Rating Report

Glenbeigh Securities 2018-1 DAC

Insight beyond the rating.

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Ratings and Issuer's Assets and Liabilities

Debt	Amount (EUR)	Size 1	Initial Credit Enhancement 2	Coupon	Step-Up Coupon	Rating	Rating Action
Class A	434,693,000	35.0%	65.0%	3m Euribor + 0.8%	3m Euribor + 1.6%	AAA (sf)	New Rating
Class B	161,457,000	13.0%	52.0%	3m Euribor + 1.3%	3m Euribor + 1.95%	AA (sf)	New Rating
Class C	130,408,000	10.5%	41.5%	3m Euribor + 1.75%	3m Euribor + 2.625%	A (high)(sf)	New Rating
Class D	93,148,000	7.5%	34.0%	3m Euribor + 2.25%	3m Euribor + 3.375%	A (low)(sf)	New Rating
Class E	62,099,000	5.0%	29.0%	3m Euribor + 2.75%	3m Euribor + 4.125%	BB (high)(sf)	New Rating
Class Z	360,174,000	29.0%	N/A	N/A	N/A	Not Rated	N/A
Class F	62,099,000	5.0%	N/A	N/A	N/A	Not Rated	N/A

Notes:
1 Percentage of 95% of the portfolio balance at closing. The remaining 5% constitutes the Class V notes which is a vertical slice of all the notes issued.
2 Credit enhancement is expressed as a percentage of the aggregate current balance of the final portfolio balance at closing.

	Initial Amount (EUR)	Size
Final Asset Portfolio (9 November 2018)	1,307,348,918	100.00%
General Reserve	0.0	0.0%
Liquidity Reserve	38,936,035	4.75% 3

3 The size is represented as a percentage of the aggregate current balance of the Class A, Class B, Class C and Class D notes' balance at closing.

DBRS Ratings Limited (DBRS) assigned ratings to the notes issued by Glenbeigh Securities 2018-1 DAC (Glenbeigh or the issuer) as shown in the table above. The ratings assigned to Class A notes address the timely payment of interest and ultimate payment of principal. The ratings assigned to Class B notes address ultimate payment of interest while these notes are junior, and the timely payment of interest when the Class B notes are the most senior and ultimate payment of principal. The ratings for the Class C, Class D and Class E notes address the ultimate payment of interest and principal. The Class A, Class B, Class C, Class D, Class E, Class Z and majority of Class V notes are collateralised. Class V notes represent a 5% vertical slice of all the notes issued i.e. Class A to Class F notes.

DBRS does not rate the Class Z and Class F notes.

The issuer is a bankruptcy-remote special-purpose vehicle (SPV) incorporated in Ireland. The proceeds of the collateralised notes have been used to purchase a residential mortgage portfolio originated by Permanent TSB Plc (PTSB, the originator and the seller), which has a Long-Term Issuer Rating of BB and a Short-Term Issuer Rating of R-4 with Positive trend by DBRS. The aggregate balance of the mortgage portfolio as of 9 November 2018 was EUR1.31 billion.

Total Current Balance (EUR)	1,348,838,804
Number of Loans	12,605
Weighted-Average Coupon (WAC)	1.35%
Indexed WAC Loan-to-Value (WACLTV)	65.2%
Weighted-Average Seasoning (Years)	6.9

Asset Class	RMBS
Governing Jurisdiction	Republic of Ireland
Sovereign Rating	A(high)/R-1(middle)/Stable trends

The mortgage portfolio-related detail in this report are as of 30 September 2018, unless stated otherwise.

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Rating Considerations

Notable Features

- The majority of loans in the mortgage portfolio have been restructured in the last few years to help the borrowers rehabilitate to a payment rate that the servicer determines sustainable. Since the date of restructuring, 32.4% of the loans that were originally paying on a capital-plus-interest basis now pay on a part-capital-and-interest basis (PCI). Moreover, 67.1% of the loans were restructured as Split Loans where the outstanding balance of each loan was split into performing loans (PLs) and warehoused loans (WLs).
- Under a Split Loan, the borrower makes monthly payments on the PL on a capital-plus-interest basis and in comparison, on the WLs, no interest is due or payable during the term of the loan. The borrower is liable to repay the WL outstanding on the maturity date. The WL proportion represents 34.5% of the Glenbeigh mortgage portfolio and the PLs represent 32.6%.
- Improving performance of the loans in the mortgage portfolio, driven by the recovery of the Irish economy, a low interest rate environment and the housing market, and more active servicing and forbearance measures considered for delinquent loans and financially distressed borrowers under PTSB's Mortgage Arrears Resolution Strategy (MARS) programme.
- The beneficial interest of the mortgage loans has been transferred to the issuer at closing, while the legal title of the mortgage loans will be transferred from PTSB to Pepper Finance Corporation (Ireland) DAC (Pepper) within six months from the closing date.
- The rated notes, as shown in the table above, have credit support in the form of subordination and the Class A-D notes have liquidity support from principal receipts and a liquidity reserve fund.

Strengths

- **Credit Enhancement and Liquidity Support to Rated Notes:** The issuance structure under Glenbeigh offers subordination and liquidity support for regular payments on the notes met through separate revenue and principal priority of payments. The Class A notes have a credit enhancement of 65%, the same for Class B notes is at 52%, that for Class C is at 41.5%, Class D at 34% and Class E at 29%. A liquidity reserve fund of EUR38.94 million, funded at closing of the transaction, will provide liquidity support to the Class A, Class B, Class C and Class D notes including the Class V notes proportion in each of these class of notes. The liquidity reserve fund will amortise and will be maintained at 4.75% of the aggregate outstanding balance of the Class A, Class B, and Class C and Class D notes. The use of the liquidity reserve fund will only be after the principal receipts have been used (subject to conditions) to support liquidity of the Class A-D notes.
- **Provisioning Based on Delinquency Status of Loans:** The provisioning mechanism in the transaction is linked to the arrears' status of a loan in addition to provisioning based on losses. The degree of provisioning grows the longer a loan is in arrears. Given the regulatory code of conduct for mortgage loans in arrears, the time to recovery and the realisation of a loss can be stretched. In this context,

provisioning based on arrears status will trap any excess spread much earlier for a loan in the recovery process that otherwise would have been released to the Seller as deferred consideration.

- **Strong Servicer:** Pepper is the master servicer of the mortgage portfolio and will delegate the servicing to PTSB for the first six months post-closing. Pepper will then take over the active servicing. Pepper will also be the legal title holder of the loans for six months from the closing date. Pepper's servicing capabilities are appropriate to be able to monitor and manage the re-performing Glenbeigh mortgage portfolio.

Challenges and Mitigating Factors

- **Restructured Mortgage Loans:** The majority of the loans in the mortgage portfolio have been restructured in the last few years to help the borrowers rehabilitate to a payment rate that the servicers determines sustainable. Since the restructuring, 32.4% of the loans that originally paid on a capital-plus-interest basis now pay on a part-capital-and-interest basis. Moreover, 67.1% of the loans were restructured into Split Loans with PL portion considered performing and the remaining WL portion non-performing.

  Mitigants: All the restructured loans were in arrears before the restructuring. The arrears balance was capitalised at the time of restructuring to be repaid over the remaining term of the loan. DBRS was provided the performance history of the loans spanning from July 2014 to July 2018. Of the Split Loans, 91% by balance had at least two years of performance history since the date of restructuring. As of July 2018, a small proportion (1.8%) of the Split Loans have been in arrears for more than one month but currently none of these loans are in arrears. Again, of the PCI loans, 85.2% of these loans had at least two years of performance history since the date of restructuring. As of July 2018, a small proportion (3.5%) of the PCI loans were in arrears for more than one month, but, again none of these loans are currently in arrears. This proves that the loan restructuring has worked sustainably so far for majority of the loans and can be expected to continue going forward in the low interest rate environment.

  Such a turnaround in loan performance suggests that PTSB's MARS programme is helping borrowers in financial stress. The improved performance is also attributed to the Irish economy's recovery and improving income and employment prospects in Ireland.

- **High Proportion of Loans in Negative Equity:** Approximately 26% of the mortgage portfolio are currently in negative equity. Loans in negative equity comprise 39.6% of the Split Loans mortgage pool and 25.6% of the PCI mortgage pool. The indexed weighted-average current loan-to-value (WACLTV (ind)) of the mortgage portfolio is 65.2% overall, 94.2% for the Split Loans mortgage pool and 76.3% for the PCI mortgage pool. The WACLTV (ind) and the proportion of loans in negative equity is high, which is a reflection of the concentration of the loans originated in 2007, just around the peak in house prices in Ireland.

  Mitigants: The recovery in the house prices since the house-price-index trough from 2012 to 2013 has resulted in a significant proportion of loans in Glenbeigh portfolio to move out of the negative equity category. All the loans in negative equity are currently maintaining their performing status albeit only since the forbearance measures were applied. Given the consistent repayment history, the negative equity status for a proportion of this portfolio is less of a concern. DBRS has considered in its analysis the potential loss from loans currently in negative equity.

- **Negative Carry and Potential Loss on Account of Warehoused Portion of Split Loans:** A third of the mortgage portfolio comprises the WLs, the portion of the Split Loan where no interest is payable nor accrued on the outstanding balance. The transaction structure envisages the remaining two-thirds of the interest paying loans' balance to meet the interest payments on the collateralised notes issued. The proportion of the split between the PL and the WL varies and such variance is determined by a thorough assessment of the borrower's affordability status at the time of restructure. While the borrower under a Split Loan makes monthly payments on the PL on a capital-plus-interest basis (for the majority of the cases), on the WL, no interest is due or payable. The WL is thus assessed unaffordable to the borrower.

  Mitigants: The transaction's issuance structure combined with liquidity support from principal receipts and a funded liquidity reserve fund at closing attempts to ensure that the interest payments on the rated notes are met per the terms and conditions of the notes. Any re-assessment of a borrower's disposable income in the future will allow only for the WL of the Split Loan to reduce either by a corresponding increase in the PL balance or a prepayment by the borrower which would be applied to the WL in priority over the PL outstanding. If a borrower for a Split Loan defaults on the PL, then the recoveries are

applied to the WL and PL outstanding balance. If a borrower does not default during the residual term of the loan resulting in full repayment of the PL outstanding balance, the borrower has an opportunity to refinance the WL outstanding with potentially a lower (and relatively favourable) loan-to-value ratio (assuming the current property valuation). In comparison, DBRS has been conservative in its analysis of the cash flows of the WL. Firstly, given that the WL is deemed unaffordable to the borrower with zero interest rate, DBRS has assumed zero prepayments for the WL and secondly, a 100% default has been assumed and applied at the maturity of the WL. Thirdly, no credit has been given to the possibility of refinance of the WL outstanding balance with the recovery at maturity being subjected to the loss given default (LGD) calculated and applied to the WL mortgage pool. The calculation of the LGD for the WL mortgage pool at maturity assumes the PL balance to have been paid down completely with the recoveries from property sale available to repay the WL outstanding balance. Lastly, the WL sub-pool has a weighted-average remaining term of 22 years and hence the defaults applied at the end of such remaining term is much longer than the ten-year default timing curve per DBRS' *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda*. This last assumption stretches the weighted-average life of the notes in DBRS's analysis.

- **Time and Liability Limitations on Representations and Warranties:** DBRS considers the remedial action following a breach of asset warranty to be weaker than market standard observed in other Irish residential mortgage-backed security (RMBS) transactions. However, such limitations are comparable to recent RMBS transaction involving traded Irish mortgage portfolios. The asset warranties are time limited wherein no claims can be made following 3.5 years from the closing date of the transaction which is atypical. Furthermore, the compensation obligation of PTSB as the seller is monetary capped. There are a handful of loans which have been excluded from the coverage of some of the warranties on the loans.

  Mitigant: The entire set of representations and warranties provided by the seller are in line with those provided by PTSB in the Fastnet series of RMBS issuances. These are more comprehensive in their coverage as compared with recent RMBS transactions involving traded Irish mortgage portfolios. The majority of the loans have been restructured which would have necessitated a detailed loan file scrutiny and a refresh of the borrower's financial status. DBRS thus does not expect any material loss around the breach of any of the representations and warranties. Moreover, for the handful of loans excluded out of some of the warranties, DBRS stressed the potential loss (though de-minimis and conservative considering the overall conservative assumptions for the assessment of the mortgage portfolio) to the issuer in its cash flows analysis.

- **Interest-Only Loans:** About 23% of the loans in portfolio are paying on an interest-only (IO) basis; the majority of these loans are loan parts of the PCI mortgage pool (Approximately 34% of the mortgage portfolio) where the loans have been restructured to pay on a part capital (11.8% of the mortgage portfolio) and interest only (22.3% of the mortgage portfolio) basis.

  Mitigant: DBRS has adjusted the default probability of the IO loans to account for the risk of such products in line with its *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda*.

- **Unhedged Basis Risk:** Approximately 30% of the loans pay interest linked to a standard variable rate (SVR), currently at 4.3%, set by PTSB. 36.5% of the loans in the mortgage portfolio pay interest linked to the European Central Bank (ECB) rate. The remaining 33.7% of the loans do not pay any interest during the life of the loans (WLs). In comparison the interest paid on the notes is linked to the three-month Euribor rate. This difference in basis gives rise to a risk not hedged in the transaction.

  Mitigant: To partially mitigate this risk, the servicer, Pepper, undertakes to maintain the SVR floor rate of three-month Euribor + 3.25% effective six months after closing of the transaction. DBRS has stressed for the unhedged basis risk between ECB and three-month Euribor.

Origination and Servicing

DBRS conducted an operational review of Permanent TSB Plc's (PTSB or the Bank) residential mortgage operations in July 2017 in Dublin. DBRS considers the origination and servicing practices at PTSB to be consistent with those observed among other Irish lenders.

Permanent TSB plc (formerly Irish Life & Permanent) is a leading provider of personal financial services in the Irish market. The Bank formed in 1999 from the merger of Irish Life plc, the largest life and pensions group in Ireland and Irish Permanent plc, a leading provider of retail financial services in Ireland. Permanent TSB Group Holdings plc, the holding company of the Group, is 75% owned by the Irish Government and is listed on the Irish Stock Exchange's Enterprise Securities Market (the ESM) in Dublin.

In 2010, the Group was restructured, and Permanent TSB Group Holdings plc became the new parent and holding company for the Group. The new structure had the same capital structure, board and management team as Irish Life and Permanent plc and the business ethos and business activities remained the same.

In 2012, the Group disposed of the Irish Life businesses (the Life Group) to the Minister for Finance. Following the sale of the Life Group, the Group's strategic focus became to be a top-class retail bank focused on the Irish consumer, which will be both competitive and profitable.

Permanent TSB is the Irish banking division of the Group. It provides a full range of retail banking products and services through its network of branches and through intermediaries as well as directly over the phone and internet. The Group took a significant step forward in the first half of 2015, successfully completing a EUR 527 million capital raise. This reduced the government's ownership interest to 75% from 99.2% through a part sale of the Minister for Finance shares.

In 2016, the Group completed a three-year deleveraging programme of Irish commercial and U.K. residential assets worth over EUR 9 billion.

As of YE2017, the Group's total assets stood at EUR 22.8 billion with the mortgage book representing nearly 79.4% of total (EUR 18.1 billion).

DBRS confirmed the Bank's issuer and senior long-term ratings at BB in May 2018.

Origination & Underwriting

Origination and Sourcing

The majority of mortgages within PTSB's portfolio are sourced externally through the bank's branch network. Approximately 41% of mortgages originated by PTSB in 2017 were sourced through third parties but is significantly lower than the 60% figures seen during 2008. While the bank's long-term lending strategy includes continued participation with brokers, PTSB is keen to keep the ratio of internally sourced loans consistent with previous years.

PTSB offers a variety of mortgage products including owner-occupied home loans, equity release loans and residential investment loans (buy-to-let loans or BTLs). Equity release and BTL lending has reduced substantially over the last five years and the vast majority of loans within PTSB's portfolio is owner-occupied. Standard repayment terms and interest terms apply with majority of loans on variable rates.

PTSB has a dedicated broker relationship management group. Each manager is given a pool of intermediaries to manage and promotes new PTSB products and offers training to brokers on the bank's lending policy and processes. New brokers are subject to a formal appointment process, which includes verification of authorisation from the Central Bank of Ireland (CBI), credit checks and references as well as proof of professional indemnity insurance. The appointment and monitoring of all intermediaries is the responsible of the retail operations control department.

Underwriting Process

Since 2012, all underwriting activities are centralised in PTSB's head office in Dublin, however, prior to this, branches had some discretion to approve mortgage loans. Intermediaries liaise with the lender through their respective broker relationship manager and an electronic application process. The application and supporting documents are distributed to the credit department through an automated workflow system.

Credit policy is set centrally and applies to all intermediaries. The current policy has been in place since 2013 and is annually reviewed. Any changes to credit policy are tracked. Current guidelines are consistent with the wider Irish market and more conservative than those in place pre-crisis. PTSB's maximum LTV limits vary by region with 90% limit for purchases and 85% for Equity release or tenant purchase.

The underwriting team averages over ten years' experience and PTSB employs a solid training programme with average training hours per employee consistent with the wider market.

PTSB employs bespoke scorecards which use risk drivers to determine the application's probability of default (PD). The Bank's mortgage platform, "SMART", also includes a number of automated policy rules and discretion controls. The Bank's Internal Rating System is based on probability of default (PD), where default is defined as more than 90 days past due. It is mapped on a scale from 1-25, where 1 represents the lowest PD, 24 the highest probability of default and 25 is used to mark an account that has already defaulted and where the customer is deemed unlikely to repay. In these cases, the PD is 100%. Bank exposures graded from eight to 24 unless already defaulted.

Policy rules and discretion controls are embedded into SMART. Certain exceptions may be permitted but will require referral to a higher authority. Discretion approvals are set out in Discretion policy, which is approved by Group Credit Committee.

All applicants are required to demonstrate a satisfactory credit history. In the normal course, credit history will be established via a credit check through Irish Credit Bureau (ICB). The ICB search is system generated as part of all credit applications and applicants consent to such a check is required in all cases. If the customer is not willing to consent to the credit search, then the application will not proceed.

Approval authority limits are controlled within the bank's mortgage application system, which includes security protocols to prevent underwriters from approving loans outside their delegated authority. The automated workflows within the system also prevent applications from moving to various stages unless the appropriate approval has been granted. An independent department within PTSB is responsible for maintaining system security and approval limits. The bank adheres to a dual approval process whereby all loans under EUR 400,000 must be approved by at least two underwriters. All loans greater than EUR 750,000 are subject to credit committee approval and this threshold for committee involvement is consistent with peers.

PTSB also benefits from strong quality control processes both pre- and post-funding with monthly sample reviews of approved cases for adherence to lending criteria. This review includes checks on all aspects of a loan offer, completion and funding. These checks are then reviewed by the Credit Quality Review team to identify any issues and raise problems with staff.

Valuations

PTSB orders full valuations of every mortgaged asset completed by a qualified third-party appraisal selected from an approved panel, which is reviewed annually. All valuations are reviewed by the respective underwriter once received using general market knowledge, comparable sales data and publicly available information on house prices. Each valuation is valid for four months. If the valuation has expired, then a drive-by-valuation is obtained.

Summary Strengths

- Centralised underwriting and good experience across underwriting and management team. Senior and middle managers average more than 12 years' experience.
- Good IT platform with automated scoring models with data validation and security controls around underwriting authority as well as interactive workflow system.
- Improved quality control function including creation of dedicated team in credit department and all loans are subject to a full data and document review prior to funding. Additional reviews carried out after closing.

Summary Weaknesses

- Reliance on broker network (41% in 2017) for new originations.

  Mitigants: Strong management of network and PTSB is not looking to increase the reliance on brokers in the long-term. All underwriting is centralised and intermediaries not involved in any stage of the loan approval process.

Servicing - PTSB

All servicing activities are centralised in Dublin. The transfer from origination to servicing and loan boarding is automated and managed by the completions team. A separate quality control function is responsible for reviewing all newly completed loans, specifically data integrity and document checks. This process follows a similar control process carried out within the credit and underwriting team prior to funding. Nearly all mortgage loans have a monthly payment cycle and pay via direct debit drafted on the first business day of every month.

The bank maintains good operational performance surrounding loan administration and customer services evidenced in part by the average time to answer of 30 seconds for customer service calls, which average approximately 7,000 per month. The average abandonment rate in the collections area is less than 2% and the ratio of arrears accounts to collectors (75:1) suggests that PTSB has capacity to effectively manage increased collection activity.

Like other Irish lenders, PTSB has increased its early arrears management and loss mitigation activities. The bank's early arrears management tactics, including calling and letter campaigns, are consistent with the overall market. Modifications and other loss mitigation strategies are becoming increasing popular and PTSB is currently involved in a major review and development of such activities in accordance with regulatory guidelines.

In 2013, PTSB launched its MARS programme to help better identify at-risk borrowers and provide them possible restructuring and/or modification options to prevent or reduce arrears. As part of the process, the borrower must complete a standard financial statement, which is required when assessing the mortgage loan and the next course of action.

The lengthy and less creditor-friendly foreclosure regime in Ireland has created challenges for PTSB and other Irish servicers. Timelines have lengthened over the last few years in part because of the Irish government's 12-month moratorium in 2012 on initiating legal action.

As of July 2017, PTSB took approximately 30 properties in possession per quarter. These include those repossessed following a Court Order for Possession and those subject to voluntary surrender by the customer. Private sale continues to be the main disposition method as auction is still negatively perceived in Ireland and recoveries are expected to be lower than through private sale. As of August 2014, assets have been sold privately or via auction. While the reluctance to use public auctions is understandable, given the considerable timeframes, falling house prices and rising expenses associated with managing repossessions, PTSB may not be able to avoid the auction route in the near- to medium-term.

Summary Strengths

- Experienced management team.
- Centralised servicing operation and good accounts-(collection)-to-employee ratio suggesting no capacity constraints.
- Sound valuation practices following repossession including receipt of two sales proposals for marketing.
- Full implementation of bespoke MARS launched into production in 2013 including a variety of resolutions.

Summary Weaknesses

- Long timelines from arrears to repossession and eventual sale.

  Mitigants: The timelines are consistent with the Irish market and driven by the current economic environment.

Servicing - Pepper

DBRS conducted an operational review of the mortgage servicer, Pepper Finance Corporation (Ireland) DAC trading as Pepper Asset Servicing (PAS), in February 2018 in Dublin, Ireland. DBRS considers the servicing practices of PAS to be consistent with the overall Irish market.

PAS was founded in September 2012, following the purchase of the Irish residential mortgage portfolio from GE Money. The company is a wholly-owned subsidiary of Pepper Group Limited (Pepper or the group). Along with Australia and Ireland, Pepper has also established companies in the U.K., Spain, South Korea, Cyprus and Italy. As of June 2017, the group had AUD 53.3 billion of assets under management globally. The global lending book stood at of AUD 8 billion and the global servicing portfolio stood at approximately AUD 45.3 billion.

Although PAS is primarily involved in servicing residential mortgages and commercial real estate loans, the company moved into lending with the launch of an Irish residential lending programme in early 2016 and a commercial real estate lending programme in June 2017.

As of December 2017, PAS had around 413 employees operating across two Irish sites in Shannon and Dublin with a servicing portfolio just over EUR 16 billion. The portfolio has grown steadily year-over-year since 2012 and increased significantly in October 2015 when PAS took over the servicing of a EUR 5.5 billion portfolio of Irish residential loans originated by the Bank of Scotland. The portfolio consists of residential mortgages representing 41% of the portfolio, commercial real estate assets representing 45% and BTL loans comprising the remaining 14%.

DBRS does not rate PAS or its Australian parent, Pepper.

All primary and special servicing activities within PAS are centralised in the company's two offices in Shannon and Dublin. While some external resources are used for the management of defaulted loans, specifically legal enforcement cases, the company has no offshore operations outside Ireland.

PAS employs approximately 413 people across two locations with 64% based in the company's Shannon headquarters and the remaining staff based in the Irish capital. Senior management averages over 15 years' experience including nearly four years with the company, although half of the executives were with GE prior to the creation of PAS. The servicing management team is also highly qualified averaging around 13 years' experience and seven years with PAS and its Irish predecessor.

The company enjoys a healthy staff turnover rate of around 9% which is below the Irish market average and down from 12% reported in 2015. Comprehensive training and personal development plans are in place for all staff and employees average around 40 hours of training annually. PAS has a dedicated training manager responsible for tracking and managing the company's training needs as well as ensuring compliance with regulatory training requirements.

PAS's servicing activities benefit from significant automation for loan administration, bespoke applications for special servicing and strong reporting systems supported by a robust data warehouse linking all of the company's systems. All mortgage payments

are on monthly schedules and the majority of performing loans are paid via direct debit or bank transfer. An operations team, segregated from the other servicing functions, is responsible for collecting and processing all incoming mail including cheques. Interest rate adjustment for variable-rate loans is an automated process as is the generation of all standard letters including collection notices.

PAS operates a robust and sophisticated IT platform which has been significantly enhanced over the last several years and the company continues to devote significant resources to ongoing development of the systems. PAS launched a new website in February 2015 which included enhanced functionality for borrowers including the ability to view account information, make debit card payments, download documents and submit online enquiries.

The company also benefits from good operational performance and strong management reporting activities. Key performance metrics for the customer service and special servicing areas are consistent, and in some cases better than their Irish peers. Average hold times and abandonment rates, for instance, are around ten seconds and under 3%, respectively. The reporting systems enable PAS to more effectively manage resources, implement training programmes and identify potential risks and initiate action plans.

For collections and default management activities, PAS adheres to a case ownership approach for managing all arrears cases while primary servicing is organised functionally. The current number of arrears cases per analyst is around 100, which DBRS considers manageable.

As an experienced servicer, PAS uses a variety of strategies in attempting to cure arrears and defaults, viewing litigation and legal enforcement as the least favourable option. The restructuring and modification schemes used by PAS include reduced payment arrangement, conversion to interest-only or rate reduction, payment deferrals, term extensions and arrears capitalisation.

The company has developed a rigorous process focusing on the identification of the most suitable solutions for borrowers. The structured workflows developed by PAS are strictly aligned to Code of Conduct on Mortgage Arrears (CCMA) regulations and include financial tools integrated into the servicing system to assist staff in the decision-making process.

The company's re-default rate for modified loans is approximately 10% with most loans re-defaulting within the first six months of the restructuring. This compares favourably with the Irish market average of 20%. PAS also offers additional workout schemes for the most severe defaults including assisted voluntary sales, voluntary surrender and mortgage to rent, all of which are encouraged by the Irish regulators.

Recovery timelines for defaulted loans are generally consistent with the Irish market. The average timeline from litigation (initiated around 180 days following the first missed payment) to completion of legal proceedings is around 36 months, driven in large part by the regulatory environment and delays within some Irish courts. Repossessed assets are generally sold within eight months and approximately 95% are sold privately with PAS offering some support to borrowers. These figures are within DBRS's recovery time assumptions for Ireland and appear to be compliant with the national regulatory guidelines.

The repossessed portfolio currently includes around 70 assets valued at approximately EUR 30 million and is not expected to grow significantly in the short term. For all repossessed properties, at least two full valuations are prepared as a guide to set the sale price. The valuations are undertaken by a sales agent on an approved panel and include a full condition report and details of comparatives used in arriving at the appraised value. PAS has an internal property management team that reviews every valuation report.

Summary Strengths

- Solid servicing experience among senior and servicing management teams.
- Healthy turnover rates below the Irish market average albeit the majority of staff hired in the last three years.
- Pro-active early arrears management processes coupled with robust special servicing application.
- Strong risk management and internal control environment.

Summary Weaknesses

- Independent servicer operating in the Irish market with financial support from an unrated parent.

  Mitigants: Stable financial trend since company's inception in 2012. Pepper has a strong presence in its home market. Ireland comprises around half of the group's global servicing portfolio.

- Limited securitisation experience within the Irish market.

  Mitigants: PAS and the wider Pepper Group has significant client reporting experience within Ireland and other European jurisdictions where the group has been involved in securitisation. The Pepper Group has developed a Residential Mortgage Backed Securitisation programme in Australia. PAS also benefits from robust technology and reporting systems.

As part of the operational review process, DBRS received information regarding the operations, management experience and existing portfolios. Pepper will act as Master servicer for the first six months of the Glenbeigh transaction, and in doing so will have a project plan in place.

In its role as master servicer, Pepper demonstrates a good level of experience, when compared with peers across EMEA. Pepper has a high level of control and oversight together with improved efficiency around master servicing activities. The understanding that Pepper has of the portfolio and its own experience will enable Pepper to transfer title of all loans during the intimated initial six-month period.

Pepper can demonstrate timely and accurate reporting, and robust oversight of existing relationships with servicers or sub-servicers. Such oversight activity includes regular reviews and assessments to ensure that all sub-servicers' capacity meet portfolio requirements.

Opinion on Backup Servicer: No backup servicer was appointed at closing of the transaction. However, DBRS believes that the absence of a backup servicing arrangement is mitigated on account of the following:

- In the event of a servicer replacement, the replacement facilitator is expected to find a replacement servicer:
  - Ireland has a number of mortgage servicers who can step into the shoes of Pepper when required. DBRS is aware of the capabilities for a few of the servicers in Ireland including Homeloan Management Limited, which is the backup servicer for some of the Fastnet transactions. The replacement facilitator should not find it too challenging to find an alternate servicer for the portfolio.
  - During the time it takes for a new servicer to take over the servicing, the transaction issuance structure includes a liquidity reserve fund, which will help provide funds to pay timely interest on the rated notes.

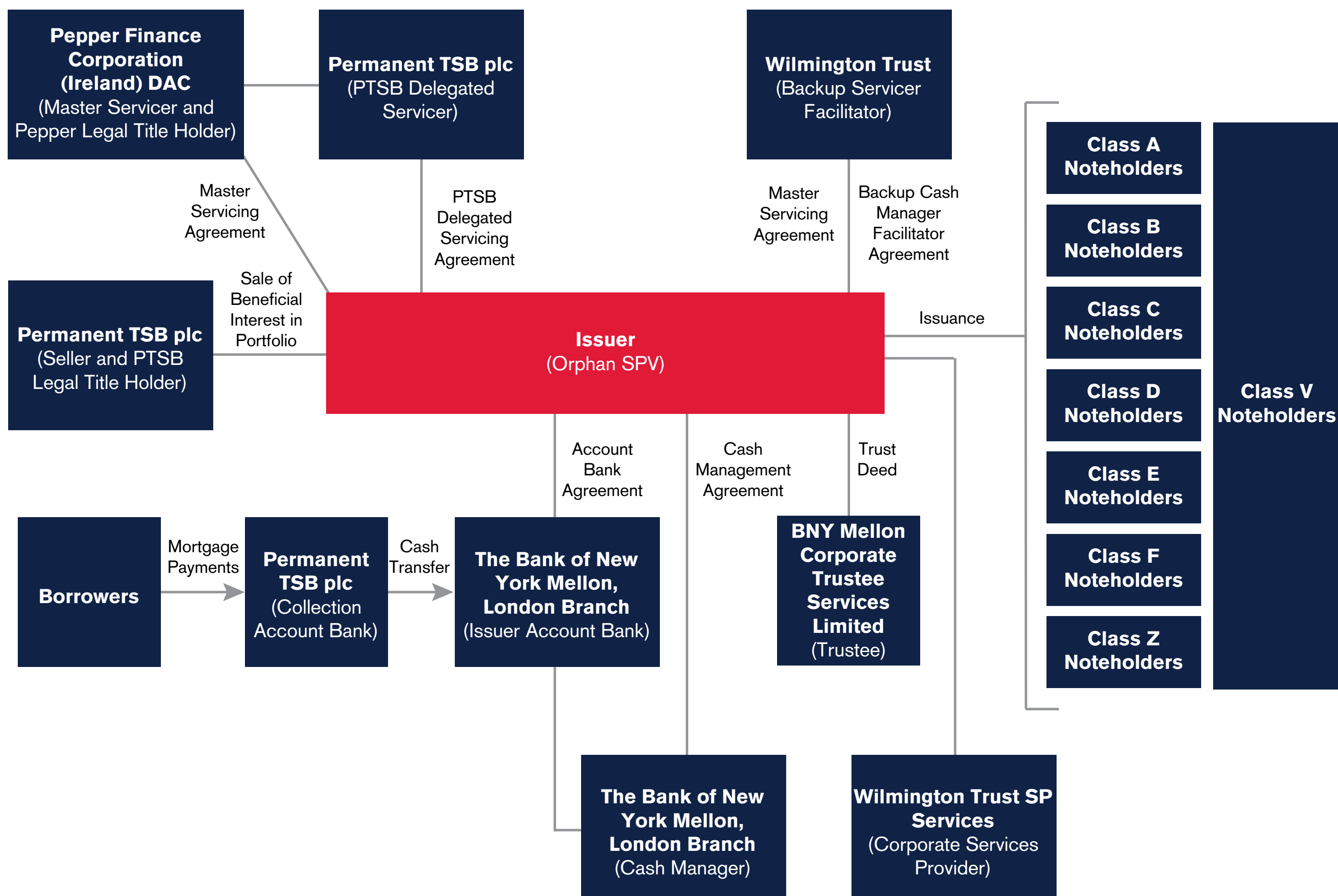
Transaction Structure

Transaction Summary

Currencies	Issuer's assets and liabilities are denominated in euros (EUR).
Relevant Jurisdictions	The loan contracts and transaction documents are ruled by Irish law. The Issuer is incorporated under Irish law.
Basis Risk Hedging	Not hedged
Interest Rate Hedging	N.A.
Liquidity Reserve Fund	Funded at closing to provide liquidity support to the senior fees payments and interest on Class A, Class B, Class C and Class D notes. Initial Amount: EUR 38,936,035 Corresponding to 4.75% of the aggregate of the Class A, Class B, Class C and Class D notes' balance. Amortisation: 4.75% of the aggregate of the Class A, Class B, Class C and Class D notes' outstanding balance. Excess Amounts: The excess amounts over the required amount will be added to the revenue available funds.

Principal receipts from loans can be used to support liquidity for the notes subject to conditions. Further, principal receipts will only be used to support liquidity only after the liquidity reserve fund is exhausted.

The transaction structure is summarised below:



Counterparty Assessment

Cash Collection and Issuer Account Bank

Collection Account

The borrowers pay into a collections' account with PTSB in the name of the legal title holder. On the next business day, funds from the collections account are transferred into the account in the name of the issuer with the account bank. PTSB and Pepper (once the legal title is transferred to Pepper) has/will declared a trust on the funds in the collections account, which pertain to repayments from the loans in Glenbeigh.

Issuer Account Bank

The Issuer maintains the transaction account held with The Bank of New York Mellon, London Branch.

Funds standing to the credit of the transaction account may be invested in authorised investments. The authorised investments are expected to be in accordance with DBRS's *Legal Criteria for European Structured Finance Transactions* for eligible investments. DBRS concluded that the rating of the Issuer account bank, which is privately rated by DBRS, meets DBRS's *Legal Criteria for European Structured Finance Transactions* to act in such capacity.

The interest on the funds in the transaction account will be decided from time to time between the issuer and the account bank. DBRS has stressed for a potential liability for the Issuer in the declining interest rate scenario as part of its cash flow analysis.

Commingling Risk

There is a potential risk that collections may temporarily be commingled with other assets forming part of the servicer's insolvency estate. In addition, cash transfers to the issuer account may be delayed until the backup servicer assumes responsibility. Commingling risk is mitigated through the next-day transfer of funds from the collection account to the Issuer transaction account with the account bank. The repayment dates from the loans are well distributed across the days of a month. Declaration of trust in favour of the issuer has been provided.
Moreover, the Class A, Class B, Class C, and Class D notes are supported by a liquidity reserve fund, which is 4.75% of the Class A-D notes' balance and is expected to support temporary disruption in liquidity to support payment of interest on the notes.

Set-Off Risk

Some borrowers in the portfolio have deposits with PTSB, aggregating to approximately EUR 1.3 million with all amounts covered under the deposit protection scheme. Moreover, the legal title of the loans is expected to transfer over to Pepper within three months from the closing date after which any claim of a deposit set-off by a borrower will not be valid.

Available Funds

The available revenue funds to be applied in accordance with the pre-enforcement revenue waterfall are as follows:

- Interest collections.
- Cash generated from authorised investments.
- Amounts available under the liquidity reserve fund.
- Principal receipts, which are required to meet any shortfall in payment of senior fees and interest on the rated notes.

The available principal funds to be applied in accordance with the pre-enforcement principal waterfall are as follows:

- Principal collections.
- Revenue funds allocated to crediting a principal deficiency ledger (PDL).

Priority of Payments

The issuer applies the available funds in accordance with separate priorities of payments for interest and principal.

Revenue Priority of Payments:

1. Senior fees;
2. Servicing fees;
3. Issuer profit;
4. Replenish Class A-D liquidity reserve fund;
5. Interest due on the Class A notes;
6. Class A PDL credit if applicable;
7. Interest due on the Class B notes;
8. Class B PDL credit if applicable;
9. Interest due on the Class C notes;
10. Class C PDL credit if applicable;
11. Interest due on the Class D notes;
12. Class D PDL credit if applicable;
13. Interest due on the Class E notes;
14. Class E PDL credit if applicable;
15. Class Z PDL credit if applicable;
16. Master servicer subordinated amounts;
17. After the optional redemption date, as available principal amount;
18. Redeem Class F notes;
19. Interest payments on the Class F notes

The Class V notes have a separate revenue priority of payments. The Class V proportion in each class of notes have the same pari-passu right on the available revenue funds.

Principal Priority of Payments:

1. Principal to meet shortfalls in the payment of senior fees and interest on the Class A notes,
   a. Shortfalls in payment of interest on the Class B notes when Class B notes are senior-most and Class B PDL is zero;
   b. Shortfalls in payment of interest on the Class C notes when Class C notes are senior-most and Class C PDL is zero;
   c. Shortfalls in payment of interest on the Class D notes when Class D notes are senior-most and Class D PDL is zero;
   d. Shortfalls in payment of interest on the Class E notes when Class E notes are senior-most and Class E PDL is zero;
2. Principal due on the Class A Notes until paid in full;
3. Principal due on the Class B Notes until paid in full;
4. Principal due on the Class C Notes until paid in full;
5. Principal due on the Class D Notes until paid in full; and
6. Principal due on the Class Z Notes until paid in full.

The Class V notes have a separate principal priority of payments.

Principal Deficiency Ledger

The PDL is recorded as a debit ledger of the following items (without double counting):

- Losses on the underlying mortgages.
- In the case of a loan which becomes a split mortgage loan after closing, the principal balance warehoused.
- In the case of loans greater than 180 days in arrears, the applicable arrears percentage of each loan (50% after 180 days, 75% after 270 days and 100% after 359 days).
  - If such loan cures to status below 180 days in arrears or there are subsequent recoveries on the loan, the PDL debits to the extent of the loan amount or the recovered amount respectively, are credited back as revenue funds and available in the revenue priority of payments.
- Application of any principal receipts to meet any revenue shortfall.
- The principal balance of a loan in arrears greater than or equal to 30 days and restructured such it is no longer a Split Loan or a PCI loan.

The debits to the PDL will be recorded starting with the Class Z PDL, then Class E, Class D, Class C, Class B and finally Class A PDL. The Class V PDL proportion in each class of notes' PDL will have a pari-passu share.

Post-Enforcement Priority of Payments

1. Senior fees.
2. Interest and principal on the Class A notes.
3. Interest and principal on the Class B notes.
4. Interest and principal on the Class C notes.
5. Interest and principal on the Class D notes.
6. Interest and principal on the Class E notes.
7. Master servicer subordinated amounts;
8. Principal due on Class Z notes.
9. Principal due on the Class F notes.

Legal Structure

On the closing date, Glenbeigh acquired beneficial title to the mortgage portfolio. As security for the payments of all monies payable with respect to the notes, Glenbeigh entered into a deed of charge, creating security in favour of the trustee consisting of a first-ranking fixed charge over the issuer's rights, title, benefit and interest in and to the underlying collateral. The issuer will have no recourse to the Originator (PTSB) except in limited circumstances.

Representations and Warranties

The mortgage sale agreements contain representations and warranties given by PTSB (as the Originator and Seller) in relation to the mortgage portfolio. The representations and warranties in Glenbeigh are standard as given for Fastnet series of transactions and relatively more comprehensive than those provided in recent Irish RMBS transactions involving traded mortgage portfolios. A breach of any of the representations and warranties would require PTSB to indemnify the issuer for such breaches which in most cases is expected to result in the repurchase of the respective loans from the Glenbeigh mortgage portfolio.

However, DBRS considers the remedial action following a breach of asset warranty to be weaker than market standard observed in other Irish residential mortgage-backed security (RMBS) transactions. However, such limitations are comparable to recent RMBS transaction involving traded Irish mortgage portfolios. The asset warranties are time limited wherein no claims can be made following 3.5 years from the closing date of the transaction which is atypical. Furthermore, the compensation obligation

of PTSB as the seller is monetary capped. There are a handful of loans which have been excluded from the coverage of some of the warranties on the loans. The majority of the loans have been restructured, which would have necessitated a detailed loan file scrutiny and a refresh of the borrower's financial status. DBRS thus does not expect any material loss around the breach of any of the representations and warranties nor any material numbers of breaches. Moreover, for the handful of loans excluded out of some of the warranties, DBRS stressed the potential loss (though de-minimis and conservative considering the overall conservative assumptions for the assessment of the mortgage portfolio) to the issuer in its cash flows analysis.

Further Advances

None of the loans in the mortgage portfolio contain an obligation on the part of PTSB to make an advance of further money after the closing date. If a borrower requests a further advance, there will be no obligation on the part of the legal title holder to fund such further advance.

Product Switches

The servicer may agree to a borrower request for a product switch that converts the mortgage loan into a loan with a different type of interest rate term or repayment term but only for the first six months from the closing date or if the legal title of the loans have been transferred to Pepper, whichever is earlier. A product switch may comprise a fixed-rate mortgage loan, a variable-rate mortgage loan, a tracker mortgage loan or any other type of flexible repayment loan or current account loan offered by PTSB.

Events of Default

The transaction events of default consist of the following:

- Non-payment of principal on Class A notes within seven days of such amount being due.
- Non-payment of interest on the Class A notes within 14 days of such amounts being due.
- Non-payment of principal and interest on each class of collateralised notes before the legal final maturity.
- The issuer fails to perform or observe any of its other obligations and the failure continues for a period of 30 days (or as the Note Trustee may permit) following the service by the Note Trustee on the issuer.
- An insolvency event in respect of the issuer.
- It becomes unlawful for the issuer to perform or comply with its obligations under in respect of the notes, the Class V notes or the transaction documents.

Collateral Summary

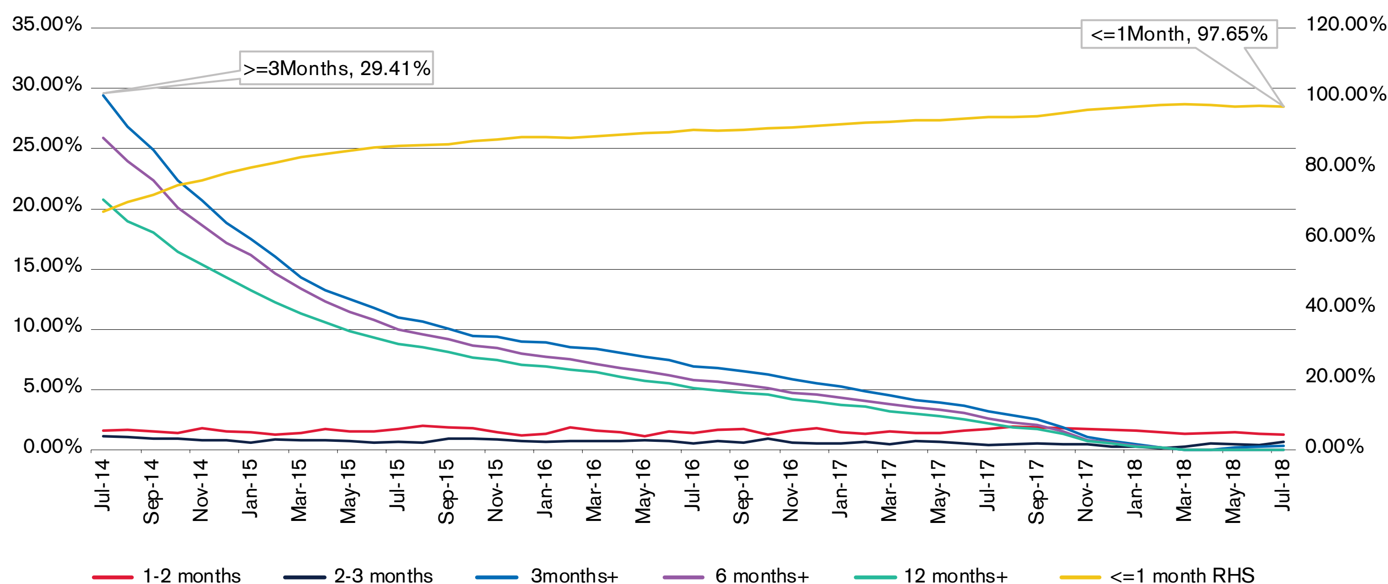
Data Quality

DBRS received the mortgage portfolio loan tapes to conduct the credit analysis of the collateral pool (cut-off date of 30 July 2018, updated to 30 September 2018 and the closing pool as of 9 November 2018). DBRS received payment history for the loans in the mortgage portfolio which covered the period starting July 2014 until end-July 2018. DBRS viewed the Agreed Upon Procedures report (AUP). The sources of information used for these ratings are PTSB, Citigroup Global Markets Limited, and investor reports on Irish RMBS transactions available on Intex DealMaker. DBRS also accessed historical three-month Euribor rates and the ECB rate from Bloomberg. DBRS considers the information available to it for the purposes of providing these ratings to be of satisfactory quality.

Historical Performance Data

The securitised portfolio has just over 9.3 years of seasoning. The charts below show the performance of the PCI and the Split Loans portfolios separately.

Exhibit 1: Dynamic Arrears Split Loans Glenbeigh

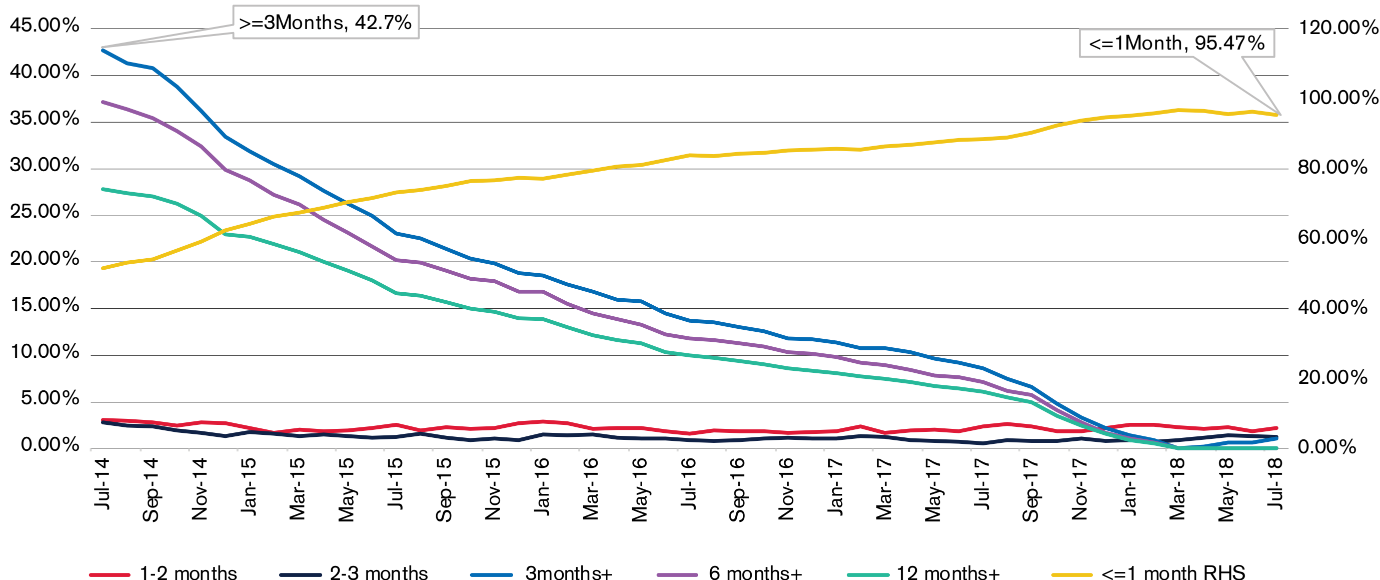


Source: PTSB.

As seen the chart above, majority of the Split Loans had their arrears, at the point of restructure, capitalised, which reflects in reducing trend of the greater than or equal to three-months in arrears status from 29.4% down to zero in March 2018. As of July 2018, this proportion is up at 0.3% but currently none of the loans in the Glenbeigh Split Loans portfolio are in greater than or equal to 3 months in arrears.

The majority of the Split Loans have at least two years of performance history since the date of restructure into a Split Loan and have shown that the split proportions into PL and WL and the monthly repayments under PL have been sustainable by the borrowers.

Exhibit 2: Dynamic Arrears PCI Loans Glenbeigh



Source: PTSB.

As seen the chart above, the majority of the PCI loans had their arrears, at the point of restructure, capitalised, which reflects in reducing trend of the greater than or equal to three-months in arrears status from 42.7% down to zero in March 2018. As of July 2018, this proportion is up at 1.1% but currently none of the loans in the Glenbeigh Split Loans portfolio are in greater than or equal to 3 months in arrears.

The majority of the PCI loans have at least two years of performance history since they were restructured into a PCI loan and they have shown that the part capital and interest restructures have been sustainable by the borrowers.

For both the Split Loans pool and the PCI pool, DBRS has assumed that in the expected base case the restructures are sustainable in the current interest rate environment and this treatment reflects in the single B default estimates for the two sub-pools of the Glenbeigh mortgage portfolio.

Mortgage Portfolio Analysis

As previously stated, the majority of loans in the mortgage portfolio have been restructured in the last few years to help the borrowers rehabilitate to a healthy payment rate on a sustainable basis. 32.4% of the loans, which were originally paying on a capital-plus-interest basis, now pay since the date of restructure on a part capital and interest basis (PCI). 67.1% of the loans have been restructured such that the outstanding of each such loan was split into two (Split Loan) with a portion which is considered performing (PL) and the remaining portion warehoused (WL). The proportion of the split between the PL and the WL varies and such variance is determined by a thorough assessment of the borrower's affordability status at the time of restructure. While the borrower under a Split Loan makes monthly payments on the majority of the PLs on a capital-plus-interest basis, on the WL, no interest is due or payable during the term of the loan. The borrower is liable to repay the WL outstanding on the maturity date. The WL proportion stands at 34.5% of the Glenbeigh mortgage portfolio and that for the PL is 32.6%.

The covenants in the transaction allow for the reduction of the WL (correspondingly increasing the PL portion of the Split Loan) based on a reassessment of the borrower's affordability anytime in the future. In the case of a pre-payment by such borrower the WL would be paid down in priority over the PL. The legal title holder can also consider write-off of part of the WL outstanding but only if the legal title holder makes good such write-off to the issuer. A PCI loan may in the future be modified to pay a higher proportion of capital than at closing of the transaction. These covenants are expected to be positive for the credit risk of the resultant mortgage portfolio after such modifications.

To assess the credit risk of the Split Loans, DBRS applied its *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda*. The PLs, in line with the terms and conditions of this portion of the Split Loans, have been treated as a repayment loan (repaying on a capital-plus-interest basis) where the affordability of the PL has been tested by PTSB at the time of restructure. The current loan to value (indexed) (CLTV(ind)) of the PL, driving probability of default (PD), considered the PL balance divided by the pro-rata indexed value of the property/ies securing the Split Loan. The CLTV(ind) calculated as above would also be the driver of the loss given default (LGD) for each PL.

Based on PTSB's assessment of the borrower's income-expenditure and subsequent split of the loan, the WL is considered unaffordable to the borrower in terms of making regular monthly repayments. Further, there is no interest burden on the WL for the borrower with the WL balance repayable as bullet the end of maturity of the loan. DBRS thus treats the WL balance to be in default implying a 100%. This is a conservative treatment relative to the possibility that the borrower may refinance the WL balance at the end of term of the loan. DBRS calculated the CLTV(ind) for the WL, which considered the WL balance divided by the indexed value of the property/ies securing the Split Loan.

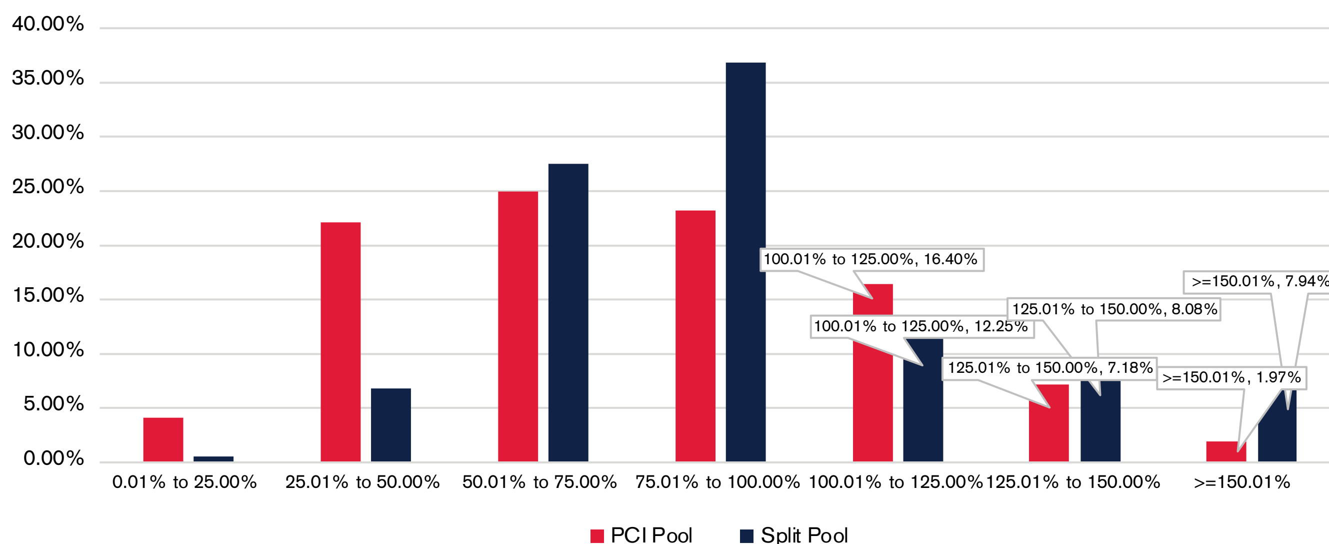
The other key risk of the mortgage portfolio arises on account of potential loss from loans where borrowers are currently in negative equity status. The proportion of loans in negative equity status are 39.6% of the mortgage portfolio. The market value decline (MVD) assumptions per DBRS's RMBS Methodology have been applied to assess the LGD of the mortgage portfolio.

The weighted-average CLTV(Ind) (WACLTV(ind)) of the Split Loans is at 94.2% with 39.6% of the loans in negative equity. The WACLTV(ind) of the PCI pool is 76.3% with 25.6% of the loans in negative equity. The same figures for the entire Glenbeigh portfolio are 88.4% and 35% respectively.

Summary Statistics (DBRS Calculations)	Split Loans Pool (30 September 2018)	PCI Pool (30 September 2018)	Glenbeigh - Consolidated
Number of Mortgage Loans	9,848	2,757	12,605
Total Original Balance (EUR)	1,511,063,451	534,147,621	2,045,211,072
Total Current Balance (EUR)	906,983,151	441,855,652	1,348,838,803
Average Current Balance per loan (EUR)	92,098	160,267	204,649
WA Current LTV Indexed 1	96.0%	76.8%	88.4%
Proportion of Loans with CLTV(ind)>100% 2	43.2%	27.0%	35.0%
WA Seasoning (Years)	7.9	12.3	9.3
WA Residual Term (Years)	22.1	17.9	20.7
WA Interest Rate	1.6%	2.4%	1.8%
Interest-Only Loans	0.0%	66.4%	21.8%
Self-Employed	52.6%*	33.3%**	46.3%
Income Self-Certified	0.0%	0.0%	0.0%
Owner-Occupied	100.0%	100.0%	100.0%
Buy-to-Let	0.0%	0.0%	0.0%
Valuation - Inspection	73.2%	73.0%	73.1%
Valuation - Desktop	26.8%	26.9%	26.8%
Properties Located in Dublin	18.2%	21.0%	19.1%
Properties Non-Dublin regions	81.8%	79.0%	80.9%
1 Month plus in Arrears	2.0%	6.6%	3.5%
3 Months plus in Arrears	0.1%	0.5%	0.2%

* This is the proportion of borrowers where the self-employed status and PD adjustments have been applied. This includes 9.4% of the borrowers (primary and/or secondary) who are categorised as unemployed.
** This is the proportion of borrowers where the self-employed status and PD adjustments have been applied. This includes 9.4% of the borrowers (primary and/or secondary) who are categorised as unemployed.
1 & 2 As calculated by DBRS.

Exhibit 3: CLTV (indexed) - Split Loans vs PCI Loans



Source: PTSB.

Summary of the Cash Flow Scenarios

To assess the timely payment of interest and the ultimate payment of principal on the rated notes, DBRS applied its default curves (front-ended and back-ended), prepayment curves (low, medium and high constant prepayment rate (CPR) assumptions) and interest rate stresses as per its *Interest Rate Stresses for European Structured Finance Transactions* methodology. Because of the low prepayment rates observed, DBRS also tested a 0% CPR assumption.

The cash flows analysis of the Split Loan applied the PD and LGD for the PL and the WL separately given the nature of the restructure and the repayment conditions. While the ten-year front and back-ended default timing curve was applied to the PL sub-pool, the WL sub-pool was defaulted only at the end of term of the loan. The WL sub-pool has a weighted-average remaining term of 22 years; hence, the defaults applied at the end of such remaining term is much longer than the ten-year default timing curve per DBRS RMBS Methodology. In comparison, given the terms and conditions of the restructure, if a borrower defaults on the PL, it would imply default for the WL as well and trigger the recovery process of both the PL and the WL outstanding. The recovery of the WL in such case would be much earlier than simulated in DBRS cash flows analysis and hence the timing of defaults for a WL is a relatively conservative treatment.

Another conservative element of DBRS cash flows analysis was the assumption of zero prepayments on the WL sub-pool in comparison to the terms and conditions of the Split Loan, which require prepayments to be applied to the WL in preference over the PL portion of the Split Loan. Any prepayments of the WL sub-pool (a third of the mortgage portfolio by balance) will reduce the negative carry where no interest payments are made by the borrower on the WL while the issuer will have to pay interest on the same proportion of notes outstanding. A default of a Split Loan will also have the same positive effect on the transaction structure though to a smaller degree.

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

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

Interest Rate Stresses

DBRS applied its standard interest rate stresses as detailed in its *Interest Rate Stresses for European Structured Finance Transactions* methodology.

Approximately 30% of the loans pay interest linked to a standard variable rate (SVR; currently at 4.3%) set by PTSB. 36.5% of the loans in the mortgage portfolio pay interest linked to the ECB rate. The remaining 33.7% of the loans do not pay any interest during the life of the loans (WLs). In comparison the interest paid on the notes is linked to 3months Euribor rate. This difference in basis gives rise to a risk which is not hedged in the transaction.

To partially mitigate this risk, the servicer, Pepper, undertakes to maintain the SVR floor rate of 3months Euribor + 3.25% effective six months after closing of the transaction. DBRS has stressed for the unhedged basis risk between ECB and three-month Euribor.

Probability of Default, Loss Given Default and Expected Losses

The lifetime PD, loss given default (LGD) and expected losses (EL) estimated for the mortgage portfolio were used as an input for the cash flow analysis of the transaction structure and its supporting features.

Split Loans Pool – Performing Sub-Pool

Rating Scenario	PD	LGD	EL
AAA	32.8%	71.0%	23.3%
AA	26.9%	61.0%	16.4%
A (high)	23.9%	57.5%	13.8%
A (low)	21.8%	54.5%	11.9%
BB (high)	14.4%	43.7%	6.3%

Split Loans Pool – Warehoused Sub-Pool

Rating Scenario	PD	LGD	EL
AAA	100%	49.5%	49.5%
AA	100%	35.9%	35.9%
A (high)	100%	31.7%	31.7%
A (low)	100%	28.3%	28.3%
BB (high)	100%	18.1%	18.1%

PCI Loans Pool

Rating Scenario	PD	LGD	EL
AAA	37.4%	65.7%	24.5%
AA	31.2%	54.8%	17.1%
A (high)	28.0%	51.0%	14.3%
A (low)	25.7%	47.9%	12.3%
BB (high)	17.6%	37.3%	6.5%

Timing of Defaults and Recovery Lag

DBRS utilised ten-year front- and back-loaded default timing curves and assumed a recovery lag of 48 months. The default curves were not applied to the WLs, as stated above, and were defaulted at the end of term of the loans.

Risk Sensitivity

DBRS estimated the PD and LGD for the pool based on a review of historical data and an assessment of the mortgage pool characteristics. Adverse changes to asset performance may cause stresses to base-case assumptions and therefore have a negative impact on the credit ratings. The tables below illustrate the sensitivity of the rating to various changes in the base-case default rates and loss severity assumptions relative to the base-case assumptions, in the respective rating scenario of the following classes:

Class A

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

Class B

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

Class C

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

Class D

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

Class E

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

Appendix

Methodologies Applied

The principal methodology applicable to the ratings in this transaction is *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda.*

Other methodologies referenced in this transaction are listed below.

- *Legal Criteria for European Structured Finance Transactions*
- *Operational Risk Assessment for European Structured Finance Servicers*
- *Operational Risk Assessment for European Structured Finance Originators*
- *Interest Rate Stresses for European Structured Finance Transactions*

The rating methodologies and criteria used in the analysis of this transaction can be found at:
http://www.dbrs.com/about/methodologies. Alternatively, please contact info@dbrs.com.

Surveillance Methodology

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

Notes:
All figures are euros unless otherwise noted.

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