

DBRS Morningstar Confirms Ratings of Dilosk RMBS No. 3 DAC

RMBS

DBRS Ratings Limited (DBRS Morningstar) confirmed its ratings of the notes issued by Dilosk RMBS No. 3 DAC (the Issuer) as follows:

- Class A Notes confirmed at AAA (sf)
- Class B Notes confirmed at AA (high) (sf)
- Class C Notes confirmed at A (high) (sf)
- Class D Notes confirmed at BBB (sf)

The rating of the Class A Notes addresses the timely payment of interest and ultimate repayment of principal on or before the final maturity date. The ratings of the Class B to Class D Notes address the ultimate payment of interest while junior, but timely payment of interest when the senior-most tranche, and ultimate repayment of principal on or before the final maturity date.

The confirmations follow an annual review of the transaction and are based on the following analytical considerations:

- Portfolio performance, in terms of delinquencies, defaults, and losses, as of the January 2020 payment date.
- Probability of default (PD), loss given default (LGD), and expected loss assumptions on the remaining receivables.
- Current available credit enhancement to the notes to cover the expected losses at their respective rating levels.

The Issuer is a securitisation of prime Irish buy-to-let mortgages originated and serviced by Dilosk DAC (Dilosk) granted to individuals, corporates, and pension trusts between 2017 and 2019. All primary servicing activities are delegated to Link Asset Services Limited.

PORTFOLIO PERFORMANCE

As of January 2020, none of the loans were in arrears, unchanged from closing.

PORTFOLIO ASSUMPTIONS AND KEY DRIVERS

DBRS Morningstar conducted a loan-by-loan analysis of the remaining pool of receivables and updated its base case PD and LGD assumptions to 5.8% and 6.4%, respectively.

CREDIT ENHANCEMENT AND RESERVES

As of the January 2020 payment date, credit enhancement to the Class A, Class B, Class C, and Class D Notes was 22.3%, 15.4%, 9.3%, and 3.7%, respectively, down slightly from 22.5%, 16.0%, 10.3%, and 5.0% at the initial rating because of the use of principal receipts to fund the liquidity reserve fund on the first interest payment date in October 2019. Credit enhancement is provided by subordination of the junior notes and the general reserve fund.

The general reserve fund is nonamortising and is currently at its target level of EUR 5.2 million, equal to 2.5% of original principal balance of the Class A, Class B, Class C, Class D, and Class Z1 notes. The general reserve is available to cover senior fees, interest

shortfall, and principal losses (via the principal deficiency ledgers) on the Class A to Class D Notes.

The liquidity reserve fund initially had a zero balance at closing and was funded through available principal receipts on the first payment date in October 2019. The liquidity reserve fund is currently funded to its target level of EUR 2.5 million, equal to 1.5% of the outstanding Class A Notes, and is subject to a floor of 0.75% of the original Class A Notes balance. The liquidity reserve fund covers senior fees and interest on the Class A Notes.

The Bank of New York Mellon, London Branch acts as the account bank for the transaction. Based on the DBRS Morningstar rating of The Bank of New York Mellon, London Branch at AA (high), the downgrade provisions outlined in the transaction documents, and other mitigating factors inherent in the transaction structure, DBRS Morningstar considers the risk arising from the exposure to the account bank to be consistent with the rating assigned to the Class A Notes, as described in DBRS Morningstar's "Legal Criteria for European Structured Finance Transactions" methodology.

DBRS Morningstar analysed the transaction structure in Intex DealMaker.

The Coronavirus Disease (COVID-19) and the resulting isolation measures have caused an economic contraction, leading to sharp increases in unemployment rates and income reductions for many borrowers. DBRS Morningstar anticipates that delinquencies may arise in the coming months for many RMBS transactions, some meaningfully. The ratings are based on additional analysis and, where appropriate, additional stresses to expected performance as a result of the global efforts to contain the spread of the coronavirus. On 16 April 2020, the DBRS Sovereign group published its outlook on the impact to key economic indicators for the 2020-22 time frame. For details see the following commentary: <https://www.dbrsmorningstar.com/research/359679/global-macroeconomic-scenarios-implications-for-credit-ratings>. DBRS Morningstar analysis considered impacts consistent with the moderate scenario in the referenced report.

For more information regarding rating methodologies and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar press release: <https://www.dbrsmorningstar.com/research/357883>.

For more information regarding structured finance rating methodologies and Coronavirus Disease (COVID-19), please see the following DBRS Morningstar press release: <https://www.dbrsmorningstar.com/research/358308>.

ESG CONSIDERATIONS

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework and its methodologies can be found at: <https://www.dbrsmorningstar.com/research/357792>.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology applicable to the ratings is the "Master European Structured Finance Surveillance Methodology" (13 December 2019).

DBRS Morningstar has applied the principal methodology consistently and conducted a review of the transaction in accordance with the principal methodology.

A review of the transaction legal documents was not conducted as the legal documents have remained unchanged since the most recent rating action.

Other methodologies referenced in this transaction are listed at the end of this press release. These may be found at: <http://>

www.dbrsmorningstar.com/about/methodologies.

For a more detailed discussion of the sovereign risk impact on Structured Finance ratings, please refer to “Appendix C: The Impact of Sovereign Ratings on Other DBRS Credit Ratings” of the “Global Methodology for Rating Sovereign Governments” at: <https://www.dbrsmorningstar.com/research/350410/global-methodology-for-rating-sovereign-governments>.

The sources of data and information used for these ratings include investor reports provided by The Bank of New York Mellon, London Branch, and loan-level data provided by the European Data Warehouse GmbH and Dilosk.

DBRS Morningstar did not rely upon third-party due diligence in order to conduct its analysis.

At the time of the initial rating, DBRS Morningstar was supplied with third-party assessments. However, this did not impact the rating analysis.

DBRS Morningstar considers the data and information available to it for the purposes of providing these ratings to be of satisfactory quality.

DBRS Morningstar does not audit or independently verify the data or information it receives in connection with the rating process.

The last rating action on this transaction took place on 18 April 2019, when DBRS Morningstar finalised its provisional ratings of the Class A, Class B, Class C, and Class D Notes at AAA (sf), AA (high) (sf), A (high) (sf), and BBB (sf), respectively.

The lead analyst responsibilities for this transaction have been transferred to Clare Wootton.

Information regarding DBRS Morningstar ratings, including definitions, policies and methodologies is available on www.dbrsmorningstar.com.

To assess the impact of changing the transaction parameters on the rating, DBRS Morningstar considered the following stress scenarios as compared with the parameters used to determine the rating (the Base Case):

- DBRS Morningstar expected a lifetime base case PD and LGD for the pool based on a review of the current assets. Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative effect on credit ratings.
- The base case PD and LGD of the current pool of loans for the Issuer are 5.8% and 6.4%, respectively.
- The risk sensitivity overview below illustrates the ratings expected if the PD and LGD increase by a certain percentage over the base case assumption. For example, if the LGD increases by 50%, the rating of the Class A Notes would be expected to fall to AA (high) (sf), assuming no change in the PD. If the PD increases by 50%, the rating of the Class A Notes would be expected to fall to AA (high) (sf), assuming no change in the LGD. Furthermore, if both the PD and LGD increase by 50%, the rating of the Class A Notes would be expected to fall to AA (low) (sf).

Class A Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of AA (high) (sf)
- 50% increase in LGD, expected rating of AA (high) (sf)
- 25% increase in PD, expected rating of AA (high) (sf)
- 50% increase in PD, expected rating of AA (high) (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of AA (high) (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of AA (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of AA (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of AA (low) (sf)

Class B Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of AA (high) (sf)
- 50% increase in LGD, expected rating of AA (sf)
- 25% increase in PD, expected rating of AA (sf)
- 50% increase in PD, expected rating of A (high) (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of AA (low) (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of A (high) (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of A (high) (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of A (sf)

Class C Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of A (sf)
- 50% increase in LGD, expected rating of A (sf)
- 25% increase in PD, expected rating of A (sf)
- 50% increase in PD, expected rating of BBB (high) (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of A (low) (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of BBB (high) (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of BBB (high) (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of BBB (high) (sf)

Class D Notes Risk Sensitivity:

- 25% increase in LGD, expected rating of BBB (sf)
- 50% increase in LGD, expected rating of BBB (low) (sf)
- 25% increase in PD, expected rating of BBB (low) (sf)
- 50% increase in PD, expected rating of BBB (low) (sf)
- 25% increase in PD and 25% increase in LGD, expected rating of BBB (low) (sf)
- 25% increase in PD and 50% increase in LGD, expected rating of BB (high) (sf)
- 50% increase in PD and 25% increase in LGD, expected rating of BB (high) (sf)
- 50% increase in PD and 50% increase in LGD, expected rating of BB (high) (sf)

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see:

<http://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

Ratings assigned by DBRS Ratings Limited are subject to EU and U.S. regulations only.

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Rating Committee Chair: Christian Aufsatz, Managing Director

Initial Rating Date: 3 April 2019

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The rating methodologies used in the analysis of this transaction can be found at: <http://www.dbrsmorningstar.com/about/methodologies>.

-- Legal Criteria for European Structured Finance Transactions (11 September 2019)

<https://www.dbrsmorningstar.com/research/350234/legal-criteria-for-european-structured-finance-transactions>

-- Master European Structured Finance Surveillance Methodology (13 December 2019)

<https://www.dbrsmorningstar.com/research/354616/master-european-structured-finance-surveillance-methodology>

-- Operational Risk Assessment for European Structured Finance Servicers (28 February 2020)

<https://www.dbrsmorningstar.com/research/357429/operational-risk-assessment-for-european-structured-finance-servicers>

-- Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda (10 December 2019) and European RMBS Credit Model 1.0.0.0.

<https://www.dbrsmorningstar.com/research/354403/master-european-residential-mortgage-backed-securities-rating-methodology-and-jurisdictional-addenda>

-- Interest Rate Stresses for European Structured Finance Transactions (10 October 2019)





<https://www.dbrsmorningstar.com/research/351557/interest-rate-stresses-for-european-structured-finance-transactions>

A description of how DBRS Morningstar analyses structured finance transactions and how the methodologies are collectively applied can be found at <http://www.dbrsmorningstar.com/research/278375>.

For more information on this credit or on this industry, visit www.dbrsmorningstar.com or contact us at info@dbrsmorningstar.com.

Ratings

Dilosk RMBS No. 3 DAC

Date Issued	Debt Rated	Action	Rating	Trend	Issued
17-Apr-20	Class A Notes	Confirmed	AAA (sf)	--	
17-Apr-20	Class B Notes	Confirmed	AA (high) (sf)	--	
17-Apr-20	Class C Notes	Confirmed	A (high) (sf)	--	
17-Apr-20	Class D Notes	Confirmed	BBB (sf)	--	

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