MORNINGSTAR | DBRS

Rating Report
Dilosk RMBS No. 5 DAC

DBRS Morningstar
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Contents

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Ratings, Issuer's Assets, and Liabilities

Debt	Amount (EUR)	Size	Initial Credit Enhancement[1]	Coupon[3]	Step-Up Coupon[4]	Rating	Rating Action	Rating Action Date
Class A[2]	280,365,000	83.50%	17.75%	3m Euribor + 0.70%	3m Euribor + 1.05%	AAA (sf)	Provisional Rating – Finalised	21 October 2021
Class B[2]	27,701,000	8.25%	9.50%	3m Euribor + 0.92%	3m Euribor + 1.38%	AA (low) (sf)	Provisional Rating – Finalised	21 October 2021
Class C[2]	11,752,000	3.50%	6.00%	3m Euribor + 1.15%	3m Euribor + 1.725%	A (low) (sf)	Provisional Rating – Finalised	21 October 2021
Class D[2]	7,555,000	2.25%	3.75%	3m Euribor + 1.60%	3m Euribor + 2.40%	BBB (sf)	Provisional Rating – Finalised	21 October 2021
Class E[2]	5,036,000	1.50%	2.25%	3m Euribor + 2.65%	3m Euribor + 3.65%	BB (high) (sf)	Provisional Rating – Finalised	21 October 2021
Class F[2]	2,518,000	0.75%	1.50%	3m Euribor + 3.75%	3m Euribor + 4.75%	BB (low) (sf)	Provisional Rating – Finalised	21 October 2021
Class X1[5]	8,394,000	2.50%	N/A	3m Euribor + 3.25%	3m Euribor + 3.25%	Not Rated	N/A	N/A
Class X2[5]	4,197,000	1.25%	N/A	3m Euribor + 3.25%	3m Euribor + 3.25%	Not Rated	N/A	N/A
Class Z1	839,000	0.25%	N/A	8.00%	N/A	Not Rated	N/A	N/A
Class Z2[6]	4,197,000	1.25%	N/A	8.00%	N/A	Not Rated	N/A	N/A

Notes:
1 Credit enhancement is expressed as a percentage of the total issuance and is provided through subordination and the general reserve fund (GRF).
2 The rating on the Class A notes addresses the timely payment of interest and ultimate payment of principal. The ratings on the other classes of rated notes address the ultimate payment of interest and principal while junior but the timely payment of interest when the senior-most tranche.
3 The interest rate payable on the floating rate notes is floored at 0%.
4 The margin on the Class A to F notes steps up on the first optional redemption date (FORD), falling on the interest payment date (IPD) in March 2025.
5 Class X1 receives excess spread, which is first used to pay interest on Class X1 and second to pay Class X1 principal. Class X1 principal is paid down in eight equal instalments following the issue date. Any unpaid amounts is added to the scheduled installment for the following payment date. Class X2 also receives excess spread but the Class X2 interest and principal are only due after the Class X1 balance has been paid in full.
6 The GRF has been funded at the closing of the transaction with the proceeds of the Class Z2 notes and is replenished on each IPD up to the GRF target level. Once the Class F notes are redeemed in full, the GRF target level will be reduced to zero.

	Amount (EUR)	Size (% of Collateralised Notes)
Initial Portfolio (as at 31 August 2021)	258,281,617	76.92%
Maximum Amount After Prefunding	335,766,00	100%
General Reserve Fund (Initial Amount)	692,500	0.21%
Liquidity Reserve Fund (Initial Amount)	3,504,500	1.04%

*All statistics related to the mortgage portfolio are as of 31 August 2021 unless otherwise stated.
** Please note that, as of 30 September 2021, the initial portfolio amortised down to EUR 257.5 million, which is the purchase price paid by the Issuer at transaction closing. The amortisation amount (EUR 0.8 million) has been added to the principal prefunding reserve.

DBRS Ratings GmbH (DBRS Morningstar) finalised its provisional ratings on the notes issued by Dilosk RMBS No. 5 DAC (the Issuer) as listed on page 1.

The Issuer is a bankruptcy-remote special-purpose vehicle incorporated in the Republic of Ireland. The Issuer used the proceeds of the notes to fund the purchase of prime and performing Irish buy-to-let (BTL) and owner-occupied (OO) mortgage loans secured over properties located in Ireland. The mortgage loans were originated by Dilosk DAC (Dilosk; the originator and the seller) between 2020 and 2021.

This is the fifth securitisation from Dilosk, following Dilosk RMBS No.4 (Dilosk 4), which closed in February 2021. The initial mortgage portfolio consists of EUR 258 million of first-lien mortgage loans collateralised by OO and BTL residential properties in Ireland. The mortgages – all originated by Dilosk – have mostly been granted in the months after the closing of Dilosk 4. The transaction also includes a prefunding period from closing in October 2021 to the first payment date in March 2022.

The mortgage loans are serviced by BCMGlobal, trading as Link Asset Services, in its role as delegated servicer. DBRS Morningstar reviewed both the originator and servicer through a phone update in October 2020. Underwriting guidelines are in accordance with market practices observed in Ireland and are subject to the Central Bank of Ireland's macroprudential mortgage regulations, which specify restrictions on certain lending criteria.

Liquidity in the transaction is provided by the general reserve fund (GRF), which the Issuer can use to pay senior costs and interest on the rated notes but also to clear principal deficiency ledger (PDL) balances. Liquidity for the Class A notes is further supported by a liquidity reserve fund (LRF), fully funded at closing and then amortising in line with the Class A notes. The notes' terms and conditions allow interest payments on them, other than on the most senior class of notes then outstanding, to be deferred if the available funds are insufficient.

Portfolio Summary (31 August 2021)

Total Current Balance (EUR)	258,281,617	Asset Class	RMBS
Number of Loans	1,241	Governing Jurisdiction	Republic of Ireland
Weighted-Average Coupon (%)	2.97	Sovereign Rating	A (high)/Positive trend R-1 (middle)/Stable trend
Indexed WACLTV (%)[1]	68.83	Weighted-Average Seasoning (Years)	0.31

1. 50% credit for increase in house price index since the original valuation date.

Transaction Parties

Roles	Counterparty	DBRS Morningstar Rating
Originator, Sellers, Retention Holder	Dilosk DAC	Not Rated
Issuer	Dilosk RMBS No. 5 DAC	Not Rated
Servicer	Dilosk DAC	Not Rated
Delegate Servicer	BCMGlobal	Not Rated
Principal Paying Agent, Agent Bank, Cash Manager	Deutsche Bank, London Branch	Private Rating
Account Bank, Collection Account Bank	BNP Paribas, Dublin Branch	Private Rating
Trustee	Deutsche Trustee Company Limited	Not Rated
Corporate Servicers Provider, Backup Servicer Facilitator Share Trustee	Vistra Alternative Investments (Ireland) Limited	Not Rated
Arranger	Natixis	

Relevant Dates

Term	Description
Portfolio Cut-Off Date	31 August 2021
Issue Date	20 October 2021
First Payment Date	20 March 2022
Payment Dates	March, June, September, December
Payment Frequency	Quarterly
Step-Up Date/Optional Redemption Date	20 March 2025
Final Maturity Date	20 December 2060

Rating Considerations

Notable Features

- **Prefunding**: At closing, there is an overissuance of notes to fund the purchase of additional new mortgage loans prior to the first interest payment date (IPD). Prefunding can lead to negative carry, as the cash in the prefunded account is likely to yield less than is due on the notes, as well as the possibility for deterioration in the credit quality. DBRS Morningstar accounted for the negative carry during the first payment period. Other mitigants are provided by the prefunding limits provided and the representation and warranties from the seller to the Issuer.
- **Expansion into Private-Dwelling Home Lending**: Dilosk is the originator and the seller for this transaction. Dilosk is a nonbank mortgage lender regulated by the Central Bank of Ireland as a retail credit firm. Dilosk entered the Irish mortgage market through the acquisition of ICS Mortgages, including the brand and distribution platform from the Bank of Ireland in 2014. Until recently, Dilosk's business strategy focused on BTL mortgages and its target market was both professional and semiprofessional landlords and investors in Ireland. In 2019, Dilosk entered the OO market and has since considerably ramped up OO originations. OO mortgages will account for at least 70% of the securitised pool after prefunding.
- **Nonrecourse Borrowers**: Dilosk lends to three different types of borrowers: individuals, corporates, and pension trusts. The loans to pension trusts are loans where Dilosk has recourse only to the property and its income. In addition, the loans granted to corporates are not backed by personal guarantees. Mortgages to pension trusts may account for up to 5% of the pool after prefunding while mortgages to corporates may account for up to 12.5% of the pool after prefunding.

- **Multiunit Properties**: Up to 10.0% of portfolio after prefunding may comprise loans that are backed by multiunit properties. These are large period houses that have been converted into self-contained apartments (a maximum of 12). Each apartment has its own kitchen and bathroom. The apartments have shared access and are all on the same folio (i.e., they cannot be sold individually). Usually, these properties are owned by professional landlords.
- **Deferrable Interest**: The interest on the Class B to the Class F notes is deferrable when these classes are not the most senior notes and there are not enough available revenue funds to pay the interest due on them. Once these notes are the most senior notes outstanding, deferral of interest is not allowed and constitutes an event of default.
- **Step-Up Coupon**: Following the step-up date in March 2025, the margin above three-month Euribor payable on the rated notes increases.
- **Optional Redemption**: Optional redemption of the notes on any payment date is possible from March 2025.
- **Sequential Payment**: The notes are always paid sequentially, allowing for the buildup of credit enhancement over time as the notes amortise.

Strengths

- **Underwriting Criteria:** Dilosk's lending criteria are characterised by strict affordability checks (including for directors of corporate borrowers), a high required interest coverage ratio (ICR) when assessing the affordability of each applicant, and low loan-to-value ratios (LTVs), which ensures that borrowers have a high proportion of equity in the property. In addition, for BTL loans, Dilosk uses the receivership process in Ireland, which is robust and shortens the foreclosure process.
- **Low LTV at Origination**: The current weighted-average (WA) LTV of the portfolio stands at 68.38%, which is low compared with Irish transactions in the prime space, albeit higher than previous Dilosk transactions that securitised more BTL loans, which tend to have lower LTVs.
- **Nonamortising General Reserve**: The nonamortising GRF provides credit and liquidity support to the Class A to Class E notes. It was fully funded at closing with the Class Z2 notes proceeds and was equal to 1.25% of the Class A to Z1 notes at issuance. The GRF can be applied to cover shortfalls in senior fees and interest on the Class A to F notes and to clear PDL balances on the Class A to F notes' subledgers.
- **Sequential Amortisation**: The collateralised notes amortise sequentially in order of seniority, with the most senior notes amortising first.
- **Provisioning Based on Delinquency Status of Loans**: The provisioning mechanism in the transaction is linked to the arrears status of a loan in addition to being based on losses. The degree of provisioning increases the longer a loan is in arrears. Provisioning based on arrears status traps any excess spread much earlier for a loan in the recovery process than would otherwise have been released to the seller as deferred consideration.

Challenges and Mitigating Factors

- **Property Occupancy:** Up to 30% of the mortgages at the end of the prefunding period may be collateralised by BTL properties. BTL performance is generally influenced by the rental coverage ratio and landlord experience. BTL properties are also exposed to the possibility that the property will remain untenanted for a period of time, in which case the landlord may have to rely on an alternative source of income to service the mortgage loan.
  Mitigant: BTL loans receive a probability of default (PD) adjustment in accordance with DBRS Morningstar's *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda*, notwithstanding the more robust and strict underwriting criteria that Dilosk applies based on the ICR and low LTV ranges compared with pre-crisis BTL originations.
- **Limited Historical Performance Data**: The WA seasoning of the pool is 0.3 years, which means the performance of the securitised origination vintages has still not been observed in the long term. Moreover, Dilosk is a new lender with a mortgage with a limited performance history.
  Mitigant: DBRS Morningstar compared Dilosk's underwriting and origination criteria with pre-crisis originations and current originations of other lenders and concluded that Dilosk's criteria is stricter and more robust compared with those applied when originating loans pre-crisis. Despite the lack of performance history, DBRS Morningstar expects the pool performance of this portfolio to be better compared with performance during the crisis.
- **Multiunit Properties**: Up to 10% of the portfolio after the prefunding may comprise loans backed by multiunit properties. These are large period houses that have been converted into self-contained apartments (a maximum of 12). Each apartment has its own kitchen and bathroom. The apartments have shared access and are all on the same folio (i.e., they cannot be sold individually). Usually these properties are owned by professional landlords. Most of these properties are located in Dublin, followed by Ireland's southwest and mideast regions. As expected, the monthly rent and payment due on the loans that are backed by these properties is higher compared with the rest of the loans in the portfolio.
  Mitigant: If a borrower defaults on the loans that are backed by multiunit properties, it will be more difficult to liquidate them given that they are big-ticket items and it will be more difficult to find a potential borrower who would be able to manage these properties professionally. Consequently, for these loans, DBRS Morningstar has stressed potential recovery proceeds applying market value declines (MVDs) that are, on average, 5.0% higher for properties in Dublin and outside Dublin, compared with those applicable as per DBRS Morningstar's *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda*.
- **Nonrecourse Loans and Loans with No Personal Guarantees:** Up to 5% of the portfolio after the prefunding may be granted to pension trusts and up to 12% may be granted to corporates. The loans to pension funds are nonrecourse loans and the loans to the corporates are not backed by personal guarantees. If the borrower defaults on the loan and the recovery proceeds after the sale of the property are not enough to cover the losses, the servicer will not be able to go against other resources of the ultimate property owner. DBRS Morningstar considers that this will be more likely for the borrowers where the ICR is less than 1.0 times (x).
  Mitigant: Currently, the average ICR of these loans stands at approximately 3.0x, which is well above Dilosk's minimum ICR at 1.2x. However, in a distressed scenario where interest rates increase and the rental income goes down, ICRs could potentially drop below 1.0x. DBRS Morningstar stressed the PD for these loans by stressing the interest rate according to DBRS Morningstar's *Interest Rate Stresses for European Structured Finance Transactions* methodology and additionally

stressed the monthly rental income provided. This allowed DBRS Morningstar to arrive at an estimate proportion of loans for which the ICR will drop below 1.0x and treated this proportion as an additional stress for the PD calculation of these loans, in particular for rating scenarios higher than BBB.

- **Repayment Type**: Given the nature of BTL loans, up to 12% of the pool after prefunding may consists of interest-only (IO) loans, a reduced exposure compared with previous Dilosk transactions. DBRS Morningstar views such loans as riskier compared with repayment loans as the large balloon payment due at the loan's maturity date creates refinancing risk. Flexi mortgage loans are IO loans for a period of up to 10 years of the term of the mortgage loan after which they change to pay capital plus interest for a maximum period of 25 years. Flexi loans may account for up to 5% of the portfolio after prefunding, a reduced exposure compared with previous Dilosk transactions.
Mitigant: The IO loans (including flexi loans) receive a PD adjustment in accordance with the *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda*.
- **Unhedged Basis Risk**: The rated notes pay an interest linked to the three-month Euribor rate. In comparison, 100% of the loans in the mortgage portfolio either currently pay interest linked to the standard variable rate (SVR) or pay a fixed rate that will switch to SVR later in the life of the loan. This gives rise to basis risk that is not hedged in the transaction.
Mitigant: To mitigate this risk, the servicer is contractually obliged to maintain the SVR rate on the loans at a minimum of the three-month Euribor plus 3.25% for BTL loans and a minimum of three-month Euribor plus 2.40% for OO loans, subject to such variable interest not being less than zero (SVR floor). DBRS Morningstar assessed cash flows in accordance with its *Interest Rate Stresses for European Structured Finance Transactions* methodology and DBRS Morningstar gave credit to the SVR floor in its cash flow analysis.

Origination and Servicing

DBRS Morningstar conducted an operational review update of Dilosk in October 2020 whereas the latest full review was carried out in February 2019. DBRS Morningstar views the company's origination and servicing practices to be consistent with the overall Irish mortgage market. Dilosk's management and oversight activities of its delegated servicer, BCMGlobal, trading as Link Asset Services, are strengths.

The company was established in August 2013 and has been regulated by the Central Bank of Ireland as a retail credit firm since August 2014. In September 2014, Dilosk acquired the ICS Mortgages brand, distribution platform, and performing mortgage portfolio from the Bank of Ireland. At this point, Dilosk started operating as a master servicer overseeing BCMGlobal. Dilosk commenced lending operations in 2017 with the relaunch of ICS Mortgages as a specialist BTL lender. In September 2019, Dilosk entered the residential mortgage market, again using the ICS Mortgages brand and, in January 2020, it launched a product designed for public-sector employees.

Dilosk is led by a senior management team with an average of over 20 years' industry experience, which compares well with other similar lenders. The average company and role tenure of the team are relatively low because of the growth of the business, but the co-founders have been with the business since inception, providing continuity.

All servicing of the mortgage assets is outsourced to BCMGlobal. BCMGlobal has a dedicated team of credit management staff, located in its Maynooth office, focused on the Dilosk portfolio as well as the support of shared functions, such as reporting and compliance. A master servicing contract is in place between Dilosk and BCMGlobal.

Further information on the servicing practices can be found in Appendix 1 of this report.

Transaction Structure

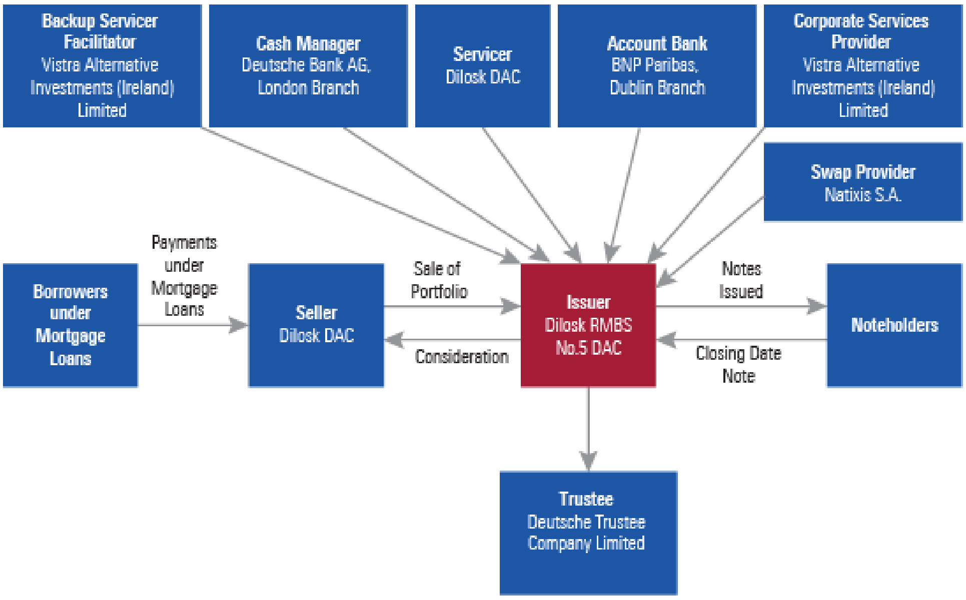
Transaction Summary

Currencies	Issuer's assets and liabilities are denominated in euros.	
Relevant Jurisdictions	English and Irish law	
Basis Risk Hedging	Not hedged	
Interest Rate Hedging	N.A.	
General Reserve Fund	Provides credit and liquidity support to the rated notes (Class A to D notes).	
	Initial Amount:	1.25% of the collateralised notes at closing minus LRF initial amount
	Target Amount:	1.25% of the collateralised notes at closing minus LRF target amount
	Amortisation:	N.A.
	Notes:	(1) The amounts standing to the credit of the GRF are part of available revenue receipts on and from the first payment date and can be used to cure any revenue shortfall. (2) If sufficient to redeem the rated notes in full (together with the available principal receipts of that period), amounts still standing to the credit of the GRF will be applied as available principal receipts (see principal priority of payments)..
Liquidity Reserve Fund	Available to provide liquidity support to the senior fee payments and interest on the Class A notes.	
	Initial Amount:	1.25% of Class A Notes balance at closing
	Target Amount:	1.25% of Class A Notes outstanding balance
	Amortisation:	Amortises at 1.25% of Class A Notes outstanding balance
	Notes:	On the payment date when the Class A notes are redeemed in full, the target balance will be zero. In this case, any balance standing in the LRF should be used to cover any revenue shortfall, and any remaining balance after that should be used as available revenue receipts.

Principal receipts from loans can be used to support liquidity for the Class A notes and, after the Class A notes have been redeemed in full, to support the liquidity for the most senior class of notes outstanding (but only after shortfalls are first met from the GRF and the LRF for Class A interest). Principal draws to pay interest are recorded in the PDLs in reverse-sequential order, from Class Z1 PDL to Class A PDL.

The liquidity support for the senior fees in the revenue waterfall and interest payments on the Class A notes is provided by the LRF. The GRF provides support for the Class A to F notes' interest payments and Class A to F notes' PDL.

The transaction structure is summarised below:



Source: DBRS Morningstar.

Counterparty Assessment

Servicer and Backup Servicer

From the closing date, the servicer has appointed BCMGlobal as its delegate servicer. DBRS Morningstar considers the servicing practices of BCMGlobal to be consistent with the overall Irish market. Vistra Alternative Investments (Ireland) Limited has been engaged to act as the backup servicer facilitator to ensure the continuity of the mortgage portfolio servicing.

Collection Account Bank and Commingling Risk

Payments are made directly by the borrowers via direct debit into a collection account held at the BNP Paribas, Dublin Branch (BNP Paribas Dublin). Starting from the end of the prefunding period, the amounts in the collections account will be transferred to the Issuer account on the following business day. In the event of BNP Paribas Dublin becoming insolvent, Dilosk will attempt to appoint a replacement collection account bank with the appropriate rating.

If a collection account provider is downgraded below BBB (low), the collection account bank will be replaced by an appropriately rated bank within 30 business days.

To mitigate commingling risk, Dilosk provided a declaration of trust to hold all amounts standing to the credit of the collection account on trust for the Issuer.

Issuer Account Bank

BNP Paribas Dublin also acts as account bank in the transaction. The transaction documents stipulate that, in the event of a breach of the DBRS Morningstar rating level of "A", the account bank will be replaced with an appropriately rated institution within 30 calendar days. Based on DBRS Morningstar's private rating on BNP Paribas Dublin, 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 Minimum Institution Rating as described in DBRS Morningstar's *Legal Criteria for European Structured Finance Transactions* methodology. Amounts deposited into this account are permitted to be invested into investments, which are consistent with DBRS Morningstar's criteria.

Hedging Provider

Natixis acts as the swap counterparty of the Issuer. Based on DBRS Morningstar's rating equivalent from other rating agencies, the downgrade provisions outlined in the documents, and the transaction's structural mitigants, DBRS Morningstar considers the risk arising from the exposure to Natixis to be consistent with the ratings assigned to the rated notes, as described in DBRS Morningstar's *Derivative Criteria for European Structured Finance Transactions* methodology.

Available Funds

The available revenue funds to be applied in accordance with the pre-enforcement revenue waterfall are as follows:

- Interest collections, including recoveries of interest from defaulting borrowers;
- Interest on the Issuer bank accounts;
- Principal receipts applied as principal deficiency excess revenue amounts;
- Amounts available under the GRF to remedy a revenue shortfall;
- Amounts available under the LRF to remedy a Class A shortfall;
- LRF excess amount (excess over the LRF required amount);
- Principal receipts to pay interest, which are required to meet any further interest shortfall; and
- Other net income of the Issuer.

The available principal funds to be applied in accordance with the pre-enforcement principal waterfall are as follows:

- Principal collections, including recoveries of principal from defaulting borrowers;
- Amounts released from the GRF when redeeming the rated notes in full;
- Outstanding LRF amount on the redemption date of the Class A notes;
- Revenue funds allocated to crediting a PDL;

  less
- Principal receipts applied as principal deficiency excess revenue amounts.

Priority of Payments

The Issuer applies the available funds in accordance with two separate priorities of payments for interest and principal.

Revenue Priority of Payments:

1. Trustee fees;
2. Transaction parties' fees;
3. Senior fees;
4. Issuer profit amount;
5. Interest due on the Class A notes;
6. Replenish the liquidity reserve fund to the target amount as long as the Class A notes are outstanding;
7. Class A notes PDL credit if applicable;
8. Interest due on the Class B notes (including accrued interest, if any);
9. Class B PDL credit if applicable;
10. Interest due on the Class C notes (including accrued interest, if any);
11. Class C PDL credit if applicable;
12. Interest due on the Class D notes (including accrued interest, if any);
13. Class D PDL credit if applicable;
14. Interest due on the Class E notes (including accrued interest, if any);
15. Class E PDL credit if applicable;
16. Interest due on the Class F notes (including accrued interest, if any);
17. Class F PDL credit if applicable;
18. Replenish the general reserve fund to the target amount as long as the rated notes are outstanding;
19. Class Z1 PDL credit if applicable;
20. Before the first optional redemption date (FORD), junior servicing fees;
21. Interest due on the Class X1 notes;
22. Principal due on the Class X1 notes to a maximum of one-eighth of the original balance on each IPD;
23. From and including the IPD immediately following the FORD, junior servicing fees;
24. From and including the IPD immediately following the FORD, any excess spread is used for available principal receipts, in order to pay down the principal priority of payments;
25. Class X2 interest (provided Class X1 has been fully redeemed);
26. Class X2 principal (provided Class X1 has been fully redeemed);
27. Interest due on the Class Z1 notes; and
28. Interest due on the Class Z2 notes;

Principal Priority of Payments:

1. Fund the LRF to the LRF required amount (only prior to the LRF initial funding date);
2. Revenue shortfall;
3. Principal due on the Class A notes until paid in full;
4. Principal due on the Class B notes until paid in full;
5. Principal due on the Class C notes until paid in full;
6. Principal due on the Class D notes until paid in full;

7. Principal due on the Class E notes until paid in full;
8. Principal due on the Class F notes until paid in full;
9. Principal due on the Class Z1 notes until paid in full;
10. Principal due on the Class Z2 notes until paid in full; and
11. Excess to be allocated as revenue.

Principal Deficiency Ledger

The PDL is recorded as a debit ledger of the following items (without double counting):

- Losses on the underlying mortgages.
- In the case of loans greater than 180 days in arrears, an amount equal to the current balance of the loan in arrears times the applicable arrears percentage (50% after six months, 75% after nine months, and 100% after 12 months).
- Principal receipts to meet any remaining revenue shortfall on the senior fees interest and the most senior note outstanding.
- Principal deficiency excess revenue amount.

Step-Up Coupon

The interest payable on the Class A to F notes will step up on the payment date, falling in March 2025. DBRS Morningstar considered the increased interest payable in its cash flow analysis.

Legal Analysis

On the issue date, the Issuer acquired the beneficial title to the collateral while Dilosk remains the legal title holder. As security for the payments of all monies payable with respect to the notes, the Issuer entered a deed of charge, creating security in favour of the trustee consisting of a first-ranking fixed charge over the Issuer's rights, title, benefit, and interest in and to the underlying collateral. The transaction structure is designed to ensure that any insolvency of the originator will not interrupt the timely payments of principal and interest to investors. The Issuer has charged its rights, title, and interest in and to the mortgages to the trustee. The Issuer will have no recourse to the originator except in limited circumstances.

Representations and Warranties

The mortgage sale agreement contains representations and warranties from Dilosk (as the relevant seller) and the servicing agreement in relation to the mortgage portfolio on the closing date, the additional mortgage loans sold to the Issuer during the prefunding period and the further advances. A breach of any of the representations and warranties require the relevant seller to either (1) repurchase the relevant mortgage loan and its related security or (2) indemnify the Issuer against all crystallised liabilities relating to the breach of the representation and warranty.

The relevant seller may have limited resources available at its disposal to fund indemnification. DBRS Morningstar expects any future breach of warranty to be limited.

Set-Off Risk

Dilosk is not a deposit-taking institution and, as such, set-off risk is not expected to arise for the loans in the portfolio.

Further Advances and Product Switches

Further advances to the borrower are allowed only until the call date in March 2025 and only if:

- No event of default has occurred;
- There is no uncleared PDL; and
- No perfection trigger event has occurred.

Such further advances are subject to the underwriting process and Dilosk's lending criteria, which are substantially the same as the criteria used to advance the original loan. Such further advances will form part of the Dilosk RMBS No. 5 portfolio and will be purchased by the Issuer (subject to the further advance conditions) on the date the further advance is made. The Issuer will fund the payment of the further advance purchase price to Dilosk by using principal receipts. If the principal receipts are insufficient to fund a further advance to be granted in respect of a mortgage loan, Dilosk must repurchase the relevant mortgage loan(s) and its related security from the Issuer.

The servicer may agree to a borrower request for a product switch but with the following limitations:

- No switches allowed after the step-up date of March 2025;
- No further advances is allowed in conjunction with a product switch;
- No insolvency event, event of default or perfection trigger event has occurred;
- No uncleared PDL;
- GRF at its target amount;
- The mortgage subject to the switch is not one or more months in arrears;
- Only one product switch can be granted to the same mortgage;
- No more than three years of paying a fixed rate after switching;
- BTL mortgages cannot be converted into fixed rate;
- Switch to IO repayment not allowed;
- Both switches to SVRs from fixed rate and fixed-rate loan refixes are allowed but the new fixed rate should be a minimum of Euribor +2%; and
- If terms are extended, the new maturity should be at least two years earlier than legal final.

Switches to a fixed rate are possible only if the resulting total amount of fixed-rate loans is equal or lower than the swap notional as of the date of the switch. Product switches to a fixed rate cannot amount to more than 25% of the initial collateral balance.

Events of Default

Events of default will occur under the following scenarios:

- Nonpayment of principal on any of the notes within seven days of such amount being due.
- Nonpayment of interest on any of the notes within 14 days of such amount being due, subject to the interest accrual condition.
- The Issuer fails to perform or observe any of its other obligations and the failure continues for a period of 30 days (or as the note trustee may permit) following the service by the note trustee on the Issuer.
- An insolvency event in respect of the Issuer.
- Illegality for the Issuer to perform or comply with its obligations.

Deferral of Interest

As long as the Class B, Class C, Class D, Class E, and Class F notes are not the most senior class of notes outstanding, interest on the Class B, Class C, Class D, Class E, and Class F notes can be deferred if there is a shortfall in available funds to pay such liabilities. Such deferral of interest is not an event of default. Any amounts of deferred interest in respect of a relevant class of notes shall accrue interest. Once the notes become senior, no deferral of interest is allowed.

Collateral Summary

Data Quality

DBRS Morningstar was provided with a loan-by-loan data tape as of 31 August 2021.

DBRS Morningstar was also provided with the following historical data sets:

- Aggregated monthly dynamic arrears from April 2017 to June 2021; and
- Aggregated monthly prepayment rates from April 2017 to June 2021.

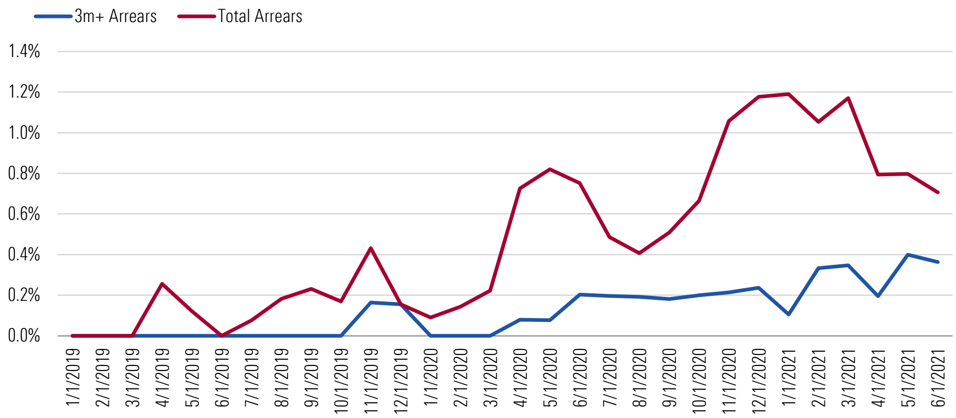
The data mostly refer to the BTL book since OO originations only begun in November 2019 at very low volumes. Meaningful arrears data for OO originations are available from June 2020 onwards.

The main source of information used for these ratings is Dilosk. DBRS Morningstar considers the information available to it for the purposes of providing these ratings to be of satisfactory quality.

Historical Performance Data

Loans in arrears have peaked at 1.2% at the beginning of 2021, but decreased to 0.7% as of June 2021. The increasing origination volumes on the OO market are still not fully reflected in the arrears volumes, but create a 'denominator effect' that dilute the current arrears, which is mostly related to the originator's BTL book.

Exhibit 1 Dynamic Arrears & Payment Holidays (%)



Source: Dilosk DAC, DBRS Morningstar

The take-up of payment holidays resulting from the Coronavirus Disease (COVID-19) pandemic has been relatively low, peaking at 5.2% of the outstanding BTL book in May 2020, but then readily reducing in the following months, once the three-month payment holiday breaks started expiring. The final portfolio has no loans on payment holidays.

Summary Statistics (DBRS Morningstar Calculations)	
Number of Mortgage Loans	1,241
Number of Borrowers	1,190
Total Original Balance (EUR)	260,584,614
Total Current Balance (EUR)	258,281,617
Average Original Balance per Borrower (EUR)	209,980
Average Current Balance per Borrower (EUR)	207,774
Maximum Current Balance (EUR)	1,651,702
Weighted-Average Original LTV	70.3%
Weighted-Average Current LTV Indexed[1]	68.8%
Proportion of Loans with CLTV (ind)>100%[1]	0.00%
Weighted-Average Seasoning (Years)	0.3
Weighted-Average Residual Term (Years)	25.0
Weighted-Average Interest Rate	2.97%
Interest-Only Loans[2]	8.5%
Self-Employed	9.6%
Income Self-Certified	0.00%
Buy-to-Let Loans	24.0%
Purchase Loans	75.6%
Remortgage Loans	9.9%
Loans to Corporates	8.2%
Loans to Pension Funds	3.1%
Multiunit Properties	6.5%
Properties in Dublin	44.4%
Properties Outside Dublin	55.6%
Restructured Loans	0.00%
>=0 and <1 Month in Arrears	0.00%
>=1 and <2 Months in Arrears	0.00%
>=2 and <3 Months in Arrears	0.02%
>=3 Months in Arrears	0.00%

1. DBRS Morningstar Calculation: the WA Indexed LTV was calculated giving 50% credit to increase in house prices.
2. The percentage of IO loans includes 14.2% of so-called flexi mortgages, which are loans that pay IO for a period of up to 10 years, after which they switch to pay capital plus interest.

All statistics related to the mortgage portfolio are as of 31 August 2021 unless otherwise stated.

Origination Vintages

As of the cut-off date, the securitised portfolio was about three months seasoned. The overwhelming majority of the mortgages was originated in 2021 with only 4.7% of the mortgages originated in 2020.

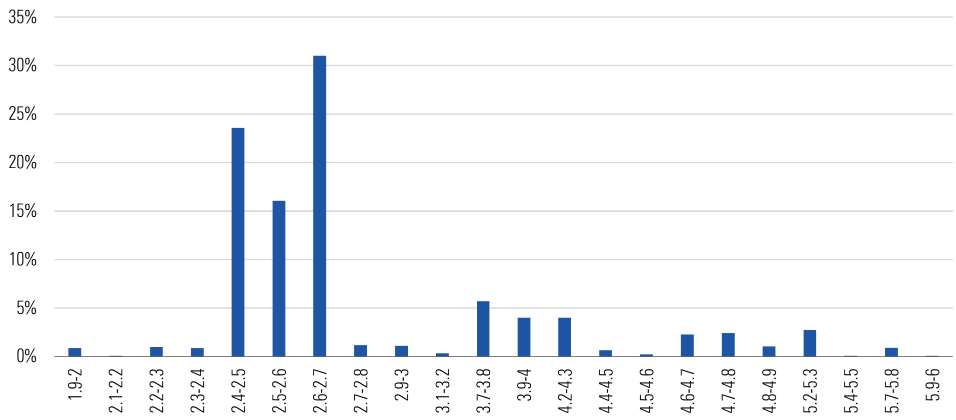
Interest Rates

Mortgages typically pay an initial fixed rate with a set date for a switch to a SVR. About 27% of the pool currently pays SVR with the remaining still paying fixed. While the WA coupon of the portfolio is currently 3.0%, the portfolio yield will increase as the loans switch to SVR. The fixed-rate loans pay an average of 2.5% whereas the SVR loans pay an average of 4.2%.

The SVR is not the same for all borrowers at any point in time. Rather, existing borrowers have the option to request a discount to their variable rate. This discount offered by the lender depends on the current LTV of the mortgage at the time of the request.

Consequently, the WA margin of the deal is likely to reduce throughout the life of the transaction. To avoid excessive margin compression, the fixed-rate loans are hedged through a fixed schedule that guarantees a post-swap margin of 200 basis points (bps) until the next reset date of each individual loan. Furthermore, for SVR loans, the servicer has committed to keep the SVR at a minimum of three-month Euribor + 240 bps for OO loans and three-month Euribor + 325 bps for BTL loans.

Exhibit 2 Current Interest Rate (%)

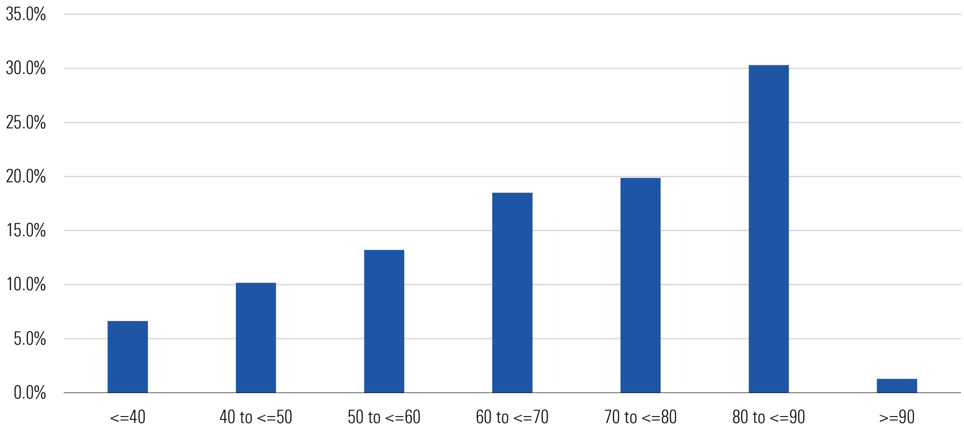


Source: DBRS Morningstar.

LTV Distribution

The pool presents a WA current indexed LTV of 68.6% (versus a WA original LTV of 70.3%), with 68.7% of the pool having an indexed CLTV below 80%.

Exhibit 3 Current Indexed LTV Distribution

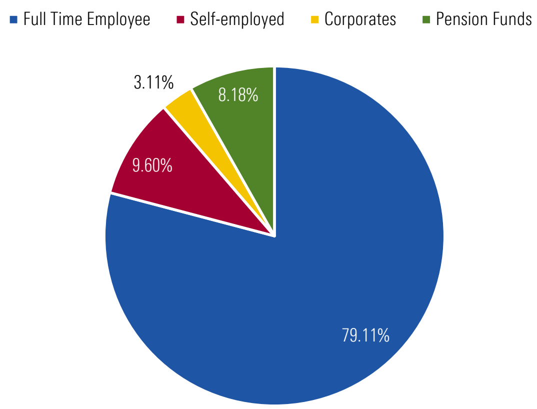


Source: Dilosk RMBS No. 5 pool tape, Dilosk DAC.

Borrower Features

Loans granted to full-time employed borrowers represent 79% of the pool, with an additional 9% of the loans extended to self-employed borrowers. For self-employed borrowers, DBRS Morningstar applied a standard PD adjustment of 1.15x, in line with its *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda*.

Exhibit 4 Borrower Type



Source: Dilosk RMBS No. 5 pool tape, Dilosk DAC.

In addition to individuals, Dilosk routinely grants loans to legal entities and, in particular, to two borrower types included in the pool: corporates and pension trust funds. Since those borrowers are not individuals, there will not be double recourse to the borrowers' estate as is typical of residential mortgages granted to individuals. This can increase the PD of such loans if the ICR falls below 1.0x (i.e., meaning that interest paid on the mortgage is higher than rent collected from the property) or the property goes into negative equity. DBRS Morningstar stressed the possible deterioration of the ICR of these loans in high rating scenarios to estimate the PDs of these borrowers.

Property Features

Some mortgages (6.5% in the initial pool; up to 10.0% after the prefunding) are lent against multiunit properties. These properties are less liquid than single-unit property and could prove more difficult to sell in a market downturn. To take this into account, DBRS Morningstar applied a 5% haircut to multiunit properties.

All the original valuations (which DBRS Morningstar uses as the reference point for its indexation) have been flagged as full surveyor valuations.

Prefunding

The Issuer must purchase additional new mortgage loans prior to the first IPD. To mitigate possible adverse credit mitigations in the overall portfolio, after the prefunding period, the portfolio will need to adhere to the following limits:

Portfolio Feature	Limit	As of 31 August 2021
Maximum Weighted-Average OLTV	73.0%	69.4%
Maximum Weighted-Average CLTV	72.0%	68.8%
Minimum Weighted-Average Interest Rate	2.8%	3.0%
Maximum BTL Loans	30.0%	24.0%
Maximum Interest-Only Loans (%)	12.0%	6.8%
Flexi Product Loans (%)	5.0%	1.7%
Maximum Remortgages (%)	30.0%	24.4%
Minimum Weighted-Average ICR	250.0%	312.4%
Maximum Self-Employed (with an OO mortgage) (%)	7.5%	4.1%
Regional Limit (Dublin)	50.0%	44.4%
Maximum Fixed-Rate Loans	80.0%	73.3%
Pension Trust Borrower Limit	5.0%	3.1%
Corporate Borrower Limit	12.0%	8.2%
Multiunit Properties	10.0%	6.5%

DBRS Morningstar reviewed the prefunding limits, in comparison with the portfolio features as of 31 August 2021, and deemed the limits to effectively mitigate the risk of credit deterioration.

Rating Analysis

DBRS Morningstar based its ratings on a review of the following analytical considerations:

- The transaction capital structure, including the form and sufficiency of available credit enhancement.
- The credit quality of the mortgage portfolio and the ability of the servicer to perform collection and resolution activities. DBRS Morningstar estimated stress-level PD, loss given default (LGD), and expected losses (EL) on the mortgage portfolio. DBRS Morningstar uses the PD, LGD, and EL as inputs into the cash flow engine. DBRS Morningstar analysed the mortgage portfolio in accordance with its *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda*.
- The transaction's ability to withstand stressed cash flow assumptions and repay the Class A, Class B, Class C, Class D, Class E, and Class F notes according to the terms of the transaction documents. DBRS Morningstar analysed the transaction structure using Intex DealMaker. DBRS Morningstar considered additional sensitivity scenarios of 0% conditional prepayment rate (CPR) stress.
- The sovereign rating of A (high) with a Positive trend on the Republic of Ireland as of the date of this report.
- The consistency of the transaction's legal structure with DBRS Morningstar's *Legal Criteria for European Structured Finance Transactions* methodology and the presence of legal opinions addressing the assignment of the assets to the Issuer.

Probability of Default, Loss Given Default, and Expected Losses

Rating Scenario	PD	LGD	EL
AAA (sf)	34.2%	56.4%	19.3%
AA (low) (sf)	23.4%	41.8%	9.8%
A (low) (sf)	17.2%	36.6%	6.3%
BBB (sf)	14.0%	30.2%	4.2%
BB (high) (sf)	10.1%	24.1%	2.4%
BB (low) (sf)	8.1%	18.5%	1.5%

Source: DBRS Morningstar.

Cash Flow Scenarios

DBRS Morningstar applied two default timing curves (front-ended and back-ended), its prepayment curves (low, medium, and high CPR assumptions), and interest rate stresses as per the DBRS Morningstar *Interest Rate Stresses for European Structured Finance Transactions* methodology. DBRS Morningstar tested additional scenarios where 0% CPR was stressed.

Based on a combination of these assumptions, DBRS Morningstar applied a total of 12 cash flow scenarios and four additional cash flow scenarios to test the performance of the rated notes (see table below).

Scenario	Prepayments	Default Timing	Interest Rate
1	5%	Front	Upward
2	5%	Front	Downward
3	5%	Back	Upward
4	5%	Back	Downward
5	10%	Front	Upward
6	10%	Front	Downward
7	10%	Back	Upward
8	10%	Back	Downward
9	20%	Front	Upward
10	20%	Front	Downward
11	20%	Back	Upward
12	20%	Back	Downward
Additional 0% CPR Stresses			
13	0%	Front	Upward
14	0%	Front	Downward
15	0%	Back	Upward
16	0%	Back	Downward

Interest Rate Stresses

DBRS Morningstar applied its standard interest rate stresses as detailed in its *Interest Rate Stresses for European Structured Finance Transactions* methodology.

The rated notes pay an interest rate linked to the three-month Euribor rate plus a margin. In comparison, the loans in the mortgage portfolio pay interest linked to the SVR set by Dilosk or a fixed rate (until the date at which each loan switch to SVR). While fixed-rate loans are hedged through the swaps, SVR loans give rise to basis risk that is not hedged in the transaction.

To partially mitigate this risk, the servicer is expected to maintain the SVR rate at a minimum of the three-month Euribor plus 3.25% for BTL loans and 2.40% for OO loans, subject to such variable interest not being less than zero. Consequently, DBRS Morningstar applied the SVR floor rates when modelling the transaction cash flows.

Timing of Defaults

DBRS Morningstar applied 10-year front- and back-loaded default timing curves.

Recovery Lag

DBRS Morningstar assumed a recovery lag of 48 months.

Risk Sensitivities

DBRS Morningstar estimated the PD and LGD for the pool based on a review of historical data and an assessment of the mortgage pool characteristics. Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative impact on the credit ratings. The tables below illustrate the sensitivity of the rating to various changes in the base case default rates and loss severity assumptions relative to the base case assumptions, in the respective rating scenario of the following classes:

Class A

Increase in LGD (%)	Increase in Default Rate %			
		0	**25**	**50**
	0	AAA (sf)	AA (high) (sf)	AA (sf)
	25	AA (high) (sf)	AA (sf)	AA (low) (sf)
	50	AA (sf)	AA (low) (sf)	A (high) (sf)

Class B

Increase in LGD (%)	Increase in Default Rate %			
		0	**25**	**50**
	0	AA (low) (sf)	A (high) (sf)	A (low) (sf)
	25	A (high) (sf)	A (low) (sf)	BBB (high) (sf)
	50	A (sf)	BBB (high) (sf)	BBB (sf)

Class C

Increase in LGD (%)	Increase in Default Rate %			
		0	**25**	**50**
	0	A (low) (sf)	BBB (high) (sf)	BBB (sf)
	25	BBB (high) (sf)	BBB (sf)	BBB (low) (sf)
	50	BBB (sf)	BBB (low) (sf)	BB (high) (sf)

Class D

Increase in LGD (%)	Increase in Default Rate %			
		0	**25**	**50**
	0	BBB (sf)	BBB (low) (sf)	BB (high) (sf)
	25	BBB (low) (sf)	BB (high) (sf)	BB (sf)
	50	BB (high) (sf)	BB (sf)	BB (sf)

Class E

Increase in LGD (%)	Increase in Default Rate %			
		0	**25**	**50**
	0	BB (high) (sf)	BB (low) (sf)	B (high) (sf)
	25	BB (sf)	BB (low) (sf)	B (high) (sf)
	50	BB (low) (sf)	B (high) (sf)	B (high) (sf)

Class F

Increase in LGD (%)	Increase in Default Rate %			
		0	**25**	**50**
	0	BB (low) (sf)	B (high) (sf)	B (sf)
	25	B (high) (sf)	B (sf)	B (sf)
	50	B (sf)	CCC (sf)	CCC (sf)

Appendix 1

Origination and Underwriting

DBRS Morningstar conducted an operational review of Dilosk in February 2019 in Dublin. DBRS Morningstar views the origination and servicing practices to be consistent with the overall Irish mortgage market and believes Dilosk's management and oversight activities of its subservicer, BCMGlobal, are strengths.

The company was established in August 2013 and has been regulated by the Central Bank of Ireland as a retail credit firm since August 2014. In September 2014, Dilosk acquired the ICS Mortgages brand, distribution platform, and performing mortgage portfolio from the Bank of Ireland.

At this point, Dilosk started operations as a master servicer overseeing BCMGlobal. Dilosk commenced lending operations in 2017 with the relaunch of ICS Mortgages as a specialist BTL lender. In September 2019, Dilosk entered the residential mortgage market, again using the ICS Mortgages brand and, in January 2020, it launched a product designed for public-sector employees.

Dilosk is led by a senior management team with an average of over 20 years' industry experience, which compares well with other similar lenders. The average company and role tenure of the team are relatively low due to the growth of the business, but one of the founders has been with the business since inception, providing continuity.

All servicing of the mortgage assets is outsourced to BCMGlobal. BCMGlobal has a dedicated team of credit management staff, located in its Maynooth office, focused on the Dilosk portfolio as well as the support of shared functions, such as reporting and compliance. A master servicing contract is in place between Dilosk and BCMGlobal.

Origination and Underwriting

Dilosk sources mortgages both through brokers and directly, largely through repeat business from existing customers. Around 90% of OO and 60% of BTL applications are received from brokers while the remainder are through the direct route. Dilosk will only work with brokers who hold up-to-date regulatory approval from the Central Bank of Ireland and the quality of applications is monitored with regular feedback provided.

Dilosk OO residential mortgages are offered for the purposes of property purchase or refinancing an existing loan (switchers). For individual borrowers, the minimum age at application is 18 while the maximum age on maturity is 70, the minimum annual income is EUR 25,000, and applications can be sole or joint. The maximum LTV is 80% for second or subsequent house purchasers or 90% for first-time buyers and switchers. The minimum loan amount is EUR 80,000 and the minimum property value is EUR 100,000 while the maximum loan is EUR 1.25 million. If the property is in an urban area and the LTV is less than 75%, there is no maximum property value. The minimum term for any loan is five years while the maximum term is 35 years.

Dilosk offers BTL mortgages to new and existing property investors including individuals, companies, and pension trustees. For individual borrowers, the minimum age at application is 21 while the maximum age on maturity is 75 years, the minimum annual income is EUR 40,000, and the maximum number of applicants on any one application is four. Loan criteria vary depending on the status of the applicant, the property type, and the total exposure to the customer.

The maximum LTV ranges from 50% for loans to pension trustees to 70% for individual borrowers on properties valued at up to EUR 1 million. The minimum loan amount is EUR 40,000 and the minimum property value is EUR 80,000. The maximum loan amount ranges from EUR 500,000 for pension trustees to a total exposure of up to EUR 4.00 million for other borrowers, subject to a limit per property of EUR 1.25 million. The minimum term for any loan is five years while the maximum term is 35 years for flexible mortgages.

Applicants credit histories are reviewed and, if there are defaults or arrears on any loans in the last 24 months, the application will be declined. Defaults at any point in the past are reviewed thoroughly and may result in an application being declined, depending on the conduct of the applicant. Individual applicants must own a residential property in Ireland for their BTL application to be considered.

For BTL mortgages, Dilosk undertakes an affordability assessment to ensure the property is a viable economic proposition on a stand-alone basis using a debt service coverage ratio and applying stress tests using interest rates 2% over the prevailing rate. Dilosk also reviews the applicant's overall financial position and, for individuals, requires minimum net disposable income levels.

Applications are submitted online by brokers while those made direct start with a telephone discussion. If the initial proposal is acceptable, a full application with supporting documents is required before the underwriting process begins. Applications are validated by BCMGlobal, which will request additional information from the broker or applicant if required.

When applications are complete, they are subject to know-your-customer checks to ensure the customer's identity is adequately verified. After validation and identification checks, the Credit team undertakes the credit assessment and formal underwriting.

If the application is acceptable and the value of the property is in line with the applicant's estimate based on a desktop assessment, then approval in principle will be given by the appropriate mandate holder. Dilosk has a delegated credit authority policy which allows approval of lending facilities within individual discretion limits, mandates range from EUR 150,000 for junior underwriters to EUR 300,000 for the Head of Credit. Loans in excess of EUR 300,000 require approval from Credit Committee, which is made up of the CEO, CFO, CRO, COO, and Head of Credit and requires the consensus of a majority; exceptions are rare and require approval from the Credit Committee and Dilosk's funders.

If the applicant accepts the terms of the approval in principle, the applicant instructs valuation management systems (VMS) to arrange the valuation. VMS provide Dilosk with panel management services and arrange for an independent local valuer to undertake a full valuation in all cases. All valuations are reviewed by the respective underwriter using general market knowledge, comparable sales data, and publicly available information on house prices. If the valuation is acceptable and all conditions of the approval in principle are met, an offer will be issued.

Offers remain valid for six months to allow time for completion of a purchase or conveyancing work to be undertaken. Valuations are valid for four months, so if the loan does not complete within that period, the case is referred back to the valuer to confirm the up-to-date value. Lending decisions are reviewed by senior members of the Credit Team and the Quality Control function; in addition, Dilosk uses an external consultant to review samples of cases and conduct reunderwriting.

Summary Strengths

- Origination criteria comparable with those of other mortgage lenders in Ireland.
- Good oversight of underwriting quality using internal audits and third-party reunderwriting.
- Centralised underwriting with average experience across the team in excess of 10 years across the Credit team.
- Good balance of broker originations and directly sourced business for a nonbank lender.

Servicing

All primary and special servicing activities are handled by BCMGlobal, trading as Link Asset Services, under a master servicer agreement with Dilosk.

BCMGlobal was originally established in 1998 as the commercial mortgage servicer of GMAC Europe. In March 2006, its ultimate parent, GMAC Commercial Holding Corp, was sold to a group of investors and its name was subsequently changed to Capmark. In 2009, the business was sold to Capita plc and became Capita Asset Services (Ireland) Ltd, which became one of Ireland's leading loan servicers before being sold to the Link Group in 2017. The Link Group is an Australian listed global leader in financial administration with 7,000 employees in 17 countries. The Asset Services division of the Link Group, of which BCMGlobal is a part, has over 1,000 employees and manages in excess of 130,000 loans with a value of EUR 95 billion.

Servicing commences during the application process when BCMGlobal undertakes application verification for Dilosk before full underwriting is completed. When Dilosk has underwritten a case and has decided to proceed, BCMGlobal issues the required offer documentation to the applicant. Offers must be signed by all parties to the mortgage and returned prior to completion. BCMGlobal deals with the completion process and ensure the offer has been signed, a direct debit mandate is in place and evidence of property insurance has been provided before the funds are issued.

Post-completion, BCMGlobal undertakes all required primary and special servicing activity for Dilosk, the same teams deal with BTL and residential mortgages.

The majority of primary servicing is automated but where action is required a workflow management system is used to manage tasks. Work items are created through a range of means including manual diary entries, incoming correspondence and system configured workflow tasks for items such as overdue payments or redemptions.

If an account falls into arrears, it becomes the responsibility of BCMGlobal's Arrears Support Unit (ASU) and technology supports workflow and loan maintenance systems to allow for a proactive approach to the resolution of arrears. Initial notice of the arrears is issued in writing and attempts are made to contact the customer to establish the circumstances and consider appropriate options for repayment of the arrears.

The residential collections process in Ireland is heavily regulated and Dilosk fully complies with all regulatory requirements. The early arrears process is dealt with by BCMGlobal's ASU, which will proactively attempt to contact the customer to establish the reason for arrears and their personal circumstances. Where possible, forbearance measures such as Alternative Repayment Arrangements will be considered. If the mortgage is deemed unsustainable, Dilosk offers a range of longer-term resolution strategies including voluntary surrender of the property or mortgage to rent schemes.

Only if the customer does not engage with the lender or if the mortgage is deemed unsustainable and a resolution strategy cannot be agreed will legal proceedings be considered. Legal proceedings may start three months from the date when a letter is issued confirming the mortgage is deemed unsustainable or eight months from the date the arrears arose, whichever is the later.

The residential regulatory framework but does not apply to BTL mortgages where the property is not occupied by the customer of a member of their family. Instead, the less onerous Consumer Protection Code applies, and enforcement is through the appointment of receivers rather than possession litigation.

If a BTL account reaches 31 days past due then a letter is issued warning the customer of the potential consequences of the account being in arrears, including the possibility of receivers being appointed. At three months in arrears, if the borrower is not communicating or cooperating with the lender a notice is issued giving the customer 10 days to resolve the situation before receivers are appointed. In the meantime, solicitors are engaged to review the terms of the security and prepare the deed of appointment of receivers. If there is no positive response from the customer receivers are appointed and will then manage the property and the relationships with any tenants in occupation.

While none of Dilosk's originations have been through the enforcement process, BCMGlobal has considerable experience of managing both the receivership and residential enforcement processes.

Summary Strengths

- Many years of experience managing and servicing mortgages in the Irish residential mortgage and commercial mortgage market.
- Ability to leverage support from the wider Link Group, particularly with functions such as risk and internal audit.
- Dilosk's strong working relationship with BCMGlobal, governed by a robust master servicer agreement and control framework.
- Benefits from the ability to use the receivership process for enforcement reducing the timeline to the realisation of sale proceeds in the event of default.

Appendix 2

Methodologies Applied

The principal methodology applicable to assign ratings to this transaction is the *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda*.

Other methodologies referenced in this transaction are listed below:

- *Legal Criteria for European Structured Finance Transactions* (29 July 2021), https://www.dbrsmorningstar.com/research/382171/legal-criteria-for-european-structured-finance-transactions.
- *Derivative Criteria for European Structured Finance Transactions* (20 September 2021), https://www.dbrsmorningstar.com/research/384624/derivative-criteria-for-european-structured-finance-transactions.
- *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.
- *Operational Risk Assessment for European Structured Finance Originators* (16 September 2021), https://www.dbrsmorningstar.com/research/384512/operational-risk-assessment-for-european-structured-finance-originators.
- *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.

The rating methodologies and criteria used in the analysis of this transaction can be found at: http://www.dbrsmorningstar.com/about/methodologies. Alternatively, please contact info@dbrsmorningstar.com.

Surveillance Methodology

DBRS Morningstar monitors this transaction is in accordance with its *Master European Structured Finance Surveillance Methodology* and is available at www.dbrsmorningstar.com under the heading Methodologies. Alternatively, please contact info@dbrsmorningstar.com.

About DBRS Morningstar

DBRS Morningstar is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 3,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

DBRS Morningstar is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

That's why DBRS Morningstar is the next generation of credit ratings.

Learn more at dbrsmorningstar.com.