Presale:

RAF ABS Series 2024-1

March 15, 2024

PRIMARY CREDIT ANALYST

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Preliminary Ratings

Class	Preliminary rating	Preliminary amount (mil. A$)	Minimum credit support* (%)	Credit support provided by subordination (%)
A	AAA (sf)	261.45	23.1	25.3
B	AA (sf)	24.85	18.2	18.2
C	A (sf)	16.45	13.4	13.5
D	BBB (sf)	12.95	8.8	9.8
E	BB (sf)	9.80	7.0	7.0
F	B (sf)	4.90	5.6	5.6
G	NR	19.60	N/A	N/A

Note: This presale report is based on information as of March 15, 2024. The rating shown is preliminary. Subsequent information may result in the assignment of a final rating that differs from the preliminary rating. Accordingly, the preliminary rating should not be construed as evidence of a final rating. This report does not constitute a recommendation to buy, hold, or sell securities. *Minimum credit support for credit losses. NR--Not rated. N/A--Not applicable.

Profile

Expected closing date	March 2024
Final maturity date	August 2031
Collateral	Receivables generated by a pool of commercial chattel mortgage agreements backed by motor vehicles and wheeled and nonwheeled equipment
Issuer	RMC Fiduciary Services Pty Ltd. as trustee of RAF Trust in respect of RAF ABS Series 2024-1
Originator and legal title holder	Resimac Asset Finance Pty Ltd.
Trustee	RMC Fiduciary Services Pty Ltd.
Security trustee	P.T. Ltd.
Servicer, manager, and trust administrator	Resimac Ltd.
Backup servicer	Perpetual Trustee Co. Ltd.
Primary credit enhancement	Note subordination and excess spread, if any

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Supporting Ratings

Bank account provider, liquidity facility provider, and interest-rate swap provider	Westpac Banking Corp.

Overview

This is the first securitization of auto and equipment assets originated by Resimac Asset Finance Pty Ltd. (RAF). The preliminary ratings assigned by S&P Global Ratings to the floating-rate asset-backed securities to be issued by RMC Fiduciary Services Pty Ltd. as trustee of RAF Trust in respect of RAF ABS Series 2024-1 (the issuer) reflect the following factors.

The credit risk of the underlying collateral portfolio (discussed in more detail under "Collateral") and the credit support available are commensurate with the preliminary ratings assigned. Credit support for the rated notes is provided in the form of subordination.

All contract payments, including balloon payments, are an obligation of the borrower. As a result, the trust is not exposed to any market-value risk associated with the sale of the underlying assets financed (on performing receivables), which is a risk that may be associated with other products, such as operating leases.

The issuer has the capacity to meet timely payment of interest and ultimate payment of principal under the rating stresses commensurate with the preliminary ratings assigned. All rating stresses are made on the basis that the issuer does not call the notes on or beyond the call-option date, and that the notes must be fully redeemed via the mechanisms under the transaction documents. Timely payment of senior expenses and note interest is supported by the use of principal collections and a liquidity facility. The liquidity facility is sized at 1.5% of the current balance of the class A, class B, class C, class D, class E, and class F notes, subject to a floor of A$350,000.

The legal structure of the issuer, which is established as a special-purpose entity, meets our criteria for insolvency remoteness.

Our preliminary ratings also take into account the counterparty support provided by Westpac Banking Corp. as bank account provider, liquidity facility provider, and interest-rate swap provider. A fixed- to floating-rate interest-rate swap will be provided to hedge the mismatch between the fixed-rate payments on the receivables and the floating-rate interest payable on the notes. The transaction documents for the bank account, liquidity facility, and swap include downgrade language consistent with our "Counterparty Risk Framework Methodology And Assumptions" criteria, published on March 8, 2019, that requires the replacement of the counterparty or other remedy, should its rating fall below the applicable rating.

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Environmental, Social, And Governance

Our rating analysis considers a transaction's potential exposure to environmental, social, and governance (ESG) credit factors.

The transaction's above-average exposure to environmental credit factors, given that the collateral pool primarily comprises vehicles with internal combustion engines, is in line with our sector benchmark. While the adoption of electric vehicles and future regulation could in time lower the value of internal combustion engine vehicles, we believe our current approach to evaluating recovery values is adequate, given the relatively short expected life of the transaction.

The transaction's exposure to social credit factors is average, in line with the sector benchmark. Social risks for the auto sector could become more relevant over the longer term if consumer preferences change regarding vehicle ownership and usage.

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

In S&P Global Ratings' opinion, the strengths of the transaction observed in the rating analysis are:

- That the entire portfolio comprises receivables that have an original term of less than or equal to 60 months. S&P Global Ratings has observed that longer-term loans (greater than 60 months) tend to be correlated with higher default and/or lower recovery rates.
- That about 62.3% of the loans by principal balance are backed by passenger and light commercial vehicles. S&P Global Ratings has given recovery credit to these receivables.

Weaknesses

In S&P Global Ratings' opinion, the weaknesses of the transaction observed in the rating analysis are:

- That the originator, RAF, has been originating receivables since February 2021 under its own name, and most receivables have not gone through a full life cycle by this time. The acquired company, International Acceptance Group, has been originating receivables since 2014 but at a very low volume. S&P Global Ratings has considered this limited history in its analysis of expected loss.
- That about 55.4% of the loans by principal balance are backed by used assets. S&P Global Ratings has observed that losses when the asset financed was used are higher than those when the asset financed was new.
- That about 40.4% of the pool balance contains contracts that are partly amortizing, with

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balloon payments due at the end of the contracts, and aggregate balloons represent 12.6% of the cut-off pool balance. However, the scheduled payment dates for the balloons are reasonably diversified, and the maximum aggregate balloon payments due in any single month represent 1.0% of the initial pool balance. In addition, we took balloon payments into account in our determination of expected net losses for the collateral pool.

- That the swap in the transaction is not a balance guaranteed swap; rather, it follows a predetermined notional schedule. S&P Global Ratings has run various prepayment and interest rate scenarios to stress the cash-flow associated with the swap.
- That the transaction's principal payment structure is not fully sequential. Principal initially will be paid to the classes on a sequential basis, until stepdown conditions are met. Thereafter, provided certain performance triggers have not been breached, principal is to be allocated to the class A, class B, class C, class D, class E, and class F notes on a pro-rata basis. The repayment structure will switch back to fully sequential repayments on the payment date in April 2027 or after the invested balance of the notes has reached 20% of its initial balance, further mitigating tail-end risk. (refer to "Principal Payment Structure").

Comparative Transactions

This is the first transaction for RAF, so there are no comparable transactions from the same originator.

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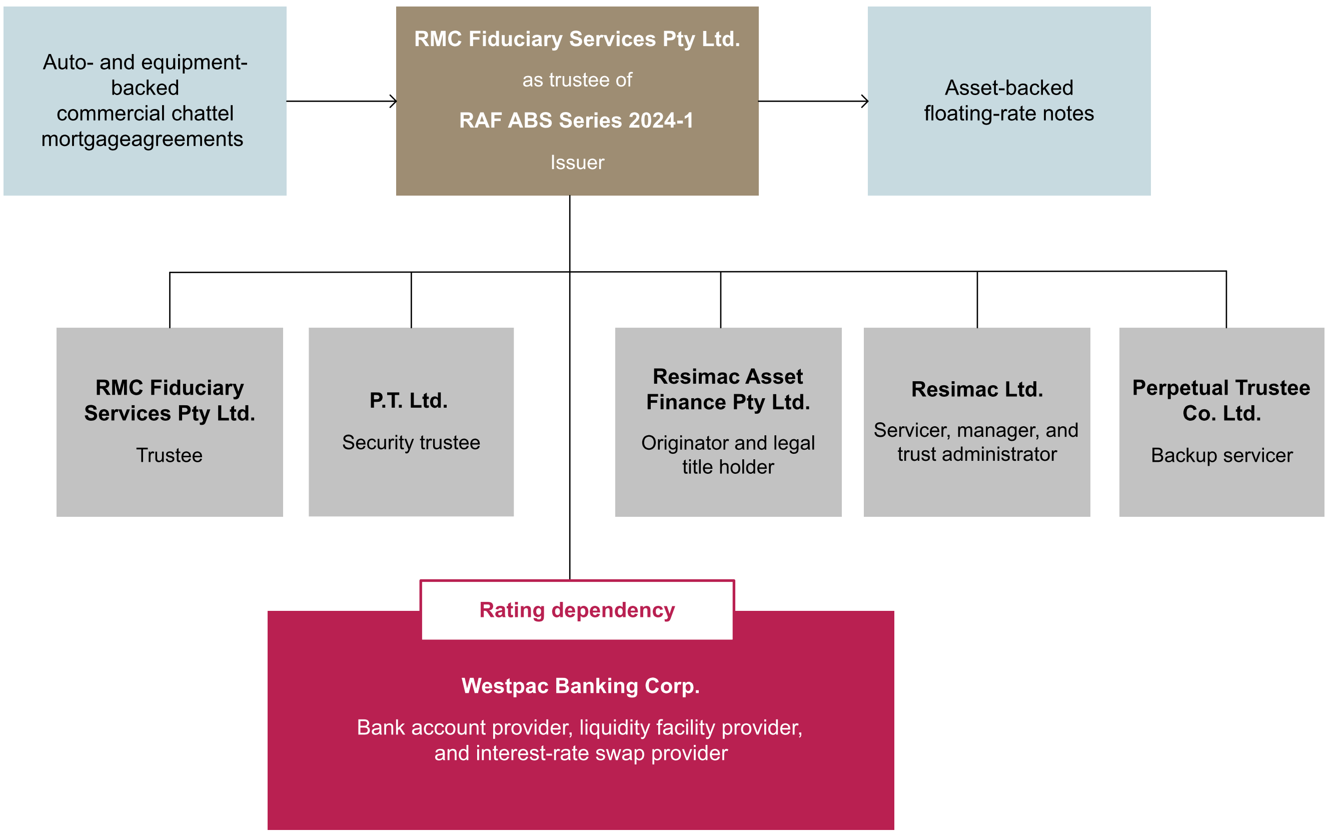
Transaction Structure

The structure of the transaction is shown in chart 1.

Chart 1

RAF ABS Series 2024-1
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.

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Note Terms And Conditions

Call-option date

On any date on or after the payment date in April 2027 or when the aggregate invested amount of the notes is less than 20% of its initial invested amount, the trust manager may elect to call the notes and repay them at their invested amount plus accrued interest.

Interest payments

The notes are floating-rate, pass-through notes, paying a margin over the one-month bank-bill swap rate (BBSW) on the invested amount of the notes. Interest is paid sequentially to each class of notes, except the class G notes interest, which is subordinated in the waterfall below reimbursement of carryover charge-offs and a potential amortization amount.

A step-up margin will apply to class A, class B, class C, class D, class E, and class F notes on and after the call-option date.

Principal payment structure

The transaction's principal payment structure is not fully sequential. Principal, after application as principal draws if necessary to cover any income shortfalls, will be initially paid to the notes on a sequential-payment basis.

The transaction can convert to a pro-rata payment structure, in which principal would be allocated to the class A, class B, class C, class D, class E, and class F notes on a pro-rata basis if the step-down tests are met. The class G notes will only receive principal after all other classes have been paid off.

In addition, the repayment structure will switch back to fully sequential principal repayments on or after the call-option date, further mitigating tail-end risk.

Loss allocation

Charge-offs will be first allocated to the amortization ledger to reduce the balance to zero, then to the class G notes until their stated amount is reduced to zero, followed by the class F, class E, class D, class C, class B, then class A notes.

Under the transaction structure, reimbursements of charge-offs will occur in the reverse order, excluding the amortization ledger.

Pro-rata paydown conditions

Provided certain performance conditions are met, principal repayments will occur on a pro-rata basis to all classes of notes. The conditions to allow pro-rata paydown are:

- That the subordination percentage for the class A notes is equal to or greater than 43%.
- That arrears greater than 90 days must not exceed 4.0% of the aggregate outstanding loan amounts as of the last day of the immediately preceding collection period.

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- That the payment date falls after the date that is 12 months after the closing date and before the call-option date.
- That there are no principal draws or unreimbursed charge-offs to any notes.
- That the cumulative default ratio is less than or equal to 3% up to and including the payment date that is 24 months after closing, and less than or equal to 6% afterward.

Originator/Servicer Overview

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.

The originator, RAF, is a wholly owned subsidiary of the Resimac Group. Established in 2001, the business was originally named International Acceptance Group (IA Group) and offered secured commercial and consumer lending. Resimac Group acquired an initial controlling stake of 60% of the business at the start of 2020. The remaining 40% interest was acquired in February 2021 and the company was renamed Resimac Asset Finance Pty Ltd. RAF ABS Series 2024-1 represents the first securitization of auto and equipment assets originated by RAF.

RAF originates its lending nationally through commercial auto and equipment broker and aggregator channels as well as white label partners and a direct-to-consumer program. It is responsible for all credit decisions. No introducer is given any credit authority. Significant origination growth began in 2021, when the company was rebranded to RAF. As of Dec. 31, 2023, outstanding auto and equipment receivables under management total about A$444 million.

RAF employs a centralized credit approach. All approvals are vested in its credit department or credit committee, with different levels of delegated lending authorities. It does not use automated credit decision systems or proprietary score cards. Credit applications are manually assessed based on RAF's lending criteria, and any exceptions to the policy are only approved by officers holding relevant exceptions approval authority and are tracked and reviewed.

All applications are subject to a relevant Equifax credit report and must demonstrate a capacity to repay through RAF's net surplus ratio calculation. A minimum of 12 months' ABN tenure and six months' good and services tax period is required on all commercial applications. RAF offers a low-documentation product in which obligors who meet tighter requirements are not required to provide financial statements. S&P Global Ratings has separately analyzed the performance of this low-doc assessment compared with the full-document assessment.

Resimac Ltd. (Resimac) is responsible for servicing the receivables in the collateral pool. Perpetual Trustee Co. Ltd. provides backup servicing should Resimac be replaced as servicer.

Headquartered in Sydney, Resimac is a nonbank lender and residential loan servicer. Its principal business is originating and servicing prime and nonconforming residential mortgage loans sourced through a national network of accredited mortgage originators, brokers, and aggregators. S&P Global Ratings has rated Resimac securitizations that are backed by pools of prime and nonconforming residential mortgage products.

Resimac instigates customer contact by telephone within 48-120 hours of falling into arrears. If contact cannot be made and messages are left, then they're followed up again in 48 hours.

Resimac's system will also generate SMS and emails to customers for early-stage collections, and all collection activities can be monitored through the system via an electronic diary. Resimac undertakes a more active approach on the management of receivables more than 60 days in arrears due to the greater risk associated with them becoming asset sales or repossession.

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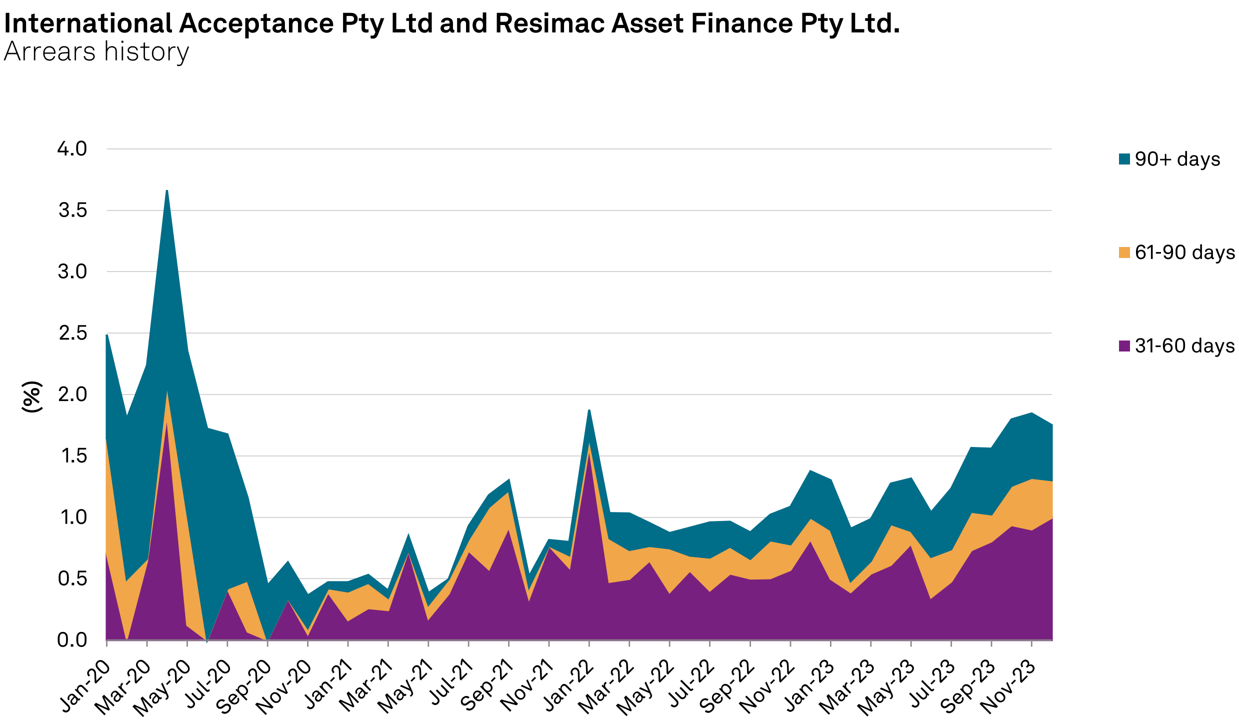
Resimac utilizes external agents for asset recovery and repossession.

International Acceptance Pty Ltd. and RAF's historical arrears performance are reflected in chart 2.

Chart 2



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Collateral

The collateral pool contains 5,332 contracts, made up of chattel mortgage agreements secured by motor vehicles and wheeled and nonwheeled equipment. The aggregate principal balance is about A$350 million. RAF will equitably assign the receivables and associated rights to the trust. Title may be perfected if the originator becomes insolvent or a servicer default occurs.

The receivables pool for RAF ABS Series 2024-1 as of Jan. 31, 2024, is summarized in table 1 and table 2.

Table 1

Summary Characteristics

	RAF ABS Series 2024-1
Total number of contracts	5,332
Total number of obligors	4,642

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Table 1

Summary Characteristics (cont.)

	RAF ABS Series 2024-1
Total value of contracts (A$)	349,999,990
Maximum contract size (A$)	467,566
Average current contract size (A$)	65,641
Weighted-average interest rate (%)	9.0
Total balloon payments as a percentage of total pool balance (%)	12.6
Weighted-average contract seasoning (months)	11.0
Weighted-average remaining term to maturity (months)	47.1

Table 2

Pool Characteristics (% pool balance)

	RAF ABS Series 2024-1
Business line	
Auto finance	62.3
Equipment finance	37.7
New and used	
New	44.6
Used	55.4
Top 10 asset types	
Passenger vehicles	48.7
Heavy trucks > 4.5t gvm	10.7
Light commercial vehicles	9.8
Prime movers	9.6
Trailers	7.2
Small yellow goods and excavators	3.9
Classic cars	3.5
Construction and earth moving equipment	2.3
Materials handling and access equipment	1.7
Farming and agriculture	1.4
Loan documentation type	
Low doc	66.3
Lite doc	30.9
Full doc	2.8
Seasoning	
Less than or equal to 12 months	67.0
>12 to <=18 months	13.4
>18 to <=24 months	10.6

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Table 2

Pool Characteristics (% pool balance) (cont.)

	RAF ABS Series 2024-1
Greater than 24 months	9.0
Original term to maturity	
Less than or equal to 36 months	3.5
>36 to <=48 months	4.4
>48 to <=60 months	92.1
Geographic distribution	
New South Wales	35.6
Victoria	27.9
Queensland	19.5
Western Australia	8.2
South Australia	5.8
Tasmania	1.4
Australian Capital Territory	0.9
Northern Territory	0.7
Top 10 borrower industries	
Construction	28.0
Transport/logistics	27.7
Other services	15.1
Professional services	4.6
Retail	3.7
Accommodation and food service	3.5
Manufacturing/wholesale	3.4
Rental/hiring services	2.7
Primary industry	2.4
Banking/finance	2.4

The top 10 obligor concentrations for the collateral pool are set out in table 3. Obligor concentration does not present an additional risk for this transaction. The obligors are also geographically diversified across Australia.

Table 3

Top 10 Obligor Concentrations (% initial pool balance)

	RAF ABS Series 2024-1
Obligor 1	0.14
Obligor 2	0.13
Obligor 3	0.13
Obligor 4	0.12
Obligor 5	0.12

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Table 3

Top 10 Obligor Concentrations (% initial pool balance) (cont.)

	RAF ABS Series 2024-1
Obligor 6	0.12
Obligor 7	0.11
Obligor 8	0.10
Obligor 9	0.10
Obligor 10	0.10

Eligibility Criteria

As of the cut-off date, all receivables comply with eligibility criteria including, but not limited to:

- Each receivable was originated by RAF in its ordinary course of business and serviced and administered in accordance with its guidelines and all applicable laws.
- Each receivable relates to the financing of an asset that is a new or used motor vehicle or equipment.
- Each receivable is denominated and payable only in Australian dollars.
- Each relevant obligor is an Australian citizen, a permanent resident, or a registered Australian business.
- Each receivable has a standard principal and interest schedule and requires the obligor to make payments, including any final balloon payment, which will amortize the outstanding balance of the receivable to zero.
- Each receivable is not subject to or affected by any right of rescission, set-off, counterclaim, defense, or similar arrangement by the obligor.
- Each receivable is located in Australia and is governed by the laws of an Australian state or territory.
- If the receivable is secured by a security interest registration on the Personal Property Securities Register, then it has been or will be registered in time.
- No receivable is more than 30 days in arrears and RAF has not received any written notice of default by the obligor.
- At time of origination, the obligor was not deregistered, declared bankrupt, insolvent, or subject to insolvency proceedings.
- Each receivable does not allow the obligor to cease making payments as a result of adverse changes to the condition or operability of the asset being financed.
- Each receivable requires the obligor to maintain insurance against fire, accident, and theft by an insurer approved by RAF and with RAF's interest noted such that any claim is payable to RAF.
- Each receivable requires the obligor to keep the asset in good repair.
- Each receivable and any related security are specifically identifiable and able to be segregated

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and marked for purposes of enforcement.

- Each receivable is not subject of a bona fide material dispute, litigation, action, or claim initiated by the obligor.
- Each receivable is not the subject of fraud.
- Each receivable is not regulated by the National Consumer Credit Protection Act.
- Each receivable has had at least one payment made by the relevant obligor.

Commingling Risk

The collections account for this transaction will be opened in the name of the trustee and held with Westpac. The transaction documents require all accounts to be held with an eligible bank that has a minimum long-term rating of 'A' or a short-term rating of 'A-1'.

Resimac must deposit collections into the trust collections account within one business days to mitigate commingling risk.

Set-Off Risk

There is no set-off risk for cash deposits in this transaction because Resimac is not an authorized deposit-taking institution.

Liquidity

If there are insufficient interest collections, then liquidity support to meet senior fees, expenses, and interest on the notes, excluding the class G notes, is first provided by principal draws, then a liquidity facility (provided by Westpac). 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 that class has any unreimbursed charge-offs.

The required balance of the liquidity facility is 1.5% of the invested amount of all classes of notes, except the class G notes, subject to a floor of A$350,000 (or if lesser, the amount of outstanding performing receivables). To the extent there is a liquidity facility draw, interest collections will be used to reimburse the liquidity reserve on subsequent payment dates. The liquidity facility will be terminated when the balance of the class F notes have been redeemed in full.

Interest-Rate Risk

The entire collateral pool comprises fixed-rate receivables. To hedge the mismatch between the fixed-rate asset cash flows and the floating-rate interest payable on the notes, the issuer will enter into a fixed- to floating-rate interest-rate swap with Westpac.

The swap in the transaction is not a balance guaranteed swap; rather, it follows a predetermined notional schedule. S&P Global Ratings has run various prepayment and interest-rate scenarios to stress the cash flow associated with the swap.

The swap agreement includes downgrade language consistent with S&P Global Ratings' counterparty criteria that requires the posting of collateral or the replacement of the swap counterparty or other remedy if the swap counterparty rating falls below the applicable rating.

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Credit And Cash-Flow Analysis

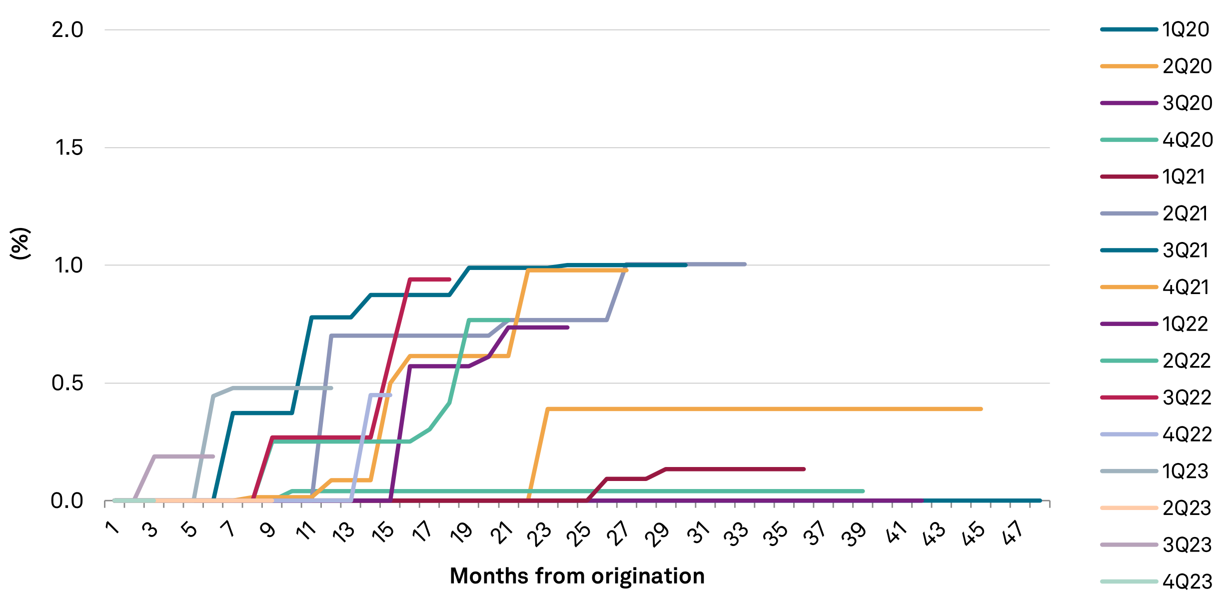
S&P Global Ratings considers the principal rating transition risk for this transaction to be a significant deterioration in the performance of the underlying receivables.

RAF has provided quarterly vintage historical gross loss data, dating back to 2014. However, within this origination history, RAF began originating receivables under its own name in February 2021. The outstanding receivables balance grew from around A$21 million to A$444 million as of December 2023. Most receivables have not gone through a full life cycle by this time. The loss data before 2021 from the acquired company, IA Group, represents very low volume and doesn't demonstrate reliable performance. To address this limited history, we have also benchmarked the historical data to data from other comparable originators.

Charts 3 and 4 illustrate the cumulative gross loss experience of International Acceptance's and RAF's motor vehicle and equipment portfolios for quarterly vintages from the first quarter of 2020 to the last quarter of 2023.

Chart 3

International Acceptance Pty Ltd and Resimac Asset Finance Pty Ltd.
Cumulative gross losses--Motor vehicle loans



Q--Quarter. Source: S&P Global Ratings.

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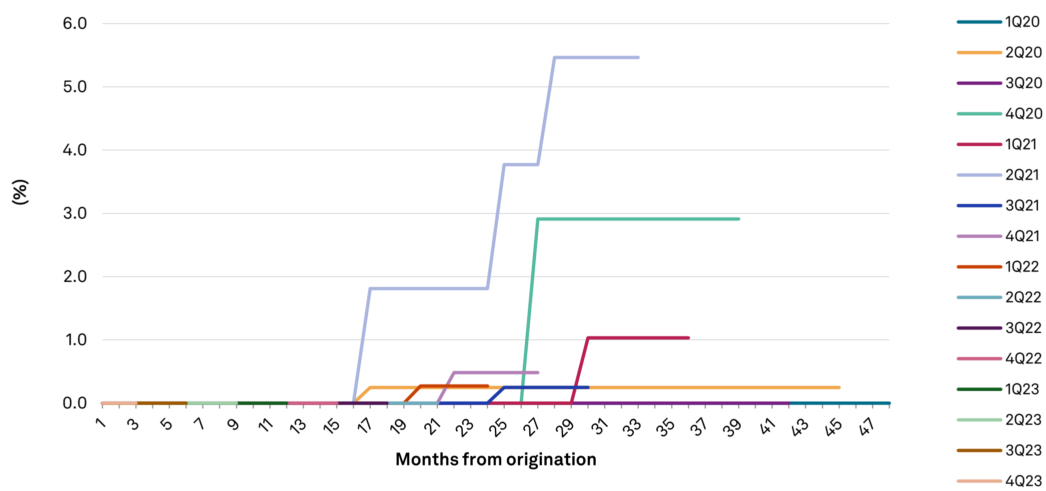
Chart 4

International Acceptance Pty Ltd and Resimac Asset Finance Pty Ltd.
Cumulative gross losses--Equipment loans



Q--Quarter. Source: S&P Global Ratings.
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Historical gross loss and recovery data

For the purposes of our loss analysis, we analyzed the total portfolio static loss data and separately analyzed the data segregated by motor vehicle and equipment. To address the limited history, we have also benchmarked the historical data to data from other comparable originators.

We gave credit to recoveries for passenger and light-commercial motor vehicles. We did not give credit to receivables backed by heavy trucks and wheeled and nonwheeled equipment.

Notwithstanding the quantitative analysis, S&P Global Ratings' qualitative judgment will also have a bearing on the base-case loss assumptions. Our qualitative view is based on several factors, including our industry knowledge in local and offshore markets, concentration, event, industry, and economic risk that may affect the performance of the assets in a changing environment.

We considered each of these factors, in addition to the actual composition of the collateral pool, in our determination of base-case gross loss and recovery assumptions for this transaction.

Based on the above, our base-case gross loss assumption for the collateral pool is 5.1%. We apply a stress multiple to the base-case gross default percentage at each ratings category. The magnitude of the stress multiple applied depends on the rating level; higher-rated notes are subject to a higher stress multiple in our analysis.

Our base-case recovery assumption for the collateral pool is 18.7%. The credit given to recovery at each ratings category is a percentage of base-case expected recoveries.

Based on the above, our net loss expectation--also commonly referred to as "base-case loss level"--for the underlying pool is 4.1%. The net loss expectation reflects our opinion of the combination of the expected gross loss on the underlying pool of 5.1 %, and the expected

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recoveries of 18.7% from sales of the underlying assets upon a default.

Table 4 shows a summary of the credit assessment.

Table 4

Summary Credit Assessment

	AAA	AA	A	BBB	BB	B
Stress multiple used (x)	5.0	4.0	3.0	2.0	1.6	1.3
Default frequency (%)	25.5	20.4	15.3	10.2	8.2	6.7
Loss severity (%)	90.7	89.1	87.5	86.0	84.9	84.1
Minimum credit support after credit to recovery (%)	23.1	18.2	13.4	8.8	7.0	5.6

Cash-flow modeling analysis

We analyzed the capacity of the transaction's cash flow to support the rated classes of notes by running several different scenarios at each rating category. The key rating stresses and assumptions modelled at each rating level are:

- Gross defaults and recoveries assumed at different rating levels.
- Recovery period (assumed to be nine months).
- Timing of defaults (front-loaded, back-loaded, and normal) reflective of the loss timing observed for RAF and other comparable originators.
- Increased servicer fees and extraordinary expenses.
- Varying bank-bill swap rate curves.
- Prepayment stresses (table 5).

Table 5

Assumed Conditional Prepayment Rates

Months from transaction close	Low CPR (% per year)	High CPR (% per year)
0 to 3	0.0	10.0
4 to 6	0.0	12.0
7 to 9	0.5	14.0
10 to 12	0.5	14.0
13 to 18	1.0	16.0
19 to 21	1.5	18.0
22 to 24	1.5	20.0
25 to 27	2.0	22.0
28 to 30	2.0	24.0
31 onward	3.0	24.0

CPR--Conditional prepayment rates. Note: CPR shown includes voluntary prepayments only.

Our preliminary rating addresses not only the availability of funds for full payment of interest and

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principal, but also the timeliness of these payments in accordance with the terms of the rated securities.

Sensitivity Analysis

We cash-flow modeled two additional scenarios to determine how vulnerable the notes would be to a downgrade under each scenario:

- Scenario 1: Base-case gross losses are 1.25x higher than our expected level of 5.1%.
- Scenario 2: Base recoveries are only 75% of our expected base recovery rate of 18.7%.

The minimum credit support for credit losses under each scenario is set out in table 6.

Table 6

Minimum Credit Support After Credit To Recovery

Scenario	AAA	AA	A	BBB	BB	B
Expected (%)	23.1	18.2	13.4	8.8	7.0	5.6
Scenario 1 (%)	28.9	22.7	16.8	11.0	8.7	7.0
Scenario 2 (%)	23.7	18.7	13.9	9.1	7.3	5.9

Table 7 sets out what the rating level of each class of notes would be at transaction close--after incorporating cash flow modelling outcomes--under each scenario.

Table 7

Rating Transition

Scenario	Class A	Class B	Class C	Class D	Class E	Class F
Expected	AAA (sf)	AA (sf)	A (sf)	BBB (sf)	BB (sf)	B (sf)
Scenario 1	AA (sf)	A (sf)	BBB+ (sf)	BBB- (sf)	BB (sf)	B (sf)
Scenario 2	AAA (sf)	AA (sf)	A (sf)	BBB (sf)	BB (sf)	B (sf)

Related Criteria

- Criteria | Structured Finance | ABS: Global Auto ABS Methodology And Assumptions, March 31, 2022
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