

## Various Rating Actions Taken In Irish RMBS Transaction Dilosk RMBS No.1 Following Review

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### OVERVIEW

- We have reviewed Dilosk RMBS No.1 by conducting our credit and cash flow analysis under our relevant criteria.
- Following our review, we raised our ratings on the class B, C-dfrd, and D-dfrd notes.
- At the same time, we have affirmed our 'AAA (sf)' rating on the class A notes.
- Dilosk RMBS No.1 is an Irish RMBS transaction, which closed in May 2015 and securitizes first-ranking mortgage loans originated by ICS Building Society.

LONDON (S&P Global Ratings) Sept. 21, 2017--S&P Global Ratings today raised its credit ratings on Dilosk RMBS No.1 Ltd.'s class B, C-dfrd, and D-dfrd notes. At the same time, we have affirmed our 'AAA (sf)' rating on the class A notes (see list below).

Today's rating actions follow our credit and cash flow analysis of the most recent transaction information that we have received. Our analysis reflects the application of our European residential loans criteria and our structured finance ratings above the sovereign (RAS) criteria (see "Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Aug. 4, 2017 and "Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions," published on Aug. 8, 2016).

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In our opinion, although the economic outlook in Ireland is positive and has improved in the past 48 months, our outlook for the Irish residential mortgage market calls for starting conditions that are not benign (see "Outlook Assumptions For The Irish Residential Mortgage Market," published on Aug. 17, 2017). We have therefore kept our expected 'B' foreclosure frequency assumption for the archetypical Irish residential mortgage-backed securities (RMBS) pool at 3.33%. We base these assumptions on the fact that although the Irish economy has significantly improved in terms of house price appreciation and a fall in unemployment, the stock of nonperforming loans and percentage of borrowers in negative equity remains high.

The transaction is paying sequentially and the available credit enhancement for all classes of notes has increased since our previous review (see "Ratings Affirmed In Irish RMBS Transaction Dilosk RMBS No.1 Following Application Of Updated Criteria," published on Oct. 9, 2015).

Class	Available credit enhancement (%)
A	30.93
B	14.46
C-dfrd	10.33
D-dfrd	7.60

The transaction features a nonamortizing reserve fund, which is fully funded. Severe delinquencies of more than 90 days, at 0.30%, are considerably lower for this transaction than for other Irish RMBS transactions that we rate.

After applying our European residential loans criteria to this transaction, our credit analysis results show a decrease in both the weighted-average foreclosure frequency (WAFF) and the weighted-average loss severity (WALS) for each rating level.

Rating level	WAFF (%)	WALS (%)
AAA	19.62	8.00
AA	14.96	5.35
A	12.38	2.08
BBB	9.49	2.00
BB	6.44	2.00
B	5.45	2.00

The decrease in the WAFF is due to an increase in seasoning and a reduction in our arrears projection. The WALS has decreased due to the pool's lower weighted-average indexed loan-to-value ratio, which has resulted from amortization and the improving house price index.

Taking into account the results of our updated credit and cash flow analysis and the recent positive performance, we consider the available credit enhancement for the class B, C-dfrd, and D-dfrd notes to be commensurate with

higher rating levels than those currently assigned. We have therefore raised our ratings on the class B, C-dfrd, and D-dfrd notes. At the same time, we have also affirmed our 'AAA (sf)' rating on the class A notes as the available credit enhancement for this class of notes is still commensurate with a 'AAA' rating level.

In this transaction, none of our ratings is constrained under our RAS criteria by our 'A+' foreign currency long-term sovereign rating on the Republic of Ireland.

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

We expect arrears in the portfolio to remain stable and for the real estate market to continue recovering in 2017 and 2018 as housing demand will outstrip supply.

Dilosk RMBS No.1 is an Irish RMBS transaction, which closed in May 2015 and securitizes first-ranking mortgage loans. ICS Building Society originated the pool, which comprises both owner-occupied and buy-to-let loans, mainly located in Dublin.

#### RELATED CRITERIA

- Criteria - Structured Finance - General: Methodology And Assumptions: Assessing Pools Of European Residential Loans, Aug. 4, 2017
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- Criteria - Structured Finance - General: Structured Finance Temporary Interest Shortfall Methodology, Dec. 15, 2015
- Criteria - Structured Finance - General: Methodology: Criteria For Global Structured Finance Transactions Subject To A Change In Payment Priorities Or Sale Of Collateral Upon A Nonmonetary EOD, March 2, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- Criteria - Structured Finance - General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria - Structured Finance - General: Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Criteria - Structured Finance - General: Criteria Methodology Applied To Fees, Expenses, And Indemnifications, July 12, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In

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Transaction Accounts, May 31, 2012

- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- Outlook Assumptions For The Irish Residential Mortgage Market, Aug. 17, 2017
- Europe Displays Financial Calm, But What About The Brexit And QE Clouds Ahead?, June 30, 2017
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- Ratings Affirmed In Irish RMBS Transaction Dilosk RMBS No.1 Following Application Of Updated Criteria, Oct. 9, 2015

RATINGS LIST

Class	Rating	From
	To	

Dilosk RMBS No.1 Ltd.

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

Ratings Raised

B	AA+ (sf)	AA (sf)
C-dfrd	AA (sf)	A (sf)
D-dfrd	A (sf)	BBB (sf)

Rating Affirmed

A	AAA (sf)
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