio of South African consumer loan receivables that Bayport Financial Services 2010 (Pty) originated.

LONDON (S&P Global Ratings) April 1, 2019--S&P Global Ratings today assigned its long-term 'zaAA+ (sf)' credit rating to Bayport Securitisation (RF) Ltd.'s class A BAYA72 and BAYA73 notes. At the same time, we have affirmed our 'zaAA+ (sf)' ratings on Bayport Securitisation (RF)'s outstanding class A notes, and we have discontinued our ratings on the class A BAYA45, BAYA51, BAYA52, and BAYA59 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 December 2018). We have considered the most recent transaction structure in our analysis, taking into account the new issuance and existing notes' amortization as of the most

recent investor report (January 2019).

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. During the revolving period the issuer can issue new notes or repay outstanding notes.

RATING RATIONALE

Economic Outlook

In our credit analysis, we have considered our latest forecasts for South Africa's economy (see "South Africa Long-Term Foreign And Local Currency Ratings Affirmed At 'BB' And 'BB+'; Outlook Stable," published on Nov. 23, 2018). Our revised baseline economic forecast for South Africa is relatively weak real GDP growth of 1.8% in 2019. We expect the unemployment rate to remain high at about 27.3% in 2019. We have incorporated our expectations for 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. We considered the most recent performance data available from January 2008 to December 2018. Our analysis showed that extrapolated default rates improved in consumer loan cohorts originated between 2016 and 2018. The trend in lower default rates can be explained by Bayport's more stringent origination policy standards introduced in mid-2015 and further adjustments to their scorecards in April 2016.

Based on the performance data we have revised our base-case default assumption for consumer loans to 40% from 45%. Our recovery-rate assumption remains unchanged at 5.0%. Our credit multiples and recovery-rate haircuts for national-scale ratings remain unchanged since our previous review of the transaction (see "Ratings Assigned To Bayport Securitisation (RF)'s Class A BAYA68U, BAYA69, BAYA70, And BAYA71 South African ABS Notes," published on July 2, 2018).

Our worst-case pool assumption only considers consumer loans because the cellular loans were discontinued in March 2015 and make up an insignificant portion of the current pool balance of about 1.8% based on the January 2019 investor report (compared with 2.2% a year ago). The performance of the cellular loans is comparable with consumer loans.

Operational Risk

We consider the risk related to the servicer to be mitigated at the rating

level assigned to 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 securitized product, the key transaction party in this transaction, and the availability of the warm back-up servicer--Transaction Capital Recoveries Proprietary Ltd. (formerly known as 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 April 1, 2019, and the refinancing of the existing class A BAYA45, BAYA51, BAYA52, and BAYA59 notes that were repaid on the same date. We applied our "Global Framework For Cash Flow Analysis Of Structured Finance Securities" criteria, published on Oct. 9, 2014, to the cash flow stresses at each rating level. The class A BAYA72 notes are fixed-rate bullet notes with their legal final maturity date in March 2026. The class A BAYA73 notes are floating-rate amortizing notes with their legal final maturity date in March 2022. Our cash flow analysis considered the transaction's structural features, including the credit enhancement the available cash and performing balance provides.

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 'zaAAA' rating level, corresponding to the global 'BB+ (sf)' rating. A higher rating outcome based on our cash flow runs results from the lower default base-case assumption.

Counterparty Risk

We have analyzed the transaction's exposure to counterparty risk in accordance with our current counterparty criteria (see "Counterparty Risk Framework: Methodology And Assumptions," published on March 8, 2019).

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 'zaAAA' rating level in line with our current counterparty criteria.

The transaction is also exposed to the servicer in relation to commingling risk. 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 information that provides assurance 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 "Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions," published on Jan. 30, 2019).

In addition, to account for the severe level of economic stress we expect to accompany a sovereign default, when rating above sovereign, in line with our sovereign risk criteria, we also assessed whether the notes can withstand a sovereign default stress.

We used our standard 'A' run (on a global-scale rating) to replicate the impact of the sovereign default scenario. The transaction does not pass our sovereign default stress; therefore the ratings on the notes are constrained to the sovereign rating level.

Our ultimate rating applied in the transaction is derived from the application of our criteria. It is the lower of (i) the rating as capped by our sovereign risk criteria, (ii) the rating as capped by our counterparty criteria, or (iii) the rating that the class of notes can attain under our global asset-backed securities (ABS) criteria.

When we apply our stresses under our global ABS criteria, the class A notes are able to withstand up to a 'zaAAA (sf)' rating scenario. However, in this transaction, our ratings on the class A notes are constrained at 'zaAA+ (sf)' by our sovereign risk criteria. As such, we have assigned our long-term 'zaAA+ (sf)' rating to the new class A notes, and we affirmed our 'zaAA+ (sf)' ratings on the existing class A notes.

RELATED CRITERIA

- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan.

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30, 2019

- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- 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 | ABS: Global Methodology And Assumptions For Assessing The Credit Quality Of Securitized Consumer Receivables, Oct. 9, 2014
- Criteria - Structured Finance - General: Global Framework For Cash Flow Analysis Of Structured Finance Securities, Oct. 9, 2014
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- 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 Long-Term Foreign And Local Currency Ratings Affirmed At 'BB' And 'BB+'; Outlook Stable, Nov. 23, 2018
- Ratings Assigned To Bayport Securitisation (RF)'s Class A BAYA68U, BAYA69, BAYA70, And BAYA71 South African ABS Notes, July 2, 2018
- S&P Global Ratings' National And Regional Scale Mapping Specifications, June 25, 2018
- Some South Africa National Scale Ratings Under Criteria Observation On Revised National Scale Credit Rating Methodology, June 25, 2018
- Ratings Assigned To Bayport Securitisation (RF)'s Class A BAYA66 And BAYA67 South African ABS Notes, April 3, 2018
- S&P Global Ratings Raises Its GDP Growth Forecast For South Africa, March 27, 2018
- South Africa Ratings Lowered On Weakening Economic And Fiscal Trajectory; Outlook Stable, Nov. 24, 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.
ZAR9.342 Billion Asset-Backed Notes

Ratings Assigned

Ratings Assigned To Bayport Securitisation (RF)'s Class A BAYA72 And BAYA73 South African ABS Notes

Class	Rating	Amount (mil. ZAR)
Class A (BAYA72)	zaAA+ (sf)	225.0
Class A (BAYA73)	zaAA+ (sf)	412.0

Ratings Affirmed

Class	Rating
Class A (BAYA54)	zaAA+ (sf)
Class A (BAYA57)	zaAA+ (sf)
Class A (BAYA58)	zaAA+ (sf)
Class A (BAYA60)	zaAA+ (sf)
Class A (BAYA61)	zaAA+ (sf)
Class A (BAYA62)	zaAA+ (sf)
Class A (BAYA63)	zaAA+ (sf)
Class A (BAYA64)	zaAA+ (sf)
Class A (BAYA65)	zaAA+ (sf)
Class A (BAYA66)	zaAA+ (sf)
Class A (BAYA67)	zaAA+ (sf)
Class A (BAYA68U)	zaAA+ (sf)
Class A (BAYA69)	zaAA+ (sf)
Class A (BAYA70)	zaAA+ (sf)
Class A (BAYA71)	zaAA+ (sf)

Ratings Discontinued

Class	Rating To	From
Class A (BAYA45)	NR	zaAA+ (sf)
Class A (BAYA51)	NR	zaAA+ (sf)
Class A (BAYA52)	NR	zaAA+ (sf)
Class A (BAYA59)	NR	zaAA+ (sf)

NR--Not rated.

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