MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades rating on Class C Notes issued by Bayfront Infrastructure Capital Pte. Ltd. and updates the approach for determining the inputs to WARF calculation

18 Mar 2022

Hong Kong, March 18, 2022 -- Moody's Investors Service has upgraded the rating on the Class C Notes and affirmed the ratings on the Class A and Class B Notes issued by Bayfront Infrastructure Capital Pte. Ltd.

The affected ratings are as follows:

Issuer: Bayfront Infrastructure Capital Pte. Ltd.

U.S.$320,600,000 Class A Senior Secured Floating Rate Notes due 2038, Affirmed Aaa (sf); previously on Jul 31, 2018 Definitive Rating Assigned Aaa (sf)

U.S.$72,600,000 Class B Senior Secured Floating Rate Notes due 2038, Affirmed Aa1 (sf); previously on Apr 29, 2021 Upgraded to Aa1 (sf)

U.S.$19,000,000 Class C Senior Secured Floating Rate Notes due 2038, Upgraded to A2 (sf); previously on Apr 29, 2021 Upgraded to A3 (sf)

Bayfront Infrastructure Capital Pte. Ltd. is a project finance collateralized loans obligation (CLO) cash flow securitization. As of the end of December 2021, the CLO was backed by a USD 241.8 million portfolio, encompassing 26 bank-syndicated senior project finance and infrastructure loans to 23 projects across Asia Pacific and the Middle East, compared with 37 loans to 30 projects at closing.

The two-year reinvestment period ended in July 2020. Two loans to two borrowers were refinanced, and in each case, part of the unscheduled principal collections was reinvested in a new loan with revised terms to the same borrower.

RATINGS RATIONALE

The rating upgrade on the Class C notes reflects an increase in the credit enhancement available to the notes since the last rating action in April 2021, despite a limited deterioration in the credit quality of the underlying portfolio.

The rating affirmations on the Class A and B Notes reflect Moody's view that the expected losses of the notes are consistent with their current ratings.

After the payment date in January 2022, the credit enhancement available to the Class A, B and C Notes has increased to 56.8%, 26.8%, and 18.9% respectively, from 49.1%, 23.2%, and 16.4% during the last rating action in April 2021.

The current weighted average rating factor (WARF) of the portfolio, after applying the credit estimate notching adjustments is 1805, and without adjustments is 1555. At the last rating action in April 2021, the WARF with notching adjustments was 1583, and without adjustments was 1400.

These last rating action WARF figures represent an increase from the last rating action WARFs previously reported for this transaction. This increase does not reflect a deterioration in the credit quality of the portfolio, but instead results from an update to Moody's approach for determining certain inputs to the WARF calculation – namely, the credit estimates assigned to loans with covered exposure.

The portfolio consists of project finance loans with 35.7% covered exposure in January 2022. These loans benefit from external credit support post loan default. Previously, Moody's credit estimates for these loans incorporated the full loss-given-default benefit from the external credit support. Under the updated approach, the benefit of external credit support is recognized solely in the recovery assumptions made outside of the credit estimates.

This update does not change the risk profile of the underlying loan portfolio (i.e., each loan's default probability and ultimate loss-given-default) and does not change the rating analysis. It increases the reported portfolio WARF, which is now calculated based on the pool credit estimates without consideration of the higher recovery rate assumed for loans with covered exposure. To allow for better comparability, the WARFs disclosed at closing in July 2018 and at last rating action in April 2021 have been recalculated using the updated approach.

Based on the updated credit estimate process for loans with covered exposure, i.e. credit estimates without considering the higher recovery rate assumptions for loans with covered exposure, the WARFs of the uncovered/covered/aggregate portfolio sub-sets have been updated as follows:

Before applying the credit estimate notching adjustment:

- the WARF of the uncovered exposure at closing (31 July 2018) remains unchanged at 958

- the WARF of the covered exposure at closing (31 July 2018) has been revised from 183 to 2286

- the WARF of the entire loan portfolio at closing (31 July 2018) has been revised from 722 to 1361

- the WARF of the uncovered exposure at last rating action (29 April 2021) remains unchanged at 1027

- the WARF of the covered exposure at last rating action (29 April 2021) has been revised from 255 to 2113

- the WARF of the entire loan portfolio at last rating action (29 April 2021) has been revised from 762 to 1400

After applying the credit estimate notching adjustment:

- the WARF of the uncovered exposure at closing (31 July 2018) remains unchanged at 1287

- the WARF of the covered exposure at closing (31 July 2018) has been revised from 261 to 2372

- the WARF of the entire loan portfolio at closing (31 July 2018) has been revised from 975 to 1616

- the WARF of the uncovered exposure at last rating action (29 April 2021) remains unchanged at 1238

- the WARF of the covered exposure at last rating action (29 April 2021) has been revised from 374 to 2243

- the WARF of the entire loan portfolio at last rating action (29 April 2021) has been revised from 941 to 1583

Moody's uses a loan-by-loan Monte Carlo simulation framework in Moody's CDOROMÂ™ to model the portfolio loss distribution for this CLO.

The key model inputs Moody's uses in its analysis, such as par, rating factor, and the recovery rate assumptions, are based on its published methodology and could differ from the trustee's reported numbers. In its base case, Moody's analyzed the underlying loan portfolio as having a performing par of USD241.8 million, a WARF of 1,805 after applying the credit estimate notching adjustments over a weighted average life of 4.3 years and a weighted average recovery rate upon default of 79% (inclusive of external credit support for covered loans).

Methodology Underlying the Rating Action:

The principal methodology used in these ratings was "Project Finance and Infrastructure Asset CLOs Methodology" published in November 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBS_1291135 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Factors that would lead to an upgrade or downgrade of the ratings:

This transaction is subject to the performance of the underlying loan portfolio and the credit quality of the cover providers and counterparties of the participation agreements, which in turn is subject to a high level of macroeconomic uncertainty. The collateral manager's investment decisions and management of the transaction will also affect the performance of the rated notes.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections

Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

Moody's either did not receive or take into account one or more third-party due diligence assessment(s) regarding the underlying assets or financial instruments (the "Due Diligence Assessment(s)") in this credit rating action.

The Due Diligence Assessment(s) referenced herein were prepared and produced solely by parties other than Moody's. While Moody's uses Due Diligence Assessment(s) only to the extent that Moody's believes them to be reliable for purposes of the intended use, Moody's does not independently audit or verify the information or procedures used by third-party due-diligence providers in the preparation of the Due Diligence Assessment(s) and makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of the Due Diligence Assessment(s).

In rating this transaction, Moody's CDOROMÂ™ is used to model the expected loss for each tranche. Moody's CDOROMÂ™ is a Monte Carlo simulation tool which takes each underlying asset default probability as input. Each underlying asset default behavior is then modeled individually with a standard multi-factor model incorporating both intra- and inter-industry correlation. The correlation structure is based on a Gaussian copula. Each Monte Carlo scenario simulates defaults and if applicable, recovery rates, to derive losses on a portfolio. For a synthetic transaction, the model then allocates losses to the tranches in reverse order of priority to derive the loss on the tranches. By repeating this process and averaging over the number of simulations, Moody's can derive the expected loss on the tranches. For a cash transaction, the portfolio loss, or default, distribution produced by Moody's CDOROMÂ™ may be input into a separate cash flow model in accordance with its priority of payment to determine each tranche's expected loss.

Moody's quantitative analysis entails an evaluation of scenarios that stress factors contributing to sensitivity of ratings and take into account the likelihood of severe collateral losses or impaired cash flows. Moody's weights the impact on the rated instruments based on its assumptions of the likelihood of the events in such scenarios occurring.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

These ratings are solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com.

Moody's considers a rated entity or its agent(s) to be participating when it maintains an overall relationship with Moody's. Unless noted in the Regulatory Disclosures as a Non-Participating Entity, the rated entity is participating and the rated entity or its agent(s) generally provides Moody's with information for the purposes of its ratings process. Please refer to www.moodys.com for the Regulatory Disclosures for each credit rating action under the ratings tab on the issuer/entity page and for details of Moody's Policy for Designating Non-Participating Rated Entities.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288235 .

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on www.moodys.com.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the UK and is endorsed by Moody's Investors Service Limited, One Canada Square, Canary Wharf, London E14 5FA under the law applicable to credit rating agencies in the UK. Further information on the UK endorsement status and on the Moody's office that issued the credit rating is available on www.moodys.com.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

The first name below is the lead rating analyst for this Credit Rating and the last name below is the person primarily responsible for approving this Credit Rating.

Kan Leung, CFA
Vice President - Senior Analyst
Structured Finance Group
Moody's Investors Service Hong Kong Ltd.
24/F One Pacific Place
88 Queensway
Hong Kong,
China (Hong Kong S.A.R.)
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Marie Lam
Associate Managing Director
Structured Finance Group
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

Releasing Office:
Moody's Investors Service Hong Kong Ltd.
24/F One Pacific Place
88 Queensway
Hong Kong,
China (Hong Kong S.A.R.)
JOURNALISTS: 852 3758 1350
Client Service: 852 3551 3077

MOODY'S INVESTORS SERVICE