MOODY'S
RATINGS

Rating Action: Moody's Ratings upgrades ratings of two classes of notes issued by Bauhinia ILBS 1 Limited

15 Apr 2024

Hong Kong, April 15, 2024 -- Moody's Ratings has upgraded the ratings on the Class C and Class D notes issued by Bauhinia ILBS 1 Limited (the Issuer).

The affected ratings are as follows:

Issuer: Bauhinia ILBS 1 Limited

....US$18,250,000 Class C Senior Secured Floating Rate Notes Due 19 October 2044, Upgraded to A1 (sf); previously on May 30, 2023 Definitive Rating Assigned A2 (sf)

....US$10,000,000 Class D Senior Secured Floating Rate Notes Due 19 October 2044, Upgraded to Baa2 (sf); previously on May 30, 2023 Definitive Rating Assigned Baa3 (sf)

This transaction is a project finance and corporate infrastructure collateralized loan obligation (CLO) cash flow securitization. As of end-January 2024, the notes are collateralized by US$390.3 million of assets, encompassing cash and a portfolio of 34 bank-syndicated senior secured project finance and corporate infrastructure loans to 25 projects in Asia-Pacific, the Middle East, and South America.

A comprehensive review of all credit ratings for the transaction has been conducted during a rating committee.

RATINGS RATIONALE

The upgrades were prompted by an increase in credit enhancement available to the notes and the credit quality and performance of the collateral to date.

No actions were taken on the remaining rated classes in the deal as credit enhancement remains commensurate with the current rating for those classes.

The credit enhancement available to the Class C and Class D notes has increased to 12.9% and 10.4% respectively, from 12.5% and 10.0% at closing.

The credit quality of the portfolio has remained stable. Based on the portfolio as of end-January 2024, and taking into account the reinvestment in early April 2024 of a fully prepaid loan, the current weighted average rating factor (WARF) of the portfolio after applying the credit estimate notching adjustments is 936, and without adjustments is 793. At closing, the WARF with notching adjustments was 936, and without adjustments was 772. All loans are performing and there have been no defaults.

The assets comprised of project and infrastructure loans, an undrawn commitment amount, and cash currently held which will be distributed on the next payment date in April 2024. The cash is from principal and interest payments from the project and infrastructure loans since the last payment date in October 2023.

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

The key model inputs Moody's Ratings 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 Ratings analyzed the underlying loan portfolio as having a performing par of US379.1 million, a WARF of 936 after applying the credit estimate notching adjustments over a weighted average life of 5.3 years and a weighted average recovery rate upon default of 64% (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 February 2024 and available at https://ratings.moodys.com/rmc-documents/415304 . 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:

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

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 .

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.

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 issuer/deal page for the respective issuer on https://ratings.moodys.com.

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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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