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Research

New Issue: Kinbane 2024-RPL 2 DAC

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Related Criteria

Related Research

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New Issue: Kinbane 2024-RPL 2 DAC

Ratings Detail

Transaction profile	
Issuer	Kinbane 2024-RPL 2 DAC
Collateral type	RMBS reperforming
Domicile of assets	Ireland
Seller	Coll Residential DAC
Servicer	Cabot Financial (Ireland) Ltd. and Mars Capital Finance (Ireland) DAC
Counterparties	Allied Irish Bank PLC, U.S. Bank Europe DAC, Barclays Bank Ireland PLC, and Morgan Stanley & Co. International PLC

Capital structure

Class	Rating*	Class size (€)	Credit enhancement (%)§	Coupon (%)	Step-up coupon (%)	Step-up date	Legal final maturity
A	AAA (sf)	326,920,000	23.90	One-month EURIBOR + 110bps	One-month EURIBOR + 165bps	November 2027	January 2063
B-Dfrd	AA (sf)	20,290,000	19.15	One-month EURIBOR + 160bps	One-month EURIBOR + 240bps	November 2027	January 2063
C-Dfrd	A- (sf)	8,540,000	17.15	One-month EURIBOR + 265bps	One-month EURIBOR + 365bps	November 2027	January 2063
D-Dfrd	BBB (sf)	10,680,000	14.65	One-month EURIBOR + 325bps	One-month EURIBOR + 425bps	November 2027	January 2063
E-Dfrd	BB (sf)	7,470,000	12.90	One-month EURIBOR + 425bps	One- month EURIBOR + 525bps	November 2027	January 2063
F-Dfrd	B- (sf)	16,020,000	9.15	One-month EURIBOR + 525bps	One-month EURIBOR + 625bps	November 2027	January 2063
RFN	NR	8,550,000	N/A	700bps fixed rate	N/A	N/A	January 2063
Z1	NR	8,550,000	N/A	800bps fixed rate	N/A	N/A	January 2063
Z2	NR	9,620,000	N/A	1000bps fixed rate	N/A	N/A	January 2063
X	NR	2,000,000	N/A	N/A	N/A	N/A	January 2063

*Our ratings address timely receipt of interest and ultimate repayment of principal on the class A notes and the ultimate payment of interest and principal on the other rated notes. §Credit enhancement includes subordination and a general reserve fund. The transaction benefits from 4.50% overcollateralization at closing that will support the available yield. The figures do not show any credit that may accrue due to unused yield supplement overcollateralization. EURIBOR--Euro Interbank Offered Rate. NR--Not rated. N/A--Not applicable.

The Credit Story

The pool for Kinbane 2024-RPL 2 DAC contains €427.3 million first-lien residential mortgage loans located in Ireland. The loans were originated by multiple lenders, with the main ones being Allied Irish Banks PLC (AIB), Ulster Bank PLC, and EBS DAC. The pool comprises 83.75% owner-occupied properties and 15.25% buy-to-let (BTL) loans.

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There are €1.90 million of warehoused loans that are subject to potential future write-off. We have conducted our analysis net of this amount and have not given credit to these loans in our cashflow analysis

The assets were previously securitized in the Shamrock Residential 2022-1 DAC transaction that closed in early 2022. All of the loans in pool for Kinbane 2024-RPL 2 were present in Shamrock Residential 2022-1.

Credit strengths

Key factor	Description
Credit enhancement and liquidity coverage	The capital structure provides 23.90% of available credit enhancement for the class A notes through subordination and the non-liquidity reserve fund. A fully funded liquidity reserve fund and non-liquidity reserve fund are available to meet revenue shortfalls on the most senior tranche and to provide credit enhancement to all rated notes.
Experienced servicers	Cabot Financial Ireland Ltd. and Mars Capital Finance Ireland DAC are experienced servicers with well-established and fully integrated servicing systems and policies.
Sequential structure	The application of principal proceeds is fully sequential. Credit enhancement can therefore build up over time for the rated notes, enabling the capital structure to withstand performance shocks.
Loss provisioning based on arrears	The structure incorporates an arrears provisioning mechanism rather than being linked solely to the loans' loss status. We consider this more positive for the transaction, given that any excess spread is trapped as soon as the loan is in arrears rather than waiting until the recovery process is completed. We have considered this feature in our cash flow analysis.
Interest rate hedging	The interest rate cap hedges exposure to liquidity risks in a rising interest rate scenario.

Credit concerns

Key factor	Description	Mitigant
Cabot cyber attack	Cabot is the servicer for 48.83% of the portfolio. We are aware of a disruption in some of the Cabot mortgage collections since mid-September 2024. This may negatively affect collection rates and early stage arrears for a minor portion of the portfolio in the short term.	We are continuing to monitor the developments and have factored this into our cash flow sensitivity analysis.
Borrower characteristics	Over three-quarters of the borrowers (77%) have had their loans restructured in the past. In a stressed economic environment, there is increased probability of these borrowers going back into arrears.	We considered this risk in our analysis and increased our weighted-average foreclosure frequency (WAFF) assumptions. In our analysis, we have applied our reperforming adjustment to those loans that were restructured in the last 60 months and are currently performing (30.10%).
Proportion of arrears in the pool	Within the pool, 28.34% of the loans are currently at least one month in arrears, with 22.53% of these borrowers being more than three months in arrears. We view these borrowers as having a higher risk of default.	In line with our global RMBS criteria, we have increased our WAFF estimates accordingly to address this increased risk.
Data availability	We have not received information for certain loans in this pool, including loan purpose, employment status,and income data.	This is a common issue for legacy collateral. We have adjusted ourloan-level originator adjustment accordingly.
Interest-only and part-and-part loans	Of the loans in the portfolio, 25.60% are interest-only loans or part-and-part loans. In our view, interest-only loans on owner-occupied properties have historically exhibited a higher default probability than otherwise similar loans.	We have increased the foreclosure frequency on these types of loans on owner-occupied properties in our analysis in line with our criteria.
Misapplied interest rates on the Bay portfolio	The arranger has informed us that Mars Capital Finance, the servicer for the Bay portfolio, has not passed on the interest rate increases on some loans. In total, this affected 20% of the pool. This affected loans on both standard variable rate (SVR) products and European Central Bank (ECB) tracker mortgages. The servicer has confirmed that the increases will be reflected from January 2025 onward, so the rates in the pool will not reflect these increases. This will be positive for the cash flow into the transaction, while increasing the risk of these borrowers falling into arrears.	We have tested the effect of the increased interest rates in our cash flow analysis, while also considering the increased possibility of more loans falling into arrears as a result of the sudden increased payments. This is considered within our ratings.

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Credit concerns (cont.)

Key factor	Description	Mitigant
Potential future write-offs	27 loans are subject to a potential future write-off totaling €1.9 million. These loans are warehoused portions of split loans associated with other loans in the pool.	We have considered this in our cash flow analysis by using the current balance, net of any write-offs. At the same time, in our cash flow analysis, the warehouse loans do not accrue any interest.
Legal title issues	We are aware of potential legal title issues that may affect the loans' enforceability, which represents 2.4% of the loans in the portfolio by current balance.	We incorporated this risk in our cash flow analysis, as some of these loans may be more challenging to enforce.
Cross-collateralization	The pool features cross-collateralization, as there are multiple loans secured by the same properties, one loan secured by multiple properties, or one property linked to multiple borrowers.	To account for these characteristics, we have considered the default risk at the borrower level (see "Historical performance")
Weak representations and warranties	The seller and retention-holder provide representations and warranties in the mortgage sale agreement, which we consider to be weaker than the market standard for an Irish RMBS transaction.	We have therefore increased our foreclosure frequency estimates to address this risk. We have also considered the pool's high seasoning as a supporting factor.
Audit results	We received an updated audit on the dynamic fields as part of this transaction, and we also leveraged the audit that was performed as part of the previous transaction. The audit reports, while not clean, generated a typical amount of errors we usually see in Irish legacy re-performing transactions. In addition, some material fields for our analysis were not checked against the loan documentation, primarily due to missing documentation.	We incorporated this in our credit analysis through an increased originator adjustment.
Basis risk	The notes pay one-month Euro Interbank Offered Rate (EURIBOR) plus a margin. Of the loans in the portfolio, 55.90% are linked to the ECB tracker rate, 35.29% are linked to an SVR, 6.31% are fixed-rate loans, and the remaining 2.51% are linked to one-month and three-month EURIBOR. The SVR loans are floored at one-month EURIBOR plus 2.5%, which we considered in our cash flow analysis but did not give credit to the full amount in line with how these floorswere breached during increasing interest ratescenarios. The transaction does not have a swap to mitigate the basis risk between the ECB tracker loans and the interest on the liabilities.	We have accounted for this basis risk in our analysis.

Origination, Collateral And Servicing

Originators

The assets present in this portfolio have been originated multiple lenders, most of which (96.80%) before 2011. Almost 75% of the assets were originated by either AIB or Ulster Bank, with the remainder being from smaller lenders.

Table 1

Originator

	Proportion of assets in the pool (%)
Ulster Bank Ireland DAC	43.74
Allied Irish Banks PLC	30.78
EBS DAC	17.84
Danske Bank A/S	2.86
Haven Mortgages Ltd.	2.55
Stepstone Mortgages Funding Ltd.	2.23

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The pool is made up of two subpools: Bay and Barrow. Bay constitutes 51.17% of the total pool and is originated by AIB, EBS and Haven Mortgages Ltd. Barrow contains the remaining 48.83% of the pool and is originated by Ulster Bank, Danske Bank A/S, and Stepstone Mortgages Funding Ltd.

At the time of origination, the three largest lenders in the pool (AIB, Ulster Bank, and EBS) were all considered prime lenders in Ireland. They were all strong lenders that had good customer relationships. Full valuations were required during origination, and their origination standards were strong when compared to nonconforming lenders and in line with other pillar banks across the market.

Given the period in which the loans were originated, the data collection and processes of lenders in general in Ireland was not as detailed as it is now after the introduction of the Central Bank of Ireland's macroprudential rules in 2015, which imposed greater mortgage lending oversight in Ireland. We capture this through our originator adjustment.

Table 2

Key considerations

Description	Consideration
Collateral type	Although we now consider the collateral type of these assets to be reperforming, we consider the majority of the assets to be prime at origination given the lenders.We consider the Stepstone Mortgages Funding loans, which are 2.24% of the pool, to have been nonconforming at the time of lending.
Lending policy versus peers and market standards	The main originators of the pool all had lending policies that were aligned with market standards at the time.Similar standards in relation to loan-to-income ratio and loan-to-value (LTV) ratio metrics would have been observed across the assets in the book, and across the wider market within the prime originations' subset.
Track record and experience	The main originators have significant experience and track records within the Irish market.AIB has been trading in the state since 1966, after an amalgamation of three historic banks that were founded in the 1800s. They, along with Bank of Ireland (BOI), have been the market leaders within Ireland since their founding. They have significant experience within the Irish market. AIB was a well-established institution at the time of the originations. Like all lenders, it has originated loans that have seen high arrears during the periods before the global financial crisis. Since then, and after the introduction of the Mortgage Arrears Resolution Process (MARP), it has seen strong performance across all books. AIB completed the takeover of one of the other main lenders in this pool, EBS, in 2011. The EBS brand is still used today.Ulster Bank has been trading in the Irish market since 1836 and has been one of the leading banks in Ireland, lying behind BOI and AIB in terms of market share. Ulster Bank had been performing well and had a strong track record at the time of the origination of the loans in this pool. Ulster Bank has exited the Irish market completely as of 2023, with its customer base being mainly transferred to BOI and AIB.
Historical performance	The historical performance of this legacy collateral has been relatively poor when compared with other collateral subtypes. Arrears peaked in Ireland in 2013, and until 2021 they were generally trending downward to their lowest levels. Since 2022, we have seen an increase in arrears in this collateral in correlation with the raised interest rates that were seen along with soaring inflation, which increased the cost of living for borrowers.We received performance data for these assets since 2014 for the Bay portfolio and since 2017 for the Barrow portfolio. Although this pool follows the same general trend as the wider market, the recent increase in arrears has been more muted than what was observed on other transactions. See chart 1 for the historical performance of this pool.We have also received pay rate data for the same period as the historical data. The performance of the pay rates in this pool has remained strong during the cost of living crisis and increasing interest rates, averaging between 80% and 90% in the last two years. The payment rates are floored at 0% and capped at 200% on a monthly basis for each loan.We looked at the pay rates of the loans in more than 90 days in arrears and found that their pay rates have been decreasing materially over the recent, stressed periods. Under our criteria, we can give credit to the pay rate for some of these loans, but given the recent poor pay rate performance we did not give credit to these loans. See chart 2 for the payment rates through time.
Data adequacy	Although the data provided meets our minimum requirements, we have accounted for the lack of performance history during the recessionary period in the Irish mortgage market in our originator adjustment.We received full original valuations for the portfolio. Based on our analysis of the historical property sales data provided by the servicers on similar loans from the originator and the difference between updated property valuations and indexed original property valuations on pools of other comparable assets, we concluded that there is a risk that the original property valuations may be overstated. Considering this, we applied a 10% valuation haircut to the original property valuations. We have also been provided with updated drive-by valuations for 72% of the properties in the pool. Drive-by valuations were performed mainly between 2015 and 2021. Where an updated drive-by valuation was available, we considered the updated valuation in our loss severity analysis. We have not applied any additional haircut.

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Table 2

Key considerations (cont.)

Description	Consideration
Qualitative factors not captured above	As the assets were originated a materially long time ago, we place an emphasis in our analysis on the observed historical performance of these assets.

Servicers

Cabot Financial (Ireland) Ltd. (Cabot) and Mars Capital Finance (Ireland) DAC (Mars) are the servicers in the transaction.

The Barrow portfolio is serviced by Cabot. These assets have a relatively high level of arrears when compared with the Bay portfolio. The servicing strategy for these loans is to proactively use restructuring techniques as outlined under the Central Bank of Ireland's Mortgage Arrears Resolution Process to help cure borrowers in long-term arrears. These restructures include reduced payments, term extensions, and eventual arrears capitalizations.

These loans' servicing strategy continues to proactively follow restructuring techniques outlined under MARP to help cure borrowers in long-term arrears. These include reduced payments, term extensions, and eventual arrears capitalizations.

Almost 87% of the Bay portfolio has undergone a permanent restructure, which considered the borrowers' circumstances. Should these restructure agreements fail, the servicing strategy for both servicers aims to realize the real estate value in the most efficient manner available.

Both Mars and Cabot are experienced servicers in the Irish market with well-established and fully integrated servicing systems and policies. We have considered the ability of both to service the portfolio under our operational risk criteria and are satisfied that they are capable of performing their functions in the transaction. There is no cap on the ratings on the notes from an operational risk perspective.

Restructuring Analysis

Of the portfolio, 77.23% has been restructured at some stage in the loan's life. The majority of these restructures occurred in 2015, with another cluster in 2020 and 2021. We classify 30.10% of the loans as reperforming and we increased our WAFF assumptions for these assets based on the date when the loan was last 90 days or more in arrears or restructured over the last 60 months, in line with our criteria.

Table 3

Reperforming loans

Category	Percentage of the portfolio (%)
Loans attracting a reperforming adjustment (i.e., either a restructure or three months in arrears over the past five years and no longer in arrears)	30.1
Currently in arrears (less than three months)	5.81
Currently three months or more in arrears	22.53

When a restructuring arrangement occurred, it included a full reassessment of the borrower's affordability. We have therefore calculated our seasoning credit on these loans based on the date a loan was last 90 or more days in arrears

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or restructured.

Table 4

Top five restructure types

	Proportion (%)	Average date of restructure
Never restructured	22.77	
PESS (part and part)	21.11	March 21, 2017
Low fixed interest rate	12.72	July 21, 2016
Capitalized arrears	11.65	May 4, 2021
Term extension	8.25	March 2, 2017

PESS--Positive equity sustainable solution.

Historical performance

Chart 1

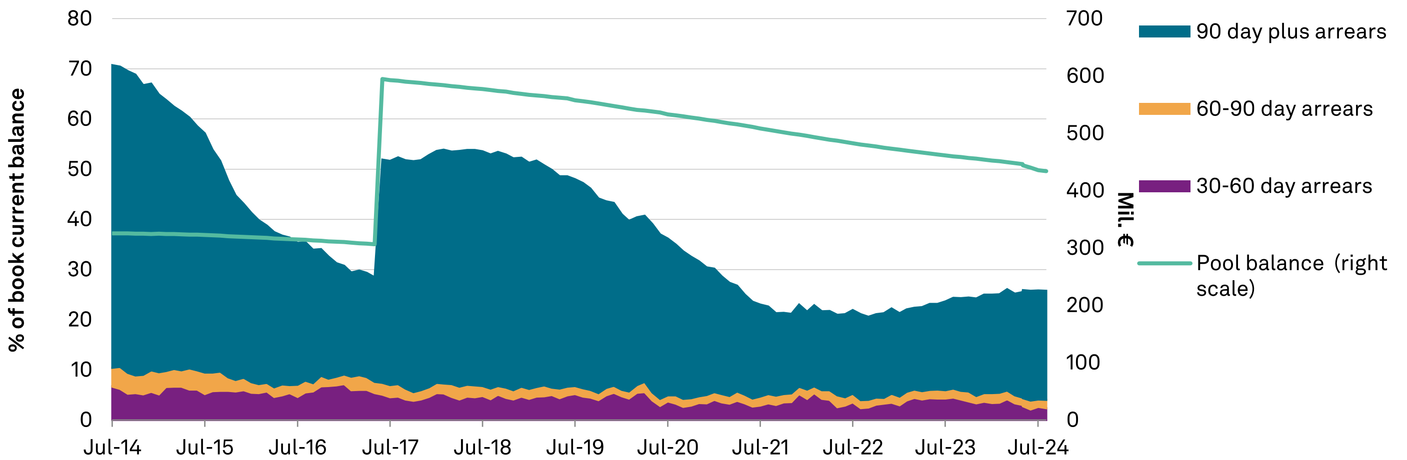

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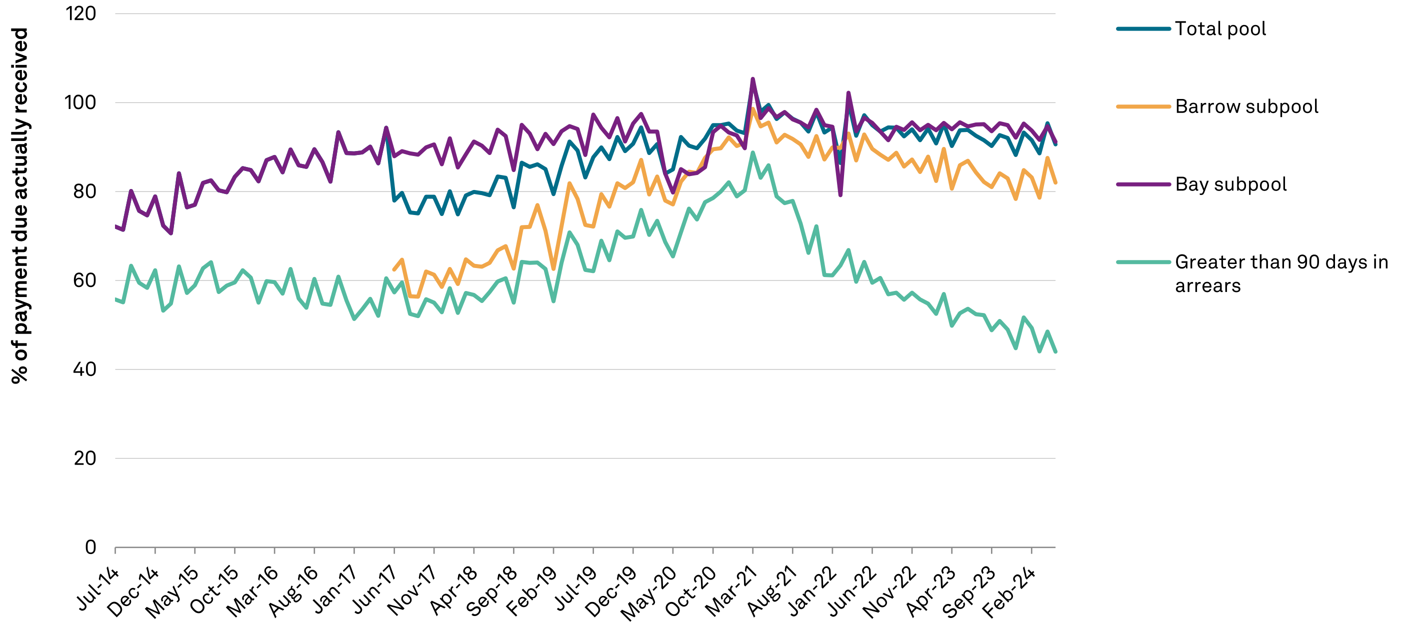
Chart 2

Payrate performance over time



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Collateral Characteristics And Peer Comparisons

The assets are first-ranking owner-occupied and BTL mortgage loans secured against properties in Ireland.

All of the assets in the transaction were previously securitized in the Shamrock Residential 2022-1 DAC transaction. Approximately 15.25% of the pool comprises BTL loans and the remaining 83.75% are owner-occupier loans. See table 5 for further details and a peer comparison.

We received loan-level data as of Oct. 31, 2024, and historical performance data on the full pool since 2017. The quality of data provided is in line with our standards.

We received an updated audit report on the dynamic fields for this transaction, and we also leveraged the audit performed as part of the previous transaction. These audit reports generated a similar amount of errors we typically see in Irish legacy re-performing transactions. In addition, some material fields for our analysis were not checked against the loan documentation, primarily due to missing documentation. We have taken this into account in our credit analysis through an increased originator adjustment.

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Table 5

Collateral characteristics and peer comparisons*

	Kinbane 2024-RPL 2 DAC	Merrion Square Residential 2024-1 DAC	Summerhill Residential 2024-1 DAC	Jamestown Residential 2024-1 DAC	Shamrock Residential 2023-1 DAC	Kinbane 2024-RPL1 DAC
Jurisdiction	Ireland	Ireland	Ireland	Ireland	Ireland	Ireland
Originator(s)	Ulster Bank, AIB PLC, Danske Bank, EBS DAC, Haven Mortgages Ltd., and Stepstone Mortgages Funding Ltd.	Permanent TSB PLC, Irish Nationwide Buidling Society, and Springboard Mortgages Ltd.	Irish Nationwide Building Society, Bank of Scotland PLC, Nua Mortgages Ltd., and Start Mortgages DAC	Bank of Scotland, The Governor and Company of the Bank of Ireland, Bank of Ireland Mortgage Bank, Nua Mortgages Ltd., and Start Mortgages DAC	Permanent TSB PLC, EBS DAC, AIB Mortgage Bank, Allied Irish Bank PLC, Springboard, Lloyds, Irish Nationwide Building Society, Haven Mortgages Ltd., Start Mortgages DAC, and AIB Finance Ltd.	Governor and Company of the Bank of Ireland, KBC Bank Ireland PLC, ACC Bank PLC, and ICS Building Society
Collateral characteristics						
Pool cutoff date	Oct. 31, 2024	May 31, 2024	May 31, 2024	July 24, 2024	Jan 31, 2023	Dec 31, 2023
Principal outstanding of the pool (mil. €)	427	637	227	706	340	290
Number of loans	3,354	4,477	1,580	4,594	1,881	2,594
Initial WA interest rate (%)	4.43	5.74	5.67	5.42		4.66
Average loan balance (€)	127,422	142,284	143,708	153,737	180,765	111,862
WA indexed current LTV ratio (%)	59.0	58.7	62.5	58.7	73	66.1
WA original LTV ratio (%)	76.8	75.1	74.4	68.1	76.9	80.8
WA seasoning (months)	219	214	221	215	196	208
First-time buyers (%)	0.0	13.3	0	6.86	6.7	20.3
Buy-to-let (%)	15.2	41.6	3.7	8.26	8.2	21.2
Restructured (ever) (%)	77.2	61	75.7	87.67	95.5	76.3
Reperforming adjustment (%)	30.1	13.2	10	13.54	72.9	34.9
Interest only or part-and-part (%)	25.6	58	31.1	46.8	26.6	21.2
Jumbo valuations (%)	19.9	13.4	26	34.6	13.2	24.5
Over/under valuation (%)	13					
Current arrears greater than or equal to one month (%)	28.34	22.3	42.1	32.78	45.3	56.6
Geographic concentration (by balance)						
First	Dublin (37.2%)	Dublin (35.6%)	Dublin (35.3%)	Dublin (40.5%)	Dublin (29.1%)	Dublin (31.1%)

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Table 5

Collateral characteristics and peer comparisons* (cont.)						
Second	Cork (9.4%)	Cork (10.1%)	Cork (8.4%)	Cork (7.0%)	Cork (8.5%)	Cork (11.4%)
Third	Kildare (5.9%)	Kildare (5.8%)	Kildare (6.0%)	Kildare (6.0%)	Meath (6.9%)	Galway (6.9%)
Credit assumptions						
Portfolio WAFF (%)						
AAA	53.64	43.13	56.49	49.23	67.46	80.86
AA	44.8	35.51	50.14	42.96	55.85	74.32
A	39.97	31.26	46.59	39.66	47.79	67.39
BBB	34.59	26.31	42.35	35.97	35.84	59.4
BB	28.62	20.63	37.62	31.83	23.93	49.38
B	27.39	19.45	36.64	30.95	20.94	46.61
Portfolio WALS (%)						
AAA	23.59	25.35	28.94	27.82	33.46	27.53
AA	19.91	21.44	24.96	23.46	29.83	23.77
A	14.13	15.12	18.31	16.34	23.42	17.66
BBB	11.37	11.93	14.9	12.81	20.13	14.6
BB	9.63	9.81	12.64	10.53	17.88	12.61
B	8.22	8.03	10.68	8.59	15.85	10.88
Credit coverage (%)						
AAA	12.65	10.94	16.35	13.7	22.57	22.26
AA	8.92	7.61	12.52	10.08	16.66	17.67
A	5.65	4.73	8.53	6.48	11.19	11.9
BBB	3.93	3.14	6.31	4.61	7.22	8.67
BB	2.76	2.02	4.76	3.35	4.28	6.23
B	2.25	1.56	3.91	2.66	3.32	5.07

*Calculations are according to S&P Global Ratings' methodology. LTV--Loan-to-value. WA--Weighted-average. WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

Credit Analysis And Assumptions

The credit analysis of the mortgage portfolio assesses the credit quality of the underlying assets, which determines the projected losses under conditions of stress commensurate with each rating level. The projected losses are the result of the combination of the loan-level foreclosure frequency (the probability of default) and the loss severity (measuring the loss on the foreclosure amounts).

Table 6

Portfolio WAFF and WALS

Rating level	WAFF (%)	WALS (%)	Credit coverage (%)
AAA	53.64	23.59	12.65
AA	44.8	19.91	8.92

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Table 6

Portfolio WAFF and WALS (cont.)

Rating level	WAFF (%)	WALS (%)	Credit coverage (%)
A	39.97	14.13	5.65
BBB	34.59	11.37	3.93
BB	28.62	9.63	2.76
B	27.39	8.22	2.25

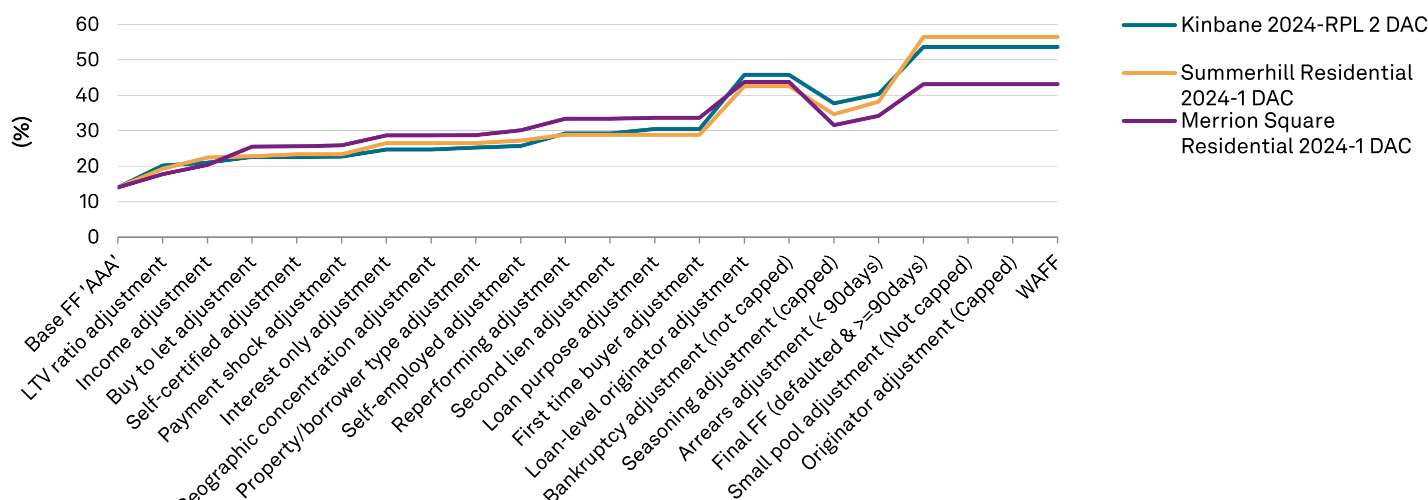
WAFF--Weighted-average foreclosure frequency. WALS--Weighted-average loss severity.

Foreclosure frequency

Our current 'B' foreclosure frequency assumption for the Irish archetypal pool is 1.50% and our base 'AAA' foreclosure frequency assumption is 14.0% (see "Residential Mortgage Market Outlooks Updated For 13 European Jurisdictions Following Revised Economic Forecasts," published on May 1, 2020). Chart 3 and table 7 summarize how the base 'AAA' foreclosure frequency has been adjusted to account for the characteristics of the securitized portfolio.

Chart 3

'AAA' cumulative WAFF distribution



WAFF--Weighted-average foreclosure frequency. FF--Foreclosure frequency. LTV--Loan to value.

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Table 7

WAFF adjustments

Factor	Description	Adjustment	Cumulative WAFF (%)
Base WAFF	Archetypical pool.	N/A	14.00
LTV ratio	The weighted-average original LTV ratio was 76.8% and the weighted-average current indexed LTV ratio is 59.0%. Approximately 27.4% of loans have a current indexed LTV ratio lower than 40%, compared to under 6.7% in the original LTV ratio (see chart 4).	1.44x	20.19
Income	Income data was missing for 56.18% of the pool. For this cohort we have set the pool to not attract a penalty through this adjustment, and instead included it in our data adjustment as part of our loan-level originator adjustment.	1.04x	20.98

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Table 7

WAFF adjustments (cont.)

Factor	Description	Adjustment	Cumulative WAFF (%)
Buy-to-let	Approximately 15.25% of the pool comprises BTL loans and the remaining are owner-occupier loans.	1.09x	22.59
Self-certified	None of the loans in the pool are marked as self-certified loans.	1.00x	22.59
Payment shock	A small proportion of fixed-rate loans revert to higher reversionary rates of the SVR. For these loans, we have applied a lower payment shock adjustment.	1.01x	22.72
Interest-only	Of the portfolio, 25.60% comprises interest-only or part-and-part loans (see chart 5). We consider interest-only or part-and-part loans on primary dwelling housing to be of higher risk of default, and therefore they attract an adjustment.	1.13x	24.74
Geographic concentration	There are no geographic concentration concerns in this portfolio.	1.00x	24.74
Property type	Approximately 1.3% of the pool is considered to be commercial in nature, and gets an adjustment in our model.	1.01x	25.23
Self-employed	We applied an adjustment for self-employed borrowers in the pool, as 11.7% are listed as such. We also note that 55.3% of the pool did not have employment data populated. We accounted for the potential presence of further self-employed borrowers through the loan-level originator adjustment.	1.02x	25.66
Reperforming	In line with our criteria, we consider the reperforming date to be the most recent of the latest restructure date or the date on which the loan was in 90+ days in arrears. A loan will only attract this adjustment if it is currently performing and the appropriate date is within the last five years. In this pool, 30.1% of the loans attract our reperforming adjustment.	1.15x	29.22
Second-lien	There are no second-lien loans present in the pool.	1.00x	29.22
Loan purpose	We applied an adjustment for those cases where the borrower increased the size of the loan when remortgaging or there were previous debts consolidated in a new mortgage loan (27.6%). The additional leverage might increase the risk of default when compared to a refinance in which no further funds are drawn.	1.06x	30.50
First-time buyer	This adjustment is applied only to first-time buyers with seasoning less than 18 months, of which there are none in this pool.	1.00x	30.50
Loan-level originator adjustment	We apply multiple layers of adjustments through the originator adjustment to reflect different risks that we consider material in the assets.This adjustment includes adjustments for the quality of the origination of the assets, the strength of the representations and warranties within the documentation, the audit reports conducted on the assets, and other data adjustments.The originator adjustment seen here is in line with similar collateral and peer transactions.	1.50x	45.75
Bankruptcy (not capped)	None present in the pool.	1.00x	45.75
Seasoning (capped)	The transaction comprises loans originated mostly before 2011, with a weighted-average seasoning of 217 months. Any loans that have been restructured or have been in arrears for more than three months receive seasoning credit from those dates.	0.85x	37.75
Arrears (<90 days)	The pool comprises 5.8% loans of greater than or equal to one month in arrears, but less than three months in arrears.	1.15x	40.31
Final foreclosure frequency (defaulted and >=90 days)	Arrears of three months or greater in the pool are currently 22.5%.	100% foreclosure frequency to all loans defaulted or in arrears for three months or greater.	53.64
'AAA' WAFF	Actual collateral pool.	N/A	53.64

WAFF--Weighted-average foreclosure frequency. N/A--Not applicable. LTV--Loan-to-value. BTL--Buy-to-let. SVR--Standard variable rate.

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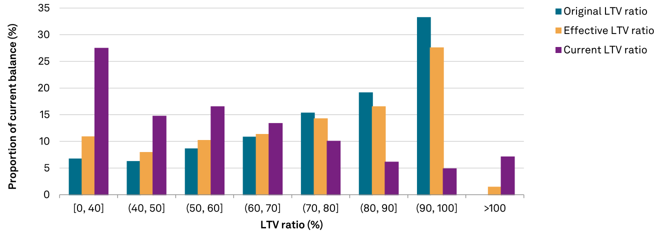
Chart 4

Original, effective, and current LTV ratio distribution



LTV--Loan-to-value.

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Chart 5

Repayment type distribution

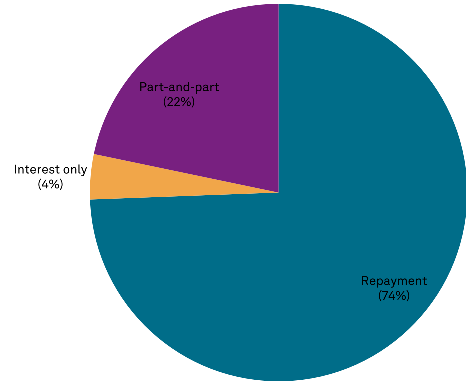

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Table 8

Geographic distribution

Region	Percentage of the pool (%)
Carlow	1.2
Cavan	1.7
Clare	1.5
Cork	9.4
Donegal	2.1
Dublin	37.2
Galway	3.9
Kerry	2.2
Kildare	5.9
Kilkenny	1.8
Laois	1.6
Leitrim	0.2
Limerick	2.6
Longford	0.6
Louth	3.4
Mayo	1.4
Meath	5
Monaghan	0.8
Offaly	1.3
Roscommon	1.1
Sligo	0.9
Tipperary	2.8
Waterford	2.2
Westmeath	2

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Table 8

Geographic distribution (cont.)

Region	Percentage of the pool (%)
Wexford	2.8
Wicklow	4.3

Loss severity

Our base 'B' market value decline (MVD) is 15% and our base 'AAA' MVD is 40% (see "Global Methodology And Assumptions: Assessing Pools Of Residential Loans," published on Jan. 25, 2019). Table 9 provides details used in the derivation of the stressed repossession MVD (RMVD).

Table 9

Repossession market value decline (RMVD) adjustments

Rating category	Base fixed MVD (%)	Over/undervaluation (%)	Forced sale discount (%)	Jumbo valuations adjustment	RMVD (%)*
AAA	40.0	6.50	10.0	1.022x	52.99
AA	36.0	5.59	11.0	1.024x	49.15
A	28.0	4.68	12.0	1.028x	41.90
BBB	23.0	3.90	13.0	1.031x	37.54
BB	19.0	3.25	14.0	1.034x	34.27
B	15.0	2.60	15.0	1.038x	31.10

*RMVD = 1-[1-(Fixed MVD+/-percentage of over/undervaluation x over/undervaluation)] x (1-FSD), plus any additional repossession MVD adjustment factors such as jumbo valuations. MVD--Market value decline. RMVD--Repossession market value decline.

We have capped the original LTV ratio at the borrower level at 100% because the loan underwriting criteria at origination did not allow lending above 100%. The weighted-average current LTV ratio of 59.052% is based on our methodology, which incorporates a 10% haircut to the valuation where only original valuations were provided.

Borrowers with minimal equity in their property are more likely to default on their obligations than borrowers with more equity. At the same time, loans with high current LTV ratios are likely to incur greater loss severities if the borrower defaults.

The proportion of the pool with jumbo valuations is 19.9%. Due to the illiquid nature of larger-valued properties, these loans will suffer an additional market value decline, in our view. A property is classified as jumbo under our criteria as being in excess of €850,000 for Dublin properties and €500,000 for properties outside Dublin.

Transaction Structure

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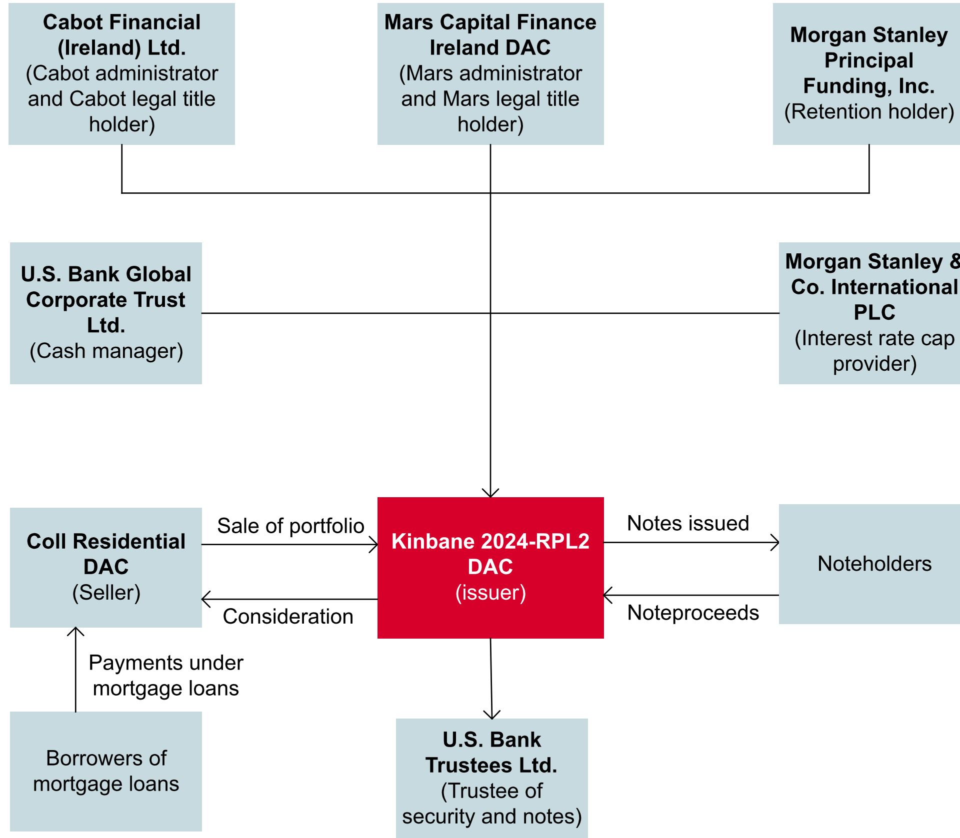
Chart 6

Transaction structure



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The issuer is an Irish special-purpose entity (SPE), which we consider to be bankruptcy remote. We analyzed its corporate structure in line with our legal criteria.

We received legal opinions that aim to provide comfort that the sale of the receivables would survive the seller's insolvency. We also received tax opinions that set out the issuer's tax liabilities under the current tax legislation. We have reviewed the final versions of the legal opinions which were satisfactory. There are no rating constraints in the transaction under our counterparty, operational risk, or structured finance sovereign risk criteria. We consider the issuer to be bankruptcy remote.

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Payment Structure And Cash Flow Mechanics

Collections

All borrowers are instructed to pay directly into the collection accounts, currently provided by Barclays Bank Ireland PLC and Allied Irish Bank PLC. Any funds deposited in the collection accounts will be transferred to the issuer's account with U.S. Bank Europe DAC. Amounts deposited to the issuer's account will be distributed monthly according to the applicable priority of payments.

Available revenue funds

The issuer's available revenue funds primarily comprise interest collections, amounts received under the cap, recoveries on defaulted loans, the reserve fund, and, if necessary, principal reallocated to cover any interest shortfalls. The transaction also benefits from a yield supplement of 4.50% overcollateralization that will be released to the revenue waterfall. On each interest payment date (IPD), principal equal to an annualized 0.45% of the outstanding portfolio balance will be transferred to the revenue waterfall to supplement the available revenue.

Available principal funds

The issuer's available principal funds primarily comprise principal collections and amounts applied to credit principal deficiency ledgers (PDLs) in the interest waterfall.

Pre-enforcement priority of payments

There are separate waterfalls for interest (revenue) and principal collections. On each quarterly payment date, the issuer will apply the available revenue and principal funds in the priority shown in table 10.

Table 10

Priority of payments

Revenue priority of payments	Principal priority of payments
Senior fees	To top up the liquidity reserve fund
Senior servicer fees	Class A notes' principal
Issuer profit amounts	Class B-Dfrd notes' principal
Class A notes' interest	Class C-Dfrd notes' principal
Class A notes' PDL	Class D-Dfrd notes' principal
Top up the liquidity reserve fund	Class E-Dfrd notes' principal
Class B-Dfrd notes' interest	Class F-Dfrd notes' principal
Class B-Dfrd notes' PDL	Deferred net WAC additional amount payable on the class D-Dfrd notes*
Class C-Dfrd notes' interest	Deferred net WAC additional amount payable on the class E-Dfrd notes*
Class C-Dfrd notes' PDL	Deferred net WAC additional amount payable on the class F-Dfrd notes*
Class D-Dfrd notes' interest	Class RFN notes' interest
Class D-Dfrd notes' PDL	Class RFN notes' principal
Class E-Dfrd notes' interest	Class Z1 notes' interest
Class E-Dfrd notes' PDL	Class Z1 notes' principal
Class F-Dfrd notes' interest	Class Z2 notes' interest
Class F-Dfrd notes' PDL	Class Z2 notes' principal

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Table 10

Priority of payments (cont.)

Revenue priority of payments	Principal priority of payments
Top up the non-liquidity reserve fund	Deferred consideration to the revenue priority of payments
Junior performance subordinated fees	
Net WAC additional amount due and payable on the class D-Dfrd notes*	
Net WAC additional amount due and payable on the class E-Dfrd notes*	
Net WAC additional amount due and payable on the class F-Dfrd notes*	
Cabot subordinated fees	
Class RFN notes' interest	
After the step-up, all revenue to principal waterfall	
Class Z1 notes' interest	
Up to the step-up date, credit the excess cash flow reserve fund ledger	
Class Z1 notes' PDL	
Class Z2 notes' interest	
Class Z2 notes' PDL	
Class X notes' principal	
Class X notes' interest	

*Our ratings do not address the payment of what are termed "net WAC additional amounts" i.e., the difference between the coupon and the net WAC where the coupon exceeds the net WAC. These amounts will be subordinated in the interest priority of payments. PDL--Principal deficiency ledger. WAC--Weighted-average coupon.

Table 11

Payment structure details

Note terms	
Payment frequency	Monthly
First interest payment date	December 2024
Interest rate	One-month EURIBOR plus a class-specific margin.
Optional call	A 10% clean-up call option that is applicable for the class A, B-Dfrd, C-Dfrd, D-Dfrd, E-Dfrd, and F-Dfrd notes. The optional call date is on or after the step-up date.
Step-up date	November 2027
Legal final maturity date	January 2063
Non-liquidity reserve fund	
Initial amount	2.00% of the collateral balance of the class A to Z2 notes at closing.
Required amount	2.00% of the balance of the class A to Z2 notes at closing, minus the higher of 0.5% of the class A notes' closing balance and 2.00% of the class A notes' outstanding balance. When the rated notes are redeemed, the required amount is zero.
Amortizing	As the class A notes amortize, the proportion attributable to the liquidity component will decrease, while the non-liquidity component will increase.
Available for	Senior fees and expenses, and interest payments on the class A to F-Dfrd notes, and amounts on the class A to F-Dfrd notes' PDLs, to the extent there is a shortfall after applying the interest collections.
Additional details	At closing, the class RFN notes' issuance proceeds fully funded the reserve fund ledger to its required amount of 2.00% of the class A through Z2 notes' closing balance, excluding the RFN notes. The reserve fund ledger is split between a liquidity component and a non-liquidity component.

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Table 11

Payment structure details (cont.)	
Liquidity reserve	
Initial amount	2.00% of the collateral balance of the class A notes at closing.
Required amount	The higher of 0.5% of the class A notes' closing balance and 2.00% of the class A notes' outstanding balance.
Amortizing	Yes
Amortizing conditions	Reduces in line with the current balance of class A notes, to a floor of 0.5% of closing balance of the class A notes.
Available for	Senior fees and expenses and interest payments on the class A notes, to the extent there is a shortfall after applying the interest collections and the general reserve fund.
Additional details	The excess will be released to the principal waterfall.
Principal deficiency ledgers	
Number of ledgers	Eight - one for each class of the mortgage-backed notes.
PDL amounts to be recorded	The PDLs are a hybrid between loss-based and default-based. Amounts will be recorded on the PDLs if the portfolio suffers any losses or if the transaction uses principal as available revenue receipts or to top up the liquidity reserve fund. A PDL will also be recorded in cases where a loan goes into arrears for more than 180 days, and if the last 12 months' interest coverage ratio was below 100%, the PDL will be 20%.If forbearance occurs and a loan becomes a split mortgage, any warehoused portion subject to potential future write-off will also be recorded as a PDL.PDL amounts will first be recorded in the class Z2 notes' PDL, up to the class Z2 notes' outstanding amount. They will then be debited sequentially upward.

PDL--Principal deficiency ledger.

Stated coupon and net weighted-average coupon

Interest will be paid monthly, beginning in December 2024.

The class A notes pay interest equal to one-month EURIBOR plus a margin with a further step-up in margin following the optional call date in November 2027. Our rating on the class A notes addresses timely payment of interest and the ultimate payment of principal.

The class D-Dfrd to F-Dfrd notes pay interest based on the lower of the coupon on the notes (one-month EURIBOR plus a class-specific margin) and the net weighted-average coupon (WAC). The annualized net WAC is calculated based on the interest accrued on the assets (whether it was collected or not) during the month, less senior fees, plus yield enhancement on that IPD, divided by the current balance of the assets at the beginning of the collection period. The net WAC is then applied to the outstanding balance of the notes in question to determine the required interest. A failure to pay the lower of these amounts will result in interest being deferred. Deferred interest will also accrue at the lower of the two rates.

Our ratings on the class B-Dfrd to F-Dfrd notes address the ultimate payment of interest and principal.

Net weighted-average coupon additional amounts

The net WAC additional amounts refer to the difference between the stated coupon and the net WAC where the stated coupon exceeds the net WAC. For instance, should the coupon be 2.0% and the net WAC 1.5%, the noteholders will receive interest based on 1.5%, which is what our ratings address. The 0.5% difference between the coupon and the net WAC constitutes the net WAC additional amount and will be subordinated in the revenue priority of payments. No additional interest will accrue on the net WAC additional amount.

In our view, the initial coupons on the notes are not de minimis, and nonpayment of the additional note interest

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amounts is not considered an event of default under the transaction documents. Therefore, we do not need to consider these amounts in our cash flow analysis, in line with our criteria for imputed promises). Our ratings do not address the repayment of such amounts.

Yield supplement overcollateralization

Under a period of stress, the interest generated by the performing assets may not be sufficient to cover revenue items. To address this risk, the transaction benefits from a yield supplement by 4.50% overcollateralization that will be released to the revenue waterfall. On each IPD, principal equal to an annualized 0.45% of the outstanding portfolio balance will be transferred to the revenue waterfall to supplement the available revenue.

Principal to pay interest

In high-delinquency scenarios, there may be liquidity stresses where the issuer would not have sufficient revenue receipts to pay senior fees or interest on the outstanding classes of notes. To mitigate this risk, the issuer can use any existing principal receipts to pay shortfalls in senior fees and interest on the class A notes. In addition, it can use them to pay interest on the class B-Dfrd to F-Dfrd notes when they become the most senior class outstanding. The use of principal to pay interest would result in the registering of a debit in the PDL and may reduce the credit enhancement available to the notes. Principal will be used only if the liquidity reserve and the general reserve fund have been exhausted.

Events of default

We view all events of default as ratings remote and therefore do not consider the post-enforcement priority of payments in our analysis. The events of default include, among others, a default in the payment of interest on the most senior notes outstanding or on principal when due. Deferring interest on the class B-Dfrd to F-Dfrd notes even when they are the most senior outstanding will not result in an event of default before the legal final maturity date.

Early redemption

The notes may be redeemed if the class Z2 notes' call option, clean-up call option, issuer call option, or tax call option are exercised. Upon exercise of any of these options, the proceeds would need to be sufficient for the issuer to redeem all the outstanding rated notes at par, including any accrued interest.

Cash Flow Modeling Assumptions

We stress the transaction's cash flows to test the credit and liquidity support that the assets, subordinated tranches, and reserves provide.

Our ratings address timely payment of interest and ultimate payment of principal on the class A notes, and they reflect ultimate payment of interest and principal on all other rated notes. Our standard cash flow analysis indicates that the available credit enhancement for the class C-Dfrd and D-Dfrd notes is commensurate with higher ratings than those currently assigned. However, the ratings on these notes also reflect their ability to withstand the potential repercussions of the cost of living crisis, including higher defaults, longer foreclosure timing stresses, and additional liquidity stresses, as well as sensitivity to reductions in excess spread caused by prepayments. In particular, for this transaction, due to the proportion of loans (more than 20% of the pool) that are due to receive a delayed increase in

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interest rate in January 2025, we have stressed a further increase in arrears to capture this risk.

Interest rate risk

The majority of the pool pays interest based on a floating rate, with 35.29% of the loans being linked to a standard variable rate (SVR), 55.90% of the loans being linked to the ECB base rate (ECB trackers) and a further 2.51% linked to EURIBOR. The remaining 6.31% of the pool are fixed rate loans.

As part of the analysis for the Bay subpool, which are predominantly AIB originated loans, the servicer identified some loans that were previously restructured by AIB that did not receive the interest rate increases that they should have had during the recent rising rate environment. The reason for this was during the migration, some of these restructure types had flags that caused issues in receiving the rate increases. Three different types of issues were identified (see table 12).

Table 12

Restructured loans' issues

Restructure type	Description
Temporary fixed rates	This type of restructure was carried out by AIB for borrowers on a floating rate that were going through a temporarily difficult period in which their repayment capacity was stretched. It involved placing the borrower on a low fixed rate for a given period, before reverting back to a floating rate. It is effectively a fixed-float loan. The issue was with the SVR loans when rates began to increase, instead of reverting to the SVR on their date of reversion, they reverted to the SVR rate at the time of the rstructure. These loans did not experience the intended increase in rates that they should have received, as interest rates were at their lowest at the time of their restructures. Of the pool, 12.98% of the loans fall into this category (SVR loans that had a temporary fixed-rate restructure). This results in a weighted-average interest rate of these loans of 3.06%.The servicer is intending to pass on the missed interest rate increases in January 2025, and it has provided us with the loan-level interest rate each loan will be set to. The revised weighted-average interest rate of these loans will be 5.37% when the rates are implemented. Mars had an extensive dialogue with the Central Bank of Ireland (CBI) on its remediation plan. No charges for the missed interest rates will be placed on the borrowers. This is a similar situation as to what we saw at a fellow Irish servicer, Pepper Finance (Ireland) DAC at the end of last year, so the same remediation process will be followed by Mars and the CBI to rectify the rates. In our analysis, we have given credit to the revised interest rates proposed by the servicer for this transaction. We have incorporated the potential for an increase in arrears because of the elevated rates into our analysis. We will monitor the status of these loans during our surveillance process.
Positive equity sustainability solution (PESS)	This restructure was carried out by AIB to bring loans that were fully repaying loans to paying interest only, part-and-part, or a fixed repayment (payment due is fixed, with the interest/principal split fluctuating with changing interest rates.) schedule. This restructure was offered to borrowers with limited repayment capacity with an effort to reduce their monthly payments. The arrangements were to be reviewed at least every five years to determine if payment capacity had increased so that the borrowers could be returned to paying more principal. The servicer also retains the right to review the arrangement at any stage at its discretion.The issue arose with the loans on tracker interest rate products in this cohort. When the ECB began to increase rates in the second half of 2022, there were two increases of 0.75 and 0.50 percentage points in quick succession. Mars passed these increases on together, resulting in ECB tracker loans getting an increase of 1.25 percentage points at this time. However, with the PESS loans, there was an issue in relation to a flag that was on Mars' systems that prevented this cohort to take this increase. This issue did not affect any further increases of the ECB tracker loans that had a PESS restructure.Of the pool, 11.14% of the loans are within this cohort (ECB tracker loans that had a PESS restructure from AIB in the past). The weighted-average interest rate of these loans in the pool is 3.82%.As for the temporary fixed rates, Mars is intending to pass on the missed interest rate increases in January 2025. Again, we have received the revised rates for this group of loans. With the intended interest rates implemented, the weighted-average interest rate for the loans is 5.07%. The differential of the pre-adjusted rates and the post-adjusted rates is the missed rate increase of 1.25 percentage points.In our analysis, we have given credit to the revised interest rates proposed by the servicer for this transaction. We have incorporated the potential for an increase in arrears because of the elevated rates into our analysis. We will monitor the status of these loans during our surveillance process.

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Table 12

Restructured loans' issues (cont.)

Restructure type	Description
Fixed repayment	The fixed repayment restructure is a subset of loans from the PESS restructures described. This is an arrangement where the payment of a borrower on a floating rate product is set at a fixed amount, but the distribution between interest and principal within that payment fluctuates. This is the case until the interest rate becomes large enough that the interest due on the loan is greater than the fixed payment. The fixed payment then must increase to cover the interest portion of the loan. When reviewing the data for these restructures, the servicer discovered that for the loans for which the interest due had increased above their fixed repayment amount, the payment due remained the same and did not increase as was expected. In the current pool, 12.23% have this kind of a restructure with 68% of these loans not paying their full interest due.In the contracts of these restructures the servicer felt there was a slight ambiguity in one of the sentences to allow them to increase the payment due. A legal opinion was received by Mars that confirmed its view. It has taken the decision to not increase the payments.Although the legal opinion confirmed that the payments cannot be increased, it did confirm that the full interest due is still payable by the borrower. The unpaid interest will accrue and be added to the current balance of the loans of these borrowers if it is not paid. The servicer has stated that it will begin approaching all 12.23% of the pool with this restructure to review their capacity to pay (in line with their right to review the arrangements at their discretion) and will make it clear to these borrowers that their current balance will be increasing if payments are not increased.The servicer has stated that it aims to have all borrowers in this cohort reviewed in the next few months. It has communicated that it believes it is within borrowers' best interests to not let interest be added to the current balance of their loans, given that the current LTV ratios of this cohort are relatively low at approximately 31%.

Hedging

The issuer benefits from an interest rate cap with multiple strike rates and notional balances within a schedule for the next 12 years. The interest rate cap acts to minimize the exposure to liquidity stresses up to 12 years after closing.

Basis risk

Of the loans in the portfolio, 55.90% are linked to the ECB tracker rate, 35.29% are linked to an SVR, 6.31% are fixed-rate loans, and 2.51% are linked to one-month and three-month EURIBOR. The transaction does not have a basis risk swap. However, the portion of the pool that references the SVR is linked (via covenants in the transaction documentation) to one-month EURIBOR, which is reset on the same day as the one-month EURIBOR on the notes. This mitigates the basis risk. The ECB tracker loans are exposed to basis risk and hence we have applied a basis risk stress on these loans.

SVR loans

Cabot and Mars, the servicers, have proposed to commit to maintain a minimum weighted-average SVR of one-month EURIBOR plus 2.5%, which is stated in the transaction documents. While monitoring the assets when in the previous transaction, we observed that this floor has not been upheld on a pool level. The current margin on SVR loans over one-month EURIBOR that we are modeling is 2.79%. This margin includes the intended interest rate increases described in table 12. Without this being implemented, the margin is 2.11%. We have therefore not given credit to the full floor in this transaction and set the floor to one-month EURIBOR plus 1.5%, in line with the lowest margin seen during surveillance of the previous transaction.

Table 13

Cash flow modeling assumptions

Spread compression	
Applied	Yes, as the asset yield on the pool can decrease if higher-paying assets default or prepay.
Details	We have incorporated this in our cash flow analysis by assuming that the weighted-average yield on the portfolio drops by 0.240% at the 'AAA' rating level, 0.022% at the 'AA' rating level, 0.210% at the 'A' rating level, 0.180% at the 'BBB' rating level, 0.170% at the 'BB' rating level, and 0.160% at the 'B' rating level.

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Table 13

Cash flow modeling assumptions (cont.)

Fees modelled	
Servicing Fee	0.50%, which is the higher of 1.5x of the actual fees and 0.35% of the pool balance as per our global RMBS criteria. This higher fee is applied to account for the potential increase in costs to attract a replacement servicer.
Fixed fees	€170,000 per year.
Bank account replacement costs	€100,000 one-off fee.
Commingling risk	
Details	Liquidity stress applied equal to 1.25 months of collections, which is returned after four periods.
Setoff risk	
Details	No setoff risk has been modelled as there are no employee loans in the pool and there is no deposit setoff exposure as the issuer is not a deposit-taking institution.

Table 14

Default curves

Front-loaded and back-loaded

Year after closing	Front-loaded defaults (% of WAFF per year)	Back-loaded defaults (% of WAFF per year)
1	25.0	5.0
2	25.0	10.0
3	25.0	10.0
4	10.0	25.0
5	10.0	25.0
6	5.0	25.0

Prepayment assumptions

	High (%)	Low (%)*
Pre-recession	24.0	2.0
During recession	2.0	2.0
Post-recession	24.0	2.0

*See "Prepayments" for further description on the level of low prepayments modelled. WAFF--Weighted-average foreclosure frequency.

Default and recovery timings

We used the WAFF and weighted-average loss severity (WALS) derived in our credit analysis as inputs in our cash flow analysis (see table 6). At each rating level, the WAFF specifies the total balance of the mortgage loans we assume will default over the transaction's life. Defaults are applied on the outstanding balance of the assets as of the closing date. We simulate defaults following two paths (i.e., one front-loaded and one back-loaded) over a six-year period (see table 14). We assume recoveries on the defaulted assets will be received 24 months after default for BTL properties and after 42 months for owner-occupied. The weighted-average period used for this pool is 39 months.

Delinquencies

To simulate the effect of delinquencies on liquidity, we model a proportion of scheduled collections equal to one-third of the WAFF (in addition to assumed foreclosures reflected in the WAFF) to be delayed. We apply this in each of the first 18 months of the recession and assume a full recovery of these delinquencies will occur 36 months after they

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arise.

Prepayments

To assess the effect on excess spread and the absolute level of defaults in a transaction, we model both high and low prepayment scenarios at all rating levels (see table 14). For this pool, we observed a higher historical prepayment rate than what we usually see on similar collateral. We therefore increased the low prepayment rate assumption to 2.0%.

Interest rates

We modeled two interest rate scenarios in our analysis: up and down. Given that the transaction incorporates an interest rate cap, upward interest rate stress assumptions exceeding the cap level may be unduly beneficial for the transaction's cash flow projection. We have therefore also modelled up/down and down/up interest rate curves to incorporate this risk into our analysis.

Summary

Combined, the default timings, recession timings, interest rates, and prepayment rates described above give rise to eight different scenarios at each rating level (see table 15).

Table 15

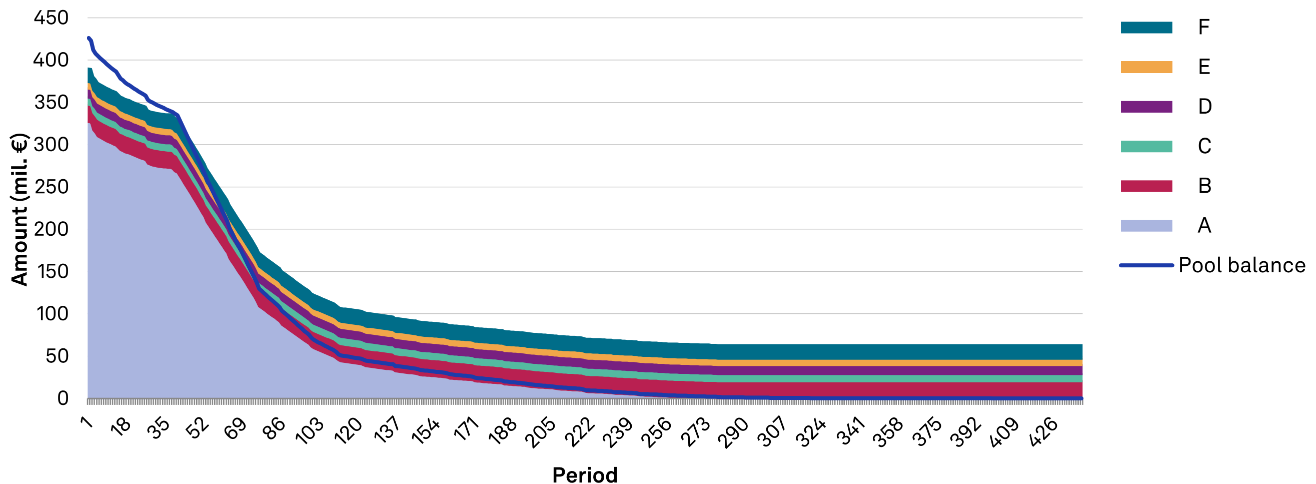
RMBS stress scenarios

Total number of scenarios	Prepayment rate	Interest rate	Default timing
8	High and low	Up and down	Front-loaded and back-loaded

The modeled amortization of the notes under our 'AAA' stress is shown in chart 7. The driving cash flow run for 'AAA' is low prepayments, rising interest rates, and front-loaded defaults.

Chart 7

Note amortization profile



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Excess spread

Excess spread is created through the difference between the asset's yield and the issuer's expenses. Table 16 outlines the initial excess spread estimate. The pool yield includes the adjusted interest rates effective January 2025.

Table 16

Initial excess spread (estimate)

	Pool (%)
Pool yield (including the annual yield supplement overcollateralization of 0.45%)	5.36
Senior fees	0.54*
Cap payment	0.00§
Cap receipt	0.00§
Available for note coupons	4.37
Less the weighted-average note coupon	
A	1.65
B-Dfrd	1.43
C-Dfrd	1.32
D-Dfrd	1.16
E-Dfrd	1.03
F-Dfrd	0.72
Excess spread remaining after expected coupon payment	(0.10)

*0.50% senior servicing fee plus €170,000 annual fees. One-month EURIBOR of 3.04% assumed. §There are no ongoing costs for the cap.

Counterparty Risk

The documented replacement mechanisms adequately mitigate the transaction's exposure to counterparty risk for the transaction and swap collateral account and the swap counterparty in line with our current counterparty criteria. No downgrade language applies to the collection account so we assume a liquidity stress on collections in our cash flow analysis and whether the structure can withstand this event.

Table 17

Supporting ratings

Institution/role	Current counterparty rating	Minimum eligible counterparty rating	Remedy period (calendar days)	Maximum supported rating
Allied Irish Banks PLC as the Cabot collection account provider	A/Stable/A-1	BBB	30 calendar days	AAA
Barclays Bank Ireland PLC as the Mars collection account provider	A+/Stable/A-1	BBB	30 calendar days	AAA
U.S. Bank Europe DAC (formerlyElavon Financial Services DACuntil Nov. 1, 2024) as accountbank provider	A+/Stable/A-1	A	30 calendar days	AAA
Morgan Stanley & Co. International PLC as the interest rate cap counterparty	RCR: A+/--/A-1	A	10 business days to post collateral 90 calendar days to find a replacement	AAA

RCR--Resolution counterparty rating.

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Commingling risk

Borrowers pay into collection accounts held with Allied Irish Banks PLC and Barclays Bank Ireland PLC in the name of the Cabot and Mars legal titleholders respectively.

If the legal titleholders were to become insolvent, the mortgage collection amounts in the collection accounts may become part of the legal titleholder's bankruptcy estate. In order to mitigate this risk, collections are transferred weekly into the issuer's bank account in the case of direct debit collections, and a declaration of trust in favor of the issuer is in place over the collection accounts. The transaction documents contain replacement language in line with our counterparty criteria on the collection account.

Although we believe that the above mechanisms (downgrade language and declaration of trust) mitigate against loss of collections, we have considered that collections could be delayed in the event of an insolvency. In our analysis, we have therefore applied a liquidity stress of 1.25 months of collections as outlined in table 13 above.

Hedging Features

Table 18

Details of the hedging features	
Type of hedging instrument	Interest rate cap instrument. The notional values and strike rates of the cap are set out in table 19. The interest rate cap minimizes exposure to liquidity stresses up to 12 years after closing.
Issuer received	The greater of zero and the difference between one-month EURIBOR and the strike rate for therespective period (scaled in terms of the day count of that period), multiplied by the respectivenotional amount for that period.
Collateral posting triggers	In line with counterparty criteria
Replacement triggers	In line with counterparty criteria
Modeled in our cash flow analysis	Yes

Table 19

Interest rate notional values and strike rates

Ending period (from closing)	Notional (mil. €)	Strike rate (%)
1	50.0	2.25
6	50.0	2.75
13	75.0	2.75
18	75.0	3.25
25	100.0	3.25
37	125.0	3.25
55	150.0	3.50
73	150.0	4.00
91	125.0	4.50
106	125.0	4.75
121	75.0	5.25
133	50.0	5.25

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Sovereign Risk

Table 20

Details of sovereign risk	
Jurisdiction	Ireland
Long-term sovereign credit rating	AA
Rating constrained by sovereign risk criteria	No

Scenario Analysis

Downside scenario

Various factors could lead us to lower our ratings on the notes, such as increasing foreclosure rates in the underlying pool and changes in the pool composition.

We consider the transaction's resilience in case of additional stresses to some key variables, in particular defaults and loss severity, to determine our forward-looking view.

In our view, the ability of the borrowers to repay their mortgage loans will be highly correlated to macroeconomic conditions, particularly the unemployment rate, consumer price inflation and interest rates. Given the loans in the transaction are floating, we believe material interest rates increases will have a negative effect on these borrowers' ability to service their loans. As of today, our forecast for policy interest rates in the Eurozone is 3.25% by the end of 2024 and 2.50% in 2025, and our forecast for unemployment is 4.1% and 4.0%, respectively.

Furthermore, a decline in house prices typically impacts the level of realized recoveries. For Ireland, we expect house prices to increase 5.8% in 2024 and by 4.1% in 2025.

Given our current macroeconomic forecast and our forward-looking view of the U.K.'s housing market, our sensitivity scenarios consider, all else being equal, the hypothetical effect on our credit ratings of different combinations of:

- An increase in WAFF (foreclosure frequency/defaults) by up to 30% at each rating level; and
- An increase in WALS (loss severity) by up to 30% at each rating level.

We therefore ran eight scenarios with increased defaults and higher loss severity, as shown in table 21.

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Table 21

Sensitivity analysis

Class	WALS x 1.0	WALS x 1.1	WALS x 1.3
WAFF x 1.0	Base Case	Sensitivity 3	Sensitivity 4
WAFF x 1.1	Sensitivity 1	Sensitivity 5	Sensitivity 7
WAFF x 1.3	Sensitivity 2	Sensitivity 6	Sensitivity 8

		Sensitivity							
Class of notes	Initial rating	1	2	3	4	5	6	7	8
A	AAA	AA+	AA	AA+	AA	AA+	AA-	AA	A+
B-Dfrd	AA	AA-	A	AA-	A	A+	A	A	BBB+
C-Dfrd	A-	A-	BBB	A-	BBB	BBB	BBB-	BBB	BB+
D-Dfrd	BBB	BBB	BB+	BBB	BBB-	BBB-	BB	BB+	BB-
E-Dfrd	BB	BB	'B-' or lower	BB	BB	BB	'B-' or lower	B	'B-' or lower
F-Dfrd	B-	'B-' or lower	'B-' or lower	'B-' or lower	'B-' or lower	'B-' or lower	'B-' or lower	'B-' or lower	'B-' or lower

Legend: No change; One-notch downgrade; Two-notch downgrade; Three-notch or more downgrade

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The results of the above sensitivity analysis indicate a deterioration of no more than one category for the notes, which is in line with the credit stability considerations in our rating definitions.

A general downturn of the housing market may delay recoveries. We have also run extended recovery timings to understand the transaction's sensitivity to liquidity risk.

The transaction embeds some strengths that may offset deteriorating collateral performance. Given its sequential amortization, credit enhancement is expected to build-up over time. The existence of a reserve and liquidity fund may, to a certain extent, insulate the notes against credit losses and liquidity stresses. In addition, the interest rate swap mitigates the effect on note coupon payments from rising One-month EURIBOR rates they are linked to.

Upside scenario

We could raise the ratings on the class B-Dfrd to D-Dfrd notes if credit enhancement builds as the transaction deleverages, or if the credit quality of the collateral pool improves over time, such as through lower current LTV ratios. Given a large portion of the collateral pool is interest-only, we believe this would largely be due to updated indexed property valuations.

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Environmental, Social, And Governance

For RMBS, we view the exposure to environmental credit factors as average, social credit factors as above average, and governance credit factors as below average (see "ESG Industry Report Card: Residential Mortgage-Backed Securities," published on March 31, 2021). For this transaction, we view the exposure to environmental credit factors as average, in line with the benchmark, as the pool is diversified geographically and does not have concentration risk. Social credit factors are considered above average, in line with the benchmark, because housing is viewed as one of the most basic human needs. Conduct risk presents a direct social exposure for lenders and servicers, particularly as regulators are increasingly focused on ensuring fair treatment of borrowers, predominately retail ones. Aggressive collection practices would increase legal and regulatory risks.

We view the exposure to governance factors as below average because, in line with other structured finance transactions, there are strong governance frameworks through, for example, the generally very tight restrictions on what activities the special-purpose entity (SPE) can undertake, compared with other entities.

Appendix 1

Table 22

Transaction participants

Role	Participant
Arranger and lead manager	Morgan Stanley & Co. International PLC
Back-up mortgage administrator facilitator	Intertrust Management (Ireland) Ltd.
Corporate services provider	Intertrust Management (Ireland) Ltd.
Auditor	KPMG
Note trustee	U.S. Bank Trustees Ltd.
Originators	Ulster Bank, AIB PLC, Danske Bank, EBS DAC, Haven Mortgages Ltd., and Stepstone Mortgages Funding Ltd.
Legal titleholder	Mars Capital Finance Ireland DAC and Cabot Finance (Ireland) Ltd.
Cash administrator	U.S. Bank Global Corporate Trust Ltd.
Principal paying agent/agent bank	U.S. Bank Europe DAC
Registrar	U.S. Bank Europe DAC
Security trustee	U.S. Bank Trustees Ltd.
Seller	Coll Residential DAC
Servicers	Mars Capital Finance Ireland DAC and Cabot Finance (Ireland) Ltd.
Share trustee	Intertrust Nominees (Ireland) Ltd.

Related Criteria

- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans--Europe Supplement, April 4, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021

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- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
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- Criteria | Structured Finance | RMBS: Global Methodology And Assumptions: Assessing Pools Of Residential Loans, Jan. 25, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Structured Finance | General: Methodology For Servicer Risk Assessment, May 28, 2009

Related Research

- European RMBS Index Report Q3 2024, Nov. 14, 2024
- EMEA Structured Finance Chart Book: November 2024, Nov. 13, 2024
- S&P Global Ratings Definitions, Oct. 15, 2024
- European Housing Markets: Better Days Ahead, Jul. 17, 2024
- ESG Industry Report Card: Residential Mortgage-Backed Securities, March 31, 2021
- 2017 EMEA RMBS Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
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