

# Ratings Raised On Eight Classes Of Notes In Two Think Tank Trust Transactions; Four Affirmed

October 27, 2021

MELBOURNE (S&P Global Ratings) Oct. 28, 2021--S&P Global Ratings today raised its ratings on eight classes of small-ticket commercial mortgage-backed notes issued by BNY Trust Co. of Australia Ltd. as trustee of Think Tank Series 2018-1 Trust and Think Tank Series 2019-1 Trust. At the same time, we affirmed our ratings on four classes of notes issued out of the same trusts (see list).

Think Tank Series 2018-1 Trust and Think Tank Series 2019-1 Trust are securitizations of loans to commercial borrowers, secured by first-registered mortgages over Australian commercial or residential properties originated by Think Tank Group Pty Ltd.

The rating actions reflect our view of the credit risk of the underlying collateral portfolios, which have been amortizing in line with our expectations. Current loan-to-value ratios across the pool have generally declined, lowering our expectations of losses for the pools. The portfolios' weighted-average loan-to-value ratios were 61.6% for 2018-1 and 62.3% for 2019-1. The weighted-average seasoning has increased to 45.4 months for 2018-1 and 32.4 months for 2019-1 as of Aug. 31, 2021.

We have factored into our analysis the arrears performance and cumulative losses to date. As of Aug. 31, 2021, loans greater than 30 days in arrears represent 0.97% for 2018-1, of which there are no loans that are greater than 90 days in arrears, and 2.0% for 2019-1, of which 0.9% is more than 90 days in arrears. As of Aug. 31, 2021, there are no borrowers in the portfolio under COVID-19-related hardship arrangements. Losses to date on the 2018-1 transaction have been minimal and have been covered by excess spread. There have been no losses to date on the 2019-1 transaction. There have been no charge-offs to any of the notes. We have factored into our analysis the concentrations emerging in the pools, given the portfolio size and composition. We have also considered both portfolios' exposure to interest-only loans: 50% for 2018-1 and 50.4% for 2019-1. This introduces a potential shock to borrowers when the loans convert to principal-and-interest payments. We have taken this into account in our analysis by applying a higher default frequency to loans with interest-only periods.

The small-ticket commercial sector has experienced material disruptions due to COVID-19 and could continue to experience mixed conditions into 2022. We believe that the credit support provided to each class of notes is sufficient to withstand the stresses we apply at each respective rating level.

The notes in both transactions are currently paying on a sequential basis and will continue to do so until the step-down conditions are met. There has been a buildup of additional credit support to each class of rated notes due to the sequential repayment. If the step-down conditions are met and the notes in the transactions convert to a pro-rata payment structure, then the unrated class

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F, class G, and class H notes will not receive any principal until all rated notes are fully repaid. Therefore, the rated notes will continue to benefit from an increase in the percentage of credit support provided as the pool amortizes under a pro-rata structure, while the percentage of credit support will remain static for the remaining rated notes. We consider this structural feature to be a key strength for these transactions.

### **Related Criteria**

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- 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
- 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**

- ESG Industry Report Card: Residential Mortgage-Backed Securities, March 31, 2021
- 2021 Outlook Assumptions For The Australian RMBS Market, Jan. 11, 2021
- Rating Assumptions Updated On Four Australian CMBS Transactions, June 11, 2020
- An Overview Of Australia's Housing Market And Residential Mortgage-Backed Securities, Dec. 14, 2020

## **Ratings Raised On Eight Classes Of Notes In Two Think Tank Trust Transactions; Four Affirmed**

- 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 Raised**

### **Think Tank Series 2018-1 Trust**

- Class B: to AAA (sf) from AA (sf)
- Class C: to AA (sf) from A (sf)
- Class D: to A- (sf) from BBB (sf)
- Class E: to BBB+ (sf) from BB+ (sf)

### **Think Tank Series 2019-1 Trust**

- Class B: to AAA (sf) from AA (sf)
- Class C: to AA- (sf) from A (sf)
- Class D: to BBB+ (sf) from BBB (sf)
- Class E: to BBB (sf) from BB+ (sf)

## **Ratings Affirmed**

### **Think Tank Series 2018-1 Trust**

- Class A1: AAA (sf)
- Class A2: AAA (sf)

### **Think Tank Series 2019-1 Trust**

- Class A1: AAA (sf)
- Class A2: AAA (sf)

#### REGULATORY DISCLOSURES

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

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