

**RATING REPORT**

# Burlington Mortgages No.1 DAC

## Rating and Issuer's Assets and Liabilities

Debt	Outstanding Balance (EUR)	Size <sup>1</sup>	Credit Enhancement <sup>2</sup>	Coupon	Step-Up Coupon <sup>3</sup>	Rating <sup>4</sup>	Rating Action
Class A1 Notes	1,731,400,000	43.00%	14.75%	1-month Euribor + 0.40%	1-month Euribor + 0.80%	AAA (sf)	New Rating
Class A2 Notes	1,731,400,000	43.00%	14.75%	0.35%	0.35%	AAA (sf)	New Rating
Class B Notes	201,300,000	5.00%	9.75%	1-month Euribor + 0.95%	1-month Euribor + 1.90%	AA (low) (sf)	New Rating
Class C Notes	110,700,000	2.75%	7.00%	1-month Euribor + 1.35%	1-month Euribor + 2.35%	A (low) (sf)	New Rating
Class D Notes	110,700,000	2.75%	4.25%	1-month Euribor + 1.75%	1-month Euribor + 2.75%	BBB (low) (sf)	New Rating
Class E Notes	80,500,000	2.00%	2.25%	1-month Euribor + 2.75%	1-month Euribor + 3.75%	BB (sf)	New Rating
Class Z Notes	60,500,000	1.50%	0.00%	8.0%	8.0%	Not Rated	N/A

<sup>1</sup> The size of the class of notes is a percentage of the asset balance.

<sup>2</sup> Credit enhancement includes the subordination of the relevant junior class of notes and the General Reserve Fund (GRF) initial balance.

<sup>3</sup> The coupon on the notes will step up on the March 2025 payment date.

<sup>4</sup> The ratings on the Class A1 and A2 notes address the timely payment of interest and ultimate repayment of principal on or before the Final Maturity Date. The ratings on the Class B, C, D, and E notes address the timely payment of interest once most senior and the ultimate repayment of principal on or before the Final Maturity Date.

## Transaction Summary

Burlington Mortgages No.1 DAC (the Issuer or Burlington) is a securitisation collateralised by a portfolio of owner-occupied (OO) residential mortgage loans granted by EBS DAC (EBS) and its fully-owned subsidiary Haven Mortgages Limited (Haven) in Ireland. Both originators – which are also the sellers in the transaction – are part of the Allied Irish Bank (AIB) banking group.

The Issuer has issued seven tranches of collateralised mortgage-backed securities to finance the purchase of the mortgage portfolio. The General Reserve Fund and Class A Liquidity Reserve Fund (ALRF), which provide liquidity support and credit enhancement to the transaction, have been fully funded at closing through subordinated loans provided by the two sellers.

The two sellers act as servicers of the transaction and will retain at any time at least 5% of each class of the notes, in accordance with European Union securitisation regulations. The transaction has been initially classified as compliant with Simple, Transparent and Standardised securitisation requirements.

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## Transaction Parties

Role	Counterparty	Rating
<b>Issuer</b>	Burlington Mortgages No.1 DAC	Not Rated
<b>Originators, Sellers, Servicers, Retention Holders, Subordinated Loan Providers</b>	EBS DAC Haven Mortgages Ltd	Not Rated
<b>Issuer Account Bank, Collection Account Bank</b>	Allied Irish Banks, plc	IR – A (low)/R-1 (low)/Stable COR – A (high)/R-1 (middle)/Stable
<b>Cash Manager</b>	EBS DAC	Not Rated
<b>Principal Paying Agent</b>	The Bank of New York Mellon, London Branch	IR – AA (high)/R-1 (high)/Stable
<b>Trustee</b>	The Bank of New York Mellon Corporate Trustee	Not Rated
<b>Corporate Services Provider, Back-Up Servicer Facilitator</b>	Intertrust Management Ireland Limited	Not Rated
<b>Registrar</b>	The Bank of New York Mellon SA/NV, Luxembourg Branch	Not Rated
<b>Arranger</b>	BofA Securities	Not Relevant

IR – Issuer Rating.  
COR – Critical Obligations Rating.

## Relevant Dates

<b>Issue Date</b>	12 March 2020
<b>Cutoff Date</b>	29 February 2020
<b>First Payment Date</b>	Interest Payment Date falling in April 2020
<b>Payment Frequency</b>	Quarterly, on the [20] of every month and, if such day is not a business day, the next following business day
<b>Call Option Date</b>	Interest payment date falling in March 2025
<b>Final Maturity Date</b>	On the payment date falling in November 2058

As of 29 February 2020, the initial portfolio consisted of 24,950 loans extended to 23,189 borrowers with an aggregate principal balance of EUR 4,026 million. EBS originated the majority of the loans (65.1%) with Haven originating the rest (34.9%). The portfolio excludes all loans that have either been restructured or been in arrears during at any point during the life of the mortgages so far. The weighted-average (WA) seasoning of the portfolio is 5.5 years as about one quarter of the pool was originated before 2010.

<b>Asset Class</b>	RMBS
<b>Governing Jurisdiction</b>	Republic of Ireland
<b>Sovereign Rating</b>	A (high), Positive trend / R-1 (middle), Stable trend

**Portfolio Summary (as at 29 February 2020)**

Current Principal Balance (EUR)	4,026,483,467
Number of Loans	24,950
Number of Borrowers	23,189
Weighted-Average Interest Rate	3.0%
Current Weighted-Average Margin (over 3-m Euribor)	3.6%
Weighted-Average Seasoning (Years)	5.5
Weighted-Average Remaining Term (Years)	22.8
Weighted-Average Original Loan-to-Value	79.4%
Weighted-Average indexed Current Loan-to-Value	65.1%

## Rating Considerations

### Notable Features

- **Portfolio Distributed Across Origination Vintages:** The transaction portfolio comprises both recent originations and loans originated before the sovereign debt crisis (25.8%) which drives up the indexed current loan-to-value (CLTV) as the properties backing pre-2010 loans were bought at the peak of the market. The WA seasoning of the pool is 5.5 years and the WA remaining term is 22.8 years. There is no concentration in the maturity profile of the portfolio. There are no mortgages that are in arrears or have been in arrears over the course of their life.
- **Staggered Principal Deficiency Ledger:** Similar to most Irish transactions, Burlington features a staggered principal deficiency ledger (PDL) mechanism based on the arrears status of the portfolio loans. The PDL is debited for (1) losses, (2) principal draw to cover interest shortfalls, and (3) late-stage arrears as follows:

- 50% of the current balance of loans in arrears between 180 and 269 days
- 75% of the current balance of loans in arrears between 270 days and 359 days
- 100% of the current balance of loans in arrears for more than 359 days

If the late-stage arrears loans cure at a following payment date these amounts will be cleared from the PDL balance.

If the final loss recorded on the loans amounts to less than the debited PDL amount, the PDL is cleared of the recovered amounts.

- **The Class A Notes are Pro Rata in Interest but Sequential in Principal:** The notes are paid down on a monthly basis and sequentially, which allows credit enhancement for the more senior notes to build up over time as the notes amortise. The Class A1 and A2 notes pay interest pari passu and pro rata but the Class A2 Notes are time-subordinated to the Class A1 Notes since the Class A1 Notes amortise principal in priority to the Class A2 Notes until full redemption of the Class A1 Notes.
- The ratings on the Class A1 and A2 notes address the timely payment of interest and ultimate repayment of principal on or before the Final Maturity Date. The ratings on the Classes B, C, D, and E notes address the timely payment of interest once most senior and the ultimate repayment of principal on or before the Final Maturity Date.

## Strengths

- **Granular Portfolio:** The mortgage portfolio is rather granular, with the largest borrower representing about 0.05% of the principal outstanding balance.
- **First Lien:** The portfolio is composed exclusively of first-lien mortgage loans, where the lender takes priority when allocating recovery proceeds following an enforcement of security.
- **Good Loan Performance:** The pool does not include any loans that have ever been in arrears or that have been restructured. The historical performance provided by the originator - while dating back only to 2014 – shows that recent originations have a better performance than pre-crisis vintages.  
The pre-crisis loans included in the portfolio (25.8%) had higher original loan-to-value (OLTV) levels which made them vulnerable during the sovereign crisis at the turn of the decade. However, the mortgages included in this pool have survived the economic downturn without ever being restructured and therefore are a positive selection of such seasoned vintages.
- **Prime Originations:** The origination quality of the pool is strong across vintages due to the prime features of the borrowers (95% full-time employees, and virtually 100% purchase purpose) and the prudent lending decisions underpinned by full valuation reports and a WA OLTV of 79.4%.
- **High Initial Excess Spread:** The transaction benefits from an initial portfolio all-in rate of 3.0% whereas the weighted-average cost of funding of only 0.25% thanks to the low margin/coupon paid by the Class A notes before the step-up date. However, a rise in interest rates could compress the initial excess spread both on the assets and liabilities side (see Challenges below).
- **Liquidity Support:** The transaction benefits from both a funded liquidity reserve to cover Class A interest shortfalls and a funded general reserve to cover interest and principal shortfalls on rated notes. Moreover, principal can be drawn to cover interest on the most senior notes outstanding, thus further decreasing the risk of a default on the timely interest payment of the rated notes.
- **Turbo Amortisation of the Notes:** All excess spread available after junior interest is paid and the junior PDL is cleared is used to turbo-amortise the most senior notes outstanding. This mechanism prevents excess spread to leak out of the structure when the transaction is performing within initial expectations. However, the high fixed coupon of 8% paid on the Class Z notes is a limiting factor for the turbo amortisation in low-rate environment scenarios.

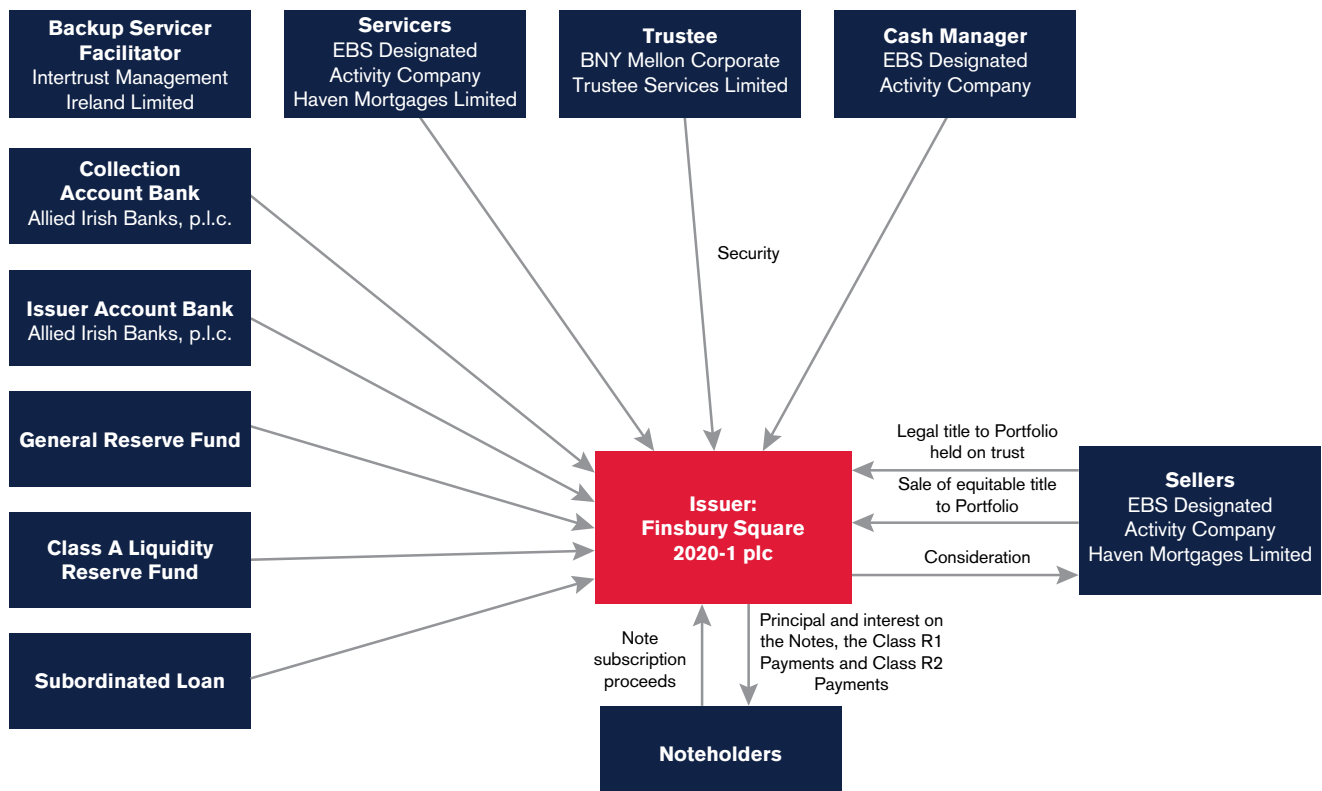
## Challenges and Mitigating Factors

- **Margin Compression:** The transaction does not include any covenant on the minimum Standard Variable Rate (SVR) to be paid by the portfolio and there is no swap in place to hedge against the SVR compression over the life of the transaction. Therefore, portfolio margins may be compressed in an increasing rate scenario as, historically, lenders' margins go down as monetary rates climb but also do so in a stable rating scenario due to the changes in the lenders' competitive landscape.  
**Mitigant:** There is a natural floor to the SVR margin applied by the lender in terms of long-term sustainability of the lender's business. When assigning the ratings, DBRS Morningstar applied margin compression stresses based on historical data that are deemed commensurate to the tested rating scenarios.
- **Uncertainty in the Fixed-Rate Exposure:** The transaction does not include limits to the product switches that the servicer can grant, meaning the borrower can opt to switch to a fixed rate at any time (but not to a European Central Bank (ECB) tracker). The transaction includes a maximum limit of 60% of the portfolio paying a fixed rate at any time. Since the initial notes balance paying a fixed rate coupon is 43%, the transaction may lack an effective hedge in some scenarios.  
**Mitigant:** As the fixed-rate notes (Class A2) are time-subordinated to the Class A1 Notes (which pay a floating rate), the percentage of notes balances paying a fixed rate and benefiting from a low coupon rate will increase over the first years of the life of the transaction. Moreover, DBRS cash flow analysis also considered scenarios of ineffective hedging and found the risk to be commensurate to the ratings.

## Transaction Structure

Transaction Summary	
<b>Currency</b>	The Issuer's assets and liabilities are denominated in euros.
<b>Relevant Jurisdiction</b>	Republic of Ireland
<b>Interest Rate Risk Hedging</b>	No swap is in place. The fixed rate paid by the Class A2 Notes provides a partial hedge to the portion of fixed rate paying assets.
<b>Class A Liquidity Reserve Fund (ALRF)</b>	<p>Funded from a subordinated loan at closing.</p> <p>Provides liquidity support to the Class A and is applied in priority to the GRF (see below)</p> <p><b>Initial Balance:</b> EUR 25.9m, or 0.75% of initial Class A balance</p> <p><b>Target Balance:</b> amortises at 0.75% of the Class A Notes' balance.</p> <p>Released amounts go through the revenue waterfall.</p>
<b>General Reserve Fund (GRF)</b>	<p>Funded from a subordinated loan at closing.</p> <p>Provides liquidity support to the Class A to Class E notes, as well as credit support through its subordination to the Class A, Class B, Class C, and the Class E notes in the revenue waterfall. The Class B to E notes are locked out of support if there is an outstanding PDL balance on the class ledger. However, when they are the most senior class outstanding the support will be available regardless of PDL debiting.</p> <p><b>Initial Balance:</b> EUR 3.8 million, equivalent to 0.75% of the aggregate balance of the Class B to Class E notes at closing.</p> <p><b>Target Balance:</b> Amortises at 0.75% of the outstanding balance of the Class A to Class E notes minus the ALRF balance prior to the ALRF replenishment.</p> <p>Released amounts go through the revenue waterfall.</p>
<b>Principal Deficiency Ledgers</b>	<p>The Principal Deficiency Ledger is split in five class ledgers (A to E).</p> <p>PDL will be debited for (1) losses, (2) principal draw to cover interest shortfalls, (3) late-stage arrears as follows:</p> <ul style="list-style-type: none"> <li>• 50% of current balance of loans in arrears between 180 and 269 days</li> <li>• 75% of current balance of loans in arrears between 270 days and 359 days</li> <li>• 100% of current balance of loans in arrears for more than 359 days</li> </ul> <p>If the late-stage arrears loans cure at a following payment date, these amounts will be cleared from the PDL balance.</p> <p>If the final loss recorded on the loans amounts to less than the debited PDL amount, the PDL is cleared of the recovered amounts.</p>
<b>Principal Draw</b>	Principal is available to cover for interest shortfall only for the most senior outstanding class of notes and the ALRF and GRF are used in priority to principal.

### Transaction Diagram



## Counterparty Assessment

### Account Bank

In its role of Account Bank AIB will hold the Deposit Account where all the monies belonging to the issuer are transferred on a daily basis. AIB will be replaced as Account Bank within 30 calendar days if both the COR (minus one notch) and the IR are at any time below “A”. Moreover, AIB will be replaced as Collection Account Bank as soon as reasonably practicable, and in any case in no less than 35 calendar days, if both the COR (minus one notch) and the IR are at any time below “A”.

Based on the current AIB’s CoR of A(high), the downgrade provisions outlined in the documents, and the transaction structural mitigants, DBRS considers the risk arising from the exposure to AIB to be consistent with the ratings assigned to the rated notes, as described in DBRS’s Legal Criteria for European Structured Finance Transactions methodology.

### Servicing of the Portfolio

EBS and Haven are the appointed services of their respective portfolios, in accordance with their respective Servicing Agreements. In its capacity as servicers, EBS and Haven administer the securitised portfolios and collect payments made by borrowers and other proceeds related to the receivables. EBS is the sole cash manager, in charge of: (i) categorising collections as either available revenue funds or available principal amounts, (ii) producing the servicer reports.

### Setoff Risk

DBRS Morningstar considers the likelihood of setoff claims arising against the Issuer to be low in this transaction, as the seller has warranted that no loan documents contain obligations for further advances.

## Structural Features

### Available Revenue Funds (Simplified)

1. Interest received on the Issuer accounts and from authorised investments;
2. Interest collections received on the securitised portfolio;
3. Amounts released from the ALRF and the GRF, both when amortising and to cover senior interest shortfalls;
4. Available Principal Funds to cover any shortfalls on the payment of senior fees, interest on the Class A Notes and interest on the other rated classes of notes when most senior.

### Pre-Enforcement Revenue Priority of Payment (Simplified)

1. Taxes, fees and other senior expenses;
2. Interest on the Class A Notes;
3. Replenishment of the ALRF up to its target amount;
4. Reduction of the debit balance on the Class A PDL until such balance is equal to zero;
5. Interest on the Class B Notes;
6. Reduction of the debit balance on the Class B PDL until such balance is equal to zero;
7. Interest on the Class C Notes;
8. Reduction of the debit balance on the Class C PDL until such balance is equal to zero;
9. Interest on the Class D Notes;
10. Reduction of the debit balance on the Class D PDL until such balance is equal to zero;
11. Interest on the Class E Notes;
12. Reduction of the debit balance on the Class E PDL until such balance is equal to zero;
13. Replenishment of the GRF up to its target amount;
14. Reduction of the debit balance on the Class Z PDL until such balance is equal to zero;
15. Interest on the Class Z Notes;
16. Turbo-amortise the most senior notes outstanding;
17. Subordinated loan interest;

18. Subordinated loan principal; and
19. Other junior items.

#### **Available Principal Funds (Simplified)**

1. Principal collections received on the securitised portfolio;
2. Proceeds from authorised investments allocated to principal;
3. Amounts credited to the PDL.

#### **Pre-Enforcement Principal Priority of Payment (Simplified)**

1. Following the application of items (1) to (2) of the Available Revenue Funds above, transfer to the Available Principal Funds amounts required to cover shortfalls on the payment of senior fees and interest on the most senior class of notes;
2. Principal on the Class A1 Notes until their full repayment;
3. Principal on the Class A2 Notes until their full repayment;
4. Principal on the Class B Notes until their full repayment;
5. Principal on the Class C Notes until their full repayment;
6. Principal on the Class D Notes until their full repayment;
7. Principal on the Class E Notes until their full repayment; and
8. Principal on the Class Z Notes until their full repayment.

#### **Post-Enforcement Priority of Payments (Simplified)**

1. Taxes, fees, and other senior expenses;
2. Pro rata and pari passu, Class A interest;
3. Pro rata and pari passu, Class A Notes principal until their full repayment;
4. Class B Notes until their full repayment;
5. Class B Notes principal until their full repayment;
6. Class C Notes until their full repayment;
7. Class C Notes principal until their full repayment;
8. Class D Notes until their full repayment;
9. Class D Notes principal until their full repayment;
10. Class E Notes until their full repayment;
11. Class E notes principal until their full repayment;
12. Other junior items.

#### **Events of Default (Simplified)**

- Nonpayment of principal or interest due and payable to the most senior notes (other than the Class Z notes) within five business days for principal and three business days for interest;
- Breach of other obligations by the Issuer, if not remediated within 15 days;
- Winding-up, insolvency, liquidation or dissolution of the Issuer; and
- Unlawfulness.



### Step-Up Date and Optional Redemption of the Notes

The notes' coupon will step up on the First Optional Redemption Date (FORD) from the March 2025 payment date. On and at any time after the FORD (or, if earlier, the date where the notes reach 10% of their initial balance), the issuer will have an option to call back the notes. The Issuer will also have the option to fully redeem the notes following the exercise of a risk retention regulatory change option.

If either the call option or the risk retention regulatory change option is exercised, notes must be redeemed at their outstanding balance together with all accrued and unpaid interest. The purchase price will also need to cover (if necessary) for the outstanding PDL balance of the rated notes.

DBRS Morningstar has considered the increased interest payable on the notes on the step-up date in its cash flow analysis.

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## Origination and Servicing

DBRS Morningstar conducted an operational review of EBS d.a.c. and its wholly owned subsidiary, Haven Mortgages, (EBS and Haven) residential mortgage origination and servicing operations in November 2019. DBRS Morningstar considers the origination and servicing practices to be consistent with those observed among other Irish residential mortgage lenders.

EBS Building Society was founded in 1935 by a group of school teachers with the aim of improving access to housing finance. The members set up a permanent mutual building society whose members were primarily public sector employees. EBS was owned and managed by its members until recapitalisation by the Irish government in March 2011. In July 2011, EBS merged with Allied Irish Bank (AIB) and became EBS Limited with "members" losing all voting rights and becoming standard customers of the AIB Group.

In December 2017, AIB Group plc became the holding company of the Group including EBS and the Issuer. AIB Group plc operates EBS as a standalone, separately branded subsidiary of AIB Group plc with its own distribution network.

EBS has a countrywide network of 70 offices and 39 self-employed agents with 403 agent staff in Ireland through which it operates as a mortgage and savings business. The Central Bank of Ireland (CBI) authorises and regulates each agent. Once authorised by the CBI, EBS appoints the Tied Agent / Tied Branch Agent to conduct business for EBS in an appointed office. The Agent acts exclusively as EBS' agent in respect of products and services. EBS does not have any employees in its network offices. In 2011, the number of offices that EBS had was approximately 90, 76 of which were agent-run (some of whom would have had multiple offices). The remaining locations were wholly owned branches.

EBS offers residential mortgages and savings products, together with life and property insurance on an agency basis. In the residential market, as at 31 December 2018, it had an 11.3% of outstanding mortgage loans, with over 95,000 active mortgage customers.

Haven Mortgages was established in 2007 as a wholly owned subsidiary of EBS and remains a subsidiary following a merger with AIB in 2011. Haven focuses on mortgage distribution through the intermediary market of approximately 180 broker relationships. Prior to 2005, the intermediary market had not been part of the EBS target market.

As of end-December 2018, EBS's loan book included residential mortgages totalling EUR 11.9 billion representing 13% of the AIB Group total.

DBRS Morningstar does not publicly rate EBS and Haven. However, the parent company (AIB plc) has an IR of A (low) / R-1 (low) / Stable and a COR of – A (high) / R-1 (middle) / Stable.

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



## Collateral Analysis Details

### Data Quality

DBRS Morningstar was provided with the loan-by-loan data for the portfolio with reference to 29 February 2020. DBRS Morningstar also reviewed monthly performance data for the period ranging from December 2014 to October 2019. In addition, DBRS Morningstar was supplied with an Agreed Upon Procedures report on the securitised pool and a Due Diligence Report on the standard documentation used in loan originations.

DBRS Morningstar considers the information available to it for the purposes of providing these ratings to be of satisfactory quality.

### Collateral Analysis

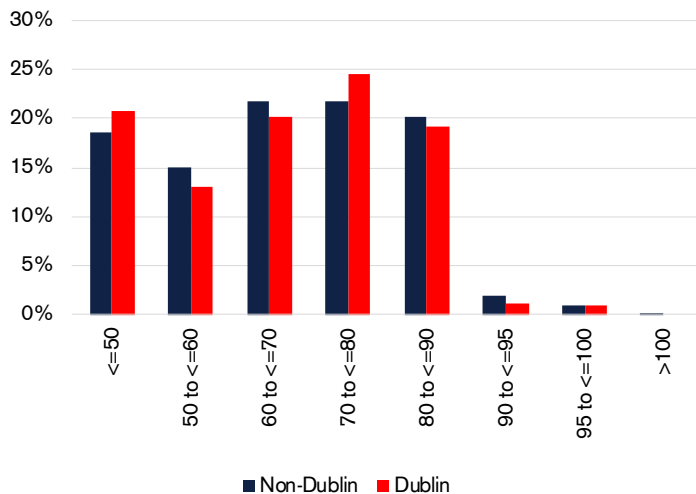
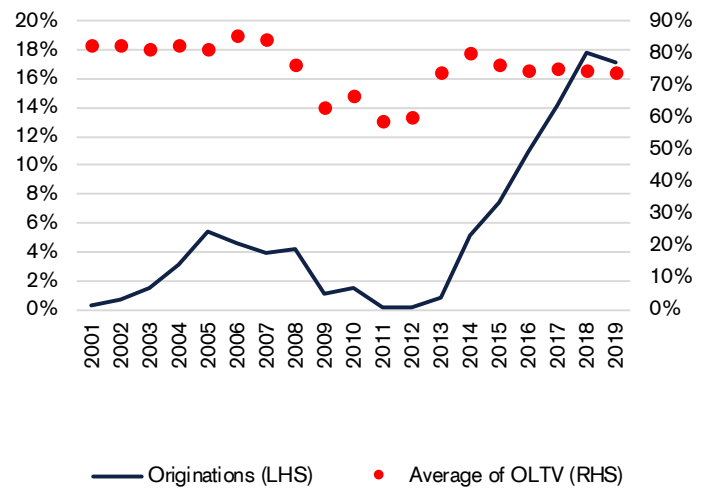
#### Portfolio Summary (as at 29 February 2020)

Number of Loans	24,590
Original Principal Balance (EUR)	4,973,353,209
Current Principal Balance (EUR)	4,026,483,467
Average Original Principal Balance (EUR)	202,251
Average Current Principal Balance (EUR)	163,745
Weighted-Average Seasoning (months)	5.5
Weighted-Average Remaining Term (years)	22.8
Floating-/Fixed-Rate Loans (as of closing)	54.3%/45.7%
Weighted-Average Coupon	3.0%
Current Weighted-Average Margin (over 3-m Euribor)	3.6%
Weighted-Average Original Loan-To-Value	79.4%
Weighted-Average Current Indexed Loan-To-Value	65.1%
Borrower's not classified as Employed borrowers	5.7%
Purchase/Remortgage Purpose	96.5%
IO and Part & Part Loans	0.0%
Arrears	0.0%
ECB Trackers	8.5%

### LTV Distribution

The WA OLTV of the entire pool is 79.4%. The Dublin region has a lower OLTV (77.6%) than the rest of Ireland (80.9%). The current indexed LTV is 65.1% with the Dublin region also having a slightly lower value of 64.8%. Despite having some loans originated at the peak of the housing market, only 17.6% of the pool has a current indexed CLTV higher than 80%.

One quarter of the pool was originated before 2010. These loans had higher OLTV levels which made them vulnerable during the sovereign crisis at the turn of the last decade. However, the loans included in the pool have survived the economic downturn without ever being restructured and therefore are a positive selection of these seasoned vintages.

**Exhibit 1: Indexed Current Loan-To-Value by Bucket**

**Exhibit 2: Original Loan-To-Value by Vintage**


## Interest Rates

### ECB Trackers

ECB tracker loans cannot switch to another product. While the ECB rate is currently zero, the index on those loans could become negative in the future. However, the loan coupon is floored to zero.

Since there is no hedging mechanism to limit the basis risk between the ECB rate received on the trackers and 1-m Euribor paid by the notes DBRS Morningstar applied a haircut to the yield of ECB tracker loans in the months of the analysed peak of assumed defaults in the different rating scenarios. The haircut was set based on the historical basis risk shown between the two rates.

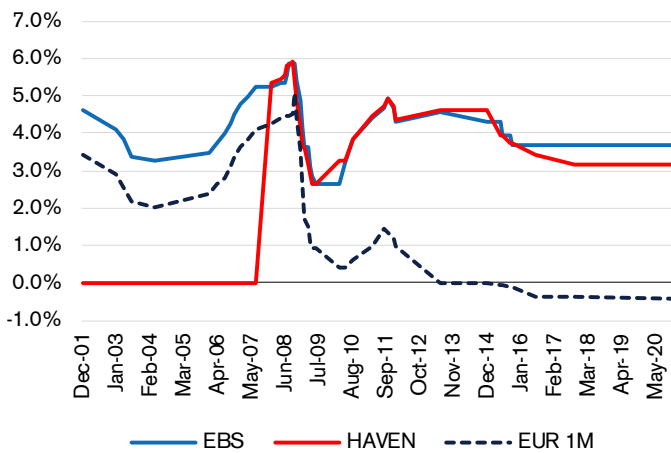
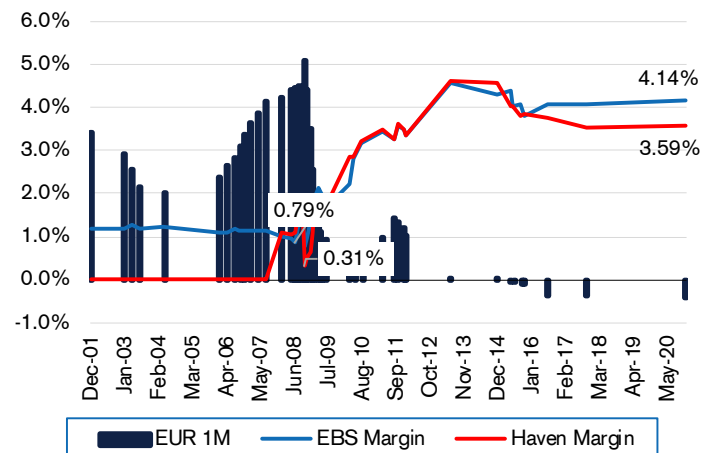
### SVR Loans

Haven borrowers currently pay a SVR of 3.15% whereas EBS borrowers currently pay a SVR of 3.70%. Both originators offer a tiered SVR product that allows the borrowers to switch to a discounted SVR if they can provide an updated full property valuation that results in a lower LTV.

However, the originators reported that there is a limited usage of this optionality. Looking at the 2016-2019 period, they reported the following statistics.

- As at 31 December 2019, only 35% of the SVR loans were Tiered Variable Rate (TVR) products
- Less than 1% of SVR customers moved to TVRs during the 2016-2019 period
- Around 3.5% of TVR customers moved to a better TVR band during that period

The originators also provided historical data dating back to 2001 on the level of the SVRs. The Haven SVR has been, on average, lower than the EBS SVR but in the past five years the gap has been squarely at about 50-60 basis points (bps). Unsurprisingly, the margins shrank considerably when the Euribor was at higher levels and reached a trough in 2009 when the margin was about 80bps for EBS and 30bps for Haven. Once the Euribor stabilised at negative levels in recent years the margins also stabilised at about 4% for EBS and 3.5% for Haven.

**Exhibit 3: EBS/Haven SVR vs. EUR 1 month**

**Exhibit 4: SVR - EUR 1m Basis**


The transaction does not include any covenant on the minimum SVR of the outstanding portfolio after closing. Moreover, there are no limits to product switches that the servicer can grant, meaning the borrower can opt to switch to a fixed rate at any time but not to an ECB trackers. However, the transaction includes a maximum limit of 60% of the portfolio paying a fixed rate at any time, compared with 43% of initial notes balance paying a fixed-rate coupon.

DBRS Morningstar compressed the margins over 1m Euribor in an increasing rate scenario to keep into account that historically lenders' margins go down as monetary rates climb. Margins could also go down due to a change of the pricing policy of the originator as the competitive landscape changes in different interest rate scenarios.

DBRS Morningstar also compressed margins but to a lesser extent in decreasing scenarios when rates go below -1% in order to better reflect the deflationary status of the economy implied by such stresses.

The level of the assumed compression is based on the historical data (see table below). No further stresses were made to take into account the borrowers' future option to switch to a lower discounted SVR. In a high rating scenario, the LTV will not evolve in a favourable way for borrowers, thus making a switch to TVR rather unlikely.

### Fixed-Rate Loans

Fixed-rate loans have a contractual reversion date on which, unless the borrower renegotiates its mortgage, the loans will switch to the originator's current SVR. As explained above, since there are no product switch limits, the split between SVR and fixed-rate loans could be range from 0 to 60% over the transaction life.

DBRS Morningstar analysed the current coupon until the revision date of each individual loan. After such date, the loan is assumed to switch to the then current assumed margin over 1m Euribor, which in turn depends on the date of the switch and the rating/IR scenario being tested.

### Loan Features

The WA seasoning of the pool is 5.5 years with the WA remaining term at about 22.8 years, in line with the Irish market average. The originators also offer tenors longer than 30 years so that 15% of the pool matures on or after 2050. There are no significant concentrations in the maturity profile of the portfolio.

Almost the entirety of the pool was granted with the purpose of purchasing the property. All properties were appraised with a full valuation report.

The portfolio includes only repayment loans.

## Borrower Features

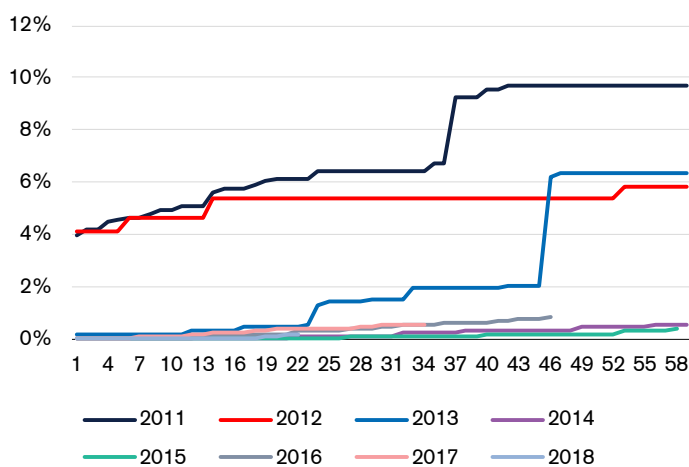
Most of the borrowers were a full-time employee at the time of the origination (94.4%). The remaining portion is either self-employed or with another form of income.

The geographical profile of the portfolio has a Dublin/rest of Ireland split is in line with overall market. In line with its methodologies, DBRS Morningstar applied a penalty to the probability of default (PD) of borrowers residing in certain regions in Ireland. The WA penalty applied for the geographical distribution of the transaction pool is approximately 10%.

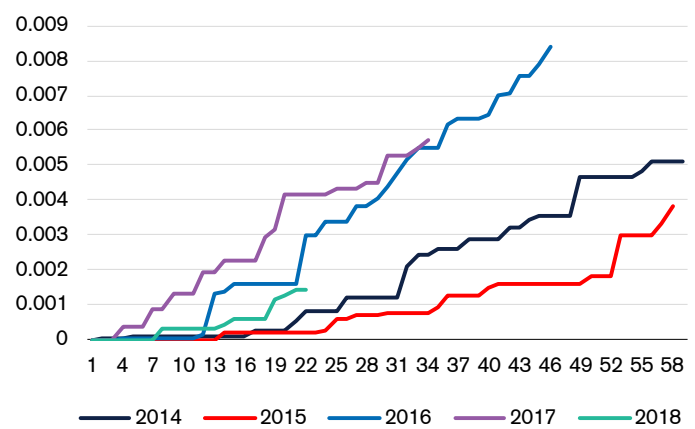
## Historical Performance

DBRS Morningstar received monthly performance data on a loan-by-loan basis for the period ranging from December 2014 to October 2019. DBRS Morningstar elaborated the raw data into cumulative default vintages by year of origination with a default definition of three months+ in arrears. These vintages were used to set the PD benchmark for the transaction, which is in line with recent Irish prime transactions.

**Exhibit 5: Cumulative Default (3m+ arrears) Vintages**



**Exhibit 6: Default Vintage (recent vintages only)**



Pre-2013 vintages show a significantly worse performance than post-2013 vintages, in line with the overall Irish market. While the available performance history for pre-2011 vintages is not numerous enough to draw a significant conclusion on the relative performance of such vintages, DBRS Morningstar considered that the pre-2011 vintages in this pool survived a double-dip recession without ever registering any arrears. Therefore, while one quarter of the pool was originated in 2010 or earlier, DBRS Morningstar did not make a particularly punitive PD assumption for those vintages when estimating the WA PD benchmark of the transaction.

## Rating Analysis

The ratings are based on DBRS Morningstar's review of the following analytical considerations:

- The transaction capital structure, and form and sufficiency of available credit enhancement to support DBRS Morningstar-projected expected cumulative losses under various stressed scenarios.
- The credit quality of the portfolio and DBRS Morningstar's qualitative assessment of the originators' capabilities with regard to originations, underwriting, and servicing.
- The transaction's ability to withstand stressed cash flow assumptions and repay the noteholders according to the terms and conditions of the notes. The rating on the Class A1 and A2 notes addresses the timely payment of interest and ultimate repayment of principal on or before the Final Maturity Date. The ratings on the Classes B, C, D and E notes address the timely payment of interest once most senior and the ultimate repayment of principal on or before the Final Maturity Date.
- The transaction parties' financial strength in order to fulfil their respective roles.
- The transaction's legal structure and its consistency with DBRS Morningstar's *Legal Criteria for European Structured Finance Transactions* methodology, as well as the presence of the appropriate legal opinions that address the assignment of the assets to the Issuer.
- The sovereign rating of the Republic of Ireland at A (high) with a Positive trend as of the date of this report.

## European RMBS Insight Analysis

The DBRS Morningstar portfolio loss assumptions are listed in the following table:

Rating Scenario	PDR	LGD	EL
AAA (sf)	23.9%	59.8%	14.3%
AA (low) (sf)	14.1%	45.7%	9.9%
A (low) (sf)	10.0%	39.6%	4.0%
BBB (low) (sf)	5.9%	29.0%	1.7%
BB (sf)	3.1%	23.9%	0.7%

## Cash Flow Analysis

DBRS Morningstar applied its default curves (front-ended and back-ended), its prepayment curves (low, medium, and high constant prepayment rate (CPR) assumptions) and interest rates stresses as per its *Interest Rate Stresses for European Structured Finance Transactions* methodology. DBRS Morningstar applied an additional 0% CPR stress.

Based on a combination of these assumptions, a total of 16 cash flow scenarios were applied to test the performance of the rated notes (see table below).

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

## Timing of Defaults and Recovery Lag

DBRS Morningstar applied ten-year front and back-loaded default timing curves. A recovery lag of 48 months was used in the cash flow analysis.

### Risk Sensitivity

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 ratings to various changes in the base-case portfolio default rate and LGD assumptions in the respective rating scenarios:

#### Class A Notes

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

#### Class B Notes

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

#### Class C Notes

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

#### Class D Notes

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

#### Class E Notes

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

## Appendix 1

### Origination & Underwriting

#### Origination and Sourcing

The majority of mortgages prior to 2005 were sourced through the bank's branch network and agents. EBS began working with brokers in 2005, and established Haven as a distinct brand working directly with intermediaries. As a result, 100% of mortgages originated by Haven are sourced through third parties.

#### Underwriting Process

All underwriting activities are centralised within the Mortgage Lending Unit (MLU). The MLU includes mortgage underwriting teams of AIB, EBS and Haven with Group Credit Policies applied across all brands.

EBS and Haven intermediaries liaise with the lender through an electronic application process. The assessment and supporting documentation is imaged / scanned to the applicant's file on the relevant electronic system – Loan Application System (LAS) for Haven and EBS. All EBS applications must be recommended prior to submission, all Haven applications are subject to Dual Credit Authority, in either scenario front line engagement in risk assessment is a requirement. The MLU will review all policy documents and data inputs (i.e. income & bank statements) prior to decision.

The assignment of loans for credit assessment by MLU takes into account skill levels, experience, and application-specific features i.e. loan amount, policy parameters, valuation etc.

Any Exceptions to Policy must be approved by Credit Risk with additional information potentially requested for further analysis.

Credit policy is set centrally and applies to all agents and intermediaries. The current policy has been in place since February 2019 and changes to credit policy are tracked. Current guidelines are consistent with the wider Irish market and more conservative than those in place pre-crisis. However, it should be noted that Haven's tightening of criteria occurred in 2008 and before most peers.

Approximately 16-18 underwriters cover EBS and Haven with deep industry and company experience. Approval authority limits are set commensurate to the loan size and based on internal credit grading rules. The risk rank and borrower employment status are also included in the authority guidelines. While the risk profile and/or characteristics of each loan type can vary considerably particularly between owner-occupied and investment products, the approval limits are the same for all products.

#### Valuations

EBS/Haven orders full valuations of every mortgaged asset completed by a qualified third-party appraisal selected from an approved panel which is vigorously monitored. Audits of valuers are conducted quarterly including a random sampling of 15-20 appraisals. As a building society until 2011, EBS and Haven were bound by the 'building society act' requiring full valuations of all properties, thereby eliminating the potential operational risks associated with 'drive by', 'desktop', or automated valuations.

#### Servicing

All servicing activities for EBS- and Haven-originated loans are managed by Retail Arrears, Credit & Collections (RACC) at AIB. The size of the RACC team is approximately 470, split across four sites in Ireland and engages with customers who are in financial difficulty in a multi-brand environment: AIB, EBS, and Haven. The team manages a variety of products including mortgages, unsecured lending and SME Loans in a fully regulated environment.

The RACC team is responsible for ongoing monitoring and engagement of mortgage borrowers for pre-arrears cases, delinquencies and the workout process in order to arrive at a consensual and sustainable solution. The department employs a variety of loss mitigation and workout strategies to cure arrears cases including capitalisation, term extensions, reduced interest rate, split mortgage, mortgage to rent and voluntary disposal based on the maximum customer affordability.

The monitoring process commences through various stages: 0-30 days past due, 30-120 days past due, greater than 120 days past due (non-legal), Pre-Litigation, and Legal.



During the first stage, the collection agent will call the borrower to seek payment to cure the arrears or to obtain a commitment to clear the arrears over a short period. The agent will seek to complete a Standard Financial Statement (SFS) and prevent the borrower from moving to the next delinquency bucket. Phone calls happen throughout the month with the goal of resolving the arrears. They are supplemented by SMS messages and a letter with the aim of gaining borrower engagement and informing the borrower of their arrears and the consequences of same. If unsuccessful, the agent will seek to have a SFS completed to enable EBS portfolio managers to assess the borrower for a sustainable solution.

Mortgage accounts that roll to the second delinquency bucket have typically been in arrears previously, with some having a historic agreement for a sustainable solution. The stick rate of sustainable solutions is c. 90%. Customer can still cure through repayment. If the SFS is still outstanding, the agent will continue to try to obtain this from the borrower to enable a more detailed assessment of the borrower's circumstances and AIB's ability to agree a forbearance or sustainable solution. An agent will follow up with the borrower via a field visit to try and obtain the SFS if telephone contact is not possible. When the SFS is received, the case is assigned to the portfolio management team to assess the status of the loan and follow up with the borrower.

The third phase, (greater than 120 days past due), contains borrowers that have not arranged or met the terms of a sustainable solution, vulnerable or deceased customers, accounts previously in Legal that are seeking a resolution together with defaulted loans on previously agreed long-term solutions. If the borrower does not cooperate or declines the resolution offer, the borrower will typically move to the Pre-Litigation phase. A notification would be sent to the borrower to confirm they are deemed to be uncooperative and will be outside of the MARP process, subsequently demanding the repayment of the loan.

The final stage progresses the borrower through the legal process for recovery of debt. The legal activity will be transferred to a third party for management, supported by a panel of eight external solicitor firms.

All throughout the various phases, the customer can re-engage with AIB and a portfolio manager would be appointed to the case to work through to a final solution, pausing legal action until a resolution is found.

Typically, 800 cases flow through the arrears process each month; however, these are not necessarily new arrears cases, and 60% of cases are resolved in the first month. The improved performance of mortgage loans can be attributed to the improving Irish economy, early warning campaigns and the borrower's improved financial situation.

### Summary Strengths

- Very active delinquency management activities including calling and letter campaigns and pre-arrears activities including modifications, and a highly experienced arrears support management team.
- Strong IT platform including robust customisation and functionality within servicing and arrears management system.
- Monthly investor reporting and remittance requirements providing significant benefits for bondholders, and help ensure more efficient and quality cash bond administration and reporting capabilities.
- Centralised underwriting and good experience across underwriting team.
- Full, external valuations on all first charge mortgage loans with no drive-by, desktop or indexed valuations.
- Regular review and updates to corporate credit policy, and some underwriting criteria tightened sooner than peers in 2008.

### Summary Weaknesses

- Complete reliance on external sourcing through intermediary network.

**Mitigants:** Strong management of network and all underwriting is centralised and agents and intermediaries are not involved in any stage of loan approval process

- Index valuations for 'Top Up' loans (equity release) prior to 2010.

**Mitigants:** Policy changed to require full, external valuations on all loans starting October 2010.

- Early stage arrears management activities are somewhat hindered by regulation such as limiting contact activity moratoriums on legal action.

**Mitigants:** Arrears team has doubled since 2010 and increased focus on improving effectiveness of borrower interaction. More pre-arrears activity, and good performance surrounding curing defaults.

## Appendix 2

### Methodologies Applied

The principal methodology applicable to the ratings in this transaction is *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*
- *Interest Rate Stresses for European Structured Finance Transactions*
- *Operational Risk Assessment for European Structured Finance Originators*
- *Operational Risk Assessment for European Structured Finance Servicers*

The rating methodologies and criteria used in the analysis of this transaction can be found at:

<http://www.dbrs.com/about/methodologies>. Alternatively, please contact [info@dbrs.com](mailto:info@dbrs.com).

### Surveillance Methodology

The transaction is monitored by DBRS Morningstar in accordance with its *Master European Structured Finance Surveillance Methodology*, which is available at [www.dbrs.com](http://www.dbrs.com) under Methodologies. Alternatively, please contact [info@dbrs.com](mailto:info@dbrs.com).

#### Notes:

All figures are British pound sterling unless otherwise noted.

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