Presale:

RESIMAC Bastille Trust - RESIMAC Series 2022-1NC

May 5, 2022

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Preliminary Ratings

Class	Preliminary rating	Preliminary amount (mil.)	Credit support before credit is given to mortgage insurance (%)	Credit support after credit is given to mortgage insurance (%)	Credit support provided (%)
A1	AAA (sf)	A$105.00	6.33	6.11	20.00
A2	AAA (sf)	US$225.00	6.33	6.11	20.00
A3	AAA (sf)	A$354.00	6.33	6.11	20.00
A3-SB	AAA (sf)	A$35.00	6.33	6.11	20.00
AB	AAA (sf)	A$93.00	6.33	6.11	10.70
B	AA (sf)	A$66.10	4.34	4.09	4.09
C	A (sf)	A$17.00	2.63	2.39	2.39
D	BBB (sf)	A$10.70	1.46	1.32	1.32
E	BB (sf)	A$6.60	0.75	0.66	0.66
F	B (sf)	A$3.60	0.35	0.30	0.30
G	NR	A$3.00	N/A	N/A	N/A

Note: This presale report is based on information as of May 6, 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. The exchange rate applicable to the class A2 notes is USD$0.735 per Australian dollar. The class A1, class A2, class A3, and class A3-SB notes are collectively referred to as class A notes. NR--Not rated. N/A--Not applicable.

Profile

Expected closing date	May 19, 2022
Expected final maturity date	The payment date in September 2053
Collateral	Fully amortizing and interest-only converting to amortizing, Australian-dollar loans to nonconforming and prime-quality borrowers, maturing no later than 18 months before the final maturity date, secured by first registered mortgages over Australian residential properties
Structure type	Residential mortgage-backed and pass-through securities
Issuer	Perpetual Trustee Co. Ltd. as trustee for RESIMAC Bastille Trust - RESIMAC Series 2022-1NC

Profile (cont.)

Trust manager and servicer	RESIMAC Ltd.
Security trustee	P.T. Ltd.
Custodian	Perpetual Trustee Co. Ltd.
Primary credit enhancement	Note subordination, lenders' mortgage insurance on 3.54% of the portfolio, and excess spread, if any. Lenders' mortgage insurance covers 100% of the principal balance on the insured loans, plus accrued interest and reasonable costs of enforcement (see "Reliance On Lenders' Mortgage Insurance").

Supporting Ratings

Cross-currency swap provider and liquidity facility provider	National Australia Bank Ltd.
Lenders' mortgage insurer	Genworth Financial Mortgage Insurance Pty Ltd. and QBE Lenders' Mortgage Insurance Ltd.
Bank account provider	Westpac Banking Corp.

Loan Pool Statistics As Of March 28, 2022

Total number of loans	1,611
Total value of loans (A$)	999,831,309
Current maximum loan size (A$)	4,979,920
Average loan size (A$)	620,627
Maximum current loan-to-value (LTV) ratio (%)	98.0
Weighted-average current LTV ratio (%)	62.6
Weighted-average loan seasoning (months)	8.9

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

Rationale

The preliminary ratings assigned by S&P Global Ratings to the prime and nonconforming floating-rate residential mortgage-backed securities (RMBS) to be issued by Perpetual Trustee Co. Ltd. as trustee for RESIMAC Bastille Trust - RESIMAC Series 2022-1NC 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 notes are commensurate with the ratings assigned. Lenders' mortgage insurance (LMI) cover and subordination for the rated notes provide credit support. In addition, the transaction includes various mechanisms to utilize excess spread to provide additional 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 RESIMAC Ltd. (RESIMAC)'s underwriting standards and approval process, which are consistent with industrywide practices; the strong servicing quality of RESIMAC (discussed in more detail under "Origination And Servicing").

The rated notes can meet timely payment of interest and ultimate payment of principal under the rating stresses. Key rating factors are the level of subordination provided, the liquidity facility, the principal draw function, the amortization amount built from excess spread if an amortization event is subsisting (see "Amortization mechanism"), and the provision of an extraordinary expense reserve. Our analysis is on the basis that the notes are fully redeemed by their legal final maturity date and we do not assume the notes are called at or beyond the call-option date.

Our ratings also take into account the counterparty exposure to National Australia Bank Ltd. (NAB) as liquidity facility provider and cross-currency swap provider and Westpac Banking Corp. (Westpac) as bank account provider.

Currency swaps are provided to hedge the Australian dollar receipts from the underlying assets and the U.S. dollar payments on the class A2 notes (see "Currency Risk"). The transaction documents for the swaps and facilities include downgrade language consistent with S&P Global Ratings' counterparty criteria.

We have also 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)

The issuer's designation of the class A3-SB notes as social notes does not affect our credit rating analysis. We don't review or monitor use of proceeds, the process for project evaluation and selection, the management of proceeds, or any ongoing reporting related to the eligible social projects in the assignment or surveillance of our credit ratings. Failure of the sellers to comply with the stated use of proceeds won't constitute a breach or trigger any consequences under the transaction documents or the notes. We don't believe the social designation alters the transaction's credit risk profile and we haven't made any adjustments to our default frequency or loss severity assumptions for the social loans included in the securitized pool beyond our standard credit methodology and assumptions

Our rating analysis considers a transaction's potential exposure to ESG credit factors (see "ESG Industry Report Card: Residential Mortgage-Backed Securities," March 31, 2021). 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. 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. 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, in line with the sector benchmark. Given the nature of structured finance transactions, most have relatively strong governance frameworks that typically restrict what activities the special-purpose entity can undertake. 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 in our rating analysis the following strengths in the transaction:

- The quality of the loan servicing provided by RESIMAC. S&P Global Ratings has assigned RESIMAC a STRONG residential subprime and prime loan-servicer ranking, with a stable outlook. The STRONG servicer evaluation reflects RESIMAC's sound loan-servicing platform and extensive experience servicing subprime and prime residential mortgage loans in the Australian market (more detail is provided in the "Origination And Servicing" section).
- For the class A notes and class AB notes, the credit support provided by note subordination exceeds the level of credit support commensurate with a 'AAA (sf)' rating. It is more than sufficient to maintain the ratings on the class A notes and class AB notes--assuming no deterioration in the underlying pool--should we lower or remove our ratings on the LMI providers.

Weaknesses

The main weaknesses we have identified with respect to the transaction are:

- That by current balance, 6.1% of the portfolio represents loans to borrowers with unfavorable credit histories. Market experience has shown us that such borrowers are more likely to default than the general population. S&P Global Ratings assumes higher default frequencies for loans to nonconforming borrowers.
- That 90.2% of the portfolio comprises loans to borrowers whose full income has not been verified. While these borrowers have not provided definitive proof of their income, RESIMAC has carried out a range of checks to determine the reasonableness of their declared incomes. S&P Global Ratings has adjusted the minimum credit support for partially verified loans to reflect the lower standard of debt-servicing assessment on these loans.
- That loans comprising some 82.6% of the pool are to self-employed borrowers. Where RESIMAC has been unable to provide employment data, we have assessed a portion as being self-employed. S&P Global Ratings expects self-employed borrowers to experience higher cash-flow variability and, consequently, 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.

Notable Features

Class A2 notes

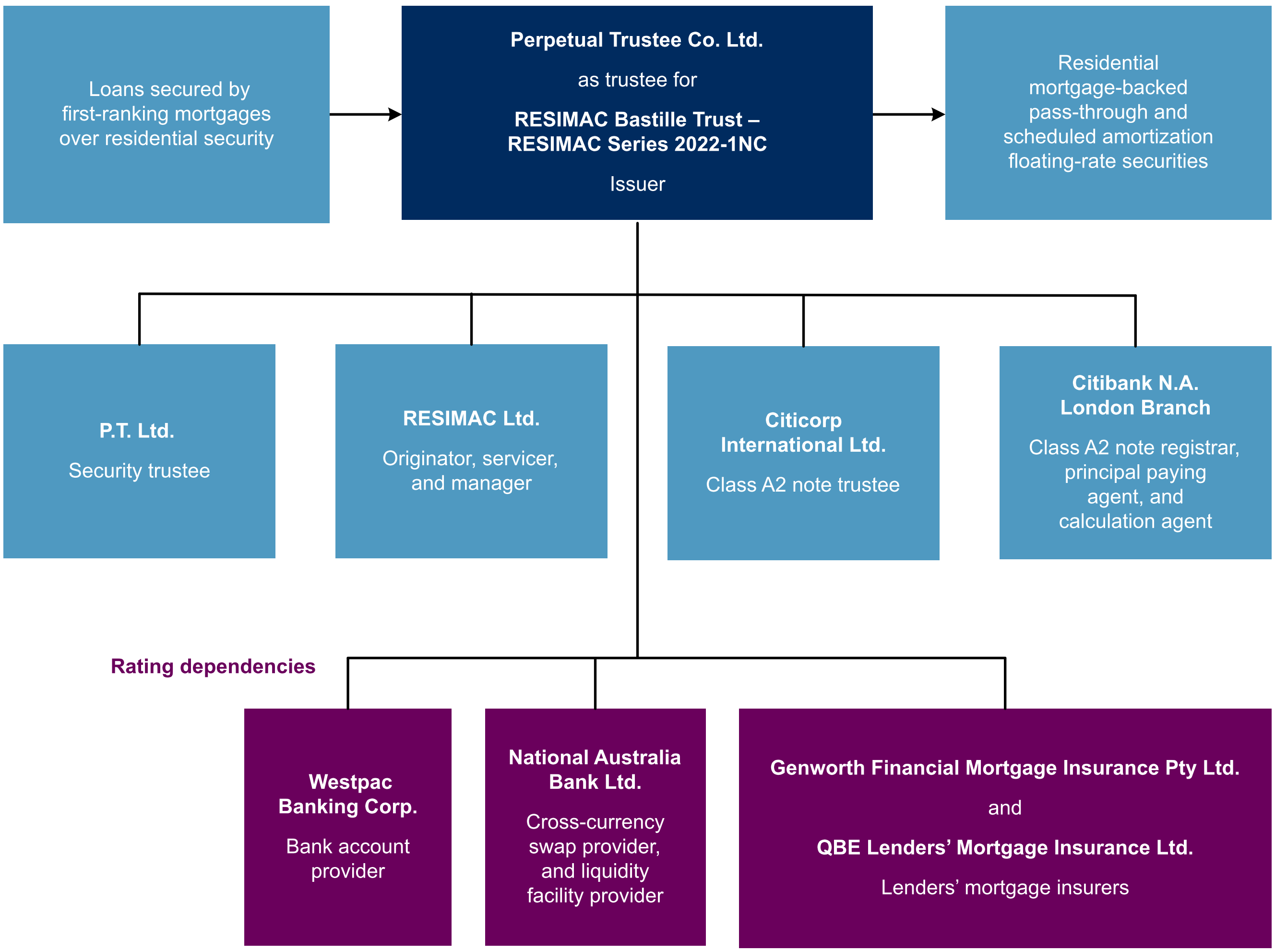
The class A2 notes have a scheduled amortization principal payment structure intended to fully amortize the notes before the call-option date occurs. Before the call-option date, principal repayments will be made to class A2 noteholders only, to the extent necessary to amortize the aggregate class A2 note balance to its then-scheduled balance. The class A2 notes will convert to a pass-through principal payment structure on the call-option date, if not fully repaid (see "Note Terms and Conditions"). S&P Global Ratings' 'AAA (sf)' rating addresses repayment of class A2 note principal by the legal final maturity date. It does not address the timing of the amortization of the class A2 notes.

Transaction Structure

The structure of the transaction is shown in chart 1.

Chart 1

RESIMAC Bastille Trust - RESIMAC Series 2022-1NC
Transaction structure



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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

Currency and payment frequency

The class A2 notes are U.S. dollar-denominated. All other notes are Australian dollar-denominated. Interest and principal are paid monthly on all classes of notes.

Interest payments

The Australian dollar-denominated notes are floating-rate securities, paying a margin over the one-month bank bill swap rate (BBSW). The floating-rate interest on the class A2 notes is based on a margin over a compounded secured overnight financing rate (SOFR). Interest is calculated on the invested amount of each note, except if the stated amount of that note is zero, in which case no interest accrues.

Interest payments are made pari passu between the class A1, class A2, class A3, and class A3-SB notes, then sequentially to the remaining notes. Step-up margins will apply to the class A3 and class A3-SB notes if the notes are not called on the call-option date. There will be no change in the margin payable to other classes of notes if those notes are not called on the call-option date.

Principal allocation

Principal collections--after application of principal draws if necessary to cover income shortfalls or to fund redraws--will be allocated to the class A1, class A2, and class A3 notes in priority to the remaining classes.

The class A1 allocation amounts will firstly be applied to repay class A1 notes, then a predetermined portion will be applied to the class A2 currency swap provider, NAB, to make principal payments to the class A2 note holders to amortize them according to their scheduled balance, and to pari passu repay any amount advanced by NAB but not yet repaid by the issuer. Thereafter, any remaining class A1 allocation amounts will be used to repay on a pro rata basis the class A3 and class A3-SB notes.

Before the earlier of the call-option date and the class A2 note expected maturity date, the class A2 allocation amounts will be paid to the class A2 currency swap provider, NAB, as per the "single leg balance guarantee swap". NAB will then make principal payments to the class A2 note holders to amortize them according to their scheduled balance.

If the amount of principal allocated to the class A2 notes is insufficient for the class A2 notes to reach their then-scheduled balance, NAB will pay the difference, provided the aggregate of the amounts that NAB has advanced does not exceed a documented cap. Interest on the amounts advanced by NAB is payable by the issuer and ranks pari passu with class A2 note interest in the income waterfall.

Should the amount of principal allocated to the class A2 notes exceed that required for the class A2 notes to reach their then-scheduled balance and to repay any amounts previously advanced by NAB but not yet repaid, NAB will retain such amounts, provided the amount held does not exceed the then-outstanding balance of the class A2 notes. Interest on such amounts will be paid by NAB to the issuer and included in income collections.

We determined in our cash-flow analysis of this transaction that under a high constant prepayment rate and low default scenario the maximum amount held by NAB under the class A2 currency swap could reach about 9% of the initial transaction size. We consider this counterparty exposure to NAB to be appropriately mitigated because the swap documentation requires the posting of collateral, including any amounts held by NAB in respect of the class A2 notes, within 10 business days, should our rating on NAB fall below 'A-'.

Following the earlier of a trigger event under the class A2 currency swap (see "Currency risk") or the call-option date, the class A2 currency swap will revert to a balance guaranteed swap. At that time, any amounts held by NAB under the swap will be applied as principal repayments. Repayment of any amounts previously advanced by NAB but not yet repaid by the issuer will rank pari-passu with class A2 note principal in the principal waterfall, with both items paid on a pass-through basis. If the class A2 notes are not amortized according to their schedule or repaid in full by their expected maturity date, this will not trigger an event of default.

Once the class A2 notes are fully repaid, any remaining class A2 allocation amount will be applied, along with the class A3 allocation amount, to the class A3 and class A3-SB notes on a pro-rata basis until fully repaid. Thereafter, any remaining class A2 allocation amount will be applied to repay any outstanding class A1 notes. After the class A3 and class A3-SB notes are fully repaid, any remaining class A3 allocation amount will be applied to repay any amounts advanced by NAB but not yet repaid by the issuer, and to then repay any outstanding class A1 notes.

Once the class A1, class A2, class A3, and class A3-SB notes are fully repaid, each remaining class of notes will receive principal repayments with the senior most ranking class of notes to be fully repaid before the next senior most ranking class of notes receives principal repayments.

The transaction can convert to a pro-rata payment structure if the principal step-down triggers are met (see "Pro-rata paydown triggers"). Under pro-rata pay, each class of notes receives its pro-rata amount based on the documented note principal allocation calculations, with the exception of the class Z notes (see "Retention mechanism"). The class Z notes will only receive principal repayments after all senior ranking classes of notes are fully repaid.

The manager can elect to call the notes in full on the payment date in May 2027 or any payment date after the payment date on which the outstanding note balance is less than 20% of the initial balance. In calculating the aggregate invested note balance, any amounts advanced by NAB but not yet repaid by the issuer are added and any amounts held by NAB under the swap are subtracted. On and from the call-option date, the manager can direct the trustee to call the notes and repay them at their invested amount plus accrued interest. They can only be redeemed at a lesser amount by an extraordinary resolution of noteholders of the relevant class.

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, noteholders bear the risk of mortgage prepayments.

The annualized prepayment speeds of RESIMAC's nonconforming loan portfolio have on average tracked between 20% and 30% for the past 10 years. However, the prepayment speed has trended upward in the past 12 months (chart 4).

Retention mechanism

For each payment date before the first call-option date, a retention amount up to a limit of A$10,000,000 will be built from excess spread remaining after reimbursement of losses and note charge-offs and is to be applied monthly to repay the most subordinated rated note at that time. An equal amount of unrated class Z notes will be issued at the same time.

The maximum amount of excess spread that can be applied for this purpose, expressed as a percentage of the outstanding mortgage balance on a payment date, starts from 0.35% per annum for the first 12 months from the closing date, then 0.20% per annum for the next 12 months, followed by 0.15% until, but excluding, the first-call-option date.

Amortization amount

If two or more months have elapsed since the occurrence of the call-option date or if a servicer default occurs and is not remedied within 10 business days, then an amount equal to the excess spread remaining after any allocation to the class G note interest, minus the tax amount, will be applied as an allocation toward total available principal and used to repay the most senior note outstanding at that time. If excess spread is applied as a principal payment, the ratio of assets versus liabilities would increase, creating overcollateralization for the transaction. Such overcollateralization will be recorded in an amortization ledger, to which losses are allocated initially before being allocated to the notes.

Loss allocation

Charge-offs will be first allocated to the amortization ledger, then to the class Z notes until their outstanding balance is reduced to zero, followed by class G, class F, class E, class D, class C, class B, class AB, then to class A notes. In the event that losses can be reinstated throughout the life of the transaction, the reinstatement will occur in the reverse order, excluding the amortization ledger.

Pro-rata paydown triggers

The triggers to allow pro rata paydown are:

- The payment date falls on or after the second anniversary of the transaction's closing date.
- The payment date is before the first call-option date.
- There are no class A1 notes outstanding.
- The credit support for the class AB notes is at least 12.22%.
- The credit support for the class B notes is at least 8.18%.
- The average percentage of mortgage loans more than 90 days in arrears is less than 4%.
- There are no charge-offs in respect of any class of notes that have not been reimbursed.

Reliance On Lenders' Mortgage Insurance

Approximately 3.54% of the mortgage loan portfolio is insured by a primary LMI policy provided by a rated mortgage insurer. The LMI policies cover the outstanding mortgage loan principal, accrued interest, and any reasonable enforcement expenses on the defaulted mortgage loans.

The policies contain terms and conditions that allow the insurer to reduce or deny a claim in certain circumstances. If a claim is reduced and results in a loss to the trust, the issuer may be able to offset that loss by applying excess spread to cover those losses before making any distribution to beneficiaries.

Under S&P Global Ratings' "Methodology For Assessing Mortgage Insurance And Similar Guarantees And Supports In Structured and Public Sector Finance And Covered Bonds" criteria, published on Dec. 7, 2014, the overall amount of credit given to LMI is the product of the stated coverage of the LMI policy, the insurer's estimated capacity to pay for a given rating scenario, and the estimated claims payout ratio for a given issuer.

To adjust for the insurer's capacity to pay, S&P Global Ratings will look to the LMI provider's issuer credit rating. When sizing the credit support for the 'AAA (sf)' rated notes, S&P Global Ratings assumes that 55% of claims to 'A' rated LMI providers will not be paid.

In addition, the estimated claims payout ratio reflects the categorization of RESIMAC into CA1 due to a minimal level of claims adjustments, clearly documented servicing practices, and detailed procedures adhering to LMI policies and procedures. The claims adjustment rate for CA1 is 10% at a 'AAA' rating level.

Rating-Transition Analysis

A key rating-transition risk in many Australian prime RMBS transactions is a lowering of our rating on one or more of the lenders' mortgage insurers. We consider the rating-transition risk for the 'AAA (sf)' rating on the class A1, class A2, class A3, class A3-SB, and class AB notes to be remote because the credit support from the subordinated notes is higher than the minimum credit support required before giving credit to LMI.

Assuming that there is no deterioration in the portfolio credit quality and performance, table 1 details the level of subordination that would support the current rating on the notes if we were to lower our rating on Genworth Financial Mortgage Insurance Pty Ltd. (Genworth) or QBE Lenders' Mortgage Insurance Ltd. (QBE) by one notch to 'A-', at the current estimated claims payout ratio.

The ratings on the class D, class E, and class F notes are unlikely to be affected by a one-notch downgrade on Genworth and/or QBE, all else remaining equal. However, the class B, class C, class D, class E, and class F notes are likely to be affected if no credit is given to LMI.

Table 1

Rating Sensitivity To Lowering Of Rating On Lenders' Mortgage Insurer

Lenders' mortgage insurers (and ratings) subject to hypothetical downgrades	Minimum credit support commensurate with a 'AA (sf)' rating on class B notes (%)	Likely rating transition of class B notes if no additional support were provided
Genworth		
'A-'	4.12	AA-
QBE		
'A-'	4.09	AA
Both Genworth and QBE		
'A-'	4.12	AA-
No credit to LMI	4.34	AA-
Lenders' mortgage insurers (and ratings) subject to hypothetical downgrades	**Minimum credit support commensurate with a 'A (sf)' rating on class C notes (%)**	**Likely rating transition of class C notes if no additional support were provided**
Genworth		
'A-'	2.42	A-

Table 1

Rating Sensitivity To Lowering Of Rating On Lenders' Mortgage Insurer (cont.)

QBE		
'A-'	2.39	A
Both Genworth and QBE		
'A-'	2.42	A-
No credit to LMI	2.63	A-
Lenders' mortgage insurers (and ratings) subject to hypothetical downgrades	**Minimum credit support commensurate with a 'BBB (sf)' rating on class D notes (%)**	**Likely rating transition of class D notes if no additional support were provided**
Genworth		
'A-'	1.32	BBB
QBE		
'A-'	1.32	BBB
Both Genworth and QBE		
'A-'	1.32	BBB
No credit to LMI	1.46	BBB-
Lenders' mortgage insurers (and ratings) subject to hypothetical downgrades	**Minimum credit support commensurate with a 'BB (sf)' rating on class E notes (%)**	**Likely rating transition of class E notes if no additional support were provided**
Genworth		
'A-'	0.66	BB
QBE		
'A-'	0.66	BB
Both Genworth and QBE		
'A-'	0.66	BB
No credit to LMI	0.75	BB-
Lenders' mortgage insurers (and ratings) subject to hypothetical downgrades	**Minimum credit support commensurate with a 'B (sf)' rating on class F notes (%)**	**Likely rating transition of class F notes if no additional support were provided**
Genworth		
'A-'	0.30	B
QBE		
'A-'	0.30	B
Both Genworth and QBE		
'A-'	0.30	B
No credit to LMI	0.35	B-

Scenario analysis: Property market value decline

S&P Global Ratings performed a scenario analysis to determine the potential effect 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 loan-to-value (LTV) ratios for this impact. 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 2.

Table 2

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

Class	Minimum credit support for credit losses post-LMI (%)	Implied credit assessment post-LMI
A1	10.64	aaa
A2	10.64	aaa
A3	10.64	aaa
A3-SB	10.64	aaa
AB	10.64	aaa
B	7.49	a-
C	4.67	bbb-
D	2.70	bb-
E	1.49	b
F	0.66	Below b-

LMI--Lenders' mortgage insurance.

Origination And Servicing

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

RESIMAC's underwriting practices and standards are relatively in line with industry standards. We have taken into account the role of brokers and mortgage originators as introducers of most of the loans in the portfolio, as well as the centralized approval processes, regular hindsight reviews, and the moderate level of exceptions to credit policy. Originators undertake an initial credit analysis of each loan application, lodge the application with a lenders' mortgage insurer for acceptance of cover (if the loans require LMI), and submit each loan application to RESIMAC for final approval. RESIMAC's calculation of borrowers' repayment capacity takes into account a borrower's employment status, the sources of income, other commitments and living expenses, in line with industry standards. We have taken into account the interest-rate buffers and income haircuts RESIMAC applies so we can assess the consistency and quality of RESIMAC's debt serviceability assessment in our credit analysis.

In determining the market value decline assumption we have factored in the type of valuation that was obtained when the loans were originated. A registered appraiser conducted a full valuation of all loans in this portfolio at origination. We believe this provides consistency and improves the quality of the valuation.

We have taken into account RESIMAC's arrears management processes and policies as well as its historical arrears and loss performance to assess the quality of RESIMAC's servicing. RESIMAC maintains full control over all elements of its loan servicing, arrears management, and loss-mitigation processes. None of its operational functions are outsourced.

RESIMAC has a standby servicing plan in place with Perpetual that provides for ongoing responsibilities, including:

- Perpetual's completion of annual onsite due diligence visits and review of the standby servicing plan;
- RESIMAC's provision of ongoing information to Perpetual, including monthly portfolio data, along with operational reports consisting of approvals, arrears, discharges, mortgages in possession, and settlements; and
- RESIMAC's obligation to notify Perpetual of any changes to key personnel, information technology, and material process changes.

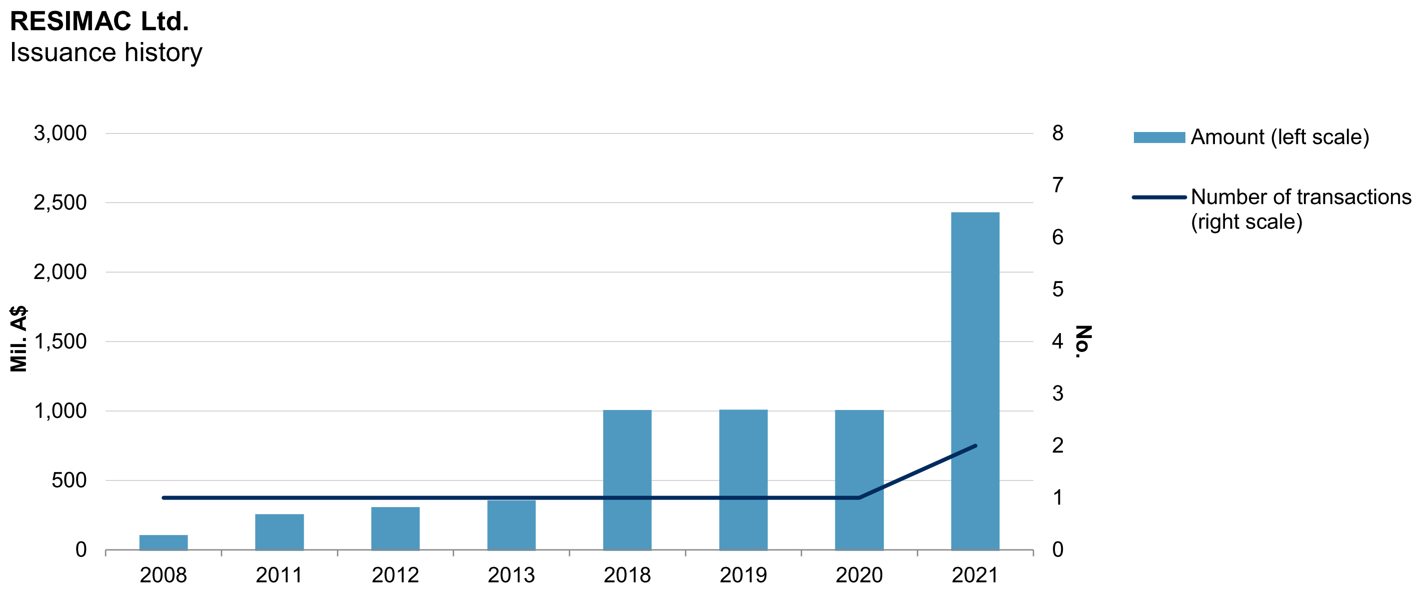
The plan is designed to assist Perpetual to better prepare for an event that requires it to step in as standby servicer.

RESIMAC monitors 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, RESIMAC will contact the borrower when a scheduled payment is not made, even if the borrower is in advance of the scheduled balance.

S&P Global Ratings has assigned RESIMAC a STRONG subprime and prime residential loan-servicer ranking in Australia, with a stable outlook, reflecting RESIMAC's sound loan-servicing platform and extensive experience servicing prime residential mortgage loans in the Australian market. We affirmed the ranking in May 2021. More information on S&P Global Ratings' servicer evaluation of RESIMAC is available in a servicer report on RatingsDirect, S&P Global Ratings' web-based credit analysis system, at https://www.capitaliq.com.

The transactions issued under RESIMAC's Australian nonconforming RMBS program and rated by S&P Global Ratings are shown in chart 2.

Chart 2



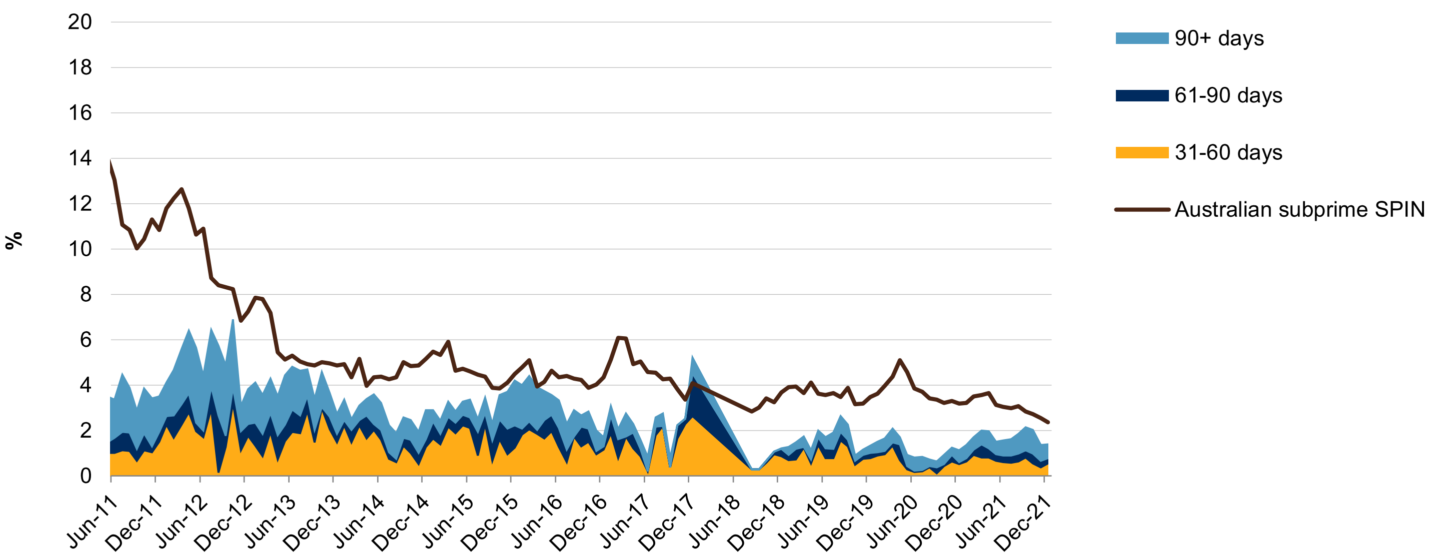
Mil.--Million. A$--Australian dollar. Source: S&P Global Ratings.

Chart 3 compares the level of delinquencies on RESIMAC's securitized nonconforming mortgage loans (excluding COVID-19 loans) with the Standard & Poor's Performance Index (SPIN) for Australian nonconforming mortgage loans. Since 2008, the delinquency rates for the RESIMAC RMBS program have tracked below industry averages, as measured by the SPIN for nonconforming mortgage loans.

Chart 3

RESIMAC Ltd.

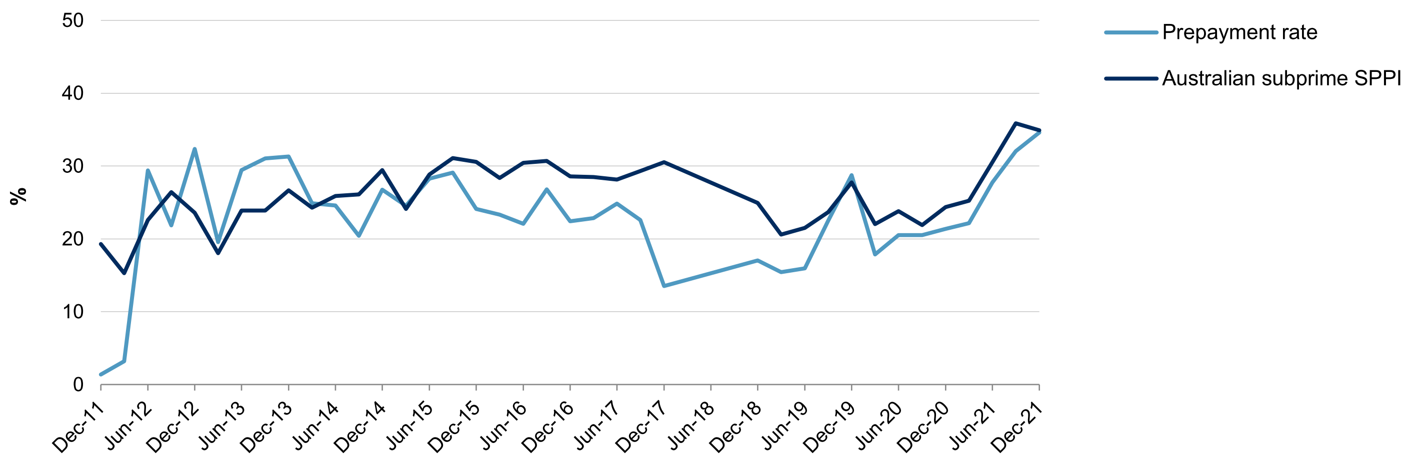
Performance of loans against the Australian subprime SPIN



Source: S&P Global Ratings.

Chart 4

RESIMAC Ltd.
Average loan portfolio prepayment speeds



Source: S&P Global Ratings.

Credit Assessment

The portfolio consists of full-documentation and low-documentation prime and nonconforming residential mortgage loans originated by RESIMAC. 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. Among the strengths we identified are the geographic diversity of the portfolio. The key weaknesses in the credit quality of the portfolio are the low seasoning, exposure to borrowers with unfavorable credit histories, borrowers whose income has not been fully verified, self-employed borrowers, and loans made with the purpose of refinancing for equity takeout or for debt consolidation. Our credit support calculation takes into account that borrowers can redraw prepaid principal under the mortgage loan.

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 3.) Table 4 lists five main default frequency characteristics that have deviated from the archetypical pool.

Table 3

Summary Credit Assessment – Total Pool

	AAA	AA	A	BBB	BB	B
(a) Default frequency (%)	17.11	13.06	8.88	5.90	3.96	2.21

Table 3

Summary Credit Assessment – Total Pool (cont.)

	AAA	AA	A	BBB	BB	B
(b) Loss severity (%)	37.01	33.25	29.63	24.77	18.95	13.84
(c) Credit support required before credit to lenders' mortgage insurance (LMI) (a) x (b) (%)	6.33	4.34	2.63	1.46	0.75	0.35
(d) Credit to LMI (%)	0.23	0.26	0.24	0.15	0.09	0.05
(e) Credit support required after credit to LMI (c) – (d) (%)	6.11	4.09	2.39	1.32	0.66	0.30
Assumptions						
Market value decline (%)	45.0	43.0	41.0	38.0	34.0	30.0
Weighted-average recovery period (months)	17.1	17.1	17.1	17.1	17.1	17.1
Interest rate through recovery period (%)	8.48	7.98	7.48	6.98	6.48	5.98

Table 4

Rating Multiples

Criteria	Default frequency multiple (x)
Reduced documentation - income verification	1.296
Borrower employment	1.242
Credit history	1.098
Loan to value ratio	0.866
Loan term	0.794

Loan Pool Profile

The pool as of March 28, 2022, is summarized in table 5. The details of the pool contained in the tables were calculated after consolidating split loans.

Table 5

Loan Pool Characteristics

	Value of loans (%)
Current loan size distribution (A$)	
Less than or equal to 100,000	0.3
Greater than 100,000 and less than or equal to 200,000	1.5
Greater than 200,000 and less than or equal to 300,000	4.3
Greater than 300,000 and less than or equal to 400,000	8.3
Greater than 400,000 and less than or equal to 600,000	20.3
Greater than 600,000 and less than or equal to 800,000	18.7
Greater than 800,000 and less than or equal to 1,000,000	13.8
Greater than 1,000,000 and less than or equal to 1,500,000	22.1
Greater than 1,500,000	10.7

Table 5

Loan Pool Characteristics (cont.)

	Value of loans (%)
Current loan-to-value ratio distribution (%)	
Less than or equal to 50	20.4
Greater than 50 and less than or equal to 60	19.9
Greater than 60 and less than or equal to 70	26.0
Greater than 70 and less than or equal to 80	27.9
Greater than 80 and less than or equal to 90	2.2
Greater than 90 and less than or equal to 95	0.8
Greater than 95 and less than or equal to 100	2.8
Geographic distribution (by state)	
New South Wales and Australian Capital Territory	38.3
Victoria	25.7
Queensland	20.3
Western Australia	6.9
South Australia	8.5
Tasmania and Northern Territory	0.4
Geographic distribution (metro/regional)	
Inner city	1.6
Metropolitan	74.2
Nonmetropolitan	24.2
Seasoning	
Less than or equal to six months	84.5
Six months to one year	4.4
One to two years	1.6
Two to three years	0.7
Three to four years	0.1
Four to five years	3.3
Greater than five years	5.5
Principal amortization	
Fully amortizing	81.1
Interest-only for up to five years, reverting to fully amortizing	18.9
Line of credit	0.0
Ownership type	
Owner-occupier	68.3
Investor	31.7
Loan purpose	
Purchase (new or existing)	45.4

Table 5

Loan Pool Characteristics (cont.)

	Value of loans (%)
Refinance	10.9
Refinance for equity takeout or debt consolidation	43.1
Other	0.5
Employment status	
Pay-as-you-go (full or part time)	14.5
Pay-as-you-go (casual)	2.8
Self-employed	82.6
Borrower residency	
Australia resident	99.9
Nonresident	0.1
Loan documentation	
Full documentation	9.8
Low documentation	90.2
Mortgage insurers	
QBE Lenders' Mortgage Insurance Ltd.	0.1
Genworth Financial Mortgage Insurance Pty Ltd.	3.5
Uninsured	96.5
Previous credit impairment	
No adverse history	93.9
One event of default or judgement	5.0
Two or more events of default or judgement	1.2

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 the primary liquidity support to meet senior expenses and interest on the rated notes is provided through the ability to draw on principal. An amortizing liquidity facility will be available if interest collections plus principal draw is insufficient.

NAB will provide an amortizing liquidity facility equal to 1.5% of the aggregate invested amount of the notes on closing, amortizing to a floor of A$1,500,000. Before the call-option date, the facility can further amortize to the greater of the outstanding balance of performing loans or zero. From the first call-option date onward, the facility floor will be the greater of the outstanding balance of performing loans or $1,500,000.

The liquidity mechanisms will not be available to the class B, class C, class D, class E, or class F notes if their stated amount is not equal to the invested amount of those notes.

The class G and class Z notes are excluded from required payments under the income waterfall and thus are excluded from any liquidity support at all times.

Extraordinary expense reserve

On the closing date of the transaction, RESIMAC will deposit A$250,000 to be held to cover any extraordinary expenses that might arise. The sizing of this reserve is consistent with the ratings and will be maintained and topped up to A$250,000, when possible, through the life of the transaction.

Interest-rate risk

The pool currently consists of 99.95% variable-rate loans. The transaction documents allow for the existing variable-rate loans to convert to a fixed rate of interest, provided certain tests are met. This includes that the fixed interest rate will be hedged under RESIMAC's hedging policy and that no more than 5% of the portfolio has a fixed rate. However, there is no explicit requirement in the transaction documents that fixed-rate loans must be hedged, and we have taken this into account in our cash-flow analysis of the transaction.

Currency risk

Currency risk between the Australian dollar receipts from the underlying assets and the U.S. dollar payments on the class A2 notes are hedged via a currency swap provided by NAB.

The class A2 currency swap will convert to a balance guaranteed swap from the earlier of the call-option date and the occurrence of a trigger event under the swap (see "Principal allocation"). A trigger event will occur if we lower our rating on NAB to a level that requires it to replace itself under the terms of the class A2 currency swap and the replacement swap is in the form of a balance guaranteed swap.

Cash-flow modeling assumptions

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

- Analyzing and modeling the structure of the transaction to include all note balances and margins, trust expenses, liquidity support, interest earned on the collections account and the deposit account, waterfall priority for income and principal payments, and the loss mechanism, as described in the transaction documents;
- Default frequency and loss severity assumed at different rating levels;
- Timing of defaults (table 6);
- Foreclosure period and time to recover sale proceeds from defaulted loans, assuming a recovery period of 17 months;
- Prepayment rates, assuming low prepayment rates to test potential yield shortfalls, as well as running high prepayment rate scenarios to stress the excess spread available (table 7);

- Modeling the cash flows of the assets based on the characteristics of the underlying collateral pool, and the margin set on all loans;
- Interest rates, by varying the BBSW curves at each rating level;
- Arrears levels and cure periods;
- Replacement servicer fee, should it be necessary for RESIMAC to be replaced as servicer; and
- The sequential and pro-rata principal payment structure of the notes.

Table 6

Assumed Default Curves

Month	Front-ended default curve (%)	Base-case default curve (%)	Back-ended default curve (%)
4	20	5	0
7	30	10	5
12	0	15	10
18	20	25	15
24	20	25	25
36	10	15	25
48	0	5	15
60	0	0	5

Table 7

Assumed Constant Prepayment Rates (CPR)

Transaction seasoning	High CPR (%)	Low CPR (%)	Constant (%)
1-12 months	30	10	30
12-18 months	40	10	30
18-36 months	50	10	30
36+ months	60	10	30

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 has counterparty exposure to NAB as liquidity facility provider and cross-currency swap provider and Westpac as bank account provider. The documentation of these roles requires replacement if the rating on these entities falls below certain levels. These mechanisms are consistent with S&P Global Ratings' counterparty criteria.

Before the call-option date, any replacement class A2 currency swap could remain as documented at transaction close or take the form of a balance guaranteed swap, and any collateral posting will be at the higher of that determined under our criteria for each form. In addition, any amounts retained by NAB under the class A2 currency swap (see "Principal allocation") will be added to the collateral posting amount.

Issuer Disclosure

The issuer has not informed S&P Global Ratings Australia Pty Ltd. whether the issuer is publicly disclosing all relevant information about the structured finance instruments that are subject to this rating report or whether relevant information remains nonpublic.

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
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- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
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- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
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- Criteria | Structured Finance | RMBS: Methodology And Assumptions For Analyzing The Cash Flow And Payment Structures Of Australian And New Zealand RMBS, June 2, 2010
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Related Research

- 2022 Outlook Assumptions For The Australian RMBS Market, Jan. 7, 2022
- An Overview Of Australia's Housing Market And Residential Mortgage-Backed Securities, Nov. 17, 2021
- ESG Industry Report Card: Residential Mortgage-Backed Securities, March 31, 2021
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- 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