PRESS RELEASE

FEBRUARY 10, 2022

DBRS Morningstar Upgrades and Confirms Ratings on Dilosk RMBS No. 4 DAC

RMBS

DBRS Ratings GmbH (DBRS Morningstar) took the following rating actions on the notes issued by Dilosk RMBS No. 4 DAC (the Issuer):

-- Class A Notes confirmed at AAA (sf)
-- Class B Notes confirmed at AA (high) (sf)
-- Class C Notes confirmed at AA (low) (sf)
-- Class D Notes upgraded to A (sf) from BBB (high) (sf)
-- Class E Notes upgraded to BBB (high) (sf) from BBB (low) (sf)

The rating on the Class A Notes addresses the timely payment of interest and the full payment of principal by the legal final maturity date in February 2060. The ratings on the Class B, C, D, and E Notes address the ultimate payment of interest and principal, and the timely payment of interest while the senior-most class outstanding.

Additionally, DBRS Morningstar removed the Under Review with Positive Implications (UR-Pos.) status on the Class B, Class C, Class D, and Class E Notes.

These rating actions are the result of an entire review of the transaction following the upgrade of the Republic of Ireland's Long-Term Foreign and Local Currency – Issuer Ratings to AA (low) from A (high) on 14 January 2022. Please refer to https://www.dbrsmorningstar.com/research/390794/dbrs-morningstar-upgraded-ireland-to-aa-low-trend-changed-to-stable for more information. As a consequence of the upgrade, DBRS Morningstar placed the aforementioned tranches UR-Pos. on 31 January 2022.

DBRS Morningstar's credit ratings on structured finance transactions consider sovereign, macroeconomic, and sovereign risk of the country (or countries) in which transaction parties in a securitisation are domiciled. For more details, please refer to "Appendix C: The Impact of Sovereign Ratings on Other DBRS Morningstar Credit Ratings" of the "Global Methodology for Rating Sovereign Governments" at: https://www.dbrsmorningstar.com/research/381451/global-methodology-for-rating-sovereign-governments.

The rating actions 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.
-- Current economic environment and an assessment of sustainable performance, as a result of the Coronavirus Disease (COVID-19) pandemic.

The Issuer is a securitisation of buy-to-let and owner-occupied mortgage loans, originated and serviced by Dilosk DAC, and granted to individuals, corporates, and pension trusts in the Republic of Ireland.

PORTFOLIO PERFORMANCE
As of November 2021, the 90+ delinquency ratio was 0.1% and the cumulative default 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 updated its base case PD and LGD assumptions to 1.8% and 7.7%, respectively.

CREDIT ENHANCEMENT
As of the November 2021 payment date, the credit enhancements available to the Class A, Class B, Class C, Class D, and Class E Notes were 20.4%, 12.3%, 7.5%, 5.2%, and 3.6%, respectively, up from 19.5%, 11.8%, 7.3%, 5.2%, and 3.5% at the DBRS Morningstar initial rating, respectively. Credit enhancement to the notes is provided by subordination of junior classes and the general reserve fund.

The general reserve fund is currently at its target level of EUR 4.0 million, equal to 2.5% of the original principal balance of the rated notes and Z1 notes, minus the liquidity reserve target amount. The general reserve fund is available to cover senior fees, interest, and principal (via the principal deficiency ledgers) on the rated notes.

The liquidity reserve fund is currently at its target level of EUR 3.8 million, equal to 1.5% of the outstanding principal balance of the Class A Notes, and is available to cover senior fees and interest on the Class A Notes.

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.

Natixis S.A. acts as the swap counterparty for the transaction. DBRS Morningstar's private rating of Natixis S.A. is above the First Rating Threshold as described in DBRS Morningstar's "Derivative 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 immediate economic contraction, leading in some cases to increases in unemployment rates and income reductions for many borrowers. DBRS Morningstar anticipates that delinquencies may continue to increase in the coming months for many structured finance transactions. The ratings are based on additional analysis to expected performance as a result of the global efforts to contain the spread of the coronavirus.

For this transaction, DBRS Morningstar incorporated an increase in probability of default for certain borrower characteristics.

The DBRS Morningstar Sovereign group releases baseline macroeconomic scenarios for rated sovereigns. These scenarios were last updated on 9 December 2021. DBRS Morningstar analysis considered impacts consistent with the baseline scenario in the below referenced report. For details, see the following commentaries: https://www.dbrsmorningstar.com/research/389454/baseline-macroeconomic-scenarios-for-rated-sovereigns-december-2021-update and https://www.dbrsmorningstar.com/research/384482/baseline-macroeconomic-scenarios-application-to-credit-ratings.

On 14 June 2021, DBRS Morningstar updated its 5 May 2020 commentary outlining the impact of the coronavirus crisis on performance of DBRS Morningstar-rated RMBS transactions in Europe one year on. For more details, please see: https://www.dbrsmorningstar.com/research/380094/the-impact-of-covid-19-on-european-mortgage-performance-one-year-on and https://www.dbrsmorningstar.com/research/360599/european-rmbs-transactions-risk-exposure-to-coronavirus-covid-19-effect.

ESG CONSIDERATIONS
A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at: https://www.dbrsmorningstar.com/research/373262.

Notes:
All figures are in euros unless otherwise noted.

The principal methodology applicable to the ratings is the "Master European Structured Finance Surveillance Methodology" (8 February 2022).

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.

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.

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 Morningstar Credit Ratings" of the "Global Methodology for Rating Sovereign Governments" at: https://www.dbrsmorningstar.com/research/381451/global-methodology-for-rating-sovereign-governments.

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The sources of data and information used for these ratings include investor reports provided by Deutsche Bank, and loan-level data provided by the European DataWarehouse GmbH and Dilosk DAC.

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 31 January 2022, when DBRS Morningstar placed the Class B, Class C, Class D, and Class E Notes UR-Pos. following the upgrade of the Republic of Ireland's Long-Term Foreign and Local Currency – Issuer Ratings on 14 January 2022.

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 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 1.8% and 7.7%, 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 (high) (sf).

Class A Notes Risk Sensitivity:
-- 25% increase in LGD, expected rating of AAA (sf)
-- 50% increase in LGD, expected rating of AA (high) (sf)
-- 25% increase in PD, expected rating of AAA (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 (high) (sf)
-- 50% increase in PD and 50% increase in LGD, expected rating of AA (high) (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 (high) (sf)
-- 50% increase in PD, expected rating of AA (sf)
-- 25% increase in PD and 25% increase in LGD, expected rating of AA (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 C Notes Risk Sensitivity:
-- 25% increase in LGD, expected rating of AA (low) (sf)
-- 50% increase in LGD, expected rating of A (high) (sf)
-- 25% increase in PD, expected rating of AA (low) (sf)
-- 50% increase in PD, expected rating of A (high) (sf)
-- 25% increase in PD and 25% increase in LGD, expected rating of A (high) (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 D 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 A (low) (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 E Notes Risk Sensitivity:
-- 25% increase in LGD, expected rating of BBB (high) (sf)
-- 50% increase in LGD, expected rating of BBB (high) (sf)
-- 25% increase in PD, expected rating of BBB (high) (sf)
-- 50% increase in PD, expected rating of BBB (sf)
-- 25% increase in PD and 25% increase in LGD, expected rating of BBB (sf)
-- 25% increase in PD and 50% increase in LGD, expected rating of BBB (sf)
-- 50% increase in PD and 25% increase in LGD, expected rating of BBB (sf)
-- 50% increase in PD and 50% increase in LGD, expected rating of BBB (low) (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. DBRS Morningstar understands further information on DBRS Morningstar historical default rates may be published by the Financial Conduct Authority (FCA) on its webpage: https://www.fca.org.uk/firms/credit-rating-agencies.

These ratings are endorsed by DBRS Ratings Limited for use in the United Kingdom.

Lead Analyst: Daniel Rakhamimov, Assistant Vice President
Rating Committee Chair: Alfonso Candelas, Senior Vice President
Initial Rating Date: 25 January 2021

DBRS Ratings GmbH
Neue Mainzer Straße 75
60311 Frankfurt am Main Deutschland
Tel. +49 (69) 8088 3500

Geschäftsführer: Detlef Scholz
Amtsgericht Frankfurt am Main, HRB 110259

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 (29 July 2021), https://www.dbrsmorningstar.com/research/382171/legal-criteria-for-european-structured-finance-transactions.
-- Master European Structured Finance Surveillance Methodology (8 February 2022), https://www.dbrsmorningstar.com/research/392000/master-european-structured-finance-surveillance-methodology.

-- Operational Risk Assessment for European Structured Finance Servicers (16 September 2021), https://www.dbrsmorningstar.com/research/384513/operational-risk-assessment-for-european-structured-finance-servicers.
-- Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda (29 November 2021) and European RMBS Credit Model v 1.0.0.0, https://www.dbrsmorningstar.com/research/388848/master-european-residential-mortgage-backed-securities-rating-methodology-and-jurisdictional-addenda.
-- Interest Rate Stresses for European Structured Finance Transactions (24 September 2021), https://www.dbrsmorningstar.com/research/384920/interest-rate-stresses-for-european-structured-finance-transactions.
-- DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (3 February 2021), https://www.dbrsmorningstar.com/research/373262/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings.
-- Derivative Criteria for European Structured Finance Transactions (20 September 2021), https://www.dbrsmorningstar.com/research/384624/derivative-criteria-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. 4 DAC

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
10-Feb-22	Class A Notes	Confirmed	AAA (sf)	--	EU U
10-Feb-22	Class B Notes	Confirmed	AA (high) (sf)	--	EU U
10-Feb-22	Class C Notes	Confirmed	AA (low) (sf)	--	EU U
10-Feb-22	Class D Notes	Upgraded	A (sf)	--	EU U
10-Feb-22	Class E Notes	Upgraded	BBB (high) (sf)	--	EU U

Contacts

Daniel Rakhamimov
Assistant Vice President - Global Structured Finance
+49 69 8088 3509
daniel.rakhamimov@dbrsmorningstar.com

Andrew Lynch
Vice President, European Surveillance - Global Structured Finance
+44 20 7855 6680
andrew.lynch@dbrsmorningstar.com

Alfonso Candelas
Senior Vice President, Head of European Surveillance
+49 69 8088 3512
alfonso.candelas@dbrsmorningstar.com