

Rating Report

Burlington Mortgages No.2 DAC

DBRS Morningstar

April 2023

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Ronja Dahmen

Vice President
European RMBS and Covered Bonds
+49 69 8088 3525
ronja.dahmen@dbrsmorningstar.com

Lorenzo Coccioli

Vice President
European RMBS and Covered Bonds
+44 (20) 7855 6609
lorenzo.coccioli@dbrsmorningstar.com

Ketan Thaker

Managing Director
Head of European RMBS and Covered Bonds
+44 20 3356 1525
ketan.thaker@dbrsmorningstar.com

Ratings, Issuer's Assets, and Liabilities

Debt	Amount (EUR)	Size (%) ¹	Initial Credit Enhancement (%) ²	Coupon (%) ³	Step-Up Coupon (%) ⁴	Rating ⁵	Rating Action	Rating Action Date
Class A1 Notes	990,400,000	19.5	13.5	3-Month Euribor + 0.6	3-Month Euribor + 0.9	AAA (sf)	New Rating	17 April 2023
Class A2 Notes	3,403,200,000	67.0	13.5	2.65	N/A	AAA (sf)	New Rating	17 April 2023
Class Z Notes	685,848,000	13.5	N/A	0.00	N/A	Not Rated	N/A	N/A
Class R1A Notes	10,000		N/A	N/A	N/A	Not Rated	N/A	N/A
Class R1B Notes	10,000		N/A	N/A	N/A	Not Rated	N/A	N/A
Class R2A Notes	10,000		N/A	N/A	N/A	Not Rated	N/A	N/A
Class R2B Notes	10,000		N/A	N/A	N/A	Not Rated	N/A	N/A

1. The size of the notes is represented as a percentage of the portfolio balance.

2. Credit enhancement is provided through subordination of the junior notes and excess spread.

3. The interest rate payable on the floating-rate notes is floored at 0%.

4. The margin on the Class A1 Notes steps up on the first optional redemption date (FORD) falling on the interest payment date in March 2028.

5. The ratings on the Class A1 and A2 Notes address the timely payment of interest and the ultimate payment of principal.

Portfolio Summary (as of 31 March 2023)

Portfolio Balance (EUR)	5,079,447,557	Asset Class	RMBS
Average Loan Balance (EUR)	147,487	Governing Jurisdiction	Republic of Ireland
Weighted-Average Coupon (%)	2.99	Sovereign Rating	AA (low), Stable trend/R-1 (middle), Stable trend
Weighted-Average Seasoning	8.4 years	Weighted-Average Current Indexed Loan-to-Value (LTV; %)¹	56.4

1. According to a DBRS Morningstar calculation that gives 50% credit for an increase in the house price index since the original valuation date.

DBRS Ratings GmbH (DBRS Morningstar) assigned ratings to the Class A1 and Class A2 Notes (the Class A Notes) issued by Burlington Mortgages No.2 DAC (the Issuer or Burlington) as listed above. DBRS Morningstar does not rate the Class Z, Class R1A, Class R1B, Class R2A, and Class R2B Notes also issued in this transaction.

Transaction Parties

Roles	Counterparties	Rating
Issuer	Burlington Mortgages No.2 DAC	Not Rated
Sellers/Originators/Servicers/Retention Holders/Subordinated Loan Providers	EBS DAC, Haven Mortgages limited	Not Rated
Issuer Account Bank/Collection Account Bank	Allied Irish Banks, p.l.c.	LT COR ¹ : A (high), Stable trend ST COR ² : R-1 (middle), Stable trend LT IR ³ : A (low), Stable trend ST IR ⁴ : R-1 (low), Stable trend
Cash Manager	EBS DAC	Not Rated
Principal Paying Agent	The Bank of New York Mellon, London Branch	ST IR ³ : R-1 (high)/ Stable LT S ⁵ : AA (high) / Stable ST Inst. ⁶ : R-1 (high)/ Stable LT D ⁷ : AA (high) / Stable
Trustee	The Bank of New York Mellon Corporate Trustee Services Limited	Not Rated
Corporate Services Provider/Backup Servicer Facilitator	Intertrust Management Ireland Limited	Not Rated
Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch	Not Rated
Arranger	BofA Securities	Not Applicable

1. Long-Term Critical Obligations Rating.
2. Short-Term Critical Obligations Rating.
3. Long-Term Issuer Rating.
4. Short-Term Issuer Rating.
5. Long-Term Senior Debt Rating.
6. Short-Term Instrumental Rating.
7. Long-Term Deposit Rating.

Relevant Dates

Issue Date	17 April 2023
First Payment Date	Payment date falling in June 2023
Interest Payment Dates	Quarterly, interest payable in arrears in March, June, September, and December
First Amortisation Date (after Revolving Period)	Payment date falling in June 2025
Step-Up Date and First Optional Redemption Date (FORD)	Payment date falling in March 2028, notes may be redeemed in full on any subsequent payment date
Legal Final Maturity Date	Payment date falling in September 2062

Transaction Summary

The transaction is a securitisation collateralised by a portfolio of owner-occupied (OO) residential mortgage loans granted by EBS DAC (EBS) and its fully owned subsidiary Haven Mortgages Limited (Haven) in Ireland. Both originators, which are also the sellers in the transaction, are part of the Allied Irish Bank, p.l.c. (AIB) banking group. The Issuer has issued three tranches of collateralised mortgage-backed securities to finance the purchase of the mortgage portfolio. The liquidity reserve fund (LRF), which provides liquidity support to the transaction, has been fully funded at closing through a subordinated loan provided by the two sellers.

The two sellers act as servicers of the transaction and will retain a pool of randomly selected mortgages accounting for at least 5% of the nominal value of the securitised portfolio, where such non-securitised loans would otherwise have been securitised in the transaction. This is in accordance with European Union securitisation regulations. The transaction has been initially classified as compliant with Simple, Transparent, and Standardised securitisation requirements.

As of 31 March 2023, the initial portfolio consisted of 34,440 loans with an aggregate principal balance of EUR 5.08 billion. EBS originated the majority of the loans by balance (77.7%) and Haven originated the rest (22.3%). The weighted-average (WA) seasoning of the portfolio is 8.4 years as about 45% of the pool was originated before 2010.

Notable Features

- **24-month Revolving Period:** The transaction structure includes a 24-month revolving period during which time the Issuer may acquire additional loans from the sellers subject to the availability of principal collections and eligibility criteria and as long as no revolving period termination event has occurred.
- **Portfolio Distributed Across Origination Vintages:** The transaction portfolio comprises both recent originations and loans originated before the sovereign debt crisis of 2010 (45.5%) with a WA seasoning of 8.4 years and a WA remaining term of 21.1 years. However, the loans included in the pool survived the economic downturn without ever being restructured and therefore are a positive selection of these seasoned vintages. Original loan-to-values (OLTVs) were not materially higher for pre-2010 vintages compared with more recently originated loans, as a lot of the more seasoned loans in Burlington 2 were previously in EBS' covered bond bank, EBS Mortgage Finance. There is no concentration risk in the maturity profile of the portfolio.
- **Staggered Principal Deficiency Ledger:** Similar to most Irish transactions, Burlington features a staggered principal deficiency ledger (PDL) mechanism based on the arrears status of the portfolio loans. The PDL is debited for (1) losses, (2) principal drawdowns to cover interest shortfalls, and (3) late-stage arrears as follows: 50% of the current balance of loans in arrears between 180 and 269 days; 75% of the current balance of loans in arrears between 270 days and 359 days; and 100% of the current balance of loans in arrears for more than 359 days. If the loans in late-stage arrears cure at a following payment date these amounts will be cleared from the PDL balance. If the final loss recorded on the loan amounts to less than the debited PDL amount, the PDL is cleared of the recovered amounts.
- **The Class A Notes are Pro Rata in Interest but Sequential in Principal:** The notes are paid down on a quarterly basis and sequentially, which allows credit enhancement for the more senior notes to build up over time as the notes amortise. The Class A1 and Class A2 Notes pay interest *pari passu* and pro rata but the Class A2 Notes are time-subordinated to the Class A1 Notes since the Class A1 Notes amortise principal in priority to the Class A2 Notes until the full redemption of the Class A1 Notes.
- The ratings on the Class A1 and Class A2 Notes address the timely payment of interest and the ultimate repayment of principal on or before the final maturity date.

Strengths

- **Granular Portfolio:** The mortgage portfolio is rather granular, with the largest borrower representing about 0.02% of the principal outstanding balance.
- **First Lien:** The portfolio is composed exclusively of first-lien mortgage loans, where the lender takes priority when allocating recovery proceeds following an enforcement of security.
- **Good Loan Performance:** Only 1.0% of the loans included in the portfolio are delinquent but they all have been in arrears for one month or less. The historical performance provided by the originator – while dating back only to 2014 – shows that recent originations have had a better performance than pre-crisis vintages. The portfolio includes pre-crisis loans (45.5%), which were originated before 2010. However, the indexed LTV of this portfolio is fairly low and these loans survived the economic downturn without ever being restructured and the portfolio therefore represents a positive selection of such seasoned vintages.
- **Prime Originations:** The origination quality of the pool is strong across vintages due to the prime feature of the borrowers (95.1% full-time employees, and majority with a purchase purpose) and the prudent lending decisions underpinned by full valuation reports and a WA OLTV of 76.9%.
- **Liquidity Support:** The transaction benefits from a funded liquidity reserve available to cover Class A interest shortfalls. Moreover, principal can be drawn to cover interest on the Class A Notes, thus further decreasing the risk of a default on the timely interest payment of the Class A Notes.
- **Turbo Amortisation of the Notes:** All excess spread available after junior interest is paid and the junior PDL is cleared is used to turbo-amortise the Class A Notes outstanding. This mechanism prevents excess spread to leak out of the structure when the transaction is performing within initial expectations.

Challenges and Mitigating Factors

- **Revolving Period:** During the 24-month revolving period (up to but excluding June 2025), the collateral characteristics of the portfolio may change due to additional purchases of loans, which may result in a different risk profile compared with the initial portfolio.
Mitigant: The purchase of additional loans will be subject to the eligibility criteria of the loan agreements on each purchase date, the additional loan conditions, as well as revolving period termination events. Non-compliance with either the additional loan conditions or the revolving period termination events will terminate the revolving period. DBRS Morningstar assumed the principal receipts received during the revolving period will be reinvested in additional loans that have the highest risk characteristics to assess the potential credit migration of the portfolio during the revolving period. Hence, DBRS Morningstar simulated a worst-case portfolio based on the collateral thresholds to estimate the portfolio's probability of default (PD) and loss-given default (LGD).
- **Uncertainty in the Fixed-Rate Exposure:** The transaction does not include limits to the product switches that the servicer can grant, meaning the borrower can opt to switch to a fixed rate at any time (but not to a European Central Bank (ECB) tracker). The transaction does not include a limit of the fixed rate exposure in the portfolio. Since the initial notes balance paying a fixed-rate coupon is 67.0%, the transaction may lack an effective hedge in some scenarios.
Mitigants: DBRS Morningstar cash flow analysis considered scenarios where all loans migrate to a fixed rate and scenarios where the entire pool migrates to standard variable rate (SVR) floaters. These scenarios were tested against the interest rate environment more likely to be correlated with such scenario, i.e., all floaters if rates are assumed to decrease, all fixed (with only limited refixes) if

rates are assumed to increase. While the transaction ratings are resilient to such stresses the weighted-average life of the notes may be significantly affected by the potentially unhedged mismatch between assets and liabilities.

- **Margin Compression:** The transaction does not include any covenant on the minimum SVR to be paid by the portfolio and there is no swap in place to hedge against the SVR compression over the life of the transaction. Therefore, portfolio margins may be compressed in an increasing rate scenario as, historically, lenders' margins go down as interest rates climb but they also do so in a stable rating scenario due to changes in the lenders' competitive landscape.

Mitigants: There is a natural floor to the SVR margin applied by the lender in terms of long-term sustainability of the lender's business. When assigning the ratings, DBRS Morningstar applied margin compression stresses based on historical data that are deemed commensurate with the tested rating scenarios.

Servicing Review

DBRS Morningstar conducted an operational review of the Irish residential mortgage lenders, EBS DAC and Haven Mortgages Limited, in February 2023. DBRS Morningstar considers the residential mortgage origination and servicing practices of EBS DAC and Haven Mortgages Limited to be good compared with the overall Irish market. Further information on the servicing practices can be found in Appendix 1 of this report.

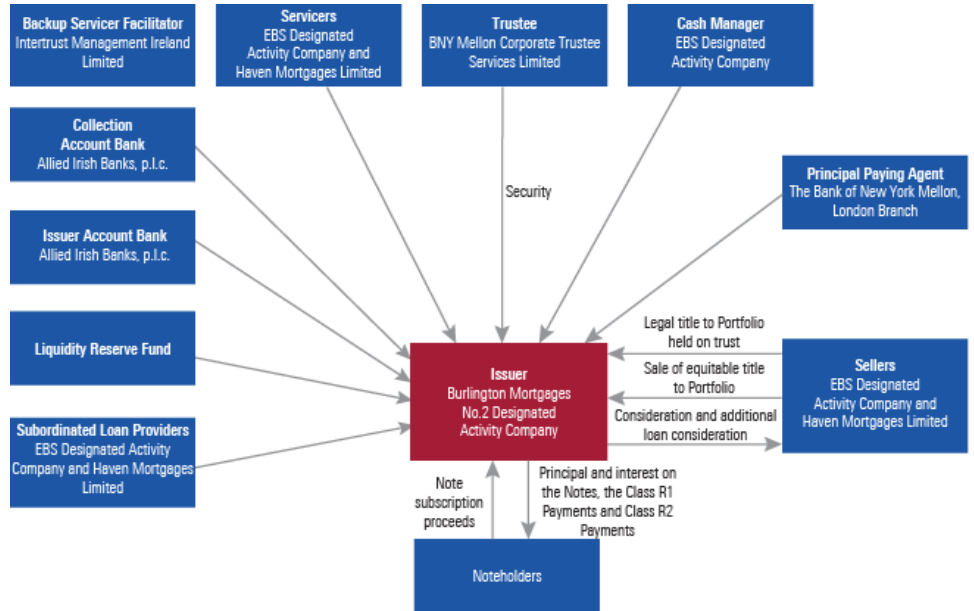
Transaction Structure

Transaction Summary

Currencies	All figures are stated in euros (EUR)
Relevant Legal Jurisdictions	Irish Law
Interest Rate Swap	No swap agreement is in place. The fixed rate paid by the Class A2 Notes provides a partial hedge to the portion of fixed rate paying assets.
Liquidity Reserve Fund	Provides liquidity support to the payment of senior fees, interest shortfalls on the Class A Notes. Funded by: Issuance of the subordinated loan at closing. Initial Balance: 0.75% of the initial Class A Notes balance (equal to EUR 32.95 million) Target Balance: Amortises at 0.75% of the outstanding Class A Notes balance; zero once the Class A Notes have redeemed. Released amounts go through the revenue waterfall. Floor: No floor
Principal Deficiency Ledgers	The principal deficiency ledger is split in three class ledgers (Class A1, Class A2, and Class Z). The PDL will be debited for (1) losses, (2) principal drawdowns to cover interest shortfalls, and (3) late-stage arrears as follows: <ul style="list-style-type: none"> • 50% of current balance of loans in arrears between 180 and 269 days • 75% of current balance of loans in arrears between 270 days and 359 days • 100% of current balance of loans in arrears for more than 359 days If the late-stage arrears loans cure at a following payment date, these amounts will be cleared from the PDL balance. If the final loss recorded on the loans amounts to less than the debited PDL amount, the PDL is cleared of the recovered amounts.
Principal Draw	Principal is available to cover for interest shortfall only for the Class A1 and Class A2 Notes and the LRF is used in priority to principal.

The transaction structure is summarised below:

Transaction Structure



Source: DBRS Morningstar.

Counterparty Assessment

Issuer Account Bank, Collection Account Bank, and Commingling Risk

In its role of account bank, AIB will hold the deposit account where all the monies belonging to the Issuer are transferred on a daily basis. AIB will be replaced as account bank within 30 calendar days if both the COR (minus one notch) and the IR at any time fall below “A”.

In addition, AIB will be replaced as the collection account bank as soon as reasonably practicable, and in any case in no less than 60 calendar days, if the COR or the IR are at any time below “BBB”. Based on the AIB’s current CoR of A (high), the downgrade provisions outlined in the transaction documents, and other mitigating factors inherent in the transaction structure, DBRS Morningstar considers the risk arising from the exposure to AIB to be consistent with the Minimum Institution Rating as described in DBRS Morningstar’s *Legal Criteria for European Structured Finance Transactions* methodology.

To mitigate commingling risk, the sellers have provided a declaration of trust to hold all amounts standing to the credit of their respective interests in the collection account in favour of the Issuer. Moreover, AIB will be replaced as the collection account bank if the long-term COR or long-term, senior, unsecured debt rating falls below BBB.

Servicing of the Portfolio

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

Set-Off Risk

While Haven is not a deposit-taking institution, EBS borrowers have deposit over the EUR 100,000 guarantee threshold that amount to about 0.33%. DBRS Morningstar considers the likelihood of set-off claims arising against the Issuer to be low in this transaction because of the initial low portion of unguaranteed deposits and because the seller has warranted that no loan documents contain obligations for further advances.

Structural Features

Available Revenue Funds (Simplified)

The Issuer's available revenue funds broadly consist of the following:

- Interest received on the Issuer accounts;
- Interest collections received on the securitised portfolio;
- Amounts released from the LRF when amortising and to cover senior interest shortfalls, and
- Available principal funds to cover any shortfalls on the payment of senior fees and interest on the Class A Notes.

Available Principal Funds (Simplified)

The Issuer's available principal funds broadly consist of the following:

- Principal collections received on the securitised portfolio,
- Amounts standing to the credit of the retained principal ledger, and
- Amounts credited to the PDL.

Priority of Payments

Revenue and principal will flow through two separate priority of payments.

Pre-Enforcement Revenue Priority of Payments

1. Senior fees, including servicing fees (if due to a replacement servicer);
2. Interest due on the Class A Notes;
3. Replenish the liquidity reserve fund;
4. Credit the Class A PDL, if applicable;
5. Credit the Class Z PDL, if applicable;
6. Interest due on the Class Z Notes;
7. Servicing fees to the initial servicers
8. On or after the step-up date, all excess to available principal until the rated notes are fully redeemed, and
9. Residual payments (i.e., subordinated loan interests and principal)

Pre-Enforcement Principal Priority of Payments

1. Following the application of items (1) to (2) of the available revenue funds above, transfer to the available principal funds amounts required to cover shortfalls on the payment of senior fees and interest on the Class A Notes;
2. During the revolving period: payment of the purchase price for additional loans and any remaining amount to the retained principal ledger;
3. Principal due on the Class A1 Notes until paid in full;
4. Principal due on the Class A2 Notes until paid in full;
5. Principal due on the Class Z Notes, and
6. Residual payments

Liquidity Reserve Fund

The transaction benefits from a liquidity reserve funded by the issuance of a subordinated loan to an amount equal to 0.75% of the initial Class A Notes balance. It amortises with a target equal to 0.75% of the outstanding Class A Notes balance. After application of the revenue priority of payments, amounts from the LRF will be drawn to cure shortfalls in senior fees and unpaid interest on the Class A Notes. The LRF will be zero once the Class A Notes have been redeemed in full and any amortised amounts are released through the revenue waterfall.

Principal Draw

Principal is available to cover for interest shortfall only for the Class A1 and Class A2 Notes and the LRF is used in priority to principal.

Principal Deficiency Ledger

The principal deficiency ledger is split in three class ledgers (Class A1, Class A2, and Class Z). The PDL will be debited for (1) losses, (2) principal drawdowns to cover interest shortfalls, and (3) late-stage arrears as follows:

- 50% of current balance of loans in arrears between 180 and 269 days
- 75% of current balance of loans in arrears between 270 days and 359 days
- 100% of current balance of loans in arrears for more than 359 days. If the loans in late-stage arrears cure at a following payment date, these amounts will be cleared from the PDL balance. If the final loss recorded on the loans amounts to less than the debited PDL amount, the PDL is cleared of the recovered amounts.

Revolving Period

The structure includes a 24-month revolving period from the issue date until the occurrence of a revolving period termination event during which time the Issuer may acquire additional loans from the sellers. During the revolving period interest due amounts will be paid to the Class A Notes subject to the priority of payments during the revolving period.

The revolving period shall terminate upon the occurrence of any of the following events (each a "revolving period termination event"):

- an event of default has occurred and is continuing;
- a perfection event has occurred;
- Class Z principal deficiency sub-ledger is debited for more than 1% of the initial portfolio balance, after the application of available revenue receipts;
- the LRF is not fully funded to the LRF required amount on an interest payment date following the application of the pre-enforcement revenue priority of payments;
- the aggregate current balance of the loans in the portfolio which are then in arrears for three months or more but less than six months is greater than or equal to 2.0% of the aggregate current balance of all loans in the portfolio as at any interest payment date; or
- the amount standing to the credit of the retained principal ledger is greater than 7.5% of the current balance of all loans in the portfolio as of the closing date.

A purchase, by the Issuer, of additional loans on each additional loans sale date may only take place if the following conditions (the "additional loan conditions") are complied with as at the additional loans cut-off date immediately preceding the relevant additional loans sale date:

- no revolving period termination event has occurred and is continuing;
- the purchase by the Issuer of the additional loans and any respective new related security would not cause the then current rating of the Class A Notes to be downgraded, qualified, or withdrawn;
- no additional loan is in breach of any of the loan warranties;
- the additional loans sale date falls on or before the eighth interest payment date after the closing date;
- on the relevant additional loans sale date, following the addition of the additional loans to the portfolio, the weighted average of the current LTV of all the loans in the portfolio will not exceed 80%;
- on the relevant additional loans sale date, there are no additional loans which are one month or more in arrears;
- on the relevant additional loans sale date, following the addition of the additional loans to the portfolio, the current balance of the loans granted to a single borrower will not exceed 2.0% of the portfolio;
- on the relevant additional loans sale date, following the addition of the additional loans to the portfolio, the RWA limit of 40% will not be exceeded where the RWA limit is defined as the weighted average of the Loans' risk weights under the standardised approach (as defined in Regulation (EU) No. 575/2013).

Step-Up Coupon

The interest payable on the Class A1 Notes will step up on the payment date falling in March 2028. DBRS Morningstar considered the increased interest payable in its cash flow analysis.

Optional Redemption

The option holder will have the option to redeem the notes on the payment date in March 2028. On and at any time after the FORD (or, if earlier, the date when the notes reach 10% of their initial balance), the Issuer will have an option to call back the notes. The Issuer will also have the option to fully redeem the notes following the exercise of a risk retention regulatory change option. If either the call option or the risk retention regulatory change option is exercised, notes must be redeemed at their outstanding balance together with all accrued and unpaid interest. The purchase price will also need to cover (if necessary) for the outstanding PDL balance of the Class A Notes.

Representations and Warranties

The mortgage sale agreement contains representations and warranties from EBS and Haven (as the originators and sellers) in relation to the mortgage portfolio. The representations and warranties in this transaction are standard for Irish RMBS transactions. A breach of any of the representations and warranties would require the sellers to indemnify the Issuer for such breaches, which in most cases would result in the repurchase of the respective loans from the transaction mortgage portfolio.

Events of Default

The transaction events of default will occur in the following scenarios:

- Non-payment of principal or interest due and payable to the most senior notes within five business days for principal and three business days for interest;
- Breach of other obligations by the Issuer, if not remediated within the applicable grace period;
- Winding-up, insolvency, liquidation, or dissolution of the Issuer; and
- Unlawfulness of the Issuer.

Collateral Summary

Data Quality

DBRS Morningstar was provided with the loan-by-loan data for the portfolio with reference to 31 March 2023. DBRS Morningstar also reviewed monthly performance data for the period ranging from December 2014 to November 2022. In addition, DBRS Morningstar was supplied with an agreed upon procedures report on the securitised pool.

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

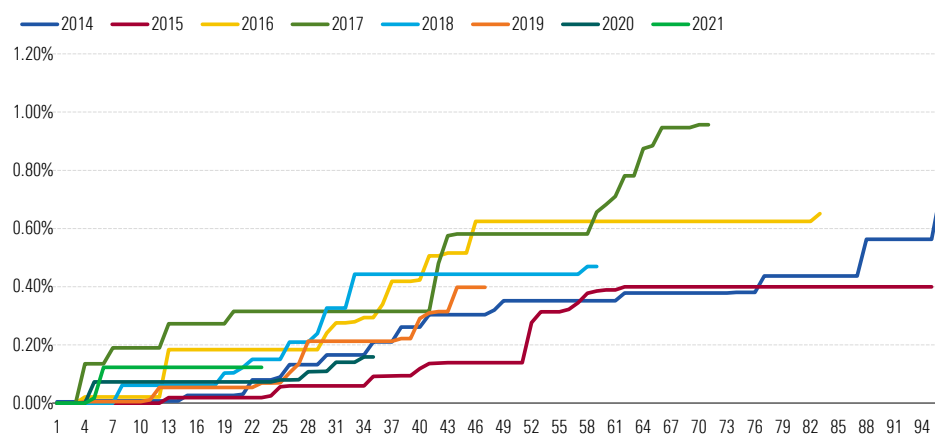
Historical Performance

DBRS Morningstar received monthly performance data on a loan-by-loan basis for the period ranging from December 2014 to November 2022.

Total book arrears split by vintage years show that earlier vintages perform worse than more recent originations, especially the 2017 and 2016 vintages show higher cumulative three-month-plus arrears than 2019-2020 vintages.

The lack of available performance history for pre-2011 vintages makes it somewhat difficult to draw a significant conclusion on the relative performance of such vintages, DBRS Morningstar considered that the pre-2011 vintages in this pool survived a double-dip recession without ever registering any arrears. Therefore, while one quarter of the pool was originated in 2010 or earlier, DBRS Morningstar did not make a particularly punitive PD assumption for those vintages when estimating the WA PD benchmark of the transaction.

Exhibit 1 Cumulative Three-Month-Plus Arrears per Vintage Year



Source: DBRS Morningstar.

Summary Statistics

Number of Mortgage Loans	34,440
Number of Borrowers	30,533
Aggregate Current Balance (EUR)	5,079,447,557
Average Current Loan Balance (EUR)	147,487
Maximum Current Loan Balance (EUR)	1,028,827
Weighted-Average Original LTV ¹ (%)	76.9
Original LTV ¹ >80%	49.9
Weighted-Average Current Indexed LTV ² (%)	56.4
Current Indexed LTV ² > 80%	10.1
Weighted-Average Seasoning (years)	8.4
Weighted-Average Remaining Maturity (years)	21.1
Weighted-Average Coupon (%)	2.99
Repayment Loans (%)	100.0
Purchase Loan (%)	80.32
Self Employed (%)	4.91
Owner-Occupied (%)	100.0
Dublin Properties (%)	32.97
Arrears > One Month (%)	0.00

1. DBRS Morningstar's calculation that takes into account that some properties back more than one loan in the pool

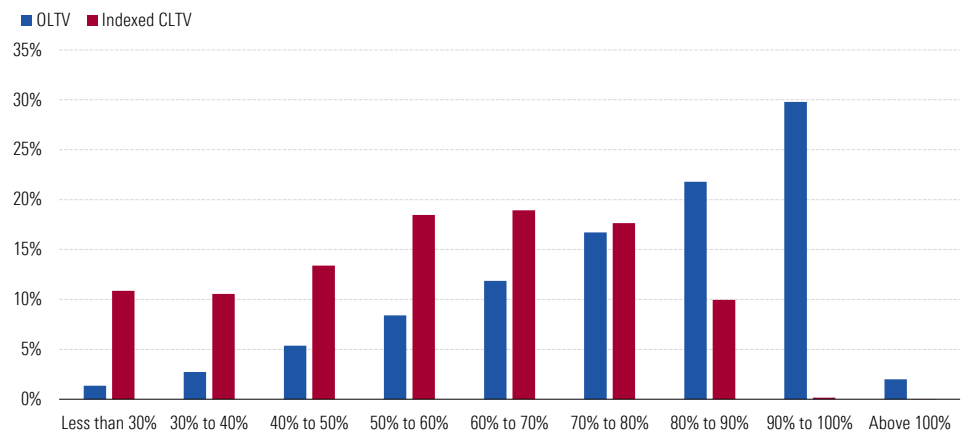
2. DBRS Morningstar's calculation, giving 50% credit to house price indexation. Source: Originators' loan tapes, DBRS Morningstar calculations.

LTV Distribution

The WA OLTV of the entire pool when accounting for properties backing different loan accounts of the same borrowers is 76.9%. The current indexed LTV giving only 50% credit to house price indexation is 56.4%. Despite having some loans originated at the peak of the housing market, only 10.1% of the pool has a current indexed CLTV higher than 80%.

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

Exhibit 2 Original LTV & Current Indexed LTV Distributions



Source: DBRS Morningstar.

Interest Rates

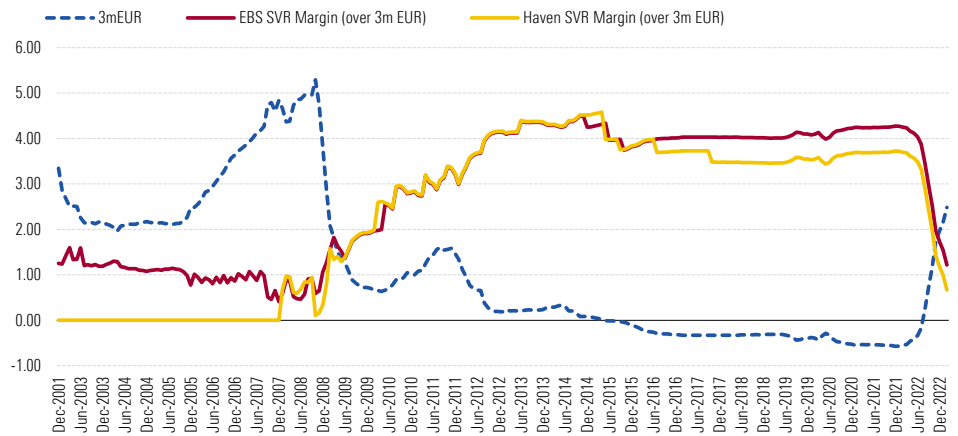
ECB Trackers

ECB trackers pay the ECB rate plus a margin with a coupon that is floored at zero.

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

SVR Trackers

Haven borrowers currently pay a SVR of 3.15% whereas EBS borrowers currently pay a SVR of 3.70%. Both originators offer a tiered SVR product that allows the borrowers to switch to a discounted SVR if they can provide an updated full property valuation that results in a lower LTV. The transaction does not include any covenant on the minimum SVR of the outstanding portfolio after closing.

Exhibit 3 SVR Historical Analysis

Source: DBRS Morningstar.

The originators provided historical data dating back to 2001 on the level of the SVRs. The Haven SVR has been on average lower than the EBS SVR but in the past five years the gap has been squarely at about 50-60bps. Unsurprisingly, the margins shrank considerably when the Euribor was at higher levels and reached a trough in 2009 when the margin was about 59bps for EBS and 11bps for Haven. Once the Euribor stabilised at negative levels in recent years the margins also stabilised at about 4% for EBS and 3.5% for Haven.

While rates have climbed during the course of 2022, the originators have so far not reacted by increasing their SVR rates. However, historical data for both the originators and wider Irish market suggest that if rates normalise at the current levels of 3-4% it is unlikely that the margin charged by lenders will stabilise at levels below 1%. At the same time should rates keep increasing before reaching their plateau, i.e., an increase of rates above 4% and up to 10%, then margins could shrink even further, declining below 1%. For these reasons DBRS Morningstar has disregarded the current margin of the portfolio, which is affected by the rapidly shifting rate environment. Instead, DBRS Morningstar assumed an interest-level dependent margin in its cash flow analysis that sees the SVR margins charged by the lender compress in case of a rising rate scenario and decompress in case of a decreasing rate scenario.

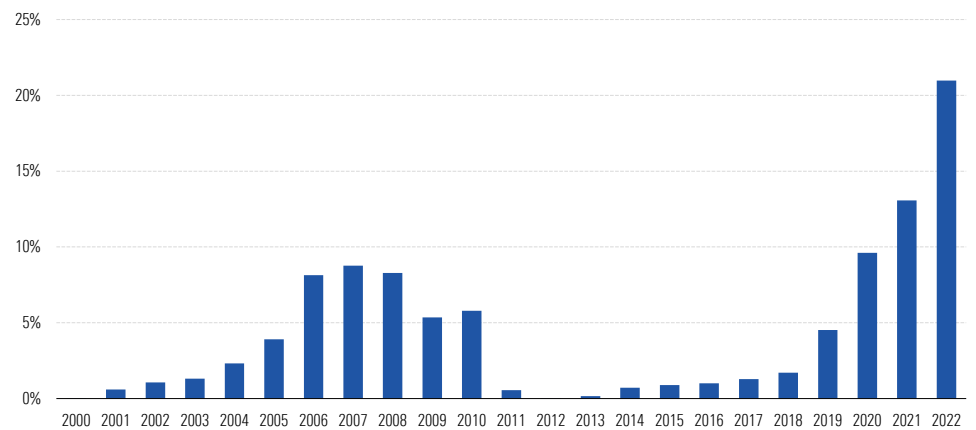
Fixed to floating rate loans

Fixed-rate loans have a contractual reversion date on which, unless the borrower renegotiates its mortgage, the loans will switch to the SVR offered by the originators at such time. In addition to the scheduled switches there are no limits to product switches that the servicer can grant, meaning the borrowers paying an SVR can opt to switch to a fixed rate at any time. Borrowers can also switch from a floater rate (ECB tracker or SVR) to a fixed rate at any time and decide to refix their fixed-rate loan for a further period of time. The only product switch that is not admissible is from an ECB tracked to an SVR loan. Please refer to the Cash Flow Scenarios section for details on the analytical treatment of the unlimited product switches in the cash flow analysis.

Loan Features

The portfolio includes only owner-occupied repayment loans. The WA seasoning of the pool is 8.4 years with the WA remaining term at about 21.1 years. The originators also offer tenors longer than 30 years so that about one quarter of the pool matures on or after 2050. There are no significant concentrations in the maturity profile of the portfolio.

Exhibit 4 Pool Composition by Origination Year



Source: DBRS Morningstar.

The majority of the mortgages were granted to purchase the property (65.4%) with the remaining portions of the pool being granted for remortgaging (15.0%) or other purposes (19.6%), mostly construction loans.

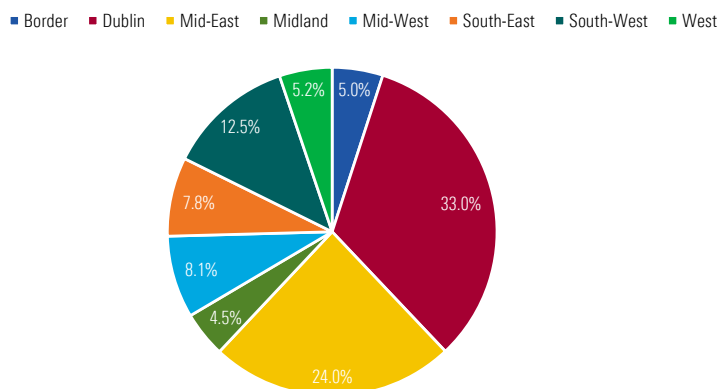
Borrower Features

Most of the borrowers were full-time employees at the time of the origination (95.1%). The remaining borrowers are either self-employed or with another form of income. All income was fully verified at the time of origination. More than half of the pool (57.9%) was granted to first time buyers with the remaining granted to borrowers buying property for the second time or remortgaging their property.

Property Features

All properties were appraised through a full valuation report at the time of the mortgage extension. Most of the mortgages are backed by properties classified as residential detached or semi-detached houses (71.2%) with the remaining mortgages backed by bungalows (16.5%), flats (7.5%), and terraced houses (2.4%).

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

Exhibit 5 Geographic Distribution

Source: DBRS Morningstar.

Rating Analysis

DBRS Morningstar's rating on the Class A1 and Class A2 Notes addresses the timely payment of interest and the ultimate repayment of principal by the final maturity date.

DBRS Morningstar based its ratings on a review of the following analytical considerations:

- The transaction's capital structure, including the form and sufficiency of available credit enhancement.
- The credit quality of the mortgage loan portfolio and the ability of the parties to perform servicing and collection activities.
- The PD, loss given default (LGD), and expected loss assumptions that DBRS Morningstar calculated on the mortgage loan portfolio.
- The transaction's ability to withstand stressed cash flow assumptions and repay investors according to the terms of the transaction documents. DBRS Morningstar analysed the transaction cash flows using Intex DealMaker.
- The consistency of the transaction's legal structure with the DBRS Morningstar *Legal Criteria for European Structured Finance Transactions* methodology and the presence of legal opinions addressing the assignment of the assets to the Issuer.
- The relevant counterparties, as rated by DBRS Morningstar, are appropriately in line with DBRS Morningstar's legal criteria to mitigate the risk of counterparty default or insolvency.
- The structural mitigants in place to avoid potential payment disruptions caused by operational risk, such as a downgrade, and the replacement language in the transaction documents.

Mortgage Loss Assumptions

DBRS Morningstar has considered the potential migration towards a more credit adverse portfolio composition by stressing the arrears level and the LTV level of the additional loans that are assumed to replace the part of the portfolio that is redeemed in the two years before the scheduled start of the amortisation of the notes in June 2025. These stresses which were set taking into account the additional loans conditions envisaged by the transaction documentation are included in the following portfolio loss assumptions.

Rating Scenario	Portfolio Default Rate	Loss Given Default	Expected Loss
AAA (sf)	19.2%	57.9%	11.1%

Cash Flow Scenarios

DBRS Morningstar applied two default timing curves (front-ended and back-ended), its prepayment curves (low, medium, and high conditional prepayment rate (CPR) assumptions), and interest rate stresses as per its *Interest Rate Stresses for European Structured Finance Transactions* methodology. DBRS Morningstar tested additional scenarios where 0% CPR was stressed.

Based on a combination of these assumptions, DBRS Morningstar applied a total of 12 cash flow scenarios and four additional cash flow scenarios to test the performance of the rated notes.

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

Timing of Defaults and Recovery Lag

DBRS Morningstar applied front- and back-loaded default timing curves and a recovery lag of 48 months.

Interest Rate Risk

The combination of the two-year revolving period and the unlimited product switches means that the portfolio at the end of the revolving period could look very different from the portfolio mix of interest rate products we see in the initial pool. In particular, the portfolio composition at the end of the revolving period and in the years before the step-up date when unlimited product switches will be still allowed will be affected by the prevailing interest rate environment. DBRS Morningstar has tested the resilience of the transaction cash flows to extreme scenarios where: a) the mortgages all end up paying a SVR rate in a decreasing rate scenario, and/or b) the mortgage all end up paying a fixed rate with only partial opportunities for the loans to reset at a higher fixed rate if rates keep climbing above current levels. After testing the cash flows of different portfolio mixes in different rate environments and taking into account that the natural hedge provided by the fixed rate notes also evolves through time since the floating-rate loans amortise in priority to the fixed rate notes,

DBRS Morningstar concluded that while the transaction is not effectively hedged against interest rate risk the assigned ratings are still commensurate.

Servicing Fees

While the servicing fees are paid in subordination to Class Z interest the servicing costs have been modelled as senior to Class A interest to take into account the possibility that a replacement servicer steps in the transaction and demands to be paid in priority to the noteholders, as is typical for RMBS transactions.

Risk Sensitivity

Adverse changes to asset performance may cause stresses to base case assumptions and therefore have a negative impact on credit ratings. The tables below illustrate the sensitivity of the ratings to various changes in the base case PD and LGD assumptions in the respective rating scenarios.

Class A1

		Increase in Default Rate (%)		
		0	25	50
Increase in LGD (%)	0	AAA	AAA	AAA
	25	AAA	AAA	AAA
	50	AAA	AAA	AAA

Class A2

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

Appendix 1

Origination & Underwriting

DBRS Morningstar conducted an operational review of EBS d.a.c. and its wholly owned subsidiary, Haven Mortgages Limited's (EBS and Haven) residential mortgage origination and servicing operations in January 2023 by video conference. DBRS Morningstar considers the origination and servicing practices to be consistent with those observed among other Irish residential mortgage lenders.

EBS was founded in 1935 by a group of schoolteachers to help each other buy their family homes. The members set up a permanent mutual building society whose members were primarily public sector employees. EBS was owned and managed by its members until recapitalisation by the Irish government in March 2011. In July 2011, EBS merged with Allied Irish Banks, p.l.c. (AIB or the Group) and became EBS Limited with members losing voting rights and becoming standard customers of the AIB Group. In 2016 EBS re-registered as a designated activity company as required under the Companies Act 2014 and its legal name changed to EBS d.a.c.

AIB operates EBS as a standalone, separately branded subsidiary with its own distribution network. EBS offers residential mortgages and savings products, together with life and property insurance on an agency basis.

Haven Mortgages was established in 2007 as a wholly owned subsidiary of EBS focused on the distribution of mortgages through the intermediary market. Haven is a separate entity with its board of directors and is authorised by the Central Bank of Ireland as a Retail Credit Firm. Haven offers residential mortgages through a network of intermediaries.

As at end December 2021 the EBD Group had total assets of EUR 11.5 billion. Its mortgage portfolio had a value of EUR 10.5 billion with 117,000 active mortgage customers. As of this date its deposit book amounted to EUR 5.6 billion across around 350,000 active customers. EBS is led by an experienced senior management team with an average of over 25 years' industry experience. The team was subject to change in 2021 but still demonstrates deep experience of EBS and AIB. At end December 2022 EBS had a workforce of 55, which was mainly based in Dublin and focussed on distribution, risk & assurance, and operations & change. Haven had a workforce of 64 employees focussed on performance management of its 196 broker relationships, credit assessment, and broker contact.

EBS benefits from good risk management in accordance with the industry-standard three-lines-of-defence model. AIB provides day to day risk management services to EBS through a managed service agreement (MSA). Risk management in EBS is in line with AIB's risk management framework, which sets out the principles, roles and responsibilities, governance arrangements, and processes for risk management across AIB.

DBRS Morningstar does not rate EBS but does maintain ratings on AIB. AIB's long term issuer rating was most recently confirmed on 16 January 2023 at 'A (low)' with a stable trend. More information on AIB's ratings can be found at www.dbrsmorningstar.com.

Origination and Sourcing

EBS has a countrywide network of 66 offices, 31 self-employed agents with three agent staff. Each agent is independently authorised and regulated as an investment business firm, Investment Product Intermediary, Insurance Intermediary, and Mortgage Credit Intermediary by the Central Bank of Ireland. Agents are tied and exclusively deal with EBS products and services. EBS also offers mortgages directly to its existing customers and has a business unit dedicated to supporting this activity. Haven distributes mortgages through a network of 196 mortgage brokers over which it maintains close oversight.

Applications from EBS agents and Haven intermediaries are submitted to the lender through an electronic application process.

Underwriting Process

All underwriting activities in AIB are centralised within the mortgage lending unit (MLU), which is appropriately segregated from the commercial side of the business. The MLU makes decisions on applications for all Group brands, AIB, EBS and Haven, and Group Credit Risk policies are applied consistently across all brands.

Applications are submitted to MLU electronically through the appropriate system for the channel, for EBS and Haven this is the loan application system (LAS). Applications must include all supporting documentation in scanned form and must be approved by the relevant channel before submission. MLU reviews all policy documents and data inputs, i.e., evidence of income and bank statements prior to making a decision. The applicants' credit history is taken into account considering their internal credit history if they are an existing AIB customer and external information from credit reference agencies.

The assignment of loans for credit assessment by MLU takes into account skill levels, experience, and application-specific features such as the loan amount or policy parameters. The MLU team comprises 52 individuals: 48 underwriters, three credit management staff, and the head of the MLU. Credit managers have a minimum of 10 years' experience in risk management and lending while the head of the team has 20 years' experience. All mandate holders have significant banking and lending experience with varying individual mandates ranging from EUR 300,000 to EUR 1 million. Loans of up to EUR 5 million can be approved within the MLU on a dual sign off basis.

Credit policy is set centrally and applies to all agents and intermediaries. The policy is subject to annual review and was last updated in December 2022. The policy is supported by a guidance document to assist staff in interpreting the policy requirements. The key policy parameters are net disposable income, loan-to-income, stress testing, loan-to-value, and mortgage term.

Valuations

EBS and Haven require full valuations of every mortgaged asset completed by a qualified third-party appraiser selected from an approved panel that is vigorously monitored. Valuation reports are reviewed against the property address and must be no more than four months old at completion of the mortgage.

Summary Strengths

- Well defined distribution strategies for each brand
- Centralised underwriting and good experience across underwriting team.
- Full, external valuations on all first charge mortgage loans with no drive-by, desktop, or indexed valuations.
- Good risk management in accordance with the industry standard three-lines-of-defence model managed by AIB.
- Experienced senior management team with knowledge of both AIB and EBS.

Servicing

All servicing activities for EBS and Haven originated loans are managed by AIB's customer services team. The relationship between EBS and AIB was established in December 2012 when a MSA was put in place. There are currently 30 service agreements in place between the AIB servicing units and EBS and Haven. The majority of EBS processes are embedded in AIB and there are monthly service forums for oversight and challenge of service delivery between AIB and EBS and Haven.

Servicing by AIB starts before completion of the mortgage with the credit services team undertaking pre-drawdown fulfilment. On receipt of a completed mortgage loan offer the case is reviewed to ensure conditions are met before funds are issued to a solicitor. Credit services also undertake general administration during the life of the mortgage dealing with activities such as rate changes and redemption figure requests.

If a customer experiences financial difficulty they are dealt with by the retail arrears, credit and collections (RACC) team. The team is made up of 244 staff across four sites and operates across all brands and product types including mortgages, current accounts, personal and SME loans, credit cards, and finance & leasing. The activities undertaken by the team fall into four main categories:

- Early intervention/prevention of arrears
- Customer engagement through to resolution
- Sustainable cures and restructures
- Legal progression

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

The monitoring process goes through various stages: 0-30 days past due (DPD), 30-120 DPD, greater than 120 DPD (non-legal), pre litigation, and finally legal.

During the first stage, the collection agent will call the borrower to seek payment to cure the arrears or to obtain a commitment to clear the arrears over a short period. The agent will seek to complete a standard financial statement (SFS) and prevent the borrower from moving to the next delinquency bucket. Text messages and letters are sent throughout the month to ensure ongoing contact with the borrower and to meet agreed milestones.

Mortgage accounts that roll to the second delinquency bucket typically have continuing arrears on a previously agreed long term restructure. If the SFS is still outstanding, the agent will continue to try to obtain this from the borrower to enable a more detailed assessment of the borrower's circumstances and AIB's ability to agree a short-term forbearance option. An agent will follow up with the borrower via a field visit to try and obtain the SFS if telephone contact is not possible. When the SFS is received, the case is assigned to the portfolio management team to assess the status of the loan and follow up with the borrower.

The third phase starts at 120 DPD and includes borrowers that have not agreed a long-term solution, vulnerable or deceased customers, accounts previously in legal that are seeking a resolution together with defaulted loans on previously agreed long-term solutions. All cases are assigned to a portfolio team depending on the status of the borrower and the case ownership model is employed. Each case has a strategy to resolve the arrears and will be managed by the case owner until the arrears are cured, the loan is restructured, or legal action is deemed necessary. If the borrower does not cooperate or declines or defaults on a resolution offer the loan will usually move to the pre-litigation phase. A notification would be sent to the borrower to advise that a solicitor may be appointed following their exit from the MARP process, subsequently demanding the repayment of the loan.

The final stage progresses the borrower through the legal process for recovery of debt. This is considered to be a last resort and will only occur if the borrower does not cooperate or engage with AIB. Legal activity is undertaken by a panel of eight external solicitor firms. If a borrower re-engages during the pre-litigation or legal process the case will be referred to a portfolio manager to work through to a final solution.

Summary Strengths

- Active delinquency management activities including calling and letter campaigns and pre-arrears activities including modifications, and highly experienced arrears support management team.
- Strong IT platform including robust customisation and functionality within servicing and arrears management system.
- Embedded relationship between EBS and AIB for managed services, which has been in place for more than 10 years.

Appendix 2

Methodologies Applied

The principal methodology applicable to assign the ratings to this transaction is *Master European Residential Mortgage-Backed Securities Rating Methodology and Jurisdictional Addenda* (28 November 2022).

The other methodologies applied for rating this transaction are listed below.

- *Legal Criteria for European Structured Finance Transactions* (22 July 2022), <https://www.dbrsmorningstar.com/research/400166/legal-criteria-for-european-structured-finance-transactions>.
- *Derivative Criteria for European Structured Finance Transactions* (20 September 2021), <https://www.dbrsmorningstar.com/research/384624/derivative-criteria-for-european-structured-finance-transactions>.
- *Interest Rate Stresses for European Structured Finance Transactions* (22 September 2022), <https://www.dbrsmorningstar.com/research/402943/interest-rate-stresses-for-european-structured-finance-transactions>.
- *Operational Risk Assessment for European Structured Finance Servicers* (15 September 2022), <https://www.dbrsmorningstar.com/research/402774/operational-risk-assessment-for-european-structured-finance-servicers>.
- *Operational Risk Assessment for European Structured Finance Originators* (15 September 2022), <https://www.dbrsmorningstar.com/research/402773/operational-risk-assessment-for-european-structured-finance-originators>.
- *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* (17 May 2022), <https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>.

DBRS Morningstar will monitor the transaction in accordance with its *Master European Structured Finance Surveillance Methodology* (7 February 2023).

All methodologies are available at www.dbrsmorningstar.com under the methodologies heading; alternatively, please contact info@dbrsmorningstar.com.

Appendix 3: Environmental, Social and Governance (ESG) Checklist and Considerations

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis: Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*		
Environmental		Overall:	N	N
Emissions, Effluents, and Waste	Do the costs or risks result in a higher default risk or lower recoveries for the securitized assets?	N	N	N
Carbon and GHG Costs	Do the costs or risks related to GHG emissions result in higher default risk or lower recoveries of the securitized assets?	N	N	N
	Are there potential benefits of GHG-efficient assets on affordability, financeability, or future values (recoveries)?	N	N	N
	Carbon and GHG Costs	N	N	N
Climate and Weather Risks	Are the securitized assets in regions exposed to climate change and adverse weather events affecting expected default rates, future valuations, and/or recoveries?	N	N	N
Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N	N
Social		Overall:	N	N
Social Impact of Products and Services	Do the securitized assets have an extraordinarily positive or negative social impact on the borrowers and/or society, and do these characteristics of these assets result in different default rates and/or recovery expectations?	N	N	N
	Does the business model or the underlying borrower(s) have an extraordinarily positive or negative effect on their stakeholders and society, and does this result in different default rates and/or recovery expectations?	N	N	N
	Considering changes in consumer behavior or secular social trends: does this affect the default and/or loss expectations for the securitized assets?	N	N	N
	Social Impact of Products and Services	N	N	N
Human Capital and Human Rights	Are the originator, servicer, or underlying borrower(s) exposed to staffing risks and could this have a financial or operational effect on the structured finance issuer?	N	N	N
	Is there unmitigated compliance risk due to mis-selling, lending practices, or work-out procedures that could result in higher default risk and/or lower recovery expectations for the securitized assets?	N	N	N
	Human Capital and Human Rights	N	N	N
Product Governance	Does the originator's, servicer's, or underlying borrower(s) failure to deliver quality products and services cause damage that may result in higher default risk and/or lower recovery expectations for the securitized assets?	N	N	N
Data Privacy and Security	Does the originator's, servicer's, or underlying borrower(s) misuse or negligence in maintaining private client or stakeholder data result in financial penalties or losses to the issuer?	N	N	N
Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N	N
Governance		Overall:	N	N
Corporate / Transaction Governance	Does the transaction structure affect the assessment of the credit risk posed to investors due to a lack of appropriate independence of the issuer from the originator and/or other transaction parties?	N	N	N
	Considering the alignment of interest between the transaction parties and noteholders: does this affect the assessment of credit risk posed to investors because the alignment of interest is inferior or superior to comparable transactions in the sector?	N	N	N
	Does the lack of appropriately defined mechanisms in the structure on how to deal with future events affect the assessment of credit risk posed to investors?	N	N	N
	Considering how the transaction structure provides for timely and appropriate performance and asset reporting: does this affect the assessment of credit risk posed to investors because it is inferior or superior to comparable transactions in the sector?	N	N	N
	Corporate / Transaction Governance	N	N	N
Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N	N
Consolidated ESG Criteria Output:		N	N	N

ESG Considerations

Environmental

There were no environmental factors that had a relevant or significant effect on the credit analysis. For more details about which environmental factors could have an effect on the credit analysis, please refer to the checklist above.

Social

There were no social factors that had a relevant or significant effect on the credit analysis. For more details about which social factors could have an effect on the credit, please refer to the checklist above.

Governance

There were no governance factors that had a relevant or significant effect on the credit analysis. For more details about which governance factors could have an effect on the credit analysis, please refer to the checklist above.

The above ESG discussion relates to credit risk factors that could impact the financial profile and therefor the rating of the issuer. They are separate from ESG sustainability factors, which are generally outside the scope of this analysis. A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at <https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>.

About DBRS Morningstar

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We rate more than 4,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

DBRS Morningstar is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

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