

Think Tank Series 2016-1 Trust Ratings Raised On Four Note Classes; Two Affirmed

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MELBOURNE (S&P Global Ratings) Nov. 13, 2018--S&P Global Ratings today raised its ratings on four classes of small-ticket commercial mortgage-backed, floating-rate, pass-through notes issued by BNY Trust Co. of Australia Ltd. as trustee of Think Tank Series 2016-1 Trust. At the same time, we affirmed our ratings on two classes of notes (see list).

Think Tank Series 2016-1 Trust is a securitization of loans to commercial borrowers, secured by first-registered mortgages over Australian commercial or residential properties originated by Think Tank Group Pty Ltd. (Think Tank).

The ratings reflect:

- Our view of the credit risk of the underlying collateral portfolio and the credit support provided for the rated notes, which is commensurate with that credit risk. Our analysis of credit risk is based on our "Principles Of Credit Ratings" criteria; however, where factors that affect borrower performance are similar to those for residential mortgage loans, we have applied similar assumptions (see "Think Tank Series 2016-1 Trust," published Nov. 4, 2016). Credit support for the rated notes is provided in the form of subordination.
- The underlying pool of assets has a weighted-average seasoning of 49 months and a weighted-average current loan-to-value ratio of 61.0%. The asset pool consists of 351 consolidated loans as of Aug. 31, 2018, with pool composition consisting primarily of assets backed by commercial properties and a small proportion of residential properties.
- The transaction has continued to pay down sequentially since close,

increasing the level of subordination to all rated note classes. The pool factor was approximately 64%, and the outstanding asset balance was A\$178.9 million as of Aug. 31, 2018.

- Asset performance has been stable since inception, with a moderate level of loans past due and no losses to date. As of Aug. 31, 2018, 3.0% of the asset pool was more than 30 days in arrears, with 0.9% more than 90 days in arrears. We have assumed that loans more than 90 days in arrears have defaulted, in line with our "Australian RMBS Rating Methodology And Assumptions" criteria, published Sept. 1, 2011.
- Approximately 47.0% of the pool is currently in interest-only periods, which introduces a potential shock to borrowers when the loans convert to principal-and-interest payments. This compares with 57.6% at transaction close. S&P Global Ratings applies a higher default frequency to loans with interest-only periods.
- Exposure to self-managed superannuation funds (SMSFs) loans has increased since transaction close to 20.3% from 15.2%. Although SMSF loans are limited-recourse lending, the risk of this affecting borrowers' payment behavior is somewhat mitigated by features such as personal guarantees being provided by SMSF members for every loan to an SMSF in the asset pool. In the absence of a substantial track record and performance data on SMSF loans, S&P Global Ratings has applied an additional adjustment in its credit-support calculation.
- Loans to borrowers whose income has not been fully verified have decreased to 20.5% from 22.7% at close. For these borrowers, the income, savings, credit history, and debt-servicing assessments have been verified through alternative sources such as trading bank statements. S&P Global Ratings has assumed a higher default frequency for these loans in its calculation of credit support for the corresponding rating levels.
- The transaction benefits from a number of structural mechanisms, including an amortizing liquidity facility equal to 3.0% of the outstanding balance of the rated notes, and principal draws, which are sufficient under our stress assumptions to ensure timely payment of interest. Our cash-flow analysis also reflects that a minimum margin will be maintained on the assets.
- The increasing risk of borrower concentration as the pool continues to amortize. The largest 10 borrowers comprise 11.7% of the asset pool, with eight of those 10 being greater than 1.0% of the pool. We view that the lower-rated notes are more susceptible to tail-end risk and back-end losses; however, we expect that credit support available to rated notes will continue to build due to the transaction's structural features, whereby the unrated notes do not receive any principal until all rated notes are fully repaid. We have considered concentration with respect to credit support outcomes at respective rating levels and considered an approach based on that outlined in "Australian RMBS Rating Methodology And Assumptions" criteria, published Sept. 1, 2011.
- The transaction passes our stressed cash-flow modeling scenarios at their respective rating levels, having the ability to make timely interest and ultimate payment of principal.

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A copy of S&P Global Ratings' complete report for Think Tank Series 2016-1 Trust can be found on RatingsDirect, S&P Global Ratings' web-based credit analysis system, at <http://www.capitaliq.com>.

RELATED CRITERIA

- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria - Structured Finance - RMBS: Assumptions: Australian RMBS Postcode Classification Assumptions, July 10, 2013
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - RMBS: Australian RMBS Rating Methodology And Assumptions, Sept. 1, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria - Structured Finance - RMBS: Methodology And Assumptions For Analyzing The Cash Flow And Payment Structures Of Australian And New Zealand RMBS, June 2, 2010
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- An Overview Of Australia's Housing Market And Residential Mortgage-Backed Securities, July 31, 2017
- Australia And New Zealand Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, April 17, 2017
- 2018 Outlook Assumptions For The Australian Residential Mortgage Market, Jan. 30, 2018
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Rating Australian RMBS That Include Loans to Self-Managed Super Funds, Sept. 6, 2012

RATINGS RAISED

Think Tank Series 2016-1 Trust

Class	To	From
B	AAA (sf)	AA (sf)
C	AA (sf)	A (sf)
D	A- (sf)	BBB (sf)
E	BB+ (sf)	BB (sf)

RATINGS AFFIRMED

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Class	Rating
A1	AAA (sf)
A2	AAA (sf)

REGULATORY DISCLOSURES

Please refer to the initial rating report for any additional regulatory disclosures that may apply to a transaction.

The issuer has not informed S&P Global Ratings Australia Pty Ltd. that the issuer will be publically disclosing all relevant information about the structured finance instruments that are subject to this rating report.

AUSTRALIA

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