

Ratings Affirmed On Three Think Tank Small-Ticket CMBS Transactions

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MELBOURNE (S&P Global Ratings) Nov. 17, 2020--S&P Global Ratings today affirmed its ratings on 19 classes of small-ticket commercial mortgage-backed notes issued by BNY Trust Co. of Australia Ltd. as trustee of Think Tank Series 2017-1 Trust, Think Tank Series 2018-1 Trust, and Think Tank Series 2019-1 Trust.

Think Tank Series 2017-1 Trust, Think Tank Series 2018-1 Trust, and Think Tank Series 2019-1 Trust are 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 rating affirmations reflect:

- The adequate credit support available to each of the transactions. As a result of the higher risk profile of the small ticket CMBS sector, and our view that the small business sector may face challenges due to the impact of COVID-19, we revised our outlook and benchmark foreclosure frequency assumptions to account for the higher credit risk profile earlier in 2020. These transactions have adequate credit support and cash flows to absorb these rating stresses at each respective level. Each of the transactions has been paying sequentially and building credit support to the senior notes.
- That the overall the performance of each pool has performed within expectations. As of Nov. 13, 2020, borrowers with COVID-19-related hardship arrangements make up 13.4% of the pool balance for the Think

Tank Series 2017-1 Trust transaction, 10.8% for Think Tank Series 2018-1 Trust, and 10.4% for Think Tank Series 2019-1 Trust. The proportion of COVID-affected borrowers within the portfolios has been on a downward trajectory and decreased by approximately half since its peak in June and is at more moderate levels, in our view. Arrears remain within expectations at 1.7% for Think Tank Series 2017-1 Trust, 0.2% for Think Tank Series 2018-1 Trust, and nil for Think Tank Series 2019-1 Trust.

- The strong cash flow available to the trusts, and the ability of the trusts to generate sufficient level of excess spread under our cash-flow modeling stresses at each note class's rating level.
- That liquidity support for the transactions is adequate under our rating stresses. Loss of income for borrowers in the coming months due to the effects of COVID-19 will likely put upward pressure on mortgage arrears and could affect overall collections. We have run additional sensitivity analysis in our cash-flow analysis, where we have assumed 20% of principal and interest collections are delayed to stress the liquidity available to the transaction.

S&P Global Ratings believes there remains a high degree of uncertainty about the evolution of the coronavirus pandemic. Reports that at least one experimental vaccine is highly effective and might gain initial approval by the end of the year are promising, but this is merely the first step toward a return to social and economic normality; equally critical is the widespread availability of effective immunization, which could come by the middle of next year. We use this assumption in assessing the economic and credit implications associated with the pandemic (see our research here: www.spglobal.com/ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

RELATED CRITERIA

- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | RMBS: Methodology For Assessing Mortgage Insurance And Similar Guarantees And Supports In Structured And Public Sector Finance And Covered Bonds, Dec. 7, 2014
- 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: Global Derivative Agreement Criteria, June 24, 2013

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- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- 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
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- Rating Assumptions Updated On Four Australian CMBS Transactions, June 11 2020
- Credit FAQ: How Will COVID-19 Affect Australian Structured Finance? March 26, 2020
- 2020 Outlook Assumptions For The Australian Residential Mortgage Market, May 19, 2020
- An Overview Of Australia's Housing Market And Residential Mortgage-Backed Securities, Nov. 14, 2019
- Methodology And Assumptions For The Australian, Japanese, And New Zealand Residential Mortgage Markets, Jan. 15, 2019
- Australia And New Zealand Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, April 17, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- RMBS Performance Watch: Australia, published quarterly
- RMBS Arrears Statistics: Australia, published monthly
- ABS Performance Watch: Australia, published quarterly

RATINGS AFFIRMED

Think Tank Series 2017-1 Trust

Class	Rating
A1	AAA (sf)
A2	AAA (sf)
B	AA+ (sf)
C	A (sf)
D	BBB+ (sf)
E	BB+ (sf)
F	B+ (sf)
G	NR
H	NR

NR--Not rated.

Think Tank Series 2018-1 Trust

Class	Rating
A1	AAA (sf)
A2	AAA (sf)
B	AA (sf)
C	A (sf)
D	BBB (sf)
E	BB+ (sf)
F	NR
G	NR
H	NR

NR--Not rated.

Think Tank Series 2019-1 Trust

Class	Rating
A1	AAA (sf)
A2	AAA (sf)
B	AA (sf)
C	A (sf)
D	BBB (sf)
E	BB+ (sf)
F	NR
G	NR
H	NR

NR--Not rated.

REGULATORY DISCLOSURES

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

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