

DBRS Morningstar Confirms Ratings on Dilosk RMBS No.1 Designated Activity Company

RMBS

DBRS Ratings Limited (DBRS Morningstar) confirmed its ratings on the following classes of notes issued by Dilosk RMBS No.1 Designated Activity Company (the Issuer):

- Class A notes at AAA (sf)
- Class B notes at AAA (sf)
- Class C notes at AA (high) (sf)
- Class D notes at AA (sf)

The ratings on the Class A and Class B notes address the timely payment of interest and the ultimate payment of principal on or before the legal final maturity date in February 2051. The ratings on the Class C and Class D notes address the ultimate payment of interest and principal, and the timely payment of interest while the senior-most class outstanding.

The rating 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.
- 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.

Dilosk RMBS No.1 is a securitisation of first-ranking Irish residential mortgages originated by ICS Building Society (ICS), which was previously part of the Bank of Ireland Group. Dilosk DAC acquired the mortgage portfolio, the ICS brand, and the mortgage distribution platform from the Bank of Ireland in September 2014. The servicing of the portfolio is delegated to Link Asset Services.

PORTFOLIO PERFORMANCE

As of the February 2020 payment date, loans two to three months in arrears represented 0.2% of the outstanding portfolio balance and the 90+ delinquency ratio was 0.5%. The cumulative loss ratio was 0.0%.

PORTFOLIO ASSUMPTIONS AND KEY DRIVERS

DBRS Morningstar conducted a loan-by-loan analysis of the remaining pool of receivables and has maintained its base case PD and LGD assumptions at 1.1% and 2.4%, respectively.

CREDIT ENHANCEMENT

As of February 2020, credit enhancement to the Class A, Class B, Class C, and Class D notes was 44.4%, 20.8%, 14.8%, and 10.9%, respectively, up from 38.0%, 17.8%, 12.7%, and 9.3% 12 months earlier, respectively. Credit enhancement in each case is provided by the subordination of junior classes and the general reserve fund.

The transaction benefits from a general reserve fund and a liquidity reserve fund, each of EUR 1 million. The general reserve fund is available to cover senior fees, interest, and principal (via the principal deficiency ledgers) on the rated notes, while the liquidity reserve fund is initially available to cover senior fees, Class A interest, and Class B interest.

BNP Paribas Dublin Branch acts as the account bank for the transaction. Based on the DBRS Morningstar private rating of BNP Paribas Dublin Branch, 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 adjustments to expected performance as a result of the global efforts to contain the spread of the coronavirus. On 16 April 2020, the DBRS Morningstar Sovereign group published its outlook on the impact to key economic indicators for the 2020-22 time frame. For details see the following commentaries: <https://www.dbrsmorningstar.com/research/359679/global-macroeconomic-scenarios-implications-for-credit-ratings> and <https://www.dbrsmorningstar.com/research/359903/global-macroeconomic-scenarios-application-to-credit-ratings>. The DBRS Morningstar analysis considered impacts consistent with the moderate scenario in the referenced reports.

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>.

For more information on DBRS Morningstar considerations for European RMBS transactions and Coronavirus Disease (COVID-19), please see the following commentary: <https://www.dbrsmorningstar.com/research/360599>.

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" (22 April 2020). 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: <https://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 Deutsche Bank AG, London branch, and loan-level data provided by the European DataWarehouse GmbH.

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

At the time of the initial ratings, 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 17 May 2019, when DBRS Morningstar confirmed its AAA (sf) rating on the Class A notes and upgraded its ratings on the Class B, Class C, and Class D notes to AAA (sf), AA (high) (sf), and AA (sf) respectively.

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

To assess the impact of changing the transaction parameters on the ratings, DBRS Morningstar considered the following stress scenarios as compared with the parameters used to determine the ratings (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 1.1% and 2.4%, 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 remain at AAA (sf), assuming no change in the PD. If the PD increases by 50%, the rating of the Class A notes would be expected to remain at AAA (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 remain at AAA (sf).

Class A Risk Sensitivity:

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

Class B Risk Sensitivity:

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

Class C 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 (high) (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 (sf)

Class D Risk Sensitivity:

- 25% increase in LGD, expected rating of AA (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 AA (low) (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 AA (low) (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 (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:

<https://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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Initial Rating Date: 12 May 2015

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The rating methodologies used in the analysis of this transaction can be found at: <https://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 (22 April 2020)

<https://www.dbrsmorningstar.com/research/359884/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 v 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 <https://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.1 Designated Activity Company

Date Issued	Debt Rated	Action	Rating	Trend	Issued
15-May-20	Class A (XS1240158128)	Confirmed	AAA (sf)	--	
15-May-20	Class B (XS1240159282)	Confirmed	AAA (sf)	--	
15-May-20	Class C (XS1240159951)	Confirmed	AA (high) (sf)	--	
15-May-20	Class D (XS1240160611)	Confirmed	AA (sf)	--	

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