Bayport Securitisation (RF) Class A BYA120, BYA121, And BYA122 Notes Assigned Ratings; Other Ratings Affirmed

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Overview

- We assigned our long-term 'zaAAA (sf)' ratings to Bayport Securitisation (RF)'s class A BYA120, BYA121, and BYA122 notes.
- At the same time, we affirmed our 'zaAAA (sf)' ratings on all the outstanding class A notes.
- Bayport Securitisation (RF) securitizes a portfolio of South African consumer loan receivables that Bayport Financial Services 2010 (Pty) Ltd. originated.

MADRID (S&P Global Ratings) June 30, 2026--S&P Global Ratings today assigned its long-term 'zaAAA (sf)' credit ratings to **Bayport Securitisation (RF) Ltd.**'s class A BYA120, BYA121, and BYA122 notes. At the same time, we affirmed our 'zaAAA (sf)' ratings on all the outstanding class A notes.

Today's rating actions reflect our credit and cash flow analysis using the most recent available collateral performance data--including the latest transaction structure--which reflects the issuance of the new senior notes.

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

Credit risk

We maintained our base-case default rate assumption of 30%, in line with our previous review in November 2025 (see "Related Research"). The portion of at-source (payroll) lending continues to increase and represents more than two-thirds of the securitized portfolio, and we expect this to increase further as Bayport ceased debit order lending in February 2023. Payroll lending as an asset class has fewer historical defaults than debit order lending. The recent performance of payroll loans and the migration of Bayport toward this product are the key drivers behind the recent reduction in our base-case default rate assumption to 30% from 35%. Additionally, an increasing share of payroll origination in recent months has targeted national government obligors, which is a trend we are monitoring in terms of credit risk. We have updated our base-case recovery assumption to 7% from 5%, reflecting the improved data on recoveries. Our credit assumptions also consider current macroeconomic conditions in South Africa, such as the high yet stable unemployment rate and our economic growth forecasts.

Table 1

Base case and stressed default and recovery assumptions

	Default rate	Recovery rate
Base case (%)	30.00	7.00
Stressed assumptions (%)		
zaAAA	33.60	6.09
zaAA+	33.15	6.19

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 operational risk criteria. We view severity risk (the effect of servicing disruption) as moderate, and portability risk (the inability to replace the servicer) as 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, operational risk constrains the maximum potential ratings on the notes at 'A+' (global scale level corresponding to the national scale level of 'zaAAA'). We maintain regular contact with the servicer and originator to gain insight into portfolio performance, business strategy, and any related potential changes.

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 July 1, 2026. We applied our cash flow analysis framework to the cash flow stresses at each rating level. The new class A BYA120 and BYA122 notes are bullet notes with a legal final maturity in September 2029. The BYA121 notes are scheduled amortization notes also with a legal final maturity in September 2029.

Our cash flow analysis considered the transaction's structural features, including the credit enhancement that the available cash and performing balance provide. In addition to our base-case scenario, we tested different sensitivities related to a reduction in excess spread as well as no recovery on defaulted assets.

Our analysis indicates that the available credit enhancement for the outstanding rated class A notes can withstand the associated level of stress commensurate with a 'zaAAA' rating level.

Counterparty risk

We analyzed the transaction's exposure to counterparty risk in accordance with our counterparty criteria. The transaction is exposed to the credit risk of Standard Bank of South Africa Ltd. 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 counterparty criteria.

The transaction is also exposed to the servicer, an unrated entity, in relation to commingling risk. However, since collections are swept daily into the special-purpose entity’s account, we deem the risk to be mitigated.

Legal risk

We consider the issuer to be bankruptcy remote, in line with our legal criteria. At closing, we received legal information that provides assurance that the sale of the assets would survive the seller's insolvency.

Environmental, social, and governance

In our view, the transaction has material exposure to governance credit factors due to risk management and internal controls. The transaction does not have a fixed revolving period, which also introduces higher exposure to governance factors (e.g., risk management and internal controls). We consider that revolving collateral pools may be subject to underwriting deterioration or adverse selection. Eligibility criteria and concentration limits apply for selecting new receivables. In addition, the transaction documents set certain performance triggers to terminate the revolving period if the portfolio quality deteriorates. We tested cash flows assuming the portfolio composition deteriorates according to these documented limits, which in our view mitigates this risk.

The transaction has relatively high exposure to social credit factors due to this being a pool of obligors, which, given the high interest rates and affordability considerations for these borrowers, could increase legal and regulatory risks if the validity of the contracts or the servicer's collection practices are challenged. We believe this risk is mitigated by representations made by the issuer that each loan, when originated, complied with all laws. In addition, the issuer has a compliance department that manages its adherence to all applicable laws. The South African National Credit Act (NCA) states that the interest rates over the assets are determined under a statutory formula at a maximum of the repo rate plus 21%. We believe setoff risk upon the seller's insolvency is limited since the issuer charges an interest rate in line with market standards.

Macroeconomic forecasts and forward-looking analysis

We consider the transaction's resilience in case of additional stresses to some key variables, in particular higher defaults and lower recoveries to determine our forward-looking view.

In our view, borrowers’ ability to repay their loans will be highly correlated to macroeconomic conditions, particularly the unemployment rate and, to a lesser extent, consumer price inflation and interest rates. Our base-case unemployment assumption for South Africa in 2026 is 32.6% and our inflation forecast is 4.5% for the same period.

Table 2

Macroeconomic outlook

	2026f	2027f	2028f
Real GDP (y/y growth; %)	1.2	1.7	1.7
Unemployment rate (annual average; %)	32.6	31.3	33.0
CPI (%)	4.5	3.8	3.5

f--Forecast. y/y--Year on year. CPI--Consumer price index.

We therefore ran eight scenarios with increased gross defaults and/or reduced expected recoveries. The results of the sensitivity analysis are in line with the credit stability considerations in our rating definitions. In addition, our ratings on the class A notes reflect frequent changes in the capital structure (notably, the mix of cash and performing loans), thereby maintaining rating stability.

Sovereign risk

In May 2026, we affirmed our 'BB' foreign currency and ‘BB+’ local currency long-term sovereign credit ratings on South Africa. The outlook remains positive (see “Related Research”).

Under our structured finance sovereign risk criteria, we treat the type of collateral being securitized (South African unsecured consumer loans) as having moderate sensitivity to South African sovereign risk. In addition, to account for the severe economic stress we expect to accompany a sovereign default, when rating above the 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 effect of the sovereign default scenario. These criteria determine the application of an 'A' default rate of 45.6% of the performing pool and a recovery rate equal to 5.36%. The application of our sovereign risk criteria has no negative impact on the notes as they pass the associated level of stress commensurate with a 'zaAAA' rating level. Under our national and regional scale ratings criteria, this rating level corresponds to the same level as the long-term rating on South Africa.

Our ultimate ratings assigned in this transaction are 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 consumer ABS criteria.

Consequently, following the application of these criteria, we assigned our long-term 'zaAAA (sf)' ratings to the newly issued class A notes and affirmed our 'zaAAA (sf)' ratings on the outstanding class A notes.

Ratings

Ratings assigned (new notes)	Rating	Amount (mil. ZAR)	Interest	Legal final maturity
Class A (BYA120)	zaAAA (sf)	75.0	Three-month JIBAR plus 3.35%	Sept. 30, 2029
Class A (BYA121)	zaAAA (sf)	350.0	Three-month JIBAR plus 3.10%	Sept. 30, 2029
Class A (BYA122)	zaAAA (sf)	41.5	Three-month JIBAR plus 3.35%	Sept. 30, 2029
Ratings affirmed (outstanding notes)				
Class A (BYA71U)	zaAAA (sf)	80.0	Three-month JIBAR plus 4.65%	Sept. 30, 2027
Class A (BYA72U)	zaAAA (sf)	56.0	Three-month JIBAR plus 4.65%	June 30, 2028
Class A (BYA73U)	zaAAA (sf)	100.0	Three-month JIBAR plus 4.00%	March 31, 2027

Ratings

Class A (BYA100)	zaAAA (sf)	100.0	Three-month JIBAR plus 4.40%	Sept. 30, 2026
Class A (BYA102)	zaAAA (sf)	75.0	Three-month JIBAR plus 4.40%	June 30, 2027
Class A (BYA103)	zaAAA (sf)	162.5	Three-month JIBAR plus 4.15%	Sept. 30, 2026
Class A (BYA104)	zaAAA (sf)	4.5	Three-month JIBAR plus 4.15%	June 30, 2027
Class A (BYA106)	zaAAA (sf)	255.5	14.04%	Sept. 30, 2028
Class A (BYA108)	zaAAA (sf)	9.6	Three-month JIBAR plus 3.75%	Sept. 30, 2026
Class A (BYA109)	zaAAA (sf)	38.0	Three-month JIBAR plus 4.00%	March 31, 2027
Class A (BYA110)	zaAAA (sf)	36.0	Three-month JIBAR plus 4.00%	March 31, 2027
Class A (BYA111)	zaAAA (sf)	100.0	Three-month JIBAR plus 4.00%	March 31, 2027
Class A (BYA112)	zaAAA (sf)	190.0	Three-month JIBAR plus 4.00%	March 31, 2027
Class A (BYA113)	zaAAA (sf)	36.7	Three-month JIBAR plus 3.75%	Sept. 30, 2027
Class A (BYA114)	zaAAA (sf)	95.0	Three-month JIBAR plus 4.00%	Sept. 30, 2027
Class A (BYA116)	zaAAA (sf)	341.8	Three-month JIBAR plus 3.85%	June 30, 2028
Class A (BYA117)	zaAAA (sf)	137.8	Three-month JIBAR plus 3.85%	June 30, 2028
Class A (BYA118)	zaAAA (sf)	440.5	Three-month JIBAR plus 4.10%	Sept. 30, 2028
Class A (BYA119)	zaAAA (sf)	100.0	Three-month JIBAR plus 4.10%	Dec. 31, 2028

Note: Our ratings address timely payment of interest and payment of principal no later than the legal final maturity date. The class A balance reflects the most recent interest payment date. JIBAR--Johannesburg Interbank Average Rate.

Related Criteria

- Criteria | Structured Finance | General: Methodology For Rating Structured Finance Securities Above The Sovereign, April 10, 2026
- Criteria | Structured Finance | General: Counterparty Risk Methodology, July 25, 2025
- Criteria | Structured Finance | Legal: Asset Isolation And Special-Purpose Entity Methodology, May 29, 2025
- General Criteria: National And Regional Scale Credit Ratings Methodology, June 8, 2023
- Criteria | Structured Finance | ABS: Global Consumer ABS Methodology And Assumptions, March 31, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- South Africa 'BB' Foreign Currency And 'BB+' Local Currency Ratings Affirmed; Outlook Remains Positive, May 29, 2026
- Bayport Securitisation (RF) Class A BYA119 Notes Assigned Rating; Other Ratings Raised, Dec. 1, 2025
- Bayport Securitisation (RF) Class A BYA118 Notes Assigned Rating; Other Ratings Affirmed, Sept. 30, 2025
- Bayport Securitisation (RF) Class A BYA117 Notes Assigned Rating; Other Ratings Affirmed, Sept. 1, 2025
- Bayport Securitisation (RF) Class A BYA115 Notes Assigned Rating; Other Ratings Affirmed, July 31, 2025
- 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