Rating Report

Dilosk RMBS No.3 DAC

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DBRS

Insight beyond the rating.

Ratings and Issuer's Assets and Liabilities

Debt	Amount (EUR)	Size	Initial Credit Enhancement 1	Coupon 3	Step-Up Coupon 4	Rating	Rating Action
Class A 2	167,552,000	80.00%	22.50%	3m Euribor + 0.75%	3m Euribor + 1.5%	AAA (sf)	Provisional Rating - Finalised
Class B 2	13,613,000	6.50%	16.00%	3m Euribor + 1.2%	3m Euribor + 1.8%	AA (high) (sf)	Provisional Rating - Finalised
Class C 2	12,042,000	5.75%	10.25%	3m Euribor + 1.6%	3m Euribor + 2.4%	A (high) (sf)	Provisional Rating - Finalised
Class D 2	10,995,000	5.25%	5.00%	3m Euribor + 2.0%	3m Euribor + 3.0%	BBB (sf)	Provisional Rating - Finalised
Class Z1	5,239,000	2.50%	2.50%	8.0%	N/A	Not Rated	N/A
Class X1	10,472,000	5.00%	--	3m Euribor + 3.65%	3m Euribor + 3.65%	Not Rated	N/A
Class X2	16,755,000	8.00%	--	3m Euribor + 7%	3m Euribor + 0%	Not Rated	N/A
Class R	3,000,000	0.01%	--	N/A	N/A	Not Rated	N/A
Class Z2	5,237,000	2.50%	--	8.0	N/A	Not Rated	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.
2 The rating for the Class A notes addresses the timely payment of interest and ultimate payment of principal. The ratings for the other classes of notes address the ultimate payment of interest and principal while junior but 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 notes steps up on the first optional redemption date, falling on the interest payment date in April 2022.
5 The general reserve fund was funded at the closing of the transaction by the proceeds of issuance of the Class Z2 notes and will be replenished on each interest payment date up to the general reserve target level. The general reserve fund target level will equal 2.50% of the principal amount outstanding of the Class A to Z1 notes and it will not amortise. Once the Class A to D notes are redeemed in full, the general reserve fund target level will be reduced to zero.

	Initial Amount (EUR)	Size
Closing Asset Portfolio (as at 31 March 2019)	174,533,959	100.00%
Prefunding	Up to 34.9 million	16.7%
General Reserve Fund Target Level	5,236,025	2.50% of the Class A to Class Z1 notes at closing

All statistics related to the mortgage portfolio are as of 28 February 2019 unless otherwise stated.

DBRS finalised its ratings of Class A through D of the securitisation notes issued by Dilosk RMBS No.3 DAC (the Issuer).

The Issuer is a bankruptcy-remote special-purpose vehicle (SPV) incorporated in the Republic of Ireland. The proceeds of the notes have been used to fund the purchase of prime and performing Irish buy-to-let (BTL) mortgage loans secured over properties located in Ireland. The mortgage loans were originated by Dilosk DAC between 2017 and 2019.

As of 31 March 2019, the closing mortgage portfolio totalled EUR 174.5 million. A large proportion of the loans in the portfolio (75.6% in terms of outstanding balance) repays on an interest-only basis. None of the loans in the mortgage portfolio were in arrears at closing. The total amount of collateralised notes at closing equalled EUR 209.4 million. The issuer can purchase additional loans from the closing date until the first interest payment date (IPD) in October 2019 (the pre-funding period). The maximum amount of loans that the Issuer can purchase is expectd to be an amount up to EUR 34.9 million.

The beneficial interest of the mortgage loans has been transferred to the Issuer while the legal title of the mortgage loans will remain with Dilosk DAC. Dilosk DAC will delegate the servicing of the mortgage portfolio during the life of the transaction to Link, with Wilmington Trust SP Servicers (Dublin) Limited acting as the backup servicer facilitator. Link's servicing capabilities are appropriate for being able to monitor and manage the performance of its mortgage book and securitised mortgage portfolios.

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Transaction Parties

Roles	Counterparty	DBRS Rating
Originator/Sellers/ Retention Holder	Dilosk DAC	Not rated
Rotation Entity	Dilosk DAC	Not rated
Issuer	Dilosk RMBS No. 3 DAC	Not rated
Servicer	Dilosk DAC	Not rated
Delegate Servicer	Link Asset Services	Not rated
Cash Manager	The Bank of New York Mellon, London Branch	AA Positive trend / R-1 (high) Stable trend
Trustee	BNY Mellon Corporate Trustee Services Limited	Not rated
Principal Paying Agent, Agent Bank, Account Bank	The Bank of New York Mellon, London Branch	AA Positive trend / R-1 (high) Stable trend
Collection Account Bank	BNP Paribas, Dublin Branch	Private Rating
Corporate Servicers Provider, Share Trustee	Wilmington Trust SP Services (Dublin) Limited	Not rated
Arranger, Joint Lead Manager	NatWest Markets Plc	BBB(high) / R-1 (low) Stable trend // COR: A / R-1 (low) Stable trend
Joint Lead Manager	Citigroup Global Markets Limited	Not rated

Relevant Dates

Term	Description
Portfolio Provisional Cut-Off Date	28 February 2019
Issue Date	18 April 2019
First Payment Date	20 October 2019
Payment Dates	20 October, 20 January, 20 April and 20 July
Payment Frequency	Quarterly
Step-Up Date/Optional Redemption Date	20 April 2022
Final Maturity Date	20 October 2057

In DBRS's view, this set-up can mitigate a potential servicer termination and therefore remedy potential interest shortfalls arising from operational issues. Moreover, the rated notes will have necessary liquidity support from the general reserve fund and the liquidity reserve fund to mitigate any temporary servicing disruption.

The transaction's capital structure provides 22.5% credit enhancement to the Class A notes through subordination of the Class B notes (6.50% in size of the mortgage portfolio balance), the Class C notes (5.75% in size of the mortgage portfolio balance), the Class D notes (5.25% in size of the mortgage portfolio balance), and the Class Z1 notes (2.50% in size of the mortgage portfolio balance) and through the general reserve fund. Additional credit enhancement is provided through excess spread. The general reserve fund has been established at closing in an amount equal to 2.50% of the aggregate principal amount of the rated notes and the Class Z1 notes; it will be funded by the issuance of the Class Z2 notes proceeds. The general reserve fund will not amortise.

Liquidity in the transaction is provided by the general reserve fund, which can be used to pay senior costs and interest on the rated notes. Liquidity for the Class A notes will be further supported by a liquidity reserve fund (sized at 1.5% of the outstanding balance of the Class A notes and floored at 0.75% of the original balance of the Class A notes) funded by available revenue receipts. The liquidity reserve fund will amortise 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 funds available are insufficient.

A key structural feature is the provisioning mechanism in the transaction, which is linked to the arrears status of a loan besides the usual provisioning based on losses. The degree of provisioning goes up with the increase in number of months in arrears status of a loan. DBRS views this positively as provisioning based on the arrears' status of loans will trap excess spread much earlier for loans that may ultimately end up in litigation for recovery.

Portfolio Summary (31 March 2019)

Total Current Balance (EUR)	174,533,959	**Asset Class**	RMBS
Number of Loans	909	**Governing Jurisdiction**	Republic of Ireland
Weighted-Average Coupon	5.27%	**Sovereign Rating**	A(high)/R-1(middle)/Stable trend
Indexed WACLTV*	54.30%		
Weighted-Average Seasoning (Years)	0.94		

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

Rating Considerations

Notable Features

- **New Originator:** Dilosk DAC is the originator and the seller of this transaction. Dilosk is a non-bank 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 Bank of Ireland in 2014. Dilosk's business strategy to date has been to focus on BTL mortgages and its target market is both professional and semi-professional landlords and investors in Ireland. Dilosk expects to enter the PDH market in the second half of 2019.
- **BTL Loans:** The entire mortgage portfolio consists of Irish BTL loans originated by Dilosk. The recovery process associated with BTL loans is generally less intensive compared with mortgage loans associated with a Primary Dwelling Housing (PDH) loan. In addition, a BTL property can be placed into receivership by the administrator.
- **Non-Recourse 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. In the closing portfolio to be securitised, 71.4% of the portfolio's current balance are loans granted to individual investors, 17.7% are loans lent to corporate investors (including mainly property investment companies as well as small and medium-sized enterprises and newly formed SPVs) and 10.9% are lent to pension trustees.
- **Multi-Unit Properties:** 14.9% of the portfolio's current balance are loans backed by multi-unit properties. These are large period houses that have been converted into self-contained apartments (a maximum of ten). Each apartment has its own

kitchen and bathroom, the access is shared, and the apartments are all on the same folio i.e. they cannot be sold individually. Usually these properties are owned by professional landlords.

- **Pre-Funding:** At closing, there is an over-issuance of notes to fund the purchase of additional new mortgage loans prior to the first interest payment date. Pre-funding can lead to negative carry, as the cash in the pre-funded account is likely to yield less than is due on the notes, as well as the possibility for deterioration in the credit quality. DBRS has accounted for the negative carry during the first payment period. Other mitigants are provided by the pre-funding limits provided and the representation and warranties given from the seller to the Issuer.
- **Deferrable Interest:** The interest on the Class B to the Class D 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 will constitute an event of default.
- **Step-Up Coupon:** Following the step-up date in April 2022, 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 April 2022.
- **Sequential Payment:** The notes are always paid sequentially, allowing for the build-up 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 when assessing the affordability of each applicant and low LTVs, which ensures that borrowers have a high proportion of equity in the property, among the main criteria. In addition, given the BTL nature of the portfolio, 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 56.4% (the maximum LTV at origination allowed for individuals is 70%, for companies is 65% and for pension funds is 50%).
- **General Reserve:** The non-amortising general reserve provides credit and liquidity support to the Class A to Class D notes. It is fully funded at closing by the proceeds from the issuance of the Class Z2 Notes and will be equal to 2.5% of the Class A to Z1 Notes at issuance. The general reserve fund can be applied to cover shortfalls in senior fees and interest on the Class A to D Notes and to clear principal deficiency ledger (PDL) balances on the Class A to D Notes' sub-ledgers.
- **Sequential Amortisation:** The collateralised notes will 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 will trap 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:** 100% of the mortgages are 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 the *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda*, notwithstanding the more robust and strict underwriting criteria applied by Dilosk based on interest coverage ratio (ICR) and low LTV ranges compared with pre-crisis BTL originations.
- **Low Portfolio Seasoning:** As of the closing date, the WA seasoning was 11.3 months as 6.7% of the portfolio's current balance has been originated in 2019, 57.7% during 2018 and the remaining 35.5% in 2017. Consequently, the performance history information is also limited to those two years.

Mitigant: DBRS compared Dilosk's underwriting and origination criteria for BTL loans with pre-crisis BTL originations and current BTL originations of other lenders and concluded that Dilosk's criteria is stricter and more robust compared with those applied when originating BTL loans pre-crisis. Despite the lack of performance history, DBRS expects the performance of this portfolio to be better compared with BTL performance during the crisis.

- **Multi-Unit Properties:** As at closing, 14.9% of the portfolio's current balance are loans backed by multi-unit properties. These are large period houses that have been converted into self-contained apartments (a maximum of ten). Each apartment has its own kitchen and bathroom, the access is shared, and the apartments 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 the South-West region and the Mid-East region. 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 multi-unit 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 has stressed potential recovery proceeds applying market value declines (MVDs) that on average are 5.0% higher for both Dublin and Non-Dublin, compared with the ones applicable as per DBRS's *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda*.

- **Non-Recourse Loans and Loans with No Personal Guarantees:** 10.9% of the portfolio's current balance is granted to pension trusts and 17.7% is granted to corporates. The loans to pension funds are non-recourse 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 considers that this will be more likely for the borrowers where the ICR is less than 1.0x.

  Mitigant: Currently, the average ICR of these loans stands at approximately 2.0x which is well above Dilosk's minimum ICR at 1.2x. However, in a distress scenario where interest rates increase and the rental income goes down, ICRs could potentially drop below 1.0x. DBRS stressed the PD for these loans by stressing the interest rate according to DBRS's *Interest Rate Stresses for European Structured Finance Transactions* methodology and additionally stressed the monthly rental income provided. This allowed DBRS to arrive to 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 the higher ratings.

- **Geographic Concentration:** The closing portfolio has a high portion of loans secured by properties in Dublin (74.9%) with 25.1% concentrated outside the Dublin area. This is expected given that the entire portfolio consists of BTL loans and these loans are more typically granted in more urban areas.

  Mitigant: Although the peak-to-trough house price decline observed in Dublin (59.7%) was higher than outside Dublin (55.7%), prices have recovered (102% in Dublin and 79% in Non-Dublin regions) since the trough. Furthermore, Dublin is generally considered a more liquid housing market relative to the rest of Ireland. DBRS has applied MVD assumptions when assessing potential recoveries from property sales. In addition, partial indexation credit of 50% has been provided to original valuations of the properties.

- **Repayment Type:** Given the nature of BTL loans, it is expected the mortgage portfolio will largely consist of interest-only (IO) loans. DBRS views such loans as riskier compared with repayment loans as the large balloon payment due at the loan's maturity date creates refinancing risk. 75.6% of the mortgage loans are IO; the rest pay interest and principal. 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.

  Mitigant: The IO 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 pay interest linked to the standard variable rate (SVR). 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%, subject to such variable interest not being less than zero (SVR floor). Cash flows have been assessed in accordance with DBRS's *Interest Rate Stresses for European Structured Finance Transactions* methodology and DBRS has given credit to the SVR floor in its cash flow analysis.

Origination and Servicing

DBRS conducted an operational review of Dilosk DAC (Dilosk) in February 2019 in Dublin, Ireland. DBRS views the origination and servicing practices to be consistent with the overall Irish mortgage market. Dilosk's management and oversight activities of its delegated servicer, Link ASI Limited (Link ASI) 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 Link ASI. Dilosk commenced lending operations in 2017 with the relaunch of ICS Mortgages as a specialist buy to let (BTL) lender.

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 Link ASI. Link ASI 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 Link ASI.

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

Transaction Structure

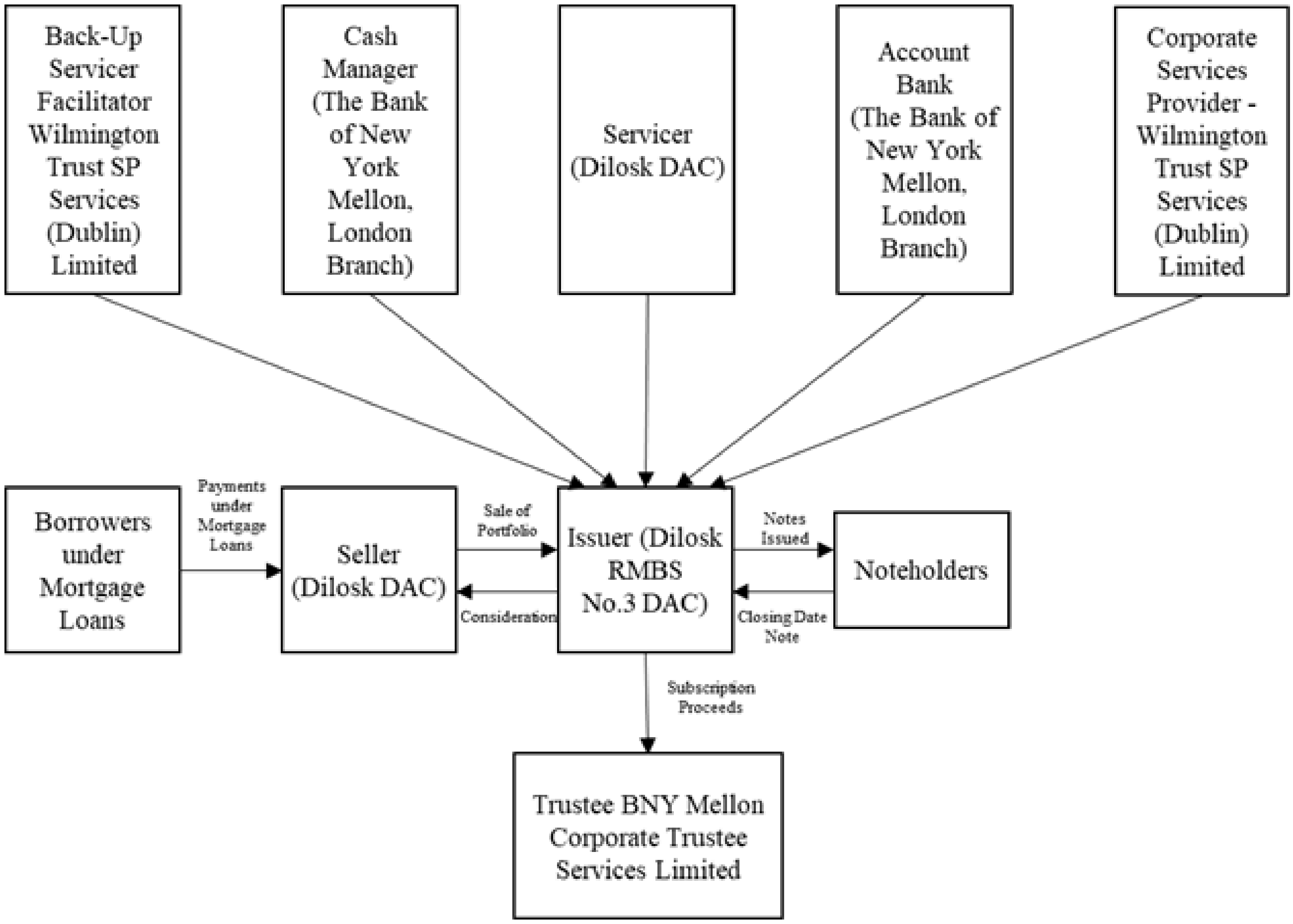
Transaction Summary

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:	2.5% of the Rated Notes plus Class Z1 notes at closing.
	Target Amount:	2.5% of the Rated Notes plus Class Z1 notes at closing.
	Amortisation:	N.A.
	Notes:	1) The amounts standing to the credit of the general reserve fund (GRF) are part of available revenue receipts on and from the first IPD and can be used to cure any revenue shortfall. 2) Following redemption in full of the rated notes: Class A to D notes, amounts 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:	EUR [0]
	Target Amount:	From each IPD it will be replenished to the higher of 1.5% of the Class A notes outstanding balance and 0.75% of the Class A original balance.
	Floor Amount:	0.75% of the Class A original balance
	Amortisation:	N.A.
	Notes:	1) The LRF is funded from available principal receipts from the first IPD until it reaches the target amount. 2) Once it reaches the target amount, it will be replenished from available revenue receipts. On the IPD 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 principal receipts. Furthermore, in any IPD, any excess standing in the LRF over the target amount will be used as available principal 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 (and only after shortfalls are first met from the general reserve fund and the liquidity reserve for Class A interest). The Class Z1 principal deficiency ledger (PDL), then the Class D PDL, then the Class C PDL, then the Class B PDL and then the Class A PDL will be debited when applying principal receipts to pay for shortfall of senior fees, interest on Class A notes and the most senior notes outstanding.

The liquidity support for the senior fees in the revenue waterfall and interest payments on the Class A notes will be provided by the liquidity reserve fund. The general reserve fund will provide support for the Class A to D notes' interest payments and Class A to D notes' PDL.

The transaction structure is summarised below:



Counterparty Assessment

Servicer and Backup Servicer

From the closing date, the servicer will appoint Link as its delegate servicer. DBRS considers the servicing practices of Link to be consistent with the overall Irish market. Wilmington Trust SP Services (Dublin) 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 will be made directly by the borrowers via direct debit into a collection account held at the BNP Paribas, Dublin Branch, privately rated by DBRS. 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 Branch 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 will provide a declaration of trust to hold all amounts standing to the credit of the collection account on trust for the Issuer.

Issuer Account Bank

Bank of New York Mellon, London Branch (BNY Mellon-London, rated AA by DBRS) is the account bank in the transaction. The transaction documents stipulate that in the event of a breach of the DBRS rating level of “A”, the account bank will be replaced with an appropriately rated institution within 30 calendar days. Based on the DBRS rating of BNY Mellon-London, the downgrade provisions outlined in the transaction documents, and other mitigating factors inherent in the transaction structure, DBRS considers the risk arising from the exposure to the account bank to be consistent with the Minimum Institution Rating as described in DBRS'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's criteria.

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 general reserve fund to remedy a revenue shortfall.
- Amounts available under the liquidity reserve fund to remedy a Class A shortfall.
- Principal receipts, 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.
- Liquidity Reserve Fund (LRF) excess amount (any excess over the LRF required amount).
- Any amounts released from the GRF when the GRF required amount is reduced to zero (after all the rated notes have been redeemed in full).
- Revenue funds allocated to crediting a PDL.

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- Principal receipts applied as principal deficiency excess revenue amounts.
- Principal receipts used to purchase any further advances.

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;
9. Class B PDL credit if applicable;
10. Interest due on the Class C notes;
11. Class C PDL credit if applicable;
12. Interest due on the Class D notes;
13. Class D PDL credit if applicable;
14. Replenish the general reserve fund to the target amount as long as the rated notes are outstanding;
15. Class Z1 PDL credit if applicable;

16. Junior Servicing fees;
17. Interest due on the Class X1 notes;
18. Principal due on the Class X1 notes to a maximum of one-eighth of the original balance on each IPD;
19. From and including the IPD immediately following the First Optional Redemption Date, any excess spread is used for available principal receipts, in order to pay down the principal priority of payments;
20. Interest due on the Class X2 notes;
21. Principal due on the Class X2 notes until paid in full;
22. Interest due on the Class Z1 notes;
23. Interest due on the Class Z2 notes;
24. Interest due on the Class R 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 Z1 notes until paid in full;
8. Principal due on the Class Z2 notes until paid in full;
9. 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 (30% after six months, 60% 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 D notes will step up on the payment date, falling in April 2022. DBRS has considered the increased interest payable in its cash flow analysis.

Legal Analysis

On the issue date, the Issuer will acquire 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 will enter 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 will charge 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.

The Irish Parliament is currently considering a minority bill entitled the No Consent, No Sale Bill 2019, which would require the explicit consent of the underlying borrower for the legal title of their mortgage to be transferred. While DBRS ratings do not address the effects of future legislative changes, DBRS will monitor the progress of this bill, which, if passed into law, would potentially have a negative impact on the perfection process on this transaction and other Irish securitisations.

Representations and Warranties

The mortgage sale agreement contains representations and warranties given by Dilosk DAC (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 indemnify the Issuer. The seller will be obliged either (1) to 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 expects any future breach of warranty to be limited.

Set-Off Risk

Dilosk DAC 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 April 2022. Such further advances will be subject to the underwriting process and Dilosk's lending criteria which will be substantially the same as the criteria used to advance the original loan. Such further advances will form part of the Dilosk RMBS No. 3 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 that increases the term extension of the mortgage loan subject to a limit of EUR 2 million, including the additional loans purchased during the pre-funding period. This term extension will be only allowed for the borrowers that currently repay on a capital plus interest basis and will be only available up to the call date. Borrowers who are paying an IO loan will not be able to request a term extension. DBRS has stressed EUR 2 million of repayment loans in its cash flow analysis to account for this possible extension limiting it to a maximum of 20 years since the loan was granted, as per Dilosk's origination lending criteria for repayment loans.

Events of Default

Events of default will occur under the following scenarios:

- Non-payment of principal on any of the notes within seven days of such amount being due.
- Non-payment 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 and Class D notes are not the most senior class of notes outstanding, interest on the Class B, Class C and Class D notes can be deferred if there is a shortfall in available funds to pay such liabilities. Such deferral of interest will not be 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

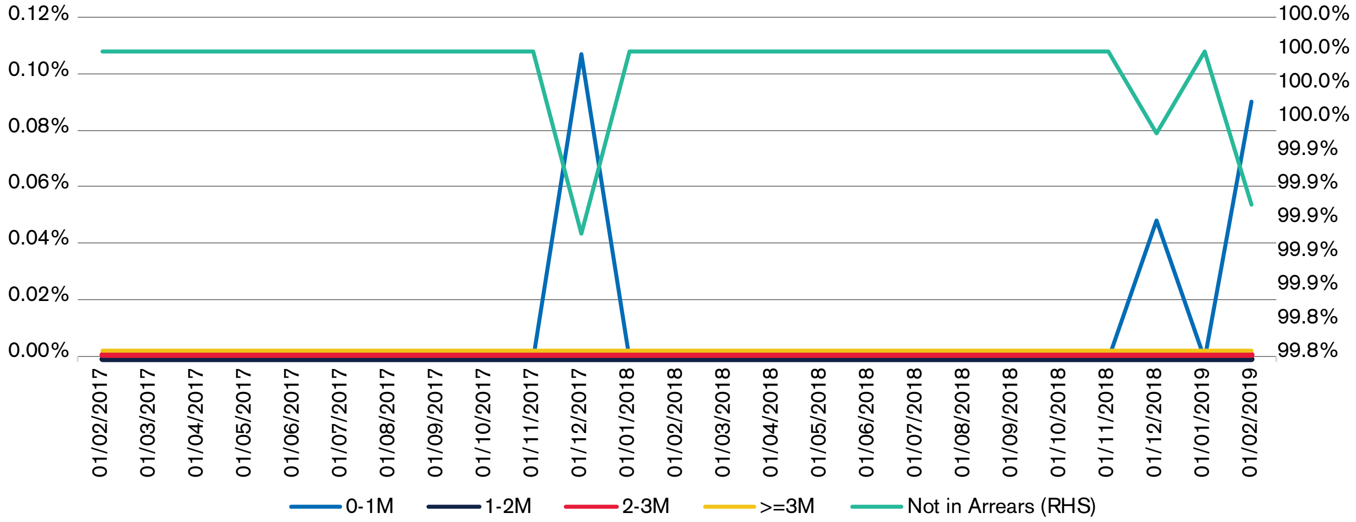
Data Quality

DBRS received the provisional mortgage portfolio and the updated one at closing loan tape for the credit analysis. (cut-off date of closing pool is 31 March 2019). DBRS received performance history information from February 2017 to February 2019 and viewed the Agreed Upon Procedures report. The main source of information used for these ratings is Dilosk DAC. DBRS considers the information available to it for the purposes of providing these ratings to be of satisfactory quality.

Historical Performance Data

Dynamic Arrears

Exhibit 1: Dynamic Arrears (%)



Source: Dilosk DAC, DBRS

Summary Statistics (DBRS Calculations)	31-Mar-19	28-Feb-19
Number of Mortgage Loans	909	916
Number of Borrowers	774	781
Total Original Balance (EUR)	176,958,742	178,856,242
Total Current Balance (EUR)	174,533,959	176,567,238
Average Original Balance per Borrower (EUR)	228,629	229,009
Average Current Balance per Borrower (EUR)	225,496	226,078
Maximum Original Balance (EUR)	1,070,000	1,070,000
Maximum Current Balance (EUR)	1,073,029	1,072,935
WA Original LTV	56.8%	56.77%
WA Current LTV Indexed*	54.3%	54.30%
Proportion of loans with CLTV(ind)>100%*	0.00%	0.00%
WA Seasoning (Years)	0.94	0.86
WA Residual Term (Years)	13.0	13.05
WA Interest Rate	5.27%	5.27%
Interest-Only Loans**	81.29%	81.36%
Self-Employed / ND	34.75%	34.77%
Income Self-Certified	0.00%	0.00%
Buy-to-Let	100.00%	100.00%
Purchase Loans	50.39%	50.29%
Re-mortgage Loans	48.79%	48.90%
Loans to corporates	17.74%	17.87%
Loans to pension funds	10.90%	10.80%
Multi-unit properties	14.90%	14.46%
Dublin	74.96%	75.23%
Non-Dublin	25.04%	24.77%
Restructured Loans	0.00%	0.00%
>=0 and <1 Month in Arrears	0.00%	99.91%
>=1 and <2 Months in Arrears	0.00%	0.09%
>=2 and <3 Months in Arrears	0.00%	0.00%
>=3 Months in Arrears	0.00%	0.00%

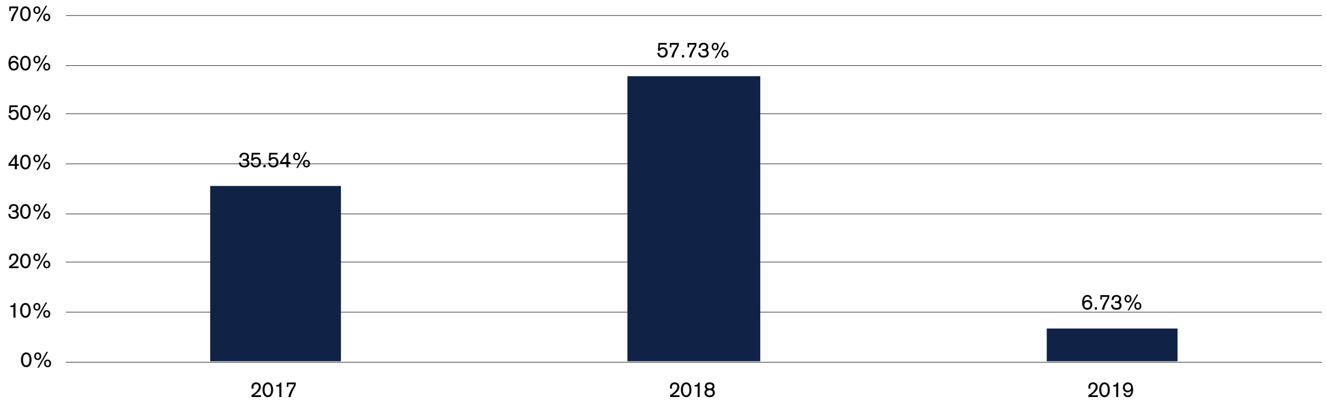
* DBRS Calculation: the WA Indexed LTV was calculated giving 50% credit to increase in house prices.
** The percentage of Interest-Only Loans includes 5.68% of flexi mortgages as of 28 February 2019 and 5.75% as of 31 March 2019.

All statistics related to the mortgage portfolio are as of 28 February 2019 unless otherwise stated.

Origination Vintages

As of the cut-off date, the securitised portfolio is approximately less than one year seasoned. The chart below shows the proportion of loans in the mortgage portfolio by the origination vintage.

Exhibit 2: Year of Loan Origination (%)

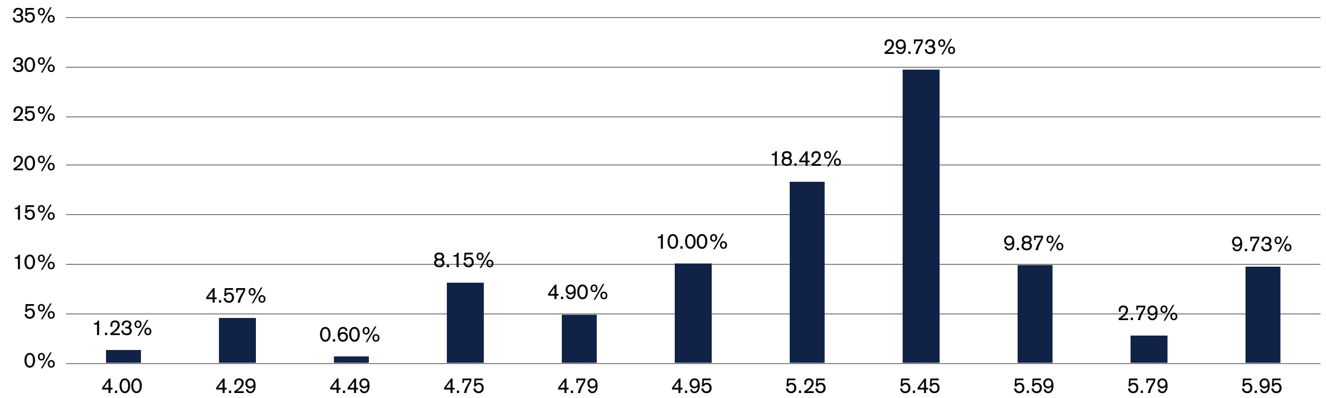


Source: Dilosk RMBS No. 3 pool tape, Dilosk DAC

Interest Rates

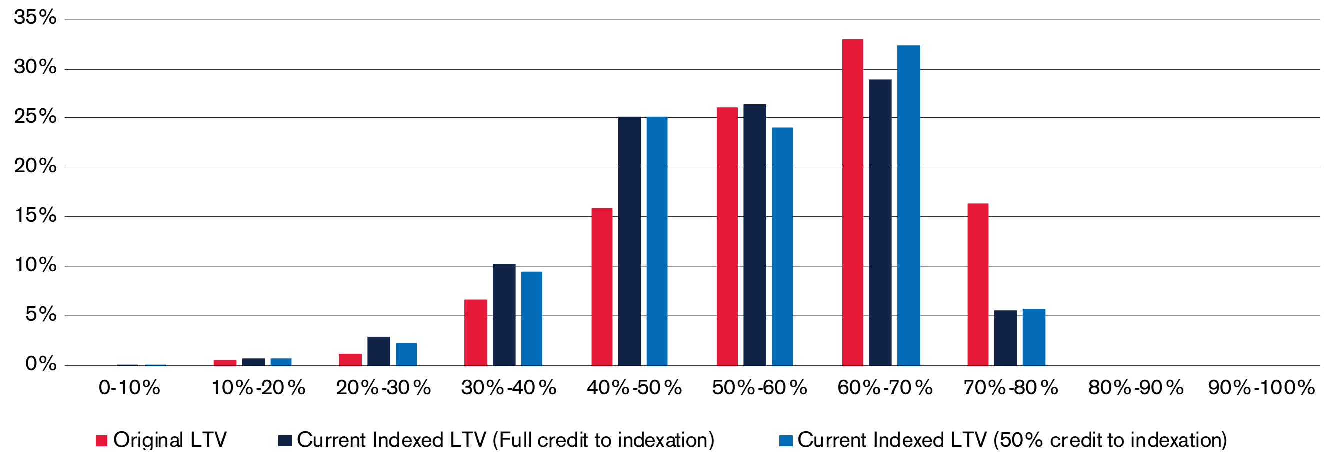
The WA interest rate of the portfolio is 5.27%. All of the loans in the portfolio are floating-rate loans that pay the SVR set by Dilosk DAC ranging from 4.0% to 5.95%.

Exhibit 3: Current Interest Rate (%)



LTV Distribution

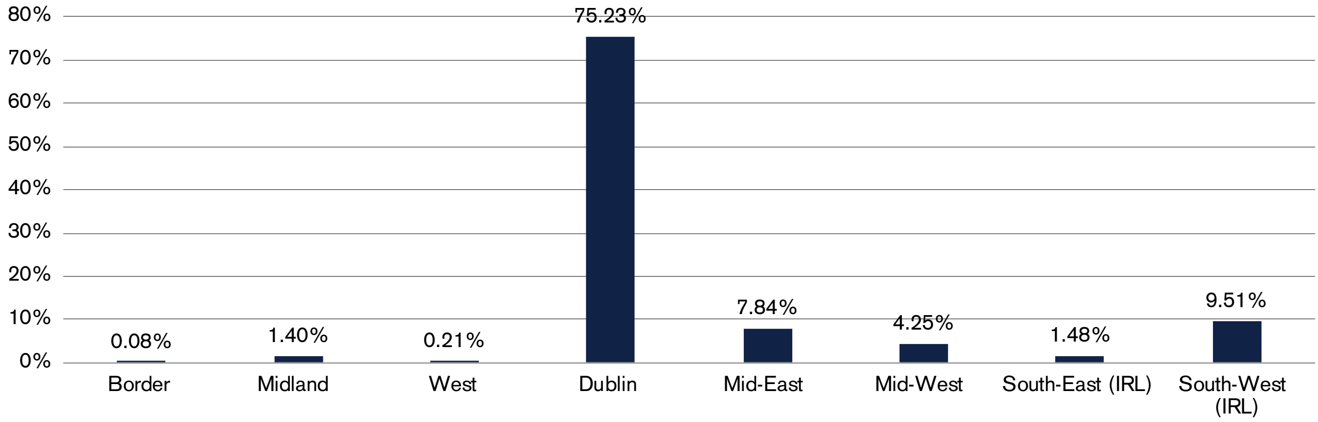
Exhibit 4: LTV Distribution



Source: Dilosk RMBS No. 3 pool tape, Dilosk DAC

Geographic Breakdown

Exhibit 5: Geographic Breakdown



Source: Dilosk RMBS No. 3 pool tape, Dilosk DAC

Rating Analysis

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

- 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 estimated stress-level PD, loss given default (LGD) and expected losses (EL) on the mortgage portfolio. The PD, LGD and EL are used as inputs into the cash flow engine. The mortgage portfolio was analysed in accordance with DBRS's 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 and Class D notes according to the terms of the transaction documents. The transaction structure was analysed using Intex Dealmaker. DBRS considered additional sensitivity scenarios of 0% conditional prepayment rate (CPR) stress.
- The A (high)/R-1 (middle) with Stable trends sovereign rating of the Republic of Ireland as of the date of this report.
- The consistency of the transaction's legal structure with DBRS'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	44.50%	47.22%	21.01%
AA	37.34%	32.22%	12.03%
A	28.30%	24.96%	7.06%
BBB	21.42%	15.93%	3.41%
BB	11.68%	8.71%	1.02%
B	7.57%	5.42%	0.41%

Source: DBRS

Cash Flow Scenarios

DBRS has 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 Interest Rate Stresses for European Structured Finance Transactions* methodology. DBRS tested additional scenarios where 0% CPR was stressed.

Based on a combination of these assumptions, a total of 12 cash flow scenarios and four additional cash flow scenarios were applied 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 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 DAC. This gives 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%, subject to such variable interest not being less than zero. Consequently, DBRS applied the SVR floor rate of three-month Euribor plus 3.25%.

Timing of Defaults

DBRS applied ten-year front- and back-loaded default timing curves. Additionally, as not all losses were applied with the ten-year default timing curves in high CPR scenarios, DBRS tested cash flow sensitivities to an eight-year front- and back-loaded default timing curves. The ratings assigned by DBRS for this transaction are based on the ten-year front- and back-loaded default timing curves.

Recovery Lag

DBRS assumed a recovery lag of 36 months to account for the shorter recovery process associated with receivership process for BTL loans in Ireland.

Risk Sensitivity

DBRS 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:

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

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

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

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

Appendix 1

Origination and Underwriting

Dilosk sources mortgages both through brokers and directly. Around 60% of 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 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 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.

Dilosk undertakes an affordability assessment to ensure the property is a viable economic proposition on a stand-alone basis using a debt service cover 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 Link ASI who 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 Chief Executive Officer, Chief Operating Officer, Head of Finance & Treasury 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 provides Dilosk with panel management services and arranges 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 re-underwriting.

Summary Strengths

- Dilosk's origination criteria are comparable to those of other BTL mortgage lenders in Ireland.
- Good oversight of underwriting quality using internal audits and third-party re-underwriting.
- Centralised underwriting with average experience across the team in excess of ten years across the Credit Team.
- Good balance of broker originations and directly sourced business for a non-bank lender.

Summary Weaknesses

- New entrant to Irish BTL mortgage market with limited origination volumes.

  Mitigant(s): Dilosk has highly experienced senior management and credit teams and over five years' experience managing Irish mortgage portfolios and the relationship with delegated servicer Link ASI. Furthermore, Dilosk has completed two other public securitisations in the past years.

Servicing

All primary and special servicing activities are handled by Link ASI under a Master Servicer agreement with Dilosk.

Link ASI 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. It grew to become 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 7000 employees in 17 countries. The Asset Services division, of which Link ASI is a part, has over 1000 employees and manages in excess of 130,000 loans with a value of EUR 90 billion.

Servicing commences during the application process when Link ASI undertakes application verification for Dilosk before full underwriting is completed. When Dilosk has underwritten a case and decided to proceed, Link ASI issue the required offer documentation to the applicant. Offers must be signed by all parties to the mortgage and returned prior to completion. Link ASI deal 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, Link ASI undertakes all required primary and special servicing activity for Dilosk. 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, Link ASI`s 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 this is followed up with regular telephone calls to try and establish contact and an amicable arrangement to clear the arrears.

The residential collections process in Ireland is heavily regulated but does not apply to BTL mortgages where the property is not occupied by the customer or 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 an account reaches 31 days past due, 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 ten 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, Link ASI has considerable experience of managing the process.

Summary Strengths

- Link ASI has a many years' experience managing and servicing mortgages in the Irish residential mortgage and commercial mortgage market.
- Link ASI is able to leverage support from the wider Link Group particularly with functions such as risk and internal audit.
- Dilosk has a strong working relationship with Link ASI 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*
- *Operational Risk Assessment for European Structured Finance Servicers*
- *Operational Risk Assessment for European Structured Finance Originators*
- *Interest Rate Stresses for European Structured Finance Transactions*

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.

Surveillance Methodology

The transaction is monitored by DBRS in accordance with its *Master European Structured Finance Surveillance Methodology* and is available at www.dbrs.com under the heading Methodologies. Alternatively, please contact info@dbrs.com.

Notes:
All figures are euros unless otherwise noted.

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate). For more information on regulatory registrations, recognitions and approvals, please see: http://www.dbrs.com/research/highlights.pdf.