

Media Release:

Rating On Class B Notes Of Chailease 2019 Securitization Raised To 'twAA (sf)'; Rating On Class A Notes Affirmed At 'twAAA (sf)'

December 13, 2022

Overview

- The performance of the underlying assets of Chailease 2019 Securitization Special Purpose Trust since deal closing has been largely within our rating assumptions. We expect the credit enhancement of the notes to gradually increase, given the transaction will soon enter the amortization period.
- We have lowered the stress multiples for the notes, considering the diminishing revolving period, shorter asset life, and more diversified pool.
- The counterparty, operational entity, and legal aspect remain supportive to the notes, in our view.
- We have therefore raised our rating on the Class B notes to 'twAA (sf)' from 'twA (sf)' and affirmed the 'twAAA (sf)' rating on the Class A notes.

Rating Action

Taiwan Ratings Corp. today raised its rating on the Class B notes issued by **Chailease 2019 Securitization Special Purpose Trust** to 'twAA (sf)' from 'twA (sf)'. At the same time, we affirmed our 'twAAA (sf)' rating on the Class A notes.

Rationale

The upgrade action reflects the following factors:

- Despite some economic turbulence from the COVID-19 pandemic over past few years, the overall underlying credit performance backing the transaction has been within our expectation since transaction closing. We believe our initial assumptions on the base-case default frequency and recovery rate, which are 6.55% and 17%, respectively, remain valid. This mainly reflects our view that the originator's sophisticated underwriting policy and risk management shall outweigh the adverse impact of the looming economic slowdown.
- We have slightly lowered the stress multiples under various rating scenarios, mainly to reflect the diminishing revolving period of this transaction, a more diversified pool, and shorter remaining tenor of the underlying receivables than at transaction closing. The lower the stress multiples we assume, the lower the credit enhancement level required to support the notes. As of Nov. 30, 2022, the total number of contracts in the underlying pool has increased to 1,007 from 751 in the initial pool as of Nov. 30, 2019. Meanwhile, the weighted-average remaining

PRIMARY CREDIT ANALYST

Caroline Shih
Taipei
+886-2-2175-6833
caroline.shih
@spglobal.com
caroline.shih
@taiwanratings.com.tw

SECONDARY CONTACT

Joe Lin
Taipei
+886-2-2175-6832
joe.lin
@spglobal.com
joe.lin
@taiwanratings.com.tw

term of the asset pool has shortened to 10.76 months as of the end of November 2022 from 22.15 months for the initial pool.

- The credit enhancement level for both Class A and Class B notes is set to rise under the sequential payment structure during the amortization period starting the trust payment date on Feb. 3, 2023. Our cash flow analysis has considered the sequential payment structure, revised stress multiples, along with other factors including fee and expense assumption, collateral recovery period, default timing, prepayment rate, and liquidity reserve (equal to 0.25% of the outstanding pool balance as of Nov. 30, 2022) that can also be used as the payment source for the note principal repayment. The cash flow results show that the transaction's cash flows are sufficient to support the timely payment of interest and ultimate repayment of principal to the rated noteholders by the legal maturity date, under our 'twAAA' rating stress for Class A notes and 'twAA' rating stress for Class B notes.
- Our analysis of the counterparty risk, operational risk and legal risk of this transaction remains supportive to the ratings on the notes. We don't see any unfavorable development on the servicer, Chailease Finance Co. Ltd. and legal issue since deal closing that will negatively affect the notes. In addition, the transaction's current exposure to the bank account provider, the rating on the current bank account provider, Land Bank Of Taiwan, and the documented replacement triggers, are consistent with our counterparty criteria to support the ratings.

Environmental, Social, And Governance (ESG) Factors

Our rating analysis considered the potential exposure of the transaction to ESG credit factors. Given the high level of diversity of obligors, many of which are small-medium sized enterprises, and collateral types in the transaction, we believe the exposure to environmental and social risks is limited. In our view, the transaction now has lower exposure to governance credit factors than before, because the transaction is about to enter the amortization period from the revolving period. This means the collateral pool will become static and investors will be less exposed to the risk if the originator underwriting standards loosen or potential adverse selection occurs during the revolving period.

Related Criteria & Research

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings - June 25, 2018
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings - October 10, 2021
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings - April 07, 2017
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities - December 22, 2020
- General Criteria: Principles Of Credit Ratings - February 16, 2011
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology - March 29, 2017
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts - May 31, 2012
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions - October 09, 2014
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions - March 08, 2019
- Criteria | Structured Finance | ABS: Global Equipment ABS Methodology And Assumptions - May 31, 2019

Related Research

- Economic Research: Global Slowdown Will Hit Not Halt Asia Pacific Growth, www.capitaliq.com, November 27, 2022

Media Release: Rating On Class B Notes Of Chailease 2019 Securitization Raised To 'twAA (sf)'; Rating On Class A Notes Affirmed At 'twAAA (sf)'

- Taiwan Ratings' Ratings Definitions – November 11, 2021
- 2022 Taiwan Mid-Year Credit Outlook, July 14, 2022
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, www.capitaliq.com, December 17, 2016

(Unless otherwise stated, these articles are published on www.taiwanratings.com)

Ratings List

Upgraded

	To	From
Chailease 2019 Securitization		
Class B	twAA (sf)	twA (sf)

Ratings Affirmed

Chailease 2019 Securitization		
Class A	twAAA (sf)	

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.taiwanratings.com for further information. Complete ratings information is available to subscribers of Rating Research Service at rrs.taiwanratings.com.tw. All ratings affected by this rating action can be found on Taiwan Ratings' public website at www.taiwanratings.com.

Copyright © by Taiwan Ratings Corp. All rights reserved.

Media Release: Rating On Class B Notes Of Chailease 2019 Securitization Raised To 'twAA (sf)'; Rating On Class A Notes Affirmed At 'twAAA (sf)'

Copyright © 2022 by Taiwan Ratings Corporation (TRC). All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of TRC. The Content shall not be used for any unlawful or unauthorized purposes. TRC and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively TRC Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. TRC Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. TRC DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall TRC be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. TRC's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. TRC assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. TRC does not act as a fiduciary or an investment advisor except where registered as such. While TRC has obtained information from sources it believes to be reliable, TRC does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, TRC reserves the right to assign, withdraw or suspend such acknowledgement at any time and in its sole discretion. TRC disclaims any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

TRC keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of TRC may have information that is not available to other TRC business units. TRC has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

TRC receives compensation for its solicited ratings and certain analyses, normally from issuers, originators, arrangers, or underwriters of securities or from obligors. TRC reserves the right to disseminate its opinions and analyses. TRC's public ratings and analyses are made available on its Web sites, www.taiwanratings.com (free of charge), and rrs.taiwanratings.com.tw (subscription), and may be distributed through other means, including via TRC publications and third-party redistributors. Please click [here](#) for any other conflict of interests that may affect the credit rating as requested by the regulator.