MOODY'S
INVESTORS SERVICE

CREDIT OPINION
17 April 2023

New Issue

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Closing date
17 April 2023

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Burlington Mortgages No. 2 DAC

New Issue – Irish residential mortgage loans originated by EBS DAC and Haven Mortgages Limited

Capital structure

Exhibit 1
Definitive ratings

Class	Rating		Amount (million)	% of assets	Legal final maturity	Coupon*	Subordi-nation**	Reserve Fund***	Total credit enhancement****
A1	Aaa (sf)	€	990.40	19.50%	Sep/2062	3mE+ 0.60%	13.50%	0.65%	14.15%
A2	Aaa (sf)	€	3,403.20	67.00%	Sep/2062	2.65%	13.50%	0.65%	14.15%
Z	NR	€	685.85	13.50%	Sep/2062	0.00%	0.00%	0.00%	0.00%
R1	NR	€	0.02	0.00%	Sep/2062	R1 payment	0.00%	0.00%	0.00%
R2	NR	€	0.02	0.00%	Sep/2062	R2 payment	0.00%	0.00%	0.00%
Total		€	5,079.49	100.0%					

*Euribor for one-month deposits in euros. Margin after the step-up date in March 2028 will increase to 0.90% for the Class A1 notes.
**At close, as a percentage of the portfolio.
***At close, as a percentage of the portfolio. Amortising reserve fund, funded by the proceeds of the subordinated loan, is sized at 0.75% of Class A1 and A2 notes at closing equal to 0.65% of the portfolio.
****No benefit attributed to excess spread.
Sources: Burlington Mortgages No.2 DAC prospectus, Moody's Investors Service

Summary

The subject transaction is a two years revolving cash securitisation of residential mortgages extended to obligors located in Ireland originated by EBS Designated Activity Company (EBS, A1/P-1, deposit ratings; A1(cr)/P-1(cr)) and Haven Mortgages Limited (Haven, NR).

EBS expanded its lending activities through the establishment of Haven in December 2007. Haven is authorized by the central bank as a retail credit firm and provides mortgages through mortgage intermediaries.

The closing portfolio consists of 34,440 loans secured by mortgages on residential properties located in Ireland extended to prime borrowers, and the current closing pool balance is equal to around €5,079.45 million as of the pool cut-off date (31 March 2023). Of the loans, 77.7% in the pool were originated by EBS and 22.3% by Haven.

Our credit opinion is the result of the analysis of a wide array of quantitative and qualitative factors, including the pool characteristics, and the originator and servicer reviews. The credit opinion of the transaction also takes into consideration the structural features such as credit enhancement and liquidity available for each class of notes, as well as the mitigants to servicer disruption risk.

Credit strengths

The following factors were the strongest features of this transaction:

» **Asset quality:** Particular strengths include:

  – *Performing and not restructured loans:* All the loans are performing at closing. There are no restructured loans in the pool.

  – *Current weighted average loan-to-value (CLTV)*: The pool has a current weighted average LTV of 61.7%, with 0.5% loans in the 90% or higher LTV bucket.

» **Liquidity:** The transaction benefits from liquidity reserve fund. Liquidity reserve fund is available to cover senior fees and interest on Classes A1 and A2 notes only. It is sized at 0.75% of aggregate principal amount of the Classes A1 and A2 notes and is amortising. (See "Securitisation structure description - Detailed description of the transaction")

» **Subordinated Class Z notes:** Interest and principal payments under the unrated Class Z notes are subordinated in the structure, below the liquidity reserve fund and principal deficiency ledger (PDL) payments on the rated notes, which increases the excess spread available to the rated notes. (See "Securitisation structure description - Detailed description of the transaction")

» **Experienced management:** EBS was acquired by the AIB Group in July 2011. Haven was created in December 2007 by EBS. The EBS management reports to the senior AIB leadership team. AIB Group has a long history in the securitisation process including the issuance of covered bonds.

Credit challenges

The transaction contains the following challenges:

» **Operational risk:** EBS (A1/P-1, deposit rating; A1(cr)/P-1(cr)) and Haven act as independent servicers in this transaction. In order to mitigate the operational risk, there is a backup servicer facilitator, Intertrust Management Ireland Limited (Intertrust), appointed at closing. In addition, to ensure payment continuity over the transaction's lifetime, the transaction documents incorporate estimation language whereby the cash manager can use the most recent available servicer report to determine the cash allocation in case no servicer report is available. *(See* "Additional structural analysis - Mitigating servicing disruptions")

» **Product switches:** Originator and servicer may agree to a request by a borrower to convert their mortgage loan into a mortgage loan with a different type of interest rate term or repayment term (product switch), subject to certain conditions (the product switch conditions) being satisfied. However, there is no condition on the maximum fixed rate period: the transaction may be exposed to fixed-rate loans until maturity due to no maximum term for fixed-rate loans. We have considered this risk in the yield analysis. (See "Asset description - Changes to the asset pool after issuance")

» **Spread compression and Interest rate risk:** 73.9% of the loans in the portfolio yield a fixed rate, 15.1% yield the SVR, and the remaining 11.0% are linked to the ECB rate. Only one Class A1 notes pay a floating interest rate, while the other notes pay a fixed interest rate. Moreover, the portfolio is subject to product switches up to the first optional redemtion date. Hence, there is a potential interest rate risk. However, there exists natural hedge in the transaction (same proportion of floating assets and liabilities) that we have considered in the analysis.

ESG considerations

In general, we consider ESG risks low to moderate. Environmental risk is low, based on pool diversification and the presence of insurance, which mitigate many risks from natural disasters. For regional concentration, our model applies an adjustment depending on the degree of concentration. Social risk is low to moderate, based on the likelihood of governmental efforts to alleviate burdens on mortgage borrowers in times of stress, which, in some cases, can negatively impact loan performance or cash flows. Governance risk is low, based on a number of transactional features that support the integrity of the transaction's operations for the benefit of investors. Please refer to our Cross-Sector Rating Methodology: General Principles for Assessing Environmental, Social and Governance Risks, published on 19 October 2021 which explains our general principles for assessing ESG risks in our credit analysis globally.

» ***Environmental:*** We consider this transaction to have low environmental risk, driven by the pool's geographic diversification and the presence of insurance, which is likely to mitigate much of the negative effects of future natural disasters. Nevertheless, disaster types that frequently lack insurance coverage, such as earthquakes[1] and flooding outside of specified zones could increase defaults and losses on affected loans, should they occur (See "Asset analysis - Additional asset analysis - ESG - Environmental considerations").

» ***Social:*** Social risks for this transaction, and for RMBS in general, are low to moderate mainly as a result of the likelihood of governmental efforts to alleviate burdens to mortgage borrowers in times of stress, which, in some cases, can negatively impact loan performance or cash flows (See "Asset analysis - Additional asset analysis - ESG - Social considerations").

» ***Governance:*** Governance risks for this transaction are low based on the presence of transaction features such as risk retention, comprehensive agreed upon procedures (AUPs) report, servicing oversight, and R&W enforcement (See "Securitisation structure analysis - Additional structural analysis - ESG - Governance considerations").

Key characteristics

Asset characteristics

Exhibit 2
Asset characteristics
(Pool cut-off date as of 31 March 2023)

Issuer	Burlington Mortgages No.2 Designated Activity Company
Seller/originator:	EBS Designated Activity Company; Haven Mortgages Limited
Servicer:	EBS Designated Activity Company; Haven Mortgages Limited
Receivables:	First-lien mortgage loans to individuals secured by property located in Ireland
Methodology used:	Moody's Approach to Rating RMBS Using the MILAN Framework, July 2022 (1319906)
Total amount:	€ 5,079,447,557.37
Number of borrowers:	34,440
Borrower concentration:	Top 20 borrowers make up 0.3%
WA remaining term:	21.2 years
WA seasoning:	8.3 years
Interest basis:	73.9% fixed rate, 15.1% standard variable rate (SVR), 11.0% ECB base rate
WA current LTV:	61.7%
WA original LTV:	77.3%
Moody's calculated WA indexed LTV:	53.2%
Borrower credit profile:	Prime borrowers
Delinquency status:	1.0% of the loans are 30 days or less in arrears

Sources: Burlington Mortgages No.2 DAC prospectus, Moody's Investors Service

Securitisation structure characteristics

Exhibit 3

Structure summary

Issuer:	Burlington Mortgages No. 2 Designated Activity Company
Corporate service provider:	Intertrust Management Ireland Limited
Models used:	MILAN (Ireland Settings), ABSROM
Excess spread at closing:	0.96% stressed annualised excess spread at closing under Moody's stressed assumptions of 3-month EURIBOR at 4.0% and 0.3% senior fees with minimum of €100,000
Length of revolving period:	Static
Back-up servicer(s):	N/A
Back-up servicer facilitator:	Intertrust Management Ireland Limited
Cash manager:	EBS Designated Activity Company
Back-up cash manager:	N/A
Principal paying agent:	The Bank of New York Mellon (Aa1/P-1 deposit rating; Aa1(cr);P-1(cr)), acting through its London Branch
Back-up calculation/computational agent:	N/A
Issuer account bank:	Allied Irish Banks, p.l.c. (A1/P-1 deposit rating; A1(cr)/P-1(cr))
Collection account bank:	Allied Irish Banks, p.l.c. (A1/P-1 deposit rating; A1(cr)/P-1(cr))
Trustee:	BNY Mellon Corporate Trustee Services Limited
Arrangers:	Bank of America Securities
Subordinated loan provider:	EBS Designated Activity Company, Haven Mortgages Limited
Credit enhancements/reserves:	Excess Spread; Subordination; The liquidity reserve fund is amortising and will track 0.75% of the principal outstanding of Class A notes.
Form of liquidity:	Excess spread, liquidity reserve fund, principal to pay interest mechanism
Number of months of liquidity based on Moody's assumptions	3.3 months under Moody's stressed assumption
Interest payments:	17th day of March, June, September, December in each year
Principal payments:	Pass-Through
First payment date:	Jun-23
Hedging arrangements:	N/A

Sources: Burlington Mortgages No.2 DAC prospectus, Moody's Investors Service

Asset description

The assets backing the notes are first-ranking prime mortgage loans originated by EBS and Haven. All the loans in the pool are secured on residential properties located in Ireland.

Asset description as of the closing cut-off date

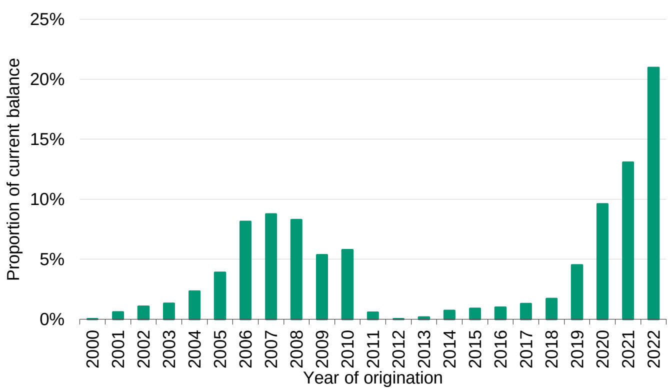
The closing pool cut-off date is 31 March 2023.

Pool characteristics

Exhibits 4 and 5 show the proportion of the loans by origination year and months current. Exhibit 4 illustrates the fact that 48.2% of the loans in the pool have been originated between 2019 and 2022. Exhibit 5 highlights the fact that around 1.0% of loans are less than 30 days in arrears. The current weighted average LTV in the pool is 61.7%. Exhibit 6 shows that only 0.5% of the loans in the pool have a current LTV higher than 90%. Around 33.0% of the loans are concentrated in the Dublin region, as Exhibit 7 shows.

Exhibit 4

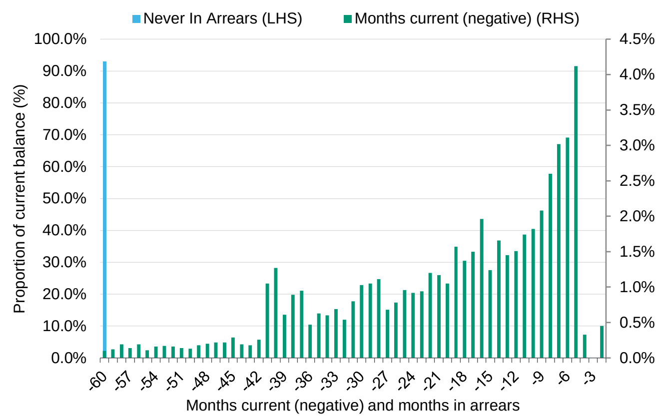
Portfolio breakdown by date of origination



Sources: EBS, Haven

Exhibit 5

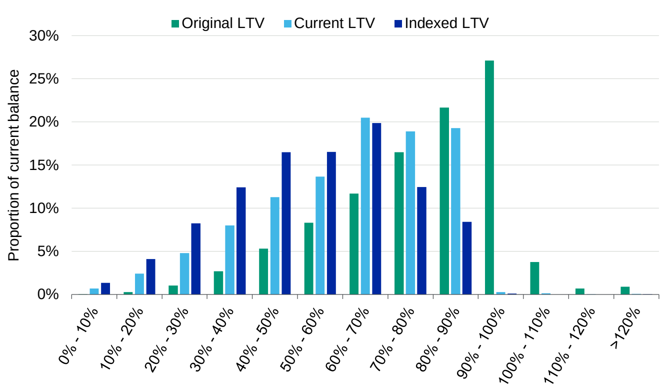
Portfolio breakdown by months current



Sources: EBS, Haven

Exhibit 6

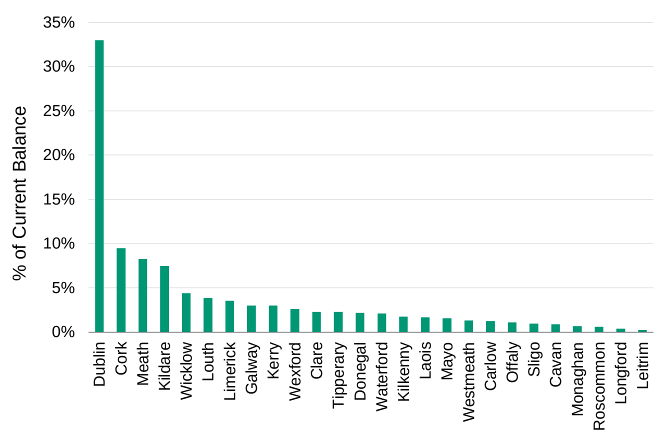
Portfolio breakdown by original/current and indexed LTV



Sources: EBS, Haven

Exhibit 7

Portfolio breakdown by geography



Sources: EBS, Haven

Eligibility criteria

The key eligibility criteria are as follows:

» Each loan is secured by a first ranking legal mortgage of residential property in Ireland;

- Each loan is a backed by an owner-occupied property;
- The loan balance should be between €5,000 to €3,000,000;
- No loan in the portfolio shall have a current LTV or a current indexed LTV higher than 100%;
- Each borrower is a natural person, resident of Ireland and was aged not less than 18 years at the time of origination of the loans;
- At the closing date, none of the loans is a lifetime interest-only loan;
- Each borrower has made at least one instalment as at the closing date;
- Each loan is repayable and denominated in Euro;
- Each mortgage is secured by residential property situated in Ireland;
- The relevant borrower will not be more than 71 years of age at the projected repayment date of that loan.

Replenishment criteria

- No revolving period termination event has occurred and is continuing;
- No additional loan is in breach of any loan warranties;
- The weighted average of the current LTV of all the loans in the portfolio will not exceed 80%;
- No additional loans should be one month or more in arrears;
- The current balance of the loans granted to a single borrower will not exceed 2% of the portfolio;
- The weighted average of the loans' risk weights is equal to or smaller than 40%.

Product switches

The originators may agree, subject to certain conditions, to a borrower's request to change the type of interest rate term or repayment term. The conditions comprise, among others:

- The switch date falls before the first optional redemption date (March 2028);
- No event of default has occurred and is continuing;
- No perfection event has occurred;
- No Class Z PDL debit balance recorded greater than 1% of current principal balance of all loans at closing;
- The loan in respect of which a product switch has been made is in compliance with the loan warranties following conversion;
- Following the product switch, the relevant loan shall not be a tracker rate loan;
- The product switch does not convert a fully amortizing loan into a lifetime interest-only loan.

We have factored the possibility of future product switches into our analysis by, among others, stressing the portfolio yield.

Loan repurchase following breach of representations and warranties (R&W) or product switch condition

EBS and Haven are liable to the repurchase of the relevant loans upon a material breach of loan warranties or product switch condition.

Agreed upon procedures (AUP)

An AUP was performed in March 2023. The AUP results are in line with what we have seen for other comparable Irish transactions.

We have also received a legal opinion in relation to the enforceability of the mortgages, and the conclusions of such an opinion are in line with our expectations and provide comfort on loan security, title and enforceability.

Originator

EBS and Haven act as originators and subordinated loan providers in the transaction. EBS also acts as the cash manager.

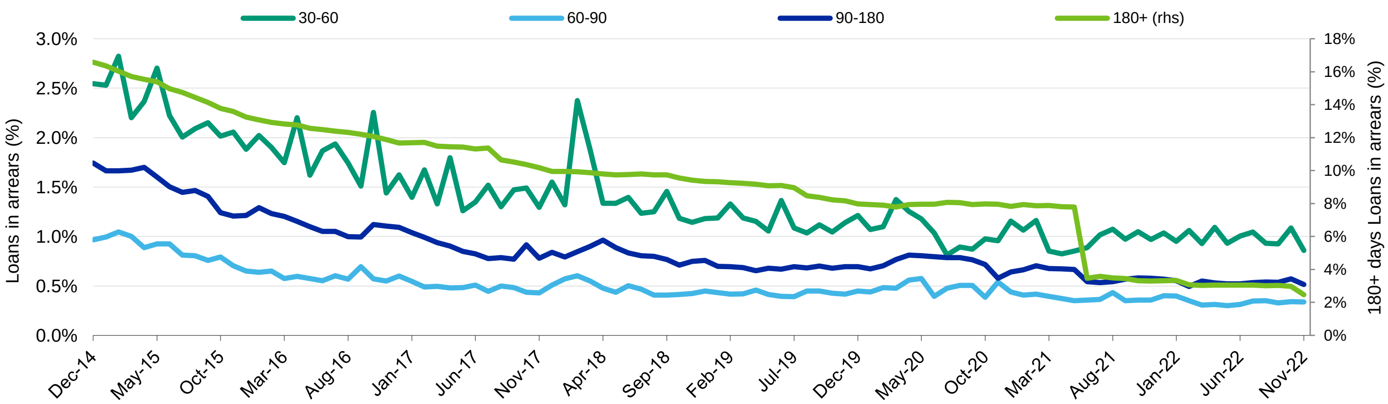
EBS was founded in Ireland in April 1935, as the Educational Building Society. EBS changed its name to EBS Building Society in 1991. EBS got its banking license in July 2011. EBS offers residential mortgages and savings products and life and property insurances. EBS had total assets of €14.73 billion at the end of December 2022, with 66 offices, 61 tied branch agents and 5 tied agencies in Ireland. EBS also has direct telephone based distribution division, EBS Direct.

Haven was setup in December 2007 by EBS for mortgage distribution through the intermediary market which had not been a part of its target market.

We have received historical information for the loans in arrears from December 2014 up to November 2022. We have taken this into account in our expected loss and MILAN analysis. However, performance has been strong to date in the low interest rate environment, but it has not been tested through the cycle.

Exhibit 8

Historical performance of the total assets bought by Burlington Mortgages No. 2 and originated by EBS and Haven
30 to 60, 60 to 90, 90 to 180 and 180+ days delinquencies of total book



Sources: EBS, Haven

Asset analysis

Primary asset analysis

The first step in the analysis of the credit quality of the pool is to determine a loss distribution of the mortgages to be securitised. In order to determine the shape of the curve, two parameters are needed: the expected loss and the volatility around this expected loss. These parameters are derived from two important sources: historical loss data and the MILAN loan-by-loan model.

Expected loss

We use performance data provided by the originator in addition to other relevant data in order to extrapolate expected losses for the loan pool. Examples of data include market and sector wide performance data, the performance of other securitisations and other originators' data.

The expected loss of 1.0%, which is lower than the Irish RMBS sector average and is based on our assessment of the lifetime loss expectation for the pool, taking into account (1) the collateral performance of the loans originated by EBS and Haven to date; (2) the current macroeconomic environment in Ireland; (3) the stable outlook that we have on Irish RMBS; (4) benchmarking with other comparable Irish RMBS transactions; and (5) most loans have never been in arrears since origination, and never restructured.

MILAN model

To obtain the volatility under stressed scenarios, we take into account historical data. However, historical volatility may not be significant (given insufficient data points or incomplete data), and in addition may not be representative for the future as it is based on the previous economic environments experienced.

Consequently, we determine a number representing the enhancement that would be required for a pool of mortgages to obtain a rating consistent with Aaa under highly stressed conditions. This enhancement number (the MILAN CE number) is produced by using a loan-by-loan model, which looks at each loan in the pool individually and based on its individual characteristics such as LTV or other identified drivers of risk, will produce a benchmark CE number. This assumes stressed recovery rates (through house price decline), time to recovery, interest rates and costs to foreclosure. The weighted average benchmark CE number will then be adjusted according to positive and negative characteristics of each loan or of the pool as a whole to produce the MILAN CE number.

MILAN CE for this pool is 10.0%, which is lower than the Irish RMBS sector average and follows our assessment of the loan-by-loan information, taking into account the following key drivers: (1) the collateral performance of the loans to date; (2) the weighted average current loan-to-value of 61.8%, which is lower than the sector average; (3) potential drift in asset quality through product switches; (4) benchmarking with other Irish RMBS transactions; and (5) most loans have never been in arrears since origination.

Lognormal distribution

The MILAN CE number and the expected loss number are based on rating committee discussions and are used to derive the lognormal distribution of the pool losses. Because of the large number of loans and supporting historical data, we use a continuous distribution to approximate the loss distribution.

The standard deviation of the distribution is found by setting the expected loss of the area of the lognormal distribution beyond the MILAN CE equal to the expected loss that is consistent with the idealised expected loss of a Aaa tranche.

Interest rate mismatch

The portfolio comprises of 15.1% floating-rate loans linked to the EBS and Haven's standard variable rate, 11.0% linked to ECB, and 73.9% fixed-rate loans. The Class A2 note pays fixed and Class A1 pays 3-month Euribor plus a spread, hence creating an interest rate mismatch.

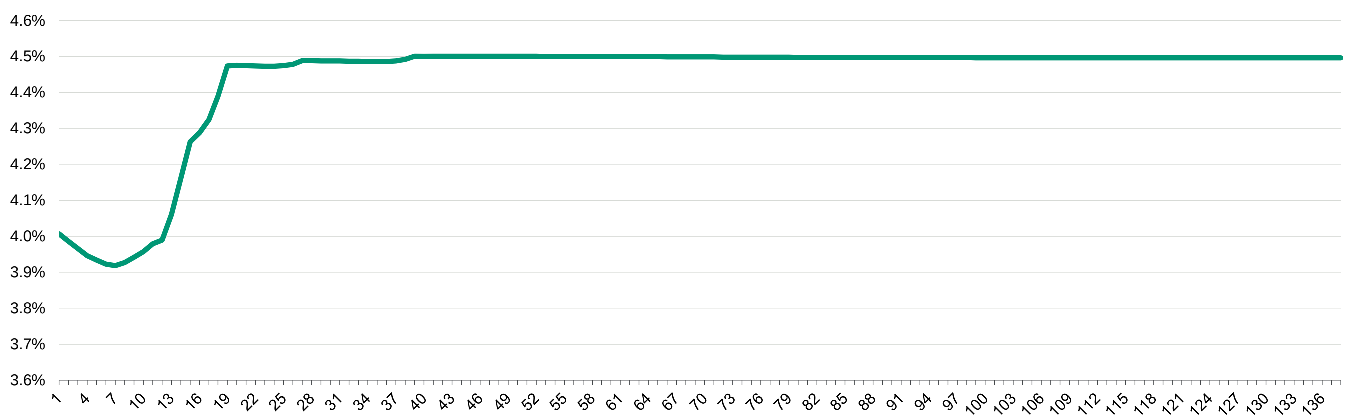
All the fixed-rate loans can either revert to variable rates or change to another fixed rate with a new fixed rate period; variable rate loans can switch to fixed-rate loans. All the product switch will occur before the first optional redemption date, but there is no condition on the maximum fixed rate period. The transaction may be exposed to fixed-rate loans until maturity.

In our analysis, we have assumed that all fixed-rate loans will extend until maturity, with the new fixed rate being equal to a lower fixed rate. In addition, we have assumed that a share of the variable rates loan will switch to fixed-rate loans until maturity.

When modelling the yield on the portfolio, we assumed an increase of the three-month Euribor rate to assess the impact of the fixed-floating interest rate mismatch.

Exhibit 9

Our stressed yield vector (under a 4% Euribor assumption)



Source: Moody's Investors Service

Comparables

Peer transactions compared with Burlington Mortgages No.2

Exhibit 10 shows the collateral characteristics of Burlington Mortgages No.2 and a comparable previous issuance from the originator, as well as transactions that were considered in our rating committee.

Exhibit 10

Benchmark table with peer transactions

Deal name	Burlington Mortgages No.2 Designated Activity Company	Burlington Mortgages No.1 Designated Activity Company	Finance Ireland RMBS No. 1 Designated Activity Company	Fastnet Securities 15 DAC	Fingal Securities RMBS DAC	Dilosk RMBS No.2 Designated Activity Company
Closing date	17-Apr-23	16-Mar-20	24-Jul-19	28/Jun/2018	22/May/2020	16/Nov/2018
Cut-off date	31-Mar-23	29-Feb-20	31-May-19	15/Jun/2018	31/Mar/2020	30/Sep/2018
Information from	Closing Pool	Closing Pool	Closing Pool	Closing Pool	Closing Pool	Closing Pool
Originator(s)	EBS Designated Activity Company; Haven Mortgages Limited	EBS Designated Activity Company; Haven Mortgages Limited	Finance Ireland Pepper Money	PTSB	Bank of Scotland plc	Leeds Building Society and Pepper Finance Corporation
Servicer(s)	EBS Designated Activity Company; Haven Mortgages Limited	EBS Designated Activity Company; Haven Mortgages Limited	Pepper Pepper Finance Corporation DAC	PTSB	Pepper Finance Corporation (Ireland) DAC	Master servicer: Dilosk DAC Servicer/ Administrator: Pepper Finance Corporation (Ireland) DAC
MILAN CE	10.0%	12.0%	15.5%	21.0%	19.0%	30.0%
Expected loss	1.0%	3.0%	4.0%	6.0%	5.5%	12.0%
Avg. current LTV*	61.7%	68.0%	67.1%	67.9%	58.8%	55.7%
Avg. original LTV*	77.3%	79.4%	69.2%	88.2%	70.5%	61.9%
Avg. current LTV indexed	53.2%	62.8%	64.6%	73.2%	63.6%	66.6%
% current LTV >= 70%*	38.7%	54.8%	53.0%	49.6%	30.1%	29.5%
% current LTV >= 80%*	19.8%	31.6%	25.3%	17.7%	12.6%	10.2%
% current LTV >= 90%*	0.5%	0.2%	1.2%	4.9%	5.8%	1.4%
% current LTV >= 100%*	0.2%	0.0%	0.0%	0.5%	3.7%	0.6%
% Self employed	2.3%	2.3%	27.7%	10.7%	0.0%	27.1%
% Self certified	0.0%	0.0%	0.0%	0.2%	0.2%	17.0%
% Non-Owner occupied (includes: Partial owner, Vacation or Second homes)	0.0%	0.0%	11.4%	23.2%	22.0%	0.0%
% Fixed interest	73.9%	45.7%	33.9%	0.6%	0.0%	0.0%
% IO without collateral	0.0%	0.0%	0.0%	21.1%	59.5%	44.7%
Previous Arrears (incl. no data)	5.8%	0.0%	4.6%	90.5%	No data	ND
Total arrears	1.0%	0.0%	1.7%	1.4%	2.7%	30.6%
% in arrears (> 1 month)	0.0%	0.0%	0.2%	0.1%	1.5%	2.1%
% in arrears (> 3 months)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Max regional concentration	Dublin (33.0%)	Dublin (45.4%)	Dublin (62.9%)	Dublin (35.04%)	Dublin (56.59%)	Dublin (31%)
Max vintage concentration	2022 (21.0%)	2018 (17.8%)	2018 (48.9%)	2006 (43.91%)	2007 (29.55%)	2007 (56.51%)
% Brokers	22.3%	34.9%	0.0%	69.9%	0.0%	98.0%
% Remortgage	15.0%	0.0%	6.4%	11.5%	23.4%	47.8%

* As per Moody's calculation.
Sources: Burlington Mortgages No.2 DAC prospectus, Moody's Investors Service

Exhibit 11

Benchmark table with peer transactions - continued

Deal name	Burlington Mortgages No. 2 Designated Activity Company	Burlington Mortgages No. 1 Designated Activity Company	Finance Ireland RMBS No. 1 Designated Activity Company	Fastnet Securities 15 DAC	Fingal Securities RMBS DAC	Dilosk RMBS No.2 Designated Activity Company
Portfolio data						
Current balance	€5,079,447,557	€4,026,483,467	€290,232,157	€1,426,742,694	€796,991,323	€286,443,096
Avg. loan per borrower	€166,359	€172,847	€212,780	€177,257	€213,842	€165,861
Borrower top 20 (as % of pool bal)	0.3%	0.6%	4.8%	1.4%	4.9%	5.5%
WA interest rate	3.0%	3.0%	3.6%	2.0%	1.1%	3.0%
WA seasoning in years	8.3	5.4	1.0	12.0	13.4	11.1
WA time to reset in years	2.2	2.5	2.9	2.1	0.0	0.0
WA time to maturity in years	21.2	22.8	22.8	18.0	12.0	17.2
Maximum maturity date (dd/mm/yyyy)	01/11/2057	01/11/2054	01/05/2053	30/03/2050	01/07/2049	11/1272052
Avg. house price stress rate*	51.5%	40.7%	37.9%	35.0%	41.0%	35.0%
Avg. house price change since origination	20.3%	11.6%	4.4%	-3.8%	-6.7%	-15.4%

* As per Moody's MILAN methodology for a Aaa scenario.
Sources: Burlington Mortgages No.2 DAC prospectus, Moody's Investors Service

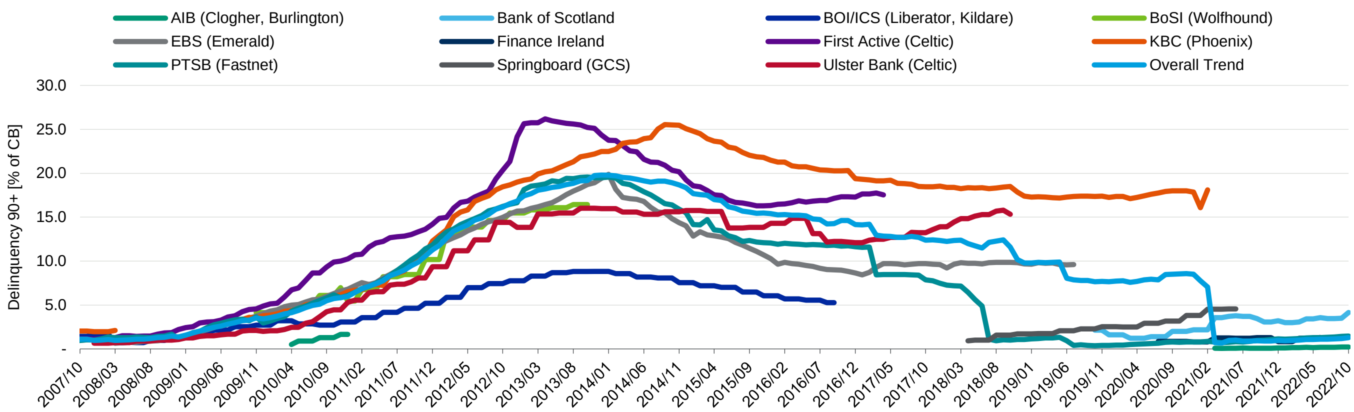
Performance of Irish RMBS

Our sector outlook for Ireland was stable as of December 2022.

Exhibits 12 and 13 show the 90+ and 360+ day delinquencies of comparable transactions, respectively, as well as our calculated index.

Exhibit 12

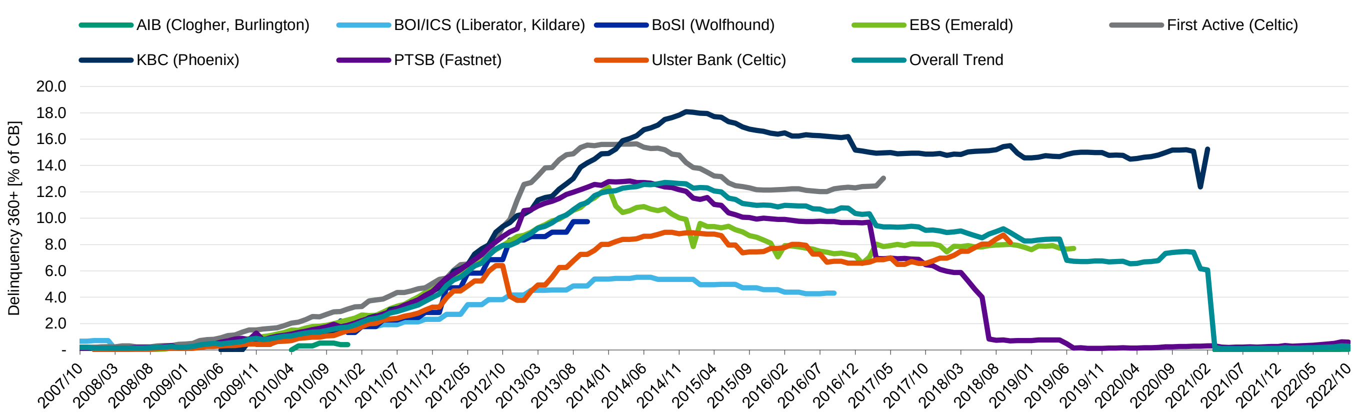
Irish prime RMBS 90+ days delinquency - trend



Sources: Moody's Investors Service and periodic investor/servicer reports

Exhibit 13

Irish prime RMBS 360+ days delinquencies - Trend



Sources: Moody's Investors Service and periodic investor/servicer reports

Additional analysis

Data quantity and content

We received arrears information from December 2014 through November 2022. We did not receive default or loss data.

Origination quality

According to our originator review, the overall origination ability and stability of EBS and Haven has been classified as average (see Appendix 3).

Servicing quality

According to our Servicer review, the overall servicing ability and stability of EBS and Haven has been classified as average (see Appendix 3).

ESG- Environmental considerations

Environmental risks to RMBS can arise from natural disasters, such as flooding, earthquakes[2], hurricanes, or wildfires, which can disrupt borrowers' lives and increase delinquencies or defaults, and can damage or destroy properties backing loans in the transaction or surrounding infrastructure, lowering collateral value. Pool diversification mitigates the impact of many environmental risks on deals, but regional concentrations can occur. Insurance is also a mitigant to many types of property damage. However, insurance often will not fully cover the cost of the resulting damage. Furthermore, some risks are typically not covered by insurance on individual loans. These include damage from earthquakes and flooding outside specified areas that require mandatory flood insurance, as well as loss of value from damage to critical infrastructure.

ESG- Social considerations

Social risks to RMBS can arise from a variety of sources. Such risks can arise from phenomena that affect public health and safety (such as the coronavirus), which cause sickness, death, or loss of income to borrowers, or from governmental efforts to alleviate burdens on homeowners from the effects of such phenomena, such as payment holidays, directives to modify loans to lower payments, foreclosure moratoria, or other borrower protection measures which can be intensified during the recession. Potential consumer protection legislation, which is more likely to be enacted during a recession, could also make it more difficult to collect loan payments or realize recoveries on defaulted loans, or in some cases can expose RMBS issuers to penalties. Social risks can also arise from changing demographic trends such as aging, urbanization, an increase in telecommuting and flight from cities, population declines or ways of living trends in general that impact the supply or demand for housing in particular areas, which can reduce home values. Factors related to confidentiality and data protection in general may also pose risks, such as payment disruption resulting from a breach in servicer or trustee systems.

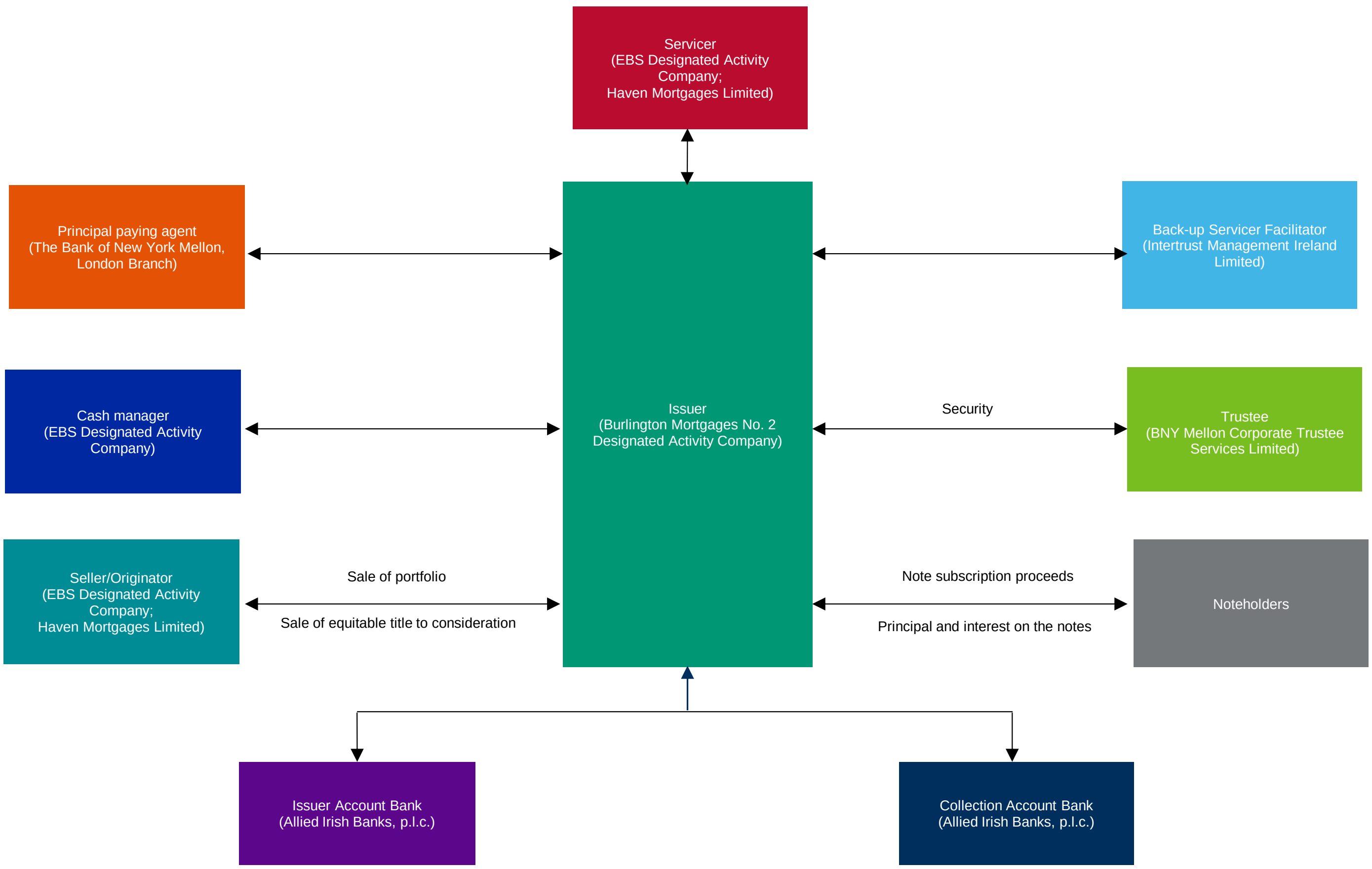
Securitisation structure description

The sellers, EBS and Haven, sold a portfolio of residential mortgage loans to the issuer, Burlington Mortgages No.2 DAC (Burlington Mortgages No.2), which issued the RMBS notes in order to finance the purchase of the asset pool. The servicers, EBS and Haven, service the assets sold to Burlington Mortgages No.2. Exhibit 14 illustrates other parties and their respective roles.

Structural diagram

Exhibit 14

Burlington Mortgages No.2 transaction structure



Source: Burlington Mortgages No. 2 DAC prospectus

Detailed description of the transaction

Credit enhancement

The Class A1 and A2 notes benefit from the subordination provided by more junior collateralised notes, namely Class Z notes (Class R1 and R2 are not collateralised by the asset pool). There is an amortising liquidity reserve fund in place sized at 0.75% of Classes A1 and A2 notes. The liquidity reserve fund will amortize to 0.75% of the current outstanding balance of the Classes A1 and A2 with no floor. The transaction has an annualised excess spread of around 1.0%, assuming a stressed Euribor rate of 4% per annum.

Flow of funds

Allocation of payments/pre-accelerated revenue waterfall: On each quarterly payment date, the issuer's available funds (interest amounts received from the portfolio, funds drawn or released from the liquidity reserve fund, principal receipts applied to remedy an interest shortfall and interest earned on the issuer's account) are applied in the following simplified order of priority:

1. Senior expenses;
2. Servicer fees to replacement servicer if EBS or Haven have been replaced as servicers;
3. Interest on Class A1 and A2 notes;
4. Replenishment of the Class A1 and A2 liquidity reserve fund up to required amount;
5. PDL on Class A1 and A2 notes;
6. PDL on Class Z;
7. Interest on Class Z notes;
8. Servicer fees to EBS and Haven;
9. After the first optional redemption date, to redeem the principal on the Class A1 and A2 notes through the principal waterfall;
10. Subordinated loan interest;
11. Subordinated loan principal;
12. Excess to residual certificates.

Allocation of payments/pre-accelerated principal waterfall: On each quarterly payment date, the principal amounts received from the portfolio and amounts applied to clear the PDL less any principal receipts to cover any senior expenses deficit are applied in the following simplified order of priority:

1. During the Revolving Period (i) towards payment of the purchase price for additional loans, and (ii) any remaining amount to be credited to the retained principal ledger
2. Pro rata and pari passu to the principal amounts due on the Class A1 Notes
3. Pro rata and pari passu to the principal amounts due on the Class A2 Notes
4. Pro rata and pari passu to the principal amounts due on the Class Z Notes;
5. Excess as available revenue receipts.

Allocation of payments/PDL-like mechanism

There is a complex PDL mechanism in place that tracks losses and a portion of defaulted loans. The PDL mechanism is complex because loan balances that have been previously written off to the PDL can be reversed if the loan subsequently cures. In addition, PDL can also be reversed with the proceeds from the recoveries of the loan that was provisioned. The PDL mechanism in place is based on:

» Losses (including set-off losses and write-downs under the personal insolvency legislation);

» 50% of the current balance of loans that are 6 or more months and less than 9 months in arrears;

» 75% of the current balance of loans that are 9 or more months and less than 12 months in arrears;

» 100% of the current balance of loans that are 12 months or more in arrears;

» Principal applied to cover revenue shortfalls;

» Any principal used to reverse revenue amounts applied in excess of the aggregate PDL following the PDL being reduced by cured loans.

Triggers

Stop replenishment/further advances: If any of the trigger levels listed below is breached, no more replenishments/further advances can be extended by the issuer, these triggers being uncurable:

» An event of Default has occurred;

» A Class Z PDL debit balance recorded greater than 1% of current principal balance of all loans at closing;

» The liquidity reserve fund is not fully funded;

» Loans that are 3 to 6 months in arrears exceed 2.0% of the current outstanding balance of all loans in the portfolio;

» the amount in the Retained Principal Ledger exceeds 7.5% of the current principal balance of all loans in the portfolio at closing.

Reserve fund

At closing, the reserve fund is funded with the proceeds of the subordinated loan for an amount corresponding to 0.75% of the Classes A1 and A2 notes balance. During the life of the transaction, the reserve fund provides only liquidity support to the notes. However, as the reserve amortises, the release amount forms a part of the revenue funds and can subsequently be used to cure PDL.

Liquidity

» Liquidity reserve fund provides liquidity support to the Class A1 and A2 notes.

» Principal to pay interest mechanism: Principal can be used to pay interest on the class A1 and A2 notes.

Subordination of interest

The payment of interest on Class Z notes is junior to the liquidity reserve fund.

Asset transfer

The loans and related security are sold by way of equitable assignment to the issuer, which in turn creates a first fixed security over the assets in favour of the trustee for the noteholders.

Securitisation structure analysis

Our ratings are based on the quality of the asset pool, the levels of credit enhancement and liquidity provided by the subordinated tranches, liquidity reserve fund, and also the structural and legal integrity of the transaction. The ratings on the notes address the likelihood of receipt by noteholders of timely payment of interest and of all distributions of principal by the final legal maturity date. Our ratings address only the credit risks associated with the transaction.

Primary structural analysis

We consider the probability of default under the notes as well as the estimated severity of loss when assigning a rating.

Tranching of the notes

Once the loss distribution of the pool under consideration has been computed, a cash flow model is used to assess the impact of structural features of the transaction. It calculates the average lives and the losses experienced by the notes for every loss scenario for the portfolio. Based on these numbers, the expected loss and the weighted average lives for the notes are calculated as weighted averages based on the probabilities of the respective scenarios. The expected loss on each tranche, together with the notes' weighted average life, determines the rating, which is consistent with our target losses for each rating category.

The rating of the notes is therefore based on an analysis of:

» The characteristics of the mortgage pool backing the notes

» The relative roll-rate levels and arrears in this type of lending compared with the market average

» Sector wide and originator-specific performance data

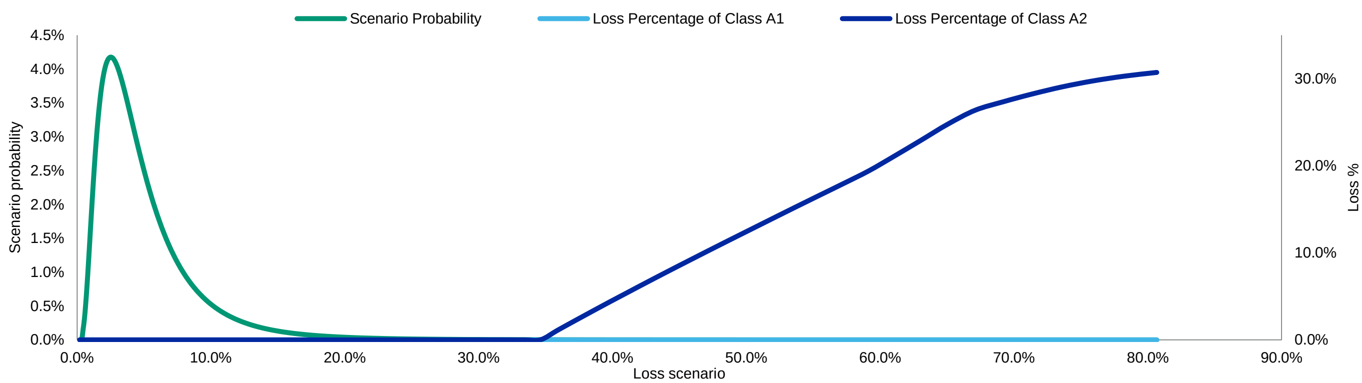
» Protection provided by credit enhancement and liquidity support against defaults and arrears in the mortgage pool

» The legal and structural integrity of the issue

The exhibit below presents the loss distribution (green line) that we used in modelling loan losses.

Exhibit 15

Lognormal loan loss probability distribution including tranche A1 and A2 losses as a percentage of the initial notes amount



Source: Moody's Investors Service

Comparables

Exhibit 16 shows the main structural features of Burlington Mortgages No.2 and how it compares with peer transactions that our rating committee considered for benchmarking purposes.

Exhibit 16

Benchmark table for structural features

Deal name	Burlington Mortgages No. 2 Designated Activity Company	Burlington Mortgages No. 1 Designated Activity Company	Finance Ireland RMBS No. 1 Designated Activity Company	Fastnet Securities 15 DAC	Fingal Securities RMBS DAC	Dilosk RMBS No.2 Designated Activity Company
Structural features						
Notes payment frequency	Quarterly	Monthly	Quarterly	Monthly	Quarterly	Quarterly
Replenishment periods	2 years	Static	Static	0	Static	None
Rating and CE for senior note	Aaa(sf) with 14.15% CE	Aaa(sf) with 14.75% CE	Aaa(sf) with 16.98% CE	Aaa	Aaa(sf) with 25.50% CE	Aaa (sf) with 40% CE
Coupon on senior note	A1: 3mE+ 0.60%; A2: 2.65%	A1: 1mE+ 0.40%; A2: 0.35%	0.67%	1mE+ 0.35%	3mE + 1.0%	0.0075
Reserve fund (Closing)*	0.75% of the Class A1 and A2	0.75% of the Class A to E	1.50%	0.0048	0.0015	0.03
Reserve fund (Target)	0.75% of the Class A1 and A2	0.75% of the Class A to E	1.50%	0.02	1.5% reduced by Liquidity Reserve Fund Balance	0.03
Reserve fund fully funded at closing?	Yes	Yes	Yes	Yes - considering Liquidity Reserve	Yes	Yes
Reserve fund floor	Amortizing	Amortizing	Amortizing	Not amortizing	Non-amortizing	non-amortizing
Hedge in place	N/A	N/A	Yes	No	N/A	N/A
Swap rate or guaranteed XS (if applicable)	N/A	N/A	0.08%	NA	N/A	N/A
Principal to pay interest?	Yes	Yes	Yes	Yes	Yes	Yes
Number of months liquidity in a stressed rate environment	3.3	4.5	9	12	6 months	12
Back up servicer	No	No	No	No	N/A	0
Back up servicer facilitator	Intertrust Management Ireland Limited	Intertrust Management Ireland Limited	Intertrust Management Ireland Limited	Wilmington Trust SP Services (Dublin) Limited	CSC Capital Markets UK Limited	CSC Capital Markets (Ireland) Limited
Estimation language	Yes	Yes	Yes	Yes	Yes	Yes
Borrower notification trigger	N/A	N/A	No	NA	Yes	No
Sweep frequency from the collection account to the issuer's account	Daily	Daily	Daily	Daily	Daily	Daily
Total set-off exposure	No	No	0.00%	0	N/A	0
Set-off due to employee loans	No	No	No	0	No	No

* Of original note balance.

Sources: Burlington Mortgages No.2 DAC prospectus, Moody's Investors Service

Additional structural analysis

Cash commingling

All the payments under the loans in this pool are collected by EBS and Haven from their respective portfolios as servicers and paid into a separate collection account in the name of the seller at Allied Irish Banks (A1/P-1 deposit rating; A1(cr)/P-1(cr)). The following mitigants to commingling risk and collection account bank default risk are included in the structure:

» Payments: Payments are transferred daily to the issuer account held by Allied Irish Bank (A1/P-1 deposit rating; A1(cr)/P-1(cr)).

» Collection account declaration of trust: The seller has declared a trust (among the issuer, the seller and the collection account bank) over the collection account in favour of the issuer.

» Transfer trigger for the collection account: Should the collection account bank be rated below Baa2, the collection account bank would need to be replaced or a guarantor would have to be found.

» Transfer trigger for the issuer account: Should the issuer account bank be rated below A3, the issuer account bank would need to be replaced or a guarantor would have to be found.

Given the aforementioned mitigants, commingling risk has not been modelled.

Set-off

EBS is a deposit taking institution and Haven is not a deposit taking institution. The set off risk is not modeled as portfolio consists of granular assets to retail obligors and deposit insurance protects retail deposits. The uncovered deposit balance is so small that upon a default of the bank, it is not a credit driver in our analysis.

Mitigating servicing disruptions

The fact that Intertrust is appointed as backup servicer facilitator is a positive feature. In case EBS or Haven, acting as independent servicer, becomes unable to perform its servicing duties, the backup servicer facilitator has to use its best efforts to appoint a replacement servicer. In the event the servicer report is not delivered in time, the cash manager shall base the payments on estimates and once it receives the servicer report, it will reconcile the estimates with the actual figures and if needed make additional payments.

Liquidity around 3.3 months of interest payments on Class A1 and A2 notes and items senior thereto in the waterfall (assuming stressed all-in senior expenses) is provided by the reserve fund.

ESG-Governance considerations

Strong RMBS governance relates to transaction features that promote the integrity of the operations of transaction for the benefit of investors, as well as the data provided to investors. The following are some of the governance considerations related to the transaction to transaction:

» ***Risk retention:*** This transaction is subject to the European risk retention requirements, which require the sponsor to hold at least 5% of the credit risk.

» ***Agreed upon procedures (AUPs):*** An independent due diligence firm reviewed a sample of the portfolio and provided an agreed upon procedures (AUP) report for data integrity matters. This increases our confidence that the data that we and investors relied on is accurate.

» ***Bankruptcy remoteness:*** We expect to receive legal opinions to the effect that in the event of a bankruptcy or insolvency proceeding with respect to key transaction parties, the securitised mortgage loans would not be treated as part of the estate of such party. Also the SPV is a special purpose entity and is independently owned and managed. SPV directors are not incentivized by applicable bankruptcy law to file for bankruptcy.

Methodology and monitoring

Overview

The principal methodology used in this rating was Moody's Approach to Rating RMBS Using the MILAN Framework, published in July 2022.

We will monitor the transaction on an ongoing basis to ensure that it continues to perform in the manner expected, including checking all supporting ratings and reviewing periodic servicing reports. Any subsequent changes in the rating will be publicly announced and disseminated through Moody's Client Service Desk.

Servicing disruption: EBS and Haven act as servicers for their respective portfolios. Because of the fact that there is an independent backup servicer facilitator and estimation language that can be used in case of a servicer report not being received on time, this structure is compliant with our published guidelines on operational risk.

Significant influences: Further deterioration in the housing market beyond that modeled may have an impact on the subject transaction's ratings.

Factors that could lead to an upgrade

» Performance of the underlying collateral is better than our expectations

» Deleveraging of the capital structure

Factors that could lead to a downgrade

» Worse-than-expected performance

» Significant deterioration in Ireland's economy and real estate market

» Unforeseen legal or regulatory changes

Monitoring trigger

For issuer account bank triggers[3]:

» Loss of A3, remedy is to replace.

For collection account bank triggers:

» Loss of Baa2, remedy is to replace.

Monitoring report

Data quality:

» The template for the investor report provided to us at the time of issuance is in line with our template.

» Key performance indicators used to rate the transaction are included in the investor report.

Data availability:

» Report provided by EBS

» Frequency of the publication of the investor report is quarterly

Investor reports are publicly available.

The analysis that we undertook at the initial assignment of a rating for an RMBS security may focus on aspects that become less relevant or typically remain unchanged during the surveillance stage. Please see Moody's Approach to Rating RMBS Using the MILAN Framework for further information on our analysis at the initial rating assignment and the ongoing surveillance in RMBS.

Modelling assumptions

Sensitivity to variation in some of the modelling assumptions may have been considered in the analysis.

Exhibit 17

Modelling assumptions

Expected loss:	1.00%
MILAN credit enhancement:	10.00%
Covariance (Cov):	75.6%
Timing of defaults/losses:	Sine (2-12-32 months)
Recovery rate:	75.00%
Recovery lag:	5.0 years
Conditional prepayment rate (CPR):	15.00% flat
Fees (as modelled):	0.3%, with a floor of €150,000
PDL definition:	Arrears
Amortization profile:	Scheduled amortisation of the assets
Country ceiling:	Aaa
Margin compression:	See interest rate mismatch section
Basis risk adjustment - lender variable rate:	ECB
Basis risk adjustment - other basis mismatch:	N/A
Interest on cash:	Index + 0.0%
Commingling risk modelled?	No
Excess spread (model output)*:	1.32%

* Annualized excess spread in a zero default scenario based upon the first payment period value using Moody's stressed asset yield and fees assumptions.
Source: Moody's Investors Service

Moody's related publications

For a more detailed explanation of our approach to this type of transaction, as well as similar transactions, please refer to the following reports:

Methodologies Used:

- Moody's Approach to Rating RMBS Using the MILAN Framework, July 2022

New Issue Report:

- Burlington Mortgages No. 1 Designated Activity Company, July 2019
- Finance Ireland RMBS No. 1 Designated Activity Company, July 2019
- Fastnet Securities 15 DAC, June 2018
- Fingal Securities RMBS DAC, May 2022
- Dilosk RMBS No.2 Designated Activity Company, December 2018

Special Reports:

- Structured finance – Europe: Efforts to contain banking sector stress limit spillover risks for structured finance, March 2023
- ABS and RMBS – Europe: Collateral performance remains broadly stable, but weakening for some UK transactions, March 2023
- RMBS – EMEA: Sector Update – Q1 2023: Loan underwriting will remain broadly strong given regulatory environment, March 2023
- Global Structured Finance Collateral Performance Review - Excel Data, February 2023

Others:

- Prime RMBS - Ireland: Performance Update – January 2023

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Appendix 1: Summary of the originator's underwriting policies and procedures

Originator Ability	At Closing
Sales and Marketing Practices	
Origination channels:	Year to Date Drawdowns: 73% EBS Network, 27% Intermediaries
Underwriting Procedures	
Ratio of loans underwritten per full time employee (FTE) per day:	Depending at which point the underwriting occurs. Underwriters have the capacity to decision on average between 6 - 10 cases per day.
Average experience in underwriting or tenure with company:	10% have 0 - 5 years; 70% have 5 -10 years; 20% have more than 10 years experience.
Criteria for compensation of underwriters:	Fixed salary. Overtime paid where applicable, with no bonus.
Percentage of exceptions to underwriting policies:	EBS 2021: volume 0.58% and value 0.78%; EBS 2022: volume 1.68% and value 2.30% Haven 2021: volume 0.51% and value 0.75%; Haven 2022: volume 0.27% and value 0.31%.
% of loans manually underwritten:	100%
Underwriting Policies	
Source of credit history checks:	CCR completed on all borrowers. Foreign credits checks are also obtained where relevant.
Methods used to assess borrowers' repayment capabilities:	Net Disposable Income Affordability Assessment is used, which is the residual net monthly Sustainable Income after meeting the stressed loan payment and any other regular monthly outgoings (i.e. other loan repayments, childcare costs, and/or maintenance payments etc). Min NDI level for a single applicant is €1,475 per month and €2,100, where applicants have a dependant child. An additional €250 is added per child. Loan to Income (LTI) used as permitted under CBI rules.
Sustainable income taken into account in affordability calculations:	Sustainable Income which can be used for assessment includes all regular and contracted income.
Non-Guaranteed income taken into account in affordability calculations:	Can also be included where the sustainability of this additional income is demonstrated through documentary evidence. There are additional rules with regards non-guaranteed income (a maximum 100% of the 3 year average can be included, not exceeding 75% of base pay). Rental income can be included as follows for NDI calculations only: for single BTL rental income, 50% rent subject to property being in prime location. For multiple BTL rental income, 80% projected rent less 10% maintenance and tax where relevant evidence.
Other borrower's exposures taken into account in affordability calculations:	All existing and proposed debt is included in affordability calculations.
Is interest rate stressed to calculate affordability?	All home loans are stressed at current rates + 2% and subject to minimum floors.
Is amortisation modified to calculate affordability for I/O/balloon loans?	N/A
Method used for income verification:	Certificate of Income, 3 payslips and EDS (Employment Details Summary) required. Bank statements obtained on main current accounts and financial commitments. Minimum 2 years certified accounts and corresponding Revenue Acknowledged Form 11/Notice of Assessment when self-employed and bank statements on main business current accounts. Non-verified income is not taken into account.
Maximum age at maturity:	69 for PAYE, 71 for self-employed
Maximum loan size:	Maximum loan size for MLU to decision is €2M for EBS and €5M for Haven. Requests beyond these facility amounts require Area Credit Committee decision.
Valuation types used for purchase & LTV limits:	Full valuations obtained irrespective of LTV.
Valuation types used for remortgage & LTV limits:	Full valuations obtained irrespective of LTV.

Source: EBS

Originator Ability	At Closing
Valuation types used for further advances & LTV limits:	Full valuations obtained, irrespective of LTV.
Valuation types & procedure for construction loans & LTV limits:	Full valuation obtained. Site value + estimated market value on completion and then a final valuation required when property is completed. A 10% retention of funds is applied, which will only be released when final valuation is received.
Valuation types & procedure for new built properties & LTV limits:	Full valuations obtained irrespective of LTV. FTB & SSB PDH LTV limit is 90%, however for 1 bed properties it is 80%. 70% LTV limit to BTLs and Holiday Homes.
LTV limit for first-time-buyers:	90% LTV limit for FTB, however 80% LTV for one bed properties.
LTV limit for Buy-to-let:	70% LTV limit for BTL.
Collateral Valuation Policies and Procedures	
Value in the LTV calculation for underwriting purpose:	The lower of the purchase price or valuation amount.
Type, qualification and appointment of valuers:	External, appointed by the lender. The Bank operates an approved residential valuers panel, whereby firms/valuers undertaking valuations are required to hold appropriate valuation qualifications (RICS 'Redbook' or European 'Bluebook' valuation standards) . Due diligence on the valuers is also undertaken at the point of appointment to the valuers panel and reviewed periodically.
Closing Policies and Procedures	
Quality check before releasing funds:	The customer or solicitor will provide evidence to satisfy the conditions of the loan which are scanned to LAS and satisfied by the Pre Draw Down team. All conditions of the loan must be satisfied prior to the account being opened and funds being issued to the solicitor or customer.
Entity responsible for the deed registration & time needed:	There is no definitive timeline as to when registration completes. The solicitor is obliged as part of the Undertaking to provide the lender with a land registry dealing number 4 months post drawdown; and Central Securities follow up with the solicitor to obtain the dealing number 6 months after drawdown if the solicitor has failed to provide same. Note that historically EBS have not always obtained an Undertaking, therefore there may be cases outside of this process. The Burlington 2 pool only contains loans issued after this was the case.
Data quality check (check that system and paper file match):	Prior to the Mortgage funds being issues, customer details on the system are verified to ensure the loan details agree.
Credit Risk Management	
Credit risk team employees and experience:	10% have 0 - 5 years; 70% have 5 -10 years; and 20% have more than 10 years experience.
Reporting line of chief risk officer:	The CRO reports to the CEO.
Ability to track loan performance by specific loan characteristics:	Specific loan characteristics can be tracked including property usage (PDH/BTL), payment type (capital & interest / interest only), channel/geographical location and rate.

Source: EBS

Originator Stability:	At Closing
Quality Controls and Audits	
Responsibility of quality assurance:	2LOD review and challenge proposal from EBS/Haven teams. Group Internal Audit/Credit and JST undertook review of EBS/Haven files in 2022.
Recording of quality assurance findings and analysis of causes:	Where a review is undertaken, a detailed assessment of the review is provided with actions assigned where applicable.
Frequency of operational audits for the underwriting processes:	5 audits in 2022
Management Strength and Staff Quality	
Average turnover of underwriters:	About 12% attrition rate in 2022.
Training of new hires and existing staff:	Standard induction classroom training for all staff. On the job and specific classroom courses, depending on the role, and four-eyes principle while underwriter has no discretion.
Technology	
Main software used:	FIS Systematics: 30 years (multiple versions) and used extensively in US and Europe.
Tools/infrastructure available:	All customer documentation is scanned and linked to the customer profile.
Back-up server synchronization and distance from main server:	Daily. EBS operates tandem data centres with data mirroring between data centres. In addition full mortgage system backups are taken nightly.
Frequency of disaster recovery plan test:	Yearly
Securitisation related	
Total book securitised:	Currently 26% of the portfolio is securitised loan. This will increase to 50% with Burlington 2.
The total value of mortgages originated:	€10.97bn as of the 30th Dec 2022

Source: EBS

Appendix 2: Summary of the servicer's collection procedures

Servicer Ability	At Closing
Loan Administration	
Entities involved in loan administration:	Split between hybrid and office centric roles.
Abandonment rate (% call not answered within 20 seconds):	SLA with EBS specifies an abandon rate of below 5%. SLA is 75% of calls answered within 120 seconds for all service calls and 80% answered within 20 seconds.
Early Arrears Management	
Entities involved in early stage arrears:	RACC Centralised support unit handles initial customer contact
Hours & days of operation:	Opening Hours are: Monday to Friday - 9am - 5pm Saturday - 9am - 1pm
Ratio of loans per collector (FTE):	Collectors don't operate on a case management basis as they deal with all accounts in a call centre environment. "Resolutions" assess requests for forbearance, support with affordability difficulty and potential restructures and determining sustainability of debt. Resolutions assessors operate with about 100 loans each at any point in time.
Definition of arrears & default:	EBS/ Haven Loans are charged on a calendar month basis with all payments due on the 1st day of the month. Accounts are deemed to be in arrears of 30 DPD (Days Past Due) or 1 payment missed, if not paid by the end of that calendar month. Default under IFRS9 and EBA guidelines is not until accounts hit 90 DPD or deemed unlikely to pay, when they trigger into NPEs. Default and NPE are defined in AIB Group by a number of characteristics, which may occur sequentially or simultaneously as detailed within the AIB Group Definition of Default and Credit Impairment Policy. The two key criteria resulting in a classification as default and thus NPE are: i) The borrower is past due 90 days or more on any material credit obligation or ii) The Group considers the borrower to be unlikely to pay its credit obligation in full without realisation of collateral regardless of the existence of any past-due amounts.
Pre-arrears strategy: Do you contact the borrower to remind that the payment prior to account is due?	Customers are contacted with payment reminder SMS where they have had a previous arrears event in the past 24 months and have not yet paid in this calendar month - contact is primarily by SMS (phone sometimes used) in weeks 3 and 4 of the month.
Arrears strategy for 30 to 59 days delinquent:	Contact is attempted via calls, letters and SMS.
Arrears strategy for 60 to 89 days delinquent:	Contact is attempted via calls, letters and SMS.
Arrears strategy for 90 days or more delinquent to late stage:	Contact is attempted via 3 channels, Letter, SMS and Phone as before until accounts are transferred to Resolutions or Legal. Accounts 120 days delinquent (4 missed payments) are transferred to Resolutions.
Prioritisation rules for delinquent accounts:	There are no prioritisation rules. All mortgage accounts are phoned as frequently as the arrears management system and Borrower Contact Policy allow.
Use of historical payment behaviour in the collection strategy:	Customer's payment history is used in informing the Collections strategy for Early Warning Indicator customers. Some elements of SMS and Letter contact is determined by payment history.
Reason for non-payment:	All reasons recorded in the notes on all accounts. Customers may choose not to provide the reason.
Loss Mitigation and Asset Management Practices:	
Transfer of a loan to the late stage arrears team:	Categorized once loans are 120 DPD, or 60 DPD for TNM accounts (where DPD = Arrears balance / monthly €due)
Entities involved in late stage arrears:	Resolutions team (about 100 staff) plus pre-Legal and legal teams plus a panel of 8 external solicitor firms. Insolvency cases outsourced through BCM Global TP for management.
Entities involved in loss mitigation:	Internal Legal team supports the business. Getting max valuation for assets. Receivers, sales agents, solicitors, BCM Global TP
Hours & days of operation:	Opening Hours are: Monday to Thursday - 9am - 8pm Friday - 9am - 6pm Saturday - 9am - 1pm
Ratio of loans per collector (FTE):	Collectors don't operate on a case management basis as they deal with all accounts in a call centre environment. "Resolutions" assess requests for forbearance, support with affordability difficulty and potential restructures and determining sustainability of debt. Resolutions assessors operate with about 100 loans each at any point in time.

Source: EBS

Servicer Stability	At Closing
Analysis performed to assess/propose loss mitigation solutions:	Each sale is in line with Credit Process under IDL DCA, and any costs challenged and verified. Valuation: I+E on the property.
Role of field agents:	Property Management, Sales & Valuations through Receivers, Legal (conveyance, litigation, etc) through Solicitors.
Contact with borrower during the legal process:	Contact through solicitor regarding legal process. Some campaigns, e.g. 2019 PDH Legal Campaign for re-engagement, make it known we're open to re-engagement.
Time from first default to litigation and from litigation to sale:	Formal Demand will not issue under CCMA regulation until an account is a minimum of 3 payments missed. Generally, properties sell within 12-18 months from final demand. This applies to BTL/ Vacant / Abandoned properties . Inclusion in Portfolio Sales may shorten this period of time.
Management and Staff	
Average experience in servicing or tenure with company:	Team dependent. See Originator Assessment.
Yearly turnover rate:	RACC turnover rate can be >20%, with the highest turnover experienced in the non-mortgage teams and the call centre. Appropriate controls are in place to manage turnover, including robust training processes.
Training of new hires specific to the servicing function (i.e. excluding the company induction training):	9 weeks induction training are carried out with new collectors, including classroom and side-by-side activity.
Training for existing servicing staff:	CBT and face to face masterclasses including technical skills, compliance, IT skills, risk, credit, security, etc.
Quality control and audit	
Responsibility of quality assurance:	Team Leader.
Recording of quality assurance findings and analysis of causes:	Business Unit Manager.
Frequency of operational audits for the servicing processes:	GIA undertake a number of directly impacting and in-directly impacting audits for EBS & Haven annually. The Audit plan is devised on a risk basis and signed off annually by the Board Audit Committee.
Operating manual available to servicing staff:	Detailed written manual and available on shared drives.
IT and Reporting	
Main software used and its operating manual:	Main software is FIS Systematics operating on IBM Z/OS mainframe. Externally developed with internal configuration and operations.
Tools/infrastructure available:	All customer documentation is scanned and linked to the customer profile.
Automatic tracking and reporting of specific characteristics:	A wide variety of loan characteristics are sent from source systems to the Data Warehouse and reports can be run from the Warehouse on any number of characteristics (e.g. origination channel, product type, rate type)
Back-up server synchronisation and distance from main server:	Daily. Realtime data mirroring , plus daily full system backup mirrored to second data centre at a distance of 20 kilometres.
Frequency of disaster recovery plan test:	Full data centre failover exercise performed yearly. However, the the system operates dual mirrored data centres where processing alternates between centres multiple times each year.

Source: EBS

Appendix 3: Originator and servicer reviews

Originator assessment

Exhibit 18

Originator Assessment	Main Strengths (+) And Challenges(-)
Overall Assessment:	Average
Originator Ability	
Sales & Marketing Practices	- Haven originates via Broker only. EBS via its network of offices.
	+/- Sales and underwriting function are independent of each other.
Underwriting Policies & Procedures	+/- All loans are underwritten manually.
	+ Average experience is 5 to 10 years. Credit Managers have 10+ years experience. Head of MLU 20 years of experience.
	- No credit scoring model or automated underwriting approval in place.
	+ Low exception rate.
	+ All outstanding secured mortgage debts are considered and stress tested as part of the affordability test.
	- Identity check carried out by broker only.
Property Valuation Policies & Procedures	+ Valuers are selected from panel.
	+ Full physical valuation for new lending.
	+ Quarterly audits of valuations for completed loans carried out be independent 3rd party.
	+/- The valuer is asked to provide comparables but no minimum is specified. As the AIB valuation template states a requirement for at least 2 comparables, we may assume that both EBS and Haven would also ask for 2 comparables but nothing is specified.
	+ Valuers must all be RICS.
Closing Policies & Procedures	+ Number of pre and post completion checks in place.
	+/- Annual file review undertaken by Group Credit & Risk Team.
Credit Risk Management	+ 20% of the members of credit risk team have 10+ years experience, and 70% 5 to 10 years.
	+ Loans can be tracked at multiple levels, including loan purpose, product/ rate, loan to value etc.
Originator Stability	
Quality Control & Audit	- Monitoring when there is an internal audit (5 in 2022)
Management Strength & Staff Quality	+ Management 20+ years or experience.
Technology	+ All documents are scanned and available via the software.

Source: EBS

Servicer assessment

Exhibit 19

Servicer Assessment:	Main Strengths (+) And Challenges(-)
Overall Assessment:	Average
Servicer Ability	
Loan Administration	+ Centralised in Headquarter.
	+ Opening hours 9am to 5pm Monday to Friday, Saturday from 9am to 1pm.
	+ Daily monitoring of transactions and bank accounts to ensure all payments allocated.
	- Mortgage deed registration is reviewed only once legal proceeding have started or prior to consensual sale.
Early Arrears Management	+/- No pre-arrears strategy in place.
	+ Borrower declared defaulted if payment 90 days past due or deemed unlikely to pay.
	- No prioritisation via risk scoring of borrowers.
Loss Mitigation and Asset Management	+/- Outsourcing to third parties as per industry practice.
	+/- As with other servicer there is widespread use of forbearance options.
	+/- Modified loans are classified as current but flagged as modified in system.
	- Limited data on severity as the servicer only been servicing the pool since June 2014.
	- High ratio of loans per collector.
Servicer Stability	
Management Strength & Staff Quality	+ Management 20+ years or experience.
	+ Classroom based training.
	+/- Average staff turnover similar to what is observed in the market.
IT, Reporting, Quality control & Audit	+ Ability to inform customer in arrears via SMS.
	+/- Ability to create ad hoc reports within a short time frame.
	+/- All calls are recorded.

Source: EBS

Endnotes

1 Our updated formal environmental classification for ESG risks excludes geophysical risks, such as earthquakes, because they are not anthropogenic andthere is no reliable means to predict them, although we consider them among environmental risks for the purpose of this discussion

2 Our updated formal environmental classification for ESG risks excludes geophysical risks, such as earthquakes, because they are not anthropogenic andthere is no reliable means to predict them, although we consider them among environmental risks for the purpose of this discussion.

3 See Moody's Approach to Assessing Counterparty Risks in Structured Finance, 28 June 2022.

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