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Moody's assigns definitive ratings to four classes of notes issued by Bayfront Infrastructure Capital III Pte. Ltd.

$374.3 million of securities rated

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Hong Kong, <Rating Date Pending> -- Moody's Investors Service has assigned definitive ratings to four classes of notes issued by Bayfront Infrastructure Capital III Pte. Ltd.

The complete rating actions are as follows:

Issuer: Bayfront Infrastructure Capital III Pte. Ltd.

US$187,900,000 Class A1 Senior Secured Floating Rate Notes due 2044 (the "Class A1 Notes"), Definitive Rating Assigned Aaa (sf)

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US$110,000,000 Class A1-SU Senior Secured Floating Rate Notes due 2044 (the "Class A1-SU Notes"), Definitive Rating Assigned Aaa (sf)

US$33,400,000 Class B Senior Secured Floating Rate Notes due 2044 (the "Class B Notes"), Definitive Rating Assigned Aa1 (sf)

US$43,000,000 Class C Senior Secured Floating Rate Notes due 2044 (the "Class C Notes"), Definitive Rating Assigned Baa3 (sf)

The Class A1 Notes, Class A1-SU Notes, Class B Notes, and Class C Notes are referred to herein as "Rated Notes." In addition to the Rated Notes, the issuer has also issued US$30,207,824 of preference shares.

RATINGS RATIONALE

This is a project finance collateralized loan obligation (CLO) cash flow securitization. The notes are initially collateralized by a portfolio of 28 bank-syndicated senior secured project finance and infrastructure loans to 26 projects in the Asia-Pacific, the Middle East and the Americas. The portfolio is not expected to be actively traded during the replenishment period.

All the loans in the target portfolio do not have a Moody's rating. The rating agency has assigned credit estimates to each of these unrated loans to evaluate the credit quality of the target portfolio. The weighted average rating factor (WARF) of the target portfolio is 901 before applying the credit estimate notching adjustments, and 1,041 after applying the credit estimate notching adjustments.

Moody's updated its approach to determining the inputs to WARF calculation in March 2022. Under the updated approach, the benefit of external credit support to covered exposures is recognized solely in the recovery assumptions made outside of the credit estimates. The portfolio WARF is driven by the credit estimate of the loans in the target portfolio, without considering the higher recovery rates from external credit support.

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Moody's ratings of the Rated Notes have considered the following characteristics of the initial target portfolio at closing.

1. High credit quality portfolio: The WARF of the identified portfolio is 901 before applying the credit estimate notching adjustments, and 1,041 after applying the credit estimate notching adjustments.

2. High asset recovery prospects: Bank-syndicated senior secured project finance and infrastructure loans have historically had high recovery rates. In addition, around 15.9% of the portfolio (covered portion) benefit from external credit support provided by export credit agencies or multilateral financial institutions (cover providers), such that the issuer will be able to recover part, or in some cases all, of the losses from the cover providers.

3. High project and sector concentrations: With only 26 projects, the portfolio is highly concentrated, with a large exposure to a few projects and in energy-related sectors such as non-renewable power generation (36.2% of the pool) and renewables power generation (23.6% of the pool), as well as oil and gas (22.2% of the pool). Certain projects also involve common off-takers or guarantors. Each of the three largest exposures contributes 7.45% of the initial target portfolio size, greater than the subordination of the Class C Notes; thus, a significant credit deterioration of anyone of these projects would have a negative rating impact on the Class C Notes.

4. High country risk: 16.2% of the initial target portfolio comprises projects located in countries with speculative-grade foreign currency country ceilings (FCC), although around 66.6% of these projects benefit from external credit support in the form of guarantees or insurance policies. In addition, the portfolio has high country concentration with 17.4%, 16.1% and 15.4% comprising projects located in India (A3 FCC), Indonesia (A3 FCC) and Saudi Arabia (Aa2 FCC), respectively.

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5. High participation exposures: The issuer has acquired indirect loan exposures comprising about 27.5% of the portfolio, by entering into participation agreements with several highly rated banks at closing, instead of being the lender of record.

6. Construction risk: Three projects, representing around 16.1% of the portfolio, are still under construction, although these projects are nearing completion.

7. Basis mismatch: The issuer is exposed to basis mismatch because all the rated notes are linked to the Secured Overnight Financing Rate (SOFR), while 89% of the initial target portfolio is linked to Libor, and the remaining 11% linked to SOFR. Moody's has considered this in its analysis.

Moody's used a loan-by-loan Monte Carlo simulation framework in Moody's CDOROM™ to model the portfolio loss distribution for this CLO. At the portfolio level, Moody's notes that:

1. The WARF of the portfolio, after applying the credit estimate notching adjustments, is 1,041.

2. The weighted average mean recovery rate assumption of the portfolio is around 70.4%.

3. The average asset correlation of the portfolio is about 28%.

Moody's has assumed three years of recovery delay for the uncovered portion of the portfolio and one year of recovery delay for the covered portion.

In addition to the quantitative factors that Moody's explicitly models, the rating agency has also considered qualitative factors. Moody's considered the structural protections in the transaction, the risk of an event of default, the legal environment and specific documentation features. All information available, including macroeconomic forecasts, inputs from other Moody's analytical groups, market factors, and judgments regarding the nature and severity of credit stress on the transaction, influenced the rating decision.

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The target portfolio was acquired in full on the closing date. The transaction has a three-year replenishment period, during which the collateral manager may direct the issuer to use unscheduled principal collections, undrawn lending commitments that are cancelled or have expired, and the proceeds from the sale of credit-impaired or defaulted assets to purchase new assets. The purchase of new assets is subject to certain conditions, including satisfaction of the interest and par coverage tests.

After the replenishment period, the collateral manager may no longer direct the issuer to purchase additional assets, and the unscheduled principal collections and proceeds from the sale of assets will be used to amortize the notes in sequential order.

The transaction incorporates interest and par coverage tests which, if triggered, divert interest and principal proceeds to pay down the notes in order of seniority. Apart from this, the issuer will use scheduled principal collection to amortize the Rated Notes in sequential order.

BIM Asset Management Pte. Ltd., a wholly-owned subsidiary of Bayfront Infrastructure Management Pte. Ltd. (Bayfront), is the collateral manager of this transaction. It is also the collateral manager of the Bayfront Infrastructure Capital II Pte. Ltd. transaction issued in 2021, and was the sub-manager of the Bayfront Infrastructure Capital Pte. Ltd. transaction from April 2020 until the notes were fully redeemed in August 2022.

Bayfront was established in Singapore in 2019, in connection with the Infrastructure Take-Out Facility initiative sponsored by the Monetary Authority of Singapore, which was designed to help mobilize institutional capital for infrastructure debt in Asia. Bayfront is 70% owned by Clifford Capital Holdings Pte. Ltd. (CCH) and 30% owned by the Asian Infrastructure Investment Bank (AIIB) (Aaa stable).

RATINGS METHODOLOGY:

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The principal methodology used in these ratings was "Project Finance and Infrastructure Asset CLOs Methodology" published in November 2021 and available at https://ratings.moodys.com/api/rmc-documents/355059. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

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

The performance of the Rated Notes is sensitive to the performance of the underlying portfolio and the credit quality of the cover providers and counterparties of the participation agreements, which in turn depends on uncertain economic and credit conditions that may change. The collateral manager's investment decisions and management of the transaction will also affect the performance of the Rated Notes.

Further details regarding Moody's analysis of this transaction may be found in the related pre-sale report, available soon on www.moodys.com.

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 on https://ratings.moodys.com/rating-definitions.

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.

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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 CDOROM™ is used to model the expected loss for each tranche. Moody's CDOROM™ 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 CDOROM™ 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.

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

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

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