

Media Release:

Rating On Chailease 2021 Securitization Class B Notes Raised To 'twAA (sf)'; Class A Notes Affirmed At 'twAAA (sf)'

March 19, 2025

Overview

- The performance of the underlying assets since deal closing has been largely within our rating assumptions. We expect the credit enhancement of the notes to gradually increase after entering the amortization period soon.
- We have lowered the stress multiples for the notes, considering the diminishing revolving period, shorter asset life, and more diversified pool than at closing.
- The counterparty, operational entity, and legal aspect remain supportive to the notes, in our view.
- We are therefore raising our rating on the Class B notes to 'twAA (sf)' from 'twA (sf)' and affirming 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 2021 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:

- We assess the underlying credit performance backing the transaction overall has remained within our assumption since transaction closing. We also believe that our initial assumptions for the base-case default frequency and recovery rate remain valid, at 6.55% and 17%, respectively. This mainly reflects our view that the originator's sophisticated underwriting policy and risk management can withstand economic uncertainty ahead.
- We have slightly lowered the stress multiples for the Class A and B notes under various rating scenarios. This mainly reflects the diminishing revolving period of this transaction, a more diversified pool, and the shorter remaining tenor of the underlying receivables than at closing. The lower the stress multiples we assume, the lower the credit enhancement level required to support the notes. The amortization period is set to start from the trust payment date on May 26, 2025, making the credit enhancement level for both Class A and Class B notes likely to strengthen under the sequential payment structure. As of Feb. 28, 2025, the total number of contracts in the underlying pool has increased to 1,101 from 707 in the initial pool as of Mar. 31, 2022. Meanwhile, the weighted-average remaining term of the asset pool has shortened to 15.26 months as of Feb. 28, 2025, from 32.15 months for the initial pool.

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- Our cash flow analysis considers the sequential payment structure, lowered stress multiples under our revised assumption among other assumptions regarding fee and expense assumption, collateral recovery period, default timing, prepayment rate, and liquidity reserve 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 notes by the legal maturity date. This is under our 'twAAA' rating stress for the Class A notes and 'twAA' rating stress for the Class B notes.
- Our analysis regarding the counterparty risk, operational risk, and legal risk of this transaction remains supportive of the ratings on the notes. We don't see any unfavorable development regarding the servicer, Chailease Finance Co. Ltd. or legal issue since deal closing that will negatively affect the notes. In addition, the transaction's current exposure to the bank account provider, Land Bank Of Taiwan Co. Ltd. (twAA+/Stable/twA-1+), the rating on the bank, and the documented replacement triggers, are consistent with our counterparty criteria to support the ratings.
- We have also performed sensitivity analysis to see how vulnerable the rated notes would be in some scenarios where the default rate is 25% higher than our base-case assumption or the recovery rate is 25% lower than our expectation. The result shows that the Class B notes may have a three-notch negative rating migration at most, but the Class A notes can withstand the impact.
- An agreed upon procedure is used for the independent data check and conducted by an external party mandated by the issuer. We believe the information provided to us for ratings analyses has been reviewed according to this procedure. As a rating agency, we do not conduct separate due diligence checks on the data or information received.

Environmental, Social, And Governance (ESG) Factors

Our rating analysis considers the potential exposure of the transaction to ESG credit factors. We believe exposure to environmental and social risks is limited. That's because of the high diversity of obligors, many of which are small and medium-sized enterprises, and collateral types in the transaction.

Exposure to governance credit factors has lowered in our view, given 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 risk if the originator loosens its underwriting standards or potentially makes adverse selections when transferring new receivables into the underlying pool during the revolving period.

Related Criteria & Research

Related Criteria

- National And Regional Scale Credit Ratings Methodology, June 8, 2023
- 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 | ABS: Global Equipment ABS Methodology And Assumptions, May 31, 2019

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- 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, October 9, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 07, 2017
- General Criteria: Principles Of Credit Ratings - February 16, 2011

Related Research

- Credit Conditions Asia-Pacific Q1 2025: Bracing For Volatility, www.capitalic.com, December 03, 2024
- 2025 Taiwan Credit Outlook: Robust AI Demand Outweighs Trade Risk, December 17, 2024
- Taiwan Ratings' Ratings Definitions – November 11, 2021
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, www.capitalic.com, December 17, 2016

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

Ratings List

Upgraded

	To	From
Chailease 2021 Securitization Special Purpose Trust		
Class B	twAA (sf)	twA (sf)

Ratings Affirmed

Chailease 2021 Securitization Special Purpose Trust		
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.

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