

Ratings Affirmed On Dilosk RMBS No.1's Irish RMBS Notes Following Review

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OVERVIEW

- Following our CreditWatch positive placements on Sept. 7, 2018, we have reviewed Dilosk RMBS No.1 by conducting our credit and cash flow analysis using the most recent loan-level data and updated base-case expected losses.
- Following our review, we have affirmed all of our ratings in the transaction and resolved the CreditWatch placements.
- The class C-dfrd and D-dfrd notes are deferrable notes which we rate on an ultimate payment of interest and principal basis until they become the most senior class of notes in the priority of payments.
- 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.

MADRID (S&P Global Ratings) Sept. 27, 2018--S&P Global Ratings today affirmed and removed from CreditWatch positive its credit ratings on Dilosk RMBS No.1 DAC'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 and the application of our updated base-case expected losses (see "Outlook Assumptions For The Irish Residential Mortgage Market," published on Sept. 4, 2018). Our analysis

reflects the application of our structured finance ratings above the sovereign (RAS) criteria, and our current counterparty criteria (see "Related Criteria").

In performing our credit and cash flow analysis on this pool, we have adopted the methodology and assumptions in our European residential loans criteria (see "Methodology And Assumptions: Assessing Pools Of European Residential Loans," published on Aug. 4, 2017).

The class C-dfrd and D-dfrd notes are deferrable notes which we rate on an ultimate payment of interest and principal basis until they become the most senior class of notes in the priority of payments.

The transaction is paying sequentially and the available credit enhancement for all classes of notes has increased since our previous review (see "Various Rating Actions Taken In Irish RMBS Transaction Dilosk RMBS No.1 Following Review," published on Sept. 21, 2017).

Class	Available credit enhancement (%)
A	35.10
B	16.09
C-dfrd	11.30
D-dfrd	8.14

The transaction has a nonamortizing reserve fund, which is fully funded. According to the investor report, severe delinquencies of more than 90 days have increased on the last payment date to 0.5% from 0.3% in our previous review.

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

Rating level	WAFF (%)	WALS (%)
AAA	18.89	11.98
AA	13.49	11.96
A	10.42	9.32
BBB	8.22	8.16
BB	5.84	5.72
B	3.93	6.99

The decrease in the WAFF is due to increased seasoning and our updated base-case expected losses. On the WALS side, we have increased the projected loss that we modeled to meet the minimum floor under our European residential loans criteria.

The application of our European residential loans criteria, including our

updated credit figures and our cash flow analysis, shows that the class A and D-dfrd notes can withstand our stresses at their current rating levels. The class B notes can achieve a higher rating level than the one currently assigned, however, given the lower credit enhancement than the class A notes, we consider a one notch difference to the class A notes to still be appropriate for this class of notes.

We have increased our fee assumptions due to increasing fixed fees in the transaction. Because of this, the class C-dfrd notes could suffer from temporary interest shortfalls at their current rating level when they are senior in the priority of payments. However, we consider this sensitivity to be limited given that shortfalls only happen in three scenarios of the 60 that we run in the 'AA' rating category.

Consequently, we have affirmed and removed from CreditWatch positive 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 as the available credit enhancement for this class of notes is still commensurate with a 'AAA' rating level.

None of our ratings are constrained under our RAS criteria by our 'A+' foreign currency long-term sovereign rating on 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.

Dilosk RMBS No.1 is an Irish residential mortgage-backed securities (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

Ratings Affirmed On Dilosk RMBS No.1's Irish RMBS Notes Following Review

- 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 Transaction Accounts, May 31, 2012
- General Criteria: Methodology: Credit Stability Criteria, May 3, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Structured Finance - General: Standard & Poor's Revises Criteria Methodology For Servicer Risk Assessment, May 28, 2009

RELATED RESEARCH

- Ratings on 14 Tranches In Six Irish RMBS Transactions Placed On CreditWatch Positive, Sept. 7, 2018
- Outlook Assumptions For The Irish Residential Mortgage Market, Sept. 4, 2018
- Various Rating Actions Taken In Irish RMBS Transaction Dilosk RMBS No.1 Following Review, Sept. 21, 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 AND REMOVED FROM CREDITWATCH POSITIVE

Class	Rating	
	To	From
Dilosk RMBS No.1 DAC		
B	AA+ (sf)	AA+ (sf)/Watch Pos
C-dfrd	AA (sf)	AA (sf)/Watch Pos
D-dfrd	A (sf)	A (sf)/Watch Pos

RATING AFFIRMED

A AAA (sf)

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