

# Dilosk RMBS No. 4 DAC Class D-Dfrd And E-Dfrd Irish RMBS Ratings Raised; Other Ratings Affirmed

## Overview

17<sup>th</sup> April 2023

- We reviewed Dilosk RMBS No. 4 DAC in line with the latest available data.
- Following our review, we raised our ratings on the class D-Dfrd and E-Dfrd notes, and affirmed our ratings on the class A, B-Dfrd, and C-Dfrd notes.
- Dilosk RMBS No.4 is an RMBS transaction that securitizes a portfolio of owner-occupied and buy-to-let mortgage loans, secured over residential properties in Ireland. The sole originator of the loans is Dilosk DAC, a non-bank lender.

DUBLIN (S&P Global Ratings) April 17, 2023—S&P Global Ratings today raised its credit ratings on Dilosk RMBS No.4 DAC's class D-Dfrd and E-Dfrd notes to 'AA- (sf)' from 'A (sf)' and 'A- (sf)' from 'BBB (sf)', respectively. At the same time, we affirmed our 'AAA (sf)', 'AA+ (sf)', and 'AA (sf)' ratings on the class A, B-Dfrd, and C-Dfrd notes, respectively.

Today's rating actions reflect our full analysis of the most recent transaction information that we have received and the transaction's structural features.

The transaction's performance remains relatively stable with low arrears, although they have increased slightly to 0.8% from 0.2% at closing. Both the general reserve fund and the class A liquidity reserve fund remain at their respective targets. In the most recently reported loan level data we received more granular information on loans originally classified as remortgages. Some of these loans have now been re-classified as remortgages with equity release and we have reflected this in our current analysis.

After applying our global residential loans criteria, our weighted-average foreclosure frequency has decreased mainly due to the reduction of the originator adjustment applied to Dilosk DAC. We have reduced this based on the strong historic and recent performance of its loans and its overall proven track record since the initiation of their lending. Our weighted-average loss severity also decreased primarily due to the reduced current weighted-average loan-to-value ratio following increased HPI growth since the closing of the transaction.

## Credit Analysis Results

RATING LEVEL	WAFF (%)
AAA	25.47
AA	17.23

A	13.11
BBB	8.81
BB	4.68
B	3.70

WAFF--Weighted-average foreclosure frequency. WALs--Weighted-average loss severity.

Considering the results of our credit and cash flow analysis, the increased available credit enhancement, and the transaction's performance, we consider that the available credit enhancement for the class D-Dfrd and E-Dfrd notes is commensurate with higher ratings than those currently assigned. We therefore raised to 'AA- (sf)' from 'A (sf)' and to 'A- (sf)' from 'BBB (sf)' our ratings on these classes of notes.

Our analysis indicates that the class D-Dfrd and E-Dfrd notes could withstand our stresses at higher ratings than those assigned. However, the ratings on these classes of notes are constrained by additional factors. Specifically, we considered the high proportion of loans that are on fixed fixed-rate products and are due to revert to a floating rate in the coming years, the potential future vulnerability of some borrowers in a rising interest rate environment, and the challenges of increased cost of living pressures. Our ratings also consider potentially higher prepayments, which may particularly impact the buy-to-let loans in the portfolio.

The results of our cash flow analysis support the currently assigned 'AAA (sf)' rating on the class A notes. We therefore affirmed our 'AAA (sf)' rating on this class of notes. Although the class B-Dfrd notes can pass our 'AAA', stresses given the deferrable nature of the note and its position in the capital structure we affirmed our 'AA+ (sf)' rating on the class B-Dfrd notes. While the results of our cash flow analysis support a higher rating for the class C-Dfrd notes, we considered the difference in credit enhancement between it and the class B-Dfrd notes. Therefore we affirmed our 'AA (sf)' rating on the class C notes.

Dilosk RMBS No.4 is an RMBS transaction that securitizes a portfolio of owner-occupied and buy-to-let mortgage loans, secured over residential properties in Ireland. The transaction closed in February 2021.