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Ratings Affirmed In Irish RMBS Transaction Dilosk RMBS No.1 Following Application Of Updated Criteria

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OVERVIEW

- We have reviewed Dilosk RMBS No.1 by conducting our credit and cash flow analysis under our updated Irish RMBS criteria.
- Following our review, we have affirmed our ratings on all classes of notes.
- Dilosk RMBS No.1 is an Irish RMBS transaction, which closed in May 2015 and securitizes first-ranking mortgage loans. ICS Building Society originated the pool, which comprises both owner-occupied and buy-to-let loans, mainly located in Dublin.

LONDON (Standard & Poor's) Oct. 9, 2015--Standard & Poor's Ratings Services today affirmed its credit ratings on Dilosk RMBS No.1 Ltd.'s class A, B, C, and D notes (see list below).

Today's affirmations follow our credit and cash flow analysis of the transaction information that we have received as of July 2015. Our analysis reflects the application of our updated criteria for Irish residential mortgage-backed securities (RMBS criteria; see "Ireland RMBS Methodology And Assumptions," published on March 30, 2015).

In our opinion, although the current outlook for the Irish market is relatively positive, our outlook for the Irish residential mortgage market calls for starting conditions that are not benign (see "Outlook Assumptions

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For The Irish Residential Mortgage Market," published on March 30, 2015). We have therefore increased our expected 'B' foreclosure frequency assumption to 3.33% from 2.00%, when we apply our RMBS criteria, to reflect this view. We base these assumptions on the fact that although the Irish economy has significantly improved in terms of house price appreciation and a fall in unemployment, the stock of nonperforming loans remains high, restructuring arrangements are increasing, and unemployment levels, though expected to fall further, remain high.

The transaction is paying sequentially and the credit enhancement for the class A notes, excluding loans with arrears greater than nine monthly payments, has increased to 23.55%, from 22.51% at closing.

Class	Available credit enhancement (%)
A	23.55
B	10.99
C	7.84
D	5.76

This transaction features a reserve fund, which currently represents 0.52% of the outstanding balance of the mortgage assets.

In our analysis, we have assumed that all loans that are delinquent for more than nine monthly payments have defaulted. Recoveries on such defaulted loans--which vary according to the rating level--are only realized at the end of the 42-month foreclosure period.

Severe delinquencies of more than 90 days, at 0.1%, are considerably lower for this transaction than for other Irish RMBS transactions that we rate. Generally, severe delinquencies in the Irish market have been decreasing over the past two years as the macroeconomic environment in Ireland improves.

After applying our RMBS criteria to this transaction, our credit analysis results shows a marginal increase in the weighted-average foreclosure frequency (WAFF) and a marginal decrease in the weighted-average loss severity (WALS) for each rating level.

Rating level	WAFF (%)	WALS (%)
AAA	24.52	10.87
AA	18.41	8.22
A	14.61	3.86
BBB	11.51	2.43
BB	7.94	2.00
B	6.53	2.00

The increase in the WAFF is due to a small increase in the number of loans delinquent since closing. The WALS have decreased due to the pool's lower weighted-average indexed loan-to-value ratio, which has resulted from amortization and the improving house price index, although both of these

changes are minor.

Following the application of our RMBS criteria and considering our criteria for rating single-jurisdiction securitizations above the sovereign foreign currency rating (RAS criteria), we have determined that our assigned rating on each class of notes in this transaction should be the lower of (i) the rating as capped by our RAS criteria and (ii) the rating that the class of notes can attain under our RMBS criteria (see "Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance," published on May 29, 2015).

In this transaction, none of our ratings are constrained by our long-term rating on the Republic of Ireland (A+/Stable/A-1).

Taking into account the results of our updated credit and cash flow analysis and the recent positive performance, we consider the available credit enhancement for the class A, B, C, and D notes to be commensurate with the currently assigned ratings. We have therefore affirmed our ratings on the class A, B, C, and D notes.

We also consider credit stability in our analysis (see "Methodology: Credit Stability Criteria," published on May 3, 2010). To reflect moderate stress conditions, we adjusted our WAFF assumptions by assuming additional arrears of 16% for one- and three-year horizons. This did not result in our rating deteriorating below the maximum projected deterioration that we would associate with each relevant rating level, as outlined in our credit stability criteria.

We expect severe arrears in the portfolio to decline slowly alongside economic growth, high but diminishing unemployment, and uncertainty surrounding repossessions. On the positive side, we expect interest rates to remain low and house prices to continue increasing (albeit at a reduced rate).

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RELATED CRITERIA AND RESEARCH

Related Criteria

- Methodology And Assumptions For Ratings Above The Sovereign--Single-Jurisdiction Structured Finance, May 29, 2015
- Ireland RMBS Methodology And Assumptions, March 30, 2015
- Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- Global Framework For Assessing Operational Risk In Structured Finance

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Transactions, Oct. 9, 2014

- Europe Asset Isolation And Special-Purpose Entity Criteria--Structured Finance, Sept. 13, 2013
- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Methodology: Credit Stability Criteria, May 3, 2010
- Understanding Standard & Poor's Rating Definitions, June 3, 2009

Related Research

- 2015 EMEA RMBS Scenario And Sensitivity Analysis, Aug. 6, 2015
- Low Lending Rates And Stronger Economic Growth Are Reviving Europe's Housing Markets, July 30, 2015
- Credit Conditions: Despite The Turmoil In Greece, Europe's Fragile Growth Continues, July 14, 2015
- Eurozone Economic Outlook: Will The Catch-Up Lead To A Let-Down?, July 1, 2015
- Ratings Assigned To Irish RMBS Transaction Dilosk RMBS No. 1, May 29, 2015
- Outlook Assumptions For The Irish Residential Mortgage Market, March 30, 2015
- European Monetary And Financial Roundup: Financial Conditions Have Improved Markedly In The Euro Area, March 13, 2015
- Low Interest Rates Are Only Slowly Reviving Europe's Housing Markets, Feb. 5, 2015
- Standard & Poor's Ratings Definitions, Nov. 20, 2014
- European Structured Finance Scenario And Sensitivity Analysis 2014: The Effects Of The Top Five Macroeconomic Factors, July 8, 2014
- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014

RATINGS LIST

Class	Rating
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Dilosk RMBS No.1 Ltd.

€205.8 Million Residential Mortgage-Backed Floating-Rate And Unrated Notes

Ratings Affirmed

A	AAA (sf)
B	AA (sf)
C	A (sf)
D	BBB (sf)

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