MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns definitive ratings to five classes of notes issued by Bayfront Infrastructure Capital II Pte. Ltd., a Project Finance CLO

18 Jun 2021

Singapore, June 18, 2021 -- Moody's Investors Service, has assigned definitive ratings to five classes of notes issued by Bayfront Infrastructure Capital II Pte. Ltd. (the Issuer).

The complete rating action is as follows:

Issuer: Bayfront Infrastructure Capital II Pte. Ltd.

US$176,900,000 Class A1 Senior Secured Floating Rate Notes due 2044 (the "Class A1 Notes"), Definitive Rating Assigned Aaa (sf)

US$120,000,000 Class A1-SU Senior Secured Floating Rate Notes due 2044 (the "Class A1-SU Notes"), Definitive Rating Assigned Aaa (sf)

US$33,300,000 Class B Senior Secured Floating Rate Notes due 2044 (the "Class B Notes"), Definitive Rating Assigned Aa1 (sf)

US$22,100,000 Class C Senior Secured Floating Rate Notes due 2044 (the "Class C Notes"), Definitive Rating Assigned A3 (sf)

US$8,800,000 Class D Senior Secured Floating Rate Notes due 2044 (the "Class D Notes"), Definitive Rating Assigned Baa3 (sf)

The Class A1 Notes, Class A1-SU Notes, Class B Notes, Class C Notes and Class D Notes are referred to herein as the "Rated Notes." In addition to the Rated Notes, the Issuer will also issue preference shares aggregating to U.S.$40,124,154.

RATINGS RATIONALE

This is a project finance collateralized loans obligation (CLO) cash flow securitization. The issued notes will initially be collateralized by a portfolio of 27 bank-syndicated senior secured project finance and infrastructure loans to 25 projects located in various countries in Asia Pacific, the Middle East and South America. The portfolio is not expected to be actively traded during the reinvestment period.

Moody's has assigned credit estimates to each of the loans in the target portfolio as none of them are rated by Moody's. The weighted average rating factor (WARF) of the identified portfolio, based on credit estimates, is 748 before applying the credit estimate notching adjustments, and 937 after applying the credit estimate notching adjustment.

Some of the loans benefit from external credit support provided by export credit agencies, insurers, or multilateral financial institutions (cover providers), such that the Issuer will be able to recover part of, or in some cases all, the losses from the cover providers.

Moody's definitive ratings of the Rated Notes have taken into account the following characteristics of the initial target portfolio at closing.

1. The underlying loans are all denominated in US dollars, floating rate loans with a weighted average spread of 2.3%, and a remaining portfolio weighted average life of about 5.9 years.

2. Around 19.5% of the portfolio (covered portion) benefit from external credit support provided by export credit agencies, insurers, or multilateral financial institutions.

3. With only 25 projects, the portfolio is highly concentrated. The top three single projects' exposures amount to 7.5%, 7.2% and 7.0%, respectively, of the closing portfolio.

4. The portfolio has high sector concentrations with 36.4% in power generation non-renewables, 25.5% in power generation renewables, and 22.5% in oil and gas.

5. The portfolio has high country risk as 26.8% comprises projects located in countries with speculative-grade foreign currency country ceilings (FCC), although around 45% 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 17.7% comprising projects located in India, which has an FCC of A3.

6. The issuer has acquired indirect loan exposures comprising about 32% of the portfolio by entering into participation agreements with several highly rated banks at closing, instead of being the lender of record.

7. Around 16% of the portfolio, relating to four projects, are still under construction, but these projects are either nearing completion or benefitting from credit mitigants such as construction completion guarantees provided by the sponsor or the loan is structured as post-delivery financing.

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 a portfolio level, Moody's notes that:

1. The WARF of the portfolio, after applying the credit estimate notching adjustments, is 937.

2. The weighted average mean recovery rate assumption of the portfolio is around 74%.

3. The asset correlation of the portfolio is 26%.

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

In addition to the quantitative factors that Moody's explicitly models, Moody's 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.

The target portfolio has been acquired in full on the closing date. The transaction has a three-year reinvestment 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 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 reinvestment period, the collateral manager may no longer direct the Issuer to purchase additional assets, and 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.

The coronavirus pandemic has had a significant impact on economic activity. Although global economies have shown a remarkable degree of resilience to date and are returning to growth, the uneven effects on individual businesses, sectors and regions will continue throughout 2021 and will endure as a challenge to the world's economies well beyond the end of the year. While persistent virus fears remain the main risk for a recovery in demand, the economy will recover faster if vaccines and further fiscal and monetary policy responses bring forward a normalization of activity. As a result, there is a heightened degree of uncertainty around our forecasts. Our analysis has considered the effect on the performance of project finance and infrastructure assets from a gradual and unbalanced recovery in the Asia Pacific, the Middle East and South American countries' economic activity.

We regard the coronavirus outbreak as a social risk under our environmental, social and governance (ESG) framework, given the substantial implications for public health and safety.

RATINGS METHODOLOGY:

The principal methodology used in these ratings was "Project Finance and Infrastructure Asset CDOs Methodology" published in April 2020 and available at

https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBS_1222100 . 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:

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 at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

Moody's took 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 and used the Due Diligence Assessment(s) in preparing the ratings. This had a neutral impact on the ratings.

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).

The analysis relies on an assessment of collateral characteristics to determine the collateral loss distribution, that is, the function that correlates to an assumption about the likelihood of occurrence to each level of possible losses in the collateral. As a second step, Moody's evaluates each possible collateral loss scenario using a model that replicates the relevant structural features to derive payments and therefore the ultimate potential losses for each rated instrument. The loss a rated instrument incurs in each collateral loss scenario, weighted by assumptions about the likelihood of events in that scenario occurring, results in the expected loss of the rated instrument.

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.

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_1263068 .

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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.

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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.

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