S&P Global
Ratings

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Presale:

# Think Tank Residential Series 2022-1 Trust

**March 24, 2022**

## Preliminary Ratings

| Class | Preliminary rating | Preliminary amount (mil. A$) | Minimum credit support (%) | Credit support provided (%) |
|---|---|---|---|---|
| A1-S | AAA (sf) | 100.00 | 6.79 | 20.0 |
| A1-L | AAA (sf) | 300.00 | 6.79 | 20.0 |
| A2 | AAA (sf) | 52.50 | 6.79 | 9.5 |
| B | AA (sf) | 23.50 | 4.71 | 4.8 |
| C | A (sf) | 9.50 | 2.88 | 2.9 |
| D | BBB (sf) | 5.50 | 1.63 | 1.8 |
| E | BB (sf) | 4.00 | 0.86 | 1.0 |
| F | B (sf) | 2.50 | 0.36 | 0.5 |
| G | NR | 2.50 | N/A | N/A |

Note: This presale report is based on information as of March 25, 2022. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities. S&P Global Ratings' ratings on the class D, class E, and class F notes do not address the payment of residual interest. The class A1-S and Class A1-L notes are collectively referred to as class A1 notes. NR--Not rated. N/A--Not applicable.


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## Profile

| | |
|---|---|
| Expected closing date | April 2022 |
| Final maturity date | The payment date in February 2054 |
| Collateral | Fully amortizing and interest-only, converting to amortizing floating-rate loans to prime and nonconforming Australian resident borrowers, secured by first-registered mortgages over Australian residential properties. The loans mature no later than 24 months before the final maturity of the notes. |
| Structure type | Residential mortgage-backed, floating-rate, pass-through securities |
| Issuer and trustee | BNY Trust Co. of Australia Ltd. as trustee of Think Tank Residential Series 2022-1 Trust |
| Manager, originator, and servicer | Think Tank Group Pty Ltd. |
| Standby servicer and standby manager | AMAL Asset Management Ltd. |
| Security trustee | BNY Trust (Australia) Registry Ltd. |

### Profile (cont.)

| | |
|---|---|
| Custodian | BNY Trust Co. of Australia Ltd. |
| Primary credit enhancement | The rated notes have the benefit of subordinated notes and excess spread, if any, will be used to offset losses, in priority to distribution to the beneficiary. |

### Supporting Ratings

| | |
|---|---|
| Liquidity facility provider | Commonwealth Bank of Australia |
| Bank account provider | Commonwealth Bank of Australia |

### Loan Pool Statistics As Of Feb. 9, 2022

| | |
|---|---|
| Total number of loans | 671 |
| Total value of loans (A$) | 499,996,806 |
| Current maximum loan size (A$) | 2,000,000 |
| Average loan size (A$) | 745,152 |
| Maximum current loan-to-value (LTV) ratio (%) | 80.0 |
| Weighted-average current LTV ratio (%) | 69.1 |
| Weighted-average loan seasoning (months) | 3.7 |

Note: All portfolio statistics are calculated on a consolidated loan basis.

## Rationale

The preliminary ratings assigned to the residential mortgage-backed securities (RMBS) to be issued by BNY Trust Co. of Australia Ltd. as trustee of Think Tank Residential Series 2022-1 Trust reflect the following factors.

The credit risk of the underlying collateral portfolio (discussed in more detail under "Credit Assessment") and the credit support provided to each class of rated notes are commensurate with the ratings assigned. Subordination and excess spread provide credit support. The credit support provided to the rated notes is sufficient to cover the assumed losses at the applicable rating stress. Our assessment of credit risk takes into account the underwriting standards, approval process, and the servicing quality of Think Tank Group Pty Ltd. (Think Tank) (discussed in more detail under "Origination and Servicing").

The assets can meet timely payment of interest and ultimate payment of principal to the noteholders under the relevant rating stresses. Key factors are the level of subordination provided, the condition that a minimum margin will be maintained on the assets, the provision of a liquidity facility, the principal draw function, and the provision of an extraordinary expense reserve, funded by Think Tank before the issuance of the notes. All rating stresses are made on the basis that the trust does not call the notes at or beyond the call-option date, and that all rated notes must be fully redeemed via the principal waterfall mechanism under the transaction documents.

Our ratings also take into account the counterparty exposure to Commonwealth Bank of Australia (CBA) as bank account provider and liquidity facility provider. These counterparty exposures meets

S&P Global Ratings' counterparty criteria.

We also have factored into our ratings the legal structure of the trust, which is established as a special-purpose entity and meets our criteria for insolvency remoteness.

## Environmental, Social, And Governance (ESG)

Our rating analysis considers a transaction's potential exposure to ESG credit factors. For RMBS, we view the exposure to environmental credit factors as average, social credit factors as above average, and governance credit factors as below average (see "ESG Industry Report Card: Residential Mortgage-Backed Securities," March 31, 2021). In our view, the exposure to ESG credit factors in this transaction is in line with our sector benchmark.

We consider the transaction's exposure to environmental credit factors to be average. Physical climate risks such as floods, storms, or bushfires could severely damage properties and reduce their value, affecting recoveries if borrowers default. In our view, well-diversified portfolios reduce exposure to extreme weather events. We have factored the geographic diversity of the underlying portfolio into our credit analysis (see below).

For RMBS, social credit factors are generally considered above average because housing is viewed as one of the most basic human needs and conduct risk presents a direct social exposure for lenders and servicers, particularly because regulators are increasingly focused on ensuring fair treatment of borrowers. We review lenders' underwriting practices as part of our operational risk assessment and factor them into our credit analysis (see "Origination And Servicing" section below).

The transaction's exposure to governance credit factors is below average. Given the nature of structured finance transactions, most have relatively strong governance frameworks through, for example, the generally tight restrictions on what activities the special-purpose entity can undertake compared with nonspecial-purpose entities. As part of our operational risk assessment, we review originators' risk management and governance frameworks. We consider the risk management and governance practices in place to be consistent with industry standards and our benchmark expectations.

## Strengths And Weaknesses

### Strengths

We have observed the following strength in our analysis of the transaction:

- For the class A1-S and A1-L notes, the subordination provided significantly exceeds the level of credit support commensurate with a 'AAA (sf)' rating.

### Weaknesses

We observed the following weaknesses in the transaction:

- That about 58.4% of the loans in the portfolio are to borrowers whose income has not been fully verified. These borrowers' 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.
- That about 48.6% of the loans in the portfolio are for refinance purposes. S&P Global Ratings assumes a higher default frequency for such loans.
- That about 47.6% of the pool is loans to investors. S&P Global Ratings assumes the default frequency on these loans is higher to reflect the potential greater risk of default compared with loans for home purchase.
- That self-employed borrowers account for 87.4% of the loans in the portfolio. S&P Global Ratings expects self-employed borrowers to experience higher cash-flow variability and, thus, higher loan arrears, making them more susceptible to defaults should there be a downturn in the Australian economy. S&P Global Ratings assumes higher default frequencies for these loans.
- That about 91.0% of the loans in the portfolio are seasoned by six months or less. We view more favorably loans that are seasoned by greater than five years because the borrower has built up a track record that positively reinforces the borrower's credit profile

## Comparable Transactions

The closest comparable rated transaction is Think Tank Residential Series 2021-1. The key differences between Think Tank Residential Series 2022-1 and Think Tank Residential Series 2021-1 are that for Think Tank Residential Series 2022-1:

- The class A note is split into class A1-S and class A1-L notes.
- There was the addition of residual interest components due for the class D, class E, and class F notes.
- Servicing is now entirely performed by Think Tank. Previously, some components of servicing were delegated to AMAL Asset Management Ltd. (discussed in more detail under "Origination and Servicing").

## Notable Features

### Residual interest

From the call-option date, the margin on the class D, class E, and class F notes step down. The remaining amount will form a residual interest component. This residual component has no access to the liquidity support in the transaction, and nonpayment of this amount does not cause an event of default. Our ratings on the class D, class E, and class F notes do not address the payment of the residual interest amount.

### Loans to self-managed superannuation funds borrowers

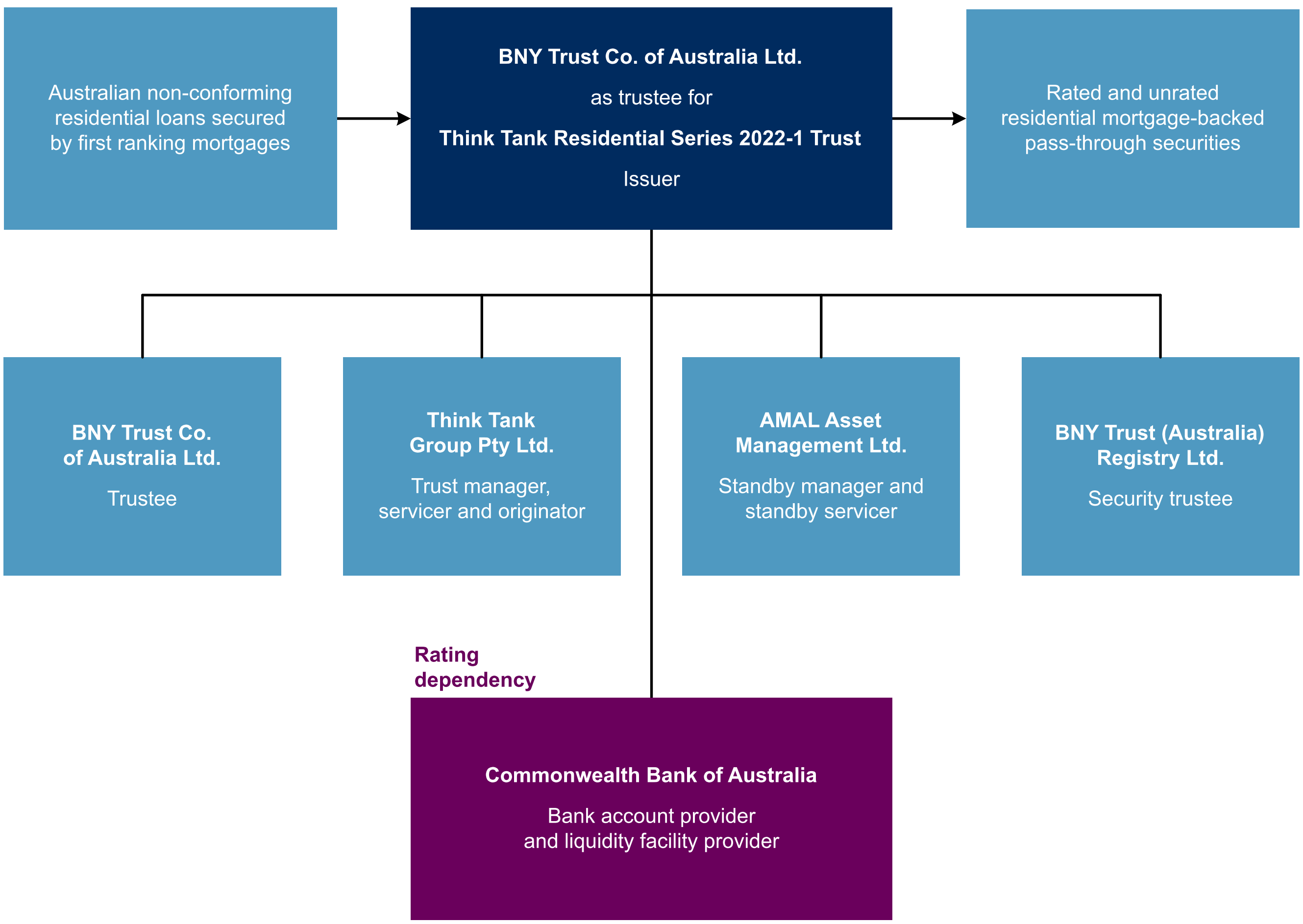
About 7.8% of the loans in the portfolio have been advanced to self-managed superannuation funds (SMSFs). Although SMSF loans are limited-recourse lending, the risk of this affecting borrowers' payment behavior is somewhat mitigated by features such as personal guarantees being provided by SMSF members for every loan to an SMSF in the asset pool. A strong, well-documented personal guarantee contains features that create the full-recourse characteristics that are typically exhibited in a first-registered full-recourse residential mortgage. The SMSF loans by Think Tank have fairly standard terms, conditions, and loan characteristics. 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.

## Transaction Structure

The structure of the transaction is shown in chart 1.

Chart 1

**Think Tank Residential Series 2022-1 Trust**
Transaction Structure






We understand that transaction counsel will lodge the relevant financing statements on the Personal Property Securities Register in connection with the security interest.

## Note Terms And Conditions

### Interest payments

All classes of rated notes are floating-rate, pass-through securities, paying a margin over one-month bank-bill swap rate (BBSW) on the invested amount of the notes. Interest payments are made sequentially to each class of notes rated. A step-up margin will apply to the class A1-L notes if the notes are not called on the call-option date, and the margin on the class D, class E, and class F notes will step down (see "Notable Features" section). The coupon to the unrated class G noteholders ranks subordinate to the reimbursement of charge-offs to all notes.

Our ratings on all notes address the timely interest and ultimate principal repayment on the notes. However, our ratings on the class D, class E, and class F notes do not address the payment of the residual interest amount on these respective notes.

The trustee can elect to call the notes in full at their invested amounts on or after the call-option date. The call-option date is the earlier of four years from the settlement date and the determination date on which the outstanding pool balance is less than 25% of the initial balance. S&P Global Ratings' ratings do not address the likelihood of repayment of the rated notes on the call-option date.

### Principal allocation

Principal collections--after application as principal draws, if necessary, to cover any income shortfalls or to fund redraws--will be passed through to noteholders on a sequential-payment basis, starting with the class A1-S noteholders ahead of the other noteholders. For the class A1-L and class A2 notes, principal is paid on a pari passu basis prior to the call date.

The transaction can convert to a pro-rata payment structure, in which principal would be passed through to each rated class of notes (see "Pro-rata paydown triggers" for more detail) if the principal step-down tests are met. In the pro-rata payment structure, payments to the unrated class G notes will occur on a sequential basis, after repayment of all of the rated notes.

The transaction features a turbo mechanism that applies only after the call-option date, when available excess spread less the applicable rate for tax will be applied to pay down the notes. The manager will maintain an amortization ledger, and record any amounts credited to and debited from the ledger. S&P Global Ratings has not given credit to the amortization ledger in its analysis because this mechanism is subordinated in the waterfall.

Given the pass-through nature of the notes, the actual date on which the principal amount of the notes will be fully repaid will be determined by the actual prepayment rate experience on the loan portfolio. As a result, the risk of mortgage prepayments is borne by the noteholders.

### Loss allocation

Charge-offs will be first allocated to the amortization ledger, then to the class G notes until their outstanding balance is reduced to zero, followed by the class F, class E, class D, class C, class B, class A2, then pari passu to the class A1-S and class A1-L notes. Under the transaction structure, any charge-offs are to be reimbursed in the reverse order, excluding the amortization ledger.

### Pro-rata paydown triggers

The triggers to allow pro-rata paydown are:

- There are no class A1-S notes outstanding.
- The payment date falls on or after the second anniversary of the issue date but before the fourth anniversary of the issue date.
- The credit support provided to the class A2 notes on the determination date immediately preceding that payment date is at least 19.0%.
- The average arrears of mortgage loans that are greater than 90 days do not exceed 4.0% of the portfolio.
- There are no carryover charge-offs outstanding on any class of notes.
- There are no principal draws outstanding.
- There are no liquidity facility draws outstanding.
- The outstanding mortgage balance is at least 25% of the original mortgage balance.

## Rating-Transition Analysis

The primary rating-transition risk is any deterioration in the credit quality and performance of the underlying loan pool to the extent that it affects the full and timely repayment of principal and interest. This would directly affect the ability of the issuer trust to meet its obligations.

We consider there to be a low risk that we will lower our ratings in response to lowering our ratings on supporting parties. The liquidity facility agreement contains a requirement for the counterparty to make a collateral advance or replace itself as counterparty if its rating falls below the prescribed threshold.

The collections account must be maintained with an appropriately rated bank. If we lower our rating on the provider of this account, then the deposits held must be transferred to another appropriately rated institution.

These mechanisms are consistent with our counterparty rating criteria.

### Scenario analysis: Property market value decline

S&P Global Ratings performed a scenario analysis to determine the potential impact on the ratings at transaction close if the values of every security property decreased by 10%. We applied a haircut of 10% to the original property values and increased the LTV ratios for this impact. Note that this scenario does not take into account potential increases or decreases in the security property value compared with its original value, and does not consider cash-flow analysis and, therefore, the potential use of excess spread to cover losses. The implied credit assessments are set out in table 1.

Table 1

### Minimum Credit Support For Credit Losses And Implied Credit Assessments Under The Scenario

| Class | Minimum credit support for credit losses (%) | Implied credit assessment |
|---|---|---|
| A1-S | 20.68 | aa+ |
| A1-L | 20.68 | aa+ |
| A2 | 20.68 | bbb+ |
| B | 16.40 | bb |
| C | 11.30 | b+ |
| D | 6.98 | b- |
| E | 4.16 | Below b- |
| F | 2.03 | Below b- |

Note: Implied credit assessment based on subordination only.

## Origination And Servicing

The quality of the origination, underwriting, and servicing of the loans can affect the performance of the portfolio, and we therefore assess it as part of our credit analysis.

Think Tank, founded in 2005, is an Australian privately owned nonbank financial institution that specializes in residential and commercial property lending. Think Tank traditionally has originated commercial loans and has been originating residential loans since mid-2018. It provides home loans to consumers who fall outside the lending criteria of traditional bank and prime nonbank lenders. In particular, Think Tank offers residential mortgage loans to borrowers who are self-employed, as well as other borrowers who may not meet the requirements of traditional lenders.

Think Tank originates predominately through brokers, with a small percentage of originations through its direct channel. Brokers must be formally accredited, carry professional indemnity insurance, and be a member of a relevant industry body. Think Tank assesses all credit approvals, using experienced commercial property credit analysts. No brokers are involved in the underwriting process. Think Tank regularly conducts quality assurance on a sample of the originated loans with the completion of hindsight reviews.

The loan pool, by current balance, consists of 58.4% low-documentation loans. Income is self-certified for the low-documentation products, requiring an accountant's letter or BAS statements confirming a borrower's capacity to service the loan. Credit checks and full valuations are performed on all loans, and all loans have title insurance.

S&P Global Ratings has adjusted the minimum credit support of the low-documentation product for the transaction to reflect the level of verification performed to establish a borrower's savings, income, credit history, and ability to service the loan.

This is the first rated RMBS transaction for which Think Tank will perform all aspects of servicing. Previously, some components of servicing were delegated to AMAL Asset Management Ltd. Think Tank's role as servicer includes:

- Hosting the system and maintaining the loan details of the portfolio on its cloud-based end-to-end lending platform.

- Daily reconciliation of bank accounts.
- Executing changes to a loan, such as interest-rate changes.
- Processing direct-debit files.
- Monitoring and managing delinquencies and the enforcement process.

AMAL Asset Management Ltd. (AMAL) will act as standby servicer.

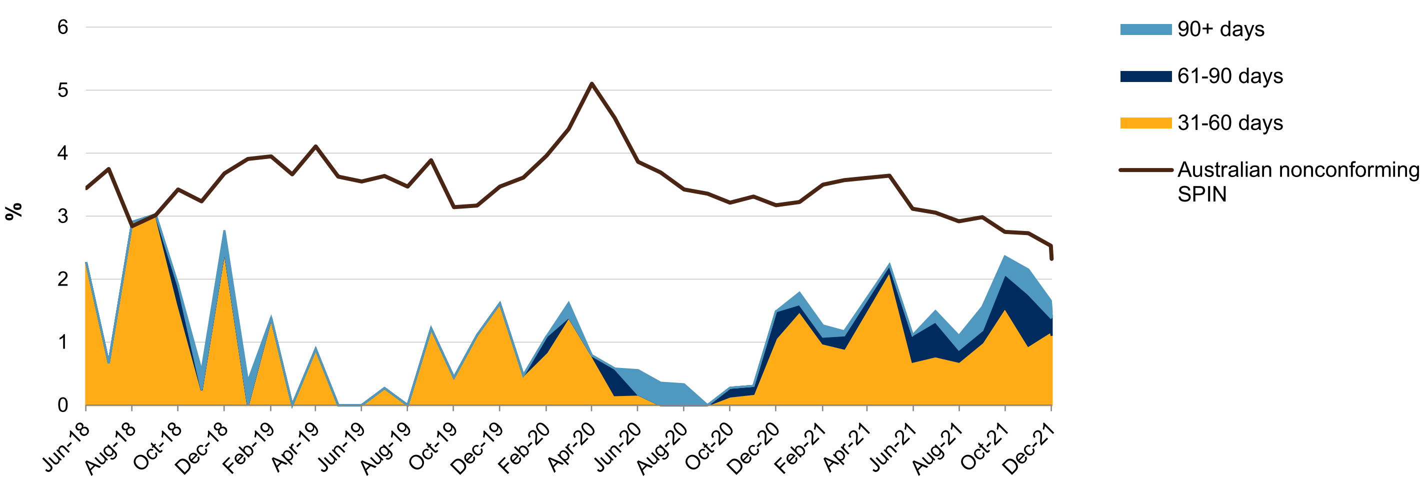
The collections process remains unchanged, with all repayments made on the mortgage loans being paid directly into the trust collection account. However, to the extent that Think Tank receives any collections as servicer, the collections must be paid into the collections account of the trust within two days of receipt. The collections account of the trust is to be held with CBA.

Chart 2 illustrates the arrears performance of Think Tank residential loans with the Standard & Poor's Performance Index (SPIN) for Australian nonconforming mortgages. Think Tank manages loan arrears on a "missed payments" basis but reports arrears with reference to the scheduled balance of the loan. Under the scheduled balance method, a mortgage loan is only deemed delinquent when the actual loan balance exceeds the scheduled balance. Although formal collection procedures typically are not initiated until the scheduled balance of the loan is exceeded, Think Tank will contact the borrower when a scheduled payment is not made, even if the borrower is in advance of the scheduled balance. This is the second rated securitization transaction by Think Tank that is comprised of 100% residential loans.

Chart 2

**Think Tank Group Ltd.**

Performance of residential loans against the Australian SPIN




Source: S&P Global Ratings.

## Credit Assessment

The portfolio comprises full- and low-documentation prime and nonconforming residential mortgage loans originated by Think Tank. This is a closed pool, which means no additional loans will be assigned to the trust after the closing date.

We have assessed the credit quality of the collateral to determine the minimum credit support levels for this transaction. Our credit support calculation takes into account that borrowers can redraw prepaid principal under the mortgage loans.

In calculating the minimum credit support levels, we compare the characteristics of the portfolio with an archetypical pool and apply multiples as a way to increase or decrease credit support levels to reflect higher or lower credit risk compared with the characteristics of the archetypical pool. The credit support levels comprise two components: default frequency and loss severity (a summary of this calculation is shown in table 2). Table 3 lists five main default frequency characteristics that have deviated from the archetypical pool.

A summary of the credit assessment is outlined in table 2.

Table 2

### Summary Credit Assessment

| | AAA | AA | A | BBB | BB | B |
|---|---|---|---|---|---|---|
| (a) Default frequency (%) | 16.12 | 12.19 | 8.20 | 5.35 | 3.50 | 1.89 |
| (b) Loss severity (%) | 42.15 | 38.62 | 35.18 | 30.44 | 24.51 | 18.92 |
| (c) Credit support required (%) | 6.79 | 4.71 | 2.88 | 1.63 | 0.86 | 0.36 |
| **Various benchmark assumptions** | | | | | | |
| Market value decline (%) | 45.0 | 43.0 | 41.0 | 38.0 | 34.0 | 30.0 |
| Weighted-average recovery period (months) | 15.9 | 15.9 | 15.9 | 15.9 | 15.9 | 15.9 |
| Interest rate through recovery period (%) | 8.56 | 8.06 | 7.56 | 7.06 | 6.56 | 6.06 |

Table 3 lists the five main default frequency characteristics that have deviated from the benchmark pool.

Table 3

### Rating Multiples

| Criteria | Multiple for default frequency against total pool (x) |
|---|---|
| Loan purpose | 1.243 |
| Reduced documentation: income verification | 1.234 |
| Employment type | 1.070 |
| Property occupancy | 1.048 |
| Loan term | 0.756 |

## Loan Pool Profile

The pool as of Feb. 9, 2022, is summarized in table 4. All portfolio statistics are calculated on a consolidated loan basis.

Table 4

### Loan Pool Characteristics

| | Value of loans (%) |
|---|---|
| **Loan size distribution (A$)** | |
| Less than or equal to 100,000 | 0.0 |
| Greater than 100,000 and less than or equal to 200,000 | 0.4 |
| Greater than 200,000 and less than or equal to 300,000 | 1.9 |
| Greater than 300,000 and less than or equal to 400,000 | 4.5 |
| Greater than 400,000 and less than or equal to 600,000 | 19.2 |
| Greater than 600,000 and less than or equal to 800,000 | 17.3 |
| Greater than 800,000 and less than or equal to 1,000,000 | 15.8 |
| Greater than 1,000,000 and less than or equal to 1,500,000 | 34.2 |
| Greater than 1,500,000 | 6.7 |
| **Loan-to-value ratio distribution (%)** | |
| Less than or equal to 50 | 10.8 |
| Greater than 50 and less than or equal to 60 | 7.7 |
| Greater than 60 and less than or equal to 70 | 19.5 |
| Greater than 70 and less than or equal to 80 | 62.0 |
| Greater than 80 | 0.0 |
| **Geographic distribution (by state)** | |
| New South Wales | 48.5 |
| Victoria | 37.1 |
| Queensland | 10.8 |
| Western Australia | 1.2 |
| South Australia | 1.6 |
| Tasmania | 0.6 |
| Australian Capital Territory | 0.3 |
| Northern Territory | 0.0 |
| **Geographic distribution** | |
| Inner city | 0.0 |
| Metropolitan | 90.3 |
| Nonmetropolitan | 9.7 |
| **Documentation type (%)** | |
| Full documentation | 41.6 |
| Low documentation | 58.4 |

Table 4

## Loan Pool Characteristics (cont.)

| | Value of loans (%) |
|---|---|
| **Occupancy (%)** | |
| Investor | 39.8 |
| Owner-occupier | 52.4 |
| SMSF | 7.8 |
| **Seasoning (months)** | |
| Less than or equal to six | 91.0 |
| Greater than six and less than or equal to 12 | 8.8 |
| Greater than 12 and less than or equal to 24 | 0.3 |
| Greater than 24 and less than or equal to 36 | 0.0 |
| Greater than 36 and less than or equal to 48 | 0.0 |
| Greater than 48 and less than or equal to 60 | 0.0 |
| Greater than 60 | 0.0 |
| **Current delinquency** | |
| Less than or equal to 30 days in arrears | 100.0 |
| Greater than 30 days and less than or equal to 60 days in arrears | 0.0 |
| Greater than 60 days and less than or equal to 90 days in arrears | 0.0 |
| Greater than 90 days in arrears | 0.0 |
| **Principal amortization** | |
| Interest only for up to five years, reverting to principal amortizing | 19.3 |
| Principal and interest | 80.7 |
| **Interest type** | |
| Variable-rate loans | 100.0 |
| Up to five-year fixed-rate loans | 0.0 |
| **Borrower employment status** | |
| Pay-as-you-go borrowers (full or part time) | 12.6 |
| Self-employed borrowers | 87.4 |
| **Loan purpose** | |
| Purchase exist | 51.4 |
| Refinance | 11.9 |
| Refinance for equity takeout | 36.7 |
| **Previous credit impairment** | |
| No adverse history | 100.0 |
| **Borrower residency** | |
| Australia | 100.0 |

## Cash-Flow Analysis

Our cash-flow analysis shows that the transaction has sufficient income to support timely payment of interest and ultimate repayment of principal to the rated notes under various stress scenarios commensurate with the ratings assigned.

### Liquidity assessment

If there are insufficient interest collections, then liquidity support to meet senior fees, expenses, and interest on the rated notes, excluding any residual interest, is firstly provided through principal draw. An amortizing liquidity facility will be available if interest collections plus principal draws are insufficient.

The liquidity facility to be provided by CBA represents 1.5% of the outstanding aggregate amount of the rated notes, subject to a floor of A$747,000.

However the above liquidity support will not be available to meet interest shortfalls on the class B, class C, class D, class E and class F notes if at any time the stated amount of that class of note is less than 95% of its invested amount.

The class A1 and class A2 notes are at no time restricted from the use of liquidity support. The class G notes are excluded from required payments under the income waterfall, and thus are excluded from any liquidity support at all times.

### Extraordinary expense reserve

Think Tank will deposit on the closing date of the transaction an amount of A$150,000, which is to be held to cover any extraordinary expenses that may arise. This reserve will be maintained and topped up to A$150,000, where possible, during the life of the transaction from excess spread.

### Interest-rate risk

Although the current pool consists entirely of variable-rate mortgages, the transaction documents allow for the ability of existing variable-rate loans to convert to fixed rate. However, the conversion of fixed-rate loans cannot take place until they are appropriately hedged via an interest-rate swap, otherwise they must be repurchased from the trust.

### Cash-flow modeling assumptions

Based on our cash-flow analysis and stresses, the notes can make full interest and principal payment by the final legal maturity date. Our cash-flow analysis allows us to test the capacity of the transaction's cash flow to support the rated notes under various stress scenarios, repay principal on the notes by their legal final maturity date, and to determine whether the liquidity support, which includes the use of principal draws and a liquidity facility provided by CBA, is sufficient.

The key rating stresses and assumptions modeled at each rating level are:

- Analyzing and modeling the structure of the transaction to include all note balances and margins, trust expenses, liquidity mechanisms within the structure, the priority of payments for both income and principal, and loss mechanism, as described in the transaction documents.

- Default frequency and loss severity assumed at different rating levels.
- The inclusion of a replacement servicer fee of 50 basis points per annum with a A$150,000 floor for the life of the transaction --in addition to existing trust expenses--should it be necessary for the current servicer to be replaced.
- Modeling the cash flows of the assets based on the characteristics of the underlying collateral pool. We have applied margin compression to the loans in the pool to the defined minimum margin of 3.00%.
- Timing of defaults. S&P Global Ratings assumes most defaults would likely occur within the first few years of the transaction. We have run three default curve assumptions (see table 5): a front-end default curve whereby most of the expected losses occur earlier in the first few years of the transaction's life, a base-case default curve, and a back-end default curve whereby losses occur later within the first five years of the transaction's life.
- Time to recovery of sale proceeds from defaulted loans. A key driver in the cash-flow model is the time it takes to foreclose and recover monies from the defaulted borrower. We have assumed a recovery period of 16 months.
- Loan prepayment rates. S&P Global Ratings has considered various prepayment rates when modeling the cash flows of the underlying mortgage loans to assess the impact on the ability of the trust to meet its obligations. When considering the prepayment rates applied, S&P Global Ratings has considered the prepayment trends experienced by loans originated by Think Tank, in addition to the characteristics of the portfolio. S&P Global Ratings has modeled a low, constant, and high prepayment rate. The prepayment stresses assumed are shown in table 6.
- Interest rates, by varying the bank-bill swap rate curves at each rating level.
- The sequential and pro-rata principal payment structure of the notes.

Table 5

### Assumed Default Curves

| Month | Front-end default curve (%) | Back-end default curve (%) | Base-case default curve (%) |
|---|---|---|---|
| 7 | 10 | - | 10 |
| 12 | 25 | 5 | 15 |
| 18 | - | 15 | - |
| 24 | 30 | 25 | 25 |
| 36 | 20 | 25 | 25 |
| 48 | 10 | 15 | 15 |
| 60 | 5 | 10 | 10 |
| 72 | - | 5 | - |

Table 6

### Assumed Constant Prepayment Rates (CPR)

| Transaction seasoning | Low CPR scenario (% per year) | Constant CPR scenario (% per year) | High CPR (% per year) |
|---|---|---|---|
| Up to month 12 | 5 | 20 | 20 |
| Month 13 to month 18 | 5 | 20 | 30 |

Table 6

### Assumed Constant Prepayment Rates (CPR) (cont.)

| Transaction seasoning | Low CPR scenario (% per year) | Constant CPR scenario (% per year) | High CPR (% per year) |
|---|---|---|---|
| Month 19 to month 36 | 5 | 20 | 40 |
| After month 36 | 5 | 20 | 50 |

Note: Total CPR shown is inclusive of voluntary and involuntary (defaults) prepayments.

## Legal And Counterparty Risks

In our view, the issuer has features consistent with our criteria on special-purpose entities, including the restriction on objects and powers, debt limitations, independence, and separateness.

The transaction will have counterparty exposure to CBA as a liquidity facility provider and bank account provider. The documentation of these roles requires replacement or posting of collateral if the rating of CBA falls below certain levels; these mechanisms are consistent with S&P Global Ratings' counterparty rating criteria.

## Related Criteria

- 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: 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 | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
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The issuer has not informed S&P Global Ratings Australia Pty. Ltd. whether the issuer is publically disclosing all relevant information about the structured finance instruments that are subject to this rating report or whether relevant information remains non-public.